

Given's continued self-dealing and inability to restrain his personal malice towards SC is evident in this December conduct; nevertheless, he continued represent SC & its MP partners in a very conflicted & biased manner that harmed MP & SC.

12. January & February 2004: CT/MDP agree to MOIC as a "startup"; Franco & Wong's stall

Summary

MP was a one-year partnership set to terminate or renew on April 1, 2004. After SC sued CMGT, Franco & Wong sought to stall SC's MOIC investors so they could terminate SC on April 1 & oust SC from MP before MP achieved success. (see The Big Question above)

In early February Baliga became aware of other potential Native American investors for MOIC that did not involve SC. Knowing it might be possible to fund MOIC after ousting SC, Baliga eventually participated in Franco & Wong's stall and terminated MP as well.

Given advised & assisted Franco, Wong & Baliga in their stall and termination of SC. Discovery and Franco/Wong/Baliga testimony should provide ample evidence of Given's involvement.

During January – March 2004:

- CT/MDP notified us they would fund MOIC as a \$100 million startup, gave us a list of six savvy insurance investors that they would accept as lead investors, and asked us to call that list to find a lead investor for the MOIC deal.
- CT/MDP said a lead investor with insurance expertise was the last piece needed before going to due diligence on a \$100 million funding of MOIC.
- Baliga uncovered a \$300 million P&C startup funding by a consortium of CA Casino Tribes; he, Franco & Wong now knew they might be able to find Native American investors for MOIC without SC. (discovery)
- Franco, Wong & Baliga prevented SC from calling CT's list of lead investors. This preserved these insurance investors for their own funding effort after ousting SC.
- Franco & Wong refused to allow the timely dissemination of R&D to CT/MDP investors, cc'ing Ron Given and accusing me of reckless actions detrimental to MP if I did so.
- Franco, Wong & Baliga effectively scuttled the CT/MDP funding with a series of coordinated stall tactics (discovery) designed to run out the clock on MP and terminate on April 1, 2004.
- Given participated in this stall by demanding unnecessarily onerous NDA requirements of Cap Z (as he had done with CIRI in late August) & providing other background guidance through Franco. (discovery)

This January – March stall is summarized in more detail on page 57.

January & February

Through 1/15 Baliga & SC conducted R&D to define specific target diversity insurance markets and otherwise support MOIC's business case and minority advantage. According to Baliga, Joe Flanagan was high on MOIC and said Hub would be interested as a marketing partner but was prohibited from investing in an insurer. Baliga asked him to recommend MOIC to Paul Finnegan of MDP. I updated CT/MDP along the way as R&D was completed.

Franco & Wong refused to participate in R&D until CT held the follow-up call and specified exact R&D requirements & goals. They still insisted the Business Plan was adequate as it was. Baliga & I kept conducting R&D. Franco & Wong accused me of being overzealous and acting unilaterally when I sent R&D to CT/MDP. They claimed I was endangering MP's proprietary & highly valuable MOIC concept even though CT & MDP were under NDA. This & other slowdown tactics eventually scuttled our CT/MDP deal and led to the April 1 partnership termination.

On 1/15, I spoke with CT's George Laub; our recent R&D had finally convinced CT & MDP that funding MOIC as a startup made sense with an experienced insurance investor leading the deal. George listed 5 acceptable insurance investors to call (Blackstone, MMC Capital, Texas Pacific, TH Lee and Fox Paine) and said we could represent that the capital was there to do the deal and may be ready to go to due diligence once we had a lead investor with insurance experience. This was a significant concession and indicated strong interest in MOIC. They also remained willing to fund MOIC under their structured exit approach and wanted us to continue exploring industry partners for that funding path as well.

I sent a synopsis of CT's comments and R&D action items to Baliga since he & I had been doing all R&D:

SC 1/15 email to Baliga:

Wayne: a quick synopsis of today's conversations for you to work with. After we get through the action items, I'll put together a report for all partners:

On 1/18 Baliga spoke with Franco & Wong who were skeptical and wanted a sense of timing, deal terms & a call with CT. So, on 1/20 I updated everyone on the recent developments.

