

**TAX HAVEN ABUSES: THE ENABLERS, THE TOOLS
AND SECRECY—VOL. 3 OF 4**

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

AUGUST 1, 2006

Printed for the use of the Committee on Homeland Security
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b. Charles Wilk (Quellos) Correspondence to Woodglen I, LLC, dated November 2004, (<i>What was stated was that we believe from the documents we have reviewed that the referenced transactions were OTC contracts, and, therefore, there were probably no exchange traded transactions of the shares.</i>)	1135
c. Charles Wilk (Quellos) Correspondence to Woodglen I, LLC, dated November 2004, re: <i>Reka Limited</i> (... <i>it appears that the transactions involved over-the-counter (“OTC”) sales of rights to an underlying portfolio of stock (the “Portfolio”) by Jackstones to Barnville.</i>)	1136
54. Correspondence between John Staddon (European American Investment Group) and the Senate Permanent Subcommittee on Investigations, dated July 2006, re: <i>Barnville and Jackstones</i> (... <i>the portfolio of securities traded by and between Barnville and Jackstones was of a purely contractual book-entry nature. ... no physical transfer of shares were made. No transactions took place over any exchange and no cash transfers passed between bank accounts of the two companies.</i>)	1138
55. John Staddon email, dated July 2000, re: <i>Promissory note</i> (<i>I had assumed that we would be having a circular funding pattern ... such that no cash would need to actually pass i.e. purely book entry.</i>)	1152
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b. Rajan Puri (Euram)/Chuck Wilk (Quellos) emails, dated April 2000, re: <i>Further Revisions to POINT</i> (... <i>given the “virtual” nature of the warrant issue</i> ...)	1156
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58. Chuck Wilk emails, dated August 2001, re: <i>Ownership</i> (<i>Barnville is owned jointly by Claycroft Limited and Dalecroft Limited, both Isle of Man companies. ... I am not at all keen on revealing the ultimate beneficial owner.</i>)	1180
59. a. HSBC Account Application for Barnville Limited	1181
b. Mary Pan/Russell Schreiber (HSBC) email, dated August 2001, re: <i>Barnville and Jackstone</i>	1183

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b. Document regarding Quellos/HSBC transaction (<i>The deferral of ~\$700–750 million for 5 to 10 years is the economic benefit that provides Quellos with its fee.</i>)	1190
c. Russell Schreiber/Mary Pan email, dated September 2001, re: <i>Silverlight Enterprises, L.P.</i>	1192
61. a. Chuck Wilk/John Barrie emails, dated August 2001, re: <i>timing issues Revised Checklist (... from a tax standpoint, I think Silverlight ought to hold newco with Titanium at least a day or two to establish factually its ownership interest (important for basis shift) to better avoid argument that ownership is transitory and could be ignored on a step transaction argument ...)</i>	1193
b. Chuck Wilk/John Barrie emails, dated August 2001, re: <i>Purchase Agreement</i>	1195
c. John Barrie email, dated August 2001, re: <i>Titanium Trading Partners LLC (Returns are calculated based on the sum of the costs of the collar, financing, loan fee and structuring fees as a percentage of the net gain/(loss) for each profitability scenario.)</i>	1196
d. Lana Phillips email, dated September 2001, re: <i>Revised Consents (I'd rather not indicate the sequence of these documents in their titles because the creation and ownership of the LLC by Barnville and EAICS must be completely independent. ... Showing a clear sequence seems to betray that independence.)</i>	1197
e. Elizabeth Smith/Chuck Wilk email, dated June 2002, (<i>... would it be reasonable to assume ... that the opinion should be done by the end of June?</i>)	1198
62. a. Chuck Wilk email, dated December 1999, re: <i>POINT trade (I had a meeting this week with Lew Steinberg of Cravath Swaine & Moore to finalize the draft of the opinion and to review the economics of the trade.)</i>	1199
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TAX HAVEN ABUSES: THE ENABLERS, THE TOOLS AND SECRECY—VOL. 3 OF 4

1992 NON-STATUTORY EMPLOYEE STOCK OPTION AGREEMENT



This Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Sam Wyly, an employee, director or other advisor of the Company or one of its subsidiaries (the "Participant"). The Company and the Participant agree as follows:

1. *Grant of Option.* Pursuant to a duly adopted resolution of the Board of Directors of the Company or a duly appointed committee thereof (as used herein, "Committee" shall mean the Board of Directors of the Company or its duly appointed committee, as applicable), the Company hereby grants to the Participant an option (the "Option") pursuant to the rules and regulations of the Company's 1992 Non-Statutory Stock Option Plan (the "Plan") to purchase from the Company a total of 400,000 shares of the Company's common stock, par value \$0.10 per share ("Common Stock"), at an exercise price per share of \$29.00 (Twenty-Nine and 00/100 dollars) (the "Exercise Price"), in the amounts, during the periods and upon the terms and conditions set forth herein and in the Plan.

2. *Time of Exercise.* The Option may be exercised, in whole or in part, at any time commencing May 23, 1995.

Notwithstanding the above vesting schedule, in the event of a Change of Control (as defined in Section 7 of the Employment Agreement dated July 7, 1987 between the Participant and the Company and any amendments thereto) or a threatened Change of Control, all of the unexercised portion of this Option shall become immediately exercisable. Whether a Change of Control is threatened shall be determined solely by the Board of Directors of the Company.

3. *Term.* The Option and all rights incident thereto shall terminate ten years from November 23, 1994 (the "Expiration Date").

4. *Restrictions on Exercise.* The Option:

(a) May be exercised only with respect to full shares and no fractional shares of Common Stock shall be issued upon exercise of the Option; and

(b) May be exercised in whole or in part, but no certificates representing shares subject to the Option shall be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Option, or issuance of securities upon such exercise, shall not have been obtained or secured.

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5. *Manner of Exercise.* The Option may be exercised by written notice to the Company of the number of shares being purchased and the Exercise Price to be paid, accompanied by the following:

(a) Full payment of the Exercise Price in United States dollars, or in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, or a combination of any of the foregoing as required by the Committee in its discretion; and

(b) — An undertaking to furnish or execute such documents as the Company in its discretion shall deem necessary to (i) evidence such exercise of the Option, (ii) determine whether registration is then required under the Securities Act of 1933, as then in effect, and (iii) comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

If Common Stock is to constitute all or any portion of the Exercise Price, it shall be valued at its fair market value, as determined by the Committee on the basis of such factors as the Committee may deem appropriate; provided that if at the time the determination of fair market value is made, the shares of Common Stock are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of the shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for, or (ii) the closing price of, the Common Stock on that exchange on the most recent trading day preceding the date on which the Option is exercised. For purposes of the preceding sentence, the term "national securities exchange" shall also include the National Association of Securities Dealers Automated Quotation System and the over-the-counter market. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall be paid or withheld in full prior to any delivery of shares upon exercise.

6. *Transferability of Options.* This Option may be transferred by the holder hereof upon five (5) days prior written notice to the Company.

7. *Rights as Stockholder.* Neither the Participant nor any of the Participant's beneficiaries shall be deemed to have any rights as a stockholder with respect to any shares covered by the Option until the issuance of a certificate to the Participant for such shares.

8. *Capital Adjustments.* The number of shares of Common Stock covered by the Option evidenced by this Agreement, and the Exercise Price thereof, shall be subject to adjustment to reflect any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, separation, reorganization, liquidation, or the like of, or in any manner involving the Company. Except as provided in this Section 8, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Option.

9. *Rights in Event of Death of Participant.* If the Participant dies prior to the Expiration Date, any unexercised portion of the Option shall become immediately exercisable and shall continue to be exercisable in accordance with the terms of this Agreement by the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant or, if applicable, by any transferee of the Option.

10. *Stock Purchased for Investment.* Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Option, the person entitled to exercise the same shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution.

11. *Notices.* Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address. Each notice shall be deemed to have been given on the date it is received. Each notice to the Company shall be addressed to it at its principal office, now 8080 North Central Expressway, Suite 1100, Dallas, Texas 75206, attention of the Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Option shall be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. *Rights in Event of Termination of Employment Other Than as a Result of Death.* If the Participant ceases to be employed by the Company or one of its subsidiaries prior to the Expiration Date, other than as a result of death, any unexercised portion of the Option shall continue to be exercisable in accordance with the terms of this Agreement by the Participant or, if applicable, by any transferee of the Option.

13. *Employment.* This Agreement does not confer upon the Participant any right to be employed or to continue in the employ of the Company or any of its subsidiaries, nor does it in any way interfere with the right of the Company or any such subsidiary to terminate the employment of the Participant at any time.


14. *No Obligation to Exercise Option.* This Agreement does not impose any obligation upon the Participant to exercise the Option.

15. *Law Governing.* This Agreement is intended to be performed in the State of Texas and shall be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which shall be governed by the laws of the State of Delaware.


3336

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 23rd day of November, 1994.

STERLING SOFTWARE, INC.

By: 
Sterling L. Williams
President and Chief Executive Officer

PARTICIPANT:


Signature
SAM WYCK
Print Name

Address for Notice

8080 N. Central Expwy. LB 31
Dallas TX 75206

374973/D

-4-

CONFIDENTIAL
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MICHAELS STORES, INC.

NON-STATUTORY STOCK OPTION AGREEMENT

This Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Charles J. Wyly, Jr., an employee, director or other advisor of the Company or one of its subsidiaries (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Option. Pursuant to a duly adopted resolution of the Board of Directors of the Company or a duly appointed committee thereof (collectively referred to herein as the "Board"), the Company hereby grants to the Participant a non-statutory option (the "Option") pursuant to the rules and regulations of the Company's 1992 Non-Statutory Stock Option Plan (the "Plan") to purchase from the Company a total of 300,000 shares of the Company's Common Stock, par value \$.10 per share ("Common Stock"), at an exercise price per share of \$20.625 (the "Exercise Price"), in the amounts, during the periods and upon the terms and conditions set forth herein.

2. Time of Exercise. Subject to the other terms hereof, the Option may be exercised, in whole or in part, according to the following schedule:

<u>Percentage Exercisable</u>	<u>Date</u>
25%	August 19, 1993
25%	August 19, 1994
25%	August 19, 1995
25%	August 19, 1996

The unexercised portion of the Option from one period may be carried over to a subsequent period or periods and the right of the Participant to exercise the Option as to such unexercised portion shall continue for the entire term. Notwithstanding the foregoing, however, the Option shall become immediately exercisable in full if either (i) the Company's net income per share over any period of four consecutive fiscal quarters is at least \$2.00 or (ii) the average closing price of the Company's Common Stock as quoted by NASDAQ or any stock exchange over any period of 90 consecutive calendar days is at least \$40.00 per share, in either case giving appropriate effect to, and making appropriate adjustment for, any change in capitalization of the Company, such as a stock dividend, stock split, reverse stock split, share combination, exchange of shares, merger, consolidation, reorganization, liquidation, or the like, of or by the Company. In no event may the Option be exercised in whole or in part after the expiration of the term described in Section 3 below.

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 653

3. Term. Subject to the other terms hereof, the Option and all rights incident thereto shall terminate on August 18, 1997.

4. Restrictions on Exercise. The Option:

(a) May be exercised only with respect to full shares and no fractional shares of Common Stock shall be issued upon exercise of the Option; and

~~(b) May be exercised in whole or in part, but no certificates representing shares subject to the Option shall be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Option, or issuance of securities upon such exercise, shall not have been taken or secured.~~

5. Manner of Exercise. The Option may be exercised by written notice to the Company of the number of shares being purchased and the Exercise Price to be paid, accompanied by the following:

(a) (i) Full payment of the Exercise Price in United States Dollars, or in shares of Common Stock then owned by the Participant, or in any other form of valid consideration, (ii) a copy of irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares purchased upon exercise of the Option or pledge them as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay the Exercise Price, or (iii) a combination of any of the foregoing as required by the Board in its discretion; and

(b) An undertaking to furnish or execute such documents as the Company in its discretion shall deem necessary (i) to evidence such exercise of the Option, (ii) to determine whether registration is then required under the Securities Act of 1933, as then in effect and (iii) to comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

If Common Stock is to constitute all or any portion of the Exercise Price, it shall be valued at its fair market value, as determined by the Board on the basis of such factors as the Board may deem appropriate; provided that if at the time the determination of fair market value is made, the shares of Common Stock are admitted to trading on a national securities exchange for which sale prices are regularly reported, the fair market value of the shares shall not be less than the lower of (i) the mean between the closing bid and asked prices reported for, or (ii) the closing trade price of, the Common Stock on that exchange on the date or most recent trading day preceding the date on which the Option is exercised. For

purposes of the preceding sentence, the term "national securities exchange" shall include without limitation the National Association of Securities Dealers Automated Quotation System and the over-the-counter market. Any federal, state or local taxes required to be paid or withheld at the time of exercise shall be paid or withheld in full prior to any delivery of shares upon exercise. Upon due exercise of the Option, the Company shall issue such shares registered in the name of the person exercising the Option or as directed by such person in writing reasonably acceptable to the Company.

6. Transferability of Option. This Option may be transferred by the holder hereof upon five (5) days prior written notice to the Company.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries shall be deemed to have any rights as a stockholder with respect to any shares covered by the Option until the issuance of a certificate to the Participant for such shares.

8. Capital Adjustments. If the outstanding shares of Common Stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities through merger, consolidation, combination, exchange of shares, other reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made changing the number or kind of shares allocated to unexercised portions of the Option. Any such adjustment shall be made without change in the aggregate Exercise Price applicable to the unexercised portions of the Option, but with a corresponding adjustment in the Exercise Price for each share covered by such unexercised portions. Except as otherwise specifically provided herein, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Option.

9. Rights in Event of Death of Participant. If the Participant dies prior to termination of the Participant's rights to exercise the Option in accordance with the provisions of this Agreement without having exercised the Option as to all shares covered thereby, the Option may be fully exercised as to the unexercised portion thereof and subject to all other conditions of the Plan and this Agreement by the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance or by reason of the death of the Participant, provided the period during which the Option may be so exercised shall not continue beyond the expiration of the Option or one year from the date of the Participant's death, whichever date first occurs.

10. Stock Purchased for Investment. Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees that all shares of Common Stock purchased upon the exercise of the Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Option, ~~the person entitled to exercise the same~~ shall furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution. The Participant understands and agrees that all certificates evidencing any of the shares purchased upon the exercise of the Option shall bear a legend, prominently stamped or printed thereon, reading substantially as follows:

The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"), or the securities law of any state (a "State Act"). The shares have been acquired for investment and may not be transferred or otherwise disposed of unless such shares are then registered under the Act, and any applicable State Acts or the issuer has received an opinion of counsel, satisfactory to the issuer, that such transfer does not require registration under the Act or any State Act.

11. Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address. Each notice shall be deemed to have been given on the date it is received. Each notice to the Company shall be addressed to it at its principal office, now 5931 Campus Circle Drive, Irving, Texas 75063, Attention: Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Option shall be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. No Obligation to Exercise Option. This Agreement does not impose any obligation upon the Participant to exercise the Option.

13. Employment. This Agreement does not confer upon the Participant any right to be employed or to continue in the employ or service of the Company or any of its subsidiaries, nor does it in any way interfere with the right of the Company or any such subsidiary to terminate the employment or service of the Participant at any time.


14. Law Governing. This Agreement is intended to be performed in the State of Texas and shall be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which shall be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 19th day of August, 1992.

MICHAELS STORES, INC.

By: Mark V. Brady
Title: VP

PARTICIPANT:


436-44-1110
Social Security Number

Address for Notice to Participant:

MSNY 015799

STERLING COMMERCE, INC.
1996 STOCK OPTION PLAN

Stock Option Agreement

This Stock Option Agreement (the "Agreement") is entered into by and between Sterling Commerce, Inc., a Delaware corporation (the "Company"), and Sam Wyly (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Stock Option. Pursuant to a duly adopted resolution of the Special Stock Option Committee on February 12, 1996 (the "Date of Grant"), the Company hereby grants to the Participant, upon the terms and conditions set forth below and subject to the terms and conditions of the Company's 1996 Stock Option Plan (the "Plan"), an option (the "Stock Option") to purchase from the Company a total of 3,000,000 shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), at an exercise price per share (the "Option Price") equal to the price per share to the public of the shares of Common Stock offered and sold by the Company in the underwritten initial offering of the Common Stock ("IPO"). Notwithstanding the foregoing, this Stock Option will be effective on the date on which the purchase and sale of the Common Stock pursuant to the IPO first occurs and may not be exercised prior to such date. Any terms, when used in this Agreement with initial capital letters but not defined herein, have the same meanings as in the Plan, the provisions of which are incorporated into this Agreement by reference. The Participant acknowledges receipt of a copy of the Plan.

2. Time of Exercise. The Stock Option may be exercised, in whole or in part, at any time on or after the date on which this Stock Option becomes effective, as provided in Section 1, without regard to whether the Participant is an employee of the Company or any Subsidiary at the time of exercise. In no event may the Stock Option be exercised in whole or in part, however, after the expiration of the term described in Section 3 below.

3. Term. The Stock Option will expire and all rights under this Agreement will terminate on the tenth anniversary of the Date of Grant.

4. Restrictions on Exercise. The Stock Option:

(a) may be exercised only with respect to full shares and no fractional shares of Common Stock will be issued upon exercise of the Stock Option; and

(b) may be exercised in whole or in part, but no certificates representing shares subject to the Stock Option

will be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Stock Option, or issuance of securities upon such exercise, has not been obtained or secured.

5. Manner of Exercise. The Stock Option may be exercised by written notice to the Company of the number of shares being purchased and the Option Price to be paid, accompanied by full payment of the Option Price (a) in cash or by check acceptable to the Company, (b) by the transfer to the Company of shares of Common Stock owned by the Participant for at least six months and having an aggregate fair market value per share at the date of exercise equal to the aggregate Option Price (provided that the payment method described in this clause (b) will not be available at any time that the Company is prohibited from purchasing or acquiring such shares of Common Stock), or (c) by a combination of any of the foregoing, provided that payment of the Option Price may also be made by deferred payment from the proceeds of sale through a bank or broker of some or all of the shares to which the exercise relates. Any federal, state or local taxes required to be paid or withheld at the time of exercise will be paid or withheld in full prior to any delivery of shares upon exercise.

6. Transferability of Stock Options. This Stock Option may be transferred by the Participant on five days prior written notice to the Company.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries will be deemed to have any rights as a stockholder with respect to any shares covered by the Stock Option until the issuance of a certificate to the Participant for such shares.

8. Adjustments. The number of shares of Common Stock covered by the Stock Option evidenced by this Agreement, and the Option Price thereof, will be subject to adjustment as provided in the Plan. No adjustment will be made for dividends or other rights for which the record date is prior to the issuance of the certificate or certificates representing shares issued pursuant to the Stock Option.

9. Rights in Event of Death of Participant. In the event of the death of the Participant, the Stock Option may be exercised by the Participant's estate or a person who acquired the right to exercise the Stock Option by bequest or inheritance or by reason of the death of the Participant. In no event may the Stock Option be exercised after the expiration date set forth in Section 3.

10. Stock Purchased for Investment. Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Stock Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees that all shares of Common Stock purchased upon the exercise of the Stock Option will be acquired for investment and not for resale or distribution, and that upon each exercise of any portion of the Stock Option, the person entitled to exercise the same will furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution. The Participant agrees to furnish or execute such documents as the Company in its discretion deems necessary to (a) evidence such exercise of the Stock Option, (b) determine whether registration is then required under the Securities Act of 1933, as then in effect, and (c) comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

11. Notices. Each notice relating to this Agreement will be in writing and delivered in person or by certified mail to the proper address. Each notice will be deemed to have been given on the date it is received. Each notice to the Company will be addressed to it at its principal office, now 8080 North Central Expressway, Suite 1100, Dallas, Texas 75206, attention of the Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Stock Option will be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. Employment. This Agreement does not confer upon the Participant any right to be employed or to continue in the employ of the Company or any Subsidiary, nor does it in any way interfere with the right of the Company or any Subsidiary to terminate the employment of the Participant at any time.

13. No Obligation to Exercise Stock Option. This Agreement does not impose any obligation upon the Participant to exercise the Stock Option.

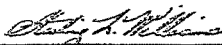
14. Amendments. The Special Stock Option Committee may, without the consent of the Participant, amend this Agreement, or otherwise take action, to accelerate the time or times at which the Stock Option may be exercised, to extend the term described in Section 3 above, to waive any other condition or restriction applicable to the Stock Option or to the exercise of the Stock Option, to reduce the Option Price and to make any other change

permitted to be made under the Plan without the consent of the Participant; and may amend the Agreement in any other respect with the consent of the Participant.

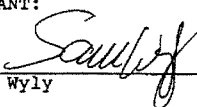
15. Governing Law. This Agreement is intended to be performed in the State of Texas and will be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which will be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 12th day of February, 1996.

STERLING COMMERCE, INC.

By: 
Sterling L. Williams
Chairman and Chief Executive
Officer

PARTICIPANT:

By: 
Sam Wyly

Social Security Number: _____

Address for Notice:

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 21 day of December, 1995, between Sterling Software, Inc., a Delaware corporation (the "Company"); Sam Wyly, an individual (the "Participant"); and Aundyr Trust Company Limited, Trustee of The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:


WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of November 23, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 400,000 shares of Common Stock of the Company at an exercise price of \$29.00 per share (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his right to purchase 400,000 shares of Common Stock of the Company under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

 This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Aundyr Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Sam Wyly of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated November 23, 1994, between the Company and Sam Wyly. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 654

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EXECUTED as of the day and year first above written.

STERLING SOFTWARE, INC.

By:


Jeannette Meier,
Executive Vice President

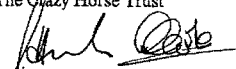
PARTICIPANT


Sam Wyly

TRANSFeree

AUNDYB TRUST COMPANY LIMITED, Trustee
of The Crazy Horse Trust

By:


A. R. Huse, Director

Its:

A. R. Huse D. G. CORP.

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**AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the 30th day of December, 1995, between Sterling Software, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr. an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of November 23, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 400,000 shares of Common Stock of the Company at an exercise price of \$29.00 per share (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his right to purchase 300,000 shares of Common Stock of the Company under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated November 23, 1994 between the Company and Charles J. Wyly, Jr. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 654

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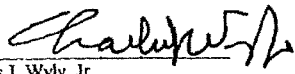
EXECUTED as of the day and year first above written.

STERLING SOFTWARE, INC.

By: 

Jeannette Meier,
Executive Vice President

PARTICIPANT


Charles J. Wyly, Jr.

TRANSFEREE:

LORNE HOUSE TRUST LIMITED, Trustee
of The Woody International Trust

By: 

Its:  

CONFIDENTIAL
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**STERLING COMMERCE, INC.
1996 STOCK OPTION PLAN**

Third Amendment to Stock Option Agreement

This Third Amendment to Stock Option Agreement (this "Amendment") is entered into by and between Sterling Commerce, Inc., a Delaware corporation (the "Company"), and Moberly Limited, an Isle of Man corporation (the "Participant").

A. The Company and Sam Wyly entered into a Stock Option Agreement, dated February 12, 1996 (the "Agreement").

B. By Amendment to Stock Option Agreement, dated March 7, 1996, Sam Wyly transferred his rights under the Agreement to Aundyr Trust Company Limited, Trustee of The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Aundyr").

C. By Second Amendment to Stock Option Agreement, dated March 7, 1996, Aundyr transferred its rights under the Agreement to the Participant.

D. For good and valuable consideration, receipt of which is hereby acknowledged, the Company and the Participant desire to amend the Agreement as set forth below.

NOW, THEREFORE, the Company and the Participant agree as follows:

1. Section 2 of the Agreement is hereby amended in its entirety to read as follows:

"2. Time to Exercise. The Stock Option may be exercised, in whole or in part, at any time on or after the second business day after the first anniversary of the record date (the "Record Date") established by the Board of Directors of Sterling Software, Inc. ("Sterling Software") with respect to the special dividend consisting of the distribution to all holders of Sterling Software's common stock, par value \$.10 per share, of all shares of common stock, par value \$.01 per share, of the Company owned by Sterling Software on the Record Date. Notwithstanding the foregoing, in the event of a Change in Control (as hereinafter defined) or a threatened Change in Control, all of the unexercised portion of the Stock Option will become immediately exercisable. Whether a Change in Control is threatened will be determined solely by the Board. The Stock Option may be exercised without regard to whether the Participant is an employee of the Company or any Subsidiary at the time of exercise. In no event may the Stock Option be exercised in whole or in part, however, after the expiration of the term described in Section 3 below.

For purposes of this Agreement, a "Change in Control" means the occurrence of any of the following events:

(a) the Company is merged, consolidated or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than two-thirds of the combined voting power of the then-

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PS100085953

outstanding securities entitled to vote generally in the election of directors ("Voting Stock") of such corporation or person immediately after such transaction are held in the aggregate by the holders of Voting Stock of the Company immediately prior to such transaction;

(b) the Company sells or otherwise transfers all or substantially all of its assets to another corporation or other legal person, and as a result of such sale or transfer less than two-thirds of the combined voting power of the then-outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(c) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Act, disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Act) of securities representing 20% or more of the combined voting power of the then-outstanding Voting Stock of the Company;

(d) the Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of the Company has occurred or will occur in the future pursuant to any then-existing contract or transaction; or

(e) if, during any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof; provided, however, that for purposes of this clause (e) each director who is first elected, or first nominated for election by the Company's stockholders, by a vote of at least two-thirds of the directors of the Company (or a committee thereof) then still in office who were directors of the Company at the beginning of any such period will be deemed to have been a director of the Company at the beginning of such period.

Notwithstanding the foregoing provisions of clauses (c) or (d) above, unless otherwise determined in a specific case by majority vote of the Board, a "Change in Control" will not be deemed to have occurred for purposes of clause (c) or clause (d) above solely because (A) the Company, (B) a Subsidiary, (C) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary or (D) Sterling Software, Inc. or any of its wholly owned subsidiaries (collectively, "SSW") either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Act disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has occurred or will occur in the future by reason of such beneficial ownership or any increase or decrease thereof; provided, however, that the exception contained in clause (D) above with respect to the beneficial ownership of Voting Stock of the

Company by SSW will expire, without further action, effective as of the date on which SSW no longer beneficially owns more than 10% of the outstanding Voting Stock of the Company."

2. In all other respects, the terms of the Agreement will remain in full force and effect.

This Amendment is effective as of September 13, 1996.

STERLING COMMERCE, INC.

By: Walter E. Hall

PARTICIPANT

Moberly Limited, an Isle of Man corporation

By: [Signature]
Director

ster/options/sgm/moberty

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 29th day of December, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr., an individual (the "Participant"); and MeesPierson (Isle of Man) Limited, Trustee of The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of the 19th day of August, 1992 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 300,000 shares of Common Stock of the Company at an exercise price of \$20.625 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated August 19, 1992, between the Company and Charles J. Wyly, Jr. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 654

CONFIDENTIAL
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PS100063573

3354

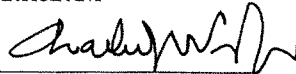
EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: 

Mark V. Beasley,
Vice President

PARTICIPANT



Charles J. Wyly, Jr.

TRANSFeree

MEESPIERSON (ISLE OF MAN) LIMITED,
Trustee of The Maroon Creek Trust

By: 

DONALD H. BEACOCK

Its: DIRECTOR



FRANCIS WEBB

DIRECTOR SECRETARY

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CONFIDENTIAL
SEC100051707
PS100063574

AGREEMENT TO
TRANSFER STOCK OPTIONS
AND
AMEND STOCK OPTION AGREEMENT

THIS AGREEMENT is made the 23rd day of July, 2002, between Computer Associates International, Inc. (the "Company"), Charles J. Wyly, Jr. ("Optionee") and Quayle Limited ("Transferee").

WHEREAS, the Company and Optionee have previously executed an Option Agreement dated March 31, 1997 (the "Option Agreement"), pursuant to which Optionee was issued an option to purchase 56,340 shares of the Company's Common Stock at an exercise price of \$24.1835 per share (the "Option"); and

WHEREAS, Optionee represents that he has, to date, exercised the Option for an aggregate of -0- shares; and

WHEREAS, the Option Agreement allows for the transfer of the Option upon five days written notice to the Company; and

WHEREAS, Optionee wishes to transfer his rights under the Option and the Option Agreement with respect to 56,340 shares of the Company Common Stock (the "Transferred Option Shares") to Transferee;

NOW THEREFORE, the parties agree as follows:

1. The five-day notice period is hereby waived by the Secretary of the Company pursuant to Section 6 of the Option Agreement.
2. Optionee hereby gives notice to Company that it is exercising its right to transfer the Option pursuant to Section 6 of the Option Agreement.
3. The Option Agreement is hereby amended to reflect that the Transferee is the Option holder with respect to the Transferred Option Shares.
4. Transferee shall be entitled to all of the rights of Optionee under and pursuant to the Option Agreement with respect to the Transferred Option Shares and, by executing this agreement, the Transferee agrees to be bound by all of the terms of the Option Agreement.
5. All parties acknowledge that the transfer of the Transferred Option Shares by Optionee to Transferee is a taxable transaction to Optionee and that Optionee shall be responsible for the reporting of such transaction and payment of any taxes with respect thereto.

Executed as of the date set forth below.

COMPANY:
Computer Associates International, Inc.

By: [Signature]
Title: EXR VP - CFO
Date: 9-30-02

TRANSFeree:
Quayle Limited

By: [Signature]
Title: DIRECTOR
Date: 9-10-02

OPTION HOLDER

By: [Signature]
Charles J. Wyly, Jr.

Date: Sept. 17, 2002



CA 001671
CONFIDENTIAL

Confidential Treatment
Requested by CA

CA/NDTX 000860

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 654

AGREEMENT TO
TRANSFER STOCK OPTIONS
AND
AMEND STOCK OPTION AGREEMENT

THIS AGREEMENT is made the 23rd day of July, 2002, between Computer Associates International, Inc. (the "Company"), Charles J. Wyly, Jr. ("Optionee") and Quayle Limited ("Transferee").

WHEREAS, the Company and Optionee have previously executed an Option Agreement dated October 8, 1996 (the "Option Agreement"), pursuant to which Optionee was issued an option to purchase 450,720 shares of the Company's Common Stock at an exercise price of \$25.071 per share (the "Option"); and

WHEREAS, Optionee represents that he has, to date, exercised the Option for an aggregate of -0- shares; and

WHEREAS, the Option Agreement allows for the transfer of the Option upon five days written notice to the Company; and

WHEREAS, Optionee wishes to transfer his rights under the Option and the Option Agreement with respect to 450,720 shares of the Company Common Stock (the "Transferred Option Shares") to Transferee;

NOW THEREFORE, the parties agree as follows:

1. The five-day notice period is hereby waived by the Secretary of the Company pursuant to Section 6 of the Option Agreement.
2. Optionee hereby gives notice to Company that it is exercising its right to transfer the Option pursuant to Section 6 of the Option Agreement.
3. The Option Agreement is hereby amended to reflect that the Transferee is the Option holder with respect to the Transferred Option Shares.
4. Transferee shall be entitled to all of the rights of Optionee under and pursuant to the Option Agreement with respect to the Transferred Option Shares and, by executing this agreement, the Transferee agrees to be bound by all of the terms of the Option Agreement.
5. All parties acknowledge that the transfer of the Transferred Option Shares by Optionee to Transferee is a taxable transaction to Optionee and that Optionee shall be responsible for the reporting of such transaction and payment of any taxes with respect thereto.

Executed as of the date set forth below.

COMPANY:
Computer Associates International, Inc.

By: [Signature] JKA 202

Title: Exec VP - CFO

Date: 9-30-02

TRANSFeree:
Quayle Limited

By: [Signature]

Title: Director

Date: 9-10-02

OPTION HOLDER

By: [Signature]
Charles J. Wyly, Jr.

Date: Sept. 17, 2002

CA 001672
CONFIDENTIAL

Confidential Treatment
Requested by CA

CA/NDTX 000861

AGREEMENT TO
TRANSFER STOCK OPTIONS
AND
AMEND STOCK OPTION AGREEMENT

THIS AGREEMENT is made the 23rd day of July, 2002, between Computer Associates International, Inc. (the "Company"), Sam Wyly ("Optionee") and Greenbriar Limited ("Transferee").

WHEREAS, the Company and Optionee have previously executed an Option Agreement dated October 8, 1996 (the "Option Agreement"), pursuant to which Optionee was issued an option to purchase 859,185 shares of the Company's Common Stock at an exercise price of \$25.071 per share (the "Option"); and

WHEREAS, Optionee represents that he has, to date, exercised the Option for an aggregate of --0-- shares; and

WHEREAS, the Option Agreement allows for the transfer of the Option upon five days written notice to the Company; and

WHEREAS, Optionee wishes to transfer his rights under the Option and the Option Agreement with respect to 859,185 shares of the Company Common Stock (the "Transferred Option Shares") to Transferee;

NOW THEREFORE, the parties agree as follows:

1. The five-day notice period is hereby waived by the Secretary of the Company pursuant to Section 6 of the Option Agreement.
2. Optionee hereby gives notice to Company that it is exercising its right to transfer the Option pursuant to Section 6 of the Option Agreement.
3. The Option Agreement is hereby amended to reflect that the Transferee is the Option holder with respect to the Transferred Option Shares.
4. Transferee shall be entitled to all of the rights of Optionee under and pursuant to the Option Agreement with respect to the Transferred Option Shares and, by executing this agreement, the Transferee agrees to be bound by all of the terms of the Option Agreement.
5. All parties acknowledge that the transfer of the Transferred Option Shares by Optionee to Transferee is a taxable transaction to Optionee and that Optionee shall be responsible for the reporting of such transaction and payment of any taxes with respect thereto.

Executed as of the date set forth below.

COMPANY:
Computer Associates International, Inc.

By: [Signature] JRA ZAR

Title: EXEC VP CFO

Date: 9-30-02

OPTION HOLDER

By: [Signature]
Sam Wyly
9/17/02

TRANSFeree:
Greenbriar Limited

By: [Signature] K.G. HARDING

Title: DIRECTOR

Date: _____

Date: 23rd July 2002

CA 001673
CONFIDENTIAL

Confidential Treatment
Requested by CA

CA/NDTX 000862

AGREEMENT TO
TRANSFER STOCK OPTIONS
AND
AMEND STOCK OPTION AGREEMENT

THIS AGREEMENT is made the 23rd day of July, 2002, between Computer Associates International, Inc. (the "Company"), Sam Wyly ("Optionee") and Greenbriar Limited ("Transferee").

WHEREAS, the Company and Optionee have previously executed an Option Agreement dated March 31, 1997 (the "Option Agreement"), pursuant to which Optionee was issued an option to purchase 112,680 shares of the Company's Common Stock at an exercise price of \$24.1835 per share (the "Option"); and

WHEREAS, Optionee represents that he has, to date, exercised the Option for an aggregate of -0- shares; and

WHEREAS, the Option Agreement allows for the transfer of the Option upon five days written notice to the Company; and

WHEREAS, Optionee wishes to transfer his rights under the Option and the Option Agreement with respect to 112,680 shares of the Company Common Stock (the "Transferred Option Shares") to Transferee;

NOW THEREFORE, the parties agree as follows:

1. The five-day notice period is hereby waived by the Secretary of the Company pursuant to Section 6 of the Option Agreement.
2. Optionee hereby gives notice to Company that it is exercising its right to transfer the Option pursuant to Section 5 of the Option Agreement.
3. The Option Agreement is hereby amended to reflect that the Transferee is the Option holder with respect to the Transferred Option Shares.
4. Transferee shall be entitled to all of the rights of Optionee under and pursuant to the Option Agreement with respect to the Transferred Option Shares and, by executing this agreement, the Transferee agrees to be bound by all of the terms of the Option Agreement.
5. All parties acknowledge that the transfer of the Transferred Option Shares by Optionee to Transferee is a taxable transaction to Optionee and that Optionee shall be responsible for the reporting of such transaction and payment of any taxes with respect thereto.

Executed as of the date set forth below.

COMPANY:
Computer Associates International, Inc.

By: [Signature] JRA ZAR

Title: EXEC VP - CFO

Date: 9-30-02

OPTION HOLDER

By: [Signature]
Sam Wyly

TRANSFeree:
Greenbriar Limited

By: [Signature] K. L. HEDDING

Title: DIRECTOR

Date: 23rd July 2002

Date: 9/17/02

CA 001674
CONFIDENTIAL

Confidential Treatment
Requested by CA

CA/NDTX 000863



MILLIMAN & ROBERTSON, INC.
Actuaries and Consultants

3800 First Interstate Bank
1445 Ross Avenue
Dallas, Texas 75202-2711
Telephone: 214/855-0100
Fax: 214/855-0890

April 30, 1992

Mr. Charles J. Wyly, Jr.
8080 North Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Re: *Private Annuity Agreement Between Charles J. Wyly, Jr. and Roaring Creek Limited*

Dear Mr. Wyly:

As requested by Sharyl Robertson, we have calculated the annual annuity payment under the Private Annuity Agreement between Charles J. Wyly, Jr. (Annuitant) and Roaring Creek Limited (Obligor).

Our calculations indicate that the *annual* annuity payment, with the first payment to be made on November 1, 1998 and to continue for your lifetime, is **\$708,645**.

Our calculations were based on the following information:

- Birth date of Charles J. Wyly, Jr.: **October 13, 1933**
- Value of securities being transferred under the terms of the agreement: **\$3,304,687**
- Agreement date: **April 13, 1992**
- Interest rate specified in agreement: **8.4% compounded annually**

The amount of the annual annuity payment was calculated according to the provisions of Section II of the Annuity Agreement. *The annual annuity payment of \$708,645 includes the interest adjustment (at 8.4% compounded annually) for the deferral period between the agreement date and the annuity starting date (November 1, 1998) as specified by Section 2.4(b) of the Agreement.*

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Phoenix • Portland • St. Louis • Salt Lake City • San Diego • San Francisco • Seattle • Washington, D.C.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 656

CONFIDENTIAL
SECT00028288
PSI00040155

3360

Mr. Charles J. Wyly, Jr.

- 2 -

April 30, 1992

In accordance with Section 2.3 of the Agreement, our calculation utilized the Table R(1), based on Life Table 80 CNSMT Single Life Remainder factor using an interest rate of 8.4%. This factor was retrieved from the table published in Internal Revenue Service Notice 89-60 and has a value of .33528 for age 65. The age 65 annuity factor produced from this value is:

$$\frac{1 - .33528}{.084} = 7.913333$$

With respect to the Private Annuity Agreement, the role of Milliman & Robertson was strictly confined to calculating the annual annuity payment called for under the provisions of Section II of the Agreement. We are not rendering an opinion on any other aspect of this transaction.

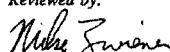
Please let us know if you have any questions or if we can provide you with any additional information.

Certified by:



Eric Ammann, FSA
Consulting Actuary

Reviewed by:



Michael J. Zwiener, FSA
Consulting Actuary

EA/MJZ/gss

cc: Roaring Creek Limited
Attention: Sharyl Robertson
One East First Street
Reno, Nevada 89501

C:\WRK\WYL\PRIVATE\LET.WYL

MILLIMAN & ROBERTSON, INC.

CONFIDENTIAL
SEC100028289
PS100040156



MILLIMAN & ROBERTSON, INC.
Actuaries and Consultants

3800 First Interstate Bank
1445 Ross Avenue
Dallas, Texas 75202-2711
Telephone: 214/855-0100
Fax: 214/855-0950

April 30, 1992

Mr. Sam Wyly
8080 North Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Re: *Private Annuity Agreement Between Sam Wyly and Morehouse Limited*

Dear Mr. Wyly:

As requested by Sharyl Robertson, we have calculated the annual annuity payment under the Private Annuity Agreement between Sam Wyly (Annuitant) and Morehouse Limited (Obligor).

Our calculations indicate that the *annual* annuity payment, with the first payment to be made on November 1, 1999 and to continue for your lifetime, is **\$600,534**.

Our calculations were based on the following information:

- ▶ *Birth date of Sam Wyly:* **October 4, 1934**
- ▶ *Value of securities being transferred under the terms of the agreement:* **\$2,584,653**
- ▶ *Agreement date:* **April 15, 1992**
- ▶ *Interest rate specified in agreement:* **8.4% compounded annually**

The amount of the annual annuity payment was calculated according to the provisions of Section II of the Annuity Agreement. *The annual annuity payment of \$600,534 includes the interest adjustment (at 8.4% compounded annually) for the deferral period between the agreement date and the annuity starting date (November 1, 1999) as specified by Section 2.4(b) of the Agreement.*

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Philippines • Spain • United Kingdom • United States • West Indies

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 656

CONFIDENTIAL
SECT00028302
PS100040169

3362

Mr. Sam Wylly

- 2 -

April 30, 1992


In accordance with Section 2.3 of the Agreement, our calculation utilized the Table R(1), based on Life Table 80 CNSMT Single Life Remainder factor using an interest rate of 8.4%. This factor was retrieved from the table published in Internal Revenue Service Notice 89-60 and has a value of .33528 for age 65. The age 65 annuity factor produced from this value is:

$$\frac{1 - .33528}{.084} = 7.913333$$

With respect to the Private Annuity Agreement, the role of Milliman & Robertson was strictly confined to calculating the annual annuity payment called for under the provisions of Section II of the Agreement. We are not rendering an opinion on any other aspect of this transaction.

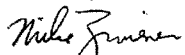
Please let us know if you have any questions or if we can provide you with any additional information.

Certified by:



Eric Ammann, FSA
Consulting Actuary

Reviewed by:


Michael J. Zwiener, FSA
Consulting Actuary

EA/MIZ/gss

cc: Morehouse Limited
Attention: Sharyl Robertson
One East First Street
Reno, Nevada 89501

03WRRWYL.P8VEP-LET.WYL

MILLIMAN & ROBERTSON, INC.

CONFIDENTIAL
SEC100028303
PS100040170



MILLIMAN & ROBERTSON, INC.
Actuaries and Consultants

3800 First Interstate Bank
1445 Ross Avenue
Dallas, Texas 75202-2711
Telephone: 214/855-0100
Fax: 214/855-0950

April 30, 1992

Mr. Sam Wyly
8080 North Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Re: *Private Annuity Agreement Between Sam Wyly and Richland Limited*

Dear Mr. Wyly:

As requested by Sharyl Robertson, we have calculated the annual annuity payment under the Private Annuity Agreement between Sam Wyly (Annuitant) and Richland Limited (Obligor).

Our calculations indicate that the *annual annuity payment*, with the first payment to be made on November 1, 1999 and to continue for your lifetime, is **\$704,009**.

Our calculations were based on the following information:

- *Birth date of Sam Wyly:* October 4, 1934
- *Value of securities being transferred under the terms of the agreement:* \$3,030,000
- *Agreement date:* April 15, 1992
- *Interest rate specified in agreement:* 8.4% compounded annually

The amount of the annual annuity payment was calculated according to the provisions of Section II of the Annuity Agreement. The annual annuity payment of \$704,009 includes the interest adjustment (at 8.4% compounded annually) for the deferral period between the agreement date and the annuity starting date (November 1, 1999) as specified by Section 2.4(b) of the Agreement.

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Phoenix • Portland • St. Louis • Salt Lake City • San Diego • San Francisco • Seattle • Washington, D.C.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 656

CONFIDENTIAL
SEC100028310
PS100040177

3364

Mr. Sam Wyly

- 2 -

April 30, 1992

In accordance with Section 2.3 of the Agreement, our calculation utilized the Table R(1), based on Life Table 80 CNSMT Single Life Remainder factor using an interest rate of 8.4%. This factor was retrieved from the table published in Internal Revenue Service Notice 89-60 and has a value of .33528 for age 65. The age 65 annuity factor produced from this value is:

$$\frac{1 - .33528}{.084} = 7.913333$$

With respect to the Private Annuity Agreement, the role of Milliman & Robertson was strictly confined to calculating the annual annuity payment called for under the provisions of Section II of the Agreement. We are not rendering an opinion on any other aspect of this transaction.

Please let us know if you have any questions or if we can provide you with any additional information.

Certified by:



Eric Ammann, FSA
Consulting Actuary

Reviewed by:



Michael J. Zwiener, FSA
Consulting Actuary

EA/MJZ/gss

cc: Richland Limited
Attention: Sharyl Robertson
One East First Street
Reno, Nevada 89501

CNS/SCWYL/POWER-LET.WYL

MILLIMAN & ROBERTSON, INC.

CONFIDENTIAL
SEC100028311
PSI00040178



MILLIMAN & ROBERTSON, INC.
Actuaries and Consultants

3800 First Interstate Bank
1445 Ross Avenue
Dallas, Texas 75202-2711
Telephone: 214/855-0100
Fax: 214/855-0950

April 30, 1992

Mr. Sam Wyly
3080 North Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Re: *Private Annuity Agreement Between Sam Wyly and East Baton Rouge Limited*

Dear Mr. Wyly:

As requested by Sharyl Robertson, we have calculated the annual annuity payment under the Private Annuity Agreement between Sam Wyly (Annuitant) and East Baton Rouge Limited (Obligor).

Our calculations indicate that the *annual* annuity payment, with the first payment to be made on November 1, 1999 and to continue for your lifetime, is **\$1,536,342**.

Our calculations were based on the following information:

- ▶ Birth date of Sam Wyly: October 4, 1934
- ▶ Value of securities being transferred under the terms of the agreement: \$6,509,375
- ▶ Agreement date: April 13, 1992
- ▶ Interest rate specified in agreement: 8.4% compounded annually

The amount of the annual annuity payment was calculated according to the provisions of Section II of the Annuity Agreement. The annual annuity payment of \$1,536,342 includes the interest adjustment (at 8.4% compounded annually) for the deferral period between the agreement date and the annuity starting date (November 1, 1999) as specified by Section 2.4(b) of the Agreement.

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Phoenix • Portland • St. Louis • Salt Lake City • San Diego • San Francisco • Seattle • Washington, D.C.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 656

CONFIDENTIAL
SEC100028314
PS100040181

3366

Mr. Sam Wyty

- 2 -

April 30, 1992

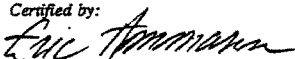
In accordance with Section 2.3 of the Agreement, our calculation utilized the Table R(1), based on Life Table 80 CNSMT Single Life Remainder factor using an interest rate of 8.4%. This factor was retrieved from the table published in Internal Revenue Service Notice 89-60 and has a value of .33528 for age 65. The age 65 annuity factor produced from this value is:

$$\frac{1 - .33528}{.084} = 7.913333$$

With respect to the Private Annuity Agreement, the role of Milliman & Robertson was strictly confined to calculating the annual annuity payment called for under the provisions of Section II of the Agreement. We are not rendering an opinion on any other aspect of this transaction.

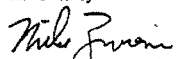
Please let us know if you have any questions or if we can provide you with any additional information.

Certified by:



Eric Ammann, FSA
Consulting Actuary

Reviewed by:


Michael J. Zwerner, FSA
Consulting Actuary

EA/MJZ/gss

cc: East Baton Rouge Limited
Attention: Sharyl Robertson
One East First Street
Reno, Nevada 89501

C:\NR\WYL\PR\REP\LET.WYL

MILLIMAN & ROBERTSON, INC.

CONFIDENTIAL
SEC00028315
PSI00040182

3367



MILLIMAN & ROBERTSON, INC.

Actuaries and Consultants

3800 First Interstate Bank
1445 Ross Avenue
Dallas, Texas 75202-2711
Telephone: 214/855-0100
Fax: 214/855-0950

April 30, 1992

Ms. Caroline D. Wyly
c/o Mr. Charles J. Wyly, Jr.
8080 North Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Re: *Private Annuity Agreement Between Caroline D. Wyly and Maroon Limited*

Dear Ms. Wyly:

As requested by Sharyl Robertson, we have calculated the annual annuity payment under the Private Annuity Agreement between Caroline D. Wyly (Annuitant) and Maroon Limited (Obligor).

Our calculations indicate that the *annual* annuity payment, with the first payment to be made on March 1, 1999 and to continue for your lifetime, is **\$727,688**.

Our calculations were based on the following information:

- Birth date of Caroline D. Wyly: February 23, 1934
- Value of securities being transferred under the terms of the agreement: \$3,304,687
- Agreement date: April 13, 1992
- Interest rate specified in agreement: 8.4% compounded annually

The amount of the annual annuity payment was calculated according to the provisions of Section II of the Annuity Agreement. *The annual annuity payment of \$727,688 includes the interest adjustment (at 8.4% compounded annually) for the deferral period between the agreement date and the annuity starting date (March 1, 1999) as specified by Section 2.4(b) of the Agreement.*

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Indianapolis • Irvine • Los Angeles • Milwaukee • Minneapolis • New York • Omaha • Philadelphia
Phoenix • Portland • St. Louis • Salt Lake City • San Diego • San Francisco • Seattle • Washington, D.C.

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Ms. Caroline D. Wyly

- 2 -

April 30, 1992

In accordance with Section 2.3 of the Agreement, our calculation utilized the Table R(1), based on Life Table 80 CNSMT Single Life Remainder factor using an interest rate of 8.4%. This factor was retrieved from the table published in Internal Revenue Service Notice 89-60 and has a value of .33528 for age 65. The age 65 annuity factor produced from this value is:

$$\frac{1 - .33528}{.084} = 7.913333$$

With respect to the Private Annuity Agreement, the role of Milliman & Robertson was strictly confined to calculating the annual annuity payment called for under the provisions of Section II of the Agreement. We are not rendering an opinion on any other aspect of this transaction.

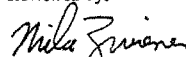
Please let us know if you have any questions or if we can provide you with any additional information.

Certified by:



Eric Ammann, FSA
Consulting Actuary

Reviewed by:



Michael J. Zwiener, FSA
Consulting Actuary

EA/MJZ/gss

cc: Maroon Limited
Attention: Sharyl Robertson
One East First Street
Reno, Nevada 89501

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MILLIMAN & ROBERTSON, INC.

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ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Agreement") is entered into as of the 13th day of April, 1992, by and between Roaring Fork Limited, a Nevada corporation ("Assignor"), and Roaring Fork Limited, an Isle of Man Corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor has entered into that certain Private Annuity Agreement dated April 13, 1992 (the "Annuity Agreement"), by and between Assignor and Caroline D. Wyly (the "Annuitant"); and

WHEREAS, pursuant to the terms of the Annuity Agreement, Assignor is obligated to make certain payments to Annuitant (the "Annuity Obligation"); and

WHEREAS, in consideration of the Annuity Obligation, the Annuitant assigned to Assignor all of Annuitant's right, title and interest in and to the securities identified in Schedule "A" attached hereto (the "Securities"); and

WHEREAS, Assignor wishes to be relieved of its financial responsibilities and other obligations with respect to the payments under the Annuity Agreement; and

WHEREAS, Assignee deems it advisable and in the best interests of Assignee to assume Assignor's obligations under the Annuity Agreement in consideration of the receipt by it of the Securities.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignee hereby agrees to assume the liability to make all payments due under the Annuity Agreement and to assume all other obligations of Assignor under the terms of the Annuity Agreement from and after the effective date of this Agreement, and to hold Assignor harmless from any further liability under the Annuity Agreement with respect to any annuity payments that may become due and payable thereunder in the future.
2. In consideration of the assumption of the Annuity Agreement by Assignee, Assignor hereby assigns all right, title and interest of Assignor in and to the Securities.
3. Assignor hereby expressly warrants that, as of the effective date of this Agreement, it owns all right, title and interest in and to the Securities and that it has the right

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 659

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and power to dispose of the Securities to Assignee in accordance with the terms and conditions set forth herein.

4. Assignee hereby agrees and expressly warrants that it will notify Annuitant of the existence and effect of this Agreement and will provide Annuitant with a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereby enter into this Agreement to be effective for all purposes as of the date first above written.

ASSIGNOR:

ROARING FORK LIMITED, a Nevada corporation

By: Sharyl Robertson
Its: President

ASSIGNEE:

ROARING FORK LIMITED, an Isle of Man corporation

By: [Signature]
Its: [Signature]

207274/D

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SCHEDULE "A"

1. Non-Statutory Stock Option to purchase 166,500 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated September 16, 1986, amended January 13, 1988 and May 1, 1989.
2. Series B Warrant to purchase 101,182 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Series B Warrant Certificate dated August 13, 1985, amended January 13, 1988 and May 1, 1989.
3. Series E Warrant to purchase 16,000 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Series E Warrant Agreement dated January 3, 1989.
4. Series E Warrant to purchase 32,000 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Series E Warrant Agreement dated January 3, 1989, amended May 1, 1989.
5. Series F Warrant to purchase 8,750 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Series F Warrant Agreement dated January 3, 1989.
6. Series F Warrant to purchase 11,500 shares of the Common Stock, \$0.10 par value per share, of Sterling Software, Inc., issued pursuant to Series F Warrant Agreement dated January 3, 1989.

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Agreement") is entered into as of the 15th day of April, 1992, by and between Tensas Limited, a Nevada corporation ("Assignor"), and Tensas Limited, an Isle of Man Corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor has entered into that certain Private Annuity Agreement dated April 15, 1992 (the "Annuity Agreement"), by and between Assignor and Sam Wyly (the "Annuitant"); and

WHEREAS, pursuant to the terms of the Annuity Agreement, Assignor is obligated to make certain payments to Annuitant (the "Annuity Obligation"); and

WHEREAS, in consideration of the Annuity Obligation, the Annuitant assigned to Assignor all of Annuitant's right, title and interest in and to the securities identified in Schedule "A" attached hereto (the "Securities"); and

WHEREAS, Assignor wishes to be relieved of its financial responsibilities and other obligations with respect to the payments under the Annuity Agreement; and

WHEREAS, Assignee deems it advisable and in the best interests of Assignee to assume Assignor's obligations under the Annuity Agreement in consideration of the receipt by it of the Securities.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignee hereby agrees to assume the liability to make all payments due under the Annuity Agreement and to assume all other obligations of Assignor under the terms of the Annuity Agreement from and after the effective date of this Agreement, and to hold Assignor harmless from any further liability under the Annuity Agreement with respect to any annuity payments that may become due and payable thereunder in the future.
2. In consideration of the assumption of the Annuity Agreement by Assignee, Assignor hereby assigns all right, title and interest of Assignor in and to the Securities.
3. Assignor hereby expressly warrants that, as of the effective date of this Agreement, it owns all right, title and interest in and to the Securities and that it has the right

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 659

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and power to dispose of the Securities to Assignee in accordance with the terms and conditions set forth herein.

4. Assignee hereby agrees and expressly warrants that it will notify Annuitant of the existence and effect of this Agreement and will provide Annuitant with a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereby enter into this Agreement to be effective for all purposes as of the date first above written.

ASSIGNOR:

TENSAS LIMITED,
a Nevada corporation

By: Sheryl Robertson

Its: President

ASSIGNEE:

TENSAS LIMITED,
an Isle of Man corporation

By: [Signature]

Its: [Signature]

20770210

SCHEDULE "A"

1. Warrant to purchase 150,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Purchase Warrant dated November 20, 1984, amended October 24, 1990, subject to options to purchase 25,000 shares of the Warrant held by Roaring Creek Limited, a Nevada corporation, and options to purchase 25,000 shares of the Warrant held by Maroon Limited, a Nevada corporation.
2. Non-Statutory Stock Option to purchase 110,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 4, 1986, amended December 11, 1987, August 8, 1989 and October 24, 1990.

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ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Agreement") is entered into as of the 15th day of April, 1992, by and between East Baton Rouge Limited, a Nevada corporation ("Assignor"), and East Baton Rouge Limited, an Isle of Man Corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor has entered into that certain Private Annuity Agreement dated April 15, 1992 (the "Annuity Agreement"), by and between Assignor and Sam Wyly (the "Annuitant"); and

WHEREAS, pursuant to the terms of the Annuity Agreement, Assignor is obligated to make certain payments to Annuitant (the "Annuity Obligation"); and

WHEREAS, in consideration of the Annuity Obligation, the Annuitant assigned to Assignor all of Annuitant's right, title and interest in and to the securities identified in Schedule "A" attached hereto (the "Securities"); and

WHEREAS, Assignor wishes to be relieved of its financial responsibilities and other obligations with respect to the payments under the Annuity Agreement; and

WHEREAS, Assignee deems it advisable and in the best interests of Assignee to assume Assignor's obligations under the Annuity Agreement in consideration of the receipt by it of the Securities.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignee hereby agrees to assume the liability to make all payments due under the Annuity Agreement and to assume all other obligations of Assignor under the terms of the Annuity Agreement from and after the effective date of this Agreement, and to hold Assignor harmless from any further liability under the Annuity Agreement with respect to any annuity payments that may become due and payable thereunder in the future.
2. In consideration of the assumption of the Annuity Agreement by Assignee, Assignor hereby assigns all right, title and interest of Assignee in and to the Securities.
3. Assignor hereby expressly warrants that, as of the effective date of this Agreement, it owns all right, title and interest in and to the Securities and that it has the right

and power to dispose of the Securities to Assignee in accordance with the terms and conditions set forth herein.

4. Assignee hereby agrees and expressly warrants that it will notify Annuitant of the existence and effect of this Agreement and will provide Annuitant with a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereby enter into this Agreement to be effective for all purposes as of the date first above written.

ASSIGNOR:

EAST BATON ROUGE LIMITED,
a Nevada corporation

By: Marjorie Robertson

Its: President

ASSIGNEE:

EAST BATON ROUGE LIMITED,
an Isle of Man corporation

By: [Signature]

Its: [Signature]

207702-0

SCHEDULE "A"

1. Non-Statutory Stock Option to purchase 200,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated February 2, 1988, amended August 8, 1989 and October 24, 1990.
2. Non-Statutory Stock Option to purchase 175,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 22, 1990, amended October 24, 1990.

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PRATTER, TEDDER & GRAVES
ATTORNEYS AT LAW

CENTURY CITY OFFICE
1901 AVENUE OF THE STARS
SIXTEENTH FLOOR
LOS ANGELES, CA 90067
TELEPHONE (818) 278-2287
FAX (818) 278-4848

ORANGE COUNTY OFFICE
1100 TOWN & COUNTRY ROAD
SUITE 700
ORANGE, CA 92668
TELEPHONE (714) 867-0170
FAX (714) 867-1884

REPLY TO _____

April 9, 1992


Michaels Stores Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Michaels Stores Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Michaels Stores, Inc. Options to a Nevada Corporation for a Private Annuity of equal value issued to Caroline D. Wyly.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By 
David Tedder
Attorney-at-Law

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 662

PSI-WYBR 00191

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PRATTER, TEDDER & GRAVES
ATTORNEYS AT LAW

CENTURY CITY OFFICE
1801 AVENUE OF THE STARS
SIXTEENTH FLOOR
LOS ANGELES, CA 90067
TELEPHONE (213) 878-2287
FAX (213) 878-4949

ORANGE COUNTY OFFICE
1100 TOWN & COUNTRY ROAD
SUITE 700
ORANGE, CA 92668
TELEPHONE (714) 887-0170
FAX (714) 887-1984

REPLY TO: _____

April 9, 1992

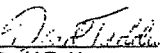
Sterling Software Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Sterling Software Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Sterling Software, Inc. Warrants to a Nevada Corporation for a Private Annuity of equal value issued to Caroline D. Wyly.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By 
David Tedder
Attorney-at-Law

PSI-WYBR 00192

PRATTER, TEDDER & GRAVES

ATTORNEYS AT LAW

CENTURY CITY OFFICE
1901 AVENUE OF THE STARS
SIXTEENTH FLOOR
LOS ANGELES, CA 90087
TELEPHONE (213) 878-2287
FAX (213) 878-4849

ORANGE COUNTY OFFICE
1100 TOWN & COUNTRY ROAD
SUITE 700
ORANGE, CA 92666
TELEPHONE (714) 887-0170
FAX (714) 887-1884

February 28, 1992

*Charles
Bot*

TO: Orange

Ms. Caroline D. Wyly
8060 North Central Expressway, Suite 4
Dallas, Texas 75206

Dear Ms. Wyly:

You have requested the opinion of PRATTER, TEDDER & GRAVES concerning the 1992 federal income tax consequences that are likely to apply to the proposed sale of "Securities" herein defined and identified in Schedule A, in exchange for a private annuity, with such sale occurring during the 1992 taxable year.

Our analysis and opinion are based upon the facts and information as set forth herein and our assumption that these facts and information present a true, accurate, and complete description of the facts that are relevant to the proposed transaction described herein and the taxation issues we are addressing herein.

We have reviewed the various legal documents and other information in connection with this proposed plan. This opinion assumes that the program will be implemented in a manner that is unmodified from the proposed program described herein.

We have only been requested to examine the material federal tax aspects that relate to the proposed program described herein. We have not been requested to examine other laws and concerns that

pertain to the business transactions and/or the proposed program. Consequently, although numerous federal and state laws and Regulations apply to the business transactions, we expressly disclaim any opinion as to the effect of such laws and Regulations to the business transaction except as are otherwise expressly indicated herein.

This opinion is founded upon a prospective plan of action that has not yet been completed. Recognizing that facts and circumstances may change, and recognizing that such changes may affect the legal and tax consequences pertaining to the operations of the business transaction, we must therefore advise you that any change or deviation from the proposed plan of action described herein might produce different tax consequences than those set forth in this opinion.

Our opinion represents our conclusions derived from our legal analysis in which we applied the facts and circumstances pertaining to the Securities owned by you personally and the proposed business transaction as described herein to our interpretation of federal tax law.

Our analysis and opinion are limited to the above issue of federal taxation and do not cover or relate to any other legal or taxation issue that may pertain to such a transaction, and we expressly disclaim any opinion as to such matters.

Our opinion has no binding effect or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else.

I. THE FACTUAL FOUNDATION:

It is our understanding that you are considering the sale of Securities to an unrelated domestic corporation which will issue a private annuity in exchange for the Securities. It is our further understanding that it is the express intent of the parties to the transaction that the value of the

Securities will equal the value of the annuity and that no gift or bargain sale or discounted sale price will arise as a result of the transaction. Further, it is our understanding that the private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by you with respect to this private annuity transaction.

The private annuity payments will not be chargeable to or dependent upon the Securities sold in exchange for the annuity. The amount of the annuity payments will be based on the fair market value of the Securities.

It is our further understanding that the domestic corporation intending to purchase the Securities in exchange for the issuance of the private annuity is wholly owned by a foreign corporation which is wholly-owned by a foreign nongrantor trust. This trust has been established by you for the benefit of one (1) or more foreign beneficiaries during your lifetime. We understand that during your lifetime the trust will have no United States beneficiaries, but in the taxable years following your death the trust may have one (1) or more beneficiaries who are United States citizens and/or resident aliens.

We understand that the private annuity is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

We further understand that the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. Any income generated by the Securities will belong to the corporation outright, and will not be chargeable to

the annuity payments.

We understand that the amount of the annuity payments will be based on the fair market value of the Securities being exchanged for the annuity and will not be based on any income generated by the Securities that are being transferred for the annuity.

~~We also understand that the possession and/or enjoyment of the~~ Securities being exchanged for the private annuity will reside exclusively with the acquiring corporation, and you will not preserve or reserve any control of any kind or character over such Securities or any income therefrom that would constitute a retained interest in the possession and/or enjoyment of the Securities being exchanged for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are sold in exchange for the private annuity.

It is our understanding that the private annuity payments will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

We understand that the corporation issuing the private annuity is not in the business of issuing annuities from time to time, and it will not issue any additional annuities during the term of its private annuity agreement with you.

We further understand that the corporation issuing the private annuity is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization.

We have been advised that there are no outstanding encumbrances on the Securities, and consequently we do not express any opinion that relates to this issue.

You have advised us that your stock options are nontransferable and are not actively traded on an established market. The Nonstatutory Option Agreements verify and specify the nontransferability of the stock options.

You have further informed us that the stock warrants are transferable and that certain warrants are compensatory while other warrants are noncompensatory in nature. You have advised us that these warrants are not actively traded on an established market.

II. OPINION AND ANALYSIS OF THE 1992 FEDERAL INCOME TAX CONSEQUENCES THAT ARE LIKELY TO APPLY TO THE PROPOSED SALE OF SECURITIES TO A CORPORATION IN EXCHANGE FOR A PRIVATE ANNUITY, WITH SUCH SALE OCCURRING DURING THE 1992 TAXABLE YEAR UNDER THE CIRCUMSTANCES DESCRIBED HEREIN:

A. PURSUANT TO THE GENERAL FEDERAL INCOME TAX TREATMENT OF PROPERTY EXCHANGED FOR A PRIVATE ANNUITY THE SALE OF PROPERTY TO THE CORPORATION IN EXCHANGE FOR THE RECEIPT OF A PRIVATE ANNUITY IS NOT A TAXABLE EVENT IN THE YEAR 1992.

The general federal income tax treatment of property exchanged for a private annuity is explained in Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4805 as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate

taxable gain. (Emphasis is included in the text.) However, the payments under the arrangement are taxable when received, see Paragraph J- 4807. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the private annuity arrangement (i.e., the transferee) is financially sound at the time of the transfer since that 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance companies and banks, and may change over the payment period. (Citations omitted.)"

In your situation, because the corporation which is issuing the annuity is not in the business of issuing annuities from time to time, and will not issue any additional annuities during the term of its private annuity agreement with you, and because the corporation is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization, it is our opinion that it is more likely than not that the annuity will likely be taxable as a private annuity in accordance with the aforescribed federal income tax consequences, as opposed to its being taxable as a commercial annuity.

B. THE PRIVATE ANNUITY IS NOT INTENDED TO CONTAIN A GIFT OR BARGAIN SALE ELEMENT, AND THE EXCHANGE OF SECURITIES FOR A PRIVATE ANNUITY OF EQUIVALENT ACTUARIAL VALUE IS LIKELY TO BE EXCLUDED FROM FEDERAL GIFT TAX.

The private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by either you or the corporation with respect to this private annuity transaction.

Research Institute of America Federal Tax Coordinator 2d describes

private annuity taxation as follows at Paragraph C- 5408:

"Under the private annuity rules, there's no gift tax if the sale is made at market price (see Chapter Q), there's no estate tax on the property remaining after the taxpayer's death (see Chapter R), and the taxpayer's taxable gain on the sale is spread over the annuity payments he receives (see Chapter J)."

Warnick, 195-3rd T.M., Private Annuities, at page A-5 states:

"Under a private annuity the possibility of the Service's finding a gift in the exchange of property for an annuity of actuarially equal value is nil."

This author further explains at page A-15:

"The rules already discussed all assume that the transferor is not making a partial gift through the annuity agreement. In other words, it is assumed that the fair market value of the property and the present value of the annuity are equal...."

Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 contains some explanatory language that is helpful and should be heeded if the avoidance of a gift element is being sought by the parties to the Annuity Agreement. The pertinent language in that Paragraph states:

"Some evidence of a gift must be present for any amount to be excluded as a gift from the cost of the private annuity.

"The fact that the value of the property exceeds the present value of the annuity is not conclusive evidence of a partial gift. (Citations omitted.) However, some evidence of a gift may appear if the taxpayer filed a gift tax return for the excess value. (Citation omitted.) ..."

It is our understanding that the private annuity payments you are to receive will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

This is very important because the Internal Revenue Service can take the position that the present value of the annuity is less than the present value of the Securities sold in exchange for the annuity if the annuity does not contain an adequate interest rate factor to compensate for the time delay to the annuitant in receiving its consideration for the sale and exchange of the Securities. For example, see Warnick, 195-3rd T.M., Private Annuities at page A-21 discussing the United States Tax Court decision in LaFargue v. Commissioner, 73 T.C. 40 (1979), which was affirmed in part and reversed in part by the United States Court of Appeals for the 9th Circuit in 689 F.2d 845 (9th Cir. 1982), in which the Tax Court found that the annuity transaction was not taxable as a private annuity for among other reasons:

"...(T)he transaction was not based on the actuarial tables and did not include an interest factor, and there was a large gap between the present value and the fair market value of the annuity. ..."

Although the United States Court of Appeals for the 9th Circuit reversed the Tax Court's holding that the transaction did not involve a private annuity, it is important that the annuity contain an interest factor to account for the time value of money.

In your situation it is clearly the intent of the parties that the price of the annuity is to be equal to the value of the Securities being exchanged for the annuity, and no gift or other valuation benefit in excess of such value is intended to be received by either party to the agreement. It is thus our opinion that it is more likely than not that no gift tax will be imposed on your disposition of the Securities in exchange for your receiving a private annuity of equal value, provided the actuarial value of the Securities being sold in exchange for the receipt of the private annuity are of an equivalent actuarial value.

C. THE ANNUITY PAYMENTS MUST BE UNSECURED TO AVOID YOUR BEING TAXED IMMEDIATELY IN 1992 ON THE GAIN FROM THE DISPOSITION OF THE SECURITIES BEING EXCHANGED FOR THE ANNUITY.

The United States Tax Court has held that the private annuity income ~~tax rules apply only to private annuities that are unsecured.~~ If the annuity payments are secured the annuity will be taxable as if it were a commercial annuity rather than a private annuity. (See Estate of Lloyd Bell, (1973) 60 TC 469 and 212 Corp., (1978) 70 TC 788.)

For example, the Tax Court in Bell held that the property transferred in exchange for the private annuity was secured because such property was placed in escrow as security for the annuity payments, and the annuity agreement also provided for a "cognovit" judgment against the parties issuing the annuity in the event they defaulted in making their annuity payments. Consequently, the Tax Court applied the rules pertaining to commercial annuities to the transaction and held that the taxpayers had an immediately taxable gain when they exchanged their appreciated stock in exchange for the secured private annuity.

It is our understanding that the private annuity being issued to you is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

In addition, the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. The income generated by the property will belong to the corporation outright, and will not be chargeable to the annuity payments. The amount of the annuity payments will be based on the fair market value of the Securities being sold for the annuity and will

not be based on the income generated by the Securities being exchanged for the annuity.

Furthermore, the possession and/or enjoyment of the Securities being sold in exchange for the private annuity will reside exclusively with the corporation, and you will not preserve or reserve any control of any kind or character over such Securities and the income therefrom that would constitute a retained interest in the possession or enjoyment of the Securities being sold in exchange for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are being sold in exchange for the private annuity.

Consequently, provided that the private annuity payments will be unsecured and will always remain unsecured it is our opinion that it is more likely than not that the private annuity will not be taxable as a second annuity that is taxable as a commercial annuity.

D. THE DISPOSITION OF COMPENSATORY NON-STATUTORY NONVESTED SECURITIES IN AN ARM'S LENGTH TRANSACTION BEFORE RIGHTS IN THE SECURITIES BECOME TRANSFERABLE TO THE OBLIGOR CORPORATION, AND THE DISPOSITION OF A COMPENSATORY NONSTATUTORY TRANSFERABLE WARRANT IN EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS NOT A TAXABLE EVENT IN THE YEAR 1992.

It is our opinion that it is more likely than not that an exchange of your nontransferable stock options for a private annuity will not be subject to an immediate taxable event.

The federal income tax treatment of your nontransferable non-statutory stock options is generally covered in Internal Revenue Code

Section 83 and Regulations Section 1.83-1, 1.83-3, and 1.83-7.

Internal Revenue Code Section 83 does not initially apply to the taxation of your nonqualified stock options because your options are not actively traded on an established market and are not transferable. However, once the nontransferable stock options are exchanged for the nonvested private annuity, you will then be subject to the rules of Internal Revenue Code Sections 83(a) and 83(b). Under these rules to avoid an immediate taxable event upon the transfer of your stock options for a private annuity, the stock options must be transferred for a *substantially nonvested* private annuity.

Substantially nonvested property is property that is nontransferable and subject to a substantial risk of forfeiture. (See Regulations Section 1.83-3(b).)

The general rule regarding the transferability of property is cited in Regulation Section 1.83-3(d):

"For purposes of Section 83 and the Regulations thereunder, the rights of a person in property are transferable if such person can transfer any interest in the property to any person other than the transferor of the property, but only if the rights in such property of such transferee are not subject to a substantial risk of forfeiture. Accordingly, property is transferable if the person performing the services or receiving the property can sell, assign, or pledge (as collateral for a loan, or as security for the performance of an obligation, or any other purpose) his interest in the property to any person other than the transferor of such property and if the transferee is not required to give up the property or its value in the event the substantial risk of forfeiture materializes. On the other hand, property is not considered to be transferable merely because the person performing the services or receiving the property may designate a beneficiary to receive the property in the event of his death."

A substantial risk of forfeiture is defined in Regulation Section 1.83-

3(c) as follows:

"A substantial risk of forfeiture exists where rights in property that are transferred are conditioned, directly or indirectly, upon the future performance (or refraining from performance) of substantial services by any person, or the occurrence of a condition related to a purpose of the transfer, and the possibility of forfeiture is substantial if such condition is not satisfied."

It is our opinion that it is more likely than not that a private annuity will be treated as being substantially nonvested.

To be substantially nonvested, the private annuity must be nontransferable and subject to a substantial risk of forfeiture.

Section XVI of the Private Annuity agreement specifically states that the private annuity payments to you are nonassignable and nontransferable or capable of being pledged or otherwise encumbered by you without the prior written consent of the Obligor first being obtained. Furthermore, a private annuity is customarily nontransferable. (See Warnick, 195-3rd T.M., Private Annuities, at page number A-7.)

It is also our opinion that it is more likely than not that the private annuity is subject to a substantial risk of forfeiture as exemplified by Section 2.5(a) of the Private Annuity Agreement which states:

"The Annuity payments payable hereunder to the Annuitant are subject to a substantial risk of forfeiture to the Annuitant in that such Annuity payments shall terminate and lapse with the last payment immediately preceding the death of the Annuitant, or upon the death of the Annuitant if no payments have been made as of the death of the Annuitant; however, notwithstanding the foregoing, any annuity payments that were not made prior to the death of the Annuitant because of a breach of this Agreement by the Obligor shall be due and payable upon the death of the Annuitant together with any applicable

interest, late charges, or other payments due hereunder, and any such payments shall be made to the estate of the Annuitant . There will be no proration of payments at the time of the death of the Annuitant or at anytime thereafter."

~~The unpaid annuity payments upon your death are thus totally terminable, extinguishable, and forfeitable. Consequently, the private annuity is subject to a substantial risk of forfeiture.~~

It is therefore our opinion that your private annuity will then be treated for tax purposes as your stock options would have been treated under Internal Revenue Code Section 83. The result of this substitution is that when your private annuity substantially vests under Internal Revenue Code Section 83, it will be taxed in the Caroline D. e manner that the stock options would have been taxed under Internal Revenue Code Section 83(a) and (b)¹. Therefore, it is our opinion that it is more likely than not that when the private annuity substantially vests (i.e., when payments under the terms of the annuity agreement are actually received by you) you will at that time be subject to a taxable event.

The term "nonstatutory stock options" includes warrants to purchase stock. (See Research Institute of America Federal Tax Coordinator 2d at paragraphs H-2850 and H-2853, citing Frank Shamburger (1973) 61 TC 85, affirmed (1975, CA8) 508 F2d 883.)

It is our opinion that the compensatory nonstatutory transferable warrant which is being sold in exchange for your receiving a substantially nonvested private annuity will not cause a taxable event in 1992, the year of the exchange.

Furthermore, assuming that vested nontransferable stock options and a vested transferable warrant (as defined in Income Tax Regulation Section 1.83-3(a)) are exchanged for a private annuity, it is more likely than not that such an exchange will not result in an immediate taxable event.

**E. NONCOMPENSATORY NONSTATUTORY SECURITIES
TRANSFERRED TO THE OBLIGOR CORPORATION IN
EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY
NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT
VALUE FROM SUCH CORPORATION WILL LIKELY NOT
BE A TAXABLE EVENT IN THE YEAR 1992, THE YEAR OF
EXCHANGE.**

Noncompensatory nonstatutory Securities are not covered by Internal Revenue Code Section 83. Internal Revenue Code Section 83 only governs property transferred in connection with the performance of services, and since these Securities are non-compensatory they will be exempt from Internal Revenue Code Section 83 rules as previously herein discussed.

It is our opinion that it is more likely than not that these non-compensatory nonstatutory Securities will be covered by the general federal income tax treatment of property exchanged for a private annuity. The Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 explains the federal income tax treatment of property exchanged for a private annuity as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate taxable gain. (Emphasis is included in the text) However, the payments under the arrangement are taxable when received, see Paragraph J-4806. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance

companies and banks, and may change over the payment period. (Citations omitted.)"

Because the non-compensatory nonstatutory Securities are not subject to Internal Revenue Code Section 83 coverage, it is our opinion that it is more likely than not that the non-compensatory nonstatutory Securities transferred in exchange for the private annuity will likely be taxable as property transferred in exchange for a private annuity in accordance with the aforescribed federal income tax consequences.

F. NOTWITHSTANDING THE FOREGOING, THE DISPOSITION OF SECURITIES WITHOUT A READILY ASCERTAINABLE FAIR MARKET VALUE TO AN OBLIGOR CORPORATION IN EXCHANGE FOR YOUR RECEIVING A PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS ARGUABLY NOT GOVERNED BY INTERNAL REVENUE CODE SECTION 83, AND WOULD THUS BE EXEMPT FROM TAXATION PURSUANT TO THE FOREGOING INTERNAL REVENUE CODE SECTION 83 RULES!

Notwithstanding the foregoing, the transfer of stock options without a readily ascertainable fair market value in exchange for a private annuity is arguably not subject to the Internal Revenue Code Section 83 rules.

If Internal Revenue Code Section 83 does not apply to the transfer of stock options in exchange for a private annuity, the stock options that are transferred in exchange for a private annuity, will likely be governed according to the aforescribed federal income rules covering private annuities, that apply to property interests that are not transferred in connection with the performance of services.

Internal Revenue Code Section 83(e) recites the situations in which Section 83 does not apply to certain property interests transferred in connection with the performance of services. That statute states:

"This Section shall not apply to-

(1) a transaction to which Section 421 applies,

(2) a transfer to or from a trust described in Section 401(a) or a transfer under an annuity plan which meets the requirement of Section 404(a)(2),

(3) the transfer of an option without a readily ascertainable fair market value,

(4) the transfer of property pursuant to the exercise of an option with a readily ascertainable fair market value at the date of grant, or

(5) group-term life insurance to which Section 79 applies."

Under Internal Revenue Code Section 83(e)(3), a stock option without a readily ascertainable fair market value is not subject to Internal Revenue Code Section 83.

In your situation, your stock options are not actively traded on an established market and according to Regulation Section 1.83-7(b) should not have a readily ascertainable fair market value: That Regulation states:

"(1) Options have a value at the time they are granted, but that value is ordinarily not readily ascertainable unless the option is actively traded on an established market .

(2) When an option is not actively traded on an established market, it does not have a readily ascertainable fair market value unless its fair market value can otherwise be measured with reasonable accuracy. For purposes of this Section, if an option is not actively traded on an established market, the option does not have a readily ascertainable fair market value when granted unless the

taxpayer can show that all of the following conditions exist:

- (i) The option is transferable by the optionee;
- (ii) The option is exercisable immediately in full by the optionee;
- (iii) The option or the property subject to the option is not subject to any restriction or condition (other than a lien or other condition to secure the payment of the purchase price) which has a significant effect upon the fair market value on the option; and
- (iv) The fair market value of the option privilege is readily ascertainable in accordance with paragraph (b)(3) of this Section."

The Regulations further state in Section 1.83-7(b)(3) that in determining whether the value of the option privilege is readily ascertainable, and in determining the amount of such value when such value is readily ascertainable, it is necessary to consider-

- "(i) Whether the value of the property subject to the option can be ascertained;
- (ii) The probability of any ascertainable value of such property increasing or decreasing; and
- (iii) The length of the period during which the option can be exercised"

It is our understanding that none of these factors exist regarding your stock options, and therefore your stock options do not have a readily ascertainable value. Consequently, it is our opinion that it is more likely than not that if your stock options do not have a readily ascertainable value Internal Revenue Code Section 83 does not apply to the transfer of the stock options in exchange for the private annuity by virtue of Internal Revenue Code Section 83(e)(3).

However, this provision is a seemingly ignored provision of the Internal Revenue Code. There is little discussion of the applicability of this provision and the Regulations and authorities have generally overlooked this Section. Instead, the Regulations and authorities provide for an alternative method of analysis, as already herein discussed, for treating the transfer of nonvested stock options in exchange for a private annuity.

We thus caution you that while Internal Revenue Code Section 83(e) states that Internal Revenue Code Section 83 shall not apply to the transfer of stock options without a readily ascertainable fair market value, this provision should be viewed most speculatively because of the lack of substantive material supporting the application and use of this Section. Therefore, it is our opinion that while you should be aware of this provision you should be cautious in your reliance upon it. It is advisable that you proceed conservatively, and cautiously follow the Regulations governing the transfer of property in connection with the performance of services as already herein set forth.

G. A PRIVATE ANNUITY MIGHT NOT BE CLASSIFIED AS CONSTITUTING "PROPERTY" WITHIN THE MEANING OF INCOME TAX REGULATION SECTION 1.83-3(e).

A private annuity might not be considered to constitute "property" as that term is defined in Income Tax Regulation Section 1.83-3(e). This regulation defines property as including "real and personal property other than either money or an unfunded and unsecured promise to pay money or property in the future."

The private annuity is an unsecured promise to pay money in the future.

Section III 3.1 of the Private Annuity Agreement states in pertinent part that "(T)he parties further agree that the Obligor will not establish

any security or any *fund* or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder."

It is thus reasonable to conclude that the private annuity is *unfunded* as well as being *unsecured*, and thus does not constitute property within the meaning of Income Tax Regulation Section 1.83-3(e). However, you should be aware that we have not located any pertinent decisions, rulings, or other legal authority that substantiates this conclusion.

Professor of Law Daniel C. Knickerbocker, Jr. of Seton Hall University School of Law has written in Knickerbocker, 134-4th T.M., *Annuities*, at page A-34 that: "...Section 83 governs property transferred in connection with the performance of service. ... Where an employer has merely promised to pay an annuity to a beneficiary surviving one of its employees, there is no transfer of property either to the employee when the promise is made or to the beneficiary when the promise matures on the employee's death. 'Property' as used in Section 83 does not include 'an unfunded and unsecured promise to pay money in the future.' On the other hand, if the employer backs the promise with assets placed beyond the reach of the employer's creditors, the value of the promise will be includible in the employee's or beneficiary's income at the moment the benefits become transferable or nonforfeitable." (Citing Income Tax Regulation Section 1.83-3(e).)

The assets of the Obligor are not to be placed beyond the reach of its creditors, and it is thus quite likely that the private annuity that is being issued to you will not be construed to constitute "property" as that term is defined in determining the applicability of Section 83 of the Internal Revenue Code to the private annuity.

H. THE SUBSEQUENT EXERCISE OF THE SECURITIES BY THE OBLIGOR WILL LIKELY NOT GENERATE A TAXABLE EVENT TO THE ANNUITANT.

Income Tax Regulation Section 1.83-1(c) describes the tax

consequences with respect to the disposition of *nonvested* property in a transaction that is not engaged in at arm's-length. Under such circumstances, the subsequent exercise of the securities by the Obligor would cause the earner of the compensatory element of the property to be taxed upon the exercise of the option. A detailed example of this principle is given in the regulation to illustrate this point.

However, in our situation the disposition of the securities does not involve *nonvested* property, and the disposition is at arm's-length. Consequently, the tax consequences set forth in this regulation do not apply. Instead, the tax consequences set forth in Income Tax Regulation Section 1.83-7(a) apply to the transaction. In pertinent part such regulation states: "If the option is sold or otherwise disposed of in an arm's-length transaction, sections 83(a) and 83(b) apply to the transfer of money or other property received in the same manner as sections 83(a) and 83(b) would have applied to the transfer of property pursuant to an exercise of the option."

Thus, as under Internal Revenue Code Sections 83(a) and (b) and the regulations promulgated thereunder no taxable event will occur to the Annuitant until the annuity vests (when the annuity payments are received by the Annuitant), the exercise of the options after the transfer of the securities to the Obligor pursuant to the annuity transaction is not likely to be a taxable event to the Annuitant.

I. THE SUBSEQUENT CONTRIBUTION OF THE ANNUITY TO A GRANTOR TRUST BY THE ANNUITANT WHO IS THE GRANTOR-SETTLOR OF SUCH TRUST WILL LIKELY NOT CAUSE THE INCOME TAX CONSEQUENCES TO VARY FROM THOSE DESCRIBED HEREIN.

You have indicated that you are contemplating the possibility of contributing the annuity to a grantor trust in which you would be the settlor. You have inquired whether such a contribution would alter the anticipated federal income tax consequences from those described herein.

The pertinent rules relating to the taxation of a grantor trust for federal income tax purposes are set forth in Section 671 of the Internal Revenue Code. In pertinent part that statute states: Where it is specified in this subpart that the grantor ... shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor ... those items of income, deductions, and credits against tax of the trust which are attributable to that portion of the trust to the extent that such items would be taken into account under this chapter in computing taxable income or credits against tax of an individual."

This statute is further interpreted in Income Tax Regulation Section 1.671-2(a) in pertinent part as follows: "Under section 671 a grantor or another person includes in computing his taxable income and credits those items of income, deduction, and credit against tax which are attributable to or included in any portion of a trust of which he is treated as the owner."

Thus, provided that the trust to which the annuity is contributed by the Annuitant is classified as a "grantor trust" under Internal Revenue Code Section 671, the tax consequences of such trust will be incurred by the Annuitant-Grantor.

In addition, Section 72(u) of the Internal Revenue Code indicates that an annuity contract that is not held by a natural person (such as the grantor trust) is to be taxed in accordance with the statutory scheme set forth within such statute.

However, that statute specifies that "For purposes of this paragraph, holding by a trust or other entity as an agent for a natural person shall not be taken into account."

Because the Annuitant is a "natural person" this statute does not apply and the normal annuity taxation rules would apply to the annuity.

Consequently, the tax consequences relating to the annuity will likely not vary from those incurred by the Annuitant in the event that the Annuitant were to subsequently contribute the annuity to the grantor trust.

III. CONCLUDING COMMENTS.

The opinions contained herein have been carefully considered by us and reflect the federal income tax consequences we anticipate will apply to the areas we have discussed. Nevertheless, they are only opinions and should not be considered to be guarantees.

Our opinions have been limited to our examination of the federal income tax consequences discussed above, as indicated herein. Our opinion expressly does not cover or concern itself with other issues not addressed herein, including but not limited to the reality of values.

Our opinion is based upon the status of the federal income tax law as of the date in which this opinion is written. Should there be any change in the applicable tax laws or the facts and circumstances relating to the events described herein, the opinions expressed herein necessarily require a reevaluation in the light of such changes.

In the event there is any change in the tax principles applicable to our opinion herein, we specifically disclaim any undertaking or obligation to advise you of any such changes which may hereafter occur.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been discussed herein.

Our analysis is based on the facts and/or assumptions contained in this letter. If such facts and/or assumptions are inaccurate or incomplete, our analysis and conclusions are equally inaccurate or incomplete and might vary substantially from those contained herein.

As you may be aware, the Internal Revenue Service, other government agencies, and the applicable courts possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties genuinely believed them to be.

In light of these matters, we need to caution you that the Internal Revenue Service, other government agencies, or a court might view the transactions which are the subject of this letter in a manner differently than we would view them.

There are numerous instances when the Internal Revenue Service or the courts misread or misapply the legal principles involved in the case, leading to a tax result that may be contrary to what the taxpayer anticipated.

The Internal Revenue Service and the courts generally carefully examine the substance and business purpose and economic reality behind a transaction to determine if the transaction is genuine and is to be granted recognition for tax purposes.

However, it is our view based on the information presented to us as expressed herein that it is more likely than not that the transactions described herein will be upheld as being bona fide.

Respectfully submitted,

PRATTER, TEDDER & GRAVES

By: David H. Tedder
David H. Tedder,
Attorney at Law

IRC Sec. 83. Property transferred in connection with performance of services.

(a) General Rule. If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of-

(1) the fair market value of such property (determined without regard to any restriction other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

(2) the (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or are not subject to a substantial risk of forfeiture.

(b) Election to include in gross income in year of transfer.

(1) In general. Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income, for the taxable year in which such property is transferred, the excess of-

(A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

(B) the amount (if any) paid for such property.

If such election is made, subsection (a) shall not apply with respect to the transfer of such property, and if such property is subsequently forfeited, no deduction shall be allowed in respect of such forfeiture.

(2) Election. An election under paragraph (1) with respect to any transfer of property shall be made in such a manner as the Secretary prescribes and shall be made not later than 30 days after the date of such transfer. Such election may not be revoked except with the consent of the Secretary.

3404

PRATTER, TEDDER & GRAVES

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REPLY TO _____

April 9, 1992

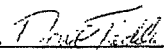
Sterling Software Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Sterling Software Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Sterling Software, Inc. Warrants to a Nevada Corporation for a Private Annuity of equal value issued to Sam Wylie.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By, 
David Tedder
Attorney-at-Law

PSI-WYBR 00217

3405

PRATTER, TEDDER & GRAVES

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REPLY TO _____

April 9, 1992


Michaels Stores Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Michaels Stores Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Michaels Stores, Inc. Options and Warrants to a Nevada Corporation for a Private Annuity of equal value issued to Sam Wyly.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By 
David Tedder
Attorney-at-Law

PSI-WYBR 00218

APR 21 1992

PRATTER, TEDDER & GRAVES
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February 28, 1992

REPLY TO _____

Mr. Sam Wyly
8080 North Central Expressway, Suite #1100
Dallas, Texas 75206

Dear Mr. Wyly:

You have requested the opinion of PRATTER, TEDDER & GRAVES concerning the 1992 federal income tax consequences that are likely to apply to the proposed sale of "Securities" herein defined and identified in Schedule A, in exchange for a private annuity, with such sale occurring during the 1992 taxable year.

Our analysis and opinion are based upon the facts and information as set forth herein and our assumption that these facts and information present a true, accurate, and complete description of the facts that are relevant to the proposed transaction described herein and the taxation issues we are addressing herein.

We have reviewed the various legal documents and other information in connection with this proposed plan. This opinion assumes that the program will be implemented in a manner that is unmodified from the proposed program described herein.

We have only been requested to examine the material federal tax aspects that relate to the proposed program described herein. We have not been requested to examine other laws and concerns that

PSI-WYBR 00219

pertain to the business transactions and/or the proposed program. Consequently, although numerous federal and state laws and Regulations apply to the business transactions, we expressly disclaim any opinion as to the effect of such laws and Regulations to the business transaction except as are otherwise expressly indicated herein.

~~This opinion is founded upon a prospective plan of action that has not yet been completed.~~ Recognizing that facts and circumstances may change, and recognizing that such changes may affect the legal and tax consequences pertaining to the operations of the business transaction, we must therefore advise you that any change or deviation from the proposed plan of action described herein might produce different tax consequences than those set forth in this opinion.

Our opinion represents our conclusions derived from our legal analysis in which we applied the facts and circumstances pertaining to the Securities owned by you personally and the proposed business transaction as described herein to our interpretation of federal tax law.

Our analysis and opinion are limited to the above issue of federal taxation and do not cover or relate to any other legal or taxation issue that may pertain to such a transaction, and we expressly disclaim any opinion as to such matters.

Our opinion has no binding effect or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else.

I. THE FACTUAL FOUNDATION:

It is our understanding that you are considering the sale of Securities to a domestic corporation which will issue a private annuity in exchange for the Securities. It is our further understanding that it is the express intent of the parties to the transaction that the value of the

Securities will equal the value of the annuity and that no gift or bargain sale or discounted sale price will arise as a result of the transaction. Further, it is our understanding that the private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by you with respect to this private annuity transaction.

The private annuity payments will not be chargeable to or dependent upon the Securities sold in exchange for the annuity. The amount of the annuity payments will be based on the fair market value of the Securities.

It is our further understanding that the domestic corporation intending to purchase the Securities in exchange for the issuance of the private annuity is wholly owned by a foreign corporation which is wholly owned by a foreign nongrantor trust. This trust has been established by you for the benefit of one (1) or more foreign beneficiaries during your lifetime. We understand that during your lifetime the trust will have no United States beneficiaries, but in the taxable years following your death the trust may have one (1) or more beneficiaries who are United States citizens and/or resident aliens.

We understand that the private annuity is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

We further understand that the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. Any income generated by the Securities will belong to the corporation outright, and will not be chargeable to

the annuity payments.

We understand that the amount of the annuity payments will be based on the fair market value of the Securities being exchanged for the annuity and will not be based on any income generated by the Securities that are being transferred for the annuity.

~~We also understand that the possession and/or enjoyment of the Securities being exchanged for the private annuity will reside exclusively with the acquiring corporation, and you will not preserve or reserve any control of any kind or character over such Securities or any income therefrom that would constitute a retained interest in the possession and/or enjoyment of the Securities being exchanged for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are sold in exchange for the private annuity.~~

It is our understanding that the private annuity payments will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

We understand that the corporation issuing the private annuity is not in the business of issuing annuities from time to time, and it will not issue any additional annuities during the term of its private annuity agreement with you.

We further understand that the corporation issuing the private annuity is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization.

We have been advised that there are no outstanding encumbrances on the Securities, and consequently we do not express any opinion that relates to this issue.

You have advised us that your stock options are nontransferable and are not actively traded on an established market. The Nonstatutory Option Agreements verify and specify the nontransferability of the stock options.

You have further informed us that the stock warrants are transferable and that ~~certain warrants are compensatory while other warrants are noncompensatory~~ in nature. You have advised us that these warrants are not actively traded on an established market.

II. OPINION AND ANALYSIS OF THE 1992 FEDERAL INCOME TAX CONSEQUENCES THAT ARE LIKELY TO APPLY TO THE PROPOSED SALE OF SECURITIES TO A CORPORATION IN EXCHANGE FOR A PRIVATE ANNUITY, WITH SUCH SALE OCCURRING DURING THE 1992 TAXABLE YEAR UNDER THE CIRCUMSTANCES DESCRIBED HEREIN:

A. PURSUANT TO THE GENERAL FEDERAL INCOME TAX TREATMENT OF PROPERTY EXCHANGED FOR A PRIVATE ANNUITY THE SALE OF PROPERTY TO THE CORPORATION IN EXCHANGE FOR THE RECEIPT OF A PRIVATE ANNUITY IS NOT A TAXABLE EVENT IN THE YEAR 1992.

The general federal income tax treatment of property exchanged for a private annuity is explained in Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4805 as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate

taxable gain. (Emphasis is included in the text.) However, the payments under the arrangement are taxable when received, see Paragraph J- 4807. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the private annuity arrangement (i.e., the transferee) is financially sound at the time of the transfer since that 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance companies and banks, and may change over the payment period. (Citations omitted.)"

In your situation, because the corporation which is issuing the annuity is not in the business of issuing annuities from time to time, and will not issue any additional annuities during the term of its private annuity agreement with you, and because the corporation is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization, it is our opinion that it is more likely than not that the annuity will likely be taxable as a private annuity in accordance with the aforescribed federal income tax consequences, as opposed to its being taxable as a commercial annuity.

B. THE PRIVATE ANNUITY IS NOT INTENDED TO CONTAIN A GIFT OR BARGAIN SALE ELEMENT, AND THE EXCHANGE OF SECURITIES FOR A PRIVATE ANNUITY OF EQUIVALENT ACTUARIAL VALUE IS LIKELY TO BE EXCLUDED FROM FEDERAL GIFT TAX.

The private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by either you or the corporation with respect to this private annuity transaction.

Research Institute of America Federal Tax Coordinator 2d describes

private annuity taxation as follows at Paragraph C- 5408:

"Under the private annuity rules, there's no gift tax if the sale is made at market price (see Chapter Q), there's no estate tax on the property remaining after the taxpayer's death (see Chapter R), and the taxpayer's taxable gain on the sale is spread over the annuity payments he receives (see Chapter J)."

Warnick, 195-3rd T.M., Private Annuities, at page A-5 states:

"Under a private annuity the possibility of the Service's finding a gift in the exchange of property for an annuity of actuarially equal value is nil."

This author further explains at page A-15:

"The rules already discussed all assume that the transferor is not making a partial gift through the annuity agreement. In other words, it is assumed that the fair market value of the property and the present value of the annuity are equal...."

Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 contains some explanatory language that is helpful and should be heeded if the avoidance of a gift element is being sought by the parties to the Annuity Agreement. The pertinent language in that Paragraph states:

"Some evidence of a gift must be present for any amount to be excluded as a gift from the cost of the private annuity.

"The fact that the value of the property exceeds the present value of the annuity is not conclusive evidence of a partial gift. (Citations omitted.) However, some evidence of a gift may appear if the taxpayer filed a gift tax return for the excess value. (Citation omitted.) ..."

It is our understanding that the private annuity payments you are to receive will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

This is very important because the Internal Revenue Service can take the position that the present value of the annuity is less than the present value of the Securities sold in exchange for the annuity if the annuity does not contain an adequate interest rate factor to compensate for the time delay to the partnership in receiving its consideration for the sale and exchange of the Securities. For example, see Warnick, 195-3rd T.M., Private Annuities at page A-21 discussing the United States Tax Court decision in LaFargue v. Commissioner, 73 T.C. 40 (1979), which was affirmed in part and reversed in part by the United States Court of Appeals for the 9th Circuit in 689 F.2d 845 (9th Cir. 1982), in which the Tax Court found that the annuity transaction was not taxable as a private annuity for among other reasons:

"...(T)he transaction was not based on the actuarial tables and did not include an interest factor, and there was a large gap between the present value and the fair market value of the annuity. ..."

Although the United States Court of Appeals for the 9th Circuit reversed the Tax Court's holding that the transaction did not involve a private annuity, it is important that the annuity contain an interest factor to account for the time value of money.

In your situation it is clearly the intent of the parties that the price of the annuity is to be equal to the value of the Securities being exchanged for the annuity, and no gift or other valuation benefit in excess of such value is intended to be received by either party to the agreement. It is thus our opinion that it is more likely than not that no gift tax will be imposed on your disposition of the Securities in exchange for your receiving a private annuity of equal value, provided the actuarial value of the Securities being sold in exchange for the receipt of the private annuity are of an equivalent actuarial value.

**C. THE ANNUITY PAYMENTS MUST BE UNSECURED TO
AVOID YOUR BEING TAXED IMMEDIATELY IN 1992 ON
THE GAIN FROM THE DISPOSITION OF THE SECURITIES
BEING EXCHANGED FOR THE ANNUITY.**

The United States Tax Court has held that the private annuity income tax rules apply only to private annuities that are unsecured. If the annuity payments are secured the annuity will be taxable as if it were a commercial annuity rather than a private annuity. (See Estate of Lloyd Bell, (1973) 60 TC 469 and 212 Corp., (1978) 70 TC 788.)

For example, the Tax Court in Bell held that the property transferred in exchange for the private annuity was secured because such property was placed in escrow as security for the annuity payments, and the annuity agreement also provided for a "cognovit" judgment against the parties issuing the annuity in the event they defaulted in making their annuity payments. Consequently, the Tax Court applied the rules pertaining to commercial annuities to the transaction and held that the taxpayers had an immediately taxable gain when they exchanged their appreciated stock in exchange for the secured private annuity.

It is our understanding that the private annuity being issued to you is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

In addition, the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. The income generated by the property will belong to the corporation outright, and will not be chargeable to the annuity payments. The amount of the annuity payments will be based on the fair market value of the Securities being sold for the annuity and will

not be based on the income generated by the Securities being exchanged for the annuity.

Furthermore, the possession and/or enjoyment of the Securities being sold in exchange for the private annuity will reside exclusively with the corporation, and you will not preserve or reserve any control of any kind or character over such Securities and the income therefrom that would constitute a retained interest in the possession or enjoyment of the Securities being sold in exchange for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are being sold in exchange for the private annuity.

Consequently, provided that the private annuity payments will be unsecured and will always remain unsecured it is our opinion that it is more likely than not that the private annuity will not be taxable as a secured annuity that is taxable as a commercial annuity.

D. THE DISPOSITION OF COMPENSATORY NON-STATUTORY SECURITIES IN AN ARM'S LENGTH TRANSACTION BEFORE RIGHTS IN THE SECURITIES BECOME TRANSFERABLE TO THE OBLIGOR CORPORATION, AND THE DISPOSITION OF A COMPENSATORY NONSTATUTORY TRANSFERABLE WARRANT IN EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS NOT A TAXABLE EVENT IN THE YEAR 1992.

It is our opinion that it is more likely than not that an exchange of your nontransferable stock options for a private annuity will not be subject to an immediate taxable event.

The federal income tax treatment of your nontransferable non-statutory stock options is generally covered in Internal Revenue Code

Section 83 and Regulations Section 1.83-1, 1.83-3, and 1.83-7.

Internal Revenue Code Section 83 does not initially apply to the taxation of your nonqualified stock options because your options are not actively traded on an established market and are not transferable. However, once the nontransferable stock options are exchanged for the nonvested private annuity, you will then be subject to the rules of Internal Revenue Code Sections 83(a) and 83(b). Under these rules to avoid an immediate taxable event upon the transfer of your stock options for a private annuity, the stock options must be transferred for a *substantially nonvested* private annuity.

Substantially nonvested property is property that is nontransferable and subject to a substantial risk of forfeiture. (See Regulations Section 1.83-3(b).)

The general rule regarding the transferability of property is cited in Regulation Section 1.83-3(d):

"For purposes of Section 83 and the Regulations thereunder, the rights of a person in property are transferable if such person can transfer any interest in the property to any person other than the transferor of the property, but only if the rights in such property of such transferee are not subject to a substantial risk of forfeiture. Accordingly, property is transferable if the person performing the services or receiving the property can sell, assign, or pledge (as collateral for a loan, or as security for the performance of an obligation, or any other purpose) his interest in the property to any person other than the transferor of such property and if the transferee is not required to give up the property or its value in the event the substantial risk of forfeiture materializes. On the other hand, property is not considered to be transferable merely because the person performing the services or receiving the property may designate a beneficiary to receive the property in the event of his death."

A substantial risk of forfeiture is defined in Regulation Section 1.83-

3(c) as follows:

"A substantial risk of forfeiture exists where rights in property that are transferred are conditioned, directly or indirectly, upon the future performance (or refraining from performance) of substantial services by any person, or the occurrence of a condition related to a purpose of the transfer, and the possibility of forfeiture is substantial if such condition is not satisfied."

It is our opinion that it is more likely than not that a private annuity will be treated as being substantially nonvested.

To be substantially nonvested, the private annuity must be nontransferable and subject to a substantial risk of forfeiture.

Section XVI of the Private Annuity agreement specifically states that the private annuity payments to you are nonassignable and nontransferable or capable of being pledged or otherwise encumbered by you without the prior written consent of the Obligor first being obtained. Furthermore, a private annuity is customarily nontransferable. (Sec. Warnick, 195-3rd T.M., Private Annuities, at page number A-7.)

It is also our opinion that it is more likely than not that the private annuity is subject to a substantial risk of forfeiture as exemplified by Section 2.5(a) of the Private Annuity Agreement which states:

"The Annuity payments payable hereunder to the Annuitant are subject to a substantial risk of forfeiture to the Annuitant in that such Annuity payments shall terminate and lapse with the last payment immediately preceding the death of the Annuitant, or upon the death of the Annuitant if no payments have been made as of the death of the Annuitant; however, notwithstanding the foregoing, any annuity payments that were not made prior to the death of the Annuitant because of a breach of this Agreement by the Obligor shall be due and payable upon the death of the Annuitant together with any applicable

interest, late charges, or other payments due hereunder, and any such payments shall be made to the estate of the Annuitant . There will be no proration of payments at the time of the death of the Annuitant or at anytime thereafter."

The unpaid annuity payments upon your death are thus totally terminable, extinguishable, and forfeitable. Consequently, the private annuity is subject to a substantial risk of forfeiture.

It is therefore our opinion that your private annuity will then be treated for tax purposes as your stock options would have been treated under Internal Revenue Code Section 83. The result of this substitution is that when your private annuity substantially vests under Internal Revenue Code Section 83, it will be taxed in the same manner that the stock options would have been taxed under Internal Revenue Code Section 83(a) and (b). Therefore, it is our opinion that it is more likely than not that when the private annuity substantially vests (i.e., when payments under the terms of the annuity agreement are actually received by you) you will at that time be subject to a taxable event.

The term "nonstatutory stock options" includes warrants to purchase stock. (See Research Institute of America Federal Tax Coordinator 2d at paragraphs H-2850 and H-2853, citing Frank Shamburger (1973) 61 TC 85, affirmed (1975, CA8) 508 F2d 883.)

It is our opinion that the compensatory nonstatutory transferable warrant which is being sold in exchange for your receiving a substantially nonvested private annuity will not cause a taxable event in 1992, the year of the exchange.

Furthermore, assuming that vested nontransferable stock options and a vested transferable warrant (as defined in Income Tax Regulation Section 1.83-3(a)) are exchanged for a private annuity, it is more likely than not that such an exchange will not result in an immediate taxable event.

**E. NONCOMPENSATORY NONSTATUTORY SECURITIES
TRANSFERRED TO THE OBLIGOR CORPORATION IN
EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY
NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT
VALUE FROM SUCH CORPORATION WILL LIKELY NOT
BE A TAXABLE EVENT IN THE YEAR 1992, THE YEAR OF
EXCHANGE.**

Noncompensatory nonstatutory Securities are not covered by Internal Revenue Code Section 83. Internal Revenue Code Section 83 only governs property transferred in connection with the performance of services, and since these Securities are non-compensatory they will be exempt from Internal Revenue Code Section 83 rules as previously herein discussed.

It is our opinion that it is more likely than not that these non-compensatory nonstatutory Securities will be covered by the general federal income tax treatment of property exchanged for a private annuity. The Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 explains the federal income tax treatment of property exchanged for a private annuity as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate taxable gain. (Emphasis is included in the text) However, the payments under the arrangement are taxable when received, see Paragraph J-4806. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance

companies and banks, and may change over the payment period. (Citations omitted.)"

Because the non-compensatory nonstatutory Securities are not subject to Internal Revenue Code Section 83 coverage, it is our opinion that it is more likely than not that the non-compensatory nonstatutory Securities transferred in exchange for the private annuity will likely be taxable as property transferred in exchange for a private annuity in accordance with the aforedescribed federal income tax consequences.

F. NOTWITHSTANDING THE FOREGOING, THE DISPOSITION OF SECURITIES WITHOUT A READILY ASCERTAINABLE FAIR MARKET VALUE TO AN OBLIGOR CORPORATION IN EXCHANGE FOR YOUR RECEIVING A PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS ARGUABLY NOT GOVERNED BY INTERNAL REVENUE CODE SECTION 83, AND WOULD THUS BE EXEMPT FROM TAXATION PURSUANT TO THE FOREGOING INTERNAL REVENUE CODE SECTION 83 RULES!

Notwithstanding the foregoing, the transfer of stock options without a readily ascertainable fair market value in exchange for a private annuity is arguably not subject to the Internal Revenue Code Section 83 rules.

If Internal Revenue Code Section 83 does not apply to the transfer of stock options in exchange for a private annuity, the stock options that are transferred in exchange for a private annuity, will likely be governed according to the aforedescribed federal income rules covering private annuities, that apply to property interests that are not transferred in connection with the performance of services.

Internal Revenue Code Section 83(e) recites the situations in which Section 83 does not apply to certain property interests transferred in connection with the performance of services. That statute states:

"This Section shall not apply to-

(1) a transaction to which Section 421 applies,

(2) a transfer to or from a trust described in Section 401(a) or a transfer under an annuity plan which meets the requirement of Section 404(a)(2),

(3) the transfer of an option without a readily ascertainable fair market value,

(4) the transfer of property pursuant to the exercise of an option with a readily ascertainable fair market value at the date of grant, or

(5) group-term life insurance to which Section 79 applies."

Under Internal Revenue Code Section 83(e)(3), a stock option without a readily ascertainable fair market value is not subject to Internal Revenue Code Section 83.

In your situation, your stock options are not actively traded on an established market and according to Regulation Section 1.83-7(b) should not have a readily ascertainable fair market value. That Regulation states:

"(1) Options have a value at the time they are granted, but that value is ordinarily not readily ascertainable unless the option is actively traded on an established market .

(2) When an option is not actively traded on an established market, it does not have a readily ascertainable fair market value unless its fair market value can otherwise be measured with reasonable accuracy. For purposes of this Section, if an option is not actively traded on an established market, the option does not have a readily ascertainable fair market value when granted unless the

taxpayer can show that all of the following conditions exist:

- (i) The option is transferable by the optionee;
- (ii) The option is exercisable immediately in full by the optionee;
- ~~(iii) The option or the property subject to the option is not~~
subject to any restriction or condition (other than a lien or other condition to secure the payment of the purchase price) which has a significant effect upon the fair market value on the option; and
- (iv) The fair market value of the option privilege is readily ascertainable in accordance with paragraph (b)(3) of this Section."

The Regulations further state in Section 1.83-7(b)(3) that in determining whether the value of the option privilege is readily ascertainable, and in determining the amount of such value when such value is readily ascertainable, it is necessary to consider-

- "(i) Whether the value of the property subject to the option can be ascertained;
- (ii) The probability of any ascertainable value of such property increasing or decreasing; and
- (iii) The length of the period during which the option can be exercised"

It is our understanding that none of these factors exist regarding your stock options, and therefore your stock options do not have a readily ascertainable value. Consequently, it is our opinion that it is more likely than not that if your stock options do not have a readily ascertainable value Internal Revenue Code Section 83 does not apply to the transfer of the stock options in exchange for the private annuity by virtue of Internal Revenue Code Section 83(e)(3).

However, this provision is a seemingly ignored provision of the Internal Revenue Code. There is little discussion of the applicability of this provision and the Regulations and authorities have generally overlooked this Section. Instead, the Regulations and authorities provide for an alternative method of analysis, as already herein discussed, for treating the transfer of nonvested stock options in exchange for a private annuity.

We thus caution you that while Internal Revenue Code Section 83(e) states that Internal Revenue Code Section 83 shall not apply to the transfer of stock options without a readily ascertainable fair market value, this provision should be viewed most speculatively because of the lack of substantive material supporting the application and use of this Section. Therefore, it is our opinion that while you should be aware of this provision you should be cautious in your reliance upon it. It is advisable that you proceed conservatively, and cautiously follow the Regulations governing the transfer of property in connection with the performance of services as already herein set forth.

G. A PRIVATE ANNUITY MIGHT NOT BE CLASSIFIED AS CONSTITUTING "PROPERTY" WITHIN THE MEANING OF INCOME TAX REGULATION SECTION 1.83-3(e).

A private annuity might not be considered to constitute "property" as that term is defined in Income Tax Regulation Section 1.83-3(e). This regulation defines property as including "real and personal property other than either money or an unfunded and unsecured promise to pay money or property in the future."

The private annuity is an unsecured promise to pay money in the future.

Section III 3.1 of the Private Annuity Agreement states in pertinent part that "(T)he parties further agree that the Obligor will not establish

any security or any *fund* or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder."

It is thus reasonable to conclude that the private annuity is *unfunded* as well as being *unsecured*, and thus does not constitute property within the meaning of Income Tax Regulation Section 1.83-3(e). However, you should be aware that we have not located any pertinent decisions, rulings, or other legal authority that substantiates this conclusion.

Professor of Law Daniel C. Knickerbocker, Jr. of Seton Hall University School of Law has written in Knickerbocker, 134-4th T.M., *Annuities*, at page A-34 that: "...Section 83 governs property transferred in connection with the performance of service. ... Where an employer has merely promised to pay an annuity to a beneficiary surviving one of its employees, there is no transfer of property either to the employee when the promise is made or to the beneficiary when the promise matures on the employee's death. 'Property' as used in Section 83 does not include 'an unfunded and unsecured promise to pay money in the future.' On the other hand, if the employer backs the promise with assets placed beyond the reach of the employer's creditors, the value of the promise will be includible in the employee's or beneficiary's income at the moment the benefits become transferable or nonforfeitable." (Citing Income Tax Regulation Section 1.83-3(e).)

The assets of the Obligor are not to be placed beyond the reach of its creditors, and it is thus quite likely that the private annuity that is being issued to you will not be construed to constitute "property" as that term is defined in determining the applicability of Section 83 of the Internal Revenue Code to the private annuity.

II. THE SUBSEQUENT EXERCISE OF THE SECURITIES BY THE OBLIGOR WILL LIKELY NOT GENERATE A TAXABLE EVENT TO THE ANNUITANT.

Income Tax Regulation Section 1.83-1(c) describes the tax

consequences with respect to the disposition of *nonvested* property in a transaction that is not engaged in at arm's-length. Under such circumstances, the subsequent exercise of the securities by the Obligor would cause the earner of the compensatory element of the property to be taxed upon the exercise of the option. A detailed example of this principle is given in the regulation to illustrate this point.

~~However, in our situation the disposition of the securities does not involve *nonvested* property, and the disposition is at arm's-length. Consequently, the tax consequences set forth in this regulation do not apply. Instead, the tax consequences set forth in Income Tax Regulation Section 1.83-7(a) apply to the transaction. In pertinent part such regulation states: "If the option is sold or otherwise disposed of in an arm's-length transaction, sections 83(a) and 83(b) apply to the transfer of money or other property received in the same manner as sections 83(a) and 83(b) would have applied to the transfer of property pursuant to an exercise of the option."~~

Thus, as under Internal Revenue Code Sections 83(a) and (b) and the regulations promulgated thereunder no taxable event will occur to the Annuitant until the annuity vests (when the annuity payments are received by the Annuitant), the exercise of the options after the transfer of the securities to the Obligor pursuant to the annuity transaction is not likely to be a taxable event to the Annuitant.

I. THE SUBSEQUENT CONTRIBUTION OF THE ANNUITY TO A GRANTOR TRUST BY THE ANNUITANT WHO IS THE GRANTOR-SETTLOR OF SUCH TRUST WILL LIKELY NOT CAUSE THE INCOME TAX CONSEQUENCES TO VARY FROM THOSE DESCRIBED HEREIN.

You have indicated that you are contemplating the possibility of contributing the annuity to a grantor trust in which you would be the settlor. You have inquired whether such a contribution would alter the anticipated federal income tax consequences from those described herein.

The pertinent rules relating to the taxation of a grantor trust for federal income tax purposes are set forth in Section 671 of the Internal Revenue Code. In pertinent part that statute states: Where it is specified in this subpart that the grantor ... shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor ... those items of income, deductions, and credits against tax of the trust which are attributable to that portion of the trust to the extent that such items would be taken into account under this chapter in computing taxable income or credits against tax of an individual."

This statute is further interpreted in Income Tax Regulation Section 1.671-2(a) in pertinent part as follows: "Under section 671 a grantor or another person includes in computing his taxable income and credits those items of income, deduction, and credit against tax which are attributable to or included in any portion of a trust of which he is treated as the owner."

Thus, provided that the trust to which the annuity is contributed by the Annuitant is classified as a "grantor trust" under Internal Revenue Code Section 671, the tax consequences of such trust will be incurred by the Annuitant-Grantor.

In addition, Section 72(u) of the Internal Revenue Code indicates that an annuity contract that is not held by a natural person (such as the grantor trust) is to be taxed in accordance with the statutory scheme set forth within such statute.

However, that statute specifies that "For purposes of this paragraph, holding by a trust or other entity as an agent for a natural person shall not be taken into account."

Because the Annuitant is a "natural person" this statute does not apply and the normal annuity taxation rules would apply to the annuity.

Consequently, the tax consequences relating to the annuity will likely not vary from those incurred by the Annuitant in the event that the Annuitant were to subsequently contribute the annuity to the grantor trust.

III. CONCLUDING COMMENTS.

The opinions contained herein have been carefully considered by us and reflect the federal income tax consequences we anticipate will apply to the areas we have discussed. Nevertheless, they are only opinions and should not be considered to be guarantees.

Our opinions have been limited to our examination of the federal income tax consequences discussed above, as indicated herein. Our opinion expressly does not cover or concern itself with other issues not addressed herein, including but not limited to the reality of values.

Our opinion is based upon the status of the federal income tax law as of the date in which this opinion is written. Should there be any change in the applicable tax laws or the facts and circumstances relating to the events described herein, the opinions expressed herein necessarily require a reevaluation in the light of such changes.

In the event there is any change in the tax principles applicable to our opinion herein, we specifically disclaim any undertaking or obligation to advise you of any such changes which may hereafter occur.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been discussed herein.

Our analysis is based on the facts and/or assumptions contained in this letter. If such facts and/or assumptions are inaccurate or incomplete, our analysis and conclusions are equally inaccurate or incomplete and might vary substantially from those contained herein.

As you may be aware, the Internal Revenue Service, other government agencies, and the applicable courts possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties genuinely believed them to be.

~~In light of these matters, we need to caution you that the Internal Revenue Service, other government agencies, or a court might view the transactions which are the subject of this letter in a manner differently than we would view them.~~


There are numerous instances when the Internal Revenue Service or the courts misread or misapply the legal principles involved in the case, leading to a tax result that may be contrary to what the taxpayer anticipated.

The Internal Revenue Service and the courts generally carefully examine the substance and business purpose and economic reality behind a transaction to determine if the transaction is genuine and is to be granted recognition for tax purposes.

However, it is our view based on the information presented to us as expressed herein that it is more likely than not that the transactions described herein will be upheld as being bona fide.

Respectfully submitted,

PRATTER, TEDDER & GRAVES

By 
David H. Tedder,
Attorney at Law

IRC Sec. 83. Property transferred in connection with performance of services.

(a) General Rule. If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of-

(1) the fair market value of such property (determined without regard to any restriction other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

(2) the (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or are not subject to a substantial risk of forfeiture.

(b) Election to include in gross income in year of transfer.

(1) In general. Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income, for the taxable year in which such property is transferred, the excess of-

(A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

(B) the amount (if any) paid for such property.
If such election is made, subsection (a) shall not apply with respect to the transfer of such property, and if such property is subsequently forfeited, no deduction shall be allowed in respect of such forfeiture.

(2) Election. An election under paragraph (1) with respect to any transfer of property shall be made in such a manner as the Secretary prescribes and shall be made not later than 30 days after the date of such transfer. Such election may not be revoked except with the consent of the Secretary.

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IN WITNESS WHEREOF, the parties hereby enter into this Agreement to be effective, for all purposes on _____, 19____.

NEVADA CORPORATION

By _____

FOREIGN CORPORATION

By _____

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PRATTER, TEDDER & GRAVES

ATTORNEYS AT LAW

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REPLY TO _____

April 9, 1992

Sterling Software Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Sterling Software Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Sterling Software, Inc. Warrants to a Nevada Corporation for a Private Annuity of equal value issued to Charles Wyly.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By *David Tedder*
David Tedder
Attorney-at-Law

PSI-WYBR 00244

3432

PRATTER, TEDDER & GRAVES
ATTORNEYS AT LAW

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TELEPHONE (213) 278-2287
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ORANGE COUNTY OFFICE
1100 TOWN & COUNTRY ROAD
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TELEPHONE (714) 867-0170
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REPLY TO _____

April 9, 1992

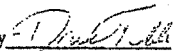
Michaels Stores Inc.
8080 N. Central Expressway
Suite 1100
Dallas, Texas 75206

Dear Michaels Stores Inc.,

Attached is the tax opinion dated February 28, 1992, in which Internal Revenue Code Section 83 is discussed with respect to the sale of Michaels Stores, Inc. Options to a Nevada Corporation for a Private Annuity of equal value issued to Charles Wylly.

This is to inform you that you may rely on this opinion with respect to the taxation matters discussed therein.

Very truly yours,

By 
David Tedder
Attorney-at-Law

PSI-WYBR 00245

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REPLY TO Orange

February 28, 1992

Mr. Charles Wylly
8080 North Central Expressway, Suite #1100
Dallas, Texas 75206

Dear Mr. Wylly:

You have requested the opinion of **PRATTER, TEDDER & GRAVES** concerning the 1992 federal income tax consequences that are likely to apply to the proposed sale of "Securities" herein defined and identified in Schedule A, in exchange for a private annuity, with such sale occurring during the 1992 taxable year.

Our analysis and opinion are based upon the facts and information as set forth herein and our assumption that these facts and information present a true, accurate, and complete description of the facts that are relevant to the proposed transaction described herein and the taxation issues we are addressing herein.

We have reviewed the various legal documents and other information in connection with this proposed plan. This opinion assumes that the program will be implemented in a manner that is unmodified from the proposed program described herein.

We have only been requested to examine the material federal tax aspects that relate to the proposed program described herein. We have not been requested to examine other laws and concerns that

PSI-WYBR 00246¹¹

pertain to the business transactions and/or the proposed program. Consequently, although numerous federal and state laws and Regulations apply to the business transactions, we expressly disclaim any opinion as to the effect of such laws and Regulations to the business transaction except as are otherwise expressly indicated herein.

This opinion is founded upon a prospective plan of action that has not yet been completed. Recognizing that facts and circumstances may change, and recognizing that such changes may affect the legal and tax consequences pertaining to the operations of the business transaction, we must therefore advise you that any change or deviation from the proposed plan of action described herein might produce different tax consequences than those set forth in this opinion.

Our opinion represents our conclusions derived from our legal analysis in which we applied the facts and circumstances pertaining to the Securities owned by you personally and the proposed business transaction as described herein to our interpretation of federal tax law.

Our analysis and opinion are limited to the above issue of federal taxation and do not cover or relate to any other legal or taxation issue that may pertain to such a transaction, and we expressly disclaim any opinion as to such matters.

Our opinion has no binding effect or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else.

I. THE FACTUAL FOUNDATION:

It is our understanding that you are considering the sale of Securities to an unrelated domestic corporation which will issue a private annuity in exchange for the Securities. It is our further understanding that it is the express intent of the parties to the transaction that the value of the

Securities will equal the value of the annuity and that no gift or bargain sale or discounted sale price will arise as a result of the transaction. Further, it is our understanding that the private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by you with respect to this private annuity transaction.

The private annuity payments will not be chargeable to or dependent upon the Securities sold in exchange for the annuity. The amount of the annuity payments will be based on the fair market value of the Securities.

It is our further understanding that the domestic corporation intending to purchase the Securities in exchange for the issuance of the private annuity is wholly owned by a foreign corporation which is wholly-owned by a foreign nongrantor trust. This trust has been established by you for the benefit of one (1) or more foreign beneficiaries during your lifetime. We understand that during your lifetime the trust will have no United States beneficiaries, but in the taxable years following your death the trust may have one (1) or more beneficiaries who are United States citizens and/or resident aliens.

We understand that the private annuity is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

We further understand that the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. Any income generated by the Securities will belong to the corporation outright, and will not be chargeable to

the annuity payments.

We understand that the amount of the annuity payments will be based on the fair market value of the Securities being exchanged for the annuity and will not be based on any income generated by the Securities that are being transferred for the annuity.

We also understand that the possession and/or enjoyment of the Securities being exchanged for the private annuity will reside exclusively with the acquiring corporation, and you will not preserve or reserve any control of any kind or character over such Securities or any income therefrom that would constitute a retained interest in the possession and/or enjoyment of the Securities being exchanged for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are sold in exchange for the private annuity.

It is our understanding that the private annuity payments will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

We understand that the corporation issuing the private annuity is not in the business of issuing annuities from time to time, and it will not issue any additional annuities during the term of its private annuity agreement with you.

We further understand that the corporation issuing the private annuity is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization.

We have been advised that there are no outstanding encumbrances on the Securities, and consequently we do not express any opinion that relates to this issue.

You have advised us that your stock options are nontransferable and are not actively traded on an established market. The Nonstatutory Option Agreements verify and specify the nontransferability of the stock options.

~~You have further informed us that the stock warrants are transferable and that certain warrants are compensatory while other warrants are noncompensatory in nature. You have advised us that these warrants are not actively traded on an established market.~~

II. OPINION AND ANALYSIS OF THE 1992 FEDERAL INCOME TAX CONSEQUENCES THAT ARE LIKELY TO APPLY TO THE PROPOSED SALE OF SECURITIES TO A CORPORATION IN EXCHANGE FOR A PRIVATE ANNUITY, WITH SUCH SALE OCCURRING DURING THE 1992 TAXABLE YEAR UNDER THE CIRCUMSTANCES DESCRIBED HEREIN:

A. PURSUANT TO THE GENERAL FEDERAL INCOME TAX TREATMENT OF PROPERTY EXCHANGED FOR A PRIVATE ANNUITY THE SALE OF PROPERTY TO THE CORPORATION IN EXCHANGE FOR THE RECEIPT OF A PRIVATE ANNUITY IS NOT A TAXABLE EVENT IN THE YEAR 1992.

The general federal income tax treatment of property exchanged for a private annuity is explained in Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4805 as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate

taxable gain. (Emphasis is included in the text.) However, the payments under the arrangement are taxable when received, see Paragraph J- 4807. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the private annuity arrangement (i.e., the transferee) is financially sound at the time of the transfer since that ~~'private' transferee is not in the~~ business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance companies and banks, and may change over the payment period. (Citations omitted.)"

In your situation, because the corporation which is issuing the annuity is not in the business of issuing annuities from time to time, and will not issue any additional annuities during the term of its private annuity agreement with you, and because the corporation is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization, it is our opinion that it is more likely than not that the annuity will likely be taxable as a private annuity in accordance with the aforescribed federal income tax consequences, as opposed to its being taxable as a commercial annuity.

B. THE PRIVATE ANNUITY IS NOT INTENDED TO CONTAIN A GIFT OR BARGAIN SALE ELEMENT, AND THE EXCHANGE OF SECURITIES FOR A PRIVATE ANNUITY OF EQUIVALENT ACTUARIAL VALUE IS LIKELY TO BE EXCLUDED FROM FEDERAL GIFT TAX.

The private annuity is intended to be issued in an amount that is equal to the fair market value of the Securities that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by either you or the corporation with respect to this private annuity transaction.

Research Institute of America Federal Tax Coordinator 2d describes

private annuity taxation as follows at Paragraph C- 5408:

"Under the private annuity rules, there's no gift tax if the sale is made at market price (see Chapter Q), there's no estate tax on the property remaining after the taxpayer's death (see Chapter R), and the taxpayer's taxable gain on the sale is spread over the annuity payments he receives (see Chapter J)."

Warnick, 195-3rd T.M., Private Annuities, at page A-5 states:

"Under a private annuity the possibility of the Service's finding a gift in the exchange of property for an annuity of actuarially equal value is nil."

This author further explains at page A-15:

"The rules already discussed all assume that the transferor is not making a partial gift through the annuity agreement. In other words, it is assumed that the fair market value of the property and the present value of the annuity are equal...."

Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 contains some explanatory language that is helpful and should be heeded if the avoidance of a gift element is being sought by the parties to the Annuity Agreement. The pertinent language in that Paragraph states:

"Some evidence of a gift must be present for any amount to be excluded as a gift from the cost of the private annuity.

"The fact that the value of the property exceeds the present value of the annuity is not conclusive evidence of a partial gift. (Citations omitted.) However, some evidence of a gift may appear if the taxpayer filed a gift tax return for the excess value. (Citation omitted.) ..."

It is our understanding that the private annuity payments you are to receive will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

This is very important because the Internal Revenue Service can take the position that the present value of the annuity is less than the present value of the Securities sold in exchange for the annuity if the annuity does not contain an adequate interest rate factor to compensate for the time delay to the annuitant in receiving its consideration for the sale and exchange of the Securities. For example, see Warnick, 195-3rd T.M., Private Annuities at page A-21 discussing the United States Tax Court decision in LaFargue v. Commissioner, 73 T.C. 40 (1979), which was affirmed in part and reversed in part by the United States Court of Appeals for the 9th Circuit in 689 F.2d 845 (9th Cir. 1982), in which the Tax Court found that the annuity transaction was not taxable as a private annuity for among other reasons:

"...(T)he transaction was not based on the actuarial tables and did not include an interest factor, and there was a large gap between the present value and the fair market value of the annuity. ..."

Although the United States Court of Appeals for the 9th Circuit reversed the Tax Court's holding that the transaction did not involve a private annuity, it is important that the annuity contain an interest factor to account for the time value of money.

In your situation it is clearly the intent of the parties that the price of the annuity is to be equal to the value of the Securities being exchanged for the annuity, and no gift or other valuation benefit in excess of such value is intended to be received by either party to the agreement. It is thus our opinion that it is more likely than not that no gift tax will be imposed on your disposition of the Securities in exchange for your receiving a private annuity of equal value, provided the actuarial value of the Securities being sold in exchange for the receipt of the private annuity are of an equivalent actuarial value.

C. THE ANNUITY PAYMENTS MUST BE UNSECURED TO AVOID YOUR BEING TAXED IMMEDIATELY IN 1992 ON THE GAIN FROM THE DISPOSITION OF THE SECURITIES BEING EXCHANGED FOR THE ANNUITY.

The United States Tax Court has held that the private annuity income tax rules apply only to private annuities that are unsecured. If the annuity payments are secured the annuity will be taxable as if it were a commercial annuity rather than a private annuity. (See Estate of Lloyd Bell, (1973) 60 TC 469 and 212 Corp., (1978) 70 TC 788.)

For example, the Tax Court in Bell held that the property transferred in exchange for the private annuity was secured because such property was placed in escrow as security for the annuity payments, and the annuity agreement also provided for a "cognovit" judgment against the parties issuing the annuity in the event they defaulted in making their annuity payments. Consequently, the Tax Court applied the rules pertaining to commercial annuities to the transaction and held that the taxpayers had an immediately taxable gain when they exchanged their appreciated stock in exchange for the secured private annuity.

It is our understanding that the private annuity being issued to you is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

In addition, the private annuity payments will not be chargeable to or dependent upon the Securities transferred by you in exchange for the annuity. The income generated by the property will belong to the corporation outright, and will not be chargeable to the annuity payments. The amount of the annuity payments will be based on the fair market value of the Securities being sold for the annuity and will

not be based on the income generated by the Securities being exchanged for the annuity.

Furthermore, the possession and/or enjoyment of the Securities being sold in exchange for the private annuity will reside exclusively with the corporation, and you will not preserve or reserve any control of ~~any kind or character over such Securities and the income therefrom~~ that would constitute a retained interest in the possession or enjoyment of the Securities being sold in exchange for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the Securities which are being sold in exchange for the private annuity.

Consequently, provided that the private annuity payments will be unsecured and will always remain unsecured it is our opinion that it is more likely than not that the private annuity will not be taxable as a secured annuity that is taxable as a commercial annuity.

D. THE DISPOSITION OF COMPENSATORY NON-STATUTORY NONVESTED SECURITIES IN AN ARM'S LENGTH TRANSACTION BEFORE RIGHTS IN THE SECURITIES BECOME TRANSFERABLE TO THE OBLIGOR CORPORATION, AND THE DISPOSITION OF A COMPENSATORY NONSTATUTORY TRANSFERABLE WARRANT IN EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS NOT A TAXABLE EVENT IN THE YEAR 1992.

It is our opinion that it is more likely than not that an exchange of your nontransferable stock options for a private annuity will not be subject to an immediate taxable event.

The federal income tax treatment of your nontransferable non-statutory stock options is generally covered in Internal Revenue Code

Section 83 and Regulations Section 1.83-1, 1.83-3, and 1.83-7.

Internal Revenue Code Section 83 does not initially apply to the taxation of your nonqualified stock options because your options are not actively traded on an established market and are not transferable. However, once the nontransferable stock options are exchanged for the nonvested private annuity, you will then be subject to the rules of Internal Revenue Code Sections 83(a) and 83(b). Under these rules to avoid an immediate taxable event upon the transfer of your stock options for a private annuity, the stock options must be transferred for a *substantially nonvested* private annuity.

Substantially nonvested property is property that is nontransferable and subject to a substantial risk of forfeiture. (See Regulations Section 1.83-3(b).)

The general rule regarding the transferability of property is cited in Regulation Section 1.83-3(d):

"For purposes of Section 83 and the Regulations thereunder, the rights of a person in property are transferable if such person can transfer any interest in the property to any person other than the transferor of the property, but only if the rights in such property of such transferee are not subject to a substantial risk of forfeiture. Accordingly, property is transferable if the person performing the services or receiving the property can sell, assign, or pledge (as collateral for a loan, or as security for the performance of an obligation, or any other purpose) his interest in the property to any person other than the transferor of such property and if the transferee is not required to give up the property or its value in the event the substantial risk of forfeiture materializes. On the other hand, property is not considered to be transferable merely because the person performing the services or receiving the property may designate a beneficiary to receive the property in the event of his death."

A substantial risk of forfeiture is defined in Regulation Section 1.83-

3(c) as follows:

"A substantial risk of forfeiture exists where rights in property that are transferred are conditioned, directly or indirectly, upon the future performance (or refraining from performance) of substantial services by any person, or the occurrence of a condition related to a purpose of the transfer, and the possibility of forfeiture is substantial if such condition is not satisfied."

It is our opinion that it is more likely than not that a private annuity will be treated as being substantially nonvested.

To be substantially nonvested, the private annuity must be nontransferable and subject to a substantial risk of forfeiture.

Section XVI of the Private Annuity agreement specifically states that the private annuity payments to you are nonassignable and nontransferable or capable of being pledged or otherwise encumbered by you without the prior written consent of the Obligor first being obtained. Furthermore, a private annuity is customarily nontransferable. (See Warnick, 195-3rd T.M., Private Annuities, at page number A-7.)

It is also our opinion that it is more likely than not that the private annuity is subject to a substantial risk of forfeiture as exemplified by Section 2.5(a) of the Private Annuity Agreement which states:

"The Annuity payments payable hereunder to the Annuitant are subject to a substantial risk of forfeiture to the Annuitant in that such Annuity payments shall terminate and lapse with the last payment immediately preceding the death of the Annuitant, or upon the death of the Annuitant if no payments have been made as of the death of the Annuitant; however, notwithstanding the foregoing, any annuity payments that were not made prior to the death of the Annuitant because of a breach of this Agreement by the Obligor shall be due and payable upon the death of the Annuitant together with any applicable

interest, late charges, or other payments due hereunder, and any such payments shall be made to the estate of the Annuitant . There will be no proration of payments at the time of the death of the Annuitant or at anytime thereafter."

The unpaid annuity payments upon your death are thus totally terminable, extinguishable, and forfeitable. Consequently, the private annuity is subject to a substantial risk of forfeiture.

It is therefore our opinion that your private annuity will then be treated for tax purposes as your stock options would have been treated under Internal Revenue Code Section 83. The result of this substitution is that when your private annuity substantially vests under Internal Revenue Code Section 83, it will be taxed in the Caroline D. e manner that the stock options would have been taxed under Internal Revenue Code Section 83(a) and (b)¹. Therefore, it is our opinion that it is more likely than not that when the private annuity substantially vests (i.e., when payments under the terms of the annuity agreement are actually received by you) you will at that time be subject to a taxable event.

The term "nonstatutory stock options" includes warrants to purchase stock. (See Research Institute of America Federal Tax Coordinator 2d at paragraphs H-2850 and H-2853, citing Frank Shamburger (1973) 61 TC 85, affirmed (1975, CA8) 508 F2d 883.)

It is our opinion that the compensatory nonstatutory transferable warrant which is being sold in exchange for your receiving a substantially nonvested private annuity will not cause a taxable event in 1992, the year of the exchange.

Furthermore, assuming that vested nontransferable stock options and a vested transferable warrant (as defined in Income Tax Regulation Section 1.83-3(a)) are exchanged for a private annuity, it is more likely than not that such an exchange will not result in an immediate taxable event.

E. NONCOMPENSATORY NONSTATUTORY SECURITIES TRANSFERRED TO THE OBLIGOR CORPORATION IN EXCHANGE FOR YOUR RECEIVING A SUBSTANTIALLY NONVESTED PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION WILL LIKELY NOT BE A TAXABLE EVENT IN THE YEAR 1992, THE YEAR OF EXCHANGE.

Noncompensatory nonstatutory Securities are not covered by Internal Revenue Code Section 83. Internal Revenue Code Section 83 only governs property transferred in connection with the performance of services, and since these Securities are non-compensatory they will be exempt from Internal Revenue Code Section 83 rules as previously herein discussed.

It is our opinion that it is more likely than not that these non-compensatory nonstatutory Securities will be covered by the general federal income tax treatment of property exchanged for a private annuity. The Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4804 explains the federal income tax treatment of property exchanged for a private annuity as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no immediate taxable gain. (Emphasis is included in the text) However, the payments under the arrangement are taxable when received, see Paragraph J-4806. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance

companies and banks, and may change over the payment period. (Citations omitted.)"

Because the non-compensatory nonstatutory Securities are not subject to Internal Revenue Code Section 83 coverage, it is our opinion that it is more likely than not that the non-compensatory nonstatutory Securities transferred in exchange for the private annuity will likely be taxable as property transferred in exchange for a private annuity in accordance with the aforescribed federal income tax consequences.

F. NOTWITHSTANDING THE FOREGOING, THE DISPOSITION OF SECURITIES WITHOUT A READILY ASCERTAINABLE FAIR MARKET VALUE TO AN OBLIGOR CORPORATION IN EXCHANGE FOR YOUR RECEIVING A PRIVATE ANNUITY OF AN EQUIVALENT VALUE FROM SUCH CORPORATION IS ARGUABLY NOT GOVERNED BY INTERNAL REVENUE CODE SECTION 83, AND WOULD THUS BE EXEMPT FROM TAXATION PURSUANT TO THE FOREGOING INTERNAL REVENUE CODE SECTION 83 RULES!

Notwithstanding the foregoing, the transfer of stock options without a readily ascertainable fair market value in exchange for a private annuity is arguably not subject to the Internal Revenue Code Section 83 rules.

If Internal Revenue Code Section 83 does not apply to the transfer of stock options in exchange for a private annuity, the stock options that are transferred in exchange for a private annuity, will likely be governed according to the aforescribed federal income rules covering private annuities, that apply to property interests that are not transferred in connection with the performance of services.

Internal Revenue Code Section 83(e) recites the situations in which Section 83 does not apply to certain property interests transferred in connection with the performance of services. That statute states:

"This Section shall not apply to-

- (1) a transaction to which Section 421 applies,
- (2) a transfer to or from a trust described in Section 401(a) or a transfer under an annuity plan which meets the requirement of Section 404(a)(2),
- (3) the transfer of an option without a readily ascertainable fair market value,
- (4) the transfer of property pursuant to the exercise of an option with a readily ascertainable fair market value at the date of grant, or
- (5) group-term life insurance to which Section 79 applies."

Under Internal Revenue Code Section 83(e)(3), a stock option without a readily ascertainable fair market value is not subject to Internal Revenue Code Section 83.

In your situation, your stock options are not actively traded on an established market and according to Regulation Section 1.83-7(b) should not have a readily ascertainable fair market value: That Regulation states:

"(1) Options have a value at the time they are granted, but that value is ordinarily not readily ascertainable unless the option is actively traded on an established market .

(2) When an option is not actively traded on an established market, it does not have a readily ascertainable fair market value unless its fair market value can otherwise be measured with reasonable accuracy. For purposes of this Section, if an option is not actively traded on an established market, the option does not have a readily ascertainable fair market value when granted unless the

taxpayer can show that all of the following conditions exist:

- (i) The option is transferable by the optionee;
- (ii) The option is exercisable immediately in full by the optionee;
- (iii) The option or the property subject to the option is not subject to any restriction or condition (other than a lien or other condition to secure the payment of the purchase price) which has a significant effect upon the fair market value on the option; and
- (iv) The fair market value of the option privilege is readily ascertainable in accordance with paragraph (b)(3) of this Section."

The Regulations further state in Section 1.83-7(b)(3) that in determining whether the value of the option privilege is readily ascertainable, and in determining the amount of such value when such value is readily ascertainable, it is necessary to consider-

- "(i) Whether the value of the property subject to the option can be ascertained;
- (ii) The probability of any ascertainable value of such property increasing or decreasing; and
- (iii) The length of the period during which the option can be exercised"

It is our understanding that none of these factors exist regarding your stock options, and therefore your stock options do not have a readily ascertainable value. Consequently, it is our opinion that it is more likely than not that if your stock options do not have a readily ascertainable value Internal Revenue Code Section 83 does not apply to the transfer of the stock options in exchange for the private annuity by virtue of Internal Revenue Code Section 83(e)(3).

However, this provision is a seemingly ignored provision of the Internal Revenue Code. There is little discussion of the applicability of this provision and the Regulations and authorities have generally overlooked this Section. Instead, the Regulations and authorities provide for an alternative method of analysis, as already herein ~~discussed, for treating the transfer of nonvested stock options in exchange for a private annuity.~~

We thus caution you that while Internal Revenue Code Section 83(e) states that Internal Revenue Code Section 83 shall not apply to the transfer of stock options without a readily ascertainable fair market value, this provision should be viewed most speculatively because of the lack of substantive material supporting the application and use of this Section. Therefore, it is our opinion that while you should be aware of this provision you should be cautious in your reliance upon it. It is advisable that you proceed conservatively, and cautiously follow the Regulations governing the transfer of property in connection with the performance of services as already herein set forth.

G. A PRIVATE ANNUITY MIGHT NOT BE CLASSIFIED AS CONSTITUTING "PROPERTY" WITHIN THE MEANING OF INCOME TAX REGULATION SECTION 1.83-3(e).

A private annuity might not be considered to constitute "property" as that term is defined in Income Tax Regulation Section 1.83-3(e). This regulation defines property as including "real and personal property other than either money or an unfunded and unsecured promise to pay money or property in the future."

The private annuity is an unsecured promise to pay money in the future.

Section III 3.1 of the Private Annuity Agreement states in pertinent part that "(T)he parties further agree that the Obligor will not establish

any security or any *fund* or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder."

It is thus reasonable to conclude that the private annuity is *unfunded* as well as being *unsecured*, and thus does not constitute property within the meaning of Income Tax Regulation Section 1.83-3(e). However, you should be aware that we have not located any pertinent decisions, rulings, or other legal authority that substantiates this conclusion.

Professor of Law Daniel C. Knickerbocker, Jr. of Seton Hall University School of Law has written in Knickerbocker, 134-4th T.M., *Annuities*, at page A-34 that: "...Section 83 governs property transferred in connection with the performance of service. ... Where an employer has merely promised to pay an annuity to a beneficiary surviving one of its employees, there is no transfer of property either to the employee when the promise is made or to the beneficiary when the promise matures on the employee's death. 'Property' as used in Section 83 does not include 'an unfunded and unsecured promise to pay money in the future.' On the other hand, if the employer backs the promise with assets placed beyond the reach of the employer's creditors, the value of the promise will be includible in the employee's or beneficiary's income at the moment the benefits become transferable or nonforfeitable." (Citing Income Tax Regulation Section 1.83-3(e).)

The assets of the Obligor are not to be placed beyond the reach of its creditors, and it is thus quite likely that the private annuity that is being issued to you will not be construed to constitute "property" as that term is defined in determining the applicability of Section 83 of the Internal Revenue Code to the private annuity.

H. THE SUBSEQUENT EXERCISE OF THE SECURITIES BY THE OBLIGOR WILL LIKELY NOT GENERATE A TAXABLE EVENT TO THE ANNUITANT.

Income Tax Regulation Section 1.83-1(c) describes the tax

consequences with respect to the disposition of *nonvested* property in a transaction that is not engaged in at arm's-length. Under such circumstances, the subsequent exercise of the securities by the Obligor would cause the earner of the compensatory element of the property to be taxed upon the exercise of the option. A detailed example of this principle is given in the regulation to illustrate this point.

However, in our situation the disposition of the securities does not involve *nonvested* property, and the disposition is at arm's-length. Consequently, the tax consequences set forth in this regulation do not apply. Instead, the tax consequences set forth in Income Tax Regulation Section 1.83-7(a) apply to the transaction. In pertinent part such regulation states: "If the option is sold or otherwise disposed of in an arm's-length transaction, sections 83(a) and 83(b) apply to the transfer of money or other property received in the same manner as sections 83(a) and 83(b) would have applied to the transfer of property pursuant to an exercise of the option."

Thus, as under Internal Revenue Code Sections 83(a) and (b) and the regulations promulgated thereunder no taxable event will occur to the Annuitant until the annuity vests (when the annuity payments are received by the Annuitant), the exercise of the options after the transfer of the securities to the Obligor pursuant to the annuity transaction is not likely to be a taxable event to the Annuitant.

I. THE SUBSEQUENT CONTRIBUTION OF THE ANNUITY TO A GRANTOR TRUST BY THE ANNUITANT WHO IS THE GRANTOR-SETTLOR OF SUCH TRUST WILL LIKELY NOT CAUSE THE INCOME TAX CONSEQUENCES TO VARY FROM THOSE DESCRIBED HEREIN.

You have indicated that you are contemplating the possibility of contributing the annuity to a grantor trust in which you would be the settlor. You have inquired whether such a contribution would alter the anticipated federal income tax consequences from those described herein.

The pertinent rules relating to the taxation of a grantor trust for federal income tax purposes are set forth in Section 671 of the Internal Revenue Code. In pertinent part that statute states: Where it is specified in this subpart that the grantor ... shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor ... those items of income, deductions, and credits against tax of the trust which are attributable to that portion of the trust to the extent that such items would be taken into account under this chapter in computing taxable income or credits against tax of an individual."

This statute is further interpreted in Income Tax Regulation Section 1.671-2(a) in pertinent part as follows: "Under section 671 a grantor or another person includes in computing his taxable income and credits those items of income, deduction, and credit against tax which are attributable to or included in any portion of a trust of which he is treated as the owner."

Thus, provided that the trust to which the annuity is contributed by the Annuitant is classified as a "grantor trust" under Internal Revenue Code Section 671, the tax consequences of such trust will be incurred by the Annuitant-Grantor.

In addition, Section 72(u) of the Internal Revenue Code indicates that an annuity contract that is not held by a natural person (such as the grantor trust) is to be taxed in accordance with the statutory scheme set forth within such statute.

However, that statute specifies that "For purposes of this paragraph, holding by a trust or other entity as an agent for a natural person shall not be taken into account."

Because the Annuitant is a "natural person" this statute does not apply and the normal annuity taxation rules would apply to the annuity.

Consequently, the tax consequences relating to the annuity will likely not vary from those incurred by the Annuitant in the event that the Annuitant were to subsequently contribute the annuity to the grantor trust.

III. CONCLUDING COMMENTS.

The opinions contained herein have been carefully considered by us and reflect the federal income tax consequences we anticipate will apply to the areas we have discussed. Nevertheless, they are only opinions and should not be considered to be guarantees.

Our opinions have been limited to our examination of the federal income tax consequences discussed above, as indicated herein. Our opinion expressly does not cover or concern itself with other issues not addressed herein, including but not limited to the reality of values.

Our opinion is based upon the status of the federal income tax law as of the date in which this opinion is written. Should there be any change in the applicable tax laws or the facts and circumstances relating to the events described herein, the opinions expressed herein necessarily require a reevaluation in the light of such changes.

In the event there is any change in the tax principles applicable to our opinion herein, we specifically disclaim any undertaking or obligation to advise you of any such changes which may hereafter occur.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been discussed herein.

Our analysis is based on the facts and/or assumptions contained in this letter. If such facts and/or assumptions are inaccurate or incomplete, our analysis and conclusions are equally inaccurate or incomplete and might vary substantially from those contained herein.

As you may be aware, the Internal Revenue Service, other government agencies, and the applicable courts possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties genuinely believed them to be.

~~In light of these matters, we need to caution you that the Internal Revenue Service, other government agencies, or a court might view the transactions which are the subject of this letter in a manner differently than we would view them.~~

There are numerous instances when the Internal Revenue Service or the courts misread or misapply the legal principles involved in the case, leading to a tax result that may be contrary to what the taxpayer anticipated.

The Internal Revenue Service and the courts generally carefully examine the substance and business purpose and economic reality behind a transaction to determine if the transaction is genuine and is to be granted recognition for tax purposes.

However, it is our view based on the information presented to us as expressed herein that it is more likely than not that the transactions described herein will be upheld as being bona fide.

Respectfully submitted,

PRATTER, TEDDER & GRAVES

By David H. Tedder
David H. Tedder,
Attorney at Law

¹IRC Sec. 83. Property transferred in connection with performance of services.

(a) General Rule. If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of-

(1) the fair market value of such property (determined without regard to any restriction other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

(2) the (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or are not subject to a substantial risk of forfeiture.

(b) Election to include in gross income in year of transfer.

(1) In general. Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income, for the taxable year in which such property is transferred, the excess of-

(A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

(B) the amount (if any) paid for such property.

If such election is made, subsection (a) shall not apply with respect to the transfer of such property, and if such property is subsequently forfeited, no deduction shall be allowed in respect of such forfeiture.

(2) Election. An election under paragraph (1) with respect to any transfer of property shall be made in such a manner as the Secretary prescribes and shall be made not later than 30 days after the date of such transfer. Such election may not be revoked except with the consent of the Secretary.

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PRATTER, TEDDER & GRAVES

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REPLY TO:

April 2, 1992

Roaring Creek Limited
One East First Street
Reno, Nevada 89501

Dear Roaring Creek Limited:

You have requested the firm of Pratter, Tedder & Graves to provide you with our opinion with respect to the anticipated federal income tax treatment relating to the following matters:

1. Your anticipated federal income tax treatment to you, a Nevada corporation, relating to your acquisition and sale of the securities listed in Schedule "A" (hereinafter referred to as Securities) in exchange for your issuing a private annuity to Charles J. Wylie Jr.
2. Your anticipated federal income tax treatment that would likely apply if you were to subsequently relinquish your obligation to pay the private annuity referred to in Paragraph 1 above, provided that you relinquish such liability by paying the assuming party assets of a value worth the equivalent of the annuity liability.
3. The anticipated federal excise tax treatment under Internal Revenue Code sections 4371 and following regarding a possible subsequent assumption of the obligation to pay the private annuity payments by a foreign corporation not engaged in a trade or business in the United States in exchange for its receiving cash or an asset worth the equivalent value of the annuity liability.

PSI-WYBR 0012:

with respect to these issues. Our opinion does not command any legal authority and may be rejected by a government official, agency, private party, or anyone else. Our opinion thus has no binding authority or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else. Our opinions represent our views on these issues, but they do not represent our guarantee that they will be followed or accepted by anyone else.

In addition, our opinions do not cover or address any issues not covered herein. Our opinions are based on the status of the federal income tax law as of the date of this written opinion. The tax laws change rapidly, and should there be any change in the applicable law or the facts and circumstances relating to the events described herein, the opinions expressed herein necessarily require a reevaluation in the light of such changes.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been addressed herein.

For the sake of brevity, our discussion of the applicable legal principles will omit certain cases and other authorities that may apply to the facts and circumstances of these matters. We will take them into account in issuing this opinion letter, however.

In the event any change impacts on the tax principles or laws applicable to our opinions herein, we specifically disclaim any undertaking or obligation to advise you or anyone else of any such changes which may hereafter occur.

Our opinions are based on the correctness of the facts and circumstances set forth herein.

The Internal Revenue Service and applicable courts possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties intended them to be. Government authorities can recharacterize a transaction into something other than what the parties intended.

There are numerous instances when the Internal Revenue Service, courts or judges are in error. They are not infallible. They can thus misread or misapply the legal principles involved in the case, leading to a tax result that may be contrary to what the taxpayer anticipated, and leading to a tax result that may be wrong.

The Internal Revenue Service, and the courts generally examine the substance and business purpose and economic reality behind a transaction in a very careful

The Internal Revenue Service, and the courts generally examine the substance and business purpose and economic reality behind a transaction in a very careful manner to determine if the transaction is genuine and is to be granted recognition in the form presented for tax purposes.

Consequently, we need to caution you that the Internal Revenue Service, or a court might view the transactions that are the subject of this opinion letter in a manner differently than either you or I would view them. Nonetheless, it is our opinion that the anticipated and intended transactions and entities described herein are more likely than not to be given recognition as being treated in the manner expressed herein. This view will be enhanced by the proper operation of the entities and transactions to comply with their intended consequences.

You should be aware that the Internal Revenue Service can charge interest on tax deficiencies and can impose numerous penalties if it disagrees with the tax treatment of the reported transactions.

It is our view based on the information presented to us as expressed herein that it is more likely than not that the anticipated federal tax treatment relating to the matters discussed herein will be as we opine herein.

OPINION AND ANALYSIS OF THE FEDERAL INCOME TAX CONSEQUENCES THAT ARE LIKELY TO APPLY TO THE TRANSACTIONS DESCRIBED BELOW:

A. The anticipated tax treatment relating to your acquisition and subsequent sale of Securities in exchange for your issuing a private annuity on the life of Charles J. Wyly Jr.

Because there could be an unending list of possible factual circumstances regarding your purchase, ownership, and sale of the Securities in exchange for your issuing a private annuity, this opinion will only address your anticipated income tax basis with respect to such security interests.

Upon acquiring the Securities, you need to determine your income tax basis.

The income tax basis rules pertaining to the party contractually obligated to make the private annuity payments are discussed in depth in Warnick, 195-3rd T.M. Private Annuities at pages A-28 and A-29. These rules are predicated upon the principles set forth in Revenue Ruling 55-119.

It is our understanding that no gift element is involved in this transaction.

In the event the Securities are sold at a gain prior to the annuitant's death, your tax basis is equal to the total of the annuity payments made to the date of sale, plus the actuarial value of the annuity payments that are yet to be made under the annuity agreement. If the Securities are sold at a loss prior to the annuitant's death the tax basis equals the total of the annuity payments actually made as of the date of sale. If the selling price is less than the basis for gain but greater than the basis for loss purposes neither a gain nor a loss is recognized on your sale of the Securities.

If the Securities are sold after the annuitant's death, your basis for determining either gain or loss is equal to the total of the annuity payments which were made under the annuity contract.

If the Securities are sold before the annuitant's death, you remain obligated to make annuity payments to the annuitant. If gain were recognized on the sale, then, because the actuarial value of the annuity was used by you in calculating your tax basis, you had, in essence, already taken into account the future annuity payments to be made under the annuity agreement using the actuarial values based on the anticipated life expectancy. Thus, the annuity payments made after the sale do not have a tax consequence to you until the total of such annuity payments exceeds the actuarial value that was used by you to calculate your gain, whereupon each annuity payment thereafter represents a deductible loss to you. However, if the annuitant dies before the after-sale payments equal the actuarial value of the annuity, then you will have taxable income in the year of the annuitant's death equal to the difference between the actuarial annuity value which was used by you in computing your taxable gain on the sale of the Securities and the total annuity payments made after the sale. (Thus, this "windfall" to you would not go untaxed.)

If you recognized a loss on the sale of the Securities, your tax basis would be merely the total of the annuity payments made prior to such sale, and you would not have been credited for any annuity payments you made after the sale. Consequently, each post-sale annuity payment made by you after such sale would generate a tax-deductible loss to you.

If you recognized neither a gain nor a loss on the sale of the Securities, then no loss would be recognized by you on further annuity payments until the total of all annuity payments made (both before and after the sale of the Securities) equals the amount realized by you from the sale. Thereafter, each annuity payment represents a tax-deductible loss to you.

After the annuitant's death, if the total of all annuity payments is less than the amount realized by you on the sale of the Securities, the difference is taxable income to you in the year of the death of the annuitant.

To circumvent this potentially large tax consequence, you might want to have another party assume your private annuity obligation in exchange for your payment of assets having an offsetting equivalent value. This will be discussed immediately below.

~~It is our opinion that it is more likely than not that the federal taxation method set forth in Revenue Ruling 55-119 as described above will be applied on the transactions described in this section of our opinion.~~

B. Your anticipated tax treatment If you subsequently relinquish your obligation to pay the private annuity referred to in Paragraph 1 above, provided you relinquish such liability by paying the assuming party assets of a value worth the equivalent of the annuity liability being relinquished.

You have requested us to provide you with our views as to your anticipated federal income tax consequences relating to the situation in which you would enter into a contract with a foreign corporation which does not and will not engage in business in the United States, and does not and will not have an office in the United States or an agent in the United States, under which this foreign corporation would agree to assume the obligation to pay the private annuity to the annuitant in exchange for its receiving offsetting assets equivalent to the value of the annuity liability at the time of such transaction.

Under such circumstances and provided the value of the cash and/or other assets exchanged by you equals the value of the annuity obligation at the time of such transactions, it is our opinion that it is more likely than not that there should be no federal income tax consequence to you as you have incurred no economic gain or loss.

Thereafter, the death of the annuitant would likely not produce a federal tax consequence to either yourself (as you no longer owed the annuity obligation) or to the foreign assumption corporation (as it would not be subject to U.S. taxation) under the circumstances set forth above.

However, this approach is rather novel and the tax consequences are not free from doubt. It is our opinion that it is more likely than not that the assumption of the private annuity liability prior to the annuitant's death under the circumstances described above will be nontaxable to you as noted above.

C. The foreign corporation is not an insurer or reinsurer as those terms are properly defined and applied under Internal Revenue Code Sections 4371 and 4372, and therefore will not be subject to an excise tax if thereafter it subsequently assumes the obligation to pay the private annuity in exchange for assets worth the equivalent of the value of the annuity liability.

You have indicated it is possible that, in the future, a foreign corporation which does not engage in a trade or business in the United States will enter into a contract with you under which it will assume the obligation to pay the private annuity described above in exchange for assets worth the equivalent of the then-present value of the annuity liability.

Under the circumstances herein set forth, it is our opinion that it is more likely than not that such foreign corporation will not be subject to an excise tax under Internal Revenue Code Sections 4371 and 4372 for the foregoing reasons: (1) the foreign corporation is not an "insurer" or "reinsurer"; (2) the assumption of the payments of a private annuity in exchange for assets worth the equivalent of the present value of the annuity liability is not an assumption of a risk classifiable as a risk assumed by an "insurer" or "reinsurer" under the proper terminology and customary usage in the insurance industry and; (3) according to the legislative history of Internal Revenue Code Section 4371, the statute applies to foreign entities engaged in the trade or business of insuring against, or with respect to, hazards, risks, losses, or liabilities within the United States and the foreign corporation in this anticipated situation is not engaged in such a trade or business and does not intend to become engaged in such a trade or business. Therefore, it is our opinion that it is more likely than not that the foreign corporation is not an insurer or reinsurer and has not assumed a risk as an insurer or reinsurer for purposes of Internal Revenue Section 4371, and therefore will not be subject to an imposition of an excise tax under Internal Revenue Section 4371.

Internal Revenue Code Section 4371, in pertinent part, imposes a tax "on each policy of insurance, indemnity bond, annuity contract, or policy of reinsurance issued by any foreign insurer or reinsurer [emphasis added]..."

Internal Revenue Code Section 4372(a) defines a foreign insurer or reinsurer as "...an insurer or reinsurer who is a nonresident alien individual, or a foreign partnership, or a foreign corporation. The term includes a nonresident alien individual, foreign partnership, or foreign corporation which shall become bound by an obligation of the nature of an indemnity bond."

Therefore, for the excise tax to apply to an "annuity contract" or "policy of reinsurance," it must be issued by a "foreign insurer or reinsurer."

Such is not the case here.

Neither the Internal Revenue Code nor the regulations thereunder nor the judicial taxation field decisions and Internal Revenue Service rulings clearly define the terms "foreign insurer or reinsurer." Consequently, we have looked to the leading treatises on insurance law and state court decisional law for assistance in defining such terms.

We have located no definitive case, ruling, or authoritative commentary that indicates that the excise tax imposed by Internal Revenue Code Section 4371 applies in the Private annuity context.

According to Black's Law Dictionary (5th Edition), ~~insurer is defined as~~ "[T]he underwriter or insurance company with whom a contract of insurance is made. The one who assumes risk or underwrites a policy, or the underwriter or company with whom a contract of insurance is made."

Appleman on Insurance Law and Practice further defines the terms in Section 7001: "[A]n 'insurer' is one who assumes risk or underwrites a policy, or the underwriter or company with whom a contract of insurance is made."

It is thus our opinion that the proper and appropriate use of the term insurer is that it applies to an underwriter or an insurance company or one who assumes risk as that term is defined.

The foreign corporation is clearly not such an insurance company or underwriter. It will not be licensed or authorized to engage in the insurance business. Therefore, it will not meet the generally accepted definition of an insurer or reinsurer unless it is an entity which assumes a risk as an insurer.

An annuity is not a contract or an instrument of insurance risk. Furthermore, the foreign corporation is not issuing the annuity as it is merely assuming the obligation to pay the annuity.

Consequently, the foreign corporation should not be classified as an insurer under the generally accepted meaning of such term.

Thus, it is more likely than not that a foreign insurer or reinsurer referred to in Internal Revenue Code Sections 4371 and 4372 pertains to an underwriter or insurance company with whom a contract of insurance is made, and the foreign corporation, under the circumstances presented to us, is not such a company or underwriter.

Thompson, on Reinsurance. 4th Edition, page 639, states: ".insurance is a protection against loss or liability.....He pays the insurance company a premium. He becomes insured with this insurance company which is called the direct-writing company. A policy is delivered to him which is his contract with his insurer. The

person or company insured by the direct-writing company is referred to in discussions as the insured, the assured, the original insured or the primitive assured. The original or primary insurer is obligated directly to his insured or policyholder".

An entity which assumes a risk as an insurer is an entity which makes, issues, continues, or renews instruments in the nature of an insurance policy or in the nature of an indemnity bond. For example, Couch on Insurance 2d Section 1:2 pp. 6 states: "[T]he primary requisite essential to a contract of insurance is the assumption of a risk of loss ~~and the undertaking to indemnify the insured against such loss.~~" Therefore, it is likely that Internal Revenue Code Sections 4371 and 4372 refer to foreign 'insurance' companies that are engaged in the business of assuming risks, issuing instruments in the nature of indemnity bonds, insurance policies and other instruments customarily issued by an insurer.

The foreign corporation is not such an entity and does not engage in foreign insurance transactions and does not issue instruments customarily issued by an insurer. As a consequence, it is our opinion that it is more likely than not that the foreign corporation is not assuming the risk of an insurer and thus will not be treated as an insurer when it assumes the obligation of the private annuity payments in exchange for assets worth the equivalent of the present value of the annuity liability.

Appleman on Insurance Law and Practice Section 81 states: "[A]n annuity is usually defined as being an obligation to pay a stated sum, usually monthly or annually, to a stated recipient, such payments to terminate upon the death of the designated beneficiary." Appleman citing Corporation Comm'n v. Equitable Life Insurance Society of U.S., 239 P.2d 360 (1952) in footnote 1 also states that "[I]nasmuch as annuity contracts do not insure against loss by reason of death of insured, but rather constitute investment of funds to be paid in installments during life of annuitant, annuity contracts are not a 'risk' based on contingency of loss....Since annuities are not policies or contracts of insurance (emphasis added), payments therefor are not generally regarded as premiums even though so called."

Couch on Insurance 2 in Section 1:20 in footnote 15 citing Prudential Insurance Co. v. Howell 29 NJ 116 (1959) finds that "[T]he risks assumed under life insurance policies and under annuity contracts are diametrically opposite inasmuch as life insurance involves the traditional elements of insurance, namely, shifting of risk of loss and distribution of risk of loss over a broad base whereas annuity contracts are basically investments."

Thus, it is more likely than not that the foreign corporation does not fit within the statutory definition of an insurer because it is neither an underwriter nor an insurance company engaged in the trade or business of assuming risks. It is also our opinion that it is more likely than not that the foreign corporation is not

assuming such a risk when it assumes the private annuity payment obligations in exchange for assets worth the equivalent of the value of the annuity liability, and thus is not an insurer under Internal Revenue Code Section 4371.

The legislative history of Internal Revenue Code Section 4371 is consistent with this understanding.

The terms insurer and reinsurer referred to in the Committee Reports for Internal Revenue Code Section 4371 substantiate that our above analysis is consistent with the intended applicable meanings of such terms under Internal Revenue Section 4371.

The Committee Reports on Public Law 101-239 and Public Law 100-203 which amended Internal Revenue Code Sections 4371 and 4372 refer to the term 'risk' in the context of foreign insurance companies effectively connected with the conduct of an insurance business in the United States or in the context of foreign insurance companies issuing policies or instruments in the nature of an indemnity bond.

The Committee Reports do not include other applications of the term insurer other than those applications in the insurance company context. There are several points in the conference agreement in which the Committee Report evidences their concerns regarding the application of the use of the forthcoming Internal Revenue Code Section. The conference agreement in the Conference Committee Report for the Committee Report on Public Law 100-203, states that the agreement shall "provide regulatory authority to address the treatment of foreign insurance company investments in U.S. subsidiaries...Under the conference agreement, foreign source income that is attributable to a U.S. trade or business of a foreign property and casualty insurance company is treated as effectively connected with that trade or business."

The conference agreement indicates the intent and purpose behind Internal Revenue Code Section 4371 was to apply an excise tax to foreign insurance companies engaged in a U.S. trade or business. "Several factors are cited by the Treasury Department in support of this view. First, the provision applies to life insurance companies and property and casualty insurance companies in a manner substantially similar to present law rules covering only life insurance companies...Second, the provision attributes to a foreign insurance company an amount of assets determined by reference to the assets of comparable domestic insurance companies, thus reasonably measuring the amount of assets that the U.S. trade or business of a foreign insurance company would be expected to have were it a separate company dealing independently with non-U.S. offices of the foreign insurance company...The conferees understand that the provision governing foreign insurance companies solves a statutory problem in the context of the broader issue: measuring the U.S. taxable income of a foreign corporation that is effectively connected with its U.S. trade or business."

Under the facts presented to us, the foreign corporation will not be engaging in business as a foreign insurance company and therefore will not be subject to the excise tax under Internal Revenue Code Sections 4371 and 4372. The foreign corporation is neither assuming a risk of loss as an insurer nor is it in the business of making, issuing, renewing, or continuing insurance policies or underwriting a policy with whom a contract of insurance is made as a reinsurer. Therefore, it is more likely than not that the foreign corporation does not meet the statutory definition of insurer and will thus not be subject to the excise tax under Internal Revenue Code Section 4371.

The involvement of the foreign corporation will be limited to its assumption of the private annuity agreement in exchange for its receiving assets worth the equivalent of the value of the annuity liability. The private annuity agreement will be issued by you, and you are not an insurer engaged in the business of customarily issuing insurance policies or annuities, and you are contractually barred from issuing additional annuities under Section XXIII of the Private Annuity Agreement.

Thus, under the foregoing analysis, the foreign corporation first, is not an insurer as that term has been properly defined and applied according to the statute's legislative history, and second, is not assuming a 'risk' as an insurer as that term is properly interpreted by authorities in the insurance field.

Under Internal Revenue Code Section 4372(a), a foreign insurer is also defined as a nonresident alien individual, a foreign partnership, or foreign corporation which shall become bound by an obligation of the nature of an indemnity bond.

The foreign corporation will not become contractually bound by an obligation in the nature of an indemnity bond.

Appleman on Insurance and Practice Section 7001 states: "[I]ndemnity has been considered an essential element of a contract of insurance, so that a contract which does not possess this element has been held not one of insurance." Appleman further states in Section 7003 that "[A] contract which requires an indemnitor to indemnify the indemnitee for losses with which the indemnitor had no connection and over which it had no control would be a 'contract of insurance'".

The foreign corporation will not be an indemnitor indemnifying you for losses with which it has no connection and over which it has no control. It is our understanding that the foreign corporation is merely assuming an obligation and will not secure you against loss or damage and will not restore to you, in whole or in part, by payment or replacement for any losses incurred.

Thus the foreign corporation will not be indemnifying you.

It is also our understanding that the foreign corporation will not be responsible for any reimbursement to you or will it be a party to the contract between you and the annuitant. Therefore, pursuant to the contract between you and the foreign corporation, the latter will be assuming the obligation of the private annuity payments in exchange for assets worth the equivalent of the annuity liability, and will not be issuing assuming, continuing, or renewing an obligation in the nature of an indemnity bond.

Our examination of case law has disclosed a pair of cases which, when read together, clarify the judicial interpretation of the term "insurance."

These cases have led us to conclude that it would be unlikely that a court would find that the issuance of a private annuity by a corporation that it is not engaged in the issuance of other annuities or insurance policies (and, thus does not actuarially allocate the risk relating to the private annuity agreement to other annuity or insurance contracts) is equivalent to the conduct of business as an "insurer," and that it would be equally unlikely that a court would find that the assumption of the private annuity agreement by a foreign corporation that does not issue other annuities or insurance policies is to be deemed a "reinsurer," as such terms should reasonably be construed under Internal Revenue Code Section 4372(a).

The first case is the case of Professional Lens Plan, Inc. v. Dept. of Insurance 387 So. 2d 548 (1st DCA 1980). In this case, the Florida Department of Insurance had issued a declaratory statement that a plan whereby optometrists agreed to furnish replacement lenses to their patients for an annual fee plus a fixed sum representing the costs of the lenses, was actually an insurance program.

The District Court of Appeal reversed the Florida Department of Insurance on the basis that the program did not involve any assumption of risk, distribution of loss, or payment of premium for assumption of risk. (387 So.2d 548, 550.)

Consequently, because in that case the District Court of Appeal found that the optometrists' plan "...did not involve any assumption of risk, distribution of loss or payment of premium for assumption of risk...", the plan was not subject to the Florida Insurance Statutes. (387 So.2d 548, 550.)

The District Court of Appeal thus held that Professional Lens Plan, Inc. was not providing insurance and was not subject to the Florida Statutes regulation insurance.

In its decision, the court in Professional Lens Plan, Inc. v. Dept. of Insurance cited the case of Guaranteed Warranty Corp. Inc. v. ex rel. Humphrey, 23 Ariz. App. 827, 583 P.2d 87 (1975). The Florida court explained that this Arizona case expanded upon the Florida statutory definition of the term "insurance" by

indicating that normally there are five (5) elements that are present in an insurance contract.

These five (5) elements are:

- (1) no insurable interest;
- (2) a risk of loss;
- (3) an assumption of the risk by the insurer;
- (4) a general scheme to distribute the loss among the larger group of persons bearing similar risks; and
- (5) the payment of a premium for the assumption of the risk.

The court in Professional Lens Plan Inc. v. Dept. of Insurance stated that a patient may obviously have an "insurable interest" in his or her contact lenses, and there may be a "risk of loss" of such contact lenses; however, the remaining three (3) elements of an insurance contract were not present in that case, according to the court.

The court found that there was no contractual obligation or duty between Professional Lens Plan, Inc. and the patients. The court then stated: "This determination alone would, in our opinion, dispose of the contention that Professional is engaging in a business of 'insurance.'" (387 So.2d 548, 550)

The court held in Professional Lens Plan, Inc. v. Dept. of Insurance, 387 So. 2d 548 (1st DCA 1980) that the contract between the optometrist and the patient was not an indemnification contract, but rather was a contract that provided for the purchase of additional or replacement contact lenses.

In our situation neither you nor the foreign corporation are or will be engaged in the insurance business, and neither you nor the foreign corporation will issue or assume additional annuity contracts beyond the one which is the subject of this opinion letter.

Consequently, there is an absence of a "general scheme to distribute the loss among the larger group of persons bearing similar risks."

In our situation there is likewise the absence of "the payment of a premium for the assumption of risk."

Therefore, in our situation the presence of all of the "five (5) key elements that are present in an insurance contract" is lacking, and neither you (the issuer of the

private annuity) nor the foreign corporation (the party that will possibly contractually assume the private annuity liability from you) will be engaged in issuing an insurance contract as that term is defined in the common law.

As the court in Professional Lens Plan, Inc. v. Dept. of Insurance, 387 So. 2d 548 (1st DCA 1980) held that the contract between the patient and the optometrist was not an indemnification of contact lenses agreement, but was merely a contract providing for the purchase of additional or replacement contact lenses, so ~~would it be likely for a court in our situation to find that the contract between you and the annuitant was not an indemnification agreement---it was a private annuity agreement, and it would be equally likely in our opinion that a court will find that~~ the contract between you and the foreign corporation is not an insurance agreement, or a reinsurance agreement, or an indemnification agreement---it will be an assumption of private annuity liability agreement without a premium feature being present.

Therefore, it is our opinion that it is more likely than not that the foreign corporation will not be classified as an insurer for federal excise tax purposes.

It is also our opinion that the foreign corporation is not a foreign reinsurer as that term is properly defined and applied under Internal Revenue Code Sections 4371 and 4372(a), and therefore will not be subject to an excise tax as a foreign reinsurer under the aforementioned Internal Revenue Code sections.

Much confusion exists regarding the definition of the term reinsurance. The term has been used erroneously and applied indiscriminately in various situations.

According to Appleman on Insurance Law and Practice, Section 7681: "Reinsurance, to an insurance lawyer, means one thing only -- the ceding by one insurance company to another of all or a portion of its risks for a stipulated portion of the premium, in which the liability of the reinsurer is solely to the reinsured, and handles all matters prior to and subsequent to loss. The true reinsurer is merely an insurance company or underwriter which deals with other insurance companies as its policyholders.

Additionally, Couch on Insurance 2d Section 80:1 states that the reason "[M]uch confusion exists in the law as to the definition of reinsurance [is] because of the failure to distinguish three situations: (1) succession; (2) novation; and (3) additional security for the additional undertaking... The mere fact that there has been a transfer of assets to a successor corporation does not establish that there has been a reinsurance contract or an assumption of liability to the original insureds."

For example, it is our understanding that the foreign corporation will assume the obligation of payment of only one (1) private annuity transaction in exchange for

receiving assets of an equivalent value and is not receiving an additional premium for such transaction. It is also our understanding that there will not be any sharing of risk between you and the foreign corporation as a reinsurer.

The foreign corporation is neither issuing the private annuity nor reinsuring the private annuity on your behalf and therefore is not engaging in transactions as an insurer or reinsurer.

According to Kenneth Thompson, Reinsurance 4th Edition, pp 6 a reinsurance transaction is defined as a "relationship established between two parties, which is based primarily on contract or understanding whereby one party, called the reinsurer, in consideration of a premium paid the reinsurer, agrees to indemnify under certain terms and conditions, another party, the reassured, against a risk previously assumed by the latter, the direct writer, in its primary insurance covering the original assured." You are issuing the private annuity in exchange for the equivalent of the present value of the annuity liability, and will not receive a premium in consideration for assuming a 'risk' as that term has already been properly defined. The foreign corporation is likewise not receiving a premium in consideration for it assuming the obligation to make the annuity payments.

Further, no primary insurance exists in your situation.

Thus, the foreign corporation is neither an insurer nor a reinsurer as that term is properly used and referred to in the legislative history for Internal Revenue Code Sections 4371 and 4372.

It is thus our opinion that it is more likely than not that the anticipated transaction between the foreign corporation and you is not a reinsurance transaction as that term has been defined.

It is our understanding that the foreign corporation will not assume your financial responsibilities to the Annuitant for your past conduct. It is our further understanding that the foreign corporation's agreement to assume your obligation to pay private annuity in exchange for assets worth the equivalent of the present value of the annuity liability will not be in the nature of a reserve for the annuity, or a premium in the nature of a reinsurance transaction. It is also our understanding that the foreign corporation will not indemnify you for any claims against you and will not assume a risk if you should become insolvent.

While we believe that it is more likely than not that the foreign corporation will not be subject to a one (1) percent excise tax under Internal Revenue Code Section 4371, we wish to make you aware of Revenue Ruling 80-95 in which a foreign insurer was subject to the excise tax under Internal Revenue Code Section 4371 under an arrangement between the foreign corporation and a U.S. corporation that was characterized as being similar to one of reinsurance.

The facts of this Revenue Ruling are as follows: A domestic corporation which maintained disability plans for its U.S. citizens or resident employees and former employees entered into a contract with a foreign insurer which was neither doing business nor authorized to do business in the U.S. In return for an actuarially computed annual payment, the insurer, which was not a party to the plans, indemnified the corporation for all required payment plans. The insurer incurred no liability to the employees and was neither responsible for plan performance failures nor for the application or disposition of money paid to the corporation under the contract. The insurer had the right to audit claims against the plans and to protest what it felt were improper payments. Under these facts, the foreign insurance company was determined by the Internal Revenue Service to be subject to the excise tax imposed on foreign insurance engaged on the reinsurance of United States risks.

Under the facts presented in Revenue Ruling 80-95, the foreign corporation was obliged to indemnify the domestic corporation for losses sustained by the domestic corporation under the disability plans; thus the risk assumed by the foreign corporation under the contract was the same as the risk borne by domestic corporation under the disability plans. The fact that the domestic corporation had passed its risk to the foreign corporation did not change the nature of the risk. The arrangement was similar to one of reinsurance in which the primary insurer transferred some or all of the risk it had assumed to a second insurance company.

It is our opinion that the facts in your situation are substantially different from the facts described in Revenue Ruling 80-95, and your transaction would thus not be recharacterized as reinsurance. In your situation, it is our understanding that there will be no sharing of risk, no payment of a premium in consideration for the assumption of the obligation for the payments of an annuity, and no element of control retained by the you with respect to premium payments, auditing claims, or indemnification guarantees. Thus, the proposed factual situation materially differs in your situation from the facts and circumstances set forth in Revenue ruling 80-95.

It is our understanding that the contract between the you and the foreign corporation is a transaction at arm's length under which the foreign corporation will agree to assume the obligation to pay the private annuity in exchange for the receipt of offsetting assets worth the equivalent of the present value of the annuity liability.

As a transaction at arm's length in which a private annuity is exchanged for assets of an equivalent value of the annuity's estimated liability is not of the type of anticipated obligation of the nature of an indemnity bond or the type of transaction carried on by an insurer or reinsurer as contemplated under Internal Revenue Section 4371 and 4372. It is our opinion that it is more likely than not that if the foreign corporation is involved in an arm's length transaction with you to pay a

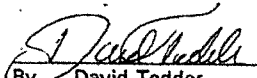
private annuity in exchange for the receipt of assets of equivalent value to the annuity liability, and the foreign corporation is not engaging in insuring or reinsuring property, and is not bound by any obligation to you in the nature of an indemnity bond then there will not be an excise imposed on such a transaction.

CONCLUDING REMARKS

The accuracy of the opinions expressed herein are dependent on the actual facts and circumstances and the application of the relevant legal principles thereto. We are aware that a portion of our opinions expressed herein are predicated upon future activities and transactions. We recommend that you carefully review the applicable law to such transactions prior to their implementation.

Respectfully Submitted,

Pratter, Tedder & Graves


By David Tedder,
Attorney-at-Law

SCHEDULE "A"**~~ROARING CREEK LIMITED~~**

1. Non-Statutory Stock Option to purchase 50,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated February 2, 1988, amended August 8, 1989 and October 24, 1990.
2. Non-Statutory Stock Option to purchase 50,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 4, 1986, amended December 11, 1987, August 8, 1989 and October 24, 1990.
3. Non-Statutory Stock Option to purchase 62,500 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 22, 1990, amended October 24, 1990.
4. Option to purchase 25,000 shares of the Common Stock, of Michaels Stores, Inc., pursuant to the terms of that certain Purchase Warrant to purchase 150,000 shares of the Common Stock of Michaels Stores, Inc., dated November 20, 1984, amended October 24, 1990 originally issued to Sam Wyly.

M E M O R A N D U M

TO: Lorne House Trust Limited/Ronnie Buchanan

FROM: Jackson & Walker, L.L.P.

DATE: April 22, 1992

RE: The Bulldog Non-Grantor Trust and The Pitkin Non-Grantor Trust; Filing Requirements under the Securities Exchange Act of 1934

Lorne House Trust Limited ("Lorne House"), the Bulldog Non-Grantor Trust ("Bulldog") and the Pitkin Non-Grantor Trust ("Pitkin") will be required to make certain filings with the Securities and Exchange Commission (the "SEC") related to the holdings of Bulldog and Pitkin of securities of Sterling Software, Inc. ("Sterling") and Michaels Stores, Inc. ("Michaels").

Set forth below is a summary of some of the circumstances under which these filings will be made. These legal requirements can be very complex. Please feel free to call us with any questions you may have from time to time.

1. Form 4. For so long as Bulldog owns securities representing in excess of 10% of the outstanding shares of Sterling common stock, Bulldog will be required to file with the SEC Form 4's reporting purchases and sales by Bulldog of Sterling's Common Stock. These reports must be filed with the SEC on or before the 10th day of the month following the month in which the reported transactions took place. Under certain circumstances, profits from a "purchase" and "sale" made within six months of one another must be disgorged. You should consult with Sharyl Robertson or us prior to effecting transactions in Sterling's securities to ensure compliance with Securities Exchange Act rules.

2. Schedule 13D's.

a. Sterling. Lorne House, Bulldog and Pitkin must file an amendment to Schedule 13D when the aggregate holdings of Bulldog and Pitkin in Sterling's securities fluctuate by more than 1% of Sterling's outstanding common stock (currently approximately 90,000 shares). This filing must be made promptly after the transaction occurs.

b. Michaels. Lorne House must file an amendment to Schedule 13D when the aggregate holdings of Bulldog and Pitkin in Michaels securities fluctuate by more than 1% of Michael's outstanding common stock (currently approximately 120,000 shares). This filing must be made promptly after the transaction occurs.

3475

We can assist you in preparing these filings. In order for us to do so on a timely basis, it is imperative that you keep Sharyl Robertson informed on a timely basis of all transactions effected in Sterling and Michaels securities.

307873/D

cc: Sharyl Robertson

PRATTER, TEDDER & GRAVES

ATTORNEYS AT LAW

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SUITE 100
ORANGE, CA 92668
TELEPHONE (714) 867-0170
FAX (714) 867-1170

April 2, 1992

REPLY TO: _____

East Baton Rouge Limited
One East First Street
Reno, Nevada 89501

Dear East Baton Rouge Limited:

You have requested the firm of Pratter, Tedder & Graves to provide you with our opinion with respect to the anticipated federal income tax treatment relating to the following matters:

1. Your anticipated federal income tax treatment to you, a Nevada corporation, relating to your acquisition and sale of Michaels Stores Inc., 200,000 Option (hereinafter referred to as Securities) in exchange for your issuing a private annuity to Sam Wylly.
2. Your anticipated federal income tax treatment that would likely apply if you were to subsequently relinquish your obligation to pay the private annuity referred to in Paragraph 1 above, provided that you relinquish such liability by paying the assuming party assets of a value worth the equivalent of the annuity liability.
3. The anticipated federal excise tax treatment under Internal Revenue Code sections 4371 and following regarding a possible subsequent assumption of the obligation to pay the private annuity payments by a foreign corporation not engaged in a trade or business in the United States in exchange for its receiving cash or an asset worth the equivalent value of the annuity liability.

Before we provide you with our analysis of each of these issues we wish to make you aware that this opinion letter is merely an expression of our learned views with respect to these issues. Our opinion does not command any legal authority and may be rejected by a government official, agency, private party, or anyone else. Our opinion thus has no binding authority or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else. Our opinions represent our views on these issues, but they do not represent our guarantee that they will be followed or accepted by anyone else.

In addition, our opinions do not cover or address any issues not covered herein.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 663

PSI-WYBR 00028

Our opinions are based on the status of the federal income tax law as of the date of this written opinion. The tax laws change rapidly, and should there be any change in the applicable law or the facts and circumstances relating to the events described herein, the opinions expressed herein necessarily require a reevaluation in the light of such changes.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been addressed herein.

For the sake of brevity, our discussion of the applicable legal principles will omit certain cases and other authorities that may apply to the facts and circumstances of these matters. We will take them into account in issuing this opinion letter, however.

In the event any change impacts on the tax principles or laws applicable to our opinions herein, we specifically disclaim any undertaking or obligation to advise you or anyone else of any such changes which may hereafter occur.

Our opinions are based on the correctness of the facts and circumstances set forth herein.

The Internal Revenue Service and applicable courts possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties intended them to be. Government authorities can recharacterize a transaction into something other than what the parties intended.

There are numerous instances when the Internal Revenue Service, courts or judges are in error. They are not infallible. They can thus misread or misapply the legal principles involved in the case, leading to a tax result that may be contrary to what the taxpayer anticipated, and leading to a tax result that may be wrong.

The Internal Revenue Service, and the courts generally examine the substance and business purpose and economic reality behind a transaction in a very careful manner to determine if the transaction is genuine and is to be granted recognition in the form presented for tax purposes.

Consequently, we need to caution you that the Internal Revenue Service, or a court might view the transactions that are the subject of this opinion letter in a manner differently than either you or I would view them. Nonetheless, it is our opinion that the anticipated and intended transactions and entities described herein are more likely than not to be given recognition as being treated in the manner expressed herein. This view will be enhanced by the proper operation of the entities and transactions to comply with their intended consequences.

You should be aware that the Internal Revenue Service can charge interest on tax deficiencies and can impose numerous penalties if

it disagrees with the tax treatment of the reported transactions.

It is our view based on the information presented to us as expressed herein that it is more likely than not that the anticipated federal tax treatment relating to the matters discussed herein will be as we opine herein.

OPINION AND ANALYSIS OF THE FEDERAL INCOME TAX CONSEQUENCES THAT ARE LIKELY TO APPLY TO THE TRANSACTIONS DESCRIBED BELOW:

A. The anticipated tax treatment relating to your acquisition and subsequent sale of Securities in exchange for your issuing a private annuity on the life of Sam Wyly.

Because there could be an unending list of possible factual circumstances regarding your purchase, ownership, and sale of the Securities in exchange for your issuing a private annuity, this opinion will only address your anticipated income tax basis with respect to such security interests.

Upon acquiring the Securities, you need to determine your income tax basis.

The income tax basis rules pertaining to the party contractually obligated to make the private annuity payments are discussed in depth in Warnick, 195-3rd T.M. Private Annuities at pages A-28 and A-29. These rules are predicated upon the principles set forth in Revenue Ruling 55-119.

Under this ruling, your unadjusted income tax basis equals the value of the annuity as of the date in which the annuity agreement is executed, assuming that there is no gift element involved.

It is our understanding that no gift element is involved in this transaction.

In the event the Securities are sold at a gain prior to the annuitant's death, your tax basis is equal to the total of the annuity payments made to the date of sale, plus the actuarial value of the annuity payments that are yet to be made under the annuity agreement. If the Securities are sold at a loss prior to the annuitant's death the tax basis equals the total of the annuity payments actually made as of the date of sale. If the selling price is less than the basis for gain but greater than the basis for loss purposes neither a gain nor a loss is recognized on your sale of the Securities.

If the Securities are sold after the annuitant's death, your basis for determining either gain or loss is equal to the total of the annuity payments which were made under the annuity contract.

If the Securities are sold before the annuitant's death, you remain obligated to make annuity payments to the annuitant. If gain were

recognized on the sale, then, because the actuarial value of the annuity was used by you in calculating your tax basis, you had, in essence, already taken into account the future annuity payments to be made under the annuity agreement using the actuarial values based on the anticipated life expectancy. Thus, the annuity payments made after the sale do not have a tax consequence to you until the total of such annuity payments exceeds the actuarial value that was used by you to calculate your gain, whereupon each annuity payment thereafter represents a deductible loss to you. However, if the annuitant dies before the after-sale payments equal the actuarial value of the annuity, then you will have taxable income in the year of the annuitant's death equal to the difference between the actuarial annuity value which was used by you in computing your taxable gain on the sale of the Securities and the total annuity payments made after the sale. (Thus, this "windfall" to you would not go untaxed.)

If you recognized a loss on the sale of the Securities, your tax basis would be merely the total of the annuity payments made prior to such sale, and you would not have been credited for any annuity payments you made after the sale. Consequently, each post-sale annuity payment made by you after such sale would generate a tax-deductible loss to you.

If you recognized neither a gain nor a loss on the sale of the Securities, then no loss would be recognized by you on further annuity payments until the total of all annuity payments made (both before and after the sale of the Securities) equals the amount realized by you from the sale. Thereafter, each annuity payment represents a tax-deductible loss to you.

After the annuitant's death, if the total of all annuity payments is less than the amount realized by you on the sale of the Securities, the difference is taxable income to you in the year of the death of the annuitant.

To circumvent this potentially large tax consequence, you might want to have another party assume your private annuity obligation in exchange for your payment of assets having an offsetting equivalent value. This will be discussed immediately below.

It is our opinion that it is more likely than not that the federal taxation method set forth in Revenue Ruling 55-119 as described above will be applied on the transactions described in this section of our opinion.

B. Your anticipated tax treatment if you subsequently relinquish your obligation to pay the private annuity referred to in Paragraph 1 above, provided you relinquish such liability by paying the assuming party assets of a value worth the equivalent of the annuity liability being relinquished.

You have requested us to provide you with our views as to your

anticipated federal income tax consequences relating to the situation in which you would enter into a contract with a foreign corporation which does not and will not engage in business in the United States, and does not and will not have an office in the United States or an agent in the United States, under which this foreign corporation would agree to assume the obligation to pay the private annuity to the annuitant in exchange for its receiving offsetting assets equivalent to the value of the annuity liability at the time of such transaction.

Under such circumstances and provided the value of the cash and/or other assets exchanged by you equals the value of the annuity obligation at the time of such transactions, it is our opinion that it is more likely than not that there should be no federal income tax consequence to you as you have incurred no economic gain or loss.

Thereafter, the death of the annuitant would likely not produce a federal tax consequence to either yourself (as you no longer owed the annuity obligation) or to the foreign assumption corporation (as it would not be subject to U.S. taxation) under the circumstances set forth above.

However, this approach is rather novel and the tax consequences are not free from doubt. It is our opinion that it is more likely than not that the assumption of the private annuity liability prior to the annuitant's death under the circumstances described above will be nontaxable to you as noted above.

C. The foreign corporation is not an insurer or reinsurer as those terms are properly defined and applied under Internal Revenue Code Sections 4371 and 4372, and therefore will not be subject to an excise tax if thereafter it subsequently assumes the obligation to pay the private annuity in exchange for assets worth the equivalent of the value of the annuity liability.

You have indicated it is possible that, in the future, a foreign corporation which does not engage in a trade or business in the United States will enter into a contract with you under which it will assume the obligation to pay the private annuity described above in exchange for assets worth the equivalent of the then-present value of the annuity liability.

Under the circumstances herein set forth, it is our opinion that it is more likely than not that such foreign corporation will not be subject to an excise tax under Internal Revenue Code Sections 4371 and 4372 for the foregoing reasons: (1) the foreign corporation is not an "insurer" or "reinsurer"; (2) the assumption of the payments of a private annuity in exchange for assets worth the equivalent of the present value of the annuity liability is not an assumption of a risk classifiable as a risk assumed by an "insurer" or

"reinsurer" under the proper terminology and customary usage in the insurance industry; and, (3) according to the legislative of Internal Revenue Code Section 4371, the statute applies to foreign entities engaged in the trade or business of insuring against, or with respect to, hazards, risks, losses, or liabilities within the United States and the foreign corporation in this anticipated situation is not engaged in such a trade or business and does not intend to become engaged in such a trade or business. Therefore, it is our opinion that it is more likely than not that the foreign corporation is not an insurer or reinsurer, and has not assumed a risk as an insurer or reinsurer for purposes of Internal Revenue Section 4371, and therefore will not be subject to an imposition of an excise tax under Internal Revenue Section 4371.

Internal Revenue Code Section 4371, in pertinent part, imposes a tax "on each policy of insurance, indemnity bond, annuity contract, or policy of reinsurance issued by any foreign insurer or reinsurer [emphasis added]...".

Internal Revenue Code Section 4372(a) defines a a foreign insurer or reinsurer as "...an insurer or reinsurer who is a nonresident alien individual, or a foreign partnership, or a foreign corporation. The term includes a nonresident alien individual, foreign partnership, or foreign corporation which shall become bound by an obligation of the nature of an indemnity bond."

Therefore, for the excise tax to apply to an "annuity contract" or "policy of reissuance," it must be issued by a "foreign insurer or reinsurer."

Such is not the case here.

Neither the Internal Revenue Code nor the regulations thereunder nor the judicial taxation field decisions and Internal Revenue Service rulings clearly define the terms "foreign insurer or reinsurer." Consequently, we have looked to the leading treatises on insurance law and state court decisional law for assistance in defining such terms.

We have located no definitive case, ruling, or authoritative commentary that indicates that the excise tax imposed by Internal Revenue Code Section 4371 applies in the Private annuity context.

According to Black's Law Dictionary (5th Edition), insurer is defined as "[T]he underwriter or insurance company with whom a contract of insurance is made. The one who assumes risk or underwrites a policy, or the underwriter or company with whom a contract of insurance is made."

Appleman on Insurance Law and Practice further defines the terms in Section 7001: "[A]n 'insurer' is one who assumes risk or

underwrites a policy, or the underwriter or company with whom a contract of insurance is made."

It is thus our opinion that the proper and appropriate use of the term insurer is that it applies to an underwriter or an insurance company or one who assumes risk as that term is defined.

The foreign corporation is clearly not such an insurance company or underwriter. It will not be licensed or authorized to engage in the insurance business. Therefore, it will not meet the generally accepted definition of an insurer or reinsurer unless it is an entity which assumes a risk as an insurer.

An annuity is not a contract or an instrument of insurance risk. Furthermore, the foreign corporation is not issuing the annuity as it is merely assuming the obligation to pay the annuity.

Consequently, the foreign corporation should not be classified as an insurer under the generally accepted meaning of such term.

Thus, it is more likely than not that a foreign insurer or reinsurer referred to in Internal Revenue Code Sections 4371 and 4372 pertains to an underwriter or insurance company with whom a contract of insurance is made, and the foreign corporation, under the circumstances presented to us, is not such a company or underwriter.

Thompson, on Reinsurance, 4th Edition, page 639, states: "... insurance is a protection against loss or liability....He pays the insurance company a premium. He becomes insured with this insurance company which is called the direct-writing company. A policy is delivered to him which is his contract with his insurer. The person or company insured by the direct-writing company is referred to in discussions as the insured, the assured, the original insured or the primitive assured. The original or primary insurer is obligated directly to his insured or policyholder".

An entity which assumes a risk as an insurer is an entity which makes, issues, continues, or renews instruments in the nature of an insurance policy or in the nature of an indemnity bond. For example, Couch on Insurance 2d Section 1:2 pp. 6 states: "[T]he primary requisite essential to a contract of insurance is the assumption of a risk of loss and the undertaking to indemnify the insured against such loss." Therefore, it is likely that Internal Revenue Code Sections ~~4371~~ and ~~4372~~ refer to foreign 'insurance' companies that are engaged in the business of assuming risks, issuing instruments in the nature of indemnity bonds, insurance policies and other instruments customarily issued by an insurer.

The foreign corporation is not such an entity and does not engage in foreign insurance transactions and does not issue instruments

customarily issued by an insurer. As a consequence, it is our opinion that it is more likely than not that the foreign corporation is not assuming the risk of an insurer and thus will not be treated as an insurer when it assumes the obligation of the private annuity payments in exchange for assets worth the equivalent of the present value of the annuity liability.

Appleman on Insurance Law and Practice Section 81 states: "[A]n annuity is usually defined as being an obligation to pay a stated sum, usually monthly or annually, to a stated recipient, such payments to terminate upon the death of the designated beneficiary." Appleman citing Corporation Comm'n v. Equitable Life Insurance Society of U.S., 239 P.2d 360 (1952) in footnote 1 also states that "[I]nasmuch as annuity contracts do not insure against loss by reason of death of insured, but rather constitute investment of funds to be paid in installments during life of annuitant, annuity contracts are not a 'risk' based on contingency of loss...Since annuities are not policies or contracts of insurance (emphasis added), payments therefor are not generally regarded as premiums even though so called."

Couch on Insurance 2 in Section 1:20 in footnote 15 citing Prudential Insurance Co. v. Howell 29 NJ 116 (1959) finds that "[T]he risks assumed under life insurance policies and under annuity contracts are diametrically opposite inasmuch as life insurance involves the traditional elements of insurance, namely, shifting of risk of loss and distribution of risk of loss over a broad base whereas annuity contracts are basically investments."

Thus, it is more likely than not that the foreign corporation does not fit within the statutory definition of an insurer because it is neither an underwriter nor an insurance company engaged in the trade or business of assuming risks. It is also our opinion that it is more likely than not that the foreign corporation is not assuming such a risk when it assumes the private annuity payment obligations in exchange for assets worth the equivalent of the value of the annuity liability, and thus is not an insurer under Internal Revenue Code Section 4371.

The legislative history of Internal Revenue Code Section 4371 is consistent with this understanding.

The terms insurer and reinsurer referred to in the Committee Reports for Internal Revenue Code Section 4371 substantiate that our above analysis is consistent with the intended applicable meanings of such terms under Internal Revenue Section 4371.

The Committee Reports on Public Law 101-239 and Public Law 100-203 which amended Internal Revenue Code Sections 4371 and 4372 refer to the term 'risk' in the context of foreign insurance companies effectively connected with the conduct of an insurance business in

the United States or in the context of foreign insurance companies issuing policies or instruments in the nature of an indemnity bond.

The Committee Reports do not include other applications of the term insurer other than those applications in the insurance company context. There are several points in the conference agreement in which the Committee Report evidences their concerns regarding the application of the use of the forthcoming Internal Revenue Code Section. The conference agreement in the Conference Committee Report for the Committee Report on Public Law 100-203, states that the agreement shall "provide regulatory authority to address the treatment of foreign insurance company investments in U.S. subsidiaries...Under the conference agreement, foreign source income that is attributable to a U.S. trade or business of a foreign property and casualty insurance company is treated as effectively connected with that trade or business."

The conference agreement indicates the intent and purpose behind Internal Revenue Code Section 4371 was to apply an excise tax to foreign insurance companies engaged in a U.S. trade or business. "Several factors are cited by the Treasury Department in support of this view. First, the provision applies to life insurance companies and property and casualty insurance companies in a manner substantially similar to present law rules covering only life insurance companies...Second, the provision attributes to a foreign insurance company an amount of assets determined by reference to the assets of comparable domestic insurance companies, thus reasonably measuring the amount of assets that the U.S. trade or business of a foreign insurance company would be expected to have were it a separate company dealing independently with non-U.S. offices of the foreign insurance company...The conferees understand that the provision governing foreign insurance companies solves a statutory problem in the context of the broader issue: measuring the U.S. taxable income of a foreign corporation that is effectively connected with its U.S. trade or business."

Under the facts presented to us, the foreign corporation will not be engaging in business as a foreign insurance company and therefore will not be subject to the excise tax under Internal Revenue Code Sections 4371 and 4372. The foreign corporation is neither assuming a risk of loss as an insurer nor is it in the business of making, issuing, renewing, or continuing insurance policies or underwriting a policy with whom a contract of insurance is made as a reinsurer. Therefore, it is more likely than not that the foreign corporation does not meet the statutory definition of insurer and will thus not be subject to the excise tax under Internal Revenue Code Section 4371.

The involvement of the foreign corporation will be limited to its assumption of the private annuity agreement in exchange for its

receiving assets worth the equivalent of the value of the annuity liability. The private annuity agreement will be issued by you, and you are not an insurer engaged in the business of customarily issuing insurance policies or annuities, and you are contractually barred from issuing additional annuities under Section XXIII of the Private Annuity Agreement.

Thus, under the foregoing analysis, the foreign corporation first, is not an insurer as that term has been properly defined and applied according to the statute's legislative history, and second, is not assuming a 'risk' as an insurer as that term is properly interpreted by authorities in the insurance field.

Under Internal Revenue Code Section 4372(a), a foreign insurer is also defined as a nonresident alien individual, a foreign partnership, or foreign corporation which shall become bound by an obligation of the nature of an indemnity bond.

The foreign corporation will not become contractually bound by an obligation in the nature of an indemnity bond.

Appleman on Insurance and Practice Section 7001 states: "[I]ndemnity has been considered an essential element of a contract of insurance, so that a contract which does not possess this element has been held not one of insurance." Appleman further states in Section 7003 that "[A] contract which requires an indemnitor to indemnify the indemnitee for losses with which the indemnitor had no connection and over which it had no control would be a 'contract of insurance'".

The foreign corporation will not be an indemnitor indemnifying you for losses with which it has no connection and over which it has no control. It is our understanding that the foreign corporation is merely assuming an obligation and will not secure you against loss or damage and will not restore to you, in whole or in part, by payment or replacement for any losses incurred.

Thus the foreign corporation will not be indemnifying you.

It is also our understanding that the foreign corporation will not be responsible for any reimbursement to you or will it be a party to the contract between you and the annuitant. Therefore, pursuant to the contract between you and the foreign corporation, the latter will be assuming the obligation of the private annuity payments in exchange for assets worth the equivalent of the annuity liability, and will not be issuing assuming, continuing, or renewing an obligation in the nature of an indemnity bond.

Our examination of case law has disclosed a pair of cases which, when read together, clarify the judicial interpretation of the term

"insurance."

These cases have led us to conclude that it would be unlikely that a court would find that the issuance of a private annuity by a corporation that it is not engaged in the issuance of other annuities or insurance policies (and, thus does not actuarially allocate the risk relating to the private annuity agreement to other annuity or insurance contracts) is equivalent to the conduction of business as an "insurer," and that it would be equally unlikely that a court would find that the assumption of the private annuity agreement by a foreign corporation that does not issue other annuities or insurance policies is to be deemed a "reinsurer," as such terms should reasonably be construed under Internal Revenue Code Section 4372(a).

The first case is the case of Professional Lens Plan, Inc. v. Dept. of Insurance, 387 So. 2d 548 (1st DCA 1980). In this case, the Florida Department of Insurance had issued a declaratory statement that a plan whereby optometrists agreed to furnish replacement lenses to their patients for an annual fee plus a fixed sum representing the costs of the lenses, was actually an insurance program.

The District Court of Appeal reversed the Florida Department of Insurance on the basis that the program did not involve any assumption of risk, distribution of loss, or payment of premium for assumption of risk. (387 So.2d 548, 550.)

Consequently, because in that case the District Court of Appeal found that the optometrists' plan "...did not involve any assumption of risk, distribution of loss or payment of premium for assumption of risk...", the plan was not subject to the Florida Insurance Statutes, (387 So.2d 548, 550.)

The District Court of Appeal thus held that Professional Lens Plan, Inc. was not providing insurance and was not subject to the Florida Statutes regulation insurance.

In its decision, the court in Professional Lens Plan, Inc. v. Dept. of Insurance cited the case of Guaranteed Warranty Corp., Inc. v. ex rel. Humphrey, 23 Ariz. App. 827, 583 P.2d 87 (1975). The Florida court explained that this Arizona case expanded upon the Florida statutory definition of the term "insurance" by indicating that normally there are five (5) elements that are present in an insurance contract.

These five (5) elements are:

- (1) no insurable interest;
- (2) a risk of loss;

- (3) an assumption of the risk by the insurer;
- (4) a general scheme to distribute the loss among the larger group of persons bearing similar risks; and
- (5) the payment of a premium for the assumption of the risk.

The court in Professional Lens Plan, Inc. v. Dept. of Insurance stated that a patient may obviously have an "insurable interest" in his or her contact lenses, and there may be a "risk of loss" of such contact lenses; however, the remaining three (3) elements of an insurance contract were not present in that case, according to the court.

The court found that there was no contractual obligation or duty between Professional Lens Plan, Inc. and the patients. The court then stated: "This determination alone would, in our opinion, dispose of the contention that Professional is engaging in a business of 'insurance.'" (387 So.2d 548, 550)

The court held in Professional Lens Plan, Inc. v. Dept. of Insurance, 387 So. 2d 548 (1st DCA 1980) that the contract between the optometrist and the patient was not an indemnification contract, but rather was a contract that provided for the purchase of additional or replacement contact lenses.

In our situation neither you nor the foreign corporation are or will be engaged in the insurance business, and neither you nor the foreign corporation will issue or assume additional annuity contracts beyond the one which is the subject of this opinion letter.

Consequently, there is an absence of a "general scheme to distribute the loss among the larger group of persons bearing similar risks."

In our situation there is likewise the absence of "the payment of a premium for the assumption of risk."

Therefore, in our situation the presence of all of the "five (5) key elements that are present in an insurance contract" is lacking, and neither you (the issuer of the private annuity) nor the foreign corporation (the party that will possibly contractually assume the private annuity liability from you) will be engaged in issuing an insurance contract as that term is defined in the common law.

As the court in Professional Lens Plan, Inc. v. Dept. of Insurance, 387 So. 2d 548 (1st DCA 1980) held that the contract between the patient and the optometrist was not an indemnification of contact lenses agreement, but was merely a contract providing for the purchase of additional or replacement contact lenses, so would it

be likely for a court in our situation to find that the contract between you and the annuitant was not an indemnification agreement--it was a private annuity agreement, and it would be equally likely in our opinion that a court will find that the contract between you and the foreign corporation is not an insurance agreement, or a reinsurance agreement, or an indemnification agreement--it will be an assumption of private annuity liability agreement without a premium feature being present.

Therefore, it is our opinion that it is more likely than not that the foreign corporation will not be classified as an insurer for federal excise tax purposes.

It is also our opinion that the foreign corporation is not a foreign reinsurer as that term is properly defined and applied under Internal Revenue Code Sections 4371 and 4372(a), and therefore will not be subject to an excise tax as a foreign reinsurer under the aforementioned Internal Revenue Code sections.

Much confusion exists regarding the definition of the term reinsurance. The term has been used erroneously and applied indiscriminately in various situations.

According to Appleman on Insurance Law and Practice, Section 7681: "Reinsurance, to an insurance lawyer, means one thing only - the ceding by one insurance company to another of all or a portion of its risks for a stipulated portion of the premium, in which the liability of the reinsurer is solely to the reinsured, and handles all matters prior to and subsequent to loss. The true reinsurer is merely an insurance company or underwriter which deals with other insurance companies as its policyholders..... "

Additionally, Couch on Insurance 2d Section 80:1 states that the reason "[M]uch confusion exists in the law as to the definition of reinsurance [is] because of the failure to distinguish three situations: (1) succession; (2) novation; and (3) additional security for the additional undertaking... The mere fact that there has been a transfer of assets to a successor corporation does not establish that there has been a reinsurance contract or an assumption of liability to the original insureds. "

For example, it is our understanding that the foreign corporation will assume the obligation of payment of only one (1) private annuity transaction in exchange for receiving assets of an equivalent value and is not receiving an additional premium for such transaction. It is also our understanding that there will not be any sharing of risk between you and the foreign corporation as a reinsurer.

The foreign corporation is neither issuing the private annuity nor reinsuring the private annuity on your behalf and therefore is not

engaging in transactions as an insurer or reinsurer.

According to Kenneth Thompson, Reinsurance 4th Edition, pp 6 a reinsurance transaction is defined as a "...relationship established between two parties, which is based primarily on contract or understanding whereby one party, called the reinsurer, in consideration of a premium paid the reinsurer, agrees to indemnify under certain terms and conditions, another party, the reassured, against a risk previously assumed by the latter, the direct writer, in its primary insurance covering the original assured." You are issuing the private annuity in exchange for the equivalent of the present value of the annuity liability, and will not receive a premium in consideration for assuming a 'risk' as that term has already been properly defined. The foreign corporation is likewise not receiving a premium in consideration for it assuming the obligation to make the annuity payments. Further, no primary insurance exists in your situation.

Thus, the foreign corporation is neither an insurer nor a reinsurer as that term is properly used and referred to in the legislative history for Internal Revenue Code Sections 4371 and 4372.

It is thus our opinion that it is more likely than not that the anticipated transaction between the foreign corporation and you is not a reinsurance transaction as that term has been defined.

It is our understanding that the foreign corporation will not assume your financial responsibilities to the Annuitant for your past conduct. It is our further understanding that the foreign corporation's agreement to assume your obligation to pay private annuity in exchange for assets worth the equivalent of the present value of the annuity liability will not be in the nature of a reserve for the annuity, or a premium in the nature of a reinsurance transaction. It is also our understanding that the foreign corporation will not indemnify you for any claims against you and will not assume a risk if you should become insolvent.

While we believe that it is more likely than not that the foreign corporation will not be subject to a one (1) percent excise tax under Internal Revenue Code Section 4371, we wish to make you aware of Revenue Ruling 80-95 in which a foreign insurer was subject to the excise tax under Internal Revenue Code Section 4371 under an arrangement between the foreign corporation and a U.S. corporation that was characterized as being similar to one of reinsurance.

The facts of this Revenue Ruling are as follows: A domestic corporation which maintained disability plans for its U.S. citizens or resident employees and former employees entered into a contract with a foreign insurer which was neither doing business nor authorized to do business in the U.S. In return for an

actuarially computed annual payment, the insurer, which was not a party to the plans, indemnified the corporation for all required payment plans. The insurer incurred no liability to the employees and was neither responsible for plan performance failures nor for the application or disposition of money paid to the corporation under the contract. The insurer had the right to audit claims against the plans and to protest what it felt were improper payments. Under these facts, the foreign insurance company was determined by the Internal Revenue Service to be subject to the excise tax imposed on foreign insurance engaged on the reinsurance of United States risks.

Under the facts presented in Revenue Ruling 80-95, the foreign corporation was obliged to indemnify the domestic corporation for losses sustained by the domestic corporation under the disability plans; thus the risk assumed by the foreign corporation under the contract was the same as the risk borne by domestic corporation under the disability plans. The fact that the domestic corporation had passed its risk to the foreign corporation did not change the nature of the risk. The arrangement was similar to one of reinsurance in which the primary insurer transferred some or all of the risk it had assumed to a second insurance company.

It is our opinion that the facts in your situation are substantially different from the facts described in Revenue Ruling 80-95, and your transaction would thus not be recharacterized as reinsurance. In your situation, it is our understanding that there will be no sharing of risk, no payment of a premium in consideration for the assumption of the obligation for the payments of an annuity, and no element of control retained by the you with respect to premium payments, auditing claims, or indemnification guarantees. Thus, the proposed factual situation materially differs in your situation from the facts and circumstances set forth in Revenue ruling 80-95.

It is our understanding that the contract between the you and the foreign corporation is a transaction at arm's length under which the foreign corporation will agree to assume the obligation to pay the private annuity in exchange for the receipt of offsetting assets worth the equivalent of the present value of the annuity liability.

As a transaction at arm's length in which a private annuity is exchanged for assets of an equivalent value of the annuity's estimated liability is not of the type of anticipated obligation of the nature of an indemnity bond or the type of transaction carried on by an insurer or reinsurer as contemplated under Internal Revenue Section 4371 and 4372. It is our opinion that it is more likely than not that if the foreign corporation is involved in an arm's length transaction with you to pay a private annuity in exchange for the receipt of assets of equivalent value to the

annuity liability, and the foreign corporation is not engaging in insuring or reinsuring property, and is not bound by any obligation to you in the nature of an indemnity bond then there will not be an excise imposed on such a transaction.


* * * * *

CONCLUDING REMARKS

The accuracy of the opinions expressed herein are dependent on the actual facts and circumstances and the application of the relevant legal principles thereto. We are aware that a portion of our opinions expressed herein are predicated upon future activities and transactions. We recommend that you carefully review the applicable law to such transactions prior to their implementation.

Respectfully Submitted,

Pratter, Tedder & Graves

By 
David Tedder,
Attorney-at-Law

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Subcommittee on Investigations

Form **13657**
(March 2005)

Department of the Treasury — Internal Revenue Service

**Notice of Election by Corporation to Participate in
Announcement 2005-19 Settlement Initiative**

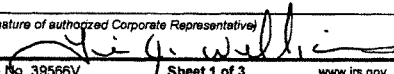
NOTE: The Service can decline to execute a closing agreement with any party that fails to provide all information requested within this Form 13657.

Section I. Corporation Information

1. Corporation name Michaels Stores, Inc.		2. Corporation identification number (EIN) [REDACTED]	
3. Address (Street, City, State, ZIP code) 8000 Bent Branch Irving, Texas 75062			
4. Name and title of person to contact at corporation Terl Williams, Vice President of Tax		5. Daytime telephone number (469) [REDACTED]	
		6. FAX number (469) [REDACTED]	
7. Corporation currently is in Appeals or Examination <input type="checkbox"/> Yes (Please complete items 8 and 9.) <input checked="" type="checkbox"/> No			
8. Name and address (Street, City, State, ZIP code) of Appeals Officer or Agent		9. Daytime telephone number () [REDACTED]	
10. Corporation has executed a Power of Attorney <input type="checkbox"/> Yes (Please attach a copy.) <input checked="" type="checkbox"/> No			
11. Name of corporation(s) that received the services from the Executives named in Section III, if different from corporation named in Item 1. (Attach additional sheets, if necessary.) Same		12. Identification number (EIN) for Item 11 entries Same	
13. Did the Corporation file as part of a consolidated federal income tax return for any taxable period affected by the terms of the settlement? <input checked="" type="checkbox"/> Yes (See Items 14 & 15 or Items 16 & 17, whichever is applicable.) <input type="checkbox"/> No			
14. Name of the Corporation's parent that participated in the transaction (if the Corporation is a subsidiary) Corporation is parent (see ID above)		15. Employer identification number (EIN) for Item 14 entry	
16. Name of the Corporation's subsidiary that participated in the transaction (if the Corporation is the parent) N/A		17. Employer identification number (EIN) for Item 16 entry	

Corporation Attestation

The following Corporation elects to participate in the settlement initiative as described in Announcement 2005-19 and as contained in Internal Revenue Bulletin 2005-11 dated March 14, 2005. The Corporation is submitting with this election the information and documents requested. Under penalties of perjury, I declare that I have examined this Form 13657 and to the best of my knowledge and belief, it is true, correct and complete.

Corporation name Michaels Stores, Inc 8000 Bent Branch Irving, Texas 75062	Name of authorized Corporate Representative Terl J. Williams
	Title Vice President of Tax
By (Signature of authorized Corporate Representative) 	Date 5/6/05

Catalog No. 39566V

Sheet 1 of 3

www.irs.gov

Form 13657 (3-2005)

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 665

MSNY 028653

Section II. Election Information

1. Pursuant to section 3(b)(1) and section 3(c)(2) of Announcement 2005-19, the Corporation elects to claim the allowable compensation deduction in its taxable year that includes ("X" only one):

- ☐ a. the date(s) the stock options were transferred to the Related Person, or
☐ b. the date(s) the options were exercised or the restricted stock vested, or
☒ c. December 31, 2004, or
☐ d. December 31 of the year in which the Executive recognizes the compensation, or
☐ e. December 31 of the year determined under IRC section 3(c)(2) of Announcement 2005-19.

2. Did the Corporation already claim a compensation deduction for any stock options or restricted stock that its Executives transferred in Notice 2003-47 transactions?

- ☐ Yes (See instructions below.) ☒ No

If "Yes," please attach a schedule listing the amounts and years of such deductions.

3. Did the Corporation already claim any deductions for transaction costs (i.e., fees paid to promoters, attorneys, accountants, appraisers, or others) concerning Notice 2003-47 transactions?

- ☐ Yes (See instructions below.) ☒ No

If "Yes," please attach a schedule listing the amounts and years of such deductions. If the Corporation wishes to claim deductions for such costs that have not been previously deducted, also attach a schedule listing the amounts and years of such fees and attach documents substantiating payment.

Section III. Executive Information

For each Executive (Officer, Director, employee) who participated in a Notice 2003-47 transaction using either stock options granted or restricted stock issued by the Corporation, please provide the following information. If you need additional space for your answers, please attach additional sheets and identify the continued answers by item number.

<p>1. Name and address (Street, City, State, ZIP code) of Executive Sam Wyly (SSN: 433-46-5313), Evan Wyly (SSN: 461-94-2177), and Charles Wyly (SSN: 436-44-1110), 300 Crescent Court, Suite 1000, Dallas, Texas 75201 Michael French (SSN: 463-72-5220), 200 Crescent Court, Suite 630, Dallas, Texas 75201</p>	<p>2. Executive identification number (SSN) See #1.</p>
<p>3. Name and address (Street, City, State, ZIP code) of Related Person to which the Executive transferred the options or stock See attached schedule.</p>	<p>4. Related Person identification number (EIN) Unknown.</p>
<p>5. Date(s) Executive transferred options or restricted stock to Related Person See attached schedule.</p>	<p>6. Date(s) such options were exercised or date(s) such restricted stock vested See attached schedule.</p>
<p>7. Was a Form 1099 or Form W-2 issued to the Executive upon the Executive's transfer of the options or the restricted stock to the Related Person? <input type="checkbox"/> Yes (See instructions below.) <input checked="" type="checkbox"/> No If "Yes," please attach copies of the form and specify the amount representing the option or restricted stock value included on the Form 1099 or Form W-2.</p> <p>8. Was a Form 1099 or Form W-2 issued to the Executive upon the exercise of the options or the vesting of the restricted stock? <input type="checkbox"/> Yes (See instructions below.) <input checked="" type="checkbox"/> No If "Yes," please attach copies of the form and specify the amount representing the option or restricted stock value included on the Form 1099 or Form W-2.</p>	

Section III. Executive Information — continued

9. Was any portion of the stock options or restricted stock awarded to the Executive in connection with the Executive's performance of services for a subsidiary or affiliate of the Corporation?

☒ Yes☐ No

10. Is the Executive electing to participate in this settlement issue?

☐ Yes☐ No☒ Unknown**Instructions**

1. Send your completed Form 13657 to:

Internal Revenue Service
ATTN: Announcement 2005-19
MC 4166 NWSAT
4050 Alpha Road
Farmers Branch, TX 75244

2. If you are under examination or in Appeals, please provide a copy of this Notice of Election to the examining revenue agent or the Appeals Officer.

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Subcommittee on Investigations

Michaels Stores, Inc. (FEIN # [REDACTED])
Statement Attached to Form 13657 (Notice of Election by Corporation to Participate in
Announcement 2005-19 Settlement Initiative)
Related Party Addresses (Question #3)

Concho Trust (An Isle of Man Trust)
East Baton Rouge, Limited (An Isle of Man Corporation)
Roaring Creek Trust (An Isle of Man Trust)
Rugosa, Limited (An Isle of Man Trust)
Scotty Trust (An Isle of Man Trust)
Tallulah International Trust (An Isle of Man Trust)
Tensas, Limited (An Isle of Man Corporation)

All entities listed above have the following address:
C/O Lorne House Trust Limited (An Isle of Man Corporation), Castletown, Isle of Man, British Isles

Arakan, Limited (An Isle of Man Corporation)

- Warwick House, Castle Hill, Victoria Road, Douglas, Isle of Man, British Isles

Dortmund, Limited (An Isle of Man Corporation)

- International House, Castle Hill, Victoria Road, Douglas, Isle of Man, British Isles

East Baton Rouge (A Nevada Corporation)

- Address Unknown

Maroon Limited (A Nevada Corporation)

- Address Unknown

MeesPierson Limited –Name has changed to Fortis, Limited (An Isle of Man Corporation):

- 18-20 North Quay, Douglas, Isle of Man, British Isles

Quayle, Limited (An Isle of Man Corporation):

- 12-14 Finch Road, Douglas, Isle of Man, British Isles

Roaring Creek, Limited (A Nevada Corporation):

- Address Unknown

Souleiana, Limited (An Isle of Man Corporation):

- 12-14 Finch Road, Douglas, Isle of Man, British Isles

Tallulah, Limited (A Texas Limited Partnership)

- Address Unknown

Tensas, Limited (A Nevada Corporation):

- Address Unknown

Woody International Trust (An Isle of Man Trust)

- Address Unknown

Yurpa Faf, Limited (An Isle of Man Corporation):

- Address Unknown

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Subcommittee on Investigations

Michael Brown, Inc., [REDACTED]
History of Company Options Traded by Foreign Entities
Statement Attached to Form 3447 (Notice of Election by Corporation to Participate in Announcement 2004-18 Settlement Initiative)

Original Grant	First Transfer				Second Transfer				Third Transfer (if applicable)				Options Price at Transfer \$	# of Options Exercised
	Name	Grant Date	Grant Quantity	Original Grant Option Price	1st Transfer Date	Name	Options Price at Transfer \$	2nd Transfer Date	Name	Options Price at Transfer \$	3rd Transfer Date			
SAM WPLY	Sam Wply	8/4/1986	110,000	5.125	4/13/1992	Texas, Ltd. (1)	3		Lone House	4/13/1992		3	4/23/1993	110,000
	Sam Wply	2/27/1988	200,000	4	4/13/1992	East Baton Rouge (1)	3		Lone House	4/13/1992		3	5/7/1992	200,000
	Sam Wply	8/22/1990	160,000		4/13/1992	East Baton Rouge (1)	3		East Baton Rouge (2)	4/13/1992		3	8/6/1992	175,000
	Sam Wply	8/16/1992	800,000	20.825	12/20/1995	Tallahassee, Ltd.	17		Lone House	2/22/1996		17	See Note A	2,400,000
	Sam Wply	4/23/1993	100,000	27.875	12/20/1995	Lone House	17		Yorpe Fed. Limited	2/22/1996		17	See Note B	400,000
Total Sam Wply	Sam Wply	8/11/1994	100,000	36.25	12/20/1995	Lone House	17		Yorpe Fed. Limited	2/22/1996		17	See Note C	400,000
			800,000	36.75	12/20/1995	Lone House	17		Yorpe Fed. Limited	2/22/1996		17	See Note D	400,000
													See Note E	400,000
			1,300,000										See Note F	400,000
													See Note G	400,000
EVA WPLY	Even Wply	8/29/1995	70,000	18.75	2/20/1996	Lone House	18.75		Dorland, Limited	2/22/1996		18.75	See Note C	280,000
	Even Wply	8/1/1994	30,000	30.75	2/20/1996	Lone House	16.75		Dorland, Limited	2/22/1996		16.75	See Note D	120,000
	Even Wply	4/18/1994	30,000	39.25	2/20/1996	Lone House	39.25		Dorland, Limited	2/22/1996		39.25	See Note E	120,000
	Even Wply	11/27/1991	10,000	13.125	2/20/1996	Lone House	13.125		Dorland, Limited	2/22/1996		13.125	1/15/2000	40,000
	Even Wply	9/19/1991	10,000	11.25	2/20/1996	Lone House	11.25		Dorland, Limited	2/22/1996		11.25	8/7/1997	40,000
Total EVA Wply			130,000										See Note E	80,000
													See Note F	80,000
													See Note G	80,000
													See Note H	80,000
													See Note I	80,000
MICHAEL FRENCH	Michael French	8/18/1992	10,000	20.5	10/13/1995	Lone House	20.5		Arden	2/22/1996		20.5	7/29/1997	120,000
	Michael French	8/25/1995	45,000	16.75	8/20/1995	Lone House	16.75		Arden	2/22/1996		16.75	See Note F	90,000
CHARLES WPLY	Charles Wply	8/4/1986	50,000	5.125	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	4/23/1992	50,000
	Charles Wply	2/27/1988	25,000	3	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	4/23/1992	50,000
	Charles Wply	2/27/1988	25,000	3	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	4/23/1992	25,000
	Charles Wply	2/27/1988	25,000	3	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	4/23/1992	25,000
	Charles Wply	8/22/1990	62,500	3	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	8/3/1992	62,500
Total Charles Wply	Charles Wply	8/22/1990	62,500	3	4/13/1992	Roaring Creek (1)	3		Roaring Creek (2)	4/13/1992		3	8/3/1992	62,500
	Charles Wply	8/16/1992	300,000	20.025	12/29/1995	Meat-Person	17		Guys, Limited	2/22/1996		17	8/23/2000	1,200,000
	Charles Wply	4/16/1994	300,000	36.25	12/29/1995	Meat-Person	17		Guys, Limited	2/22/1996		17	8/23/2000	200,000
	Charles Wply	4/23/1993	50,000	36.25	12/29/1995	Lone House	17		Guys, Limited	2/22/1996		17	8/23/2000	200,000
	Charles Wply	8/11/1994	100,000	36.75	12/29/1995	Lone House	17		Guys, Limited	2/22/1996		17	8/23/2000	200,000
Total Charles Wply			775,000										8/23/2000	200,000
													8/23/2000	200,000
													8/23/2000	200,000
													8/23/2000	200,000
													8/23/2000	200,000

Total Charles Wply
(1) = An individual corporation
(2) = An affiliate of Men Corporation

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Options Exercised		Options Expired	Options Exercised
U1/120000	\$11,600	3,125	
1/120000		3,125	
2/120000		3,125	
3/120000		3,125	
4/120000		3,125	
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67/120000		3,125	
68/120000		3,125	
69/120000		3,125	
70/120000		3,125	
71/120000		3,125	
72/120000		3,125	
73/120000		3,125	
74/120000		3,125	
75/120000		3,125	
76/120000		3,125	
77/120000		3,125	
78/120000		3,125	
79/120000		3,125	
80/120000		3,125	
81/120000		3,125	
82/120000		3,125	
83/120000		3,125	
84/120000		3,125	
85/120000		3,125	
86/120000		3,125	
87/120000		3,125	
88/120000		3,125	
89/120000		3,125	
90/120000		3,125	
91/120000		3,125	
92/120000		3,125	
93/120000		3,125	

Notes 2 & 3 - Reconciliation of 400,000 options awarded on 4/23/82:		
240,000 Earn Wtly 1982	2,000 3,125	3,125
170,000 Earn Wtly 1982	26,400 3,125	3,125
400,000 Earn Wtly 1982	33,500 3,125	3,125
623,000 Earn Wtly 1982	338,000 600,000	----- 600,000

[illegible]

Domestic United	Even Wfy	1992	8/1/94	51/02000	84,000	3,125
Domestic United	Even Wfy	1992	8/1/94	5120000	38,000	3,125

Investment Limited	Even W'ly	9/1/1997	90,000
Investment Limited	Even W'ly	9/1/1997	27,000
			2,5125
			2,5125
			10,000

United Kingdom	1992	1994/1995	1994/1995	3,125
United Kingdom	1992	1994/1995	1994/1995	3,125
				80,000

Source: F = Reconciliation of 15,000 options awarded on 8/2/91.

MSNY 028658

3498

2148918245

2 8624 822952

JOT LOOP

LORNE HOUSE

F-333 1- P-004/008 SEP 01 '96 10:16 86

West Carroll Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

Consents to
Annuity TRANSFER
TO TALULAH, Ltd.

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206

Re: Private Annuity Agreement dated April 15, 1992 between
West Carroll Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, West Carroll Limited, consents to the assignment by you to Talulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

WEST CARROLL LIMITED

By: 
Ronald J. Buchanan
Managing Director

230427/D

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 666

CONFIDENTIAL
SEC100080726
PSI00092593

3499

2 0624 822952

LORNE HOUSE

05

21400118245

1 FLOOR

F 335 74 P-005-008 SEP 01 '92 16:16

Morehouse Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206

Re: Private Annuity Agreement dated April 15, 1992 between
Morehouse Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, Morehouse Limited, consents to the assignment by you to Tallulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

MOREHOUSE LIMITED

By: 

Ronald J. Buchanan
Managing Director

230427/D

CONFIDENTIAL
SEC100080727
PS100092594

3500

2148918245

8624 822952

12 FLOOR

LORNE HOUSE

F-335 1

003:008 SEP 01 '92 16:15

04

East Carroll Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206


Re: Private Annuity Agreement dated April 15, 1992 between
East Carroll Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, East Carroll Limited, consents to the assignment by you to Tallulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

EAST CARROLL LIMITED

By: 

Ronald J. Buchanan
Managing Director

230427/D

CONFIDENTIAL
SECI00080728
PSI00092595

3501

2 0624 022952 LORNE HOUSE 03
10 FLOOR E-335 T-74 P-007/008 SEP 01 '92 15:18

Texas Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206


Re: Private Annuity Agreement dated April 13, 1992 between
Texas Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, Texas Limited, consents to the assignment by you to Tallulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

TENAS LIMITED

By: 
Ronald J. Buchanan
Managing Director

230427/D

CONFIDENTIAL
SECT00080729
PSI00092596

3502

2148916245

Z 8624 822952

10 FLOOR

LORNE HOUSE

F-335 T 4 P-008/008 SEP 01 '92 15:18

82

East Baton Rouge Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206


Re: Private Annuity Agreement dated April 13, 1992 between
East Baton Rouge Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, East Baton Rouge Limited, consents to the assignment by you to Tallulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

EAST BATON ROUGE LIMITED

By: 
Ronald J. Buchanan
Managing Director

230427/D

CONFIDENTIAL
SECT00080730
PSI00092597

3503

2 0624 022952
2146518245

101 FLOOR

LORNE HOUSE

F-335 T-1 P-005/008 SEP 01 '92 16:17

01

Richland Limited
c/o Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

August 31, 1992

Mr. Sam Wyly
8080 N. Central Expwy.
Suite 1100
Dallas, Texas 75206

Re: Private Annuity Agreement dated April 15, 1992 between
Richland Limited and Sam Wyly

Dear Mr. Wyly,

Pursuant to Section XVI of the referenced Private Annuity Agreement, this letter shall inform you that the undersigned, Richland Limited, consents to the assignment by you to Tallulah, Ltd., a Texas limited partnership, of all of your right, title and interest in and to the referenced Private Annuity Agreement.

Very truly yours,

RICHLAND LIMITED

By: 

Ronald J. Buchanan
Managing Director

230427/D

TOTAL P.08

CONFIDENTIAL
SEC100080731
PS100092598



Computer Associates

One Computer Associates Plaza
Islandia, New York 11749tel: +1 631 342 8000
fax: +1 631 342 8800
ca.com

July 23, 2002

Mr. Sam Wyly
300 Crescent Court – Suite 1000
Dallas, Texas 75201

Stargate, Ltd.
c/o Mr. Charles Wyly
300 Crescent Court – Suite 1000
Dallas, Texas 75201

Gentlemen:

In consideration for the termination by Ranger Governance, Ltd. ("Ranger") of its proxy solicitation to elect nominees to the Board of Directors of Computer Associates International, Inc. ("Computer Associates" or the "Company") at the 2002 Annual Meeting of Stockholders of Computer Associates pursuant to certain agreements dated as of the date hereof entered into by and among Computer Associates and certain other parties. Based on information supplied to Computer Associates, Computer Associates agrees to the following:

1. Computer Associates hereby agrees with regard to stock options issued to Mr. Sam Wyly on October 8, 1996 by Sterling Software, Inc. ("Sterling Software") for 1,525,000 shares of the Company's common stock ("Shares") which were sold to East Carroll Limited in a third-party transaction on September 30, 1999 and converted to 859,185 options of Computer Associates on April 7, 2000 to adhere to the tax treatment under Section 83 of the Internal Revenue Code of 1986, as amended ("Section 83") to close the option element of this transaction as of the date of sale. Any future exercise of the options will not be compensation income to Mr. Sam Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.
2. Computer Associates hereby agrees with regard to stock options issued to Mr. Sam Wyly on March 31, 1997 by Sterling Software for 200,000 Shares which were sold to Greenbriar Limited in a third-party transaction on September 30, 1999 and converted to 112,680 options of Computer Associates on April 7, 2000 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. Any future exercise of the options will not be compensation income to Mr. Sam Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

Permanent Subcommittee on Investigations**EXHIBIT #66 - FN 666**CONFIDENTIAL
SEC100048023
PSI00059890

3. Computer Associates hereby agrees with regard to stock options issued to Mr. Charles Wyly on October 8, 1996 by Sterling Software for 800,000 Shares which were contributed to Stargate, Ltd. ("Stargate") a partnership of which Mr. Charles Wyly is general partner on June 15, 1999 and sold to Quayle Limited in a third-party transaction on September 30, 1999 then converted to 450,720 options of Computer Associates on April 7, 2000 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. Any future exercise of the options will not be compensation income to Mr. Charles Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

4. Computer Associates hereby agrees with regard to stock options issued to Mr. Charles Wyly on March 31, 1997 by Sterling Software for 100,000 Shares which were contributed to Stargate a partnership of which Mr. Charles Wyly is general partner on June 15, 1999 and sold to Elegance Limited in a third-party transaction on September 30, 1999 then converted to 56,340 options of Computer Associates on April 7, 2000 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. Any future exercise of the options will not be compensation income to Mr. Charles Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

5. Computer Associates hereby agrees with regard to stock options issued to Mr. Sam Wyly on October 8, 1996 by Sterling Software for 1,525,000 Shares which were converted to 859,185 options of Computer Associates on April 7, 2000 and sold to Greenbriar Limited in a third-party transaction on July 23, 2002 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. The Company will issue a Form W-2 to Mr. Sam Wyly in 2002 for the amount realized on the sale based on a mutually agreed Black-Scholes valuation. Any future exercise of the options will not be compensation income to Mr. Sam Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

6. Computer Associates hereby agrees with regard to stock options issued to Mr. Sam Wyly on March 31, 1997 by Sterling Software for 200,000 Shares which were converted to 112,680 options of Computer Associates on April 7, 2000 and sold to Greenbriar Limited in a third-party transaction on July 23, 2002 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. The Company will issue a Form W-2 to Mr. Sam Wyly in 2002 in the amount realized on the sale based on a mutually agreed Black-Scholes valuation. Any future exercise of the options will not be compensation income to Mr. Sam Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

7. Computer Associates hereby agrees with regard to stock options issued to Mr. Charles Wyly on October 8, 1996 by Sterling Software for 800,000 Shares which were contributed to

Stargate a partnership of which Mr. Charles Wyly is general partner on June 15, 1999, converted to 450,720 options of Computer Associates on April 7, 2000 and sold to Quayle Limited in a third-party transaction on July 23, 2002 to adhere to the tax treatment under Section 83 to close the option element of this transaction as of the date of sale. The Company will issue a Form W-2 to Mr. Charles Wyly in 2002 in the amount realized on the sale based on a mutually agreed Black-Scholes valuation. Any future exercise of the options will not be compensation income to Mr. Charles Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

8. Computer Associates hereby agrees with regard to stock options issued to Mr. Charles Wyly on March 31, 1997 by Sterling Software for 100,000 Shares which were contributed to Stargate a partnership of which Mr. Charles Wyly is general partner on June 15, 1999 then converted to 56,340 options of Computer Associates on April 7, 2000 and sold to Quayle Limited in a third-party transaction on July 23, 2002 to adhere to the tax treatment under Section 83 to close the compensation piece of this transaction as of the date of sale. The Company will issue a Form W-2 to Mr. Charles Wyly in 2002 in the amount realized on the sale based on a mutually agreed Black-Scholes valuation. Any future exercise of the options will not be compensation income to Mr. Charles Wyly or the holder of the option, and no Company deduction should arise from a later exercise. Additionally, the Company will issue no Form 1099 or Form W-2 to the holder of the options on the date of exercise.

9. Computer Associates additionally agrees to follow this treatment of the options as described above in the filing of all tax returns and to support this treatment in any current or future examinations by the Internal Revenue Service or any state, local or other taxing authority.

10. The Company's agreements in this letter are solely for the purpose of reporting the transactions described above under Section 83. The Company has no knowledge of the amounts, dates, purported transfers or other data set forth in this letter, and does not confirm or agree with any of such information.

Very truly yours,

Computer Associates International, Inc.

By: 

IRA ZAR

CONFIDENTIAL
SECT00048025
PSI00059892

WRITTEN CONSENT OF THE SOLE DIRECTOR OF
MOREHOUSE, LIMITED

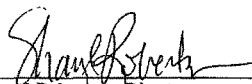
The undersigned, being the sole director of Morehouse, Limited, a Nevada corporation (the "Corporation"), hereby consents in writing to the taking of the following action and to the adoption of the following resolution pursuant to the provisions of Section 78.580 of the Nevada General Corporation Law:

RESOLVED, that the Corporation be dissolved, and that upon the effectiveness of the dissolution, the Board of Directors of the Corporation be, and hereby is, ~~authorized and directed to do and perform all acts which it, in its sole discretion, deems~~ necessary, advisable or appropriate to effectuate the complete liquidation of the Corporation and the winding up of its affairs; and that in connection with the dissolution of the Corporation, the Board hereby adopts, approves, ratifies and confirms the Plan of Liquidation attached hereto as Exhibit A; and be it

FURTHER RESOLVED, that in connection with the dissolution of the Corporation, the Board hereby approves the preparation, execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement the Plan of Liquidation; and be it

FURTHER RESOLVED, that the matter shall be submitted to a vote of the shareholders as soon as practicable.

Dated: June 6, 1996


Sharyl Robertson, Director

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 667

CONFIDENTIAL
SEC100081485
PSI00093352

MOREHOUSE, LIMITED
Plan of Complete Liquidation

Exhibit A

This Plan of Complete Liquidation (the "Plan") is intended to accomplish the complete liquidation of Morehouse, Limited, a Nevada corporation (the "Corporation"), in conformity with the Internal Revenue Code of 1986, as amended (the "Code").

1. Adoption of Plan. This Plan shall be effective upon satisfaction of all conditions precedent to the effectiveness of the stockholders' approval and upon the adoption and approval of the Plan by the stockholders of the Corporation in accordance with the laws of the State of Nevada. The date of such satisfaction and such adoption and approval by the stockholders is hereinafter called the "Effective Date."

2. Payment of Obligations. As promptly as is practicable after the Effective Date, the Corporation shall pay or make adequate provision for the payment of all known obligations of or claims against the Corporation, including, but not limited to, contingent, conditional or unmatured claims. In furtherance of the foregoing, the Corporation's officers are authorized, empowered, and directed to pay or provide for the payment of such obligations and claims and to establish a reserve in a reasonable amount to meet the Corporation's known liabilities, obligations, liquidating expenses, and, if the Corporation's officers deem advisable, estimated or contingent liabilities, obligations and expenses. In addition, the Corporation shall make such provision as will be reasonably likely to be sufficient to provide compensation for (i) any claim against the Corporation which is the subject of a pending action, suit or proceeding to which the Corporation is a party and (ii) for claims that have not been made known to the Corporation or that have not arisen but that based on facts known to the Corporation or successor entity within 10 years after the date of dissolution of the Corporation. In the event that the assets of the Corporation are insufficient for the payment in full of the obligations of the Corporation, then claims and obligations of the Corporation shall be paid or provided for according to their priority, ratably to the extent of funds legally available therefor.

3. Distribution of Assets. As promptly as practicable after the payment of the Corporation's obligations and claims (or the provision for such payment is made), and in no event later than July 31, 1996, the Corporation shall make a liquidating distribution to its stockholders of an undivided percentage interest in each of the assets of the Corporation (including, but not limited to, those assets specifically described on Exhibit I attached hereto) equal to the quotient arrived at by dividing the number of shares of the Corporation's stock held by such stockholder on the Effective Date by the aggregate number of shares of the Corporation's stock held by the stockholders receiving distributions pursuant to this paragraph. Every distribution pursuant to this Section 3 shall be in full and complete cancellation of the recipient stockholder's shares of stock in the Corporation and shall be received by such stockholders subject to the Corporation's remaining liabilities.

4. Termination of Business. From and after the Effective Date, the Corporation shall not engage in any business activity except for operations and activities related to maintaining and preserving its assets pending the distribution of its assets to its stockholders, terminating and winding-up its affairs in an orderly manner, and withdrawing from the states or other

CONFIDENTIAL
SEC100081486
PSI00093353

jurisdictions, if any, in which it is qualified for the transaction of business, all in accordance with this Plan and applicable law.

5. Dissolution. The Corporation, pursuant to this Plan, shall be completely liquidated (in complete cancellation, within the meaning of the Code, of all of its capital stock) by the distribution of all of its assets to its stockholders.

6. Powers of the Officers. The Directors of the Corporation have resolved that the officers of the Corporation shall have the authority to do or authorize any and all acts and things as provided for in this Plan and any and all such further acts and things as they may consider necessary or desirable to carry out the purposes of this Plan including the execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement this Plan. The officers shall have authority to authorize such variations from or amendments to the provisions of this Plan as may be necessary or appropriate to effect the dissolution, complete liquidation, and termination of existence of the Corporation and the distribution of its assets to its stockholders in accordance the laws of the State of Nevada and the requirements of the Code.

Exhibit II

**Morehouse Limited
Balance Sheet
As at July 16th, 1996**

Assets

Cash on Hand	\$58,888
Accounts Receivable - IRS	271
Interest Receivable	10

Total Assets	<u>\$59,169</u>
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Liabilities & Shareholder's Equity**Liabilities**

Accounts Payable	<u>\$177</u>
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Shareholder's Equity

Capital Stock	\$49,375
Retained Earnings	9,617

Total Shareholder's Equity	<u>58,992</u>
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Total Liabilities & Shareholder's Equity	<u>\$59,169</u>
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3511


**MOREHOUSE LIMITED
LORNE HOUSE, CASTLETOWN, ISLE OF MAN
SHAREHOLDERS RESOLUTION IN WRITING**

We the undersigned being all the Shareholders of the above mentioned Company pursuant to the powers vested in us by the Company's Articles of Association do hereby resolve:-

THAT the Written Consent of the Sole Shareholder of Little Woody Limited, a Nevada Corporation, in respect of its dissolution prepared by Mr Shaun T Wells, was tabled and approved. It was resolved THAT Mr R Buchanan a Director of the Company be and is hereby authorised to sign the referenced Written Consent for and on behalf of the Company in its capacity as the Sole Shareholder of Little Woody Limited, Nevada.

Dated the 11th day of June 1996

Directors



CONFIDENTIAL
SEC100081489
PSI00093356

3512

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF
MOREHOUSE, LIMITED

The undersigned, being the sole holder of record of Morehouse, Limited, a Nevada corporation (the "Corporation"), hereby consents to and authorizes, pursuant to the provisions of Section 78.580 of the Nevada General Corporation Law, the dissolution of the Corporation and the filing with the Secretary of State of the State of Nevada of a certificate of dissolution, and to the adoption and approval of the Plan of Liquidation in substantially the form of Exhibit A attached hereto.

IN WITNESS WHEREOF, the undersigned has caused this Written Consent of Stockholder to be executed as of the 11th day of June, 1996.



Stockholder

CONFIDENTIAL
SECI00081490
PSI00093357

MOREHOUSE, LIMITED
Plan of Complete Liquidation

Exhibit A

This Plan of Complete Liquidation (the "Plan") is intended to accomplish the complete liquidation of Morehouse, Limited, a Nevada corporation (the "Corporation"), in conformity with the Internal Revenue Code of 1986, as amended (the "Code").

1. Adoption of Plan. This Plan shall be effective upon satisfaction of all conditions precedent to the effectiveness of the stockholders' approval and upon the adoption and approval of the Plan by the stockholders of the Corporation in accordance with the laws of the State of Nevada. The date of such satisfaction and such adoption and approval by the stockholders is hereinafter called the "Effective Date."

2. Payment of Obligations. As promptly as is practicable after the Effective Date, the Corporation shall pay or make adequate provision for the payment of all known obligations of or claims against the Corporation, including, but not limited to, contingent, conditional or unmatured claims. In furtherance of the foregoing, the Corporation's officers are authorized, empowered, and directed to pay or provide for the payment of such obligations and claims and to establish a reserve in a reasonable amount to meet the Corporation's known liabilities, obligations, liquidating expenses, and, if the Corporation's officers deem advisable, estimated or contingent liabilities, obligations and expenses. In addition, the Corporation shall make such provision as will be reasonably likely to be sufficient to provide compensation for (i) any claim against the Corporation which is the subject of a pending action, suit or proceeding to which the Corporation is a party and (ii) for claims that have not been made known to the Corporation or that have not arisen but that based on facts known to the Corporation or successor entity within 10 years after the date of dissolution of the Corporation. In the event that the assets of the Corporation are insufficient for the payment in full of the obligations of the Corporation, then claims and obligations of the Corporation shall be paid or provided for according to their priority, ratably to the extent of funds legally available therefor.

3. Distribution of Assets. As promptly as practicable after the payment of the Corporation's obligations and claims (or the provision for such payment is made), and in no event later than July 31, 1996, the Corporation shall make a liquidating distribution to its stockholders of an undivided percentage interest in each of the assets of the Corporation (including, but not limited to, those assets specifically described on Exhibit I attached hereto) equal to the quotient arrived at by dividing the number of shares of the Corporation's stock held by such stockholder on the Effective Date by the aggregate number of shares of the Corporation's stock held by the stockholders receiving distributions pursuant to this paragraph. Every distribution pursuant to this Section 3 shall be in full and complete cancellation of the recipient stockholder's shares of stock in the Corporation and shall be received by such stockholders subject to the Corporation's remaining liabilities.

4. Termination of Business. From and after the Effective Date, the Corporation shall not engage in any business activity except for operations and activities related to maintaining and preserving its assets pending the distribution of its assets to its stockholders, terminating and winding-up its affairs in an orderly manner, and withdrawing from the states or other

CONFIDENTIAL
SEC100081491
PSI00093358

jurisdictions, if any, in which it is qualified for the transaction of business, all in accordance with this Plan and applicable law.

5. Dissolution. The Corporation, pursuant to this Plan, shall be completely liquidated (in complete cancellation, within the meaning of the Code, of all of its capital stock) by the distribution of all of its assets to its stockholders.

6. Powers of the Officers. The Directors of the Corporation have resolved that the officers of the Corporation shall have the authority to do or authorize any and all acts and things as provided for in this Plan and any and all such further acts and things as they may consider necessary or desirable to carry out the purposes of this Plan including the execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement this Plan. The officers shall have authority to authorize such variations from or amendments to the provisions of this Plan as may be necessary or appropriate to effect the dissolution, complete liquidation, and termination of existence of the Corporation and the distribution of its assets to its stockholders in accordance the laws of the State of Nevada and the requirements of the Code.

Exhibit II

**Morehouse Limited
Balance Sheet
As at July 16th, 1996**

Assets

Cash on Hand	\$58,888
Accounts Receivable - IRS	271
Interest Receivable	10

Total Assets	<u>\$59,169</u>
--------------	-----------------

Liabilities & Shareholder's Equity**Liabilities**

Accounts Payable	<u>\$177</u>
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Shareholder's Equity

Capital Stock	\$49,375
Retained Earnings	9,617

Total Shareholder's Equity	<u>58,992</u>
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Total Liabilities & Shareholder's Equity	<u>\$59,169</u>
--	-----------------

SECRETARY OF STATE




STATE OF NEVADA

CERTIFICATE OF DISSOLUTION


I, DEAN HELLER, the duly qualified and elected Nevada Secretary of State, do hereby certify that I am, by the laws of said State, the custodian of the records relating to Title 7 of the Nevada Revised Statutes and that I am the proper officer to execute this certificate.

I further certify that MOREHOUSE LIMITED, duly organized and existing under and by virtue of the laws of the State of Nevada, did, on the 26th day of July, 1996, file in the office of Secretary of State a **CERTIFICATE OF DISSOLUTION**, that said action has been endorsed on all records of the same, and that it is hereby dissolved.


IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of State, at my office, in Carson City, Nevada, on July 26, 1996.



Secretary of State

By 

Certification Clerk




3517

WRITTEN CONSENT OF THE SOLE SHAREHOLDER OF
ROARING CREEK, LIMITED

The undersigned, being the sole holder of record of Roaring Creek, Limited, a Nevada corporation (the "Corporation"), hereby consents to and authorizes, pursuant to the provisions of Section 78.580 of the Nevada General Corporation Law, the dissolution of the Corporation and the filing with the Secretary of State of the State of Nevada of a certificate of dissolution, and to the adoption and approval of the Plan of Liquidation in substantially the form of Exhibit A attached hereto.

IN WITNESS WHEREOF, the undersigned has caused this Written Consent of
Stockholder to be executed as of the 11th day of June, 1996.



Stockholder

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 667

CONFIDENTIAL
SECI00081534
PSI00093401

ROARING CREEK, LIMITED
Plan of Complete Liquidation

Exhibit A

This Plan of Complete Liquidation (the "Plan") is intended to accomplish the complete liquidation of Roaring Creek, Limited, a Nevada corporation (the "Corporation"), in conformity with the Internal Revenue Code of 1986, as amended (the "Code").

1. Adoption of Plan. This Plan shall be effective upon satisfaction of all conditions precedent to the effectiveness of the stockholders' approval and upon the adoption and approval of the Plan by the stockholders of the Corporation in accordance with the laws of the State of Nevada. The date of such satisfaction and such adoption and approval by the stockholders is hereinafter called the "Effective Date."

2. Payment of Obligations. As promptly as is practicable after the Effective Date, the Corporation shall pay or make adequate provision for the payment of all known obligations of or claims against the Corporation, including, but not limited to, contingent, conditional or unmatured claims. In furtherance of the foregoing, the Corporation's officers are authorized, empowered, and directed to pay or provide for the payment of such obligations and claims and to establish a reserve in a reasonable amount to meet the Corporation's known liabilities, obligations, liquidating expenses, and, if the Corporation's officers deem advisable, estimated or contingent liabilities, obligations and expenses. In addition, the Corporation shall make such provision as will be reasonably likely to be sufficient to provide compensation for (i) any claim against the Corporation which is the subject of a pending action, suit or proceeding to which the Corporation is a party and (ii) for claims that have not been made known to the Corporation or that have not arisen but that based on facts known to the Corporation or successor entity within 10 years after the date of dissolution of the Corporation. In the event that the assets of the Corporation are insufficient for the payment in full of the obligations of the Corporation, then claims and obligations of the Corporation shall be paid or provided for according to their priority, ratably to the extent of funds legally available therefor.

3. Distribution of Assets. As promptly as practicable after the payment of the Corporation's obligations and claims (or the provision for such payment is made), and in no event later than July 31, 1996, the Corporation shall make a liquidating distribution to its stockholders of an undivided percentage interest in each of the assets of the Corporation (including, but not limited to, those assets specifically described on Exhibit I attached hereto) equal to the quotient arrived at by dividing the number of shares of the Corporation's stock held by such stockholder on the Effective Date by the aggregate number of shares of the Corporation's stock held by the stockholders receiving distributions pursuant to this paragraph. Every distribution pursuant to this Section 3 shall be in full and complete cancellation of the recipient stockholder's shares of stock in the Corporation and shall be received by such stockholders subject to the Corporation's remaining liabilities.

4. Termination of Business. From and after the Effective Date, the Corporation shall not engage in any business activity except for operations and activities related to maintaining and preserving its assets pending the distribution of its assets to its stockholders, terminating and winding-up its affairs in an orderly manner, and withdrawing from the states or other

jurisdictions, if any, in which it is qualified for the transaction of business, all in accordance with this Plan and applicable law.

5. Dissolution. The Corporation, pursuant to this Plan, shall be completely liquidated (in complete cancellation, within the meaning of the Code, of all of its capital stock) by the distribution of all of its assets to its stockholders.

6. Powers of the Officers. The Directors of the Corporation have resolved that the officers of the Corporation shall have the authority to do or authorize any and all acts and things as provided for in this Plan and any and all such further acts and things as they may consider necessary or desirable to carry out the purposes of this Plan including the execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement this Plan. ~~The officers shall have authority to authorize such variations from or amendments to the provisions of this Plan as may be necessary or appropriate to effect the dissolution, complete liquidation, and termination of existence of the Corporation and the distribution of its assets to its stockholders in accordance the laws of the State of Nevada and the requirements of the Code.~~

**Roaring Creek Limited
Balance Sheet
As at July 16th, 1996**

Assets

Cash on Hand	\$64,956
Accounts Receivable - IRS	283
Interest Receivable	10
Total Assets	<u>\$65,249</u>

Liabilities & Shareholder's Equity**Liabilities**

Accounts Payable	<u>\$185</u>
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Shareholder's Equity

Capital Stock	\$54,713
Retained Earnings	10,351
Total Shareholder's Equity	<u>65,064</u>
Total Liabilities & Shareholder's Equity	<u>\$65,249</u>

3521

**ROARING CREEK LIMITED
LORNE HOUSE, CASTLETOWN, ISLE OF MAN
SHAREHOLDERS RESOLUTION IN WRITING**

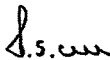
We the undersigned being all the Shareholders of the above mentioned Company pursuant to the powers vested in us by the Company's Articles of Association do hereby resolve:-

THAT the Written Consent of the Sole Shareholder of Little Woody Limited, a Nevada Corporation, in respect of its dissolution prepared by Mr Shaun T Wells, was tabled and approved. It was resolved THAT Mr R Buchanan a Director of the Company be and is hereby authorised to sign the referenced Written Consent for and on behalf of the Company in its capacity as the Sole Shareholder of Little Woody Limited, Nevada.

Dated the 11th day of June 1996

Directors





CONFIDENTIAL
SEC100081538
PSI00093405

WRITTEN CONSENT OF THE SOLE DIRECTOR OF
ROARING CREEK, LIMITED

The undersigned, being the sole director of Roaring Creek, Limited, a Nevada corporation (the "Corporation"), hereby consents in writing to the taking of the following action and to the adoption of the following resolution pursuant to the provisions of Section 78.580 of the Nevada General Corporation Law:

RESOLVED, that the Corporation be dissolved, and that upon the effectiveness of the dissolution, the Board of Directors of the Corporation be, and hereby is, authorized and directed to do and perform all acts which it, in its sole discretion, deems necessary, advisable or appropriate to effectuate the complete liquidation of the Corporation and the winding up of its affairs; and that in connection with the dissolution of the Corporation, the Board hereby adopts, approves, ratifies and confirms the Plan of Liquidation attached hereto as Exhibit A; and be it

FURTHER RESOLVED, that in connection with the dissolution of the Corporation, the Board hereby approves the preparation, execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement the Plan of Liquidation; and be it

FURTHER RESOLVED, that the matter shall be submitted to a vote of the shareholders as soon as practicable.

Dated: June 6, 1996


Sharyl Robertson, Director

CONFIDENTIAL
SEC100081539
PS100093406

ROARING CREEK, LIMITED
Plan of Complete Liquidation

Exhibit A

This Plan of Complete Liquidation (the "Plan") is intended to accomplish the complete liquidation of Roaring Creek, Limited, a Nevada corporation (the "Corporation"), in conformity with the Internal Revenue Code of 1986, as amended (the "Code").

1. Adoption of Plan. This Plan shall be effective upon satisfaction of all conditions precedent to the effectiveness of the stockholders' approval and upon the adoption and approval of the Plan by the stockholders of the Corporation in accordance with the laws of the State of Nevada. The date of such satisfaction and such adoption and approval by the stockholders is hereinafter called the "Effective Date."

2. Payment of Obligations. As promptly as is practicable after the Effective Date, the Corporation shall pay or make adequate provision for the payment of all known obligations of or claims against the Corporation, including, but not limited to, contingent, conditional or unmatured claims. In furtherance of the foregoing, the Corporation's officers are authorized, empowered, and directed to pay or provide for the payment of such obligations and claims and to establish a reserve in a reasonable amount to meet the Corporation's known liabilities, obligations, liquidating expenses, and, if the Corporation's officers deem advisable, estimated or contingent liabilities, obligations and expenses. In addition, the Corporation shall make such provision as will be reasonably likely to be sufficient to provide compensation for (i) any claim against the Corporation which is the subject of a pending action, suit or proceeding to which the Corporation is a party and (ii) for claims that have not been made known to the Corporation or that have not arisen but that based on facts known to the Corporation or successor entity within 10 years after the date of dissolution of the Corporation. In the event that the assets of the Corporation are insufficient for the payment in full of the obligations of the Corporation, then claims and obligations of the Corporation shall be paid or provided for according to their priority, ratably to the extent of funds legally available therefor.

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CONFIDENTIAL
SEC100081540
PS100093407

jurisdictions, if any, in which it is qualified for the transaction of business, all in accordance with this Plan and applicable law.

5. Dissolution. The Corporation, pursuant to this Plan, shall be completely liquidated (in complete cancellation, within the meaning of the Code, of all of its capital stock) by the distribution of all of its assets to its stockholders.

6. Powers of the Officers. The Directors of the Corporation have resolved that the officers of the Corporation shall have the authority to do or authorize any and all acts and things as provided for in this Plan and any and all such further acts and things as they may consider necessary or desirable to carry out the purposes of this Plan including the execution and filing of all such certificates, documents, information returns, tax returns and other papers which may be necessary or proper to implement this Plan. The officers shall have authority to authorize such variations from or amendments to the provisions of this Plan as may be necessary or appropriate to effect the dissolution, complete liquidation, and termination of existence of the Corporation and the distribution of its assets to its stockholders in accordance the laws of the State of Nevada and the requirements of the Code.

**Roaring Creek Limited
Balance Sheet
As at July 16th, 1996**

Assets

Cash on Hand	\$64,956
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Total Assets	<u>\$65,249</u>
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Liabilities & Shareholder's Equity**Liabilities**

Accounts Payable	<u>\$185</u>
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Shareholder's Equity

Capital Stock	\$54,713
Retained Earnings	10,351

Total Shareholder's Equity	<u>65,064</u>
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Total Liabilities & Shareholder's Equity	<u>\$65,249</u>
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SECRETARY OF STATE




THE GREAT SEAL OF THE STATE OF
NEVADA
STATE OF NEVADA

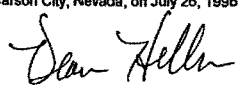
CERTIFICATE OF DISSOLUTION

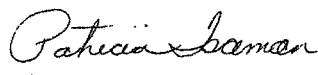
I, DEAN HELLER, the duly qualified and elected Nevada Secretary of State, do hereby certify that I am, by the laws of said State, the custodian of the records relating to Title 7 of the Nevada Revised Statutes and that I am the proper officer to execute this certificate.

I further certify that **ROARING CREEK LIMITED**, duly organized and existing under and by virtue of the laws of the State of Nevada, did, on the 26th day of July, 1996, file in the office of Secretary of State a **CERTIFICATE OF DISSOLUTION**, that said action has been endorsed on all records of the same, and that it is hereby dissolved.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed the Great Seal of State, at my office, in
Carson City, Nevada, on July 26, 1996.




 Secretary of State

By 
 Certification Clerk

PRIVATE ANNUITY AGREEMENT

THIS ANNUITY AGREEMENT (the "Agreement") is made and entered into to be effective as of the 22nd day of February in the year 1996 by and between **THE ARLINGTON TRUST**, a foreign situs trust that is a United States grantor trust for United States income tax purposes with MeesPierson (Isle of Man) Limited as Trustee located at Pierson House, P.O. Box 156, 18-20 North Quay, Douglas, Isle of Man, IM991NR British Isles, which is hereinafter referred to as "TAT" and **SARNIA INVESTMENTS, LTD.** an Isle of Man corporation located at Pierson House, P.O. Box 156, 18-20 North Quay, Douglas, Isle of Man, IM991NR British Isles, hereinafter referred to as the "OBLIGOR".

RECITALS.

WHEREAS, TAT is the owner of non-statutory stock options issued pursuant to a *Non-Statutory Stock Option Plan* under which Sterling Software, Inc. provided Sam Wyly [who subsequently transferred such Non-statutory options to TAT], other employees, and key advisors with a proprietary interest in their company through the granting of "non-statutory stock options" which upon exercise permits the option holder to purchase shares of the authorized Common Stock of Sterling Software, Inc., with the description of such Non-statutory options attached hereto and identified as "Schedule A," with such exhibit being hereby wholly incorporated herein by this reference; and

WHEREAS, TAT wishes to sell and transfer all of its rights, title, and interest in and to such Non-statutory options in exchange for the receipt of a private annuity on the life of Sam Wyly, the settlor of TAT, pursuant to the terms and conditions hereafter set forth; and

WHEREAS, TAT desires to be assured of the receipt of a fixed amount of funds on an annual basis commencing on the sixty-eighth (68th) birthday of Sam Wyly, October 4, 2002, the commencement of the payout of the annuity hereunder; and

WHEREAS, TAT desires to be assured of the receipt of such funds regardless of the liquidity and/or profitability of its investment in the Non-statutory options; and

WHEREAS, TAT wishes to be relieved of the risk of loss from the possible declination in the value of its ownership interest in and to such Non-statutory options; and

WHEREAS, TAT believes that the best means of attaining these objectives is to sell the Non-statutory options in exchange for the receipt of a private annuity on the life of the settlor of TAT notwithstanding the risks involved in such a financial arrangement; and

WHEREAS, **SARNIA INVESTMENTS, LTD.** desires to acquire the Non-statutory options from TAT in exchange for its issuing a private annuity to TAT in accordance with the terms and conditions hereinafter set forth;

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 669

CONFIDENTIAL
SEC100081347
PS100093214

SECTION XII: Beneficial Owner of the Annuity.

12.1 TAT is a Grantor Trust for United States Income Tax Purposes.

TAT hereby warrants that it is presently a grantor trust for United States income tax purposes.

12.2 The Annuity is treated as being held by a natural person.

~~Because TAT is a grantor trust for United States income tax purposes under which Sam Wyly is~~
treated as the grantor and owner of the corpus and income of the trust, and Sam Wyly is the
individual on whose life the Annuity is based, the parties hereby expressly agree that the private
annuity will be treated as being held by TAT as an agent for Sam Wyly, a natural person.

SECTION XIII: Notices.

13.1 Notices.

a. The parties hereby mutually agree that any and all notices or other
communications required or permitted by this Agreement or by law to be served on or given to
either party hereto by the other party hereto shall be in writing and shall be deemed to be duly
served and given when personally delivered to the party to whom it is directed, or in lieu of such
personal service seven (7) days after it is duly mailed to the party to whom it is directed,
addressed to the party at the address of such party.

b. The address of TAT is:

THE ARLINGTON TRUST
c/o MeesPierson (Isle of Man) Limited, Trustee
Pierson House, P.O. Box 156
18-20 North Quay, Douglas IM991NR
British Isles

The address of the Obligor is:

SARNIA INVESTMENTS, LTD.
c/o MeesPierson (Isle of Man) Limited
Pierson House, P.O. Box 156
18-20 North Quay, Douglas IM991NR
British Isles



3529

2148918245

10TH FLOOR

F-585 T-395 P-001

FEB 21 '96 10:05

FAX TRANSMITTAL

Maverick

TO: **Ronald Buchanan**

FROM: **Mike French**

COMPANY: **Lorne House Trust**

PHONE: **214**

Redacted by the Permanent
Subcommittee on Investigations

PHONE: **44 624**

Redacted by the Permanent
Subcommittee on Investigations

FAX: **214**

FAX: **44 624**

DATE: **February 21, 1996**

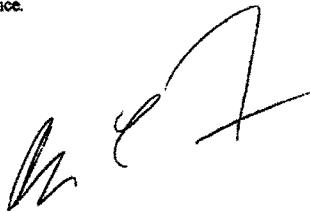
NUMBER OF PAGES (including cover): **1**

TIME: **10:08 AM**

COMMENTS:

Michelle has already been in touch with your office regarding the need for two new corporate subsidiaries for each of the Bessie and Tyler trusts (total of four corporations), plus one for the Chisolm trust. These must be in place in order to do the annuity assignments which we would like to finalize by tomorrow.

In order to do this we must have the names of these companies in order to complete the documentation. Please furnish this information at once.



Spoke to m.B.
she is to advise
as to whether we
need a 2nd T. sub.

A.
21.2.96

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1893

21-FEB-1996 17:00

2148918245

P.001

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 670

CONFIDENTIAL
PSI00137770

3530

F-128 T-427 P-001 MAR 07 '96 15:57

FAX TRANSMITTAL

Maverick

TO: **Ronald Buchanan**

FROM: **Mike French**

COMPANY: **Lorne House Trust**

PHONE: **214**

Redacted by the Permanent
Subcommittee on Investigations

PHONE: **44 624**

Redacted by the Permanent
Subcommittee on Investigations

FAX: **214**

FAX: **44 624**

DATE: **March 7, 1996**

NUMBER OF PAGES (including cover):

TIME: **3:23 PM**

COMMENTS:

Dear Ronnie:

As we discussed, the option transaction is proceeding. Attached are the following documents:

1. Amendment to Option Agreement pursuant to which Charles Wyly assigns options to purchase 1,600,000 shares of Sterling Commerce, Inc. to The Woody International Trust. This document has been executed by Charles and is being sent to the company for its signature. Please have the document executed on behalf of The Woody International Trust and return a signed copy to me by fax.
2. Second Amendment to Option Agreement pursuant to which Woody International assigns to options to a corporation owned by the Tyler Trust. I understand that you will fill in the name of the corporation. Please have this document executed on behalf of Woody International and the corporation and return a signed copy to me by fax. I will send a copy to the Sterling Commerce for signature.
3. Option agreement pursuant to which the options have originally been granted to Charles. Please insert a copy in the files for Woody and the corporation.
4. Amendment to Option Agreement pursuant to which Evan Wyly assigns options to purchase 200,000 shares of Sterling Commerce to The Sooty Trust. A copy is being furnished to the company for its signature. Please have this executed on behalf of Scotty and return a signed copy to me by fax.
5. Second Amendment to Option Agreement pursuant to which Scotty assigns the options to a corporation owned by The Bessie Trust. I understand you will fill in the name of the corporation. Please have this document executed by Scotty and the corporation and return a signed copy to me by fax. I will forward a copy to Sterling Commerce for execution.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

7-MAR-1996 22:53

P.001

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 670

CONFIDENTIAL
PSI00138087

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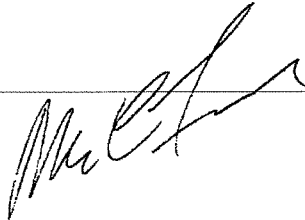
F-128 T-427 P-002 MAR 07 '96 15:57

6. Option Agreement pursuant to which the option have been granted to Evan. Please place a copy in the files.

It is imperative that these documents be executed and returned to me prior to 8:30 AM tomorrow (2:30 PM your time). My fax number is 214

Redacted by the Permanent
Subcommittee on Investigations

In due course additional documents in the form of legal opinions and annuity agreements will follow.

A handwritten signature in black ink, appearing to be "M. C. L.", is written over a horizontal line.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

07-MAR-1996 22:54

P.022

CONFIDENTIAL
PSI00138088

PRIVATE ANNUITY AGREEMENT

THIS ANNUITY AGREEMENT (the "Agreement") is made and entered into to be effective as of the 22nd day of February in the year 1996 by and between **THE ARLINGTON TRUST**, a foreign situs trust that is a United States grantor trust for United States income tax purposes with MeesPierson (Isle of Man) Limited as Trustee located at Pierson House, P.O. Box 156, 18-20 North Quay, Douglas, Isle of Man, IM991NR British Isles, which is hereinafter referred to as "TAT" and **SARNIA INVESTMENTS, LTD.** an Isle of Man corporation located at Pierson House, P.O. Box 156, 18-20 North Quay, Douglas, Isle of Man, IM991NR British Isles, hereinafter referred to as the "OBLIGOR".

RECITALS.

WHEREAS, TAT is the owner of non-statutory stock options issued pursuant to a *Non-Statutory Stock Option Plan* under which Sterling Software, Inc. provided Sam Wyly [who subsequently transferred such Non-statutory options to TAT], other employees, and key advisors with a proprietary interest in their company through the granting of "non-statutory stock options" which upon exercise permits the option holder to purchase shares of the authorized Common Stock of Sterling Software, Inc., with the description of such Non-statutory options attached hereto and identified as "Schedule A," with such exhibit being hereby wholly incorporated herein by this reference; and

WHEREAS, TAT wishes to sell and transfer all of its rights, title, and interest in and to such Non-statutory options in exchange for the receipt of a private annuity on the life of Sam Wyly, the settlor of TAT, pursuant to the terms and conditions hereafter set forth; and

WHEREAS, TAT desires to be assured of the receipt of a fixed amount of funds on an annual basis commencing on the sixty-eighth (68th) birthday of Sam Wyly, October 4, 2002, the commencement of the payout of the annuity hereunder; and

WHEREAS, TAT desires to be assured of the receipt of such funds regardless of the liquidity and/or profitability of its investment in the Non-statutory options; and

WHEREAS, TAT wishes to be relieved of the risk of loss from the possible declination in the value of its ownership interest in and to such Non-statutory options; and

WHEREAS, TAT believes that the best means of attaining these objectives is to sell the Non-statutory options in exchange for the receipt of a private annuity on the life of the settlor of TAT notwithstanding the risks involved in such a financial arrangement; and

WHEREAS, **SARNIA INVESTMENTS, LTD.** desires to acquire the Non-statutory options from TAT in exchange for its issuing a private annuity to TAT in accordance with the terms and conditions hereinafter set forth;

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 671

CONFIDENTIAL
SEC100081347
PS100093214

NOW THEREFORE, in consideration of the mutual covenants, promises, and undertakings of the parties to this Agreement, the parties hereby agree to the following terms and conditions:

COVENANTS, TERMS, AND CONDITIONS.

