

Taxpayers Exhibits

Exhibit	Date	Description
1	8/16/98	Certificate re Global Link from Texas Comptroller of Public Accounts
2	8/13/98	Letter from Global-Link
3	7/28/98	Letter from Global-Link
4	8/17/98	Letter from Drayton Assets LTD.
5	8/17/98	Letter from Global-Link
6	8/18/98	Letter from Global-Link
7	10/12/98	Letter from Shea International S.A.
8	10/13/98	Letter from Global-Link
9	2/26/99	Letter from Global-Link
10	6/4/99	Letter from Interfund Equities Japan
11	4/19/01	Letter from USBT
12	4/19/01	Letter from Bank One
13	12/5/01	"Swissnetbank" Utilization Proposal Letter of Intent and UBS Bank Wire from Citibank and Account Establishment Documents
14	9/24/98	Press Release and U.S Securities and Exchange Commission Complaint against USBT
15	4/3/02	Letter from Herisko
16	9/19/02	The Arkin Group Report re Herisko and Swissnetbank Scheme
17	12/13/02	Criminal Case Documents vs. Herisko
18	3/12/03	FBI Investigation Notes
19	6/2/03	Letter from Norman Rasmussen re 12/19/02 Letter
20	5/2/08	USBT Check
21	8/8/01	USBT Check
22	9/5/01	USBT Check
23	11/2/01	USBT Check
24	3/20/07	Letter from Receiver

FROM : IHL

PHONE NO. : 713 784 8940

Sep. 04 1998 10:16AM P01

FROM : GLOBAL LINK

PHONE NO. : 713 659 8814

Sep. 04 1998 09:48AM P1



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

JOHN SHARP • COMPTROLLER • AUSTIN, TEXAS 78774

CERTIFICATION OF ACCOUNT STATUS

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, John Sharp, Comptroller of Public Accounts of the State of Texas, DO
HEREBY CERTIFY that according to the records of this office

GLOBAL-LINK CAPITAL MARKETS LTD

~~is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time.~~

This certificate is valid through the date that the next franchise tax report
will be due, 05-17-99.

~~This certificate is valid for the purpose of conversion when the converted
entity is subject to franchise tax as required by law.~~

This certificate is not valid for the purpose of dissolution, merger or
withdrawal.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE: In the City of
Austin, this 14th day of
AUGUST, 1998 A.D.

JOHN SHARP
Comptroller of Public Accounts

Charter/C.O.A. number: 070123711-8

1

FROM : IHL

PHONE NO. : 713 784 8940

Aug. 13 1998 09:36PM P01

FROM : GLOBAL LINK

PHONE NO. : 713 659 8814

Aug. 13 1998 08:49PM P1

G-CM

**K.S. Harrison
Managing Director**

GLOBAL-LINK CAPITAL MARKETS LTD

**PHONE (713) 659-6620
FAX (713) 659-8814**

13 August, 1998

Personal & Confidential

**Vincent Ellis-Brown, Solicitor
Via Facsimile 44 144 488 2081**

RE: Letter of Intent

Dear Mr. Ellis-Brown:

Global-Link Capital Markets, Ltd. (G-CM) herewith submits this Letter of Intent to deposit Four Million U.S. Dollars (\$4.0 M) into your USD Currency Client Account at Lloyd's Bank, London pending clearance and authority to proceed. This decision was made by virtue of a meeting of the Board of Directors of Global-Link Capital Markets, Ltd. on 13 August, 1998.

This Letter is subject to your approval and acknowledgement in writing of the enclosed Letter of Understanding that is made a part hereof by reference. We are prepared to send this sum into your Client Account to hold to our order against your undertaking and we will then await an invitation to meet the Bank's coordinator to discuss the proposed venture.

GLOBAL-LINK CAPITAL MARKETS, LTD.



Managing Director

**cc: J.P. Motley, Trustee Drayton Assets Ltd.
W.J. Herisko, Chairman Global-Link Capital Markets, Ltd.
J.G. Minniece, General Counsel Global-Link Capital Markets, Ltd.**

FROM : IHL
FROM : GLOBAL LINK

PHONE NO. : 713 784 8940
PHONE NO. : 713 659 8814

Aug. 13 1998 09:38PM P02
Aug. 13 1998 08:50PM P2

G-CM

K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

13 August, 1998

Personal & Confidential

Vincent Ellis-Brown, Solicitor
United Kingdom Via Facsimile 44 144 488 2081

RE: Letter of Understanding

Dear Mr. Ellis-Brown:

Global-Link Capital Markets, Ltd. (G-CM) herewith submits this Letter of Understanding regarding its intent to deposit Four Million U.S. Dollars (\$4.0 M) into your USD Currency Client Account at Lloyd's Bank, London, pending clearance and authority to proceed. Please sign below your acknowledgment and endorsement of our understanding of your private and confidential offer that has been made for our mutual benefit.

We understand that an account facility that meets all of the U.S. Federal Reserve requirements has been granted at a major Swiss Bank that serves as a fiduciary (Trading Bank) for the purchase and sale (buy/sell) Medium Term Notes (MTN) and that you are a U.K. licensed Solicitor who has met all of the requirements of said Bank to serve as Authorized Signatory, hereinafter referred to as ("Signatory"), and that said Bank has authorized you to offer to Global-Link Capital Markets, Ltd., hereinafter referred to as ("G-CM"), the opportunity to become the owner of said account facility as well as the Purchasing Entity, said Signatory and G-CM together hereinafter referred to as ("the Parties").

Signatory represents that he has the relationships to cause the issuance and delivery of MTN's to G-CM's Trading Account and that he also has relationships to cause the sale of said MTN's in the secondary market.

Global-Link Capital Markets, Ltd. (G-CM) agrees to become the owner of said account facility as well as the Purchasing Entity, and to deposit the required \$4.0M into your USD Currency Client Account as consideration for said Account acquisition, subject to the following:

1. G-CM's agrees to engage in the direct Purchase and Sale (P&S) of quality MTN's with the understanding that Signatory provides to G-CM ongoing professional review and guidance.
2. G-CM agrees to compensate Signatory, for services rendered, ten percent (10%) of G-CM's gross profits derived from each round turn P&S.
3. Signatory's responsibilities relating to said Account shall include but not be limited to the following:

FROM : GLOBAL LINK

PHONE NO. : 713 659 8814

Aug. 13 1998 08:50PM P3

Vincent Ellis-Brown, Solicitor
Page 2

4. Signatory shall be responsible for activation of MTN Buy & Sell undertaking within seven days of G-CM's deposit of \$4.0M and acceptance of the terms of proposed venture.

order and that there will be no encumbrance of any kind placed on G-CM's funds until G-CM has met with the Bank's coordinator and accepted the terms of the proposed venture.

6. As a function of the Account acquisition, Signatory shall arrange for G-CM to become the properly recorded owner of this private account and shall act on G-CM's instructions, as agreed in advance between the Parties, regarding the buy/sell operations that are carried out by the bank on behalf of G-CM.

7. G-CM and Signatory shall each have the ability to request that MTN Notes be purchased at pre-determined prices on a "per transaction" basis and re-sold immediately in the secondary market per exit contracts organized by the parties with the assistance and cooperation, where needed, of the Signatory through said Swiss Bank.

8. The parties agree that the entities involved in this Private MTN Trading Account shall be limited to the following:

8.a The Swiss Bank who shall service as the fiduciary bank (Trading Bank) and shall receive funds, verify the MTN's for G-CM and the secondary market buyer, and distribute profits to G-CM's order.

8.b Senior Vice President of the International Banking Group of the Swiss Bank who is the relationship officer for this specific account who executes the specific buy/sell orders according to the request supplied by the Purchasing Entity through its Signatory.

8.c The English Solicitor (Signatory) who is the approved Authorized Signatory for the Account.

8.d G-CM, the Account owner and Purchasing Entity.

9. G-CM agrees to be responsible for screening all incoming deposits from prospective MTN purchasers and/or sellers, carefully applying the appropriate due diligence procedures as agreed by the Parties, for such purposes.

10. Signatory agrees to maintain this private account in perpetuity on behalf of G-CM.

FROM : IHL
FROM : GLOBAL LINK

PHONE NO. : 713 784 8940
PHONE NO. : 713 659 8614

Aug. 13 1998 09:41PM P03
Aug. 13 1998 29:51PM P4

Vincent Ellis-Brown, Solicitor
Page 3

The parties hereto, for their mutual benefit, agree that the above is their agreement regarding the proposed venture as of the date first written above.

GLOBAL-LINK CAPITAL MARKETS, LTD. VINCENT ELLIS-BROWN, SOLICITOR



Managing Director

Signature

cc: J.P. Motley, Trustee Drayton Assets Ltd.
 W.J. Herisko, Chairman Global-Link Capital Markets, Ltd.
 J.G. Minniece, General Counsel Global-Link Capital Markets, Ltd.

G-CM
K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

FAX COVER PAGE

PAGES: 12
DATE: 28 July 1998
TO: KINKO'S 949-548-5814
FROM: K.S. Harrison
RE: DOCUMENTS SENT BY FAX TO KINKO'S FOR W.J. HERISKO
MR. HERISKO'S PHONE NUMBER IS 949-646-3162

Gentlemen:

Please hold the following documents for pick up by W.J. Herisko:

- 5 PAGES- OPERATING AGREEMENT
- 1 PAGE- MINUTES OF MEETING
- 1 PAGE- LETTER OF INTENT
- 2 PAGES- ASSET PURCHASE AGREEMENT
- 2 PAGES- LETTER FROM ELLIS-BROWN, SOLICITOR TO K.S. HARRISON



Bill,

Please review the letter from Vincent Ellis-Brown to me regarding his original proposal to Joe Motley regarding the division of responsibilities and profits. He alleges that he originally meant for both the Account Owner and himself to have simultaneous use of the account, each for his own benefit. He further says that, in order to insure cooperative effort, he suggested that each would pay the other 10% of that party's trading profits.

Later he states that there would be no need or requirement for him to receive an ongoing 10% management fee for operating the account once Global-Link has its own signatory on the account which is what he always has wanted in the first place.

I would like to hear your thoughts on this. Should we acquiesce to his wishes or demand our own way?

MINUTES OF MEETING

On meeting held by the members of Global-Link Capital Markets Ltd., a Nevada limited liability company, on this day, August 15, 1998, all members agreed to the following resolution:

RESOLVED, that Ann Palmer of Long Beach, California is hereby authorized to open offices for and on behalf of Global-Link Capital Markets Ltd., in Switzerland and is authorized to do the following:

1. Establish banking relationship for the company with Union Bank of Switzerland in Zurich, Switzerland, serving as sole Signatory until such time that \$4,000,000 is returned to said Ann Palmer.
2. To establish said banking relationship you will use VJB Ellis-Brown, a UK solicitor, to aid and assist in all respects.
3. No authority is given for G-CM's officers to serve as signatories on the account referenced in (1.) above, unless one or both of the following events occurs:
 - 3.a Such authority is granted by Ann Palmer, or
 - 3.b Ann Palmer no longer is able to serve as Signatory by virtue of her incapacity or death.

In keeping with the Operating Procedures set forth by the company, this action is effective immediately as of the date shown above, and no further meetings or minutes can modify these minutes or rescind same, until and only after the return of \$4,000,000 to Ann Palmer, at which Ann Palmer's authority granted herein is automatically terminated.

SECRETARY



J. G. Minniece

**OPERATING AGREEMENT
BETWEEN
ANN PALMER AND GLOBAL-LINK CAPITAL MARKETS, LTD.**

This Agreement dated this _____ day of August, 1998 by and between Ann Palmer, an Individual, acting for and on behalf of herself, hereinafter referred to as ("AP"), and Global-Link Capital Markets, Ltd., hereinafter referred to as ("G-CM"), together hereinafter referred to as ("The Parties").

RECITALS

G-CM declares that it has access to a Trading Account in Union Bank of Switzerland (UBS). Said Account carries a special number that identifies said Account as a United States Federal Reserve approved Trading Account. Said Account is recognized by said Bank as one of a few, select, existing accounts that have been designated by said Bank to handle the Private Placements of Medium Term Notes issued by AA or better S&P rated banks on behalf of said banks' most creditworthy Clients on a confidential basis. (Although each Note is issued on behalf of a third party, said Note is a direct obligation of the issuing bank and carries the full faith and credit of the issuing bank.) Such Accounts are the exclusive means by which the Asset Holders, who cause said Bank to issue and/or sell these third party obligations that are issued on said Asset Holders' behalf, are allowed to deliver said Notes to the buyers for payment.

AP declares that she has Four Million U.S. Dollars (\$4.0M), representing clean, clear funds of her own that is available and that she has agreed, subject to contract to make available to acquire, for the mutual benefit of the Parties, said Trading Account from UBS.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements hereinafter set forth, and subject to the terms and conditions stated herein, the parties do hereby agree as follows:

1. **Transfer.** AP agrees to transfer Four Million U.S. Dollars (\$4.0M) from her U.S. bank account to the U.S. Currency Client Account of Vincent Ellis-Brown, a Solicitor of the Supreme Court in England and Wales, who has experience in this business and has been approved by Union Bank of Switzerland (UBS) as a Signatory for operating a Trading Account, subject to said Solicitor's written and executed Undertaking that reads as follows:

IN CONSIDERATION of your transfer of USD 4,000,000 (Four million United States Dollars) into my client currency account at Lloyds Bank Plc., 84 Park Lane, Mayfair, London W1Y 4BX Account Number: 11241486, I HEREBY UNDERTAKE to hold the same to your order and to retain the sum in the said account until I receive your written fax instructions either to return the sum to you or to transfer the said sum to the Union Bank of Switzerland in accordance with that Bank's advice as to the appropriate method of transfer which shall be limited to either of the following that is to say, by S.W.I.F.T. transfer to that Bank, by the equivalent in Swiss Francs or the same in Dollars, or by Bankers Draft, and to notify you of the advice so given and of the transfer.

2. **Acquisition.** At the written request of G-CM, AP will instruct Vincent Ellis-Brown to transfer such funds to Union Bank of Switzerland to acquire a Trading Account in such bank, which account will be in the name of Global-Link Capital Markets, Ltd. with the Authorized Signatories on such account for G-CM being Ann Palmer and Vincent Ellis-Brown, subject to said Solicitor's written and executed Undertaking that reads as follows:

IN CONSIDERATION of your transfer order of USD 4,000,000 (Four million United States Dollars) from my client currency account at Lloyds Bank Plc., 84 Park Lane, Mayfair, London. WIY 4BX Account Number: 11241486, to Union Bank of Switzerland, as consideration for acquisition of a Trading Account in the name of Global-Link Capital Markets, Ltd., I HEREBY UNDERTAKE to do the following:

1. *Facilitate, on a best efforts basis, the issuance, purchase and sale of creditworthy bank medium term notes in order to generate profits as a result of your acquisition.*

2. *Act on irrevocable instructions, of which I am in receipt, from Global-Link Capital Markets, Ltd. to pay the first Four Million U.S. Dollars (\$4.0M) in profits to your order and to distribute the remaining and future profits according to this Operating Agreement between Ann Palmer and Global-Link Capital Markets, Ltd. for as long as the Trading Account exists.*

3. *Operate said Trading Account per the instructions provided by Global-Link Capital Markets, Ltd. and/ or as described in said Operating Agreement to the best of my ability.*

3. **Due Diligence.** G-CM hereby agrees that it will thoroughly investigate all aspects of the Trading Account to determine its validity and use as a vehicle for generating profits. Only after said investigation has been completed and AP has been advised regarding the details of said investigation will G-CM request the transfer of AP's funds to Union Bank of Switzerland. Such due diligence shall include, but not be limited to the following:

3.1 G-CM will coordinate with Mr. Vincent Ellis-Brown and his associate, the Trust Officer and Trading Coordinator (of a Trust that provides MTN's to said Bank for sale to one of several existing Trading Accounts that are domiciled and active in said Bank) on the process of establishing G-CM's Trading Account. *which*

3.2 G-CM's Managing Director, K.S. Harrison will travel to Zurich, Switzerland and meet with the Senior Bank Officer of Union Bank of Switzerland and confirm the terms and conditions relating the purpose and need for the Four Million U.S. Dollars (\$4.0M) Trading Account acquisition cost.

3.3 G-CM will report its findings to AP for her consideration.

3.4 After AP has completed her own due diligence and has been satisfied as to the requirements and any associated risks involved, she will communicate same to G-CM.

3.5 G-CM will advise Solicitor that AP is ready to proceed.

3.6 Solicitor will request AP to transfer funds in accordance with paragraphs (1.) above.

Amended

3.7 After receiving said funds into his Client Currency Account, Mr. Ellis-Brown will arrange for the transfer of said funds to an account styled Global-Link Capital Markets, Ltd in Union Bank of Switzerland.

A.W. [unclear]

3.8 At this time, Mr. Ellis-Brown and Mr. K.S. Harrison of Global-Link Capital Markets, Ltd. will visit Union Bank of Switzerland in order to complete the due diligence regarding the acquisition of the Trading Account on behalf of AP.

3.9 Subsequent to written instructions and confirmation from AP that AP is ready to proceed, Mr. Ellis-Brown will transfer AP's funds to G-CM's account in UBS.

of subject u-p is a jpr.

Report

3.10 UBS will deliver an invoice to said account that states the purpose and requirement for the \$4.0M that has been designated by Mr. Ellis-Brown as the acquisition cost.

Report

3.11 Upon receipt of said invoice, Mr. Ellis-Brown will send a copy of said invoice to AP for approval, and will pay said invoice only after AP's written approval has been received.

4. Initial Profits. G-CM hereby agrees to issue irrevocable instructions to Vincent Ellis-Brown, Signatory on Trading Account, to pay the first Four Million U.S. Dollars (\$4.0M) in profits that are earned by G-CM, to AP's order. AP agrees that said payment will serve as total reimbursement for AP's cost of acquiring the subject Trading Account for the mutual benefit of the Parties hereto.

5. Trading Account Operation. AP hereby authorizes G-CM to act for her and in her stead in operating the subject Trading Account. G-CM's role in managing the day to day activities relating to said account shall include, but not be limited to the following:

5.1 G-CM will establish and maintain a relationship with the Swiss Bank Officer who will coordinate the purchases and sales of the MTN's by G-CM.

5.2 G-CM will communicate daily with the Coordinator for certain asset holders who engage the bank to issue MTN's on their behalf.

5.3 G-CM and said Coordinator will agree on Delivery Commitments for the issuance of MTN's. Each Delivery Commitment will include a total subscription (the total amount of funds to be raised through the issuance of MTN's) and the denominations (the size of each Note).

5.4 G-CM will contract with third party fund owners and fund managers to complete a full subscription. This is done in the following manner:

- a. G-CM accepts said funds into G-CM's Trading Account after verifying that the funds are clean and cleared through the U.S. Federal Reserve.
- b. G-CM orders the delivery of MTN(s) through the Bank.
- c. The Bank acts on the order and delivers the MTN(s) for payment.
- d. Using its client's funds, G-CM purchases the MTN(s).
- e. As a function of delivering each Note for payment, the Bank will verify and authenticate said Note. Each Note will have title and registration numbers assigned to it.

number

____ wh
____ ap

- f. After each Note has been paid for with G-CM's clients' funds, G-CM will sequentially sell same Note to G-CM's contracted secondary market purchaser(s).
- g. The difference between the purchase price and sale price will be distributed at G-CM's order. Said pricing is controlled by market conditions at the time of sale, and the total allowable percentage of G-CM's profits is supervised by the U.S. Federal Reserve.

For and on behalf of AP, G-CM will engage Mr. Vincent Ellis-Brown to handle some, or all of the above activities. G-CM will schedule and make daily and/or weekly reports to AP regarding current activities, total number of trades conducted, anticipated profits, realized profits, and future projections.

6. Profit Distribution. Profits shall be defined as fund balances that remain in the Trading Account after all requisite Bank Charges and Fees have been paid. After the initial Four Million U.S. Dollars of profit has been paid to the order of AP, the remaining and subsequent profits that are paid to G-CM's Trading Account shall be distributed as follows:

6.1 A legal and administrative fee of fifty basis points (.0050) per round turn purchase and sale (trade) shall be retained and/or distributed at the order of G-CM prior to any other distribution. ?

6.2 After the above legal and administrative fee has been deducted, ten percent (10%) of profits on each trade will be distributed to the order of Mr. Ellis-Brown as compensation for his continued management and/or guidance in the administration of the Trading Account.

6.3 After payments reflected in (6.1) and (6.2) above have been distributed and/or allocated for distribution, Mr. Ellis-Brown will be paid 15% of the remaining profits on any trades conducted on behalf of Mr. Ellis-Brown's own Clients whose funds are used for trading.

6.4 After payments reflected in (6.1), (6.2), and, if applicable, (6.3) have been made, the remaining profits will be equally divided (50/50) between AP and G-CM and shall be distributed at the order(s) of the respective Parties.

It is understood by the Parties that the majority of all profits must be used to fund worthy projects that meet the approval of the U.S. Federal Reserve.

7. Taxes and Fees. G-CM shall be responsible only for those taxes and/or fees that arise from the administration of the Trading Account. Any taxes due on division of profits that is made in connection with, or in addition to those stipulated herein, shall be the responsibility of the Party to whom said distribution is made and must be taken into account prior to any such distribution so as not to create a tax burden for the other payees.

It is understood and agreed between the Parties that G-CM has entered into this Agreement with good faith and has exhibited such to AP. G-CM agrees to use its best efforts to achieve its commitments made to AP in this Agreement. AP agrees that G-CM cannot, and shall not, be held liable for any wrongful act or omission by any person related to this Agreement that is beyond the control of G-CM.

AP agrees to notify and forever warrant and defend G-CM's right and entitlement to its share of the agreed profits, as described herein, to AP's heirs and/or assigns.

THE PARTIES hereto by their signatures have made this Agreement on the date first written above.

GLOBAL-LINK CAPITAL MARKETS, LTD.
Represented by

Ann Palmer, An Individual

W.J. Herisko,
Chairman and Chief Executive Officer

Handwritten notes:
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-5
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building
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Ann's

LETTER OF INTENT

August 15, 1998

K.S. Harrison, Managing Director
Global-Link Capital Markets, Ltd.
Kellogg Tower
601 Jefferson Street Suite 320
Houston, Texas 77002

Dear Mr. Harrison:

This Letter of Intent is issued by Ann Palmer, an Individual, acting for and on behalf of Global-Link Capital Markets, Ltd. and her own behalf, with U.S. Passport Number _____, with full legal responsibility, under penalty of perjury, to fund the acquisition cost of a Special Trading Account to accommodate Global-Link Capital Markets, Ltd.'s participation in a major Swiss Bank's private placement of medium term notes (MTN). Laser copy of passport photo page is enclosed as Exhibit "A".

Said funds are available for immediate placement and are currently in Citibank, Long Beach California, to my order, in the amount of (\$4, 000,000 USD) Four Million United States Dollars, including responsible bank officers coordinates for verification and authentication, is enclosed as Exhibit "B".

It is understood and agreed that the rules of HR 3723 and non-circumvention and non-disclosure, established by the International Chamber of Commerce (ICC) Paris, France ICC 400, 500 and 600, are incorporated herein by reference.

I confirm and acknowledge that neither a bank, nor anyone acting on said bank's behalf, has solicited me in any way and furthermore that no document I shall receive shall be deemed to be a solicitation of funds in connection with an investment.

I understand that the majority of all earnings must be used for charitable causes as well as humanitarian related project development.

Facsimile documents, when properly endorsed, are hereby declared to be treated as originals, and originals may be obtained upon request.

Ann Palmer, An Individual

**ASSET PURCHASE AGREEMENT
BETWEEN
ANN PALMER AND GLOBAL-LINK CAPITAL MARKETS, LTD.**

This Agreement dated this _____ day of August, 1998 by and between Ann Palmer, an Individual, acting for and on behalf of herself, hereinafter referred to as ("Seller") and ("AP"), and Global-Link Capital Markets, Ltd., hereinafter referred to as ("G-CM"), together hereinafter referred to as ("The Parties").

RECITALS

WHEREAS, G-CM declares that it has access to a Trading Account in Union Bank of Switzerland (UBS), and

WHEREAS, AP declares that she has Four Million U.S. Dollars (\$4.0M), representing clean, clear funds of her own that are available and that she has agreed, subject to contract, to purchase, for the mutual benefit of the Parties, said Trading Account from UBS, according to the terms and conditions contained in that certain OPERATING AGREEMENT BETWEEN ANN PALMER AND GLOBAL-LINK CAPITAL MARKETS, LTD.

NOW, THEREFORE, In consideration of the mutual representations, warranties, covenants and agreements hereinafter set forth, and subject to the terms and conditions stated herein, the parties do hereby agree as follows:

In consideration of the mutual representations, warranties, covenants and agreements hereinafter set forth, and subject to the terms and conditions stated herein, the parties do hereby agree as follows:

1. **Sale.** Seller agrees to sell, assign, transfer and deliver to Buyer all of Seller's rights, title, interest in that certain bank account in Union Bank of Switzerland, referenced and identified in the Operating Agreement that was made between the Parties. This Agreement shall include, but not be limited to, any future earnings that would have been due and payable to Ann Palmer after the effective Closing Date, in exchange for cash as hereafter set forth, and to forever defend Buyer's right, title and interest in said bank account to Seller's heirs and assigns.

2. **Purchase Price.** Seller's rights, title, interest in that certain bank account in Union Bank of Switzerland, Buyer agrees to pay to Seller as follows:

- a. On the Closing Date, One Hundred Million U.S. Dollars (\$100,000,000) in cash.
- b. Closing Date is defined as the scheduled meeting between the Parties to take place within ten (10) banking days following the first day after the Company receives a total distribution of gross profit(s) into its Trading Account that equals or exceeds Seven Hundred Fifty Million U.S. Dollars (\$750,000,000) and/or when the distribution, made to the order of Ann Palmer, meets or exceeds Three Hundred Fifty Million U.S. Dollars (\$350,000,000), whichever comes first.
- c. Notwithstanding anything to the contrary stated herein, the total sum to be paid to Seller, pursuant to the terms and conditions of this Agreement, shall not exceed \$100,000,000.

d. Pursuant to that certain Operating Agreement referenced above, any taxes due on said purchase that is made in connection with, or in addition to, those stipulated in paragraph (b.) above will be the responsibility of the Party to whom said distribution is made and must be taken into account prior to any such distribution so as not to create a tax burden for the other party.

This Agreement and the legal relations between the parties hereto shall be governed by, and construed in accordance with, the laws of the State of California. This Agreement shall not be altered or amended except pursuant to an instrument in writing signed by both of the Parties hereto.

THE PARTIES hereto by their signatures have made this Agreement on the date first written above.

GLOBAL-LINK CAPITAL MARKETS, LTD.
Represented by

Ann Palmer, An Individual

W.J. Herisko,
Chairman and Chief Executive Officer

FROM : GLOBAL LINK
JUL 22 '98 23:25

PHONE NO. : 713 659 8814
1819981146

Aug. 16 1998 04:12PM P11
TO: 713 659 8814 P01

Solicitor



ELLIS -BROWN

K.S. Harrison Esq.,
Global-Link Markets Ltd.

FAX 001 713 659 8814.

Rutherford House
The Street
Bolney
West Sussex
RH17 5PG

Tel 01444 882080
Fax 01444 882081

My Ref:

18th August 1998.

Dear Mr. Harrison,

Thank you for your letter of 14th August and our subsequent telephone conversation.

There is one matter which I would like to mention before referring to the points of our conversation and your letter, and I mention it because upon reading paras 1, 2 & 3 of your letter one might gain the impression that you are reserving the right to allow me to introduce funds into the account. That is not the situation pertaining here. When I approached Mr. Motley to offer participation in this facility it was on the basis that he or whoever he brought in would acquire the beneficial ownership of the account by registration and would also be able to bring in funds and engage both the providers and purchasers of MTNs with a view to making and receiving the profits into the account. I also suggested that I received 10% of the profits which he made. Likewise, it was on the basis that I brought funding into the account and contacted the providers and buyers and participated fully in the purchase and sale of MTNs, with a view to making and receiving profits into the account. I also suggested that he or whoever acquired the ownership of the account received 10% of the profits which I made. The object of this was to offer him protection and to provide incentive on each side to use the account to its fullest capacity.

However, with regard to your letter I do indeed intend to devote my time and attention to the operation of the account and having prepared for this event can separate from my current professional duties at very short notice. I suggest that, in accordance with the proposals in your letter that :

1. I assist you, as signatory, so that you participate as much as possible in the P & S of MTNs as previously described for which I would receive 10% as indicated above from matters completed by you. I understand from Mr. Motley that his client has a very substantial amount to introduce. That would come from your side and would entitle you to receive 90% of the returns to the account. I can assist you by finding the providers and also the buyers. If you are able to find your own then that will of course be wholly acceptable to me and in accordance with the general intentions for both of us.
2. I will arrange for you or your appropriate personnel to be a signatory and to train

and guide you or that person to carry out these activities.

3. After training and following the signing on of the other signatory I do not think it will be necessary for additional sums to be paid to me. I will be doing my own business and receiving 90% of the profits from that activity. (N.B. I do think however that the 10% / 90% sharing needs to be put into an agreement as I expect there will be some refining needed, where for example, the party introducing the funds - whether that be my client, or yours - has negotiated a return for his projects which impinges on the net returns for apportionment between us - this however can be worked out quite easily)

With regard to someone taking responsibility, I confirm that I am prepared to do so on the following basis:

- a.) I know and have the relationship with the person mentioned who has the knowledge and experience and contacts;
- b.) I have carried out my own due diligence and am personally satisfied that the payment of \$ 4 M will obtain ownership for the payer of the facility; and that it will become activated upon my signing; and that it will also become operational in that it will be used for the purposes referred to in our correspondence and will provide the returns which will be applied firstly to the return or refund of the \$4M.

I therefore propose that in acting for you in the acquisition of the account that I do so as your lawyer for this purpose, and that I take responsibility for applying the funds for this purchase at this price, ensuring that I activate the account, and make it operational, and that it is immediately used for the P & S of the securities intended and that the profits are applied in the first instance to the refund of the \$ 4M. For this purpose and to ensure it is a full professional obligation undertaken by me that I should charge a reasonable professional if modest fee.

I also propose telephoning Minet Insurance, which provides me with additional professional insurance cover and will seek additional cover for this sum (\$ 4 M) and obtaining cover for this purchase with its attendant faculties as listed above, so that should my judgment on these matters be incorrect or my actions fail to obtain the full facility intended then I shall be liable in a claim for negligence for failure to obtain what the buyer instructed me to acquire as part of my instructions. At the conclusion of the acquisition and when the account has been shown to be activated and operational and when the profits in the account have refunded the \$ 4M. then the liability must be regarded as having been discharged. It is then my intention to devote my time and attention to the operation of the account not as a solicitor but as a signatory and such assistance which I render to you will be, as previously indicated, without obligation. I would suggest that these further matters are put into an agreement between us so that you are in no doubt about my willingness to help you . I have in fact already drafted an agreement and have sent this to Mr. Motley.

If these matters can be agreed, I must ask you to confirm that the funds will be transferred by priority Swift, with same day value into my client account on Monday 18th August against my undertaking and this proposal, with a view to me transferring the said sum to the Swiss Bank immediately as the facility will not be left available unless payment is now made. Please let me have your response.

Yours sincerely,

John McFarlane

FROM : IHL

PHONE NO. : 713 784 8940

Aug. 19 1998 09:11AM P01

FROM : GLOBAL LINK
17/08/1998 11:47

PHONE NO. : 713 659 8814
MAASS

Aug. 19 1998 08:42AM P1
S. 01

*2:40 PM
COT.*

DRAYTON ASSETS LTD

Provinzialstraße 3
59425 Unna-Massen
Germany

Tel: 49.177.265.5780
Fax: 49.230.353.390

August 17, 1998
2:30 PM CET

VINCENT ELLIS-BROWN, ESQUIRE
Via TeleFAX

RE: \$100,000,000 USD CONFIRMATION OF FUNDS FOR FIRST MTN
PLACEMENT THIS WEEK IN SWISS BANK ACCOUNT

Dear Mr. Ellis-Brown:

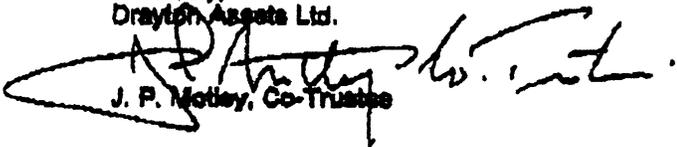
Please let this Letter serve to confirm our telephone conversation of today wherein we informed you that our Client, Pillar Holdings Limited, called from Monte Carlo to confirm that a \$100,000,000 USD Placement was now ready for our direction.

We have been requested by the Principals of Pillar Holdings Limited to meet with them this week when they turn over the \$100,000,000 USD either in London or in Switzerland according to your recommendation.

Therefore, we request that you please advise as to the Time Frame for the completion of the acceptance of this \$100,000,000 USD in terms of the activation of the Swiss Bank Account as per our communications exchanged with Mr. Sam Harrison et al. We understand from Mr. Harrison that the Transfer of the Initial Consideration should be perfected in the Monday Business Day, California PDT time and therefore, our wish is to be able to conclude a Placement for Pillar Holdings Limited by this Friday.

Please consider this Letter as our request to organize and coordinate all final details with the objective of a first MTN Transaction being conducted this week on behalf of our Client, Pillar Holdings Limited, with several additional transactions to follow per documents to come forward later today as noted. We thank you for your help in setting all agendas in motion to accomplish timely activation of this account.

Sincerely,
Drayton Assets Ltd.


J. P. Motley, Co-Trustee

JPM:mb

4

FROM : IHL
FROM : GLOBAL LINK
19/08/1998 10:22

PHONE NO. : 713 784 8940
PHONE NO. : 713 659 8814

Aug. 19 1998 09:12AM P02
Aug. 19 1998 08:42PM P2

DRAYTON ASSETS LTD

Provinzialstraße 3
59425 Unna-Massen
Germany

Tel: 49.177.265.5780
Fax: 49.230.353.390

August 18, 1998
2:00 PM CET

MR. SAM HARRISON
Global-Link Capital Markets Ltd.
Houston, Texas

RE: \$100,000,000 USD UTILIZATION FOR PLACEMENT IN UBS ACCT.

PRO-FORMA CASH FLOW PER CONVERSATION WITH MR. ROY OLSON AT 10:00 AM CET TODAY TO CLARIFY CASH FLOW

Dear Sam:

As previously noted, we have a Deposit standing by for \$100,000,000 USD to be utilized for the first Placement in the UBS Account and I took the time this morning to call Mr. Olson to very carefully review our understanding of the exact STEP BY STEP PROTOCOL leading to a Pay Day and for your private and confidential information, I provide the following data which you and I will RE-CONFIRM together with Roy Olson today at your convenience.

- #1. Assume a Client has \$100,000,000 USD CASH DEPOSIT.
- A). \$100,000,000 USD is the minimum to qualify for \$500,000,000 USD initial Closings on the purchase of MTN Instruments.
- B). Therefore, we would be PURCHASING a \$500,000,000 USD MTN at a theoretical price of 70% of FACE (more or less) which is in this case \$350,000,000 USD.
- C). That \$500,000,000 USD MTN (or Five \$100,000,000 USD MTN) will now be sold to a Pension Fund (U.S.) provided by Mr. Roy Olson at the SELL PRICE of 90% of FACE (more, most likely) which is in this case \$450,000,000 USD.
- D). The GROSS PROFIT in this example is \$100,000,000 USD per each Transaction Closing which will initially take about 5 to 7 days for the entire operation cycle until the engine is up and running.
- E). \$10,000,000 USD or 10% is paid to Mr. Ellis-Brown et al for their services which include the provision of the EXIT BUYER which is one of several U.S. Pension Funds that Mr. Roy Olson is associated with.
- F). \$90,000,000 USD or 90% of the above Profit on this Closing is paid to our entities for further distribution according to how you and I mutually agree to structure a given Return On Investment on case by case.

FROM : IHL
FROM : GLOBAL LINK

PHONE NO. : 713 784 8940
PHONE NO. : 713 659 8814

Aug. 18 1998 10:02PM P02
Aug. 19 1998 05:25PM P4

G-CM

K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

FAX MEMORANDUM

PAGES: 1
DATE: August 17, 1998
TO: Board of Directors W.J. Herisko, Chairman
Global-Link Capital Markets, Ltd.
FROM: K.S. Harrison
RE: Negotiations w/ Trust Officer on Special Trading Account
Partial Report

Gentlemen:

I received a letter from J.P. Motley stating that our first 100 Million U.S. Dollars (\$100.0M) has already been committed for deposit as soon as our account is active. Assuming that he is correct, we will be able to begin trading within 5 to 7 banking days following activation of said account. X

Based on a very conservative estimate of 20% gross profit per trade on \$100.0M, total subscription of \$5.0 Billion Dollars, and 5:1 leverage on loan to value on assets trading:

- A. \$100.0M is the minimum to qualify for \$500.0M initial P&S on the first 10 week cycle.
 - B. Please remember that the figures below reflects an initial distribution to the investor who provides the \$100.0M. This party will expect a very healthy return on his money, and is knowledgeable on the range of profits available. Therefore, to be very conservative, I would recommend that we build into our proforma an adjusted gross net trading profit of 50% on gross trading profits AS SHOWN BELOW.
 - C. Assume \$500.0M face value @ 70% of face (more or less) which in this case is \$350.0M.
 - D. Roy Olson has a commitment from U.S. Pension Funds to purchase \$5.0B face value @ 90% of face which in this case would be \$450.0M. This represents 20% gross profit.
- WEEKLY PROFITS**
- E. Gross profit= \$100.0M aggreg. profit (on \$500.0M face) P&S for each trading week.
 - F. Adjusted gross profit= \$50.0M aggreg. profit
 - F. \$5.0M or 10% is paid to Ellis-Brown for his services (less 5 bps administration fee)
 - G. \$45.0M or 90% of profits is distributed equally between AP & G-CM (less 45 bps adm. fee)

Call me with any questions you have.

K.S. Harrison

cc: A. Palmer
W.J. Herisko, Chairman Global-Link Capital Markets, Ltd.
J.G. Minniece, General Counsel Global-Link Capital Markets, Ltd.
J.P. Motley, Trustee Drayton Assets Ltd.

601 Jefferson ♦ Suite 320 ♦ Houston, Texas ♦ 77002

5

FROM : IHL
FROM : GLOBAL LINK

PHONE NO. : 713 784 8940
PHONE NO. : 713 659 8814

Aug. 18 1998 10:01PM P81
Aug. 18 1998 05:24PM P3..

G-CM

K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

FAX MEMORANDUM

PAGES: 1
DATE: August 18, 1998
TO: Mrs. Ann Palmer
FROM: K.S. Harrison
RE: Transmittal of Documents

Mrs. Palmer:

Very late yesterday evening, I received a phone call from W.J. Herisko in which he relayed to me some needed changes in the draft "Operating Agreement" and draft "Minutes of Meeting". It is my understanding that these changes came as a result of your conversation earlier in same day with Mr. Herisko.

As a division of labor, I made the requested changes to the Operating Agreement and I asked the Secretary of our Board of Directors, Mr. John Minniece (who also serves as our General Counsel) to make the requested changes to the Minutes of Meeting.

The specific instruction given to me from Mr. Herisko was that a sentence would be inserted to read as follows: "No authority is given for G-CM's officers to serve as signatories on the account." I failed to tell Mr. Minniece that this sentence was all that was needed.

Mr. Minniece, who is very careful to look out for our interests and any eventuality, mistakenly thought that this directive was describing a general idea, not the specific wording required by Mr. Herisko. In normal contract negotiations, his thinking might have been correct.

However, we were wrong not to take into account the long term, trust relationship that you and Mr. Herisko have developed over time. Therefore, please do not hold Mr. Herisko responsible for our error. He told us correctly what to do. We simply did not pay close enough attention to the detail. We sincerely regret our ineptitude and herewith ask for your kind forgiveness.

While I have not had the opportunity to meet you in person, I am looking forward to doing so very soon. Based on what Mr. Herisko has told us about you, we at Global-Link are all extremely happy and excited with the prospect of working with you in this regard.



cc: W.J. Herisko, Chairman Global-Link Capital Markets, Ltd.
J.G. Minniece, General Counsel Global-Link Capital Markets, Ltd.

FROM : IHL
FROM : GLOBAL LINK
19/08/1998 14:11

PHONE NO. : 713 784 8948
PHONE NO. : 713 659 8814

Aug. 19 1998 09:14AM P23
Aug. 19 1998 08:43AM P3

MR. SAM HARRISON

PAGE TWO.

- G) This Initial Contract which utilizes \$100,000,000 USD CASH to be able to transact at \$500,000,000 USD per Closing is for FIVE BILLION USD.
- H) AFTER the first TWO to THREE BILLION USD is used up at the rate of \$500,000,000 USD Per Closing, the original FIVE BILLION CONTRACT is extended for another FIVE BILLION USD according to Mr. Olson.
- I) Therefore, from each \$100,000,000 USD CASH DEPOSIT, you may be able to conduct ONE CLOSING PER WEEK at the rate of \$90,000,000 USD PROFIT (Before payment to Investor) and AFTER all costs which include the 10% Profit (Fee) to Mr. Ellis-Brown et al.
- J) Consequently, at the AVERAGE RATE of ONE CLOSING PER WEEK, \$5,000,000,000 USD CONTRACT divided by \$500,000,000 USD per Closing would indicate TEN CYCLES at \$90,000,000 USD per CLOSE or \$900,000,000 USD per each TEN WEEK CYCLE for each Deposit of \$100,000,000 USD.

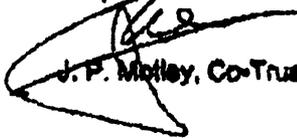
I have carefully reviewed these numbers with Mr. Ellis-Brown and he has agreed with the percentages as well as the extensions.

Mr. Roy Olson advised that the likely MARGIN for GROSS PROFIT will be 25% PER CLOSING and in this example above, the MARGIN for GROSS PROFIT is set at 20% to be conservative.

When you arrive at the office, would you please be kind to call me to review this information and other details that will be important to discuss in detail.

Thank you again and I am standing by to assist on all cases.

Sincerely,
Drayton Assets Ltd.


J. P. Motley, Co-Trustee

JPM:mb

18 Upper Brook Street
London W1Y 1PB
Tel: 0171 493 4233
Fax: 0171 499 9311

Shea International S.A.

12 October 1998

Mr Bill Herisko
PALM SPRINGS, USA

Via Fax: 00 1 760 416 3284

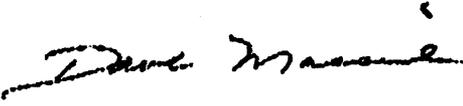
No. of Pages: 5

Dear Bill,

Please find enclosed a copy of a letter I received from His Holiness Alexyi, Bishop of Orekhova-Zueuo, and a draft letter of intent that I will receive this week.

Upon receipt I will fax it to you.