SC 1/20 email to Franco, cc'd to Wong & Baliga:

Lou,

After receiving your email, I conveyed your thoughts to Steve & George [CT] and requested a telecon...the holiday weekend may be taking its toll. I was planning a report after resolution of some pending items and additional feedback from George, but, since I know everyone's anxious, here's a quick interim report.

In our Thursday conversation, George started out by saying he had reviewed all the material and it seems there is a minority opportunity here. The preliminary conclusion was that there are two potential funding paths we could pursue:

1. The familiar "structured" path with a corporate partner. Given MD's oft-stated lack of internal insurance experience, this is probably still their preferred and quickest path. The strategic partner would put up none of the capital, but would value the minority angle enough to set up a venture and provide downside protection & a structured exit ("5, 10, 20% return, maybe an exchange into common stock at the end"). He said the #1 ideal candidate that makes the most sense is Aon and this could move very quickly because Wayne is a known commodity and MD knows Pat Ryan. I spoke briefly with Wayne about this and he suggested some additional possibilities he will pursue.
2. Our preferred "startup" route. George said this now appears to make a lot of sense based on our "viable" BP, R&D so far & Axis/Endurance experience. However, MD still feels they do not have enough insurance experience to fund this path on their own, so for MD to participate quickly it would require an acceptable co-investor with insurance experience - he mentioned Blackstone, TH Lee, Texas Pacific, Fox Paine as possible candidates. Re R&D and speed, he said these players would likely want us to prove out the minority market on a more "granular" level: i.e. "think of trying to get budget approval to put 20 people against this project at Aon - that's the same level of proof requirement that will come from Private Equity guys". He said Wayne is key. "Is he perceived as the guy to back, having the industry standing and horsepower like Axis/Endurance guys? All indications are good at this point, but not fully checked out."

He concluded that it seems like there's a logical pathway to startup funding based on Axis/Endurance results, our initial minority market sizing and our differentiators vs Axis/Endurance (smaller scale & minority angle). But, he reiterated that \$100 mm is a large chunk to raise from any Private Equity group and they're likely going to want a more "granular" prove up of the BP.

At the end of the conversation, there were several unresolved action items. George was not sure if Joe & Paul had yet talked re Joe's recommendation on the project and Wayne/management. I asked about the size of co-investor investment and if CT could provide entree to Blackstone et al - George wanted to circle back with Steve on these points. Wayne mentioned other potential strategic partners &

investors & was doing some follow-up. Also, MD & CT typically hold an early week roundtable on projects, so I'm hoping for more definitive feedback after that.

Here's the text of my R&D summary and requests to Steve & George [CT]...

It seems we're making progress on defining and quantifying the minority angle. However, in light of George's comments re "granular" R&D, as prep for a telecon I'd suggest we should:

- detail (product, premium, historic/expected loss ratio, timing, etc.) the specific "startup" business opportunities we've mentioned in the BP & conversations (names removed) to bring additional comfort. In the BP we said management can bring immediate business (\$18mm, I believe) and Phil/Wayne mentioned other specific opportunities in Chicago. How much of 2004's \$36mm GWP could we cover this way and when?
- compile a list and description (role, qualifications, etc.) of key personnel requirements and those who have committed (qualifications with names removed)... Wayne has said Bruce and another key underwriter have already committed.
- provide actual examples (from minority agents, Bruce, etc.) of winning business because of the minority angle,
- Public Entities: get clarification (as specific as possible) from Bruce or elsewhere on MOIC's ability to avoid competitive bidding and 8(a) sole-source business. We are advantaged because an ANC 8(a) entity can be large (\$100mm) and still sole-source. This would be a powerful adjunct to the minority quotas Bruce mentioned as drivers. Does 8(a) sole sourcing only apply to the Federal government or to all public entities?
- work towards completing a specific survey of 3 to 5 corporate buyers:
 - * would insurance buys from MOIC count towards your minority quotas?
 - * how much of our products do you buy?
 - * would you buy from MOIC to satisfy minority quotas?
 - * Bruce said: " if a contract helps a public entity to meet other goals, it does not have to be the least expensive." Is this true in the corporate world as well?