IN CONSIDERATION of the mutual covenants, promises, and undertakings, the parties hereby agree to the following terms and conditions:

SECTION I: Consideration.

1.1 Consideration.

a. In consideration of the Annuity being issued and payable under this Agreement, TAT hereby sells, assigns, transfers, and sets over to the Obligor all of TAT's right, title, and interest in and to the Non-statutory options listed on Schedule A, herein collectively referred to as the "Non-statutory options."

b. TAT hereby expressly warrants that its ownership interest in the Non-statutory options is freely alienable and transferable by TAT, and that it has the right and power to dispose of such Non-statutory options to the Obligor in accordance with the terms and conditions set forth herein.

c. The Obligor and TAT hereby agree that they will comply with any applicable corporate security transferability rules or restrictions pertaining to the transfer of the Non-statutory options. The Obligor and TAT further agree to cooperate in the transmission of information, documentation, and communications between themselves or either of them and the corporation that issued such Non-statutory options, its legal counsel, and its transfer agent, if any, and to fully cooperate with respect to the sale and transfer of such Non-statutory options being transferred and sold hereunder.

e. The Obligor hereby expressly acknowledges that it has been adequately informed of the business and financial history of the Non-statutory options which are being transferred and sold hereunder. The Obligor hereby acknowledges and accepts the receipt of such Non-statutory options as of the effective date of this Agreement.

f. TAT expressly acknowledges that TAT is fully satisfied with the Annuity to be paid to TAT hereunder and is ready, willing, and able to assume the risks attendant with respect to the acquisition of an unsecured high risk private Annuity.

1.2 The Obligor's Right to Invest and Control the Non-statutory options Received from TAT at all Times.

a. TAT agrees that TAT shall not control or exercise any authority over the Non-statutory options transferred to the Obligor in exchange for the issuance of a private Annuity by the Obligor. TAT further agrees that from the effective date of this Agreement, TAT shall retain no residual interest of any kind or character in the Non-statutory options being transferred and sold hereunder. However, in the event that TAT has not effectuated the transfer of ownership of the Non-statutory options to the Obligor within forty-five (45) days of the effective date of this Agreement, this Agreement shall be null and void.

b. TAT agrees that in due course, not to exceed forty-five (45) days, TAT will procure the transfer of the legal registration and title in and to the portion of the Non-statutory options being sold and transferred hereunder to the Obligor on the books and records of the issuing corporation. The parties agree that in the interim the Non-statutory options being sold and transferred hereunder may remain registered in the name of TAT on the books and records of the issuing corporation provided that title and registration in and to such Non-statutory options shall be held for the exclusive benefit and use of the Obligor pursuant to the terms and conditions set forth in this Agreement.

SECTION II: Annuity Payments.

2.1 Agreement as to Value.

a. The parties hereto hereby stipulate and agree that as of the effective date of this Agreement the total fair market value of the Non-statutory options set forth in Schedule A, which Non-statutory options are being transferred hereunder in exchange for the issuance of a private Annuity, is FIVE MILLION FOUR HUNDRED FIFTY-ONE THOUSAND NINE HUNDRED UNITED STATES DOLLARS (U.S. \$5,451,900.00), and that the value of the Annuity being issued hereunder is specifically and expressly predicated and calculated upon such total value.

2.2 Birth Date of the Individual on whose Life the Annuity is based.

The parties hereby acknowledge and agree that the date of birth of Sam Wyly is October 4, 1934.

2.3 Calculation of Value of the Annuity.

The parties hereby mutually acknowledge that the valuation of the Annuity hereunder shall be calculated pursuant to the United States of America Internal Revenue Service valuation tables promulgated pursuant to United States Internal Revenue Code Section 7520 as set forth in Revenue Regulations Section 1.7520-1, specifically using the actuarial tables for measuring the interest and the mortality components of the life expectancy of the individual on whose life the

Annuity is based in Alpha volume Tables H & S based on LIFE TABLE 80CNSMT applicable after April 30, 1989, using, compounded on an annual basis, an interest rate of SIX AND EIGHT TENTHS PERCENT (6.8%) pursuant to Revenue Ruling 96-14 (IRB 1996-6 Table 5), by using One Hundred Twenty percent (120%) of the Applicable Mid-Term Federal Rates for February, 1996, the calendar month of the effective date of this Agreement, which is equal to SIX AND SEVENTY-FIVE ONE HUNDREDTHS PERCENT (6.75%) pursuant to Revenue Ruling 96-14 (IRB 1996-6 Table 1), and then rounding such interest rate to the nearest Two-Tenths of One Percent (0.2%), which equals SIX AND EIGHT TENTHS percent (6.8%), which coincides with the applicable federal rate set forth in Revenue Ruling 96-14 (IRB 1996-6, Table 5), pertaining to the applicable federal rate for determining the present value of an Annuity. Consequently, the stipulated fair market value of the Non-statutory options shall be accumulated from the date of this agreement using the interest and mortality factors contained in Table H using an interest rate of SIX AND EIGHT TENTHS PERCENT (6.8%). Specifically, said Accumulated Value shall be equal to the Dx factor applicable to the age of the individual on whose life the Annuity is based on such individual's nearest birthday as of the effective date of this agreement divided by the Dx factor applicable to the age of such individual on such individual's nearest birthday as of the date the annuity is to commence and multiplied by the stipulated fair market value of the Non-statutory options. The Annuity amount, therefore, shall be calculated as the Accumulated Value divided by the Annuity factor contained in Table S using an interest rate of SIX AND EIGHT TENTHS PERCENT (6.8%), and the applicable age of the individual on whose life the Annuity is based on such individual's nearest birthday as of the date the annuity is to commence.

2.4 The Annuity is a Deferred Annuity.

a. The parties hereby mutually acknowledge and agree that the Annuity being issued hereunder is specifically intended to constitute a deferred Annuity to ensure that TAT is assured of the receipt of a fixed amount of funds in the future. Consequently, the parties hereto hereby agree to defer the commencement of the Annuity payments hereunder until October 4, 2002, being the sixty-eighth (68th) birthday of Sam Wyly, the individual on whose life the Annuity is based.

b. To provide TAT for TAT's benefit with the equivalent value of such deferral, the Obligor hereby specifically agrees to pay TAT for TAT's benefit an additional interest factor of SIX AND EIGHT TENTHS PERCENT (6.8%) per annum on any Annuity payments paid to TAT to compensate for the deferral period, with such additional interest factor period to commence as of the effective date of this Annuity Agreement, and to terminate as of the date on which the first Annuity payment is actually paid to TAT.

c. The parties hereby mutually acknowledge and agree that absolutely no gift is intended to be made hereunder, and that the value of the Annuity is intended to equal the value of the interest of TAT in the Non-statutory options being transferred in exchange therefor. The parties agree that the actual Annuity payment calculations shall be made to comply with this intent. In the event it becomes necessary to retain the services of a qualified actuarial consultant to prepare the computation and calculation of the Annuity payments consistent with this intent and the applicable United States tax law governing the valuation of annuities and Annuity

payments that are being made for full value free from any gift or donative element, the parties hereby agree to do so.

2.5 Termination of the Annuity.

a. The Annuity payments payable hereunder to TAT are subject to a substantial risk of forfeiture to TAT in that such Annuity payments shall terminate and lapse with the last payment immediately preceding the death of SAM WYLY, the individual upon whose life the Annuity is based, or upon the death of SAM WYLY if no payments have been made as of the death of SAM WYLY; however, notwithstanding the foregoing, any Annuity payments that were not made prior to the death of SAM WYLY because of a breach of this Agreement by the Obligor shall be due and payable upon the death of SAM WYLY together with any applicable interest, late charges, or other payments due hereunder, and any such payments shall be made payable to TAT. There will be no proration of payments at the time of the death of SAM WYLY or at anytime thereafter.

b. Consequently, the Annuity payments payable hereunder shall be payable on an annual basis commencing on the sixty-eighth (68th) birthday of SAM WYLY, and terminating with the last payment immediately preceding the death of SAM WYLY, or upon the death of SAM WYLY if no payments have been made as of the death of the SAM WYLY.

2.6 No Survivorship Provisions.

The parties hereby expressly agree that the Annuity payment obligations of the Obligor hereunder shall terminate and lapse as expressed in Section 2.5, above, and neither TAT nor any beneficiary of TAT, nor any successor-in-interest, assignee, or Trustee of TAT, nor any assignee of any beneficial interest in TAT, nor any heir, legatee, creditor of TAT, nor any heir, legatee, or creditor of any beneficiary of TAT, shall have any rights whatsoever under this Agreement except as is expressly expressed in Section 2.5, above. The parties hereby expressly agree that the Annuity provided for herein shall contain no survivorship provision whatsoever except as is expressly expressed in Section 2.5, above.

2.7 Penalties for Late Payment.

The parties hereby expressly agree that all payments due hereunder are to be promptly paid when and if such payments become due and payable. If any payment is made later than twenty (20) days after such payment is due and payable, it shall carry a penalty assessment of SIX AND EIGHT TENTHS PERCENT (6.8%) of the amount due that is in arrears.

2.8 Usury Laws.

The parties do not intend to violate any usury law or any other legal requirement. In the event that this Agreement is found to violate any applicable usury law, the parties agree that the interest

charge shall be reduced to the maximum rate of interest permitted by the law that is applicable to this Agreement. In the event that a reduction in the applicable interest rate occurs pursuant to this provision, and such reduction produces an effective interest rate which imposes a gift element into the Annuity transaction, then in such case the parties shall thereupon be entitled to re-examine this Agreement and the transactions hereunder and may either rescind this Agreement and the transactions hereunder ab initio, or cancel this Agreement and the transactions hereunder, or continue this Agreement and the transactions hereunder under whatever terms and conditions the parties may agree between themselves.

SECTION III: Absence of Security, Guarantees, or Collateral.

3.1 No Security Interest with respect to the Non-statutory options.

The parties hereby expressly agree that TAT shall not retain any lien, pledge, or security interest in or with respect to the Non-statutory options being transferred and sold hereunder. The parties hereby agree that there is and shall be no security or collateral for the payment of the Annuity hereunder. The parties further agree that the Obligor will not establish any security or any fund or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder. TAT is aware of the economic risks generated by this situation, and acknowledges that it has deliberately assumed this risk because of the unwillingness of the Obligor to offer any security, guarantees, or collateral hereunder.

SECTION IV: Surrender of Dominion and Control over the Non-statutory options.

4.1 Surrender of Interest in the Non-statutory options by TAT.

Upon the execution of this Agreement, TAT hereby agrees to surrender any and all ownership incidents and property interests, rights and title in and to the Non-statutory options being transferred and sold hereunder together with the right to exercise dominion and control over such Non-statutory options. Additionally upon execution of this Agreement TAT agrees to surrender the right to exercise voting power with respect to the Non-statutory options being sold and transferred hereunder.

SECTION V: Commingling Permitted.**5.1 Commingling permitted.**

The parties hereby acknowledge and agree that the Non-statutory options being transferred and sold hereunder may be commingled with any and all other Non-statutory options and other assets that are, or may in the future be owned by the Obligor. The parties further agree that the Obligor shall have the right to exercise full dominion and control over, and possess ownership incidents in and to the Non-statutory options being transferred and sold hereunder subject to any liabilities, obligations, duties, or other claims mentioned herein.

SECTION VI: Annuity Payments are Not Contingent upon Earnings from the Non-statutory options being transferred hereunder.**6.1 Annuity Payments Not Contingent upon Earnings.**

The parties hereby acknowledge and agree that the Obligor shall be absolutely liable for the Annuity payments due hereunder, and that such Annuity payments are in no way or manner contingent upon the past, present or future profits, gains, or earnings of the Non-statutory options being transferred and sold hereunder, and are not chargeable to such Non-statutory options. The parties expressly acknowledge and agree that the amount of the Annuity payments has been determined as a result of the valuation of TAT's interest in the Non-statutory options being transferred and sold hereunder as of the effective date of this Agreement as expressed in greater detail in Sections 2.1 and 2.3.

SECTION VII: Warranty of Absence of Liabilities.**7.1 Warranties.**

TAT hereby warrants that the Non-statutory options being transferred and sold hereunder are not subject to any liabilities, claims, encumbrances, or liens to which the Obligor is responsible for the payment thereof. The parties hereby agree that the responsibility for the payment of any such liabilities, claims, encumbrances, or liens that pertain to the Non-statutory options being transferred and sold hereunder shall belong to TAT and the Obligor shall not be liable therefor. The parties further agree that after the effective date of this Agreement any future liabilities, claims, encumbrances, or liens that pertain to the Non-statutory options being transferred and sold hereunder shall be exclusively that of the Obligor and TAT shall not be responsible therefor.

SECTION VIII: Indemnification.**8.1 Indemnities.**

TAT hereby agrees to indemnify and hold the Obligor and the Non-statutory options being sold and transferred in exchange for the Annuity being issued hereunder harmless and free from any ~~liability arising because of the breach of any contract or other matter relating to the Non-statutory~~ options being transferred and sold hereunder, provided such breach occurred or is alleged to have occurred prior to the effective date of this Agreement.

SECTION IX: Prorations.**9.1 Prorations.**

The parties hereby agree to prorate any and all income, expense, gain, loss, or other financial consequence or other obligation connected with the Non-statutory options being transferred and sold hereunder, with such proration to be effective as of the effective date of this Agreement.

SECTION X: Full and Adequate Consideration.**10.1 Full Consideration.**

In executing this Agreement, which consummates the transfer and sale of TAT's interest in the Non-statutory options having a stipulated value of FIVE MILLION FOUR HUNDRED FIFTY-ONE THOUSAND NINE HUNDRED UNITED STATES DOLLARS (U.S. \$5,451,900.00), the parties expressly do not intend that any gift be made by any party. The parties expressly agree that it is their joint and mutual intent that TAT receive the full fair market value of the Non-statutory options being transferred and sold hereunder in accordance with the terms and conditions of this Agreement. The parties hereby mutually agree that should the Internal Revenue Service or any other applicable taxing authority or a court of competent jurisdiction hold otherwise, the parties expressly reserve the right to either, upon their mutual agreement, rescind this Agreement *ab initio* or adjust the purchase price and the Annuity and thereby the Annuity payments hereunder to reflect the full fair market value of TAT's interest in the Non-statutory options being transferred and sold hereunder as such value is determined by the Internal Revenue Service or other applicable taxing authority or court, as the case may be. Notwithstanding the foregoing, the parties reserve the right to jointly or singly oppose such redetermination of the fair market value. If any adjustment to the Annuity payment for the Non-statutory options being transferred and sold hereunder shall occur, such adjustment shall require

that the party having been overpaid, or conversely the party having made insufficient payments, shall pay an annual interest charge of SIX AND EIGHT TENTHS PERCENT (6.8%) on any such adjustment, as the case may be. The adjustment, together with the said interest charge, shall be paid within ninety (90) days from the due date of the next scheduled Annuity payment hereunder pursuant to the payment schedule dates calculated as set forth above. Should the parties hereunder choose or agree to rescind this Agreement under this Section:

a. Such rescission shall be based upon the mistake of fact or law with respect to the express intention of the parties as set forth herein; and

b. The parties hereby agree to restore each other, as much as it is reasonably practicable to do so, to their exact position as of the effective date of this Agreement.

The parties mutually acknowledge that this might involve the payment of interest to TAT by the Obligor to compensate TAT for the use by the Obligor of Annuitant's interest in the Non-statutory options being transferred and sold hereunder from the effective date of this Agreement to the date on which the rescission becomes effective. The parties further mutually acknowledge that this might involve a calculation and payment to TAT by the Obligor to compensate TAT for the receipt by the Obligor of earnings or privileges pertaining to the ownership of the Non-statutory options being transferred and sold hereunder, including but not limited to any stock rights, stock subscription rights, liquidating dividends, stock dividends, cash dividends, and subsequently issued securities. The parties further recognize that it might not be possible to exactly restore the parties to their original position should a rescission take place hereunder. Should this occur, the parties hereby agree that they will strive to agree to a fair, just, and reasonable approach to such restoration. Should the parties be unable to agree to such an approach, the parties hereby agree to submit the resolution of the matter to arbitration pursuant to the procedure set forth in Section XIII of this Agreement.

SECTION XI: The Physical and Mental Condition of Sam Wyly on whose life the Annuity is based.

11.1 Condition of Sam Wyly, the individual on whose life the Annuity is based.

TAT hereby warrants to the Obligor that Sam Wyly is of average or better physical and mental condition for individuals in the United States of America of the age and gender as Sam Wyly. The parties have taken this warranty into account in determining the possible consequences that might arise with respect to the anticipated actual life expectancy of Sam Wyly.

SECTION XII: Beneficial Owner of the Annuity.

12.1 TAT is a Grantor Trust for United States Income Tax Purposes.

TAT hereby warrants that it is presently a grantor trust for United States income tax purposes.

12.2 The Annuity is treated as being held by a natural person.

~~Because TAT is a grantor trust for United States income tax purposes under which Sam Wyly is treated as the grantor and owner of the corpus and income of the trust, and Sam Wyly is the individual on whose life the Annuity is based, the parties hereby expressly agree that the private annuity will be treated as being held by TAT as an agent for Sam Wyly, a natural person.~~

SECTION XIII: Notices.

13.1 Notices.

a. The parties hereby mutually agree that any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to either party hereto by the other party hereto shall be in writing and shall be deemed to be duly served and given when personally delivered to the party to whom it is directed, or in lieu of such personal service seven (7) days after it is duly mailed to the party to whom it is directed, addressed to the party at the address of such party.

b. The address of TAT is:

THE ARLINGTON TRUST
c/o MeesPierson (Isle of Man) Limited, Trustee
Pierson House, P.O. Box 156
18-20 North Quay, Douglas IM991NR
British Isles

The address of the Obligor is:

SARNIA INVESTMENTS, LTD.
c/o MeesPierson (Isle of Man) Limited
Pierson House, P.O. Box 156
18-20 North Quay, Douglas IM991NR
British Isles



c. Any party may change such party's address for the purposes of this Agreement by giving written notice of such change to the other party to this Agreement in the manner provided in this Section.

SECTION XIV: Arbitration.

14.1 Arbitration.

~~The parties agree that in the event that any claim or controversy arising out of this Agreement cannot be resolved or settled by the parties or their legal representatives, such claim or controversy shall be determined and resolved by arbitration with each party being permitted to select one (1) arbitrator and the arbitrators so selected shall within ten (10) days from the date on which both such arbitrators have been selected, select a third neutral arbitrator who shall preside over the arbitration hearing in accordance with the laws of the Isle of Man that pertain to arbitration proceedings. Each Arbitrator so selected hereunder shall participate in the arbitration proceeding and shall have one (1) vote each. The parties hereby agree that judgment upon any award or determination by the arbitration proceeding may be entered in any court that has jurisdiction thereof.~~

SECTION XV: Legal Fees.

15.1 Attorney's Fees.

The parties agree that should any arbitration or litigation be commenced between the parties hereto concerning this Agreement, the Non-statutory options being transferred and sold hereunder, or the rights and duties of the parties hereunder, the party who prevails in such arbitration or litigation, upon final determination thereof, shall be entitled, in addition to such other relief that may be granted, to a reasonable sum as and for attorney's fees, cost and disbursements. The amount of such attorney's fees, costs and disbursements shall, if permissible, be determined by the arbitration proceeding or the judicial proceeding, as the case may be; or if impermissible then the amount of such attorney's fees, costs and disbursements shall be determined in a separate judicial action that may be brought for the specific purpose of determining the amount of such attorney's fees, costs and disbursements that is reasonable and permissible hereunder.



SECTION XVI: Intent to Comply with All Applicable Laws.**16.1 Compliance with Applicable Laws.**

The parties hereby mutually agree that it is their intent to fully comply with all laws that are applicable to this Agreement.

~~SECTION XVII: Non-assignability by TAT.~~**17.1 Non-assignability.**

The parties hereby agree that neither this Agreement nor any interest herein shall be either assignable or transferable or capable of being pledged or otherwise encumbered by TAT unless the prior written consent of the Obligor is first obtained. Such consent may be withheld for any reason, and such consent may be unreasonably withheld. The Obligor may freely invest, encumber, assign, sell, set over, and/or transfer its interest in the Non-statutory options being transferred hereunder, and/or the proceeds therefrom without obtaining the consent of TAT.

SECTION XVIII: Annuity Agreement.**18.1 Private Annuity Agreement.**

The parties hereby agree that this Agreement is intended to constitute and does constitute a private annuity agreement, and the parties specifically do not intend that this Agreement constitutes a partnership agreement, joint venture agreement, or any other type of contractual arrangement other than a private annuity agreement.

SECTION XIX: Entire Agreement.**19.1 Entire Agreement.**

This Agreement contains the entire agreement of the parties hereto with respect to the transfer and sale of the Non-statutory options set forth in Schedule A hereto. There are no representations, agreements, arrangements, or undertakings, either oral or written, between the parties hereto that relate to the subject matter contained herein that have not been fully expressed herein. Any such representation, agreement, arrangement, or undertaking that has not been fully expressed herein is hereby deemed to be null and void. Notwithstanding anything to the contrary set forth herein, the parties hereby agree and acknowledge that it is likely that they will be required to execute other legal instrumentation relating to the transfer and sale of the Non-

statutory options and the issuance of the Annuity as set forth herein. The parties hereby mutually agree to cooperate with the execution of any such documentation that may reasonably be required to effectuate the transfer and sale of the Non-statutory options being transferred hereunder and the issuance of the Annuity as set forth herein.

SECTION XX: Governing Law.

20.1 — Governing Law.

The parties hereby expressly agree that this Agreement and its interpretation, construction, and enforcement shall be governed by the laws of the Isle of Man and the resolution of any dispute shall be resolved under the judicial system of the Isle of Man.

SECTION XXI: Inurement.

21.1 Inurement.

The parties hereby agree that this Agreement shall inure to the benefit of, and be binding upon the permissible successors and assigns of the parties hereto.

SECTION XXII: Amendments.

22.1 Amendments.

This Agreement may be amended, altered, supplemented, or modified (herein collectively called an "amendment"), and any provision hereof waived, but only by a written agreement executed or signed by all the parties hereto or by the party to whom such amendment or waiver relates or is applicable. If any conflict arises between the provisions of this Agreement and any amendments hereto, the most recent provision shall control.

SECTION XXIII: Effective Date.

23.1 Effective Date.

The effective date of this Agreement shall be February 22, 1996.

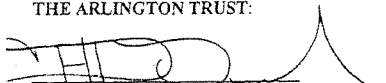
SECTION XXIV: Additional Annuities are Barred to the Obligor, Except as Otherwise Provided for herein.

24.1 No Additional Annuities Shall be Issued or Assumed by the Obligor, Except as Otherwise Provided for herein.

The Obligor hereby expressly agrees and consents to neither issue nor assume any annuity obligation whatsoever during the duration of the annuity issued hereunder.

IN WITNESS WHEREOF, the parties to this Agreement do hereby execute this Agreement on the date set forth below.

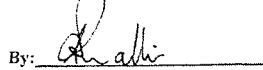
THE ARLINGTON TRUST:

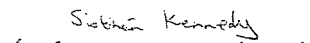

By: CONRAD H. BERCOCK - DIRECTOR


By: FRANCIS WEBB - SECRETARY

For and on Behalf of
MesaPiercon (Isle of Man) Limited

SARNIA INVESTMENTS, LTD.

By: 
ANDREW P. WILLIS - DIRECTOR


By: SIOBHAN KENNEDY - DIRECTOR

3546

SCHEDULE "A"

<u>Plan</u>	<u>Options</u>	<u>Issuing Company</u>	<u>Black Scholes Valuation</u>	<u>Total Value</u>	<u>Annuity Value</u>
92 Non Stat	150,000	Sterling Software, Inc.	36.346	5,451,900	5,451,900
<u>Total Annuity Value:</u>					<u>5,451,900</u>

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 27th day of December 1995, between Sterling Software, Inc., a Delaware corporation (the "Company"); Sam Wyly, an individual (the "Participant"); and MeesPierson (Isle of Man) Limited, Trustee of The Arlington Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory ~~Stock Option Agreement dated as of November 23, 1992 (the "Option Agreement")~~, pursuant to which the Participant was granted an option to purchase 400,000 shares of Common Stock of the Company at an exercise price of \$29.00 per share (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his right to purchase 150,000 shares of Common Stock of the Company under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.

2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and MeesPierson (Isle of Man) Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Arlington Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Sam Wyly of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated November 23, 1994, between the Company and Sam Wyly. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".

4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 672

CONFIDENTIAL
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PSI00092917

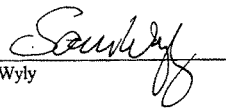
3548

EXECUTED as of the day and year first above written.

STERLING SOFTWARE, INC.

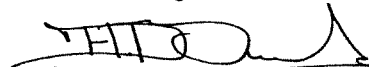
By: 
Jeannette Meier,
Executive Vice President

PARTICIPANT

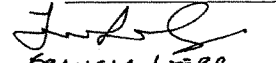

Sam Wylly

TRANSFeree

MEESPIERSON (ISLE OF MAN) LIMITED,
Trustee of The Arlington Trust


By: Donald A. Beauchamp

Its: DIRECTOR


FRANCIS WEBB
SECRETARY

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CONFIDENTIAL
SEC100081051
PS100092918

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 21 day of December, 1995, between Sterling Software, Inc., a Delaware corporation (the "Company"); Sam Wyly, an individual (the "Participant"); and Aundyr Trust Company Limited, Trustee of The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of November 23, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 400,000 shares of Common Stock of the Company at an exercise price of \$29.00 per share (the "Option"); and


WHEREAS, Participant has transferred and does hereby transfer his right to purchase 400,000 shares of Common Stock of the Company under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.

2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

 This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Aundyr Trust Company Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Sam Wyly of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated November 23, 1994, between the Company and Sam Wyly. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".

4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 672

CONFIDENTIAL
SEC100017527
PSI00029394

3550

EXECUTED as of the day and year first above written.

STERLING SOFTWARE, INC.

By: Jeannette Meier
Jeannette Meier,
Executive Vice President

PARTICIPANT

Sam Wyly
Sam Wyly

TRANSFEREE

AUNDYR TRUST COMPANY LIMITED, Trustee
of The Crazy Horse Trust

By: Sharon D. Dwyer

Its: A.R. Hausi D.G. Corbett

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CONFIDENTIAL
SEC100017528
PSI00029395

**AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the 3rd day of December, 1995, between Sterling Software, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr. an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of November 23, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 400,000 shares of Common Stock of the Company at an exercise price of \$29.00 per share (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his right to purchase 300,000 shares of Common Stock of the Company under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Sterling Software, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated November 23, 1994 between the Company and Charles J. Wyly, Jr. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

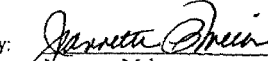
Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 672

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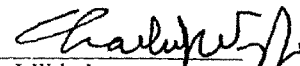
3552

EXECUTED as of the day and year first above written.

STERLING SOFTWARE, INC.

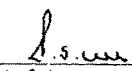
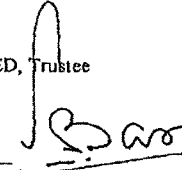
By: 
Jeannette Meier,
Executive Vice President

PARTICIPANT


Charles J. Wyly, Jr.

TRANSFeree:

LORNE HOUSE TRUST LIMITED, Trustee
of The Woody International Trust

By:  
Its: DIRECTORS

CONFIDENTIAL
PSI00132066

**SECOND AMENDMENT TO
EMPLOYEE STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the 22nd day of February, 1996, between Michaels Stores, Inc., a Delaware corporation (the "Company"); MeesPierson (Isle of Man) Limited, Trustee of The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Transferor"); and Quayle Ltd., an Isle of Man corporation ("Transferee").

WITNESSETH:

WHEREAS, the Company and Transferor have entered into the Employee Stock Option Agreements set forth on Schedule A hereto including an amendment to substitute Transferor for the original optionee (the "Option Agreements"), relating to options to purchase that number of Common Stock of the Company at such exercise prices per share as are set forth in Schedule A (the "Options"); and

WHEREAS, Transferor has transferred its rights under the Option Agreements to Transferee; and

WHEREAS, it is necessary to amend the Option Agreements to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The initial paragraph of each of the Option Agreements is hereby amended in its entirety to read as follows:

This Amended Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Quayle, Ltd., an Isle of Man corporation ("Optionee"), Optionee being the transferee from The Maroon Creek Trust of the option to purchase shares of the Company's common stock set forth in Schedule A to the Second Amendment to Employee Stock Option Agreement dated as of the 22nd day of February, 1996 which option was granted to Charles J. Wyly, Jr. The Company and Optionee agree as follows:

2. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

3554

EXECUTED as of the date and year first above written.

MICHAELS STORES, INC.

By: M. J. V. Beasly
Its: V.P.

TRANSFEROR

MEESPIERSON (ISLE OF MAN) LIMITED,
Trustee of The Maroon Creek Trust

By: DONALD H. BEACOCK FRANCIS WEBB
Its: DIRECTOR SECRETARY

TRANSFEREE

QUAYLE LTD.

By: Andrew P. Wallis Siobhan Kennedy
Its: DIRECTOR DIRECTOR

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MSNY 015791

3555

SCHEDULE A

<u>PLAN</u>	<u>OPTIONS</u>	<u>PRICE</u>	<u>EXPIRATION</u>
92 Non Stat	100,000	\$17.00	08/28/00
92 Non Stat	50,000	\$17.00	08/28/00

TOTAL P.84

MSNY 015792

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 29th day of December, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr., an individual (the "Participant"); and MeesPierson (Isle of Man) Limited, Trustee of The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of the 19th day of August, 1992 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 300,000 shares of Common Stock of the Company at an exercise price of \$20.625 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated August 19, 1992, between the Company and Charles J. Wyly, Jr. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

3557

EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: Mark V. Beasley
Mark V. Beasley,
Vice President

PARTICIPANT

Charles J. Wyly, Jr.
Charles J. Wyly, Jr.

TRANSFeree

MEESPIERSON (ISLE OF MAN) LIMITED,
Trustee of The Maroon Creek Trust

Donald H. Beacock
By: DONALD H. BEACOCK
Its: DIRECTOR

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Francis Webb
FRANCIS WEBB
DIRECTOR SECRETARY

MSNY 015794

SECOND AMENDMENT TO
EMPLOYEE STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 22nd day of February, 1996, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Lorne House Trust Limited, Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Transferor"); and Soulieana Limited Ltd., an Isle of Man corporation ("Transferee").

WITNESSETH:

WHEREAS, the Company and Transferor have entered into the Employee Stock Option Agreements set forth on Schedule A hereto including an amendment to substitute Transferor for the original optionee (the "Option Agreements"), relating to options to purchase that number of Common Stock of the Company at such exercise prices per shares as are set forth in Schedule A (the "Options"); and

WHEREAS, Transferor has transferred its rights under the Option Agreements to Transferee; and

WHEREAS, it is necessary to amend the Option Agreements to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The initial paragraph of each of the Option Agreements is hereby amended in its entirety to read as follows:

This Amended Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Soulieana Limited, an Isle of Man corporation ("Optionee"), Optionee being the transferee from The Woody International Trust of the option to purchase shares of the Company's common stock set forth in Schedule A to the Second Amendment to Employee Stock Option Agreement dated as of the 22nd day of February, 1996 which option was granted to Charles J. Wyly, Jr.. The Company and Optionee agree as follows:

2. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

3559

EXECUTED as of the date and year first above written.

MICHAELS STORES, INC.

By: Mark V. Brasley
Its: V.P.

TRANSFEROR

LORNE HOUSE TRUST LIMITED, Trustee
of The Woody International Trust

By: [Signature]
Its: [Signature]

TRANSEEREE

Soulcare Limited

By: [Signature]
Its: Director

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MSNY 015808

3560

SCHEDULE A

<u>PLAN</u>	<u>OPTIONS</u>	<u>PRICE</u>	<u>EXPIRATION</u>
92 Non Stat	50,000	\$17.00	08/28/00
94 Non Stat	50,000	\$17.00	08/28/00

MSNY 015809

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 30th day of December, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr., an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

~~WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of August 1, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 50,000 shares of Common Stock of the Company at an exercise price of \$30.75 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and~~

WHEREAS, Participant has transferred and does hereby transfer his rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.

2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Maroon Creek Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated August 1, 1994, between the Company and Charles J. Wyly, Jr.. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".

4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

3562

EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: Mark V. Beasley
Mark V. Beasley,
Vice President

PARTICIPANT

Charles J. Wyly, Jr.
Charles J. Wyly, Jr.

TRANSFEREE

LORNE HOUSE TRUST LIMITED,
Trustee of The Woody International Trust

By: S. S. ... S. S. ...
Its: Director

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MSNY 015811

**AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the ~~30th~~ day of ~~December~~, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Charles J. Wyly, Jr., an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Woody International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of the 23rd of April, 1993 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 50,000 shares of Common Stock of the Company at an exercise price of \$27.875 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.

2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Woody International Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Charles J. Wyly, Jr. of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated the 23rd day of April, 1993, between the Company and Charles J. Wyly, Jr. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 672

CONFIDENTIAL
PSI00132015

3564

4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: Mark V. Beasley
Mark V. Beasley,
Vice President

PARTICIPANT

Charles J. Wyly, Jr.
Charles J. Wyly, Jr.

TRANSFeree

LORNE HOUSE TRUST LIMITED, Trustee
of The Woody International Trust

By: L. S. ... Barnett
Its: Directors

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CONFIDENTIAL
PSI00132016

AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 30 day of July, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Sam Wyly, an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Tallulah International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of April 18, 1994 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 100,000 shares of Common Stock of the Company at an exercise price of \$39.25 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and

WHEREAS, Participant has transferred and does hereby transfer his rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Tallulah International Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Sam Wyly of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated April 18, 1994, between the Company and Sam Wyly. The Company and Optionee agree as follows:

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".
4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 672

CONFIDENTIAL
SEC100051751
PS100063618

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EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: Mark V. Beasley
Mark V. Beasley,
Vice President

PARTICIPANT

Sam Wyly
Sam Wyly

TRANSFeree

LORNE HOUSE TRUST LIMITED, Trustee
of The Tallulah International Trust

By: [Signature] S. S. [Signature] [Signature]
Its: [Signature]

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CONFIDENTIAL
SEC100051752
PS100063619

**AMENDMENT TO
NON-STATUTORY STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the 20 day of July, 1995, between Michaels Stores, Inc., a Delaware corporation (the "Company"); Tallulah Ltd., a Texas limited partnership as assignee from Sam Wyly, an individual (the "Participant"); and Lorne House Trust Limited, Trustee of The Tallulah International Trust, a trust created under the laws of the Isle of Man ("Transferee").

WITNESSETH:

WHEREAS, the Company and Participant have entered into that certain Non-Statutory Stock Option Agreement dated as of August 19, 1992 (the "Option Agreement"), pursuant to which the Participant was granted an option to purchase 600,000 shares of Common Stock of the Company at an exercise price of \$20.625 per share which price has been reduced to \$17.00 pursuant to the attached amendments dated September 28, 1995 (the "Option"); and

WHEREAS, Participant has transferred his rights under the Option Agreement to Tallulah Limited which desires to and does hereby transfer it to Transferee; and

WHEREAS, it is necessary and desirable to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Participant hereby transfers and gifts his rights, title and interest under and to the Option Agreement to Transferee effective as of the date set forth above.
2. The initial paragraph of the Option Agreement is hereby amended in its entirety to read as follows:

This Amended Non-Statutory Stock Option Agreement (the "Agreement") is entered into by and between Michaels Stores, Inc., a Delaware corporation (the "Company"), and Lorne House Limited, a corporation organized in the Isle of Man, British Isles, acting as Trustee of the The Tallulah International Trust, a trust created under the laws of the Isle of Man ("Optionee"); the Optionee is the transferee from Sam Wyly of the option to purchase shares of the Company's common stock granted pursuant to the Non-Statutory Stock Option Agreement dated August 19, 1992, between the Company and Sam Wyly. The Company and Optionee agree as follows:

as predecessor in interest to Tallulah Ltd.

3. At every place where the Option Agreement uses the term "Participant", that term shall be replaced with the term "Optionee".

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 672

CONFIDENTIAL
SECID00014289
PSI00026156

4. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

EXECUTED as of the day and year first above written.

MICHAELS STORES, INC.

By: Mark V. Beasley
Mark V. Beasley,
Vice President

PARTICIPANT

Sam Wyly
Sam Wyly

TRANSFEREE

LORNE HOUSE TRUST LIMITED, Trustee
of The Tallulah International Trust

By: [Signature]
Its: Manager, L.H. Trust [Signature]

TALLULAH LTD.

By: Sam Wyly
Sam Wyly, as General Partner

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CONFIDENTIAL
SEC100014290
PSI00026157

30/12/96 12:00

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777 E. DUBOIS

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SECOND AMENDMENT TO
STOCK OPTION AGREEMENT

THIS AMENDMENT, made and entered into as of the 7th day of March, 1996, between Sterling Commerce, Inc., a Delaware corporation (the "Company"); Aundyr Trust Company Limited, Trustee of The Crazy Horse Trust, a trust created under the laws of the Isle of Man ("Transferor"); and Moberly Limited, an Isle of Man corporation ("Transferee").

WITNESSETH:

WHEREAS, the Company and Transferor have entered into an Amendment to Stock Option Agreement of even date herewith to substitute Transferor for the original optionee under a Stock Option Agreement dated February 12, 1996 (the "Option Agreement"), relating to options to purchase 3,000,000 shares of Common Stock of the Company at the exercise price per share set forth in the Option Agreement; and

WHEREAS, Transferor has transferred its rights under the Option Agreement to Transferee; and

WHEREAS, it is necessary to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows:

1. The Option Agreement is hereby amended in such sections as may be necessary to reflect the substitution of Transferee as the "Optionee" under the Option Agreement;
2. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

EXECUTED as of the date and year first above written.

STERLING COMMERCE, INC.

By: 

Its: J. V. P.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 672

CONFIDENTIAL
SEC100074097
PS100085964

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1014 FLUOR 1-573 P-605 PER 07 '80 15:22

TRANSFEROR

AUNDYR TRUST COMPANY LIMITED, Trustee
of The Crazy Horse Trust

By: [Signature]
As: DIRECTOR

TRANSFeree

MOBERLY LIMITED

By: [Signature]
As: DIRECTOR

notarized

CONFIDENTIAL
SECI00074098
PSI00085965

**SECOND AMENDMENT TO
STOCK OPTION AGREEMENT**

THIS AMENDMENT, made and entered into as of the 7th day of March, 1996 between Sterling Commerce, Inc., a Delaware corporation (the "Company"); Lorne House Trust Limited, Trustee of the Woody International Trust, a trust created under the laws of the Isle of Man ("Transferor"); and Elysium Limited, an Isle of Man corporation ("Transferee").

WITNESSETH:

WHEREAS, the Company and Transferor have entered into an Amendment to Stock Option Agreement of even date herewith to substitute Transferor for the original optionee under a Stock Option Agreement dated February 12, 1996 (the "Option Agreement"), relating to options to purchase 1,600,000 shares of Common Stock of the Company at the exercise price per share set forth in the Option Agreement; and

WHEREAS, Transferor has transferred its right under the Option Agreement to Transferee; and

WHEREAS, it is necessary to amend the Option Agreement to reflect such transfer.

NOW, THEREFORE, for and in consideration of the promises, covenants and conditions contained herein, the parties hereto agree as follows;

1. The Option Agreement is hereby amended in such sections as may be necessary to reflect the substitution of Transferee as the "Optionee" under the Option Agreement;
2. There being no further additions, deletions, modifications or amendments thereto, the Option Agreement shall otherwise remain in full force and effect as originally written.

Executed as of the date and year first above written .

Sterling Commerce, Inc

By:

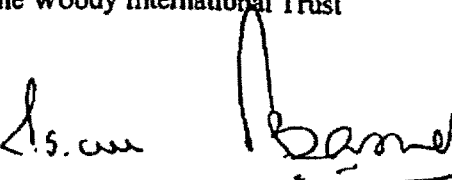
Its:

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 672

CONFIDENTIAL
PSI00124554



Transferor

Lorne House Trust Limited, Trustee
of the Woody International Trust

By: 
Its: D. K. van Barend

Transferee

Elysium Limited

By: 
Its: 

Loss of Tax Deductions
Wyll's Foreign Trusts

Grant	Exercise	Shares	FMV	Option Price	Profit/shr	Profit
Arakan Ltd.						
08/19/1992	08/28/2000	60,000	10.4403	6.25	4.1903	251,418
08/28/1995	07/25/1997	15,000	10.75	6.25	4.5	67,500
08/28/1995	08/29/1997	15,000	12.4375	6.25	6.1875	92,813
		<u>90,000</u>			Total	<u>411,731</u>
Devotion Ltd.						
12/23/1996	02/28/1997	<u>1,500,000</u>	7.375	5.25	2.125	<u>3,187,500</u>
Dortmund Ltd.						
09/19/1991	08/01/1997	30,000	10.7252	5.825	5.1042	153,126
08/07/1997	08/07/1997	10,000	10.75	5.825	5.125	51,250
11/27/1991	08/07/1987	20,000	10.75	6.25	4.5	90,000
04/23/1993	01/12/2000	20,000	15.8195	6.25	9.5695	191,390
04/18/1994	08/23/2000	60,000	23.875	6.25	17.625	1,057,500
08/01/1994	01/11/2000	42,000	15.7232	6.25	9.4732	397,874
08/01/1994	01/12/2000	18,000	15.8195	6.25	9.5695	172,251
08/28/1995	01/12/2000	16,000	15.8195	6.25	9.5695	153,112
08/28/1995	01/13/2000	24,000	16	6.25	9.75	234,000
08/28/1995	01/14/2000	8,000	15.5375	6.25	9.2875	55,725
08/28/1995	01/18/2000	5,400	15.3542	6.25	9.1042	49,183
08/28/1995	01/19/2000	22,800	15.0905	6.25	8.8405	201,563
08/28/1995	01/21/2000	1,200	15	6.25	8.75	10,500
08/28/1995	02/03/2000	7,200	15	6.25	8.75	63,000
08/28/1995	02/04/2000	1,200	15.0313	6.25	8.7813	10,538
08/28/1995	02/07/2000	1,600	15	6.25	8.75	15,750
08/28/1995	04/28/2000	2,400	21.25	6.25	15	36,000
08/28/1995	08/23/2000	<u>52,000</u>	23.875	6.25	17.625	<u>916,500</u>
		<u>340,000</u>				<u>3,859,242</u>
Elegance Limited						
12/23/1996	02/28/1997	<u>1,333,334</u>	7.375	5.25	2.125	<u>2,833,335</u>
Greenbriar Limited						
12/23/1996	02/28/1997	<u>800,000</u>	7.375	5.25	2.125	<u>1,275,000</u>
Quayle Limited						
08/19/1992	08/23/2000	800,000	23.875	6.25	17.625	10,575,000
04/18/1994	08/23/2000	<u>100,000</u>	23.875	6.25	17.625	<u>1,762,500</u>
		<u>700,000</u>				<u>12,337,500</u>
Sarnia Investment Limited						
12/23/1996	02/28/1997	<u>565,666</u>	7.375	5.25	2.125	<u>1,204,165</u>
Souleane Limited						
04/23/1993	08/23/2000	100,000	23.875	6.25	17.625	1,762,500
08/01/1994	08/23/2000	<u>100,000</u>	23.875	6.25	17.625	<u>1,762,500</u>
		<u>200,000</u>				<u>3,525,000</u>
Yurpa Fat Limited						
08/19/1992	01/11/2000	308,000	15.7232	6.25	9.4732	2,917,746
08/19/1992	01/12/2000	396,000	15.8195	6.25	9.5695	3,789,522
08/19/1992	01/13/2000	176,000	16	6.25	9.75	1,718,000
08/19/1992	01/14/2000	44,000	15.5375	6.25	9.2875	408,850
08/19/1992	01/18/2000	39,600	15.3542	6.25	9.1042	360,526
08/19/1992	01/19/2000	187,200	15.0905	6.25	8.8405	1,478,132
08/19/1992	01/21/2000	8,800	15	6.25	8.75	77,000
08/19/1992	02/03/2000	52,600	15	6.25	8.75	462,000
08/19/1992	02/04/2000	7,600	15.0313	6.25	8.7813	66,738
04/23/1993	02/04/2000	1,200	15.0313	6.25	8.7813	10,538
04/23/1993	02/07/2000	13,200	15	6.25	8.75	115,500
04/23/1993	04/28/2000	17,800	21.25	6.25	15	284,000
04/23/1993	08/23/2000	168,000	23.875	6.25	17.625	2,961,000
04/18/1994	08/23/2000	200,000	23.875	6.25	17.625	3,525,000
08/01/1994	08/23/2000	<u>200,000</u>	23.875	6.25	17.625	<u>3,525,000</u>
		<u>1,800,000</u>				<u>21,877,351</u>

Total all foreign trusts-gross	50,310,824
Times state and fed tax rate of 40%-net	20,124,329

H

✓ = correct
* = incorrect

Reprice Document
Signed by _____

✓ Talalish, Ltd.
(by Sam as GP)
(9/28/95)

✓ Yurpa Fat Limited
(3/4/96)

✓ Sam Wyly
(9/28/95)

Transferred To

Talalish, Ltd (Tx Ltd Pp)
(/ /)

Then to Lorne House
Trust Limited (sale of Man
corp.), Trustee of The
Talalish International
Trust (sale of Man Trust)
(July 30, 1995)

Then to Yurpa Fat
Limited (sale of Man
corp.) (2/22/96)

Lorne House Trust
Limited, Trustee of The
Talalish International
Trust (12/30/95)

Original Grantee

Sam Wyly

Sam Wyly

Exercise Price

20.625
(17.00 per
9/28/95 Amend)
(12.50 per
3/4/96 Amend)

27.875
(17.00 per
9/28/95 Amend)
(12.50 per
3/4/96 Amend)

Shares Covered

600,000

100,000

Plan

92

92

Option Date

8/19/92

4/23/93

7/18/97 MVB

PAGE 01

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 676

MSNY 016018

07/01/2003 08:16

MSNY 016019

Option Date	Plan	Shares Covered	Exercise Price	Original Grantee	Transferred To	Reprice Document Signed by
4/18/94	92	100,000	39.25 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Sam Wyly	Then to Yurpa Faf Limited (2/22/96)	✓ Yurpa Faf Limited (3/4/96)
					Lorne House Trust Limited, Trustee of The Tallulah International Trust (7/30/95)	* Sam Wyly (9/28/95)
					Then to Yurpa Faf Limited (2/22/96)	✓ Yurpa Faf Limited (3/4/96)
8/1/94	94	100,000	30.75 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Sam Wyly	Lorne House Trust Limited, Trustee of The Tallulah International Trust (12/30/95)	✓ Sam Wyly (9/28/95)
					Then to Yurpa Faf Limited (2/22/96)	✓ Yurpa Faf Limited (3/4/96)

3575

MSNY 016020

Option Date	Plan	Shares Covered	Exercise Price	Original Grantee	Transferred To	Replica Document Signed by
4/23/93	92	50,000	27.875 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Charles J. Wyly, Jr.	Lorne House Trust Limited, Trustee of The Woody International Trust (file of Man trust) (12/30/95)	✓ Charles J. Wyly, Jr. (9/28/95)
					Then to Souleana Limited (file of Man corp.) (2/22/96)	✓ Souleana Limited (3/4/96)
8/1/94	94	50,000	30.75 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Charles J. Wyly, Jr.	Lorne House Trust Limited, Trustee of The Woody International Trust (12/30/95)	✓ Charles J. Wyly, Jr. (9/28/95)
					Then to Souleana Limited (2/22/96)	✓ Souleana Limited (3/4/96)

MSNY 016021

Option Date	Plan	Shares Covered	Exercise Price	Original Grantee	Transferred To	Repurchase Document Signed by
8/19/92	92	300,000	20.625 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Charles J. Wyly, Jr.	MessPierson (Isle of Man) Limited, Trustee of The Maroon Creek Trust (Isle of Man Trust) (12/29/95) *Typo in Amend refers to Lorne House instead of MessPierson	✓ Charles J. Wyly, Jr. (9/28/95)
4/18/94	92	50,000	39.25 (17.00 per 9/28/95 Amend) (12.50 per 3/4/96 Amend)	Charles J. Wyly, Jr.	Then to Quayle Ltd. (Isle of Man corp.) (2/22/96)	✓ Quayle Limited (3/4/96)
					MessPierson (Isle of Man) Limited, Trustee of The Maroon Creek Trust (12/29/95) *Typo in Amend refer to Lorne House instead of MessPierson, and to Woody International instead of Maroon Creek	✓ Charles J. Wyly, Jr. (9/28/95)
					Then to Quayle Ltd. (2/22/96)	✓ Quayle Limited (3/4/96)

MSNY 016022

' 12.50 per 3/4/96 Amend

Reprice Document
Signed by _____

Option Date	Plan	Shares Covered	Exercise Price	Original Grantee	Transferred To
9/19/91	NP	20,000	11.25	Evan A. Wyly	Lorne House Limited (Isle of Man corp.), Trustee of
11/27/91	NP	10,000	13.125 ¹	Evan A. Wyly	The Scooty Trust (Isle of
4/23/93	92	10,000	27.875 ¹	Evan A. Wyly	Man trust) (2/20/96)
4/18/94	92	30,000	39.25 ¹	Evan A. Wyly	*Don't have Lorne House
8/1/94	94	30,000	30.75 ¹	Evan A. Wyly	signature on Amend
8/29/95	92	70,000	16.75 ¹	Evan A. Wyly	Then to Dortmund Limited (Isle of Man corp.) (2/22/96)
8/19/92	92	30,000	20.50 (12.50 per 3/4/96 Amend)	Michael C. French	Lorne House Limited, Trustee of The Concho Trust (Isle of Man trust) (7/31/95)
					Then to Arakan, Ltd. (Isle of Man corp.) (2/22/96)

✓ Dortmund Limited
(3/4/96)

✓ Arakan Limited
(3/4/96)

MSNY 016023

Reprice Document
Signed by _____

Option Date	Plan	Shares Covered	Exercise Price	Original Grantee	Transferred To
8/29/95	92	15,000	16.75 (12.50 per 3/4/96 Amend)	Michael C. French	Lorne House Limited, Trustee of The Concho Trust (9/20/95) *Don't have Lorne House signature on Amend
					Then to Arkan, Ltd. (2/22/96)

✓ Arkan Limited
(3/4/96)

championed by field

CHATZKY AND ASSOCIATES

A LAW CORPORATION

MICHAEL G. CHATZKY
JEDID E. SCHOLZ
STEPHEN E. CHATZKY
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February 22, 1996

The Tallulah International Trust
c/o Lorne House Trust Limited, Trustee
Castletown, Isle of Man
British Isles

Dear The Tallulah International Trust:

You have requested the law firm of Chatzky and Associates, A Law Corporation to review and comment on the proposed sale of compensatory "Nonqualified Options" herein defined and identified in Schedule A, in exchange for a private annuity, with such sale to occur during the 1996 taxable year for United States income tax purposes and United States income withholding tax purposes.

Before we provide you with our analysis of these issues we wish to make you aware that this memorandum is merely an expression of our learned views with respect to these issues. Our opinion does not command any legal authority and may be rejected by a government official, agency, private party, or anyone else. Thus, this memorandum has no binding authority or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else. Our opinions represent our views on these issues, but they do not represent our guarantee that they will be followed or accepted by anyone else, and we expressly disclaim any responsibility or liability in the event our views are not followed or accepted.

In addition, this memorandum does not cover or address any issues not expressly covered herein. This memorandum is strictly limited to our interpretation of the United States federal income tax consequences that are likely to arise as a result of the proposed transaction described hereinbelow.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 683

CONFIDENTIAL
PSI00131205

This memorandum is based on the status of the pertinent United States tax laws as of the date in which this memorandum is written. The tax law changes very rapidly, and should there be any change in the applicable law or the facts and circumstances relating to the events described herein, the opinions expressed herein would necessarily require a reevaluation in the light of such changes. Additionally, pending legislation presently exists that if enacted might impact the proposed transaction and the tax consequences pertaining thereto.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been addressed herein.

For the sake of brevity, our discussion of the applicable legal principles will omit certain cases and other authorities that may apply to the facts and circumstances of these matters. We will take them into account in issuing this opinion, however.

In the event there is any change in the tax principles or laws applicable to our opinions herein, we specifically disclaim any undertaking or obligation to advise you or anyone else of any such changes that may hereafter occur.

Our opinions are based on the correctness of the facts and circumstances set forth herein, and our understanding that the factual scenario set forth hereinbelow is complete, accurate, true, and correct.

The Internal Revenue Service, other government agencies, and courts each possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties intended them to be. Government authorities can recharacterize a transaction into something other than what the parties intended.

There are numerous instances when the Internal Revenue Service, judges or juries are in error. They are not infallible. They can thus misread or misapply the legal principles involved in the case, leading to a tax result or other legal consequence that may be contrary to what the taxpayer anticipated, and leading to a tax result or other legal consequence that may be wrong.

“
The Internal Revenue Service, other governmental agencies, and the courts generally examine the substance and business purpose and economic reality behind a transaction in a very careful manner to determine if the transaction is genuine and is to be granted recognition in the form presented for tax purposes.

Consequently, we need to caution you that the Internal Revenue Service, other governmental agencies, or a court might view the transactions that are the subject of this memorandum in a manner differently than either you or I would view them. Nonetheless, it is our opinion that the anticipated United States taxation consequences that are applicable to the anticipated transaction will be as indicated herein.

Our analysis does not address United States, state, municipal or foreign income taxes, inheritance taxes, gift taxes, estate taxes, property taxes, sales taxes, use taxes, bulk transfer tax, transfer tax, excise tax or any other taxes or duties of any kind, type, or character other than the United States federal income tax consequences and income withholding tax purposes described hereinbelow.

You should be aware that the Internal Revenue Service can charge interest on tax deficiencies and can impose numerous penalties if it disagrees with the tax treatment of the reported transactions.

It is our view based on the information presented to us as expressed herein that it is more likely than not that the anticipated federal United States tax treatment relating to the matters discussed herein will be as we opine herein.

Factual Foundation.

1. Sam Wyly is a United States citizen and resident who resides in the State of Texas.
2. Sam Wyly is a director of Michaels Stores, Inc., a Delaware corporation, and might also be considered to be an employee for legal and income tax purposes.
3. Pursuant to a *Non-Statutory Stock Option Plan* Michaels Stores, Inc. has provided Sam Wyly, other employees, and key advisors with a proprietary interest in its Company through the granting of "non-statutory stock options" which upon exercise permits the option holder to purchase shares of Company's authorized Common Stock.
4. Sam Wyly transferred these options to The Tallulah International Trust, a foreign situs grantor trust that is recognized as a "grantor trust" for United States income tax purposes.
5. You anticipate that The Tallulah International Trust will transfer the non-statutory options to an underlying foreign corporation that is wholly owned by a foreign situs non-grantor trust.
6. It is anticipated that the wholly owned underlying foreign corporation of a foreign non-grantor trust will issue a private annuity to The Tallulah International Trust in exchange for the receipt of non-statutory options of an equivalent value.

7. It is our understanding that it is the express intent of the parties to the transaction that the value of the non-statutory options will equal the value of the private annuity and that no gift or bargain sale or discounted sale price will arise as a result of the transaction. Further, it is our understanding that the private annuity is intended to be issued in an amount that is equal to the fair market value of the non-statutory options that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by you with respect to this private annuity transaction.

8. It is anticipated that the private annuity payments will not be secured by, chargeable to, or dependent upon the non-statutory options sold in exchange for the annuity. The amount of the annuity payments will be based on the fair market value of the non-statutory options at the time of the effective date of the Annuity Agreement.

9. We understand that the private annuity is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such corporation that it will make the annuity payments as they become due under the terms of the annuity agreement.

10. We further understand that the private annuity payments will not be chargeable to or dependent upon the non-statutory options transferred by The Tallulah International Trust in exchange for the annuity. Any income generated by the non-statutory options will belong to the foreign corporation outright, and will not be chargeable to the annuity payments.

11. We understand that the amount of the annuity payments will be based on the fair market value of the non-statutory options being exchanged for the private annuity at the time of the effective date of the Annuity Agreement and will not be based on any income generated by the non-statutory options that are being transferred for the private annuity.

12. We also understand that upon the consummation of the Annuity Agreement the possession and/or enjoyment of the non-statutory options being exchanged for the private annuity will reside exclusively with the acquiring foreign corporation, and The Tallulah International Trust will not preserve or reserve any control of any kind or character over such non-statutory options or any income therefrom that would constitute a retained interest in the possession and/or enjoyment of the non-statutory options being exchanged for the private annuity. It is thus expressly intended that The Tallulah International Trust will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the non-statutory options which are sold in exchange for the private annuity.

13. It is our understanding that the private annuity payments will contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is entered into.

14. We understand that the corporation issuing the private annuity is not in the business of issuing annuities from time to time, and it will not issue any additional annuities during the term of its private annuity agreement with The Tallulah International Trust.

15. We further understand that the corporation issuing the private annuity is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization.

16. We have been advised that there are no outstanding encumbrances on the non-statutory options, and consequently we do not express any opinion that relates to this issue.

17. You have advised us that the non-statutory options, which are the subject matter of this letter, are not actively traded on an established market.

18. You have further informed us that the non-statutory stock options are compensatory in nature and were issued to Sam Wyly as part of a stock option plan to compensate key advisors of Michael Stores, Inc.

II. Opinion and analysis of the anticipated 1996 federal income tax consequences that are likely to apply to the proposed sale during the 1996 taxable year of non-statutory options to a foreign corporation in exchange for a private annuity under the circumstances described herein:

A. Pursuant to the general federal income tax treatment of property exchanged for a private annuity the sale of non-statutory options to a foreign corporation in exchange for The Tallulah International Trust's receipt of a deferred private annuity of equivalent value is not a taxable event in the year 1996.

A private annuity transaction typically involves the transfer of appreciated property from an individual to a family member or a controlled corporation in exchange for a promise to pay a

series of equal payments over the annuitant's lifetime.¹ The promise to pay by a family member or corporation that is not in the business of issuing annuities has no ascertainable value, so no gain is currently recognized on the transfer.² Gain is recognized over the lifetime of the taxpayer, which is the term of the annuity. Generally, a portion of each annuity payment represents tax-free recovery of the annuitant's investment contract, a portion represents gain on the transfer, and the balance is ordinary income.³

The general federal income tax treatment of property exchanged for a private annuity is explained in Research Institute of America Federal Tax Coordinator 2d at Paragraph J-5256 as follows:

"The transfer of property in exchange for an *unsecured* private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has no *immediate* taxable gain... Although gain is not taxed immediately, the amount of gain must be reported ratably over the period of the annuitant's life expectancy, but only from that portion of the annual proceeds which is includible in income under the annuity rules."⁴ See paragraph J-5256, emphasis is in the original text.

"The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the private annuity arrangement (i.e., the transferee) is financially sound at the time of the transfer since that 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance companies and banks, and may change over the payment period."⁵

A foreign situs United States grantor trust (The Tallulah International Trust) will be transferring non-statutory options to a foreign corporation wholly owned by a foreign non-grantor trust in exchange for the underlying foreign corporation's issuance of a private annuity of an equivalent value. The foreign corporation is not in the business of issuing annuities from time to time, and will not issue any additional annuities during the term of its private annuity agreement with The Tallulah International Trust, and the private annuity will be unsecured. The foreign corporation issuing the private annuity is not a life insurance company or a bank and is not authorized to conduct either the banking business or the life insurance company business and does not intend to obtain such authorization. Under these circumstances, it is our opinion that the annuity will more likely than not be taxable as a private annuity in accordance with the aforescribed federal income tax consequences, as opposed to its being taxable as a commercial annuity or otherwise.

¹ CCH Federal Tax Service at §A:8 120.

² Id.

³ Id.

⁴ Research Institute of America Federal Tax Coordinator 2d at Paragraph J-5256 (Citations Omitted)

⁵ Id.

B. The private annuity is not intended to contain a gift or bargain sale element, and the exchange of non-statutory options for a private annuity of equivalent actuarial value is likely to be excluded from federal gift tax.

The private annuity is intended to be issued in an amount that is equal to the fair market value of the non-statutory options that are being sold in exchange for the private annuity. Neither any gift element nor any "bargain sale element" are intended to be made by either you or the corporation with respect to this private annuity transaction.

Research Institute of America Estate Planning & Taxation Coordinator describes private annuity gift and estate taxation implications as follows at Paragraph 26,122:

"The transfer will not be subject to gift tax as long as the value of the annuity equals or exceeds the value of the property transferred. The entire value of the transferred property is excluded from the annuitant's gross estate. If the arrangement is properly structured, the value of the transferred property will not be brought back into the estate. In addition, the estate administration costs concerning the transferred property are eliminated. Also the annuitant will not be subject to transfer tax on any post-transfer appreciation in the value of the property. If the annuitant dies before his tabular life expectancy, the property will have been transferred to the obligor for less than its true value. While this may be a disadvantage in a deal with an unrelated party, the annuitant of a private annuity will presumably be pleased to have passed property to a loved one free of transfer tax and for low consideration."

Warnick, 805 T.M., Private Annuities, at page A-27 states:

"...[T]he proper method for deciding whether there is a gift is to compare the fair market value of the property with the present value of the annuity" under the estate and gift tax rules.⁶

⁶ Warnick, 805 T.M., Private Annuities, at page A-27. Warnick further explains at Page A-27 and Pages C&A 1 through C&A-2 the following: Generally, private annuity transactions after April 30, 1989 are controlled by Internal Revenue Code §7520, which provides for an interest rate which is 120% of the Federal midterm rate under Internal Revenue Code §1274(d)(1) for the month in which the valuation is made. The Internal Revenue Service has taken the position that the standard Internal Revenue Code §7520 annuity actuarial tables should not be used unless the transfer instrument provides the annuitant with the degree of beneficial enjoyment that is consistent with the type of property interest the standard tables are designed to measure. The Internal Revenue Service litigated this issue in Shapiro Est. V. Comm., T.C. Memo 1993-483 and the Tax Court strongly found in the taxpayer's favor. The Internal Revenue Service's position is that a single life annuity factor (Table A of Estate Tax Regulation §20.2031-7A(d)(9)) could not be used to value the interest of a 91-year-old annuitant because the fund was insufficient to provide a stream of payments for the 18 years of the annuitant's "extreme life expectancy," i.e., until age 109. The Internal Revenue Service unsuccessfully argued that a factor for a "term certain concurrent with one life" should be used because the fund would be exhausted within four years.

The Tax Court firmly rejected the Internal Revenue Service's approach in favor of the taxpayer.

In response, the Internal Revenue Service issued regulations, and in Gift Tax Regulation §25.7520-3(b)(2) the Internal Revenue Service states that it will not allow the use of the standard §7520 tables if the fund from which an annuity is to be paid may be exhausted before the end of the defined period of the annuity (which, under the actuarial assumptions of the Internal Revenue Code §7520 tables is age 110 for a life interest).

We caution you that if the foreign corporation that issues the annuity hereunder were to comply with these regulations, there is a serious risk that the annuity might be determined to be "guaranteed" throughout the annuitant's extreme life expectancy, thereby making the annuity an *immediately* taxable annuity for United States income tax purposes! In furtherance of this position the Tax

It is our understanding that the fair market value of the non-statutory options will equal the present value of the private annuity, and that a qualified actuary will be retained to calculate and verify this.

Warnick, 805 T.M., Private Annuities, at page A-28 further states that "[t]he simple fact that the value of the property exceeds the value of the annuity should not automatically mean that there has been a taxable gift. Before a finding of a taxable gift, there must be some evidence of the transferor's intent to make a gift."⁷

Additionally, the annuity payments that the foreign grantor trust receives must contain an interest factor in the amount stipulated by the Internal Revenue Service Revenue Ruling that applies for the month in which the annuity agreement is effectuated.

This is very important because the Internal Revenue Service can take the position that the present value of the annuity is less than the present value of the non-statutory options sold in exchange for the annuity if the annuity does not contain an adequate interest rate factor to compensate for the time delay to The Tallulah International Trust in receiving its consideration for the sale and exchange of the non-statutory options.⁸ For example, see Warnick, 805 T.M., Private Annuities at page A-35 discussing the United States Tax Court decision in *LaFargue v. Commissioner*, 73 T.C. 40 (1979), which was affirmed in part and reversed in part by the United States Court of Appeals for the 9th Circuit in 689 F.2d 845 (9th Cir. 1982), in which the Tax Court found that the annuity transaction was not taxable as a private annuity for among other reasons:

"...(T)he transaction was not based on the actuarial tables and did not include an interest factor, and there was a large gap between the present value and the fair market value of the annuity. ..."

Court stated in *Shapiro Est. V. Comm.*, T.C. Memo 1993-483, that "[t]he IRS argues that unless the annuity is "guaranteed" throughout an annuitant's extreme life expectancy...the computation of the annuity's present value must be made on a case by case basis using a special actuarial factor supplied by the Internal Revenue Service." This income tax issue has not yet been litigated. Thus, the avoidance of a gift tax through a complete compliance with the regulations might generate an immediate income tax. Conversely, the avoidance of the income tax issue by "underfunding" the corporation to avoid deeming the annuity to be effectively "guaranteed" throughout the annuitant's extreme life expectancy of the human life span of 110 years might generate a gift tax if the new Gift Tax Regulation is upheld. Furthermore, Income Tax Regulation §1.7520-3(b)(2)(i) similarly prohibits the use of a standard \$7520 annuity factor if the annuity is expected to exhaust the fund before the last possible annuity payment is made in full assuming that the annuitant (Sam Wyly) will survive until the age of 110 years. The Internal Revenue Service has also promulgated new Estate Tax Regulations which are consistent with the Gift Tax Regulations and Income Tax Regulations cited above. (For example, Estate Tax Regulation §20.7520-3(b)(2)(i) requires the fund to be able to pay all annuity payments in full under the assumption that Sam Wyly, the annuitant, will survive until the age of 110 years. It is at least arguable that these new Income Tax Regulations, Gift Tax Regulations, and/or Estate Tax Regulations will be held to be invalid in accord with the reasoning of the United States Tax Court in *Shapiro Est. V. Comm.*, T.C. Memo 1993-483. Because the The Tallulah International Trust will not retain any mortgage, lien, pledge, or security interest in or with respect to the non-statutory options designated in Schedule "A", and there is and shall be no security or collateral for the payment of the Annuity hereunder, and the Obligor corporation will not establish any security or any fund or other specific chargeable source for the payment of the purchase price (being the Annuity) hereunder, it is questionable whether that the Internal Revenue Service would be successful in an attack that the Annuity is a "guaranteed" Annuity.

⁷ In *Beattie v. Comm.*, 159 F.2d 788 (6th Cir. 1947) the court held there was no gift, despite evidence that the annuity was worth only 30% of the value of the property, because there was no evidence of the transferor's intent to make a gift. (However, in *Beattie* the transferee was an educational institution, not a member of the transferor's family.) As a practical matter it would be difficult to show the absence of donative intent when the transferee is "related to" the transferor.

⁸ *Id.*

Although the United States Court of Appeals for the 9th Circuit reversed the Tax Court's holding that the transaction did not involve a private annuity, it is important that the annuity contain an adequate interest factor to account for the time value of money.

In your situation it is clearly the intent of the parties that the price of the annuity is to be equal to the value of the non-statutory options being exchanged for the annuity, and no gift or other valuation benefit in excess of such value is intended to be received by either party to the agreement. It is thus our opinion that it is more likely than not that no gift tax will be imposed on your disposition of the non-statutory options in exchange for the grantor trust's receipt of a private annuity of an equivalent value, provided the actuarial value of the non-statutory options being transferred in exchange for the receipt of the private annuity are of an equivalent actuarial value.

You have further advised us that the foreign corporation that is issuing the private annuity will be adequately capitalized to fully comply with Gift Tax Regulation §25.7520-3(b)(2), Estate Tax Regulation §20.7520-3(b)(2), and Income Tax Regulation §1.7520-3(b)(2)(i), which should enable the corporation to fund the annuity through Sam Wyly's human life span as defined in such regulations, thus avoiding a gift tax assessment that otherwise might be asserted had these regulations been violated.

C. The annuity payments must be unsecured to avoid immediate taxation of The Tallulah International Trust in 1996 with respect to the disposition of the non-statutory options in exchange for an annuity of an equivalent value.

The United States Tax Court has held that the private annuity income tax rules apply only to private annuities that are unsecured. If the annuity payments are secured the annuity will be taxable as if it were a commercial annuity rather than a private annuity. (See *Estate of Lloyd Bell*, (1973) 60 TC 469 and *212 Corp.*, (1978) 70 TC 788.)

For example, the Tax Court in *Bell* held that the property transferred in exchange for the private annuity was secured because such property was placed in escrow as security for the annuity payments, and the annuity agreement also provided for a "cognovit" judgment against the parties issuing the annuity in the event they defaulted in making their annuity payments. Consequently, the Tax Court applied the rules pertaining to commercial annuities to the transaction and held that the taxpayers had an *immediately taxable gain* when they exchanged their appreciated stock in exchange for the secured private annuity.

It is our understanding that the private annuity being issued to The Tallulah International Trust is intended to be unsecured. There are to be no security interests, guarantees, specific funds, or other forms of collateral or assurances that the private annuity payments will be made by the corporation other than the mere unsecured contractual promise of such

corporation that it will make the annuity payments as they become due and payable under the terms of the annuity agreement.

In addition, the private annuity payments will not be chargeable to or dependent upon the non-statutory options transferred by you in exchange for the annuity. The options and any proceeds and/or income generated by the options will belong to the corporation outright, and will not be chargeable to the annuity payments. The amount of the annuity payments will be based on the fair market value of the non-statutory options being exchanged for the annuity as of the date of the Annuity Agreement, and will not be based on the income generated by the non-statutory options being exchanged for the annuity.

Furthermore, the possession and/or enjoyment of the non-statutory options being sold in exchange for the private annuity will reside exclusively with the corporation, and you will not preserve or reserve any control of any kind or character over such non-statutory options and the income therefrom that would constitute a retained interest in the possession or enjoyment of the non-statutory options being sold in exchange for the private annuity. It is thus expressly intended that you will irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the non-statutory options which are being sold in exchange for the private annuity.

Consequently, provided that the private annuity payments will be unsecured and will always remain unsecured it is our opinion that it is more likely than not that the private annuity will not be taxable as a secured annuity which is taxable as a commercial annuity.⁹

D. It is more likely than not that the original issue discount tax treatment of debt instruments (that could impose a tax on the annuity prior to the receipt of the annuity payments) will not apply to the contemplated annuity transaction.

In early April, 1995, the Internal Revenue Service issued proposed regulations regarding the applicability of the original issue discount rules to deferred private annuities, among other types of transactions.

The proposed regulations seek to treat certain annuity contracts as debt instruments for federal income tax purposes. This means that, under certain circumstances, the income flowing from assets transferred in exchange for an annuity would be taxable to the annuitant in the year earned, regardless of the year in which the annuity payments were received. The proposed regulations provide that this adverse tax treatment may be avoided as long as the annuity payments under the contract are periodic payments made at least annually for the life

⁹ However, as we indicated in footnote number 6, supra, we again advise you of the potential risk that the compliance with the new regulations under Internal Revenue Code §7520, such as Income Tax Regulation §1.7520-3(b)(2)(i), might cause the annuity to be constructively secured or guaranteed, which could lead to an immediate income taxation of the annuity from the disposition of the options by the Trust in the year 1996.

or lives of one or more individuals, the payments do not increase during the term of the contract, and the payments begin within one year of the date of the annuitant's initial investment in the contract. (See Proposed Income Tax Regulation §1.1275-1 (d)(2).)

However, the Preamble to the Proposed Regulations indicates that the proposed regulations, "only apply to annuity contracts that are also debt instruments under general principles of federal income tax law... For example, an annuity contract under which payments are wholly contingent on the continued life of an individual generally is not a debt instrument for federal income tax purposes. As a result, such a contract will continue to be taxed as an annuity contract under Internal Revenue Code §72."

The explanation to the proposed regulations thus suggests that annuity contracts under which payments are wholly contingent on the life of an individual "generally" will not be recharacterized as debt instruments and will not be taxed as such -- even when such contingent payments are deferred under the contract. However, the explanation does not entirely eliminate the possibility that the IRS might proceed with such a recharacterization in certain cases and impose tax accordingly.

This issue is discussed in Research Institute of America Federal Tax Coordinator 2d at Paragraph J-4057 as follows:

"The proposed rules would only apply to annuity contracts that were also debt instruments under general principles of federal income tax law. An annuity contract that was not such a debt instrument would not be subject to the OID rules, and it would be unnecessary to determine if it was covered by the exception. Thus, for example, an annuity contract whose payments were wholly contingent on the continued life of an individual wouldn't be a debt instrument for federal income tax purposes and would continue to be taxed as an annuity contract under Code Sec. 72."

This appears to be consistent with the Internal Revenue Code statute being construed, §1275(a)(1)(B)(i) which in pertinent part states that the "term 'debt instrument' shall not include any annuity contract to which section 72 applies and which depends (in whole or in substantial part) on the life expectancy of 1 or more individuals..."

Thus, it is our view that it is more likely than not that the original issue discount tax treatment of debt instruments (that could impose a tax on the annuity prior to the receipt of the annuity payments) will not apply to the contemplated annuity transaction.

E. The disposition of compensatory non-statutory options by The Tallulah International Trust, a grantor trust, in an arm's length transaction under which non-statutory options¹⁰ are transferred in exchange for the receipt by The Tallulah International Trust of a substantially nonvested private annuity of an equivalent value issued by the obligor corporation is not a taxable event in the year 1996.

It is our opinion that it is more likely than not that an exchange of non-statutory stock options for a private annuity by The Tallulah International Trust, a grantor trust, will not be subject to an immediately taxable event because the private annuity is "substituted for" the non-statutory stock options under Income Tax Regulation §1.83-7(a) and such annuity payments are more likely than not taxable as ordinary income upon receipt.¹¹

The federal income tax treatment of the foreign grantor trust's non-statutory stock options which are not traded on an established market is generally covered in Internal Revenue Code §83 and Income Tax Regulation §1.83-7.¹²

Internal Revenue Code §83 does not initially apply to the taxation of non-qualified non-statutory stock options because the options are not actively traded on an established market.¹³

¹⁰ For options that do not have a readily ascertainable fair market value, the mere grant of the option is not treated as a transfer and application of the statute is postponed until the option is exercised. (See CCH Federal Tax Service §8 6 62)

¹¹ Although we have not been asked to opine on whether the transfer of non-transferable non-statutory stock options to a grantor trust is an immediate taxable event, our research indicates that such transfer should not trigger a taxable event. In Private Letter Ruling 9349004, the Internal Revenue Service ruled that non-statutory stock options issued to a taxpayer and transferred to a trust created for the benefit of the taxpayer's descendant's will not cause the receipt of income or gain to the taxpayer. The Internal Revenue Service concluded that the transfer to the trust did not constitute a disposition under Income Tax Regulation §1.83-7(a) because the transfer was not pursuant to an arm's length transaction, and a non-arm's length disposition of an option not taxed at grant should not cause compensation income to be recognized. However, if the trustee of the trust exercises the options, the taxpayer (or the taxpayer's estate) would be in receipt of taxable income under Internal Revenue Code §83(a) and the corporation issuing the options would be entitled to an Internal Revenue Code §83(h) deduction.

¹² Internal Revenue Code §83(a) provides that if property is transferred in connection with the performance of services to any person other than the person for whom the services are performed, the excess of (1) the fair market value of the property (determined without regard to any restrictions other than a restriction which by its terms will never lapse) at the first time the rights of the person having a beneficial interest in the property are transferable or are not subject to a substantial risk of forfeiture, whichever occur earlier, over (2) the amount, if any, paid for the property, will be included in the gross income of the person who performs the services in the first taxable year in which the rights of the person having the beneficial interest in the property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. However, Internal Revenue Code §83(e)(3) provides in pertinent part that "[t]his section shall not apply to the transfer of an option without a readily ascertainable fair market value." Thus, Internal Revenue Code §83 should not apply to the The Tallulah International Trust's non-statutory options because the non-statutory options are not traded on an established market, and thus as a practical matter do not have a readily ascertainable value. (See CCH Federal Tax Service §B 6.221.)

¹³ Income Tax Regulation §1.83-7(b)(1) states in pertinent part that "...[o]ptions have a value at the time they are granted, but that value is ordinarily not readily ascertainable unless the option is actively traded on an established market. If an option is actively traded on an established market, the fair market value of such option is readily ascertainable for purposes of this section." [Emphasis added.] It is our understanding that the non-statutory options which are the subject matter of this opinion letter are not actively traded on an established market, and thus the non-statutory options do not have a readily ascertainable value making Internal Revenue Code §83 inapplicable pursuant to Internal Revenue Code §83(e)(3).

Thus, because the non-statutory options currently held by the The Tallulah International Trust, a grantor trust, are not traded on an established market and do not meet the conditions imposed under Income Tax Regulation §1.83-7(b), they will not likely have a readily ascertainable fair market value, and will not be governed under Internal Revenue Code §83. As a practical matter no option will be considered to have a readily ascertainable value unless it is actively traded on an established market. (See CCH Federal Tax Service §B 6.221.)

Billman, 383 T.M., Nonstatutory Stock Options, at pages A-5 and A-6 states:

"...[O]ptions that are not actively traded on an established market do not have a readily ascertainable fair market value...Moreover, the regulations create an irrebuttable presumption that an untraded option does not have a readily ascertainable fair market value unless four conditions are met:

- (1) the option is transferable by the optionee;
- (2) the option is exercisable immediately in full by the optionee;
- (3) neither the option, nor the underlying property is subject to any restrictions ~~that have a significant effect on the option's value; and~~
- (4) the fair market value of the "option privilege" is readily ascertainable.

In general, the effect of this rigorous approach to valuation of untraded options is to deny readily ascertainable fair market value status at option grant, forcing taxation at option exercise."

However, if an option without a readily ascertainable value is sold or otherwise disposed of before it is exercised (e.g. in exchange for a private annuity of an equivalent value), the restricted property rules will apply to the transfer of money or other property received in the same manner as they would have applied had the property been transferred¹⁴ pursuant to the exercise of the option.¹⁵

Thus, in the event that the non-statutory options are exchanged for a private annuity, the taxation of the transaction would be analyzed as if the option were exercised, and the amount [the private annuity] to be included as gross income would be determined under Internal Revenue Code §83(a) and §83(b).¹⁶

Billman, 383 T.M., Nonstatutory Options, at page A-19 states:

"If an untraded option is not taxed at grant, §83(e)(3) provides that §83 will apply to the exercise of the option. *If the property received upon option exercise is restricted, §83 will apply to that receipt of property in the same manner as it applies to a direct transfer of restricted property in a nonoption context.*" [Emphasis added].

¹⁴ Income Tax Regulation §1.83-7(a) states in pertinent part that "...[I]f section 83(a) does not apply to the grant of such an option because the option does not have a readily ascertainable fair market value at the time of the grant, sections 83(a) and 83(b) shall apply at the time the option is exercised or otherwise disposed of, even though the fair market value of such option may have been become readily ascertainable before such time. If the option is exercised, sections 83(a) and 83(b) apply to the transfer of property pursuant to such exercise, and the employee or independent contractor realizes compensation upon such transfer at the time and in the amount determined under section 83(a) and 83(b). If the option is sold or otherwise disposed of in an arm's length transaction, sections 83(a) and 83(b) apply to the transfer of money or other property received in the same manner as sections 83(a) and 83(b) would have applied to the transfer of property pursuant to an exercise of the option." [Emphasis added].

¹⁵ Id

¹⁶ Income Tax Regulation §1.83-7(a) states in pertinent part that "[I]f the option is exercised, sections 83(a) and 83(b) apply to the transfer of property pursuant to such exercise, and the employee or independent contractor realizes compensation upon such transfer at the time and in the amount determined under section 83(a) and 83(b)." [Emphasis added]

Thus, Internal Revenue Code §83 should apply to the receipt of the private annuity as if the private annuity were "substituted" for the non-statutory options.

According to Billman, 384 T.M., **Restricted Property-Section 83**, at page A-3:

"...[T]he receipt of an unfunded and unsecured promise to pay money in the future...is not a transfer of "property" and thus is not a taxable event under §83. Rather, the questions of whether the receipt of an unfunded and unsecured promise to pay money in the future produces gross income, and, if so, when and in what amount, are to be determined under well-established principles of actual and constructive receipt of income..."

(Emphasis added).

In *Richard A. Childs et. al. v. Commissioner*, 103 T.C. No.36 (Nov.14 1994), United States Tax Court Judge Scott held that an annuity issued to an individual was an unsecured promise to pay money in the future, and thus was not "property" as that term is defined under Internal Revenue Code §83.

Thus, it is likely that Internal Revenue Code §83 is inapplicable to The Tallulah International Trust's receipt of a private annuity in exchange for the transfer of non-statutory options of an equivalent value, because a private annuity does not meet the definition of transfer of "property" within the meaning of Internal Revenue Code §83.

Consequently, if Income Tax Regulation §1.83-3(e) directs that Internal Revenue Code §83 and the regulations promulgated thereunder shall not apply to an **unsecured promise to pay money in the future**, no other Internal Revenue Code Section including Internal Revenue Code §61, should apply to the transaction.¹⁷

Thus, Internal Revenue Code §83 will likely be inapplicable to the contemplated transaction, and the private annuity income taxation rules (e.g., Revenue Ruling 69-74) will govern the taxation consequences relating to the transfer.¹⁸

The Research Institute of America Federal Tax Coordinator 2d at Paragraph J-5256 explains the federal income tax treatment of property exchanged for a private annuity as follows:

"The transfer of property in exchange for a private annuity is not a taxable transaction. Thus, a taxpayer who turns his property over to a member of his family or other private individual, or to his own corporation or other corporation, which is not a life insurance company or a bank or an organization which issues annuities from time to time, in exchange for payments for life, has **no immediate taxable gain**. (Emphasis is included in the text)

¹⁷ Billman, 383 T.M., **Restricted Property-Section 83**, at page A-3.

¹⁸ Private Letter Ruling 9349004 states that if Internal Revenue Code §83(a) does not apply to the grant of the option because it does not have a readily ascertainable value at the time of grant, §83 will apply at the time of the exercise or disposition of the option, and income is realized. Private Letter Rulings may not be cited as precedent (See Internal Revenue Code §6110(j)(3) but they reflect the position of the Internal Revenue Service and are thus useful in that regard.

However, the payments under the arrangement are taxable when received, see Paragraph J-5256. The actual transfer isn't taxable because the promise to make the lifetime payments is considered to have no determinable value. It makes no difference if the obligor under the 'private' transferee is not in the business of granting annuities, his solvency is not subject to the supervision and restrictions of insurance companies and banks, and may change over the payment period. (Citations omitted.)"

Because it is unlikely that either the non-statutory options or the private annuity received in exchange therefor is subject to Internal Revenue Code §83 coverage, it is our opinion that it is more likely than not that the non-statutory options transferred in exchange for the private annuity will be taxable as property transferred in exchange for a private annuity in accordance with the afordescribed federal income tax consequences.

F. The subsequent exercise of the non-statutory options by the obligor will not likely generate a taxable event to The Tallulah International Trust because the compensation element will remain opened until the year The Tallulah International Trust receives its annuity payments.

It is our understanding that it is the intention of the parties that the disposition of the non-statutory options will occur in an arm's length transaction at fair market value.

The private annuity rules provide that no taxable event will occur to The Tallulah International Trust until the annuity vests (when the annuity payments are received by The Tallulah International Trust). Consequently, the exercise of the options after the transfer of the options to the obligor foreign corporation is not likely to be a taxable event to The Tallulah International Trust.

It is our understanding that non-statutory options being transferred by The Tallulah International Trust do not have a readily ascertainable value, and therefore their treatment is not governed by Internal Revenue Code §83. Income Tax Regulation §1.83-7 provides guidance with respect to the taxation of nonqualified stock options without a readily ascertainable value,¹⁹ and Internal Revenue Code §83(h)²⁰ generally governs the allowability, the amount, and the timing of a deduction to an employer with respect to the transfer of property in connection with the performance of services to which Internal Revenue Code §83 applies.

¹⁹We believe that there is an inherent inconsistency between the Statute and the Regulations, because the Statute clearly states that this Statute shall not apply to the transfer of an option without a readily ascertainable value (see Internal Revenue Code §83(e)(3)), yet the Regulations determine the taxation consequences of an option to which the Statute does not apply.

²⁰ This section governs the timing of a deduction to an employer with respect to property transferred in connection with the performance of services to which Internal Revenue Code Section 83 applies.

However, Internal Revenue Code §83(h) provides in pertinent part that "[i]n the case of a transfer of property to which this section applies...", thereby excepting property transferred in connection with the performance of services to which Internal Revenue Code §83 does not apply, (e.g. a non-statutory option without a readily ascertainable value).

According to Billman 384 T.M., Restricted Property-Section 83, at page A-16 states:

"As to the amount of the deduction, the employer is entitled to a deduction equal to the amount in the income of the employee."

Internal Revenue Code §§3121(a) and 3306(b) define the term "wages" as all remuneration for employment, and Internal Revenue Code §3401(a) provides a similar definition with respect to an employer's obligation for the withholding of income tax.

Income Tax Regulation §§31.3121(a)-1(e), 31.3306(b)-1(c), and 31.3401(a)-1(a)4 generally provide that the medium in which the remuneration is paid is immaterial and the remuneration may be in cash or something other than cash. Under Income Tax Regulation §§31.3121(a)-1(e) and 31.3306(b)-1(e) remuneration paid in items other than cash shall be computed on the basis of the fair value of such items at the time of payment. Income Tax Regulation §31.3121(a)-2 provides that wages are paid by an employer at the time they are actually or constructively paid.

Because the non-statutory options are transferred in an arms length transaction for the exchange of a private annuity of an equivalent value, The Tallulah International Trust has not constructively or actually received "income" until such time as the first annuity payment is issued to and received by The Tallulah International Trust.

Income Tax Regulation §31.3402(a)-1(b) provides that the employer is required to collect the tax by deducting and withholding the amount thereof from the employee's wages as and when paid, either actually or constructively. To constitute constructive payment the wages must be credited to or set apart for the employee without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made, and must be made available to him so that they may be drawn upon at any time, and their payment brought within his own control and disposition.

Thus, the restrictions and condition of receipt of payment relating to the annuity payment will lapse upon the actual receipt of such annuity payment by The Tallulah International Trust.

Consequently, each annuity payment is more likely than not wholly taxable to The Tallulah International Trust as ordinary income, and upon the receipt of each such annuity payment Michaels Stores, Inc., the corporation which issued the non-statutory options, would be entitled to claim a corresponding income tax deduction.

With respect to the withholding tax requirements, liability will be incurred by Michaels Stores, Inc., the corporation which issued the non-statutory options, with respect to the withholding of income tax under Internal Revenue Code §3402(a) with respect to the annuity payments received as "substituted compensation" by The Tallulah International Trust.²¹

It is our opinion that it is more likely than not that no taxable event will occur until the annuity vests (when the annuity payments are received by The Tallulah International Trust), and the exercise of the options after the transfer of the non-statutory options the Obligor corporation pursuant to the annuity transaction is not likely to be a taxable event to Michaels Stores, Inc.

G. The private annuity contract is likely to be treated as being held by a natural person.

The foreign corporation intends to acquire the stock options by issuing a deferred private annuity to The Tallulah International Trust on the life of Sam Wyly. The Tallulah International Trust is a grantor trust for United States income tax purposes because its settlor is Sam Wyly who is a United States person and the trust has United States persons among its beneficiaries, namely Sam Wyly, the spouse of Sam Wyly, and the issue of Sam Wyly. (See the Third Schedule to the Amended and Restated Deed of Settlement.)

The annuity is intended to be classified as a deferred annuity because the commencement of the annuity payments is anticipated to occur more than one (1) year from the date of the annuity agreement.

An annuity which is not classified as a deferred annuity is classified as an immediate annuity. Internal Revenue Code §72(u)(4) defines an "immediate annuity" as an annuity which is purchased with a single premium or annuity consideration, with the annuity to have an annuity starting date which commences no later than one (1) year from the date of purchase of the annuity, and which provides for a series of substantially equal payments to be made not less frequently than annually during the annuity period.

Internal Revenue Code §72(u) in pertinent part indicates that if a deferred annuity contract (which is not an immediate annuity) is held by a person who is not a natural person then such contract shall not be treated as an annuity contract for federal income tax purposes and is to be taxed in accordance with the statutory formula set forth in Internal Revenue Code §72(u) unless an exception therein applies.

However, Internal Revenue Code §72(u) further states that:

²¹ Revenue Ruling 87-257 and Revenue Ruling 67-368 stated that amounts received from an employer by an employee upon the cancellation of a non-statutory stock option are wages for wage withholding purposes. Revenue Ruling 79-305 further provided that the employment tax and wage withholding obligations arise only when there is income under §83(a) to the employee.

"For purposes of this paragraph, holding by a trust or other entity as an agent for a natural person shall not be taken into account."

The legislative history to this statutory provision indicates that:

"Under the Act (Tax Reform Act of 1986), if any annuity contract is held by a person who is not a natural person (such as a corporation or trust), then the contract is not treated as an annuity contract for Federal income tax purposes and the income on the contract for any taxable year is treated as ordinary income received or accrued by the owner of the contract during the taxable year. In the case of a contract the nominal owner of which is a person who is not a natural person, but the beneficial owner of which is a natural person, the contract is treated as held by a natural person." (See the Conference Committee Report on Public Law 100-647, reported in Commerce Clearing House of America Standard Federal Tax Reports (1989), at page 13, 189-8.)

This provision is briefly discussed and explained in Knickerbocker, 134-5th T.M., Annuities at page A-25 as follows:

"Section 72(u) does not apply if a trust or other entity holds the contract as agent for a natural person who is its beneficial owner."

Internal Revenue Code §679(a)(1) states in pertinent part that: "A United States person who directly or indirectly transfers property to a foreign trust ... shall be treated as the owner for his taxable year of the portion of such trust attributable to such property if for such year there is a United States beneficiary of any portion of such trust."

As we indicated above, Sam Wyly, a United States person, transferred property to The Tallulah International Trust, a foreign trust having its situs in the Isle of Man, with the trust having United States beneficiaries, namely Sam Wyly, the spouse of Sam Wyly, and the issue of Sam Wyly.

Consequently, Sam Wyly, the grantor-settlor of The Tallulah International Trust, is likely to be treated as the owner of such trust for his taxable year of the portion of such trust attributable to such property. To our knowledge, Sam Wyly is the sole and exclusive settlor of such trust. If so, he is likely to be treated as the owner of the entire trust estate of such trust for his taxable year.

Internal Revenue Code §671 states in pertinent part that: "When it is specified in this subpart that the grantor ... shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor ... those items of income, deductions, and credits against tax of the trust to the extent that such items would be taken into account under this chapter in computing taxable income or credits against the tax of an individual."

Internal Revenue Code §679 is included in subpart E which is expressly governed by Internal Revenue Code §671.

Income Tax Regulation §1.671-1(a) in pertinent part states that: "Subpart E (section 671 and following), Part I, Subchapter J, Chapter 1 of the Code, contains provisions taxing income of a trust to the grantor ... under certain circumstances even though he is not treated as a beneficiary under Subparts A through D (section 641 and following) of such Part I."

Income Tax Regulation §1.671-3(a)(1) in pertinent part states that: "When a grantor ... is treated under Subpart E (section 671 and following) as the owner of any portion of a trust, there are included in computing his tax liability those items of income, deduction, and credit against tax attributable to or included in that portion. For example:

"...If a grantor ... is treated as the owner of an entire trust (corpus as well as ordinary income), he takes into account in computing his income tax liability all items of income, deduction, and credit (including capital gains and losses) to which he would have been entitled had the trust not been in existence during the period he is treated as owner."

Consequently, in light of the rigid tax requirements that require Sam Wyly, a natural person who is the settlor-grantor of The Tallulah International Trust, a grantor trust, to take into account in computing his income tax liability all items of income, deduction, and credit (including capital gains and losses) that pertain to The Tallulah International Trust, a grantor trust, to which he would have been entitled had the trust not been in existence during the period he is treated as owner, we believe that it is more likely than not that the Internal Revenue Service and an applicable court of law will hold that the acquisition and holding of a private annuity contract by The Tallulah International Trust, a grantor trust, will be treated as if the annuity contract were held by Sam Wyly, a natural person who is the settlor-grantor of The Tallulah International Trust.

We thus believe that it is more likely than not that Internal Revenue Code §72(u) will not apply to the annuity transaction and that the annuity will be treated as being held by The Tallulah International Trust, a grantor trust, as an agent acting on behalf of its principal, Sam Wyly, a natural person who is the settlor-grantor of the trust. "

III. Concluding Comments.

The opinions contained herein have been carefully considered by us and reflect the federal income tax consequences we anticipate will apply to the areas we have discussed. Nevertheless, they are only opinions and should not be considered to be guarantees.

Our opinions have been limited to our examination of the federal income tax consequences regarding the issues discussed above, as indicated herein. Our opinion expressly does not

cover or concern itself with other issues not addressed herein, including but not limited to the reality of values.

Our opinion is based upon the status of the federal income tax law as of the date in which this opinion is written. Should there be any change in the applicable tax laws or the facts and circumstances relating to the events described herein, the opinions expressed herein will necessarily require a reevaluation in the light of such changes.

In the event there is any change in the tax principles applicable to our opinion herein, we specifically disclaim any undertaking or obligation to advise you of any such changes which may hereafter occur.

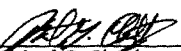
There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been discussed herein.

Our analysis is based on the facts and/or assumptions contained in this letter. If such facts and/or assumptions are inaccurate or incomplete, our analysis and conclusions are equally inaccurate or incomplete and might vary substantially from those contained herein.

However, it is our view based on the information presented to us as expressed herein that it is more likely than not that the transactions described herein will be upheld as being bona fide.

Respectfully submitted,

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By 
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(5)

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November 27, 1996

The Tallulah International Trust
c/o Lorne House Limited, Trustee
Lorne House
Castletown, Isle of Man IM91AZ
British Isles

Dear Trustee of The Tallulah International Trust:

In August, 1996 the Small Business Job Protection Act, the Health Insurance Portability and Accountability Act, and the Personal Responsibility and Work Opportunity Reconciliation Act were enacted as legislation. We will refer to these acts collectively as the 1996 Tax Act. The 1996 Tax Act retroactively modified various provisions of Internal Revenue Code Section 679. You have requested us to opine on the impact that revised Internal Revenue Code Section 679 has on the transfer of appreciated assets from a foreign situs asset protection trust to a foreign corporation which is wholly owned by a foreign-settled grantor trust. You have also requested us to opine on whether the transfer of appreciated assets by a United States citizen and resident to an asset protection trust is subject to the imposition of an excise tax under Internal Revenue Code Section 1491, and whether a subsequent transfer of such appreciated assets by the asset protection trust to a foreign corporation is subject to an excise tax.

Before we provide you with our analysis of these issues we wish to make you aware that this opinion is merely an expression of our learned views with respect to these issues. Our opinion does not command any legal authority and may be rejected by a government official, agency, private party, or anyone else. Thus, this opinion has no binding authority or official status of any kind, type, or character. We cannot assure you or anyone else that the opinions and conclusions contained in this opinion letter will be sustained by the Internal Revenue Service, any court of law, or anyone else.

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Our opinions represent our views on these issues, but they do not represent our guarantee that they will be followed or accepted by anyone else, and we expressly disclaim any responsibility or liability in the event our views are not followed or accepted.

In addition, this opinion does not cover or address any issues not expressly covered herein. This opinion is strictly limited to our interpretation of the United States federal income tax consequences that are likely to arise as a result of the transaction described hereinbelow.

This opinion is based on the status of the pertinent United States tax laws as of the date in which this opinion is written. The tax law changes very rapidly, and should there be any change in the applicable law or the facts and circumstances relating to the events described herein, the opinions expressed herein would necessarily require a reevaluation in light of such changes.

There is no assurance that the Internal Revenue Service or anyone else will not raise issues that have not been addressed herein.

For the sake of brevity, our discussion of the applicable legal principles will omit certain cases and other authorities that may apply to the facts and circumstances of these matters. We will take them into account in issuing this opinion, however.

In the event there is any change in the tax principles or laws applicable to our opinions herein, we specifically disclaim any undertaking or obligation to advise you or anyone else of any such changes that may hereafter occur.

Our opinions are based on the correctness of the facts and circumstances set forth herein, and our understanding that the factual scenario set forth hereinbelow is complete, accurate, true, and correct.

The Internal Revenue Service, other government agencies, and courts each possess the ability to challenge the legitimacy and reality of an entity or a transaction and can claim that an entity or a transaction are something other than what the parties intended them to be. Government authorities can recharacterize a transaction into something other than what the parties intended.

There are numerous instances when the Internal Revenue Service, judges or juries are in error. They are not infallible. They can thus misread or misapply the legal principles involved in the case, leading to a tax result or other legal consequence that

may be contrary to what the taxpayer anticipated, and leading to a tax result or other legal consequence that may be wrong.

The Internal Revenue Service, other governmental agencies, and the courts generally examine the substance and business purpose and economic reality behind a transaction in a very careful manner to determine if the transaction is genuine and is to be granted recognition in the form presented for tax purposes.

Consequently, we need to caution you that the Internal Revenue Service, other governmental agencies, ~~or a court might view the transactions~~ that are the subject of this opinion in a manner differently than either you or I would view them. Nonetheless, it is our opinion that the anticipated United States taxation consequences that are applicable to the transaction will be as indicated herein.

Our analysis does not address United States, state, municipal, or foreign income taxes, inheritance taxes, gift taxes, estate taxes, property taxes, sales taxes, use taxes, bulk transfer tax, transfer tax or any other taxes or duties of any kind, type, or character other than the United States federal income tax consequences, income withholding tax purposes, and excise taxes described hereinbelow.

You should be aware that the Internal Revenue Service can charge interest on tax deficiencies and can impose numerous penalties if it disagrees with the tax treatment of the reported transactions.

It is our view based on the information presented to us as expressed herein that it is more likely than not that the anticipated federal United States tax treatment relating to the matters discussed herein will be as we opine herein.

Factual Foundation.

1. Sam Wyly is a United States citizen and resident who resides in the State of Texas.
2. Sam Wyly transferred non-statutory stock options to The Tallulah International Trust, a foreign situs grantor trust that is recognized as a "grantor trust" for United States income tax purposes.

3. The Tallulah International Trust transferred the non-statutory stock options to Yurta Faf Limited, a Manx resident private corporation of which the sole shareholder is a foreign-settled Manx situs trust which was a grantor trust for United States income tax purposes as of the date of the transfer, February 22, 1996.¹

¹ Because the trustee of The Bessie Trust, Lorne House Limited, retains certain powers over the Bessie Trust, it is likely that Lorne House Limited will be treated as a nonadverse party for purposes of the grantor trust rules, and The Bessie Trust will therefore be held to be a grantor trust for United States income tax purposes.

Generally, under the "grantor trust" rules (Internal Revenue Code Sections 671-679), a grantor or nonadverse party who retains certain rights or powers for the benefit of the grantor is treated as the owner of the trust's assets without regard to whether the grantor is a domestic or foreign person. The sole shareholder of Yurta Faf Limited is a foreign-settled Manx situs trust, The Bessie Trust. It is likely that The Bessie Trust is a grantor trust for United States income tax purposes because The Bessie Trust Agreement confers two powers, among others, to the Trustee including the power to: (i) distribute trust income to the grantor which is a grantor trust power under Internal Revenue Code Section 677(a)(1) (see Section 5, paragraph 2, page 13-14 of The Bessie Trust); and (ii) apply trust income to the payment of premiums on policies of insurance on the life of the grantor which is a grantor trust power under Internal Revenue Code Section 677(a)(3) (see Section 8, paragraph 1)(c), page 17 of The Bessie Trust).

Internal Revenue Code Section 677(a)(1) provides in pertinent part that "[T]he grantor shall be treated as the owner of any portion of a trust...whose income...in the discretion of...a *nonadverse party*...may be...distributed to the grantor..." [Emphasis added.]

Internal Revenue Code Section 674(a)(3) provides in pertinent part that "[T]he grantor shall be treated as the owner of any portion of a trust...whose income...in the discretion of...a *nonadverse party*...may be...applied to the payment of premiums on policies of insurance on the life of the grantor..."

Consequently if a *nonadverse party* has retained the power to distribute trust income to the grantor, and to apply trust income to the payment of premiums on policies of insurance on the life of the grantor, The Bessie Trust will be held to be a grantor trust for United States income tax purposes.

It is likely that Lorne House Limited as trustee of The Bessie Trust is a nonadverse party for purposes of the "grantor trust" rules (Internal Revenue Code Sections 671-679).

Under Internal Revenue Code Section 672(a), an adverse party "...means any person having a substantial beneficial interest in a trust which would be adversely affected by the exercise or nonexercise of the power which he possesses respecting the trust." [Emphasis added.]

Under Internal Revenue Code Section 672(b) a nonadverse party "...means any person who is not an adverse party."

Income Tax Regulation Section 1.672(a)-1 provides in pertinent part that "...an adverse party is defined as any person having a substantial beneficial interest in a trust...A trustee is not an adverse party merely because of his interest as trustee..." [Emphasis added.]

Lorne House Limited is an independent Manx trust company that professionally administers trust assets (see factual recital).

Lorne House Limited is not a beneficiary of The Bessie Trust, and does not have a substantial beneficial interest in the trust (see The Bessie Trust). Lorne House Limited holds a power of disposition over the beneficial enjoyment of income and corpus, and retains the power of application of trust income for the payment of premiums on life insurance policies on the life of the grantor.

Private Letter Ruling 9508007 states "~~...[a] trustee, an individual without a substantial beneficial interest in the trust, hold[ing] a power of disposition over the beneficial enjoyment of income and corpus...is a nonadverse party ...~~" (While a private letter ruling may not be used or cited as precedent it provides us with an indication of how the Internal Revenue Service may rule, see Internal Revenue Code Section 6110(f).)

Thus, Lorne House Limited, an independent Manx corporation, which administers the assets of The Bessie Trust, retains a power of disposition over the beneficial enjoyment of trust income and corpus, and retains a power of application of trust income for the payment of premiums on policies of insurance on the life of the grantor, and thus should similarly be treated as a nonadverse party.

While The Bessie Trust does not expressly prohibit the trustee of The Bessie Trust, Lorne House Limited, from appointing assets to itself for its own benefit, such power would be subject to the prior written approval of the Protectors as provided under section 3, paragraph 2, page 9 of The Bessie Trust Agreement. Furthermore, The Trustee of the Bessie Trust is not a beneficiary of The Bessie Trust. Thus, the trustee's hypothetical ability to appoint trust assets to itself is unlikely to constitute a "substantial beneficial interest" for purposes of Internal Revenue Code Section 672(a), and the trustee is unlikely to be deemed an adverse party thereunder.

The Tax Court in *Clair Savage v. Commissioner of Internal Revenue*, 4 T.C. 286 (1944), held that the grantor's spouse as the trustee of multiple trusts was a nonadverse party because "...in order for her to benefit from either of these trusts she would have to outlive the survivor of the two minor children and their issue, if any. To hold [that] such a remote possibility of receiving benefit constitutes a 'substantial adverse interest' would do violence to the meaning of the word 'substantial' and to the intent of Congress, when, in enacting the Revenue Act of 1932, it added the requirement that the so-called adverse party must be more than a mere beneficiary 'having a very minor interest' and that the interest must be substantial." Internal Revenue Code Section 167 of the 1938 Act, *Income for Benefit of Grantor* (which was the relevant section for this case), provided in pertinent part that "[W]here any part of the income of a trust ...in the discretion...of any person *not having* a substantial adverse interest in the disposition of such part of the income, may be held or accumulated for future distribution to the grantor...the [sic] such part of the income of the trust shall be included in computing the net income of the grantor." Current Internal Revenue Code Section 677(a)(2), *Income for Benefit of Grantor*, provides comparable language stating in pertinent part that "[T]he grantor shall be treated as the owner of any portion of a trust...whose income...in the discretion of...a *nonadverse party*...may be...held or accumulated for future distribution to the grantor..." Thus, the legislature's intent under both statutes is similar, as the words "...any person not having a substantial adverse interest..." are directly substituted by the words "...in the discretion of...a nonadverse party..." Consequently, the Court's holding in *Savage*, i.e. that a trustee's remote possibility of receiving a

4. It has come to our attention that the factual recitals in our opinion letter of February 22, 1996 inaccurately stated on page three (3) that "The Tallulah International Trust will transfer the non-statutory options to an underlying foreign corporation that is wholly owned by a foreign situs *non-grantor trust*." (Emphasis added.)² Instead, the February 22nd opinion letter should have stated that the non-statutory options were transferred by The Tallulah International Trust to a foreign corporation wholly owned by a foreign situs *grantor trust* settled by a foreigner. We have been requested not to revise our analysis of our February 22nd opinion letter in light of this misstatement of fact, and consequently we do not express any opinion that relates to this issue.

benefit from the trust does not constitute a substantial adverse interest, leads us to conclude that such trustee would likely be a nonadverse party with respect to such trust.

Before Lorne House Trust Limited could benefit from The Bessie Trust it would have to seek the approval of the U.S. Protectors to the trust. Under the Tax Court's holding and rationale in *Savage* it is unlikely that the trustee, Lorne House Trust Limited, holding such a remote interest in the trust, would be held to be an adverse party having a "substantial beneficial interest" in the trust under Internal Revenue Code Section 672(a) and Income Tax Regulation Section 1.672(a)-1.

Furthermore, there is well-established case law affirming the trustee's duty as a fiduciary not to engage in self-dealing. The Supreme Court of Oklahoma held in *First National Bank of Wichita Falls v. W.F. Stricklin*, 347 P.2d 652 (1959), that "[A] trustee is a fiduciary of the highest order, who is required meticulously to observe the fiduciary relationship and to perform the obligations of a trustee to the cestui que trust, and he is held to a high standard of conduct with respect to administration of the trust. A trustee not only has the right, but it is his duty, whenever necessary to proper administration, preservation, and execution of trust..." In *Graves v. Commissioner of Internal Revenue*, 92 T.C. 1294, (1989) the Tax Court held that "...[a] trustee ...[must]...act in good faith, in accordance with her fiduciary responsibility, and safeguard and conserve the trust principal." If Lorne House Limited attempted to appoint assets to itself for its own benefit it would be acting in contravention of its fiduciary responsibilities. As a final note, if Lorne House Limited failed to exercise its fiduciary responsibilities, the beneficiaries could enforce their rights in a court of equity (see *Estate of King v. Commissioner of Internal Revenue Service*, 37 T.C. 973 (1962)).

Because of the remote and unlikely possibility that Lorne House Limited would benefit from The Bessie Trust, and because Lorne House Limited, as a trustee of The Bessie Trust, bears a fiduciary responsibility to conserve and preserve trust assets, it is likely that Lorne House Limited would be treated as a nonadverse party for purposes of Internal Revenue Code Section 672 and Internal Revenue Code Section 677.

² We have not been asked to redraft our opinion letter in light of this misstatement of fact. While we presently believe this misstatement of fact is not egregious and should not impact the overall statements expressed in our February 22nd opinion letter, we have not been requested to expound on the impact that this misstatement of fact may have had on our analysis.

5. We have been advised that the sole shareholder of Yurta Faf Limited, a Manx corporation, is a foreign situs grantor trust, The Bessie Trust.
6. We have been advised that the grantor of The Bessie Trust, Mr. Keith King, is a British subject and resident of the Isle of Man. Mr. Keith King is a nonresident alien for United States income tax purposes.
7. We have been advised that Mr. Keith King, the grantor of The Bessie Trust, is not an officer, manager, or agent of Yurta Faf Limited.

8. We have been advised that Mr. Keith King, the grantor of The Bessie Trust, is unrelated to The Tallulah International Trust or the grantor of The Tallulah International Trust.
9. We have been advised that The Bessie Trust has two U.S. trust protectors, and neither one of the trust protectors is related to the grantor of The Bessie Trust, or the Tallulah International Trust or the grantor of The Tallulah International Trust.
10. Yurta Faf Limited, a Manx corporation, issued a private annuity to The Tallulah International Trust in exchange for the receipt of non-statutory stock options of an equivalent value. Neither any gift element nor any "bargain sale element" was intended to be made by The Tallulah International Trust with respect to this private annuity transaction.
11. The transfer of the non-statutory options by The Tallulah International Trust to Yurta Faf Limited is not and is not intended to be, a payment of paid-in capital or a contribution of capital to the foreign corporation, Yurta Faf Limited.
12. The Tallulah International Trust does not have any retained interest in the property transferred in exchange for the private annuity.
13. We further understand that the private annuity payments are not chargeable to or dependent upon the non-statutory stock options transferred by The Tallulah International Trust in exchange for the annuity. Any income generated by the non-statutory stock options will belong to the foreign corporation outright, and will not be chargeable to the annuity payments.
14. We understand that the amount of the annuity payments is based on the fair market value of the non-statutory stock options exchanged for the private annuity at the time of the effective date of the Annuity Agreement and is not based on any

income generated by the non-statutory stock options transferred for the private annuity.

15. We also understand that upon the consummation of the Annuity Agreement the possession and/or enjoyment of the non-statutory stock options exchanged for the private annuity resides exclusively with Yurta Faf Limited, the acquiring foreign corporation, and The Tallulah International Trust has not preserved or reserved control of any kind or character over such non-statutory stock options or any income therefrom that would constitute a retained interest in the possession and/or ~~enjoyment of the non-statutory options being exchanged for the private annuity.~~ It is thus expressly intended that The Tallulah International Trust irrevocably surrender the enjoyment, control, ownership, and all economic benefits attributable to the ownership of the non-statutory stock options sold in exchange for the private annuity.
16. It is our understanding that Yurta Faf Limited has not at any time transferred property or income generated from the property it received in exchange for the private annuity to its parent, a foreign situs grantor trust, The Bessie Trust.
17. It is our understanding that neither The Tallulah International Trust nor the grantor of The Tallulah International Trust is a shareholder, officer, director, or agent of Yurta Faf Limited.
18. It is our understanding that Yurta Faf Limited has retained and intends to continue to retain the property transferred by The Tallulah International Trust in exchange for the private annuity issued by Yurta Faf Limited.
19. We have been advised that there were no outstanding encumbrances on the non-statutory stock options, and consequently we do not express any opinion that relates to this issue.
20. It is our understanding that the officers and directors of Yurta Faf Limited are independent parties, and are not related to the grantor or beneficiaries of The Tallulah International Trust.
21. We have been advised that Yurta Faf Limited is a private resident Manx corporation with active investment activity.
22. We have been advised that neither The Tallulah International Trust nor Yurta Faf Limited are tax exempt companies under Internal Revenue Code Section 501.

23. The trustee of The Tallulah International Trust is Lorne House Trust Limited, a company incorporated and existing in the Isle of Man and having its registered office at Lorne House, Castletown, Isle of Man, British Isles.

II. An analysis of the anticipated federal income tax consequences, under Internal Revenue Code Section 679 as amended by the 1996 Tax Act, that are likely to apply to the sale of non-statutory stock options to a foreign corporation sale ~~that occurred during the 1996 taxable year in exchange for the issuance of a private annuity of an equivalent value under the circumstances described herein.~~

To determine whether revised Internal Revenue Code Section 679 applies to the transfer of non-statutory stock options from The Tallulah International Trust to the foreign corporation we must analyze each party to the transaction under the revised statute to determine whether and how the statute applies to the transaction.

A. The Tallulah International Trust was more likely than not a U.S. transferor of property when it transferred the non-statutory stock options to Yurta Faf Limited, a Manx corporation, in exchange for a private annuity of an equivalent value pursuant to Internal Revenue Code Section 679.

Internal Revenue Code Section 679(a)(1) states in pertinent part that "[A] United States person who directly or indirectly transfers property to a foreign trust....shall be treated as the owner for his taxable year of the portion of such trust attributable to such property if for such year there is a United States beneficiary of any portion of such trust."

Internal Revenue Code Section 679 causes a trust to be classified as a grantor trust for U.S. income tax purposes if four (4) requirements are met: (1) the transferor must be a U.S. person; and (2) there must be a direct or indirect transfer to a trust; and (3) the trust must be a foreign trust; and (4) the trust must have one or more current U.S. beneficiaries.³ Consequently, each of the four requirements under Internal Revenue

³See discussion in Lane and Zaritsky, "Federal Income Taxation of Estates and Trusts," paragraph 13.03 (1988). (The four requirements of Internal Revenue Code Section 679 with respect to grantor trust status, as recited and discussed in Lane and Zaritsky, are still applicable in light of the '96 Act.) Lane and Zaritsky state in footnote 4 of paragraph 13.02 that "[T]he breadth of Section 679 raises

Code Section 679 must apply to the transfer before the transaction will be subject to Internal Revenue Code 679 for United States income tax purposes.⁴

The first requirement is that the transferor must be a United States person at the time of the transfer.⁵ Mr. Sam Wyly is a U.S. citizen and resident.

The second requirement is that there must be a direct or indirect transfer of property to a trust.⁶ Mr. Sam Wyly directly transferred non-statutory stock options to The Tallulah International Trust.⁷

The third requirement is that the trust must be foreign.⁸ The Tallulah International Trust is administered by a Manx trust company under the laws of the Isle of Man.⁹

The fourth requirement is that the foreign trust must have current United States beneficiaries.¹⁰ The beneficiaries of The Tallulah International Trust include Mr. Sam

possible constitutional questions. In Section 679, Congress has singled out certain foreign trusts for treatment dissimilar from other foreign taxpayers and from similarly situated U.S. trusts. It has drawn this distinction without regard to whether the grantor or any third person has retained any particular power or interest over the trust. Thus, Congress has drawn a distinction between domestic and foreign entities, based solely on the nationality of the entity. Tax Reform Act of 1976, Pub. L. No. 94-455, 94th Cong., 2d Sess. (1976). See H.R. Rep. No. 658, 94th Cong., 2d Sess. (1976) [H.R. Rep. No. 658]; S. Rep. No. 938, 94th Cong., 2d Sess. (1976) [S. Rep. No. 938]; Staff of the Joint Committee on Taxation, 94th Cong., 2d Sess., "General Explanation of the Tax Reform Act of 1976" (Committee Print) (1976) ["1976 General Explanation"].

⁴ See Internal Revenue Code Section 679(a)(1); Tax Coordinator 2d, paragraph C-5601; CCH Federal Tax Service, paragraph D:13.120.

⁵ Internal Revenue Code Section 679(a)(1); CCH Federal Tax Service, paragraph D:13.120.

⁶ Internal Revenue Code Section 679(a)(1).

⁷ Factual Recital.

⁸ Internal Revenue Code Section 679(a)(1).

⁹ The Tallulah International Deed of Trust dated March 11, 1992.

¹⁰ Internal Revenue Code Section 679(a)(1).

Wyly, the spouse of Mr. Sam Wyly, and the issue of Mr. Sam Wyly, all of whom reside in the United States.¹¹

Consequently, because the transfer of non-statutory stock options by Mr. Sam Wyly to The Tallulah International Trust meets all four requirements, it is our opinion that under Internal Revenue Code Section 679 it is likely that The Tallulah International Trust is a grantor trust for federal income tax purposes and that, the grantor, Mr. Sam Wyly, will be treated as the *owner* of the assets transferred to the trust.¹²

It is our opinion that if Mr. Sam Wyly, a United States citizen, is treated as the owner of assets of The Tallulah International Trust for his taxable year under Internal Revenue Code Section 679, it is likely that The Tallulah International Trust will similarly be held to be a U.S. transferor under Internal Revenue Code Section 679.

B. For Internal Revenue Code Section 679 to apply to the transfer of non-statutory stock options by The Tallulah International Trust, as a U.S. transferor, to Yurta Faf Limited in exchange for a private annuity of an equivalent value, The Tallulah International Trust must be held to have directly or indirectly transferred property to a foreign *trust*. It is our opinion that it is unlikely that The Tallulah International Trust will be held to have directly or indirectly transferred property to a foreign trust pursuant to Internal Revenue Code Section 679(a)(1).

The grantor trust rules of Internal Revenue Code Section 679 apply to transfers of property by U.S. persons to a foreign trust whether such transfers are direct or indirect.¹³

The Tallulah International Trust transferred non-statutory stock options to a Manx corporation, Yurta Faf Limited, which is wholly owned by a foreign situs grantor trust settled by a foreigner. In exchange, the foreign corporation issued The Tallulah

¹¹ The Tallulah International Deed of Trust dated March 11, 1992.

¹² CCH Federal Tax Service at Paragraph D:13.60.

¹³ CCH Federal Tax Coordinator at Paragraph D:13.121; Internal Revenue Code Section 679(a)(1).

International Trust a private annuity of an equivalent value. Because The Tallulah International Trust transferred property directly to a foreign corporation,¹⁴ there was not a direct transfer by a U.S. transferor to a foreign trust that would trigger the application of Internal Revenue Code Section 679.

However, Internal Revenue Code Section 679(a)(1) provides that an *indirect* transfer of property to a *foreign trust* will also result in the application of Internal Revenue Code Section 679 for income tax purposes.

We have not come across any case law, revenue rulings, private letter rulings, technical advice memoranda, or general counsel memoranda that defines what is an "indirect transfer" to a foreign trust. The only authoritative reference to an "indirect transfer" that we have found is located in the legislative history of Internal Revenue Code Section 679. The pertinent examples provided in the legislative history contemplate the following methods of indirect transfer:

1. A transfer of property by a U.S. person to an entity that subsequently transfers the same or equivalent property to a foreign trust;¹⁵ and
2. A transfer of property to an entity over which the U.S. person has sufficient control to direct the transfer of the property by the entity to the foreign trust.¹⁶

Specifically, the legislative history to Internal Revenue Code Section 679 provides the following description of an indirect transfer:

"A transfer by a domestic or foreign entity in which a U.S. person has an interest may be regarded as an indirect transfer to the foreign trust by the U.S. person if the entity merely serves as a conduit for the transfer by the U.S. person or if the U.S. person has sufficient control over the entity to direct the transfer by the entity rather than himself."¹⁷ [Emphasis added.]

¹⁴ Factual Recitals, *supra*.

¹⁵ CCH Federal Tax Service, paragraph D:13.121.

¹⁶ *Id.*

¹⁷ H.R. Rep. No. 658 at 209; S. Rep. No. 938 at 219; 1976 General Explanation at 221.

The example provided in the General Explanation of the Tax Reform Act of 1976 states that "if a U.S. person transfers property to a foreign person or entity and if that person transfers that property (or its equivalent) to a foreign trust that has U.S. beneficiaries, the U.S. person transferring the property to the foreign person or entity is treated as having made a transfer to a foreign trust unless it can be shown that the transfer of property to the trust was unrelated to the U.S. person's transfer of property to the foreign person or entity. A similar rule applies to transfers (including certain deferred sales) through domestic entities or persons. For example, if a U.S. person transfers property to a domestic trust or corporation and that entity subsequently transfers the same or equivalent property to a foreign trust, the U.S. person may be treated as having made a transfer of property indirectly to a foreign trust. Moreover, transfers to a domestic trust which subsequently becomes a foreign trust may be regarded as indirect transfers to a foreign trust."¹⁸

Generally, the intent of the legislative history is to apply the grantor trust rules of Internal Revenue Code Section 679 to transfers that use a "straw person" or other intermediary entity to effect the transfer.¹⁹ The legislative history describes the traditional step-transaction doctrine, under which steps that are part of an integrated plan are ignored and the plan's final result is considered the direct result of the initial step.²⁰

With respect to the transfer of property by a U.S. person to a foreign entity (trusts, estates, corporations, or partnerships) the legislative history does not specify the degree or type of control that should be required to treat a series of transfers as an indirect transfer to a foreign trust.

CCH Federal Tax Service at paragraph D:13.121 states that a transfer to an intermediate entity may be regarded as an indirect transfer to a foreign trust by a U.S. person "if the U.S. person has sufficient control over the entity to direct the transfer by the entity."

Because no control standard is provided in either the statute or the legislative history, we have relied on commentaries for guidance. The commentaries have suggested two types of control exhibited by a U.S. transferor that would be sufficient to compel the

¹⁸ 1976 General Explanation at 221, n.7.

¹⁹ Lane and Zaritsky, *Federal Income Taxation of Estates and Trusts*, paragraph 13.03[1][a], 1988.

²⁰ *Id.*

classification of a transfer of property to an intermediate entity as an indirect transfer to a foreign trust:

The U.S. transferor must have fundamental voting power over the intermediate entity, and/or maintain a position of authority within the intermediate entity to compel the intermediary entity to make the ultimate transfer to the foreign trust;²¹ or

[T]he U.S. transferor and the intermediate entity are related parties drawing on the related entity standards of Internal Revenue Code Section 707(b), Internal Revenue Code Section 1235(d), Internal Revenue Code Section 1551(b), or Internal Revenue Code Section 672(f).²²

According to Lane and Zaritsky,²³ sufficient control over an entity to direct the transfer of the property to the foreign trust exists if the U.S. person has such "...clear control as majority stock ownership, or status as the sole partner in a partnership, or the sole trustee of a trust, or the sole executor of an estate, then the U.S. transferor might be deemed to have acted through such entities in making any transfers to a foreign trust."²⁴

Zaritsky²⁵ additionally proposes that "...the degree of control required for an entity to be included in an indirect transfer [might be] dependent upon the method by which the transfer from the entity to the foreign trust is made. Thus, the requisite control for purposes of Section 679 would be that degree of control, whether by fundamental voting power or otherwise, sufficient to compel the intermediary entity to make the ultimate transfer, considering the absence of a sound independent business purpose for the transfer."

²¹ Lane and Zaritsky, *Federal Income Taxation of Estates and Trusts*, 1988, Paragraph 13.03[1]; Lane and Zaritsky, *Federal Income Taxation of Estates and Trusts, Second Edition*, 1993 with 1996 Cumulative Supplement No. 2, Paragraph 13.03[1][a]; Zaritsky, 854 T.M., *Foreign Trusts, Estates, and Beneficiaries*, at A-12; CCH Federal Tax Service, Paragraph D:13.121; Federal Tax Coordinator 2d, Paragraph C-5604.

²² Id.

²³ Lane and Zaritsky, *Federal Income Taxation of Estates and Trusts* (1988) Paragraph 13.03[1][a].

²⁴ Id.

²⁵ Zaritsky, 854 T.M., *Foreign Trusts, Estates, and Beneficiaries*, at A-12.

Neither The Tallulah International Trust nor the grantor of The Tallulah International Trust is an officer, director, manager, agent, or shareholder of Yurta Faf Limited.²⁶

Thus, neither The Tallulah International Trust nor the grantor of The Tallulah International Trust have legal authority to vote shares of Yurta Faf Limited.²⁷

~~Consequently, it is factually impossible for the The Tallulah International Trust to have de jure control over Yurta Faf Limited to compel a transfer of property to a foreign trust.~~

It is our opinion that based on the aforementioned facts it is unlikely that The Tallulah International Trust will be held to have fundamental voting power over Yurta Faf Limited, or be held to maintain a position of authority within Yurta Faf Limited sufficient to compel Yurta Faf Limited to transfer property to The Bessie Trust.

The second type of control that the Commentaries have suggested results in an "indirect transfer" by a U.S. transferor arises if the U.S. transferor and the intermediate entity are related parties according to the related entity standards of Internal Revenue Code Section 707(b), Internal Revenue Code Section 1235(d), Internal Revenue Code Section 1551(b), and Internal Revenue Code Section 672(f).²⁸

The related parties standard identified under Internal Revenue Code Section 707(b)²⁹ contemplates relationships between controlled partnerships, i.e. a partnership and a person or two partnerships, wherein the same persons own directly or indirectly more than 50 percent of the capital interest, or profits interest, in such partnership.

²⁶ The Register of Directors & Secretaries for Yurta Faf Limited provides for two nonresident alien directors of Yurta Faf Limited.

²⁷ We have been advised that The Bessie Trust is the sole shareholder of Yurta Faf Limited, and no one else maintains voting power over the foreign corporation.

²⁸ Lane and Zaritsky, *Federal Income Taxation of Estates and Trusts* (1988) Paragraph 13.03[1][a].

²⁹ Internal Revenue Code Section 707(b) Certain sales or exchanges of property with respect to controlled partnerships. [Emphasis added.]

Neither The Tallulah International Trust nor Yurta Faf Limited is a partnership.³⁰

Thus, for purposes of Internal Revenue Code Section 707(b), The Tallulah International Trust and Yurta Faf Limited are not related parties.³¹

Internal Revenue Code Section 1235(d) provides a definition of related persons incorporating in its definition any person specified within any one of the paragraphs of Internal Revenue Code Section 267(b) or persons described in Internal Revenue Code Section 707(b).³²

We have already analyzed the related party standards of Internal Revenue Code Section 707(b), and determined that there is no partnership relationship or common partnership ownership between The Tallulah International Trust and Yurta Faf Limited as contemplated under Internal Revenue Code Section 707(b).

Thus, we will analyze the related party standard under Internal Revenue Code Section 267(b)³³ for purposes of its incorporation by reference into Internal Revenue Code Section 1235(d).³⁴

³⁰ Internal Revenue Code Section 707 (b)(1); Memorandum of Association of Yurta Faf Limited, dated June 23, 1994; and The Trust Deed of The Tallulah International Trust dated to be effective March 11, 1992. While The Tallulah International Trust is not a partnership, The Tallulah International Trust is a limited partner in a U.S. limited partnership. (See Exhibit B Limited Partnership Agreement of Tallulah, Ltd.) Yurta Faf Limited is not a partnership, and The Tallulah International Trust and Yurta Faf Limited are not engaged in any partnership activity for related party purposes. (Confirmation by the Directors of Yurta Faf Limited.)

³¹ Id.

³² Internal Revenue Code Section 1235(d) provides that Internal Revenue Code Section 1235(a) shall not apply to any transfer between persons specified within any of the paragraphs of section 267(b) or persons described in 707(b). However, for purposes of applying Internal Revenue Code Section 1235(a): (1) the phrase "25 percent or more" shall be substituted for the phrase "more than 50 percent" each place it appears in section 267(b) or 707(b), and (2) paragraph 4 of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants.

³³ Internal Revenue Code Section 267 states that the following relationships are considered related parties for purposes of Internal Revenue Code Section 267(b):

1. Members of a family, including only brothers or sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants; and

Internal Revenue Code Section 267(b)(1) provides for a related party standard between members of the same family, spouses, ancestors, or lineal descendants.

The Tallulah International Trust and Yurta Faf Limited³⁵ are not members of the same family, spouses, ancestors, or lineal descendants. Thus, Internal Revenue Code Section 267(b)(1) is inapplicable to the transaction.

Internal Revenue Code Section 267(b)(2) states that an individual and a corporation are related if more than 50 percent owned in value of the outstanding stock is owned, directly or indirectly, by or for such individual.

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2. An individual and a corporation more than 50 percent in value of the outstanding stock of which is owned, directly or indirectly, by or for such individual;
 3. Two corporations which are members of the same of the same controlled group(as defined in Internal Revenue Code Section 267(f));
 4. A grantor and a fiduciary of any trust;
 5. A fiduciary of a trust and a fiduciary of another trust, if the same person is the grantor of both trusts;
 6. A fiduciary of a trust and a beneficiary of such trust;
 7. A fiduciary of a trust and a beneficiary of another trust, if the same person is the grantor of both trusts;
 8. A fiduciary of a trust and a corporation more than 50 percent in value of the outstanding stock of which is owned, directly or indirectly, by or for the trust or by or for a person who is a grantor of the trust;
 9. A person and an organization to which section 501 (relating to certain educational and charitable organizations which are exempt from tax) applies and which is controlled directly or indirectly by such person or (if such person is an individual) by members of the family of such individual;
 10. A corporation and a partnership if the same persons own-
 - (a) more than 50 percent in value of the outstanding stock of the corporation, and
 - (b) more than 50 percent of the capital interest, or the profits interest, in the partnership;
 11. An S corporation and another S corporation if the same persons own more than 50 percent in value of the outstanding stock of each corporation;
An S corporation and a C corporation, if the same person owns more than 50 percent in value of the outstanding stock of each corporation.

³⁴ Internal Revenue Code Section 267(b).

³⁵ Factual Recital; Memorandum of Association of Yurta Faf Limited, dated June 23, 1994; The Trust Deed of The Tallulah International Trust, dated to be effective March 11, 1992, reflects no common relationship or ownership between The Tallulah International Trust, the grantor of The Tallulah International Trust, Mr. Sam Wyly, and Yurta Faf Limited.

Internal Revenue Code Section 267(b)(2) is inapplicable because neither The Tallulah International Trust nor the grantor of The Tallulah International Trust, Mr. Sam Wyly, has an ownership interest in Yurta Faf Limited.³⁶

Internal Revenue Code Section 267(b)(3) only applies to a relationship between two corporations and is consequently inapplicable to the relationship between the Tallulah International Trust and Yurta Faf Limited because The Tallulah International Trust is a trust and not a corporation.³⁷

Internal Revenue Code Section 267(b)(4), Internal Revenue Code Section 267(5), Internal Revenue Code Section 267(6), and Internal Revenue Code Section 267(7) define the relationships between two parties to a *trust*, and Yurta Faf Limited is a *corporation* and not a trust.³⁸ Thus, those statutory provisions are inapplicable to the transaction.

Internal Revenue Code Section 267(b)(8) applies to the relationship between a fiduciary of a trust and a corporation of which more than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for the trust or by or for a person who is a grantor of the trust.

Consequently, Internal Revenue Code Section 267(b)(8) contemplates a relationship between The Tallulah International Trust and Yurta Faf Limited in which The Tallulah International Trust has sufficient voting power over Yurta Faf Limited to compel an "indirect transfer" from Yurta Faf Limited to another entity.

The Tallulah International Trust is a grantor trust, and Mr. Sam Wyly is the grantor of the Trust. Neither The Tallulah International Trust nor Mr. Sam Wyly is a shareholder of Yurta Faf Limited.³⁹ Yurta Faf Limited is a Manx corporation wholly

³⁶ Factual Recital; Memorandum of Association of Yurta Faf Limited, dated June 23, 1994; The Trust Deed of The Tallulah International Trust, dated to be effective March 11, 1992, reflects no common relationship or ownership between The Tallulah International Trust, the grantor of The Tallulah International Trust, Mr. Sam Wyly and Yurta Faf Limited.

³⁷ Id.

³⁸ Id.

³⁹ Id.

owned by *The Bessie Trust*.⁴⁰ Thus, The Bessie Trust is the direct owner of the voting shares of Yurta Faf Limited.

Furthermore, the constructive ownership of the shares of Yurta Faf Limited is determined by the grantor trust rules attributing ownership to the grantor rather than the beneficiaries.⁴¹ Thus, Keith King, the grantor, of The Bessie Trust would be accorded constructive ownership status of the shares of stock in Yurta Faf Limited. Keith King is a nonresident alien individual having no relationship⁴² to The Tallulah International Trust or Mr. Sam Wyly, or to Lorne House Trust Limited, the trustee of The Tallulah International Trust.⁴³

Thus, we believe that Internal Revenue Code Section 267(b)(8) is inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited because neither the constructive ownership nor the direct ownership of the shares of Yurta Faf Limited is owned by The Tallulah International Trust or its grantor, Mr. Sam Wyly, or its trustee, Lorne House Trust Limited.

Internal Revenue Code Section 267(b)(9) refers to the relationship between a person and an organization to which Internal Revenue Code Section 501 applies. It is our understanding that Internal Revenue Code Section 501⁴⁴ does not apply to either The Tallulah International Trust or Yurta Faf Limited,⁴⁵ and thus Internal Revenue Code

⁴⁰ The Deed of Trust to The Bessie Trust dated to be effective February 2, 1994 reflects that Mr. Keith King, a nonresident alien, is the grantor of The Bessie Trust; the Trust Deed of The Tallulah International Trust dated to be effective March 11, 1992; the Memorandum of Association of Yurta Faf Limited, dated June 23, 1994; reflects no common relationship or ownership between The Tallulah International Trust and Yurta Faf Limited.

⁴¹ An analysis of the grantor trust rules has been conducted within this opinion letter under Section D herein, and such analysis and conclusion is incorporated herein by reference.

⁴² No relationship for purposes of the related party standards under Internal Revenue Code Section 267.

⁴³ See Factual Recital; See The Tallulah International Trust Deed dated March 11, 1992.

⁴⁴ Internal Revenue Code Section 501 provides for exemption from tax on corporations, certain trusts, etc.

⁴⁵ Factual Recital.

Section 267(b)(9) is inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited.

Internal Revenue Code Section 267(b)(10) applies to a relationship between a corporation and a partnership, and we have been advised that The Tallulah International Trust is a *trust* and Yurta Faf Limited is a *Manx corporation*.⁴⁶ Consequently, Internal Revenue Code Section 267(b)(10) is inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited.

Internal Revenue Code Section 267(b)(11) refers to the relationship between ~~two S~~ corporations. The Tallulah International Trust is a trust and Yurta Faf Limited is a *Manx corporation*.⁴⁷ Consequently, Internal Revenue Code Section 267(b)(11) is inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited.

Internal Revenue Code Section 267(b)(12) refers to the relationship between an S corporation and a C corporation. The Tallulah International Trust is a trust and Yurta Faf Limited is a *Manx corporation*.⁴⁸ Consequently, Internal Revenue Code Section 267(b)(11) is inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited.

Thus, the related party rules of Internal Revenue Code Section 707(b), and Internal Revenue Code Section 1235(d) incorporating Internal Revenue Code Section 267(b) are inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited as analyzed hereinabove.

The Commentaries have also referred to the related party standards referred to under Internal Revenue Code Section 1551(b)⁴⁹ which defines related parties based on a percentage ownership of a transferee corporation by a transferor corporation.

⁴⁶ Factual Recital, and Memorandum of Association of Yurta Faf Limited.

⁴⁷ Id.

⁴⁸ Id.

⁴⁹ Internal Revenue Code Section 1551 provides for the disallowance of the benefits of the graduated corporate rates and accumulated earnings credit for affiliated corporations. Internal Revenue Code Section 1551(b) defines the term control for purposes of Internal Revenue Code Section 1551(a).

As we have stated previously, The Tallulah International Trust is a trust and not a corporation, and we have been advised that neither The Tallulah International Trust nor its grantor is a shareholder, officer, or director of Yurta Faf Limited.⁵⁰

Consequently, the related party standards of Internal Revenue Code Section 707(b), Internal Revenue Code Section 1235(b) incorporating 267(b), and 1551(b) are inapplicable to the relationship between The Tallulah International Trust and Yurta Faf Limited.

The final related party standard that the commentaries suggest may result in the application of an "indirect transfer" is set forth in Internal Revenue Code Section 672(f). Internal Revenue Code Section 672(f)(5) limited the situations where a foreigner would be treated as the grantor of a foreign grantor trust. It provides a special rule where the grantor is a foreign person and states that:

"[I]f

(A) but for this subsection, a foreign person would be treated as the owner of any portion of a trust, and

(B) such trust has a beneficiary who is a United States person,

such beneficiary shall be treated as the grantor of such portion to the extent such beneficiary has made (directly or indirectly) transfers of property (other than in a sale for full and adequate consideration) to such foreign person."⁵¹

The indirect transfer rules of Internal Revenue Code Section 672(f)(5) contemplate a transfer from a beneficiary of a trust to the foreign grantor, in which case the beneficiary would be treated as the grantor of the trust with respect to the assets transferred.⁵²

The transaction we are analyzing involves the transfer of non-statutory stock options from The Tallulah International Trust to Yurta Faf Limited, a corporation, and thus

⁵⁰ Id.

⁵¹ Internal Revenue Code Section 672(f)(5).

⁵² Internal Revenue Code Section 672(f)(5) however does not take any gift into consideration to the extent such gift would be excluded from taxable gifts under Internal Revenue Code Section 2503(b).

does not involve the transfer by a beneficiary to a foreign grantor under Internal Revenue Code Section 672(f)(5).⁵³

The relationships contemplated under the "indirect transfer" rules are inapplicable to the relationship between Yurta Faf Limited⁵⁴ and The Tallulah International Trust.

Based on the foregoing analysis including the legislative history of Internal Revenue Code Section 679 and commentaries which have interpreted the application of the term "indirect transfer" it is our opinion that it is unlikely that The Tallulah International Trust made an indirect transfer to a foreign trust.

⁵³ While the 1996 Tax Act provided additional language to Internal Revenue Code Section 672(f), the substance of Internal Revenue Code Section 672(f)(5) concerning transfers by a U.S. beneficiary to a foreign grantor remains substantially the same.

⁵⁴ Black's Law Dictionary, Fifth Edition (1979) defines a corporate entity as "[T]he distinct status of a corporation which sets its existence apart from the status of its shareholders; its capacity to have a name of its own, to sue and be sued in its own name as well as the right to buy, sell, lease and mortgage its property in its own name." Black's Law Dictionary, Fifth Edition (1979) defines a Trust in pertinent part as "[A] right of property, real or personal, held by one party for the benefit of another...Any arrangement whereby property is transferred with intention that it be administered by trustee for another's benefit." (Emphasis added.)

C. For purposes of Internal Revenue Code Section 679(a)(1) if Yurta Faf Limited is a corporation having a valid business purpose and activity, it is unlikely that Yurta Faf Limited will be disregarded, and thus a transfer by The Tallulah International Trust to Yurta Faf Limited should not be treated as an indirect transfer from The Tallulah International Trust to the shareholder(s) of Yurta Faf Limited.

Courts have generally upheld the corporate entity form so long as the corporation is engaged in some purposeful business activity.⁵⁵

*Thus, the law is well settled that if a corporation exists for a valid business purpose that corporation will not be disregarded.*⁵⁶

⁵⁵ In *Moline Properties v. Commissioner*, 319 U.S. 436 (1943), the Supreme Court held that "[t]he doctrine of corporate entity fills a useful purpose in business life. Whether the purpose be to gain an advantage under the law of the state of incorporation or to avoid or to comply with the demands of creditors or to serve the creator's personal or undisclosed convenience, so long as that purpose is the equivalent of business activity or is followed by the carrying on of business by the corporation, the corporation remains a separate taxable entity."

⁵⁶ See *Rice's Toyota World, Inc. v. Commissioner of Internal Revenue*, 81 T.C. 184 at 194 citing *Frank Lyon Co. v. United States*, 435 U.S. 561 (1978); *Kretsch v. United States*, 364 U.S. 361 (1960); *Milbrew v. Commissioner*, 710 F.2d 1302 (7th Cir. 1983). See *U.S.I. Properties Corp. v. M.D. Construction Company, Inc.*, 860 F.2d 1 (1988) at pp. 7 (recognizing separate corporate identity of subsidiary despite evidence that subsidiary was wholly-owned by "grandparent" corporation, shared all its officers and directors with grandparent, was grossly undercapitalized, and did not prepare its own budget, construction requirements, or policies and procedures); *Rodriguez v. SK & F Co.*, 833 F.2d 8 (1st Cir. 1987) at pp. 9 (recognizing separate corporate identity of subsidiary where evidence showed that it operated independently from its parent); *Tapp v. CompAir Inc.*, 814 F.2d 830 (1st Cir. 1987) at pp. 833 (recognizing separate corporate identity of subsidiary holding company despite evidence that it could not act without the express permission of its parent, and that its sole function was to serve as financial conduit for parent); *Lugo-Vina v. Pueblo International, Inc.*, 574 F.2d 41 (1st Cir. 1978) pp.43 (recognizing separate corporate identity of parent where evidence showed it operated independently of wholly-owned subsidiary); *Candida Marino de Walker, et. al. v. Pueblo International, Inc.*, 569 F.2d 1169 (1st Cir. 1978) pp. 1170-1173 (recognizing separate corporate identity of parent despite evidence that parent consolidated its profits and losses with that of its wholly-owned subsidiary in presenting parent's financial reports to shareholders, that subsidiary was considered a "division" of parent, and that subsidiary accounted for 60% of parent's and subsidiary's combined operations). The critical factual question in *de Walker*, as in *Tapp*, was not the degree of control the parent exercised over the subsidiary, but whether the two businesses preserved their separate corporate identities: "[W]hile the documents...indicate that [the parent] was ultimately the sole beneficiary and director of [the subsidiary's] corporate activities, there is nothing in the record to undermine [the parent's] claim that the two corporations were separately incorporated, had separate boards of directors, kept separate accounting and tax records, and had separate facilities and operational personnel." The Court further

*Moline*⁵⁷ and its extensive progeny make clear that an individual may choose how to conduct his business affairs, and the individual may choose to conduct business through a wholly owned corporation so long as that corporation actually transacts some business or serves some legitimate business purpose.⁵⁸

After the Supreme Court decided *Moline*, the factual question that many federal courts repeatedly analyzed was the *degree* of business purpose and activity necessary for recognition of a corporation as a separate entity. These courts have consistently ~~applied a standard of "minimal" business purpose and activity.~~

*Commissioner of Internal Revenue v. State-Adams Corp.*⁵⁹ demonstrates that a corporation's business activity may be minor and passive and still meet the requisite standard of minimal business activity.

reasoned that the close interrelationship of the corporations was incidental to the parent's ownership of 100% of the subsidiary's stock and did "not justify ignoring the otherwise separate character of the two corporations."

⁵⁷ *Moline Properties v. Commissioner*, 319 U.S. 436 (1943)

⁵⁸ Proper observance of procedural formalities may evidence a corporation's legitimate business purpose even when the corporation's sole business activity is investment and loan transactions. See, for instance *Republic Petroleum Corporation v. United States of America*, 397 F. Supp. 900 (1975) at pp. 910. Although the decision was affirmed in part and reversed in part, 613 F.2d 518 (1980), the authority for which this case is cited was not affected. In *Republic Petroleum Corporation* the Internal Revenue Service attempted to disregard three corporations as separate taxable entities because, they argued, the three corporations served no useful business purposes. The three corporations were entirely owned and directed by the taxpayer. They had no separate offices or telephones. Instead, they used the taxpayer's offices and telephones. The three corporations had no employees and paid no wages. The principal business activity of the three corporations was the management of a variety of investments. Each owned real estate, stocks, and other assets and had accounts receivable and accounts payable. Their income consisted mainly of dividends, interest, income from investments and gains on the sales of capital assets. Each corporation used its own funds to purchase assets and satisfy debts. Separate books and records were kept and separate board meetings were held.

The court held that the three corporations conducted the requisite amount of business activity and stated, "...each corporation earned income from a variety of investments, bought and sold assets and loaned and borrowed money. The proper corporate form was followed for all transactions. In both quantum and quality, this consistent corporate activity, despite the lack of telephones or employees, far exceeds that which the Supreme Court and many lower courts have recognized as sufficient to satisfy the *Moline* and *National Carbide* standards."

In *State-Adams Corp.* title to property was transferred to a corporation newly formed for that purpose in exchange for its capital stock. At the same time, the long term lease was assigned to the corporation in return for its promissory note payable to the life tenant, the interest on the note being equivalent to the amount of rent received from the leased property. At no time did the corporation have a bank account or maintain an office other than the required statutory one. Its only expense consisted of bank service fees, legal fees and franchise taxes. Since the interest payments were ~~intended to exhaust the rental income, the corporation took appropriate steps to~~ refund the debt by notes at a higher interest rate when the rental income increased pursuant to the terms of the lease. The corporation's only activities were the holding of the lease and title to the property and the taking of steps necessary to continue its corporate existence. The corporation did not engage in any activity not connected with the leased property. The court held that a corporation formed to facilitate the devolution of property, which merely holds title, collects rents from lessees and distributes the income has engaged in business and will be taxed as a separate entity.

Later cases have explicitly articulated a "minimal" standard of business activity and purpose. The Fifth Circuit stated in *Britt v. United States*⁶⁰ that "[b]usiness activity is required for recognition of the corporation as a separate taxable entity; [and] the activity may be minimal."⁶¹

Similarly a District Court stated in *Lane v. United States*⁶² that the "degree of corporate purpose and activity requiring recognition of the corporation as a separate entity is extremely low, and business activity may be minimal to be considered as having a business purpose."⁶³

⁵⁹ *Commissioner of Internal Revenue v. State-Adams Corp.*, (2nd Cir. 1960) 283 F.2d 395, cert denied, 1961, 365 U.S. 844, reversed a decision of the Tax Court which disregarded the separate existence of a corporation.

⁶⁰ *Britt v. United States* (5th Cir 1970) 431 F.2d 227.

⁶¹ *Id.*

⁶² *Lane v. United States*, 535 F. Supp. 397 (1981).

⁶³ *Id.* at 400.

The court in *Lane v. United States*⁶⁴ applying this standard and citing *Strong v. Commissioner*⁶⁵ held that "a corporation has a sufficient business purpose, for purposes of federal taxes, if the only reason for forming the corporation is to obtain financing, when the usury laws of a state would otherwise deny a stockholder similar financing in his own name."⁶⁶

If a corporation has the requisite business purpose and activity, the Fifth Circuit went so far as to hold in *Spector v. Commissioner*⁶⁷ that not only must the corporate form be respected but a taxpayer is *bound by the form in which he casts a transaction*, whether it be a corporation, partnership, or sole proprietorship, absent fraud, undue influence, or mistake.⁶⁸

Consistent with this reasoning, the Fifth Circuit recently stated in *Bramblett v. Commissioner*⁶⁹ that the "business of a corporation is not ordinarily attributable to its shareholders," emphasizing that the corporate entity will be upheld so long as there is "... at least one major independent business reason to form [a] corporation...[such as]...to insulate the partnership and the partners from unlimited liability from a multitude of sources."⁷⁰ [Emphasis added.]

The Tax Court also respects a corporation's separate existence when minimal business activities are transacted. In *Rogers*,⁷¹ the second corporation had no office (other than that of its registered agent, as required by state law), had no salaried officers or

⁶⁴ *Lane v. United States*, 535 F. Supp. 397 (1981).

⁶⁵ *Strong v. Commissioner*, 66 T.C. 12 (1976), aff'd without opinion (2nd Cir. 1977).

⁶⁶ Id. at 400.

⁶⁷ *Spector v. Commissioner*, 641 F.2d 376 (5th Cir. 1981)

⁶⁸ *Lane v. United States*, 535 F. Supp. 397 at 400 (1981) citing *Spector v. Commissioner*, 641 F.2d 376 (5th Cir. 1981).

⁶⁹ *Bramblett v. Commissioner of Internal Revenue*, 960 F.2d 526 (1992)

⁷⁰ Id. at 533.

⁷¹ *Daniel E. Rogers v. Commissioner* 34 TCM 1254 (1975).

employees, and maintained no books or records. The Court concluded in Rogers that "...its business activities, while admittedly minimal, were sufficient to enable it to carry out the purpose for which it was created."

Thus, courts have consistently held that if a corporation has a business purpose it will not be disregarded.

Similarly if Yurta Faf Limited has a business purpose it is unlikely that Yurta Faf Limited will be disregarded.

Since the establishment of Yurta Faf Limited by its shareholders it has conducted the following activities: issued a private annuity,⁷² acquired assets,⁷³ administered the assets,⁷⁴ paid administration fees,⁷⁵ issued a loan,⁷⁶ researched various investment opportunities,⁷⁷ and insulated its shareholders from unlimited liability.⁷⁸

It is more likely than not, under the line of cases cited herein, that these activities will be sufficient for Yurta Faf Limited to be respected as a corporate entity with an existence separate from its shareholders.

⁷² Private Annuity Agreement dated to be effective February 22, 1996.

⁷³ Yurta Faf Limited acquired non-statutory stock options in exchange for issuing a private annuity. Yurta Faf Limited has to market and sell all or some of these non-statutory stock options and invest the proceeds to permit it to have liquid funds to pay the deferred annuity payments.

⁷⁴ Recitation of Financial Statement through September 30, 1996 confirmed by the Directors of Yurta Faf Limited.

⁷⁵ Id.

⁷⁶ Id.

⁷⁷ Id.

⁷⁸ Bramblett v. Commissioner of Internal Revenue 960 F.2d 526 (1992) at pp. 533.

Additionally, the Memorandum of Association of Yurta Faf Limited and the Isle of Man Companies Act of 1986, specifically permit Yurta Faf Limited to develop its business activities further.⁷⁹

As discussed above courts have recognized legitimate business purpose and activity where a corporation's only activities were the mere holding of a lease and title to property and the taking of steps necessary to continue its corporate existence,⁸⁰ and where a taxpayer organized a second corporation to loan and finance the taxpayer's first corporation,⁸¹ and where the only reason for forming a corporation was to obtain financing because the usury laws of a state would otherwise deny a stockholder similar financing in his own name.⁸²

Thus, it is our opinion that Yurta Faf Limited, which has kept separate bank accounts,⁸³ separate corporate records,⁸⁴ issued stock,⁸⁵ elected directors and officers,⁸⁶

⁷⁹ Memorandum of Association of Yurta Faf Limited, Paragraph 5, dated June 23, 1994. Isle of Man Companies Act 1986, Part I Capacity, Powers and Memorandum and Articles, Section 2, paragraphs 1 and 2; and under the Isle of Man Companies Act 1986, Yurta Faf Limited may:

- (a) issue and allot fully or partly paid shares in the company;
- (b) issue debentures of the company;
- (c) distribute any of the property of the company among the members, in kind or otherwise;
- (d) give security by charging uncalled capital;
- (e) grant a floating charge on the undertaking or property of the company;
- (f) procure the company to be registered or recognised as a body corporate in any place outside the Island;
- (g) make provision in connection with cessation of the whole or part of the business of the company, or of any subsidiary of the company, for the benefit of employees or former employees; and

do any other act that it is authorised to do by any statutory provision or rule of law.

⁸⁰ *Commissioner of Internal Revenue v. State-Adams Corp.*, (2nd Cir. 1960) 283 F.2d 395, cert denied, 1961, 365 U.S. 844, reversed a decision of the Tax Court which disregarded the separate existence of a corporation.

⁸¹ *Daniel E. Rogers v. Commissioner* 34 TCM 1254 (1975).

⁸² *Lane v. United States*, 535 F. Supp. 397 (1981).

⁸³ The Directors of Yurta Faf Limited confirmed this fact in a written statement.

⁸⁴ Id.

avoided commingling its funds,⁸⁷ maintained corporate minutes,⁸⁸ engaged in a private annuity transaction,⁸⁹ and insulated its shareholders from unlimited liability,⁹⁰ will more likely than not be held to have a business purpose and have engaged in business activities and will not be disregarded for purposes of the transfer of property by The Tallulah International Trust to Yurta Faf Limited pursuant to the private annuity transaction.

While the present activities of Yurta Faf Limited will more likely than not be recognized as business activities, ~~we caution you that Yurta Faf Limited must continue to conduct its business activities, observe corporate formalities, and maintain its separate corporate existence to continue to be regarded as an independent corporation.~~

⁸⁵ Memorandum of Association of Yurta Faf Limited, dated June 23, 1994.

⁸⁶ Id.

⁸⁷ The Directors of Yurta Faf Limited confirmed this fact in a written statement.

⁸⁸ Id.

⁸⁹ Private Annuity Agreement dated to be effective February 22, 1996.

⁹⁰ Limited liability means that the investors in the corporations are not liable for more than the amount they invest. It encourages capital formation and the entry of more competitors in the marketplace, thus encouraging competition. This incentive exists because the investor is assured that his loss cannot exceed his investment. See Easterbrook & Fischel, *Limited Liability and the Corporation*, 52 U. Chi. L. Rev. 89, 89-90, 98 (1985); R. Clark, *Corporate Law Section 1.1-2*, at Section 1-10 (1986); Posner *The Rights of Creditors of Affiliated Corporations*, 43 U. Chi. L. Rev. 499, 502 (1976).

D. The sole shareholder of Yurta Faf Limited is The Bessie Trust, a foreign settled grantor trust. The Bessie Trust is a grantor trust settled by a nonresident alien, thus Yurta Faf Limited should not be subject to U.S. income taxation under the foreign personal holding company (FPHC) rules, personal holding company (PHC) rules, or Passive Foreign Investment Company (PFIC) rules, because constructive ownership of the shares of Yurta Faf Limited likely resides with the grantor of The Bessie Trust, a nonresident alien, and not with its beneficiaries.

It is our opinion that because of the broad scope of the grantor trust rules, Revenue Rulings involving stock attribution rules for foreign personal holding companies (FPHC's), personal holding companies (PHC's) and general counsel memorandums, constructive ownership of the shares of Yurta Faf Limited likely resides with the grantor of The Bessie Trust and not with its beneficiaries.

The grantor trust rules of Internal Revenue Code Section 671 through Internal Revenue Code Section 679 provide that grantors and not beneficiaries of grantor trusts are taxable as the owners of all items of trust income, deductions, and credits. These grantor trust rules have a sweeping scope, covering all trusts and providing no exceptions.⁹¹ Internal Revenue Code Section 671(a) specifically states:

⁹¹ The 1996 Tax Act revised Internal Revenue Code Section 672(f). The revised Internal Revenue Code Section 672(f) (1) provides "[N]otwithstanding any other provision of this subpart, this subparagraph shall apply only to the extent such application results in an amount (if any) being currently taken into account (directly or through 1 or more entities) under this chapter in computing the income of a citizen or resident of the United States or a domestic corporation." Currently there are no regulations to interpret this statute.

Under the pre-1996 Tax Act grantor trust rules (Internal Revenue Code Sections 671-679), a grantor that retains certain rights or powers was treated as the taxable owner of the trust's assets without regard to whether the grantor is a domestic or foreign person. However, under the newly enacted Internal Revenue Code Section 672(f)(1) notwithstanding a foreign grantor's retention of any grantor powers (other than certain limited powers such as the power to revoke the foreign trust or to have the trust's income distributable to the grantor (or grantor's spouse) during grantor's lifetime), if the foreign trust makes a distribution of income to a U.S. beneficiary the U.S. beneficiary will have taxable income. While this taxation of a U.S. beneficiary of a foreign grantor trust is in contravention of the pre-1996 Tax Act grantor trust regime, it appears that the statute only applies with respect to the taxation of current distributions of income to U.S. beneficiaries. This provision does not appear to disturb the well-established grantor trust rules with respect to constructive ownership of trust assets: Internal Revenue Code Section 672(f)(3)(B) provides that "paragraph (1) shall not apply for purposes of applying section 1296." Internal Revenue Code Section 1296 deals with Passive Foreign Investment Companies. The 1996 Tax Act did not modify the PFIC statute other than to exclude foreign trade income of a foreign sales corporation and export trade income of an export trade corporation from the

"Where it is specified in this subpart that the grantor or another person shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor or the other person those items of income, deductions, and credits against the tax of an individual."

Corresponding regulations explain that since the grantor of a grantor trust has "substantial dominion and control over the trust," the grantor is subject to the tax consequences of the grantor trust *as if the trust did not exist*.⁹² Income Tax Regulation

definition of a PFIC for purposes of the PFIC definition. Consequently, it appears that Internal Revenue Code Section 672(f)(1) does not attribute constructive ownership of an underlying foreign corporation to the U.S. beneficiaries of a foreign trust, and thus PFIC tax consequences should not apply to such U.S. beneficiaries.

Thus, Internal Revenue Code Section 672(f)(3)(b) appears to specifically provide that constructive ownership should be attributed to the foreign grantor of a foreign trust and not its U.S. beneficiaries. In support of this position is the legislative explanation of PFIC stock attribution rules which has not been modified by the 1996 Tax Act. The General Explanation of the Tax Reform Act of 1986, commonly referred to as the Blue Book, was prepared by the staff of the Joint Committee on Taxation and released on May 7, 1987. This publication indicates that, in the cases of a grantor trust, the grantor trust rules should determine the attribution of PFIC stock from a trust:

"In determining stock ownership, a U.S. person is considered to own his or her proportionate share of the stock of a PFIC owned by any partnership, trust, or estate of which the person is a partner or beneficiary (or, in certain cases, grantor) ***In attributing stock owned by a trust, it is intended that the general rules of subchapter J apply. That is, *in the case of a grantor trust, any stock owned by the trust generally shall be attributed to the grantor of the trust*, and any stock owned by a trust which is not a grantor trust shall be attributed to the beneficiaries of the trust." [Emphasis added.]

Thus, it appears that the attribution of PFIC stock as explained in the Blue Book coincides with Internal Revenue Code Section 672(f)(3)(B), and that constructive ownership of foreign grantor trust assets will continue to be attributed to the grantor, although income distributions distributed by a foreign grantor trust to a U.S. beneficiary will be taxable to the U.S. beneficiary.

Alternatively, absent clarifying Income Tax Regulations promulgated under Internal Revenue Code Section 672(f)(3)(B), it is possible that Internal Revenue Code Section 672(f)(3)(B) was intended not to affect attribution of the shares of a foreign corporation underlying a foreign grantor trust, but to insure that PFIC *grantors* would be treated as taxable grantors.

⁹² Income Tax Regulation Section 1.671-2(c) provides: "An item of income, deduction or credit included in computing the taxable income and credits of a grantor or another person under Internal Revenue Code Section 671 is treated as if it had been received or paid directly by the grantor." Income Tax Regulation Section 1.671-3(a)(1) provides that "If a grantor or another person is treated as the owner of an entire trust (corpus as well as ordinary income) he takes into account in computing his

Section 1.671-2(b) states that "...the principle underlying Subpart E (Section 671 and following), Part I, Subchapter J, Chapter 1 of the Code, is in general that income of a trust over which the grantor or another person has retained substantial dominion or control should be taxed to the grantor or other person rather than to the trust which receives the income or to the beneficiary to whom the income may be distributed..." Thus, the underlying principle of the grantor trust rules and taxation of the grantor is that a grantor retaining "substantial dominion and control" over the trust should bear the trust's tax consequences rather than the beneficiary or the trust itself.

General Counsel Memoranda 37228, while not to be relied upon or otherwise cited as precedent by a taxpayer,⁹³ indicates that in the case of a grantor trust the Internal Revenue Service will apply the grantor trust rules to determine the attribution of stock owned by a trust:⁹⁴

"We believe that a grantor who is the owner of a trust under Code Section 671 et seq. must necessarily be considered the owner for Federal income tax purposes of the underlying trust property⁹⁵....[W]e now believe that the conclusion in G.C.M. 34389 that the trust is the *owner of the stock*, rather than the grantor, is incorrect⁹⁶. . . Thus, in cases when the grantor is found to have the requisite power over all 'income' of a trust, the grantor is held to be the owner of the entire trust and, inter alia, is taxed individually on all such income."⁹⁷[Emphasis added.]

General Counsel Memorandum 37228 explains that by stating in the grantor trust rules that the grantor is considered the "owner" of the trust assets "Congress must have meant something more than just being the 'owner' of the 'items of income,

income tax liability all items of income, deduction, and credit (including capital gains and losses to which he would have been entitled *had the trust not been in existence* during the period he is treated as owner." [Emphasis added.]

⁹³ Internal Revenue Code Section 6110(j).

⁹⁴ General Counsel Memorandum 37228 (1977).

⁹⁵ Id. at p. 4.

⁹⁶ Id. at p. 18.

⁹⁷ Id. at p. 26.

deductions, and credits' attributable to such portion. Otherwise, Congress would have enacted language to the effect that the grantor would be treated as 'the taxpayer' with respect to the items of income, deductions, and credits attributable to the appropriate portion of the trust. However, the fact that "owner" is used in the statute, with all its significance for tax purposes, implies that ownership of the trust and its underlying assets is intended by Congress.⁹⁸

When the power causing the trust to be taxed as a grantor trust is later terminated, the trust will become the tax owner and the grantor will be viewed as transferring the interest to the trust.⁹⁹

Thus, it is more likely than not that the grantor will be attributed constructive ownership of the trust assets including constructive ownership of the stock of Yurta Faf Limited.¹⁰⁰

The Internal Revenue Service has applied the grantor trust rules to stock attribution rules for Foreign Personal Holding Companies (FPHC's) and Personal Holding Companies (PHC's).

The grantor of The Bessie Trust, is attributed grantor trust status because a nonadverse party has retained at least two grantor trust powers over the trust:¹⁰¹ (1) the power to cause the trust income to be distributed to the grantor without the approval of an adverse party; and (2) the power to cause trust income or principal to be applied to insurance policies on the grantor's life, as well as other lives.¹⁰² Because a nonadverse

⁹⁸ Id. at p.6.

⁹⁹ Id.

¹⁰⁰ Other instances in which the Internal Revenue Service held that the grantor was the owner of assets in a grantor trust include General Counsel Memorandum 34347 published as Revenue Ruling 70-544, and Revenue Ruling 70-545. In these rulings, pools of mortgages (guaranteed by a mortgage company) were found to be grantor trusts, holders of participation certificates were treated as owners of their proportionate shares of the assets of the trusts, i.e., the mortgages. In O.M. 17909, stock held by a grantor trust was treated as owned by the grantor under Internal Revenue Code Section 368(c). In Revenue Ruling 77-402 the grantor was considered the owner of all the trust property for federal income tax purposes, including the partnership interest held by the trust, and the grantor rather than the trust was considered to be the partner during the time the trust was a "grantor trust."

¹⁰¹ See Footnote 137.

¹⁰² See Footnote 137.

party has retained these requisite grantor trust powers over The Bessie Trust, the grantor, should be attributed grantor trust status and be held to be the owner of the entire trust. Because the grantor is a nonresident alien who is not subject to taxation in the United States, it is unlikely that Yurta Faf Limited will be held to be a Foreign Personal Holding Company (FPHC), Personal Holding Company (PHC), or Passive Foreign Investment Company (PFIC) for United States income tax purposes.

E. It is unlikely that the non-statutory stock options transferred by Mr. Sam Wyly to The Tallulah International Trust, a grantor trust, will be subject to an excise tax under Internal Revenue Code Section 1491; it is similarly unlikely that a subsequent transfer of such non-statutory stock options by The Tallulah International Trust to Yurta Faf Limited in exchange for a private annuity of an equivalent value will be subject to an excise tax under Internal Revenue Code Section 1491.

An excise tax is imposed on certain transfers of appreciated property by a *domestic* entity or individual to a *foreign* corporation when such transfers constitute paid-in surplus or a capital contribution to the foreign corporation; an excise tax is similarly imposed on transfers of appreciated property by a domestic entity or individual to a foreign trust, foreign estate, or foreign partnership.¹⁰³

It is our understanding that Mr. Sam Wyly, a United States citizen and resident, is the grantor of the Tallulah International Trust, a grantor trust, and that he transferred appreciated assets to this trust. The federal income tax treatment of appreciated property transferred by an individual to a foreign trust that is a grantor trust is explained in Research Institute of America Federal Tax Coordinator 2d at Paragraph O-3701 as follows:

"The [excise] tax does not apply to the transfer of appreciated property to a foreign trust if the grantor is treated as the owner of the trust under the grantor trust rules. This is because the grantor, being treated as the owner of the trust, continues to be the owner of the property transferred to the trust. The tax is imposed only at the time the grantor ceases to be the owner of the trust, i.e., when he relinquishes or loses the right or power that caused the grantor trust rules to apply."¹⁰⁴

¹⁰³ Internal Revenue Code Section 1491.

Consistent with this reasoning, the Internal Revenue Service in Revenue Ruling 87-61 ruled that "[T]he transfer...of appreciated property to a foreign trust is not a transfer subject to the tax imposed by section 1491 of the Code because [the grantor] is treated as the owner of the entire trust within the meaning of section 671."¹⁰⁵

As noted above, Mr. Sam Wyly, a United States citizen and resident, transferred appreciated non-statutory stock options to a foreign situs grantor trust, The Tallulah International Trust, of which he is the grantor.¹⁰⁶ The Tallulah International Trust is recognized as a grantor trust under the grantor trust rules of Internal Revenue Code Section 671 through Internal Revenue Code Section 679, and the transferor of the appreciated assets to The Tallulah International Trust is the grantor of The Tallulah International Trust.¹⁰⁷ Thus, Mr. Sam Wyly, who is treated as the owner of the Tallulah International Trust, continues to be the owner of the assets transferred to the trust. Under these circumstances and based on the foregoing, it is our opinion that it is unlikely that the grantor's transfer of appreciated assets to The Tallulah International Trust will be subject to excise tax under Internal Revenue Code Section 1491.

It is our further understanding that The Tallulah International Trust subsequently transferred such non-statutory stock options to Yurta Faf Limited, a foreign corporation, in exchange for a private annuity of an equivalent value. Because this transfer is not paid-in capital or a contribution to capital to Yurta Faf Limited, it is unlikely to be subject to the excise tax under Internal Revenue Code Section 1491.

General Counsel Memoranda 37329 states in pertinent part "[B]y its terms, Code Section 1491 is inapplicable to a foreign corporation [unless] appreciated stocks or securities are transferred *as paid-in surplus or as contributions to capital*."¹⁰⁸ [Emphasis

¹⁰⁴ Research Institute of America Federal Tax Coordinator 2d at Paragraph J-5256.

¹⁰⁵ Revenue Ruling 87-61 at pp. 9.

¹⁰⁶ Factual Recital, supra.

¹⁰⁷ Factual Recital, supra.

¹⁰⁸ General Counsel Memorandum 37329.

GENERAL ASSIGNMENT FROM THE CRAZY HORSE TRUST
TO THE SETTLOR OF THE CRAZY HORSE TRUST.

This General Assignment is dated to be effective the 31st day of December 1996, and is executed by The Crazy Horse Trust through its Trustee Aundyr Trust Company Limited located at Castle Hill, Victoria Road, Douglas, Isle of Man, IM2RB British Isles, as the Assignor, which hereby assigns, transfers, and conveys any and all of The Crazy Horse Trust's interest in the Trust assets to Mr. Sam Wyly, the Assignee and Settlor of The Crazy Horse Trust.

WITNESSETH

WHEREAS, the Trustee has determined that it is in the best interests of all parties to The Crazy Horse Trust to decant such Trust, and assign the Trust assets to the Settlor of The Crazy Horse Trust, Mr. Sam Wyly; and

WHEREAS, the Trustee hereby transfers, conveys, assigns, and sets over to its Settlor, Mr. Sam Wyly, all of The Crazy Horse Trust's assets; and

WHEREAS, The Crazy Horse Trust has acknowledged and agreed that the Assignee, Mr. Sam Wyly, shall assume all of Assignor's duties and performance obligations under any contracts which are part of the Trust assets which have been assigned by The Crazy Horse Trust to Mr. Sam Wyly herein.

NOW THEREFORE, this General Assignment hereby transfers to Mr. Sam Wyly all of The Crazy Horse Trust's right, title, and interest in and to The Crazy Horse Trust's assets which are assigned herein.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 688

WYLY 03601

PSI00009081

Exclusive Right.

1. This Assignment provides the assignee with an exclusive right to collect on any contract right or assets transferred to the Assignee, Mr. Sam Wylly
-

Authority to Act and Collect.

2. Full authority is conferred on Assignee to perform all lawful acts deemed necessary by Assignee, or its agents, including but not limited to acting in accordance with any contract right transferred under this General Assignment, and to collect, receive, and accept any benefits accruing under such contract rights transferred pursuant to this General Assignment.

Assumption of Duties and Obligations.

3. In complete satisfaction of the rights of the Grantor and in consideration for the assumption of the liabilities by such Grantor, The Crazy Horse Trust does hereby assign, transfer, and convey all of its right, title, and interest in and to all of its property, both real and personal, tangible and intangible, whether known or unknown, to the Grantor, Mr. Sam Wylly.

Time of Essence.

4. Time is of the essence in this Assignment.

Effect on Heirs and Successors.

5. This Assignment and each of its provisions shall be binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors, and assigns of the parties to this Assignment.

Amendments to Assignment.

6. This Assignment may only be amended by a writing signed by the party against whom or against whose successors and assigns enforcement of the change is sought.

Effect of Partial Invalidity.

7. If any term, provision, or application of this Assignment is held invalid or unenforceable, the remainder of this Assignment and any application of the terms and provisions shall not be affected thereby, but shall remain valid and enforceable.

Governing Law.

8. This Assignment shall be governed by and construed in accordance with the laws of the Isle of Man.

The Crazy Horse Trust

Trustee

By: *[Signature]*

Mr. Sam Wyly

ACKNOWLEDGMENT OF RECEIPT OF TRUST ASSETS

This Acknowledgment of Receipt of Trust Assets is dated to be effective the 31st day of December 1996 by and between Sam Wyly, and THE CRAZY HORSE TRUST through its Trustee, Aundyr Trust Company Limited, located at Castle Hill, Victoria Road, Douglas, Isle of Man, IM2RB British Isles.

W I T N E S S E T H

WHEREAS, this Instrument is supplemental to The Crazy Horse Trust established on the 21st day of December 1995; and

WHEREAS, the Trustee has transferred, conveyed, and assigned the Trust assets to the Settlor of the Trust, Sam Wyly, pursuant to the General Assignment of December 31, 1996.

NOW THEREFORE, in exercise of the General Assignment transferring the Trust Assets to the Settlor, Sam Wyly, Sam Wyly hereby acknowledges receipt of such Trust Assets, and hereby covenants with the Trustee that he will pay all costs, expenses, duties, impositions, taxes, or other liabilities which are or may become properly payable with respect to such Trust Assets which arise after the effective transfer of the Trust assets from the Trustee to Mr. Sam Wyly

IN WITNESS WHEREOF, the parties have caused their respective Common Seal to be hereunto affixed the day, month, and year first above written.



SAM WYLY

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 688

CONFIDENTIAL
SEC100081304
PSI00093171

ASSIGNEE'S CONSENT AND ACKNOWLEDGMENT TO
ASSUME DUTIES UNDER ANNUITY.

ASSIGNEE'S CONSENT AND ACKNOWLEDGMENT TO ASSUME DUTIES UNDER ANNUITY ("Assignee's Consent") is made and entered into to be effective this 31st day of December 1996 by and between the Assignee of the Private Annuity, Sam Wyly, and the Obligor, LOCKE LIMITED an Isle of Man corporation located at c/o IFG International Limited, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2RB British Isles.

WITNESSETH

WHEREAS, LOCKE LIMITED is the obligor under a private annuity dated to be effective the 22nd day of February 1996; and

WHEREAS, Mr. Sam Wyly is the assignee of such Private Annuity Agreement; and

WHEREAS, Mr. Sam Wyly, is the individual on whose life the Annuity is based; and

WHEREAS, the Obligor, LOCKE LIMITED, agrees and consents to the assignment of the private annuity agreement to Mr. Sam Wyly; and

NOW THEREFORE, Mr. Sam Wyly hereby agrees to assume all of the obligations and duties under such private annuity agreement which is incorporated herein by reference as if fully set forth herein, and it is further agreed as follows:

1. Effective with the execution of this Agreement, Mr. Sam Wyly shall assume all rights and interest in such private annuity agreement.
2. Mr. Sam Wyly shall assume the duties and obligations of such private annuity agreement as if Mr. Sam Wyly were the original party to such private annuity.
3. Should Mr. Sam Wyly die prior to commencement of the annuity payments under the private annuity agreement, all funds remaining shall be the property of LOCKE LIMITED and neither Mr. Sam Wyly, nor the estate of Mr. Sam Wyly or his heirs shall make a claim thereto.
4. In all other respects, this Agreement shall act as a confirmation of the private annuity agreement of February 22, 1996.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 688

CONFIDENTIAL
SEC100081305
PS100093172

OBLIGOR'S CONSENT AND ACKNOWLEDGMENT OF
ANNUITY ASSIGNMENT.

THIS CONSENT AND ACKNOWLEDGMENT OF THE ANNUITY ASSIGNMENT (the "Consent") is made and entered into to be effective this 31st day of December 1996 by and between the Obligor, LOCKE LIMITED, an Isle of Man corporation located at IFG International Limited, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2RB British, and the holder of the Annuity, ~~THE CRAZY HORSE TRUST~~ through its Trustee Aundyr Trust Company Limited located at Castle Hill, Victoria Road, Douglas, Isle of Man, IM2RB British Isles.


WITNESSETH

WHEREAS, THE CRAZY HORSE TRUST is the holder of a private annuity dated to be effective the 22nd day of February 1996; and

WHEREAS, the Trustee intends to assign the private annuity to the grantor of THE CRAZY HORSE TRUST, Mr. Sam Wyly under a General Assignment of Trust Assets; and

WHEREAS, the private annuity agreement dated the 22nd day of February 1996 provides in pertinent part *under Section XVII: Non-assignability by THE CRAZY HORSE TRUST* that "[T]he parties hereby agree that neither this Agreement nor any interest herein shall be either assignable or transferable or capable of being pledged or otherwise encumbered by THE CRAZY HORSE TRUST unless the prior written consent of the Obligor is first obtained."

NOW THEREFORE, in recognition of the foregoing, the Obligor, LOCKE LIMITED, hereby agrees and consents to the assignment of the private annuity agreement from THE CRAZY HORSE TRUST to the grantor of THE CRAZY HORSE TRUST, Mr. Sam Wyly.



LOCKE LIMITED
By: N. J. CARTER
Its: DIRECTOR

CONFIDENTIAL
SEC100081306
PSI00093173

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Sam Wyly (the "Optionee") and East Carroll Limited ("Transferee").

WHEREAS, Sterling Software, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated October 8, 1996 pursuant to which Optionee was issued an option to purchase 3,050,000 shares of the Company's Common Stock at an exercise price of \$14.125 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 1,525,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.

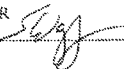
NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$ 13,668,880.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE

OPTION HOLDER

By: 
Sam Wyly

TRANSFeree

East Carroll Limited

By: NIGEL J. CARTER
Title: DIRECTOR 

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 691

Confidential
SEC_ED00005980

PSI_ED00005980

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Sam Wyly (the "Optionee") and Greenbriar Limited ("Transferee").

WHEREAS, Sterling Commerce, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated October 22, 1996 as amended, pursuant to which Optionee was issued an option to purchase 925,000 shares of the Company's Common Stock at an exercise price of \$25.50 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to ~~462,500 shares of the Company's Common Stock ("the Transferred Option Shares")~~ to Transferee in exchange for the cash consideration set forth below.


NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$2,357,657.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: Sam Wyly 

TRANSFeree
Greenbriar Limited

By: _____
Title: _____

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 691

CONFIDENTIAL
HST_PSI023218
[D]

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Sam Wyly (the "Optionee") and Greenbriar Limited ("Transferee").

WHEREAS, Sterling Software, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated March 31, 1997 pursuant to which Optionee was issued an option to purchase 400,000 shares of the Company's Common Stock at an exercise price of \$13.625 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 200,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.


NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$ 1,771,400.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: Sam Wyly 

TRANSFeree
Greenbriar Limited

By: _____
Title: _____

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CONFIDENTIAL
HST_PSI023219
[D]

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Sam Wyly (the "Optionee") and East Carroll Limited ("Transferee").

WHEREAS, Sterling Software, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated October 8, 1996 pursuant to which Optionee was issued an option to purchase 3,050,000 shares of the Company's Common Stock at an exercise price of \$14.125 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 1,525,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.


NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$ 13,668,880.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: Sam Wyly 

TRANSFEREE

East Carroll Limited

By: _____
Title: _____

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CONFIDENTIAL
HST_PSI023220
[D]

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Stargate Ltd. (the "Optionee") and Quayle Limited ("Transferee").

WHEREAS, Sterling Software, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated October 8, 1996 pursuant to which Optionee was issued an option to purchase 1,600,000 shares of the Company's Common Stock at an exercise price of \$14.125 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 800,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.

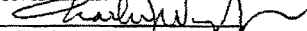
NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$7,170,560.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: 
Charles J. Wyly, Jr.
As General Partner
For Stargate Ltd.

TRANSFeree

Quayle Limited

By: _____
Title: _____

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[D]

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Stargate, Ltd. (the "Optionee") and Elegance Limited ("Transferee").

WHEREAS, Sterling Commerce, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated October 22, 1996 as amended, pursuant to which Optionee was issued an option to purchase 500,000 shares of the Company's Common Stock at an exercise price of \$25.50 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Options for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 250,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.

NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$ 1,274,409.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: 

Charles J. Wyly, Jr.
As General Partner
For Stargate, Ltd.

TRANSFEREE

Elegance Limited

By: _____

Title: _____

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CONFIDENTIAL
HST_PS1023222
[D]

ASSIGNMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the 29th day of September, 1999 between Stargate Ltd. (the "Optionee") and Elegance Limited ("Transferee").

WHEREAS, Sterling Software, Inc. (the "Company") and Optionee have previously executed an Option Agreement dated March 31, 1997 pursuant to which Optionee was issued an option to purchase 200,000 shares of the Company's Common Stock at an exercise price of \$13.625 per share (the "Option"); and

WHEREAS, Optionee has to date exercised the Option for an aggregate of -0- shares and desires to transfer his rights under the Option and the Option Agreement with respect to 100,000 shares of the Company's Common Stock (the "Transferred Option Shares") to Transferee in exchange for the cash consideration set forth below.

NOW, THEREFORE, the parties agree as follows:

Optionee hereby transfers and assigns to Transferee all of the Optionee's rights and interests in the Option and the Option Agreement with respect to the Transferred Option Shares in consideration of the cash payment by Transferee of the sum of \$885,700.

Transferee agrees to assume and to be bound by all of Optionee's obligations under the Option Agreement with respect to the Transferred Option Shares.

EXECUTED AS OF THE DATE SET FORTH ABOVE.

OPTION HOLDER

By: 

Charles J. Wyty, Jr.
As General Partner
For Stargate Ltd.

TRANSFeree

Elegance Limited

By: _____

Title: _____

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3648

9/30/99	Sam	Charles	Total	To. <u>Sam</u> <u>Charles</u>
SSW # Shs	1,525,000	800,000	2,325,000	---FINAL---
Maturity Date	10/08/06	10/08/06		Copy <u>Elaine</u>
Exercise Price	14.1250	14.1250		<u>Keeley</u>
Market	20.4375	20.4375		<u>Michelle B.</u>
Spread	6.3125	6.3125		
Black Scholes	<u>8.963</u>	<u>8.9632</u>		
Sales Price	<u>13,868,860</u>	7,170,560	20,839,440	From <u>Sam</u>
Federal Taxes	5,412,876	2,839,542	8,252,418	<i>Shan</i>
Net Proceeds	<u>8,256,004</u>	<u>4,331,016</u>	<u>12,587,022</u>	
SSW # Shs	200,000	100,000	300,000	
Maturity Date	3/31/07	10/08/06		
Exercise Price	13.6250	13.6250		
Market	20.4375	20.4375		
Spread	6.8125	6.8125		
Black Scholes	<u>8.857</u>	<u>8.8570</u>		
Sales Price	<u>1,771,400</u>	<u>885,700</u>	<u>2,657,100</u>	
Federal Taxes	39.60% 701,474	350,737	1,052,212	
Net Proceeds	<u>1,069,926</u>	<u>534,963</u>	<u>1,604,889</u>	
SE # Shs	462,500	250,000	712,500	
Maturity Date	10/22/03	10/22/03		
Exercise Price	25.5000	25.5000		
Market	19.0525	19.0525		
Spread	(6.4375)	(6.4375)		
Black Scholes	<u>5.098</u>	<u>5.0976</u>		
Sales Price	<u>2,357,657</u>	1,274,409	3,632,066	
Federal Taxes	39.60% 933,632	504,666	1,438,298	
Net Proceeds	<u>1,424,025</u>	<u>769,743</u>	<u>2,193,768</u>	
Total Sales Price/Redeem				
Maverick (M) or Agencies (A) (M)	17,797,937 (A)	9,330,869	27,128,806	
Total Federal Taxes	7,047,983	3,894,945	10,742,928	
Total Net Proceeds	<u>10,749,954</u>	<u>5,635,724</u>	<u>16,385,678</u>	
Nations Debt 9/27/99				
Debt	(13,073,500)	(11,950,000)	(25,023,500)	
Bank Collateral Value	13,385,405	10,831,643	24,217,048	
Margin Available	311,905	(1,118,357)	(806,452)	
Nations Debt After Paydown				
Pay down Debt	* 2,700,000 *	4,000,000	6,700,000	* Sam & Charles - Elaine will not paydown debt without reviewing with you
New Margin Available	<u>3,011,905</u>	<u>2,881,643</u>	<u>5,893,548</u>	
New Collateral - 40% Maverick	6,039,175	2,132,268	8,171,443	
Margin Available (Re-negotiate) **	<u>9,051,080</u>	<u>5,013,911</u>	<u>14,064,991</u>	** Elaine - Need to talk to Marie about repositioning the credit line
Maverick				*** Elaine - Need to have instructions @ Nations to turn money around as soon as hits to Maverick USA. Need to complete subscription docs. talk to me about side letter
Offshore Redemption Amt	17,797,937	-	17,797,937	
Offshore Redemption-SSW Call/Other	15,100,000	-	15,100,000	
S-Total Redeem	<u>32,897,937</u>	<u>-</u>	<u>32,897,937</u>	
Onshore Contribution	8,049,954	1,635,724	9,685,678	
Federal Tax (Temporary until 1/1)	<u>7,047,983</u>	<u>3,894,945</u>	<u>10,742,928</u>	
S-Total Contribute **	<u>15,097,937</u>	<u>5,330,669</u>	<u>20,428,606</u>	
Net Redemption Maverick	<u>(17,800,000)</u>	<u>5,330,669</u>	<u>(12,469,331)</u>	
IMPORTANT --- Money Movement:				
Maverick Prime Broker -->Maverick Bank of Bermuda-->Lehman's on Friday (Michelle B.)				
Lehmans --> Wyty --> Maverick Fund USA on Monday (Michelle & Elaine)				

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 691

CONFIDENTIAL
HST_PSI089318

3649

EAST CARROLL LIMITED

(Incorporated in the Isle of Man No: 57929)

Directors:

N.J. Carter
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL
CONFIRMATION OF FACSIMILE

***** FACSIMILE TRANSMISSION *****

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Page 1 of (Total Sent)

Date: 1st October, 1999.

Time Sent:

Fax No: 001 214 720 9464
Operator Ref: INST 1 DISB 1100

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN / CINDY MURDOCK

FROM: EAST CARROLL LIMITED

REF: KJ/SLD/EASTC-F4

RE: ACCOUNT NO: 837-20093-19

We are anticipating receipt in our above numbered account of an amount from Maverick Fund following a redemption made by this Company therein.

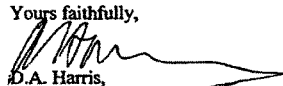
Subject to receipt of the sum, will you please realise a sufficient sum from our account to make the following transfer:-

Amount: US\$13,668,880
(Thirteen Million, Six Hundred and Sixty Eight Thousand
Eight Hundred and Eighty US Dollars only)
Bank: Bank of America
ABA No: 311093120
Account No: 1292911022
Account Name: Sam Wylly

We look forward to receiving confirmation when the above transfer has been made. However, should you have any other requirements in the matter please do not hesitate to let me know.

It is confirmed the original of this instruction is being sent to you by courier.

Yours faithfully,


D.A. Harris,
Authorised Signatory.

CONFIRMATION OF FACSIMILE


N.J. Carter,
Director.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 019988

04/10 '99 16:21 01624 624469

002/002

GREENBRIAR LIMITED

(Incorporated in the Isle of Man No:60403)

Directors:

N.J. Carter
N. Goddard (Irish)
J.M. Watterson

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

Ref: KH/SLD/GREEN-L3.1

4th October, 1999.

Michelle Crittenden
Lehman Brothers Inc.
2500 Chase Tower,
2200 Ross Avenue,
Dallas,
Texas 75201,
U.S.A.

To be transmitted by Facsimile
Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,

RE: BROKERAGE ACCOUNT NO: 837-20444-15 222

Please attend to the following Telegraphic Transfer of funds, for value today:-

Amount:	US\$2,357,657 (Two Million, Three Hundred and Fifty Seven Thousand, Six Hundred and Fifty Seven US Dollars)
Payee:	Bank of America
ABA No:	31193120 111000025
For credit of account:	Sam Wily
Account No:	1292911022
By order of:	Greenbriar Limited
Reference:	Sterling Commerce Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,



Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 021648

3651

GREENBRIAR LIMITED

(Incorporated in the Isle of Man No:60403)

Directors:

N.J. Carter
N. Goddard (Irish)
J.M. Watterson

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL

Ref: KH/SLD/GREEN-L2.1

4th October, 1999.

Michelle Crittenden
Lehman Brothers Inc.
2500 Chase Tower,
2200 Ross Avenue,
Dallas,
Texas 75201,
U.S.A.

To be transmitted by Facsimile
Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,


RE: BROKERAGE ACCOUNT NO: 837-20444-15 222


Please attend to the following Telegraphic Transfer of funds, for value today:-

Amount:	US\$1,771,400 (One Million, Seven Hundred and Seventy One Thousand, Four Hundred US Dollars)
Payee:	Bank of America
ABA No:	31193120
For credit of account:	Sam Wyly
Account No:	1292911022
By order of:	Greenbriar Limited
Reference:	SSW Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,


J.M. Watterson,
Director.


N.J. Carter,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 021720

1-OCT-99 FRI 17:23

+44-1624-620588

P. 2


TRIDENT TRUST
 ISLE OF MAN

fw/jdc-10/0894-03L

TRIDENT TRUST COMPANY (I.O.M.) LTD

Our Ref:

P.O. Box 125

Your Ref:

12-14 Finch Road

1 October 1999

Douglas IM99 1TT

Isle of Man

British Isles

Tel +44-1624-646700

Fax +44-1624-620588

Email iom@tridenttrust.com

Web www.tridenttrust.com

 The Manager
 Lehman Bros. Inc
 2200 Ross Avenue
 2500 Texas
 Commerce Tower
 Dallas 75201, Texas
 USA

Transmitted by facsimile

To: +1 - 214 - 7209464

Original follows by post

TELEGRAPHIC TRANSFER/OUTWARD

Attention: Ms M Crittenden/ Ms C Patrick

Dear Sir/Madam

ELEGANCE LIMITED - BROKERAGE ACCOUNT NUMBER 837-20332 (USD)

 Please attend to the following telegraphic transfer of funds from the above-mentioned account, for value
 Monday 4 October 1999:-

<u>AMOUNT</u>	: \$1,274,409.00 (One million two hundred and seventy-four thousand four hundred and nine US Dollars)
<u>PAYEE</u>	: Bank of America, Dallas, TX
<u>ABA NUMBER</u>	: 311095720 111000025
<u>FOR CREDIT OF ACCOUNT</u>	: Sturgate Limited
<u>ACCOUNT NUMBER</u>	: 001293126422
<u>BY ORDER OF</u>	: Elegance Limited
<u>REFERENCE</u>	: SE Options

Please advise us at the above address when these instructions have been executed.

 Yours faithfully
 TRIDENT TRUST COMPANY (I.O.M.) LIMITED
 Per:

 F WEBB
 Authorised Signatory

 R SCOTT
 Authorised Signatory

A MEMBER OF THE TRIDENT TRUST GROUP

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 019661

1-OCT-99 FRI 17:23 +44-1624-620588

P. 3


TRIDENT TRUST
 ISLE OF MAN

TRIDENT TRUST COMPANY (I.O.M.) LTD

fw/jdc-10/0894-04L

P.O. Box 175

Our Ref:

12-14 Finch Road

Your Ref:

Douglas IM99 1TT

1 October 1999

Isle of Man

British Isles

Tel +44-1624-646700

Fax +44-1624-620588

Email iom@tridenttrust.com

Web www.tridenttrust.com

 The Manager
 Lehman Bros. Inc.
 2200 Ross Avenue
 2500 Texas
 Commerce Tower
 Dallas 75201, Texas
 USA

 Transmitted by facsimile
 To: +1 - 214 - 7209464
 Original follows by post

Attention: Ms M Crittenden/ Ms C Patrick

TELEGRAPHIC TRANSFER/CUTWARD PAYMENT

Dear Sir/Madam

ELEGANCE LIMITED - BROKERAGE ACCOUNT NUMBER 837-20332 (USD)

 Please attend to the following telegraphic transfer of funds from the above-mentioned account, for value
 Monday 4 October 1999:-

AMOUNT	: \$885,700.00 (Eight hundred and eighty five thousand seven hundred US Dollars)
PAYEE	: Bank of America, Dallas, TX
ABA NUMBER	: 331093120 111 000025
FOR CREDIT OF ACCOUNT	: Stargate Limited
ACCOUNT NUMBER	: 001293126422
BY ORDER OF	: Elegance Limited
REFERENCE	: SSW Options

Please advise us at the above address when these instructions have been executed.

 Yours faithfully
 TRIDENT TRUST COMPANY (I.O.M.) LIMITED
 Per:

 F WEBB
 Authorised Signatory

 R SCOTT
 Authorised Signatory

A MEMBER OF THE TRIDENT TRUST GROUP

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 019666

3654

QUAYLE LIMITED

(Incorporated in the Isle of Man No: 57000)

Directors:

N.J. Carter
N. Goddard (Irish)
J.M. Watterson

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL

Ref: KH/SLD/QUAYL-L.1

4th October, 1999.

Michelle Crittenden
Lehman Brothers Inc.
2500 Chase Tower,
2200 Ross Avenue,
Dallas,
Texas 75201,
U.S.A.

To be transmitted by Facsimile
Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,

RE: BROKERAGE ACCOUNT NO: 837-20447-12 222

Please sell Federal Agency Bonds to raise the sum of US\$7,170,560 (Seven Million, One Hundred and Seventy Thousand, Five Hundred and Sixty US Dollars).

The funds realised from the sale of the Agency Bonds should be utilised to fund the following telegraphic transfer, for value today.

Amount: US\$7,170,560
(Seven Million, One Hundred and Seventy Thousand, Five Hundred and Sixty US Dollars)

Payee: Bank of America
Dallas,
Texas,
U.S.A

ABA No: 311093120
For credit of account: Stargate, Ltd.
Account No: 001293126422
By order of: Quayle Limited
Reference: Sterling Software Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,

J.M. Watterson,
Director.


N.J. Carter,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 692

CC 024086

06/12/02 05:07 PM

----- Original Message -----

From: <khennington@...>
To: <MBouchex@...>
Sent: Wednesday, June 12, 2002 4:48 PM
Subject: CA Audit

```
> If he comes back asking for the owners of the companies, I plan to give
him
> the trustees name. Let me know what you think.
>
>
```

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> recipients is not authorized and may be unlawful.

75,000 84
28.25

seed 1/2 Cont.

	14.125	13.625	14.125	13.625
SW	3,250,000	3,250,000	3,250,000	3,250,000
Chorul	400,000	400,000	400,000	400,000
org.	1,600,000	1,600,000	1,600,000	1,600,000
200,000	200,000	200,000	200,000	200,000
14.125	13.625	14.125	13.625	14.125
800,000	800,000	800,000	800,000	800,000
450,720	450,720	450,720	450,720	450,720
56,340	56,340	56,340	56,340	56,340
859,135	859,135	859,135	859,135	859,135
112,680	112,680	112,680	112,680	112,680
84,510	84,510	84,510	84,510	84,510

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 700

CONFIDENTIAL
SECI00028138
PSI00040005

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 30, 2002 12:57 PM
To: "Keating, Stephen"
Subject: RE: FW: Wyly Agreements

Will do - thanks. Once it is final we will send the withholding money.

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"Keating, Stephen" <[REDACTED]>
10/30/02 03:01 PM

To: <khennington@[REDACTED]>
cc:
Subject: RE: FW: Wyly Agreements

Unfortunately I'm in Brazil this week. Aren't I lucky. You can send to my NY fax # 631 342 4854.

Thanks steve

-----Original Message-----

From: khennington@[REDACTED]
Sent: Wednesday, October 30, 2002 3:52 PM
To: Keating, Stephen
Subject: RE: FW: Wyly Agreements

Are you in Dallas or FW. I will send you a copy

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 702

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SEC_ED00011051

PSI_ED00011051

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"Keating,
Stephen"
<khennington@...>
cc: ...
Agreements Subject: RE: FW: Wylly

10/30/02 02:22

PM

Keeley,
I understand you received the revised letter from the attorney's.. I haven't seen it.
Could you fax a copy to me. I trust everything is fine with it..

Thanks Steve

-----Original Message-----
From: khennington@...
Sent: Tuesday, October 01, 2002 6:03 PM
To: Keating, Stephen
Subject: RE: FW: Wylly Agreements

Just making sure you got these.

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SEC_ED00011052

PSI_ED00011052

3658

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

"Keating,
Stephen"
[REDACTED]
[REDACTED]
Agreements
09/23/02 10:56
AM

To: <khennington@[REDACTED]>
cc:
Subject: RE: FW: Wyly

Thanks Keeley. You can send the agreements to me in NY.:

Computer Associates
1 CA Plaza
Islandia, NY 11749

I'll check with Steve Woghin on the letter agreement..

Steve K

-----Original Message-----
From: khennington@[REDACTED]
Sent: Monday, September 23, 2002 11:08 AM
To: Keating, Stephen
Subject: RE: FW: Wyly Agreements

Steve - I finally have the Agreements to Transfer Stock Options -
where
would you like me to send them? We should have directors for you
shortly.
Any word on the letter agreement?

Keeley

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SEC_ED00011053

PSI_ED00011053

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"Keating,
Stephen"
<khennington [REDACTED]>
[REDACTED]
Agreements [REDACTED]
08/20/02 12:13
PM

To:
cc:
Subject: RE: FW: Wylly

Keeley,

Yes, I do need the info on the officers and directors of the Isle of Mann companies.

Steve Woghin passed on the changes of the letter agreement to the attorneys and haven't heard back. I'll check with him where it stands.

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PSI_ED00011054

3660

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

I'm in Dallas this week if you need to reach me. 214 [REDACTED]

Steve K.

-----Original Message-----
From: khennington [REDACTED]
Sent: Tuesday, August 20, 2002 10:44 AM
To: Keating, Stephen
Subject: Re: FW: Wily Agreements

Steve - these look fine - we will get working on signatures. I think I owe you info on officers and directors which we are gathering. We also were going to re-do the letter agreement to make the few corrections we discussed. Is this it ?

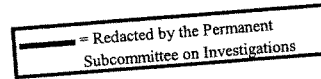
Thanks for your help.

Keeley

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SEC_ED00011055

PSI_ED00011055

3661



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"Keating,
Stephen"
<khenningto [REDACTED]>
[REDACTED]
Agreements

To:
cc: "Macri, Glenn"
Subject: FW: Wily

08/19/02 03:56

PM

Confidential
SEC_ED00011056

PSI_ED00011056

3662

Hi Keeley,

We had Glenn Macri, in our legal department, put together a revision to your agreement. Please have Sam, Charles, Greenbriar and Quayle sign them and return to us for signature.

Thanks Steve K

-----Original Message-----
From: Macri, Glenn
Sent: Monday, August 19, 2002 11:07 AM
To: Keating, Stephen
Subject: Wyly Agreements

Hello Stephen:

Here are the four Wyly option transfer agreements. ; Do you need any of

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SEC_ED00011057

PSI_ED00011057

3663

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the
other documents back?

Regards,

Glenn V. Macri, Esq.
Computer Associates
Associate Counsel
Legal Department
tel: +1 631 342 2466
fax: +1 631 342 4866
glenn.macri: [REDACTED]
; <<Wyly Bros. Options Transfer.doc>> (See attached file: Wyly
Bros.
Options Transfer.doc)

<< File: Wyly Bros. Options Transfer.doc >>

Confidential
SEC_ED00011058

PSI_ED00011058

3664

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Keeley Hennington To: jay.diamond@ , susan.bynes@
07/21/2000 08:17 AM cc:
Subject:

----- Forwarded by Keeley Hennington/htst on 07/21/00 10:17 AM -----

Keeley Hennington To: jay.diamond@
08/20/00 11:41 AM cc:
Subject:

Here is the information you requested. Please let me know if there is anything else you need.



option-ca.xls

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 706

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SEC_ED00081631

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PSI_ED00081631

3665

Options Owner		SSW # Options	SSW Exercise	Expiration	CA # Options	CA Exercise
Elegance Limited	CW	100,000	13.625	3/31/2007	56,340	24.1835
Quayle Limited	CW	800,000	14.125	10/8/2006	450,720	25.0710
East Carroll Limited	SW	1,525,000	14.125	10/8/2006	859,185	25.0710
Greenbriar Limited	SW	100,000	13.625	3/31/2007	56,340	24.1835

Shares Owner						
Quayle Limited	CW	100,000	n/a	n/a	56,340	n/a
Dortmund Limited (you probably do not need this one)	EW	16,000	n/a	n/a	9,014	n/a

Confidential
SEC_ED00081632

CONFIDENTIAL
PSI_ED00081632

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From: Keeley Hennington
Sent: Monday, July 29, 2002 3:39 PM
To: Stacey Wittrup
Subject: RE: options

Here is the ordinary income for Sam and Charles and the amount of withholding they will have to pay over to CA

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----- Forwarded by Keeley Hennington/hst on 07/29/02 04:39 PM -----

"Keating, Stephen" [REDACTED] <[REDACTED]>
07/29/02 04:14 PM

To: khennington [REDACTED]
cc: "Zar, Ira" [REDACTED]
Subject: RE: options

Keeley,

Option certificates will be mailed tomorrow to Greenbriar and Quayle Ltd. I will fax you a copy of each.

EY says the options prices are OK.

Here are the withholdings for the W-2's on the option sales:

Sam:

Gross: 2,542,802
Fed: 980,176.95
SS: 5,263.80
Med: 36,870.63

Total w/h: 1,022,311.38

Charles:

Gross: 1,325,838
Fed: 510,428.85
SS: 5,263.80
Med: 19,224.65

Total w/h: 534,917.30

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 707

Confidential
SEC_ED00010326

PSI_ED00010326

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Total for both: 1,557,228.68

Will need addresses for both. Also SS# on Charles.

Also, I still don't understand the event where Charles is CONTRIBUTING his options to Stargate on June 15, 1999. Why was there no taxable event ??

I'll fax you the w/h statements.

We can always take care of this next week but if you want to call me I'll be around Tues and Wed.

Steve

-----Original Message-----

From: Khennington [REDACTED]
Sent: Friday, July 26, 2002 10:30 AM
To: Keating, Stephen
Subject: RE: options

Thanks Steve - the certificates should go straight to the companies. I have put the addresses below. I will send a message off to the company's to get the paperwork you have requested. Will wait to hear from you on the other.

Greenbriar Limited
c/o Aundyr Trust Company
Attn: Dav id Harris
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
British Isles IM2 4RB

Quayle Limited
c/o Trident Trust Company
Attn: Francis Webb
PO Box 175
12-14 Finch Road
Douglas, Isle of Man
British Isles, IM 199 7TT

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SEC_ED00010327

PSI_ED00010327

3668

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Subcommittee on Investigations

"Keating,

Stephen"

To:

khennington [REDACTED]

cc:

Subject: RE: options

07/24/02

09:08

AM

Keeley,

For the stock option certificates I need to get the addresses of the Isle of Mann companies. Do you want us to send the certificates straight to you or send to the Isle of Mann ?? Also, I need to get from you the incorporation papers on the companies with the officers and directors.

I'm waiting to hear from the EY people on whether the value of the options are OK. Once I hear I'll get the withholding tax amounts.

And I'm working on changing the letter.

Steve

-----Original Message-----

From: khennington [REDACTED]
Sent: Wednesday, July 24, 2002 11:40 AM
To: Keating, Stephen
Subject: options

Steve - Well, that was a fun evening. I have the values of the options and would like to fax them to you but need a fax number (not sure if you are in NY). The only difference you will notice between this value and the 99 values is there is no discount off the price of the stock since there are no restrictions on the stock. It is a straight black sholes value based on yesterday's closing price. Please let me know and I will send to you and we can discuss.

Confidential
SEC_ED00010328

PSI_ED00010328

3669

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Thanks
Keeley

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Confidential
SEC_ED00010329

PSI_ED00010329

3670

Computer Associates Options
July 23, 2002

Stock Price Close	8.08				
			shares	price	total
Sam Wyly	CA strike 25.071 exp. 10/6/06		859,185	2.5766	2,213,776
Sam Wyly	CA strike 24.1835 exp. 3/31/07		112,680	2.92	329,026
					2,542,802
Charles Wyly	CA strike 25.071 exp. 10/6/06		450,720	2.5766	1,161,325
Charles Wyly	CA strike 24.1835 exp. 3/31/07		56,340	2.92	164,513
					1,325,838
					3,868,640

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 707

Confidential
SEC_ED00010321

PSI_ED00010321

STERLING COMMERCE, INC.
1996 STOCK OPTION PLAN

Stock Option Agreement

This Stock Option Agreement (the "Agreement") is entered into by and between Sterling Commerce, Inc., a Delaware corporation (the "Company"), and Sam Wyly (the "Participant"). The Company and the Participant agree as follows:

1. Grant of Stock Option. Pursuant to a duly adopted resolution of the Special Stock Option Committee on February 12, 1996 (the "Date of Grant"), the Company hereby grants to the Participant, upon the terms and conditions set forth below and subject to the terms and conditions of the Company's 1996 Stock Option Plan (the "Plan"), an option (the "Stock Option") to purchase from the Company a total of 3,000,000 shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), at an exercise price per share (the "Option Price") equal to the price per share to the public of the shares of Common Stock offered and sold by the Company in the underwritten initial offering of the Common Stock ("IPO"). Notwithstanding the foregoing, this Stock Option will be effective on the date on which the purchase and sale of the Common Stock pursuant to the IPO first occurs and may not be exercised prior to such date. Any terms, when used in this Agreement with initial capital letters but not defined herein, have the same meanings as in the Plan, the provisions of which are incorporated into this Agreement by reference. The Participant acknowledges receipt of a copy of the Plan.

2. Time of Exercise. The Stock Option may be exercised, in whole or in part, at any time on or after the date on which this Stock Option becomes effective, as provided in Section 1, without regard to whether the Participant is an employee of the Company or any Subsidiary at the time of exercise. In no event may the Stock Option be exercised in whole or in part, however, after the expiration of the term described in Section 3 below.

3. Term. The Stock Option will expire and all rights under this Agreement will terminate on the tenth anniversary of the Date of Grant.

4. Restrictions on Exercise. The Stock Option:

(a) may be exercised only with respect to full shares and no fractional shares of Common Stock will be issued upon exercise of the Stock Option; and

(b) may be exercised in whole or in part, but no certificates representing shares subject to the Stock Option

will be delivered if any requisite registration with, clearance by, or consent, approval or authorization of, any governmental authority of any kind having jurisdiction over the exercise of the Stock Option, or issuance of securities upon such exercise, has not been obtained or secured.

5. Manner of Exercise. The Stock Option may be exercised by written notice to the Company of the number of shares being purchased and the Option Price to be paid, accompanied by full payment of the Option Price (a) in cash or by check acceptable to the Company, (b) by the transfer to the Company of shares of Common Stock owned by the Participant for at least six months and having an aggregate fair market value per share at the date of exercise equal to the aggregate Option Price (provided that the payment method described in this clause (b) will not be available at any time that the Company is prohibited from purchasing or acquiring such shares of Common Stock), or (c) by a combination of any of the foregoing, provided that payment of the Option Price may also be made by deferred payment from the proceeds of sale through a bank or broker of some or all of the shares to which the exercise relates. Any federal, state or local taxes required to be paid or withheld at the time of exercise will be paid or withheld in full prior to any delivery of shares upon exercise.

6. Transferability of Stock Options. This Stock Option may be transferred by the Participant on five days prior written notice to the Company.

7. Rights as Stockholder. Neither the Participant nor any of the Participant's beneficiaries will be deemed to have any rights as a stockholder with respect to any shares covered by the Stock Option until the issuance of a certificate to the Participant for such shares.

8. Adjustments. The number of shares of Common Stock covered by the Stock Option evidenced by this Agreement, and the Option Price thereof, will be subject to adjustment as provided in the Plan. No adjustment will be made for dividends or other rights for which the record date is prior to the issuance of the certificate of certificates representing shares issued pursuant to the Stock Option.

9. Rights in Event of Death of Participant. In the event of the death of the Participant, the Stock Option may be exercised by the Participant's estate or a person who acquired the right to exercise the Stock Option by bequest or inheritance or by reason of the death of the Participant. In no event may the Stock Option be exercised after the expiration date set forth in Section 3.

10. Stock Purchased for Investment. Unless the shares are covered by a then current and effective registration statement under the Securities Act of 1933, as then in effect, the Participant, by accepting the Stock Option, represents, warrants, covenants and agrees on behalf of the Participant and the Participant's transferees that all shares of Common Stock purchased upon the exercise of the Stock Option will be acquired for investment and not for resale or distribution, and that upon ~~each exercise of any portion of the Stock Option, the person~~ entitled to exercise the same will furnish evidence satisfactory to the Company (including a written and signed representation) to the effect that the shares are being acquired in good faith for investment and not for resale or distribution. The Participant agrees to furnish or execute such documents as the Company in its discretion deems necessary to (a) evidence such exercise of the Stock Option, (b) determine whether registration is then required under the Securities Act of 1933, as then in effect, and (c) comply with or satisfy the requirements of the Securities Act of 1933, or any other federal, state or local law, as then in effect.

11. Notices. Each notice relating to this Agreement will be in writing and delivered in person or by certified mail to the proper address. Each notice will be deemed to have been given on the date it is received. Each notice to the Company will be addressed to it at its principal office, now 8080 North Central Expressway, Suite 1100, Dallas, Texas 75206, attention of the Secretary. Each notice to the Participant or other person or persons then entitled to exercise the Stock Option will be addressed to the Participant or such other person or persons at the Participant's address specified below. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

12. Employment. This Agreement does not confer upon the Participant any right to be employed or to continue in the employ of the Company or any Subsidiary, nor does it in any way interfere with the right of the Company or any Subsidiary to terminate the employment of the Participant at any time.

13. No Obligation to Exercise Stock Option. This Agreement does not impose any obligation upon the Participant to exercise the Stock Option.

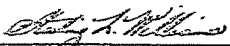
14. Amendments. The Special Stock Option Committee may, without the consent of the Participant, amend this Agreement, or otherwise take action, to accelerate the time or times at which the Stock Option may be exercised, to extend the term described in Section 3 above, to waive any other condition or restriction applicable to the Stock Option or to the exercise of the Stock Option, to reduce the Option Price and to make any other change

permitted to be made under the Plan without the consent of the Participant; and may amend the Agreement in any other respect with the consent of the Participant.

15. Governing Law. This Agreement is intended to be performed in the State of Texas and will be construed and enforced in accordance with and governed by the laws of such State, except as to matters of corporate law, which will be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the 12th day of February, 1996.

STERLING COMMERCE, INC.

By: 
Sterling L. Williams
Chairman and Chief Executive Officer

PARTICIPANT:

By: 
Sam Wyly

Social Security Number: _____

Address for Notice:

3675

From: Shari Robertson
Sent: Thursday, February 17, 2000 5:03 PM
To: mboucher@[REDACTED]
Subject: Wyly Sterling Commerce Options
Attach: wyly options.doc

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Would you run me a purchase sale history in total return on all the entities that own SE Options and fax it to me. Didn't Ramona own and exercise some SE options? I'm wondering if that is the elusive 188,333 shares. I almost think I remember Elegance maybe exercising and selling some shares too.

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----- Forwarded by Shari Robertson/Maverick on 02/17/2000 03:55 PM -----

"Jeanette Peplowski" <[REDACTED]>
02/17/2000 11:55 AM

To: Shari Robertson/[REDACTED]
cc: "Al Hoover" [REDACTED]
Subject: Wyly Sterling Commerce Options

Shari--as I mentioned in my voice mail to you, I hope that you can help reconcile the Wyly's holdings with respect to Sterling Commerce options. Attached is a chart outlining their holdings. Please phone me at 614-[REDACTED] to discuss. This is very time-sensitive and I need to finalize this issue today. Thank your in advance for your help.

(See attached file: wyly options.doc)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 710

MAV007928

3676

- wylly options.doc

MAV007929

	DATE	PRICE	HELD	ACCOUNTED
Evan was granted 200,000 options on 2/12/96				
Evan Wyly				
Atlantis Limited:	2/12/96	\$24.00	200,000	.....200,000
Sam was granted 3,000,000 on 2/12/96 and 1,000,000 on 10/22/96				
Sam Wyly	10/22/96	\$25.50	462,500	
The Cheryl R. Wyly Trust	10/22/96	\$25.50	75,000	
Greenbriar Limited	10/22/96	\$25.50	462,500	.....1,000,000
Moberly Limited	2/12/96	\$24.00	2,300,000	
Devotion Ltd.:	2/12/96	\$24.00	123,333	.....2,423,333
				Need to account for 576,667
Charles was granted 1,600,000 on 2/12/96 and 500,000 on 10/22/96; our records reflect that he does not hold options in his name.				
Charles Wyly				
Elegance Limited	2/12/96	\$24.00	61,667	
Elysium Limited	2/12/96	\$24.00	1,350,000	.....1,411,667
				Need to account for 188,333
Stargate Limited	10/22/96	\$25.50	250,000	
Elegance Limited	10/22/96	\$25.50	250,000	.....500,000

MAV007930

3678

From: Shari Robertson
Sent: Thursday, February 17, 2000 6:01 PM
To: mboucher@[REDACTED]
Subject: SE
Attach: se.xls

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

I just need to know when these options were exercised and sold.

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MAV007931

Issue Amounts		Sam	Evan	Charles	Cheryl
Date	2/12/96	2/12/96	2/12/96	2/12/96	
Amount	3,000,000	200,000	1,600,000		
Date	10/22/96		10/22/96		
Amount	1,000,000		500,000		
Transfer 3/7/96	4,000,000	200,000	2,100,000	-	
Transfer	(3,000,000)	(200,000)	(1,600,000)		
Transfer 9/99	(75,000)				75,000
Balance US	(462,500)		(250,000)		
	462,500	-	250,000		75,000
Transfer	3/7/96	3/7/96	3/7/96	3/7/96	3/7/96
Date	3/000,000	200,000	1,600,000		
Amount	Crazy Horse	Scotty Trust	Little Woody		
Transfer					
Date 3/7/96					
Amount	3,000,000	200,000	1,600,000		
Transferee	Moberly	Atlantis	Elysium		
Date 9/99					
Amount	462,500		250,000		
Transferee	Greenbriar		Elegance		
Total	3,462,500	200,000	1,850,000		
Holding now					
Greenbriar	462,500				
Moberly	2,300,000				
Devotion	123,333				
Atlantis		200,000			
Elegance			61,667		
Elysium			250,000		
Total Current	2,865,833	200,000	1,350,000		
			1,661,667		

MAV007932

Exercise/Sold? 578,667 - 188,333

3680

MAV007933

3681

From: Shari Robertson
Sent: Thursday, February 17, 2000 6:01 PM
To: Jeanette Peplowski [REDACTED]
Subject: Re: Wyly Sterling Commerce Options
Attach: wyly options.doc

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

I can tell you that these options were exercised and sold. I'm getting the back up of the dates and amounts. Let me know if you need this.

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"Jeanette Peplowski" [REDACTED]
02/17/2000 11:55 AM

To: Shari Robertson [REDACTED]
cc: "Al Hoover" [REDACTED]
Subject: Wyly Sterling Commerce Options

Shari--as I mentioned in my voice mail to you, I hope that you can help reconcile the Wyly's holdings with respect to Sterling Commerce options. Attached is a chart outlining their holdings. Please phone me at 614/[REDACTED] to discuss. This is very time-sensitive and I need to finalize this issue today. Thank you in advance for your help.

(See attached file: wyly options.doc)

MAV007934

3682

- wyly options.doc

MAV007935

3683

	DATE	PRICE	HELD	ACCOUNTED
Evan was granted 200,000 options on 2/12/96				
Evan Wyly				
Atlantis Limited:	2/12/96	\$24.00	200,000	.....200,000
Sam was granted 3,000,000 on 2/12/96 and 1,000,000 on 10/22/96				
Sam Wyly	10/22/96	\$25.50	462,500	
The Cheryl R. Wyly Trust	10/22/96	\$25.50	75,000	
Greenbriar Limited	10/22/96	\$25.50	462,500	.....1,000,000
Moberly Limited	2/12/96	\$24.00	2,300,000	
Devotion Ltd.:	2/12/96	\$24.00	123,333	.....2,423,333
				Need to account for 576,667
Charles was granted 1,600,000 on 2/12/96 and 500,000 on 10/22/96; our records reflect that he does not hold options in his name.				
Charles Wyly				
Elegance Limited	2/12/96	\$24.00	61,667	
Elysium Limited	2/12/96	\$24.00	1,350,000	.....1,411,667
				Need to account for 188,333
Stargate Limited	10/22/96	\$25.50	250,000	
Elegance Limited	10/22/96	\$25.50	250,000	.....500,000

MAV007936

3684

JAN 17 2001 12:38 FR 210 351 2546

210 351 2546 110 62148800107

P. 03/04

John J. Stephens
Vice President-Taxes

SBC Communications Inc.
175 E. Houston Street
Room 8-H-60
San Antonio, Texas 78205
Phone: 210 351-5900
Fax: 210 351-5900
Email: jstephe[REDACTED]



[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

January 11, 2001

Mr. Sam Wyly
300 Crescent Court, Suite 1000
Dallas, Texas 75201-7852

Dear Mr. Wyly:

As part of SBC Communications Inc.'s ("SBC") acquisition of the stock of Sterling Commerce ("Sterling") in March, 2000, all outstanding options to purchase shares of Sterling were canceled. All option holders received cash from SBC/Sterling based on the excess of the stock purchase price over the option exercise price. A grantor trust that held Sterling options previously granted to you received cash proceeds from SBC/Sterling for the exercise of options.

Typically, the exercise of nonqualified stock options, such as those issued by Sterling, require the option holder to recognize taxable income in the year the options are exercised. The company issuing the options receives a tax deduction to the extent income is recognized by the option holder. The company has a legal obligation to report the amount of income recognized by an option holder to the Internal Revenue Service.

Because of this reporting obligation, SBC is preparing to issue a Form 1099 to you/your trust showing taxable income of \$ 46,575,000.00. If you are aware of any reason that this Form 1099 should not be issued, please contact either Larry Ruzicka at (210) [REDACTED] or me at your earliest convenience.

Sincerely,

CC: Al Hoover

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 711

CONFIDENTIAL
SEC100051698
PS100063565

3685

SE Options

\$ 44.25

		Entity	Number Held	Proceeds	Exercise Price	Net Proceeds	
se96	CW	Elegance	61,667	2,728,766	\$ 24.00	1,248,757	1,248,757
se96	CW	Elysium	1,350,000	59,737,500	\$ 24.00	27,337,500	27,337,500
se1003	CW	Elegance	250,000	11,082,500	\$ 25.50	4,687,500	4,687,500
		Sub Total		73,528,766		33,273,757	
se96	SW	Devotion	123,333	5,457,485	\$ 24.00	2,497,493	2,497,493.25
se96	SW	Moberly	2,300,000	101,775,000	\$ 24.00	46,575,000	46,575,000
se1003	SW	Greenbriar	462,500	20,465,625	\$ 25.50	8,671,875	8,671,875
		Sub Total		127,698,110		57,744,368	
se96	EW	Atlantis	200,000	8,850,000	\$ 24.00	4,050,000	4,050,000
		TOTAL		210,076,875		95,068,125	95,068,125

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 711

Confidential
SEC_ED00046876

PSI_ED00046876



Wayne Winz
Legal Department
175 E. Houston St., 2nd Floor
San Antonio, TX 78205

T: 210.351.3736
F: 214.455.8100

via facsimile
202-224- [REDACTED]

May 11, 2006

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Elise J. Bean

Staff Director and Chief Counsel to the
U.S. Senate Permanent Subcommittee on Investigations

Dear Ms. Bean:

As discussed, attached are copies of the following correspondence from the Wyllys.

- e-mail from Keeley Hennington to John Brockman and attached Memo to File (3 pages)
- chain of e-mails between and among Larry Ruzicka, John Brockman, and Keeley Hennington (3 pages)
- Memorandum from Mike French to File dated 02/09/01 including Exhibits A, B, C, D, and E (46 pages)

Following is a list of the recipients of the \$78 million in offshore transfers we discussed. Based on a notation on a transaction record, we believe the transfers occurred on March 27, 2000.

- Moberly Limited in the amount of \$46,575,000
- Elysium Limited in the amount of \$27,337,500
- Atlantis Limited in the amount of \$4,050,000

Sincerely,

Attachments

3687

JAN 17 2001 12:38 FR 210 351 2546

210 351 2546 TO 02145044107

P. 02/04

John J. Stephens
Vice President-Taxes

SBC Communications Inc.
175 E. Houston Street
Room 8-H-60
San Antonio, Texas 78205
Phone: 210 551-5900
Fax: 210 551-5900
Email: jstephens@sbccom.com



— = Redacted by the Permanent
Subcommittee on Investigations

January 11, 2001

Mr. Charles Wyly, Jr.
300 Crescent Court, Suite 1000
Dallas, Texas 75201-7852

Dear Mr. Wyly:

As part of SBC Communications Inc.'s ("SBC") acquisition of the stock of Sterling Commerce ("Sterling") in March, 2000, all outstanding options to purchase shares of Sterling were canceled. All option holders received cash from SBC/Sterling based on the excess of the stock purchase price over the option exercise price. A grantor trust that held Sterling options previously granted to you received cash proceeds from SBC/Sterling for the exercise of options.

Typically, the exercise of nonqualified stock options, such as those issued by Sterling, require the option holder to recognize taxable income in the year the options are exercised. The company issuing the options receives a tax deduction to the extent income is recognized by the option holder. The company has a legal obligation to report the amount of income recognized by an option holder to the Internal Revenue Service.

Because of this reporting obligation, SBC is preparing to issue a Form 1099 to you/your trust showing taxable income of \$ 27,337,500.00. If you are aware of any reason that this Form 1099 should not be issued, please contact either Larry Ruzicka at (210) [REDACTED] or me at your earliest convenience.

Sincerely,

CC: Al Hoover

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 714

CONFIDENTIAL
SEC100051700
PS100063567

From: Keeley Hennington
Sent: Wednesday, January 17, 2001 9:38 AM
To: MBoucher@
Subject: 1099s

Redacted by the Permanent
Subcommittee on Investigations

Al Hoover is sending over some info from SAC's tax department on '099's. They are saying there is nothing in their file to show why the offshore trusts should not be issued a 1099 and they plan to do so at 1/31 unless they receive documentation from us. The amounts are \$27.3M CJW, \$46.6M SW and \$4.1 M Evan. I don't have offshore financials for this period so I am not sure exactly which trusts we are talking about. Evan wants me to call Rodney which I will do once I receive this letter, but thought I might check to see if the issue has ever come up before?

Keeley

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 715

PSI-WYBR 00607

Owens, Rodney J.

— = Redacted by the Permanent
Subcommittee on Investigations

From: khennington@ [REDACTED]
Sent: Wednesday, January 17, 2001 4:16 PM
To: rowens@ [REDACTED]
Subject: Option info

Here is what I have been able to gather:

The option income SBC is concerned with are those that were sold in 96 in exchange for private annuities. The trusts involved are:

Charles Wyly - Tyler Trust (Elysium)
 Sam Wyly - Bulldog Trust (Moberly)
 Evan Wyly - Bessie Trust (Atlantis)

All three of these transactions took place as follows:
 3/7/96 Options issued from Sterling COmmerce to individual
 3/7/96 Each individual settled the options to a IOM grantor trust
 3/7/96 The IOM trust sold to the above subsidiaries for private annuity
 12/31/96 Each IOM grantor trust distributed the private annuities to the individual

Michelle seems to remember that forms were filed when the private annuities were distributed in Dec 96, but she can't remember for sure.

They do not seem to be concerned with the options that were sold offshore in 11/99, only the 96 transaction.

Let me know what else you need. Thanks

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MEADOWS, OWENS, COLLIER, REED, COUSINS & BLAU, L.L.P.

ATTORNEYS AT LAW
A REGISTERED LIMITED LIABILITY PARTNERSHIP (INCLUDING PROFESSIONAL CORPORATION)
901 MAIN STREET, SUITE 3700
DALLAS, TEXAS 75202
(214) 744-3700
www.meadowsowens.com

RODNEY J. OWENS, P.C.
Partner

FAX (214) 747-3732
WATS (800) 451-0093
rowens@meadowsowens.com

January 26, 2001

Mr. John J. Stephens
Vice President - Taxes
SBC Communications, Inc.
175 East Houston Street, Room H-60
San Antonio, TX 78205

Re: Purchase of Sterling Commerce Option from Elysium Limited.

Dear Mr. Stephens:

SBC purchased stock options in Sterling Commerce from Elysium Limited as a part of SBC's acquisition of Sterling Commerce in March of 2000. You have inquired as to whether SBC must file a Form 1099 with the Internal Revenue Service regarding the sales transaction. Although we did not represent Elysium Limited with respect to such sale, we serve as U.S. counsel for Elysium Limited and have been authorized by its representatives to respond to your inquiry. Elysium Limited is a foreign corporation organized and residing in the Isle of Man. Accordingly, it is not appropriate for SBC to file a Form 1099, or any other reporting papers regarding this transaction, because Elysium Limited is a foreign corporation and the income from the purchase of the stock options is not subject to U.S. taxation.

A payment to a corporation is only reported based upon the limited situations described in the Instructions to Form 1099, none of which apply here. [See, General Instructions for Forms 1099, 1098, 5498, and W-2G at p. Gen-10, 11; Treas. Reg. § 1.6041-3(c)(1990); Treas. Reg. § 1.6041-3(q)(Jan. 1, 2001)]. In addition, of course, a Form 1099 should not be filed for this transaction because it involves a foreign payee. [See, Treas. Reg. §§ 1.6041-2(c)(1), -3, -4 (Jan. 1, 2001)].

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 716

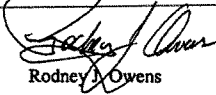
PSI-WYBR 00612 [D]

3691

SBC Communications, Inc.
January 26, 2001
Page 2

I understand that time is important for you. If you have any questions or concerns, please contact me and I will have one of my associates address the question or concern immediately.

Sincerely,



Rodney J. Owens

RJO:clb
cc: Mrs. Keeley Hennington

238893

PSI-WYBR 00613

MEADOWS, OWENS, COLLIER, REED, COUSINS & BLAU, L.L.P.

ATTORNEYS AT LAW
A REGISTERED LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
901 MAIN STREET, SUITE 3700
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www.meadowsowens.com

RODNEY J. OWENS, P.C.
Partner

FAX (214) 747-3732
WATS (800) 451-0093
rowens@meadowsowens.com

January 26, 2001

Mr. John J. Stephens
Vice President - Taxes
SBC Communications, Inc.
175 East Houston Street, Room H-60
San Antonio, TX 78205

Re: Purchase of Sterling Commerce Option from Moberly Limited.

Dear Mr. Stephens:

SBC purchased stock options in Sterling Commerce from Moberly Limited as a part of SBC's acquisition of Sterling Commerce in March of 2000. You have inquired as to whether SBC must file a Form 1099 with the Internal Revenue Service regarding the sales transaction. Although we did not represent Moberly Limited with respect to such sale, we serve as U.S. counsel for Moberly Limited and have been authorized by its representatives to respond to your inquiry. Moberly Limited is a foreign corporation organized and residing in the Isle of Man. Accordingly, it is not appropriate for SBC to file a Form 1099, or any other reporting papers regarding this transaction, because Moberly Limited is a foreign corporation and the income from the purchase of the stock options is not subject to U.S. taxation.

A payment to a corporation is only reported based upon the limited situations described in the Instructions to Form 1099, none of which apply here. [See, General Instructions for Forms 1099, 1098, 5498, and W-2G at p. Gen-10, 11; Treas. Reg. § 1.6041-3(c)(1990); Treas. Reg. § 1.6041-3(q)(Jan. 1, 2001)]. In addition, of course, a Form 1099 should not be filed for this transaction because it involves a foreign payee. [See, Treas. Reg. §§ 1.6041-2(c)(1), -3, -4 (Jan. 1, 2001)].

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 716

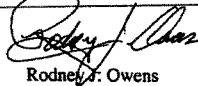
PSI-WYBR 00616

3693

SBC Communications, Inc.
January 26, 2001
Page 2

I understand that time is important for you. If you have any questions or concerns, please contact me and I will have one of my associates address the question or concern immediately.

Sincerely,



Rodney A. Owens

RJO:clb
cc: Mrs. Keeley Hennington

238955

PSI-WYBR 00617

MAY 10 2006 3:32 PM FR

MEMORANDUM

TO: FILE
FROM: MIKE FRENCH
DATE: 02/09/01
RE: SE OPTIONS

The SE options issued to SW, CJW and EW in 1996 were initially transferred by them to grantor trusts of which they continued to be treated as owners for U.S. income tax purposes. A representative assignment agreement is attached as Exhibit "A". Also in March 1996 the options were further transferred by the grantor trusts to entities owned by irrevocable foreign trusts of which SW, CJW and EW are not treated as grantors or owners for U.S. income tax purposes (the "Second Transfers"). A representative second assignment agreement is attached as Exhibit "B".

The Second Transfers were completed sales of the options to independent trusts administered by independent trustees. The SE options were valued in the Second Transfers at their Black-Scholes values. The assignments were acknowledged and agreed to by SE.

Had the Second Transfers been for cash, there would have been a taxable event at that time, triggering an income tax liability on the part of SW, CJW and EW and a corresponding tax deduction on the part of SE.

However, in exchange for such options, SW, CJW and EW received private annuity agreements issued by entities owned by the foreign trusts (Exhibit "C"). The private annuity agreements (the "Annuities") provided for life annuities to each of SW, CJW and EW, with annual payments commencing after a period of deferral. The annuity agreements set forth the Black-Scholes values of the options. As of this date, payments have not yet commenced.

Following the Second Transfers, the intervening grantor trusts were liquidated and the private annuities were distributed to SW, CJW and EW.

In connection with the option transfers, the Annuity recipients received legal opinions from Chatzky and Associates (Exhibit "D") to the effect that the transfer of the SE options in exchange for the Annuities created no immediate taxable gain, and therefore were not taxable in 1996. The opinions further state that the payments under the Annuities would be taxable as and when received.

At the time of the option exercises in 2000, the options were owned by independent foreign entities that had purchased the options for their fair value in 1996. As foreign entities, they were not and are not subject to U.S. income taxation. Therefore no taxable events occurred in 2000 with respect to the foreign entities or with respect to SW, CJW and EW. Taxable events will occur in the future as and when SW, CJW and EW receive payments under the Annuities in accordance with Exhibit "E".

The option assignments and income tax treatment thereof were disclosed to SE management in 1996 when they occurred, and SE management acknowledged and agreed to the deferred tax treatment of the Annuities at that time.

— = Redacted by the Permanent
Subcommittee on Investigations



Keeley Hennington
ap.com

To: sam [redacted] naverickcap [redacted] CWylye [redacted]
evan_wylye [redacted] shari_robertson@ [redacted]
mbouchard [redacted], mike [redacted]

CC:

03/28/01 04:20 PM

Subject: SBC

Wanted to let everyone know that I heard a final answer from SBC today that they will not be issuing any 1099's to Sam, Charles or Evan for the option exercises. They are sending a letter to me with what information they need. The good news is that I do not think they are going to require anything from the trustees or directors directly. They seem to be most focused on the annuity payout schedules and getting yearly updates on these. We also will not need to do any indemnity agreement with regard to penalties.

The only issue they are looking into is whether they have any reporting requirements with regard to payments to foreign corporations. I have a call into Rodney to check this out (they do not sound too concerned about it). They also said there is a very slim chance they may find a strong enough position to take a deduction on their return this year. If they do and are audited the private annuity agreement could be challenged. Again, they did not think this was a high likelihood and we will likely have this risk whenever they take the deduction.

I will keep everyone informed when I get their letter, but looks like we do not have to worry about any 1099's surfacing.

Thanks
Keeley

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 718

CONFIDENTIAL
SECI00077075
PSI00088942

BROCKMAN, JOHN D (SBC-MSI)

From: Khennington [REDACTED]
Sent: Wednesday, September 12, 2001 10:52 AM
To: BROCKMAN, JOHN D (SBC-MSI)
Subject: research

= Redacted by the Permanent
Subcommittee on Investigations



Microsoft Word 4

John - Attached is the memo I did for our files after discussions with our attorneys. Please review and let me know your thoughts. Then we can move forward to get any required documentation to you promptly. Thanks for the patience and please tell Larry I said hello.

(See attached file: sbcoptionsale.doc)

Keeley
214-[REDACTED]

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 720

Memo to File

Re: Sale of Sterling Commerce Options to SBC

Under §881, foreign corporations are taxed on various income items even though they are not effectively connected to a United States trade or business. Income items taxed under ~~§881 are United States source items which are "fixed and determinable annual or~~ periodic" gains, profits and income ('FDAP'), including, but not limited to interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations and emoluments (§881(a)). If income is deemed to be taxable under §881, withholding requirements exist under §1442 unless the payor has received proper documentation of exemption from withholding from the payee.

The sale of an option could be FDAP from the language of the statute because it produced a gain. However, the Regulations clarify that a sale of property is not FDAP, presumably because it is not periodic. The regulations effective until January 1, 2001 state that "Income derived from the sale in the United States of property, whether real or personal, is not fixed or determinable annual or periodic income." (Treas. Reg. §1441-2(a)(3) effective before 1/1/2001) The new regulations continue this rule by excepting 'gains derived from the sale of property (including market discount and options premiums)..." from the definition of FDAP. (Treas. Reg. §1441-2(b)(2)(i) effective after 12/31/2000). This rule was further explained in the preamble to the new regulation which state that "the IRS and Treasury believe that the statute contemplates very few exceptions to the concept of FDAP and the only clear exception is for gain from the disposition of property."

As the gain from the sale of the option should not be considered FDAP, it is not income to the seller under Section 881. Similarly, the Buyer should not have any withholding requirements with regard to the payment under Section 1442.

The second question involves reporting requirements. Generally, no 1099 informational reporting is required for payments to a corporation. The new regulations under §6041 address when a payor may treat the payee as a corporation exempt from 1099 reporting. These include:

- 1) The name of the payee contains an unambiguous expression of corporate status such as Inc., Corp., etc.
- 2) The payor has on file a corporate resolution or similar documents clearly indicating corporate status.
- 3) The payor has received a Form W-9 which includes an EIN and a statement from the payee that it is a domestic corporation.

- 4) The payor has received a withholding certificate described in §1441-1(c)(2)(i) that includes a certification that the person whose name is on the certificate is a foreign corporation.

To accomplish this certification, the Sellers could provide the Buyer with a Form W-8BEN, in which the Seller certifies that they are a foreign corporation. For this purpose, the form merely asks the name of the organization, the type of organization and the company's address. Additionally, the Seller could provide the Buyer with a corporate resolution under (2) above.

A requirement could also exist to file Form 1042-S. However, under new Regulations applicable to payments after 12/31/2000 "amounts subject to reporting on Form 1042-S are amounts paid to a foreign payee that are amounts subject to withholding as defined in §1.1441-2(a)." Since no withholding requirement exists under §1441 (see above), no 1042-S filing requirement exists.

In summary, no withholding or information reporting is required. The sale of property falls under the exception in the definition of FDAP for sales of property. Under the information reporting regulations, because withholding does not apply, the payments need not be reported on Form 1099 or Form 1042-S. However, the Seller should provide the Buyer proof of corporate status under one of the methods described above to be kept in their files.

Keeley: notes for personal advisor for Why.

Redacted by the Permanent Subcommittee on Investigations

BROCKMAN, JOHN (SBC-MSI)

#70M

From: Ruzicka, Lawrence (Sbc-Msi)
Sent: Thursday, July 05, 2001 3:35 PM
To: BROCKMAN, JOHN (SBC-MSI)
Subject: FW: FW:

3/23/00 Sterling purchased

NRO's

NRO cashed out by Sterling at time of deal

Why, Dad + bro on BDD -

several yrs ago transferred

option to foreign govt

trust for committee

commit, govt don't start

for several yrs + reco

as when not

get done.

If they die, etc

no done.

John,

Can we discuss when you have a chance?

Thanks,
Larry

-----Original Message-----

From: Khennington [REDACTED]
Sent: Thursday, July 05, 2001 2:52 PM
To: Ruzicka, Lawrence (Sbc-Msi)
Subject: Re: FW:

Larry - things have been very crazy here and I have not forgotten about you. The research our attorneys did states that there is not a reporting requirement because there is not a withholding requirement. He said we should furnish a W-8BEN certifying as a foreign corporation. I have not had a chance to look at it in detail but should next week and I promise I will get back to you then.

Sorry for the delay
Keeley

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*Ruzicka,
Lawrence

To: "Khennington" [REDACTED]

(Sbc-Msi)"
<lr7446@ [REDACTED]>

cc:
Subject: FW:

06/08/01
08:54 AM

-----Original Message-----

From: Ruzicka, Lawrence (Sbc-Msi)

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 720

3701

Sent: Friday, June 08, 2001 8:44 AM
To: 'Khennington'; [REDACTED]
Subject: RE:

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Keeley.

To follow up on this, our legal group has determined the following:

I reviewed IRC §1442, which governs withholding and reporting on payments to foreign corporations, and offer the following for further discussion:

~~If SBC/Sterling were deemed to be a payer (and withholding agent) of fixed or determinable annual or periodical income from sources within the United States to a foreign corporation, then U.S. withholding at the rate of 30% would have applied. However, if the payee had provided SBC/Sterling with a Form W-8ECI, Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected With the Conduct of a Trade or Business in the United States, prior to the payment, then SBC/Sterling could have relied on the Form W-8ECI and not withheld U.S. tax on the payment.~~

Regardless of whether tax was withheld, if the payments were fixed or determinable annual or periodical income from sources within the United States to a foreign corporation, then SBC/Sterling should have filed Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, with the payee and the Internal Revenue Service by March 15, 2001.

Form W-8ECI would not be filed with the IRS. The withholding agent, Sterling Commerce, would hold the properly completed Form W-8ECI in its files and may rely on the Form to treat the payments as exempt from withholding. However, the Form 1042-S would be filed with the IRS Service Center in Philadelphia.

Please let me know if you have a Form W-8ECI on file.

Thanks,
Larry

-----Original Message-----
From: Khennington; [REDACTED]
Sent: Wednesday, May 02, 2001 2:43 PM
To: Ruzicka, Lawrence (Sbc-Msi)
Subject: Re:

Larry -

That will be great. I will be back in the office on Tuesdays and Thursday's starting the week of May 14th. I will be glad to get you what you need. Everything is well here. [REDACTED]

Keeley

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information.

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Subcommittee on Investigations

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"Ruzicka,

Lawrence

To: "'khennington@ [REDACTED]"

(Sbc-Msi)"

cc:

<lr7446@ [REDACTED]>

Subject:

05/02/01

01:16 PM

Keeley,

I hope everything is going well for you and your family. Because the cash payments to redeem the Sterling stock options were made to corporations and withholding was not required. SBC is going to need some information from the corporations indicating that fact. I will have to get back to you on what we have in mind.

Thanks,

Larry

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

Request Number 011**In regard to: Form 1040 – Schedule C****Form 1040 for the year ended 12/31/2000****Attached is a copy of Statement 13 – Schedule C – Other Income, listing directors fees and compensation from the exercise of stock options.****REQUEST:****1. Please provide detail (number of shares granted, date acquired, exercise price, date sold, market price, gain for all stock options exercised and reported for:**

a. Stock option exercise – directors fees	\$102,083
b. Sterling Commerce – stock option exercise	10,078,125

REPLY:

- \$102,083 represents Sterling Software, Inc. director's fees.
- \$10,078,125 represents the amount of income Sam Wyly realized upon the sale of Sterling Commerce, Inc. options to SBC Communications in March 2000. At the time of the sale, Sam Wyly held 462,500 options to purchase shares of Sterling Commerce, Inc. at a strike price of \$25.50. In addition, at the time of the sale, a marital trust set up by Sam Wyly held 75,000 options to purchase shares of Sterling Commerce, Inc. at a strike price of \$25.50, which options were transferred to the trust by Sam Wyly in 1998. The 537,500 options held by Sam Wyly and the marital trust were granted to Sam Wyly on October 22, 1996. Sterling Commerce, Inc. was sold to SBC Communications in March 2000 at a price of \$44.25 per share, and both Sam Wyly and the marital trust each received the net amount of \$18.75 per share for their combined 537,500 options to purchase shares of Sterling Commerce, Inc. Sam Wyly reported the \$10,078,125 as income as he was the employee to whom the options were issued.

Request Number 023

In regard to: Form 1040 – Schedule C

Form 1040 for the year ended 12/31/2000

Attached is a copy of Statement 16 – Schedule C – Other Income, listing directors fees and compensation from the exercise of stock options.

REQUEST:

1. Please provide detail (number of shares granted, date acquired, exercise price, date sold, market price, gain for all stock options exercised and reported for:

a. Sterling Software Directors Fees / Options	\$51,042
b. Sterling Commerce Directors Fees / Options	4,708.500

REPLY:

- \$51,042 represents Sterling Commerce, Inc. director's fees.
- Of the \$4,708,500 reported, \$21,000 represents Sterling Commerce, Inc. director's fees. The remaining \$4,687,500 represents the amount of income reported by Charles J. Wyly, Jr. upon the sale of 250,000 Sterling Commerce, Inc. options to SBC Communications in March 2000. At the time of the sale, Stargate, Ltd. held these options at a strike price of \$25.50. These options were granted on October 22, 1996 to Charles J. Wyly, Jr, who then transferred these options in 1999 to Stargate, Ltd. Sterling Commerce, Inc. was sold to SBC Communications in March 2000 at a price of \$44.25 per share, and Stargate, Ltd. received the net amount of \$18.75 per share for the sale of these options. Charles J. Wyly, Jr. reported the \$4,687,500 as income on Schedule C of his 2000 Form 1040.

001 MAYCAP ACTING

* when this was assigned to the IOM corp it was assigned to Rugosa Limited
 # actuarial valuation as of Feb 28, 1996
 # actuarial valuation as at date of agreement

AMENDMENT OF PRIVATE ANNUITY

This Amendment is drafted to be effective the 31st day of January 1998, and is entered into by Locke Limited, an Isle of Man corporation located at International House, ~~Castle Hill, Victoria Road, Douglas, Isle of Man, British Isles,~~ and Sam Wyly, an individual of 300 Crescent Court Drive, Suite #1000, Dallas, Texas 75201.

WITNESSETH

WHEREAS, the Private Annuity is intended to be a deferred Private Annuity pursuant to Section 2.4 of the Private Annuity Agreement with such annuity to commence on October 4, 2002, being the sixty-eighth (68th) birthday of Sam Wyly, the individual on whose life the Annuity is based; and

WHEREAS, the intent of a deferred Private Annuity was to provide payment upon the retirement of Mr. Sam Wyly; and

WHEREAS, Mr. Sam Wyly warrants that he does not anticipate retiring on the stated annuity commencement date; and

WHEREAS, Mr. Sam Wyly warrants that he is of average or better physical and mental condition for individuals in the United States of America of the age and gender; and

WHEREAS, the parties have taken this warranty into account in determining the possible consequences that might arise with respect to the deferral of the commencement of the Private Annuity; and

WHEREAS, the parties have reviewed the possible consequences that might arise with respect to the anticipated actual life expectancy of Sam Wyly; and

WHEREAS, a physician's health report shall be attached hereto substantiating such fact within one (1) year of the execution of this Agreement; and

WHEREAS, Mr. Sam Wyly desires the deferral of the private annuity until his anticipated retirement; and

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 723


CONFIDENTIAL
SECI00081307
PSI00093174

— = Redacted by the Permanent
Subcommittee on Investigations

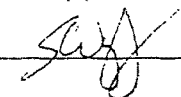
WHEREAS, the obligor, Locke Limited, agrees to defer the Private Annuity from the sixty-eighth (68th) birthday of the Annuitant, Sam Wyly, which is [REDACTED] 2002 to the seventy-third (73rd) birthday of the Annuitant, [REDACTED] 2007; and

WHEREAS, the Private Annuity Agreement is capable of being amended pursuant to Section XXII which states that "[T]his Agreement may be amended, altered, supplemented, or modified (herein collectively called an "amendment"), and any provision hereof waived, but only by a written agreement executed or signed by all the parties hereto or by the party to whom such amendment or waiver relates or is applicable."

NOW THEREFORE, the parties agree to amend the Private Annuity Agreement to provide that the commencement of the Private Annuity shall be the seventy-third (73rd) birthday of the annuitant, [REDACTED] 2007.

Obligor: 
for Locke Limited

Mr. Sam Wyly:



CONFIDENTIAL
SEC100081308
PS100093175

AMENDMENT OF PRIVATE ANNUITY

~~This Amendment is drafted to be effective the 31st day of January 1998, and is entered into by Souleiana Limited, an Isle of Man corporation located at Trident Trust Company (IOM) Limited, 100 Market Street, Douglas, Isle of Man, IM991TT, British Isles, and Charles Wyly, Jr., an individual of 300 Crescent Court Drive, Suite #1000, Dallas, Texas 75201.~~

WITNESSETH

WHEREAS, the Private Annuity is intended to be a deferred Private Annuity pursuant to Section 2.4 of the Private Annuity Agreement with such annuity to commence on October 13, 2001, being the sixty-eighth (68th) birthday of Charles Wyly, Jr., the individual on whose life the Annuity is based; and

WHEREAS, the intent of a deferred Private Annuity was to provide payment upon the retirement of Mr. Charles Wyly, Jr.; and

WHEREAS, Mr. Charles Wyly, Jr. warrants that he does not anticipate retiring on the stated annuity commencement date; and

WHEREAS, Mr. Charles Wyly, Jr. warrants that he is of average or better physical and mental condition for individuals in the United States of America of the age and gender; and

WHEREAS, the parties have taken this warranty into account in determining the possible consequences that might arise with respect to the deferral of the commencement of the Private Annuity; and

WHEREAS, the parties have reviewed the possible consequences that might arise with respect to the anticipated actual life expectancy of Charles Wyly, Jr.; and

WHEREAS, a physician's health report shall be attached hereto substantiating such fact within one (1) year of the execution of this Agreement; and

WHEREAS, Mr. Charles Wyly, Jr. desires the deferral of the private annuity until his anticipated retirement; and

WYLY 03949

Permanent Subcommittee on Investigations**EXHIBIT #66 - FN 723**

PSI00009469

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Subcommittee on Investigations

WHEREAS, the obligor, Souleiana Limited, agrees to defer the Private Annuity from the sixty-eighth (68th) birthday of the Annuitant, Charles Wyly, Jr., which is [REDACTED], 2001 to the seventy-third (73rd) birthday of the Annuitant, [REDACTED] 2006; and

WHEREAS, the Private Annuity Agreement is capable of being amended pursuant to Section XXII which states that "[T]his Agreement may be amended, altered, supplemented, or modified (herein collectively called an amendment"), and any provision hereof waived, but only by a written agreement executed or signed by all the parties hereto or by the party to whom such amendment or waiver relates or is applicable."

NOW THEREFORE, the parties agree to amend the Private Annuity Agreement to provide that the commencement of the Private Annuity shall be the seventy-third (73rd) birthday of the annuitant, [REDACTED] 2006.

Obligor:


Souleiana Limited

Mr. Charles Wyly, Jr.:

WYLY 03950

PSI00009470

07/26/04 10:43am P. 001

RETIREMENT
HORIZONS
 INCORPORATED

— = Redacted by the Permanent
 Subcommittee on Investigations

Fax

To: Michelle Boucher	From: Eric Ammann
Fax: 345-949-2519	Pages: 6 (including cover)
Phone: 214-572-9000	Date: July 28, 2004, 3:00 p.m. 10:30a.m.
Re: Revised Letters	CC: 6

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

• **Comments:**

Michelle –

Enclosed are the revised letters which reflect your changes. Please note we have added our standard disclaimer at the end of each of the letters.

For the letter which will apply to the contracts currently in pay status, we have added an exhibit which details the calculation of the interest portion on the supplemental payment; hopefully, this meets your needs. If not, please let me know how we can improve the information.

I have a busy week next week and will be out of the office Thursday and Friday at a client meeting. If possible, I would like to finalize these letters by Tuesday in order to meet your July 31st deadline.

Thanks Michelle. You can reach me at either (214) [REDACTED] or (214) [REDACTED]

Eric

2505 N. Plano Road, Suite 3300
 Richardson, TX 75082
 (214) 572-9000
 fax (214) 572-9090

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 724

CONFIDENTIAL
 SEC100066449
 PSI00078316

07/26/04 10:49am P. 002

July 23, 2004

Mr. Francis Webb
c/o Little Woody Limited
Trident Trust Company (IOM Limited)
P. O. 175
12-14 Finch Road
Douglas, Isle of Man
British Isles, IM99 1TT

**Re: *Modifications to the Private Annuity between Little Woody Limited
and Charles J. Wyly, Jr. dated April 15, 1992 (the "Contract")***

Dear Mr. Webb:

Upon review of the circumstances involving the 1998 amendment to defer the commencement date of the Contract by five years, I am recommending a change to the calculation of the delayed annuity payment amount. This change results in an increase in the annual annuity payment from \$1,363,889 to \$1,459,871, an increase of approximately 7.04%.

When the original deferment calculations were completed several years ago, the discount rate used was the rate (based upon 120% of the Applicable Federal Mid-term Rate) in effect at the end of the year that the contract was modified (1998). Thus, the discount rate used was the December, 1998 Federal Mid-term Rate of 5.4%. However, the Contract amendment was effective eleven months earlier in January of 1998. Furthermore, this eleven month period experienced a significant change in the Federal Mid-term Rate, as the January 1998 rate was 7.2%.

The discount rate basis of 120% of the Federal Mid-term Rate was used since it was consistent with the terms of the contract and the valuation principles outlined in Internal Revenue Code Section 7520 and related regulations. In effect since May 1, 1989, IRC Section 7520 specifies the basis and actuarial factors for certain types of annuity valuations. The discount rates under IRC 7520 are variable to reflect current market conditions; the applicable discount rates are updated monthly.

Given this degree of change in the applicable discount rate between January and December of 1998, coupled with the valuation principle that an amendment to the terms of the Contract that affects the timing of the receipt of the annuity payments should be accomplished based upon a current market discount rate, the new payment amount of \$1,459,871 is the more appropriate payment value for the Contract amendment which was effective in January, 1998.

CONFIDENTIAL
SEC100066450
PS100078317

Mr. Francis Webb

Page 2

July 23, 2004

Summarized below is a history of the calculated annuity payments for the Contract:

	<i>Annual Payment</i>
• Annuity payment under the original terms of the Contract, based upon an age 65 benefit commencement date	\$ 909,050
• Original calculation related to the 1998 amendment to delay commencement of the annuity to age 70, using the December, 1998 discount rate of 5.4%	\$ 1,363,889
• Revised calculation related to the 1998 amendment to delay commencement of the annuity to age 70, using the January, 1998 discount rate of 7.2%	\$ 1,459,871

This revision, which reflects the current market discount rate in effect at the time of the Contract modification, is consistent with the calculation methodology found in the commercial annuity marketplace.

Since the first payment under the Contract was made to Charles J. Wyly, Jr. on November 1, 2003 in the amount of \$1,363,889, a supplemental payment should be made to him to reflect the revised higher annual payment amount under the contract. We have calculated the supplemental payment amount to be \$99,051, which is the difference between the revised and the previous annual payments (\$1,459,871 - \$1,363,889), accumulated with monthly interest to July 31, 2004. The monthly interest rate credited was equal to the published 120% Applicable Federal Mid-term Rate for the months of November, 2003 through July, 2004. Attached is an exhibit detailing the calculation of the interest accumulation on the supplement payment from November 1, 2003 to July 31, 2004.

Retirement Horizons' role with respect to the private annuity contracts is strictly confined to providing actuarial calculations of the contract values using mortality and discount rate assumptions consistent with the calculation terms specified in the language of the annuity contracts. Retirement Horizons is not offering an opinion as to either the legal or tax status of these private annuity contracts.

Please call me at (214) 572-9000 if you have any questions regarding this information.

Sincerely,

Eric Ammann, FSA
Principal

Encl.

CONFIDENTIAL
SECI00066451
PSI00078318

Calculation of Supplemental Payment
for
Little Woody Private Annuity Contract

<u>Month</u>	<u>Annual 120% AFR Rate</u>	<u>Monthly 120% AFR Rate</u>	<u>Monthly Accumulation Factor</u>	<u>Accumulated Supplemental Payment - end of mo.</u>
Supplemental annuity payment amount without interest				\$95,982
Interest accumulation to July 31, 2004				
November, 2003	3.99%	0.3325%	1.003325	\$96,301
December, 2003	4.26%	0.3550%	1.003550	\$96,643
January, 2004	4.23%	0.3525%	1.003525	\$96,984
February, 2004	4.13%	0.3442%	1.003442	\$97,317
March, 2004	4.01%	0.3342%	1.003342	\$97,643
April, 2004	3.80%	0.3167%	1.003167	\$97,952
May, 2004	3.81%	0.3175%	1.003175	\$98,263
June, 2004	4.67%	0.3892%	1.003892	\$98,645
July, 2004	4.94%	0.4117%	1.004117	\$99,051
Interest portion of supplemental payment				\$3,069

**MILLIMAN & ROBERTSON, INC.**

9400 North Central Expressway, Suite 1000
Dallas, Texas 75231-5030
(214) 863-5500

Facsimile Transmittal Sheet**Fax: (214) 863-5504****Date:** March 3, 1998**Time:** 3:15 PM**Total Number of Pages:**
(EXCLUDING cover page)**2****To:** Michelle Boucher**Firm:** Maverick Capital**Fax #:** (345) 949-2519**From:** Eric Ammann**Client Code:** MAV**Manager's Code:** 02**COMMENTS**

Michelle -

Enclosed are two exhibits showing the updated annuity valuations as of December 31, 1998 which reflect the amended annuity commencement dates for most of the annuity contracts. With the annuity commencement dates deferred five years, the current valuation of these contracts decreased significantly.

Please let me know if you have any questions.

Eric

Our facsimile machine is a Canon L-770. If you receive an incomplete or unreadable transmittal, call (214) 863-5500.

Permanent Subcommittee on Investigations**EXHIBIT #66 - FN 724**

CONFIDENTIAL
SEC100028268
PS100040135

**Private Annuity Valuations (Revised* 3/3/99)
for Sam, Charles, and Caroline Wyly**

Calculation Date:	<u>Month</u> 12	<u>Year</u> 98
Discount Rate (120% AFR):	5.43%	
Rounded Discount Rate:	5.40%	

Sam Wyly

Property ID	Original Present Value	Current Present Value
East Carroll	\$1,956,558	\$12,348,181
West Carroll	586,674	3,702,603
Morehouse	600,534	3,790,076
Richland	704,009	4,443,125
Tensas	860,352	5,429,833
East Baton Rouge	1,538,342	9,696,124
Total		39,409,942

Charles Wyly, Jr.

Property ID	Original Present Value	Current Present Value
Little Woody	\$909,050	\$6,046,982
Roaring Creek	708,645	4,713,892
Total		10,760,874

Caroline Wyly

Property ID	Original Present Value	Current Present Value
Roaring Fork	\$933,481	\$6,101,373
Rugosa	727,688	4,756,279
Total		10,857,653

We have updated the present values of the above private annuity contracts as of December 31, 1998. The discount rate used in determining the present values was 5.4%, which is 120% of the December 1998 Applicable Mid-Term federal Rate (120% AFR) rounded to the nearest 0.2%

* The revised valuation reflects the January 1998 amendments to the original private annuity agreements to defer the scheduled annuity commencement date by five years.

Eric Ammann
Eric K. Ammann, FSA

3/3/99
Date

WylAnn.WK4

CONFIDENTIAL
SEC100028269
PSI00040136

Private Annuity Valuations (Revised* 3/3/99)
as of December 31, 1998

Company	Age	Rate	Value	Value	Value
Amann	44	10/15/98	\$946,870	\$1,746,935	
QW	65	10/15/98	2,328,088	9,508,351	
QW	65	10/15/98	1,380,888	5,636,698	
EW	37	10/15/98	4,871,735	8,558,840	
	48	10/15/98	282,081	884,163	
	58	10/15/98	552,062	2,886,345	
	65	10/15/98	2,270,828	9,269,042	
SW	64	10/15/98	2,894,516	11,374,673	
SW	64	10/15/98	3,037,336	11,537,336	
SW	64	10/15/98	5,207,467	18,780,577	
SW	64	10/15/98	1,201,723	4,564,748	
SW	64	10/15/98	527,980	2,005,571	
SW	64	10/15/98	4,208,152	15,988,475	
EW	65	10/15/98	2,074,450	8,467,086	
EW	37	10/15/98	903,624	1,855,443	
			\$3,242,081	\$1,542,097	

We have updated the present values of the above private annuity contracts as of December 31, 1998. The discount rate used in determining the present values was 5.4%, which is 120% of the December 1998 Applicable Mid-Term Federal Rate (120% AFR) rounded to the nearest 0.2%.

* The revised valuation reflects the January 1998 amendments to several of the original private annuity agreements to defer the scheduled annuity commencement date by five years.

Eric Ammann 3/3/99
Eric K. Ammann, FSA Date

WY/Ann. WK4

Annuities
Value at 12/31/98

Owner	Annuity Number	Name	Date of Agreement	Quantity	Value at 12/31/98
Sam Wyly	92-V	West Carroll, Limited	4/15/92	2,525,000	3,702,603
	92-VI	Morehouse, Limited	4/15/92	2,584,653	3,790,076
	92-VII	Richland Limited	4/15/92	3,030,000	4,443,125
	92-VIII	Tensas Limited	4/13/92	3,701,250	5,429,833
	92-IX	East Carroll Limited	4/15/92	8,420,875	12,348,181
	92-X	East Baton Rouge Limited	4/13/92	6,609,375	9,696,124
	96-VI	Locke Limited	2/22/96	23,624,900	19,780,577
	96-VII	Moberly Limited	3/7/96	19,620,000	15,988,475
	96-VIII	Audubon Asset Limited	2/22/96	13,779,600	11,537,336
	96-IX	Yurta Fat Limited	2/22/96	2,395,350	2,005,571
	96-X	Devotion, Limited	2/22/96	13,585,320	11,374,673
	96-XI	Samie Investments	2/22/96	5,451,900	4,564,746
					<u>104,661,322</u>
Charles Wyly	92-I	Little Woody Limited	4/15/92	4,241,129	6,046,962
	92-II	Roaring Creek Limited	4/13/92	3,304,687	4,713,892
	92-III	Roaring Fork Limited	4/15/92	4,241,141	6,101,373
	92-IV	Ruso SA Mazopa Limited	4/13/92	3,304,687	4,756,279
	96-I	Souleana Limited	2/22/96	11,169,950	9,269,042
	96-II	Elysium Limited	3/7/96	10,464,000	8,467,096
	96-III	Quale Limited	2/22/96	11,455,925	9,506,351
	96-IV	Elegance Limited	2/22/96	6,792,680	5,636,699
					<u>54,497,714</u>
Donnie Miller	96-V	Ramona Limited	2/22/96	966,840	<u>1,746,935</u>
Evan Wyly	96-XII	Dortmund Limited	2/22/96	4,334,490	8,558,640
	96-XIII	Atlantis Limited	3/7/96	902,000	1,655,443
					<u>10,214,083</u>

CONFIDENTIAL
SEC100028271
PSI00040138

Summary of Private Annuities

Participating Firm	Participating In	Agreement Date	Value at Issue	Annuitant	Age at date of Issue	Original payment term	Extended term	Extended age at 10/1/95	12/31/95 Valuation
1982 Annuities									
92 - I II III IV V VI VII VIII IX X XI XII	Little Woody United Roaring Creek United Roaring Fork United Watson United West Carroll United Marathon United Richardson United Tenneco United East Carroll United East Baton Rouge United	Charles Why Jr. Charles Why Jr. Caroline D. Why Caroline D. Why Sam Why Sam Why Sam Why Sam Why Sam Why Sam Why	Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982 Apr 15, 1982	4,241,120 C Why Jr. 3,294,487 C Why Jr. 4,241,641 C Why Jr. 3,294,487 C Why Jr. 2,521,000 S Why 2,594,653 S Why 3,000,000 S Why 3,701,250 S Why 8,450,375 S Why 8,698,275 S Why	65 65 65 65 65 65 65 65 65 65	Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988 Nov 1, 1988	Oct 13th, 2003 Oct 13th, 2003 Oct 13th, 2004 Oct 13th, 2004 Oct 4, 2004 Oct 4, 2004 Oct 4, 2004 Oct 4, 2004 Oct 4, 2004 Oct 4, 2004	70 70 70 70 70 70 70 70 70 70	6,046,942 4,713,892 6,101,375 4,758,275 3,702,606 3,790,076 4,443,125 5,429,833 12,348,181 9,886,124
1985 Annuities									
92 - I II III IV V VI VII VIII IX X XI XII	Southern United Sycamore United Dixie United Spartan United Tenneco United Louisiana United Audubon United Yulex United Dixie United Spartan United Dixie United Albany United	Charles Why Jr. Charles Why Jr. Charles Why Jr. Charles Why Jr. Charles Why Jr. Sam Why Sam Why Sam Why Sam Why Sam Why Sam Why Sam Why	Feb 22, 1985 Mar 7, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Feb 22, 1985 Mar 7, 1985	11,169,850 C Why Jr. 10,484,000 C Why Jr. 11,455,024 C Why Jr. 8,752,680 C Why Jr. 8,752,680 C Why Jr. 23,824,500 S Why 19,620,000 S Why 13,779,600 S Why 2,385,560 S Why 13,685,200 S Why 5,451,900 S Why 4,334,600 E Why	68 68 68 68 68 68 68 68 68 68 68 65	Oct 13, 2001 Oct 13, 2001 Oct 13, 2001 Oct 13, 2001 Oct 13, 2001 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Dec 23, 2028	Oct 13, 2006 Oct 13, 2006 Oct 13, 2006 Oct 13, 2006 Oct 13, 2006 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Oct 4, 2007 Dec 23, 2028	73 73 73 73 73 73 73 73 73 73 73 65	8,269,042 8,467,085 8,505,351 5,836,693 1,748,036 18,780,377 15,988,475 11,537,336 2,005,571 11,374,573 4,584,148 1,655,443
Total									171,120,054

* When this was assigned to the OM corp it was assigned to Rugosa Limited

* scheduled valuation as of Feb 28, 1995

* scheduled valuation as of date of agreement

To: Elaine Spang
From: Michele Bauer

3719

— = Redacted by the Permanent
Subcommittee on Investigations



"Michelle Boucher "

05/16/2000 01:55 PM

To: Shan Robertson
cc
Subject: annuity valuations

I spoke with Eric Ammann today. I think they should recalculate the annuity payments as follows:

Extension occurred Jan 1/98
Leave payments and valuations as is through 12/31/97.
Take 12/31/97 valuation and project new payments forward using new effective 1/1/98 discount rate.
Re-value 12/31/98, 10/15/99 and 10/31/99 using new annual payments with applicable discount rates.

I think this is a better approach than going back to the origination date and projecting out to the new payment commencement dates, for the following

- one, I think it should give it gives a lower valuation as the discount rate has dropped.
- secondly, it is consistent with the timing of the decision being made to extend the payment start date

Eric Ammann doesn't fully understand the annuities, and is not happy to tell us which way to go. Since it could be a tax issue - I think we should as attorney's or accountants - I'm happy to run it by Rodney, but maybe Keeley should consider it too, or even think about asking EX. Let me know - I wanted your thoughts before approaching Rodney/Keeley.

I also gave Eric Ammann a heads up on a possible sale or surrender of the annuity - to get him thinking about who we should talk to within M&R - if we choose to. Eric indicated that it might be sensible to have CW/SW's health status evaluated to determine where they would fit on the general population mortality tables - and that may justify an 'adjustment' to the standard valuation.

Michelle



- att1.htm

Confidential
SEC_ED00048169

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 725

PSI ED00048169

10-16-03 09:48		KOLZ FAMILY		PRICE: 1								
PCA 3 & W		NORTH-IND PORTFOLIO VALUATION		DATE: 07-31-03								
		Sum W/ Separate Property		GRNTY: 100								
SORT OPTION BY CL, ENTITY, ENTITY, TYPE DESC												
INVESTMENT DESCRIPTION	VT	DATE	QUANTITY	CURRENT VALUE	COST BASIS	4- BOM BASIS UNREALIZED GAIN/LOSS	DIVIDEND/INCOME	INTEREST PAYMENT	ANNUAL ACCTG OPEN ACCRD INCOME DATE	QUANTITY	INT PAID	W/SD PT
100												
Remittals												
94 XI AMBITY 1986-XI	0	1-06-88	12-31-00	5,451,800 SHRS	7,462,147.02	0.00	7,462,147.02					
92 IX AMBITY 1982-IX	0	2-06-88	12-31-00	6,400,815 SHRS	17,431,741.33	0.00	17,431,741.33					
92 VI AMBITY 1982-VI	0	2-06-88	12-31-00	2,535,000 SHRS	5,231,532.85	0.00	5,231,532.85					
92 VI AMBITY 1982-VI	0	2-06-88	12-31-00	3,584,633 SHRS	5,247,341.71	0.00	5,247,341.71					
92 VII AMBITY 1982-VII	0	2-06-88	12-31-00	3,000,000 SHRS	6,269,432.39	0.00	6,269,432.39					
92 VIII AMBITY 1982-VIII	0	2-07-88	12-31-00	3,701,250 SHRS	7,661,684.44	0.00	7,661,684.44					
92 X AMBITY 1982-X	0	2-07-88	12-31-00	6,609,375 SHRS	13,661,997.32	0.00	13,661,997.32					
94 IX AMBITY 1986-IX	0	1-06-88	12-31-00	2,395,100 SHRS	3,266,897.19	0.00	3,266,897.19					
94 VI AMBITY 1986-VI	0	1-06-88	12-31-00	21,624,900 SHRS	33,206,894.07	0.00	33,206,894.07					
94 VII AMBITY 1986-VII	0	1-06-88	12-31-00	18,430,000 SHRS	26,840,925.18	0.00	26,840,925.18					
94 VIII AMBITY 1986-VIII	0	1-06-88	12-31-00	13,779,600 SHRS	19,164,509.38	0.00	19,164,509.38					
94 X AMBITY 1986-X	0	1-06-88	12-31-00	13,585,120 SHRS	19,095,430.49	0.00	19,095,430.49					
TOTAL Remittals				100,338,823 SHRS	165,150,795.09	0.00	165,150,795.09			0		
Computer Associates												
CA 0307 CA Option 24,1815 01/13/07	QC	21,107	07-31-01	112,640 CNTS	2,378,357.18	0.00	2,378,357.18					
CA 1006 CA Option 35,071 10/02/06	QC	20,180	07-31-01	859,185 CNTS	17,245,338.47	0.00	17,245,338.47					
TOTAL Computer Associates				971,825 CNTS	19,723,795.65	0.00	19,723,795.65			0		
Michela's Escrow Investments												
MICR 0304 Michela Option 17,9065 5/1/04	QC	16,001	07-31-01	400,000 CNTS	10,460,240.00	0.00	10,460,240.00					
MICR 0405 Michela Option 31,000 8/30/05	QC	17,429	07-31-01	100,000 CNTS	1,782,334.00	0.00	1,782,334.00					
MICR 1002 Michela Option WEST 07/11/02	QC	0,000	07-31-01	16,686 CNTS	0.00	0.00	0.00					
MICR 1003 Michela Option WEST 07/11/03	QC	0,000	07-31-01	16,687 CNTS	0.00	0.00	0.00					
MICR 1004 Michela Option WEST 07/11/04	QC	0,000	07-31-01	16,687 CNTS	0.00	0.00	0.00					
TOTAL Michela's Escrow Investments				556,000 CNTS	12,242,574.00	0.00	12,242,574.00			0		
Scottish Annuity Life Holdings												

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 726

CONFIDENTIAL
SEC100026912
PSI00038779

WYLY PARTNERSHIPS		Stargate Investment, Ltd.	
November 30, 2001	Shs/Face	Book	FMV
ASSETS			
Cash/Money Market		48,181	48,181
Annuities			87,102,190
Notes Receivable:			
CJW, Jr Irrevocable Trust		25,487,656	25,487,656
CDW Irrevocable Trust		26,054,111	26,054,111
Accrued Interest Receivable		2,147,574	2,147,574
TOTAL ASSETS		53,737,522	140,839,712
LIABILITIES			
		0	0
		0	0
TOTAL LIABILITIES		0	0
CAPITAL			
Charles & Caroline Wyly Revocable Trust	100.000000%		140,839,712
TOTAL CAPITAL	100.000000%	53,737,522	140,839,712
TOTAL LIABILITIES & CAPITAL		53,737,522	140,839,712

12/31/03 01:57pm P. 002

RETIREMENT
HORIZONS
INCORPORATED

December 31, 2003

Via Fax: (345) 949-2519

Ms. Michelle Boucher
The Irish Trust Company (Cayman) Ltd.
Post Office Box 10658 APO
5th Floor Harbour Place
South Church Street
Grand Cayman
BWI

Re: December 31, 2003 Valuation of Private Annuity Contracts

Dear Michelle:

I have updated the valuation of the private annuity contracts that were issued in April of 1992 to Charles Jr., Caroline and Sam Wyly and the 14 additional contracts that were issued in February and March of 1996 to various individuals. These valuations reflect the changes to the commencement dates and payment amounts that were made by the January 1998 amendments.

The attached Exhibit A shows the valuation results of the 1992 annuity contracts, while Exhibit B shows the values of the 1996 annuity contracts. The present values of these contracts were determined as of December 31, 2003.

Consistent with past practice, the contracts have been valued using a discount rate equal to 120% of the Federal Mid-Term Rate. This rate for December 2003 was 4.26%, and when rounded to the near .2%, resulted in the valuation discount rate of 4.2%.

The contract values as of December 31, 2003 have increased since a year ago due to the discount period being a year shorter.

Retirement Horizons' role with respect to the private annuity contracts is strictly confined to providing an updated calculation of the contract values using mortality and discount rate assumptions consistent with the calculation terms specified in the language of the annuity contracts. Retirement Horizons is not offering an opinion as to either the legal or tax status of these private annuity contracts.

2505 N. Plano Road, Suite 3300
Richardson, Texas 75082
214 • 572-9000
Fax 214 • 572-9090

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 727

CONFIDENTIAL
SEC100028322
PSI00040189

3723

12/31/03 01:57pm P. 002

Ms. Michelle Boucher

-2-

December 31, 2003

Please call me at either (214) [REDACTED] or (214) [REDACTED] if you have any questions regarding these calculations or if I can be of any additional assistance with respect to the annuity contracts.