Thanks and Best Regards



Dave Mustie

G-CM

K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

FAX MEMORANDUM

PAGES: 1
DATE: October 13, 1998
TO: Board of Directors W.J. Herisko, Chairman
Global-Link Capital Markets, Ltd.
FROM: K.S. Harrison
RE: Schedule for Commencement of Trades in MTN Account

Gentlemen:

Yesterday, October 12, 1998 marked a historic day for our company. On that day, per Mr. Vincent Ellis-Brown we were officially authorized by the banking authorities to bring into Global-Link Capital Markets, Ltd's MTN facility, Client deposits for trading. Under the current guidelines established by the banking authorities, the minimum assets needed to establish a client trading account is \$2.5 Billion USD. The minimum cash allocation for trading is \$500 Million USD.

On Monday, October 19, I will travel to London to interview the Signatory of an entity that, according to Mr. Vincent Ellis-Brown, meets these qualifications. Mr. Ellis-Brown, who will be introducing this Signatory to me, told me that this Signatory is prepared to provide immediate bank verification of at least \$2.5 Billion USD and has agreed to allocate the required minimum of \$500 Million USD for trading.

The following schedule of events are those that are generally required to complete a single round turn purchase and sale of medium term notes. This afternoon, I forwarded this schedule to Mr. Ellis-Brown for his review, and he has agreed to respond over the next two days with approximate time periods required for each action.

<u>Time Estimate</u>	<u>Required Actions</u>
___ banking day(s)	Primary Buyer's Funds Verification by Issuing Bank
___ banking day(s)	Banking Authorities' Review of Primary Buyer's Source and Origin of Funds
___ banking day(s)	Primary Contract for Total Subscription and Pricing of Medium Term Notes (MTN)
___ banking day(s)	Exit Contract with G-CM's Secondary Market Buyer(s) for Purchase of MTN's
	Electronic Transfer of Primary Buyer's funds in Payment for MTN's
	Electronic Delivery of MTN's by Bank to Primary Buyer's Account
___ banking day(s)	Secondary Market Buyer(s) Initial Screen Verification of MTN's
___ banking day(s)	Electronic Delivery of MTN's to Secondary Market Buyer(s) Acct. for Payment
___ banking day(s)	Sequential Payment for MTN's to Primary Buyer's Acct. by Secondary Market Buyer(s)

Mr. Ellis-Brown's response will give us a general idea on how soon our MTN Facility will receive profits and the sequential return of Mrs. Palmer's \$4.0 Million USD,

K.S. Harrison *Swiss Central Bank
Pay for acct.*

8

МОСКОВСКАЯ ПАТРИАРХИЯ
СИНОДАЛЬНАЯ КОМИССИЯ
ПО ЭКОНОМИЧЕСКИМ И ГУМАНИТАРНЫМ ВОПРОСАМ

109172 Россия, г. Москва,
Крестыанская пл., 10
Тел./факс (095) 276-9387

THE MOSCOW PATRIARCHATE
THE HOLY SYNOD COMMISSION ON THE
ECONOMIC AND HUMANITARIAN PROBLEMS

Krestyanskaya sq., 10
Moscow, Russia 109172
Tel/Fax (095) 276-9387

№ _____

Sitea International
28 сентября 1998 г.
Количество страниц: 1

Его Превосходительству
сэру Дэвиду Мессе

Ваше Превосходительство!

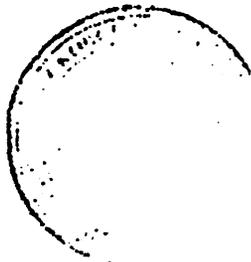
Да хранит Вас Господь!

Выражаем Вам свою признательность за предложения, представленные Вами в наш адрес 27 августа 1998 г. Приносим свои извинения за некоторую задержку с ответом, которая вызвана рядом событий, происходящих в России, о которых Вы, видимо, хорошо информированы.

Мы подтверждаем свою заинтересованность в организации совместных работ и готовность к нашей с Вами личной встрече в период с 10 октября 1998 г. в любое удобное для Вас время.

Мы надеемся, что к этому времени успеем завершить все организационные и финансовые приготовления нашей совместной деятельности. От имени и с личного благословения Его Святейшества Святейшего Патриарха Московского и Всея Руси Алексия II.

Его Преосвященство
Преосвященнейший Алексий
Епископ Орехово-Зуевский



His Excellency
Sir David Massie
Sitea International

September 28, 1998

Number of pages: 1

Your Excellency,

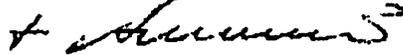
Save you Good.

We express our gratitude for your offers delivered to our address on August 27, 1998. We bring apologize for some delay of the replay to you, this was caused by certain events which took place in Russia recently and which, apparently, you were well informed about.

We confirm that we are interested in an establishment of a collaboration with you and we are ready to meet your good self personally at any convenient date for you in a period after the 10th of October.

We believe that by that time we will be able to finalize all necessary for our collaboration organizing and financial arrangements. On behalf and with personal blessing of His Holiness The Holy Patriarch of Moscow and All Russia Alexyi II.

His Holiness
The Holy Alexyi
The Bishop of Orekhovo-Zuevo



FROM : IHL

PHONE NO. : 713 784 8940

Feb. 28 1999 10:03AM P01

FROM : 0000000000

PHONE NO. :

Feb. 27 1999 09:06PM P1

matter # 2

G-CM

K.S. Harrison
Managing Director

GLOBAL-LINK CAPITAL MARKETS LTD

PHONE (713) 659-6620
FAX (713) 659-8814

FAX MEMORANDUM

PAGES: 1
DATE: February 26, 1999
TO: Board of Directors : W.J. Herisko, Chairman
Global-Link Capital Markets, Ltd.
FROM: K.S. Harrison
RE: Confidential List of Persons, provided at request of W.J. Herisko

London:

Vincent J.B. Ellis-Brown, Solicitor
Rutherford House, The Street
Bolney, GB
44 144 488 1667

Roy Olsson, Liaison Officer for Consortium of Banks
Rutherford House, The Street
Bolney, GB
44 144 488 1667

United Bank of Switzerland, Zurich Account Officers:

Miro Porlezza, Account Officer
M. Schubella, Account Officer
Kloten Branch, Numbered Accounts (Cque)
41 (01) 814 21 92

Houston Office:

W.J. Herisko, Chairman
601 Jefferson, Suite 320
Houston, Texas 77002
760-416-3284

K.S. Harrison, Managing Director
601 Jefferson, Suite 320
Houston, Texas 77002
713-659-6620

J.G. Minniece, General Counsel
5450 N.W. Central Drive Suite 215
Houston, Texas 77092
713-690-5382



Herisko
Harrison

601 Jefferson ♦ Suite 320 ♦ Houston, Texas ♦ 77002

9

INTERFUND EQUITIES

JAPAN

TELEPHONE: 03-3882-2491

FAX: 03-3882-2492

FACSIMILE MESSAGE

JUNE 1, 1989.

MR. W. J. KRISKO
CHAIRMAN
GLOBAL-LINK CAPITAL MARKETS
HOUSTON, TEXAS

DEAR MR. KRISKO:

IT IS OUR GREAT PLEASURE TO HAVE THE OPPORTUNITY TO CONTACT HONOURABLE PEOPLE AS YOU ARE, AND WE SHOULD LIKE TO ACKNOWLEDGE THE RECEIPT OF YOUR ESTIMATED FAVOUR OF MAY 12, 1989, WHICH WE THANK YOU FOR YOUR COURTESY AND KIND PROPOSAL.

PLEASE ACCEPT OUR SINCERE APOLOGIES FOR THE DELAY IN REPLYING TO YOU SOON AND FOR INCONVENIENCE THIS MATTER HAS GIVEN YOU BECAUSE MR. J. ENISHI HAD BEEN OUT FROM TOYAMA RECENTLY.

TO BE FRANKLY, WE HAVE BEEN EMBARRASSED TO YOUR REQUEST TO CONVERT JPY INTO USD (ALTHOUGH YOU COULD ACCEPT IN JPY INITIAL), TO MAKE LETTER OF INTENT AND OTHER DOCUMENTS SOME TIMES, TO SAFE KEEPING RECEIPT AFTER APPROVAL BY FBI, ETC., ETC. HOWEVER, WE HAVE NOT RECEIVED ANY FURTHER INFORMATION ON JPY 10 BILLION ISSUED BY NOKYO NANOJANA DIV. WHICH HAS BEEN OFFERED ON LIST SEPTEMBER, 1988, AND SIGNED ON NOVEMBER 5, 1988. A

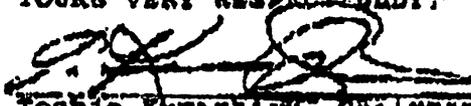
(4/12). BEING SO MUCH TAKES TIME, WE HAD TO SEND OUR LETTER OF CANCELLATION AND DESIST ON APRIL TO YOUR OFFICE AND TO MR. S. KITANO BECAUSE OF TIME LIMIT FOR OUR INTERNAL AFFAIRS WHICH IS OUR GREAT REGRET.

HOWEVER, PLEASE FORGET ALL ABOVE, IT IS PLEASURE OF INFORM YOU THAT MR. J. ENISHI WILL BE ABLE TO CONTROL THE KYOBAIKEN FROM JULY NEXT AROUND.

IN THE MEANTIME, WE ARE TRYING TO OBTAIN ANOTHER CLIENT WHO COULD COOPERATE TO OUR PROGRAM AT LEAST JPY 10 BILLION AS YOU ACCEPT. OF COURSE, WE WILL LET YOU KNOW LATER AS SOON AS WE CAN SO THAT WE COULD CONTINUE PROFITABLE BUSINESS WITH YOUR ESTEEMED GOOD-SELVES.

IN THE MEANTIME, WE REMAIN

YOURS VERY RESPECTFULLY.


TOSHIO KUREHIKO, CHAIRMAN
INTERFUND EQUITIES
DICTATED BY MR. J. ENISHI

C.C.: Mr. Datsuke Morie

FAX COVER SHEET

U. S. Reservation Bank & Trust
 PO Box 1
 North Antelope Rd.
 Mission, SD 57555

SEND TO Ms. Ann Palmer	From Ed Smedley Vice President
	Date 4/19/01
Office location	Office location
Fax number 1 562 434-7766	Phone number Tel 513-353-4789 Fax 513-353-4889

Urgent
 Reply ASAP
 Please comment
 Please review
 For your information

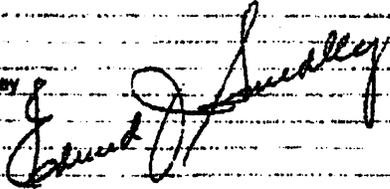
Total pages, including cover: 6

COMMENTS

Please sign the contract and endorse the invoice and return the the fax number above.

Thank You

Edmund J. Smedley



Hard copy via UPS overnight NH79-X28
 Tracking # 19930988 338

//

**U.S. RESERVATION
BANK & TRUST**
(an American Indian Financial Institution)
PO Box 1, North Antelope Rd.
Mission, SD 57555

PRO-FORMA INVOICE

Date: April 19, 2001

Invoice No. 10419-ANPA

Ms. Ann Palmer
[REDACTED]

Gentlemen:

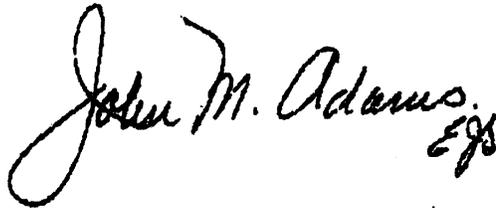
For issuance of the following Certificate of Deposit evidenced by the delivery of a Safekeeping Receipt for same to Ann Palmer, 270 St. Joseph, Long Beach, CA 90803 to your attention on April 23, 2001:

Certificate No.	Face Value
10420-ANPA	\$10,000,000. USD
Total	\$10,000,000. USD

Invoice amount should be wired transferred on April 20, 2001 to:

Bank One, Columbus, Oh
 ABA# 044 000 037
 A/C # 980218675
 Credit: U. S. Reservation Bank & Trust
 Account # [REDACTED]
 Reference: ANPA01141601

Sincerely yours,
U.S. Reservation Bank & Trust



John M. Adams
Executive Vice-President

**U.S. RESERVATION
BANK & TRUST**
(an American Indian Financial Institution)
PO Box 1, North Antelope Rd.
Mission, SD 57555

April 19, 2001

Ms. Ann Palmer
[REDACTED]

Dear Ms. Palmer,

Per your request of April 18, 2001, we confirm that upon receipt of your swift wire or ACH transfer of funds to USRB&T's bank, Bank One Columbus, OH to account number 6800014000 Reference ANPA01141601 on April 20, 2001, we will issue ONE (1) Certificate of Deposit in United States Dollars and deliver a Safekeeping Receipt from Bank One, in the amount indicated below, in your favor as follows:

Deposit Amt.: \$10,000,000.00 USD Mature Amt.: \$1,000,000.00. USD

Term: TWELVE (12) Months

Interest Rate: Three point Seventy-five (3.75%) Percent per annum, paid semi-annually in arrears.

TERMS AND CONDITIONS:

Value date: April 20, 2001

Condition: Personal delivery of Safekeeping Receipt of Bank One and a Certificate of Deposit of USRBT by an officer or agent of our Bank or by recognized overnight courier to you at: [REDACTED] to your attention.

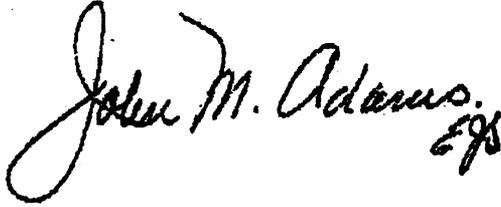
Payment: Upon written confirmation to us of the acceptance of the above terms and conditions, you will wire transfer to the account specified by us in exchange for the Certificate of Deposit and the Safekeeping Receipt for the deposit amount.

Withdrawal: In the event you require redemption of the Certificate prior to Maturity, the stated interest rate of Three point Seventy-Five (3.75 %) percent may be reduced to a rate no less than the U S Treasury Rate for T-Bills less ONE Percent (1%) from date of issue and that you agree to allow thirty days for the effective date of early redemption from the date the request is made, and that a written request shall be forwarded via Certified or Express Mail or other recognized courier to us. Ten (10) days prior to the Maturity date, you will

provide us with a written advice as to where the funds are to be forwarded or your intent to extend the maturity date.

Sincerely,

U. S. RESERVATION BANK & TRUST

A handwritten signature in cursive script that reads "John M. Adams" with a stylized flourish at the end.

John M. Adams
Executive Vice President

**U.S. RESERVATION BANK & TRUST
LEVERAGED DEPOSIT
PROFIT SHARING AGREEMENT**

This AGREEMENT is entered into this Nineteenth day of April, 2001, by and between U.S. RESERVATION BANK & TRUST, whose statutory offices are located on the Rosebud Indian Reservation, PO Box 1, North Antelope Rd., Mission, SD 57555 and (hereinafter referred to as "USRBT"); and Ann Palmer, [REDACTED] (hereinafter referred to as "DEPOSITOR").

RECITALS

WHEREAS, USRBT is desirous of sharing its profits with DEPOSITOR relative to USRBT's pro-rata share of profits that are made as a result of DEPOSITOR purchasing a USRBT Certificate of Deposit in the amount of TEN MILLION (\$10,000,000.00) USD, and USRBT's leverage of DEPOSITOR's funds, and

WHEREAS, the DEPOSITOR will purchase a One (1) Year Certificate of Deposit #10420-LESH from USRBT on April 20, 2001 in the amount of TEN MILLION (\$10,000,000.) USD, which is currently held on behalf of DEPOSITOR by USRBT and evidenced by a receipt for same that has been issued by USRBT and received by DEPOSITOR; and

WHEREAS, the DEPOSITOR will receive an amount equal to Twenty Percent (20%) of the gross profit generated by USRBT's use of said Certificate(s) of Deposit, and

WHEREAS, that as profits are realized, distribution shall be made in accordance with the attached DEPOSITOR's Services Agreement with Global-Link Capital Markets, Ltd. (G-CM), and

NOW, THEREFORE, in consideration of these premises, and the mutual covenants herein contained, and other good and valuable consideration, the parties agree as follows:

1. USRBT will, under its normal banking policy, issue or purchase financial instruments within the scope of 'A' or better credit rating for such instruments.
2. USRBT, contemporaneously with the managed Certificate of Deposit, will pay to DEPOSITOR Twenty Percent (20%) of the gross profit realized and earned by USRBT or the stated interest due to DEPOSITOR on the Certificate of Deposit purchased by DEPOSITOR, whichever is greater.
 - 2.1 In the event DEPOSITOR requires redemption of the Certificate prior to Maturity, the stated interest rate of Three point Seventy-five (3.75 %) may be reduced to a rate no less than the U S Treasury Rate for T-Bills less

ONE Percent (1%) from date of issue and DEPOSITOR agrees to allow thirty days for the effective date of early redemption from the date the request is made, and further agrees to provide a written request along with a Resolution of the Board of Directors (if applicable) and forward same via Certified or Express Mail or other recognized courier to USRBT. Ten (10) days prior to the Maturity date, DEPOSITOR will provide USRBT with a written advice as to where the funds are to be forwarded or a statement of DEPOSITOR's intent to extend the maturity date.

3. USRBT further agrees that during the course of this transaction certain business information concerning DEPOSITOR shall be made known to USRBT and USRBT further agrees to preserve DEPOSITOR's confidentiality of such information and not use this information without the prior written consent of DEPOSITOR.
4. DEPOSITOR further agrees that during the course of this transaction certain business information concerning USRBT sources shall be made known to DEPOSITOR and DEPOSITOR further agrees to preserve USRBT's confidentiality of such sources and not use this information without the prior written consent of USRBT.
5. DEPOSITOR and USRBT further agree that should similar additional transactions be undertaken by the Parties, the terms and conditions of this contract shall prevail as solely determined by USRBT.
6. USRBT and DEPOSITOR further agree that except as defined herein any and all expenses incurred by the parties shall be for the individual accounts of the respective parties.
7. USRBT and DEPOSITOR further agree that this contract shall be drawn under U.S. Federal Law and in the event of any disagreement, shall be subject to Arbitration and shall be resolved under U.S. Federal Law.
8. USRBT and DEPOSITOR further agree that USRBT will proceed under normal banking policy and procedures to optimize, on a best efforts basis, DEPOSITOR's funds aggregated with other bank deposits and invested at USRBT's sole discretion.
9. USRBT and DEPOSITOR further agree that this contract cannot be assigned to any third party unless agreed to in writing.
10. USRBT and DEPOSITOR agree that regardless of where signed, this contract shall be considered to have been signed at the offices of USRBT located on the Rosebud Sioux Indian Reservation in Mission, South Dakota.

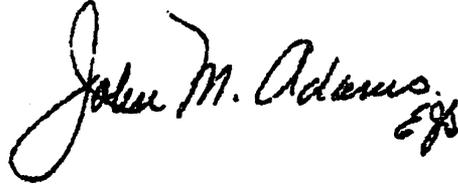
11. USBT and DEPOSITOR further agree to execute any documents that may be required by Law or to effectuate the intention of this Agreement.

IN WITNESS WHEREOF, USBT and DEPOSITOR, intending to be legally bound, do hereby execute this Agreement on the day and year first above written.

Ann Palmer

U.S. RESERVATION BANK & TRUST

Ann Palmer
Title: Presidents



Witness

John M. Adams
Executive Vice President

Witness

Bank One, NA
Wealth Management
Mail Code OH3-4131
8044 Montgomery Road
Suite 152
Cincinnati, OH 45236



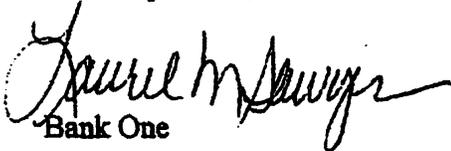
April 19, 2001

Mr. John M. Adams
Executive Vice President
U. S. Reservation Bank & Trust
PO Box 1, North Antelope Rd.
Mission, SD 57555

Dear Mr. Adams,

This letter will confirm that upon receipt of the sum of TEN MILLION (\$10,000,000.) into your account from Ann Palmer, we will immediately issue a Safekeeping Receipt to you in the amount of the deposit received.

Sincerely Yours,


Bank One

12

"Swissnetbank" Utilization Proposal

Opportunity and Background

In the program opportunity arena there are very few if any opportunities for the serious sophisticated investor that allows participation at a level less than 10 million dollars. Yet there is a vast universe of these "smaller" investors.

The problem is one of the legal aggregation of funds under the scrutiny of the Federal Reserve, Office of the Controller of the Currency, and the SEC, to name a few. Each agency having regulatory and enforcement authority in the area of pooling of monies for "investment" use. These seem generally to come from two areas:

- a. The place where the collected monies are lodged
- b. The reason and method the monies were collected

Due to these and other reasons, the US Reservation Bank and Trust presented an ideal situation. Since the reader is intimately familiar with these details they will not be expounded upon albeit safe to say that there always should be a "Plan B" or back-up to a piece of this business that is so critical to the concept involving the "small investor."

Swissnetbank is a Zurich-based Swiss Internet bank, a fully licensed Swiss bank (since 1995), with a first-class reputation in Swiss financial markets. In December 2000, Swissnetbank introduced Emoney Accounts, making it possible, for the first time ever, to open a Swiss bank account online from almost anywhere in the world. Besides offering the famed safety and privacy of Swiss banks, these accounts earn money-market interest rates, with very few of the restrictions of a normal money-market account.

Swissnetbank.com AG ("Swissnetbank") is a Zurich-based Swiss Internet bank, a pioneer in the field of electronic trading with a first-class reputation in Swiss financial markets. It was a founding member of the SOFFEX Swiss Options and Financial Futures Exchange (today's EUREX). Swissnetbank is also a member of the virt-x, the SWX Swiss Exchange, the Swiss Bankers Association, and the fund-transfer systems SEGAINTERSETTLE (SIS), Swiss Interbank Clearing (SIC), and the Society for Worldwide Interbank Financial Telecommunications (SWIFT)

Its offices are located on the Bahnhofstrasse #4 in Zurich, Switzerland, one of the nerve centers of Swiss banking.

The Swissnetbank's uniqueness is that it is an Internet bank. Basically, a totally electronic and paperless institution utilizing the same basic banking principles as any other "regular" bank. It does not however offer the same products as a traditional "commercial consumer" bank. (i.e. ATMs, loans, credit cards) It is based more upon the merchant investment bank class thus making it close to fit the needs of G-CM.

13

Funds Aggregation

This particular part of the SNB opportunity is why its potential substitution for USRBT is meaningful.

The collection of monies at the SNB will be established in a Master-Sub-account method. This system is a common system in the European community. The master account holder basically acts as the "holder" of the funds lodged in the sub-accounts listed with his master account. This allows for numerous accounts to be "aggregated" under the master-account holder thus allowing for numerous "small" investors to become a major pool of funds. The only holds would be the amount of the opportunity needs and the amount the bank can legally place upon deposit. It would follow that we could form as many master accounts as necessary dependent upon the number of activities ongoing or proposed at any given time. If one opportunity collapses or does not perform the other opportunities are not affected even if 100% of the participants withdrew their funds.

This aggregation also allows G-CM to realize one of its ultimate goals by being able to move into the 100M arena with collected funds and possibly building to the 500M on aggregated accounts while building individual depositors closer to the personal wealth necessary to participate.

Management

The master account holder would actually be the individual (business accounts are not available) that would establish the "reason for being." If a reserve funds opportunity of 10M became available then the master account holder would make sure that there were sufficient sub-accounts to make the opportunity guidelines. This could be set in motion for each opportunity presented with a master account established for each opportunity or one exceptionally large account. These details have yet to be addressed. The procedural constructs could be part of the G-CM/Reserve Funds Depositor contract. There would then in a sense be no real time management of the account. Once established, the master account holder can monitor the account "live" at any time. The costs associated with the management would actually be those "junk" costs in the research, acquisition and monitoring of the ongoing activity. This cost would be part of the fee arrangement with the client/depositor.

Marketing

This situation would be marketed along the same lines as that of USRBT and the standard client/sales model.

A G-CM contracted client or new contact would be made aware of the opportunity and its reserve funds nature. Information would be presented along with other details necessary about the opportunity without mentioning the SNB. (This information would be presented later to protect the relationship between the SNB and G-CM.) This presentation would still need to be one of personal contact and networking as this approach, although modified at times, is almost mandatory in this type financial services market. Until G-CM is established in this area and shakes the Indian Bank image, it will be the desired method of approach to a known or unknown potential depositor with a newer and "safer" product.

FPCN : GCM-HJH

FAX NO. :

Dec. 05 2001 05:00PM P4

Wednesday, December 05, 2001 3:38 PM

Thomas T. Emerator III 7933186039

p 03

It is estimated that the personnel necessary for this part of G-CM will not be more than 4 and probably not less than 2 and the projected sales cycle should be no more than 4 weeks to 6 weeks.

Standard Products

This is the easiest part of the marketing program. If the client will sign a basic agreement with G-CM with the relevant fee agreements and non-solicitation, disclosure, circumvention and commit the funds for the agreed amount of time then the product becomes a basic reserve funds account. No CD to purchase, interest is calculated using LIBOR by the bank, and accounting is carried on by the bank. This is a 24 hour "on line" bank and therefore the client/depositor can review and verify accounts instantaneously through the internet. This alleviates some of the prior concerns of the "safety of funds" issues. The other concerns are handled with the following information that will be made into a marketing document.

(Since this system is basically established for reserve funds opportunities only and in a "real bank", the exposure to the individual depositor is certainly less than that of the USRBT depositor and we were able at one time to attain 60-80M in deposits for USRBT and had the momentum continued could have easily exceeded the 200M mark.) Your money is safe in Switzerland, especially due to three institutions: the Swiss Federal Banking Commission, the Swiss National Bank, and the Swiss Bankers Association. The Swiss Federal Banking Commission is the official Swiss banking authority, which is in charge of the supervision of Swiss banks. The Swiss National Bank is the central bank of Switzerland.

The Swiss Bankers Association is the official association of Swiss banks. The stringent regulations and laws in Switzerland as well as the institutions as described above guarantee an extremely sound, safe, and traditional banking industry. Swissnetbank is supervised by the Swiss Federal Banking Commission, sends its reports to the Swiss National Bank, and is a member of the Swiss Bankers Association. Swiss-banking privacy, too, is among the tightest in the world. Switzerland also has a long history of extremely stable political systems, high technological know-how, and a very strong currency.

Other Benefits (as marketing points):

- 100% on-line 24/7...make instantaneous transactions or account investigations
- Utilization of three currencies (Sfr, Euro, USD)
- Low costs...no fees for accounts above 10,000 Swiss francs
- No minimum or maximum withdrawal amounts
- Encrypted security and withdrawals may be made only to an account in the same name as the depositor
- The depositor even at the sub-account owns the funds and is the "beneficiary" of the account

Specialized Products

One of the first specialized or "personal products" will be the ability of G-CM to trade in currencies without moving money out of the bank. Although a function of a G-CM it will nonetheless produce an alternative revenue stream for the company as well as the client. If the system that is currently in development with G-CM is timely then its replication into the SNB arena will be one of coordination alone.

FROM : GCM-UJH

FAX NO. :

Dec. 05 2001 05:01PM P5

Wednesday, December 05, 2001 3:38 PM

Thomas T. Emerton III 7803198039

c04

Operation

Depositor:

The depositor would go through the usual process of POF. This would contain a better than usual source and history as the SNB is exceptionally cautious in this area probably much more so that USRBT and especially in the light of recent events.

Once approved the depositor would be given the instructions on wiring the funds to SNB and to which sub-account of the master account. The funds would be lodged there for the duration of the opportunity. The depositor would be required to present G-CM with a withdrawal account outside of SNB for the purposes of accumulation of profit.

G-CM:

G-CM would open a Master Account in an individual name, probably as a DBA. Once the master account is opened it is then possible to open any number of sub-accounts. These sub-accounts although owners of the contained funds are not allowed to move the contained funds. Only the master account holder can manipulate the funds. Therefore, control of the "reserve funds" will be contained by monitoring, contractual arrangement and account detail by SNB. It also controls who may provide currency trading. These funds would also be available to trade within the account and bank in three currencies. By taking advantage of the spread between the Swiss Franc, USD, and EURO at any give time there is a potential profit center above and beyond the interest rate.

G-CM would need a second Master account (Profit Distribution Account) for the transmission of profits to the depositors withdrawal accounts. The remaining profits would be able to be held or distributed to other G-CM accounts by wire at any time.

Revenue

There are several potential sources of revenue for both depositor and G-CM in this configuration.

1. The overnight interest
2. The currency trading
3. The reserve funds opportunity
4. Fees

The overnight interest would be a straight through to the depositor. It appears that the Swiss interest calculations are currently somewhat better than those of the US and calculated using LIBOR plus. Although not as much as a client may see in a CD or money market account, there are no penalties for withdrawal, no CD requirements or stipulations and instant access to their account statements.

The currency trading revenues could be accomplished through the bank and at the pleasure of the G-CM. Any profits generated by the trading would be split with the master account holder by contractual agreement.

The reserve funds opportunity would by contract be a profit sharing agreement with the master account holder. Since the ultimate goal is to have the necessary funds for G-CM to provide the

FROM : GCM-WJH
Wednesday, December 05, 2001 3:36 PM

FAX NO. :
Thomas F. Emerton III 7603-88939

Dec. 05 2001 25:02PM PG

p 05

"total" activity and basically control the destiny of the opportunity, the profit sharing with the client would be handsome.

The establishment, operation, management and control of the SNB service made available by G-CM would have fees and charges. Additionally there would be fees for any "special" services. Establishment of currency trading accounts, specialized instruments if required, etc.

Estimated Expenditure Categories

The initial expenses are that of basic "sunk" costs. These would have to be spread out into the basic fee structure.

Program Research and Development: The man-hours, travel expenses, and miscellaneous (postage, paper, communications, etc.) to validate and establish the basic program.

Policy and Procedure Development: Man hours, consultant costs (legal, European consultant(s), to develop the proper and "legal" documents not only for the establishment of the relationship with the SNB but with that of the client/depositor. Rules and procedures of the European banking community will need to be identified and adhered to in process as well as contract.

Corporate Establishment: Involvement of the G-CM Board of Directors and the establishment of a new domestic corporation as well as the potential cost of outside board members. The development of corporate communications with internet server, international telephone and linkage to all other G-CM activities and personnel.

Marketing Development: Man-hours and supplies necessary to develop the tools and collateral materials necessary for client/depositor program understanding and general presentation.

Outside Consultants: Audit - This G-CM activity will be audited annually by an independent "Big 8 (?) " firm and quarterly by our in house accounting with certifications by our auditing firm. Legal - Since this particular set of opportunities would run in a bank under the laws of a foreign country, G-CM would contract with a legal firm or attorney with the specialized expertise necessary to advise and guide G-CM through any situations that may arise.

There would be those costs of a "planned" nature that would have to be developed into the fee structure of "any opportunity" that G-CM placed into the client arena. These costs would not necessarily be continuous or the same for each opportunity and therefore would have to be "opportunity specific" and researched and treated as such.

Opportunity Establishment: The costs necessary to identify, validate, and contract with the transacting opportunity if not G-CM, and the subsequent costs of contract preparation for G-CM and client as well as the associated travel and communication.

Opportunity Presentation and Client Acquisition: This cost would be more than likely a base plus commission for those people in the field that market the opportunity. If this is an aggressive opportunity with long sales cycles, it needs to be computed into the "opportunity cost." Conversely, if the sell is quick and easy this is also a cost consideration.

Opportunity Management: Those cost of a nature of personnel to provide account oversight with whatever support and expense items may be necessary. These might include

FROM : GCM-LJH
TO : [REDACTED]

FAX NO. :
[REDACTED]

Dec 05 2001 05:03PM F7
[REDACTED]

inside accounting oversight, periodic legal review, consulting of various disciplines especially for European situations.

Royalties: The "new" G-CM entity would pay a royalty to the "parent" company based upon a percentage that was formulated upon the gross income of each opportunity utilizing the SNB system with the exception of those that were strictly G-CM programs.

FROM :

PHONE NO. :

Nov. 04 2007 08:51AM P2

FROM : GCM-UJ:

FAX NO. :

Nov. 28 2001 07:49PM P2

From : Maroon

To : 1713359 0214

To : V. Herisku

From : 11750415 3294

Page 3 of 3 .Topic: GCM-UJ: November 29 2001 08:28 AM

It is understood and agreed that the internationally accepted standards for non circumvention and non-disclosure are incorporated herein by reference. This means that :

We agree to keep confidential all information provided to us in connection with this and all future transactions introduced to me/us by you and your associates for a period of five years. This undertaking applies also to all associated parties, their employees, associates, assignees or designees.

All statements we have made herein are made under penalty of perjury.

Signed:



Print Name: Ann Palmer

Passport Country & Number: USA Passport # 153480234

Witnessed By:

Print Witness Name: William J. Herisku

Witness Passport Country & Number: USA 150473920

Date: November 23, 2001

Page 2 of 2



Master no.

Opening of an account/custody account

As UBS AG (hereinafter UBS) in

- Name account
- Numbered account (Ceu)
- Joint account

For each accountholder please provide last name, first name(s), date of birth, profession, full address (street, postal code and city) and the type, number, place and date of issue of the identification document shown. Please enclose copies of the identification documents shown!

Accountholder 1

Last name(s)/First name(s): _____

Date of birth: _____ Nationality: _____ Profession: _____

Address: _____

Identification document: _____

Accountholder 2

Last name(s)/First name(s): _____

Date of birth: _____ Nationality: _____ Profession: _____

Address: _____

Identification document: _____

Accountholder 3

Last name(s)/First name(s): _____

Date of birth: _____ Nationality: _____ Profession: _____

Address: _____

Identification document: _____

Correspondence instructions

Except in special circumstances, correspondence will

- be retained for a fee and held available at UBS which is hereby discharged of any liability for possible consequences. Any and all communications retained in this manner shall be deemed to have been duly received by the client. Unless otherwise specified, the date on the bank document concerned shall be regarded as the date of receipt by the client. Mail not claimed by me/us can be destroyed after a period of three years.
- be sent to the following address

Language of correspondence: German French Italian English Spanish

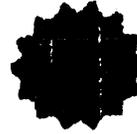
Mother tongue: (optional) _____

Home phone no. #: _____ Office phone no. #: _____

*Home phone area code

General authorization for fiduciary investments (if not done, please cross out entire section)
I/We hereby authorize UBS to use all or part of the funds available at a given time in my/our UBS account to make investments on a fiduciary basis in the name of UBS, but for my/our account and at my/our risk. Should UBS not receive or not receive in time (i.e. at least five days before maturity of the investment concerned) other instructions from me/us, UBS may choose debtor, amount, currency and maturity at its discretion. This authorization shall remain in force even after my/our death or incapacity to act. It is governed by Swiss law, subject to measures ordered by the country of the currency concerned and the country where the funds are invested.

Solicitor



ELLIS BROWN

Sam Harrison Esq.,
Global Link Capital Markets
Ltd.

Rutherford House
The Street
Bolney
West Sussex
RH17 5PG

Tel 01444 882080
Fax 01444 882081

My Ref:

21st September 1998.

Dear Sam,

I obtained copies of the account opening documents which I enclose. I asked the Manager for copies of those which were completed but he did not supply these which I found surprising and I have asked for these to be faxed to me. Given the expense I want to when I travelled to obtain them, I will refrain from comment.

I confirm that Global Capital Markets Ltd is registered as the beneficial owner of the account at the International section of the Bank.

I contacted the insurance agent again and have been advised that the Policy documents are being prepared and there will be no further delay.

Please let me know if Jo is now preparing a letter. He need not adhere to the text of my draft. I think it is essential for him to send me a letter dealing with the matters under review. I cannot imagine him not being in agreement at this stage.

At the time Jo was in discussion with you he advised that he had an investor who was a banker with USD 29 B. He also had USD 700 available from other investors. As I have not heard from him, could I ask you please to contact him about these investors and let me know his plans. Alternatively, may I now call him?

I also wish to speak to you generally and will call you. This letter is dictated and is being faxed in my temporary absence.

With kind regards.

Yours sincerely,

RYAN WIRTH

8-24-98

Name of Bank : Union Bank of Switzerland.

Bank address : CH-2501 Biel
Switzerland

Clearing number : 272.

Account number : [REDACTED]

SWIFT Code : UBSWCHZ25A

RYAN WIRTH

PLEASE WIRE TRANSFER \$4,000,000.00
FOUR MILLION DOLLARS TO SUBJECT BANK
ABOVE.

MY ACCOUNT NUMBER IS [REDACTED]

MY SOCIAL SECURITY NUMBEE IS [REDACTED]
BIRTH DATE

1-2-16

Ann Palmer

TELEPHONE NUMBER [REDACTED]

PLEASE FAX COPY OF SWIFT WIRE INSTRUCTIONS

AUG-24-98 MOK 12:46 PM

CITIBANK #138

FAX NO. 313 275 3678

P.

BR: 138
08/24/98

INTERNATIONAL MONEY TRANSFER (US DOLLARS)
CITIBANK REFERENCE NUMBER

BUS: 013
2360036313

ORIGINATOR INFORMATION

ANN PALMER

[REDACTED]

BENEFICIARY INFORMATION

ANN PALMER
ACCOUNT: [REDACTED]

BENEFICIARY BANK

UNION BANK OF SWITZERLAND

[REDACTED]
ACCOUNT:

PAGE 1 OF 2

INTERMEDIARY BANK ABA:

SPECIAL INSTRUCTIONS:

[REDACTED]

SOURCE ACCOUNT: [REDACTED] CHECKING

AMOUNT OF WIRE: 4000000.00

BANK FEES: 0.00

DATE OF REQUEST: 08/24/98

CITIBANK REF NUM: [REDACTED]

BANKER: [REDACTED]

PAGE 2 OF 2

Funds Transfer Request Received

In Person Facsimile Messenger
 Telephone Mail

Is Funds Transfer Agreement on file?

Yes / No Date

I authorize the above funds transfer, and I have read and agreed to the terms and conditions stated on the reverse of this form.

Ann Palmer
AUTHORIZED CUSTOMER SIGNATURE

Prepared by

Authorized by

Authorized by

0228 104 1 888 8181 (11/97)

Customer Call Back

Offbanker:	Date:
Time:	Contact Name:
Contact Phone:	

Identification Obtained (check one):		Validity Checks (check three):	
<input checked="" type="checkbox"/> Credit Card Swipe/PIN	<input type="checkbox"/> SSN/Tax ID Number	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Account Number	<input type="checkbox"/> Date of Birth	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Driver's License	<input type="checkbox"/> Mother's Maiden Name	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Passport	<input type="checkbox"/> First School Attended	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other (specify)	<input type="checkbox"/> Account Title	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Access Code		

FUNDS TRANSFER

CITIBANK

CITIBANK

CITIGOLD

ADVICE

3 F T

DATE: 8/24/98	DATE OF ORIG. ENTRY	VALUE DATE:
------------------	---------------------	-------------

WE HAVE DEBITED YOUR CHECKING ACCOUNT

ACCOUNT NO: [REDACTED]

AMOUNT \$4,000,000.00

ANN PALMER
[REDACTED]

[REDACTED]



U.S. Securities and Exchange Commission

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

SEC OBTAINS EMERGENCY COURT ORDERS HALTING \$88 MILLION NATIONWIDE PRIME BANK SCAM AND PRESERVING ASSETS

On April 3, 2002, Judge Earl H. Carroll of the United States District Court for the District of Arizona granted the Commission's request for various emergency orders to halt a nationwide, \$88 million investment scam, and to recover and conserve assets for the benefit of victims of the scam.

The Commission alleges in its complaint that the defendants, operating from Phoenix, Chicago and Houston, sold several bogus investments, including "prime" bank investments, treasury futures pools and certificates of deposit ("CDs") from a purported Native American chartered "bank."

The Court entered *ex parte* orders freezing assets, and requiring an accounting, the preservation of documents, and the repatriation of funds and assets that had been moved offshore. The Court also appointed a receiver to recover and conserve assets for the benefit of investors.

In its complaint, the Commission alleges that the U.S. Reservation Bank & Trust ("USRBT"), a non-incorporated entity granted business charters by the Rosebud Sioux based in Scottsdale, Arizona, and Global-Link Capital Markets, Ltd. ("Global-Link"), a limited liability company headquartered in Houston, Texas, raised \$78 million through sales of an investment combining a "Leveraged Profit Sharing Agreement" ("LPSA") with an uninsured CD issued by USRBT.

According to the Commission, USRBT and Global-Link officials promised investors that their funds, while held in "safekeeping," would be "leveraged" to fund participation in "trading programs" involving United States Treasury notes and "bank debentures." The Commission further alleges that USRBT and Global-Link officials promised the investors that they would receive the greater of 20% of the profits from the trading programs or the interest on the USRBT-issued CD.

The Commission claims in its complaint that, in reality, USRBT never leveraged any investor funds for investment in trading programs; rather, USRBT used most of the investor funds to make "Ponzi" payments of interest and principal to the investors. In addition, according to the Commission, USRBT officials misused investor funds by spending over \$4 million on salaries, commissions and personal and business expenses, including a horse racing stable and a purported casino development company.

The Commission also alleges in its complaint that in a USRBT spin-off scheme, Higher Investments Technologies, Inc. ("HIT"), a Nevada corporation headquartered in Mundelein, Illinois, fraudulently raised over \$10.6 million from at least six investors or investment groups. According to the Commission, HIT offered investors an opportunity to participate in its "Capital Management Agreements" ("CMAs"), in which HIT, according to its representations to investors, would use their funds to trade in Treasury bond futures and then share the profits with the investors.

In reality, HIT used only about 10% of the investors' funds for such trading, and HIT misused most of the remaining investors' funds by spending them on its office expenses, including rent, supplies, computers, office repairs, payroll, and travel, according to the complaint.

The Commission staff coordinated its investigation and lawsuit with several other federal and state law enforcement agencies. The U.S. Attorney's Offices in Phoenix and Cincinnati filed civil forfeiture actions against USRBT and HIT, and seized \$20 million and \$10.2 million, respectively, against the two entities. The Commission, in its action, is seeking, among other things, recovery of additional funds from these and other entities and individuals involved in the scheme.

In its action, the Commission named as defendants, in addition to USRBT, Global-Link and HIT, the following individuals, and characterized them in its complaint as follows:

Edward J. Driving Hawk, Sr., a resident of Mesa, Arizona, is the president of USRBT, which he has controlled since at least May 1992. He is the father of Leo and James Driving Hawk.

Leo R. Driving Hawk, Sr., a resident of Higley, Arizona, is currently listed as vice president of USRBT, with which he has been associated since at least November 2001.

John M. Adams, a resident of Mundelein, Illinois, was the vice president of USRBT from at least 1996 to December 2001. While still associated with USRBT, Adams began raising money for HIT.

Edmund J. Smedley, a resident of Harrison, Ohio, has been associated with USRBT since at least January 1996. Smedley is currently a vice president of USRBT.

Kenneth S. Harrison, a resident of Houston, Texas, is the registered agent for Global-Link. Through his association with Global-Link, Harrison solicited investors for USRBT.

William J. Herisko, a resident of Palm Springs, California, solicited USRBT investors through his association with Global-Link.

Thomas T. Emerton, III, a resident of Palm Springs, California, is a

principal of Global-Link. Emerton frequently communicated with USRBT investors under the auspices of Global-Link.