I'll let you know as soon as I hear back from CT.

Gerry

Franco 1/21 email to all partners:

Gerry, Wayne & Jim: My input re: the above comments from Gerry:

1. Do not delay setting a telecon with MDP & CT
2. Do not delay obtaining (preferably prior to the telecon) CT/MDP's position in writing on their letterheads re: their decision, requirements & timetable to fund if a satisfactory co-investor/partner is found
3. Do not do any more R&D/contacts work until #'s 1 & 2 happen and we know exactly what MDP/CT due diligence requirements, funding structure/expectations & timing are delineated by them for us to consider. As Wayne stated in an earlier e-mail, if we can confirm proposed terms with MDP/CT, then we have something solid to take to the market.
4. Don't send Joe F. anything else; the MOIC Biz Plan is enough - any more will be too much and he may not read anything!

Gerry, I believe Wayne, Jim and me are in agreement on this, so please move ahead with MDP/CT as requested. Jim/Wayne, if you disagree we should telecon with Gerry. On another issue, Gerry, you

really should ask MDP & CT to confirm they will not contact or talk with anyone at Aon about the MOIC, particularly Mr. Ryan, inasmuch as this will result in Wayne's job being threatened.

SC 1/21 reply to Franco & Wong (cc'd to Baliga):

Lou & Jim:

Nothing is being delayed. As you've seen, I've requested the telecon, etc. with CT/MD and I've also passed on Wayne's request. However, the operative word here is request...we can't demand a telecon and we can't demand anything on their letterhead.

Let's keep this in perspective...MD is the largest, most successful fund in the midwest, CT is the most successful fund in Colorado, ASRC is a billion \$\$ ANC...it doesn't get any better than that and they are working with us and trying to guide us down a path to funding. They have a discipline and a process that made them successful and they're making us jump through some hoops to prove out our "concept". So what? Let's get on with it and complete the suggested R&D. We know what they need, so let's be proactive, get it done and get funded. We need to do this work anyway...concepts don't get funded...developed and "proved-out" concepts do.

Lou: Wayne doesn't need anyone to speak for him, so I'll take your comments as just that. If you and Jim don't want to participate in the R&D, no one can make you. But, I'm ready to do the work.
Wayne: let me know if there's any way I can help with R&D or prospects. I expect we will get some guidance soon from CT on deal terms, but in the interim I wouldn't hesitate to make general inquiries of potential investors & strategic partners to get the ball rolling.

Franco & Wong said they didn't trust my CT/MDP progress report and didn't agree with my suggestions for R&D. So, Baliga & I continued R&D and I communicated mostly with Baliga in this effort. With specific email approval from Baliga I also sent R&D reports to CT/MDP as information came in and began compiling an R&D summary document.

Franco and Wong were incensed that Baliga & I were continuing R&D and that CT was communicating with me as point person and not all partners. They bombarded Baliga with irate calls & emails.

Baliga 1/26 email to all partners:

Gentlemen: In response to calls and e-mails over the weekend, I offer the following simple rules for Millennium Partnership:

1. Everyone is copied on everything. To the extent I have served as unofficial mediator, facilitator, moderator of communications between partners, I officially resign that position. It will not be necessary if these simple rules are followed.
2. Everyone participates on phone discussions. Due to friction between the parties, minimizing these calls appeared to be a good idea. However, similar to my point in number one above, this has only increased my role as middle man. To the extent anyone has something of significance to say about the MOIC or the partnership, I will participate via conference call so I do not need to translate, temper or otherwise edit comments.
3. Everyone participates in discussions with MDP and CT. All partners should be aware of MDP's and CT's positions and make their own judgments regarding information received from these parties.
4. Everyone should share equally in the due diligence work for this project.