Sincerely,



Eric Ammann, FSA
Principal

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Enclosures

CONFIDENTIAL
SEC100028323
PSI00040190

01/07/04 13:53 FAX

+ KEELEY 004
12/31/03 01:57pm P. 004

Exhibit A
Private Annuity Valuations for Sam, Charles and Caroline Wyly
(as of December 31, 2003 based upon a Discount Rate of 4.2%)

Annuity ID	Date of Birth	Marital Status	Age at Commencement	Annuitant Factor at Commencement	Present Value Factor	Annual Annuity Payment	Current Value as of 12/31/03
Annuitants for Sam Wyly							
92-IX East Carol SW	10/04/34	68	70	9.704	9.37734	\$2,834,968	\$27,802,082
92-V West Carol SW	10/04/34	68	70	9.704	9.37734	880,047	8,262,500
92-VI Morehouse SW	10/04/34	68	70	9.704	9.37734	800,436	8,447,465
92-VII Richard SW	10/04/34	68	70	9.704	9.37734	1,066,068	9,902,597
92-VIII Teresa SW	10/04/34	68	70	9.704	9.37734	1,280,446	12,102,208
92-X East Baton Rouge SW	10/04/34	68	70	9.704	9.37734	2,304,607	21,811,085
Subtotal for Sam Wyly							\$87,838,337
Annuitants for Charles Wyly, Jr.							
92-I Linda Woody SW	10/13/23	70	70	9.704	8.65590	1,383,868	12,078,485
92-II Rouffing Creek	10/13/23	70	70	9.704	8.65590	1,083,212	9,415,699
Subtotal for Charles Wyly, Jr.							\$21,494,184
Annuitants for Caroline Wyly							
92-III Rouffing Creek SW	02/23/34	70	70	9.704	9.63764	1,400,278	13,496,882
92-IV Rouffing Creek SW	02/23/34	70	70	9.704	9.63764	1,091,576	10,620,432
Subtotal for Caroline Wyly							\$24,016,083
GRAND TOTALS							\$133,348,604

RETIREMENT
HORIZONS
 INVESTMENTS

WILSON/2003/12/31/2003

CONFIDENTIAL
 SEC100028324
 PS100040191

01/07/04 13:54 FAX

+ KEELEY 005
12/31/03 01:57pm P. 005

Exhibit B

Private Annuity Valuations for Contracts Established in February and March of 1996
(as of December 31, 2003 based upon a Discount Rate of 4.2%)

Annuity ID	Date of Birth	Mar Age	Beginning Date of Annuity	Age at Commencement	Annuity Factor at Commencement Age	Present Value Factor	Annual Annuity Payment	Current Value as of 12/31/03
96-V Razina CW	01/05/55	49	01/05/20	85	11.307	5.01891	\$549,070	\$3,255,823
96-III Quaple CW	10/13/53	70	10/13/04	73	8.741	7.06462	4,150,654	28,282,280
96-IV Elegance CW	10/13/53	70	10/13/05	73	8.741	7.05452	2,441,208	17,382,846
96-XI Deirdra EW	12/23/61	42	12/23/26	65	11.307	3.07667	4,671,725	17,178,442
96-X -Vesper- 96-I CW Sofiane	03/11/51	53	03/11/16	85	11.307	8.03812	262,061	-1,582,280
96-VIII Devotion SW	10/13/53	70	10/13/08	73	8.741	7.05452	4,047,239	28,551,304
96-VI Audition SW	10/04/54	69	10/04/07	73	8.741	8.80088	6,336,609	35,228,485
96-XII Locke SW	10/04/54	69	10/04/07	73	8.741	8.80088	5,413,128	36,781,945
96-IX Santa SW	10/04/54	69	10/04/07	73	8.741	8.80088	9,280,720	61,251,530
96-VII Santa Fe SW	10/04/54	69	10/04/07	73	8.741	8.80088	2,141,704	14,137,343
96-III Bakery Limited SW	10/04/54	69	10/04/07	73	8.741	8.80088	940,381	8,211,396
96-III Bakery Limited SW	10/13/53	70	10/13/05	73	8.741	8.80088	7,801,328	48,617,430
96-XIII Syntum Limited SW	12/23/61	42	12/23/26	65	11.31	7.05452	3,667,374	28,081,080
TOTAL							\$51,457,633	\$329,702,379

HORIZONS
INVESTMENT
CORPORATED

WYLLAMUSOLAW (12/31/2003)

CONFIDENTIAL
SEC100028325
PSI00040192

COMPARISON OF RETIREMENT HORIZON ANNUITY VALUATIONS

December 31, 2003 Valuations

[Original, Discount Rate at time of contract amendment vs. Discrt Rate since inception]

Contract Name	Birthdate of Contract Holder	(1) Original Annuity Payment Amount	(2) Annual payment on Dec 98 rate, treating extrn like new oblig at that date	(3) Dec 31/03 NPV calculation of annuity obligation based on these payments	(4) Annual payment based on Jan 98 rate, treating extrn like new oblig at that date	(5) Dec 31/03 NPV calculation of annuity obligation based on these payments	(6) Annual payment assuming extended maturity dated used in initial calculation	(7) Dec 31/03 NPV calculation of annuity obligation based on these payments
East Carroll	10/4/34	\$ 1,956,558	\$ 2,934,956	\$ 27,522,082	\$ 3,142,095 ✓	\$ 29,464,495.00	\$ 3,290,922	\$ 30,860,096
West Carroll	10/4/34	\$ 586,674	\$ 880,047	\$ 8,252,500	\$ 942,157 ✓	\$ 8,834,927	\$ 986,783	\$ 9,253,400
Morehouse	10/4/34	\$ 600,534	\$ 900,838	\$ 8,447,465	\$ 964,418 ✓	\$ 9,043,657	\$ 1,010,088	\$ 9,472,014
Richland	10/4/34	\$ 704,009	\$ 1,056,058	\$ 9,902,997	\$ 1,130,589 ✓	\$ 10,601,918	\$ 1,184,140	\$ 11,104,084
Texas	10/4/34	\$ 860,352	\$ 1,290,580	\$ 12,102,208	\$ 1,381,565 ✓	\$ 12,956,343	\$ 1,446,468	\$ 13,564,023
East Baton Rouge	10/4/34	\$ 1,536,342	\$ 2,304,607	\$ 21,611,085	\$ 2,467,258 ✓	\$ 23,138,319	\$ 2,582,978	\$ 24,221,464
Little Woody	10/13/33	\$ 909,050	\$ 1,363,889	\$ 12,076,465	\$ 1,459,871 ✓	\$ 12,928,472	\$ 1,528,765	\$ 13,538,580
Roaring Creek	10/13/33	\$ 708,645	\$ 1,063,212	\$ 9,415,689	\$ 1,138,034 ✓	\$ 10,078,318	\$ 1,191,213	\$ 10,549,263
Roaring Fork	2/23/34	\$ 933,481	\$ 1,400,278	\$ 13,495,652	\$ 1,498,105 ✓	\$ 14,448,130	\$ 1,570,169	\$ 15,133,033
Rugosa	2/23/34	\$ 727,888	\$ 1,091,576	\$ 10,520,432	\$ 1,168,616 ✓	\$ 11,262,931	\$ 1,223,472	\$ 11,791,624
			check \$	133,348,585	check \$	142,795,510	check \$	149,487,591
Ramona	1/5/55	\$ 648,968	\$ 648,970	\$ 3,255,823	\$ 648,970 ✓	\$ 3,255,823	\$ 648,970	\$ 3,255,823
Quayle	10/13/33	\$ 2,329,070	\$ 4,150,864	\$ 29,282,280	\$ 4,442,503 ✓	\$ 31,339,723	\$ 4,375,534	\$ 30,867,289
Elegance	10/13/33	\$ 1,380,999	\$ 2,461,209	\$ 17,362,646	\$ 2,634,138 ✓	\$ 18,582,577	\$ 2,594,430	\$ 18,302,456
Dortmund	12/23/61		\$ 4,571,735	\$ 17,176,442	\$ 4,671,735 ✓	\$ 17,176,442	\$ 4,671,735	\$ 17,176,442
Vaspar	3/11/51		\$ 262,061	\$ 1,582,356	\$ 262,061 ✓	\$ 1,582,356	\$ 262,061	\$ 1,582,356
Souleiana	10/13/33	\$ 2,270,929	\$ 4,047,236	\$ 28,551,304	\$ 4,331,604 ✓	\$ 30,557,384	\$ 4,266,307	\$ 30,098,745
Devotion	10/4/34	\$ 2,994,514	\$ 5,336,809	\$ 35,228,165	\$ 5,711,781 ✓	\$ 37,703,347	\$ 5,625,879	\$ 37,134,990
Audubon Asset	10/4/34	\$ 3,037,388	\$ 5,413,128	\$ 35,731,945	\$ 5,793,464 ✓	\$ 38,242,535	\$ 5,706,130	\$ 37,666,045
Locke	10/4/34	\$ 5,207,467	\$ 9,280,720	\$ 61,261,839	\$ 9,932,801 ✓	\$ 65,666,212	\$ 9,783,067	\$ 64,577,821
Samia	10/4/34	\$ 1,201,723	\$ 2,141,704	\$ 14,137,343	\$ 2,292,185 ✓	\$ 15,130,865	\$ 2,257,631	\$ 14,902,575
Yurta Faf	10/4/34	\$ 527,990	\$ 940,981	\$ 6,211,396	\$ 1,007,096 ✓	\$ 6,647,820	\$ 991,914	\$ 6,547,604
Moberly	10/4/34	\$ 4,209,135	\$ 7,501,528	\$ 49,517,430	\$ 8,028,588 ✓	\$ 52,996,608	\$ 7,847,830	\$ 51,803,362
Elysium	10/13/33	\$ 2,074,442	\$ 3,687,074	\$ 26,081,080	\$ 3,956,839 ✓	\$ 27,913,597	\$ 3,867,748	\$ 27,285,103
Altantis	12/23/61		\$ 903,624	\$ 3,322,330	\$ 903,624 ✓	\$ 3,322,330	\$ 903,624	\$ 3,322,330
			check \$	328,702,379	check \$	350,017,419	check \$	344,520,941

CONFIDENTIAL
SEC100028326
PSI00040193



August 2, 2004

Attn: Mark Lewin
 Close Trustees (Isle of Man) Limited
 P.O. Box 203
 St. George's Court
 Upper Church Street
 Douglas Isle of Man
 IM99 1RB

**Re: *Modifications to the Private Annuity between Elegance Limited
 and The Lincoln Creek Trust dated February 22, 1996 (the "Contract")***

Dear Mr. Lewin:

Upon review of the circumstances involving the 1998 amendment to defer the commencement date of the Contract by five years, I am recommending a change to the calculation of the delayed annuity payment amount. This change results in an increase in the annual annuity payment from \$2,461,209 to \$2,634,138, an increase of approximately 7.03%.

When the original deferment calculations were completed several years ago, the discount rate used was the rate (based upon 120% of the Applicable Federal Mid-term Rate) in effect at the end of the year that the Contract was modified (1998). Thus, the discount rate used was the December, 1998 Federal Mid-term Rate of 5.4%. However, the Contract amendment was effective eleven months earlier in January of 1998. Furthermore, this eleven month period experienced a significant change in the Federal Mid-term Rate, as the January 1998 rate was 7.2%.

The discount rate basis of 120% of the Federal Mid-term Rate was used since it was consistent with the terms of the Contract and the valuation principles outlined in Internal Revenue Code Section 7520 and related regulations. In effect since May 1, 1989, IRC Section 7520 specifies the basis and actuarial factors for certain types of annuity valuations. The discount rates under IRC 7520 are variable to reflect current market conditions; the applicable discount rates are updated monthly.

Given this degree of change in the applicable discount rate between January and December of 1998, coupled with the valuation principle that an amendment to the terms of the Contract that affects the timing of the receipt of the annuity payments should be accomplished based upon a current market discount rate, the new payment amount of \$2,634,138 is the more appropriate payment value for the Contract amendment which was effective in January, 1998.

2505 N. Plano Road, Suite 3300
 Richardson, Texas 75082
 214 • 572-9000
 Fax 214 • 572-9090

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 731

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 SEC100046563
 PSI00058430

Summarized below is a history of the calculated annuity payments for the Contract:

	<i>Annual Payment</i>
• Annuity payment under the original terms of the Contract, based upon an age 68 benefit commencement date	\$ 1,380,999
• Original calculation related to the 1998 amendment to delay commencement of the annuity to age 73, using the December, 1998 discount rate of 5.4%	\$ 2,461,209
• Revised calculation related to the 1998 amendment to delay commencement of the annuity to age 73, using the January, 1998 discount rate of 7.2%	\$ 2,634,138

This revision, which reflects the current market discount rate in effect at the time of the Contract modification, is consistent with the calculation methodology found in the commercial annuity marketplace.

Retirement Horizons' role with respect to the private annuity contracts is strictly confined to providing actuarial calculations of the contract values using mortality and discount rate assumptions consistent with the calculation terms specified in the language of the annuity contracts. Retirement Horizons is not offering an opinion as to either the legal or tax status of these private annuity contracts.

Please call me at (214) 572-9000 if you have any questions regarding this information.

Sincerely,



Eric Ammann, FSA
Principal

[TIME]

Ms. Anna Benbatoul
IFG International Ltd.
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
IM2 4RB

Re: Modifications to the Private Annuity for East Carroll

Dear Ms. Benbatoul:

Upon review of the circumstances involving the 1998 amendment to defer the commencement date of the East Carroll private annuity contract by five years, I am recommending a change to the calculation of the delayed annuity payment amount. This change results in an increase in the annual annuity payment from \$2,934,956 to \$3,142,095, an increase of approximately 7.06%.

When the original deferment calculations were completed several years ago, the discount rate used was the rate (based upon 120% of the Applicable Federal Mid-term Rate) in effect at the end of the year that the contract was modified (1998). Thus, the discount rate used was the December, 1998 Federal Mid-term Rate of 5.4%. However, the contract amendment was actually executed eleven months earlier in January of 1998. Furthermore, this eleven month period experienced a significant change in the Federal Mid-term Rate, as the January 1998 rate was 7.2%.

The discount rate basis of 120% of the Federal Mid-term Rate was used since it was consistent with the terms of the contract and the valuation principles outlined in Internal Revenue Code Section 7520 and related regulations. In effect since May 1, 1989, IRC Section 7520 specifies the basis and actuarial factors for certain types of annuity valuations. The discount rates under IRC 7520 are variable to reflect current market conditions; the applicable discount rates are updated monthly.

Given this degree of change in the applicable discount rate between January and December of 1998, coupled with the valuation principle that a restructuring of the terms of the contract that affects the timing of the receipt of the annuity payments should be accomplished based upon a current market discount rate, the new payment amount of \$3,142,095 is the more appropriate payment value for the contract amendment which was signed in January, 1998.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 732

PSI_ED00014767

3730

Ms. Anna Benbatoul

Page 2

June 9, 2004

Summarized below is a history of the calculated annuity payments for the East Carroll private annuity contract:

	<i>Annual Payment</i>
• <u>Annuity payment under the terms of the original 1992 contract, based upon an age 65 benefit commencement date</u>	\$ 1,956,558
• Original calculation related to the 1998 amendment to delay commencement of the annuity to age 70, using the December, 1998 discount rate of 5.4%	\$ 2,934,956
• Revised calculation related to the 1998 amendment to delay commencement of the annuity to age 70, using the January, 1998 discount rate of 7.2%	\$ 3,142,095

This revision, which reflects the current market discount rate in effect at the time of the contract modification, is consistent with the calculation methodology found in the commercial annuity marketplace.

Please call me at (214) 572-9000 if you have any questions regarding this information.

Sincerely,

Eric Ammann, FSA
Principal

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ANNUITY PRICING 12/31/04

ANNUITY	ENTITY ID	Annuity ID	QUANTITY	Value as of 12/31/00		Value as of 12/31/01	
				QUOTE	MARKET VALUE	CURRENT VALUE @ 12/31/01	NEW QUOTE @ 12/31/01
92 I	SGINV	Little Woody - C/JW	4,241,129	2,043	8,663,885.02	11,604,579.00	2,756,200,432
92 II	SGINV	Roaring Creek - C/JW	3,304,887	2,044	6,753,729.34	9,046,285.00	2,737,410,532
92 III	SGINV	Roaring Fork - C/JW	4,241,141	2,05	8,696,086.40	11,726,081.00	2,765,948,469
92 IV	SGINV	Rugosa - C/JW	3,304,887	2,051	6,779,367.23	9,146,315.00	2,766,716,511
92 IX	10S	East Carroll - SW	8,420,875	2,059	1,423,741.93	23,028,716.00	2,856,564,876
92 V	10S	West Carroll - SW	2,523,003	2,059	5,247,411.71	7,111,880.00	2,856,564,876
92 VI	10S	Warehouses - SW	2,523,003	2,059	5,247,411.71	7,111,880.00	2,856,564,876
92 VII	10S	Richland - SW	5,300,000	2,059	5,247,411.71	7,111,880.00	2,856,564,876
92 VIII	10S	Trinidad - SW	3,701,250	2,07	7,651,594.84	10,477,885.00	2,856,564,876
92 IX	10S	East Baton Rouge - SW	6,603,375	2,07	13,681,597.92	18,715,525.00	2,856,564,876
92 X	10S	Scully - C/JW	11,169,950	1,419	15,846,204.88	23,345,657.00	2,856,564,876
92 XI	SGINV	Elysium Limited - C/JW	10,464,000	1,383	14,475,502.98	21,325,657.00	2,856,564,876
92 XII	SGINV	Quayle - C/JW	11,455,925	1,419	16,251,502.18	23,345,657.00	2,856,564,876
92 XIII	SGINV	Elegance - C/JW	6,732,660	1,419	9,636,008.31	14,196,538.00	2,856,564,876
96 I	10S	Yunta Fall - SW	2,395,350	1,406	3,366,887.19	5,470,282.00	2,090,417,926
96 II	51S5	Ramona - DM	966,840	1,342	1,297,224.70	2,448,024.00	2,167,102,938
96 III	10S	Locke - SW	23,624,900	1,406	33,206,594.07	50,407,051.00	2,633,945,745
96 IV	10S	Moberly Limited - SW	19,620,000	1,368	26,840,925.18	40,420,279.00	2,167,095,531
96 V	10S	Audubon - SW	13,779,600	1,406	19,368,509.30	28,167,410.00	2,060,166,932
96 VI	10S	Devotion - SW	13,585,320	1,406	19,095,430.69	28,167,410.00	2,167,095,531
96 VII	10S	Sarna - SW	5,451,900	1,406	7,663,147.02	11,540,085.00	2,167,095,531
96 VIII	11C1	Dorland - EW	4,304,490	1,315	5,700,837.97	12,443,044.00	2,966,209,125
96 IX	11C1	Atlantis Limited - EW	902,000	1,223	1,102,695.90	2,823,678.00	2,775,171,751
96 X			166,565,752				

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Value as of 12/31/02		Value as of 12/31/03		Value as of 12/31/04	
CURRENT VALUE @12/31/02	NEW QUOTE @12/31/02	CURRENT VALUE @12/31/03	NEW QUOTE @12/31/03	CURRENT VALUE @12/31/04	NEW QUOTE @12/31/04
13,010,389	3,007,671	12,076,465	2,847,506	12,458,466	2,937,535
10,142,175	3,069,027	9,415,699	2,848,195	9,711,525	2,938,834
13,183,671	3,108,530	13,495,652	3,182,360	13,696,742	3,277,123
16,272,253	3,169,525	15,520,422	3,183,488	15,726,551	3,278,574
29,920,225	3,196,850	27,525,835	3,255,153	27,844,411	3,344,415
3,072,549	3,196,851	3,252,500	3,268,317	3,543,648	3,304,415
8,292,750	3,196,851	8,447,465	3,268,317	8,540,772	3,304,417
5,986,455	3,196,850	5,902,997	3,268,316	10,012,383	3,304,417
11,857,277	3,196,850	12,102,538	3,267,762	12,235,887	3,305,980
27,394,564	3,196,850	26,115,463	3,267,762	26,444,411	3,305,980
27,394,564	2,444,501	29,581,304	2,599,082	30,733,482	2,900,495
24,942,562	2,393,655	29,081,090	2,492,458	29,501,422	2,857,552
28,004,230	2,444,501	29,282,380	2,599,082	33,571,534	2,900,495
16,604,715	2,444,501	17,362,946	2,599,082	19,005,908	2,900,494
16,604,715	3,385,124	16,604,715	3,385,124	16,604,715	3,385,124
3,272,873	3,385,124	3,235,823	3,387,489	3,407,849	3,526,707
59,851,610	2,498,614	61,261,639	2,593,105	70,071,196	2,965,967
47,545,013	2,423,293	49,517,430	2,523,824	56,637,669	2,866,743
34,300,442	2,498,614	35,731,945	2,593,105	40,870,103	2,965,966
25,555,425	2,498,614	26,751,425	2,593,105	27,761,425	2,965,966
13,574,214	2,498,613	14,137,343	2,593,104	15,730,283	2,965,966
17,550,557	4,044,503	17,176,442	3,862,737	17,943,407	4,136,691
3,350,562	3,759,235	3,322,330	3,683,293	3,470,679	3,847,759
447,520,351		450,465,608		507,794,514	

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Parable From

[illegible]

²² when this was assigned to the IOM corp it was assigned to Rugosa Limited

Total

171,120,054

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 734

04/07/99 11:27 FAX

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PSI00040139

Charles Woff

Value of Annuity at 12/31/04:

95-I	Lilla Woody	Prin	Cash/Secur	Tyler	Real Mountain	Total	Annual Payment
95-I	Lilla Woody	12,458,468				12,458,468	1,498,871
95-II	Reining Creek	9,711,952				9,711,952	1,188,616
95-III	Reining Creek	10,824,660				10,824,660	1,188,616
95-IV	Reining Creek						
96-I	Southern			32,733,482		32,733,482	4,331,804
96-II	Eryman			29,901,422		29,901,422	3,854,839
96-III	Quayle	33,571,234				33,571,234	4,442,809
96-IV	Eryman	33,971,234				33,971,234	4,442,809
		46,803,795	33,971,234	62,634,904	19,858,868	163,268,791	20,441,139
		18,761,218	13,498,814	25,053,852	7,862,383	65,206,268	20,450,710

Tax at 40%

Liquid Assets

Cash	642,825	322,317	291,755	123,303	1,380,200
Mutual		10,862,834		5,470,899	16,113,469
Mutual Lend	31,586,527	17,399,712		6,725,336	45,380,238
RMSE	10,287,515	7,810,808			17,978,223
Wingate	7,588,897				7,588,897
Wingate Corp		5,328,749			5,328,749
Ranger SC Select		43,412,883			43,412,883
SAC Policy		17,888,054			17,888,054
2887204 Mutuals		10,489,500			10,489,500
801440 CA Options (23.071)		7,910,875			7,910,875
1525880 CA Options (24.1835)		564,807			564,807
2589000 Southern National (113)		6,609,383			6,609,383

Liquid

Non-Liquid Assets

QME Stock	46,677,453	111,102,950	17,590,638	64,374,048	242,444,191
Equity - GR	7,116,024	4,354,569		1,141,235	12,605,828
Loan - GR					
Loan - Trust					
Winston Thayer			1,087,540		1,087,540
Hypercar					
Hypercar Ltd					
Real Estate					
Art/Jewelry					

Non-Liquid

Loans

61,887,230

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PSI_ED00024950

Intercompany Income Tax Overseer Current	8,734,282	17,353,614	(25,343,710)	(1,734,153)	1
			32,120,795		32,120,795
Lease	8,734,282	17,353,614	8,777,849	(1,734,153)	32,120,795
Total Assets	70,590,185	136,034,395	55,245,749	73,980,139	236,452,467
Liabilities					
M/S margin					
Equity	70,590,185	136,034,395	55,245,749	73,980,139	236,452,467

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PSI_ED00024951

PRIVATE ANNUITY AGREEMENT

THIS ANNUITY AGREEMENT (the "Agreement") is made and entered into on the date set forth below by and between Charles Wyly, of 8080 North Central Expressway, #1100, Dallas, Texas 75206, United States of America (the "Annuitant") and Roaring Creek Limited, a Nevada corporation, of One East First Street, Reno, Nevada 89501, United States of America (the "Obligor").

RECITALS

1. The Annuitant is the sole and exclusive owner of the securities (the "Securities") identified in Schedule "A," attached hereto and incorporated herein by reference.
2. The Annuitant desires the receipt monthly of a fixed amount of money beginning on the first day of the month following Annuitant's attaining the age of sixty-five (65) years and terminating upon the Annuitant's death.
3. The Annuitant desires the receipt of such funds regardless of the liquidity or profitability of the Obligor's investment in the Securities or any other investment hereinafter owned by the Obligor.
4. The Annuitant wishes to be relieved of the risk of loss and of the possible diminution in the value of the Securities.
5. The Annuitant wishes to sell and transfer the Securities to the Obligor ~~the Securities~~ in exchange for the receipt of a private annuity (the "Annuity").

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 739

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PSI00133289

SCHEDULE "A"

1. Non-Statutory Stock Option to purchase 50,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated February 2, 1988, amended August 8, 1989 and October 24, 1990.
2. Non-Statutory Stock Option to purchase 50,000 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 4, 1986, amended December 11, 1987, August 8, 1989 and October 24, 1990.
3. Non-Statutory Stock Option to purchase 62,500 shares of the Common Stock, \$0.10 par value per share, of Michaels Stores, Inc., issued pursuant to Non-Statutory Stock Option Agreement dated August 22, 1990, amended October 24, 1990.
4. Option to purchase 25,000 shares of Common Stock of Michaels Stores, Inc. pursuant to the terms of that certain Purchase Warrant to purchase 150,000 shares of the Common Stock of Michaels Stores, Inc., dated November 20, 1984, amended October 24, 1990 originally issued to Sam Wyly.

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PSI00133305

3740

April 20, 1992

Lorne House Trust Company Limited
Lorne House
Castletown
Isle of Man
British Isles
Attn.: Mr. R. Buchanan

— = Redacted by the Permanent
Subcommittee on Investigations

Re: Pitkin Non-Grantor Trust

Dear Ronnie:

Pursuant to Section 8 of the Pitkin Non-Grantor Trust Agreement dated March 23, 1992 the Committee of Trust Protectors wishes to make the following recommendations to the Trustee.

Handwritten:
To exercise
100,000
options
of Michaels

To exercise 100,000 Michaels Stores Options held in Roaring Creek, Limited which is owned by the Pitkin Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) [REDACTED]. The committee recommends selling all of the stock at a price to exceed at least \$20.00 per share. The exercise price of the stock is \$3.00 a share, requiring \$300,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed \$1,700,000. The committee recommends a loan at 6% interest rate, to mature in one year of \$1,040,625 to Little Woody Limited which is owned by the Pitkin Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

To exercise 166,500 Sterling Software, Inc. Options held by Little Woody Limited which is wholly owned by the Pitkin Non-Grantor Trust using the cash loaned by Roaring Creek Limited to exercise the stock. The exercise price is \$6.25 per share for a total exercise price of \$1,040,625. The committee recommends that Little Woody Limited hold the Sterling Software, Inc. stock.

To exercise 100,000 Michaels Stores Options held in Maroon Limited which is owned by the Pitkin Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) [REDACTED]. The committee recommends selling all of the stock at a price to a least exceed \$20.00 per share. The exercise price of the stock is \$3.00 a share, requiring \$300,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed \$1,700,000. The committee recommends a loan at 6% interest rate, to mature in one year of \$1,040,625 to Roaring Fork Limited which is owned by the Pitkin Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 740

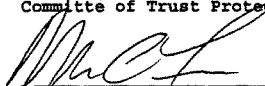
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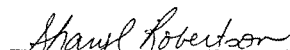
in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

To exercise 166,500 Sterling Software, Inc. Options held by Roaring Fork Limited which is wholly owned by the Pitkin Non-Grantor Trust using the cash loaned by Maroon Limited to exercise the stock. The exercise price is \$6.25 per share for a total exercise price of \$1,040,625. The committee recommends that Roaring Fork Limited hold the Sterling Software, Inc. stock.

~~The committee also recommends that you consider establishing a line of credit for the following corporations with Chemical Bank (Guernsey): Little Woody Limited for \$2,000,000, Roaring Creek Limited for \$1,500,000, Roaring Fork Limited for \$2,000,000 and Maroon Limited for \$1,500,000.~~

Committee of Trust Protectors:


Michael C. French, Chairman


Sharyl Robertson, Vice-Chairman
and Secretary

ROARING CREEK LIMITED
SUMMARY OF PROFIT & LOSS ON INVESTMENTS
FOR THE PERIOD 01/05/92 TO 30/11/93

MICHAEL'S STORES SHARES INTRODUCED:

187000 Shares in Michael's stores introduced in exchange for an annuity.
The value of the shares at introduction was calculated at US\$ 3304687

	SHARES	VALUE	STOCK	PROFIT
Value per share	17.67	187,000.00	3,304,687.00	
Sold 170500 for us\$ 3753687.38	170,500.00	3,753,687.38		
At Cost @17.67 per share	170,500.00	3,012,735.00		
profit on sale				740,952.38
stock at cost as at 30/11/93	16,500.00		291,952.00	
 FIRST BOSTON INC				
Purchased	25,900.00	230,090.42		
sold	25,900.00	230,634.76		544.34
profit on sale				
 SWISS BANK				
Purchased	330,000.00		264,662.50	
 GENERAL ELEC				
Purchased	280,000.00		249,600.00	
 ALLIED LYONS				
Purchased	250,000.00		245,675.00	
 NIPPON TELE				
Purchased	240,000.00		239,810.00	
 PHOTOMATRIX				
Purchased			21,557.28	
 Stock as at 30/11/93			1,293,256.78	
 Profit on Investments				741,696.72
 Sales		3,904,322.16		
Purchases		1,231,395.20		

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 740

CONFIDENTIAL
PSI00128352

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, May 28, 2002 7:56 AM
To: "Schaufele, Louis J." [REDACTED]
Subject: Re: 1st dallas

Lou - I thought Dawn gave this info to Michelle on Friday. If not, please let me know and I will get it to you asap. Then maybe you and I can talk about any other issues that are out there. I have an IRS agent in this morning and once I get him settled I will give you a call

Keeley

In case not the companies are : Roaring Creek Limited, Roaring Fork Limited, Elysium Limited, Elegance Limited. - all IOM companies

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Schaufele, Louis J." [REDACTED]
05/28/02 08:38 AM

To: "Keeley Hennington" [REDACTED]
cc: "Crittenden, Michele M." [REDACTED]
Subject: 1st dallas

In regard to syndicate deals:
Could you tell Michele or me whom the owners of 1st Dallas, I assume that it is IOM corps. I understand that you are working on some type of document regarding this. If in the interim I knew this it would allow us to book a hot deal in the account. This is not critical but I thought I would ask (we can wait on Boucher but if it isn't hard to know the IOM corps. then I can answer our folks.) thanks

IMPORTANT NOTICES:

This message is intended only for the addressee. Please notify the sender by e-mail if you are not the intended recipient. If you are not the intended recipient, you may not copy, disclose, or distribute this message or its contents to any other person and any such actions may be unlawful.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 741

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SEC_ED00006917

PSI_ED00006917

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 20, 2002 6:15 AM
To: "Michelle Boucher" [REDACTED]
Cc: Shari Robertson
Subject: Re: Fw: Lehmans

I had this discussion with Lou last week and he wrote a memo to Sam and Charles addressing this issue and that there is no sharing of information between the bank side and the broker side. He actually thinks this will be better at Bof A because they have never dealt with Michelle's accounts whereas Lehman was beginning to view all as one big entity (as evidenced by the problems we had on the MIKE swap we worked on earlier in the year). I guess only time will tell if it is going to be a problem, but Lou is very aware of the potential for problem and has promised to keep separation.

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Michelle Boucher" [REDACTED]
02/19/02 07:26 PM

To: <khennington [REDACTED]>
cc:
Subject: Fw: Lehmans

I think SW/CJW have thought about this re: chinese walls, but here's Shari's comments.
Michelle
----- Original Message -----
From: <shari_robertson [REDACTED]>
To: "Michelle Boucher" [REDACTED]
Sent: Tuesday, February 19, 2002 6:34 PM
Subject: Re: Lehmans

>
> I'll need to ask Lee on Blake/Lynchburg. The only concern I have,
> which the Wylly's should consider also, is that my banker (where I
> borrow money) is now affiliated with my broker (where the bulk of my
> assets are). Okay to move Vasper.
>
>
>
>
> The information contained in this e-mail message is intended only for

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 749

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SEC_ED00009278

PSI_ED00009278

3745

= Redacted by the Permanent
Subcommittee on Investigations

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> you have received this communication
in
> error, please notify us immediately by e-mail, and delete the original
> message.
>

>
>
>
> "Michelle
> Boucher" To:
> <shari_robertson@*****
> cc:
> Subject: Lehmanns
>
> 02/19/02 01:08
> PM
>
>
>
>
>
> Lou's move to BoFA was final last week. Sam & Charles have consented to
> moving all their stuff with him. I'll copy you on Keeley's email
> confirmation to me. CJW had some confidentiality issues and Lou
> addressed them for him.
>
> Please confirm we should move Blake/Lynchburg as well as Chisholm/Vaspar.
>
> Lou is planning on travelling to IOM to ensure everything is properly
> executed and pay everyone over there a visit.
>
> Michelle
>
>
>
>

Confidential
SEC_ED00009279

PSI_ED00009279

3746

April 22, 1992

— = Redacted by the Permanent
Subcommittee on Investigations

First Boston Corporation
Attn: Mr. Lou Schaefe
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

Dear Mr. Schaefe:

As Managing Director of Roaring Creek Limited, I wish to sell Michaels Stores, Inc. warrants utilizing a cashless stock exercise. I wish to sell 100,000 shares. The exercise price is \$3.00 per share. A check for \$300,000 should be issued to Michaels Stores, Inc. You may contact Mark Beasley, legal counsel for Michaels, at (214) [REDACTED]

R. Buchanan

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 750

CONFIDENTIAL
SECI00016594
PSI00028461

3747

April 22, 1992

— = Redacted by the Permanent
Subcommittee on Investigations

First Boston Corporation
Attn: Mr. Lou Schaefe
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

Dear Mr. Schaefe:

As Managing Director of Tensas Limited, I wish to sell Michaels Stores, Inc. warrants utilizing a cashless stock exercise. I wish to sell 210,000 shares. The exercise price is \$3.00 per share. A check for \$630,000 should be issued to Michaels Stores, Inc. You may contact Mark Beasley, legal counsel for Michaels, at (214) [REDACTED]

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

CONFIDENTIAL
SECI00016595
PSI00028462

3748


April 22, 1992

— = Redacted by the Permanent
Subcommittee on Investigations

First Boston Corporation
Attn: Mr. Lou Schaefe
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

Dear Mr. Schaefe:

As Managing Director of East Baton Rouge Limited, I wish to sell Michaels Stores, Inc. warrants utilizing a cashless stock exercise. I wish to sell 200,000 shares. The exercise price is \$3.00 per share. A check for \$600,000 should be issued to Michaels Stores, Inc. You may contact Mark Beasley, legal counsel for Michaels, at (214) [REDACTED]


R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

JMR/00758 100

CONFIDENTIAL
SEC100016596
PSI00028463

3749

FAXED
12-45

DATE: May 12, 1992

TO: Lou Schaefele

FROM: Ronald Buchanan
Russell Collister

RE: Authorization to transfer funds

Please accept this memo as your authorization to transfer funds out of the following accounts as follows:

Tensas Limited	\$2,084,375	FBO East Carroll Limited
East Baton Rouge Limited	\$2,084,375	FBO East Carroll Limited
Roaring Creek Limited	\$1,040,625	FBO Little Woody Limited
Rugosa Limited	\$1,040,625	FBO Roaring Fork Limited

The above referenced funds are to be wired to the account of Sterling Software for exercise of Sterling Software options by East Carroll, Little Woody, and Roaring Fork.

Thank you for your cooperation.

(14692)/23

12th May 1992.

L. S. C.

12th May 1992

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 750

CONFIDENTIAL
PSI00135895

3750

May 12, 1992

Ms Jeanette Meier
Sterling Software Inc
8080 N. Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Dear Ms Meier

Little Woody Limited, an Isle of Man corporation hereby exercises the Non-Statutory Stock Option to purchase 166,500 shares of common stock of Sterling Software, Inc. under the Non-Statutory Stock Option Agreement dated 9/16/86, amended 1/13/88 and May 1, 1989, transferred to Little Woody Limited (Nevada) 4/15/92 and transferred to Little Woody Limited (Isle of Man) 4/15/92. First Boston Corporation is delivering herewith the exercise price, \$1,040,625. Please issue the stock certificate in the name of First Boston Corporation and deliver at the address below.

Little Woody Limited
an Isle of Man Corporation

R Buchanan
Managing Director
Lorne House
Castletown, Isle of Man
British Isles

CC: Mr Lou Schaufele
First Boston Corporation
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

CONFIDENTIAL
PSI00135897

3751

May 12, 1992

~~Ms Jeanette Meier~~
Sterling Software Inc
8080 N. Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Dear Ms Meier

East Carroll Limited, an Isle of Man corporation hereby exercises the Non-Statutory Stock Option to purchase 667,000 shares of common stock of Sterling Software, Inc. under the Non-Statutory Stock Option Agreement dated 9/16/86, amended 1/13/88 and May 1, 1989, transferred to East Carroll Limited (Nevada) 4/15/92 and transferred to East Carroll Limited (Isle of Man) 4/15/92. First Boston Corporation is delivering herewith the exercise price, \$4,168,750. Please issue the stock certificate in the name of First Boston Corporation and deliver at the address below.

East Carroll Limited
an Isle of Man Corporation

R Buchanan
Managing Director
Lorne House
Castletown, Isle of Man
British Isles

CC: Mr Lou Schaufele
First Boston Corporation
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

CONFIDENTIAL
PSI00135900

3752

May 12, 1992

Ms Jeanette Maier
Sterling Software Inc
8080 N. Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

Dear Ms Maier

Roaring Fork Limited, an Isle of Man corporation hereby exercises the Non-Statutory Stock Option to purchase 166,500 shares of common stock of Sterling Software, Inc. under the Non-Statutory Stock Option Agreement dated 9/16/86, amended 1/13/88 and May 1, 1989, transferred to Roaring Fork Limited (Novada) 4/15/92 and transferred to Roaring Fork Limited (Isle of Man) 4/15/92. First Boston Corporation is delivering herewith the exercise price, \$1,040,625. Please issue the stock certificate in the name of First Boston Corporation and deliver at the address below.

Roaring Fork Limited
an Isle of Man Corporation

R Buchanan
Managing Director
Lorne House
Castletown, Isle of Man
British Isles

CC. Mr Lou Schaufele
First Boston Corporation
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

CONFIDENTIAL
PSI00135901

SEP 01 '95 10:37AM LDM BROES FSD 214 722 5454

P.2/3

LEHMAN BROTHERS

To: Bobbie Johnson
 From: Suzanne Savely/Cindy Murdock
 Date: September 1, 1995
 Re: Cashless Option Exercise

You should now have in your office 3 signed copies of the Cashless Option Exercise form, one each for Sarnia, Ltd., Quisyle, Ltd., and Greenbriar, Ltd. Please notify me as soon as possible if you do not. Signed Originals have been mailed to you.

We will be wiring you \$18,875,000.00 to the First National Bank of Boston in the next few days. I will notify you of the exact date as soon as I know the date. We will then immediately expect delivery of clean Sterling Software shares.

I need to have the following letter signed by Mr. Hoover stating that once you receive your money for the exercise, clean stock certificates registered in the name of Lehman Brothers will be issued. Please fax the letter to me as soon as possible and courier the original to me at 2200 Ross Ave., Suite 2500, Dallas, TX 75201.

Instructions for the delivery of the certificates are as follows: Please deliver 3 separate certificates registered in the name of Lehman Brothers, Inc. in denominations of 167,000 shares, 333,000 shares, and 500,000 shares to:

NSOC Window
 55 Water Street
 Plaza Level
 New York, NY 10041-0082
 For the Account of LEHMAN BROTHERS

Instructions for depositing the certificates should accompany them as follows:

167,000 shares for the account of Sarnia, Ltd. 837-20446-1-3

~~333,000 shares for the account of Quisyle, Ltd. 837-20446-1-4~~
 500,000 shares for the account of Greenbriar, Ltd. 837-20444-1-5

Please let me know if you need further information or have any questions. Also, if there is any problem in signing the attached letter, please contact me as soon as possible. Thank you.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 750

CC 021900

3754

QUAYLE LIMITED

18-20 North Quay, Douglas,
Isle of Man, IM1 4LE, British Isles.
Tel: 44 (0) 1624 688330 Fax: 44 (0) 1624 688334

RECEIVED

SEP 11 1995

LEGAL DEPT.

Our ref: APW/an/3-1235

30 August 1995

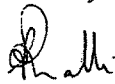
Ms Jeanette Meier
Sterling Software Inc.
8080 N. Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206
USA

Dear Ms Meier

Quayle Limited, an Isle of Man corporation hereby exercises the Non-Statutory Stock Option to purchase 333,000 shares of common stock of Sterling Software, Inc. under the Non-Statutory Stock Option Agreement dated 12th May 1992 and transferred to Quayle Limited on 4th December 1992. The funding of US\$6,285,375 is being provided by Lehman Brothers.

Please issue the stock certificate in the name of Lehman Brothers and deliver it to them in due course.

Yours sincerely



Andrew P Wallis
Director



Francis Webb
Director

Incorporated in the Isle of Man: Company No. 57000

Confidential Treatment Requested

CC 021901

3755



Albert K. Hoover
Vice President and
Assistant General Counsel

September 1, 1995

Lehman Brothers
2200 Ross Avenue, Suite 2500
Dallas, Texas 75201

Dear Sirs:

Please be advised that as soon as Sterling Software, Inc. receives good funds in the amount of \$18,875,000.00 for the benefit of Sarnia, Ltd., Quayle, Ltd., and Greenbriar, Ltd., we will issue common stock certificates without restrictive legends in the name of Lehman Brothers, Inc. in the following denominations:

167,000 (for the benefit of Sarnia, Ltd.)
333,000 (for the benefit of Quayle, Ltd.)
300,000 (for the benefit of Greenbriar, Ltd.)

The certificates will be delivered to the following:

NSOC Window
55 Water Street
Plaza Level
New York, NY 10041-0082
For the Account of LEHMAN BROTHERS

Please call me if you have any questions. Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Albert K. Hoover', written over a horizontal line.

Albert K. Hoover
Vice President

AKH:mb
lv01

8080 North Central Expressway • Suite 1100 • Dallas, TX 75206 • 1895 • 214/891-9500 • Fax 214/750-0905

Confidential Treatment Requested

CC 021902

— = Redacted by the Permanent
Subcommittee on Investigations

BANK OF BOSTON CORP - BOSTONET SYSTEM
STERLING SOFTWARE INC.
TODAY REPORTER
DETAIL REPORT
AS OF SEP 8

***** BANK OF BOSTON - BOSTON *****

*** U.S. DOLLAR *** STERLING SOFTWARE INC PARENT
53066631 LATEST UPDATE: SEP 8 13:37 CDT

***** CREDITS *****

----- * INDIV PREAUTHORIZED ACH CRS * -----
1,930.77 EDS-AP-EDI
ISA*02*EDS-EPT *01*-PASSWORD-*ZZ*EDS-EPT

----- 1,930.77 INDIV PREAUTHORIZED ACH CRS REQUESTED 1 ITEMS -----

9,437,500.00 * INDIV INCOMING MONEY TRANSFERS *
[0]
MT/OUR REF [REDACTED]
CONTRA 105003 CHEMICAL BANK
BBI:CBC REF 5271000251JP ORG:GREENBRIAR LTD
BRITISH ISL OBI:REF STOCK OPTIONS GREENBRIAR LTD
OBK:LEHMAN BROTHERS COMM-FUTU RFB:SWF OF 95/09/08

6,285,375.00 [REDACTED]
MT/OUR REF [REDACTED]
CONTRA 105003 CHEMICAL BANK
BBI:CBC REF 5271100251JP ORG:QUAYLE LTD P O BOX
1568 OBI:REF STOCK OPTIONS QUAYLE LTD OBK:LEHMAN
BROTHERS COMM-FUTURES RFB:SWF OF 95/09/08

3,152,125.00 [REDACTED]
MT/OUR REF [REDACTED]
CONTRA 105003 CHEMICAL BANK
BBI:CBC REF 5271200251JP ORG:SARNIA LTD P O BOX
1568 OBI:REF STOCK OPTIONS SARNIA OBK:LEHMAN
BROTHERS COMM-FUTURES RFB:SWF OF 95/09/08

570,000.00 [REDACTED]
MT/OUR REF [REDACTED]
CONTRA 105003 FIRST NATIONAL
ORG:STERLING SOFTWARE RFB: [REDACTED]
125,000.00 [REDACTED]
MT/OUR REF [REDACTED]
CONTRA 105003 BANK OF AMERICA
ORG:STERLING SOFTWARE, INC. OBI:ORGREF-NOREF OBK:
STERLING SOFTWARE INC RFB: [REDACTED]

19,570,000.00 INDIV INCOMING MONEY TRANSFERS REQUESTED 5 ITEMS
19,571,930.77 TOTAL CREDITS 16 ITEMS

----- DEBITS -----

75,000.00 * OUTGOING MONEY TRANSFER DEBITS *
[0]
MT/OUR REF [REDACTED]
CONTRA 105003 ISRAEL DISCOUNT
IBK:ISRAEL DISCOUNT BANK LTD TEL AVIV ISRAEL BBK:
ISRAEL DISCOUNT BANK LTD NAHARIYA SR ISRAEL ENP:

Confidential Treatment Requested

CC 021903

3757

SEP 01 '95 10:57AM LEH BROS FSD 214 722 5454

P.2/3

LEHMAN BROTHERS

To: Bobbie Johnson
From: Suzanne Shavely/Cindy Murdock
Date: September 1, 1995
Re: Cashless Option Exercise

You should now have in your office 3 signed copies of the Cashless Option Exercise form, one each for Sarnia, Ltd., Quayle, Ltd., and Greenbriar, Ltd. Please notify me as soon as possible if you do not. Signed Originals have been mailed to you.

We will be wiring you \$18,875,000.00 to the First National Bank of Boston in the next few days. I will notify you of the exact date as soon as I know the date. We will then immediately expect delivery of clean Sterling Software shares.

I need to have the following letter signed by Mr. Hoover stating that once you receive your money for the exercise, clean stock certificates registered in the name of Lehman Brothers will be issued. Please fax the letter to me as soon as possible and courier the original to me at 2200 Ross Ave., Suite 2500, Dallas, TX 75201.

Instructions for the delivery of the certificates are as follows: Please deliver 3 separate certificates registered in the name of Lehman Brothers, Inc. in denominations of 167,000 shares, 333,000 shares, and 500,000 shares to:

NSDC Window
55 Water Street
Plaza Level
New York, NY 10041-0082
For the Account of LEHMAN BROTHERS

Instructions for depositing the certificates should accompany them as follows:

~~167,000 shares for the account of Sarnia, Ltd. 837-20447-1-1~~
333,000 shares for the account of Quayle, Ltd. 837-20447-1-2
500,000 shares for the account of Greenbriar, Ltd. 837-20444-1-3

Please let me know if you need further information or have any questions. Also, if there is any problem in signing the attached letter, please contact me as soon as possible. Thank you.

Confidential Treatment Requested

CC 021904

3758

*see
file*

SARNIA INVESTMENTS LIMITED

18-20 North Quay, Douglas,
Isle of Man, IM1 4LE, British Isles.
Tel: 44 (0) 1624 688330 Fax: 44 (0) 1624 688334

RECEIVED
SEP 11 1995

LEGAL DEPT.

Our ref: APW/an/3-1243

30 August 1995

Ms Jeanette Meier
Sterling Software Inc.
8080 N. Central Expressway
Suite 1100, LB-31
Dallas, Texas 75206

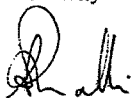
Dear Ms Meier

Sarnia Investments Limited, an Isle of Man Corporation hereby exercises the Non-Statutory Option to purchase 167,000 share of common stock of Sterling Software, Inc. under the Non-Statutory Stock Option Agreement dated 12th May 1992 and transferred to Sarnia Investments Limited on 4th December 1992.

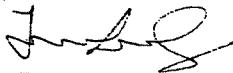
The funding of US\$3,152,125 is being provided by Lehman Brothers.

Please issue the Stock Certificate in the name of Lehman Brothers and deliver it to them in due course.

Yours sincerely



Andrew P Wallis
Director



Francis Webb
Director

Incorporated in the Isle of Man; Company No. 52403

Confidential Treatment Requested

CC 021905

SW - 1996 Annuities with 1992 trust subsidiaries			Note: latest exercise date highlighted by year. Initial Option Agreement Details		Summary re: last date of option exercises:	
Company Name - Location	#	exercised	Option Agreement	Option Agreement	1992 sub cashed out SE option March 2000	1994 sub exercised MK option August 2000
Cruze/Horse - Looka						
SSW92	22/2/1996	exercised 22/7/1996	Sterling Software Option Agreement Dated November 23, 1992 Grant Nov 23/92			
SSW94	2/22/1996	30/1/1996 31/1/1996	Sterling Software Option Agreement Dated November 23, 1994 Dated January 31, 1994			400,000
Cruze/Horse - Mobility						
SE596	3/7/1996	exercised 4/21/1998 1/21/1999 3/29/2000	Sterling Software Option Plan Dated February 12, 1995/ Granted Feb 12/95			3,000,000
Audubon - Sarula Investments						
SSW92	2/22/1996	exercised 3/13/1996	Sterling Software Option Agreement Dated November 28, 1992/ Grant Nov 28/92			
SW - 1996 Annuities with 1994 trust subsidiaries						
Cruze/Horse - Audubon (Gannett Figure)						
SSW93	2/22/1996	exercised 3/13/1996	Sterling Software Option Agreement Dated November 28, 1992/ Grant Nov 28/92			
Tallish International - Yura Ltd						
MIKE92	2/22/1996	exercised 1/11/2000 1/16/2000 1/14/2000 1/16/2000 1/16/2000 1/16/2000 1/16/2000 2/1/2000 2/1/2000	Michael's Option Plan Dated Aug 11, 1992/ Granted Aug 11, 1992			600,000

Confidential
SEC_ED 00093578

CONFIDENTIAL
PSI_ED00093578

MIKE93	2/22/1996	100,000	2/4/2000 6/2/2000 7/26/2000 4/26/2000 8/26/2000	600 8,000 8,000 84,000	<div> Michaels Option Plan Dated April 1, 1992 / Granted April 25, 1993 </div>
MIKE94	2/22/1996	100,000	8/23/2000	100,000	<div> Michaels Option Plan Dated April 1, 1992 / Granted April 18th, 1994 Dated March 31, 1994 / Granted August 1, 1994 </div>
MIKE494	2/22/1996	100,000	8/23/2000	100,000	
SW - 1996 Annuities					
with 1995 trust subsidiaries					
Shilling Bull _Devoteg					
SSW92B	2/22/1996	#	expired 5/1/1996	100,000	<div> Shilling Software Option Agreement Dated November 23, 1992 </div>
		483,333	5/1/1996	200,000	
			5/20/1996	100,000	
			5/20/1996	83,333	
SSW94B	2/22/1996	83,333	5/20/1996	16,667	<div> Shilling Software Option Agreement Dated November 23, 1992 </div>
			6/6/1996	66,666	<div> Shilling Software Option Plan Dated January 31, 1994 </div>
SSW95B	2/22/1996	100,000	6/6/1996	100,000	<div> Shilling Software Option Agreement Dated September 11, 1995 </div>

100,000

483,333

83,333

Confidential
SEC_ED 00093579

CONFIDENTIAL
PSI_ED00093579

CW - 1996 Annuities with 1992 trust subsidiaries				Note: latest exercise date highlighted by year of trust Option Agreement details	
Maroon Creek - Quanta acquired	#	exercised			
MIKE 92 2/22/1996	300,000	8/23/2000	300,000		
MIKE94 2/12/296	50,000	8/23/2000	50,000		
SSWB3 2/22/1996	150,000	3/18/1996	150,000		
SSWB4 2/22/1996	100,000	3/18/1996	100,000		
Summary by: Last date of option exercises:					
1992 sub exercised MIK options August 2000					
1994 sub exercised SSW options August 2000					
1995 sub exercised SSW options June 1996					
CW - 1996 Annuities with 1994 trust subsidiaries					
Woody International - Sullivan acquired	#	exercised			
MIKE93 2/22/1996	50,000	8/23/2000	50,000		
MIKE94 2/22/1996	50,000	8/23/2000	50,000		
SSWB4 2/22/1996	300,000	2/26/1996	300,000		
Woody International - Elvslum acquired	#	exercised			
SE96 2/22/1996	1,600,000	4/11/1998	150,000		
		5/11/1999	100,000		
		3/28/2000	1,350,000		
CW - 1996 Annuities with 1995 trust subsidiaries					
Lincoln Creek - Elegance acquired	#	exercised			
					1,600,000

Confidential
SEC_ED 00093580

CONFIDENTIAL
PSI_ED00093580

SSW92B	2/22/1996	241,667	5/7/1996	50,000	241,667
			5/13/1996	100,000	
			5/20/1996	200,000	
			5/26/1996	41,667	
SSW84B	2/22/1996	41,667	5/28/1996	8,333	
			6/6/1996	33,334	
SSW94B	2/22/1996	50,000	6/3/1996	50,000	

Confidential
SEC_ED 00093581

CONFIDENTIAL
PSI_ED00093581

Note: latest exercise date highlighted by year of trust
Option Agreement Details

**EW - 1996 Annuities
with 1996 trust subsidiaries**

SCOTTY TRUST - Dortmund

	acquired	#	exercised	
MIKENP996	2/22/1996	20,000	08/01/97	20,000
				Michaels Non Program Stock Option Plan Dated / Granted September 19, 1991
MIKENP1196	2/22/1996	10,000	08/01/97	10,000
				Michaels Non Program Stock Option Plan Dated / Granted November 27, 1991
MIKE92A	2/22/1996	70,000	01/14/00	21,000
			01/18/00	27,000
			01/19/00	12,000
			01/20/00	3,000
			01/21/00	2,700
			01/24/00	4,300
		10,000	08/23/00	10,000
				Michaels Option Plan Dated August 1, 1992 / Granted April 25, 1993
		30,000	01/24/00	7,100
			01/26/00	600
			02/03/00	3,600
			02/04/00	600
			02/07/00	900
			04/26/00	1,200
			08/23/00	18,000
MIKE94A	2/22/1996	30,000	08/23/00	30,000
				Michaels Option Plan dated March 31, 1994 / Granted August 1, 1994
SSWN3NQ	2/22/1996	40,000	2/27/1996	30,000
			3/11/1996	10,000
				Sterling Software Non Statutory Stock Option Plan
SSW92N-S	2/22/1996	60,000	3/11/1996	60,000
				Sterling Software Option Agreement
Atlanta				
SE	3/7/1996	200,000	3/26/2000	200,000
				Sterling Commerce Inc Option Plan Dated February 12, 1996 / Granted Feb 12, 1996

Confidential
SEC_ED 00093582

CONFIDENTIAL
PSI_ED00093582

Note: latest exercise date highlighted by year of trust
Option Agreement Details

**SR - 1996 Annuities
with 1996 trust subsidiaries**

CHISHOLM TRUST - Vesper

	acquired	#	exercised	
SSWN-S0797	2/22/1996	5,500	03/12/96 03/20/96	4,375 1,125
				Sterling Software Option Agreement Dated November 23, 1992/Grant May 7, 1992
SSWN-S1298	2/22/1996	2,500	03/20/96	2,500
				Sterling Software Option Agreement Dated November 23, 1992/Grant July 12, 1993
SSWN-S0700	2/22/1996	6,500	03/12/96 01/18/00	6,500 27,000
				Sterling Software Option Agreement Dated November 23, 1992/Grant Nov 7, 1995

Confidential
SEC_ED 00093583

CONFIDENTIAL
PSI_ED00093583

— = Redacted by the Permanent
Subcommittee on Investigations

05/31/92 *R9M41

GRID: F 16

STATEMENT PERIOD
05/01/92 TO 05/31/92

PAGE

TAXPAYER ID

INV DEP

ACCOUNT

TRADING ACTIVITY FOR THE MONTH

TYPE	DATE	TRANSACTION	QUANTITY	DESCRIPTION	PRICE	DEBIT	CREDIT
2	05/08/92	RECEIVED	200.000	MICHAELS STORES INC REC'D NEW YORK OFF			
2	05/12/92	JOURNAL	200.000	MICHAELS STORES INC REC'D VIA ESO			
1	05/12/92	WIRED		WIRE F2SH A/C TO MGN. A/C		2,084,375.00	
1	05/12/92	JOURNAL	200.000	FNB BOSTON/STERLING SOFTWARE			
1	05/29/92	WIRED		MICHAELS STORES INC WIRE F2SH A/C TO MGN. A/C		600,000.00	
1	05/29/92	SOLD	50.000	NATIONS BK MICHAELS STORES INC	22		1,100,000.00

INCOME ACTIVITY FOR THE MONTH

TYPE	DATE	TRANSACTION	DESCRIPTION	DEBIT	CREDIT
1	05/29/92	INTEREST	INT AT AVG RATE OF 06.500 % FOR 91 DAYS FROM 04/30 THRU 05/28 CLOSE BAL 2084375.00DR AVG BAL 2084375.00DR	6,397.87	

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 751

CSFB 0004221

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 751

30-AUG-1995 18:18

P.001/001



Lorne House Management Limited

Lorne House · Castletown · Isle of Man · British Isles
Telephone +1624 823579 Fax +1624 822952

August 30th, 1995

Mr Louis J Schaufele
Lehman Brothers
Dallas, Texas

Fax to: 001 214 720 9464

Dear Mr Schaufele,

DELHI TRUST GREENBRIAR LIMITED

Further to my letter of August 29th, would you please:

- open a margin account with yourselves in the name of Greenbriar Limited,
- facilitate an exercise of 500,000 Sterling Software \$18.875 options which were otherwise due to expire on 5/12/97, using funds to be borrowed on margin from yourselves. We do not intend to sell any shares.

John Buchanan
Basnet

J K BASNET
Trustee

J.K. Basnet (Nepal) (Managing) R. Buchanan R.J. Collister M.G. Gisborne F.C.A. R.C. Ratcliffe A.C.A.

Registered in Isle of Man No. 58470

Telex No. 629265

TOTAL P.001

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 751

CC 021745

07 SEP-1995 13:47

P.003/011

LEHMAN BROTHERS

31st August, 1995

Greenbriar Ltd
 Attn: Janak Basnet
 Castletown
 Isle of Man IM9 1AZ

Dear Sirs,

We are pleased to inform you that we are prepared to consider making available to you, Greenbriar Ltd, a multicurrency loan facility in a maximum aggregate amount not exceeding USD 10,000,000 (United States Dollars ten million) or equivalent alternative currency subject to the terms and conditions set out in the Term Sheet attached. Unless the context otherwise requires, words and expressions used in this letter shall bear the same meaning as in the Term Sheet.

We are also prepared to consider making available to you a Foreign Exchange facility pursuant to which you may enter into a Foreign Exchange Contract or Option Contract.

By signing this letter you, Greenbriar Ltd, (the "Borrower") acknowledge receipt of the Term Sheet and agree to its terms. References in the Term Sheet to this Facility Letter shall include the terms and conditions set out in the Term Sheet. The Facility in question is subject to final credit approval from Lehman Brothers Global Finance Limited ("LBGF").

The following terms used in the Term Sheet, which is incorporated into this letter, shall have the meaning set out below:

"Corporate Actions" we hereby warrant that where applicable all corporate actions required to enable Greenbriar Ltd to enter into this agreement with LBGF have been taken and are in full force and effect.

"Interest" as defined in clause 4.2(b) of the Term Sheet shall be calculated by reference to LIBOR as defined in the Term Sheet.

"Spread" means LIBOR + 1.5% in relation to a particular interest period as agreed between LBGF and the borrower.

"Termination Date" Twelve months from the initial draw down date, which may at LBGF's discretion be postponed or accelerated with notice from LBGF.

The Borrower understands that it will have no proprietary rights, title or interest in the collateral which will be transferred outright to LBGF.

LEHMAN BROTHERS GLOBAL FINANCE LIMITED
 ONE BROADGATE LONDON EC4M 7HA TELEPHONE 0171 401 0011 TELEX 88881 LEHMAN G
 REGISTERED IN ENGLAND NO 2621000 AT THE ABOVE ADDRESS

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 751

CC 021969

07:SEP-1995 13:47

P.004/011

00-00-1995 13:47

07:SEP-1995 13:47

The Borrower authorizes LBOF to make transfers of cash or securities in respect of this Facility between accounts and/or legal entities without separate authorization.

This Facility Letter shall be governed and construed in all respect in accordance with English law and for the benefit of LBOF the Borrower irrevocably submits to the non-exclusive jurisdiction of the English courts.

This Loan Facility is not regulated business as defined in the Financial Services Act 1986.

Please confirm your agreement to the above and your acceptance of the terms and conditions of the Term Sheet by signing and returning the enclosed letters to me.

Yours faithfully,

for and on behalf of Lehman Brothers Global Finance Limited

Agreed and accepted this 6th day of September 1995

X [Signature]
Greenstar Ltd

Pursuant to clause 14.1 of the Term Sheet the address for notice is:-

Agreed and accepted this 6th day of Sep 1995

The common seal of Greenstar Ltd was hereto affixed in the presence of

Secretary of Corporation

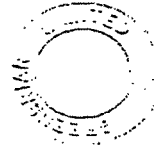
Chairman/President

X [Signature]
Signature SFC

X [Signature]
Signature

print name: Stuart Cane

print name: Paul Bell



07:SEP-1995 13:47

07:SEP-1995 13:47

Confidential Treatment Requested

CC 021970

07 SEP-1995 13:47

P.005/011

The Borrower authorises LBGF to make transfers of cash or securities in respect of this Facility between accounts and/or legal entities without separate authorisation.

This Facility Letter shall be governed and construed in all respect in accordance with English law and for the benefit of LBGF the Borrower irrevocably submits to the non-exclusive jurisdiction of the English courts.

This Loan Facility is not regulated business as defined in the Financial Services Act 1986.

~~Please confirm your agreement to the above and your acceptance of the terms and conditions of the Term Sheet by executing and returning the enclosed letters to me.~~

Yours faithfully,

for and on behalf of Lehman Brothers Global Finance Limited

Agreed and accepted this 6th day of September 1995

X [Signature]
Greenbriar Ltd

Pursuant to clause 14.1 of the Term Sheet the address for notice is:-

Agreed and accepted this 6th day of Sep 1995

The common seal of Greenbriar Ltd was hereunto affixed in the presence of

Secretary of Corporation

Chairman/President

X [Signature]
Signature SFC

print name... Simon... [unclear]

X [Signature]
Signature

print name... Paul... [unclear]



Confidential Treatment Requested

CC 021971

3771

LEHMAN BROTHERS

DATE: September 12, 1995
TO: Nadine Braithwaite
FROM: Brad Northcutt •
RE: Journal to LBGF accounts

Upon receipt of the following certificates of Sterling Software for the accounts listed below, please journal the positions to the corresponding LBGF account as LBGF has extended a loan based upon this collateral:

837-20446-1-3	Sarnia Investments Ltd	167,000 SSW	jnl to: 736-00119-1-5
837-20447-1-2	Quayle, Ltd	333,000 SSW	jnl to: 736-00120-1-2
837-20444-1-5	Greenbriar, Ltd	500,000 SSW	jnl to: 736-00121-1-1

Authorized by:



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 751

CC 021548

12/18/95 12:03 LEHMAN BROTHERS → 912147289464

NO. 713 P002

To: J. Kase
From: B. Brittain
Re.: Increased loans to "Devotion" and "Elegance"
Date: 18 December 1995

cc.: Craig Schiffer
John Mosler

I intend to ask credit for permission to increase loan amounts to Devotion and Elegance. On 13 November 1995, these two Isle of Man counterparties bought two year calls on 500,000 shares of Sterling Software at a strike price of \$41 per share to raise \$10 per share. We agreed to lend them 50% of the cost of these calls and obtained from them the right to call for collateral should the value of the outstanding loan ever exceed 55% of the mark to market value of their position.

Sterling Software is now trading above \$55 per share and the options' market value exceeds \$11 million. the outstanding loan value is \$2.3 million.

As long as the value of the loan exceeds 55% of the mark to market value of their position, we would like to roll all interest payments into the principal amount of the loan.

Attached please find a statement of all outstanding option and loan situations with counterparties which have connections -- however remote -- with Sam Wyly.

3773

Author: Cynthia Lee Murdock at dalfsd01
Date: 6/20/97 3:37 PM
Priority: Urgent
TO: Michael Cohen at NYFSD01
TO: Heike Ruelle at NYEDOTC
TO: Lloyd Groveman at NYSWP01
TO: Bill Foley at NYLB02
TO: Brad Northcutt
Subject: SSW/SE Sales]

TBF (Greenbriar)

----- Message Contents -----

Numbers have changed again. Please make a note of the new numbers.

TOTAL LOAN TO BE PAID OFF FOR GREENBRIAR: \$9,777,108.54

TD 6/18 SD 6/23

Sales remain the same at 15,800 SSW and 50,000 SE. However, instead of paying off only the uncollared portion of the loan, we will use all proceeds to pay off the loan until the loan is paid. Therefore, we will pay:

Principal: 1,447,981.68
Interest: 5,923.40
Total: 1,453,905.08

This should pay off the total amount we need to pay down for Greenbriar. This should also release the total amount of shares back to them (250,000 total SSW and 398,150 total SE). I show that we have received 67,500 SSW and 291,825 through Thursday and after Friday's journal we will have received 120,800 SSW and 346,625 SE. Therefore, you will owe me 129,200 SSW and 51,525 SE. Please send as soon as possible after you receive your wire on Monday.

This should close out Greenbriar, so disregard previous cc:mails regarding trades settling on the 24th.

Now for Sarnia:

TOTAL LOAN TO BE PAID OFF FOR SARNIA: 2,776,704.87

TD 6/19 SD 6/24

Sold 40,075 SE. I will use all proceeds available to pay down the loan, therefore, I will pay you \$1,324,759.06. Please let me know interest corresponding to this payoff.

TD 6/20 SD 6/25

Sold 73,000 SE. I will payoff remaining loan of \$1,451,945.81 on Wednesday, and the loan will be paid off. You will then be able to journal me all shares corresponding to Sarnia: 71,000 SSW and 113,073 SE. Again, I will need to know interest figure for this paydown.

This should take you guys out of the loop and we won't need to notify you of remaining sales.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 751

CC 021859

LEHMAN BROTHERS

Price
1,256,841.92

Total Interest Amount Due Lehman Brothers	=	\$ 151,590.01
---	---	---------------

Citibank, N.A., New York
Swift Code: CITIUS33
ABA 021000089
A/C 40729568
FAO: Lehman Brothers Holdings PLC
in the favor of LB Finance S.A.

Interest
Principal

turn out

Hold back from
PN \$
#1,408, #32. 42

Roll the rest
for a month

LEHMAN BROTHERS INC.
THREE WORLD FINANCIAL CENTER 8th FLOOR NEW YORK, NEW YORK 10285-0600

EXHIBIT #66 - FN 751

08/06/97 13:50 LEHMAN

CC 021557

3775

Crittenden, Michele

From: Gallione, Philip
Sent: Monday, February 01, 1999 10:04 AM
To: Crittenden, Michele
Cc: Hogan, Michelle R
Subject: LBF Position Reconciliation (Dallas)

Michelle,

Attached please find the collateral positions as of 1/31/99.

Regards,

Phil

Counterparty	Security Description	Required Position	Posted	Variance
REDACTED				
Greenbriar Corporation	Sterling Commerce	398,150	398,150	0
Greenbriar Corporation	Sterling Software	500,000	500,000	0
Qualye Limited	Sterling Commerce	238,890	238,890	0
Qualye Limited	Sterling Software	300,000	300,000	0
Sarnia Investments Limited	Sterling Commerce	113,074	113,074	0
Sarnia Investments Limited	Sterling Software	142,000	142,000	0

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 751

CSFB 0004128

3777

EAST CARROLL LIMITED

(Incorporated in the Isle of Man No: 93729)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 626931
Fax: (01624) 624469

FACSIMILE TRANSMISSION

The information contained in this fax is confidential and/or privileged. This fax is intended to be read only by the person named below. If the reader of this fax is not the intended recipient or a representative of the intended recipient you are hereby notified that any review, dissemination or copying of this fax is prohibited. If you have not received all the pages or have received this fax in error, please notify the sender by telephone and return this fax to the sender at the above address.

Page 1 of 2 (total sent)

Date: 11th January 1996

Time Sent:

Fax No: 01 214 720 9464
Operator Ref: INST 1 DISB

TO: CINDY MURDOCH
LEHMAN BROTHERS

FROM: EAST CARROLL LIMITED

Our WP Ref: NC/DW/EASTC11F.2

I should be grateful if you would arrange to immediately sell all of this Company's Shares in Sterling Software, Inc., currently held with yourselves which are in excess of the collar. Our records indicate this to be 116,657 Shares.

I should be grateful if you would confirm as soon as this has been done and if you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,



N.J. Carter,
Director.

200 2

030

691920 12803

ST:LT 00, TO/TT

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 752

CC 020032

Page 1 of 4
Global Investment Management Account
 March 1 - March 31, 1996

LEHMAN BROTHERS

Redacted by the Permanent
 Subcommittee on Investigations

Your Investment Representative
 SMITH HARRIS CHAUPELE
 LEHMAN BROTHERS INC.
 200 WALL STREET
 200 WALL AVE 2000
 DALLAS TX 75201
 214-720-5400

Account number 837-20552-12 222
 As you requested, copies of this
 statement have also been sent to:
 MICHELLE BOUCHER

SOUTHEASTERN LIMITED
 LORNE HOUSE
 CASTLETOWN
 ISLE OF MAN

Account value

	Last period	This period
Cash balance	\$ 3,749,392.68	\$ 4,231.16
Money funds	0.00	11,293.17
Value of securities owned by firm	\$ 5,855,337.50	\$ 5,855,337.50
Net value	\$ 9,604,729.24	\$ 9,604,729.24

Borrowing potential

You can borrow against the value of your portfolio to buy additional securities or for other purposes. For more information, please call your Investment Representative.

Cash and money funds balance

	This period	This year
Opening balance	\$ -2,728,254.88	
Securities bought and other additions	0.00	
Securities sold and other additions	14,552,874.10	
Withdrawals	-11,773,804.40	-20,473,804.40
Money funds earnings credited	11,293.17	
Closing balance	\$ 3,098.01	

Earnings summary

	This period	This year
Money funds earnings	\$ 11,293.17	\$ 11,293.17
Total	\$ 11,293.17	\$ 11,293.17

Page 2 of 4
LEHMAN BROTHERS **Global Investment Management Account**
March 1 - March 31, 1996

Redacted by the Permanent
Subcommittee on Investigations

SOUTLEANA LIMITED Account number 837-20553-12 222

Portfolio details

This section shows the holdings in your account. It reflects values as of the close of business on 03/29/96.

Money funds	Description	No. of shares	Market value	Accrued dividends	Unrealized Depreciation	Comments
	PREMIUM LIQUID RESERVES N.V.	11,283.17	\$ 11,283.17			
	Total value of money funds		\$ 11,283.17	\$ 0.00		

Transaction details

Date	Activity	Description	Quantity	Price	Amount
03/01/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-40,800	\$ 68.654	\$ 3,370,983.86
03/06/96	Sold	STERLING SOFTWARE INC NEGOTIATED AT .1000 CENTS AS OF 03/01/96	-1,500	68.348	97,896.48
03/07/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-18,000	68.354	1,374,558.36
03/11/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-8,400	69.65	448,386.37
03/13/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-18,300	70.288	1,441,184.09
03/13/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-7,800	68.574	541,863.01
03/14/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-70,000	68.675	4,870,087.42

File 0013 P-1 0012 0002
296089AP01 LGIMF001

LEHMAN BROTHERS
Global Investment Management Account
March 1 - March 31, 1996

Page 3 of 4

Redacted by the Permanent
Subcommittee on Investigations

SOULEFANA LIMITED Account number 837-20553-12 222

Date	Activity	Description	Quantity	Price	Amount
03/15/96	Bold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ CONFIRM TO YOUR AGENT NEGOTIATED AT .0003 CENTS	-17,000	\$ 70.003	\$ 1,183,418.42
03/18/96	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .0003 CENTS	-24,500	70.003	1,715,578.07
Total securities bought and other subtractions					\$ 0.00
Total securities sold and other additions					\$ 14,853,834.10
Date	Activity	Description	Quantity		Amount
03/21/96	Received	STERLING SOFTWARE INC FREE REC NYW	300,000		
Date	Description	Reference no.			Amount
03/21/96	M/DAY KMD3170 ENDS WIRED TO BANK OF BERMUDA INTL LIMIT AC# 8010846555 FID04516				\$ 11,765,578.24
03/29/96	LATE PAYMENT FEE FOR 61 DAYS BANK OF BERMUDA INTL LIMIT AC# 8010846555 FID04516				8,215.16
AVERAGE BALANCE 1/22/95-7/1					
Total withdrawals					\$ 11,773,804.40

3780

296089AP01 LGIMFO01

Confidential Treatment Requested

CC 004307

H

SOUTHERN UNITED				Account number 837-40553-12 222	
All transactions are traded at \$1.00 per share.					
Money funds activity		Opening money funds balance			
Date	Activity	Description	Amount		
03/04/96	Investment	PURCHASE REQUESTED	552,831.00		
03/07/96	Investment	PURCHASE REQUESTED	97,896.48		
03/09/96	Investment	PURCHASE REQUESTED	1,174,558.36		
03/12/96	Investment	PURCHASE REQUESTED	448,388.37		
03/13/96	Investment	PURCHASE REQUESTED	1,144,184.08		
03/14/96	Investment	PURCHASE REQUESTED	541,883.01		
				Closing balance	
				\$ 11,285.17	

Earnings details

The tax status of earnings is reliable to the best of our knowledge. Taxable and non-taxable designations refer to the federal income tax status of your securities, not of your account.

Earnings, net of year payments					
Date	Description	Comment	Taxable	Non-taxable	Amount
03/22/96	PREMIUM LIQUID RESERVES N V	RESIDUAL DIVIDEND FROM LIQ	\$ 11,287.81		\$ 11,287.81
03/29/96	PREMIUM LIQUID RESERVES N V	MONTHLY DIVIDEND FOR PERIOD 02/23/96-03/23/96 35 DAYS AVERAGE YIELD .454 %	5.56		5.56
Total earnings from money funds			\$ 11,293.37	\$ 0.00	\$ 11,293.37

3781

296089AP01 LGIMF001

**Tyler Trust
Soulieans Limited**

**Assets acquired in exchange for the annuity
February 22nd, 1996**

	# shares	Description	Value @ 1/1/96
22-Feb-96	50,000	Michaels Stores Inc. Options 94 Optn	\$133,075
22-Feb-96	50,000	Michaels Stores Inc. Options 93 Optn	\$133,075
22-Feb-96	300,000	Sierling Software Inc. Options 94 Non Stat	\$10,903,800
		Total	\$11,169,950
		Subsequent activity	(cost) proceeds
26-Feb-96	300,000	conversion SSW Optn N3NQ to SSW	(8,700,000)
01-Mar-96	(87,900)	sale SSW	5,911,845
01-Mar-96	(50,500)	sale SSW	3,370,988
01-Mar-96	(1,600)	sale SSW	97,888
04-Mar-96	(18,000)	sale SSW	1,174,536
06-Mar-96	(8,400)	sale SSW	448,388
07-Mar-96	(18,300)	sale SSW	1,144,194
08-Mar-96	(7,800)	sale SSW	541,883
11-Mar-96	(70,000)	sale SSW	4,870,087
12-Mar-96	(17,000)	sale SSW	1,188,418
13-Mar-96	(24,800)	sale SSW	1,719,576
		Total Proceeds	11,765,579

These proceeds were used to acquire various US Treasury Bills.
Treasury Bills were liquidated to make the following investment in June, the balance
of cash remains in several Treasury Bills of varying maturities.

21-Jun-96 4,000,000 purchase Michaels Stores Inc. Sr. Notes 4,000,000

There has been no activity in the Michaels Stores Options.

Nov. 21 1996 07:23PM P12

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CONFIDENTIAL
PSI00130274

F=0014 P=0012 S=0002
296152AP01 LFMAIF01

Page 1 of 4

International FRA Statement
May 31, 1996

LEHMAN BROTHERS

Ref: 00001425 00005326

Your Investment Representative
SMITH/HARRIS/SCHAUFEL
LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER
2200 ROSS AVE 2500
DALLAS TX 75201
214-770-5400

Account number 837-20333-19 222

As you requested, copies of this statement have also been sent to:

MICHELLE BOUCHER

DEVOTION, LTD.
C/O TRIDENT TRUST COMPANY
100 MARKET ST
P O BOX 175
DOUGLAS IN99 1TT
ISLE OF MAN

Account value

	Loss, per share	Time period
Margin account balance	\$ 0.00	\$ 8,116,484.69
Net value	\$ 0.00	\$ 8,116,484.69

Borrowing potential

You can borrow against the value of your portfolio to buy additional securities or for other purposes. For more information, please call your Investment Representative.

Cash balance

	This period	This year
Opening balance	\$ 0.00	
Securities bought and other subtractions	0.00	
Securities sold and other additions	31,973.51	
Withdrawals	-22,446,936.69	-22,446,936.69
Interest charged on loans	-10,520.12	
Closing balance	\$ 8,116,486.69	

3784

GREENBRIAR LIMITED
18-20 North Quay, Douglas, Isle of Man IM1 4LE
Tel: 44 (0) 1624 688330
Fax: 44 (0) 1624 688334

Our Ref. : C19esL05

19 March 1997

Lehman Brothers Inc.
2200 Ross Ave, Suite 2500
Dallas, TX 75201

Dear Sirs

Please accept this letter as your authorisation to journal 300,000 shares of Michaels Stores, Inc. from the account of Greenbriar Limited, 837-20444, as follows:


175,000 to East Carroll 837-20093
125,000 to East Baton Rouge 837-20091

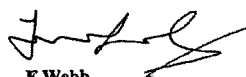
They will be journaling funds from their accounts to pay for the stock as follows (at a price of US\$ 17 5/8 per share):-

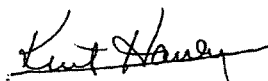
East Carroll - US\$ 3,084,375.
East Baton Rouge - US\$ 2,203,125

Thank you.

Yours sincerely


D H Beacock
Director


F Webb
Director



 3-21-97

Incorporates in the Isle of Man; Company No. 60403
Registered Office: 18-20 North Quay, Douglas, Isle of Man
Directors: D H Beacock, F Webb, A P Wallis, S Kennedy

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CC 021552

E=0021 P=0017 S=0063
297181AP01 LGIMP001

LEHMAN BROTHERS

Global Investment Management Account

June 30, 1997

Ref: 0000033 0001832

Your Investment Representative

SMITHKINGSCHAUFFLE
LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER
2200 ROSS AVE 2500
DALLAS TX 75201
1-800-397-5706

GREENGLASS LTD.
ATTN DON BEACOCK
NEES PIERSON
P.O. BOX 156
DOUGLAS BRITISH ISLES
ISLE OF MAN

Account number 837-30444-15 222

As per requested, copies of the
statement have also been sent to:
MICHELLE BOUCHER

Account value	Last period	This period
Cash balance	\$ 0.00	\$ 2,000.00
Money funds	\$ 7.14	\$ 1,000.00
Equity funds	\$ 1,000.00	\$ 1,000.00
Fixed income	\$ 1,000.00	\$ 1,000.00
TOTAL	\$ 2,007.14	\$ 4,000.00

Bulletin board
Please visit our website at www.lehman.com

Borrowing potential
You can borrow against the value of your portfolio to buy additional securities or for other purposes. For more information, please call your investment representative.

Earnings summary	This period	Last period
Interest	\$ 2,000.00	\$ 1,000.00
Dividend	\$ 1,000.00	\$ 1,000.00
Net income	\$ 3,000.00	\$ 2,000.00
TOTAL	\$ 3,000.00	\$ 2,000.00

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CC 000083

297181AP01 0017 0003
 297181AP01 0017 0003

LEHMAN BROTHERS Global Investment Management Account June 11, 2007 to June 30, 2007

Ref: 00000338 00001833

Account number 137-20444-15 222

GREENBRIAR, LTD

Cash and money funds balance

	This period	This year
Opening balance	\$ 727.84	
Securities bought and other subscriptions	5,888,882.15	
Securities sold and other redemptions	25,527,128.54	
Deposits	0.00	5,837,500.00
Withdrawals	(9,911,218.91)	(10,474,918.91)
Interest credited	2,896.88	
Money funds earnings credited	5,453.35	
Closing balance	\$ 10,746,218.91	

Portfolio details

This section shows the holdings in your account. It reflects values as of the close of business on 06/30/07.

Money funds	Description	No. of shares	Market value	Accrued dividends	Unrealized gain/loss	Comment
	U.S. MONEY MARKET FUND NY-CL II	5,921,221.35	\$ 5,921,221.35			
	U.S. MONEY MARKET FD NY-CL III	4,843,221.37	4,843,221.37			
	SUN AMERICA	11,764,442.72	\$ 10,764,442.72			

Bonds

Some prices provided by outside pricing services may be inaccurate. They are provided only as a guide to determine portfolio value. For more specific values, please call your Investment Representative. Call features shown indicate the next regularly scheduled call date and price. Your holdings may be subject to other redemption features including sinking funds or extraordinary calls.

U.S. Government and Corporate Bonds	Description	Amount	Interest rate	Maturity date	Price	Accrued income	Market value	Comment
	UNITED STATES TREASURY BILL	\$ 715,000.00		07/24/07	88.671		\$ 710,458.13	In cash account
	UNITED STATES TREASURY BILL	\$ 721,000.00		08/07/07	88.469		\$ 690,821.48	In cash account
	UNITED STATES TREASURY BILL	\$ 1,436,000.00					\$ 1,401,279.61	In cash account

Confidential Treatment Requested

CC 000084

Ref: 00000330 0001854

LEHMAN BROTHERS

Global Investment Management Account

June 1 - June 30, 1997

Account number 827-3044-15 222

GREENRIAR, LTD

Transaction details				Price	Amount
Date	Agency	Description	Quantity		
06/18/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-211,235	\$1.568	\$ 5,867,283.51
06/19/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-32,300	32.30	1,044,000.00
06/19/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-12,400	32.781	1,300,093.34
06/19/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-4,200	32.713	267,400.00
06/19/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-15,200	31.609	479,538.15
06/20/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-54,800	33.028	1,809,487.22
06/20/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-130,000	31.428	4,085,664.00
06/22/97	Sold	STERLING COMMERCE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-50,000	32.076	1,603,800.00
06/24/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .1000 CENTS	-3,300	31.517	104,006.14

Confidential Treatment Requested

CC 000085

Ref: 0000033 03071655

LEHMAN BROTHERS

Global Investment Management Account

June 1, June 30, 1997

Account number 837-20444-15 222

GREENBRIAR LTD

Date	Activity	Description	Quantity	Price	Amount
08/24/97	Sold	STERLING SOFTWARE INC AS OF 08/24/97	12,500	\$ 31.375	\$ 392,250.42

08/24/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .000 CENTS	-1,525	33.184	50,413.21
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08/24/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .000 CENTS	-27,300	31.459	859,116.46
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08/28/97	Sold	STERLING SOFTWARE INC AVG PRICE SHOWN-DETAILS ON REQ ACTUAL CONFIRM TO YOUR AGENT NEGOTIATED AT .000 CENTS	-1,400	31.25	43,750.00
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08/28/97	Redemption	UNITED STATES TREASURY BILL AS OF 08/28/97	-5,419,000		\$ 660,000.00
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08/28/97	Bought	UNITED STATES TREASURY BILL AS OF 08/28/97	5,711,000	96.438	-5,506,822.28
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08/28/97	Bought	UNITED STATES TREASURY BILL YIELD 4.91 % TO MATURITY AS OF 08/28/97			\$ 3,484,322.28
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Total securities bought and other additions					
Total securities sold and other reductions					

08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	211,223		
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08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	52,300		
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08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	72,400		
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08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	8,200		
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08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	15,200		
----------	---------	---	--------	--	--

08/28/97	Journal	STERLING SOFTWARE INC TFR FM 835-20150	54,800		
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Confidential Treatment Requested

CC 000086

3789

F=0021 P=0017 S=0003
297181AP01 LGIMP001

LEHMAN BROTHERS
Global Investment Management Account
June 1 to June 30, 1997

Ref: 0000333 0001850

Account number 837-20444-15 222

GREENBERG, LTD

Date	Activity	Description	Quantity	Amount
08/20/97	Journal	STERLING SOFTWARE INC TRF PM 852-0015	\$3,300	
08/23/97	Journal	STERLING SOFTWARE INC TRF PM 852-0015	\$1,545	
08/23/97	Journal	STERLING SOFTWARE INC TRF PM 852-0015	128,200	
Withdrawals				
06/18/97	MDA# K4053133 FND5 WIRED TO CITIBANK NA ACF 40735583	FR002543		\$ 4,200,734.01
08/11/97	MDA# K4053133 FND5 WIRED TO CITIBANK NA ACF 40735583	FR002715		1,000,735.54
08/18/97	MDA# K4054412 FND5 WIRED TO CITIBANK NA ACF 40735583	FR002844		305,132.68
08/20/97	MDA# K4054412 FND5 WIRED TO CITIBANK NA ACF 40735583	FR002112		2,058,404.34
08/23/97	MDA# K4054412 FND5 WIRED TO CITIBANK NA ACF 40735583	FR003710		1,453,055.03
Total Withdrawals				\$ 9,011,919.91

Confidential Treatment Requested

CC 000087

3791

QUAYLE LIMITED

18-20 North Quay, Douglas, Isle of Man IM1 4LE

Tel: 44 (0) 1624 688330

Fax: 44 (0) 1624 688334

Our ref: APW/3-1235

24th March 1998

By fax: 00 1 214 720 9464

For the attention of Lou Schauffele
Lehman Brothers Inc
Private Client Services
2500 Texas Commerce Tower
2200 Ross Avenue
Dallas
Texas 75201
U.S.A.

Dear Lou,

Please accept this letter as your authority to act upon the following instructions:-

1. Sell 150,000 shares of Sterling Software.
2. Sell 100,000 shares of Sterling Commence.
3. Sell 133,334 shares of Michaels Stores, Inc.

We should be grateful if you would sell the shares on a daily basis with sales on each day not exceeding 20% of the trading volume. The sales proceeds should be retained on account with yourselves until further instructions have been received.

Please do not hesitate to contact us if you require any further details.

Many thanks for your assistance.

Yours sincerely



Andrew P Wallis
Director



Francis Webb
Director

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 752

CC 027192

3792

QUAYLE LIMITED

18-20 North Quay, Douglas, Isle of Man IM1 4LE

Tel: 44 (0) 1624 688330

Fax: 44 (0) 1624 688334

Our ref: APW/3-1235

24th March 1998

By fax: 00 1 214

Redacted by the Permanent
Subcommittee on Investigations

For the attention of Lou Schaefe

Lehman Brothers Inc
Private Client Services
2500 Texas Commerce Tower
2200 Ross Avenue
Dallas
Texas 75201
U.S.A.

Dear Lou,

Please accept this letter as your authority to act upon the following instructions:-

1. Sell 150,000 shares of Sterling Software.
2. Sell 100,000 shares of Sterling Commence.
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Please do not hesitate to contact us if you require any further details.

Many thanks for your assistance.

Yours sincerely



Andrew P Wallis
Director



Francis Webb
Director

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 752

CC 027192

3793

**LEHMAN BROTHERS
PRIVATE CLIENT SERVICES**

2500 TEXAS COMMERCE TOWER
2200 ROSS AVENUE
DALLAS, TEXAS 75201
214-720-9470
800-297-5705 - WATTS
214-720-9464 - FAX

Date: April 14 1998

To: Shari Robinson

Fax# _____

From: Rebecca Oudizovic

Total Number of Pages Including Cover Sheet: 2

Comments: Please find a list of the most
recent sales we did for Sterling Software /
Commerce for Quake. Please call if you
have questions.

Thank you!

For information only. We do not guarantee the accuracy of information set forth herein. Information contained herein is not intended for, nor should it be used as the basis for an investment decision. Neither the information, nor any opinion expressed, constitutes a solicitation by us of the purchase or sale of any securities or commodities. Investors are advised to make an independent review and reach their own conclusions in light of their specific investment objectives and risk tolerance.

Confidential Treatment Requested

CC 027262

**Schedule of Sales of
Sterling Software and Sterling Commerce**

<u>Date</u>	<u>Security</u>	<u>Quantity</u>	<u>Average Price</u>	<u>Net Proceeds</u>
3/26/98	SSW	35,100	56.7516	\$1,989,808.76
3/27/98	SSW	12,900	56.6361	\$729,807.33
3/27/98	SE	43,000	44.6846	\$1,918,793.75
3/30/98	SSW	32,700	55.2276	\$1,803,920.32
3/30/98	SE	57,000	44.8635	\$2,553,714.25
3/31/98	SSW	19,300	56.2516	\$1,084,462.03

3795

EAST CARROLL LIMITED

(Incorporated in the Isle of Man No: 57929)

Directors:

N.J. Carter
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL
CONFIRMATION OF FACSIMILE

*** FACSIMILE TRANSMISSION ***

The information contained in this fax is confidential and/or privileged. This fax is intended to be read only by the person named below. If the reader of this fax is not the intended recipient or a representative of the intended recipient you are hereby notified that any review, dissemination or copying of this fax is prohibited. If you have not received all the pages or have received this fax in error, please notify the sender by telephone and return this fax to the sender at the above address.

Page 1 of (Total Sent)

Date: 1st October, 1999.

Time Sent:

Fax No: 001 214 720 9464

Operator Ref: INST I DISB 1100

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN / CINDY MURDOCK

FROM: EAST CARROLL LIMITED

REF: KJ/SLD/EASTC-F.4

RE: ACCOUNT NO: 837-20093-19

We are anticipating receipt in our above numbered account of an amount from Maverick Fund following a redemption made by this Company therein.

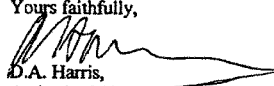
Subject to receipt of the sum, will you please realise a sufficient sum from our account to make the following transfer:-

Amount: US\$13,668,880
(Thirteen Million, Six Hundred and Sixty Eight Thousand
Eight Hundred and Eighty US Dollars only)
Bank: Bank of America
ABA No: 311093120
Account No: 1292911022
Account Name: Sam Wyly

We look forward to receiving confirmation when the above transfer has been made. However, should you have any other requirements in the matter please do not hesitate to let me know.

It is confirmed the original of this instruction is being sent to you by courier.

Yours faithfully,


D.A. Harris,
Authorised Signatory.


N.J. Carter,
Director.

CONFIRMATION OF FACSIMILE

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 752

CC 019988

04/10 '99 16:21 01624 624469

002/002

GREENBRIAR LIMITED
 (Incorporated in the Isle of Man No:60403)

Directors:

N.J. Carter
 N. Goddard (Irish)
 J.M. Waterson

Registered Office:

International House,
 Castle Hill
 Victoria Road,
 Douglas,
 Isle of Man

Tel: (01624) 630600
 Fax: (01624) 624469

Ref: KH/SLD/GREEN-L3.1

4th October, 1999.

Michelle Crittenden
 Lehman Brothers Inc.
 2500 Chase Tower,
 2200 Ross Avenue,
 Dallas,
 Texas 75201,
 U.S.A.

To be transmitted by Facsimile
Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,

RE: BROKERAGE ACCOUNT NO: 837-20444-15 222

Please attend to the following Telegraphic Transfer of funds, for value today:-

Amount:	US\$2,357,657 (Two Million, Three Hundred and Fifty Seven Thousand, Six Hundred and Fifty Seven US Dollars)
Payee:	Bank of America
ABA No:	31493420 111000025
For credit of account:	Sam Wylly
Account No:	1292911022
By order of:	Greenbriar Limited
Reference:	Sterling Commerce Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752



CC 021648

3797

GREENBRIAR LIMITED

(Incorporated in the Isle of Man No:60403)

Directors:

N.J. Carter
N. Goddard (Irish)
J.M. Watterson

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL

Ref: KH/SLD/GREEN-L2.1

4th October, 1999.

Michelle Crittenden
Lehman Brothers Inc.
2500 Chase Tower,
2200 Ross Avenue,
Dallas,
Texas 75201,
U.S.A.

To be transmitted by Facsimile

Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,


RE: BROKERAGE ACCOUNT NO: 837-20444-15 222


Please attend to the following Telegraphic Transfer of funds, for value today:-

Amount:	US\$1,771,400 (One Million, Seven Hundred and Seventy One Thousand, Four Hundred US Dollars)
Payee:	Bank of America
ABA No:	31193120
For credit of account:	Sam Wyly
Account No:	1292911022
By order of:	Greenbriar Limited
Reference:	SSW Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,


J.M. Watterson,
Director.


N.J. Carter,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 752

CC 021720

3798

OCT-99 FRI 17:23 +44-1624-620588

P. 2



TRIDENT TRUST
ISLE OF MAN

TRIDENT TRUST COMPANY (I.O.M.) LTD

fw/jde-10/0894-03L

Our Ref:
Your Ref:
1 October 1999

P.O. Box 125
12-14 Finch Road
Douglas IM99 1TT
Isle of Man
British Isles
Tel +44-1624-646700
Fax +44-1624-620888
Email iom@tridenttrust.com
Web www.tridenttrust.com

The Manager
Lehman Bros. Inc
2200 Ross Avenue
2500 Texas
Commerce Tower
Dallas 75201, Texas
USA

Transmitted by facsimile
Tel: +1 - 214 - 7209464
Original follows by post

TELEGRAPHIC TRANSFER/OUTWARD TRANSFER

Attention: Ms M Crittenden/ Ms C Patrick

Dear Sir/Madam

ELEGANCE LIMITED - BROKERAGE ACCOUNT NUMBER 837-20332 (USD)

Please attend to the following telegraphic transfer of funds from the above-mentioned account, for value Monday 4 October 1999:-

AMOUNT	:	\$1,274,409.00 (One million two hundred and seventy-four thousand four hundred and nine US Dollars)
PAYEE	:	Bank of America, Dallas, TX
ABA NUMBER	:	311003125 111000025
FOR CREDIT OF ACCOUNT	:	Stargate Limited
ACCOUNT NUMBER	:	001293126422
BY ORDER OF	:	Elegance Limited
REFERENCE	:	SE Options

Please advise us at the above address when these instructions have been executed.

Yours faithfully
TRIDENT TRUST COMPANY (I.O.M.) LIMITED
Per:

F. WEBB
Authorised Signatory

R. SCOTT
Authorised Signatory

A MEMBER OF THE TRIDENT TRUST GROUP

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CC 019661

3799

1-OCT-99 FRI 17:23 +44-1624-620588

P. 3



TRIDENT TRUST
ISLE OF MAN

TRIDENT TRUST COMPANY (I.O.M.) LTD

(WJdc-10/0894-041)

Our Ref:
Your Ref:
1 October 1999

The Manager
Lehman Bros. Inc.
2200 Ross Avenue
2500 Texas
Commerce Tower
Dallas 75201, Texas
USA

P.O. Box 125
12-14 Finch Road
Douglas IM99 1TT
Isle of Man
British Isles
Tel +44-1624-646700
Fax +44-1624-620588
Email iom@tridenttrust.com
Web www.tridenttrust.com

Transmitted by facsimile
To: +1-214-7209464
Original follows by post

Attention: Ms M Crittenden/ Ms C Patrick

TELEGRAPHIC TRANSFER/OUTWARD

Dear Sir/Madam

ELEGANCE LIMITED - BROKERAGE ACCOUNT NUMBER 837-20332 (USD)

Please attend to the following telegraphic transfer of funds from the above-mentioned account, for value Monday 4 October 1999:-

AMOUNT	:	\$885,700.00 (Eight hundred and eighty five thousand seven hundred US Dollars)
PAYEE	:	Bank of America, Dallas, TX
ABA NUMBER	:	311093128 111 000025
FOR CREDIT OF ACCOUNT	:	Stargate Limited
ACCOUNT NUMBER	:	001293126422
BY ORDER OF	:	Elegance Limited
REFERENCE	:	SSW Options

Please advise us at the above address when these instructions have been executed.

Yours faithfully
TRIDENT TRUST COMPANY (I.O.M.) LIMITED
Per:

F WEBB
Authorised Signatory

R SCOTT
Authorised Signatory

A MEMBER OF THE TRIDENT TRUST GROUP

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CC 019666

3800

QUAYLE LIMITED

(Incorporated in the Isle of Man No: 57000)

Directors:

N.J. Carter
N. Goddard (Irish)
J.M. Waterson

Registered Office:

International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL

Ref: KH/SLD/QUAYL-L.1

4th October, 1999.

Michelle Crittenden
Lehman Brothers Inc.
2500 Chase Tower,
2200 Ross Avenue,
Dallas,
Texas 75201,
U.S.A.

To be transmitted by Facsimile
Fax No: 001 214 720 9464

Original to follow by Courier

Dear Michelle,

RE: BROKERAGE ACCOUNT NO: 837-20447-12 222

Please sell Federal Agency Bonds to raise the sum of US\$7,170,560 (Seven Million, One Hundred and Seventy Thousand, Five Hundred and Sixty US Dollars).

The funds realised from the sale of the Agency Bonds should be utilised to fund the following telegraphic transfer, for value today.

Amount: US\$7,170,560
(Seven Million, One Hundred and Seventy Thousand, Five Hundred and Sixty US Dollars)

Payee: Bank of America
Dallas,
Texas,
U.S.A

ABA No: 311093120
For credit of account: Stargate, Ltd.
Account No: 001293126422
By order of: Quayle Limited
Reference: Sterling Software Options

We look forward to receiving your confirmation that funds have been transferred.

Yours sincerely,

J.M. Waterson,
Director.



N.J. Carter,
Authorised Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

CC 024086

3801

Summary of Michaels exercises/sales
21-Jan-00

				12.5	
				proceeds net of exercise	
Dortmund					
1/11/2000	21,000	31.4464	397,874.40		
1/12/2000	27,000	31.6389	516,750.30		
1/13/2000	12,000	32	234,000.00		
1/14/2000	3,000	31.075	55,725.00		
1/18/2000	2,700	30.7083	49,162.41		
1/19/2000	6,300	30.125	111,037.50		
1/19/2000	5,100	30.25	90,525.00		
1/20/2000	-	0	-		
1/21/2000	600	30	10,500.00		
2/3/2000	3,600	30	63,000.00		
sub-total	81,300		1,528,574.61	Avail 140,000	remaining 58,700
Yurta Fat					
1/11/2000	154,000	31.4464	2,917,745.60		
1/12/2000	198,000	31.6389	3,789,502.20		
1/13/2000	88,000	32	1,716,000.00		
1/14/2000	22,000	31.075	408,650.00		
1/18/2000	19,800	30.7083	360,524.34		
1/19/2000	46,200	30.125	814,275.00		
1/19/2000	37,400	30.25	663,850.00		
1/20/2000	-	0	-		
1/21/2000	4,400	30	77,000.00		
2/3/2000	26,400	30	462,000.00		
sub-total	596,200		11,209,547.14	Avail 900,000	remaining 303,800
Total	677,500		12,738,121.75	1,040,000	362,500

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 752

Confidential
SEC_ED00071925

PSI_ED00071925

[illegible]

3803

09:13AM LEHMAN BROS FSD 214

To	MS. SUGRI (HOLMBOE)
Company	MANICU (CARTON)
From	(LOAN) (LEHMAN)
Phone	609 9358 (FAXING or Telex)

FAKED **FAX** Post-It FaxNet Ref No: 7000

LEHMAN BROTHERS

REVISED

To: Ronald Buchanan

From: Lou Schaefele

Date: August 30, 1995

Re: SSW for Bulldog and Pitkin

The following represents revised prices on your collar adjustment. We were able to get our hedge off slightly better than expected, thus the revised prices.

Current Position of Put:	Long \$36 Strike Put
Roll to:	Long \$40.176 Strike Put
Cost to Roll:	\$2.25/share
Borrowing Availability:	\$4.176/share

Current Position of Call:	Short \$52.3196 Strike Call
Recommend selling:	Short \$70 Strike Call
Cost to Roll:	\$3.44

Documents reflecting these changes will be forthcoming today by fax.

After the documents are signed and returned, we will be wiring the \$4.176 borrow amount, after which we will expect to receive the \$7.69 in cost. Cindy Murdock will be calling you to confirm where this wire/wires should be sent.

If in the interim you have any questions, please do not hesitate to call me or Cindy.

cc: Janak Basnet/ Delhi

30-AUG-1995 15:09

214 720 9464

P. 802

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 753

CONFIDENTIAL
PS100117939

10/27/95 03:40

LEHMAN BROTHERS + 912147209464

NO. 158 Page 1

- Rec'd credit approval
 - Docs to be DHL'd w/ today from
 Bruce

- SSW collar - 10/27/95 Version 4
- Clients
 - Greenbriar
 - Samia
 - Quayle

- Transaction

- clients buy three year European put on 942,000 shares of SSW struck at 85% of hedge level
- clients sell three year European call on 942,000 shares of SSW at 156.25% of hedge level
- loan amount up to 95% of put value

- Credit approval
 Received from Randall Trombley on 10/27/95 by phone at 3:45

- Documents from Lehman to clients - Diana Wohabe

- Execution copies being sent out 10/27/95 by DHL to Isle of Mann
- ISDA masters
- ISDA schedule
- Lehman guarantee (Exhibit A)
- pledge agreement (Exhibit B)
- draft confirms

- Documents from client to Lehman - Bruce

- Memorandum and Articles of the Company for each of the entities
- Statement of Directors' responsibilities
- certificate of incorporation and bylaws
- any relevant corporate resolutions
- financials
- evidence of signer's authority - incumbency certificate

risk of
 non working
 vs
 winding
 these are
 the same

Bruce needs
 to get these

- Internal

- suitability ✓
 - suitability meeting - Bruce
 - risk disclosure statement signed by "signer" - Bruce/Lou
 - evidenced by the incumbency certificate
 - personal net worth statement - Bruce/Lou

- in this case, the net value of the entity's assets which should be clear from the financial statements
 - need to know beneficiaries, shares of Isle of Mann special purpose companies held by grantor trust
 - middle office
 - open LBF pledge account - Heike
 - new swap counterparty forms - Bruce
-
-
- shares in house - Lou
 - transfer to LBF account - Heike
 - may need letter of authorization to transfer shares in house.

- ① Heike to open account
- ② Need WA from customer to move shares from London to LBF pledge acct.

Sannia	051 09095
Quayle	051 09097
Greenbriar	051 09096

3806

LEHMAN BROTHERS

Date: November 3, 1995
To: Barbara Rhodes/Michelle Boucher
From: Cindy Murdock
Re: SSW Collar

I hope that the following information will prove helpful:

Collar on 900,000 SSW

4-5-95	Put Strike:	\$31.816	Cost:	\$3.57
	Call Strike:	\$52.3196	Cost:	\$3.57
				\$0.00
7-14-95	Moved Put Strike to:	\$36	Cost to roll:	\$1.6422
9-5-95	Moved Put Strike to:	\$40.176	Cost to roll:	\$2.25
	Moved Call Strike to:	\$70	Cost to roll:	\$5.44
				\$7.69

FYI, each entity is able to borrow an amount equal to the value of 100% of the put strike. For example, East Carroll has a collar on for 200,000 shares. Their original loan was for \$6,363,200.00. Then when they moved up the strike of the put to \$36, they were able to increase their loan by \$836,800.00 for a total loan of \$7,200,000.00. Then again, when the put strike was increased to \$40.176, they were able to borrow an additional \$835,200.00 for a total loan of \$8,035,200.00.

An evaluation price on the collar as of the end of October is as follows:

Put at \$40.176 set to expire 3/31/98	\$3.44
Call at \$70.00 set to expire 3/31/98	(\$4.28)

I have expressed the puts as a positive number because you own them, and this is what you could sell them for. Likewise, I have expressed the calls as a negative number because you are short the calls, and this is what it would cost to buy them back.

Please call me or Suzanne Snavelly if you require any additional information.

cc: Shari Robertson

Snavelly/word/lorne

03-NOV-1995 23:11

214 720 9464

P.001

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 753

CONFIDENTIAL
PSI00119018

LEHMAN BROTHERS

To: Shari Robertson
Mike French

From: Lou Schaefele

Date: January 2, 1996

Re: SSW Collars

~~It is my understanding that with the price increase in SSW, the offshore entities would like to~~
step up the "insurance" and perhaps liquidate some stock in the near term. Currently in the
Bulldog/Pitkin entities (inclusive of Maverick Entrepreneurs), there is 1.2MM shares collared at
approximately \$40.17/70 expiring 03/31/98. As a starting point, we would propose:

1. 500,000 shares
New Put Strike \$50
New Call Strike \$76
New Expiration 9/96 ← ? 12/96

Put price stays same, BUT call price adjusts down if stock falls below 55 (e.g., call price adjusts
to \$73 if stock falls to \$52 (\$55-\$3). Call price cannot go below \$55 even if stock fell below
\$35).

2. 700,000 shares
New Put Strike \$55
New Call Strike \$76 ← ? 78
Same Expiration 3/98

The call would adjust like option No. 1.

CONCLUSION:

What this strategy does is gives you the flexibility (because of the shortened maturity) to
liquidate some of your holdings in the near future. We have also increased the put to 50/55
which if the market declines, gives you added protection. We have added the adjustment feature
on the calls which is what allows us to step up the price of the put substantially.

This is only a starting level and what I've done is try to come up with a plan that gives you
flexibility and added protection. Please let me know your thoughts.

3808

02/08/99 11:02 EQTY DERIVATIVES → 214 720 9464

NO.512 P001/004

LEHMAN BROTHERS

EQUITY DERIVATIVES

FAX COVER SHEET

Date: **February 9, 1999**

TO: Michelle Crittenben
COMPANY: Lehman Brothers (Dallas)
FAX #: (214) 720-9464
PHONE #: (214) 720-9489

FROM: Phil Gallione
TELEPHONE # (212) 526-0105
FAX #: (212) 526-7278

**#OF SHEETS INCLUDING
THIS COVER LETTER:** 4

Attached please find the invoice for the OTC Option Expiration for Greenshriar, Sarnia, and Quayle on SE/SSW on February 9th for settlement on February 11th.

Please forward a copy of these invoices to the respective counterparties.

Please let me know if you have any questions.

Regards.

Phil

3 World Financial Center, 200 Vesey Street, 6th Floor, New York, NY 10285
(212) 640-0900

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 753

CC 038824


COLLAR TERMINATION SUMMARY

	<u># Shares</u>	<u>Option Strike</u>	
Greenbriar			
Net proceeds from exercise of SE	398,150	\$27.7343	\$11,002,596.55
Net proceeds from exercise of SSW	500,000	\$13.8030	\$6,851,500.00
			<u>\$17,854,096.55</u>
Sarnia			
Net proceeds from exercise of SE	113,074	\$27.7343	\$3,124,720.84
Net proceeds from exercise of SSW	142,000	\$13.8030	\$1,945,826.00
			<u>\$5,070,546.84</u>
Quayle			
Net proceeds from exercise of SE	238,890	\$27.7343	\$6,601,557.93
Net proceeds from exercise of SSW	300,000	\$13.8030	\$4,110,900.00
			<u>\$10,712,457.93</u>

3810

LEHMAN BROTHERS

To: Mike French
Shari Robertson

From: Lou Schaefele 
Sr. Vice President

Date: August 20, 1996

Recently, I asked New York to price for me what it would cost to repurchase the Michaels Stores calls that you are short. Because of our hedging, we would let you do this if we could change the puts you are long from American to European style (this is worth a lot of money to you).

ANALYSIS

Repurchase calls	(\$485,000)
Conversion Amer to Euro	\$1,075,000
Net Credit	\$ 590,000

I actually think that the repurchase of the calls and the conversion of the put to European style should be viewed positively in the marketplace.

On another topic, Sterling Software. With the distribution of Sterling Commerce approaching, we have been doing some work on how you could restructure to have a more bullish view on Sterling Software POST distribution. Please give me a call to discuss.

cc: Sam Wyly
Even Wyly

1200 ROSS AVENUE SUITE 1200

LEHMAN BROTHERS INC.

800 443 7144 NATL 800 327 9037

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 754

CC 039284

12/18/95 12:03 LEHMAN BROTHERS -> 512147209464

NO. 713 P002

To: J. Kase
From: B. Brittain
Re.: Increased loans to "Devotion" and "Elegance"
Date: 18 December 1995

cc.: Craig Schiffer
John Mosler

I intend to ask credit for permission to increase loan amounts to Devotion and Elegance. On 13 November 1995, these two Isle of Man counterparties bought two year calls on 500,000 shares of Sterling Software at a strike price of \$4.1 per share to raise \$10 per share. We agreed to lend them 50% of the cost of these calls and obtained from them the right to call for collateral should the value of the outstanding loan ever exceed 55% of the mark to market value of their position.

Sterling Software is now trading above \$55 per share and the options' market value exceeds \$11 million. the outstanding loan value is \$2.3 million.

As long as the value of the loan exceeds 55% of the mark to market value of their position, we would like to roll all interest payments into the principal amount of the loan.

Attached please find a statement of all outstanding option and loan situations with counterparties which have connections -- however remote -- with Sam Wyly.

3812

LEHMAN BROTHERS

DATE: October 28, 1996
TO: Kathy Lamb
FROM: Cindy Murdock
Sr. Client Sales Assistant

RE: Proceeds from sale of SSW calls

The full proceeds on the sale of 500,000 SSW calls @ \$14.89671 was \$7,448,355.00. It has been allocated 1/3 to Elegance and 2/3 to Devotion as follows:

Elegance: \$2,482,785.00
Devotion: \$4,965,570.00

These numbers represent a slight revision from the memo sent to you on 10/21/96. I apologize for any confusion this may have caused.

We will combine these funds with the funds that settle 10/29 on the sale of the SE calls and purchase 30, 60, and 90 day Treasury Bills per your request.

Please call me if you have any questions.

cc: Michelle Baucher
Shari Robertson

Snively/word/lorne

LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER, 2200 ROSS AVENUE, SUITE 3500, DALLAS, TX 75201 214 730 5460 214 730 5400

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 754

CC 038283

GREEN BRIAR LTDOriginally

rec'd	500 000 sh	SSW
SOLD	250 000	CALLS
BOT	500 000	PUTS

S/O 1.5926 sh SE/SSW sh

long	500 000	SSW	
	796 300	SE	
long	500 000	SSW	put
short	250 000	SSW	CALL
long	796 300	SE	put
short	398 150	SE	CALL

MID JUNE	97	SOLD
250 000 sh	SSW	
398 150 sh	SEW	

TODAY

Long	250 000	SSW	(LB show 317 500 over 6750)
short	250 000	SSW	CALLS (LB shows 500 000 over 250 000)
Long	500 000	SSW	puts (LB shows 1 000 000 over 300 000)
Long	398 150	SE	(LB shows 448 487 over 50 337)
short	398 150	SE	CALLS (LB CORRECT)
Long	796 300	SE	puts (LB CORRECT)

Sarnia

Originally

rec'd	142000	SSW
short	71000	SSW calls
long	142000	SSW puts

S/O	1.5926	SE sk	/	SSW sk
long	226149	SE		
short	113075	SE calls		
long	226149	SE puts		

LATE JUNE SOLD

71000	SSW
113075	SE

Today

long	71000	SSW	(LB shows 3500 short 67500)
short	71000	SSW calls	(LB shows 329000 over 258000)
long	142000	SSW puts	(LB shows 680000 over 516000)

long	113075	SE	(LB correct)
short	113075	SE calls	(LB correct)
long	226149	SE puts	(LB correct)

3815

Quayle

rec'd 300000 SSW
short 150000 SSW calls
long 300000 SSW puts

S/D 15926 SE sts / SSW
long 477780 SE
short 238890 SE calls
long 477780 SE puts

Early July
sold 138890 SE

Today

long 300000 SSW (LB shows 300 I think)
short 150000 SSW calls (LB show 300000 over 150000)
long 300000 SSW puts (LB show 600000 over 300000)

long 338890 SE (LB shows 289552 short 50337)
short 238890 SE calls (LB: Correct)
long 477780 SE puts (LB Correct)

Summary

Greenbriar has Quayle's SE
Greenbriar has Sarnia's SSW

LEHMAN BROTHERS
FINANCE

March 17, 1998

East Carroll, Ltd.
International House
Castle Hill
Victoria Road
Douglas, Isle of Man

Dear Sir or Madam:

Reference is made to those certain Call Option Transactions and those certain Put Option Transactions each expiring on or about March 25, 1998 (collectively, the Transactions"), between Lehman Brothers Finance S.A., a Swiss corporation ("LBF"), and East Carroll, Ltd. (the "Counterparty"), relating to shares of the common stock, par value \$.01 per share ("SCI Common Stock") of Sterling Commerce, Inc., a Delaware corporation ("SCI"), and shares of common stock, par value \$.10 per share ("SSI Common Stock"), of Sterling Software Inc., a Delaware corporation ("SSI").

Reference is also made to (a) that certain Loan Agreement dated as of March 31, 1995 (the "Loan Agreement"), between LBF, as lender, and the Counterparty, as borrower, (b) that certain Amendment Agreement (Amendment No. 1) dated as of July 12, 1995, between LBF and the Counterparty, (c) that certain Amendment Agreement (Amendment No. 2) dated as of August 30, 1995, between LBF and the Counterparty and (d) that certain Promissory Note made by Counterparty to LBF in the principal amount of USD8,035,200 (the "Note").

The parties hereto hereby acknowledge that, as of the date hereof, (i) the aggregate amount outstanding on the Note and under the Loan Agreement includes unpaid principal in the amount of USD USD8,035,200 plus interest thereon and fees and charges with respect thereto, if any (the "Loan Obligations"), and (ii) there are 318,520 Calls/Puts on shares of SCI Common Stock and 200,000 Calls/Puts on shares of SSI Common Stock remaining under the Transactions. The Counterparty acknowledges that, as of the date hereof, an aggregate of 318,520 shares of SCI Common Stock and 200,000 shares of SSI Common Stock (collectively, the "Shares") have been delivered and pledged by the Counterparty to LBF as collateral under the Transactions for the Loan Obligations and the obligations of the Counterparty under the Transactions, all pursuant to and in accordance with the Pledge Agreement dated as of March 31, 1995 (the "Pledge Agreement"), entered into between LBF and the Counterparty in connection with that certain 1992 ISDA Master Agreement dated as of March 31, 1995 (the "Master Agreement"), LBF and the Counterparty.

Counterparty's execution and delivery of this letter agreement shall constitute an irrevocable order by the Counterparty for Lehman Brothers Inc., an affiliate of LBF ("LBI"), to sell (the "Sell Order") all of the Shares. The Sell Order shall last for up to five (5) Exchange Business Days (as such term is defined under the Transactions) commencing on March 17, 1998 (the "Selling Period"). The Counterparty acknowledges and understands that, pursuant to the Sell Order, LBI may sell any number of Shares (in any combination of shares of SSI Common Stock and SCI Common Stock) on any day during the Selling Period, with no restriction as to the minimum or maximum number of Shares sold on

LEHMAN BROTHERS FINANCE S.A.
GENÈVE STRASSE 24 · P.O. BOX 311 · 8002 ZÜRICH · SWITZERLAND
TELEPHONE (01) 411 287 88 42 · TELEFAX (01) 411 287 88 25 · TELEX 812096 LBFS CH

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 754

CC 020302

03/16/98 20:04

NO. 020 004

any such day. The Counterparty shall pay to LBI, as consideration for the sale of the Shares, out of the proceeds of such sale, USD0.15 for each Share sold (the "Commission"). The Counterparty acknowledges that LBI or its affiliates may purchase Shares from the Counterparty or otherwise during the Selling Period. The Counterparty further acknowledges and agrees that the proceeds of the sale of the Shares, less the Commission and less all applicable Securities and Exchange Commission fees (the "Net Sale Proceeds") which the Counterparty agrees shall be paid out of such proceeds, shall constitute, and shall be substituted for the Shares as collateral posted and pledged by the Counterparty to LBF under the Transactions and the Pledge Agreement. The Counterparty hereby reaffirms all agreements set forth in the Pledge Agreement with respect to the Net Sale Proceeds. All Shares not sold pursuant hereto shall be returned to Counterparty pursuant to and in accordance with the Master Agreement and the Pledge Agreement.

The Counterparty represents and warrants to LBF and to LBI, (a) that Counterparty is not an "affiliate" (as defined in Rule 144 promulgated under the Securities Act of 1933, as amended ("Rule 144")) of either SCI or of SSI and (b) that the Shares (i) were not "restricted securities" (as defined in Rule 144) on the date that the Counterparty entered into the Transactions, (ii) are not restricted securities on the date hereof and (iii) will not be restricted securities at any time during the Selling Period. The Counterparty hereby reaffirms the representations and warranties made by the Counterparty to LBF in the Master Agreement, in the Pledge Agreement, in the Loan Agreement and under the Transactions, including those representations made with respect to the Counterparty's authority to enter into such agreements and with respect to the enforceability of such agreements against the Counterparty, with full force and effect and as if such representations and warranties were made on the date hereof.

This letter agreement shall confirm our agreement fully to terminate the Transactions, effective as of the last day of the Selling Period, upon the following terms and conditions:

1. The representations and warranties set forth in the previous paragraph shall be true and accurate as of the date hereof.
2. LBF and the Counterparty agree that the "Final Price" (as such term is defined in the Transactions) with respect to each Transaction shall be equal to (a) with respect to the Transactions relating to shares of SCI Common Stock, the average execution price for all shares of SCI Common Stock, and (b) with respect to the Transactions relating to shares of SSI Common Stock, the average execution price for all shares of SSI Common Stock, all sold during the Selling Period pursuant to the Sell Order.
3. The Counterparty agrees that the Net Sale Proceeds shall be applied (a) to pay the aggregate "Cash Settlement Amount" (as such term is defined in the Transactions) of all Transactions payable by the Counterparty to LBF pursuant to the Transactions (the "Aggregate Option Payment") and (b) to repay the Loan Obligations owing and payable by Counterparty to LBF. If, after application of the foregoing amounts to the Aggregate Option Payment and to the Loan Obligations, either of the Aggregate Option Payment or the Loan Obligations shall not have been paid in full (the remaining unpaid amount, the "Balance"), then the Counterparty shall pay the Balance to LBF, in USD in immediately available funds no later than the last day of the Selling Period, to LBF's account at Citibank, N.A., New York, SWIFT Code: CITIUS33, FED ABA Number: 021000089, Account Name: Lehman Brothers Holdings Inc., In Favor of: Lehman Brothers Finance S.A., Account Number: 40729568.

03/16/99 20:05

NO. 028 005

4. The Counterparty agrees, in connection herewith and in connection with the Sell Order and the sale of Shares, to make such other filings, with the SEC and otherwise, and to take all further actions that may be necessary to comply with relevant federal and state securities laws and regulations.

Upon the satisfaction or completion, as the case may be, of the foregoing terms and conditions, all rights and obligations of LBF and the Counterparty in respect of the Transactions shall terminate.

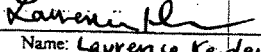
~~This agreement itself shall be the binding agreement between LBF and Counterparty relating to this termination. This agreement shall be governed by and construed under the laws of the State of New York, without regard for the principles of conflict of laws thereof.~~


Please evidence your agreement to the terms of this Termination Agreement by executing this letter and returning it to us at facsimile number 011-411-287-8825, Attention: Documentation.

LEHMAN BROTHERS FINANCE S.A.

LEHMAN BROTHERS INC.

By: 
Name: JIM STARICCO
Title: General Manager

By: 
Name: Laurence Kaplan
Title: VP

By: 
Name: Cheryl Chickowski
Title:

Accepted and Agreed:

EAST CARROLL LTD.

By: 
Name: N. J. CARTER
Title: DIRECTOR

INTERNATIONAL HOUSE
CASTLE HILL
VICTORIA ROAD
DOUGLAS, ISLE OF MAN

Execution time will be furnished upon counterparty's written request.

— = Redacted by the Permanent
Subcommittee on Investigations

From: "Michelle Boucher" [REDACTED]
Sent: Friday, June 15, 2001 3:02 PM
To: <khennington@ [REDACTED]>
Subject: fyi, transaction we are doing in the trusts re:CA

We are only doing this from offshore, but you should be aware. I've advised Shari as protector and she is on board. I've also cleared it through McCafferty to ensure we ~~weren't doing anything to close to the date of Sam's planned activities. He is okay with it.~~

We are buying \$2.5M worth of \$35 CA calls that expire on August 17th. Paying a premium of approx 7.29% which at the current trading price of \$32.50 is \$2.37 per call. This is all being done through Lou. I've picked Sarnia for the transaction and sent everything to IFG. It should get put together Monday am, everyone has my numbers to reach me if they need to.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 754

Confidential
SEC_ED00013896

PSI_ED00013896

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES

Call Option on Computer Associates International, Inc.

Summary of Indicative Terms as of June 15, 2001

Option Buyer: Greenbriar Corporation

Option Seller: Lehman Brothers Finance S.A.
(Guaranteed by Lehman Brothers Holdings Inc.)

Agent: Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.

Selected Security: Common stock of Computer Associates International, Inc.
(Bloomberg Ticker: "CA")

Number of Selected Securities: 1,000,000 shares of the Selected Security

Trade Date: TBD

Exercise Style: European

Expiration Date: 8/17/01

Strike Price: \$35.00

Spot Price, Option Premium:

Spot Price ¹	Option Premium ²
\$32.00	\$2.08
\$32.50	\$2.30
\$33.00	\$2.54

Premium Payment Date: Three business days after the Trade Date

Settlement Method: Cash

Settlement Date: Three business days after the Expiration Date

Option Payout: If the Settlement Price of the Selected Security on the Expiration Date is *greater* than the Strike Price, the Option Seller will pay the Option Buyer an amount calculated by the Number of Selected Securities multiplied by the amount by which the Settlement Price exceeds the Call Strike (*Intrinsic Value*: $S_T - X_c$). If the Settlement Price is *less* than the Call Strike, the Call Option expires worthless.

Defined Terms:

X_c is the Call Strike Price in USD (as calculated on the Trade Date)

S_T is the closing price of the Selected Security on the Expiration Date

Documentation: TBD

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 754

CC 021913

3821

— = Redacted by the Permanent
Subcommittee on Investigations

Root

3 World Financial Center

New York, NY 10285

Date 6/21/2001
SARNIA INVESTMENTS LIMITED
c/o Valmont (Isle of Man) Limited Midcocean House, Little Switzerland Victoria Road Douglas, IM991NR IM TELEX:

Phone 011 44 1624 688-300
Fax 011 44 1624 688-334

Premium Payment Notice

Transaction Details

Lehman Reference Number N01061324
Buyer/Seller SARNIA INVESTMENTS LIMITED
Option Type European Call
Underlying COMPUTER ASSOCIATES INTL INC
Number Of Options 1,000,000
Strike 35.00
Trade Date 6/18/2001
Cash Settlement Value 2,285,000.00
Settlement Date 6/21/2001

In our capacity as agent of LBF, you are notified that a Premium USD 2,285,000.00 is due and payable on the settlement date.
Please make arrangements to pay LBF on 6/21/2001 to the following instructions:

Bank Name Citibank, N.A.
New York, New York
ABA# 021-000-089
For the Account of: Lehman Brothers Holding Inc.
Account Number: [REDACTED]
Favor: Lehman Brothers Finance S.A.

Please call me with any questions at 212-526-0105.
Best Regards Equity Derivatives Settlements
Elizabeth Foxwell

Lehman Brothers

3 WFC

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 754

CC 017267

Memo

Date: July 22, 1999

To: Shari Robertson

From: Lou Schaufele *LS*

I wanted to go over a thought that I had regarding the option exercise for some of the offshore entities and the announced share repurchase by the company. I understand that the company really doesn't want to commence with the repurchase until 4Q or later, but that opens the company up to risk if the stock were to rise over the next few months. Given that the offshore entities would like to sell stock over the next few months at current market levels and the company has a risk if the stock rises between now and the 4Q, perhaps there is a way that we could help both concerns. The company could enter into a swap with Lehman Brothers to be done over time. The offshore entity would be a seller and the buyer would be Lehman. As Lehman bought stock, they in turn would enter into a swap arrangement with the company at the current price. This would offer the protection from upward price movement. The offshore entity could sell stock without pressuring the market.

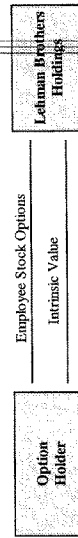
Trade Description - The Stock Options

It is Lehman Brothers' understanding that the Option Holder wishes to monetize a significant amount of employee stock options.

Proposal:

Lehman Brothers will purchase from the option holder the stock options for their intrinsic value. The option holder will net an amount equivalent to the amount raised had they entered into a cashless stock option exercise program.

Lehman Brothers will continue to hold options. No stock will be issued at this time.



LEHMAN BROTHERS

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Trade Description - The Forward Contract

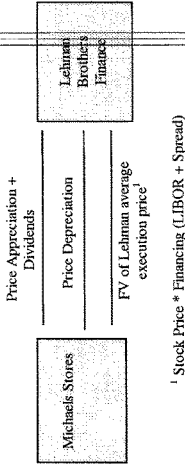
Problem:

Michaels Stores wants to buy shares to offset any potential dilution from option exercise. The company does not want to lay out cash today

Proposal:

Lehman Brothers will enter into a forward contract with Michaels Stores. This contract will be entered into simultaneously as the purchase of options from the option holder and will serve as Lehman Brother's hedge for the forward contract. The contract will allow the company to lock in today's stock price while not paying for the shares until maturity, (presumably after the Christmas season when the company will have more cash). The company will owe Lehman a financing spread and any depreciation in the shares.

At Maturity:



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Settlement Alternatives for Forward

At the termination of the trade, the company delivers cash to Lehman Brothers equal to the number of shares underlying the forward multiplied by the forward price. In return, Lehman Brothers delivers to the company the shares underlying the forward.

- In order to avoid any negative accounting from the concurrent option purchase by Lehman Brothers, physical settlement should be avoided. If the company wishes to repurchase the shares, a separate share repurchase program should be implemented.

At the termination of the trade, if the closing price of the shares is above the forward price, Lehman Brothers delivers cash to the company equal to the difference between the closing price and the forward price multiplied by the number of shares underlying the forward. If the closing price is below the forward price, the company will deliver the difference multiplied by the shares to Lehman Brothers.

- Cash settlement, if it is the only settlement method available, would result in mark-to-market treatment. For this reason, cash settlement is usually incorporated in conjunction with net share or physical settlement.

Similar to cash settlement, the cash amount to be delivered by one counterparty to the other is delivered in the form of registered shares of the company's stock of equivalent value.

- Net share settlement alternative at the company's option may be incorporated into the contract in order for the forward to be treated as an off-balance sheet instrument.

Total Return Equity Swap

Description

- A Total Return Equity Swap is a contract whereby XYZ Corporation ("XYZ") pays a fixed or floating payment to the swap counterparty in exchange for the total return of its common stock. The swap is typically for a term of one to three years and contains the following features:
 - Swap resets periodically (if applicable), allows settlement of in-the-money value to either counterparty.
 - XYZ receives price appreciation and dividend paid during period
 - XYZ pays price depreciation and LIBOR based payment during period
 - XYZ has right upon each reset date to elect settlement in one of the following manners:
 - Cash settlement
 - Net share settlement
 - Letter of Credit
 - XYZ has right to terminate early on any Reset Date
 - Upon maturity, or early termination, XYZ may elect to purchase shares at an effective price equal to the stock price at the inception of the swap or to make or receive a final settlement payment.

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Total Return Equity Swap (cont'd)

Benefits

- Corporations often face conflicting goals when managing the balance between debt and equity capitalization. Typical circumstances include
 - High current leverage, low current rating yet company has strong projected cash flow or is anticipating significant asset monetization proceeds
 - Company may want to return a portion of cash flow to equity investors and feel that the current stock price is undervalued, yet is unable or unwilling to currently buyback shares due to balance sheet concerns.
 - Dilution from unexercised employee options growing rapidly and effecting EPS yet balance sheet concerns do not allow for repurchase of stock in excess of current employee exercises.
- A Total Return Equity Swap can address these issues due to the following features:
 - Off balance-sheet treatment
 - Favorable rating agency view relative to share repurchase
 - Flexibility to denominate all payments in shares of common stock
- A Total Return Equity Swap would allow XYZ to lock in its current common stock price in anticipation of ultimately repurchasing shares as cash flow permits.
- Tele-Communications, Inc. ("TCI") entered into a Total Return Equity Swap with Lehman Brothers in 1997 in anticipation of repurchasing stock. Upon termination of the transaction, TCI's stock had more than quadrupled, with a realized gain of approximately \$500 million in the favor of TCI while avoiding incurrence of debt and maintaining its credit rating.

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Total Return Equity Swap (cont'd)

Rating Agency / Creditor Viewpoint Issues

- Total Return Equity Swap is viewed favorably versus direct repurchase of shares
 - No cash used nor funded indebtedness created upfront
 - Shares remain outstanding
 - Although swap counterparty may hold XYZ shares as a hedge, those shares remain outstanding and can be sold into the stock market without the need to file a registration statement
 - Financial risk on swap limited to depreciation in stock price, not the full purchase price as in a share repurchase
 - If stock appreciates, swap becomes an asset to XYZ
 - Company has right to net share settle swap eliminating any cash requirements

Accounting Issues

- Net share settlement feature allows swap to be treated as an equity instrument thus keeping the swap off-balance sheet and avoiding mark-to-market treatment.
- LIBOR payments not included in interest expense (may need to provide for LIBOR payments to be payable in shares, depending on XYZ's accountant's viewpoint)
- Depreciation may result in reduced fully-diluted EPS.
- Appreciation results in either periodic receipt of shares by XYZ or the building up of a "hidden asset" via the ability to purchase stock below the current market price.

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7

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Total Return Equity Swap (cont'd)

Tax Issues

- Depending on XYZ's tax attorney's analysis, the Total Return Equity Swap may be treated as a Section 1032 contract.
 - Under this view, all payments under the Total Return Equity Swap are exempt from tax.
- If XYZ's tax attorney is uncomfortable with characterizing the Total Return Equity Swap as a Section 1032 contract, the transaction can be restructured as a resetting forward contract.
 - In a resetting forward the carrying cost (LIBOR based payment net of dividends) is paid in shares. This cost is small compared to the price appreciation potential and would be reduced if XYZ increases its dividend.

Regulatory Issues

- In order to maintain off-balance sheet treatment, swap counterparty must be viewed as having beneficial ownership of shares underlying swap at all times.

LEHMAN BROTHERS

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0003/015

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVESEquity Swap (LONG)
Summary of Indicative Terms as of October 8, 1999

Party A: Lehman Brothers Finance S.A.
(Guaranteed by Lehman Brothers Holdings Inc.)

Party B: Greenstar Limited

Agent: Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.

Selected Security: Sterling Software Inc.

Number of Selected Securities: TBD (A maximum of 1,500,000 Shares)

Notional Amount: The Notional Amount for a Calculation Period shall be an amount determined by the following calculation:

$$S \times P$$
Where,
S = Number of Selected Securities
P = by the average execution price at which Party A establishes its hedge.

Trade Date: The Initial Trade Date

Effective Date: Three business days after the Trade Date

Final Valuation Date: Three business days before the Termination Date

Termination Date: 18 months after the Effective Date

Equity Valuation Date: Same as the Final Valuation Date

Equity Payment Date: The Termination Date

LIBOR Reset Date: The first day of each Calculation Period

LIBOR Payment Dates: Quarterly from Trade Date

Reference LIBOR: Three-month LIBOR as set forth on Telerate page 3750 on the second business day prior to each LIBOR Reset Date

Calculation Period: Each Calculation Period shall extend from and include, one LIBOR Payment Date but exclude, the next LIBOR Payment Date except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on, but exclude the Termination Date.

Reset Payments by Party A: The Capital Appreciation (if any) of the Selected Security plus Dividends

Reset Payments by Party B: Notional Amount x (LIBOR plus Spread) calculated on an actual/360 day basis plus the Capital Depreciation (if any) of the Selected Security

Dividends: If a holder of record of the Selected Security ("the Shares") would be entitled during the period from and including the Effective Date to, but excluding the Termination Date, to receive a dividend from the Issuer of those Shares, Party A shall pay to Party B the Dividend Amount net of any stamp tax or

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and state their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their status, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be executed, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

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004/015

Greenbriar Limited
Balance Sheet
June 30, 1999
(Unaudited)

Assets	
Cash on hand	\$ 239,829
US federal agency bonds	4,865,704
Investment in Maverick Fund	6,094,552
Other investments	21,658,833
Interest receivable	39,025
Total assets	\$ 32,897,983
 Shareholder's equity	
Share capital	\$ 100
Retained earnings	32,897,883
Total shareholder's equity	\$ 32,897,983 ✓


 J. CARTER
 DIRECTOR

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009/015

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVESEquity Swap (LONG)
Summary of Indicative Terms as of October 8, 1999

Party A:	Lehman Brothers Finance S.A. (Guaranteed by Lehman Brothers Holdings Inc.)
Party B:	Sarnia Investments Limited
Agent:	Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.
Selected Security:	Sterling Software Inc.
Number of Selected Securities:	TBD (A maximum of 1,500,000 Shares)
Notional Amount:	The Notional Amount for a Calculation Period shall be an amount determined by the following calculation: $S \times P$ Where: S = Number of Selected Securities P = by the average execution price at which Party A establishes its hedge.
Trade Date:	The Initial Trade Date
Effective Date:	Three business days after the Trade Date
Final Valuation Date:	Three business days before the Termination Date
Termination Date:	18 months after the Effective Date
Equity Valuation Date:	Same as the Final Valuation Date
Equity Payment Date:	The Termination Date
LIBOR Reset Date:	The first day of each Calculation Period
LIBOR Payment Dates:	Quarterly from Trade Date
Reference LIBOR:	Three-month LIBOR as set forth on Telegraf page 3750 on the second business day prior to each LIBOR Reset Date
Calculation Period:	Each Calculation Period shall extend from and include, one LIBOR Payment Date but exclude, the next LIBOR Payment Date except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on, but exclude the Termination Date.
Reset Payments by Party A:	The Capital Appreciation (if any) of the Selected Security plus Dividends
Reset Payments by Party B:	Notional Amount x (LIBOR plus Spread) calculated on an actual/360 day basis plus the Capital Depreciation (if any) of the Selected Security
Dividends:	If a holder of record of the Selected Security ("the Shares") would be entitled during the period from and including the Effective Date to, but excluding the Termination Date, to receive a dividend from the issuer of these Shares, Party A shall pay to Party B the Dividend Amount net of any stamp tax or

All terms above are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and circumstances. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, an assurance can be given that such a transaction would, in fact, be executed at the specific levels indicated.

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0010/015

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES

dues, fees or commissions payable thereof, on the Equity Payment Date immediately following the date upon which holders of record receive such dividend payment from the issuer.

Spread:

125 bps.

Execution Fee:

Party B shall pay Party A a \$0.06/share execution fee at the establishment and at the unwind of Party A's hedge.

Early Termination Fee:

If the client terminates or partially Terminates this Trade prior to the 6th month anniversary since the Effective Date, the Client will be subject to a Early Termination Fee of 20bps on the Notional Amount Terminated.

Capital Appreciation:

On each the Payment Date, Party A will pay to Party B a payment based on the appreciation of the Selected Security calculated as follows:

The greater of
a) 0; or
b) $S \times [P_t - P_{t-1}]$

Capital Depreciation:

On the Equity Payment Date, Party A will receive from Party B a payment based on the depreciation of the Selected Security calculated as follows:

The greater of
a) 0; or
b) $S \times [P_{t-1} - P_t]$

where:

S is the Number of Selected Securities

P_t is the average execution price of the Selected Security at which Party A unwinds its hedge.P_{t-1} is the average execution price of the Selected Security at which Party A establishes its hedge.

Calculation Agent:

Lehman Brothers Inc.

Currency:

All Payments made in USD

Upfront Collateral:

30% of Notional Amount

Mark-to-Market Collateral:

Applicable

Unsecured Amount:

\$0.00

Minimum Call Amount:

\$50,000

Acceptable Collateral:

USD Cash or U.S. Treasuries

Documentation:

ISDA Master Agreement, Credit Support Annex, Representation Letter, Term sheets and Confirmations


N.J. CARTER
D. RECORD II

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no statement can be given that such a transaction would, in fact, be structured at the specific levels indicated.

Confidential Treatment Requested

CC 017345

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES**Equity Swap (LONG)**
Summary of Indicative Terms as of October 8, 1999

<i>Party A:</i>	Lehman Brothers Finance S.A. (Guaranteed by Lehman Brothers Holdings Inc.)
<i>Party B:</i>	Quayle Limited
<i>Agent:</i>	Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.
<i>Selected Security:</i>	Sterling Software Inc.
<i>Number of Selected Securities:</i>	TBD (A maximum of 1,500,000 Shares)
<i>Notional Amount:</i>	The Notional Amount for a Calculation Period shall be an amount determined by the following calculation: $S \times P$ Where: S = Number of Selected Securities P = by the average execution price at which Party A establishes its hedge.
<i>Trade Date:</i>	The Initial Trade Date
<i>Effective Date:</i>	Three business days after the Trade Date
<i>Final Valuation Date:</i>	Three business days before the Termination Date
<i>Termination Date:</i>	18 months after the Effective Date
<i>Equity Valuation Date:</i>	Same as the Final Valuation Date
<i>Equity Payment Date:</i>	The Termination Date
<i>LIBOR Reset Date:</i>	The first day of each Calculation Period
<i>LIBOR Payment Dates:</i>	Quarterly from Trade Date
<i>Reference LIBOR:</i>	Three-month LIBOR as set forth on Telerate page 3750 on the second business day prior to each LIBOR Reset Date
<i>Calculation Period:</i>	Each Calculation Period shall extend from and include, one LIBOR Payment Date but exclude, the next LIBOR Payment Date except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on, but exclude the Termination Date.
<i>Reset Payments by Party A:</i>	The Capital Appreciation (if any) of the Selected Security plus Dividends
<i>Reset Payments by Party B:</i>	Notional Amount x (LIBOR plus Spread) calculated on an actual/360 day basis plus the Capital Depreciation (if any) of the Selected Security
<i>Dividends:</i>	If a holder of record of the Selected Security ("the Shares") would be entitled during the period from and including the Effective Date to, but excluding the Termination Date, to receive a dividend from the Issuer of those Shares, Party A shall pay to Party B the Dividend Amount net of any stamp tax or

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could in fact be executed at the specific levels indicated.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 755

CC 029349

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES

duties, fees or commissions payable thereof, on the Equity Payment Date immediately following the date upon which holders of record receive such dividend payment from the Issuer.

Spread:

125 bps

Execution Fee:

Party B shall pay Party A a \$0.06/share execution fee at the establishment and at the unwind of Party A's hedge.

Early Termination Fee:

If the client terminates or partially Terminates this Trade prior to the 6th month anniversary since the Effective Date, the Client will be subject to a Early Termination Fee of 20bps on the Notional Amount Terminated

Capital Appreciation:

On each the Payment Date, Party A will pay to Party B a payment based on the appreciation of the Selected Security calculated as follows:

The greater of
a) 0; or
b) $S \times [P_t - P_{t-1}]$

Capital Depreciation:

On the Equity Payment Date, Party A will receive from Party B a payment based on the depreciation of the Selected Security calculated as follows:

The greater of
a) 0; or
b) $S \times [P_{t-1} - P_t]$

where:

S is the Number of Selected Securities

P_t is the average execution price of the Selected Security at which Party A unwinds its hedge.

P_{t-1} is the average execution price of the Selected Security at which Party A establishes its hedge.

Calculation Agent:

Lehman Brothers Inc.

Currency:

All Payments made in USD

Upfront Collateral:

30% of Notional Amount

Mark-to-Market Collateral:

Applicable

Unsecured Amount:

\$0.00

Minimum Call Amount:

\$50,000

Acceptable Collateral:

USD Cash or U.S. Treasuries

Documentation:

ISDA Master Agreement, Credit Support Annex, Representation Letter, Term sheets and Confirmations

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance is given that the transaction could in fact be executed at the specific levels indicated.

CC 029350

Confidential Treatment Requested

To: Greenbriar Corporation
Kathy Harding
Tel: 011 44
Fax: 011 44

From: Lei Yang/Emily Miller
Lehman Brothers Equity Derivatives on behalf of Lehman Brothers Finance S.A.
Tel: (212)
Fax: (212)

Re: Reversal of SSW swap between Lehman Brothers Finance and Greenbriar Corporation
Ref: N9910155651738

Underlying: SSW

Payment: 25-Jan-00 Prior Payment: 04-Oct-99 Curr. Eq. Fixing: 20-Jan-00 Prior Eq. Fixing: 29-Sep-99 LIBOR Fixing: 21-Oct-99

Current Notional Amount: SSW					3,170,320.00
Underlying Settlement					
Stock	Rate Option	Maturity	# of Days	Quoted Rate	Fixed Rate
STERLING SOFTWARE IN (SSW)	USD-LIBOR	1D	92	0.7225%	7.47250%
Funding Amount Due Lehman Brothers					156,035.07
Net Amount Due Lehman Brothers					156,035.07

WIRE INSTRUCTIONS:
Citibank, N.A., New York
ABA: 021-000-089
FAO: Lehman Brothers Holdings Inc
In favor of LB Finance S.A.
Account Number: 40725568

124100 Kathy instructed to
sell agrees for settlement
and wire tomorrow.

— = Redacted by the Permanent
Subcommittee on Investigations

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 755

CC 021686

LIBOR fixing: 21-Jan-00

Prior Eq. Fixing: 18-Oct-00

Qtr. En Fixing: 29-Feb-00

Prior Payment: 25-Jan-00

00

Documents 1.

WIRE INSTRUCTIONS:
Citibank, N.A., New York
ABA: 021-000-089
FAO: Lehman Brothers Hold
In favor of L.B. Finance S. A.
Account Number: 4072956

— = Redacted by the Permanent Subcommittee on Investigations

To: Greenbrier Corporation Kathy Harding Tel: 011 46 Fax: 011 44		From: Lei Yang/Nicole Giurlina Lehman Brothers Equity Derivatives on behalf of Lehman Brothers Finance S.A. Tel: (212) 3 Fax: (212) 3		Re: Re: of CA swap between Lehman Brothers Finance and Greenbrier Corporation Ref: N9910155651789E		Underlying: CA		Payments: \$-Jan-00		Prior Payment: 03-Mar-00		Curr. Eq. Fixing: 31-May-00		Prior Eq. Fixing: 25-Jan-00		LIBOR fixing: 01-Mar-00	
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Current Notional Amount:									
Funding Settlement		Rate Option		Maturity		# of Days		Quoted Rate	
Stock	CA	USD-LIBOR	Three Month	94	6.1100%	Spread	Floating Rate	7.36000%	
Funding Amount Due Lehman Brothers									
Equities Settlement	Stock	Co	# of Shares	Initial Level	Final Level				
CA	USD	225,360	63,679	31,5000					
Equity Depreciation Amount Due Lehman Brothers Finance									
2,743,968.82									
Net Amount Due Lehman Brothers Finance									
3,019,735.95									

WIRE INSTRUCTIONS:
 Citibank, N.A., New York
 ABA: 021-000-089
 PAO: Lehman Brothers Holdings Inc
 In favor of LB Finance S. A.
 Account Number: 40725558

0= C
 5,019,735,9500 +
 2,743,968,8200 -
 3,019,735,7800 *

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 755

CC 021692

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES**Equity Swap (LONG) Amendment**
Summary of Indicative Terms as of 2:54:50 PM

Party A:	Lehman Brothers Finance S.A. (Guaranteed by Lehman Brothers Holdings Inc.)
Party B:	Quayle Limited, Moberly Limited, Greenbriar Limited, Roaring Fork Limited, Sarnia Investments Limited
Agent:	Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.
Selected Security:	Sterling Software Inc.
Number of Selected Securities:	2,000,000 shares (split according to original trades)
Notional Amount:	The Notional Amount for a Calculation Period shall be an amount determined by the following calculation: $S \times P$ Where, S = Number of Selected Securities P = Closing level of the Selected Security on the Equity Valuation Date for the previous Calculation Period, except for the initial Calculation Period the closing price of the Selected Security will be replaced by the average execution price at which Party A establishes its hedge.
Amendment Date:	February 28, 2000
New Effective Date:	March 2, 2000
Final Valuation Date:	Three business days before the Termination Date
Termination Date:	18 months after the New Effective Date (August 28, 2000)
Equity Valuation Dates:	Quarterly from the Amendment Date
Equity Payment Dates:	Quarterly from the New Effective Date
LIBOR Reset Date:	The first day of each Calculation Period
LIBOR Payment Dates:	Quarterly from New Effective Date
Reference LIBOR:	Three-month LIBOR as set forth on Telerate page 3750 on the second business day prior to each LIBOR Reset Date
Calculation Period:	Each Calculation Period shall extend from and include, one LIBOR Payment Date but exclude, the next LIBOR Payment Date except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on, but exclude the Termination Date.
Reset Payments by Party A:	The Capital Appreciation (if any) of the Selected Security plus Dividends

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Permanent Subcommittee on Investigations EXHIBIT #66 - FN 755

CC 031181

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES*Reset Payments by Party B:*Notional Amount x (LIBOR plus Spread) calculated on an actual/360 day basis **plus the Capital Depreciation (if any) of the Selected Security***Dividends:*

If a holder of record of the Selected Security ("the Shares") would be entitled during the period from and including the Effective Date to, but excluding the Termination Date, to receive a dividend from the Issuer of those Shares, Party A shall pay to Party B the Dividend Amount net of any stamp tax or duties, fees or commissions payable thereof, on the Equity Payment Date immediately following the date upon which holders of record receive such dividend payment from the Issuer.

Spread:

125 bps

*Amendment Fee:***\$50,000 (Split pro-rata amongst all five entities)***Execution Fee:*

Party B shall pay Party A a \$0.06/share execution fee at the unwind of Party A's hedge.

*Early Termination Fee:*If the client terminates or partially Terminates this Trade prior to the 6th month anniversary since the Effective Date, the Client will be subject to a Early Termination Fee of 20bps on the Notional Amount Terminated*Capital Appreciation:*

On each Equity Payment Date, Party A will pay to Party B a payment based on the appreciation of the Selected Security calculated as follows:

The greater of

a) 0; or:

$$b) S \times [P_t - P_{t-1}]$$

Capital Depreciation:

On each Equity Payment Date, Party A will receive from Party B a payment based on the depreciation of the Selected Security calculated as follows:

The greater of

a) 0; or:

$$b) S \times [P_{t-1} - P_t]$$

where:

S is the Number of Selected Securities **P_t is the closing level of the Selected Security on the Equity Valuation Date in the relevant Calculation Period. If the Calculation Period is the final Calculation Period then P_t is the average execution price of the Selected Security at which Party A unwinds its hedge.** **P_{t-1} is the closing price of the Selected Security on the Equity Valuation Date for the previous Calculation Period. If the Calculation Period is the initial Calculation Period then P_{t-1} is the average execution price of the Selected Security at which Party A establishes its hedge.***Calculation Agent:*

Lehman Brothers Inc.

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Confidential Treatment Requested

CC 031182

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES

<i>Currency:</i>	All Payments made in USD
<i>Upfront Collateral:</i>	30% of Notional Amount (Quayle Limited, Moberly Limited, and Greenbriar Limited) 40% of Notional Amount (For and Sarnia Investments and Roaring Fork Limited)
<i>Mark-to-Market Collateral:</i>	Applicable
<i>Unsecured Amount:</i>	\$0.00
<i>Minimum Call Amount:</i>	\$50,000
<i>Acceptable Collateral:</i>	USD Cash or U.S. Treasuries
<i>Documentation:</i>	ISDA Master Agreement, Credit Support Annex, Representation Letter, Term sheets and Confirmations

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Confidential Treatment Requested

CC 031183

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES**Equity Swap Amendment (SSW)****Summary of Indicative Terms as of 12:28:13 PM**

<i>Party A:</i>	Lehman Brothers Finance S.A. (Guaranteed by Lehman Brothers Holdings Inc.)
<i>Party B:</i>	Moberly Limited, Greenbriar Limited, Sarnia Investments Limited
<i>Agent:</i>	Lehman Brothers Inc. ("LBI") is acting as agent on behalf of Lehman Brothers Finance S.A. ("LBF") for this Transaction. LBI has no obligations, by guarantee, endorsement or otherwise, with respect to the performance of this Transaction by LBF.
<i>Selected Security:</i>	<u>Sterling Software Inc. (SSW)</u>
<i>Number of Selected Securities:</i>	1,500,000 shares (split according to original trades)
<i>Notional Amount:</i>	The Notional Amount for a Calculation Period shall be an amount determined by the following calculation: $S \times P$ Where, S = Number of Selected Securities P = Closing level of the Selected Security on the Equity Valuation Date for the previous Calculation Period, except for the initial Calculation Period the closing price of the Selected Security will be replaced by the average execution price at which Party A establishes its hedge.
<i>Amendment Date:</i>	February 29, 2000
<i>New Effective Date:</i>	March 3, 2000
<i>Final Valuation Date:</i>	Three business days before the Termination Date
<i>Termination Date:</i>	18 months after the New Effective Date (August 29, 2001)
<i>Equity Valuation Dates:</i>	Quarterly from the Amendment Date
<i>Equity Payment Dates:</i>	Quarterly from the New Effective Date
<i>LIBOR Reset Date:</i>	The first day of each Calculation Period
<i>LIBOR Payment Dates:</i>	Quarterly from New Effective Date
<i>Reference LIBOR:</i>	Three-month LIBOR as set forth on Telerate page 3750 on the second business day prior to each LIBOR Reset Date
<i>Calculation Period:</i>	Each Calculation Period shall extend from and include, one LIBOR Payment Date but exclude, the next LIBOR Payment Date except that the initial Calculation Period will commence on and include the Effective Date and the final Calculation Period will end on, but exclude the Termination Date.
<i>Reset Payments by Party A:</i>	The Capital Appreciation (if any) of the Selected Security plus Dividends

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 755

CC 031175

212-526-0900

LEHMAN BROTHERS

EQUITY DERIVATIVES

Reset Payments by Party B:

Notional Amount x (LIBOR plus Spread) calculated on an actual/360 day basis plus the Capital Depreciation (if any) of the Selected Security

Dividends:

If a holder of record of the Selected Security ("the Shares") would be entitled during the period from and including the Effective Date to, but excluding the Termination Date, to receive a dividend from the Issuer of those Shares, Party A shall pay to Party B the Dividend Amount net of any stamp tax or duties, fees or commissions payable thereof, on the Equity Payment Date immediately following the date upon which holders of record receive such dividend payment from the Issuer.

Spread:

125 bps

Amendment Fee:

\$50,000 (Split pro-rata amongst all five entities)

Execution Fee:

Party B shall pay Party A a \$0.06/share execution fee at the unwind of Party A's hedge.

Early Termination Fee:

If the client terminates or partially Terminates this Trade prior to the 6th month anniversary since the Effective Date, the Client will be subject to a Early Termination Fee of 20bps on the Notional Amount Terminated

Capital Appreciation:

On each Equity Payment Date, Party A will pay to Party B a payment based on the appreciation of the Selected Security calculated as follows:

The greater of

a) 0; or:

$$b) S \times [P_t - P_{t-1}]$$

Capital Depreciation:

On each Equity Payment Date, Party A will receive from Party B a payment based on the depreciation of the Selected Security calculated as follows:

The greater of

a) 0; or:

$$b) S \times [P_{t-1} - P_t]$$

where:

S is the Number of Selected Securities

P_t is the closing level of the Selected Security on the Equity Valuation Date in the relevant Calculation Period. If the Calculation Period is the final Calculation Period then P_t is the average execution price of the Selected Security at which Party A unwinds its hedge.

P_{t-1} is the closing price of the Selected Security on the Equity Valuation Date for the previous Calculation Period. If the Calculation Period is the initial Calculation Period then P_{t-1} is the average execution price of the Selected Security at which Party A establishes its hedge.

Calculation Agent:

Lehman Brothers Inc.

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

212-526-0900

LEHMAN BROTHERS
EQUITY DERIVATIVES*Currency:* All Payments made in USD*Upfront Collateral:* 30% of Notional Amount*Mark-to-Market Collateral:* Applicable*Unsecured Amount:* \$0.00*Minimum Call Amount:* \$50,000*Acceptable Collateral:* USD Cash or U.S. Treasuries*Documentation:* ISDA Master Agreement, Credit Support Annex, Representation Letter,
Term sheets and Confirmations

All term sheets are indicative only. Actual terms are subject to confirmation by Lehman Brothers Finance, S.A. Clients are advised to make an independent review and reach their own conclusions regarding the legal, credit, tax and accounting aspects of this transaction relating to their assets, liabilities, or other risk management objectives and risk tolerance. Although the indicative information set forth is reflective of the terms, as of the specified date under which Lehman Brothers believes a transaction might be structured, no assurance can be given that such a transaction could, in fact, be executed at the specific levels indicated.

Confidential Treatment Requested

CC 031177

3845

12/18/95 12:03 LEHMAN BROTHERS + 912147209464

NO. 713 P001

LEHMAN BROTHERS

FAX COVER SHEET

TO:	<u>Lou Schaufele</u>	
COMPANY:		
FAX:	<u>(212)</u>	Redacted by the Permanent Subcommittee on Investigations
PHONE:	<u>(212)</u>	
DATE:	<u>12/18/95</u>	
Pages to follow:	<u>3</u>	
COMMENTS:	<u>Re: Increased Loans to "Devotion"</u>	
	<u>and "Elegance"</u>	

*FYI
Keep for follow up*

FROM: Bruce Brittain
Equity Derivatives
3 World Financial Center, 6th Floor
New York, NY 10285

Ph: (212) 526-0900
Fax: (212) 528-7337

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 757

CC 038439

12/18/95 12:03 LEHMAN BROTHERS → 912147209464

NO. 713 P002

To: J. Kase
From: B. Brittain
Re.: Increased loans to "Devotion" and "Elegance"
Date: 18 December 1995

cc.: Craig Schiffer
John Mosler

I intend to ask credit for permission to increase loan amounts to Devotion and Elegance. On 13 November 1995, these two Isle of Man counterparties bought two year calls on 500,000 shares of Sterling Software at a strike price of \$41 per share to raise \$10 per share. We agreed to lend them 50% of the cost of these calls and obtained from them the right to call for collateral should the value of the outstanding loan ever exceed 55% of the mark to market value of their position.

Sterling Software is now trading above \$55 per share and the options' market value exceeds \$11 million. the outstanding loan value is \$2.3 million.

As long as the value of the loan exceeds 55% of the mark to market value of their position, we would like to roll all interest payments into the principal amount of the loan.

Attached please find a statement of all outstanding option and loan situations with counterparties which have connections -- however remote -- with Sam Wyly.

Sterling Software Trades Date 12-Dec-95

Hedge	
# of	12-Dec-95
Underlying	Mkt Val
(485,500)	(28,119,825)
(485,500)	(28,119,825)

Zero Cost Collar

Transaction	# of	12-Dec-95
Underlying	Notional	Mkt Val
Buy Call (E)	900,000	31,515,990 (2,478,904)
Sell Put (A)	(900,000)	(31,515,990) 8,163,639
Total	900,000	31,515,990 5,885,735

Collateral
Underlying
Shares
Puts

Zero Cost Collar

Transaction	# of	12-Dec-95
Underlying	Notional	Mkt Val
Buy Call (E)	300,000	10,857,000 (815,950)
Sell Put (A)	(300,000)	(10,857,000) 2,588,073
Total	300,000	10,857,000 1,700,117

Call

Transaction	# of	12-Dec-95
Underlying	Notional	Mkt Val
Sell Call (A)	(333,332)	(13,893,279) (7,584,580)
Total	(333,332)	(13,893,279) (7,584,580)

Call

Transaction	# of	12-Dec-95
Underlying	Notional	Mkt Val
Sell Call (A)	(166,666)	(6,946,721) (3,782,451)
Total	(166,666)	(6,946,721) (3,782,451)

Loan

A/C Names	13-Nov-95
Loan Amount	
East Carroll Ltd.	\$ 8,035,200.00
Roaring Fork Ltd.	\$ 6,028,400.00
Little Woody Ltd.	\$ 6,028,400.00
West Carroll Ltd.	\$ 4,017,600.00
Morehouse Ltd.	\$ 4,017,600.00
Richland Ltd.	\$ 8,035,200.00
TOTAL:	\$ 38,168,400.00

Loan

A/C Name	13-Nov-95
Loan Amount	
Maverick	\$ 12,147,300.00

Loan

A/C Name	13-Nov-95
Loan Amount	
Devotion, Ltd.	\$ 1,508,693.99

Loan

A/C Name	13-Nov-95
Loan Amount	
Elegance, Ltd.	\$ 753,308.04

Collateral
Underlying
Shares
Puts

Collateral
Calls

Collateral
Calls

[illegible]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 757

CONFIDENTIAL
SEC100075761
PSI00087628

A/O 10/11/95				
A/C	SSW shares	Market Value *	Debit/Credit	Cash Available
West Carroll	83,333	\$3,499,986.00	\$388,052.36	\$2,138,045.36
Roaring Fork	53,432	\$2,244,144.00	(\$82,001.59)	\$1,040,070.41
Morehouse	88,058	\$3,698,436.00	(\$1,295,286.90)	\$553,931.10
Little Woody	53,431	\$2,244,102.00	\$583,640.57	\$1,705,691.57
East Carroll	116,667	\$4,900,014.00	\$779,651.74	\$3,229,658.74
Richland	6,667	\$280,014.00	\$775,215.14	\$915,222.14
Total NY	401,588			\$9,582,619.32
Greenbriar	500,000	\$21,000,000.00	\$9,437,500.00	\$2,532,500.00
Quayle	300,000	\$12,600,000.00	\$6,285,375.00	\$896,625.00
Samia	142,000	\$5,964,000.00	\$3,152,125.00	\$247,355.00
Total London	942,000			\$3,676,480.00
Devotion	calls on 333,333	\$3,283,330.00	\$1,506,593.96	\$135,071.04
Elegance	calls on 166,667	\$1,641,669.95	\$753,306.04	\$67,528.93
Total Geneva	500,000			\$202,599.98
* Based upon assumed price of \$42.00/share on stock & \$9.85 on calls				

Best efforts have been made to reflect the true values of these figures. However, due to the element of human error, the exact accuracy cannot be guaranteed.

L:\murdock\LORNESSW.XLS

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 758

CC 038765

3851

April 22, 1992

Mr. Mark Beasley
Michaels Stores, Inc.
P.O. Box 612566
DFW, Texas 75161-2566

Dear Mr. Beasley:


As Managing Director of Tensas Limited, I wish to exercise 210,000 Michaels Stores, Inc. options. I wish to exercise these options using a cashless exercise through First Boston Corporation, located at 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201. The broker on the account is Lou Schaefe and he may be reached at (214)

Redacted by the Permanent
Subcommittee on Investigations

The following options are being exercised:

100,000 warrants originally issued through Warrant #3 dated 11/20/84, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

110,000 options granted 8/4/86, amended 12/11/87, amended 8/8/89, amended 10/24/90, and transferred to Tensas Limited 4/13/92.


R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 761

CONFIDENTIAL
SECI00069593
PSI00081460

3852

April 22, 1992

First Boston Corporation
Attn: Mr. Lou Schaefele
3100 Texas Commerce Tower
2200 Ross Avenue
Dallas, Texas 75201

Dear Mr. Schaefele:

As Managing Director of Tensas Limited, I wish to sell Michaels Stores, Inc. warrants utilizing a cashless stock exercise. I wish to sell 210,000 shares. The exercise price is \$3.00 per share. A check for \$630,000 should be issued to Michaels Stores, Inc. You may contact Mark Beasley, legal counsel for Michaels, at (214) [REDACTED]

Redacted by the Permanent
Subcommittee on Investigations

R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

CONFIDENTIAL
SECI00069594
PSI00081461

3853

April 22, 1992

Mr. Mark Beasley
Michael's Stores, Inc.
P.O. Box 612566
DFW, Texas 75161-2566

Dear Mr. Beasley:


As Managing Director of Tensas Limited, I wish to exercise 210,000 Michaels Stores, Inc. options. I wish to exercise these options using a cashless exercise through First Boston Corporation, located at 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201. The broker on the account is Lou Schaufele and he may be reached at (214)

Redacted by the Permanent
Subcommittee on Investigation

The following options are being exercised:

100,000 warrants originally issued through Warrant #3 dated 11/20/84, amended 10/24/90, and transferred to Tensas Limited 4/13/92.

110,000 options granted 8/4/86, amended 12/11/87, amended 8/8/89, amended 10/24/90, and transferred to Tensas Limited 4/13/92.


R. Buchanan
Lorne House Trust Limited
Lorne House
Castletown, Isle of Man
British Isles

CONFIDENTIAL
SEC100069595
PS100081462

April 20, 1992

— = Redacted by the Permanent
Subcommittee on Investigations

Lorne House Trust Company Limited
Lorne House
Castletown
Isle of Man
British Isles
Attn.: Mr. R. Buchanan

Re: Bulldog Non-Grantor Trust

Dear Ronnie:

Pursuant to Section 8 of the Bulldog Non-Grantor Trust Agreement dated March 11, 1992 the Committee of Trust Protectors wishes to make the following recommendations to the Trustee.

To exercise 210,000 Michaels Stores Options held in Tensas Limited, which is owned by the Bulldog Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) [REDACTED]. The committee recommends selling all of the stock at a price to a least exceed \$20.00 per share. The exercise price of the stock is \$3.00 a share, requiring \$610,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed \$3,570,000. The committee recommends a loan at 6% interest rate, to mature in one year, of \$3,500,000 to East Carroll Limited which is owned by the Bulldog Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

To exercise 200,000 Michaels Stores Options held in East Baton Rouge Limited which is owned by the Bulldog Non-Grantor Trust using a cashless exercise thru First Boston Corporation, 3100 Texas Commerce Tower, 2200 Ross Avenue, Dallas, Texas 75201, Mr. Lou Schaufele, phone # (214) 740-5221. The committee recommends selling all of the stock at a price to a least exceed \$20.00 per share. The exercise price of the stock is \$3.00 a share, requiring \$600,000 to exercise the stock with Michaels Stores, Inc. Cash in excess of exercise price should exceed \$3,400,000. The committee recommends a loan at 6% interest rate, to mature in one year of \$668,750 to East Carroll Limited which is owned by the Bulldog Non-Grantor Trust. The committee recommends that cash in excess of the loan be invested in short term, cash-like securities, with some currency risk that you as Trustee feels competes with U.S. certificates of deposits yielding around 4 %.

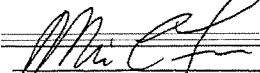
To exercise 667,000 Sterling Software, Inc. Options held by East Carroll Limited which is wholly owned by the Bulldog Non-Grantor Trust using the cash loaned by Tensas Limited and East Baton Rouge Limited to exercise the stock.


CONFIDENTIAL
SECI00069596
PSI00081463

The exercise price is \$6.25 per share for a total exercise price of \$4,168,750. The committee recommends that East Carroll Limited hold the Sterling Software, Inc. stock.

The committee also recommends that you consider establishing a line of credit for the following corporations with Chemical Bank (Guernsey): East Carroll Limited for \$8,000,000 and East Baton Rouge Limited for \$2,000,000.

Committee of Trust Protectors:


Michael C. French, Chairman


Sharyl Robertson, Vice-Chairman
and Secretary

3856

F-661 T-118 P-001 MAR 14 '95 08:17



FAX TRANSMITTAL

Maverick

Keith King
TO: Ronald Buchanan & Russell
Collister
FROM: Mike French
COMPANY: Lorne House Trust
PHONE: 44 Redacted by the Permanent
Subcommittee on Investigations
FAX: 44 DATE: March 13, 1995
NUMBER OF PAGES (including cover): 2
TIME: 6:09 PM

COMMENTS:

On Ronnie's last visit here he discussed with Shari a possible transaction with Lehman Brothers (Lou Schaufele) involving a lending arrangement and a cost free collar on the SSW shares.

It is my understanding that Lehman will shortly be forwarding documents to you regarding this proposed transaction, and that in general there will be created a derivative "put" on the stock at 90% of market and a derivative "call" on the stock and 148% of market, and that Lehman will extend credit against the put in an amount equal to 100% of the put price.

Our further understanding is that the transaction will involve the following entities and shares:

West Carroll	100,000
Moorehouse	100,000
Richland	400,000 <i>200,000</i>
Little Woody	150,000
Roaring Fork	150,000
Total	700,000

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

14-MAR-1995 15:15

2148916311

P.001

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 761

PSI-WYBR 00292

3857

Separately, I understand that East Carroll, which is no longer part of the trusts, will be transacting for 200,000 shares.

Shari Robertson and I both approve of this proposed transaction and recommend it to the trustees. Shari, is currently not available to sign, this memorandum, but I understand has previously communicated her approval.

I understand that the transactions are expected to be funded in the very near future, perhaps as early as Wednesday.

Please give me a call tomorrow (Tuesday) if you have any questions.

CC: Keith King
Wychwood Trust Limited

P.S. to Keith

Please accept this copy as a recommendation and approval for East Carroll to enter into the above described transaction for 200,000 shares.


A handwritten signature in black ink, appearing to be 'M. E. L.' or similar, written in a cursive style.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

14-NAR-1995 15:15

2148918311

P.002



PSI-WYBR 00293

01/19/99 18:26 FAX

Redacted by the Permanent
Subcommittee on Investigations

FACSIMILE COVER PAGE

TO: Ken Jones From: Michelle Boucher
COMPANY: IFG International Fax: 345-
FAX: 011-44- Tel: 345-
DATE: January 19th, 1999

cc: Lou Schaefele @
cc: Ian Plummer @ 011-44-1624-677-523

We are transmitting _____ page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ken,

Re: Moberly Limited

Further to my fax of January 17th, 1999, I now confirm that the protectorate committee recommends the exercise of 400,000 Sterling Commerce Options and the sale of 300,000 shares to Greenbriar Limited, and the sale of 100,000 shares to Sarnia Limited, as described in the January 17th, 1999 fax.

It is my understanding that Sterling Commerce's legal counsel has approved the exercise of the initial 300,000 options, and it is recommended that you proceed immediately with the exercise of these options and the sale to Greenbriar.

Approval for the remaining 100,000 option should follow tomorrow or Thursday, so it is recommended that you initiate the process for this additional exercise and sale to Sarnia at your earliest convenience.

The legal contact at Sterling Commerce is Al Hoover 614- or his colleague, Dennis Byrnes 614-.

Provided you intend to proceed with this recommendation, I suggest that you contact Lou Schaefele at Lehman Brothers in the morning, if you require any additional information from me, please do not hesitate to call.

Thanks and kind regards,


Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 761

CC 040417

3859

— = Redacted by the Permanent
Subcommittee on Investigations



Michelle Boucher

[Redacted]

01/11/2000 01:13 PM

Please respond to

[Redacted]

To: "Ken Jones (E-mail)" [Redacted]

cc: Shari Robertson [Redacted]

Subject: michaels stores

Lehmans confirmed selling 175K of shares at \$31.44

The protectors recommend that you make arrangements for a further exercise and sale of another tranche of 200,000 options with the same price parameters of \$30 or better and maintain the same pro-rata split between Yurta Faf and Dortmund.

Any questions, please call.
Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 761

Confidential
SEC_ED00044236

PSI_ED00044236

3860

From: Shari Robertson
Sent: Thursday, October 25, 2001 8:20 PM
To: fwebb@[REDACTED]
Cc: mboucher@[REDACTED] Keeley Hennington
Subject: Quayle

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Recommendation to sell 100,000 shares of Michaels at hopefully \$55. \$52 or better is acceptable. Would recommend selling the shares thru Lou at Lehman's

The information contained in this e-mail message is intended only for the personal and confidential use of the recipient(s) named above. This message may be an attorney-client communication and as such is privileged and confidential. If the reader of this message is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error and that any review, dissemination, distribution, or copying of this message is strictly prohibited. If you have received this communication in error, please notify us immediately by e-mail, and delete the original message.

----- Forwarded by Shari Robertson/Maverick on 10/25/01 07:18 PM -----

Keeley Hennington@[REDACTED]
10/25/01 05:43 PM

To: Shari Robertson/[REDACTED]
cc:
Subject:

Just in case you do not get my voice mail - the request should go to francis webb at fwebb@[REDACTED]

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 761

MAV008375

3861

— = Redacted by the Permanent
Subcommittee on Investigations

Evan Wylly
04/26/2000 08:34 AM
To: Sam Wylly@
cc:
Subject: Re: Michaels Shares

More info:

----- Forwarded by Evan Wylly/Maverick on 04/26/00 10:30 AM -----



"Michelle Boucher"
<mboucher@
To: evan wylly
cc:
Subject: Re: Michaels Shares
04/26/00 09:25 AM

I did confirm with the trustees this morning, and they are proceeding on the offshore options, selling at \$40 or better.

Offshore we have the following:
Yurta Faf
292,800 options with August expiration
Dortmund
57,200 options with August expiration

There are a lot of options held domestically with July expiration. These are the quantities based on February financials, I don't think there has been any changes, but will check with Elaine if you so need this info. I had spoken with Elaine earlier, and I understand that she has asked if you want to exercise and sell any domestic options, but has not heard back from you. Apparently Charles is currently working on some of his domestic options, but not offshore.

July 2000 expiration:
SW 1,125,000
Cheryl 75,000
Kelly 150,000
Marmalade 150,000

Michelle

-----Original Message-----

From: evan_wylly@maverickcap.com <evan_wylly@maverickcap.com>
To: Michelle Boucher <mboucher@candw.ky>
Date: Wednesday, April 26, 2000 11:13 AM
Subject: Re: Michaels Shares

>
>What amounts remain to be sold?
>
>>Sam recommends that the trustees exercise and sell the remainder of the
>>Michaels options that expire this summer. Sell at \$40 or better.
>>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 762

Confidential
SEC_ED00043559

PSI_ED00043559

3862

From: Evan Wyly
Sent: Thursday, April 27, 2000 12:25 AM
To: Michelle Boucher <[REDACTED]>
Cc: Sam Wyly; Shari Robertson
Subject: Re: Michaels Stores
Attach: att1.htm

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Yes, I spoke with Sam, who has spoken with Charles.
We do not recommend re-booking the 10,000 shares, but we do recommend canceling
further sales by the Trustees.
~~Please proceed with sales domestically at 40 or better.~~
As you described, the order should be Evan, Kelly, Cheryl, Sam, Charles.

"Michelle Boucher" <[REDACTED]>
04/26/00 07:03 PM

To: evan wyly, Sam Wyly/[REDACTED]
cc: Shari Robertson/[REDACTED]
Subject: Re: Michaels Stores

Sorry, I have two more questions....

- Charles' fax also had some notes indicating that we are to sell
domestic first and he has an order of:
Evan, Kelly, Cheryl, Sam, Charles. There was a note that Donnie was finished
selling domestically. Please confirm if this is how we should proceed?
- I also just spoke with Lehman's, and they can rebook the 10,000
Michaels that we did today for another account (in the domestic system) if we
want. I need to let them know in the morning.

Evan & Shari - the fax I'm referring to was copied to you too.

Thanks
Michelle

-----Original Message-----
From: Michelle Boucher <[REDACTED]>
To: evan_wyly@[REDACTED];
sam_wyly@[REDACTED]
Cc: shari_robertson@[REDACTED]
Date: Wednesday, April 26, 2000 7:52 PM
Subject: Michaels Stores

I received a fax from Charles tonight indicating that Sam has canceled his

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 763

MAV010782

3863

request to exercise and sell the offshore options at \$40 or better - please confirm.

As per the email I forwarded earlier, Lehmans did get 10,000 shares sold today - I assume we will keep this trade for Dortmund and Yurta Faf's account, just hold off on any further shares, until further notice??

Please let me know asap, so I can amend the recommendation with the Trustees as early as possible.

Thanks,
Michelle
~~att1.htm~~

MAV010783

3864

From: Evan Wylly
Sent: Friday, September 15, 2000 1:52 PM
To: Michelle Boucher [REDACTED]
Subject: Re: Fw: michaels sales offshore
Attach: att1.htm

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

OK

~~"Michelle Boucher"~~ [REDACTED]
09/15/00 12:39 PM

To: evan wylly
cc: Shari Robertson/[REDACTED]
Subject: Fw: michaels sales offshore

Copy fyi - I forgot to copy you initially.

Michelle

----- Original Message -----

From: Michelle Boucher [REDACTED]
To: Shari_Robertson/[REDACTED]
Sent: Friday, September 15, 2000 12:11 PM
Subject: michaels sales offshore

I spoke to Sam today, he wants us to proceed with selling 200,000 Michaels Stores shares from offshore to aid in raising funds for Ranger/Precept projects.

I would like to recommend selling 175,000 held by East Carroll, and 25,000 of the shares held by East Baton Rouge

I confirmed with him that there is nothing going on with the company that should preclude us from being in the market at this time. He wants Lou to slowly acquire without impacting the market.

Please confirm you are comfortable with me going forward to the Trustees.
Michelle

- att1.htm

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 764

MAV010831

3865

—= Redacted by the Permanent
Subcommittee on Investigations

From: Michelle Boucher <[REDACTED]>
Sent: Thursday, December 23, 1999 9:38 AM
To: 'charles.wyly@s[REDACTED]'; evan wyly;
Shari Robertson
Subject: michael's options

Lou Schaufele called today, and if we want to liquidate US Government
Agencies for CW entities - (Quayle Limited) for the option exercise then he
would like to liquidate these today.

He is afraid that if we wait until next week, we may (less than 10% chance)
not be able to sell them as they are so close to maturity. If we do
liquidate, the funds will sit on the money market account and will still
earn something.

Let me know how you feel about this - I need to get back with Lou today.

Thanks!

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EXHIBIT #66 - FN 765

MAV010726

3866

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Subcommittee on Investigations



Michelle Boucher

To: evan wylly

cc:

Subject: RE: trustee meeting - Michaels

01/10/2000 03:15 PM

Thanks Evan. I'll speak to Shari to obtain the protector's recommendation and get it started.

Michelle

-----Original Message-----

From: evan_wylly [REDACTED]
Sent: Monday, January 10, 2000 5:46 PM
To: mboucher [REDACTED]
Cc: Shari_Robertson [REDACTED]
Subject: RE: trustee meeting - Michaels

I just spoke to Sam, and he recommends proceeding with the exercise and sale of the \$12.50 Michaels options now.

Michelle
Boucher
<mboucher@can
dw.ky>
To: evan wylly
cc:
Subject: RE: trustee meeting

01/10/00
02:48 PM
Please
respond to
"mboucher@can
dw.ky"

When I spoke to Shari this morning, she thought that you and Sam were looking at an exercise and hold scenario for the Michaels options, and that I should start looking for cash flow to fund the exercise of the offshore piece (likely redemptions from offshore fund investments - Maverick, Edin, Deerfield..). She also mentioned that because of domestic liquidity issues, that you might want to look at having offshore acquire the domestic options, and exercise and hold the stock offshore. I am swamped getting year end financial information together for both Maverick and the Trusts, but was going to mention this to you with the intention that I'd put something together next week and we could discuss it while I'm in Dallas. There is also a possibility of margining some of the offshore piece instead of using all the cash. I can explore this with Lehman's if you think it's worthwhile.

-----Original Message-----
From: evan_wylly [REDACTED]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 766

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SEC_ED00070164

PSI_ED00070164

3867

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Sent: Monday, January 10, 2000 3:54 PM
To: Michelle Boucher
Cc: Sam Wyly
Subject: Re: trustee meeting

That is all we will need for the meeting, thanks.
Michaels canceled the road show. Trustees will want to exercise and sell
before expiration in July.

Michelle
Boucher
[REDACTED]
To: evan wylly
cc:
Subject: trustee meeting

01/10/00
02:18 PM

I spoke briefly to Shari today, and it sounds like I might need some
updating on what is happening with Michaels Stores. Also, besides balance
sheets, is there anything else you and Sam need for Thursday's meeting with
David Harris?
Michelle

Confidential
SEC_ED00070165

PSI_ED00070165

LEHMAN BROTHERS

To: Sam Wyly
 From: Lou Schaufele *LS*
 Date: August 22, 1995
 Re: SSW Collar SSW stock @ \$46 3/4

Currently: MAVERICK ENT.

Long Put @ \$32.57
 Short Call @ \$53.56

Cost to roll put to \$42	Appx. \$3.55
Borrowability	\$9.43
Net Borrowability	$\$9.43 - \$3.55 = \$5.88$

CALL ALTERNATIVES

- | | |
|-----------------------------------|--------------|
| 1. Repurchase calls outright | Appx. \$9.50 |
| 2. Roll call strike price to \$70 | Appx. \$5.35 |

*The #'s for
 Bulldog/Pitkin
 would be similar*

*But the net
 borrow is less*

*due to
 the fact that we
 are only stepping
 the ^{put} up
 from 36 → 42
 so net borrow is
 approx 3.25.*

LS

Sam,

Call me when you have time to discuss. I did give these numbers to Shari.

3869

DATE: October 4, 1995
TO: Sam Wyly
FROM: Lou Schaufele
RE: Budweiser collar and SSW collar

1. Per your request, please take note of the following:

	<u>1 year</u>	<u>2 year</u>
BUD @ 63 1/2	90% - 109%	90% - 120%

- * dividend of \$1.76
- * could borrow at some spread to LIBOR (probably cheaper than a bank)

2. I also want to call to your attention to the attached which I sent to Mike and Shari regarding the ability to lock in financing for SSW on the most recent stock acquired via the option exercise. With the company's announced repurchase and renewed interest in the stock (e.g. traded 500,000+ shares on Tuesday), Lehman should be able to get their hedge off with little market disruption.

Currently, we are advancing you 40% of market value. By the use of a collar, you can increase the advance rate and still have significant upside.

Please call me if you would like to discuss either of these.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 767

CC 038769

3870

DATE: May 13, 1996

TO: Sam Wyly
Evan Wyly

FROM: Lou Shaufele
Sr. Vice President

RE: SSW

Position on Sterling Software:

- put call 40/70*
- 41* a. Collared: 1,671,000 shares
41 b. Long: 471,000 shares + put @ 40
41 c. Long: 500,000 call options (strike @ 41)
41 d. Long: 850,000 shares - options exercisable @ approx 45 (sold 150,000 shares @ approx. 74 1/4)

Dilemma:

Obviously you could sell 1,821,000 shares (b, c, & d) which if sold at current levels would produce approximately \$77,500,000 (net of option exercise). If this path is taken, then the result would be long 1,671,000 shares with a collar of 40/70. You will have lowered exposure and raised cash but still have large market exposure on 1,671,000 shares. An alternative could be to collar the 1,821,000 shares and use the proceeds from that to raise the insurance on the 1,671,000 shares. Assuming the stock is at \$75, you could collar 1,821,000 shares at 60/90 and raise the protection on 1,671,000 from 40 to 65 and receive \$5,000,000 from Lehman. The result would be:

1,671,000 collared at 65/70
1,821,000 collared at 60/90

By collaring the 1,821,000 shares, you have picked up \$40,000,000 of protection on the 1,671,000 shares and received \$5,000,000 in premium. I believe that this solves the dilemma of price protection on SSW and related market risk.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 767

CC 039763

3871

SSW PROPOSAL

Cost to raise puts on 1,600,000 @ 65

stock price:	<u>77</u>	<u>75</u>	<u>72</u>
	11.2mm	11.8mm	12.6mm

Proceeds from collar on 1,900,000 shares

stock price:	<u>77</u>	<u>75</u>	<u>72</u>
60/90 3 year	19.6mm	<u>16.7mm</u>	<u>12.4mm</u>
60/85 3 year	23.1mm	20.1mm	15.5mm
65/90 3 year	17.0mm	13.9mm	9.4mm

Confidential Treatment Requested

CC 039764

Cash Flow Analysis									
Market Price									
77									
Scenario #1									
Sell all shares now (1,671,000 x 1,821,000 = 3,422,000)									
Positions on Starting Date									
	# of Shares	Strike	Debt	Market Value	Net Debt				
Collar	0	68,840,000	128,667,000	61,827,000					
Long	471,000	0	18,840,000	38,267,000	17,427,000				
Long Call	471,000	41	2,920,000	2,920,000	0				
Long	860,000	40	26,250,000	26,250,000	27,200,000				
			146,430,000	268,884,000	122,454,000				
Scenario #2									
Change Collar/New Collar									
	70	75	80	Total	Debt	Net			
50	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
55	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
60	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
65	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
70	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
75	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
80	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
85	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
90	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
95	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
100	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
105	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
110	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
115	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
120	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
125	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000			
Scenario #3									
Sell Outright & Leave Collar									
	70	75	80	Total	Debt	Net	Difference		
50	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
55	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
60	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
65	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
70	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
75	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
80	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
85	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
90	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
95	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
100	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
105	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
110	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
115	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
120	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		
125	116,970,000	116,970,000	116,970,000	350,910,000	146,430,000	204,480,000	18,840,000		

Confidential Treatment Requested

CC 039765

MEMORANDUM

To: Charles Wyly
Sam Wyly

From: Lou Schaufele

Date: January 16, 1997

~~We are of the opinion that the window may close soon on some methods~~
of monetization for large shareholders of common stock. We think there
is a likelihood that the areas affected would be the short vs. box tactic and
equity swaps. Since you all are insiders, you must consider the swap
alternative.

One of the things we would need is the amendment of the registration
statement to allow for hedging.

OUTLINE

1. Lehman borrows stock in the open market (plenty available)
2. Lehman shorts stock in the open market to establish hedge
3. Lehman would loan 95% of notional amount
4. Client would pay to Lehman some small spread over LIBOR (around
150 B.P.) on regular basis
5. Obviously at some point we will need clients stock as collateral

Swap can remain in tact for long periods of time thereby avoiding the tax
impact.

SUMMARY:

3874

Given what we think could happen with the current budget from Congress (i.e. elimination of tax advantage of short vs. box and swaps) I think that it makes sense to have some of this in place in case. Basically the main difference in the swap vs. out right sale is:

<u>Swap</u>	<u>Sale</u>
95% of proceeds	100% of proceeds
with a cost of funds of approximately 1.5%	but tax impact
tax deferred until closed out	

Also, see attachments.

cc: Shari Robertson

Confidential Treatment Requested

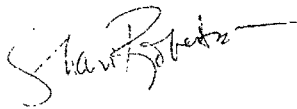
CC 038780

3875

October 5, 1992

Memo to: Ronnie Buchanan and Russell Collister
From: Shari Robertson

Sam and Charles wish to sell private company stock to the foreign corporations. The stocks are currently worth not a whole lot, but sometime in the future might have value. Do you need to know anything other than the company name, number of shares and purchase price?



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 768

CONFIDENTIAL
PSI00135818

LEHMAN BROTHERS**PRIVATE CLIENT SERVICES**

2500 TEXAS COMMERCE TOWER
 2200 ROSS AVENUE
 DALLAS, TEXAS 75201
 214-720-9470
 800-297-5705 - WATTS
 214-720-9464 - FAX

TO: SHARI / Mike / SAM - FYI

FAX # _____

FROM: Lou Schaefe
 Virgil Harris

OF PAGES (not including cover) SSW @ 49

MESSAGE: 65% MKT PUT
\$ 80 CALL 20 \$ CREDIT
\$ 85 CALL 55 \$ DEBIT
\$ 90 CALL \$1.26 DEBIT

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LEHMAN BROTHERS

To: Shari Robertson
Mike French

From: Lou Schaefele

Date: January 2, 1996

Re: SSW Collars

~~It is my understanding that with the price increase in SSW, the offshore entities would like to~~
step up the "insurance" and perhaps liquidate some stock in the near term. Currently in the
Bulldog/Pitkin entities (inclusive of Maverick Entrepreneurs), there is 1.2MM shares collared at
approximately \$40.17/70 expiring 03/31/98. As a starting point, we would propose:

1. 500,000 shares
New Put Strike \$50
New Call Strike \$76
New Expiration 9/96 ← ? 12/96

Put price stays same, BUT call price adjusts down if stock falls below 55 (e.g., call price adjusts
to \$73 if stock falls to \$52 (\$55-\$3). Call price cannot go below \$55 even if stock fell below
\$35).

2. 700,000 shares
New Put Strike \$55
New Call Strike \$76 ← ? 78
Same Expiration 3/98

The call would adjust like option No. 1.

CONCLUSION:

What this strategy does is gives you the flexibility (because of the shortened maturity) to
liquidate some of your holdings in the near future. We have also increased the put to 50/55
which if the market declines, gives you added protection. We have added the adjustment feature
on the calls which is what allows us to step up the price of the put substantially.

This is only a starting level and what I've done is try to come up with a plan that gives you
flexibility and added protection. Please let me know your thoughts.

Permanent Subcommittee on Investigations


EXHIBIT #66 - FN 768

CC 038759

3878

LEHMAN BROTHERS

To: Mike French
Shari Robertson

From: Lou Schaefele 
Sr. Vice President

Date: August 20, 1996

Recently, I asked New York to price for me what it would cost to repurchase the Michaels Stores calls that you are short. Because of our hedging, we would let you do this if we could change the puts you are long from American to European style (this is worth a lot of money to you).

ANALYSIS

Repurchase calls	(\$485,000)
Conversion Amer to Euro	\$1,075,000
Net Credit	\$ 590,000

I actually think that the repurchase of the calls and the conversion of the put to European style should be viewed positively in the marketplace.

On another topic, Sterling Software. With the distribution of Sterling Commerce approaching, we have been doing some work on how you could restructure to have a more bullish view on Sterling Software POST distribution. Please give me a call to discuss.

cc: Sam Wyly
Even Wyly

LEHMAN BROTHERS INC.

3300 ROSS AVENUE SUITE 1900 TS

443 7144 NATL 800 527 9057

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 768

CC 039284

3879



Shari Robertson

To: Michelle Boucher

cc:

01/11/1999 09:22 AM

Subject: SSW/SE Collar

I have begun discussions with Lou to collapse the SSW/SE collars. As I recall Greenbriar and Samia (I don't know the breakdown) sold 100,000 SE at \$38, \$40, & \$42 for a total of 300,000 shares. These entities are now short the delivery of these shares for the collapse of the collar.

Moberly needs to exercise 300,000 shares of SE and sell the shares to Greenbriar/Samia prior to 2/9/98.

~~I have put a call into Al Hoover at SE to get clearance on this transaction~~

Lou assures me that Lehman's is short all of the stock within the collars and as long as will collapse the collar at least one day prior to 2/9 we can come to terms on what the sale price of the stock is and there will be no trading in the marketplace.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 768

Confidential

SEC_ED00046560

PSI_ED00046560

3880

From: Evan Wyly
Sent: Wednesday, January 19, 2000 3:45 PM
To: mboucher@[REDACTED]
Subject: Re: FW: Executions MIKE option exercise

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

What is the total sold at this point, and how much is remaining to be sold?

Michelle Boucher <mboucher@[REDACTED]>
01/19/00 02:03 PM
Please respond to "mboucher@[REDACTED]"

To: Sam Wyly/[REDACTED], evan wyly
cc: Shari Robertson/[REDACTED]
Subject: FW: Executions MIKE option exercise

Lehman's has been cleared to start on the next 200,000 share block.

Michelle

-----Original Message-----

From: Crittenden, Michele [REDACTED]
Sent: Wednesday, January 19, 2000 3:14 PM
To: 'Ken Jones'
Cc: 'Michelle Boucher'
Subject: Executions MIKE option exercise

Ken,

We transacted the following today:

Dortmund Sold 6,300 MIKE @
30.125

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 768

MAV010737

3881

— Redacted by the Permanent
Subcommittee on Investigations

Yurta Faf Sold 46,200 MIKE @ 30.125

We will continue to work 200,000 at \$30 or better tomorrow.

Thanks,

Michele

214- [REDACTED]

MAV010738

3882

— = Redacted by the Permanent
Subcommittee on Investigations

Shari Robertson
03/02/2000 02:20 PM

To: mboucher@
cc:
Subject: CW

Ready to start a fund in the Cayman Islands. Wants to seed with \$5 million and call the fund First Dallas Fund, Ltd. First Dallas LLC will be the investment manager (he thinks Elaine has this formed) and you will need to have an investment management agreement drawn up. He may want to purchase something in the next few days. If so, we'll purchase in an IOM corp if FDL is not formed and contribute the assets. FDL only needs a brokerage account at Lehman's, it apparently will only be making private investments

He's thinking about acquiring \$10 million of GME debt convertible to common within the next 30 days.

He's realized that you priced SE at SSW price. Would you e-mail him a new financial.

He's not ready to decide what he's doing on SSW options. Will let us know. He's think that it probably makes more sense to close out the swap plus some of the options rather than all options. Will get back to us.

You mutual fund license only allows for 15 entities - correct? Think you need to figure out how to increase that pretty quickly. If Sam adds 2 and Charles adds 1 and Maverick's going to start a master/feeder commodities fund you could very shortly have five more funds. Let me know how big an issue this is. Should we consider a trust company for the family and one for the fund administration?

.....
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.....

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 768

Confidential
SEC_ED00047852

PSI_ED00047852

3883

From: Evan Wylly
Sent: Thursday, July 27, 2000 2:08 PM
To: Michelle Boucher [REDACTED]
Subject: Re: Fw: MIKE options

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

OK with me.

"Michelle Boucher" <[REDACTED]>
07/27/00 11:08 AM

To: Undisclosed.Recipients@[REDACTED]
cc: (bcc: Evan Wylly/Maverick)
Subject: Fw: MIKE options

Everyone,
Please see attached communication from Lou Schaufele. I suggest that we proceed on the timetable Lou has outlined, he appears very comfortable that they can get the exercises done on this schedule without any problems. Please let me know asap, if anyone disagrees!
Michelle

-----Original Message-----

From: Schaufele, Louis J <[REDACTED]>
To: 'michelle boucher' <[REDACTED]>
Cc: Crittenden, Michele <[REDACTED]>
Date: Thursday, July 27, 2000 12:12 PM
Subject: MIKE options

>As you are aware we have several entities that have MIKE options that are
>expiring on August 28. I am having Michele send to the company copies of
>the paperwork to make certain everything is in order. I feel that it is,
>but
>in case not we have plenty of time to get any needed documents. Once we are
>comfortable that we have everything, I would like to exercise on Thursday
>the 24 of August. This would allow 2 business days were there to be a
>problem. I can't even imagine any problem, given we will have the cash and
>know the paperwork is in order. We also have maturities that come up for
>Soulciana on the 24th, the other entities we will sell enough agencies to
>cover the exercise. I think that Michele is working with Ken Jones in
>getting the necessary letter for the loan from Greenbriar to YurtaFaf.
>Michele mentioned to me that some of the IOM folks wanted to exercise
>earlier, I really don't see the need to vary from the schedule above. I
>have
>listed below numbers:
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 768

MAV010800

3884

>
> Shares Cost
>
> Dortmund 56,000 \$ 700,000
>
> Quayle 350,000 \$4,375,000
>
> Yurta Faf 284,000 \$3,550,000
>
> Soulieana 100,000 \$1,250,000 - - - -
>
>

MAV010801

3885

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations



"Michelle Boucher"

[REDACTED]

05/23/01 03:26 PM

To: <evan_wyly@ [REDACTED]>, <swyly@ [REDACTED]>
cc: [REDACTED]
Subject: SCOT shares - tradeable stock

On Friday May 18th, Lehmans confirmed a closing price on SCOT of \$15.13 and booked the sale of 270,000 shares between IFG and Trident entities. The trustees at Trident are now able to sell these shares in the market.

The stock has been selling between \$14.75 and \$15.75 for the past two weeks. The protectors are prepared to recommend that the trustees use Lou Schaufele to move the stock out in the market, at his discretion but at no less than \$15 per share. The trustees will also ask Lou to keep an eye out for any opportunities for large block trades. The protector recommendation will go out overnight and trading should commence tomorrow.

I'll keep you updated on trading volume and pricing.

Michelle

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 768

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PSI00088927

3886

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From: Keeley Hennington
Sent: Thursday, October 04, 2001 5:23 AM
To: Mary Cox
Subject: Fw: Quayle

Mary - Would you let Mr. Wyly know this. They got more shares sold yesterday than I thought - must have squeaked some in at the end. They will finish up the sales this morning.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 10/04/01 06:32 AM -----

"Michelle Boucher" [REDACTED]
10/03/01 07:39 PM

To: <khennington [REDACTED]>
cc:
Subject: Fw: Quayle

I think you know this already.

-----Original Message-----
From: Schaufele, Louis J. [REDACTED]
To: 'michelle boucher' <[REDACTED]>
Date: Wednesday, October 03, 2001 4:19 PM
Subject: Quayle

>We sold 82,500 Michael Stores today for Quayle.

>

>> -----

>> -----

>> -----

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EXHIBIT #66 - FN 768

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3887

From: Schaufele, Louis J
Sent: Thursday, October 04, 2001 8:08 AM
To: Cohen, Michael C
Subject: status

I spoke with the family last night, they do understand that we will be collaring 20% more stock than Devotion would be purchasing. I talked thru the risk of not doing this simultaneously. Here, is a negative which they did not bring up but I bet Sam picks up on it. If Sam sells into the open market he must comply with rules of an insider on selling versus he can cross it to Devotion. It means not as liquid and perhaps multiple filing. I also understand more why Sam won't do the forward, when we did the original collar on MIKE there was a lot of negative press (front page NY times). what would be the best is if we could effect our hedge into the open market then cross stock to Devotion as we get stock off on the US side or elsewhere (meaning if it could happen in London that is ok). Where are we on paperwork? What I am worried about is that if we make this too complicated then Sam is just going to sell. From a credit perspective I think that we could get Devotion to agree that if they do not get the forward done in X days we will raise the margin maintenance to 75%. I think Sam is going to want to get started selling his 589k today.

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Analysis Of Options Shares as of September 24, 1999

\$ 12.50 4/100	\$ 21.375 7/2400	\$ 12.50 3822000	Total	\$ 30.50 08/0403	\$ 17.8063 2/2504	\$ 22.625 5/1104	\$ 29.875 7/604	\$ 28.125 7/2804	Total
	150,000	140,000	140,000						140,000
			150,000						150,000
		350,000	350,000		50,000				50,000
	600,000	100,000	100,000						350,000
			650,000		200,000				100,000
									600,000
		800,000	800,000						900,000
	75,000	75,000	75,000						75,000
	1,125,000	1,125,000	1,125,000		400,000				1,525,000
	150,000	150,000	150,000		50,000				200,000
						50,000			50,000
	20,000	20,000	20,000						20,000
	30,000	30,000	30,000		50,000				80,000
	6,667	6,667	6,667						6,667
	17,889	17,889	17,889						17,889
	10,655	10,655	10,655						10,655
						50,000			50,000
	200,000	200,000	200,000		50,000				250,000
	50,000	50,000	50,000						50,000
	30,000	30,000	30,000		50,000				80,000
							50,000		50,000
	2,454,611	1,490,000	3,954,611		850,000	100,000	50,000	-	4,954,611
94,500	400,000	494,500	100,000						100,000
94,500	2,854,611	1,490,000	100,000		850,000	100,000	50,000	100,000	5,849,111

Subcommittee on Investigations

Owner

Isle of Man - Quayle Ltd. (Charles)
Ltd. Soufleana (Charles)
Stargate, Ltd. (Charles)
Wyly. Charles

Isle of Man - Yurta Fab Ltd. (Sam)

Wade Goss

10

100

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[REDACTED]

- 80 -

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Ex 2.5

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3889

From: Michelle Boucher [REDACTED]
Sent: Wednesday, January 12, 2000 3:47 PM
To: evan wylly; Sam Wylly; Shari Robertson
Subject: FW: Executions

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Also, as discussed with Shari today. We confirmed the total number of options remaining that we would like to go ahead with in 200,000 blocks. Since there were only 440K remaining to advise them of. This will allow them to streamline paperwork with Mark Beasely.

Evan & Sam - I discussed the transactions with Elaine today and advised her that once we are finished, you may be interested in starting on some domestic options, or alternatively exploring the sale of them to offshore. I expect she will contact you on this shortly.

Michelle

-----Original Message-----

From: Crittenden, Michele [REDACTED]
Sent: Wednesday, January 12, 2000 3:41 PM
To: 'Ken Jones'
Cc: 'Michelle Boucher'
Subject: Executions

Ken,

We transacted the following today:

~~Dortmund Sold 27,000 MIKE @ 31.6389~~
~~Yurta Faf Sold 198,000 MIKE @ 31.6389~~

~~We will continue to work 200,000 at \$30 or better tomorrow.~~
Thanks,

Michele

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 769

MAV010735

November 13, 1997

Memo to: ___ Sam ___ Evan
___ Charles ___ Don

From: Shari

Re: SSW and SE Collars

The following is a cashflow and tax analysis on the SSW and SE collars showing the difference (1) in delivering the stock vs the call price (2) or delivering enough stock to cover the call spread and debt and retaining shares.

At the time this report was run the market values were as follows:

SSW: 35,00000 SE: 33,62560

1) Deliver the stock to Lehmans vs call strike price of SSW & SE

Maturity	Debt	Taxes	Call	Proceeds	Cash
Date					Flow
On-S 2/98	7,062,936	2,445,254	12,306,009	2,797,818	
Off-S 2/98	24,105,569	0	42,000,038	17,894,449	
S-Total	31,168,525	2,445,254	54,306,047	20,692,267	
On-C 2/98	4,989,858	1,727,535	8,694,010	1,976,617	
Off-C 2/98	12,052,794	0	21,000,019	8,947,224	
S-Total	17,042,653	1,727,535	29,694,029	10,923,842	
Off-S 2/99	25,107,612	0	23,039,994	(2,067,618)	
Off-C 2/99	11,732,530	0	21,532,694	9,800,164	
	85,051,320	4,172,789	128,572,763	39,348,655	

2) Deliver adequate stock to Lehmans to pay the spread between market and call strike price and pay off debt, but not pay taxes, would need cash for taxes in the U.S. of

Maturity	Debt	Spread	Taxes	Proceeds	Mkt Value	SSW Sh	SE Sh
Date					Retained	Retained	Retained
On-S 2/98	7,062,936	3,261,285	1,632,587	11,953,809	3,610,496	25,098	81,261
Off-S 2/98	24,105,569	11,130,667	0	35,236,236	17,894,449	186,642	327,494
S-Total	31,168,525	14,391,952	1,632,587	47,193,065	21,504,934	221,730	408,755

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 770

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On-C	2/98	4,989,858	2,576,025	1,175,115	8,740,988	22,709,063			
Off-C	2/98	12,032,794	6,222,261	1,175,115	18,275,076	2,439,151	17,724	51,117	
	S-Total	17,042,653	8,798,306	1,175,115	27,016,074	8,488,565	98,321	150,106	
						10,827,716	116,045	201,123	
Off-S	2/99	25,107,612	5,394,947	0	30,492,559	(2,067,618)	N/A	N/A	
Off-C	2/99	11,732,530	2,844,803	0	14,577,333	12,278,748	139,393	220,185	
		85,051,320	31,420,008	2,807,703	119,279,031	42,543,780	477,158	830,163	

Note: This scenario requires less in
current tax dollars then 1) by
1,365,086

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1) Deliver the stock to Lehmanns vs call strike price

Stock	Location	Put Qty	Put	Call Qty	Call	Maturity	Debt	Proceeds	Taxes
SSW	On-S	175,800	15.45230	175,800	26.92310	2/98	2,716,514	4,733,081	1,693,516
SSW	Off-S	600,000	15.45230	600,000	26.92310	2/98	9,271,380	16,153,860	0
SSW	Off-S	642,000	15.04170	321,000	27.50600	2/99	9,550,771	8,961,626	0
	S-Total						21,544,666	29,748,167	1,693,516
SE	On-S	279,979	15.52410	279,979	27.04820	2/98	4,346,422	7,572,928	751,738
SE	Off-S	955,560	15.52410	955,560	27.04820	2/98	14,834,209	25,846,178	0
SE	Off-S	1,022,449	15.11160	511,225	27.73430	2/99	15,450,840	14,178,469	0
	S-Total						34,631,471	47,597,575	751,738
	Total						56,276,137	77,346,040	2,445,254
SSW	On-C	124,200	15.45230	124,200	26.92310	2/98	1,919,176	3,343,849	1,196,443
SSW	Off-C	300,000	15.45230	300,000	26.92310	2/98	4,635,690	8,076,630	0
SSW	Off-C	300,000	15.04170	150,000	27.50600	2/99	4,512,510	8,281,800	0
	S-Total						11,067,376	19,702,279	1,196,443
SE	On-C	197,801	15.52410	197,801	27.04820	2/98	3,070,693	5,350,161	531,092
SE	Off-C	477,780	15.52410	477,780	27.04820	2/98	7,417,104	12,923,069	0
SE	Off-C	477,780	15.11160	238,890	27.73430	2/99	7,220,020	13,250,894	531,092
	S-Total						17,707,807	31,524,144	1,062,184
	Total						28,775,183	51,226,723	1,727,535
	CombinedTotal						85,051,320	128,572,783	4,172,789

Note A: Off-S sold the 321,000 shares of SSW not collared on the call side, will need to pay debt in excess of proceeds at maturity

Note B: Off-S sold the 511,224 shares of SSW not collared on the call side, will need to pay debt in excess of proceeds at maturity

Notes C-D require a decision to hold or sell the stock.

Note C: Off-C would retain 150,000 shares which could be leveraged to pay debt in excess of proceeds or use current cash flow to repay

Value is 5,250,000

Note D: Off-C would retain 238,890 shares which could be leveraged to pay debt in excess of proceeds or use current cash flow to repay
Value is 8,032,676
Total 13,282,676

1) Tax Analysis	SE	SSW
Shares	300,000	477,780
Basis	3,866,363	2,391,913
IMV	10,097,500	16,722,300
Pur Cost	892,218	545,782
Tax	1,057,784	2,756,921
Call Income	543,046	335,954
Tax	215,046	133,038
Ttl Tax	1,282,830	2,889,959
S	58.60%	751,738
C	41.40%	531,092

2) Deliver the adequate stock to Lehmans to pay the spread between market and call strike price and pay off debt, but not raise

Stock Market	Location	Put Qty	Put	Call Qty	Call	Maturity	Spread MV to Strike	Spread Cost	Debt
SSW	On-S	175,800	15.45230	175,800	26.92310	2/98	8.07690	1,419,819	2,716,514
SSW	Off-S	600,000	15.45230	600,000	26.92310	2/98	8.07690	4,846,140	9,271,380
SSW	Off-S	642,000	15.04170	321,000	27.60600	2/99	7.39400	2,373,174	9,656,771
	S-Total							8,639,133	21,644,666
SE	On-S	279,979	15.52410	279,979	27.04820	2/98	6.57680	1,841,386	4,346,422
SE	Off-S	955,560	15.52410	955,560	27.04820	2/98	6.57680	6,284,327	14,834,209
SE	Off-S	1,022,449	15.11160	511,225	27.73430	2/99	5.89070	3,011,873	15,450,840
	S-Total							11,137,586	34,631,471
	Total							19,776,839	56,276,137
SSW	On-C	124,200	15.45230	124,200	26.92310	2/98	8.07690	1,003,151	1,919,176
SSW	Off-C	300,000	15.45230	300,000	26.92310	2/98	8.07690	2,423,670	4,636,690
SSW	Off-C	300,000	15.04170	150,000	27.60600	2/99	7.39400	1,108,100	4,512,510
	S-Total							4,535,921	11,067,376
SE	On-C	197,801	15.52410	197,801	27.04820	2/98	7.95180	1,572,874	3,070,683
SE	Off-C	477,780	15.52410	477,780	27.04820	2/98	7.95180	3,799,111	7,417,104
SE	Off-C	477,780	15.11160	238,890	27.73430	2/99	7.26570	1,735,103	7,220,020
	S-Total							7,107,188	17,707,807
	Total							11,643,109	28,775,183
Combined	Total							31,420,008	85,051,320
									116,471,328

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3895

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323,051	Note A	Note B	Note C	Note D
6,892,480				
(795,245)				
6,410,285				
2,474,768				
11,011,969				
(1,272,373)				
12,214,364				
18,624,649				
228,230				
3,441,240				
3,769,290				
7,439,760				
1,748,387				
5,505,984				
6,030,874				
13,285,245				
20,724,005				
39,348,655				

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PSI_ED00065889

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10 11 12 13 14 15 16 17 18 19 20

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Proceeds Required	Shares to Deliver	Shares Retained	Value Retained	Tax Owed	Value After Tax	Value/Shs Retained
4,136,433	118,184	57,616	2,015,567	1,138,488	878,079	25,088
14,117,520	403,358	196,642	6,882,480	0	6,882,480	196,642
12,030,245	343,721	(22,721)	(795,245)	0	(795,245)	N/A
30,284,199	865,263	231,537	8,103,801	1,138,488	6,965,313	221,730
6,187,788	184,023	95,956	3,226,506	494,099	2,732,407	81,261
21,118,736	628,066	327,494	11,011,969	0	11,011,969	327,494
18,462,313	549,065	(37,840)	(1,272,373)	0	(1,272,373)	N/A
45,768,837	1,361,155	385,609	12,966,102	494,099	12,472,003	408,755
76,053,036	2,226,418	617,146	21,069,903	1,532,587	19,437,316	
2,922,327	83,495	40,705	1,424,673	804,324	620,349	17,724
7,058,760	201,679	98,321	3,441,240	0	3,441,240	98,321
5,621,610	160,617	139,383	4,878,390	0	4,878,390	139,383
15,602,697	445,791	278,409	9,744,303	804,324	8,939,979	255,428
4,643,556	138,088	59,703	2,089,583	370,791	1,718,802	51,117
11,216,316	333,571	144,209	5,047,325	0	5,047,325	150,106
8,965,723	268,341	211,439	7,400,358	0	7,400,358	220,085
24,815,595	738,010	415,351	14,537,276	370,791	14,166,484	421,308
40,418,292	1,183,802	693,759	24,281,579	1,175,115	23,106,464	
116,471,328	3,410,219	1,310,906	45,351,482	2,807,703	42,543,780	
				119,279,031		
						477,158
						830,063

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PSI_ED00065900

3900

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Subcommittee on Investigations

From: "Michelle Boucher" <[REDACTED]>
Sent: Friday, June 15, 2001 3:02 PM
To: <khennington@[REDACTED]>
Subject: fyi, transaction we are doing in the trusts re:CA

We are only doing this from offshore, but you should be aware. I've advised Shari as protector and she is on board. I've also cleared it through McCafferty to ensure we ~~weren't doing anything to close to the date of Sam's planned activities. He is okay with it.~~

We are buying \$2.5M worth of \$35 CA calls that expire on August 17th. Paying a premium of approx 7.29% which at the current trading price of \$32.50 is \$2.37 per call. This is all being done through Lou. I've picked Sarnia for the transaction and sent everything to IFG. It should get put together Monday am, everyone has my numbers to reach me if they need to.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 772

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PSI_ED00013896

3901

SARNIA INVESTMENTS LIMITED

Registered Office: 4 Finch Road, Douglas, Isle of Man

Directors:
S.M. Eppleston
S.J. Willis

Please reply to:
PO Box 257
Douglas
Isle of Man
IM99 2LL

FAX TRANSMISSION

To: Lehman Brothers

Date: 19 November, 1998

Attn: Lou Schaefe

Fax No: 001 214 720 9464

From: Ian Plummer

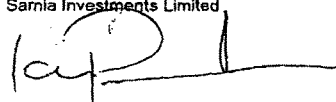
No of Pages: 1

Dear Mr Schaefe

Please accept this fax as your instruction to sell 113,074 shares of Sterling Commerce (SE). In the event that the stock is called away at \$27.75 (call price) please purchase the options from one of the other trusts to cover the call. Please sell the stock at the market and do not exceed sales on a daily basis of 20% of the volume.

Should you have any queries regarding this request please do not hesitate to contact the undersigned.

Yours sincerely
For and on behalf of
Sarnia Investments Limited



I J Plummer
Secretary

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 776

CC 040447

3902

From: Michelle Boucher <[REDACTED]>
Sent: Friday, October 8, 1999 2:32 PM
To: Shari Robertson; evan wyly; Sam Wyly
Subject: FW: SSW

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

fyi
Lehmans has started the transaction

-----Original Message-----

From: Schaufele, Louis J [REDACTED]
Sent: Friday, October 08, 1999 12:53 PM
To: 'michelle boucher'
Subject: SSW

We have started, we will be crossing the stock purchased by Moberely and Quayle
into the swap.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 776

MAV007713

3903

— = Redacted by the Permanent
Subcommittee on Investigations

From: Crittenden, Michele
Sent: Tuesday, September 04, 2001 8:28 AM
To: 'Michelle Boucher'
Subject: MIKE

Good morning,

I have received instructions this morning to sell 258,333 MIKE for Sarnia in addition to the MIKE we're already selling for Quayle. Do we complete Quayle first or do we split what we do today? Just let me know how you would like me to handle.

Thanks,

Michele Crittenden

214- [REDACTED]

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 776

CONFIDENTIAL

LBE000346

Six Page Fax

Attn: Shari Robertson, Sterling Software Inc
From: Russell Collister

12th May 1992

~~1. Thank you for your fax of the 12th May. We shall forward the hard copy of the letters which accompany this fax to yourself at Sterling Software.~~

2. We have received two notices of beneficial ownership of stock in Sterling Software from Albert Hoover regarding The Bulldog and The Pitkin Non-Grantor Trusts. Please let us know which box we should tick and what narrative, if any, we should insert below the boxes.

3. We have received a report from Lou Schaufele notifying us that he has sold 10000 shares in Michael Stores at \$21.50 net for the account of Tensas Limited

4. To subscribe to The Financial Times you should contact their New York office. The address is 14 East 60th Street, New York 10022.

5. Please ask the committee of protectors who we should appoint as proxy for the Michael Stores annual general meeting.

Regards,



Russell Collister

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 778

CONFIDENTIAL
PSI00135882

3905

Author: Cynthia Lee Murdock at dalfsd01
Date: 5/29/97 3:03 PM
Priority: Urgent
TO: Brad Northcutt
Subject: Michaels Stores Proxy

----- Message Contents -----

I need to check the specifics on a recent Michaels Stores Proxy for a vote scheduled June 6th.

The Wyls accounts have appx. 2mm shares collared and I believe these shares are held in street name with Lehman Brothers Finance (verified with Rich Ladd in derivatives).

Amy Browning at the Wyls called in a panic about who was supposed to vote those shares - Lehman or them themselves. They have not gotten any proxy card on any of the accounts that own them and they are very concerned about voting their shares.

I talked to the proxy dept., but since the shares are not in TMS, they have no records.

Rich Ladd is investigating, but since the Wyls are a little nervous, I thought I better get you involved.

Thanks.

Suzanne

- (A) Wyls Family Collar
- (1) Where are the proxies?
 - (2) Who votes them
 - (3) Has a vote been made

(B) Devotion - 837-20333
1,183,333 - Transf Agent 75th

Noty - William - 212-272-0383 mailed 5/5
Mark Bear
Amy Browning

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 778

CC 039534

(IFG International Ltd, Incorporated in the Isle of Man No. 7774)

Directors:
D. A. Harris, Chief Executive Officer
N. J. Carter, A.C.S.
P. F. F. Gardner-Boungard
R. G. Hayes, P.C.A. (Inst)
~~A. C. H. H. H. H. H.~~
J. M. Watterson

**International Corporate and Trust
Consultants and Managers**

Registered Office:
International House
Castle Hill, Victoria Road
Douglas, Isle of Man
British Isles
LM2 4RB

Telephone: (01624) 624660
Fax No: (01624) 624666
Internet: <http://www.101.ie/igimernational>
Email: newbus@igim.com

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Page 1 of 3 (Total Sent)

Date: 11th September, 1998.

Time Sent:

Fax No: 001 214 720 9464
Operator Ref: INST 1 DISB

TO: LOU SCHAUFLE
LEHMAN BROTHERS

FROM: IFG INTERNATIONAL LIMITED

REF: KJ/SLD/LEHM-F.2

Dear Lou,

RE: EAST BATON ROUGE LIMITED AND EAST CARROLL LIMITED

As requested in the fax received overnight from your office, please find herewith duly signed proxies in respect of the forthcoming meeting of Michaels Stores Inc.

It was also requested that the same be copied to Mark Ashbury but I do not recognise that name nor fax number quoted. Can you please clarify?

Can you also please let me know whether the original signed documents are required to be sent through either to yourself or direct to Michaels Stores?

I should mention that I am away from the office on vacation after today. In my absence could you please address any communications in the first instance to either Nigel Carter or David Harris?

Kind regards,

Ken Jones
Manager.

IFG International Limited is a member of the IFG Group plc
 VAT No: 254 676 090 54

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 778

CC 019296

3907

MICHAELS STORES, INC.
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR PROPOSAL 1 AND 2		For All	Withhold All	For All Except	150,000 shares	
Election of Directors of the three nominees listed below: Charles J. Wynn, Jr. Edward E. Hansen Kelly Elgin					<input checked="" type="radio"/> For All <input type="radio"/> Withhold All <input type="radio"/> For All Except	3. In that election on any other matter this proxy properly comes before the meeting or any adjournment thereof.
4. Instructions to the Registered Certificate of Incorporation to increase the number of shares of Common Stock authorized for issuance.					<input checked="" type="radio"/> For <input type="radio"/> Against <input type="radio"/> Abstain	

DATE - 11/11/98

X *[Signature]* 11 SEPT 1998
X *[Signature]* 11 SEPT 1998

PLEASE SIGN CAREFULLY: AS YOUR PROXY BECOMES VALID, AND THAT PROXY IS USED IN THE MANNER OF VOTING, YOUR SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS, RE-ELECTION OF DIRECTORS, AND FOR THE ELECTION OF THE BOARD OF DIRECTORS. IF YOU SIGN AS A POWER OF ATTORNEY, YOU MUST SIGN IN THE MANNER OF VOTING.

Confidential Treatment Requested

CC 019297

- Shari
- Ann
- Rene

FYI.

MEMORANDUM
 To: *From: Chris W. [unclear]*
 Executive Officers and Directors of Michaels Stores, Inc.
 From: *To* Mark Beasley *Well written!!*
 Re: Reporting Obligations and Liabilities Under Section 16 of the Securities Exchange Act of 1934
 Date: October 4, 1996 *(smiley face) 11/8/96*

The purpose of this Memorandum is to briefly review with the executive officers and directors of the Company their individual Section 16 responsibilities. It is the current intention of the Company to implement a compliance program to better assist its executive officers and directors with their Section 16 reporting obligations. Nonetheless, it is extremely important for each insider to understand the Section 16 rules since the ultimate responsibility and liability in this area is on the reporting insider, not the Company.

Section 16 applies to directors and executive officers of the Company and to any person owning more than ten percent of any registered class of the Company's equity securities. Section 16 is intended to deter such "insiders" from misusing inside information about their companies for personal trading gain. The general effect of Section 16 is to restrict the trading activities of insiders with respect to the securities of their companies by requiring public disclosure under Section 16(a) of their trades, permitting the recovery under Section 16(b) of any profits realized by them on certain transactions, and prohibiting them under Section 16(c) from engaging in short sales. The methods employed by Section 16(a) and (b) are separately discussed below.

A. Section 16(a)

1. *Who must file.* All insiders of an issuer that has a class of equity securities registered under Section 12 of the Act, and all beneficial owners of more than 10% of a class of equity securities so registered, must report the extent of and any changes in their ownership of the issuer's equity securities (including those of certain family members and affiliated business entities). All holdings of equity securities of such an issuer must be reported. Debt securities need not be reported unless they are convertible into equity.
2. *Reporting forms.*
 - a. *Form 3.* An Initial Statement of Beneficial Ownership must be filed by all executive officers, directors and 10% beneficial owners within 10 days after becoming a reporting person. Insiders must timely file a Form 3 even if they do not own any of the issuer's equity securities.
 - b. *Form 4.* A Statement of Changes in Beneficial Ownership must be filed by all reporting persons within 10 days after the end of each calendar month in which there has been a change in beneficial ownership. Hereafter, you will be sent a monthly Section 16 Transaction Reporting Sheet near the end of every month to assist you in keeping track of your transactions in an effort to avoid the misreporting or non-reporting of transactions.
 - c. *Form 5.* Anyone who was a reporting person at any time during the issuer's previous fiscal year must file an Annual Statement of Beneficial Ownership within 45 days after the end of that fiscal year. Form 5 discloses any transactions exempt from Section 16(b) short-swing profit recovery and any transactions that were required to be reported during the preceding year but were not reported. No Form 5 need be filed, however, if the reporting person is current on all previously required Section 16 reports. You will receive a letter after the fiscal year end listing all reported transactions during the past fiscal year to review to ensure that you have complied with all Section 16 reporting requirements.

3. *Where to file.* Each of the above reports must be filed with the Securities and Exchange Commission at its headquarters in Washington, D.C., with any national securities exchange on which any equity security of the issuer is listed and with the issuer.

4. *Timely filing of Section 16 reports.* The SEC is increasing its emphasis on timely compliance with Section 16's reporting requirements. Issuers are required to monitor filings and must disclose the names of all late reporting persons, as well as the number of late filings by such persons, in their annual proxy statement and Form 10-K. The Company hopes to avoid these embarrassing and unnecessary disclosures.

5. *Transactions occurring before becoming a reporting person or after loss of reporting person status.*

a. *Officers and directors.*

- i. Generally, transactions occurring prior to a person becoming an officer or director are not subject to either Section 16(a) reporting requirements or Section 16(b) short-swing profit recovery.
- ii. Transactions after a person ceases to be an officer or director remain subject to Section 16 only if they occur within six months of a reportable transaction that occurred while the person was an officer or director.

b. *Ten percent beneficial owners.* Section 16 applies only to those transactions occurring while a person is the beneficial owner of more than ten percent of a class of equity securities registered under Section 12 of the Act.

6. *Special Section 16(a) Reporting Concerns*

a. *Stock Options and Derivative Securities*

- i. *Functional equivalence to underlying securities.* For Section 16 purposes, the acquisition of a derivative security, such as a stock option, warrant or a convertible debt instrument, is treated as the indirect acquisition of the underlying equity security, which triggers Section 16 obligations. The subsequent acquisition of the underlying security by converting or exercising the derivative security is regarded as merely a change in the form of ownership of the underlying security (from indirect to direct ownership) and not as a separate transaction. However, there are special rules beyond the scope of this memorandum which may exempt -- or treat as non-exempt -- the grant, extension, or repricing of options.

b. *Reporting Requirements.*

- i. *Acquisition of the derivative security, not its exercise, triggers Section 16 obligations.* Generally, derivative securities are to be reported on Form 4 upon their grant or acquisition, regardless of when they are exercisable. Form 4 contains a separate section on the backside thereof in which information on derivative securities is to be reported. Reporting of exempt option grants can be deferred until the Form 5 filing; however, voluntary early reporting of such grants is strongly advised.
- ii. *Exercise or conversion must be reported.* The exercise or conversion of derivative securities must be reported on the next Form 4 or Form 5 filing required even though the exercise or conversion does not trigger Section 16(b)

short-swing profit recovery. Similarly, all dispositions of derivative securities (e.g., sales, cancellations or expirations) must be reported.

- c. *Acquisitions in recapitalizations, mergers, etc.* In extraordinary transactions, such as tender offers and mergers, or in recapitalizations or other similar transactions, such as stock splits, Section 16 reporting of the acquired or disposed of shares is generally required.

B. Section 16(b)

1. *Liability.* Any "profit" realized by a reporting person from a "purchase" and subsequent "sale" (or "sale" and subsequent "purchase") within any six-month period of an equity security is recoverable by the issuer or, after demand to the issuer, by any stockholder of the issuer on behalf of the issuer. Transactions are paired to match the lowest purchase price and the highest sale price within a six-month period to calculate the maximum recoverable profit. The same shares or securities need not be involved in the purchase and the sale, and losses cannot be offset against gains. Because the acquisition of a derivative security is treated for Section 16 purposes as the acquisition of the underlying security, the acquisition of a derivative security can be matched against either a disposition of the derivative security or of the underlying security.
2. *Objective standard of liability.* Recovery of short-swing profits may be made regardless of any intent by the reporting person to hold the securities for more than six months or to use inside information.
3. *Special concerns.* The terms "purchase" and "sale" are construed under Section 16(b) to cover a broad range of transactions, including acquisitions and dispositions in tender offers and certain corporate reorganizations. Moreover, purchases and sales by an insider may be matched with transactions by any person (such as certain family members) whose securities are deemed to be beneficially owned by the insider. Since purchases and sales are generally required to be reported on a monthly basis on a Form 4, the detection of short-swing trading violations is relatively easy.

As this memorandum illustrates, Section 16 is a highly complex, technical area, the violations of which can have serious consequences to both the insider and the Company. Because of this, any transaction in Company securities should be pre-cleared with me. Additionally, it is advisable to always use a knowledgeable broker (who should be aware of Section 16 issues and liabilities) when effecting transactions in Company stock. Finally, please promptly respond to all reminders and other materials periodically distributed to insiders as part of the Company's Section 16 compliance program, and do not hesitate to contact me should you have any questions regarding Section 16.

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NICHAELS LEGAL

PAGE 02/18



MEMORANDUM

TO: Distribution
FROM: Gabe Vazquez
DATE: May 11, 2005
RE: General Guidelines Regarding Transactions in Michaels Stock

Attached for your information are two documents which we recirculate periodically. The first document is a short summary of general guidelines regarding transactions in Michaels stock. Note that this summary only highlights, in general terms, certain broad principles to be considered when contemplating a transaction in Michaels stock, and does not address the complexities of federal securities law or the specific provisions of our various benefit plans. Also attached is a more detailed memorandum regarding federal securities law and its implications for you as a Company insider.

The most important point in these materials — which I cannot emphasize too strongly — is that you must not engage in any transaction involving Michaels securities (including derivative securities such as stock options) without obtaining clearance two days in advance of the transaction from me, Mark Bensley or other designated legal counsel for the Company.

Please call me if you have any questions.

PLEASE SIGN, DATE AND RETURN THE ATTACHED COMPLIANCE FORM
ACKNOWLEDGING YOUR RECEIPT AND UNDERSTANDING OF THESE
MATERIALS.

GVV
Attachments

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 801

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MICHAELS LEGAL

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DISTRIBUTION:

Charles J. Wyly, Jr.
Sam Wyly
R. Michael Rouleau
Jeffrey Boyer
Ed Sadler
Greg Sandfort

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**GENERAL GUIDELINES REGARDING
TRANSACTIONS IN MICHAELS STOCK**

Purchases/Sales of Michaels Stock

• **You cannot:**

- purchase or sell Michaels equity securities, including derivative securities such as stock options, while in possession of material non-public information (or tip others);
 - sell such securities short;
 - purchase and then sell such securities at a higher price — or sell and then purchase such securities at a lower price — within a six-month period (except for routine purchases under the 401(k) Plan or the Employees Stock Purchase Plan). Your purchases and sales may be matched with transactions by any person (such as, but not limited to, certain family members or family trusts or partnerships) whose securities are deemed to be beneficially owned by you;
 - purchase or sell such securities outside the tentative trading windows based on our financial disclosure schedule (see attached calendar), except for routine purchases under the 401(k) Plan or the Employees Stock Purchase Plan. Please note that these windows are subject to revision from time to time, for instance, in the event of a change in our financial reporting schedule or as a result of developments in our business or the execution of Company stock repurchase programs; if this occurs, you will be notified. Keep in mind, however, that trading windows are not “safe harbors.” Even when you are in a trading window, you may not trade in Company stock — including engaging in cashless option exercises — if you are then in possession of material non-public information;
 - purchase, sell or otherwise acquire or transfer such securities (including through the exercise of options) during a pension fund blackout period under the 401(k) Plan, if you acquired such securities in connection with your service or employment as a director or executive officer of the Company (except for routine purchases under the 401(k) Plan or the Employees Stock Purchase Plan); or
 - allow a trade in such securities to be executed pursuant to a standing limit order during any period in which you are precluded from trading, even if that limit order was previously placed at a time when you were not prohibited from trading.
- To protect all parties, you must pre-clear each transaction two days in advance with Gabe Vazquez, Mark Beasley or other designated legal counsel for the Company, (except for routine purchases under the 401(k) Plan or the Employees Stock Purchase Plan). You must communicate directly with Gabe Vazquez, Mark Beasley or other designated legal

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- Your sales must be (i) pursuant to the delivery of a Prospectus and a Prospectus Supplement or (ii) exempt from Securities Act registration requirements.

The Company will file your reports required under Section 16 of the Securities Exchange Act with the SEC and with the NYSE. Because of the two business day deadline for most filings, you must keep an active power of attorney on file with the Company.

- You can exercise an option at any time (except during a pension fund blackout period); however, the sale of the underlying shares (even in a "cashless exercise") is a separate transaction subject to restrictions as set forth above and must be pre-cleared two days in advance of execution with Gabe Vazquez, Mark Beasley or other designated legal counsel for the Company.

- To exercise an option, contact Derek Sugin (972-409-7473).

• You can participate in the Michaels stock fund; however, sales of shares acquired under the 401(k) Plan are subject to restrictions as set forth above and must be pre-cleared two days in advance of the transaction with Gabe Vazquez, Mark Beasley or other designated legal counsel for the Company.

• Without pre-clearance from Gabe Vazquez, Mark Beasley or other designated legal counsel for the Company, you cannot;

- transfer an existing account balance into or out of the Michaels stock fund;
- receive a loan against your account balance; or
- withdraw funds while you remain an employee.

You can purchase Michaels stock through the Employees Stock Purchase Plan (including by means of lump sum cash purchases as permitted by the plan if you then hold the shares so required for at least six months); however, sales of shares acquired under the plan are subject to restrictions as set forth above and must be pre-cleared two days in advance of the transaction with Gabe Vazquez, Mark Beasley or other designated legal counsel for the Company.

Dividend Reinvestment and Stock Purchase Plan

You can purchase Michaels stock and reinvest cash dividends through the Dividend Reinvestment and Stock Purchase Plan; however, optional cash purchases under the plan and sales of shares acquired under the plan are subject to restrictions as set forth above and must be pre-cleared two days in advance of the transaction with Gabe Vazquez, Mark Deasley or other designated legal counsel for the Company.

MEMORANDUM



TO: Distribution

FROM: Gabe Vazquez

DATE: May 11, 2005

RE: Federal Securities Law Considerations for Executive Officers of
Michael's Stores, Inc.

The following is a general overview of certain federal securities law issues relating to the purchase and sale of Michaels equity securities and other compliance matters. Federal legislation gives the SEC and courts very substantial powers in sanctioning and imposing penalties for violations of the federal securities laws.

In light of the importance of preserving the Company's reputation for maintaining the highest legal and ethical standards as well as the detrimental impact on you of any failures to comply with applicable law, it is imperative that all executive officers fully understand their responsibilities for complying with the relevant federal securities laws.

I. SECTION 16 ISSUES.

A. General.

Section 16 of the Securities Exchange Act of 1934 (the "1934 Act") applies to directors and executive officers of the Company and to any person owning more than 10% of any registered class of Michaels equity securities such as our common stock ("Insiders"). Section 16 is intended to deter Insiders from misusing inside information about their companies for personal trading gain. The general effect of Section 16 is to restrict the trading activities of Insiders with respect to the securities of their companies by requiring public disclosure under Section 16(a) of their trades, permitting the recovery under Section 16(b) of any profits realized by them on certain transactions, and prohibiting them under Section 16(c) from engaging in short sales.

B. Section 16(a): Filing Reports.

1. *Who must file.* All Insiders must report the extent of, and most changes in, their ownership of Michaels equity securities (including those of certain family members and affiliated entities). All holdings of equity securities of the Company, including stock options and other "derivative securities," must be reported. Debt securities need not be reported unless they are convertible into equity securities.

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972-409-1200

2. *Reporting forms.*

- a. *Form 3.* An Initial Statement of Beneficial Ownership must be filed by all Insiders within 10 days after becoming a reporting person. Insiders must timely file a Form 3 even if they do not own any Michaels equity securities.
- b. *Form 4.* A Statement of Changes in Beneficial Ownership must be filed by all reporting persons within two business days after there has been a change in beneficial ownership (with certain minor exceptions). This two business day deadline for filing a Form 4 applies even if the Insider has not yet filed a Form 3.
- c. *Form 5.* Anyone who was an Insider at any time during the Company's previous fiscal year must file an Annual Statement of Beneficial Ownership within 45 days after the end of that fiscal year. Form 5 discloses any transactions that occurred during the previous fiscal year and were not previously reported either because they were exempt from Section 16(b) short-swing profit recovery (discussed in Paragraph I.C below) or because they simply were not reported even though they should have been. No Form 5 need be filed, however, if you are current in your reporting of all previous transactions or if the unreported transactions consisted solely of routine acquisitions under the Company's 401(k) Plan or Employees Stock Purchase Plan or reinvestment of dividends under the Company's Dividend Reinvestment and Stock Purchase Plan (see Paragraphs I.B.6.c.i, I.B.6.c.ii and I.B.6.c.iii below). You will receive a letter after the fiscal year-end listing all reported transactions during the past fiscal year to review to ensure that you have complied with all Section 16 reporting requirements.
3. *Preparation and filing of forms.* Although the ultimate responsibility to file Forms 3, 4 and 5 rests with the Insiders, I will assist you by filing them on your behalf. In order to meet the filing deadlines, the SEC requires that each form be filed via EDGAR, the SEC's electronic reporting system. I will retain one original manually signed copy (signed by someone to whom you have given a power of attorney) of each form filed on your behalf in the Company's records for five years after the filing of the form with the SEC.
4. *Timely filing of Section 16 reports.* The SEC places a great deal of emphasis on timely compliance with Section 16's reporting requirements. Issuers are required to monitor filings and must disclose the names of all late reporting persons, as well as the number of late filings, by such persons, in their annual proxy statements and/or annual reports on Form

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10-K The Company hopes to avoid these embarrassing and unnecessary disclosures.

5. *Transactions occurring before becoming an Insider or after loss of Insider status.*

a. *Executive officers and directors.*

- i. Generally, transactions occurring prior to a person becoming an executive officer or director are not subject to either Section 16(a) reporting requirements or Section 16(b) short-swing profit recovery.
- ii. Transactions after a person ceases to be an executive officer or director remain subject to Section 16 only if they occur within six months after an "opposite way" transaction that occurred while the person was an executive officer or director.

- b. *Ten percent beneficial owners.* Section 16 applies only to those transactions occurring while a person is the beneficial owner of more than ten percent of a class of equity securities registered under Section 12 of the 1934 Act.

6. *Special Section 16(a) reporting concerns.*

a. *Stock options.*

- i. *Functional equivalence to underlying stock.* For Section 16 purposes, the grant or acquisition of a stock option is treated as the indirect acquisition of the underlying stock, which triggers Section 16 obligations. The subsequent acquisition of the underlying stock by exercising the stock option (as distinguished from sale of the stock upon exercise) is regarded as merely a change in the form of ownership of the underlying stock (from indirect to direct ownership) and not as a separate transaction.
- ii. *Grant of stock option triggers Section 16 obligations.* Although grants under the Company's current stock option plans are intended to be structured so as to be exempt from Section 16(b) short-swing profit liability, stock options must be reported on Form 4 within two business days after their grant (regardless of when they are exercisable).

- iii. *Exercise is exempt but must be reported.* The exercise of stock options does not trigger Section 16(b) short-swing

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profit liability. However, since option exercise information is of interest to the investing public, the rules require that the exercise of a stock option must be currently reported on Form 4. Most dispositions of stock options (e.g., transfers) must be reported, as well.

- iv. *Sale of shares is not exempt.* The sale of shares acquired upon the exercise of an option is not exempt from Section 16(b) liability and must be reported on Form 4, even if the grant of the option was exempt and even if the sale is part of an exercise transaction structured as a "cashless exercise."
- v. *Change in terms.* A change in the terms of an outstanding option (such as a repricing or extension of the term) will be deemed the cancellation of the old option and the grant of a new option, unless the change does not affect any material term of the option (generally, acceleration of vesting or the removal of restrictions on transferability is not considered a material change for these purposes). Thus, a change in terms may create a reporting obligation under Section 16(a) and may have serious liability implications under Section 16(b) (there is also a disconcerting lack of guidance from the SEC as to how any such liability is to be measured).
- b. *Other derivative securities.* The Section 16 reporting and liability provisions applicable to stock options are likewise applicable to other derivative securities such as "market options" arrangements, convertible debt instruments (e.g., convertible subordinated notes) or warrants.
- c. *Acquisitions under other Company plans.*
 - i. *401(k) Plan.* Acquisitions of interests in Michaels equity securities arising from routine contributions to the Company's 401(k) Plan are exempt from the liability provisions of Section 16(b) and exempt from reporting obligations (except that the number should be included in the "end of period holdings" column of the next otherwise required Form 4 or Form 5). However, transfers of existing accounts (i.e., "old money") either into or away from the Michaels stock fund, or loans or in-service withdrawals, may constitute Section 16 "events" which must be reported on Form 4 and may be matched with other transactions for purposes of Section 16(b) liability (this does not affect prospective elections to cause future contributions, or a

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rollover contribution, to be invested in the Michaels stock fund). In addition, transfers of existing account balances into or away from the Michaels stock fund are subject to the restrictions on insider trading described in Paragraph III below. A distribution of cash or stock from the plan in connection with your death, disability, retirement or termination of employment is exempt from the liability provisions of Section 16(b) and need not be reported under Section 16(a). However, the sale of shares acquired under the plan is not exempt from Section 16(b) liability and must be reported within two business days on Form 4.

- ii. *Employees Stock Purchase Plan.* Routine acquisitions under the Company's Employees Stock Purchase Plan are exempt from the liability provisions of Section 16(b) and exempt from reporting obligations (except that the number should be included in the "end of period holdings" column of the next otherwise required Form 4 or Form 5). Lump sum cash purchases under the plan must be reported within two business days on Form 4, and, unless the shares so acquired are then held for at least six months, such purchases may constitute Section 16 "events" which may be matched with other transactions for purposes of Section 16(b) liability. (To prove that you have held shares acquired in a lump sum cash purchase for at least six months, it is strongly recommended that you obtain a stock certificate representing such shares, rather than holding them in "street" name.) The sale of shares acquired under the plan is not exempt from Section 16(b) liability and must be reported on Form 4.

- iii. *Dividend Reinvestment and Stock Purchase Plan.* Reinvestment of dividends under the Company's Dividend Reinvestment and Stock Purchase Plan is exempt from the liability provisions of Section 16(b) and exempt from reporting obligations (except that the number of shares so acquired should be included in the "end of period holdings" column of the next otherwise required Form 4 or Form 5). All optional cash purchases under the Dividend Reinvestment and Stock Purchase Plan and sales of such shares so acquired must be reported within two business days on Form 4. An optional cash purchase or sale of such shares may be subject to Section 16(b) liability if such purchase or sale is matchable against a prior or subsequent sale or purchase as described below.

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C. Section 16(b); Disgorgement of Profits.

1. *Liability.* Any "profit" realized by a reporting person from a "purchase" and subsequent "sale" (or "sale" and subsequent "purchase") of an equity security within any six-month period is recoverable by the Company or, after demand to the Company, by any stockholder on behalf of the Company. This liability cannot be waived by the Company. Transactions are paired to match the lowest purchase price and the highest sale price within a six-month period to calculate the maximum recoverable profit. The same shares need not be involved in the purchase and the sale, and losses cannot be offset against gains. Because the acquisition of a stock option is treated for Section 16 purposes as the acquisition of the underlying stock, the acquisition of a stock option (except in an exempt transaction) can be matched against either a disposition of the option itself or of the underlying stock or the disposition of other stock.
2. *Objective standard of liability.* Recovery of short-swing profits may be made regardless of any intent by the reporting person to hold the securities for more than six months or any lack of intent to use inside information.
3. *Special concerns.* The terms "purchase" and "sale" are construed under Section 16(b) to cover a broad range of transactions, including acquisitions and dispositions in tender offers and certain corporate reorganizations. Moreover, purchases and sales by an Insider may be matched with transactions by any person (such as, but not limited to, certain family members or family trusts or partnerships) whose securities are deemed to be beneficially owned by the Insider. Since purchases and sales are generally required to be reported within two business days after a transaction on Form 4, the detection of short-swing trading violations is relatively easy, and certain plaintiffs' firms monitor such filings closely.
4. *Interplay with Section 16(a).* Many Section 16(b) liability issues (e.g., issues relating to certain of our benefit plans) are addressed in the discussion of the Section 16(a) reporting requirements in Paragraph 1.B above.

D. Section 16(c); Prohibition of Short Sales.

Section 16(c) prohibits any short sale or short sale "against the box" of Michaels equity securities by any Insider (including any former Insider if such short sale occurs within six months after a non-exempt acquisition made while the person was an Insider). A short sale is the sale of a security not owned by the seller, or if owned, not delivered (the so-called short sale "against the box"), which involves the borrowing of shares by the seller's broker for the account of the seller and delivery of the borrowed shares to the buying broker. At some point in the future, the short seller must purchase the securities to cover the short position. Because the short seller hopes that he or she will be able to

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purchase at a price lower than the price at which the short sale was made, a short seller expects a security to decline in market value after the short sale. Since short sales are illegal for Insiders and can depress the price of securities, the Company expects that none of its Insiders would contemplate making a short sale of Michaels equity securities.

II. 1933 ACT ISSUES.

A. General.

Under the Securities Act of 1933 (the "1933 Act"), an "affiliate" of the Company (see below) may not sell securities of the Company unless such sale is covered by a 1933 Act registration statement or such sale is made pursuant to an exemption from the registration requirements. It is not relevant that the affiliate may have received the securities in a registered offering or purchased them in the open market, nor does it make any difference whether the securities bear a restrictive legend. The term "affiliate" is generally construed to include all directors, and those officers who are considered to "control" the Company directly or indirectly (if you are a non-director officer included in the distribution of this memorandum, you should probably assume that the SEC would consider you to be in this category, given your position with the Company).

B. Resale of Shares Acquired Under Stock Option Plans.

The shares issuable under our stock option plans in which executive officers and directors may participate have been registered under the 1933 Act for resale by our affiliates, so those shares may be sold pursuant to the delivery of a prospectus and a prospectus supplement which I will supply to your broker. It is important that your broker be informed that the securities must be sold pursuant to the delivery of a prospectus and a prospectus supplement. (Please give me as much advance notice as you can so the prospectus supplement can be prepared.) If you received options under the 2001 Employee Stock Option Plan prior to becoming an executive officer or director, please note that shares received upon exercise of those options have not been registered for resale under the 1933 Act, and therefore you must sell those shares pursuant to an exemption from the registration requirements (see Paragraph II.C below).

C. Non-Prospectus Sales.

1. *Rule 144 in general* If you wish to sell Michaels equity securities other than in connection with the delivery of a prospectus and a prospectus supplement (e.g., shares which you acquired in the open market, under the Employees Stock Purchase Plan or under the 2001 Employee Stock Option Plan and therefore are not registered for resale), you must sell pursuant to an exemption from the registration requirements of the 1933 Act. The usual exemption relied on by affiliates is Rule 144 under the 1933 Act which, among other conditions noted below, generally requires that any sale be made through a broker-dealer and, if the shares were acquired from the Company in a private transaction outside of our current

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stock option, stock purchase and 401(k) plans, or were acquired in a private transaction from another affiliate, that the securities have been held for at least one year. It is important that your broker be informed that the securities must be sold pursuant to Rule 144. I am available to advise and provide assistance to you and your broker in connection with any such transactions.

2. *Volume limitations under Rule 144.* Rule 144 restricts an affiliate of the Company from selling during any three-month period an amount of Michaels equity securities exceeding the greater of:
 - a. one percent of the outstanding securities of that class; or
 - b. the average weekly trading volume of that class of securities during the four calendar weeks preceding the date a broker is directed to execute the transaction.
3. *Notice requirement under Rule 144.* If the sale involves over 500 shares or other units or a sales price exceeding \$10,000, a Form 144 must be filed, at the time the sale order is placed, with the SEC and the NYSE.
4. *Other requirements.* There are a number of technical requirements under Rule 144, all of which must be complied with. Most brokers are familiar with these requirements and have Rule 144 compliance checklists and forms. Again, I am available to assist you in such sales.

III. INSIDER TRADING RESTRICTIONS.

A. General.

Under Rule 10b-5 under the 1934 Act, you may not buy or sell Michaels stock or other securities at any time while you possess material non-public (or "inside") information concerning the Company. In addition, you may not communicate material non-public information to another person who may trade or advise others to trade on the basis of such information, nor may you advise another person to trade while in possession of material non-public information even if you do not communicate that information to such person.

B. Material Non-Public Information.

1. *Definition.* "Material non-public information" is information that is not available to the public at large which could affect the price of the security and to which a reasonable investor would attach importance in deciding whether to buy, sell or retain the security.

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2. *Materiality.* Examples of non-public information that might be deemed material include:

- quarterly or annual results;
- internal earnings estimates, especially if significantly different from "street" estimates;
- sales information;
- financial liquidity problems or management changes;
- stock or debt offerings;
- negotiations concerning significant mergers, acquisitions or divestitures;
- dividend recommendations, stock splits, stock repurchase programs, tender offers or exchange offers; and
- significant litigation or labor disputes.

It should be noted that either positive or adverse information may be material and that material undisclosed developments in matters previously disclosed may also constitute material non-public information. Also, as the magnitude of a potential event or transaction increases, and the greater the chance it will actually occur, the more likely it is that information regarding that event or transaction may be deemed material.

3. *Non-public versus public information.* Information is considered to be available to the public only when it has been released to the public through appropriate channels (e.g., by means of a press release) and enough time has elapsed to permit the market to absorb and evaluate the information. Once public release has occurred, information will normally be regarded as absorbed and evaluated within two or three business days thereafter.

4. *Trading windows policy.* There are certain periods throughout the year when the Company's normal business cycle and reporting schedule suggest that varying degrees of caution should be exercised. As we get closer to the end of each fiscal quarter and the announcement of earnings (especially year-end earnings), and as we get closer to the periodic release of sales information (especially during the Christmas selling season), it becomes increasingly likely that internal financial data may be deemed material. (Note: Since allegations of insider trading are always judged with "20-20 hindsight," you may place yourself at risk even if you genuinely do not anticipate a move in market price.) Accordingly, for your planning purposes, attached is a calendar on which tentative trading windows (based on our anticipated financial disclosure schedule) are highlighted. Please note that these windows are subject to revision from time to time, for instance, in the event of a change in our financial reporting schedule or as a result of developments in our business or the execution of Company stock repurchase programs; if this occurs, you will be notified. You must confine your market activity in Michaels stock to

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the trading windows. Keep in mind, however, that trading windows are not "safe harbors." Even when you are in a trading window, you may not trade in Michaels stock — including engaging in cashless option exercises — if you are then in possession of material non-public information. This trading windows policy does not apply to purchases under the Employees Stock Purchase Plan (including lump sum cash purchases as permitted by the plan; however, as noted elsewhere, you must then hold the shares so acquired for at least six months, or else those purchases may constitute Section 16 "events" which may be matched with other transactions for purposes of Section 16(b) liability — see Paragraph 1.B.6.c.ii above). Other exceptions to this policy must be approved expressly in advance two days prior to the transaction by me, Mark Beasley or other designated legal counsel for the Company.

C. Certain Recurring Issues.

You may, at any time, exercise a stock option (except during a pension fund blackout period) or participate in the Michaels stock fund under the 401(k) Plan or the Employees Stock Purchase Plan (including by means of lump sum cash purchases as permitted by the plan; however, as described elsewhere, you must then hold the shares acquired by lump sum purchase for at least six months, or else those purchases may constitute Section 16 "events" which may be matched with other transactions for purposes of Section 16(b) liability — see Paragraph 1.B.6.c.ii above). However, sales of any shares so acquired (e.g., in a cashless exercise of a stock option) are subject to all of the restrictions on insider trading set forth above. In addition, transfers of existing 401(k) Plan account balances (i.e., "old money") into or away from the Michaels stock fund and increases in your allocations from routine contributions into the Michaels stock fund are likewise subject to the same prohibitions. Furthermore, you may not allow a trade in Michaels stock to be executed pursuant to a standing limit order during any period in which you are precluded from trading, even if that limit order was previously placed at a time when you were not prohibited from trading.

D. Penalties.

Potential penalties for violations of Rule 10b-5 include prison time and significant criminal and civil fines which may be imposed upon both the violator and the Company.

E. Company Policy.

As long as any officer, director or employee has material non-public information relating to the Company, it is the Company's policy that such person may not buy or sell the securities of the Company. Equally important, the information may not be passed along (or "tipped") to others. After the information has been publicly disclosed through appropriate channels, a reasonable time should be allowed to elapse (usually at least two or three business days) before trading in the security to allow for public dissemination and evaluation of the information. Since it is often difficult to determine whether the

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standards specified above have been satisfied, it is the Company's policy that executive officers and directors must not purchase or sell securities of the Company unless clearance two days in advance of the transaction is first received from me, Mark Beasley or other designated legal counsel for the Company. You must communicate directly with me, Mark Beasley or other designated legal counsel for the Company in this regard; an unconfirmed fax, voice mail message or e-mail message is not sufficient to pre-clear a transaction.

IV. SARBANES-OXLEY ACT MATTERS.

A. Cashless Option Exercises.

The Sarbanes-Oxley Act prohibits public companies from making or arranging for loans to any of their directors or executive officers. There is a consensus among major law firms that this provision of the Sarbanes-Oxley Act may limit the methods by which directors and executive officers can accomplish cashless exercises. As a result, unless and until statutory, regulatory or interpretive relief is granted, directors and executive officers will not be permitted to participate in cashless exercise programs arranged by the Company. You may individually enter into your own arrangements with your broker for cashless exercises, but the Company cannot be involved in those arrangements except to deliver the shares upon exercise of your option, as you direct (including to your broker), after receipt from you or your broker of payment of the exercise price. Should you execute any option exercise with the assistance of your broker, the Company will only respond to factual inquiries from your broker (for example, the Company will confirm that vested options exist, that the Company will deliver the shares covered by the option upon receipt of the exercise price and other relevant factual information). To engage in a cashless exercise, you must complete the Company's broker and participant forms, which you may obtain from me, Mark Beasley or other designated legal counsel for the Company.

B. Prohibition on Trades During Pension Fund Blackout Periods.

In accordance with certain provisions of the Sarbanes-Oxley Act, you may be prohibited (as may certain of your family members and entities that you or certain of your family members may control or have an interest in) from buying, selling or otherwise acquiring or transferring (including through the exercise of derivative securities such as stock options), during a pension fund blackout period in the 401(k) Plan, any Michaels equity securities that you acquired in connection with your service or employment as a director or executive officer of Michaels. The new SEC regulation treats any equity security sold or otherwise transferred during a pension fund blackout period as having been "acquired in connection with service or employment as a director or executive officer" unless you can establish that the equity security was not so acquired.

A pension fund blackout period occurs when at least 50% of the participants in the 401(k) Plan are temporarily suspended from purchasing or selling Michaels equity securities in the 401(k) Plan for more than three consecutive business days. In the event you become

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subject to a pension fund blackout period, the Company currently anticipates that it will notify you at least 15 days before the pension fund blackout period begins; however, circumstances could make it impracticable for the Company to provide such advance notice.

Potential penalties for violations of this regulation include civil and criminal fines, and, under appropriate circumstances, other criminal action. This may be true even if the Company failed to notify you of the pension fund blackout period. In addition, if you violate these trading restrictions, regardless of your motive or intention, any "profit" you realized from such a transaction is recoverable by the Company or, after demand to the Company, by a stockholder on behalf of the Company.

V. CONCLUSION.

As this memorandum illustrates, federal securities law is a highly complex, technical area, and violations can have serious consequences both to you and to the Company. Because of this, your transactions in Company securities must be pre-cleared two days in advance of the transaction with me, Mark Beasley or other designated legal counsel for the Company. Additionally, it is advisable always to use a knowledgeable broker (who should be aware of federal securities issues and liabilities) when effecting transactions in Michaels equity securities. Finally, please promptly respond to all reminders and other materials periodically distributed to insiders as part of the Company's Section 16 compliance program, and do not hesitate to contact me should you have any questions regarding any of these matters.

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JACKSON & WALKER, L.L.P.
ATTORNEYS AND COUNSELORS
901 MAIN STREET
SUITE 6000
DALLAS, TEXAS 75202-3797
(214) 953-6000

CABLE-JWAL
TELEX-73 385
TELECOPIER-(214) 953-5628
WRITER'S DIRECT DIAL NO.
Marilyn R. Post
(214) 953-5064

OTHER LOCATIONS
HOUSTON
FORT WORTH
SAN ANTONIO

April 22, 1992

VIA CERTIFIED MAIL AND COURIER
RETURN RECEIPT REQUESTED

Sterling Software, Inc.
8080 North Central Expressway
Suite 1100
Dallas, Texas 75206

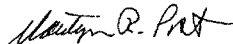
Attention: Ms. Jeannette P. Meier
Vice President, Secretary and General Counsel

Dear Ms. Meier:

On behalf of Lorne House Trust Limited, The Bulldog Non-Grantor Trust and The Pitken Non-Grantor Trust, enclosed please find one complete copy of Schedule 13D as filed with the Securities and Exchange Commission.

If you have any questions or comments concerning this matter, please do not hesitate to contact me.

Very truly yours,



Marilyn R. Post

MRP/jmw
Enclosures

cc: Ronald Buchanan (w/enc.)
James S. Ryan, III

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 806

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No.)

Sterling Software, Inc.

(Name of Issuer)

Common Stock, par value \$0.10 per share

(Title of Class of Securities)

859547-10-1

(CUSIP Number)

Michael C. French
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

April 15, 1992

(Date of Event which Requires Filing
of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box ☐.

Check the following box if a fee is being paid with the statement ☒. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP NO. 859547-10-1

13D

Page 2 of 9 Pages

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Lorne House Trust Limited	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Isle of Man, British Isles	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,983,588
	10	SHARED DISPOSITIVE POWER 0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,983,588	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 18.1%	
14	TYPE OF REPORTING PERSON* CO	

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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Page 3 of 9 Pages

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON The Bulldog Non-Grantor Trust	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Isle of Man, British Isles	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,311,725
	10	SHARED DISPOSITIVE POWER 0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,311,725	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 12.7%	
14	TYPE OF REPORTING PERSON* OO	

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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CUSIP NO. 859547-10-1

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Page 4 of 9 Pages

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON The Pitkin Non-Grantor Trust	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Isle of Man, British Isles	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 671,863
	10	SHARED DISPOSITIVE POWER 0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 671,863	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.0%	
14	TYPE OF REPORTING PERSON* 00	

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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Item 1. Security and Issuer.

This statement relates to the Common Stock, par value, \$0.10 per share (the "Common Stock"), of Sterling Software, Inc., a Delaware corporation (the "Company"). The address of the principal executive offices of the Company is 8080 N. Central Expressway, Suite 1100, Dallas, Texas 75206.

Item 2. Identity and Background.

This statement is being filed by Lorne House Trust Limited, a corporation organized in the Isle of Man, British Isles ("Lorne House"), on its own behalf, as well as on behalf of the Bulldog Non-Grantor Trust (the "Bulldog Trust") and the Pitkin Non-Grantor Trust (the "Pitkin Trust"), both of which are irrevocable trusts established in the Isle of Man, British Isles, of which Lorne House is sole trustee. Lorne House, its executive officers, directors, and controlling stockholders, the Bulldog Trust and the Pitkin Trust are sometimes hereinafter referred to collectively as "Reporting Persons" and singularly as a "Reporting Person."

Lorne House is principally engaged in the business of portfolio, trust and company management services and has its principal business and executive offices at Lorne House, Castletown, Isle of Man, British Isles. The principal business address for both the Bulldog Trust and the Pitkin Trust is Lorne House, Castletown, Isle of Man, British Isles.

No Reporting Person has, during the last five years, been convicted in a criminal proceeding or been a party to a civil proceeding of a judicial or administrative body resulting in subjection to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On April 15, 1992, the Bulldog Trust acquired in privately negotiated transactions indirect beneficial ownership of currently exercisable options and warrants to purchase an aggregate of 1,311,725 shares of the Company's Common Stock by virtue of the purchase of such options and warrants by corporations owned directly or indirectly by the Bulldog Trust. The options and warrants so purchased have an exercise price of \$6.25 per share, and were valued for the purpose of such purchase at the difference between such exercise price and \$18.875, being the closing sale price of the Common Stock of the Company on the New York Stock Exchange on the date of the purchase, and the consideration so determined is to be paid to the seller of the options and warrants pursuant to private annuity agreements entered into with such corporations. The annuity agreements will be funded with the working capital of such corporations.

On April 15, 1992, the Pitkin Trust acquired indirect beneficial ownership of currently exercisable options and warrants to purchase an aggregate of 671,863 shares of the

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Company's Common Stock by virtue of the purchase of such options and warrants by corporations owned directly or indirectly by the Pitkin Trust. The options and warrants so purchased have an exercise price of \$6.25 per share, and were valued for the purpose of such purchase at the difference between such exercise price and \$18.875, being the closing sale price of the Common Stock of the Company on the New York Stock Exchange on the date of the purchase, and the consideration so determined is to be paid to the seller of the options and warrants pursuant to private annuity agreements entered into with such corporations. The annuity agreements will be funded with the working capital of such corporations.

On April 15, 1992, Lorne House acquired beneficial ownership of currently exercisable options and warrants to purchase 1,983,588 shares of the Company's Common Stock by virtue of its status as trustee of the Bulldog Trust and the Pitkin Trust.

Item 4. Purpose of Transaction.

The options and warrants acquired by the Bulldog Trust and the Pitkin Trust through the corporations owned directly or indirectly by them were acquired for investment. Depending on market conditions and other factors they may deem material to an investment decision, any Reporting Person may purchase additional shares of the Common Stock or may dispose of all or a portion of the shares of Common Stock they now beneficially own or may hereafter acquire. Except as set forth in this Item 4, none of the Reporting Persons has any present plans or proposals that relate to or would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

The Bulldog Trust beneficially owns 1,311,725 shares, or 12.7%, of the Common Stock of the Company. The Bulldog Trust owns all of such shares indirectly by virtue of the ownership of such shares by corporations owned directly or indirectly by the Bulldog Trust (through beneficial ownership by such corporations of 667,000 shares as a result of the corporations' ownership of options, 404,725 shares as a result of the corporations' ownership of Series B Warrants and 240,000 shares as a result of the corporations' ownership of Series E Warrants).

The Pitkin Trust beneficially owns 671,863 shares, or 7.0%, of the Common Stock of the Company. The Pitkin Trust beneficially owns all of such shares indirectly by virtue of the ownership of such shares by corporations owned directly or indirectly by the Pitkin Trust (through beneficial ownership of such corporations of 333,000 shares as a result of the corporations' ownership of options, 202,363 shares as a result of the corporation's ownership of Series B Warrants, 96,000 shares as a result of the corporations' ownership of Series E Warrants and 40,500 shares as a result of the corporation's ownership of Series F Warrants).

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Lorne House beneficially owns 1,983,588 shares, or 18.1%, of the Common Stock of the Company. Lorne House owns all of such shares indirectly as trustee of the Bulldog Trust and the Pitkin Trust.

Each of the Reporting Persons has sole dispositive power with respect to the shares it beneficially owns. The Reporting Persons have no voting power with respect to shares of Common Stock beneficially owned by virtue of the ownership of the options, the Series B Warrants, the Series E Warrants and the Series F Warrants because the Series B Warrants, Series E Warrants and Series F Warrants have not been exercised to purchase such shares.

Except as described in Item 3 herein, no transactions in the Common Stock were effected by the Reporting Persons during the past 60 days or since the most recent filing on Schedule 13D, whichever is less.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

None.

Item 7. Material to be Filed as Exhibits.

Exhibit 1. Agreement pursuant to Rule 13d-1(f)(1)(iii).

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13D

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SIGNATURES

After reasonable inquiry, and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: April 22, 1992

Lorne House Trust Limited

By: /s/ Ronald Buchanan

Its: Managing Director

The Bulldog Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

The Pitkin Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

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CUSIP NO. 859547-10-1

13D

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EXHIBIT 1

Pursuant to Rule 13d-1(f)(1)(iii) of Regulation 13D-G of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the undersigned agree that the statement to which this Exhibit is attached is filed on behalf of each of them.

Date: April 22, 1992

Lorne House Trust Limited

By: /s/ Ronald Buchanan

Its: Managing Director

The Bulldog Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

The Pitkin Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

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CUSIP NO. 859547-10-1

13D

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EXHIBIT 1

Pursuant to Rule 13d-1(f)(1)(iii) of Regulation 13D-G of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the undersigned agree that the statement to which this Exhibit is attached is filed on behalf of each of them.

Date: 4/22/92

Lorne House Trust Limited

By: /s/ Ronald Buchanan

Its: Managing Director

The Bulldog Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

The Pitkin Non-Grantor Trust

By: Lorne House Trust Limited, Trustee

By: /s/ Ronald Buchanan

Its: Managing Director

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No.)

Michaels Stores, Inc.

(Name of Issuer)

Common Stock, par value \$0.10 per share

(Title of Class of Securities)

594087-10-8

(CUSIP Number)

Michael C. French
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

April 13, 1992

(Date of Event which Requires Filing
of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box ☐.

Check the following box if a fee is being paid with the statement ☒. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Page 1 of 6 Pages

207102-D

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 807

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PSI00127004

3940

CUSIP NO. 594087-10-8

13D

Page 2 of 6 Pages

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Lorne House Trust Limited	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Isle of Man, British Isles	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0 -
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 960,000
	10	SHARED DISPOSITIVE POWER 0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 960,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.8%	
14	TYPE OF REPORTING PERSON* CO	

*SEE INSTRUCTIONS BEFORE FILLING OUT!

207519D

CONFIDENTIAL
PS100127005

Item 1. Security and Issuer.

This statement relates to the Common Stock, par value, \$0.10 per share (the "Common Stock"), of Michaels Stores, Inc., a Delaware corporation (the "Company"). The address of the principal executive offices of the Company is 5931 Campus Circle Drive, Irving, Texas 75063, P.O. Box 619566, DFW, Texas 75261-9566.

Item 2. Identity and Background

This statement is being filed by Lorne House Trust Limited, a corporation organized in the Isle of Man, British Isles ("Lorne House"). Lorne House is principally engaged in the business of portfolio, trust and company management services and has its principal business and executive offices at Lorne House, Castletown, Isle of Man, British Isles.

Lorne House has not, during the last five years, been convicted in a criminal proceeding or been a party to a civil proceeding of a judicial or administrative body resulting in subjection to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On April 13, 1992, Lorne House acquired indirect beneficial ownership of currently exercisable options and warrants to purchase an aggregate of 960,000 shares of the Company's Common Stock because of the following acquisitions of such shares by the Bulldog Non-Grantor Trust (the "Bulldog Trust") and the Pitkin Non-Grantor Trust (the "Pitkin Trust"), both of which are trusts of which Lorne House is sole trustee:

On April 13, 1992, the Bulldog Trust acquired indirect beneficial ownership of currently exercisable options and warrants to purchase an aggregate of 635,000 shares of the Company's Common Stock by virtue of the purchase of such options and warrants by corporations owned directly or indirectly by the Bulldog Trust (the "Bulldog Corporations"). The options and warrants so purchased have an exercise price of \$3.00 per share, and were valued for the purpose of such purchase at the difference between such exercise price and \$20.625, being the closing sale price of the Common Stock of the Company on the National Association of Securities Dealers Automated Quotation National Market System ("NASDAQ/NMS") on the date of the purchase, and the consideration so determined is to be paid to the seller of such options and warrants pursuant to private annuity agreements entered into with such corporations. The annuity agreements will be funded with the working capital of such corporations.

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On April 13, 1992, the Pitkin Trust acquired indirect beneficial ownership of currently exercisable options to purchase an aggregate of 325,000 shares of the Company's Common Stock by virtue of the purchase of such options by corporations owned directly or indirectly by the Pitkin Trust (the "Pitkin Corporations"). The options so purchased have an exercise price of \$3.00 per share, and were valued for the purpose of such purchase at the difference between such exercise price and \$20.625, being the closing sale price of the Common Stock of the Company on the NASDAQ/NMS on the date of the purchase, and the consideration so determined is to be paid to the seller of such options pursuant to private annuity agreements entered into with such corporations. The annuity agreements will be funded with the working capital of such corporations.

Item 4. Purpose of Transaction.

The options and warrants acquired by Lorne House through the corporations owned directly or indirectly by the Bulldog Trust and the Pitkin Trust were acquired for investment. Depending on market conditions and other factors they may deem material to an investment decision, any Reporting Person may purchase additional shares of the Common Stock or may dispose of all or a portion of the shares of Common Stock they now beneficially own or may hereafter acquire. Except as set forth in this Item 4, none of the Reporting Persons has any present plans or proposals that relate to or would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

Lorne House beneficially owns 960,000 shares, or 5.8%, of the Common Stock of the Company. Lorne House owns all of such shares indirectly as trustee of the Bulldog Trust and the Pitkin Trust (through indirect beneficial ownership by such trusts of 150,000 shares as a result of the Bulldog Corporations' ownership of warrants, 485,000 shares as a result of the Bulldog Corporations' ownership of options, and 325,000 shares as a result of the Pitkin Corporations' ownership of options).

Lorne House has sole dispositive power with respect to the shares it beneficially owns. Lorne House has no voting power with respect to shares of Common Stock beneficially owned by virtue of the ownership of the options and warrants because the options and warrants have not been exercised to purchase such shares.

Except as described in Item 3 herein, no transactions in the Common Stock were effected by Lorne House during the past 60 days or since the most recent filing on Schedule 13D, whichever is less.

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CUSIP NO. 594087-10-8

13D

Page 5 of 6 Pages

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

None.

Item 7. Material to be Filed as Exhibits.

None.

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CUSIP NO. 594087-10-8

13D

Page 6 of 6 Pages

SIGNATURES

After reasonable inquiry, and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: April 22, 1992

Lorne House Trust Limited

By: 

Its: 

207510-0

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PSI00127009

M E M O R A N D U M

TO: Lorne House Trust Limited/Ronnie Buchanan

FROM: Jackson & Walker, L.L.P.

DATE: April 22, 1992

RE: ~~The Bulldog Non-Grantor Trust and The Pitkin Non-Grantor~~
~~Trust; Filing Requirements under the Securities Exchange Act of~~
1934

Lorne House Trust Limited ("Lorne House"), the Bulldog Non-Grantor Trust ("Bulldog") and the Pitkin Non-Grantor Trust ("Pitkin") will be required to make certain filings with the Securities and Exchange Commission (the "SEC") related to the holdings of Bulldog and Pitkin of securities of Sterling Software, Inc. ("Sterling") and Michaels Stores, Inc. ("Michaels").

Set forth below is a summary of some of the circumstances under which these filings will be made. These legal requirements can be very complex. Please feel free to call us with any questions you may have from time to time.

1. Form 4. For so long as Bulldog owns securities representing in excess of 10% of the outstanding shares of Sterling common stock, Bulldog will be required to file with the SEC Form 4's reporting purchases and sales by Bulldog of Sterling's Common Stock. These reports must be filed with the SEC on or before the 10th day of the month following the month in which the reported transactions took place. Under certain circumstances, profits from a "purchase" and "sale" made within six months of one another must be disgorged. You should consult with Sharyl Robertson or us prior to effecting transactions in Sterling's securities to ensure compliance with Securities Exchange Act rules.

2. Schedule 13D's.

a. Sterling. Lorne House, Bulldog and Pitkin must file an amendment to Schedule 13D when the aggregate holdings of Bulldog and Pitkin in Sterling's securities fluctuate by more than 1% of Sterling's outstanding common stock (currently approximately 90,000 shares). This filing must be made promptly after the transaction occurs.

b. Michaels. Lorne House must file an amendment to Schedule 13D when the aggregate holdings of Bulldog and Pitkin in Michaels securities fluctuate by more than 1% of Michael's outstanding common stock (currently approximately 120,000 shares). This filing must be made promptly after the transaction occurs.

3946

We can assist you in preparing these filings. In order for us to do so on a timely basis, it is imperative that you keep Sharyl Robertson informed on a timely basis of all transactions effected in Sterling and Michaels securities.

207875/D

cc: Sharyl Robertson

3947

Attn: Mike French, Esq.,
Maverick

March 6th, 1995.

From: Barbara Rhodes 1 Page Fax
Lorne House Trust Limited.

Sterling Software

Thank you for your fax dated March 3rd.

We intend to transfer East Carroll Limited and East Baton Rouge Limited from Bulldog to Plaquemines, this would mean that Plaquemines would hold 350,000 shares and Bulldog would hold 644,725 shares of Sterling Software.

Best regards,


Barbara Rhodes.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 811

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PSI00120860

3948

Mike French, Esq.,
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

March 7th, 1995.

Fax to: 010 1 214 891 8245

Bulldog & Plaquemines Trusts

Bulldog will settle Plaquemines, in the words which you suggested.

Since the purpose of the exercise, as I understand it, is to divide the ownership of Sterling Software we need to split ownership of the underlying companies which own SS between the two trusts. That was the purpose of Barbara's fax of yesterday.

R. Buchanan.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 812

CONFIDENTIAL
PSI00120859

3949

THE TRUST COMMITTEE OF LORNE HOUSE TRUST LIMITED

RE: THE BULLDOG NON-GRANTOR TRUST

RESOLUTION IN WRITING


We the undersigned, being all the members of the above-mentioned Committee, pursuant to the powers vested in us by the Articles of Association of Lorne House Trust Limited in its capacity as the Trustee of the above-mentioned Trust, do hereby resolve:-

THAT the transfer of two US\$1.00 Ordinary shares of East Baton Rouge Limited to the Plaquemines Trust be and is hereby approved.


Dated the 5th day of April 1995

COMMITTEE MEMBERS


.....


.....


.....


.....

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 814

CONFIDENTIAL
PSI00122306

3950

THE TRUST COMMITTEE OF LORNE HOUSE TRUST LIMITED

RE: THE BULLDOG NON-GRANTOR TRUST

RESOLUTION IN WRITING


We the undersigned, being all the members of the above-mentioned Committee, pursuant to the powers vested in us by the Articles of Association of Lorne House Trust Limited in its capacity as the Trustee of the above-mentioned Trust, do hereby resolve:-

THAT the transfer of two US\$1.00 Ordinary shares of East Carroll Limited to the Plaquemines Trust be and is hereby approved.

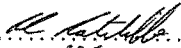
Dated the 5th day of April 1995

COMMITTEE MEMBERS


.....


.....
L.S.W.


.....
L.S.W.


.....
L.S.W.

CONFIDENTIAL
PSI00122307

MEMORANDUM

To: Distribution

From: Craig Schiffer

Date: March 13, 1995

Re: Michaels Stores/Sterling Software Transaction

Floyd Norris' representation of the Michaels Stores and Sterling Software transactions in the Sunday N.Y. Times (Business Section, Market Watch Column) was not completely representative of the facts, and in our view led, readers to erroneous conclusions about the propriety of the Wyly's activities. Let me outline the exact details:

1. The transaction was a structured financing which allowed the Wyly's to accomplish two primary objectives:
 - Gain cost effective liquidity
 - Retain significant upside in the stock

One alternative, which is to sell stock outright, accomplishes neither of these goals.

2. Sam Wyly, his brother Charles and certain family trusts (Wyly Group) collectively borrowed an amount of money (not specified in the 13D but substantially less than the \$100 million noted in the article) at an attractive level.
3. In addition, the Wyly group executed "collar" transactions on 1.77 million shares of Michaels Stores, Inc. and 300,000 shares of Sterling Software, Inc. with Lehman Brothers.
4. This transaction relates to approximately one third of the Wyly group's holdings of Michaels Stores and a smaller proportion of their holdings of Sterling Software.

The Wyly Group collars were structured as follows:

Michaels Stores, Wyly Group:

- Bought American Put - right to receive from LB the difference between 28.56 and the stock price at any time over the life of the transaction.
- Sold European Call - LB has the right to receive from Wyly at expiration the difference between the stock price and \$48.23.