The Commission also named in its complaint as relief defendants, alleging they were unjustly enriched through receipt of investor funds, the following entities and individuals: Oyate Development, Inc., Oyate Enterprises, L.L.P., Oyate Trust, River Walk Development, L.L.C., Ringthunder Racing Stables, Inc., HPHC, Inc., James R. Driving Hawk and Orpha Jane Johnston (collectively, "relief defendants"). In granting the Commission's ex parte motion, the Court also froze investor funds in the possession or control of the relief defendants.

In its complaint, the Commission alleges that defendants USRBT and HIT violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. The Commission also alleges that defendants Global-Link, Edward Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton violated Sections 17(a) of the Securities Act and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder. In addition to the emergency relief granted by the Court, the Commission seeks, as against the defendants, preliminary and permanent injunctions, disgorgement plus prejudgment interest, and civil money penalties. The Commission is also seeking disgorgement from the relief defendants.

Unscrupulous promoters continue to victimize the public with Prime Bank schemes. Accordingly, investors are advised to access the Commission's "Prime Bank" Investor Alert, which provides tips on how to avoid being a victim of these scams. The investor alert can be found on the Commission's web site, at www.sec.gov/divisions/enforce/primebank.shtml.

The Commission acknowledges the assistance and cooperation of several other government agencies in this matter, including the, the U.S. Customs Service in Phoenix, the U.S. Attorney's Offices in Phoenix and Cincinnati, and the Texas State Securities Board.

➤ [SEC Complaint in this matter.](#)

<http://www.sec.gov/litigation/litreleases/lr17459.htm>



U.S. Securities and Exchange Commission

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA
PHOENIX DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

U. S. RESERVATION BANK & TRUST;
HIGHER INVESTMENTS TECHNOLOGIES,
INC.; GLOBAL-LINK CAPITAL MARKETS,
LTD.; EDWARD J. DRIVING HAWK, SR.;
LEO R. DRIVING HAWK, SR.;
JOHN M. ADAMS; EDMUND J. SMEDLEY;
KENNETH S. HARRISON; WILLIAM J.
HERISKO; and THOMAS T. EMERTON, III;

Defendants,

and

OYATE DEVELOPMENT, INC.; OYATE
ENTERPRISES, LLP; OYATE TRUST; RIVER
WALK DEVELOPMENT, LLC; HPHC, INC.;
RINGTHUNDER RACING STABLES, INC.;
JAMES R. DRIVING HAWK; and
ORPHA JANE JOHNSTON;

Defendants Solely for
Purposes of Equitable Relief.

CASE NO.
COMPLAINT FOR
VIOLATION OF THE
FEDERAL
SECURITIES LAWS

COMPLAINT

The United States Securities and Exchange Commission ("Commission"),
files this Complaint against Defendants U.S. Reservation Bank & Trust
("USRBT"), Higher Investments Technologies, Inc. ("HIT"), Global-Link
Capital Markets, Ltd. ("Global-Link"), Edward J. Driving Hawk, Sr. ("Ed
Driving Hawk"), Leo R. Driving Hawk, Sr. ("Leo Driving Hawk"), John M.
Adams ("Adams"), Edmund J. Smedley ("Smedley"), Kenneth S. Harrison
("Harrison"), William J. Herisko ("Herisko"), and Thomas T. Emerton, III
("Emerton") (collectively "Defendants") and Relief Defendants Oyate
Development, Inc. ("Oyate Development"), Oyate Enterprises, L.L.P.

("Oyate Enterprises"), Oyate Trust ("Oyate Trust"), River Walk Development, L.L.C. ("River Walk Development"), Ringthunder Racing Stables, Inc. ("Ringthunder Racing"), HPHC, Inc. ("HPHC"), James R. Driving Hawk ("James Driving Hawk"), and Orpha Jane Johnston ("Johnston") ("collectively Relief Defendants") and would respectfully show the Court as follows:

SUMMARY

1. This matter involves a nationwide network of conspirators who have raised as much as \$88 million since March 2000, by means of two similar fraudulent schemes.

1) In the first scheme, USRBT, through its marketing relationship with Global-Link, has raised as much as \$78 million from at least 20 investors or investor groups in several states since about March 2000, through the offer and sale of an investment program combining the sale of a "Leveraged Profit Sharing Agreement" ("LPSA") with a certificate of deposit ("CD").

2) The USRBT investment scheme promised investors that their funds would be held in "safekeeping" and would not be removed from the institution in which they were deposited. Investors were told that the "leverage" created by their deposited funds would be used by USRBT to invest in "trading programs" involving United States Treasury notes and "bank debentures." Investors were further told that they would receive the greater of either 20% of the profits from USRBT's trading activity or the interest on USRBT's CD.

3) In reality, USRBT never leveraged any of the investor funds to invest in any trading programs. USRBT's bank and brokerage records do not show any profits or funds returning from any "investments" in trading programs made by USRBT. Rather, a majority of the investor funds were used to make "Ponzi" payments of interest and principal to other investors. In addition, the Defendants spent over \$4 million for salaries, commissions and personal and business expenses, including for a horse racing stable and a purported casino development company.

4) Based on the USRBT offering documents, banking warnings, and information received from other law enforcement sources, the United States Attorney for the District of Arizona ("USAO") obtained a seizure warrant on February 2, 2002, for over \$20 million recently deposited in a USRBT account.

5) The second scheme involves HIT, a spin-off created by Adams, USRBT's former executive vice president, in September 2001. In its scheme, HIT raised over \$10.6 million from at least six investors or investment groups.

6) HIT offered investors the opportunity to participate in its "Fund Management Agreements" ("FMAs"), which represented to investors that HIT would use investors funds to trade in Treasury bond futures and share the profits with the investors.

7) In reality, Adams only sent about 10% of the funds it raised to a brokerage account for such trading. Company records indicate that, contrary to specific representations in the FMAs, a substantial portion of investors' funds were used to pay for HIT office expenses, including office rent, office supplies, computers, office repairs, payroll, and travel.

8) On February 25, 2002, the USAO for the Southern District of Ohio obtained a seizure warrant for over \$10 million deposited in a HIT account controlled by John Adams.

9) By reason of these activities, Defendants have violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act")

[15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder. In addition, Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton have violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)]. The Commission, in the interest of protecting the public from any further fraudulent activity, brings this action against Defendants seeking preliminary and permanent injunctive relief, disgorgement of illicit profits, plus accrued prejudgment interest and a civil monetary penalty. The Commission also seeks an asset freeze against Defendants USRBT, HIT, Ed Driving Hawk, Leo Driving Hawk, Adams and Smedley and each Relief Defendant, an accounting and other incidental relief, as well as the appointment of a receiver to take possession and control of certain Defendants' assets and possession and control of each Relief Defendants' assets, that were derived, directly or indirectly, from the Defendants' fraudulent scheme, so that investor assets will not be further dissipated.

JURISDICTION

10) The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to enjoin the Defendants from future violations of the federal securities laws. The Commission also seeks disgorgement of ill-gotten gains from the Defendants, plus prejudgment interest, and civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The Commission is also seeking disgorgement, plus prejudgment interest, from the Relief Defendants, regarding all funds derived, directly or indirectly, from the Defendants' fraudulent conduct.

11) This Court has jurisdiction over this action pursuant to § 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and § 27 of the Securities Exchange Act [15 U.S.C. § 78(aa)] and Title 28 U.S.C. § 1331. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint.

12) Venue is proper because many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the District of Arizona.

DEFENDANTS

13) U.S. Reservation Bank & Trust is a non-incorporated entity with its principal offices in Scottsdale, Arizona. USRBT is controlled by Ed Driving Hawk and his son Leo Driving Hawk. USRBT was purportedly granted two business licenses: the first, on May 12, 1992, by the Rosebud Sioux Tribe in South Dakota, and the second, on November 9, 2001, by the Salt River Pima-Maricopa Indian Community in Arizona. USRBT's office is located on the Salt River Reservation.

14) Higher Investments Technologies, Inc., incorporated pursuant to Nevada law on August 21, 2001, maintains its principal place of business in Mundelein, Illinois. Defendant Adams is its president and sole shareholder.

15) Global-Link Capital Markets, Ltd. is a limited liability company registered in both Nevada and Texas since 1994, with its principal office in Houston, Texas. Harrison, Herisko, and Emerton control and operate Global-Link. Global-Link is the subject of a 1995 Commission cease-and-desist Order prohibiting it from committing or causing securities fraud. Since at least March 2000, Global-Link has offered and sold the USRBT securities and is responsible for making the initial solicitations and distribution of offering documents and agreements to almost all of the known USRBT investors. Global-Link is not registered as a broker-dealer with the

Commission or with any state.

16) Edward J. Driving Hawk, Sr., age 67 and a Mesa, Arizona resident, is the president of and has controlled USBT since at least May 1992. He is the father of Leo and James Driving Hawk.

17) Leo R. Driving Hawk, Sr., age 37 and a Higley, Arizona resident, is currently listed as vice president of USBT and has been associated with the bank since at least November 2001. He is also a deputy sheriff with the Salt Pima Indian Sheriff's Department, but he is currently on a leave of absence, purportedly to help his father operate USBT.

18) John M. Adams, age 54 and a Mundelein, Illinois resident, was the vice president of USBT from at least 1996 to December 2001, when he was fired by Ed Driving Hawk. While still at USBT, Adams began raising money for HIT.

19) Edmund J. Smedley, age 65 and a Harrison, Ohio resident, has been associated with USBT since at least January 1996. Smedley is currently a vice president of USBT.

20) Kenneth S. Harrison, age 46 and a Houston, Texas resident, is the registered agent for Global-Link. Through Global-Link, Harrison solicited new investors for USBT. Harrison is not licensed to offer and sell securities.

21) William J. Herisko, age 68, is a Palm Springs, California resident. He solicited new USBT investors through Global-Link. Herisko is subject to the Global-Link cease-and-desist Order from the Commission. He is not licensed to offer and sell securities.

22) Thomas T. Emerton, III is a Palm Springs, California resident. He is a principal of Global-Link and frequently communicated with USBT investors on behalf of Global-Link. He is not licensed to offer and sell securities.

RELIEF DEFENDANTS

23) Oyate Development, Inc. is a Nevada corporation incorporated on June 22, 2001 with its principal office, which it shares with USBT, in Mesa, Arizona. Ed Driving Hawk and Leo Driving Hawk are the company's sole directors and Leo Driving Hawk is the registered agent. Oyate Development received over \$1.65 million from USBT accounts for no apparent consideration.

24) Oyate Enterprises, L.L.P. is an Arizona limited liability partnership created on April 19, 2001, with its principal office located in Ed Driving Hawk's residence in Mesa, Arizona. Leo Driving Hawk is the registered agent and Oyate Management, L.L.C. is the general partner. Oyate Enterprises received at least \$500,000 from USBT accounts and transferred \$170,000 to Ringthunder Racing Stables, Inc.

25) Oyate Trust is a trust of unknown jurisdiction controlled by Ed, James, and Leo Driving Hawk. Oyate Trust received over \$400,000, for no apparent consideration, from bank accounts controlled by USBT.

26) River Walk Development, L.L.C. is an Arizona limited liability company created on April 12, 2000, with its principal office in Mesa, Arizona. Ed Driving Hawk is listed as a manager of River Walk. River Walk received \$255,000, for no apparent consideration, from USBT controlled bank accounts.

27) Ringthunder Racing Stables, Inc. is an Arizona corporation incorporated on November 15, 2001, with its principal place of business in Wilmington, Delaware. It is owned by Ed Driving Hawk, Sr. and Ed Driving Hawk, Jr. It is purportedly in the business of operating stables and training

thoroughbred racehorses. It received at least \$110,000 of USRBT funds directed through Oyate bank accounts.

28) HPHC, Inc. is an Illinois corporation incorporated on May 20, 1991, with its principal place of business in Buffalo Grove, Illinois. HPHC received over \$100,000 from USRBT for no apparent consideration.

29) James R. Driving Hawk is a Chandler, Arizona resident and the son of Ed Driving Hawk. He was the former vice president of USRBT until Leo Driving Hawk became vice president in November 2001. James Driving Hawk received a total of \$185,000, including in a 20-day period in September 2000 over \$176,000, from an USRBT bank account for no apparent consideration.

30) Orpha Jane Johnston is the wife of Edmund Smedley. Smedley had his earnings from USRBT paid to Johnston because he did not want to have them affect his social security benefits. She received over \$130,000, for no apparent consideration, from USRBT

STATEMENT OF FACTS

A. Factual Background

31) In late December 2001, federal and state investigative agencies advised the Commission regarding the USRBT offering and the Commission obtained a copy of an advertisement from an Austin, Texas paper. The ad was placed by an Austin securities broker, and offered high returns with guaranteed principal. The broker was contacted and produced USRBT offering documents and agreements.

32) The Commission learned that USRBT was the subject of several banking regulators' warnings stating that it was operating as an unauthorized bank and that several criminal law enforcement agencies were also investigating USRBT, most prominently the USAO in Phoenix.

33) Based on the offering documents, banking warnings, and information received from other law enforcement sources, the USAO obtained a seizure warrant on February 2, 2002 for over \$20 million recently deposited in a USRBT controlled bank account. The application for the warrant alleged that there was probable cause to find that USRBT was illegally raising funds as part of a prime bank high-yield investment fraud.

34) The Commission issued subpoenas to USRBT, its principals and financial institutions (there are over 14 accounts controlled by USRBT and its principals) obtaining preliminary account records that revealed sweeping misuse of investor funds by USRBT and its principals.

35) Approximately two weeks after the initial seizure, on February 25, 2002, the USAO in Cincinnati obtained a seizure warrant for over \$10 million deposited in a HIT account controlled by Adams, the former vice president of USRBT. The application for the warrant alleged probable cause that HIT was involved in a prime bank scam.

B. The USRBT Investment Scheme

36) Since at least March 2000, USRBT, while under the control of Ed Driving Hawk and Leo Driving Hawk, has raised approximately \$78 million from at least 20 individual investors and investor groups.

37) USRBT literature indicates that the entity was created in 1992 for the purpose of operating as a Native-American financial institution to offer traditional banking services to Native-Americans located on tribal reservations. Apparently, it was not successful in this initial endeavor.

38) In 1996, USRBT began looking into the possibility of accepting deposits

from Native-American tribal trust funds and investing those funds in order to obtain a higher return for the tribes than they were able to obtain in their current investments. USRBT attempted to obtain surety bond coverage in order to be able to accept these trust deposits. While an insurance company did initially provide surety coverage for two USRBT depositors, it refused to cover additional deposits. After USRBT learned that it could not receive these trust funds without surety coverage, it decided to solicit investors from the general public.

39) Adams became involved with USRBT at about this time and brought in Smedley to assist him in marketing to the public and finding investors for USRBT's investment program. USRBT relied upon a vast, unorganized nation-wide network of individuals who claim to have access to persons and entities involved in prime bank and high-yield trading programs. Many of the individuals in this network believe that these trading programs really exist, but that the government and the wealthy hide them from the common investor.

40) In the case of USRBT's investment program, all of the known investors were directed by these "true believers" to contact Global-Link. Global-Link is a marketer or "finder" for purported high-yield investments, such as those offered by USRBT. Upon initial contact with Global-Link by telephone, potential investors were told about the USRBT investment either by Harrison, Herisko or Emerton.

41) Afterwards, potential investors were sent background questionnaires, seeking detailed information about funds available for deposit, bank information, and the origin of the funds.

42) Global-Link principals told potential investors that USRBT was gathering funds for its trading activity and that investor funds would be "leveraged" to create more funds for the trading program.

43) After the potential investor supplied the requested information, Global-Link sent the investor a "services agreement" indicating that Global-Link will provide the investor with a "manifest capital growth opportunity," invite the client into a "direct trading opportunity," and will receive and distribute the investor's profits. Upon signing this agreement, investors were placed into contact with USRBT. Global-Link received a commission and was promised 1% of the profit generated by the funds of each investor it brought to USRBT.

44) After the initial contact with Global-Link, investors were introduced to USRBT and obtained oral and written representations from USRBT principals, including Ed Driving Hawk, Leo Driving Hawk, Adams, and Smedley.

45) The USRBT offering documents consisted of a brochure, information page, and a history of USRBT. These documents stated that "USRBT is an Indian bank where every account, no matter how large, is insured by an individual policy issued from one of several "A" or better insurance companies and that this coverage is vastly superior to FDIC and SIPC coverage." In addition, the offering documents stated that USRBT accepted deposits from trusts, charitable institutions, local governments, individuals, and religious organizations.

46) The USRBT investment program consisted of a LPSA and a CD issued by USRBT.

47) The LPSA stated that USRBT is interested in sharing profits with a depositor on a pro-rata basis that are obtained as a result of the depositor purchasing a CD issued by USRBT and the leverage of those deposited funds to a multitude of 10. According to the LPSA, the investor would receive an amount equal to 20% of the gross profits generated by USRBT's leveraged use of the investor funds. The LPSA further stated that the

investor will receive either the 20% profits generated or the stated return on the CD, whichever is greater.

48) The LPSA specifically stated that investor funds themselves would not be used for trading, but would only be used only to create leverage. The LPSA indicated that USRBT would use the deposited funds to leverage additional funds, meaning that for each million dollars invested, USRBT would be able to use \$10 million for the benefit of the depositor in the actual trading of the bank instruments. It is not clear how exactly USRBT was going to leverage the funds deposited. This is irrelevant, since USRBT never leveraged any of the funds nor sent investor funds to potential trading programs.

49) After entering into the LPSA, investors were instructed to wire their funds to an USRBT account maintained at Philadelphia Bank & Trust or Bank One in Ohio. Upon receipt of the funds, USRBT issued a CD and safekeeping receipt. The CD contained the certificate number, issue date, maturity date, principal amount, and the term (all CDs were for 12 months).

50) The safekeeping receipt stated, "USRBT confirms with all bank responsibility" that it is holding the funds in favor of the investor. Ed Driving Hawk and Adams signed the CDs and safekeeping receipts. The CDs were not insured by the FDIC, or any other governmental authority, or any private entity.

C. USRBT's Written and Oral Misrepresentations and Omissions

51) Most investors were given the details regarding the investment program through conversations with USRBT principals, Ed Driving Hawk, Leo Driving Hawk, Adams, and Smedley, as well as Harrison, Herisko and Emerton of Global-Link.

52) Investors were told that USRBT has the ability to place investor funds in a trust account and then, because it is a bank, "leverage" those funds to raise additional funds and then use those "leveraged funds" to make a profit. The investor and USRBT purportedly would share this profit in a 20% investor-80% USRBT split.

53) USRBT and Global-Link claimed that USRBT could use the leveraged funds to enter into trading programs described as "high-yield" investments and "federal bank programs."

54) USRBT and Global-Link told investors this investment was risk-free and that their funds were totally secure since their funds would not be used to do the actual trading, but that the mere placement of their funds with USRBT would allow the bank to create these profits. Some investors were promised that their funds would not be removed from the trust account at Philadelphia Bank & Trust.

55) While investors were not told exactly what percentage return they would receive from the profit sharing, they were told that the returns on these types of investments were very high, paying up to 60% annually.

56) On at least two occasions, investors received "Ponzi" payments, purported by Global-Link and USRBT to be profits from these "trading activities." USRBT and Global-Link made additional representations that several trades were imminent and were likely to produce significant profits.

57) The written and oral representations made by USRBT and Global-Link were false and misleading.

58) First, none of the investors' deposits was ever insured and USRBT never leveraged any investor funds.

59) Second, at least \$5 million of investor funds, not funds created by

leverage as represented, were sent to a foreign currency operation in the West Indies.

60) Third, USRBT never made any "profits" from trading activity, and it did not inform new investors that it had made "Ponzi" payments of profits, interest, and principal to previous investors.

61) Fourth, USRBT moved almost all of the investor funds to other bank and brokerage accounts controlled by it or its principals, misappropriating millions of dollars for their personal use.

62) Fifth, USRBT paid commissions and expenses with investor funds, in complete contrast with its written agreement.

63) Finally, the investment was anything but secure and risk-free. USRBT and Global-Link knew or should have known that these high-yield investments and federal bank trading programs do not exist. Moreover, USRBT and its principals knew that they had misappropriated investor principal, rather than profits, for their own purposes when they solicited many investors.

D. USRBT's Misuse of Investor Proceeds

64) The written LPSA contains several representations regarding how investor funds will be used, including that the actual funds will not be used for trading and that no commissions or expenses will be paid with investor funds.

65) In fact, the only thing USRBT did with investors' funds was fraudulently dissipate them by transferring at least \$5 million to an off-shore foreign currency program; by transferring almost all of the investor funds from Philadelphia Bank & Trust and Bank One to other accounts controlled by USRBT and its principals; and finally, by paying millions of dollars in commissions and salaries from investor funds.

66) USRBT raised over \$78 million dollars from investors. Because USRBT had no other source of income, it used approximately \$50 million of those investors' funds for "Ponzi" payments of principal, profits and interest to other investors.

67) In addition, \$1 million of investors' funds were transferred directly to USRBT principals: Adams received \$480,000 and also purchased a \$50,000 Suburban, James Driving Hawk received \$185,000, and Smedley received \$130,000.

68) USRBT transferred an additional \$3 million to entities controlled by the Driving Hawks, including over \$2.5 million to the Relief Defendants Oyate Development, Oyate Enterprises and Oyate Trust, which then transferred \$255,000 to River Walk, a purported casino development company, and \$170,000 to Ringthunder Racing Stables. Bank records indicate that the \$255,000 transferred to River Walk was used for personal expenses and a substantial amount was withdrawn through "casino cash," furnished by casino ATM machines. Additional funds were used by USRBT to purchase at least one other vehicle, pay for trips to Las Vegas, and to pay for fine dining.

E. The HIT Investment Scheme

69) Since at least September 2001, Adams, through his company HIT, has raised \$10.6 million from 6 individual investors and investor groups.

70) Adams began his fraudulent scheme while still a vice president at USRBT. HIT issued securities in the form of FMAs that represented to investors that HIT would use the funds to trade in financial futures and share the profits or losses with the investors.

71) The FMAs stated that HIT would manage investors' funds, that investors' funds would be invested by HIT as a "conglomerate" of client accounts and that any increase or loss would be allocated by the following formula: accounts over \$100,000 investors would receive 50% of gross dollars earned and accounts under \$99,000 investors would receive 45%.

72) Offering documents stated that HIT would be compensated only from its allocation of increase in the account, and commissions or fees would not be deducted from the investors' accounts. In addition, the FMA stated that investors' funds would be placed into trading within five days after receipt.

73) The written and oral representations made by HIT and Adams were false and misleading.

74) HIT did not place all, or even a majority of the investors' funds into trades within the promised five days; rather, HIT warehoused the money in a bank account controlled by HIT. Adams sent only \$50,000 of the initial \$450,000 raised to its brokerage account for trading. HIT's check ledger reflects that approximately \$150,000 of investors' funds was used to pay for HIT office expenses, including rent, office supplies, computers, office repairs and payroll. Adams used an additional \$20,000 for personal travel expenses.

CLAIMS

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

75) Plaintiff Commission repeats and incorporates paragraphs 1 through 75 of this Complaint by reference as if set forth *verbatim*.

76) The Defendants directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails (a) have employed devices, schemes and artifices to defraud, (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

77) As a part of and in furtherance of their scheme to defraud, the Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material facts and misrepresentations of material facts and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth above.

78) The Defendants made these misrepresentations and omissions knowingly or with reckless disregard for the truth.

79) By reason of the foregoing, the Defendants violated and, unless enjoined, will continue to violate the provisions of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM

Violations of Section 17(a) of the Securities Act

80) Plaintiff Commission repeats and incorporates paragraphs 1 through 75 of this Complaint by reference as if set forth *verbatim*.

81) The Defendants directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

82) As part of and in furtherance of this scheme, the Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence and oral presentations which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth above.

83) The Defendants made the above-referenced misrepresentations and omissions knowingly or with reckless disregard for the truth. Defendants, in addition, were negligent in connection with their offer and sale of the securities alleged in this Complaint.

84) By reason of the foregoing, the Defendants violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM

Violations of Section 15(a) of the Exchange Act

85) The Commission realleges and restates Paragraphs 1 through 75 of this Complaint and incorporates the same by reference as if set forth herein *verbatim*.

86) Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton are in the business of effecting transactions in securities for the accounts of others.

87) Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton made use of the mails and of the means and instrumentalities of interstate commerce to effect transactions in and to induce or attempt to induce the purchase of those securities.

88) Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton were not and are not registered with the Commission as brokers or dealers, as required by section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

89) By reason of the foregoing, Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton have violated and, unless enjoined, will continue to violate section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

FOURTH CLAIM

Claims Against the Relief Defendants as Custodians of Investor Funds

90) Plaintiff Commission repeats and incorporates paragraphs 1 through 75 of this Complaint by reference as if set forth *verbatim*.

91) The Relief Defendants received, directly or indirectly, funds and/or other benefits from the Defendants, which either are the proceeds of, or are traceable to the proceeds of, the unlawful activities alleged herein and to

which they have no legitimate claim to these funds and property.

92) The Relief Defendants obtained the funds and property as part of and in furtherance of the securities violations alleged and under circumstances in which it is not just, equitable or conscionable for them to retain the funds and property, and accordingly, each it has been unjustly enriched.

93) The Commission is entitled to an order requiring that the Relief Defendant disgorge these funds and property plus prejudgment interest thereon.

FIFTH CLAIM

Claim for an Order under Section 21(e) of the Exchange Act

94) Plaintiff Commission repeats and incorporates paragraphs 1 through 75 of this Complaint by reference as if set forth *verbatim*.

95) Defendants Global-Link, Harrison, and Herisko have failed to comply with the terms of the Commission's July 6, 1995, Order Instituting Proceeding Pursuant to Section 8A of the Securities Act of 1933, Making Findings and Imposing Cease and Desist Order entered in *In the Matter of Global-Link Capital Markets, Kenneth S. Harrison, and W. J. Herisko*, Administrative Proceeding, File No. 3-8745.

96) Based upon the Offer of Settlement of Defendants Global-Link, Harrison, and Herisko, the Commission made findings of fact that:

- A. Global is a Nevada limited liability corporation owned and operated by Harrison and Herisko and based in Houston, Texas; and
- B. From about May 1993 to approximately February 1994, Global, Harrison and Herisko violated Section 17(a) of the Securities Act by offering to sell securities in the form of investment contracts. Global solicited offerees via telephone and mailed offering materials to approximately 52 corporations. Global told the offerees that their funds would be used to purchase "prime bank instruments" in a \$10 million increments in the form of standby letters of credit, prime bank notes, and prime bank guarantees and would subsequently be resold to institutions and/or individuals in the secondary market at substantial profits. Global offered the securities by using offering documents containing representations they had no basis for believing were accurate. Global failed to investigate the representations contained in the offering documents to determine their truth. In addition, without basis, Global represented to the offerees that they would receive at least 20% annual return on their investment that there were practically no risks associated with the investments, that the investments were exempt under Commission rules, and that Global had entered into a contract with an asset holder who could complete the transaction.

97) Based on the foregoing findings, the Commission ordered pursuant to Section 8A of the Securities Act that Defendants Global-Link, Harrison, and Herisko cease and desist from committing or causing any violations, and any future violation, of Section 17(a) of the Securities Act.

98) By virtue of the conduct alleged herein, much of which occurred after July 6, 1995, Global-Link, Harrison and Herisko have violated the Commission's cease-and-desist order, and unless restrained and enjoined will continue to engage in conduct violating the order.

RELIEF REQUESTED

The Commission seeks the following relief:

- 99) A Preliminary Injunction against Defendants USRBT and HIT enjoining them from further violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.
- 100) A Preliminary Injunction against Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton enjoining them from further violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.
- 101) A Permanent Injunction against Defendants USRBT and HIT and their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.
- 102) A Permanent Injunction against Defendants Global-Link, Ed Driving Hawk, Leo Driving Hawk, Adams, Smedley, Harrison, Herisko and Emerton, and their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78o(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.
- 103) An order requiring a full and accurate accounting and an interim asset freeze of all assets of Defendants USRBT, HIT, Ed Driving Hawk, Leo Driving Hawk, Adams and Smedley until a full and accurate accounting can be made of all investor monies raised in fraudulent schemes alleged this Complaint and a determination made as to the disposition of those assets.
- 104) An order requiring a full and accurate accounting of all assets of Defendants Global-Link, Harrison, Herisko and Emerton until a full and accurate accounting can be made of all investor monies raised in fraudulent schemes alleged this Complaint and a determination made as to the disposition of those assets.
- 105) A full and accurate accounting and an interim asset freeze of all accounts of Relief Defendants and all assets held by Relief Defendants.
- 106) On an interim basis, the Commission requests that a Receiver be appointed to take possession and control of the assets of Defendants USRBT, HIT, Ed Driving Hawk, Leo Driving Hawk, Adams and Smedley and each Relief Defendant to marshal and preserve their assets for the benefit of the defrauded investors.
- 107) An order that each Defendant and each Relief Defendant be restrained and enjoined from destroying, removing, mutilating, altering, concealing or disposing of, in any manner, any of their books and records or documents relating to the matters set forth in the Complaint, or the books and records and such documents of any entities under their control, until further order of the Court;
- 108) An order allowing that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents or to take oral depositions on seventy-two (72) hours notice by facsimile or personal service.
- 109) An order requiring the Defendants USRBT, HIT, Ed Driving Hawk, Leo Driving Hawk, Adams and Smedley and each Relief Defendant to repatriate

and to return to identified accounts in the United States of America all monies and liquid assets held outside this Court's jurisdiction.

110) Disgorgement of all illicit profits and benefits, plus prejudgment interest, realized by each Defendant and all investor monies obtained by each Relief Defendant, plus prejudgment interest, as a result of participation in or attributable to the fraudulent schemes alleged in this Complaint.

111) A civil monetary penalty against each Defendant as provided by statute and determined by the Court to be just and proper.

112) Such other and further relief as the Commission may show itself entitled.

Dated: April 3, 2002

Respectfully submitted,

MARSHALL GANDY
(Attorney in Charge)
Texas Bar No. 07616500
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
Fort Worth District Office
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, TX 76102-6882
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Of Counsel:

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Fort Worth, TX 76102-6882

<http://www.sec.gov/litigation/complaints/complr17459.htm>

MEMORANDUM

Thursday Evening 7:30 p.m.
September 19, 2002

Ann:

I have given some thought to our discussion this morning and realized I probably did not make the case for emergency bridge funds to sustain the operations that will solve the 4.0M problem and any eliminate any interaction with Judy and Kathleen.

I have thought about the arguments and their potential stress cast upon you but would like to present herewith a brief status of the various projects set in motion since the USRBT failure.

First and foremost there are two client/depositors now approved for participation in the programs. One Olsen @ 15.0M and the other the Midas Group @ 5.0M. Schedules are being coordinated with Ellis-Brown to take them into the trading rooms of our business to witness the completion of transfers and their associated higher than marker profits. We are planning (if I have funds) to be in Zurich the week of 29 September for contract signing with both parties. Within five banking days they will start trading which means we will see funds by 10 October for distribution to us by 12 October in amounts from both client/Depositors at approximately 3.0M and based upon the numbers of trades per week would approximate 3.0 per week. Thus, producing revenue to retire your 40M by 1 November 2002 based on your demand as notified by Norman on your behalf.

Secondly, the ability to repay the bridged amount would come from the proceeds of the loan from Winfield (he tells me today that it will be around 5 October that he will fund any loan request).

Third, with the bridge loan I can complete the processing of the AU ores and call for the delivery of the next tonnage to the plant which would yield them \$60,000 per week on a continuous basis.

Fourth, I am introducing to Winfield the concept of participation in the Facility which would also produce the 4.0M needed to meet the 1 November date.

Additionally we are processing the 1.2B potential contract which if we are successful will produce large profit for us which you have participation with me. However, this will take at least another month for approvals and setup for trading.

In the meantime my personal situation along with the deterioration of all the other overhead and administrative commitments (now delinquent going into the second month) to keep the operation moving forward to achieve the stated objectives will cause all the rest to fail without active overhead and administrative support.

16

Ann, if you see this as I do and are willing to stay in the fight and fund this as a bridge loan, I would be willing to meet both Judy and Kathleen in support of your decision which ultimately will be for their benefit. I'll call you in the morning for your final decision. I am sorry to put this pressure on you at this time but I felt you should know the portion and closeness to a long goal that we both have been trying to achieve. Everything is now working for us particularly UBS is back in business and the US Treasury need to build capital. We are now being solicited to assist in this endeavor.

I am faxing two examples of the situation I find myself and in addition I received a three day notice on the plant in Las Vegas (which by the way has about 300,000 equity upon exercising the option to buy at \$500,000; we received an unsolicited offer to buy the plant @ \$800,000.)

Bill

MEMORANDUM

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September 19, 2002

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Bill

THE ARKIN GROUP LLC

MEMORANDUM

Privileged & Confidential

TO: Ann Palmer
Kathleen Johnson
FROM: Jack Devine
DATE: December 13, 2002
RE: William S. Herisko

INTRODUCTION AND EXECUTIVE SUMMARY

Pursuant to our retainer agreement of October 14, the following reports the results of our investigation into William J. Herisko. Inquiries regarding the Union de Banque Suisse (UBS) account into which \$4 million was transferred in 1998 are still ongoing. While we are working hard to get the results of these inquiries to you as quickly as possible, we thought it would be helpful to report the balance of our findings regarding the personal and professional background of Mr. Herisko.

We undertook a systematic analysis of civil and criminal legal filings, and public records related to businesses, property, bankruptcy and divorce proceedings. We also began the process of reaching out in a discreet manner to individuals who would be in a position to speak candidly of Herisko's background and business affairs. We suspended this effort after speaking with his ex-wife in order to focus our resources on the asset tracing matter. At your direction, we have also capped the cost of our inquiries and research, including the asset tracing portion of the investigation, at \$25,000.

Despite early promise and a measure of success, William Herisko's business career has consisted of a series of failed initiatives, undermined by bad debt, lawsuits and charges of fraud. Herisko is described as a man of enormous personal charm and intelligence. A charitable interpretation of his professional career (and the one advanced by his ex-wife) is that he was simply unlucky in business partnerships or timing. A more realistic view, however, is that a pattern of deceit in business was establishing itself by the late 1970s when civil lawsuits against Herisko began. These were followed by criminal charges,

personal bankruptcy, divorce and a continuing onslaught of civil cases in which Herisko was the sole or primary defendant. In 1995, he became the subject of a cease and desist order in a securities fraud case brought by the Securities and Exchange Commission in a case that is ongoing.

PERSONAL BACKGROUND

William Herisko was born on August 1, 1933 to William M and Marie T. Herisko. He grew up in the small town of Dormant, near Pittsburgh Pennsylvania. He reportedly graduated from Duquesne University, working his way through school at a nearby steel mill. After graduating, he joined Martin Marietta in Colorado, reportedly managing aspects of cost reduction for the Titan I and Titan II missile programs. He was subsequently employed by the defense contractor TRW in California, again engaged in efficiency and cost reduction, this time for the Apollo program. He met and married Carolyn while on temporary assignment for TRW in Houston in 1968.

In the early 1970s, Herisko went to work for himself buying and leasing iron ore and gold fields. The iron ore was located in California and sold to cement companies, while the gold fields were in Nevada and reportedly sold to companies such as Englehard Industries.

His ex-wife describes him as highly intelligent, versatile, hardworking, and able to absorb information "like a sponge." When asked to characterize William's business acumen she said he had excellent ideas for businesses, but couldn't "quite get some of them off the ground." She said that he comes across as a "wonderful person" who would "do anything for a friend," is extremely interesting, knowledgeable about many subjects, and "fun to be with."

Divorce

Herisko's divorce from Carolyn Lee Herisko became final on February 20, 1995 after Carolyn filed for divorce on April 20, 1994 on grounds of irreconcilable differences. She was awarded no alimony and, according to the court file, received no other ongoing benefits from William such as pension rights or a payment from life insurance premiums. They divided household furnishings and related assets—Carolyn received a 1995 Chevrolet Camaro, and William a 1985 Volvo. In an acknowledgment of William's debts and bankruptcy proceedings six years earlier, it was stipulated that each party would be individually responsible for the debts that he or she incurred. Carolyn requested that her name be legally changed to Carolyn Lee Herisko Morris.

Carolyn currently at [REDACTED] in a home that she owns with whom we believe to be her new husband, Dennis A. Baker. She currently works in an administrative capacity at the same domestic relations law firm that handled her divorce.

BUSINESS VENTURES

Global Link Capital Markets Ltd

Global-Link, as you know, is a defendant in the SEC's pending litigation. According to the SEC's complaint, it is a limited liability company registered in Nevada and Texas since 1994 with its principal office in Houston. The company maintains a current telephone listing and voice mail directing callers to leave messages for CEO Sam Harrison. According to Dunn & Bradstreet, the company currently has two employees. It is not clear whether Herisko maintains an ongoing business relationship with Harrison.

According to the SEC, Global-Link was under the control of Kenneth S. Harrison, William Herisko and Thomas T. Emerton, III and operated in cooperation with a bank by the name of U.S. Reservation Bank and Trust on the Rosebud Reservation in South Dakota. Such banks effectively operate on non-U.S. territory and thus claim to be exempt from the regulatory requirements of federal banking authorities. The Bureau of Indian Affairs has reportedly warned that such banks are not legally constituted and offer no FDIC protection to investors.

According to bulletin board posting we identified, Global Link was at one time a modestly successful trader of conventional bonds with a "good" reputation (we note that we can in no way vouch for the credibility of this statement or its author). Reportedly, Global Link attempted many times to purchase medium term notes (MTNs), which are typically issued by large corporations or federal agencies, such as Fannie Mae or Freddie Mac.

CBC Holdings

CBC Holdings was one of the entities at the center of Herisko's bankruptcy petition. Carolyn informed us that CBC Holdings was not a restaurant operation, as reported by Dun & Bradstreet, but another of "Bill's business ventures," which she declined to state the nature of. Other business entities in which Herisko was involved include Transcorp Technology, Transcorp Development Ltd., Towson Corporation, C.L. Morris, Transcorp Limited, and Trans State Acceptance.

CRIMINAL CHARGES AND BANKRUPTCY

Grand Theft Charge

In 1986 Herisko was charged and convicted of grand theft in California. As the Chairman of Trans State Acceptance Corporation, Herisko persuaded Roger Valmy, then 73, to invest \$50,000 in a venture that he promised would return 60 percent in less than a year. Herisko made a series of "interest" payment totaling \$20,000 at the designated times. Two subsequent checks for \$40,000 and \$20,000 were returned to Valmy for insufficient funds. It was later discovered that the checks were drawn on an account for which Herisko did not have signing privileges. Herisko was charged with grand theft and knowingly writing a bad

check, both of which are felonies under California law. He was found guilty of the charges on April 23, 1987, received three years probation and was ordered to pay Valmy \$60,000. We understand from the docket that Ann Palmer provided an additional \$25,000 in bail when the court raised bail to \$50,000 from its initial \$25,000. The first \$25,000 came from a typical bonding company. Herisko's approach to Valmy presaged his later approaches to Ms. Palmer. After being introduced by a mutual friend and socializing several times, Herisko asked Valmy about the returns he was enjoying on various bond investments. According to the trial transcript, Valmy, a seasoned investor, replied that he was earning 12 percent on his principal and approximately 9 percent on each coupon. Herisko stated "That's ridiculous. You can do so much better and I advise you to sell those bonds and invest the money (with me)." Herisko provided Valmy a promissory note in addition to his verbal guarantees. When the money failed to materialize, he made repeated promises that it would be forthcoming, offering vague but insistent excuses for the delay.

Bankruptcy

On December 29, 1989, both William and Carolyn filed for bankruptcy under Chapter 7 in the U.S. Bankruptcy Court for the Southern District of Texas. Their problems reportedly began when the IRS determined that certain tax shelters Herisko formed in the 1970s were illegal. The IRS's finding created substantial tax liabilities for the Heriskos, which led to several liens and ultimately, according to Carolyn, to the bankruptcy filing.

In the bankruptcy petition, Mr. Herisko stated that he was doing business as CBC Holdings, Trans State Acceptance, C.L. Morris, Transcorp Limited, Transcorp Technology, Inc., Transcorp Development and Towson Corporation.

A Creditors' Meeting was held on March 6, 1990; on the same date, the Trustee submitted his final report, which determined that there were no assets for distribution to the creditors. On April 9, 1990, an adversary proceeding was initiated by one of the creditors, Robert McCauley, who objected to the discharge. One month later, on May 9, 1990, the bankruptcy court granted the Heriskos' discharge of indebtedness.

In the Heriskos' Statement of Liabilities filed February 23, 1990, they list IRS tax liens for tax years 1977 through 1980 and for 1983 and 1987 with an aggregate balance of \$1,481,129. They also include back taxes of \$31,875 to the State of California Franchise Tax Board. Secured debts, including a mortgage on a condominium, and the financing of a car and furniture, had a balance of \$71,268.

We note that the lengthy list of unsecured creditors includes Albert E. Droubie, \$31,331; Ann Palmer, \$370,000 (described as a contingent dispute concerning unsecured notes); American International Bank, \$45,549; Avis Leasing Corp., \$325,646; Bobby Lee Rogers, \$30,583; Charles Unruh, \$38,056; Dennis Breen, \$60,000; Equico Lessors, \$287,395; Forry C. Laucks, \$158,529; Hockman, Salkin & Deroy, \$80,000; Industry Financial Corp., \$226,280; Lee Shaw, \$75,000; Park International, \$250,000; Robert McCauley and Jerry T. Kelly, \$30,000; and William S. Hubbard, \$55,313.

In sum, including tax liabilities and "unsecured claims without priority" the Heriskos' total indebtedness amounted to \$5,506,116 against assets of only \$50,000.

Civil Suits

Between 1977 and 1991, we identified a total of 16 civil lawsuits against Herisko filed in Texas, California and Florida, including two by Ann Palmer. In the first one, filed October 1983, Ms. Palmer sought an eviction and back payment of rent for property she owned in which Herisko was living at [REDACTED]

We note that Ms. Palmer purchased the property when it was in foreclosure and the Trustee's Deed Upon Sale, which is appended to the complaint, lists Transcorp Limited, one of Herisko's entities, as the trustor of the property and Ann Palmer as the beneficiary. It would appear that Ms. Palmer was in effect holding Transcorp's note, which was secured by the property. It is likely that Transcorp was one of Herisko's companies. The amount owed at the time of the foreclosure was \$442,595; we understand that Ms. Palmer paid approximately \$303,000 for the property at the trustee's sale.

On January 15, 1985, Ms. Palmer again sued Herisko and his wife for nonpayment of \$3500 per month in rent. A default judgment was entered in Ms. Palmer's favor.

Ronald J. Herisko

William's brother, Ronald J. Herisko was born in 1938. Like William, he graduated from Duquesne University, and received a law degree from Case Western Reserve. According to Martindale Hubbell, Ronald is not admitted to the bar in California, though he is reportedly defending William in the SEC litigation. Ronald has had his own unsavory business relationships. He was "managing" the career of Mike Kalina, a popular Pittsburgh-area restaurant critic who was accused of taking payments from restaurants for favorable mentions in his book. In 1992, shortly after it was announced that he was the subject of a grand jury investigation, Kalina committed suicide by running a hose from the exhaust pipe of his car into the passenger compartment. Herisko is the owner of RJH Home Video, registered in California as a motion picture and video production company. He has also been involved in promoting the career of a child actress.