I look forward to any questions or comments on any of the above, but please remember to copy your partners. We have approximately two months to get this projected completed. Let's spend our time constructively.

SC 1/26 response to Baliga, cc'd to all partners:

Wayne,

I appreciate your comments and past efforts as mediator - and your need to exit that demanding and thankless role. Re your suggestions, we can make rules for ourselves, but we cannot control others. Attempting to impose our communication rules outside our circle would be a fruitless exercise and can only cause friction and raise questions about our ability to function as normal business people. Others have their own ways of handling communications and we have no choice but to respect them. I don't expect you will be scheduling a telecon with all partners every time you need to communicate with Joe, Phil, Clarence, Bruce, other potential investors, etc., and it would be naive and counter-productive to insist you do so. None of those people would tolerate that rule for very long...if at all. Same story with MD & CT.

We can control your last two suggestions and I agree with those...let's all shoulder our fair share of due diligence and spend our time constructively.

It was difficult scheduling a conference call with CT & MDP because CT was caught up in a media firestorm over its Denver casino project.

On 1/30 George Laub, CT's point person on MOIC, finally conference with all MP partners and confirmed CT/MDP's willingness to pursue the MOIC startup track. Responding to Wong's questions he said our management team appeared great but would still need to pass muster with a lead investor. He said MDP had also offered to introduce us to another preferred lead investor candidate, Capital Z Partners.

George said we could represent to potential lead investors & partners that MDP & CT "may be willing to undertake the requisite due diligence if a large, credible sponsor, with insurance experience, buys into this project. In addition, if you have a large corporate partner willing to develop a structured exit, we would also be interested."

Near the end Wong told George it was now time for the "operational guys" to deal directly with CT/MDP. George responded: "Gerry has been very helpful in developing the minority angle", said I'd been doing a great job as point person but however we want to handle it going forward was fine.

We discussed Cap Z and MMC as lead investors on the call and I said I'd follow up with both.

After the call George forwarded this email from Michael Cole of MDP to me

From: Cole, Michael P. [mailto:MCole@mdcp.com]
Sent: Friday, January 30, 2004 7:27 AM
To: 'glaub@counciltree.com'
Subject: Insurance investor

Tim Hurd, MDP's financial services guru, suggested Eric Rahe of Cap Z as someone who is knowledgeable about insurance and who would be a good person to suggest that the MOIC guys speak with (on the basis you described in your email). He is supposed to get me Eric's number today and I will pass it along (I also think it would be helpful for me to put a call into Eric to give him the context and our desire to have this vetted by an experienced insurance investor if he thinks its worthwhile, so I will plan to do that).

MPC

I spoke with Cap Z after the call and also followed up with MMC. I immediately reported to partners that Cap Z was interested.

SC 1/30 email to MP partners:

Gentlemen: I just heard from MD's contact at Capital Z. I gave him a brief synopsis. He said the project sounds "interesting" and he will call me on Monday.

We had scheduled a 2/1 partner call to discuss our call with George and plan next steps. Given all the friction, I prepped everyone for the record with my recollections & impressions of our call with George, as well as my contacts with Cap Z & MMC in an email to all partners.