MSNY 008885

Permanent Subcommittee on Investigations

I B 0000301

EXHIBIT #66 - FN 815

Sterling Software, Wyly Group-

- Bought American Put - right to receive from LB the difference between \$32.5 and the stock price at any time over the life of the transaction.
- Sold European Call - LB has a right to receive from Wyly at expiration the difference between the stock price and \$53.56.

The Collar (options) are cash settled and expire in February, 1998.

What these transactions accomplish for Wyly entities.

1. The transaction allows the Wyly entities to borrow more money at better terms than would have been possible through alternative financings.
2. The Wyly entities retain significant upside exposure to both Sterling Software and to Michaels Stores stock.
3. They remain long term shareholders.

Points regarding the Norris article.

1. "top officer stands to make millions if the company's share price plummeted ..." No, the Wyly group's overall position is more relevant. Since their positions represent less than 1/3 of their total holdings the value of the overall position would fall dramatically if the price were to decline.
2. "memories of Albert H. Wiggins, the president of the Chase National Bank ... (who) made good money shorting Chase stock during the crash." The Wyly group did not short stock. They entered into a structured financing that provided downside protection for a limited part of holdings. The transaction does not obligate the Wytys to sell stock.
3. "the law would not appear to cover what Mr. Wyly has now done." i.e. a hedging transaction. It does. The Wyly group filed under SEC Rule 13D which specifically requires 5% stake holders to report transactions which hedge their underlying positions with derivative instruments.
4. Mr. Norris also comments on Mr. Wyly's incentive to manipulate the price of Michaels Stores common stock in 1998. As a corporate insider and a 13D filer, all transactions would be subject to SEC disclosure. It is unreasonable to infer that Mr. Wyly would knowingly break U.S. securities law in light of the public nature of the transaction.

MSNY 008886

CONFIDENTIAL LB 0000302

03/17/95 10:58 LEHMAN BROTHERS + 912147289464

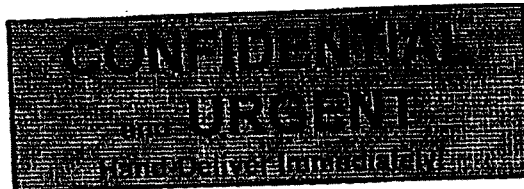
NO. 908 P883

As Mr. Wyly states ".....it is a great transaction, and I would highly recommend it to any other entrepreneur". We believe that we have served our client effectively and provided an innovative solution compared to other alternatives. The Michaels Stores/Sterling Software transaction is reflective of Lehman Brothers equity derivatives group commitment to innovation in meeting clients needs.

If you have any questions please do not hesitate to contact John Wickham, Bruce Britain or Craig Schiffer

MSNY 008887

3954



FAX TRANSMITTAL

Maverick

001 214 891 8350.

TO: Ronald Buchanan

FROM: Mike French

COMPANY: Lorne House Trust

PHONE:

PHONE: 44 624 823 579

FAX:

FAX: 44 624 822 952

DATE: July 10, 1995

NUMBER OF PAGES (including cover):

TIME: 2:07 PM

COMMENTS:

NORBA LIMITED
SEAGULL LIMITED
DEWITT LIMITED
GLEBE LIMITED

Dear Ronnie:

Please dispose of this fax after reading, as there will be ample documentation as needed.

It is expected that a recommendation will be made to Wychwood that the Plaquermines Trust, and another trust settled with Wychwood by Pitkin, should contact Lehman regarding acquiring call options on SSW, probably for about two years at the market. Wychwood would finance the transaction through loans, from Lorne House entities. It is likely that a portion of the price could be financed through Lehman.

It may be that, as an alternative, there will be two new trusts at Wychwood established by Keith that will mirror the Bessie and Tyler trusts. This would require Keith to contribute some funds to the trust, but presumably there is a source for that. If this structure is used, the same financing structure for the calls would be utilized.

Wychwood would, in either case, be limited to approximately 600,000 to 700,000 calls, in order to stay under 5% of the outstanding shares and avoid SEC reporting.

I am also sending a copy of this fax to Shaun Cairns, with the same request that he read it and then dispose of it. I will be back on this soon, perhaps tonight.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

1,10 000

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 816

CONFIDENTIAL
PSI00136718

**FAX TRANSMITTAL****Maverick**

TO: Shaun Cairns

FROM: Mike French

COMPANY: Wychwood Trust Limited

PHONE: 214 891 8350

PHONE: 44 1624 824011

FAX: 214 891 8311

FAX: 44 1624 824 070

DATE: July 10, 1995

NUMBER OF PAGES (including cover):

TIME: 3:50 PM

COMMENTS:

Dear Shaun:

500,000
Plaquemine *500,000* *700,000*
Schieffley *calls*

I recommend that you immediately contact Lehman Brothers (Lou Schaufele 214 720 9471) regarding the acquisition of two year call options to purchase Sterling Software at the market. These would be acquired by the Plaquemines Trust and another trust established by a Trust at Lorne House, or, if Keith is willing to establish two new trusts that parallel the Bessie and Tyler trusts he set up last year with Lorne House, those new trusts could be the acquirer.

In either case, the actual transaction would be done through a corporate subsidiary of the trusts. Lorne House will assist in arranging the financing.

This transaction, if you as trustee believe it is beneficial, would need to be effected very quickly. I will call you when I reach the office in the morning. As with my other fax, I suggest that you dispose of this one as there will be adequate subsequent documentation of any transactions.

Please show a copy of this to Keith.

Also, I am looking forward to receiving your proposals regarding the Nevis bank.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 817

CONFIDENTIAL
 PSI00136721



To: AJB, JKB, Shaun Cairns, RJC, FKVC, DJ, JEP, BAR

16th August, 1995.

From: RB

Plaquemines, Delhi, Assumption & Pueblo Trusts

Shari Roberston, who administers the Wylly Brothers' affairs from Dallas, rang yesterday afternoon BST to say that Mike French - presumably on Sam's prompting - does not wish to await John Willis's return to set up the Assumption and Pueblo Trusts or AJB's arrangement of a new credit line with which to buy options on Sterling Software. They will, instead, use the existing facilities with Lehman Brothers in Dallas and Wychwood as trustees.

We have available Elysium Limited to be owned by the Assumption Trust (where Sam will nominate the initial beneficiaries) and Atlantis Limited to be owned by the Pueblo Trust (ditto Charles). FKVC is asked to alter the draft trust documents to reflect the change of trustee to Wychwood and SFC is asked to accept trusteeship.

Wychwood must not be trustee of two sets of trusts which are buying options simultaneously since the amount involved would trigger a reporting requirement. We have been asked, therefore, to transfer the trusteeship of the Plaquemines and Delhi Trusts from Wychwood to a temporary trustee and from the temp. to John Willis once he has returned. I offered to be the temporary trustee in a personal capacity but Mike French thought that I was unsuitable in that I control the corporate trustee of the Bulldog and Pitkin Trusts. He asked if JKB would be willing to serve.

FKVC is asked to prepare deeds of resignation and appointment of trustees from Wychwood to JKB for the Plaquemines and Delhi Trusts and JKB is asked to accept temporary trusteeship.

The Wyllys would still like to arrange financing similar to that which has been arranged with Lehman Brothers but from another bank.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 819

CONFIDENTIAL
PS100118019

~~We have all much enjoyed reading your account of your march in Holland, as great a literary feat as it had earlier been a physical one.~~

R. Buchanan

Foreign Systems Priced @ 8/31/85	Piklin Trust, Lorne House Little Woody, Roaring Creek, Quayle Roaring Fork, Rugosa				Castlecreek Trust, Mees Pier, Red Min Trust, Elegance			
Description	Curr.	Shs/Face	MV	Book	FMV	Book	FMV	Book
Cash								
Bank of Bermuda	USD			277,693	277,693			
Lehman-NY	USD			(7,067)	(7,067)			
Bank of Bermuda	GBP				0			
Total Cash				270,626	270,626	0	0	0
Loans Receivable								
Scottish Holdings				66,667	66,667			
Devotion Limited								
Elegance Limited				925,565	925,565			
Total Loan Receivable				992,232	992,232	0	0	0
Securities								
Sterling Related								
Sterling Common			456,863	2,450,668	20,330,404			
Sterling Common			644,725	44,500				
Sterling Common			350,000	44,500				
Total Common			1,451,588	2,450,668	20,330,404	0	0	0
Sterling Collar Put 40.175 Call 70.00 2			300,000	0	0			
Sterling Collar Put 40.175 Call 70.00 2			400,000	0	0			
Sterling Collar Put 40.175 Call 70.00 2			200,000	0	0			
Total Collar			900,000	0	0	0	0	0
Sterling Call 41.08 5/97			166,668	12,510				1,673,975
Sterling Call 41.08 5/97			333,332	12,510				
Total Calls			500,000	0	0	0	0	1,673,975
Sterling Opt @ 18.875 exp 12/97*			333,000	25,625		250,000	8,533,125	
Sterling Opt @ 18.875 exp 12/97*			167,000	25,625				
Sterling Opt @ 18.875 exp 12/97*			500,000	25,625				
Total Options			1,000,000	0	0	250,000	8,533,125	0
Total Sterling			3,851,588	2,450,668	20,330,404	250,000	8,533,125	1,673,975
Maverick Related								
Maverick Income Fund, LDC			118,620	4,030,666	4,539,062			
Maverick Income Fund, LDC			118,620					
Maverick Income Fund, LDC			118,620					
Total Income				4,030,666	4,539,062	0	0	0

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SEC_ED00042175

CONFIDENTIAL
SECI00098037
PSI00109904

[illegible]

Offshore Stock Analysis		CA	% O/S	CA Option	% O/S	Mike	% O/S	SCOT	% O/S	SCOT	% O/S
Trust	Trustee	590,850,000				33,215,000		16,047,000			
Shares Outstanding											
915 Bulldog Pitkin Bessie	IFG		0.00%	859,185	0.15%	125,000	0.38%	118,000	0.74%		0.00%
	IFG		0.00%	0	0.00%	0	0.00%	0	0.00%		0.00%
	IFG	9,014	0.00%	0	0.00%	340,000	1.02%	824,813	3.89%	1,100,000	6.85%
	S-total	9,014	0.00%	859,185	0.15%	465,000	1.40%	742,813	4.63%	1,100,000	6.85%
920 La Fourche Red Mountain Tyler	IFG		0.00%	0	0.00%	762,000	2.29%		0.00%		0.00%
	IFG		0.00%	56,340	0.01%	468,667	1.40%		0.00%		0.00%
	IFG	0	0.00%	0	0.00%	100,000	0.30%	312,407	1.95%	550,000	3.43%
	S-total	0	0.00%	56,340	0.01%	1,328,667	4.00%	312,407	1.95%	550,000	3.43%
925 Delhi Lake Providence Castlecreek	IFG		0.00%	112,680	0.02%		0.00%		0.00%		0.00%
	IFG		0.00%	0	0.00%	258,333	0.78%		0.00%		0.00%
	IFG	56,340	0.01%	450,720	0.08%	700,134	2.11%		0.00%		0.00%
	S-total	56,340	0.01%	563,400	0.10%	958,467	2.89%		0.00%		0.00%
Offshore Totals		65,354	0	1,478,925	0	2,752,134	8.29%	1,055,220	6.58%	1,650,000	10.28%
											16.86%

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 828

CONFIDENTIAL
SEC100059868
PS100071735

Cc: Hudgins, Steven E,
Subject: FW: Account Inquiry -- Various

Redacted by the Permanent
Subcommittee on Investigations

Denise,

I forwarded the response you sent to Steve Hudgins onto NFS. They had been asking me about the large positions in Michael's. Please read the additional questions from Zach Pinard and respond back to me.

Thank you,
Margo J. Hursh
Senior Compliance Officer
Bank of America Investment Services, Inc.
NCL-002-21-50
(704) [REDACTED] phone
(704) [REDACTED] fax

-----Original Message-----
From: Pinard, Zachary
Sent: Wednesday, February 18, 2004 2:27 PM
To: Hursh, Margo
Cc: Grady, Alex
Subject: RE: Account Inquiry - Various

Margo,

I do have more questions. If all of the accounts were funded by the same "grantor", then they are all related in that aspect. I guess I would want to know the following:

- 1) Where did the original stock options come from?
- 2) Who/What acted as the "grantor" of the stock options? If an entity deposited the shares, who was the owner of the entity?
- 3) Who are the beneficial owners of all of the grantor trusts?
- 4) Copies of the account applications, W8-IMY information for the grantor trusts, and if information is being held on the grantor trusts themselves, I want to see that information to determine which US individuals are the owners of these accounts.

My concern is that I do not believe that this company is reporting the ownership of the shares adequately. The fact that they are all being treated as separate companies does not impact the matter because they clearly have a link due to the original deposit. In addition, some of the accounts also maintain a control relationship even as independent accounts. Therefore, an account like P86017043 (Quayle Ltd), which made a sale of 100,000 shares of Michael's on 09/02/03 should have filed a Form 144 with the SEC because of their control relationship before the sale. Do we have a copy of that form on file? This is an important issue that I do not believe can be explained in a paragraph and without documentation. I know that this issue will take a lot of time to resolve, but I do not believe that we understand their business, and I want to make sure they are in compliance with SEC regulations. Thank you for the preliminary information.

Zachary Pinard
Risk Analyst---Fidelity Investments
tel. 617- [REDACTED]
fax 617- [REDACTED]
Boston, MA

-----Original Message-----
From: Hursh, Margo
Sent: Wednesday, February 18, 2004 1:56 PM
To: zachary.pinard@ [REDACTED]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 833

3963

From: Schaufele, Louis J
Sent: Tuesday, January 26, 1999 8:59 AM
To: Cohen, Michael C
Subject: RE: Sarnia, Greenbriar and Quayle

for the 100th time the client never was an affiliate nor had to file when sold, stock is clean.

-----Original Message-----

From: Cohen, Michael C
Sent: Monday, January 25, 1999 3:51 PM
To: Schaufele, Louis J
Subject: Sarnia, Greenbriar and Quayle

Lou-

Just to confirm...The shares we are holding have never been restricted and our counterparties are and were not on trade date considered affiliates. They client will not have to file when they sell their shares.

Michael

3964

2142918245 5

04 27 92 09:48 001

April 27, 1992

Mr. Russell Collister
Lorne House Trust Limited
Lorne House, Castletown
Isle of Man
British Isles

Dear Mr. Collister,

I had a short discussion with Ronnie Friday regarding your transmittal of April 24. I wanted to make sure you were clear on the reporting/volume selling requirements of these securities. The securities owned by Little Woody Limited (166,500 options), Roaring Fork Limited (166,500 options) and East Carroll Limited (667,000 options) will be registered securities of Sterling Software when exercised. Michael French's firm can provide Lorne House and the banks with which you are having discussions, a legal opinion stating that these securities are not subject to any Securities and Exchange Commission Form 144 volume Rules and that the securities in no way need to be aggregated with the Settlers of the Trusts - Charles and Sam Wyly.

From my discussion with Ronnie I gather the banks are showing concern that the eventual beneficiaries - the children of Charles Wyly and Sam Wyly are shareholders (they are not directors or officers at this time). Again, these shares would not be aggregated for volume rule selling purposes with the other shares owned by the children. The only requirement for reporting to the Security Exchange Commission is to file Form 13D which just states that Lorne House beneficially controls more than 5% of the outstanding stock of Sterling Software.

Let me know if you require any further information regarding these securities. I have a contact with Credit Suisse I will pursue. If it looks good I will get back to you and make an introduction.

Regards,

Sharyl Robertson
Sharyl Robertson
8080 N. Central Expressway
Suite 1100 LB-31
Dallas, Texas 75206

01-1 214 941 8201

1300

cc: Michael French

DMD - PRCM
L LIME 00004
REMAINING TASK
BULLDOG
L EMY CARROLL

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 836

CONFIDENTIAL
PSI00126713

— = Redacted by the Permanent
Subcommittee on Investigations

06/30/2000

15:18

LEHMAN BROTHERS + 919724891965

NO. 928 086

**LEHMAN BROTHERS**

June 30, 2000

Mark Beasley, Esq.
General Counsel
Michaels Stores, Inc.
8000 Bent Branch Drive, P.O. Box 619566
Dallas-Fort Worth, TX 75261

Re: Rule 144(k) Legend Removal Request

Dear Mr. Beasley:

In accordance with Rule 144(k), enclosed please find our request to remove the restrictive legend on 750,000 shares of Michaels Stores, Inc., common stock, registered in the name of Devotion Limited.

Please contact the transfer agent for removal of the restrictive legend. If you should have any questions or if I am omitting required information, please call me at (201) [REDACTED]

Thank you for your assistance.

Sincerely,

Rudy Pamar
Rudy Pamar
Central Transfer Group

101 HUDSON STREET, 31ST FLR
JERSEY CITY, NEW JERSEY 07302

MSNY 025479

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 837

3966

06/30/2000 15:10 LEHMAN BROTHERS + 919724891965

NO. 928 D87

LEHMAN BROTHERS

Rule 144 (k)

Legend Removal Request

Issuer Name

MICHAELS STORES INC.

Quantity

750,000

Share

Class (see common, preferred)

COMMON

To: Lehman Brothers Inc.
Attention:

The undersigned seeks to obtain the removal of all legends and stop transfer instructions that pertain to the above-described securities ("Securities") of the above mentioned issuer ("Issuer"), pursuant to SEC guidance under paragraph (k) of Rule 144 under the Securities Act of 1933.

The Securities have been beneficially owned by me for a period of at least two years. If the Securities were acquired by purchase, I advise you that they were fully paid for at least two years ago.

The acquisition details regarding these Securities are as follows:

Title of the Class	Date You Acquired	Means of Acquisition Transaction	Name of Person from whom Acquired (If g/f, also give the date date acquired)	Amount of Securities Acquired	Date of Payment	Notes of Payment
COMMON	27 FEB 1997	EXERCISE OF OPTIONS	OPTIONAL ISSUED BY MICHAELS STORES INC.	750,000 SHARES	27 FEB 1997	\$10.50 per share

Instructions: If the Securities were purchased and full payment for them was not made in cash at the time of purchase, explain the nature and timing of the consideration. If the consideration consisted of a note or other obligation, or if payment was made in installments, describe the arrangement and state when the note or other obligation was discharged in full or the last installment paid.

I understand that the Securities are "restricted securities" (securities originally acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction not involving a public offering). I am not a Rule 144-defined "affiliate" of the above issuer (a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is in common control with, the issuer) and have not been an "affiliate" for at least the prior three months. I am not acting in concert with any other person in selling the Securities. Nor am I engaged in a plan with anyone else to dispose of the Securities.

I am not aware of any facts or circumstances indicating that I am an "underwriter" of the Securities or that this request for removal of the restrictive legend is part of a "distribution" of the Securities of the issuer as those terms are defined in or applied under the Securities Act of 1933.

I hereby authorize you, if you deem it necessary, to contact my attorney.

(name and telephone number)

the issuer, its transfer agent, and their agents and representatives concerning this transaction. I hereby confirm that all of the information contained in this letter is true and correct and can be relied on by you and the above persons. I also agree to notify you promptly of any changes in the facts set forth in this letter.

Print Name of Seller DEVOTION LIMITED		Very truly yours, FOR AND ON BEHALF OF DEVOTION LIMITED	
Account Number 827-20333	Date 17 th MAY 2000	Signature of Seller FRANCIS WERTS	Signature of Seller WILLIAM P. MORGAN
		Name of Seller DIRECTOR	Name of Seller DIRECTOR

31291

MSNY 025480

— = Redacted by the Permanent
Subcommittee on Investigations

06/30/2000 15:10 LEHMAN BROTHERS + 919724091965

NO. 528 D02



LEHMAN BROTHERS

June 30, 2000

Mark Beasley, Esq.
General Counsel
Michaels Stores, Inc.
8000 Bent Branch Drive, P.O. Box 619566
Dallas-Fort Worth, TX 75261

Re: Rule 144(k) Legend Removal Request

Dear Mr. Beasley:

In accordance with Rule 144(k), enclosed please find our request to remove the restrictive legend on 466,667 shares of Michaels Stores, Inc., common stock, registered in the name of Elegance Limited.

Please contact the transfer agent for removal of the restrictive legend. If you should have any questions or if I am omitting required information, please call me at (201) [REDACTED]

Thank you for your assistance.

Sincerely,

Rudy Pumar
Rudy Pumar
Central Transfer Group

101 HUDSON STREET, 11TH FLR
JERSEY CITY, NEW JERSEY 07302

MSNY 025474

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 837

3968

Elegance
Ltd

MSNY 025475

3969

06/30/2000 15:10 LEHMAN BROTHERS + 919724091965

NO. 920 083

APR 07 '00 02:54PM LEHMAN BROS FSD 214 720 9464

P. 4/4

LEHMAN BROTHERS

Rule 144 (b)

Legend Removal Request

Name of Issuer

MICHAEL STORIS INC

Quantity

466,667

Shares

Common stock

COMMON

To: Lehman Brothers Inc.
Attention:

The undersigned seeks to obtain the removal of all legends and stop transfer instructions that pertain to the above-described securities ("Securities") of the above mentioned issuer ("Issuer"), pursuant to SEC guidance under paragraph (b) of Rule 144 under the Securities Act of 1933.

The Securities have been beneficially owned by me for a period of at least two years. If the Securities were acquired by purchase, I advise you that they were fully paid for at least two years ago.

The acquisition details regarding these Securities are as follows:

Date of the Offer	Date You Acquired	Notes of Acquisition Transaction	Name of Person from whom Acquired (if gift, also give the date donor acquired)	Amount of Securities Acquired	Date of Payment	Amount of Payment
COMMON	27 FEB 1997	EXERCISE OF OPTIONS	OPTIONAL PURCHASE BY MICHAEL STORIS INC.	466,667	27 FEB 1997	\$210,20 per share

Instructions: If the Securities were purchased and full payment for them was not made in cash at the time of purchase, explain the nature and timing of the consideration. If the consideration consisted of a note or other obligation, or if payment was made in installments, describe the arrangement and state when the note or other obligation was discharged in full or the last installment paid.

I understand that the Securities are "restricted securities" (securities originally acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction not involving a public offering). I am not a Rule 144-defined "affiliate" of the above issuer (a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is in common control with, the issuer) and have not been an "affiliate" for at least the prior three months. I am not acting in concert with any other person in selling the Securities. Nor am I engaged in a plan with anyone else to dispose of the Securities.

I am not aware of any facts or circumstances indicating that I am an "underwriter" of the Securities or that this request for removal of the restrictive legends is part of a "distribution" of the Securities of the issuer as those terms are defined in or applied under the Securities Act of 1933.

I hereby authorize you, if you deem it necessary, to contact my attorney.

(name and telephone number)

The issuer, its transfer agent, and their agents and representatives concerning this transaction. I hereby confirm that all of the information contained in this letter is true and correct and can be relied on by you and the above persons. I also agree to notify you promptly of any changes in the facts set forth in this letter.

Print Name of Seller	Very truly yours, FOR AND ON BEHALF OF ELEGANCE LIMITED	
Account Number	Date	Signature of Seller
837-20332	17 th MAY 2000	WILLIAM P. MARRAS DIRECTOR
		Name of Seller

MSNY 025476

3970

07/20/2000 11:06 LEHMAN BROTHERS → 919724091655

NO. 022 002

LEHMAN BROTHERS

Date: July 20, 2000

Mr. Mark Beasley, Esq
Michaels Stores Inc
8000 Bent Branch Drive
Dallas-Fort Worth, TX 75261

Redacted by the Permanent
Subcommittee on Investigations

Re: Rule 144(k) Legend Removal Request

Dear Mr. Beasley,

In accordance with Rule 144(k), enclosed please find our request to remove the restrictive legend on 150,000 shares of Michaels Stores Inc common stock, registered in the name of East Baton Rouge Ltd.

Please contact your transfer agent with instructions to have the restrictive legends removed. If you should have any questions or if I am omitting required information please call the undersigned at telephone 201 [REDACTED]

Sincerely,


Natalie Maksharov
Lehman Brothers Inc

LEHMAN BROTHERS, INC.
101 Hudson Street Jersey City, N J 07302

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 837

MSNY 006415

3971

07/20/2000 11:05 LEHMAN BROTHERS + 919724091655
 214 720 5445
 (01 15 1000 3:04PM) LEHMAN BROTHERS 214 720 5445

NO. 022 003

NO. 0001 P. 1/10

LEHMAN BROTHERS

To: Lehman Brothers Inc.
 Attention:

**Rule 144 (k)
 Legend Removal Request**

Issuer's Name
MICHAELS STORES INC
 Quantity **150,000** Shares Class (e.g. common preferred) **Common**

The undersigned seeks to obtain the removal of all legends and stop transfer instructions that pertain to the above-described securities ("Securities") of the above mentioned Issuer ("Issuer"), pursuant to SEC guidance under paragraph (k) of Rule 144 under the Securities Act of 1933.

The Securities have been beneficially owned by me for a period of at least two years. If the Securities were acquired by purchase, I advise you that they were fully paid for at least two years ago.

The acquisition details regarding these Securities are as follows:

Title of the Issue	Date You Acquired	Name of Acquisition Transaction	Name of Person from whom Acquired (if gift, also give the date donor acquired)	Amount of Securities Acquired	Date of Payment	Form of Payment
Common	18/4/97	Bought through Lehman's a/c		25,000	18/4/97	Cash
	18/4/97	Bought through Lehman's a/c		125,000	18/4/97	Cash

Instructions: If the Securities were purchased and full payment for them was not paid in cash at the time of purchase, explain the nature and timing of the consideration. If the consideration consisted of a note or other obligation, or if payment was made in installments, describe the arrangement and state when the note or other obligation was discharged in full or the last installment paid.

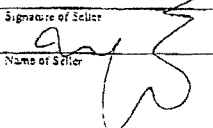
I understand that the Securities are "restricted securities" (securities originally acquired directly or indirectly from the Issuer, or from an affiliate of the Issuer, in a transaction not involving a public offering). I am not a Rule 144-defined "affiliate" of the above Issuer (a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is in common control with, the Issuer) and have not been an "affiliate" for at least the prior three months. I am not acting in concert with any other person in selling the Securities. Nor am I engaged in a plan with anyone else to dispose of the Securities.

I am not aware of any facts or circumstances indicating that I am an "underwriter" of the Securities or that this request for removal of the restrictive legend is part of a "distribution" of the Securities of the Issuer as those terms are defined in or applied under the Securities Act of 1933.

I hereby authorize you, if you deem it necessary, to contact my attorney.

(Name and telephone number)

the Issuer, its transfer agent, and their agents and representatives concerning this transaction. I hereby confirm that all of the information contained in this letter is true and correct and can be relied on by you and the above persons. I also agree to notify you promptly of any changes in the facts set forth in this letter.

Print Name of Seller EAST BATON ROUGE LIMITED		VSA truly yours, FOR AND ON BEHALF OF EAST BATON ROUGE LIMITED	
Account Number 837-2091	Date 5/15/00	Signature of Seller 	DIRECTOR
		Name of Seller	

Post-It brand fax transmittal memo 7071 # of pages = 10	
To Ruby AMAR	From Tim Hebert
Co.	Co.
Dept.	Phone # 214 720 5428
Fax #	Fax #

MSNY 006416

3972

JACKSON & WALKER, L.L.P.
ATTORNEYS AND COUNSELORS
901 MAIN STREET
SUITE 6000
DALLAS, TEXAS 75202-3797
(214) 953-6000

CABLE: JWAL
TELEX: 73-385
TELECOPIER: (214) 953-9822

OTHER LOCATIONS
HOUSTON
FORT WORTH
SAN ANTONIO

Charles S. Gilbert
(214) 953-5674

June 24, 1997

Harris Trust Company of New York
77 Water Street
New York, New York 10005

Attention: Joseph McFadden

Re: Michaels Stores, Inc. (the "Company")

Gentlemen:

We understand that Locke Ltd. (the "Stockholder") from June 16, 1997 through June 23, 1997 sold 245,454 shares, and has submitted certificates representing some number of shares (the "Shares"), of the common stock, par value \$.10 per share (the "Common Stock"), of the Company issued in the name of the Stockholder. We further understand that the Stockholder acquired the Shares pursuant to the exercise of options acquired in a private transaction.

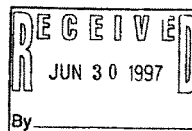
In reaching the conclusions expressed in this opinion, we have examined and relied on such documents, corporate records and other instruments, including any broker or seller representation letters submitted to us in connection with the aforementioned transaction, and have made such further investigation and inquiry relevant to the aforementioned transaction as we have deemed necessary to the opinions expressed herein. We have assumed that all certificates tendered have been properly endorsed, that all signatures on all documents submitted to us are genuine, that all documents submitted to us as originals are accurate and complete, and that all documents submitted to us as copies are true, correct and complete copies of the originals thereof.

Based on the foregoing, we are of the opinion that the sale of the Shares may be effected and that new certificates evidencing the Shares may be issued without a restrictive legend. Of course, any replacement certificates returned to the Stockholder should continue to bear all restrictive legends.

399596(1)/D

MSNY 025121

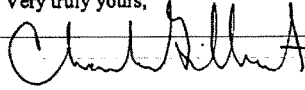
Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 842



3973

This opinion is being delivered to you for your sole use and benefit in connection with the
aforementioned transaction and may not be relied upon by any other person.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Charles S. Gilbert", written over a horizontal line.

Charles S. Gilbert

CSG/lf

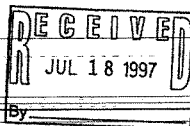
cc: Mark V. Beasley

3974

**JACKSON
WALKER**
L.L.P.

ATTORNEYS AND COUNSELORS
901 Main Street, Suite 6900, Dallas, Texas 75202
(214) 853-6000 Fax (214) 853-5822

Charles S. Gilbert
(214) 953-5674



July 11, 1997

Harris Trust Company of New York
77 Water Street
New York, New York 10005

Attention: Joseph McFadden

Re: Michaels Stores, Inc. (the "Company")

Gentlemen:

We understand that Quayle Ltd. (the "Stockholder") from June 30, 1997 through July 1, 1997 sold 300,000 shares (the "Shares"), and has submitted certificates representing some number of shares, of the common stock, par value \$.10 per share (the "Common Stock"), of the Company issued in the name of the Stockholder. We further understand that the Stockholder acquired the Shares in a private transaction.

In reaching the conclusions expressed in this opinion, we have examined and relied on such documents, corporate records and other instruments, including any broker or seller representation letters submitted to us in connection with the aforementioned transaction, and have made such further investigation and inquiry relevant to the aforementioned transaction as we have deemed necessary to the opinions expressed herein. We have assumed that all certificates tendered have been properly endorsed, that all signatures on all documents submitted to us are genuine, that all documents submitted to us as originals are accurate and complete, and that all documents submitted to us as copies are true, correct and complete copies of the originals thereof.

Based on the foregoing, we are of the opinion that the sale of the Shares may be effected and that new certificates evidencing the Shares may be issued without a restrictive legend. Of course, any replacement certificates returned to the Stockholder should continue to bear all restrictive legends.

1598299.1(7)/D

Austin • Dallas • Fort Worth • Houston • San Antonio

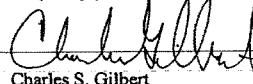
MSNY 008917

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 842

3975

This opinion is being delivered to you for your sole use and benefit in connection with the
aforementioned transaction and may not be relied upon by any other person.

Very truly yours,



Charles S. Gilbert

CSG/jf

cc: Mark V. Beasley

1598299.1(8)/D

MSNY 008918

**JACKSON
WALKER**
L.L.P.

ATTORNEYS AND COUNSELORS
901 Main Street, Suite 6000, Dallas, Texas 75202
(214) 953-6000 Fax (214) 953-5822

Charles S. Gilbert
(214) 953-5674
CGILBERT@JW.COM

October 27, 1997

Harris Trust Company of New York
77 Water Street
New York, New York 10005

Attention: Joseph McFadden

Re: Michaels Stores, Inc. (the "Company")

Gentlemen:

We understand that Elegance Ltd. and Devotion Ltd. (the "Stockholders") on or about October 22, 1997 sold 83,334 and 83,333 shares, respectively, (the "Shares"), and have submitted certificates representing some number of shares, of the common stock, par value \$.10 per share (the "Common Stock"), of the Company issued in the name of the Stockholders. We further understand that the Stockholders acquired the Shares from the issuer in private transactions prior to one year preceding the date of the sale of the Shares.

In reaching the conclusions expressed in this opinion, we have examined and relied on such documents, corporate records and other instruments, including any broker or seller representation letters submitted to us in connection with the aforementioned transaction, and have made such further investigation and inquiry relevant to the aforementioned transaction as we have deemed necessary to the opinions expressed herein. We have assumed that all certificates tendered have been properly endorsed, that all signatures on all documents submitted to us are genuine, that all documents submitted to us as originals are accurate and complete, and that all documents submitted to us as copies are true, correct and complete copies of the originals thereof.

Based on the foregoing, we are of the opinion that the sale of the Shares may be effected and that new certificates evidencing the Shares may be issued without a restrictive legend. Of course, any replacement certificates returned to the Stockholders should continue to bear all restrictive legends.

1598299.1(17)/D

MSNY 025087

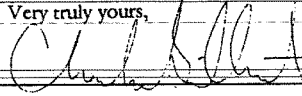
Austin • Dallas • Fort Worth • Houston • San Antonio

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 842

3977

This opinion is being delivered to you for your sole use and benefit in connection with the
aforementioned transaction and may not be relied upon by any other person.

Very truly yours,



Charles S. Gilbert

CSG/lf

cc: Mark V. Beasley

— Redacted by the Permanent
Subcommittee on Investigations

From: Schaufele, Louis J
Sent: Monday, September 24, 2001 12:28 PM
To: 'michael-nancy@
Cc: Cohen, Michael C
Subject: FW: Options

-----Original Message-----
From: kherington@hst.com
Sent: Monday, September 24, 2001 10:25 AM
To: Schaufele, Louis J
Subject: Options

Here is what Sam holds:

CA Option exp. 10/06 strike 25.071 - 859,185 sh.
CA Option exp. 3/07 strike 24.1835 - 112,680

MIKE Option exp. 3/04 - strike 17.9085 - 400,000 sh.
MIKE Option exp. 8/05 - strike 35.00 - 100,000 sh.

There is also 589,536 shares of MIKE held by Tallulah - margin balance of \$10,860,000 against it.

Let me know your thoughts - I think we are planning to sit back down with Sam later this week to discuss alternatives.

Thanks
Keeley

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

3979

From: Schaufele, Louis J
Sent: Friday, September 28, 2001 10:11 AM
To: 'sam wyly'; 'evan wyly'
Cc: 'keely hennington'
Subject: MIKE

I received the instructions from Keely on the MIKE sale. Obviously I am going to proceed, I need to cover some details with Keely first. Not to beat a dead horse but with the stock down what if I could give you 88% of the effective sales proceeds (approximately \$18.3mm) and you would have upside in the stock to 42 over the next two years (assuming the stock @ 35). In doing this you do not have a taxable event till 2003.

~~This message is for informational purposes only and is intended only for the designated recipient. It should not be relied upon or regarded as an offer to sell or as a solicitation of an offer to buy any product, as an official confirmation, or statement of Lehman Brothers or its affiliates. With respect to indicative values, no representation is made that any transaction can be effected at the values provided and the values provided are not necessarily the values carried on Lehman Brothers' books and records. Lehman Brothers shall not be liable in any respect for the provision of this information, its completeness or its accuracy.~~

3980

From: Foley, Bill
Sent: Wednesday, October 03, 2001 3:11 PM
To: Drummond, Teresa
Subject: RE: 837-20333 Devotion Ltd.

I just spoke to Matt. We're trying to track down Michael Cohen

-----Original Message-----
From: Drummond, Teresa
Sent: Wednesday, October 03, 2001 3:28 PM
To: Foley, Bill; Bowen, Matthew S; Anderson, Christopher
Subject: 837-20333 Devotion Ltd.
Importance: High

Bill, Matt and Chris,

Michael Cohen will be coming to talk to you about a trade that the above referenced account wants to do.

They currently own 762,000 shs. of Michaels Stores, they are not an affiliate

They want to purchase 589,000+ shs of Michaels on margin for a short period of time.

Devotion is doing a forward sale through derivatives to come up with the cash for the purchase but it will take about a week or so before the proceeds are available.

Can we do the trade, and can we do it sooner versus later?

Thanks,
T

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 844

CC 27640

From: Cohen, Michael C
Sent: Wednesday, October 03, 2001 3:28 PM
To: Schaufele, Louis J
Subject: RE: MIKE

haven't heard from Matt. Just got off from dennis.

mc

-----Original Message-----

From: Schaufele, Louis J
Sent: Wednesday, October 03, 2001 3:24 PM
To: Cohen, Michael C
Subject: MIKE

Let's go ahead and get the ok to be in the name. the purchaser is Devotion LTD. I take it you haven't heard from Matt.

This message is for informational purposes only and is intended only for the designated recipient. It should not be relied upon or regarded as an offer to sell or as a solicitation of an offer to buy any product, as an official confirmation, or statement of Lehman Brothers or its affiliates. With respect to indicative values, no representation is made that any transaction can be effected at the values provided and the values provided are not necessarily the values carried on Lehman Brothers' books and records. Lehman Brothers shall not be liable in any respect for the provision of this information, its completeness or its accuracy.

Confidential Treatment Requested

CC 27641

3982

From: Schaufele, Louis J
Sent: Wednesday, October 03, 2001 4:09 PM
To: Cohen, Michael C
Subject: Devotion LTD

Michele is out but I believe that one of the original trades we did was in Devotion LTD (over +5 years ago).

Devotion Limited is a non affiliate holder of Michael Stores and currently holds 752,000 shares clean and unmargined.

the address:

~~Devotion Limited~~
~~c/o Inter-Continental Management Limited~~
Prospect Chambers
Prospect Hill
Douglas, IOM
IM 1 1ET, British Isles

Telephone 44 1624 626561
Fax 44 1624 626580
E-Mail: mail@inter-continental.mcb.net

Principals (all are signatories):
Christopher Michael Allix- Director
Charles Colin Platten- Director/Secretary
Andrew Peter Wallis- Director

Please start the process of paperwork for a SPIE with 40% upside.

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From: Schaefer, Louis J
Sent: Wednesday, October 03, 2001 5:55 PM
To: Kelly Henington
Cc: Ewan Wyl
Subject: MIKE

In looking at a sale by an affiliate of MIKE and a purchase by a non-affiliate along with a forward sale by the same non-affiliate here are some observations.

1) If these could be done somewhat simultaneous then there would not be as much chance of risk to the non-affiliate. The risk to the non-affiliate is that if they purchase the stock at a higher price than they do the forward sale than they have risk. If the purchase was made at 42 and the forward sale was effected at 35 this probably would be a problem. In the forward sale Lehman is going to want to hedge (i.e. sell stock) themselves. This sale will become the reference price for the forward sale.

We think we may have a solution to this: the affiliate would sell their stock into the open market over the course of the day. After the close Lehman Bros. who need to sell stock would then cross the same amount sold by the affiliate to the non affiliate in London.

for example:

day one affiliate sells 200,000 shares in the open market @ 42
 Lehman sells 200,000 shares in London to the non-affiliate @ 42

we can talk further about this in the morning.

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From: Khanington@
Sent: Wednesday, October 03, 2001 7:37 PM
To: Cullen, Michele
Cc: M.B. Butler@
Subject: MIKE

Well you can't win for losing. Charles called at 4:45 today and was surprised that all the shares were not sold. I told him we got to the market a little late in the day and that I had instructed ya'll to trickle it out without causing any damage. Presumably he said the volume in the last hour or two or trading was 300,000 shares. All that said, can we move forward with selling the remaining shares as soon as possible tomorrow under the same instructions.

thanks

Let me know as soon as you hear on CA - there are different people mad about this one.

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 Subcommittee on Investigations

Confidential Treatment Requested

CC 27644

From: Schaufele, Louis J
Sent: Thursday, October 04, 2001 8:08 AM
To: Cohen, Michael C
Subject: status

I spoke with the family last night, they do understand that we will be collaring 20% more stock than Devotion would be purchasing. I talked thru the risk of not doing this simultaneously. Here, is a negative which they did not bring up but I bet Sam picks up on it. If Sam sells into the open market, he must comply with rules of an insider on selling versus he can cross it to Devotion. It means not as liquid and perhaps multiple filing. I also understand more why Sam won't do the forward, when we did the original collar on NIKE there was a lot of negative press (from page NY times), what would be the best is if we could effect our hedge into the open market then cross stock to Devotion as we get stock off on the US side or elsewhere (meaning if it could happen in London that is OK). Where are we on paperwork? What I am worried about is that if we make this to complicated then Sam is just going to sell. From a credit perspective I think that we could get Devotion to agree that if they do not get the forward done in X days we will raise the margin maintenance to 75%. I think Sam is going to want to get started selling his 588k today.

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3986

From: Schaufele, Louis J
Sent: Thursday, October 04, 2001 12:10 PM
To: Cohen, Michael C
Subject: RE: Affiliate status

give me a break, why can't it be a letter(this is not a big deal to the client but it is to me). I think we are being a little to zealous here. the only reason this happened is us explaining to them the transaction. we are over lawyering this. I am getting the lawyers name and he and Gordon can talk.

-----Original Message-----
From: Cohen, Michael C
Sent: Thursday, October 04, 2001 11:05 AM
To: Schaufele, Louis J
Subject: RE: Affiliate status

He is jammed right now. **REDACTED** I will try to find a time that works for him.

Mc

Sent from my Comstar Wireless Handheld (www.comstarinteractive.com)

From: Schaufele, Louis J
 Sent: Friday, October 05, 2001 9:09 AM
 To: Cohen, Michael C
 Cc: Wickham, John
 Subject: FYI

When we did the first Michaels Stores collar, to my recollection all of the parties were on shore entities. It was on the Sterling Software collar and options that we did derivative trades with the offshore entities (of which Davidson was one). Sam Wyl is a director of Sterling Software, just like he is in Michaels Stores. We have also done some arbitrage with these entities with the local intention. In 1996 we sold over 666,000 shares of SSW and in 1997 we sold over 400,000 shares of Michaels Stores. Davidson did not trade with us. We cannot proceed given that we have talked with the Michaels Stores outside company counsel and that they do not consider Davidson Ltd. an affiliate. Here we want to purchase stock and enter into a forward sale. I am assuming that this is a very profitable trade for the firm and really wonder what is going on here.

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 847

CC 27651

From: Cohen, Michael C
Sent: Friday, October 05, 2001 5:53 PM
To: Gittings, David
Cc: Bizer, David S
Subject: Devotion

Dave - Below are the facts to date on the devotion trade.

Devotion Ltd. wants to enter into a three year Pre-Paid Forward on Michael Stores. Devotion is an Isle of Man corp. that is owned by a trust whose beneficiary's are either children or grandchildren of Sam Wyly. The trust is run by independent trustees. Lehman ~~has done multiple trades - although not on MIKE - over the years with various similar entities set up by the Wyly's, (i.e., Samia, Greenbrier, Quayle, Roaring Fork, Moberly and Devotion).~~ This is the first time I have heard of Devotion, but we had a ISDA in place from earlier trades on Sterling Software done while Sam was an affiliate of that company.

As with all trades we do where we are borrowing the client's shares and desire to have a physical settlement option, we need to be satisfied that the client is not an affiliate of the issuer. The client is willing to represent to us that it is not an affiliate and Michael Stores counsel, Bob Eastep of Jones Day, has spoken to Gordon on the issue. Bob told Gordon that Devotion is not considered an affiliate by Michael Stores. However, he also indicated that he did not necessarily agree with that determination. Gordon rightly requested more comfort on the issue. It was hoped comfort would come in the form of an opinion.

This afternoon we spoke with the Bob Eastep and a colleague who has a securities background, John McCaferty, and Rodney Owen who is counsel for Devotion. They all reiterated that the client was not an affiliate of MIKE.

REDACTED

REDACTED

Since none of these attorney's have been asked to ever investigate those details, they could not render the opinion we have asked for.

I believe Lou Schaufele, the broker in Dallas who works with both Sam and Devotion, is in the best position internally to talk about the clients past action to see if they act in concert.

Additionally, Lehman has a history on Michael Stores where "on shore" affiliates entered into collar transactions. While these trades happened prior to my joining the firm, I understand that the company reported negative news and the stock fell sharply. Since that time I have spoken to Mark Sanborn on every trade we have done with entities related to the Wyly's in order to make sure Lehman is comfortable trading. In every case we have been comfortable.

Siggi has spoken with Mark Sanborn about this trade and Mark has said that he was comfortable doing the trade if we make certain that the documentation is right and that the client is not an affiliate. (Siggi can probably expand on this if necessary).

One other fact has come to light this afternoon. Lou has in his files copies of 144 paperwork from Devotion in 1998 when they sold shares of MIKE. These papers indicate that the stock was being sold under rule 144 because the shares had been acquired in a private transaction from an affiliate and were thus restricted by the rule. Under the question on the form 144 Relationship to Issuer, the client wrote, "NA". They also have 144k paperwork requesting the legends being removed at some later date as they were not considered affiliates and had held stock for the required time period. I assume an opinion was written at this time by company counsel for MIKE in order to instruct the transfer agent to remove the legends. This could probably put into the category of interesting but not particularly relevant.

REDACTED

REDACTED

I do not believe we will get an opinion.

Please call me with questions. Have a good weekend.

Michael
Tracking: Recipient
 Gittings, David
 Bizer, David S

3989

Crittenden, Michele

From: Schaufele, Louis J
Sent: Friday, October 05, 2001 3:50 PM
To: Crittenden, Michele
Subject: FW: heads up
Importance: High

-----Original Message-----

From: Schaufele, Louis J
Sent: Friday, October 05, 2001 3:48 PM
To: Folgasas, Edward
Cc: Haney, Kurt
Subject: heads up
Importance: High

I just wanted to give you a heads up on a situation: We have an offshore entity Devotion Ltd. (they are and offshore corporation that is owned by a trust whose beneficiaries are some members of the Wylly family) who wants to do a forward sale on 600k of Michaels Stores. Sam Wylly is a director/insider at Michaels Stores. Lehman's counsel is of the opinion that Devotion is therefore an affiliate. Now we have had a conference call with Gordon Kiesling (LB), Russ Hackmann (LB), Michael Cohen (LB), John McCaferty (Michaels Stores outside counsel), Bob Eastep (Michaels Stores outside counsel), Rodney Owens (tax counsel for Devotion and the Wylly's) and myself. Basically (this is my read on the situation) the company counsel and Devotion Ltd. counsel said that they are not an affiliate but that getting an opinion would probably be time consuming and expensive. As a little history, we have done derivative trades for this entity and other offshore entities in the past in companies that the Wylly's control. Also in the current Michaels Stores proxy Devotion is not listed as an affiliate and on sales that we have done in the past where Devotion filed 144 forms they have stated they are not an affiliate. I don't want to jeopardize the firm but I do believe that we are getting a little "over lawyered" and in not doing this trade I believe would cause some serious problems in Lehman's relationship. I can tell you that in my dealings with these entities for the past 5+ years you do not talk offshore business with the family and all dealings/orders come via phone and fax from the offshore directors and to me everything appears in order.

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From: Schaufele, Louis J
Sent: Thursday, October 04, 2001 8:08 AM
To: Cohen, Michael C
Subject: status

I spoke with the family last night, they do understand that we will be collaring 20% more stock than Devotion would be purchasing. I talked thru the risk of not doing this simultaneously. Here, is a negative which they did not bring up but I bet Sam picks up on it. If Sam sells into the open market he must comply with rules of an insider on selling versus he can cross it to Devotion. It means not as liquid and perhaps multiple filing. I also understand more why Sam won't do the forward, when we did the original collar on MIKE there was a lot of negative press (front page NY times). what would be the best is if we could effect our hedge into the open market then cross stock to Devotion as we get stock off on the US side or elsewhere (meaning if it could happen in London that is ok). Where are we on paperwork? What I am worried about is that if we make this to complicated then Sam is just going to sell. From a credit perspective I think that we could get Devotion to agree that if they do not get the forward done in X days we will raise the margin maintenance to 75%. I think Sam is going to want to get started selling his 589k today.

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1

<p>Permanent Subcommittee on Investigations</p> <p>EXHIBIT #66 - FN 850</p>
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CC 031033

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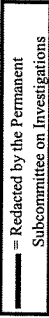
From: khennington@
Sent: Tuesday, October 09, 2001 5:24 PM
To: Schaefele, Louis J
Subject: Forward

Well, Evan just called and said Sam has decided to not go forward with the forward sale or the call spread. He said he was sorry for wasting everyone's time, but had just thought more about the transaction and was happy with what was done last week and just wanted to leave it at that. Give me a call if you want to discuss

Thanks

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From: Haney, Kurt
 Sent: Friday, October 26, 2001 3:57 PM
 To: Cohen, Michael C
 Cc: Harris, Virgil E; Schaufele, Louis J; Blizer, David S
 Subject: RE: heads up



MICHAEL,

I need to get the details on the ally's opinion as it relates to the offshore entity being an affiliate. It seems like we have done trades in the past without issues. The Wyly groups internal counsel does not consider them an affiliate. This relationship has been exclusive to Lehman in the past. Mr. Wyly is not going to bitch and moan, if we make it to difficult to do business here, without emotion he will take his business across the street. We do not want that!! Lou said it felt like we got over Lawyered on the last enquiry.

They could possibly come in next week and want to do something in this account. I would like to be proactive and get the issue put to bed so Lou could go back to them next week and tell him that the affiliate issue will no longer be a problem. Getting that done may require us to get Ed or Charlie involved to make a business decision. This is very important to me and to the team, we may have to jerk some chains but we need to get this resolved. Come back to me with some suggestions as to what you and Dave think we should do next. I do not want to wait for WYV to come back to us until we have the problem solved. I will be at a conference on 10/29 and 10/30. You can reach me on my cell phone # 214 [REDACTED]

Thanks Kurt

-----Original Message-----
 From: Schaufele, Louis J
 Sent: Friday, October 26, 2001 3:46 PM
 To: Fallick, Edward
 Cc: Haney, Kurt
 Subject: heads up
 Importance: High

I just wanted to give you a heads up on a situation: We have an offshore entity Devolcon Ltd. (they are and offshore corporation that is owned by a trust whose beneficiaries are some members of the Wyly family) who wants to do a forward sale on 00K of Michaels Stores. Sam Wyly is a director/insider at Michaels Stores.

REDACTED

Now we have had a conference call with Gordon Kiesling (LB), Russ Hackmann (LB), Michael Cohen (LB), John McCaffery (Michaels Stores outside counsel), Bob Easlep (Michaels Stores outside counsel), Rodney Owens (tax counsel for Devolcon and the Wylys) and myself. Basically (this is my read on the situation) the company counsel and Devolcon Ltd. counsel said that they are not an affiliate but that getting an opinion would probably be time consuming and expensive. As a little history, we have done derivative trades for this entity and other offshore entities in the past in companies that the Wylys control. Also in the current Michaels Stores proxy Devolcon is not listed as an affiliate and on sales that we have done in the past where Devolcon filed 144 forms they have stated they are not an affiliate. I don't want to jeopardize the firm but I do believe that we are getting a little "over lawyered" and in not doing this trade I believe would cause some serious problems in Lehman's relationship. I can tell you that in my dealings with these entities for the past 5+ years you do not talk offshore business with the family and all dealings/orders come via phone and fax from the offshore directors and to me everything appears in order.

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From: Spears, Jeff C [REDACTED]
 Sent: Sunday, September 09, 2001 11:12 PM
 To: Sailors, Thomas
 Subject: Fw: Re: next steps??

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Looks good.

 Sent from my BlackBerry Handheld.

-----Original Message-----

From: Lee Schaufele [REDACTED]
 To: Spears, Jeff C [REDACTED]
 Sent: Sun Sep 09 16:36:07 2001
 Subject: Re: next steps??

I think that we have made the decision. So we need to talk some logistics. I know that you need our "leaves statements", w-2 and check stub [REDACTED] and I talked and given that the market stinks but probably more importantly we really haven't tried to do anything since we started talking seriously with you, so if it is ok I am going to give you our check stub as of 6/30. We did do business in July and August I just don't think it is representative). The other things that I can think about is: staff- currently we have 3 sales assistants, 1 clerical person (travel, insurance gets lunch...) and 2 analyst for our core product [REDACTED] one of the analyst just got his CFA and the firm pays him [REDACTED] and we are paying him [REDACTED], the other is the computer whiz and does a great job. We would like to bring everyone but there are a couple of issues, most importantly we don't want to do anything that would cause [REDACTED] to rescind the stock that we have already vested (I want your legal people to look at this and we are having our attorneys look at it as well, [REDACTED] took [REDACTED] and [REDACTED] and it did not seem to be a problem) Alos the CFA analyst is now probably over qualified for what we need and although we still will have the core it isn't going to be a focus. The problem is I just don't think that we could leave him behind, I doubt [REDACTED] want him or any of our team but I really don't know what to do there. So you need to think of something in that regard. [REDACTED] and I talked about seeing if [REDACTED] could come over to BAC on a part time basis and help get things together for our clients, she could also learn your systems so that she could help our staff (I assume you remember her @ FEC) we don't know if she could do it but just a thought. From a timing perspective I don't think we could get everything together for ??30 days. I know we don't want to rush this. I am having my secretary [REDACTED] (she is the only one who knows what is going on, so if you need anything you can talk to her) get together documents and place them in my briefcase and then I need to get them copied (does [REDACTED] have someone who could do this for us) and I could bring back next day, pretty 007ish but I don't want to jepordize any of the staff. I assume that whatever our staffs base salary is that it won't be a problem (my problem is going to be to get those numbers). Obviously we will have to talk to our accounts but again that can be over the next few weeks. I will have to go to Isle of Man after we arrive, I have several offshore accounts (some Wyly related). One thing that you mentioned when [REDACTED] left was Maverick, what were you thinking there, I know [REDACTED] would want your best and brightest but I do think I can help there (maybe a quarterback role??) I think that [REDACTED] is great but on any issues that we have I want to discuss that with you if I have a problem. We probably need to give [REDACTED] another alias, just tell him to call as [REDACTED] and don't give a last name. I will alert [REDACTED] I am really excited about this and look forward to working at BAC but I know that the next 30-60 days are going to suck. We are going to need to talk, if it is at all possible can you get to dallas in the near term, maybe for dinner ([REDACTED] you and I)? my palm is broken

----- Original Message -----

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 853

BA 0548

3994

From: "Spears, Jeff C" <[REDACTED]>
To: <leeschaufele[REDACTED]>
Sent: Saturday, September 08, 2001 1:42 PM
Subject: Re: status

[REDACTED] = Redacted by the Permanent
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> What is a good number to reach ou? I will call you tomorrow afternoon.
> I talked to [REDACTED] and he really wants to work this out! He thought your
> meeting went very well..
> -----
> Sent from my BlackBerry Handheld.
>
>

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>

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>

>

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From: Spears, Jeff C [REDACTED]
Sent: Sunday, October 07, 2001 12:12 PM
To: Wallace Jr., Kenneth C.
Subject: FW: Checking In

GREAT NEWS!!! Please look into this first thing on Monday and be ready for a call from Lou.

Thanks

Jeff Spears
Banc of America Securities LLC

-----Original Message-----

From: Lee Schaefe [REDACTED]
Sent: Saturday, October 06, 2001 7:20 AM
To: Spears, Jeff C
Subject: Re: Checking In

[REDACTED] what
i wanted your numbers about is i may have a trade for you guys. a forward
sale in MIKE. For kicks you might just price 3yr fwd with 40% upside. you
can use my stock to borrow, clean and non affiliate. this is for an offshore
corporation (Isle of Man). The OC is owned by a trust whom the
beneficiaries are Wyly family children/grandchildren. MIKE's counsel has
said that they do not consider it an affiliate, they are not listed in the
proxy but our legal eagles want something more which is ridiculous. I still
may get it to happen but... I think that this gives me a great reason to
talk with Sam. On another note I think that it will be a tough but great
game. talk with you next week, on the mike, make ken wallace aware of the
request and if i need anything on it i will call ken.

thanks

----- Original Message -----

From: "Spears, Jeff C" [REDACTED]
To: "Lee Schaefe" <[REDACTED]>
Sent: Friday, October 05, 2001 6:15 PM
Subject: RE: Checking In

> [REDACTED]
>
> Jeff Spears
> Banc of America Securities LLC
>
>
> -----Original Message-----
> > From: Lee Schaefe [REDACTED]
> > Sent: Friday, October 05, 2001 3:27 PM
> > To: Spears, Jeff C
> > Subject: Re: Checking In
> >
> > I may need to talk to you this week end. Leave me some numbers where and
> > how
> > i can reach you. also i have not gotten the rsu comments.
> > thanks
> > ----- Original Message -----

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 854

Confidential Treatment Requested

BA 05734

From: Schaufele, Louis J.
Sent: Thursday, February 14, 2002 11:59 AM
To: 'michelle boucher'
Subject: accts.

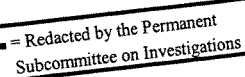
I wanted to show you what I have sent to Charles and Sam:
Memo to: Charles and Sam Wylly
From: Lou Schaufele


I spoke with Keely yesterday and I would like to thank you for your support. One of the things that Keely brought up was the confidentiality issue between accounts and the bank. That is something that I am very aware of. There is a "Chinese wall" between the security side and bank side. In coming to a new organization we do not have the history that we had at Lehman (which is a good thing). Each entity is going to be a totally separate entity without any linkage. While we were at Lehman it evolved to the point that Lehman viewed some of the accounts (off and on) as linked. They went as far as getting the counsel for Michaels on the phone to see if they viewed the offshore accounts as affiliates. Even though the counsel did not view the offshore as affiliates, Lehman chose to treat them as affiliates. Should the offshore accounts come here they would come as independent new entities, which I would work to maintain. Again I just wanted to let you know that I am very aware of the situation and will work accordingly. Again thanks for your confidence.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 856


BA 0563:


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From: Keeley Hennington
Sent: Wednesday, February 20, 2002 6:15 AM
To: "Michelle Boucher" < >
Cc: Shari Robertson
Subject: Re: Fw: Lehmans

I had this discussion with Lou last week and he wrote a memo to Sam and Charles addressing ~~this issue and that there is no sharing of information between the bank side and the broker side.~~ He actually thinks this will be better at BoF A because they have never dealt with Michelle's accounts whereas Lehman was beginning to view all as one big entity (as evidenced by the problems we had on the MIKE swap we worked on earlier in the year). I guess only time will tell if it is going to be a problem, but Lou is very aware of the potential for problem and has promised to keep separation.

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"Michelle Boucher" < >
 02/19/02 07:26 PM

To: <khennington@ >
 cc:
 Subject: Fw: Lehmans

I think SW/CJW have thought about this re: chinese walls, but here's Shari's comments.
 Michelle
 ----- Original Message -----
 From: <shari_robertson@ >
 To: "Michelle Boucher" < >
 Sent: Tuesday, February 19, 2002 6:34 PM
 Subject: Re: Lehmans

>
 > I'll need to ask Lee on Blake/Lynchburg. The only concern I have,
 > which the Wyly's should consider also, is that my banker (where I
 > borrow money) is now affiliated with my broker (where the bulk of my
 > assets are). Okay to move Vasper.
 >

>
 > The information contained in this e-mail message is intended only for

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 SEC_ED00009278

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 856

PSI ED00009278

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> error, please notify us immediately by e-mail, and delete the original
> message.

>
>
>
> "Michelle
> Boucher" To:
<shari_robertson@redacted>
> cc:
> Subject: Lehmans

02/19/02 01:08
PM

>
>
>
> Lou's move to BofA was final last week. Sam & Charles have consented to
> moving all their stuff with him. I'll copy you on Keeley's email
> confirmation to me. CJW had some confidentiality issues and Lou
> addressed them for him.

> Please confirm we should move Blake/Lynchburg as well as Chisholm/Vasper.

> Lou is planning on travelling to IOM to ensure everything is properly
> executed and pay everyone over there a visit.

> Michelle

Confidential
SEC_ED00009279

PSI_ED00009279

— = Redacted by the Permanent
Subcommittee on Investigations

From: Kellen, Cindy L. [REDACTED]
Sent: Tuesday, February 19, 2002 10:45 AM
To: Harris, Virgil E.; Schaufele, Louis J.
Cc: Sailors, Thomas
Subject: Registrations

Lou/Virgil,

Lou is the only member of your team that is effective with BAS as of Monday, Feb. 19th, which means that only Lou is authorized to enter orders, open accounts, speak to clients (i.e. function as a broker) at this time. We are working to get the other members of your team effective with BAS as soon as possible. Please let me know if you have any questions.

Thanks

Cindy L. Kellen
Vice President
Sales Supervisor
Banc of America Securities
214- [REDACTED]
Fax Sr. 214- [REDACTED]

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of Banc of America Securities LLC. BAS does not accept orders to buy or sell securities via e-mail.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 857

Confidential Treatment Requested

BA 0562

Header

Draft of April 5, 2005**SETTLEMENT AGREEMENT**

This Settlement Agreement (this "Agreement"), effective as of April __, 2005, is entered into by and among ~~Michael's Stores, Inc., a Delaware corporation (the "Company"), and Charles I. Wyly, Jr. and Sam Wyly (each an "Insider" and collectively, the "Insiders").~~ From time to time the Company and the Insiders may be referred to individually as a "Party" or collectively as the "Parties."

RECITALS:

A. WHEREAS, each Insider has been and continues to be subject to the reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934 ("Section 16") with respect to transactions involving the Company's securities; and

B. WHEREAS, the Company was recently advised of potential issues that may exist under Section 16 related to trading activities in the Company's securities by certain irrevocable non-U.S. trusts and related corporate subsidiaries affiliated with the Insiders (the "Affiliated Entities") during the period [] through and including [] (the "Transaction Period"), which transactions may be attributable to the Insiders for short-swing liability purposes under Section 16 (the "Transactions"); and

C. WHEREAS, the Insiders have informed the Company that, with the assistance of counsel, each has concluded that he may be deemed to beneficially own certain securities of the Company currently or previously held directly or indirectly by the Affiliated Entities, which ownership may have resulted in one or more of the Insiders being deemed to have engaged in transactions in the Company's securities in a manner inconsistent with the trading restrictions established by Section 16; and

D. WHEREAS, the Company and the Insiders each desire to resolve any past, current and future disputes and claims among them arising from or related to transactions in the Company's securities engaged in by the Insiders and/or the Affiliated Entities that may have been inconsistent with Section 16 during the Transaction Period; and

E. WHEREAS, the Company and each of the Insiders acknowledge that the settlement contemplated by this Agreement (i) was fairly and honestly negotiated and (ii) represents a fair and reasonable resolution of any potential disputes or claims under Section 16 among the Parties relating to the Transactions.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises, mutual promises, covenants, conditions and obligations set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Payment of Section 16 Short-Swing Profits. For purposes of settlement and without

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 862

MSNY-9 000714

admitting any violation of Section 16, each of the Insiders hereby agrees to promptly pay the Company his pro rata share of any Section 16 short-swing profit liabilities that the Company may in good faith determine is recoverable by the Company as a result of the Transactions as reported by the Insiders in Section 16 reports filed with the Securities and Exchange Commission as provided in Section 2 below. Each Insider further agrees, within thirty (30) calendar days after receiving notice from the Company that the independent directors of the Company (with the assistance of senior management) have determined the Insider's pro rata share of the Section 16 short-swing profit recoverable by the Company in connection with the Transactions, to deliver to the Company, in cash or other immediately available funds, the amount set forth in the Company's notice to the Insider.

2. Reporting Obligations of Insiders. In connection with the settlement contemplated by this Agreement, each Insider agrees to make all filings with the Securities and Exchange Commission as may be required under Section 16 (and the rules promulgated thereunder) to fully and completely disclose the Transactions, which filings will be made as soon as practicable.

3. Release. In connection with the settlement contemplated by this Agreement, the Company hereby agrees to release and discharge forever the Insiders and each of their representatives or agents from all liabilities, claims and demand rights the Company may have under Section 16 against the Insiders arising out of the Transactions and related activities during the Transaction Period.

4. Agreement Does Not Control Undisclosed Transactions. The Parties acknowledge and agree that this Agreement does not apply to any transactions in Company securities undisclosed to the Company that may potentially violate Section 16. The Company retains all of its rights and remedies with respect to any undisclosed transactions in the Company's securities by the Insiders and/or the Affiliated Entities, during the Transaction Period or otherwise, that may be inconsistent with the requirements of Section 16.

5. Authority to Enter into Agreement. Each Party represents and warrants that, as of the date of this Agreement, such Party has the right and authority to execute this Agreement. Each Party further represents and warrants that such Party has had the opportunity to consult with, and has consulted, legal counsel in connection with the negotiation and execution of this Agreement.

6. Notices. Any notices and communications permitted or required to be made under this Agreement will be in writing and will be delivered personally, or sent by registered or certified mail, to the intended Party at the Party's address set forth below or at such other address as may be supplied in writing. The date of personal delivery or the date of mailing, as the case may be, will be the date of such notice or communication:

If to the Company:

Michaels Stores, Inc.
8000 Bent Branch Drive
Irving, Texas 75063
Attention: Secretary
Telephone: (972) 409-1300

If to the Insiders:

Attention:

MSNY-9 000715

Telephone: () _

7. No Waiver. The failure of any Party to insist on strict performance of a covenant hereunder or of any obligation hereunder will not be a waiver of that Party's right to demand strict compliance therewith in the future, nor will the same be construed as a novation of this Agreement.

8. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Parties with respect to the subject matter hereof. Any oral representations or modifications concerning this Agreement will be of no force or effect unless contained in a subsequent written modification signed by the Party to be bound thereby.

~~9. Amendments. This Agreement will not be modified or amended except by an instrument in writing signed by all Parties.~~

10. Governing Law. This Agreement will be interpreted and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof.

11. Severability. If any one or more provisions of this Agreement are found to be illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

12. Headings. The descriptive headings contained herein are for convenience only and will not control or affect the meaning, interpretation or construction of any provisions of this Agreement.

13. Drafting. The Parties agree that this Agreement shall be construed without regard to the drafter of the same and shall be construed as though each Party participated equally in the preparation and drafting of this Agreement.

14. Counterparts. This Agreement may be executed in counterparts, each of which will be an original, but all of which together will constitute one instrument.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE TO FOLLOW]

4003

Page 4 of 4

IN WITNESS WHEREOF, the Company and the Insiders have each executed this Agreement as of the date first written above.

MICHAELS STORES, INC.

By:
Name:
Title:

CHARLES J. WYLY, JR.

By:
Charles J. Wyly, Jr.

SAM WYLY

By: _____
Sam Wyly

Footers

DLJ-5912938v1
DLJ-5912938v1
DLJ-5912938v1

MSNY-9 000717

4004

Attn: Sharif

MARK TO MARKET PRICES
11/28/95

SSW \$53.50
MIKE \$15.625

<u>DESCRIPTION/SSW</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
300M Put \$40.491	02/17/98	\$2.77
300M Call \$70.00	02/17/98	(\$6.55)
✓ 900M Put \$40.176	03/31/98	\$2.79
✓ 900M Call \$70.00	03/31/98	(\$6.91)
✓ 942M Put \$39.20	02/08/99	\$3.02
✓ 471M Call \$71.7756	02/08/99	(\$8.87)

<u>DESCRIPTION/MIKE</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
1800M Put \$28.56	02/23/98	\$21
1800M Call \$48.23	02/23/98	(\$11.69)

<u>DESCRIPTION/SSW Calls</u> <u>(Elegance & Devotion)</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
✓ 500M Calls @ 41.08	Asian expiration	\$17.67

THE ABOVE SUMMARY/PRICES/QUOTES/STATISTICS CONTAINED HEREIN HAVE BEEN OBTAINED FROM SOURCES
BELIEVED RELIABLE, BUT ARE NOT NECESSARILY COMPLETE AND CANNOT BE GUARANTEED. ERRORS AND
OMISSIONS EXCEPTED.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 039125

4005

Attn: Chris McGungan - 7:00 AM

MARK TO MARKET PRICES
12/12/95

SSW \$
MIKE \$

<u>DESCRIPTION/SSW</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
300M Put \$40.491	02/17/98	
300M Call \$70.00	02/17/98	
900M Put \$40.176	03/31/98	
900M Call \$70.00	03/31/98	
942M Put \$39.20	Asian Exp 09/88 to 02/08/99	
471M Call \$71.7756	02/08/99	

<u>DESCRIPTION/MIKE</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
1800M Put \$28.56	02/23/98	
1800M Call \$48.23	02/23/98	

<u>DESCRIPTION/SSW Calls</u> <u>(Elegance & Devotion)</u>	<u>EXPIRATION</u>	<u>MARK TO MARKET</u>
500M Calls @ 41.08	Asian Exp. 04/11/97 to 07/97	

THE ABOVE SUMMARY/PRICES/QUOTES/STATISTICS CONTAINED HEREIN HAVE BEEN OBTAINED FROM SOURCES BELIEVED RELIABLE, BUT ARE NOT NECESSARILY COMPLETE AND CANNOT BE GUARANTEED. ERRORS AND OMISSIONS EXCEPTED.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 866

CC 039139

4006

— = Redacted by the Permanent
Subcommittee on Investigations

WYCHWOOD TRUST LIMITED

FACSIMILE TRANSMISSION

TO : Lehman Brothers DATE: 13 July 1995

FROM : Shaun F Cairns

FAX REF. : WTL 212/95

FAX NO. : 1 214 [REDACTED]

ATTENTION : Lou Schaufele / Suzanne Snively

NUMBER OF PAGES INCLUDING THIS PAGE: 3

We are transmitting on facsimile number [REDACTED] (International Code 44 1624). If you do not receive this message completely please contact us on telephone number [REDACTED].

Attached please find the new account information for the following companies:-

Devotion Limited
Elegance Limited

If there is any further information you may require please do not hesitate to contact me. I have noted that you have purchased 90 000 options at a price of \$9.78 / share.

Kind regards



01624824878 P.01

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

13-JUL-1995 15:54

CC 038274

OFFICE COPY

[illegible]

Confidential Treatment Requested

4009

CORRECTED COPY

LEHMAN BROTHERS

To: Shaun Cairns
From: Lou Schaufele
Date: July 27, 1995
Re: SSW Calls

We have now completed the hedge on SSW. You should expect paperwork in your office on July 28, 1995.

The net cost of the calls is \$10.044. At a 55% equity requirement, the net due on the trade for Elegance and Devotion combined is \$2,762,000.00. We must receive payment by Monday, July 31, 1995. Please send the money as follows:

SB 2,762,100.00

Chemical Bank/NYC
ABA 021000128
FBO Lehman Brothers Finance
A/N 066196566

Please call me or Cindy Murdock if you have any questions. Thank you.

8/

Jon Smyde - 212-526-6072
~~212-624-4998~~
Dave Halasz
212-526-0107

4010

LEHMAN BROTHERS

To: Shaun Cairns
From: Lou Schanfele
Date: July 27, 1995
Re: SSW Calls

We have now completed the hedge on SSW. You should expect paperwork in your office on July 28, 1995.

The net cost of the calls is \$10,044. At a 55% equity requirement, the net due on the trade for Elegance and Devotion combined is \$2,762,000.00. We must receive payment by Monday, August 31, 1995. Please send the money as follows:

Chemical Bank/NYC
ABA 021000128
FBO Lehman Brothers Finance
A/N 066196566

Please call me or Cindy Murdock if you have any questions. Thank you.

Jeen will fax a copy of docs.
When documents come in, courier
over —

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038396

4011

LEHMAN BROTHERS

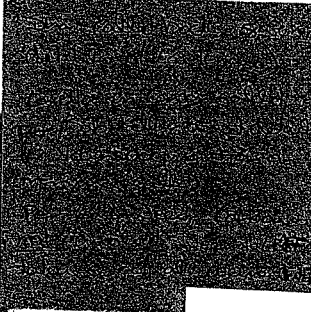
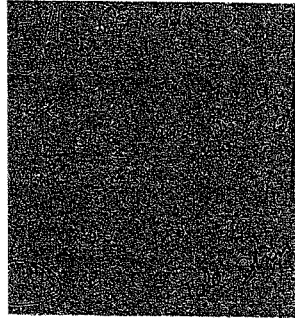
To: Shaun Cairns
From: Lou Schaefe
Date: July 25, 1995
Re: Devotion, Ltd. and Elegance, Ltd.
Marginability of SSW Calls

I have gotten our credit department to agree to margin the SSW calls. Their terms call for an initial equity requirement of 50%; however, they want a 50% maintenance*, as well. I would suggest that you over-collateralize the position so that we don't have a small amount of dollars flowing through the account back and forth.

We are almost through completing our hedge, so you should expect paperwork shortly. The paperwork will outline the specifics of the transaction. I will give you prices and amounts so you can arrange for payment.

Please call me if you have any questions. Thank you.

*Daily Mark-to-market



- Nothing to do yet til
hedge is finished & trades
are booked
- Then we will call
client w/ payment info

Confidential Treatment Requested

CC 038397

WYCHWOOD TRUST LIMITED**FACSIMILE TRANSMISSION**

TO : Lehman Brothers DATE: 25 July 1995

FROM : Shaun F Cairns

FAX REF. : WTL 238/95

FAX NO. : [REDACTED]

ATTENTION : Louis J Schaefe

NUMBER OF PAGES INCLUDING THIS PAGE: Cover only

We are transmitting on facsimile number 01624 824070, (International Code 44 1624). If you do not receive this message completely please contact us on telephone number 01624 824011.

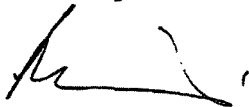
Re:- SSW calls

Thank you for your fax of 21 July 1995. Could you please divide the pot up as follows:-

Devotion Limited 2/3
 Elegance Limited 1/3

Please let me know the payment details and I will arrange payment when due.

With kind regards



Jeen Pae Krow



4013

LEHMAN BROTHERS

To: Shaun Cairns

From: Louis J. Schaefe *LS*

Date: July 21, 1995

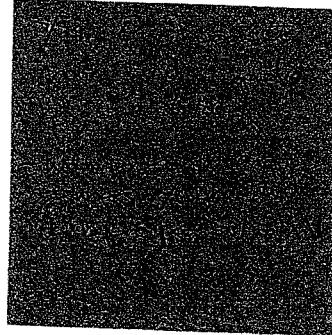
Re: SSW calls

We are approximately 85% complete on the purchase of 500,000 shares of call options on
--Sterling Software-- We ultimately will need to know the breakdown of ownership of such calls
for Elegance, Ltd. and Devotion, Ltd. Once we have completed our hedge, we will then ticket
the transaction and can discuss payment at that time.

We opened TMS accts &
then I realized this was
to be billed to General Co. &
said he wanted to leave
the TMS accts opened.
(Warner will not do this).
Whenever the trade gets
billed, they will send
payment to General Co.
follows.

*Chemical
02/03/98
UP Finance
06/19/96*


F-11



Confidential Treatment Requested

CC 038399

LEHMAN BROTHERS

DATE: July 17, 1995
 TO: Mike Butler
 FROM: Lou Schaufele 
 RE: OTC options on Sterling Software (SSW)

Per our conversation, the following transactions are pending:

1. I have received an order to purchase call options on 500,000 shares of SSW. The description is 2 year at-the-money calls. To date we have purchased calls on 210,000 shares. The cost is approximately \$10/contract. The client is an offshore entity domiciled in the Isle of Man. (The two specific names are Elegance Ltd. and Devotion Ltd.) The client would like to margin the calls at a 50% advance rate. The client is happy to have a daily mark to the market. I would suggest that we set some minimum maintenance so that we are not constantly moving money back and forth.

Please determine what sales credit is in this trade.

2. "Ratcheting" up of put strike on SSW collar - We stepped put up to \$36 from \$31.82. The cost to do this was \$1.6422 which includes a .02 mark-up by me. Please also determine what type of sales credit is in this trade.

cc: Bob Teller

LEHMAN BROTHERS

①

Get Acct opened for
new wily offshore

make sure
Jean has
booked acct
into these acct.

talk w/

Shaun Cairns (Este of Man)

Phone

44-1624-824011

this is where we bot
90M ^{call} options on S&P

1995 JUL 12 PM 5:48

Jean has info
to open accts/Not
opened yet
Trades not yet booked

②

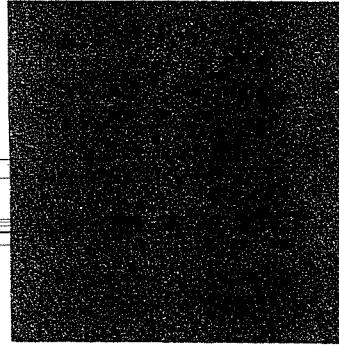
Call Kathy @ Maverick

Tell her to call French and
let him know I had early NY
meeting (found out about last wite)
went early. \$ Tell him we will

have car for him (have Kenny ^{give}
change instructions) Also get him ^{give}
address of office. He's on 8:15 flight ^{Tim}
over AME to Lag.

I haven't verified
customer of within
list.

Elegance Ltd
Devotion Ltd.



This is going to be 102
new acc'ts (demo's faxed
to him). He will be a
~~the~~ Ronald Buchanan
clone. LW said we
would probably open the
acc't. Wed. You can
then file our rolodex
card.

5000 contracts
to whole order

exp pol: 10¢

5/c .05 (more p
issues)

24 mos exp

4017

CORRECTED COPY

LEHMAN BROTHERS

To: Shaun Cairns

From: Lou Schaufele

Date: July 27, 1995

Re: SSW Calls

We have now completed the hedge on SSW. You should expect paperwork in your office on July 28, 1995.

The net cost of the calls is \$10.044. At a 55% equity requirement, the net due on the trade for Elegance and Devotion combined is \$2,762,000.00. We must receive payment by Monday, July 31, 1995. Please send the money as follows:

Chemical Bank/NYC
ABA 021000128
FBO Lehman Brothers Finance
A/N 066196566

Please call me or Cindy Murdock if you have any questions. Thank you.

FYI - Terms call
for rate as margin
of 1mo Libor + 1 7/8
to be paid monthly.
I'll prob need to help
up w/ int \$ raising
in sep will be on 8/31

8/21 Jon will ck
w/ Jean. He didn't
know.

Pend for 8-21
for me

(Rest of papers are
filed in E)

Confidential Treatment Requested

CC 038403

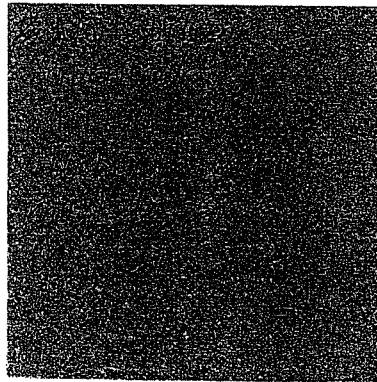
837-20332
20333

Please mail copies of
stmts from July of
1995 through now as
follows

DJ Moore
Tident Trust Co
100 Market St.
P. O. Box 175
Douglas, Isle of Man
IM199 1TT

Done
04/16

01624620528



12/18/95 12:03 LEHMAN BROTHERS -> 912147209464

NO. 713 P002

To: J. Kase
From: B. Brittain
Re.: Increased loans to "Devotion" and "Elegance"
Date: 18 December 1995

cc.: Craig Schiffer
John Mosler

I intend to ask credit for permission to increase loan amounts to Devotion and Elegance. On 13 November 1995, these two Isle of Man counterparties bought two year calls on 500,000 shares of Sterling Software at a strike price of \$41 per share to raise \$10 per share. We agreed to lend them 50% of the cost of these calls and obtained from them the right to call for collateral should the value of the outstanding loan ever exceed 55% of the mark to market value of their position.

Sterling Software is now trading above \$55 per share and the options' market value exceeds \$11 million. the outstanding loan value is \$2.3 million.

As long as the value of the loan exceeds 55% of the mark to market value of their position, we would like to roll all interest payments into the principal amount of the loan.

Attached please find a statement of all outstanding option and loan situations with counterparties which have connections -- however remote -- with Sam Wylly.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038440

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

— = Redacted by the Permanent Subcommittee on Investigations

LEHMAN BROTHERS EQUITY DERIVATIVES

SSW - SE OPTION PRICING

DATE: October 18, 1996

TO: Michelle Roucher

Shari Robertson

FROM: Matt Nartinger

FAX #: (809) [REDACTED]

FAX #: (214) [REDACTED]

TEL #: (212) [REDACTED]

COMMENTS: As of 10/15/96

Loan Amount

\$ 0

Stock Position SSW/SE:

Price

Loan Options Positions SSW*

Price

Short Options Positions

Price

**Breakout of SSW Asian Option pricing by maturity k = 15.80:

maturity	price
4/11/97	14.63
5/12/97	14.75
6/11/97	14.85
7/11/97	14.95

**Breakout of SE Asian Option pricing by maturity k = 15.874:

maturity	price
4/11/97	15.32
5/12/97	15.42
6/11/97	15.52
7/11/97	15.62

Loan Options Positions SE:
330,463 Asian Option Calls k = 15.87 15.47**

*Positions held as collateral

The pricing information that appears above reflects the subjective opinion of Lehman Brothers based on current market conditions respecting the value of the derivative positions identified. In certain cases the prices shown may reflect costs that might be incurred if the position were to be terminated early rather than being held to maturity. All price indications are subject to change without notice. Lehman Brothers makes no representations or guarantees regarding the accuracy, reliability, or completeness of the pricing information. We do not warrant that our price representations or guarantees that it is willing to enter into or liquidate prior to maturity any derivatives transaction at the indicated prices. We are not liable for any damages, including loss of profits, that may result from any reliance on this information.

Reduced by the Permanent Subcommittee on Investigations

LEHMAN BROTHERS

EQUITY DERIVATIVES

STERLING SOFTWARE (SSW) OPTION PRICING

DATE: February 29, 1996
TO: Michelle Boucher
FAX #: (809) [REDACTED]
FROM: Shari Robertson
FAX #: (214) [REDACTED]
TEL #: (212) [REDACTED]

COMMENTS: As of 2/29/96

Name	Stock Position (SSW)*	Price	Long Option Positions*	Price	Short Option Positions	Price
East Carroll	200,000	66.625	200,000 puts 3/31/98 k=40.176	2.25	200,000 calls 3/31/98 k=70	15.22
Boarding Port	150,000	66.625	150,000 puts 3/31/98 k=40.176	2.25	150,000 calls 3/31/98 k=70	15.22
Latus Woody	150,000	66.625	150,000 puts 3/31/98 k=40.176	2.25	150,000 calls 3/31/98 k=70	15.22
West Carroll	100,000	66.625	100,000 puts 3/31/98 k=40.176	2.25	100,000 calls 3/31/98 k=70	15.22
Morehouse	100,000	66.625	100,000 puts 3/31/98 k=40.176	2.25	100,000 calls 3/31/98 k=70	15.22
Richmond	200,000	66.625	200,000 puts 3/31/98 k=40.176	2.25	200,000 calls 3/31/98 k=70	15.22
Devotion	0					
Elegance	0					
			333,332 Asian Option Calls k=41.08	29.07**	0	
			166,668 Asian Option Calls k=41.08	29.07**	0	

**Breakout of Asian Option pricing by maturity k=41.08:

DATE	PRICE
4/11/97	28.63
5/12/97	28.93
6/11/97	29.21
7/11/97	29.50

*Positions held as collateral

The pricing information that appears above reflects the subjective opinion of Lehman Brothers based on current market conditions respecting the value of the derivative positions identified. In certain cases the prices above may reflect costs that might be incurred if the position were to be terminated early rather than being held to maturity. All price indications are subject to change without notice. Lehman Brothers makes no representation or guarantee regarding the accuracy, reliability, or completeness of the pricing information. Nor does Lehman Brothers make any representation or guarantee that it is willing to enter into or liquidate prior to maturity any derivatives transaction at the indicated prices. We are not liable for any damages, including loss of profits, that may result from any reliance on this information.

Post-It Fax Note		7871	State	Zip
To Suzanne / Cindy			From	
On Deck			On	
Phone #			Phone #	
Fax #			Fax #	

LEHMAN BROTHERS
EQUITY DERIVATIVES

STERLING SOFTWARE (SSW) OPTION PRICING

DATE: February 16, 1996
 TO: Michelle Boucher
 FROM: Matt Narlinger
 FAX #: (800) [REDACTED]
 TEL #: (212) 5 [REDACTED]

COMMENTS: As of 2/15/96

Name	Long Asset	Stock Position (SSW)	Price	Long Option Position*	Price	Short Option Position	Price
East Carroll	\$4,035,200.00	200,000	63.19	200,000 puts 3/31/98 k=40.176	2.55	200,000 calls 3/31/98 k=70	12.65
Boring Park	\$6,026,400.00	150,000	63.19	150,000 puts 3/31/98 k=40.176	2.55	150,000 calls 3/31/98 k=70	12.65
Lido Woody	\$6,026,400.00	150,000	63.19	150,000 puts 3/31/98 k=40.176	2.55	150,000 calls 3/31/98 k=70	12.65
West Carroll	\$4,017,600.00	100,000	63.19	100,000 puts 3/31/98 k=40.176	2.55	100,000 calls 3/31/98 k=70	12.65
Mevetone	\$4,017,600.00	100,000	63.19	100,000 puts 3/31/98 k=40.176	2.55	100,000 calls 3/31/98 k=70	12.65
Rickland	\$8,035,200.00	200,000	63.19	200,000 puts 3/31/98 k=40.176	2.55	200,000 calls 3/31/98 k=70	12.65
Devolon	\$1,506,594.00	0		373,332 Asian Option Calls k=41.08 25.86**		0	
Elizance	\$751,306.00	0		166,668 Asian Option Calls k=41.08 25.86**		0	

**Breakouts of Asian Option pricing by maturity k=41.08:

Maturity	Price
4/11/97	25.44
5/12/97	25.73
6/11/97	26.00
7/11/97	26.28

*Positions held as collateral

The pricing information that appears above reflects the subject's opinion of Lehman Brothers based on current market conditions regarding the value of the derivative positions identified. In certain cases, the prices shown may reflect costs that might be incurred if the positions are to be liquidated or if the positions are to be maintained. The prices shown are subject to change without notice. Lehman Brothers does not warrant the accuracy, reliability, or completeness of the pricing information shown. We do not hold Lehman Brothers liable for any errors or omissions in this information. We are not liable for any changes, including loss of profits, that may result from any reliance on this information.

LEHMAN BROTHERS **EQUITY DERIVATIVES**

— = Reflected by the Permanent Subcommittee on Investigations

STERLING SOFTWARE (SSW) OPTION PRICING

DATE: February 1, 1996
TO: Michelle Boucher
Sharl Robertson
FROM: Matt Narlinger

FAX #: (809) [REDACTED]
FAX #: (214) [REDACTED]
TEL #: (212) [REDACTED]

COMMENTS: As of 1/31/96

NAME	LONG POSITION (SSW)	PRICE	LONG OPTIONS POSITIONS*	PRICE	SHORT OPTIONS POSITIONS	PRICE
East Carroll	200,000	\$9.19	200,000 puts 3/31/98 k=40.176	2.89	200,000 calls 3/31/98 k=70	10.17
Boaring Rock	150,000	\$9.19	150,000 puts 3/31/98 k=40.176	2.89	150,000 calls 3/31/98 k=70	10.17
Lulu Woody	150,000	\$9.19	150,000 puts 3/31/98 k=40.176	2.89	150,000 calls 3/31/98 k=70	10.17
West Carroll	100,000	\$9.19	100,000 puts 3/31/98 k=40.176	2.89	100,000 calls 3/31/98 k=70	10.17
Morehouse	100,000	\$9.19	100,000 puts 3/31/98 k=40.176	2.89	100,000 calls 3/31/98 k=70	10.17
Riddland	200,000	\$9.19	200,000 puts 3/31/98 k=40.176	2.89	200,000 calls 3/31/98 k=70	10.17
Devotion	\$1,506,594.00		373,372 Asian Option Calls k=41.08 22.30**		0	
Elegance	\$753,306.00		166,668 Asian Option Calls k=41.08 22.30**		0	

**Breakout of Asian Option pricing by maturity k=41.08

Maturity	Price
4/11/97	21.87
5/12/97	22.17
6/11/97	22.44
7/11/97	22.72

*Positions held as collateral

The pricing information that appears above reflects the subjective opinion of Lehman Brothers based on current market conditions regarding the value of the derivative positions identified. In certain cases the prices shown may reflect costs that might be incurred if the position were to be terminated early rather than being held to maturity. All price indications are subject to change without notice. Lehman Brothers makes no representations or guarantees regarding the accuracy, reliability, or completeness of the pricing information. Nor does Lehman Brothers make any representations or guarantees that it is willing to enter into or liquidate prior to maturity any derivatives transaction at the indicated prices. We are not liable for any damages, including loss of profits, that may result from any reliance on this information.

NO. 891 P002/004

EQTY DERIVATIVES + 214 720 9464

21:41 81/21/96

Confidential Treatment Requested

CC 038725

LEHMAN BROTHERS **EQUITY DERIVATIVES**

STERLING SOFTWARE (SSW) OPTION PRICING

DATE: January 19, 1996
TO: Michelle Boucher
FROM: Matt Narlinger

FAX #: (800) [REDACTED]
FAX #: (212) [REDACTED]
TEL #: (212) [REDACTED]

COMMENTS: As of 1/16/96

Name: East Carroll

Least Annual: \$4,035,200.00

Roaring Fork: \$4,026,400.00

Little Woody: \$4,026,400.00

West Carroll: \$4,017,600.00

Monmouth: \$4,017,600.00

Richland: \$4,035,200.00

Devotion: \$1,506,594.00

Elegance: \$753,306.00

**Breakout of Asian Option pricing by maturity k=41.08:

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**Positions held as collateral

The pricing information that appears above reflects the subjective opinion of Lehman Brothers based on current market conditions regarding the value of the derivative positions identified. In no event shall the prices shown reflect costs that might be incurred if the positions were to be terminated early without being held to maturity. All price indications are subject to change without notice. Lehman Brothers makes no representation or guarantee as to the accuracy, reliability or completeness of the pricing information. Notwithstanding, Lehman Brothers makes no representation or guarantee that it is willing to enter into or liquidate prior to maturity any derivative transaction at the indicated price. We are not liable for any damages, including loss of profits, that may result from any reliance on this information.

— = Redacted by the Permanent Subcommittee on Investigations

Redacted by the Permanent
Subcommittee on Investigations

LEHMAN BROTHERS EQUITY DERIVATIVES

STERLING SOFTWARE (SSW) OPTION PRICING

DATE: March 18, 1996
TO: Michelle Boucher
FROM: Matt Narlinger

FAX #: (809) [REDACTED]
TEL #: (212) [REDACTED]

COMMENTS: As of 3/15/96

Name	Stock Position (SSW) *	Price	Leas Options Positions*	Price	Short Options Positions	Price
East Carroll	200,000	69.875	200,000 puts 3/31/98 k=40.176	1.86	200,000 calls 3/31/98 k=70	17.47
Roaring Fork	150,000	69.875	150,000 puts 3/31/98 k=40.176	1.86	150,000 calls 3/31/98 k=70	17.47
Little Woody	150,000	69.875	150,000 puts 3/31/98 k=40.176	1.86	150,000 calls 3/31/98 k=70	17.47
West Carroll	100,000	69.875	100,000 puts 3/31/98 k=40.176	1.86	100,000 calls 3/31/98 k=70	17.47
Morehouse	100,000	69.875	100,000 puts 3/31/98 k=40.176	1.86	100,000 calls 3/31/98 k=70	17.47
Richland	200,000	69.875	200,000 puts 3/31/98 k=40.176	1.86	200,000 calls 3/31/98 k=70	17.47
Devoian	0					
Elegance	0					
			333,332 Asian Option Calls k=41.08	32.13**	0	
			166,668 Asian Option Calls k=41.08	32.13**	0	

**Breakout of Asian Option pricing by maturity k=41.08

DATE	PRICE
4/1/97	31.68
5/1/97	31.98
6/1/97	32.27
7/1/97	32.37

*Positions held as collateral

The pricing information that appears above reflects the subjective opinion of Lehman Brothers based on current market conditions regarding the value of the derivative positions identified. In certain cases the prices shown may reflect costs that might be incurred if the positions were to be terminated early rather than being held to maturity. All price indications are subject to change without notice. Lehman Brothers makes no representations or guarantees regarding the accuracy, reliability, or completeness of the pricing information. Nor does Lehman Brothers make any representations or guarantees that it is willing to enter into or liquidate prior to maturity any derivatives transaction at the indicated prices. We are not liable for any damages, including loss of profits, that may result from any reliance on this information.

A/O 10/11/95				
A/C	SSW shares	Market Value *	Debit/Credit	Cash Available
West Carroll	83,333	\$3,499,986.00	\$388,052.36	\$2,138,045.36
Roaring Fork	53,432	\$2,244,144.00	(\$82,001.59)	\$1,040,070.41
Morehouse	88,058	\$3,698,436.00	(\$1,295,286.90)	\$553,931.10
Little Woody	53,431	\$2,244,102.00	\$583,640.57	\$1,705,691.57
East Carroll	116,667	\$4,900,014.00	\$779,651.74	\$3,229,658.74
Richland	6,667	\$280,014.00	\$775,215.14	\$915,222.14
Total NY	401,588			\$9,582,619.32
Greenbriar	500,000	\$21,000,000.00	\$9,437,500.00	\$2,532,500.00
Quayle	300,000	\$12,600,000.00	\$8,285,375.00	\$896,625.00
Samia	142,000	\$5,964,000.00	\$3,152,125.00	\$247,355.00
Total London	942,000			\$3,676,480.00
Devotion	calls on 333,333	\$3,283,330.00	\$1,506,593.96	\$135,071.04
Elegance	calls on 166,667	\$1,641,669.95	\$753,306.04	\$67,528.93
Total Geneva	500,000			\$202,599.98
* Based upon assumed price of \$42.00/share on stock & \$9.85 on calls				

Best efforts have been made to reflect the true values of these figures. However, due to the element of human error, the exact accuracy cannot be guaranteed.

L:\murdock\LORNESSW.XLS

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038765

LEHMAN BROTHERS

DATE: October 28, 1996
TO: Kathy Lamb
FROM: Cindy Murdock
Sr. Client Sales Assistant
RE: Proceeds from sale of SSW calls

The full proceeds on the sale of 500,000 SSW calls @ \$14.89671 was \$7,448,355.00. It has been allocated 1/3 to Elegance and 2/3 to Devotion as follows:

Elegance: \$2,482,785.00
Devotion: \$4,965,570.00

These numbers represent a slight revision from the memo sent to you on 10/21/96. I apologize for any confusion this may have caused.

We will combine these funds with the funds that settle 10/29 on the sale of the SE calls and purchase 30, 60, and 90 day Treasury Bills per your request.

Please call me if you have any questions.

cc: Michelle Baughman
Shari Robertson

Snavely/word/lorne

LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER 2200 ROSS AVENUE SUITE 3500 DALLAS, TX 75201 214 720 2400 214 720 2400

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038283

4028

LEHMAN BROTHERS

To: Kathy Lamb
From: Suzanne Snavely/Cindy Murdock
Sr. Client Sales Assistants
Date: June 13, 1996
Re: Loan Pay off

In order to pay off your loan completely, you will need to pay off interest through today. Please adjust your letters of authorization to read the following figures:

Elegance: \$778,421.23 (776,443.22 + 1978.01)
Devotion: \$1,556,823.75 (1,552,867.78 + 3955.97)

Please resend the letters as soon as possible so I can get these wires out today (otherwise, the numbers will change slightly). Thank you.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038427

LEHMAN BROTHERS

update on Elegance
 + Devotion (Disregard
 rest of tickler)

Selling a total of
 500m - Sterling &
 796,300 Sterling Commerce

Wed - sold 100m SSW
 155m Ster. Comm

Thurs - sold 330,800 SSW
 0 Sterling, Comm

Fri - sold 25m SSW
 0 SE
455,800 SSW

LBF 8092

Lehman Brothers Inc.

Completed
 SSW
 transfer 1/9 protection
 is \$14.89671
 7/2/86

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 866

CC 038433

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Subcommittee on Investigations

LEHMAN BROTHERS

To: Cindy Murdoch
Lehman Brothers
Tel: (214) [REDACTED]
Fax: (214) [REDACTED]

From: Jan Snyder
Tel.: (212) [REDACTED]
Fax: (212) [REDACTED]

Pay Date: January 3, 1996

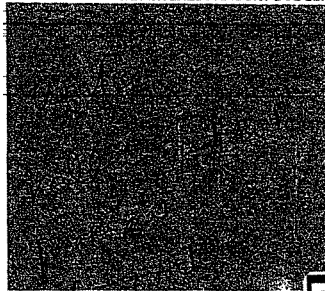
Re: Libor payment on loan between Elegance, Ltd. and Lehman Brothers Finance S.A.

Number of Interest Days		LIBOR	LIBOR spread
From: 11/20/95			
To: 1/03/96	34	5.85547%	1.5250%

A/C Names	Loan Amount	
	Loan	Interest
Elegance, Ltd.	\$ 753,396.04	\$ 5,322.02

NET INTEREST AMOUNT DUE LEHMAN BROTHERS FINANCE:

\$ 5,322.02



LEHMAN BROTHERS INC.
3 WORLD FINANCIAL CENTER NEW YORK NEW YORK 10285

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 866

CC 038443

II
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 Subcommittee on Investigations

LEHMAN BROTHERS

To: Cindy Murdoch
 Lehman Brothers
 Tel: (214) [REDACTED]
 Fax: (214) [REDACTED]

From: Jon Snyder
 Tel.: (212) [REDACTED]
 Fax: (212) [REDACTED]

Pay Date: January 3, 1995

Re: Liber payment on loan between Devotion, Ltd. and Lehman Brothers Finance, S.A.

Number of Interest Days		LIBOR	LIBOR spread
From: 11/30/94			
To: 1/03/95	34	5.85547%	1.8250%

A/C Names	Loan Amount	
	Loan	Interest
Devotion, Ltd.	\$ 1,606,883.98	\$ 10,643.92

NET INTEREST AMOUNT DUE LEHMAN BROTHERS FINANCE: \$ 10,643.92

LEHMAN BROTHERS INC.
 3 WORLD FINANCIAL CENTER NEW YORK, NEW YORK 10285

CC 038444

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SW
LOOKS LIKE THEY'RE
DOING A GREAT JOB
BUYING A BIG % OF THE
VOLUME WITHOUT MOVING
THE PRICE. -EW

Lehman Brothers
Equity Derivatives
212-526-0900

SSW Swap Execution Report
Sarnia, Greenbriar, Quayle

Date: 10/13/99
To: Kathy Harding
From: Michael Cohen, Lou Schaefele

Ph: 011-44
Fax: 011-44

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 870

Trade Date	Swap Shares ¹	Average Execution Price	Notional	Total Shares Traded	Percentage of Total Traded	Volume Weighted Price	Av Execution Computed to VWAP	Uplift Collateral Required
10/8/99	53,000	\$20.54045	\$1,088,643.35	109,800	48.27%	\$20.553	(\$0.012)	\$326,593.155
10/11/99	40,000	\$20.6078	\$824,312.40	192,100	20.82%	\$20.631	(\$0.023)	\$247,293.720
10/12/99	221,000	\$20.7243	\$4,580,070.30	353,600	62.50%	\$20.7167	\$0.008	\$1,374,021.090
10/13/99	240,600	\$20.5865	\$4,953,111.90	339,100	70.95%	\$20.5969	(\$0.010)	\$1,485,933.570

TOTALS: 554,600 \$20.6385 \$11,446,138.45 994,600 55.76% \$3,433,841.54

¹ Swap Shares represents the number of shares Lehman Brothers has executed for the hedge.

Total Shares Client is Exposed to Date: 554,600
Total Collar Order: 1,500,000
Shares to be Executed: 945,400

CONFIDENTIAL
SEC100098050
PS100109917

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Evan Wylly

To: Michelle Boucher [REDACTED]

10/13/1999 05:07 PM

cc:

Subject: Re: FW: 10 13 SSW Executions.xls [REDACTED]

Sorry I've been so slow to respond. We've been swamped getting ready for the Maverick Annual meeting tomorrow.

I think Lehman is doing a great job of buying a high% of the trading volume near the VWAP without moving the stock price. (Although this is easier to do in the down market of the last few days.)

We do think it would be good to continue the progress of the last two days in filling the remainder of the order, but I don't have any specific guidance on price that does not also relate to the quantity of stock and how the overall market is doing. However, it would be reasonable to pay a small premium to get a big block of stock.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 870

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PSI_ED00069083

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Subcommittee on Investigations



Michelle Boucher

10/18/1999 11:41 AM

To: Shari Robertson, [REDACTED], Evan Wyly, Sam
Wyly, [REDACTED], "Charles Wyly" <[REDACTED]>

cc:

Subject: FW: SSW

Please advise how you would like to proceed.

-----Original Message-----

From: Schaufele, Louis J. [REDACTED]
Sent: Monday, October 18, 1999 1:28 PM
To: 'michelle boucher'
Subject: SSW

Now that we are almost completed on the 1.5mm share swap, I wanted to let you know what some of the options were if you wanted to additional exposure. Recall that we kept the size at 1.5mm shares as on additional the credit department wanted to increase the terms. I have tried to list what your choices are:

- 1) enter into a swap on an additional 500k shares (2mm shares is the maximum exposure Lehman wants). The credit on the additional 500k shares would be 40%. The firm just doesn't want that much exposure to one name.
- 2) obtain some sort of Letter of Credit from a financial institution (that we could be comfortable with) and the size and amount of collateral would change favorably.
- 3) purchase an option on SSW, a three call at the money would cost approximately 39-40%. This maybe a viable choice now, given that you have downside on 1.5mm shares in the swap.

Let me know how I can help.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 871

Confidential
SEC_ED00043758

PSI_ED00043758

4035

BICKEL & BREWER

ATTORNEYS AND COUNSELORS

767 FIFTH AVENUE

SIXTH FLOOR

NEW YORK, NEW YORK 10153

PHONE: (212) 489-1400

FAX: (212) 489-2384

www.bickelbrewer.com

4800 BANK ONE CENTER

1717 MAIN STREET

DALLAS, TEXAS 75201

(214) 653-4000

January 26, 2006

VIA TELECOPY

Robert L. Roach, Esq.

Mark Nelson, Esq.

Senate Permanent Subcommittee on Investigations

1999 Russell Senate Office Building

Washington, D.C. 20510

Gentlemen:

Enclosed are answers to some of your questions concerning Security Capital based on what we have been able to learn. As we become aware of additional facts or information, we will amend or supplement these answers to the extent it becomes necessary. In addition, enclosed are copies of the slides we discussed at our last meeting and the few slides concerning the Bank of America STARS transactions in September 2002.

Best regards,

William A. Brewer III

William A. Brewer III

Enclosures

5095201.02
1993-01

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 872

Responses to Questions Concerning Security Capital Trust and Security Capital Limited

A. With respect to Security Capital Trust:

1. Who is the settlor or grantor? **Queensgate Bank & Trust**
2. Identify all trustees, protectors and beneficiaries. **Queensgate Bank & Trust is the trustee. The Security Capital Trust is a charitable trust that does not have a trust protector. The trust beneficiaries are any qualified charity designated by the trustee at the time the trust terminates.**
3. Why was it formed and what is its purpose? **Security Capital Trust is formed as a charitable trust and owns Security Capital Ltd. as a wholly-owned subsidiary.**
4. Identify the date and amount of any disbursement to any beneficiary, including a charity. **None**

B. With respect to Security Capital Ltd:

1. Identify all owners or shareholders and when they held their interest. **John Dennis Hunter Aug. 24, 1998 – Aug. 27, 1998; Jane Fleming Aug. 24, 1998 – Aug. 27, 1998; Queensgate Bank & Trust as trustee for Security Capital Trust; Aug. 27, 1998, to present.**
2. Identify all directors and officers and when they served.

John Dennis Hunter, Director - elected Aug. 27, 1998 to present;
Karla J. Boddien, Director - elected Aug. 27, 1998 to present;
Blair Gauld, Director - elected Aug. 27, 1998 to present;
Jane Fleming, Director – elected Aug. 27, 1998 to present;
Jane Fleming, Secretary - elected Aug. 27, 1998 to present;
David Harris, Director - elected Aug. 27, 1998 to present; and
David Bester, Director – elected August 30, 2000 to present.
3. Why was it formed and what is its purpose? **Security Capital Ltd. was created as a special purpose vehicle (SPV) to participate in back-to-back credit facilities.**
4. Does it maintain any offices or have any employees that are not affiliated with or part of some other entity? **No. Security Capital is administered by Queensgate employees. Security Capital pays Queensgate an administration fee. Security Capital's registered office is Queensgate Bank and Trust Company Ltd., Ugland House, South Church St., P.O. BOX 30464 SMB Grand Cayman, Cayman Islands, British West Indies.**

a. If not, what entity or entities are they affiliated with or part of?
Queensgate Bank & Trust.

5. Does Security Capital engage exclusively in transactions that involve the Wyly offshore entities, Wyly family members or domestic entities associated with the Wyly family? **So far as we know, Security Capital has only been involved in transactions in which companies, owned by the foreign trusts in which Wyly family members are beneficiaries, are involved.**

C. Please provide copies of the formation documents or annual financial statements of Security Capital Trust or Security Capital Ltd. **We do not have copies of these documents in our possession.**

D. Who was responsible for suggesting the formation of Security Capital Trust and Security Capital Limited (hereinafter "Security Capital"), designing and structuring these two entities, and planning the services they would offer and the activities they would engage in? **Without waiving any privileges, and specifically reserving all rights related thereto, the principal professionals involved in the establishment of Security Capital were Meadows Owens and Maples & Calder. Jones Day was also involved in the initial transaction associated with Security Capital.**

E. Please provide a complete list of transactions involving Security Capital and any Wyly offshore entity, Mr. Sam Wyly, Mr. Charles Wyly or any domestic trust, corporation or partnership associated with the Wyly family, from January 1, 1998 to the present. Please include the following:

1. Describe each transaction, its date, the parties, and the amount of funds or assets involved.
2. Please describe the purpose of the transaction.

See Exhibit A.

F. For each loan or line of credit provided by Security Capital, please identify the entity that provided any corresponding loan to Security Capital and the amount of such loan.
See Exhibit A.

1. For each loan or line of credit provided by Security Capital, please identify the interest rate charged by Security Capital and the interest rate Security Capital was charged by the entity providing any corresponding loan.
See Exhibit A.

2. For each loan or line of credit, please describe any collateral or security obtained from the borrower, how the loan was to be repaid, who is currently responsible for repaying the loan, and the current status of the repayment.

See Exhibit A.

3. Was the transaction initially conceived and designed by the trustees, directors, or officers of the Wylly offshore entity involved in the transaction? If not, who were the individuals who conceived and designed the transaction; how were the trustees, directors or officers presented with the idea, suggestion or recommendation that funds held by them should be used in the particular transaction; what information were they provided; and what analysis did they perform before determining to proceed with the transaction? **Please refer to response to section D.**

5. Who made the initial contact with Security Capital for each transaction? **It appears that in the typical transaction it was Michelle Boucher.**

6. Did the trustees, directors or officers engage in negotiation and planning of the details of the transaction with representatives of Security Capital? **Yes. As reflected above, David Harris and David Bester have each been directors of Security Capital, Ltd.**

7. What was name of the individual or individuals at Security Capital who were the main contacts for Security Capital on the transaction? **J. Dennis Hunter, Karla J. Bodden, and Blair Gauld, all of whom are associated with Queensgate Bank & Trust.**

8. Identify any individual or entity that provided any tax or legal advice with respect to the transaction, and:

- a. When the advice was rendered.
- b. The purpose for which the individual or entity was retained.
- c. Amount of remuneration paid to the individual or entity.

Without waiving any privileges, and specifically reserving all rights related thereto, Meadows Owens and Maples & Calder were the principal legal and tax professionals that oversaw and rendered advice on the transactions reflected on Exhibit A, and did so during the time periods reflected on that exhibit. Jones Day and Mike French were also involved in certain transactions.

F. Financial statements for the Cayman LLCs, Orange, Pops, Flo Flo, Bubba, Balch and Katy, show that each has obtained one or more loans from Security Capital, and that each has an outstanding loan balance ranging in amount from \$9 to \$11 million. Please explain. **Shortly after the Cayman LLCs were organized, those entities acquired certain assets from Security Capital in exchange for promissory notes.**

G. Please describe any relationship between Security Trust or Security Capital and Queensgate Bank & Trust or Maples & Calder. **Maples & Calder provided legal work with respect to the formation of Security Capital. Queensgate Bank & Trust**

provides administrative services for Security Capital, Ltd. and acts as the trustee of Security Capital Trust.

1. Identify the key individuals handling Security Trust or Security Capital at Queensgate or Maples & Calder, and describe their roles. **As set forth above, the principal individuals at Queensgate are J. Dennis Hunter, Karla J. Boddan, and Blair Gauld who serve as directors. Mr. Gauld is responsible for day-to-day administrative and accounting tasks. Henry Smith at Maples & Calder.**

H. Why did Wyly offshore entities use Security Capital instead of directly issuing loans to the Wyly entities who obtained loans from Security Capital?

I. Please describe any way in which any loan or line or credit from Security Capital used or relied upon any annuity agreement associated with a Wyly offshore entity. Security Capital loans bear no relation to any annuity agreement associated with a Wyly offshore entity. In July 2003, however, the trustees inquired about the possibility of Sam Wyly assigning his interest to annuity payments from one of the corporations owned by Bulldog Trust to Security Capital in the event payments on an unsecured \$10 million credit line were not able to be made. The annuities were never so utilized.

J. Was Security Capital paid a retainer fee in 2005? If so, who requested this fee, what was its purpose, and who paid it? (For more information, see Bates PSI_ED00009136-37 and 9150.) No. The retainer referenced in the email correspondence does not pertain to Security Capital.

K. Describe any other investment made in, or remuneration paid to, Security Capital by any Wyly offshore entity, Mr. Sam Wyly, Mr. Charles Wyly or any domestic trust, corporation or partnership associated with the Wyly family. Security Capital's income was obtained on the basis of the interest rate differential between Security Capital's borrowing and lending rates in various loan transactions.

Security Capital Loans

Date	Lender	Borrower	\$	Interest Rate	Purpose	Repaid (R) / Maturity (M)
08/98	Richland	Security Capital	5,500,000	*	Green Mountain Loan	11/98* R
08/98	Morehouse	Security Capital	4,500,000	*	Green Mountain Loan	11/98* R
08/26/98	Security Capital	Green Mountain Energy Resource LLC	10,000,000	10.00%	Green Mountain Loan	11/25/98 R
10/98	East Carroll	Security Capital	1,500,000	*	Green Mountain Loan	10/22/99 R
10/98	Security Capital	Green Mountain Energy Resources LLC	1,500,000	*	Green Mountain Loan	10/22/99 R
01/99	East Carroll	Security Capital	3,000,000	6.00%	Green Mountain Loan	10/22/99 R
01/07/99	Security Capital	David White	3,000,000	6.00%	Green Mountain Loan	10/22/99 R
04/99	Locke and Moberly	Security Capital	8,000,000	6.25%	Sam Wyly Loan	2/13/02 R
04/14/99	Security Capital	Sam Wyly 1978 Malibu Revocable Trust	8,000,000	6.75%	Sam Wyly Loan (Secured by Malibu Property)	2/13/02 R
06/01/01	Greenbriar	Security Capital	55,815,672.03	5.4625%	LLC Capitalization	Open* M
06/01/01	Security Capital	Cayman LLC's	55,815,672.69	5.50%	LLC Capitalization	Open* M

Exhibit A

Security Capital Loans

Date	Lender	Borrower	\$	Interest Rate	Purpose	Repaid (R) / Maturity (M)
01/30/02	Greenbriar	Security Capital	15,000,000	5.4625%	Sam Wyly Loan	Replaced by Newgale loan
04/03	Newgale	Security Capital	15,000,000	5.4325%	Replaces Greenbriar loan from 1/30/02	02/15/12 M
01/30/02	Security Capital	Sam Wyly	15,000,000	5.50%	Sam Wyly Investment in Ranger	02/15/12 M
06/04/02	Locke	Security Capital	5,000,000	4.7125%	Wrangler Trust Loan	05/3/04* R
06/04/02	Security Capital	Wrangler Trust	5,000,000	4.75%	Wrangler Trust Loan (Secured by Wrangler Art)	05/03/04 R
10/01/02	Gorsemoor	Security Capital	6,000,000	4.8625%	Charles Wyly Loan	09/30/12 M
10/01/02	Security Capital	Charles Wyly	6,000,000	4.90%	Charles Wyly Investment in Ranger	09/30/12 M
03/01/03	Gorsemoor	Security Capital	25,000,000	4.7625%*	Charles Wyly Loan	02/28/18 M
03/01/03	Security Capital	Charles Wyly	25,000,000	4.80%	Charles Wyly Loan	02/28/18 M
07/15/03	Newgale	Security Capital	10,000,000	4.1325%	Sam Wyly Loan	07/14/18 M
07/15/03	Security Capital	Sam Wyly	10,000,000	4.17%	Sam Wyly Loan	07/14/18 M

Exhibit A

Devotion STARS – September 2002

Devotion received a fixed amount of cash (\$25,045,589.50) on the Payment Date (September 27, 2002).

Devotion simultaneously agreed to deliver a number of shares of MIK common stock to Bank of America (“BoFA”) on future Settlement Dates (September 20, 21, and 24, 2007).

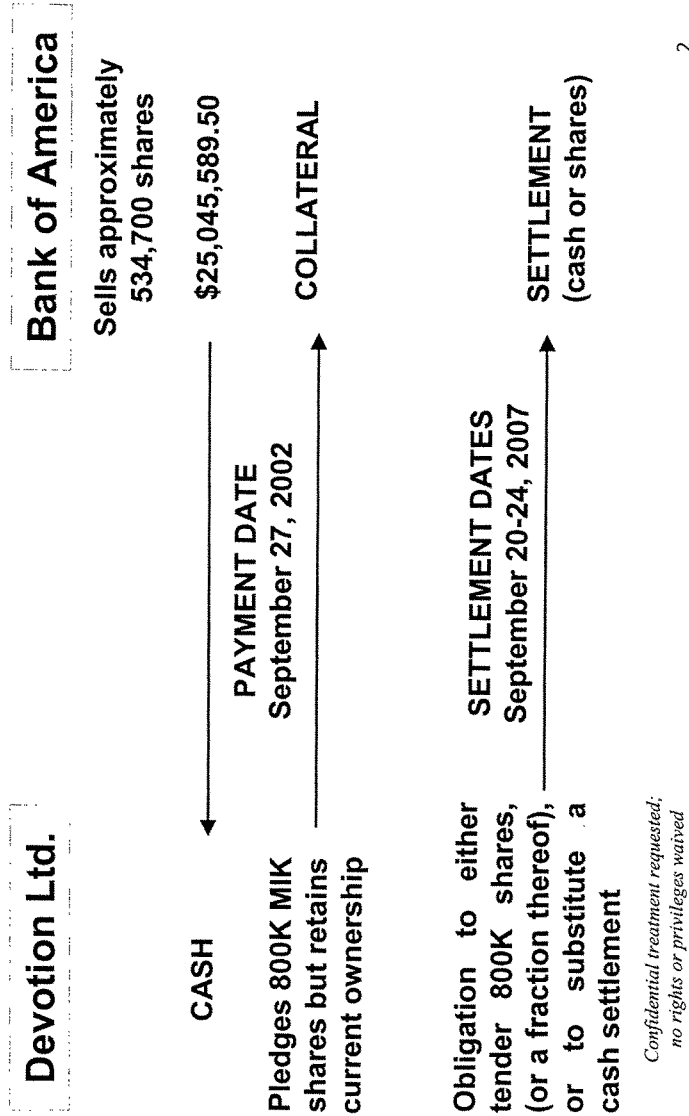
The actual number of shares Devotion will deliver to BoFA on the Settlement Dates may vary significantly and will depend on the value of the shares on that date

Devotion pledged 800K MIK shares as collateral, which is the maximum number of shares it could be required to deliver to BoFA on the Settlement Dates

Devotion retained an unrestricted legal right to substitute cash for the pledged shares on the Settlement Dates

*Confidential treatment requested;
no rights or privileges waived*

Bank of America Specialized Term Appreciation Retention Sale (STARS)



IRS Revenue Ruling 2003-7 – Forward Sales

4044

HOLDING:

Shareholder has neither sold stock currently nor caused a constructive sale of stock if Shareholder receives a fixed amount of cash, simultaneously enters into an agreement to deliver on a future date a number of shares of common stock that varies significantly depending on the value of the shares on the delivery date, pledges the maximum number of shares for which delivery could be required under the agreement, retains an unrestricted legal right to substitute cash or other shares for the pledged shares, and is not economically compelled to deliver the pledged shares.

*Confidential treatment requested;
no rights or privileges waived*

Forward Sales Are Common Financing Tools

Examples of Other Forward Sale Transactions:

William F. Riley III – STARS

- Sold forward 125,000 shares of Swift Transportation Co., Inc. (SWFT) for over \$2.6 million (Aug. 8, 2003)

American Honda Finance Corporation - Bank of America STARS

- Sold forward 10% Senior Secured Discount Convertible Notes convertible to 10,455,687 shares of XM Satellite Radio (XMSR) for \$25 million (May 9, 2005)

Alfred Harper – Bank of America STARS

- Sold forward 60,000 shares of Hunt J.B. Transport (JBHT) (July 22, 2005)

The Anschutz Corporation – Forward Sales Contract

- Sold forward 200,000 shares of Union Pacific Corp. (UNP) for nearly \$10.5 million (Sept. 1, 2005)

*Confidential treatment requested;
no rights or privileges waived*

Structured Financing and Special Purpose Vehicles

Asset swaps and structured finance have developed dramatically in the past ten to fifteen years. Starting in the United States in the early 1980s, the use and development of these structured finance transactions moved across the Atlantic and have now become common in most of the world's major financial markets.

4046

Special Purpose Vehicles, HSBC Banking Trust and
Corporate Services at www.hsbc.ky

Structured Financing and Special Purpose Vehicles

Establishment of an SPV

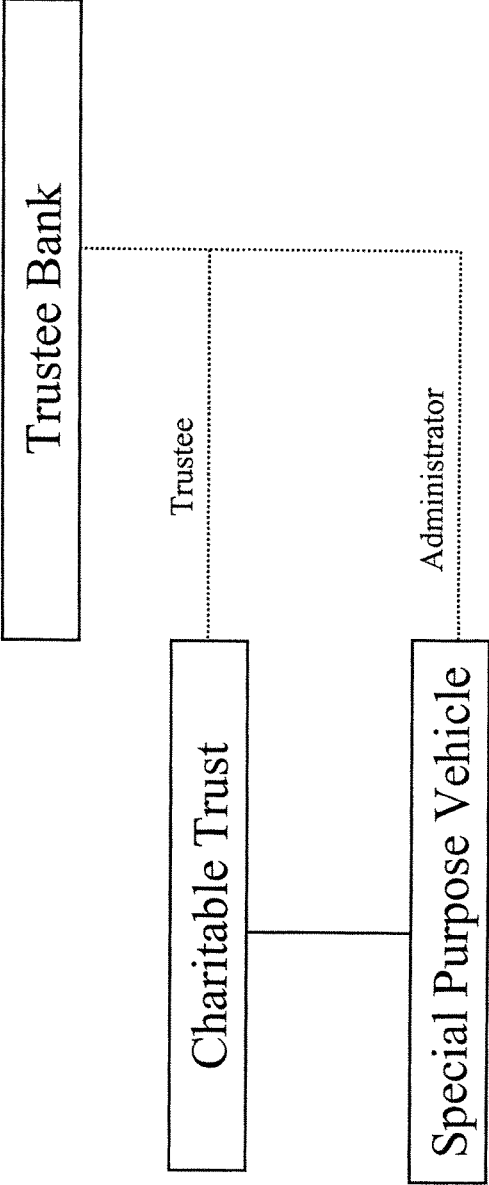
Firstly, the company will be incorporated.... This will usually be an exempted company...the shares will customarily be held by a charitable trust established for that purpose. The trust will be the sole shareholder in the SPV.

4047

Special Purpose Vehicles, HSBC Banking
Trust Corporate Services at www.hsbc.ky

Structured Financing and Special Purpose Vehicles

Typical Structure



Structured Financing and Special Purpose Vehicles

SPV's are now used for a wide variety of transactions as the financial markets have become more and more sophisticated:

- Securitizing loan portfolios of a bank
- Securitizing financial assets...
- Aircraft and ship financing
- Catastrophe bond issues
- Specialized financing deals....

4049

*Special Purpose Vehicles, HSBC Banking Trust and
Corporate Services at www.hsbc.ky*

Structured Financing and Special Purpose Vehicles

Financial service companies provide services in connection with the establishment of an SPV.

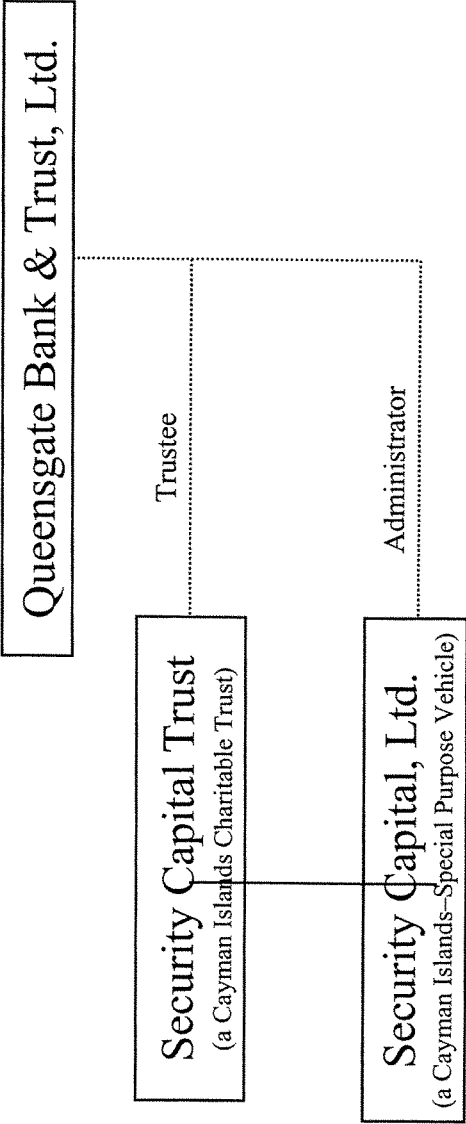
- Provision of the registered office, directors and officers of the SPV
- Maintenance of statutory records
- Establishment of the charitable trust and provision of the share trustee
- Provision of administrative services
- Preparation of annual financial statements

4050

*Special Purpose Vehicles, SBC Banking Trust and
Corporate Services at www.hsbc.ky*

Queensgate/Security Capital
Structured Financing and SPV

Queensgate/Security Capital Structure



Security Capital Timeline

1998	1998	1998	1998
Aug Queensgate agrees to provide Green Mountain short-term bridge financing up to \$10M	Aug Queensgate settles Security Capital Trust Security Capital Limited incorporated (Maples & Calder)	Aug Richland, Ltd \$5.5M loan to Security Capital Security Capital \$10M credit loan to Green Mountain (Jones Day)	Nov Green Mountain repays Security Capital loan with interest (Jones Day)

Loans from Security Capital to U.S. Persons

Date	Borrower	Value	Repaid	Serviced
08/26/98	Green Mountain Energy Resource LLC	\$10,000,000	YES	
04/14/99	Sam Wyly 1978 Malibu Revocable Trust	\$ 8,000,000	YES	
01/30/02	Sam Wyly	\$ 15,000,000		YES
06/04/02	Wrangler Trust	\$ 5,000,000	YES	
10/01/02	Charles Wyly	\$ 6,000,000		YES
03/01/03	Charles Wyly	\$25,000,000		YES
07/15/03	Sam Wyly	\$10,000,000		YES

Professionals Involved In Development And Oversight

- **Michael French**
- **Jones Day**
- **Meadows, Owens, Collier, Reed,
Cousins & Blau**
- **Maples & Calder**
- **Queensgate Bank & Trust**

4054

4055

From: Michelle Boucher <[REDACTED]>
Sent: Wednesday, July 31, 2002 5:51 PM
To: <shari_robertson@[REDACTED]>
Subject: redemption - August 1st - Tilly

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Hi Shari & Welcome Back!

I'm just looking at the redemption sheet and see the approx \$30K withdrawal for Tilly. This is for Blair Gauld, he is one of the directors at Queensgate and has been there for about 5 yrs - previously PW, where he and I worked together briefly. He is a signatory on all our bank accounts and does the work on Security Capital. He's pulling the money out to put against his mortgage. As you probably suspect, I'm making a pitch :-). I was hoping we'd be able to waive the redemption fee for him because of the relationship and since it is such a small amount (<\$900) - he's under the 3yr, 3% regime - payable to the Fund.
Let me know - thanks!
Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 876

MAV010534

fw/dt-03/8157-002m

IRISH TRUST GROUP
MEETING WITH TRUST PROTECTORS & FAMILY MEMBERS
ON
TUESDAY 27 MARCH 2001 AT 11:00 AM

TOPICS FOR DISCUSSION:

1. STATUS of PROTECTOR COMPANY formation
Following Resignation of MF & Appointment of MB.
2. IDENTIFICATION of SPECIFIC COMPANIES with BENEFICIARIES and NEW LETTERS of WISHES - Possible Loan Arrangements via Special Purpose Vehicle administered at Queensgate to facilitate back to back transactions. ~~SUB FUNDS~~ (TYLER TRUST)
3. 31 DECEMBER 2000 Accounts & Independent Review (KPMG).
4. ART/COLLECTIBLES ISSUES (SOULIEANA LIMITED)
 - a) "Possession Agreement" format;
 - b) Completion of Schedules;
 - c) Insurance policy endorsement/additional premium required for recent increase in cover.
5. CW FAMILY REAL ESTATE PROJECTS
 - a) Little Woody Creek Road Ltd - Activated;
 - b) Lambda A Ltd/Lambda B Ltd - still required?
 - c) Stargate Farms Ltd - Activated.

(Cont/d...

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 877

CONFIDENTIAL
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PS100110232

4057

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6. PRECEPT FUND/RANGER FUND Investments (Devotion Ltd).

Final transaction/shareholding details awaited following reorganisation.

7. REVIEW of INVESTMENTS HELD in ASSOCIATED Cos:-

-
- a) ~~TYLER TRUST to sell shareholding in IRISH HOLDINGS LTD to SOULIEANA LTD.~~
-
- b) TYLER TRUST has sold shareholding of SCOTTISH ANNUITY & LIFE HOLDINGS LTD ("SA") to SOULIEANA & Lehmans are liquidating this holding.
- c) SOULIEANA LTD holds SCOTTISH HOLDINGS LTD Class "C" Shares.
- d) SOULIEANA LTD holds Ordinary Shares in SA.
- e) TYLER TRUST & SOULIEANA LTD hold Class "A" Warrants re. Ordinary Shares in SA.

8. Variable Life Split Dollar Policies.

9. Possible revision of custody arrangements for key trust documentation.

FW

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PSI00110233

SECURED PROMISSORY NOTE\$5,000,000.00Effective June 4, 2002

~~FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of SECURITY CAPITAL, LTD., a Cayman Islands Exempted Company ("Payee"), the principal sum of FIVE MILLION and NO/100 DOLLARS (\$5,000,000.00), together with interest on the unpaid principal sum from time to time outstanding at the rate of FOUR AND THREE-FOURTHS PERCENT (4.75%) per annum from the date hereof until paid. All principal and interest payable hereunder shall be due and payable in lawful money of the United States of America.~~

Interest on this Note shall be payable in FIVE (5) annual installments, commencing one year from the date hereof, and payable each succeeding year thereafter. Each interest installment shall be in the amount of \$237,500. All remaining unpaid principal, together with any accrued, but unpaid interest, shall be payable in full on June 3, 2007.

The entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at the option of the Payee upon the occurrence of the following events of default (the "Event of Default"): Failure by Maker to pay the principal and/or interest hereon as and when the same becomes due and payable in accordance with the terms hereof and the continuation of said failure for a period of ten (10) days after Payee has provided Maker with written notice of such failure.

A security interest is created and granted in that certain Pledge Agreement entered into by and between Maker (the pledgor) and Payee (the secured party), effective as of June 4, 2002 (the "Pledge Agreement"). The collateral for such security interest shall be the painting Rosie the Riveter by Norman Rockwell (the "Collateral"). Such Collateral is to be purchased with the proceeds of this Note. Reference is hereby made to the nonrecourse, exculpatory provisions more fully set out in Section 4 of the Pledge Agreement. Such provisions are hereby incorporated in this Note by reference as if the same were fully set forth herein.

In the event the Event of Default specified hereinabove shall occur, Payee may proceed to protect and enforce its rights either by suit in equity and/or by action at law, or by other appropriate proceedings, including those specified in the Pledge Agreement referenced above. No delay on the part of the holder of this Note in the exercise of any power or right under this Note or under any other instrument executed pursuant thereto shall operate as a waiver thereof, nor shall a single or partial exercise of any other power or right preclude further exercise thereof.

Except as expressly otherwise provided herein, Maker waives demand, presentment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, and any and all lack of diligence or delay in collection or the filing of suit hereon which may occur.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 880

PSI_ED00013667

If this Note is not paid at maturity, howsoever such maturity may be brought about, and the same is placed in the hands of an attorney for collection, or if this Note is collected by suit or through bankruptcy, probate, or other legal proceedings, Maker agrees to pay the costs of collection and attorneys' fees, in addition to the principal and interest.

This Note may be delivered by telefacsimile or similar facsimile transmission and, in such case, ~~shall be deemed delivered upon Payee's receipt of such facsimile transmission.~~

All notices or demands required or permitted hereunder shall be in writing and delivered to the person to whom the notice is directed, either in person, by facsimile transmission, or by United States Mail, as a registered or certified item, return receipt requested. Notices delivered by mail shall be deemed given three (3) days after deposit of same in a regularly maintained receptacle for the United States Mail, with proper postage prepaid, and addressed as follows:

If to Maker: Wrangler Trust
 Attn: Evan Wylly, Trustee
 300 Crescent Court, Suite 1000
 Dallas, Texas 75201

If to Payee: Security Capital, Ltd.
 P. O. Box 30868 SMB
 Uglan House
 Georgetown, Grand Cayman

This Note has been executed and delivered, and is to be performed, in the State of Texas, and the laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note.

All agreements between Maker and Payee are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the payment hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holder hereof for the use, forbearance, or detention of the money to be advanced hereunder exceed the highest rate permissible under the laws of the State of Texas. If, from any circumstance whatsoever, fulfillment of any provision hereof or any other agreement referred to herein shall, at the time fulfillment of such provision be due, involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance the holder hereof shall ever receive as interest an amount which would be excessive, such amount shall (i) be applied to the reduction of the unpaid principal balance due hereunder or (ii) be refunded to Maker and not applied to the payment of interest. This provision shall control every other provision of all agreements between Maker and the holder hereof.

Maker shall have the right to prepay the indebtedness evidenced by this Note, in whole or in part, at any time, without premium or penalty of any kind whatsoever, and interest shall immediately cease to accrue on any part of this Note so prepaid.

~~This Note is an unregistered debt instrument issued by a foreign lender to a United States of America obligor.~~

~~This Note cannot be offered or sold (or resold in connection with its original issuance) to any individual or entity who is a "United States Person" as that term is defined and interpreted under the laws of taxation of the United States of America. With respect to any assignee who is not a "United States Person," Payee may assign the Note without the consent of Maker and any such assignment shall not relieve the Maker of its obligations hereunder, except that Maker shall make all payments to and give any notices at the address of such assignee as provided to Maker by Payee.~~

This Note is intended to constitute and qualify as "portfolio debt investment" as that term is defined and interpreted under the taxation laws of the United States of America. The parties to this Note specifically intend that the interest payable hereunder shall not be subject to income or excise taxation, including the imposition of any withholding taxes thereon, under the laws of the United States of America or any state or municipality thereof.

The principal and interest payable per the terms and condition of this Note shall be payable only outside the United States of America and its possessions.

It is specifically understood and intended that no "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) shall ever be an owner or holder of this Note; however, should any "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) ever become a holder or owners of this Note, such "United States Person" will be subject to limitation under the income tax laws of the United States of America. Any "United States Person" who holds this Note will be subject to limitation under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

The owner of this Note must certify to the Maker (or any distributor) of this Note that the owner is not a "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America.)

IN WITNESS WHEREOF, the undersigned has executed this Note effective as of the date and year first above written.

WRANGLER TRUST, MAKER

By: _____
EVAN WYLY, Trustee

4061

AGREED:

The undersigned acknowledges and agrees to all terms and conditions of this Note. The undersigned certifies to the Maker that the undersigned is not a "United States Person" (as that term is defined under the taxation laws of the United States of America).

SECURITY CAPITAL, LTD., PAYEE
~~A Cayman Islands Exempted Company~~

By: _____

Name: _____

Title: _____

Dated Effective as of June 4, 2002

264942.4

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excessive, such amount shall (i) be applied to the reduction of the unpaid principal balance due hereunder or (ii) be refunded to Maker and not applied to the payment of interest. This provision shall control every other provision of all agreements between Maker and the holder hereof.

Maker shall have the right to prepay the indebtedness evidenced by this Note, in whole or in part, at any time, without premium or penalty of any kind whatsoever, and interest shall immediately cease to accrue on any part of this Note so prepaid.

Upon payment in full of this Note, whether in accordance with its terms or as a result of prepayment by Maker, this Note shall be canceled and returned to Maker, together with an executed release of the lien created by the Deed of Trust.

~~This Note is an unregistered bearer debt instrument issued by a foreign lender to a United States of America obligor.~~

This Note cannot be offered or sold (or resold in connection with its original issuance) to any individual or entity who is a "United States Person" as that term is defined and interpreted under the laws of taxation of the United States of America. With respect to any assignee who is not a "United States Person," Payee may assign the Note and Deed of Trust without the consent of Maker and any such assignment shall not relieve the Maker of its obligations hereunder, except that Maker shall make all payments to and give any notices at the address of such assignee as provided to Maker by Payee.

This Note is intended to constitute and qualify as "portfolio debt investment" as that term is defined and interpreted under the taxation laws of the United States of America. The parties to this Note specifically intend that the interest payable hereunder shall not be subject to income or excise taxation, including the imposition of any withholding taxes thereon, under the laws of the United States of America or any state or municipality thereof.

The principal and interest payable per the terms and condition of this Note shall be payable only outside the United States of America and its possessions.

It is specifically understood and intended that no "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) shall ever be an owner or holder of this Note; however, should any "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) ever become a holder or owners of this Note, such "United States Person" will be subject to limitation under the income tax laws of the United States of America. Any "United States Person" who holds this Note will be subject to limitation under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

The owner of this Note must certify to the Maker (or any distributor) of this Note that the owner is not a "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America.)

— = Redacted by the Permanent
Subcommittee on Investigations

From: Michelle Boucher [REDACTED]
Sent: Tuesday, December 28, 2004 11:07 AM
To: Keeley Hennington
Subject: RE: CJW/Security Capital

Jesus!

-----Original Message-----

From: Keeley Hennington [REDACTED]
Sent: Tuesday, December 28, 2004 2:06 PM
To: Michelle Boucher
Subject: RE: CJW/Security Capital

That's 1/2 of where they started - should be fun

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Tuesday, December 28, 2004 1:05 PM
To: Keeley Hennington
Subject: RE: CJW/Security Capital

I was guesing \$100,000, that is unbelievable.....

-----Original Message-----

From: Keeley Hennington [REDACTED]
Sent: Tuesday, December 28, 2004 2:03 PM
To: Michelle Boucher
Subject: RE: CJW/Security Capital

\$500,000

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Tuesday, December 28, 2004 12:47 PM
To: Keeley Hennington
Subject: RE: CJW/Security Capital

No....

-----Original Message-----

From: Keeley Hennington [REDACTED]
Sent: Tuesday, December 28, 2004 1:24 PM
To: Michelle Boucher
Subject: RE: CJW/Security Capital

Andrea has it recorded on 9/30 and that should match the actual date of the wire but who knows.

Has CP told you the retainer #?

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Tuesday, December 28, 2004 12:19 PM
To: Keeley Hennington
Subject: RE: CJW/Security Capital

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 883

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SEC_ED00009136

PSI_ED00009136

— = Redacted by the Permanent
Subcommittee on Investigations

Was thinking about 10/5 but that's not it....

-----Original Message-----

From: Keeley Hennington [REDACTED]
Sent: Tuesday, December 28, 2004 1:14 PM
To: mboucher@itc.zenergy.ca
Subject: RE: CJW/Security Capital

I SHOW 9/30 - 294,000

-----Original Message-----

From: M. Boucher [REDACTED]
Sent: Tuesday, December 28, 2004 9:48 AM
To: Keeley Hennington
Subject: FWD: CJW/Security Capital

what day did cjw wire this?

----- Original Message -----

From: khennington [REDACTED]
Date: Mon, 20 Sep 2004 08:43:51 -0500

There is an interest payment due Sept. 30 on the \$6M loan between CJW and SC. Andrea - can you pull what we did last time and calculate the amount and then we will get with Michelle and Margot to see how best to handle.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

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PSI_ED00009137

4065

PROMISSORY NOTE

\$25,000,000.00

Effective March 1, 2003

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of SECURITY CAPITAL, LTD., a Cayman Islands Exempted Company ("Payee"), the principal sum of TWENTY-FIVE MILLION and NO/100 DOLLARS (\$25,000,000.00), together with interest on the unpaid principal sum from time to time outstanding at the rate of FOUR AND EIGHT-TENTHS PERCENT (4.80%) per annum from the date hereof until paid. All principal and interest payable hereunder shall be due and payable in lawful money of the United States of America.

The Payee may disburse the principal of this note to the Maker hereof in ONE (1) or more advances from time to time. The Maker hereof shall be entitled to prepay the principal or interest of this note from time to time and at any time, in whole or in part, without premium or penalty, and thereafter, prior to the maturity of this note request the Payee to make additional advances of principal hereunder. At no time may the principal balance outstanding exceed the principal sum first mentioned, and at no time, except as Payee may otherwise agree, may the aggregate principal amount disbursed pursuant to this note exceed TWENTY-FIVE MILLION and NO/100 DOLLARS (\$25,000,000). All prepayments shall be applied first to accrued but unpaid interest and then to principal, and this note shall not be deemed to be terminated or canceled even though the entire outstanding principal balance hereof may from time to time be paid in full prior to maturity. Notation by Payee on its records shall constitute evidence of the amount and date of any payment or advance hereunder.

Interest on this Note shall be payable in annual installments calculated on the unpaid principal sum outstanding from time to time, commencing one year from the date hereof, and payable each succeeding year thereafter. Interest shall begin to accrue from the date of each advance from Payee to Maker. All remaining unpaid principal, together with any accrued, but unpaid interest, shall be payable in full on February 28, 2018.

The entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at the option of the Payee upon the occurrence of the following events of default (the "Event of Default"): Failure by Maker to pay the principal and/or interest hereon as and when the same becomes due and payable in accordance with the terms hereof and the continuation of said failure for a period of ten (10) days after Payee has provided Maker with written notice of such failure; or

In the event the Event of Default specified hereinabove shall occur, Payee may proceed to protect and enforce its rights either by suit in equity and/or by action at law, or by other appropriate proceedings. No delay on the part of the holder of this Note in the exercise of any power or right under this Note or under any other instrument executed pursuant thereto shall operate as a waiver thereof, nor shall a single or partial exercise of any other power or right preclude further exercise thereof.

-1-

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 887

CONFIDENTIAL
SEC100015560
PSI00027427

Except as expressly otherwise provided herein, Maker waives demand, presentment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, and any and all lack of diligence or delay in collection or the filing of suit hereon which may occur.

If this Note is not paid at maturity, howsoever such maturity may be brought about, and the same is placed in the hands of an attorney for collection, or if this Note is collected by suit or through bankruptcy, probate, or other legal proceedings, Maker agrees to pay the costs of collection ~~and attorneys' fees, in addition to the principal and interest.~~

~~This Note may be delivered by telefacsimile or similar facsimile transmission and, in such case, shall be deemed delivered upon Payee's receipt of such facsimile transmission.~~

All notices or demands required or permitted hereunder shall be in writing and delivered to the person to whom the notice is directed, either in person, by facsimile transmission, or by United States Mail, as a registered or certified item, return receipt requested. Notices delivered by mail shall be deemed given three (3) days after deposit of same in a regularly maintained receptacle for the United States Mail, with proper postage prepaid, and addressed as follows:

If to Maker: Charles Wyly
300 Crescent Court, Suite 1000
Dallas, Texas 75201

If to Payee: Security Capital, Ltd.
P. O. Box 30868 SMB
Ugland House
Georgetown, Grand Cayman

This Note has been executed and delivered, and is to be performed, in the State of Texas, and the laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note.

All agreements between Maker and Payee are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the payment hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holder hereof for the use, forbearance, or detention of the money to be advanced hereunder exceed the highest rate permissible under the laws of the State of Texas. If, from any circumstance whatsoever, fulfillment of any provision hereof or any other agreement referred to herein shall, at the time fulfillment of such provision be due, involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance the holder hereof shall ever receive as interest an amount which would be excessive, such amount shall (i) be applied to the reduction of the unpaid principal balance due hereunder or (ii) be refunded to Maker and not applied to the payment of interest. This provision shall control every other provision of all agreements between Maker and the holder hereof.

Maker shall have the right to prepay the indebtedness evidenced by this Note, in whole or in part, at any time, without premium or penalty of any kind whatsoever, and interest shall immediately cease to accrue on any part of this Note so prepaid.

This Note is an unregistered debt instrument issued by a foreign lender to a United States of America obligor.

~~This Note cannot be offered or sold (or resold in connection with its original issuance) to any individual or entity who is a "United States Person" as that term is defined and interpreted under the laws of taxation of the United States of America. With respect to any assignee who is not a "United States Person," Payee may assign the Note without the consent of Maker and any such assignment shall not relieve the Maker of its obligations hereunder, except that Maker shall make all payments to and give any notices at the address of such assignee as provided to Maker by Payee.~~

This Note is intended to constitute and qualify as "portfolio debt investment" as that term is defined and interpreted under the taxation laws of the United States of America. The parties to this Note specifically intend that the interest payable hereunder shall not be subject to income or excise taxation, including the imposition of any withholding taxes thereon, under the laws of the United States of America or any state or municipality thereof.

The principal and interest payable per the terms and condition of this Note shall be payable only outside the United States of America and its possessions.

It is specifically understood and intended that no "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) shall ever be an owner or holder of this Note; however, should any "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) ever become a holder or owners of this Note, such "United States Person" will be subject to limitation under the income tax laws of the United States of America. Any "United States Person" who holds this Note will be subject to limitation under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

The owner of this Note must certify to the Maker (or any distributor) of this Note that the owner is not a "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America.)

IN WITNESS WHEREOF, the undersigned has executed this Note effective as of the date and year first above written.


CHARLES J. WYLY, JR.

4068

AGREED:

The undersigned acknowledges and agrees to all terms and conditions of this Note. The undersigned certifies to the Maker that the undersigned is not a "United States Person" (as that term is defined under the taxation laws of the United States of America).

SECURITY CAPITAL, LTD.,
A Cayman Islands Exempted Company

By: _____

Name: _____

Title: _____

Dated Effective as of March 1, 2003

279095

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 15, 2003 8:33 AM
To: Andrea Westbrook
Subject: Fw: cw loans re: gorsemoor

When I did cash flows last week I did thru 9/29 and the \$4m was not in the system - does this mean he is okay on cash for a while? I need to know what to go back to Michelle with.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 10/15/03 09:39 AM -----

"Margot MacInnis"
10/15/03 09:30 AM

To
"Khennington (E-mail)"
cc
"Michelle Boucher"
Subject
FW: cw loans re: gorsemoor

The drawdowns for the CW \$25M loan are as follows:

March 6 - \$10 M
May 12 - \$4M
Jul 18 - \$4M
Aug 27 - \$1M
Sep 24 - \$4M

The total amount being \$23 million.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 890

Confidential
SEC_ED00003264

PSI ED00003264

4070

— = Redacted by the Permanent
Subcommittee on Investigations

From: Andrea Westbrook
Sent: Wednesday, October 15, 2003 8:35 AM
To: Keeley Hennington
Subject: Re: Fw: cw loans re: gorsemoor

Yes, I guess we are. Actually, I am not sure I knew about the \$4 mil, but I will get it entered. Sorry about that.

Keeley Hennington/htst
10/15/2003 09:33 AM

To
Andrea Westbrook
cc

Subject
Fw: cw loans re: gorsemoor

When I did cash flows last week I did thru 9/29 and the \$4m was not in the system - does this mean he is okay on cash for a while? I need to know what to go back to Michelle with.

Thanks

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----- Forwarded by Keeley Hennington/htst on 10/15/03 09:39 AM -----

"Margot MacInnis" <[REDACTED]>
10/15/03 09:30 AM

To
"Khennington (E-mail)" <[REDACTED]>
cc
"Michelle Boucher" <[REDACTED]>
Subject
FW: cw loans re: gorsemoor

Confidential
SEC_ED00006106

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 890

PSI_ED00006106

4071

Interest Calculation
50C/SECURITY CAPITAL

		No. of Days	Amount	4.80%	Total Int
03/06/03	05/13/03	66	10,000,000	480,000	86,557.38
05/14/03	07/22/03	67	14,000,000	672,000	123,016.39
07/23/03	08/31/03	41	18,000,000	864,000	96,786.89
09/01/03	09/28/03	28	19,000,000	912,000	69,770.49
09/29/03	10/20/03	22	23,000,000	1,104,000	86,380.66
10/21/03	03/01/04	136	25,000,000	1,200,000	445,901.64
		360			
					888,393.44

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 890

Confidential
SEC_ED00012691

PSI_ED00012691

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, February 24, 2004 10:33 AM
To: "Margot MacInnis" [REDACTED]
Subject: Re: Interest Calc

Attachments: INTEREST RECALC_\$25 PROM NOTE_MAR1_04.xls

~~We will take care of it — can you send wire instructions just so we know we have them~~
 Right

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Margot MacInnis" [REDACTED]
 02/24/04 12:45 PM

To
 "Khennington (E-mail)" [REDACTED]
 cc
 "Michelle Boucher" [REDACTED]
 Subject
 Interest Calc

Hi Keeley,

I've attached my spreadsheet for calculating the interest payment on the \$25M. I can get your spreadsheet to match mine by tinkering with the 'days' column (but I can't seem to get the dates themselves to match up with the Security Capital bank statement in order to get back to the correct number of days). Our figure matches the one Francis gave me (well it's out by \$65 dollars).

I will advise Security Capital to expect an interest payment of \$887,539.73 from CW. Let me know if you have any questions/issues with the attached calc.

<<INTEREST RECALC_\$25 PROM NOTE_MAR1_04.xls>> Margot MacInnis Compliance Manager

(345) [REDACTED] (tel)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 891

Confidential
 SEC_ED00012680

DSI ED00012680

4073

— = Redacted by the Permanent
Subcommittee on Investigations

(345) [REDACTED] (fax)
The Irish Trust Company
P.O. Box 10658 APO
5th Floor Harbour Place
Grand Cayman, Cayman Islands


INTEREST
~~SEC. 25 PROMISE~~

Confidential
SEC_ED00012681

PSI_ED00012681

INTEREST RECALCULATION
\$25M PROMISSORY NOTE

DUE TO GORSEMOOR									
SEC/CAP	Dallas Dates	Date of Advance	Amount	No. of Days	Rate	Interest Accrued to Date 3/1/03	Mar 1/04 No. of Days	Interest Accrued to Mar 1/04	Interest Accrued to Mar 1/04 to March 1/05
20-Oct-03	20-Oct-03	20-Oct-03	\$ 2,000,000.00	78	4.7500%	\$ 10,102.88	156	\$ 15,154.35	\$ 15,154.35
20-Sep-03	20-Sep-03	20-Sep-03	\$ 4,000,000.00	126	4.7500%	\$ 21,147.95	156	\$ 31,722.70	\$ 46,875.45
1-Sep-03	2-Sep-03	28-Aug-03	\$ 1,000,000.00	126	4.7500%	\$ 5,140.41	156	\$ 7,810.64	\$ 13,621.29
22-Jul-03	22-Jul-03	18-Jul-03	\$ 4,000,000.00	167	4.7500%	\$ 8,716.27	227	\$ 13,024.59	\$ 26,645.88
13-May-03	14-May-03	13-May-03	\$ 4,000,000.00	234	4.7500%	\$ 122,128.77	294	\$ 183,257.51	\$ 309,906.28
11-Mar-03	1-Mar-03	7-Mar-03	\$ 10,000,000.00	300	4.7500%	\$ 391,438.35	350	\$ 587,152.87	\$ 984,291.15
						\$ 688,148.83		\$ 1,035,350.44	\$ 1,723,700.59
						checked to TPI		\$ 688,148.83	\$ 1,035,350.44
								\$ 688,148.83	\$ 1,035,350.44
								\$ 688,148.83	\$ 1,035,350.44

DUE TO SECURITY CAPITAL

Date of Advance	Amount	No. of Days	Rate	Interest Accrued to Date 3/1/03	Mar 1/04 No. of Days	Interest Accrued to Mar 1/04	Interest Accrued to Mar 1/04 to March 1/05
13-Mar-03	\$ 2,000,000.00	78	4.5000%	\$ 10,102.88	156	\$ 15,154.35	\$ 15,154.35
18-Jul-03	\$ 4,000,000.00	126	4.5000%	\$ 21,147.95	156	\$ 31,722.70	\$ 46,875.45
28-Aug-03	\$ 1,000,000.00	126	4.5000%	\$ 5,140.41	156	\$ 7,810.64	\$ 13,621.29
25-Sep-03	\$ 4,000,000.00	167	4.5000%	\$ 8,716.27	227	\$ 13,024.59	\$ 26,645.88
17-Oct-03	\$ 4,000,000.00	234	4.5000%	\$ 122,128.77	294	\$ 183,257.51	\$ 309,906.28
				\$ 391,438.35	350	\$ 587,152.87	\$ 984,291.15
				\$ 688,148.83		\$ 1,035,350.44	\$ 1,723,700.59
				checked to TPI		\$ 688,148.83	\$ 1,035,350.44
						\$ 688,148.83	\$ 1,035,350.44
						\$ 688,148.83	\$ 1,035,350.44

198
228
28
41
67
66

4075

Fidelity IFS Wire Room

Page 1 of 2

Incoming Wire/History Review

— = Redacted by the Permanent
Subcommittee on Investigations

Please fill out the form and click on Submit button

Basic Information			Processing Instruction		
Tracking No. *	Amount *		Account	Account Type *	
239764	888393.44		0009067457	Checking - Search	
Wire Type	Date	Status	Product *	Fee	Method
1000	Feb 25 2004 12:41	Processed	Standard -	10.00	Analysis
IMAD			Print Fee		
20040225L1LFBFC001360			- Please Select -		
OMAD			Email Fee		
20040225A1Q1821E00023302251245FT0			- Please Select -		
Originator			Email		
CHARLES J WYLY JR COMMUNITY PRO			- Please Select -		
Name			Fax Fee		
QUEENSGATE BANK TRUST CO L			- Please Select -		
			Fax		
			1-345-945-2197		
			Instruction		

FED Text	
Fed Text	
#### 02 #### FT PROD #### FT INCOMING ####NORMAL MSG/ACCTG ENTRY####	
(3100) Sender: 111000025 BK AMER DL	(2000) Amount: \$888,393.44
(3400) Receiver: 211170101 WEBSTER BANK CT	(3600) Bus Function Code: CTR
(1510) Type Code:	1000
(3700) Charges:	5
(5000) Originator:	CHARLES J WYLY JR COMMUNITY PROPERTY 300 CRESCENT CT STE 1000 DALLAS TX 75201-7852
(6000) ORG to RNF Info:	REF: SECURITY CAPITAL LTD, ACCT 212 2
(5100) Originator's FI:	BANK OF AMERICA BRANCH FUNDS TRANSFER CONCORD, CALIFORNIA 94520
(5200) Instructing FI:	CHARLES J WYLY JR COMMUNITY PROPERTY RENA ALEXANDER, JANA FREDERICK, 300 CRESCENT CT STE 1000 DALLAS TX 75201-7852
(4200) Beneficiary:	QUEENSGATE BANK TRUST CO LTD
(4320) Ref for RNF:	01040225001821NN
(1520) IMAD:	20040225L1LFBFC001360
(3320) Sender Ref:	040225031867

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/5/2005

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 891

ITIAL/BUSINESS/PROPRIETARY/
R CONFIDENTIAL INFORMATION
1W001117

4076

Fidelity IFS Wire Room

Page 2 of 2

(1110) Timestamp:	02251245PT01
(1120) CMBD:	20040225A1Q1821E00023302251245PT01
#####	

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/5/2005

CONFIDENTIAL/BUSINESS/PROPRIETARY/
CUSTOMER CONFIDENTIAL INFORMATION
IW001118

Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, March 10, 2005 2:31 PM
To: 'michelle'
Subject: RE: Security Capital

We are going to borrow short term until the annuity payments come in.

-----Original Message-----

From: michelle [REDACTED]
Sent: Thursday, March 10, 2005 11:25 AM
To: Keeley Hennington
Subject: FW: Security Capital

Ok? I assume you found some cash

-----Original Message-----

From: "Michelle Boucher" [REDACTED]
Date: Thu, 10 Mar 2005 17:24:04
To: "Michelle Boucher - BlackBerry" [REDACTED]
Subject: FW: Security Capital

From: Jane Fleming [REDACTED]
Sent: Thursday, March 10, 2005 5:21:58 PM
To: Michelle Boucher
Subject: FW: Security Capital
Auto forwarded by a Rule

Hi Michelle - looks like we might get the cash tomorrow,

Thanks for your help on this,

Jane.

-----Original Message-----

From: Andrea Westbrook [REDACTED]
Sent: 10/03/2005 5:21 PM
To: Jane Fleming
Subject: Security Capital

Hello! We are planning to send the interest payment tomorrow, Friday, March 11, and were wondering if you could please confirm wiring instructions.

Thank you,

Andrea Westbrook

"Sent via BlackBerry."

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 891

Confidential
SEC_ED00016108

PSI_ED00016108

Incoming Wire/History Review

= Redacted by the Permanent
Subcommittee on Investigations

Please fill out the form and click on Submit button

Basic Information			Processing Instruction		
Tracking No. *	Amount *		Account	Account Type *	Search
437393	1200000.00		0009067457	Checking	
Wire Type	Date	Status	Product *	Fee	Method
1000	Mar 11 2005 11:11	Processed	Standard	10.00	Analysis
IMAD			Print Fee		
2005031111LFBF8C000665			Please Select -		
OMAD			Email Fee		
20050311A1Q1821E00017603111111FT0			Please Select -		
Originator			Email		
CHARLES J WYLY JR COMMUNITY PRO			Fax Fee		
Name			Please Select -		
QUEENSGATE BANK TRUST COMI			13459452197		
			Instruction		

FED Text	
<p>Fed Text ##### 02 ##### FT PROD ##### FT INCOMING #####NORMAL MSG/ACCTG ENTRY##### (3100) Sender: 111000025 BK AMER DL (2000) Amount: \$1,200,000.00 (3400) Receiver: 211170101 WEBSTER BANK CT (3600) Bus Function Code: CTR (1510) Type Code: 1000 (3700) Charges: S (5000) Originator: [REDACTED] CHARLES J WYLY JR COMMUNITY PROPERTY 300 CRESCENT CT STE 1000 DALLAS TX 75201-7852 (6000) ORG to RNF Info: FFCY SECURITY CAPITAL LTD, A/C 212 2 (5100) Originator's FI: BANK OF AMERICA BRANCH FUNDS TRANSFER CONCORD, CALIFORNIA 94520 (5200) Instructing FI: [REDACTED] CHARLES J WYLY JR COMMUNITY PROPERTY RENA ALEXANDER, JANA FREDERICK, 300 CRESCENT CT STE 1000 DALLAS TX 75201-7852 (4200) Beneficiary: [REDACTED] QUEENSGATE BANK TRUST COMPANY (4320) Ref for RNF: 01050311000798NN (1520) IMAD: 2005031111LFBF8C000665 (3320) Sender Ref: 050311022231</p>	

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/6/2005

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 891

NESS/PROPRIETARY/
ENTIAL INFORMATION
1W002128

4079

Fidelity IFS Wire Room

Page 2 of 2

{1110} Timestamp:	03111111PT01
{1120} CNO:	20050311A1Q1821B00017603111111PT01

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/6/2005

CONFIDENTIAL/BUSINESS/PROPRIETARY/
CUSTOMER CONFIDENTIAL INFORMATION
IW002129

Charles J. Wyty, Jr.
Statement of Cash Flows
As of December 31, 2004

	2003 Year-to-Date	Prior Month	Current Month	2004 Year-to-Date
Cash - Beginning of Period				
Cash Flows In				
Directors Fees - Michaels Stores				
Directors Fees - Scottish Annuity				
Great-West Annuity				
Interest Income				
Dividend Income - MMA/Mutual Funds				
Increase in Borrowings - Stargate				
Partnership Distribution - Stargate				
Partnership Distribution - Stargate Investments				
Partnership Distribution - Little Woody				
Add Mortgage on 0955 Little Woody				
Sale of Virginia Property				
Notes Receivable				
Security Capital				
Accounts Receivable				
Misc Income				
Interfamily Notes				
Total Cash Flows In				25,000,000
Cash Flows Out				
Interest Expense				
Mortgage Interest - 0955 Little Woody				
Mortgage Payment - Jourdan Way				
Mortgage Payment - Lambda Note				
Investments:				
Michaels				
Maverick USA				
First Dallas GP, LLC				
First Dallas, Ltd.				
Shadywood USA				
Lambda Construction				
Fidelity High Income				
Treasury Bills				
IRA/Retirement Plans				
Real Estate Improvements / Furnishings				
Lambda Construction				
Lambda Parcel A Furnishings				
Art Collection				
Art Collection - Parcel A				
Autos / Jewelry				
Contributions - Aspen Flyers, Ltd.				
Contributions - Lambda, Ltd.				
Contributions - Little Woody, Ltd.				
Contributions - C&S Aviation				
Contributions - Shadywood USA				
Property Taxes				
Legal and Accounting Fees				
Highland Stargate Family Office Shared Costs				
Current Year Tax Payments / Withholding				
Tax Payments				
Gift Tax				
Political Contributions				
Charitable Contributions				
Personal Insurance Premiums				
Non-charitable Gifts				
Personal Withdrawals				
Credit Cards				
Travel/Meals/Entertainment				
Rent Expense				
Personal / Household				
Ranch Expense				
Note Payment - Stargate Investments				
Net Interfamily/Entity Cash Flows				
Notes External - Vaughn				
Tax Adjustments				
Miscellaneous Expense				
Total Cash Flow Out				
Net Cash - End of Period				

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 892

CONFIDENTIAL
HST_PSI006984

4081

PROMISSORY NOTE

\$10,000,000.00

Effective July 15, 2003

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of SECURITY CAPITAL, LTD., a Cayman Islands Exempted Company ("Payee"), the principal sum of TEN MILLION and NO/100 DOLLARS (\$10,000,000.00), together with interest on the unpaid principal sum from time to time outstanding at the rate of FOUR AND SEVENTEEN HUNDRETHS PERCENT (4.17%) per annum from the date hereof until paid. All principal and interest payable hereunder shall be due and payable in lawful money of the United States of America.

The Payee may disburse the principal of this note to the Maker hereof in ONE (1) or more advances from time to time. The Maker hereof shall be entitled to prepay the principal or interest of this note from time to time and at any time, in whole or in part, without premium or penalty, and thereafter, prior to the maturity of this note request the Payee to make additional advances of principal hereunder. At no time may the principal balance outstanding exceed the principal sum first mentioned, and at no time, except as Payee may otherwise agree, may the aggregate principal amount disbursed pursuant to this note exceed TEN MILLION and NO/100 DOLLARS (\$10,000,000). All prepayments shall be applied first to accrued but unpaid interest and then to principal, and this note shall not be deemed to be terminated or canceled even though the entire outstanding principal balance hereof may from time to time be paid in full prior to maturity. Notation by Payee on its records shall constitute evidence of the amount and date of any payment or advance hereunder.

Interest on this Note shall be payable in annual installments calculated on the unpaid principal sum outstanding from time to time, commencing one year from the date hereof, and payable each succeeding year thereafter. Interest shall begin to accrue from the date of each advance from Payee to Maker. All remaining unpaid principal, together with any accrued, but unpaid interest, shall be payable in full on July 14, 2018.

The entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at the option of the Payee upon the occurrence of the following events of default (the "Event of Default"): Failure by Maker to pay the principal and/or interest hereon as and when the same becomes due and payable in accordance with the terms hereof and the continuation of said failure for a period of ten (10) days after Payee has provided Maker with written notice of such failure; or

In the event the Event of Default specified hereinabove shall occur, Payee may proceed to protect and enforce its rights either by suit in equity and/or by action at law, or by other appropriate proceedings. No delay on the part of the holder of this Note in the exercise of any power or right under this Note or under any other instrument executed pursuant thereto shall operate as a waiver thereof, nor shall a single or partial exercise of any other power or right preclude further exercise thereof.

- 1 -

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 893

CONFIDENTIAL
SEC100015550
PS100027417

Except as expressly otherwise provided herein, Maker waives demand, presentment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, and any and all lack of diligence or delay in collection or the filing of suit hereon which may occur.

If this Note is not paid at maturity, howsoever such maturity may be brought about, and the same is placed in the hands of an attorney for collection, or if this Note is collected by suit or through bankruptcy, probate, or other legal proceedings, Maker agrees to pay the costs of collection and attorneys' fees, in addition to the principal and interest.

This Note may be delivered by telefacsimile or similar facsimile transmission and, in such case, shall be deemed delivered upon Payee's receipt of such facsimile transmission.

All notices or demands required or permitted hereunder shall be in writing and delivered to the person to whom the notice is directed, either in person, by facsimile transmission, or by United States Mail, as a registered or certified item, return receipt requested. Notices delivered by mail shall be deemed given three (3) days after deposit of same in a regularly maintained receptacle for the United States Mail, with proper postage prepaid, and addressed as follows:

If to Maker: Sam Wyly
300 Crescent Court, Suite 1000
Dallas, Texas 75201

If to Payee: Security Capital, Ltd.
P. O. Box 30868 SMB
Ugland House
Georgetown, Grand Cayman

This Note has been executed and delivered, and is to be performed, in the State of Texas, and the laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note.

All agreements between Maker and Payee are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the payment hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holder hereof for the use, forbearance, or detention of the money to be advanced hereunder exceed the highest rate permissible under the laws of the State of Texas. If, from any circumstance whatsoever, fulfillment of any provision hereof or any other agreement referred to herein shall, at the time fulfillment of such provision be due, involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance the holder hereof shall ever receive as interest an amount which would be excessive, such amount shall (i) be applied to the reduction of the unpaid principal balance due hereunder or (ii) be refunded to Maker and not applied to the payment of interest. This provision shall control every other provision of all agreements between Maker and the holder hereof.

Maker shall have the right to prepay the indebtedness evidenced by this Note, in whole or in part, at any time, without premium or penalty of any kind whatsoever, and interest shall immediately cease to accrue on any part of this Note so prepaid.

This Note is an unregistered debt instrument issued by a foreign lender to a United States of America obligor.

This Note cannot be offered or sold (or resold in connection with its original issuance) to any individual or entity who is a "United States Person" as that term is defined and interpreted under the laws of taxation of the United States of America. With respect to any assignee who is not a "United States Person," Payee may assign the Note without the consent of Maker and any such assignment shall not relieve the Maker of its obligations hereunder, except that Maker shall make all payments to and give any notices at the address of such assignee as provided to Maker by Payee.

This Note is intended to constitute and qualify as "portfolio debt investment" as that term is defined and interpreted under the taxation laws of the United States of America. The parties to this Note specifically intend that the interest payable hereunder shall not be subject to income or excise taxation, including the imposition of any withholding taxes thereon, under the laws of the United States of America or any state or municipality thereof.

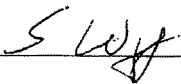
The principal and interest payable per the terms and condition of this Note shall be payable only outside the United States of America and its possessions.

It is specifically understood and intended that no "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) shall ever be an owner or holder of this Note; however, should any "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) ever become a holder or owners of this Note, such "United States Person" will be subject to limitation under the income tax laws of the United States of America. Any "United States Person" who holds this Note will be subject to limitation under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

The owner of this Note must certify to the Maker (or any distributor) of this Note that the owner is not a "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America.)

IN WITNESS WHEREOF, the undersigned has executed this Note effective as of the date and year first above written.

SAM WYLY



4084

AGREED:

The undersigned acknowledges and agrees to all terms and conditions of this Note. The undersigned certifies to the Maker that the undersigned is not a "United States Person" (as that term is defined under the taxation laws of the United States of America).

SECURITY CAPITAL, LTD.,
A Cayman Islands Exempted Company

By: /s/ D. Hunter

Name: Dennis Hunter

Title: DIRECTOR

Dated Effective as of July 15, 2003

- 4 -

CONFIDENTIAL
SEC100015553
PSI00027420

4085

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Monday, July 14, 2003 2:32 PM
To: mboucher@ [REDACTED]
Subject: notes
Attachments: SW-revolving note-SEC CAP.doc; SWYLY - Note - REVOLVING LINE.doc

Below are the loan documents for Sam - let me know how you want to circulate. 4.17% is the AFR rate for July

(Newgale)

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

 
SW-revolving note-SEC CAP.doc SWYLY - Note - REVOLVING LINE...

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 893

Confidential
SEC_ED00002645

PSI_ED00002645

PROMISSORY NOTE

\$20,000,000.00

Effective July 15, 2003

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of SECURITY CAPITAL, LTD., a Cayman Islands Exempted Company ("Payee"), the principal sum of TWENTY MILLION and NO/100 DOLLARS (\$20,000,000.00), together with interest on the unpaid principal sum from time to time outstanding at the rate of FOUR AND SEVENTEEN HUNDRETHS PERCENT (4.17%) per annum from the date hereof until paid. All principal and interest payable hereunder shall be due and payable in lawful money of the United States of America.

The Payee may disburse the principal of this note to the Maker hereof in ONE (1) or more advances from time to time. The Maker hereof shall be entitled to prepay the principal or interest of this note from time to time and at any time, in whole or in part, without premium or penalty, and thereafter, prior to the maturity of this note request the Payee to make additional advances of principal hereunder. At no time may the principal balance outstanding exceed the principal sum first mentioned, and at no time, except as Payee may otherwise agree, may the aggregate principal amount disbursed pursuant to this note exceed TWENTY MILLION and NO/100 DOLLARS (\$20,000,000). All prepayments shall be applied first to accrued but unpaid interest and then to principal, and this note shall not be deemed to be terminated or canceled even though the entire outstanding principal balance hereof may from time to time be paid in full prior to maturity. Notation by Payee on its records shall constitute evidence of the amount and date of any payment or advance hereunder.

Interest on this Note shall be payable in annual installments calculated on the unpaid principal sum outstanding from time to time, commencing one year from the date hereof, and payable each succeeding year thereafter. Interest shall begin to accrue from the date of each advance from Payee to Maker. All remaining unpaid principal, together with any accrued, but unpaid interest, shall be payable in full on July 14, 2018.

The entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at the option of the Payee upon the occurrence of the following events of default (the "Event of Default"): Failure by Maker to pay the principal and/or interest hereon as and when the same becomes due and payable in accordance with the terms hereof and the continuation of said failure for a period of ten (10) days after Payee has provided Maker with written notice of such failure; or

In the event the Event of Default specified hereinabove shall occur, Payee may proceed to protect and enforce its rights either by suit in equity and/or by action at law, or by other appropriate proceedings. No delay on the part of the holder of this Note in the exercise of any power or right under this Note or under any other instrument executed pursuant thereto shall operate as a waiver thereof, nor shall a single or partial exercise of any other power or right preclude further exercise thereof.

Except as expressly otherwise provided herein, Maker waives demand, presentment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, and any and all lack of diligence or delay in collection or the filing of suit hereon which may occur.

If this Note is not paid at maturity, howsoever such maturity may be brought about, and the same is placed in the hands of an attorney for collection, or if this Note is collected by suit or through bankruptcy, probate, or other legal proceedings, Maker agrees to pay the costs of collection and attorneys' fees, in addition to the principal and interest.

This Note may be delivered by telefacsimile or similar facsimile transmission and, in such case, shall be deemed delivered upon Payee's receipt of such facsimile transmission.

All notices or demands required or permitted hereunder shall be in writing and delivered to the person to whom the notice is directed, either in person, by facsimile transmission, or by United States Mail, as a registered or certified item, return receipt requested. Notices delivered by mail shall be deemed given three (3) days after deposit of same in a regularly maintained receptacle for the United States Mail, with proper postage prepaid, and addressed as follows:

If to Maker: Sam Wyly
300 Crescent Court, Suite 1000
Dallas, Texas 75201

If to Payee: Security Capital, Ltd.
P. O. Box 30868 SMB
Ugland House
Georgetown, Grand Cayman

This Note has been executed and delivered, and is to be performed, in the State of Texas, and the laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note.

All agreements between Maker and Payee are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the payment hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holder hereof for the use, forbearance, or detention of the money to be advanced hereunder exceed the highest rate permissible under the laws of the State of Texas. If, from any circumstance whatsoever, fulfillment of any provision hereof or any other agreement referred to herein shall, at the time fulfillment of such provision be due, involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance the holder hereof shall ever receive as interest an amount which would be excessive, such amount shall (i) be applied to the reduction of the unpaid principal balance due hereunder or (ii) be refunded to Maker and not applied to the payment of interest. This provision shall control every other provision of all agreements between Maker and the holder hereof.

Maker shall have the right to prepay the indebtedness evidenced by this Note, in whole or in part, at any time, without premium or penalty of any kind whatsoever, and interest shall immediately cease to accrue on any part of this Note so prepaid.

This Note is an unregistered debt instrument issued by a foreign lender to a United States of America obligor.

This Note cannot be offered or sold (or resold in connection with its original issuance) to any individual or entity who is a "United States Person" as that term is defined and interpreted under the laws of taxation of the United States of America. With respect to any assignee who is not a "United States Person," Payee may assign the Note without the consent of Maker and any such assignment shall not relieve the Maker of its obligations hereunder, except that Maker shall make all payments to and give any notices at the address of such assignee as provided to Maker by Payee.

This Note is intended to constitute and qualify as "portfolio debt investment" as that term is defined and interpreted under the taxation laws of the United States of America. The parties to this Note specifically intend that the interest payable hereunder shall not be subject to income or excise taxation, including the imposition of any withholding taxes thereon, under the laws of the United States of America or any state or municipality thereof.

The principal and interest payable per the terms and condition of this Note shall be payable only outside the United States of America and its possessions.

It is specifically understood and intended that no "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) shall ever be an owner or holder of this Note; however, should any "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America) ever become a holder or owners of this Note, such "United States Person" will be subject to limitation under the income tax laws of the United States of America. Any "United States Person" who holds this Note will be subject to limitation under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

The owner of this Note must certify to the Maker (or any distributor) of this Note that the owner is not a "United States Person" (as that term is defined and interpreted under the taxation laws of the United States of America.)

IN WITNESS WHEREOF, the undersigned has executed this Note effective as of the date and year first above written.

SAM WYLY

4089

— = Redacted by the Permanent
Subcommittee on Investigations



"Michelle Boucher"

07/23/2003 12:21 PM

Please respond to
"Michelle Boucher"

To <ralexander@—>

cc

bcc

Subject \$6M is being wired today, likely won't hit until later in the
afternoon

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

CONFIDENTIAL
SEC100026540
PSI00038407

4090

Redacted by the Permanent
Subcommittee on Investigations



Rena Alexander/htst
07/17/2003 04:15 PM

To "Michelle Boucher" [REDACTED]
cc
bcc
Subject Re: SW wire instructions

Bank of America, Dallas, Texas
ABA# 111000025
for Sam Wyly Separate Property
Acct# 4770767310
"Michelle Boucher" [REDACTED]

Thanks



"Michelle Boucher"

07/17/2003 04:17 PM

Please respond to
"Michelle Boucher"

To <ralexander@ [REDACTED]>
cc
Subject SW wire instructions

Pls confirm to which account we should wire the \$6M loan from Security Capital. I expect we should have it avail to wire on Monday or Tuesday but will let you know as soon as I do.

CONFIDENTIAL
SEC100026541
PS100038408



SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER, JANA FREDERICK OR
KEELEY HENNINGTON

Page 3 of 4
Statement Period
07-01-03 through 07-31-03
Number of checks enclosed: 16
E 00 0 C P 24 0526322

Account Number: [REDACTED]

Date Posted	Amount(\$)	Resulting Balance(\$)	Transaction
07-23	6,000,000.00+	6,108,229.72	Wire Type:Wire IN Date: 072303 Time:1358 Ct Trn:030723044817 Fdref/Seq:Fts0307233914100/005763 Orig:Queensgate Bank Snd Bk:Bank Of New York ID [REDACTED] Pmt Det/Ref: Security Capital
07-23	1,060,000.00-	5,048,229.72	Wire Type:Book Out Date:072303 Time:1509 Ct Trn:030723054410 Related Ref:01030723005031Nn Bnf:Bank Of America Securities ID:Cal:1233932118 Pmt Det:Further Credit To: Ranger Capital Ltd, Acc T [REDACTED] Sender: Sam Wyly, Attn: Matt Jose
07-24	4,500,000.00-	502,989.72	Transfer To Banc Of America Investment Services, Inc. W18012785

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

 Recycled Paper

Confidential Treatment Requested

BA 09505

Bank of America

WIRE TRANSFER ADVICE PAGE 1 OF 1
BANK OF AMERICA, N.A.
WIRE TRANSFER DEPT CA4-706-08-21
CONCORD, CA 94520

SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER, JANA FREDERICK OR
KEELEY HENNINGTON
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

DATE: 07/23/03
DIRECT INQUIRIES TO:
800.227.3337

ACCOUNT: [REDACTED]

THE FOLLOWING WIRE WAS CREDITED TODAY:

USD AMOUNT \$6,000,000.00

TRANSACTION REF:	030723044817	FEDREF/SEQ:	FTS0307233914100/005763
ORIGINATOR:	QUEENSGATE BANK	IMAD:	200307230108153C005763
ORIGINATOR'S BANK:	BANK OF BUTTERFIELD INTERNATIONAL	ID:	
SENDING BANK:	BANK OF NEW YORK	ID:	8033265086
PAYMENT DETAIL:	/REF: SECURITY CAPITAL	ID:	021000018

THE FOLLOWING WIRE WAS DEBITED TODAY:

USD AMOUNT \$20,000.00

TRANSACTION REF:	030723020252	ID:	[REDACTED]
RELATED REF:	01030723000924NN	ID:	[REDACTED]
ORIGINATOR:	SAM WYLY SEPARATE PROPERTY	ID:	[REDACTED]
INSTRUCTING BANK:	BANK OF AMERICA	ID:	[REDACTED]
BENEFICIARY:	THE PRINCIPAL CORP	ID:	[REDACTED]
BENEFICIARY'S BANK:	MOX BANK OF AMERICA MISSOURI	ID:	[REDACTED]
PAYMENT DETAIL:	FOR CREDIT TO: JOSHUA STEELE, ACCT 137340		

THE FOLLOWING WIRE WAS DEBITED TODAY:

USD AMOUNT \$1,060,000.00

TRANSACTION REF:	030723054410	ID:	[REDACTED]
RELATED REF:	01030723005031NN	ID:	[REDACTED]
ORIGINATOR:	SAM WYLY SEPARATE PROPERTY	ID:	[REDACTED]
INSTRUCTING BANK:	BANK OF AMERICA	ID:	[REDACTED]
BENEFICIARY:	BANC OF AMERICA SECURITIES LLC	ID:	[REDACTED]
PAYMENT DETAIL:	FURTHER CREDIT TO: RANGER CAPITAL LTD, ACCT [REDACTED] SENDER: SAM WYL Y, ATTN: MATT JOSE		

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 896

CONFIDENTIAL
HST_PSI010622
[D]

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Monday, September 15, 2003 7:13 AM
To: Lesley Attenberger
Cc: Jana Frederick
Subject: Fw: SW Separate Property

This should be booked as an addition to the Security Capital loan already on the books (I am hoping there are not two) - you might get Jana to help you

The \$1M should be paid back to Wrangler as soon as this money hits

Thanks

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----- Forwarded by Keeley Hennington/htst on 09/15/03 08:18 AM -----

"Michelle Boucher" <mboucher@redacted>
09/12/03 04:07 PM

To: <khennington@redacted>
cc: redacted

Subject: SW Separate Property

The \$1.25M will be wired from here to you on Monday. It just hit Security Capital.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

Confidential
SEC_ED00003029

PSI_ED00003029


Bank of America


SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER, JANA FREDERICK OR
KEELY HENNINGTON

— Redacted by the Permanent
Subcommittee on Investigations

Page 3 of 4
Statement Period
09-01-03 through 09-30-03
Number of checks enclosed: 20
E 00 0 C P 24 0514452
Account Number: [REDACTED]

Interest Checking Additions and Subtractions

Date Posted	Amount(\$)	Resulting Balance(\$)	Transaction
09-11	500,000.00-	478,671.98	Wire Type:Book Out Date:091103 Time:1052 Ct Trn:030911022065 Related Ref:01030911000686Nn Bnf:Banc Of America Securities ID:Cal:1233932118 Pmt Det:Further Credit To Ranger Capital Group Ltd , Acct: [REDACTED] Sender: Sam Wily
09-11	20.00-	478,651.98	Wire Transfer Fee
09-12	29,743.14-	448,908.84	Funds Transfer Debit Fdes Ntx 0001145 Nbk6Y3
09-15	1,250,000.00 +	1,698,908.84	Wire Type:Wire IN Date: 091503 Time:1407 Ct Trn:030915050138 Fdes/Seg:Fts0309159238900/006981 Orig:Queensgate Bank Snd Bk:Bank Of New York ID: [REDACTED] Pmt Det:Ref:Security Capital
09-15	16,931.58-	1,681,977.26	Wire Type:Intl Out Date:091503 Time:1451 Ct Trn:030915056527 Related Ref:01030915005742Nn Bnf:Morgan Lewis Bockius ID: [REDACTED] Bk:Nation AL Westminster Ba ID:Nwbkgs2128F Pmt Det:Ref: Invo
09-15	25,000.00-	1,656,977.26	Check 9688
09-15	936.89-	1,656,040.37	Check 9684
09-15	45.00-	1,655,995.37	Wire Transfer Fee
09-17	936.90-	1,655,058.47	Check 9686
09-18	1,000,000.00-	655,058.47	Funds Transfer Debit Fdes Ntx 0001145 Nbk6Y3
09-18	150,000.00-	505,058.47	Check 9694
09-19	128.64-	504,929.83	Check 9690
09-19	8,762.84-	496,176.99	Check 9687
09-19	4,986.00-	491,190.99	Check 9683
09-22	244.33-	490,946.66	Check 9691
09-22	9,050.46-	481,896.20	Check 9685
09-23	16,471.34-	465,424.86	Check 9695
09-23	11,913.00-	453,511.86	Check 9692
09-23	473.44-	453,038.42	Funds Transfer Debit Fdes Ntx 0001145 Nbk6Y3
09-24	3,535.35-	449,503.07	Funds Transfer Debit Fdes Ntx 0001145 Nbk777U
09-26	84,376.00-	365,127.07	Funds Transfer Debit Fdes Ntx 0001145 Nbk777U
09-26	8,200.00-	356,927.07	Check 9697
09-26	5,231.59-	351,695.48	Check 9699
09-29	10,275.26-	341,420.22	Interest Earned
09-30	65.21 +	341,485.43	

Checks Posted in Numerical Order

Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)
9677	09-18	150,000.00	9684	09-15	936.89	9692	09-23	473.44
9679*	09-02	474.93	9685	09-23	16,471.34	9693	09-22	244.33
9680	09-05	7,268.24	9686	09-17	936.90	9694	09-19	128.64
9681	09-08	4,300.23	9687	09-19	4,986.00	9695	09-23	11,913.00
9682	09-04	18,013.61	9688	09-15	25,000.00	9697*	09-26	5,231.59
9683	09-09	39,388.41	9690*	09-19	8,762.84	9699*	09-29	10,275.26
			9691	09-22	9,050.46			

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 896

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Recycled Paper

BA 09506



Bank of America



SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER JANA FREDERICK OR
KEELEY HENNINGTON

— = Redacted by the Permanent
Subcommittee on Investigations

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Page 3 of 4
Statement Period
09-01-03 through 09-30-03
Number of checks enclosed: 20
E 00 0 C P 24 9002250

Account Number: [REDACTED]

Interest Checking Additions and Subtractions

Date Posted	Amount(\$)	Resulting Balance(\$)	Transaction
09-11	500,000.00-	478,671.98	Wire Type:Book Out Date:091103 Time:1052 Ct Trn:030911022065 Related Ref:01030911000686Nn Bnf:Banc Of America Securities ID:Cal:1233932118 Pmt Det:Further Credit To Ranger Capital Group Ltd Acct:[REDACTED] Sender: Sam Wyly
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09-15	25,000.00-	1,656,977.26	Check 9688
09-15	936.89-	1,656,040.37	Check 9684
09-15	45.00-	1,655,995.37	Wire Transfer Fee
09-17	936.90-	1,655,058.47	Check 9686
09-18	1,000,000.00-	655,058.47	Funds Transfer Debit Fdes Ntx 0001145 Nbk6Y3
09-19	150,000.00-	505,058.47	Check 9694
09-19	128.64-	504,929.83	Check 9690
09-19	8,762.84-	496,176.99	Check 9687
09-19	4,986.00-	491,190.99	Check 9693
09-22	244.33-	490,946.66	Check 9691
09-22	9,050.46-	481,896.20	Check 9685
09-23	16,471.34-	465,424.86	Check 9695
09-23	11,913.00-	453,511.86	Check 9692
09-23	473.44-	453,038.42	Check 9692
09-24	3,535.35-	449,503.07	Funds Transfer Debit Fdes Ntx 0001145 Nbk6Y3
09-26	84,376.00-	365,127.07	Funds Transfer Debit Fdes Ntx 0001145 Nbk777U
09-26	8,200.00-	356,927.07	Funds Transfer Debit Fdes Ntx 0001145 Nbk777U
09-26	8,231.59-	351,695.48	Check 9697
09-29	10,275.26-	341,420.22	Check 9699
09-30	65.21+	341,485.43	Interest Earned

Checks Posted in Numerical Order

Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)
9677	09-18	150,000.00	9684	09-15	936.89	9692	09-23	473.44
9679*	09-02	474.93	9685	09-23	16,471.34	9693	09-22	244.33
9680	09-05	7,268.24	9686	09-17	936.90	9694	09-19	128.64
9681	09-08	4,300.23	9687	09-19	4,986.00	9695	09-23	11,913.00
9682	09-04	18,013.61	9688	09-15	25,000.00	9697*	09-26	5,231.59
9683	09-10	25,000.00	9690*	09-19	8,752.84	9699*	09-29	10,275.26
	09-09	39,388.41	9691	09-22	9,050.46			

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 896

CONFIDENTIAL
HST_PSI010393

CASH REPORT - SW
23-Sep-03[illegible]

11-Sep-03

[illegible][illegible]

CP \$22.9

Eq. Cap. \$10,000,000
Borrowed. $\{ 7,250,000 \}$
2,750,000.

$$\begin{array}{r} 2,916,775 \\ + 15,000,000 \\ \hline 17,916,775 \end{array}$$

Oct. 45 TML NM.
Oct 2003.

15,916,775 9/30 cash.

5,000,000

4483

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

CONFIDENTIAL
SECI00028669
PSI00040536

— = Redacted by the Permanent
Subcommittee on Investigations

Sam Wyly
Cash Flow Summary-Domestic
Period Ended September 30,2003

	09/30/03	
Cash and Agencies at 1/01/03		\$ [REDACTED]
Inflows:		
Interest and Dividends	[REDACTED]	
Annuity Income	[REDACTED]	
Director Fees	[REDACTED]	
Life Insurance Surrender	[REDACTED]	
Other Income	[REDACTED]	
Borrow - Security Capital	7,250,000	
Borrow - [REDACTED]	[REDACTED]	
Borrow - Tallulah	[REDACTED]	
Borrow - Wrangler	[REDACTED]	
Borrow - Ranger Investment	[REDACTED]	
Payment on Loan from Jason	[REDACTED]	
Total Inflow		[REDACTED]
Outflows:		
Investments:		
Contribution to Ranger	[REDACTED]	
Contribution to C&S	[REDACTED]	
Contribution to Green Mountain Dallas	[REDACTED]	
Contribution to Ranch	[REDACTED]	
Construction - Beverly	[REDACTED]	
Art and Furniture	[REDACTED]	
Jewelry	[REDACTED]	
JP Morgan loan payment	[REDACTED]	
Total Investments		[REDACTED]
Expenses:		
[REDACTED]	[REDACTED]	
Interest Expense - Wrangler	[REDACTED]	
Interest Expense - Security Capital	825,000	
Charity	[REDACTED]	
[REDACTED]	[REDACTED]	
Legal and accounting	[REDACTED]	
Taxes - Federal	[REDACTED]	
Gifts - Non Charitable	[REDACTED]	
Personal withdraws	[REDACTED]	
Political	[REDACTED]	
Insurance	[REDACTED]	
School/Education	[REDACTED]	
Rent	[REDACTED]	
Household	[REDACTED]	

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

Confidential
SEC_ED00061524

PSI_ED00061524

= Redacted by the Permanent
Subcommittee on Investigations

Telephone
Subscriptions/Dues
Travel/Entertainment
Utilities
Miscellaneous
Credit Cards
Family Office
Family Meeting
Book [REDACTED]
Art and History

[REDACTED]

Total Expenses

[REDACTED]

Total Outflows

[REDACTED]

Cash at 9/30/03

[REDACTED]

— = Redacted by the Permanent
Subcommittee on Investigations

From: Rena Alexander
Sent: Tuesday, October 21, 2003 7:41 AM
To: Keeley Hennington
Subject: Re: Fw: Security Capital

Wonderful!!!!!! Should I e-mail Mr. David about the transfer happening tomorrow?

Keeley Hennington/htst
 10/21/2003 08:39 AM

To
 Rena Alexander
 cc

 Subject
 Fw: Security Capital

to the rescue

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 10/21/03 08:47 AM -----

"Margot MacInnis" [REDACTED]
 10/20/03 05:07 PM

To
 "Khennington (E-mail)" [REDACTED]
 cc
 "Michelle Boucher" [REDACTED]
 Subject
 Security Capital

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

Confidential
 SEC_ED00011032

4100

— = Redacted by the Permanent
Subcommittee on Investigations

Security Capital will be wiring the final tranche of \$2.75M to SW in respect of the \$10M revolving credit note. You should expect to see the funds tomorrow.

Margot MacInnis
Compliance Manager

(345) [REDACTED] (tel)
(345) [REDACTED] (fax)
The Irish Trust Company
P.O. Box 10658 APO
5th Floor Harbour Place
Grand Cayman, Cayman Islands

Confidential
SEC_ED00011033

PSI_ED0001103


Bank of America


SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER, JANA FREDERICK OR
KEELEY HENNINGTON

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Page 3 of 4
Statement Period
10-01-03 through 10-31-03
Number of checks enclosed: 19
E 00 0 C P 24 0500518
Account Number: [REDACTED]

Interest Checking Additions and Subtractions

Date Posted	Amount(\$)	Resulting Balance(\$)	Transaction
10-21	2,750,000.00 +	3,079,314.41	Wire Type: Wire IN Date: 102103 Time: 1258 Ct Trn: 031021034217 Fdref/Seq: Fts0310216082800/004118 Orig: Queensgate Bank Snd Bk: Bank Of New York ID: [REDACTED] Pmt Det: Ref: Security Capital
10-21	300,000.00-	2,779,314.41	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3
10-22	637,000.00-	2,139,016.35	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3
10-23	1,500,000.00-	631,611.35	Transfer To Banc Of America Investment Services, Inc. P86009725
10-28	84,376.00-	540,869.57	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3

Checks Posted in Numerical Order

Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)	Check Number	Date Posted	Amount(\$)
2	10-02	[REDACTED]	10-16	10-16	[REDACTED]	10-22	10-22	[REDACTED]
	10-29	[REDACTED]	10-15	10-15	[REDACTED]	10-21	10-21	[REDACTED]
	10-06	[REDACTED]	10-10	10-10	[REDACTED]	10-30	10-30	[REDACTED]
	10-06	[REDACTED]	10-14	10-14	[REDACTED]	10-30	10-30	[REDACTED]
	10-17	[REDACTED]	10-10	10-10	[REDACTED]	10-30	10-30	[REDACTED]
	10-08	[REDACTED]	10-23	10-23	[REDACTED]			
	10-16	[REDACTED]	10-21	10-21	[REDACTED]			

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 896

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BA 0956

4102

Bank of America



WIRE TRANSFER ADVICE PAGE 1 OF 1
BANK OF AMERICA, N.A.
WIRE TRANSFER DEPT CA4-706-08-21
CONCORD, CA 94520

SAM MYLY SEPARATE PROPERTY
RENA ALEXANDER, JANA FREDERICK OR
KEELEY HENNINGTON
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

DATE: 10/21/03
DIRECT INQUIRIES TO:
800.227.3337

ACCOUNT: TX [REDACTED]

THE FOLLOWING WIRE HAS CREDITED TODAY:

USD AMOUNT \$2,750,000.00

TRANSACTION REF: 031021034217

FEDREF/SEQ: FTS0310216082800/004118
IMAD: 20031021B1Q8153C004118

ORIGINATOR: QUEENSGATE BANK
ORIGINATOR'S BANK: BANK OF BUTTERFIELD INTERNATIONAL
SENDING BANK: BANK OF NEW YORK
PAYMENT DETAIL: /REF: SECURITY CAPITAL

ID: 8033265086
ID: 021000018

[REDACTED] = Redacted by the Permanent
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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 896

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[D]

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From: "Michelle Boucher" [REDACTED]
Sent: Monday, July 12, 2004 8:45 AM
To: <ralexander@ [REDACTED]>
Subject: Re: Security Capital

yes, thanks.

----- Original Message -----
From: <ralexander@ [REDACTED]>
To: <MBoucher [REDACTED]>
Sent: Monday, July 12, 2004 9:34 AM
Subject: Security Capital

>
>
>
>
> Michelle,
>
> Sam has a payment due Security Capital of interest only, on 10 Million,
due
> 7/15. Do I ask Margo to confirm amount of the payment?
>
> Rena
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 897

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PSI_ED00009759

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From: Rena Alexander
Sent: Tuesday, July 13, 2004 8:45 AM
To: "Margot MacInnis" [REDACTED]
Subject: RE: Interest on 10Million due 7/15

Thank you. I'll send the funds for the 15th.

"Margot MacInnis" [REDACTED]
07/13/2004 10:02 AM

To
<ralexander@ [REDACTED]>
cc

Subject
RE: Interest on 10Million due 7/15

This looks fine Rena, please go ahead and arrange to send the funds for value July 15th. Please let me know if you need anything else.

-----Original Message-----

From: ralexander@ [REDACTED]
Sent: Monday, July 12, 2004 4:03 PM
To: Margot MacInnis
Subject: RE: Interest on 10Million due 7/15

I started with July 23rd the first time. The dates the bank is showing are:
Sept. 11th and Oct. 21nd.
I'm attaching my schedule. I'm thinking our schedules won't match exactly, right?
(See attached file: samseccapintcalc.xls)

"Margot MacInnis"
[REDACTED]

07/12/2004 03:19

<ralexander@ [REDACTED]>

To
cc

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PSI ED00011761

4105

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PM

Subject
RE: Interest on 10Million due 7/15

I checked the funds movement and updated the attached schedule. I think in order to make this work, you will need to adjust your records to show the interest accruing over fewer days since the initial funds weren't advanced until July 23rd (rather than July 15th), but this will work itself out next year. I've assumed in my schedule that the Sept & October advances as being received domestically on the date they were transferred out of Security Capital (but I'm not sure what date was used on your end).

Let me know if you have any questions.

Margot

-----Original Message-----

From: ralexander@ [REDACTED]
Sent: Monday, July 12, 2004 1:20 PM
To: Margot MacInnis
Subject: RE: Interest on 10Million due 7/15

That sounds great, Thanks Margot

"Margot MacInnis"

[REDACTED]
07/12/2004 01:23
PM

To
<ralexander@ [REDACTED]>
cc
Subject
RE: Interest on 10Million due 7/15

I checked the note and you are correct that the SW/SecCap note is due July

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15th. Our note is July 20th. I will check with Security Capital to confirm the dates the funds moved. It doesn't make sense to me that we advanced funds after July 20th and the SW/SecCap note is dated July 15th. We will need to ensure the interest calcs match up with the funds flow - I'll get back to you when I receive the information from Security Capital - which should be shortly.

Margot

-----Original Message-----

From: ralexander@ [REDACTED]
 Sent: Monday, July 12, 2004 12:19 PM
 To: Margot MacInnis
 Subject: RE: Interest on 10Million due 7/15

Margot,

Some of the differences are the dates as you said, but the biggest difference is that my Note shows the interest to be payable annually on 7/15. And expiring on 7/14, 2018. Maybe I need a copy of your note for my records. My note is signed by Sam but isn't signed by Security Capital. I'll recalculate with your dates, but I'm really concerned about the actual due date.

Thanks, Rena

"Margot MacInnis"

07/12/2004 12:07
 PM

<ralexander@ [REDACTED]>

To

cc

Subject

RE: Interest on 10Million due 7/15

Hi Rena,

I calculate a different figure using your interest rate of 4.17% and the number of days o/s per our system. I've attached the summary so that you can tell me where we are different. The \$10M was advanced on different dates, so I'm wondering if that's where the difference comes up - since there are generally lags as to when the money leaves Dallas and gets to Security Capital.

Also the promissory note indicates that interest is due July 20th so my calculations are effective as of this date.

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Let me know if you have any questions

Margot

-----Original Message-----

From: ralexander [REDACTED]
Sent: Monday, July 12, 2004 10:28 AM
To: Margot MacInnis
Subject: Interest on 10Million due 7/15

Margo

I'm showing Sam has an interest payment, due 7/15, on his 10 Million credit line with Security Capital . I have calculated the interest to be \$391,719.38. Is this anywhere near what you are showing?

Thanks,
Rena

(See attached file: Interest Calc \$10M SW Note.xls)

(See attached file: Interest Calc \$10M SW Note.xls)

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PSI_ED00011764

\$10 MILLION REVOLVING NOTE

Security Capital - Newgale				<u>Interest Due July 20th</u>	Date Rec'd	Date Sent
21-Jul-04	\$	6,000,000.00	4.1325%	365	247,950.00	23-Jul-03
11-Sep-03	\$	1,250,000.00	4.1325%	314	44,438.53	12-Sep-03
16-Oct-03	\$	2,750,000.00	4.1325%	279	86,867.41	17-Oct-03
					<u>379,255.94</u>	21-Oct-03
SW - Security Capital						
23-Jul-04	\$	6,000,000.00	4.170%	358	245,401.64	
15-Sep-03	\$	1,250,000.00	4.170%	305	43,556.51	
21-Oct-03	\$	2,750,000.00	4.170%	268	84,199.73	
					<u>373,157.88</u>	
					<u>391,719.38</u>	Per Dallas
					<u>18,561.50</u>	Difference

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EXHIBIT #66 - FN 897

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PSI_ED00011759

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Bank of America



SAM WYLY SEPARATE PROPERTY
RENA ALEXANDER JANA FREDERICK OR
KEELEY HENNINGTON

Page 3 of 4
Statement Period
07-01-04 through 07-31-04
Number of checks enclosed: 21
E 00 0 C F 24 0786191
Account Number: [REDACTED]

Interest Checking Additions and Subtractions

Date Posted	Amount(\$)	Resulting Balance(\$)	Transaction
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
07-15	1,000,000.00 +	1,396,119.70	Credit From Commercial Loan Fdes Nmo 0000595 Nbkx6Ji
07-15	374,141.67-	1,021,978.03	Wire Type:Wire Out Date:071504 Time:0900 Ct Trn:040715016778 Fdes/Seq:040715016778/000441 Bnf:Queensgate Bank Trust Co IL [REDACTED] Bnf Bk: Webster Bank, N.A. ID:211170101 Pmt Det: [REDACTED] [REDACTED] Further Credit: Security Capital Ltd, Acct 2 Funds Transfer Debit Fdes Ntx 0001145 Nbkx6Y3
07-15	73,500.00-	948,478.03	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
07-26	4,500,000.00 +	5,364,810.81	Credit From Commercial Loan Fdes Nmo 0000595 Nbkx6Ji
07-26	3,401,123.00-	1,963,687.81	Wire Type:Wire Out Date:072604 Time:1413 Ct Trn:040726049548 Fdes/Seq:040726049548/001704 [REDACTED] Bnf Bk:Cj Tibank Na ID:021000089 Pmt Det:01040726004819Nncli Ent Escrow Checking Account, Russell Glass Funds Transfer Debit Fdes Ntx 0001145 Nbkx6Y3 Funds Transfer Debit Fdes Ntx 0001145 Nbkx6Y3 Check 9910
07-26	294,000.00-	1,669,687.81	[REDACTED]
07-26	208,250.00-	1,461,437.81	[REDACTED]
07-26	65,572.86-	1,395,864.95	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
07-30	1,000,000.00 +	1,808,343.26	Credit From Commercial Loan Fdes Nmo 0000595 Nbkx6Ji
07-30	300,000.00-	1,508,343.26	Funds Transfer Debit Fdes Ntx 0001145 Nbkx6Y3

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 897

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BA 09514

4110

Fidelity IFS Wire Room

Page 1 of 2

Incoming Wire/History Review

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Please fill out the form and click on Submit button

Basic Information			Processing Instruction		
Tracking No. *	Amount *		Account	Account Type *	Search
313985	374141.67		0009067457	Checking	
Wire Type	Date	Status	Product *	Fee	Method
1000	Jul 15 2004 10:02	Processed	Standard	10.00	Analysis
IMAD			Print Fee	-	
20040715L1LFBF8C000441			- Please Select -		
OMAD			Email Fee	Email	
20040715A1Q1821E00011107151001FT0			- Please Select -		
Originator			Fax Fee	Fax	
SAM WYLY SEPARATE PROPERTY			- Please Select -	13459452197	
Name			Instruction		
QUEENSGATE BANK TRUST CO L					

FED Text	
Fed Text	
#### 02 #### FT PROD #### FT INCOMING #####NORMAL MSG/ACCTG ENTRY####	
(3100) Sender: 111000025 BK AMER DL	(2000) Amount: \$374,141.67
(3400) Receiver: 211170101 WEBSTER BANK CT	(3600) Bus Function Code: CYR
(1510) Type Code:	1000
(3700) Charges:	\$
(5000) Originator:	
	SAM WYLY SEPARATE PROPERTY
	300 CRESCENT CT STE 1000
	DALLAS TX 75201-7852
(6000) ORG to BNP Info:	FURTHER CREDIT: SECURITY CAPITAL LT
	D, ACCT 2122
(5100) Originator's FI:	BANK OF AMERICA
	BRANCH FUNDS TRANSFER
	CONCORD, CALIFORNIA 94520
(5200) Instructing FI:	
	SAM WYLY SEPARATE PROPERTY
	RENA ALEXANDER, JANA FREDERICK OR
	300 CRESCENT CT STE 1000
	DALLAS TX 75201-7852
(4200) Beneficiary:	
	QUEENSGATE BANK TRUST CO LTD
(4320) Ref for BNP:	01040715000322NN
(1520) IMAD:	20040715L1LFBF8C000441
(3320) Sender Ref:	040715016778

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/6/2005

CONFIDENTIAL/BUSINESS/PROPRIETARY/
CUSTOMER CONFIDENTIAL INFORMATION

IW001524

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 897

4111

Fidelity IFS Wire Room

Page 2 of 2

{1110} Timestamp:	07151001PT01
{1120} CQAD:	20040715A1Q1821E00011107151001PT01
#####	

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/6/2005

CONFIDENTIAL/BUSINESS/PROPRIETARY/
CUSTOMER CONFIDENTIAL INFORMATION
FW001525

Incoming Wire/History Review

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Please fill out the form and click on Submit button

Basic Information			Processing Instruction		
Tracking No. *	Amount *		Account	Account Type *	
5099TT	417000.00		0009067457	Checking	Search
Wire Type	Date	Status	Product *	Fee	Method
1000	Jul 15 2005 2:50F	Processed	Standard	10.00	Analysis
IMAD			Print Fee		
20050715F2QCZ60C000910			- Please Select -		
OMAD			Email Fee	Email	
20050715A1B01Y2D00048407151425FT0			- Please Select -		
Originator			Fax Fee	Fax	
SAM WYLY			- Please Select -	13459452197	
Name			Instruction		
QUEENSGATE BANK & TRUST CO					

FED Text	
Fed Text ##### 02 ##### FT PROD ##### FT INCOMING #####NORMAL MSG/ACCTG ENTRY#### (3100) Sender: 062001186 COMPASS BANK (2000) Amount: \$417,000.00 (3400) Receiver: 211170101 WEBSTER BANK CT (3600) Bus Function Code: CTR (1510) Type Code: 1000 (5000) Originator: SAM WYLY SEPARATE PROPERTY 300 CRENSHAW CT STE 1000 DALLAS, TX 75201-7852 (6000) ORG to BNF Info: REF: SECURITY CAPITAL A/C 2122 RE F: 050749 (4200) Beneficiary: QUEENSGATE BANK & TRUST CO (1520) IMAD: 20050715F2QCZ60C000910 (3320) Sender Ref: 20050715125320KL (1110) Timestamp: 07151425PT01 (1120) OMAD: 20050715A1B01Y2D00048407151425FT01 #####	

http://10.1.81.85/wire/loadpage_modal.asp?pagename=Incoming_History_Review&wrapp... 10/7/2005

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 897

 L/BUSINESS/PROPRIETARY/
 CONFIDENTIAL INFORMATION
 1W002528

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"Michelle Boucher"

07/16/03 09:44 AM

Please respond to
"Michelle Boucher"

To: <khennington@ [REDACTED]>

cc

bcc

Subject: Re: Fw: security capital

I think it doesn't hurt but I think we need to tone down some of the assignment language to indicate maybe that SW won't assign the notes without prior notification and acknowledgement thereof by the IOM entity - maybe just notification..... what do you think?

----- Original Message -----

From: <khennington@ [REDACTED]>

To: "Michelle Boucher" [REDACTED]

Sent: Wednesday, July 16, 2003 9:30 AM

Subject: Re: Fw: security capital

>
>
>
>
>
> So what do you think about this? I don't really like it but not sure it
> hurts anything. I am also okay with \$10M but I think David needs to be
> aware that we may be coming back to him at a future date.
>
>

>
> The preceding e-mail message (including any attachments) contains
> information that may be confidential, or constitute non-public
> information.
> It is intended to be conveyed only to the designated recipient(s). If you
> are not an intended recipient of this message, please notify the sender by
> replying to this message and then delete it from your system. Use,
> dissemination, distribution, or reproduction of this message by unintended
> recipients is not authorized and may be unlawful.
>

"Michelle
Boucher"

07/16/03 08:56 AM

Please respond to
"Michelle
Boucher"

<khennington@ [REDACTED]>

Fw: security capital

To: 4/67

cc

Subject

Signature

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 899

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SEC100028673
PSI00040540

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>
>
>
>
>
>
>
> ----- Original Message -----
> From: "Pat Fitzpatrick" <[REDACTED]>
> To: <mboucher@[REDACTED]>
> Sent: Wednesday, July 16, 2003 6:39 AM
> Subject: security capital
>
>
>
> 16 July 2003
>
>
> Loan to Security Capital
>
> Your email of 11 July and our telephone conversation yesterday evening
> refer. As discussed, on the basis that Sam has the expectation of the
> annuity payments kicking in next year, Sarnia/its owner will be happy to
> make a revolving credit facility available to Security Capital for
> onlending
> to Sam. Could I perhaps suggest at this stage we just make it a US\$10
> million facility. I appreciate that Sam is unable to enter into any
sort
> of
> formal charge over the annuities but think that it would be helpful if,
> in
> a
> side letter to the facility agreement, Sam were to enter into what would
> amount to a negative pledge. The sort of side letter that I have in
> mind,
> which would be from Sam to Security Capital and which Security Capital
> would
> copy on to Sarnia, is as follows:-
> *Security Capital*
> "Dear Sirs,
>
> I refer to the US\$10 million revolving credit facility which you are
> considering granting to me, such facility to be on an unsecured basis.
I
> confirm that commencing on *11/11/2004* I become entitled to
> annuity payments of US\$ *2,934,550* per annum from [Isle of Man
> companies] *EAST CARROLL LIMITED*. *This will afford me sufficient liquidity*
> such that I will have the necessary funds available to me to make *to provide*
> repayments *this* *make*
> when due under the loan facility. Whilst my interests in the annuities *repayments*
> are *under the*
> capable of being formally assigned, any such assignment would have
> potential
> income tax obligations for me. However, I confirm that I shall not
> assign *prior notification*
> the annuities to any other person without first offering any such
> assignment
> to yourselves, and I further confirm that if requested by you, at some
> time
> in the future to provide more security for the amounts due by me to you
> under the proposed loan facility, I shall execute appropriate letters to
> the
> payers of the annuity directing that such annuity payments should be

EAST CARROLL

income pledge
additional security
f

CONFIDENTIAL
SECI00028674
PSI00040541

CONFIDENTIAL
SECI00028675
PSI00040542

4116

Security Capital, Ltd.
P.O. Box 30868 SMB
Ugland House
Georgetown, Grand Cayman

July 15, 2003

Dear Sirs:

This letter is in reference to your consideration of providing me with a \$10 million unsecured revolving line of credit. I am entitled to payments under a private annuity agreement between myself and East Carroll Limited, an Isle of Mann Company. These payments are to commence on November 1, 2004 and be payable on an annual basis in the amount of \$2,934,856. Although my interest in this agreement is assignable, to do so may result in unfavorable tax consequences. As such, there is no intention to assign these agreements. However, if a need arises for an assignment, you will receive prior notification and if it is deemed necessary at that time and amounts remain outstanding on the Promissory Note, East Carroll Limited may be directed to make such payments directly to Security Capital until the balance of the Promissory Note is paid in full.

Sincerely,



Sam Wyly

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 900

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PSI00027421

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, June 14, 2001 8:28 AM
To: "Michelle Boucher" [REDACTED]
Subject: Re: allocations to LLCs

Attachments: swsubfunds.doc; swalloc301.xls



I did not fully appreciate all you had to go through until I saw all this. I have walked through it, but would not say I fully understand everything. If you get a minute and want to walk me back through it, that would be great. I will be in until about 1:00 today and then I have to go out to Tango and ChaCha to help with an insurance issue. Maybe we can talk Tuesday

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"Michelle Boucher" [REDACTED]
06/13/01 12:16 PM

To: <DavidH[REDACTED]>, <khennington[REDACTED]>
cc:
Subject: allocations to LLCs

Here you go - have fun! Call me when you are ready to discuss :-)
- swsubfunds.doc
- swalloc301.xls

 
swsubfunds.doc (30 KB) swalloc301.xls (61 KB)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 904

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SEC_ED00006047

CONFIDENTIAL
SECI00066426
PSI00078293

Orange, LLC - Bessie Trust (EW)			Orange LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/01	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			2,900	2,900	0.0%
Lehman Brothers			460,842	460,842	4.2%
Total Cash			463,742	463,742	4.2%
Loans & Advances Receivable					
Spitting Lion Limited			254,000	254,000	2.3%
Cottonwood II Limited			279,513	279,513	2.5%
Two Mile Ranch Limited			735,062	735,062	
Intertrust advances				-	0.0%
Total Loans & Advances Receivable			1,268,575	1,268,575	11.5%
Investments in Funds					
Maverick Levered Fund	257,4521	2066.559	500,000	532,040	4.8%
Ranger Fund	2,028.6642	987.011	2,000,000	2,002,314	18.1%
Total Investment in Funds			2,500,000	2,534,354	23.0%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	16.0%
Total Investments in Public Companies			996,960	1,766,120	16.0%
Investments in Private Companies					
Greenmountain stock	982,318	5.09	4,999,999	4,999,999	45.3%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Two Mile Ranch Limited	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
Total Investments			8,496,962	9,300,475	84.3%
TOTAL ASSETS			10,229,279	11,032,792	100.0%
Loans & Advances Payable					
Intercompany Advances			735,409	735,409	6.7%
Due to Security Capital			9,498,446	9,498,446	86.1%
Interest on Security Capital Loan			310,546	310,546	2.8%
Total Loans & Advances Payable			10,544,401	10,544,401	95.6%
TOTAL LIABILITIES			10,544,401	10,544,401	95.6%
NET EQUITY			(315,122)	488,391	4.4%
TOTAL LIABILITIES & EQUITY			10,229,279	11,032,792	100.0%

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 905

CONFIDENTIAL
SEC100067092
PS100078959

Pops, LLC - Bessie Trust (LW)			Pops LLC		% assets
Foreign Grantor - 1994	Shares or	Market	Book	FMV	
Priced at 12/31/01	Face Value	Value			
Cash					
Bank of Bermuda			3,131	3,131	0.0%
Lehman Brothers			460,842	460,842	4.2%
Total Cash			463,972	463,972	4.2%
Loans & Advances Receivable					
Spitting Lion Limited			254,000	254,000	2.3%
Cottonwood II Limited			279,513	279,513	2.5%
Two Mile Ranch Limited			735,062	735,062	6.7%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			1,268,575	1,268,575	11.5%
Investments in Funds					
Maverick Levered Fund	257,4521	2066.559	500,000	532,040	4.8%
Ranger Fund	5,071.6604	987.011	5,000,000	5,005,785	45.4%
Total Investment in Funds			5,500,000	5,537,824	50.2%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	16.0%
Total Investments in Public Companies			996,960	1,766,120	16.0%
Investments in Private Companies					
Greenmountain Stock	392,927	5.09	1,999,998	1,999,998	18.1%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Two Mile Ranch Limited	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
Total Investments			8,496,961	9,303,946	84.3%
TOTAL ASSETS			10,229,509	11,036,493	100.0%
Loans & Advances Payable					
Intercompany Advances			735,409	735,409	6.7%
Due to Security Capital			9,498,446	9,498,446	86.1%
Interest on Security Capital Loan			310,546	310,546	2.8%
Total Loans & Advances Payable			10,544,401	10,544,401	95.5%
TOTAL LIABILITIES			10,544,401	10,544,401	95.5%
NET EQUITY			(314,892)	492,092	4.5%
TOTAL LIABILITIES & EQUITY			10,229,509	11,036,493	100.0%

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Flo Flo, LLC - Bessie Trust (LM)			Flo Flo, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/01	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			3,390	3,390	0.0%
Lehman Brothers			1,252,749	1,252,749	13.4%
Total Cash			1,256,139	1,256,139	13.5%
Loans & Advances Receivable					
Spitting Lion Limited			254,000	254,000	2.7%
Cottonwood II Limited			279,514	279,514	3.0%
Two Mile Ranch Limited			735,063	735,063	7.9%
Mi Casa Limited			1,500,000	1,500,000	16.1%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			2,768,577	2,768,577	29.7%
Investments in Funds					
Maverick Levered Fund	257,4521	2066.559	500,000	532,040	5.7%
Ranger Fund	2,028.6642	987.011	2,000,000	2,002,314	21.5%
Total Investment in Funds			2,500,000	2,534,354	27.2%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	18.9%
Total Investments in Public Companies			996,960	1,766,120	18.9%
Investments in Private Companies					
Greenmountain Stock	196,463	5.09	999,997	999,997	10.7%
Global Audio Visual Loan	-		-	-	0.0%
Total investments in Private Companies			999,997	999,997	10.7%
Investments in Real Estate Companies					
Mi Casa Limited	2		2	2	0.0%
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Two Mile Ranch Limited	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
Total Investments			4,496,962	5,300,475	56.8%
TOTAL ASSETS			8,521,677	9,325,191	100.0%
Loans & Advances Payable					
Intercompany Advances			1,235,409	1,235,409	13.2%
Due to Security Capital			8,323,445	8,323,445	89.3%
Interest on Security Capital Loan			272,130	272,130	2.9%
Total Loans & Advances Payable			9,830,985	9,830,985	105.4%
TOTAL LIABILITIES			9,830,985	9,830,985	105.4%
NET EQUITY			(1,309,307)	(505,794)	-5.4%
TOTAL LIABILITIES & EQUITY			8,521,677	9,325,191	100.0%

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Bubba, LLC - Bessie Trust (KE)			Bubba, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/01	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			3,235	3,235	0.0%
Lehman Brothers			1,651,892	1,651,892	15.0%
Total Cash			1,655,127	1,655,127	15.0%
Loans & Advances Receivable					
Spitting Lion Limited			254,000	254,000	2.3%
Cottonwood I Limited			2,821,085	2,821,085	25.5%
Cottonwood II Limited			279,514	279,514	2.5%
Two Mile Ranch Limited			735,066	735,066	6.7%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			4,089,665	4,089,665	37.0%
Investments in Funds					
Maverick Levered Fund	257.4521	2066.559	500,000	532,040	4.8%
Ranger Fund	2,028.6642	987.011	2,000,000	2,002,314	18.1%
Total Investment in Funds			2,500,000	2,534,354	22.9%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	16.0%
Total Investments in Public Companies			996,960	1,766,120	16.0%
Investments in Private Companies					
Greenmountain Stock	196,463	5.09	999,997	999,997	9.1%
Total Investments in Private Companies			999,997	999,997	9.1%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood I Limited	2		2	2	0.0%
Cottonwood II Limited	1		1	1	0.0%
Two Mile Ranch Limited	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
Total Investments			4,496,962	5,300,475	48.0%
TOTAL ASSETS			10,241,754	11,045,268	100.0%
Loans & Advances Payable					
Intercompany Advances			742,215	742,215	6.7%
Due to Security Capital			9,498,445	9,498,445	86.0%
Interest on Security Capital Loan			310,546	310,546	2.8%
Total Loans & Advances Payable			10,551,206	10,551,206	95.5%
TOTAL LIABILITIES			10,551,206	10,551,206	95.5%
NET EQUITY			(309,452)	494,062	4.5%
TOTAL LIABILITIES & EQUITY			10,241,754	11,045,268	100.0%

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Balch, LLC - Bessie Trust (AW)			Balch, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/01	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			3,139	3,139	0.0%
Lehman Brothers			716,117	716,117	6.5%
Total Cash			719,257	719,257	6.5%
Loans & Advances Receivable					
Cottonwood II			279,513	279,513	2.5%
Two Mile Ranch			735,063	735,063	6.7%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			1,014,576	1,014,576	9.2%
Investments in Funds					
Maverick Levered Fund	257.4521	2066.559	500,000	532,040	4.8%
Ranger Fund	5,071.6604	987.011	5,000,000	5,005,785	45.4%
Total Investment in Funds			5,500,000	5,537,824	50.2%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	16.0%
Total Investments in Public Companies			996,960	1,766,120	16.0%
Investments in Private Companies					
Greenmountain Stock	392,927	5.09	1,999,998	1,999,998	18.1%
Total Investments in Private Companies			1,999,998	1,999,998	18.1%
Investments in Real Estate Companies					
Cottonwood II	1		1	1	0.0%
Two Mile Ranch	1		1	1	0.0%
Total Investments in Real Estate Companies			2	2	0.0%
Total Investments			8,496,960	9,303,945	84.3%
TOTAL ASSETS			10,230,793	11,037,777	100.0%
Loans & Advances Payable					
Intercompany Advances			735,410	735,410	6.7%
Due to Security Capital			9,498,445	9,498,445	86.1%
Interest on Security Capital Loan			310,546	310,546	2.8%
Total Loans & Advances Payable			10,544,402	10,544,402	95.5%
TOTAL LIABILITIES			10,544,402	10,544,402	95.5%
NET EQUITY			(313,609)	493,375	4.5%
TOTAL LIABILITIES & EQUITY			10,230,793	11,037,777	100.0%

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Katy, LLC - Bessie Trust (CW)			Katy, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/01	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			3,093	3,093	0.0%
Lehman Brothers			716,117	716,117	6.5%
Total Cash			719,210	719,210	6.5%
Loans & Advances Receivable					
Cottonwood II			279,513	279,513	2.5%
Two Mile Ranch			735,063	735,063	6.7%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			1,014,576	1,014,576	9.2%
Investments in Funds					
Maverick Levered Fund	257,4521	2066.559	500,000	532,040	4.8%
Ranger Fund	5,071.6604	987.011	5,000,000	5,005,785	45.4%
Total Investment in Funds			5,500,000	5,537,824	50.2%
Investment in Public Companies					
Michael's Stores	53,600	32.95	996,960	1,766,120	16.0%
Total Investments in Public Companies			996,960	1,766,120	16.0%
Investments in Private Companies					
Greenmountain Stock	392,927	5.09	1,999,998	1,999,998	18.1%
Total investments in Private Companies			1,999,998	1,999,998	18.1%
Investments in Real Estate Companies					
Cottonwood II	1		1	1	0.0%
Two Mile Ranch	1		1	1	0.0%
Total Investments in Real Estate Companies			2	2	0.0%
Total Investments			8,496,960	9,303,945	84.3%
TOTAL ASSETS			10,230,747	11,037,731	100.0%
Loans & Advances Payable					
Intercompany Advances			735,410	735,410	6.7%
Due to Security Capital			9,498,445	9,498,445	86.1%
Interest on Security Capital Loan			310,546	310,546	2.8%
Total Loans & Advances Payable			10,544,402	10,544,402	95.5%
TOTAL LIABILITIES			10,544,402	10,544,402	95.5%
NET EQUITY			(313,655)	493,329	4.5%
TOTAL LIABILITIES & EQUITY			10,230,747	11,037,731	100.0%

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Orange, LLC - Bessie Trust (EW)			Orange LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			133,053	133,053	1.2%
Bank of America Securities			-	-	0.0%
Total Cash			133,053	133,053	1.2%
US Government Agency Bonds					
					0.0%
Total Cash & Agency Bonds			133,053	133,053	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.5%
Cottonwood II Limited			347,355	347,355	3.0%
Rosemary's Circle R Ranch Limited			2,234,690	2,234,690	
Intertrust advances			420,000	420,000	3.7%
			-	-	
Total Loans & Advances Receivable			3,285,046	3,285,046	28.7%
Investments in Funds					
Maverick Levered Fund-Restrict	260.5086	2731.536	499,144	711,589	6.2%
Ranger Multi Strategy-Enhanced	1,000.0000	1180.098	1,000,000	1,180,098	10.3%
Total Investment in Funds			1,499,144	1,891,686	16.5%
Investment in Public Companies					
Michael's Stores	90,600	29.97	842,580	2,715,282	23.7%
Total Investments in Public Companies			842,580	2,715,282	23.7%
Investments in Private Companies					
Greenmountain stock	982,318	3.5	4,999,999	3,438,113	30.0%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
Total Investments			7,341,725	8,045,084	70.2%
TOTAL ASSETS			10,759,825	11,463,184	100.0%
Loans & Advances Payable					
BAS Margin Advance			-	-	0.0%
Intercompany Advances			513,046	513,046	4.5%
Due to Security Capital			11,155,061	11,155,061	97.3%
Loan Payable - Yurta Faf			498,480	498,480	4.3%
Interest on Security Capital Loan			359,713	359,713	3.1%
Total Loans & Advances Payable			12,526,300	12,526,300	109.3%
TOTAL LIABILITIES			12,526,300	12,526,300	109.3%
NET EQUITY			(1,766,475)	(1,063,116)	-9.3%
TOTAL LIABILITIES & EQUITY			10,759,825	11,463,184	100.0%

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 907

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Flo Flo, LLC - Bessie Trust (LM)			Flo Flo, LLC		% assets
Foreign Grantor - 1994	Shares or	Market	Book	FMV	
Priced at 12/31/04	Face Value	Value			
Cash					
Bank of Bermuda			375,206	375,206	3.7%
Bank of America Securities			-	-	0.0%
Total Cash			375,206	375,206	3.7%
US Government Agency Bonds					
Total Cash & Agency Bonds			375,206	375,206	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.8%
Cottonwood II Limited			347,354	347,354	3.4%
Rosemary's Circle R Ranch Limited			3,301,860	3,301,860	32.5%
Mi Casa Limited			3,215,000	3,215,000	31.7%
Bubba			-	-	0.0%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			7,147,215	7,147,215	70.4%
Investments in Funds					
Maverick Levered Fund		2731.536	-	-	0.0%
Ranger Multi Strategy-Enhanced	500.0000	1180.098	500,000	590,049	5.8%
Ranger Partners (via RFA)	-	889.0461	-	-	0.0%
Total Investment in Funds			500,000	590,049	5.8%
Investment in Public Companies					
Michael's Stores	45,000	29.97	418,500	1,348,650	13.3%
Total Investments in Public Companies			418,500	1,348,650	13.3%
Investments in Private Companies					
Greenmountain Stock	196,463	3.5	999,997	687,621	6.8%
Total investments in Private Companies			999,997	687,621	6.8%
Investments in Real Estate Companies					
Mi Casa Limited	2		2	2	0.0%
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
Total Investments			1,918,502	2,626,324	25.9%
TOTAL ASSETS			9,440,923	10,148,745	100.0%
Loans & Advances Payable					
BAS Margin Interest			-	-	0.0%
Intercompany Advances			870,564	870,564	8.6%
Due to Security Capital			9,775,130	9,775,130	96.3%
Loan Payable - Yurta Faf			498,480	498,480	0.0%
Interest on Security Capital Loan			315,214	315,214	3.1%
Total Loans & Advances Payable			11,459,388	11,459,388	108.0%
TOTAL LIABILITIES			11,459,388	11,459,388	108.0%
NET EQUITY			(2,018,466)	(1,310,643)	-8.0%
TOTAL LIABILITIES & EQUITY			9,440,923	10,148,745	100.0%

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Pops, LLC - Bessie Trust (LW)			Pops LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			298,154	298,154	2.3%
Bank of America Securities			-	-	0.0%
Total Cash			298,154	298,154	2.3%
US Government Agency Bonds					
				-	0.0%
Total Cash & Agency Bonds			298,154	298,154	2.3%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.2%
Cottonwood II Limited			347,355	347,355	2.7%
Rosemary's Circle R Ranch Limited			5,332,177	5,332,177	41.6%
Yurta Fa'			-	-	0.0%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			5,962,532	5,962,532	46.6%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	5.6%
Ranger Multi Strategy	1,118.4218	1114.476	1,103,162	1,246,455	9.7%
Ranger Multi Strategy-Enhanced	1,000.0000	1180.098	1,000,000	1,180,098	
Total Investment in Funds			2,602,306	3,138,141	15.3%
Investment in Public Companies					
Michael's Stores	107,200	29.97	996,960	3,212,784	25.1%
Total Investments in Public Companies			996,960	3,212,784	25.1%
Investments in Private Companies					
Greenmountain Stock	392,927	3.5	1,999,998	1,375,245	10.7%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
Total Investments			5,599,268	7,728,173	51.1%
TOTAL ASSETS			11,859,954	13,986,859	100.0%
Loans & Advances Payable					
BAS Margin Advance			-	-	0.0%
Intercompany Advances			1,808,580	1,808,580	14.1%
Due to Security Capital			11,155,061	11,155,061	87.1%
Loan Payable - Yurta Fa'			498,480	498,480	3.9%
Interest on Security Capital Loan			359,713	359,713	2.8%
Total Loans & Advances Payable			13,821,833	13,821,833	107.9%
TOTAL LIABILITIES			13,821,833	13,821,833	107.9%
NET EQUITY			(1,961,879)	165,026	-7.9%
TOTAL LIABILITIES & EQUITY			11,859,954	13,986,859	100.0%

Bubba, LLC - Bessie Trust (KE)			Bubba, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			29,986	29,986	0.2%
Bank of America Securities			-	-	0.0%
Total Cash			29,986	29,986	0.2%
US Government Agency Bonds					
Total Cash & Agency Bonds			29,986	29,986	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	1.8%
Cottonwood I Limited			3,076,860	3,076,860	19.4%
Cottonwood II Limited			347,355	347,355	2.2%
Rosemary's Circle R Ranch Limited			8,392,088	8,392,088	52.8%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			12,099,303	12,099,303	76.2%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	4.5%
Ranger Multi Strategy-Enhanced	500.0000	1180.098	500,000	590,049	3.7%
Total Investment in Funds			999,144	1,301,638	8.2%
Investment in Public Companies					
Michael's Stores	59,000	29.97	548,700	1,768,230	11.1%
Total Investments in Public Companies			548,700	1,768,230	11.1%
Investments in Private Companies					
Greenmountain Stock	196,463	3.5	999,997	687,621	4.3%
Total Investments in Private Companies			999,997	687,621	4.3%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood I Limited	2		2	2	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
TOTAL ASSETS			14,677,134	15,886,782	100.0%
Loans & Advances Payable					
BAS Margin Interest			-	-	0.0%
Intercompany Advances			2,564,699	2,564,699	16.1%
Loan Payable - BEB & BEK			1,525,986	1,525,986	9.6%
Due to Security Capital			11,155,060	11,155,060	70.2%
Loan Payable - Yurta Faf			498,480	498,480	3.1%
Interest on Security Capital Loan			359,712	359,712	2.3%
Total Loans & Advances Payable			16,103,937	16,103,937	101.4%
TOTAL LIABILITIES			16,103,937	16,103,937	101.4%
NET EQUITY			(1,426,803)	(217,155)	-1.4%
TOTAL LIABILITIES & EQUITY			14,677,134	15,886,782	100.0%

Baich, LLC - Bessie Trust (AW)			Baich, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			499,846	499,846	5.8%
Bank of America Securities			-	-	0.0%
Total Cash			499,846	499,846	5.8%
US Government Agency Bonds					
FNMA 04/23/04		-	-	-	0.0%
Total Cash & Agency Bonds			499,846	499,846	5.8%
Loans & Advances Receivable					
Cottonwood II			347,353	347,353	4.0%
Yurta Faf			-	-	0.0%
Loan Receivable - Bubba			762,993	762,993	8.8%
Total Loans & Advances Receivable			1,110,346	1,110,346	12.9%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	8.2%
Ranger Multi Strategy-Enhanced	2,000.0000	1180.098	2,000,000	2,360,195	0.0%
Ranger Arbitrage	-	987.192	-	-	0.0%
RLP Holdings - Class C (Wrangl	1,463.9210	1107.019	1,316,100	1,620,589	0.0%
Ranger Long Only			1,500,000	1,718,568	19.9%
Total Investment in Funds			5,315,244	6,410,941	28.2%
Investment in Public Companies					
Michael's Stores	107,200	29.97	996,960	3,212,784	37.2%
Total Investments in Public Companies			996,960	3,212,784	37.2%
Investments in Private Companies					
Greenmountain Stock	392,927	3.5	1,999,998	1,375,245	15.9%
Total Investments in Private Companies			1,999,998	1,375,245	15.9%
Investments in Real Estate Companies					
Cottonwood II	1		1	1	0.0%
Two Mile Ranch	1		1	1	0.0%
Total Investments in Real Estate Companies			2	2	0.0%
Total Investments			8,312,204	10,998,971	81.3%
TOTAL ASSETS			9,922,397	12,609,164	100.0%
Loans & Advances Payable					
Intercompany Advances			-	-	0.0%
Due to Security Capital			11,155,061	11,155,061	129.3%
Loan Payable - Yurta Faf			498,480	498,480	0.0%
Interest on Security Capital Loan			359,713	359,713	4.2%
Total Loans & Advances Payable			12,013,253	12,013,253	133.5%
TOTAL LIABILITIES			12,013,253	12,013,253	133.5%
NET EQUITY			(2,090,856)	595,911	-33.5%
TOTAL LIABILITIES & EQUITY			9,922,397	12,609,164	100.0%

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Katy, LLC - Bessie Trust (CPW)			Katy, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			501,464	501,464	4.6%
Bank of America Securities			-	-	0.0%
Total Cash			501,464	501,464	4.6%
US Government Agency Bonds					
FNMA 04/23/04		-	-	-	0.0%
Total Cash & Agency Bonds			501,464	501,464	4.6%
Loans & Advances Receivable					
Cottonwood II			347,353	347,353	3.2%
Yurta Faf			-	-	0.0%
Loan Receivable - Bubba			762,993	762,993	6.9%
Total Loans & Advances Receivable			1,110,346	1,110,346	10.1%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	6.5%
Ranger Multi Strategy Enhanced	2,000.0000	1180.098	2,000,000	2,360,195	21.5%
Ranger Arbitrage	-	987.192	-	-	0.0%
RLP HOLDINGS Class C - Wrar	1,463.9210	1107.019	1,475,641	1,620,589	0.0%
Ranger Long Only	-	0	1,500,000	1,718,581	15.6%
Total Investment in Funds			5,474,785	6,410,954	43.6%
Investment in Public Companies					
Michael's Stores	107,200	29.97	996,960	3,212,784	29.2%
Total Investments in Public Companies			996,960	3,212,784	29.2%
Investments in Private Companies					
Greenmountain Stock	392,927	3.5	1,999,998	1,375,245	12.5%
Total Investments in Private Companies			1,999,998	1,375,245	12.5%
Investments in Real Estate Companies					
Cottonwood II	1		1	1	0.0%
Two Mile Ranch	1		1	1	0.0%
Total Investments in Real Estate Companies			2	2	0.0%
Total Investments			8,471,745	10,998,984	85.3%
TOTAL ASSETS			10,083,556	12,610,795	100.0%
Loans & Advances Payable					
Intercompany Advances			-	-	0.0%
Due to Security Capital			11,155,061	11,155,061	101.5%
Loan Payable - Yurta Faf			498,480	498,480	4.5%
Interest on Security Capital Loan			359,713	359,713	3.3%
Total Loans & Advances Payable			12,013,253	12,013,253	109.3%
TOTAL LIABILITIES			12,013,253	12,013,253	109.3%
NET EQUITY			(1,929,697)	597,542	-9.3%
TOTAL LIABILITIES & EQUITY			10,083,556	12,610,795	100.0%

Maverick Capital
 10 North Central Expressway
 Ste 1300
 Dallas, Texas 75206
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Maverick

Maverick Overview

Maverick Fund and Maverick Fund USA

SUMMARY

Maverick Fund and Maverick Fund USA aggressively invest for high current income and substantial capital growth. The investment manager of the Funds is Maverick Capital, Ltd., founded by Dallas entrepreneurs and investors Sam Wyly and Charles Wyly in April, 1990. Maverick Capital was originally established to manage Wyly family investments.

Maverick Capital has assembled a highly skilled and motivated management team to execute the investment philosophy that has achieved annualized gross returns of 40% over four years. A \$1 million investment with Maverick at its inception on April 1, 1990 would have grown to more than \$2.9 million at March 31, 1994, net of 1% management and 20% performance fees.

For the three year period ending December 31, 1993, the Frank Russell Company, which is one of the largest institutional money advisors in America, has ranked Maverick Fund number one in performance of the 203 private investment partnerships they track.

Through these funds, investors have the opportunity to invest alongside Wyly family partnerships and trusts, which have more than \$50 million invested in Maverick Fund and Maverick Fund USA. Joining Sam Wyly in the management of Maverick Fund and Maverick Fund USA is Lee S. Ainslie III. Prior to joining Maverick, Mr. Ainslie was a Managing Director of Tiger Management Corporation in New York.

Maverick Fund USA, a Texas limited partnership, is available privately to accredited U.S. investors and invests in substantially the same securities as Maverick Fund. Maverick Fund USA is limited to 99 limited partners. Shares of Maverick Fund, a Cayman Islands corporation, are available to accredited non-U.S. investors and to tax-exempt U.S. institutions and foundations. The minimum investment in each fund is \$1 million for individuals and \$5 million for institutions. Currently, more than \$100 million is invested in Maverick Fund and Maverick Fund USA, and Maverick Capital manages over \$200 million.

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PERFORMANCE

The following is a summary of the annual investment returns achieved by Maverick since inception, April 1, 1990.

Period	Gross Return	S&P 500	Lehman Long Treasury Bond Index
9 months ending March 31, 1994	14.9%	0.7%	-1.7%
Year ending June 30, 1993	51.1%	13.6%	20.8%
Year ending June 30, 1992	65.8%	11.3%	16.0%
Year ending June 30, 1991	47.4%	7.4%	9.0%
3 months ending June 30, 1990	(10.8)%	6.3%	4.3%
Cumulative since inception April 1, 1990	278.4%	47.1%	56.9%

Note: Maverick data is for Maverick Fund and Maverick Fund USA and is audited through December 1993. S&P 500 equity index assumes dividends are reinvested. LLTBI is a total return index.

Since inception, April 1, 1990, Maverick has achieved annual returns of 40% gross and 31% net of fees. For the twelve months ended December 31, 1993, the total returns were 86% gross, 68% net of fees.

STRATEGY

Maverick seeks equity and income investments that provide the potential for high total returns, whether through income or capital appreciation or both. Maverick pursues such opportunities in both domestic and international markets.

Since early 1992, Maverick has earned substantial returns from European and Asian equities and Emerging Country and European debt. In earlier years, significant returns were earned in USA debt and equity securities. Future asset allocations will depend upon Maverick's assessment of global market opportunities. At March 31, 1994, roughly 50% of the managed assets were invested in USA securities and 50% in other markets. These assets consisted of approximately 50% equities, 45% debt securities and 5% stock and bond derivatives. The portfolio was partially hedged with short sales and derivatives.

Maverick seeks investments that provide significant returns, but an equally important goal is to avoid losses. In this regard, we place as much emphasis on the quality of management, as we do on the quality of financial statements, and believe that our extensive network of contacts helps us to make such critical judgments. Furthermore, our size allows us to be relatively agile in recovering from mistakes or in taking advantage of investment opportunities.

Maverick utilizes leverage, believing the additional risk incurred is justified by the potential returns of our investments. This risk is actively managed through a disciplined approach of diversification and hedging. The Fund has the capability to sell short, allowing us to profit from overvalued or fundamentally unsound securities, and to reduce overall exposure to market fluctuations. We diversify by spreading risks among high-potential asset classes, and by making several investments in these specific classes. This strategy allows us to take advantage of many attractive opportunities, while minimizing the impact of one poor investment.

Investments are made on a long-term fundamental basis, in the belief that proper valuations will be realized and reflected in the market, and that short-term price swings are of less importance. Although this philosophy has resulted in annualized gross returns of 40% since April 1990, it can result in short-term volatility and uneven quarterly returns.

TERMS

1. Minimum Investment: \$1 million for individuals and \$5 million for institutions (waivable at the discretion of the Funds).
2. Fees and Expenses: Annual management fee of 1% of net assets plus an annual performance allocation of 20% of net economic gain, with a high water mark.
3. Redemptions: Monthly on the last business day of the month for Maverick Fund, and quarterly on the last business day of the quarter for Maverick Fund USA, at the estimated net asset value per share as of the redemption date. Written notice must be received at least 30 days prior to all redemptions.
4. Reports: Investors will receive audited annual reports and unaudited quarterly reports.
5. Administrator (Maverick Fund): MeesPierson (Cayman) Ltd., Georgetown, Cayman Islands.

MANAGEMENT AND INVESTMENT STAFF

Sam Wyly, President and Co-Fund Manager. Mr. Wyly is an entrepreneur who founded University Computing Company, a computer software and services company, and served as President or Chairman from 1963 until 1979. UCC merged into Computer Associates in August 1987 for \$750 million in stock. Mr. Wyly co-founded Earth Resources Company, an oil refining and silver and gold mining company, and served as its Executive Committee Chairman from 1968 to 1980. His USACafes, a national steakhouse chain, grew from 20 to 600 restaurants. He is a control stockholder and serves as Chairman of Michaels Stores, a specialty retail chain that has grown from \$20 million of sales in 1984 to over \$500 million. Mr. Wyly is also a control stockholder and serves as Chairman of Sterling Software, a computer software company co-founded by him in 1981, that has grown from \$9 million of sales in 1983 to over \$400 million currently. He is a graduate of Louisiana Tech and received an MBA from the University of Michigan (Paton Scholar).

Lee S. Ainslie III, Managing Director and Co-Fund Manager. From July 1990 to August 1993, Mr. Ainslie was a Managing Director of Tiger Management Corporation in New York, a manager of private investment funds. During his tenure at Tiger Management, its funds under management grew to \$5.5 billion, with an outstanding record of performance. Prior to joining Tiger, he was employed by KPMG Peat Marwick & Co. as a consultant for that firm's National Director of Information Technology. He is a graduate of the University of Virginia (Westmoreland Davis Scholar) and received an MBA from the University of North Carolina (Beta Gamma Sigma).

Evan A. Wyly, Managing Director. From 1992 to 1993, Mr. Wyly served as Vice President - Mergers and Investments, of Michaels Stores, managing an \$80 million investment account. From 1988 to 1992 he was a founder and Managing Director of Premier Partners, a merchant banking firm, specializing in corporate finance, mergers and acquisitions, and principal investments. Since April 1990 he has assisted Sam Wyly in managing the Maverick portfolio. Mr. Wyly is Co-Fund Manager of the Maverick Corporate Investment Accounts with \$150 million in assets under management. He is a director of Sterling Software, Michaels Stores and Xscribe. He is a graduate of Princeton University and received an MBA from Harvard Business School.

Michael C. French, Managing Director. From 1988 to 1992, Mr. French was Chairman of the Management Committee of the Dallas law firm of Jackson & Walker, where he practiced as a corporate finance and mergers and acquisitions partner. Mr. French is also a director of Sterling Software and Michaels Stores, and independently provides advisory services in connection with the business activities of those companies and other Wyly family interests. He received a BBA and a J.D. (cum laude) from Baylor University.

Charles J. Wyly, Jr., Chairman. Mr. Wyly is an entrepreneur who co-founded Sterling Software in 1981 serving as a director since its formation and as Vice Chairman of the Board since November 1984. He served as an officer of University Computing Company from 1964 to 1975, including President from 1969 to 1973. UCC merged into Computer Associates in August 1987. Along with his brother Sam, Mr. Wyly co-founded Earth Resources Company where he served as Chairman from 1968 to 1980. Earth merged into Mapco in November 1980 for \$400 million in stock. Mr. Wyly co-founded USACafes and was Vice Chairman until it was sold in 1989. From 1990 to 1992, he was Chairman of the Texas High Speed Rail Commission. He currently serves as Vice Chairman of Sterling Software, which has a market capitalization over \$500 million, and as a director of Michaels Stores, which has a market capitalization over \$500 million. He is a graduate of Louisiana Tech.

H. Lee Hobson, Senior Analyst. From 1992 to 1994, Mr. Hobson served as an international associate in the finance and new business development division of PepsiCo Foods International with 27 control investments in companies outside the United States. Prior to PepsiCo, he spent two years in Corporate Finance with Goldman Sachs in New York and one year in Paris with Societe Generale. Mr. Hobson is a graduate of Princeton University (cum laude) and received an MBA from Harvard Business School.

Keith Hennington, Tax Manager. From 1987 to 1993, Mr. Hennington served as a tax manager for Ernst & Young in Dallas. He is a CPA and received a BBA in accounting and information systems and an MS in taxation from Baylor University.

Jeb Hensarling, Vice President of Partner Relations. From 1991 to 1993, Mr. Hensarling served as Executive Director of the National Republican Senatorial Committee, which raised over \$70 million for U.S. Senate candidates. He presided over the Senatorial Trust and the Senate President's Council. Prior to 1991, he served as Campaign Manager and State Director for U.S. Senator Phil Gramm of Texas. He also practiced corporate law with Oppenheimer and Rosenberg in San Antonio. He is a graduate of Texas A&M University (magna cum laude) and received a J.D. from the University of Texas.

Sharyl Robertson, Treasurer. Ms. Robertson has worked for the past 14 years as Chief Financial Officer of multiple Wyly family interests. She serves as administrator of all banking relations, cash management, broker liaison and financial planning. She has also served as an officer and a director of various Wyly companies.

Kathy Ryan, Trader. From 1987 to 1994, Ms. Ryan was a trader at Water Street Capital, a hedge fund in Florida specializing in short-selling. From 1968 to 1987, she worked at several brokerage firms including Smith Barney, J.C. Bradford and Oppenheimer and Co.

(Revised 4/12/94)

Maverick Capital
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Maverick

October 10, 1993

Mr. Keith King
 11 Hill Street
 Douglas, Isle of Man

Dear Keith:

I am following up to my memo to you of September 30, 1993. I find that since I was trying to do so many things at one time on that day, that I may have not been clear with my instructions. This letter is a follow up to clarify the requested transactions between Maverick Fund, Ltd. and Maverick Fund USA, Ltd.

Maverick Fund, Ltd. was formerly First Dallas International, Ltd. Correspondence should be sent to MeesPierson, Attn.: Mr. Roger Hanson, P.O. Box 2003, Grand Cayman, Cayman, Islands, British West Indies, with a duplicate by facsimile to Maverick Capital, Ltd. Maverick Capital, Ltd. is the fund advisor to Maverick Fund, Ltd.

Maverick Fund USA, Ltd. is a new Texas Limited Partnership going into business effective 10/1/93. Maverick Capital, Ltd. is the General Partner to Maverick Fund USA, Ltd. All correspondence should be sent to Maverick Fund USA, Ltd. at 8080 N. Central Expressway, LB-31, Dallas, Texas 75206. I do appreciate a facsimile at the time of the trade.

At the close of business on September 30, 1993 the Maverick Fund, Ltd. portfolio was priced at market and 36% of the portfolio was allocated to Maverick Fund USA, Ltd. versus payment at market.

Will you please confirm to at your earliest convenience that the securities held at City & International are now held in two accounts as follows:

Permanent Subcommittee on Investigations EXHIBIT #66 - FN 924

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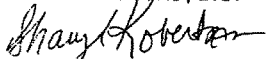
	Maverick Fund, Ltd.	Maverick Fund USA, Ltd.
Escom, 11%, due 6/1/08 *	17,093,000	19,107,000
Umgenei Water Boards, 15%, 9/30/05	5,312,000	2,988,000
Driefontein Consolidated	8,064	4,536
Free State Consolidated	19,200	10,800
Vaal Reef	1,600	900

*\$16,875,000 face owned by Maverick Fund, Ltd. is held as collateral by ABSA Bank and is not in your possession.

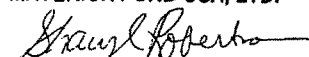
If you need any further organizational or financial information on either company please let me know and I will supply it to you. During the month of October, all trades will be allocated 36 % to Maverick Fund USA, Ltd. and 64% to Maverick Fund, Ltd. and should be ticketed in that manner.

I talked further with Fred Schilling today, and he does seem interested in utilizing your firm's expertise. Fred seems to be doubtful that Bear will be in a position to advance margin money and take possession of securities by October 21. Do you have any banking alternatives? If not we will plan to settle on the 21st.

MAVERICK FUND, LTD.


Sharyl Robertson, Treasurer
Maverick Capital, Ltd.
Fund Advisor

MAVERICK FUND USA, LTD.


Sharyl Robertson, Treasurer
Maverick Capital, Ltd.
General Partner

CONFIRMATION:

City & International Securities, Ltd.

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Maverick Income Fund

**PRIVATE OFFERING OF
ORDINARY SHARES
TO NON-U.S. INVESTORS**

June 30, 1995

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 926

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MAVERICK INCOME FUND, L.D.C.

The rights and obligations of the parties to the transactions contemplated herein are set forth in and will be governed by certain documents described herein. This Confidential Private Placement Memorandum contains summaries of various of these documents; however, reference is hereby made to the actual documents for a complete description of the rights and obligations of the parties hereto. All such summaries are qualified in their entirety by this reference.

Maverick Income Fund, L.D.C. (the "Fund") will make available to prospective investors in the non-voting Ordinary Shares offered hereby ("Shares") the opportunity to ask questions of, and receive answers from, the Fund concerning the offering of the Shares and to obtain additional relevant information that the Fund possesses or can acquire without unreasonable effort or expense. No Shares may be sold without delivery of this Confidential Private Placement Memorandum.

THE OFFER AND SALE OF THE SHARES OFFERED HEREBY WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") IN RELIANCE UPON THE EXEMPTION FROM REGULATION PROVIDED BY REGULATION S PROMULGATED THEREUNDER. ACCORDINGLY, SHARES MAY NOT BE OFFERED AND SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). NOTWITHSTANDING THE FOREGOING, THE FUND MAY DETERMINE TO ACCEPT U.S. PERSONS AS INVESTORS, PROVIDED SUCH PERSONS ARE "ACCREDITED INVESTORS" AS THAT TERM IS DEFINED IN REGULATION D PROMULGATED UNDER THE SECURITIES ACT.

Prospective purchasers of the Shares are not to construe the contents of this Confidential Private Placement Memorandum or any prior or subsequent communications from the Fund, the Investment Manager or any of their officers, employees or agents, as legal, accounting, regulatory or tax advice. Prior to investing in the Shares, a prospective purchaser should consult with its attorney and its investment, accounting, regulatory and tax advisors to determine the consequences of an investment in the Shares and arrive at an independent evaluation of such investment, including the applicability of any legal investment restrictions.

This Confidential Private Placement Memorandum does not include information relating to events occurring subsequent to its date, except as specifically indicated. The delivery of this Confidential Private Placement Memorandum at any time does not imply that information herein is correct as of any time subsequent to its date. This Confidential Private Placement Memorandum has been furnished on a confidential basis; the information contained herein may not be reproduced or used for any other purpose.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SHARES, NOR DOES IT CONSTITUTE AN OFFER OF THE SHARES TO ANY PERSON IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER WOULD BE UNLAWFUL.

INVESTMENT IN THE FUND INVOLVES A HIGH DEGREE OF RISK AND POTENTIAL CONFLICTS OF INTEREST WHICH PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER BEFORE PURCHASING SHARES. (SEE "RISKS AND POTENTIAL CONFLICTS OF INTEREST".) THERE CAN BE NO ASSURANCE THAT THE FUND'S INVESTMENT OBJECTIVE WILL BE ACHIEVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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FROM : (809)949-2519

PHONE NO. :

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1. INTRODUCTION

Maverick Income Fund, L.D.C., a Cayman Islands limited duration company (the "Fund"), is an investment company organized to make aggressive investments in any type or quality of debt securities or other assets that Maverick Capital, Ltd., the Investment Manager, believes have the potential for substantially above average income and/or growth. Pursuant to this Confidential Private Placement Memorandum (the "Memorandum"), the Fund is soliciting subscriptions for additional Shares at an Offering Price based on the net asset value of the Shares from time to time.

Sam Wyly, the President of the Investment Manager, and his brother, Charles Wyly, the Chairman, have been engaged in managing substantial entrepreneurial investments and securities investments for the Wyly family since 1963. The Fund is co-managed by Sam Wyly and Evm A. Wyly, who from 1992 to 1993, served as Vice President, Mergers and Investments of Michaels Stores, Inc., managing an \$80 million investment portfolio.

In addition to their investment management activities, Sam Wyly and Charles Wyly have a long record of investing in and building companies in industries as diverse as computer software, telecommunications, silver and gold mining, oil refining, restaurant franchising, and arts and crafts superstores.

2. SUMMARY OF THE FUND AND THE OFFERING

The following is a summary only and is qualified in its entirety by reference to the Fund's Articles of Association, and other documents referred to herein, copies of which will be provided to each prospective investor upon request.

<i>Securities Offered</i>	Non-voting Ordinary Shares of Maverick Income Fund, L.D.C., a Cayman Islands corporation (the "Fund").
<i>Type of Offering</i>	Private placement offered solely outside of the United States to persons who are not U.S. Persons. At the discretion of the Fund, certain "accredited investors" may also be offered the offering.
<i>Domestic Fund</i>	The Fund, to the extent feasible, invests together with a separate fund for U.S. investors that is advised by the Investment Manager.
<i>Investment Objective</i>	The Fund's objective is to achieve a high level of income and capital growth on both a short-term and long-term basis, through aggressive investments in any type or quality of debt securities or other assets that the Investment Manager believes have the potential for substantially above average income and/or growth. The Fund may make investments for the purpose of exercising or influencing control over the issuer. The Fund may also sell securities short and take hedged positions consistent with the overall objectives of the Fund.
<i>Leverage</i>	The Fund is authorized to borrow in order to enhance its investment leverage. There are no restrictions on the Fund's ability to borrow other than those that may be imposed by lenders or any applicable credit regulations affecting lenders. Margin loans generally will be obtained from brokers, although other financial institutions may also be used. To the extent that the Fund may engage in short sales, it may also borrow securities that it has sold short.
<i>Investment Manager</i>	Maverick Capital, Ltd., Dallas, Texas.
<i>Minimum Investment</i>	\$2 million. The Fund may in its sole discretion waive the minimum size.
<i>Share Purchases</i>	Share purchases may take place at the beginning of each calendar quarter. All Share purchases must be made by wire transfer of immediately available funds and will be made at the then net asset value per share. The Fund, in its sole

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discretion, may accept subscriptions for Shares as of the end of any calendar month.

Fees and Expenses The Investment Manager will receive a quarterly management fee payable in advance equal to .25% of the net assets of the Fund.

The Investment Manager will also receive an aggregate annual performance fee equal to 20% of the Fund's net economic gain (including realized and unrealized gain and net investment income) for each year, payable at the close of each year. Net economic losses in any year are carried forward for purposes of determining performance fees for subsequent years in which there are economic gains. The Investment Manager is responsible for the costs of providing its services to the Fund, including overhead, and office expenses. The Fund bears all other costs of its investment program (including administration, brokerage and custody charges, interest and taxes) as well as professional fees of its auditors and attorneys. Offering and organizational costs will be borne by the Fund.

Redemptions Redemptions may be made as of the last business day of each calendar month with at least 30 days prior written notice (waivable in the sole discretion of the Fund), at the net asset value per Share as of the redemption date, less any applicable redemption charges and accrued management and performance fees. Settlements will normally take place within 60 days after the redemption.

The Fund may require a shareholder to surrender all or any portion of its Shares for redemption at any time and for any reason.

A redemption charge of up to 1% may be imposed, at the discretion of the Fund, to cover costs associated with redemptions of Shares within 12 months of the date of an investor's initial purchase of Shares.

Reports Shareholders will receive audited annual reports and unaudited quarterly reports.

Administrator MeesPierson (Cayman) Limited, a Cayman Islands company in George Town, Cayman Islands (the "Administrator").

Dividends The Fund does not anticipate that any dividends or other distributions will be paid to shareholders out of the Fund's current earnings and profits, but rather that such income will be reinvested.

Tax Status The Fund should not be subject to any United States income taxes (other than U.S. withholding taxes on dividends and certain interest income derived from U.S. sources which are not in either case expected to be material). Shareholders of the Fund who are not otherwise subject to Cayman Islands or United States taxation by reason of their residence, nationality or other particular circumstances should not become subject to any such taxation by reason of the ownership or redemption of Shares. The Fund will not be subject to any Cayman Islands taxation on the basis of the current legislation of the Cayman Islands. The Fund has been incorporated as an exempted company, and has applied for and expects to obtain a tax undertaking certificate from the Cayman Islands government indicating that should the current legislation change, no taxes will be imposed upon its profits for at least a 20 year period.

Functional Currency The Fund reports its results and transacts contributions and distributions in U.S. dollars.

3. INVESTMENT OBJECTIVES AND POLICIES

Objective

The investment objective of the Fund is to achieve high total returns through aggressive investments in any type of assets that the Investment Manager believes have the potential for significant yield, capital appreciation or both. Investments may be located in the United States or in other countries and may be denominated in U.S. Dollars or other currencies. The Fund may make any type or quality of debt or equity investment that the Investment Manager believes offers the potential for substantially above average income and/or capital growth, including investments in which the Fund seeks to exercise or influence control over the issuer. The functional currency of the Fund is U.S. Dollars, and the Fund may or may not hedge against currency risks.

Policies

The Fund has no fixed policy as to the allocation of its assets between debt and equity investments, or between investments in United States and other world markets. The Fund may also invest in debt securities that are not paying current income or are involved in bankruptcy proceedings or voluntary recapitalizations. The Fund is not restricted to any particular maturity.

Income and equity securities in which the Fund may invest may be subject to high risk. Income securities will not be required to meet a minimum rating standard and may not be rated by any internationally recognized credit rating organization. To the extent they are rated, the Fund's investments are expected to be rated in the lower rating categories. These types of securities generally involve a greater risk of default and are generally more volatile in price than securities in higher rating categories.

The Fund also maintains a significant portion of its portfolio in investments in common equities of companies believed to have superior potential for capital appreciation and growth in earnings and profitability relative to the broad-market averages. These investments may include investments in emerging markets outside the U.S. The Fund has the capability to sell short, allowing it to profit from overvalued or fundamentally unsound securities and to reduce overall exposure to market fluctuations.

The Fund does not limit itself to a particular investment "style" and may engage in various combinations of "value", "growth", "turn-around" or "cyclical recovery" investments. The Fund may invest in securities of any type of issuer, including investment companies, governments and governmental entities, as well as corporations and other business organizations. A portion of the Fund's portfolio may also consist of illiquid investments, including defaulted bonds, loans or other direct debt interests acquired by the Fund from third parties, interests in or related to companies in liquidation, and restricted securities of U.S. issuers that cannot be publicly sold in the U.S. without registration under the Securities Act of 1933. The Fund may also make investments for the purpose of obtaining or influencing control of the issuer.

Investment Program

The Fund's investment philosophy will be weighted toward the longer term, and while there may be periods of high portfolio turnover to seek to take advantage of short term trends, the Fund will seek primarily to obtain high returns from longer term investments.

The Fund is permitted to invest in any type or quality of securities issued in the United States or in other countries. As market conditions change, the types and mix of securities held in the Fund's portfolio may vary significantly from those in which the Fund currently invests. The Investment Manager may, in its sole discretion, modify the primary investment emphasis of the Fund at any time if it determines that such an approach might better achieve the investment objectives of the Fund.

Leverage

The Fund is authorized to borrow in order to enhance its investment leverage. There are no restrictions on the Fund's ability to borrow other than those that may be imposed by lenders or any applicable credit regulations affecting lenders. Margin loans generally will be obtained from brokers, although other financial institutions may also be used. To the extent that the Fund may engage in short sales, it may also borrow securities that it has sold short.

International Investments

The Investment Manager believes that opportunities for attractive returns may be found in securities issued by non-U.S. corporations and governments, particularly in the developing nations of the world that are generally regarded as "Emerging Countries". These investments entail additional risks to investments in U.S. and other developed country markets. See "Risks and Conflicts of Interest-Risks-International Investments".

Unregistered Securities

The Investment Manager may purchase securities that have not been registered under the United States Securities Act of 1933 or the securities laws of any U.S. State or any foreign country, or for which there is no active trading market. These securities may include closely-held debt securities, bank loans or participations, and venture capital investments in small, unseasoned companies. As a result of the absence of a public trading market, these securities may be less liquid and more difficult to value than publicly traded securities.

Loan Participations and Assignments

The Fund may invest in loans ("Loans"), including restructured Loans, arranged through private negotiations between an issuer and one or more financial institutions. The Fund's investments in Loans are expected in most instances to be in the form of participations in Loans and assignments of portions of Loans from third parties. Participations typically will result in the Fund having a contractual relationship only with the lender and not with the borrower.

Recapitalizations and Liquidations

The Fund may invest in securities (including Loans) of companies or countries that are in default or financial distress and are in the process of recapitalizing their obligations through an exchange of securities. Company recapitalizations may be voluntary or through formal bankruptcy proceedings. Country recapitalizations may take the form of a Brady Plan exchange or some other exchange of securities with no collateral or different types of collateral.

The Fund may also invest in bankruptcy or other liquidation proceedings, in which the assets of the company in liquidation are acquired at a specified price or the company is guaranteed a specified amount of liquidation proceeds, and the assets are then sold through the services of a professional liquidation firm. Any such investments by the Fund will generally take the form of a loan to, or participation interest from, such a professional liquidation firm.

Control Investments

Under such circumstances as the Investment Manager deems appropriate, the Fund may seek to exercise control or influence control over the business or operations of any issuer in which it invests, and may make investments for the purpose of seeking such control or influence. Such investments could subject the Fund to certain reporting and disclosure obligations under the United States Securities Exchange Act of 1934.

Short Sales

The Fund may from time to time sell securities short without limitation. A short sale is a transaction in which the Fund sells securities it does not own (but has borrowed) in anticipation of a decline in market price. To deliver the securities to the buyer, the Fund will need to arrange through a broker to borrow the securities and, in so doing,

the Fund will become obligated to replace the securities borrowed at their market price at the time of replacement, whatever that price may be. The Fund may have to pay a premium to borrow the securities and must pay any dividends or interest payable on the securities until they are replaced.

Lending of Portfolio Securities

The Fund may, in seeking to increase its income, lend securities in its portfolio to securities firms and financial institutions deemed creditworthy by the Investment Manager. The loans will be terminable at any time, and the Fund will receive any interest or dividends paid on the loaned securities.

Strategic Transactions

The Fund may purchase and sell exchange listed and over-the-counter put and call options on securities, financial futures and fixed income indices and other financial instruments, enter into financial future contracts, enter into interest rate transactions, and enter into currency transactions (collectively, these transactions are referred to in this Memorandum as "Strategic Transactions"). The Fund's interest rate transactions may take the form of swaps, caps, floors and collars, and the Fund's currency transactions will take the form of currency forward contracts, currency futures contracts, currency swaps and options on currency or currency futures. Strategic Transactions may be used to attempt to protect against possible changes in the market value of securities held in the Fund's portfolio resulting from securities markets or currency exchange rate fluctuations, to protect the Fund's unrealized gains in the value of its portfolio securities, to facilitate the sale of those securities for investment purposes, to manage the effective maturity or duration of the Fund's portfolio, or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities.

Brokerage

The Fund will select brokers for its securities transactions based on a number of factors, including commission rates, research services, margin facilities and other services. In addition, the Fund may utilize brokers who have referred investors to the Fund. Accordingly, the Fund may not necessarily obtain the lowest negotiated brokerage commissions. The Fund may also utilize a broker affiliated with the Investment Manager, provided that any such transactions will be conducted at commission rates that do not exceed those charged to non-affiliates in comparable transactions. In addition, the Fund may utilize brokers that furnish services to the Fund Manager, such as research, telephone lines, news and quotation equipment, office equipment, account record keeping and clerical services, financial publications, economic consulting services or office facilities.

4. MANAGEMENT AND INVESTMENT STAFF OF MAVERICK CAPITAL, LTD.

Maverick Capital, Ltd.

Maverick Capital, Ltd., a Texas (USA) limited partnership, serves as the Fund's investment manager and is registered as an Investment Adviser under the United States Investment Advisers Act of 1940 (as amended). As of June 30, 1995, Maverick Capital, Ltd. had approximately US \$120 million in assets under its management.

Sam Wyly, General Partner and President. Mr. Wyly is an entrepreneur who founded University Computing Company ("UCC"), a computer software and services company, and served as its President or Chairman from 1963 until 1979. UCC merged into Computer Associates in August 1987 for \$750 million in stock. In 1968, Mr. Wyly co-founded Earth Resources Company, an oil refining and silver and gold mining company, serving as its Executive Committee Chairman from 1968 to 1980. Earth Resources merged into Mapco in November 1980 for \$400 million in stock. From 1968 to 1989, Mr. Wyly served as Chairman of USACafes, a national steakhouse chain, during which time it grew from 20 restaurants to over 600. He is currently a control stockholder and serves as Chairman of ~~Michael's Stores, Inc., a specialty retail chain that has grown from \$20 million in sales in 1984 to over \$600~~

million in 1993, having a current market capitalization of \$300 million. Mr. Wyly is also a control stockholder and serves as Chairman of Sterling Software, Inc., a computer software company co-founded by him in 1981, that has grown from \$9 million of sales in 1983 to over \$400 million currently. He is a graduate of Louisiana Tech and received an MBA from the University of Michigan (Paton Scholar).

Evan A. Wyly, General Partner and Fund Manager. From 1992 to 1993, Mr. Wyly served as Vice President - Mergers and Investments, of Michaels Stores, Inc., managing an \$80 million investment account. In 1988, he founded Premier Partners, a merchant banking firm specializing in corporate finance, mergers and acquisitions, and principal investments, serving as its President until 1992. Since April 1990, he has assisted his father Sam Wyly in managing the Maverick portfolio. Mr. Wyly is Co-Fund Manager of the Maverick Corporate Investment Accounts with \$150 million in assets under management. He is a director of Sterling Software, Inc., Michaels Stores, Inc. and Xscribe, Inc., a high-technology information management company. He is a 1984 graduate of Princeton University and received an MBA from Harvard Business School in 1988.

Charles J. Wyly, Jr., General Partner and Chairman. Mr. Wyly is an entrepreneur who, along with his brother Sam, co-founded Sterling Software in 1981, serving as a director since its formation and as Vice Chairman of the Board since November 1984. He served as an officer of University Computing Company from 1964 to 1973, including President from 1969 to 1973. Along with Sam, Mr. Wyly co-founded Earth Resources Company where he served as Chairman from 1988 to 1990. Mr. Wyly co-founded USACafe and was Vice Chairman until it was sold in 1989. From 1990 to 1992, Mr. Wyly was Chairman of the Texas High Speed Rail Commission. He also currently serves as Vice Chairman and a director of Michaels Stores. He is a 1956 graduate of Louisiana Tech (football scholarship).

Lee S. Ainslie, III, Managing Director. From July 1990 to August 1993, Mr. Ainslie was a Managing Director of Tiger Management Corporation in New York, a manager of private investment funds. During his tenure at Tiger Management, its funds under management grew to \$5.5 billion, with an outstanding record of performance. Prior to joining Tiger, he was employed by KPMG Peat Marwick & Co. as a consultant for that firm's National Director of Information Technology. He is a graduate of the University of Virginia (Westmoreland Davis Scholar) and received an MBA from the University of North Carolina (Beta Gamma Sigma).

Michael C. French, Managing Director. From 1988 to 1992, Mr. French served as Chairman of the Management Committee of the Dallas-based law firm of Jackson & Walker, L.L.P., where he practiced as a corporate finance and mergers and acquisitions partner. Mr. French is also a director of Sterling Software, Inc. and Michaels Stores, Inc., and independently provides advisory services in connection with the business activities of those companies and other Wyly family interests. He received a B.B.A. and a J.D. (cum laude) from Baylor University.

H. Lee Hobson, Senior Analyst. From 1992 to 1994, Mr. Hobson served as an international associate in the finance and new business development division of PepsiCo Foods International with 27 control investments in companies outside the United States. Prior to PepsiCo, he spent two years in Corporate Finance with Goldman Sachs in New York and one year in Paris with Societe Generale. Mr. Hobson is a graduate of Princeton University (cum laude) and received an MBA from Harvard Business School.

Keith Hennington, Tax Manager. From 1987 to 1993, Mr. Hennington worked in the tax section of Ernst & Young's Dallas office, serving as a Tax Manager from 1989 to 1993. He is a Certified Public Accountant, and received a BBA in accounting and information systems in 1985 and an MS in taxation in 1986 from Baylor University.

Job Henshaw, Vice President of Partner Relations. From 1991 to 1993, Mr. Henshaw served as Executive Director of the National Republican Senatorial Committee, which raised over \$70 million for U.S. Senate candidates. He presided over the Senatorial Trust and the Senate President's Council. From 1985 to 1990, he served as Campaign Manager and State Director for U.S. Senator Phil Gramm of Texas. From 1982 to 1984, Mr. Henshaw practiced corporate law with Oppenheimer and Rosenberg in San Antonio. He is a 1979 graduate of Texas A&M University (magna cum laude) and received a J.D. from the University of Texas in 1982.

Shirley Robertson, Treasurer. Ms. Robertson has worked for the past 14 years as Chief Financial Officer of multiple Wyly family interests. She serves as administrator of all banking relations, cash management, broker balance and financial planning. She has also served as an officer and a director of various Wyly companies.

Kathy Ryan, Trader. From 1987 to 1994, Ms. Ryan was a trader at Water Street Capital, a hedge fund in Florida specializing in short-selling. From 1968 to 1987, she worked at several brokerage firms including Smith Barney, J.C. Bradford and Oppenheimer and Co.

5. ADMINISTRATION

Investment Advisory Agreement

The Investment Manager performs its services pursuant to an Investment Advisory Agreement (the "Advisory Agreement") with the Fund. Pursuant to the Advisory Agreement, the Investment Manager is empowered to exercise full discretion in the management of the Fund's trading and investment transactions, subject only to any investment and borrowing restrictions which may from time to time be adopted by the Fund's Board of Directors.

The Advisory Agreement requires that the Investment Manager act in a manner which it considers fair and equitable in allocating investment opportunities to the Fund, but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Fund or any restrictions on the nature or timing of investments for the account of the Fund and for the Investment Manager's own account or other accounts which it may manage. The Investment Manager may manage a number of accounts utilizing an investment approach similar to that being carried out for the Fund.

The Administrator

The Fund's Administrator is MeesPierson (Cayman) Limited (the "Administrator"), a Cayman Islands company based in George Town, Cayman Islands. Pursuant to an Administration Agreement entered into with the Fund, the Administrator is responsible, under the ultimate supervision of the Fund's Board of Directors, for all matters pertaining to the administration of the Fund. The Administration Agreement may be terminated without penalty at the end of any calendar month by either party upon not less than 30 days prior written notice.

Board of Directors

The Fund has two directors, MeesPierson Nominees (Cayman) Limited and MeesPierson Management (Cayman) Limited. It is anticipated that the Board of Directors will meet at least once a year to review the investment and administrative affairs of the Fund. Employees of the Investment Manager will not serve on the Fund's Board of Directors. The Fund's Articles of Association provide that the Directors shall not be liable to the Fund for any acts or omissions in the performance of their duties in the absence of willful misconduct or as otherwise required by law, and contain provisions for the indemnification of the Directors by the Fund, to the extent permitted by law, against liabilities to third parties arising in connection with the performance of their services.

Fees and Expenses

Under the terms of the Advisory Agreement, the Fund pays to the Investment Manager for its services as investment advisor a "Fixed Fee" and a "Performance Fee" as described below. The Fixed Fee for any fiscal quarter is an amount payable in advance equal to .25 of 1% of the net assets of the Fund on the first day of such quarter. The Fund pays the Fixed Fee in U.S. dollars within ten days after the first day of such quarter. The Fixed Fee is deducted in computing the net profit or net loss of the Fund. In the event that the Investment Manager is not acting as such for the entire fiscal quarter, the Fixed Fee payable by the Fund for such fiscal quarter will be prorated to reflect the portion of such fiscal quarter in which the Advisor is acting as such under the Advisory Agreement.

The Performance Fee is an amount allocated annually equal to twenty percent (20%) of the net economic gain (including net unrealized gains), if any, during each fiscal year. For purposes of calculating performance fees, the annual net economic gain of the Fund from operations is determined before deduction or accrual of the performance fee, but after deduction or accrual of all other expenses and liabilities including the Fixed Fees and administration fees. Since the Fund's portfolio assets are recorded in the Fund's annual financial accounts at their market value,

the annual performance fees reflect any net changes in unrealized appreciation or depreciation in the value of the Fund's portfolio as of the close of each year as well as gains and losses realized during the year and net investment income. The method of allocation and payment of the Performance Fee with respect to newly issued shares is described under Section 8, "The Offering and Other Matters".