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH CAROLINA
ANDERSON DIVISION

COPY

ED 03 - 00058 M

UNITED STATES OF AMERICA

WARRANT FOR ARREST

vs.

CASE NUMBER: 8:03-0179

WILLIAM JOSEPH HERISKO

To: The United States Marshal or any Authorized United States Officer

YOU ARE HEREBY COMMANDED to arrest WILLIAM JOSEPH HERISKO and bring him or her forthwith to the nearest magistrate judge to answer a(n)

- Indictment
- Information
- Complaint
- Order of Court
- Violation Notice
- Probation Violation Petition

charging him or her with, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, attempting to transmit or cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, in violation of Title 18, United States Code, Section 1343; and conspiracy to attempt to transmit or cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for purpose of executing such fraudulent scheme or artifice, in violation of Title 18, United States Code, Section 371.

03 JAN 12 AM 11:59
U.S. DISTRICT COURT
DISTRICT OF SOUTH CAROLINA
ANDERSON DIVISION
FILED

I hereby attest and certify that the foregoing documents are true and correct copy of the original in my office, and in my legal custody.
CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
EASTERN DIVISION
8500

William M. Catoe
Name of Issuing Officer

United States Magistrate Judge
Title of Issuing Officer

WMC
Signature of Issuing Officer

February 27th, 2003 Greenville, SC
Date and Location

Bail to be set by Judge before whom defendant initially appears.

Laura Addis
DEPUTY CLERK

RETURN		
This warrant was received and executed with the arrest of the above-named defendant at _____		
Date Received	Name and Title of Arresting Officer	Signature of Arresting Officer
Date of Arrest		

18

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH CAROLINA
ANDERSON DIVISION

FILED

FEB 27 2003

LARRY W. PROPPES, CLERK
U. S. DISTRICT COURT

UNITED STATES OF AMERICA

CRIMINAL COMPLAINT

vs.

Criminal Number 8:03-0179

WILLIAM JOSEPH HERISKO

I, the undersigned complainant, being duly sworn, state the following is true and correct to the best of my knowledge and belief.

From on or about June 2001 through the present, in Oconee County, in the District of South Carolina, the defendant(s) did, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, attempt to transmit or cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, in violation of Title 18, United States Code, Section 1343; and conspire to attempt to transmit or cause to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such fraudulent scheme or artifice, in violation of Title 18, United States Code, Section 371.

I further state that I am a Special Agent, Federal Bureau of Investigation, and that this complaint is based on the following facts:

See attached affidavit.

Continued on the attached sheet and made a part hereof: Yes No



Paul A. Jacobs

Sworn to and subscribed in my presence on February 27th, 2003, at Greenville, South Carolina.

William M. Catoe
United States Magistrate Judge



Signature of Judicial Officer

I, Paul A. Jacobs, being duly sworn do depose and say as follows:

A. I am a Special Agent with the Federal Bureau of Investigation currently assigned to the Columbia Division, Greenville, South Carolina Resident Agency. I have been a Special Agent for nineteen (19) years.

B. Beginning in August 1999, I began an investigation in to what is commonly referred to as High Yield Investment Program Fraud (hereafter, HYIP Fraud).

C. I am knowledgeable concerning HYIP Fraud based upon training, research, experience in investigating same and upon consultation with officials and experts from the following investigatory, regulatory, prosecutorial and educational organizations:

**United States Treasury Department
United States Bureau of Public Debt
Federal Reserve Corp.
International Monetary Fund
International Chamber of Commerce
The World Bank
Comptroller of the Currency for the United States
United States Central Intelligence Agency
United States Department of Justice
United States National Security Agency
United States Secret Service
United States Securities and Exchange Commission
London Metropolitan Police
United States Attorney, District of South Carolina
United States Attorney, Middle District of Georgia
United States Attorney, Southern District of Ohio
F.B.I. Legal Attache, Bern, Switzerland
F.B.I. Legal Attache, London, England
F.B.I. Economic Crimes Unit, Washington, D.C.
Professor James Byrne, George Mason University School of Law**

D. Based upon my training and experience, I am aware of the following facts:

1. "High Yield Investment Program Fraud" is the general term given to fraud schemes that go by various names, including Prime Bank Investment Programs, Prime Bank Debenture Programs , Prime Bank Guarantee, High Yield Trading Programs, Medium Term Note Trading Programs, Standby Letter of Credit Trading Programs and Rolle Programmes. In these schemes, the fraud artist purports to have access to secret financial trading programs sanctioned by the Federal Reserve Bank, the Treasury Department, the International Monetary Fund, the International Chamber of Commerce or some other entity involved in international monetary transactions or policy.

2. Claims are made that only a privileged few are invited to participate in the trading of some form of bank security such as guarantees, notes, stocks or debentures which can be bought at discount and traded or sold through a series of purchasers to an end purchaser who has already agreed to pay a price greatly in excess of the original purchase price. These end purchasers are generally referred to as commitment holders. The persons who purportedly handle these trades are usually referred to as traders licensed or authorized by the United States Federal Reserve. The perpetrators of this scheme often state that there are a limited number (usually five to seven) traders and commitment holders in the world and that only the top 10, 25 or 50 banks in the world are involved in these trading programs. These banks are referred to as "Prime Banks" from which the scheme takes one of its names.

3. The investor is guaranteed that he will receive profits far in excess of any normal investment and is quoted amounts of up to 200% per week. To receive such a return, the investor is told that he must invest a minimum of \$100,000,000.00 and that a portion of the funds must be turned over to the United States Government for humanitarian purposes around the world. Since September 11, 2001, a variation of this theme has been that the Government's portion of these extraordinary profits will be used to fight terrorism and to provide relief to the victims of the World Trade Center and Pentagon attacks. The investor is told that his funds are absolutely safe and never at risk in any way. A key element in inducing investment is to advise the investor that his funds will remain in his own account at his own bank and can never be lost.

4. Standard practice is for the investor first to be directed to provide a Letter of Intent, a Non-Solicitation Agreement, a Confidentiality Agreement, a Non-Circumvention Letter, a Bank Proof of Funds, a Client Information Summary and a copy of the Investor's Passport. The investor is then told that he must go through "compliance," which will be done by the F.B.I., C.I.A., Interpol, N.S.A., Federal Reserve or some other Government "compliance officer." He is also told that his funds will be verified on a "bank to bank" basis to make sure that they do exist and that they are "good, clean, clear funds of non-criminal origin."

5. As the schemes continue, the potential investor's questions are deflected by referring to the confidentiality requirements of the program. In particular, when an investor asks for references from previous investors, he is told that the program's confidentiality requirements prohibit this. The investor is told that if this program ever became known to the general public, it would cause a crash of the world wide economic system because no one would invest funds anywhere but in these programs.

6. The perpetrators of these schemes often introduce the investor to various individuals in different parts of this and other countries who are identified as "brokers," "facilitators," "cutting house operators," "commitment holders," "traders," "compliance officers," "gatekeepers," "government officials," "federal financial task force operatives," members of groups such as the IMF, World Bank, Federal Reserve, etc. Such adding of players is designed to make the investor believe that he is moving ever higher in the chain of persons running these "programs." Additionally, the perpetrators of these schemes often claim to have associations with highly placed persons in the Federal Reserve and government entities such as the Federal Bureau of Investigation and the military. Often times, the names of actual persons such as Allen Greenspan are touted as personal associates.

7. Often, during the course of events, the investor is told that he will not be going into a Federal program after all because of the complexities involved but instead will be going into a commercial transaction which is virtually identical with the same rates of return and guarantees, but which is simpler or quicker to become involved in. This is one of the standard practices of changing the "pitch" as the scheme progresses to gradually gain control of the investor's funds.

8. Ultimately the perpetrator of these schemes simply steals the investor's funds. This is accomplished by using a variety of banking transactions each having in common the ultimate goal of moving the funds offshore so that they cannot be traced and recovered. Common methods of effectuating the transfer of funds out of the investor's account include using an assignment of accounts to the perpetrator, assignment to the perpetrator of a Certificate of Deposit purchased by the investor, transfer of the funds into a newly created corporate account controlled by the perpetrator, transfer of the funds into an inactive corporate account owned by the perpetrator, creation of a line of credit against the investor's account which is then used to obtain an equal amount of funds from another bank, and simply transferring the funds by using the information provided by the investor to pose as him and authorize the transfer. There are innumerable variations on the method in which the funds are ultimately stolen.

9. There are no secret investment trading programs such as described above. There are no traders licensed or authorized by the Federal Reserve to deal in such programs. There are no commitment holders who serve as end purchasers. None of the agencies cited as being involved in such programs are in any way involved. There is no such thing as Federal Reserve Compliance Officers who "oversee these trading programs" and no law enforcement agency is involved in "doing compliance" on potential investors.

10. Quite often the scheme is perpetrated in a "Ponzi" fashion, to wit, early investors receive some payments from either their own funds or funds from later investors. The payments then stop and the investors are repeatedly told that the payoff is coming any day but has been delayed by problems in the foreign country, freezes of the funds by various agencies, banks not cooperating or any other number of bogus excuses. The simple fact is that the money has been stolen.

11. Certain words and phrases are repeatedly used by those perpetrating these HYIP Frauds. Some have absolutely no meaning in commercial banking or business practices and others are used in ways contrary to standard practices. Among the words and phrases that are used in these frauds are:

Humanitarian Projects
European Banking Week
European Banking Year
Facilitator
High Yield Investment Program

20. In June, 2001, the CI advised your affiant that Ron Mokwena of Orlando, Florida had approached him and offered him entry in to a Federal Reserve trading program. The CI was directed to place a telephone call to Mokwena and tell him that he and his partner, Lou DeFranco were interested in hearing more about the program and that they had a substantial amount of funds available for investment.

21. On June 29, 2001, the CI spoke telephonically with Mokwena and was advised that the program he had was open, that the investor's funds never left his own account and that he would be pleased to bring his "team" to South Carolina to present the program.

22. On July 2, 2001, DeFranco spoke telephonically with Mokwena. In summary, Mokwena presented an investment program bearing many of the earmarks of an HYIP fraud as outlined in the opening paragraphs hereof. In particular Mokwena made the following statements:

a. That the program that he can offer is a government trading program supervised by the World Bank.

b. That the investor's funds are never at risk and the rate of return is completely guaranteed.

c. That the first step in entering the programs is to provide a Proof of Funds (POF).

DeFranco advised that he and the CI were unwilling to provide a POF until a face to face meeting had occurred and more information was provided.

23. On July 3, 2001, DeFranco again spoke telephonically with Mokwena. During this conversation Mokwena made, among others, the following statements:

a. That participation in the trading program he was offering was by invitation only.

b. That this program could turn the \$100 Million that Sweet Tea Investments had available in to \$3 Billion in a very short period of time.

c. That one member of his "team" was Jim Honse of Sega Capital in Portland, Oregon.

d. That Honse worked with the founders of the Dreyfuss Fund as well as directly with Allen Greenspan.

At this point in the conversation Mokwena conferenced in a person identifying himself as Jim Honse. A conversation then ensued lasting approximately forty-five minutes. During this conversation Honse presented himself as a counselor to investors who could connect DeFranco with the commitment holders in the trading program. He emphasized that the program was risk free and involved multiple trades of "paper" which would result in huge profits. Honse advised that he would send written information to DeFranco.

24. During the last two weeks in July, 2001 DeFranco and the CI continued to have brief conversations with Mokwena. At your affiant's direction efforts were made to arrange a face to face meeting with Mokwena and whoever else might be involved in the "program". During these conversations Mokwena elaborated on the "program". Among others, Mokwena made the following statements:

- a. That he had access to more than one program.
- b. That he could access a program involving Robert Rubin, former Secretary of the Treasury.
- c. That one of the programs he could access pays a return of ten to one on investments.
- d. That the programs he offered are either directly operated or supervised by the "Fed".
- e. That he had been in the business for several years and had enjoyed great success in it.
- f. That he and several members of his "team" would meet with DeFranco and the CI in South Carolina as soon as everyone's travel arrangements could be worked out.

25. During the time frame of the above conversations, at Mokwena's request, the following documents were sent to him via facsimile transmission:

- a. A Proof of Funds and KeyBank Bank Statement, purporting to be that of

DeFranco and showing a balance in excess of \$100 Million.

- b. Irrevocable Consultant Facilitator Fee Agreement;
- c. Non-Disclosure and Non-Circumvention Agreement;
- d. Non-Solicitation Letter; and
- e. Irrevocable Consultant Facilitator Expense Reimbursement Agreement.

With the exception of "a" above, all of the documents were sent by Mokwena with everything completed except for the signature lines for the CI and DeFranco. Each of these documents were addressed to Sega Capital, Ltd. and, where applicable, signed by "James Honse".

26. A meeting was arranged at the Lake Keowee house for August 6, 2001 with Mokwena and his associates. On August 5, 2001 Mokwena called the Lake Keowee house and left a message that Jim Honse had arrived at the Ramada Hotel in Clemson, South Carolina and would be meeting alone with the CI and DeFranco the next day.

27. On August 6, 2001 Honse arrived at the Lake Keowee house and met with the CI. At the beginning of the meeting Honse provided a business card to the CI which listed him as the Chief Executive Officer of Sega Capital, Ltd., 5385, 87th Avenue, Portland, Oregon.

28. DeFranco was unavailable for the August 8th meeting due to other duties and an excuse was made that his father was seriously ill and that DeFranco had traveled to Italy to be with him. Your affiant supplied the CI with a letter purporting to be to the CI from DeFranco which asked that the CI ask a series of questions concerning the proposed investment. The CI showed the letter to Honse who answered the questions and recorded some of the answers on a sheet of paper which he left with the CI. Some of these questions and answers are as follows:

- a. Question: How much interest will be made on the investment?
Answer: 50%-1000% per month.
- b. Question: Is the investment secured?
Answer: the principal funds are 100% without risk.

c. Question: Is the interest guaranteed?

Answer: Possible Profit Guarantee

d. Question: Is the program Government run?

Answer: The Fed licenses and screens the program.

In addition to these specific answers Honse provided the following information :

a. That he became involved in the trading business seven or eight years ago.

b. That his company, Sega Capital, does the paperwork and due diligence primarily for west coast investors. This work is done on behalf of the two firms. One is a trust in New York whose founders included Jonas Salk. The other is Downing and Co. in Boston.

c. That the programs usually require a minimum investment of \$100 Million although some slots can be found for \$10 Million.

d. That he works with a firm that deals with three of the twelve federally licensed traders who deal with commitment holders of whom there are six to nine.

e. That the commitment holders have the exclusive rights to sell certain bank syndicates' "paper".

f. That the profit is made in the program through multiple trades of the "paper".

g. That a non-depletion account is typically used in these programs to assure that there can be no loss of investor's funds.

In addition to these specific statements, Honse gave an extremely convoluted explanation of how "paper" is traded. After concluding this overview of the program Honse placed a conference call to Robert Downing and his associate, Rick Thayer. Among others, the following statements were made during this conversation by Downing:

a. That he has been in the securities business for a long time and has fully disclosed all information regarding this program to Honse.

b. That the CI and DeFranco's funds could probably remain in KeyBank where they were currently held, but that they may have to be moved to another facility.

c. That the program involves normal banking practices but uses leverage to earn extra yield in a no risk environment.

d. That a modest return will be shown on the paperwork that will be provided, however, in reality a return in excess of 100% per month will be made.

e. That one of their traders is involved with government projects in 80% of their programs.

f. That they are currently involved in a project involving C-17 airplanes.

g. That they are also involved with a project in Atlanta called Children's Village.

h. That currently an investor could go in to a program with \$100 Million but that this minimum was going up shortly to \$500 Million.

Thayer advised the CI that an updated bank statement would be needed and asked permission to contact Mark Thomas at KeyBank to verify the information. It was agreed that Downing and Thayer would come to South Carolina for a meeting to further explain the program.

29. On August 28, 2001 your affiant caused a bank statement purporting to be that of Lou DeFranco dba Sweet Tea Investments to be sent from KeyBank in Columbus, Ohio to Honse. The statement showed the amount on deposit to be in excess of \$100 Million.

30. On August 13, 2001 Honse sent to DeFranco via facsimile the following documents:

a. A cover letter that introduces an entity called "Global Link". Honse states in the letter that Global Link is a "federally licensed company which performs its services on behalf of the federal government". Honse goes on to say that DeFranco's funds will never leave his own account at KeyBank assuring a risk-free investment. Honse reiterates his earlier statements that this is a federal trade program and advises that a five fold profit can be made in thirty days after which DeFranco

will be "invited to go to Switzerland and meet directly with one of the handful of bank syndicate commitment holders".

b. A letter to be signed by DeFranco addressed to Global Link, 5450 Northwest Central Drive, Suite 215, Houston, Texas, 77092, requesting "assistance in committing \$100 million to a private placement investment".

31. On August 20, 2001 Honse and DeFranco discussed telephonically the setting up of a meeting with Downing and Thayer. Honse stated that the "trader" would be at this meeting. On August 21, 2001 Honse telephoned DeFranco and advised that the "trader" could not be present because he had to travel to Switzerland.

32. On August 22, 2001 a conference telephone call was had between DeFranco, Honse, Downing and Thayer. Downing advised that Bill Herisko is the CEO of Global Link.

33. Your affiant has identified Herisko as William J. Herisko of Palm Springs, California and Houston, Texas. Your affiant has determined that Herisko was the subject of a public administrative proceeding initiated by the United States Securities and Exchange Commission (S.E.C.) in 1995. In this proceeding it was alleged by the S.E.C. that Herisko, his partner, Kenneth S. Harrison and their company Global-Link Capital Markets were in violation of the Securities Act of 1933 in that they were offering investments in "prime bank instruments" and were making representations and omissions of material facts to investors concerning material facts relating to the investments being offered. Your affiant has further determined that on July 6, 1995 a consent order was entered in to by Herisko and Harrison wherein they agreed to cease and desist from committing further violations of the Securities Act. Without admitting or denying the findings of fact contained in the Order, Herisko and Harrison consented to the following finding of fact:

" On the basis of this Order Instituting Proceeding Pursuant to Section 8A of the Securities Act of 1933, Making Findings and Imposing Cease and Desist Order and the Respondents' Offer of Settlement, the Commission finds that:

A. Global is a Nevada limited liability corporation owned and operated by Harrison and Herisko and based in Houston, Texas, and

B. From on or about May 1993 to approximately February 1994, Global, Harrison, and Herisko violated Section 17(a) of the Securities Act by offering to sell securities in the form of investment contracts. Global solicited offerees via telephone

and mailed offering materials to approximately fifty-two corporations. Global told the offerees that their funds would be used to purchase "prime bank instruments" in \$10 million increments in the form of standby letters of credit, prime bank notes, and prime bank guarantees and would subsequently be resold to institutions and/or individuals in the secondary market at substantial profits. Global offered the securities by using offering documents containing representations they had no basis for believing were accurate. Global failed to investigate the representations contained in the offering documents to determine their truth. In addition, without basis, Global represented to the offerees that they would receive at least a 20% annual return on their investment, that there were practically no risks associated with the investments, that the investments were exempt under Commission rules, and that Global had entered in to a contract with an asset holder who could complete the transaction."

34. Between August 23, 2001 and August 28, 2001 Mokwena left several messages on the Lake Kewoee house answering machine. In these messages he advised that Honse, Downing and Thayer would be in South Carolina for a meeting on August 28, 2001, but that he could not attend because he was involved in the filming of a movie with Brad Pitt and that the "trader" would also be unable to make the trip. He further advised that Downing was involved with a famous "trader" in New York named Farouk Khan and that Donald Trump's "trader" may be available for later transactions with DeFranco.

35. On August 28, 2001 a meeting was conducted at the Lake Keowee house. In attendance were DeFranco, Honse, Downing and Thayer. Lasting in excess of two hours the presentation was in large part a reiteration of earlier statements made by Mokwena, Honse, Downing and Thayer concerning how the "investment" worked and about the many projects they were currently involved in. Some particular statements that were made are as follows:

a. Downing began by stating that there were two groups of people involved in this "business"—licensed, organized people like himself and investors like DeFranco. Downing then went in to a presentation of the background of the "business", stating that it had begun as a way to rebuild Europe after World War II and that now it is used as a vehicle to provide funds to developing countries.

b. Downing described Honse as being his West Coast representative and that they have been associates for two years.

c. Downing stated that he is associated with two licensed investment managers

who will present programs to DeFranco and that DeFranco will be able to meet these people face to face.

d. Downing states that one of these licensed entities is Global Link Capital Markets. He further stated that Bill Herisko is the head of Global Link. Downing went on to say that Herisko is licensed by the Federal Reserve to bring clients in to these programs and is one of the twelve licensed to go to the six entities in Europe which get commitments from banks in Europe for the "MTN's".

e. Downing then stated that "Sam" is Herisko's associate in Global Link.

(Your affiant has determined that "Sam" is Kenneth S. Harrison of Houston, Texas, who, along with William Herisko and Capital-Link, was named in the S.E.C. consent order dealing with "prime bank note" sales described in paragraph 33, above.)

f. Downing then goes in to details of how the program works in Europe. This part of Downing's presentation was very disjointed and confusing, appearing to consist of nothing more than the stringing together of catch-phrases such as MTN, European Letters of Credit, American Letters of Credit, European Business Climate, Leverage, Gearing, Syndication, Sweeping Accounts, etc.

g. Downing then stated that he has successfully placed two clients in to the program that he has described.

h. Thayer stated that within thirty days DeFranco's investment of \$ 100 Million will turn in to \$500M.

i. In response to several questions asked by DeFranco, Thayer stated that at a higher level many of these questions would be answered but that "confidentiality" prohibited the answering of them until that point. Downing added, "Would you violate confidentiality once you are in the program?"

The meeting concluded with an agreement that a conference call with "Sam and Bill" would be arranged.

36. On August 31, 2001 DeFranco engaged in a telephonic conference call with Downing and Herisko. Among others, Herisko made the following statements to DeFranco:

a. That he is the CEO of Global Link which is headquartered in Houston, Texas and that he had been in these programs for eleven years.

b. That Global is a firm which services a limited number of clients involved in very large investments and that these clients have to be qualified through the Federal Reserve which uses the Department of Justice and the Secret Service as their investigators.

c. That he is semi-retired and normally deals only with such persons as senior politicians and CEO's of banks, leaving the day to day activities of the business to Sam Harrison.

d. That there are only seven banks in the world licensed to be involved in these trading programs and that confidentiality is an absolute requirement. Based on this confidentiality Herisko declined to answer certain questions stating that "disclosure is a step by step process".

e. That the program grew out of the Marshall Plan and the Bretton Woods Agreement and that at least 50% of an investor's profits must go to humanitarian projects.

f. That he could not answer the question of exactly what profit would be made, however, that DeFranco's \$100Million investment would quickly grow in to \$500 Million which was the usual minimum investment amount. Herisko went on to state that how this rapid growth occurred would be explained later in the process.

g. That U.S. Banks are not used because they do not have the credit-worthiness of European Banks.

h. That a credit line would be established at DeFranco's bank to begin the trading process but that at all times DeFranco's funds would stay in his own bank and that even though a credit line was established, DeFranco's funds were never encumbered or had a lien placed on them.

i. That once DeFranco's account had grown to \$500Million the funds would have to be transferred to a European Bank to continue in the trading program.

(Your affiant is familiar with an HYIP fraud technique wherein the investor is provided bogus documents showing that he has already made huge returns on his

funds and is then told that in order to continue making these amounts he must go directly to a European bank. At that point the investor transfers his funds overseas in to an account which the perpetrator of the scheme can, and does, access and steals the investor's funds.)

Repeatedly during the conversation Herisko represented that this was a Federal Reserve trading program, that he was licensed to conduct this business and that the investment was completely risk free. Herisko concluded the conversation by directing DeFranco to submit a copy of his passport, a Proof of Funds and a Letter of Intent to Invest. Subsequently, your affiant caused paperwork purporting to be these documents to be sent to Downing and a meeting at the Lake Keowee house between DeFranco, Downing and Sam Harrison was arranged for October 3, 2001.

37. On October 3, 2001 a meeting was held at the Lake Keowee house. In attendance were DeFranco, Downing and Harrison. Downing begins by stating that he has investigated over one hundred people who stated that they are in this business and that he can absolutely vouch for Harrison. Harrison then made a presentation containing many of the same bogus statements previously made by Mokwena, Honse, Downing, Thayer and Herisko. Some of the particular representations made by Harrison were as follows:

a. That he established his company in the 1970's and that his was the largest brokerage house west of the Mississippi other than Merrill-Lynch until the savings and loan crisis which "chilled" the investment business.

b. That Bill Herisko is the senior partner in his business and that after Herisko testified before Congress regarding the savings and loan crisis he was invited to Washington in October, 1992 and asked to join the private placement business.

c. That he and Herisko started Global Link in 1992 to deal with the "grey area" that is the private placement business.

d. That anyone involved in this business will deny its existence because if its existence became known it would crash the financial markets. This confidentiality prohibits any references from other investors.

e. That four years prior Global Link was invited to acquire a medium note facility. Harrison then "explains" how the facility is owned and operated in a very convoluted and confusing manner.

f. That this business trades in medium term notes issued by the top European Banks. Harrison gives as an example of the program. In this example he discusses the Catholic Church backing bonds issued by Credit-Suisse which contracts with the Federal Reserve to issue "paper" at above market which is then sold through middlemen, such as DeFranco, to institutional buyers who cannot purchase the paper directly.

g. That there is absolutely no risk in the trading that is done and that an investor's funds never leave his own account.

h. That they work directly with persons in Hong Kong, London and throughout Europe and the Middle East so twenty-four hour access is needed.

i. That the entire program grew out of the Bretton Woods Agreement and was the Marshall Plan to rebuild Europe after World War II.

j. That the entire program is designed to fund worthwhile projects and that investors are rewarded handsomely for helping the project work.

The meeting ended with DeFranco being advised that the next step was for him to provide certain documents.

38. Over the next several days DeFranco had several conversations with Harrison who stated that he had been told that DeFranco was also dealing with another individual in trying to place his funds. Harrison refused to name this person. In fact, the undercover operation was dealing with multiple persons offering these investments. Fearing that Harrison and whoever he was getting information from would compare notes and discover that they were the subjects of an undercover operation your affiant made the decision to end contact between Harrison and DeFranco. This was done on November 7, 2001 in a telephone conversation in which DeFranco advised Harrison and Downing that he was not going forward.

39. During Downing's conversations with the CI and DeFranco he had mentioned the names of other persons who were involved in the "programs" to whom he could introduce DeFranco. Although further contact with Harrison was not desired due to the danger that the undercover operation would be compromised, your affiant did wish to explore the role of others involved with Downing. To accomplish this DeFranco advised Downing that although he was not going forward in the investment that he had a friend named Christopher Martin who might be interested.

Your affiant then orchestrated a number of telephone calls and meetings between Martin and Downing in December, 2001 and January, 2002. During these contacts Downing, along with Thayer, continued with the same standard HYIP presentation.

40. During the time that Downing was dealing with DeFranco and Martin he made contact with Mark Thomas at KeyBank to verify DeFranco's and Martin's accounts. Additionally, an actual employee of KeyBank in Vermont, named Scott Carpenter, contacted Thomas on December 7, 2001. Mr. Carpenter is the Senior Vice President, Manager, Private Bank and Investment Group. Mr. Carpenter advised that he was a friend of Rick Thayer and asked that Thomas extend all courtesies to Thayer. Fearing that Mr. Carpenter would check and discover that neither DeFranco nor Martin actually had an account your affiant made the decision to contact Mr. Carpenter and solicit his cooperation in the investigation.

41. During December 2001 through February 2002, your affiant had several conversations with Mr. Carpenter. Mr. Carpenter was advised that Thayer and Downing appeared to be offering a fraudulent investment. Mr. Carpenter advised that upon being advised by Rick Thayer in December 2001, that foreign banks were being used to leverage funds with no credit risks, he told Thayer that he did not understand these types of investments or transactions. Mr. Carpenter stated that Thayer and Downing had been using his bank to send SWIFT messages but due to the unusual nature of them he had discontinued doing so. Mr. Carpenter advised he subsequently told Thayer that the investment business he and Downing were involved in was fraudulent and that he had obtained information via the U.S. Treasury website confirming the investment program as fraudulent. Your affiant requested Carpenter personally provide to Thayer the U.S. Treasury Fraud Alert Bulletin he had obtained regarding Prime Bank Fraud. Carpenter advised affiant that he personally met with Thayer in early January 2002 and provided him with the Fraud Alert Bulletin, having circled "buzz words" on the bulletin for Thayer. Your affiant knows the "buzz words" circled consisted of those listed in paragraph 11 of this affidavit. Mr. Carpenter advised he again warned Thayer to be very careful. Despite the information provided to Thayer by Mr. Carpenter, Thayer continued with his presentations to Martin, continuing to solicit an investment from Martin.

(Your affiant is familiar with the use of Swift's in connection with HYIP Frauds. SWIFT is an acronym for the Society for the Worldwide Interbank Financial Telecommunication. This is a private organization dedicated to the promotion and development of standardized global interactivity for financial transactions. The

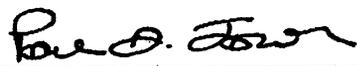
Society operates an electronic messaging service for financial messages, such as letters of credit, payments and securities transactions between member banks worldwide. SWIFT is headquartered at Avenue Adele 1, B-1310 LaHulpe, Belgium. SWIFT has standardized communication forms referred to by form numbers, each designed to accomplish a certain purpose. In one variation of the HYIP Fraud an investor is directed to have his bank send a certain numbered SWIFT message to the "trader's" bank and is told that this message merely verifies that he has funds available in his bank and that they have been "blocked", that is they are pledged to remain there for a certain period of time. In actuality the SWIFT numbered message that the investor has been given is one which will cause his funds to be transferred to the "trader's" account. The "trader" can then do as he wishes with the funds. Another variation is to use a SWIFT numbered message that allows a line of credit to be opened against the investor's account, which line of credit is then used to deplete the investor's account.)

42. During December, 2001 and January 2002, Downing and Thayer introduced other persons to Martin. These persons are the subject of a separate investigation which ended with the arrest of Norman Michael Miller who was arrested, admitted to stealing \$18,000,000.00 through his HYIP scheme and has now pleaded guilty in Federal Court in the District of South Carolina. Miller provided information concerning HYIP's to your affiant confirming what he had learned from other sources.

During the course of the investigation outlined above numerous telephone or other wire communications to South Carolina from outside South Carolina were made, or caused to be made, by the following:

Ronald Mokwena
James Honse
Robert Downing
Rick Thayer
William J. Herisko
Kenneth S. Harrison

Sworn to this 27th day of Feb ~~March~~, 2003.



Paul A. Jacobs
Special Agent
Federal Bureau of Investigation

FILED
AUG 12 2003

United States District Court District of South Carolina

LARRY W. PROPPS, CLERK
U. S. DISTRICT COURT

UNITED STATES OF AMERICA

JUDGMENT IN A CRIMINAL CASE

(For Offenses Committed On or After November 1, 1987)

vs.

Case Number: 8:03-179

ENTERED

WILLIAM J HERISKO

AUG 13 2003

Jack Horton

Defendant's Attorney

THE DEFENDANT:

- pleaded guilty to count(s) 1 on 4/3/03
- pleaded nolo contendere to count(s) on which was accepted by the court.
- was found guilty on count(s) on after a plea of not guilty.

Accordingly, the court has adjudicated that the defendant is guilty of the following offense(s):

<u>Title & Section</u>	<u>Nature of Offense</u>	<u>Date Offense Concluded</u>	<u>Count Number(s)</u>
<u>18:1343.F</u>	Please see indictment	<u>12/2001</u>	<u>1</u>

The defendant is sentenced as provided in pages 2 through 4 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

- The defendant has been found not guilty on count(s)
- Count(s) is are dismissed on the motion of the United States.
- Forfeiture provision is hereby dismissed on motion of the United States Attorney.

IT IS ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant shall notify the court or United States attorney of any material change in the defendant's economic circumstances.

July 20, 2003
Date of Imposition of Judgment

Defendant's USM No.: 25319-112

Defendant's Residence Address:



Defendant's Mailing Address:



G. Ross Anderson Jr.
Signature of Judicial Officer

Honorable G. Ross Anderson, Jr., USDJ
Name and Title of Judicial Officer

11 August, 2003
Date

24

DEFENDANT: WILLIAM J HERISKOCASE NUMBER: 8:03-179**PROBATION**

The defendant is hereby sentenced to probation for a term of THREE (3) YEARS.

The defendant shall not commit another federal, state, or local crime.

The defendant shall not illegally possess a controlled substance.

For offenses committed on or after September 13, 1994:

The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of placement on probation and at least two periodic drug tests thereafter.

The above drug testing condition is suspended based on the court's determination that the defendant poses a low risk of future substance abuse. (Check, if applicable.)

The defendant shall not possess a firearm, destructive device, or any other dangerous weapon.

If this judgment imposes a fine or a restitution obligation, it shall be a condition of probation that the defendant pay any such fine or restitution in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

The defendant shall comply with the standard conditions that have been adopted by this court (set forth below). The defendant shall also comply with the additional conditions on the attached page.

STANDARD CONDITIONS OF SUPERVISION

- 1) the defendant shall not leave the judicial district without the permission of the court or probation officer;
- 2) the defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month;
- 3) the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 4) the defendant shall support his or her dependents and meet other family responsibilities;
- 5) the defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
- 6) the defendant shall notify the probation officer at least ten days prior to any change in residence or employment;
- 7) the defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any controlled substance or any paraphernalia related to controlled substances, except as prescribed by a physician;
- 8) the defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered;
- 9) the defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
- 10) the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view by the probation officer;
- 11) the defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;
- 12) the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court;
- 13) as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

A.R.S.

DEFENDANT: WILLIAM J HERISKO
CASE NUMBER: 8:03-179

CRIMINAL MONETARY PENALTIES

The defendant will make all checks and money orders payable to the "Clerk, U.S. District Court" unless otherwise directed by the court.

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth on Sheet 5, Part B.

	<u>Assessment</u>	<u>Fine</u>	<u>Restitution</u>
Totals:	\$ <u>100.00</u>	\$ <u>N/A</u>	\$ <u>N/A</u>

- The determination of restitution is deferred until An *Amended Judgment in a Criminal Case* will be entered after such determination.
- The defendant shall make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment unless specified in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid in full prior to the United States receiving payment.

Name of Payee	*Total Amount of Loss	Amount of Restitution Ordered	Priority Order or Percentage of Payment
---------------	-----------------------	-------------------------------	---

SEE VICTIMS LIST OF VICTIMS.

\$N/A

- If applicable, restitution amount ordered pursuant to plea agreement \$
- The defendant shall pay interest on any fine or restitution of more than \$2,500, unless the fine or restitution is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. §3612(f). All of the payment options on Sheet 5, Part B, may be subject to penalties for default and delinquency pursuant to 18 U.S.C. §3612(g).
- The court determined that the defendant does not have the ability to pay interest and it is ordered that:
 - The interest requirement is waived for the fine and/or restitution.
 - The interest requirement for the fine and/or restitution is modified as follows:

**Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

B.R.

DEFENDANT: WILLIAM J HERISKOCASE NUMBER: 8:03-179**SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties shall be due as follows:

- A Lump sum payment of \$100.00 due immediately, balance due
- not later than ,
- or in accordance with C, D, or E below; or
- B Payments to begin immediately (may be combined with C, D, or E below); or
- C Payments in (e.g., equal, weekly, monthly, quarterly) installments of \$ over a period of (e.g., months or years), to commence after the date of this judgment; or
- D Payments in (e.g., equal, weekly, monthly, quarterly) installments of \$ over a period of (e.g., months or years), to commence (e.g., 30 or 60 days) after release from imprisonment to a term of supervision; or
- E Special instructions regarding the payment of criminal monetary penalties:

Unless the court has expressly ordered otherwise in the special instructions above, if this judgment imposes a period of imprisonment, payment of criminal monetary penalties shall be due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of court, unless otherwise directed by the court, the probation officer, or the United States attorney.

The Defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

Joint and Several

Defendant Name, Case Number, and Joint and Several Amount:

- The defendant shall pay the cost of prosecution.
- The defendant shall pay the following court cost(s):
- The defendant shall forfeit the defendant's interest in property as directed in the Preliminary Order of Forfeiture, filed _____ and the said order is incorporated herein as part of this judgment:

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) community restitution, (6) fine interest, (7) penalties, and (8) costs, including cost of prosecution and court costs.

A.R.

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF SOUTH CAROLINA
ANDERSON DIVISION

~~FILED~~

APR 03 2003

LARRY W. PROPES, CLERK
U. S. DISTRICT COURT

UNITED STATES OF AMERICA) Criminal No: 8:03-179
)
 v.)
)
 WILLIAM JOSEPH HERISKO) PLEA AGREEMENT
)
)

AGREEMENT made this 3d day of April, 2003, between and among the United States of America, as represented by United States Attorney J. STROM THURMOND, JR., Assistant United States Attorney David C. Stephens; the Defendant, WILLIAM JOSEPH HERISKO, and Defendant's Attorneys, Ronald Herisko and Jack Lynn, Esquire.

IN CONSIDERATION of the mutual promises made herein, the parties hereto agree as follows:

1. The Defendant, WILLIAM JOSEPH HERISKO, agrees to waive Indictment, FED. R. CRIM. P. 7(b), and arraignment, FED. R. CRIM. P. 10 and agrees to plead guilty to an Information charging Wire Fraud, in violation of Title 18 United States Code, Section 1343 F.R. CRIM. P. 11.
2. The Defendant, WILLIAM JOSEPH HERISKO, agrees to consent to the commencement of a presentence investigation immediately, FED. R. CRIM. P. 32(c).
3. The Defendant, WILLIAM JOSEPH HERISKO, agrees to be fully truthful and forthright with the United States Attorney's Office for the District of South Carolina and federal law enforcement agents in their investigation of any unlawful activities, to include, but not limited to, truthful and complete debriefings of the Defendant's knowledge concerning any unlawful

19

activities. Also, the Defendant understands that he must fully disclose and provide truthful information to the Attorneys for the Government including any books, papers, or documents or any other items of evidentiary value to the investigation. The Defendant must also testify fully and truthfully before any grand juries and at any trials or other proceedings if called upon to do so by the Attorneys for the Government, subject to prosecution for perjury for not testifying truthfully. The failure of the Defendant to be fully truthful and forthright at any stage will, at the sole election of the Attorneys for the Government, cause the obligations of the Attorneys for the Government within this Agreement to become null and void. Further, it is expressly agreed that if the obligations of the Attorneys for the Government within this Agreement become null and void due to the lack of truthfulness on the part of the Defendant, the Defendant understands that: (1) the Defendant will not be permitted to withdraw his plea of guilty to the offenses described above; (2) any and all additional charges known to the Attorneys for the Government may be filed in the appropriate district; (3) the Attorneys for the Government may argue for a maximum sentence for the offense to which the Defendant has pleaded guilty; and (4) the Attorneys for the Government may use any and all information and testimony provided by the Defendant in the prosecution of the Defendant of all charges.

4. The Defendant, **WILLIAM JOSEPH HERISKO**, agrees to submit to such polygraph examinations as may be requested by the Attorneys for the Government and agrees that any such examinations shall be performed by a polygraph examiner selected by the Attorneys for the Government. Defendant, **WILLIAM JOSEPH HERISKO**, further agrees that his failure to pass any such polygraph examination to the Government's satisfaction will result, at Government's sole discretion, in the obligations of the Attorneys for the Government within the Agreement

becoming null and void.

5. The Attorneys for the Government agree not to prosecute the Defendant, **WILLIAM JOSEPH HERISKO**, for other offenses committed in the District of South Carolina prior to April 3, 2003, which are the same or similar character as those cited herein, with the understanding by the Defendant that no limitation shall be placed upon the Court's consideration of information concerning the background, character, and conduct of the Defendant for the purpose of imposing an appropriate sentence, and such other offenses may be considered as relevant conduct pursuant to Section 1B1.3 of the United States Sentencing Commission Guidelines, FED R. CRIM. P. 8(a).

6. The Attorneys for the Government agree that any self-incriminating information provided by the Defendant, **WILLIAM JOSEPH HERISKO**, as a result of the cooperation required by the terms of this Agreement, although available to the Court, will not be used against the Defendant, **WILLIAM JOSEPH HERISKO**, in determining the Defendant's applicable guideline range for sentencing pursuant to the U.S. Sentencing Commission Guidelines. The provisions of this paragraph shall not be applied to restrict any such information:

(A) known to the Attorneys for the Government prior to the date of this Agreement;

(B) concerning the existence of prior convictions and sentences in determining § 4B1.1 (career offender);

(C) in a prosecution for perjury or giving a false statement; or

(D) in the event there is a breach of the cooperation provisions of this Plea Agreement. § 1B1.8, United States Sentencing Commission Guidelines.

7. The Attorneys for the Government agree to advise the sentencing Court of the

extent and value of the Defendant's cooperation if called upon to do so by the Defendant,

WILLIAM JOSEPH HERISKO.

8. The Government stipulates and agrees that there was no actual loss and that an intended loss amount cannot be determined, therefore Section 2B1.1(b)(1) will not be used in calculating sentencing guidelines.

9. The parties hereby agree that this Plea Agreement contains the entire agreement of the parties; that this Agreement supersedes all prior promises, representations and statements of the parties; that this Agreement shall not be binding on any party until the Defendant tenders a plea of guilty to the court having jurisdiction over this matter; that this Agreement may be modified only in writing signed by all parties; and that any and all other promises, representations and statements, whether made prior to, contemporaneous with or after this Agreement, are null and void.

April 3, 2003
DATE

April 3, 2003
DATE

April 3, 2003
DATE



WILLIAM JOSEPH HERISKO, Defendant



Ronald Herisko or Jack Lynn
Attorneys for the Defendant

J. STROM THURMOND, JR.
UNITED STATES ATTORNEY

BY: 

David C. Stephens
Assistant U. S. Attorney

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/02/2003

WILLIAM JOSEPH HERISKO, [redacted] California 92263, telephone number [redacted] facsimile telephone number [redacted] cellular telephone number [redacted] was interviewed by the below named Special Agent (SA) at the United States Attorney's Office (USAO), Greenville, South Carolina. Present during the interview of Herisko was his attorney and brother, Ronald J. Herisko, Palm Springs, California. Also present was Assistant United States Attorney (AUSA) David C. Stephens, Greenville, South Carolina.

Herisko was interviewed under a Proffer Agreement furnished to him by AUSA Stephens and offered the following information:

Herisko advised that he graduated from Duquesne University in Pittsburgh, Pennsylvania in 1960, with a Bachelor of Science Degree in Business Administration, majoring in Management and Finance. Herisko subsequently received a Master's Degree in Business in 1977 from Pepperdine University in Malibu, California.