SC 1/31 email to MP partners:

- In answer to Jim's question, George said his views were representative of both MD & CT.
- After reviewing our BP and supporting info in the recent past, both CIRI & CT/MD had told us the MOIC BP was lacking and that the minority angle, in particular, needed further development for them to get on board. On the call George said of recent R&D we've put forth "Gerry has been very helpful in developing the minority angle" and ... "we have now identified an interesting intersection of interests between you and us". That is significant progress.
- George confirmed MD/CT has softened their initial insistence on a "big brother/structured exit" approach. After considering our recent R&D, they now will also accept a "startup" path to funding and may be willing to undertake the requisite due diligence if a large, credible sponsor with insurance experience buys into this project. In that regard, MD introduced us to Cap Z. FYI, that intro is particularly significant because I've lobbied strenuously for intros from CT/MD (as well as timely follow-through) over the past week or two, and they have said it is inconsistent with their business objectives to act as agent in a fundraising process. In that light, I view the Cap Z introduction as a significant concession and indication of interest.
- Re our request for a definition of terms to aid our search process, he counseled that approach would be "leading with our chin" and we'd be better off initially approaching prospective partners as "the A team with a unique Business Plan and ready access to capital".
- Responding to Lou's request for a written statement of interest on their letterhead, he cited his experience and strongly advised us that "anything we give you in writing will undermine what you are trying to achieve". He said walking in the door with a "luke-warm" letter would also be "leading with your chin" and suggested a better way to present ourselves: i.e. walk in the door with confidence, say you have made the rounds of sponsors, have vetted the market, received a good reaction and are confident the capital's there.
- Jim asked if they had concerns about the management team. George replied that at this point they had "no concerns whatsoever". He followed up by saying "on paper you look great...in meetings you're great, but we don't know insurance and don't know what to be concerned about".
- Re Jim's comments on "protocol" and it now being time for "operational guys (Wayne)" to call directly, that's something I have already suggested to Wayne in the past. I think it's important that funders get to know all of you, but Wayne in particular. That said, I will not be stepping back in my interactions for two reasons: first of all, it would not benefit the project - in fact, it would do it a disservice given my relationships, credentials and abilities in this arena; secondly, these are important personal and professional relationships of mine that I will continue to access and develop. So, I hope there was no intent in that regard. That said, I encourage bringing Wayne into the mix to the extent he is available and unconcerned with exposing himself - and Lou or Jim for that matter, when appropriate. We should be careful, however, to co-ordinate our information and responses so as to present a clean, united and efficient front. We also need to control antagonism and dissension...that will not serve us well and can only harm our chances of success.

In summary, we've finally had our group forum and I hope everyone feels their issues were directly heard and answered. While still a ways to funding, the R&D seems to have done the trick and moved MOIC to another level. We now have two funding paths and direction as to how to

proceed. I'd also say we now have their full attention. Hopefully the hammering I've done on timely response will have an effect, but nothing can be promised on that front.

Our preferred "startup" path still seems the quickest and least complicated, and that door is now wide open. I said on the call I'd follow up with Eric Rahe of Cap Z and I have...we're to speak again on Monday. MD obviously has confidence in him.

(copy of Michael Cole's Cap Z email inserted)

In light of Wayne's statement "MMC doesn't concern us because they operate autonomously from Marsh", I also spoke with Meryl Hartzband, Investment Director at MMC, and gave her a quick synopsis - no indication yet. I'm pushing for CT/MD intros to Blackstone, TH Lee & Texas Pacific - all CT relationships and players acceptable to MD. That's still up in the air. We should discuss other ways into these guys.

Talk to you tomorrow at 10:30 CST.

I received this reply from Franco:

Franco 2/1 email to SC:

You were not authorized to unilaterally contact MMC Capital and Capital Z. Your actions, particularly in regard to contacting Meryl at MMC, are reckless and were contrary to what we discussed during our 1/30 telecon. Please do not follow up or have any further contact with MMC or Capital Z, or use CT to make intros to Blackstone, TH Lee & Texas Pacific - or all CT relationships and players acceptable to MD, or anyone else re: the MOIC until we are all in agreement who should be contacted and by whom, consistent with Wayne's, Jim's and my intent to have Wayne be our principle point of contact, as we expressed during the telecon... None of us should be acting unilaterally, per our Partnership.