Net economic losses (including unrealized losses) in any year are carried forward for purposes of determining the Performance Fees payable for any other year in which the Fund's Shares experience an increase in net asset value. The Investment Manager may elect to defer payment of all or part of its Performance Fee. If the Investment Manager elects to defer payment of all or part of the Performance Fee for up to ten years, any such deferred amounts payable to the Investment Manager shall be treated, and the amounts eventually payable at the end of such deferred periods shall be determined, as if such deferred amounts had been invested in Ordinary Shares on the first day of the fiscal year following the year the deferred fee was earned and redeemed as of the last day of the deferred period. The deferred Performance Fee and amounts of net profits, if any, allocated to such deferred Performance Fee shall be paid promptly after the end of the deferred period. If any cash dividends are paid with respect to the Ordinary Shares during any of such deferred periods, there shall be paid to the Investment Manager, at the time of payment of such dividends, an amount equal to the dividends that would have been paid to the Investment Manager if the deferred amounts had been invested in Ordinary Shares.

The Investment Manager renders its service to the Fund at its own expense, including the salaries of employees necessary to render such service, all general overhead expenses attributable to its employees and other expenses incident to the rendering of such services. Certain services, equipment and supplies may be furnished by brokers used by the Fund. The Fund pays its own expenses including the fees paid to the Investment Manager and the Administrator, accounting and legal expenses, organizational and offering expenses and all investment expenses (including brokerage commissions, custodial fees, interest on margin accounts, borrowing charges for securities sold short and short sale dividends). The organizational and offering expenses of the Fund will be amortized over a term of 60 months.

The Investment Manager may assign its right to receive a portion of the Fixed Fee or Performance Fee to any person or entity that acts as a distributor for Fund Shares or otherwise provides advice and assistance that may be of benefit to the Fund such as advice regarding the structure of the Fund or other factors to be considered in order to enhance the marketability of the Fund Shares, investor relations, identification and evaluation of candidates to serve on the Fund's Board of Directors, or general economic and financial developments in international securities and capital markets.

6. RISKS AND POTENTIAL CONFLICTS OF INTEREST

A. Risks

Investment in the Fund entails a high degree of risk and is suitable only for sophisticated individuals and institutions for whom an investment in the Fund does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Fund. Prospective investors should carefully consider the following risk factors. There can be no assurance that the Fund will be able to achieve its investment objective, and investment results may vary substantially on an annual basis.

Speculative Investments. In order to achieve the Fund's performance objectives, the Fund will make investments that may be considered speculative and may involve substantial risk of loss.

Liquidity of Investments. The Fund's portfolio can be expected to include securities that are not actively or widely traded. The markets for these securities can be expected to involve wider price spreads and more sensitivity to buying and selling pressures than is found in more active markets, which could adversely affect the ability of the Fund to acquire or dispose of substantial positions of securities.

Effects of Leverage. Borrowing by the Fund will create an opportunity for increased net income but, at the same time, will involve special risk considerations. Leveraging resulting from borrowing will magnify declines as well as increases in the value of the Fund's portfolio. Although the principal of the Fund's borrowings will be fixed, the Fund's assets may change in value during the time a borrowing is outstanding, thus increasing exposure to capital risk. To the extent the income derived from the assets obtained with borrowed funds exceeds the interest and other expenses that the Fund will have to pay, the Fund's net income will be greater than if borrowing were not used. Conversely, however, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of the Fund will be less than if borrowings were not used, and therefore the amounts available for distribution to the Fund's partners will be reduced.

Unspecified Investments. Fund investments will vary, and particular investments cannot be predicted. Accordingly, an investor in the Fund must rely upon the ability of the Investment Manager to make successful investments consistent with the Fund's investment objectives. Investors will not have the opportunity to evaluate personally the relevant economic, financial and other information utilized in the selection and monitoring of investments. The Fund may invest a significant part of its assets in one company's securities, which would cause the Fund's success to depend in particular upon the success of that investment.

Diversification. To the extent the Investment Manager concentrates the Fund's investments in a particular issuer, the Fund's portfolio will become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer.

International Investments. Investments in securities of issuers outside the United States may involve greater risks than U.S. investments. There is generally less information publicly available about such issuers and there may be less regulation of the exchanges and brokers dealing in the securities of such issuers. Some non-U.S. markets may be more volatile and may offer less securities trading protection than U.S. markets, and may involve higher transaction costs. In addition, in some countries there may be risks associated with political or social instability, or diplomatic developments that could affect investments in those countries.

Strategic Transactions. Strategic Transactions have special risks associated with them, including possible default by the other party to the transaction, illiquidity and, to the extent the Investment Manager's view as to certain market movements is incorrect, the risk that the use of the Strategic Transactions could result in losses greater than if they had not been used.

Interest Rate Risks. The Fund expects to invest in a significant amount of debt securities. In the event of increases in prevailing interest rates, the market prices of such debt securities can be expected to decline resulting in possible capital depreciation.

Marketability of Portfolio Investments. The marketability and liquidity of the Fund's investments cannot be assured. The Fund's ability to acquire and dispose of investments in distressed securities may be dependent on factors outside the Investment Manager's control, including the financial condition of a security's issuer as well as general economic conditions.

Reliance on Investment Manager. The Investment Manager has full discretionary authority to identify, structure, execute, administer, monitor and liquidate Fund investments. Accordingly, no person should invest in the Fund unless such person is willing to entrust all aspects of the management and investment decisions of the Fund to the Investment Manager.

Incentive Payments. The existence of the Investment Manager's 20% Performance Fee may create an incentive for the Investment Manager to make investments that are more speculative than would be the case in the absence of such a performance-based payment.

Valuation of Portfolio Investments. While pricing information is generally available for securities in which the Fund may invest, there is currently no centralized source for pricing information for many of such securities and many of such securities and reliable pricing information may at times not be available from any source. Prices quoted by different sources are subject to material variation. For purposes of calculating the Fund's net capital appreciation and net capital depreciation and valuing investments, valuations of investments for which pricing information cannot be obtained will be made by the Administrator based upon such information as is available, including the advice of the Investment Manager.

Lack of Liquidity for Shares. There is no market for the Shares and none is expected to develop. Except in the circumstances described herein, Shares are not redeemable at the option of the holder.

Low Rated and Unrated Investments. At any one time, a substantial percentage of the Fund's assets may be invested in high risk instruments that are low rated or unrated (that is, rated Ba1 or lower by Moody's or BB+ or lower by S&P). These ratings are defined by these agencies to mean that these securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal and involve major risk exposure to adverse conditions.

Low rated and unrated debt instruments generally offer higher current yields than are available from higher grade issues, but typically involve a greater risk. Low rated and unrated securities are especially subject to adverse changes in general economic conditions and to changes in the financial condition of their issuers, in addition to price fluctuations in response to changes in interest rates. During periods of economic downturn, issuers of low rated and unrated instruments may experience financial distress that could adversely affect their ability to make payments of principal and interest. Adverse publicity and investors' perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of low rated and unrated securities.

General Economic Conditions. General economic and business conditions may affect the Fund's activities. Interest rates, the prices of securities and participation by other investors in the financial markets may affect the value of securities purchased by the Fund.

Short Sales. The Fund may sell securities short. Selling securities short runs the risk of losing an amount greater than the amount invested, since there is no limit on how much the price of a security may appreciate before the short position is closed out.

B. Potential Conflicts of Interest

The Investment Manager is required to devote such time as may reasonably be required to further the business affairs and activities of the Fund. The Investment Manager may act as investment adviser, sponsor or general partner for other customers, accounts and pooled investment vehicles and may give advice, and take action, with respect to any of those customers, accounts and pooled investment vehicles which may differ from the advice given, or the timing or nature of action taken, with respect to the Fund. Where there is a limited supply of a security, the Investment Manager will use its best efforts to allocate or rotate investment opportunities in a manner deemed equitable, but the Investment Manager cannot assure, and assumes no responsibility for, equality among all accounts and customers. The Investment Manager, its affiliates and officers, directors and employees of the Investment Manager and its affiliates may engage in transactions or investments or cause or advise other customers to engage in transactions or investments which may differ from or be identical to the transactions or investments engaged in by the Investment Manager for the Fund's account. The Investment Manager shall not have any obligation to engage in any transaction or investment for the Fund's account or to recommend any transaction to the Fund which any of the Investment Manager, its affiliates or any of the officers, directors or employees of the Investment Manager or its affiliates may engage in for their own accounts or the account of any other customer except as otherwise required by applicable law. To do

extent permitted by law, the Investment Manager will be permitted to bunch or aggregate orders for the Fund's account with orders for other accounts.

7. REGULATORY AND TAX CONSIDERATIONS

A. Certain Regulatory Matters

United States Securities Act of 1933

The offer and sale of the Shares will not be registered under the Securities Act in reliance upon the exemption from registration provided by Regulation S promulgated thereunder. Accordingly, Shares may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S). Each purchaser will be required to represent, among other customary private placement representations, that it is acquiring its Shares in the Fund for investment purposes only and not with a view to resale or distribution.

B. Certain United States Tax Considerations

The following is a summary of certain material U.S. income tax considerations relevant to a non-U.S. investor in connection with the purchase and ownership of Shares in the Fund. This discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), on the regulations promulgated thereunder and on published administrative rulings and judicial decisions, all as of the date hereof. No assurance can be given that future legislation, administrative rulings or court decisions will not modify the conclusions set forth in this summary. This discussion is necessarily general, and the actual tax and financial consequences of the purchase and ownership of interests in the Fund will vary depending upon the investor's circumstances. This discussion does not constitute tax advice, and is not intended to substitute for tax planning. Further, this discussion does not take into account the particular circumstances of each prospective investor or to investors that are individuals or "closely-held" corporations. In view of the number of different jurisdictions where non-U.S. laws may apply to investors in the Fund, the discussion below does not address these tax consequences to potential investors of the purchase, ownership and disposition of Shares, but is limited solely to U.S. federal tax consequences.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE POSSIBLE TAX, EXCHANGE CONTROL OR OTHER CONSEQUENCES TO THEM UNDER THE LAWS OF THE JURISDICTIONS OF WHICH THEY ARE CITIZENS, RESIDENTS OR DOMICILIARIES AND IN WHICH THEY CONDUCT BUSINESS, OF THE PURCHASE AND OWNERSHIP OF SHARES IN THE FUND.

Taxation of Foreign Persons Not Engaged in U.S. Trade or Business

The Fund intends generally to conduct its affairs such that no income realized by it will be effectively connected with the conduct of a U.S. trade or business for U.S. income tax purposes or otherwise subject to regular U.S. federal income taxation on a net basis. Thus, it is intended that non-U.S. Shareholders who are not currently subject to regular U.S. federal income taxation will not become subject to regular federal income taxation solely by reason of investment in the Fund.

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Assuming the Fund is not engaged in a U.S. trade or business, U.S.-source dividends received by it will generally be subject to a 30% U.S. withholding tax. U.S. source interest received by the Fund will also be subject to 30% withholding unless such interest qualifies as portfolio interest. Portfolio interest is generally defined (with certain exceptions, including one for contingent interest income) as (a) interest paid on certain bearer obligations generally designed to be sold only to persons who are not United States Persons, or (b) interest paid on registered obligations with respect to which the person who is otherwise required to withhold tax has received a statement that the beneficial owner of the obligation is not a United States Person; in both cases with respect to debt obligations issued after July 18, 1984 by a United States Person or the United States government. The exemption from withholding of portfolio interest is subject to certain related party ownership rules and other limitations. The Fund may or may not invest in obligations which will qualify for the portfolio debt exception.

In general, assuming the Fund is not engaged in a U.S. trade or business, the Fund will not be subject to any U.S. tax with respect to gains (other than original issue discount in the case of a debt security) from the sale of stock or debt securities held for investment. In addition, a non-U.S. Shareholder who is not engaged in a U.S. trade or business will not presently be subject to any U.S. tax with respect to gains from the sale or redemption of the Shares. However, very generally, a foreign person present in the United States for 183 or more days in the taxable year of the sale would be taxed by the United States on any such gain if either (a) such individual's tax home for U.S. federal income tax purposes is in the United States or (b) the gain is attributable to an office or other fixed place of business maintained in the United States by such individual. In addition to U.S. tax on such gain, a foreign individual who is in the status of either (a) or (b) above may have his stock classified as an investment in a passive foreign investment company and not only be subject to U.S. tax on the disposition of the stock, but also be subject to an interest charge on that tax. Moreover, if the Fund were to acquire stock in a United States real property holding corporation and either (i) such stock is not regularly traded on an established securities market within the meaning of the Code or (ii) the Fund owns more than 5% (by value) of such stock, then gain on the sale of such stock would be treated as income effectively connected with the conduct of a U.S. trade or business and would be subject to regular U.S. federal income tax. A United States real property holding company is generally a corporation 50% or more of the assets of which consist of United States real property (which includes mineral rights).

Other special rules may apply in the case of non-U.S. investors (i) who are present in the United States for 183 days or more, (ii) that have an office or fixed place of business in the United States or (iii) that are former citizens of the United States, controlled foreign corporations as to the United States, foreign insurance companies that hold shares in the Fund in connection with their U.S. business, foreign personal holding companies and corporations which accumulate earnings to avoid U.S. federal income tax. Such persons are urged to consult their U.S. tax advisors before investing in the Fund.

The foregoing general description of the U.S. tax aspects of this investment assumes that the Fund will not be deemed to be engaged in the conduct of a trade or business in the U.S. as a result of its activities or the activities of the Investment Manager. The determination of whether the Fund is engaged in the conduct of a trade or business in the U.S. is essentially a question of fact dependent largely on the analysis of ten separate factors. The Fund will take all reasonable measures to comply with these factors so that the Fund will not be deemed to be engaged in the conduct of a trade or business in the U.S. There can be no assurance, however, that the Internal Revenue Service will not challenge that determination.

C. Cayman Islands Taxation

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Fund and all distributions by the Fund to Partners will be received free of all Cayman Islands income and withholding taxes. The Fund is registered as an exempted company

under Cayman Islands law and has applied for and expects to obtain a tax undertaking certificate from the Governor-in-Council of the Cayman Islands to the effect that, for a period of at least 20 years, no law that is enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciation or any tax in the nature of estate, duty or inheritance tax will apply to any property comprised in, or any income arising under, the Fund or to the Shareholders in respect of any such property or income.

D. Other Taxation

Income and gains from investments held by the Fund may be subject to withholding taxes or other taxes in jurisdictions other than the United States, subject to the possibility of reduction under applicable tax treaties. In addition, the Fund shall "gross-up" any payment of the Management Fee to the Investment Manager by the Fund to the extent that such payment is subject to withholding taxes or other taxes in jurisdictions other than the United States so that the amount received by the Investment Manager after such withholding or other tax (net of any federal income tax benefit because of foreign tax credits available to the Fund manager with respect thereto), is equal to the amount of the payment had no such withholding or other tax been imposed.

8. THE OFFERING AND OTHER MATTERS

Private Placement

The Fund is making a private offering of Shares to qualified non U.S. investors. The Fund reserves the right in its sole discretion to revise or withdraw the offering. The minimum initial subscription is \$2 million, which may be waived at the Fund's discretion.

Each investor will be required to enter into a Subscription Agreement covering its investment in the Fund. In the Subscription Agreement, the investor will make certain customary representations and warranties in connection with the private offering of interests in the Fund and certain other matters.

Offering Price

When Shares are subscribed for during the course of a fiscal year ("Interim Purchases") or at the beginning of the fiscal year when there is a loss carryover, certain adjustments to the amount of money paid for the purchase of Shares are necessary. This is done so that (i) the Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value since their acquisition, (ii) all shareholders will have the same amount per share at risk and (iii) all shares will have the same net asset value.

The number of shares to be purchased will be based on the offering price per share (the "Offering Price") as defined below. The Offering Price for each share is calculated in the following manner:

- (1) For shares purchased at the beginning of the fiscal year ("Year Beginning"), the Offering Price is the Year Beginning net asset value ("Beginning Value") plus a Depreciation Deposit equal to 20% of the amount of any loss carryover per share² at Year Beginning. The Depreciation Deposit is invested and paid out as described in Section 2(a) below.

² The loss carryover per share at the beginning of any year shall be the loss carryover per share at the beginning of the preceding year decreased by the decrease in net asset value per share during the preceding year or decreased (not below zero) by the increase in net asset value during the preceding year.

(2) For Interim Purchases:

(A) When the net asset value per share is less than the sum of (i) Beginning Value and (ii) the loss carryover per share at Year Beginning, the Offering Price is the sum of the net asset value per share and the "Depreciation Deposit". The Depreciation Deposit is 20% of the amount by which the sum of (i) and (ii) above exceeds the net asset value per share at the date of purchase. The Depreciation Deposit is segregated and separately invested in U.S. Treasury bills or other high quality short term debt securities or certificates of deposit and is not at risk with the Fund. It may, in certain circumstances, be returned to the shareholder at the time of redemption of the shares. It is included in the Offering Price to permit the shares purchased on the date of purchase to be charged the Performance Fee with respect to an increase in net asset value and with respect to any benefit received by reason of the existence of a loss carryover. If at the end of any fiscal year (or at any time during the fiscal year when the shares of a shareholder are redeemed), the losses which gave rise to the Depreciation Deposit are recouped then, to the extent that the losses which gave rise to all or a portion of the Depreciation Deposit are recouped, the Depreciation Deposit will be paid to the Investment Manager as a part of the Performance Fee. Any portion of the Depreciation Deposit not paid to the Investment Manager will be paid to the shareholder when it becomes no longer necessary to accomplish the objectives described above or upon redemption. Promptly after the end of each fiscal year in which a Depreciation Deposit is held, the interest (net of any income taxes payable thereon) earned thereon will be paid to the shareholder who made such Depreciation Deposit.

(b) When the net asset value per share is more than the greater of (i) Beginning Value or (ii) the sum of Beginning Value and the loss carryover per share at Year Beginning, the Offering Price is the sum of the net asset value per share and the "Equalization Factor" as defined below. The Equalization Factor is an amount which the shares outstanding since Year Beginning should be charged (i.e. 20% of the increase in net asset value since Year Beginning in excess of the greater of (i) and (ii) above, and which the shares subscribed for at the date of the Interim Purchase ("Interim Purchase Date") should not be charged. To the extent that the increase in value of the shares that cause the payment of the Equalization Factor is not lost in the current year, all or a portion of the Equalization Factor, attributable to such increase becomes payable to the shareholder at the end of the current year. To the extent that the increase in value of the shares that cause the payment of the Equalization Factor is lost in the year the shares are purchased, but is recovered in a subsequent year, the Equalization Factor attributable to such recovery will become payable to the shareholder at the end of the year in which the recovery occurs. Upon redemption by a shareholder of his shares, the same amount of the Equalization Factor will be paid to him as if the date of redemption were the last day of the fiscal year in which the shares are redeemed. All or a portion of any Equalization Factor which is due to a shareholder not redeeming his shares will be used to purchase additional shares on behalf of such shareholder as of the first day of the next succeeding fiscal year.

The following tables have been provided to illustrate the manner in which the adjustments operate.

Table I illustrates the manner in which the adjustments described above operate with respect to shares subscribed for at the beginning of and during a hypothetical fiscal year where there is no loss carryover at the beginning of the year. Table II illustrates the manner in which the adjustments described above operate with respect to shares subscribed for, prior to, at the beginning and during a hypothetical fiscal year where there is a loss carryover of \$20 per share at the end of the first year.

Shareholder B in Table I, purchasing shares on an Interim Purchase Date when the net asset value has decreased since Year Beginning, pays an Offering Price of \$84 per share (which includes a Depreciation

Deposit of \$4, since the Performance Fee which would accrue to his shares would be \$4 more than the Performance Fee which would accrue for shares purchased by Shareholder A at Year Beginning).

Shareholder C in Table I, purchasing shares on an Interim Purchase Date when the net asset value has increased since Year Beginning, pays an Offering Price of \$126 per share. The Equalization Factor is returned to him at Year End in the form of additional shares since the Performance Fee that would accrue to his shares would be \$4 less than the Performance Fee that would accrue to the shares purchased by Shareholder A.

Shareholder B in Table II, purchasing shares at the beginning of Year 2 when the net asset value has decreased since the beginning of Year 1, pays an offering price of \$84 per share (which includes a Depreciation Deposit of \$4 since the Performance Fee which would accrue to his shares would be \$4 more than the Performance Fee which would accrue for shares purchased by Shareholder A at Year 1. The Depreciation Deposit is paid to the Investment Manager at the end of Year 2 when the net asset value for Shareholder B's shares has increased by more than the loss carryover.

Shareholder C in Table II, purchasing shares on an Interim Purchase Date during Year 2 when the net asset value has increased since the beginning of Year 1, pays an Offering Price of \$110 per share (which includes an Equalization Factor of \$2 since the amount of funds he would otherwise have at risk would be \$2 less than the amount of funds at risk of Shareholder A. The Equalization Factor is returned to him in the form of additional shares at the end of Year 2 since the Performance Fee which would accrue to his shares would be \$2 less than the Performance Fee which accrues to Shareholder A.

TABLE I

Shareholder	Year	Offering Price	Net Asset Value	Performance Fee	Depreciation Deposit	Equalization Factor	Additional Shares	Total Shares	Net Asset Value	Performance Fee
A	Year Beginning	\$100	\$100	\$0	\$0	\$0	0	100	\$100	\$0
B	Year 1	\$84	\$84	\$0	\$4	\$0	0	84	\$84	\$0
C	Year 2	\$110	\$110	\$0	\$0	\$2	2	110	\$110	\$0

* - Includes Depreciation Deposit.
 ** - Includes Equalization Factor.

TABLE 1

Class	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
A	100	0	100	100	0	100	100	0	100	100	0	100
B	100	0	100	100	0	100	100	0	100	100	0	100
C	100	0	100	100	0	100	100	0	100	100	0	100

• Includes Deposited Funds
• Includes Liquidation Fees

Indemnification and Limitation on Investment Manager's Liability

To the fullest extent permitted by law, the Investment Manager and its affiliates, and their respective partners, officers, directors, employees, shareholders and agents, in each case other than in a capacity as a Shareholder, will be indemnified by the Fund against all liabilities, costs and expenses (including legal expenses) arising out of or in connection with the business of the Fund or the performance by the indemnitee of any of the Investment Manager's responsibilities, so long as such person acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to the best interests of the Fund and such indemnitee's conduct did not constitute willful misconduct, gross negligence, a violation of federal or state securities laws or criminal wrongdoing.

To the fullest extent permitted by law, none of the Investment Manager, its affiliates or their respective partners, officers, directors, employees, shareholders and agents will be liable to any Shareholder or to the Fund for any losses due to any act or omission taken or suffered by the Investment Manager in connection with the conduct of the business of the Fund that is determined by the Investment Manager in good faith to be in or not opposed to the best interests of the Fund, unless such act or omission resulted from willful misconduct or gross negligence, a violation of federal or state securities laws or criminal wrongdoing, and such persons will also not be liable to any Shareholder or to the Fund for any losses due to any act or omission taken or suffered by any other person or for the mistakes, negligence, dishonesty or bad faith of any broker or other agent of the Fund selected by the Investment Manager with reasonable care.

Fund Capital

The authorized capital of the Fund consists of 5,000,000 Ordinary Shares having a par value of \$0.01 (U.S.) per share consisting of 2,500,000 voting shares and 2,500,000 non-voting shares. Each share has equal dividend, distribution, and liquidation rights. The Fund does not anticipate paying any dividends on its Ordinary Shares.

Subject to the exceptions set forth below, all decisions of the shareholders will be made by the holders of a majority of outstanding voting shares represented at a meeting, provided that a quorum of the holders of one-third of the outstanding voting shares is present. Notwithstanding the foregoing, any investment advisory or management contract entered into by the Fund (e.g., the Advisory Agreement between the Fund and Investment Manager) may not be terminated by the Fund unless such termination is approved by a 90% vote of all outstanding voting Ordinary Shares cast at a meeting called for the purpose of terminating

the agreement. Any matter referred to herein may also be adopted by resolution in writing of all the shareholders. There are no conversion or preemptive rights in connection with any Ordinary Shares of the Fund. All Ordinary Shares of the Fund, when fully paid, will be fully paid and noncumulative.

The Fund's Ordinary Shares have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Directors can elect all of the Directors if they choose to do so; and in such event the holders of the remaining shares representing less than 50% of the shares voting for such election of Directors will not be able to elect any person as a Director.

A shareholder may elect to receive a certificate representing the Fund's Ordinary Shares.

Redemptions

Any holder of Shares has the right, in accordance with and subject to the applicable provisions of the Articles of Association of the Fund and the laws of the Cayman Islands, to have all or a portion of his shares redeemed on the last day of each month. Shares will be redeemed at their net asset value as of the close of business on such redemption date (as determined in accordance with the applicable redemption provisions set forth in the Articles of Association). The redemption price is computed after deduction of the accrued Fixed Fee and Performance Fee payable to the Investment Manager attributable to the shares redeemed. The shareholder must request such redemption at least thirty days prior to the redemption date. At the discretion of the Fund and the Investment Manager, redemptions may be permitted on additional dates.

At redemption, shareholders will be paid (1) the net asset value of the shares on the date of redemption, (2) all or a portion of the Depreciation Deposit to the extent it is not paid to the Investment Manager as an Incentive Fee and (3) all or a portion of the Equalization Factor to the extent that the increase in value of the shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the redeeming shareholder, all as more fully set forth above.

In addition, the Fund shall be entitled to require the redemption of all or any part of a shareholder's Shares, with or without cause at any time. Payment shall be made in accordance with the procedure applicable to shares which are redeemed at the request of the holder.

The Board of Directors may suspend the right of the holders of Shares to require the Fund to redeem shares during any period when:

- (i) any stock exchange on which a substantial part of the securities owned by the Fund are traded is closed, otherwise than for ordinary holidays, or dealings thereon are restricted or suspended;
- (ii) there exists any state of affairs which constitutes a state of emergency as a result of which (1) disposal of a substantial part of the investments of the Fund would not be reasonably practicable and might seriously prejudice the shareholders of the Fund or (2) it is not reasonably practicable for the Fund fairly to determine the value of its net assets;
- (iii) none of the requests for redemption which have been made may be lawfully satisfied by the Fund in U.S. dollars; or
- (iv) there is a breakdown in the means of communication normally employed in determining the prices of a substantial part of the investments of the Fund.

In connection with the determination of the net asset value of shares, the Board of Directors may consult

ASSIGNMENT OF PARTNERSHIP INTEREST

THIS ASSIGNMENT OF PARTNERSHIP INTEREST ("Assignment"), is made between TALLULAH, LTD. ("Assignor") and SAM WYLY ("Assignee").

RECITALS:

A. MAVERICK CAPITAL, LTD. (the "Partnership") was formed as a Texas limited partnership, under the name Dallas Asset Management, Ltd., pursuant to a Partnership Agreement dated May 13, 1993, as subsequently amended (the "Partnership Agreement").

B. Assignor desires to assign to Assignee all of Assignor's right, title and interest in the Partnership as a distribution to Assignee in his capacity as a Partner in assignor.

AGREEMENT**I.****Transfer of Interest**

Section 1.1. Transfer. Assignor, for and in consideration of the receipt of Ten and no/100 Dollars (\$10.00), and other good and valuable consideration, the receipt of which is hereby acknowledged, has assigned, transferred and conveyed, and does hereby irrevocably assign, transfer, and convey, to Assignee all of Assignor's right, title and interest as a partner in the Partnership subject to the terms and provisions of the Partnership Agreement and the terms and conditions contained below.

Section 1.2. Execution of Documents. Each of the parties to this Assignment hereby agrees to execute any and all instruments, notices, releases, deeds, amended partnership agreements and certificates and other documents, and to do all such other acts, as may be

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PSI00025935

necessary to transfer or more fully assure to Assignee, its successors or assigns, all of the respective rights and interests herein and hereby granted or intended to be granted.

Section 1.3. Ratification. By the execution and delivery of this Assignment, the Assignee hereby ratifies, approves, adopts, and agrees to be bound by the terms and provisions of the Partnership Agreement, as amended, as if it had been originally named therein in place of Assignor. If Assignee is subsequently admitted to the Partnership as a partner, the Assignee agrees to keep and perform all of the duties and obligations of a partner as set forth in the Partnership Agreement.

II.

Miscellaneous

Section 2.1. Binding Nature. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, assigns, and legal representatives.

Section 2.2 Effective Date. This Agreement is executed on the dates set opposite the signatures hereinbelow, but is effective as of June 30, 2000.

ASSIGNOR:

TALLULAH, LTD.

Dated: 7/13, 2000

By: _____

Sam Wyly, General Partner

ASSIGNEE:

Dated: 7/13, 2000

223917

SAM WYLY _____

4161

MEESPIERSON (CAYMAN) LIMITED
P.O. Box 2003, Grand Cayman Islands B.W.I
Telephone (809) 94 97942, Telex (0293) 4498 MPCAY CP
Telefax (809) 94 98340
FACSIMILE COVER SHEET

DATE : February 20, 1994
TO : Mr. R. Buchanan
Lorne House Trust Limited
011-44-624-822-952 * 239017
FROM : Michelle Braddock
SUBJECT : MAVERICK FUND LIMITED

We are transmitting 1 pages (including this cover sheet) if
you do not receive all pages, please call as soon as
possible.

MESSAGE:

In connection with the Confidential Private Placement
Memorandum of Maverick Fund Limited, equalization paid by
East Baton Rouge as at December 31, 1993 was converted into
shares at January 1, 1994 as follows:

Equalization paid at December 31, 1994:	\$389,680.01
Net asset value per share:	\$168.0781
Number of shares issued:	2,318.4461

These shares together with the original issue of 38,366.0379
shares totals 40,684.4840 shares at January 1, 1994 held in
the name of East Baton Rouge.

Please do not hesitate to call if you have any questions.

Regards,


Michelle Braddock
Client Accountant

Permanent Subcommittee on Investigations

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4162

Attn: Shari Robertson/Mike French Esq March 28th, 1995.
Maverick

From: Barbara Rhodes 2 Page Fax
Lorne House Trust Limited.

Thank you for your overnight fax.

There follows a copy of our fax to Michelle Roucher at MeesPierson
(Cayman) regarding the investment into the new Maverick Growth and
Income Fund.

Please let us know if you disagree.

Best regards,



Barbara Rhodes.

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4163

FROM : 809-949-2519

PHONE NO. :

Dec. 16 1996 05:48PM P1

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FACSIMILE COVER PAGE

TO: Barbara Wade From: Michelle Boucher
FAX: 011-44- [REDACTED] Fax: 809-949-2519
DATE: December 16th, 1996 Tel: 809-949-0658

We are transmitting ____ page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Barbara,


Little Woody/ Roaring Fork

The protectorate committee recommends that Little Woody Limited and Roaring Fork Limited redeem all of their holdings in Maverick Income Fund LDC, and invest the proceeds directly into Maverick Fund Ltd.

If the trustees agree to proceed with this recommendation, kindly arrange for the appropriate redemption request and subscription documents to be completed.

Have a great Holiday Season!

Kind regards,


Michelle Boucher

Permanent Subcommittee on Investigations
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4164

From: Michelle Boucher [REDACTED]
Sent: Friday, September 29, 2000 1:42 PM
To: KennethJ@[REDACTED]
Cc: Shari Robertson; Irish Trust <irishtst@[REDACTED]>; Mike French
Subject: Pitkin Trust/Little Woody Limited
Attach: att1.htm

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

re: Investment in Maverick Fund

It is expected that a recommendation will follow later this month for Little Woody Limited to acquire part of Moberly's investment in Precept Fund as at November 1st, 2000.

In order to provide liquidity for this purchase, it is recommended that \$10 Million be redeemed from Maverick Fund. If the Precept investment falls through, this redemption request can be rescinded. Provided that the trustees agree to proceed with this recommendation, kindly give notice to Maverick Fund of the intended redemption within their 30 day notice requirement.

If you have any questions, please call.
Michelle - att1.htm

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Michelle Boucher
<mboucher@...>

To: evan.wyly
cc: Shari.Robertson/Maverick@...
Subject: mike options

12/22/1999 01:15 PM
Please respond to
mboucher@...

I've attached a spreadsheet that summarizes the options and one that summarizes the SW approximate cash balances. Yurta Faf, and the Bessie trust have virtually no cash at all - their exercise would cost \$11,250,000.

Evan - you are aware of the liquidity in Dortmund, based on our Brazos discussion - approx \$5.8M is in Maverick, but less than \$70K is accessible at Lehman's. Dortmund's exercise would cost \$1,750,000

As you recall, due to tight cash constraints we are liquidating Maverick Fund shares at 1/1/00 to fund Greenmountain cash requirements.

What is the timing of wanting to exercise the MIKE options - can we try for additional redemption from Maverick. Bessie Trust (Yurta Faf) only holds collectibles and options so we would need to raise cash in one of the other companies and have them loan funds to Bessie to exercise the Michaels options.

CW entities - there are agencies available in Quayle, and since Stargate repaid the loan to Gorsemoor, there is cash in Tyler trust that could be transferred over to Soulieana to pay for the options.



- cash1299.xls

- mikeoptn.xls

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"Michelle Boucher "

<mboucher@

>

08/31/2001 11:36 AM

To: <shuebner@

cc: <dhennington@

<evan_wyly@

Subject: URGENT email for Sam, we need a quick reply on this - thanks!

<swyly@

<shari_robertson@

Sam,

Keeley and I need to touch base with you on a couple of things relating to the foreign trust system:

1. Withdrawal from Maverick Fund offshore to raise cash for other investments.

I received an email from Lee and Shari last night indicating that you thought the withdrawal of Maverick this month was going to be reinvested. This is not the case. As per the cash flow information we discussed on August 3rd, the Trustees have requested a withdrawal of \$30Million from the Scottish Annuity Policy. The withdrawal is being made in two stages - \$20Million at September 1st and \$10Million at October 1st. The Scottish Annuity policy will redeem their Maverick investment to raise cash. The cash will then be withdrawn from the Scottish Annuity Policy and transferred back to the trust. The trust will use this cash for various other purposes, such as acquiring Beverly Drive, investing in Ranger, Greenmountain and funding commitments to Red River and Winston Thayer and funding construction at Two Mile Ranch. As you are aware the cash reserves in the trusts have been considerably diminished, raising this cash will also replenish the 'working' cash balances for other unforeseen investments that may arise over the near term.

FYI, there has been no action to sell Michaels Stores shares from the offshore trust yet. A decision on whether to liquidate some of these holdings has been deferred at this time, but will be revisited when cash needs arise again.

2. Withdrawal from the Scottish Annuity Policy.

As indicated above, a decision was made to withdraw the Maverick Fund holdings that reside in the Scottish Annuity Policy and withdraw part of the policy. As discussed with you, this was arrived at for the following reasons:

- the Maverick investments held directly by the trusts (not in a Scottish Policy) are lower in dollar value and would easily be transferred as a block to Ranger when the need for additional Maverick holdings to keep Ranger's investment ratios in line is needed.
- advice was obtained from Rodney Owens last year indicating that he didn't feel the annuity gave the trust much additional tax advantage, and in the event that the trust was challenged having the annuity in place would be insignificant to the overall picture.
- the annuity policy was originally acquired, in part, to provide seed capital to Scottish's book of business which was no longer necessary
- cost of continuing to hold the annuity (although this is less of a concern now as fees were significantly reduced effective January 2001 to 10 basis points, which is approximately \$50K per year at this time)

The Trustees submitted the withdrawal request and initially Scottish Annuity agreed to the withdrawals. I had a couple of conversations with Scottish about this, but there was no real fuss made about it. However, this week, I received an email from Mike French which I found very offensive. Apparently

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he had gone back to Rodney Owens to find out if he had been consulted on the withdrawal. Rodney allegedly denied being consulted, despite the advice he had given us last year (as you may recall the trustees requested full withdrawals of the policies for December 31st, 2000, which were subsequently withdrawn when Scottish agreed to lower their fees). Mike then contacted the trustees and indicated that he was aware that Rodney had not been consulted and that this decision was being made without proper legal advice and as far as he was concerned the withdrawal was a grave mistake. I have attached Mike's email to me, and to the trustees below. I have also included my response to Mike as an attachment to this email.

I feel that it was wholly inappropriate for Mike to initiate discussion on these matters with Rodney Owens, without consent of the family or the trustees, and I find it disturbing that Rodney has denied being consulted on this matter. I don't know in what capacity Mike felt he was communicating with the trustees, as he is no longer a protector and I am personally insulted at his implications that we/I would undertake any activities without receiving appropriate advice and proper consultation with the family members and trustees. I did respond to Mike, and have attached my email to him,

Now that I have finished ranting :-). in order to be certain that you are aware of the implications of surrendering the Scottish policy, I have outlined the issues again for you below. Keeley, Shari and I discussed this yesterday, and contacted Rodney Owens, who confirmed that the following is an accurate description of the issues. Please also review Mike's discussion as per his email which follows mine.

- The policy is owned by a 1992 trust, which is a Foreign Non-Grantor Trust. The trust income is currently not subject to US taxation, however, the trust converts to a taxable trust 2 yrs after your death.

- The annuity is providing value if this status is successfully challenged. If the trust is successfully challenged, taxes, interest and penalties could be levied on income earned by the trust within the statute period, which we can assume is 6 yrs.

- The annuity defers income, and assuming the annuity transaction is upheld, the annuity provides us with deferral of taxes, interest and penalties on income equal to the value of the policy at it's ultimate surrender date.

- This trust has over \$300M in assets, \$50M of which are in the annuity. It is only the \$50M in the annuity that we have the potential to defer tax, interest and penalties on. Income earned on the balance of assets in the trust, during the statute period, would be subject to tax, interest and penalties if the trust were successfully challenged.

- If we withdraw from the policy now, we are eliminating the potential deferral of taxes, interest and penalties on further income earned by these assets. We are also running the risk that if the trust is successfully challenged within the next 6yrs, the withdrawal amount could be assessed tax at ordinary income tax rates, interest and penalties. However, we do start the clock on running on the 6 yr statute for this lump sum being recognized as ordinary income. Note that this lump sum will roll into the overall assets of the trust which will earn future income that could be assessed if the trust were challenged down the road (as is the case with the existing trust assets that are not wrapped).

We need to withdraw money from Maverick to fund other activities. However, we could avoid actually withdrawing value from the annuity by swapping in

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Ranger investments to replace the cashed out Maverick. ie. the annuity redeems Maverick for cash, then the annuity uses the cash to buy Ranger investments from other trust entities. The trust ends up with cash out of the annuity but the value in the annuity is maintained - the only change to the annuity is that it now holds Maverick and Ranger rather than just Maverick.

FYI, Shari indicated that unless you want to cash in the annuity to more fully sever the relationship with Mike, she would recommend you keep the annuity in place. Keeley and I have mixed feelings on it. The annuity is a relatively small element of the total trust, and it has no value if the trust is never challenged. If the trust is challenged the value depends on the timing of the challenge and the value of the withdrawal now vs. the value at it's ultimate surrender date and the return earned on it during that period. Last year Rodney was happy with us making the withdrawal and indicated the cost didn't warrant any potential benefit the annuity gave us. During our call yesterday, he was not as positive, but he did not tell us this was a bad idea, as is indicated in Mike's emails, Rodney was non-committal and felt like we understood the issues and once explained, this was a decision for the family to make.

Please call either Keeley or I to discuss. I can be reached on 345- [REDACTED] or 345- [REDACTED] over the weekend and through Monday. I need to go back to the trustees on this on no later than Tuesday morning.

The following copies of emails are:

- Mike's email to the trustees
- Mike's email to me
- my response to Mike.

Thanks,
Michelle

ps. you looked great on Moneyline on Wednesday :)

```
>>> -----
>>> From:   mike [REDACTED]
>>> Sent:   28 August 2001 17:54
>>> To:     davidh [REDACTED]
>>> Subject: Annuity surrender,
>>>
>>> David
>>>
>>> I am forwarding an e-mail I sent to Michelle about the requested
>>surrender
>> of a portion of the Bulldog annuity. My personal opinion is that this
>>is
>> not a wise move. The potential tax risks do not appear to have been
>>fully
>> explored with the principals involved. I know that R. Owens, the legal
>> advisor was not consulted and believes that this is not a good idea
>>
>>> I think you should ensure that the appropriate principals are aware of
>>> this
>>> before the funds are withdrawn from the annuity. Once the genie is out
>>of
>>> the bottle, we can't put it back in.
>>>
>>> Mike French
>>> ----- Forwarded by Mike French/Tartan on 08/28/2001 11:48 AM -----
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Maverick Fund USA - Domestic (after 10:1 transfers)	
Tailspin	139,968
	1,920,710
	5,174,695
	6,235,373
	13,419,251
Held in Ranger	5,224,698
Precept Capital Management - Domestic	
Ranger Capital (Sam)	18,124,396
Precept Fund- Domestic	
Held in Ranger	1,351,215
Ranger Fund I - Domestic	
Sam Why	3,500,000
	350,000
	1,500,000
	3,000,000
	3,000,000
	2,050,000
	2,143,597
	18,350,000
	18,016,200

Maverick Investments - Foreign *	
Maverick Fund	36,195,652
Held directly by IOM companies	32,499,279
Held in Golden Policy	3,696,373
Held in Ranger Fund **	119,595,987
Total Maverick Fund	
Maverick Levered Fund	5,533,116
Held directly by IOM companies	5,533,116
Total Maverick Levered Fund	
Total Maverick Related \$	125,119,103
* Local values at 6/30/21	
** Represents total Ranger investment, including investment held through 4% of the fund	
Precept Investments - Foreign *	
Precept Fund	8,090,073
Held directly by IOM companies	13,610,160
Held in Ranger Fund **	21,700,235
Total Precept Fund \$	
* Based on 10/2/20 values	
** Represents total Ranger investment, including investment held through 4% of the fund	
Ranger Investments - Foreign *	
Ranger Fund	103,299,009
Held directly by IOM companies	103,299,009
Total Investments in Ranger \$	
* Based on 10/2/20 values, plus additional subscriptions at 9/21 and 10/21	

Permanent Subcommittee on Investigations
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30-Sep-01

MAVERICK Held Directly		9/30/2001
Morehouse		12,907,405.19
Richland		1,144,706.59
Texas		2,962,466.62
W. Carroll		2,231,855.17
E. Carroll		1,137,825.89
E. Baton Rouge		5,005,093.64
Moberly		3,936,532.13
	\$	26,725,865.23

MAVERICK Held Through SCOTTISH		9/30/2001
Lake Providence (SAC P136-015)	\$	52,488,379.18

RANGER		8/31/2001
Value of Maverick Fund Ltd Held in Ranger		
Ranger Fund - PRS (Samia)		1,067,475.97
Ranger Fund - DG (Greenbriar)		2,614,677.03
Ranger Fund LLC		27,249,802.75
	\$	30,931,955.75
Value of Trust Entities Investment in Ranger		8/31/2001 (includes 09/01/01 & 10/01/01 transactions)
East Carroll		10,699,756.41
Devotion		14,480,498.36
Moberly		8,286,221.24
West Carroll		19,472,983.67
Samia		16,704,486.54
Locke		11,180,600.75
Texas		250,000.00
E. Baton Rouge		250,000.00
Greenbriar		500,000.00
Katy		5,064,633.83
Orange		2,026,853.53
Pops		5,064,633.83
Bubba		2,026,853.53
Pio Pio		2,026,853.53
Batch		5,064,633.83
	\$	103,296,009.05

PRECEPT		8/31/2001
Value of Precept Held in Ranger		\$ 13,610,160.00
Value of Trust Entities Investment in Precept		8/31/2001 Approx
Greenbriar	Units 265	2,457,123.00
E. Carroll	407	3,775,755.00
Moberly	47	436,192.00
Samia	108	1,003,146.00

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Devotion	71	656,930.00	639,638.29
	\$	8,329,148.00	\$ 8,090,073.02

MAVERICK LEVERED FUND Held Directly		9/30/2001
East Carroll		978,845.42
Katy		514,456.71
Bubba		514,456.71
Pops		514,456.71
Flo Flo		514,456.71
Orange		514,456.71
Balch		514,456.71
	\$	4,065,565.68

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From: Michelle Boucher [REDACTED]
Sent: Monday, December 4, 2000 12:43 PM
To: evan wyly
Subject: lake providence/castle creek - scottish annuity policy withdrawals
Attach: att1.htm

The trustees have not had satisfactory response from Scottish with trying to give effect to this transaction. I understand that the documentation has been forwarded to MCF and he is looking at it. I expect you and/or Sam, and maybe even Charles may hear from him.

Mike may try to cause difficulties that the action is being taken without his consent as a protector - however his authority as protector on the 1992 trusts is limited to the ability to hire/fire trustees. Protectors cannot block transactions and Rodney has represented to us that he is comfortable with us proceeding with the withdrawal.

I think that Scottish will want to negotiate to keep the policies in place through 12/31 for year end numbers. I think it is reasonable for the trustees to agree to this, provided SAC agrees to do a like-kind distribution and transfer the share of Maverick as opposed to having to redeem funds from Maverick & reinvest. I understand that the size involved will likely cause Maverick to have to liquidate positions and then they'll lose the money for 2-3 days while it round trips back into the fund, so it is in all three parties interest to effect a like kind distribution.

I expect to hear from SAC later today, but wanted to let you know that you may hear from Mike.
Michelle - att1.htm

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EXHIBIT #66 - FN 935

MAV012080

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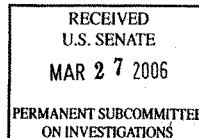
SHEARMAN & STERLING LLP

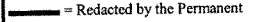
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March 23, 2006


Via Federal Express

Robert Roach, Minority Counsel & Chief Investigator
Mark Nelson, Majority Counsel
Permanent Subcommittee on Investigations
19 Russell Senate Office Building
1st and Constitution, N.E.
Washington, DC 20510



 = Redacted by the Permanent Subcommittee on Investigations

Re: 

Dear Bob and Mark:

On behalf of Maverick Capital, Ltd. ("Maverick") we submit the following supplemental information relating to the issues that we discussed during our meeting with you on February 2, 2006. For clarity I have restated below the follow-up questions contained in the attachment to Bob Roach's email dated February 9, 2006, followed in each case by Maverick's response thereto.

1. Identify the individuals (and the individuals behind any entities) that are part of or have an interest in:

**Maverick Capital Limited
Maverick Capital Management, LLC (fka Maverick Capital General)
Maverick Capital Advisors, L.P**

MAVERICK¹ RESPONSE: Maverick Capital Management, LLC (formerly known as Maverick Capital General, L.L.C.) holds the sole general partnership interest in Maverick Capital, Ltd. and Maverick Capital Advisors, L.P. Interests in Maverick Capital Management, LLC are

¹ The information set forth herein is derived from Maverick records as well as recollections of relevant Maverick personnel. In an effort to provide the information requested in a timely fashion, we have worked to gather the information quickly. In addition, please note that we have made no effort to collect information that Maverick personnel may have acquired or possess solely as a result of employment or professional engagements unrelated to their Maverick employment.

ABU DHABI | BEIJING | BRUSSELS | DÜSSELDORF | FRANKFURT | HONG KONG | LONDON | MANNHEIM | MENLO PARK
MUNICH | NEW YORK | PARIS | ROME | SAN FRANCISCO | SÃO PAULO | SINGAPORE | TOKYO | TORONTO | WASHINGTON, DC

SHEARMAN & STERLING LLP IS A LIMITED LIABILITY PARTNERSHIP ORGANIZED IN THE UNITED STATES UNDER THE LAWS OF THE STATE OF DELAWARE, WHICH LAWS LIMIT THE PERSONAL LIABILITY OF PARTNERS.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 936

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Each of the following persons holds a limited partnership interest in each of Maverick Capital, Ltd. and Maverick Capital Advisors, L.P. Direct or indirect interests in the entities identified as limited partners are held by or for the benefit of the individuals identified in parentheses.

Highland Fund, Ltd. (Sam Wyly family members (other than Sam Wyly))

Marmalade, Ltd. (Evan A. Wyly and family members)

In addition, the following persons hold a Class A limited partnership interest in Maverick Capital, Ltd. Such interests entitle the holders to distributions of certain deferred profits from prior years' operations and do not represent any interest in current operations of the partnership.

Wrangler Trust (Sam Wyly family members (other than Sam Wyly))

Evan A. Wyly

2. Identify the amount of Maverick's assets under management that come from domestic clients and the amount that comes from offshore clients.

MAVERICK RESPONSE: Of approximately \$11 billion under management by Maverick as of January 1, 2006 (including the proceeds of leverage facility borrowings and

Robert Roach, Minority Counsel & Chief Investigator
 Mark Nelson, Majority Counsel
 March 23, 2006
 Page 3

internal capital), approximately \$7.9 billion (72%) is attributable to domestic United States sources and the balance is attributable to foreign sources. A precise determination of the ultimate investment sources is difficult, however, because financial intermediaries (e.g., funds of funds) may derive their investment capital from foreign and domestic sources in proportions that are unknown to Maverick and may vary over time.

3. Identify the maximum amount of assets the Scottish Holdings entities had with Maverick, and when that occurred.

MAVERICK RESPONSE: Investments in Maverick funds by affiliates of Scottish Re, Ltd. (formerly known as Scottish Annuity and Life Holdings, Ltd. and hereafter referred to as "Scottish"), including Scottish Annuity Company, Ltd., aggregated approximately \$212.4 million as of August 31, 2001.

4. Identify any loans, investments or any other transactions that Maverick had with any Scottish Holdings entities, the amount, and when they took place.

MAVERICK RESPONSE: On November 24, 1998, funds managed by Maverick acquired from Scottish 709,220 Scottish shares and warrants for the purchase of 200,000 additional Scottish shares (at \$15 per share) for an aggregate purchase price of \$10,000,000. During the period November 30, 1998 through February 17, 1999, those funds acquired 979,000 additional Scottish shares in public, open market transactions for an aggregate purchase price of \$11,213,054. During the period March 26, 1999 through June 7, 2001, those funds sold 1,688,220 Scottish shares in public, open market transactions for an aggregate sale price of \$20,991,496.

During the period May 16, 2003 through May 22, 2003, the same funds managed by Maverick exercised the above described Scottish stock purchase warrants at an aggregate exercise price of \$3,000,000 and sold the Scottish shares so acquired for an aggregate sale price of \$3,770,895.

5. Describe Ranger's relationship with Maverick, including the entities involved, amounts invested, and the time period over which the investments took place.

MAVERICK RESPONSE: Information concerning investments in Maverick funds by Ranger affiliated entities is included in the investor information provided to you under cover of my letter dated November 17, 2005. (The attachment to your email dated February 9, 2006 indicates that it is not necessary to restate such information here.) Maverick maintains an arm's-length relationship with Ranger and its affiliates.

6. For the each of the following entities, describe any relationship or transactions it had with Maverick, the amount of funds involved, the time period over which it took place,

Robert Roach, Minority Counsel & Chief Investigator
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the Maverick entity involved and, if known, the ownership and business purpose of the entity:

ABL Strategies

MAVERICK RESPONSE: ABL Strategies is an investor in Maverick Levered Fund, Ltd. Information concerning ABL Strategies' account was provided to you under cover of my letter dated November 17, 2005 and related account documentation received from The Irish Trust Company (Cayman), Ltd. was provided to you under cover of my letter dated February 10, 2006.

Edinburgh Fund (aka Edinburgh Advisors, Edinburgh Advisors General LLC)

MAVERICK RESPONSE: The Cayman Islands law firm of Maples and Calder, which serves as Cayman Islands counsel to Maverick and the Maverick funds, has informed Maverick that a Cayman Islands company named Maverick Growth and Income Fund, L.D.C. was organized at the request of Maverick personnel in 1995. That company appears never to have undertaken any role related to the Maverick business. Maverick understands that after a change of name to Edinburgh Fund in 1997 it was operated as an investment fund by or for Wyly family members or entities associated with such persons.

Highland Fund Ltd.

MAVERICK RESPONSE: As stated above in response to Question 1, Highland Fund, Ltd. is a Wyly family entity which holds a limited partnership interest in Maverick.

Maverick Entrepreneurs Fund

MAVERICK RESPONSE: Maverick understands that Maverick Entrepreneurs Fund, Ltd. was an investment fund operated by or for Wyly family members or entities associated with such persons. Information concerning investment by that entity in the Maverick funds is included in the spreadsheet provided under cover of my letter dated November 17, 2005. Maverick understands that Maverick Entrepreneurs Fund, Ltd. was dissolved in the late 1990's.

Precept Capital

MAVERICK RESPONSE: In January and March 1998, the Maverick funds made investments in funds managed by Precept Capital and acquired small interests in Precept Capital itself. Maverick Fund, L.D.C. (offshore) made an investment of approximately \$10 million in an offshore Precept fund and Maverick Fund USA, Ltd. made an investment of approximately \$5 million in a domestic Precept fund. Income earned with respect to interests in the management company effectively reduced the management and performance fees borne by the Maverick funds. The investments and earnings thereon (approximately \$17.8 million offshore and \$8.2 million onshore, including in each case the original invested capital) were liquidated in 2002.

Robert Roach, Minority Counsel & Chief Investigator
 Mark Nelson, Majority Counsel
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Security Capital

MAVERICK RESPONSE: At the present time, Maverick does not believe that it has had a direct relationship (or entered into transactions directly) with an entity of this name. Securities and Exchange Commission filings by Green Mountain Energy Company (together with its predecessors, "Green Mountain") and other documents indicate that a Security Capital, Ltd. provided certain financing to Green Mountain and associated persons or entities in the late 1990's.

7. Please describe Maverick's relationship and involvement with any of the Green Mountain Energy entities:

a. The amount of funds invested over time - when, how much, the type of investment (loan, capital investment, etc.) and which entities involved;

MAVERICK RESPONSE: The following summarizes investments in Green Mountain by the Maverick funds:

Common Stock/ Interest Purchases			Preferred Stock Purchases		
	8/6/1997	*	566,680		
	8/31/1997	*	1,043,320	6/16/2000	5,000,000
	10/1/1997	*	200,000	4/18/2001	4,999,999
	10/20/1997	*	199,995	3/8/2002	3,068,995
	10/31/1997	*	500,000	6/28/2002	1,940,003
	11/28/1997	*	620,000	Total Preferred	15,008,996
	1/23/1998	*	300,000		
	2/17/1998	*	500,000		
	3/17/1998	*	380,000		
	4/2/1998	*	480,000	Debt Security Purchases	
	5/5/1998	*	640,000	11/21/2002	560,000
	6/2/1998	*	740,000	12/6/2002	840,000
	7/2/1998	*	770,000	5/13/2003	1,400,000
	8/6/1998	*	770,000	6/25/2003	1,400,000
	11/30/1998	*	2,000,000	Total Debt	4,200,000
	12/15/1998	*	300,000		
	2/17/1999		15,000,000	Capitalized Interest and LOC Fees	
Total Common			25,009,995	12/31/2005	1,752,892

* Investment initially made through Green Funding I. (See discussion below.)

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b. The percentage ownership that Maverick entities had in the Green Mountain Energy entities;

MAVERICK RESPONSE: The aggregate direct and indirect percentage interest of the Maverick funds in Green Mountain has varied over time as the result of the issuance and redemption of equity securities to or from the funds and others, and it is difficult for Maverick to determine fluctuations in that interest precisely without reviewing Green Mountain's internal records. In general, however, Maverick believes that the aggregate direct and indirect interest of the Maverick funds did not exceed 20% at any time after their initial investment on August 6, 1997. Securities and Exchange Commission filings by Green Mountain indicate that the Maverick funds held a 16.4% interest in June 1999. Such interest has declined to approximately 12.5% (based on stock ownership) at the current time, taking into account a recent recapitalization and substantial investments by BP and Nuon.

c. When did Maverick stop investing in Green Funding I and start investing in Green Mountain Energy, and why did this take place?

MAVERICK RESPONSE: The following summarizes Maverick's understanding of the Green Mountain investment structure. Green Mountain was initially organized as a limited liability company by a subsidiary of Green Mountain Power Corp. and a group of cash investors including the Maverick funds and certain other investors associated with Sam Wyly. For tax reasons, the interests of the Maverick funds in Green Mountain were initially held by wholly owned subsidiaries of each fund. In order to simplify the Green Mountain governance structure, the interests of the cash investors were pooled in a second limited liability company, Green Funding I, LLC. The subsequent redemption of Green Mountain Power's interest obviated the need for such a bilateral governance structure, and in February 1999 the Maverick funds participated in a direct private placement by Green Mountain (*i.e.*, the Maverick funds purchased additional securities directly from Green Mountain and did not invest through Green Funding I).

In anticipation of an initial public offering in June 1999, Green Mountain was converted from a limited liability company to a corporation. At approximately the same time, Green Funding I distributed to the Maverick funds their pro rata share of the assets of Green Funding I (*i.e.*, Green Mountain shares) so that the funds could own those shares directly. Although Green Funding I was not liquidated at the time and the Maverick funds did not formally withdraw from Green Funding I until June 2000, Green Funding I was inactive during the interim period and held no material assets.

Robert Roach, Minority Counsel & Chief Investigator
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d. When Moberly replaced Maverick and others as partners in Green Funding I, what happened to Maverick's interests and investments in Green Funding I, and what was the amount involved?

MAVERICK RESPONSE: In June 2000, Moberly was admitted as a member of Green Funding I and the Maverick funds withdrew as members. Prior to that time, the economic interests of the Maverick funds in Green Funding I and its assets had been fully distributed to the Maverick funds as a result of the June 1999 distribution of Green Mountain shares.

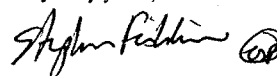
8. What is the name of the entity that places the purchase and sale orders and is recorded as the owner of the securities that are purchased and subsequently parceled out among the various Maverick funds?

MAVERICK RESPONSE: Maverick Capital, Ltd., as investment manager, places aggregate orders with brokers for execution on its clients' behalf. Executed orders are settled by the executing brokers with the clients' prime brokers, who allocate the trades among the clients' prime brokerage accounts.

9. What is the name of the entity that is considered to be the "Master Partnership" in the Maverick structure?

MAVERICK RESPONSE: There is no entity that would be considered to be a "Master Partnership" in the Maverick structure." As illustrated in the Maverick Funds organizational chart (a copy of which we provided to you at our meeting), each of Maverick Fund II, Ltd., Maverick Long Fund, Ltd., Maverick Long Enhanced Fund, Ltd., Maverick Neutral Fund, Ltd. and Maverick Neutral Levered Fund, Ltd. is considered to be a "master fund" with regard to its related "feeder funds," and each is considered to be a partnership for U.S. federal income tax purposes.

Very truly yours,



Stephen Fishbein

cc: John McCafferty

4180

SAC 98 PLAN
November 7, 1997

Ownership

Revise ownership to provide for 50/50 as between SMT (MCF) and Bessie/Tyler. Remaining current ownership is 1% each for Ainslie, Roberston and Boucher. Proposed ownership is SMT-45%, Bessie/Tyler-45%, Boucher 5%, Ainslie and Robertson 1% each, with a 3% reserve.

Capitalization

Current equity capital in Scottish Holdings is about \$1.8 million. However, Holdings has borrowed shares of Maverick Fund having a current value of about \$3.5 million from Bessie/Tyler or related trusts. The Fund shares have been contributed to SAC as additional equity capital, so that the audited SAC balance sheet shows equity of about \$5.3 million. Since SAC is wholly owned by Holdings, the Fund shares can be withdrawn at any time and returned to the lenders, without documenting any obligation on SAC's books. At the Holdings level the Fund shares are netted out against the loan obligation, which is a demand obligation.

It is proposed that another \$20 million of Fund shares be loaned to Holdings and contributed downstream to SAC to boost SAC equity to \$25 million. Since SAC engages only in the variable annuity business, there is no need for any of this capital from an operating standpoint. However, a balance sheet with \$25 million of equity will provide a significant competitive advantage over anyone else engaged in this type of business offshore, and possibly onshore.

The initial commitment was for a total of \$2.5 million of real equity capital to be contributed, of which approximately \$1.8 has been contributed. Given the current and expected levels of operations, this can probably be capped at \$2 million.

Marketing

Asset growth in 1997 will be about \$60 million, with projected year end investor assets of approximately \$150 million. We have made significant expenditures for compensation and support of a new marketing person that has not paid off. Most asset growth has come from contacts with MCF or Michelle. A different structure needs to be set up with the marketing person or he needs to be let go.

SAC is already the largest single investor in Maverick Fund. These investments, with the exception of the loaned Fund shares referred to above, represent annuity contracts with investors, but SAC owns the actual Fund investment. The addition of an additional \$20 million of Fund shares to SAC's equity, will make total SAC ownership of Maverick Fund shares equal about \$75 million to \$80 million, of which \$23+ million will be directly owned by SAC as its own capital.

As an actual investor in Maverick Fund, SAC should be able to suggest to Maverick Fund and its advisor that some reasonable level of Maverick Fund trading commissions be

directed to certain brokers who refer business to SAC. Through early November 1997, total Maverick Fund commissions are about \$26 million, meaning total annual commissions for 1997 will be around \$30 million. Given the size of the SAC investment in Maverick Fund, it is not unreasonable to request that some of the commissions attributable to SAC's interest (at least its capital interest) be directed to favored brokers of SAC, subject to best execution.

If SAC has informal arrangements with brokers to provide trading commissions of 0.5% to 0.75% of funds referred to SAC for a period of 4 years, and has the ability to direct \$500,000 to \$1 million of commissions each year, then SAC can provide compensation to brokers to pull in another \$100 to \$200 million.

Investment in Domestic Hedge Funds

To date, SAC has not been able to invest in domestic hedge fund partnerships, because it would be subject to withholding on partnership profits. This has changed beginning January 1, 1998, as a result of changes made in the Taxpayer Relief Act passed in August.

SAC will now be able to go to domestic investors in hedge funds and offer them a simple way to roll their investment into a tax-deferred annuity, even if there is no properly structured offshore clone of the hedge fund. Updated legal opinions on this issue are being prepared. This will provide a huge addition to the universe of potential SAC investors.

Timing

To really be effective, the new capital in the form of loaned Maverick Fund shares should be added before the end of December in order to be reflected on the year end audit.

Some understanding also needs to be reached with Ainslie on the directed commissions very soon.

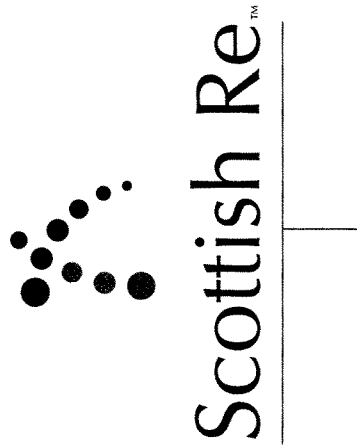
Projections

Attached are projections for future years with differing assumptions as to asset additions and investment returns. A 7% escalation in expenses is assumed, although this is probably too high.

FAMILY OFFSHORE	Market Value	Total Shares or Face Value	SW Foreign Total Family FMV	CW Foreign Total Family FMV	Consolidation Elimination	Total Family Offshore FMV	% assets	% equity
Priced at 12/31/04								
Cash			20,480,481	1,398,337		21,878,788	2.4%	8.7%
US Government Bonds							0.0%	0.0%
Total cash & gov't bonds			20,480,481	1,398,337		21,878,788	2.4%	8.7%
SACPOLICY - CASH			22,891	54,804		78,688	0.9%	0.0%
Loans & Advances Receivable							0.0%	0.0%
Loan - Security Capital (SW Range)			1,305,210			1,305,210	0.1%	0.3%
Loan - Highland Stargate (S Canon)							0.0%	0.0%
Loan - Security Capital (Wrange)			25,039,953			25,039,953	2.8%	6.7%
Loan - Security Capital - SW			515,000	32,120,755	(420,000)	32,215,766	3.6%	8.3%
Other loans & advances			27,786,164	32,120,755	(420,000)	59,486,919	6.8%	18.4%
Total Loans & Advances Receivable								
Investments in Funds								
Maverick Fund	804 088522	71,136 7560	35,153,704	22,048,485		57,202,249	0.2%	14.9%
SAC Policy - Maverick Levered	2809 50741	5,152,8276		14,476,907		14,476,907	1.6%	3.7%
Maverick Stable Fund	20,000 00	128 4581	3,589,181			3,589,181	0.3%	0.7%
Maverick Levered Fund-Restricted	2731 53626	1,302,5430	3,557,943			3,557,943	0.4%	0.9%
Maverick Levered Fund-Unrestricted	2809 50741	18,102 5509	2,030,683	50,859,251		52,889,934	5.7%	13.7%
Total Maverick related			43,317,548	87,342,613		130,660,166	14.2%	33.8%
Ranger Multi Strategy	1114 4784	3,487 9156	3,982,290			3,982,290	0.4%	1.0%
SAC Policy in RMS Class I Class C	1063 5123	18,048 5133		19,194,816		19,194,816	2.1%	5.0%
Ranger Multi Strategy Enhanced-Unrestricted	1198 58836	17,978,525		17,978,525		17,978,525	1.9%	4.7%
Ranger Multi Strategy Enhanced-restricted	1180 06711	37,570,482	37,570,482			37,570,482	4.1%	9.1%
Ranger Partners (via RFA)	889 0461	116 7190	57,427	46,342		103,769	0.0%	0.0%
Ranger Hedge Equity (via RFA)	85 8482	80 1891	1,871	2,668		4,539	0.0%	0.0%
Ranger Advantage (via RFA)	987 1820		3,437,149	7,068,907		10,506,056	1.1%	2.7%
Ranger Small Cap - Long Only			4,902,712			4,902,712	0.5%	1.3%
RPL Holdings - Class B - Wrange	980 5424	5,000 0000	28,975,011	5,326,748		30,905,860	3.5%	9.1%
RPL Holdings - Class C - Select	1107 0193	31,753 3790	78,932,731	48,621,629		123,554,360	14.0%	33.4%
Total Ranger related			14,038,448	14,038,448		14,038,448	1.5%	3.5%
Newcastle Offshore Fund	981 0383	14,309 7858	14,938,448			14,938,448	1.6%	3.8%
First Dallas International	55 54003	493,971 1174		27,438,135		27,438,135	3.0%	7.1%
Total First Dallas International				27,438,135		27,438,135	3.0%	7.1%
SAC Policy in Highland Offshore		60,000 0000		5,843,880		5,843,880	0.6%	1.4%
Unimov Opportunity Fund	106 3343	584,941 5159	61,814,402			61,814,406	6.7%	16.5%
SAC Policy - Partners Global Fund	1000	2,000 0000		2,000,000		2,000,000	0.2%	0.5%
SAC Policy in Global Unrestricted Sec Fund	1048 85	2,000 0000		2,067,300		2,067,300	0.2%	0.5%
Total Investments in Funds			185,893,198	174,182,832		372,886,118	46.4%	96.9%
Investments in Public Companies								
Michael's Stores Stock	29 97	5,013 404	64,321,814	86,930,104		150,251,718	16.3%	38.9%
Total Michael's Stores			64,321,814	86,930,104		150,251,718	16.3%	38.9%
CA Common Stock	31 06		15,080,207	7,910,979		22,991,272	2.5%	6.0%
CA Options 10/05/05 25 0710	8 7759	2,619,810	2,259,229	1,129,815		3,388,944	0.4%	0.9%
CA Options 03/01/07 24 1835	10 0250	338 040	17,338,528	8,946,399		25,284,918	2.8%	6.9%
Total Computer Associates			13,218,766	6,000,381		19,219,147	2.2%	5.1%
SCOT CL A Ws 11/23/08 \$15	12 02	1,650 000	13,218,766	8,946,399		19,219,148	2.2%	5.1%
Total Scottish Annuity			13,218,766	8,946,399		19,219,148	2.2%	5.1%
Total Investments in Public Companies			95,878,896	101,886,977		198,455,863	21.3%	50.9%
Investments in Private Companies								
Greenmountain stock	3 5	15,946,134	47,556,201	8,266,769		55,812,970	6.1%	14.4%
Greenmountain Series A Prof	3 5	753,012	2,835,542			2,835,542	0.3%	0.7%
Greenmountain Series B Prof	3 5	491,158		1,719,057		1,719,057	0.2%	0.4%
Greenmountain Series H Prof	3 5	1,788,805	6,260,118			6,260,118	0.7%	1.6%
Greenmountain Series J Prof	3 5	2,099,374	7,318,300			7,318,300	0.8%	1.8%
GFI LLC			8,200,000			8,200,000	0.9%	2.1%
GFI loan 9% 06/01/07 and interest			53,109,836			53,109,836	5.8%	13.6%
GFI loan 9% 06/01/07			12,919,087			12,919,087	1.4%	3.3%
GFI loan 9% interest			135,381,531	12,808,868		147,871,399	16.0%	38.3%
Total Greenmountain							0.0%	0.0%
Intelecon (Restructured)							18.0%	44.3%
Irish Holdings/Irish Trust	130 51	25,000	2,175,210	1,087,540		3,262,750	0.4%	0.9%
Highland Stargate Trust Company			137,836,741	12,887,497		150,724,238	16.4%	39.2%
Total Investments in Private Companies			18,432,750	18,432,750		18,432,750	2.1%	5.0%
Other Investments			450,375,185	246,517,220		719,882,405	80.2%	191.6%
Investments Intraday to Real Estate Trusts/Companies								
Rosemary's Circle R Ranch Management Trust			43,031,427			43,031,427	4.7%	11.1%
Other real estate			16,090,529	13,600,602		29,691,130	3.2%	7.7%
Total Investments in Real Estate			18,127,958	13,600,602		31,728,560	3.5%	7.8%
Investments in Art, Jewelry & Collectibles			20,863,891	7,181,375		28,045,266	3.0%	7.3%
TOTAL ASSETS			378,847,736	343,788,288	(420,000)	822,616,044	100.0%	238.7%
Loans & Advances Payable								
BAS Michael STAR 98 9% (incl interest)			27,882,959			27,882,959	3.0%	7.2%
Intertrust Advances			420,000		(420,000)		0.0%	0.0%
Bank Credit Line							0.0%	0.0%
Mortgage							0.0%	0.0%
BAS Margin Advance							0.0%	0.0%
Security Capital (Machui)							0.0%	0.0%
Other loans and advances			87,137			87,137	0.0%	0.0%
Total Loans and Advances Payable			28,390,096		(420,000)	27,970,096	3.0%	7.2%
Annuity Payable			341,370 983	166 424 021		507 794 914	56 1%	131 5%
TOTAL LIABILITIES			389,760,289	166,424,021	(420,000)	525,764,810	63 1%	136 7%
NET EQUITY			208,887 447	177,364 267		386,823 234	41 8%	102 0%
TOTAL LIABILITIES & EQUITY			378,847,736	343,788,288	(420,000)	822,616,044	100.0%	238.7%

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 944

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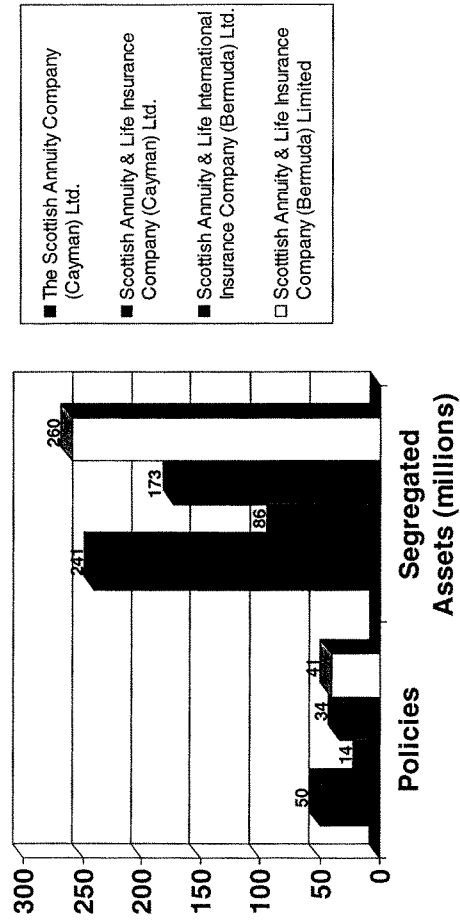
Presentation to the Permanent Subcommittee on Investigations

April 18, 2006

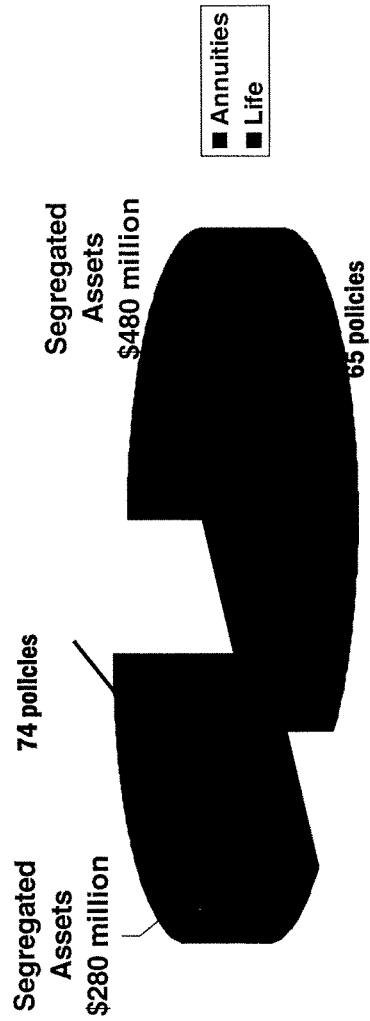
Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 944

Wealth Management – Policies by Company

Policies and Assets by Issuing Company

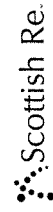
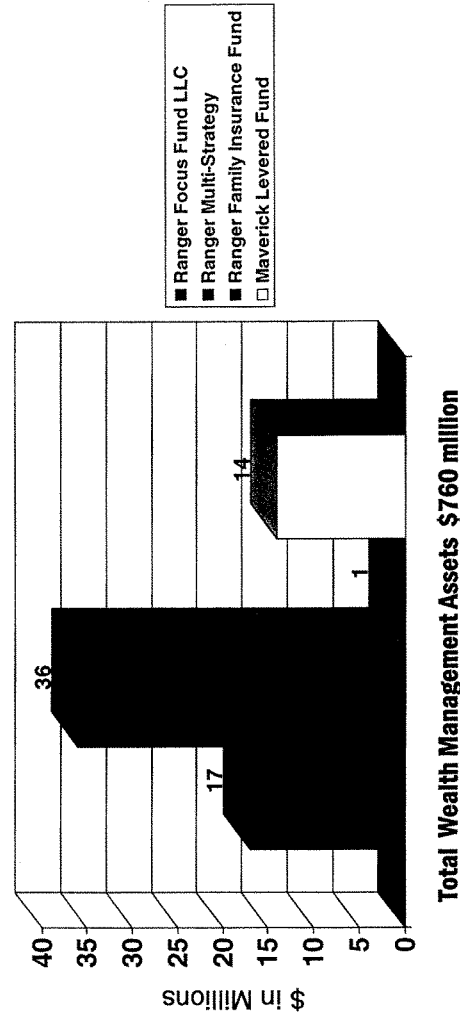


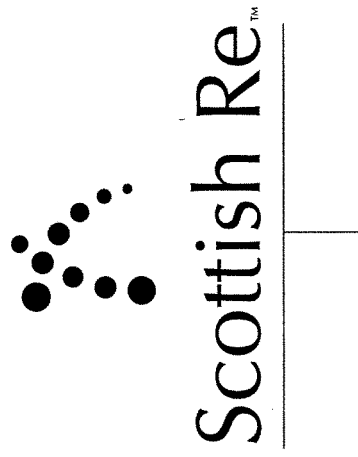
Wealth Management – Policies by Product Type*



Wealth Management – Total Assets Invested in Maverick or Ranger Funds (Current)

**Investments in Maverick and/or Ranger Funds
(\$70 million)***





The Scottish Annuity Company (Cayman) Ltd.

The Scottish Annuity Company (Cayman) Ltd. 1994-1999

- Founded June 7, 1994 as Providence Annuity, Ltd.
- Change of name to The Scottish Annuity Company on July 1, 1994
- Change of name to The Scottish Annuity Company (Cayman) Ltd. on August 11, 1994
- Officers & Directors, 1994 – 1999

Name	Office Held	Date Elected	Date Resigned	Date Registrar Notified	
				Appointment	Resignation
Sharon Pierson	Director	15 Jun 1994	15 Jun 1994		16 May 1994
Michael French	Director	15 Jun 1994		16 Jun 1994	
	Chief Executive Officer	8 Feb 2001		11 May 2001	
Keith King	Director	15 Jun 1994	3 Jan 1996	16 Jun 1994	12 Feb 1996
Ronald Buchanan	Director	15 Jun 1994	3 Jan 1996	16 Jun 1994	12 Feb 1996
Francis Oliver Flanagan	Director	14 Sep 1994	11 Aug 1999	23 Sep 1994	27 Aug 1999
Dennis Hunter	Director	14 Sep 1994	11 Aug 1999	23 Sep 1994	27 Aug 1999
Michelle Boucher	Secretary	3 Jan 1996	15 Mar 2000	12 Feb 1996	11 May 2001
	Manager of Finance and Administration	15 Aug 1995	15 Mar 2000	11 Jul 1996	11 May 2001
Karla Bollen	Director	5 Aug 1996	11 Aug 1999	28 Aug 1996	27 Aug 1999
IRM (Cayman) Ltd	Assistant Secretary	28 Jun 1997	12 Nov 1999	4 Sep 1997	11 May 2001

The Scottish Annuity Company (Cayman) Ltd. 1994-1999

- On October 1, 1998, Scottish Re Group Limited entered into an Insurance Administration, Services and Referral Agreement with The Scottish Annuity Co. (Cayman) Ltd. Services provided include investment fund accounting, compliance monitoring, administrative services, annuity product servicing and other general operating services
- Scottish Re received total fees equal to \$992,528 in 1999 under this agreement
- Prior to October 1, 1998, The Scottish Annuity Co. (Cayman) Ltd. appears to rely on IRM Cayman, Limited as a captive manager to service the business.
- The only officers registered in the corporate records from 1994-1999 are Mike French (CEO) and Michelle Boucher (Manager of Finance and Administration and Corporate Secretary)

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The Scottish Annuity Company (Cayman) Ltd. 1999-Present

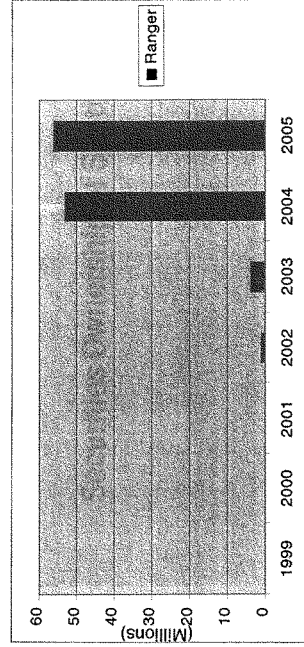
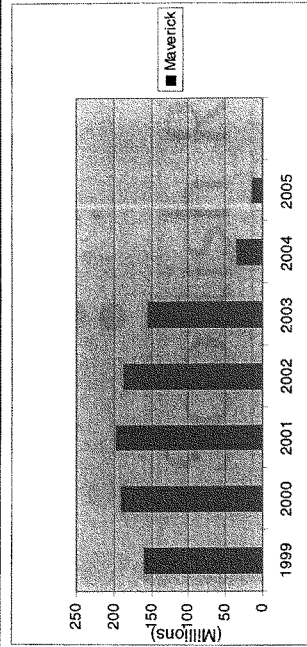
- December 1999 – Scottish Re Group Limited purchased all outstanding ordinary shares of the Scottish Annuity Company (Cayman) Ltd. from Scottish Holdings, Ltd.
- Scottish Holdings, Ltd. is a Cayman Island holding company primarily owned by three trusts of which the Sam Wyly family (38%), Mike French family (38%), and Charles Wyly family (19%) were beneficiaries with the remaining 5% owned by unaffiliated parties*
- Sam Wyly, Charles Wyly, Mike French and David Matthews, a son-in-law of Sam Wyly, served on the board of Scottish Re Group Limited
- Sam Wyly, Charles Wyly, Mike French, Sharon Robertson, and Lee Ainslie were also partners in Maverick Capital

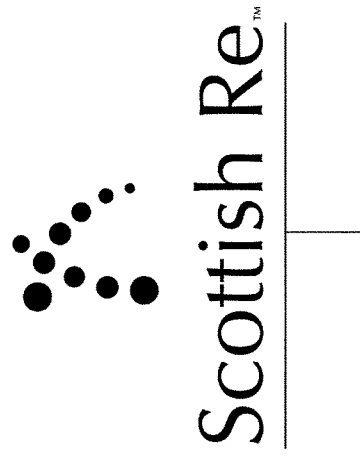
* Sharon Robertson owned 1%, Michelle Boucher 3%, and Lee Ainslie 1%.

The Scottish Annuity Company (Cayman) Ltd. 1999-Present (Cont'd)

- Scottish Re Group Limited's "independent" directors requested and received a fairness opinion from Prudential Securities.
 - Independent directors were: Robert Chmely and Bill Caufield-Browne
 - Purchase price = \$10,500,000
 - Prior to closing, The Scottish Annuity Company (a) declared and paid a dividend to Scottish Holdings Ltd. of \$12,213,031.15, and (b) returned capital of \$23,591,346.11 to Scottish Holdings Ltd.
- **Scottish Re Group Limited received:**
 - 78 variable annuity contracts
 - Approximately \$256 million in segregated assets
 - 2000* - \$2,005 million
 - 2001 - \$2,481 million
 - 2002 - \$3,077 million
 - 2003 - \$3,817 million
 - 2004 - \$4,735 million

The Scottish Annuity Company – Total Assets Invested in Maverick or Ranger Funds (Current)





Securities Ownership of Scottish Re

Investment Ownership Matrix*

Party	Ordinary Shares			Options			Class A Warrants	
	Issued	Purchased	Retained	Issued	Retained	Retained	Issued	Retained
Sam Wyly	—	—	—	12,000	12,000	100,000	100,000	100,000
Audubon Asset Limited	472,813	0	?	—	—	1,100,000	1,100,000	1,100,000
Charles Wyly	—	—	—	14,000	14,000	50,000	50,000	50,000
Souleka Limited	238,407	0	?	—	—	550,000	550,000	550,000
Mike French	—	267,400	267,400	860,000	135,000	600,000	600,000	0
South Madison Trust	152,000	—	—	0	286,667	200,000	200,000	0
Michelle Boucher	—	—	—	200,000	66,667	50,000	50,000	0
Altonco International Limited	12,000	0	?	—	—	—	—	—
The Bessie Trust	152,000	0	?	—	—	—	—	—
The Chisholm Trust	4,000	0	?	—	—	—	—	—
The Lynchburg Trust	4,000	0	?	—	—	—	—	—
The Tyler Trust	76,000	0	?	—	—	—	—	—
Maverick Fund U.S.A. Limited	209,078	0	?	—	—	58,960	58,960	0
Maverick Fund II Limited	39,433	0	?	—	—	11,120	11,120	0
Maverick Fund LDC	460,709	0	?	—	—	129,920	129,920	0

Relationship with Certain Named Parties – Wyly Related

- **Sam Wyly**
 - Never an officer of Scottish Re
 - Ended directorship in June 2000
 - No control
- **Charles Wyly**
 - Never an officer of Scottish Re
 - Ended directorship in November 2000
 - No control
- **Michelle Boucher**
 - Resigned from officer positions in February 1999
 - No control
- **Altonco International Ltd. (Michelle Boucher Trust)**
 - Unknown number of Scottish ordinary shares still retained
 - No control
- **Audubon Asset Ltd. (Sam Wyly Trust)**
 - Retains Scottish securities
 - No control
- **Souleana Ltd. (Charles Wyly Trust)**
 - Retains Scottish securities
 - No control

Relationship with Certain Named Parties – Wyly Related

- Assorted trusts (Bessie, Chisholm, Lynchburg and Tyler)
 - Unknown number of Scottish ordinary shares still retained
 - No control
- **Maverick Capital**
 - Unknown number of Scottish ordinary shares still retained
 - No control
 - Exercised all Class A Warrants
 - Was offered as an investment option in Scottish Re Wealth Management Products
- **Ranger Fund(s)**
 - Only relationship relates to Ranger Fund as an investment option in Scottish Re Wealth Management Products
- **Irish Trust Company***
 - Appointed administrators for the Maverick Fund
 - Appointed administrators for Ranger Fund
 - Unknown relationship with Michelle Boucher

MEMO**Maverick**

To: Charles
 From: Sam
 Date: June 6, 1996
 Subject: Maverick Discussion Sheet

— = Redacted by the Permanent
 Subcommittee on Investigations

Existing ownership of Maverick is 66.88% Sam's Family and 33.12% Charles' Family. Charles' Family will reduce to 5% ownership.

The current shareholders have performance fees of [REDACTED] deferred. Those fees should be moved from capital to a deferred performance payable to the existing partners. Sam's Family would retain [REDACTED] and Charles' Family [REDACTED] and payment would be made when the 10 years elapse. This minimizes taxes for Charles' Family and minimizes cash flow requirements for Sam's Family.

Charles currently owns deferred compensation of \$330,691. If he remains an owner, it will not be distributed or taxable at this time.

Capital accounts would be as follows at 4/30/96:

Capital Account
 Reduce by Deferred Performance
 Reduce by Ainslie Fee
 Reduce by E. Wylly Fee
 Employee Bonuses (Estimated - 10% of profits)
 Maverick Capital Account @ 4/30/96

[REDACTED]

Sam Family Capital Account

[REDACTED]

Charles Family Capital Account

[REDACTED]

In exchange for retaining 5% of Maverick a minimum balance of \$40 mm will be retained in the Hedge funds. Income may be distributed and losses do not need to be made up. Additionally, Charles' Family agrees to not pull out funds in excess of \$1,000,000 per quarter without a six month notice. Approximate balances at 5/31/96 are:

Maverick Funds USA - Entrepreneurs and Miller
 Maverick Income Fund - Entrepreneurs and Aspen
 Maverick Fund, LDC - IRA, Pension and Foreign
 Maverick Income, LDC - Foreign

[REDACTED]
 24,372,333
9,525,113
40,127,725

Total

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 949

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 SECT00097996
 PSI00109863

Memorandum
Page Two

Existing ownership of Scottish Annuity is 2/3 Sam's Family and 1/3 Charles' Family. Charles' Family ownership will be reduced to 5%.

Irish Trust company will remain owned 2/3 by Sam's Family and 1/3 by Charles' Family.

The family office will remain combined with employees continuing to be paid from Sterling Software.

Seventy-five percent of Keith Hennington's compensation will be moved to Sterling Software

Maverick Entrepreneurs will stay the same for present. Ultimately the stock will be distributed to the Family members and exchanged for a private annuity or held in the U.S.

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PSI00109864

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, September 10, 2003 5:24 PM
To: mboucher@ [REDACTED]
Subject: Fw: Scottish
Attachments: Doc Link.htm

Did this sound too harsh?

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----- Forwarded by Keeley Hennington/htst on 09/10/03 06:31 PM -----

Keeley Hennington/htst
 09/10/03 06:23 PM

To
 "Evan Wyly" [REDACTED]
 cc

Subject
 Re: Scottish

Evan - as we discussed last week this is a little sticky. I think we could re-structure so Sam does not own Ranger (I also think there are other issues involved in doing this) - my concern is that if whoever owns it or the Ranger employees will be looking to Sam to make decisions on Ranger operations I think there is a substance over form type issue. I also think Ranger may have a hard time not being able to use Sam's name as being behind Ranger because I think they rely on this heavily in marketing. So, I guess my answer is yes we could restructure but would need to make sure that there is no control by Sam over the Ranger operation. I also hate to have him transfer the Ranger interest in order to be able to place this money with Ranger if we will need to liquidate at some point in the near future - also, would want to make sure Ranger is on board with the idea of not having the additional \$ under management for the long term. Sorry - I am rambling, let me know if Sam would like to pursue further.

Keeley

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"Evan Wyly" [REDACTED]
09/10/03 04:34 PM

To
"Keeley Buford Hennington" [REDACTED]
cc

Subject
Scottish

Sam is asking about his idea of restructuring Ranger ownership to allow participation in insurance-only ranger fund in scottish.
Sent via BlackBerry - a service from AT&T Wireless.



Doc Link.htm (205
B)

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From: Keeley Hennington
Sent: Tuesday, September 23, 2003 7:06 AM
To: mboucher@ [REDACTED]
Subject: Fw: Investor control for insurance

Do you understand this?

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----- Forwarded by Keeley Hennington/htst on 09/23/03 08:12 AM -----

"Robert Chambers" <rchambers@ [REDACTED]>
09/22/03 08:06 PM

To: [REDACTED]
<mboucher@ [REDACTED]>
cc
<khennington@ [REDACTED]>
Subject
Investor control for insurance

Michelle:

I'm glad to hear that the Bouchers will be attending the Maverick annual meeting in October in NY. Chrystal and I plan to attend.

Included below is a question asked by Scott Canon about whether certain of the offshore Scottish policies that I understand are currently invested with Mav could be invested with Ranger Multi Strategy without breaching the investor control issues currently in place. While I'm guessing that you will cringe at this being asked with any language suggesting a link between certain policies and, say, any individuals, I'm still interested in your answer. Therefore, I'm forwarding this to you but stripped out all references to any individual so as to keep you and Keeley calm.

"Given the language, I would think that [xxx] and certainly [xxxxxxx] would be able to invest in Robert's product (he means Ranger Multi Strategy or even the Enhanced/levered product). The Focus Fund (he means a fund that will be concentrated in Mav and a few of the Ranger fund offerings as requested by Evan) has issues as relates to this language. Has Michelle commented on [xxx's] ability to invest in Advisors with [the] existing policy?"

I'm interested to know your thoughts. If this needs to be discussed by phone, shoot me a

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message and I'll call you tuesday.

Best,
Robert

As an aside, we're moving forward with the enhanced product and hope to have it online 10/1. Its going to be a push with all of us busting it to get it done. Keeley and I have discussed my intent to hold investments slated for 10/1 until we know the facility is in place. If it falls through, I'll have some liquidity for 10/1 (9M) and more 11/1.

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From: Michelle Boucher [REDACTED]
Sent: Thursday, May 31, 2001 11:51 AM
To: Crittenden, Michele
Subject: FW: East Carroll, Locke re: Ranger / Precept

FYI

-----Original Message-----
From: Michelle Boucher
Sent: Thursday, May 31, 2001 8:53 AM
To: 'AnnaB@'; 'melanieq@'
Cc: Dawn Cummings
Subject: RE: East Carroll, Locke re: Ranger / Precept

East Carroll should go to Ranger Fund LLC.
Locke's money should go to Ranger Fund, Ltd (note the difference between these two entities - one is Ranger Fund LLC, one is Ranger Fund Ltd.) Wire instructions as per the subscription documents are as follows. Lehman's should wire money directly from Lehman Brothers to the Ranger entities TODAY and not go via Bank of Bermuda because the money needs to be here to make investments for value tomorrow - if it goes to BOB first we won't see it until Monday at the earliest. Please contact Lehman asap to ensure the money is going to the right accounts.

RANGER FUND, LLC
Wire to: IBJ Whitehall Bank & Trust, New York, NY
ABA Number: 026 007 825
or CHIPS: 782
Beneficiary Bank: Queensgate Bank & Trust Company Ltd.
Account Number: [REDACTED]
Benefit of: Ranger Fund, L.L.C.
Account Number: [REDACTED]
For Benefit of : (East Carroll)


RANGER FUND LTD
Wire to: IBJ Whitehall Bank & Trust, New York, NY
ABA Number: 026 007 825
or CHIPS: 782
Beneficiary Bank: Queensgate Bank & Trust Company Ltd.
Account Number: [REDACTED]
Benefit of: Ranger Fund, Ltd.
Account Number: [REDACTED]
For Benefit of : (Locke Limited)

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 963


CC 012663

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 Stacy Huebner
04/30/2001 03:12 PM
To: "Michelle Boucher" <[REDACTED]>
cc:
Subject: Re: email for sam [REDACTED]

I faxed his OKAY...

"Michelle Boucher" <[REDACTED]>

 "Michelle Boucher"
04/30/01 02:33 PM
To: <shuebner@[REDACTED]>
cc:
Subject: email for sam

Sam,

Further to my email last week regarding Ranger funding, it looks like Robert is requesting an additional commitment of \$2.5M from the offshore trusts. This would provide Ranger with enough capital offshore to fund investments \$8.6M into HBK and \$8.6M into Quantlab. Please confirm this is consistent with your understanding of his May 1st proposal.

I need to go out to the trustees tonight to request the additional \$2.5M investment in Ranger tonight.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 963

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PSI_ED00080054

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Shari Robertson
03/02/2000 02:20 PM
To: mboucher([REDACTED])
cc:
Subject: CW

Ready to start a fund in the Cayman Islands. Wants to seed with \$5 million and call the fund First Dallas Fund, Ltd. First Dallas LLC will be the investment manager (he thinks Elaine has this formed) and you will need to have an investment management agreement drawn up. He may want to purchase something in the next few days. If so, we'll purchase in an IOM corp if FDL is not formed and contribute the assets. FDL only needs a brokerage account at Lehman's, it apparently will only be making private investments.

He's thinking about acquiring \$ 10 million of GMER debt convertible to common within the next 30 days.

He's realized that you priced SE at SSW price. Would you e-mail him a new financial.

He's not ready to decide what he's doing on SSW options. Will let us know. He's think that it probably makes more sense to close out the swap plus some of the options rather than all options. Will get back to us.

You mutual fund license only allows for 15 entities - correct? Think you need to figure out how to increase that pretty quickly. If Sam adds 2 and Charles adds 1 and Maverick's going to start a master/feeder commodities fund you could very shortly have five more funds. Let me know how big an issue this is. Should we consider a trust company for the family and one for the fund administration?

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EXHIBIT #66 - FN 967

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PSI_ED00047852

214-880-4033 CHARLES WYLY

699 P03

MAR 30 '00 09:17

To → Dan, Jim, Elaine, Shari, Michelle



"Michelle Boucher"

To: <owly@> <don.miller@st>

cc: <charl_robertson@>

Subject: First Dallas International update

03/29/00 03:15 PM

= jw
3/30
6 pmCool
Good
See
below

The Cayman Fund, First Dallas International (FDI) should be incorporated tomorrow, and I have bank accounts ready to go here at Queensgate Bank & Trust.

I have arranged preliminary paperwork at Lehman Brothers to open the 'IPO' account with them, and we should be able to move money there on Monday.

I await confirmation on the sum being invested in Coolink through FDV, but understand that it is currently \$1 Million - please confirm. Elaine and I are communicating to ensure that we transfer enough money into the First Dallas structure to provide for the investments as well as initial fees. Assuming Coolink will be \$1M and Lehman is \$5M, I am arranging for \$6.25M to be Elysium's initial contribution. I hope this additional \$250K will provide for most of the fees for the next 6 - 12 mths, depending on investment activity.

Yes

I would also like confirmation to proceed with placement of \$5 Million into the Lehman account. I spoke with Lou Schaufele and understand that arrangements have been made that his group will make the investments on behalf of FDI, and advise us at the end of the day as to what was traded. My impression is that trading will be relatively thin, and dependent upon the IPO / Capital Markets activity, but is expected to be up to 5 trades per month. Is this your understanding?

Yes

For documentation purposes, we will arrange paperwork so that actual discretion over trading in the Lehman's account is granted to First Dallas, Ltd.

I look forward to hearing from you.
Michelle

— = Redacted by the Permanent
Subcommittee on Investigations

• 1st Dallas Ventures:

- ✓ Cool Link 1.0 Now
1.0 30 days
1.0 45 days
- ✓ ICE 1.750 April
- ✓ OTTEN .5 April
- ✓ Lox Co Oil & Gas New - East

• 1st Dallas Int. Managed by 1st Dallas Ltd.

- Lehman 5.0
- Brezos 5.0
- Libra 3.5
- Winston Trust 1.0
- MISC Pullin/Prt

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 968

CONFIDENTIAL
HST_PSI000053



— Redacted by the Permanent
Subcommittee on Investigations

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01|
02| {1100} Message Disposition:
03|     Format Version:          02 (New expanded format)
04|     Test Production Code:    P (Production)
05|     Msg Duplication Code:    (Original incoming msg)
06|     Msg Status Indicator:    N (Incoming msg)
07|
08| {1110} Acceptance Timestamp:
09|     Date:                    03/30
10|     Time:                    14:30
11|     Application Id:          FT01
12|
13| {1120} OMAD:
14|     Output cycle date:       2000/03/30
15|     Output Destination Id:   B1Q8691C
16|     Output sequence number:  000140
17|     Output date:             03/30
18|     Output time:             14:30
19|     Output application Id:   FT01
20|
21| {1510} Type/Subtype Code:
22|     Type Code:               10 (Transfer of funds)
23|     Subtype Code:            00 (Regular transfer)
24|
25| {1520} IMAD:
26|     Input Cycle date:        2000/03/30
27|     Input Source id:         B1Q8024C
28|     Input Sequence number:   003591
29|
30| {2000} Amount:              $6,250,000.00
31|
32| {3100} Sending Bank:
33|     ABA number:              021000089
34|     Short name:              CITIBANK
35|     ABA lookup (REL):        CITIBANK, N.A.
36|                               111 WALL STREET, 22ND FL. ZONE 1
37|                               NEW YORK, NEW YORK 10043
38|
39| {3320} Sender Reference:     S0700906390001
40|
41| {3400} Receiving Bank:
42|     ABA number:              026007825
43|     Short name:              IBI WHITEHALL NYC
44|     ABA lookup (AUX):        IBI WHITEHALL BANK AND TRUST
45|                               NEW YORK, NY
46|
47| {3600} Business Function Code: CTR (Customer transfer)
48|
49| {4100} Beneficiary's Bank:   [REDACTED]
50|                               QUEENSGATE BANK + TRUST CO
51|
52| {4200} Beneficiary:          [REDACTED]
53|                               FIRST DALLAS INTL LTD
54|
55| {4320} Reference for Beneficiary: 000578000745
56|
57| {5000} Originator:

```

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 968

001160

4208

58		ELYSIUM LIMITED
59		UNKNOWN
60		
61	{5100} Originator's Bank:	D/36022287
62		BANK OF BERMUDA
63		
64	{5200} Instructing Bank:	D/36022287
65		BANK OF BERMUDA (ISLE OF MAN) LTD
66		ATTN OLIVER WEBSTER
67		13 13 HILL ST., DOUGLAS IM 99 1PW
68		ISLE OF MAN, BRITISH ISLES
69		
70	{6000} Originator to Beneficiary Info:	INVESTMENT
71		
72		

001161

From: Shari Robertson
 Sent: Thursday, June 22, 2000 5:16 PM
 To: Mike French
 Subject: roaring fork / first dallas international
 Attach: att1.htm

— = Redacted by the Permanent
 Subcommittee on Investigations

fyi

The information contained in this e-mail message is intended only for the personal and confidential use of the recipient(s) named above. This message may be an attorney-client communication and as such is privileged and confidential. If the reader of this message is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error and that any review, dissemination, distribution, or copying of this message is strictly prohibited. If you have received this communication in error, please notify us immediately by e-mail, and delete the original message.

----- Forwarded by Shari Robertson/Maverick on 06/22/2000 04:12 PM -----

"Michelle Boucher" <[REDACTED]>
 06/22/2000 03:03 PM

To: kennethj@[REDACTED]
 cc: Shari Robertson/Maverick@[REDACTED], irishtst@[REDACTED]
 Subject: roaring fork / first dallas international

The protectors recommend that the trustees invest a further \$2M into First Dallas International Limited for July 1st, 2000. Provided that the trustees agree to proceed with the investment, please contact Lara Haskins at Irish Trust to co-ordinate the investment. It is suggested that the 9/14/00 FNMA and 7/13/00 FNMA bonds be liquidated to raise funds for this investment.

- att1.htm

Permanent Subcommittee on Investigations
 EXHIBIT #66 - FN 969

MAV008079

ge: 1 Document Name: Lehman

= Redacted by the Permanent
Subcommittee on Investigations

6/28/00 10:21 CHECK WRITING SYSTEM
CCT: 837 20090 RR: 222 NAME: ROARING FORK LIMITED *
026007825 IBJ WHITEHALL BANK AND TR *
NEW YORK NY
TD BALANCE SD BALANCE
TP1 2,011,545.65- COMPLETED
TP2 QUEENSGATE BANK & TRUST CO LTD
TP3 /- FIRST DALLAS INTERNATIONAL
OTH
NET 2,011,545.65-
MONEY FUNDS 1,061.75

=====

TEFRA 5
AMT 2,000,000.00 TYPE 1 CAT W
TRLR TRLR

* THIS IS A THIRD PARTY INSTRUCTION *

TOTAL REQUESTED \$0.00

PFKEYS: 1-BAL 2-HIS 3-POS 7-ACTIVITY 8-MONEY LINE 11-MENU 14-RESET

At

Date: 6/28/ 0 Time: 09:21:06 AM

[Handwritten signature] 6/28/00

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 969

CC 016678



TRIDENT TRUST
ISLE OF MAN

— = Redacted by the Permanent
Subcommittee on Investigations

837-20332

Our Ref: fw/sar-06/0894-04L.

Your Ref:

6 July 2000

The Manager
Lehman Bros. Inc.
2200 Ross Avenue
2500 Texas
Commercial Tower
Dallas 75201
Texas
UNITED STATES OF AMERICA

Attention: Ms M Crittenden/Ms C Patrick

TRIDENT TRUST COMPANY (I.O.M.) LTD

P.O. Box 175
12-14 Finch Road
Douglas IM99 1TT
Isle of Man
British Isles
Tel: +44-1624-646700
Fax: +44-1624-420588
Email: iom@tridenttrust.com
Web: www.tridenttrust.com

CONFIRMATION
ORIGINAL OF FACSIMILE
SENT

Transmitted by facsimile

To: +1-214-

Original follows by post

CONFIRMED

TELEGRAPHIC TRANSFER/OUTWARD PAYMENT

Dear Sirs

ELEGANCE LIMITED - BROKERAGE ACCOUNT NUMBER 837-20332 (USD)

Please attend to the following telegraphic transfer of funds from the above-mentioned account, for value today:-

<u>AMOUNT</u>	: US\$4,000,000 (Four million Dollars)
<u>PAYEE</u>	: IBJ Whitehall Bank & Trust Company New York, NY, USA
<u>ABA NUMBER</u>	: 026007825
<u>FOR CREDIT OF ACCOUNT</u>	: Queensgate Bank & Trust Company Limited, Grand Cayman
<u>ACCOUNT NUMBER</u>	: [REDACTED]
<u>FOR FURTHER CREDIT TO</u>	: First Dallas International Ltd (Account Number: [REDACTED])
<u>BY ORDER OF</u>	: Elegance Limited
<u>REFERENCE</u>	: Add'l. Inv. as of 1 July

Cont'd...

A MEMBER OF THE TRIDENT TRUST GROUP

BAHAMAS • BARRADOS • BRITISH VIRGIN ISLANDS • CAYMAN ISLANDS • CYPUS • GUERNSEY • HONG KONG
ISLE OF MAN • JERSEY • SWITZERLAND • UNITED KINGDOM • UNITED STATES • U.S. VIRGIN ISLANDS

DIRECTORS: D.M. BRYER (G.B. & I.A.), W.P. MERRAN (U.S.A.), G.L. MUNDY (G.B.), R. SCOTT (G.B.)

VAT REGISTRATION NO. 000 8119 32 • REGISTERED OFFICE: 12-14 FINCH ROAD, DOUGLAS, ISLE OF MAN • REGISTERED IN THE ISLE OF MAN NO. 08471

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 970

CC 019562

TO: Mary Cox - pls distribute to Donnie Miller & Charles Wyly

CC: Keeley Hennington

From: Michelle Boucher

Fax: 345-949-2519

FAX: 1-214-880-4033

Tel: 345-949-0658

1-214-880-4107

DATE: January 31, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to my email last night, the protectors plan to recommend a total contribution of \$3Million to First Dallas International for the February 1, 2002 subscription date.

I have attached a summary of cash flow since inception, and details of the short term cash requirement that I am aware of.

- The IOM trusts have contributed a total of \$29.2 Million to date, of which \$24.2Million was cash and \$5M was investments.
- The cash contribution has been invested as follows: \$4Million into direct investments, \$1.7Million to the Lehman Managed account and \$18 Million into First Dallas Ventures (12/31/01 balances plus January contributions of \$436K).

Based on outstanding commitments to Brazos, Trans-Europe Partners and Winston Thayer Capital Partners, as well as commitments to fund Elagant's operations through April 2002, I have estimated that the protectors should recommend an additional investment of \$3Million dollars into First Dallas International.

A recommendation to invest \$1 Million was given to the trustees last night, in order to meet Elagant commitments for tomorrow, I suggest that the protectors also request the additional \$2 Million as a Feb 1st subscription to provide for projected cash requirements through April 2002.



Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 971

CONFIDENTIAL
SECI00027723
PSI00039590

Summary of FDI cash flows since inception

Total Contributions to date to First Dallas International		
Investments contributed		
Libra Fund	3,967,742	
Deerfield	728,561	
Winston Thayer	308,418	
Cash contributed	24,250,000	
Total contributions to FDI thru 12/31/01	29,254,721	
Total investments made		
Direct Investments	Cost	Mkt Value
Libra	3,967,742	5,823,204
K-12 Series B preferred	1,667,000	carried at cost
Fresh Direct	1,000,000	carried at cost
Deerfield	728,561	1,398,188
Winston Thayer	700,464	carried at cost
Brazos	461,762	carried at cost
Trans Europe Buyout Fns	500,000	carried at cost
Total direct investments	9,025,529	
Lehmans managed account	1,753,218	
Investments via First Dallas Ventures		
E2	750,000	carried at cost
Cool Partners	2,102,000	carried at cost
RLX Technologies	2,750,000	carried at cost
4G Network	1,500,000	carried at cost
Elegant Corp	8,887,225	carried at cost
Transfinity	1,100,000	carried at cost
Other	458,775	carried at cost
Total investments via FDV	17,548,000	
Total Investments thru 12/31/01	28,326,746	
Other Income & Expenses		
Management fees paid to First Dallas Ltd	(843,504)	
Other Expenses	(47,217)	
Interest, dividends, realized gains	652,779	
Total net other income & expenses thru 12/31/01	(237,942)	
Net cash flow = cash on hand 12/31/01	690,833	
1/17/02 to FDV re: Elegant	(286,000)	
1/24/02 to FDV re: Elegant	(150,000)	
Balance on hand 1/30/02	254,833	
Cash to be raised from IOM		
1/31/02 Elegant Funding	594,000	
2/28/02 Elegant Funding	499,000	
3/31/02 Elegant Funding	485,000	
Liquidity for fees and commitments (Brazos/WinThay/Trans Europe)	1,500,000	
Estimated cash required	3,078,000	
Recommend requesting IOM trusts to commit an additional \$3Million at this time.		

CONFIDENTIAL
 SECT00027724
 PSI00039591

4214

05-10-02 14:02 FAX

UNCLASSIFIED

05-10-02

To: Michelle
cc: Keely

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

TO: Mary Cox - pls distribute to Donnie Miller & Charles Wyly

CC: Keely Hennington

From: Michelle Boucher

Fax: 345-949-2519

FAX: 1-214-880-4033

Tel: 345-949-0658

1-214-880-4107

DATE: May 10th, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to the funding request for FDV earlier this week, I have updated the summary of cash flows on First Dallas International through yesterday. As previously discussed, we anticipated keeping a 'float' of approximately \$1.52 Million to fund capital calls on Winston Thayer, Irazos, Trans Europe Buyout and for funding investments of FDV. We last subscribed \$3 Million to the Fund on February 1st, which has been fully invested. As such, the protectors of Red Mountain Trust would like to suggest a further funding of \$3 Million to First Dallas International at the earliest possible date.

Here is a brief summary of the attached:

- The IOM trusts have contributed a total of \$32.2 Million to date, of which \$27.2 Million was cash and \$5M was investments.
- The cash contribution has been invested as follows: \$4.8 Million into direct investments, \$1.5 Million to the Lehman Managed account and \$20.3 Million into First Dallas Ventures.

We are waiting for a summary of Elagent's operational cash requirements from Jim Lincoln. I expect we will receive this on Monday morning. Based on outstanding commitments to Irazos, Trans-Europe Partners and Winston Thayer Capital Partners, and an expectation that the Elagent funding needs will be consistent with the needs of the past 4 mths, I have estimated that the protectors should recommend an additional investment of \$3 Million dollars into First Dallas International.

As you are aware, Keely and I are traveling to Isle of Man on Monday afternoon. Hopefully we can touch base on this before we go.

Thanks!

M. Boucher

2/13/02

600

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 972

CONFIDENTIAL
SEC100097339
PS100109206

05/10/02 14:02 FAX

CHARLES

05/02/02

Summary of FDI cash flows since inception

Total Contributions to date to First Dallas International
Investments contributed

Libra Fund	3,967,742
Deerfield	728,561
Winston Thayer	308,418
Cash contributed	27,250,000
Total contributions to FDI thru 05/09/02	<u>32,254,721</u>

Total Investments made

Direct Investments

	Cost	Mkt Value
Libra	3,967,742	6,348,256
K-12 Series R preferred	2,141,028	carried at cost
Fresh Direct	1,000,000	carried at cost
Deerfield	728,561	1,427,229
Winston Thayer	700,464	carried at cost
Bravos	778,675	carried at cost
Trans Europe Buyout Plus	500,000	carried at cost
Total direct investments	<u>9,816,470</u>	

Lehmans managed account

1,503,218

Investments via First Dallas Ventures

K2	750,000	carried at NLI. value
Cool Partners	2,240,120	carried at NLI. value
RLX Technologies	2,767,917	carried at cost
4G Network	1,523,406	carried at NLI. value
Elegant Corp	10,596,900	carried at cost
Transfinity	2,000,000	carried at cost
other costs	431,498	
Total investments via FDV	<u>20,309,841</u>	

Total investments thru 05/09/02

31,629,529

Other Income & Expenses

Management fees paid to First Dallas Ltd	(1,155,925)
Other Expenses	(47,877)
Interest, dividends, realized gains	589,927
Total net other income & expenses thru 05/09/02	<u>(613,875)</u>

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[illegible]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 973

CONFIDENTIAL
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[D]

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Subcommittee on Investigations



"Michelle Boucher" [REDACTED] on 06/06/2000 05:43:54 PM

To: <awestbrook@[REDACTED]>
cc: <irishtst@[REDACTED]>, <khennington@[REDACTED]>, <espang@[REDACTED]>
Subject: Re: Cash Call

Andrea,

Donnie mentioned this to me today, but I did not realize it was this large an amount. Donnie & Jim also confirmed to me today that First Dallas Venturesn(FDV) is making an additional investment (other than Cool Partners), and seeks funding for \$1Million.

I have made arrangements this afternoon for \$1Million to be available to be wired from First Dallas International (FDI) to FDV for value June 7th (tomorrow).

I think you are saying this, but please confirm that we should make arrangements to fund a further \$1,250,000 to FDV to cover the second Cool Partners investment, so FDV can repay Stargate.

I will be out of the office on Wednesday, so you will need to follow this up with Lara Haskins. I am copying her on this email through irishtst@candw.ky. Other than the \$1Million we will wire tomorrow, as indicated above, the funds in FDI are tied up until next Tuesday - can we wait until then to send the \$1,250,000 additional amount or do we need to break the deposit so Stargate can be repaid sooner than next week?

Your understanding is close! FDI funds FDV, and FDV makes the investments. First Dallas, Ltd (FDL) acts as the investment advisor to both FDV and FDI.

Michelle

-----Original Message-----

From: awestbrook@[REDACTED]
To: mboucher@[REDACTED]
Date: Tuesday, June 06, 2000 4:45 PM
Subject: Cash Call

>We had a cash call for First Dallas last Friday. We borrowed the money
>from Stargate until we can receive funding from First Dallas International.
>We funded Cool Partners \$1,250,000. From my understanding (which is not
>always correct, :o)) FDI will fund the entire amount to First Dallas, Ltd.
>
>Since I am still learning exactly how these cash calls are done, please let
>me know what the procedures are for doing this.
>
>Thanks again for all of your help!
>
>Andrea
>

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 974

CONFIDENTIAL
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PSI00026310

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Subcommittee on Investigations

Jim Lincoln
06/13/2000 09:55 AM

To: Keeley Hennington [REDACTED]
cc: Donnie Miller, Andrea Westbrook [REDACTED]
Subject: FDL Items

Keeley,

These are the items that we discussed which need to be completed for First Dallas, Ltd

1. Make sure that FDL's financials are up to date.
 - a. First Dallas Ventures Investments (2 rounds of Coolink, and this week RL)
 - b. and First Dallas Limited

- We will be reporting to CJW on standing as of the 2nd Qtr. '00
2. We need a letter of engagement between First Dallas, International and First Dallas, Ltd to act as the Investment Manager for the following investments:
 - a. Winston Thayer
 - b. Trans-Europe Buyout Fund (not yet invested)
 - c. Libra
 - d. Brazos
 - e. Lehman IPO Fund
 - f. Deerfield
 - g. Lyco
3. The Lyco investment has been previously made by Aspen Flyers (I think), we need to refund Aspen Flyers for this investment and put it into First Dallas International. This may not be logistically possible if we have put this into the taxes of Aspen Flyers already (right?).
4. The letter of engagement will call for a annual 1% management fee, paid quarterly (based upon total assets under management). The fee should be billed for the upcoming quarter. CJW would like for this to have started on April 1. So we need to invoice for the last quarter and invoice for the upcoming quarter
5. First Dallas Ventures made a second investment into Coolink for \$1.25mm. Because of the speed of the transaction funds could not be produced from First Dallas International in time. So, I believe that money was borrowed from Stargate. These funds will need to be paid back
6. Lastly, we should be making a \$750,000.00 investment into a company called RocketLogix today or tomorrow. I asked that First Dallas International make a \$1mm transfer into First Dallas Ventures, we should make sure that this actually happened

Please get back to Donnie and myself on these issues as they happen so that we are all on the same page. If you have any questions just give me a call

Thanks,

Confidential
SEC_ED00086616

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 974

[D]
CONFIDENTIAL
PSI_ED00086616

4219

jl

James W. Lincoln
Managing Director
First Dallas, Ltd

300 Crescent Court
Suite 1000
Dallas, Texas 75201
T: 214.880.4100
F: 214.880.4062

Confidential
SEC_ED00086617

CONFIDENTIAL
PSI_ED00086617

4220

— = Redacted by the Permanent
Subcommittee on Investigations

Jim Lincoln
05/18/2001 12:34 PM

To: "Michelle Boucher" <[REDACTED]>
cc: CWylye <[REDACTED]>, donmiller@[REDACTED]
Subject: Re: First Dallas funding of Elagent [REDACTED]

Yes, please.

jl

James W. Lincoln
Managing Director
First Dallas, Ltd

300 Crescent Court
Suite 1000
Dallas, Texas 75201
T: 214.880.4100
F: 214.880.4175

"Michelle Boucher" <mboucher@[REDACTED]>



"Michelle Boucher" <[REDACTED]>.k

05/17/01 05:55 PM

To: <jl@[REDACTED]>
cc: <donmiller@[REDACTED]>, <CWylye@[REDACTED]>
Subject: Re: First Dallas funding of Elagent [REDACTED]

Confidential
SEC_ED00087333

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 974

[D]
CONFIDENTIAL
PSI_ED00087333

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Subcommittee on Investigations

We currently have approx \$1.3M on a call account which has same day availability if notified before 11am EST. The balance will need to be raised by further subscriptions from IOM entities. In order to keep liquidity for future calls on Winston Thayer, Brazos and Trans Europe Global Fund of approx \$1Million, I should seek additional subscriptions from IOM for approx \$3Million. Please confirm I should proceed with this for June 1st subscriptions.

Michelle

----- Original Message -----

From: <jl [REDACTED]>
To: <mboucher@ [REDACTED]>
Cc: <awestbrook [REDACTED]>; <donmiller@ [REDACTED]>; <CWyly@ [REDACTED]>
Sent: Monday, May 14, 2001 4:43 PM
Subject: First Dallas funding of Elagent

> Michelle,
>
> First Dallas has agreed in principal to funding Elagent's current round of
> funding.
>
> Our commitment will be for \$4,000,000.00
>
> After speaking with Andrea, First Dallas has approximately \$800k that can
> be funded from here.
>
> We will be advancing them a note for approximately \$400k on Tuesday
> (05/15)
> or Wednesday (05/16) until legal counsel has all paperwork finished
>
> We will try to structure funding over a period of time to reflect your
> constraints.
>
> Please let me know on funding time frame and any other questions you
> might
> have for me.
>
> Thanks,
>
> jl
>
> James W. Lincoln
> Managing Director
> First Dallas, Ltd
>
> 300 Crescent Court
> Suite 1000
> Dallas, Texas 75201
> T: 214.880.4100
> F: 214.880.4175
>
>

Confidential
SEC_ED00087334

CONFIDENTIAL
PSI_ED00087334

4222

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

cc TO: Mary Cox - pls distribute to Donnie Miller & Charles Wily
cc: [REDACTED] From: Michelle Boucher
FAX: 1-214- [REDACTED] Subcommitte on Investigations Fax: 345-949-2519
1-214- [REDACTED] Tel: 345-949-0658
DATE: January 31, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wily,

Further to my email last night, the protectors plan to recommend a total contribution of \$3Million to First Dallas International for the February 1, 2002 subscription date.

I have attached a summary of cash flow since inception, and details of the short term cash requirement that I am aware of.

- The IOM trusts have contributed a total of \$29.2 Million to date, of which \$24.2Million was cash and \$5M was investments.
- The cash contribution has been invested as follows: \$4Million into direct investments, \$1.7Million to the Lehman Managed account and \$18 Million into First Dallas Ventures (12/31/01 balances plus January contributions of \$436K).

Based on outstanding commitments to Brazos, Trans-Europe Partners and Winston Thayer Capital Partners, as well as commitments to fund Elagent's operations through April 2002, I have estimated that the protectors should recommend an additional investment of \$3Million dollars into First Dallas International.

A recommendation to invest \$1Million was given to the trustees last night, in order to meet Elagent commitments for tomorrow, I suggest that the protectors also request the additional \$2Million as a Feb 1st subscription to provide for projected cash requirements through April 2002.

yes
to → [Signature]

Charles

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 974

CONFIDENTIAL
SEC100027725
PS100039592

4223

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, July 16, 2002 8:16 AM
To: Margot MacInnis <[REDACTED]>
Subject: RE: FDV and LWLLC

Margot - Let's wait and see if you hear back from Michelle on this. I sent Andrea a note yesterday asking for timing but she did not get back to me and is out sick today - so I am assuming we are safe waiting until tomorrow and maybe in that time you will hear from Michelle. My instinct is to fund from Tyler Trust but would like her confirmation on that.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Margot MacInnis <[REDACTED]>
07/15/02 04:32 PM

To: khennington[REDACTED], MBoucher@[REDACTED]
cc:
Subject: RE: FDV and LWLLC

I don't know which trust or entity Michelle would want the cash to move from. But, if the fact that Elysium holds a large part of FDI means anything, and assuming the payment can come from the Tyler Trust-- in Elysium there is a government agency bond maturing on July 17th that could cover the \$600K+. There is also a large enough GAB in Soulieana, but it looks like it may have already rolled over. The only entities with enough cash on hand to cover the short term payment of \$200K is Gorsemoor. The Tyler Trust itself also has sufficient cash to cover the short term payment.

Let me know what you think.

Margot

-----Original Message-----
From: khennington[REDACTED]
Sent: Monday, July 15, 2002 4:28 PM
To: MBoucher[REDACTED], Margot MacInnis
Subject: FDV and LWLLC

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 974

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Based on the last e-mail on 5/29 Charles approved \$210,000 per month for Transfinity and \$200,000 per month for Seranin. We need to fund the following for rest of July - \$110,000 Transfinity, \$100,000 Seranin. So, depending on how cash looks - you can either send just the \$210,000 or \$620,000 to take us through August 31st. Michelle - you may want to send just the \$210,000 now since it is more immediate and wait to have another discussion with Donnie and Charles on the remaining funding and then you could fund a couple of months. All the Elegant related items have been paid - peaceful disposition and loan payoff so these should be the only items going forward.

Little Woody is to cover mortgage, operating etc till year end

Let me know what it is looking like on funding and timing - thanks

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----- Forwarded by Keeley Hennington/htst on 07/15/02 04:23 PM -----

Andrea

Westbrook

To: Keeley Hennington [REDACTED]

cc:

07/15/02 03:12

Subject: FDV and LWLLC

PM

I need to get funding for both of the listed entities. I need approximately \$410,000 transferred to FDV. \$200k is for Seranin and \$210k for Transfinity. I believe these were ok'ed, but I think that Michelle is out of the office still and I am not sure who to forward this on to.

As for LWLLC, I need probably about \$300,000. That should get me through the end of the year. The last transfer I have to LWLLC was in February in the amount of \$200,000. Please advise on who I need to forward the questions

Thanks!
Andrea

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From: Andrea Westbrook
Sent: Tuesday, December 03, 2002 1:21 PM
To: mboucher@ [REDACTED] dcummings@ [REDACTED]
Cc: Keeley Hennington
Subject: First Dallas Funding for December

I have a few funding requests for First Dallas for December.

\$26,500 Sale of HEBs IP is complete and need to send final payment as quickly as possible

\$196,000 Funding for Transfinity

\$212,500 Funding for Seranin

\$75,000 Monthly expenses for FD and a small cushion to cover unexpected expenses.

The 26,500 and the 75,000 are needed as soon as funding is available and the fundings for Transfinity and Seranin are not needed until December 11. If you have any questions, please let me know.

Thanks!
Andrea

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From: Andrea Westbrook
Sent: Thursday, September 11, 2003 3:34 PM
To: "Ryan Breetzke" [REDACTED]
Cc: "Dawn Cummings" [REDACTED]; "Michelle Boucher" [REDACTED]
Subject: Re: FW: FW: Funding for FDV

Yes, we need the funding again this month and the wiring instructions below are still correct. If you have any questions, please let me know.
Thanks!
Andrea

"Ryan Breetzke" [REDACTED]
09/11/2003 04:42 PM

To
<awestbrook@ [REDACTED]>
cc
"Dawn Cummings" <dcummings@ [REDACTED]>, "Michelle Boucher"
<mboucher@ [REDACTED]>
Subject
FW: FW: Funding for FDV

Andrea
Last month we sent funding for Seranin on behalf for First Dallas
International's investment in FDV. My understanding is that we need to sent
the funding again this month but can you confirm that? If so i will ensure
the funds are sent tomorrow, using the wire instruction below as was used
last month.
Regards
Ryan Breetzke

Irish Trust Company (Cayman) Ltd
5th Floor, 103 Harbour Place
PO Box 10658 APO
Grand Cayman
Cayman Islands

Tel: (345) [REDACTED]
Fax: (345) [REDACTED]
.

-----Original Message-----
From: awestbrook [REDACTED]
Sent: Tuesday, August 12, 2003 11:11 AM
To: Ryan Breetzke
Cc: Amanda Small

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Subject: Re: FW: Funding for FDV

Hello!

Yes, please send funding for Seranin in the amount of \$210,000. The wiring instructions you have below are correct. If you need anything further, please let me know.

Thanks!
Andrea

"Ryan Breetzke"

08/12/2003 11:16
AM

To
<awestbrook@ [REDACTED]>
CC
"Amanda Small" < [REDACTED]>
Subject
FW: Funding for FDV

Hi Andrea

Please can you confirm that we need to send the funding mentioned below ie \$210,000 in connection with Seranin. Also can you confirm the wire instructions i have below to send the funds.

Beneficiary Bank : Bank of America
Routing: ABA 111 000 025
Account Name : First Dallas Ventures, Ltd.
300 Crescent Court,
Suite 1000, Dallas, TX
75201
Account number : [REDACTED]
Ref : First Dallas International, Ltd.

Thanks
Ryan Breetzke

Irish Trust Company (Cayman) Ltd
5th Floor, 103 Harbour Place
PO Box 10658 APO
Grand Cayman
Cayman Islands

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Tel: (345) [REDACTED]
Fax: (345) [REDACTED]
.

-----Original Message-----
From: Amanda Small
Sent: Tuesday, August 12, 2003 9:05 AM
To: Ryan Breetzke
Subject: FW: Funding for FDV

Confirm with Andrea that she will need the funding for Seranin.

Amanda

-----Original Message-----
From: awestbrook [REDACTED]
Sent: Wednesday, July 23, 2003 10:22 AM
To: Amanda Small
Cc: jlincolne [REDACTED]
Subject: Funding for FDV

Hello!

I am in need of funding for First Dallas Ventures for Transfinity and Seranin. To cover the next 30 days, I need \$72,000 (\$36,000 ASAP) for Transfinity and \$210,000 for Seranin. These should be the same amounts for the next few months (Jim, please correct me if I am wrong) so maybe we can set a schedule for them to be wired by the 15th of each month. Let me know your thoughts.

Also, wanted to check on the status of the Management Fees for the 3rd Quarter for First Dallas.

If you have any questions, please let me know.

Thanks!

Andrea

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.
From: Andrea Westbrook
Sent: Friday, February 13, 2004 5:44 AM
To: "Ryan Breetzke" [REDACTED]
Subject: RE: FW: FW: Funding for FDV

Monday will be great.
 Thanks, Andrea

"Ryan Breetzke" [REDACTED]
 02/13/2004 07:55 AM

To
 <awestbrook@ [REDACTED]>
 cc
 Subject
 RE: FW: FW: Funding for FDV

I will be sending up the \$210,000 up for the FDV financing as usual unless I hear something different for you. Do you need the money today or is Monday ok?
 Regards
 Ryan Breetzke

Irish Trust Company (Cayman) Ltd
 5th Floor, 103 Harbour Place
 PO Box 10658 APO
 Grand Cayman
 Cayman Islands

Tel: (345) [REDACTED]
 Fax: (345) [REDACTED]

-----Original Message-----
From: Ryan Breetzke
Sent: Tuesday, January 27, 2004 4:42 PM
To: 'awestbrook@ [REDACTED]'
Subject: RE: FW: FW: Funding for FDV

I will send the money for value tomorrow to the same wire details as always.
 Thanks for the help
 Ryan Breetzke

Irish Trust Company (Cayman) Ltd
 5th Floor, 103 Harbour Place

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PO Box 10658 APO
Grand Cayman
Cayman Islands

Tel: (345) [REDACTED]
Fax: (345) [REDACTED]
.

-----Original Message-----

From: awestbrook [REDACTED]
Sent: Tuesday, January 27, 2004 4:22 PM
To: Ryan Breetzke
Subject: RE: FW: FW: FW: Funding for FDV

Actually he got back to me a few minutes ago. He said that we will fund the \$210,000 through April. So I guess at your earliest convenience if you could transfer the funds that would be great.

Thank you!
Andrea

"Ryan Breetzke"
[REDACTED]

01/27/2004 03:38
PM

To
<awestbrook [REDACTED]>
cc
Subject
RE: FW: FW: FW: Funding for FDV

HI Andrea
Sorry to hassle you but did you manage to check on the Seranin funding? I do know Jim can be a difficult man to get hold of from my few attempts!
Thanks
Ryan Breetzke

Irish Trust Company (Cayman) Ltd
5th Floor, 103 Harbour Place
PO Box 10658 APO
Grand Cayman
Cayman Islands

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PSI_ED00006340

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Tel: (345) [REDACTED]
Fax: (345) [REDACTED]
.

-----Original Message-----
From: awestbrook [REDACTED]
Sent: Tuesday, January 27, 2004 10:20 AM
To: Ryan Breetzke
Subject: RE: FW: FW: FW: Funding for FDV

Let me check with Jim and I will get back with you.

Thanks!

Andrea

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From: Keeley Hennington
Sent: Tuesday, March 09, 2004 1:56 PM
To: "Michelle Boucher" [REDACTED]
Subject: RE: Seranin Draw Request

Thanks a bunch

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"Michelle Boucher" [REDACTED]
03/09/04 04:09 PM

To
<khennington@ [REDACTED]>
cc

Subject
RE: Seranin Draw Request

I think it is set up to go to you this week - I believe Ryan (here) has it ready to go, but I'll confirm and ask him to let Jana know what date he wires it. I think he usually sends it around the 11th or 12th so they have it for the 15th.
Michelle

-----Original Message-----
From: khennington [REDACTED]
Sent: Tuesday, March 09, 2004 4:44 PM
To: Michelle Boucher
Subject: Fw: Seranin Draw Request

I don't know what we usually do for this but sounds like we need the infusion of funds.

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----- Forwarded by Keeley Hennington/htst on 03/09/04 03:52 PM -----

Jana
Frederick [REDACTED]
03/09/04 03:37 PM Keeley Hennington/[REDACTED]
To
cc
Subject
Re: Fw: Seranin Draw Request
(Document link: Keeley Hennington)

Do I need to request funds from Michelle for FDV? We have about \$60,000 left in the account. We will need funds before next months draw. Thanks.

Jana Frederick
Highland Stargate, Ltd
214-[REDACTED]

Keeley
Hennington/htst
03/09/2004 01:29 PM Jana Frederick
To
cc
Subject
Fw: Seranin Draw Request

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Did Andrea mention anything about this? I am not even sure if the money is there - it is sent from FDV I think

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----- Forwarded by Keeley Hennington/htst on 03/09/04 01:41 PM -----

"Allan Duncan"

03/09/04 12:05 PM

<khennington@

To

cc

Subject

Seranin Draw Request

When I spoke with Sarah today, she told me that Andrea had not answered her email reminder for cash at Seranin - \$210K due this week (before payroll). I am sending this to you to make sure you are aware of the need. FYI, \$210K/no is the standard draw for Seranin.

Allan H. Duncan
Rockwood Companies LP
2200 Ross Avenue
Suite 4500 East
Dallas, TX 75201
214.69. [REDACTED]
214.69. [REDACTED]
aduncan@ [REDACTED]

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From: Keeley Hennington
Sent: Friday, July 23, 2004 3:32 PM
To: mboucher@ [REDACTED] Margot MacInnis [REDACTED]
Subject: FDI

Just so I do not forget this down the road - as we discussed today, FDV is looking at a potential commitment of \$10M for a new venture that would be run by Allan Duncan and Jim. It will be a longer term commitment - 1st deal likely to be signed by 8/15 with funding by 9/15. Expected in the 500k - 1M range. Thought we should probably get in the cash flow even though it is still tentative

Thanks

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Lehman Brothers
REALIZED GAINS AND LOSSES
Account [REDACTED]
FIRST DALLAS INTERNATIONAL LTD
From 01-01-00 Through 09-09-01

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
07-06-00	10-05-00	2,475,000	Federal National Mtg Assn Disc Note 0.000% Due 10-05-00				
07-26-00	11-01-00	1,250	***Tycom Ltd				
09-14-00	11-01-00	10,000	Parker Drilling Co				
09-28-00	11-01-00	2,000	Simpletech Inc				
10-05-00	11-13-00	210,000	Federal National Mtg Assn Disc Note 0.000% Due 01-04-01				
11-15-00	11-16-00	1,000	Cusagen Corp				
12-06-00	12-12-00	5,000	Southern Co				
08-11-00	12-12-00	3,500	Telik Inc				
11-06-00	12-13-00	28,800	***Wts Lehman Brothers Finance S.A. At The				
11-06-00	12-18-00	25,000	***Wts Lehman Brothers Finance S.A. At The				
11-28-00	12-18-00	5,000	Rigel Pharmaceuticals Inc				
11-06-00	12-19-00	10,000	***Wts Lehman Brothers Finance S.A. At The				
11-08-00	12-20-00	-50	Call Bear Stearns Dec 055 Cboe				
11-06-00	12-26-00	27,500	***Wts Lehman Brothers Finance S.A. At The				
11-06-00	12-28-00	31,300	***Wts Lehman Brothers Finance S.A. At The				
11-06-00	12-29-00	27,400	***Wts Lehman Brothers Finance S.A. At The				
01-04-01	01-04-01	5,000	Dynegy Inc (Holding Co) Cl A				
10-05-00	01-04-01	2,813,000	Federal National Mtg Assn Disc Note 0.000% Due 01-04-01				
04-13-00	01-17-01	10,000	Minoran Exploration Company Com				
12-19-00	01-22-01	2,500	Sbc Communications Inc				
12-19-00	01-22-01	-25	Call Sbc Commun Jan 045 ****				
01-04-01	01-24-01	-50	Call Bear Stearns Jan 060 Cboe				
01-04-01	01-25-01	200,000	Federal Home Loan Bank Disc Note 0.000% Due 02-01-01				
01-04-01	02-01-01	2,625,000	Federal Home Loan Bank Disc Note 0.000% Due 02-01-01				
09-14-00	02-07-01	20,000	Parker Drilling Co				
02-15-01	02-16-01	5,000	Riverstone Networks Inc				
11-08-00	02-20-01	5,000	Bear Stearns Companies Inc				
01-19-01	02-20-01	-25	Call Tellabs Inc Feb 050 ****				
01-17-01	02-20-01	-50	Call Williams Co Feb 040 Cboe				
01-19-01	02-20-01	2,500	Tellabs Inc				
01-16-01	02-20-01	5,000	Williams Companies Inc				
01-22-01	02-21-01	-50	Call Bear Stearns Feb 065 ****				

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 977

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Lehman Brothers
REALIZED GAINS AND LOSSES
Account [REDACTED]
FIRST DALLAS INTERNATIONAL LTD
From 01-01-00 Through 09-09-01

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
01-17-01	02-21-01	-50	Call Jack Henry & Feb 050 Amex				
01-19-01	02-21-01	-25	Call Tellabs Inc Feb 055 ****				
03-07-01	03-19-01	1,000	Espeed Inc Cl A				
03-02-01	03-20-01	-50	Call Oracle Corp Mar 17.5****				
02-09-01	03-26-01	2,000	Third Wave Technologies Inc				
03-02-01	04-23-01	5,000	Oracle Corp				
04-23-01	04-24-01	2,375	Aquila Inc Cl A				
04-09-01	04-27-01	5,000	Shamrock Logistics L P Com Unit Ltd Partne				
01-31-01	05-03-01	2,219,000	Federal National Mtg Assn Disc Note 0.000% Due 05-03-01				
04-19-01	05-18-01	1,300	Applied Materials Inc				
04-25-01	05-18-01	5,000	L-3 Communications Holdings Inc				
04-20-01	05-21-01	-13	Call Applied Mat May 055 ****				
04-26-01	05-21-01	-50	Call L-3 Commun May 075 ****				
04-20-01	05-22-01	-17	Call Applied Mat May 055 ****				
02-15-01	05-30-01	2,500	Adept Technology Inc				
04-27-01	06-06-01	-20	Call Calpine Corp Jun 055 ****				
04-27-01	06-06-01	2,000	Calpine Corp				
01-19-01	06-18-01	1,500	Tellabs Inc				
04-27-01	06-19-01	-20	Call Calpine Corp Jun 055 ****				
05-21-01	06-19-01	4,000	Peabody Energy Corporation				
06-29-00	06-25-01	25,000	***Vix Lehman Bros Finance Ss Call Wts 10 U				
05-03-01	07-20-01	1,295,000.00	Federal Home Loan Mtg Corp Disc Note 0.000% Due 08-02-01				
04-20-01	07-24-01	-30	Call Juniper Ntwk Jul 065 ****				
05-03-01	08-02-01	946,000.00	Federal Home Loan Mtg Corp Disc Note 0.000% Due 08-02-01				
08-09-01	08-21-01	10,000	Sierra Pacific Resources New				
TOTAL GAINS							
TOTAL LOSSES							
TOTAL REALIZED GAIN/LOSS			417,752.67				

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[REDACTED] = Redacted by the Permanent
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From: "M. Boucher" [REDACTED]
Sent: Friday, October 15, 2004 3:52 PM
To: <awestbrook@ [REDACTED]>
Cc: <khennington@ [REDACTED]>
Subject: FDI Management Fees

fyi

----- Original Message -----

From: "Ryan Breetzke" [REDACTED]
Date: Fri, 15 Oct 2004 17:07:45 -0500

Hi Jim
I have sent through a wire request for payment of the 4thQ management fees for FDI. The payment was based on a 90% of the estimated fee and came to \$110,093.81. You should expect the funds on Monday as the fax only went late this afternoon. The calc is attached.

Regards
Ryan Breetzke
Senior Fund Administrator
Irish Trust Company

5th Floor Harbour Place

P. O. Box 10658APO

Grand Cayman

Cayman Islands

Ph : 1-345-[REDACTED]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 978

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SEC_ED00009002

PSI_ED00009002

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"Michelle Boucher" <mboucher@ [REDACTED]> on 06/06/2000 05:43:54 PM

To: <awestbrook@ [REDACTED]>
cc: <irishtst@ [REDACTED]>, <khennington@ [REDACTED]>, <espang@ [REDACTED]>

Subject: Re: Cash Call

Andrea,

Donnie mentioned this to me today, but I did not realize it was this large an amount. Donnie & Jim also confirmed to me today that First Dallas Ventures(FDV) is making an additional investment (other than Cool Partners), and seeks funding for \$1Million.

I have made arrangements this afternoon for \$1Million to be available to be wired from First Dallas International (FDI) to FDV for value June 7th (tomorrow).

I think you are saying this, but please confirm that we should make arrangements to fund a further \$1,250,000 to FDV to cover the second Cool Partners investment, so FDV can repay Stargate.

I will be out of the office on Wednesday, so you will need to follow this up with Lara Haskins. I am copying her on this email through irishtst@candw.ky. Other than the \$1Million we will wire tomorrow, as indicated above, the funds in FDI are tied up until next Tuesday - can we wait until then to send the \$1,250,000 additional amount or do we need to break the deposit so Stargate can be repaid sooner than next week?

Your understanding is close! FDI funds FDV, and FDV makes the investments. First Dallas, Ltd (FDL) acts as the investment advisor to both FDV and FDI.

Michelle

-----Original Message-----

From: awestbrook@ [REDACTED]
To: mboucher@ [REDACTED]
Date: Tuesday, June 06, 2000 4:45 PM
Subject: Cash Call

>We had a cash call for First Dallas last Friday. We borrowed the money
>from Stargate until we can receive funding from First Dallas International.
>We funded Cool Partners \$1,250,000. From my understanding (which is not
>always correct, :o)) FDI will fund the entire amount to First Dallas, Ltd.
>
>Since I am still learning exactly how these cash calls are done, please let
>me know what the procedures are for doing this.
>
>Thanks again for all of your help!
>
>Andrea
>

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 979

CONFIDENTIAL
SEC100014443
PSI00026310

INVESTMENT MANAGEMENT AGREEMENT

This INVESTMENT MANAGEMENT AGREEMENT (this "Agreement"), dated as of April 1, 2000, between FIRST DALLAS INTERNATIONAL, LTD., a company organized under the laws of the Cayman Islands (the "Company") and FIRST DALLAS, LTD., a limited partnership organized under the laws of the State of Texas (the "Investment Manager").

WHEREAS, the Company desires to retain the Investment Manager to provide investment management services to the Company and the Investment Manager desires to agree to be so retained,

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Retention of the Investment Manager.

(a) The Company hereby retains the Investment Manager and the Investment Manager hereby agrees to act as investment manager of the Company to invest and reinvest all assets of the Company. All investment decisions for the Company will be made by the Investment Manager. The Company has furnished to the Investment Manager a copy of the Company's Articles of Association, and will from time to time furnish the Investment Manager with copies of any amendments thereto. Until such amendments are delivered to the Investment Manager, matters therein stated shall not be binding on the Investment Manager. All investments of the Company and all investment activities of the Investment Manager on behalf of the Company shall at all times conform to and be in accordance with the requirements imposed by (i) any provision of applicable law, and (ii) the provisions of the Company's Articles of Association as

DL - 1106513v1 [Word97]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 980

Confidential Treatment Requested

BA 04526

amended from time to time. The Investment Manager shall furnish investment management services to the Company for so long as this Agreement is in effect. The Investment Manager shall not be deemed an employee of the Company, and shall have no authority to act for, represent, bind or obligate the Company except as provided for in this Agreement.

(b) The authority of the Investment Manager includes, without limitation, the authority to open, maintain and close, in the name and on behalf of the Company, securities accounts with any brokerage firm or custodian accounts with any financial institution designated by the Investment Manager in its discretion and in connection therewith, to (i) purchase, hold, sell, tender, exchange, convert, exercise and otherwise acquire or dispose of and trade and deal in or with, foreign or domestic securities, both registered or unregistered, such as common and preferred stocks, notes, bonds, evidences of indebtedness, certificates of deposit, voting trust certificates, stock warrants and rights; (ii) place put and call options on, and purchase and sell securities, currencies and forward contracts relating thereto; (iii) engage in short sale transactions, on margin or otherwise, and to cover short sales; (iv) borrow money, securities or other property, and to trade on margin and to pledge, hypothecate or rehypothecate assets to secure such borrowings or other indebtedness or obligations in connection with the foregoing activities; and (v) execute such assignments, instruments of transfer, orders and other instruments and to enter into such agreements as may be necessary or proper in connection with the performance of the Investment Manager's duties under this Agreement.

(c) The Investment Manager shall endeavor to keep the assets of the Company invested as it deems appropriate from time to time, including maintaining any portion of the assets of the Company in cash. The Investment Manager may invest the assets of the Company in any investments it deems appropriate, including without limitation publicly traded securities, other

securities and investment contracts, interests in limited partnerships and other investment funds of any type, other tangible and intangible personal property, and real property. The investments and reinvestments made by the Investment Manager shall be based on such research and inquiries as the Investment Manager deems appropriate. The investment and reinvestment of the assets of the Company, including the purchase or sale of any securities or the borrowing of any funds on behalf of the Company, either on a secured or unsecured basis, shall be exclusively within the control and discretion of the Investment Manager.

Section 2. Compensation of the Investment Manager.

As compensation for the Investment Manager's services under this Agreement, the Investment Manager shall be entitled to receive a quarterly fixed fee calculated in accordance with the following definitions and subject to the following conditions:

(a) The fee for any fiscal quarter shall be an amount payable in advance equal to one-half of 1% of the net assets of the Company on the first day of such quarter. The Company shall pay the fee in U.S. dollars to the Investment Manager within ten days after the first day of each fiscal quarter. In the event that the Investment Manager is not acting as such for an entire fiscal quarter, the fee payable by the Company for such fiscal quarter shall be prorated to reflect the portion of such fiscal quarter in which the Investment Manager is acting as such under this Agreement.

(b) For purposes of this Section, net assets of the Company shall be determined on the accrual basis of accounting in accordance with generally accepted accounting principles, except where the Investment Manager, in its sole discretion, determines that other adjustments are required or are fair or reasonable, and in accordance with the following:

(i) No value shall be assigned to goodwill.

(ii) Organizational expenses of the Company shall be capitalized and amortized over a five year period beginning with the commencement of operations of the Company.

(iii) Accrued investment management fees and other fees shall be treated as liabilities.

(iv) With regard to common stock held by the Company, dividends payable to shareholders of record that are payable after the date as of which the total net assets are being determined shall be treated as a liability of the payor of such dividend and an asset of the payee of such dividend.

(v) The value of positions in securities shall be as follows:

(A) securities that are listed on the New York Stock Exchange and are freely transferable shall be valued at their last sales price on the consolidated tape on the last day of the relevant period, or, if no sales occurred on such day, at the "bid" price on the consolidated tape at the close of business on such day and if sold short at the "asked" price at the close of business on such day;

(B) securities that are listed on national or international exchanges other than the New York Stock Exchange and are freely transferable shall be valued at their last sale on the exchange that constitutes the principal market on the last day of the relevant period, or, if no sales occurred on such day, at the "bid" price on such exchange at the close of business on such day and if sold short at the "asked" price at the close of business on such day;

(C) securities traded over the counter which are freely transferable shall be valued at the last sales price on last day of the relevant period, or, if no sales occurred on such day, at the "bid" price at the close of business on such day and if sold short at the "asked" price at the close of business on such day.

Notwithstanding the foregoing, if the securities to be valued constitute a block which, in the judgment of the Investment Manager could not be liquidated in reasonable time without causing a material adverse effect upon the market, such block shall then be valued as may be reasonably determined by the Investment Manager; provided, however, that the unit value shall not exceed of the quoted market price for such security.

(vi) All other assets of the Company shall be valued in the manner determined by the Board of Directors of the Company to reflect their fair market value.

Section 3. Expenses. The Investment Manager will render the services set forth in this Agreement at its own expense, including the salaries of employees necessary to render such services, all general overhead expenses (including computer and quotation equipment, telephone service, financial manuals, news services, subscriptions, office supplies and related travel expenses) attributable to its employees and other expenses incident to the rendering of such services. The Company shall pay its own expenses including the fees paid to the Investment Manager, accounting and legal expenses, organizational and offering expenses and all investment expenses (including brokerage commissions, custodial fees, interest on margin accounts, borrowing charges for securities sold short and short sale dividends).

Section 4. Reports to the Company. The Investment Manager shall submit or cause to be submitted to the Company such reports of the assets of the Company and of the market value of such assets under its management as the Company shall from time to time reasonably request. The Investment Manager shall not incur any individual liability or responsibility for any determination made, advice given or other action taken or omitted by it in good faith with respect to the determination of the value of the assets of the Company under its management.

Section 5. Selection of Brokers and Custodians.

(a) The choice of brokers and dealers, if any, employed in connection with the investment and reinvestment of the assets of the Company shall be exclusively within the control and discretion of the Investment Manager. In its selection of brokers through whom purchases and sales on behalf of the Company will be made, the Investment Manager need not solicit competitive bids and has no obligation to seek the lowest available commission cost. In selecting broker/dealers, the Investment Manager may use its discretion as to whether to negotiate "execution only" commission rates. In negotiating commission rates, the Investment Manager shall take into account the special execution capabilities, financial strength and stability and reputation of the broker/dealer and the brokerage, research and other services provided by such broker/dealer, regardless of whether the Company is the direct or indirect beneficiary of the research or other services provided. In addition, the Investment Manager shall be authorized to direct commissions to certain broker/dealers who furnish other services to the Investment Manager, such as telephone lines, news and quotation equipment, office equipment, account record keeping and clerical services, financial publications, economic consulting services and office space and facilities. The Investment Manager or its affiliates may in the future establish an affiliated broker/dealer through which securities transactions for the Company may be executed.

(b) The Investment Manager shall have the authority to select and appoint brokerage firms, banks or any other type of administrator or custodian for the assets of the Company as it deems appropriate.

Section 6. Allocation. When the Investment Manager deems the purchase or sale of securities to be in the best interests of the Company and of affiliates or other clients of the

Investment Manager, the Investment Manager may aggregate the securities to be purchased or sold. In such event, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, shall be made in a manner which the Investment Manager considers to be the most fair and equitable to all of its clients, including the Company.

Section 7. Liability of the Investment Manager. The Investment Manager shall give the Company the benefit of its best judgment and efforts in rendering services under this Agreement. It is agreed that as an inducement to the Investment Manager's undertaking these services, the Company shall indemnify, defend and hold harmless the Investment Manager and its partners, representatives and employees and the members, managers and employees of the Investment Manager's general partner (collectively, the "Indemnified Parties") against all expenses (including reasonable legal fees and disbursements actually incurred), judgments, fines and amounts paid in settlement of and reasonably incurred in connection with any legal, administrative or investigative proceeding relating to the performance of the Investment Manager's duties under this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall be deemed either to protect or to purport to protect the Investment Manager or the Indemnified Parties against any liability to which it would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties hereunder or by reason of its reckless disregard to its obligations and duties under this Agreement. Notwithstanding any other provision of this Agreement to the contrary, nothing in this Agreement shall be deemed to waive or limit any rights that the Company may have under United States and state securities laws that impose liabilities under certain circumstances on persons who act in good faith.

Section 8. Other Activities of the Investment Manager. The Company recognizes that the Investment Manager or its affiliates may be or become associated with other investment entities and engage in investment management for others. Except to the extent necessary to perform its obligations hereunder, nothing in this Agreement shall be deemed to limit or restrict the right of the Investment Manager or its affiliates to engage in, or to devote time and attention to the management of any other business, whether of a similar or dissimilar nature, or to tender services of any kind to any other corporation, firm, individual or association. As a result, the Investment Manager and its affiliates and other clients may hold substantial positions in securities that are owned by the Company. If the Investment Manager and its affiliates or other clients hold a substantial position in an issuer, liquidity and concentration considerations may limit the ability of the Investment Manager to add to the position on behalf of the Company or other clients or to readily dispose of the position. It is understood by the Company that although the availability at acceptable prices of investment may from time to time be limited, it is the policy of the Investment Manager and its affiliates to allocate purchases and sales of such securities in a manner deemed fair and equitable to all clients, including the Company. The Investment Manager may on occasion give advice or take action with respect to accounts of its other clients that differs from the advice given with the respect to or actions taken on behalf of the Company.

Section 9. Term. This Agreement shall continue until the close of business on December 31, 2005, except that either party may terminate the Agreement effective as of the last day of any fiscal quarter by giving the other written notice of termination not less than 90 days prior to the end of such quarter. This Agreement shall automatically be extended for successive one-year periods unless either party hereto gives written notice of termination not less than 90

days prior to the termination date. In the event this Agreement is terminated, the Company shall immediately change its name and cease all use of or reference to the name "First Dallas" or any name closely resembling such name.

Section 10. Notice. All notices shall be in writing and shall be deemed to have been duly given if delivered personally, by overnight courier or by facsimile (receipt confirmed) or if mailed by registered mail, postage prepaid, to the following respective addresses until a different address is specified in writing by a party to the other party:

To the Company:

First Dallas International, Ltd.
c/o Irish Trust Company
Ugland House, P.O. Box 30868 SMB
George Town, Grand Cayman
Cayman Islands, British West Indies

To the Investment Manager:

First Dallas, Ltd.
300 Crescent Court, Suite 1000
Dallas, Texas 75201

Section 11. Assignment. This Agreement shall only be assignable with the prior written consent of the other party.

Section 12. Governing Law. This Agreement and all performances hereunder shall be governed by and construed in accordance with the laws of the State of Texas.

4249

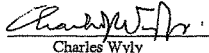
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FIRST DALLAS INTERNATIONAL, LTD.

By: _____
Name: _____
Title: _____

FIRST DALLAS, LTD.

By: First Dallas GP, L.L.C.
Its: General Partner

By: 
Charles Wylly
Manager

4250

05/19/00 14:20 FAX

002/002

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FIRST DALLAS INTERNATIONAL, LTD.

By: [Signature]
Name: Dennis Hunter
Title: Director

FIRST DALLAS, LTD.

By: First Dallas GP, L.L.C.
Its: General Partner

By: [Signature]
Charles Wyly
Manager

= Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, June 20, 2000 9:22 AM
To: Andrea Westbrook
Subject: Re: FDL

FYI:

----- Forwarded by Keeley Hennington/htst on 06/20/00 10:22 AM -----

"Michelle Boucher" [REDACTED]
06/20/00 09:08 AM

To: <khennington@ [REDACTED]>
cc:
Subject: Re: FDL

Investments in managed funds or managed portfolios are taking place in FDI, ie. Deerfield, Lehman Brothers account, Libra, Brazos. We look at FDV as a 'venture capital fund' and Donnie/Jim are managing it, making the investment decisions. So at FDI, we show an investment in FDV (carried at cost) as we consider it to be a 'managed' fund. We structured the fees as 2% at the FDI level, which effectively gives them 2% on all investments - akin to a fund of funds manager's fee. We decided to book a 20% performance type fee at the FDV level, as this is the money Jim & Donnie are really 'managing'. I have not seen this document, but John McCafferty would have drafted it, so try him if you want to before Elaine is back. He & I have spoken about it, but not in any detail.

The approximate \$80K is right.

FDI books are to be done offshore, FDL and FDV should be kept domestically. I only need to receive information on the investments we hold directly. We are also receiving Brazos information. We need to make sure that Jim knows any further funding for Brazos capital calls needs to go from FDI. I don't need to receive info on Cool Partners, Rocket Logic, 4G etc... (the investments made by FDV). But I do need to receive a portfolio and trial balance for FDV each month, and what FDI's proportionate share of the net assets is (I think it is 100%).

FDI will make additional contributions to FDV as needed. We need to set up a more formal capital call request system. Currently Jim calls me and Donnie confirms it. They should really send me a written request signed off by Jim and Donnie as FDL (like what Brazos does). Since it is all family funds at this time, it is no big deal, but would be good to get in place.

It also provides support to the directors of FDI, that the investment manager FDL is the decision maker for the additional investment in FDV.

Let me know if you need anything else!

-----Original Message-----

From: khennington@ [REDACTED]
To: mboucher@ [REDACTED]
Cc: awestbrook@ [REDACTED]
Date: Tuesday, June 20, 2000 9:40 AM
Subject: FDL

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 981

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>Michelle-
>
>Andrea and I met with Jim today on First Dallas. We did find the
>management agreement between FDI and FDL for 2% annual fee based on the
>asset value of FDI. Andrea said the first payment was for \$80,000
>which would make sense. I think the total assets of FDI are about
>\$16MM. We have not been able to find an agreement that addresses the 20% fee but are
still looking.
>Andrea is going to check with Elaine when she gets back Wednesday.
>
>Here are some of the questions we had - do you know why some of the
>investments are made directly from off-shore versus through FDV? I
>assuming some can only be funded off-shore. Jim said he is getting all
>the information on Brazos and some of the other investments. I told
>him this information needed to come to you and he could request a copy.
>I know they are managing all the investments, but I still think you
>have to keep the books. Jim seems to think this will all be done here.
>
>Were you involved in any of the discussions related to the 20%
>agreement and how performance would be measured? We will also get with
>Elaine on this.
>
>Is the total investment from FDI to remain constant. ie, as we make
>more investments in FDV will this be additional money funded to FDI or
>will it come out of the existing asset base. '
>
>Sorry for all the questions, but I was not involved in any of this up
>front. Thanks
>

Confidential
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PSI_ED00004575

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, May 28, 2002 7:56 AM
To: "Schaufele, Louis J." [REDACTED]
Subject: Re: 1st dallas

---Low---I thought Dawn gave this info to Michelle on Friday.---If not, please let me know and I will get it to you asap. Then maybe you and I can talk about any other issues that are out there. I have an IRS agent in this morning and once I get him settled I will give you a call

Keeley

In case not the companies are : Roaring Creek Limited, Roaring Fork Limited, Elysium Limited, Elegance Limited. - all IOM companies

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Schaufele, Louis J." [REDACTED]
05/28/02 08:38 AM

To: "Keeley Hennington" <[REDACTED]>
cc: "Crittenden, Michele M." <[REDACTED]>
Subject: 1st dallas

In regard to syndicate deals:

Could you tell Michele or me whom the owners of 1st Dallas, I assume that it is IOM corps. I understand that you are working on some type of document regarding this. If in the interim I knew this it would allow us to book a hot deal in the account. This is not critical but I thought I would ask (we can wait on Boucher but if it isn't hard to know the IOM corps. then I can answer our folks.) thanks

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 982

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PSI_ED00006917

FIRST DALLAS, LTD.

Limited Partnership Agreement

This Limited Partnership Agreement (this "Agreement") of FIRST DALLAS, LTD., a Texas limited partnership (the "Partnership"), is entered into effective as of February 7, 2000, by and among FIRST DALLAS GP, L.L.C., a Texas limited liability company, as the sole general partner (the "General Partner"), and the persons listed on Schedule A as limited partners (the "Limited Partners"). The General Partner and the Limited Partners are herein collectively referred to as the "Partners."

ARTICLE I
Organization

1.1 Formation. Subject to the provisions of this Agreement, the General Partner and the Limited Partners do hereby form the Partnership pursuant to and in accordance with the provisions of the Texas Revised Limited Partnership Act (as amended from time to time, the "Act"). The Partnership shall continue until liquidation and termination of the Partnership in accordance with this Agreement and the Act.

1.2 Name. The name of the Partnership is FIRST DALLAS, LTD.. The General Partner may, in its sole discretion, change the name of the Partnership from time to time, shall give prompt written notice thereof to the Limited Partners and shall promptly file in the office of the Secretary of State of the State of Texas an amendment to the Partnership's certificate of limited partnership reflecting such change of name.

1.3 Character of Business. The purposes of the Partnership shall be to engage or participate in any lawful business activities in which a limited partnership organized in the State of Texas may engage or participate.

1.4 Registered Office and Agent; Place of Business. The address of the Partnership's registered office and its principal place of business shall be 300 Crescent Court, Suite 1000, Dallas, Texas 75201. The Partnership's registered agent at such address is Elaine Spang. The General Partner may change such registered office, registered agent or principal place of business from time to time. The Partnership may from time to time have such other place or places of business within or outside the State of Texas as may be determined by the General Partner.

1.5 Fiscal Year. The fiscal year of the Partnership shall end on December 31 of each calendar year.

1.6 Filings. Upon the request of the General Partner, the Limited Partners shall promptly execute and deliver all such certificates and other instruments as shall be necessary for the General Partner to accomplish all filing, recording, publishing and other acts appropriate to comply with all requirements for the formation and operation of a limited partnership under the laws of the State of Texas and for the qualification and operation of a limited partnership in all other jurisdictions where the Partnership shall propose to conduct business.

DL 1099408v1 [Word 97]

Permanent Subcommittee on Investigations EXHIBIT #66 - FN 983

Confidential Treatment Requested

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ARTICLE II
Capital Contributions

2.1 Capital Contributions. The Partners have contributed capital to the Partnership in the amounts respectively set forth opposite each Partner's name on Schedule A. No Partner shall be required to make additional capital contributions to the Partnership without such Partner's prior written consent. The capital contribution commitments of the Partners (whether now or hereafter made) are solely for the benefit of the Partners, as among themselves, and may not be enforced by any creditor, receiver or trustee of the Partnership or by any other person.

2.2 No Return of Capital Contributions. No Partner is entitled to a withdrawal or return of its capital contributions and each Partner shall look solely to distributions from the Partnership for such purpose.

2.3 No Interest. No Partner shall be entitled to interest on its capital contributions, and any interest actually received by reason of investment of any part of Partnership funds shall be included in the Partnership's property.

ARTICLE III
Rights and Obligations of Partners

3.1 Management. The management, control and direction of the Partnership and its operations, business and affairs shall be vested exclusively in the General Partner, who shall have the right, power and authority, acting solely by itself and without the necessity of approval by any Limited Partner or any other person, to carry out any and all of the purposes of the Partnership and to perform or refrain from performing any and all acts that the General Partner may deem necessary, desirable, appropriate or incidental thereto, including borrowing money or otherwise obtaining financing from any source (including the General Partner or any of its Affiliates, regardless of whether the General Partner or any of its Affiliates may profit therefrom) for Partnership purposes, and to pledge, mortgage, grant security interests in and otherwise encumber all or any part of the assets of the Partnership as security for such borrowings or financing arrangements. No Limited Partner shall participate in the management, control or direction of the Partnership's operations, business or affairs, transact any business for the Partnership, or have the power to act for or on behalf of or to bind the Partnership, such powers being vested solely and exclusively in the General Partner. The General Partner and each of its Affiliates shall be entitled to reimbursement for all reasonable expenses respectively paid or incurred by or for it on behalf of the Partnership. The General Partner shall not be removed, suspended or (except as provided in Section 7.1) replaced without its consent.

3.2 Tax Matters Partner. The General Partner shall be the tax matters partner of the Partnership and, in such capacity, shall exercise all rights conferred, and perform all duties imposed, upon a tax matters partner under Sections 6221 through 6233 of the Internal Revenue Code of 1986 (as amended from time to time, the "Code") and the regulations promulgated thereunder.

3.3 Other Activities. Neither this Agreement nor any principle of law or equity shall preclude or limit, in any respect, the right of any Partner or any Affiliate thereof to engage in or derive profit or compensation from any activities or investments, nor give any other Partner any right to participate or share in such activities or investments or any profit or compensation derived therefrom.

3.4 Consents and Limited Voting Rights. The Limited Partners (whether individually or in combination) shall not be entitled to consent to, vote on or approve any matter for which the action of such Limited Partners is not expressly required by law or this Agreement, or not requested by the General

Partner. In the case of any matter for which the action of the Limited Partners is expressly required by law or this Agreement or is requested by the General Partner, such action shall (unless a different percentage is specified by law, this Agreement or the General Partner) be effective against and binding on all Partners and the Partnership if taken with the consent of the General Partner and the consent, vote or approval of the Limited Partners then representing a majority in interest of all Limited Partners.

3.5 Liability of Partners.

(a) General Partner. NEITHER THE GENERAL PARTNER NOR ANY OF ITS OFFICERS, DIRECTORS, MANAGERS, MEMBERS OR PARTNERS NOR ANY AFFILIATE OF ANY OF THE FOREGOING SHALL BE LIABLE, RESPONSIBLE OR ACCOUNTABLE IN DAMAGES OR OTHERWISE TO THE PARTNERSHIP OR ANY OF THE LIMITED PARTNERS FOR ANY ACTION TAKEN OR FAILURE TO ACT (EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE SIMPLE NEGLIGENCE OF THE GENERAL PARTNER OR SUCH OFFICER, DIRECTOR, MANAGER, MEMBER OR PARTNER OR ANY AFFILIATE OF ANY OF THE FOREGOING) ON BEHALF OF THE PARTNERSHIP WITHIN THE SCOPE OF AUTHORITY CONFERRED ON THE GENERAL PARTNER BY THIS AGREEMENT OR BY LAW UNLESS SUCH ACT OR FAILURE TO ACT WAS PERFORMED OR OMITTED IN BAD FAITH OR CONSTITUTED WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

(b) Limited Partners. No Limited Partner shall be liable for the debts, liabilities, contracts or other obligations of the Partnership except to the extent (i) of any unpaid capital contributions it shall have agreed to make to the Partnership, (ii) of its share of the assets (including undistributed revenues) of the Partnership and (iii) provided in the Act with respect to distributions made to the Limited Partner by the Partnership.

3.6 Indemnification.

(a) The Partnership shall indemnify and hold harmless the General Partner, the Limited Partners, any of their respective officers, directors, stockholders, managers, members, partners, employees and agents, and any Affiliate of any of the foregoing (each individually, an "Indemnitee") in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, to which an Indemnitee was or is a party or is threatened to be made a party by reason of the fact that it is or was a Partner, an officer, director, stockholder, manager, member, partner, employee or agent of a Partner, or an Affiliate of any of the foregoing to the fullest extent permitted under Article 11 of the Act against any and all losses, claims, demands, liabilities, costs and expenses, including reasonable attorneys' fees, accountants' fees, judgments, penalties (including excise and similar taxes), fines and amounts paid in settlement, actually incurred by such Indemnitee in connection with such action, suit or proceeding.

(b) All reasonable expenses (including reasonable legal fees and expenses) incurred in defending any proceeding shall be paid by the Partnership in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined, by a court of competent jurisdiction or otherwise, that the Indemnitee is not entitled to be indemnified by the Partnership as authorized hereunder and upon receipt of a written affirmation by the Indemnitee of its good faith belief that it has met the standard of conduct necessary for indemnification under this Agreement and the Act.

(c) Any such indemnification shall be made only out of the assets of the Partnership, and in no event may an Indemnitee subject the Limited Partners or the General Partner to personal liability by reason of these indemnification provisions.

(d) The indemnification provided by this Section 3.6 shall be in addition to any other rights to which those indemnified may be entitled, in any capacity, under any agreement, or vote of the Partners, as a matter of law or otherwise and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, administrators and permitted assigns of the Indemnitee.

(e) The provisions of this Section 3.6 shall survive any termination of this Agreement, are for the sole benefit of the Indemnitees, their heirs, successors, assigns and administrators, and shall not be deemed to create any rights for the benefit of any other persons.

ARTICLE IV Distributions and Allocations

4.1 **Distributions.** At such time or times as the General Partner deems appropriate, that portion, if any, of the Partnership assets (including undistributed income) which the General Partner shall deem not needed in respect of the Partnership operations, and available for distribution, may, in the General Partner's sole discretion, be distributed, in cash or in kind, to the Partners in accordance with their sharing ratios, as set forth on Schedule A (the "Sharing Ratios"), at the time of such distribution.

4.2 **Allocations.** Capital accounts will be maintained for each Partner in accordance with Treasury Regulation Section 1.704-1(b). The capital account of each Partner will be increased by the amount of each contribution by such Partner to the capital of the Partnership, decreased by the amount of each distribution to such Partner by the Partnership and increased or decreased as appropriate by the amount of each item of income, gain, loss, deduction or expense of the Partnership allocated to such Partner. For purposes of maintaining such capital accounts, except as provided in this Section 4.2, all items of income, gain, loss, deduction and expense of the Partnership will be allocated to the Partners in proportion to their Sharing Ratios, provided that, in the event of the admission of a new Partner pursuant to Section 5.1 hereof, the capital accounts of the Partners shall be adjusted to reflect the then current values of Partnership property and shall thereafter be maintained in accordance with the principles of Treasury Regulation Section 1.701-1(b)(2)(iv)(f). It is the intention of the Partners that allocations hereunder comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder. Notwithstanding the foregoing, therefore, all allocations required by such Treasury Regulations (including allocations related to nonrecourse debt, minimum gain and chargebacks thereof and qualified income offsets) will be made as required thereby. Allocations for income tax purposes shall be made in accordance with the corresponding allocations made for purposes of maintaining capital accounts, except that if any Partnership property has an income tax basis which differs from its fair market value at the time of contribution to the Partnership, solely for income tax purposes, allocations will be made so as to take into account such difference as required by Section 704(c) of the Code using any permissible method selected by the General Partner in its sole discretion.

ARTICLE V Admissions, Transfers and Withdrawals

5.1 **Admission of New Partners.** New Partners may be admitted to the Partnership only with the written consent of, and upon such terms and conditions as approved by, the General Partner, including the execution and delivery by such person of such instruments as the General Partner may deem necessary or desirable to confirm the agreement of such person to be bound by all the terms and provisions of this Agreement. Substituted Partners shall not be deemed new Partners for purposes of this Section 5.1.

5.2 Transfer by the General Partner. The General Partner shall not sell, assign or otherwise dispose of all or any portion of its interest in the Partnership without the consent or vote of a majority in interest of all Limited Partners; provided, however, that the General Partner may transfer all or any portion of its interest in the Partnership to any of the General Partner's Affiliates without the consent or vote of the Limited Partners.

5.3 Transfer by a Limited Partner.

(a) A Limited Partner shall not sell, assign or otherwise dispose of all or any portion of such Limited Partner's interest in the Partnership without the prior written consent of the General Partner.

(b) In the event of the death, incompetence, insolvency, bankruptcy, dissolution, liquidation or termination of any Limited Partner:

(i) the Partnership shall not be dissolved or terminated, and the remaining Partners shall continue the Partnership and its operations, business and affairs until the dissolution thereof as provided in Section 7.1;

(ii) such affected Limited Partner shall thereupon cease to be a Partner for all purposes of this Agreement and, except as provided in Section 5.4, no officer, partner, beneficiary, creditor, trustee, receiver, fiduciary or other legal representative and no estate or other successor in interest of such Limited Partner (whether by operation of law or otherwise) shall become or be deemed to become a Limited Partner for any purpose under this Agreement;

(iii) the Partnership interest of such affected Limited Partner shall not be subject to withdrawal or redemption in whole or in part prior to the dissolution, liquidation and termination of the Partnership;

(iv) the estate or other successor in interest of such affected Limited Partner shall be deemed a transferee of, and shall be subject to all of the obligations in respect of, the Partnership interest of such affected Limited Partner as of the date of death, incompetence, insolvency, bankruptcy, dissolution, liquidation or termination, except to the extent the General Partner releases such estate or successor from such obligations; and

(v) any legal representative or successor in interest having lawful ownership of the assigned Partnership interest of such affected Limited Partner shall have the right to receive notices, reports and distributions, if any, to the same extent as would have been available to such affected Limited Partner.

5.4 Substituted Partners. A transferee of any general or limited partnership interest in the Partnership may become a substituted Limited Partner, as to the interest in the Partnership transferred, in place of the transferor only: (a) if such transfer was permitted under this Agreement or occurred by operation of law; (b) upon the written consent of the General Partner to such substitution; and (c) upon the execution and delivery by such transferee of such instruments as the General Partner may deem necessary or desirable to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement. A transferee of any general or limited partnership interest in the Partnership may become a substituted General Partner, as to the interest in the Partnership transferred, in place of the transferor only: (a) if such transfer was permitted under this Agreement or occurred by operation of law; (b) upon

the consent or vote of a majority in interest of all Limited Partners to such substitution; provided, however, that any Affiliate of the General Partner may become a substituted General Partner without the consent or vote of the Limited Partners; and (c) upon the execution and delivery by such transferee of such instruments necessary to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement. Unless a transferee of any Partnership interest of a Partner becomes a substituted General Partner or substituted Limited Partner in accordance with the provisions of this Agreement, such transferee shall not be entitled to any of the rights granted to a Partner hereunder other than the right to receive all or part of the share of the income, gains, losses, deductions, expenses, credits, distributions or returns of capital to which its transferor would otherwise be entitled in respect of the Partnership interest so transferred.

5.5 Withdrawal of Partners. Except as permitted by Section 5.3(b)(iv) or by this Section 5.5, no Partner shall have any right to withdraw or resign from the Partnership, unless such Partner transfers its entire interest in the Partnership to one or more transferees, all of whom have been admitted as substituted General or Limited Partners (as the case may be) in accordance with Section 5.4. Any withdrawal of the General Partner in compliance with this Section 5.5 shall expressly not be deemed a breach of this Agreement.

ARTICLE VI Amendments and Waivers

6.1 Without Limited Partner Consent. The General Partner may, without the consent, vote or approval of any Limited Partner, amend or waive any provision of this Agreement (a) relating to the transfer of an interest in the Partnership or the admission or withdrawal of one or more new or substituted General or Limited Partners in accordance with this Agreement or (b) that merely corrects a manifest error in this Agreement.

6.2 With Majority Limited Partner Consent. Except as expressly provided in Section 6.1 or 6.3, this Agreement may be modified or amended, or any provision hereof waived, only with the written consent of the General Partner and the consent or vote of Limited Partners then representing a majority in interest of all Limited Partners.

6.3 Certain Amendments. No amendment to or waiver of any provision of this Agreement shall be effective against a given Partner without the consent or vote of such Partner if such amendment or waiver would (a) cause the Partnership to fail to be treated as a limited partnership under the Act or cause a Limited Partner to become liable as a general partner of the Partnership, (b) change Section 2.1 to increase a Partner's obligations to contribute to the capital of the Partnership, (c) change Section 3.6 to affect adversely any Partner's rights to indemnification or (d) change Section 4.1 or 4.2 to affect adversely the participation of such Partner in the income, gains, losses, deductions, expenses, credits, capital or distributions of the Partnership.

ARTICLE VII Dissolution and Termination

7.1 Dissolution. The Partnership shall be dissolved upon the first to occur of the following events:

- (a) the election of the General Partner to dissolve the Partnership at any time with the consent of Limited Partners then representing a majority in interest of all Limited Partners;

(b) the election of the General Partner to dissolve the Partnership at any time if all or substantially all of the Partnership's assets shall have been sold or disposed of or shall consist of cash;

(c) the occurrence of an event of withdrawal from the Partnership by the General Partner as provided for in Section 4.02(a) of the Act; or

(d) the occurrence of any other event which under the Act causes the dissolution of a limited partnership.

Notwithstanding the foregoing provisions of this Section 7.1, the Partnership shall not be dissolved upon the occurrence of an event specified in Section 7.1(c) if within 90 days after such occurrence a majority in interest of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a successor general partner.

7.2 Liquidation and Distribution. In the event of the dissolution of the Partnership, the General Partner (or in the event the dissolution is caused by the occurrence of an event of withdrawal as contemplated by Section 7.1(c) or any other withdrawal by the General Partner, such person as a majority in interest of all Limited Partners shall designate in writing) shall act as liquidating trustee and, in an orderly manner, shall wind up the affairs (including the sale of any assets deemed appropriate by the liquidating trustee) of the Partnership and shall apply the assets of the Partnership in the following order:

(a) to pay for all debts and liabilities of the Partnership owed to creditors other than Partners (and if any liability is contingent, or uncertain in amount, a reserve equal to the maximum amount to which the Partnership could reasonably be held liable may be established);

(b) to pay for all debts, if any, of the Partnership to the Partners; and

(c) thereafter, all remaining cash or other property, if any, of the Partnership shall be distributed to the Partners in accordance with Section 4.1, including any reserved cash or property released because in the judgment of the liquidating trustee the need for such reserve has ended.

7.3 No Negative Capital Account Obligation. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any Partner who has a negative capital account upon final distribution of all cash and other property of the Partnership be required to restore such negative account to zero.

7.4 Merger. The Partnership may, with the written consent of the General Partner and the consent or vote of Limited Partners then representing a majority in interest of all Limited Partners, adopt a plan of merger and engage in any merger permitted by applicable law.

ARTICLE VIII Miscellaneous

8.1 Waiver of Partition. Each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property.

8.2 Entire Agreement. This Agreement constitutes the entire agreement among the Partners in respect of the subject matter hereof and supersedes any prior agreement or understanding among them in respect of such subject matter.

8.3 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid under the applicable law of any jurisdiction, the remainder of this Agreement or the application of such provision to other persons or circumstances or in other jurisdictions shall not be affected thereby. Also, if any provision of this Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such law. Any provision hereof that may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

8.4 Notices. All notices, requests, demands, consents, votes, approvals, waivers and other communications hereunder shall be effective only if in writing and shall be deemed to have been duly given if hand delivered, mailed (first class mail, postage prepaid) or sent by facsimile or overnight courier if to the Partners, at the addresses or facsimile numbers set forth on Schedule A, and if to the Partnership, at the address or facsimile number of the General Partner set forth on Schedule A, or to such other address or facsimile number as the Partnership or any Partner shall have last designated by notice to the Partnership and all other parties hereto in accordance with this Section 8.4. Notices sent by hand delivery shall be deemed to have been given when received; notices mailed in accordance with the foregoing shall be deemed to have been given three days following the date so mailed; notices sent by facsimile shall be deemed to have been given when electronically confirmed; and notices sent by overnight courier shall be deemed to have been given on the next business day following the date so sent.

8.5 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas (without regard to principles of conflicts of laws).

8.6 Successors and Assigns. Except as otherwise specifically provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, legal representatives, successors and permitted assigns.

8.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

8.8 Use of Terms. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate (and vice versa), and words of any gender (masculine, feminine or neuter) shall include each other gender where appropriate. As used in this Agreement, the following words or phrases shall have the meanings indicated: (a) "majority in interest of all Limited Partners" means Limited Partners whose sharing ratios represent at least a majority of the sharing ratios of all Limited Partners; (b) "person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, or other form of business or legal entity or governmental entity; and (c) "Affiliate" means, when used with respect to any person, a person controlling, controlled by or under common control with such other person or any relation of such person or any Affiliate of such other person (and as used in this definition of "Affiliate", the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise, and the term "relation" means, with respect to any individual, such individual's spouse and the parents, grandparents, brothers, sisters, children and grandchildren of such individual or of such individual's spouse). Whenever any provision of this Agreement requires or permits the General Partner to take or omit to take any action, or make or omit to make any decision, unless the context clearly requires otherwise, such provision shall be interpreted to authorize an action taken or omitted, or a decision made or omitted, by the General Partner acting alone and in good faith.

8.9. Power of Attorney. By execution of this Agreement, each Limited Partner hereby makes, constitutes and appoints the General Partner, with full power of substitution and resubstitution in the General Partner (in its sole discretion), such Limited Partner's true and lawful attorney-in-fact ("Attorney") for and in such Limited Partner's name, place and stead and for its use and benefit, to execute, deliver or record any agreement, certificate, report, consent, instrument, filing or writing made by or relating to the Partnership (including any amendment to or modification or restatement of this Agreement authorized pursuant to Article VI or reflecting merely clerical changes) that the Attorney deems necessary, desirable or appropriate to effectuate the business purposes of, or the dissolution, liquidation or termination of, the Partnership pursuant to applicable law or the respective terms of this Agreement.

IN WITNESS WHEREOF, the undersigned Partners have executed this Agreement effective as of the date first written above.

General Partner:

First Dallas GP, L.L.C.

By: _____

Charles Wyly, Manager

Limited Partner:

Charles Wyly

4263

FIRST DALLAS, LTD.

Schedule A

Partner and Address	Capital Contribution	Sharing Ratio
General Partner	10	1%
First Dallas GP, L.L.C. 300 Crescent Court, Suite 1000 Dallas, Texas 75201 Telephone No.: (214) 880-4047 Facsimile No.: (214) 880-4062		
Limited Partner	990	99%
Charles Wylie 3000 Crescent Court, Suite 1000 Telephone No.: (214) 880-4047 Facsimile No.: (214) 880-4062		
Total All Partners:	1,000	100%

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LIMITED LIABILITY COMPANY REGULATIONS

FIRST DALLAS GP, L.L.C.

These **LIMITED LIABILITY COMPANY REGULATIONS** (these "Regulations") of **FIRST DALLAS GP, L.L.C.** (the "Company") are hereby adopted effective for all purposes as of February 4, 2000 by Charles Wyly ("Wyly"), as the sole member of the Company. As used in these Regulations, the term "Member" shall mean Wyly or any other person or entity who is admitted as the member of the Company in accordance with these Regulations and the Texas Limited Liability Company Act, Tex. Rev. Civ. Stat. Ann. art. 1528n (as amended from time to time, the "Act"), and the term "Manager" shall mean the manager appointed pursuant to Section 7 hereof.

RECITALS:

WHEREAS, the Company was formed as a limited liability company pursuant to the Act by the filing of Articles of Organization with the Secretary of State of the State of Texas on February 4, 2000;

NOW, THEREFORE, the undersigned hereby adopts the following as the "Regulations" of the Company (as that term is used in the Act):

1. Formation: The Articles of Organization, the formation of the Company as a Texas limited liability company under the Act and all actions taken by the person who executed and filed the Articles of Organization are hereby adopted and ratified. The affairs of the Company and the conduct of its business shall be governed by the terms and be subject to the conditions set forth in these Regulations, as amended from time to time. The Member and the Manager are hereby authorized and directed to file in the office of the Secretary of State of the State of Texas or elsewhere any necessary amendments to the Articles of Organization of the Company and such other documents as may be required or appropriate under the Act or the laws of any other jurisdiction in which the Company may conduct business or own property.

2. Name and Principal Place of Business:

(a) The name of the Company is "FIRST DALLAS GP, L.L.C." All business of the Company shall be conducted under such name and title to all assets or property owned by the Company shall be held in such name. The Manager may change the name of the Company or adopt such trade or fictitious names for use by the Company as the Manager may from time to time determine.

(b) The principal place of business and office of the Company shall be located at 300 Crescent Court, Suite 1000, Dallas, Texas 75201, or at such other place or places as the Manager may from time to time designate.

3. Registered Agent and Registered Office: The name of the Company's registered agent for service of process shall be Elaine Spang, and the address of the Company's registered agent and the address of the Company's registered office in the State of Texas shall be 300 Crescent Court, Suite 1000, Dallas, Texas 75201. The registered agent and the registered office of the Company may be changed from time to time by the Manager.

4. Term: The term of the Company shall be deemed to have commenced on the issuance of the Certificate of Organization of the Company by the Secretary of State of the State of Texas pursuant to Article 3.04 of the Act and shall be perpetual unless terminated pursuant to the provisions of these Regulations.

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 984

5. Purpose: The principal purpose and business of the Company shall be to engage in any lawful act or activity for which a limited liability company may be organized under the Act, including, without limitation, acting as general partner of First Dallas, Ltd., and such other activities as may be necessary, advisable, convenient or appropriate to promote or conduct the business of the Company as set forth herein.

6. Member: The Member shall be shown as such on the books and records of the Company. The Member may transfer all but not less than all of his interest in the Company to another person or entity who shall thereafter be shown as the Member on the books and records of the Company. The Member may not transfer less than all of such Member's interest in the Company (and no purported transfer of less than all of a Member's interest in the Company shall vest any interest in the Company in the transferee) unless the resulting holders of all interests in the Company shall have adopted amendments to these Regulations providing for the ownership of the Company by multiple members.

7. Manager:

(a) The Company shall have a single manager within the meaning of Article 2.12 of the Act. Wyly shall be the Manager of the Company until his death, resignation or removal by the Member. If Wyly shall cease to be the Manager, the Member shall appoint a replacement Manager.

(b) Except as specifically provided herein, (i) the business and affairs of the Company shall be managed by the Manager, and the Manager shall have the exclusive power and authority, on behalf of the Company, to take any action of any kind not inconsistent with these Regulations or the Act and to do anything and everything it deems necessary or appropriate to carry on the business of the Company and (ii) unless otherwise set forth herein, no Member (other than the Manager) shall have the authority to execute documents and take other actions on behalf of the Company and thereby bind the Company without the consent of the Manager.

(c) The Manager may appoint officers and agents of the Company for the purpose of managing the day to day operations of the Company's business, and the actions of any officer or agent taken in accordance with the authorization of the Manager shall bind the Company.

8. Tax Matters: The undersigned intends for the Company to be treated as an entity that is disregarded for federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3, so long as it has one member. Neither the Manager nor any officer or agent of the Company shall take any action to cause the Company to be treated as a corporation for federal or state income tax purposes without the written consent of the Member. The Member will report all items of income, gain, loss, expense, deduction and credit of the Company on the Member's federal and, to the extent appropriate, state tax returns. The Manager (or, if required, the Member) will file any tax returns which are required to be filed by the Company.

9. Capital Contributions and Distributions:

(a) The Member has made or will make an initial contribution to the capital of the Company in the amount of \$100 and has made or will make such other capital contributions as he deems appropriate.

(b) After providing for the satisfaction of all the current debts and obligations of the Company and after the establishment of appropriate and reasonable reserves, the Company shall distribute to the Member the Company's net cash flow available for distribution, as determined by the Manager, in his sole and absolute discretion, to the Member.

10. Dissolution and Termination:

(a) The Company shall be dissolved and its business wound up upon the written consent of the Member. The Company shall not be dissolved upon the death, retirement, resignation, expulsion, bankruptcy or dissolution of the Member or the occurrence of any other event which terminates the continued membership of the Member in the Company.

(b) Upon dissolution, the Company's business shall be liquidated in an orderly manner. The Manager shall act as the liquidator and is authorized to sell, distribute, exchange or otherwise dispose of the assets of the Company in accordance with the Act and in any reasonable manner that the liquidator shall determine to be in the best interest of the Member.

11. Indemnification: No Member or Manager (the "Indemnitees") shall be liable to the Company or to any other Indemnitee for monetary damages for any losses, claims, damages or liabilities (collectively, "Losses") arising from any act or omission performed or omitted by him arising out of or in connection with these Regulations or the Company's business or affairs, SPECIFICALLY INCLUDING ANY SUCH LOSS THAT IS ATTRIBUTABLE, IN WHOLE OR IN PART, TO THE NEGLIGENCE OF SUCH INDEMNITEE, but specifically excluding any such Loss primarily attributable to such Indemnitee's gross negligence, malfeasance, fraud or willful misconduct. The Company shall, to the maximum extent permitted by applicable law, indemnify, defend and hold harmless each Indemnitee against any Losses to which such Indemnitee may become subject in connection with any matter arising out of or in connection with these Regulations or the Company's business or affairs, SPECIFICALLY INCLUDING ANY SUCH LOSS THAT IS ATTRIBUTABLE, IN WHOLE OR IN PART, TO THE NEGLIGENCE OF SUCH INDEMNITEE, but specifically excluding any such Loss primarily attributable to such Indemnitee's gross negligence, malfeasance, fraud or willful misconduct. If any Indemnitee becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with these Regulations or the Company's business or affairs, the Company shall reimburse such Indemnitee for its reasonable legal and other reasonable out-of-pocket expenses (including the cost of any investigation and preparation) as they are incurred in connection therewith, provided that such Indemnitee shall promptly repay to the Company the amount of any such reimbursed expenses paid to it if it shall ultimately be determined that such Indemnitee was not entitled to be indemnified by the Company in connection with such action, proceeding or investigation. If for any reason (other than the gross negligence, malfeasance, fraud or willful misconduct of such Indemnitee) the foregoing indemnification is unavailable to such Indemnitee, or insufficient to hold it harmless, then the Company shall contribute to the amount paid or payable by such Indemnitee as a result of such Loss or expense in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and such Indemnitee on the other hand or, if such allocation is not permitted by applicable law, to reflect not only the relative benefits referred to above but also any other relevant equitable considerations.

12. Liability of the Members: Except as otherwise expressly provided in the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Member shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being the Member.

13. Miscellaneous:

(a) Notices: All notices, demands, consents, approvals, requests or other communications related to these Regulations (collectively, "Notices") shall be in writing and shall be given by personal delivery, facsimile transmission or a nationally recognized overnight courier service, fees prepaid if to the Member, at the address recorded in the Company's books and records and, if to the Company or the Manager, at the address set forth in Section 2(b) hereof. The Member may designate

another addressee (and/or change its address) for Notices hereunder by a Notice given pursuant to this Section 13(a). A Notice sent in compliance with the provisions of this Section 13(a) shall be deemed given on the date of receipt.

(b) Successors and Assigns: These Regulations shall be binding upon the Company, the Manager and the Member and their respective executors, administrators, legal representatives, heirs, successors and assigns, and shall inure to the benefit of such persons and, except as otherwise provided herein, their respective executors, administrators, legal representatives, heirs, successors and assigns.

(c) Severability: In case any one or more of the provisions contained in these Regulations or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and other application thereof shall not in any way be affected or impaired thereby.

(d) Amendments: These Regulations may be amended only by a written instrument executed by the Member or the holders of all of the membership interests in the Company.

(e) Governing Law: These Regulations shall be governed by and construed in accordance with the laws of the State of Texas (without regard to principles of conflicts of laws).

(f) Creditors Not Benefited: Nothing contained in these Regulations is intended or shall be deemed to benefit any creditor of the Company, and no creditor of the Company shall be entitled to require the Company or the Member to solicit or accept any capital contribution for the Company or to enforce any right which the Company may have against the Member under these Regulations.

IN WITNESS WHEREOF, the undersigned has executed these Regulations as of the date set forth in the introductory paragraph hereof.

300 Crescent Court, Suite 1000
Dallas, Texas 75201


Charles Wyly, Member

FIRST DALLAS VENTURES, LTD.

Limited Partnership Agreement

This Limited Partnership Agreement (this "Agreement") of **FIRST DALLAS VENTURES, LTD.**, a Texas limited partnership (the "Partnership"); is entered into effective as of March 10, 2000; by and among First Dallas, Ltd., a Texas limited partnership, as the sole general partner (the "General Partner"), and the persons listed on Schedule A as limited partners (the "Limited Partners"). The General Partner and the Limited Partners are herein collectively referred to as the "Partners."

ARTICLE I
Organization

1.1 Formation. Subject to the provisions of this Agreement, the General Partner and the Limited Partners do hereby form the Partnership pursuant to and in accordance with the provisions of the Texas Revised Limited Partnership Act (as amended from time to time, the "Act"). The Partnership shall continue until liquidation and termination of the Partnership in accordance with this Agreement and the Act.

1.2 Name. The name of the Partnership is First Dallas Ventures, Ltd. The General Partner may, in its sole discretion, change the name of the Partnership from time to time, shall give prompt written notice thereof to the Limited Partners and shall promptly file in the office of the Secretary of State of the State of Texas an amendment to the Partnership's certificate of limited partnership reflecting such change of name.

1.3 Character of Business. The purposes of the Partnership shall be to engage or participate in any lawful business activities in which a limited partnership organized in the State of Texas may engage or participate.

1.4 Registered Office and Agent; Place of Business. The address of the Partnership's registered office and its principal place of business shall be 300 Crescent Court, Suite 1000, Dallas, Texas 75201. The Partnership's registered agent at such address is Elaine Spang. The General Partner may change such registered office, registered agent or principal place of business from time to time. The Partnership may from time to time have such other place or places of business within or outside the State of Texas as may be determined by the General Partner.

1.5 Fiscal Year. The fiscal year of the Partnership shall end on December 31 of each calendar year.

1.6 Filings. Upon the request of the General Partner, the Limited Partners shall promptly execute and deliver all such certificates and other instruments as shall be necessary for the General Partner to accomplish all filing, recording, publishing and other acts appropriate to comply with all requirements for the formation and operation of a limited partnership under the laws of the State of Texas and for the qualification and operation of a limited partnership in all other jurisdictions where the Partnership shall propose to conduct business.

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 985

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ARTICLE II
Capital Contributions

2.1 Capital Contributions. The Partners have contributed capital to the Partnership in the amounts respectively set forth opposite each Partner's name in the column labeled Capital Contribution on Schedule A ("Capital Contribution"). The Partners may be required, from time to time, when called by the General Partner, to make additional capital contributions to the Partnership in the amounts respectively set forth opposite each Partner's name in the column labeled Maximum Capital Contribution on Schedule A ("Maximum Capital Contribution"). Except as set forth in Section 3.1(c) below, no Partner shall be required to make additional capital contributions to the Partnership above the Maximum Capital Contribution without such Partner's prior written consent. The capital contribution commitments of the Partners (whether now or hereafter made) are solely for the benefit of the Partners, as among themselves, and may not be enforced by any creditor, receiver or trustee of the Partnership or by any other person.

2.2 No Return of Capital Contributions. No Partner is entitled to a withdrawal or return of its capital contributions and each Partner shall look solely to distributions from the Partnership for such purpose.

2.3 No Interest. No Partner shall be entitled to interest on its capital contributions, and any interest actually received by reason of investment of any part of Partnership funds shall be included in the Partnership's property.

ARTICLE III
Rights and Obligations of Partners

3.1 Management. The management, control and direction of the Partnership and its operations, business and affairs shall be vested exclusively in the General Partner, who shall have the right, power and authority, acting solely by itself and without the necessity of approval by any Limited Partner or any other person, to carry out any and all of the purposes of the Partnership and to perform or refrain from performing any and all acts that the General Partner may deem necessary, desirable, appropriate or incidental thereto, including borrowing money or otherwise obtaining financing from any source (including the General Partner or any of its Affiliates, regardless of whether the General Partner or any of its Affiliates may profit therefrom) for Partnership purposes, and to pledge, mortgage, grant security interests in and otherwise encumber all or any part of the assets of the Partnership as security for such borrowings or financing arrangements. No Limited Partner shall participate in the management, control or direction of the Partnership's operations, business or affairs, transact any business for the Partnership, or have the power to act for or on behalf of or to bind the Partnership, such powers being vested solely and exclusively in the General Partner. The General Partner and each of its Affiliates shall be entitled to reimbursement for all reasonable expenses respectively paid or incurred by or for it on behalf of the Partnership. The General Partner shall not be removed, suspended or (except as provided in Section 7.1) replaced without its consent.

3.2 Tax Matters Partner. The General Partner shall be the tax matters partner of the Partnership and, in such capacity, shall exercise all rights conferred, and perform all duties imposed, upon a tax matters partner under Sections 6221 through 6233 of the Internal Revenue Code of 1986 (as amended from time to time, the "Code") and the regulations promulgated thereunder.

3.3 Other Activities. Neither this Agreement nor any principle of law or equity shall preclude or limit, in any respect, the right of any Partner or any Affiliate thereof to engage in or derive

profit or compensation from any activities or investments, nor give any other Partner any right to participate or share in such activities or investments or any profit or compensation derived therefrom.

3.4 Consents and Limited Voting Rights. The Limited Partners (whether individually or in combination) shall not be entitled to consent to, vote on or approve any matter for which the action of such Limited Partners is not expressly required by law or this Agreement, or not requested by the General Partner. In the case of any matter for which the action of the Limited Partners is expressly required by law or this Agreement or is requested by the General Partner, such action shall (unless a different percentage is specified by law, this Agreement or the General Partner) be effective against and binding on all Partners and the Partnership if taken with the consent of the General Partner and the consent, vote or approval of the Limited Partners then representing a majority in interest of all Limited Partners.

3.5 Liability of Partners.

(a) General Partner. NEITHER THE GENERAL PARTNER NOR ANY OF ITS OFFICERS, DIRECTORS, MANAGERS, MEMBERS OR PARTNERS NOR ANY AFFILIATE OF ANY OF THE FOREGOING SHALL BE LIABLE, RESPONSIBLE OR ACCOUNTABLE IN DAMAGES OR OTHERWISE TO THE PARTNERSHIP OR ANY OF THE LIMITED PARTNERS FOR ANY ACTION TAKEN OR FAILURE TO ACT (EVEN IF SUCH ACTION OR FAILURE TO ACT CONSTITUTED THE SIMPLE NEGLIGENCE OF THE GENERAL PARTNER OR SUCH OFFICER, DIRECTOR, MANAGER, MEMBER OR PARTNER OR ANY AFFILIATE OF ANY OF THE FOREGOING) ON BEHALF OF THE PARTNERSHIP WITHIN THE SCOPE OF AUTHORITY CONFERRED ON THE GENERAL PARTNER BY THIS AGREEMENT OR BY LAW UNLESS SUCH ACT OR FAILURE TO ACT WAS PERFORMED OR OMITTED IN BAD FAITH OR CONSTITUTED WILLFUL MISCONDUCT OR GROSS NEGLIGENCE.

(b) Limited Partners. No Limited Partner shall be liable for the debts, liabilities, contracts or other obligations of the Partnership except to the extent (i) of any unpaid capital contributions it shall have agreed to make to the Partnership, (ii) of its share of the assets (including undistributed revenues) of the Partnership and (iii) provided in the Act with respect to distributions made to the Limited Partner by the Partnership.

3.6 Indemnification.

(a) The Partnership shall indemnify and hold harmless the General Partner, the Limited Partners, any of their respective officers, directors, stockholders, managers, members, partners, employees and agents, and any Affiliate of any of the foregoing (each individually, an "Indemnitee") in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, to which an Indemnitee was or is a party or is threatened to be made a party by reason of the fact that it is or was a Partner, an officer, director, stockholder, manager, member, partner, employee or agent of a Partner, or an Affiliate of any of the foregoing to the fullest extent permitted under Article 11 of the Act against any and all losses, claims, demands, liabilities, costs and expenses, including reasonable attorneys' fees, accountants' fees, judgments, penalties (including excise and similar taxes), fines and amounts paid in settlement, actually incurred by such Indemnitee in connection with such action, suit or proceeding.

(b) All reasonable expenses (including reasonable legal fees and expenses) incurred in defending any proceeding shall be paid by the Partnership in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined, by a court of competent jurisdiction or otherwise, that the Indemnitee is not entitled to be indemnified by the Partnership as authorized hereunder and upon receipt of a written

affirmation by the Indemnitee of its good faith belief that it has met the standard of conduct necessary for indemnification under this Agreement and the Act.

(c) Any such indemnification shall be made only out of the assets of the Partnership, and in no event may an Indemnitee subject the Limited Partners or the General Partner to personal liability by reason of these indemnification provisions.

(d) The indemnification provided by this Section 3.6 shall be in addition to any other rights to which those indemnified may be entitled, in any capacity, under any agreement, or vote of the Partners, as a matter of law or otherwise and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, administrators and permitted assigns of the Indemnitee.

(e) The provisions of this Section 3.6 shall survive any termination of this Agreement, are for the sole benefit of the Indemnitees, their heirs, successors, assigns and administrators, and shall not be deemed to create any rights for the benefit of any other persons.

ARTICLE IV Distributions and Allocations

4.1 Distributions.

(a) At such time or times as the General Partner deems appropriate, that portion, if any, of the Partnership assets (including undistributed income) which the General Partner shall deem not needed in respect of the Partnership operations, and available for distribution, may, in the General Partner's sole discretion, be distributed, in cash or in kind, to the Partners in the following order and priority:

(i) first, pro rata to each Partner until such time as each Partner shall have received aggregate distributions equal to the amount of total capital contributions made to the Partnership; and

(ii) thereafter, 80% to the Limited Partner and 20% to the General Partner.

4.2 Capital Accounts. Capital accounts will be maintained for each Partner in accordance with Treasury Regulation Section 1.704-1(b). The capital account of each Partner will be increased by the amount of each contribution by such Partner to the capital of the Partnership, decreased by the amount of each distribution to such Partner by the Partnership and increased or decreased as appropriate by the amount of each item of income, gain, loss, deduction or expense of the Partnership allocated to such Partner. In the event of the admission of a new Partner pursuant to Section 5.1 hereof, the capital accounts of the Partners shall be adjusted to reflect the then current values of Partnership property and shall thereafter be maintained in accordance with the principles of Treasury Regulation Section 1.701-1(b)(2)(iv)(f).

4.3 Allocations. For purposes of maintaining such capital accounts, except as provided in this Section 4.3, all items of income, gain, loss, deduction and expense of the Partnership will be allocated 80% to the Limited Partner and 20% to the General Partner; provided that items of loss, deduction and expense will not be allocated to any Partner to the extent it would cause such Partner to have a deficit in its capital account greater than the amount such Partner is required to restore (or is treated as obligated to restore under relevant Treasury Regulations), but instead will be allocated to the other Partners (with compensating allocations to be made in future years when possible). It is the intention of the Partners

that allocations hereunder comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder. Notwithstanding the foregoing, therefore, all allocations required by such Treasury Regulations (including allocations related to nonrecourse debt, minimum gain and chargebacks thereof and qualified income offsets) will be made as required thereby. Allocations for income tax purposes shall be made in accordance with the corresponding allocations made for purposes of maintaining capital accounts, except that if any Partnership property has an income tax basis which differs from its fair market value at the time of contribution to the Partnership, solely for income tax purposes, allocations will be made so as to take into account such difference as required by Section 704(c) of the Code using any permissible method selected by the General Partner in its sole discretion.

ARTICLE V

Admissions, Transfers and Withdrawals

5.1 Admission of New Partners. New Partners may be admitted to the Partnership only with the written consent of, and upon such terms and conditions as approved by, the General Partner, including the execution and delivery by such person of such instruments as the General Partner may deem necessary or desirable to confirm the agreement of such person to be bound by all the terms and provisions of this Agreement. Substituted Partners shall not be deemed new Partners for purposes of this Section 5.1.

5.2 Transfer by the General Partner. The General Partner shall not sell, assign or otherwise dispose of all or any portion of its interest in the Partnership without the consent or vote of a majority in interest of all Limited Partners; provided, however, that the General Partner may transfer all or any portion of its interest in the Partnership to any of the General Partner's Affiliates without the consent or vote of the Limited Partners.

5.3 Transfer by a Limited Partner.

(a) A Limited Partner shall not sell, assign or otherwise dispose of all or any portion of such Limited Partner's interest in the Partnership without the prior written consent of the General Partner.

(b) In the event of the death, incompetence, insolvency, bankruptcy, dissolution, liquidation or termination of any Limited Partner:

(i) the Partnership shall not be dissolved or terminated, and the remaining Partners shall continue the Partnership and its operations, business and affairs until the dissolution thereof as provided in Section 7.1;

(ii) such affected Limited Partner shall thereupon cease to be a Partner for all purposes of this Agreement and, except as provided in Section 5.4, no officer, partner, beneficiary, creditor, trustee, receiver, fiduciary or other legal representative and no estate or other successor in interest of such Limited Partner (whether by operation of law or otherwise) shall become or be deemed to become a Limited Partner for any purpose under this Agreement;

(iii) the Partnership interest of such affected Limited Partner shall not be subject to withdrawal or redemption in whole or in part prior to the dissolution, liquidation and termination of the Partnership;

(iv) the estate or other successor in interest of such affected Limited Partner shall be deemed a transferee of, and shall be subject to all of the obligations in respect of,

the Partnership interest of such affected Limited Partner as of the date of death, incompetence, insolvency, bankruptcy, dissolution, liquidation or termination, except to the extent the General Partner releases such estate or successor from such obligations; and

(v) any legal representative or successor in interest having lawful ownership of the assigned Partnership interest of such affected Limited Partner shall have the right to receive notices, reports and distributions, if any, to the same extent as would have been available to such affected Limited Partner.

5.4 Substituted Partners. A transferee of any general or limited partnership interest in the Partnership may become a substituted Limited Partner, as to the interest in the Partnership transferred, in place of the transferor only: (a) if such transfer was permitted under this Agreement or occurred by operation of law; (b) upon the written consent of the General Partner to such substitution; and (c) upon the execution and delivery by such transferee of such instruments as the General Partner may deem necessary or desirable to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement. A transferee of any general or limited partnership interest in the Partnership may become a substituted General Partner, as to the interest in the Partnership transferred, in place of the transferor only: (a) if such transfer was permitted under this Agreement or occurred by operation of law; (b) upon the consent or vote of a majority in interest of all Limited Partners to such substitution; provided, however, that any Affiliate of the General Partner may become a substituted General Partner without the consent or vote of the Limited Partners; and (c) upon the execution and delivery by such transferee of such instruments necessary to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement. Unless a transferee of any Partnership interest of a Partner becomes a substituted General Partner or substituted Limited Partner in accordance with the provisions of this Agreement, such transferee shall not be entitled to any of the rights granted to a Partner hereunder other than the right to receive all or part of the share of the income, gains, losses, deductions, expenses, credits, distributions or returns of capital to which its transferor would otherwise be entitled in respect of the Partnership interest so transferred.

5.5 Withdrawal of Partners. Except as permitted by Section 5.3(b)(iv) or by this Section 5.5, no Partner shall have any right to withdraw or resign from the Partnership, unless such Partner transfers its entire interest in the Partnership to one or more transferees, all of whom have been admitted as substituted General or Limited Partners (as the case may be) in accordance with Section 5.4. Any withdrawal of the General Partner in compliance with this Section 5.5 shall expressly not be deemed a breach of this Agreement.

ARTICLE VI Amendments and Waivers

6.1 Without Limited Partner Consent. The General Partner may, without the consent, vote or approval of any Limited Partner, amend or waive any provision of this Agreement (a) relating to the transfer of an interest in the Partnership or the admission or withdrawal of one or more new or substituted General or Limited Partners in accordance with this Agreement or (b) that merely corrects a manifest error in this Agreement.

6.2 With Majority Limited Partner Consent. Except as expressly provided in Section 6.1 or 6.3, this Agreement may be modified or amended, or any provision hereof waived, only with the written consent of the General Partner and the consent or vote of Limited Partners then representing a majority in interest of all Limited Partners.

6.3 Certain Amendments. No amendment to or waiver of any provision of this Agreement shall be effective against a given Partner without the consent or vote of such Partner if such amendment or waiver would (a) cause the Partnership to fail to be treated as a limited partnership under the Act or cause a Limited Partner to become liable as a general partner of the Partnership, (b) change Section 2.1 to increase a Partner's obligations to contribute to the capital of the Partnership, (c) change Section 3.6 to affect adversely any Partner's rights to indemnification or (d) change Section 4.1 or 4.2 to affect adversely the participation of such Partner in the income, gains, losses, deductions, expenses, credits, capital or distributions of the Partnership.

ARTICLE VII
Dissolution and Termination

7.1 Dissolution. The Partnership shall be dissolved upon the first to occur of the following events:

- (a) the election of the General Partner to dissolve the Partnership at any time with the consent of Limited Partners then representing a majority in interest of all Limited Partners;
- (b) the election of the General Partner to dissolve the Partnership at any time if all or substantially all of the Partnership's assets shall have been sold or disposed of or shall consist of cash;
- (c) the occurrence of an event of withdrawal from the Partnership by the General Partner as provided for in Section 4.02(a) of the Act; or
- (d) the occurrence of any other event which under the Act causes the dissolution of a limited partnership.

Notwithstanding the foregoing provisions of this Section 7.1, the Partnership shall not be dissolved upon the occurrence of an event specified in Section 7.1(c) if within 90 days after such occurrence a majority in interest of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a successor general partner.

7.2 Liquidation and Distribution. In the event of the dissolution of the Partnership, the General Partner (or in the event the dissolution is caused by the occurrence of an event of withdrawal as contemplated by Section 7.1(c) or any other withdrawal by the General Partner, such person as a majority in interest of all Limited Partners shall designate in writing) shall act as liquidating trustee and, in an orderly manner, shall wind up the affairs (including the sale of any assets deemed appropriate by the liquidating trustee) of the Partnership and shall apply the assets of the Partnership in the following order:

- (a) to pay for all debts and liabilities of the Partnership owed to creditors other than Partners (and if any liability is contingent, or uncertain in amount, a reserve equal to the maximum amount to which the Partnership could reasonably be held liable may be established);
- (b) to pay for all debts, if any, of the Partnership to the Partners; and
- (c) thereafter, all remaining cash or other property, if any, of the Partnership shall be distributed to the Partners in accordance with Section 4.1, including any reserved cash or property released because in the judgment of the liquidating trustee the need for such reserve has ended.

7.3 No Negative Capital Account Obligation. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any Partner who has a negative capital account upon final

distribution of all cash and other property of the Partnership be required to restore such negative account to zero.

7.4 Merger. The Partnership may, with the written consent of the General Partner and the consent or vote of Limited Partners then representing a majority in interest of all Limited Partners, adopt a plan of merger and engage in any merger permitted by applicable law.

ARTICLE VIII Miscellaneous

8.1 Waiver of Partition. Each Partner hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Partnership's property.

8.2 Entire Agreement. This Agreement constitutes the entire agreement among the Partners in respect of the subject matter hereof and supersedes any prior agreement or understanding among them in respect of such subject matter.

8.3 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid under the applicable law of any jurisdiction, the remainder of this Agreement or the application of such provision to other persons or circumstances or in other jurisdictions shall not be affected thereby. Also, if any provision of this Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such law. Any provision hereof that may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

8.4 Notices. All notices, requests, demands, consents, votes, approvals, waivers and other communications hereunder shall be effective only if in writing and shall be deemed to have been duly given if hand delivered, mailed (first class mail, postage prepaid) or sent by facsimile or overnight courier if to the Partners, at the addresses or facsimile numbers set forth on Schedule A, and if to the Partnership, at the address or facsimile number of the General Partner set forth on Schedule A, or to such other address or facsimile number as the Partnership or any Partner shall have last designated by notice to the Partnership and all other parties hereto in accordance with this Section 8.4. Notices sent by hand delivery shall be deemed to have been given when received; notices mailed in accordance with the foregoing shall be deemed to have been given three days following the date so mailed; notices sent by facsimile shall be deemed to have been given when electronically confirmed; and notices sent by overnight courier shall be deemed to have been given on the next business day following the date so sent.

8.5 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas (without regard to principles of conflicts of laws).

8.6 Successors and Assigns. Except as otherwise specifically provided in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, legal representatives, successors and permitted assigns.

8.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

8.8 Use of Terms. Whenever in this Agreement the singular number is used, the same shall include the plural where appropriate (and vice versa), and words of any gender (masculine, feminine or neuter) shall include each other gender where appropriate. As used in this Agreement, the following

words or phrases shall have the meanings indicated: (a) "majority in interest of all Limited Partners" means Limited Partners whose sharing ratios represent at least a majority of the sharing ratios of all Limited Partners; (b) "person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, or other form of business or legal entity or governmental entity; and (c) "Affiliate" means, when used with respect to any person, a person controlling, controlled by or under common control with such other person or any relation of such person or any Affiliate of such other person (and as used in this definition of "Affiliate", the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise, and the term "relation" means, with respect to any individual, such individual's spouse and the parents, grandparents, brothers, sisters, children and grandchildren of such individual or of such individual's spouse). Whenever any provision of this Agreement requires or permits the General Partner to take or omit to take any action, or make or omit to make any decision, unless the context clearly requires otherwise, such provision shall be interpreted to authorize an action taken or omitted, or a decision made or omitted, by the General Partner acting alone and in good faith.

8.9 Power of Attorney. By execution of this Agreement, each Limited Partner hereby makes, constitutes and appoints the General Partner, with full power of substitution and resubstitution in the General Partner (in its sole discretion), such Limited Partner's true and lawful attorney-in-fact ("Attorney") for and in such Limited Partner's name, place and stead and for its use and benefit, to execute, deliver or record any agreement, certificate, report, consent, instrument, filing or writing made by or relating to the Partnership (including any amendment to or modification or restatement of this Agreement authorized pursuant to Article VI or reflecting merely clerical changes) that the Attorney deems necessary, desirable or appropriate to effectuate the business purposes of, or the dissolution, liquidation or termination of, the Partnership pursuant to applicable law or the respective terms of this Agreement.

IN WITNESS WHEREOF, the undersigned Partners have executed this Agreement effective as of the date first written above.

General Partner:

First Dallas, Ltd.

By: First Dallas GP, L.L.C.

Charles Wyly, Manager

Limited Partner:

First Dallas International, Ltd.

By: _____

Title

FIRST DALLAS VENTURES, LTD.Schedule A

Partner and Address	Capital Contribution	Maximum Capital Commitment	Sharing Ratio
General Partner			
First Dallas, Ltd. 300 Crescent Court Suite 1000 Dallas, Texas 75201 Telephone No.: (214) 880-4047 Facsimile No.: (214) 880-4062	\$10	\$11,600	1%
Limited Partner			
First Dallas International, Ltd. P.O. Box 30868SMB 5 th Floor, Uglund House George Town, Grand Cayman Cayman Islands, BW1 Telephone No.: (345) 949-0658 Facsimile No.: (345) 949-2519	\$990	\$1,148,400	99%
Total All Partners:	\$1,000	\$1,160,000	100%

— = Redacted by the Permanent
Subcommittee on Investigations

Jim Lincoln
06/13/2000 09:55 AM
To: Keeley Hennington/[REDACTED]
cc: Donnie Miller, Andrea Westbrook/[REDACTED]
Subject: FDL Items

Keeley,

These are the items that we discussed which need to be completed for First Dallas, Ltd

1. Make sure that FDL's financials are up to date.
 - a. First Dallas Ventures Investments (2 rounds of Coolink, and this week RLI)
 - b. and First Dallas Limited

- We will be reporting to CJW on standing as of the 2nd Qtr. '00
2. We need a letter of engagement between First Dallas, International and First Dallas, Ltd to act as the Investment Manager for the following investments:
 - a. Winston Thayer
 - b. Trans-Europe Buyout Fund (not yet invested)
 - c. Libra
 - d. Brazos
 - e. Lehman IPO Fund
 - f. Deerfield
 - g. Lyco
3. The Lyco investment has been previously made by Aspen Flyers (I think), we need to refund Aspen Flyers for this investment and put it into First Dallas International. This may not be logistically possible if we have put this into the taxes of Aspen Flyers already (right?).
4. The letter of engagement will call for a annual 1% management fee, paid quarterly (based upon total assets under management). The fee should be billed for the upcoming quarter. CJW would like for this to have started on April 1. So we need to invoice for the last quarter and invoice for the upcoming quarter
5. First Dallas Ventures made a second investment into Coolink for \$1.25mm. Because of the speed of the transaction funds could not be produced from First Dallas International in time. So, I believe that money was borrowed from Stargate. These funds will need to be paid back
6. Lastly, we should be making a \$750,000.00 investment into a company called RocketLogix today or tomorrow. I asked that First Dallas International make a \$1mm transfer into First Dallas Ventures, we should make sure that this actually happened

Please get back to Donnie and myself on these issues as they happen so that we are all on the same page. If you have any questions just give me a call.

Thanks,

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 986

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j|

James W. Lincoln
Managing Director
First Dallas, Ltd

300 Crescent Court
Suite 1000
Dallas, Texas 75201
T: 214.880.4100
F: 214.880.4062

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CONFIDENTIAL
PSI_ED00086617

Memo

To: Shari Robertson, Mike French
 Cc: Keeley Hennington, Donnie Miller
 Re: Charles Wyly Family meetings – week of 10/09/00
 Date: October 16, 2000
 From: Michelle Boucher

Keeley & I met with Charles & Donnie on 10/11/00, here is an update on recent developments:

First Dallas International:

Charles has a planned investment in a new Peter Ackerman venture called "Fresh Direct". It is a web based consolidator of fresh foods. You can order off their website and they will ship anywhere in the NY area. They have made significant progress on their warehouse facilities and distribution center in Long Island, and they hope to be up and running in about 1 year's time. The planned cost of this is \$45Million, and Charles would like to commit \$1Million through First Dallas International for an October 31st closing. Jim Lincoln will forward documents once received, but we expect the investment to be made into a tranche of preferred stock.

First Dallas Ventures:

This is the venture cap fund that Donnie and Jim are managing. Charles has authorised investments up to \$10Million at this time. They are contemplating further investment in Cool Partners Inc., as well as other predominantly web-based ventures. Jim and Donnie both appear to be really enjoying this venture.

Ranger/Precept:

It does not appear that Charles and Sam have been able to get together to work out details of Charles' involvement with Ranger/Precept and the Ranger Management company. We had ordered tentative redemptions from Maverick for November 1st, which we'll roll to December 1st if details have not been worked out beforehand.

Sport Horses:

Charles is looking at establishing a breeding and equestrian training facility with Emily's involvement. A business plan has been presented, involving the acquisition of approximately 140 acres of land just north of DFW airport. Only 50 acres will be used for the business venture, and it is likely that the remaining land will be subsequently sold. Keeley and I are consulting Rodney to see if we can use a structure similar to that which was used for the gallery in Aspen, thus utilizing foreign assets for the cash injection and contributing Emily's horses in the same way Kelly contributed the gallery's inventory stocks. We would likely try to sub-divide the property and buy the land held for resale domestically, through another structure. I have not seen it yet, but understand the business plan indicates the business will not likely cash flow for the first few years, and will need ongoing capital. The anticipated initial commitment will be a minimum of \$3Million.

Little Woody Creek Ranch:

This is the house that Emily and Jennifer use. We put together all documentation to sell this property to an IOM company last November/December. Charles has asked us to proceed once again and effect the sale. All domestic and IOM structures and funds are in place. Keeley will pull the documents and we'll touch base with Charles again next week and proceed.

Lambda Properties:

Nothing was directly discussed regarding construction activities on Charles and Dee's house in Aspen. If they decide to proceed, we will recommend that an IOM company acquire the property, to provide funds for the construction project. It is likely that this will not be underway until well into next year, with construction commencing in 2002. As with the Little Woody Creek Ranch property mentioned above, there are some issues regarding ownership of the existing properties which will need to be properly

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 987

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considered and dealt with in the new structures, especially within the context of creating sub-funds of the IOM trusts (see below).

Sub-funds:

Charles is aware that Sam is looking at creating sub-funds with the IOM assets, and is contemplating the same. We discussed the idea of creating them by using certain real estate transactions as the initiating transaction. This would include the new Sport Horses venture for Emily, and selling some of the Colorado properties which involves all the children to the foreign system. Charles also discussed making specific \$20Million allocations to each of Martha, Emily and Jennifer, indicating that he thought Chip was well taken care of domestically.

MAV008221

— = Redacted by the Permanent
Subcommittee on Investigations

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

cc TO: Mary Cox - pls distribute to Donnie Miller & Charles Wyly

cc : CC: [REDACTED] From: Michelle Boucher
FAX: 1-214-[REDACTED] Fax: 345-949-2519
1-214-[REDACTED] Tel: 345-949-0658
DATE: January 31, 2002

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to my email last night, the protectors plan to recommend a total contribution of \$3Million to First Dallas International for the February 1, 2002 subscription date.

I have attached a summary of cash flow since inception, and details of the short term cash requirement that I am aware of.

- The IOM trusts have contributed a total of \$29.2 Million to date, of which \$24.2Million was cash and \$5M was investments.
- The cash contribution has been invested as follows: \$4Million into direct investments, \$1.7Million to the Lehman Managed account and \$18 Million into First Dallas Ventures (12/31/01 balances plus January contributions of \$436K).

Based on outstanding commitments to Brazos, Trans-Europe Partners and Winston Thayer Capital Partners, as well as commitments to fund Elagent's operations through April 2002, I have estimated that the protectors should recommend an additional investment of \$3Million dollars into First Dallas International.

A recommendation to invest \$1Million was given to the trustees last night, in order to meet Elagent commitments for tomorrow, I suggest that the protectors also request the additional \$2Million as a Feb 1st subscription to provide for projected cash requirements through April 2002.

rys

to →

[Signature]

Charles

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 987

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10-19-02 14:02 FAX

CONFIDENTIAL

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To: Michelle
cc: Keely

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Subcommittee on Investigations

The Irish Trust Company (Cayman) Ltd

FACSIMILE COVER PAGE

TO: Mary Cox - pls distribute to Donnie Miller & Charles Wyly

CC:	Kecley Hennington	From:	Michelle Boucher
		Fax:	345-949-2519
FAX:	1-214- [REDACTED]	Tel:	345-949-0658
	1-214- [REDACTED]		
DATE:	May 10th, 2002		

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Mr. Wyly,

Further to the funding request for FDV earlier this week, I have updated the summary of cash flows on First Dallas International through yesterday. As previously discussed, we anticipated keeping a "float" of approximately \$1-\$2 Million to fund capital calls on Winston Thayer, Hrazos, Trans Europe Buyout and for funding investments of FDV. We last subscribed \$3 Million to the Fund on February 1", which has been fully invested. As such, the protectors of Red Mountain Trust would like to suggest a further funding of \$3 Million to First Dallas International at the earliest possible date.

Here is a brief summary of the attached:

- The IOM trusts have contributed a total of \$32.2 Million to date, of which \$27.2 Million was cash and \$5M was investments.
- The cash contribution has been invested as follows: \$4.8 Million into direct investments, \$1.5 Million to the Lehman Managed account and \$20.3 Million into First Dallas Ventures.

We are waiting for a summary of Elagent's operational cash requirements from Jim Lincoln. I expect we will receive this on Monday morning. Based on outstanding commitments to Hrazos, Trans-Europe Partners and Winston Thayer Capital Partners, and an expectation that the Elagent funding needs will be consistent with the needs of the past 4 mths, I have estimated that the protectors should recommend an additional investment of \$3 Million dollars into First Dallas International.

As you are aware, Kecley and I are traveling to Isle of Man on Monday afternoon. Hopefully we can touch base on this before we go.

Thanks!

M. [REDACTED]

2/15
5/13/02

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 987

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08/20/02 12:27 FAX

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C. D. W.

The Irish Trust Company (Cayman) Ltd.

P.O. Box 10658 APO
5th Floor, Harbour Place
George Town Grand Cayman
Tel: (345) 949 0658
Fax: (345) 949-2519

FACSIMILE TRANSMISSION
7 Pages (incl. Cover sheet):

DATE: June 20, 2002
TO: Charles Wyly
COMPANY: First Dallas, Ltd.
FAX NO: 1-214-880-4033
FROM: Dean Russell
SUBJECT: First Dallas International, Ltd.

MEMO

Dear Mr. Wyly,

Please find attached May's performance for the above-mentioned fund.

If you have any questions, please contact Dawn Cummings or myself..

Thanks and kind regards,



Dean Russell
Fund Administrator

The information contained in this facsimile, and any of its attachments, is intended only for the personal and confidential use of the recipient(s) named above. If the reader of this facsimile is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error and that any review, dissemination, distribution, or copying of this facsimile and any of its attachments is strictly prohibited. If you have received this document in error, please notify us immediately at the address noted above.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 987

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06/20/02 01:04pm
GL4.2TRIAL BALANCE REPORT
ACTIVITY FROM 05-01-02 THRU 05-31-02
FIDGER: BOOK
ENTITY: IDI FIRST DALLAS INT'L, LTD

PAGE: 1

ACCOUNT DESCRIPTION	05-01-02	BEG BALANCE	ACTIVITY	05-31-02	END BALANCE
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT
INCOME					
600020 Interest Income - Other		1,157.74		1,573.81	2,731.55
630010 Domestic Dividends		455.00		2,275.00	2,730.00
640010 Gain/Loss - Short Term	64,538.27		53,682.93		118,221.20
640020 Gain/Loss - Long Term			55,731.87		55,731.87
640030 Gain/Loss - Unrealized	3,975,195.79		159,649.42		3,815,546.37
TOTAL INCOME	4,038,121.32		54,083.43		3,984,037.89
EXPENSES					
700032 Legal Expense	2,000.00		500.00		2,500.00
700033 Foreign Tax Withheld			682.50		682.50
700035 Bank Charges	540.00		700.00		740.00
700039 Investment Advisor Expense	316,704.79		10,000.00		326,704.79
700045 Directors Fees	1,000.00		250.00		1,250.00
800000 Administrator-Direct Costs	13,442.85		3,165.44		16,608.29
TOTAL EXPENSES	333,687.64		14,797.94		348,485.58
ASSETS					
100310 Queensgate Bank & Trust	363,016.76		1,961,386.00		2,324,402.76
100355 Banc of America Securities	298,167.97			193,718.97	104,448.00
120000 Marketable Securities - Long	7,755,629.04		309,664.83		8,065,293.87
120010 Mark to Market - Long	2,738,254.41		316,187.81		3,054,442.22
120100 Investments in LTD Partnership	25,224,364.41		767,154.00		25,991,518.41
120110 Unrealized Gain/Loss - LP		4,418,875.26		156,538.39	4,575,413.65
195030 Other prepaid expenses			1,750.00		1,750.00
TOTAL ASSETS	29,960,557.33	3,006,385.26			32,966,942.61
LIABILITIES					
310000 Accounts Payable		5,950.47		4,049.53	10,000.00
310050 A/P - IRISH TRUST		39,615.18	36,649.74		3,165.44
310055 A/P - QUEENSGATE		1,000.00	1,000.00		
310060 Legal Fees Payable		5,726.23		500.00	6,226.23
TOTAL LIABILITIES		32,291.88	37,900.21		19,391.67
CAPITAL					
460000 CAPITAL STOCK		3,110.33		311.99	3,422.32
470020 Paid In Capital		32,251,610.76		2,999,688.01	35,251,298.77

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TRIAL BALANCE REPORT
ACTIVITY FROM 05-01-02 THRU 05-31-02
LEDGER: BOOK
ENTITY: FDI FIRST DALLAS INT'L, LTD

PAGE: 2

ACCOUNT DESCRIPTION	05-01-02 BEG BALANCE		ACTIVITY		05-31-02 END BALANCE	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
470050 Retained Earnings		2,025,353.32			2,025,353.32	
TOTAL CAPITAL		34,280,074.41		3,000,000.00	37,280,074.41	
SUSPENSE						
TOTAL SUSPENSE		0.00		0.00		0.00
TOTAL DEBITS	34,352,366.29		3,054,083.43		37,299,466.08	
TOTAL CREDITS		34,337,366.29		3,054,083.43		37,299,466.08

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PAGE

GLOBAL FAMILY
 HOLDINGS REPORT AS OF 05-31-02
 ALL POSITIONS
 F18 DALLAS PARTNERS, LTD
 ENTITY: 01

20-12 01:05:00
 3.2 5

R-001: 91 GLENTIV, TYPE:DEBT, INDEBTEDNESS, DEBT

11-11 INVESTMENT DESCRIPTION	STATED	SUMMARY	AVG COST	COST BASIS	QUOTE	MARKET VALUE	UNREALIZED G/L
SECURITIES-DEBT							
01: BOND	BROOKLINE COMMUNICATIONS 5% 14C	5,000	31.55	157,753.85	79.650	98,253.00	-59,500.85
02: CSOD	CSOD SYSTEMS INC	5,000	8.813	94,066.35	5.780	78,900.00	-15,166.35
03: CRIC	COMSTOCK INC	2,000	33.000	72,000.00	33.550	78,810.00	1,210.00
04: GS	GOLDMAN SACHS GROUPS	2,500	82.868	227,413.85	75.450	198,635.00	-28,778.85
05: JNY	HENRY JACK & ASSOCIATES	10,000	24.064	240,640.35	19.740	97,400.00	-143,240.35
06: JNR	JUNIPER NETWORKS	3,000	64.87	194,603.85	9.270	27,810.00	-166,793.85
07: LU	LUCENT TECHNOLOGIES	20,000	7.500	50,000.00	3.780	75,600.00	25,600.00
08: MSO	WILLIAMS SONS PARTNERS LP	3,000	37.50	112,500.00	36.350	109,050.00	-3,450.00
TOTAL		50,700.00		1,227,983.19		849,445.00	-378,538.19
DIRECT INVESTMENTS							
01: K-12	K-12 PREFERRED STOCK	1,597.78	1.340	2,141,027.68		2,141,027.68	0.00
TOTAL DIRECT INVESTMENTS		1,597.78		2,141,027.68		2,141,027.68	0.00
TOTAL EXHIBIT-DEBT		52,297.78		1,250,010.87		870,472.68	-379,538.19

LIMITED PARTNERSHIP

01: BRACOS	BRACOS EQUITY FUND L.P.	1143.157.87	1.143,157.87	1,143,157.87		1,143,157.87	0.00
02: FV	FV DALLAS VENTURES	1,000,000.00	23,047,896.5072,482.950	5,072,482.95		5,072,482.95	-4,927,517.05
03: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
04: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
05: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
06: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
07: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
08: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
09: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
10: FRESH	FRESH DIRECT HOLDINGS	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00	0.00
TOTAL LIMITED PARTNERSHIP		5,000	23,097,508.47	9,416,104.76		9,416,104.76	-4,975,413.65

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PAGE 2

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 CUBA FAMILY
 HOLDINGS REPORT AS OF 05-31-02
 ALL POSITIONS
 FIRST DALLAS INT'L LTD
 ENJOY: 501

TITLE INVESTMENT DESCRIPTION	STRATEGY	CURRENT	AUG COST	COST BASIS	2002	MARKET VALUE	UNREALIZED G/L
TOTAL LIMITED PARTNERSHIPS		5.00		28,791,578.41		19,416,004.76	-4,575,473.65
OFFSHORE FUND							
DIRECT INVESTMENTS							
1 DEERFIELD DEERFIELD INTERNATIONAL		1,776,696	429,996	728,561.25	885,662	1,573,779.34	845,218.09
2 LIBRA LIBRA OFFSHORE LTD SERIES 1		27,376,870	144,941	3,987,741.84	239,470	6,555,484.37	2,567,742.25
TOTAL DIRECT INVESTMENTS		29,153,566		4,696,303.09		8,129,263.71	3,432,940.32
TOTAL OFFSHORE FUND		29,153,566		4,696,303.09		8,129,263.71	3,432,940.32
TOTAL 02				32,755,812.22		30,535,840.55	-2,220,971.67

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The Irish Trust Company (Cayman) Ltd
FIRST DALLAS INTERNATIONAL, LTD.
Fund Summary and Calculation Report for 05/31/2002

Page 1
05/20/2002
09:06:13 AM

Opening Figures

Prior Year End Date:	12/31/2001
Starting NAV	110.166666
Starting Loss Carryforward	0.000000
Number of Shares Outstanding	283,934,111.104
Value of Shares Outstanding	31,280,074.38

Current Month (before transactions)

Current Month End Date:	05/31/2002
Fund Total NAV	32,947,550.94
Shares Outstanding	342,232,177.142
Month End GNAV	96.272511
Month End NNAV	96.272511

Threshold for Incentive Fees	110.166666
Incentive/F-F per share	0.000000

Current Offering Price	96.272511
------------------------	-----------

Balances/Transaction Summary

	Shares	Value
Month End Balance	342,232,177.142	32,947,550.94
Issues	0.000000	0.00
Redemptions	0.000000	0.00
EQ Factor Refunds	0.000000	0.00
Incentive Paid	0.000000	0.00
Final Balance	342,232,177.142	32,947,550.94

For this fund, Fund NAVs, Incentive, EF/DD and offer price are rounded to 6 decimal places.
Share transactions are rounded to 6 decimal places.

There are Unposted Shareholder Transactions unposted shareholder transactions.

Month end Calculations have been performed.

The month is NOT closed to further shareholder transactions.

This is not a Year-End NAV

This fund uses the Equalization Adjustment Method

Active Investors : 4

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The Irish Trust Company (Cayman) Ltd
FIRST DALLAS INTERNATIONAL, LTD.
Historical NAVs 12/31/2001 to 05/31/2002

NAV Date	Trade Date	Gross NAV per Share	Net NAV after UP	Offer Price	Fund NAV before Transactions	Monthly NAV increase	YTD Increase	Poetod	Y/E
12/31/2001	01/01/2002	110.166666	110.166666	110.166666	31,280,074.410000	0.39%	0.74%	Yes	Yes
01/31/2002	02/01/2002	110.703874	110.703874	110.703874	31,432,666.180000	0.49%	0.49%	Yes	No
02/28/2002	03/01/2002	110.463341	110.463341	110.463341	34,357,782.170000	-0.22%	0.27%	Yes	No
03/31/2002	04/01/2002	96.648404	96.648404	96.648404	30,060,804.980000	-12.51%	-12.27%	Yes	No
04/30/2002	05/01/2002	96.157719	96.157719	96.157719	29,908,205.450000	-8.51%	-12.72%	Yes	No
05/31/2002	06/01/2002	96.272511	96.272511	96.272511	32,947,550.940000	0.12%	-12.61%	Yes	No

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From: Keeley Hennington
Sent: Tuesday, July 16, 2002 8:16 AM
To: Margot MacInnis [REDACTED]
Subject: RE: FDV and LWLLC

Margot - Let's wait and see if you hear back from Michelle on this. I sent Andrea a note yesterday asking for timing but she did not get back to me and is out sick today - so I am assuming we are safe waiting until tomorrow and maybe in that time you will hear from Michelle. My instinct is to fund from Tyler Trust but would like her confirmation on that.

Thanks

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Margot MacInnis [REDACTED]
07/15/02 04:32 PM

To: khennington [REDACTED] MBoucher [REDACTED]
cc:
Subject: RE: FDV and LWLLC

I don't know which trust or entity Michelle would want the cash to move from. But, if the fact that Elysium holds a large part of FDI means anything, and assuming the payment can come from the Tyler Trust-- in Elysium there is a government agency bond maturing on July 17th that could cover the \$600K+. There is also a large enough GAB in Soulieana, but it looks like it may have already rolled over. The only entities with enough cash on hand to cover the short term payment of \$200K is Gorsemoor. The Tyler Trust itself also has sufficient cash to cover the short term payment.

Let me know what you think.

Margot

-----Original Message-----
From: khennington [REDACTED]
Sent: Monday, July 15, 2002 4:28 PM
To: MBoucher [REDACTED] Margot MacInnis
Subject: FDV and LWLLC

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 987

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Based on the last e-mail on 5/29 Charles approved \$210,000 per month for Transfinity and \$200,000 per month for Seranin. We need to fund the following for rest of July - \$110,000 Transfinity, \$100,000 Seranin. So, depending on how cash looks - you can either send just the \$210,000 or \$620,000 to take us through August 31st. Michelle - you may want to send just the \$210,000 now since it is more immediate and wait to have another discussion with Donnie and Charles on the remaining funding and then you could fund a couple of months. All the Elegant related items have been paid - peaceful disposition and loan payoff so these should be the only items going forward.

Little Woody is to cover mortgage, operating etc till year end

Let me know what it is looking like on funding and timing - thanks

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----- Forwarded by Keeley Hennington/htst on 07/15/02 04:23 PM -----

Andrea

Westbrook

To: Keeley Hennington/ [REDACTED]

cc:

07/15/02 03:12

Subject: FDV and LWLLC

PM

I need to get funding for both of the listed entities. I need approximately \$410,000 transferred to FDV. \$200K is for Seranin and \$210K for Transfinity. I believe these were ok'd, but I think that Michelle is out of the office still and I am not sure who to forward this on to.

As for LWLLC, I need probably about \$300,000. That should get me through the end of the year. The last transfer I have to LWLLC was in February in the amount of \$200,000. Please advise on who I need to forward the questions

Thanks!
Andrea

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Subcommittee on Investigations

Keeley Hennington
Tuesday, November 26, 2002 11:07 AM
Andrea Westbrook
mboucher@
First Dallas

:

- I just talked to Jim and Charles and Donnie have approved an additional funding
X to allow FD to keep their current % share of the company. The amount is \$353,000
ey are setting the closing on December 5th. Can you please check current cash
on and get with Michelle on any additional cash needed.

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CHARLES J. WYLY, JR.

September 17, 2003

Jim Lincoln
Managing Director
First Dallas Limited

Dear Jim,

Congratulations on the sale of the Transfinity assets!
This transaction represents good execution of the plan that was established.

First Dallas awards you a \$10,000 bonus which will be included in this month's pay. While the amounts involved in this transaction and this bonus are not large, they are symbolically important.

Sincerely,

cc: Don Miller
Allan Duncan

bcc: Keeley
bcc: Jana

300 CRESCENT COURT, SUITE 1000, DALLAS, TEXAS 75201-7852
(214) 880-4030, Fax (214) 880-4033

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 989

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Scottish Holdings Recapitalization

I Ownership percentages:

- South Madison 38%
- Bessie/Tyler 57%
- Boucher 3%
- Chisolm 1%
- Lynchburg 1%

New Capital

A. Tyler needs to contribute the balance due (\$666,600) of the \$2m additional capital. Bessie contribution of \$1,333,400 has been received.

B. Existing loan of shares of Maverick Fund from Bulldog and Pitkin to Holdings should be increased by shares having a current value of an additional \$20 million. These shares are to be contributed by Holdings to SAC as additional equity capital. Loan is a demand loan and must be satisfied by return of the shares. Like the existing arrangement, this will be equity on SAC's books and a loan payable on Holding's books.

C. If additional shares need to be issued to balance ownership as above, issue shares at par value.

Recap must be accomplished by December 31, 1997.

Other terms of earlier draft of agreements remain the same (distribution preference, put, etc).

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 990

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SCOTTISH LIFE HOLDINGS, LTD

MINUTES OF THE FIRST MEETING OF THE BOARD OF DIRECTORS OF THE COMPANY HELD AT UGLAND HOUSE, 5TH FLOOR, SOUTH CHURCH STREET, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS ON THE 9TH DAY OF JUNE, 1998

PRESENT: Michael French

In Attendance: Michelle Boucher

1. Incorporation Details

The Certificate of Incorporation, the Certificate of Incorporation on Change of Name of the Company, a certified copy of the Memorandum and Articles of Association (as revised to show the change of name) and a signed copy of the appointment of Directors by a majority of the Subscribers to the Memorandum of Association were laid before the Meeting.

2. Officers of the Meeting

IT WAS RESOLVED that Michael French and Michelle Boucher be appointed Chairman and Secretary, respectively, of the Meeting.

3. Constitution of the Meeting

The Chairman noted that all the Directors were present in person or by proxy and had agreed to waive notice of the Meeting. Accordingly he declared the Meeting duly constituted.

4. Appointment of Officers

IT WAS RESOLVED that each of the following be appointed to the respective office set opposite his name, each to hold office until his successor shall be appointed or his earlier removal from or vacation of office:-

Michelle Boucher - Secretary

5. Resignation of Director

IT WAS RESOLVED that Henry Smith was appointed a director of the Company solely to facilitate the incorporation of the Company and that the resignation of Henry Smith as a Director of the Company is accepted, such resignation to be effective from the date thereof.

6. Adoption of Seal

IT WAS RESOLVED that the Company's Cayman Islands legal counsel be and are hereby authorised to arrange the preparation of the common seal of the Company, and which is hereby adopted, upon receipt of specific instructions from any Director or other person acting on behalf of the Company.

7. Adoption of Form of Share Certificate

IT WAS RESOLVED that the Share Certificate, a specimen of which is attached hereto, be adopted as the form of Ordinary Share Certificate of the Company.

8. Allotment of shares to Subscribers

IT WAS RESOLVED to allot and issue Ordinary Shares to each of the Subscribers to the Memorandum of Association as follows, payment having been made in cash in full at par:-

Henry Smith	-	one share (no certificate)
Nicola Melia	-	one share (no certificate)

9. Redemption of Subscribers Shares

IT WAS RESOLVED that, immediately after the further issue of the Ordinary Shares mentioned below, the following Subscribers Shares shall be redeemed at par:-

<u>Subscriber</u>	<u>Number of Ordinary Shares</u>
Henry Smith	one
Nicola Melia	one

10. Issuance of Further Shares

IT WAS RESOLVED to allot and issue further Ordinary Shares as fully paid and non-assessable as follows, upon payment being made of US\$0.3333 per share:-

<u>Name</u>	<u>Number of Ordinary Shares</u>
Scottish Holdings, Ltd.	1,500,000

11. Issuance of Share Certificate

IT WAS RESOLVED that any two Directors or any one Director and the Secretary or other officer be instructed to prepare, sign, seal and deliver on behalf of the Company Ordinary Share Certificates as follows:-

<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Share Certificate Number</u>
Scottish Holdings, Ltd.	1,500,000	01

12. Section 183 of the Companies Law

The Directors noted the declaration pursuant to the above mentioned Section signed by Henry Smith as a proposed director of the Company and it was resolved:-

THAT the terms of the declaration be and they are hereby fully ratified, confirmed, approved and adopted.

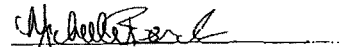
13. Termination of Meeting

There being no further business to discuss, the Meeting terminated.

4299

4


Chairman MIKE FRONTAT


Secretary MICHELLE BOUCHER

SENSENSEN32706134032108a4g011
09 June, 1998

SR 0000757

4300

MIKE'S DEAL

Scottish Annuity

Current equity is 40,000 shares, of which 8,000 (20%) are the carried interest of S. Madison Trust and 32,000 are owned (2/3-1/3) by Bessie and Tyler at a price of \$15 5/8 (\$500,000).

Additional capital for SAC as follows:

S. Madison purchases an additional 5,000 shares at \$15 5/8 (\$78,125).

Lynchburg Trust (LSA) purchases 1,000 shares at \$15 5/8 (\$15,625).

Chisolm Trust (SR) and Michelle B each receive 500 shares each as a carry.

Resulting percentages:

<i>Bessie</i>	<i>21,333 shs</i>	<i>45.39%</i>
<i>Tyler</i>	<i>10,667 shs</i>	<i>22.70%</i>
<i>SMT</i>	<i>13,000 shs</i>	<i>27.66%</i>
<i>Lynch</i>	<i>1,000 shs</i>	<i>2.13%</i>
<i>Chisolm</i>	<i>500 shs</i>	<i>1.06%</i>
<i>Michelle</i>	<i>500 shs</i>	<i>1.06%</i>

Total 47,000 shs

MCF is CEO of SAC. This may not be able to be formalized because of tax issues.

Commencing 1997, MCF receives annual consulting/director fee of \$150,000. Fee increases by \$25,000 annually through 2004.

SSW

MCF retainer increases for 1996 to \$17,500 per month. Three year evergreen consulting agreement, with monthly retainer increasing by \$1,000 each year.

Continue to receive director fees.

Options reload as exercised. Reloads in 96 at same time as, and proportionate to, Family.

Annual non-accountable travel allowance of \$60,000.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 992

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[Handwritten signature]

Mike French, Esq.,
Maverick,
8080 N. Central Expressway,
Dallas,
TX 75206.

March 1st, 1995.

Fax to: 010 1 214 [REDACTED]

The Scottish Annuity Company (Cayman) Ltd.

thank you for your fax last night.

Where Keith and I are concerned with respect to the above company, we feel that we are being asked to put our heads on the block without having much compensation. The potential risk to our reputation is much the more important aspect as far as we are concerned. If it turned out that our agents in Cayman had been fraudulent, or merely negligent, and we as Managing Directors had failed to keep an careful eye on matters then our very livelihoods would be at risk.

Quite frankly, we were not impressed by Roger Phelps' idea of a quarterly report. As and when the new man is in place - and it might have been better had we been more involved in the decision to appoint him - we will hope to receive quarterly or monthly analyses of income, expenditure and cash position with comparisons against budget, the previous quarter and, in due course, the equivalent quarter in the previous year and so on. Being able to telephone you or Shawn is not the same thing, as doing so leaves no record that we made sure that we were kept abreast of affairs.

Two bits of recent news are relevant here; one well known, the other not. The notorious one is the ability of one dishonest man in a distant office to bring down a banking dynasty, Baring Brothers (my brother's in-laws), because people who should have supervised him were not asking the right questions. The unknown one is that Lorne House Trust, as a trustee, is fighting the IRS in Northern California where the IRS is contending that a corporation owned by the (foreign) trust is the mere 'alter ego'

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 993

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of the Settlor, even though I can assure you that the settlor in question has been far more willing to leave us in genuine control - a fact which promises to win us the case - than S. appears to be.

On the slightly less important matter of rewards, we were glad to read that you might be able to point some significant business in our direction. Thanks for thinking of us;

R. Buchanan.

CONFIDENTIAL
PSI00120864

CONFIDENTIAL**FAX TRANSMITTAL****Maverick**

TO: Ronald Buchanan FROM: Mike French/Shari Robertson
COMPANY: Lorne House Trust PHONE: 214 891 8350
PHONE: 44 624 823 579 FAX: 214 891 8311
FAX: 44 624 822 952 DATE: March 21, 1995
NUMBER OF PAGES (including cover): TIME: 8:27 AM

COMMENTS:

Shari and I recommend that the Trustees consider the following investments:

An aggregate \$3.5 million in one-half of one unit being offered in a private transaction by Boston Chicken, consisting of a \$2.5 million investment in BC Funding, a funding vehicle for Boston Chicken franchisees, and \$1 million in a new company being formed by Boston Chicken to develop a nationwide chain of bagel stores.

An aggregate of \$200,000 (probably just from Bulldog and Pitkin) to be invested in an addition to the \$300,000 loan previously made to Scottish Holdings (Romie, we need to discuss this structure when I am there on the 5th), for further advance as equity to Scottish Annuity, making its total capitalization \$500,000.

We understand that Scottish Annuity is required to maintain the US \$240,000 minimum capital in the form of cash equivalents, and that portion of the capital is not available to use as working capital to finance the current capital investment and expense requirements. The remaining \$60,000 of initial capital has been exhausted for computer equipment, administration fees, legal and accounting fees, and other expenditures. We further understand that the company expects to be revenue positive by the end of this year, based on current indications of interest in the company's annuity product, and that the additional investment is expected to be a more than sufficient amount of working capital.

Maverick Capital • 8080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

21-MAR-1995 19:47

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Permanent Subcommittee on Investigations**EXHIBIT #66 - FN 994****CONFIDENTIAL
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P-204 1-177 P-002 PPH 41 95 1215

A new Cayman fund, Maverick Growth and Income Fund is in the process of formation. This fund will hold the Boston Chicken Investments through a special purpose Cayman subsidiary, B & C Holdings, Ltd. In the event the new fund is not ready at the time funding is required for the B & C investment, it may be necessary to contribute the \$3.5 million direct to B & C for equity and contribute the B & C equity to the new fund at a later date.

In conjunction with the formation of the new fund, Maverick Income Fund, Ltd. will liquidate all of its investments and distribute the net proceeds to its shareholders. We recommend that the shareholders contribute these funds to the new Growth and Income Fund.

More details will be available later. If the Trustees concur in these recommendations, we recommend that steps be taken to ensure the availability of funds under the current margin arrangements with Lehman and First Boston. We understand that you will contact Lou Schaufele at Lehman regarding funding arrangements.

With respect to timing, we understand that the Scottish Annuity funds are required to be in before March 31, in order that the statutory accounting requirements can be met and bills can be paid on time. The B & C transaction will also be required to be funded by the end of March.

CC. Keith King

McL
Shay Roberts

Maverick Capital • 6080 North Central Expressway • Suite 1300 • LB-31 • Dallas, Texas 75206-1895

21-WR-1935 19:47

2148918311

P.002

CONFIDENTIAL
PSI00121778

4305

From: Michelle Boucher To: Barbara Rhodes

Date: 12/18/95 Time: 18:44:40

Page 1 of 4

— = Redacted by the Permanent
Subcommittee on Investigations

FACSIMILE COVER PAGE

TO: Barbara Rhodes From: Michelle Boucher
COMPANY: Lorne House Fax: 809-945-2197
FAX: 011-44- [REDACTED] Tel: 809-945-2187
DATE: December 18th, 1995

We are transmitting 4 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Barbara,

In tying out October 1995 statements, I note the following items which differ, which I hope we can resolve for their correction in the December 1995 statements. I have not yet received the reports for November yet, but I suggest we incorporate any necessary changes in our reports in the December statements.

As an aside, I will need the bank activity asap after each month end. Kindly either fax this as soon as you have prepared it, or send it by courier with the complete monthly package if they are prepared simultaneously. The mail can take up to 3 weeks, which is obviously too long a lag for us. I would like to have an outline of your monthly procedures, ie. do you prepare the bank statements when available and then other info as it becomes available or do you wait any prepare the bank activity statements when all other info has been received and you can put together everything at once? This will help me to develop a timetable.

1) SCOTTISH ANNUITY LOANS

Morehouse Limited loaned \$200,000 to Scottish Holdings in June 1994, this needs to be set up as a loan receivable in Morehouse's investment listing. ✓

Roaring Creek Limited loaned \$100,000 to Scottish Holdings in June 1994, this needs to be set up as a loan receivable in Roaring Creek's investment listing. ✓

3) OTHER LOANS

Morehouse Limited loaned \$100,000 to 'David Capps & Co.' in July 1994, this needs to be set up as a loan receivable in Morehouse's investment listing. My understanding is that at the time the loan was made it was to be repaid almost immediately, there is no agreement and no terms at this time. If I learn anything more, I'll let you know. ✓

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 995

CONFIDENTIAL
PSI001378814

4306

From: Michelle Boucher To: Barbara Rhodes

Date: 12/18/95 Time: 16:45:49

Page 2 of 4

4) STERLING SOFTWARE SHARES

In West Carroll Limited, your portfolio indicates 183,324 shares owned. My records show 183,333. The activity I show is as follows:

= owned at 04/15/92	200,000
Sold @ 09/01/95	(4,700)
Sold @ 09/05/95	<u>(11,967)</u>
Balance 10/31/95	<u>183,333</u>

5) INTERCOMPANY RICHLAND/DEVOTION

On October 26, 1995 Richland made an interest payment on behalf of Devotion, in the amount of \$10,043.96. Your records reflect this payment as though it was made by Morehouse and not Richland. The intercompany balances @ 10/31/95 should be:

Morehouse/Devotion	\$1,860,232.09
Richland/Devotion	\$10,043.96

6) INTERCOMPANY LITTLE WOODY/ELEGANCE

On October 26, 1995 Little Woody made an interest payment on behalf of Elegance in the amount of \$5,022.04. Your records reflect this payment as though it was made by Roaring Fork and not Little Woody. The intercompany balances @ 10/31/95 should be:

Roaring Fork/Elegance	\$925,565.43
Little Woody/Elegance	\$5,022.04

7) INVESTMENT IN C&B HOLDINGS RE: MAVERICK INCOME FUND

Effective March 31, 1995, Richland wired out \$933,333 re: C&B Holdings, which you have been carrying at cost since then. In actuality, these funds were transferred to Maverick Income Fund and Maverick Income Fund in turn received the shares of C&B Holdings. Therefore, Richland does not in fact own \$933,333 worth of shares in C&B Holdings, it owns additional shares of Maverick Income Fund.

In summary Richland owns shares in Maverick Income Fund as follows, which should all be marked to market each month:

Maverick Income Fund purchased 3/31/95	10,046.4427	? cost - mchelle to for B.C. 05
Maverick Income Fund purchased 04/30/95	<u>15,961.6996</u>	
Total	<u>26,008.1423</u>	

Richland does not own any shares in C&B Holdings.

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7) INVESTMENT IN C&B HOLDINGS RE: MAVERICK INCOME FUND
(CONT'D)

Effective March 31, 1995 Little Woody wired out \$466,667 re: C&B Holdings.
The same scenario applies here - Little Woody in fact received shares of Maverick Income Fund and Maverick Income fund purchased the shares in C&B Holdings.

Little Woody owns shares in Maverick Income Fund as follows, which should all be marked to market each month:

Maverick Income Fund purchased 01/31/95	8,333.3300	✓	?
Maverick Income Fund purchased 03/31/95	5,023.2267	✓	
Maverick Income Fund purchased 04/30/95	12,782.9105	✓	
Total	<u>26,139.4672</u>		

Little Woody does not own any shares in C&B Holdings.

This should tie out to the number of shares on the valuation summaries I had sent you re: August 1995 to outline the total investment values.

8) COST OF STERLING SOFTWARE COLLAR

This is basically outlined in Cindy Murdock's memo of November 3rd, 1995, but I'll summarize the numbers overall below:

Puts: They initially cost \$3.57 per share that was collared.
They were stepped up in July 95 at a cost of \$1.6422 per share
They were stepped up again in Sept 95 at a cost of \$2.25 per share

Calls: They were worth \$3.57 per share at issue. ie. we technically received \$3.57 per share for the call we sold. Because the Put cost us \$3.57 as above the net cash flow was NIL. (Put cost of \$3.57, Call proceeds of \$3.57 = Nil cash). Although no cash changed hands, we still want to reflect these per share values in the accounting records.

No activity relating to the calls occurred in July 95.

The calls were however stepped up in Sept 95 at a cost of \$5.44 per share. When they were issued we technically received \$3.57 and now we have a cost of \$5.44, the net per share is a cost of \$1.87 per share. So technically we have a negative position that has positive cost.

An overall summary is on the next page:

4308

From: Michelle Boucher To: Barbara Rhodes

Date: 12/18/95 Time: 18:47:32

Page 4 of 4

Company	date	# shares	cost/(proceeds)	Total Put	Total Call
Morehouse	Issue	100,000	\$3.57	\$357,000	
	Issue	(100,000)	(\$3.57)		(\$357,000)
	July		\$1.6422	\$164,220	
	Sept		\$2.25	\$225,000	
	Sept		\$5.44		\$544,000
Total Cost				\$746,220	\$187,000

West Carroll (same as Morehouse)

Richland	Issue	200,000	\$3.57	\$714,000	
	Issue	(200,000)	(\$3.57)		(\$714,000)
	July		\$1.6422	\$328,440	
	Sept		\$2.25	\$450,000	
	Sept		\$5.44		\$1,088,000
Total				\$1,492,440	\$374,000

East Carroll (same as Richland) - FYI, even though you are no longer involved with this account

Roaring Fork	Issue	150,000	\$3.57	\$535,500	
	Issue	(150,000)	(\$3.57)		(\$535,500)
	July		\$1.6422	\$246,330	
	Sept		\$2.25	\$337,500	
	Sept		\$5.44		\$816,000
Total Cost				\$1,119,330	\$280,500

Little Woody (Same as Roaring Fork)

9. OTHER ITEMS

I have a couple of minor differences in intercompany accounts which I will summarize for you tomorrow. There is also a series of investments made by the Bulldog, Pitkin and Plaquemines corporations that date back to I believe 1992. They relate to the intercompany advances of \$49,405 you set back up in your records in September 1995 (most of these intercompany advances were with Tensas). I will summarize the dates and amounts for you tomorrow. I will be able to provide you with monthly valuations for these investments on an ongoing basis.

Please let me know if you have any questions.

Kind regards,

Michelle Boucher (unsigned as sent via personal computer)

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PSI00137817

4309

FROM : 18091949-2519

PHONE NO. :

Apr. 03 1996 09:38AM P1

Redacted by the Permanent
Subcommittee on Investigations

FACSIMILE COVER PAGE

TO: Barbara Wade From: Michelle Boucher
FAX: 011-44- [REDACTED] Fax: 809-949-2519
DATE: April 3rd, 1996 Tel: 809-949-0658

We are transmitting 2 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Barbara,

The protectorates committee recommends the following:

Bessie and Tyler make an additional contribution to Scottish Holdings equal to the amount that Scottish Holdings owes to the Bulldog and Pitkin Trust entities.

I will then arrange for Scottish Holdings will then repay the loans back to the Bulldog and Pitkin entities.

I have attached a summary of the amounts, including interest accrued to March 31, 1996. If you accept the above recommendation the transfers should be handled as follows:

- 1) Fugue should transfer \$ 463,894.24 to Bessie Trust a/c at Bank of Bermuda
[REDACTED] plus the applicable wire charge Bessie will incur to wire the money to Scottish Holdings.
- 2) Bessie Trust should then wire \$463,894.24 out to Scottish Holdings.
- 3) Souleiana should transfer \$231,948.50 to the Tyler Trust a/c at Bank of Bermuda
[REDACTED] plus the applicable wire charge Tyler will incur to wire the money to Scottish Holdings.
- 4) Tyler Trust should then wire \$231,948.50 out to Scottish Holdings.

As soon as the money hits Scottish Holdings, I will send it back to the accounts as follows:

West Carroll \$166,133
Richland \$9,227.91
Morehouse \$288,533.33
Little Woody \$87,681.83
Roaring Creek \$144,266.67

Please let me know if you have any questions.

Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 997

PSI-WYBR 00370

4310

FROM : (809)949-2519

PHONE NO. :

Aug. 22 1996 02:57PM P1

FACSIMILE COVER PAGE

TO: Shari Robertson From: Michelle Boucher
FAX: 1-214-891-8245 Fax: 809-949-2519
DATE: August 22nd, 1996 Tel: 809-949-0658

We are transmitting 5 page(s). Please contact the undersigned if there is a problem with the transmission.

Shari,

Here are the FINAL June 30th, 1996 SAC financial statements, as well as a worksheet that consolidates Scottish Holdings and SAC as at 12/31/95 and 06/30/96. Mike had requested the consolidation to show a better picture of the annuity business. He has also received copies of these items. (I had sent him draft SAC 6/30 accounts a few weeks ago, but we were waiting to finalize details of 06/01 investment that was transferred from IOMA and it took some time to determine their actual value).

The deficit in SH is approximated by:

Interest on the original \$500K loaned from the trusts @ 24%	\$182,000
(these were repaid as of 03/31/96)	
Interest equating to the increase in Fund shares transferred to SAC	\$694,156
Other operating items (bank interest & legal/organization costs)	<u>\$ 18,921</u>
Total	<u>\$895,077</u>

Since the increase in the Fund shares is eliminated upon consolidation the overall consolidated deficit is comprised of:

Accumulated SAC deficit (without increase in Fund shares)	\$ 61,887
SH interest on \$500K loan	\$182,000
SH Operating items	<u>\$ 18,921</u>
Total	<u>\$262,808</u>

I am maintaining SH on Total Return, if you want to see any of that detail, let me know.


Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 997

CONFIDENTIAL
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PSI00087607

→ RTC

Transmittal

To: Ronnie Buchanan
Lorne House Trust

From: Shari Robertson

Phone: (214) 891-8341

Date: 12/23/86

Fax: (214) 891-8245

Copy to: Michelle Boucher

Pages: () pre funds available.

Regarding: Dessie & Tyler Trusts - ① BTR says that there are funds available.

The protectorate committee for the above trusts recommend a further capital contribution to Scottish Holding of \$720,000. We further recommend that this contribution be \$480,000 from Bessie Trust & \$240,000 from the Tyler Trust. We recommend that this contribution be made on 12/27/86.

② JRS left a message to show to all him on 24/1.

Shari Robertson

③ Telecom Shari Robertson/JRS 26/12/96.

BESSIE

Fugate has should receive \$4,670,436 being the proceeds of the redemption of a Treasury bill on 26/12/96.

TYLER

Please sell Treasury bills to raise funds from Louisiana handled

16

26/12/96

02:46 PM

23-DEC-1996 20:37

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P.001

Lehman was Andy Muroch

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 998

CONFIDENTIAL
PSI00121018

Scottish Annuity

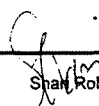
Tyler Cash Investment 6/7/1994	\$100,000
3/29/1995	\$ 66,667
11/1/1995	\$ 4,358
12/31/1996	\$177,667
Total	\$348,692
Buyout	\$700,000
Annual Rate of Return	35.78%

Shares of Maverick Fund loaned as additional capital will be returned. There is also a payable of 302,333 for an excess expense reimbursement at 12/31/96 that will be repaid.

Most recent financials are attached. On a consolidated basis (which eliminates the Maverick Fund gains) there was a loss of \$210,000 for the first half of 1997. This is due primarily to a substantial increase in marketing and promotional activities, and to new legal fee arrangements with MCF.

4313

Transmittal

To: Sam Wyly Evan Wyly From:  Stuart Robertson
Charles Wyly Don Miller
Phone: (214) 891-8341
Date: 08/29/96 Fax: (214) 891-8245
Copy to: Pages (3)

Regarding: Scottish Annuity / Scottish Holding

Enclosed is the consolidated balance sheet for Scottish Annuity and Scottish Holding.
I am enclosing Michelle's memo to me and I think it will answer any questions you might
have about the balance sheet.

A reminder, that the Wyly's loaned \$2,008,013 of Maverick Fund LDC to Scottish Holdings, the
interest rate is measured against the performance of Fund. Scottish Holdings contributed the
Fund investment to Scottish Annuity as APIC. The investment in Fund is now worth \$2,702,169.
Scottish Annuity's profit YTD less the profits from Fund is \$58,694.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1000

02:51 PM

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SEC100075738
PSI00087605

FROM : 18091949-2519

PHONE NO. :

Aug. 22 1996 02:57PM P2

**Consolidation of Scottish Annuity & Scottish Holdings
As at 06/30/96
Balance Sheet**

	SAC Only	SH Only	Elimination	SAC & SH Consolidated
Assets				
Cash	108,504	4,994		203,498
Investment in Maverick Fund	2,702,189			2,702,189
Investment in SAC		2,508,013	(2,508,013)	0
Segregated Accounts	64,964,466			64,964,466
Fees receivable	177,403			177,403
Other Assets	81,469			81,469
Due from SH	5,672		(5,672)	0
Total Assets	68,129,683	2,513,007	(2,513,685)	68,129,005
Liabilities				
Accounts Payable	23,435			23,435
Segregated Accounts	64,964,466			64,964,466
Unearned fees	1,500			1,500
Due to SAC		5,672	(5,672)	0
Loans Payable to Shareholders		2,008,013		2,008,013
Interest on Loans Payable		694,156		694,156
Total Liabilities	64,989,401	2,707,841	(5,672)	67,691,570
Share Capital	250,000	4,400	(250,000)	4,400
Share Premium	2,258,013	895,843	(2,258,013)	895,843
Retained Earnings	632,269	(895,077)	0	(262,806)
Total Equity	3,140,282	(194,834)	(2,608,013)	437,435
Total Liabilities & Equity	68,129,683	2,513,007	(2,513,685)	68,129,005

Income Statement

Revenues				
Interest	6,735	443		7,178
Fees	186,855			186,855
Investment in Maverick	508,803			508,803
Total Revenue	682,193	443	0	682,636
Expenses				
Interest Expense		539,723		539,723
Professional Fees	25,479			25,479
Salaries & Benefits	29,677			29,677
Depreciation & Amort	14,089			14,089
Other	31,824	320		32,144
Rent	7,292			7,292
Government	6,335			6,335
Total Expenses	114,896	540,043	0	654,739
Net Income	567,497	(539,600)	0	27,897

Statement of Retained Earnings

Opening Retained Earnings	64,772	(355,477)		(290,705)
Net income for the year	567,497	(539,600)	0	27,897
Closing Retained Earnings	632,269	(895,077)	0	(262,806)

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PSI00087606

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Subcommittee on Investigations

Paul Goldean
08/18/2000 12:19 PM

Extension: x53660
To: scott.wilkomm@
cc:
Subject: Scottish Annuity Company.

The transaction was publicly filed pursuant to an 8-K.

Scottish Holdings, Ltd. (a company owned by the Wyly's and Mike French) sold all 250,000 shares of Scottish Annuity Company (Cayman) Ltd. to Scottish Annuity & Life Holdings, Ltd. for \$11,562,161.84. The transaction was on 12/31/99.

Thus, Scottish Annuity & Life Holdings, Ltd. owns all the issued and outstanding stock of Scottish Annuity Company.

I have the purchase agreement and board resolutions from each of the entities authorizing/approving the transaction. Also, fyi, Prudential Securities issued a fairness opinion regarding the transaction. I do not have a copy of the fairness transaction.

If you need anything else, please let me know.

PG.

FOIA: Confidential Treatment

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1004

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SCREPSI 014948

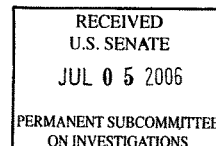
MAPLES AND CALDER

BVI | CAYMAN | DUBAI | DUBLIN | HONG KONG | JERSEY | LONDON

Our ref AKP/999999/1610752/v9

Permanent Sub-Committee on Investigations
 Committee on Homeland Security and Governmental Affairs
 United States Senate
 Washington, DC 20510-6250
 U.S.A.

Attention: Ms Laura Stuber/Mr Mark Nelson



5 July 2006

Dear Sirs

We refer to our letter of 7 June, 2006. As requested, we forwarded your list of questions to the various client contacts with respect to the companies listed in paragraphs (d) through (k), 13 and 14 of your letter of 2 June, 2006 to seek instructions as to whether we are authorised to discuss or divulge client specific and confidential information with the Subcommittee.

We are still waiting to receive definitive instructions from all of these entities, some of which are being separately advised or represented by other legal counsel, but we thought it appropriate to provide you with a report as to the responses we have received to date, which are as follows:

1. With respect to your questions about HBK Offshore Fund Ltd., HBK Offshore Fund Ltd. does not wish to waive any rights of confidentiality or client-attorney privilege but we have been authorized to provide the following information. HBK Offshore Fund is a multi-strategy hedge fund managed by HBK Investments L.P., which is an investment management firm based in Dallas, Texas. HBK Offshore Fund was created in 1996 in order to allow qualifying U.S. tax-exempt investors and non-U.S. investors to participate in an investment program substantially similar to that of HBK Fund L.P., which has been offered to qualifying U.S. taxable investors since 1991. The investors in HBK's funds include a wide variety of foundations, endowments, pension plans, funds of funds, other institutions and families. Maples and Calder has served as Cayman Islands legal counsel to HBK Investments and its funds since HBK Offshore Fund was formed in 1996. In this capacity, Maples and Calder has provided legal services typical of those provided to other funds and fund managers, in exchange for hourly fees. Maples and Calder has no role in the investment decision-making process, which is handled by HBK Investments, in its capacity as investment manager of the funds. HBK Offshore Fund was listed on the Cayman Islands Stock Exchange ("CSX") in January 2000 to facilitate compliance with the NASD's prevailing requirements related to investments in "Hot Issues." Following a change to the NASD's rules that became effective in March 2004, the CSX listing ceased to be advantageous, and HBK Offshore Fund chose to voluntarily discontinue its listing at the end of 2004. Maples and Calder is a listing agent for the CSX, which role principally involves acting on behalf of funds to ensure that fund documentation is in compliance with the rules of the CSX and general requirements of Cayman Islands Law, as well as attending to annual fee payments, the filings of accounts and periodic updates where required to maintain the listing in good standing. Any additional questions regarding HBK Investments or the funds that it manages would best be directed to HBK Investments' offices in the United States.

Maples and Calder PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
 Tel +1 345 949 8066 Fax. +1 345 949 8080

Permanent Subcommittee on Investigations EXHIBIT #66 - FN 1004
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MAPLES AND CALDER


BVI | CAYMAN | DUBAI | DUBLIN | HONG KONG | JERSEY | LONDON

2

2. Maverick Capital, Ltd. ("Maverick") has indicated to us that it desires to cooperate with the Subcommittee in its investigations but does not wish to waive any rights of confidentiality or client-attorney privilege. Maverick has therefore declined to authorise us at this time to engage in direct discussions with the Subcommittee of matters concerning Maverick or any of the funds it manages which could effectively waive those rights. Maverick would prefer the Subcommittee to address any questions concerning Maverick directly to Maverick in the United States.
3. Respective legal counsel or other representatives (in the case of the companies listed at (d), (e), (f) or (h) below, each of which we understand has been either wound up or struck off from the Register of Companies and no longer exists) of the following companies have informed us that the following companies do not wish to waive any rights of confidentiality or client-attorney privilege and that we are not authorised to discuss confidential or privileged information:
 - (a) Irish Holdings, Ltd.
 - (b) The Irish Trust Company (Cayman) Ltd.
 - (c) First Dallas International.
 - (d) Maverick Growth & Income Fund L.D.C.
 - (e) Maverick Growth & Income Fund Ltd.
 - (f) Edinburgh Fund, LDC.
 - (g) Michelangelo Investors.
 - (h) Scottish Holdings, Ltd.
4. At this point we are waiting to hear further from:
 - (a) Legal counsel acting for Scottish Re Group Ltd, Scottish Annuity Company (Cayman) Ltd. (which we understand was formerly called Providence Annuity, Ltd.) and Scottish Annuity & Life Holdings Ltd.
 - (b) In-house counsel for Ranger.
 - (c) Legal counsel acting in connection with Michaels International Finance Inc.

We will provide you with another update as soon as we have any further details to report.