Herisko advised that upon graduating from Duquesne University, he was employed by Martin Marietta Company in Denver, Colorado until 1963. Herisko advised that Martin Marietta was a government defense and space contractor. Herisko advised that from 1964 to 1966 he was employed by another defense and space contractor known as TRW in Los Angeles, California.

Herisko advised that from 1968 through 1988 he was self-employed through various closely held corporations which engaged in the exploration and development of iron/ore properties, real estate development, and financial services in the form of deposit services to banks and principally, to savings and loans.

Herisko stated that between 1988 and 1989 he was essentially retired and relocated to Houston, Texas where his wife worked full-time.

Herisko stated that during 1989 and 1990, he began studying, learning, and exploring a concept that he had heard about

Investigation on 4/3/2003 at GREENVILLE, SC
File # 196C-CO-26880;196C-CO-26880 SP-2 -10 Date dictated 4/9/2003
by SA PAUL A. JACOBSON/jag

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

19

09/14/2004 15:36

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1300 REALTY CO

FROM : GLOBAL-LINK
JUL-23-2003

WJH JH FBI

TO 37L S

Aug. 23 2003 04:30PM P2
P.03-08

FD-302a (Rev. 10-6-95)

196C-CO-26880;196C-CO-26880 SF-2

Continuation of FD-302 of WILLIAM JOSEPH HERISKO On 4/3/2003 Page 2

in past years involving the purchase and sale of Prime Bank instruments.

Herisko advised that during the early 1990's he became involved with the developing of clients for the purpose of expanding deposit services in Prime Bank Instruments as they were known at that time. Herisko stated that this was accomplished through Kenneth Samuel Harrison, whom he had met in 1988 when he was in the business of providing financing for heavy equipment purchasers.

Herisko stated that in October of 1991, Global-Link was formed and Harrison was contracted to provide Managing Director services. Herisko advised that he taught Harrison what he knew about the concept of Prime Bank Instruments and Harrison began prospecting for clients. Herisko advised that from time to time he would speak with individuals in support of Harrison and the programs that Harrison would present to him. Herisko advised that he and Harrison continued to do this until 1995 when the Securities and Exchange Commission (SEC) instituted administrative proceedings for violations of section 8A of the Securities Act of 1933. Herisko advised that without admitting any wrong doing, he and Harrison entered into a consent agreement to terminate the proceedings.

Herisko advised he and Harrison then ceased making any projections about returns but continued to prospect for clients for bank deposit referrals. Herisko advised that they were not successful in referring any clients until 1998.

Herisko advised that in 1998, Harrison brought to his attention the Indian Bank USABET. Herisko advised that they watch USABET's progress and activities for about one (1) year and then decided they could probably direct some of their clients to the bank. Herisko advised that an individual named John Adams was represented as being a former Federal Reserve employee with knowledge of High Yield Investment Programs (HYIPs).

Herisko advised that in 1998, Harrison was contacted by an individual whose name Herisko was not familiar with, advising Harrison that there were rights for sale to utilize an account, also known as a "facility" in a Swiss bank that would be "authorized" to buy and sell Medium Term Notes (MTN's), with the minimum deposit being \$900 million. Herisko advised that the cost for purchasing the rights to the "facility" was quoted at \$4

EXHIBIT "A-5"
2 Of 7

FD-302a (Rev. 10-6-95)

196C-CO-26880;196C-CO-26880 SF-2

Continuation of FD-302 of

WILLIAM JOSEPH HERISKO

On 8/3/2001

Page 3

million. Herisko advised that in August of 1998, he purchased the rights to the "facility" for \$4 million which came from Ann Palmer of California. Herisko advised that \$2.8 million went to the Federal Reserve and \$1.2 million went to the Swiss banking authorities. Herisko explained that the "facility" was represented as being a Federal Reserve Authorized Numbered Account at the United Bank of Switzerland (UBS). Herisko advised that there were five (5) such accounts at the UBS.

Herisko advised that the "facility" gave them (he and Harrison), the authorization to call down instruments or paper, acquire them at a discount for the "facility", with the price set in advance with the secondary market buyer (licensed investment house, i.e. Merrill Lynch). Herisko advised that the arrangement with the depositor (investor) was that the profit would be split fifty-fifty (50-50) which would be between Global Link and the depositor (investor). Herisko advised that Palmer's funds went directly from her Citicorp account in New York to Benson Ellison Brown at UBS in Switzerland. Herisko advised that the minimum for operating the account was \$500 million and above.

Herisko advised that he prepared a contract between Global Link Capital Markets, Limited and Palmer which put her on the board of Global Link, reflecting Global Link as the beneficiary of the account. Herisko advised that he did this because Roy Olson, purported Executive Director at UBS, and Brown had a \$500 million client who was prepared to move \$100 million to the account to activate the account ("facility"). The \$100 million was to be reserved until it grew to the amount of \$500 million. Herisko advised that he subsequently learned that the individual did not have \$100 million to put into the account ("facility").

Herisko advised that Brown was the contracting signatory on the "facility" at UBS, and further, that Brown was a solicitor in London, England and was approved by the Fed to be the signatory on the account. Herisko advised Olson was the UBS bank official that had authority over the account and held the position of Executive Vice Chairman of Equity Trading.

Herisko advised that John Lazarini was the purported Compliance Officer with UBS that handled the transaction.

Herisko stated that Palmer refused to sign the agreement after she had wired the \$4 million on his behalf, therefore, not officially on the board of Global Link Capital Markets, Limited.

EXHIBIT "A-5"
3 OF 7

FROM : GLOBAL-LINK

FD-302a (Rev. 10-6-95)

196C-CO-25880;196C-CO-26880 9F-2

Continuation of FD-302 of

WILLIAM JOSEPH HERISKOOn 8/13/2003Page 4

Herisko advised that Palmer had been a friend for over thirty (30) years. Further, Herisko stated that he considered Palmer on the board of Global Link Capital Markets, Limited, even though she refused to sign the agreement.

Herisko advised he was told by Olson of UBS that a representative of the Federal Reserve was available to answer questions regarding NYIP transactions.

Herisko provided Brown's telephone number as [REDACTED] and facsimile number as [REDACTED]

Herisko advised that in July/August 2002, someone called UBS and inquired about the account. Further, that Palmer called UBS in November 2002.

Herisko advised that Gary Johnson, a South African working out of Las Vegas, Nevada, was presently trying to purchase the account. Herisko advised he believed Johnson was a true believer in NYIPs.

Herisko advised he was familiar with an individual named Winfield Moon who was heavily involved in Prime Bank Instruments. Herisko stated that he was aware that during the Clinton presidency, Moon met with attorney Ed Mitchell, who was also the brother of Andrea Mitchell, wife of Alan Greenspan (Chairman of the Federal Reserve), with Ed Mitchell placed on Moon's payroll for \$250,000 a year. Herisko advised that Paul Volker became involved at some point and was also placed on Moon's payroll for a six (6) to eight (8) week period of time. Further, Herisko advised that Moon purportedly bought Volker a vehicle and met with Greenspan in Greenspan's home with Volker.

Herisko advised that Moon had been advised of the licensing by the Federal Reserve of Traders and attended a school put on by the Federal Reserve during the past two (2) years. Herisko advised President Clinton signed an Executive Order to issue a license to Moon (license number 8), just prior to President Clinton leaving office. Herisko stated that President Bush upon entering office, rescinded all orders including the Federal Reserve license Number 8 for Moon. Herisko advised that Ed Mitchell indicated that the order was similar to the order that had been issued granting James Baker a Federal Reserve Trader's License. Herisko stated that at some point, Baker met with Moon in Las Vegas, Nevada regarding Moon's license.

FD-302a (Rev. 10-6-95)

196C-CO-26880;196C-CO-26880 SF-2

Continuation of FD-302 of

WILLIAM JOSEPH HERISKOOn 4/3/2003Page 5

Herisko advised that Don Tyson of Bennettsville, Arkansas, who was friend of President Clinton, also was involved in the meeting with Greenspan.

Herisko advised that Bank of America in Palm Springs, California, hired an individual to handle the business concerning the schools put on by the Federal Reserve, regarding Federal Reserve Trader's licenses.

Herisko advised that he initially met Lou Rivlin in 1982, while working in financial services regarding deposit services to banks and savings and loans. Herisko advised that Rivlin was married to Alice Rivlin at that time. Herisko stated that he was reintroduced to Lou Rivlin during 1994/1995, by David Massey during his dealings in London, England. Herisko advised that Rivlin had "Greek Church money" to place in a NYIP, with Herisko advising Rivlin he needed to provide a letter of intent, proof of funds, and a copy of his (Rivlin's) passport. Herisko advised that he was unable to have the funds "qualified" for acceptance into a NYIP.

Herisko advised that during August/September 2001, he met Bob Downing when Downing traveled to Palm Springs, California to play golf or tennis. Herisko advised that Downing had a large ego and he had some concerns about allowing Downing to represent Global Link to clients trying to be placed into a NYIP.

Herisko advised that several weeks later he drove with Downing to Las Vegas, Nevada from Palm Springs, California. Herisko advised he considered Downing's SAMP program to be worthless. Herisko stated he believed Harrison was working with Downing independently on the SAMP program.

Herisko advised he would have discussed a number of things with Downing including the following:

1. Bretton Woods Agreement;
2. Prime Bank Instruments;
3. Fractional Banking regarding \$500 million and above;
4. OBI "Facility";
5. Discussion regarding \$10 million to \$500 million Reserved Funds Program;

EXHIBIT "A-5"

5 OF 7

FD-302a (Rev. 10-6-95)

196C-CO-26990; 196C-CO-26880 SF-2

Continuation of FD-302 of WILLIAM JOSEPH HERRISKO, On 8/3/2003, Page 6

- 6. Discussion regarding \$10 million corporate account, trust account, etc., not actually being traded, but rather involving large notes;
- 7. Discussion of humanitarian responsibilities at the \$500 million level;
- 8. Discussion of the fact that seven (7) banks are authorized to deal with \$500 million accounts.

Herrisko advised he believed that Downing was a true believer in NYIPs.

Herrisko advised that Global Link was eighty-five percent (85%) owned by himself and fifteen percent (15%) owned by Harrison.

Herrisko advised he was unfamiliar with Ronald Mokwana or James Horse.

Herrisko advised he never advised anyone that Global Link was a "federally licensed company which performs its services on behalf of the federal government." It was pointed out to Herrisko that Horse had provided this information to SA Leonardo P. Durkacz, posing as Lou DeFranco via facsimile on August 13, 2001.

Herrisko was questioned regarding the following statements made by Harrison on October 3, 2001 during an undercover meeting in South Carolina with SA Durkacz, posing as Lou DeFranco:

- 1) That he established his company in the 1970's and that his company was the largest brokerage house west of the Mississippi, other than Merrill Lynch, until the savings and loan crisis which "chilled" the investment business. Herrisko advised Harrison's company was established in 1991.
- 2) That Herrisko was the senior partner in Harrison's business and following Herrisko's testimony before the United States Congress regarding the savings and loan crisis, he was invited to Washington, D.C. in October 1992, and asked to join the Private Placement business. Herrisko advised this information conveyed by Harrison was entirely false.

Herrisko advised he had never closed a NYIP transaction and thus, never made any money as a result of a NYIP. Herrisko advised he was paid \$230,000 at the end of 2001 or early 2002 by

09/14/2004 15:36

2126290293

1300 REALTY CU

Aug. 23 2003 04:53PM P7

FROM: GLOBAL-LINK

FD-302a (Rev. 10-6-95)

196C-CO-26880;196C-CO-26880 SF-2

Continuation of FD-302 of WILLIAM JOSEPH MERISKO . On 8/3/2003 . Page 2

REMARKS. Merisko indicated he was paid one-half percent of the deposited amount.

EXHIBIT "A-5"
7) F 7

TELEPHONE
(562) 436-9631

NORMAN RASMUSSEN
ATTORNEY AT LAW
11 GOLDEN SHORE, SUITE 430
LONG BEACH, CALIFORNIA 90802-4218

FACSIMILE
(562) 436-1467

May 2, 2008

Sent via facsimile & US Mail
323-463-0219

Law Offices of Bill Swearinger
6255 Sunset Boulevard, Suite 1021
Hollywood, CA 90028-7411

Re: Ann Palmer/William Herisko

Dear Mr. Swearinger:

This letter is to clarify my letter dated December 19, 2002, with respect to the Promissory Note executed by William Herisko in favor of my client, Ann Palmer. In expressing my opinion, I had not made any detailed investigation but rather I relied on my conversations with Mr. Herisko that he was willing to sign the Note to please Mrs. Palmer but that there was no way he could possibly repay the Note. I didn't look into his assets or credit worthiness to verify his statements. He did tell me that the \$4 million was in a Swiss bank and that Mrs. Palmer should be able to recover that money. He said it was not under his control. Accordingly, I did not intend to express an opinion as to whether or not the money in the Swiss bank (\$4 million) was collectable or not. I was only expressing the opinion as to whether or not the Note would be collectable from William Herisko personally. I hope this clarifies my opinion.

Yours truly,


NORMAN RASMUSSEN

NR:sh

FROM :

PHONE NO. :

Nov. 03 2007 06:25PM P2

1034

U.S. RESERVATION BANK & TRUST
P.O. BOX 1 NORTH ANTELOPE RD.
MISSION, SD 57555

DATE 8-8-2001

2-228/710

PAY TO THE ORDER OF

ANN PALMER

\$ 64,239.49/100

Sixty-four thousand thirty-nine and 49/100

DOLLARS

Delaware Place
BANK

100 East Delaware Place • Chicago, Illinois 60611

FOR

[Signature]

⑈00⑈984⑈005⑈

0064 40

FROM :

U. S. Reservation Bank & Trust

PO Box 1 North Antelope Road ~ Mission, SD 57555
(605) 856-5229

STATEMENT

AUGUST 10, 2001

ANNABELL M. PALMER FAMILY TRUST



ACCOUNT #



ACCOUNT PRINCIPAL \$10,000,000.00

BEGINNING BALANCE \$10,000,000.00

CREDIT \$64,039.40

DEBIT \$64,039.40

ENDING BALANCE \$10,000,000.00

CHECK AMOUNT \$64,039.40

CONTRACT BASIS

USRBT: AGGREGATED FUNDS

\$25.0 M Reserved

\$10.0 M Unreserved

SECONDARY MARKET GROSS PROFIT

\$25.0M X 4% = 1.0M GROSS PROFIT

\$.775M DEFERRED AND ACCRUED

Represents 80% - USRBT

\$.225M PAID OUT

* Represents 20% - Depositors *

DISPOSITION: 20% OF GROSS PROFIT

.225M / 35,134,618 = \$6,403.94 per M

*NOTE: .225M is .025M more than the 20% to Depositors because of an election by USRBT to pay out all cash associated with this secondary market transaction. *

PHONE NO. :

Nov. 03 2007 06:26PM P3

FROM :

PHONE NO. :

Nov. 03 2007 05:26PM P4

1053

U.S. RESERVATION BANK & TRUST
P.O. BOX 1 NORTH ANTELOPE RD.
MISSION, SD 57555

DATE 9-5-01 2-228/718

PAY TO THE ORDER OF

Ann Palmer

\$57,320.⁹⁹/₁₀₀

Fifty seven thousand three hundred twenty & 99/100

DOLLARS

Delaware Place
BANK
100 East Delaware Place - Chicago, Illinois 60611

John M. Adams

FOR



⑈00⑈98⑈L⑈005⑈⑈

057390

22

U. S. Reservation Bank & Trust

PO Box 1 North Antelope Road ~ Mission, SD 57555
(605) 856-5229

STATEMENT

SEPTEMBER 7, 2001

ANNABELL M. PALMER FAMILY TRUST



ACCOUNT #



ACCOUNT PRINCIPAL	\$10,000,000.00
BEGINNING BALANCE	\$10,000,000.00
CREDIT	\$57,320.97
DEBIT	\$57,320.97
ENDING BALANCE	\$10,000,000.00
CHECK AMOUNT	<u>\$57,320.97</u>

CONTRACT BASIS

USRBT: AGGREGATED FUNDS

\$25.0 M Reserved

\$10.0 M Unreserved

SECONDARY MARKET GROSS PROFIT

\$25.0M X 3.6% = 0.9M⁰⁰⁰ GROSS PROFIT

\$.720M DEFERRED AND ACCRUED

Represents 80% - USRBT

\$.180M PAID OUT

Represents 20% - Depositors

DISPOSITION: 20% OF GROSS PROFIT

.180M / 31,402,118 = \$5,732.10 per M

FROM :

PHONE NO. :

Nov. 03 2007 06:27PM PS

FROM :

PHONE NO. :

Nov. 03 2007 06:27PM PG

DEX USA Airbill **832597036509**
Express



11-07-01

White White is, Dr. Ann. Phone

[Redacted]

Internal Billing Reference

Annal Palmer

[Redacted]

[Redacted]



3 Express Package Service Packages up to 150 lbs

FedEx Priority Overnight FedEx Standard Overnight FedEx First Overnight

FedEx 2Day FedEx Express Saver NEW FedEx Extra Hours

4 Express Freight Service Packages over 150 lbs

FedEx 1Day Freight FedEx 2Day Freight FedEx 3Day Freight

5 Packaging

FedEx Envelope FedEx Pak Other Pkg

6 Special Handling

HURRY! Delivery HOLD Warehouse HOLD Saturday

7 Payment

Recipient Third Party Credit Card Cash/Check

Total Packages: [] Total Weight: [] Total Declared Value: \$ [] Total Charges: []

8 Release Signature: [Signature]

446

U S RESERVATION BANK & TRUST
8800 E. CHAPARRAL RD. #240
SCOTTSDALE, AZ 85250-2603

91-170-az 998
1221
DATE 11/02/2001

Ann Palmer
BY THE ORDER OF \$ 187,500.00
One Hundred Eighty-Seven Thousand Five Hundred DOLLARS

Bank of America
MEMO Interest Payment

[Signature]
0998 President

Receivership Office
P. O. Box 14050
Scottsdale, AZ 85267
(480) 948-1711 (Phone)
(480) 951-3887 (Fax)

March 20, 2007

ANN PALMER

[REDACTED]
LONG BEACH, CA 90803

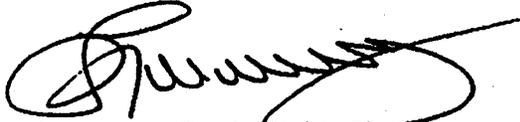
RE: USRBT First Distribution

Dear ANN PALMER,

In accordance with the Court's Order, enclosed please find your first interim distribution in the aforementioned case in the amount of \$5229209.49.

Should you have any questions, feel free to contact us by mail, phone or through the website at www.usrbt-receivership.com.

Very truly yours,



Lawrence J. Warfield, CPA
Receiver, USRBT, et al

LJW/jjb

Enclosure

Tax Audit Documents

Exhibit	Date	Description
1	2002	2002 Income Tax Return
2	2003	2003 Income Tax Return
3	8/20/07	Letter from State California Franchise Tax Board
4	5/14/07	Audit Issue presentation Sheet No. 1
5	7/17/08	Notice of Action
6	5/8/08	Letter from State California Franchise Tax Board
7	10/19/07	Letter from Wiggett Financial Group
8	5/5/08	Letter from Wiggett Financial Group

California Resident
Income Tax Return 2002

FTB

540

APE

FEDERAL RETURN ATTACHMENT REQUIRED:

YES NO

02 PBA 211110

DO NOT
ATTACH
LABEL

ANNABELL PALM **
M PALMER

Step 1

Name and
Address

P
AC
A
R
RP

FOR COMPUTERIZED USE ONLY

01	1	37	0	56	0	APE	0
06	0	38	0	57	0	3800	0
09	1	39	45873	58	0	3803	0
10	0	41	0	59	0	SCHG1	0
12	0	42	0	60	0	5870A	0
14	81278	43	0	61	0	5805 5805F	0
16	0	44	0	64	0	573560669	0
17	367118	45	0	65	45873	FN 953428257	0
18	1399918	47	45873	66	0		
20	0	48	0	68	0		
23	0	49	45873				
28	0	50	0				
29	0	51	0				
30	0	52	0				
31	0	53	0				
35	0	54	0				
36	0	55	0				

Step 2

Filing Status

Check only one.

- 1 Single
 2 Married filing jointly (even if only one spouse had income)
 3 Married filing separately. Enter spouse's SSN above and full name here
 4 Head of household (with qualifying person). STOP. See instructions. 5 Qualifying widow(er) with dependent child. Enter year spouse died

Step 3

Exemptions

- 6 If someone can claim you (or your spouse, if married) as a dependent on their tax return, check the box here ... 6 |
 7 Personal: If you checked box 1, 3, or 4 above, enter 1 in the box. If you checked box 2 or 5, enter 2 in the box. If you checked the box on line 6, see instructions ... 7 | 1 x \$80 = \$ 80.
 8 Blind: If you (or if married, your spouse) are visually impaired, enter 1; if both, enter 2 ... 8 | x \$80 = \$
 9 Senior: If you (or if married, your spouse) are 65 or older, enter 1; if both, enter 2 ... 9 | 1 x \$80 = \$ 80.
 10 Dependents: Enter name and relationship. Do not include yourself or your spouse.

Dependent Exemptions

Total dependent exemptions ... 10 | x \$251 = \$
 11 Add line 7 through line 10. This is your total exemption amount ... 11 | \$ 160.

Step 4

Taxable Income

Attach check or money order here.

CAIA3912 12/09/02

- 12 State wages from your Form(s) W-2, box 16 ... 12
 13 Enter adjusted gross income from your 2002 federal return ... 13 | 448,396.
 14 California adjustments - subtractions. Enter the amount from Schedule CA (540), line 35, column B ... 14 | 81,278.
 15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses. See instructions ... 15 | 367,118.
 16 California adjustments - additions. Enter the amount from Schedule CA (540), line 35, column C ... 16
 17 California adjusted gross income. Combine line 15 and line 16 ... 17 | 367,118.
 18 Enter the larger of your CA standard deduction OR your CA itemized deductions ... 18 | 1,399,918.
 19 Subtract line 18 from line 17. This is your taxable income. If less than zero, enter -0- ... 19 | 0.

Step 5

Tax

Attach copy of your Form(s) W-2 & W-2G. Also, attach any Form(s) 1099 showing California tax withheld.

- 20 Tax. Check if from: Tax Table Tax Rate Schedule FTB 3800 or FTB 3803 ... 20 | 0.
 21 Exemption credits. If line 13 is over \$132,793, see instructions. Otherwise, enter amount from line 11 ... 21 | 0.
 22 Subtract line 21 from line 20. If less than zero, enter -0- ... 22 | 0.
 23 Other Taxes. Check if from Schedule G-1 and form FTB 5870A ... 23 |
 24 Add line 22 and line 23. Continue to Side 2 ... 24

Your Name: ANNABELL M. PALMER

Your SSN: [REDACTED]

Step 6 Special Credits and Nonrefundable Renter's Credit

25 Amount from Side 1, line 24 25 0.
28 Enter credit name code no. & amount 28
29 Enter credit name code no. & amount 29
30 To claim more than two credits, see instructions 30
31 Nonrefundable renter's credit. See instructions for 'Step 6' 31
33 Add line 28 through line 31. These are your total credits 33
34 Subtract line 33 from line 25. If less than zero, enter -0- 34 0.

Step 7 Other Taxes

35 Alternative minimum tax. Attach Schedule P (540) 35 0.
36 Other taxes and credit recapture. See instructions 36
37 Add line 34 through line 36. This is your total tax 37 0.

Step 8 Payments

38 California income tax withheld. See instructions 38
39 2002 California estimated tax and other payments 39 45,873.
41 Excess SDI. See instructions 41
Child and Dependent Care Expenses Credit. See instructions; attach form FTB 3506.
42 43
44 45
46 Add line 38, line 39, line 41, and line 45. These are your total payments 46 45,873.

Step 9 Overpaid Tax or Tax Due

47 Overpaid tax. If line 46 is more than line 37, subtract line 37 from line 46 47 45,873.
48 Amount of line 47 you want applied to your 2003 estimated tax 48
49 Overpaid tax available this year. Subtract line 48 from line 47 49 45,873.
50 Tax due. If line 46 is less than line 37, subtract line 46 from line 37 50

Step 10 Contributions

CA Seniors Special Fund. See instructions 51
CA Breast Cancer Research Fund 56
CA Firefighters' Memorial Fund 57
Alzheimer's Disease/Related Disorders Fund 52
Emergency Food Assistance Program Fund 58
CA Fund for Senior Citizens 53
CA Peace Officer Memorial Foundation Fund 59
Rare and Endangered Species Preservation Program 54
Lupus Foundation of America, California Chapters Fund 60
State Children's Trust Fund for the Prevention of Child Abuse 55
Asthma and Lung Disease Research Fund 61
64 Add line 51 through line 61. These are your total contributions 64 0.

Step 11 Refund or Amount You Owe

65 REFUND OR NO AMOUNT DUE. Subtract line 64 from line 49. Mail to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0009 65 45,873.
66 AMOUNT YOU OWE. Add line 50 and line 64. Mail to: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0001 66

Step 12 Interest and Penalties

67 Interest, late return penalties, and late payment penalties 67
68 Underpayment of estimated tax. Check box: [] FTB 5805 attached [] FTB 5805F attached 68
69 Total amount due. See instructions 69
70 4

Step 13 Direct Deposit (Refund Only)

Do not attach a voided check or a deposit slip. Complete this section to have your refund directly deposited. Routing number
Account Type:
Checking [] Savings [] Account number

IMPORTANT: See 'Sign Your Return' in the Form 540 instructions to find out if you should attach a copy of your complete federal return. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here

Your signature: Anne Palmer - 8-14-03
Spouse's signature (if filing jointly, both must sign)
Date

It is unlawful to forge a spouse's signature.

Joint return? See instructions.

Paid preparer's signature (declaration of preparer is based on all information of which preparer has any knowledge) 8/13/03
Paid preparer's SSN/PTIN
Firm's name (or yours if self-employed) Firm's address

HOWARD M. SCHULMAN, CPA 25044 PEACHLAND AVENUE, SUITE 204
SANTA CLARITA CA 91321-2552 95-3428257

2002 California Adjustments - Residents

CA (540)

Important: Attach this schedule directly behind Form 540, Side 2.

Name(s) as shown on return ANNABELL M. PALMER Social security number [REDACTED]

Part I Income Adjustment Schedule Section A - Income

Table with 3 columns: Federal Amounts (taxable amounts from your federal return), Subtractions (See instructions), and Additions (See instructions). Rows include wages, interest, dividends, taxes, alimony, business income, capital gain, IRA distributions, pensions, rental, farm, unemployment, social security, and other income.

Section B - Adjustments to Income

Table with 3 columns: Federal Amounts, Subtractions, and Additions. Rows include educator expense, IRA deduction, student loan interest, tuition, Archer MSA, moving expenses, self-employment tax, health insurance, SEP/SIMPLE plans, penalty on early withdrawal, alimony paid, and total adjustments.

Part II Adjustments to Federal Itemized Deductions

Table with 3 columns: Federal Amounts, Subtractions, and Additions. Rows include federal itemized deductions, state and local taxes, other adjustments, and AGI-based adjustments.

CA Itemized Deductions were limited per FTB Itemized Deductions Wks.

TAXABLE YEAR
2002

Net Operating Loss (NOL) Computation and NOL and
Disaster Loss Limitations – Individuals, Estates, and Trusts

CALIFORNIA FORM
3805V

Attach to your California tax return.

Name(s) as shown on return

Social security number

Federal employer identification number

ANNABELL M. PALMER

Part I Computation of Current Year NOL. If you do not have a current year NOL, go to Part II.

Section A – Individuals, Estates, and Trusts

1	Adjusted gross income from 2002 Form 540, line 17 or 2002 Long Form 540NR, line 17. If negative, use brackets. Estates and trusts, begin on line 3	1	367,118.
2	Itemized deductions or standard deduction from 2002 Form 540, line 18 or 2002 Long Form 540NR, line 18	2	-1,399,918.
3a	Combine line 1 and line 2. (Estates and Trusts, enter taxable income, see instructions.) If negative, use brackets. If positive, enter -0- here and on line 27 and do not complete the rest of Section A. You do not have a current year NOL. Complete Part II and Part III if you have a carryover from prior years	3a	-1,032,800.
b	2002 designated disaster loss included in line 3a. Enter as a positive number	3b	
c	Combine line 3a and line 3b. If negative, use brackets and continue to line 4. If zero or more, do not complete the rest of Part I. Enter the amount from line 3b, if any, in Part III, line 3, column (d) and complete Part II and Part III as instructed	3c	-1,032,800.
Note: Enter amounts on line 4 through line 26 as if they were all positive numbers. See instructions.			
4	Nonbusiness capital losses	4	338,551.
5	Nonbusiness capital gains. See instructions	5	623,378.
6	If line 4 is more than line 5, enter the difference; otherwise, enter -0-	6	0.
7	If line 4 is less than line 5, enter the difference; otherwise, enter -0-	7	284,827.
8	Nonbusiness deductions	8	42,839.
9	Nonbusiness income other than capital gains	9	132,136.
10	Add line 7 and line 9	10	416,963.
11	If line 8 is more than line 10, enter the difference; otherwise, enter -0-	11	0.
12	If line 8 is less than line 10, enter the difference; otherwise, enter -0-	12	374,124.
13	Business capital losses	13	
14	Business capital gains. See instructions	14	
15	Add line 12 and line 14	15	374,124.
16	If line 13 is more than line 15, enter the difference; otherwise, enter -0-	16	0.
17	Add line 6 and line 16	17	0.
18	Enter the loss, if any, from line 8 of Schedule D (540). Estates and Trusts, enter the loss, if any, from line 9, column (c), of Schedule D (541). If you do not have a loss on that line (and do not have an R&TC Section 18152.5 exclusion), skip line 18 through line 23 and enter on line 24 the amount from line 17	18	
19	R&TC Section 18152.5 exclusion. Enter as a positive number	19	
20	Subtract line 19 from line 18. If zero or less, enter -0-	20	
21	Enter the loss, if any, from line 9 of Schedule D (540). Estates and Trusts, enter the loss, if any, from line 10 of Schedule D (541). Enter as a positive number	21	
22	If line 20 is more than line 21, enter the difference; otherwise, enter -0-	22	
23	If line 21 is more than line 20, enter the difference; otherwise enter -0-	23	
24	Subtract line 22 from line 17. If zero or less, enter -0-	24	0.
25	Disaster loss carryovers from prior years. See instructions	25	
26	Add line 11, line 19, line 23, line 24, and line 25	26	0.
27	Combine line 3c and line 26. If more than zero, enter -0-. You do not have a current year NOL to carryover	27	-1,032,800.
28	Enter as a positive number the amount from line 27 that represents losses incurred by a new business and/or an eligible small business. Do not enter more than the amount on line 27	28	
29	Decrease the loss on line 27 by the amount on line 28	29	-1,032,800.
30	General NOL. Multiply line 29 by 60% (.60)	30	619,680.
31	2002 NOL carryover. Add line 28 and line 30. See instructions	31	619,680.

Section B – Nonresidents and Part-Year Residents Only – Computation of Current Year California NOL

Note: Enter amounts on line 32 through line 37 as if they were all positive numbers.

32	Subtract Schedule CA (540NR), line 46 from Schedule CA (540NR), line 43. If the result is a loss, enter the amount here as a positive number. If the result is zero or more, enter -0- here and on line 38 and do not complete the rest of Section B because you do not have a California NOL	32	_____
33	California disaster loss carryover amount from 2002 Schedule CA (540NR), line 21b, column B, plus net capital loss from 2002 Schedule CA (540NR), line 13, column E	33	_____
34	If line 32 is more than line 33, enter the difference; otherwise, enter -0-	34	_____
35	Enter as a positive number the amount from line 34 that represents losses incurred by a new business and/or an eligible small business. Do not enter more than the amount on line 34	35	_____
36	Subtract line 35 from line 34	36	_____
37	General NOL. Multiply line 36 by 60% (.60)	37	_____
38	2002 NOL carryover. Add line 35 and line 37. See instructions	38	_____

Part II Determine 2002 Modified Taxable Income (MTI). Be sure to read the instructions for Part II.

1	Taxable income. See instructions	1	-1,032,800.
---	----------------------------------	---	-------------

Note: Enter amounts on line 2 through line 4 as if they were all positive numbers.

2	Capital loss deduction included in line 1	2	_____
3	Disaster loss carryover included in line 1	3	_____
4	NOL carryover included in line 1	4	_____
5	MTI. Combine line 1 through line 4. If line 5 is zero or less, enter -0-	5	0.

Part III NOL Carryover and Disaster Loss Carryover Limitations. See instructions.

1	MTI from Part II, line 5	1	0.
---	--------------------------	---	----

Prior Year NOLs

(a) Year of loss	(b) Code	(c) Type of NOL* See below	(d) Initial loss	(e) Carryover from 2001	(f) Amount used in 2002	(g) Available balance	(h) Carryover to 2003 subtract column (f) from column (e)
2		DIS					
		DIS					
		DIS					
		All other types					

Current Year NOLs

3	2002		DIS				
4	2002						
	2002						
	2002						
	2002						

*Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), Title 11 (T11), or Disaster (DIS).

5	NOL carryover. Add the carryover amounts in column (h) that are not the result of a disaster loss	5	_____
6	Disaster loss carryover. Enter the total loss carryover amounts in column (h) that are the result of disaster losses	6	_____

Name as Shown on Return
ANNABELL M. PALMER

Social Security Number: [REDACTED]

Line 12 – Business Income or (Loss) Adjustments	(B) California Amount	(C) Federal Amount	(d) California Adjustment
DRILLING/OIL AND GAS	4,167.	4,167.	[REDACTED]
			[REDACTED]
Totals	4,167.	4,167.	0.

Line 17 – Rents, Royalties, Partnerships, Estates, Trusts, Etc Adjustments	(B) California	(C) Federal	(d) California Adjustment
AIRFUND II INTERNATIONAL			[REDACTED]
- K-1P Line 1/2/3	17,805.	17,805.	[REDACTED]
FROG LEVEL, LLC			[REDACTED]
- K-1P Line 1/2/3	5,969.	5,969.	[REDACTED]
FIFTH AVENUE APARTMENTS-INDIANA			[REDACTED]
- K-1P Line 1/2/3	9,768.	9,768.	[REDACTED]
BOSTON CAPITAL TAX CREDIT FUND			[REDACTED]
- K-1P Line 1/2/3	-4,355.	-4,355.	[REDACTED]
ST NICHOLAS MANOR			[REDACTED]
See Line 17 - Rents, Royalties, Partnerships, Etc Adjustments	-82,483.	-78,198.	[REDACTED]
Totals	-53,296.	-49,011.	-4,285.

Line 18 – Farm Income or (Loss) Adjustments	(B) California	(C) Federal	(d) California Adjustment
			[REDACTED]
Totals			

Federal Schedule C, E and F Adjustments

Line 17 - Rents, Royalties, Partnerships, Etc Adjustments

Line 17 - Rents, Royalties, Partnerships, Estates, Trusts, Etc Adjustments	(B) California	(C) Federal
- K-1P Line 1/2/3 BRANCHWOOD TOWERS L P	-970.	-970.
- K-1P Line 1/2/3 RANCON REALTY FUND V	22,238.	22,238.
- K-1P Line 1/2/3 PARK INTERNATIONAL CORPORATION	770.	770.
- K-IS Line 1/2/3 PARK INTERNATIONAL CORPORATION	-103,035.	-103,835.
- K-IS Line 1/2/3 PARK INTERNATIONAL CORPORATION	-3,275.	-3,275.
- K-IS Line 1/2/3 PARK INTERNATIONAL CORPORATION	1,789.	6,874.
Total	-82,483.	-78,198.

Label (See instructions.)

Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign (See instructions.)

For the year Jan 1 - Dec 31, 2002, or other tax year beginning , 2002, ending , 20

OMB No. 1545-0074

Your first name MI Last name Your social security number
 ANNABELL M PALMER

If a joint return, spouse's first name MI Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apartment no.

Important! You must enter your social security number(s) above.

Note: Checking 'Yes' will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? Yes No

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & full name here

4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here

5 Qualifying widow(er) with dependent child (year spouse died). (See instructions.)

Check only one box.

Exemptions

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a

b Spouse

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)	No. of bases checked on 6a and 6b	No. of children on 6c who:
				<input type="checkbox"/>		<input type="checkbox"/> lived with you
				<input type="checkbox"/>		<input type="checkbox"/> did not live with you due to divorce or separation (see instrs)
				<input type="checkbox"/>		Dependents on 6c not entered above
				<input type="checkbox"/>		Add numbers on lines above

d Total number of exemptions claimed 1

If more than five dependents, see instructions.

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
8a	Taxable interest. Attach Schedule B if required	8a	66,296.
b	Tax-exempt interest. Do not include on line 8a	8b	298,756.
9	Ordinary dividends. Attach Schedule B if required	9	65,840.
10	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	45,873.
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	4,167.
13	Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here	13	284,827.
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount (see instrs)	15b	
16a	Pensions and annuities	16a	
b	Taxable amount (see instrs)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	-49,011.
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	36,612.
b	Taxable amount (see instrs)	20b	31,120.
21	Other income	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	22	449,112.

Adjusted Gross Income

23	Educator expenses (see instructions)	23	
24	IRA deduction (see instructions)	24	
25	Student loan interest deduction (see instructions)	25	
26	Tuition and fees deduction (see instructions)	26	
27	Archer MSA deduction. Attach Form 8853	27	
28	Moving expenses. Attach Form 3903	28	
29	One-half of self-employment tax. Attach Schedule SE	29	716.
30	Self-employed health insurance deduction (see instructions)	30	
31	Self-employed SEP, SIMPLE, and qualified plans	31	
32	Penalty on early withdrawal of savings	32	
33a	Alimony paid b Recipient's SSN	33a	
34	Add lines 23 through 33a	34	716.
35	Subtract line 34 from line 22. This is your adjusted gross income	35	448,396.

Tax and Credits

Table with 3 columns: Line number, Description, and Amount. Includes lines 36-55 for Tax and Credits, and lines 56-61 for Other Taxes.

Standard Deduction for - People who checked any box on line 37a or 37b or who can be claimed as a dependent, see instructions. All others: Single, \$4,700. Head of household, \$6,900. Married filing jointly or Qualifying widow(er), \$7,850. Married filing separately, \$3,925.

Other Taxes

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 62-69 for Payments.

Refund

Direct deposit? See instructions and fill in 71b, 71c, and 71d.

Table with 3 columns: Line number, Description, and Amount. Includes lines 70-72 for Refund.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 73-74 for Amount You Owe.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Your signature: Ann Palmer, Date: 8/13/03, Your occupation: EXECUTIVE, Spouse's signature: [Redacted], Date: [Redacted], Spouse's occupation: [Redacted].

Paid Preparer's Use Only

Preparer's signature: Howard M. Schulman, Date: 8/13/03, Check if self-employed: [X], Firm's name: HOWARD M. SCHULMAN, CPA, 25044 PEACHLAND AVENUE, SUITE 204, SANTA CLARITA, CA 91321-2552, EIN: 95-3428257, Phone no.: (661) 255-8993.

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0074

2002

07

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.
▶ See Instructions for Schedule A (Form 1040).

Name(s) shown on Form 1040

Your social security number

ANNABELL M PALMER

		1	2	3	4	
Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.					
	1 Medical and dental expenses (see instructions)	1		648.		
	2 Enter amount from Form 1040, line 36	2	448,396.			
	3 Multiply line 2 by 7.5% (.075)	3		33,630.		
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4				0.	
Taxes You Paid (See instructions.)	5 State and local income taxes	5		47,332.		
	6 Real estate taxes (see instructions)	6		6,813.		
	7 Personal property taxes	7				
	8 Other taxes. List type and amount ▶	8				
	9 Add lines 5 through 8	9				54,145.
Interest You Paid (See instructions.)	10 Home mtg interest and points reported to you on Form 1098	10				
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ▶					
	12 Points not reported to you on Form 1098. See instrs for spcl rules	12				
	13 Investment interest. Attach Form 4952 if required. (See instrs.)	13				
14 Add lines 10 through 13	14					
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	15 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	15				
	16 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	16		19,807.		
	17 Carryover from prior year	17		16,219.		
	18 Add lines 15 through 17	18				36,026.
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See instructions.)	19				1,376,015.
Job Expenses and Most Other Miscellaneous Deductions (See instructions for expenses to deduct here.)	20 Unreimbursed employee expenses — job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	20				
	21 Tax preparation fees	21				
	22 Other expenses — investment, safe deposit box, etc. List type and amount ▶	22				
	LEGAL FEES-HERISKO MATTER 5,000.	22		5,000.		
	23 Add lines 20 through 22	23		5,000.		
	24 Enter amount from Form 1040, line 36	24	448,396.			
	25 Multiply line 24 by 2% (.02)	25		8,968.		
26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26				0.	
Other Miscellaneous Deductions	27 Other — from list in the instructions. List type and amount ▶	27				
Total Itemized Deductions	28 Is Form 1040, line 36, over \$137,300 (over \$68,650 if MFS)?					
	<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. <input checked="" type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter.					1,456,853.

Itemized Deductions Limited per IRC Sec. 68.

Schedule C-EZ
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Net Profit from Business
(Sole Proprietorship)

► Partnerships, joint ventures, etc, must file Form 1065 or 1065-B.
► Attach to Form 1040 or 1041. ► See instructions.

OMB No. 1545-0074

2002
09A

Name of proprietor

ANNABELL M PALMER

Social security number (SSN)



General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only if You:**

- Had business expenses of \$2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service DRILLING/OIL AND GAS	B Enter code from instructions ► 211110
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), if any
E Business address (including suite or room number). Address not required if same as on Form 1040, page 1. 282 PARK AVENUE City, town or post office, state, and ZIP code LONG BEACH, CA 90803	

Figure Your Net Profit

1 Gross receipts. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	1	4,182.
2 Total expenses (see instructions). If more than \$2,500, you must use Schedule C	2	15.
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on Form 1040, line 12, and also on Schedule SE, line 2. (Statutory employees do not report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	4,167.

Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 2.

- 4** When did you place your vehicle in service for business purposes? (month, day, year)
- 5** Of the total number of miles you drove your vehicle during 2002, enter the number of miles you used your vehicle for:
- a Business _____ b Commuting _____ c Other _____
- 6** Do you (or your spouse) have another vehicle available for personal use? Yes No
- 7** Was your vehicle available for personal use during off-duty hours? Yes No
- 8a** Do you have evidence to support your deduction? Yes No
- b If 'Yes,' is the evidence written? Yes No

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C-EZ (Form 1040) 2002

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on Form 1040

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2002

12

Your social security number

ANNABELL M PALMER

Part II Short-Term Capital Gains and Losses — Assets Held One Year or Less

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo. day, yr)	(c) Date sold (Mo. day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss)* (see instructions below)
1 6 3/8% CA EDUCATIONAL FAC	01/03/02	05/01/02	280,500.	280,500.	0.	
2 Enter your short-term totals, if any, from Schedule D-1, line 2		2				
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3	280,500.			
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824		4				
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		5				
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2001 Capital Loss Carryover Worksheet		6				
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)		7			0.	