Likewise, you were not authorized by Wayne or Jim or me to send your e-mail of 1/25 sent to George Laub & Michael Cole re: MOIC market R&D. None of us knew you were going to send this out to George and Michael and your CCs. [Not true: Baliga agreed to send it.] Your e-mail referenced issues that were by and large discussed in general between you and Wayne that were not intended to be released outside of our Partnership and should have been appropriately vetted between all us Partners, and should have definitely been agreed upon by all of us before it went out, or not. None of us should be acting unilaterally, per our Partnership.

Gerry, perhaps you don't realize it but you are the only one not being careful to co-ordinate our information and responses so as to present a clean, united and efficient front. The above incidents are but a couple of examples of how you have acted on your own without regard to or in agreement with your Partners. There's no antagonism or dissension going on here on our part, just good business sense based on the realities of what has been happening in connection with our MOIC initiative, so far.

I've discussed some of this with Wayne and Jim and we should all talk about how we will get on the same page about these issues, manage information & contacts going forward, and handle the MOIC concept in general in light of our telecon with George, on Sunday's scheduled telecon between us Partners.

We held the partner call shortly after I received Franco's email. Franco, Wong & Baliga contended that George had not said CT/MDP would participate in the startup funding path. I insist he did and offered to get email clarification from George. Baliga said "the deal is doable" if SC was right.

SC was right, but George had to respond twice to Wong's skepticism before Wong would admit he was wrong.

George Laub [CT] 2/2 emails:

Gerry, you are correct in saying that our thoughts on structured exit relate to the corporate partnering scenario (where we could also include other investors / sponsors as well).

If we do not have a corporate partner, we have no exit other than the traditional sponsor exit, namely a sale of the company, an IPO, a recapitalization, etc., where we are fully exposed to the gain or loss that the resulting valuation dictates. If you had a structured exit here, where our downside is mitigated and/or our upside enhanced, then by definition it is a corporate partnering scenario as described in the first paragraph.

and

Gerry, to clarify further... We would consider both the strategic partner and "startup" paths. The second path we would consider only with a credible, sizable private equity investor who is experienced in insurance. Please feel free to call or have anyone on the team call if you like. Regards, George."

This was the beginning long and relentless battle over calling lead investor candidates, partnership protocol, NDAs, updating the BP with current R&D, etc; all slowdown tactics designed to tie SC's hands and scuttle the CT/MDP deal.

The exhaustive, antagonistic and very tedious email chain that ensued over the next two months is available. Only a few will be referenced or excerpted in this document.

On 2/2, Baliga addresses timing & potential competitors:

Baliga 2/2 email to partners:

Timing is critical. I found out today from friends at Aon Re that another Native American insurance venture is about to launch (appears to be casino money). So if we want to keep our first mover advantage, not to mention, a hard market advantage, then we need quick responses from our investment partners.

SC's 2/2 response:

I am well aware that timing is critical. I've been pushing hard on R&D because CT/MD could not get to the startup path without it. Thanks to R&D they are now there and we have real potential for a deal. My quick contact of MMC and talk with Cap Z were attempts to pick up the ball and run so as to keep this moving. I'm not flying solo. I said on the call I would pick up with Cap Z...no one objected. If I were truly flying solo, I would have also called Blackstone, TH Lee & Texas Pacific. I haven't...but I'd like to ASAP. Re timing, shouldn't we be doing this?

Timing is another issue that people can't be selective about. Our investment partners haven't been the only ones dragging their feet.

Baliga's 2/4 response:

Gentlemen: No offense taken by me on anything. I remain focused on moving the deal forward. To that end, I found out today that the Native American deal mentioned in my last e-mail is coming out soon. It is capitalized at \$300mm by a consortium of California Casino's. The deal was done quickly with what constitutes one month's revenue for these casinos. So, it appears someone else believes this is a great idea and is willing to put considerable capital behind it on a fairly quick basis.