Yours faithfully


MAPLES and CALDER

01/20/00 12:50 FAX

002/004

Scottish Holdings, Ltd
Balance Sheet
As at December 31st, 1999

Assets	
Cash on hand	577,622
Investment in Maverick, at mkt	37,655,912
Receivable on sale of Scottish Annuity	11,562,152
Total Assets	<u>49,795,696</u>
Liabilities	
Accounts payable	47,156
Loans payable (Maverick shares)	37,655,912
Total Liabilities	<u>37,703,069</u>
Share Capital	
Capital stock	4,440
Paid in capital	3,228,643
Retained earnings	8,659,345
Total liabilities and share capital	<u>49,795,696</u>

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1008

CONFIDENTIAL
 SEC100089777
 PSI00101644

01/20/00 12:51 FAX

004/004

Scottish Holdings
Cash reconciliation
January 20th, 2000

Balance 12/31/99	577,622.69	
less: Executive Connection	(13,677.00)	
less: Executive Connection	(14,962.00)	
less: Jet Solutions	(107.00)	
less: Highland Stargate (Nov/Dec)	(18,410.16)	(47,156.16) in A/P
less: draft/wire charges	(55.00)	(5+5+5+40)
add: proceeds on sale	11,562,161.84	
Balance at 1/20/00	12,092,573.37	
liquidation preference	(2,000,000.00)	
dividend to other shareholders	(10,075,000.00)	
Balance remaining	17,573.37	
Items to provide for:		
Highland Stargate reimburse Jan	6,000.00	
liquidation costs	2,500.00	
excess left behind (to cover any addn'l exp)	9,073.37	
(this will be distributed eventually, once liquidation finalized which will take approx 6 mths)		

Distributions to shareholders:	# shares	liq preference	balance	total
Audubon Asset Limited	16,872	1,333,333.33	3,828,500.00	5,161,833.33
Souleiana Limited	8,436	668,666.67	1,914,250.00	2,580,916.67
Arakan Limited	16,872		3,828,500.00	3,828,500.00
Afonco International Limited	1,332		302,250.00	302,250.00
Vasper Limited	444		100,750.00	100,750.00
Blake Corporation Limited	444		100,750.00	100,750.00
	44,400	2,000,000.00	10,075,000.00	12,075,000.00
check		2,000,000.00	10,075,000.00	12,075,000.00

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1008

CONFIDENTIAL
SECH00089779
PS1001016.66

CONFIDENTIAL
SECI00098036
PSI00109903

[illegible]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1010

CONFIDENTIAL
SECI00059874
PSI00071741

Foreign Systems Period 1/2/1999			Pitkin Trust, I/O Corporate Schedule Attached (continued)	Cassacene Trust, Northern Trust Dumrie (U.S. Filing)	Red Bull Trust, Tinsdale Elegance (Foreign Grantor)	Yip Trust, Tinsdale Corporate Schedule Attached (Foreign Grantor)	C. W. W. Trust Trust Combined
Description	Curr.	Shr/Fac	NY	(U.S. Filing)	(Foreign Grantor)	(Foreign Grantor)	(U.S. Filing)
Cash							
Bank of Bermuda	USD		71,401	71,401	2,133	2,183	804
Lehman/WT	USD		1,050	1,050	1,534	1,534	(73,340)
Messier/Person	GBP				0	0	23,982
Total Cash			72,451	72,451	3,718	3,718	23,982
U.S. Government & Agency Debt							
PHM and PHM Debt							
Due 1/1/1400		613,000	98,791				604,253
Due 1/1/1500		257,000	95,500		253,796	256,615	605,589
Due 1/1/1500		3,406,000	50,910		2,406,910		233,796
Due 1/1/1500		2,011,000	98,378	1,986,211	1,986,462		3,405,596
Due 1/1/1500		2,000,000	98,910		2,000,910		1,986,211
Due 1/1/1500		3,400,000	98,791	3,454,861	3,454,568		3,454,861
Due 1/1/1400		5,362,000	98,791			5,262,011	5,262,011
Due 1/1/1500 (T. Sec. Swap)		7,300,000	98,791	7,234,573	1,371,915		1,371,915
Due 1/1/1500 (T. Bond)		550,000	98,910		550,910		482,324
Due 1/1/1500 (T. Sec. Swap)		5,875,000	54,294		3,496,434	3,260,537	3,496,434
Due 1/1/1500		12,654,000	24,125		3,496,434	3,052,776	3,052,776
account started on T Bond				8,386			8,386
Total unpledged Government Debt			7,768,467	7,730,863	12,714,535	12,966,736	6,382,911
Pledged to SSW Swap Collateral		3,409,000	90,850				604,253
Due 1/1/1500							605,589
Pledged for SSW Swap							24,394,294
Total U.S. Agency Debt			7,768,467	7,730,863	12,714,535	12,966,736	6,382,911
Total U.S. Government & Agency Debt			7,768,467	7,730,863	12,714,535	12,966,736	6,382,911
Leases Receivable							
Stargate, Ltd							
Interest from Stargate, Ltd							
Total Leases Receivable							
Securities							
Starting Related							
Starting Common		100,000	21,838		1,161,178	2,163,860	1,101,176
Starting Common in Swap		500,000	21,838		10,212,550	10,969,000	10,212,550
Starting Optn 14, 125 1000		800,000	7,813		7,170,560	6,230,400	7,170,560
Starting Optn 1,823 307		100,000	3,815			885,700	885,700
Total Starting		1,500,000	50,504		18,453,298	28,512,200	18,453,298
Starting Common Related		23,438					
Common 94 Optn 24, 300		1,250,000	0,000				8,820,000
Common 96 Optn 24, 300		61,667	0,000			770,826	770,826
Common Optn 25 30 1000		250,000	0,000			1,274,608	1,274,608
Total Starting Common Optn		1,561,667	0,000			8,820,000	8,820,000
Total Starting Common		1,661,867	0,000			8,820,000	8,820,000
Securities Related							
Michales Common		350,134	33,563		4,376,675	11,751,547	4,376,675
Michales Common		466,867	33,563		4,376,675	11,751,547	4,376,675
Michales 62 Optn 12,50 0800		300,000	21,063		798,450	6,318,100	798,450
Michales 62 Optn 12,50 0800		300,000	21,063		798,450	6,318,100	798,450
Michales 62 Optn 12,50 0800		50,000	21,063		133,075	1,053,100	133,075
Michales 94 Optn 12,50 0800		500,000	21,063			1,053,100	1,053,100
Total Optn		450,000			8,213,575	7,772,200	8,213,575
Total Michales		1,265,861			8,213,575	19,123,867	8,213,575
Maverick Fund							
Maverick Fund, LLC		10,231,400	437,029	3,844,862	8,808,375		3,844,862
Maverick Fund, LLC (AR/Scottish Holdings)		3,763,023	437,029	3,766,252	3,766,252		3,766,252
Maverick Fund, LLC		10,633,307	437,029		3,877,918	6,866,862	3,877,918
Maverick Fund, LLC/Scottish Annuity Policy		5,022,648	437,029		5,032,348	24,134,416	5,032,348
Maverick Fund, LLC		7,599,789	437,029			2,000,900	3,303,842
Maverick Fund, LLC		437,029					
Maverick Fund, LLC ED							
Total Maverick Fund		12,613,233	121,877	18,000,187	8,253,307	32,603,819	8,253,307
Maverick Larned Fund							
Maverick Larned Fund		10,231,298	1,091,427	9,863,433	10,934,337		9,863,433
Maverick Larned Fund Equalization		133,935	133,935				133,935
Total Maverick Larned Fund		10,365,233	1,225,362	9,997,366	10,934,337		9,997,366
Greenmountain							
Greenmountain		2,032,581	6,870	6,051,206	13,035,215		6,051,206
Greenmountain		326,067	6,870			1,936,386	2,174,867
Total Greenmountain		2,358,648	8,013,298	13,035,215		8,013,298	13,035,215
Other Public Securities							
Scottish Annuity & Life Holdings, Ltd		312,447	10,063			3,333,339	3,143,752
Scottish Annuity & Life Holdings, Ltd						16,129	0
Scottish Annuity & Life Warrants "A"		550,000	0,000	435,567	132,691		0
Philadelpia Control		442,302	0,000	435,567	132,691		0
Total Other Public Securities						3,349,668	3,143,752
Private Holdings							
Scotia Holdings						1,077,312	1,077,312
rsn Holdings						18,467	1,077,312
Overlaid International		1,766,152	349,243		333,333	634,910	333,333
Long Fund Series 5			100,004		2,906,223	3,020,806	2,906,223
Worship Trust			110,895	110,895			119,995
Total Private Holdings					0	2,239,555	3,555,415
Total Securities			28,232,473	24,711,339	31,183,848	71,139,819	13,009,482
Accounts Receivable							
Art Collectibles							
Total Assets			37,793,522	30,274,613	49,322,845	88,888,339	28,211,157
Liabilities							
Accounts Payable							
Lehman's Long Term Debt							
Lehman's Finance (SSW Swap)							
Lehman's Interest (SSW Swap)							
Other Long Term Debt							
Arbitrage							
Total Liabilities			21,818,528	21,818,528	9,806,351	5,836,869	5,836,869
Total Liabilities & Equity			21,818,528	21,818,528	9,806,351	5,836,869	5,836,869
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
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Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
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Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
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Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
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Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
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Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18,720,915	18,720,915	18,720,915
Total Equity			21,818,528	21,818,528	18		

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"Michelle Boucher "
<mboucher@candw .ky

To: <shuebner@ [REDACTED]>, <swyly@ [REDACTED]>
cc: <khennington@ [REDACTED]>, <shari_robertson@ [REDACTED]>
<evan_wyly@ [REDACTED]>

>
08/31/2001 11:36 AM

Subject: URGENT email for Sam, We need a quick reply on this - thanks!

Sam,

Keeley and I need to touch base with you on a couple of things relating to the foreign trust system:

1. Withdrawal from Maverick Fund offshore to raise cash for other investments.

I received an email from Lee and Shari last night indicating that you thought the withdrawal of Maverick this month was going to be reinvested. This is not the case. As per the cash flow information we discussed on August 3rd, the Trustees have requested a withdrawal of \$30Million from the Scottish Annuity Policy. The withdrawal is being made in two stages - \$20Million at September 1st and \$10Million at October 1st. The Scottish Annuity policy will redeem their Maverick investment to raise cash. The cash will then be withdrawn from the Scottish Annuity Policy and transferred back to the trust. The trust will use this cash for various other purposes, such as acquiring Beverly Drive, investing in Ranger, Greenmountain and funding commitments to Red River and Winston Thayer and funding construction at Two Mile Ranch. As you are aware the cash reserves in the trusts have been considerably diminished, raising this cash will also replenish the 'working' cash balances for other unforeseen investments that may arise over the near term.

FYI, there has been no action to sell Michaels Stores shares from the offshore trust yet. A decision on whether to liquidate some of these holdings has been deferred at this time, but will be revisited when cash needs arise again.

2. Withdrawal from the Scottish Annuity Policy.

As indicated above, a decision was made to withdraw the Maverick Fund holdings that reside in the Scottish Annuity Policy and withdraw part of the policy. As discussed with you, this was arrived at for the following reasons:

- the Maverick investments held directly by the trusts (not in a Scottish Policy) are lower in dollar value and would easily be transferred as a block to Ranger when the need for additional Maverick holdings to keep Ranger's investment ratios in line is needed.
- advice was obtained from Rodney Owens last year indicating that he didn't feel the annuity gave the trust much additional tax advantage, and in the event that the trust was challenged having the annuity in place would be insignificant to the overall picture.
- the annuity policy was originally acquired, in part, to provide seed capital to Scottish's book of business which was no longer necessary
- cost of continuing to hold the annuity (although this is less of a concern now as fees were significantly reduced effective January 2001 to 10 basis points, which is approximately \$50K per year at this time)

The Trustees submitted the withdrawal request and initially Scottish Annuity agreed to the withdrawals. I had a couple of conversations with Scottish about this, but there was no real fuss made about it. However, this week, I received an email from Mike French which I found very offensive. Apparently

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he had gone back to Rodney Owens to find out if he had been consulted on the withdrawal. Rodney allegedly denied being consulted, despite the advice he had given us last year (as you may recall the trustees requested full withdrawals of the policies for December 31st, 2000, which were subsequently withdrawn when Scottish agreed to lower their fees). Mike then contacted the trustees and indicated that he was aware that Rodney had not been consulted and that this decision was being made without proper legal advice and as far as he was concerned the withdrawal was a grave mistake. I have attached Mike's email to me, and to the trustees below. I have also included my response to Mike as an attachment to this email.

I feel that it was wholly inappropriate for Mike to initiate discussion on these matters with Rodney Owens, without consent of the family or the trustees, and I find it disturbing that Rodney has denied being consulted on this matter. I don't know in what capacity Mike felt he was communicating with the trustees, as he is no longer a protector and I am personally insulted at his implications that we/I would undertake any activities without receiving appropriate advice and proper consultation with the family members and trustees. I did respond to Mike, and have attached my email to him,

Now that I have finished ranting :-). in order to be certain that you are aware of the implications of surrendering the Scottish policy, I have outlined the issues again for you below. Keeley, Shari and I discussed this yesterday, and contacted Rodney Owens, who confirmed that the following is an accurate description of the issues. Please also review Mike's discussion as per his email which follows mine.

- The policy is owned by a 1992 trust, which is a Foreign Non-Grantor Trust. The trust income is currently not subject to US taxation, however, the trust converts to a taxable trust 2 yrs after your death.

- The annuity is providing value if this status is successfully challenged. If the trust is successfully challenged, taxes, interest and penalties could be levied on income earned by the trust within the statute period, which we can assume is 6 yrs.

- The annuity defers income, and assuming the annuity transaction is upheld, the annuity provides us with deferral of taxes, interest and penalties on income equal to the value of the policy at it's ultimate surrender date.

- This trust has over \$300M in assets, \$50M of which are in the annuity. It is only the \$50M in the annuity that we have the potential to defer tax, interest and penalties on. Income earned on the balance of assets in the trust, during the statute period, would be subject to tax, interest and penalties if the trust were successfully challenged.

- If we withdraw from the policy now, we are eliminating the potential deferral of taxes, interest and penalties on further income earned by these assets. We are also running the risk that if the trust is successfully challenged within the next 6yrs, the withdrawal amount could be assessed tax at ordinary income tax rates, interest and penalties. However, we do start the clock on running on the 6 yr statute for this lump sum being recognized as ordinary income. Note that this lump sum will roll into the overall assets of the trust which will earn future income that could be assessed if the trust were challenged down the road (as is the case with the existing trust assets that are not wrapped).

We need to withdraw money from Maverick to fund other activities. However, we could avoid actually withdrawing value from the annuity by swapping in

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Ranger investments to replace the cashed out Maverick. ie. the annuity redeems Maverick for cash, then the annuity uses the cash to buy Ranger investments from other trust entities. The trust ends up with cash out of the annuity but the value in the annuity is maintained - the only change to the annuity is that it now holds Maverick and Ranger rather than just Maverick.

FYI, Shari indicated that unless you want to cash in the annuity to more fully sever the relationship with Mike, she would recommend you keep the annuity in place. Keeley and I have mixed feelings on it. The annuity is a relatively small element of the total trust, and it has no value if the trust is never challenged. If the trust is challenged the value depends on the timing of the challenge and the value of the withdrawal now vs. the value at it's ultimate surrender date and the return earned on it during that period. Last year Rodney was happy with us making the withdrawal and indicated the cost didn't warrant any potential benefit the annuity gave us. During our call yesterday, he was not as positive, but he did not tell us this was a bad idea, as is indicated in Mike's emails, Rodney was non-committal and felt like we understood the issues and once explained, this was a decision for the family to make.

Please call either Keeley or I to discuss. I can be reached on 345-916-0516 or 345-946-9435 over the weekend and through Monday. I need to go back to the trustees on this on no later than Tuesday morning.

The following copies of emails are:
- Mike's email to the trustees
- Mike's email to me
- my response to Mike.

Thanks,
Michelle
ps. you looked great on Moneyline on Wednesday :)

```
>>> -----
>>> From: mike [REDACTED]
>>> Sent: 28 August 2001 17:54
>>> To: davidh [REDACTED]
>>> Subject: Annuity surrender
>>>
>>> David
>>>
>>> I am forwarding an e-mail I sent to Michelle about the requested
>>> surrender
>>> of a portion of the Bulldog annuity. My personal opinion is that this
>>> is
>>> not a wise move. The potential tax risks do not appear to have been
>>> fully
>>> explored with the principals involved. I know that R. Owens, the legal
>>> advisor was not consulted and believes that this is not a good idea
>>>
>>> I think you should ensure that the appropriate principals are aware of
>>> this
>>> before the funds are withdrawn from the annuity. Once the genie is out
>>> of
>>> the bottle, we can't put it back in.
>>>
>>> Mike French
>>> ----- Forwarded by Mike French/Tartan on 08/28/2001 11:48 AM -----
```

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>>>
>>>
>>> Mike French
>>>
>>> To: mboucher@ [REDACTED]
>>>
>>> 08/27/2001 cc:
>>>
>>> 01:11 PM Subject: Annuity
>>>surrender
>>>
>>>
>>>
>>>
>>>
>>>
>>> Michelle
>>>
>>> I understand from Chad that a portion of the "Bulldog" annuity is
>>>proposed
>>> to be surrendered. Before this is accomplished, I believe it would be
>>> advisable for the Principals to understand the grave negative tax
>>> implications that a surrender could have to them.
>>>
>>> The annuity exists because there is always a risk that the trust in
>>> question will be classified by US tax authorities as a grantor trust,
>>>thus
>>> subjecting the settlor to taxation on all of the trust income. If this
>>> were
>>> the case, a claim would be made for all income of the trust for the
>>>most
>>> recent three, and probably six, years. This problem will never go away
>>> until six years after the death of the settlor. While there are
>>>statutes
>>> of
>>> limitation that would bar some claims with respect to the trust, there
>>>is
>>> NO statute of limitations that would bar a claim that the trust is a
>>> grantor trust until six years after the death of the settlor.
>>>
>>> Based on the history of this annuity and the amount of gain deferred,
>>>the
>>> entire amount proposed to be withdrawn would be classified as ordinary
>>> income for U.S. income tax purposes. If there is any action by the
>>> authorities in the next six years to classify the trust as a grantor
>>> trust,
>>> then the settlor will be subjected to a claim for taxes equal to 40%
>>>of
>>> the
>>> amount withdrawn plus interest and, possibly, penalties.
>>>
>>> If the primary desire here is to replace the existing investments with
>>> other investments, that can be accomplished without surrendering the
>>> annuity. I will be happy to discuss how that could be done. As you
>>>know,
>>> the fees on the annuity were substantially lowered last year, so I
>>>presume
>>> that cost is not the issue.

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>>>
>>> Before any portion of the annuity is surrendered and the funds are
>>> returned, I need written confirmation from you that the potential tax
>>> consequences outlined above have been fully explained to, and are
>>> fully
>>> understood by, the Principals. Once a surrender takes place, the tax
>>> problem thus created cannot be cured, and will be there for the next
>>> six
>>> years. I strongly recommend that the Principals consult with Rodney or
>>> some
>>> other knowledgeable advisor regarding this action, as my personal
>>> opinion
>>> is that it is a grave and unnecessary mistake.
>>>
>>> Mike

-----Original Message-----

From: Michelle Boucher [REDACTED]
To: Mike [REDACTED]
Date: Thursday, August 30, 2001 8:41 PM
Subject: annuity surrender

>Mike,
>
>I apologise for my late response on this matter, but I have been traveling
>and am only just able to reply. I appreciate your concerns and desire to
>ensure that the principals are well informed about making this decision,
>especially in light of the fact that you originally recommended the
>transaction.
>
>I am aware of the issues you outlined, and as was customary during your
>term
>of service as a protector to these trusts, legal counsel was in fact
>consulted with regard to this matter and the actions taken which resulted
>in
>the submission of the the request to make this withdrawal are consistent
>with the advice obtained. Withdrawals from this policy have been under
>consideration by the Trustees, and consultations have taken place with
>legal
>counsel on this matter for over a year.
>
>With regards to your request that I furnish you with a letter as outlined
>in
>your email. I am not aware that the terms of the annuity contract provide
>that Scottish Annuity can refuse to release surrender proceeds under these
>circumstances.
>
>Although I presume you did so out of genuine concern for the
>affairs of the principals, I feel it was inappropriate for you to discuss
>the details of these confidential issues and transactions with Rodney Owens
>and the Trustees prior to communicating your intent to do so with us.
>Further, it appears that you have been misinformed as to the advice that
>was
>given and the discussions that have taken place regarding this transaction
>I suggest that to avoid any similar confusion in the future, you liaise
>with either myself or Keeley, we are both in direct and frequent
>communication with Rodney and the Trustees.
>
>As always, your assistance and comments on matters such as these are

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greatly
>appreciated. I expect that if there are any changes regarding the
surrender
>of this policy, the trustees will be in contact with Chad at Scottish
>Annuity in
>the next few days.
>
>Michelle
>
>

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"Michelle Boucher"
mboucher@

12/01/2000 09:45 AM

To: Shari Robertson
cc:
Subject: Re: SAC annuity policies

As long as they will let us distribute in kind I can do it at either date, and would rather get it done now than try to co-ordinate it over the year end. Will see how difficult they want to make things.

----- Original Message -----
From: Shari_Robertson/
To: Michelle Boucher
Sent: Friday, December 01, 2000 10:50 AM
Subject: Re: SAC annuity policies

If you can't redeem until 12/31, can't you distribute in kind and then liquidate the LDC shares and issue Ltd shares?

I haven't heard a word from anyone. You know the saying - curiosity killed the cat - but I'd still like to know what happened.

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"Michelle
Boucher"
Robertson/M
To: Shari
cc:
Subject: SAC annuity policies
12/01/00
11:31 AM

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SW told us to go ahead and have the trustees make this withdrawal. Kathy contacted Chad yesterday/today and although he verbally confirmed to me Wednesday that a distribution could be made in kind (this is provided for in Section 7 of the contract) and he didn't see any problem, he is apparently giving the trustees a bit of the run around - saying that he has to get it cleared due to the size involved etc....

Just letting you know because you may hear something from MCF on this and wanted you to know it had proceeded. This was discussed at the Geneva meetings, and since the Protector powers on the 1992 trusts is limited to hiring and firing the trustee, he really should not have recourse on this. SW also indicated that this is in keeping with the severing of the relationship and he should expect it. (as you know we are also planning to acquire life ins policies with the proceeds)

The only wrinkle, which MCF may think of, and I already have is that the annuity holds shares in LDC, so I have to transfer them from the policy to the trust, from the trust to the company and then redeem from LDC and receive shares of Ltd as consideration or simultaneously acquire Ltd shares using LOA's. Hoping to do this as all non-cash transactions at December 1st. But have advised Michelle P that we may be wiring \$ around and losing it for 2 days at year end.

Will let you know how this moves forward.
Have heard nothing of the meeting yesterday - have you?

Michelle

 -att1.htm

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From: Evan Wyly
Sent: Thursday, November 15, 2001 2:21 PM
To: Michelle Boucher <[REDACTED]>
Cc: CWyly@[REDACTED] donmiller@[REDACTED] khennington@[REDACTED]
 Sam_Wyly@[REDACTED]
Subject: Re: Fw: Scottish Annuity Share Certificates- URGENT

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Just spoke to Sam. All of this sounds fine to him. Whether to sell to Bear Stearns should be a separate issue that depends on the attractiveness of their offer.

"Michelle Boucher" [REDACTED]
 11/15/01 01:18 PM

To: <evan_wyly@[REDACTED]>, <donmiller@[REDACTED]>
 <Sam_Wyly@[REDACTED]>, <CWyly@[REDACTED]>
 cc: <khennington@[REDACTED]>
 Subject: Fw: Scottish Annuity Share Certificates- URGENT

I have had a 'formal' reply from Scottish on the share certificate issue, which is much more involved than originally contemplated. It is attached for your information.

The Scottish Annuity policy withdrawals relate to SW side withdrawals that we submitted regarding Bulldog's policy.

Michelle

----- Original Message -----

From: "Willkomm, Scott" <[REDACTED]>
 To: <mboucher@[REDACTED]>
 Sent: Thursday, November 15, 2001 11:51 AM
 Subject: Scottish Annuity Share Certificates

> Hi Michelle --
 >
 > I hope you and your family are doing well.
 >
 > Mike mentioned to me that you had called him or emailed him regarding the
 > lost share certificates. I have to apologize that I didn't get involved
 > in
 > the first person on this earlier, because I have a workable solution.
 >
 > I did talk with Keeley Hennington yesterday (I think) briefly about the

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 EXHIBIT #66 - FN 1015

MAV012715

> solution I am proposing and she said she would get back to me.
 >
 > To summarize:
 >
 > 1. The trusts pay the premium to the bonding company (Chubb) -- I
 > understand that this has already taken place and that the transfer agent
 is
 > in possession of the checks but has not cashed them -- P.S. on this
 item --
 > we're not going to get around the need to post a bond (you may know that
 > from your conversations with Jones Day). I've offered a number of
 > suggestions to the transfer agent, to no avail.
 >
 > 2. Chubb has verbally agreed to accept an indemnity from Scottish
 > Annuity -- they need to do some underwriting, but that shouldn't be an
 issue
 > -- thus the trusts don't need to provide an indemnity and have to disclose
 > financial statements, etc.
 >
 > Upon the acceptance of our indemnity, the transfer agent will issue new
 > certificates.
 >
 > This is what I need to do to make it happen:
 >
 > 1. I need someone from the Wyllys to agree to this approach and give me
 > the go ahead
 >
 > 2. I need to get our Board to authorize the indemnification -- I will
 > need to circulate a resolution and get it signed up
 >
 > 3. I need to fill out the affidavit/indemnity provided by Chubb and get
 > it notarized
 >
 > 4. I need to provide Chubb with a financial package on the company for
 > their underwriting
 >
 > In addition, I need a few things:
 >
 > 1. Assuming we can free up the shares, we would like the Wyllys to
 > rescind their annuity redemption requests -- Sam had already agreed
 earlier
 > this year not to redeem the annuities once before when we agreed to
 > substantially lower the M&E fees. While I do understand the financial
 > planning that is driving this redemption request, I have an alternative
 for
 > providing him with sufficient liquidity (item 2)
 >
 > 2. I have spoken confidentially with Bear Stearns about doing a block
 > trade with the trusts to provide them with certain liquidity. Bear would
 > purchase all of the shares in a single trade as principal at market less a
 > modest discount. With the amount of shares in question, you will receive

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> better price execution than trying to dribble the shares out. The liquidity
> in this stock is virtually nil since we have added a large number of
> institutional holders to our shareholder base. If you look at the trading
> patterns over the past nine month, any sale of shares in excess of a few
> thousand shares has a tendency to knock the price down. This is, of course,
> one of the many problems with Nasdaq. After purchasing the shares from the
> trust, Bear will reoffer them to the market over time in an orderly fashion.
~~> This block-trade needs to be handled by the Bear Equity Transactions Desk~~
in
> New York to get you the proper execution. This is not a retail broker
> trade. If you want to do this, it can get done very quickly and I will need
> to get Bear going.
>
> 3. Even with the sale in #2 above, the trust are the shareholders of
> record on the shares as of Nov 2. I would like the trusts to vote "yes" on
> our transaction with Pacific Life before Thanksgiving.
>
> Send me an email and let me know what you would like to do. I should be
> able to get the certificates issue resolved in a few days.
>
> Best regards,
>
> Scott
>

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 Amy Castillo
12/14/2000 06:49 AM To: irshtst@
cc:
Subject: Scottish Redemptions...

00213	SAC P136-014 Castle Creek			
00214	SAC P136-015 Lake Providence			

Those two weren't in the sheet w/in 30 days....

Did we make an exception? I assume it is Wyly related.. (?)

Let me know.

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PSI_ED00044136

Global Family (SW & CW) Priced at 12/31/02	SW Face Value	CW Face Value	Total Family Face Value	Market Value	Total Family Total Equity	Global Family (SW & CW Total)	% assets	% equity
	8,174,056	54,481,260	136,225,299	671,430,151	54,680,520	36,537,465	8.8%	7.4%
Network in Scottish Policy								

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PSI ED00092539

Global Family (SW & CN) Period as 09/30/03									
SW Assets or Pay Value	CN Assets or Pay Value	Total Family Pay Value	Market Value	SW Global Total Family	CN Global Total Family	Global Family (SW & CN Total)	In	Out	Net
81,084,0327	54,450,8602	135,534,8929	866,483,226	54,355,564	36,225,194	90,580,758	6.5%	7.1%	
Marked in Swedish Policy									

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Global Family (SW & CW)	SW Shares or Pct Value	CW Shares or Pct Value	Total Family Share of Pct Value	SW Global Total Family	CW Global Total Family	Global Family (SW & CW Total)	% assets	% equity
Global Family (SW & CW)	SW Shares or Pct Value	CW Shares or Pct Value	Total Family Share of Pct Value	SW Global Total Family	CW Global Total Family	Global Family (SW & CW Total)	% assets	% equity

SAC Policy	Maverick	Levered
5,152,9276	2809,507407	14,476,907
0.9%	0.9%	1.0%

SAC Prices in RMS Class I Class C	
18,048.5123	1063.512001
	19,194.816
	19,194.816
	1.2%
	1.3%

	6/30/2019	6/30/2018	% Change
Total Assets	\$64,041,115	\$61,014,405	4.9%
Total Liabilities	\$94,941,519	\$105,334,371	-9.8%
Total Equity	\$6,119,596	\$4,679,034	31%

4339

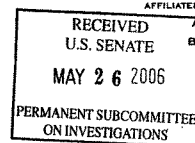
LEBOEUF, LAMB, GREENE & MACRAE LLP

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E-MAIL ADDRESS: jbest@LLGM.COM
WRITER'S DIRECT DIAL: (202) 986-8004
WRITER'S DIRECT FAX: (202) 986-3302

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AFFILIATED OFFICE
ALMATY
BEIJING



May 26, 2006

FOIA CONFIDENTIAL TREATMENT REQUESTED
BY LEBOEUF, LAMB, GREENE & MACRAE LLP

BY HAND

Mark D. Nelson, Esquire
Majority Counsel
Robert L. Roach, Esquire
Minority Counsel and Chief Investigator
United States Senate Committee on Homeland Security & Governmental Affairs
Permanent Subcommittee on Investigations
199 Russell Senate Office Building
Washington, D.C. 20510

Re: **Permanent Subcommittee on Investigations subpoena addressed to Scottish Holdings, Inc.**

Dear Messrs. Nelson and Roach:

We enjoyed meeting with you and your colleagues on April 20, 2006. During our meeting, you requested additional information concerning a few topics. Below we set forth your requests and our client's responses. Please note that nothing in these responses shall be deemed to waive any rights, privileges or protections available or applicable to Scottish Re, including but not limited to the Cayman Islands' Confidential Relationships (Preservation) Law.

Request No. 1: Why did Chubb request additional indemnification in connection with the misplaced restricted share certificates.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1023

Mark D. Nelson, Esquire, Majority Counsel
 Robert L. Roach, Esquire, Minority Counsel and Chief Investigator
 May 26, 2006
 Page 2

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Response: Chubb issued a bond to cover the transfer agent and wanted to be indemnified in the event of a wrongful presentment of the original, misplaced certificates. Only Scottish Re could have recognized the ownership of these shares and allowed the restricted legend on the certificates to be removed. If Scottish Re had recognized ownership by someone wrongfully presenting these lost shares and permitted removal of the legend, indemnification would ensure that Scottish Re, not Chubb, would ultimately be responsible for this error.

Request No. 2: Additional information concerning a \$52 million policy.

Response: The funds for this policy are invested in LifeInvest Opportunity Fund, an insurance dedicated fund managed by Bermuda-based Tremont Advisors.

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 on Investigations

Request No. 4: Additional information concerning fund advisors, such as (a) how they were selected and (b) how they were paid.

Response: Fund advisors are recommended by policyholders but approved and appointed by Scottish Re. Fund advisors are paid out of segregated assets.

Request No. 5: Additional information concerning the investment advisor for the Wyllys' trusts.

Response: Ranger Capital is the investment advisor for one Wyly policy. The other Wyly policy has no investment advisor as the funds are invested in LifeInvest. Scottish Re believes that Michelle Boucher may be the protector of the Wyllys' trusts.

Request No. 6: The names of the "independent directors" who requested a copy of the Prudential Securities Fairness Opinion and approved the purchase of Scottish Annuity Company.

Response: Board minutes reflect that Directors Robert Chmely and G. William Caulfield-Browne voted on the purchase, and Director Michael Austin also recalls voting on this purchase. Scottish Re could not determine who requested the opinion.

Request No. 7: With respect to Scottish Re's estimation of how many of its wealth management products are owned by or insure a U.S. person, what does the term "U.S. connection" or "U.S. nexus" include (and would this term encompass a Cayman corporation owned by a U.S. person)?

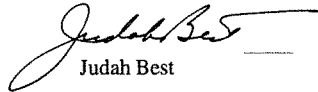
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Mark D. Nelson, Esquire, Majority Counsel
Robert L. Roach, Esquire, Minority Counsel and Chief Investigator
May 26, 2006
Page 3

Response: An individual with a U.S. address or some other physical connection to the U.S. (e.g., education, employment or a residence in the U.S.) is considered to have a U.S. connection or nexus. A U.S. person owning a policy through a Cayman company is also considered "connected" to the U.S.

We hope that this additional information proves helpful. If you have any questions, please do not hesitate to contact me at (202) 986-8004.

Regards,


Judah Best

FAMILY OFFSHORE	Market Value	Total Shares or Face Value	SW Foreign Total Family FMV	CW Foreign Total Family FMV	Consolidation Elimination	Total Family Offshore FMV	% assets	% equity
Priced at 12/31/04								
Cash			20,480,481	1,388,337		21,878,788	2.4%	8.1%
US Government Bonds							0.0%	0.0%
Total cash & gov't bonds			20,480,481	1,388,337		21,878,788	2.4%	8.1%
BACPOLICY - CASH			22,881	58,884		78,488	0.8%	0.8%
Loans & Advances Receivable							0.0%	0.0%
Loan - Security Capital (SW Ranger)			1,305,210			1,305,210	0.1%	0.3%
Loan - Highland Stargate (S Canon)							0.0%	0.0%
Loan - Security Capital (Wrangler)			25,839,853			25,839,853	2.8%	6.7%
Loan - Security Capital - SW			515,000	32,126,755	(420,000)	32,216,755	3.6%	8.3%
Other loans & advances			27,784,164	32,126,755	(420,000)	59,489,919	6.4%	18.4%
Total Loans & Advances Receivable								
Investments in Funds								
Maverick Fund	804 088522	71 136 7560	35,153,784	22,048,485		57,202,249	0.2%	14.6%
SAC Policy - Maverick Levered	2809 50741	5,152,8276		14,476,907		14,476,907	0.6%	3.7%
Maverick Stable Fund	20,000 00	128 4981	2,568,181			2,568,181	0.3%	0.7%
Maverick Levered Fund-Restricted	2731 53626	1,302,5430	3,357,943			3,357,943	0.4%	0.9%
Maverick Levered Fund-Unrestricted	2809 50741	18,102 5509	2,036,663	56,849,251		52,805,434	0.7%	13.1%
Total Maverick related			45,317,562	87,342,613		130,796,195	14.2%	33.8%
Ranger Multi Strategy	1114 4764	3,487 9156	3,882,290			3,882,290	0.4%	1.0%
SAC Policy in RMS Class I Class C	1063 5123	18,048 5133		18,194,818		18,194,818	2.1%	5.0%
Ranger Multi Strategy Enhanced-Unrestricted	1198 56835	17,978 525		17,979,525		17,979,525	1.8%	4.7%
Ranger Multi Strategy Enhanced-Restricted	1180 00771	37,570,422	37,570,422			37,570,422	4.1%	9.7%
Ranger Partners (via RFA)	869 0461	116 7190	57,427	46,342		103,769	0.0%	0.0%
Ranger Hedge Equity (via RFA)	65 8482	88 1991	1,871	7,666		4,857	0.0%	0.0%
Ranger Arbitrage (via RFA)	987 1920						0.0%	0.0%
Ranger Small Cap - Long Only			3,437,149	7,068,307		10,505,056	1.1%	2.7%
RPL Holdings - Class B - Wrangler	880 5424	5,000 0000	4,802,712			4,802,712	0.5%	1.3%
RPL Holdings - Class C - Select	1107 0193	31,753 0799	28,675,911	5,326,749		36,005,960	3.8%	9.1%
Total Ranger related			78,432,781	48,821,629		129,153,778	14.4%	33.4%
Newcastle Offshore Fund	081 0383	14,309 7858	14,058,448			14,058,448	1.6%	3.9%
Total Newcastle			14,058,448			14,058,448	1.6%	3.9%
First Dallas International	55 54003	403,971 1174		27,438,138		27,438,138	3.0%	7.1%
Total First Dallas International				27,438,138		27,438,138	3.0%	7.1%
SAC Policy in Highgate Offshore		60,000 0000		6,643,860		6,643,860	0.0%	1.8%
LifeInvest Opportunity Fund	106 3343	584,841 0158	81,814,405			81,814,405	6.7%	18.0%
SAC Policy - Partners Global Fund	1000	2,000 0000		2,000,000		2,000,000	0.2%	0.5%
SAC Policy in Global Undervalued Sec Fund	1048 85	2,000 0000		2,007,300		2,007,300	0.2%	0.5%
Total Investments in Funds			186,693,188	174,182,832		372,886,118	46.4%	96.8%
Investments in Public Companies								
Michaelis Stores Stock	29 97	5,013 404	64,321,814	85,830,104		150,251,718	18.3%	38.9%
Total Michaelis Stores			64,321,814	85,830,104		150,251,718	18.3%	38.9%
CA Common Stock	31 06		15,080,297	7,810,978		22,891,272	2.5%	6.0%
CA Options 10/06/06 25 0710	8 7759	2 619 810	2,258,229	1,129,815		3,388,044	0.4%	0.9%
CA Options 03/01/07 24 1835	10 0250	338 040	17,338,528	9,849,580		25,388,116	2.8%	6.9%
Total Computer Associates			13,218,786	9,860,363		19,828,149	2.2%	5.1%
SCOT CIA Via 11/23/04 \$15	12 02	1 650 000	13,218,786	9,860,363		18,828,148	2.2%	5.1%
Total Scottish Annuity			13,218,786	9,860,363		18,828,148	2.2%	5.1%
Total Investments in Public Companies			94,878,808	101,490,877		196,458,983	21.3%	50.9%
Investments in Private Companies								
Greenmountain Blvd	3 5	15,946 134	47,556,201	8,265,260		55,811,470	6.1%	14.4%
Greenmountain Series A Prof	3 5	753 012		2,635,542		2,635,542	0.3%	0.7%
Greenmountain Series B Prof	3 5	491 189		1,719,057		1,719,057	0.2%	0.4%
Greenmountain Series C Prof	3 5	1,788 806	6,260,116			6,260,116	0.7%	1.5%
Greenmountain Series J Prof	3 5	2,090 374	7,316,306			7,316,306	0.8%	1.6%
GFI, LLC			8,200,000			8,200,000	0.9%	2.1%
GFI loan 9% 06/01/07 incl interest			53,108,636			53,108,636	5.8%	13.8%
GFI loan 9% 06/01/07			12,619,907			12,619,907	1.4%	3.2%
GFI loan 9% interest							0.0%	0.0%
Total Greenmountain			135,361,831	12,895,868		147,871,398	18.0%	36.3%
Intelecon (Restructured)							0.0%	0.0%
Irish Holdings/Pruf Trust	130 51	23,000	2,175,210	1,087,540		3,262,750	0.4%	0.8%
Highland Stargate Trust Company			137,638,741			137,638,741	18.4%	36.2%
Total Investments in Private Companies			19,432,750	13,987,407		19,432,750	2.1%	4.9%
Other Investments			480,375,182	288,817,220		738,882,499	80.2%	191.8%
Investments in Real Estate Trusts/Companies								
Rosemary's Circle Ranch Management Trust			43,031,427			43,031,427	4.7%	11.1%
Other real estate			16,096,529	13,600,602		29,697,130	3.2%	7.7%
Total Investments in Real Estate			59,127,956	13,600,602		72,728,557	7.9%	18.8%
Investments in Art, Jewelry & Collectibles			20,843,981	7,161,375		28,005,356	3.0%	7.3%
TOTAL ASSETS			578,847,750	343,788,288	(420,000)	822,615,044	100.0%	238.7%
Loans & Advances Payable								
BAS Michael STAFF 68 9% (incl interest)			27,882,958			27,882,958	3.0%	7.2%
Intertrust Advances			420 000		(420,000)		0.0%	0.0%
Bank Credit Line							0.0%	0.0%
Mortgage							0.0%	0.0%
BAS Margin Advance							0.0%	0.0%
Security Capital (Malibu)							0.0%	0.0%
Other loans and advances			87 137			87,137	0.0%	0.0%
Total Loans and Advances Payable			28,390,095		(420,000)	27,970,095	3.0%	7.2%
Annuity Payable			141,370 493	166 424 021		507,794 514	55.1%	131.5%
TOTAL LIABILITIES			344,760 588	166 424 021	(420,000)	535,764 610	64.1%	138.7%
NET EQUITY			238,857 167	177 364 267		386,850 434	46.9%	100.0%
TOTAL LIABILITIES & EQUITY			578,847,750	343,788,288	(420,000)	822,615,044	100.0%	238.7%

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1024

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Lake Providence, IFG Foreign Non-Grantor - 1992 Priced at 12/31/04	Shares or Face Value	Market Value	Lake Providence		Sarnia Investments		Consolidation Elimination		Total Lake Providence		% assets	% equity
			Book	FMV	Book	FMV	Book	FMV	Book	FMV		
Cash			1,238	1,238	190,983	190,983	2	2	192,223	192,223	0.2%	0.3%
Bank of Bermuda											0.0%	0.0%
Bank of America Securities											0.0%	0.0%
Lehman Brothers			1,238	1,238	190,983	190,983	2	2	192,223	192,223	0.2%	0.3%
Total Cash												
US Government Bonds			22,601	22,601					22,601	22,601	0.0%	0.0%
SAC CASH			23,839	23,839	190,983	190,983	2	2	214,824	214,824	0.3%	0.3%
Total cash & gov't bonds												
Loans & Advances Receivable					23,642,680	23,642,680	(23,642,680)	(23,642,680)			0.0%	0.0%
Intercompany advances					14,522,746	14,522,746			14,522,746	14,522,746	17.5%	21.8%
Intertrust advances											0.0%	0.0%
Other loan receivable											0.0%	0.0%
Total Loans & Advances Receivable					38,165,426	38,165,426	(23,642,680)	(23,642,680)	14,522,746	14,522,746	17.5%	21.8%
Investments in Funds											0.0%	0.0%
Maverick Fund		804,0865									0.0%	0.0%
Total Maverick related											0.0%	0.0%
Ranger Multi Strategy											0.0%	0.0%
Total Ranger					5,500,000	6,490,537			5,500,000	6,490,537	7.8%	9.7%
Ranger Multi Strategy		1180 098			5,500,000	6,490,537			5,500,000	6,490,537	7.8%	9.7%
Total Ranger Multi Strategy Enhanced					5,500,000	6,490,537			5,500,000	6,490,537	7.8%	9.7%
Total Ranger related												
LifeInvest Opportunity 584,941.5159		106.3343	15,000,000	61,614,405					15,000,000	61,614,405	74.4%	82.4%
Total LifeInvest Fund			15,000,000	61,614,405					15,000,000	61,614,405	74.4%	82.4%
Total Investments in Funds					5,500,000	6,490,537			5,500,000	6,490,537	7.8%	9.7%
Other Investments											0.0%	0.0%
Sarnia Investments LI		1	2	2			(2)	(2)			0.0%	0.0%
Total Other Investments							(2)	(2)			0.0%	0.0%
TOTAL ASSETS			15,000,002	61,614,407	5,500,000	6,490,537	(2)	(2)	20,500,000	68,104,942	102.1%	124.3%
Loans & Advances Payable			23,642,680	23,642,680			(23,642,680)	(23,642,680)			0.0%	0.0%
Intercompany Advances											0.0%	0.0%
Intertrust Advances											0.0%	0.0%
Total Loans & Advances Payable												
Annulity Payable			23,642,680	23,642,680	16,170,263	16,170,263			16,170,263	16,170,263	19.5%	24.3%
TOTAL LIABILITIES			23,642,680	23,642,680	16,170,263	16,170,263	(23,642,680)	(23,642,680)	16,170,263	16,170,263	19.5%	24.3%
Net Equity			(8,618,639)	37,995,968	27,895,148	28,976,863			19,007,307	68,672,249	60.5%	100.0%
TOTAL LIABILITIES & EQUITY			15,023,841	61,618,248	43,890,408	44,946,948	(23,642,680)	(23,642,680)	35,237,970	82,842,512	100.0%	124.3%

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1024

CONFIDENTIAL
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SCOTTISH ANNUITY & LIFE HOLDINGS, LTD.
Private Placement Transactions

Transaction	Date	Holder	Securities	Investor Class
Initial Formation	June 9, 1998	Scottish Holdings, Ltd.	1,500,000 Ordinary Shares	Initial Shareholder
Securities Purchase Agreement	June 9, 1998	Michael C. French	750,000 Class A Warrants	Accredited Investor
Securities Purchase Agreement	June 9, 1998	Michelle L. Boucher	50,000 Class A Warrants	Accredited Investor
Securities Purchase Agreement	June 9, 1998	Audubon Asset, Limited	500,000 Class A Warrants	Accredited Investor
Securities Purchase Agreement	June 9, 1998	Souleana Limited	250,000 Class A Warrants	Accredited Investor
Warrant Purchase Agreement	June 18, 1998	Roman Arch Fund L.P.	120,000 Class B Warrants	Institutional Accredited Investor
Warrant Purchase Agreement	June 18, 1998	Roman Arch Fund II L.P.	80,000 Class B Warrants	Institutional Accredited Investor
SHL Distribution	June 24, 1998	Aundyr Trust Company Limited, acting Solely as trustee of The Bessie Trust	570,000 Ordinary Shares	Initial Shareholder
SHL Distribution	June 24, 1998	Aundyr Trust Company Limited, acting Solely as trustee of The Lynchburg Trust	15,000 Ordinary Shares	Initial Shareholder
SHL Distribution	June 24, 1998	Aundyr Trust Company Limited, acting Solely as trustee of The Chisholm Trust	15,000 Ordinary Shares	Initial Shareholder

152,800 O.S.

DL: 1016280-1

FOIA Confidential Treatment Requested

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1026

SCREPSI 000423

Transaction	Date	Holder	Securities	Investor Class
SHL Distribution	June 24, 1998	Northern Bank Trust (TOM) Company Limited, acting Solely as trustee of The South Madison Trust	570,000 Ordinary Shares	Initial Shareholder
SHL Distribution	June 24, 1998	Trident Trust (TOM) Limited, acting Solely as trustee of The Bessie Trust	285,000 Ordinary Shares	Initial Shareholder
SHL Distribution	June 24, 1998	Altonco International Limited	45,000 Ordinary Shares	Initial Shareholder
Warrant Transfer Agreement	October 22, 1998	Sam Wyly	100,000 Class A Warrants	Accredited Investor
Warrant Transfer Agreement	October 22, 1998	Charles J. Wyly, Jr.	50,000 Class A Warrants	Accredited Investor
Securities Purchase Agreement	October 22, 1998	Audubon Asset, Limited	472,813 Ordinary Shares and 133,333 Class A Warrants	Large Institutional Accredited Investor
Securities Purchase Agreement	October 22, 1998	Souleana Limited	236,407 Ordinary Shares and 66,667 Class A Warrants	Large Institutional Accredited Investor
Securities Purchase Agreement	October 22, 1998	Maverick Fund USA, Ltd.	209,078 Ordinary Shares and 58,960 Class A Warrants	Qualified Institutional Buyer and Institutional Accredited Investor
Securities Purchase Agreement	October 22, 1998	Maverick Fund, LDC	460,709 Ordinary Shares and 129,920 Class A Warrants	Qualified Institutional Buyer and Institutional Accredited Investor

DL 101628v1

2

Transaction	Date	Holder	Securities	Investor Class
Securities Purchase Agreement	October 22, 1998	Maverick Fund II, Ltd.	39,433 Ordinary Shares and 11,120 Class A Warrants	Qualified Institutional Buyer and Institutional Accredited Investor
Repurchase Agreement	October 22, 1998	Northern Bank Trust (IOM) Company Limited, acting Solely as trustee of The South Madison Trust	200,000 Class A Warrants	Institutional Accredited Investor
Repurchase Agreement	October 22, 1998	Audubon Asset, Limited	466,667 Class A Warrants	Accredited Investor
Repurchase Agreement	October 22, 1998	Souleanna Limited	233,333 Class A Warrants	Accredited Investor

DL: 10/6/2004

3

FOIA Confidential Treatment Requested

SCREPSI 000425

FACSIMILE COVER PAGE

TO: Evan Wyly From: Michelle Boucher
 CC: Shari Robertson
 COMPANY: Fax: 345-949-2519
 FAX: 1-214-880-4082 / 52 Tel: 345-949-0658
 DATE: June 17th, 1998

We are transmitting ____ page(s). Please contact the undersigned if there is a problem with the transmission.

Evan / Shari,

Here is an organization chart regarding the structure that has been set up. I have also attached a copy of the minutes I have had executed. These minutes basically create the Life Assurance Company and its intermediary Holding Company, and fund it with initial capital of \$500,000 (funded from Scottish Holdings, by way of a dividend from Scottish Annuity). These are the only minutes I have had signed to date. I also have an application for an insurance licence ready to file on behalf of Scottish Life Assurance. Which should be submitted by the end of this week.

There are draft minutes circulating to approve the registration statement, but they are currently under revision in New York, as well as a Scottish Holdings, Ltd shareholder agreement. Mike indicated that the shareholder agreement had been circulated to, and approved by Sam, Evan and Charles, but I will re-send it once I have a final copy.

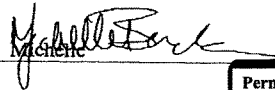
The initial capitalization of Scottish Life also provides for the sale of 1,550,000 warrants for a total of \$100,000 as follows:

MCF	750,000	\$ 48,387.10
Bessie	500,000	\$ 32,258.06
Tyler	250,000	\$ 16,129.03
MLB	50,000	\$ 3,225.81
		<u>\$100,000.00</u>

Since the Trusts are acquiring these, I will need protectors consent for the investment and corresponding wire transfer.

I have also attached a draft of the opening consolidated balance sheet on Scottish Life Holdings, Ltd.

I look forward to hearing from you with comments and/or questions.


 Michelle Boucher

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1029

SR 0000752

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

Michael C. French ("French"), for his part, and Sam Wyly and Evan Wyly (together, the "Wyllys"), for their part, enter into this Settlement Agreement and Mutual Release ("Agreement") on this 21st day of December 2000. The intent of this Agreement is to sever all direct and indirect business and professional relationships between French and the Wyllys, to resolve all claims that French has asserted against the Wyllys, and to forever end all disputes between French and the Wyllys, except insofar as may be necessary to enforce this Agreement.

RECITALS

A. Contemporaneously with the execution of this Agreement and effective as of the date hereof, Michaels Stores, Inc. ("Michaels") and French have agreed to terminate that certain Consulting Agreement dated October 1, 1996, and in connection with termination of such Consulting Agreement, Michaels has agreed to pay to French \$540,000 no later than January 15, 2001 in satisfaction of all unpaid amounts due thereunder. French and Michaels have also agreed to a mutual release of any and all claims related to such Consulting Agreement.

B. Contemporaneously with the execution of this Agreement and effective as of January 1, 2001, French has withdrawn as a limited partner of Maverick Capital, Ltd. ("Maverick") with the consent and approval of Maverick Capital General, L.L.C., the General Partner of Maverick. In consideration for such withdrawal and termination of his entire equity interest in Maverick, Maverick has agreed to pay to French an amount equal to the difference between (i) the sum of (a) \$151,000, the amount of French's capital account as of January 1, 2000, (b) the amount of Maverick's net earnings for 2000 allocable to French in accordance with Maverick's established practices pursuant to Maverick's Third Amended and Restated Partnership Agreement, dated as of January 1, 1997 ("French 2000 Earnings"), and (c) the value

as of January 1, 2001 of those amounts held in Participant Accounts established in French's name pursuant to the Maverick Capital, Ltd. Amended and Restated Deferred Income Plan, effective as of January 1, 1998, and (ii) \$200,000. Maverick has agreed to pay to French no later than January 23, 2001 (the "Settlement Date") the sum of (i) the amount determined pursuant to the preceding sentence without taking into account French 2000 Earnings and (ii) 95% of estimated French 2000 Earnings determined as of the Settlement Date. No later than March 31, 2001, Maverick has agreed to pay to French the difference between French 2000 Earnings determined on the basis of its audited financial statements and the amount taken into account pursuant to the preceding sentence. Maverick and French have agreed to a mutual release of all claims related to Maverick and French's limited partnership interest in Maverick.

C. The parties hereto desire to resolve certain disagreements among themselves in order to avoid the hazards and costs of litigation and the effects of possibly adverse publicity on their respective businesses.

AGREEMENT

For good and valuable consideration, the parties to this Agreement agree as follows:

1. On the Settlement Date, the Wyls shall pay or cause to be paid to French the sum of \$15,309,000 to resolve all disputed claims among them. Such amount shall be paid by one or more certified or cashier's checks payable jointly to French and Godwin, White & Gruber, P.C.
2. French, for himself and for each of his family members, agents and employees, hereby fully releases and forever discharges Sam Wyly, Evan Wyly, their family members, trusts the beneficiaries of which include any such person or persons and any entity controlled directly or indirectly by one or more of the foregoing (each of Sam Wyly, Evan Wyly and such family members, trusts and entities, a "Wyly Person") and their agents and employees, now and forever, of and from any and all claims, demands, liabilities, obligations, causes of action and losses of

every kind and nature, whether known or unknown, that have been or that could have been asserted on or prior to the date hereof, including, without limitation, any claim that French is entitled to any equity participation (whether documented or undocumented) in any Sam Wyly-related or Evan Wyly-related enterprise. French represents that he has the authority to enter into this release and agrees to indemnify each Wyly person against any loss or expense resulting from the assertion of any claim released hereunder. THE RELEASE CONTAINED IN THIS PARAGRAPH DOES NOT AFFECT THE OBLIGATIONS OF SAM WYLY AND EVAN WYLY SET FORTH IN THIS AGREEMENT.

3. Sam Wyly and Evan Wyly, for themselves and for each other Wyly Person and their agents and employees, hereby fully release and forever discharge French, his family members, agents and employees, now and forever, of and from any and all claims, demands, liabilities, obligations, causes of action and losses of every kind and nature, whether known or unknown, that have been or that could have been asserted on or prior to the date hereof. THE RELEASE CONTAINED IN THIS PARAGRAPH DOES NOT AFFECT FRENCH'S OBLIGATIONS SET FORTH IN THIS AGREEMENT.

4. That certain letter agreement dated January 24, 1997 between French and the Wyllys is voided and shall have no further force or effect.

5. All oral agreements and understandings between French on the one hand and any Wyly Person on the other hand are voided and shall have no further force or effect.

6. French agrees that neither he nor his family members, agents, employees or any entity controlled by any of the foregoing shall at any time with any person, agency or entity take a position inconsistent with the position that the fair market value of any interest in Maverick is equal to its book value. French represents that no such person has taken any such inconsistent

position during the period November 30, 2000 to the date hereof. French acknowledges that the provisions of this Section 6 constitute a material inducement to the Wyllys to enter into this Agreement.

7. French acknowledges that he is obligated not to disclose any confidential attorney-client communications between himself and any Wyly Person, as well as any attorney work product created in connection with French's work as counsel for any Wyly Person. If French receives a subpoena or an order requiring disclosure of such communications or work product, he shall promptly notify the Wyllys so that they may object to such subpoena or order.

8. French represents that he has returned to each Wyly Person all of the files, including attorney work product, generated or collected in connection with any and all of French's work as counsel for such Wyly Person and that he has used his reasonable best efforts to locate all such files. French agrees to return any such files subsequently located to the relevant Wyly Person.

9. This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective family members, agents, employees, assignees and successors-in-interest.

10. The terms of this Agreement are confidential and shall not be disclosed to any other person, except for disclosure required by law or regulation. If any party to this Agreement receives a subpoena or order requiring disclosure of this Agreement or any of its terms, that party shall immediately advise the other parties to this Agreement so that they may take appropriate action to oppose the subpoena or order.

11. This Agreement contains the entire agreement of the parties regarding the resolution of their differences and supersedes any and all prior representations, agreements or understandings that may be alleged to exist.

12. Any disputes relating to this Agreement shall be litigated in Dallas County, Texas.

13. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

14. Any amendment or modification of this Agreement, including consent to any deviation from its terms, shall not be binding unless the same is in writing and signed by the parties to this Agreement.

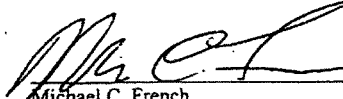
15. French, for his part, and the Wyllys, for their part, have retained separate legal counsel to advise them on this Agreement and on the claims giving rise to this Agreement. French has not relied on any advice given by the Wyllys' counsel, nor have the Wyllys relied on any advice given by French's counsel in connection with this Agreement or the effect of any of its terms.

16. French, for his part, and the Wyllys, for their part, have consulted their respective tax advisers concerning this Agreement and the effect of its terms on their respective tax liabilities. French has not relied on the views or advice of the Wyllys' tax advisers, and the Wyllys have not relied on the views or advice of French's tax advisers in any respect concerning this Agreement or the effect of any of its terms on their respective tax liabilities.

17. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

4353

Dated this 24th day of December 2000.


Michael C. French

Sam Wyly

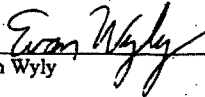
Evan Wyly

4354

Dated this 2 day of December 2000.

Michael C. French

Sam Wyly

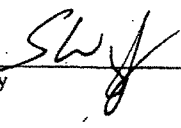


Evan Wyly

4355

Dated this ____ day of December 2000.

Michael C. French



Sam Wyly

Evan Wyly

= Redacted by the Permanent
Subcommittee on Investigations



"Michelle Boucher"

To: <evan_wyly@>

cc:

Subject: SCOT shares - tradeable stock

05/23/01 03:26 PM

On Friday May 18th, Lehmans confirmed a closing price on SCOT of \$15.13 and booked the sale of 270,000 shares between IFG and Trident entities. The trustees at Trident are now able to sell these shares in the market.

The stock has been selling between \$14.75 and \$15.75 for the past two weeks. The protectors are prepared to recommend that the trustees use Lou Schaefe to move the stock out in the market, at his discretion but at no less than \$15 per share. The trustees will also ask Lou to keep an eye out for any opportunities for large block trades. The protector recommendation will go out overnight and trading should commence tomorrow.

I'll keep you updated on trading volume and pricing.

Michelle

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1034

CONFIDENTIAL
SECI00077060
PSI00088927

— = Redacted by the Permanent
Subcommittee on Investigations

LOCKE LIMITED

(Incorporated in the Isle of Man No: 77573C)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

CONFIRMATION

ONLY.

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man, IM2 4RR.

Tel: (01624) 630600
Fax: (01624) 624469

***** FACSIMILE TRANSMISSION *****

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Page 1 of 1 (Total Sent)

Date: 1st August 1997

Time Sent: 9.39

Fax No: 001 214 [REDACTED]
Operator Ref: INST 1 DISB 1064

TO: LEHMAN BROTHERS INC.
ATTENTION: CINDY MURDOCK/SUZANNE SNAVELY

FROM: LOCKE LIMITED

REF: KJ/DW/LOCKIF.5 / 10066

Can you please immediately arrange to realise the sum of US\$18,000,000.00 (Eighteen million United States Dollars) by the liquidation of US Dollar Treasury Bills held for our Account with you.

The sum realised should then be remitted as soon as possible to the following Account:-

Bank: Citibank N.A.
399 Park Avenue
New York
CITI US 33
0210 0008-9

Swift Address:
Routing No:
CHIPS and
FEDWIRE No:
For credit to the Account of:
Account No:
For further credit to:
Account No:
Reference:

994
Bank of Bermuda (Cayman) Limited
[REDACTED]
Queensgate Bank & Trust
[REDACTED]
GMP Holdings 1991

We look forward to receiving confirmation of the above transactions. However, if there are any difficulties in complying with the request or if any delays are envisaged, will you please let us know as soon as possible.

Yours faithfully,

N.J. Carter,
Director.

R.E. Befroy,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1037

CC 022566

4358

LOCKE LIMITED

(Incorporated in the Isle of Man No: 77573C)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man, IM2 4RB.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)

Date: 20th November, 1997

Time Sent:

Fax No: 001 214 [REDACTED]
Operator Ref: INST I DISB 1064

TO: CINDY MURDOCK, LEHMAN BROTHERS

FROM: LOCKE LIMITED

REF: KJ/SLD/STORE/LOCKE.FAX

RE: TREASURY BILLS

Reference is made to the Treasury Bills maturing 20 November 1997 and 18 December 1997 held for our account.

We write to confirm the request that the proceeds of the Treasury Bill maturing 20 November 1997 should be retained within our account. We further confirm that from the Treasury Bill maturing 18 December 1997, the sum of US\$1,400,000 (one million, four hundred thousand United States Dollars) is required to be realised as soon as possible.

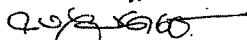
From the amounts received as a result of the above transactions, will you then please effect the following transfer for value 24 November 1997:-

Amount: US\$3,746,515 (three million, seven hundred and forty six thousand five hundred and fifteen United States Dollars)
Bank: Bank of Bermuda, New York.
ABA No: 026 009 946
Account: Queensgate Bank & Trust Company
Account No: [REDACTED]
Reference: GMP Holdings 1991

We look forward to receiving confirmation of the transfer in due course. However, if you have any difficulties in complying with these instructions or if additional information is required, will you please contact us as soon as possible.

It is confirmed the original of this communication will be mailed to you.

Yours faithfully,


N. Field-Corbett,
Director.


N.J. Carter,
Director.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1037

CC 022572

— = Redacted by the Permanent
Subcommittee on Investigations

ROARING CREEK LIMITED
(Incorporated in the Isle of Man No. 58055)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)	Date: 20th November, 1997.
Time Sent:	Fax No: 001 214 [REDACTED] Operator Ref: INST 1 DISB 49
TO:	CINDY MURDOCK LEHMAN BROTHERS INC
FROM:	ROARING CREEK LIMITED
REF:	KJ/SLD/STORE/ROARCRK.FAX

RE: TREASURY BILL MATURING 20 NOVEMBER 1997

Reference is made to the Treasury Bill held for our account maturing 20 November 1997.

We now write to confirm the request made by telephone that the proceeds of maturity should be held for our account and not reinvested.

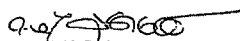
From the proceeds of maturity, can you please effect the following transfer for value 24 November 1997:-

Amount: US\$1,200,000 (one million, two hundred thousand United States Dollars)
Bank: Bank of Bermuda, New York.
ABA No: 026 009 946
Account: Queensgate Bank & Trust Company
Account No: [REDACTED]
Reference: GMP Holdings 1991

We look forward to receiving confirmation of the transfer in due course. However, if you have any difficulties in complying with these instructions or if additional information is required, will you please contact us as soon as possible.

It is confirmed the original of this communication will be mailed to you.

Yours faithfully,


N. Field-Corbett,
Director.


N.J. Carter,
Director.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1037

CC 016377

4360

ROARING FORK LIMITED

(Incorporated in the Isle of Man No. 58056)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)

Date: 20th November 1997

Time Sent:

Fax No: 001 21-
Operator Ref: INST 1 DISB 65

TO: CINDY MURDOCK
LEHMAN BROTHERS INC

FROM: ROARING FORK LIMITED

REF: KJ/SLD/STORE/ROARFRK.FAX

= Redacted by the Permanent
Subcommittee on Investigations

RE: TREASURY BILL MATURING 20 NOVEMBER 1997

Reference is made to the Treasury Bill held for our account maturing 20 November 1997.

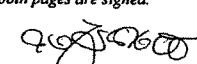
We now write to confirm the request made by telephone that the proceeds of maturity the sum of US\$1,830,000 (one million, eight hundred and thirty thousand United States Dollars only) be retained and the balance proceeds of maturity then reinvested into a new Treasury Bill to mature 18 December 1997.

From the amount retained will you please effect the following transfers:-

- Amount: US\$1,803,485 (one million, eight hundred and three thousand, four hundred and eighty five United States Dollars)
Bank: Bank of Bermuda, New York.
ABA No: 026 009 946
Account: Queensgate Bank & Trust Company
Account No:
Reference: GMP Holdings 1991
- Amount: US\$26,500 (twenty six thousand, five hundred United States Dollars)
Bank: Citibank N.A., 111 Wall Street, New York City
ABA No: 021000089

These instructions comprise of two pages and are not valid unless both pages are signed.


N.J. Carter,
Director.


N. Field-Corbett,
Director.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1037

CC 016626

EAST CARROLL LIMITED

(Incorporated in the Isle of Man No: 57929)

Directors:N.J. Carter
N. Field-Carter (Irish)= Redacted by the Permanent
Subcommittee on Investigations**Registered Office:**International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of 1 (Total Sent) Date: 23rd October 1998
Time Sent: Fax No: 001 214 [REDACTED]
Operator Ref: INST 1 DISB 1099
TO: LOU SCHAUFEL / MICHELLE CRITTENDEN
LEHMAN BROTHERS INC
FROM: EAST CARROLL LIMITED
REF: N/DG/EASTC23F3


We write to confirm that it is required to realise the sum of US\$2,200,000.00 from disposal of US Agency Bonds held for our Account with you. The amount is then required to be remitted, if possible for value next Monday 26 October 1998, to the following Account:-

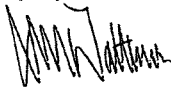
Bank: IBJ Schroder Bank & Trust Company, New York
ABA No: 026007825
CHIPS: 782
In favour of: Queensgate Bank & Trust Company Limited
Account: [REDACTED]
For further credit to: GMP Holdings Limited
Sub-Account: 1991
By order of: East Carroll Limited

We look forward to receiving confirmation when the transfer has been made as requested. However, should there be any difficulties in complying with these instructions or if additional information is required, please contact us on the above telephone or fax number as soon as possible.

It is confirmed the original of this communication will be sent to you by Courier.

Yours faithfully,


N.J. Carter,
Director.


J.M. Watterson,
Authorised Signatory.

2002/002 2 LEHMAN BROTHERS

23/10/98 16:32 001624 624469

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1038

CC 020008

ROARING FORK LIMITED
(Incorporated in the Isle of Man No. 58056)

Director:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

ORIGINAL

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of 1 (Total Sent)

Date: 25th November, 1998

Time Sent:

Fax No: 001 214 [REDACTED]
Operator Ref: INST1DISB

TO: CINDY MURDOCK/LOU SCHAUFEL
LEHMAN-BROTHER INC

FROM: ROARING FORK LIMITED

REF: MQ/KW/CIND25F4

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Dear Cindy,

Further to our fax of this morning where we have asked you to realise US\$1,500,000.00 from our holding in US Agency Bonds, please be advised that we require the cash to be wired to the following account:


Bank: IBI Schroder Bank & Trust Company
New York.
United States of America.

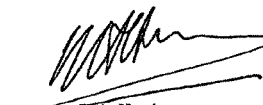
ABA Number: 026007825 OR
CHIPS No: 782

In favour of: Queensgate Bank & Trust Company Limited
Account Number: [REDACTED]
For further credit to: GMP Holdings
Sub Account: 1991

We will require value today and we look forward to receiving your confirmation that this transaction has been executed.

Yours sincerely,


N.J. Carter,
Director.


D.A. Harris,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1038

CC 016765

DORTMUND LIMITED
(Incorporated in the Isle of Man No. 77648)

Director:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

*** FACSIMILE TRANSMISSION ***

The information contained in this fax is confidential and/or privileged. This fax is intended to be read only by the person named below. If the reader of this fax is not the intended recipient or a representative of the intended recipient you are hereby notified that any review, dissemination or copying of this fax is prohibited. If you have not received all the pages or have received this fax in error, please notify the sender by telephone and return this fax to the sender at the above address.

Page 1 of (Total Sent)

Date: 25th November 1998

Time Sent:

Fax No: 001 214 720 9464
Operator Ref: INST DISB

TO: CINDY MURDOCK/LOU SCHAUFLE
LEHMAN BROTHERS INC

FROM: DORTMUND LIMITED

REF: MQ/KW/CIND25F3.4

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Cindy,

Further to our recent discussions, please be advised that we require US\$341,607.00 to be transferred from funds held by you in cash on behalf of the our Company to the following account:-

Bank: IBJ Schroder Bank & Trust Company
New York
United States of America.

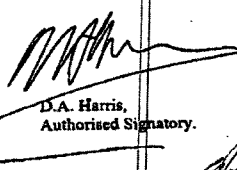
ABA Number: 026007825 QR
CHIPS No: 782

In favour of: Queensgate Bank & Trust Company Limited
Account Number:
For further credit to: GMP Holdings
Sub Account: 1991

We will require value today and we look forward to receiving your confirmation that this transaction has been executed.

Yours sincerely,


N.J. Carter,
Director.


D.A. Harris,
Authorised Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1038

CC 018933

Elaine Spang

05/03/99 11:28 AM

To: Kasey Henington
cc:

Subject: Green

I just learned that Sam signed a letter authorizing Green Funding I to loan greenmountain.com \$22,000,000 under a non-recourse loan. My understanding is that an offshore entity will loan the funds to Green Funding I under a similar non-recourse loan, and GF1 will turn the funds around to gm.com. Par Share, the funds will be loaned only upon a 30 day advance request from gm.com, because the offshore entity will have to liquidate a portion of its Maverick investment. The first request is for \$5,000,000 on June 1. Sam had to sign in order to get AA to sign off on last year's audit.

Are there any tax issues from:

- the structure of the loans
- the possibility that the loan may not be repaid by greenmountain.com to GF1 (Does GMF1 then have taxable income from the funds received from the offshore entity? Is the income offset by the bad debt?)
- anything else I haven't thought about

John McCafferty:
214- [REDACTED]

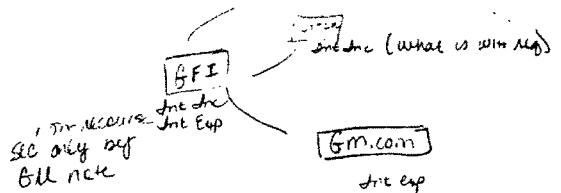
[copy to
Henry signed]

artificial
running out of
funding

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

portfolio interest

Does GFI own of foreign
10% or more entity?



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1039

CONFIDENTIAL
HST_PS1005574



— Redacted by the Permanent
Subcommittee on Investigations

From: Evan Wyly@ [REDACTED] on 03/29/2000 02:25 PM

To: Michelle Boucher, Shari Robertson [REDACTED]

cc: ralexander [REDACTED]

Subject: Green Mountain Convertible Debenture Term Sheet

Sam recommends fulfilling the Green Mountain request for \$7 million for April. Green Mountain expects BP Amoco to invest \$50 million in two tranches in a security that is similar to the attached \$50 million convertible debenture. The \$7 million would be invested in the attached security. There are other strategic and institutional investors who are expected to invest in this security. Sam recommends investing whatever remaining balance that other investors do not take of the \$50 million. Charles will be contacting you regarding participation.

----- Forwarded by Evan Wyly/Mavenck on 03/29/00 02:00 PM -----

"Fallon, Veronica"

To: evan wyly

cc: "Canon, Scott"

"Zamore, Peter"

03/28/00 02:21 PM

Subject: Convertible Debenture Term Sheet

Evan, Scott asked me to send you the enclosed term sheet. Scott is dealing with Goldman to get an exact price per share on a fully diluted basis. Please let me know if you have any questions. <<TERMS FOR CONVERTIBLE SECURITY 3-28-002.doc>>

Veronica M. Fallon
Assistant General Counsel
GreenMountain.com
55 Green Mountain Drive, P.O. Box 2206
South Burlington, VT 05407-2206
Telephone: (802) [REDACTED]
Fax: (802) [REDACTED]



- TERMS FOR CONVERTIBLE SECURITY 3-28-002.doc

Has Michelle checked original?

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1040

CONFIDENTIAL
SEC100025634
PS100037501

4366

2148884852 SHARI ROBERTSON

282 P81 APR 13 '99 11:17

JONES, DAY, HEAVIS & POGUE

3267: cab
968670-040005
4/13/99

*Elaine-
Michelle is going
to call Chris
with changes.
Shari*

*To: Shari
From: Michelle*

To: Ms Shari Robertson

GREENMOUNTAIN.COM COMPANY

Re: Unit Distribution

The following sets forth the steps necessary to effect the proposed pro-rata distribution of units (the "Units") of Green Mountain Energy Resources, L.L.C. (the "Company"). Please confirm that the Unit numbers are correct.

Step 1: Green Funding I L.L.C. would distribute 6,000,000 Units as follows:

*transfer
to Maverick
Fund USA, Ltd.*

Green Funding II L.L.C. ✓ 5,376,000 Units ✓
Maverick USA Corp. ✓ 219,648 Units ✓
EB&M Holdings, Ltd. ✓ 404,352 Units ✓

Before 1999 transaction

Step 2:

A. Green Funding II L.L.C. would distribute 5,876,000 Units (includes 5,376,000 Units received from Green Funding I L.L.C. and 500,000 Units already owned of record) as follows:

*5065377
688079
90528
90528
376000*

*500,000
5,376,000*

GMP Holdings, Ltd. *4,990,497* 4,990,497 Units - 5,065,378
Green Funding Corp. *688,079* 688,079 Units - 629,566 ✓
Andrew Wyly Trust *90528* 98,717 Units - 90,528 ✓
Christiana Wyly Trust *90528* 98,717 Units - 90,528 ✓

OK per transaction

B. Maverick USA Corp. would distribute 219,648 Units to Maverick Fund USA, Ltd.

C. EB&M Holdings, Ltd. would distribute 404,352 Units to Maverick Fund L.L.C.

appears to be before 1999

added contribution

- USA, EB&M + Fund II missing.

*Copy To:
Michelle B
Elaine Spang -
We all need to get
thoughts to discuss
Shari*

DL 1042753v2

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1043

PSI-WYBR 00516

4367

2148884052 SHARI ROBERTSON

202 P07 APR 13 '99 11:17

JONES, DAY, REAVIS & POGUE

Step 3:

A. GMP Holdings, Ltd. would distribute 4,990,487 Units as follows:

Dortmund Limited	66,873 Units
Moorehouse Limited	256,012 Units
Richland Limited	366,801 Units
Locke Limited	2,135,928 Units
Greenbriar Limited	759,552 Units
Devotion Limited	630,798 Units
Roaring Fork Limited	365,304 Units
Roaring Creek Limited	79,349 Units
Rugosa Limited	83,840 Units
Little Woody Limited	139,235 Units
Elegance Limited	107,295 Units

B. Green Funding Corp. would distribute ~~688,079~~ Units as follows:

Sam Wyly	3,308 Units	3022
Evan Wyly	5,505 Units	5037
Laurie Wyly Trust	199,818 Units	182,796
Cheryl Wyly Trust	79,817 Units	73,119
Lisa Wyly Trust	199,818 Units	182,796
Kelley Wyly Trust	199,818 Units	147,796

Please let me know whether the above Unit numbers are correct. Thank you for your assistance.

Christopher A. Butner
(214) [REDACTED]

April 13, 1999

cc: John McCafferty
Troy Lewis
Anna Marie Dempsey

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

DT: 1042785v2

- 2 -

PSI-WYBR 00517

[REDACTED] = Redacted by the Permanent
 Subcommittee on Investigations

(IF OWNERSHIP STAYS THE SAME THRU GF1 LEVEL)

Green Mountain Entities Cash Call	Green Corporation %	Cash Call	Green Fund 2 %	Cash Call	Green Fund 1 %	Cash Call
		134,992		715,000		0
	12.0000%	16,199				
	8.0000%	10,799				
	20.0000%	26,998				
	20.0000%	26,998				
	20.0000%	26,998				
	20.0000%	26,998				
Green Corp GMP Holding (A)			18.8800%	134,992		
			77.3500%	553,053		
			1.8850%	13,478		
			1.8850%	13,478		
Green Funding 2 Maverick USA EB&M					80.0000%	0
					7.1700%	0
					12.8300%	0
	100.0000%	134,992	100.0000%	715,000	100.0000%	0

04/15/99 18:22 FAX

→ MAVCAP ACCING

003/003

GMP Holdings, Ltd	Shares held at 3/1/99	Equivalent Units	Units per Jones Day	difference
Dortmund Limited	804,1900	67,823	66,873	(950)
Morehouse Limited	2,316,8764	250,082	256,012	(4,080)
Richland Limited	3,316,8764	372,351	388,801	(5,550)
Locke Limited	19,311,9568	2,187,954	2,135,828	(32,026)
Greenbriar Limited	8,868,2472	770,802	758,552	(11,250)
Devotion Limited	5,702,3167	640,140	630,788	(9,342)
Roaring Fork Limited	3,303,6560	370,856	365,304	(5,552)
Rousing Creek Limited	715,8034	80,387	79,349	(1,018)
Rugosa Limited	757,9517	86,087	83,840	(1,247)
Little Woody Limited	1,257,9517	141,217	139,235	(1,982)
Elegance Limited	868,1532	108,689	107,295	(1,394)
Total	45,121,9935	5,065,378	4,990,987	(74,381)

Chris you total here ≠ 4,990,487 per Sep(2) A. of you
for -out 500 units

4370

OPERATING AGREEMENT

OF

GREEN FUNDING I, L.L.C.

effective as of

AUGUST 6, 1997

DL: 781373v3

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1044

Confidential Treatment Requested

BA 060725

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**LIMITED LIABILITY COMPANY AGREEMENT
OF
GREEN FUNDING I, L.L.C.**

THIS LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement"), dated as of August 6, 1997, is by and among Green Funding II, L.L.C., a Delaware limited liability company ("GF II"), Maverick USA, Corp., a Delaware corporation ("Maverick USA") and EB&M Holdings, Ltd., a Cayman Islands company ("EB&M") (collectively, "Members"). Unless the context otherwise requires, terms that are capitalized and not otherwise defined in context have the meanings set forth or cross-referenced in Article 10 hereof.

In consideration of the mutual covenants and subject to the terms and conditions of this Agreement, the Company and the Members do hereby agree:

1. ORGANIZATIONAL MATTERS

1.1 Formation of the Company; Term. The Company is a limited liability company under the Act governed by this Agreement and formed by the execution and filing with the Secretary of State of Delaware of the Certificate of Formation of the Company. Unless sooner dissolved under Section 7.1, the Company shall have a term commencing on the date the Certificate of Formation of the Company was filed with the Secretary of State of the State of Delaware and continuing until December 31, 2085.

1.2 Name. The name of the Company is: "Green Funding I, L.L.C."

1.3 Purpose of the Company; Business. The purpose of the Company is to perform all things necessary for or incidental to or connected with or growing out of any lawful business, purpose, or activity in accordance with this Agreement and permitted to be performed by limited liability companies under the Act.

1.4 Principal Place of Business, Office and Agent. The principal place of business and mailing address of the Company and office where the records described in Section 18-305 of the Act are kept is 100 Crescent Court, Dallas, Texas 75201, or at such other location as is specified from time to time by the Members. The registered office of the Company in the State of Delaware is at the offices of the statutory agent of the Company in Delaware. The statutory agent of the Company in Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Members, from time to time, may change the statutory agent in Delaware or the principal place of business of the Company. The Company also may establish additional places of business or offices for maintenance of records as the Members determine are necessary or appropriate. This Section of the Agreement

DL 781373v3

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BA 060728

shall be deemed to be amended by the Members to reflect each change in the identity or address of the registered agent in Delaware.

1.5 Fictitious Business Name Statement; Other Certificates. The Members will, from time to time, register the Company as a foreign limited liability company and file fictitious or trade name statements or certificates in those jurisdictions and offices as the Members consider necessary or appropriate. The Company may do business under any fictitious business names selected by the Members. The Members will, from time to time, file or cause to be filed certificates of amendment, certificates of cancellation, or other certificates as they reasonably consider necessary or appropriate under the Act or under the laws of any jurisdiction in which the Company is doing business to establish and continue the Company as a limited liability company or to protect the limited liability of the Members.

2. INTERESTS AND CAPITAL CONTRIBUTIONS

2.1 Interests and Voting Percentage. Each Member's "Interest", meaning the relative voting power and the relative participation attributable to its interest in profit, loss and distributions by the Company from time to time, is indicated below. Each Member's total capital commitment is also indicated below:

<u>Member</u>	<u>% Interest</u>	<u>Total Capital Commitment</u>
GF II	80.0000%	\$24,000,000.00
Maverick USA	7.0395%	\$ 2,111,850.00
EB&M	12.9605%	\$3,888,150.00

2.2 Capital Contributions. Simultaneously with the execution and delivery of this Agreement, each Member is making the following initial contribution to the capital of the Company:

<u>Member</u>	<u>Contribution</u>
GF II	\$6,440,000.00
Maverick USA	\$573,160.00
EB&M	\$1,043,320.25

Each Member shall make additional capital contributions as deemed necessary by the Managers, except each Member shall not be required to contribute in excess of the Total Capital Commitment set forth opposite the Members name in Section 2.1 of this Agreement unless all Members agree. In the event that any Member elects not to make any capital contribution required hereunder, the other Members may (but shall not be obligated to) contribute to the capital of the Company all such amounts, in which event the percentage Interest of each member making such a contribution shall be adjusted so that, immediately after such contribution, such

Member's percentage Interest shall be a percentage equal to a fraction, the numerator of which is the sum of the capital contributions made by such Member and the denominator of which is the aggregate of the capital contributions theretofore made by all the Members, and concomitantly, the percentage Interest of the non-contributing Member shall be correspondingly decreased.

2.3 Limited Liability of the Members. Unless a Member expressly agrees otherwise in writing, no Member is liable for the debts, liabilities, contracts or other obligations of the Company.

2.4 Withdrawal and Return of Capital; Interest on Capital. Except for the right to receive distributions in accordance with Section 3.1 or upon dissolution, winding-up and liquidation of the Company as provided in this Agreement, no Member has the right to withdraw any of its Capital Contribution. No Member is entitled to receive any interest on its Capital Contribution, or any portion thereof.

3. DISTRIBUTIONS

3.1 Distribution Method. Distributions of cash or other property will be made as and when available, as determined by the Members, by a Required Vote. All distributions are subject to the payment of Company expenses and the maintenance of reasonable Company reserves. Non-liquidating distributions will be made to the Members in proportion to their interests in the Company. A distribution of property other than cash will be made pro rata in kind as well as in value (unless all Members receiving disproportionate distributions agree otherwise).

3.2 Withholding. Notwithstanding anything contained herein, the Managers shall have the right to withhold from a distribution hereunder to any Member any amount of federal, state, local or foreign tax that is required to be withheld by the Company under applicable law, and pay over such amounts to the relevant taxing authority. Any such amounts shall be deemed distributed to such Member for all purposes of this Agreement. In the event the Managers are required to withhold an amount with respect to a Member in excess of the amount otherwise available for distribution to such Member ("Excess Amount"), such Member shall pay to the Partnership the Excess Amount on demand of the Manager (such payment shall not be considered a contribution to the Company hereunder) and if such Member does not pay such amount to the Company, the Manager may, if there are funds available, pay the Excess Amount to the relevant Taxing Authority and, in such case, such Excess Amount shall constitute a recourse loan to such Member payable on demand and bearing interest at 15% per annum. Such Member shall execute any documents required to evidence the foregoing.

4. ACCOUNTING AND CAPITAL ACCOUNTS

4.1 Financial Reporting and Non-Financial Reporting Books. The Company will maintain books and Capital Accounts as required by Section 4.2. The Company will also maintain the additional records contemplated by Section 6.3.

4.2 Capital Accounts. A "Capital Account" will be maintained for each Member in the manner set forth below. The provisions of this subsection are intended to comply with the requirements of Treas. Reg. § 1.704-1(b)(2)(iv) and Treas. Reg. § 1.704-2 with respect to maintenance of capital accounts and partnership allocations, and will be interpreted and applied accordingly.

(a) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv), the Capital Account of each Member will be determined and adjusted as follows:

- (i) Each Member's Capital Account will be credited with:
 - (1) any contributions of cash made by such Member to the capital of the Company plus the Book Basis of any property contributed by such Member to the capital of the Company (net of any liabilities to which such property is subject or which are assumed by the Company);
 - (2) the Member's distributive share of Net Profit and items of income and gain, allocated to such Member under Section 5.2 of this Agreement; and
 - (3) any other increases required by Treasury Regulation Section 1.704-1(b)(2)(iv).
- (ii) Each Member's Capital Account will be debited with:
 - (1) any distributions of cash made from the Company to such Member plus the fair market value of any property distributed in kind to such Member (net of any liabilities to which such property is subject or which are assumed by such Member);
 - (2) the Member's distributive share of Net Loss and items of deduction and loss, allocated to such Member under Section 5.2 of this Agreement; and
 - (3) any other decreases required by Treasury Regulation Section 1.704-1(b)(2)(iv).

5. PROFITS AND LOSSES

5.1 Allocation of Book Items. Net Profit and Net Loss shall be allocated to the Members, after all allocations have been made pursuant to Section 5.2 so as to make their respective Adjusted Capital Account balances stand in proportion to their respective interests.

5.2 Compliance with Section 704(b). The following special allocations shall, except as otherwise provided, be made in the following order:

(a) **Minimum Gain Charge-back.** Notwithstanding any other provision of this Article 5, if there is a net decrease in "partnership minimum gain" or in any partner nonrecourse debt minimum gain (both as defined in Treasury Regulation Section 1.704-2) during any taxable year or other period, prior to any other allocation pursuant hereto, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount and manner required by Treasury Regulation Sections 1.704-2(f) or 1.704-2(i)(4) or any successor provisions. The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2 or any successor provision.

(b) **Qualified Income Offset.** Any Member who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes or increases a negative balance in his or its Capital Account shall be allocated items of Profit sufficient to eliminate such increase or negative balance caused thereby, as quickly as possible, to the extent required by such Treasury Regulation.

(c) **Nonrecourse Deductions.** Nonrecourse deductions (as defined in Treasury Regulation Section 1.704-2) for any taxable year or other period shall be allocated (as nearly as possible) among the Members pro rata in proportion to their respective Interests.

(d) **Partner Nonrecourse Deductions.** Any partner nonrecourse deductions (as defined in Treasury Regulation Section 1.704-2) for any taxable year or other period shall be allocated to the Member that made, or guaranteed or is otherwise liable with respect to the loan to which such partner nonrecourse deductions are attributable in accordance with principles under Treasury Regulation Section 1.704-2(i) or any successor provision.

5.3 Section 704(c) Compliance. In accordance with Section 704(c) of the Code and the applicable Treasury Regulations thereunder, income, gain, loss, deduction and tax depreciation with respect to any property contributed to the capital of the Company, or with respect to any property which has a Book Basis different than its adjusted tax basis, shall, solely for federal income tax purposes, be allocated among the Members so as to take into account any variation between the adjusted tax basis of such property to the Company and the Book Basis of such property. The Company shall use the "traditional method" without curative allocations as provided in Treasury Regulation Section 1.704-3.

5.4 Override. No allocation of Losses or Net Losses, or items thereof, shall be made to any Member if as a result of such allocation, such Members would have a deficit balance in its Capital Account in excess of the amount it is actually obligated to restore or deemed obligated to restore to the Company pursuant to Treasury Regulations under Section 704(b) of the Code. Any such disallowed allocation shall be made to the Members entitled to receive such allocation under the Section 704(b) of the Code in proportion to their respective Interests.

6. MANAGEMENT AND MEMBER RIGHTS

6.1 Management. (a) Except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable law, the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Managers. There shall be two Managers who shall be Evan A. Wylly and Sam Wylly.

(b) A Manager may resign at any time. If a Manager resigns or dies, the number of Managers shall be reduced to one unless the Members, by a unanimous vote taken within sixty days of such vacancy, elects a replacement Manager. If both Managers concurrently resign or die, the Members shall, by unanimous vote, elect replacement Managers.

(c) The Company cannot engage in any of the following except by a Required Vote of the Members:

- (i) sell, exchange, transfer or otherwise dispose of any assets of the Company including all or substantially all of the assets in one or more related or unrelated transactions;
- (ii) issue additional Interests in the Company, create new classes and series of Interests and state and create the rights and terms thereof;
- (iii) confess a judgment against the Company;
- (iv) create, incur, assume or guarantee indebtedness for borrowed money and pledge any or all the assets of the Company as security therefor;
- (v) cause the Company to merge or consolidate with or into any other person or entity and establish the terms of such transaction; and
- (vi) authorize the Company to file a petition for relief or otherwise initiate Bankruptcy.

Additionally, the Members may amend this Agreement pursuant to Section 11.2 below.

(d) The Managers may delegate to other employees and agents of the Company the authority to conduct the business of the Company in accordance with this Agreement and any policy of delegation which may be adopted and revised from time to time by the Managers. Any power not delegated by the Managers remains with them.

6.2 Standard of Care. (a) Any Manager or Member or any director, trustee or officer of any Member serving on behalf of the Company, and any employee of the Company in the performance of his, her or its duties, is fully protected in relying in good faith on information, opinions, reports, or other statements, including financial statements, books of account and other financial data, if prepared or presented by: (i) one or other more Officers or employees of the

Company; or (ii) legal counsel, public accountants, or other persons as to matters are within the person's professional or expert competence.

(b) No Manager or Member, nor any director, trustee or officer of any Member serving on behalf of the Company will be liable to the Company or any Member with respect to claims relating to his, her or its conduct for or on behalf of the Company if he, she or it acted in good faith and in a manner he, she or it reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his, her or its conduct was unlawful.

6.3 Access to and Confidentiality of Information; Records. Each Member has the right, subject to such reasonable standards (including standards governing what information and documents are to be furnished at what time and location and at whose expense) as may be established by a Member, to obtain from the Company from time to time upon reasonable demand for any purpose reasonably related to the Member's interest:

- (i) true and full information regarding the status of the business and financial condition of the Company;
- (ii) promptly after becoming available, a copy of the Company's federal, state and local income tax returns for each year;
- (iii) a current list of the name and last known business, residence or mailing address of each Member;
- (iv) a copy of this Agreement, Certificate of Formation and all amendments thereto, together with executed copies of any written powers of attorney pursuant to which the Agreement and any certificate and all amendments thereto have been executed;
- (v) true and full information regarding the amount of cash and a description and statement of the agreed value of any other property or services contributed by each Member and which each Member has agreed to contribute in the future, and the date on which each became a Member; and
- (vi) other information regarding the affairs of the Company as is just and reasonable.

6.4 Limited Liability of the Members. The Members (solely in their capacity as Members) have no liability for any Company obligations. Any liability to return distributions from the Company is limited to mandatory requirements of the Act or of any other applicable law.

6.5 Tax Matters Partner. GF II is designated as the "tax matters partner" (the "TMP") under Section 6231(a)(7) of the Code. The Tax Matters Partner has the power to:

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- (i) enter into a settlement agreement with the Service with respect to determinations of Company tax items which bind each Member that is not entitled to receive notice of the proceedings from the Service, who is not a member of a notice group defined in Section 6223(b)(2) of the Code, and who has not timely filed a statement with the Secretary of Treasury (or his delegate) providing that the Tax Matters Partner shall not have authority to bind the Member, which settlement may be on such terms as the Tax Matters Partner shall determine in its sole discretion to be in the best interests of the Members as a class;
- (ii) in its sole discretion, decide whether or not to commence judicial action for review of Company items included in a notice of final Company administrative adjustment, with the selection of the appropriate court and the Company items to be contested to be determined in the sole discretion of the Tax Matters Partner;
- (iii) in its sole discretion, determine whether to appeal from an adverse decision in an action commenced pursuant to clause (ii) of this Section 6.6 and prosecute any such appeal;
- (iv) in its sole discretion, intervene on behalf of the Company in any judicial action commenced by any other Member or notice group defined in Section 6223(b)(2) of the Code as to Company tax items;
- (v) file a request with the Service for an administrative adjustment as a substituted Company return, or otherwise, and to request judicial review on behalf of the Company as to any part of a request for administrative adjustment not allowed by the Service, with the selection of the appropriate court, the Company items to be contested and the decision whether to appeal from an adverse decision in any such action to be determined in the sole discretion of the Tax Matters Partner;
- (vi) in its sole discretion, enter into an agreement with respect to all present or former Members to extend the period for assessing any tax which is attributable to any Company item (and no other person is authorized to enter into such an agreement);
- (vii) upon receipt of a notice of the commencement of administrative proceedings by the Service, furnish to the Service the name, address, profits interest and taxpayer identification number of each person who was a Member in the Company at any time during the applicable Company taxable year and such revised or additional information as may be required by law; and

- (viii) conform to any tax administrative requirements as may be placed on Tax Matters Partners by Treasury Regulations adopted after the date hereof as to income tax or any other federal tax applicable to the Company.

Any vacancy in the office of the TMP will be filled from among the Members.

7. DISSOLUTION AND LIQUIDATION

7.1 Dissolution. (a) Notwithstanding any provisions of the Act to the contrary, the Company will dissolve without further action of the Members only by Agreement of the members holding more than 50% of the Interests. No other event, including any event which would cause the withdrawal of a Member under the Act, will cause a dissolution.

(b) Upon dissolution of the Company, the Members will wind up and liquidate the Company by using, in their discretion, either or both of the following methods:

- (i) selling the Company's assets and distributing the net proceeds pursuant to Section 7.2(a); and
- (ii) distributing the Company's assets to the Members in kind in proportion to the credit balances of the Members Capital Accounts, each Member accepting an undivided interest in the Company's assets subject to its liabilities.

(c) Upon completion of the liquidating distributions under Section 7.2, the Company is completely dissolved and terminated.

7.2 Liquidating Distributions.

(a) Upon the dissolution of the Company followed by its winding-up, the proceeds of liquidation will be applied and distributed in the following order of priority:

- (i) first, to the expenses of liquidation and the debts of the Company, other than the debts owing to the Members;
- (ii) second, to the establishment of any reserve which the Members, by a Required Vote, consider appropriate for any contingent or unforeseen liabilities and other obligations of the Company arising out of or in conjunction with the Company's affairs;
- (iii) third, to such debts as are owing to the Members; and
- (iv) fourth, to the Members whose Capital Accounts have credit balances, in proportion to such balances.

(b) Except as otherwise provided in Section 7.2(c) of this Agreement, distributions pursuant to Section 7.2(a) will be made not later than the later of (i) the end of the taxable year in which liquidation of the Company occurs, or (ii) a date which is 90 days after the date of such liquidation.

(c) Amounts withheld as reserves pursuant to Section 7.2(a)(ii) of this Agreement will, to the extent not needed for the purpose of which they were withheld, be distributed as soon as practicable among the Members in accordance with Sections 7.2(a)(iii) and (iv).

7.3 Final Accounting. Each of the Members will be furnished with a statement prepared by the Company's accountants, which shall set forth the assets and liabilities of the Company as of the date of the complete liquidation.

8. TRANSFERS OF INTEREST

8.1 Limitations on Transfers. (a) Except as provided in Section 8.1(b), no Member is permitted to Transfer all or any part of its Interest. Any purported Transfer of a Member's Interest, portion thereof or any other interest in an Interest in the Company in violation of this Agreement is a nullity and vests no title or right in the purported transferee.

(b) Any Member (a "Transferring Member") may transfer its Interest to another entity controlled by or under common control with such Transferring Member and that entity will, upon such transfer, be substituted for such Transferring Member as a Member of the Company having all the rights, powers (and duties and obligations) of such Transferring Member under this Agreement.

8.2 Investment Representation. Each of the Members recognizes that its Interest in the Company has not been registered under the Securities Act of 1933 in reliance on the so-called "private offering" exemption contained in Section 4(2) of said Act. Each of the Members hereby certifies, represents and warrants that he or it is acquiring his or its interest in the Company for investment and not with a view to, or for resale in connection with, any distribution of such interest within the meaning of the Securities Act of 1933.

9. INDEMNIFICATION

9.1 Indemnification. (a) The Company will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of fact that he is or was (i) a Member of the Company, or (ii) is or was an officer or director of a Member, or (iii) is or was serving at the request of the Company as a member, manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or

proceeding if the person met the standard of care set forth in Section 6.2(b). No indemnification will be made in respect of any claim, issue or matter as to which such person is adjudged to be liable to the Company unless, and indemnification will only be made to the extent that, the court in which action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court considers proper. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not meet the standard of care set forth in Section 6.2(b).

(b) To the extent that an employee or agent of a Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.1(a), or in defense of any claim, issue or a matter therein, he will be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith.

9.2 Advancement of Expenses. Expenses (including attorneys' fees) incurred defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Company in advance of the final disposition of any action suit or proceeding upon receipt of an undertaking by or on behalf of the indemnitees to repay such amount if it is ultimately determined that he is not entitled to be indemnified by the Company and upon such other terms and conditions, if any, as the Members, by a Required Vote, deem appropriate.

9.3 Other Rights to Indemnity or Reimbursement; Survival. Indemnification under this Article 9 will be provided only with respect to such losses, costs, expenses, judgments and amounts which otherwise are not compensated for by insurance carried for the benefit of the Company. The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement is not exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

9.4 Additional Indemnification of Employees and Agents. In addition to the right to indemnity set forth in Section 9.1(b), the Company may indemnify any employee or agent of the Company and any employee or Affiliate of any Member serving on behalf of the Company upon such terms and conditions, if any, as the Members, by a Required Vote, consider appropriate.

9.5 Insurance. The Company has the power to purchase and maintain insurance on behalf of any person who is or was a Member, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, trustee, director, officer, employee or agent of another limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under this Section.

9.6 Rules of Construction. (a) For purposes of this Article 9, references to "the Company" include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify, so that any person stands in the same position under this Article with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(b) For purposes of this Article 9, references to "other enterprises" include employee benefit plans; references to "fines" include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Company" include any service as a member, manager, officer, employee or agent of the Company which imposes duties on, or involves services by, such member, manager, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Section.

(c) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 9, unless otherwise provided when authorized or ratified, continues as to a person who has ceased to hold a position and inures to the benefit of the heirs, executors and administrators of such a person.

9.7 Savings Clause. If this Article 9 or any portion of this Article is invalidated on any ground by any court of competent jurisdiction, then the Company will nevertheless indemnify each Indemnitee as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, including any action by or in the right of the Company, to the full extent permitted by any applicable portion of this Article that has not been invalidated and to the fullest extent permitted by applicable law.

10. DEFINITIONS

Unless the context otherwise requires, the following terms (and the singular or plural thereof) used in this Agreement have the meanings set forth below:

"Act" means the Delaware Limited Liability Company Act, Delaware Code, Title 6, Chapter 18 (Section 18-101, *et seq.*), as amended from time to time. Any reference to the Act automatically includes reference to any subsequent or successor limited liability company law in Delaware.

"Adjusted Capital Account" means with respect to any Member for any taxable year, the balance, if any, in such Member's Capital Account as of the end of such taxable year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amounts that such Member is obligated to restore or is deemed obligated to restore as described in the penultimate sentences of Treasury regulation Section 1.704-2(g)(2) and Treasury regulation Section 1.704-2(i)(5) or any successor provisions; and

(ii) debit to such capital account the items described in Treasury regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

"Affiliate" means (i) any Person directly or indirectly controlled by any Member, or (ii) any member of an individual Member's immediate family, which includes spouse, children, parents, or siblings, or trusts for their sole benefit. Without limiting the generality of the foregoing, "control" of a Person means the possession directly or indirectly of the power to direct or cause the direction of the management or policies of such Person; any general partner of a partnership controls the partnership if it is the sole general partner of, or it owns 25% or more of the aggregate capital or profits interests owned by all general partners in, such partnership, but not otherwise; any member of a limited liability company controls the limited liability company if it owns 25% or more of the aggregate capital or profit interests owned by all of the members in such limited liability company; any trustee of a trust controls the trust; any director or executive officer does not control any corporation, and no employer controls any employee.

"Agreement" means this agreement, as amended from time to time, by amendments duly executed and delivered.

"Bankrupt" or "Bankruptcy" means, with respect to any Person, such Person's filing a petition or otherwise voluntarily commencing a case or proceeding or filing an answer or other pleading in any proceeding seeking relief under any federal or state bankruptcy, insolvency or involuntary subject of an order for relief by any court under any such law, or being adjudicated a "bankrupt," "debtor" or "insolvent" under any such law, or there being appointed under any such law a "trustee," "receiver" or "custodian" to manage his or its business or properties, or there being commenced under any such law a case or proceeding proposing such an order for relief, adjudication or appointment with respect to such Person or his or its business, which proceeding is consented to by such Person or which is not dismissed within 90 days after being commenced.

"Book Basis" means with respect to any asset, the asset's adjusted basis for federal income tax purposes provided, however, (i) if property is contributed to the Company, the initial Book Basis of such property shall equal its fair market value on the date of contribution; and (ii) if the Capital Accounts of the Company are adjusted pursuant to Treasury regulation Section 1.704-1(b) to reflect the fair market value of any Company asset, the Book Basis of such asset shall be adjusted to equal its respective fair market value as of the time of such adjustment in accordance with such Treasury regulation. The Book Basis of all assets shall be adjusted thereafter by depreciation as provided in Treasury regulation Section 1.704-1(b)(2)(iv)(g) and any other adjustment to the basis of assets other than depreciation or amortization.

"Capital Account" has the meaning set forth in Section 4.2.

"Capital Contribution" means the aggregate amount of cash and property actually contributed to the capital of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to the Code shall automatically include a reference to any subsequent or successor internal revenue code or law, and any reference to a particular section of the Code shall automatically include reference to corresponding provisions of subsequent or successor code or law.

"Company" means this Company and any limited liability company continuing the business of this Company after dissolution as provided in Article 7.

"Fiscal Year" means calendar year.

"Interest" has the meaning set forth in Section 2.1.

"Members" means the members of the Company and, initially, shall mean GF II, Maverick USA and EB&M.

"Net Profit" and "Net Loss" means for each taxable year or other period, an amount equal to the Company's taxable income or loss for the year or other period, determined in accordance with Section 703(a) of the Code (including all items of income, gain, loss or deduction required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profit or Net Loss will be added to taxable income or loss;

(b) any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures under Treasury regulation Section 1.704-1(b)(2)(iv)(j), and not otherwise taken into account in computing Net Profit or Net Loss, will be subtracted from taxable income or loss;

(c) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Book Basis of the property, notwithstanding that the adjusted tax basis of the property differs from its Book Basis;

(d) in lieu of depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there will be taken into account depreciation as provided in Treas. reg. § 1.704-1(b)(2)(iv)(g) for the taxable year or other period;

(e) any items specially allocated pursuant to Section 5.2 and 5.3 shall not be considered in determining Net Profit or Net Loss; and

(f) any increase or decrease to Capital Accounts as a result of any adjustment to the Book Basis of Company property pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f) or (g) shall constitute an item of Net Profit or Net Loss as appropriate.

"Person" means any individual, partnership, corporation, trust, estate, association, limited liability company or other entity.

"Prime Rate" means the rate of interest reported by *The Wall Street Journal* as the "Prime Rate", which rate shall be adjusted, from time to time, on the same date that such published rate is adjusted.

"Property" means all tangible and intangible real or personal property owned or hereafter acquired by the Company, including, without limitation, its interest in any business enterprise, its name and any note or security interest received upon the disposition of any Property.

"Required Vote" means the vote of Members holding Voting Percentages aggregating more than 50%.

"Service" means the Internal Revenue Service or any successor agency.

"TMP" has the meaning set forth in Section 6.5.

"Transfer" means any sale, assignment, pledge, encumbrance, gift or attempt to create or grant a security interest in, of any interest thereon or portion thereof; excepting only a pledge limited to a Member's claim as a creditor to receive cash distributions payable on account of its interest to the extent such Member is the beneficial owner of such interest at the time such distributions are payable.

"Treasury Regulation" or "Treas. Reg." means the regulation(s) promulgated pursuant to the Code by the U.S. Department of the Treasury, as amended, and any successor regulation(s).

11. MISCELLANEOUS

11.1 Notices. All notices to the Company are to be sent registered or certified mail, return receipt requested, addressed c/o Sharyl Robertson at the Company's principal office. All notices to the Members are to be sent registered or certified mail, return receipt requested, addressed to such Member c/o the address appearing after such Member's signature or such other address as may be specified by the Member from time to time in a notice to the Company. All notices are given or served when deposited in the United States certified or registered mail, postage prepaid, properly addressed and return receipt requested.

11.2 Amendment; Waiver.

(a) Any amendment to this Agreement becomes effective with the consent of Members holding more than 50% of the Interests in the Company, except that no amendment may require a capital contribution by a Member, increase the restrictions on Transfer of a Member's interest or materially and adversely affect a Member in a manner that is materially different from its effect on other Members without the consent of the Member so affected.

(b) Each of the Members hereby irrevocably waives any and all rights, duties, obligations and benefits with respect to any action for partition of Property or to compel any sale or appraisal thereof. Further, all rights, duties, benefits and obligations including inventory and appraisal of the Company assets, provision for which is made in the laws of Delaware, or an account of the operation of any other rule or law of any other jurisdiction to compel any sale or appraisal of Company assets, are hereby waived.

11.3. Whole Agreement. This Agreement contains the entire understanding between the parties and supersedes any prior understanding and agreements between them respecting the within subject matter. There are no agreements, arrangements or understandings, oral or written, between and among the parties hereto relating to the subject matter of this Agreement which are not set forth or expressly referred to herein. Unless otherwise stated, references in this Agreement to Articles, Sections or Appendices refer to the Articles, Sections and Appendices to this Agreement. The Appendices are an integral part of this Agreement for all purposes.

11.4 Governing Law. This Agreement is governed and is to be construed in accordance with the laws of the State of Delaware without giving effect to its principles of conflicts of laws.

11.5 Binding Nature. Except as otherwise provided in this Agreement, this Agreement is binding upon and will inure to the benefit of the Members and their successors and assigns.

11.6 Invalidity. In the event that any provision of this Agreement is invalid, the validity of the remaining provisions of the Agreement are not to be affected thereby.

11.7 Counterparts. This Agreement and any amendment may be executed in multiple counterparts, each of which is an original and all of which are one agreement or amendment, as the case may be, notwithstanding that all of the parties are not signatories to the original or the same counterpart, or that signature pages from different counterparts are combined, and the signature of any party to any counterpart is a signature to and may be appended to any other counterpart.

11.8 Headings. The headings contained in this Agreement are for reference purposes only and do not affect the meaning of this Agreement.

11.9 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: Evan Wyle
 Name: Evan Wyle
 Title: Manager

MAVERICK USA, CORP.

By: Lee S. Ansie III
 Name: Lee S. Ansie III
 Title: Manager

EB&M HOLDINGS, LTD.

By: _____
 Name: _____
 Title: _____

11.9 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: _____
Name: _____
Title: _____

MAVERICK USA, CORP.

By: _____
Name: _____
Title: _____

EB&M HOLDINGS, LTD.

By: *[Signature]*
Name: J. Dennis Hunter
Title: Director

**AGREEMENT AND
THIRD AMENDMENT TO THE
LIMITED LIABILITY COMPANY AGREEMENT
OF
GREEN FUNDING I, L.L.C.**

THIS AGREEMENT AND THIRD AMENDMENT TO THE LIMITED LIABILITY COMPANY AGREEMENT (this "Amendment") dated as of June 8, 2000, by and among Green Funding II, L.L.C., a Delaware limited liability company ("GFII"), Maverick USA, Corp., a Delaware corporation ("Maverick USA"), EB&M Holdings, Ltd., a Cayman Island company ("EB&M"), and Moberly Limited, an Isle of Man limited liability company ("Moberly"), amends the Limited Liability Company Agreement of Green Funding I, L.L.C., as amended (the "Agreement"), as follows:

RECITALS

Moberly desires to become, and GFII, Maverick USA and EB&M desire that Moberly become, a Member of the Company with the Interest set forth below and on the terms and conditions set forth below; and

Paragraph 6.1(c)(ii) of the Agreement requires that the Members approve the issuance of additional Interests in the Company by a Required Vote.

AGREEMENTS

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. **Creation of Interest and Admission of Member.** GFII, Maverick USA and EB&M, which collectively hold 100% of the Interests, and therefore have the Required Vote to create additional Interests as set forth in Section 6.1(c)(ii) of the Agreement, do hereby approve the additional Interest in the Company to be held by Moberly, as set forth below, and Moberly does hereby accept such Interest, and GFII, Maverick USA and EB&M approve the admission of Moberly as a Member.
2. **Agreement To Be Bound.** Moberly hereby agrees to become a Member of the Company and to be bound by the terms and conditions of the Agreement, as amended by this Amendment.
3. **Amendment of Agreement.** (a) The Members hereby agree that Paragraph 2.1 of the Agreement shall be deleted in its entirety, and shall be replaced, in its entirety, with the following:

"2.1 **Interests and Voting Percentage.** Each Member's "Interest", meaning the relative voting power and the relative participation attributable to its interest in profit, loss and distributions by the Company from time to time, is indicated below. Each Member's total capital commitment is also indicated below:

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<u>Member</u>	<u>% Interest</u>	<u>Total Capital Commitment</u>
GF II	0.1%	\$50,000,000.00
Maverick USA	0.1%	\$3,519,800.00
EB&M	0.1%	\$6,480,200.00
Moberly	99.7%	\$30,000,000.00"

(b) The Members hereby agree that the first sentence of Paragraph 6.5 of the Agreement shall be deleted, in its entirety, and shall be replaced, in its entirety, with the following:

"Moberly is designated as the "tax matters partner" (the "TMP") under Section 6231(a)(7) of the Code."

(c) The Members hereby agree that a new Paragraph 6.6 shall be added to the Agreement, to read in its entirety as follows:

"6.6 Resignation of Members. A Member may resign at any time from the Company. Upon such resignation, such Member will (i) have no right to receive the fair value of such Member's Interest as of the date of resignation, (ii) have no right to receive any distributions of the Company and (iii) cease to have any Interest in the Company. No resigning Member shall have the right to withdraw any of its Capital Contribution."

4. **Defined Terms.** Capitalized terms used and defined in this Amendment shall have the meanings assigned to them in this Amendment (including those in the initial paragraph hereof) and capitalized terms used herein and not defined in this Amendment shall have the meanings assigned to them in the Agreement, in each case, unless the context clearly requires otherwise.

5. **Governing Law.** This Amendment is governed by and is to be construed in accordance with the laws of the State of Delaware without giving effect to its principles of conflicts of laws.

6. **Binding Nature.** Except as otherwise provided in this Amendment, this Amendment is binding upon and will inure to the benefit of the Members and their successors and assigns.

7. **Invalidity.** In the event that any provision of this Amendment is invalid, the validity of the remaining provisions of the Amendment are not to be affected thereby.

8. **Counterparts.** This Amendment may be executed in multiple counterparts, each of which is an original and all of which are one amendment, notwithstanding that all of the parties are not signatories to the original or the same counterpart, or that signature pages from different counterparts are combined, and the signature of any party to any counterpart is a signature to and may be appended to any other counterpart.

9. **Headings.** The headings contained in this Amendment are for reference purposes only and do not affect the meaning of this Amendment.

10. **Terminology.** All personal pronouns used in this Amendment, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: Evan Wiley
 Name: Evan Wiley
 Title: Manager

MAVERICK USA, CORP.

By: Lee S. Ansley III
 Name: Lee S. Ansley III
 Title: Manager

EB&M HOLDINGS, LTD.

By: _____
 Name: _____
 Title: _____

MOBERLY LIMITED

By: _____
 Name: _____
 Title: _____

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9. **Headings.** The headings contained in this Amendment are for reference purposes only and do not affect the meaning of this Amendment.

10. **Terminology.** All personal pronouns used in this Amendment, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: _____
Name: _____
Title: _____

MAVERICK USA, CORP.

By: _____
Name: _____
Title: _____

EB&M HOLDINGS, LTD.

By: [Signature]
Name: J. Dennis Hunter
Title: Director

MOBERLY LIMITED

By: _____
Name: _____
Title: _____

9. **Headings.** The headings contained in this Amendment are for reference purposes only and do not affect the meaning of this Amendment.

10. **Terminology.** All personal pronouns used in this Amendment, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: _____
Name: _____
Title: _____

MAVERICK USA, CORP.

By: _____
Name: _____
Title: _____

EB&M HOLDINGS, LTD.

By: _____
Name: _____
Title: _____

MOBERLY LIMITED

By: aw
Name: MRS. M. GODDARD
Title: DIRECTOR

**AGREEMENT AND
FOURTH AMENDMENT TO THE
LIMITED LIABILITY COMPANY AGREEMENT
OF
GREEN FUNDING I, L.L.C.**

THIS AGREEMENT AND FOURTH AMENDMENT TO THE LIMITED LIABILITY COMPANY AGREEMENT (this "Amendment") dated as of June 9, 2000, by and among Green Funding II, L.L.C., a Delaware limited liability company ("GFII"), Maverick USA, Corp., a Delaware corporation ("Maverick USA"), EB&M Holdings, Ltd., a Cayman Island company ("EB&M"), and Moberly Limited, an Isle of Man limited liability company ("Moberly"), amends the Limited Liability Company Agreement of Green Funding I, L.L.C., as amended (the "Agreement"), as follows:

RECITALS

GFII, Maverick USA and EB&M each desire to resign as a Member of the Company; and
Moberly desires to consent to such resignation; and
Such resignations make amendment of the Agreement desirable;

AGREEMENTS

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. **Resignation of Members.** As permitted by Paragraph 6.6 of the Agreement, each of GFII, Maverick USA and EB&M hereby resigns from the Company effective as of June 9, 2000.

2. **Amendment of Agreement.** To reflect such resignation, the Members hereby agree that Paragraph 2.1 of the Agreement shall be deleted, in its entirety, and shall be replaced, in its entirety, with the following:

"2.1 **Interests and Voting Percentage.** Each Member's "Interest", meaning the relative voting power and the relative participation attributable to its interest in profit, loss and distributions by the Company from time to time, is indicated below. Each Member's total capital commitment from and after June 9, 2000 is also indicated below:

<u>Member</u>	<u>% Interest</u>	<u>Total Capital Commitment</u>
Moberly	100%	\$30,000,000.00

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1047

Confidential Treatment Requested

BA PSI-W 013653

3. **Defined terms.** Capitalized terms used and defined in this Amendment shall have the meanings assigned to them in this Amendment (including those in the initial paragraph hereof) and capitalized terms used herein and not defined in this Amendment shall have the meanings assigned to them in the Agreement, in each case, unless the context clearly requires otherwise.

4. **Governing Law.** This Amendment is governed by and is to be construed in accordance with the laws of the State of Delaware without giving effect to its principles of conflicts of laws.

5. **Binding Nature.** Except as otherwise provided in this Amendment, this Amendment is binding upon and will inure to the benefit of the Members and their successors and assigns.

6. **Invalidity.** In the event that any provision of this Amendment is invalid, the validity of the remaining provisions of the Amendment are not to be affected thereby.

7. **Counterparts.** This Amendment may be executed in multiple counterparts, each of which is an original and all of which are one amendment, notwithstanding that all of the parties are not signatories to the original or the same counterpart, or that signature pages from different counterparts are combined, and the signature of any party to any counterpart is a signature to and may be appended to any other counterpart.

8. **Headings.** The headings contained in this Amendment are for reference purposes only and do not affect the meaning of this Amendment.

9. **Terminology.** All personal pronouns used in this Amendment, whether used in the masculine, feminine or neuter gender, include all other genders; the singular includes the plural and vice versa.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the
date first above written.

GREEN FUNDING II, L.L.C.

By: Evan Wylly
Name: Evan Wylly
Title: Manager

MAVERICK USA, CORP.

By: J.S.M.R.
Name: Lee S. Ainslie III
Title: Manager

EB&M HOLDINGS, LTD.

By: _____
Name: _____
Title: _____

MOBERLY LIMITED

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: _____
Name: _____
Title: _____

MAVERICK USA, CORP.

By: _____
Name: _____
Title: _____

EB&M HOLDINGS, LTD.

By: JOHN
Name: J. Dennis Hurd
Title: Director

MOBERLY LIMITED

By: _____
Name: _____
Title: _____

4400

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date first above written.

GREEN FUNDING II, L.L.C.

By: _____
Name: _____
Title: _____

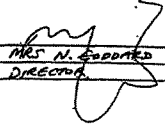
MAVERICK USA, CORP.

By: _____
Name: _____
Title: _____

EB&M HOLDINGS, LTD.

By: _____
Name: _____
Title: _____

MOBERLY LIMITED

By: 
Name: MRS. N. EDWARDS
Title: DIRECTOR

DL-1115035

3

Confidential Treatment Requested

BA PSI-W 013657

4401

Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O O A Enclosures 0 50
Statement Period 0919437
06/01/00 through 06/30/00

63999 001 SCH999

GREEN FUNDING I LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Customer Service:
Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547
1.800.462.6239

Page 1 of 2

Full Analysis Business Checking

Account Summary Information

Statement Period	06/01/00 through 06/30/00	Statement Beginning Balance	44,114.53
Number of Deposits/Credits	1	Amount of Deposits/Credits	14,000,000.00
Number of Withdrawals/Debits	3	Amount of Withdrawals/Debits	14,000,287.00
		Statement Ending Balance	43,827.53
Number of Enclosures	0	Average Ledger Balance	510,565.56
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date Posted	Customer Reference	Amount	Description	Bank Reference
06/15		14,000,000.00	Wire Type: Fed IN Date: 000615 Time: 1531 Fed Ref: 005324 Seq: 000615019332 Orig: Moberly Ltd Isle Of Pmt Det: Green Funding I L Lc Contact Kelly Roark 214.209.2002 Ac-4771145371 Rfb- swf Of 00 06 15 Ins- d Sending Bank: Chase NYC	904006159019332

Withdrawals and Debits

Checks

Check Number	Amount	Date Posted	Bank Reference	Check Number	Amount	Date Posted	Bank Reference
1004	100.00	06/02	813008810728256	1005	187.00	06/12	813105830904292

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1047

Confidential Treatment Requested

BA PSI-W 016710

4402

Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
B 0 0 A Enclosures 0 50
Statement Period 03/01/00 through 05/30/00 03/04/00

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

GREEN FUNDING I- LLC

Page 2 of 2

Full Analysis Business Checking

Withdrawals and Debits - Continued

Other Debits

Date Posted	Customer Reference	Amount	Description	Bank Reference
06/16		14,000,000.00	Wire Type:Fed Out Date:000616 Time:1007 Fed Ref:000637 Seq:000616004851 Bnf:Green Mountain Energy Pmt Det:Green Mountain En Ergy Resources Li [REDACTED] Bnf Bk:Chittenden Tr Bur L	904006169004851

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
06/01	44,114.53	06/12	43,827.53	06/16	43,827.53
06/02	44,014.53	06/15	14,043,827.53		

Message Center

Please see the enclosed Access Identifier Agreement and Disclosure brochure for important information about Bank of America Telephone Banking.

Thank you for banking with Bank of America.

GreenMountain.com Company
Notes to Financial Statements—(Continued)
(Information at March 31, 1999 and for the
Three Months Ended March 31, 1998 and 1999 is Unaudited)

The AICPA issued SOP No. 98-1, *Software for Internal Use*, which provides guidance on accounting for the cost of computer software developed or obtained for internal use. SOP No. 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. The adoption of SOP No. 98-1 did not have a material impact on GreenMountain.com's financial statements. GreenMountain.com anticipates that in the second quarter of 1999 it will begin capitalizing certain costs in accordance with SOP No. 98-1 associated with projects that enter the development stage, including its web site development project.

(11) Subsequent Event—Private Placement Offerings

During 1999, GreenMountain.com completed two private placement offerings. The first offering, completed in early January and early February 1999, was for \$10,000,000 from a sale of 3,000,000 shares to GreenMountain.com's employees and certain consultants for \$3.33 per share. Net proceeds included \$4,891,750 of cash and \$5,108,250 of promissory notes from employees and certain consultants. GreenMountain.com recognized compensation expense of \$2,072,300 in connection with the issuance of shares. The second offering, completed in mid-February 1999, resulted in net proceeds of \$30,310,000 from a sale of 4,546,500 shares to investors for \$6.67 per share. As a result of purchases during the second offering, Maverick Capital became the beneficial owner of 2,250,000 shares for an aggregate purchase price of \$15.0 million. Evan Wyly, a Vice Chairman and a Director of GreenMountain.com, is a Managing Partner and H. Lee S. Hobson, a GreenMountain.com Director, is a Partner of Maverick Capital. In addition, Green Funding II, L.L.C., an investment vehicle controlled by the Wyly family, acquired directly 1,500,000 shares for an aggregate purchase price of \$10.0 million.

(12) Subsequent Event—Reorganization

In 1999, GreenMountain.com merged into a newly formed Delaware corporation, which (i) was the entity surviving the merger, succeeding to all rights, properties and obligations of GreenMountain.com; (ii) is named GreenMountain.com Company; and (iii) is taxable as a corporation. In connection with the conversion, the limited liability company agreement will terminate, except for certain covenants that, by their terms, require performance after the termination of such agreement and each member will receive three shares of GreenMountain.com common stock in exchange for each of its common units in the limited liability company (subject to the payment of cash in lieu of fractional shares). Additionally, any undistributed tax losses at the date of reorganization will be reclassified against additional paid in capital. All outstanding options and warrants exercisable for common units in the limited liability company will, in effect, be converted into options or warrants exercisable for GreenMountain.com common stock. The common stock information in the financial statements and notes has been restated as if the common units were converted to common shares.

4404

LOCKE LIMITED

(Incorporated in the Isle of Man No: 77573C)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man, IM2 4RB.

Tel: (01624) 630600
Fax: (01624) 624469

CONFIRMATION OF FACSIMILE

*** FACSIMILE TRANSMISSION ***

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Page 1 of 1 (Total Sent)

Date: 6th August 1997

Time Sent:

Fax No: 001 [REDACTED]

Operator Ref: INST I DISB 1064

TO: LEHMAN BROTHERS INC.
ATTENTION: CINDY MURDOCK/SUZANNE SNAVELY

FROM: LOCKE LIMITED

REF: KJ/DW/LOCK6F.1

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Can you please arrange to realise the sum of US\$28,750.00 (Twenty eight thousand, seven hundred and fifty United States Dollars) by the liquidation of US Dollar Treasury Bills held for our Account with you.


The sum realised should then be remitted to the following Account:-

Bank:	Citibank N.A. 399 Park Avenue New York
Swift Address:	CITI US 33
Routing No:	0210 0008-9
CHIPS and FEDWIRE No:	994
For credit to the Account of:	Bank of Bermuda (Cayman) Limited
Account No:	[REDACTED]
For further credit to:	Queensgate Bank & Trust
Account No:	[REDACTED]
Reference:	GMP Holdings 1991

We look forward to receiving confirmation of the above transactions. However, if there are any difficulties in complying with the request or if any delays are envisaged, will you please let us know as soon as possible.

Yours faithfully,


N.J. Carter,
Director.


D.A. Harris,
Authorised Signatory.

CONFIRMATION OF FACSIMILE

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1052

CC 022567

4405

RUGOSA LIMITED
(Incorporated in the Isle of Man No. 40491)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)	Date: 17th February, 1999.
Time Sent:	Fax No: 001 214 [REDACTED] Operator Ref: INST 1 DISB
TO:	LEHMAN BROTHERS INC. ATTENTION: MICHELLE CRITTENDEN / LOU SCHAUFLE
FROM:	IFG INTERNATIONAL LIMITED
REF:	KJ/SLD/LEHMN-F.3

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

RE: ACCOUNT NO. [REDACTED]

From our above numbered account, will you please realise sufficient securities to raise the sum of US\$2,000,000 (Two Million United States Dollars only). The amount should then be transferred to the following account as soon as possible:-


Bank:	IBJ Schroder Bank & Trust Company, New York.
ABA No:	026007825
CHIPS:	782
In favour of:	Queensgate Bank & Trust Company Limited
Account No:	[REDACTED]
For further credit to:	GMP Holdings Limited
Sub-Account:	[REDACTED]
Reference:	By order of Rugosa Limited

We look forward to receiving confirmation when the above mentioned transfer has been made. However, should there be any difficulty in complying with these instructions, or if additional information is needed will you please let us know as soon as possible. It is confirmed the original of this communication is being sent to you by courier.

Yours faithfully,


N.J. Carter,
Director.

CONFIRMATION OF FACSIMILE


D.A. Harris,
Authorised Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1053

CC 016545

— = Redacted by the Permanent
Subcommittee on Investigations

GREENBRIAR LIMITED

Incorporated in the Isle of Man, Number 60403

Directors:
S. M. Eppleston
S. J. Willis

Please reply to:
PO Box 257
Douglas
Isle of Man
IM99 2LL

Tel: 01624 631623
Fax: 01624 663534

Our ref: LC

16 February, 1999

BY FAX – 001 214
ORIGINAL TO FOLLOW BY COURIER

Ms Michelle Crittenden
Lehman Brothers
2500 Texas Commerce Tower
2200 Ross Avenue
Dallas
Texas 75201
USA

COMPLETED FEB 18 1999

Dear Michelle

Please accept this as your authority and instruction to sell sufficient agencies to generate US\$5,000,000.00 plus enough for various charges (all charges to be borne by Greenbriar Limited):-

Amount: US\$5,000,000 (Five million US Dollars plus sufficient funds to cover charges)

Receiving bank: IBJ Schroder Bank & Trust Company
New York
NY USA

ABA No: 026007825

In favour of: Queensgate Bank & Trust Company Limited

Account No: [REDACTED]

For further credit to: GMP Holdings Limited

Account number: [REDACTED]

If you have any difficulties executing this payment please contact either signatory or Louise Crowe on the above number. Thank you very much for your help in this matter.

Yours sincerely
For and on behalf of
Greenbriar Limited
S M Eppleston
Authorised Signatory

[Signature]
I Gardiner
Authorised Signatory

Registered Office: Unit 1300, Summerhill Business Park, Victoria Road, Douglas, Isle of Man, IM2 4RW

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1053

CC 021711

4407

LITTLE WOODY LIMITED

(Incorporated in the Isle of Man No. 57996)

Directors:

N.J. Carter
N. Field-Corbett (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)	Date: 17th February, 1999.
Time Sent:	Fax No: 001 214 [REDACTED] Operator Ref: INST 1 DISB
TO:	LEHMAN BROTHERS INC. ATTENTION: MICHELLE CRITTENDEN / LOU SCHAUFLE
FROM:	IFG INTERNATIONAL LIMITED
REF:	KJ/SLD/LITTLE-F3

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

RE: ACCOUNT NO. [REDACTED]

From our above numbered account, will you please realise sufficient securities to raise the sum of US\$3,000,000 (Three Million United States Dollars only). The amount should then be transferred to the following account as soon as possible:-

Bank: IBJ-Schroder Bank & Trust Company, New York.
ABA No: 026007825
CHIPS: 782
In favour of: Queensgate Bank & Trust Company Limited
Account No: [REDACTED]
For further credit to: GMP Holdings Limited
Sub-Account: [REDACTED]
Reference: By order of Little Woody Limited

We look forward to receiving confirmation when the above mentioned transfer has been made. However, should there be any difficulty in complying with these instructions, or if additional information is needed will you please let us know as soon as possible. It is confirmed the original of this communication is being sent to you by courier.

Yours faithfully,

N.J. Carter,
Director.

D.A. Harris,
Authorised Signatory.

CONFIRMATION OF FACSIMILE

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1053

CC 022330

RICHLAND LIMITED

(Incorporated in the Isle of Man. No: 57951)

= Redacted by the Permanent
Subcommittee on Investigations**Directors:**N.J. Carter
N. Field-Corbett (Irish)**Registered Office:**International House
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 626931
Fax: (01624) 624469***** FACSIMILE TRANSMISSION *****

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Page 1 of 2 (Total Sent)

Date: 10th June, 1999

Time Sent:

Fax No: 001 214-
Operator Ref: INST 1 DISB 0782

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRUTTENDEN/CINDY MURDOCK

FROM: RICHLAND LIMITED

REF: KJ/KW/RICH10F.2

ACCOUNT NUMBER

Reference is made to our holding of US Agency Bonds maturing tomorrow 11 June 99. From the proceeds of maturity would you please retain the sum of US\$2,500,000 (Two million five hundred thousand United States Dollars only) and reinvest the remaining sum into further US Agency bonds with a maturity date of between 30 days and 90 days. The choice of the further investment is left to your best judgement.

The amount retained should be forwarded to the following:-

Bank: Bank of America N.A.
109 Main Street,
Dallas,
Texas.


ABA Number: 111000025

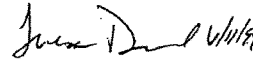
For the account of: Green Funding I LLC

Account No:
Reference: Re: Morehouse Limited

Special Request: Please contact Kelly Roark on telephone no. 01214 209 2022
Upon receipt funds.


N.J. Carter,
Director.


N. Field-Corbett,
Director.



These instructions comprise of 2 pages and are not valid unless both pages are signed.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

CC 022948

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Subcommittee on Investigations

RICHLAND LIMITED

(Incorporated in the Isle of Man No: 57931)

Directors:

N.J. Carter
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 626931
Fax: (01624) 624469

ORIGINAL***** FACSIMILE TRANSMISSION *****

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Page 1 of 2 (Total Sent)

Date: 28th July, 1999.

Time Sent:

Fax No: 001 214 [REDACTED]
Operator Ref: INST 1 DISB 0782

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN / CINDY MURDOCK

FROM: RICHLAND LIMITED

REF: MQ/SLD/RICHL-F4

RE: ACCOUNT NO. [REDACTED]

Reference is made to our recent request to liquidate part of our holding of US Agency Bonds. From the proceeds would you please transfer the sum of US\$2,300,000 (Two Million, Three Hundred Thousand US Dollars only) to the following account today:-

Bank: Bank of America N.A.
109 Main Street,
Dallas, Texas.

ABA No: 111000025

For the account of: Green Funding I LLC

Account No: [REDACTED]

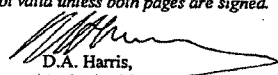
Reference: Re. Morehouse Limited

Special Request: Please contact Kelly Roark on Tel. 01214 209 2022
Upon receipt funds.

COMPLETED

These instructions comprise of two pages and are not valid unless both pages are signed.


N.J. Carter,
Director.


D.A. Harris,
Authorised Signatory.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

CC 023469

Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O O A Enclosures 0 50
Statement Period 02/94/00
01/01/00 through 01/31/00

GREEN FUNDING I LLC
300 CRESCENT COURT STE 1000
DALLAS, TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Customer Service:
Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547
1-800-462-6289

Page 1 of 2

Full Analysis Business Checking

Account Summary Information

Statement Period	01/01/00 through 01/31/00	Statement Beginning Balance	43,619.78
Number of Deposits/Credits	2	Amount of Deposits/Credits	4,001,612.08
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	4,000,167.33
		Statement Ending Balance	45,064.53
Number of Enclosures	0	Average Ledger Balance	44,517.29
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date Posted	Customer Reference	Amount	Description	Bank Reference
01/10		4,000,000.00	Wire Type: Fed IN Date: 000110 Time: 0902 Fed Ref: 001138 Seq: 000110002655 Orig: Richland Limited Un Pmt Det: Green Funding I L Lc Ac: [REDACTED] RFB: 000649001915 Bbl: Bbk Bank Of America Na 109 Main St Sending Bank: Citibank	904001109002655
01/14		1,612.08	Transfer From Banc Of America Investment Services, Inc. W18694347	949101143000287

Withdrawals and Debits

Checks

Check Number	Amount	Date Posted	Bank Reference
1001	167.33	01/25	813006130781909

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

4411

Bank of America, N.A.
P.O. Box 830547
Dallas, TX 75283-1547

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E 0 0 A Enclosures 0 00
Statement Period 01/01/00 through 01/31/00 020497

GREEN-FUNDING I LLC

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Page 2 of 2

Full Analysis Business Checking

Withdrawals and Debits - Continued

Other Debits

Date Posted	Customer Reference	Amount	Description	Bank Reference
01/10		4,000,000.00	Wire Type:Fed Out Date:000110 Time:1208 Fed Ref:001131 Seq:000110009122 Bnf:Green Mountain Energy Pmt Det:Green Mountain En Ergy Resources L [REDACTED] Bnf Bk:Chittenden Tr Burl	904001109009122

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
01/01	48,619.78	01/14	45,231.86	01/25	45,064.53

Message Center

Thank you for banking with Bank of America.

4412

Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O A Enclosures 0 50
Statement Period: 02/01/00 through 02/29/00 unans

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

GREEN FUNDING I LLC
300 CRESCENT COURT STE 1000
DALLAS, TX 75201-7852

Customer Service:
Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547
1.800.462.6289

Page 1 of 2

Full Analysis Business Checking

Account Summary Information

Statement Period	02/01/00 through 02/29/00	Statement Beginning Balance	45,064.53
Number of Deposits/Credits	1	Amount of Deposits/Credits	5,000,000.00
Number of Withdrawals/Debits	1	Amount of Withdrawals/Debits	5,000,000.00
		Statement Ending Balance	45,064.53
Number of Enclosures	0	Average Ledger Balance	45,064.00
Number of Days in Cycle	29	Service Charge	0.00

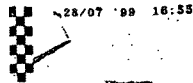
Deposits and Credits

Date Posted	Customer Reference	Amount	Description	Bank Reference
02/10		5,000,000.00	Wire Type:Fed IN Date:000210 Time:1048 Fed Ref:002228 Seq:000210006248 Orig:Richland Limited Un Pmt Det:Green Funding I L Le Ac [REDACTED] RFB= 000514001557 Bht= - Bbk 109 M Ain Street Contact Ke LI Sending Bank:Citibank	904002109006248

Withdrawals and Debits

Other Debits

Date Posted	Customer Reference	Amount	Description	Bank Reference
02/10		6,000,000.00	Wire Type:Fed Out Date:000210 Time:1435 Fed Ref:001753 Seq:000210014436 Bnt:Green Mountain Energ Pmt Det:Green Mountain En Ergy Resources Li [REDACTED] Bnt Bk:Chittenden Tr Burl	904002109014436



28/07 99 16:55

2701624 624469

— Redacted by the Permanent
Subcommittee on Investigations

MOREHOUSE LIMITED

(Incorporated in the Isle of Man. No: 57930)

Directors:

N.J. Carter
N. Goldard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of 2 (Total Sent)

Date: 28th July, 1999.

Time Sent:

Fax No: 001 214 [REDACTED]

Operator Ref: INST DISB 0829

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN / CINDY MURDOCK

FROM: MOREHOUSE LIMITED

REF: MQ/SLD/MOREH-P.4

RE: ACCOUNT NO. [REDACTED]

Reference is made to our recent request to liquidate part of our holding of US Agency Bonds. From the proceeds would you please transfer the sum of US\$700,000 (Seven Hundred Thousand US Dollars only) to the following account today:-

Bank:	Bank of America N.A. 109 Main Street, Dallas, Texas.
ABA No:	111000025
For the account of:	Green Funding I LLC
Account No:	[REDACTED]
Reference:	Re. Morehouse Limited
Special Request:	Please contact Kelly Roark on Tel. 01214 [REDACTED] Upon receipt funds.

These instructions comprise of two pages and are not valid unless both pages are signed.

[Signature]
N.J. Carter,
Director.

[Signature]
D.A. Harris,
Authorised Signatory

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

CC 023360

MOREHOUSE LIMITED

(Incorporated in the Isle of Man No: 57930)

Directors:

N.J. Carter
N. Field-Corbet (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 630600
Fax: (01624) 624469

*** FACSIMILE TRANSMISSION ***

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Page 1 of 2 (Total Sent)

Date: 10th June, 1999

Time Sent:

Fax No: 001-214-
Operator Ref: INST DISB 0829

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN/CINDY MURDOCK

FROM: MOREHOUSE LIMITED

REF: KJ/KW/MORE10F.2

ACCOUNT NUMBER

Reference is made to our holding of US Agency Bonds maturing tomorrow 11 June 99. From the proceeds of maturity would you please retain the sum of US\$2,500,000 (Two million five hundred thousand United States Dollars only) and reinvest the remaining sum into further US Agency bonds with a maturity date of between 30 days and 90 days. The choice of the further investment is left to your best judgement.

The amount retained should be forwarded to the following:-

Bank: Bank of America N.A.
109 Main Street,
Dallas,
Texas.


ABA Number: 111000025

For the account of: Green Funding I LLC

Account No:
Reference: By order of Morehouse Limited

Special Request: Please contact Kelly Roark on telephone no. 01214 209 2022
Upon receipt funds.


N.J. Carter,
Director.


N. Field-Corbet,
Director.

These instructions comprise of 2 pages and are not valid unless both pages are signed.

200/1000 LEHMAN BROTHERS

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

CC 023373

4415

MOREHOUSE LIMITED

(Incorporated in the Isle of Man No: 57930)

Directors:

N.J. Carter
N. Cockard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

ORIGINAL

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Page 1 of 2 (Total Sent)

Date: 9th August, 1999.

Time Sent: 1528

Fax No: 001 214 [REDACTED]

Operator Ref: INST 1 DISB 0829

TO: LEHMAN BROTHERS INC.
ATTENTION: MICHELLE CRITTENDEN / CINDY MURDOCK

FROM: MOREHOUSE LIMITED

REF: MQ/SLD/MOREH-F.1 22950

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

RE: ACCOUNT NO. 837-20088-16

Please take this fax as your instruction to liquidate part of our holding of US Agency Bonds to realise the sum of US\$1,400,000 (One Million, Four Hundred Thousand US Dollars only) and transfer such sum to the following account for value 12th August 1999:-

Bank: Bank of America N.A.
109 Main Street,
Dallas, Texas.

ABA No: 111000025

For the account of: Green Funding I LLC

Account No: [REDACTED]

Reference: Re. Morehouse Limited

Special Request: Please contact Kelly Roark on Tel. 0121 [REDACTED]
Upon receipt funds.

These instructions comprise of two pages and are not valid unless both pages are signed.

N. Cockard
Director (nee: Field Corbett)

D.A. Harris,
Authorised Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1054

CC 023465


Bank of America

Bank of America, N.A.
P.O. Box 23118
Tampa, FL 33622-5118
Toll Free 1.888.BUSINESS(1.888.287.4637)
www.bankofamerica.com



Page 1 of 2
Account Number: [REDACTED]
EO F O A Enclosures 50
Statement Period:
06/01/03 through 06/30/03 0318686

01699 001 SCH999 I 2 0

GREEN-FUNDING-I-LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Our free Online Banking service allows you to check account balances,
transfer funds, pay bills and more. Enroll at www.bankofamerica.com.

Full Analysis Business Checking
Account Summary Information

Statement Period	06/01/03 through 06/30/03	Statement Beginning Balance	123,922.97
Number of Deposits/Credits	2	Amount of Deposits/Credits	6,260,000.00
Number of Withdrawals/Debits	6	Amount of Withdrawals/Debits	6,246,584.71
		Statement Ending Balance	137,338.26
Number of Enclosures	0	Average Ledger Balance	862,231.33
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Bank Reference
06/11	2,600,000.00	Wire Type: Wire IN Date: 061103 Time: 0956 Ct Trn: 030611016604 Fdref/Seq: S0731628326801/001918 Orig: Moberly Limited Snd Bk: Citibank Na ID: 0210000 89 Pmt Det: [REDACTED] Moberly - 901 Main Street Dallas	903706110016604
06/19	3,660,000.00	Wire Type: Wire IN Date: 061903 Time: 1155 Ct Trn: 030619029183 Fdref/Seq: S0731705291601/003125 Orig: Morehouse Limited Snd Bk: Citibank Na ID: 02100 0089 Pmt Det: [REDACTED] Morehouse - 901 Main Str Eet Dallas	903706190029183

Withdrawals and Debits

Check Number	Amount	Date	Bank	Check Number	Amount	Date	Bank
1022	2,489,000.00	06/11	813009130302258	1023	280.00	06/17	813106030081558
	77,665.03	06/09	813009430141014				

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

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BA PSI-W 01674

4417

MOBERLY LIMITED

(Incorporated in the Isle of Man No. 77466)

Directors:

N.J. Carter
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 62695.
Fax: (01624) 62446.

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Page 1 of (Total Sent)

Date: 8th March, 2000.

Time Sent: 1655

Fax No: 001 214 [REDACTED]
Operator Ref INST 1 DISB 1173 S-P

TO: LEHMAN BROTHERS INC., DALLAS
ATTENTION: MICHELLE CRITTENDEN / LOU SCHAUFEL

FROM: MOBERLY LIMITED

REF: KJ/SID/MOBER-F 2

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

RE: ACCOUNT NO: [REDACTED]

By debit to our account, utilising cash presently available and also as appropriate from the realisation of US Agency Bonds held, will you please effect the following transfer for value not later than 9th March 2000:-

Amount: US\$6,500,000 (Six Million, Five Hundred Thousand US Dollars only)
Bank: Bank of America N.A.
109 Main Street, Dallas, Texas.
ABA No: 111000025
For the Account of: Green Funding I LLC
Account No: [REDACTED]
Special Request: Please contact Kelly Roark - Tel No: 2142092022
upon receipt of funds
Reference: By order of Moberly Limited

We look forward to receiving confirmation of the transactions. However, if there are any difficulties in complying with these instructions will you please contact Mr. K.A. Jones at the above telephone/fax number as soon as possible.

It is confirmed the original of these instructions is being forwarded to you by courier.

Yours faithfully,

N.J. Carter,

D.A. Harris,
Authorised Signatory

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

CC 023670

4418

Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547

Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O - O A Enclosures 0 50
Statement Period 04/01/00 through 04/30/00 020924

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

GREEN FUNDING I LLC
300 CRESCENT COURT STE 1000
DALLAS, TX 75201-7852

Customer Service:
Bank of America, N.A.
P.O. Box 831547
Dallas, TX 75283-1547
1.800.462.6289

Page 1 of 2

Full Analysis Business Checking

Account Summary Information

Statement Period	04/01/00 through 04/30/00	Statement Beginning Balance	45,064.53
Number of Deposits/Credits	1	Amount of Deposits/Credits	7,000,000.00
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	7,000,800.00
		Statement Ending Balance	44,264.53
Number of Enclosures	0	Average Ledger Balance	978,290.66
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date Posted	Customer Reference	Amount	Description	Bank Reference
04/06		7,000,000.00	Wire Type: Fed IN Date: 000406 Time: 1116 Fed Ref: 002264 Seq: 000406007125 Orig: Moberly Limited Unk Pmt Det: Green Funding I L Lc Ac: [REDACTED] RFB= 000578000782 Obj= b O Moberly Limited Bti= - Bbk Bank O Sending Bank: Citibank	904004069007125

Withdrawals and Debits

Check Number	Amount	Date Posted	Bank Reference
1008	800.00	04/27	813009130204507

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1054

BA PSI-W 0167

4419

MOBERLY LIMITED
(Incorporated in the Isle of Man No. 77466)

Directors:

K.G. Harding
N. Goddard (Irish)

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

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Page 1 of (Total Sent)

Date: 15th June, 2000.

Time Sent:

Fax No: 001 214 [REDACTED]

Operator Ref: INST 1 DISB 1173

TO: LEHMAN BROTHERS INC., DALLAS
ATTENTION: MICHELE CRITTENDEN / LOU SCHAUFLE

FROM: KEN JONES

REF: KJ/SLD/MOBERLY-F.3

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

RE: ACCOUNT NO: [REDACTED]

By debit of our account, utilising cash presently available and also as appropriate from the realisation of US Agency Bonds held, will you please effect the following transfer for value today:-

Amount: US\$14,000,000 (Fourteen Million US Dollars only)
Bank: Bank of America N.A.
109 Main Street, Dallas, Texas.
ABA No: 111000025
For the account of: Green Funding I LLC
Account No: [REDACTED]
Special Request: Please contact Kelly Roark - Tel No: 214 [REDACTED]
upon receipt of funds
Reference: By order of Moberly Limited

We look forward to receiving confirmation of the transactions. However, if there are any difficulties in complying with these instructions will you please contact Mr. K.A. Jones at the above telephone/fax number as soon as possible.

It is confirmed the original of these instructions is being forwarded to you by courier.

Yours faithfully,

[Signature]
T.M. [REDACTED]

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1054

[Signature] Harris,

CC 023630

4420



Bank of America

Bank of America, N.A.
P.O. Box 23118
Tampa, FL 33622-6118
Toll Free 1.888.BUSINESS(1.888.287.4637)
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Page 1 of 2
Account Number: [REDACTED]
E O O A Enclosures 0 50
Statement Period
10/01/02 through 10/31/02 0324944

01899 001 SCH999 0

GREEN FUNDING-I-LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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Full Analysis Business Checking

Account Summary Information

Statement Period	10/01/02 through 10/31/02	Statement Beginning Balance	22,876.43
Number of Deposits/Credits	1	Amount of Deposits/Credits	167,000.00
Number of Withdrawals/Debits	3	Amount of Withdrawals/Debits	165,115.12
		Statement Ending Balance	24,760.31
Number of Enclosures	0	Average Ledger Balance	40,456.21
Number of Days in Cycle	31	Service Charge	30.82

Deposits and Credits

Date	Customer	Amount	Description	Bank
10/07		167,000.00	Wire Type: Wire IN Date: 100702 Time: 0640 Ct Trn: 021007006800 Fdref/Seq: S0722802551401/001047 Orig: Moberly Limited Snd Bk: Citibank Na ID: 0210000 89 Pmt Det: [REDACTED] Moberly - Bank Of America Dallas	903710070006800

Withdrawals and Debits

Checks

Check Number	Amount	Date	Reference	Check Number	Amount	Date	Reference
1017	164,887.28	10/10	813009130534595	1018	197.02	10/21	813008230785776

Other Debits

Date	Customer	Amount	Description	Bank
10/22		30.82	Sept 02 Acct Analysis Charge	940310220000001

Permanent Subcommittee on Investigations
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BA PSI-W 0167


Bank of America

Bank of America, N.A.
P.O. Box 23118
Tampa, FL 33622-6118
Toll Free 1.888.BUSINESS(1.888.287.4637)
www.bankofamerica.com



Page 1 of 2
Account Number: [REDACTED]
E 0 0 A Enclosures 0 50
Statement Period
02/01/03 through 02/28/03 0310316

03999 001 SCH999 1123 0

GREEN FUNDING I LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

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Account Summary Information

Statement Period	02/01/03 through 02/28/03	Statement Beginning Balance	19,661.99
Number of Deposits/Credits	3	Amount of Deposits/Credits	9,160,000.00
Number of Withdrawals/Debits	4	Amount of Withdrawals/Debits	5,522,419.95
		Statement Ending Balance	3,657,242.04
Number of Enclosures	0	Average Ledger Balance	3,472,618.40
Number of Days in Cycle	28	Service Charge	27.04

Deposits and Credits

Date	Amount	Description	Ref
02/04	3,500,000.00	Wire Type:Wire IN Date: 020403 Time:1017 Ct Trn:030204016341 Fdref/Seq:30730350629801/001899 Orig:Moberly Limited Snd Bk:Citibank Na ID:02100000 89 Pmt ID [REDACTED] Moberly - Bank Of America 901 Main St Dallas	903702040016341
02/04	2,000,000.00	Wire Type:Wire IN Date: 020403 Time:1253 Ct Trn:030204034097 Fdref/Seq:3073032047293122/003196 Orig:[REDACTED] Moberly Ltd.MO Snd Bk:Bank Of New York ID:0210000018	903702040034097
02/07	3,660,000.00	Wire Type:Wire IN Date: 020703 Time:0950 Ct Trn:030207016356 Fdref/Seq:30730381751301/001884 Orig:Moberly Limited Snd Bk:Citibank Na ID:02100000 89 Pmt ID [REDACTED] Moberly - Bank Of America 901 Main St Dallas	903702070016356

Permanent Subcommittee on Investigations
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Bank of America

Bank of America, N.A.
P.O. Box 25118
Tampa, FL 33629-5118

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www.bankofamerica.com



Page 1 of 2
Account Number: [REDACTED]
B 0 0 A Enclosures 0 50
Statement Period
05/01/03 through 05/31/03 0320692

62099 001 SCH999 I 3 0

GREEN FUNDING I LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

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Full Analysis: Business Checking
Account Summary Information

Statement Period	05/01/03 through 05/31/03	Statement Beginning Balance	3,657,142.04
Number of Deposits/Credits	3	Amount of Deposits/Credits	125,780.93
Number of Withdrawals/Debits	1	Amount of Withdrawals/Debits	3,660,000.00
		Statement Ending Balance	123,922.97
Number of Enclosures	0	Average Ledger Balance	1,444,546.01
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Reference
05/07	16,780.93	Bk Of America TX;Des=interest ;ID=91000047728778	902531272100299
		Eff Date: 030507;Indn:Interest Transfer	
05/09	10,000.00	Funds Transfer Credit	945005091450014
		Fdes Ntx 0001145 Ntkiw89	
05/29	100,000.00	Wire Type:Wire IN Date: 052903 Time:0951 Ct	903705290019224
		Trn:030529019224 Fdref/Seq:S0731498903201/002050	
		Orig:Moberly Limited Snd Bk:Citibank Na ID:[REDACTED]	
		Pmt Det:[REDACTED] Moberly - 901 Main Street	

Withdrawals and Debits

Date	Amount	Description	Reference
05/13	3,660,000.00	Wire Type:Wire Out Date:051303 Time:1204 Ct	903705130027774
		Trn:030513027774 Fdref/Seq:030513027774/001173	
		BnfGreen Mountain Energy Comp ID:1585633017	
		Bnf Bk:Bank One N.A 1717 Main St	
		Pmt Det:[REDACTED] Inwir/Audrey Flood 612479587	

Permanent Subcommittee on Investigations
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Bank of America

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Tampa, FL 33622-6118
Toll Free 1.888.BUSINESS(1.888.287.4637)
www.bankofamerica.com



Page 1 of 2
Account Number: [REDACTED]
EO P 0A Enclosures 0 50
Statement Period:
06/01/03 through 06/30/03 0318688

01899 001 SCH999 I 2 0

GREEN FUNDING I LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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transfer funds, pay bills and more. Enroll at www.bankofamerica.com.

Full Analysis Business Checking

Account Summary Information

Statement Period	06/01/03 through 06/30/03	Statement Beginning Balance	123,922.97
Number of Deposits/Credits	2	Amount of Deposits/Credits	6,260,000.00
Number of Withdrawals/Debits	6	Amount of Withdrawals/Debits	6,246,584.71
		Statement Ending Balance	137,338.26
Number of Enclosures	0	Average Ledger Balance	862,231.33
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Reference
06/11	2,600,000.00	Wire Type: Wire IN Date: 061103 Time: 0956 Ct Trn: 030611016604 Fdref/Seq: S0731628326801/001918 Orig: Moberly Limited Snd Bk: Citibank Na ID: 0210000 89 Pmt Det: [REDACTED] Moberly - 901 Main Street Dallas	903706110016604
06/19	3,660,000.00	Wire Type: Wire IN Date: 061903 Time: 1155 Ct Trn: 030619029183 Fdref/Seq: S0731705291601/003125 Orig: Morehouse Limited Snd Bk: Citibank Na ID: 021000 0089 Pmt Det: [REDACTED] Morehouse - 901 Main Str Est Dallas	903706190029183

Withdrawals and Debits

Check Number	Amount	Date	Bank	Check Number	Amount	Date	Bank
1022	2,489,000.00	06/11	813008130302258	1023	280.00	06/17	813106030081558
	77,666.08	06/09	813009430141014				

Permanent Subcommittee on Investigations
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BA PSI-W 0167

NOV 21 2002 04:32 FR BANC OF AMERICA SEC R 2143032960 TO *COPY OF JOB 196 P.01/01
21.NOV.2002 10:22 NO.642 P.1/1

DEVOTION LIMITED

— = Redacted by the Permanent
Subcommittee on Investigations

Registered in the Isle of Man No. 74373

Directors:

CC Platten
CM Allen
MH Byrne
AP Wallis

Registered Office:

Prospect Chambers
Prospect Hill
Douglas
Isle of Man
IM1 1ET
British Isles

Telephone: +44 (0) 1624 626561
Facsimile: +44 (0) 1624 626569

21st November 2002

By fax & mail: 00 1 214 [REDACTED]

Michele Crittenden
Banc of America Securities LLC
2001 Ross Avenue
Suite 3100
Dallas
TX 75201
USA

Dear Michele

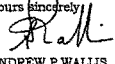
RE: DEVOTION LIMITED -ACCOUNT NUMBER [REDACTED] 1KL


Please accept this letter as your authority and instruction to make the following wire transfer:

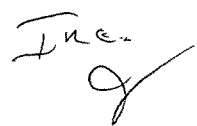
Amount:	US\$1,464,000.00 (one million four hundred and sixty-four thousand US Dollars)
Bank:	Bank of America NA 901 Main Street, Dallas, Texas 75202, USA 214 209-2012 (Kelly Roark)
ABA No:	111 000 025
Account Name:	GREEN FUNDING I, LLC
Account Number:	[REDACTED]
Reference:	Green Mountain \$4M drawdown (Devotion Ltd)
Value Date:	21 st November 2002

Thank you for your assistance with this matter.

Yours sincerely,


ANDREW P WALLIS
Director


COLIN PLATTEN
Director



NOV 21 2002 04:31
NOV 21 2002 04:38

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1054


632960

PAGE. 01
PAGE. 01

Printed Report Generated

03 0424

4425

 **Rena Alexander**
12/05/2002 01:24 PM
To: Keeley Hennington/htst
cc: Rena Alexander
Subject: Re: Green Funding I

I'm sure I do.

Keeley Hennington


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Subcommittee on Investigations

Keeley Hennington To: Rena Alexander
12/05/2002 12:28 PM cc:
Subject: Green Funding I

This should be sent tomorrow to GM with the same wire instructions as the 1,460,000 GF1 sent in November. Do you still have that?

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 12/05/02 12:33 PM -----

 **Margot MacInnis** To: "Khennington (E-mail)" [REDACTED], "Ralexander
(E-mail)" [REDACTED]
12/05/02 09:51 AM cc: Michelle Boucher [REDACTED]
Subject: Green Funding I

Devotion confirmed that \$2,200,000 was being wired to GFI today. Please let me know if you haven't received the funds by tomorrow.

Kind regards,

Margot MacInnis
Compliance Manager
Irish Trust Company
P.O. Box 10658 APO
5th Floor Harbour Place
George Town, Grand Cayman
Tel: (345) [REDACTED]
Fax: (345) [REDACTED]

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1054

CONFIDENTIAL
SECI00027069
PST00038936

06 00 16:15 FAX 01624 624469

001

QUAYLE LIMITED
(Incorporated in the Isle of Man No: 57000)

Directors:

K.G. Harding
N. Goddard (Irish)
J.M. Watterson

Registered Office:

International House,
Castle Hill
Victoria Road
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

* * * U R G E N T * * *

Ref: KH/SLD/QUAYLE-L.3

15th June, 2000.

— = Redacted by the Permanent
Subcommittee on Investigations

Lehman Brothers Inc.
Texas Commerce Tower,
Suite 2500,
2200 Ross Avenue,
Dallas,
Texas 75201,
United States of America.

To be transmitted by Facsimile

Fax No: 001 214 [REDACTED]

Attention: Michele Crittenden

Dear Sirs,

RE: USD BROKERAGE ACCOUNT NO: [REDACTED]

Please attend to the following Telegraphic Transfer for value Friday 16 June 2000:-

Amount:	US\$2,499,999.84 (Two Million, Four Hundred and Ninety Nine Thousand, Nine Hundred and Ninety Nine US Dollars and Eighty Four Cents)
Payee:	Chittenden Bank
ABA No:	011600062
For credit of account:	GreenMountain
Account No:	[REDACTED]
By order:	Quayle Limited
Reference:	GreenMountain Funding

It is imperative that funds are transferred as early as possible on the morning of 16 June.

Please ensure that fax confirmation is forwarded to our office marked for the attention of Kathy Harding, as soon as funds have been transferred.

Thank you for your assistance.

Yours faithfully,

J.M. Watterson,
Director - Authorised "A" Signatory.

N. Goddard,
Director - Authorised "B" Signatory.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1055

CC 024015

EAST CARROLL LIMITED

(Incorporated in the Isle of Man No: 57929)

Directors:N.J. Carter
N. Goddard (Irish)**Registered Office:**International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 630600
Fax: (01624) 624469**CONFIRMATION OF FACSIMILE******* FACSIMILE TRANSMISSION *****

The information contained in this fax is confidential and/or privileged. This fax is intended to be read only by the person named below. If the reader of this fax is not the intended recipient or a representative of the intended recipient you are hereby notified that any review, dissemination or copying of this fax is prohibited. If you have not received all the pages or have received this fax in error, please notify the sender by telephone and return this fax to the sender at the above address.

Page 1 of 2 (Total Sent)

Date: 19th October, 1999.

Time Sent:

Fax No: 001 214 [REDACTED]

Operator Ref: INST 1 DISB

TO: MICHELLE CRITTENDEN / CAROLE PATRICK
LEHMAN BROTHERS INC.

FROM: EAST CARROLL LIMITED

REF: MQ/SLD/EASTC-F.3

ORIGINAL**RE: ACCOUNT NO:** [REDACTED]***** REVISED INSTRUCTIONS *****

The following replaces the instructions sent earlier.

We confirm that arrangements have been made for the following amounts to be credited to the Company's holding in cash today:-

West Carroll Limited	US\$1,000,000
East Baton Rouge Limited	US\$ 600,000
Moberly Limited	US\$2,000,000

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Subject to receipt of the amounts, please take this letter as your instruction to realise from our account the sum of US\$400,000 and then transfer the following sums for value 20th October 1999:-

1. Amount: US\$2,430,323.00
(Two Million, Four Hundred and Thirty Thousand,
Three Hundred and Twenty Three US Dollars)

Bank: Bank of America N.A.
109 Main Street, Dallas,
Texas, U.S.A.

These instructions comprise of two pages and are valid only if both pages are signed.

N. Goddard
Director

CONFIRMATION OF FACSIMILE

D.A. Harris,
Authorised Signatory

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1055

CC 020002

4428

- 2 -

— = Redacted by the Permanent
Subcommittee on Investigations

ABA No: 111000025
For the account of: Green Funding I LLC
Account No: [REDACTED]
Special Request: Please contact Kelly Roark
- Tel: 01214 [REDACTED] upon receipt of funds

2. Amount: US\$1,569,677.00
(One Million, Five Hundred and Sixty Nine Thousand
Six Hundred and Seventy Seven US Dollars)


Bank: Chittenden Bank
Routing No: 011600062
Account No: [REDACTED]
Company Name: Green Mountain Com. Company

It is required that the amount be received in the account of the beneficiary as soon as possible.

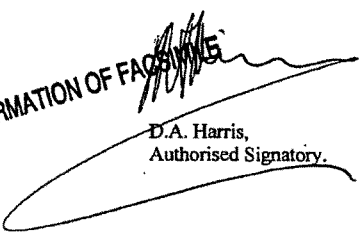
We look forward to receiving confirmation when the transfer has been made as requested.
However, if you need any further particulars or have any other requirements in this matter will
you please contact us at the above telephone number immediately.

We confirm that the original of this instruction will be sent to you by courier.

Yours faithfully,


N. Goddard,
Director.

CONFIRMATION OF FACSIMILE


D.A. Harris,
Authorised Signatory.

ORIGINAL

Confidential Treatment Requested

CC 020003

Confidential
SEC_ED00033156

75160000.00

6/30/2003	7/1/2003	7/31/2003	8/31/2003	9/30/2003	10/31/2003	11/30/2003	12/31/2003
46,454,777.63	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25
9%	9%	9%	9%	9%	9%	9%	9%
6	N/A	31	31	30	31	30	31
88,727.62	N/A	355,618.03	355,618.03	344,146.48	355,618.03	344,146.48	355,618.03
46,523,505.25	46,879,123.27	47,234,741.30	47,576,887.78	47,934,505.80	48,278,652.28	48,634,270.31	48,988,852.74
1,478,600.44	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
10,939.07	N/A	11,808.19	11,808.19	11,427.28	11,808.19	11,427.28	11,808.19
1,544,799.51	1,556,007.70	1,568,415.89	1,579,843.18	1,591,651.37	1,603,078.65	1,614,886.85	1,627,087.34
2,215,189.04	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
16,386.33	N/A	17,688.24	17,688.24	17,117.65	17,688.24	17,117.65	17,688.24
2,314,053.23	2,314,053.23	2,331,741.47	2,349,428.72	2,366,547.37	2,384,235.61	2,401,953.27	2,419,041.51
164,853.25							3,856,852.74
							175,075.62
							4,035,928.55

Confidential
SEC_ED000033158

PSI_ED000033158

3,660,000.00	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60
9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31	30	31
27,073.97	N/A	28,962.90	28,028.61	28,028.61	28,962.90	28,028.61	28,962.90	28,028.61	28,962.90
3,769,052.60	3,769,052.60	3,818,015.50	3,840,978.39	3,875,007.00	3,903,893.90	3,921,949.51	3,950,891.40	3,969,924.66	3,989,961.40
129,052.60									
3,660,000.00	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66
9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
10	N/A	31	31	30	31	30	31	30	31
9,024.66	N/A	28,045.42	28,045.42	27,140.73	28,045.42	27,140.73	28,045.42	27,140.73	28,045.42
3,669,024.66	3,669,024.66	3,697,070.08	3,725,115.50	3,752,256.23	3,780,301.65	3,807,442.38	3,835,487.80	3,863,533.00	3,891,578.15
57,469,767.11	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24
132,151.665	N/A	442,122.78	442,122.78	427,890.75	442,122.78	427,890.75	442,122.78	427,890.75	442,122.78
57,840,435.24	57,840,435.24	58,282,558.02	58,724,990.80	59,152,541.56	59,594,664.34	60,022,825.09	60,454,947.87	60,887,069.65	61,319,192.43

Confidential
SEC_ED00033159

PSI_ED00033159

3,960,961.40	9%	3,960,961.40	9%	3,960,961.40	9%	3,960,961.40	9%	3,960,961.40	9%
31		29	31	30	31	30	31	29,220.21	30
30,194.21		29,246.20	30,194.21	29,220.21	30,194.21	29,220.21	30,194.21	29,220.21	30,194.21
3,991,155.61		4,019,401.81	4,049,599.00	4,076,816.24	4,109,010.45	4,136,230.66	4,163,450.87	4,190,671.08	4,217,891.29
3,835,487.80	9%	3,835,487.80	3,835,487.80	3,835,487.80	3,835,487.80	3,835,487.80	3,835,487.80	3,835,487.80	3,835,487.80
31		29	31	30	31	30	31	29,237.73	30
29,237.73		27,351.43	29,237.73	28,204.58	29,237.73	28,204.58	29,237.73	28,204.58	29,237.73
3,854,725.54		3,862,076.97	3,872,314.70	3,884,609.20	3,895,847.02	3,907,111.50	3,918,383.00	3,929,654.50	3,940,926.00
60,454,547.87	9%	60,454,547.87	60,454,547.87	60,454,547.87	60,454,547.87	60,454,547.87	60,454,547.87	60,454,547.87	60,454,547.87
431,182.32		431,182.32	431,182.32	431,182.32	431,182.32	431,182.32	431,182.32	431,182.32	431,182.32
60,925,596.91		61,355,749.23	61,817,698.27	62,285,719.95	62,724,637.99	63,170,698.67	63,617,759.35	64,064,820.03	64,511,880.71

Confidential
SEC_ED00033161

PSL_ED00033161

7/31/2004	8/31/2004	9/30/2004	10/31/2004	11/30/2004	12/31/2004
50,810,853.22	50,810,853.22	50,810,853.22	50,810,853.22	50,810,853.22	50,810,853.22
9%	9%	9%	9%	9%	9%
31	31	30	31	30	31
387,328.64	387,328.64	374,834.16	387,328.64	374,834.16	387,328.64
51,196,181.86	51,595,510.50	51,960,344.86	52,347,672.29	52,722,507.46	53,109,836.09
					2,295,382.87
					53,109,836.09
1,687,159.65	1,687,159.65	1,687,159.65	1,687,159.65	1,687,159.65	1,687,159.65
9%	9%	9%	9%	9%	9%
31	31	30	31	30	31
12,861.14	12,861.14	12,446.26	12,861.14	12,446.26	12,861.14
1,700,020.79	1,712,881.92	1,725,328.18	1,738,183.32	1,750,935.58	1,763,496.71
					76,337.06
					1,763,496.71
2,527,303.53	2,527,303.53	2,527,303.53	2,527,303.53	2,527,303.53	2,527,303.53
9%	9%	9%	9%	9%	9%
31	31	30	31	30	31
19,265.51	19,265.51	18,644.04	19,265.51	18,644.04	19,265.51
2,546,569.04	2,565,834.55	2,594,478.59	2,603,744.10	2,622,388.15	2,641,653.66
					4,214,483.18
					11,350.18
					192,887.13
					4,435,150.37

Confidential
SEC_ED000033162

PSL_ED000033162

Green Mountain Energy Company
Accrued Interest - Long Term Loans - Green Funding
Interest is computed at June 30 & December 31

	12/31/2004	1/1/2005	2/28/2005	3/31/2005	4/30/2005	5/31/2005
Green Funding - June 30, 2005 - \$4,555,241.65						
Loan Balance	53,088,794.86	53,088,794.86	53,088,794.86	53,088,794.86	53,088,794.86	53,088,794.86
Interest Rate	0	N/A	9%	9%	9%	9%
# of Days	0	31	28	31	30	31
Interest Accrued	0	404,692.27	365,529.41	404,692.27	391,638.05	434,692.27
Balance at month end	53,088,794.86	53,088,794.86	53,453,489.13	54,203,170.81	54,655,349.46	55,060,042.75
Green Funding - November 22, 2002 - \$1,459,000						
Loan Balance	1,757,819.80	1,757,819.80	1,757,819.80	1,757,819.80	1,757,819.80	1,757,819.80
Interest Rate	0	9%	9%	9%	9%	9%
# of Days	0	31	28	31	30	31
Interest Accrued	0	N/A	13,392.77	12,103.02	13,392.77	13,392.77
Balance at month end	1,757,819.80	1,757,819.80	1,771,212.57	1,769,922.82	1,809,619.89	1,823,083.67
Green Funding - December 6, 2002 - \$2,400,000						
Loan Balance	2,659,712.96	2,659,712.96	2,659,712.96	2,659,712.96	2,659,712.96	2,659,712.96
Interest Rate	9%	9%	9%	9%	9%	9%
# of Days	31	31	28	31	30	31
Interest Accrued	2,659,712.96	N/A	18,175.07	20,122.40	19,473.29	20,122.40
Balance at month end	2,659,712.96	2,659,712.96	2,659,688.36	2,678,010.43	2,698,132.94	2,717,606.13
Interest Accrued	4,397,532.75	4,397,532.75	4,451,054.94	4,451,333.03	4,494,855.21	4,527,296.02
Balance at month end	4,397,532.75	4,397,532.75	4,451,054.94	4,451,333.03	4,494,855.21	4,527,296.02
Green Funding - May 12, 2003 - \$3,869,000						
Loan Balance	4,228,619.68	4,228,619.68	4,228,619.68	4,228,619.68	4,228,619.68	4,228,619.68
Interest Rate	0	9%	9%	9%	9%	9%
# of Days	0	N/A	31	28	31	31
Interest Accrued	0	N/A	32,234.56	29,115.09	31,194.74	32,234.56
Balance at month end	4,228,619.68	4,228,619.68	4,260,854.24	4,259,959.53	4,322,203.89	4,355,388.10
Green Funding - June 28, 2005 - \$3,640,000						
Loan Balance	4,184,327.43	4,184,327.43	4,184,327.43	4,184,327.43	4,184,327.43	4,184,327.43
Interest Rate	0	9%	9%	9%	9%	9%
# of Days	0	N/A	31	28	31	31
Interest Accrued	0	N/A	31,896.92	28,810.12	31,896.92	31,896.92
Balance at month end	4,184,327.43	4,184,327.43	4,216,224.35	4,245,034.48	4,276,951.40	4,307,799.39
Green Funding - Bank One LOS Guaranty Fee - February 19, 2004 - \$99,000						
Loan Balance	354,316.14	354,316.14	354,316.14	354,316.14	354,316.14	354,316.14
Interest Rate	0	9%	9%	9%	9%	9%
# of Days	0	N/A	31	28	31	31
Interest Accrued	0	N/A	4,073.08	3,408.20	3,773.36	3,773.36
Balance at month end	354,316.14	354,316.14	358,389.22	357,724.34	358,109.50	358,109.50

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1059

Confidential
SEC_ED00035472

PSI_ED00035472

Balance at month end	534,318.14	534,318.14	538,397.22	458,408.20	502,181.96	505,683.20	509,606.95
Green Funding Summary - June 30, 2016 - 2016-2017							
Loan Balance	228,602.98	228,602.98	228,602.98	228,602.98	228,602.98	228,602.98	228,602.98
Interest Rate	9%	9%	9%	9%	9%	9%	9%
Interest Accrual	N/A	N/A	1,742.83	1,573.89	1,742.83	1,686.42	1,742.83
Balance at month end	228,602.98	228,602.98	230,345.81	230,176.87	230,345.81	232,032.02	233,774.85
Green Funding Summary - 2017-2018							
Loan Balance	66,662,195.85	66,662,195.85	66,662,195.85	66,622,877.71	66,622,877.71	66,622,877.71	66,622,877.71
Interest Accrual	N/A	N/A	500,162.64	458,714.30	507,882.92	491,480.25	507,882.92
Balance at month end	66,662,195.85	66,662,195.85	67,170,358.49	67,583,592.04	68,090,228.47	68,381,708.71	69,099,571.83

Confidential
SEC_ED00035473

PSI_ED00035473

6/30/2005	7/1/2005	7/31/2005	8/31/2005	9/30/2005	10/31/2005	11/30/2005	12/31/2005
53,088,794.85	55,451,681.39	55,451,681.39	55,451,681.39	55,451,681.39	55,451,681.39	55,451,681.39	55,451,681.39
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	30	30	31
391,658.65	N/A	422,705.44	422,705.44	409,069.78	422,705.44	409,069.78	422,705.44
55,451,681.39	55,451,681.39	55,874,386.83	55,297,092.27	55,706,162.05	57,128,887.49	57,537,537.27	57,960,642.71
1,757,819.80	1,836,057.19	1,836,057.19	1,836,057.19	1,836,057.19	1,836,057.19	1,836,057.19	1,836,057.19
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
12,987.52	N/A	13,996.17	13,996.17	13,544.68	13,996.17	13,544.68	13,996.17
1,836,057.19	1,836,057.19	1,850,053.36	1,894,049.54	1,877,594.22	1,891,590.39	1,905,135.08	1,919,131.25
2,638,712.96	2,757,201.82	2,757,201.82	2,757,201.82	2,757,201.82	2,757,201.82	2,757,201.82	2,757,201.82
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
19,473.29	N/A	21,018.01	21,018.01	20,940.01	21,018.01	20,340.01	21,018.01
2,757,201.82	2,757,201.82	2,778,219.84	2,799,237.65	2,819,577.66	2,840,595.88	2,860,556.89	2,881,953.91
4,593,269.01	4,593,269.01	4,638,273.20	4,693,287.39	4,697,172.09	4,732,186.27	4,769,070.97	4,807,085.16
4,228,619.68	4,416,827.92	4,416,827.92	4,416,827.92	4,416,827.92	4,416,827.92	4,416,827.92	4,416,827.92
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
31,194.74	N/A	33,669.26	33,669.26	32,583.16	33,669.26	32,583.16	33,669.26
4,416,827.92	4,416,827.92	4,450,497.18	4,484,166.44	4,516,749.60	4,550,418.66	4,583,002.02	4,616,671.28
4,184,327.43	4,370,564.30	4,370,564.30	4,370,564.30	4,370,564.30	4,370,564.30	4,370,564.30	4,370,564.30
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
30,867.89	N/A	33,316.40	33,316.40	32,241.07	33,316.40	32,241.07	33,316.40
4,370,564.30	4,370,564.30	4,403,880.90	4,437,197.49	4,469,039.36	4,502,755.90	4,534,997.82	4,568,314.92
495,000.00	513,258.20	513,258.20	513,258.20	513,258.20	513,258.20	513,258.20	513,258.20
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	30	31
3,651.64	N/A	3,912.54	3,912.54	3,786.33	3,912.54	3,786.33	3,912.54

Confidential
SEC_ED00035474

PSI_ED00035474

4441

— = Redacted by the Permanent
Subcommittee on Investigations

Evan Wylly
02/23/2000 12:14 PM

To: Michelle Boucher
cc: davidh[REDACTED], Shari Robertson [REDACTED]
Subject: FW: Green Mountain Cash Flow

Michelle, attached are the Green Mountain cash flow projections that you requested


----- Forwarded by Evan Wylly/Maverick on 02/23/00 02:09 PM -----



"Canon, Scott."
scott.canon@[REDACTED]
02/22/00 11:36 AM

To: evan wylly
cc:
Subject: FW: GMTN Cash Flow Need

Evan,
Here are our cash flow needs you requested.

 - Cash Flow Projections for 2nd Quarter 2000 2-21-2000.xls

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1060

Confidential
SEC_ED00046890

PSI ED00046890

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, July 03, 2001 10:29 AM
To: "Michelle Boucher" [REDACTED]
Subject: Re: Green Mountain

Should I scold you too for answering e-mail to fast. How are you doing? Did the C-section go okay. I know the recovery is not the best, but it does not last that long.

Keeley

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Michelle Boucher" [REDACTED]
07/03/01 09:56 AM

To: <Keeley_Hennington@ [REDACTED]> <evan_wyly@ [REDACTED]>
cc:
Subject: Re: Green Mountain

assuming it will come from offshore, we should be okay with this to make the 2001 payment. I think that towards the end of this year, we are going to need to take a look at possibly liquidating some Maverick or other holdings to raise some funds. (But lot's can happen between now and then!)

Evan - assuming this is a stock deal, do you have any information on what the price may be, or who the other participants are? Is there anything I should/could be letting the trustees know at this point?

Michelle

-----Original Message-----

From: evan_wyly@ [REDACTED]
To: Keeley_Hennington@ [REDACTED]
Cc: mboucher@ [REDACTED]
Date: Thursday, June 28, 2001 11:10 AM
Subject: Green Mountain

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1060

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4443

>Green Mountain will be doing another round of financing of \$95 million
>split into two equal tranches. One on Sept. 30, 2001 and the second on
>June 30, 2002. Sam is considering a \$5 million investment (\$2.5
>million on each of these two dates). How do his sources of cash look?
>
>
>

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FAX TRANSMITTAL

To: **David Harris**
Ken Jones

From: **Shari Robertson**
Mike French

Company: **Aundyr Trust Company Ltd.**

Phone: **011 44 [REDACTED]**

Fax: **011 44 [REDACTED]**

Number of pages: **1**

Phone: **214 880 4050**

Fax: **214 880 4052**

Date: **November 19, 1998**

Time: **9:31 AM**

Re: Green Mountain/GMP

Attached is a schedule showing the anticipated funding for the prior approved GMP Holdings investment. I will be out next week, final confirmation of the amounts and dates will be coming from either Michelle Boucher or Evan Wyly. If you need further confirmation of my approval, leave me a voice mail and I will call. The cash call in total is \$10,000,000. (The protectors are recommending leaving the \$10,000,000 loan to Security Capital outstanding at this time, more on that later.) At this time, I do not know whether Maverick is going to invest in this round. If Maverick does invest the % of GMP's Cash call is 66.71328%, if not the % is 86.71328%. I have attached schedules outlining these two cash calls.

The protectors' recommendation is to fund GMP's % as follows:

Roaring Fork	\$750,000
Dortmund	\$302,080.
Locke	\$5,135,920.
East Carroll	483,328.

And if Maverick is out:

Tensas	\$1,000,000.
W. Carroll	\$1,000,000.

Michelle will provide you with wiring instructions. It is my understanding that good funds are needed at Green

Mountain Energy on 11/30/98. I think you should plan to have cash ready to wire to GMP Holdings on

Tuesday/Wednesday of next week. I am in the office today and tomorrow if you have questions.

300 Crescent Court • Suite 1000 • Dallas, TX 75201 • 214/880-4100 • Fax 214/880-4104

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1062

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PSI ED00042897

4445

From: Michelle Boucher <[REDACTED]>
Sent: Monday, March 6, 2000 1:47 PM
To: Ken Jones (E-mail) <[REDACTED]>
Cc: Shari Robertson
Subject: Greenmountain

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

As per the recent cash flow projections, the protectors recommend that you make arrangements for the \$6.5M funding for March to be paid over to Green Funding 1 at your earliest convenience.

I suggest that you make arrangements to utilize funds on hand at Moberly Limited with Bank of Bermuda, as well as those that were realized on the recent SSW swap reset. Money will need to move to Green Funding 1 no later than March 9th.

We are arranging for the documentation to be prepared and executed and will forward the same to you once received.

If you have any questions, please call.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1062

MAV007958

— = Redacted by the Permanent
Subcommittee on Investigations



Michelle Boucher

To: "Kathy Harding (E-mail)" [REDACTED], "Ken Jones (E-mail)" [REDACTED], "Francis Webb (E-mail)" [REDACTED]

03/17/2000 09:24 AM
Please respond to [REDACTED]

cc: Shari Robertson [REDACTED]
Subject: FW: GMP Holdings, Ltd

Sorry everyone - I forgot to attach the file!

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Friday, March 17, 2000 10:53 AM
To: Ken Jones (E-mail); Kathy Harding (E-mail); Francis Webb (E-mail)
Cc: Shari Robertson (E-mail)
Subject: GMP Holdings, Ltd

GMP Holdings, Ltd has a need for approximately \$15,000 to pay current expenses due for prior years' directors fees, and current annual return / legal fees.

I have attached a spreadsheet which allocates this \$15,000 across the various equity shareholders of Greenmountain.com, as this appears to be the 'fairest' way to fund the expenses of GMP Holdings, Ltd.

Provided that the trustees for these entities agree, kindly arrange for payment to GMP Holdings, Ltd to the following wire instructions.

IBJ Whitehall Bank & Trust Company
New York, NY USA
ABA# 026 007 825
CHIPS # 782
In Favor of: Queensgate Bank & Trust Company Ltd
Account: [REDACTED]
Further credit to: GMP Holdings, Ltd
Sub account: 1991

Thanks
Michelle Boucher



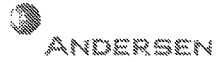
- gmpcashcall.xls

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1062

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GREEN MOUNTAIN ENERGY COMPANY

Financial Statements
As of December 31, 2001
Together With Auditors' Report

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1064

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
Green Mountain Energy Company:

We have audited the accompanying balance sheets of Green Mountain Energy Company (a Delaware corporation) as of December 31, 2000 and 2001, and the related statements of operations, shareholders' deficit and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Mountain Energy Company as of December 31, 2000 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and net losses, and it has not generated positive cash flows from operations since its inception. In addition, the Company is dependent on its ability to obtain additional equity and/or debt financing. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Austin Andersen LLP

Austin, Texas
April 12, 2002

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GREEN MOUNTAIN ENERGY COMPANYBALANCE SHEETS

(In Thousands, Except Share and Per Share Amounts)

	<u>December 31</u>	
	<u>2000</u>	<u>2001</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,859	\$ 10,512
Restricted cash	5,575	15,032
Short-term investments	6,987	5,956
Accounts receivable, net	20,090	25,649
Prepaid expenses and other current assets	<u>1,000</u>	<u>549</u>
Total current assets	55,511	57,698
PROPERTY AND EQUIPMENT, net	2,166	2,756
OTHER ASSETS, net	<u>252</u>	<u>269</u>
Total assets	<u>\$ 57,929</u>	<u>\$ 60,723</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,226	\$ 1,889
Accrued expenses	<u>13,441</u>	<u>29,891</u>
Total current liabilities	17,667	31,780
LONG-TERM DEBT, related party, including accrued interest	<u>47,454</u>	<u>50,352</u>
Total liabilities	65,121	82,132
COMMITMENTS AND CONTINGENCIES (Note 7)		
SHAREHOLDERS' DEFICIT:		
Convertible preferred stock, all series at \$0.01 par value; total of 50,000,000 shares authorized-		
Series A, 10,843,372 shares issued and outstanding, liquidation preference of \$35,999,995	108	108
Series B, none and 11,298,659 shares issued and outstanding, liquidation preference of \$- and \$57,499,994, respectively	-	113
Series E, 4,216,867 shares issued and outstanding, liquidation preference of \$14,506,022	42	42
Series F, 3,719,176 shares issued and outstanding, liquidation preference of \$13,946,910	37	37
Series G, none and 589,391 shares issued and outstanding, liquidation preference of \$- and \$3,000,000, respectively	-	6
Common stock, \$0.01 par value; 150,000,000 shares authorized, 25,069,441 shares and 25,475,364 shares issued and outstanding, respectively	251	255
Additional paid-in capital	<u>164,682</u>	<u>225,079</u>
Notes receivable from shareholders	(2,268)	(2,233)
Deferred compensation and consideration	(1,864)	(487)
Accumulated deficit	<u>(168,180)</u>	<u>(244,329)</u>
Total shareholders' deficit	<u>(7,192)</u>	<u>(21,409)</u>
Total liabilities and shareholders' deficit	<u>\$ 57,929</u>	<u>\$ 60,723</u>

The accompanying notes are an integral part of these financial statements.

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GREEN MOUNTAIN ENERGY COMPANYSTATEMENTS OF OPERATIONS

(In Thousands)

	<u>Year Ended December 31</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
REVENUE	\$ 31,434	\$ 73,667	\$ 82,028
COST OF REVENUE	25,401	66,481	94,355
OPERATING EXPENSES:			
Sales and marketing	35,302	27,930	21,638
Technology and market development	9,240	10,225	8,232
Customer and regional operations	5,537	8,736	19,159
General and administrative	8,193	6,624	5,228
Depreciation and amortization	1,001	963	1,259
Write-off of public offering costs	3,873	-	-
Corporate relocation costs	-	3,111	763
Contract termination costs	-	-	2,700
Total operating expenses	<u>63,146</u>	<u>57,589</u>	<u>58,979</u>
Operating loss	(57,113)	(50,403)	(71,306)
INTEREST INCOME (EXPENSE), net	381	(638)	(1,040)
OTHER FINANCING COSTS	-	-	(3,803)
NET LOSS	<u><u>\$ (56,732)</u></u>	<u><u>\$ (51,041)</u></u>	<u><u>\$ (76,149)</u></u>

The accompanying notes are an integral part of these financial statements.

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GREEN MOUNTAIN ENERGY COMPANY

STATEMENTS OF SHAREHOLDERS' DEFICIT

(In Thousands)

	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Notes Receivable Shareholders'	Deferred Compensation Consideration	Accumulated Deficit	Total Shareholders' Deficit
BALANCE, December 31, 1998	—	\$ —	18,000	\$180	\$ 50,173	\$ —	\$ —	\$ (59,901)	\$ (548)
Issuance of common stock for services	—	—	208	2	40	(318)	—	—	388
Offering costs related to issuance of common stock	—	—	—	—	40	—	—	—	(280)
Unearned compensation related to issuance of common stock	—	—	—	—	—	—	—	—	—
Terminated/forfeited options	—	—	—	—	4,373	—	(1,193)	—	3,180
Net loss	—	—	—	—	(1,163)	—	205	—	(958)
BALANCE, December 31, 1999	—	—	25,358	256	103,120	(3,718)	(897)	(56,728)	(56,728)
Issuance of Series A preferred stock and warrants	10,843	—	—	—	35,892	—	(3,489)	(116,633)	(17,962)
Issuance of Series C preferred stock	4,217	42	—	—	13,998	—	—	—	32,511
Issuance of Series D preferred stock	1,511	15	—	—	4,511	—	—	—	14,000
Issuance of Series F preferred stock	3,719	37	—	—	13,910	—	—	—	15,664
Offering costs related to issuance of preferred stock	—	—	—	—	(652)	—	—	—	(652)
Repurchase of common stock	(4,217)	(42)	—	—	(13,958)	(209)	—	(506)	(14,598)
Unearned compensation related to issuance of common stock	—	—	—	—	—	—	—	—	—
Forgiveness of notes receivable from shareholders and redemption of related shares	—	—	(489)	(5)	(1,623)	1,658	—	—	30
Unearned compensation related to issuance of stock options	—	—	—	—	29	—	(29)	—	—
Amortization of deferred compensation and consideration	—	—	—	—	—	—	2,458	—	2,458
Terminated/forfeited options	—	—	—	—	(458)	—	—	—	—
Net loss	—	—	—	—	—	—	—	(51,041)	(51,041)
BALANCE, December 31, 2000	16,778	187	23,089	251	164,682	(2,268)	(1,854)	(168,180)	(7,192)
Issuance of common stock for services	11,297	113	406	4	2,062	—	(2,066)	—	—
Issuance of Series C preferred stock	1,511	15	—	—	4,511	—	—	—	5,000
Issuance of Series G preferred stock	569	6	—	—	2,894	—	—	—	3,000
Offering costs related to issuance of preferred stock	—	—	—	—	(2,112)	—	—	—	(2,112)
Interest earned on notes receivable from shareholders	—	—	—	—	116	(116)	—	—	—
Repurchase of common stock	—	—	—	—	—	—	—	—	—
Redemption of related shares	—	—	—	—	(90)	151	—	—	101
Amortization of deferred compensation and consideration	—	—	—	—	—	—	3,443	—	3,443
Net loss	—	—	—	—	—	—	—	(70,159)	(70,159)
BALANCE, December 31, 2001	28,665	\$308	24,412	\$255	\$225,972	\$12,430	\$ —	\$ (70,159)	\$ (70,159)
Net loss	—	—	—	—	—	—	—	—	—
BALANCE, December 31, 2001	28,665	\$308	24,412	\$255	\$225,972	\$12,430	\$ (69.0)	\$ (70,159)	\$ (70,159)

The accompanying notes are an integral part of these financial statements

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GREEN MOUNTAIN ENERGY COMPANY

STATEMENTS OF CASH FLOWS

(In Thousands)

	Year Ended December 31		
	1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(56,732)	\$(51,041)	\$(76,149)
Adjustments to reconcile net loss to net cash used in operating activities-			
Depreciation and amortization	1,001	963	1,259
Provision for doubtful accounts receivable	1,758	2,644	4,008
Amortization of deferred compensation and consideration	3,006	2,183	3,443
Other	(34)	(256)	49
Changes in assets and liabilities-			
Restricted cash	(1,979)	(675)	(9,457)
Accounts receivable	(8,156)	(15,643)	(239)
Prepaid expenses and other current assets	28	(606)	(8,854)
Other assets	(61)	111	(7)
Accounts payable and accrued expenses	1,721	6,941	17,011
Net cash used in operating activities	<u>(59,448)</u>	<u>(55,379)</u>	<u>(68,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,158)	(441)	(1,830)
Purchases of short-term investments	-	(6,987)	-
Sale of short-term investments	-	-	1,031
Net cash used in investing activities	<u>(2,158)</u>	<u>(7,428)</u>	<u>(799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	22,000	22,500	-
Proceeds from issuance of stock, net of offering costs	36,313	74,312	58,388
Repurchase of stock	-	(14,506)	-
Net cash provided by financing activities	<u>58,313</u>	<u>82,306</u>	<u>58,388</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,293)</u>	<u>19,499</u>	<u>(11,347)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,653</u>	<u>2,360</u>	<u>21,859</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,360</u>	<u>\$ 21,859</u>	<u>\$ 10,512</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 167	\$ -	\$ -
Cash paid for taxes	9	8	12
Issuance (forgiveness) of notes receivable from shareholders	3,718	(1,658)	(151)
Issuance of stock and stock options for services	-	3,518	2,066
Conversion of accrued interest to long-term debt principal	447	2,507	2,898

The accompanying notes are an integral part of these financial statements.

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GREEN MOUNTAIN ENERGY COMPANYNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 20011. ORGANIZATION AND BUSINESS:

Green Mountain Energy Company (the Company), a Delaware corporation, markets and sells electricity produced from renewable and other environmentally preferable sources to residential and small commercial customers. As of December 31, 2001, the Company was serving approximately 433,400 customers located in Ohio, New Jersey, Pennsylvania, Connecticut, Texas and California. As further discussed in Note 7, during February and March 2001, the Company reverted the majority of its California customers to incumbent local utilities due to that state's electric power issues that developed during the second half of 2000 and the first quarter of 2001.

2. GOING CONCERN AND LIQUIDITY:

The Company operates in the retail energy market in several states and has a limited operating history. The competitive retail energy market in the United States is at an early stage of development, and a limited number of states have deregulated the sale of electricity. The development of the Company's business will depend upon, among other things, the continued existence and opening of favorable markets having rules that favor open competition among retail electricity providers, including the incumbent utilities (or their affiliates), the Company's ability to expand its customer base in its current markets and its ability to enter new markets in a timely manner at reasonable costs.

The Company has incurred losses since its inception, and management expects to continue to incur losses for a period of time. The Company has incurred significant operating expenses to develop its business, and its ability to become profitable will depend on its ability to acquire and retain customers at a reasonable cost, sell its products at a sufficient margin, effectively manage its energy supply requirements and further develop its internal corporate organization and systems.

The Company has suffered recurring losses from operations and net losses, and it has not generated positive cash flows from operations since its inception. In addition, the Company's operations and the expansion of its business have both been historically funded by equity and debt financings. In March 2002, the Company obtained additional preferred stock equity financing of approximately \$15.0 million and converted approximately \$9.1 million of its outstanding long-term debt to preferred stock. Management estimates that the Company's working capital will be sufficient to fund its operations and the expansion of its business through the second quarter of 2002. Additional equity and/or debt financing will be required no later than the third quarter of 2002 in order for the Company to continue to execute its current business plan and continue as a going concern, and management is currently in the process of negotiating up to \$20.0 million in additional equity financing from certain of its current shareholders. There is no assurance, however, that additional equity or debt financing can be obtained or that it can be obtained on acceptable terms. If additional financing is obtained, there is no assurance that the Company will be able to develop financially viable future operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash Equivalents and Short-Term Investments

Cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with original maturities of 90 days or less. Short-term investments consist of high-grade mutual funds and bonds and are reflected at market value as determined by the most recently traded price of such funds as of the balance sheet date. As of December 31, 2001, the market value and original cost of the mutual fund investments were not materially different. The short-term investments are defined as available-for-sale securities under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management anticipates liquidating these short-term investments during 2002 to help fund the Company's operations.

Restricted Cash

Certain utilities, power supply vendors, state regulatory agencies and other organizations require various types of collateral to ensure fulfillment of the Company's commitments. Cash providing such collateral has been classified as restricted cash in the accompanying balance sheets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the various classes of depreciable property as follows:

Computer hardware	2 years
Purchased computer software	3-5 years
Furniture, fixtures and vehicles	5-7 years
Web site development costs	3 years

The Company capitalizes the costs incurred to develop its web site in accordance with Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Company recorded depreciation expense for the years ended December 31, 1999, 2000 and 2001, of approximately \$844,000, \$504,000 and \$1.2 million, respectively.

Revenue Recognition and Cost of Revenues

Revenue is recognized for the sale of electricity once it has been delivered to a customer. Unbilled electricity sales are estimated and recorded each period. Cost of revenue consists of the cost of power delivered to the Company's customers. Power costs for which suppliers have not billed the Company are estimated each period and are included in accrued cost of revenue. The Company's invoices to its customers may also include charges relating to the transmission and distribution of the electricity, functions which are provided by the incumbent utilities. These amounts are excluded from the Company's net revenue. As a result, neither the Company's revenue nor its costs include the transmission and distribution charges included in customers' invoices. See Note 4 for unbilled accounts receivable and accrued cost of revenue.

Concentration of Credit Risk

In certain markets in Pennsylvania, Connecticut and New Jersey, the incumbent utility is responsible for collection risk; whereby the incumbent utility remits payment to the Company for the amount of the Company's billings. The incumbent utility is responsible for collecting from the Company's customers in those markets and ultimately bears the risk of collection.

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Advertising Costs

Advertising costs are expensed as incurred, as such efforts historically have not met the direct-response criteria required for capitalization. Total advertising costs for the years ended December 31, 1999, 2000 and 2001, were approximately \$14.0 million, \$7.7 million and \$5.5 million, respectively.

Write-Off of Public Offering Costs

In July 1999, management decided not to proceed with an initial public offering of the Company's common stock, and the Company wrote off approximately \$3.9 million in deferred costs related to the offering.

Corporate Relocation Costs

In June 2000, the Company's headquarters were moved from South Burlington, Vermont, to Austin, Texas. The Company incurred costs of approximately \$3.1 million in 2000 and \$0.8 million in 2001 related to this relocation consisting primarily of costs to move physical assets and employee-related costs such as relocation incentives and moving allowances.

Federal Income Taxes

The Company utilizes the liability method of accounting for income taxes as set forth in SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred taxes are determined based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse (see Note 9).

Stock-Based Compensation

The Company applies Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock option plans. The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." See Note 6 for a further discussion of the Company's stock option plans.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures concerning contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Operating results in the future could vary from management's estimates and assumptions.

Fair Value of Financial Instruments

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to the short-term nature of the instruments. Short-term investments are reflected at market value as determined by the most recently traded price of such investments as of the balance sheet date, and such market values as of December 31, 2000 and 2001, were not materially different from the cost of the investments. Management believes that the carrying amount of the Company's long-term debt approximates its fair value.

Derivative Financial Instruments

The Company follows the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," in accounting for its derivative financial instruments. SFAS No. 133 requires that derivative instruments be

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recorded in the balance sheet as either assets or liabilities, depending upon the rights or obligations under the contracts, at their fair values. SFAS No. 133 also requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. For a qualifying cash flow hedge, the changes in fair value of the derivative instrument are initially recognized in other comprehensive income and then are reclassified into earnings in the period that the hedged transaction affects earnings. For a qualifying fair value hedge, the changes in fair value of the derivative instrument are offset against the corresponding changes for the hedged item through earnings. Such accounting for qualifying hedges allows a derivative's gains and losses to offset related results of the hedged item in the income statement and requires the Company to formally document, designate and continuously assess the effectiveness of transactions that receive hedge accounting. SFAS No. 138 was issued in June 2000 and amended certain provisions of SFAS No. 133.

The Company does not enter into derivative transactions for speculative purposes. The Company enters into derivative transactions that meet SFAS No. 133's definition of normal purchases and sales. Accordingly, the Company does not record the derivative transactions that meet the definition of normal purchases and sales on the balance sheet.

Valuation of Long-Lived Assets

The Company follows the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." If an evaluation is required under SFAS No. 121, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. The Company has not recognized any impairment losses pursuant to SFAS No. 121.

Reclassifications

Certain prior-year amounts have been reclassified to be consistent with the current year's presentation.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations subsequent to June 30, 2001, be accounted for under the purchase method of accounting. The pooling-of-interests method is no longer allowed. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 effective January 1, 2002, the first day of fiscal year 2002. The adoption had no impact on the Company's financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 establishes a single accounting model, based upon the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. SFAS No. 144 broadens the presentation of discontinued operations to include more disposal transactions and also provides additional implementation guidance for SFAS No. 121. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 144 effective January 1, 2002, and such adoption had no impact on the Company's financial position and results of operations.

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4. DETAIL OF CERTAIN
BALANCE SHEET ACCOUNTS:

Accounts Receivable

Accounts receivable, net consisted of the following (in thousands):

	<u>December 31</u>	
	<u>2000</u>	<u>2001</u>
Trade accounts receivable	\$11,209	\$18,547
Unbilled accounts receivable	9,748	7,499
Other receivables	<u>1,447</u>	<u>2,160</u>
	22,404	28,206
Less- Allowance for doubtful accounts	<u>(2,314)</u>	<u>(2,557)</u>
	<u>\$20,090</u>	<u>\$25,649</u>

Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	<u>December 31</u>	
	<u>2000</u>	<u>2001</u>
Computer hardware	\$ 1,751	\$ 1,807
Purchased computer software	566	1,518
Furniture, fixtures and vehicles	811	1,100
Web site development costs	1,346	1,347
Other	<u>232</u>	<u>311</u>
	4,706	6,083
Less- Accumulated depreciation	<u>(2,540)</u>	<u>(3,327)</u>
	<u>\$ 2,166</u>	<u>\$ 2,756</u>

Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	<u>December 31</u>	
	<u>2000</u>	<u>2001</u>
Accrued cost of revenue	\$ 6,868	\$ 3,149
Accrued cost of revenue, related party	1,604	20,313
Accrued payroll and benefits	1,686	2,077
Accrued taxes	1,323	1,346
Other accrued liabilities	<u>1,960</u>	<u>3,006</u>
	<u>\$13,441</u>	<u>\$29,891</u>

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5. DEBT:Long-Term Debt

The Company had \$44.5 million in long-term notes payable to an affiliate of a shareholder as of December 31, 2000 and 2001. Accrued and unpaid interest related to these notes of approximately \$3.0 million and \$5.9 million as of December 31, 2000 and 2001, respectively, is included with the principal amounts in the accompanying balance sheets.

The notes bear interest at 6 percent per annum with all accrued and unpaid interest added to the principal on each June 30 and December 31. The effective interest rate on the notes approximates the stated rate. The notes are unsecured and are due, along with accrued interest, on the earlier of June 2003 or the tenth day following a qualified initial public offering of the Company's common stock. As indicated in Note 2, subsequent to year-end, the Company converted approximately \$9.1 million of its outstanding long-term debt to preferred stock.

6. CAPITAL STOCK:Convertible Preferred Stock

The Company is authorized to issue 50 million shares of preferred stock with a par value of \$0.01 per share. The Company's preferred stock may be issued from time to time in one or more series as may be designated by the Company's board of directors. As of December 31, 2001, there were the following shares issued and outstanding: 10,843,372 shares of Series A convertible preferred stock; 11,296,659 shares of Series B convertible preferred stock; 4,216,867 shares of Series E convertible preferred stock; 3,719,176 shares of Series F convertible preferred stock; and 589,391 shares of Series G convertible preferred stock.

The shares of all series of the Company's preferred stock are convertible into the Company's common stock at any time at the record holder's option. The number of shares of common stock into which a share of preferred stock is convertible is based on a conversion price which initially provides for the conversion of one share of preferred stock into one share of common stock. The conversion price of each series of preferred stock will be adjusted downward in the event of stock splits, stock dividends or other dilutive events as described in each series' certificate of designation. In the event of any liquidation, dissolution or winding up of the Company or a sale or other disposition of all or substantially all of the assets of the Company, the holders of each series of preferred stock are entitled to receive, before any payment to the holders of common stock, an amount per share equal to the stated value (purchase price) of such shares and no more.

The holders of each series of preferred stock are entitled to receive dividends declared on common stock and to vote their shares on an as-converted basis. All such holders have additional voting rights and rights to receive dividends and distributions as described in each series' certificate of designation.

The Company redeemed 4,216,867 shares of Series C convertible preferred stock during the year ended December 31, 2000, for \$3.44 per share. There were no shares of Series C convertible preferred stock outstanding as of December 31, 2000 and 2001.

In March 2001, the Company issued 392,927 shares of Series G convertible preferred stock valued at \$5.09 per share in consideration for certain financial services provided by a third party. In April 2001, the Company issued 11,296,659 shares of Series B convertible preferred stock and 196,464 shares of Series G convertible preferred stock for cash in the amount of \$5.09 per share.

In March 2002, the Company issued 2,947,150 shares of Series H convertible preferred stock for cash in the amount of \$5.09 per share and converted \$9.1 million of its outstanding long-term debt to an affiliate of a shareholder into 1,788,605 shares of Series H convertible preferred stock valued at \$5.09 per share.

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Common Stock

The Company is authorized to issue 150 million shares of common stock with a par value of \$0.01 per share and had 25,475,364 shares issued and outstanding as of December 31, 2001. The Company has reserved 50 million common shares to be available for the conversion of its preferred stock and for exercise of its stock options and common stock warrants.

Stock Option Plans

The Company has two stock option plans: the Second Amended and Restated 1999 Stock Option Plan (the 1999 Plan) and the Limited Participant 2000 Stock Option Plan (the 2000 Plan). The 1999 Plan specifies that 8,646,909 shares of the Company's common stock can be awarded as options. The 2000 Plan specifies that 250,000 shares of the Company's common stock can be awarded as options. The 1999 Plan and the 2000 Plan provide for the Company's board of directors to adjust the number of shares of the Company's common stock available to be awarded as options. The options granted under these plans give plan participants the right, subject to certain terms and conditions, to purchase common stock of the Company.

The stock option plans provide for the grant of incentive and/or nonqualified stock options to directors, employees and consultants. The 1999 Plan also provides for the grant of stock appreciation rights. The stock options and stock appreciation rights granted under these plans vest ratably over a defined period and generally expire no more than 10 years from the date of grant.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for grants under the stock option plans, except for grants made to employees with exercise prices less than the estimated fair market value of the underlying common stock on the dates of grant and to individuals other than employees for services provided to the Company. The Company has recorded deferred compensation for employee options where the exercise price was less than the estimated fair market value of the underlying common stock and for the fair value of grants made to individuals other than employees. Deferred compensation is being amortized to expense over the vesting period of the options.

Had compensation cost for all stock option grants been determined based on their fair value at the dates of grant, consistent with the method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net loss would have been increased to the pro forma amounts indicated below (in thousands):

	Year Ended December 31		
	1999	2000	2001
Net loss-			
As reported	\$(56,732)	\$(51,041)	\$(76,149)
Pro forma	(58,819)	(52,703)	(78,342)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants during the following years:

	Year Ended December 31		
	1999	2000	2001
Dividend yield	0%	0%	0%
Expected volatility	0%	0%	0%
Risk-free interest rate	4.58% to 6.26%	5.65% to 6.18%	1.69% to 4.19%
Expected life	3 years	4 years	4 years

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A summary of the status of the Company's stock option plans is presented below:

	Outstanding		Exercisable	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, December 31, 1998	91,461	\$75.30	39,966	\$75.31
Granted	7,753,697	4.83	—	—
Canceled/forfeited	(1,995,484)	4.86	—	—
Options becoming exercisable	—	—	<u>1,654,925</u>	6.09
Balance, December 31, 1999	5,849,674	5.92	1,694,891	6.09
Granted	2,257,500	3.43	—	—
Canceled/forfeited	(1,192,626)	5.17	—	—
Options becoming exercisable	—	—	<u>1,500,325</u>	6.16
Balance, December 31, 2000	6,914,548	5.18	3,195,216	6.16
Granted	1,698,403	5.09	—	—
Canceled/forfeited	(1,023,814)	4.16	—	—
Options becoming exercisable	—	—	<u>1,042,984</u>	4.94
Balance, December 31, 2001	<u>7,589,137</u>	5.26	<u>4,238,200</u>	5.84

The weighted average fair value per share of options granted during 1999, 2000 and 2001 was \$0.93, \$0.71 and \$0.51, respectively.

The following table summarizes information about stock options outstanding as of December 31, 2001:

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$ 3.32 - \$ 6.67	7,368,531	8.15	\$ 4.37	4,042,374	\$ 4.38
12.00 - 13.33	145,857	7.47	12.26	121,126	12.31
75.40	74,749	5.68	75.40	74,700	75.40

The Company granted options with stock appreciation rights (these grants are reflected in the tables above) representing 204,897 shares of common stock to certain employees during the year ended December 31, 1999. The options had an exercise price of \$6.67 per share and the holder can receive a weighted average maximum payment of \$5.70 per share. None of the options have been exercised and 118,750 options have been forfeited (these forfeitures are reflected in the table above) as of December 31, 2001. Stock appreciation rights representing 67,385 shares of common stock are exercisable as of December 31, 2001. No compensation expense has been recognized by the Company related to these stock appreciation rights as the estimated fair value of the common stock is below the exercise price of \$6.67 per share.

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Warrants

In 1997, the Company issued to certain consultants and advisors warrants entitling the holders to purchase, in the aggregate, 11,940 shares of common stock at \$75.40 per share. These warrants were exercisable upon issuance and expire in August 2002.

In April 2001, the Company issued to two shareholders separate Series B warrants entitling each of these shareholders to purchase up to 98,300 shares of the Company's common stock at \$0.01 per share. These warrants were issued in connection with the shareholders' purchase of shares of the Company's Series B convertible preferred stock. These warrants are exercisable at any time between January and June 2002.

7. COMMITMENTS AND CONTINGENCIES:Power Supply Agreements

Beginning in 2001, the Company began obtaining its primary energy supply to serve the power needs (including product content requirements) of the Company's customers from an affiliate of a shareholder of the Company (the Affiliate). As of December 31, 2001, substantially all of the power purchased by the Company on the wholesale electricity market was being purchased through arrangements between the Company and the Affiliate, although the Company has the ability to decide to purchase electricity without the assistance or involvement of the Affiliate in the future. In general, the Company from time to time enters into transactions with the Affiliate for power supply on a state-by-state or regional basis, and those transactions are effective for periods ranging from one year to five years. In turn, the Affiliate from time to time enters into legal obligations with electricity wholesalers and producers to purchase and pay for an amount of electricity, expressed as a number of megawatt hours, from the wholesalers and producers. The transactions generally require the Affiliate to match the aggregate customer requirements, less any power supplied through minor supply agreements with the other wholesale suppliers (see the following paragraph). For the major part of that power supply, the wholesale prices are fixed for the terms of the respective transactions. The Affiliate purchases electricity on behalf of the Company at the Company's request and passes on the cost of this electricity and certain related charges, including the costs of ancillary services and imbalance energy, to the Company. The Affiliate maintains credit and security arrangements with the Company to ensure that the Affiliate will be paid for the power supply. The Affiliate also trades in the wholesale electricity market for its own account.

During the year ended December 31, 2001, the Company entered into a power purchase agreement with the Affiliate to purchase a portion of the Company's energy supply. The Affiliate entered into a corresponding contractual arrangement with a third party who subsequently filed for bankruptcy, thereby defaulting under its agreement with the Affiliate. Based upon this default, the Affiliate terminated the power purchase agreement with the Company and, as a result, the Company became obligated to pay the Affiliate for the difference between the contract price for the supply under the agreement and the market price. The Company estimated the total amount of this settlement at approximately \$2.7 million, based on estimated megawatt hours to be purchased over the remaining life of the agreement. The Company has accrued for this amount on its balance sheet and has included this amount in contract termination costs for the year ended December 31, 2001.

In addition to the arrangement with the Affiliate, the Company maintains minor agreements with various wholesale power suppliers, including the owners of wind and solar power generation facilities. Generally, these agreements are effective for periods ranging from one year to 15 years. Such suppliers also require the Company to maintain credit and security arrangements. The contracts are for a fixed price, and one of the contracts is adjustable subject to agreement of the parties. The contracts do not contain specified future minimum commitments. In 2000 and 2001, the cost under these agreements amounted to approximately \$560,000 and \$1.1 million, respectively, and such amounts have been reflected in cost of revenue in the accompanying statements of operations.

As of December 31, 2001, the Company, under certain power purchase agreements, had commitments for net purchases of 13,306,559 megawatt hours of electricity at prices ranging from \$10.96 to \$46.09 per megawatt hour through December 2006.

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California Market

In February and March 2001, the Company reverted approximately 53,000 of its 60,000 California customers to incumbent local utilities. The Company priced its products to its California customers based on the Power Exchange (PX) Credit published by Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric. The price of power obtained by the Company under its wholesale supply contracts was also indexed to the PX Credit. The PX Credit represented the cost avoided by a utility from not having to buy power for a customer served by the Company. The calculation of the PX Credit was performed by each utility using a complex formula based on hourly prices in the California PX (CalPX) and the volume of utility purchases. The CalPX failed in January 2001 due in part to volatile market conditions. As a result, the formula became arbitrary at the discretion of each utility and subject to potential recalculation at a later date by order of the California Public Utilities Commission. This created risk to the Company, its customers and its suppliers and, as a result, management decided to minimize the risk for all parties by reverting the affected customers to their respective incumbent utilities. This decision had no effect on approximately 7,000 customers who were being served a fixed-price product that had no relation to the CalPX or the PX Credit.

The Company's California market generated approximately \$8.4 million, \$43.4 million and \$12.5 million of the Company's revenue for the years ended December 31, 1999, 2000 and 2001, respectively, and the Company had accounts receivable totaling approximately \$187,000 as of December 31, 2001, from its California customers. It is management's opinion that the remaining amount is collectible and, subsequent to year-end, the Company has continued to collect on these receivables.

As of December 31, 2001, the power supply for the California customers being served a fixed-price product by the Company began to be obtained through an arrangement with the Affiliate (see "Power Supply Agreements" above). The Company also maintains various long-term power supply agreements to purchase the output of certain current, and potentially future, power plants located in California. The Company is currently purchasing power under these agreements; however, the Company has not resold this power to customers, nor does it anticipate reselling the power to be purchased for the remaining term of the agreements. The Company has accrued \$164,000 for the estimated loss on these agreements as of December 31, 2001.

Service Agreements

The Company has agreements with various third-party vendors to outsource its billing and collections process, manage its call center, assist in developing its marketing strategy and execute its marketing activities. The agreements generally require minimum monthly charges or retainers, which may be adjusted to reflect actual activity. The Company has recorded approximately \$28.7 million, \$19.4 million and \$8.6 million in expense related to these agreements for the years ended December 31, 1999, 2000 and 2001, respectively.

During the year ended December 31, 2000, the Company signed agreements with two third-party vendors to assist the Company with its marketing activities over the Internet. Each of the agreements has an initial term of one year and can be canceled after the initial period. In connection with the agreements, the vendors purchased in the aggregate 1,054,216 shares of the Company's Series A convertible preferred stock for \$0.01 per share. Upon issuing the preferred stock, the Company recorded deferred consideration of approximately \$3.5 million, which represented the difference between the estimated fair market value of the preferred stock on the dates of issuance (\$3.32 per share) and the amount paid by the vendors. The Company has also made cash payments during 2000 totaling approximately \$1.7 million under these agreements and recorded such payments as prepaid services. The deferred consideration and prepaid services are being amortized to sales and marketing expense over the terms of the agreements. The Company has recorded approximately \$3.2 million and \$2.0 million in sales and marketing expense related to these agreements for the years ended December 31, 2000 and 2001, respectively. During the year ended December 31, 2001, the Company terminated the agreements with both of the vendors.

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Operating Leases

The Company leases its office facilities under various noncancelable operating leases. Future minimum rental payments required under the leases existing as of December 31, 2001, are as follows:

Year ending December 31-	
2002	\$ 711,257
2003	700,526
2004	687,728
2005	517,392
2006 and thereafter	105,446
	<u>\$2,722,349</u>

Lease expense under these operating leases was approximately \$314,000, \$632,000 and \$698,000 for the years ended December 31, 1999, 2000 and 2001, respectively.

Insurance

The Company carries a broad range of insurance coverage, including general liability, workers' compensation, directors' and officers', and an umbrella policy. The Company has not incurred significant claims or losses on any of these insurance policies.

Legal Proceedings

The Company was a party to several pending legal proceedings as of December 31, 2001. In management's opinion, none of these proceedings is expected to have a material adverse effect on the Company's financial position or results of operations.

8. RELATED-PARTY TRANSACTIONS:Energy Services to California Commercial Accounts

The Company entered into a multi-facility energy services agreement with the Affiliate under which the Company provides power to certain commercial accounts in California. Under the agreement, such accounts pay the Company for power service at a rate discounted to the applicable tariff rates charged by the incumbent utilities. The agreement allocates responsibilities between the Company and the Affiliate with respect to metering, electronic data exchange and billing. A related letter agreement also provides for supply from the Affiliate to serve the commercial accounts. The board approved the terms of the agreement at its November 2001 meeting. The agreements confirm the terms approved by the board.

Power Supply Services

As indicated in Note 7, beginning in 2001, the Company began obtaining its primary energy supply to serve the power needs (including product content requirements) of the Company's customers from the Affiliate. As of December 31, 2001, substantially all of the power purchased by the Company on the wholesale electricity market is purchased through arrangements between the Company and the Affiliate, although the Company has the ability to decide to purchase electricity without the assistance or involvement of the Affiliate in the future. Pursuant to the agreement with the Affiliate, the Affiliate has agreed to identify, propose and, with the Company's prior written consent, execute transactions through which the Company could purchase, sell and/or exchange energy, capacity, transmission and related services. More specifically, the Affiliate is responsible for identifying and proposing transactions that will enable the Company to fulfill its energy amount and content obligations to its retail customers and, as described above, is also responsible for executing these transactions.

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once approved. For the services provided to the Company by the Affiliate, the Company pays the Affiliate a fee per megawatt hour based on the energy delivered by the Affiliate for the Company's customers. The Company recorded approximately \$10.6 million and \$75.7 million in 2000 and 2001, respectively, in cost of revenue for power supplied by the Affiliate under the applicable power supply transactions.

During 2001, the Company bought the right to purchase energy supply from the Affiliate. The Company settled this contract with the Affiliate during the year. The Company paid approximately \$1.4 million for the right to purchase the energy supply, and this amount is recorded as other financing costs.

Administrative Services and Support

In April 2001, the Company entered into a services and support agreement with the Affiliate. Pursuant to this agreement, the Company issued 405,923 shares of common stock valued at \$5.09 per share to a current shareholder that is an affiliate of the Affiliate in consideration for the provision of certain administrative and energy-related consulting services through April 2002 to the Company by the Affiliate. The Company recorded approximately \$2.1 million as deferred consideration and is amortizing to operating expense the balance over the term of the agreement.

Credit and Security Arrangements for Power Supply

The Affiliate maintains credit and security arrangements with the Company to provide credit support on behalf of the Company for energy purchases from energy wholesalers. On virtually all transactions undertaken by the Affiliate on behalf of the Company, the Company, in lieu of posting security in the form of a bond or letter of credit to the Affiliate, pays the Affiliate a fee equal to a percentage of the notional value of the transaction, which fee is paid by the Company over a term equal to the term of the electricity purchase transaction. To secure payment of this fee, the Company agreed to grant the Affiliate a first-priority security interest in the Company's accounts receivable. If the Company fails to cure a default within 30 days after receiving notice of such default, the Affiliate may terminate its relationship with the Company and accelerate the maturity of all amounts payable. The Company has recorded approximately \$2.0 million as of December 31, 2001, as other financing costs related to the credit and security arrangements.

The Company and the Affiliate also agreed to the terms of a number of security agreements in March 2002 under which the Company has agreed to grant the Affiliate a first-priority security interest in, among other things, all of the Company's present and future accounts receivable, and the proceeds therefrom, attributable to its customers in California, Texas, Ohio, Pennsylvania, New Jersey and Connecticut. In addition, the Company agreed to indemnify the Affiliate and its affiliates against, among other things, all claims brought against the Affiliate arising from the joint and several indemnity of Bank One, N.A. (Bank One), by the Company and the Affiliate under an escrow agreement, as described below. The security agreements will continue in effect until all amounts due from the Company to the Affiliate for energy supply services have been paid.

The Company, the Affiliate and Bank One agreed to the terms of a multiparty blocked account agreement which concerns the Company's demand deposit account at Bank One into which all of the Company's customer receivables are deposited. Under the agreement, the Affiliate has the exclusive right to direct and provide instructions to Bank One as to the disposition of all amounts deposited into the account. The Company and the Affiliate have agreed to indemnify Bank One on a joint and several basis from all claims, demands, losses, liabilities and expenses resulting from the agreement or Bank One's services provided thereunder. The Affiliate or Bank One may terminate this agreement upon thirty days' notice to the other parties.

Finally, the Company and the Affiliate agreed to the terms of an escrow agreement whereby the parties agreed that Bank One, as escrow agent, would transfer customer receivables from the Company's demand deposit account to an escrow account as of the close of each business day. On a monthly basis, the Company must instruct Bank One to disburse the funds in the escrow account, first, to the Affiliate in satisfaction of amounts that are owed to the Affiliate and, then, any remaining amount to the Company. In exchange for its services, the Company agreed to pay Bank One certain fees in connection with providing these escrow activities. The Company is also liable to Bank One for its out-of-pocket expenses as well as for any extraordinary services, such as travel and legal services, that Bank One may incur pursuant to the agreement. In the event that the

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Company is in default under any of the above agreements and the Affiliate delivers a sworn affidavit to that effect to Bank One, the Affiliate will be entitled to receive all of the property in the escrow account. Furthermore, the Company and the Affiliate agreed to indemnify Bank One, jointly and severally, from all costs, losses, liabilities and expenses resulting from either the agreement or Bank One's services. The escrow agreement will remain in effect until Bank One receives written confirmation that the security agreements have been terminated and that no amounts remain payable by the Company to the Affiliate for the obligations secured thereby.

Service Mark License

The Company recorded royalties of approximately \$167,000 and \$416,666 for the years ended December 31, 2000 and 2001, respectively, pursuant to the terms of a license agreement between the Company and an Affiliate of a shareholder relating to the use of the Green Mountain EnergyTM name. These royalties are reflected in revenue in the accompanying statements of operations.

Advertising and Promotion Services

Beginning in 1999, the Company purchased advertising, promotional and related consulting services from firms that are affiliates of two of its shareholders. The Company recorded a total of approximately \$17.4 million, \$10.7 million and \$1.2 million in expense during the years ended December 31, 1999, 2000 and 2001, respectively, related to these services and had amounts payable totaling approximately \$702,000 and \$- to these firms as of December 31, 2000 and 2001, respectively. The Company's relationship with both firms has been terminated as of December 31, 2001.

Effective December 2001, the Company entered into a marketing services agreement with an advertising agency. Under that agreement, the Company agreed to pay the agency a certain monthly fee and certain expenses and markups on any media buys and to issue to the agency 29,469 shares of the Company's common stock valued at \$5.09 per share. Such shares were issued in 2002. The Company has also agreed to issue such agency additional shares of the common stock if the agency's efforts result in certain numbers of customers for the Company in 2002. The Company incurred no expenses to the agency in 2001.

Technology and Consulting

From 1999 through 2001, the Company purchased certain information technology consulting and operations services from a firm that, during 1999 and 2000, was affiliated with a shareholder of the Company. The Company recorded approximately \$3.3 million, \$3.6 million and \$1.0 million in expense during the years ended December 31, 1999, 2000 and 2001, respectively, related to these services and had amounts payable of approximately \$207,000 and \$- to the firm as of December 31, 2000 and 2001, respectively.

9. INCOME TAXES:

The Company has generated losses since its incorporation in 1999, but it has not recognized any federal or state tax benefit resulting from such losses due to uncertainties regarding the Company's ability to utilize the losses in its future tax returns.

As of December 31, 2001, the Company has a net operating loss (NOL) of approximately \$146.6 million, which is available to offset future U.S. taxable income. This loss will begin to expire in 2020. The Company has net deferred tax assets of approximately \$23.9 million and \$50.0 million as of December 31, 2000 and 2001, respectively, which represent the NOL and differences between the book and tax bases of various assets and liabilities. The utilization of the NOL carryforward and other deferred tax assets is limited to the Company's U.S. taxable income in any given year. Furthermore, additional limits under Internal Revenue Code Section 382 may be imposed on the utilization of the NOL carryforward in the event of an ownership change (as defined in Section 382). Due to the uncertainty surrounding the realization of these deferred tax assets, a valuation allowance of \$23.9 million and \$50.0 million as of December 31, 2000 and 2001, respectively, has been established against such assets. This valuation allowance will be reversed through the statement of operations as the deferred tax assets are utilized or when it is determined that it is more likely than not that these assets will be realized.

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10. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution plan for its employees. The plan provides for employee contributions, discretionary Company contributions and a Company matching contribution equal to 50 percent of each employee's contribution up to the first 6 percent of such contribution. Both the employee and Company contributions vest immediately. The Company made cash contributions of approximately \$129,000, \$181,000 and \$205,000 for the years ended December 31, 1999, 2000 and 2001, respectively.

11. SUBSEQUENT EVENT:

Subsequent to year-end, the Company and USPowerSolutions Corporation (USPS) entered into an agreement which, subject to various terms and conditions, provides for the acquisition by the Company of USPS and all the outstanding senior secured notes of USPS not held by the Company. If this transaction is consummated, shareholders of USPS will receive as consideration a new series of convertible preferred stock designated from the authorized and unissued preferred stock of the Company. This transaction is contingent upon, among other things, the approval of the shareholders of USPS. The Company anticipates that the transaction will occur during the second quarter of 2002. USPS provides enterprise software services and solutions centered on a flexible, scalable technology platform that enables energy companies to grow and prosper in rapidly deregulated energy markets. The Company is presently a customer of USPS pursuant to a services agreement entered into by the Company and USPS in October 2000.

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**Green Mountain Energy
Company**
Consolidated Financial Statements
December 31, 2003 and 2002

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1065

MAV013233

Green Mountain Energy Company
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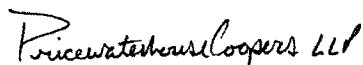
MAV013234

Report of Independent Auditors

To the Stockholders of Green Mountain Energy Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of Green Mountain Energy Company (the "Company") at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses and negative cash flows from operations since inception and has a net capital deficiency which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



October 19, 2004

MAV013235

Green Mountain Energy Company
Consolidated Balance Sheets
As of December 31, 2003 and 2002

<i>(in thousands, except share data)</i>	2003	2002
Assets		
Current assets		
Cash and cash equivalents	\$ 11,329	\$ 2,070
Restricted cash	144	14,625
Accounts receivable, net	48,520	52,290
Prepaid expense and other current assets	819	657
Total current assets	60,812	69,642
Property and equipment, net	3,805	5,862
Long-term restricted cash	-	3,109
Other assets	295	725
Total assets	<u>\$ 64,912</u>	<u>\$ 79,338</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 1,039	\$ 1,270
Accrued expenses	69,781	70,671
Capital lease obligations	178	287
Total current liabilities	70,998	72,228
Long-term liabilities	1,499	-
Long-term notes payable to stockholders	80,656	54,591
Total liabilities	<u>153,153</u>	<u>126,819</u>
Commitments and contingencies (Note 9)		
Stockholders' deficit		
Convertible preferred stock		
\$0.01 par value; 75,000,000 shares authorized; 40,511,244		
and 40,422,021 shares issued and outstanding at December 31, 2003		
and 2003, respectively; liquidation preference of \$175,068 and		
\$174,615 at December 31, 2003 and 2002, respectively	405	404
Common stock, \$0.01 par value; 150,000,000 shares authorized;		
25,675,810 and 25,664,533 shares issued and outstanding at		
December 31, 2003 and 2002, respectively	256	256
Additional paid-in capital	274,495	273,799
Notes receivable from stockholders	(2,169)	(2,332)
Deferred compensation	-	(170)
Accumulated deficit	(361,228)	(319,438)
Total stockholders' deficit	<u>(88,241)</u>	<u>(47,481)</u>
Total liabilities and stockholders' deficit	<u>\$ 64,912</u>	<u>\$ 79,338</u>

The accompanying notes are an integral part of these financial statements.

MAV013236

Green Mountain Energy Company
Consolidated Statements of Operations
For the Years Ended December 31, 2003 and 2002

<i>(in thousands)</i>	2003	2002
Revenues	\$ 353,054	\$ 257,404
Operating expenses		
Cost of revenues	324,008	253,170
Selling, general and administrative	53,598	58,481
Depreciation and amortization	2,877	2,758
Impairment of goodwill	-	8,359
Total operating expenses	<u>380,483</u>	<u>322,768</u>
Operating loss	(27,429)	(65,364)
Interest expense, net	(8,968)	(5,370)
Other expense, net	(123)	(242)
Other financing costs (Note 10)	<u>(5,270)</u>	<u>(4,133)</u>
Net loss	<u>\$ (41,790)</u>	<u>\$ (75,109)</u>

The accompanying notes are an integral part of these financial statements.

MAV013237

Green Mountain Energy Company
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2003 and 2002

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Notes Receivable From Stockholders	Deferred Compensation	Accumulated Deficit	Total Stockholders' Deficit
(in thousands)	Shares	Amount	Shares	Amount					
Balance at December 31, 2001	30,985	\$ 306	25,475	\$ 255	\$ 225,079	\$ (2,233)	\$ (487)	\$ (244,329)	\$ (21,409)
Issuance of common stock for services	-	-	29	-	150	-	-	-	-
Issuance of common stock pursuant to the exercise of warrants	-	-	3	-	11	-	-	-	11
Issuance of Series H preferred stock	-	-	197	2	-	-	-	-	2
Issuance of Series I preferred stock	4,738	-	-	-	24,057	-	-	-	24,055
Issuance of Series J preferred stock	1,029	-	-	-	5,545	-	-	-	5,585
Issuance of Series K preferred stock	3,029	-	-	-	19,951	-	-	-	20,000
Issuance costs related to issuance of Series H, I and J preferred stock and acquisition USPS	-	-	-	-	(921)	-	-	-	(921)
Interest earned on notes receivable from stockholders	-	-	-	-	101	(101)	-	-	-
Share-based compensation expense	-	-	(25)	(1)	(151)	2	-	-	(150)
Repurchase and retirement of shares of common stock	-	-	(15)	-	-	-	-	-	-
Amortization of deferred stock-based compensation	-	-	-	-	(33)	-	467	-	434
Net income	-	-	-	-	-	-	-	(75,150)	(75,150)
Balance at December 31, 2002	40,422	-	25,964	256	273,749	(2,333)	(179)	(319,439)	(47,487)
Issuance of common stock for services	-	-	30	1	152	-	-	-	153
Interest earned on notes receivable from stockholders	89	-	-	-	453	(156)	-	-	454
Share-based compensation expense	-	-	-	-	136	-	-	-	-
Forgiveness of notes receivable from a shareholder for shares of common stock	-	-	(18)	(1)	(55)	66	-	-	-
Amortization of deferred stock-based compensation	-	-	-	-	-	253	170	-	253
Balance at December 31, 2003	40,511	\$ 405	25,976	\$ 265	\$ 274,465	\$ (2,180)	\$ -	\$ (41,707)	\$ (41,170)
								\$ (39,720)	\$ (38,240)

The accompanying notes are an integral part of these financial statements.

Green Mountain Energy Company
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002

<i>(in thousands)</i>	2003	2002
Cash flows from operating activities		
Net loss	\$ (41,790)	\$ (75,109)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	2,877	2,758
Impairment of goodwill	-	8,359
Provision for doubtful accounts receivable	13,431	13,020
Stock-based compensation	576	434
Non-cash interest expense	7,564	3,344
Changes in assets and liabilities		
Restricted cash	17,590	(2,701)
Accounts receivable	(10,696)	(42,039)
Prepaid expenses and other current assets	(162)	(109)
Other assets	430	(312)
Accounts payable and accrued expenses	368	39,586
Net cash used in operating activities	<u>(9,812)</u>	<u>(52,769)</u>
Cash flows from investing activities		
Purchases of property and equipment	(820)	(5,721)
Proceeds from sale of short-term investments	-	5,955
Net cash provided by (used in) investing activities	<u>(820)</u>	<u>234</u>
Cash flows from financing activities		
Proceeds from borrowings	20,000	10,000
Proceeds from issuance of preferred stock, net of offering costs	-	34,080
Proceeds from issuance of common stock	-	13
Principal payments on capital lease obligations	(109)	-
Net cash provided by financing activities	<u>19,891</u>	<u>44,093</u>
Increase (decrease) in cash and cash equivalents	9,259	(8,442)
Cash and cash equivalents		
Beginning of year	2,070	10,512
End of year	<u>\$ 11,329</u>	<u>\$ 2,070</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Cash paid for interest	\$ 1,505	\$ 2,578
Non-cash investing and financing activities		
Conversion of notes payable into Series H convertible preferred stock	-	9,104
Conversion of accrued interest and fees into long-term debt	7,564	3,344
Settlement of notes receivable from shareholders	66	152
Acquisition of US PowerSolutions Corporation through the issuance of Series I preferred stock and the assumption of liabilities	454	7,204

The accompanying notes are an integral part of these financial statements.

MAV013239

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

1. Organization and Business

Green Mountain Energy Company (the "Company"), a Delaware corporation, markets and sells electricity produced from renewable and other environmentally preferable sources to residential and commercial customers. The Company provides less-polluting electricity directly to customers in states that allow competition among retail electricity providers; in states that do not allow retail competition, the Company provides supply and marketing services to utilities which sell less-polluting electricity to their customers. As of December 31, 2003 and 2002, the Company was serving approximately 593,600 and 583,700 customers, respectively, located in California, Pennsylvania, New Jersey, Connecticut, Texas, Ohio, Oregon, and New York. As further discussed in Note 9, the Company discontinued serving all of its customers in Connecticut in March 2003 and all of its residential customers in California in May 2003. In December 2003, the Company's two supply and marketing services agreements with two Oregon incumbent utilities expired. One was renewed through 2006.

During 2003, the Company consolidated operations in certain regions, and the Company closed offices in Pennsylvania and Vermont. In 2004, the Company discontinued serving part of its Pennsylvania customers due to the expiration of a competitive default service program.

2. Liquidity and Going Concern

The Company operates in competitive retail electricity markets in several states. The competitive retail electricity market in the United States continues to develop, and a limited number of states have restructured the retail sale of electricity. The continued development of the Company's direct access business will depend upon, among other things, the continued existence and operation of markets having rules that favor competition among retail electricity providers, including the incumbent utilities or their affiliates, the Company's ability to expand its customer base in its current markets, and its ability to enter new markets in a timely manner at reasonable costs. In addition, the Company continues to develop relationships in regulated markets with incumbent utilities or their affiliates to offer less-polluting electricity products.

The Company is subject to the risks and volatility of retail electricity markets and has incurred significant operating expenses to develop its business. Its ability to become profitable will depend on the existence of favourable regulatory structures in retail electricity markets, and its ability to acquire and retain customers at a reasonable cost, sell its products at a sufficient margin, effectively manage its electricity supply requirements, and further develop its internal corporate organization and systems.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

The Company has suffered recurring losses from operations, and it has not generated positive cash flows from operations on an annual basis since its inception. The Company's operations and the expansion of its business have been funded by equity and debt financing. In May and June 2003, the Company obtained additional debt financing of approximately \$10.0 million and \$10.0 million, respectively. Management estimates that the Company's working capital will be sufficient to fund its operations and the expansion of its business through the end of 2004, at which time, the Company anticipates positive cash flows from operations. There is no assurance, however, that the Company will be able to achieve profitable operations or that additional equity or debt financing can be obtained or that it can be obtained on acceptable terms, as necessary. The matters discussed above raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Green Mountain Energy Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with original maturities of 90 days or less.

Restricted Cash

Certain utilities, power supply vendors, state regulatory agencies and other organizations require various types of collateral to ensure fulfillment of the Company's commitments. Cash providing such collateral has been classified as short-term and long-term restricted cash in the accompanying balance sheets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the various classes of depreciable property as follows:

Computer hardware	3 years
Purchased computer software	3 years
Furniture, fixtures and vehicles	5 years
Web site development costs	3 years

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Revenue Recognition and Cost of Revenues

Revenues from the sale of electricity are recorded based on electricity delivered to customers and on contracts and scheduled power usages, as appropriate. Electric energy provided subsequent to billing dates through the end of each calendar month is accrued as estimated unbilled revenues. Unbilled revenues were approximately \$16.3 million and \$14.2 million at December 31, 2003 and 2002, respectively, and are included in accounts receivable.

Cost of revenue consists of the cost of power delivered to the Company's customers as well as charges relating to the transmission and distribution of the electricity, functions which are provided by the incumbent utilities. The cost of power also includes environmental attributes or renewable energy credits ("Green Tags"). Power costs for which suppliers have not billed the Company are estimated each period and are included in accrued cost of revenue.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable. Concentrations of credit risk with respect to the Company's receivables are limited due to the large number of customers, small individual balances and short payment terms.

In certain markets in Pennsylvania, Connecticut and New Jersey, the incumbent utility remits payment to the Company for the amount of the Company's billings and is responsible for collecting from the Company's customers. In these instances, the incumbent utility bears the risk of collection. In other markets such as Texas and Ohio, the Company bears the collection risk for the Company's charges, as well as the charges of transmission and distribution providers. During 2003 and 2002, the Company incurred significant past due amounts in the Texas and Ohio markets. As a result, the Company has increased the allowance for doubtful accounts and returned its delinquent or non-paying customers to the incumbent utility. The Company believes that collection risk is mitigated by an agreement entered into with the incumbent utility in 2003 (Note 9) which provides for protection relative to late payments in Ohio.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2003 and 2002 were approximately \$1.8 million and \$3.7 million, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. If based upon the weight of available evidence it is more likely than not that some or all of the deferred tax assets will not be realized, valuation allowances are provided.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Stock-Based Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, in accounting for its stock option plans. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*. Had compensation cost for all stock option grants been determined based on their fair value at the dates of grant, consistent with the method prescribed by SFAS No. 123, the Company's net loss would have been increased to the pro forma amounts indicated below:

	December 31	
	2003	2002
(in thousands)		
Net loss as reported	\$ (41,790)	\$ (75,109)
Stock-based compensation charges for employee awards under the intrinsic value method	170	467
Stock-based compensation determined under the fair value method	(906)	(2,011)
Pro-forma net loss	<u>\$ (42,526)</u>	<u>\$ (76,653)</u>

Fair Value of Financial Instruments

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to the short-term nature of the instruments. Management believes that the carrying amount of the Company's long-term debt approximates its fair value, based on borrowing rates currently available to the Company for debt with similar terms.

Derivative Financial Instruments

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, requires an entity to recognize all of its derivatives as either assets or liabilities on its balance sheet and measure those instruments at fair value. If the conditions specified in SFAS No. 133 are met, those instruments may be designated as hedges. Changes in the value of hedge instruments would not impact earnings, except to the extent that the instrument is not perfectly effective as a hedge.

The Company does not enter into derivative transactions for speculative purposes; however, the Company enters into derivative transactions that meet SFAS No. 133's definition of normal purchases and sales and, therefore, are excluded from the accounting provisions of SFAS No. 133.

Valuation of Long-Lived Assets

The Company evaluates long-lived assets held and used by the Company for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Goodwill and Purchased Intangible Assets

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, amortization of goodwill is prohibited, and goodwill is subjected to reviews for impairment at least annually. Intangible assets with finite lives are ratably amortized to expense over the period they are economically useful. Intangible assets having indefinite useful lives are carried at cost and subjected to reviews for impairment at least annually.

Reclassifications

Certain prior period balances have been reclassified in order to conform to the current year presentation.

4. Acquisition of US PowerSolutions Corporation

On June 26, 2002, the Company acquired US PowerSolutions Corporation (the "Acquired Business"). The transaction was accounted for as a purchase business combination. The Acquired Business was engaged in developing and providing billing and collection services for organizations in the utility industry. The Acquired Business was expected to enhance the Company's ability to process and maintain customer billing data and enable the Company to enter the billing service provider industry.

The consideration given included 1,281,973 shares of Series I convertible preferred stock and forgiveness of \$1.6 million of obligations owed to the Company, net of transaction fees of approximately \$606,000. As of December 31, 2003 and 2002, the Company had issued 1,180,748 and 1,091,525 shares, respectively, of Series I convertible preferred stock in connection with the acquisition. As of December 31, 2003, the remaining shares with a value of approximately \$515,000 have been included in accrued liabilities.

The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on estimates of fair value at the acquisition date.

The following table shows the allocation of the purchase price for the Acquired Business:

(in thousands)

Value assigned to assets and liabilities acquired	
Cash and cash equivalents	\$ 33
Accounts receivable and other assets	564
Intangible assets:	
Capitalized software	545
Goodwill	8,359
Short-term liabilities	(2,107)
Long-term liabilities	(190)
Net assets	<u>\$ 7,204</u>

In December 2002, the Company concluded that it would not expand its business and become a billing service provider. As a result, the Company determined its goodwill was impaired under the provisions of SFAS No. 142 and recorded an impairment charge of \$8.4 million.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

5. Detail of Certain Balance Sheet Accounts

Accounts Receivable

Accounts receivable, net consisted of the following:

<i>(in thousands)</i>	2003	2002
Trade accounts receivable	\$ 56,903	\$ 52,088
Unbilled accounts receivable	18,143	15,260
Other receivables	2,482	519
	<u>77,528</u>	<u>67,867</u>
Less - Allowance for doubtful accounts	(29,008)	(15,577)
	<u>\$ 48,520</u>	<u>\$ 52,290</u>

At December 31, 2003, other receivables included reimbursable amounts from an Ohio incumbent utility of approximately \$1.5 million related to transmission-related charges collected from the Company's customers and approximately \$520,000 related to a state grant from New York.

Property and Equipment

Property and equipment, net consisted of the following:

<i>(in thousands)</i>	2003	2002
Computer hardware	\$ 2,957	\$ 2,520
Purchased computer software	6,852	6,519
Furniture, fixtures and vehicles	1,266	1,253
Web site development costs	1,346	1,346
Other	175	197
	<u>12,596</u>	<u>11,835</u>
Less - Accumulated depreciation and amortization	(8,791)	(5,973)
	<u>\$ 3,805</u>	<u>\$ 5,862</u>

At December 31, 2003 and 2002, property, equipment and software under capital leases had a cost basis of approximately \$178,000 and \$282,000, respectively. Amortization of property, equipment and software under capital leases totalled approximately \$73,000 for each of the years ended December 31, 2003 and 2002. The Company recorded depreciation and amortization expense for the years ended December 31, 2003 and 2002, of approximately \$2.9 million and \$2.8 million, respectively.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Accrued Expenses

Accrued expenses consisted of the following:

<i>(in thousands)</i>	2003	2002
Accrued cost of revenue	\$ 3,153	\$ 13,293
Accrued cost of revenue, related party	56,639	45,968
Accrued payroll and benefits	2,415	1,652
Accrued taxes	1,668	2,246
Severance and lease terminations	617	-
USPS acquisition accrued liability	515	969
Litigation settlement liabilities	1,000	1,500
Other accrued liabilities	3,774	5,043
	<u>\$ 69,781</u>	<u>\$ 70,671</u>

6. Debt

Notes Payable

The Company had \$80.7 million and \$54.6 million in long-term notes payable to stockholders ("Notes Payable") as of December 31, 2003 and 2002. All Notes Payable outstanding as of December 31, 2003 and 2002 accrue interest at the rate of 9% per annum and are due the earlier of June 1, 2007 or the tenth day following a qualified public offering. Notes Payable includes accrued and unpaid interest of approximately \$6.1 million and \$9.2 million as of December 31, 2003 and 2002, respectively.

In March 2002, \$9.1 million of the unpaid principal balance of the Notes Payable was converted into 1,788,605 shares of the Company's Series H convertible preferred stock. In June 2002, in connection with the Company's issuance of additional Notes Payable, described below, the interest rate on the remaining Notes Payable was increased to 9% per year, and the maturity date was extended to the earlier of June 1, 2007 or the tenth day following a qualified initial public offering of the Company's common stock. In addition, the Notes Payable were modified to permit holders, at any time, to convert the Notes Payable into shares of the Company's common stock at the conversion price in effect on the date of conversion.

In June 2002, the Company entered into a Funding Agreement with certain of its principal stockholders. Pursuant to this agreement, these stockholders agreed to lend the Company up to \$10.0 million for working capital needs. In November and December 2002, the Company borrowed \$10.0 million, the full amount available under the Funding Agreement. The unpaid principal balance of these additional Notes Payable accrues interest at the rate of 9% per year; accrued interest is capitalized each June 30 and December 31. The additional Notes Payable will be due, along with accrued interest, on the earlier of June 1, 2007 or the tenth day following a qualified initial public offering of the Company's common stock. The holders of the Notes Payable may, at any time, convert the Notes Payable into shares of the Company's common stock at the conversion price in effect on the date of conversion.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

In May 2003, the Company borrowed \$10.0 million by issuing to certain of its stockholders 2003 Series 1 Convertible Promissory Notes ("Series 1 Notes") in an aggregate original principal amount of \$10.0 million. The unpaid principal balance of these Series 1 Notes accrues interest at the rate of 9% per year; accrued interest is capitalized each June 30 and December 31. These Series 1 Notes will be due, along with accrued interest, on the earlier of June 1, 2007 or the tenth day following a qualified initial public offering of the Company's common stock. A holder of these Series 1 Notes may, at any time, convert these notes into shares of the Company's common stock at the conversion price in effect on the date of conversion.

In June 2003, the Company borrowed \$10.0 million by issuing to certain of its stockholders 2003 Series 2 Convertible Promissory Notes ("Series 2 Notes") in an aggregate original principal amount of \$10.0 million. The unpaid principal balance of these Series 2 Notes accrues interest at the rate of 9% per year; accrued interest is capitalized each June 30 and December 31. These Series 2 Notes will be due, along with accrued interest, on the earlier of June 1, 2007 or the tenth day following a qualified initial public offering of the Company's common stock. A holder of these Series 2 Notes may, at any time, convert these notes into shares of the Company's common stock at the conversion price in effect on the date of conversion.

Long-Term Accrued Liabilities

In conjunction with the release of approximately \$15.0 million of restricted cash in February 2003, certain stockholders guaranteed reimbursement of Letters of Credit issued for the benefit of the Company. In return for this guarantee, the Company agreed to pay these stockholders a fee in the amount of 9% per annum on the amount guaranteed. This fee is accrued during the year and capitalized as a note payable upon the anniversary of the guarantees. The terms of the guarantees are for 5 years. The Company had \$1.5 million of guaranteed fees payable to stockholders as of December 31, 2003.

In a separate transaction, certain stockholders guaranteed reimbursement of Letters of Credit totaling \$6.8 million for the benefit of the Company. The amount of these guarantees and the related Letters of Credit are decreased annually by pre-established amounts. In return for this guarantee, the Company agreed to pay these stockholders a fee in the amount of 9% per annum on the amount guaranteed. This fee is accrued during the year and capitalized as a note payable upon the anniversary of the guarantees.

Both of these Letter of Credit arrangements provide collateral for operating activities.

7. Capital Stock

Common Stock

The Company is authorized to issue 150 million shares of common stock with a par value of \$0.01 per share and had 25.7 million shares issued and outstanding as of December 31, 2003. The Company has reserved approximately 124 million common shares to be available for the conversion of its preferred stock, convertible notes payable and for exercise of its stock options.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Effective December 2001, the Company entered into a marketing services agreement with an advertising agency. Under the agreement, the Company agreed to pay the agency a certain monthly fee and certain expenses and mark-ups on any media buys. The Company paid a portion of these fees by issuing 29,469 shares of the Company's common stock valued at \$5.09 per share to the agency during 2002 for past services performed. The Company also agreed to issue such agency additional shares of common stock if the agency's efforts resulted in certain numbers of customers for the Company in 2002. No additional shares were issued due to the performance goals not being attained. The Company incurred expenses of approximately \$2.3 million during the year ended December 31, 2002 related to this agreement. During 2003, the Company terminated its agreement for services with the advertising agency.

During 2003, the Company issued 10,000 shares of common stock with a fair value of \$50,900 as payment to resolve a dispute with a recruiting firm regarding contingent compensation related to services provided. Additionally during 2003, the Company issued 20,000 shares of common stock with a fair value of approximately \$102,000 as payment to a consulting firm for services provided.

Notes Receivable from Stockholders

As of December 31, 2003, the Company had notes receivable from stockholders totalling \$2.2 million that were due and payable as of that date. These notes were delivered to the Company by certain employees and consultants pursuant to the terms of the Company's 1999 Employee Equity Purchase Plan. Generally, the notes represent 50% of the purchase price of the shares of the Company's common stock purchased pursuant to the Plan. Repayment of each note is collateralized by a pledge of the shares of the Company's common stock purchased by the employee. The notes were issued during the year ended December 31, 1999. Principal and interest accrued at the rate of 6% per annum and were due upon maturity. During 2003, the Company forgave a loan of approximately \$253,000 to a former officer of the Company. The proceeds from the loan were originally used to purchase Company stock which is still owned by the former officer of the Company. As of October 2004, all balances due on the notes receivable were paid in full through the return of the common stock originally purchased.

Green Mountain Energy Company
Notes to Financial Statements
December 31, 2003 and 2002

Convertible Preferred Stock

The Company is authorized to issue 75 million shares of preferred stock with a par value of \$0.01 per share. The Company's preferred stock may be issued from time to time in one or more series as may be designated by the Company's board of directors. Following is a summary of the outstanding series of preferred stock of the Company as of December 31, 2003:

(in thousands)

		2003			
Shares	Date Designated	Shares Authorized	Shares Issued and Outstanding	Cash Proceeds	Liquidation Value
Series A	April 2000	10,843	10,843	\$ 36,000	\$ 36,000
Series B	April 2001	11,591	11,297	57,500	57,500
Series E	September 2000	4,217	4,217	14,506	14,506
Series F	September 2000	4,217	3,719	13,947	13,947
Series G	March 2001	982	589	1,000	3,000
Series H	March 2002	4,736	4,736	15,001	24,105
Series I	June 2002	1,319	1,181	-	6,010
Series J	June 2002	3,929	3,929	20,000	20,000
Undesignated		33,166	-	-	-
		75,000	40,511	\$ 157,954	\$ 175,068

In March 2002, the Company issued 2,947,150 shares of Series H convertible preferred stock at \$5.09 per share for total proceeds of \$15.0 million. In addition, \$9.1 million of its outstanding long-term debt to an affiliate of a stockholder was converted into 1,788,605 shares of Series H convertible preferred stock valued at \$5.09 per share.

In 2002, the Company issued 1,091,525 shares out of 1,281,973 shares of Series I convertible preferred stock to acquire substantially all of the assets of US PowerSolutions Corporation ("USPS"). In 2003, the Company issued an additional 89,223 shares of Series I convertible preferred stock in connection with the acquisition of the Acquired Business. As of December 31, 2003, 101,225 shares of Series I convertible preferred stock had not been redeemed by USPS shareholders.

Voting

The holders of all series of the Company's convertible preferred stock are entitled to vote, together with the holders of common stock, on all matters submitted to stockholders for a vote. Each preferred stockholder is entitled to the number of votes equal to the number of shares of common stock into which each share is convertible at the time of such vote.

Liquidation

In the event of any liquidation, dissolution or winding up of the Company or a sale or other disposition of all or substantially all of the assets of the Company, the holders of each series of preferred stock are entitled to receive, before any payment to the holders of common stock, an amount per share equal to the stated value (purchase price) of such shares and no more.

Green Mountain Energy Company
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Conversion

The shares of all series of the Company's convertible stock are convertible into the Company's common stock at any time at the preferred stockholder's option. The number of shares of common stock into which a share of preferred stock is convertible is based on a conversion price, which initially provides for the conversion of one share of preferred stock into one share of common stock. The conversion price of each series of preferred stock will be adjusted in the event additional shares of the Company's common stock are issued or deemed issued in an amount less than the conversion price in effect on the date of the issuance or deemed issuance of such common stock. In addition, the conversion price of each series of preferred stock will be adjusted downward in the event of stock splits, stock dividends or other dilutive events as described in each series' certificate of designation. On October 10, 2003, the conversion price of the Series B, G, H, I and J convertible preferred stock was adjusted from \$5.09 per share to \$5.01 per share as a result of the issuance of employee stock options with an exercise price of \$3.50 per share. On February 24, 2004, the conversion price of the Series B, G, H, I and J convertible preferred stock was further adjusted from \$5.01 per share to \$4.99 per share as a result of the issuance of additional employee stock options with an exercise price of \$3.50 per share.

Dividends

The holders of each series of preferred stock are entitled to receive, when and as declared by the Board of Directors and out of funds legally available, non-cumulative dividends in preference and priority to any payment of any dividend on common stock. Through December 31, 2003, no dividends have been declared or paid by the Company.

8. Stock Option Plans

The Company has two stock option plans: the Second Amended and Restated 1999 Stock Option Plan (the "1999 Plan") and the Limited Participant 2000 Stock Option Plan (the "2000 Plan"). The 1999 Plan currently provides that 8,646,909 shares of the Company's common stock can be awarded as options. The 2000 Plan currently provides that 250,000 shares of the Company's common stock can be awarded as options. The 1999 Plan and the 2000 Plan allow the Company's board of directors to adjust the number of shares of the Company's common stock available to be awarded as options. The options granted under these plans give plan participants the right, subject to certain terms and conditions, to purchase common stock of the Company.

The stock option plans provide for the grant of incentive and/or nonqualified stock options to directors, employees and consultants. The 1999 Plan also provides for the grant of stock appreciation rights. The stock options and stock appreciation rights granted under these plans have exercise prices ranging from \$3.32 to \$6.67 per share. Under the 1999 Plan, incentive stock options may be granted to directors or consultants at prices not lower than 100% of the fair market value of the Company's common stock at the date of grant as determined by the board of directors. Under the 2000 Plan, incentive stock options may be granted to employees, and non-statutory stock options may be granted to directors and consultants, at prices not lower than 85% of the fair market value of the Company's common stock at the date of grant as determined by the board of directors. In addition, options awarded under the 2000 Plan to a beneficial owner of 10% or more of the Company's voting stock must have an exercise price no lower than 110% of the fair market value of the Company's common stock at the date of grant as determined by the board of directors. Generally, options vest over a four year period (25% at end of the first year from date of grant, and 6.25% on the first day of each subsequent calendar quarter) and are exercisable for a period of ten years from the date of grant.

Green Mountain Energy Company
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The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for grants under the stock option plans, except for grants made to employees with exercise prices less than the estimated fair market value of the underlying common stock on the dates of grant and to individuals other than employees for services provided to the Company. The Company has recorded deferred compensation for the fair value of grants made to non-employees. Deferred compensation is being amortized to expense over the vesting period of the options.

The fair value of each option grant to employees is estimated on the date of grant using the minimum value method with the following weighted average assumptions used for grants during the following years:

	2003	2002
Volatility	\$ -	\$ -
Dividend yield	-	-
Risk-free interest rate	2.72% - 3.08%	2.58% - 4.46%
Expected life	4 years	4 years

A summary of the status of the Company's stock option plans is presented below:

	Options Outstanding	
	Shares	Weighted Average Exercise Price
Outstanding December 31, 2001	7,589,137	\$ 5.26
Granted	1,718,350	5.09
Forfeited or expired	(450,991)	15.87
Options exercised	(3,100)	3.59
Outstanding December 31, 2002	8,853,396	4.69
Granted	1,652,000	3.50
Forfeited or expired	(4,452,362)	4.45
Options exercised	-	-
Outstanding December 31, 2003	6,053,034	\$ 4.56

The weighted average fair value per share of options granted during 2003 and 2002 was \$0.39 and \$0.61, respectively. Forfeitures generally relate to expiration of options under earlier stock option plans and the termination of employees.

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The following table summarizes information about stock options outstanding as of December 31, 2003:

Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	
\$3.32 - \$6.67	6,053,034	7.4	\$ 4.56	3,225,625	\$ 4.91	

The Company granted stock appreciation rights representing 204,897 shares of common stock to certain employees during the year ended December 31, 1999. The options had an exercise price of \$6.67 per share and the holder can receive a weighted average maximum payment of \$5.70 per share. None of the options have been exercised and 120,300 options have been forfeited (these forfeitures are reflected in the table above) as of December 31, 2003. The remaining stock appreciation rights of 84,597 shares of common stock are exercisable as of December 31, 2003. No compensation expense has been recognized by the Company related to these stock appreciation rights as the estimated fair value of the common stock is below the exercise price of \$6.67 per share.

Warrants

In 1997, the Company issued to certain consultants and advisors warrants entitling the holders to purchase, in the aggregate, 11,940 shares of common stock at \$75.40 per share. These warrants were exercisable upon issuance and expired in August 2002.

In April 2001, the Company issued to two stockholders separate Series B warrants entitling each of these stockholders to purchase up to 98,300 shares of the Company's common stock at \$0.01 per share. These warrants were issued in connection with the stockholders' purchase of shares of the Company's Series B convertible preferred stock. These warrants were exercised in 2002, with a total of 196,600 shares of common stock being issued.

Green Mountain Energy Company
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December 31, 2003 and 2002

9. Commitments and Contingencies

Power Supply Agreements

In 2001, the Company began obtaining its primary electricity supply from an affiliate of a stockholder of the Company (the "Affiliate"). As of December 31, 2001, substantially all of the power purchased by the Company on the wholesale electricity market was being purchased through arrangements between the Company and the Affiliate, although the Company has the ability to decide to purchase electricity without the assistance or involvement of the Affiliate in the future. These arrangements were set out in an energy services agreement entered into by the Company and the Affiliate in September 2000. This agreement expired in December 2003 and was replaced with an amended and restated energy services agreement dated as of October 15, 2004 ("Amended ESA"). The principal financial terms of the Amended ESA apply from January 2003 and expire in December 2006. The remaining terms apply from January 2004 to December 2006. The Company maintains credit and security arrangements with the Affiliate to ensure that the Affiliate will be paid for the power supply. The affiliate also trades in the wholesale electricity market for its own account.

In general, under the Amended ESA, the Company from time to time enters into transactions with the Affiliate to buy power and in turn, the Affiliate enters into legal obligations to buy power from electricity wholesalers. The Affiliate generally matches the Company's aggregate customer load requirements, and for significant portions of the Company's power supply, the wholesale prices are fixed for the terms of the respective transactions. The Affiliate purchases electricity on behalf of the Company at the Company's request and passes on the cost of this electricity and certain related charges, including the costs of transmission, ancillary services and imbalance energy, to the Company.

During the year ended December 31, 2001, the Company entered into a power purchase agreement with the Affiliate to purchase a portion of the Company's electricity supply. The Affiliate entered into a corresponding contractual arrangement with a third party which subsequently filed for bankruptcy, thereby defaulting under its agreement with the Affiliate. Based upon this default, the Affiliate terminated the power purchase agreement with the Company and as a result, the Company became obligated to pay the Affiliate for the difference between the contract price for the supply under the agreement and the market price. The Company estimated the total amount of this settlement at approximately \$2.7 million in 2001 and in 2002 lowered the estimate by approximately \$356,000, based on estimated megawatt hours to be purchased over the remaining life of the agreement. The Company recorded this amount as contract termination costs. This amount is payable ratably each month from January 2004 through December 2006.

In addition to the arrangement with the Affiliate, the Company maintains minor agreements with various wholesale power suppliers (one of which is an affiliate of a stockholder of the Company), including the owners of wind and solar power generation facilities. Generally, these agreements are effective for periods ranging from two years to fifteen years. Most of such suppliers require the Company to maintain credit and security arrangements. Most are for a fixed price, except one contract is at market price and one is adjustable according to a formula agreed to by the parties. All do not contain specified future minimum commitments. However, almost all of these agreements require the Company to purchase all output from the wind or solar facility. In 2003 and 2002, the cost under these agreements amounted to approximately \$2.4 and \$2.1 million, respectively, and such amounts have been reflected in cost of revenue in the accompanying statements of operations.

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As of December 31, 2003, the Company, under power purchase agreements, had commitments for net purchases of 10.0 million megawatt hours of electricity at fixed prices ranging from \$20.40 to \$56.50 per megawatt hour through 2006.

In addition to purchasing power to meet its electricity supply obligations, the Company also purchases Green Tags to supply and support the Company's electricity and electricity-based products. Green Tags represent the environmental attributes associated with electricity generated by renewable or other similarly beneficial generation resources, which the Company uses to support its marketing claims. A portion of the Company's Green Tag supply is purchased from the Affiliate through the arrangement described above.

In June 2003, the Company entered into an agreement with an energy provider to purchase 3.2 million Green Tags from 2004 through 2008 for a total purchase price of \$28.8 million. In conjunction with this arrangement, the Company also acquired the naming rights for the West Texas wind generation facility that produces Green Tags.

In addition to the arrangement with the Affiliate, the Company purchases Green Tags through fixed price agreements with other suppliers. Generally, these agreements are for immediate purchase or are effective for up to three years. Some contain minimum commitments or require the Company to purchase all output of Green Tags from a particular facility. In 2003 and 2002, the total cost of Green Tags for the Company amounted to approximately \$6.5 million and \$8.8 million, respectively, and such amounts have been reflected in cost of revenue in the accompanying statements of operations.

Market Changes

In May 2003, the Company decided to discontinue service to approximately 3,000 residential customers in California. Current regulations preclude the expansion of residential business and add difficulty to continued service for current customers. In addition, the current supply contract for these customers expired in May 2003, and the Company decided that the contract would not be renewed. The Company's California market generated approximately \$474,000 and \$2.2 million of the Company's revenue for the years ended December 31, 2003 and 2002, respectively. The Company has fully reserved all remaining accounts receivable, approximately \$470,000, as of December 31, 2003.

In March 2003, the Company discontinued service to all of its approximately 1,300 customers in Connecticut. The Company took this action because of a low, fixed standard offer rate that had a negative effect on retail competition, recently adopted regulations that made it cost prohibitive to bring less-polluting electricity into Connecticut, and a lack of evidence that a competitive electricity market would soon develop in the state. The Company's Connecticut market generated approximately \$192,000 and \$478,000 of the Company's revenue for the years ended December 31, 2003 and 2002, respectively. The Company has fully reserved all remaining accounts receivable as of December 31, 2003.

The Company's three-year agreement to provide competitive default service to residential customers in Pennsylvania expired in January 2004. Approximately 28,000 customers serviced pursuant to this agreement were returned to the incumbent utility, after which, the Company continued to serve approximately 39,000 customers in Pennsylvania.

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In December 2003, the Company's Trademark License and Services Agreement with an incumbent utility in Oregon expired. In January 2004, the term of a similar agreement with another Oregon incumbent utility was extended through December 2006. Pursuant to this extended agreement, the Company provides supply, marketing and sales services to the incumbent utility in connection with the utility's offering of less-polluting electricity. As of December 31, 2003, approximately 21,000 customers had selected this offering.

Operating Leases

The Company leases its office facilities under various operating leases. Future minimum rental payments required under the leases existing as of December 31, 2003 are as follows:

Year Ended December 31,	Operating Leases
2004	\$ 1,288,968
2005	569,511
2006	56,700
2007	-
2008 and thereafter	-
Total minimum lease payments	<u>\$ 1,915,179</u>

Lease expense under these operating leases was approximately \$2.0 and \$1.5 million for the years ended December 31, 2003 and 2002, respectively.

The Company also leases certain equipment under capital lease arrangements. Total commitments for capital leases were approximately \$178,000 and \$287,000 at December 31, 2003 and 2002, respectively. In May and June 2003, a buyout was made of certain capital lease arrangements for an amount of approximately \$52,000. The remaining capital lease commitments will be paid in 2004.

Insurance

The Company carries a broad range of insurance coverage, including general liability, workers' compensation, directors' and officers' liability, and an umbrella policy. The Company has not incurred significant claims or losses on any of these insurance policies.

Legal Proceedings

The Company is currently involved in matters regarding pending or threatened litigation in the normal course of business. Management does not expect the ultimate resolution of these matters to have a material adverse effect on the Company's financial statements.

In May 2003, the Company entered into an agreement with a former vendor settling breach of contract claims asserted by the vendor against the Company and by the Company against the vendor. This agreement requires the Company to pay the vendor \$1.5 million dollars in installments over a term expiring in 2006. The Company accrued this amount in full as of December 31, 2002 and paid \$500,000 during 2003.

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In August 2003, the Public Utilities Commission of Ohio ("PUCO") approved an agreement entered into by the Company and several other parties, including incumbent utilities in Ohio, settling a complaint brought by the Company and another competitive retail electric service provider before the PUCO. This agreement requires the incumbent utilities to make certain changes to the way they credit customer payments to the Company. This has resulted in timelier customer remittances and has improved the rate at which customer arrears are brought current.

In October 2003, three incumbent utilities in North-eastern Ohio filed an application with the PUCO seeking approval of a plan to change to the regulatory structure of the retail electricity markets in these utilities' service territories ("Incumbents' Plan"). The requested changes would have applied during 2005 through 2008 and would have adversely affected the profitability of the customers served by the Company in North-eastern Ohio during that time. The Company and a number of other market participants opposed the Incumbents' Plan.

After a hearing, the PUCO approved the Incumbents' Plan with several changes. One important change was to set 2005 shopping credits at the level requested by the Company. This will allow the Company to sell electricity at expected prices, rather than the lower prices that would have applied under the Incumbents' Plan. The Incumbents' Plan also included several improvements for 2006 through 2008. However, these improvements alone will not create a regulatory structure within which the Company can earn a profit in Northeast Ohio during 2006 through 2008. The Company will try to remedy this by seeking lower-cost wholesale supply and suggesting changes to the aggregation contract under which the Company serves its Northeast Ohio customers. It is uncertain whether the Company will be able to obtain either of these.

As part of its approval and modification of the Incumbents' Plan, the PUCO required a competitive wholesale auction to be held. This auction is scheduled for December 2004 and will test whether the generation pricing contained in the Incumbents' Plan is competitive. If the PUCO decides that the auction results would provide better generation pricing, the Incumbents' Plan will not go into effect and the utilities' generation pricing for 2006 through 2008 will be based on the auction results. The PUCO has announced that if the Incumbents' Plan survives this first auction, it may use auctions in later years to again test the Incumbents' Plan's competitiveness. The Company will not know what its pricing will be during 2006 through 2008 until these auctions have been held and either approved or rejected by the PUCO. The Company believes the PUCO will rule on the first auction during the first calendar quarter of 2005.

The PUCO's modification and approval of the Incumbents' Plan has been appealed to the Supreme Court of Ohio. The Company has not yet joined that appeal. It is not certain when a decision on the appeal will be made. A variety of outcomes are possible. Several could lead to further changes in the regulatory structure for 2006 through 2008.

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10. Related-Party Transactions

Energy Services to California Commercial Accounts

The Company entered into a multi-facility energy services agreement with the Affiliate (see Note 9) under which the Company provided power to certain commercial accounts in California. Under the agreement, such accounts paid the Company for power service at a rate discounted to the applicable tariff rates charged by the incumbent utilities. The agreement allocated responsibilities between the Company and the Affiliate with respect to metering, electronic data exchange and billing. A related letter agreement also provided for supply from the Affiliate to serve the commercial accounts. The Affiliate terminated this agreement in 2004 (see Note 13).

Power Supply Services

On October 15, 2004 the Company entered into the Amended ESA with the Affiliate (see Note 9). This agreement replaced an earlier energy services agreement entered into by the Company and the Affiliate in September 2000 ("ESA"). In general, under the Amended ESA, the Company from time to time enters into transactions with the Affiliate to buy power, and in turn, the Affiliate enters into legal obligations to buy power from electricity wholesalers. The Affiliate generally matches the Company's aggregate customer load requirements, and for significant portions of the Company's power supply the wholesale prices are fixed for the terms of the respective transactions. Under the Amended ESA, the Affiliate purchases electricity on behalf of the Company at the Company's request and passes on the cost of this electricity and certain related charges, including the costs of transmission, ancillary services and imbalance energy, to the Company. These arrangements under the Amended ESA are substantially similar to those under the ESA. The Company recorded approximately \$300.3 million and \$180.3 million in 2003 and 2002, respectively, in cost of revenues for power supplied by the Affiliate under the ESA and the Amended ESA.

In January 2002, the Company entered into a power purchase agreement with an affiliate of a stockholder of the Company to purchase all output from solar power generation facilities for a ten year period at a fixed price. The Company paid approximately \$181,000 and \$97,000 in 2003 and 2002, respectively, under this agreement.

Administrative Services and Support

In April 2001, the Company entered into a services and support agreement with the Affiliate (see Note 9). Pursuant to this agreement, the Company issued 405,923 shares of common stock valued at \$5.09 per share to a current stockholder that is an affiliate of the Affiliate in consideration for the provision of certain administrative and energy-related consulting services to the Company by the Affiliate. The Company recorded approximately \$2.1 million as deferred consideration and completed amortizing this balance to operating expense during 2002, amortizing approximately \$300,000 during the year ended December 31, 2002. This agreement expired on April 1, 2002.

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Credit and Security Arrangements for Power Supply

The Company maintains credit and security arrangements with the Affiliate to provide credit support on behalf of the Company for energy and supply purchases from energy and supply wholesalers. On virtually all transactions undertaken by the Affiliate on behalf of the Company, the Company, in lieu of posting security in the form of a bond or Letters of Credit in favor of the Affiliate, pays the Affiliate a fee equal to a percentage of the notional value of the transaction, which fee is paid by the Company over a term equal to the term of the electricity purchase transaction. In addition, the Company agreed to grant the Affiliate a first-priority security interest in the Company's account receivables, see further discussion in the following paragraph. If the Company fails to cure a default within 10 days after receiving notice of such default, the Affiliate may terminate its relationship with the Company and accelerate the maturity of all amounts payable. The Company recorded approximately \$5.3 million and \$4.1 million for the years ended December 31, 2003 and 2002, respectively, of other financing costs related to the credit and security arrangements.

The Company and the Affiliate have also agreed to a number of security agreements under which the Company granted the Affiliate a first-priority security interest in, among other things, all of the Company's present and future accounts receivable, and the proceeds there from, attributable to its customers in California, Texas, Ohio, Pennsylvania, New Jersey and Connecticut. In addition, the Company agreed to indemnify the Affiliate against, among other things, all claims brought against the Affiliate arising from the joint and several indemnity of Bank One, N.A. ("Bank One") by the Company and the Affiliate under an escrow agreement, as described below, other than arising from the negligence or willful misconduct of the indemnified party. The security agreements will continue in effect until all amounts due from the Company to the Affiliate for energy supply services have been paid.

The Company, the Affiliate and Bank One agreed to the terms of a multiparty blocked account agreement, which concerns the Company's demand deposit account at Bank One into which virtually all of the Company's customer receivables are deposited. Under the agreement, the Affiliate has the exclusive right to direct and provide instructions to Bank One as to the disposition of all amounts deposited into the account. The Company and the Affiliate have agreed to indemnify Bank One on a joint and several basis from all claims, demands, losses, liabilities and expenses resulting from the agreement or Bank One's services provided thereunder. The Affiliate or Bank One may terminate this agreement upon thirty days' notice to the other parties.

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Finally, the Company and the Affiliate agreed to the terms of an escrow agreement whereby the parties agreed that Bank One, as escrow agent, would transfer customer receivables from the Company's demand deposit account to an escrow account as of the close of each business day. On a monthly basis, the Company must instruct Bank One to disburse the funds in the escrow account, first, to the Affiliate in a specified amount (in satisfaction of amounts that are owed to the Affiliate) and, then, any remaining amount to the Company. In exchange for its services, the Company agreed to pay Bank One certain fees in connection with providing these escrow activities. The Company is also liable to Bank One for its out-of-pocket expenses as well as for any extraordinary services, such as travel and legal services that Bank One may incur pursuant to the agreement. In the event that the Company is in default under any of the above agreements and the Affiliate delivers a sworn affidavit to that effect to Bank One, the Affiliate will be entitled to receive all of the property in the escrow account. Furthermore, the Company and the Affiliate agreed to indemnify Bank One, joint and severally, from all costs, losses, liabilities and expenses resulting from either the agreement or Bank One's services. The escrow agreement will remain in effect until Bank One receives written confirmation that the security agreements have been terminated and that no amounts remain payable by the Company to the Affiliate for the obligations secured thereby.

During 2003, the Company and the Affiliate agreed to close the escrow account. The Company and the Affiliate agreed to utilize a separate account where customer receivables are deposited and subsequently disbursed to the Affiliate on a daily basis until satisfaction of current amounts owed to the Affiliate are paid in full.

11. Income Taxes

The Company has generated losses since its incorporation in 1999, but it has not recognized any federal or state tax benefit resulting from such losses due to uncertainties regarding the Company's ability to utilize the losses in its future tax returns.

As of December 31, 2003, the Company has a net operating loss ("NOL") carryover of approximately \$242.2 million and a Research and Development Tax Credit carryover of approximately \$0.6 million, which may be available to offset future U.S. taxable income and taxes. These carryovers will begin to expire in 2020, if not utilized. Utilization of the net operating losses and tax credits may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and tax credits before utilization.

The Company has net deferred tax assets of approximately \$105.1 million and \$89.3 million as of December 31, 2003 and 2002, respectively, which represent the NOL carryover, the tax credit carryover, and differences between the book and tax bases of various assets and liabilities. Due to the uncertainty surrounding the realization of these deferred tax assets, a valuation allowance of \$105.1 million and \$89.3 million as of December 31, 2003 and 2002, respectively, has been established against such assets. This valuation allowance will be reversed through the statement of operations as the deferred tax assets are utilized or when it is determined that it is more likely than not that these assets will be realized.

The Company's provision for income taxes differs from the expected tax benefit amount computed by applying the statutory federal income tax rate of 34% to loss before income taxes due primarily to changes in the valuation allowance of \$15.8 million.

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12. Employee Benefit Plan

The Company has a defined contribution plan for its employees. The plan provides for employee contributions, discretionary Company contributions and a Company matching contribution equal to 50 percent of each employee's contribution up to the first six percent of such contribution. Both the employee and Company contributions vest immediately. The Company made cash contributions of approximately \$292,000 and \$240,000 for the years ended December 31, 2003 and 2002, respectively.

13. Subsequent Events

In July 2003, the Company entered into a Trademark License and Services Agreement with a Florida incumbent utility, pursuant to which the Company will provide supply, marketing and sales services to the incumbent utility in connection with the utility's offering of less-polluting electricity. The Florida Public Service Commission approved the utility's offering in January 2004. The Company began its marketing and sales activities under this agreement in February 2004.

In March 2004, the Affiliate (see Note 9) terminated its agreement with the Company to provide electricity to certain commercial accounts in California. These were the Company's last California customers.

In April 2004, the Company amended its February 2003 \$15 million Letters of Credit facility with Bank One to create a \$4 million revolving line of credit. The Company's repayment obligations under this line of credit are secured by the same letters of credit provided by certain of its stockholders to secure the Company's reimbursement obligations under the letter of credit facility. The Company may borrow under the line of credit only to the extent of any unused portion of the letter of credit facility and subject to a \$4 million cap. The Company and Bank One have agreed to remove this cap and allow borrowing under the revolving line of credit to the full extent of any unused portion of the letter of credit facility. The Company expects documents reflecting this agreement will be executed by December 2004.

During October 2004, the Company entered an Amended ESA with the Affiliate. This Amended ESA sets forth the terms of the Company's purchase of its primary electricity supply from the Affiliate (see Notes 9 and 10).

= Redacted by the Permanent
Subcommittee on Investigations



Shari Robertson
08/19/1999 07:29 AM

To: Michelle Boucher
cc:
Subject: Re: fs

Are we talking about July? I did do Juna. Hope we're not duplicating efforts.