Part III Long-Term Capital Gains and Losses — Assets Held More Than One Year

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo. day, yr)	(c) Date sold (Mo. day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss)* (see instructions below)
8 PARTNERSHIP INTEREST-AIRFUND	01/01/90	12/31/02	242,369.	242,356.	13.	
5.30% CONTRA COSTA WATER DIST	03/19/01	11/15/02	150,000.	150,000.	0.	
4.15% CA HEALTH FACIL	03/22/01	11/15/02	175,000.	175,000.	0.	
6% CA PUBLIC WORKS BOARD LEASE	01/25/01	12/02/02	275,400.	275,400.	0.	
9 Enter your long-term totals, if any, from Schedule D-1, line 9		9	2,631,000.		259,390.	
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10	3,473,769.			
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11				
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12			25,424.	
13 Capital gain distributions. See instrs		13				
14 Long-term capital loss carryover. Enter in both columns (f) and (g) the amount, if any, from line 13 of your 2001 Capital Loss Carryover Worksheet		14				
15 Combine lines 8 through 14 in column (g)		15				
16 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f)		16			284,827.	

Next: Go to Part III on page 2.

* 28% rate gain or loss includes all 'collectibles gains and losses' (as defined in the instructions) and up to 50% of the eligible gain on qualified small business stock (see instructions).

Part III Taxable Gain or Deductible Loss

17	Combine lines 7 and 16 and enter the result. If a loss, go to line 18. If a gain, enter the gain on Form 1040, line 13, and complete Form 1040 through line 41	17	284,827.
	Next: • If both lines 16 and 17 are gains and Form 1040, line 41, is more than zero, complete Part IV below. • Otherwise, skip the rest of Schedule D and complete Form 1040.		
18	If line 17 is a loss, enter here and on Form 1040, line 13, the smaller of (a) that loss or (b) (\$3,000) (or, if married filing separately, (\$1,500)). Then complete Form 1040 through line 39	18	
	Next: • If the loss on line 17 is more than the loss on line 18 or if Form 1040, line 39, is less than zero, skip Part IV below and complete the Capital Loss Carryover Worksheet in the instructions before completing the rest of Form 1040. • Otherwise, skip Part IV below and complete the rest of Form 1040.		

Part IV Tax Computation Using Maximum Capital Gains Rates

19	Enter your unrecaptured Section 1250 gain, if any, from line 17 of the worksheet in the instructions	19	
	If line 15 or line 19 is more than zero, complete the worksheet in the instructions to figure the amount to enter on lines 22, 29, and 40 below, and skip all other lines below. Otherwise, go to line 20.		
20	Enter your taxable income from Form 1040, line 41	20	
21	Enter the smaller of line 16 or line 17 of Schedule D	21	
22	If you are deducting investment interest expense on Form 4952, enter the amount from Form 4952, line 4e. Otherwise, enter -0-	22	
23	Subtract line 22 from line 21. If zero or less, enter -0-	23	
24	Subtract line 23 from line 20. If zero or less, enter -0-	24	
25	Figure the tax on the amount on line 24. Use the Tax Table or Tax Rate Schedules, whichever applies	25	
26	Enter the smaller of: • The amount on line 20 or • \$46,700 if married filing jointly or qualifying widow(er); \$27,950 if single; \$37,450 if head of household; or \$23,350 if married filing separately	26	
	If line 26 is greater than line 24, go to line 27. Otherwise, skip lines 27 through 33 and go to line 34.		
27	Enter the amount from line 24	27	
28	Subtract line 27 from line 26. If zero or less, enter -0- and go to line 34	28	
29	Enter your qualified 5-year gain, if any, from line 8 of the worksheet in the instructions	29	
30	Enter the smaller of line 28 or line 29	30	
31	Multiply line 30 by 8% (.08)	31	
32	Subtract line 30 from line 28	32	
33	Multiply line 32 by 10% (.10)	33	
	If the amounts on lines 23 and 28 are the same, skip lines 34 through 37 and go to line 38.		
34	Enter the smaller of line 20 or line 23	34	
35	Enter the amount from line 28 (if line 28 is blank, enter -0-)	35	
36	Subtract line 35 from line 34	36	
37	Multiply line 36 by 20% (.20)	37	
38	Add lines 25, 31, 33, and 37	38	
39	Figure the tax on the amount on line 20. Use the Tax Table or Tax Rate Schedules, whichever applies	39	
40	Tax on all taxable income (including capital gains). Enter the smaller of line 38 or line 39 here and on Form 1040, line 42	40	

Name(s) shown on return. Do not enter name and social security number if shown on Page 1.

Your social security number

ANNABELL M PALMER

Note. If you report amounts from farming or fishing on Schedule E, you must enter your gross income from those activities on line 41 below. Real estate professionals must complete line 42 below.

Part III Income or Loss From Partnerships and S Corporations

Note. If you report a loss from an at-risk activity, you must check either column (e) or (f) on line 27 to describe your investment in the activity. See instructions. If you check column (f), you must attach Form 6198.

27	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	Investment At Risk?	
					(e) All is at risk	(f) Some is not at risk
A	AIRFUND II INTERNATIONAL	P			X	
B	FROG LEVEL, LLC	P			X	
C	FIFTH AVENUE APARTMENTS-INDIANA	P			X	
D	BOSTON CAPITAL TAX CREDIT FUND	P		0	X	
E	See Line 27 Information					

Passive Income and Loss		Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A	17,805.			
B				5,969.
C		9,768.		
D	4,355.			
E	4,245.	29,882.	103,835.	
28a Totals		57,455.		5,969.
b Totals	8,600.		103,835.	
29 Add columns (h) and (k) of line 28a			29	63,424.
30 Add columns (g), (i), and (j) of line 28b			30	-112,435.
31 Total partnership and S corporation income or (loss). Combine lines 29 and 30. Enter the result here and include in the total on line 40 below			31	-49,011.

Part IV Income or Loss From Estates and Trusts

32	(a) Name	(b) Employer ID no.
A		
B		

Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A			
B			
33a Totals			
b Totals			
34 Add columns (d) and (f) of line 33a			34
35 Add columns (c) and (e) of line 33b			35
36 Total estate and trust income or (loss). Combine lines 34 and 35. Enter the result here and include in the total on line 40 below			36

Part V Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) – Residual Holder

37	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
38	Combine columns (d) and (e) only. Enter the result here and include in the total on line 40 below				38

Summary

39	Net farm rental income or (loss) from Form 4835. Also, complete line 41 below	39	
40	Total income or (loss). Combine lines 26, 31, 36, 38, and 39. Enter the result here and on Form 1040, line 17	40	-49,011.
41	Reconciliation of Farming and Fishing Income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), line 15b; Schedule K-1 (Form 1120S), line 23; and Schedule K-1 (Form 1041), line 14 (see instructions)	41	
42	Reconciliation for Real Estate Professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 from all rental real estate activities in which you materially participated under the passive activity loss rules	42	

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2002

17

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

ANNABELL M PALMER

Social security number of person
with self-employment income ▶

Who Must File Schedule SE

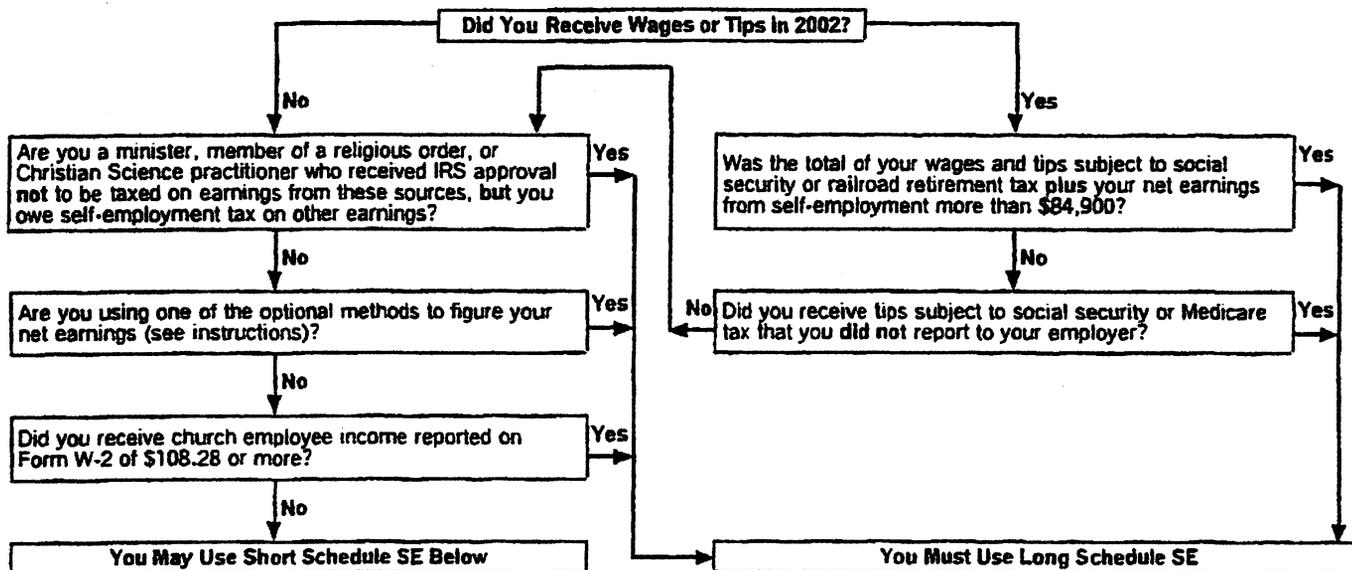
You must file Schedule SE if:

- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income. See instructions.

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either 'optional method' in Part II of Long Schedule SE. See instructions.

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead, write 'Exempt - Form 4361' on Form 1040, line 56.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A – Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report	2	10,136.
3	Combine lines 1 and 2	3	10,136.
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax	4	9,361.
5	Self-employment tax. If the amount on line 4 is: • \$84,900 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 56. • More than \$84,900, multiply line 4 by 2.9% (.029). Then, add \$10,527.60 to the result. Enter the total here and on Form 1040, line 56.	5	1,432.
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 29	6	716.

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2002

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to your tax return.

2002
22

Name(s) shown on return

Identifying number

ANNABELL M PALMER

Tentative Credit

1 a	Current year investment credit (Form 3468)	1 a	
b	Current year work opportunity credit (Form 5884)	1 b	
c	Current year welfare-to-work credit (Form 8861)	1 c	
d	Current year credit for alcohol used as fuel (Form 6478)	1 d	
e	Current year credit for increasing research activities (Form 6765)	1 e	
f	Current year low-income housing credit (Form 8586)	1 f	1,782.
g	Current year enhanced oil recovery credit (Form 8830)	1 g	
h	Current year disabled access credit (Form 8826)	1 h	
i	Current year renewable electricity production credit (Form 8835)	1 i	
j	Current year Indian employment credit (Form 8845)	1 j	
k	Current year credit for employer social security and Medicare taxes paid on certain employee tips (Form 8846)	1 k	
l	Current year orphan drug credit (Form 8820)	1 l	
m	Current year new markets credit (Form 8874)	1 m	
n	Current year credit for small employer pension plan startup costs (Form 8881)	1 n	
o	Current year credit for employer-provided child care facilities and services (Form 8882)	1 o	
p	Current year credit for contributions to selected community development corporations (Form 8847)	1 p	
q	Current year trans-Alaska pipeline liability fund credit (see instructions)	1 q	
r	Current year general credits from an electing large partnership (Schedule K-1 (Form 1065-B))	1 r	
2	Current year credit. Add lines 1a through 1r	2	1,782.
3	Passive activity credits included on line 2 (see instructions)	3	1,782.
4	Subtract line 3 from line 2	4	0.
5	Passive activity credits allowed for 2002 (see instructions)	5	0.
6	Carryforward of general business credit to 2002. See instructions for the schedule to attach	6	
7	Carryback of general business credit from 2003 (see instructions)	7	
8	Tentative credit. Add lines 4 through 7	8	0.

Allowable Credit

9	Regular tax before credits (see instructions)	9	
10	Alternative minimum tax (see instructions)	10	
11	Add lines 9 and 10	11	
12a	Foreign tax credit	12a	
b	Credit for child and dependent care expenses (Form 2441, line 11)	12b	
c	Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)	12c	
d	Education Credits (Form 8863, line 18)	12d	
e	Credit for qualified retirement savings contributions (Form 8880, line 14)	12e	
f	Child tax credit (Form 1040, line 50)	12f	
g	Mortgage interest credit (Form 8396, line 11)	12g	
h	Adoption credit (Form 8839, line 18)	12h	
i	District of Columbia first-time homebuyer credit (Form 8859, line 11)	12i	
j	Possessions tax credit (Form 5735, line 17 or 27)	12j	
k	Credit for fuel from a nonconventional source	12k	
l	Qualified electric vehicle credit (Form 8834, line 20)	12l	
m	Add lines 12a through 12l	12m	
13	Net income tax. Subtract line 12m from line 11. If zero, skip lines 14 through 17 and enter -0- on line 18	13	
14	Net regular tax. Subtract line 12m from line 9. If zero or less, enter -0-	14	
15	Enter 25% (.25) of the excess, if any, of line 14 over \$25,000 (see instructions)	15	
16	Tentative minimum tax (see instructions)	16	
17	Enter the greater of line 15 or line 16	17	
18	Subtract line 17 from line 13. If zero or less, enter -0-	18	
19	Credit allowed for the current year. Enter the smaller of line 8 or line 18 here and on Form 1040, line 53; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 19 is smaller than line 8, see instructions. Individuals, estates, and trusts: See instructions if claiming the research credit. C corporations: See Schedule A if claiming any regular investment credit carryforward and the line 19 instructions if there has been an ownership change, acquisition, or reorganization	19	

Casualties and Thefts

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to your tax return.
▶ Use a separate Form 4684 for each casualty or theft.

Name(s) shown on tax return

Identifying number

ANNABELL M PALMER

Section A – Personal Use Property (Use this section to report casualties and thefts of property not used in a trade or business or for income-producing purposes.)

1 Description of properties (show type, location, and date acquired for each):

Property A CASH-EXTORTION BY WILLIAM J. HERISKO Various
 Property B _____
 Property C _____
 Property D _____

		Properties (Use a separate column for each property lost or damaged from the same casualty or theft.)			
		A	B	C	D
2	Cost or other basis of each property	1,420,955.			
3	Insurance or other reimbursement (whether or not you filed a claim) (see instructions)	0.			
Note: If line 2 is more than line 3, skip line 4.					
4	Gain from casualty or theft. If line 3 is more than line 2, enter the difference here and skip lines 5 through 9 for that column. See instructions if line 3 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year				
5	Fair market value before casualty or theft	1,420,955.			
6	Fair market value after casualty or theft	0.			
7	Subtract line 6 from line 5	1,420,955.			
8	Enter the smaller of line 2 or line 7	1,420,955.			
9	Subtract line 3 from line 8. If zero or less, enter -0-	1,420,955.			
10	Casualty or theft loss. Add the amounts on line 9 in columns A through D				1,420,955.
11	Enter the smaller of line 10 or \$100				100.
12	Subtract line 11 from line 10 <i>Caution: Use only one Form 4684 for lines 13 through 18.</i>				1,420,855.
13	Add the amounts on line 12 of all Forms 4684				1,420,855.
14	Add the amounts from line 4 of all Forms 4684				
15	• If line 14 is more than line 13, enter the difference here and on Schedule D. Do not complete the rest of this section (see instructions). • If line 14 is less than line 13, enter -0- here and go to line 16. • If line 14 is equal to line 13, enter -0- here. Do not complete the rest of this section.				0.
16	If line 14 is less than line 13, enter the difference				1,420,855.
17	Enter 10% of your adjusted gross income from Form 1040, line 36. Estates and trusts, see instructions				44,840.
18	Subtract line 17 from line 16. If zero or less, enter -0-. Also enter result on Schedule A (Form 1040), line 19. Estates and trusts, enter the result on the 'Other deductions' line of your tax return				1,376,015.

Department of the Treasury Internal Revenue Service (99)

Attach to your tax return.

Name(s) shown on return

Identifying number

ANNABELL M PALMER



Current Year Credit (see instructions)

1	Number of Forms 8609 attached		
2	Eligible basis of buildings (total from attached Schedules A (Form 8609), line 1)	2	
3a	Qualified basis of low-income buildings (total from attached Schedules A (Form 8609), line 3)	3a	
b	Has there been a decrease in the qualified basis of any buildings since the close of the preceding tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' enter the building identification numbers (BINs) of the buildings that had a decreased basis. If you need more space, attach a schedule. (i) _____ (ii) _____ (iii) _____ (iv) _____		
4	Current year credit from attached Schedules A (Form 8609) (see instructions)	4	
5	Low-income housing credits from pass-through entities (if more than one entity, see instructions): If you are a -- Then enter the total of the current year credits from -- a Shareholder Schedule K-1 (Form 1120S), lines 12b(1) and (2) b Partner Schedule K-1 (Form 1065), lines 12a(1) and (2), or Schedule K-1 (Form 1065-B), box 8 c Beneficiary Schedule K-1 (Form 1041), line 14 04-3066791 EIN of pass-through entity	5	1,782.
6	Add lines 4 and 5. See instructions to find out if you complete lines 7 through 18 or file Form 3800	6	1,782.
7	Current year credit or passive activity credit (see instructions)	7	

Allowable Credit

8	Regular tax before credits: • Individuals. Enter the amount from Form 1040, line 42 • Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return • Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return	8	
9	Alternative minimum tax: • Individuals. Enter the amount from Form 6251, line 35 • Corporations. Enter the amount from Form 4626, line 15 • Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56	9	
10	Add lines 8 and 9	10	
11a	Foreign tax credit	11a	
b	Credit for child and dependent care expenses (Form 2441, line 11)	11b	
c	Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)	11c	
d	Education credits (Form 8863, line 18)	11d	
e	Credit for qualified retirement savings contributions (Form 8880, line 14)	11e	
f	Child tax credit (Form 1040, line 50)	11f	
g	Mortgage interest credit (Form 8396, line 11)	11g	
h	Adoption credit (Form 8839, line 18)	11h	
i	District of Columbia first-time homebuyer credit (Form 8859, line 11)	11i	
j	Possessions tax credit (Form 5735, line 17 or 27)	11j	
k	Credit for fuel from a nonconventional source	11k	
l	Qualified electric vehicle credit (Form 8834, line 20)	11l	
m	Add lines 11a through 11l	11m	
12	Net income tax. Subtract line 11m from line 10. If zero, skip lines 13 through 16 and enter -0- on line 17	12	
13	Net regular tax. Subtract line 11m from line 8. If zero or less, enter -0-	13	
14	Enter 25% (.25) of the excess, if any, of line 13 over \$25,000 (see instructions)	14	
15	Tentative minimum tax (see instructions)	15	
16	Enter the greater of line 14 or line 15	16	
17	Subtract line 16 from line 12. If zero or less, enter -0-	17	
18	Low-income housing credit allowed for the current year. Enter the smaller of line 7 or line 17 here and on Form 1040, line 53; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 17 is smaller than line 7, see instructions	18	

BAA For Paperwork Reduction Act Notice, see separate instructions.

Noncash Charitable Contributions

OMB No. 1545-0046

Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return if you claimed a total deduction
of over \$500 for all contributed property.
▶ See separate instructions.

55

Name(s) shown on your income tax return

Identifying number

ANNABELL M PALMER

Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A — List in this section only items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is over \$5,000 (see instructions).

Information on Donated Property — If you need more space, attach a statement.

	(a) Name and address of the donee organization	(b) Description of donated property
A	ASSISTANCE LEAGUE OF LONG BEACH 2100 EAST 4TH STREET; LONG BEACH, CA 90814	FURNITURE AND HOUSEHOLD ITEMS SEE ATTACHED APPRAISAL REPORT
B	CHILD NET YOUTH AND FAMILY SERVICES 5150 E. PACIFIC COAST HWY. LONG BEACH, CA 90804	ORGAN AND MISCELLANEOUS HOUSEHOLD ITEMS
C	ASSISTANCE LEAGUE OF LONG BEACH 2100 EAST 4TH STREET; LONG BEACH, CA 90814	FURNITURE AND HOUSEHOLD ITEMS
D		
E		

Note: If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (d), (e), and (f).

	(c) Date of the contribution	(d) Date acquired by donor (mo, yr)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value	(h) Method used to determine the fair market value
A	11/20/2002	Various	PURCHASE	100,000.	11,565.	APPRAISAL
B	11/22/2002	Various	PURCHASE	3,000.	1,100.	THRIFT SHOP VALUE
C	12/01/2002	Various	PURCHASE	15,000.	7,142.	APPRAISAL
D						
E						

Other Information — Complete line 2 if you gave less than an entire interest in property listed in Part I. Complete line 3 if conditions were attached to a contribution listed in Part I.

2 If, during the year, you contributed less than the entire interest in the property, complete lines a - e.

a Enter the letter from Part I that identifies the property ▶ _____ . If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year ▶ _____
(2) For any prior tax years ▶ _____

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):

Name of charitable organization (donee)

Address (number, street, and room or suite no.)

City or town

State ZIP code

d For tangible property, enter the place where the property is located or kept ▶ _____

e Name of any person, other than donee organization, having actual possession of the property ▶ _____

3 If conditions were attached to any contribution listed in Part I, answer questions a - c and attach the required statement (see instructions):

a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?

c Is there a restriction limiting the donated property for a particular use?

	Yes	No
a	<input type="checkbox"/>	<input type="checkbox"/>
b	<input type="checkbox"/>	<input type="checkbox"/>
c	<input type="checkbox"/>	<input type="checkbox"/>

Investor Reporting of Tax Shelter Registration Number

OMB No. 1545-0881

Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return.

▶ If you received this form from a partnership, S corporation, or trust, see instrs.

71

Investor's name(s) shown on return

ANNABELL M PALMER

Investor's identifying number

Investor's tax year ended

12/31/2002

	(a) Tax Shelter Name	(b) Tax Shelter Registration Number (1-digit number)	(c) Tax Shelter Identifying Number
1	FOX RIDGE ASSOCIATES, L.P.		
2	BOSTON CAPITAL TAX CREDIT FUND		
3	RANCON REALTY FUND V		3
4			
5			
6			
7			
8			
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10			
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13			
14			
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45			

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.

▶ Attach to Form 1040 or 1041.

Name(s) shown on return

Identifying number

ANNABELL M PALMER

2002 Passive Activity Credits

Caution: If you have credits from a publicly traded partnership, see Publicly Traded Partnerships (PTPs) in the instructions.

Credits From Rental Real Estate Activities With Active Participation (Other Than Rehabilitation Credits and Low-Income Housing Credits) (See lines 1a through 1c in the instructions.)

1a Credits from Worksheet 1, column (a)

1a

b Prior year unallowed credits from Worksheet 1, column (b)

1b

c Add lines 1a and 1b

1c

Rehabilitation Credits From Rental Real Estate Activities and Low-Income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990) (See Lines 2a through 2c in the instructions.)

2a Credits from Worksheet 2, column (a)

2a

1,782.

b Prior year unallowed credits from Worksheet 2, column (b)

2b

c Add lines 2a and 2b

2c

1,782.

Low-Income Housing Credits for Property Placed in Service After 1989 (See Lines 3a through 3c in the instructions.)

3a Credits from Worksheet 3, column (a)

3a

b Prior year unallowed credits from Worksheet 3, column (b)

3b

2,263.

c Add lines 3a and 3b

3c

2,263.

All Other Passive Activity Credits (See Lines 4a through 4c in the instructions.)

4a Credits from Worksheet 4, column (a)

4a

b Prior year unallowed credits from Worksheet 4, column (b)

4b

c Add lines 4a and 4b

4c

5 Add lines 1c, 2c, 3c, and 4c

5

4,045.

6 Enter the tax attributable to net passive income (see instructions)

6

0.

7 Subtract line 6 from line 5. If line 6 is more than or equal to line 5, enter -0- and see the instructions

7

4,045.

Note: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete Part II, III, or IV. Instead, go to line 37.

Special Allowance for Rental Real Estate Activities With Active Participation

Note: Complete this part only if you have an amount on line 1c. Otherwise, go to Part III.

8 Enter the smaller of line 1c or line 7

8

9 Enter \$150,000. If married filing separately, see instructions

9

10 Enter modified adjusted gross income, but not less than zero (see instructions). If line 10 is equal to or more than line 9, skip lines 11 through 15 and enter -0- on line 16

10

11 Subtract line 10 from line 9

11

12 Multiply line 11 by 50% (.50). Do not enter more than \$25,000. If married filing separately, see instructions

12

13a Enter the amount, if any, from line 10 of Form 8582

13a

b Enter the amount, if any, from line 14 of Form 8582

13b

c Add lines 13a and 13b

13c

14 Subtract line 13c from line 12

14

15 Enter the tax attributable to the amount on line 14 (see instructions)

15

16 Enter the smaller of line 8 or line 15

16

Part III Special Allowance for Rehabilitation Credits From Rental Real Estate Activities and Low-income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990) Note: Complete this part only if you have an amount on line 2c. Otherwise, go to Part IV.

17	Enter the amount from line 7	17	4,045.
18	Enter the amount from line 16	18	
19	Subtract line 18 from line 17. If zero, enter -0- here and on lines 30 and 36, and then go to Part V	19	4,045.
20	Enter the smaller of line 2c or line 19	20	1,782.
21	Enter \$250,000. If married filing separately, see instructions. (See instructions to find out if you can skip lines 21 through 26.)	21	250,000.
22	Enter modified adjusted gross income, but not less than zero. (See instructions for line 10.) If line 22 is equal to or more than line 21, skip lines 23 through 29, and enter -0- on line 30	22	417,992.
23	Subtract line 22 from line 21	23	
24	Multiply line 23 by 50% (.50). Do not enter more than \$25,000. If married filing separately, see instructions	24	
25a	Enter the amount, if any, from line 10 of Form 8582	25a	
b	Enter the amount, if any, from line 14 of Form 8582	25b	
c	Add lines 25a and 25b	25c	
26	Subtract line 25c from line 24	26	
27	Enter the tax attributable to the amount on line 26 (see instructions)	27	
28	Enter the amount, if any, from line 18	28	
29	Subtract line 28 from line 27	29	
30	Enter the smaller of line 20 or line 29	30	0.

Part IV Special Allowance for Low-income Housing Credits for Property Placed in Service After 1989 Note: Complete this part only if you have an amount on line 3c. Otherwise, go to Part V.

31	If you completed Part III, enter the amount from line 19. Otherwise, subtract line 16 from line 7	31	4,045.
32	Enter the amount from line 30	32	0.
33	Subtract line 32 from line 31. If zero, enter -0- here and on line 36	33	4,045.
34	Enter the smaller of line 3c or line 33	34	2,263.
35	Tax attributable to the remaining special allowance (see instructions)	35	0.
36	Enter the smaller of line 34 or line 35	36	0.

Part V Passive Activity Credit Allowed

37	Passive Activity Credit Allowed. Add lines 6, 16, 30, and 36. See the instructions to find out how to report the allowed credit on your tax return and how to allocate allowed and unallowed credits if you have more than one credit or credits from more than one activity. If you have any credits from a publicly traded partnership, see Publicly Traded Partnerships (PTPs) in the instructions	37	0.
----	---	----	----

Part VI Election To Increase Basis of Credit Property

38	If you disposed of your entire interest in a passive activity or former passive activity in a fully taxable transaction, and you elect to increase your basis in credit property used in that activity by the unallowed credit that reduced your basis in the property, check this box. See instructions	<input type="checkbox"/>
39	Name of passive activity disposed of	
40	Description of the credit property for which the election is being made	
41	Amount of unallowed credit that reduced your basis in the property	\$

Schedule B
Additional Interest

Payer's Name	Amount
BOSTON CAPITAL TAX CREDIT FUND	117.
ST NICHOLAS MANOR	388.
BRANCHWOOD TOWERS L P	2,386.
RANCON REALTY FUND V	470.
PARK INTERNATIONAL CORPORATION	28,432.
PARK INTERNATIONAL CORPORATION	65.
PARK INTERNATIONAL CORPORATION	104.
Total	31,962.

Schedule E, page 2
Line 27 information

Income or Loss from Partnerships and S Corporations

27	(a) Name	(b) P/S	(c) Fgn P	(d) EIN	At Risk?	
					(e) All	(f) Part
E	ST NICHOLAS MANOR	P			X	
F	BRANCHWOOD TOWERS L P	P			X	
G	RANCON REALTY FUND V	P			X	
H	RAK, LLC	P			X	
I	PARK INTERNATIONAL CORPORATION	S			X	
J	PARK INTERNATIONAL CORPORATION	S			X	
K	PARK INTERNATIONAL CORPORATION	S			X	

Schedule E, page 2
Line 27 Income or Loss

Name	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Loss K-1	(h) Income K-1	(i) Loss K-1	(j) Section 179	(k) Income K-1
E ST NICHOLA	970.				
F BRANCHWOOD		22,238.			
G RANCON REA		770.			
H RAK, LLC	0.	0.			
I PARK INTERN			103,835.		
J PARK INTERN	3,275.				
K PARK INTERN		6,874.			
Total	4,245.	29,882.	103,835.		

Merchandise donated to:
NICE LEAGUE OF LONG BEACH
MIRACLE ON 4TH STREET
2100 East 4th Street
Long Beach, CA 90814

Contributions to the Thrift Shop benefit our programs of service to youth and senior citizens in the community.

NAME Ann Palmer

ADDRESS 

CITY L. 

The donor is solely responsible for the valuation of the merchandise.

THRIFT SHOP
Long Beach, Calif.

Signed By: Ann Palmer

Date: 11/20/02

9 11.5
7

Helena L. Gatov

Certified Personal Property Appraiser

Mrs. Ann Palmer


The items listed below were appraised at "Fair Market Value", all items were appraised in "as is where is" condition. Attached you will find a donation slip from the Assistance League of Long Beach for some of the items.

1.	Tall case clock -maker "Coloni" moon face 3 weight 5'8" w/out finial	750-1,000.00
2.	Wood wall table w/pink/grey marble top w/mirror	350.00
3.	Metal wall sconce light 3 cherubs w/6 lights	100.00
4.	2 end tables w/wire mesh sides, 1 drawer embossed leather tops	200.00
5.	Coffee table wood base w/ pink/grey marble top oval shape	200.00
6.	Couch 8" long 2 cushion wood cabriole feet brocade fabric	300.00
7.	Wood wall table w/pink/grey marble top w/ mirror	350.00
8.	2 table lamps- metal/wood w/lg. glass drops	150.00
9.	Table lamp - opalescent glass base w/ goldtone design	45.00

10.	Round wood Table 27" diameter w/ veined mirror top	150.00
11.	Wood side chair w/brocade fabric	125.00
12.	Tea cart- 2 shelf- brass & glass	75.00
13.	Dining set- oval table w/8 chairs - 6 side 2 host w/ 2 leaves - green/grey finish Matching Buffet 66" long	1,800.00 500.00
14.	China cabinet- 6 shelf -glass- painted finish	300.00
15.	Mirror - large w/goldtone frame	200.00
16.	Wood desk -knee hole -9 drawer mahogany finish	150.00
17.	Wood desk chair - mahogany finish	75.00
18.	Large planter -blue/white-w/faux plant	50.00
19.	Wood table - 64"x22" w/glass top painted finish	125.00
20.	Wood trunk tin covered w/wood bands	125.00
21.	Wood dressing table -mahogany finish w/flt up mirror	300.00
22.	Chest of drawers-5 drawers-Mahogany finish Duncan Phyffe style	300.00
23.	Wood bed frame twin size-mahogany finish	150.00

24.	Wood side table -3shelf 1 drawer-mahogany finish	100.00
25.	Wood lamp table -w/gilt finish Italian style	75.00
26.	Wood rocking chair - cherry finish - maroon fabric	125.00
27.	Pair cast brass Frog statues "playing Flutes	100.00
28.	Chest-28"x16" hand carved cedar lined white painted finish	150.00
29.	Wood triple dresser w/ mirror-nine drawer white painted finish w/gold accents brass pulls	400.00
30.	Wood entertainment center-white painted finish w/gold accents (TV storage,VCR/tape w/ 3 drawers below	500.00
31.	Pair wood night stands-white painted finish 1 shelf	200.00
32.	King size padded headboard-blue silk fabric	100.00
33.	Wood/metal/glass floor lamp rococo style 2 light w/cherubs	100.00
34.	Wood small armless rocker-Brocade fabric white painted finish	100.00
35.	Wood desk -3 drawer-white painted finish w/brass pulls	200.00
36.	Wood desk chair-white finish pink fabric	50.00
37.	Wood dressing table w/tilt up mirror painted finish	250.00
38.	Wood rocking chair -oak finish	150.00

39.	Table lamp-Large poodle dog	25.00
40.	Chaise Lounge-white finish wood frame w/gold cream fabric	300.00
41.	Wood side table -white/gold finish w/pink &grey marble top	150.00
42.	Large crystal table lamp w/9 long crystal hanging lustres	200.00
43.	King size headboard -white/gold finish & wrought iron bench w/maroon velvet fabric	300.00
44.	Wood side chair -carved w/green/white finish velvet fabric	150.00
45.	Pair wood small side chairs carved w/green white finish	150.00
46.	Pair table lamps (figures -cherubs) painted	150.00
47.	Pair table lamps -metal w/ brass/white finish filigree design	150.00
48.	Table lamp - brass	45.00
49.	Large table lamp - "Cherub holding light"	100.00
50.	Wood round table - mirrored	125.00

Your Name: ANNABELL M. PALMER Your SSN: [REDACTED]

Step 6 25 Amount from Side 1, line 24 25 0.
Special Credits and Nonrefundable Renter's Credit
28 Enter credit name code no. & amount 28
29 Enter credit name code no. & amount 29
30 To claim more than two credits, see instructions 30
31 Nonrefundable renter's credit. See instructions for 'Step 6' 31
33 Add line 28 through line 31. These are your total credits 33
34 Subtract line 33 from line 25. If less than zero, enter -0- 34 0.

Step 7 35 Alternative minimum tax. Attach Schedule P (540) 35 0.
Other Taxes
36 Other taxes and credit recapture. See instructions 36
37 Add line 34 through line 36. This is your total tax 37 0.

Step 8 38 California income tax withheld. See instructions 38
Payments
39 2003 California estimated tax and other payments. See instructions 39
40 Real estate withholding. (Form(s) 592-B, 594, and 597) See instructions 40
41 Excess SDI. See instructions 41
Child and Dependent Care Expenses Credit. See instructions; attach form FTB 3506.
42 43 44 45 46 Add line 38, line 39, line 40, line 41, and line 45. These are your total payments 46

Step 9 47 Overpaid tax. If line 46 is more than line 37, subtract line 37 from line 46 47 0.
Overpaid Tax/ Tax Due/ Use Tax
48 Amount of line 47 you want applied to your 2004 estimated tax 48
49 Overpaid tax available this year. Subtract line 48 from line 47 49
50 Tax due. If line 46 is less than line 37, subtract line 46 from line 37. See instructions 50 0.
51 Use Tax. See instructions 51

Step 10 52 53 54 55 56 57 58 59 60 61 62 64 Add line 52 through line 62. These are your total contributions 64
Contributions
CA Seniors Special Fund. See instructions 52
Alzheimer's Disease/Related Disorders Fund 53
CA Fund for Senior Citizens 54
Rare and Endangered Species Preservation Program 55
State Children's Trust Fund for the Prevention of Child Abuse 56
CA Breast Cancer Research Fund 57
CA Firefighters' Memorial Fund 58
Emergency Food Assistance Program Fund 59
CA Peace Officer Memorial Foundation Fund 60
Asthma and Lung Disease Research Fund 61
CA Missions Foundation Fund 62

Step 11 65 REFUND OR NO AMOUNT DUE. See instructions. Mail to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0009 65
Refund or Amount You Owe
66 AMOUNT YOU OWE. See instructions. Mail to: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0009 66

Step 12 67 Interest, late return penalties, and late payment penalties 67
Interest and Penalties
68 Underpayment of estimated tax. Check box: [] FTB 5805 attached [] FTB 5805F attached 68
69 Total amount due. See instructions. Enclose, but do not staple, any payment 69 70 4

Step 13 Do not attach a voided check or a deposit slip. See instructions. Complete this section to have your refund directly deposited. Routing number
Direct Deposit (Refund Only)
Account Type:
Checking [] Savings [] Account number

IMPORTANT: See the instructions to find out if you should attach a copy of your complete federal return. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. 6

Your signature X Spouse's signature (if filing jointly, both must sign) X

Joint return? See instructions. Paid preparer's signature (declaration of preparer is based on all information of which preparer has any knowledge) Paid preparer's SSN/ETIN

Firm's name (or yours if self-employed) Firm's address
HOWARD M. SCHULMAN, CPA 25044 PEACHLAND AVENUE, SUITE 204
SANTA CLARITA CA 91321 95-3428257

2003 California Adjustments - Residents

CA (540)

Important: Attach this schedule directly behind Form 540, Side 2.

Name(s) as shown on return

Social security number

ANNABELL M. PALMER

Part I Income Adjustment Schedule Section A - Income

Table with 3 columns: Federal Amounts (taxable amounts from your federal return), Subtractions (See instructions), and Additions (See instructions). Rows include Wages, salaries, tips, etc.; Taxable interest income; Ordinary dividends; Taxable refunds, credits, offsets of state and local income taxes; Alimony received; Business income or (loss); Capital gain or (loss); Other gains or (losses); Total IRA distributions; Total pensions and annuities; Rental real estate, royalties, partnerships, S corporations, trusts, etc.; Farm income or (loss); Unemployment compensation; Social security benefits; Other income; California lottery winnings; Disaster loss carryover from FTB 3805V; Federal NOL (Form 1040, line 21); NOL carryover from FTB 3805V; NOL from FTB 3805D, 3805Z, 3806, 3807, or 3809; Other (describe).

Section B - Adjustments to Income

Table with 3 columns: Federal Amounts (taxable amounts from your federal return), Subtractions (See instructions), and Additions (See instructions). Rows include Educator expense; IRA deduction; Student loan interest deduction; Tuition and fees deduction; Moving expenses; One-half of self-employment tax; Self-employed health insurance deduction; Self-employed SEP, SIMPLE, and qualified plans; Penalty on early withdrawal of savings; Alimony paid; Recipient's SSN; Last name; Add line 23 through line 32a in columns A, B, and C; Total. Subtract line 33 from line 22 in columns A, B, and C. See instructions.

Part II Adjustments to Federal Itemized Deductions

Table with 3 columns: Federal Amounts (taxable amounts from your federal return), Subtractions (See instructions), and Additions (See instructions). Rows include Federal itemized deductions; Enter total of federal Schedule A (Form 1040), line 5 (state and local income tax and State Disability Insurance) and line 8 (foreign taxes only); Subtract line 36 from line 35; Other adjustments including California lottery losses. See instructions. Specify; Combine line 37 and line 38; Is your federal AGI (Form 540, line 13) more than the amount shown below for your filing status? Single or married filing separately - \$135,714 Head of household - \$203,574 Married filing jointly or qualifying widow(er) - \$271,432 No. Transfer the amount on line 39 to line 40. Yes. Complete the Itemized Deductions Worksheet in the instructions for Schedule CA (540), line 40; Enter the larger of the amount on line 40 or your standard deduction listed below Single or married filing separately - \$3,070 Married filing jointly, head of household, or qualifying widow(er) - \$6,140 Transfer the amount on line 41 to Form 540, line 18.

TAXABLE YEAR
2003

Net Operating Loss (NOL) Computation and NOL and
Disaster Loss Limitations – Individuals, Estates, and Trusts

CALIFORNIA FORM
3805V

Attach to your California tax return.

Name(s) as shown on return

Social security number

ANNABELL M. PALMER

Part I Computation of Current Year NOL. If you do not have a current year NOL, go to Part II.

Section A – Individuals, Estates, and Trusts

1	Adjusted gross income from 2003 Form 540, line 17 or 2003 Long Form 540NR, line 17. If negative, use brackets. Estates and Trusts, begin on line 3	1	-56,783.
2	Itemized deductions or standard deduction from 2003 Form 540, line 18 or 2003 Long Form 540NR, line 18	2	-6,357.
3a	Combine line 1 and line 2. (Estates and Trusts, enter taxable income, see instructions.) If negative, use brackets. If positive, enter -0- here and on line 27. Do not complete the rest of Section A. You do not have a current year NOL. Complete Part II and Part III if you have a carryover from prior years	3a	-63,140.
3b	2003 designated disaster loss included in line 3a. Enter as a positive number	3b	
3c	Combine line 3a and line 3b. If negative, use brackets and continue to line 4. If zero or more, do not complete the rest of Part I. Enter the amount from line 3b, if any, in Part III, line 3, column (d) and complete Part II and Part III as instructed	3c	-63,140.
Note: Enter amounts on line 4 through line 26 as if they were all positive numbers. See instructions.			
4	Nonbusiness capital losses	4	4,039,091.
5	Nonbusiness capital gains. See instructions	5	3,122,177.
6	If line 4 is more than line 5, enter the difference; otherwise, enter -0-	6	916,914.
7	If line 4 is less than line 5, enter the difference; otherwise, enter -0-	7	0.
8	Nonbusiness deductions	8	6,357.
9	Nonbusiness income other than capital gains	9	56,284.
10	Add line 7 and line 9	10	56,284.
11	If line 8 is more than line 10, enter the difference; otherwise, enter -0-	11	0.
12	If line 8 is less than line 10, enter the difference; otherwise, enter -0-	12	49,927.
13	Business capital losses	13	
14	Business capital gains. See instructions	14	
15	Add line 12 and line 14	15	49,927.
16	If line 13 is more than line 15, enter the difference; otherwise, enter -0-	16	0.
17	Add line 6 and line 16	17	916,914.
18	Enter the loss, if any, from line 8 of Schedule D (540 or 540NR). Estates and Trusts, enter the loss, if any, from line 9, column (c), of Schedule D (541). If you do not have a loss on that line (and do not have an R&TC Section 18152.5 exclusion), skip line 18 through line 23 and enter on line 24 the amount from line 17	18	916,914.
19	R&TC Section 18152.5 exclusion. Enter as a positive number	19	
20	Subtract line 19 from line 18. If zero or less, enter -0-	20	916,914.
21	Enter the loss, if any, from line 9 of Schedule D (540 or 540NR). Estates and Trusts, enter the loss, if any, from line 10 of Schedule D (541). Enter as a positive number	21	3,000.
22	If line 20 is more than line 21, enter the difference; otherwise, enter -0-	22	913,914.
23	If line 21 is more than line 20, enter the difference; otherwise enter -0-	23	0.
24	Subtract line 22 from line 17. If zero or less, enter -0-	24	3,000.
25	Disaster loss carryovers from prior years. See instructions	25	
26	Add lines 11, 19, 23, 24, and 25	26	3,000.
27	Combine line 3c and line 26. If more than zero, enter -0-. You do not have a current year NOL to carryover	27	-60,140.
28	Enter as a positive number the amount from line 27 that represents losses incurred by a new business and/or an eligible small business. Do not enter more than the amount on line 27	28	
29	Decrease the loss on line 27 by the amount on line 28	29	-60,140.
30	General NOL. Multiply line 29 by 60% (.60)	30	36,084.
31	2003 NOL carryover. Add line 28 and line 30. See instructions	31	36,084.

ANNABELL M. PALMER

Section B – Nonresidents and Part-Year Residents Only – Computation of Current Year California NOL

Note: Enter amounts on line 32 through line 37 as if they were all positive numbers.

32	Subtract Schedule CA (540NR), line 45 from Schedule CA (540NR), line 42. If the result is a loss, enter the amount here as a positive number. If the result is zero or more, enter -0- here and on line 38 and do not complete the rest of Section B. (You do not have a California NOL.)	32	
33	California disaster loss carryover amount from 2003 Schedule CA (540NR), line 21b, column B, plus net capital loss from 2003 Schedule CA (540NR), line 13, column E	33	
34	If line 32 is more than line 33, enter the difference; otherwise, enter -0-	34	
35	Enter as a positive number the amount from line 34 that represents losses incurred by a new business and/or an eligible small business. Do not enter more than the amount on line 34	35	
36	Subtract line 35 from line 34	36	
37	General NOL. Multiply line 36 by 60% (.60)	37	
38	2003 California NOL carryover. Add line 35 and line 37. See instructions	38	

Part II Determine 2003 Modified Taxable Income (MTI). Be sure to read the instructions for Part II.

1	Taxable income. See instructions	1	-63,140.
Note: Enter amounts on line 2 through line 4 as if they were all positive numbers.			
2	Capital loss deduction included in line 1	2	3,000.
3	Disaster loss carryover included in line 1	3	
4	NOL carryover included in line 1	4	SUSPENDED
5	MTI: Combine line 1 through line 4. If line 5 is zero or less, enter -0-	5	0.

Part III NOL Carryover and Disaster Loss Carryover Limitations. See instructions.

		(g) Available balance	
1	MTI from Part II, line 5	1	0.

Prior Year NOLs

(a) Year of loss	(b) Code	(c) Type of NOL* See below	(d) Initial Loss	(e) Carryover from 2002	(f) Amount used in 2003	(g)	(h) Carryover to 2004 subtract column (f) from column (e)
2		DIS					
		DIS					
		DIS					
		All other types					

Current Year NOLs

3	2003	22	DIS				
4	2003						
	2003						
	2003						
	2003						

*Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), Title 11 (T11), or Disaster (DIS).

5	NOL carryover. Add the carryover amounts in column (h) that are not the result of a disaster loss	5	
6	Disaster loss carryover. Enter the total loss carryover amounts in column (h) that are the result of disaster losses	6	

Department of the Treasury
Internal Revenue Service (99)

- ▶ See separate instructions.
- ▶ Attach to your tax return.

2003
22

Name(s) shown on return **ANNABELL M PALMER** Identifying number XXXXXXXXXX

Current Year Credit

1 a	Current year investment credit (Form 3468)	1 a	
b	Current year work opportunity credit (Form 5884)	1 b	
c	Current year welfare-to-work credit (Form 8861)	1 c	
d	Current year credit for alcohol used as fuel (Form 6478)	1 d	
e	Current year credit for increasing research activities (Form 6765)	1 e	
f	Current year low-income housing credit (Form 8586)	1 f	1,399.
g	Current year enhanced oil recovery credit (Form 8830)	1 g	
h	Current year disabled access credit (Form 8826)	1 h	
i	Current year renewable electricity production credit (Form 8835)	1 i	
j	Current year Indian employment credit (Form 8845)	1 j	
k	Current year credit for employer social security and Medicare taxes paid on certain employee tips (Form 8846)	1 k	
l	Current year orphan drug credit (Form 8820)	1 l	
m	Current year new markets credit (Form 8874)	1 m	
n	Current year credit for small employer pension plan startup costs (Form 8881)	1 n	
o	Current year credit for employer-provided child care facilities and services (Form 8882)	1 o	
p	Current year credit for contributions to selected community development corporations (Form 8847)	1 p	
q	Current year trans-Alaska pipeline liability fund credit (see instructions)	1 q	
r	Current year general credits from an electing large partnership (Schedule K-1 (Form 1065-B))	1 r	
2	Current year credit. Add lines 1a through 1r	2	1,399.
3	Passive activity credits included on line 2 (see instructions)	3	1,399.
4	Subtract line 3 from line 2	4	0.
5	Passive activity credits allowed for 2003 (see instructions)	5	0.
6	Carryforward of general business credit to 2003. See instructions for the schedule to attach	6	
7	Carryback of general business credit from 2004 (see instructions)	7	
8	Current year credit. Add lines 4 through 7	8	0.

Allowable Credit

9	Regular tax before credits (see instructions)	9	
10	Alternative minimum tax (see instructions)	10	
11	Add lines 9 and 10	11	
12 a	Foreign tax credit	12 a	
b	Credit for child and dependent care expenses (Form 2441, line 11)	12 b	
c	Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)	12 c	
d	Education credits (Form 8863, line 18)	12 d	
e	Credit for qualified retirement savings contributions (Form 8880, line 14)	12 e	
f	Child tax credit (Form 1040, line 49)	12 f	
g	Mortgage interest credit (Form 8396, line 11)	12 g	
h	Adoption credit (Form 8839, line 18)	12 h	
i	District of Columbia first-time homebuyer credit (Form 8859, line 11)	12 i	
j	Possessions tax credit (Form 5735, line 17 or 27)	12 j	
k	Credit for fuel from a nonconventional source	12 k	
l	Qualified electric vehicle credit (Form 8834, line 20)	12 l	
m	Add lines 12a through 12l	12 m	
13	Net income tax. Subtract line 12m from line 11. If zero, skip lines 14 through 17 and enter -0- on line 18	13	
14	Net regular tax. Subtract line 12m from line 9. If zero or less, enter -0-	14	
15	Enter 25% (.25) of the excess, if any, of line 14 over \$25,000 (see instructions)	15	
16	Tentative minimum tax (see instructions)	16	
17	Enter the greater of line 15 or line 16	17	
18	Subtract line 17 from line 13. If zero or less, enter -0-	18	
19	Credit allowed for the current year. Enter the smaller of line 8 or line 18 here and on Form 1040, line 52; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 19 is smaller than line 8, see instructions. Individuals, estates, and trusts: See instructions if claiming the research credit. C corporations: See Schedule A if claiming any regular investment credit carryforward and the line 19 instructions if there has been an ownership change, acquisition, or reorganization	19	

**California
Supplemental Business Expenses
Worksheet**

2003

Your Name ANNABELL M. PALMER	Social Security Number <div style="background-color: black; width: 100px; height: 15px;"></div>
--	--

Partnership FROG LEVEL, LLC

Expenses

1 Vehicle expenses	1	
2 Vehicle rentals	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4 Business gifts	4	
5 Education	5	
6 Office supplies and expenses	6	
7 Telephone, fax, pager, etc.	7	
8 Trade publications	8	
9 Depreciation and amortization	9	
10 Other (enter meals and entertainment on line 12): <u>DEPLETION</u>	10	4,791.
11 Total expenses other than meals and entertainment. Add lines 1 through 10.	11	4,791.
12 Meals and entertainment expenses	12	

Reimbursements & Deductible Expenses

13 Reimbursements for other than meals and entertainment	13	
14 Reimbursements for meals and entertainment	14	
15 Deductible expenses other than meals and entertainment. Subtract line 13 from line 11	15	4,791.
16 Subtract line 14 from line 12	16	
17 Deductible meals and entertainment expenses. Enter 50% of line 16.....	17	
18 Total expenses. Add line 15 and line 17	18	4,791.

Federal Schedule C, E and F Adjustments
 Line 17 - Rents, Royalties, Partnerships, Etc Adjustments

Line 17 – Rents, Royalties, Partnerships, Estates, Trusts, Etc Adjustments	(B) California	(C) Federal
- K-1P Sch E Inc	-19,647.	-19,647.
BRANCHWOOD TOWERS L P		
- K-1P Sch E Inc	-33,393.	-33,393.
RANCON REALTY FUND V		
- K-1P Sch E Inc	2,896.	2,896.
MINOCO UAQ LTD		
- K-1P Sch E Inc	-440.	-451.
FOX RIDGE ASSOCIATES. LP		
- K-1P Sch E Inc	16.	1,780.
PARK INTERNATIONAL CORPORATION		
- K-15 Sch E Inc	3,920.	3,920.
PARK INTERNATIONAL CORPORATION		
- K-15 Sch E Inc	-84,151.	-84,151.
PARK INTERNATIONAL CORPORATION		
- K-15 Sch E Inc	-897.	-897.
Total	<u>-131,696.</u>	<u>-129,943.</u>

For the year Jan 1 - Dec 31, 2003, or other tax year beginning 2003, ending 2003, ending 20

OMB No. 1545-0074

Your first name MI Last name Your social security number
 ANNABELL M PALMER

If a joint return, spouse's first name MI Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apartment no.

▲ Important! ▲
 You must enter your social security number(s) above.

Presidential Election Campaign (See instructions.)

Note: Checking 'Yes' will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? ...

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & full name here ...

4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here ...

5 Qualifying widow(er) with dependent child. (See instructions.)

Check only one box.

Exemptions

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a

b Spouse

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> If qualifying child for child tax credit (see instrs)	No. of boxes checked on 6a and 6b	No. of children on 6c who:
				<input type="checkbox"/>		<input type="checkbox"/> lived with you
				<input type="checkbox"/>		<input type="checkbox"/> did not live with you due to divorce or separation (see instrs)
				<input type="checkbox"/>		Dependents on 6c not entered above
d Total number of exemptions claimed					1	Add numbers on lines above

If more than five dependents, see instructions.

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
8a	Taxable interest. Attach Schedule B if required	8a	32,174.
b	Tax-exempt interest. Do not include on line 8a	8b	137,824.
9a	Ordinary dividends. Attach Schedule B if required	9a	24,113.
b	Qualified divs (see instrs)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13a	Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here	13a	-3,000.
b	If box on 13a is checked, enter post-May 5 capital gain distributions	13b	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount (see instrs)	15b	
16a	Pensions and annuities	16a	
b	Taxable amount (see instrs)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	-108,145.
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	34,089.
b	Taxable amount (see instrs)	20b	28,976.
21	Other income	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	22	-25,882.

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Adjusted Gross Income

23	Educator expenses (see instructions)	23	
24	IRA deduction (see instructions)	24	
25	Student loan interest deduction (see instructions)	25	
26	Tuition and fees deduction (see instructions)	26	
27	Moving expenses. Attach Form 3903	27	
28	One-half of self-employment tax. Attach Schedule SE	28	156.
29	Self-employed health insurance deduction (see instrs)	29	
30	Self-employed SEP, SIMPLE, and qualified plans	30	
31	Penalty on early withdrawal of savings	31	
32a	Alimony paid	32a	
b	Recipient's SSN	32b	
33	Add lines 23 through 32a	33	156.
34	Subtract line 33 from line 22. This is your adjusted gross income	34	-26,038.

Tax and Credits

Standard Deduction for - People who checked any box on line 36a or 36b or who can be claimed as a dependent, see instructions. All others: Single or Married filing separately, \$4,750 Married filing jointly or Qualifying widow(er), \$9,500 Head of household, \$7,000

Table with 3 columns: Line number, Description, Amount. Includes lines 35-54 for Tax and Credits.

Other Taxes

Table with 3 columns: Line number, Description, Amount. Includes lines 55-60 for Other Taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, Amount. Includes lines 61-68 for Payments.

Refund

Direct deposit? See instructions and fill in 70b, 70c, and 70d.

Table with 3 columns: Line number, Description, Amount. Includes lines 69-71 for Refund.

Amount You Owe

Table with 3 columns: Line number, Description, Amount. Includes lines 72-73 for Amount You Owe.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only

Preparer's signature: HOWARD M. SCHULMAN, CPA. Firm's name: 25044 PEACHLAND AVENUE, SUITE 204 SANTA CLARITA CA 91321. EIN: 95-3428257. Phone no.: (661) 255-8993.

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0074

2003

07

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.
▶ See Instructions for Schedule A (Form 1040).

Name(s) shown on Form 1040

Your social security number

ANNABELL M PALMER

Medical and Dental Expenses		Caution. Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1			
2	Enter amount from Form 1040, line 35 2				
3	Multiply line 2 by 7.5% (.075)	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	
Taxes You Paid		5	1,124.		
5	State and local income taxes	6	6,357.		
6	Real estate taxes (see instructions)	7			
7	Personal property taxes	8			
8	Other taxes. List type and amount ▶				
9	Add lines 5 through 8			9	7,481.
Interest You Paid		10			
10	Home mtg interest and points reported to you on Form 1098	11			
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ▶				
12	Points not reported to you on Form 1098. See instrs for spl rules	12			
13	Investment interest. Attach Form 4952 if required. (See instrs.)	13			
14	Add lines 10 through 13			14	
Gifts to Charity		15			
15	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	16			
16	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8263 if over \$500	17			
17	Carryover from prior year				
18	Add lines 15 through 17			18	
Casualty and Theft Losses		19			
19	Casualty or theft loss(es). Attach Form 4684. (See instructions.)			19	
Job Expenses and Most Other Miscellaneous Deductions		20			
20	Unreimbursed employee expenses – job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21			
21	Tax preparation fees	22			
22	Other expenses – investment, safe deposit box, etc. List type and amount ▶	23			
23	Add lines 20 through 22	24			
24	Enter amount from Form 1040, line 35 24	25			
25	Multiply line 24 by 2% (.02)	26			
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions		27			
27	Other – from list in the instructions. List type and amount ▶			27	
Total Itemized Deductions		28 Is Form 1040, line 35, over \$139,500 (over \$69,750 if MFS)?			
		<input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 37.			
		<input type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter.			
				28	7,481.

SCHEDULE D

(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2003

12

Name(s) shown on Form 1040

Your social security number

ANNABELL M PALMER

Short-Term Capital Gains and Losses – Assets Held One Year or Less

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
1						
2 Enter your short-term totals, if any, from Schedule D-1, line 2		2				
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824		4				
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		5				
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2002 Capital Loss Carryover Worksheet		6				
7a Combine lines 1 through 5 in column (g). If the result is a loss, enter the result. Otherwise, enter -0-. Do not enter more than zero		7a				
b Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)		b				

Long-Term Capital Gains and Losses – Assets Held More Than One Year

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
8 LIQUIDATION-PARK INTERNATIONAL CORP	06/02/52	08/31/03	2,731,578.	2,154,180.	577,398.	577,398.
GLOBAL LINK CAPITAL MARKETS, LTD-NORTHLESS NOTES	08/24/98	12/31/03		4,000,000.	-4,000,000.	-4,000,000.
100,000 COMMERCE COMMUNITY DEV	03/19/01	08/01/03	100,000.	100,000.	0.	0.
75,000 FRESNO COUNTY TRANSPORT AUTH	03/01/01	04/01/03	75,000.	77,759.	-2,759.	
9 Enter your long-term totals, if any, from Schedule D-1, line 9		9	1,275,400.		-36,332.	-36,332.
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10	4,181,978.			
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11			648,093.	648,009.
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12			1,896,686.	1,896,686.
13 Capital gain distributions. See instrs		13				
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your 2002 Capital Loss Carryover Worksheet		14				
15 Combine lines 8 through 13 in column (g). If zero or less, enter -0-		15				0.
16 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f)		16			-916,914.	

Next: Go to Part III on page 2.

*Include in column (g) all gains and losses from column (f) from sales, exchanges, or conversions (including installment payments received) after May 5, 2003. However, do not include gain attributable to unrecaptured section 1250 gain, 'collectibles gains and losses' (as defined in the instructions) or eligible gain on qualified small business stock (see instrs).

Part III Taxable Gain or Deductible Loss

17a	Combine lines 7b and 16 and enter the result. If a loss, enter -0- on line 17b and go to line 18. If a gain, enter the gain on Form 1040, line 13a, and go to line 17b below	17a	-916.914.
17b	Combine lines 7a and 15. If zero or less, enter -0-. Then complete Form 1040 through line 40 Next: • If line 16 of Schedule D is a gain or you have qualified dividends on Form 1040, line 9b, complete Part IV below. • Otherwise, skip the rest of Schedule D and complete the rest of Form 1040.	17b	0.
18	If line 17a is a loss, enter here and on Form 1040, line 13a, the smaller of (a) that loss or (b) (\$3,000) (or, if married filing separately, (\$1,500)) (see instructions) Next: • If you have qualified dividends on Form 1040, line 9b, complete Form 1040 through line 40, and then complete Part IV below (but skip lines 19 and 20). • Otherwise, skip Part IV below and complete the rest of Form 1040.	18	-3.000.

Part IV Tax Computation Using Maximum Capital Gains Rates

If line 16 or line 17a is zero or less, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.

19	Enter your unrecaptured section 1250 gain, if any, from line 18 of the worksheet in the instructions	19	
20	Enter your 28% rate gain, if any, from line 7 of the worksheet in the instructions	20	
If lines 19 and 20 are zero, go to line 21. Otherwise, complete the worksheet in the instructions to figure the amount to enter on lines 35 and 53 below, and skip all other lines below.			
21	Enter your taxable income from Form 1040, line 40	21	
22	Enter the smaller of line 16 or line 17a, but not less than zero	22	
23	Enter your qualified dividends from Form 1040, line 9b	23	
24	Add lines 22 and 23	24	
25	Amount from line 4g of Form 4952 (investment interest expense)	25	
26	Subtract line 25 from line 24. If zero or less, enter -0-	26	
27	Subtract line 26 from line 21. If zero or less, enter -0-	27	
28	Enter the smaller of line 21 or: • \$56,800 if married filing jointly or qualifying widow(er); • \$28,400 if single or married filing separately; or • \$38,050 if head of household	28	
If line 27 is greater than line 28, skip lines 29 through 39 and go to line 40.			
29	Enter the amount from line 27	29	
30	Subtract line 29 from line 28. If zero or less, enter -0- and go to line 40	30	
31	Add lines 17b and 23*	31	
32	Enter the smaller of line 30 or line 31	32	
33	Multiply line 32 by 5% (.05) If lines 30 and 32 are the same, skip lines 34 through 39 and go to line 40.	33	
34	Subtract line 32 from line 30	34	
35	Enter your qualified 5-year gain, if any, from line 8 of the worksheet in the instructions	35	
36	Enter the smaller of line 34 or line 35	36	
37	Multiply line 36 by 8% (.08)	37	
38	Subtract line 36 from line 34	38	
39	Multiply line 38 by 10% (.10) If lines 26 and 30 are the same, skip lines 40 through 49 and go to line 50.	39	
40	Enter the smaller of line 21 or line 26	40	
41	Enter the amount from line 30 (if line 30 is blank, enter -0-)	41	
42	Subtract line 41 from line 40	42	
43	Add lines 17b and 23*	43	
44	Enter the amount from line 32 (if line 32 is blank, enter -0-)	44	
45	Subtract line 44 from line 43	45	
46	Enter the smaller of line 42 or line 45	46	
47	Multiply line 46 by 15% (.15)	47	
48	Subtract line 46 from line 42	48	
49	Multiply line 48 by 20% (.20)	49	
50	Figure the tax on the amount on line 27. Use the Tax Table or Tax Rate Schedules, whichever applies	50	
51	Add lines 33, 37, 39, 47, 49, and 50	51	
52	Figure the tax on the amount on line 21. Use the Tax Table or Tax Rate Schedules, whichever applies	52	
53	Tax on all taxable income. Enter the smaller of line 51 or line 52 here and on Form 1040, line 41	53	

*If lines 23 and 25 are more than zero, see instructions for the amount to enter.

Name(s) shown on return. Do not enter name and social security number if shown on Page 1.

Your social security number

ANNABELL M PALMER

Income or Loss From Partnerships and S Corporations

Note. If you report a loss from an at-risk activity for which any amount is not at risk, you must check column (e) on line 28 and attach Form 6198. See instructions.

27 Are you reporting losses not allowed in prior years due to the at-risk or basis limitations, passive losses not reported on Form 8582, or unreimbursed partnership expenses? [X] Yes [] No

Table with 5 columns: (a) Name, (b) Enter P for partnership; S for S corporation, (c) Check if foreign partnership, (d) Employer identification number, (e) Check if any amount is not at risk. Rows include FROG LEVEL, LLC, UPE, and FIFTH AVENUE APARTMENTS-INDIANA.

Table with 5 columns: (f) Passive loss allowed, (g) Passive income from Schedule K-1, (h) Nonpassive loss from Schedule K-1, (i) Section 179 expense deduction from Form 4562, (j) Nonpassive income from Schedule K-1. Includes totals for passive and nonpassive income and loss.

Income or Loss From Estates and Trusts

Table with 2 columns: (a) Name, (b) Employer ID no. Rows A and B.

Table with 4 columns: (c) Passive deduction or loss allowed, (d) Passive income from Schedule K-1, (e) Deduction or loss from Schedule K-1, (f) Other income from Schedule K-1. Includes totals and calculations for estate and trust income.

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) - Residual Holder

Table with 5 columns: (a) Name, (b) Employer identification number, (c) Excess inclusion from Schedules Q, line 2c, (d) Taxable income (net loss) from Schedules Q, line 1b, (e) Income from Schedules Q, line 3b. Row 39.

Summary

Summary table with 2 columns: Description, Amount. Rows 40-43 including net farm rental income, total income, and reconciliations.

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2003

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040. ▶ See instructions for Schedule SE (Form 1040).

17

Name of person with self-employment income (as shown on Form 1040)

ANNABELL M PALMER

Social security number of person
with self-employment income ▶

Who Must File Schedule SE

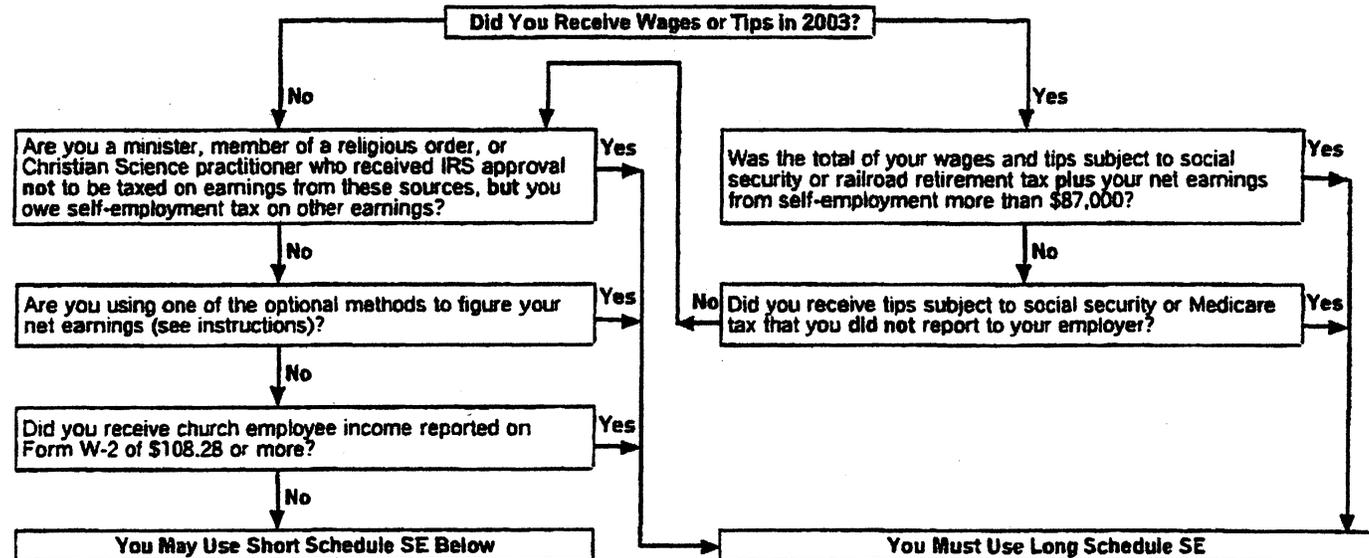
You must file Schedule SE if:

- You had net earnings from self-employment from other than church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is not church employee income (see instructions).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either 'optional method' in Part II of Long Schedule SE (see instructions).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, do not file Schedule SE. Instead, write 'Exempt - Form 4361' on Form 1040, line 55.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A – Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report	2	2,199.
3	Combine lines 1 and 2	3	2,199.
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax	4	2,031.
5	Self-employment tax. If the amount on line 4 is: • \$87,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 55. • More than \$87,000, multiply line 4 by 2.9% (.029). Then, add \$10,788.00 to the result. Enter the total here and on Form 1040, line 55.	5	311.
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 28	6	156.

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2003

Sales of Business Property (Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Name(s) shown on return

ANNABELL M PALMER

Identifying number

1 Enter the gross proceeds from sales or exchanges reported to you for 2003 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 26 (see instructions)

1

Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year (See instructions.)

Table with 8 columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Gross sales price, (e) Depreciation allowed or allowable since acquisition, (f) Cost or other basis, plus improvements and expense of sale, (g) Gain or (loss) for entire year, (h) Post-May 5, 2003, gain or (loss). Row 1: From K-1, 648,093, 648,009.

Summary rows 3-7. Row 7: 648,093, 648,009.

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6, or Form 1120S, Schedule K, line 5. Skip lines 8, 9, 11, and 12 below.

All others. If line 7, column (g) is zero or a loss, enter that amount on line 11 below and skip lines 8, 9, and 12. If line 7, column (g) is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain or (loss) in each column as a long-term capital gain or (loss) on Schedule D and skip lines 8, 9, 11, and 12 below.

Summary rows 8-9.

*Corporations (other than S corporations) should not complete column (h). Partnerships and S corporations must complete column (h). All others must complete column (h) only if line 7, column (g), is a gain and the amount, if any, on line 8, column (g), does not equal or exceed the gain on line 7, column (g). Include in column (h) all gains and losses from column (g) from sales, exchanges, or conversions (including installment payments received) after May 5, 2003. However, do not include gain attributable to unrecaptured section 1250 gain.

Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

Table for line 10 with 8 columns.

Summary rows 11-18.

a For all except individual returns. Enter the gain or (loss) from line 18 on the return being filed. b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from Form 4797, line 18b(1). See instructions

(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14

18b (1)

18b (2)

Department of the Treasury Internal Revenue Service (99)

See instructions. Attach to your tax return.

Name(s) shown on return

Identification number

ANNABELL M PALMER

Current Year Credit

Table with 7 rows for Current Year Credit. Line 5 shows 1,399. Line 6 shows 1,399. Line 7 is blank.

Allowable Credit

Table with 18 rows for Allowable Credit. Line 8 is blank. Line 9 is blank. Line 10 is blank. Line 11m is blank. Line 12 is blank. Line 13 is blank. Line 14 is blank. Line 15 is blank. Line 16 is blank. Line 17 is blank. Line 18 is blank.

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 8586 (2003)

Investor Reporting of Tax Shelter Registration Number

Department of the Treasury
Internal Revenue Service

► Attach to your tax return.

► If you received this form from a partnership, S corporation, or trust, see instrs.

71

Investor's name(s) shown on return

ANNABELL M PALMER

Investor's identifying number

Investor's tax year ended

12/31/2003

	(a) Tax Shelter Name	(b) Tax Shelter Registration Number (11-digit number)	(c) Tax Shelter Identifying Number
1	BOSTON CAPITAL TAX CREDIT FUND		
2	RANCON REALTY FUND V		
3	FOX RIDGE ASSOCIATES, LP		
4			
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Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to Form 1040 or 1041.

2003
89

Name(s) shown on return

Identifying number

ANNABELL M PALMER

2003 Passive Activity Credits

Caution: If you have credits from a publicly traded partnership, see Publicly Traded Partnerships (PTPs) in the instructions.

Credits From Rental Real Estate Activities With Active Participation (Other Than Rehabilitation Credits and Low-Income Housing Credits) (See Lines 1a through 1c in the instructions.)

1 a Credits from Worksheet 1, column (a)	1 a		
b Prior year unallowed credits from Worksheet 1, column (b)	1 b		
c Add lines 1a and 1b			1 c

Rehabilitation Credits From Rental Real Estate Activities and Low-Income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990) (See Lines 2a through 2c in the instructions.)

2 a Credits from Worksheet 2, column (a)	2 a	1,399.	
b Prior year unallowed credits from Worksheet 2, column (b)	2 b	1,782.	
c Add lines 2a and 2b			2 c 3,181.

Low-Income Housing Credits for Property Placed in Service After 1989 (See Lines 3a through 3c in the instructions.)

3 a Credits from Worksheet 3, column (a)	3 a		
b Prior year unallowed credits from Worksheet 3, column (b)	3 b	2,263.	
c Add lines 3a and 3b			3 c 2,263.

All Other Passive Activity Credits (See Lines 4a through 4c in the instructions.)

4 a Credits from Worksheet 4, column (a)	4 a		
b Prior year unallowed credits from Worksheet 4, column (b)	4 b		
c Add lines 4a and 4b			4 c

5 Add lines 1c, 2c, 3c, and 4c	5		5,444.
6 Enter the tax attributable to net passive income (see instructions)	6		0.
7 Subtract line 6 from line 5. If line 6 is more than or equal to line 5, enter -0- and see the instructions	7		5,444.

Note: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete Part II, III, or IV. Instead, go to line 37.

Special Allowance for Rental Real Estate Activities With Active Participation

Note: Complete this part only if you have an amount on line 1c. Otherwise, go to Part III.

8 Enter the smaller of line 1c or line 7	8		
9 Enter \$150,000. If married filing separately, see instructions	9		
10 Enter modified adjusted gross income, but not less than zero (see instructions). If line 10 is equal to or more than line 9, skip lines 11 through 15 and enter -0- on line 16	10		
11 Subtract line 10 from line 9	11		
12 Multiply line 11 by 50% (.50). Do not enter more than \$25,000. If married filing separately, see instructions	12		
13 a Enter the amount, if any, from line 10 of Form 8582	13 a		
b Enter the amount, if any, from line 14 of Form 8582	13 b		
c Add lines 13a and 13b	13 c		
14 Subtract line 13c from line 12	14		
15 Enter the tax attributable to the amount on line 14 (see instructions)	15		
16 Enter the smaller of line 8 or line 15	16		

Special Allowance for Rehabilitation Credits From Rental Real Estate Activities and Low-Income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990) Note: Complete this part only if you have an amount on line 2c. Otherwise, go to Part IV.

17	Enter the amount from line 7	17	5,444.
18	Enter the amount from line 16	18	
19	Subtract line 18 from line 17. If zero, enter -0- here and on lines 30 and 36, and then go to Part V	19	5,444.
20	Enter the smaller of line 2c or line 19	20	3,181.
21	Enter \$250,000. If married filing separately, see instructions. (See instructions to find out if you can skip lines 21 through 26.)	21	250,000.
22	Enter modified adjusted gross income, but not less than zero. (See instructions for line 10.) If line 22 is equal to or more than line 21, skip lines 23 through 29, and enter -0- on line 30	22	338,684.
23	Subtract line 22 from line 21	23	
24	Multiply line 23 by 50% (.50). Do not enter more than \$25,000. If married filing separately, see instructions	24	
25a	Enter the amount, if any, from line 10 of Form 8582	25a	
b	Enter the amount, if any, from line 14 of Form 8582	25b	
c	Add lines 25a and 25b	25c	
26	Subtract line 25c from line 24	26	
27	Enter the tax attributable to the amount on line 26 (see instructions)	27	
28	Enter the amount, if any, from line 18	28	
29	Subtract line 28 from line 27	29	
30	Enter the smaller of line 20 or line 29	30	0.

Special Allowance for Low-Income Housing Credits for Property Placed in Service After 1989 Note: Complete this part only if you have an amount on line 3c. Otherwise, go to Part V.

31	If you completed Part III, enter the amount from line 19. Otherwise, subtract line 16 from line 7	31	5,444.
32	Enter the amount from line 30	32	0.
33	Subtract line 32 from line 31. If zero, enter -0- here and on line 36	33	5,444.
34	Enter the smaller of line 3c or line 33	34	2,263.
35	Tax attributable to the remaining special allowance (see instructions)	35	0.
36	Enter the smaller of line 34 or line 35	36	0.

Passive Activity Credit Allowed

37	Passive Activity Credit Allowed. Add lines 6, 16, 30, and 36. See the instructions to find out how to report the allowed credit on your tax return and how to allocate allowed and unallowed credits if you have more than one credit or credits from more than one activity. If you have any credits from a publicly traded partnership, see Publicly Traded Partnerships (PTPs) in the instructions	37	0.
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Election To Increase Basis of Credit Property

38	If you disposed of your entire interest in a passive activity or former passive activity in a fully taxable transaction, and you elect to increase your basis in credit property used in that activity by the unallowed credit that reduced your basis in the property, check this box. See instructions	<input type="checkbox"/>
39	Name of passive activity disposed of	
40	Description of the credit property for which the election is being made	
41	Amount of unallowed credit that reduced your basis in the property	\$

IRC Section 172 (b) (3)

► Attach to your income tax return

Name(s) Shown on Return

ANNABELL M PALMER

Identification Number

Tax Year: 2003

**Election To Forego the Carryback
Period for Net Operating Loss**

Pursuant to the Internal Revenue Code, Section 172(b)(3), the taxpayer,

ANNABELL M PALMER

irrevocably elects to relinquish the entire carryback period with respect to the
net operating loss incurred for the taxable year ended

12/31/2003

Your Name
ANNABELL M PALMER

Social Security Number
[REDACTED]

Partnership
FROG LEVEL, LLC

Expenses

1	Vehicle expenses	1	
2	Vehicle rentals	2	
3	Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4	Business gifts	4	
5	Education	5	
6	Office supplies and expenses	6	
7	Telephone, fax, pager, etc	7	
8	Trade publications	8	
9	Depreciation and amortization	9	
10	Other (enter meals and entertainment on line 12): DEPLETION	10	4,791.
		
		
11	Total expenses other than meals and entertainment. Add lines 1 through 10.	11	4,791.
12	Meals and entertainment expenses	12	

Reimbursements & Deductible Expenses

13	Reimbursements for other than meals and entertainment	13	
14	Reimbursements for meals and entertainment	14	
15	Deductible exp other than meals and ent. Subtract line 13 from line 11	15	4,791.
16	Subtract line 14 from line 12	16	
17	Deductible meals and entertainment expenses. Enter 50% of line 16	17	
18	Total expenses. Add line 15 and line 17	18	4,791.

Self-Employed Income Reconciliation

19	Amount from Schedule K-1 Worksheet, line 15a	19	6,990.
20	Expenses from line 18	20	4,791.
21	Allowed section 179 expense from Schedule K-1 Worksheet, line 9 if applicable	21	
22	Net self-employment income. Subtract lines 20 and 21 from line 19	22	2,199.

Schedule B
Additional Interest

Payer's Name	Amount
BRANCHWOOD TOWERS L P	1,054.
RANCON REALTY FUND V	204.
MINOCO UAQ LTD	12.
FOX RIDGE ASSOCIATES, LP	48.
PARK INTERNATIONAL CORPORATION	13,653.
Total	14,971.

Schedule E, page 2
Line 28 Information

28	(a) Name	(b) P/S	(c) Foreign Partnership	(d) EIN	(e) Any amount is not at risk
D	BOSTON CAPITAL TAX CREDIT FUND	P		0	
E	ST NICHOLAS MANOR	P			
F	BRANCHWOOD TOWERS L P	P			
G	RANCON REALTY FUND V	P			
H	RAK, LLC	P			
I	MINOCO UAQ LTD	P			
J	FOX RIDGE ASSOCIATES, LP	P			
K	PARK INTERNATIONAL CORPORATION	S			
L	PARK INTERNATIONAL CORPORATION	S			
M	PARK INTERNATIONAL CORPORATION	S			

Schedule E, page 2
Line 28 Income or Loss

Name	Passive Income and Loss		Nonpassive Income and Loss		
	(f) Loss K-1	(g) Income K-1	(h) Loss K-1	(i) Section 179	(j) Income K-1
D BOSTON CAPI	4,122.				
E ST NICHOLAS	19,647.				
F BRANCHWOOD	33,393.				
G RANCON REAL		2,896.			
H RAK, LLC					
I MINOCO UAQ	451.				
J FOX RIDGE A		1,780.			
K PARK INTERN		3,920.			
L PARK INTERN			84,151.		
M PARK INTERN	897.				
Total	58,510.	8,596.	84,151.		

FROM :

PHONE NO. :

Aug. 28 2007 06:57AM P1



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
15350 Sherman Way, Suite 100
Van Nuys CA 91406

PALMER, ANNABELL M.
[Redacted]

Date: August 20, 2007
Case: 18830294999682840
Case Unit: 18830294999682963
In reply refer to: 367:GC:L-15

Regarding: FTB Examination
Account Number: 111089471
Taxpayer's Name: Palmer, Annabell M.
Taxable Year(s): 2004, 2005

Our examination of your tax return for the above taxable years resulted in no change to your tax liability.

This determination does not reflect a tax return audit adjustment of any other entity in which you hold an interest.

Our practice is not to reopen an examination unless we receive new information that affects your tax return. New information may include an Internal Revenue Service audit report or adjustments from an examination of other entities in which you hold or have held an interest.

If you have any questions or concerns, please call me at the telephone number listed below.

Gerri Collier
Telephone: (818) 908-6632
Fax: (916) 843-2373

3

FROM :

PHONE NO. :

Aug. 28 2007 07:18AM P1



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 942267
SACRAMENTO CA 94267-0041
(800) 852-2753

NOTICE OF PROPOSED ASSESSMENT

ANNABELL H PALMER

Notice Date: 08/20/07
Taxable year: 2003
Account No.: [REDACTED]
NPA No.: 04752254
Rev. Cd.: 3671000GGP070301
D.L.N.: 0410624112
Proposed: 303,540.91
Protest by: 10/19/07

We propose to assess additional tax on your account for the taxable year shown above.

CA Taxable Income As Reported Or Revised		\$	-63,140.00
DISALLOWED CAPITAL LOSS	3,086,086.00		
ITEMIZED DEDUCTIONS	3,287.00		3,089,373.00
Revised Taxable Income			3,026,233.00
Filing Status - Single			
Tax - Table			279,523.00
Total Exemption Credits (As Adjusted)			0.00
Total Tax			279,523.00
Less Original Or Revised Total Tax			0.00
Additional Tax			279,523.00
Interest From 04/15/04 To 02/11/06			24,017.91
Total Additional Tax And Interest		\$	303,540.91

We stopped charging interest beginning 18 months from the later of:

- The original due date of the tax return (without extensions).
- The date on which you filed the tax return.

If a balance remains on your account, we will not begin charging interest again until 15 days after the date of the notice. At that point, normal interest accrual will resume. (California Revenue and Taxation Code Section 19116)

We have made changes to your 2003 California tax liability.

At audit, we concluded that the capital loss in the amount of \$4,000,000 was incorrectly taken in 2003. Instead, we shifted the loss to 2002 and characterized the deduction to a theft loss under Internal Revenue Code (IRC) Section 165 which California conforms to under California Revenue and Taxation (CRATC) section 17207.

Continued On Page 2

FROM :

PHONE NO. :

Aug. 28 2007 07:29AM P1

Franchise Tax Board

Page 2 NPA 2003

04752264 08/20/07

AMMABELL N PALMER

The shifting of the loss to 2002 created a Net Operating Loss (NOL) that carries forward. However, California suspended NOL's for 2003, per CR&TC section 17276.3. For more information regarding this adjustment, please refer to our Audit Issue Presentation dated April 19, 2007.

Based on your filing status and federal adjusted gross income, we reduced your California itemized deductions.

On this document we replaced your Social Security Number with the above FTB ID number. California Civil Code section 1798.85(a)(5) generally prohibits state agencies from printing Social Security Numbers on materials we mail to individuals.

If you agree with these adjustments, please see the Agree section in the enclosed Personal Income Tax Notice of Proposed Assessment Information (FTB 7275).

If you disagree with these adjustments, please see the Protest section in the enclosed FTB 7275. Your protest must be mailed by the protest date indicated above. If you do not mail your written protest by this date, the assessment will become final and we will bill you for the amount due, including penalties and interest. Filing a protest will not stop the accrual of interest.

For additional information on your rights and responsibilities, please see the Rights As A Taxpayer and Franchise Tax Board Privacy Notice sections in the enclosed FTB 7275. For current interest and penalty rates, please see side 2 of this notice.



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
15350 Sherman Way, Suite 100
Van Nuys CA 91406

AUDIT ISSUE PRESENTATION SHEET
Number: 1

April 19, 2007

Please Respond By: May 14, 2007

Author: Rafael G. Ramirez
Author's Title: Program Specialist I

Taxpayer: Palmer, Annabell M.
Account Number: [REDACTED]
Taxable Year(s): 2002, 2003

ISSUES	YEAR	AMOUNT	TAX
Embezzlement Loss - Theft	2003	3,086,086	279,523
Decrease Itemized Deductions	2003	3,287	
Totals		3,089,373	279,523

Date presented/submitted to Palmer, Annabell M.:

FACTS:

1. In 2002, the taxpayer deducted an embezzlement loss in the amount of \$1,420,955 on Federal Form 4684 as a Casualty Loss / Theft Loss. The description on the return reads "Cash-Extortion By William J. Herisko."
2. In 2003, the taxpayer deducted a \$4,000,000 loss as a worthless note on Schedule D. The description reads "Global Link Capital Markets, Ltd" This loss shows a purchase date of 8/24/1998. During my visit with the taxpayer's CPA – Howard Schulman, I discovered that the 2003 loss in the amount of \$4,000,000 is also referenced as the "Swiss Bank Investment."
3. During my meeting with Mr. Schulman – CPA, he explains that the taxpayer lost money by making investments and forwarding large sums of money to an individual named William J. Herisko in different "phases." Essentially, the taxpayer was embezzled and invested in what turned out to be shams.

4

April 19, 2007

Account Number

: [REDACTED]

Case Unit

: 18830294999682963

4. Per letter from Family Attorney - Joseph Matalon, Dated February 2003 we provide the following excerpts below since it is the easiest way to provide background on the losses taken in 2002 and 2003. References are made to another investment the taxpayer was involved in detailed as – USRBT. However, the taxpayer is still trying to recover the USRBT investment and the representative explains there is potential hope for recovery. So, in the explanation below, although reference is made to USRBT there are no tax implications on this since the taxpayer has not deducted any loss from the \$10 million USRBT investment:

a. **"The Union Bank of Switzerland Fraud" (B5) - \$4,000,000 Swiss Bank Investment.**

"In or about August 1998, Herisko convinced then-83 year old Ms. Palmer to transfer \$4 million to a bank account at Union Bank of Switzerland "The Swiss Bank" in Biel, Switzerland. In plain violation of the court order requiring Herisko and *Global Link* to stop offering fraudulent "prime bank instruments," Herisko faxed numerous documents to Ms. Palmer on August 18 and 19, 1998 in an effort to induce her to "invest" in the Swiss Bank scheme. (B22)

b. Herisko represented to Ms. Palmer that the purpose of her "investment" was to "fund the acquisition cost of a Special Trading Account to accommodate *Global-Link Capital Markets, Ltd.*,,'s participation in a major Swiss Bank's private placement of medium term notes."

c. Herisko represented that Global link:

i. has access to a Trading Account in Union Bank of Switzerland (UBS). Said account carries a special number that identifies said Account as a United States Federal Reserve approved Trading Account. Said Account is recognized by said Bank as one of a few, select, existing accounts that have been designated by said Bank to handle the Private Placements of Medium Term notes issued by AA or better S&P rated banks on behalf of said bank's most creditworthy Clients on a confidential basis."

d. Relying on Herisko's representations about the nature of the Swiss Bank "investment and his additional representations that her funds were safe and would yield a high rate of return, Ms. Palmer transferred \$4 million to the Swiss Bank. (B13)

e. We believe Herisko's representations were intentionally and materially false. Similar to the government's allegation in the USRBT case, it is our belief that the bank-trading program involved in the Swiss Bank Transaction simply does not exist.

f. To date, Ms. Palmer has not received a penny from the Swiss Bank Investment transaction, although Herisko repeatedly promised to return the money to her. Her \$4 million was deposited in Switzerland where secrecy laws prevent us from tracing the funds.

g. ADDITIONAL WIRE TRANSFERS AND FRAUDULENT SCHEMES:

- i. In addition, when Ms. Palmer's daughters recently reviewed their mother's financial records, they discovered evidence of literally dozens of additional wire transfers from Ms. Palmer to Herisko. Based on the records now in our possession, we estimate that Herisko took from Ms. Palmer – over the USRBT and Swiss bank Frauds nearly \$3 million between 1990 and June of 2002. Herisko has never accurately accounted for those funds."