There's a lot going on (why does it always work this way?), keeps life interesting.

CW is selling two properties in Co. to Quayle. I think where we're getting is that Quayle will form 2 subsidiaries which are U.S. Corps. Should know later today. We've talked with Bond and he's okay with the Castlecreek purchasing properties that will be used by the "potential" beneficiaries of the trust. This is a non-reportable item by the Trusts and the U.S. parties. Rodney is doing the legal work. I sent to your office and Bond copies of the appraisals and selling prices. Hope to close this next week.

Sam still has a contract pending on one property. It is up to him to determine whether he wants to counter. I'm not sure what he's going to do. He seemed to be getting a little worried about the markets and wasn't too sure he should be spending \$10 - \$14 million to purchase the property and then spending money on building houses.

D. Harris has been raising hell about the money going into Green Mountain. It's not that I don't think he should be, just adds one more stress level. Currently he has agreed to fund through Sept. I've had that discussion with both Sam and Evan. Surprisingly, Sam did not explode, but it actually seemed to cause him to step back and re-think the money is spending. We'll see what happens. Anyway, I do think we need to give notice to FUND to redeem \$10 million for the SW entities to fund Green. Do you have time to give me a recommendation on needs to get redemption notices in before 9/1?

There's be some new trust regulations and ugly case law recently. From several lawyers Mike and I have been strongly recommended that we no longer serve as "U.S. citizens", as protectors. We're thinking about forming a Channel Island corp. that is the protector. The owners would be Mike and I < 50% (stay out of the CFC rules) and you, David Harris, David Bastler, Daughtery and Fullertove the other owners. Mike is particularly concerned about all the bad press about Cayman lately. That's why he's picking the Channel Islands. We're thinking it might be good for the administrative fee from the trusts to be paid to this new corp and then hire ITC as an administrator. We're still exploring....I'll keep you informed as we get further along.

Michelle Boucher <mboucher@candw.ky> on 08/18/99 04:27:46 PM



Michelle Boucher <[REDACTED]> on 08/18/99 04:27:46 PM

To: Shari Robertson <[REDACTED]>
cc:

Subject: fs

I finished the consolidation, and did a reasonableness check at the CW and SW and domestic consolidation levels. I had some questions for Elaine re: Brush Creek's holdings and valuations of SSW, SE and MIKE. Also, her summary sheets did not show the correct MV per share, but had the right extended total market value since they were pulled up from sub-sheets.

Hopefully she'll respond first thing tomorrow and I can get the file sent to you tomorrow afternoon or night. If I can't get in the office tomorrow, Lara will pick it up from me tomorrow night and upload it to you Friday.

Permanent Subcommittee on Investigations

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PSI-WYBR 00529

4496

morning at the latest.

Michelle



PSI-WYBR 00530

4497

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Evan Wylly
01/04/2000 02:17 PM
To: Shari Robertson, [REDACTED]
cc: mboucher@ [REDACTED] Sam_Wylly@ [REDACTED] Stacy Bryant
Subject: David Harris Meeting

Shari: Sam and I would like to meet with David Harris re. Michaels & Green Mountain when he is in Dallas next week on Thurs. or Fri.

Michelle: Sam would like us to have balance sheets for the IFG accounts and for the total trustee accounts.

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4498

Evan Wyly To: David Harris
04/25/2000 06:01 PM cc: Michelle Boucher, Shari Robertson/
Wyly, Sam
Subject: RE: Green Mountain

I'll request a copy of the announcement
The conv pref was designed to make it easy to be sold in order to bring in institutions that Green Mountain
thinks will be interested after the announcement. It will be redeemable at the greater of cost or market
value.
Also, the approx. \$5 million of US govt. securities that are in an account to enhance Green Mountain's
credit for supply will be released at closing, since BP will be assisting with credit and supply.
David Harris <DavidH@lfgint.com>

 David Harris To: evan wyly
04/25/00 02:38 PM cc:
Subject: RE: Green Mountain

Both your emails noted, can we have copies of announcements please.
Qu in para 2 is if we want to sell on part of our conv pref can we do so
without BP's consent?

David

> -----
> From: evan_wyly@ [REDACTED]
> Sent: 25 April 2000 16:09
> To: Pat Fitzpatrick; davidh [REDACTED]
> Cc: Kenneth Jones; Kathy Harding; 'mboucher@ [REDACTED]
> Shari_Robertson/[REDACTED]
> Sam_Wyly/[REDACTED]
> Subject: RE: Green Mountain
>
> I just heard the announcement will be next Tuesday in order to work out
> all
> the details of getting Lycos more prominently in the headline with BP.
> Green Mountain, BP and Lycos are all enthusiastic about the improvement in
> the announcement.
>
> ----- Forwarded by Evan Wyly/Maverick on 04/25/00 10:03 AM -----
>
>
> Evan Wyly
>
> To: Pat Fitzpatrick
> <PatF [REDACTED] 04/25/00 09:54 davidh [REDACTED]
> AM cc: Kenneth Jones
> [REDACTED] Kathy Harding < [REDACTED]
> "mboucher [REDACTED] [REDACTED], Shari
> [REDACTED] Robertson/Maverick@ [REDACTED]
> Sam

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> commitment required from us for US\$35 million is to bring the total
> investment in this round up to US\$100 million. Additionally, does the
> US\$35
> million include the US\$7 million we put up earlier this month, or is it in
> addition to that.
>
> Presumably BP have confirmed that they have no objection to our selling
> our
> convertible preferred on.
>
> Finally, you say "commitment"; are you actually looking to us to put cash
> up at this stage, or just an irrevocable commitment to invest on an 'as
> and
> when called' basis.
>
> For reasons beyond my control I will be leaving the office at 1pm today
> but
> I will be returning at 8pm.
>
> If you do want to get hold of me this afternoon our time please give my
> secretary, Pat Fitzpatrick, a call on 011 44 [REDACTED]
>
> Kind regards
>
>
> David A. Harris
> Chief Executive
>
> PS This email has been sent by my secretary to whom it was dictated
> Note that my direct email address is davidh@[REDACTED]
>
>
>
>
>

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From: Keeley Hennington
Sent: Thursday, April 10, 2003 8:21 AM
To: <mboucher@ [REDACTED]>
Subject: Re: FW: Fw: Green Mountain Energy Update
Attachments: attachment6.txt; Attachment 1.xls

I sent them to David and told him we would circle back with him - there was a big GM meeting here yesterday (BP and Nuon flew in). I am going to try to pump Evan about it tomorrow because I have a meeting with him tomorrow. I told David there was a meeting yesterday and we would get back to him shortly with the answer to his other questions.

More importantly - are you having fun?

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<mboucher@ [REDACTED]>
 04/09/03 06:57 PM

To: <khennington@ [REDACTED]>
 cc:

Subject:
 FW: Fw: Green Mountain Energy Update

did you get with David Harris? has he been sent these?

-----Original Message-----

From: "evan_wyly [REDACTED]"
Sent: Tuesday, April 08, 2003 12:06 PM
To: "khennington [REDACTED]"
Cc: "mboucher [REDACTED]"
Subject: Re: Fw: Green Mountain Energy Update

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Here are some comments. I should have more info after our meeting on Weds.

* Are there revised cash flow forecasts

(See attached file: Attachment 1.xls)

* Under costs what are "acquisitions" and "credit demand fee"

Acquisitions refers to the cost of acquiring new customers.

Credit demand fee is one of the fees paid to BP for the use of their balance sheet and trading assistance in hedging.

Questions that are more for management ;

* Why can't we pass on war related price increases.

Prices are relatively slow to move. We are competing against regulated utilities that have to get approval for price increases, which takes time.

If we increase prices faster than the competition, then we will appear to have prices that are above the market. We do hedge existing customer load, so higher prices have primarily dampened near-term growth in new customers.

* What do forecasts for new customers look like.

This depends a great deal on how long market prices stay high, because aggregations are not attractive at these price levels. In other segments, we have slowed growth to conserve cash.

* Selling the company ?To who and for how much ???

There would be a few potential strategic buyers. Companies who are already competing in the retail segment or utilities who are expanding their unregulated business, or companies in the commercial and industrial markets who would want to expand into retail. We haven't made inquiries yet, so it is difficult to evaluate what the price would be at this time.

khennington [REDACTED]

To:

evan_wyly@ [REDACTED]

cc:

04/08/2003 09:03

Subject: Fw: Green Mountain

Energy Update

AM

Evan - these are the initial questions David has come back with and I can't help him with

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any of the answers. Do you want to e-mail back to me and I will go back to him - or, would you like to talk to him directly??

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----- Forwarded by Keeley Hennington/htst on 04/08/03 09:04 AM -----

David Harris

04/04/03 05:48 AM

'Michelle Boucher'

khennington@h

RE: Green Mountain Energy Update

To

cc

Subject

Keeley,
It would be useful to speak with Evan/management . Before this though I have a couple of simple questions ;
* Are there revised cash flow forecasts
* Under costs what are "acquisitions" and "credit demand fee"
Questions that are more for management ;
* Why can't we pass on war related price increases
* What do forecasts for new customers look like
* Selling the company ?To who and for how much ???

Could you give me a call when you have a moment

David Harris
Director
IFG International Limited

Licensed by the Isle of man Financial Supervision Commission as a Corporate Services Provider

-----Original Message-----

From: Michelle Boucher

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Sent: 03 April 2003 21:58
To: DavidH8 [REDACTED]
Cc: khennington [REDACTED]
Subject: Fw: Green Mountain Energy Update

<< File: Attachment (4).xls >> David,
Please find following some comments from Evan regarding the status of Greenmountain. If you would like to speak to him directly or consider arranging a call with the management at Greenmountain to more fully brief you on the situation, please contact Keeley and she will coordinate this for you. I will be out of the office tomorrow through next week.
Michelle

Green Mountain is missing budget due to:
a) wholesale energy price increases related to war (making new aggregations unattractive due to low margins) and
b) problems with Ohio utility purchase of receivables (which has been resolved, but implementation timing is very slow).

We have a contingency planning call on Friday to evaluate selling the company (or parts) versus additional investment from current investors.
(Green Funding's pro rata part would be about \$7 million in May or June.)

----- Forwarded by Evan Wyly/Maverick on 04/02/2003 05:19 PM ----- Forecast Overview:

In addition to the normal changes made to the monthly forecast for the prior month's actual results, updated customer counts and forward supply curves, we made two other significant assumption changes to the March forecast.

Given the current supply market and projections that show that proforma gross margin on an aggregation in this market is unlikely to support a deal, we have removed the first third of our aggregations (144,000 customers planned for service in April) and the other one-third aggregates were forecasted to be delayed a month each.

We assumed a successful settlement with FirstEnergy (FE) on Ohio receivables that provides for new payment preference rules to go into effect in June (though we believe that we were conservative on the timing and effect of the implementation). This assumption is at risk given the inability to settle the case so far and the April 9th trial date.

Full Year 2003 forecasted EBITDA and Net Income have been reduced from the February forecast by \$11.2 million and \$11.0 million, respectively.

Attachment: March Forecast for Full Year 2003 performance with regional detail (See attached file: Attachment (4).xls)

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inform us immediately and delete it and all copies from your system.
2) Due to the fact that this E-mail could become corrupted or altered during transmission,
any advice which it contains should not be relied upon unless subsequently confirmed by
fax or letter signed by or on behalf of this company.
3) E-mails do not constitute compliance with any time limits or deadlines.



attachment6.txt (8 KB)



Attachment 1.xls (75 KB)

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Mary Cox To: robert.thomas@g[REDACTED]
05/11/2001 11:34 AM cc:
Subject: Re: Quayle's Investment in Green Mountain Energy

--- Forwarded by Mary Cox/hist on 05/11/01 01:43 PM ---

Mary Cox To: "Kelly, Dennis" <[REDACTED]>
05/11/01 12:05 PM cc: "cwly@ht[REDACTED]" "Post Rick"
[REDACTED] "Thomas, Robert"
[REDACTED] "Canon, Scott"
Subject: Re: Quayle's Investment in Green Mountain Energy [REDACTED]

Dear Dennis,

Quayle Limited would like to proceed with the sale of all or any portion of its investment. I would appreciate your contacting existing shareholders to see if they have an interest now. Alternatively, Quayle would like to be a selling shareholder in the next planned financing.

We are pleased with the growth and progress and outlook for Green Mountain. This simply is no longer a strategic holding for Quayle. I will appreciate everyone's assistance with this.

Charles Wyly

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1068

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Draft of October 15, 1999

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

THIS SETTLEMENT AGREEMENT AND MUTUAL RELEASE (this "Agreement"), dated as of October __, 1999, is entered into by and among M. David White ("Mr. White"), Jennifer J. White ("Mrs. White" and, together with Mr. White, the "Whites"), and Highland Stargate, Ltd., a Texas limited partnership ("Highland").

RECITALS:

A. Mr. White and Green Mountain Energy Resources L.L.C., a Delaware limited liability company (the "LLC") that has merged with and into GreenMountain.com Company, a Delaware corporation ("GreenMountain"), entered into that certain Employment Agreement dated as of October 5, 1998, as amended by that certain Amendment to Employment Agreement dated effective as of June 1, 1999 (the "GreenMountain Employment Agreement").

B. Mr. White and the LLC entered into that certain Subscription Agreement effective as of January 11, 1999, pursuant to which Mr. White purchased 300,000 units of the LLC (the "Units") pursuant to the LLC's Employee Unit Purchase Plan, as amended, and granted the LLC a security interest in the Units.

C. The Whites executed that certain Promissory Note, dated January 11, 1999, in the aggregate principal amount of \$1,500,000 in favor of the LLC (the "GreenMountain Note") and, under the GreenMountain Note, granted the LLC a security interest in the Units and any other securities issued by the LLC and owned or later acquired by the Whites.

D. Pursuant to the Agreement and Plan of Merger, dated as of June 11, 1999, and filed with the Secretary of State of the State of Delaware on June 18, 1999, by and between the LLC and GreenMountain (the "Merger Agreement"), GreenMountain succeeded to all the assets, rights, privileges, obligations and liabilities of the LLC.

E. Pursuant to the Merger Agreement and the taking of required actions by Mr. White, the Units were converted into 900,000 shares (the "Shares") of common stock, par value \$0.01 per share (the "Common Stock"), of GreenMountain, and certain options to purchase units of the LLC that had been issued to Mr. White by the LLC (the "Unit Options") were converted into options to purchase 1,125,000 shares of Common Stock (the "Stock Options").

F. The Whites executed that certain Letter of Instruction pursuant to which the Whites acknowledged, among other things, that the Shares would become Collateral (as defined in the GreenMountain Note).

G. The Whites and GreenMountain have agreed to terminate the GreenMountain Employment Agreement pursuant to a Settlement Agreement and Mutual Release dated as of the date hereof (the "GreenMountain Release").

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EXHIBIT #66 - FN 1076

PSI-WYBR 00561

SUBJECT TO COMPLETION—JUNE 1, 1999

PROSPECTUS

25,000,000 Shares

Choose wisely. It's a small planet.SM

Common Stock

GreenMountain.com Company is offering shares of its common stock in an initial public offering. Prior to this offering, there has been no public market for GreenMountain.com's common stock.

We anticipate that the public offering price will be between \$11.00 and \$13.00 per share. The shares of GreenMountain.com will be included for quotation in the Nasdaq National Market under the symbol "GMTN."

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to GreenMountain.com	\$	\$

See "Risk Factors" on pages 9 to 17 for factors that you should consider before investing in the shares of GreenMountain.com.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters may purchase up to 3,750,000 additional shares from GreenMountain.com at the public offering price, less underwriting discounts and commissions, to cover over-allotments. Delivery of the shares will be on _____, 1999.

Prudential Securities**BancBoston Robertson Stephens****Deutsche Banc Alex. Brown****Volpe Brown Whelan & Company****FAC/Equities****First Union Capital Markets Corp.****The Robinson-Humphrey Company****CO-OFFERING**

1999

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The information in this prospectus is not complete and may be changed. GreenMountain.com may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information, as of the date of this prospectus, with respect to beneficial ownership of shares of common stock of GreenMountain.com, by each person who we expect to beneficially own more than 5% of the common stock after the offering, by each director and director nominee, by each executive officer named in the summary compensation table included above and by all directors, director nominees and executive officers as a group. The information in the table reflects the distributions of shares owned by Green Funding I and Green Funding II to the beneficial holders of the ownership interests in those entities. See "Related Party Transactions—Reorganization Transaction."

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned (2)	Percentage of Shares Beneficially Owned	
		Prior to Offering	After the Offering
Sam Wyly	2,084,325(3)	8.1%	4.1%
[REDACTED]	746,250(4)	2.9	1.5
[REDACTED]	208,575	*	*
[REDACTED]	75,000	*	*
[REDACTED]	75,000	*	*
[REDACTED]	75,000	*	*
[REDACTED]	600,870(5)	2.3	1.2
[REDACTED]	7,500	*	*
[REDACTED]	1,237,500	4.8	2.4
[REDACTED]	52,770	*	*
[REDACTED]	268,761	1.0	*
[REDACTED]	82,767	*	*
[REDACTED]	85,170	*	*
[REDACTED]	33,594	*	*
Maverick Capital, Ltd.	4,200,300(6)	16.4	8.3
Locke Limited	6,503,862(7)	25.5	12.9
All directors, director nominees and executive officers as a group (19 persons)	6,305,505	23.2%	12.1%

*Less than 1%.

- (1) Except as otherwise indicated, the address for each beneficial owner is c/o GreenMountain.com Company, 55 Green Mountain Drive, P.O. Box 2206, South Burlington, Vermont 05407-2206.
- (2) For some beneficial owners, includes shares issuable upon the exercise of options exercisable within 60 days and upon the closing of this offering, as set forth in detail in the table set forth below.
- (3) Includes 1,639,944 shares owned of record by four family trusts of which Sam Wyly is trustee and 219,357 shares owned by the Cheryl R. Wyly Marital Trust. Sam Wyly disclaims beneficial ownership of the shares and options owned by these trusts.
- (4) [REDACTED]
- (5) [REDACTED]
- (6) Shares shown as beneficially owned by Maverick Capital, Ltd. are owned of record by Maverick Fund II, Ltd., Maverick Fund USA, Ltd. and Maverick Fund L.D.C. Maverick Capital, Ltd. is the investment advisor for each of Maverick Fund II, Ltd. and Maverick Fund L.D.C., and is the general partner of Maverick Fund USA, Ltd. As a result of such positions, Maverick Capital, Ltd. has voting and investment power over shares owned of record by these three entities. Evan Wyly is a managing partner of Maverick Capital, Ltd. and may be deemed to be a beneficial owner of the shares shown as beneficially owned by Maverick Capital, Ltd. Evan Wyly disclaims beneficial ownership of all shares beneficially owned by Maverick Capital, Ltd., and, accordingly, such shares are excluded from the information in the table with respect to Evan Wyly. Lee S. Ainslie, III controls the voting and disposition decisions of Maverick Capital, Ltd. The address of Maverick Capital, Ltd. is 300 Crescent Court, Suite 1000, Dallas, Texas 75201.

Choose wisely.

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- (7) All of the shares of Locke Limited are owned by a trust the sole trustee of which is Aundyr Trust Company Ltd., a corporation possessing trust powers. The beneficiaries of the trust, which include members of the family of Sam Wylly, have no control over the trust or the trustee. The address of Locke Limited is Locke Limited c/o Aundyr Trust Company Ltd., International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB.

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Green Mountain Equity Structure (as of 01/03/05)

	Common Stock	Series A Convertible Preferred Stock (\$3.25)	Series B (i) Convertible Preferred Stock (\$4.99 **)	Series E Convertible Preferred Stock (\$3.44)	Series F Convertible Preferred Stock (\$3.74 *)	Series G (i) Convertible Preferred Stock (\$4.99 **)	Series H Convertible Preferred Stock (\$4.99 **)	Series I (i) Convertible Preferred Stock (\$4.99 **)	Series J Convertible Preferred Stock (\$4.99 **)	Total	Percentage Ownership
Wily Affiliates & Family	18,537,560									18,537,560	25.1%
Waco	4,124,000	1,506,024	982,318				823,846		381,140	7,594,428	11.6%
Maxvick Entities							1,788,605		2,090,374	5,799,369	8.5%
Devotion Limited (i)	1,920,420		491,159							2,411,579	3.5%
Quayle Limited		753,012								753,012	1.1%
Former USPS stockholders, note holders, and third party claimants											
Others (i)	1,919,616							1,183,076		3,102,692	4.5%
Treasury Shares	25,082,139	10,843,372	11,296,659	4,216,867	3,719,176	589,381	4,735,755	1,183,076	3,229,276	65,995,111	100.0%

Registration Rights

(1) Devotion Limited is a "Green Stockholder" as that term is defined in the 3rd Amended and Restated Investors Agreement, dated as of June 26, 2003.

(2) The number of outstanding shares and holders of Series I is expected to increase as additional letters of transmittal are received from former USPS stockholders. The total number of outstanding shares of Series I is expected to be 1,281,973 and the total number of holders is expected to be 132.

(3) 11,591,354 shares designated.

(4) 882,318 shares designated.

(5) "Others" subtotal reflects repayment of 35 Promissory Notes made in early 1999 which became due on 12-31-03. Out of all 858,810 shares owned by these shareholders pledged to secure such Notes, 614,271 are held by GWEC as Treasury Shares and 244,539 have been re-issued to the shareholder.

* Notice of these adjusted conversion prices were sent to affected stockholders on October 10, 2003.

** Notice of these adjusted conversion prices were sent to affected stockholders on February 24, 2004.

Stock	# of Holders
Common Stock	140
Series A	7
Series B	6
Series C	1
Series D	1
Series E	1
Series F	1
Series G	2
Series H	3
Series I	86
Series J	6
TOTALS	255

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CONFIDENTIAL**THE MERGER**

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General

The Re-Structuring. The Merger is part of a larger re-structuring of Green Mountain's outstanding debt and equity. Green Mountain currently owes approximately \$100 million in unpaid principal and accrued but unpaid interest on various convertible promissory notes (the "Convertible Notes"). The Convertible Notes accrue interest at a rate of 9% per annum, are convertible at the option of the holder into Common Stock of Green Mountain, and have various maturity dates, the first of which is in June 2007 and the last of which is in June 2009. The Convertible Notes are held by Nuon Green Energy B.V. ("Nuon BV"), N.V. Nuon ("NV Nuon"), and together with Nuon BV, "Nuon", BP International Limited ("BP"), Maverick Fund USA, Ltd. ("Maverick USA"), Maverick Fund, L.D.C. ("Maverick LDC"), Maverick Fund II, Ltd. ("Maverick Fund II"), and together with Maverick USA and Maverick LDC, the "Maverick Entities" and Green Funding I, LLC ("Green Funding"), and together with Nuon, BP and the Maverick Entities, the "Principal Debt-holders". Nuon BV, BP, the Maverick Entities, the Domestic Green Stockholders¹, the Foreign Green Stockholders² (the Domestic Green Stockholders and the Foreign Green Stockholders are collectively the "Green Stockholders"), and Quayle Limited ("Quayle") also hold approximately 92% of the issued and outstanding Voting Stock of Green Mountain (determined on an as-if converted to Common Stock basis). Nuon BV, BP, the Maverick Entities, Quayle and the Green Stockholders are referred to collectively in this Information and Proxy Statement as the "Principal Stockholders".

In order to obtain certain relief from its debt obligations, Green Mountain requested the Principal Debt-holders to agree to amend the terms of the Convertible Notes to (i) extend the maturity date of the Convertible Notes to June 1, 2010, (ii) reduce the interest rate payable per annum on the Convertible Notes to the applicable rate for mid-term instruments for the month of March 2006 as determined by the U.S. Internal Revenue Service and (iii) eliminate the conversion feature of the Convertible Notes such that they will no longer be convertible into the Common Stock or any other securities issued or issuable by Green Mountain. The Principal Debt-holders have agreed to the foregoing amendments of the Convertible Notes provided that Green Mountain effect a recapitalization of its equity. The terms and conditions on which the Principal Debt-holders and the Principal Stockholders have agreed to amend the Convertible Notes and participate in the recapitalization of the equity of Green Mountain (the "Re-Structuring") are set forth in the Re-Structuring Agreement, dated as of March 8, 2006, by and between Green Mountain, the Principal Debt-holders and the Green Stockholders (the "Re-Structuring Agreement"). For more information about the Re-Structuring Agreement, see below under the heading "The Re-Structuring Agreement".

¹ The "Domestic Green Stockholders" are [REDACTED]

² The "Foreign Green Stockholders" are Balch, LLC, Bubba, LLC, Devotion Limited, Dortmund Limited, East Carroll Limited, Elegance Limited, Flo Flo, LLC, Greenbriar Limited, Katy, LLC, Little Woody Limited, Locke Limited, Morehouse Limited, Orange, LLC, Pops, LLC, Richland Limited, Roaring Creek Limited, Roaring Fork Limited, and Rugosa Limited.

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From: Keeley Hennington
Sent: Friday, November 15, 2002 7:20 AM
To: "Michelle Boucher" [REDACTED]
Subject: Re: Fw: Green Mountain Energy - Cash Needs and Guarantee

Thanks - I read the part about naming rights but did not pick up that it was not a cash deal.

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"Michelle Boucher" [REDACTED]
11/15/02 09:03 AM

To: <khennington@[REDACTED]>
cc:
Subject: Fw: Green Mountain Energy - Cash Needs and Guarantee

----- Original Message -----
From: <evan_wyly@[REDACTED]>
To: <mboucher@[REDACTED]>, <khennington@[REDACTED]>
Sent: Friday, November 01, 2002 4:27 PM
Subject: Green Mountain Energy - Cash Needs and Guarantee

> Same questions as below; only the pro rata amounts are more like \$3 to
> 4 million.
>
> ----- Forwarded by Evan Wyly/Maverick on 11/01/2002 03:25 PM -----
>
> Evan Wyly
> To: [REDACTED]
> shari_robertson@[REDACTED] Michelle_Perrin@[REDACTED]
> 11/01/2002 cc: [REDACTED]
> lee_hobson@[REDACTED]
> 03:25 PM Subject: Green Mountain
Energy - Cash Needs and Guarantee
>
>
>
>
> 1. Line of credit from major investors.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1081

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> There is a possibility that Green Mountain Energy will need to draw on
> the line of credit from the major investors in order to make the
> monthly
supply
> payment this month on Nov. 25. It is difficult to forecast at this
> point, but it would be unlikely that they would need to draw the full amount.
> Maverick's part is likely to be less than \$1 million.
>
> 2. Green Mountain Energy is arranging to buy naming rights and energy
> from a TXU facility on a long-term contract. TXU is requiring
> security of
\$8-10
> million, which Green Mountain does not have.
> Green Mountain may need to ask the major investors to provide a
> guaranty
or
> set cash aside in escrow. The total amount is expected to be \$8 to
> \$10 million, so Maverick's part would be approximately \$1 million.
> Are Maverick Funds able to provide this type of a guaranty or would
> they have to set cash aside?
>
>
>

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Evan Wyly To: davidhG
11/23/1999 09:41 AM cc:
Subject: Green Mountain

The BP discussions are proceeding very well. BP has hired Goldman Sachs to assist them in negotiating an investment. BP and Goldman have a meeting scheduled for Nov. 29th.

Merrill Lynch is at the Green Mountain headquarters today. We expect Green Mountain to hire Merrill Lynch to assist the company in this discussion.

Also, Green Mountain and BP both recently won Financial Times Energy Awards. The CEOs of the two companies, Dennis Kelly and Sir John Browne, spoke with each other at the ceremony and expressed their respect for each other's company and their interest in working together.

----- Forwarded by Evan Wyly/Maverick on 11/23/99 11:31 AM -----



"Ryan, Ann"

11/10/99 10:23 AM

To: "GreenFamily + Partners (#268)"
<"Family+Partners"@...>
cc: "dmoore@..." (bcc: Evan
Wyly/Maverick)
Subject: Financial Times release

Below is the release sent out by Deloitte Touche Tohmatsu, the sole sponsor of the Energy Awards.

Deloitte Touche Tohmatsu Sponsors Inaugural Financial Times Energy Awards

11/09/1999

Business Wire

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NEW YORK--(BUSINESS WIRE)--Nov. 9, 1999--Deloitte Touche Tohmatsu (DTT), the global professional services firm, was the sole sponsor of the inaugural Financial Times Energy Awards, presented last night at a gala dinner in New York City.

The FT Energy Awards recognized those companies contributing to the transformation that is taking place in the energy industry today. "The energy industry is changing fast. Rapid globalization in all sectors involving deregulation, energy trading and new technologies has resulted in cheaper energy for the consumer and a period of fast growth for the industries involved. The companies recognized last night are the true leaders of their industries. Deloitte Touche Tohmatsu is proud to sponsor this event and salutes the pioneering spirit of all last night's winners," said Jacques Manardo, Global Managing Partner - Strategic Clients, DTT.

The Deloitte Touche Tohmatsu's Energy Practice has a global team of seasoned professionals, who offer a complete range of seamless services in energy trading, E-business, risk management, mergers and acquisitions, project finance, audit and tax consulting.

"Our global energy practice is among the finest in the world today, offering solutions to an industry undergoing profound change. We are pleased and relieved to see so many of our clients nominated as finalists," said Chris Nicholson, Leader, Deloitte Touche Tohmatsu Global Resources Group.

Entrants for all thirteen categories have demonstrated innovation in using new technologies and new ideas to tackle the challenges facing

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Evan Wylie
12/20/1999 12:06 PM

To: David Harris <[REDACTED]>
cc: Kenneth Jones <[REDACTED]>, Shari
Robertson <[REDACTED]>, Michelle Boucher, Sam
Wylie <[REDACTED]>
Subject: Re: Green Mountain funding [REDACTED]

Thanks for your support.

We do not have a letter of intent, but we feel good about BP Amoco's level of commitment, because they are working diligently with Goldman Sachs and Allen & Co to recruit the best internet partners and refocus the presentation. BP Amoco will also be a key participant in meetings with each potential internet partner.

David Harris <DavidH@[REDACTED]>



David Harris
12/20/99 11:35 AM

To: evan wylie <[REDACTED]>
cc: Kenneth Jones <[REDACTED]>
Subject: Green Mountain funding

Thank you for your update , I am pleased to see that someone else works Saturdays .
Everything looks good , subject to Protector consent , we are happy to commit to the January funding . Ken Jones will be liasing with Michelle on where our cash comes from .
Do you actually have a Letter of Intent from BP Amoco or simply the word of an Englishman ?!

David Harris

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From: Evan Wyly
Sent: Thursday, May 23, 2002 4:19 AM
To: Matt Cheney [REDACTED]
Cc: Carel Kok (E-mail) <[REDACTED]>; Tom Muething
 [REDACTED]; Pieter Jobsis <[REDACTED]>; Ron
 Langenkamp <[REDACTED]>
Subject: Re: Suggested Terms - Green Mountain Energy
Attach: GMTN debt restructuring.doc

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Please find attached three alternatives to the suggested terms.

"Matt Cheney" <[REDACTED]>
 05/22/02 01:38 PM
 Please respond to "Matt Cheney"

To: "Sam Wyly" <[REDACTED]>, "Evan Wyly" <[REDACTED]>
 cc: "Tom Muething" <[REDACTED]>, "Pieter Jobsis" <[REDACTED]>
 [REDACTED], "Carel Kok (E-mail)" <[REDACTED]>, "Ron
 Langenkamp" <[REDACTED]>
 Subject: Suggested Terms

Evan,
 Please find attached suggested terms from BP and Nuon for the restructuring of
 the Green Funding I debt. If you have any questions, I can be reached on my
 cell phone at 202 [REDACTED] today.

We look forward to meeting with you tomorrow morning to discuss this and other
 issues.
 Best regards, Matt

Matt Cheney
 Nuon USA
 (mobile) 202 [REDACTED]
 (office) 415 [REDACTED]
 (fax) 415 [REDACTED]

<Matt Cheney.vcf was removed>
 <Wyly Suggested Loan Terms 22-05-02.doc was removed>

4518

MEMORY TRANSMISSION REPORT

TIME : SEP 10 '99 10:25
TEL NUMBER : 214- [REDACTED]
NAME : CHARLES WYLY

NBR	FILE	DATE	TIME	DURATION	PGS	TO	DEPT NBR	MODE	STATUS
134	29	SEP.10	10:25	00/23	1	214- [REDACTED]		EC 34	OK

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Friday, September 10, 1999

Shari said NationsBank is ready to go on Little Woody and Lambda project as soon as we can get answers out of Owens.

Kathryn Gressett said they deeply appreciate the invitation but she & Ray cannot make trip with you this weekend. DSO tickets are being delivered to them this morning.

Janet Crisler (831. [REDACTED] in Carmel) would like for you to call her, you met her at the Longyear luncheon in March.

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From: Shari Robertson
Sent: Tuesday, November 2, 1999 3:21 PM
To: Michelle Boucher [REDACTED]
Subject: Re: I've been thinking

We do have draft documents which have been approved. They just don't want to form the entities until the IOM entities are formed. I'll forward an e-mail with the drafts.

Michelle Boucher [REDACTED]
11/02/1999 01:58 PM

To: Shari Robertson/Maverick [REDACTED]
cc:
Subject: I've been thinking

about the email this morning from Meadows Owens. Have you/Keeley seen any draft Trust documents for the Texas Trusts? I can confirm that the names of the IOM entities are Little Woody Creek Road Limited and Jourdan Way Limited - surely they don't need anything more to get drafts circulating on this. I'm confused as to why they think the IOM entities being formed is holding everything up? Maybe I'm wrong and they have gotten the drafts to you/Keeley already, but surely we can't be holding them up completely....

Anyway, if you do have these, I need to get a copy to Francis Webb for his review as co-settlor / settlor. I'd also like to know how much money they are putting in the documents as the initial settlement amount from the IOM company so that we wire that amount when the time comes (not like on the SW transaction we just did, where there was a difference to be followed up with later).

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Rena Alexander 11/17/99 12:52 PM

To: Michelle Boucher [REDACTED]
cc:
Subject: RE: FW: Woody Creek Ranch Management Trust

Thanks
Michelle Boucher <[REDACTED]> on 11/17/99 10:40:28 AM



Michelle Boucher [REDACTED] on 11/17/99 10:40:28 AM

[REDACTED]

To: Rena Alexander [REDACTED]
cc:
Subject: RE: FW: Woody Creek Ranch Management Trust

*10% rev back
from Sam?*

That's what I think too - I'll confirm with Rodney and see if we need to do any paperwork for it. I'll let you know.

Michelle

-----Original Message-----
From: Rena Alexander [REDACTED]
Sent: Wednesday, November 17, 1999 11:34 AM
To: Michelle Boucher
Subject: Re: FW: Woody Creek Ranch Management Trust

I can't say I know the answer for sure, but I assume that Sam would need to put in his percentage also.

Michelle Boucher <[REDACTED]> on 11/17/99 10:08:11 AM

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To: Rena Alexander/htst@htst

cc:

Subject: FW: Woody Creek Ranch Management Trust

Rena,
I have not had a reply from Elaine on this yet - perhaps you can help me?

Also, the IOM entity should be wiring the remaining \$85,000 this week. I have also recommended that they fund you with an additional \$300,000 to provide you with cash for acquiring the TDRs. I will let you know when to expect that wire also.

I need to touch base with Rodney as to whether these addition contributions (the \$300K) need to be matched by SW in the correct percentage as a 'settlement' or if they are able to be made on some other basis, just from the IOM company. If you know the answer, please let me know - or I will go back to Rodney.

Thanks!
Michelle

-----Original Message-----
From: Michelle Boucher [REDACTED]
Sent: Thursday, November 04, 1999 4:32 PM
To: Elaine Spang (E-mail)
Subject: Woody Creek Ranch Management Trust

The IOM entity is looking for original documents for execution - do you know the status of these? Can you chase them up for me.

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From: Keesley Hennington
Sent: Wednesday, April 19, 2000 8:41 AM
To: "Michelle Boucher" [REDACTED]
Subject: Re: cottonwood

No, I think this money would be fine as long as it is reimbursed by the entity eventually buying the property (treat as short-term loan). Let me know if you need me to do anything else on this right now. I am assuming since you talked to Rodney yesterday that he will call either you or I today. I do not know if he talked to Kelly yesterday or not, but I will follow up. Thanks

"Michelle Boucher:" [REDACTED] on 04/18/2000 01:36:09 PM
To: <khennington@ [REDACTED]>
cc:
Subject: cottonwood

Kristin called me today, apparently they are waiting on Rodney's comments on the offer documents before submitting it. I thought they knew they were okay to submit the offer, and that we would sort out the structure etc... before closing. But I guess I wasn't clear enough. Anyway, I called Rodney, and, with respect to the structure - they are still working on it - 'as we speak' (<- I'm sure!), but he promised to call Kelly immediately and clear them to put the offer in. :-)

Rena has cash available in the Two Mile Ranch Management Trust account. I think it would be okay to use this for the earnest - I can't see any reason not to- can you?

Michelle

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PSI-WYBR 00577

Memo

To: Shari Robertson, Mike French
 Cc: Keeley Hennington, Donnie Miller
 Re: Charles Wyly Family meetings – week of 10/09/00
 Date: October 16, 2000
 From: Michelle Boucher

Keeley & I met with Charles & Donnie on 10/11/00, here is an update on recent developments:

First Dallas International:

Charles has a planned investment in a new Peter Ackerman venture called "Fresh Direct". It is a web based consolidator of fresh foods. You can order off their website and they will ship anywhere in the NY area. They have made significant progress on their warehouse facilities and distribution center in Long Island, and they hope to be up and running in about 1 year's time. The planned cost of this is \$45Million, and Charles would like to commit \$1Million through First Dallas International for an October 31st closing. Jim Lincoln will forward documents once received, but we expect the investment to be made into a tranche of preferred stock.

First Dallas Ventures:

This is the venture cap fund that Donnie and Jim are managing. Charles has authorised investments up to \$10Million at this time. They are contemplating further investment in Cool Partners Inc., as well as other predominantly web-based ventures. Jim and Donnie both appear to be really enjoying this venture.

Ranger/Precept:

It does not appear that Charles and Sam have been able to get together to work out details of Charles' involvement with Ranger/Precept and the Ranger Management company. We had ordered tentative redemptions from Maverick for November 1st, which we'll roll to December 1st if details have not been worked out beforehand.

Sport Horses:

Charles is looking at establishing a breeding and equestrian training facility with Emily's involvement. A business plan has been presented, involving the acquisition of approximately 140 acres of land just north of DFW airport. Only 50 acres will be used for the business venture, and it is likely that the remaining land will be subsequently sold. Keeley and I are consulting Rodney to see if we can use a structure similar to that which was used for the gallery in Aspen, thus utilizing foreign assets for the cash injection and contributing Emily's horses in the same way Kelly contributed the gallery's inventory stocks. We would likely try to sub-divide the property and buy the land held for resale domestically, through another structure. I have not seen it yet, but understand the business plan indicates the business will not likely cash flow for the first few years, and will need ongoing capital. The anticipated initial commitment will be a minimum of \$3Million.

Little Woody Creek Ranch:

This is the house that Emily and Jennifer use. We put together all documentation to sell this property to an IOM company last November/December. Charles has asked us to proceed once again and effect the sale. All domestic and IOM structures and funds are in place. Keeley will pull the documents and we'll touch base with Charles again next week and proceed.

Lambda Properties:

Nothing was directly discussed regarding construction activities on Charles and Dee's house in Aspen. If they decide to proceed, we will recommend that an IOM company acquire the property, to provide funds for the construction project. It is likely that this will not be underway until well into next year, with construction commencing in 2002. As with the Little Woody Creek Ranch property mentioned above, there are some issues regarding ownership of the existing properties which will need to be properly

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considered and dealt with in the new structures, especially within the context of creating sub-funds of the IOM trusts (see below).

Sub-funds:

Charles is aware that Sam is looking at creating sub-funds with the IOM assets, and is contemplating the same. We discussed the idea of creating them by using certain real estate transactions as the initiating transaction. This would include the new Sport Horses venture for Emily, and selling some of the Colorado properties which involves all the children to the foreign system. Charles also discussed making specific \$20Million allocations to each of Martha, Emily and Jennifer, indicating that he thought Chip was well taken care of domestically.

MAV008221

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From: Evan Wyly [evan_wyly@redacted]
Sent: Wednesday, June 20, 2001 2:05 PM
To: Keeley Hennington
Subject: Re: Rosemary's House at Two Mile

Yes, please get back to Kelly & Lisa on your idea of Two Mile paying/owning instead of Wrangler. To even it out, Rosemary could get the benefit of sub-fund spending instead of Wrangler distributions for a couple of years. I mentioned this Wrangler problem to Lisa, and she'd like to talk to Rosemary.
You can either forward this or write them fresh. Thanks.

----- Forwarded by Evan Wyly/Maverick on 06/20/01 02:25 PM -----

Keeley Hennington [redacted]
06/18/01 11:38 AM

To: Evan Wyly/[redacted]
cc:
bcc:
Subject: Re: Rosemary's House at Two Mile

Evan - As I suspected, Rodney does not think this is a good idea. We do not want to comeingle ownership of the property between Rosemary and Two Mile. Is Sam that opposed to Two Mile owning the house Rosemary will use? There are some issues with if it is owned by Rosemary outright or Wrangler, could you restrict their right to sell the property which I know is important to Sam.
It would also require Rosemary to be a co-grantor of the Management Trust which would in essence make her a co-owner of the project. I would suggest as an alternative that Two Mile pay for and own the house (good use of off-shore vs. on-shore cash). The cost can then be allocated within the sub-funds between the 4 children or kept in the big pool for now and allocated out later. I think we are going to be able to find other uses for the Wrangler cash if that is Sam's concern. Please let me know if you think it is important to find a way for Wrangler to fund and we will work on it although, it may be hard to find a structure that Rodney would be comfortable with and may involve an additional layer of entities. I just did not want to spend a lot of time if we can leave at Two Mile. I will get back with Kelly and Lisa once I hear back from you.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Evan Wyly [redacted]

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THE
WOODY CREEK RANCH
MANAGEMENT TRUST

The following individual assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions: Rodney J. Owens, Esq.

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

901 Main Street, Suite 3700
Dallas, Texas 75202-3792
(214) 744-3700
(800) 451-0093

Permanent Subcommittee on Investigations
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**THE WOODY CREEK RANCH
MANAGEMENT TRUST AGREEMENT**

This AGREEMENT OF TRUST (the "Trust Agreement") is executed by and between WOODY CREEK RANCH, LTD., an Isle of Man corporation, SAM E. WYLY (referred to herein as the initial Co-Grantors or Grantors) and SHARYL ROBERTSON (the initial Trustee) in order to create this management Trust on the terms, conditions and provisions as set forth below in this Trust Agreement.

ARTICLE I.

ESTABLISHMENT OF TRUST

1.1. Name of Trust: The name of the Trust shall be the WOODY CREEK RANCH MANAGEMENT TRUST and will, for convenience, be referred to at times in this Agreement as the "Trust" unless a more specific trust is indicated.

1.2. Initial Assets of Trust: The initial assets of the Trust consist of those assets described on the attached Exhibit "A", which is hereby incorporated by reference for all purposes of this Trust Agreement, and which are conveyed hereto by each indicated Grantor to be held and administered by the Trustee.

1.3. Special Definitions for Agreement: The following defined terms shall have the indicated meaning for purposes of this Trust:

- (a) **"Sam":** Reference to "SAM" shall mean SAM E. WYLY.
- (b) **"Corporation":** References to the "Corporation" shall mean WOODY CREEK RANCH, LTD., an Isle of Man corporation, acting by and through its authorized representatives, as well as any successor in interest to said Corporation.

SEC. 10. 2004-1703 PR. REVISED BY R. J. DODD, D.D. TO VETERINARY

(c) **"Grantors"**: References to "Grantors" shall mean SAM, the Corporation, as well as any additional person or entity which makes contributions to this Trust in consideration of becoming an additional Grantor hereof. References to a "Grantor" shall mean any person or entity whom at such time is a Co-Grantor of this Trust.

(d) **"Trust Estate"**: References to Trust Estate shall mean all of the assets, properties, debts and liabilities of the Trust, whether real, personal, or mixed, tangible, intangible, or inchoate in nature, and shall include the initial Trust Estate as well as any and all additions received or acquired by the Trustee to be administered hereunder.

(e) **"Use" or "Usage"**: References to "Use" or "Usage" shall mean the unrestricted right of each Grantor of the Trust to use, occupy and enjoy all or any part of the Trust Estate and the real property [including any improvements thereon] which is owned directly by the Trust or indirectly from the ownership by the Trust of equity interests in the stock, member interests and/or partnership interests of any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

(f) **"Trust Share"**: References to "Trust Share" shall mean the respective interest of each Grantor of the Trust in the Trust Estate determined by multiplying the total net fair market value of the Trust Estate by a fraction, the numerator of which equals the net fair market value of property(s) contributed by the respective Grantor to the Trust, and the denominator of which is the total net fair market value of all property(s) contributed by all of the Co-Grantors to the Trust.

The net fair market value of all contributions to the Trust by the Grantors shall, for these computational purposes, be the respective values as of the date of such contributions.

(g) **"Property"**: References to "Property" shall mean all of the real and personal property owned by any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

(h) **"Estate"**: References to an "Estate" shall mean the estate of a deceased Grantor hereof.

1.4 **Intent to Qualify as a U.S. Trust** Grantors hereby agree that their intent herein is to establish a management Trust which pursuant to Code §§ 7701(a)(30)(E) and (31)(B) is a U.S. trust for all purposes. Accordingly, Grantors hereby direct that this Trust

shall in all events be managed and administered in strict accordance with the following directives: (i) a court(s) within the State of Texas will have and exercise primary jurisdiction over the supervision of the administration of the Trust, and (ii) all Trustees hereof must be U.S. residents for federal tax purposes.

1.5. Appointment of Trustees. The initial Trustee shall be SHARYL ROBERTSON.

(a) Removal or Appointment of Additional and/or Successor Trustees: Grantors hereby appoint MICHAEL C. FRENCH as an additional Co-Trustee of the Trust.

Any Trustee may be removed, and additional Co-Trustees and/or successor Trustees [whether one or more] may be appointed, at any time, and from time to time, by the following individual(s) and entity(s) in the order specified: [1] by SAM, if living and competent, and the Corporation; [2] by MICHAEL C. FRENCH, SHARYL ROBERTSON [if either or both are then serving as Trustees at that time] and the Corporation; [3] by CHARLES J. WYLY, if living and competent, and the Corporation; [4] by EVAN A. WYLY, if living and competent, and the Corporation; or [5] by the Corporation and a majority of the then living and competent children of SAM.

The removal of a Trustee or the appointment of additional and/or successor Trustees may be completed by the delivery to the then serving Trustee(s) [if any] by the respective powerholders of any written and signed instrument or letter wherein such appointments are formalized and, in the case of additional or successor appointments, agreed to by the appointed fiduciary. The respective powerholders shall have the continuing right and power to eliminate, remove and/or change any designated successor Trustee at any time or from time to time.

(b) Co-Administration of Trust: Grantors hereby direct that any then serving Co-Trustee may exercise all of the fiduciary powers conferred upon the Trustees hereunder with or without the participation of any other then serving Trustees. Each Trustee may therefore act for and on behalf of the Trust, and its assets, with or without the joint participation and execution of any documents of the other Trustees. All actions, decisions, sales, lease agreements, or any other matters whatsoever pertaining to the Trust and its assets and liabilities may therefore be undertaken, negotiated and

consummated solely through the representation and participation of any Trustee.

All third parties dealing with or transacting any matter with the Trust shall therefore be entitled to rely exclusively upon the actions of any then serving Trustee, and shall have no liability whatsoever for such matters by dealing with less than all of the then serving Trustees. This provision shall be construed as fully exonerating such third parties from any duty, liability or responsibility whatsoever for dealing with less than all then serving Trustees.

1.6. Admission of Additional Grantors. Additional Co-Grantors of the Trust may be admitted at any time, and from time to time, with the consent of all Grantors by (i) the contribution of additional property to the Trust in an amount acceptable to the Grantors, (ii) the agreement of the then current Grantors and the additional Grantor of the respective Trust Share to be thereafter allocated to the new Grantor, and (iii) the written agreement of the current Grantors and the additional Grantor wherein such additional Grantor agrees to be bound by and subject to the terms, provisions and conditions of this Trust Agreement.

1.7. Expulsion of Grantors. Any additional Grantors of the Trust (thereby specifically excluding SAM and the Corporation) may be expelled from the Trust at any time and have its respective Trust Share interest herein (and all rights to Use the Trust Estate and any of its indirectly owned real property interests) terminated by (i) the written notice of a majority in interest of the remaining Grantors delivered to such Grantor of its termination herein, and (ii) the return by the Trust to such expelled Grantor of an amount of the Trust Estate equal in value to such expelled Grantor's aggregate (net) contributions to the Trust, which such returned property interest may be satisfied in the sole discretion of the Trustee in the form of cash, equity interests in any corporation, limited liability company and/or

partnership owned in whole or in part by the Trust, or by the delivery of an interest (whether undivided or otherwise) in any Property owned indirectly by the Trust.

The decisions and actions of such acting Grantors and the Trustee shall be final, conclusive and binding on the expelled Grantor and all interested parties therein.

1.8. Amendment of Trust. The Grantors may at any time, or from time to time, amend this Trust in whole or in part.

ARTICLE II.

MANAGEMENT, USE AND DISPOSITION OF TRUST ESTATE

2.1. Acquisition of Property. Grantors hereby direct the Trustee, acting by and through the limited liability companies which are part of this Trust Estate, to utilize all or any portion of the Trust Estate to acquire for and on behalf of the Trust all of that certain property located in Colorado which is subject to the pending purchase contracts held by the limited liability companies owned by the Trust. Grantors hereby stipulate that the acquisitions through such limited liability companies is to be completed solely to satisfy certain applicable laws of the State of Colorado and that, therefore, such specific real property (and any and all such property and property rights associated therein) shall be deemed to be part of the Trust Estate for Use by the Grantors of this Trust.

2.2. Use of Property By Grantors. Grantors hereby direct that each Grantor hereof (and the authorized guests of each Grantor hereof) shall have the right to Use all or any part of the assets comprising the Trust Estate, including without limitation any Property

(and improvements thereon) owned directly by the Trust and/or indirectly as an asset of a corporation, limited liability company or partnership of which an equity interest therein is part of the Trust Estate. With respect to the equal rights of the Grantors hereof to have full and complete Usage of such Property, the Trustee shall not have any responsibilities whatsoever to monitor the said Usage by the Grantors, nor to supervise their respective Use thereof. However, the Trustee shall, in its sole discretion, resolve any Usage conflicts that may arise between the Grantors in a way which the Trustee deems reasonable, just and fair to all of the Grantors.

The Usage rights of the Grantors shall be personal and shall not be subject to alienation, sale, hypothecation or transfer except as specifically provided herein for the interests of a deceased individual Grantor.

2.3. Capital Improvements, Maintenance Expenses And Operating Costs.

Each Grantor shall be individually and personally liable for such Grantor's respective proportionate Trust Share of all funds applied towards or paid by the Trust (either directly or through any business entity owned in whole or in part by the Trust) for (i) improvements and repairs made to the property of the Trust Estate (including all Property hereof), (ii) all costs and expenses incurred to maintain the Trust Estate (and all Property hereof), and (iii) any and all other expenses incurred by the Trustee to administer said Trust Estate.

The Trustee may at appropriate times, and from time to time, require each Grantor hereof to make additional contributions to the Trust for such purposes. A Grantor who fails to make such Grantor's *pro rata* additional contribution(s) shall be personally liable

to the Trust and the remaining Grantors for such liability(s), and such defaulting Grantor's Trust Share shall be subject to a *pro rata* charge for such liability(s).

2.4. Trust Distributions. The Trustee may distribute so much or all of any net income, principal and/or other cash flow of the Trust to the respective Grantors in proportion to their respective Trust Shares

2.5. Grantor Power of Proportionate Revocation. Each Grantor shall have the right and power to revoke its proportionate contributions to the Trust and thereupon revert in itself such Grantor's respective Trust Share of the Trust Estate as determined at such time of revocation in relationship to the net fair market value of the Trust Estate. Incident to the exercise of such proportionate revocation, the respective Grantor may elect to withdraw from the Trust Estate an amount equal in value to its respective Trust Share any property hereof including an undivided interest in the Property.

The Trustee shall notify all other Grantors of the exercise of such retained power of proportionate revocation by an electing Grantor, and shall take all reasonable actions to comply with such withdrawal. Grantors hereby specifically agree that the determination of all valuations for these purposes shall be made exclusively by the Trustee and further that such good faith determinations shall be binding and conclusive on all Grantors and any successors thereof in interest.

2.6. Disposition of a Deceased Grantor's Interest. The interest in the Trust Share of a deceased individual Grantor hereof shall be distributed in accordance with the following applicable provisions as of the Grantor's date of death:

(a) **Individual Grantor's Testamentary Power of Appointment:**
Each individual Grantor hereof has the general power exercisable at his or her

death to appoint his or her Trust Share interest to or for the benefit of his or her Estate, his or her spouse, and/or his or her descendants.

(b) Alternative Transfer to Descendants: The interest in the Trust Share of a deceased Grantor shall pass to his or her descendants on a *per stirpes* basis if such Grantor fails to exercise his or her general testamentary power of appointment, whereupon such descendants shall become substituted Grantors hereof for all purposes.

ARTICLE III.

TRUST TERMINATION PROVISIONS

3.1. Termination Date: The Trust shall terminate upon the first to occur of the following events: (i) the revocation of the Trust by all Grantors, or (ii) the sale of all Property hereof, either directly or from the disposition of all equity interests owned by the Trust in any corporations, limited liability companies and/or partnerships hereof, or (iii) the distributions by the Trustee of all Trust Share interests to each respective Grantor of all of the Trust Estate hereof.

3.2. Compliance With U.S. Laws: The Trustee shall comply with all applicable U.S. laws with respect to the distribution(s) of the Trust Estate to or for the benefit of the Grantors hereof, including any withholding obligations and the preparation and filing of any required U.S. governmental forms.

ARTICLE IV.

GENERAL TRUSTEE PROVISIONS

4.1. Elimination of Bond Requirement: No bond or other security shall be required of any Trustee or any successor Trustee of any Trust or Trusts in any jurisdiction.

4.2. Trustee Fees and Expenses. All Trustees shall be entitled to fees commensurate with their duties and responsibilities, taking into account the value and nature of the Trust Estate and the time and work involved.

(a) **Additional Fees for Active Business Investments:** In the event any active business interest becomes a part of the Trust Estate, the Trustee's fees may be increased because of any additional time, effort and responsibility involved in its performance of services for this business. This compensation for services rendered to the business, including any expenses, may be paid by the business.

(b) **Fees for Co-Trustees:** The compensation of Co-Trustees shall not be reduced because Co-Trustees are serving, nor shall it be reduced by any statutory law which otherwise establishes or limits the compensation of Trustees.

(c) **Trustee Expenses:** All Trustees shall be entitled to advancement of or reimbursement for expenses incurred pursuant to their duties under this Trust Agreement, including fiduciary liability insurance. They are also entitled, at the expense of the Trust, to retain and hire employees, accountants, attorneys, investment advisors, or other persons incident to the management of the Trust, the Trust Estate, or any other matter which might arise during the administration of this Trust.

4.3. Provisions Applicable to Additional and/or Successor Trustees. The following provisions shall be applicable with respect to all additional and/or successor Trustees appointed as fiduciaries of the Trust:

(a) **Suspension of Powers of Previous or Resigning Trustee:** The previous or resigning Trustee shall be relieved of all further liabilities, responsibilities, and duties under this Trust Agreement upon [1] the appointment, qualification, and acceptance of the position by a successor Trustee if any is required, and [2] the delivery of all assets of that respective Trustee then in its possession either to its respective successor Trustee or to any other then serving Trustee.

(b) **Acceptance of Assets by Successor Trustee:** Grantors have provided that upon the appointment of a successor Trustee the previous or resigning Trustee, or its representatives, shall deliver all assets of the Trust then in its possession to its respective successor or to any other then serving Trustee. The respective successor Trustee or any other then serving Trustee is authorized,

but not directed, to accept such assets [if any] based upon the accounting and/or other written instrumentation as given by that previous or resigning Trustee or its representatives.

(c) **Liability for Predecessor Fiduciaries:** In no event shall any Trustee, whether original or successor, be liable for the actions, inactions, or default of any existing or prior Trustee, Co-Trustee, legal representative, executor, or administrator from whom distributions may be received [any of such fiduciaries being referred to as "Prior Fiduciaries"] or for failure to contest the accounting as rendered by such Prior Fiduciaries.

(d) **Successor Trustee's Powers and Liabilities:** The successor Trustee shall succeed to all of the powers, duties, and responsibilities of the previous or resigning Trustee upon the effective resignation, termination, or removal of such prior Trustee and the written acceptance of the position, as a Trustee, by the respective successor Trustee.

(e) **No Duty of Investigation by Additional or Successor Trustee:** In no event shall the terms and provisions of this Trust Agreement be interpreted or construed to require any additional or successor Trustee to investigate the prior acts or omissions of any Prior Fiduciaries, except to the extent that the additional or successor Trustee has actual notice or knowledge of any act or omission of the Prior Fiduciaries contrary to the terms of this Trust Agreement. Grantors are incorporating this provision into the Trust Agreement in hopes of reducing the expenses and delays of any change in Trustees. Accordingly, the additional or successor Trustee is not required to go beyond the facts and representations as known to it in succeeding to the position of Trustee, subject, of course, to the provisions regarding known irregularities or violations.

4.4. Trustee's Right to Resign. Any Trustee, whether originally named, designated, or subsequently appointed, shall have the right to resign or renounce its position by and according to the following provisions:

(a) **Notice of Resignation or Renouncement:** The resigning or renouncing Trustee, or its representatives, shall deliver an appropriate written notice of resignation or renouncement to one of the following applicable persons or entities, in the order given: [1] SAM, while living and competent, and the Corporation, or, if not; [2] any other then serving Trustee, if any, or, if none; [3] such resigning or renouncing Trustee's named or designated successor, if any, or, if not; [4] to all Grantors.

(b) **Duties of Resigning Trustee:** A Trustee's resignation shall become effective upon [1] the complete delivery of all assets then in its possession to its respective successor Trustee or to any other then serving Trustee, [2] the appointment, qualification, and acceptance of a respective successor Trustee [if a successor is required], and [3] the execution of an appropriate written instrument evidencing the effectiveness of such Trustee's resignation by all then serving Trustees including the required successor.

4.5. Appointment of Ancillary Trustees. The Trustee shall have the power to appoint ancillary trustees for the Trust(s) in accordance with Section 113.023 of the Texas Trust Code, as amended, if required or advisable as to assets located in a jurisdiction in which the Trustees are not authorized or qualified to act.

4.6. Special Trustee Co-Administration Provisions. The following special provisions shall apply in the event Co-Trustees are serving for the Trust:

(a) **Custody of Trust Assets:** Any Trustee shall have the right to maintain sole custody and possession of any and all Trust assets capable of being reduced to custody and possession and, to the extent this right of custody is exercised by a Trustee, the remaining Trustees shall be under no obligation to maintain custody and possession with respect to these assets.

(b) **Agreement Among Co-Trustees:** No action may be taken unless a majority of the then serving Co-Trustees are in agreement.

However, this paragraph (c) shall not be construed as in any way limiting the third party reliance provisions outlined above in this Trust Agreement with respect to transacting any business with a single Trustee.

(c) **Delegation of Duties by a Trustee:** Any Trustee may, with the written consent of the remaining Trustees, be relieved of any or all powers, authority, duties, and discretion vested in or imposed upon that Trustee by this Trust Agreement by delivering to the remaining then serving Trustees a written statement delegating these powers, authority, duties, and discretion to them. Any act performed according to such written statement shall be binding upon all persons interested in this Trust.

(d) **Disclaimer of Power, Duties and Responsibilities:** Any Trustee may disclaim, in whole or in part, any specific or general power, duty, or responsibility imposed by law or by the terms of this Trust Agreement.

Thereafter, the remaining Co-Trustees shall exercise sole power, duty, or responsibility over such disclaimed powers, duties, or responsibilities. Such disclaimer shall not, however, affect the remaining non-disclaimed powers, duties, and responsibilities of such Trustee.

ARTICLE V.

GENERAL TRUST PROVISIONS

5.1. ~~Location and Transfer of Location of Trust.~~ The general location of this Trust shall be the State of Texas, and its administration shall be conducted within the State of Texas. Accordingly, the laws of the State of Texas shall apply in construing the terms of the Trust and the rights and duties of the Trustee, unless the provisions of this Trust Agreement override such laws, or unless the laws of another jurisdiction become applicable and the provisions of this Trust Agreement cannot override them.

If, in the opinion of the Trustee, it becomes advisable to change the location of the Trust, whether in Texas or to another state (but in no events outside of the United States), for the purposes of economy, tax savings, or other benefits to the Trust or to the Grantors of the Trust, the Trustee may change the location of this Trust by giving notice of the proposed transfer to the Grantors.

5.2. ~~Construction and Interpretation.~~ It is the intention of the Grantors to avoid as much as possible any suits for construction, interpretation, or instructions involving this Trust. Accordingly, if a question or problem arises about the proper construction, interpretation, or operation of this Agreement, about any matter involving the administration of any Trust created by this Agreement, about the rights of any Grantor hereof, or about the application, interpretation, or construction of the Texas Trust Code, as from time to time

amended, the Trustee is authorized to resolve these questions or problems in a manner it deems equitable and proper in accordance with the tax and non-tax objectives of Grantors. All such decisions and actions of the Trustee shall be conclusive on all persons ever interested in this Trust.

5.3. Additional Assets of Trust. The Trustee is expressly authorized to accept additional assets, including any assets subject to liens, from any person, entity, representative, executor, or administrator by any means of transfer or conveyance. For all purposes, the Trustee is also authorized to accept and is fully protected in accepting any additional assets, including any assets subject to liens, on behalf of any person by the action of such person's appointed or acting agent, representative, custodian, or guardian, without the necessity of court intervention or action, and based solely upon the written representations of authority by the respective transferor (as, for example only, under any form of a power of attorney).

5.4. Maximum Duration of Trust. Because of a particular rule of law, commonly referred to as the "Rule Against Perpetuities," Grantors must expressly provide for the maximum duration of the Trust. However, Grantors hereby direct that this Trust Agreement shall be construed and interpreted under another related doctrine referred to as the "Wait and See" rule in ascertaining whether or not this Trust or any separate Trusts violate the specified rule of law. If it is ultimately determined that any Trust violates such rule of law, then, for such purposes, that Trust and this Trust Agreement shall not be construed as void, but be deemed vested in the respective Grantors as of such time.

All Trusts created by this Trust Agreement shall in all events terminate not later than TWENTY-ONE (21) years from and after the death of the survivor of the following persons: SAM and his descendants living on the date the Trust is effectively or deemed created.

Should any Trust terminate according to the provisions of this Section (only), the remaining assets and properties of that Trust shall be delivered and distributed unto those persons, or such persons' representatives, who, at the deemed termination date, constitute the Grantors of the Trust in proportion to their respective Shares.

5.5. Special Postponement Provision. The Trustee is authorized, but not directed, to postpone for a reasonable time any part or all of a final or interim distribution from the Trust for as long as the Trustee, in its reasonable discretion, may determine necessary because of tax audits, lawsuits, disputed claims, or similar unresolved matters.

5.6. Provisions Relative to Powers of Appointment. The following provisions shall govern the exercise of all powers of appointments vested in each individual Grantor hereof under this Trust Agreement:

(a) **Exercise of Powers of Appointment:** Each individual Grantor may exercise his or her general power pursuant to a written memorandum delivered to the Trustee during the individual Grantor's lifetime. Such memorandum shall be dated and signed by the individual Grantor and shall be witnessed by two (2) unrelated witnesses. The individual Grantor can amend or revoke such memorandum at any time by delivering an additional written memorandum to the Trustee which is signed, dated and witnessed. If any general power is not exercised pursuant to a lifetime written memorandum, then such power must be exercised pursuant to a clause in the individual Grantor's duly probated Last Will and Testament.

The individual Grantor must exercise a general power by making specific reference in either the memorandum or Last Will and Testament as to which section of the Trust Agreement the power is being exercised under, and must further designate the appointees, their shares, proportions and amounts that

each shall be entitled to, and whether such appointments are in trust for or directly to such appointees.

(b) Effective Date of Exercise of Power: Any general power shall take effect at the individual Grantor's death.

ARTICLE VI

TRUSTEE'S POWERS AND RESTRICTIONS

6.1. Trustee Powers Over Partitions, Divisions and Distributions. The Trustee shall have the powers to make all partitions, divisions, and distributions contemplated by this Trust Agreement, and its decisions and actions shall be binding and conclusive upon all interested parties. The Trustee may, in its discretion, make these partitions, divisions, or distributions by proportionately allocating assets and properties in kind [including undivided interests in properties], or partly in money and partly in kind. The amount of a distribution in kind shall be deemed to be the value of the property on the date or dates distributed. A distribution to any distributee may be composed of property similar to or different from that transferred to any other distributee.

6.2. Trustee Investment Powers. The Trustee shall have the following investment powers:

(a) General Investment and Management Guidelines: The Trustee shall manage the Trust Estate as directed by a majority in interest of the Grantors [as determined by their respective Trust shares]. In the absence of specific directions, the Trustee shall manage the Trust Estate for and on behalf of the Grantors in accordance with their discretion. The Trustee shall not, however, be limited to nor bound by the provisions of the Texas Trust Code [or any successor statute], or by any other statutes or regulations respecting investments by fiduciaries except to the extent that such statutes or regulations cannot be waived for any corporate Trustee and there are no individual Trustees then serving. Investments need not be diversified, may be of a wasting nature, and may be

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made or retained with solely a view towards a possible increase in value. The Trustee is expressly authorized to retain or invest in non-income producing property if, in its discretion, the best interests of the Grantors will be better served by that investment.

The Trustee is expressly authorized to invest in high-income producing property, non-growth or marginally-appreciating property if, in its discretion, it determines that such investments are advisable for the Trust. To this end, Grantors hereby expressly relieve the Trustee from any and all duties, obligations, or responsibilities to invest any part of the Trust Estate in growth-type assets for the Trust or any current or future Grantors. The Trustee shall not, therefore, be liable for any operating losses of the Trust, nor for any depreciation or decline in the value of the Trust Estate.

(b) **Power to Retain Any Property Transferred to the Trust:** Any property transferred to the Trust shall be deemed a proper investment. The Trustee is expressly authorized to retain all such property with no duty or obligation to dispose of or convert any of these properties.

(c) **Real Estate Powers:** The Trustee shall have the following non-exclusive powers relating to any real estate assets or investments [broadly construed] owned directly or indirectly by the Trust [including all Property hereof]: to sell, exchange, develop, partition, transfer, abandon, or otherwise dispose of any property, at public or private sale, with or without covenants, warranties, or guarantees, for any purposes, and upon any terms, including sales on credit [with or without security], in any manner and at any prices; to grant options on the same; to lease any property, for any term or terms, upon any conditions and rentals, and in any manner, irrespective of whether the term of such lease exceeds the period permitted by law or the probable period of administration of any Trust; to renew or modify any lease; to grant options to renew or modify any lease; to raise or erect any structure; to make repairs, replacements, and improvements, whether structural or otherwise, for any property; to improve real property; to subdivide or plat real estate; to dedicate streets, alleys, and ways; and to donate sites for public, charitable, or educational facilities.

(d) **Nominee Investments:** The Trustee is authorized to maintain any investment [or other action] in the name of a nominee, whether itself or another individual, business, or entity, with or without a power of attorney, in the name of one or more Trustees without disclosing fiduciary capacity, or to retain or make any investment in a form permitting transferability by delivery. At all times, however, the books and records of the Trust shall reflect all such investments as investments of the Trust and further reflect in whose name, custody, and possession such assets are placed.

(e) **Power to Sell Assets:** The Trustee shall have the specific power and authority to sell all or any part of the assets of the Trust (including without limitation the Property) upon such terms and conditions as the Trustee, in its discretion, shall determine. This power of sale shall be broadly construed in favor of the Trustee.

(f) **Power to Designate Representatives:** The Trustee shall have the power to designate one or more individuals as representative agents of the Trust to transact any business for or on behalf of the Trust or the Trustee.

6.3. Protection of Third Parties Transacting Business or Dealing with the Trust.

No purchaser at any sale made by the Trustee or persons dealing with the Trustees under this Trust Agreement shall be obligated or allowed to attend to the application or use of any money or property paid or delivered to the Trustees, or to inquire into the expediency or propriety of any transaction entered into and consummated upon the terms as the Trustee, in its discretion, deems advisable. All individuals, entities, businesses, and other third parties dealing with the Trust or any Trustee shall be fully protected from all liabilities in transacting any business with the Trust.

6.4. Special Trustee Self-Dealing Provisions. Grantors are aware of the potential problems that may arise in the administration of this Trust if a Trustee, in its discretion, should find it advisable to transact business with itself, whether individually or as a fiduciary under any other trust agreement. Grantors expressly relieve any and all Trustees and fiduciaries from any self-dealing restrictions and limitations, except for those prohibitions which cannot be waived.

Accordingly, Grantors hereby specifically waive such rules and prohibitions regarding self-dealing, conflict of interest, or any other rule or regulation regarding the transaction of business between a particular trust or fiduciary and such trustee or fiduciary. For

example, the Trustee may freely transact any business between this Trust and any other trust, or between the Trustee, in its individual capacity, and this Trust.

5.3. Special Business Powers of Trustee. In addition to any and all powers granted to the Trustee by this Trust Agreement, the Trustee has the following additional powers with respect to any business interest which is or becomes a part of the Trust Estate, whether it be a sole proprietorship, joint venture, partnership, limited liability company or corporation:

(i) to hold, retain, and continue to operate such business solely at the risk of the Trust Estate and without liability on the part of the Trustee for any losses resulting from operation of the business;

(ii) to enlarge, diminish, or change the scope or the nature of the activities of any business;

(iii) to use the general assets of the Trust for the purposes of the business, to invest additional capital in or make loans to such business, regardless of the non-productivity of such investment or loan, or the diversification of investments;

(iv) to endorse or guarantee on behalf of the Trust any loan or loans made to the business and to secure the loan or loans by pledge or mortgage not only of the Trust's property interest in any such business but also by any other property of the Trust Estate that the Trustee may deem proper;

(v) to make or concur in the decision to accumulate surplus in the business or to pay dividends or otherwise distribute the profits of the business, as the Trustee, in its discretion, may deem advisable;

(vi) to accept as correct financial or other statements rendered by the business from time to time about its conditions and operations except where the Trustee has actual notice of inaccurate information contained therein;

(vii) to regard the business as an entity separate from the Trust with no duty to account to any court about its business or operation;

(viii) to dissolve, liquidate, or sell any business interest at such time [and from time to time] and upon such terms as the Trustee may deem advisable;

(ix) to incorporate any business and hold the stock as an asset of the Trust;

(x) to satisfy any liabilities arising out of the business, whether contractual or tortious in nature, first out of the business, and secondly out of the Trust Estate. However, in no event shall the Trustee be individually or personally liable for any business activities or decisions, and if the Trustee is held liable, it shall be entitled to indemnification from the business, the Trust Estate and the Grantors in the order named;

(xi) to authorize and participate in any mergers, reorganizations, consolidations, exchanges, sales, private or commercial annuities, or any other form of business transactions involving ownership changes;

(xii) to employ such officers, managers, employees, or agents as it deems advisable and to pay such persons reasonable compensation for their services without regard to any fiduciary fees and expenses payable to the Trustee; and,

(xiii) to exercise all other actions or powers which an individual, competent adult would possess in operating such business.

6.6. Formation of Business Entities. The Trustee is authorized to invest all or any portion of the Trust Estate in one or more joint ventures, partnerships, limited liability companies or corporations, the outstanding equity interests of which are owned in whole or in part by the Trust.

6.7. Protection of Trustee for Acts of Agents. The Trustee shall not be held liable or otherwise responsible for any neglect, omission, or wrongdoing of any agent employed by the Trustee on behalf of the Trust provided the Trustee uses reasonable care in the employment of the agent.

5.8. Liability of Trustee. The Trustee's liability shall be limited pursuant to the following provisions:

(a) **Acts by Trustee:** No Trustee shall at any time be held liable to the Trust or any Grantor for any action or default of the Trustee or of any other person in connection with the administration of the Trust unless caused by the Trustee's gross negligence, bad faith, or willful commission of an act in breach of trust.

(b) **Limitation of Personal Liability of Trustee:** The Trustee shall not incur any personal liability to anyone dealing with the Trustee in the administration of the Trust Estate. The Trustee shall be entitled to reimbursement from the Trust Estate and the Grantors for any liability, whether in contract or in tort, incurred in the administration of the Trust. The Trustee may contract in such form as to exempt the Trustee from personal liability and to cause such liability to be limited to the Trust Estate. No successor Trustee shall have any duty, responsibility, obligation, or liability whatsoever for failure to rectify the acts or omissions of any predecessor Trustee.

5.9. Accounting Responsibilities of Trustee. The Trustee shall maintain proper books and records reflecting the assets, liabilities, investments, income, disbursements, principal, and transactions of each Trust. The Trustee is not required to conform to the provisions of the Uniform Trustee's Accounting Act or any similar act. The Trustees shall be free of any court accounting or supervision of any Trust.

6.10. Ultimate Termination of Trustee's Responsibilities and Duties. The Trustee's responsibilities and duties under this Trust Agreement shall cease upon final distribution of all of the income and principal of the Trust and the completion of any miscellaneous work connected with the termination of the Trust and the distribution of its remaining assets.

6.11. General Borrowing and Lending Powers of Trustee. The Trustee is specifically authorized to borrow and/or lend any amount of funds from time to time and at

any time from or to any individual, business, or entity (whether or not a Grantor of the Trust) when it determines such action necessary or advisable and to pledge all or any portion of the assets of this Trust as collateral. The terms of any indebtedness or loan shall be those that the Trustee, in its reasonable discretion, may deem advisable, even if the expected period of the loan extends beyond the term of any Trust.

ARTICLE VII

DEFINITIONS AND MISCELLANEOUS TRUST PROVISIONS

7.1. Powers Cumulative. The Trustee shall have all of the rights, powers and privileges as set forth in the Texas Trust Code (or its successor statute) governing the powers and responsibilities of Trustees. In the event, however, that any provisions of such Code in any way conflict or otherwise do not conform to the terms of this Trust Agreement, then the provisions of this Trust Agreement shall in all events control the administration of the Trust to the maximum extent permitted by law.

7.2. Definitions for Descendants. The following definitions of "descendants" shall be utilized in interpreting this Trust Agreement unless a contrary intent is clearly stated or shown by its context:

(a) **Descendants:** The term "descendants" or "descendant" shall mean all those persons who are in a direct line of descent of a person specifically named or indicated by the context of the Trust Agreement. These descendants must be lawfully related to such persons by consanguinity or adoption (as provided below).

(b) **Descendant In Being:** A descendant (who is later born alive) shall be treated as a descendant during the actual period of gestation for the purposes of determining [1] whether any person has died without surviving descendants, and [2] whether a person is entitled to share in a distribution of principal.

All other rights for purposes of such descendant shall begin at the date of birth, provided such descendant in gestation is born alive.

(c) **Births Out of Wedlock:** Any descendant who is born to persons out of wedlock shall not be considered as a "descendant" of such persons for purposes of this Trust Agreement except for the following: [1] any descendant who is born to persons openly living together as husband and wife after the performance of a marriage ceremony between them shall be considered as a "descendant," even if a purported divorce of one or both of such persons with reference to a prior marriage is invalid; and [2] any descendant who would otherwise be excluded from benefiting as a "descendant" by operation of this Section shall be treated for all purposes as a "descendant" if, and only if, his or her natural parents become husband and wife through the performance of a marriage ceremony between them after that child's birth [or during gestation], or if any child or descendant adopts such child or descendant, as provided below.

(d) **Adopted Descendants:** The term "descendants" shall include for all purposes any person legally adopted prior to his or her attainment of the age of TWENTY-ONE (21) years.

(e) **Persons of the Half-Blood:** Persons of the half-blood shall be treated as persons of the whole-blood unless otherwise specifically provided by this Trust Agreement.

7.3. Definition of Per Stirpes. When the Trust Agreement directs that any portion of the Trust Estate is to be divided among a decedent's descendants on a "per stirpes" basis, the division into *stirpes* shall begin at the generation nearest the decedent.

7.4. Interpretation of Trust Agreement. The singular shall be interpreted as the plural, or vice versa, if such treatment is necessary to interpret this Trust Agreement in accordance with Settlor's manifest intentions. If the feminine, masculine, or neuter gender should be one of the other genders, it shall be so construed. This Trust Agreement has been divided into articles, sections, paragraphs, and subparagraphs. The interpretation of this Trust

Agreement shall be determined from this Agreement in its entirety without regard to its divisions and headings.

7.5. Definition of "Code". The term "Code" shall mean the Internal Revenue Code of 1986, as amended and in effect at the date of death of Settlor.

7.6. Execution in Counterparts. This Trust Agreement may be executed in a number of counterparts, each of which will be deemed an original. A copy of the executed Trust Agreement, whether conformed or photocopied, may be used for any purpose without the necessity of producing the original counterpart.

This TRUST AGREEMENT shall extend to and be binding upon all heirs, executors, administrators, legal representatives, and successors, respectively, of the parties to this Agreement, and shall be effective as of October 1, 1999.

DATES

October ____, 1999

October ____, 1999

October ____, 1999

214605

SIGNATURES


SAM E. WYLY, GRANTOR

WOODY CREEK RANCH, LIMITED,
GRANTOR

By: _____
Authorized Officer


SHARYL ROBERTSON, TRUSTEE

EXHIBIT "A"
INITIAL ASSETS OF THE WOODY
CREEK RANCH MANAGEMENT TRUST

CONTRIBUTING GRANTOR AND PROPERTY DESCRIPTIONS	AGREED VALUE	TRUST SHARE
A. SAME E. WYLY		
1. All of Grantor's Interest In The Member Interests of ROCKY MOUNTAIN SERENITY I, LLC, ROCKY MOUNTAIN and SERENITY II, LLC.	\$ 5,000	
2. Cash.	\$ 110,000	
Total Grantor Contribution.	\$ 115,000	1.00%
B. WOODY CREEK RANCH, LTD.		
Cash.	\$11,385,000	99.00%
C. TOTALS	\$11,500,000	100.00%

THE
COTTONWOOD VENTURES II
MANAGEMENT TRUST

The following firm assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions:

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

901 Main Street, Suite 3700
Dallas, Texas 75202-3792
(214) 744-3700
(800) 451-0093

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1089

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**THE COTTONWOOD VENTURES II
MANAGEMENT TRUST AGREEMENT**

This AGREEMENT OF TRUST (the "Trust Agreement") is executed by and among COTTONWOOD II LIMITED, an Isle of Man corporation, SAM WYLY and KELLY WYLY ELLIOTT (referred to herein as the initial Co-Grantors or Grantors) and HIGHLAND TRUST COMPANY (the initial Trustee) in order to create this management Trust on the terms, conditions and provisions as set forth below in this Trust Agreement.

ARTICLE I.

ESTABLISHMENT OF TRUST

1.1. Name of Trust. The name of the Trust shall be THE COTTONWOOD VENTURES II MANAGEMENT TRUST and will, for convenience, be referred to at times in this Agreement as the "Trust" unless a more specific trust is indicated.

1.2. Initial Assets of Trust. The initial assets of the Trust consist of those assets described on the attached Exhibit "A", which is hereby incorporated by reference for all purposes of this Trust Agreement, and which are conveyed hereto by each indicated Grantor to be held and administered by the Trustee.

1.3. Special Definitions for Agreement. The following defined terms shall have the indicated meaning for purposes of this Trust:

(a) **"Corporation":** References to the "Corporation" shall mean COTTONWOOD II LIMITED, an Isle of Man corporation, acting by and through its authorized representatives, as well as any successor in interest to said Corporation.

(b) **"Estate":** References to an "Estate" shall mean the estate of a deceased Grantor hereof.

(c) **"Grantors"**: References to "Grantors" shall mean SAM, KELLY, and the Corporation, as well as any additional person or entity which makes contributions to this Trust in consideration of becoming an additional Grantor hereof. References to a "Grantor" shall mean any person or entity whom at such time is a Co-Grantor of this Trust.

(d) **"Kelly"**: Reference to "KELLY" shall mean KELLY WYLY ELLIOTT.

(e) **"Property"**: References to "Property" shall mean all of the real and personal property owned by this Trust or by any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

(f) **"Sam"**: Reference to "SAM" shall mean SAM WYLY.

(g) **"Trust Estate"**: References to Trust Estate shall mean all of the assets, properties, debts and liabilities of the Trust, whether real, personal, or mixed, tangible, intangible, or inchoate in nature, and shall include the Property and the initial Trust Estate as well as any and all additions received or acquired by the Trustee to be administered hereunder.

(h) **"Trust Share"**: References to "Trust Share" shall mean the respective interest of each Grantor of the Trust in the Trust Estate determined by multiplying the total net fair market value of the Trust Estate by a fraction, the numerator of which equals the net fair market value of property(s) contributed by the respective Grantor to the Trust, and the denominator of which is the total net fair market value of all property(s) contributed by all of the Co-Grantors to the Trust.

The net fair market value of all contributions to the Trust by the Grantors shall, for these computational purposes, be the respective values as of the date of such contributions.

(i) **"Use" or "Usage"**: References to "Use" or "Usage" shall mean the unrestricted right of each Grantor of the Trust to use, occupy and enjoy all or any part of the Trust Estate and the real property [including any improvements thereon] which is owned directly by the Trust or indirectly from the ownership by the Trust of equity interests in the stock, member interests and/or partnership interests of any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

1.4. Intent to Qualify as a U.S. Trust. Grantors hereby agree that their intent herein is to establish a management Trust which pursuant to Code §§ 7701(a)(30)(E) and (31)(B)

is a U.S. trust for all purposes. Accordingly, Grantors hereby direct that this Trust shall in all events be managed and administered in strict accordance with the following directives: (i) a court(s) within the State of Texas will have and exercise primary jurisdiction over the supervision of the administration of the Trust, and (ii) all Trustees hereof must be U.S. residents for federal tax purposes.

1.5. Appointment of Trustees. The initial Trustee shall be HIGHLAND TRUST COMPANY.

(a) Removal or Appointment of Additional and/or Successor Trustees: Any Trustee may be removed, and additional Co-Trustees and/or successor Trustees [whether one or more] may be appointed, at any time, and from time to time, by the following individual(s) and entity(s) in the order specified: [1] by SAM and/or KELLY if either is living and competent, and the Corporation; or [2] by the Corporation and a majority of the then living and competent children of KELLY.

The removal of a Trustee or the appointment of additional and/or successor Trustees may be completed by the delivery to the then serving Trustee(s) [if any] by the respective powerholders of any written and signed instrument or letter wherein such appointments are formalized and, in the case of additional or successor appointments, agreed to by the appointed fiduciary. The respective powerholders shall have the continuing right and power to eliminate, remove and/or change any designated successor Trustee at any time or from time to time.

(b) Co-Administration of Trust: Grantors hereby direct that any then serving Co-Trustee may exercise all of the fiduciary powers conferred upon the Trustees hereunder with or without the participation of any other then serving Trustees. Each Trustee may therefore act for and on behalf of the Trust, and its assets, with or without the joint participation and execution of any documents of the other Trustees. All actions, decisions, sales, lease agreements, or any other matters whatsoever pertaining to the Trust and its assets and liabilities may therefore be undertaken, negotiated and consummated solely through the representation and participation of any Trustee.

All third parties dealing with or transacting any matter with the Trust shall therefore be entitled to rely exclusively upon the actions of any then serving Trustee, and shall have no liability whatsoever for such matters by dealing with less than all of the then serving Trustees. This provision shall be construed

as fully exonerating such third parties from any duty, liability or responsibility whatsoever for dealing with less than all then serving Trustees.

1.6. Admission of Additional Grantors. Additional Co-Grantors of the Trust may be admitted at any time, and from time to time, with the consent of all Grantors by (i) the contribution of additional property to the Trust in an amount acceptable to the Grantors, (ii) the agreement of the then current Grantors and the additional Grantor of the respective Trust Share to be thereafter allocated to the new Grantor, and (iii) the written agreement of the current Grantors and the additional Grantor wherein such additional Grantor agrees to be bound by and subject to the terms, provisions and conditions of this Trust Agreement.

1.7. Expulsion of Grantors. Any additional Grantors of the Trust (thereby specifically excluding SAM, KELLY and the Corporation) may be expelled from the Trust at any time and have its respective Trust Share interest herein (and all rights to Use the Trust Estate and any of its indirectly owned real property interests) terminated by (i) the written notice of a majority in interest of the remaining Grantors delivered to such Grantor of its termination herein, and (ii) the return by the Trust to such expelled Grantor of an amount of the Trust Estate equal in value to such expelled Grantor's aggregate (net) contributions to the Trust, valued as of the date contributed, which such returned property interest may be satisfied in the sole discretion of the Trustee in the form of cash, equity interests in any corporation, limited liability company and/or partnership owned in whole or in part by the Trust, or by the delivery of an interest (whether undivided or otherwise) in any Property owned indirectly by the Trust.

The decisions and actions of such acting Grantors and the Trustee shall be final, conclusive and binding on the expelled Grantor and all interested parties therein.

1.8. Amendment of Trust. The Grantors may at any time, or from time to time, amend this Trust in whole or in part upon their unanimous consent.

ARTICLE II.

MANAGEMENT, USE AND DISPOSITION OF TRUST ESTATE

2.1. Acquisition of Property. Grantors hereby direct the Trustee, acting by and through the limited liability company to be formed which will be part of this Trust Estate, to utilize all or any portion of the Trust Estate to acquire for and on behalf of the Trust all of that certain condominium units located in Aspen, Colorado which is, or will be, held by the limited liability company owned by the Trust. Grantors hereby stipulate that the acquisitions through such limited liability company is to be completed solely to satisfy certain applicable laws of the State of Colorado and that, therefore, such specific real property (and any and all such property and property rights associated therein) shall be deemed to be part of the Trust Estate for Use by the Grantors of this Trust. This Trust is expressly designed to be a Grantor Trust, for purposes of Sections 671 through 679 of the Code, and as such will be ignored for Federal income tax purposes as an entity separate from its Grantors. Therefore, the Trust Estate will be deemed to be owned by Grantors as tenants in common, each owning an undivided interest in the Trust Estate, with each Grantor separately reporting its share of income and expenses of the Trust Estate on its separate return.

2.2. Exclusion from the Provisions of Subchapter K of the Code. Grantors intend that the limited liability company owned by the Trust be excluded from Subchapter K of the Code. Grantors, therefore, agree to be treated for Federal income tax purposes as tenants in

common of the Property. Grantors further agree to report on their respective tax returns their respective shares of the items of income, deductions and credits of the limited liability company owned by the Trust in a manner consistent with the exclusion of such limited liability company from the partnership tax rules under Subchapter K of the Code and that such action be treated as a deemed election out of Subchapter K of the Code under Treas. Reg. §1.761-2(b)(ii).

2.3. Use of Property By Grantors. Grantors hereby direct that each Grantor hereof (and the authorized guests of each Grantor hereof) shall have the right to Use all or any part of the assets comprising the Trust Estate, including without limitation any Property (and improvements thereon) owned directly by the Trust and/or indirectly as an asset of a corporation, limited liability company or partnership of which an equity interest therein is part of the Trust Estate. With respect to the equal rights of the Grantors hereof to have full and complete Usage of such Property, the Trustee shall not have any responsibilities whatsoever to monitor the said Usage by the Grantors, nor to supervise their respective Use thereof. However, the Trustee shall, in its sole discretion, resolve any Usage conflicts that may arise between the Grantors in a way which the Trustee deems reasonable, just and fair to all of the Grantors.

The Usage rights of the Grantors shall be personal and shall not be subject to alienation, sale, hypothecation or transfer except as specifically provided herein for the interests of a deceased individual Grantor.

2.4. Capital Improvements, Maintenance Expense And Operating Costs. Each Grantor shall be individually and personally liable for such Grantor's respective proportionate Trust Share of all funds applied towards or paid by the Trust (either directly or through any business entity owned in whole or in part by the Trust) for (i) improvements and repairs made to the property of the Trust Estate (including all Property hereof), (ii) all costs and

expenses incurred to maintain the Trust Estate (and all Property hereof), and (iii) any and all other expenses incurred by the Trustee to administer said Trust Estate.

The Trustee may at appropriate times, and from time to time, require each Grantor hereof to make additional contributions to the Trust for such purposes. A Grantor who fails to make such Grantor's *pro rata* additional contribution(s) shall be personally liable to the Trust and the remaining Grantors for such liability(s), and such defaulting Grantor's Trust Share shall be subject to a *pro rata* charge for such liability(s).

2.5. Trust Distributions. The Trustee may distribute so much or all of any net income, principal and/or other cash flow of the Trust to the respective Grantors in proportion to their respective Trust Shares.

2.6. Grantor Power of Proportionate Revocation. Each Grantor shall have the right and power to revoke its proportionate contributions to the Trust and thereupon revert in itself such Grantor's respective Trust Share of the Trust Estate as determined at such time of revocation in relationship to the net fair market value of the Trust Estate. Incident to the exercise of such proportionate revocation, the respective Grantor may elect to withdraw from the Trust Estate an amount equal in value to its respective Trust Share any property hereof, including an undivided interest in the Property, subject to all terms and obligations related thereto.

The Trustee shall notify all other Grantors of the exercise of such retained power of proportionate revocation by an electing Grantor, and shall take all reasonable actions to comply with such withdrawal. Grantors hereby specifically agree that the determination of all valuations for these purposes shall be made exclusively by the Trustee and further that such good faith determinations shall be binding and conclusive on all Grantors and any successors thereof in interest.

2.7. Disposition of a Deceased Grantor's Interest. The interest in the Trust Share of a deceased individual Grantor hereof shall be distributed in accordance with the following applicable provisions as of the Grantor's date of death:

(a) **Individual Grantor's Testamentary Power of Appointment:** Each individual Grantor hereof has the general power exercisable at his or her death to appoint his or her Trust Share interest to or for the benefit of his or her Estate, his or her spouse, and/or his or her descendants.

(b) **Alternative Transfer to Descendants:** The interest in the Trust Share of a deceased Grantor shall pass to his or her descendants on a *per stirpes* basis if such Grantor fails to exercise his or her general testamentary power of appointment, whereupon such descendants shall become substituted Grantors hereof for all purposes.

ARTICLE III.

TRUST TERMINATION PROVISIONS

3.1. Termination Date. The Trust shall terminate upon the first to occur of the following events: (i) the revocation of the Trust by all Grantors, or (ii) the sale of all Property hereof, either directly or from the disposition of all equity interests owned by the Trust in any corporations, limited liability companies and/or partnerships hereof, or (iii) the distributions by the Trustee of all Trust Share interests to each respective Grantor of all of the Trust Estate hereof.

3.2. Compliance With U.S. Laws. The Trustee shall comply with all applicable U.S. laws with respect to the distribution(s) of the Trust Estate to or for the benefit of the Grantors hereof, including any withholding obligations and the preparation and filing of any required U.S. governmental forms.

ARTICLE IV.

GENERAL TRUSTEE PROVISIONS

4.1. Elimination of Bond Requirement. No bond or other security shall be required of any Trustee or any successor Trustee of any Trust or Trusts in any jurisdiction.

4.2. Trustee Fees and Expenses. All Trustees shall be entitled to fees commensurate with their duties and responsibilities, taking into account the value and nature of the Trust Estate and the time and work involved.

(a) Additional Fees for Active Business Investments: In the event any active business interest becomes a part of the Trust Estate, the Trustee's fees may be increased because of any additional time, effort and responsibility involved in its performance of services for this business. This compensation for services rendered to the business, including any expenses, may be paid by the business.

(b) Fees for Co-Trustees: The compensation of Co-Trustees shall not be reduced because Co-Trustees are serving, nor shall it be reduced by any statutory law which otherwise establishes or limits the compensation of Trustees.

(c) Trustee Expenses: All Trustees shall be entitled to advancement of or reimbursement for expenses incurred pursuant to their duties under this Trust Agreement, including fiduciary liability insurance. They are also entitled, at the expense of the Trust, to retain and hire employees, accountants, attorneys, investment advisors, or other persons incident to the management of the Trust, the Trust Estate, or any other matter which might arise during the administration of this Trust.

4.3. Provisions Applicable to Additional and/or Successor Trustees. The following provisions shall be applicable with respect to all additional and/or successor Trustees appointed as fiduciaries of the Trust:

(a) Suspension of Powers of Previous or Resigning Trustee: The previous or resigning Trustee shall be relieved of all further liabilities, responsibilities, and duties under this Trust Agreement upon [1] the appointment, qualification, and acceptance of the position by a successor Trustee if any is required, and [2] the delivery of all assets of that respective Trustee then in its possession either to its respective successor Trustee or to any other then serving Trustee.

(b) Acceptance of Assets by Successor Trustee: Grantors have provided that upon the appointment of a successor Trustee the previous or resigning Trustee, or its representatives, shall deliver all assets of the Trust then in its possession to its respective successor or to any other then serving Trustee. The respective successor Trustee or any other then serving Trustee is authorized, but not directed, to accept such assets [if any] based upon the accounting and/or other written instrumentation as given by that previous or resigning Trustee or its representatives.

(c) Liability for Predecessor Fiduciaries: In no event shall any Trustee, whether original or successor, be liable for the actions, inactions, or default of any existing or prior Trustee, Co-Trustee, legal representative, executor, or administrator from whom distributions may be received [any of such fiduciaries being referred to as "Prior Fiduciaries"] or for failure to contest the accounting as rendered by such Prior Fiduciaries.

(d) Successor Trustee's Powers and Liabilities: The successor Trustee shall succeed to all of the powers, duties, and responsibilities of the previous or resigning Trustee upon the effective resignation, termination, or removal of such prior Trustee and the written acceptance of the position, as a Trustee, by the respective successor Trustee.

(e) No Duty of Investigation by Additional or Successor Trustees: In no event shall the terms and provisions of this Trust Agreement be interpreted or construed to require any additional or successor Trustee to investigate the prior acts or omissions of any Prior Fiduciaries, except to the extent that the additional or successor Trustee has actual notice or knowledge of any act or omission of the Prior Fiduciaries contrary to the terms of this Trust Agreement. Grantors are incorporating this provision into the Trust Agreement in hopes of reducing the expenses and delays of any change in Trustees. Accordingly, the additional or successor Trustee is not required to go beyond the facts and representations as known to it in succeeding to the position of Trustee, subject, of course, to the provisions regarding known irregularities or violations.

4.4. Trustee's Right to Resign. Any Trustee, whether originally named, designated, or subsequently appointed, shall have the right to resign or renounce its position by and according to the following provisions:

(a) Notice of Resignation or Renouncement: The resigning or renouncing Trustee, or its representatives, shall deliver an appropriate written notice of resignation or renouncement to one of the following applicable persons or entities, in the order given: [1] SAM and/or KELLY, while either is living and competent,

and the Corporation, or, if not; [2] any other then serving Trustee, if any, or, if none; [3] such resigning or renouncing Trustee's named or designated successor, if any, or, if not; [4] to all Grantors.

(b) **Duties of Resigning Trustee:** A Trustee's resignation shall become effective upon [1] the complete delivery of all assets then in its possession to its respective successor Trustee or to any other then serving Trustee, [2] the appointment, qualification, and acceptance of a respective successor Trustee [if a successor is required], and [3] the execution of an appropriate written instrument evidencing the effectiveness of such Trustee's resignation by all then serving Trustees including the required successor.

4.5. Appointment of Ancillary Trustees. The Trustee shall have the power to appoint ancillary trustees for the Trust(s) in accordance with Section 113.023 of the Texas Trust Code, as amended, if required or advisable as to assets located in a jurisdiction in which the Trustees are not authorized or qualified to act.

4.6. Special Trustee Co-Administration Provisions. The following special provisions shall apply in the event Co-Trustees are serving for the Trust:

(a) **Custody of Trust Assets:** Any Trustee shall have the right to maintain sole custody and possession of any and all Trust assets capable of being reduced to custody and possession and, to the extent this right of custody is exercised by a Trustee, the remaining Trustees shall be under no obligation to maintain custody and possession with respect to these assets.

(b) **Agreement Among Co-Trustees:** No action may be taken unless a majority of the then serving Co-Trustees are in agreement.

However, this paragraph (c) shall not be construed as in any way limiting the third party reliance provisions outlined above in this Trust Agreement with respect to transacting any business with a single Trustee.

(c) **Delegation of Duties by a Trustee:** Any Trustee may, with the written consent of the remaining Trustees, be relieved of any or all powers, authority, duties, and discretion vested in or imposed upon that Trustee by this Trust Agreement by delivering to the remaining then serving Trustees a written statement delegating these powers, authority, duties, and discretion to them. Any act performed according to such written statement shall be binding upon all persons interested in this Trust.

(d) **Disclaimer of Powers, Duties and Responsibilities:** Any Trustee may disclaim, in whole or in part, any specific or general power, duty, or responsibility imposed by law or by the terms of this Trust Agreement. Thereafter, the remaining Co-Trustees shall exercise sole power, duty, or responsibility over such disclaimed powers, duties, or responsibilities. Such disclaimer shall not, however, affect the remaining non-disclaimed powers, duties, and responsibilities of such Trustee.

ARTICLE V.

GENERAL TRUST PROVISIONS

§.1. Location and Transfer of Location of Trust. The general location of this Trust shall be the State of Texas, and its administration shall be conducted within the State of Texas. Accordingly, the laws of the State of Texas shall apply in construing the terms of the Trust and the rights and duties of the Trustee, unless the provisions of this Trust Agreement override such laws, or unless the laws of another jurisdiction become applicable and the provisions of this Trust Agreement cannot override them.

If, in the opinion of the Trustee, it becomes advisable to change the location of the Trust, whether in Texas or to another state (but in no events outside of the United States), for the purposes of economy, tax savings, or other benefits to the Trust or to the Grantors of the Trust, the Trustee may change the location of this Trust by giving notice of the proposed transfer to the Grantors.

§.2. Construction and Interpretation. It is the intention of the Grantors to avoid as much as possible any suits for construction, interpretation, or instructions involving this Trust. Accordingly, if a question or problem arises about the proper construction, interpretation, or operation of this Agreement, about any matter involving the administration of any Trust created by this Agreement, about the rights of any Grantor hereof, or about the application, interpretation, or

construction of the Texas Trust Code, as from time to time amended, the Trustee is authorized to resolve these questions or problems in a manner it deems equitable and proper in accordance with the tax and non-tax objectives of Grantors. All such decisions and actions of the Trustee shall be conclusive on all persons ever interested in this Trust.

5.3. Additional Assets of Trust. The Trustee is expressly authorized to accept additional assets, including any assets subject to liens, from any person, entity, representative, executor, or administrator by any means of transfer or conveyance. For all purposes, the Trustee is also authorized to accept and is fully protected in accepting any additional assets, including any assets subject to liens, on behalf of any person by the action of such person's appointed or acting agent, representative, custodian, or guardian, without the necessity of court intervention or action, and based solely upon the written representations of authority by the respective transferor (as, for example only, under any form of a power of attorney).

5.4. Maximum Duration of Trust. Because of a particular rule of law, commonly referred to as the "Rule Against Perpetuities," Grantors must expressly provide for the maximum duration of the Trust. However, Grantors hereby direct that this Trust Agreement shall be construed and interpreted under another related doctrine referred to as the "Wait and See" rule in ascertaining whether or not this Trust or any separate Trusts violate the specified rule of law. If it is ultimately determined that any Trust violates such rule of law, then, for such purposes, that Trust and this Trust Agreement shall not be construed as void, but be deemed vested in the respective Grantors as of such time.

All Trusts created by this Trust Agreement shall in all events terminate not later than TWENTY-ONE (21) years from and after the death of the survivor of the following persons: SAM and KELLY and their descendants living on the date the Trust is effectively or deemed-created.

Should any Trust terminate according to the provisions of this Section (only), the remaining assets and properties of that Trust shall be delivered and distributed unto those persons, or such persons' representatives, who, at the deemed termination date, constitute the Grantors of the Trust in proportion to their respective Shares.

5.5. Special Postponement Provision. The Trustee is authorized, but not directed, to postpone for a reasonable time any part or all of a final or interim distribution from the Trust for as long as the Trustee, in its reasonable discretion, may determine necessary because of tax audits, lawsuits, disputed claims, or similar unresolved matters.

5.6. Provisions Relating to Powers of Appointment. The following provisions shall govern the exercise of all powers of appointments vested in each individual Grantor hereof under this Trust Agreement:

(a) **Exercise of Powers of Appointment:** Each individual Grantor may exercise his or her general power pursuant to a written memorandum delivered to the Trustee during the individual Grantor's lifetime. Such memorandum shall be dated and signed by the individual Grantor and shall be witnessed by two (2) unrelated witnesses. The individual Grantor can amend or revoke such memorandum at any time by delivering an additional written memorandum to the Trustee which is signed, dated and witnessed. If any general power is not exercised pursuant to a lifetime written memorandum, then such power must be exercised pursuant to a clause in the individual Grantor's duly probated Last Will and Testament.

The individual Grantor must exercise a general power by making specific reference in either the memorandum or Last Will and Testament as to which section of the Trust Agreement the power is being exercised under, and must further designate the appointees, their shares, proportions and amounts that each shall be entitled to, and whether such appointments are in trust for or directly to such appointees.

(b) **Effective Date of Exercise of Power:** Any general power shall take effect at the individual Grantor's death.

ARTICLE VI.

TRUSTEE'S POWERS AND RESTRICTIONS

6.1. Trustee Powers Over Partitions, Divisions and Distributions. The Trustee shall have the powers to make all partitions, divisions, and distributions contemplated by this Trust Agreement, and its decisions and actions shall be binding and conclusive upon all interested parties. The Trustee may, in its discretion, make these partitions, divisions, or distributions by proportionately allocating assets and properties in kind [including undivided interests in properties], or partly in money and partly in kind. The amount of a distribution in kind shall be deemed to be the value of the property on the date or dates distributed. A distribution to any distributee may be composed of property similar to or different from that transferred to any other distributee.

6.2. Trustee Investment Powers. The Trustee shall have the following investment powers:

(a) **General Investment and Management Guidelines:** The Trustee shall manage the Trust Estate as directed by a majority in interest of the Grantors [as determined by their respective Trust shares]. In the absence of specific directions, the Trustee shall manage the Trust Estate for and on behalf of the Grantors in accordance with their discretion. The Trustee shall not, however, be limited to nor bound by the provisions of the Texas Trust Code [or any successor statute], or by any other statutes or regulations respecting investments by fiduciaries except to the extent that such statutes or regulations cannot be waived for any corporate Trustee and there are no individual Trustees then serving. Investments need not be diversified, may be of a wasting nature, and may be made or retained with solely a view towards a possible increase in value. The Trustee is expressly authorized to retain or invest in non-income producing property if, in its discretion, the best interests of the Grantors will be better served by that investment.

The Trustee is expressly authorized to invest in high-income producing property, non-growth or marginally-appreciating property if, in its discretion, it determines that such investments are advisable for the Trust. To this end, Grantors hereby expressly relieve the Trustee from any and all duties, obligations, or responsibilities to invest any part of the Trust Estate in growth-type

assets for the Trust or any current or future Grantors. The Trustee shall not, therefore, be liable for any operating losses of the Trust, nor for any depreciation or decline in the value of the Trust Estate.

(b) **Power to Retain Any Property Transferred to the Trust:** Any property transferred to the Trust shall be deemed a proper investment. The Trustee is expressly authorized to retain all such property with no duty or obligation to dispose of or convert any of these properties.

(c) **Real Estate Powers:** The Trustee shall have the following non-exclusive powers relating to any real estate assets or investments [broadly construed] owned directly or indirectly by the Trust [including all Property hereof]: to sell, exchange, develop, partition, transfer, abandon, or otherwise dispose of any property, at public or private sale, with or without covenants, warranties, or guarantees, for any purposes, and upon any terms, including sales on credit [with or without security], in any manner and at any prices; to grant options on the same; to lease any property, for any term or terms, upon any conditions and rentals, and in any manner, irrespective of whether the term of such lease exceeds the period permitted by law or the probable period of administration of any Trust; to renew or modify any lease; to grant options to renew or modify any lease; to raise or erect any structure; to make repairs, replacements, and improvements, whether structural or otherwise, for any property; to improve real property; to subdivide or plat real estate; to dedicate streets, alleys, and ways; and to donate sites for public, charitable, or educational facilities.

(d) **Nominee Investments:** The Trustee is authorized to maintain any investment [or other action] in the name of a nominee, whether itself or another individual, business, or entity, with or without a power of attorney, in the name of one or more Trustees without disclosing fiduciary capacity, or to retain or make any investment in a form permitting transferability by delivery. At all times, however, the books and records of the Trust shall reflect all such investments as investments of the Trust and further reflect in whose name, custody, and possession such assets are placed.

(e) **Power to Sell Assets:** The Trustee shall have the specific power and authority to sell all or any part of the assets of the Trust [including without limitation the Property] upon such terms and conditions as the Trustee, in its discretion, shall determine. This power of sale shall be broadly construed in favor of the Trustee.

(f) **Power to Designate Representatives:** The Trustee shall have the power to designate one or more individuals as representative agents of the Trust to transact any business for or on behalf of the Trust or the Trustee.

6.3. Protection of Third Parties Transacting Business or Dealing with the Trust. No purchaser at any sale made by the Trustee or persons dealing with the Trustees under this Trust Agreement shall be obligated or allowed to attend to the application or use of any money or property paid or delivered to the Trustees, or to inquire into the expediency or propriety of any transaction entered into and consummated upon the terms as the Trustee, in its discretion, deems advisable. All individuals, entities, businesses, and other third parties dealing with the Trust or any Trustee shall be fully protected from all liabilities in transacting any business with the Trust.

6.4. Special Trustee Self-Dealing Provisions. Grantors are aware of the potential problems that may arise in the administration of this Trust if a Trustee, in its discretion, should find it advisable to transact business with itself, whether individually or as a fiduciary under any other trust agreement. Grantors expressly relieve any and all Trustees and fiduciaries from any self-dealing restrictions and limitations, except for those prohibitions which cannot be waived.

Accordingly, Grantors hereby specifically waive such rules and prohibitions regarding self-dealing, conflict of interest, or any other rule or regulation regarding the transaction of business between a particular trust or fiduciary and such trustee or fiduciary. For example, the Trustee may freely transact any business between this Trust and any other trust, or between the Trustee, in its individual capacity, and this Trust.

6.5. Special Business Powers of Trustee. In addition to any and all powers granted to the Trustee by this Trust Agreement, the Trustee has the following additional powers with respect to any business interest which is or becomes a part of the Trust Estate, whether it be a sole proprietorship, joint venture, partnership, limited liability company or corporation:

- (i) to hold, retain, and continue to operate such business solely at the risk of the Trust Estate and without liability on the part of the Trustee for any losses resulting from operation of the business;

(ii) to enlarge, diminish, or change the scope or the nature of the activities of any business;

(iii) to use the general assets of the Trust for the purposes of the business; to invest additional capital in or make loans to such business, regardless of the non-productivity of such investment or loan, or the diversification of investments;

(iv) to endorse or guarantee on behalf of the Trust any loan or loans made to the business and to secure the loan or loans by pledge or mortgage not only of the Trust's property interest in any such business but also by any other property of the Trust Estate that the Trustee may deem proper;

(v) to make or concur in the decision to accumulate surplus in the business or to pay dividends or otherwise distribute the profits of the business, as the Trustee, in its discretion, may deem advisable;

(vi) to accept as correct financial or other statements rendered by the business from time to time about its conditions and operations except where the Trustee has actual notice of inaccurate information contained therein;

(vii) to regard the business as an entity separate from the Trust with no duty to account to any court about its business or operation;

(viii) to dissolve, liquidate, or sell any business interest at such time [and from time to time] and upon such terms as the Trustee may deem advisable;

(ix) to incorporate any business and hold the stock as an asset of the Trust;

(x) to satisfy any liabilities arising out of the business, whether contractual or tortious in nature, first out of the business, and secondly out of the Trust Estate. However, in no event shall the Trustee be individually or personally liable for any business activities or decisions, and if the Trustee is held liable, it shall be entitled to indemnification from the business, the Trust Estate and the Grantors in the order named;

(xi) to authorize and participate in any mergers, reorganizations, consolidations, exchanges, sales, private or commercial annuities, or any other form of business transactions involving ownership changes;

(xii) to employ such officers, managers, employees, or agents as it deems advisable and to pay such persons reasonable compensation for their

services without regard to any fiduciary fees and expenses payable to the Trustee;
and,

(xiii) to exercise all other actions or powers which an individual, competent adult would possess in operating such business.

6.6. Formation of Business Entities. The Trustee is authorized to invest all or any portion of the Trust Estate in one or more joint ventures, partnerships, limited liability companies or corporations, the outstanding equity interests of which are owned in whole or in part by the Trust.

6.7. Protection of Trustee for Acts of Agents. The Trustee shall not be held liable or otherwise responsible for any neglect, omission, or wrongdoing of any agent employed by the Trustee on behalf of the Trust provided the Trustee uses reasonable care in the employment of the agent.

6.8. Liability of Trustee. The Trustee's liability shall be limited pursuant to the following provisions:

(a) **Acts by Trustee:** No Trustee shall at any time be held liable to the Trust or any Grantor for any action or default of the Trustee or of any other person in connection with the administration of the Trust unless caused by the Trustee's gross negligence, bad faith, or willful commission of an act in breach of trust.

(b) **Limitation of Personal Liability of Trustee:** The Trustee shall not incur any personal liability to anyone dealing with the Trustee in the administration of the Trust Estate. The Trustee shall be entitled to reimbursement from the Trust Estate and the Grantors for any liability, whether in contract or in tort, incurred in the administration of the Trust. The Trustee may contract in such form as to exempt the Trustee from personal liability and to cause such liability to be limited to the Trust Estate. No successor Trustee shall have any duty, responsibility, obligation, or liability whatsoever for failure to rectify the acts or omissions of any predecessor Trustee.

6.9. Accounting Responsibilities of Trustee. The Trustee shall maintain proper books and records reflecting the assets, liabilities, investments, income, disbursements, principal,

and transactions of each Trust. The Trustee is not required to conform to the provisions of the Uniform Trustee's Accounting Act or any similar act. The Trustees shall be free of any court accounting or supervision of any Trust.

6.10. Ultimate Termination of Trustee's Responsibilities and Duties. The Trustee's responsibilities and duties under this Trust Agreement shall cease upon final distribution of all of the income and principal of the Trust and the completion of any miscellaneous work connected with the termination of the Trust and the distribution of its remaining assets.

6.11. General Borrowing and Lending Powers of Trustee. The Trustee is specifically authorized to borrow and/or lend any amount of funds from time to time and at any time from or to any individual, business, or entity (whether or not a Grantor of the Trust) when it determines such action necessary or advisable and to pledge all or any portion of the assets of this Trust as collateral. The terms of any indebtedness or loan shall be those that the Trustee, in its reasonable discretion, may deem advisable, even if the expected period of the loan extends beyond the term of any Trust.

ARTICLE VII.

DEFINITIONS AND MISCELLANEOUS TRUST PROVISIONS

7.1. Powers Cumulative. The Trustee shall have all of the rights, powers and privileges as set forth in the Texas Trust Code (or its successor statute) governing the powers and responsibilities of Trustees. In the event, however, that any provisions of such Code in any way conflict or otherwise do not conform to the terms of this Trust Agreement, then the provisions of this Trust Agreement shall in all events control the administration of the Trust to the maximum extent permitted by law.

7.2. Definitions for Descendants. The following definitions of "descendants" shall be utilized in interpreting this Trust Agreement unless a contrary intent is clearly stated or shown by its context:

(a) **Descendants:** The term "descendants" or "descendant" shall mean all those persons who are in a direct line of descent of a person specifically named or indicated by the context of the Trust Agreement. These descendants must be lawfully related to such persons by consanguinity or adoption [as provided below].

(b) **Descendant In Being:** A descendant [who is later born alive] shall be treated as a descendant during the actual period of gestation for the purposes of determining [1] whether any person has died without surviving descendants, and [2] whether a person is entitled to share in a distribution of principal.

All other rights for purposes of such descendant shall begin at the date of birth, provided such descendant in gestation is born alive.

(c) **Births Out of Wedlock:** Any descendant who is born to persons out of wedlock shall not be considered as a "descendant" of such persons for purposes of this Trust Agreement except for the following: [1] any descendant who is born to persons openly living together as husband and wife after the performance of a marriage ceremony between them shall be considered as a "descendant," even if a purported divorce of one or both of such persons with reference to a prior marriage is invalid; and [2] any descendant who would otherwise be excluded from benefiting as a "descendant" by operation of this Section shall be treated for all purposes as a "descendant" if, and only if, his or her natural parents become husband and wife through the performance of a marriage ceremony between them after that child's birth [or during gestation], or if any child or descendant adopts such child or descendant, as provided below.

(d) **Adopted Descendants:** The term "descendants" shall include for all purposes any person legally adopted prior to his or her attainment of the age of TWENTY-ONE (21) years.

(e) **Persons of the Half-Blood:** Persons of the half-blood shall be treated as persons of the whole-blood unless otherwise specifically provided by this Trust Agreement.

7.3. Definition of Per Stirpes. When the Trust Agreement directs that any portion of the Trust Estate is to be divided among a decedent's descendants on a "*per stirpes*" basis, the division into *stirpes* shall begin at the generation nearest the decedent.

7.4. Interpretation of Trust Agreement. The singular shall be interpreted as the plural, or vice versa, if such treatment is necessary to interpret this Trust Agreement in accordance with Grantor's manifest intentions. If the feminine, masculine, or neuter gender should be one of the other genders, it shall be so construed. This Trust Agreement has been divided into articles, sections, paragraphs, and subparagraphs. The interpretation of this Trust Agreement shall be determined from this Agreement in its entirety without regard to its divisions and headings.

7.5. Definition of "Code". The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

7.6. Execution in Counterparts. This Trust Agreement may be executed in a number of counterparts, each of which will be deemed an original. A copy of the executed Trust Agreement, whether conformed or photocopied, may be used for any purpose without the necessity of producing the original counterpart.


This TRUST AGREEMENT shall extend to and be binding upon all heirs, executors, administrators, legal representatives, and successors, respectively, of the parties to this Agreement, and shall be effective as of August 1, 2000.

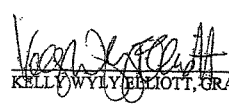
DATES

August 10, 2000

August 10, 2000

SIGNATURES


SAM WYLY, GRANTOR


KELLY WYLY ELLIOTT, GRANTOR

4580

COTTONWOOD II LIMITED, GRANTOR

August ____, 2000

By: _____
Authorized Officer

HIGHLAND TRUST COMPANY, TRUSTEE

August ____, 2000

By: _____
Authorized Officer

229275

4581

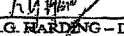
08/10/00 09:13 FAX

10/08 '00 09:43 FAX 01524 824488

002
003

COTTONWOOD II LIMITED, GRANTOR

August 10, 2000

By: 
K.G. HARDING - DIRECTOR

HIGHLAND TRUST COMPANY, TRUSTEE

August __, 2000

By: _____
Authorized Officer

25275

EXHIBIT "A"
INITIAL ASSETS OF
THE COTTONWOOD VENTURES II
MANAGEMENT TRUST

CONTRIBUTING GRANTOR AND PROPERTY DESCRIPTIONS	AGREED VALUE	TRUST SHARE
A. <u>SAM WYLY</u>		
Cash.	\$60,000	1.00%
B. <u>KELLY WYLY ELLIOTT</u>		
Cash.	\$60,000	1.00%
C. <u>COTTONWOOD II LIMITED</u>		
Cash.	\$5,880,000	98.00%
D. <u>TOTALS</u>	\$6,000,000	100.00%

229275

Rosemary's Circle R Ranch - Bessie, Orange, Pops, Flo Flo, Bubba, Balch, Katy (SW,EW,LW,LM,KE,AW,CW)					
Foreign Grantor - 1994		Shares or	Market		
Priced at 12/31/04		Face Value	Value	Book	FMV
Cash					
Bank of Bermuda				260	260
	Total Cash			260	260
Loans & Advances Receivable					
In'ertrust advances					
	Total Loans & Advances Receivable				
Investments in Real Estate Trusts					
Rosemary's Circle R Ranch Management Trust				45,685,000	43,031,427
	Total Investments in Real Estate Trusts			45,685,000	43,031,427
	Total Investments			45,685,000	43,031,427
TOTAL ASSETS				45,685,260	43,031,687
Loans & Advances Payable					
Due to Yurta Far Limited				21,643,988	21,643,988
Due to Bessie Trust				3,212,000	3,212,000
Due to Audubon Assets Limited				1,620,267	1,620,267
Due to Orange, LLC				2,234,690	2,234,690
Due to Pops, LLC				5,332,177	5,332,177
Due to Flo Flo, LLC				3,301,860	3,301,860
Due to Bubba, LLC				8,392,088	8,392,088
	Total Loans & Advances Payable			45,737,070	45,737,070
TOTAL LIABILITIES				45,737,070	45,737,070
NET EQUITY				(51,810)	(2,705,383)
TOTAL LIABILITIES & EQUITY				45,685,260	43,031,687

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1092

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**ROSEMARY'S CIRCLE R RANCH
BUDGET / COST TO DATE & PROJECTED
Dec-04**

	Costs To Date				Comparison Jul '04 Total	Comparison Dec '03 Total	Comparison Aug '03 Total
	Dec 31/04	2005	2006	2007/2008			
CAPITALIZED COSTS				TOTAL			
Land	\$ 11,002,888	\$ -	\$ -	\$ 11,002,888	\$ 11,002,888	\$ 11,002,888	\$ 11,002,888
Residences							
Elliot Residence	\$ -						
Acton Residence	\$ -						
Wyly Residence (S&C)	\$ -						
Graham Residence	\$ -						
Wyly Residence (S&B)	\$ -						
Yeary Residence	\$ -						
Matthews Residence	\$ -						
	\$ 18,124,347	\$ 250,000	\$ -	\$ 2,833,000	\$ 18,157,347	\$ 17,223,438	\$ 18,180,828
Common							
Round Barn	\$ -						
Historic House	\$ -						
Natal Cabin	\$ -						
Other Assets	\$ -						
Other Structures (Ponds)	\$ -						
Barns (Pole, Log, Celler)	\$ -						
Granary	\$ -						
Gypsy Wagon	\$ -						
Village Greenhouse	\$ -						
	\$ 3,372,814	\$ 2,080,000	\$ 780,000	\$ 780,000	\$ 6,432,814	\$ 9,041,420	\$ 11,544,083
Infrastructure							
Infrastructure	\$ -						
Roads / Access	\$ -						
General	\$ -						
Energy Systems	\$ -						
Fire Well & Controls	\$ -						
Water & Sewage	\$ -						
Management	\$ -						
Bridges	\$ -						
Landscaping	\$ -						
Irrigation	\$ -						
Electrical	\$ -						
Miscellaneous	\$ -						
	\$ 19,378,918	\$ 200,000	\$ -	\$ 1,625,000	\$ 12,804,918	\$ 12,833,178	\$ 11,855,482
	\$ 41,428,370						
EXPENSE ITEMS							
Salaries & Payroll Taxes	\$ -						
Farm Expense	\$ -						
Consulting - Legal, other	\$ -						
Insurance	\$ -						
Utilities	\$ -						
Real Estate Taxes	\$ -						
Office	\$ -						
Travel	\$ -						
	\$ 2,870,838	\$ 811,000	\$ 884,100	\$ 852,100	\$ 5,018,038	\$ 4,178,331	\$ 4,858,886
check	2,870,838.74						
TOTAL	\$ 46,299,906	\$ 3,941,900	\$ 1,634,100	\$ 6,090,100	\$ 58,966,177	\$ 55,559,846	\$ 55,459,805
Total Cash Flow Required							
A Costs to Date Up to July 31, 2004			\$ 2,848,100	\$ 8,018,000	\$ 11,666,100	\$ 12,260,702	\$ 17,440,643
B Includes Remaining 2004 Costs				capital	\$ 11,888,100		
				total			

- LEGEND**
- 1 Elliot Residence - Costs to complete residence & phase one in 2004, Phase II on hold - costs assigned to 2005
 - 2 Acton Residence - No additional costs anticipated in 2005
 - 3 S&C Residence - PROJECT ON HOLD - estimated costs projected to be incurred in 2007 & 2008
 - 4 Graham Residence - mostly complete
 - 5 Wyly Residence - WILL NOT BE BUILDING
 - 6 Matthews Residence - mostly complete
 - 7 Round Barn - costs projected to begin spring 2005
 - 8 Other Assets - People space, windmill & upper ranch pond - PROJECTS ON HOLD - costs projected for 2007
 - 9 Gypsy Wagon - latest project (costs assigned to S&C)
 - 10 Village Greenhouse - PROJECT ON HOLD, costs projected for 2007
 - 11 Energy Systems - PROJECT ON HOLD, costs projected for 2007
 - 12 Water Sewage - mostly complete
 - 13 Irrigation Systems - current project
 - 14,15 Salaries & Farm Expense - future expenses based on historical costs - adjusted for 10% increase / year
 - 16 Consulting - Assumption that consulting costs will continue at same level until 2005 and then decrease through 2008
 - 17 Insurance - Assumption that insurance will continue to increase and then level off upon completion (around 2005/2006)
 - 18 Utilities - Assumption that utility costs will continue to increase in pace with construction and will level off in 2006/2007
 - 19 Real Estate Taxes - Assumption that cost will continue to increase in pace with construction and will level off in 2006/2007

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Shari Robertson
08/19/1999 07:29 AM

To: Michelle Boucher
cc:
Subject: Re: fs

Are we talking about July? I did do June. Hope we're not duplicating efforts.

There's a lot going on (why does it always work this way?), keeps life interesting.

CW is selling two properties in Co. to Quayle. I think where we're getting is that Quayle will form 2 subsidiaries which are U.S. Corps. Should know later today. We've talked with Bond and he's okay with the Castlecreek purchasing properties that will be used by the "potential" beneficiaries of the trust. This is a non-reportable item by the Trusts and the U.S. parties. Rodney is doing the legal work. I sent to your office and Bond copies of the appraisals and selling prices. Hope to close this next week.

Sam still has a contract pending on one property. It is up to him to determine whether he wants to counter. I'm not sure what he's going to do. He seemed to be getting a little worried about the markets and wasn't too sure he should be spending \$10 - \$14 million to purchase the property and then spending money on building houses.

D. Harris has been raising hell about the money going into Green Mountain. It's not that I don't think he should be, just adds one more stress level. Currently he has agreed to fund through Sept. I've had that discussion with both Sam and Evan. Surprisingly, Sam did not explode, but it actually seemed to cause him to step back and re-think the money is spending. We'll see what happens. Anyway, I do think we need to give notice to FUND to redeem \$10 million for the SW entities to fund Green. Do you have time to give me a recommendation on needs to get redemption notices in before 9/1?

There's been some new trust regulations and ugly case law recently. From several lawyers Mike and I have been strongly recommended that we no longer serve as "U.S. citizens", as protectors. We're thinking about forming a Channel Island corp that is the protector. The owners would be Mike and I < 50% (stay out of the CFC rules) and you, David Harris, David Bester, Daughtery and Fullerlove the other owners. Mike is particularly concerned about all the bad press about Cayman lately. That's why he's picking the Channel Islands. We're thinking it might be good for the administrative fee from the trusts to be paid to this new corp and then hire ITC as an administrator. We're still exploring....I'll keep you informed as we get further along.

Michelle Boucher on 08/18/99 04:27:46 PM



Michelle Boucher on 08/18/99 04:27:46 PM

To: Shari Robertson
cc:

Subject: fs

I finished the consolidation, and did a reasonableness check at the CW and SW and domestic consolidation levels. I had some questions for Elaine re: Brush Creek's holdings and valuations of SSW, SE and MIKE. Also, her summary sheets did not show the correct MV per share, but had the right extended total market value since they were pulled up from sub-sheets.

Hopefully she'll respond first thing tomorrow and I can get the file sent to you tomorrow afternoon or night. If I can't get in the office tomorrow, Lara will pick it up from me tomorrow night and upload it to you Friday.

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EXHIBIT #66 - FN 1093

PSI-WYBR 00529

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Michelle Boucher

<mboucher@ [REDACTED]>

03/28/2000 10:46 AM

Please respond to

mboucher@ [REDACTED]

To: Shari Robertson [REDACTED]

cc:

Subject: Little Woody Creek Ranch Limited

I'm trying to get this sorted out to be sold to Bessie Trust in the next 5
- 10 days.

There has been some back and forth on how to show the original funding in
Devotion to WCRL to by the properties, but finally, in February I confirmed to
Francis to go ahead with Devotion Limited being the sole share holder of
LWCRL (as confirmed by Rodney). What we also decided was that the full
invested amount of approx \$12M be reflected as a capital contribution (par
value and share premium).

Now that I'm looking at selling the company to Bessie Trust, I don't think
this was the best way to do it. I think we should have left it as Devotion
holding the nominal shareholding (of say \$100) with the balance of the
funds being reflected as a interco advance from Devotion. That way I can
sell LWCRL to Bessie Trust for \$100 and have one of Bessie's subsidiary
companies assume the loan from Devotion (or advance the funds to LWCRL and
have them repay Devotion - I don't think it makes a difference).

If Bessie Trust has to buy LWCRL from Devotion for the full \$2,190,000 I
need to get money up to the Trust from a sub corp, which I know we don't
want to do. Alternatively, I can have a subsidiary company (and if we have
to go this route, I recommend we use the newly formed Splitting Lion as it
was also formed for the purpose of a real estate transaction purchase
LWCRL. This would be okay, but I'd prefer for LWCRL to be a sub of the
Trust, rather than a sub of a sub of the trust.....

Anyway - I've asked Francis to confirm that he did go ahead in February had
has made the necessary changes to show all the investment as capital, and
if so, to find out if we can take action to effectively reverse it.

I'll let you know what happens - I just thought you should be aware of the
back and forth on this.

I've also sent recommendations today to clear up some intercompany balances
and move some funds around between Bessie/Bulldog to make sure Bessie has
money to buy LWCRL.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1093

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Michelle Boucher

11/04/1999 01:32 PM

To: Shari Robertson
cc:
Subject: Items for trustees

Trident:

- I have received the tax exempt certificates for the Trident entities
- La Fourche Trust
 - possible sale of Woody Creek Ranch Limited to Bessie Trust for a note with Woody Creek Ranch Limited shares as collateral (interest rate ?)
 - Francis has not yet seen any original Trust documents for execution regarding the Woody Creek Ranch Management Trust (he may ask about them - I've emailed Elaine today asking her to follow up on this)
- Tyler Trust
 - acquisition of CW family properties through Tyler Trust, via loans from Elegance (Trident) and Quayle (Northern Bank)
 - long term strategy
 - long term cash flow management

IFGBessie Trust

- acquisition of Woody Creek Ranch Limited from La Fourche using a note
- ongoing cash requirements for the property - construction plans (\$3M) and annual mtee costs
- future property acquisitions
- cash management

Moberly Limited

- status of receiving legal opinion from Simcocks for the SSW transaction
- possible sale or redemption of FUND to raise cash for liquidity

Castle Creek

- loan of money to Tyler Trust (Trident) to acquire CW properties

Other items FYI:

- Trident has a query on Edinburgh Depreciation Deposit adjustments made earlier this year - I have not responded yet - Francis & I discussed this last week (I know it's outstanding if they bring it up with you).

- Trust reporting. We are posted through 9/30, but I have not given a thorough review, and I am aware of a few problems on some small items - so I'm not happy to release them yet. I have told the various trustees that I hope to have these for them by the end of next week - but I think some of them (Francis, in particular :) was anxious about not having them going into your meeting next week. I told him I doubted that you and Mike would want to discuss and detailed accounting related matters, and he shouldn't worry.

- Overall, I think that cash flow is the biggest issue right now. I also get the feeling from IFG (which I think you do too) that they've agreed to be fairly aggressive lately and are feeling somewhat anxious about it. I think they'll need some reassurance possibly some pacifying. Ken seemed to be particularly miffed about Lehman's not following through with the notices on the collateral movement last weekend. I think he felt they agreed to the movement of the collateral in good faith, on the condition that they received the notice over the weekend and then didn't get it. (I may be making a bigger issue of this than needs to be, but Ken did sound a little funny, which really

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isn't Ken)

- Francis commented after the fact on being very rushed on moving forward with the Woody Creek Ranch closing. Which he was, but that's life. He knows that we will give them more time with the future acquisitions.

Well I think I've begun to ramble too much :) Let me know if you have questions on anything else that you need to know about before you go

I am totally happy to be on the other end of a speaker phone during the meetings, so let me know if you're going to plug me and at what times.

I feel tremendously guilty that I'm not going, and am going to miss the chance to spend the time with you and touch base with all the Trustees.

Michelle

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PSI ED00043837

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From: Keeley Hennington
Sent: Tuesday, November 04, 2003 11:05 AM
To: annaB@
Cc: Margot Macinnis <
Subject: Two Mile (Rosemary's Circle R Ranch)

Anna - in reference to your questions to Margot re the documents sent for execution:

I have the following in my files executed by IFG 1. Woody Creek Management Trust executed 10/1/99 - you should have a copy of this - see exhibit A - the trust owed all the shares of Rocky Mountain Serenity Ranch I, LLC and II LLC. These two LLC's were the entities that originally purchased the property. Since there were 4 lots and there was a US reporting requirement if the value exceeded a certain dollar amount, each LLC purchased 2 of the lots and equal value was assigned to each - so each LLC owns 50%.
 2. Agreement of Trust Amendment to Two Mile Ranch Management Trust dated April 20, 2000 - to change name Woody Creek to Two Mile Ranch Management Trust.
 3. Agreement for the Appointment of Additionl Trustees and for the Resignation of the existing trustees of Two Mile Ranch Managment Trust dated August 2002 - this was resignation of Shari and Mike and appointment of Lisa and Kelly 4. Second Amendment to the Two Mile Ranch Managment Trust dated Aug 14, 2002 - this was a legal clarification to the trust 5. Agreement for the Restrictive Use of Property owned by Two Mile Ranch Management Trust dated Aug 14, 2002 - documentation to restrict Torie Steele from use of the property 6. Agreement of Trust Amendment to Rosemary's Circle R Ranch Management Trust - you should have this for signature to change the name of the trust 7. Operating Agreement of Rocky Mountain Serenity Ranch I, LLC and II, LLC - these were not done in 1999 because of oversight of the law firm and was not noticed until we went to make the most recent name change - therefore, we need to have an existing Operating agreement for Rocky Mountain effective Oct 1999 signed by all parties (you should have both of these for signature) 8. First Amendment to the Operating Agreement of Two Mile Ranch I, LLC and Two Mile Ranch II, LLC to change the name effective April 20, 2000 - this needs only to be signed by trustees of the trust so you do not have this one 9. First Amendment to the Operation Agreement of Rosemary's Circle R Ranch I and II, LLC - again to change the name and only needs to be signed by trustees of the trust.

i hope this is helpful and answers your questions - please let me know if you would like copies of any of the other documents that IFG is not a party to and I will fax to you

Keeley

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From: Keeley Hennington
Sent: Friday, June 06, 2003 9:03 AM
To: mboucher@ [REDACTED]
Subject: Two Mile

Just got off the phone with Sam and they are changing the name of the Ranch to Rosemary's ranch - i have a call in to confirm with Kelly before I start the whole process. ?????

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copy fyi of what I sent to the trustees last night
 ----- Original Message -----
From: Michelle Boucher
To: KennethJ@ [REDACTED] davidh@ [REDACTED]
Sent: Wednesday, November 01, 2000 5:13 PM
Subject: sub-funds

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We are going to want to talk substantively about setting up sub-funds at the meeting next week - I'd like to hope that we can have them set up and be moving assets into them for January 1st.

At this point, we are looking at allocating approximately 20% of the major trust assets to sub funds, these are to be split equally to each child and to Cheryl (Sam's spouse), as a sub-fund created out of The Bessie Trust. This calculation results in an amount of approximately \$10Million per each sub-fund - this is the figure we are proposing to move forward with. I am aware that there is a letter of wishes on file for Bessie Trust that will need to be amended.

I have been in contact with Rodney Owens, our US tax and estate planning attorney and he is in agreement with the following proposal, which I have discussed extensively with Sam and Shari:

- Create subsidiary companies of The Bessie Trust which are nominated by way of a letter of wishes as sub-funds for the benefits of particular children and their descendants, as well as one sub-fund for his spouse.
- Sam's intent is that the sub-funds be appointed out into sub-trusts upon his death.
- the sub-funds should effectively be revocable prior to his death when they convert to sub-trusts
- Each sub-fund will hold a composite of the major investments held by the global trust system including: Cash, US Agencies, Michaels, CA, Maverick, Edinburgh, Greenmountain, Precept, Ranger and the Real Estate holding companies (Two Mile Ranch and the Cottonwoods).
- there will be specific allocations to some children, for example - Cottonwood I, which represents the ground floor of the Paragon Building, used by the Wyllyworks Gallery will likely be allocated to Kelly Wylly Elliot's sub-fund. The Global Audio Visual investment and loan will be allocated to Laurie Matthews' sub-fund.
- We would like each sub-fund to own part of Two Mile Ranch, but each family group should fund construction of their specific houses, the common development costs should be split by everyone. Since we don't want ownership interests to fluctuate due to the amounts and timing of construction costs, we need to determine another mechanism for 'investing' funds in this property development. What are your thoughts on making gifts to Two Mile Ranch (IOM) (we would keep track of the accumulated gifts in sub accounts) or loans.
- Bessie Trust does not have significant liquidity or many investments other than the art and real estate vehicles, as such, we propose to lend assets from the 1992 trusts (Bulldog, Lake Providence and Delhi) to provide liquidity. The fact the Sam's spouse is not included in the class of beneficiaries of the 1992 trusts must be considered when we look at this.
- we would like to proceed on the basis that the Trustees, together with IOM/UK counsel - Michael Fullertove if appropriate, draft the required amendments and amended letter of wishes to accomplish this. We'll have US tax counsel review.
- obviously we welcome your input and guidance as we set this up, to ensure we are conforming with Manx law as well as the trust documentation. All comments are welcome.

To start things off, here are a list of possible company names - perhaps you could check the registrar and advise which ones could be used:

Katy Limited
 Katherine Limited
 Abmah Limited
 Minerva Limited
 Cleland Limited
 Armstrong Limited
 Balch Limited
 Parker Limited
 Irwin Limited
 Flowers Limited

I hope this gives you a basis for our discussions next week, and we look forward to hearing your thoughts.

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From: Keeley Hennington
Sent: Tuesday, April 10, 2001 7:47 AM
To: Rena Alexander
Subject: Re: Two Mile
Attachments: Doc Link.htm

Kelly seems to be getting much better at keeping me in the loop - I hope it continues - It would sure make our lives easier. I am feeling great, pretty much back to 100%, just lacking a little sleep - but Keith has been a huge help by staying up for the last feeding so I can go on to bed. So far it's working out great and Jordan has been a big help too - I'm just wondering how long it is going to last. Take care and talk to you soon

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Rena Alexander
 04/10/01 08:37 AM

To: Keeley Hennington/htst [REDACTED]
 cc:
 Subject: Re: Two Mile

I'll try to remember and remind you. I hope we'll know who's building what & when.

From: Keeley Hennington on 04/10/2001 08:30 AM
 To: Rena Alexander/htst [REDACTED]
 cc:

Subject: Re: Two Mile

yep - that's right. Also help me remember that as we start to build other houses, those individuals will need to contribute to the Management trust. I think Andrew will be one of the first ones to contribute, but this can wait until I get back in.

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Rena Alexander
04/10/01 08:26 AM

To: Keeley Hennington/htst [REDACTED]
cc:
Subject: Re: Two Mile

They just requested from Michelle (friday) 1M for Cottonwood II, and another 2M for the ranchs. Sam & Kelly would need to contribute 1M each of the 1M right?

From: Keeley Hennington on 04/10/2001 08:16 AM
To: MBoucher [REDACTED]
cc: Rena Alexander

Subject: Two Mile

I got a copy of a memo from Kelly that only went to family members so I am passing along the details in case you did not get it. It looks like they are considering putting in their own natural gas line to the property. They are also considering putting in cable, telephone, fiber optic and electric lines and possible setting up a "Woody Creek Gas and Electric company" and charging neighbors who want to use the line. It looks like for right now they are only going forward with the natural gas line and Kelly put a note on it that the cost is estimated at \$400,000. Not sure if this was included in any of Kristins previous estimates. There was no time frame listed for the line, but I would assume late summer.

Hope all is well

Keeley

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05/08/01 11:48 FAX

- KEELEY

001/003

The Irish Trust Company (Cayman) Ltd**FACSIMILE COVER PAGE**

TO: Sam Wylie From: Michelle Boucher
 FAX: 1-214- [REDACTED] Fax: 345-949-2519
 CC: Keeley Hennington Tel: 345-949-0658
 DATE: May 8th, 2001

We are transmitting 3 page(s). Please contact the undersigned if there is a problem with the transmission.

Sam,

I've attached a schedule of allocations for the 6 sub-funds to the offshore trusts. We are in the process of setting up the subsidiary holding companies and hope to be able to move assets starting on June 1st. The IOM Trustees have agreed a structure that we are comfortable with and Rodney Owens is approving the final documentation. The sub-funds will be Cayman LLC's as subsidiaries of the IOM Trusts. They will not be formal appointments out of the overall trust and will be revocable. They exist, as a sub-fund via an informal understanding with the trustees whereby we account for these entities separately and liaise with particular family members regarding the underlying assets.

- Laurie has been specifically allocated Global Audio Visual and the Mi Casa real estate investment.
- Kelly has been specifically allocated the Cottonwood Galleries investment.
- Evan, Lisa, Laurie & Kelly have equally been allocated the Spitting Lion investment (Rosemary's home in Dallas)
- Two Mile Ranch and Cottonwood Ventures II (the 2nd floor of the Paragon building) have had 20% of the cost today allocated equally across all 6 children.

I then split out investments in Michaels, Ranger, Maverick Levered and Greenmountain to each child, and balanced the overall allocation to \$10M each with an allocation of cash and agencies.

Note that Laurie and Kelly both end up with relatively low liquidity. On a fairly short term basis Kelly will need liquidity to fund construction costs of their home on Two Mile Ranch. Laurie also, will need near term liquidity for renovation/reconstruction of the Mi Casa property in Dallas. I suggest either reducing or eliminating allocations of particular investments to them now, or leaving the allocations as is, requiring Laurie and Kelly to decide what to sell when the liquidity needs arise. I don't see a problem with them selling assets back to the overall trust, or in the market when the need arises.

I have not allocated CA options, SCOT stock and warrants or the loans relating to the Malibu property as it is possible that these investments may be liquidated in the near term. Instead of allocating the GMER loans, I've doubled up on the allocation of GMTN common stock. Maverick and Precept were not allocated as they are included under the Ranger portfolio, and some Maverick Levered was allocated. Artwork can be specifically allocated at a later date

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05/08/01 11:49 FAX

→ KEELEY

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when we have completed the identification process and entered into possession agreements. The remaining misc investments were not allocated due to their size.

I will be in Dallas next week for the family meeting, hopefully we can schedule some time to look at this. If we can agree a 'final' allocation we can move forward for June 1st transfers.

Kind regards,


Michelle Boucher

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- completely revocable.
- financial reporting to kids/on shore + off-shore.
- 1994 series - prop trans + est.

→ 1992 trusts to 1994 trusts. / loans

1992 → Security Capital → ~~1994~~

↳ marketable (value based) repayable in kind

↳ guarantee - repd in kind regardless of value.

Feb → provision / 50-75%.

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From: "Michelle Boucher" <[REDACTED]>
Sent: Thursday, May 24, 2001 9:42 AM
To: <khennington@[REDACTED]>
Subject: Fw: Two Mile Ranch

I don't know if I forwarded this to you or not.

----- Original Message -----

From: kristin
To: Michelle Boucher
Sent: Wednesday, May 16, 2001 5:34 PM
Subject: Re: Two Mile Ranch

Hi Michelle,
The construction company is breaking out future costs. I have put together a spreadsheet of past costs. As soon as I work out a few of the kinks, I will email it to you. For now, the house I am occupying (Historic Log House) has a total cost so far of \$1,708,996.74. This is broken down:
construction \$1,625,521; architects \$73,198.74; engineers \$10,277. There will probably be one more invoice from the construction company for this house.....it shouldn't be much though. I hope that helps.
Kristin

----- Original Message -----

From: Michelle Boucher
To: kristin
Sent: Wednesday, May 09, 2001 8:06 AM
Subject: Re: Two Mile Ranch

Thanks Kristin. It sounds like things are busy up there! This gives us a good starting point. Keeley, Rena & I hope to talk tomorrow and Keeley or I will get back to you on what we think is the best way to move forward. Is the Construction co breaking out future costs? Is it possible to segregate out the costs incurred to date for the house you are occupying?

Michelle

----- Original Message -----

From: kristin
To: Michelle Boucher
Sent: Wednesday, May 09, 2001 8:31 AM
Subject: Re: Two Mile Ranch

Hi Michelle!

Sorry I haven't gotten back to you...things have been a little hectic around here. The construction company, Fenton Construction, is already breaking the costs of construction out per building and main ranch stuff. However, when I pay the bill, I just write one check a month to them. It isn't broken out. I could break it down in QBooks when I enter it. Would that help? What categories would I use? Or should we create new ones? Jay and I are living in a historical log home that was already on the property. They moved it to redo the foundation, but it is back in the same spot and completely refurbished. There was a caretaker's house on the property when Sam bought it and that has since been bulldozed. Currently, there are two historical log homes on the property that are being redone. These buildings are really small and will be used for an art studio and a bunkhouse. Regarding our houses, no houses are under construction yet. The last I heard, mine and

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Jay's house will be built first, then Kelly's and Rosemary's simultaneously will start soon after mine (maybe two months). We are not anticipating starting to build until the end of July. Please let me know what you think about the billing situation. And feel free to email with any other questions. Thanks.
Hope you are feeling well also. Take care.

Kristin

----- Original Message -----

From: Michelle Boucher

To: Kristin

Cc: khennington@ [REDACTED]; ralexander@ [REDACTED]; swly@ [REDACTED];

evan_wyly@ [REDACTED]; lhaskins@ [REDACTED]

Sent: Tuesday, May 08, 2001 10:11 AM

Subject: Fw: Two Mile Ranch

Hi Kristin,

Just following up on my email last week, to make sure you received it. Have you had a chance to think about this yet? We are discussing how to handle the accounting from Dallas to enable us to report on a house by house basis and it would be useful to know how you are going to be able to provide the support for that.

Also, could you give me a status report on the houses, my information is a little out of date. I believe you and Jay are occupying what we refer to as the historical house - was it ever moved or just refurbished. I understand there was a caretaker's cottage on the property - what is the plan for this? Will it be occupied, used as an outbuilding or torn down. If not occupied, I expect any costs associated with it should fall into the overall general property development costs. Finally, what is the status of construction on other houses and the order in which they will likely progress - Kelly & Jason's house first? Then who's and what is the expected timeframe and cost on these at this point.

Thanks and I hope you are still feeling well with your pregnancy - it's getting close!
Michelle

----- Original Message -----

From: Michelle Boucher

To: Kristin

Cc: ralexander@ [REDACTED]; khennington@ [REDACTED]

Sent: Monday, April 30, 2001 9:03 AM

Subject: Two Mile Ranch

Kristin,

I understand that house which you and Jay are (or have moved into) currently is designated for Andrew on a long term basis.

With this house and the other individual houses as the project moves forward, we will need to have a break down of cost allocations. Could you please break out the costs associated with this particular house to date.

On a going forward basis, we will need you to provide us with details on a house by house basis, as well as overall and common area development costs.

It might be easiest to have the architects/contractor/other service providers reference a particular house/project on their invoices and set up separate accounts for their billing, to facilitate us with this breakdown.

I'll touch base with Rena and Keeley to see if they would prefer to keep a separate ledger in Total Return for the separate houses or whether some sort of Excel spreadsheet system that allocates costs by month and ties out to monthly cash flow.

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Let me know if you think you can get the suppliers set up to bill us this way.

Michelle

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From: Keeley Hennington
Sent: Wednesday, June 06, 2001 4:12 PM
To: mboucher@
Subject: Two Mile

Okay, I have a better understanding now on what they are doing. Based on the 4 lots as they stand now, they would be allowed to build 7 houses. They would like to build 8 houses so they are taking this negative covenant to the BOCC to see if this will get 8 houses approved. This is not something the BOCC has asked for and they are not sure it is going to help at all. If it does not, then we will go back to holding the 4 parcels with only the ability to build 7 houses. That is why we could not have done a separate agreement for each tract because that would not have helped the cause - we have to show them that we will not sell any of the land to outside people. From talking to the guys, Aspen is very picky about who they will let build there - I guess I never have to worry about building a house there.

Keeley

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From: "Michelle Boucher" [REDACTED]
Sent: Tuesday, June 12, 2001 8:12 AM
To: "Kristin" [REDACTED]
Cc: <Keeley_Hennington/hst@tms.com>
Subject: Re: Two Mile Ranch

Hi Kristin,

Keeley will need to co-ordinate with you on Rosemary. I'm not sure whether Wrangler will reimburse TMR or pay the costs directly (I think the former - but Keeley will confirm)

With regards to the children's houses, you will need to pay the bills directly from there, out of the accounts you currently have. Keeley is arranging for sub-accounts to be created in Total Return so that we can track the expenditures by house and then separately for the overall property. I'll make arrangements to reimburse TMR for expenditures, as we have been doing in the past. So really nothing will change regarding the procedures between us, it's more of an accounting exercise between you and Dallas to ensure the costs are properly allocated. (Then Dallas and I need to communicate so that I am funding the amounts to you from the right child's account.

If you can give me any indication of expected cash flow through year end, by child and for the overall property it would be a big help. Also, how are current cash reserves - are you going to need funding in the next 6 weeks?
If so, maybe we should make arrangements now.

My last day in the office will likely be June 22nd. I am likely to have a c-section the week of June 25th as the baby is breech. All is going well, but it is extremely hot here! Hope things keep going well for you - do you and Jay know whether you are having a girl or boy?

Good Luck!

Michelle

----- Original Message -----

From: Kristin
To: Michelle Boucher
Sent: Monday, June 11, 2001 6:21 PM
Subject: Two Mile Ranch

Hi Michelle-

Hope you are feeling well. Not too much longer until we are both due! I have a couple of questions for you regarding the billing of the ranch.

Sam has informed Kelly that he has set up accounts for each child's house.

He said the kids bills are to be paid by you and Rosemary's bills paid by Keeley (Wrangler Trust). Currently, I get one ranch bill that is broken down between general ranch and the individual houses. I receive a pay application around the first week of the month and they expect payment around the second week. I have told the construction company to start making different invoices for each house starting with June's invoice.

Here are our questions:

1. Since there is a short turn around for payment, should I email you the amount and then send the pay application to you.
2. Or should I still pay the bills for the individual houses and you reimburse Two Mile Ranch?

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3. Should Rosemary's bill go straight to Keeley?

Let me know. I'm sure you have many questions for me as well. Take care.
Kristin

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06/17/01 11:07 PM

To: Keeley Hennington/htst@htst
cc: mboucher [REDACTED]
Subject: Re: Rosemary's House at Two Mile

How complicated is it to add Wrangler into the mix?

"Kelly" <[REDACTED]>
06/15/01 02:40 PM

To: "Keeley Hennington" <[REDACTED]>
cc: "Evan Wyly" <[REDACTED]> "Lisa Wyly" <[REDACTED]>
"Dad" <swyly@[REDACTED]>
Subject: Rosemary's House at Two Mile

Hey Keeley,
You will soon be recieving bills for work on Mom's site at the ranch. Dad
said that the payment is to come out of Wrangler. I assume that at some
point you will want to reimburse Two Mile for bills paid for prior work on
her site. If you have any questions, let me know.
Kelly

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From: Keeley Hennington
Sent: Wednesday, November 07, 2001 11:34 AM
To: mboucher@ [REDACTED]
Subject: Two Mile

If you have not already, you should be getting an update from Kelly on the project. I was very suprised by some of the numbers, maybe I am just remembering wrong:

Rosemary house - 2.5M
Kelly and Jason - 4.0M
Lisa & John \$1.5M
Barn - \$1.5M
Kristin and Jay - 760K

Do these seem alot higher than where they started? Most of these houses will not be over 3,500 sq. feet.

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From: Keeley Hennington
Sent: Friday, March 14, 2003 10:03 AM
To: mboucher@
Subject: Two Mile

Talked to Kelly and here is the update:

They have hired Bob Mandick to act as supervision manager and attends all of the weekly meetings at the farm. He is responsible for reviewing all of the contractor bills and assuring charges are correct and as originally agreed to. He is also responsible for finding areas that fees could be reduced without a reduction in quality of work. As an example, he has cut some supervisor hours down from 40 to 20 because they could get everything they needed to get done completed in 20 hours and they were just standing around wasting time for the other 20. He has also been able to reduce the cost of Kelly's house by 200,000 by questioning items on the proposal. He works only on an hourly basis and has already saved the farm well in excess of his charges.

Completed:

Bunk House
Historical house - Rosemary has moved in Yearly House - completed Oct. 2002 Garage Barn
Plans complete for Lisa and Laurie

In Progress:

Kelly house - May/June 2004
Rosemary house - Dec 2003

They are beginning to work on the prep for the roads which they will make permanent this summer when it is warmer.

They are also working on their water plan which will be rolled out this summer.

They are holding off on the hydro plant and the solar sculpture for now - they are able to produce all the power they need with the existing solar panels

The Yearly house and the hydro plant both won architectural awards for design.

The ranch was featured on the front page of the Aspen newspaper - trying to get a copy

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**Rosemary's Circle R Ranch - Allocation of Ranch Costs
at July 31st, 2003**

	East	West	
Real Estate			
3448 Woody Creek Rd (4 parcels)	5,501,645.00	5,501,350.00	11,002,995.00 Common ✓
Woodycreek Ranch Improvements			Common
sub total - Real Estate	5,501,645.00	5,501,350.00	11,002,995.00
Improvements			
Lisa & John	87,538.09	87,538.10	195,076.19 Pops ✓
Management	83,749.41	80,748.46	187,498.87 Common
Misc. Jobs	12,852.52	12,852.53	25,305.05 Common
Tim Venable	4,406.30	4,406.31	8,818.61 Common
Action House	1,178,288.57	1,178,288.60	2,352,577.17 Action re Rosemary ✓
Bridge	4,733.82	4,733.83	9,487.85 Common
OP Wyly House	4,577.85	4,577.86	9,155.70 Main trust - Bessie
Const Access	27,971.14	27,971.16	55,942.30 common
Covered Bridge	45,579.47	45,579.48	91,158.95 Common
E&B Wyly	426.52	426.53	853.05 Orange
Elliot House	1,484,712.95	1,484,712.95	2,969,425.90 Blubber
Family Barn	102,970.29	102,970.28	205,940.57 Common
Garage	4,005.41	4,005.38	8,010.79 Common
General Cond	261,119.26	261,119.27	522,238.53 Common
Granary	9,013.31	9,013.31	18,026.62 Common (Elliot possibly re Studio)
Great Hall	17,903.82	17,903.81	35,807.63 Common
Greenhouse	20,083.63	20,083.63	40,167.26 Common
Gypsy Wagon	189,823.90	189,823.90	379,647.80 Action re Rosemary ✓
Historic House	1,077,490.43	1,077,490.45	2,154,980.88 Common
Historic Barn	144.51	144.51	289.02 Common
Hydro Elec Plant	44,803.15	44,803.15	89,606.30 Common
Hydro Fire	4,345.38	4,345.38	8,690.76 Common
Infrastructure	1,149,533.21	1,149,533.28	2,299,066.49 Common
Inventory	209,883.06	209,883.09	419,366.15 Common
Irrigation System	39,594.56	39,594.56	79,189.12 Common
Landscape	3,788.50	3,788.50	7,577.00 Common
Log Barn	180.10	180.11	360.21 Common
Low Bridge	158,665.09	158,665.12	317,330.21 Common
Master	317,184.28	317,184.28	634,368.54 Common
Matthews	43,978.37	43,978.36	87,956.73 Flobo ✓
Mobile Home	240,162.32	240,162.33	480,324.65 Common
Natal Cabin	715,296.03	715,296.00	1,430,592.03 Common
Nowy Barn	164.78	164.78	329.56 Common
Pole Barn	103,570.72	103,570.72	207,141.44 Common
Potatoe Barn	2,341.08	2,341.10	4,682.18 Common
Preconstruction	(73,158.60)	(73,158.60)	(146,317.20) Common
Root Cedar	1,704.75	1,704.75	3,409.50 Common
S&C Wyly	23,118.83	23,118.85	46,237.68 Main trust - Bessie
Sewer Plant	54,697.00	54,697.03	109,394.03 Common
Solar Sculpture	96.25	96.25	192.50 Common
Tollhouse	34,484.35	34,484.35	68,968.70 Common
Tool Room	1,385.24	1,385.23	2,770.47 Common
Waste Water	38,952.87	38,952.87	77,905.74 Common
Waste Water 3	14,797.87	14,797.99	29,595.86 Common
Well	5,493.50	5,493.53	10,987.03 Common
Yearly House	520,102.45	520,102.50	1,040,204.95 Common
Corridor - Phase I	655,291.53	655,291.54	1,310,583.07 Common
Corridor - Phase II	44,132.96	44,132.97	88,265.93 Common
Corridor - Phase III	25,564.45	25,564.48	51,128.93 Common
Corridor - Phase III	983.75	983.75	1,967.50 Common
sub total - Improvements	8,011,884.01	8,011,884.18	16,023,768.20
Autos			
Furniture & Fixtures	133,165.34	133,166.25	266,331.59 Action re Rosemary ✓
Computer Equipment & Software	1,746.77	1,745.77	3,492.54 Common
Wyly Farm Equipment	32,849.07	32,849.07	65,698.14 Common
Organization Costs	7,146.00	7,146.00	14,292.00 Common
Amort of Org Costs	(4,704.36)	(4,704.60)	(9,408.96) Common
other assets	249,785.27	248,854.98	498,620.25 Common
Accounts receivable	901.59	25,301.59	25,603.18 Common
Cash - BoA Investment MM	506.46	506.45	1,012.91 Common
Cash - BoA	244,319.43	254,621.80	498,941.23 Common
total cash & short term rec'dle	245,127.48	280,429.84	525,557.32 Common
Total liabilities			
Grand Total	15,008,521.76	15,040,919.01	30,049,440.77
add: Cash at Mgmt Trust level			100,291.88 Common
Total Mgmt Trust assets			30,149,732.65
Breakout to settlers			
Sam Wyly			311,073.93
Two Mile Ranch Limited (IOM)			29,838,358.70
Total Mgmt Trust assets			30,149,432.03
Total contributions since inception			31,360,477.08
Total amounts expended to date			1,411,044.43

Breakout/what are these exp's?
No cng until construction

Los 50 7500
Comm 8600
Flo 880
11698

had approval of
anything specific
to F's - F's

Flo Flo (Laurie)**Proposed transactions to raise liquidity for continued construction at Rosemary's Ranch****Flo Flo is responsible to fund:**

- 3.33% of all common area charges ✓
- 25% of all costs related to Rosemary's house and related items ✓
- 100% of all costs related to home construction for personal use ✓

Estimated costs to provide for at this time:

Home for personal use	-	
Rosemary's house (est. 6mths)	250,000	1.0
common area (est. 6mths)	50,000	1.6
repayment of advances from main trust	450,000	
Total liquidity to be raised	750,000	✓

Assets in Flo Flo, avail for use**(approx values at 7/31/03)**

Cash	69,000	
Ranger Multi Strategy Fund	500,000	could sell outright or transfer some to new levered product
Ranger Partners (via RFA)	950,000	will be available after settlement
Michaels Stores (42,600 shs)	1,917,000	could sell outright, margin or enter into a derivative
Total available assets	3,436,000	

Recommendation:

Use cash on hand to fund ongoing common area charges and continue to have main trust fund any other large requirements in respect of Rosemary's house. Flo Flo can plan on reimbursing for those advances and fulfilling the above commitments when the funds tied up in Ranger Partners are released.

Long term cash management:

The following compares current assets vs. assets after the RP money is released and commitments above are settled

	projected after reallocations	%	estimated at 7/31/03	%	
Cash	269,000	0.03	69,000	0.01	<200>
Ranger Multi Strategy Fund	500,000	5.6%	500,000	5.6%	
Ranger Partners via RFA	-	0.0%	950,000	10.6%	+950
Michaels Stores (46,200 shs) / (41**)	1,917,000	21.6%	1,917,000	21.5%	
Greenmountain	1,000,000	11.2%	1,000,000	11.2%	
Total investment assets	3,686,000	41.3%	4,436,000	49.6%	
Mi Casa Limited	2,865,000	32.1%	2,865,000	32.1%	
Rosemary's Ranch	1,798,984	20.1%	1,498,984	16.8%	<300>
Cottonwood II Limited	318,554	3.6%	318,554	3.6%	
Splitting Lion Limited	286,500	3.0%	286,500	3.0%	
Total real estate assets	5,249,038	58.7%	4,949,038	55.4%	
Total Assets	8,935,038	100.0%	9,385,038	105.0%	
Advances due to main trust	-	0.0%	(450,000)	-5.0%	<450>
Total Net Assets	8,935,038	100.0%	8,935,038	100.0%	

Long term recommendations:

Flo Flo has approximately \$2.25Million in RMS and Michaels Stores from which to derive future cash flow. Margin is available on MIK at a 30% advance rate.

I suggest formulating a budget including the following items:

- Splitting Lion - future cash needs and ongoing maintenance
- MiCasa - future cash needs and ongoing maintenance costs
- Ranch - common area allocations
- Ranch - completion of Rosemary's house, furnishings, ongoing maintenance
- Ranch - any plans to build home for personal use and its ongoing maintenance
- Cottonwood II Limited - possible minor ongoing maintenance and possible sale to return some cash, but likely not significant

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Friday, October 03, 2003 2:11 PM
To: "Michelle Boucher" [REDACTED]
Subject: Re: FW: Ranch budgets
Attachments: Circle R Ranch Cost Projection.doc

note at bottom says Matthews house not estimated but it is in the numbers?

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Michelle Boucher" [REDACTED]
10/03/03 01:58 PM

To
<khennington@ [REDACTED]>
cc
Subject
FW: Ranch budgets

-----Original Message-----
From: Kristin's Mail [REDACTED]
Sent: Friday, October 03, 2003 1:57 PM
To: Michelle Boucher
Subject: Re: Ranch budgets

Hi Michelle,
This is a letter of budgets and dates for all of the ranch projects prepared by Bob Mandich the construction consultant for Circle R Ranch. He has included all projects that the family has talked about. Let me know if you have any questions or need more information. Thanks.
Kristin

----- Original Message -----
From: "Michelle Boucher" [REDACTED]

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4610

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To: <kristina@redacted>
Cc: <kelly@redacted>
Sent: Tuesday, September 02, 2003 4:49 PM
Subject: Ranch budgets

Hi Kristin,

I was speaking with Sam & Evan today, and we would like to get an idea of budget going forward at the Ranch. Could you put something together that addresses the following items:

- Remaining Common Area Development Costs ie. infrastructure, services, landscaping etc...
- Costs to complete individual houses on the property
- re: Jason & Kelly - estimated costs to complete from 7/31/03
- re: Rosemary's house - estimated costs to complete from 7/31/03
- Lisa & John - total anticipated budget
- other buildings or projects being considered
- Estimated costs to manage and operate common area/infrastructure on a going forward basis
- ie. ranch management, services, mtce, taxes etc... on an annual basis
- Estimated costs to operate specific houses on a going forward basis

It would be helpful for the development and construction costs to be segregated timewise into estimates for 6mth, 1yr, 3yr, total projections, and I don't think these need to be nailed down in any exact terms, a ballpark idea of what to expect over the near term and in total would be extremely helpful.

Could you give me an idea of when you think you could pull this together. Thanks! and I hope all is going well.

Michelle



Circle R Ranch Cost
Projection

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, August 25, 2004 9:18 AM
To: "Margot MacInnis" [REDACTED]
Subject: RE:
Attachments: RMR_Analysis of Future Costs_JUL04.xls

Thanks Margot - got everything tied out. Have a good day - hopefully we won't have to bug you anymore

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Margot MacInnis" <[REDACTED]>
 08/25/04 10:20 AM

To
 <khennington@[REDACTED]>
 cc
 "Michelle Boucher" [REDACTED]
 Subject
 RE:

Here's the updated July Budget. I've added the May 04 comparison figures. The difference of approx \$4M between July 04 & May 04 related to the reduction of projected costs based on actual expenditures to date.

Elliott Residence - \$600k
 Graham Residence \$616k
 Matthews Residence - \$370k
 Infrastructure - \$260k
 Roads/Access \$190k
 Fire Wells & Control \$360k
 Water & Sewage \$260k
 Salaries & Payroll \$710k
 Farm Expense \$360k

Let me know if need me to make anymore adjustments

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Michaels

- Strong Sales
- Stock Buy back program
- Dividend – may increase
- Sam & Charles - converting Options to stock (good sign for long term growth)

Maverick

- 2003 performance not great (approximately 4.7%, NASDAQ 50%, S&P 28%)
- Irrational market – hope 2004 will correct
- New hire – Steve Galbraith (Morgan Stanley)
- 2004 Year-to-date (good start at 1½%)

Red River

- 6 active companies – 1 inactive
Total \$23mil invested
- 50% Capital Called
- Expect 20% for pending investments in Feb. 2003
- New for 2003 – Baka Energy – residual fuel (Houston)
 1. Russell County Community Hospital (70-bed care & surgery)
 2. Intelepak – foam in place (machine)
- 2004 – FSI Holdings \$4.8M – Military fiber optic connectors (Army & Navy are customers)

Brazos 7 active investments

- Good deal flow/logged 135 and closed 3 in 2003
- Cap invested \$125M – reserved \$36 for future
- Total \$203M committed.
- Expecting 2, 2004 investments total of \$50M
- 2003 - Cheddar's, Lone Star Courier & Republic Insurance (Texas Property & Casualty Carrier)

K-12 (FDI)

- Participated in last round
- Strong sales (\$25M – series C) liquidation preference
- Slower growth than expected
- Cash issues – budget impasse in Pennsylvania

Two Mile

- Costs to date \$35M (land \$11M)
- Expected 2004: \$15M
 - 2005 3M
 - 2006 \$1M (approximate operating cost)
 - \$55M infrastructure total
- To be completed:

Elliott - 2004	Wyly (Sam & Cheryl) - 2004/2005
Graham - 2004	Matthews - 2004

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Two Mile (cont.)

- Big costs – energy system & fire suppression system

Cottonwood

- 2nd floor for sale
- Gallery doing well

Greenmountain

- Positive cash flow
- No further funding anticipated
- D. Matthews Business

Sport Horse

- Current path to sell property & exit equine business
- Terminating managers
- Current listing wants 10% - trying to negotiate lower
- Expect to list at \$10M (realize \$7M) have approximately \$9M in it including horses

First Dallas

- Serranin – committed to \$200K per month for 1st Quarter 2004 Software technology 100% ownership
- All others have been written down to 0

Ranger

Ranger Partners

- Affiliated \$ still held up in litigation – trial scheduled for May
- Attempts at arbitration have failed.

Ranger Arbitrage

- Still raising capital

Family Funds

- Little invested money
- Diversified among Ranger Funds & Maverick & Newcastle

Ranger Investments

- Long only – short & mid cap

Ranger Multi Strategy

- New enhanced product (2 to 1)

Sarah and David to Geneva to raise European capital.

ROSEMARY'S CIRCLE R RANCH
BUDGET / COST TO DATE & PROJECTED
Dec-04

Cmts To Date					Comparison	Comparison	Comparison
Dec 31/04	2005	2006	2007/2008	TOTAL	Jul '04 Total	Dec'03 Total	Aug'03 Total
CAPITALIZED COSTS							
Land	\$ 11,002,889	\$ -	\$ -	\$ 11,002,889	\$ 11,002,889	\$ 11,002,889	\$ 11,002,889
Residences							
Elliot Residence	\$ 6,158,271	\$ 250,000		\$ 6,408,271	\$ 6,376,873	\$ 5,817,167	\$ 5,816,367
Acton Residence	\$ 4,822,639			\$ 4,822,639	\$ 4,748,870	\$ 3,927,352	\$ 3,981,944
Wyly Residence (S&C)	\$ 112,100		\$ 2,853,000	\$ 2,965,100	\$ 2,979,238	\$ 2,962,298	\$ 2,882,298
Graham Residence	\$ 3,098,300	\$ 100,000		\$ 3,198,300	\$ 2,899,946	\$ 2,596,298	\$ 2,596,298
Wyly Residence (E&S)	\$ 873			\$ 873	\$ 873	\$ 873	\$ 1,087,123
Yeary Residence	\$ 1,074,309			\$ 1,074,309	\$ 1,062,270	\$ 1,054,012	\$ 1,043,188
Matthews Residence	\$ 1,068,043			\$ 1,068,043	\$ 936,056	\$ 986,928	\$ 986,962
	\$ 16,334,348	\$ 350,000	\$ -	\$ 16,684,348	\$ 18,783,928	\$ 17,323,436	\$ 18,150,838
Common							
Round Barn	\$ 255,896	\$ 2,290,000	\$ 750,000	\$ 3,295,896	\$ 3,255,896	\$ 3,165,672	\$ 3,134,200
Historic House	\$ 2,159,317			\$ 2,159,317	\$ 2,159,317	\$ 2,159,317	\$ 2,159,317
Natal Castle	\$ 482,133			\$ 482,133	\$ 482,133	\$ 480,327	\$ 480,327
Other Assets	\$ 782,016		\$ 600,000	\$ 1,382,016	\$ 1,512,398	\$ 1,820,866	\$ 1,202,823
Other Structures (Ponds)	\$ 321,453			\$ 321,453	\$ 480,444	\$ 787,833	\$ 755,002
Barns (Pole, Log, Celler)	\$ 678,687	\$ 150,000		\$ 828,687	\$ 876,687	\$ 2,097,572	\$ 2,097,502
Granary	\$ 522,238			\$ 522,238	\$ 522,238	\$ 522,238	\$ 522,238
Gypsy Wagon	\$ 75,167	\$ 180,000		\$ 255,167	\$ 225,167	\$ 225,167	\$ 225,167
Village Greenhouse	\$ 35,808		\$ 190,000	\$ 225,808	\$ 215,808	\$ 215,808	\$ 215,808
	\$ 3,372,514	\$ 2,620,000	\$ 750,000	\$ 6,742,514	\$ 8,041,420	\$ 11,544,083	\$ 10,788,247
Infrastructure							
Infrastructure	\$ 4,442,041			\$ 4,442,041	\$ 4,387,389	\$ 2,996,508	\$ 2,996,508
Roads / Access	\$ 1,876,052			\$ 1,876,052	\$ 1,876,052	\$ 2,234,515	\$ 2,233,818
General	\$ 844,738			\$ 844,738	\$ 844,738	\$ 843,188	\$ 823,734
Energy Systems	\$ 113		\$ 1,050,000	\$ 1,050,113	\$ 1,050,113	\$ 1,050,113	\$ 1,050,113
Fire Wall & Controls	\$ 871,581			\$ 871,581	\$ 808,684	\$ 828,529	\$ 828,529
Water & Sewage	\$ 878,232		\$ 400,000	\$ 1,278,232	\$ 1,441,725	\$ 945,965	\$ 918,921
Management	\$ 348,702	\$ 100,000		\$ 448,702	\$ 593,473	\$ 740,813	\$ 740,813
Bridges	\$ 417,957			\$ 417,957	\$ 417,957	\$ 417,957	\$ 417,957
Landscaping	\$ 793,782		\$ 75,000	\$ 868,782	\$ 983,835	\$ 365,985	\$ 322,499
Irrigation	\$ 87,514	\$ 50,000		\$ 137,514	\$ 215,814	\$ 202,382	\$ 195,188
Electrical	\$ 117,798	\$ 50,000		\$ 167,798	\$ 207,798	\$ 178,808	\$ 179,808
Miscellaneous				\$ -	\$ 15,000	\$ 44,310	\$ 44,310
	\$ 16,775,818	\$ 200,000	\$ -	\$ 1,825,000	\$ 12,504,518	\$ 12,833,176	\$ 10,955,487
	\$ 43,438,370						
EXPENSE ITEMS							
		10%	10%	10%			
Salaries & Payroll Taxes	\$ 810,771	\$ 267,900	\$ 294,800	\$ 324,100	\$ 1,087,271	\$ 1,084,866	\$ 1,347,088
Farm Expenses	\$ 394,348	\$ 39,800	\$ 42,700	\$ 47,000	\$ 523,448	\$ 842,775	\$ 1,238,314
Consulting - Legal, other	\$ 889,134	\$ 65,000	\$ 60,000	\$ 60,000	\$ 1,044,134	\$ 886,220	\$ 755,544
Insurance	\$ 126,704	\$ 56,900	\$ 56,900	\$ 62,600	\$ 308,104	\$ 322,720	\$ 313,648
Utilities	\$ 326,092	\$ 214,200	\$ 236,600	\$ 259,200	\$ 1,085,092	\$ 1,085,092	\$ 1,085,092
Real Estate Taxes	\$ 37,818	\$ 13,500	\$ 56,000	\$ 69,500	\$ 181,318	\$ 201,418	\$ 191,818
Office	\$ 192,742	\$ 15,800	\$ 17,100	\$ 18,800	\$ 244,142	\$ 141,577	\$ 144,289
Other	\$ 48,349	\$ 120,200	\$ 132,200	\$ 145,400	\$ 447,149	\$ 88,496	\$ 143,259
Travel	\$ 56,983			\$ 56,983	\$ 65,983	\$ 67,083	\$ 64,955
	\$ 2,870,326	\$ 811,500	\$ 884,100	\$ 952,100	\$ 4,178,331	\$ 4,656,550	\$ 4,656,550
check	2,870,326						
TOTAL	\$ 46,298,906	\$ 3,941,900	\$ 1,634,100	\$ 6,890,100	\$ 58,960,177	\$ 55,559,846	\$ 55,459,805
Total Cash Flow Required		\$ 2,848,100	\$ 9,016,000	\$ 11,666,100	\$ 12,240,702	\$ 17,440,603	
A Cmts to Date Up to July 31, 2004			expenses	capital			
n Includes Remaining 2004 Costs				\$ 11,666,100			

LEGEND

- 1 Elliot Residence - Costs to complete residence for phase one in 2004, Phase II on hold - costs assigned to 2005
- 2 Acton Residence - No additional costs anticipated in 2005
- 3 S&C Residence - PROJECT ON HOLD - estimated costs projected to be incurred in 2007 & 2008
- 4 Graham Residence - mostly complete
- 5 B&S Wyly Residence - WILL NOT BE BUILDING
- 6 Matthews Residence - mostly complete
- 7 Round Barn - costs projected to begin spring 2005
- 8 Other Assets - People spaces, windmill for upper ranch pond - PROJECTS ON HOLD - costs projected for 2007
- 9 Gypsy Wagon - current project (costs assigned to S&C)
- 10 Village Greenhouse - PROJECT ON HOLD, costs projected for 2007
- 11 Energy Systems - PROJECT ON HOLD, costs projected for 2007
- 12 Water Sewage - mostly complete
- 13 Irrigation Systems - current project
- 14,15 Salaries & Farm Expense - future expenses based on historical costs - adjusted for 10% increase / year
- 16 Consulting - Assumption that consulting costs will continue at same level until 2005 and then decrease through 2008
- 17 Insurance - Assumption that insurance will continue to increase and then level off upon completion (around 2005/2006)
- 18 Utilities - Assumption that utility costs will continue to increase in pace with construction and will level off in 2006/2007
- 19 Real Estate Taxes - Assumption that cost will continue to increase in pace with construction and will level off in 2006/2007

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SUMMARY : Rosemary's Ranch Allocation of assets

	Costs attributed RMR Ltd (DOM)	Reference	Amounts paid to RMR Ltd (DOM)	Amounts owing to Besse Trust	
Orange	2,234,960.43	A	1,841,911.88	392,778.77	Note: the trustees need to make a decision on which assets in the sub-funds to liquidate to fund these obligations, please review the latest balance sheet in your financial statement packages
Pops	5,332,176.82	B	3,623,422.75	1,708,754.07	
FloFlo	3,301,860.46	C	2,429,068.52	872,791.94	
Bubba	8,392,087.80	D	6,103,758.26	2,288,329.54	
Sub total LLC	19,260,815.50		13,966,161.13	5,292,654.32	
Besse	26,476,254.07	E			
Total	45,737,069.57				

Allocation of Rosemary's Ranch Mgmt Trust assets				S Why in RMR Mgmt Trust	Allocation to RMR Ltd (DOM)	allocate other general exp to bal cash flow	Update of cash flow allocation RMR Ltd (DOM)		
	Common	Action	Specific	Total					
Bessie	24,387,204.69		188,183.30	24,575,387.99	444,024.12	24,131,363.87	2,344,890.10	26,476,254.07	F
Orange	937,969.41	1,205,656.68	873.25	2,144,502.34		2,144,502.34	90,188.08	2,234,690.43	A
Pops	937,969.41	1,205,656.68	3,098,359.84	5,241,986.73		5,241,986.73	90,188.08	5,332,176.82	B
FloFlo	937,969.41	1,205,656.68	1,086,043.26	3,211,872.37		3,211,872.37	90,188.08	3,301,860.46	C
Bubba	937,969.41	1,205,656.68	6,156,270.62	8,301,896.71		8,301,896.71	90,188.08	8,392,087.80	D
Bach				-		-	-	-	
Katy				-		-	-	-	
Total	28,139,082.34	4,822,638.73	10,513,730.09	43,475,451.16	444,024.12	43,031,427.04	2,705,642.53	45,737,069.57	
check	28,139,082.34	4,822,638.73	10,513,730.09	43,475,451.16	444,024.12	43,031,427.04	2,705,642.53	45,737,069.57	
			check to TMR Mgmt Trust assets diff	43,475,451.16	check TMR portfolio diff	43,031,427.04		45,737,069.57	

Calculation of Adjustment needed in Total Return

(2,261,616.41)

Intercompany Balances					
	begin of period	end of period		dr (cr) on RMR books	adj through Yurta Faf
Due to Yurta Faf	21,736,222.35				
Due to Besse Trust	3,212,000.00				
Due to Audubon	1,820,289.55				
Total Besse	26,770,488.90	26,476,254.07		94,234.83	
Due to Bubba	8,363,222.75	8,362,087.80		1,134.95	
Due to Orange	2,236,918.38	2,234,690.43		2,227.95	
Due to Pops	5,232,351.13	5,332,176.82		(99,825.69)	
Due to Flo Flo	3,304,088.41	3,301,860.46		2,227.95	
	45,737,069.57	45,737,069.57		0.00	
check				-	

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1096

Confidential
SEC_ED00037501

PSI_ED00037501

4616

Page 1 of 1

From: Bob Witek [REDACTED]
To: Rena Alexander [REDACTED]
Date: Thursday, November 04, 1999 6:39 PM
Subject: Transfer Development Rights

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

I spoke with Cheryl & Sam. They approved the purchase of the required TDR's for the ranch. You need to contact Gale at Lenny Oates office to wire \$120,000.00 for the first one.

Please verify this with Sam and call Gale. We will talk later.
Thanks.

WIRING INSTRUCTIONS:

750K Total

Transfer Development Rights
one for each house
have 4 need 4 or 5 more

11/4/99

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

CONFIDENTIAL
SEC100013619
PS100025486

4617

March 17, 2000

Re: Two Mile Ranch Trust Property

To Whom It May Concern:

This letter is to confirm that Cheryl Wyly and Kelly Elliott, separately or together, are authorized to act as my agent and to represent my interests in any matters, applications, permits or any other matters relating to the Two Mile Ranch Trust's 244-acre ranch in Sections 23 and 24 of Township 9 South, Range 85 West and Sections 19 and 30 in T9S, R84W of the 6th P.M. in Pitkin County, Colorado.

For the Two Mile Ranch Trust
300 Crescent Court, Suite 1000
Dallas, Texas 75201

Sam Wyly

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

Confidential
SEC_ED00036411

PSI_ED00036411

CORY KEELEY, MICHELLE

Two Mile Ranch Memo

To: Gary
 From: Kelly Elliott
 Re: Natural Gas line to Two Mile Ranch
 Date: April 3, 2001

FAX COPY TO
 CHERYL
 EVAN
 LAURIE
 LISA

Gary,

I spoke with Sam tonight after I hung up with you. He is pleased with our approval from the P&Z. He had some other ideas about the potential for a natural gas line to the ranch. He would like for you to look into the possibility of putting other lines such as T.V. cable, electric cable, telephone line, fiber optic, etc. as well as the natural gas line. He is wondering if there might be a way to recoup some of our expense by forming a "Woody Creek Electric, Gas, Telephone, and Cable Company" and signing up our neighbors for service. He knows that there is a loophole in the law that allows rural areas to create their own telephone, electric company. Sam does have the concern that he doesn't want people calling us personally if their phone doesn't work, and would want the responsibility of service to be outsourced. Another scenario might be the phone company (or whoever else) paying us a fee to use our ditch to lay their line in. There is definitely an economic opportunity here for us as well as someone else (whomever might want to handle the service-side of the scenario).

Either way, he does want to go forward with the natural gas line. Sam believes that there will be obvious benefits, and that there will be some way to recoup some of that initial investment. He still would like for you to look into making this initial price as low as possible, but we do have permission from him to put it in.

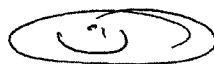
Sam is well aware that you will be busy the next three weeks preparing for our meeting with the BOCC, and will not be able to devote much time to this venture until after April 25th. We just wanted to put the bug in your ear so that you could be thinking about the best approach.

Talk to you soon,



Kelly

Cc: Sam, Jason, Kristin

KELLY —
 GREAT LETTER
 CONGRATULATIONS
 ON 5-0 NOTE!!


Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1097

CONFIDENTIAL
 SEC100028105
 PSI00039972

— = Redacted by the Permanent
Subcommittee on Investigations

From: "Kelly" [REDACTED]
Sent: Saturday, May 26, 2001 11:08 AM
To: "Keeley Hennington" [REDACTED]
Cc: "Michelle Boucher" [REDACTED]; "Dad" <swyly@[REDACTED]> "Cheryl Wyly"
Subject: BOCC contract for Two Mile Ranch

Keeley,
I haven't heard about the changes to the contract yet. I got an e-mail from Michelle about it. She said you would give me a call to discuss. I assume that you are also communicating directly with Lenny's office about it. I need to look over the changes as well to make sure that he didn't leave anything important out. My assumption is that I can sign it as representative of Two Mile Ranch, but if someone else has to sign it, I need to make sure it is here in time for our BOCC meeting (June 12th). Hope all is great with you and baby. I can't wait to see pictures.
Kelly

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

Confidential
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PSI_ED00013774

RECEIVED

AUG 24 2001

NEGATIVE COVENANT
PROHIBITING SUBDIVISION OF PROPERTY

ASPEN / PITKIN
COMMUNITY DEVELOPMENT

THE UNDERSIGNED, Two Mile Ranch I, LLC and Two Mile Ranch II, LLC, both Colorado Limited Liability Companies (collectively "Two Mile"), being the owners in fee simple of the real property described in Exhibit A hereto (the "Real Property"), free and clear of all liens and encumbrances, for and as their voluntary act and not conditioned upon or in consideration of the approval granted to them by the Board of County Commissioners of Pitkin County, Colorado ("BOCC"), by the BOCC's Resolution 109-2001 ("Approval"), hereby makes and imposes upon the Real Property the following covenant, promise and agreement ("Negative Covenant"):

Notwithstanding the fact that the Real Property consists of four (4) separate legal descriptions, two (2) of which are held in the name of Two Mile Ranch I, LLC and two (2) of which are held in the name of Two Mile Ranch II, LLC, each of them agree that for all purposes related to the land use regulations of the Real Property by Pitkin County, Colorado that the Real Property will be considered to be one (1) parcel of land, and that the same shall constitute four (4) parcels only as tax parcels assessed by the Pitkin County Assessor for real property tax purposes.

At no time in the future shall Two Mile, or either of them in any manner subdivide or condominiumize the Real Property, whether under the Pitkin County Land Use Code, the Colorado Common Interest Ownership Act, ("CCIOA") or the Colorado Condominium Act, or State of Colorado statutory law (or exemptions thereto) as in effect at present or as the same may be hereafter be amended, under any law or proceeding permitting the subdivision of real properties, by partition or otherwise.

Two Mile represents that the Real Property is not and will not be made into a common interest community as defined in CCIOA. Two Mile acknowledges that this Negative Covenant has been entered into by them voluntarily and without requirement on the part of the BOCC and not as a condition of the Approval granted pursuant to the Resolution above referenced; and further acknowledges that the Approval was granted in the BOCC's discretion and was not a mandatory act by the BOCC. Two Mile further acknowledges that the denial of the approval by the BOCC would not have been arbitrary, capricious or an abuse of discretion by the BOCC.

The Negative Covenant contained herein shall be permanent in nature and shall not expire with the passage of time or upon the occurrence of any event.

The Negative Covenant herein made shall be enforceable by the BOCC on behalf of Pitkin County, Colorado; and, in any action brought to enforce the Negative Covenant herein made, the prevailing party therein shall be entitled to the award of its or their reasonable attorney's fees and costs in addition to any other relief to which said prevailing party shall be entitled.

In the event of the sale of the Real Property, such sale shall be subject to the Negative Covenant; however, upon such sale Two Mile shall be released from any claims or obligations by any party on account hereof.

Page 1



Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

CONFIDENTIAL
SEC100028108
PST00039975

4621

Any proposed modification of this Negative Covenant shall require the formal approval by the BOCC for whose benefit, among others, it is made, which approval may be granted or withheld the BOCC's its sole discretion.

In witness whereof, Two Mile has made and caused to be recorded this Negative Covenant on the 22 day of August, 2001.

TWO MILE RANCH I, LLC and TWO
MILE RANCH II, LLC

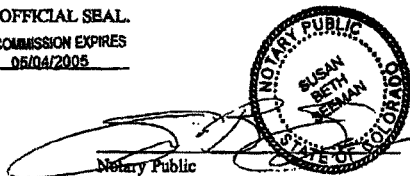
By: [Signature]
Kelly Elliott, Manager

STATE OF COLORADO } ss.
COUNTY OF PITKIN

The foregoing covenant was acknowledged before me on the 22 day of August, 2001, by Kelly Elliott as Manager of Two Mile Ranch I, LLC and Two Mile Ranch II, LLC.

WITNESS MY HAND AND OFFICIAL SEAL.

MY COMMISSION EXPIRES
My commission expires: 05/04/2005



D:\Data\Clients\Two Mile\Negative Covenant final2.wpd



Page 2

CONFIDENTIAL
SEC00028109
PSI00039976

EXHIBIT APARCEL 1PARCEL A

Lot 15 and those portions of Lots 8, 9, 14, 16 and 17 situate in Section 23 of Township 9 South, Range 85 West of the Sixth Principal Meridian, described as follows:

Beginning at the East Quarter Corner of said Section 23; thence North 81°13' West 248.84 feet to an angle point in the boundary of land described in Decree recorded February 18, 1959 in Book 239 at Page 418 in the Office of the Clerk and Recorder of Pitkin County; thence South 07°02' West along said boundary 2270.17 feet to the Southwest corner of said Lot 17; thence East along the Southerly boundary of said Lot 17 to an angle point in the boundary of land described in Quit Claim Deed recorded January 7, 1966 in Book 211 at Page 126; thence North 81°18' East 411.48 feet, South 76°31' East 244.16 feet and North 38°27' East 223.61 feet, all along boundary of land described in said Book 211 at Page 126 to a point on the Easterly boundary of said Lot 17; thence North along said Easterly boundary of said Lot 17 to an angle point in the boundary of land described in Quit Claim Deed recorded December 21, 1984 in Book 210 at Page 488; thence North 38°27' East 310.96 feet, and North 36°08' East 396.36 feet, along boundary of land described in said Book 210 at Page 488, to a point on the Southerly boundary of Lot 15; thence East along the said Southerly boundary of said Lot 15 to the Southeast corner of said Lot 15; thence North along the Easterly boundary of said Lot 15 to the point of beginning.

EXCEPTING THEREFROM, a strip of land sixty feet in width being thirty feet on each side of the center line of a road through and across the Northeast Quarter of said Section 23 as described, to the Woody Creek Toll Road Company, in quit claim deeds recorded September 28, 1991 in Book 93 at Page 289 and recorded October 3, 1991 in Book 93 at Page 291.

PARCEL B

ALSO, a parcel of land situate in Section 24 of Township 9 South, Range 85 West of the Sixth Principal Meridian described as follows:

The North Half of the Northwest Quarter of the Southwest Quarter; the Southeast Quarter of the Northwest Quarter of the Southwest Quarter; the South Half of the Northeast Quarter of the Southwest Quarter; the Northeast Quarter of the Southeast Quarter of the Southwest Quarter; the Southeast Quarter of the Northwest Quarter of the Southeast Quarter; the North Half of the Southwest Quarter of the Southeast Quarter; the Southwest Quarter of the Northeast Quarter of the Southeast Quarter; and the North Half of the North Half of the Southeast Quarter of the Southeast Quarter.

EXCEPTING THEREFROM, a strip of land sixty feet in width being thirty feet on each side of the centerline of a road through and across the West Half of said Section 24 as described in Quit Claim Deed to Woody Creek Toll Road Company recorded September 28, 1991 in Book 93 at Page 289.



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PS100039977

EXHIBIT A (Continued)PARCEL C

ALSO, R.E. Survey No. 210, embracing a portion of Section 24 in Township 9 South of Range 85 West and Sections 19 and 20 in Township 9 South, Range 84 West of the Sixth Principal Meridian, more particularly described as follows:

Beginning at Corner No. 1, identical with the corner to said Sections 24, 19 and 20:
 thence South 83°33' West 10.30 chains to Corner No. 2;
 thence North 03°02' East 9.81 chains to Corner No. 3;
 thence North 83°50' East 10 chains to Corner No. 4;
 thence North 00°06' East 0.71 chains to Corner No. 5;
 thence South 83°38' East 1.71 chains to Corner No. 6;
 thence South 51°07' East 21.47 chains to Corner No. 7;
 thence South 21°10' East 11.41 chains to Corner No. 8;
 thence North 71°23' West 21.97 chains to Corner No. 1,
 the point of beginning.

EXCEPTING from the above Parcels A, B and C land conveyed to Clara Louise Natal, Dennis Stanley Natal and Ronald Matthew Natal by Warranty Deeds recorded March 7, 1986 in Book 306 at Page 750 under Reception No. 276166, recorded March 7, 1986 in Book 306 at Page 715 under Reception No. 276167, and recorded March 7, 1986 in Book 306 at Page 752 under Reception No. 276168.

PARCEL IX

ALSO, real property in Township 9 South, Range 85 West of the 6th Principal Meridian in Section 23: Lot 15, and a tract of land described as follows: Commencing at the East Quarter Corner of said Section 23; thence N. 82°44' W. 2131.3 feet; thence South 125.7 feet; thence East 1221.4 feet to the point of beginning.

AND in Section 24: NW1/4SW1/4

PARCEL XII

ALSO, real property in Township 9 South, Range 85 West of the 6th Principal Meridian in Section 24: E1/4NW1/4SE1/4; NW1/4SE1/4; SE1/4NW1/4SE1/4; SW1/4SE1/4; and W1/4SE1/4.

PARCEL IV

ALSO, R.E. Survey No. 210, embracing a portion of Section 24, Township 9 South, Range 85 West of the Sixth Principal Meridian and Sections 19 and 20, Township 9 South, Range 84 West of the Sixth Principal Meridian, as more particularly described in Patent No. 827513 dated October 8, 1921, Reception No. 105386 of the Pitkin County records, and the E1/4NW1/4SE1/4, Section 24, Township 9 South, Range 85 West of the Sixth Principal Meridian.



CONFIDENTIAL
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 PSI00039978

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Friday, October 03, 2003 2:11 PM
To: "Michelle Boucher" <[REDACTED]>
Subject: Re: FW: Ranch budgets

Attachments: Circle R Ranch Cost Projection.doc

note at bottom says Matthews house not estimated but it is in the numbers?

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Michelle Boucher" <[REDACTED]>
 10/03/03 01:58 PM

To
 <khennington@[REDACTED]>
 cc

 Subject
 FW: Ranch budgets

-----Original Message-----

From: Kristin's Mail [mailto:[REDACTED]]
 Sent: Friday, October 03, 2003 1:57 PM
 To: Michelle Boucher
 Subject: Re: Ranch budgets

Hi Michelle,
 This is a letter of budgets and dates for all of the ranch projects prepared by Bob Mandich the construction consultant for Circle R Ranch. He has included all projects that the family has talked about. Let me know if you have any questions or need more information. Thanks.

Kristin

----- Original Message -----

From: "Michelle Boucher" <[REDACTED]>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

Confidential
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DET FD00003203

— = Redacted by the Permanent
Subcommittee on Investigations

To: <kristin@
Co: <kelly@
Sent: Tuesday, September 02, 2003 4:49 PM
Subject: Ranch budgets

Hi Kristin,

I was speaking with Sam & Evan today, and we would like to get an idea of budget going forward at the Ranch. Could you put something together that addresses the following items:

- Remaining Common Area Development Costs ie. infrastructure, services, landscaping etc...
- Costs to complete individual houses on the property
- re: Jason & Kelly - estimated costs to complete from 7/31/03
- re: Rosemary's house - estimated costs to complete from 7/31/03
- Lisa & John - total anticipated budget
- other buildings or projects being considered
- Estimated costs to manage and operate common area/infrastructure on a going forward basis
- ie. ranch management, services, mtce, taxes etc... on an annual basis
- Estimated costs to operate specific houses on a going forward basis

It would be helpful for the development and construction costs to be segregated timewise into estimates for 6mth, 1yr, 3yr, total projections, and I don't think these need to be nailed down in any exact terms, a ballpark idea of what to expect over the near term and in total would be extremely helpful.

Could you give me an idea of when you think you could pull this together. Thanks! and I hope all is going well.

Michelle



Circle R Ranch Cost
Projection.

Confidential
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DEL ED00003204

Mandron Group LLC

100 Dean St. #3F - Aspen, CO 81611
(970) 925-8029 Fax (970) 925-9173

[DATE]

Mr. Sam Wyly
Circle R Ranch

Dear Mr. Sam Wyly:

The following cost projection represents those tasks which remain to be completed at Rosemary's Circle R Ranch, as well as several possible projects as yet approved for development. The amounts represent either the remaining fee to be paid for those individual tasks, or an estimated cost to complete the task.

TASK		START /FINISH AMOUNT	
1)	Round Barn -		
	A) Construction	11/03 - 10/04	\$2,500,000.00
	B) Architects Fee (Conger Architects)	FIN. 11/04	\$81,875.00
	C) Landscaping	5/04 - 10/04	
	a. Swimming Pool	5/04 - 10/04	\$150,000.00
	b. Pond & Stream	5/04 - 10/04	\$110,000.00
	c. Decks	5/04 - 10/04	\$15,000.00
	d. Revegetation	5/04 - 10/04	\$15,000.00
	e. Irrigation	5/04 - 10/04	\$10,000.00
	f. Trees	5/04 - 10/04	\$30,000.00
	Sub-Total Landscaping		\$330,000.00
2)	Elliott Residence -		
	A) Construction	Finish - 5/04	\$1,649,639.00
	B) Architects Fee (Conger Architects)	6/04	\$66,344.00
	C) Phase One		
	a. Elliott Pond	10/03 - 12/03	\$250,000.00
	b. Rough Grade, Dry Wells	10/03 - 10/03	\$35,000.00
	c. Decks	10/03 - 11/03	\$40,000.00
	d. Landscaping & Irrigation	4/04 - 6/04	\$125,000.00
	Sub-Total - Phase One		\$375,000.00

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DST ED00003205

3)	Graham Residence		
	A) Construction	9/03 – 9/04	\$2,200,000.00
	B) Architects Fee (Conger Architects)	10/04	\$85,651.00
	C) Landscaping & Irrigation	4/04 – 9/04	\$110,000.00
4)	Matthews Residence		
	A) Construction	10/03 – 7/04	\$800,000.00
	B) Architects Fee (Anderson Architects)	8/04	\$15,000.00
	C) Landscaping & Irrigation	4/05 – 7/04	\$56,000.00
5)	Acton Residence		
	A) Construction	Finish 12/03	\$696,681.00
	B) Architects Fee	1/03	\$22,000.00
	C) Landscaping	11/03 – 7/04	\$120,000.00
	D) Acton Bridge	10/03 – 11/03	\$200,000.00
6)	Field Irrigation	3/04 – 5/04	\$35,000.00
7)	Circle R Pond / Village Landscaping	10/03 – 10/04	\$640,000.00
8)	Preserve Pond (Acton Wetlands)	10/03 – 6/04	\$95,000.00
9)	Access Gates and Entry – 3 each	4/04 – 6/04	\$25,000.00
10)	Village Road – Final Topping – 3 areas	7/04 – 7/04	\$130,000.00
11)	Fire Protection - 150,000 gallon Storage Tank	9/03 – 12/03	\$200,000.00
12)	Shallow Utility Corridor	10/03 – 12/03	\$375,000.00
13)	Irrigation / Fire Pipelines, Pumps & Hydrants	10/03 – 12/03	\$541,000.00
14)	Ranch Wide Electrical Infrastructure – Phase 2	11/03 – 12/03	\$90,000.00
15)	Misc. Ditch Projects	4/04 – 5/04	\$15,000.00
16)	Ranch Communications (Fiber Optic)	11/03 – 12/03	\$500,000.00
17)	Access Roads (Main – Acton – Twins) (Maintain)	9/04 – 9/04	\$30,000.00
18)	Twins Access Road	8/03 – 12/03	\$60,000.00
19)	OWS Systems Env. 4, & 6	4/04 – 5/04	\$168,000.00
20)	Fire Well & Controls / Booster Pumps #9 & 10	11/03 – 12/03	\$175,000.00
21)	Potable Wells / Pump Houses & Equipment (#1,2,3)	10/03 – 12/03	\$495,000.00

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● Page 3

[TIME]

22)	Repair Stream Crossing – 4 Locations	in-house	\$-0-
23)	Woody Creek Road Repair / Stabilization	8/03 – 10/03	\$10,000.00
24)	Relocate 2600 yds. Topsoil to village	9/03 – 10/03	\$9,310.00
25)	Main Village Landscaping	9/03 – 10/04	\$205,000.00
26)	Road Screening & County Req. (trees & irrigation)	4/04 – 10/04	\$95,000.00
27)	Water Engineering Fees (McLaughlin)		\$75,000.00
28)	Water Attorney Fees (Kevin Patrick)		\$100,000.00
29)	1041 Amendment Processing		\$20,000.00
30)	Misc. Consultants (i.e. Wetlands, Attorney etc.)		\$40,000.00
31)	Conger Architects Hourly Fees Projection		\$133,000.00
32)	Mandron Group – Owners Representative		\$186,000.00
33)	Mike Mohr Assoc. (Landscape Architecture)		\$135,000.00
SUB-TOTAL			\$13,910,500.00

The following represents projects which are considered on hold.

1)	Sam & Cheryl Wyly Residence	estimate	\$2,100,000.00
	Architects Fee	estimate	\$210,000.00
	Landscaping	estimate	\$147,000.00
	Access to Env. #5 & Gate	estimate	\$100,000.00
	Sam's Bridge	estimate	\$175,000.00
	OWS system #5	estimate	\$84,000.00
2)	Evan & Barb Wyly Residence	estimate	\$1,750,000.00
	Architects Fee	estimate	\$175,000.00
	Landscaping	estimate	\$61,250.00
3)	Village Greenhouse	estimate	\$180,000.00
4)	People Spaces (landscaping / walking trails)	estimate	\$40,000.00
5)	Circle R Windmill	estimate	\$10,000.00
6)	Gypsy Wagon	estimate	\$185,000.00
7)	Upper Ranch Pond (drought mitigation)	estimate	\$550,000.00

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Subcommittee on Investigations

● Page 4

[TIME]

8)	Upper Field Irrigation (340,000 sf.)	estimate	\$85,000.00
9)	Energy Systems (Solar Sculpture – 2006)	estimate	\$1,050,000.00
10)	Potable Water/Pump Houses & Equipment (2 ea.)	estimate	\$200,000.00
11)	Elliott Residence		
A) Phase Two Landscaping & Related Work			
a.	Pool	estimate	\$100,000.00
b.	Spa	estimate	\$50,000.00
c.	Upper Creek	estimate	\$50,000.00
d.	Solar System	estimate	\$25,000.00
e.	Landscape (plants & irrigation)	estimate	\$40,000.00
	Sub-Total Phase Two		\$265,000.00
	SUB-TOTAL		\$7,367,250.00

TOTAL (INCLUDING ALL "ON HOLD" PROJECTS) \$21,277,750.00

Notes: 1) ANNUAL RANCH MAINTAINANCE HAS NOT BEEN ESTIMATED

2) Matthews's main residence has not been estimated at this time nor has the projected start date for this project been set.

If you have any questions, or if I can be of any further assistance please contact me at (970)

Thank you,

Robert Mandich

Manager

Confidential
SEC_ED00003208

BST ED00003208

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, June 17, 2004 6:36 AM
To: Margot MacInnis [REDACTED]
Subject: Fw: Rosemary's Ranch

I talked to Jana yesterday and she said all of these adjustments have been made on our books . If you have any specific questions it would probably be best to call her directly.

Thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 06/17/04 07:51 AM -----

"Michelle Boucher" <[REDACTED]>
04/05/04 11:23 AM

To: <jfrederick[REDACTED]> <khennington@[REDACTED]>
cc
"Margot MacInnis" <mmacinnis@[REDACTED]>
Subject
Rosemary's Ranch

FYI,

From discussions last week, Kelly advised the following re: RMR
- the Natal Cabin and the Bunk House are actually the same building, so we should adjust the TR classifications accordingly and merge them.
- Nowry Barn - this was taken down and plans were to resurrect it elsewhere on the property. The materials were not in good enough shape to be able to do that so they couldn't. However, many of the beams from the old barn have been used in construction of some of the other buildings/houses. A decision should be made whether to attribute the cost of those beams (or equivalent FMV) to the individual houses or not, and the balance of the cost of the Nowry Barn should be expenses/allocated to another line item. I think we need to follow up with the Wyls to confirm treatment and adjust.
- Gypsy Wagon - this project should move forward shortly. Margot - on our allocations, the costs should be fully allocated to S&C Wyls.
Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1097

Confidential
SEC_ED00014742

DOI ED00014742



THIS DATA IS FOR INFORMATIONAL PURPOSES ONLY

CERTIFICATION CAN ONLY BE OBTAINED THROUGH THE ISSUING GOVERNMENT
AGENCY

COLORADO DEPARTMENT OF STATE

Company Name: ROSEMARY'S CIRCLE R RANCH WEST, LLC

Business Address:

3448 WOODY CREEK ROAD
WOODY CREEK, CO 81656-7852

Type: DOMESTIC LIMITED LIABILITY COMPANY

Status: GOOD

Filing Date: 9/14/1999

Duration: PERPETUAL

State or Country of Incorporation: COLORADO

Registered Agent: OATES, KNEZEVICH & GARDENSWARTZ, P.

Registered Office:

533 E HOPKINS AVE 3RD FLOOR
ASPEN, CO 81611

Corporation Number: 19991171541

Annual Report:

Date Filed: 9/3/2003

Number: 20031281941

Date Filed: 9/9/2002

Number: 20021248419

History:

File Date: 9/14/1999

Type: ARTICLES OF INCORPORATION

Transaction: ROCKY MOUNTAIN SERENITY RANCH II, LLC

<http://www.nexis.com/research/search>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1098

05/11/2004

S 4562

Document Number: 19991171541

File Date: 4/18/2000

Type: CORPORATION HAS CHANGED ITS NAME (THE OLD NAME IS ON THIS LINE)

Transaction: ROCKY MOUNTAIN SERENITY RANCH II, LLC

Document Number: 20001078124

File Date: 8/17/2001

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 09/01/2001 - 11/30/2001

File Date: 11/5/2001

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: CORP REPORT

Document Number: 20011212282

File Date: 8/15/2002

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 09/01/2002 - 11/30/2002

File Date: 9/9/2002

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: CORP REPORT

Document Number: 20021248419

File Date: 7/1/2003

Type: CORPORATION HAS CHANGED ITS NAME (THE OLD NAME IS ON THIS LINE)

Transaction: TWO MILE RANCH II, LLC

Document Number: 20031213230

File Date: 8/13/2003

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 09/01/2003 - 11/30/2003

File Date: 9/3/2003

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985

CORPORATE REPORTS)

Transaction: CORP REPORT

Document Number: 20031281941

THIS DATA IS FOR INFORMATIONAL PURPOSES ONLY
CERTIFICATION CAN ONLY BE OBTAINED THROUGH THE ISSUING GOVERNMENT
AGENCY

COLORADO DEPARTMENT OF STATE

Company Name: ROSEMARY'S CIRCLE R RANCH EAST, LLC

Business Address:
3448 WOODY CREEK RD
WOODY CREEK, CO 81656

Type: DOMESTIC LIMITED LIABILITY COMPANY

Status: GOOD

Status Date: 2/1/2002

Filing Date: 9/14/1999

Duration: PERPETUAL

State or Country of Incorporation: COLORADO

Registered Agent: OATES, KNEZEVICH & GARDENSWARTZ, P.

Registered Office:
533 E HOPKINS AVE 3RD FLOOR
ASPEN, CO 81611

Corporation Number: 19991171540

Annual Report:
Date Filed: 9/3/2003
Number: 20031281923

Date Filed: 2/8/2002
Number: 20021031152

History:
File Date: 9/14/1999
Type: ARTICLES OF INCORPORATION
Transaction: ROCKY MOUNTAIN SERENITY RANCH I, LLC

Document Number: 19991171540

File Date: 4/18/2000

Type: CORPORATION HAS CHANGED ITS NAME (THE OLD NAME IS ON THIS LINE)

Transaction: ROCKY MOUNTAIN SERENITY RANCH I, LLC

Document Number: 20001078122

File Date: 8/17/2001

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 09/01/2001 - 11/30/2001

File Date: 12/21/2001

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 12/31/2001 - SA 01/31/2002

File Date: 2/1/2002

Type: SUSPENDED CORPORATION

File Date: 2/8/2002

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: CORP REPORT

Document Number: 20021031152

File Date: 7/1/2003

Type: CORPORATION HAS CHANGED ITS NAME (THE OLD NAME IS ON THIS LINE)

Transaction: TWO MILE RANCH I, LLC

Document Number: 20031213229

File Date: 8/13/2003

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: PR - 09/01/2003 - 11/30/2003

File Date: 9/3/2003

Type: STATEMENT OF OLDER CORPORATION REPORT (BEGINNING WITH 1985 CORPORATE REPORTS)

Transaction: CORP REPORT

Document Number: 20031281923

TWO MILE RANCH LIMITED		as of 12-31-03	
		COST	FMV
Two Mile Ranch Ltd Investment in Two Mile Ranch Mgmt Trust:		38,385,000	36,714,671
Underlying Assets of Trust:			
Two Mile Ranch I, LLC and Two Mile Ranch II, LLC			
Assets:			
Cash			1,983,212
Other			526,315
Real Estate			34,205,144
Total:			36,714,671
* No Liabilities			

(Two Mile Ranch Management Trust is owned 99% by Two Mile Ranch Limited.)

(Two Mile Ranch I, LLC and Two Mile Ranch II, LLC are owned 100% by Two Mile Ranch Mgmt Trust.)

K. D. King
6/18/04

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1099

CONFIDENTIAL
SEC100028145
PSI00040012

4637

4771145504

AGREEMENT OF TRUST AMENDMENT

TO THE

TWO MILE RANCH MANAGEMENT TRUST
[FORMERLY THE WOODY CREEK MANAGEMENT TRUST]

The following individual assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions: Rodney J. Owens, Esq.

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

901 Main Street, Suite 3700
Dallas, Texas 75202-3792
(214) 744-3700
(800) 451-0093

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1099

**AGREEMENT OF TRUST AMENDMENT
TO THE
TWO MILE RANCH MANAGEMENT TRUST**

This Agreement of Trust Amendment is entered into between TWO MILE RANCH, LIMITED, an Isle of Man corporation (formerly WOODY CREEK RANCH, LIMITED), and SAM WYLY (referred to herein as the initial Co-Grantors or Grantors) and MICHAEL C. FRENCH and SHARYL ROBERTSON ("Co-Trustees") in order to amend specific terms and provisions of THE WOODY CREEK MANAGEMENT TRUST, created by Trust Agreement dated October 1, 1999, pursuant to the retained powers of Grantors to amend such Trust under Section 1.8 of Article I of such Trust Agreement.

ARTICLE I.

AMENDMENT OF TRUST

1.1. **Change of Name of Trust.** Settlers hereby delete the existing Section 1.1 and add the following new section 1.1 of Article I of the Trust Agreement:

"1.1. **Name of Trust.** The name of the Trust shall be THE TWO MILE RANCH MANAGEMENT TRUST, and will, for convenience, be referred to at times in this Agreement as the "Trust" unless a more specific trust is indicated."

ARTICLE II.

CONFIRMATION OF TRUST AGREEMENT

2.1. **Ratification, Confirmation and Approval of Trust Agreement.** Grantors hereby ratify, confirm, adopt and approve all of the remaining provisions of THE TWO MILE RANCH MANAGEMENT TRUST, created by Trust Agreement dated October 1, 1999.

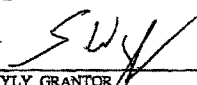
2.2. Binding Effect. This Agreement of Trust Amendment shall extend to and be binding upon all heirs, executors, administrators, Trustees, legal representatives and successors, respectively, of the Parties to this Agreement.

2.3. Effective Date. This Agreement is executed on the dates set opposite the signatures hereinbelow, but is effective as of April 20, 2000.

DATE

SIGNATURE

April 27, 2000


 SAM E. WILY, GRANTOR

 TWO MILE RANCH, LIMITED,
 GRANTOR

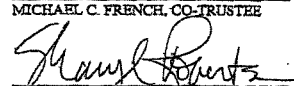
May 12, 2000

By:


 Authorized Officer

MICHAEL C. FRENCH, CO-TRUSTEE

April 25, 2000


 SHARYL ROBERTSON, CO-TRUSTEE

April 25, 2000

223937

4640

09/13/2004 08:45 2148804107

HIGHLAND STARGATE

PAGE 01/04

AGREEMENT OF TRUST AMENDMENT

TO THE

ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
[FORMERLY TWO MILE RANCH MANAGEMENT TRUST]
[FORMERLY THE WOODY CREEK MANAGEMENT TRUST]

The following individual assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions: Rodney J. Owens, Esq.

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

901 Main Street, Suite 3700
Dallas, Texas 75202-3792
(214) 744-3700
(800) 451-0093

SEP 13 2004 08:45
Confidential Treatment Requested

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1099

09094107

PAGE 01

BA 062051

**AGREEMENT OF TRUST AMENDMENT
TO THE
ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST**

This Agreement of Trust Amendment is entered into between ROSEMARY'S CIRCLE R RANCH, LIMITED, an Isle of Man corporation (formerly TWO MILE RANCH, LIMITED and WOODY CREEK RANCH, LIMITED), and SAM WYLY (referred to herein as the initial Co-Grantors or Grantors) and LISA LYN WYLY and KELLY WYLY ELLIOTT ("Co-Trustees") in order to amend specific terms and provisions of THE TWO MILE RANCH MANAGEMENT TRUST, created by Trust Agreement dated October 1, 1999, as amended from time to time, pursuant to the retained powers of Grantors to amend such Trust under Section 1.8 of Article I of such Trust Agreement.

ARTICLE I.

AMENDMENT OF TRUST

1.1. Change of Name of Trust. Settlors hereby delete the existing Section 1.1 and add the following new section 1.1 of Article I of the Trust Agreement:

"1.1. Name of Trust. The name of the Trust shall be THE ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST, and will, for convenience, be referred to at times in this Agreement as the "Trust" unless a more specific trust is indicated."

ARTICLE II.

CONFIRMATION OF TRUST AGREEMENT

2.1. Ratification, Confirmation and Approval of Trust Agreement. Grantors hereby ratify, confirm, adopt and approve all of the remaining provisions of

THE ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST, created by Trust Agreement dated October 1, 1999, as amended.

2.2. Binding Effect. This Agreement of Trust Amendment shall extend to and be binding upon all heirs, executors, administrators, Trustees, legal representatives and successors, respectively, of the Parties to this Agreement.

2.3. Effective Date. This Agreement is executed on the dates set opposite the signatures hereinbelow, but is effective as of 7/1/, 2003.

DATE

SIGNATURE

4/27, 2003

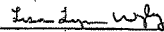

SAM E. WYLY, GRANTOR

ROSEMARY'S CIRCLE R RANCH,
LIMITED, GRANTOR

_____, 2003

By: _____
Authorized Officer

10/16, 2003


LISA LYN WYLY, CO-TRUSTEE

10/16, 2003


KELLY WYLY-ELIOTT, CO-TRUSTEE

285171

THE ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST, created by Trust Agreement dated October 1, 1999, as amended.

2.2. **Binding Effect.** This Agreement of Trust Amendment shall extend to and be binding upon all heirs, executors, administrators, Trustees, legal representatives and successors, respectively, of the Parties to this Agreement.

2.3. **Effective Date.** This Agreement is executed on the dates set opposite the signatures hereinbelow, but is effective as of _____, 2003.

DATE

SIGNATURE

_____, 2003

SAM E. WYLY, GRANTOR

ROSEMARY'S CIRCLE R RANCH,
LIMITED, GRANTOR

30 November, 2003

By: [Signature]
Authorized Officer, M. BENSON
DIRECTOR

_____, 2003

Lisa Lyn Wyly
LISA LYN WYLY, CO-TRUSTEE

2003

Kelly Wylly Elliott
KELLY WYLY ELLIOTT, CO-TRUSTEE

285171

4644

FROM THE DESK OF
KEELEY HENNINGTON

Put in
file

Shari -
for your
files
Keeley

AGREEMENT FOR THE APPOINTMENT
OF ADDITIONAL TRUSTEES AND FOR THE
RESIGNATION OF THE EXISTING TRUSTEES OF
THE TWO MILE RANCH MANAGEMENT TRUST

The following individual assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions: Rodney J. Owens, Esq.

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

901 Main Street, Suite 3700
Dallas, Texas 75202-3792
(214) 744-3700
(800) 451-0093

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1099

SR 0001069

**AGREEMENT FOR THE APPOINTMENT
OF ADDITIONAL TRUSTEES AND FOR THE
RESIGNATION OF THE EXISTING TRUSTEES OF
THE TWO MILE RANCH MANAGEMENT TRUST**

This Agreement for the Appointment of Additional Trustees and for the Resignation of the Existing Trustees ("Agreement") is executed by and among TWO MILE RANCH, LTD., an Isle of Man corporation, SAM E. WYLY, collectively referred to as the initial "Co-Grantors", SHARYL ROBERTSON and MICHAEL C. FRENCH (the "Resigning Trustees") and LISA LYN WYLY and KELLY WYLY ELLIOTT ("Successor Trustees"), in order for the Co-Grantors to exercise their retained power to appoint additional Trustees of the Trust, specified below, and for the Resigning Trustees to resign as Trustees of the Trust on the terms and provisions as contained in this Agreement.

1. **Prior Creation of Trust.** The initial Co-Grantors established and created THE TWO MILE RANCH MANAGEMENT TRUST ("Management Trust") pursuant to a written Trust Agreement effective October 1, 1999, between the initial Co-Grantors and initial Trustee, and first amended by the Agreement of Trust Amendment to the Two Mile Ranch Management Trust dated effective April 20, 2000 (the "Trust Agreement").

2. **Power to Appoint Additional Trustees.** The Co-Grantors retained the power to appoint additional Trustees of the Trust pursuant to Section 1.5(a) of the Management Trust.

3. **Co-Grantors' Appointment of Additional Trustee.** The Co-Grantors hereby appoint LISA LYN WYLY ("LISA") and KELLY WYLY ELLIOTT ("KELLY") as successor Trustees of the Trust. LISA and KELLY each hereby acknowledge the Co-Grantors' appointment of them as successor Trustees of the Trust and, by their signatures below, each agrees to such appointment. Furthermore, LISA and KELLY hereby agree to be bound by the terms and provisions of the Trust Agreement.

4. **Power to Resign as Trustees.** The Trustees have the power to resign as Trustees of the Trust pursuant to Section 4.4 of the Trust Agreement.

5. **Resignation of Sharvl Robertson.** SHARYL ROBERTSON hereby resigns as Trustee of the Trust pursuant to the terms and provisions of the Trust Agreement.

6. **Resignation of Michael C. French.** MICHAEL C. FRENCH hereby resigns as Trustee of the Trust pursuant to the terms and provisions of the Trust Agreement.

7. **Notice of Resignation.** This Agreement shall hereby serve as the required notice of resignation provided in Section 4.4(a) of the Trust Agreement. Grantors each hereby acknowledge the Trustees resignation as successor Trustees of the Trust and, by their signatures below, each agrees to such resignation.

This Agreement shall be binding upon Co-Grantors, the Resigning Trustees, the Successor Trustees, the Management Trust and its Beneficiaries, and the heirs, executors, administrators, legal representatives and successors of these individuals and entities.

4646

DATES

8/14, 2002

11 OCTOBER, 2002

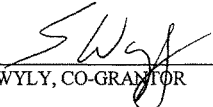
8/29, 2002

8/29, 2002

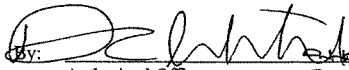
9/4, 2002

9/4, 2002

SIGNATURES

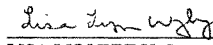

SAME E. WYLY, CO-GRANTOR


TWO MILE RANCH, LTD., CO-GRANTOR

By: 
Authorized Officer ROBERT H. BENBERT
DIRECTOR


SHARYL ROBERTSON, Resigning Trustee


MICHAEL C. FRENCH, Resigning Trustee


LISA LYN WYLY, Successor Trustee


KELLY WYLY ELLIOTT, Successor Trustee

254686

4647

— = Redacted by the Permanent
Subcommittee on Investigations

**TWO MILE RANCH
MANAGEMENT TRUST**

October 28, 2002

Internal Revenue Service
Ogden, UT 84201-0046

RE: Two Mile Ranch Management Trust
EIN [REDACTED]
LTR [REDACTED]

We received an inquiry as to the correct name for EIN 75-6559106. The original name was Woody Creek Ranch Management Trust. The name was changed to Two Mile Ranch Management Trust during 2001. The change was noted on Form 8800 and Form 1041 (copies are enclosed).

In addition the trustee has been changed from Sharyl Robertson to Lisa Wyly and Kelly Elliott as co-trustees.

Please update your records to reflect these changes.

Sincerely,

Stacey Wittrup
CPA for the Taxpayer

Enc.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1099

Confidential
SEC_ED00018641

PSI ED00018641

4648

DUPLICATE FOR FILE

No. 97427C



GENERAL REGISTRY
ISLE OF MAN

INC
30/3/99

Certificate of Incorporation

I CERTIFY that WOODY CREEK RANCH LIMITED

is this day incorporated under the COMPANIES
ACT 1931 to 1993 and that the Company is Limited.

This 30th day of September 19 99

Deputy Assistant Chief Registrar
General Registry

Certificate received

by: *AMUCN*

Date: 10-99

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1100

Company number:

47427-3

①

30/3/99

THE COMPANIES ACTS 1931 TO 1993

**Statement of first directors and secretary
and intended situation of registered office**

Pursuant to sections 20 and 22 (1) and (2) of the Companies Act 1982 as amended by section 36 (1) of the Companies Act 1986

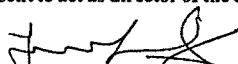
Name of company:

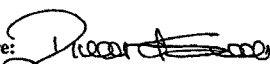
Woody Creek Ranch Limited

The intended situation of the registered office of the company on incorporation is as stated below:12-14 Finch Road
Douglas
Isle of Man
IM1 2SA**If the memorandum is delivered by an agent for the subscribers of the memorandum, please mark 'X' in the box opposite and insert the agent's name and address below.**☐**If the spaces provided on page 2 are insufficient and use has been made of continuation sheets, please enter in the box opposite the number of continuation sheets which form part of this statement.**☐**Presented by:**Trident Trust Company (I.O.M.) Limited
P O Box 175
12-14 Finch Road
Douglas
Isle of Man
IM99 1TT

4650

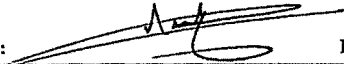
The name(s) and particulars of the person who is, or the persons who are, to be the first director or directors of the company are as follows:

Name: Francis Webb	Business occupation: Manager - Trust & Corporate Department
Former name(s):	Nationality (and nationality of origin if other than the present nationality):
Address: 2 Rheast Bridson Peel Isle of Man	British
Particulars of other directorships:	
I hereby consent to act as director of the company named on page one.	
Signature: 	Date: 29 September 1999

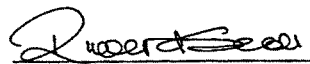
Name: Richard Scott	Business occupation: Economist
Former name(s):	Nationality (and nationality of origin if other than the present nationality):
Address: The Old Farmhouse Queens Road Port St Mary Isle of Man	British
Particulars of other directorships:	
I hereby consent to act as director of the company named on page one.	
Signature: 	Date: 29 September 1999

4651


The name(s) and particulars of the person who is, or the persons who are, to be the first secretary, or joint secretaries, of the company are as follows.

The present christian name or names and surname: Gordon John Mundy	
Any former christian name or names and surname:	
Address: 48 Selbourne Drive Douglas Isle of Man	
I hereby consent to act as secretary of the company named on page one.	
Signature: 	Date: 29 September 1999

Signed on behalf of the subscriber of the memorandum:


Richard Scott
for and on behalf of
Trident Nominees (I O.M.) Limited
Subscriber

Date: 29 September 1999

DOCUMENT PROCESSED	
INITIAL	DATE
	30-9-99

4652



No 097427C

Ref 115852N

10

FINANCIAL SUPERVISION COMMISSION

COMPANIES REGISTRY
ISLE OF MAN

*Approval of Change of Name
of a Company*

THE FINANCIAL SUPERVISION COMMISSION APPROVES, pursuant to Section
19 of the Companies Acts 1931, of

WOODY CREEK RANCH LIMITED

changing its name to

Two Mile Ranch Limited

This 12TH day of APR 2000

Assistant Supervisor



4653



No: 97427C

DUPLICATE FOR FILE

FINANCIAL SUPERVISION COMMISSION
ISLE OF MAN

Certificate of Change of Name

THE FINANCIAL SUPERVISION COMMISSION hereby certify that pursuant to the Companies Acts 1931 to 1993

WOODY CREEK RANCH LIMITED

has, by SPECIAL RESOLUTION, and with the approval of the FINANCIAL SUPERVISION COMMISSION, changed its name and is now called

Two Mile Ranch Limited

This 14th day of April 2000

Assistant Supervisor
Companies Registry

Certificate received by:

Date: *14 April 2000*

14 April 2000

Woody Creek Management Trust			
December 31, 1999	Shs/Face	Book	FMV
ASSETS			
Cash		599,968	599,968
Rocky Mountain Serenity Ranch, I		5,600,000	5,592,580
Rocky Mountain Serenity Ranch, I		5,600,000	5,592,014
TOTAL ASSETS		11,799,968	11,784,561
LIABILITIES			
		0	0
TOTAL LIABILITIES		0	0
CAPITAL			
Sam Wylie	1%		114,846
Woody Creek Ranch, Ltd.	99%		11,669,715
TOTAL CAPITAL			
TOTAL LIABILITIES & CAPITAL			

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1101

CONFIDENTIAL
 SEC100033747
 PSI00045614

WOODY CREEK RANCH MANAGEMENT TRUST
WORKING TRIAL BALANCE
12/31/00

ACCOUNT	BALANCE @ 12/31/00	DEBIT	CREDIT	ADJUSTED BALANCE @ 12/31/00
Cash - Bank of America	65,550.10			65,550.10
Limited Partnerships	12,998,950.61		198,694.46 3	12,601,144.71
Mark to Market - Ltd P/S	(534,236.80)	534,236.80 2	199,111.44 4	-
Total Assets	12,530,263.91	534,236.80	397,805.90	12,666,694.81
Capital	(13,052,934.57)	1,049.39	12,658.43 2	(13,064,543.61)
Total Liab & Cap Net	(13,052,934.57)	1,049.39	12,658.43	(13,064,543.61)
	(522,670.66)	535,266.19	410,464.33	(397,848.80)
Interest Income			4,544.23 3	(9,091.52)
Partnership Income			4,547.29 4	
			2,710.00 3	(5,420.00)
Short Term Capital Loss		109.44 3	2,710.00 4	218.89
Unrealized Capital Gain/Loss	521,578.37	109.45 4	521,578.37 2	-
	1,049.39		1,049.39 1	-
Total Income	522,627.76	218.89	537,139.28	(14,292.63)
Bank Charges	42.90			42.90
Portfolio Deductions		1,603.94 3		3,202.33
		1,598.39 4		
Non Deductible Expenses		204,235.31 3		408,896.20
		204,660.89 4		
Total Expenses	42.90	412,098.53	-	412,141.43
Net Income	522,670.66	412,317.42	537,139.28	397,848.80
Grand Total	(0.00)	947,603.61	947,603.61	(0.00)
Reconciliation:				
Two Mile Ranch I	6,300,913.62			
Two Mile Ranch II	6,300,231.09			
	12,601,144.71			

p:\tax\two mile ranch\FILE\TB

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1102

Confidential
SEC_ED00063562

PSI_ED00063562

4656

WOODY CREEK RANCH MANAGEMENT TRUST
ADJUSTING JOURNAL ENTRIES
12/31/00

DESCRIPTION	ACCOUNT	DEBIT	CREDIT
(1)			
Capital		1,049.39	
Prior Year Tax/Acct Adj			1,049.39
(to reclass prior year adjustments - TAX ONLY)			
(2)			
Mark to Market		534,236.80	
Unrealized Capital Gain/Loss			521,578.37
Capital (py mark to market)			12,658.43
(to remove unrealized accts - TAX ONLY)			
(3)			
Limited Partnerships/Two Mile Ranch I	120500		198,694.46
Interest Income	888100		4,544.23
Short Term Capital Loss	888100	109.44	
Partnership Income	888100		2,710.00
Portfolio Deductions	888100	1,603.94	
Non Deductible Expenses	888100	204,235.31	
(to record Two Mile Ranch I activity)			
(4)			
Limited Partnerships/Two Mile Ranch II	120500		199,111.44
Interest Income	888100		4,547.29
Short Term Capital Loss	888100	109.45	
Partnership Income	888100		2,710.00
Portfolio Deductions	888100	1,598.39	
Non Deductible Expenses	888100	204,660.89	
(to record Two Mile Ranch II activity)			
		947,603.61	947,603.61

p:/tax/two mile ranch/[FILE]/AJE

Confidential
SEC_ED00063563

PSI ED00063563

WOODY CREEK RANCH MANAGEMENT TRUST
CAPITAL PROGRESSION
12/31/00

		Beginning Balance	Contrib	Income	Ending Balance
Woody Creek Ranch Limited	99%	12,933,919		(393,871)	12,540,048
Sam Wylie	1%	130,625		(3,978)	126,647
		13,064,544	-	(397,849)	12,666,695

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Two Mile Ranch Management Trust			
January 31, 2001			
	Shs/Face	Book	FMV
ASSETS			
Cash		68,568	68,568
Two Mile Ranch I		6,649,608	6,375,369
Two Mile Ranch II		6,649,342	6,374,835
TOTAL ASSETS		13,367,518	12,818,772
LIABILITIES			
		0	0
TOTAL LIABILITIES		0	0
CAPITAL			
Sam Wyly	1%		128,157
Woody Creek Ranch, Ltd.	99%		12,690,615
TOTAL CAPITAL			12,818,772
TOTAL LIABILITIES & CAPITAL			12,818,772

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1102

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05-16-03
 PG.5
 WYLY FAMILY
 CAPITAL ACCOUNT ACTIVITY REPORT
 YEAR TO DATE 2002
 Two Mile Ranch Management Tr.
 ENTITY: WOODTR

SELECTION: WITH ENTITY = "WOODTR"
 SORT OPTION: BY ENTITY, PARTNER

PARTNER	TCODE	DATE	TRN NO	UNITS	BOOK CAPITAL	TAX CAPITAL	INT INCOME	INT EXP/FEE
1DS Sam Wyly (before 5/11)	BEGINNING BALANCE			0.000000	226,751.26	232,547.80		
NAV Allocation	PNA	01-31-02	31803		-96.31	0.00		
NAV Allocation	PNA	02-28-02	33102		-343.71	0.00		
NAV Allocation	PNA	03-31-02	33106		-733.95	0.00		
NAV Allocation	PNA	04-30-02	34699		-231.01	0.00		
Contribution	PCC	05-30-02	34801		40,404.04	40,404.04		
NAV Allocation	PNA	05-31-02	35272		-172.17	0.00		
NAV Allocation	PNA	06-30-02	35765		-714.38	0.00		
NAV Allocation	PNA	07-31-02	36772		-859.57	0.00		
NAV Allocation	PNA	08-31-02	37835		-371.82	0.00		
NAV Allocation	PNA	09-30-02	38483		-383.73	0.00		
Contribution	PCC	10-22-02	38863		25,252.52	25,252.52		
NAV Allocation	PNA	10-31-02	39720		-447.91	0.00		
NAV Allocation	PNA	11-30-02	40634		-286.43	0.00		
NAV Allocation	PNA	12-31-02	41354		-238.72	0.00		
	NET ACTIVITY			0.000000	60,776.85	65,656.56	0.00	0.00
	BALANCE			0.000000	287,528.11	298,204.36	0.00	0.00
WOODCR Two Mile Ranch Limited	BEGINNING BALANCE			0.000000	21,459,679.10	22,035,000.00		
NAV Allocation	PNA	01-31-02	31803		-9,114.79	0.00		
NAV Allocation	PNA	02-28-02	33102		-32,528.84	0.00		
NAV Allocation	PNA	03-31-02	33106		-69,460.87	0.00		
NAV Allocation	PNA	04-30-02	34699		-21,862.98	0.00		
Contribution	PCC	05-30-02	34801		4,000,000.00	4,000,000.00		
NAV Allocation	PNA	05-31-02	35272		-16,407.80	0.00		
NAV Allocation	PNA	06-30-02	35765		-68,082.11	0.00		
NAV Allocation	PNA	07-31-02	36772		-81,919.03	0.00		
NAV Allocation	PNA	08-31-02	37835		-35,435.69	0.00		
NAV Allocation	PNA	09-30-02	38483		-36,570.55	0.00		
Contribution	PCC	10-22-02	38863		2,500,000.00	2,500,000.00		
NAV Allocation	PNA	10-31-02	39720		-42,832.38	0.00		
NAV Allocation	PNA	11-30-02	40634		-27,390.38	0.00		
NAV Allocation	PNA	12-31-02	41354		-22,828.01	0.00		
	NET ACTIVITY			0.000000	6,035,566.57	6,500,000.00	0.00	0.00
	BALANCE			0.000000	27,495,245.67	28,535,000.00	0.00	0.00
TOTAL WOODTR	CURRENT BALANCE			0.000000	27,782,773.78	28,833,204.36	0.00	0.00
	CURRENT PERCENT				100.000000%	100.000000%		

Permanent Subcommittee on Investigations
 EXHIBIT #66 - FN 1102

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ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
WORKING TRIAL BALANCE
12/31/02

ACCOUNT	BALANCE 12/31/02	DEBIT	CREDIT	ADJUSTED BALANCE 12/31/02
Cash - Bank of America	952,424.04			952,424.04
Limited Partnerships	36,776,866.27			36,776,866.27
Mark to Market - Ltd P/S	(634,169.39)	634,169.39	2	-
Total Assets	37,095,120.92	634,169.39		37,095,120.92
Capital	(37,732,268.66)	449,304.84	2	(37,729,410.31)
Total Liab & Cap	(37,732,268.66)	449,304.84		(37,729,410.31)
Net	(637,147.74)	1,083,474.23		(637,160.86)
Interest Income			3,4	-
Dividend Income			1,705.48	(1,705.48)
Partnership Income			-	-
Short Term Capital Loss			-	-
Unrealized Capital Gain/Loss	187,722.90		187,722.90	-
Miscellaneous Income	-			-
Prior Year tax/acc adj	449,304.84		449,304.84	-
Total Income	637,027.74	-	638,733.22	(1,705.48)
Bank Charges				120.00
Postage	120.00			-
Portfolio Deductions		2,858.32	3,4	2,858.32
Real Estate Tax		25,470.08	3,4	25,470.08
Charitable Contributions		-	3,4	-

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Non Deductible Expenses		610,417.94	3.4	610,417.94
Total Expenses	120.00	638,746.34	-	638,866.34
Net Income	637,147.74	638,746.34	638,733.22	637,160.86
Grand Total	0.00	1,722,220.57	1,722,220.57	0.00
Reconciliation:				
Rosemary Ranch East	18,049,882.86			
Rosemary Ranch West	18,089,942.75			
	36,139,825.61			

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ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
 ADJUSTING JOURNAL ENTRIES
 12/31/02

DESCRIPTION	ACCOUNT	DEBIT	CREDIT
(1)			
Capital		449,304.84	
Prior Year Tax/Acct Adj			449,304.84
(to reclass prior year adjustments - TAX ONLY)			
(2)			
Mark to Market		634,169.39	
Unrealized Capital Gain/Loss			187,722.90
Capital (py mark to market)			446,446.49
(to remove unrealized accts - TAX ONLY)			
(3)			
Limited Partnerships/Ranch East	120500		328,137.77
Interest Income	888100		-
Dividend Income	888100		852.74
Short Term Capital Loss	888100		-
Real Estate Tax	888100	17,225.58	
Portfolio Deductions	888100	1,429.12	
Charitable Contributions	888100	-	
Non Deductible Expenses	888100	310,335.81	
(to record Rosemary Ranch East activity)			
(4)			
Limited Partnerships/Ranch West	120500		308,903.09
Interest Income	888100		-
Dividend Income	888100		852.74
Short Term Capital Loss	888100		-
Real Estate Tax	888100	8,244.50	
Portfolio Deductions	888100	1,429.20	
Charitable Contributions	888100	-	
Non Deductible Expenses	888100	300,082.13	
(to record Rosemary Ranch West activity)			

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<u>1,722,220.57</u>	<u>1,722,220.57</u>
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ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
CAPITAL PROGRESSION
12/31/02

		Beginning Balance	Contrib	Income	Ending Balance
Woody Creek Ranch Limited	99%	27,492,232	9,850,000	(630,790)	36,711,442
Sam Wylie	1%	287,684	99,495	(6,371)	380,808
		27,779,916	9,949,495	(637,161)	37,092,250

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ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
WORKING TRIAL BALANCE
12/31/04

ACCOUNT	BALANCE 12/31/04	DEBIT	CREDIT	ADJUSTED BALANCE 12/31/04
Cash - Bank of America	46,081.37			46,081.37
Limited Partnerships	44,419,825.41			44,419,825.41
Mark to Market - Ltd P/S	(990,455.62)	990,455.62		-
Total Assets	43,475,451.16	990,455.62	990,455.65	43,475,451.13
Capital	(44,468,858.25)	637,040.86	634,169.39	(44,465,986.78)
Total Liab & Cap	(44,468,858.25)	637,040.86	634,169.39	(44,465,986.78)
Net	(993,407.09)	1,627,496.48	1,624,625.04	(990,535.65)
Interest Income			-	-
Dividend Income			3,635.19	3,635.19
Partnership Income			-	-
Short Term Capital Loss			-	-
Unrealized Capital Gain/Loss	356,286.23	-	356,286.23	-
Miscellaneous Income	-		-	-
Prior Year tax/acct adj	637,040.86		637,040.86	-
Total Income	993,327.09	-	996,962.28	(3,635.19)
Bank Charges	80.00			80.00
Postage				-
Portfolio Deductions		2,024.72	3.4	2,024.72
Real Estate Tax		12,295.64	3.4	12,295.64
Charitable Contributions		-	3.4	-

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Non Deductible Expenses	979,770.48	3,4	979,770.48
Total Expenses			
Net Income	80.00	994,090.84	994,170.84
Grand Total	993,407.09	994,090.84	990,535.65
	(0.00)	2,621,587.32	(0.00)
		2,621,587.32	
Reconciliation:			
Rosemary Ranch East	21,685,420.68		
Rosemary Ranch West	21,743,949.08		
	<u>43,429,369.76</u>		

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**ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
ADJUSTING JOURNAL ENTRIES
12/31/04**

DESCRIPTION	ACCOUNT	DEBIT	CREDIT
(1)			
Capital		637,040.86	
Prior Year Tax/Acct Adj			637,040.86
(to reclass prior year adjustments - TAX ONLY)			
(2)			
Mark to Market		990,455.62	
Unrealized Capital Gain/Loss			356,286.23
Capital (py mark to market)			634,169.39
(to remove unrealized accts - TAX ONLY)			
(3)			
Limited Partnerships/Ranch East	120500		504,461.98
Interest Income	888100		-
Dividend Income	888100		1,817.59
Short Term Capital Loss	888100		-
Real Estate Tax	888100	11,077.82	
Portfolio Deductions	888100	1,012.52	
Charitable Contributions	888100	-	
Non Deductible Expenses	888100	494,189.23	
(to record Rosemary Ranch East activity)			
(4)			
Limited Partnerships/Ranch West	120500		485,993.67
Interest Income	888100		-
Dividend Income	888100		1,817.60
Short Term Capital Loss	888100		-
Real Estate Tax	888100	1,217.82	
Portfolio Deductions	888100	1,012.20	
Charitable Contributions	888100	-	
Non Deductible Expenses	888100	485,581.25	
(to record Rosemary Ranch West activity)			

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<u>2,621,587.32</u>	<u>2,621,587.32</u>
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ROSEMARY'S CIRCLE R RANCH MANAGEMENT TRUST
 CAPITAL PROGRESSION
 12/31/04

		Beginning Balance	Contrib	Income	Ending Balance
Woody Creek Ranch Limited	99%	36,721,327	7,300,000	(980,631)	43,040,696
Sam Wyly	1%	370,922	73,737	(9,905)	434,755
		<u>37,092,249</u>	<u>7,373,737</u>	<u>(990,535)</u>	<u>43,475,451</u>

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Cash Availability	Cash - BOB	Cash - LB	Tails/Govt	Total	2/15/2000	2/15/2000	Committed Transactions	Green Min	Green Min
SW	2/15/2000	2/15/2000	2/15/2000	2/15/2000	2/15/2000	2/15/2000	Amazon	Green Min	March Funding
IFG							Bonds purch	Surety Bond	* see below
Morehouse	49,131		24	112,587			(DONE)	(DONE)	by 3/10
Richland	12,007	129,886							
West Carroll	253,491		334	12,636					
West Carroll	13,125	7,653		105,423					
Audubon Asset	1,105,526	9,502,792	3,977						
Yurta Fat	1,171						(5,000,000)	4,500,000	(6,300,000)
East Carroll	13,340		322	229,009					
East Baton Rouge	2,821		255	225,132					
Locke	3,636		779	276,793					
Moberly	39,099		397	205,353					
TRIDENT									
Devotion	13,948		583,924	-					
Relish	385,005		353,349	-					
Woody Creek Ranch	4,126		-	-					
Northern Tat								(5,000,000)	
Sarnia	16,605	2,327		6,504,468					
Greenbriar	138,092	823,75		1,947,463					
Dortmund	9,793	1,606,814		-					
TOTALS	2,052,319	12,193,657		9,522,094			(5,000,000)	4,500,000	(6,300,000)

* for GMTN funding, will advance money Yurta Fat to Building Trust Vehicles and they will loan to GMTN and invest in those redemption from Maverick from Vehicles to repay Yurta Fat so that LWC1 can be acquired from Devotion

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Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1104

Chapparral by 3/31	Aspen Earnest money by 2/25	Brazos	Pre-Forma Balance	Planned, Possible or Unsettled Transactions				Add'l Aspen Property 4/30 closing	Deerfield Sold to be received after 3/31
				Winston Thayer Commitment	Edinburgh Technology	Edinburgh G&I			
			154,743						
			141,893						
			266,562		(780,000)				
			127,202						
			1,109,504						
	(200,000)		2,503,963					(2,300,000)	
			242,671						
			228,207						
			283,408						
			244,880						
			597,872						1,500,000
			756,355						
			4,128						
			523,600			(1,000,000)	(1,000,000)		
(1,000,000)			986,379						
(1,000,000)									
	(250,000)								
	(250,000)								
		(200,000)			(780,000)	(1,000,000)	(1,000,000)	(2,300,000)	1,500,000
from									
Edin									
Buildlog									
RL									

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Michael's Optn exercise/sale if price > \$30	SE sale @44.25 by 3/31	LWCFL sale	Pro-forma Balance	SSW SWAP # shares (will need \$ per share if below \$20 for collateral) ** Win/they to be drawn over 2 yrs
5,100,000		(11,690,000)	154,743	154,743
			141,693	141,693
			(513,338)	(513,338)
			127,202	127,202
			1,109,504	1,109,504
			(6,386,037)	(6,386,037)
			246,671	246,671
			135,227	135,227
			28,409	28,409
	46,575,000		46,819,860	600,000
	2,497,493	11,690,000	16,285,365	
			736,355	
			4,128	
	6,671,875		529,600	333,333
	4,050,000		7,655,254	400,000
1,000,000			Fund	
6,100,000	61,794,998	-	6,416,607	7,666,607
			73,832,439	1250000
				84%

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Company Number 97427C

THE COMPANIES ACTS 1931 - 1993

Annual Return of a Company having a share capital

(other than a company limited by guarantee)

Annual Return of Two Mile Ranch Limitedmade up to the 30 day of September 2000 (hereinafter called

"the date of this return") (being the Company's return date)

The address of Registered Office of the Company

International House,
Castle Hill, Victoria Road, Douglas, Isle of
ManPrincipal trade or business carried on by the company
since the last annual return (or incorporation if this is
the first annual return)Private Investment Holding1 "Is there a non-resident company declaration or a certificate
under section 9(2) of the Non-Resident Company Duty 1986 in
force in respect of the Company?"

NO

*If the answer to the last question is YES

*(a) has the central management and control of the company
been in the Isle of Man at any time since the last annual
return (or incorporation if this is the first return)?

YES/NO

*(b) has the company derived any income from any property,
trade, business or any other source in the Isle of Man
since the last annual return (or incorporation if this is the
first return)?

YES/NO

2 Has the company been a stakeholder as defined in section 20
of the Timeshare Act 1996 at any time since the last annual
return date, or, if no annual return has been previously
delivered, at any time since incorporation?

NO

3 if the answer to the last question is YES and the company is a
company limited by shares(a) has the company issued shares fully paid up in cash of the
minimum nominal value required by section 109(3B)(a) of
the Companies Act 1931?

YES/NO

(b) does the company hold indemnity insurance for such sum
and in respect of such liabilities as are specified in section
109(3B)(b) of the Companies Act 1931?

YES/NO

Total amount of the indebtedness of the company in respect of all
mortgages and charges of the kind which are required to be
registered with the Registrar of CompaniesNil

*These questions do not apply in respect of annual returns filed before the 6th April 1987

Presented by IFG International Ltd
International House,
Castle Hill, Victoria Road,
Douglas,
Isle of ManPermanent Subcommittee on Investigations
EXHIBIT #66 - FN 1104

-50.00

DEFINABLE FEE

01/06/97

27/10/00


SUMMARY OF SHARE CAPITAL AND SHARES

Nominal Share Capital	<u>GBP2,000 00</u>	divided into	<u>2,000 Ordinary</u>	Shares of	<u>GBP1 00</u>	each
Number of shares of each class taken up to the date of this return	<u>1 Ordinary</u>					
Number of shares of each class issued subject to payment wholly in cash	<u>1 Ordinary</u>					
Number of shares of each class issued as fully paid up otherwise than in cash	<u>Nil</u>					
Number of shares issued as partly paid up to the extent of <u>Nil</u> per share otherwise than in cash	<u>Nil</u>					
Number of shares (if any) of each class issued at a discount	<u>Nil</u>					
Amount of discount on the issue of shares which has not been written off at the date of this return	<u>Nil</u>					
There has been called up on each of <u>1 Ordinary</u> shares	<u>GBP1 00</u>					
There has been called up on each of _____ shares	<u> </u>					
There has been called up on each of _____ shares	<u> </u>					
Total amount of calls received, including payments on application and allotment	<u>GBP1 00</u>					
Total amount (if any) agreed to be considered as paid on _____ shares which have been issued as fully paid up otherwise than in cash	<u> </u>					
Total amount (if any) agreed to be considered as paid on _____ shares which have been issued as fully paid up to the extent of <u>Nil</u> per share otherwise than in cash	<u> </u>					
Total amount of calls unpaid	<u>Nil</u>					
Total amount of the sums (if any) paid by way of commission in respect of any shares or debentures or allowed by way of commission in respect of any shares or debentures or allowed by way of discount in respect of any debentures since the date of the last return	<u>Nil</u>					
Total number of shares of each class forfeited	<u> </u>					
Total amount paid (if any) on shares forfeited	<u>Nil</u>					
Total amount of shares for which share warrants to bearer are outstanding	<u>Nil</u>					
Total amount of share warrants to bearer issued and surrendered respectively since the date of the last return	<u> </u>					
	<u>Issued</u>					
	<u>Surrendered</u>					
Number of shares comprised in each share warrant to bearer specifying in the case of warrants of different kinds, particulars of each kind	<u>Nil</u>					

Copy of the last audited Balance Sheet of the Company


Note - Except where the Company is a "Private Company" within the meaning of Section 26 of the Companies Act 1931, this Return must include a written copy, certified by a Director or by the Manager or Secretary of the Company to be a true copy, of the last balance sheet which has been audited by the Company's Auditors (including every document required by law to be annexed thereto) together with a copy of the report of the auditors thereon (certified as aforesaid), and if any such balance sheet is in a foreign language there must also be annexed to it a translation thereof in English certified in the prescribed manner to be a correct translation. If the said last balance sheet did not comply with the requirements of the law as in force at the date of audit with respect to the form of balance sheet there must be made such additions to and corrections in the said copy as would have been required to be made in the said balance sheet in order to make it comply with the said requirements, and the fact that the said copy has been so amended must be stated thereon.

LIST OF PAST AND PRESENT MEMBERS						
S. No. after ger	Name Address and Occupation	Number of Shares held by Members at date of Return	Account of Shares		Remarks	
			Particulars of shares transferred since the first return of the incorporation of the company, by persons who are still members	Particulars of shares transferred since the first return of the incorporation of the company, by persons who have ceased to be members		
			Number*	Date of Registration of Transfer	Number†	Date of Registration of Transfer
	Ordinary Shares					
	Aundyr Ennyn Limited International House, Castle Hill Victoria Road, Douglas Isle of Man (Corporation)	1				
	Devotion Limited 12-14 Funch Road Douglas	Nil			1	11-Apr-2000 Transferred to Aundyr Ennyn Limited
	Isle of Man (Corporation)					
	Trident Nominees (IOM) Limited 100 Market Street, Douglas, Isle of Man (Private Company)	Nil			1	21-Feb-2000 Transferred to Devotion Limited
	Total Ordinary Shares	1				

<p>The aggregate number of Shares held, and not the Distinctive Numbers, must be stated and the column must be added up throughout, so as to make one total agree stated in the Summary to have been taken up</p>	<p>The date of Registration of each Transfer should be given as well as the Number of Shares transferred on each date. The Particulars should be placed opposite the name of the Transferor, and not opposite that of the Transferee, but the name of the Transferee may be inserted in the "Remarks" column immediately opposite the particulars of each Transfer</p>	<p>When the Shares are of different classes, these columns may be sub-divided so that the number of each class held, or transferred, may be shown separately. Where any Shares have been converted into Stock, the amount of Stock held by each member must be shown</p>	<p>(Signature)</p>		<p>(State whether Director or Secretary)</p>
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Particulars of the Directors of Two Mile Ranch Limited at the date of this Return.				
Name	Previous Name(s)	Nationality	Usual Residential Address	Occupation or Directorships
Marine Georgina HARDING		British	54 Birch Hill Close Onchan Isle of Man IM3 3DH	Chartered Secretary
mh GODDARD	Surname Field-Corbett	Irish	Orrys Dene Ramsey Road Laxey Isle of Man IM4 7PU	Chartered Secretary

Particulars of the Secretary, Assistant Secretary, Joint Secretary, or Co-Secretary of Two Mile Ranch Limited at the date of this Return.		
Name	Previous Name(s)	Usual Residential Address
Marine Georgina HARDING		54 Birch Hill Close Onchan Isle of Man IM3 3DH

<p>"Director" includes any person who occupies the position of a Director by whatever name called, and any person in accordance with whose directions or instructions the Directors of a Company are accustomed to act.</p> <p>In the case of a Corporation its Corporate Name and Registered or Principal Office should be shown.</p> <p>In the case of an individual who has no business occupation but holds any other directorship or directorships particulars of that directorship or of some one of those directorships must be entered.</p>	<p>Certificate to be given by a Private Company</p> <p>I certify that the Company has not since the date of the last Annual Return, issued any invitation to the public to subscribe for any Shares or Debentures of the Company</p> <p>(Signature) </p> <p>(State whether Director or Secretary)</p>
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Subcommittee on Investigations



Michelle Boucher

To: Shan Robertson/Maverick@

cc.

Subject: Items for trustees

11/04/1999 01:32 PM

Trident:

- I have received the tax exempt certificates for the Trident entities
- La Fourche Trust
- possible sale of Woody Creek Ranch Limited to Bessie Trust for a note with Woody Creek Ranch Limited shares as collateral (interest rate ?)
- Francis has not yet seen any original Trust documents for execution regarding the Woody Creek Ranch Management Trust (he may ask about them - I've emailed Elaine today asking her to follow up on this)
- Tyler Trust
- acquisition of CW family properties through Tyler Trust, via loans from Elegance (Trident) and Quayle (Northern Bank)
- long term strategy
- long term cash flow management

IFG

Bessie Trust

- acquisition of Woody Creek Ranch Limited from La Fourche using a note
- ongoing cash requirements for the property - construction plans (\$3M) and annual mtee costs
- future property acquisitions
- cash management

Moberly Limited

- status of receiving legal opinion from Simcocks for the SSW transaction
- possible sale or redemption of FUND to raise cash for liquidity

Castle Creek

- loan of money to Tyler Trust (Trident) to acquire CW properties

Other items FYI:

- Trident has a query on Edinburgh Depreciation Deposit adjustments made earlier this year - I have not responded yet - Francis & I discussed this last week (I know it's outstanding if they bring it up with you).

- Trust reporting. We are posted through 9/30, but I have not given a thorough review, and I am aware of a few problems on some small items - so I'm not happy to release them yet. I have told the various trustees that I hope to have these for them by the end of next week - but I think some of them (Francis, in particular :) was anxious about not having them going into your meeting next week. I told him I doubted that you and Mike would want to discuss and detailed accounting related matters, and he shouldn't worry.

- Overall, I think that cash flow is the biggest issue right now. I also get the feeling from IFG (which I think you do too) that they've agreed to be fairly aggressive lately and are feeling somewhat anxious about it. I think they'll need some reassurance possibly some pacifying. Ken seemed to be particularly miffed about Lehman's not following through with the notices on the collateral movement last weekend. I think he felt they agreed to the movement of the collateral in good faith, on the condition that they received the notice over the weekend and then didn't get it. (I may be making a bigger issue of this than needs to be, but Ken did sound a little funny, which really

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4680

isn't Ken)

- Francis commented after the fact on being very rushed on moving forward with the Woody Creek Ranch closing. Which he was, but that's life. He knows that we will give them more time with the future acquisitions.

Well I think I've begun to ramble too much :) Let me know if you have questions on anything else that you need to know about before you go

I am totally happy to be on the other end of a speaker phone during the meetings, so let me know if you're going to plug me and at what times

I feel tremendously guilty that I'm not going, and am going to miss the chance to spend the time with you and touch base with all the Trustees.

Michelle

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Michelle Boucher

[Redacted]

03/28/2000 10:46 AM

Please respond to

mboucher@ [Redacted]

To: Shari Robertson/Maverick [Redacted]

cc:

Subject: Little Woody Creek Ranch Limited

I'm trying to get this sorted out to be sold to Bessie Trust in the next 5 - 10 days.

There has been some back and forth on how to show the original funding in Devotion to WCRL to by the properties, but finally, in February I confirmed to Francis to go ahead with Devotion Limited being the sole share holder of LWCRL (as confirmed by Rodney). What we also decided was that the full invested amount of approx \$12M be reflected as a capital contribution (par value and share premium).

Now that I'm looking at selling the company to Bessie Trust, I don't think this was the best way to do it. I think we should have left it as Devotion holding the nominal shareholding (of say \$100) with the balance of the funds being reflected as a interco advance from Devotion. That way I can sell LWCRL to Bessie Trust for \$100 and have one of Bessie's subsidiary companies assume the loan from Devotion (or advance the funds to LWCRL and have them repay Devotion - I don't think it makes a difference).

If Bessie Trust has to buy LWCRL from Devotion for the full \$2,190,000 I need to get money up to the Trust from a sub corp, which I know we don't want to do. Alternatively, I can have a subsidiary company (and if we have to go this route, I recommend we use the newly formed Spitting Lion as it was also formed for the purpose of a real estate transaction purchase LWCRL. This would be okay, but I'd prefer for LWCRL to be a sub of the Trust, rather than a sub of a sub of the trust....

Anyway - I've asked Francis to confirm that he did go ahead in February had has made the necessary changes to show all the investment as capital, and if so, to find out if we can take action to effectively reverse it.

I'll let you know what happens - I just thought you should be aware of the back and forth on this.

I've also sent recommendations today to clear up some intercompany balances and move some funds around between Bessie/Bulldog to make sure Bessie has money to buy LWCRL.

Michelle

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PSI ED00047995

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Michelle Boucher

To: Shari Robertson/Maverick@

cc:

Subject: RE: Edinburgh Fund

02/09/2000 09:23 AM

Please respond to

mboucher@

I assume he's talking about bringing it up to \$20M level. At 12/31 the net assets were approx \$16.9M, so I have \$3.1M available due to the Michaels sales. Since the cash is in Bessie, and needs to be used to buy Woody Creek Ranch Limited from Devotion, I propose that we transfer what we need over to Devotion now, and then settle the intercompany as part of the purchase price of Woody Creek Ranch Limited when we have all the cash available (ie. when we are done the Michaels sales.)

I'll put something together for you on cash flow and confirm with Juanell on the \$20M, - I have to run out and pick Jeff up at the airport, but will do it this afternoon.

I guess that if they really want us to move money asap, and put it in for a 2/1 subscription we can - it's all the same pot at this point - no outsiders so I don't really have a problem doing that, provided the trustees with agree to it.

Let me know what you think.
Michelle

-----Original Message-----

From: Shari Robertson/Maverick@

Sent: Wednesday, February 09, 2000 12:26 PM

To: mboucher@

Subject: Edinburgh Fund

I assume we're actually talking about 3/1. What do you think? Can we raise cash that quickly? Do you think he's talking adding enough to bring the value of the fund up to \$20 million or \$20 million - initial investment?

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----- Forwarded by Shari Robertson/Maverick on 02/09/2000 11:22 AM -----

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Trustee Meetings
Tuesday, Nov. 9th

Subject	IFG	North	Trident
1994 Bessie Trust	I		
1992 Bulldog Trust	I		
1992 Pitkin Trust	I		
1995 LaFourche Trust			T
1995 Red Mountain Trust			T
1994 Tyler Trust			T
1992 Delhi Trust		N	
1992 Lake Providence Trust		N	
1992 Castle Creek Trust		N	

#1

Per Rodney all U.S. real estate should be purchased from 1994 Trusts. Need to get trustees happy with cross trust loans. If They hold the corporation that owns TX Trust as collateral will This be adequate?

I	N	T
---	---	---

#2

U.S. Real Estate acquisitions planned for 1st quarter 2000 by Tyler Trust

Chandler Texas Ranch

Appraisal -	\$2,900,000
Furnishings (Cost) -	2,502,866
Loan Assumption	1,439,309
Est. Net Cash	3,963,557
99% to Tyler	3,929,921

T

955 Little Woody Creek

Appraisal -	\$5,995,000
Furnishings (Cost) -	526,654
Loan Assumption	3,556,920
Est. Net Cash	2,964,734
99% to Tyler	2,935,087

T

1060 Little Woody Creek

Appraisal -	\$5,232,000
Furnishings (Cost) -	457,223
Loan Assumption	3,104,221
Est. Net Cash	2,585,002
99% to Tyler	2,559,152

T

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EXHIBIT #66 - FN 1105

MAV007783

#3	Plaquemines Trust has been voided?	I		
#4	Discussions regarding the status of the merger of the 1992 Trusts, Bob Taylor/Michael Fullerlove to be contact at Wigin & Co. 01242 224114, fax 01242 224223	I	N	
#5	Discussions regarding the addition of Sean Cairns as beneficiary Of the 1995 trusts, Bob Taylor/Michael Fullerlove to be contact at Wigin & Co. 01242 224114, fax 01242 224223			T
#6	Green Mountain Update (Evan Wyly) Cash Flow Requirements, \$3,870,000 11/29 carries 1/00 Financing Update	I	N	T
#7	Scott Cannon real estate financing, collateral GMER stock (Evan Wyly)	TBD		
#8	Swap queries from Trustees Simcocks Opinion Collateral requirements			
#9	Michaels Stock Options to be exercised through a secondary With DLJ as underwrite during January 2000	I	N	T
#10	Global Audio Visual – contact for information is George Ellis (214) 363-1351 or David Matthews (Sam's son-in-law) (972) 939-3759			
#11	Status on Little Woody Creek Trust and Jourdan Way Trust			T
#12	Need to sell Woody Creek Ranch Limited from LaFourche Trust (Trident) To Bessie Trust (IFG) prior to year end per legal counsel, construction plans of \$3 million	I		T
#13	Moberly, Ltd. may need to redeem FUND for liquidity for SSW			

MAV007784

4685

Swap

I

#14 Edinburgh Depreciation Deposit issue – take up with MB

T

MAV007785

4686

From: Michelle Boucher <[REDACTED]>
Sent: Thursday, December 9, 1999 3:59 PM
To: Shari Robertson
Subject: financials

I am so close to having October done, but I'm not going to make it for today. :(I am very very disappointed.

I went back to Rodney again yesterday on the Devotion/La Fourche/Little Woody Creek Ranch Funding, and await an answer, but maybe you have an idea:

He said to book the movements from Devotion to La Fourche to Little Woody Creek Ranch as return of capital and then investment. The initial capital that La Fourche put into Devotion was approx \$4.9M, and the money we moved was approx \$12M, and we'll need to move future funds for construction/maintenance etc.... ongoing costs. My first problem is how to reflect the excess over the paid in capital - dividend/loan?, and secondly what's the best approach to handle ongoing funding.

I also asked him to confirm how we handled the Soulieana/Tyler/Gorsemoor/Stargate Loan Funding transaction. The Trustees have booked it all through as intercompany/intertrust advances - no investments, no refunds of paid in capital. I want to be sure we're okay taxwise showing it that way.

I'll let you know what he comes back with, and if you have any ideas on the La Fourche transaction let me know.

Petra is going to continue on putting November together in my absence. I expect we'll have no trouble having November's available by the end of the month. Elaine hopes to have November completed by December 22nd. If she does, this will allow us to have the consolidation by month end.

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MAV007788

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"Michelle Boucher"

To: Shari Robertson/Maverick@ [REDACTED]

cc:

Subject: IFG & Trident Agendas attached

11/02/2000 03:05 PM

I've attached agendas for Geneva - please take a look and advise of other matters to add before I distribute.

I understand from Shonda that you are available to meet for dinner on Monday with David. One of the things David wants to discuss with you and I directly is the crossover between the 1992's and the 1994 trusts, due to the differences in beneficiaries particularly as the existing letter of wishes will change. FYI, I put a call into Sam to generally discuss the letter of wishes and the fact that it will need to be amended for the creation of the sub-trusts. - I want to clarify whether Cheryl should be allocated a piece of Two Mile Ranch, or if this is for his kids, and whether her benefit from the trust should be limited to the sub-fund we are creating.

Anyway, given that we are going to loan assets from the 1992s to the 1994s, David wants to ask all the children to confirm their agreement to this in writing. He also feels a lot better about doing this if Aundyr is the trustee of both trusts. Which they will be when we merge the 1992s back together, but.... that is a huge pot to have at one place - I don't think we can represent to him that we wouldn't move part of the business for further diversification.

Since he is raising issues on this, I mentioned to him the split dollar life insurance planning, knowing it makes his problem worse, but felt he should know that's where we want to go, likely within the next year.



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Sam and Evan Wyly
List of Entities

Sam Wyly

Bulldog - 92	Bessie - 94	LaFouche - 95
<i>Morehouse</i>	<i>Audubon</i>	<i>Devotion</i>
<i>Richland</i>	<i>Yurta Fat</i>	Relish
<i>Tensas</i>	Newgale	
<i>West Carroll</i>	Cottonwood	
<i>East Carroll</i>	Spitting Lion	
<i>East Baton Rouge</i>	MiCasa	
<i>Locke</i>	Rosemary's Ranch	
<i>Moberly</i>	LLC's	
<i>Sarnia</i>		
<i>Greenbriar</i>		

Evan Wyly

Ginger - 94
<i>Dortmund</i>
<i>Atlantis</i>

Note: Italicized companies have Private Annuities
Bold Companies are subject of an IDR

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Michelle Boucher

To: Shari Robertson/Maverick@

cc:

Subject: various

01/12/2000 01:41 PM

Please respond to

mboucher@

I'm making arrangements to fund the University of Michigan donation from Relish and Devotion (\$1.75M and .25 respectively). I'll confirm with you, but I expect payment to go out next week.

We had the cash avail here since we did not invest in Jason's 'internet companies' venture, and the immediate funding of the Aspen properties was lower than expected as construction will not commence until later in the year. Note that on this, I think that with the Michaels sales, we'll be able to have Bessie acquire WCRL shortly. Next week I'm going to take a look at everything and we can discuss with the family when I'm in Dallas

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PSI_ED00044244

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Michelle Boucher

To: Shari Robertson/Maverick@ [REDACTED]

cc:

Subject: Little Woody Creek Ranch Limited

03/28/2000 10:46 AM

Please respond to

mboucher@ [REDACTED]

I'm trying to get this sorted out to be sold to Bessie Trust in the next 5 - 10 days.

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Anyway - I've asked Francis to confirm that he did go ahead in February had has made the necessary changes to show all the investment as capital, and if so, to find out if we can take action to effectively reverse it.

I'll let you know what happens - I just thought you should be aware of the back and forth on this.

I've also sent recommendations today to clear up some intercompany balances and move some funds around between Bessie/Bulldog to make sure Bessie has money to buy LWCRL.

Michelle

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EXHIBIT #66 - FN 1106

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Subcommittee on Investigations



Michelle Boucher
<mboucher@>

To: Shari Robertson/Maverick@
cc:
Subject: Little Woody Creek Ranch sale to Bessie

03/29/2000 05:37 AM
Please respond to
"mboucher@"

Good news (!) is that Francis hadn't finalized the 'restructuring' of the transaction so from a corporate records perspective Devotion has \$.65 invested in LWCRL's capital stock and a loan to them for \$12,193,000. I'll to have Bessie buy LWCRL for \$1.65 and have Yurta Faf advance LWCRL \$12,193,000 and have LWCRL repay Devotion. Ken is moving funds around to get money available in Yurta Faf. I expect the sale etc.... will happen Monday.

Michelle

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EXHIBIT #66 - FN 1106

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PSI_ED00047999

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1106

Orange, LLC - Bessie Trust (EW)			Orange LLC		% assets
Foreign Grantor - 1984 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			133,053	133,053	1.2%
Bank of America Securities			-	-	0.0%
Total Cash			133,053	133,053	1.2%
US Government Agency Bonds					
				-	0.0%
Total Cash & Agency Bonds			133,053	133,053	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.5%
Cottonwood II Limited			347,355	347,355	3.0%
Rosemary's Circle R Ranch Limited			2,234,690	2,234,690	
Intertrust advances			420,000	420,000	3.7%
			-	-	
Total Loans & Advances Receivable			3,285,046	3,285,046	28.7%
Investments in Funds					
Maverick Levered Fund-Restrict	260.5086	2731.536	499,144	711,589	6.2%
Ranger Multi Strategy-Enhanced	1,000.0000	1180.098	1,000,000	1,180,098	10.3%
Total Investment in Funds			1,499,144	1,891,686	16.5%
Investment in Public Companies					
Michael's Stores	90,600	29.97	842,580	2,715,282	23.7%
Total Investments in Public Companies			842,580	2,715,282	23.7%
Investments in Private Companies					
Greenmountain stock	982,318	3.5	4,999,999	3,438,113	30.0%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
Total Investments			7,341,725	8,045,084	70.2%
TOTAL ASSETS			10,759,825	11,463,184	100.0%
Loans & Advances Payable					
BAS Margin Advance			-	-	0.0%
Intercompany Advances			513,046	513,046	4.5%
Due to Security Capital			11,155,061	11,155,061	97.3%
Loan Payable - Yurta Faf			498,480	498,480	4.3%
Interest on Security Capital Loan			359,713	359,713	3.1%
Total Loans & Advances Payable			12,526,300	12,526,300	109.3%
TOTAL LIABILITIES			12,526,300	12,526,300	109.3%
NET EQUITY			(1,766,475)	(1,063,116)	-9.3%
TOTAL LIABILITIES & EQUITY			10,759,825	11,463,184	100.0%

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1107

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PSI00071494

Flo Flo, LLC - Bessie Trust (LM)			Flo Flo, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			375,206	375,206	3.7%
Bank of America Securities			-	-	0.0%
Total Cash			375,206	375,206	3.7%
US Government Agency Bonds					
				-	0.0%
Total Cash & Agency Bonds			375,206	375,206	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.8%
Cottonwood II Limited			347,354	347,354	3.4%
Rosemary's Circle R Ranch Limited			3,301,860	3,301,860	32.5%
Mi Casa Limited			3,215,000	3,215,000	31.7%
Bubba			-	-	0.0%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			7,147,215	7,147,215	70.4%
Investments in Funds					
Maverick Levered Fund		2731.536		-	0.0%
Ranger Multi Strategy-Enhanced	500.0000	1180.098	500,000	590,049	5.8%
Ranger Partners (via RFA)	-	889.0461	-	-	0.0%
Total Investment in Funds			500,000	590,049	5.8%
Investment in Public Companies					
Michael's Stores	45,000	29.97	418,500	1,348,650	13.3%
Total Investments in Public Companies			418,500	1,348,650	13.3%
Investments in Private Companies					
Greenmountain Stock	196,463	3.5	999,997	687,621	6.8%
Total investments in Private Companies			999,997	687,621	6.8%
Investments in Real Estate Companies					
Mi Casa Limited	2		2	2	0.0%
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
Total Investments			1,918,502	2,626,324	25.9%
TOTAL ASSETS			9,440,923	10,148,745	100.0%
Loans & Advances Payable					
BAS Margin Interest			-	-	0.0%
Intercompany Advances			870,564	870,564	8.6%
Due to Security Capital			9,775,130	9,775,130	96.3%
Loan Payable - Yurta Faf			498,480	498,480	0.0%
Interest on Security Capital Loan			315,214	315,214	3.1%
Total Loans & Advances Payable			11,459,388	11,459,388	108.0%
TOTAL LIABILITIES			11,459,388	11,459,388	108.0%
NET EQUITY			(2,018,466)	(1,310,643)	-8.0%
TOTAL LIABILITIES & EQUITY			9,440,923	10,148,745	100.0%

CONFIDENTIAL
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PSI00071495

Pops, LLC - Bessie Trust (LW)			Pops LLC		% assets
Foreign Grantor - 1994	Shares or	Market	Book	FMV	
Priced at 12/31/04	Face Value	Value			
Cash					
Bank of Bermuda			298,154	298,154	2.3%
Bank of America Securities			-	-	0.0%
Total Cash			298,154	298,154	2.3%
US Government Agency Bonds					
				-	0.0%
Total Cash & Agency Bonds			298,154	298,154	2.3%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	2.2%
Cottonwood II Limited			347,355	347,355	2.7%
Rosemary's Circle R Ranch Limited			5,332,177	5,332,177	41.6%
Yurta Fa'			-	-	0.0%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			5,962,532	5,962,532	46.6%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	5.6%
Ranger Multi Strategy	1,118.4218	1114.476	1,103,162	1,246,455	9.7%
Ranger Multi Strategy-Enhanced	1,000.0000	1180.098	1,000,000	1,180,098	
Total Investment in Funds			2,602,306	3,138,141	15.3%
Investment in Public Companies					
Michael's Stores	107,200	29.97	996,960	3,212,784	25.1%
Total Investments in Public Companies			996,960	3,212,784	25.1%
Investments in Private Companies					
Greenmountain Stock	392,927	3.5	1,999,998	1,375,245	10.7%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			3	3	0.0%
TOTAL ASSETS			11,859,954	13,986,859	100.0%
Loans & Advances Payable					
BAS Margin Advance			-	-	0.0%
Intercompany Advances			1,808,580	1,808,580	14.1%
Due to Security Capital			11,155,061	11,155,061	87.1%
Loan Payable - Yurta Fa'			498,480	498,480	3.9%
Interest on Security Capital Loan			359,713	359,713	2.8%
Total Loans & Advances Payable			13,821,833	13,821,833	107.9%
TOTAL LIABILITIES			13,821,833	13,821,833	107.9%
NET EQUITY			(1,961,879)	165,026	-7.9%
TOTAL LIABILITIES & EQUITY			11,859,954	13,986,859	100.0%

Bubba, LLC - Bessie Trust (KE)			Bubba, LLC		% assets
Foreign Grantor - 1994 Priced at 12/31/04	Shares or Face Value	Market Value	Book	FMV	
Cash					
Bank of Bermuda			29,986	29,986	0.2%
Bank of America Securities			-	-	0.0%
Total Cash			29,986	29,986	0.2%
US Government Agency Bonds					
			-	-	0.0%
Total Cash & Agency Bonds			29,986	29,986	0.0%
Loans & Advances Receivable					
Spitting Lion Limited			283,000	283,000	1.8%
Cottonwood I Limited			3,076,860	3,076,860	19.4%
Cottonwood II Limited			347,355	347,355	2.2%
Rosemary's Circle R Ranch Limited			8,392,088	8,392,088	52.8%
Intertrust advances			-	-	0.0%
Total Loans & Advances Receivable			12,099,303	12,099,303	76.2%
Investments in Funds					
Maverick Levered Fund	260.5086	2731.536	499,144	711,589	4.5%
Ranger Multi Strategy-Enhanced	500.0000	1180.098	500,000	590,049	3.7%
Total Investment in Funds			999,144	1,301,638	8.2%
Investment in Public Companies					
Michael's Stores	59,000	29.97	548,700	1,768,230	11.1%
Total Investments in Public Companies			548,700	1,768,230	11.1%
Investments in Private Companies					
Greenmountain Stock	196,463	3.5	999,997	687,621	4.3%
Total Investments in Private Companies			999,997	687,621	4.3%
Investments in Real Estate Companies					
Spitting Lion Limited	1		1	1	0.0%
Cottonwood I Limited	2		2	2	0.0%
Cottonwood II Limited	1		1	1	0.0%
Rosemary's Circle R Ranch Limi	1		1	1	0.0%
Total Investments in Real Estate Companies			5	5	0.0%
Total Investments			2,547,845	3,757,493	23.7%
TOTAL ASSETS			14,677,134	15,886,782	100.0%
Loans & Advances Payable					
BAS Margin Interest			-	-	0.0%
Intercompany Advances			2,564,699	2,564,699	16.1%
Loan Payable - BEB & BEK			1,525,986	1,525,986	9.6%
Due to Security Capital			11,155,060	11,155,060	70.2%
Loan Payable - Yurta Faf			498,480	498,480	3.1%
Interest on Security Capital Loan			359,712	359,712	2.3%
Total Loans & Advances Payable			16,103,937	16,103,937	101.4%
TOTAL LIABILITIES			16,103,937	16,103,937	101.4%
NET EQUITY			(1,426,803)	(217,155)	-1.4%
TOTAL LIABILITIES & EQUITY			14,677,134	15,886,782	100.0%

CONFIDENTIAL
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PS100071497

4697

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Michelle Boucher

10/04/1999 04:52 AM

To: "Elaine Spang (E-mail)" <[REDACTED]>, Shari
Robertson/Maverick@[REDACTED]
cc:
Subject: Woody Creek Ranch

I have been advised by Trident this morning that \$10,200,000 was sent to the Texas Trust's account for value today. Please let me know if you have any problems with receipt. It was sent B/O Bank of Bermuda via Citibank NY.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1108

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4698

12-17-99
PM4.1

WYLY FAMILY
NET ASSET VALUATION SUMMARY
FOR THE PERIOD ENDING: 10-31-99

PAGE: 1

ENTITY: WOODTR - Woody Creek Management Trust

TOTAL ASSETS	11,415,000.00
TOTAL LIABILITIES	0.00
NET ASSET VALUE	11,415,000.00
CURRENT CONTRIBUTIONS	11,415,000.00
CUR. CAPITAL DISTRIBUTIONS	
CUR. INCOME DISTRIBUTIONS	
ADJUSTED NET ASSET VALUE	0.00
PRIOR CLOSING NET ASSET VALUE	
INCREASE/-DECREASE IN NAV	0.00
CHANGE IN NAV FROM:	
NET CHANGE IN NAV	0.00
PERCENT RETURN FOR THE MONTH	0.00
ANNUALIZED PERCENT RETURN	0.00

Permanent Subcommittee on Investigations
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PS100025492

4699

11-29-99
PM2.X

PARTNER TRANSACTIONS POSTING REPORT

PAGE: 1

TXN NO	TCODE	STATUS	DESCRIPTION	ENTITY	DATE	UNITS	CASH AMT	CAPITAL AMT	DESCR	OTHER AMT
				GL ENT	PERIOD	CNT	UNIT VALUE			
9782	PCC		PARTNERSHIP CONTRIBUTION 10/4	WOODTR	10-04-99	2	0.000000	11,415,000	11,415,000	
				WOODTR	PER 10					
			1GS				115,000.00	115,000.00		
			WOODCR				11,300,000.00	11,300,000.00		
LINE	ACCOUNT		SUB ACCOUNT	DESCRIPTION			BOOK AMOUNT	TAX AMOUNT		
0001	WOODTR-470030			Retained Earnings			11,415,000.00CR	11,415,000.00CR		
0002	WOODTR-101100			Cash-Bank of America-1999 New			11,415,000.00DB	11,415,000.00DB		

Permanent Subcommittee on Investigations

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PSI00025496

TIN NUMBER	ENTITY	TIN DATE	OL ENT	TIN CODE	INVESTMENT	DESCRIPTION	CASH CUR	FX RATE	CASH AMOUNT	QUANTITY	LOCAL AMOUNT	BASE AMOUNT
SET DATE	BOOKER						INV CUR					
9783	WOOTR IPL	10-05-99	WOOTR	INSTR	10/5 INVESTMENT SM EACH	Rocky Mtn Serenity Ranch I LLC	USD	1.00000	-5,000,000	5,000,000.000	PRICE	1.000
					CONFIRMED		USD	1.00000			COST	5,000,000.00
PER 10	LINE ACCOUNT				SUB ACCOUNT	DESCRIPTION			BOOK AMOUNT	TAX AMOUNT		
	0001 WOOTR-101100					Cash-Bank of America-1999 New			5,000,000.00CR	5,000,000.00CR		
	0002 WOOTR-120500					Limited Partnerships			5,000,000.002B	5,000,000.002B		
9784	WOOTR IPL	10-05-99	WOOTR	INSTR	10/5 INVESTMENT SM EACH	Rocky Mtn Serenity Ranch II LLC	USD	1.00000	-5,000,000	5,000,000.000	PRICE	1.000
					CONFIRMED		USD	1.00000			COST	5,000,000.00
PER 10	LINE ACCOUNT				SUB ACCOUNT	DESCRIPTION			BOOK AMOUNT	TAX AMOUNT		
	0001 WOOTR-101100					Cash-Bank of America-1999 New			5,000,000.00CR	5,000,000.00CR		
	0002 WOOTR-120500					Limited Partnerships			5,000,000.002B	5,000,000.002B		
9785	WOOTR IPL	10-01-99	WOOTR	INSTR	EARNST MONEY DIRECT COATES RE	Rocky Mtn Serenity Ranch II LLC	USD	1.00000	-550,000	550,000.000	PRICE	1.000
					CONFIRMED		USD	1.00000			COST	550,000.00
PER 10	LINE ACCOUNT				SUB ACCOUNT	DESCRIPTION			BOOK AMOUNT	TAX AMOUNT		
	0001 WOOTR-101100					Cash-Bank of America-1999 New			550,000.00CR	550,000.00CR		
	0002 WOOTR-120500					Limited Partnerships			550,000.002B	550,000.002B		
9786	WOOTR IPL	10-01-99	WOOTR	INSTR	EARNST MONEY DIRECT COATES RE	Rocky Mtn Serenity Ranch I LLC	USD	1.00000	-550,000	550,000.000	PRICE	1.000
					CONFIRMED		USD	1.00000			COST	550,000.00
PER 10	LINE ACCOUNT				SUB ACCOUNT	DESCRIPTION			BOOK AMOUNT	TAX AMOUNT		
	0001 WOOTR-101100					Cash-Bank of America-1999 New			550,000.00CR	550,000.00CR		
	0002 WOOTR-120500					Limited Partnerships			550,000.002B	550,000.002B		

4700

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PS100025497

4701

~~CONFIDENTIAL~~

FSC1001

ADVICE OF DEBIT

REFERENCE #
NBKA41450078

AMOUNT: \$ 10,000,000.00
ACCOUNT NUMBER: [REDACTED]
FUNDS TRANSFER DEBIT

DATE: 10/05/99

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

[REDACTED] = Redacted by the Permanent
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SEC100013631
PS100025498

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October 5, 1999

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, TX 75202

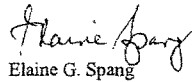
Dear Marta:

Please wire a total of \$10,000,000 as follows from Woody Creek Ranch Management Trust,
Account # [REDACTED]

<u>Amount</u>	<u>Wire To:</u>	<u>Ref #</u>
\$5,000,000	[REDACTED] Rocky Mountain Serenity Ranch II, LLC	991007
\$5,000,000	[REDACTED] Rocky Mountain Serenity Ranch I, LLC	991008

Please call me at 214 [REDACTED] if you have any questions.

Sincerely,


Elaine G. Spang


Keeley Hennington

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

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PSI00025499

4703

10/05/99 TUE 13:53 FAX

001

*** TX REPORT ***

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TRANSMISSION OK

TX/RX NO 3193
CONNECTION TEL 921 [REDACTED]
SUBADDRESS
CONNECTION ID NATIONS BANK
ST. TIME 10/05 13:52
USAGE T 00'24
PGS. 1
RESULT OK

October 5, 1999

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, TX 75202

Dear Marta:

Please wire a total of \$10,000,000 as follows from Woody Creek Ranch Management Trust,
Account # [REDACTED]

<u>Amount</u>	<u>Wire To:</u>	<u>Ref #</u>
\$5,000,000	[REDACTED] Rocky Mountain Serenity Ranch II, LLC	991007
\$5,000,000	[REDACTED] Rocky Mountain Serenity Ranch I, LLC	991008

Please call me at 214-[REDACTED] if you have any questions.

Sincerely,

CONFIDENTIAL
SEC100013633
PS100025500

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Bank of America

FSC11001 **ADVICE OF CREDIT** **REFERENCE #**
NBKA41450038

AMOUNT: \$ 115,000.00 **DATE: 10/04/99**

ACCOUNT NUMBER: [REDACTED]
FUNDS TRANSFER CREDIT

from Sam, SP
10.5.
Contribution to Ricky
Attn: Trust

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

REFERENCE NO.	MEDIA	MSG	DATE	TIME	ACCOUNT NO.	DR/CR	AMOUNT
2909	FW	D12515	10/04/99	13:32	[REDACTED]	CREDIT	\$10,200,000.00

CITIBANK /ORG=DEVOTION LIMITED UNKNOWN
BK AMERICA TX /CTR/OGB=BANK OF BERMUDA /AC-36022287 INS=BANK OF BERMUDA (ISL
E OF MAN) LTD ATTN OLIVER WEBSTER 13 13 HILL ST., DOUGLAS IM 99 1PW ISLE OF MAN,
BRITISH IS
LES /AC-36022287 RCI=FW311093120 BBK=BANK OF AMERICA TEXAS N A IRVING, TX /INF

WOODY CREEK RANCH MANAGEMENT
TRUST
300 CRESCENT COURT, SUITE 1000
DALLAS, TX 75201-7852



P.O. Box 83000-7154, Dallas, Texas 75283

WIRE TRANSFER ADVICE

*IF ASSISTANCE ON THIS TRANSACTION IS NEEDED, PLEASE CONTACT OUR RESEARCH DEPARTMENT AT 1-800-677-9473.

CONFIDENTIAL
SEC100013634
PSI00025501

4705

MEMO

HIGHLAND STARGATE

To: Marta Engram cc: Rena Alexander
From: Elaine Spang
Date: 10/1/99
Subject: Wire activity

Here is a recap of the wire activity that will occur next week.

Monday 10/4

Wires In

- > \$10,200,000 into the new Woody Creek Ranch Mgmt Trust account.
- > \$17,797,937 into Sam Wyly's account
- > \$9,330,669 into Stargate's account

Wires out

- > \$15,097,937 from Sam Wyly to Maverick USA
- > \$5,330,669 from Stargate to Maverick USA

Tuesday 10/5

Internal wires

- > \$5,000,000 from the Woody Creek Trust to each of the new Rocky Mountain Serenity Ranch accounts

Wednesday 10/6

Wires Out

- > \$4,950,937.89 from Rocky Mountain Serenity Ranch I, LLC to Community Banks of Colorado
- > \$4,950,642.89 from Rocky Mountain Serenity Ranch II, LLC to Community Banks of Colorado

Final amounts may vary slightly. We will have all the Trust paperwork for you on Monday.

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Date	Description	Woody Creek Ranch Management Trust	Rocky Mtn Serenity Ranch I, LLC	Rocky Mtn Serenity Ranch II, LLC
10/4/99	Wire from Offshore Corporation	10,200,000.00		
10/4/99	Wire From Sam Wyly	115,000.00		
10/5/99	Wire to LLC's for closing funds	(10,000,000.00)	5,000,000.00	5,000,000.00
10/6/99	Wire to Escrow account for closing		(4,950,937.89)	(4,950,642.89)
	Sub-total	315,000.00	49,062.11	49,357.11

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PSI00025503

Bonds
Some prices provided by outside pricing services may be inaccurate. They are provided only as a guide to determine portfolio value. For more specific values, please call your Investment Representative. Call features shown indicate the next regularly scheduled call date and price. Your holdings may be subject to other redemption features including sinking funds or extraordinary calls.

Government and
Federal Agency bonds

Amount	Interest rate	Maturity date	Price	Accrued income (estimated)	Market value	Comment
\$ 732,000.00				\$ 0.00	\$ 727,445.93	
Total value at period end						

Transaction details

Date	Description	Amount
08/30/99	FROM 337-23433	\$ 1,100,000.00

Withdrawals

Date	Description	Reference no.	Amount
08/30/99	ACH 8014733 FIDS WIRED TO ACH 802-003-511 FID00509		\$ 1,100,000.00

Money funds
activity

Date	Activity	Description	Amount
08/30/99	Investment	U S MONEY MARKET FUND NVCL III	.84
	Investment	U S MONEY MARKET FUND NVCL I	.84
	Investment	DIVIDEND REINVESTED	
		Closing balance	\$ 516.89

All transactions are traded at 1.00 USD (\$) per share.

Date	Activity	Description	Amount
08/30/99	Investment	U S MONEY MARKET FUND NVCL III	.84
	Investment	U S MONEY MARKET FUND NVCL I	.84
	Investment	DIVIDEND REINVESTED	
		Closing balance	\$ 516.89

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1109

CC 011842

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F = 0037 P = 0032 S = 0005
259243AP01 LFGNFO01

WOODY CREEK RANCH MGMT TRUST					
Date: <u>10/31/99</u>					Ref#:
Bank of America: #004771145504					
Balance Forward					<u>0</u>
Check		to	Check		
Check		to	Check		
Check		to	Check		
Check		to	Check		
Check		to	Check		
Account Activity:					
Transaction/ Number	Acct#	Date	Description	Amount	S-Total
PRR Cap Contnb		10/4	From Woody Creek Ranch Ltd.	10,000,000	
IPL		10/5	To Rocky Mtn Ranch Security LLC	(5,000,000)	
IPL		✓	WILL	(5,000,000)	
PRR Cap Contnb		10/4	JAM S.P.	115,000	315,000.00
PRR Cap Contnb			Earnst + money withdrawn	1,100,000	
IPL			first season Ranch I + II	(7,100,000)	
Ending Balance:					<u>315,000.00</u>

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1109

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Michelle Boucher

[Redacted]

03/03/2000 07:12 AM

Please respond to

"mboucher@ [Redacted]"

To: "Francis Webb (E-mail)" <[Redacted]>
cc: Shari Robertson/M [Redacted]
Subject: Woody Creek Ranch Limited

The protectors recommend that you make a further investment in Woody Creek Management Trust in the amount of \$500,000 (five hundred thousand dollars). These funds are required to ensure that the properties have ready cash available to acquire additional TDR's (up to 6, averaging \$150K each) should they come available. It is my understanding that the property manager hopes to acquire these by the end of April when it is expected that plans for the development will be submitted for approval.

I believe there is sufficient cash available in Devotion Limited to fund such additional investment. Please let me know if you need me to re-confirm wire instructions, which you should have on hand.

If you have any questions, please call.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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"Michelle Boucher" <[REDACTED]> on 09/21/2000 04:06:38 PM

To: <ralexander@[REDACTED]>, <khennington@[REDACTED]>
Cc:

Subject: Fw: Money for Ranch accounts

Rena,
Please send me wire instructions for two mile ranch management trust. Based on Kristin's cash flow's she expects approx \$800K to be spent for Oct/Nov. I'll arrange for \$750K to be wired to the management trust, and you can transfer it out to the LLC's as needed.
Thanks

----- Original Message -----

From: Kristin
To: Michelle Boucher
Sent: Wednesday, September 20, 2000 10:33 PM
Subject: Money for Ranch accounts

Hi Michelle!
Rena told me to email you regarding the ranch accounts. I currently have about \$100k in each account....but I am about to pay bills and will be down to about \$75k per account. The bulk of my bills usually come in the middle to the end of each month. So I shouldn't have any major bills until next month....but then again you never know. So I may be needing a cushion within the next month. Thank you.
Kristin

*Bottom-most line
in MTHK*

1/22 Called Jay

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"Michelle Boucher "

09/21/2000 02:51 PM

To: KennethJ@
cc: Shari Robertson/Maverick@
Subject: two mile ranch

Dear Ken,
In order to fund ongoing activities at the Two Mile Ranch properties, the management trust requires additional cash of approximately \$750,000. This is expected to cover expenses for the next two months.

I believe I forwarded you cash flow projections for the properties, but if you have not received them, please let me know.

The protectors recommend that Audubon Asset Limited make arrangements to loan funds to Two Mile Ranch to raise the necessary cash.

I will forward wiring instructions shortly.

Michelle



- att1.htm

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"Kristin" <kristin@ [REDACTED]> on 10/02/2000 08:33:37 AM

To: <ralexander@ [REDACTED]>
cc:

Subject: Re: money for ranch

Let's do 100k per account.....there are a lot of expenses coming in for the
barn and historical. thanks.

Kristin

P.S. I am faxing the copy of the qbreport to you.

----- Original Message -----

From: <ralexander@ [REDACTED]>
To: Kristin <kristin@ [REDACTED]>
Sent: Monday, October 02, 2000 6:58 AM
Subject: Re: money for ranch

>
> How much? 50K 100K
>
>
>
>
> "Kristin" <kristin@ [REDACTED]> on 10/01/2000 07:29:59 PM
>
> To: <ralexander@ [REDACTED]>
> cc:
>
> Subject: money for ranch
>
>
>
> Hi Rena!
> I will be needing money for the ranch ASAP. Thank you.
> Kristin
>
>
>
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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PSI00037011

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Rena Alexander 11/02/2000 09:52 AM

To: "Kristin" <kristin@e[REDACTED]>
cc:

Subject: Re: Ranch I and II

No need to resend. Thanks I don't believe it was a new account, after all.

I'll do the \$125k today. THANKS

"Kristin" <kristin@e[REDACTED]> on 11/02/2000 09:58:21 AM



"Kristin" <kristin@e[REDACTED]> on 11/02/2000 09:58:21 AM

To: <ralexander@[REDACTED]>
cc:

Subject: Re: Ranch I and II

Let's do \$125k per account. Thank you.
On the qbexport, the only account that I saw that may not have been used
before, was Farm Expense [REDACTED] Other than that, they are all accounts
that have been used before. Let me know if I can resend it to you.
Kristin

----- Original Message -----
From: <ralexander@[REDACTED]>
To: Kristin <kristin@[REDACTED]>
Sent: Thursday, November 02, 2000 7:41 AM
Subject: Re: Ranch I and II

>
> No money since then!!! How much do you want? \$100,000.00 each or more?
>
>
>
>
> "Kristin" <kristin@[REDACTED]> on 11/01/2000 09:51:19 PM
>
> To: <ralexander@[REDACTED]>
> cc:
>
> Subject: Ranch I and II
>
>
>
> I know there was a mixup with the deposit that was supposed to go in
> around the first of Oct. Have there been any other deposits since then?
> If not, I need to get some money fairly soon. Just let me know. Thanks.
> Kristin

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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PS100036997

4715

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, April 10, 2001 7:30 AM
To: Rena Alexander
Subject: Re: Two Mile

Attachments: Doc Link.htm

yep - that's right. Also help me remember that as we start to build other houses, those individuals will need to contribute to the Management trust. I think Andrew will be one of the first ones to contribute, but this can wait until I get back in.

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

Rena Alexander
04/10/01 08:26 AM

To: Keeley Hennington/htst [REDACTED]
cc:
Subject: Re: Two Mile

They just requested from Michelle (friday) 1M for Cottonwood II, and another 2M for the ranchs. Sam & Kelly would need to contribute 1% each of the 1M right?

From: Keeley Hennington on 04/10/2001 08:16 AM
To: MBoucher [REDACTED]
cc: Rena Alexander

Subject: Two Mile

I got a copy of a memo from Kelly that only went to family members so I am passing along the details in case you did not get it. It looks like they are considering putting in their own natural gas line to the property. They are also considering putting in cable, telephone, fiber optic and electric lines and possible setting up a "Woody Creek Gas and Electric company" and charging neighbors who want to use the line. It looks like for right now they are only going forward with the natural gas line and Kelly put a note on it that the cost is estimated at \$400,000. Not sure if this was included in any of Kristins previous estimates. There was no time frame listed for the line, but I would assume late summer.

Hope all is well

Keeley

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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PSI_ED00005774

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From: Keeley Hennington
Sent: Tuesday, August 14, 2001 8:20 AM
To: Lara Haskins [REDACTED]
Cc: mboucher@ [REDACTED]; frederick [REDACTED]
Subject: RE: Two Mile

Lara - The \$200,000 is for Little Woody. You should be getting an e-mail from Jana this morning on cash needs for Two Mile. FYI - Jana has taken over the accounting for Two Mile Ranch and Cottonwood from Rena so future e-mails will come from her. I believe the cash needs for Two Mile are \$1,000,000. Sorry for all the requests - they all just seem to be hitting at the same time.

Keeley

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Lara Haskins [REDACTED]
08/14/01 09:13 AM

To: khennington@ [REDACTED]
cc:
Subject: RE: Two Mile

Keeley,

Are you meaning Two Mile Ranch rather than Little Woody Limited? I spoke to Michelle B this morning and will be recommending the movement of funds but before I do I just wanted to clarify this. I will also be recommending the Sport Horses money be sent. I hope you will get this tomorrow.

Thanks
Lara

-----Original Message-----

From: khennington@ [REDACTED]
Sent: Friday, August 10, 2001 2:39 PM
To: Lara Haskins
Cc: mboucher@ [REDACTED]; awestbrook [REDACTED]
Subject: Two Mile

Lara -

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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SEC_ED00006347

PSI_ED00006347

— = Redacted by the Permanent
Subcommittee on Investigations

From: Michelle Boucher [REDACTED]
Sent: Thursday, September 06, 2001 9:14 AM
To: jfrederick@ [REDACTED]
Cc: Lara Haskins < [REDACTED] >; khennington@ [REDACTED]
Subject: FW: Projections

Jana, we have requested \$3.6M for Two Mile Ranch and \$1.5M for Cottonwood. I expect the trustees will have it to move to you Tuesday or Wednesday next week. Lara will advise you as soon as we are notified of the value date of the transfer.

Also, I will need a breakdown of how the money is being spent on TMR. We need to break costs out by overall property development vs. individual house construction. Keeley and I spoke about this earlier in the year and I think you were going to set up sub a/cs in Total Return to track it. We need to touch base on this again. Let me know what you guys are doing, so we can make sure we get the right reporting to allocate it in our system.

Michelle

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Monday, September 03, 2001 11:24 AM
To: evan_wyly@ [REDACTED]; swyly@ [REDACTED]; khennington@ [REDACTED]
Cc: Lara Haskins; davidh@ [REDACTED]; annab@ [REDACTED]
Subject: Fw: Projections

FYI, an update on near term cash flow needs for the Aspen properties.

Michelle

-----Original Message-----

From: Kristin < [REDACTED] >
To: jfrederick@ [REDACTED]; Michelle Boucher [REDACTED]
Date: Monday, September 03, 2001 12:13 PM
Subject: Projections

I just received a three month projection of expenditures from Fenton Construction. For the ranch, they are projecting \$3 million over the next three months. I'm expecting approximately \$200k per month for the ranch in other expenditures (i.e. architects, design, engineers, etc.). So for the ranch, let's plan on 1.2m per month through November.

For Cottonwood II, Fenton Construction plans on \$1.2m in expenditures over the next 3 months. Let's say \$500k per month for Cottonwood II until November.

If you have any questions, please feel free to email or call me. Thanks.

Kristin

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

Confidential
 SEC_ED00014220

PSI_ED00014220

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 11, 2004 8:58 AM
To: Margot Macinnis
Cc: mboucher@
Subject: Rosemary's

Jana talked to Kristin and she thinks they will need \$500,000 to close out Feb - I would assume they will need atleast another 500 for March - so just need to find 500 short term but we also need to start looking over the next several months. Rosemary's house is almost complete but I think they will be starting on Lisa's real soon

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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SEC_ED00012605

PSI_ED00012605

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

DOI ETN00014347

Confidential
SEC_ED00014248

From: Michelle Boucher
Sent: Wednesday, January 19, 2005 12:55:54 AM
To: Jana Frederick
Subject: RE: TDR

— = Redacted by the Permanent
 Subcommittee on Investigations

ok we are going to try to source \$2M

From: Jana Frederick [REDACTED]
Sent: Wednesday, January 19, 2005 9:31 AM
To: Michelle Boucher
Subject: RE: TDR

We will need cash. I have about \$400,000 in the accounts. I guess we need to look at cash flow for the round barn project. I think the budget is around \$2 – 2.5 million. So much for being done for a while. Thanks.

**Jana Frederick
 Highland Stargate, Ltd.
 214- [REDACTED]**

From: Michelle Boucher [REDACTED]
Sent: Wednesday, January 19, 2005 8:22 AM
To: Jana Frederick
Cc: Margot MacInnis
Subject: FW: TDR

Jana,
 could you advise whether we need to provide some cash flow or whether you have it.
 Michelle

From: Kelly Elliott [REDACTED]
Sent: Tuesday, January 18, 2005 7:04 PM
To: Michelle Boucher; Kristin Yeary
Cc: Oma; Jason Elliott
Subject: TDR

Hi Everyone.
 We are going to be purchasing two TDRs for the Round Barn project at Circle R. We will be purchasing one in the next week. The TDRs should be around \$190,000 each. I

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1110

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 SEC_ED00052880

PSI_ED00052880

4722

wanted to give you a heads up, because we will need to close quickly in order to get what we are needing. If you have any questions, let me know.
Kelly

Confidential
SEC_ED00052881

PSI ED00052881

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Subcommittee on Investigations



Michelle Boucher

To: "Francie Webb ([REDACTED])
cc: Shari Robertson/Maverick@ [REDACTED]
Subject: Woody Creek Ranch Limited

03/03/2000 07:12 AM
Please respond to
"mboucher@ [REDACTED]"

The protectors recommend that you make a further investment in Woody Creek Management Trust in the amount of \$500,000 (five hundred thousand dollars). These funds are required to ensure that the properties have ready cash available to acquire additional TDR's (up to 6, averaging \$150K each) should they come available. It is my understanding that the property manager hopes to acquire these by the end of April when it is expected that plans for the development will be submitted for approval.

I believe there is sufficient cash available in Devotion Limited to fund such additional investment. Please let me know if you need me to re-confirm wire instructions, which you should have on hand.

If you have any questions, please call.

Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1111

Confidential
SEC_ED00047857

PSI FD00047857

CC 011870

4725

REFERENCE NO.	MEDIA	MSG	DATE	TIME	ACCOUNT NO.	DR/CR	AMOUNT
2563	FW	010251	03/07/00	12:51	[REDACTED]	CREDIT	\$500,000.00

CITIBANK /ORG=WOODY CREEK RNCH UNKNOWN
 BK AMERICA TX /CTR/OGB=BANK OF BERMUDA /AC-[REDACTED] INS=BANK OF BERMUDA (ISL
 E OF MAN) LTD ATTN OLIVER WEBSTER 13 13 HILL ST., DOUGLAS IM 99 1PW ISLE OF MAN,
 BRITISH IS
 LES /AC-[REDACTED] I=FW311093120 BBK=BANK OF AMERICA IRVING TX /INF//BBK/DALLAS

WOODY CREEK RANCH MANAGEMENT
 TRUST
 300 CRESCENT COURT, SUITE 1000
 DALLAS, TX 75201-7852



P.O. Box 83000-7154, Dallas, Texas 75283

WIRE TRANSFER ADVICE

*IF ASSISTANCE ON THIS TRANSACTION IS NEEDED, PLEASE CONTACT OUR RESEARCH DEPARTMENT AT 1-800-577-9473.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1111

CONFIDENTIAL
 SECI00025246
 PSIN00037113

1. **THEORY OF THE STATE AND THE LAW**
 2. **CONSTITUTIONAL LAW**
 3. **ADMINISTRATIVE LAW**
 4. **CRIMINAL LAW**
 5. **CIVIL LAW**
 6. **LABOR LAW**
 7. **PROPERTY LAW**
 8. **INTELLECTUAL PROPERTY LAW**
 9. **INTERNATIONAL LAW**
 10. **ENVIRONMENTAL LAW**
 11. **ENERGY LAW**
 12. **TRANSPORT LAW**
 13. **TELECOMMUNICATIONS LAW**
 14. **FINANCIAL LAW**
 15. **TAX LAW**
 16. **INSURANCE LAW**
 17. **REAL ESTATE LAW**
 18. **CONSUMER PROTECTION LAW**
 19. **PRODUCT LIABILITY LAW**
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 199. **SAFETY AND HEALTH LAW**
 200.

[REDACTED]

Money funds activity

The taxable and non-taxable designations provided below refer to the US Income tax treatment of distributions from your securities. The designations are accurate to the best of our knowledge. Clients should consult with a tax advisor regarding the tax treatment of their investments.

Money (spun)

4727

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E 0 0 C Enclosures 0
Statement Period 03/29/02
04/01/01 through 04/30/01

010999 001 SCN999 I 3 0

TWO MILE RANCH MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 2

Business Economy Checking

Account Summary Information

Statement Period	04/01/01 through 04/30/01	Statement Beginning Balance	420,677.10
Number of Deposits/Credits	2	Amount of Deposits/Credits	2,020,000.00
Number of Withdrawals/Debits	6	Amount of Withdrawals/Debits	900,012.00
Number of Deposited Items	0	Statement Ending Balance	1,540,665.10
Number of Enclosures	0	Average Ledger Balance	682,005.53
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
04/19	2,000,000.00	Wire Type:Fed IN Date:010419 Time:1057 Fed Ref:002318 Seq:010419006070 Orig:Two Mile Ranch Limi Fmt Det:Two Mile Ranch MA Nagement Trust Ac: [REDACTED] Obj= two Mile Ranch LI Mited INS= D36022287 Bank Sending Bank:Citibank Na	904004199006070
04/19	20,000.00	Funds Transfer Credit Fdes Ntx 0001145 NBKA6Y3	945004191450134

Withdrawals and Debits

Other Debits

Date Posted	Amount	Description	Bank Reference
04/05	200,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKAJ61	945004051450078
04/05	200,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKAJ61	945004051450080
04/19	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945004191450105

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1112

PA 14

4728

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosure 0 50
Statement Period 03/29/03
04/01/01 through 04/30/01

TWO MILE RANCH MANAGEMENT TRUST

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Page 2 of 2

Business Economy Checking

Withdrawals and Debits - Continued

Other Debits

Date Posted	Amount	Description	Bank Reference
04/19	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945004191450107
04/19	10.00	Wire Transfer Fee	904004190005553
04/19	2.00	Wire Transfer Fee	904004190005554

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
04/01	420,677.10	04/05	20,677.10	04/19	1,540,665.10

Message Center

Get your no monthly fee Business Check Card today. It comes with your Business Checking Account. Plus, it works like a check only better-it is accepted at more than 19 million Visa merchants worldwide, even on the Internet. Call 1.888.600.4000 to order your card today, or visit www.newbusinesscheckcard.com

We are changing some of the fees that apply to your account. You may or may not be affected by all these changes, depending on you balances and the services you use. These price changes are effective July 1, 2001. Deposit correction duplicate notice \$1 per notice, cashiers checks \$5 per check, Paid or returned insufficient funds, overdrafts \$28 per item;

Cash processing-banking center: immediate verification of cash deposited \$.20 per \$100, currency supplied \$.12 per \$100, boxed coin provided \$.08 per roll, change order \$.22 per order, change order vault \$.22 per order; Cash processing-vault: Fed-ready currency deposited \$.07 per \$100, currency supplied-less than standard strap-\$.12 per \$100,

rolled coin provided \$.09 per roll, Return item recleared \$6.50 per item, stop payments \$28 per request, money orders \$4 per order, check copies \$5 per copy, Subpoenas/Summonses processing: photocopies or microfilm copy \$.25 each; tax levies/garnishments \$75 each, bond coupon collection \$8 per envelope.

Thank you for banking with Bank of America.

08/08 '01 18:47 FAX 01624 624488

SARNIA INVESTMENTS LIMITED

(Incorporated in the Isle of Man No: 52403)

Directors:K.G. Harding
N. Goddard (Irish)**Registered Office:**International House,
Castle Hill
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 630600
Fax: (01624) 624469

Ref: AB/SLD/SARNIA-L.1

6th September, 2001.= Redacted by the Permanent
Subcommittee on Investigations**BY COURIER**Michele Crittenden
Lehman Brothers Inc.
Texas Commerce Tower,
Suite 2500,
2200 Ross Avenue,
Dallas,
Texas 75201,
United States of America.**To be transmitted by Fax and Post****Fax No: 001 214** [REDACTED]

Dear Michele,

RE: CASH TRANSFER

From cash realised from recent stock sales please effect the following wire transfer:-

Amount:	US\$3,600,000 (Three Million, Six Hundred Thousand US Dollars)
Bank:	Citibank N.A., 111 Wall street, New York City.
ABA No:	021000089
Swift Address:	CITI US33
Account:	Bank of Bermuda (Isle of Man) Limited
Account No:	[REDACTED]
Swift Address:	BBDAIMDX
For further credit to:	Two Mile Ranch Limited
Account No:	[REDACTED]
Reference:	Sarnia Investments Limited

Thanking you in advance for your assistance in this matter and confirming that the original instruction will be forwarded to you by Courier.

Yours faithfully,

D.A. Harris, [Signature]

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1113

[Signature]

K.G. Harding,

International House, Castle Hill, Douglas, Isle of Man

CC 027320

Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O O C Enclosures O 50
Statement Period 02/27/01
09/01/01 through 09/30/01

01099 001 SCH399 1 2 0

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Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 2

Business Economy Checking

Account Summary Information

Statement Period	09/01/01 through 09/30/01	Statement Beginning Balance	151,049.26
Number of Deposits/Credits	2	Amount of Deposits/Credits	3,636,363.64
Number of Withdrawals/Debits	4	Amount of Withdrawals/Debits	700,012.00
Number of Deposited Items	0	Statement Ending Balance	3,087,400.90
Number of Enclosures	0	Average Ledger Balance	2,152,859.44
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
09/11	3,600,000.00	Wire Type:Fed IN Date:010911 Time:1040 Fed Ref:001988 Seq:010911003589 Orig:Two Mile Ranch Lm1 End:Two Mile Ranch MA Nagement Trust Amd End:Oba= two Mile Ranch LA Mited INS= D3602287 Bank Sending Bank:CitiBank NA Funds Transfer Credit	904008119003589
09/13	36,363.64	Feds Nty 0001145 NRK6Y3	94600311450042

Withdrawals and Debits

	Withdrawals and Debits
Other Debits	

Date Posted	Amount	Description	Bank Reference
09/11	10.00	Wire Transfer Fee	904009110002436
09/11	2.00	Wire Transfer Fee	904009110002437
09/13	350,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945009131450033
09/13	350,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945009131450085

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1113

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Subcommittee on Investigations

PERMANENT BROTHERS **LEHMAN BROTHERS** **Global Investment Management Association**
June 18, 2001

AUDUBON ASSET LTD

Account Number

Date	Description	Reference no.	Amount
09/22/01	WITHDRAWAL TO CITIBANK NA TWO MILE RANCH LIMIT REF 0022010024030105		\$ 1,000,000.00
09/22/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO THE RESERVE TRUST REF 0022010024030105		600,000.00
09/24/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0024010024030105		25,000.00
09/28/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0028010024030105		155,000.00
Total Withdrawals			\$ 1,780,000.00

Date	Description	Reference no.	Amount
09/22/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO THE RESERVE TRUST REF 0022010024030105		\$ 1,000,000.00
09/24/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0024010024030105		25,000.00
09/28/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0028010024030105		155,000.00
Total Withdrawals			\$ 1,780,000.00

Money funds
activity

Date	Description	Reference no.	Amount
09/22/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO THE RESERVE TRUST REF 0022010024030105		\$ 1,000,000.00
09/24/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0024010024030105		25,000.00
09/28/01	WITHDRAWAL TO CITIBANK NA FUNDS WIRE TO CITIBANK NA REF 0028010024030105		155,000.00
Total Withdrawals			\$ 1,780,000.00

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1114

4732

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosures 0 50
Statement Period 12/83/27
06/01/01 through 06/30/01

02699 001 SCH999 1 34 0
TWO MILE RANCH MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 2

Business Economy Checking

Account Summary Information

Statement Period	06/01/01 through 06/30/01	Statement Beginning Balance	140,665.10
Number of Deposits/Credits	1	Amount of Deposits/Credits	1,000,000.00
Number of Withdrawals/Debits	4	Amount of Withdrawals/Debits	1,000,012.00
Number of Deposited Items	0	Statement Ending Balance	140,653.10
Number of Enclosures	0	Average Ledger Balance	140,662.67
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
06/25	1,000,000.00	Wire Type:Fed IN Date:010625 Time:0935 Fed Ref:002186 Seq:010625004046 Orig:Two Mile Ranch Limi Pmt Det:Two Mile Ranch MA Nagement Trust [REDACTED] Obj= two Mile Ranch Li Mited INS- D86022287 Bank Sending Bank:Chibank Na	904006259004046

Withdrawals and Debits

Other Debits

Date Posted	Amount	Description	Bank Reference
06/25	500,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945006251450089
06/25	500,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945006251450061
06/25	10.00	Wire Transfer Fee	904006250004049
06/25	2.00	Wire Transfer Fee	904006250004050

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1114

Confidential Treatment Requested

BA 14451:

4733

— = Redacted by the Permanent
Subcommittee on Investigations

June 25, 2001

Kelly Roark
Nations Bank
901 Main Street, 19th Floor
Dallas, Texas 75202

Dear Kelly:

Please transfer the following: *From*: Two Mile Ranch Management Trust, Account# [REDACTED]
\$500,000.00 into *each* of the following accounts:

<u>Account#</u>		<u>Ref#</u>
Acct.# [REDACTED]	Two Mile Ranch I, LLC	010685
Acct.# [REDACTED]	Two Mile Ranch II, LLC	010686

If you have any questions or need additional information, please contact me.

Yours truly,

Rena Alexander

Keeley Hennington

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1114

Confidential
SEC_ED00022592

PSI_ED00022592


Bank of America

Bank of America, N.A.
P.O. Box 20318
Tampa, FL 33622-5118

Toll Free 1.888.BUSINESS(1.888.287.4337)



Page 1 of 2
Account Number: [REDACTED]
E 9 - 0 C Enclosures 0 50
Statement Period
06/01/02 through 06/30/02 0307105

|||||
21099 001 SCH999
TWO MILE RANCH MANAGEMENT TRUST
500 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] - Redacted by the Permanent
Subcommittee on Investigations

Business Economy Checking
Account Summary Information

Statement Period	06/01/02 through 06/30/02	Statement Beginning Balance	4,007,402.60
Number of Deposits/Credits	1	Amount of Deposits/Credits	40,404.04
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	4,000,000.00
Number of Deposited Items	0	Statement Ending Balance	47,806.64
Number of Enclosures	0	Average Ledger Balance	443,766.23
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Bank Reference
06/04	40,404.04	Funds Transfer Credit Fdes Ntx 0001145 Nbkaj61	945006041450059

Withdrawals and Debits
Other Debits

Date	Amount	Description	Bank Reference
06/04	2,000,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbkaj61	945006041450066
06/04	2,000,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbkf76	945006041450062

Daily Ledger Balances

Date	Balance	Date	Balance
06/01	4,007,402.60	06/04	47,806.64

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1115



Confidential Treatment Requested

BA PSI-W 01689


Bank of America

Bank of America, N.A.
P.O. Box 20318
Tampa, FL 33622-5118

Toll Free 1.888.BUSINESS(1.888.287.4337)



Page 1 of 2
Account Number: [REDACTED]
E 9 - 0 C Enclosures 0 50
Statement Period
06/01/02 through 06/30/02 0307105

|||||
21099 001 SCH999
TWO MILE RANCH MANAGEMENT TRUST
500 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] - Redacted by the Permanent
Subcommittee on Investigations

Business Economy Checking
Account Summary Information

Statement Period	06/01/02 through 06/30/02	Statement Beginning Balance	4,007,402.60
Number of Deposits/Credits	1	Amount of Deposits/Credits	40,404.04
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	4,000,000.00
Number of Deposited Items	0	Statement Ending Balance	47,806.64
Number of Enclosures	0	Average Ledger Balance	443,766.23
Number of Days in Cycle	30	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Bank Reference
06/04	40,404.04	Funds Transfer Credit Fdes Ntx 0001145 Nbkaj61	945006041450059

Withdrawals and Debits
Other Debits

Date	Amount	Description	Bank Reference
06/04	2,000,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbkaj61	945006041450066
06/04	2,000,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbkf76	945006041450062

Daily Ledger Balances

Date	Balance	Date	Balance
06/01	4,007,402.60	06/04	47,806.64

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1115

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BA PSI-W 01689


Bank of America

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Tampa, FL 33622-5118
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Page 1 of 2
Account Number: [REDACTED]
E 0 0 C Enclosures 0 50
Statement Period
10/01/02 through 10/31/02 0024053

01999 001 SCH999

TWO MILE RANCH MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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transfer funds, pay bills and more. Enroll at www.bankofamerica.com.

Business Economy Checking
Account Summary Information

Statement Period	10/01/02 through 10/31/02	Statement Beginning Balance	47,806.64
Number of Deposits/Credits	2	Amount of Deposits/Credits	2,535,252.52
Number of Withdrawals/Debits	1	Amount of Withdrawals/Debits	10.00
Number of Deposited Items	0	Statement Ending Balance	2,573,049.16
Number of Enclosures	0	Average Ledger Balance	857,513.41
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Reference
10/22	2,500,000.00	Wire Type:Wire IN Date: 10/22/02 Time:1040 Ct Trn:021022018000 Fdref/Seq:S0722950259901/002185 Orig:Yurta Far Limited Snd Bk:Citibank Na ID:02100 0089 Pmt Det:000578005231 Ref Two Mile Ranch Limit Ed - Bank Of America Dallas	903710220018000
10/28	25,252.52	Funds Transfer Credit Fdes Ntx 0001145 Nbk6Y3	945010281450046

Withdrawals and Debits
Other Debits

Date	Amount	Description	Reference
10/22	10.00	Wire Transfer Fee	903710220041530

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1116

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BA PSI-W 01690

4737



Bank of America

Bank of America, N.A.
P.O. Box 29118
Tampa, FL 33622-5118
Toll Free 1.888.BUSINESS(1.888.287.4637)
www.bankofamerica.com



Page 1 of 1
Account Number: [REDACTED]
E O C Enclosures 0 50
Statement Period
11/01/02 through 11/30/02 0313406

02099 001 SCH999 I 2 0

TWO MILE RANCH MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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transfer funds, pay bills and more. Enroll at www.bankofamerica.com.

Business Economy Checking

Account Summary Information

Statement Period	11/01/02 through 11/30/02	Statement Beginning Balance	2,573,049.16
Number of Deposits/Credits	0	Amount of Deposits/Credits	0.00
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	2,500,000.00
Number of Deposited Items	0	Statement Ending Balance	73,049.16
Number of Enclosures	0	Average Ledger Balance	489,715.82
Number of Days in Cycle	30	Service Charge	0.00

Withdrawals and Debits

Other Debits

Date Posted	Amount	Description	Bank Reference
11/06	1,250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945011061450102
11/06	1,250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945011061450104

Daily Ledger Balances

Date	Balance	Date	Balance
11/01	2,573,049.16	11/06	73,049.16

Message Center

Introducing the new America West FlightFund Visa Business Card from Bank of America for small businesses. Turn your everyday business expenses into award travel. This new card gives you expense management tools, convenience and exciting award travel. Earn 5,000 bonus FlightFund miles after your first purchase. Call 1.800.360.5080 today to apply.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1116

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Confidential Treatment Requested

BA PSI-W 01690



Page 1 of 2
Account Number: [REDACTED]
EO P OC Enclosures 0 50
Statement Period
12/01/03 through 12/31/03 9345413

_____ = Redacted by the Permanent Subcommittee on Investigations

Business Economy Checking

Statement Period	12/01/03 through 12/31/03	Statement Beginning Balance	13,070.13
Number of Deposits/Credits	8	Amount of Deposits/Credits	3,430,303.01
Number of Withdrawals/Debits	10	Amount of Withdrawals/Debits	2,500,040.00
Number of Deposited Items	0	Statement Ending Balance	943,333.14
Number of Enclosures	0	Average Ledger Balance	468,508.66
Number of Days in Cycle	31	Service Charge	0.00

Date	Amount	Description	Bank
12/03	500,000.00	Wire Type:Wire IN Date: 120303 Time:1046 Ct Trn:031203019535 Fdref:Seq:50738371C85001/002021 Orig:Two Mile Ranch Limited Snd Bk:Citibank Na ID: 021000089 Pmt Det:002296001673 Rosemary'S Circle R Ranch Ltd	903712030019535
12/08	5,050.50	Funds Transfer Credit Fdes Ntx 0001145 NbkacY3	945012081450091
12/09	5,050.50	Funds Transfer Credit Fdes Ntx 0001145 NbkacY3	945012091450071
12/19	500,000.00	Wire Type:Wire IN Date: 121903 Time:1008 Ct Trn:031219022058 Fdref:Seq:50738561A9B901/002844 Orig:Two Mile Ranch Limited Snd Bk:Citibank Na ID: 021000089 Pmt Det:002296001818 Rosemary'S Circle R Ranch Ltd	903712190022058
12/22	1,500,000.00	Wire Type:Wire IN Date: 122303 Time:1048 Ct Trn:031222024861 Fdref:Seq:50738561123001/003244 Orig:Pops Llc Snd Bk:Citibank Na ID:021000089 Pmt Det:002296001831 Pops	903712220024861
12/23	15,151.51	Funds Transfer Credit Fdes Ntx 0001145 NbkacY3	945012231450037
12/23	5,050.50	Funds Transfer Credit Fdes Ntx 0001145 NbkacY3	945012231450035

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1117

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BA PSI-W 01692

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Subcommittee on Investigations



TWO-MILE RANCH MANAGEMENT TRUST

Page 2 of 2
Account Number: [REDACTED]
EO P - OC Enclosures 0
Statement Period
12/01/03 through 12/31/03 6945414

Business Economy Checking**Deposits and Credits - Continued**

Date Posted	Amount	Description	Bank Reference
12/24	900,000.00	Wire Type:Wire IN Date: 122403 Time:1334 Ct Trn:031224051307 Fdref/Seq:4700200358Ft/004301 Orig:Bubba Lic ID:P860171591 Snd Bk:Jpmorgan Chase Bank ID:321000021 Pmt Det:Swf Of 03/12/24 Rosemar Y'S Circle R Management Trust	903712240051307

Withdrawals and Debits**Other Debits**

Date Posted	Amount	Description	Bank Reference
12/03	10.00	Wire Transfer Fee	903712030043502
12/09	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012091450001
12/09	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012091450003
12/19	10.00	Wire Transfer Fee	903712190054479
12/22	10.00	Wire Transfer Fee	903712220053991
12/23	750,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012231450030
12/23	750,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012231450032
12/23	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012231450026
12/23	250,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945012231450028
12/24	10.00	Wire Transfer Fee	903712240043865

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
12/01	13,070.13	12/09	23,161.13	12/23	43,343.14
12/03	513,060.13	12/19	623,161.13	12/24	943,333.14
12/08	518,110.63	12/22	2,023,141.13		

Message Center

Happy New Year! We would like to thank you for your business in 2003 and we look forward to serving you in 2004. The beginning of a new year is a good time to contact your Bank of America representative to make sure that you are getting the most out of your banking relationship. We look forward to hearing from you and wish you a prosperous year.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1117

Confidential Treatment Requested

BA PSI-W 016925

4740


Bank of America

Bank of America, N.A.
P.O. Box 25118
Tampa, FL 33622-5118
1.800.432.1000
www.bankofamerica.com



Page 1 of 1
Account Number: [REDACTED]
EO P OC Enclosures \$ 50
Statement Period
01/01/04 through 01/31/04 0306508

02099 001 SCH999 1123 0

TWO MILE RANCH MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

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transfer funds, pay bills and more. Enroll at www.bankofamerica.com.

Business Economy Checking
Account Summary Information

Statement Period	01/01/04 through 01/31/04	Statement Beginning Balance	943,333.14
Number of Deposits/Credits	1	Amount of Deposits/Credits	9,090.90
Number of Withdrawals/Debits	2	Amount of Withdrawals/Debits	860,000.00
Number of Deposited Items	0	Statement Ending Balance	102,424.04
Number of Enclosures	0	Average Ledger Balance	786,441.63
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
01/06	9,090.90	Funds Transfer Credit Fdes Ntx 0001145 Nbka6Y3	945001061450034

Withdrawals and Debits
Other Debits

Date Posted	Amount	Description	Bank Reference
01/26	425,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945001261450024
01/26	425,000.00	Funds Transfer Debit Fdes Ntx 0001145 Nbka6Y3	945001261450026

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
01/01	943,333.14	01/06	952,424.04	01/26	102,424.04

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1117

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BA PSI-W 01592

as Form 70 6/93

[illegible]

4743

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Subcommittee on Investigations

Full Name: Jennifer & James Lincoln
Last Name: Lincoln
First Name: Jennifer & James
Home Address: LL Ranch
[REDACTED] Little Woody Creek Rd.
81656 Woody Creek CO
Pitkin
Business: (970) [REDACTED]
Business Fax: (970) [REDACTED]
Categories: CW Family

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1119

Confidential
SEC_ED00000053

PSI_ED00000053

4744

FEB 12 1999 09:13 PM PRIVATE BANK 244 000 3076 10 PLATINUM
F. 02/10
OF - 242.50

1137 Little Woody
Creek Road

GENERAL WARRANTY DEED

Alan Finkelstein ("Seller"), whose address is _____
for the consideration of Ten Dollars (\$10.00) and other good and valuable consideration, in hand
paid, hereby sells and conveys to Little Woody, Ltd., a Texas Limited Partnership, whose address
is 8080 N. Central Pkwy., Dallas, TX 75206-8620, the following real property in the County of
Pitkin, State of Colorado:

Lot 2, SACHS WOODY CREEK EXEMPTION PLAT, according to the Plat
thereof recorded September 6, 1983 in Plat Book 15 at Page 70 as Reception No.
255506.

also known by street and number as: 1137 Little Woody Creek Road, Woody Creek, CO 81656,
with all its appurtenances, and warrants the title to the same, subject to and except for:

1. General taxes for 1996 and thereafter payable in 1997 and thereafter.
2. All matters described on Exhibit A attached hereto and incorporated herein by this
reference.

ALL REFERENCES BEING TO THE REAL PROPERTY RECORDS OF PITKIN COUNTY,
COLORADO.

Signed this 2nd day of September 1996.

Alan Finkelstein
Alan Finkelstein

STATE OF CALIFORNIA } ss.
COUNTY OF LOS ANGELES

The foregoing instrument was acknowledged before me this 1st day of September 1996,
by Alan Finkelstein.

Witness my hand and official seal.
My commission expires: 6/98



Diane Davis
Notary Public

397032

Transfer Declaration Received 09/13/96

FEB 19 '99 09:34

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

** TOTAL PAGE: 05 **
PRIVATE BANK PAGE: 05

Confidential Treatment Requested

BA 14374

397032 09/13/96 03:20P Pg 1 OF 2
SILVIA DAVIS PITKIN COUNTY CLERK & RECORDER
REC DOC
11.00 P&C.50 LDC

23053

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Subcommittee on Investigations

PROPERTY IDENTIFICATION

Legal Description:

The subject property is located at 1137 Little Woody Creek Road, and is legally described as:

Sachs Woody Creek Exemption Subdivision
Lot 2
Pitkin County, Colorado

The subject property is also known as Speer Woody Creek Subdivision Lot 2 and part of Lot 1.

Sales History and Present Owner of Record:

The subject property, according to the Pitkin County Assessor's Office, is in the ownership Little Woody, Ltd., a Texas limited partnership. The property was purchased by that entity from Finkelstein in September, 1996 for \$2,425,000. Since that time the home has been completely remodeled and expanded. To our knowledge, there have been no other arms-length transactions involving the subject property over the past 5 years. It is not currently available for sale.

Real Estate Tax Information:

<u>State Tax Identification No.:</u>	[REDACTED]
<u>Assessor's Schedule No.:</u>	07-11034
<u>Tax District:</u>	1-CF
<u>Mill Levy:</u>	\$22.338 per \$1000 of assessed value (1999)
<u>Assessor's "Actual Value":</u>	\$4,568,300
<u>Assessed Value (1999)</u>	\$ 444,950
<u>1999 Taxes (due & payable in 2000):</u>	\$9,939.06

Following total remodeling and addition to the subject property, it was reassessed for the 1999 tax year at over 100% higher than its prior valuation. Naturally, the taxes increased substantially. However, we think the property is still undervalued by the Assessor's

The
Aspen
Appraisal
Group, Ltd.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

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SECI00034083
PSI00045950

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MARTHA W. MILLER TRUST MARTHA WYLY MILLER		Trust		Individual		Combined	
30-Nov-96	Shares	FMV	Book	FMV	Book	FMV	FMV
ASSETS							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Little Woody Ltd.	27.500%	Book	203,682	203,682	[REDACTED]	[REDACTED]	203,682
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ASSETS		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LIABILITIES							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL LIABILITIES		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

CONFIDENTIAL
SEC100034084
PSI00045951

CONFIDENTIAL
SECI00034085
PSI00045957

[illegible]

CONFIDENTIAL
SECI00034086
PSI00045953

JENNIFER WYLY TRUST							
JENNIFER WYLY LINCOLN							
30-Nov-96	Shares	FMV	Trust Book	FMV	Individual Book	FMV	Combined FMV
ASSETS							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] id	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Little Woody, Ltd	22.500%	Book	203,682	203,682			203,682
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ASSETS							
[REDACTED]							
[REDACTED] ar							
TOTAL LIABILITIES							
[REDACTED]							
TOTAL							

CONFIDENTIAL
SECI00034087
PSI00045954

4751

FROM : 16092343-0013

FROM : 16092343-0013

FROM : 16092343-0013

FACSIMILE COVER PAGE

TO: Ronnie Buchanan From: Michelle Boucher
FAX: 011-44-1624-822-952 Fax: 809-949-2519
DATE: August 23rd, 1996 Tel: 809-949-0658

We are transmitting 3 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ronnie,

Please see attached recommendation from the protectorates committee (which you may have already received from them directly).

Kindly ensure that copies of the loan agreement, Second Deed of Trust and invoices for any legal costs associated with the loan and deed are sent to me.

Kindly also ensure that I receive copies of instructions to Lehman Brothers to liquidate treasuries to make the loan, and that I am advised of the date of any cash movements.

When the loan principle is transferred out, kindly provide me with details of the applicable US Fed rate that has been attached to the loan, and a copy of your source for it.

I will provide you with wiring instructions for Little Woody Ltd (a Texas Partnership) shortly.

Thanks and kind regards,


Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
PSI00117308

4752

10/11/96 15:36

PHONE NO. :

Aug. 23 1996 09:38AM P3
F-101 1-522 P-881 AUG 22 '96 16:36

LEGAL DESCRIPTION
LITTLE WOODY

County of Pitkin, Colorado, Part of Lot 1, and Lot 2, Speer Woody Creek Subdivision known as
No. 1137 Little Woody Creek Road, Woody Creek, Colorado, 81656

CONFIDENTIAL
PSI00117309

4753

FNUM : (809)949-2519

PHONE NO. :

AUG. 28 1996 10:12AM P1

FACSIMILE COVER PAGE

TO: Ronnie Buchanan From: Michelle Boucher
FAX: 011-44-1624-822-952 Fax: 809-949-2519
DATE: August 28th, 1996 Tel: 809-949-0658

We are transmitting 1 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ronnie,

Further to our conversation, I confirm the following:

The first mortgage will be for \$1.6 Million, the second mortgage will be for \$1.5 Million.

The current appraised value of the property is \$2.3 Million. The excess cash generated by the mortgages will be used to make renovations to the property.

Shari indicated that given your willingness to proceed with the transaction, they will continue with the acquisition and provide you with the necessary documents as it progresses. It is likely that the first mortgage will be set up and the second one will follow shortly thereafter.

If you have any further questions, let me know.

Thanks and kind regards,


Michelle Boucher

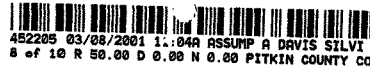
Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1120

CONFIDENTIAL
PSI00117305

4754

TCT/2619734.2/3-1-01



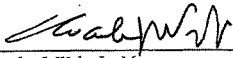
YOU WILL, THEREFORE, BE REQUIRED TO MAKE PAYMENT OUT OF OTHER ASSETS THAT YOU MAY OWN, OR YOU WILL HAVE TO FIND A LENDER, WHICH MAY BE THE LENDER YOU HAVE THIS LOAN WITH, WILLING TO LEND YOU THE MONEY. IF YOU REFINANCE THIS LOAN AT MATURITY, YOU MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN EVEN IF YOU OBTAIN REFINANCING FROM THE SAME LENDER.

THIS WRITTEN LOAN AGREEMENT, TOGETHER WITH THE LOAN DOCUMENTS AS AMENDED HEREBY, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED this 5 day of March, 2001, to be effective March 5, 2001.

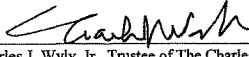
ASSUMING BORROWER:

Little Woody, LLC
(a Colorado limited liability company)

By: 
Charles J. Wyly, Jr., Manager

ORIGINAL BORROWER:

Little Woody, Ltd.
(a Texas limited partnership)

By: 
Charles J. Wyly, Jr., Trustee of The Charles J. Wyly, Jr. Revocable Trust created by instrument dated June 12, 1987, its General Partner

LOAN ASSUMPTION AGREEMENT

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

Little Woody, L.L.C.

Confidential Treatment Requested

BA 143986

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Subcommittee on Investigations

WYLY PARTNERSHIPS		Little Woody	
January 31, 2001		Shs/Face	Book
ASSETS			
Cash			(11,745)
Woody Creek Ranch-Parcel C			6,543,005
Furnishings & Art Work-Parcel C			646,339
Organization Costs/Other			37,158
TOTAL ASSETS			7,214,757
LIABILITIES			
Bank of America-Colorado C			3,828,707
TOTAL LIABILITIES			3,828,707
CAPITAL			
Charles & Dee Wyly Revocably Trust (GP)			338,705
(LP)			761,836
(LP)			761,836
(LP)			761,836
(LP)			761,836
TOTAL CAPITAL			3,386,050
TOTAL LIABILITIES & CAPITAL			7,214,757

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100031923
PS100043790

4756

WWW.NATIONS BANK 48991

— = Redacted by the Permanent
Subcommittee on Investigations

November 10, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wily, Jr. Acct. No. [REDACTED]	27,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	61,875.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	61,875.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	61,875.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	61,875.00	Little Woody, Ltd. Acct. No. [REDACTED]

\$275,000.

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning

Amy Browning



300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

NOV 12 1998 07:58

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

PAGE 01

CONFIDENTIAL
SEC100000234
PSI00012101

4757

September 1, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wyly, Jr. Acct. No. [REDACTED]	54,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	101,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	101,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	101,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	101,250.00	Little Woody, Ltd. Acct. No. [REDACTED]

459,000.

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning

Amy Browning

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1120

SEP 01 1998 PM 7:20

PAGE 02

CONFIDENTIAL
SEC100000236
PS100012103

4758

001

July 30, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

Redacted by the Permanent
Subcommittee on Investigations

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wyly, Jr. Acct. No. [REDACTED]	25,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. 1 [REDACTED]	56,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	56,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	56,250.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	56,250.00	Little Woody, Ltd. Acct. No. [REDACTED]

250M

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning

Amy Browning

X

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

JUL 30 1998 12:45

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

380 4067

CONFIDENTIAL

CONFIDENTIAL
SEC100000238
PS100012105

4759

07/30/98 120 12.46 PM 447 000 0000 300 CRESCENT COURT 1000 *** RAILROAD BANK 002

July 30, 1998

— = Redacted by the Permanent
Subcommittee on Investigations

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

Dear Toni:

Please complete the following wire transfer today:

AMOUNT: \$205,262.39 ✓
WIRE FROM: Little Woody Ltd.
Acct. No. [REDACTED]
WIRE TO: Alpine Bank & Trust ✓
ABA 102103407 ✓
Structural Associates Co. ✓
Acct. No. [REDACTED]

If you have any questions or need additional information, please contact me. Thank you.

Very truly yours,

Amy Browning
Amy Browning

Date: 7/30/98 Authorized Signor? Y ☒ N ☐
Upfront call taken by: 4519
C/O Book by: Mr. B. J. J.
C/O Book by: _____
Approval: Kelly Smith
Approval: _____

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100000239
PS100012106

4760

JUN 17 1998 05:00 FAX 214 890 4062

300 CRESCENT COURT 1000 --- NATIONS BANK

002

June 17, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wylly, Jr. Acct. No. [REDACTED]	30,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]

\$300M

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning
Amy Browning

X

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

JUN 17 1998 05:00

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1120

05 10623

0002 03

CONFIDENTIAL
SEC100000240
PSI00012107

4761

May 5, 1998

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Subcommittee on Investigations

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202


Dear Toni:

Please complete the following transfers today:

	Transfer From	Amount	Transfer To
7 802.52	Charles J. Wyly, Jr. Acct. No. [REDACTED]	30,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
327,766.2	[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
841,552.61	[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
841,152.61	[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
531,652.03	[REDACTED] Trust Acct. No. [REDACTED]	67,500.00	Little Woody, Ltd. Acct. No. [REDACTED]
		230,000.00	

If you have any questions or need additional information, please contact me.

Very truly yours,


Amy Browning

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

MAY 05 '98 12:26

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

10 4862

PAGE. 01

CONFIDENTIAL
SEC100000242
PS100012109

4762

April 28, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
✓ Charles J. Wylie, Jr. Acct. No. [REDACTED]	35,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	78,750.00	Little Woody, Ltd. Acct. No. [REDACTED]
✓ [REDACTED] Trust Acct. No. [REDACTED]	78,750.00	Little Woody, Ltd. Acct. No. [REDACTED]
✓ [REDACTED] Trust Acct. No. [REDACTED]	78,750.00	Little Woody, Ltd. Acct. No. [REDACTED]
✓ [REDACTED] Trust Acct. No. [REDACTED]	78,750.00	Little Woody, Ltd. Acct. No. [REDACTED]

135,000.

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning

Amy Browning

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

APR 28 '98 14:25

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

1 880 4062

PAGE. 01

CONFIDENTIAL
SEC100000244
PSI00012111

4763

March 24, 1998

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

—= Redacted by the Permanent
Subcommittee on Investigations

Dear Toni:

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wyly, Jr. Acct. No. [REDACTED]	20,000.00	Little Woody, Ltd. Acct. No. [REDACTED] ✓
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED] ✓
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED] ✓
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED] ✓
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED] ✓

If you have any questions or need additional information, please contact me.

Very truly yours,

Amy Browning
Amy Browning

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

MAR 24 '98 09:56

214 880 4052

PAGE.02

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100000245
PSI00012112

JUN CRESCENT COURT 1000 *** NATIONS BANK 0001

Toni Hill
NationsBank
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent Subcommittee on Investigations

Please complete the following transfers today:

Transfer From	Amount	Transfer To
Charles J. Wyly, Jr. Acct. No. [REDACTED]	20,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED]
[REDACTED] Trust Acct. No. [REDACTED]	45,000.00	Little Woody, Ltd. Acct. No. [REDACTED]

Very truly yours,

Amy Browning
Amy Browning

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

FEB 23 '98 08:56

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

80 4062

PAGE. 01

CONFIDENTIAL
SEC100000247
PSI00012114

Bank of America		REFERENCE #
FSC11001	ADVICE OF DEBIT	NBKA414500
AMOUNT: \$	DATE: 04/17/01	
ACCOUNT NUMBER: [REDACTED]		
FUNDS TRANSFER DEBIT		
PREPARED BY:		
CO NO: 0099 DEPT NO: 000114		
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.		

Bank of America		REFERENCE #
FSC11001	ADVICE OF DEBIT	NBKA414500
AMOUNT: \$	DATE: 04/17/01	
ACCOUNT NUMBER: [REDACTED]		
FUNDS TRANSFER DEBIT		
PREPARED BY:		
CO NO: 0099 DEPT NO: 000114		
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.		

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100013474
PS100025341

Bank of America		ADVICE OF DEBIT	REFERENCE
FSC11001			NBKA414500
AMOUNT: \$	965,250.00	DATE: 04/17/01	
ACCOUNT NUMBER:	[REDACTED]		
FUNDS TRANSFER DEBIT			
PREPARED BY:			
CO NO: 0099 DEPT NO: 000114			
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.			

Bank of America		ADVICE OF DEBIT	REFERENCE
FSC11001			NBKA414500
AMOUNT: \$	965,250.00	DATE: 04/17/01	
ACCOUNT NUMBER:	[REDACTED]		
FUNDS TRANSFER DEBIT			
PREPARED BY:			
CO NO: 0099 DEPT NO: 000114			
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.			

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

CONFIDENTIAL
SEC100013475
PS100025342


4767

Bank of America 

FSC11001

ADVICE OF DEBIT


REFERENCE #
NBKA41450045

AMOUNT: \$ 865,250.00
ACCOUNT NUMBER: 
FUNDS TRANSFER DEBIT

DATE: 04/17/01

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

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Subcommittee on Investigations

CONFIDENTIAL
SEC100013476
PS100025343

4768

April 16, 2001

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Marta:

Please wire funds as follows:

To:	Account Name:	Account No.:	Amount:	Reference:
	Charles J. Wyly, Jr. CP	4770766926	429,000.00	
	Trust		965,250.00	
	Trust		965,250.00	
	Trust		965,250.00	
	Trust		965,250.00	

From: Little Woody, Ltd.

429,000.00

Please call me at 214- [REDACTED] if you have any questions.

Sincerely,

Keeley Hennington
Keeley Hennington

Rena Alexander
Rena Alexander

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

CONFIDENTIAL
SEC100013477
PST00025344

Redacted by the Permanent Subcommittee on Investigations

LITTLE WOODY 98 PROJECTION / SEPTEMBER 1998

		SEPTEMBER AMOUNTS	ANNUALIZED AMOUNTS								
INCOME ITEM	DIVIDENDS	[REDACTED]	[REDACTED]								
	INTEREST										
	FARM INTEREST EXP										
	INVESTMENT INT EXP										
	R E TAXES										
	MORTGAGE INT										
NONDEDUCTIBLE EXP	BUS EXP										
PARTNER		PARTNER %	DIVIDENDS	INTEREST	FARM EXP	INVEST INT EXP	R E TAXES	MORTGAGE INT	OTHER EXP	NONDEDUCTIBLE EXPENSES	
CHARLES REV TRUST	[REDACTED] TRUST	10.0%	0	0	0	0	0	(716)	(13,009)	(71)	(855)
		22.5%	0	0	0	0	0	(1,812)	(31,069)	(160)	(1,923)
		22.5%	0	0	0	0	0	(1,812)	(31,069)	(160)	(1,923)
		22.5%	0	0	0	0	0	(1,812)	(31,069)	(160)	(1,923)
		100.0%	0	0	0	0	0	(7,165)	(138,053)	(710)	(8,545)

- portfolio - I'm for Δ

CONFIDENTIAL
SECI00018781
PSI00030648

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Subcommittee on Investigations

11/3/98

Charles Wyly Family
Little Woody, Ltd.
For the Nine Months Ending September 30, 1998

	Current Period	Year-to-Date	Beginning of Year	YTD Incr <Dec>
ASSETS				
161062 LAND/BUILDINGS/EQUIPMENT	5,161.96	4,255,391.66	2,728,341.47	1,527,050.19
162124 LL Ranch Woody Creek CO	207,585.00	585,674.53	15,139.62	570,534.91
162124 LL Ranch Furnishings	212,746.96	4,841,066.19	2,743,481.09	2,097,585.10
Total Land/Buildings/Equipment				
251012				
EQUITY				
275100 Retained Earnings Current Year	(10,091.08)	(116,167.93)		(116,167.93)
275235 Charles Wyly Revocable Trust		358,588.24	134,588.24	224,000.00
275272 Trust LP		786,573.60	302,823.60	483,750.00
275273 Trust LP		786,573.60	302,823.60	483,750.00
275274 Trust LP		786,573.60	302,823.60	483,750.00
275275 Trust LP		786,573.60	302,823.60	483,750.00
Total Equity	(10,091.08)	3,388,714.71	1,345,882.64	2,042,832.07
604020				
702001				
703001				
704014				
902007				
902280				

CONFIDENTIAL
SEC100018782
DCT000020646

4771

Bank of America

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201



Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosures 50
Statement Period 0003503
01/01/01 through 01/31/01

000010994 2 AV 0.463 22 01099 001 SCM999 I 3
LITTLE WOODY LTD
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 3

Simple Analysis Business Checking**Account Summary Information**

Statement Period	01/01/01 through 01/31/01	Statement Beginning Balance	12,509.31
Number of Deposits/Credits	5	Amount of Deposits/Credits	100,000.00
Number of Withdrawals/Debits	9	Amount of Withdrawals/Debits	86,955.28
		Statement Ending Balance	25,554.03
Number of Enclosures	7	Average Ledger Balance	58,097.45
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Bank Reference
01/09	22,500.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945001091450018
01/09	22,500.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945001091450020
01/09	22,500.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945001091450022
01/09	22,500.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945001091450024
01/09	10,000.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945001091450016

Handwritten notes:
121
11430.32
44.00
3271.38
2542.03

Withdrawals and Debits**Checks**

Check Number	Amount	Date	Bank Reference	Check Number	Amount	Date	Bank Reference
1494	29,393.94	01/19	813009130634641	1499	289.32	01/24	813009130613910
1496 *	96.94	01/24	813009030519130	1500	252.00	01/30	813009230363364
1497	129.00	01/24	813009130021749	1502 *	39,390.00	01/30	813009030715751
1498	1,424.08	01/24	813008730074461				

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100013550
PS100025417

ACCOUNT ANALYSIS

DETAIL ASSETS ACCOUNT: [REDACTED] - Cash-Bank of America

YEAR-TO-DATE ACCOUNT ACTIVITY THROUGH PERIOD 01

DETAIL ACCOUNTS

PERIOD	ACTIVITY	BALANCE
12/31/88	12,509.31DS	12,509.31DS
1/1/89	-24,254.01CR	-11,744.70CR

Redacted by the Permanent Subcommittee on Investigations

DETAIL ASSETS ACCOUNT: LML-101100 - Cash-Bank of America

02-26-01
YEAR-TO-DATE CURRENT YEAR BOOK ACCOUNT ACTIVITY

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SECI00013553
DCIA00025470

Bank of America FSC11001	ADVICE OF CREDIT	REFERENCE # NBK04145001
AMOUNT: \$ ACCOUNT NUMBER: FUNDS TRANSFER CREDIT	10,000.00	DATE: 01/09/01
PREPARED BY:		CO NO: 0099 DEPT NO: 0001145
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.		
Bank of America FSC11001	ADVICE OF CREDIT	REFERENCE # NBK04145002
AMOUNT: \$ ACCOUNT NUMBER: FUNDS TRANSFER CREDIT	22,500.00	DATE: 01/09/01
PREPARED BY:		CO NO: 0099 DEPT NO: 0001145
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.		

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Subcommittee on Investigations

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
SEC100013557
PSI00025424

Bank of America

FSC11001

ADVICE OF CREDIT

REFERENCE #
NBK04145002

AMOUNT: \$ 22,500.00
ACCOUNT NUMBER: [REDACTED]
FUNDS TRANSFER CREDIT

DATE: 01/09/01

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

Bank of America

FSC11001

ADVICE OF CREDIT

REFERENCE #
NBK04145002

AMOUNT: \$ 22,500.00
ACCOUNT NUMBER: [REDACTED]
FUNDS TRANSFER CREDIT

DATE: 01/09/01

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

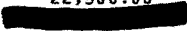
4775

Bank of America 

FSC11001

ADVICE OF CREDIT

REFERENCE #
NBK041450018

AMOUNT: \$ 22,500.00
ACCOUNT NUMBER: 
FUNDS TRANSFER CREDIT

DATE: 01/09/01

PREPARED BY:
CO NO: 0099 DEPT NO: 0001145

THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.

CONFIDENTIAL
SEC100013559
PSI00025426

4776

January 9, 2001

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, Texas 75202

— = Redacted by the Permanent
Subcommittee on Investigations

Dear Marta:

Please wire funds as follows:

From: <u>Account Name:</u>	<u>Account No.:</u>	<u>Amount:</u>	<u>Reference:</u>
Charles J. Wyly, Jr. CP		10,000.00	
[REDACTED] Trust	[REDACTED]	22,500.00	[REDACTED]
[REDACTED] Trust	[REDACTED]	22,500.00	[REDACTED]
[REDACTED] Trust	[REDACTED]	22,500.00	[REDACTED]
[REDACTED] Trust	[REDACTED]	22,500.00	[REDACTED]
To: Little Woody, Ltd.	[REDACTED]		

Please call me at 214/[REDACTED] if you have any questions.

Sincerely,


Keeley Hennington


Jane Frederick

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

TK
CONFIDENTIAL
SEC100013560
PSI00025427

4777

FROM : (609)949-2519

PHONE NO. :

Aug. 28 1996 10:12AM P1

FACSIMILE COVER PAGE

TO: Ronnie Buchanan From: Michelle Boucher
FAX: 011-44-1624-822-952 Fax: 809-949-2519
DATE: August 28th, 1996 Tel: 809-949-0658

We are transmitting 1 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ronnie,

Further to our conversation, I confirm the following:

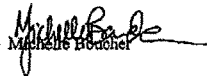
The first mortgage will be for \$1.6 Million, the second mortgage will be for \$1.5 Million.

The current appraised value of the property is \$2.3 Million. The excess cash generated by the mortgages will be used to make renovations to the property.

Shari indicated that given your willingness to proceed with the transaction, they will continue with the acquisition and provide you with the necessary documents as it progresses. It is likely that the first mortgage will be set up and the second one will follow shortly thereafter.

If you have any further questions, let me know.

Thanks and kind regards,


Michelle Boucher

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1120

CONFIDENTIAL
PSI00117306

4778

FROM : 16032343-013

FROM : 16032343-013

FROM : 16032343-013

FACSIMILE COVER PAGE

TO: Ronnie Buchanan From: Michelle Boucher
FAX: 011-44-1624-822-952 Fax: 809-949-2519
DATE: August 23rd, 1996 Tel: 809-949-0658

We are transmitting 3 page(s). Please contact the undersigned if there is a problem with the transmission.

Dear Ronnie,

Please see attached recommendation from the protectorates committee (which you may have already received from them directly).

Kindly ensure that copies of the loan agreement, Second Deed of Trust and invoices for any legal costs associated with the loan and deed are sent to me.

Kindly also ensure that I receive copies of instructions to Lehman Brothers to liquidate treasuries to make the loan, and that I am advised of the date of any cash movements.

When the loan principle is transferred out, kindly provide me with details of the applicable US Fed rate that has been attached to the loan, and a copy of your source for it.

I will provide you with wiring instructions for Little Woody Ltd (a Texas Partnership) shortly.

Thanks and kind regards,


Michelle Boucher

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
PSI00117308

4779

CONFIDENTIAL

PHONE NO. :
JUN 14 1996

Aug. 23 1996 09:38AM P3
1-878 1-522 P-881 AUG 22 '96 16:36

LEGAL DESCRIPTION
LITTLE WOODY

County of Pitkin, Colorado, Part of Lot 1, and Lot 2, Speer Woody Creek Subdivision known as
No. 1137 Little Woody Creek Road, Woody Creek, Colorado, 81655

CONFIDENTIAL
PSI00117309

4780

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Subcommittee on Investigations

Ms. Michelle Boucher,
The Scottish Annuity Company (Cayman) Ltd.,
Grand Cayman.

Fax to 00 1 809 [REDACTED]

August 29th, 1996.

Q
thank you for your fax of August 28th regarding
First Woody (a Texas Partnership)'s second mortgage from Roaring
Fork Limited.

I understand that the complete transaction would be for the
ultimate benefit of at least some of the Trust's potential
beneficiaries and so our Trust Committee would favour the loan.

We note that the whole of the excess of funds to be raised
on the two mortgages over the cost of the property will be spent
on improvements to the property. We would be glad to receive an
appraisal of the value of the improved property after works have
been completed. We are aware that this is a long term investment
and do not expect the full cost of improvements to be reflected in
the first appraisal, but we will need an indication of the current
value of our surety.

I note that Shari and her team will now be responsible for
producing the loan note and second deed of trust.

Helyn is back today and is proceeding with the Committee of
Protectors' other suggestions.

y c
R. Buchanan.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1120

CONFIDENTIAL
DCT0017944

4781

**Little Woody, Ltd.
Capital Improvements**

— = Redacted by the Permanent
Subcommittee on Investigations

Date	River Studio Architects	Structural Associates	Other	Notes
10/24/96			4,625.00	
12/20/96	6,940.03			
12/20/96			3,308.90	Jones Day
01/27/97			1,500.00	High Country Engineering
03/14/97			1,500.00	High Country Engineering
03/14/97	33,165.82			
03/25/97	4,628.01			
03/25/97			600.00	
03/27/97		18,112.40		
06/05/97	11,619.74			
06/05/97		8,432.64		
06/11/97	22,700.70			
06/11/97			660.00	
06/21/97			2,305.00	Jones Day
08/11/97	9,026.30			
09/19/97	40,166.00			
11/04/97	12,650.78			
12/09/97	17,648.71			
12/23/97		103,751.44		
01/15/98	12,525.10			
01/20/98	5,000.00			
01/29/98	10,976.73			
01/29/98			19,152.82	Electronic Systems, Inc.
02/18/98	29,776.31			
02/18/98		65,240.11		
02/26/98	7,032.50			
02/26/98		110,036.25		
03/24/98		126,942.45		
03/26/98	7,788.49			
04/22/98	20,231.75			
04/22/98		292,188.64		
05/18/98	6,444.09			
05/21/98		64,766.68		
06/16/98	8,961.50			
06/18/98		268,841.04		
07/22/98	8,934.30			
07/30/98		205,262.39		
08/28/98		244,315.76		
08/31/98	14,603.82			
09/26/98	5,161.96			
10/05/98		297,167.88		
10/30/98	6,607.50			
10/30/98		293,272.96		
11/23/98		370,780.05		

8/12/99

Page 1

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1121

CONFIDENTIAL
HST_PSI000643



4782

Little Woody, Ltd.
Capital Improvements

<u>Date</u>	<u>River Studio Architects</u>	<u>Structural Associates</u>	<u>Other</u>	<u>Notes</u>
11/17/98	4,218.95			
12/10/98		344,354.66		
12/15/98	52,570.81			
01/30/99		376,534.72		
02/15/99		47,239.08		
02/15/99	2,681.25			
03/20/99		120,597.88		
03/31/99	4,024.68			
04/15/99	2,648.63			
04/15/99			8,478.87	Refinancing closing costs.
	<u>368,734.46</u>	<u>3,357,837.03</u>	<u>42,130.59</u>	

Summary:

Home Purchase		2,443,340.00
River Studio Architects	368,734.46	
Structural Associates	3,357,837.03	
Misc. Capitalized Expenses	<u>42,130.59</u>	<u>3,768,702.08</u>
		<u>6,212,042.08</u>

ALTA LOAN POLICY

50715-265

SCHEDULE A

— = Redacted by the Permanent
Subcommittee on Investigations

Order Number: 00025977

Policy No.: [REDACTED]

Date of Policy: April 15, 1999 at 2:10 P.M.

Loan No.:

Amount of Insurance: \$ 3,900,000.00

1. Name of Insured:

NATIONSBANK, N.A., ITS SUCCESSORS AND/OR ASSIGNS

2. The estate or interest in the land which is encumbered by the insured mortgage is:

FEE SIMPLE

3. Title to the estate or interest in the land is vested in:

LITTLE WOODY, LTD., A TEXAS LIMITED PARTNERSHIP

4. The insured mortgage and assignments thereof, if any, are described as follows:

A Deed of Trust dated April 14, 1999, executed by Little Woody, Ltd., a Texas Limited Partnership, to the Public Trustee of Pitkin County, to secure an indebtedness of \$3,900,000.00, in favor of NationsBank, N.A., recorded April 15, 1999 as Reception No. 429938.

5. The land referred to in this policy is described as follows:

Lot 2,
SACHS WOODY CREEK EXEMPTION PLAT, according to the Plat thereof recorded
September 6, 1983 in Plat Book 15 at Page 70 as Reception No. 235506.
County of Pitkin, State of Colorado.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1121

— = Redacted by the Permanent
Subcommittee on Investigations

ALTA LOAN POLICY

SCHEDULE B — Part I

Order Number: 00025977

Policy No. [REDACTED]

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Rights or claims of parties in possession, not shown by the public records.
2. Easements, or claims of easements, not shown by the public records.
3. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, and any facts which a correct survey and inspection of the premises would disclose and which are not shown by the public records.
4. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.
5. Unpatented mining claims; reservations or exceptions in patents, or an act authorizing the issuance thereof; water rights claims or title to water.
6. Taxes and Assessments for the year 1999, not yet due and payable, and subsequent years and any special assessments not yet certified on the tax rolls of Pitkin County.
7. Right of way for ditches and canals constructed by the authority of the United States as reserved in United States Patent recorded August 24, 1920 in Book 55 at Page 560 as Reception No. 80779.
8. Easement for the Collins Creek Ditch and the Harom Ditch as described in instrument recorded in Book 170 at Page 534.
9. Terms, conditions, obligations, provisions and easements of Easement Agreement as set forth in instrument recorded April 8, 1971 in Book 254 at Page 587 and in Agreement recorded August 12, 1971 in Book 256 at Page 989.
10. Easements and rights of way for ditches and utilities as set forth in instrument recorded December 21, 1970 in Book 252 at Page 501.
11. Covenants, conditions and restrictions as set forth in Deed recorded August 12, 1971 in Book 256 at Page 982 and in Deed recorded August 16, 1972 in Book 265 at Page 997.
12. Terms, conditions, obligations and provisions of Declaration of Protective Covenants as set forth in instrument recorded December 9, 1975 in Book 306 at Page 460.
13. Terms, conditions, obligations and provisions of Resolution of the Board of County Commissioners of Pitkin County, Colorado, Granting Approval to the Sachs/Finkelstein Subdivision Exemption, Resolution No. 83-123 as set forth in instrument recorded November 28, 1983 in Book 456 at Page 444 as Reception No. 255283.

Continued on next page

— = Redacted by the Permanent
Subcommittee on Investigations

Continuation of Schedule B - ALTA Loan Policy
Policy Number: [REDACTED]

14. Terms, conditions, obligations and provisions of Perpetual Condition and Restriction that except for fences, no other structure of any kind shall be constructed on the real property as set forth in instrument recorded December 6, 1983 in Book 456 at Page 926 as Reception No. 255507. (as to that part of Lot 1, Speer Woody Creek Subdivision, which lies Southerly of the centerline of the Little Woody Creek Road).
15. Easements and rights of way as shown and contained in the Plat of Sachs Woody Creek Exemption recorded in Plat Book 15 at Page 70.
16. Terms, conditions, obligations and provisions of Stipulation, District Court, Pitkin County, Colorado, Case No. 90CV85 as set forth in instrument recorded December 10, 1992 in Book 697 at Page 189 as Reception No. 351710; and Amended Order and Final Judgment and Decree, District Court, Pitkin County, Colorado, Case No. 90CV85 recorded December 10, 1992 in Book 697 at Page 213 as Reception No. 351711.
17. A 30 foot non-exclusive easement for ingress and egress as set forth in Easement Agreement recorded April 8, 1971 in Book 254 at Page 587 as Reception No. 145079.
18. Terms, conditions, obligations and provisions of Resolution of the Pitkin County, Colorado, Board of Adjustment, Granting a Front Yard Setback Variance for Little Woody Creek Ltd., Resolution No. 97-10, as set forth in instrument recorded June 5, 1997 as Reception No. 405134; Resolution of the Planning and Zoning Commissioner of Pitkin County, Colorado, Granting Special Review for more than Five Bedrooms to Little Woody Creek, Ltd., for the LL Ranch, Resolution No. 97-10 recorded December 16, 1997 as Reception No. 411659; and Resolution of the Pitkin County, Colorado, Board of Adjustment, Granting Front Yard Setback Variances for Little Woody Creek, Ltd., Resolution No. 97-27, recorded June 12, 1998 as Reception No. 418085.
19. Terms, conditions, obligations, provisions and easements of Trench, Conduit and Vault Agreement by and between Little Woody, Ltd., a Texas limited partnership and Holy Cross Electric Association, Inc., as set forth in instrument recorded December 1, 1998 as Reception No. 424990.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1121

determination of the value of the water rights is a separately salable commodity is important, we suggest that a water attorney or water appraiser be consulted.

About the Improvements:

The original structure on the property was built in the early 1970's and was subsequently remodeled by the prior owner, Mr. Finkelstein, prior to the purchase by Mr. Wily. Although better than the original structure, it was still a gross underimprovement for its land value. Since purchase, Mr. Wily has largely gutted, remodeled, and expanded the home. It is now an appropriate improvement for its land value. The exterior of the home is a combination of drystack stone on the entry facade, some chinked 3-squared logs, and board and batten (principally in the rear of the home). The roof is Corten rusted iron roofing with copper gutters and downspouts to add the "rustic" appeal of the structure. Windows are thermopane, wood frame with screens. The exterior curb appeal of the home is excellent.

The drive-up level of the home is finished as an oversized 2-car finished garage, with electric garage door openers, access to a mudroom with elevator and two guest bedrooms, each with a private bath. The baths are finished with fossilized flagstone floors, ceramic tile tub recessed areas, and stone vanity tops. The ceiling height on this level is 9 1/4 feet. Walls are integral color plaster. This first level of the home totals 1,181 square feet plus the 761 square foot garage.

The real entry of the home is reached via a staircase to a large stone patio accessing the formal foyer. This second level of the home totals 3,594 square feet and is finished as the entry, family room, guest master suite with office and sitting room, two new guest bedrooms each with a private bath, and a powder room. The foyer has fossilized flagstone floor finish, an elaborate iron railing around the staircase with a dancing bear motif and integral color plaster wall finish. Adjacent is a playroom or family room with carpeted floors and a wet bar with undercounter refrigerator and an adjacent powder room with a stone vanity top and fossilized flagstone floor finish. An original bedroom on this level has been remodeled into a guest master. There is a sleeping area with large stone fireplace and carpeted floors, and a sitting area. Adjacent is a small office with wet bar, built-in desk and shelving. Built into the hillside is a large bath with flagstone floors, large jacuzzi tub, double vanities set in a polished granite slab, a large flagstone steam shower, and a dressing area with closets. A new addition to this level is finished as two guest bedrooms with carpeted floors, integral color plaster wall and ceiling finish, and 9 1/2 foot ceiling height. Each has a bath similarly finished to those discussed above.

The third level of the home totals approximately 3,286 square feet and is finished as a living room, dining area, kitchen, laundry room, master bedroom suite, an office, and powder room. The living room has oak floor finish, high vaulted ceiling finish in log purlins and wood decking with two large skylights and is focused around a floor-to-ceiling

The
Aspen
Appraisal
Group, Ltd.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1121

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Monday, October 11, 1999 7:22 AM
To: Michelle Boucher [REDACTED]
Cc: Shari Robertson
Subject: Re: CW property acquisition

Michelle -

In my discussions with Charles last week, he said due to the option sale earlier this month that the sale of the properties was not as time sensitive. The total dollars will be around \$25 million. I have to finish some estate planning for Charles this week and am also planning on firming these transactions up. I agree that we should be closed by the end of month unless Charles wants to delay. I should have a better indication from him this week and will let you know. Thanks

Michelle Boucher <[REDACTED]> on 10/08/99 09:23:08 AM

To: khennington
cc:
Subject: CW property acquisition

My understanding is that shortly we are looking to sell four properties to the offshore system. Shari indicated that you could give me an idea of the total dollars involved.

Also - do you know what the time frame is for accomplishing this? I thought it was by the end of this month.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1123

Confidential
SEC_ED00000266

PSI ED00000266

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, October 13, 1999 7:16 AM
To: Michelle Boucher [REDACTED]
Cc: Shari Robertson
Subject: Re: CW real estate

We have now decided to have the liabilities assumed as part of the transaction which means total cash that needs to be available is around around \$12.5M. I am not sure we are going to be ready to go with all of them by Nov. 1, so I would think the \$10M would be sufficient to handle what we need before Dec. 1.

Shari- Do you think we should sit down with Charles again and make sure he wants to go forward with everything (you may have already had this discussion with him). He wants to increase the sales price 6% on the Aspen properties based on some information from an appraiser that prices are going up about 1% per month, which accounts for the other \$1M. Let me know your thoughts.

Michelle Boucher [REDACTED] on 10/12/99 07:05:51 PM

To: khennington
cc:
Subject: CW real estate

As part of the recent SSW/SE transaction I had provided for \$10M to be used to acquire these properties (based on what Shari initially thought would be about the size). I will need to raise the additional \$15M via redemptions from Maverick (which we were planning on doing for the SSW/SE transactions and changed our minds - so it is not unexpected). But technically we need to give 30 days notice to do this so I'm looking at having \$10M avail right now and \$15M available at Dec 1st. I can request that Lee agrees to waive notice and see if we can get out for November 1st if you think we need to do the transaction sooner than in 6 weeks time. I've given Shari a heads up that we may want to do this, but let me know how you feel about the timing.

Thanks!
Michelle

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1124

Confidential
SEC_ED00000267

PST ED00000267

4790

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, February 03, 2000 8:59 AM
To: mboucher@
Subject: Jourdan Way and Little Woody

Attached is my spreadsheet on cash requirements for sales:

\$300,000 for Jourdan Way
\$3,430,000 for Little Woody

I would expect this to close by the end of the month. Let me know if there is anything else you need right now.

Thanks

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1124

Confidential
SEC_ED00000296

PSI_ED00000296

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, February 03, 2000 9:02 AM
To: mboucher@ [REDACTED]
Subject: Jourdan Way and Little Woody
Attachments: SALECASH.xls

It helps when you attach the spreadsheet

----- Forwarded by Keeley Hennington/htst on 02/03/2000
10:59 AM -----

Keeley Hennington
02/03/2000 10:59 AM
To: mboucher@ [REDACTED]
cc:

Subject: Jourdan Way and Little Woody

Attached is my spreadsheet on cash requirements for sales:

\$300,000 for Jourdan Way
\$3,430,000 for Little Woody

I would expect this to close by the end of the month. Let me know if there
is anything else you need right now.

Thanks



SALECASH.xls (16
KB)

Confidential
SEC_ED00000297

PSI ED00000297

LITTLE WOODY AND JOURDAN WAY SALES

JOURDAN WAY:

TOTAL SALES PRICE		3,200,000.00	
DEBT ASSUMED		(3,071,528.00)	
NET CASH TO CLOSE		128,472.00	
FOUR MONTHS MORTGAGE	29,675.00	118,700.00	
PROPERTY TAX		-	not due till year end
INSURANCE		-	not due till year end
TOTAL CASH TO TRUST		247,172.00	
ROUNDED		300,000.00	
(100% OFFSHORE)			
TRUST CONTRIBUTION TO LLC		290,000.00	

THE REMAINING \$10,000 WILL STAY IN THE TRUST BANK ACCOUNT

LITTLE WOODY:

TOTAL SALES PRICE		7,060,000.00	
DEBT ASSUMED		(3,780,739.00)	
NET CASH TO CLOSE		3,279,261.00	
FOUR MONTHS MORTGAGE	25,703.00	102,812.00	
PROPERTY TAX		-	not due till year end
INSURANCE		-	not due till year end
FOUR MONTHS MAINTENANCE	15,000.00	60,000.00	
TOTAL CASH TO TRUST		3,442,073.00	
ROUNDED		3,500,000.00	
CONTRIBUTION BY OFFSHORE		3,430,000.00	
CONTRIBUTION BY EMILY		35,000.00	
CONTRIBUTION BY JENNIFER		35,000.00	
TRUST CONTRIBUTION TO LLC		3,490,000.00	

Confidential
SEC_ED00000298

PSI ED00000298

4793

THE REMAINING \$10,000 WILL STAY IN THE TRUST BANK ACCOUNT

Confidential
SEC_ED00000299

PST F000000000

4794

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 16, 2000 12:27 PM
To: mboucher@

I am back to looking at the Little Woody and Jourdan Way sales since there is not enough other stuff going on - I think the only thing left for you is to fund the Trust before the sale. Is that money readily available and how much lead time do you need? I still think we are a couple of weeks out, but thought I would check.

Thanks
Keeley

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1124

Confidential
SEC_ED00000317

PSI_ED00000317

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 16, 2000 1:44 PM
To: "mboucher@ [REDACTED]"
Subject: RE:

That sounds great - I am shooting for closing March 3rd. so we would just need to have money in LLC at that time. Thanks

Michelle Boucher [REDACTED] on 02/16/2000 02:23:58 PM Please respond to
"mboucher@ [REDACTED]"
To: "'khennington@h [REDACTED]"
cc:
Subject: RE:

I will move the cash to IOM this week from Lehman's. Then I could get it to you on a next day basis, but would prefer 2-3 days warning, especially given the trustees I have to deal with on this one - they are pretty good, but not always as quick as the other firm.

-----Original Message-----

From: khennington@ [REDACTED]
Sent: Wednesday, February 16, 2000 3:27 PM
To: mboucher@ [REDACTED]
Subject:

I am back to looking at the Little Woody and Jourdan Way sales since there is not enough other stuff going on - I think the only thing left for you is to fund the Trust before the sale. Is that money readily available and how much lead time do you need? I still think we are a couple of weeks out, but thought I would check.

THanks
Keeley

Confidential
SEC_ED00000318

PSI_ED00000318

= Redacted by the Permanent
 Subcommittee on Investigations

From: Keeley Hennington
Sent: Wednesday, February 16, 2000 2:03 PM
To: Andrea Westbrook
Subject: RE:

Can you please get me the instructions to wire to the Little Woody Managment Trust bank account and the Jourdan Way Managment Trust so I can pass them on to Michelle. Thanks
 ----- Forwarded by Keeley Hennington/htst on 02/16/2000
 03:49 PM -----

Michelle Boucher <m[REDACTED]> on 02/16/2000 03:32:08 PM Please respond to
 "khennington@[REDACTED]>
 To: "'khennington@[REDACTED]>
 cc:
 Subject: RE:

Okay, just send me wire instructions as soon as you have them and we'll move the money then.
 Michelle

-----Original Message-----
 From: khennington@[REDACTED]
 Sent: Wednesday, February 16, 2000 4:45 PM
 To: mboucher@[REDACTED]
 Subject: RE:

That sounds great - I am shooting for closing March 3rd. so we would just need to have money in LLC at that time. Thanks

Michelle Boucher <m[REDACTED]> on 02/16/2000 02:23:58 PM
 Please respond to "mboucher@[REDACTED]>
 To: "'khennington@[REDACTED]>
 cc:
 Subject: RE:

I will move the cash to IOM this week from Lehman's. Then I could get it to you on a next day basis, but would prefer 2-3 days warning, especially given the trustees I have to deal with on this one - they are pretty good, but not always as quick as the other firm.

-----Original Message-----
 From: khennington@[REDACTED]
 Sent: Wednesday, February 16, 2000 3:27 PM
 To: mboucher@[REDACTED]

Confidential
 SEC_ED00000319

PSI_ED00000319

Memo

To: Shari Robertson, Mike French
 Cc: Keeley Hennington, Donnie Miller
 Re: Charles Wyly Family meetings – week of 10/09/00
 Date: October 16, 2000
 From: Michelle Boucher

Keeley & I met with Charles & Donnie on 10/11/00, here is an update on recent developments:

First Dallas International:

Charles has a planned investment in a new Peter Ackerman venture called "Fresh Direct". It is a web based consolidator of fresh foods. You can order off their website and they will ship anywhere in the NY area. They have made significant progress on their warehouse facilities and distribution center in Long Island, and they hope to be up and running in about 1 year's time. The planned cost of this is \$45Million, and Charles would like to commit \$1Million through First Dallas International for an October 31st closing. Jim Lincoln will forward documents once received, but we expect the investment to be made into a tranche of preferred stock.

First Dallas Ventures:

This is the venture cap fund that Donnie and Jim are managing. Charles has authorised investments up to \$10Million at this time. They are contemplating further investment in Cool Partners Inc., as well as other predominantly web-based ventures. Jim and Donnie both appear to be really enjoying this venture.

Ranger/Precept:

It does not appear that Charles and Sam have been able to get together to work out details of Charles' involvement with Ranger/Precept and the Ranger Management company. We had ordered tentative redemptions from Maverick for November 1st, which we'll roll to December 1st if details have not been worked out beforehand.

Sport Horses:

Charles is looking at establishing a breeding and equestrian training facility with Emily's involvement. A business plan has been presented, involving the acquisition of approximately 140 acres of land just north of DFW airport. Only 50 acres will be used for the business venture, and it is likely that the remaining land will be subsequently sold. Keeley and I are consulting Rodney to see if we can use a structure similar to that which was used for the gallery in Aspen, thus utilizing foreign assets for the cash injection and contributing Emily's horses in the same way Kelly contributed the gallery's inventory stocks. We would likely try to sub-divide the property and buy the land held for resale domestically, through another structure. I have not seen it yet, but understand the business plan indicates the business will not likely cash flow for the first few years, and will need ongoing capital. The anticipated initial commitment will be a minimum of \$3Million.

Little Woody Creek Ranch:

This is the house that Emily and Jennifer use. We put together all documentation to sell this property to an IOM company last November/December. Charles has asked us to proceed once again and effect the sale. All domestic and IOM structures and funds are in place. Keeley will pull the documents and we'll touch base with Charles again next week and proceed.

Lambda Properties:

Nothing was directly discussed regarding construction activities on Charles and Dee's house in Aspen. If they decide to proceed, we will recommend that an IOM company acquire the property, to provide funds for the construction project. It is likely that this will not be underway until well into next year, with construction commencing in 2002. As with the Little Woody Creek Ranch property mentioned above, there are some issues regarding ownership of the existing properties which will need to be properly

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EXHIBIT #66 - FN 1124

MAV008220

considered and dealt with in the new structures, especially within the context of creating sub-funds of the IOM trusts (see below).

Sub-funds:

Charles is aware that Sam is looking at creating sub-funds with the IOM assets, and is contemplating the same. We discussed the idea of creating them by using certain real estate transactions as the initiating transaction. This would include the new Sport Horses venture for Emily, and selling some of the Colorado properties which involves all the children to the foreign system. Charles also discussed making specific \$20 Million allocations to each of Martha, Emily and Jennifer, indicating that he thought Chip was well taken care of domestically.

MAV008221

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From: Keeley Hennington
Sent: Monday, January 29, 2001 9:30 AM
To: marta.engram@[REDACTED]
Subject: Little Woody

Marta -

We are moving forward on the sale of the Little Woody Property. As part of the sale, the loan will be assumed by Little Woody, LLC a Colorado LLC who is purchasing the property. I do not remember how far we got back a year ago on the paperwork, but the documents I have that we needed were new assumption agreement and new guarantee agreement. We are trying to close around mid Feb. - so let me know if this time frame is workable.

Thanks
Keeley

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From: Keeley Hennington
Sent: Tuesday, February 06, 2001 2:21 PM
To: Stacey Hale
Subject: Re: little woody

Nothing now - these are the entities we formed to do the sale of the Little Woody property which should happen 3/01. For 2000 there is no activity.

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Stacey Hale
02/06/01 04:16 PM

To: khennington [REDACTED]
cc:
Subject: little woody

What is Little Woody Mgmt Trust and Little Woody LLC suppose to have in it?

Stacey Hale, CPA
Highland Stargate
214- [REDACTED]
Fax 214- [REDACTED]

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DET F000004704

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From: Keeley Hennington
Sent: Friday, February 23, 2001 7:59 AM
To: MBoucher@
Subject: Little Woody

Here is the cash flow projection for funding next week:

Purchase Price \$7,500,000
Personal Property 646,339

Total \$8,146,339
Less: Debt assumed (3,831,978)

Net cash to close \$4,314,361

Operating Capital:

Mortgage
(4 months x 25,703) 102,812

Insurance 10,000

Maintenance
(4 months x 15,000) 60,000

Total from LW Limited \$4,487,173 (I would say let's send \$4,500,000 to
work with round numbers)

Let me know if there is anything else. I will let you know once we have a firm closing
date, but we are shooting for 2/28.

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DST ED00005361

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From: Keeley Hennington
Sent: Tuesday, March 06, 2001 6:33 AM
To: Lisa S Walker <[REDACTED]>
Subject: Re: Little Woody

There is just the one property that was owned by Little Woody Ltd. Since the sale to Little Woody LLC, Little Woody Ltd. will have no assets and will be dissolved.

Thanks

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Lisa S Walker <[REDACTED]>
03/06/01 02:29 PM

To: khennington <[REDACTED]>
cc:
Subject: Re: Little Woody

Hi Keeley:

I don't think this will be any problem at all. I will just change the way the Named Insured reads from Little Woody Ltd to Little Woody LLC.
Now, are we talking about all the properties that are currently under Little Woody Ltd or just one of them? Will Little Woody Ltd own anything now or is it dissolved?
Thanks, Lisa

<< Memo from khennington <[REDACTED]> on 05 March, 2001, 17:18 Monday >>>

khennington <[REDACTED]> on 5 Mar 2001, 17:18 Monday

To: Lisa S Walker
cc:
Subject: Little Woody

First, I am so sorry I did not think of this earlier. We are selling the property held by Little Woody, Ltd. in Aspen to Little Woody LLC (a newly formed LLC). We started to do this transaction in Nov 99 and decided to put it off. At that time, we decided we could just transfer the policy.

Please let me know what you need - of course we are closing tomorrow.

Sorry again -

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PSI_ED00005390

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Keeley

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To: Lisa S Walker/DAL-TX/US/JHMarsh/MMC@MMC
cc:
From: khennington@

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PSI_ED00005391

4804

LITTLE WOODY, LTD.

7,500,000.00	
(3,828,706.80) MTG	
(24,609.24) INT	(3,853,316.04)
(1,972.90) TAXES	
5,862.77 REFUND INS	
(7,041.00) SETTLEMENT FEES	
<hr/>	
(3,856,467.17)	
\$ 3,643,532.83	CASH RECEIVED BY LWL

		AMOUNT	QTY
ISL	LLRANCH	3,344,551.83	1
ISL	LLRANCHIMP	4,155,448.17	132,040.88
ICS	LLRANCH.BA	3,828,706.80	
IIP	LLRANCH.BA	24,609.24	
IMO	county taxes	(1,972.90)	
IMO	settlement chgs	(7,041.00)	
IMO	refund insur.	5,862.77	

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From: Keeley Hennington
Sent: Wednesday, February 28, 2001 7:55 AM
To: MBoucher@ [REDACTED]
Subject: FYI-disregard first e-mail

Don't know what I did - but finished below

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----- Forwarded by Keeley Hennington/htst on 02/28/01 09:55 AM -----

Keeley Hennington
02/28/01 09:52 AM

To: MBoucher@ [REDACTED]
cc:
Subject: FYI

I was talking to Charles yesterday and he was kind of thinking out loud on some stuff. He was talking about use of off-shore cash and was using the following for planning - thought I would pass it along even though he was just thinking.

First Dallas - \$10.5 future commitments (Brazos, EDV, ?)
[REDACTED] Little Woody - \$10.2 (Charles and Dee home in Aspen)
Little Woody - \$4.5 (next week deal)
Sport Horses - \$3.0 (capital improvements)
Jennifer and Jim - \$4.0 (new house)
Charity - ???

He mentioned that he plans to make a pledge some time this summer of about \$10M payable \$2/yr. for 5 years that could possibly be funded off-shore. He was saying that these things would use about half of his current available cash off-shore. He also talked about the Lambda properties being sold off-shore and I told him I would look into this and what the tax implications are - this one is messy.

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EXHIBIT #66 - FN 1125

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SEC_ED00005370

PSI_ED00005370

4806

Operator: BXW Batch: 21D Date: 03/30/2001 Time: 16:50:26
OPEN BATCH TRANSACTION.....
Bank Number : 75 Bank of America - TX
Processing Center : 17 St. Louis, MO - CLSC
Batch Number : 21D
Originating Unit : 98071 ST LOUIS, MO - PRIVATE BANKING
Date of Batch : 03/30/2001

Operator: BXW Batch: 21D Date: 03/30/2001 Time: 17:09:04

NEW OBLIGOR SET-UP TRANSACTION.....
Obligor Number : [REDACTED] Obligor Short Name : Little Woody LL
Obligor Type : 815 Limited Liability Company
SIC/NAICS Code : 6799 Investors, Not Elsewhere Classified
Geo Indicator Code : 0 Domestic
Country Code : 01007
Name of Obligor : *Little Woody LLC
Name Continuation :
Title :
Address Line One : 300 Crescent Court, Suite 1000
Address Line Two : N/A
Address Line Three : N/A
Address Line Four : N/A
Address Line Five : N/A
City/State/Zip Code : Dallas, TX 75201
Primary Phone No :
Secondary Phone No :
Birth Date :
Taxpayer I.D. No : [REDACTED] Social Security No : N/A
Assignment Unit No : 01145
Loan Officer No : 01981 ENGRAM, MARTA O.
Contact Date : Bank Tax Class : 2
DDA Account Number :
HLT Vulnerability : 0
Set-up Alternate Addr :
Last Financial Stmt : Fiscal Year End :
Statement Type : 2 Statement Frequency : 8
Statement Date : 12/31/2001
Real Estate Indicator : CAR Effective Date : 03/05/2001
RAROC : 0.00
Obligor Risk Rating : 5 Exposure Strategy : M

[REDACTED] = Redacted by the Permanent
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Operator: BXW Batch: 21D Date: 03/30/2001 Time: 17:27:17

NEW CURRENT/LOAN SET-UP.....
Obligor Number : [REDACTED] Loan Short Name : LITTLE WOODY LL
Loan Number : 0000000265 Stats Package Number : 17004853
Takedown Obligor No : N/A Takedown Commit. No : N/A
Amount of Loan : \$3,851,868.00 Disbursement Amount : \$0.00
Effective Date : 03/05/2001
Duration Code : 1
Maturity Date : 05/01/2014
Obligation Type Code : 301 Term Note > 1yr
General Ledger Code : 00026 Commercial Loan Secured by RE (not dependent)

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1126

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BA 1439

4807

Process Type Code : 5151 New Current/Loan/Basic Current Obligation
 Purpose of Loan : 744 New Current/Loan/Stand-Alone/Current
 Security Code : 2 Secured
 Collateral Type Code : 140 1-4 Family Conventional Residential
 Loan Officer : 01981 ENGRAM, MARTA O.
 Assignment Unit : 01145
 FED Class : 599
 Bill Limit Code : 2 On Due Date
 Bank Tax : 2
 Regulation U/Z Code : 0 Not Applicable
 Reset Indicator : 0 Not Rebooked
 Interest Rate Type : 1 Fixed
 Margin Code : 1
 Exclude Code : 0
 Late Charge Type : 000 Do Not Assess a Late Charge
 LC Waive Reason : 01 Terms & Conditions of Obligation

NEW CURRENT/LOAN - CREDIT RISK RATING.....
 Product Code : 000 Default (Not BLDC Administered)
 Generic Indicator :
 Risk Rating Flag : 0
 Prepayment Penalty :
 Rating Code : 05 Satisfactory
 Rating Date : 03/05/2001
 Rating Source : 0 Not Rated or Not Entered (Default)
 Rating Amt/Pct :
 Rating Code 2 :
 Rating Date 2 :
 Rating Source 2 :
 Rating Amt/Pct 2 :
 Shared Natl Credit : 0 Not Entered (System Default)
 Credit Score : Credit Score Date :

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ADJUSTMENT TRANSACTION/Original Balance.....
 Obligor Number : Obligor Short Name : LITTLE WOODY LL
 Obligation Number : 0000000265
 Obligation Type :
 Generic Indicator :
 AFS Transaction : 5012 Charge Code :
 Effective Date : 03/05/2001 Adjustment Amount : \$3,851,868.00
 Origin Code :
 Type of Adjustment : INCREASE

NEW CURRENT/LOAN - INTEREST ACCRUAL SCHEDULE.....
 Obligor Number : Loan Short Name : LITTLE WOODY LL
 Loan Number : 0000000265 Effective From Date : 03/05/2001
 Charge Code : 100
 Accrual Basis : 5 Actual /365
 Earnings Type : 0 All Balance (Default)
 Balance Type : 000
 Type of Interest : 1 Fixed
 Base Rate Bank No : N/A
 Current Base Rate : N/A Calculation Factor 1 : N/A
 Current Accrual Rate : 6.90000000% Calc Spread/Percent 1: N/A
 Calculation Factor 2 : N/A Calc Spread/Percent 2: N/A

CRA REFINANCE DATA.....

Obligor Number :
 Obligation Number : 0000000265
 Community Development : 0
 Type : 02
 Create Indicator : C
 Create Officer : 01981
 Tickler Type : 97
 Street Address 1 :
 Street Address 2 :
 City :
 State :
 Zip Code :
 Revenue :
 Refinance Loan Number: 0000000265
 Refinance Loan Number:
 Refinance Loan Number:

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NEW CURRENT/LOAN - INTEREST BILLING SCHEDULE.....

Obligor Number :
 Loan Number : 0000000265 Loan Short Name : LITTLE WOODY LL
 Amount of Payment : N/A Charge Code : 100
 Effective From Date : 03/05/2001
 Billing Frequency : 4 Monthly Number of Payments : 156
 Bill Lead Days : 15 1st Bill Due Date : 04/01/2001
 Grace Days : Accrue to Date :
 Collection Method : 11 Mail invoice to customer
 Maturity Collection : 11
 DDA Account Number :
 Transit Number :
 Amortized Payment : Yes
 Alt Mailing Address : N/A

NEW CURRENT/LOAN - PRINCIPAL BILLING SCHEDULE.....

Obligor Number :
 Loan Number : 0000000265 Loan Short Name : LITTLE WOODY LL
 Amount of Payment : \$25,703.41 Charge Code : 001
 Repay Type : 4 Principal Including Interest
 Effective From Date : 03/05/2001 Effective To Date :
 Billing Frequency : 4 Monthly Number of Payments : 156
 Bill Lead Days : 15 1st Bill Due Date : 04/01/2001
 Collection Method : 11 Mail invoice to customer
 Maturity Collection : 11 Mail invoice to customer
 DDA Account Number :
 Transit Number :
 Alt Mailing Address : N/A

NEW CURRENT/LOAN - MATURITY INTEREST BILLING SCHEDULE.....

Obligor Number :
 Obligation Number : 0000000265 Short Name : LITTLE WOODY LL
 Obligation Type :
 Generic Indicator : Charge Code : 100
 Effective From Date : 04/02/2014
 Billing Frequency : 5 Quarterly
 Bill Lead Days : 15 1st Bill Due Date :
 Bill Limit Code : 2 Due Date - Calendar Day
 Collection Method : 11 Mail invoice to customer
 Maturity Collection : 11 Mail invoice to customer
 DDA Account Number :

Transit Number :
 Alt Mailing Address : N/A

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NEW CURRENT/LOAN - MATURITY PRINCIPAL BILLING SCHEDULE.....
 Obligor Number : [REDACTED] Short Name : LITTLE WOODY LL
 Obligation Number : 0000000265
 Obligation Type :
 Generic Indicator : Charge Code : 001
 Amount of Payment : \$3,851,868.00
 Repay Type : 1
 Effective From Date : 04/02/2014
 Billing Frequency : 5 Quarterly
 Bill Lead Days : 15 1st Bill Due Date : 05/01/2014
 Bill Limit Code : 2 Due Date - Calendar Day
 Collection Method : 11 Mail invoice to customer
 Maturity Collection : 11 Mail invoice to customer
 DDA Account Number :
 Transit Number :
 Alt Mailing Address : N/A

NEW CURRENT/LOAN DISBURSEMENT.....
 Obligor Number : [REDACTED] Loan Short Name : LITTLE WOODY LL
 Loan Number : 0000000265
 Disbursement Date : 03/05/2001
 Disbursement Total : 0.00

Operator: BXW Batch: 21D Date: 03/30/2001 Time: 17:31:28

PRINCIPAL BALANCE TRANSFER.....
 Transfer From...
 Obligor Number : [REDACTED] Short Name : LITTLE WOODY LT
 Obligation Number : 0000000265
 Obligation Type : Current-Standalone; not linked to a Future
 Generic Indicator :
 Transfer To...
 Obligor Number : [REDACTED] Short Name : LITTLE WOODY LL
 Obligation Number : 0000000265
 Obligation Type : Current-Standalone; not linked to a Future
 Generic Indicator :

Current Balance...
 Current Balance Transfer Successful
 Transaction 5522 (Decrease) Successful!
 Transaction 5022 (Increase) Successful
 Transfer Selected
 AFS Transaction - 5522 AFS Transaction - 5022
 From Old 0112 Balance: 3,828,706.80 To Old 0112 Balance : 0.00
 From New 0112 Balance: 3,828,706.80 To New 0112 Balance : 3,828,706.80

Principal Billed Not Paid...
 Principal Billed Not Paid Transaction Successful
 Transaction 5552 (Decrease) Successful!
 Zeroed Out
 AFS Transaction - 5552 AFS Transaction - 5052
 From Old 0104 Balance: 8,703.01 To Old 0104 Balance : 0.00
 From New 0104 Balance: 0.00 To New 0104 Balance : 0.00

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```
=====
Operator: BXW      Batch: 21D      Date: 03/30/2001   Time: 17:32:54
=====
ADJUSTMENT TRANSACTION/Principal Billed Not Paid Adjustment.....
Obligor Number      : ██████████      Obligor Short Name : LITTLE WOODY LT
Obligation Number    : 0000000265
Obligation Type      : Current-Standalone; not linked to a Future
Generic Indicator    :
AFS Transaction      : 5552             Charge Code       : 001
Effective Date       : 03/05/2001      Adjustment Amount  : $8,703.01
Origin Code          :
Type of Adjustment   : DECREASE
=====
```

```
=====
Operator: BXW      Batch: 21D      Date: 03/30/2001   Time: 17:33:41
=====
ADJUSTMENT TRANSACTION/Current Adjusted Principal Past Due.....
Obligor Number      : ██████████      Obligor Short Name : LITTLE WOODY LT
Obligation Number    : 0000000265
Obligation Type      : Current-Standalone; not linked to a Future
Generic Indicator    :
AFS Transaction      : 5622             Charge Code       : 001
Effective Date       : 03/05/2001      Adjustment Amount  : $5,436.87
Origin Code          :
Type of Adjustment   : DECREASE
=====
```

```
=====
Operator: BXW      Batch: 21D      Date: 03/30/2001   Time: 17:34:41
=====
CLOSE BATCH TRANSACTION .....
Batch Number        : 21D             Bank Number       : 75
Originating Unit    : 98071
0991 Transactions    : 18
0991 Units          : 0.000000        0991 Financial Amount: $11,532,124.49
Number of Credits    : 0              Credit Amount      : $0.00
Number of Debits     : 0              Debit Amount       : $0.00
Gross Trans Count    : 0              Gross Trans Amount  : $0.00
Collateral Trans. No.: 0              Number of Units     : 0.000000
Batch Close Status   : IN BALANCE
=====
```

```
=====
Operator: BXW      Batch: 21D      Date: 03/30/2001   Time: 17:34:42
=====
----- BALANCING SUMMARY -----
----- CREDITS -----
AFS Settlement Entries:      3,628,706.80  1          0.00  1
(Through GL WIP Account ██████████)

DDA Offsets:                0.00  0          0.00  0
SAVINGS Offsets:            0.00  0          0.00  0
STANDARD GNL Offsets:       0.00  0          0.00  0
IN PROCESS Offsets:         0.00  0          0.00  0
(Through CCS IN PROCESS GNL # ██████████)
=====
```

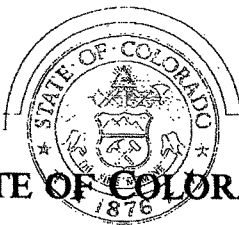
4811

MANUAL Offsets: -,828,706.80 1 3,828,706.00 1
(Through CCS IN PROCESS GNL [REDACTED])

*THE FOLLOWING ENTRIES ARE REQUIRED BY OPERATOR TO OFFSET MANUAL ENTRIES

	---CREDIT---		---DEBIT---
*Prepare Entries	3,828,706.80	1	3,828,706.80
to GNL [REDACTED]			1

[REDACTED] = Redacted by the Permanent
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STATE OF COLORADO

DEPARTMENT OF
STATE

CERTIFICATE

I, DONETTA DAVIDSON, SECRETARY OF STATE OF THE STATE OF
COLORADO HEREBY CERTIFY THAT

ACCORDING TO THE RECORDS OF THIS OFFICE

LITTLE WOODY, LLC
(COLORADO LIMITED LIABILITY COMPANY)

FILE # 19991198936 WAS FILED IN THIS OFFICE ON October 22, 1999
AND HAS COMPLIED WITH THE APPLICABLE PROVISIONS OF THE
LAWS OF THE STATE OF COLORADO AND ON THIS DATE IS IN GOOD
STANDING AND AUTHORIZED AND COMPETENT TO TRANSACT BUSINESS
OR TO CONDUCT ITS AFFAIRS WITHIN THIS STATE.

Dated: October 22, 1999

Donetta Davidson

SECRETARY OF STATE

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1128

Mail to: Secretary of State
Corporations Section
1560 Broadway, Suite 200
Denver, CO 80202
(303) 894-2251
Fax (303) 894-2242

For office use only

PAID 11/19/99
DONOR'S TRANSFER
COLONIAL WORTHY 11/19/99

19991196936 0
\$ 65.00

SECRETARY OF STATE
10-22-1999 10:16:14

MUST BE TYPED
FILING FEE: \$50.00
MUST SUBMIT TWO COPIES

Please include a typed
self-addressed envelope

ARTICLES OF ORGANIZATION

I/We the undersigned natural person(s) of the age of eighteen years or more, acting as organizer(s) of a limited liability company under the Colorado Limited Liability Company Act, adopt the following Articles of Organization for such limited liability company:

FIRST: The name of the limited liability company is: LITTLE WOODY, LLC.

SECOND: Principal place of business (if known): 300 CRESCENT COURT, SUITE 1200, DALLAS, TX 75201

THIRD: The street address, and mailing address of the initial registered office of the limited liability company is:

533 EAST HOPKINS AVE, ASPEN, CO 81811

The name of its proposed registered agent in Colorado at that address is:

OATES, KNEZEVICH & GARDENSWARTZ, P.C.

By: David B. Kelly
David B. Kelly, Assistant Secretary

FOURTH: ☒ The management is vested in managers (check if appropriate)

FIFTH: The names and business addresses of the initial manager or managers or if the management is vested in the members, rather than managers, the names and addresses of the member or members are:

NAME	ADDRESS (include zip codes)
CHARLES J. WYLY, JR	300 CRESCENT COURT, STE 1200, DALLAS, TX 75201

SIXTH: The name and address of each organizer is:

NAME	ADDRESS (include zip code)
DAVID B. KELLY	533 EAST HOPKINS AVE, ASPEN, CO 81811

Signed David B. Kelly
David B. Kelly, Organizer

CERTIFICATE

The undersigned Manager hereby certifies that the attached Operating Agreement was duly adopted by the Managers of the Company effective the 30 day of November, 1999.

Date: 11/30, 1999


CHARLES J. WYLY, JR., Manager

Approved and adopted by consent of the undersigned being the original Member entitled to vote, the Member acknowledging that the address set forth on Exhibit "B" may be used as the Member's address of record hereunder and that the person signing has executed this Operating Agreement on the date set opposite their signature, but effective as of the 30 day of November, 1999.

SIGNATURES:

THE LITTLE WOODY MANAGEMENT
TRUST

11/30, 1999

By: 
MICHAEL C. FRENCH, Co-Trustee

11/30, 1999

By: 
SHARYL ROBERTSON, Co-Trustee

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1129

Confidential Treatment Requested

BA 060701

4815

EXHIBIT "A"

CONTRIBUTIONS

MEMBER	CONTRIBUTION	MEMBERSHIP INTEREST PERCENTAGE
THE LITTLE WOODY MANAGEMENT TRUST	\$10,000	100%

EXHIBIT "B"

ADDRESS

MEMBER	ADDRESS
THE LITTLE WOODY MANAGEMENT TRUST	300 CRESCENT COURT SUITE 1000 DALLAS, TEXAS 75201

2160452

How much luck magnified

143

[illegible]

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1130

CONFIDENTIAL
SEC100028667
PST00040534

Charles Wyly and Don Miller
List of Entities

Charles Wyly

Pitkin - 92	Tyler - 94	Red Mountain - 95
<i>Roaring Creek</i>	<i>Souleana</i>	<i>Elegance</i>
<i>Roaring Fork</i>	<i>Elysium</i>	
<i>Rugosa</i>	Little Woody Creek	
<i>Little Woody</i>	Stargate Properties	
<i>Quayle</i>	Gorsemoor	
	LLC's	

Don Miller

Chaos - 94
<i>Ramona</i>

Note: *Italicized companies have Private Annuities*
 Bold Companies are subject of an IDR

THE
LITTLE WOODY
MANAGEMENT TRUST

The following individual assisted in the planning and drafting of this instrument and should be consulted regarding any changes or questions: Rodney J. Owens, Esq.

Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P.

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Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1131

Confidential Treatment Requested

BA FSI-W 011806

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**THE LITTLE WOODY
MANAGEMENT TRUST AGREEMENT**

This AGREEMENT OF TRUST (the "Trust Agreement") is executed by and among LITTLE WOODY CREEK ROAD LIMITED, an Isle of Man corporation, EMILY ANN WYLY LINDSEY, JENNIFER LYNN WYLY LINCOLN (referred to herein as the initial Co-Grantors or Grantors) MICHAEL C. FRENCH and SHARYL ROBERTSON (the initial Trustees) in order to create this management Trust on the terms, conditions and provisions as set forth below in this Trust Agreement.

ARTICLE I.

ESTABLISHMENT OF TRUST

1.1. **Name of Trust.** The name of the Trust shall be THE LITTLE WOODY MANAGEMENT TRUST and will, for convenience, be referred to at times in this Agreement as the "Trust" unless a more specific trust is indicated.

1.2. **Initial Assets of Trust.** The initial assets of the Trust consist of those assets described on the attached Exhibit "A", which is hereby incorporated by reference for all purposes of this Trust Agreement, and which are conveyed hereto by each indicated Grantor to be held and administered by the Trustee.

1.3. **Special Definitions for Agreement.** The following defined terms shall have the indicated meaning for purposes of this Trust:

- (a) **"Corporation":** References to the "Corporation" shall mean LITTLE WOODY CREEK ROAD LIMITED, an Isle of Man corporation, acting by and through its authorized representatives, as well as any successor in interest to said Corporation.

(b) "Emily": Reference to "EMILY" shall mean EMILY ANN WYLY LINDSEY.

(c) "Grantors": References to "Grantors" shall mean EMILY, JENNIFER, the Corporation, as well as any additional person or entity which makes contributions to this Trust in consideration of becoming an additional Grantor hereof. References to a "Grantor" shall mean any person or entity whom at such time is a Co-Grantor of this Trust.

(d) "Jennifer": Reference to "JENNIFER" shall mean JENNIFER LYNN WYLY LINCOLN.

(e) "Trust Estate": References to Trust Estate shall mean all of the assets, properties, debts and liabilities of the Trust, whether real, personal, or mixed, tangible, intangible, or inchoate in nature, and shall include the initial Trust Estate as well as any and all additions received or acquired by the Trustee to be administered hereunder.

(f) "Use" or "Usage": References to "Use" or "Usage" shall mean the unrestricted right of each Grantor of the Trust to use, occupy and enjoy all or any part of the Trust Estate and the real property [including any improvements thereon] which is owned directly by the Trust or indirectly from the ownership by the Trust of equity interests in the stock, member interests and/or partnership interests of any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

(g) "Trust Share": References to "Trust Share" shall mean the respective interest of each Grantor of the Trust in the Trust Estate determined by multiplying the total net fair market value of the Trust Estate by a fraction, the numerator of which equals the net fair market value of property(s) contributed by the respective Grantor to the Trust, and the denominator of which is the total net fair market value of all property(s) contributed by all of the Co-Grantors to the Trust.

The net fair market value of all contributions to the Trust by the Grantors shall, for these computational purposes, be the respective values as of the date of such contributions.

(h) "Property": References to "Property" shall mean all of the real and personal property owned by any corporation, limited liability company and/or partnership owned in whole or in part by the Trust.

(i) "Estate": References to an "Estate" shall mean the estate of a deceased Grantor hereof.

1.4. Intent to Qualify as a U.S. Trust. Grantors hereby agree that their intent herein is to establish a management Trust which pursuant to Code §§ 7701(a)(30)(E) and (31)(B) is a U.S. trust for all purposes. Accordingly, Grantors hereby direct that this Trust shall in all events be managed and administered in strict accordance with the following directives: (i) a court(s) within the State of Texas will have and exercise primary jurisdiction over the supervision of the administration of the Trust, and (ii) all Trustees hereof must be U.S. residents for federal tax purposes.

1.5. Appointment of Trustees. The initial Trustees shall be MICHAEL C. FRENCH and SHARYL ROBERTSON.

(a) Removal or Appointment of Additional and/or Successor Trustees: Any Trustee may be removed, and additional Co-Trustees and/or successor Trustees [whether one or more] may be appointed, at any time, and from time to time, by the following individual(s) and entity(s) in the order specified: [1] by EMILY and/or JENNIFER if either is living and competent, and the Corporation; [2] by MICHAEL C. FRENCH, SHARYL ROBERTSON [if either or both are then serving as Trustees at that time] and the Corporation; or [3] by the Corporation and a majority of the then living and competent children of EMILY and the then living and competent children of JENNIFER.

The removal of a Trustee or the appointment of additional and/or successor Trustees may be completed by the delivery to the then serving Trustee(s) [if any] by the respective powerholders of any written and signed instrument or letter wherein such appointments are formalized and, in the case of additional or successor appointments, agreed to by the appointed fiduciary. The respective powerholders shall have the continuing right and power to eliminate, remove and/or change any designated successor Trustee at any time or from time to time.

(b) Co-Administration of Trust: Grantors hereby direct that any then serving Co-Trustee may exercise all of the fiduciary powers conferred upon the Trustees hereunder with or without the participation of any other then serving Trustees. Each Trustee may therefore act for and on behalf of the Trust, and its assets, with or without the joint participation and execution of any documents of the other Trustees. All actions, decisions, sales, lease agreements, or any other matters whatsoever pertaining to the Trust and its assets and liabilities may

therefore be undertaken, negotiated and consummated solely through the representation and participation of any Trustee.

All third parties dealing with or transacting any matter with the Trust shall therefore be entitled to rely exclusively upon the actions of any then serving Trustee, and shall have no liability whatsoever for such matters by dealing with less than all of the then serving Trustees. This provision shall be construed as fully exonerating such third parties from any duty, liability or responsibility whatsoever for dealing with less than all then serving Trustees.

1.6. Admission of Additional Grantors. Additional Co-Grantors of the Trust may be admitted at any time, and from time to time, with the consent of all Grantors by (i) the contribution of additional property to the Trust in an amount acceptable to the Grantors, (ii) the agreement of the then current Grantors and the additional Grantor of the respective Trust Share to be thereafter allocated to the new Grantor, and (iii) the written agreement of the current Grantors and the additional Grantor wherein such additional Grantor agrees to be bound by and subject to the terms, provisions and conditions of this Trust Agreement.

1.7. Expulsion of Grantors. Any additional Grantors of the Trust (thereby specifically excluding EMILY, JENNIFER and the Corporation) may be expelled from the Trust at any time and have its respective Trust Share interest herein (and all rights to Use the Trust Estate and any of its indirectly owned real property interests) terminated by (i) the written notice of a majority in interest of the remaining Grantors delivered to such Grantor of its termination herein, and (ii) the return by the Trust to such expelled Grantor of an amount of the Trust Estate equal in value to such expelled Grantor's aggregate (net) contributions to the Trust, valued as of the date contributed, which such returned property interest may be satisfied in the sole discretion of the Trustee in the form of cash, equity interests in any corporation, limited liability company and/or partnership owned in whole or in part by the Trust, or by the delivery of an interest (whether undivided or otherwise) in any Property owned indirectly by the Trust.

The decisions and actions of such acting Grantors and the Trustee shall be final, conclusive and binding on the expelled Grantor and all interested parties therein.

1.8. Amendment of Trust. The Grantors may at any time, or from time to time, amend this Trust in whole or in part upon their unanimous consent.

ARTICLE II.

MANAGEMENT, USE AND DISPOSITION OF TRUST ESTATE

2.1. Acquisition of Property. Grantors hereby direct the Trustee, acting by and through the limited liability company which is part of this Trust Estate, to utilize all or any portion of the Trust Estate to acquire for and on behalf of the Trust all of that certain property located in Colorado which is, or will be, held by the limited liability company owned by the Trust. Grantors hereby stipulate that the acquisitions through such limited liability company is to be completed solely to satisfy certain applicable laws of the State of Colorado and that, therefore, such specific real property (and any and all such property and property rights associated therein) shall be deemed to be part of the Trust Estate for Use by the Grantors of this Trust.

2.2. Use of Property By Grantors. Grantors hereby direct that each Grantor hereof (and the authorized guests of each Grantor hereof) shall have the right to Use all or any part of the assets comprising the Trust Estate, including without limitation any Property (and improvements thereon) owned directly by the Trust and/or indirectly as an asset of a corporation, limited liability company or partnership of which an equity interest therein is part of the Trust Estate. With respect to the equal rights of the Grantors hereof to have full and complete Usage of such Property, the Trustee shall not have any responsibilities whatsoever to monitor the said

Usage by the Grantors, nor to supervise their respective Use thereof. However, the Trustee shall, in its sole discretion, resolve any Usage conflicts that may arise between the Grantors in a way which the Trustee deems reasonable, just and fair to all of the Grantors.

The Usage rights of the Grantors shall be personal and shall not be subject to alienation, sale, hypothecation or transfer except as specifically provided herein for the interests of a deceased individual Grantor.

2.3. Capital Improvements, Maintenance Expense And Operating Costs.

Each Grantor shall be individually and personally liable for such Grantor's respective proportionate Trust Share of all funds applied towards or paid by the Trust (either directly or through any business entity owned in whole or in part by the Trust) for (i) improvements and repairs made to the property of the Trust Estate (including all Property hereof), (ii) all costs and expenses incurred to maintain the Trust Estate (and all Property hereof), and (iii) any and all other expenses incurred by the Trustee to administer said Trust Estate.

The Trustee may at appropriate times, and from time to time, require each Grantor hereof to make additional contributions to the Trust for such purposes. A Grantor who fails to make such Grantor's *pro rata* additional contribution(s) shall be personally liable to the Trust and the remaining Grantors for such liability(s), and such defaulting Grantor's Trust Share shall be subject to a *pro rata* charge for such liability(s).

2.4. Trust Distributions. The Trustee may distribute so much or all of any net income, principal and/or other cash flow of the Trust to the respective Grantors in proportion to their respective Trust Shares.

2.5. Grantor Power of Proportionate Revocation. Each Grantor shall have the right and power to revoke its proportionate contributions to the Trust and thereupon revert in

itself such Grantor's respective Trust Share of the Trust Estate as determined at such time of revocation in relationship to the net fair market value of the Trust Estate. Incident to the exercise of such proportionate revocation, the respective Grantor may elect to withdraw from the Trust Estate an amount equal in value to its respective Trust Share any property hereof including an undivided interest in the Property, subject to all terms and obligations related thereto.

The Trustee shall notify all other Grantors of the exercise of such retained power of proportionate revocation by an electing Grantor, and shall take all reasonable actions to comply with such withdrawal. Grantors hereby specifically agree that the determination of all valuations for these purposes shall be made exclusively by the Trustee and further that such good faith determinations shall be binding and conclusive on all Grantors and any successors thereof in interest.

2.6. Disposition of a Deceased Grantor's Interest. The interest in the Trust Share of a deceased individual Grantor hereof shall be distributed in accordance with the following applicable provisions as of the Grantor's date of death:

- (a) Individual Grantor's Testamentary Power of Appointment: Each individual Grantor hereof has the general power exercisable at his or her death to appoint his or her Trust Share interest to or for the benefit of his or her Estate, his or her spouse, and/or his or her descendants.
- (b) Alternative Transfer to Descendants: The interest in the Trust Share of a deceased Grantor shall pass to his or her descendants on a *per stirpes* basis if such Grantor fails to exercise his or her general testamentary power of appointment, whereupon such descendants shall become substituted Grantors hereof for all purposes.

ARTICLE III.

TRUST TERMINATION PROVISIONS

3.1. Termination Date. The Trust shall terminate upon the first to occur of the following events: (i) the revocation of the Trust by all Grantors, or (ii) the sale of all Property hereof, either directly or from the disposition of all equity interests owned by the Trust in any corporations, limited liability companies and/or partnerships hereof, or (iii) the distributions by the Trustee of all Trust Share interests to each respective Grantor of all of the Trust Estate hereof.

3.2. Compliance With U.S. Laws. The Trustee shall comply with all applicable U.S. laws with respect to the distribution(s) of the Trust Estate to or for the benefit of the Grantors hereof, including any withholding obligations and the preparation and filing of any required U.S. governmental forms.

ARTICLE IV.

GENERAL TRUSTEE PROVISIONS

4.1. Elimination of Bond Requirement. No bond or other security shall be required of any Trustee or any successor Trustee of any Trust or Trusts in any jurisdiction.

4.2. Trustee Fees and Expenses. All Trustees shall be entitled to fees commensurate with their duties and responsibilities, taking into account the value and nature of the Trust Estate and the time and work involved.

(a) Additional Fees for Active Business Investments: In the event any active business interest becomes a part of the Trust Estate, the Trustee's fees may be increased because of any additional time, effort and responsibility involved in its performance of services for this business. This compensation for services rendered to the business, including any expenses, may be paid by the business.

(b) Fees for Co-Trustees: The compensation of Co-Trustees shall not be reduced because Co-Trustees are serving, nor shall it be reduced by any statutory law which otherwise establishes or limits the compensation of Trustees.

(c) Trustee Expenses: All Trustees shall be entitled to advancement of or reimbursement for expenses incurred pursuant to their duties under this Trust Agreement, including fiduciary liability insurance. They are also entitled, at the expense of the Trust, to retain and hire employees, accountants, attorneys, investment advisors, or other persons incident to the management of the Trust, the Trust Estate, or any other matter which might arise during the administration of this Trust.

4.3. Provisions Applicable to Additional and/or Successor Trustees. The following provisions shall be applicable with respect to all additional and/or successor Trustees appointed as fiduciaries of the Trust:

(a) Suspension of Powers of Previous or Resigning Trustee: The previous or resigning Trustee shall be relieved of all further liabilities, responsibilities, and duties under this Trust Agreement upon [1] the appointment, qualification, and acceptance of the position by a successor Trustee if any is required, and [2] the delivery of all assets of that respective Trustee then in its possession either to its respective successor Trustee or to any other then serving Trustee.

(b) Acceptance of Assets by Successor Trustee: Grantors have provided that upon the appointment of a successor Trustee the previous or resigning Trustee, or its representatives, shall deliver all assets of the Trust then in its possession to its respective successor or to any other then serving Trustee. The respective successor Trustee or any other then serving Trustee is authorized, but not directed, to accept such assets [if any] based upon the accounting and/or other written instrumentation as given by that previous or resigning Trustee or its representatives.

(c) Liability for Predecessor Fiduciaries: In no event shall any Trustee, whether original or successor, be liable for the actions, inactions, or default of any existing or prior Trustee, Co-Trustee, legal representative, executor, or administrator from whom distributions may be received [any of such fiduciaries being referred to as "Prior Fiduciaries"] or for failure to contest the accounting as rendered by such Prior Fiduciaries.

(d) Successor Trustee's Powers and Liabilities: The successor Trustee shall succeed to all of the powers, duties, and responsibilities of the previous or

resigning Trustee upon the effective resignation, termination, or removal of such prior Trustee and the written acceptance of the position, as a Trustee, by the respective successor Trustee.

(c) **No Duty of Investigation by Additional or Successor Trustees:** In no event shall the terms and provisions of this Trust Agreement be interpreted or construed to require any additional or successor Trustee to investigate the prior acts or omissions of any Prior Fiduciaries, except to the extent that the additional or successor Trustee has actual notice or knowledge of any act or omission of the Prior Fiduciaries contrary to the terms of this Trust Agreement. Grantors are incorporating this provision into the Trust Agreement in hopes of reducing the expenses and delays of any change in Trustees. Accordingly, the additional or successor Trustee is not required to go beyond the facts and representations as known to it in succeeding to the position of Trustee, subject, of course, to the provisions regarding known irregularities or violations.

4.4. Trustee's Right to Resign. Any Trustee, whether originally named, designated, or subsequently appointed, shall have the right to resign or renounce its position by and according to the following provisions:-

(a) **Notice of Resignation or Renouncement:** The resigning or renouncing Trustee, or its representatives, shall deliver an appropriate written notice of resignation or renouncement to one of the following applicable persons or entities, in the order given: [1] EMILY and/or JENNIFER, while either is living and competent, and the Corporation, or, if not; [2] any other then serving Trustee, if any, or, if none; [3] such resigning or renouncing Trustee's named or designated successor, if any, or, if not; [4] to all Grantors.

(b) **Duties of Resigning Trustee:** A Trustee's resignation shall become effective upon [1] the complete delivery of all assets then in its possession to its respective successor Trustee or to any other then serving Trustee, [2] the appointment, qualification, and acceptance of a respective successor Trustee [if a successor is required], and [3] the execution of an appropriate written instrument evidencing the effectiveness of such Trustee's resignation by all then serving Trustees including the required successor.

4.5. Appointment of Ancillary Trustees. The Trustee shall have the power to appoint ancillary trustees for the Trust(s) in accordance with Section 113.023 of the Texas Trust Code, as amended, if required or advisable as to assets located in a jurisdiction in which the Trustees are not authorized or qualified to act.

4.6. Special Trustee Co-Administration Provisions. The following special provisions shall apply in the event Co-Trustees are serving for the Trust:

(a) Custody of Trust Assets: Any Trustee shall have the right to maintain sole custody and possession of any and all Trust assets capable of being reduced to custody and possession and, to the extent this right of custody is exercised by a Trustee, the remaining Trustees shall be under no obligation to maintain custody and possession with respect to these assets.

(b) Agreement Among Co-Trustees: No action may be taken unless a majority of the then serving Co-Trustees are in agreement.

However, this paragraph (c) shall not be construed as in any way limiting the third party reliance provisions outlined above in this Trust Agreement with respect to transacting any business with a single Trustee.

(c) Delegation of Duties by a Trustee: Any Trustee may, with the written consent of the remaining Trustees, be relieved of any or all powers, authority, duties, and discretion vested in or imposed upon that Trustee by this Trust Agreement by delivering to the remaining then serving Trustees a written statement delegating these powers, authority, duties, and discretion to them. Any act performed according to such written statement shall be binding upon all persons interested in this Trust.

(d) Disclaimer of Powers, Duties and Responsibilities: Any Trustee may disclaim, in whole or in part, any specific or general power, duty, or responsibility imposed by law or by the terms of this Trust Agreement. Thereafter, the remaining Co-Trustees shall exercise sole power, duty, or responsibility over such disclaimed powers, duties, or responsibilities. Such disclaimer shall not, however, affect the remaining non-disclaimed powers, duties, and responsibilities of such Trustee.

ARTICLE V.

GENERAL TRUST PROVISIONS

5.1. Location and Transfer of Location of Trust. The general location of this Trust shall be the State of Texas, and its administration shall be conducted within the State of Texas. Accordingly, the laws of the State of Texas shall apply in construing the terms of the Trust and the rights and duties of the Trustee, unless the provisions of this Trust Agreement override such laws, or

unless the laws of another jurisdiction become applicable and the provisions of this Trust Agreement cannot override them.

If, in the opinion of the Trustee, it becomes advisable to change the location of the Trust, whether in Texas or to another state (but in no events outside of the United States), for the purposes of economy, tax savings, or other benefits to the Trust or to the Grantors of the Trust, the Trustee may change the location of this Trust by giving notice of the proposed transfer to the Grantors.

5.2. Construction and Interpretation. It is the intention of the Grantors to avoid as much as possible any suits for construction, interpretation, or instructions involving this Trust. Accordingly, if a question or problem arises about the proper construction, interpretation, or operation of this Agreement, about any matter involving the administration of any Trust created by this Agreement, about the rights of any Grantor hereof, or about the application, interpretation, or construction of the Texas Trust Code, as from time to time amended, the Trustee is authorized to resolve these questions or problems in a manner it deems equitable and proper in accordance with the tax and non-tax objectives of Grantors. All such decisions and actions of the Trustee shall be conclusive on all persons ever interested in this Trust.

5.3. Additional Assets of Trust. The Trustee is expressly authorized to accept additional assets, including any assets subject to liens, from any person, entity, representative, executor, or administrator by any means of transfer or conveyance. For all purposes, the Trustee is also authorized to accept and is fully protected in accepting any additional assets, including any assets subject to liens, on behalf of any person by the action of such person's appointed or acting agent, representative, custodian, or guardian, without the necessity of court intervention or action,

and based solely upon the written representations of authority by the respective transferor (as, for example only, under any form of a power of attorney).

5.4. Maximum Duration of Trust. Because of a particular rule of law, commonly referred to as the "Rule Against Perpetuities," Grantors must expressly provide for the maximum duration of the Trust. However, Grantors hereby direct that this Trust Agreement shall be construed and interpreted under another related doctrine referred to as the "Wait and See" rule in ascertaining whether or not this Trust or any separate Trusts violate the specified rule of law. If it is ultimately determined that any Trust violates such rule of law, then, for such purposes, that Trust and this Trust Agreement shall not be construed as void, but be deemed vested in the respective Grantors as of such time.

~~All Trusts created by this Trust Agreement shall in all events terminate not later than~~ TWENTY-ONE (21) years from and after the death of the survivor of the following persons: EMILY, JENNIFER and their descendants living on the date the Trust is effectively or deemed created.

Should any Trust terminate according to the provisions of this Section (only), the remaining assets and properties of that Trust shall be delivered and distributed unto those persons, or such persons' representatives, who, at the deemed termination date, constitute the Grantors of the Trust in proportion to their respective Shares.

5.5. Special Postponement Provision. The Trustee is authorized, but not directed, to postpone for a reasonable time any part or all of a final or interim distribution from the Trust for as long as the Trustee, in its reasonable discretion, may determine necessary because of tax audits, lawsuits, disputed claims, or similar unresolved matters.

5.6. Provisions Relating to Powers of Appointment. The following provisions shall govern the exercise of all powers of appointments vested in each individual Grantor hereof under this Trust Agreement:

(a) Exercise of Powers of Appointment: Each individual Grantor may exercise his or her general power pursuant to a written memorandum delivered to the Trustee during the individual Grantor's lifetime. Such memorandum shall be dated and signed by the individual Grantor and shall be witnessed by two (2) unrelated witnesses. The individual Grantor can amend or revoke such memorandum at any time by delivering an additional written memorandum to the Trustee which is signed, dated and witnessed. If any general power is not exercised pursuant to a lifetime written memorandum, then such power must be exercised pursuant to a clause in the individual Grantor's duly probated Last Will and Testament.

The individual Grantor must exercise a general power by making specific reference in either the memorandum or Last Will and Testament as to which section of the Trust Agreement the power is being exercised under, and must further designate the appointees, their shares, proportions and amounts that each shall be entitled to, and whether such appointments are in trust for or directly to such appointees.

(b) Effective Date of Exercise of Power: Any general power shall take effect at the individual Grantor's death.

ARTICLE VI.

TRUSTEE'S POWERS AND RESTRICTIONS

6.1. Trustee Power's Over Partitions, Divisions and Distributions. The Trustee shall have the powers to make all partitions, divisions, and distributions contemplated by this Trust Agreement, and its decisions and actions shall be binding and conclusive upon all interested parties. The Trustee may, in its discretion, make these partitions, divisions, or distributions by proportionately allocating assets and properties in kind [including undivided interests in properties], or partly in money and partly in kind. The amount of a distribution in kind shall be deemed to be the value of the property on the date or dates distributed. A distribution to

any distributee may be composed of property similar to or different from that transferred to any other distributee.

6.2. Trustee Investment Powers. The Trustee shall have the following investment powers:

(a) General Investment and Management Guidelines: The Trustee shall manage the Trust Estate as directed by a majority in interest of the Grantors [as determined by their respective Trust shares]. In the absence of specific directions, the Trustee shall manage the Trust Estate for and on behalf of the Grantors in accordance with their discretion. The Trustee shall not, however, be limited to nor bound by the provisions of the Texas Trust Code [or any successor statute], or by any other statutes or regulations respecting investments by fiduciaries except to the extent that such statutes or regulations cannot be waived for any corporate Trustee and there are no individual Trustees then serving. Investments need not be diversified, may be of a wasting nature, and may be made or retained with solely a view towards a possible increase in value. The Trustee is expressly authorized to retain or invest in non-income producing property if, in its discretion, the best interests of the Grantors will be better served by that investment.

The Trustee is expressly authorized to invest in high-income producing property, non-growth or marginally-appreciating property if, in its discretion, it determines that such investments are advisable for the Trust. To this end, Grantors hereby expressly relieve the Trustee from any and all duties, obligations, or responsibilities to invest any part of the Trust Estate in growth-type assets for the Trust or any current or future Grantors. The Trustee shall not, therefore, be liable for any operating losses of the Trust, nor for any depreciation or decline in the value of the Trust Estate.

(b) Power to Retain Any Property Transferred to the Trust: Any property transferred to the Trust shall be deemed a proper investment. The Trustee is expressly authorized to retain all such property with no duty or obligation to dispose of or convert any of these properties.

(c) Real Estate Powers: The Trustee shall have the following non-exclusive powers relating to any real estate assets or investments [broadly construed] owned directly or indirectly by the Trust [including all Property hereof]: to sell, exchange, develop, partition, transfer, abandon, or otherwise dispose of any property, at public or private sale, with or without covenants, warranties, or guarantees, for any purposes, and upon any terms, including sales on credit [with or without security], in any manner and at any prices; to grant options on the same; to lease any property, for any term or terms, upon any conditions and rentals, and in any manner, irrespective of whether the term of such lease exceeds the period

permitted by law or the probable period of administration of any Trust; to renew or modify any lease; to grant options to renew or modify any lease; to raise or erect any structure; to make repairs, replacements, and improvements, whether structural or otherwise, for any property; to improve real property; to subdivide or plat real estate; to dedicate streets, alleys, and ways; and to donate sites for public, charitable, or educational facilities.

(d) **Nominee Investments:** The Trustee is authorized to maintain any investment [or other action] in the name of a nominee, whether itself or another individual, business, or entity, with or without a power of attorney, in the name of one or more Trustees without disclosing fiduciary capacity, or to retain or make any investment in a form permitting transferability by delivery. At all times, however, the books and records of the Trust shall reflect all such investments as investments of the Trust and further reflect in whose name, custody, and possession such assets are placed.

(e) **Power to Sell Assets:** The Trustee shall have the specific power and authority to sell all or any part of the assets of the Trust [including without limitation the Property] upon such terms and conditions as the Trustee, in its discretion, shall determine. This power of sale shall be broadly construed in favor of the Trustee.

(f) **Power to Designate Representatives:** The Trustee shall have the power to designate one or more individuals as representative agents of the Trust to transact any business for or on behalf of the Trust or the Trustee.

6.3. Protection of Third Parties Transacting Business or Dealing with the

Trust. No purchaser at any sale made by the Trustee or persons dealing with the Trustees under this Trust Agreement shall be obligated or allowed to attend to the application or use of any money or property paid or delivered to the Trustees, or to inquire into the expediency or propriety of any transaction entered into and consummated upon the terms as the Trustee, in its discretion, deems advisable. All individuals, entities, businesses, and other third parties dealing with the Trust or any Trustee shall be fully protected from all liabilities in transacting any business with the Trust.

6.4. Special Trustee Self-Dealing Provisions. Grantors are aware of the potential problems that may arise in the administration of this Trust if a Trustee, in its discretion, should find it advisable to transact business with itself, whether individually or as a fiduciary under

any other trust agreement. Grantors expressly relieve any and all Trustees and fiduciaries from any self-dealing restrictions and limitations, except for those prohibitions which cannot be waived.

Accordingly, Grantors hereby specifically waive such rules and prohibitions regarding self-dealing, conflict of interest, or any other rule or regulation regarding the transaction of business between a particular trust or fiduciary and such trustee or fiduciary. For example, the Trustee may freely transact any business between this Trust and any other trust, or between the Trustee, in its individual capacity, and this Trust.

6.5. Special Business Powers of Trustee. In addition to any and all powers granted to the Trustee by this Trust Agreement, the Trustee has the following additional powers with respect to any business interest which is or becomes a part of the Trust Estate, whether it be a sole proprietorship, joint venture, partnership, limited liability company or corporation:

- (i) to hold, retain, and continue to operate such business solely at the risk of the Trust Estate and without liability on the part of the Trustee for any losses resulting from operation of the business;
- (ii) to enlarge, diminish, or change the scope or the nature of the activities of any business;
- (iii) to use the general assets of the Trust for the purposes of the business; to invest additional capital in or make loans to such business, regardless of the non-productivity of such investment or loan, or the diversification of investments;
- (iv) to endorse or guarantee on behalf of the Trust any loan or loans made to the business and to secure the loan or loans by pledge or mortgage not only of the Trust's property interest in any such business but also by any other property of the Trust Estate that the Trustee may deem proper;
- (v) to make or concur in the decision to accumulate surplus in the business or to pay dividends or otherwise distribute the profits of the business, as the Trustee, in its discretion, may deem advisable;

(vi) to accept as correct financial or other statements rendered by the business from time to time about its conditions and operations except where the Trustee has actual notice of inaccurate information contained therein;

(vii) to regard the business as an entity separate from the Trust with no duty to account to any court about its business or operation;

(viii) to dissolve, liquidate, or sell any business interest at such time [and from time to time] and upon such terms as the Trustee may deem advisable;

(ix) to incorporate any business and hold the stock as an asset of the Trust;

(x) to satisfy any liabilities arising out of the business, whether contractual or tortious in nature, first out of the business, and secondly out of the Trust Estate. However, in no event shall the Trustee be individually or personally liable for any business activities or decisions, and if the Trustee is held liable, it shall be entitled to indemnification from the business, the Trust Estate and the Grantors in the order named;

~~(xi) to authorize and participate in any mergers, reorganizations, consolidations, exchanges, sales, private or commercial annuities, or any other form of business transactions involving ownership changes;~~

(xii) to employ such officers, managers, employees, or agents as it deems advisable and to pay such persons reasonable compensation for their services without regard to any fiduciary fees and expenses payable to the Trustee; and,

(xiii) to exercise all other actions or powers which an individual, competent adult would possess in operating such business.

6.6. Formation of Business Entities. The Trustee is authorized to invest all or any portion of the Trust Estate in one or more joint ventures, partnerships, limited liability companies or corporations, the outstanding equity interests of which are owned in whole or in part by the Trust.

6.7. Protection of Trustee for Acts of Agents. The Trustee shall not be held liable or otherwise responsible for any neglect, omission, or wrongdoing of any agent employed

by the Trustee on behalf of the Trust provided the Trustee uses reasonable care in the employment of the agent.

6.8. Liability of Trustee. The Trustee's liability shall be limited pursuant to the following provisions:

(a) **Acts by Trustee:** No Trustee shall at any time be held liable to the Trust or any Grantor for any action or default of the Trustee or of any other person in connection with the administration of the Trust unless caused by the Trustee's gross negligence, bad faith, or willful commission of an act in breach of trust.

(b) **Limitation of Personal Liability of Trustee:** The Trustee shall not incur any personal liability to anyone dealing with the Trustee in the administration of the Trust Estate. The Trustee shall be entitled to reimbursement from the Trust Estate and the Grantors for any liability, whether in contract or in tort, incurred in the administration of the Trust. The Trustee may contract in such form as to exempt the Trustee from personal liability and to cause such liability to be limited to the Trust Estate. No successor Trustee shall have any duty, responsibility, obligation, or liability whatsoever for failure to rectify the acts or omissions of any predecessor Trustee.

6.9. Accounting Responsibilities of Trustee. The Trustee shall maintain proper books and records reflecting the assets, liabilities, investments, income, disbursements, principal, and transactions of each Trust. The Trustee is not required to conform to the provisions of the Uniform Trustee's Accounting Act or any similar act. The Trustees shall be free of any court accounting or supervision of any Trust.

6.10. Ultimate Termination of Trustee's Responsibilities and Duties. The Trustee's responsibilities and duties under this Trust Agreement shall cease upon final distribution of all of the income and principal of the Trust and the completion of any miscellaneous work connected with the termination of the Trust and the distribution of its remaining assets.

6.11. General Borrowing and Lending Powers of Trustee. The Trustee is specifically authorized to borrow and/or lend any amount of funds from time to time and at any time

from or to any individual, business, or entity (whether or not a Grantor of the Trust) when it determines such action necessary or advisable and to pledge all or any portion of the assets of this Trust as collateral. The terms of any indebtedness or loan shall be those that the Trustee, in its reasonable discretion, may deem advisable, even if the expected period of the loan extends beyond the term of any Trust.

ARTICLE VII.

DEFINITIONS AND MISCELLANEOUS TRUST PROVISIONS

7.1. Powers Cumulative. The Trustee shall have all of the rights, powers and privileges as set forth in the Texas Trust Code (or its successor statute) governing the powers and responsibilities of Trustees. ~~In the event, however, that any provisions of such Code in any way~~ conflict or otherwise do not conform to the terms of this Trust Agreement, then the provisions of this Trust Agreement shall in all events control the administration of the Trust to the maximum extent permitted by law.

7.2. Definitions for Descendants. The following definitions of "descendants" shall be utilized in interpreting this Trust Agreement unless a contrary intent is clearly stated or shown by its context:

(a) Descendants: The term "descendants" or "descendant" shall mean all those persons who are in a direct line of descent of a person specifically named or indicated by the context of the Trust Agreement. These descendants must be lawfully related to such persons by consanguinity or adoption [as provided below].

(b) Descendant In Being: A descendant [who is later born alive] shall be treated as a descendant during the actual period of gestation for the purposes of determining [1] whether any person has died without surviving descendants, and [2] whether a person is entitled to share in a distribution of principal.

All other rights for purposes of such descendant shall begin at the date of birth, provided such descendant in gestation is born alive.

(c) . **Births Out of Wedlock:** Any descendant who is born to persons out of wedlock shall not be considered as a "descendant" of such persons for purposes of this Trust Agreement except for the following: [1] any descendant who is born to persons openly living together as husband and wife after the performance of a marriage ceremony between them shall be considered as a "descendant," even if a purported divorce of one or both of such persons with reference to a prior marriage is invalid; and [2] any descendant who would otherwise be excluded from benefiting as a "descendant" by operation of this Section shall be treated for all purposes as a "descendant" if, and only if, his or her natural parents become husband and wife through the performance of a marriage ceremony between them after that child's birth [or during gestation], or if any child or descendant adopts such child or descendant, as provided below.

(d) **Adopted Descendants:** The term "descendants" shall include for all purposes any person legally adopted prior to his or her attainment of the age of TWENTY-ONE (21) years.

~~(e) **Persons of the Half-Blood:** Persons of the half-blood shall be treated as persons of the whole-blood unless otherwise specifically provided by this Trust Agreement.~~

7.3. Definition of Per Stirpes. When the Trust Agreement directs that any portion of the Trust Estate is to be divided among a decedent's descendants on a "*per stirpes*" basis, the division into *stirpes* shall begin at the generation nearest the decedent.

7.4. Interpretation of Trust Agreement. The singular shall be interpreted as the plural, or vice versa, if such treatment is necessary to interpret this Trust Agreement in accordance with Grantor's manifest intentions. If the feminine, masculine, or neuter gender should be one of the other genders, it shall be so construed. This Trust Agreement has been divided into articles, sections, paragraphs, and subparagraphs. The interpretation of this Trust Agreement shall be determined from this Agreement in its entirety without regard to its divisions and headings.

7.5. Definition of "Code". The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

7.6. Execution in Counterparts. This Trust Agreement may be executed in a number of counterparts, each of which will be deemed an original. A copy of the executed Trust Agreement, whether conformed or photocopied, may be used for any purpose without the necessity of producing the original counterpart.

This TRUST AGREEMENT shall extend to and be binding upon all heirs, executors, administrators, legal representatives, and successors, respectively, of the parties to this Agreement, and shall be effective as of 11/30, 1999.

DATESSIGNATURES

11/30, 1999

Emily Ann Wylly Lindsey
EMILY ANN WYLY LINDSEY, GRANTOR

11/30, 1999

Jennifer Lynn Wylly Lincoln
JENNIFER LYNN WYLY LINCOLN,
GRANTOR

LITTLE WOODY CREEK ROAD LIMITED,
GRANTOR

_____, 1999

By: _____
Authorized Officer

11/30, 1999

Michael C. French
MICHAEL C. FRENCH, TRUSTEE

11/30, 1999

215450

Sharyl Robertson, Trustee
SHARYL ROBERTSON, TRUSTEE

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This TRUST AGREEMENT shall extend to and be binding upon all heirs, executors, administrators, legal representatives, and successors, respectively, of the parties to this Agreement, and shall be effective as of 11/30, 1999.

DATESSIGNATURES

11/30, 1999

Emily Ann Wylly Lindsey
EMILY ANN WYLY LINDSEY, GRANTOR

11/30, 1999

Jennifer Lynn Wylly Lincoln
JENNIFER LYNN WYLY LINCOLN,
GRANTOR

LITTLE WOODY CREEK ROAD LIMITED,
GRANTOR

_____, 1999

[Signature]
Authorized Officer

11/30, 1999

[Signature]
MICHAEL C. FRENCH, TRUSTEE

11/30, 1999
215450

[Signature]
SHARYL ROBERTSON, TRUSTEE

4846

EXHIBIT "A"
INITIAL ASSETS OF
THE LITTLE WOODY
MANAGEMENT TRUST

CONTRIBUTING GRANTOR AND PROPERTY DESCRIPTIONS	AGREED VALUE	TRUST SHARE
A. <u>EMILY ANN WYLY LINDSEY</u>		
Cash.	\$200	1.00%
B. <u>JENNIFER LYNN WYLY LINCOLN</u>		
Cash.	\$200	1.00%
C. <u>LITTLE WOODY CREEK ROAD LIMITED</u>		
Cash.	\$19,600	98.00%
D. <u>TOTALS</u>	\$20,000	100.00%

2154502

LITTLE WOODY MANAGEMENT TRUST
PARTNERS ALLOCATIONS
12/31/02

Per PY Tax Return	Profit %	Beginning Capital	Contr	Book Income	Distr	Ending Capital	Ending %
Emily Lindsey	1.00%	45,312	4,982	(3,182)		47,112	1.00%
Jennifer Lincoln	1.00%	45,312	4,982	(3,182)		47,112	1.00%
Little Woody Creek Limited	98.00%	4,440,568	500,000	(311,832)		4,628,735	98.00%
	100.00%	4,531,191	509,964	(318,196)	-	4,722,959	100.00%

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1134

p:\ach\ambada\FILE\Tax Allocation

Confidential
SEC_ED00062247

PSI_ED00062247

Little Woody Management Trust			
September 30, 2002			
	Shs/Face	Book	FMV
ASSETS			
Cash		51,754	51,754
Little Woody LLC		5,254,082	4,654,648
Other Assets			0
			0
TOTAL ASSETS		5,305,836	4,706,402
LIABILITIES			
		0	0
TOTAL LIABILITIES		0	0
CAPITAL			
Emily and Jennifer	2.00001200%		94,129
Little Woody Limited	97.999988%		4,612,273
TOTAL CAPITAL	100.000000%	5,305,836	4,706,402
TOTAL LIABILITIES & CAPITAL		5,305,836	4,706,402

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1134

CONFIDENTIAL
 SEC100039271
 PSI00051138

LITTLE WOODY MANAGEMENT TRUST
PARTNERS ALLOCATIONS
12/31/03

Per PY Tax Return	Profit %	Beginning Capital	Contr	Book Income	Distr	Ending Capital	Ending %
Emily Lindsey	1.00%	47,112	4,982	(3,992)		48,102	1.00%
Jennifer Lincoln	1.00%	47,112	4,982	(3,992)		48,101	1.00%
Little Woody Creek Limited	98.00%	4,628,735	500,000	(391,228)		4,737,508	98.01%
	100.00%	4,722,959	509,964	(399,212)	-	4,833,711	100.00%

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1134

p:\ao\lambdal\FIL\ETax Allocation

Confidential
SEC_ED00059481

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LITTLE WOODY MANAGEMENT TRUST
PARTNERS ALLOCATIONS
12/31/04

	Profit %	Beginning Capital	Contr	Book Income	Distr	Ending Capital	Ending %
Emily Lindsey	1.00%	48,102	5,051	(4,689)		48,463	0.99%
Jennifer Lincoln	1.00%	48,101	5,051	(4,689)		48,463	0.99%
Little Woody Creek Limited	98.00%	4,737,508	500,000	(459,507)		4,778,000	98.01%
	100.00%	4,833,711	510,101	(468,885)	-	4,874,927	100.00%
						(4,874,927)	

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1135

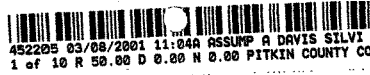
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Confidential
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PSL_ED00019967

4851

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AFTER RECORDING, PLEASE RETURN TO:

Ms. Marta Engram
Bank of America, N.A.
901 Main Street (75202)
P.O. Box 830301
Dallas, Texas 75283-0301

LOAN ASSUMPTION AGREEMENT

EFFECTIVE DATE: March 5, 2001

ORIGINAL BORROWER: Little Woody, Ltd., a Texas limited partnership

ORIGINAL BORROWER'S ADDRESS: 300 Crescent Court, Suite 1000, Dallas, Texas 75201

LENDER: Bank of America, N.A., a national banking association

LENDER'S ADDRESS: 901 Main Street (75202), P.O. Box 830301, Dallas, Texas 75283-0301

ASSUMING BORROWER: Little Woody, LLC, a Colorado limited liability company

ASSUMING BORROWER'S ADDRESS: 300 Crescent Court, Suite 1000, Dallas, Texas 75201

REAL PROPERTY: Lot 2, SACHS WOODY CREEK EXEMPTION PLAT, according to the Plat recorded September 6, 1983 in Plat Book 15 at Page 70 as Reception No. 255506, County of Pitkin, State of Colorado.

RECITALS:

A. Original Borrower executed an Adjustable Rate Note (the "Note") in the original principal amount of \$3,900,000.00 dated April 14, 1999, payable to the order of NationsBank, N.A. The Note is more fully described and secured by the Deed of Trust (the "Deed of Trust") of recorded April 15, 1999, at Reception No. 429938, upon and against the Real Property and all personal property described in the Deed of Trust (the "Property"). The liens and security interests on and against the Property shall be referred to as the "Liens". The loan transaction evidenced by the Note and Deed of Trust, and the other documents executed in connection therewith shall be referred to as

LOAN ASSUMPTION AGREEMENT

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1136

Little Woody, L.L.C.

Confidential Treatment Requested

BA 143981

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the "Loan". The Note, Deed of Trust, guaranty agreements, and other loan documents executed in connection therewith shall be referred to as the "Loan Documents".

B. The current unpaid principal balance of the Note is \$3,828,706.80.

C. Lender is the current owner and holder of the Note and the Deed of Trust as successor by merger to NationsBank, N.A.

D. Original Borrower has asked Lender to consent to Original Borrower's conveyance and transfer of the property to Assuming Borrower. Lender has agreed to such assumption in exchange for Assuming Borrower's agreement to repay the Note and other sums owing under the Deed of Trust as provided in this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises, and other valuable consideration, the receipt and sufficiency of which Original Borrower, Assuming Borrower, and Lender acknowledge, Original Borrower, Assuming Borrower, and Lender agree as follows:

1. **Assumption.** Assuming Borrower hereby assumes payment of the Note and performance of the obligations of Original Borrower under the Deed of Trust and other Loan Documents. Assuming Borrower promises to pay to Lender, according to the terms of this Agreement, the unpaid principal balance and interest on the Note and to perform and comply with all covenants, conditions, and obligations of the Loan Documents. Original Borrower and Assuming Borrower acknowledge that as of the Effective Date, the unpaid principal balance of the Note is U.S. \$3,828,706.80. Original Borrower hereby transfers and assigns to Assuming Borrower all of Original Borrower's rights with respect to and interest in any funds held by Lender or held for Lender's benefit for the payment of taxes, insurance, and other charges, fees, and assessments as provided in the Deed of Trust, and Original Borrower releases any and all claims to those funds. Assuming Borrower acknowledges receipt of copies of the Note and Deed of Trust.

2. **Interest Rate.** The outstanding principal balance of the Note shall continue to bear interest at the rate set forth in Section 2 of the Note.

3. **Payments.** The Note is due and payable as follows: Principal and interest shall be due and payable in monthly installments of Twenty-five Thousand Seven Hundred Three and 41/100 Dollars (\$25,703.41) each, payable on the 1st day of each and every calendar month, beginning April 1, 2001, and continuing regularly thereafter until May 1, 2014, when the outstanding principal balance of the Note and all accrued and unpaid interest shall be due and payable in full. Interest will be calculated on the unpaid principal balance. Each payment will be credited first to the accrued interest and then to the reduction of principal.

4. **Lender's Waiver.** In consideration of Assuming Borrower's and Original Borrower's covenants and agreements made herein, Lender agrees to waive its right under the Deed of Trust to declare all sums secured by the Deed of Trust immediately due and payable by reason of

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the conveyance and transfer of the Property by Original Borrower to Assuming Borrower. Provided however, Original Borrower and Assuming Borrower acknowledge and agree that this waiver applies only to this conveyance and transfer of the Property from Original Borrower to Assuming Borrower and it does not apply to any future sales, conveyances, transfers, or encumbrances, Lender hereby expressly reserving all such rights. Lender hereby releases Original Borrower from any and all personal liability with respect to the payment of the Note and performance of the obligations and covenants of the Deed of Trust, and Lender agrees to look solely to Assuming Borrower for the payment of the Note and the performance of the Deed of Trust.


5. **Default.** Upon default in the payment of the Note or in the performance of Original Borrower's and Assuming Borrower's obligations under the Deed of Trust, this Agreement, or the other Loan Documents, Lender may declare the entire unpaid principal balance of the Note, together with accrued unpaid interest, immediately due and payable. Except for any notice and opportunity to cure expressly set forth in the Note and Deed of Trust, Original Borrower, Assuming Borrower, and each surety, endorser, and guarantor expressly waive notice of default, notice of intent to accelerate, notice of acceleration, notice of intent to demand payment, demand for payment, presentment, and notice of dishonor.

6. **Assuming Borrower's Covenants, Representations, and Warranties.** Assuming Borrower agrees to continue payment of the Note as modified by this Agreement, and to perform and comply with all covenants, conditions and obligations of the Deed of Trust and all other documents evidencing or relating to the Loan evidenced by the Note. Any default by Assuming Borrower under the terms of this Agreement shall be considered a default under the terms of the Note and Deed of Trust, and Lender shall be entitled to exercise all remedies provided for in such instruments. Original Borrower and Assuming Borrower covenant and agree with Lender and represent and warrant to Lender as follows:

(a) **Good Standing.** Assuming Borrower is a limited liability company, duly organized and validly existing under applicable state laws and is in good standing in the state of its organization and in the State of Texas. Assuming Borrower has complied with all conditions prerequisite to do business in the State of Texas. Assuming Borrower has all requisite organizational power and all governmental certificates of authority, licenses, permits, qualifications, and documentation to own, lease, and operate the Property and its other properties and to carry on its business as now conducted and as contemplated in the future. The execution of this Agreement and any and all other Loan Documents is within Assuming Borrower's powers, has been duly authorized by all requisite action and is not in contravention of law or the powers of Assuming Borrower's limited liability company charter. Assuming Borrower shall preserve and keep in full force and effect its existence, rights, franchises, and trade names.

(b) **Authority and Compliance.** Assuming Borrower has full power and authority to execute and deliver this Agreement and any other Loan Documents to be executed in connection herewith and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the managers of Assuming Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of

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this Agreement or any other Loan Document, and Assuming Borrower is in compliance with all laws and regulatory requirements to which it is subject.

(c) Binding Agreement. This Agreement and the other Loan Documents executed by Assuming Borrower constitute valid and legally binding obligations of Assuming Borrower, enforceable in accordance with their terms, and any instrument or agreement required hereunder or thereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

(d) Payment and Performance. Assuming Borrower agrees to continue the payment of the Note as modified by this Agreement and to perform and comply with all covenants, conditions, and obligations of the Deed of Trust and all other Loan Documents.

(e) Lender as Holder. Assuming Borrower acknowledges, covenants, and agrees that Lender has succeeded to all rights, titles, benefits, and interests of NationsBank, N.A. under the Note and other Loan Documents, and that Lender as owner and holder of the Note is and shall be entitled to the benefit of all covenants and agreements of Assuming Borrower under the Loan Documents, including without limitation any indemnities made by Assuming Borrower under the Loan Documents.

(e) Representations and Warranties. All representations and warranties set forth in this Agreement and the Loan Documents, are true and correct as of the Effective Date. Original Borrower is in compliance with all of Original Borrower's covenants set forth in the Loan Documents. Neither Original Borrower nor Assuming Borrower know of any fact or condition that with the passage of time or notice or both will create a breach of any such covenants or any other event of default under any Loan Document.

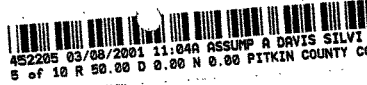
(f) Interest and Other Charges. All interest or other fees or charges which have been imposed, accrued or collected by Lender (including all of its predecessors) under the Loan Documents or in connection with the Loan through the date of this Agreement, and the method of computing the same, were and are proper and agreed to by Original Borrower and were properly computed and collected.

(g) Claims, Disputes, Impairments. Assuming Borrower does not have any pending litigation, tax claims, proceedings or disputes that may adversely affect Assuming Borrower's financial condition or impair Assuming Borrower's ability to repay the Loan or otherwise perform its obligations under the Loan Documents.

(h) No Offset or Claims. The indebtedness evidenced by the Note is not subject to any credits, charges, claims, or rights of offset or deduction of any kind or character whatsoever. Neither Original Borrower nor Assuming Borrower have any claims or causes of action of any kind against Lender.

Original Borrower and Assuming Borrower acknowledge that Lender has agreed to permit the assumption the Note by Assuming Borrower in reliance on these covenants, representations, and warranties and the other covenants, representations, and warranties in this Agreement.

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7. **Extension of Liens.** For purposes of this Agreement and in order to secure repayment of the Note and all obligations and liabilities under the Loan Documents, Assuming Borrower does hereby grant, bargain, sell and convey in trust unto the Public Trustee of the County in which the Property is situated, all right, title and interest of Assuming Borrower in and to the Property, said grant to remain in effect until the Note has been fully paid. Assuming Borrower agrees that this Agreement shall in no way affect or impair the Note or the liens securing the Note, which Original Borrower and Assuming Borrower acknowledge to be valid and subsisting. Original Borrower and Assuming Borrower agree that the Liens shall not in any manner be waived and shall be and remain in full force and effect until the Note has been fully paid and until Lender has released the Liens in accordance with the terms of the Deed of Trust.

8. **Effect of Agreement.** Nothing in this Agreement shall be understood or construed to be a satisfaction or release in whole or in part of the Note or Deed of Trust. All terms and provisions of the Note and Deed of Trust, except as specifically modified in this Agreement, shall remain in full force and effect. This Agreement is a modification of the existing Loan. Original Borrower, Assuming Borrower, and Lender expressly agree that their intent is to modify the Loan, and this Agreement does not constitute and shall not be construed as a novation of the Note, the Deed of Trust, or any other Loan Document. Provided, however, in the event of a conflict between the terms and provisions of this Agreement and those of the Note and Deed of Trust, the terms and provisions of this Agreement shall govern and control.

9. **Limitation on Interest: Maximum Lawful Rate.** Lender, Original Borrower, and Assuming Borrower intend to contract in strict compliance with applicable usury law from time to time in effect. To effectuate this intention, Lender, Original Borrower, and Assuming Borrower stipulate and agree that none of the terms and provisions of the Note and any other agreement among such parties, whether now existing or arising hereafter, shall ever be construed as a contract to pay interest for the use, forbearance or detention of money in excess of the Maximum Lawful Rate. If, from any possible construction of any document, interest would otherwise be payable to Lender in excess of the Maximum Lawful Rate, any such construction shall be subject to the provisions of this Section and such document shall be automatically reformed and the interest payable to Lender shall be automatically reduced to the Maximum Lawful Rate permitted under applicable law, without the necessity of the execution of any amendment or new document. Neither Original Borrower, Assuming Borrower endorses or other persons now or hereafter becoming liable for payment of any portion of the principal or interest of the Note shall ever be liable for any unearned interest on the principal amount or shall ever be required to pay interest thereon in excess of the Maximum Lawful Rate that may be lawfully charged under applicable law from time to time in effect. Lender and any subsequent holder of the Note expressly disavows any intention to charge or collect unearned or excessive interest or finance charges in the event the maturity of the Note, is accelerated. If the maturity of the Note is accelerated for any reason, whether as a result of a default under the Note, or by voluntary prepayment, or otherwise, any amounts constituting interest, or adjudicated as constituting interest, which are then unearned and have previously been collected by Lender or any subsequent holder of the Note shall be applied to reduce the principal balance thereof then outstanding, or if such amounts exceed the unpaid balance of principal, the excess shall be refunded to Original Borrower or Assuming Borrower as applicable. In the event Lender or any subsequent holder of the Note ever receives, collects, or applies as interest any amounts constituting interest or

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 6 of 10 R 50.00 D 0.00 N 0.00 PITKIN COUNTY CO

adjudicated as constituting interest which would otherwise increase the interest to an amount in excess of the amount permitted under applicable law, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of the Note, and, if the principal balance of the Note is paid in full, any remaining excess shall be paid to Assuming Borrower. In determining whether or not the interest paid or payable under the specific contingencies exceeds the Maximum Lawful Rate allowed by applicable law, Original Borrower, Assuming Borrower, and Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium, rather than as interest; (ii) exclude voluntary prepayments and the effect thereof; (iii) amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of the applicable Note (as it may be renewed and extended) so that the interest rate is uniform throughout the entire term of the Note. The terms and provisions of this section shall control and supersede every other provision of all existing and future agreements between Lender, Assuming Borrower, and Original Borrower. As used in this Agreement, "Maximum Lawful Rate" means the maximum non-usurious interest rate that at any time or from time to time may be contracted for, taken, reserved, charged or received on the unpaid principal or accrued past due interest under applicable law and may be greater than the Note Rate, the parties hereby stipulating and agreeing that the Lender may contract for, take, reserve, charge or receive interest up to the Maximum Lawful Rate without penalty under any applicable law; and "applicable law" means the laws of the State of Texas or the laws of the United States of America, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future. In the event applicable law provides for an interest ceiling under Chapter 303 of the Texas Finance Code, and applicable state or federal law does not permit a higher interest rate, the "weekly ceiling" (as defined as Chapter 303 of the Texas Finance Code) shall be the rate ceiling, subject to any right Lender may have in the future to change the method of determining the Maximum Lawful Rate.

10. **Participation or Sale of Loan.** Lender shall have the right to sell the Note or participation interests in the Note. Assuming Borrower and Original Borrower shall execute, acknowledge and deliver any and all instruments requested by Lender to satisfy such purchasers or participants that the unpaid indebtedness evidenced by the Note is outstanding upon the terms of the provisions set out in the Loan Documents. Lender shall have the right to disclose in confidence such financial information regarding Assuming Borrower and/or Original Borrower or the Property as may be necessary to complete any sale or attempted sale of the Note or participations or attempted participations in the Loan, including without limitation all Loan Documents, financial statements, projections, internal memoranda, audits, reports, payment history, appraisals and any and all other information and documentation in Lender's files relating to Assuming Borrower, Original Borrower, and the Property.

11. **Further Assurances; Expenses.** Assuming Borrower and Original Borrower agree to execute and deliver to Lender, promptly upon request from Lender, such other and further documents as may be reasonably necessary or appropriate to consummate this transaction or to perfect and/or renew and extend the Liens or to correct any clerical, administrative or other errors found in any Loan Documents or this Agreement. Assuming Borrower agrees to promptly reimburse Lender for all expenses incurred by Lender in connection with the preparation, execution, and

TCT/2619734.2/3-1-01



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7 of 10 R 50.00 D 0.00 N 0.00 PITKIN COUNTY CO

recording of this Agreement, including without limitation attorney's fees, premiums or fees for title insurance policies or endorsements, and recording fees.

12. **Release and Waiver of Claims.** In consideration of (i) the assumption of the Note, as herein provided, and (ii) the other benefits received by Original Borrower and Assuming Borrower hereunder, Original Borrower and Assuming Borrower hereby RELEASE, RELINQUISH and forever DISCHARGE Lender, as well as its predecessors, successors, assigns, agents, officers, directors, employees and representatives, of and from any and all claims, demands, actions and causes of action of any and every kind or character, past or present, which Original Borrower and/or Assuming Borrower may have against Lender and its predecessors, successors, assigns, agents, officers, directors, employees and representatives arising out of or with respect to (a) any right or power to bring any claim against Lender for usury or to pursue any cause of action against Lender based on any claim of usury, and (b) any and all transactions relating to the Loan Documents occurring prior to the date hereof, including any loss, cost or damage, of any kind or character, arising out of or in any way connected with or in any way resulting from the acts, actions or omissions of Lender, and its predecessors, successors, assigns, agents, officers, directors, employees and representatives, including any breach of fiduciary duty, breach of any duty of fair dealing, breach of confidence, breach of funding commitment, undue influence, duress, economic coercion, conflict of interest, negligence, bad faith, malpractice, intentional or negligent infliction of mental distress, tortious interference with contractual relations, tortious interference with corporate governance or prospective business advantage, breach of contract, deceptive trade practices, libel, slander or conspiracy, but in each case only to the extent permitted by applicable law.

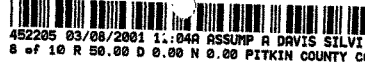
13. **APPLICABLE LAW.** THIS AGREEMENT, OTHER THAN THE PROVISIONS HEREOF THAT RELATE TO THE DEED OF TRUST, AND THE NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA APPLICABLE TO TRANSACTIONS IN TEXAS. THE PROVISIONS HEREOF THAT RELATE TO THE DEED OF TRUST AND THE DEED OF TRUST SHALL BE GOVERNED BY THE LAWS OF THE STATE OF COLORADO.

14. **Miscellaneous.** This Agreement shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of Lender, Original Borrower, Assuming Borrower, and, if applicable, any guarantor, subject to any limitations in the Loan Documents concerning the sale or other transfer of the Property. Whenever used herein, the singular number shall include the plural and the plural the singular, and the use of any gender shall be applicable to all genders. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof. In the event any one or more of the provisions contained in this Agreement, or in any other instrument referred to herein or executed in connection with or as security for the Note shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement or any such other instrument.

15. **SPECIAL NOTICES.** THE LOAN EVIDENCED BY THE NOTE IS PAYABLE IN FULL ON MAY 1, 2014. YOU MUST REPAY THE ENTIRE PRINCIPAL BALANCE OF THE LOAN AND UNPAID INTEREST THEN DUE. LENDER IS UNDER NO OBLIGATION TO REFINANCE THE LOAN AT THAT TIME.

4858

TCT2619734.2/3-1-01



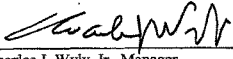
YOU WILL, THEREFORE, BE REQUIRED TO MAKE PAYMENT OUT OF OTHER ASSETS THAT YOU MAY OWN, OR YOU WILL HAVE TO FIND A LENDER, WHICH MAY BE THE LENDER YOU HAVE THIS LOAN WITH, WILLING TO LEND YOU THE MONEY. IF YOU REFINANCE THIS LOAN AT MATURITY, YOU MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN EVEN IF YOU OBTAIN REFINANCING FROM THE SAME LENDER.

THIS WRITTEN LOAN AGREEMENT, TOGETHER WITH THE LOAN DOCUMENTS AS AMENDED HEREBY, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED this 5 day of March, 2001, to be effective March 5, 2001.

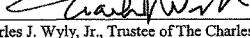
ASSUMING BORROWER:

Little Woody, LLC
(a Colorado limited liability company)

By: 
Charles J. Wyly, Jr., Manager

ORIGINAL BORROWER:

Little Woody, Ltd.
(a Texas limited partnership)

By: 
Charles J. Wyly, Jr., Trustee of The Charles J. Wyly, Jr. Revocable Trust created by instrument dated June 12, 1987, its General Partner

4859

TCT/2619734.2/3-1-01

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9 of 10 R 50.00 D 0.00 N 0.00 PITKIN COUNTY CO

LENDER:

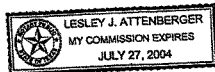
Bank of America, N.A.
(a national banking association)

By: Marta D. Engstrom
Name: MARTA D. ENGSTROM
Title: SENIOR VICE PRESIDENT

ASSUMING BORROWER'S ACKNOWLEDGEMENT:

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me this 5 day of March, 2001, by Charles J. Wyly, Jr., Manager of Little Woody, LLC, a Colorado limited liability company, on behalf of said limited liability company.

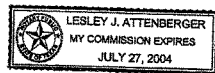


Lesley J. Attenberger
Name: Lesley J. Attenberger
Notary Public - State of Texas
My Commission Expires: July 27, 2004

ORIGINAL BORROWER'S ACKNOWLEDGEMENT:

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me this 5 day of March, 2001, by Charles J. Wyly, Jr., Trustee of The Charles J. Wyly, Jr. Revocable Trust created by instrument dated June 12, 1987, as General Partner of Little Woody, Ltd., a Texas limited partnership, on behalf of said limited partnership.



Lesley J. Attenberger
Name: Lesley J. Attenberger
Notary Public - State of Texas
My Commission Expires: July 27, 2004

4860

TCT/2619734.2/3-1-01

432205 03/08/2001 11:04A ASSUMP A DAVIS SILVI
10 of 10 R 50.00 D 0.00 N 0.00 PITKIN COUNTY CO

LENDER'S ACKNOWLEDGMENT:

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on March _____, 2001, by _____
of Bank of America, N.A., a
national banking association, on behalf of said association.

Name: _____
Notary Public - State of Texas
My Commission Expires: _____

4861

452206 03/08/2001 11:07A CERTIFIC DAVIS SILVI
1 of 3 R 15.00 D 0.00 N 0.00 PITKIN COUNTY CO

MANAGER'S CERTIFICATE

This Manager's Certificate (this "Certificate") is executed by Charles J. Wyly, Jr., Manager of Little Woody, LLC, a Colorado limited liability company (the "Company") for the benefit of Bank of America, N.A., a national banking association ("Lender").

I, Charles J. Wyly, Jr., Manager of the Company, do hereby certify to Lender the following:

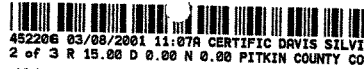
1. The Company is a duly organized Colorado limited liability company and is validly existing under the laws of the State of Colorado. There are no proceedings pending for the forfeiture of the Company's Certificate of Organization or for the Company's dissolution, voluntarily or involuntarily. The Company is duly qualified and in good standing in all other states in which it is doing business and in which it is required to be qualified.

2. The Company has paid when due all franchise and all other taxes required to maintain its existence as a Colorado limited liability company and no such taxes are delinquent. All tax returns required to be filed by the Company in any jurisdiction have been filed and all taxes, assessments, fees, and other governmental charges upon the Company or upon any of its property have been paid prior to the time that such taxes could give rise to a lien on any such property. There is no tax assessment against the Company and there is no basis for any such assessment. There are no actions, suits, or legal, equitable, arbitration, or administrative proceedings pending, or to the best knowledge of the undersigned threatened, against the Company which, if adversely determined, would have a material adverse effect on the validity or enforceability of any obligation of the Company to Lender or the financial condition or business operations of the Corporation or could otherwise impair the ability of the Company to perform its obligations to Lender in connection with the Loan.

3. The Company has the power and authority to conduct its business as it is now conducted and to own all of its property, including without limitation all property, real and personal, described in any deeds of trust and security agreements executed by the Company in connection with the Loan. All documents and agreements executed or to be executed by the Company in connection with the Loan (a) are within its organizational powers, (b) have been duly authorized by all necessary company action, (c) do not contravene its charter, regulations, or any other law or governmental regulation, and (d) do not contravene any contractual restriction binding on or affecting the Company or any of its property. To the best knowledge and belief of the undersigned, all documents and agreements executed or to be executed by the Company in connection with the Loan are, or will be when executed and delivered, legal, valid, and binding obligations of the Company, enforceable against the Company in accordance with their terms (except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles from time to time in effect which generally affect the enforcement of creditors' rights and remedies).

4. The undersigned manager is the keeper of the records and minutes of the proceedings of the managers and members of the Company. There is no provision of the Articles of Organization

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or Regulations of the Company limiting the power of the managers to pass the resolutions set forth below and the same are in conformity with the provisions of such Articles of Organization or Regulations.

5. The following is a true and correct copy of the resolutions adopted either (a) at a meeting of the Company's managers, which meeting was duly called and held in accordance with the law and the Company's Regulations, and at which meeting the managers duly and legally passed and adopted the following resolutions, or (b) by a unanimous consent in writing of all managers, which unanimous written consent was and is in the form required by and in conformity with the Regulations of the Company and the law. The following resolutions have never been modified, rescinded or repealed, and are now in full force and effect:

WHEREAS, the Company desires to acquire the real property described as follows (the "Property"):

Lot 2, SACHS WOODY CREEK EXEMPTION PLAT, according to the Plat recorded September 6, 1983 in Plat Book 15 at Page 70 as Reception No. 255506, County of Pitkin, State of Colorado.

WHEREAS, the consideration for such acquisition being the Company's assumption of an existing loan (the "Loan") in the original principal amount of \$3,900,000.00 from Bank of America, N.A. ("Lender") to Little Woody, Ltd. and which Loan is evidenced by the Adjustable Rate Note dated April 14, 1999, executed by Little Woody, Ltd. and payable to the order of NationsBank, N.A. (the "Note"), which Note is held by Lender successor by merger to NationsBank, N.A., and which Loan is secured by a deed of trust lien and security interests upon and against the Property;

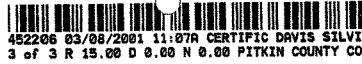
RESOLVED, the Managers have determined that the Company can expect to derive significant benefits, directly or indirectly, from the assumption of the Loan by the Company;

RESOLVED, that the Managers have determined that it is in the Company's best interests for the Company to acquire the Property, to enter in to the borrowing relationship with Lender, and to assume the Loan;

RESOLVED, that the Manager of the Company is hereby authorized and directed to take all actions, including without limitation the making and executing on behalf of the Company of any and all notes, deeds of trust, mortgages, security agreements, assignments, loan assumption agreements, financing statements, loan agreements, and other documents, agreements, certificates, and instruments requested by Lender and deemed appropriate by the Manager in connection with the with the Loan and the assumption thereof;

RESOLVED, that all such instruments which may be executed by the Manager on behalf of the Company, or any other officer authorized by the foregoing resolutions,

TCT/2620265.2/2-28-01



executed in the accomplishment of any action or actions so authorized, be and they shall be considered as being the act of the Company, irrespective of whether or not there is affixed to such instrument the attestation of the Company's Secretary or another manager or the Company's seal;

RESOLVED, that all acts, transactions, and/or agreements undertaken prior to the adoption of these Resolutions by any managers, members, officers or representatives of the Company in its name and for its accounts with Lender in connection with the foregoing matters are hereby ratified, confirmed, and adopted by the Company;

RESOLVED, that the Manager of the Company is hereby authorized and directed to certify these Resolutions to Lender and to deliver such other certifications as may be requested by Lender in connection herewith; and

RESOLVED, that Lender be promptly notified in writing by the Manager or any other officer of the Company of any change in these Resolutions, and until Lender has actually received such notice in writing, Lender is authorized to act in reliance on these Resolutions.

6. The Managers of the Company as set forth below have been duly elected and qualified and as of the date hereof hold the office of Manager with the Company specified below. The signatures set forth beside each such Manager's name is the true signature of such person.

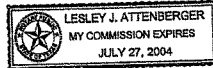
TYPED NAME	SIGNATURE
Charles J. Wyly, Jr.	

7. Attached hereto as Exhibit "A" is a true and correct copy of the Company's Articles of Organization. Attached hereto as Exhibit "B" is a true and correct copy of the Company's Regulations.

EXECUTED this 5 day of March, 2001, by Charles J. Wyly, Jr., Manager of the Company.

Charles J. Wyly, Jr., Manager

SUBSCRIBED TO AND SWORN before me, the undersigned authority, this 5 day of March, 2001, by Charles J. Wyly, Jr.



Notary Public - State of Texas
Lesley J. Attenberger

MANAGER'S CERTIFICATE

Page 3

Little Woody, LLC


Bank of America

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201



Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosures 0 50
Statement Period 0004924
03/01/01 through 03/31/01

00002856 1 AV 0.253 12 31099 001 SCH999 I 3
LITTLE WOODY MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 2

Business Economy Checking
Account Summary Information

Statement Period	03/01/01 through 03/31/01	Statement Beginning Balance	0.00
Number of Deposits/Credits	3	Amount of Deposits/Credits	4,591,836.00
Number of Withdrawals/Debits	3	Amount of Withdrawals/Debits	4,500,012.00
Number of Deposited Items	0	Statement Ending Balance	91,824.00
Number of Enclosures	0	Average Ledger Balance	88,861.93
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date	Amount	Description	Bank Reference
03/02	4,500,000.00	Wire Type:Fed IN Date:010302 Time:0907 Fed Ref:001926 Seq:010302003523 Orig:Little Woody Creek Pmt Det:Little Woody Manag Emment Trust Ac [REDACTED] Chi=b O Little Woody C Reek Road Limited Intna Sending Bank:Citibank Na	904003029003523
03/02	45,918.00	Funds Transfer Credit Fdes Ntx 0001145 NBKA6Y3	945003021450071
03/02	45,918.00	Funds Transfer Credit Fdes Ntx 0001145 NBKA6Y3	945003021450083

Withdrawals and Debits

Date	Amount	Description	Bank Reference
03/02	4,500,000.00	Funds Transfer Debit Fdes Ntx 0001145 NBKA6Y3	945003021450066
03/02	10.00	Wire Transfer Fee	904003020003339
03/02	2.00	Wire Transfer Fee	904003020003340

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1137

CONFIDENTIAL
SECT00013492
PSI00025359

— = Redacted by the Permanent
Subcommittee on Investigations

Bank of America	ADVICE OF DEBIT	REFERENCE #
FSC11001		
AMOUNT: \$ 4,500,000.00	DATE: 03/02/01	
ACCOUNT NUMBER: [REDACTED]		
FUNDS TRANSFER DEBIT		
PREPARED BY:		
CO NO: 0099 DEPT NO: 0001145		
THIS IS YOUR ONLY COPY. PLEASE RETAIN THIS INFORMATION FOR USE IN RECONCILING YOUR ACCOUNT.		

REFERENCE NO.	MEDIA	MSG	DATE	TIME	ACCOUNT NO.	DR/CR	AMOUNT
01926	FW	003523	03/02/01	09:07	[REDACTED]	CREDIT	\$4,500,000.00

CITIBANK NA /ORG=LITTLE WOODY CREEK ROAD LTD PO BOX 175 12-14 FINCH ROAD,D
BK AMERICA TX /CTR/INS=BANK OF BERMUDA (ISLE OF MAN) LTD ATTN OLIVER WEBSTER
13 13 HILL ST., DOUGLAS IN 99 1PW ISLE OF MAN, BRITISH ISLES /AC-[REDACTED] BNF=L
LITTLE WOODY
MANAGEMENT TRUST /AC-[REDACTED] OBI=B/O LITTLE WOODY CREEK ROAD LIMITED INIT

LITTLE WOODY MANAGEMENT TRUST
300 CRESCENT CT STE 1000
DALLAS, TX 75201-7852



P.O. Box 82000-7154, Dallas Texas 75283

WIRE TRANSFER ADVICE

IF ASSISTANCE ON THIS TRANSACTION IS NEEDED, PLEASE CONTACT OUR RESEARCH DEPARTMENT AT 1-800-377-8473.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1137

CONFIDENTIAL
SEC100013501
PS100025368

4866

March 2, 2001

— = Redacted by the Permanent
Subcommittee on Investigations

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, Texas 75202

Dear Marta:

Please wire funds as follows:

Amount: \$4,500,000.00

From: Little Woody Management Trust
[REDACTED]


To: Little Woody, LLC
[REDACTED]

Reference #: 0103 23

Please call me at 214/8[REDACTED] if you have any questions.

Sincerely,


Keeley Hennington


Jada Frederick

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1137

CONFIDENTIAL
SEC100025442
PS100037309

— = Redacted by the Permanent
Subcommittee on Investigations

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O O C Enclosures 0 00
Statement Period 02/24/01
03/01/01 through 03/31/01

02099 001 SCH999 1 3 0
LITTLE WOODY, LLC
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 2

Business Economy Checking

Account Summary Information

Statement Period	03/01/01 through 03/31/01	Statement Beginning Balance	0.00
Number of Deposits/Credits	1	Amount of Deposits/Credits	4,500,000.00
Number of Withdrawals/Debits	7	Amount of Withdrawals/Debits	4,307,236.83
Number of Deposited Items	0	Statement Ending Balance	192,763.17
Number of Enclosures	0	Average Ledger Balance	736,201.41
Number of Days in Cycle	31	Service Charge	0.00

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
03/02	4,500,000.00	Funds Transfer Credit Fdes Ntx 0001145 NBKA6Y3	945003021450057

Withdrawals and Debits

Date Posted	Amount	Description	Bank Reference
03/05	3,650,823.83	Wire Type:Fed Out Date:010305 Time:1613 Fed Ref:003091 Seq:010305018438 BnFStewart Title Of App Pmt Det:Stewart Title Of Aspen A [REDACTED] Rdb- Buf Bk:Alpine Glenwood S P	904003069018493
03/05	35.00	Wire Transfer Fee	904003060017015
03/05	2.00	Wire Transfer Fee	904003060017015
03/14	646,399.00	Funds Transfer Debit Fdes Ntx 0001145 NBKOVW8	945003141450380

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1137

Confidential Treatment Requested

BA PSI-W 004464

4868

Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosures: 50
Statement Period: 03/01/01 through 03/31/01

02099 001 SCH999 1 3 0
LITTLE WOODY LTD
300 CRESCENT CT STE 1000
DALLAS TX 75201-7852

Customer Service:
Bank of America, N.A.
P.O. Box 798
Wichita, KS 67201
Toll Free 1.888.BUSINESS(1.888.287.4637)

Page 1 of 3

Simple Analysis Business Checking

Account Summary Information

Statement Period	03/01/01 through 03/31/01	Statement Beginning Balance	47,283.76
Number of Deposits/Credits	2	Amount of Deposits/Credits	4,289,566.88
Number of Withdrawals/Debits	9	Amount of Withdrawals/Debits	3,812,109.77
		Statement Ending Balance	624,740.82
Number of Enclosures	7	Average Ledger Balance	818,804.03
Number of Days in Cycle	31	Service Charge	6.17

Deposits and Credits

Date Posted	Amount	Description	Bank Reference
03/09	3,643,327.88	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945003091450126
03/14	646,339.00	Funds Transfer Credit Fdes Ntx 0001145 NBKOVW8	945003141450081

Withdrawals and Debits

Check Number	Amount	Date Posted	Bank Reference	Check Number	Amount	Date Posted	Bank Reference
1512	19,578.81	03/13	8130009130306750	1516	119.00	03/21	8130008230096239
1513	6.00	03/21	8130009230009566	1517	139.14	03/22	8130009230221028
1514	121.00	03/29	8130008230803416	1518	398.56	03/28	8130008730180218
1515	1,229.50	03/20	8130009230372396				

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1138

Confidential Treatment Requested

BA 150424

4869

Bank of America, N.A.
P.O. Box 788
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E 0 0 C Enclosures 7 50
Statement Period 03/01/01 through 03/31/01 03/01/200

LITTLE WOODY LTD

[REDACTED] = Redacted by the Permanent
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Page 2 of 3

Simple Analysis Business Checking

Withdrawals and Debits - Continued

Other Debits

Date Posted	Amount	Description	Bank Reference
03/13	3,690,511.59	Wire Type:Fed Out Date:010313 Time:1537 Fed Ref:002462 Seq:010313015489 Bnf:National Financial S Pmt Det:National Financia L Services [REDACTED] 221 Bnf Bk:Chase Nyc	904003139015489
03/22	100,000.00	Funds Transfer Debit Fdes Nix 0001145 NIBKASY3	945003221450093
03/30	6.17	Overdraft Interest Charge	

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
02/01	47,283.76	03/20	625,530.69	03/29	524,746.99
03/05	3,690,511.59	03/21	625,405.89	03/30	524,740.82
03/13	19,578.81	03/22	525,266.55		
03/14	626,760.19	03/28	524,867.99		

Your Investment Representative

Account number
SS #

LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER
2200 ROSS AVE 2500
DALLAS TX 75201
214-720-5400
Client Service Center: 1-800-8-LEHMAN

LEHMAN BROTHERS INC.
TEXAS COMMERCE TOWER
2200 ROSS AVE 2500
DALLAS TX 75201
214-720-5400
Client Service Center: 1-800-8-LEHMAN

Account value

	Last period	This period
Cash balance	\$ 510.41	\$ 0.00
Stocks	2,072,862.00*	\$3,892.00*
Margin account balance	-131,927.36	-15,259.92
Net value	\$ 1,448,934.05	\$ 1,876,632.08

*Does not include unpriced securities

Bulletin board

The Lehman Brothers Selected Growth Stock Portfolio is a professionally managed fund that invests in U.S. companies with above-average, long-term capital appreciation. The Fund invests primarily in stocks of small and medium-sized companies. For performance information, a fund brochure and copy of the current prospectus, please contact your Investment Representative.

Find out what Lehman Brothers' top analysts and portfolio strategists think about the tone and direction of the capital markets in the Spring issue of *Portfolio Advisor*. The current issue offers insight into where investors can find value in today's complex global marketplace, what our expectations are for interest rates and the bond market and why investors should be looking for opportunities in the equity market. *Portfolio Advisor* is presented to you in this month's statement. For additional information, please contact your Investment Representative.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1138

CONFIDENTIAL
SEC100012500
PCT00024367

Investment Advisory Agreement, the Adviser receives an annual fee computed daily and paid monthly based at an annual rate equal to 0.40% of the Fund's average daily net assets. The Adviser may, from time to time, voluntarily waive all or a portion of its fees payable under the Advisory Agreement.

The Adviser, a wholly-owned subsidiary of The Chase Manhattan Corporation, a registered bank holding company, is a commercial bank offering a wide range of banking and investment services to customers throughout the United States and around the world. Its headquarters are at One Chase Manhattan Plaza, New York, NY 10081. As of June 30, 1992, it was one of the largest commercial banks in the United States, with assets of \$75.3 billion, loans of \$47.5 billion and deposits of \$56.7 billion. At June 30, 1992, The Chase Manhattan Corporation was one of the largest bank holding companies in the United States, having total assets of approximately \$97.4 billion. As of December 31, 1991, The Chase Manhattan Corporation through various subsidiaries provided personal, corporate and institutional investment management services for approximately \$22.3 billion in assets, of which the Adviser provided investment management services to portfolios containing approximately \$14.9 billion in assets. The Adviser, including its predecessor organizations, has over 100 years of money management experience and renders investment advisory services to others. Also included among the Adviser's accounts are commingled trust funds and a broad spectrum of individual trust and investment management portfolios. These accounts have varying investment objectives.

Certain Relationships and Activities. The Adviser and its affiliates may have deposit, loan and other commercial banking relationships with the issuers of securities purchased on behalf of the Fund, including outstanding loans to such issuers which may be repaid in whole or in part with the proceeds of securities so purchased. The Adviser and its affiliates deal, trade and invest for their own accounts in U.S. Government obligations, municipal obligations and commercial paper and are among the leading dealers of various types of U.S. Government obligations and municipal obligations. The Adviser and its affiliates may sell U.S. Government obligations and municipal obligations to, and purchase them from, other investment companies sponsored by the Distributor or affiliates of the Distributor. The Adviser will not invest the Fund's assets in any U.S. Government obligations, municipal obligations or commercial paper purchased from itself or any affiliate, although under certain circumstances such securities may be purchased from other members of an underwriting syndicate in which the Adviser or an affiliate is a non-principal member. This restriction may limit the amount or type of U.S. Government obligations, municipal obligations or commercial paper available to be purchased by the Fund. The Adviser has informed the Fund that in making its investment decisions, it does not obtain or use material inside information in the possession of any other division or department of the Adviser, including the division that performs services for the Fund as Custodian, or in the possession of any affiliate of the Adviser. Shareholders of the Fund are notified that Chase and its affiliates may exchange among themselves certain information about the shareholder and his account.

The Administrator

Pursuant to an Administration Agreement, dated as of January 1, 1989 (the "Administration Agreement"), Chase Lincoln First Bank, N.A. serves as administrator of the Fund. The Administrator provides certain administrative services, including, among other responsibilities, coordinating relationships with independent contractors and agents; preparing for signature by officers and filing of certain documents required for compliance with applicable laws and regulations excluding those of the securities laws of the various states; preparing financial statements; arranging for the maintenance of books and records; and providing office facilities necessary to carry out the duties thereunder. The Administrator receives from the Fund a fee computed daily and paid monthly at an annual rate equal to 0.10% of the Fund's average daily net assets. The Administrator may, from time to time, voluntarily waive all or a

4872

Bank of America, N.A.
P.O. Box 788
Wichita, KS 67201

H
Account Reference Information
Account Number: [REDACTED]
Tax ID Number: [REDACTED]
E O C Enclosure 2 50
Statement Period 04/01/01 through 04/30/01 04/07/06

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

LITTLE WOODY LTD

Page 2 of 3

Simple Analysis Business Checking

Withdrawals and Debits - Continued

Other Debits

Date Posted	Amount	Description	Bank Reference
04/17	965,250.00	Funds Transfer Debit	945004171450007
		Fdes Ntx 0001145 NBKA6Y3	
04/17	965,250.00	Funds Transfer Debit	945004171450009
		Fdes Ntx 0001145 NBKA6Y3	
04/17	965,250.00	Funds Transfer Debit	945004171450047
		Fdes Ntx 0001145 NBKA6Y3	
04/17	865,250.00	Funds Transfer Debit	945004171450045
		Fdes Ntx 0001145 NBKA6Y3	
04/17	429,000.00	Funds Transfer Debit	945004171450003
		Fdes Ntx 0001145 NBKA6Y3	

Daily Ledger Balances

Date	Balance	Date	Balance	Date	Balance
04/01	524,740.82	04/16	4,167,761.14	04/27	2,390.35
04/02	525,261.94	04/17	2,761.14		

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1139

Confidential Treatment Requested

RA 15042

4873

March 22, 2001

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Subcommittee on Investigations

Marta Engram
Bank of America
901 Main Street, 19th Floor
Dallas, Texas 75202

Dear Marta:

Please wire funds as follows:

Amount: \$100,000.00

From: Little Woody, Ltd. *AP*

To: Martha Wyly Trust *AP*

Reference #: 0103 *121*

Please call me at 214/8[REDACTED] if you have any questions.

Sincerely,

Keeley Hennington
Keeley Hennington

Jana Frederick
Jana Frederick

300 CRESCENT COURT, SUITE 1000 • DALLAS, TEXAS 75201-7852

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1139

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SEC100013496
PS100025363

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, August 14, 2001 9:03 AM
To: Lara Haskins [REDACTED]
Subject: RE: Two Mile
Attachments: Doc Link.htm

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

----- Forwarded by Keeley Hennington/htst on 08/14/01 10:10 AM -----

Andrea Westbrook
 08/14/01 09:54 AM

To: Keeley Hennington/[REDACTED], irishtst [REDACTED]
 cc:
 Subject: RE: Two Mile

Below are the wiring instructions for Sport Horses and Little Woody Mgmt Trust:

Bank of America
 ABA# 111000025
 Acct Name: Stargate Horse Properties, Inc.
 Acct No.: [REDACTED]

Bank of America
 ABA# 111000025
 Acct Name: Little Woody Management Trust Acct No.: [REDACTED]

Keeley Hennington
 08/14/01 09:45 AM

To: Andrea Westbrook/[REDACTED]
 cc:
 Subject: RE: Two Mile

Can you please get these to Lara - Thanks

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

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PSI ED00006355

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----- Forwarded by Keeley Hennington/htst on 08/14/01 09:51 AM -----

Lara Haskins <lhaskins@ [REDACTED]>
08/14/01 09:41 AM
To: khennington [REDACTED]
cc:
Subject: RE: Two Mile

Also, can you confirm the wiring instructions for Sport Horses and Little Woody Management Trust.

Thanks
Lara

-----Original Message-----
From: khennington@ [REDACTED]
Sent: Tuesday, August 14, 2001 9:21 AM
To: Lara Haskins
Cc: mboucher [REDACTED]; jfrederick [REDACTED]
Subject: RE: Two Mile

Lara - The \$200,000 is for Little Woody. You should be getting an e-mail from Jana this morning on cash needs for Two Mile. FYI - Jana has taken over the accounting for Two Mile Ranch and Cottonwood from Rena so future e-mails will come from her. I believe the cash needs for Two Mile are \$1,000,000. Sorry for all the requests - they all just seem to be hitting at the same time.

Keeley

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Lara Haskins
<lhaskins@ [REDACTED]>

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SEC_ED00006356

PSI ED00006356

4876

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Subcommittee on Investigations

[REDACTED]
cc:

Subject: RE: Two Mile

08/14/01

09:13 AM

Keeley,

Are you meaning Two Mile Ranch rather than Little Woody Limited? I spoke to Michelle B this morning and will be recommending the movement of funds but before I do I just wanted to clarify this. I will also be recommending the Sport Horses money be sent. I hope you will get this tomorrow.

Thanks
Lara

-----Original Message-----

From: Khennington [REDACTED]
Sent: Friday, August 10, 2001 2:39 PM
To: Lara Haskins
Cc: mboucher@ [REDACTED], awestbrook [REDACTED]
Subject: Two Mile

Lara -

We need \$200,000 deposited into the Little Woody Mangement Trust account by Little Woody Limited. Can you take care of this for us?

Thanks
Keeley

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

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SEC_ED00006357

DOI ED00006357

4877

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From: Keeley Hennington
Sent: Thursday, August 16, 2001 8:17 AM
To: Andrea Westbrook
Subject: Little Woody Management Trust

FYI

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----- Forwarded by Keeley Hennington/htst on 08/16/01 09:24 AM -----

Lara Haskins <lhaskins@ [REDACTED]>
08/16/01 08:55 AM

To: khennington@ [REDACTED]
cc:
Subject: Little Woody Management Trust

Keeley,

I received confirmation today that the funding of \$200K for the above Management Trust has been instructed as of today. Again, there are some internal transfers that are to be effected prior to funds being wired, so I expect you should be in receipt of funds tomorrow.

Thanks
Lara

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

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SEC_ED00006367

PSI_ED00006367

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From: Andrea Westbrook
Sent: Monday, February 11, 2002 10:22 AM
To: "Michelle Boucher" [REDACTED]
Subject: Re: Little Woody Mgmt

That would be great.

"Michelle Boucher" <[REDACTED]>
02/11/02 01:19 PM
To: <awestbrook@[REDACTED]>
cc:
Subject: Re: Little Woody Mgmt

This is fine, would you like me to send another \$200K?
Michelle
----- Original Message -----
From: <awestbrook@[REDACTED]>
To: <mboucher@[REDACTED]>
Cc: <khennington@[REDACTED]>
Sent: Monday, February 11, 2002 12:00 PM
Subject: Little Woody Mgmt

> I am in need of funding for Little Woody Mgmt Trust. I have property
taxes
> due at the end of February of approx. \$17k. The last contribution was
> in Aug '01 in the amount of \$200k. It carried us through almost 7 months.
> Please advise on the availability of funds.
>
> Thanks! Andrea
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

Confidential
SEC_ED00004611

PSI_ED00004611

4879

From: Keeley Hennington
Sent: Monday, July 15, 2002 3:27 PM
To: MBoucher@ [REDACTED]; Margot MacInnis [REDACTED]
Subject: FDV and LWLLC

Based on the last e-mail on 5/29 Charles approved \$210,000 per month for Transfinity and \$200,000 per month for Seranin. We need to fund the following for rest of July - \$110,000 Transfinity, \$100,000 Seranin. So, depending on how cash looks - you can either send just the \$210,000 or \$620,000 to take us through August 31st. Michelle - you may want to send just the \$210,000 now since it is more immediate and wait to have another discussion with Donnie and Charles on the remaining funding and then you could fund a couple of months. All the Elegant related items have been paid
- peaceful disposition and loan payoff so these should be the only items going forward.

Little Woody is to cover mortgage, operating etc till year end

Let me know what it is looking like on funding and timing - thanks

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----- Forwarded by Keeley Hennington/htst on 07/15/02 04:23 PM -----

Andrea Westbrook
07/15/02 03:12 PM

To: Keeley Hennington, [REDACTED]
cc:
Subject: FDV and LWLLC

I need to get funding for both of the listed entities. I need approximately \$410,000 transferred to FDV. \$200k is for Seranin and \$210k for Transfinity. I believe these were ok'd, but I think that Michelle is out of the office still and I am not sure who to forward this on to.

As for LWLLC, I need probably about \$300,000. That should get me through the end of the year. The last transfer I have to LWLLC was in February in the amount of \$200,000. Please advise on who I need to forward the questions

Thanks!
Andrea

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

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SEC_ED00010261

PSI_ED00010261

4880

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From: Andrea Westbrook
Sent: Thursday, February 27, 2003 12:12 PM
To: Keeley Hennington
Subject: Re: Funding for Little Woody Mgmt

I am overdrawn and need to cover. Can Jennifer loan them money in the mean time?

Keeley Hennington
02/27/2003 02:10 PM

To: Andrea Westbrook
cc:
Subject: Funding for Little Woody Mgmt

Michelle is out until Monday so I would not expect to hear anything until next week - is that going to be a problem?

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----- Forwarded by Keeley Hennington/htst on 02/27/03 02:10 PM -----

Andrea Westbrook
02/27/03 02:00 PM

To: mboucher@ [REDACTED]
cc: Keeley Hennington/htst [REDACTED]
Subject: Funding for Little Woody Mgmt

This email is to request \$250,000 in additional funding for Little Woody Mgmt. The last transfer was in July 2002 for \$250,000. Please advise when transfer is complete.

Thank you!
Andrea

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1140

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SEC_ED00005247

PSI_ED00005247

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From: Andrea Westbrook
Sent: Monday, September 08, 2003 12:31 PM
To: "Michelle Boucher" [REDACTED]
Subject: Re: Funding for Little Woody

That should work. Thank you!
Andrea

"Michelle Boucher" <[REDACTED]>
09/08/2003 01:41 PM

Please respond to
"Michelle Boucher" [REDACTED]

To
<awestbrook@[REDACTED]>
cc
<khennington@[REDACTED]>
Subject
Re: Funding for Little Woody

Hopefully will have money to you by Thursday.
Michelle
----- Original Message -----
From: <awestbrook@[REDACTED]>
To: <mboucher@[REDACTED]>
Cc: <khennington@[REDACTED]>
Sent: Monday, September 08, 2003 11:31 AM
Subject: Funding for Little Woody

>
>
>
>
> Hello! I am in need of funding for Little Woody, LLC. The last
> transfer we got was in March for \$250,000. If we could get that
> amount again, that should take us into 2004.
>
> Thanks!
> Andrea
>

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

Confidential
SEC_ED00005974

PSI_ED00005974

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Subcommittee on Investigations

From: Andrea Westbrook
Sent: Tuesday, March 02, 2004 8:29 AM
To: mboucher@
Cc: Keeley Hennington
Subject: Funding for Little Woody, LLC

I am in need of funding for Little Woody. The last funding was \$250,000 in Sept. 2003.
 If we could get another \$250,000 at your earliest convenience, I would greatly appreciate
 it.

Thanks!

Andrea

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

Confidential
 SEC_ED00006373

PSI_ED00006373

4883

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Subcommittee on Investigations

From: Andrea Westbrook
Sent: Tuesday, April 26, 2005 7:53:00 AM
To: 'Michelle Boucher'
CC: Keeley Hennington
Subject: RE: Little Woody

If you could do \$200,000 that should last me 4-5 months.

From: Michelle Boucher [REDACTED]
Sent: Tuesday, April 26, 2005 4:48 PM
To: Andrea Westbrook
Cc: Keeley Hennington
Subject: RE: Little Woody

How much?

From: Andrea Westbrook [REDACTED]
Sent: Tuesday, April 26, 2005 4:18 PM
To: Michelle Boucher
Cc: Keeley Hennington
Subject: Little Woody

Hello! I am in need of funding for Little Woody. Please let me know when you will be able to make the transfer. If you have any questions, please give me a holler.

Thanks!

Andrea

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1140

Confidential
SEC_ED00003251

4884

SOTHEBY'S
1334 YORK AVENUE
NEW YORK 10021
USA

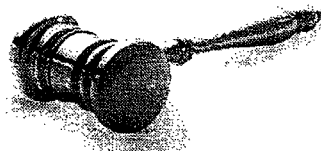
SOTHEBY'S
Founded 1744

Page 1
Date: 06 December, 1999

Invoice

Audobon Assets
Attn Ken Jones
c/o IFG International
CASTLE HILL ROAD ,VICTORIA DOUGLAS
Isle of Man IM2 4RB
UNITED KINGDOM
Account Number: [REDACTED]
Invoice Number: 90261717

Sale: American Paintings
Sale Date: 01 December, 1999
Sale Number: N07397



[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

Currency: USD

Lot No.	Description	Purchase Price
0080	Thomas Hart Benton (1889-1975) ROASTING EARS	893,500.00
0120	David Martin (1737-1798) PORTRAIT OF BENJAMIN FRANKLIN	937,500.00
Total Due		1,831,000.00

No Sales tax has been calculated based on delivery to you at the following address:

Audobon Assets
c/o IFG International
VICTORIA DOUGLAS
Isle of Man
IM2 4RB
UNITED KINGDOM

If you plan to ship your purchase please complete and return the enclosed shipping form.

All of the above property is sold to and purchased by the above invoiced party as purchaser in accordance with the Conditions of Sale and Terms of Guarantee, if any, printed in the catalogue for the sale. The invoiced amount includes the Buyer's Premium in effect on the date of sale, which is added to the hammer price for each lot as part of the total purchase price.

Auctioneer(s) conducting sale and License # : Diana D. Brooks 0920576
Bradford Bentoff 0977002

To ensure proper credit please return this slip with your remittance.

Invoice Number: 90261717 Client: Audobon Assets
Total Due Immediately: 1,831,000.00 USD Account Number: [REDACTED]

If you wish to send payment by wire transfer please direct funds to The Chase Manhattan Bank, 55 Water Street, New York, NY 10041. Sotheby's Inc, Account Number [REDACTED] (ABA Routing Number 021-000021) and include as a reference your Client Account Number and Sale and lot numbers.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1143

SENATE00135

4885

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	<u>Purchased From / Date</u>	<u>Purchase Price</u>	<u>Current Appraisal</u>
MARTIN, David (British, 1737 - 1798) <i>Portrait of Benjamin Franklin</i> Oil on canvas 50 x 40 inches Signed lower right: D. Martin and dated 1772	Sotheby's NY 12/1/99	\$937,000.00	\$1,250,000.00
PEALE, Rembrandt (American, 1778-1860) <i>George and Martha Washington</i> A Pair of "Porthole" portraits, ca. 1859 both signed "Rembrandt Peale" lower left Oil on canvas, laid down on panel each, 36 x 29 1/4 inches	Hammer Galleries 2/2/01	\$550,000.00	\$750,000.00
ROCKWELL, Norman (American, 1894-1978) <i>Easter (Soldier Watering Tulip)</i> , 1918 Oil on canvas 27 x 24 inches Signed lower right: Norman Rockwell	Hammer Galleries 2/2/01	\$275,000.00	\$350,000.00
STUART, Gilbert (American, 1755-1829) <i>Portrait of George Washington</i> (Athenaeum version) Oil on canvas 29 x 24 inches	Hammer Galleries 1/15/00	\$750,000.00	\$2,000,000.00
STORY, William Wetmore (American, 1819-1895) <i>Dalilah</i> , 1867 White marble 74 inches C26732-001	Hammer Galleries 9/23/00	\$335,000.00	\$425,000.00


3

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HG0213

4886

12/10/99 FRI 13:48 FAX 10/12 '99 FRI 11:36 FAX 44 1824 637822		BANK OF BERMUDA (I.O.N.)		001	
<i>To: Susan Barrett</i> <i>From: Bern Alexander</i> Facsimile		 Bank of Bermuda Bank of Bermuda (Isle of Man) Limited 12/13 Hill Street, Douglas, Isle of Man IM99 1BW, British Isles Telephone (64) 1 624-637743 Facsimile (44) 1 624-637822 SWIFT Address BBDAIMD2 www.bankofbermuda.com		<i>KS</i> <i>11.34</i> <i>10/12/99</i>	
To: Ken Jones From: Charlotte Holby Facsimile 624469 Number Date 10 th December 1999 No. of pages 3 (incl. cover) Subject: Payment Confirmation					
Dear Ken, Please be advised of the following as requested		<div style="border: 1px solid black; padding: 2px;">Redacted by the Permanent Subcommittee on Investigations</div>			
<p>X</p> <p>1:100 2:20:59121001115 3:59:121001115 4:538:138922287 5:7A:CHASUS33 6:70:1RFB/ 7:CLIENT:ALUCORDA ASSET LTD A/C NO 8:INV NO 80261717 SALE NO 9:LOT9 LOT9 NUMBERED 8888 & 8128 10:71A:OUR 11:72:1ACC/1BBK/55 WATER STREET</p>					
Should you require any further information please do not hesitate to contact me on 01624- Kind Regards Charlotte Holby <i>Charlotte</i>					
The information contained in this facsimile message is private and confidential. Please note that any unauthorized dissemination, reproduction or copying of this facsimile message or any part thereof is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender named on this cover sheet immediately either by telephone or facsimile at the number given above so that arrangements can be made for the return of the original message at our cost. Thank you for your assistance.					
DEC 10 1999 14:57		<div style="border: 1px solid black; padding: 2px;">Permanent Subcommittee on Investigations EXHIBIT #66 - FN 1143</div>		SENATE00150 PAGE.01	

4887

DEC 06 1999 10:33 FR CLIENT ACCOUNTING 212 606 7355 TO 912148884862 P. 01/01
 1334 York Avenue
 New York, New York 10021
 (212) 606-7000

Account Name and Number: [Redacted] Sale and lot number(s) of items to be shipped: No 7397 Lots 0080, 0120

IMPORTANT: Please complete and sign either PART 1 or PART 2 of this form.

PART 1 Shipper: [Redacted] Date: [Redacted]
 Purchaser Signature: [Redacted]

Ship to/Name and Address: Cheryl Wilky
% Bob Wittek
210 S. West End
Aspen, Colorado 81612
 Business Phone No. (970) 920-7919 Fax No. [Redacted]
 Home Phone No. (970) 920-7919

Sotheby's regrets it cannot accept your instructions by telephone. Packing, shipping and insurance costs are collected on delivery (C.O.D.) by the shipper for their services rendered. Watches, coins, stamps and jewelry will be packed on the premises by Sotheby's personnel. Shipping and insurance costs for these items must be prepaid by the purchaser.

IN-TRANSIT INSURANCE
☐ I would like the shipper to insure the lots listed above while in transit for the total purchase price of each such lot.
☒ I do not want to insure the lots listed above while in transit through Sotheby's or the shipper and assume any and all responsibility for my purchases, regardless of the cause of loss or damage as stated in the Conditions of Sale.

CHECK DESIRED CARRIER.
 The shipper reserves the right to amend shipping instructions in order to comply with carrier or insurance requirements. If instructions are amended, the shipper will notify you.
☐ Registered Mail (Jewelry, Watches, Coins, Stamps)
☒ Air Freight
☒ Truck
☐ Brink's (Business Address Only)
Fed Ex
☐ Priority (Domestic)
☐ Overnight (Domestic)
☐ Economy (2-Day Domestic)
☐ International

The purchaser is responsible for all importation charges to the country of destination. Please allow 4-6 weeks for delivery.

CHECK DESIRED PACKING. Certain lots, including fragile items, must be crated to meet the shipper's insurance requirements:
☒ Crate ☐ Softpack ☐ Do not remove prints from frames. (Note: Glass will be taped) ☐ Please remove prints from frames. (Note: Frames will be discarded).

I understand that I will be responsible for all expenses (including insurance policy exclusions on the reverse side).

Purchaser Signature: Cheryl Wilky Date: 12-6-99
 I do not want my shipment held outside by signing below. I agree to bill my Visa or MasterCard.

Card Name: Trish Trust Co. 2006
Michelle Boucher Amex

Please return to Sotheby's by Mail or Fax (212) 606-7043 For information and estimates on shipping costs, please contact the Art Transport Department at (212) 606-7311

0710 298 ORIGINAL

SENATE00138
 ** TOTAL PAGE 01 **

DEC 06 '99 12:18 PAGE 01

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1143

4888

Marguerite Theresa Green and Associates, Inc. **Invoice**

Invoice Number:
21803

Invoice Date:
2/3/97

Page:
1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer IDS00000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		2/3/97

Description	Amount
MR. WYLY'S BEDROOM French Bronze Chandelier with 18 Lights, not wired. (\$10800.00 x 20%) (MARVIN ALEXANDER)	12,960.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

____ Signature for Acceptance

Date: _____

	Subtotal	12,960.00
	Sales Tax	1,069.20
	Total Invoice Amount	14,029.20
Check No:	Payment Received	0.00
	TOTAL	14,029.20

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1144

CONFIDENTIAL
SEC100066695
PS100078562

4889

Marguerite Theresa Green and Associates, Inc. **Invoice**

Invoice Number:
21784

Invoice Date:
1/31/97

Page:
1

Voice:
Fax:

Sold To:
Soulieana Limited
c/o Lorne House Trust Limited
Castletown, Isle of Man
British Isles

Customer IDSOU000

Customer PO	Payment Terms	Sales Rep ID	Due Date
	Prepaid		1/31/97
Description			Amount
George I Walnut and Walnut Veneered Bureau Cabinet, C.1725. (\$135,000.00 x 20%) (HYDE PARK ANT)			162,000.00

PLEASE NOTE: The above items do not include sales tax, cartage, freight, crating, uncrating, storage, receiving, make-ready, delivery, or installation. All prices and orders are subject to confirmation by manufacturer or workroom. Your signature and payment of deposit shown below indicate your acceptance of this NON-CANCELLABLE CUSTOM ORDER. Balance Due is due and payable upon receipt of goods by Marguerite Theresa Green and Associates, Inc. from manufacturer or workroom. Warranty of manufacturer or workroom is only warranty offered. Cost of any freight and delivery damage and/or repair is responsibility of Client. The price quoted in this proposal is valid for ten (10) days. Thank you!

Signature for Acceptance

Date: _____

	Subtotal	162,000.00
	Sales Tax	13,365.00
	Total Invoice Amount	175,365.00
Check No:	Payment Received	0.00
	TOTAL	175,365.00

4445 Travis St • Shop 101 • Dallas, Texas 75205 • (214) 528-0400

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1145

CONFIDENTIAL
SEC100066701
PSI00078568

4890

INVOICE
Client

000295

CHRISTIE'S

Mr Sam E Wyly
Maverick Capital
300 Crescent Court
Suite 1000
Dallas TX 75205

INVOICE #: J063027
I.D.#: 566253
BIDDER #: 50
DUE DATE: APR 3 02

INVOICE DATE: MAR 27 02
TEL. 214 520 9835

SALE: 1032 Rock 27MAR02 FORBES I
Forbes Collection of American Historical Documents
MR F. WAHLGREN 868229

LOT NUMBER	PURCHASE PRICE LOT DESCRIPTION	TAX RATE	SALES/USE TAX
90	22325.00 Lincoln, A. DS, 3 Jul 1863		
95	721000.00 Lincoln, A. DS, resolution for Amendment 13		
108	21150.00 Johnson, A. ALS, 15 May 1851		
141	30550.00 Roosevelt, T. TLS, 5 Sep 1916		

The purchase of the property identified on this invoice is subject to the Conditions of Sale and Limited Warranty set forth in the front of the auction catalogue for the above-referenced sale.

The purchase price is the sum of the final bid price plus a premium payable by the buyer of 19.5% of the final bid price up to and including \$100,000 and 10% of the final bid price above \$100,000, for each lot, as set forth in the Conditions of Sale.

Lots remaining on Christie's premises for more than seven calendar days after the sale will incur storage charges. Buyers may incur a late charge of 1.34% per month on the total purchase price if the buyer does not make payment in full in accordance with the Conditions of Sale.

Title to property identified on this invoice shall not pass to the buyer until Christie's has collected payment in full from the buyer.

Sales/Use Tax:
If a buyer takes delivery in any of the following states, Christie's must collect any applicable state or local sales or use tax before property is shipped: California, Connecticut, Florida, Illinois, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Texas or Washington D.C.

Failure to pay appropriate tax may affect delivery of your merchandise. Please call 212/636-2495 for assistance.

The description of any property identified on this invoice is made with reference to the catalogue entry, the glossary, if any, which appears in the front of the auction catalogue and any addendum or other statement announcement issued in connection with this auction.

Continued on page 3

PSI-CHRIST 00295

Christie's 20 Rockefeller

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1146

636 2495 Fax. (212) 636 4939

INVOICE
Client

CHRISTIE'S

INVOICE #: J063027
I.D.#: 566253
BIDDER #: 50
DUE DATE: APR 3 02

INVOICE DATE: MAR 27 02
TEL. 214 520 9835

SALE: 1032 Rock 27MAR02 FORBES I
Forbes Collection of American Historical Documents
MR F. WAHLGREN 868229

LOT NUMBER	PURCHASE PRICE LOT DESCRIPTION	TAX RATE	SALES/USE TAX
162	41125.00 Roosevelt, F.D. Broadside, signed by FDR & Churchill		
175	16450.00 Truman, H. Photo signed and inscr. Nov 1948		
190	29375.00 Nixon, R. Pen and ink cartoon. inscr. 1950		
	1186925.00	+	

description of any property identified on this
 ce is made with reference to the catalogue entry.

The purchase of the property identified on this invoice is subject to the Conditions of Sale and Limited Warranty set forth in the front of the auction catalogue for the above-referenced sale.

The purchase price is the sum of the final bid price plus a premium payable by the buyer of 19.5% of the final bid price up to and including \$100,000 and 10% of the final bid price above \$100,000, for each lot, as set forth in the Conditions of Sale.

Lots remaining on Christie's premises for more than seven calendar days after the sale will incur storage charges. Buyers may incur a late charge of 1.34% per month on the total purchase price if the buyer does not make payment in full in accordance with the Conditions of Sale.

Title to property identified on this invoice shall not pass to the buyer until Christie's has collected payment in full from the buyer.

Sales/Use Tax:
If a buyer takes delivery in any of the following states, Christie's must collect any applicable state or local sales or use tax before property is shipped: California, Connecticut, Florida, Illinois, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Texas or Washington D.C.

Failure to pay appropriate tax may affect delivery of your merchandise. Please call 212/636-2495 for assistance.

RP

The description of any property identified on this invoice is made with reference to the catalogue entry, the glossary, if any, which appears in the front of the auction catalogue and any addendum or other explanation.

Please return the bottom portion of this invoice along with your payment in the enclosed envelope

**PAYMENT IN FULL IS DUE
SEVEN CALENDAR DAYS AFTER SALE.**

Please see the back of this invoice
for complete payment instructions

INVOICE DATE: MAR 27 02

INVOICE #: J063027
SALE: 1032 Rock 27MAR02
I.D.#: 566253
Mr Sam E Wyly
TOTAL PURCHASE PRICE: 1186925.00

SALES/USE TAX:
(See instructions above)

TOTAL AMOUNT PAYABLE:

Christie's 20 Rockefeller Pl

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1146

36 2495 Fax. (212) 636 4939

PSI-CHRIST 00296

000297

Part 150145-434 NRTT 7-02

SHIP DATE: 23OCT2002
ACCOUNT # 22881435
ACTUAL WGT: 25.40 LBS
DIMMED 35 X 31 X 9
214 871 5221

CHRISTIES ROCK
20 ROCKEFELLER PLAZA
NEW YORK NY 10028
2123552415

TO:

HIGHLAND STORGE
ATTN: STRENUY KUEBNER
SUITE 1000
DALLAS TX 75201

BILL RECIPIENT

FedEx

STANDARD OVERNIGHT

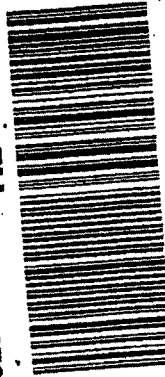
THU

DELIVER BY:
DFM 24OCT2002
R1

REF: 1589861/4569
DATE: 8 646127 23OCT2002
TRK# 6193 7578 8541 Form 201

NB RBDA

75201-TX-US



29.80 LBS
1 OF 1
1589861/4569

Handwritten:
1589861/4569

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1146

PSI-CHRIST 00297

4893

000298

CHRISTIE'S

October 23, 2002

— = Redacted by the Permanent
Subcommittee on Investigations

TO: MR SAM E WYLY
COMPANY:
FAX #: 214-
ATTN:
FROM: BETH PETRIELLO
Christie's Registrar Department

2002

SUBJECT: Shipping Request 158986 for the following Property Number(s):

1032/108	1032/141	1032/162	1032/175
1032/190	1032/41	1032/51	1032/53
1032/68	1032/90	1032/95	

Dear MR SAM E WYLY:

This fax is to confirm that your shipment of the above property has been collected, packed and dispatched by Federal Express Courier. The tracking number is 619379788541. The shipment will be arriving on 10/24/2002.

We will provide our shipping company with your payment information and they will bill you directly for this shipment.

Please do not hesitate to contact us at (212) should you need any further assistance. Thank you

Sincerely,

Beth Petriello
Beth Petriello
Registrar
Christie's Registrar Department

Christie's
20 Rockefeller Plaza, New York, NY 10020
phone 212.636.2480 fax 212.636-4937
www.christies.com

PSI-CHRIST 00298

— = Redacted by the Permanent
Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, July 15, 2003 8:23 AM
To: "Michelle Boucher" [REDACTED]
Subject: RE: insurance

great - thanks

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.

"Michelle Boucher" <[REDACTED]>
07/15/03 09:31 AM

To: <khennington@[REDACTED]>
cc: [REDACTED]
Subject: RE: insurance

can get it to you today - I think the new necklace might be the largest for Soulieana - but it hasn't been delivered yet. I think [REDACTED] \$600K ruby is the most expensive on Audubon but will confirm

-----Original Message-----

From: khennington@[REDACTED]
Sent: Tuesday, July 15, 2003 8:55 AM
To: Michelle Boucher
Subject: insurance

For the insurance renewal's on the jewelry policy the company needs to know the most expensive piece owned by both Audubon and Soulieana - no details just value of the most expensive single piece per company - is that hard to get?

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1147

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SEC_ED00002658

PSI ED00002658

4895

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SEC_ED00002659

PSI F000007659

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Subcommittee on Investigations

From: Michelle Boucher [REDACTED]
Sent: Thursday, April 07, 2005 8:07 AM
To: Kaeley Hennington
Subject: RE: Distributions

I should have them in the next day or so

-----Original Message-----

From: Keeley Hennington [REDACTED]
Sent: Thursday, April 07, 2005 10:07 AM
To: Michelle Boucher
Subject: RE: Distributions

Thanks I will just look for Sam's

-----Original Message-----

From: Michelle Boucher [REDACTED]
Sent: Thursday, April 07, 2005 9:46 AM
To: Keeley Hennington
Subject: FW: Distributions

This is one of the 5 \$250K annual installments - the others came through Tyler - will fax that shortly. I have nothing for SW yet.

-----Original Message-----

From: Mark Corlett [REDACTED]
Sent: Wednesday, April 06, 2005 5:58 AM
To: Michelle Boucher
Subject: Distributions

Dear Michelle

Mark is unfortunately away on vacation and I am therefore replying to your e-mail to him on his behalf.

From the records we hold, the only distribution made from the Red Mountain Trust was to The First Church of Christ back on 14 May 2001 for \$250,000. This was treated as an Income Distribution.

I trust you find the above in order.

Many thanks
Mark C

Mark Corlett
Administrator
Close Trustee Services - Isle of Man

Contact Details

Telephone : 44 (0) [REDACTED]
Direct Dial : 44 (0) [REDACTED]
Facsimile : 44 (0) [REDACTED]
Email Disclaimer:

Confidential
SEC_ED00002660

PST ED00002660

4897

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MailMarshal #####
#####

Confidential
SEC_ED00002661

PSI ED00002661

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Subcommittee on Investigations

From: Keeley Hennington
Sent: Tuesday, July 15, 2003 8:56 AM
To: mboucher@ [REDACTED]
Subject: Green Funding
Attachments: Green Funding-Devotion etc Loans 63003.xls

We are trying to get the Green Funding loans all fixed with interest accrued thru 6/30. See the attached spreadsheet and see if you agree with the calculations - this is the format Green Mountain uses and I think it is easy.

The preceding e-mail message (including any attachments) contains information that may be confidential, or constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not an intended recipient of this message, please notify the sender by replying to this message and then delete it from your system. Use, dissemination, distribution, or reproduction of this message by unintended recipients is not authorized and may be unlawful.


Green
ding-Devotion etc L

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SEC_ED00002662

PSI ED00002662

Green Funding 1, LLC
Accrued Interest - Long Term Loans - Green Funding
Interest is compounded at June 30 & December 31

	1/1/2003	1/31/2003	2/28/2003	3/31/2003	4/30/2003	5/31/2003	Adjust 6/24/2003
Green Funding - Newbyville							
Loan Balance	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	24
Interest Accrual	N/A	340,404.02	307,461.69	340,404.02	329,423.24	340,404.02	293,536.59
Balance at month end	44,533,142.05	44,873,546.07	45,181,007.76	45,521,411.78	45,850,835.02	46,191,239.04	46,454,777.63

Green Funding - Devotion November 21, 2002 - \$1,484,000							
Loan Balance	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	0
Interest Accrual	N/A	11,303.71	10,509.80	11,303.71	10,509.07	11,303.71	0.00
Balance at month end	1,478,800.44	1,490,104.15	1,500,313.95	1,511,617.66	1,522,056.73	1,533,360.43	1,533,360.43

Green Funding - Devotion - December 4, 2002 - \$2,250,000							
Loan Balance	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	0
Interest Accrual	N/A	16,032.54	15,293.91	16,032.54	16,386.33	16,932.54	0.00
Balance at month end	2,215,189.04	2,231,221.58	2,247,415.49	2,264,448.03	2,280,734.36	2,297,666.90	2,297,666.90

Green Funding - Moberly - February 7, 2003 - \$5,660,000 - 2003 Series 1							
Loan Balance	0.00	0.00	3,660,000.00	3,660,000.00	3,660,000.00	3,660,000.00	3,660,000.00
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	N/A	21	31	30	31	0

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SEC_ED00002663

PSI_ED00002663

6/30/2003	7/1/2003	7/31/2003	8/31/2003	9/30/2003	10/31/2003	11/30/2003	12/31/2003
46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25
9%	9%	9%	9%	9%	9%	9%	9%
6	N/A	31	31	30	31	30	31
68,727.02	N/A	355,618.03	355,618.03	344,146.48	355,618.03	344,146.48	355,618.03
46,523,505.25	46,523,505.25	46,879,123.27	47,234,741.30	47,578,887.76	47,934,505.60	48,278,652.28	48,634,270.31
1,478,800.44	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31
10,939.07	N/A	11,808.19	11,808.19	11,427.28	11,808.19	3,047.28	11,808.19
1,544,799.51	1,544,799.51	1,556,607.70	1,556,607.70	1,556,607.70	1,556,607.70	1,547,846.78	1,559,054.98
2,215,169.04	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31
16,386.33	N/A	17,688.24	17,688.24	17,117.65	17,688.24	4,564.71	17,688.24
2,314,053.23	2,314,053.23	2,331,741.47	2,331,741.47	2,331,170.88	2,331,741.47	2,319,617.94	2,336,308.18
3,665,000.00	3,789,052.60	3,789,052.60	3,789,052.60	3,789,052.60	3,789,052.60	3,789,052.60	3,789,052.60
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31

Confidential
SEC_ED000002665

PSI_ED000002665

27,073.97	N/A	28,962.90	28,962.90	28,028.61	28,962.90	7,474.30	28,962.90
3,786,052.60	3,786,052.60	3,818,015.50	3,818,015.50	3,817,081.21	3,818,015.50	3,756,526.90	3,825,489.79
3,840,000.00	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66
9%	9%	9%	9%	9%	9%	9%	9%
10	N/A	31	31	30	31	8	31
9,024.68	N/A	28,045.42	28,045.42	27,140.73	28,045.42	7,237.53	28,045.42
3,699,024.66	3,699,024.66	3,697,070.08	3,697,070.08	3,696,165.99	3,697,070.08	3,676,262.19	3,704,507.61
57,465,767.11	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24
135,151.05	N/A	442,122.78	442,122.78	427,860.75	442,122.78	386,470.28	442,122.78
57,840,435.24	57,840,435.24	58,282,558.02	58,636,176.05	58,979,532.03	59,330,290.55	59,671,809.09	60,023,029.02

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Green Funding 1, LLC
Accrued Interest - Long Term Loans - Green Funding
 Interest is compounded at June 30 & December 31

	1/1/2003	1/31/2003	2/28/2003	3/31/2003	4/30/2003	5/31/2003	Adjust 6/24/2003
Green Funding - Maturity							
Loan Balance	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05	44,533,142.05
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	24
Interest Accrual	N/A	340,404.02	307,481.69	340,404.02	329,423.24	340,404.02	283,538.59
Balance at month end	44,533,142.05	44,873,546.07	45,181,027.76	45,521,411.78	45,850,835.02	46,191,239.04	46,454,777.63

Green Funding - Devotion November 21, 2002 - \$1,150,000							
Loan Balance	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44	1,478,800.44
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	0
Interest Accrual	N/A	11,303.71	10,209.80	11,303.71	10,599.07	11,303.71	0.00
Balance at month end	1,478,800.44	1,490,104.15	1,500,313.95	1,511,617.66	1,522,556.73	1,533,860.43	1,533,860.43

Green Funding - Devotion - December 1, 2002 - \$2,200,000							
Loan Balance	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04	2,215,189.04
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	0
Interest Accrual	N/A	16,932.54	15,393.91	16,932.54	16,386.33	16,932.54	0.00
Balance at month end	2,215,189.04	2,232,121.58	2,247,415.49	2,264,348.03	2,280,734.36	2,297,666.90	2,297,666.90

Green Funding - Maturity - February 7, 2003 - \$2,650,000- 2003 Series 1							
Loan Balance	0.00	0.00	3,660,000.00	3,660,000.00	3,660,000.00	3,660,000.00	3,660,000.00
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	N/A	21	31	30	31	0

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Interest Accrual	N/A	0.00	18,951.78	27,976.44	27,074.97	27,976.44	0.00
Balance at month end	0.00	0.00	3,678,957.78	3,706,625.22	3,734,002.19	3,761,978.63	3,660,000.00
Green Funding - Microfinance - June 30, 2012 - \$1,662,000 - 2007-2012							
Loan Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Rate	9%	9%	9%	9%	9%	9%	9%
# of Days	N/A	31	28	31	30	31	0
Interest Accrual	N/A	0.00	0.00	0.00	0.00	0.00	0.00
Balance at month end	0.00	-	-	-	-	-	-
Green Funding - Summary							
Loan Balance	48,227,131.53	48,227,131.53	51,687,131.53	51,687,131.53	51,687,131.53	51,687,131.53	51,687,131.53
Interest Accrual	N/A	388,660.27	351,317.18	396,616.70	383,822.82	386,816.70	253,338.99
Balance at month end	48,227,131.53	48,515,771.60	52,037,068.98	53,024,305.98	53,368,128.30	53,784,748.00	53,940,304.97

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6/30/2003	7/1/2003	7/31/2003	8/31/2003	9/30/2003	10/31/2003	11/30/2003	12/31/2003
46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25
46,454,777.63	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25	46,523,505.25
9%	9%	9%	9%	9%	9%	9%	9%
6	N/A	31	31	30	31	30	31
68,727.62	N/A	555,618.03	355,618.03	344,148.48	355,618.03	344,148.48	355,618.03
46,523,505.25	46,523,505.25	46,873,123.27	47,234,741.30	47,576,887.78	47,934,505.80	48,278,652.28	48,634,270.31
1,478,800.44	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51	1,544,799.51
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31
10,939.07	N/A	11,808.19	11,808.19	11,427.28	11,808.19	3,047.28	11,808.19
1,544,799.51	1,544,799.51	1,556,607.70	1,556,607.70	1,556,226.79	1,556,607.70	1,547,846.78	1,559,654.98
2,215,189.04	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23	2,314,053.23
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31
16,386.33	N/A	17,688.24	17,688.24	17,117.65	17,688.24	4,564.71	17,688.24
2,314,053.23	2,314,053.23	2,331,741.47	2,331,741.47	2,331,170.68	2,331,741.47	2,316,617.94	2,336,306.18
3,660,000.00	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60	3,769,052.60
9%	9%	9%	9%	9%	9%	9%	9%
30	N/A	31	31	30	31	8	31

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27,073.97	N/A	28,962.90	28,962.90	28,962.90	28,962.90	28,962.90	28,962.90	28,962.90
3,789,052.60	3,789,052.60	3,818,015.50	3,818,015.50	3,817,681.21	3,818,015.50	3,798,558.90	3,825,489.79	
3,460,000.00	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	3,669,024.66	
9%	9%	9%	9%	9%	9%	9%	9%	9%
10	N/A	31	31	30	31	8	31	
9,024.66	N/A	28,045.42	28,045.42	27,140.73	28,045.42	7,237.53	28,045.42	
3,669,024.66	3,669,024.66	3,697,070.08	3,697,070.08	3,696,165.99	3,697,070.08	3,675,282.19	3,704,357.61	
57,465,767.11	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	57,840,435.24	
135,151.65	N/A	442,122.78	442,122.78	427,860.75	442,122.78	366,470.28	442,122.78	
57,840,435.24	57,840,435.24	58,658,178.05	58,658,178.05	58,973,537.05	58,658,178.05	59,817,056.09	60,065,038.91	

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4907

From: Keeley Hennington
Sent: Tuesday, July 15, 2003 9:41 AM
To: lisa.s.walker@
Subject: questions

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Subcommittee on Investigations

Lisa - here are answers to your questions:

Most expensive piece of jewelry for :

Sam family - \$600,000 earrings bought for Cheryl Charles family - \$100,000 - this is an estimate - the actual most expensive piece we have found is a ring purchased by Donnie for Martha - all of the very expensive pieces are owned by Soulieana Audubon - \$622,000 ruby in Cheryl's possession Soulieana - \$759,000 necklace in Dee Wylly's possession Wrangler - no jewelry - just one painting worth \$5M

the question as to how much is worn by the family really depends on who you are talking about. Here are general observations:

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by
Permanent Subcommittee
on Investigations**

Please let me know if you need anything else. Thanks

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REF ID: A66666

4908

Fr 11/27

Invoice

From:
Richard D. Eiseman Jewels
514 NorthPark Center
Dallas, Texas 75225
214/361-0341

— Redacted by the Permanent
Subcommittee on Investigations

Invoice No: 11210
Date: November 21, 2000

Sold to: Mr. Charles Wyly Jr.

=====

1. Highly Important Emerald-cut Diamond Ring featuring an emerald-cut diamond weighing 15.71 carats, D color and VS1 in clarity, GIA certified, set into a Pave' Style Diamond and Platinum Mounting.

Special price.....\$ 667,000.00

2. Custom made Highly Important Diamond Necklace featuring at the center an Emerald-cut Diamond weighing 5.20 carats, F in color and VVS2 in clarity. (a detailed description of the necklace, numbers and weights to be supplied upon completion)

Special price..... 759,000.00

Total.... \$ 1,426,000.00

Delivery in Dallas - December 1, 2000
No Sales Tax Due - to be shipped to Aspen, Colorado

Procedure to Wire Funds to R.D.Eiseman Inc.Cash Account
Sent to: Bank of Texas,
America Bank Assoc (ABA) #111014325
RDEiseman Acct# [REDACTED]

Please note, if you need more help, call:
Bank of Texas, 972-443-2868 or Richard Eiseman 214-361-0341.

Thank you. Your selection is appreciated.

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1148

PSI-JEWEL 00065

4909

MICHELANGELO INVESTORS, LDC

5th Floor Queensgate House
South Church Street
Grand Cayman, Cayman Islands
B.W.I.

Charles Wyly
c/o 300 Crescent Court
Suite 1000
Dallas, Texas 75201

Invoice No. 000502
Date 12/20/2000
Due Upon Receipt

Re: Purchase of Art and Collectibles

<u>Description</u>	<u>Market Value (\$US)</u>
MARBLE PAPER CLIP BOX	\$ 12.99
CEDAR STICK PENCILS	\$ 16.67
MARBLE DESK PAD	\$ 27.07
MARBLE PAPER LETTER HOLDER	\$ 32.47
MARBLE PAPER PHONE BOOK COVER	\$ 34.64
OLD ENGLISH SAUCER	\$ 37.89
OLD ENGLISH LUSTER DISH	\$ 45.47
LEEDS POTTERY SHELL DISHES 2	\$ 64.95
LUSTER SAUCER	\$ 64.95
BLACK & GREEN TOLE TISSUE BOX	\$ 69.28
TOLE TISSUE BOX	\$ 69.28
SOUCER C. 1820	\$ 70.60
ANTIQUE LUSTER DISH	\$ 81.19
COPELAND BUTTERFLY SAUCER	\$ 81.19
LUSTER SAUCER	\$ 81.19
COALPORT SAUCER	\$ 92.01
ISIS KEY TASSEL	\$ 92.01
BLUE AND GOLD SAUCER	\$ 102.60
FLORAL SAUCER	\$ 102.64
GREEN SPODE CUP & SAUCER	\$ 108.25
LEEDS POTTRY LION PAW FRUIT BOWL	\$ 139.64
BRISTOL VASE - VICTORIAN	\$ 146.14
BLACK & GREEN TOLE WASTE CAN	\$ 161.83
BLACK & GOLD PAGODA WAST CAN	\$ 171.58
TOLE WASTE CAN	\$ 171.58
PAIR ANTIQUE ST. LAMBERT PLATES	\$ 173.20
LEEDS COVERED BOWL DOUBLE HAND	\$ 178.61
ANTIQUE GREEN GLASS FINGER BWL	\$ 192.14
LEEDS POTTERY INKWELL	\$ 207.84
FLIGHT BARR&BARR CREAMER	\$ 243.56
PAIR ANTIQUE CAUGHLEY SAUCERS	\$ 259.80
PAIR FLORAL SPODE PLATES	\$ 265.21
FLIGHT BARR&BARR BOWL	\$ 275.00
CRYSTAL JAR / STERLING LID CW	\$ 297.68

Permanent Subcommittee on Investigations
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FLIGHT BARR & BARR WASTE BOWL	\$	297.69
ANTIQUE CRYSTAL JAR/STERLING LID	\$	319.34
BLUE & WHITE EXPORT CREAMER	\$	351.81
FLIGHT BARR&BARR CUP/SAUC 4	\$	351.81
SPODE PLATE WITH GRAPE LEAVES	\$	378.88
CHINESE VASE WITH HANDLES	\$	389.70
SEPIA EXPORT CUPS (2)/W/ SAUCERS	\$	392.07
WEDGEWOOD CUP AND SAUCER	\$	406.95
MINTON CUPS & SOUCER C. 1890 (4)	\$	416.76
FAUX TORTOISE WST CAN / TIS BX	\$	433.00
VICTORIAN WALNUT BRACKETS 2	\$	519.60
ANTIQUE MAJOLICA JARDINIER	\$	535.84
IRISH GLASS DECANTERS (2)	\$	571.58
MALACHITE INKWELL	\$	591.04
PARI CHINESE PORC PLATES BIRDS	\$	593.21
MAJOLICA BUTTER TUB W UNDERPLT	\$	619.19
3 PCE ANTIQUE SILVR DRESSER SET	\$	644.09
BRONZE & CRYSTAL LAMP BASE	\$	649.50
PAINTING -BLUE FLORAL	\$	675.00
HORN CUPS WITH SILVER RIM (2)	\$	741.08
ORANGE FITZHUGH BERRY DISH	\$	779.40
PAIR ANIQUE CASHPOTS GOLD/PINK	\$	811.68
2 CHINESE GARDEN SEATS	\$	844.35
MORROCAN TBOUTRET (1 OF 2)	\$	844.35
PAIR SPODE CHINTZWARE VASES	\$	988.84
19 C. SWAN PLANTER	\$	974.25
4 SHEFFIELD CANDLESTICKS	\$	974.25
CHINESE SAUCERS - PAIR (2)	\$	974.25
CAST IRON PLAQUE G WASHINGTON	\$	1,039.20
CHINESE 1000 BUTTERFLIES BOWL	\$	1,039.20
PAINTING - AUTUM LANDSCAPE	\$	1,080.00
COTTONWOOD LATE OCTOBER	\$	1,200.00
MORROCAN TBOUTRET (2 OF 2)	\$	1,234.05
SILVER TRAY & TABLE	\$	1,500.35
BRONZE DORE CANDLESTICK LAMP	\$	1,507.85
CHINESE PLATTER 10 1/2 X 13 3/4	\$	1,558.80
CHINESE PLATTER 10 1/2 X 13 3/4	\$	1,558.80
GILT BRACKETS WITH PHOENIX (2)	\$	1,558.80
DAVENPORT LAMP W SILK SHADE	\$	1,571.79
RAMS HEAD WALL SHELF 1PAIR	\$	1,773.14
PAIR DRABEWARE DISHES GN CORAL	\$	1,786.12
RUSSIAN MINIATURE	\$	1,800.00
CHINESE PLATTER 10 7/8 X 14 1/2	\$	1,948.50
CHINESE PORC BOWL 9 7/8 DIA	\$	1,948.50
BRASS COAL BIN	\$	1,989.41
GILT & BLACK WALL MIRRORS - 1PR	\$	2,000.46
UMBRELLA STAND	\$	2,026.44
CHINESE BOWEL PORCELAIN	\$	2,208.30

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Page 3

CHINESE PLATTER 9 7/8 X 12 3/4	\$	2,208.30
HIGH RELIEF CHINESE VASES	\$	2,273.25
"PARIAN" WALL SHELVES (2)	\$	2,338.20
STAFFORDSHIRE ORM PLQ - KEMBLE	\$	2,364.18
FLEURS ANIMEE ENGRAVINGS (20)	\$	2,468.10
PAINTING - CHINAMAN	\$	2,520.00
ORANGE FITZHUGH DESSERT PLATES	\$	2,598.00
PALISSY PORC MONOGRAMS (5)	\$	2,598.00
SET OF 8 ENGLISH GLASSES	\$	2,598.00
SWEDISH WALL PRACKETS (1 PAIR)	\$	2,682.44
HONEY POT	\$	2,800.00
CHINOISERIE MERCURY VASE BUBBL	\$	2,857.80
FRENCH ENCRIER "WARWICK CUP"	\$	2,909.76
CHINESE PLATTER 12 X 15	\$	3,117.60
CHINESE PLATTER 13 1/4 X 16 3/8	\$	3,117.60
CHINESE PORC PLATTERS (2)	\$	3,377.40
CRYSTAL LAMP BASE BACCARAT	\$	3,377.40
NUDE IN PETTICOAT	\$	3,500.00
2 REGENCY STYLE VINTAGE TRAYS	\$	3,637.20
PALISSY PORC MONOGRAMS (7)	\$	3,637.20
SPODE PATTERN 957 SPILL VASES	\$	3,702.15
ROSSO LAGUNA CONSOLE TOP	\$	3,734.63
CERAMIC - LOLITA THE FISH	\$	3,788.75
2 REGENCY HALL CHAIRS	\$	3,897.00
MIRROR W/ MAHOGANY FRAMES (2)	\$	3,897.00
ADJUSTABLE JEWELRY SHELF	\$	3,948.96
CUSTOM DRIED ARRANGEMENT KITCH	\$	4,026.90
5 PCE SET OF CREAMWARE	\$	4,156.80
NAPCLEAN III GARDEN TABLE	\$	4,156.80
ENGLISH EASEL GLASS MIRROR	\$	4,546.50
EXPORT PUNCH BOWL W EUROPE FIGR	\$	4,546.50
NAPCLEAN III COAT RACK	\$	4,546.50
PAINTING - CABIN MOONLIGHT	\$	4,560.00
CHINESE PORC MOON FLASKS (2)	\$	4,676.40
COALPORT MUG WITH PLAYING CARD	\$	4,676.40
VICTORIA MAHOGANY BRACKETS 2	\$	4,676.40
CAOLPORT CABINET CUP WITH CARD	\$	4,773.83
STAFFORDSHIRE CREAMWARE PLQ - 2	\$	4,910.22
REGENCY PENWORK GAME SET	\$	5,066.10
COPPER ENGRAVED PLATES W/ TEXT	\$	5,196.00
FRENCH CUP & SAUCER CARD DECOR	\$	5,455.80
ROSEWOOD & PEARL BAROMETER	\$	5,819.52
ORANGE FITZHUGH CUPS & SAUCERS	\$	5,845.50
PAINTING - SUNDAY ENGLISH GARD	\$	6,100.00
ROSEWOOD MUSIC STOOL	\$	6,252.38
ORANGE FITZHUGH CYRD VEGETABLE	\$	6,495.00
ORANGE FITZHUGH LARGE PLATTER	\$	6,495.00
2 SIL & BLK ENAMEL COACH LAMPS	\$	7,066.56

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Invoice No. 000501
Date 12/20/2000
Page 4

PAIR BAYEAUX VASE LAMPS	\$	7,103.90
FERN FRAMES 22K GOLD (15)	\$	7,189.97
BRADBERRY FERN PRINTS (15)	\$	7,306.88
FLEUR ANIMÉE FRAMES 22K (20)	\$	7,404.30
VARIOUS PLANTS FOR INTERIOR	\$	7,566.68
PYNES ROYAL RESIDENCES (15)	\$	7,794.00
FRAMES FOR PYNES GLD LF (15)	\$	8,008.34
FLIP TOP TABLE	\$	8,261.64
IRISH BEAD FRAME MIRROR	\$	8,573.40
STILL LIFE WITH MIME PUPPET	\$	9,000.00
IRISH MAHOGANY WRITING TABLE	\$	9,093.00
CAMERON COLL "LONDON" CHAIRS	\$	9,250.80
19th C CHINESE POTTERY FIGURE	\$	9,352.80
6 CHAIRS W GILT PAINT DOLPHINS	\$	9,352.80
MINTON MAJOLICA GARDEN SEAT	\$	9,742.50
GOLD FRAMES 22K SILK MAT (12)	\$	9,820.44

\$ 382,365.33

Payment Details:

Kindly make payment by wire transfer to:

IBJ Whitehall Bank & Trust Company
New York, NY USA
ABA # 026 007 825 or CHIPS #782
In favor of: Queensgate Bank & Trust Company Ltd.
Account number: [REDACTED]
For further credit to: Michelangelo Investors, LDC
Account number: [REDACTED]

[REDACTED] = Redacted by the Permanent
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DET 0000000000

From: Keeley Hennington
Sent: Thursday, December 21, 2000 2:03 PM
To: Andrea Westbrook
Subject: Re: Souleiana collectibles

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fyi

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----- Forwarded by Keeley Hennington/htst on 12/21/00 04:05 PM -----

"Michelle Boucher" <[REDACTED]>
 12/21/00 04:43 PM

To: "Irish Trust" <[REDACTED]>, <khennington@[REDACTED]>
 cc:
 Subject: Re: Souleiana collectibles

timing is fine, just have someone call us when you're ready to wire so we can look for the money and transfer funds on to Souleiana

----- Original Message -----

From: <khennington@[REDACTED]>
 To: "Irish Trust" <[REDACTED]>
 Cc: <MBoucher@[REDACTED]>
 Sent: Thursday, December 21, 2000 3:20 PM
 Subject: Re: Souleiana collectibles

>
 > This will be paid before 1/15/01. Does this timing work for you. We
 > are waiting for some funds to become available so we do not have to
 > borrow to pay. Please let me know if this is not going to work and I
 > will get it paid asap.. Thanks
 >
 >

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4914

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> message by unintended recipients is not authorized and may be unlawful.
>

>
>
>
>
> "Irish Trust"
> [REDACTED] To: <khennington@ [REDACTED]>
> [REDACTED] cc: <mboucher@ [REDACTED]>
> Subject: Soulieana
collectibles
> 12/21/00
> 01:36 PM
>
>
>
>
>
>
> Keeley,
>
> I have attached the invoice from Michelangelo Investors to Mr. Wyly
> for
the
> art and collectibles. If all is in order, please go ahead and arrange
> for payment. If you could, please let either Michelle or me know the
> value date of the wire so we can follow up with Queensgate Bank for
> its receipt.
>
> Thanks
> Lara
>
> (See attached file: michelangelo_invoice.xls)
>
>

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SEC_ED00005040

PSI ED00005040

= Redacted by the Permanent Subcommittee on Investigations

From: Keeley Hennington
Sent: Thursday, December 21, 2000 2:04 PM
To: "Michelle Boucher" <[REDACTED]>
Subject: Re: souleana

sounds great

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"Michelle Boucher" <[REDACTED]>
 12/21/00 04:45 PM

To: "Irish Trust" <[REDACTED]>
 cc: <khennington@[REDACTED]>
 Subject: Re: souleana

As per prior email the timing is fine, but I think we should book the sale as of the invoice date and set up a receivable - just book it to Misc receivable for now.

Keeley - FYI, we're going to record the sale effective today, so we are clean going into year end.

----- Original Message -----
 From: "Irish Trust" <[REDACTED]>
 To: <mboucher@[REDACTED]>
 Sent: Thursday, December 21, 2000 3:26 PM
 Subject: souleana

> Are you okay with 1/15/2001 payment? I didn't know if you wanted all
 > the art off the books in December or not. I guess we could still sell
 > them
 > with
 > a receivable in TSS for December or did you want me to wait until
 > payment has been received in January?
 >
 > Lara
 >

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 SEC_ED00005041

NOT RECORDED

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Subcommittee on Investigations

From: "Michelle Boucher" [REDACTED]
Sent: Thursday, May 03, 2001 8:03 AM
To: <khennington@ [REDACTED]>
Subject: Re: couple of things

call me as soon as you can - I have a couple of other tidbits for you :)

I don't like to pay direct to the domestic entity from offshore, but we have a company here called Michelangelo LDC that we can use as an intermediary to refund the deposit. We can assign or sell the commissioned work to Michelangelo and then assign it onto Soulieana Limited

[REDACTED] I will be coming up for the meeting on the 15th, but it will be my last trip. [REDACTED]
[REDACTED] Dawn will be making the trip with me also.

----- Original Message -----

From: <khennington@htst.com>
To: <MBoucher@candw.ky>
Sent: Thursday, May 03, 2001 8:18 AM
Subject: couple of things

> [REDACTED] Are you
> planning to come for the meeting on the 15th - [REDACTED]
> [REDACTED]
>
> We met on Stargate Sport Horses yesterday - this thing is getting out
> of hand and just growing and growing. We went through all of the
> budgeted numbers with the builder, etc. and are now estimating total
> cost at close to \$6.5M (but that could still go up). I will send you
> the spreadsheet Andrea is working up with all the budgeted numbers on
> it once we finalize it.
>
> Charles sent me an invoice for a painting he commissioned for \$30,000
> with a note as to whether Souliana should pay. Someone put down a
> \$15,000 deposit - I am trying to find out from Andrea who - Is it a
> problem to pay \$15,000 to a domestic entity and the rest to the
> gallery? Just let me know.
>
> [REDACTED]
>
>

>
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EXHIBIT #66 - FN 1150

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PSI_ED00012663

AUDUBON ASSET, LIMITED
(Incorporated in the Isle of Man No. 75971)

Directors:

K.G. Harding
A.M. Benbatoul

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.

Tel: (01624) 630600
Fax: (01624) 624469

Ref: AB/SLD/AUDUBON-LET1
22nd May, 2002

Mrs. Kelly Elliott,
Elliott Yeary Gallery,
419 East Hyman Avenue,
Aspen Colorado,
81611,
United States of America.

Dear Mrs. Elliott,

We write further to recent negotiations and confirm that Audubon Asset Limited ("the Company") wishes to appoint Elliott Yeary Gallery ("the Gallery") as the official curator of the Company's Art and Collectibles ("the Collection").

The Company sets out below particulars of the terms and conditions on which the Company appoints the Gallery:-

1. The Gallery will keep detailed records of all antiques, jewellery, fine art and historic documents ("the Collection") purchased, sold or owned by the Company.
2. The Gallery will keep photographic records, provenances, appraisals and all/any other pertinent information relating to the Collection.
3. The Gallery will monitor the locations of all pieces in the Collection.
4. The Gallery will ensure that the Collection is properly insured in the name of the Company and that the relevant policy is noted with details of the location of each piece held in the Collection.
5. The Gallery will confirm to the Company that any/all insurance conditions are complied with.

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1151

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- We should be grateful if you would confirm you are willing to provide services in accordance with these terms and conditions or advise otherwise.

Yours sincerely,

For Elliott Yeary Gallery

6/6/02

85/16/2005 09:28 9704291112

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Ann:
Keeley**AUDUBON ASSET, LIMITED**
(Incorporated in the Isle of Man No. 75971)

Directors:

K.G Harding
A.M Benbatoul

Registered Office:

International House,
Castle Hill,
Victoria Road,
Douglas,
Isle of Man.Tel: (01624) 630600
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small

*** FACSIMILE TRANSMISSION ***

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Page 1 of (Total Sent)

Date: 16th May, 2005

Time Sent:

Fax No: 001 970 439 1113
Operator Ref: DNT11DIBBTO: KELLY ELLIOTT,
YEARY GALLERY

FROM: ANNA BENBATOUL

REF: AB/KW/ELLIOTT/0213

2004
2005**NEGRO AND ALLIGATORS**

We have been advised by Rhina Alexander that the above piece has been sold by Hammer Galleries on behalf of the Company. As you will be aware this action is contrary to the terms of the Agreement dated 22nd May 2002 under which Elliott Yeary Gallery were appointed curator of the Company's collection. May we respectfully draw your attention to Clause 11 of that Agreement which states as follows:-

"The appointment of the Gallery as curator does not confer any authority on the Gallery to buy or sell any item for the Collection without prior express arrangement with the Company. If the Company wishes to buy or sell a particular piece it will execute a separate Agreement in respect of the particular piece. The Gallery may however make recommendations to the Company in relation to future acquisitions or disposal of pieces in the Collection but for the absolute avoidance of doubt nothing in this Agreement constitutes the appointment of the Gallery as agent of the Company and the Gallery is not authorised to enter into any sale or purchase agreement on behalf of the Company".

currently
@ #.D. Michelle -
call me.

Snd

Permanent Subcommittee on Investigations

EXHIBIT #66 - FN 1151

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HST_PSI000001

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HERRICK, FEINSTEIN LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP INCLUDING NEW YORK PROFESSIONAL CORPORATION

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JAMES A. MOSS
PARTNER
(212) 592-1414
E-MAIL: jmoss@herrick.com

December 14, 2004

Laura Billings, Esq.
District Attorney's Office
One Hogan Place
New York, NY 10013

Re: Grand Jury Investigation # L2003-05071

Dear Laura:

With this letter I am enclosing the first phase of production to the subpoena that was served upon my client, Hammer Galleries, under cover of your letter of December 6. As you and I agreed during our telephone conversation last week, you will let me know what, if any, additional production you would like to receive from Hammer Galleries -- after you have reviewed the enclosed documents.

Enclosed are documents that address the two issues you identified in our conversation last week: namely, (i) the name of the party that acquired the art in each of the eight transactions listed in the subpoena; and (ii) the location to which the art was delivered in each transaction. Thus, you will find enclosed eight numbered sets of documents, each corresponding to one of the eight listed transactions. Generally, you will find for each transaction an invoice from Hammer Galleries that identifies the entity (usually Audobon Asset Ltd.) that purchased the art, and the sender's copy of a USA Airbill reflecting where the art was delivered. The deliveries were made in each instance upon instructions that were received from persons that had authority to communicate decisions that had been made on behalf of Audobon Assets Ltd., which we understand to be a trust.

The following individuals (and entities) may have had communications with Hammer Galleries relating to these transactions: Michelle Boucher (of Audobon Assets Ltd. on the Isle of Man); Sam Wyly, Susan Tiholiz, Elizabeth Yeary and Reena Alexander (of Ranger Capital in Dallas); and Kelly Wyly Elliott and Kristin Yeary (of Elliott Yeary Gallery in Aspen). In particular, Hammer Galleries understands that Sam Wyly and Elliott Yeary Gallery have been appointed by the trust to act as consultants concerning its art purchases and sales).

You will note that the first and second listed transactions in the subpoena appear to have misstated the dates of those transactions. According to Hammer Galleries' records, the \$440,000 transaction (transaction no. 1 in the subpoena) took place in the Fall of 2003 (not 2000

Permanent Subcommittee on Investigations
EXHIBIT #66 - FN 1151

HG0005

HERRICK, FEINSTEIN LLP

Laura Billings, Esq.
December 14, 2004
Page 2

or 2001 as indicated in the subpoena). The \$500,000 transaction (transaction no. 2 in the subpoena) took place in the Fall of 2002 (not 2000 or 2001 as indicated in the subpoena).

With respect to the fourth and eighth transactions, you will not find any airbills reflecting delivery of the art. This is because the artwork that is the object of those transactions is still being held by Hammer Galleries.

With respect to the sixth transaction, you will note that the invoice (dated December 19, 2002) is addressed to Kelly Elliot, rather than to Audobon Assets Ltd. This is because it was originally contemplated that the artwork might be purchased by Mrs. Elliott personally, and the invoice was drawn to reflect this. However, the transaction was changed after the invoice was generated, so that by the time the art was paid for and delivered, it had been determined that Audobon Assets Ltd. was to be the purchaser. Hammer Galleries never issued a corrected invoice.

Finally, with respect to the eighth transaction, you will note that the wire transfer identified in the subpoena is for \$95,000 -- exactly half of the purchase price of the two paintings listed on the invoices. The \$95,000 payment in May 2004 was a 50% deposit, and an additional \$95,000 remains due and owing on this transaction.

I hope that this information is helpful, and satisfies whatever your investigative concerns may be concerning these transactions. If you require further information or documentation, please let me know.

Also, please have a happy holiday season.

Very truly yours,


James A. Moss

Enclosures

HG0006