5. Promissory Note.

- a. On July 31, 2002, Herisko signed a promissory note to Ann Palmer in the amount of \$6,862,482. It is understood that this note includes the \$4,000,000 owed to the taxpayer for the 1998 Swiss Bank Investment Scheme and additional wire transfers made by the taxpayer to Herisko.

6. Demand Letter dated August 29, 2002.

- a. In a letter dated August 29, 2002 from Norman Rasmussen – Attorney retained by family, a formal demand is made for the principal sum of \$6,862,482 to be paid on November 1, 2002.

7. Letter from Attorney – Norman Rasmussen dated December 19, 2002.

- a. This letter is regarding the Herisko Note.
- b. The letter explains that the attorney was asked to review and investigate the possibility of collecting on the Promissory note executed by William Hrisiko dated June 28, 2002.
- c. The attorney confirms that the fact that Herisko has been involved in several investigations by governmental authorities, leads to the conclusion that the taxpayer should consider this note worthless.
- d. The attorney explains that:
 - i. "it appears that he (Herisko) has obtained funds from you under false pretenses by use of fraudulent means including fraud by trick and device. This activity is considered "theft" under the laws of the State of California. Unfortunately, I must advise you that you consider this note as worthless at the present date. It is not only unlikely, but virtually impossible that you will ever realize anything by way of interest or principle on this note."

LAW:

California conforms to Internal Revenue Code (IRC) § 165 under California Revenue and Taxation Code (CR&TC) § 17207 which states that: (a) There shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

IRC § 165(e) Theft losses.

For purposes of subsection (a), any loss arising from theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss.

Amount of Casualty or Theft Loss

When money is stolen, the theft loss is the amount stolen. The amount of a theft loss in the case of nonbusiness property other than money is the lesser of the value of the property or its adjusted basis. In the case of stolen business or income-producing property, the theft loss is the adjusted basis of the property stolen (Reg. §1.165-7(b)).

Losses from theft sustained by an individual are subject to the same limitations as losses from casualty; that is, an individual can fully deduct theft losses incurred in a business or a transaction entered into for profit. However, an individual can deduct each personal (nonbusiness) theft loss only to the extent the loss exceeds \$100 and to the extent net casualty losses for the year exceed 10% of adjusted gross income (AGI).

When are Theft losses deductible:

A theft loss is generally deductible for the year discovered, per IRC § 165(e); Treas. Reg. § 1.165-8(a). The timing of a theft loss deduction is affected by the possibility of reimbursement for the loss, in the same way as casualty losses. A loss is deductible only in the year when it is fixed. Thus, a theft loss is not deductible as long as the taxpayer has a claim for reimbursement with a reasonable prospect of recovery. The loss cannot be deducted until it can be determined with reasonable certainty whether or not reimbursement will be received—for example, on settlement, adjudication, or abandonment of the claim. This rule may affect all or part of a loss deduction. Reg §1.165-8(a)(2).

ANALYSIS:

The issues to be determined are:

1. Whether or not the taxpayer correctly deducted a loss in 2003 in the amount of \$4,000,000 as a capital loss on Schedule D.
2. Or, is the taxpayer entitled to deduct this loss as early as 2002 and taken as a theft loss?

First, we verified that taxpayer has basis in the \$4,000,000 loss and has actually incurred an economic outlay. We confirm that this amount was wired out of the taxpayer's account on 08/24/1998.

Second, it is evident that the taxpayer was embezzled, and stolen from under false pretenses by William J. Herisko. There is an overwhelming amount of evidence presented and available to establish that William J. Herisko – embezzler took advantage of the taxpayer. As such, we agree that the taxpayer is a victim of fraud and is entitled to a deduction under IRC § 165.

However, we disagree in the year and characterization of the \$4,000,000 loss the taxpayer is entitled to deduct. Our review of the information and consideration of all facts and circumstances indicate that the \$4,000,000 loss should have been taken in 2002 as a theft loss rather than a capital loss in 2003.

Year of Discovery:

According to IRC § 165(e), taxpayers are allowed theft losses that are sustained during the year in which the taxpayer *discovers* such loss. We have taken the position that the year of discovery is in 2002, not 2003.

The representative explains that the taxpayer is an elderly person and it's the daughters who begun to take an interest into their mother's financial affairs. According to a letter from one of the taxpayer's daughters – Kathleen K. Johnson, dated December 2, 2006, Kathleen admits that it was the discovery of the USBT certificate of deposit *in early 2002* that prompted her to investigate what was going on with Herisko. Kathleen -the daughter goes onto explain that:

"it was after an investigation on the internet, I discovered the USBT matter, and knew immediately that this was a fraudulent scheme."

"The Discovery of this information prompted me to encourage mother to demand return of the \$4,000,000 Swiss Bank Investment."

It is evident that the correct year of discovery is in early 2002 as a result of the USBT matter. This definitely led the taxpayer and family to the discovery that the Swiss Bank Investment/Global Link Capital Markets was also a fraudulent investment.

Thus, the information we examined clearly shows that the taxpayer and family discovered they had been victims of theft, and embezzlement from Herisko in 2002. This is fact.

According to *Elliot, Jane (1963) 40 TC 304*, a theft deduction must be taken in the year the fact of the theft is discovered. Thus, the taxpayer couldn't claim a deduction in years 2 and 3 for items that she only realized were missing after she became aware of the theft in Year 1 and which she had not claimed in Year 1 (the year she discovered the theft.) We have taken the position that the discovery of theft is clearly in 2002 and not 2003.

Timing of Deduction:

The taxpayer decided to take the loss in 2003 as a bad debt in the amount of \$4,000,000. We disagree with the timing and characterization. Our position is that the loss should be a theft loss taken in the year discovered, we already established that year of discovery was 2002. More information discussed below further supports that 2002 is the year of discovery as well.

However, according to IRC § 165(e) and Treasury Regulation § 1.165-8(a) the timing of a theft loss deduction - despite year of discovery, is affected by the possibility of reimbursement for the loss, in the same way as casualty losses. A loss is deductible only in the year when it is fixed.

According to the representative's letter dated February 15, 2007, the representative explains that

"On March 6, 2003, Kathleen Johnson received a phone call from Robert Byrne, FBI agent who advised her that the Swiss Bank Matter was to be turned over for criminal investigation. This clearly was the point when expectation of recovery was severely jeopardized. "

We disagree that it was until 2003 that the taxpayer's loss was ultimately fixed. Rather, ample information was available and analyzed by the end of 2002 not only by the taxpayer but also by attorneys hired by the taxpayer. This source of information establishes that the probability of recovering any funds from William Herisko was bleak after December of 2002.

Courts have ruled that a remote likelihood of recovery is not sufficient to postpone the deduction.¹ The loss must be deducted in the first year a reasonable prospect of recovery no longer exists, and cannot be claimed in a year after that.² We argue that there did not exist any possibility of recovery after December 2002. If any did exist, based on information provided it would be considered extremely remote thus not qualifying for the "reasonable expectation" of recovery standard.

As such we considered the efforts initiated by the taxpayer throughout 2002 and the opinion from the taxpayer's attorney to conclude there existed no "reasonable expectation" of recovery beyond December 2002. For example, we begin with the execution of the promissory note. On June 28, 2002 a note was executed with a principle amount of \$6,862,482 between William J. Herisko and the taxpayer. This note represents the \$4,000,000 owed to the taxpayer from the 1998 Swiss Bank Investment/Global Links Capital Markets Scheme plus additional funds that the taxpayer alleges she forwarded to William J. Herisko.

This note was not a bona fide note where funds were transferred to Herisko on June 22, 2002. Rather it was an attempt to account for and obligate Herisko to pay back the \$4,000,000 Swiss Bank Investment/Global Links Capital Markets plus additional funds taken.

¹ *Rainbow Inn, Inc. v Commr*, CA-3, 70-2 USTC 9671, 433 F2d 640

² *G.W. Busking v Commr*, 37 TCM 1727, Dec. 35,470(M), TC Memo 1978-415.

April 19, 2007
Account Number : ██████████
Case Unit : 18830294999682963

Then, on August 29, 2002, the family attorney – Norman Rasmussen was involved and issued a Demand to repay this note By November 1, 2002.

According to a memo dated September 20, 2002, Herisko was still attempting to defraud the taxpayer with a "bridge loan" of \$30,000. On this memo, the taxpayer appears to have responded via Fax on October 12, 2002 with the following demand:

"Bill: You promised me this money 10-11-02. Bill, believe me I want my money and under present circumstances I want it now. I don't want any more of this stuff."

Finally, on December 19, 2002 the family attorney Norman Rasmussen advises the taxpayer that she could consider the funds owed to her worthless. On that letter, the attorney explains he was asked to review and investigate the possibility of collecting on the Promissory Note executed by William Herisko. The attorney states that:

"Based on his conversations with Herisko and the fact that he has been involved in several investigations by governmental authorities, leads me to the conclusion that you could consider this Note worthless. It appears that he has obtained funds from you under false pretenses by use of fraudulent means including fraud by trick and device. This activity is considered "*theft*" under the laws of the state of California. Unfortunately, I must advise that you may consider this note as worthless at the present date. It is not only unlikely, but virtually impossible that you will ever realize anything by way of interest or principle on this Note."

The taxpayer was advised in December of 2002 that it was "unlikely" and "virtually impossible" that the taxpayer would ever realize anything from the note. Remember, this note includes the \$4,000,000 Swiss Bank Investment plus additional funds.

For some unknown reason, the taxpayer bifurcated her losses between 2002 and 2003. In 2002, the taxpayer deducted \$1,420,955 as theft loss and labeled it "cash extortion from William J. Herisko." In 2003, the taxpayer took a capital loss of \$4,000,000 for the Swiss Bank Investment. Why?

The evidence is overwhelming that the Swiss Bank Investment Scheme was worthless at the end of 2002 and had no potential hope for recovery.

The standard applied by the courts in determining the likelihood of recovery is an objective one, and is often described as reasonable expectation, based upon all of the facts and circumstances existing during the year in contention.³ It is our position that the attorney – Norman Rasmussen, obviously had enough information "during the year in contention" to determine that there existed no true reasonable expectation of recovery beyond December of 2002.

³ H.S. Spectre v Commr, 25 TCM 519, Dec. 27,946(M), TC Memo. 1966-97; R.L. Bullock v commr, 40 TCM 969, Dec. 37,155(M), TC Memo 1980-314.

To further support our position, information available to the Franchise Tax Board clearly shows that by April 5, 2002, there already existed news articles that implicated William J. Herisko with fraud. In fact the news article mentions Global Link Capital Markets that is essentially the Swiss Bank Scheme per letter of intent dated August 15, 1998. According to the Associated Press, State and Regional dated *April 5, 2002*:

"Global-Link Capital Markets Inc., of Houston allegedly sold bogus investments in so-called prime-bank notes, certificates of deposit and United States Treasury futures pools.

The operations in Arizona and Texas raised \$78 million from investors who were promised 20 percent or more, and used most of the funds to pay off other investors, the hallmark of a Ponzi Scheme, the SEC said.

Named in the suite include... **William Herisko.**"

The Swiss Bank Matter is tied to Global-Link Capital Markets, per letter of intent dated August 15, 1998. Based on available information during the "year of contention" and the efforts the taxpayer took along with the help of an attorney, we believe there did not exist any reasonable expectation of recovery after the discovery year of 2002.

Proposed Adjustment:

For the reasons discussed above, we have proposed to disallow the bad debt loss in 2003 in the amount of \$4,000,000 and shift the loss to 2002 as a theft loss. The shifting of the loss to 2002 creates an NOL that carries forward. However, California suspended NOL's for 2003, per CR&TC §17276.3. Therefore, the taxpayer will be able to take the loss as an NOL carryover beginning in 2004.

We recreated the 2003 tax return and disallowed the \$4,000,000 bad debt loss. The following numbers have changes as a result of our adjustment: Please refer to copies of the revised 2003 Federal and California tax returns.

	At audit	Adjustment	As Revised
California Adjusted Gross Income	(56,783.00)	3,086,086.00	3,029,303.00
California Itemized Deductions	6,357.00	(3,287.00)	3,070.00
California Taxable Income	(63,140.00)	3,089,373.00	3,026,233.00

Below are the changes in additional tax for 2003.

CA Taxable Income As Reported Or Revised	(\$63,140.00)
DISALLOW CAPITAL LOSS	3,086,086.00
DECREASE ITEMIZED DEDUCTIONS	3,287.00
Revised Taxable Income	3,026,233.00
Filing Status - Single	
Tax - Table	279,523.00
Exemptions Total as adjusted	0.00
Total Tax	279,523.00
Less Original Or Revised Total Tax	0
Additional Tax	279,523.00
Interest From 04/15/04 To 02/11/06	24,017.91
Total Additional Tax And Interest	\$303,540.91

Pursuant to CR&TC § 19116, interest is charged only for the first 18 months from the later of the original due date or the date the original return was filed (no later than 10/15). After the 18-month period, interest is suspended until the Notice of Proposed Assessment is issued.

Changes to Carryover Amounts:

Please note that the adjustment in 2003 has completely eliminated any Capital Loss Carryovers after 2003. Thus, there are no Capital losses carried over going into 2006.

Also, the Net Operating Loss created in 2002 as a result of pushing back the 2003 loss into this year is not usable until 2004. After carrying forward this NOL onto 2004, the entire amount still remains unused until 2005.

In 2005, \$444,918 of the \$3,019,680 NOL that was produced in 2002 is used leaving a carryover of \$2,574,762 that is available to be used for the 2006 tax year.

We have included revised Federal and California Tax returns for the 2002, 2003, 2004, and 2005 years to help you answer any questions with regards to the computations and carryover amounts discussed above.

This is your opportunity to provide any additional information that should be considered with regard to the proposed adjustments. If you disagree with these adjustments, provide specific reasons why you disagree. Include appropriate substantiation, citation of applicable law, and case authority. Any additional information submitted by May 14, 2007 will be reviewed. Please do not amend the return under examination, as this may delay the completion of this audit. The results of this audit are subject to review.



STATE OF CALIFORNIA
 FRANCHISE TAX BOARD
 PO BOX 942867
 SACRAMENTO CA 94267-0041
 (800) 852-5711

NOTICE OF ACTION

HOWARD J WIGGETT
 3685 MOTOR AVE 100
 LOS ANGELES CA 90034

Notice Date: 07/17/08
 Taxable Year: 2003
 Account No.: [REDACTED]
 NPA No.: 04752264
 Rev. Cd.: 3671000DM 070202
 NPA Dated: 08/20/07
 Proposed: 325,188.40
 Appeal By: 08/18/08

ANNABELL M PALMER
 [REDACTED]

This affirmation is our response to your protest of our Notice of Proposed Assessment (NPA) referred to above.

Additional Tax	\$ 279,523.00
Interest From 04/15/04 to 02/11/06	24,017.91
Interest From 09/04/07 to 07/17/08	21,647.49
Total Additional Tax and Interest	\$ 325,188.40

We have suspended interest for the time period reflected in California Revenue and Taxation Code section 19116. Interest accrual resumed 15 days after the date of the Notice of Proposed Assessment.

The worthless security loss in tax year 2003 should be reclassified as a theft loss. As such, the loss should be changed from a capital loss to an itemized deduction and shifted back to tax year 2002. The facts indicate no reasonable prospect for recovery existed beyond December 2002.

See our letter of May 28, 2008 for more detail.

If you agree with our decision, please see the Agree section in the enclosed Personal Income Tax Notice of Action Information (FTB 7277).

If you disagree with this decision, please see the Appeal section in the enclosed (FTB 7277). Your appeal must be mailed to the State Board of Equalization by the appeal date indicated above. If you do not mail your written appeal by this date, the assessment will become final and we will bill you for the amount due, including penalties and interest. Filing an appeal will not stop the accrual of interest.

For current interest and penalty rates, please see side 2 of this notice.

5

Palmer FTB



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
P.O. Box 1286
Rancho Cordova CA 95741-1286

To Bills



HOWARD WIGGETT
WIGGETT FINANCIAL GROUP
3685 MOTOR AVENUE, SUITE 100
PALMS CA 90034

Date: May 28, 2008
Case: 18830294999682840
Case Unit: 18830294999682963
In reply refer to: 392:DM:F380

Regarding: Protest
Account Number:
Taxpayer's Name: Annabell M. Palmer
Taxable Year(s): 2003

I have reviewed the information of the audit file and the information provided during the protest process.

The facts and law indicate the worthless security loss in tax year 2003 should be reclassified as a theft loss. As such, the loss should be changed from a capital loss to an itemized deduction and shifted back to tax year 2002. No reasonable prospects for recovery existed beyond December 2002. Shifting the loss back to tax year 2002 generates a net operating loss carryover, which cannot be used in tax years 2002 and 2003. Such deductions were suspended for those years. The deductions were reinstated beginning in tax year 2004; however, none of the loss could be used. Thus, the loss must be carried over to tax year 2005 where a portion was used and the balance carried over to tax year 2006.

I recommend issuing a Notice of Action affirming the Notice of Proposed Assessment of August 20, 2007.

I have summarized the facts as I understand them, audit's position and your position. I have also included a discussion of the applicable law. Instructions for submitting additional information are set forth at the end of this letter.

May 28, 2008

Account Number

: [REDACTED]

Case Unit

: 18830294999682963

Facts

During tax year 2002, the taxpayer reported a theft loss in the amount of \$1,420,955. See IRS Form 4684 "Casualties and Thefts." The form identifies William Herisko as the person who extorted cash from the taxpayer.

In tax year 2003, the taxpayer then deducted \$4 million as a worthless security loss on the Schedule D. The schedule lists an investment in Global Link Capital Markets, Ltd. with a purchase date of August 24, 1998. On January 23, 2007, the auditor met with Howard Schulman, the representative during the audit process. Schulman stated the description of the loss as a worthless security is incorrect. The taxpayer is a victim who was swindled and embezzled out of large sums of money in various phases by Herisko. The phase in question involving the \$4 million should be referred as the "Swiss Bank Investment."

In a letter dated February 25, 2003 from Joseph Lee Matalon (the taxpayer's attorney) to FBI agent, Robert Byrne, Matalon details how the United States Securities and Exchange Commission ordered "Herisko and Global Link, a corporate entity under his control, to cease and desist from causing or committing violations of the federal securities laws by offering 'prime bank instruments' to investors through misrepresentation and omission."

Matalon's February 2003 letter goes on to state that the taxpayer's two daughters, Kathleen Johnson and Judith Woodward "have taken a more active role in their mother's personal and financial affairs" during "the past several months." "The daughters discovered that Herisko had convinced Ms. Palmer to 'invest' \$10 million in the USRBT prime bank scheme, \$4 million in another prime bank scheme involving a Swiss bank, and has taken additional millions of dollars from her over the years."

In her letter of December 2, 2006 to Schulman, Kathleen Johnson stated a complaint was filed on July 22, 2002 against USRBT in which the taxpayer invested \$10 million.

Matalon's February 2003 letter also states,

"In or about August 1998, Herisko convinced then-83 year-old Ms. Palmer to transfer \$4 million to a bank account at Union Bank of Switzerland ['the Swiss Bank'] in Biel, Switzerland. In plain violation of the court order requiring Herisko and Global Link to stop offering fraudulent 'prime bank instruments,' Herisko faxed numerous documents to Ms. Palmer on August 18 and 19, 1998 in an effort to induce her to 'invest' in the Swiss Bank scheme."

May 28, 2008

Account Number

Case Unit

: 18830294999682963

"Specifically, Herisko represented that Global link: ... has access to a Trading Account in Union Bank of Switzerland (UBS). Said account carries a special number that identifies said Account as a United States Federal Reserve approved Trading Account. Said Account is recognized by said Bank as one of a few, select, existing accounts that have been designated by said Bank to handle the Private Placements of Medium Term notes issued by AA or better S&P rated banks on behalf of said bank's most creditworthy Clients on a confidential basis."

"We believe Herisko's representations were intentionally and materially false. Similar to the government's allegation in the USRBT case, it is our belief that the bank-trading program involved in the Swiss Bank Transaction simply does not exist. To date, Ms. Palmer has not received a penny from the Swiss Bank Investment transaction, although Herisko repeatedly promised to return the money to her. Her \$4 million was deposited in Switzerland where secrecy laws prevent us from tracing the funds."

"In addition, when Ms. Palmer's daughters recently reviewed their mother's financial records, they discovered evidence of literally dozens of additional wire transfers from Ms. Palmer to Herisko. Based on the records now in our possession, we estimate that Herisko took from Ms. Palmer - over the USRBT and Swiss bank Frauds nearly \$3 million between 1990 and June of 2002. Herisko has never accurately accounted for those funds."

"On July 31, 2002, Herisko signed a promissory note to Ann Palmer in the amount of \$6,862,482. See Exhibit E. This note expressly acknowledged that Herisko was obligated to return \$4 million for Ms. Palmer's purported 'investment' in the Swiss Bank plus over \$2.8 million that she had given to him for various purposes over the years. The promissory note has never been repaid, despite due demand."

See the "Letter of Intent" of August 15, 1998, the "Asset Purchase Agreement," and the "Operating Agreement." According to the "Letter of Intent," Herisko represented to the taxpayer that the purpose of her "investment" was to "fund the acquisition cost of a Special Trading Account to accommodate Global-Link Capital Markets, Ltd.'s participation in a major Swiss Bank's private placement of medium term notes."

The taxpayer transferred \$4 million to the UBS account on August 24, 1998.

The promissory note was actually dated June 28, 2002 in the amount of \$6,862,482. In your letter of May 5, 2008, it was stated the promissory note consisted of three components: (1) \$1,420,955 was deducted as an extortion loss on the 2002 tax return; (2) \$1,441,527 has not been deducted due to inadequate evidence; and (3) \$4,000,000 was written off as a worthless security on the 2003 tax return.

May 28, 2008

Account Number

Case Unit

[REDACTED]
: 18830294999682963

A demand letter was sent on August 29, 2002 requesting full payment by November 1, 2002. After failing to collect on the demand, Norman Rasmussen (the taxpayer's attorney) wrote a letter to the taxpayer on December 19, 2002. He explained it is a fact that Herisko has been involved in several investigations by governmental authorities. "It appears that he has obtained funds from you under false pretenses by use of fraudulent means including fraud by trick and device. This activity is considered 'theft' under the laws of the State of California. Unfortunately, I must advise you that you may consider this note as worthless at the present date. It is not only unlikely, but virtually impossible that you will ever realize anything by way of interest or principle on this Note."

During the protest process, Rasmussen then explains "In expressing my opinion, I had not made any detailed investigation but rather I relied on conversations with Mr. Herisko that he was willing to sign the Note to please Mrs. Palmer but that there was no way he could possibly repay the Note. I didn't look into his assets or credit worthiness to verify his statements. He did tell me that the \$4 million was in a Swiss bank and that Mrs. Palmer should be able to recover that money." See his letter of May 2, 2008.

During the oral hearing of May 7, 2008, a copy of an assignment of the UBS account to the taxpayer's trust was provided. It was asserted this document, dated January 14, 2003, is indicative that the taxpayer felt she still had \$4 million in the account. However, the document made no reference to the actual dollar amount.

Additional documents were provided during the oral hearing. However, the majority of the documents have no bearing as to the collectibility of the \$4 million after December 19, 2002.

In his letter of February 15, 2007, Schulman stated,

"On March 6, 2003, Kathleen Johnson received a phone call from Robert Byrne, FBI agent who advised her that the Swiss Bank Matter was to be turned over for criminal investigation. This clearly was the point when expectation of recovery was severely jeopardized."

Audit's Position

The loss that was reported as a capital loss in tax year 2003 was truly a theft loss where no reasonable prospect for recovery existed beyond December 2002. As a result, the loss should be reclassified as an itemized deduction, reportable on the 2002 tax return. The loss generated a large net operating loss for that year. However, such losses are suspended for tax years 2002 and 2003 and reinstated in tax year 2004.

May 28, 2008

Account Number

Case Unit

: [REDACTED]
: 18830294999682963**Taxpayer's Position**

The loss reported in tax year 2003 should remain as a capital loss in tax year 2003 since the loss resulted from an uncollectible promissory note and not a theft. The note had value at the beginning of tax year 2003. However, the note no longer had any value in March 2003 when the Federal Bureau of Investigation indicated the case against the party who received the investment would be turned over for criminal investigation.

Law and Analysis

Is the \$4 million loss reported in tax year 2003 a theft loss or a worthless security? If a theft loss, did the taxpayer have a reasonable prospect of recovery beyond the 2002 tax year?

IRC section 165(a), to which California conforms under R&TC section 17201, allows as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

IRC section 165(e) and (h) states any loss arising from a theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss. The loss is deductible only to the extent it exceeds \$100.00. Treasury Regulation 1.165-8 provides that a theft loss is allowable as a deduction in the year the loss is sustained. However, the loss is not treated as having been sustained unless it is evidenced by a closed and completed transaction. See Treasury Regulation 1.165-1(d); Ramsay Scralett and Co. v. Comm., 61 T.C. 795 (1974).

If there is a reasonable prospect of recovery, a loss is not treated as having been sustained. See Dawn v. Comm., 675 F.2d 1077 (9th Cir. 1982).

Unsubstantiated assertions are insufficient to satisfy the burden of proof. Even if it may be difficult, if not impossible, for the taxpayer to substantiate any claimed deduction, it does not relieve the taxpayer of such burden. See Appcal of Wing and Faye Lew, 73-SBE-053, September 17, 1973.

It is well settled that income tax deductions are a matter of legislative grace, and the burden is on the taxpayers to show by competent evidence that they are entitled to the deductions claimed. See Appcal of James C. and Monablanche A. Walshe, 1975-SBE-073, October 20, 1975; New Colonial Ice Co. v. Helvering (1934) 292 U.S. 435, 436.

In determining whether the requisite elements to constitute theft are present, we must look to the law of the jurisdiction where the loss is sustained. See Edwards v. Bromberg, 232 F.2d 107 (5th Cir. 1956) In California, obtaining money by false pretenses constitutes theft. See Penal Code section 484. Establishing a criminal conviction is not essential in proving theft, but the taxpayer must show that the elements of the crime are present. See Arcade Realty Co., 35 T.C. 256 (1960). To prove the crime of theft by false pretenses, it must be shown that the defendant made

May 28, 2008
Account Number
Case Unit

[REDACTED]
: 18830294999682963

false representations, that he did so with intent to defraud the owner of his property, and that the complainant was in fact defrauded and parted with his property in reliance upon the false representations. See Callan v. Superior Court, 204 Cal. App. 2d 652 (1962).

In the instant case, the facts showed a theft loss, and not a worthless security, had occurred. The taxpayer advanced funds of at least \$14 million to Herisko, a person who was barred from the government from conducting any business involving securities. This barring took place prior to the taxpayer advancing monies to him. This person made false representations to the taxpayer and the taxpayer was in fact defrauded and parted with her monies in reliance upon the false representations. The taxpayer's lawyer stated this issue could be interpreted as a "theft" under local law. This could explain why the taxpayer took a portion of the loss and wrote it off as an embezzlement loss on her 2002 tax return. Since the loss reported on the 2003 tax return is based on the same fact pattern, the loss for that year should also be classified as a theft loss. No evidence was provided that the embezzlement loss reported in tax year 2002 is in no way, shape or form different than the loss reported in tax year 2003. The underlying factor contributing to both losses was based on false representations made to the taxpayer who was subsequently defrauded out of her monies.

Although the taxpayer received a promissory note for \$6.9 million in July 2002 from Herisko, the note was not for new funds. It was for prior investments, which included the \$4 million investment to the UBS trading account. The cash investment in the trading account had no elements of a worthless security.

IRC section 165(g)(1), to which California conforms under R&TC section 17201, states "if any security which is a capital asset becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this subtitle, be treated as a loss from the sale or exchange, on the last day of the taxable year, of a capital asset. IRC section 165(g)(2) defines a "security" as (A) a share of stock in a corporation; (B) a right to subscribe for, or to receive, a share of stock in a corporation, or (C) a bond, debenture, note, or certificate, or other evidence of indebtedness, issued by a corporation or by a government or political subdivision thereof, with interest coupons or in registered form.

Because the \$4 million loss had no elements of a worthless security, the loss is treated as a theft loss. A theft loss is sustained in the year it is discovered. However, if there is a reasonable prospect of recovery beyond the year of discovery, the loss cannot be deducted. The loss can only be deducted when no reasonable prospect of recovery exists. This is a question of fact to be determined from all the circumstances. See Treasury Regulation 1.165-1(d)(2)(i).

The taxpayer should document all efforts to collect a debt, including demands made, discussions had with the debtor, and his reasons for not paying. See Fox v. Comm., 50 T.C. 813 (1968); Cf. Deauville Operating Corp. v. Comm., T.C. Memo 1985-11. The courts have held that the deductibility of theft losses shall be based on the facts and circumstances of a particular case.

May 28, 2008

Account Number : [REDACTED]

Case Unit : 18830294999682963

The general rule for deducting a theft loss is when no reasonable prospect for recovery exists. It is not when one's rights for recovery are exhausted. See Woltman, et. al. vs. U.S., 56 AFTR 2d 85-5860, 6/21/85. (Emphasis added.)

In the instant case, the taxpayer executed a promissory note in June 2002 to recover her prior investments with Herisko. Subsequently, a letter was sent in August 2002 demanding full payment of the note by November 2002. In December 2002, Rasmussen, wrote "it appears that he has obtained funds from you under false pretenses by use of fraudulent means including fraud by trick and device. This activity is considered 'theft' under the laws of the State of California. Unfortunately, I must advise you that you may consider this note as worthless at the present date. It is not only unlikely, but virtually impossible that you will ever realize anything by way of interest or principle on this Note."

Rasmussen then wrote a letter on May 2, 2008, during the protest process, essentially refuting his December 2002 letter. The Board has held that actions made after the start of an inquiry by Franchise Tax Board go far to weaken the actions as evidence of an existing condition. See Appeal of Bruce A. and Susan E. Carver and Randall B. and Suzette Carver, 1986-SBE-006, February 4, 1986.

In order to determine whether a taxpayer had a reasonable prospect of recovery, the facts and circumstances must be evaluated objectively. However, a taxpayer is not required to be an "incorrigible optimist," and a claim for recovery with little potential for success will not require that the deduction be postponed. See David Jensen v. Comm., T.C. Memo 1993-393.

The taxpayer had no reasonable prospect of recovery as of December 2002 after diligent efforts had been made to collect the monies. As a result, the loss must be recharacterized from capital to ordinary and moved back to tax year 2002. This creates a net operating loss. However, under R&TC section 17276.3(a), net operating loss carryover deductions are suspended and not deductible for tax years 2002 and 2003. They are reinstated beginning in tax year 2004. Though reinstated, none of the loss could be used for that year. Thus, the loss was carried over to tax year 2005 where a portion was used and the balance carried over to tax year 2006.

Conclusion

The worthless security loss in tax year 2003 should be reclassified as a theft loss. As such, the loss should be changed from a capital loss to an itemized deduction and shifted back to tax year 2002. The facts indicate no reasonable prospect for recovery existed beyond the 2002 tax year. Shifting the loss back to tax year 2002 generates a large net operating loss carryover, which cannot be used in tax years 2002 and 2003 since such deductions were suspended for those two tax years. The deductions were reinstated beginning in tax year 2004; however, none of the loss could be used. Thus, the loss must be carried over to tax year 2005 where a portion was used and the balance carried over to tax year 2006.

May 28, 2008

Account Number

Case Unit

: 18830294999682963

I recommend issuing a Notice of Action affirming the Notice of Proposed Assessment of August 20, 2007.

If you do not agree with my preliminary determination, please submit a reply by Wednesday, June 11, 2008, including additional documentation or case law that you feel are applicable, to my attention (392:DM MS: F-380) using the address on this letterhead.

After considering your response, if provided, you will be notified of the final recommendation within 30 days of my receiving your response. If you do not respond, the case will be closed in accordance with this letter and a Notice of Action will be issued accordingly. You have the right to file an appeal with the State Board of Equalization within 30 days from the date our Notice of Action is mailed to you. Your appeal to the State Board of Equalization must be in writing. You must state specifically that you are filing an appeal. You will find specific instructions for filing an appeal on the back of the Notice of Action. Your appeal must be mailed directly to the State Board of Equalization.

Please feel free to call me for any questions or concerns.

Sincerely,



D. Matsueda

Telephone: (916) 845-6291

Fax: (916) 843-2382

CC: Annabell Palmer

ENTERED JUN 0 4 2008



WIGGETT FINANCIAL GROUP**Financial Planning & Tax Preparation**

Page 1 of 2

October 19, 2007

State of California
Franchise Tax Board
P.O.Box 942867
Sacramento, CA 994267-0041

Re: Taxpayer Annabell M. Palmer

SS# [REDACTED]

A/C No: [REDACTED]

NPA #04752264

Tax Year 2003

Proposed: \$279,523.00 tax plus \$24017.91 interest

Dear Sir/Madam:

We wish to file a Protest to the Proposed Assessment to Ms. Palmer for the Tax year 2003.

We have been recently retained to review Ms. Palmer's case and during this review, we found that there were essential documents omitted from the Audit Report of April, 19, 2007.

In order to complete the requested review, we must file a Protest to the NPA dated August 20, 2007 until the Franchise Tax Board supplies us with the missing documents. There were references to "included revised Federal and California Tax Returns for 2002, 2003, 2004 and 2005 years" that would have supported the Audit's findings. In addition the Audit report that show 13 pages, however only the first 11 pages are available, ie 2 pages are missing (pages 12 & 13). Also missing are the auditor's workpapers and audit file, we formally request a copy of such papers.

To speed up this review, we contacted the FTB Van Nuys office to attempt to obtain these documents but the Case File had been forwarded.

We disagree with the original 2002 tax return classification of the \$1.4 million loss as an "Extortion". We believe that the 2002 and 2003 losses were Capital Investment losses. We also disagree with the audit report's finding that the \$4 million (claimed in 2003) was also a 2002 loss. However we recognize that there was inconsistent treatment of these investments between the years,

We would like the opportunity to present evidence that the 2003 losses were properly classified and were taken in the proper year.

At the end of tax year 2002. Taxpayer had a reasonable prospect of recovery of the investment she made with Global Link Capital. A wire transfer of the funds to Union Bank of Switzerland was to an account in her name. She had sent papers to Global Capital Link to open the account. The wire transfer she sent listed herself as the beneficiary of the funds.

At the end of tax year 2002, taxpayer had information that caused her to question and investigate her investment. At the end of 2002, she had a claim for reimbursement

7

Page 2 of 2 AP

(a promissary note) of the funds for which there was a reasonable prospect of recovery. At the end of 2002, it could not be ascertained with reasonable certainty whether or not such reimbursement for the loss would be obtained. Treasury Reg. 1.165-1(d)(2)(i), 1.165-1(d)(3), 1.165-8(a)(2).

It was in 2002 that the taxpayer had the opinion of The Arkin Group that Global Capital Link was a successful operation, and that it seemed to be legitimate. It was in 2002 that taxpayer received word from The Arkin Group that it would continue to use its overseas banking confidential contacts to determine whether or not the funds in the account that taxpayer wired the money to were or were not in her name.

It was in 2002 that taxpayer had the following information, She had a general practice attorney's opinion, based on a telephone call with the debtor, that the promissory note was not collectible. That is not sufficient information for a taxpayer to base a tax deduction on - there was no verifiable basis for the attorney's opinion, such as an asset search, an investigation to determine whether or not there were hidden assets to recover, and no opinion as to whether or not the funds in Union Bank of Switzerland existed in the name of the taxpayer.

The information she had in 2003, that she did not have in 2002, included the following. She retained an attorney who filed a lawsuit against on of the principals of Global Capital Link; she received notification that the principal of Global Capital Link, who was her chief contact there, was charged with, and pleaded guilty to, the crime of theft in North Carolina. The crime charged there was for promoting a "prime bank" interest scheme that was the same type of scheme that was used to steal taxpayer's money. After the taxpayer had the above information was when she did in fact have reasonable certainty that such reimbursement for the loss would not be obtained.

After the receipt of the missing documents and sufficient time to review them, we would like a hearing.

Sincerely,

Howard J. Wiggett, EA

Attachments: POA(Form 3520) , NPA (copy of 08/20/07)

cc: K. Johnson, Esq, Attorney-in-Fact

6
8

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WIGGETT FINANCIAL GROUP

Financial Planning & Tax Preparation

May 5, 2008

Mr. David Matsueda
Franchise Tax Board
Sacramento, CA

Re: Annabell M. Palmer
FTB Examination Tax Return 2003
Protest

Dear David Matsueda,

With regard to FTB Examination of Ms. Palmer's 2003 Tax Return, we are wanting to present the following information and documents to substantiate our protest of the FTB's findings of the 2003 Tax deduction should be a 2002 deduction..

Ms. Palmer had prepared by her attorney, Norman Rasmussen, a Promissary Note dated August 29, 2002 in the amount of \$6,862,482 to reflect funds that Ms. Palmer had advanced in various amounts to Mr. William Herisko, dBa Invetus Holdings, plus an amount wire transferred to a Swiss bank.

This note's \$6.8 million amount was made up of three groups of funds: 1- \$1,420,955 reported in her 2002 tax return as a cash extortion: 2- \$1,441,527 that has not been deducted in a tax return due to unsubstantiated proof of payment of funds and 3- \$4,000,000 that was shown as an Investment Loss in her 2003 tax return. The last amount was a wire transfer from Citibank on August 24, 1998 to Union Bank of Switzerland (UBS) for a Beneficiary Account in the name of Ann Palmer Account No: CQVE 266.630..

The 2002 tax return includes the first \$1.4 million as a theft loss for several reasons. The delay in having satisfaction from W. Herisko in repaying any of the funds up to and including 2002. Her Attorney's letter opinion was related to funds forwarded to W. Herisko as an individual or to his dba Invetus Holdings. His opinion was essentially weighted to the personal payments to W. Herisko even though the Note of August, 2002 included three different types of amounts. At the time of his correspondence to Ms. Palmer, Mr. Rasmussen was not aware of other activities taking place as to seeking the recovery of the third group of funds: the \$4 million.

Outside of Mr. Rasmussen's knowledge there was the contact with The Arkin Group in New York (attached October 14, 2002 letter) to try and trace any Herisko funds and the wire transferred funds' location and availability. Their report was submitted to Ms. Palmer's daughter, Kathleen Johnson in late December 2002. In addition, the Federal Government had begun proceedings against Herisko et al, a variety of companies and businesses related to an entity referred to as U.S. Reservation Bank & Trust (USRBT) operating from South Dakota. These proceedings were the selling of Certificates of Deposit from an Indian Reservation. Ms. Palmer was involved in these proceedings due to a \$10,000,000 "Prime Bank" investment scheme (also referenced in Mr. Ramirez's report). As these proceedings have progressed, Ms. Palmer has or will be eligible as of December 2007 for some \$9.9 million of restitution from the Receivership's Office in Scottsdale, Arizona (latest letter attached).

8

Page 2 of 2 A. Palmer FTB 05-05-08

Furthermore, a subsequent Federal criminal case filed against W. Herisko began in February 2003 in the United District Court of South Carolina in which W. Herisko pleaded guilty to a charge of obtaining money under fraudulent pretenses.

Following the Arkin Group's report to the Palmer Family, Mr. Bill Swearinger, an Attorney in Los Angeles, was hired to seek any restitution by filing for court protection of funds that may be available from W. Herisko. Mr. Swearinger filed a Civil Lawsuit in October 2003 against W. Herisko in the Superior Court of the State of California, Los Angeles County. In a Deposition of W. Herisko, he acknowledged that Ms. Palmer's \$4 million of funds was sent to the Swiss Bank and he did not have any access to the funds. The outcome of this lawsuit was a Judgment in favor of Ms. Palmer and so was entered to secure the potential but unlikely recovery of any Herisko funds. Mr. Swearinger's findings on W. Herisko was fairly negative as to any monies or assets being in W. Herisko's name.

With this deposition, there still stood in early 2003 a potential collection of these funds from overseas. There was proof of an International Wire Transfer document substantiating the transfer of the \$4 million of Ms. Palmer's funds to herself as beneficiary of the wire transfer. So by the end of 2002, there was no identifiable loss for the tax year 2002. Unfortunately under international banking procedures, it is the sender's responsibility to request an acknowledgment. However, as Ms. Palmer had sent along her Passport identification and specific Beneficiary Information with an account number, she felt fairly comfortable in a proper remittance of funds in early 2003 until the criminal court cases against W. Herisko in 2003. As also documented by Ms. Palmer's assignment of the UBS monies to her Grantor Trust on January 14, 2003 - see attached.

In addition, Ms. Palmer had been provided with a Liability Insurance policy from Ellis-Brown in London in September 1998 to provide coverage for the \$4 million of funds. Subsequent research by Mr. Swearinger in 2003 found that this policy to be non-existent.

Therefore, in relying on Treasury Reg. 1-165-1(d)(3), that any loss from theft shall be treated as sustained during the taxable year in which the loss is discovered. However, if in the year of discovery, 2002, there exists a claim for reimbursement with respect to which there is a reasonable prospect of recovery, no portion of the loss with respect to which reimbursement may be received is sustained for purposes of section 165 until the taxable year in which it can be ascertained with reasonable certainty whether or not such reimbursement will be received. It was not therefore until 2003 was there an certainty of non-recovery of the \$4 million in funds. Also, a theft loss can be split between the portion of the loss for which there is a claim and the portion of the loss for which there is no expectation of collection (Geo. M Still v Commissioner, 218 F 2nd 639).

As the Examiner noted in his findings that the capital loss in the 2003 Tax Return could be either a theft or capital loss if sufficient proof was available to show that Ms. Palmer's monies were intended for capital investments but the inconsistency of treating the funds in 2002 and 2003 was inappropriate. Either method for the \$4 million loss results in no taxable 2003 tax liability.

Thanking you for your services,

Howard J. Wiggett, E.A.
Att.

3685 Motor Avenue ■ Suite 100 ■ Palms, CA 90034
Tel (310) 202-9444 ■ Fax (310) 202-9066