SC's 2/4 response:

Gentlemen: I too remain focused on moving the deal forward. Timing...I'm not here to defend responsiveness of investment partners, but they aren't the only ones to blame...our actions and inaction

have also slowed the process at many junctures. For example, we are currently dragging our feet on calling Blackstone, TH Lee, & Texas Pacific. You have told me not to call these folks...I'm at a loss as to why in light of timing concerns. Shall I call them and get the ball rolling with them? It's been 15 days since my email of 1/20 identified these folks and the startup path, and my hands are still tied in going after them. It's been 6 days since our call with George and still no permission to call them as I've asked. I took the initiative with Cap Z and MMC and got blasted for doing so...I'm at a loss as to what everyone wants me to do. Is timing important or not? Actions speak louder than words. Let's get going.

Wayne: Do you know if the CA casino deal is going after the broad market (as opposed to Native Americans only) with our same products? Perhaps this will goose our funders...particularly now that we can get guys with insurance knowledge in the mix. In any case, we obviously shouldn't be so concerned about our "proprietary" concept. I agree, this is more evidence we'd better get moving. Do you feel I should pursue Blackstone, TH Lee, & Texas Pacific?

Jim & Lou, what do you want me to do?

Both MMC and Cap Z said they were interested. I spoke with MMC and defined some of the first blush issues that would help them get their hands around the MOIC opportunity. I also traded emails with Cap Z and I reported via email to my partners.

On 2/5 we conferenced again and agreed to move forward with Cap Z but Franco said MMC was a problem because a friend of his, Jack Leatham, had introduced CMGT to MMC and Jack now wanted to be paid if MOIC was funded. Lou felt SC should pay Jack but Jack wouldn't deal directly with me because of "what you did to CMGT". Lou suggested I should pay Leatham. I offered to pay Jack 10% of SC's fee if he used his MMC connections and helped get MOIC done. I insisted he interact directly with SC in the process, since I was paying him. If he refused the offer, then I suggested we go forward with MMC anyway. In my opinion, his claim to payment had no merit and I saw no reason to be held hostage by irrationality.

I was told not to call any of the other lead investor candidates.

On 2/9 we held another contentious partner call on which I strongly advocated calling all potential lead investors on CT's list right away and pointed out the blatant inconsistency between our oft-stated need to hurry so MOIC could capitalize on the insurance hard market and these slow down tactics...to no avail.

SC 2/9 email recap of our call to all partners:

Gentlemen:

For the record, some key issues we discussed on today's call:

1. Jack Leatham and MMC. Lou and Jim suggested we stop all activity with MMC because, as Jim put it, "I don't want to have to pay Jack". Everyone agreed. There was no discussion of Gerry's email offer to pay Jack.

2. Discussion of Cap Z status and other prospects. Gerry pointed out George Laub's suggestion that we quickly canvass the short list of prospects to find one willing to lead the investment. Others wanted to wait for Cap Z's indication of interest before proceeding with Blackstone, TH Lee or Texas Pacific. We agreed to wait.

3. Gerry reiterated George's advice that Wayne should interface with funders going forward as he is the key manager they will want to assess and get to know. Wayne said he would do so if Cap Z indicated an interest in leading the investment.

4. Per his 2/8/04 email, Gerry suggested updating the BP to incorporate insights from all the R&D work. Lou again declined to circulate the current Word version, stating he wants to maintain "version control", principally because he doesn't "trust" Gerry not to send it out without partner review and

approval. Gerry pointed out that he has never done anything like that in the past, while the Hub NDA went out without his review. He again requested a copy of that NDA, which he has yet to receive. Wayne had no problem circulating a current BP Word version for update as long as everyone agreed no documents went out without review and concurrence of all partners. Jim agreed with Lou and was reluctant to circulate the current Word version as a work document. Issue unresolved.

5. Lou suggested "maybe we should just dissolve this partnership". No one responded except for Gerry's incredulous "What?"

For the record, I oppose dissolution of the partnership in the strongest possible terms. After digesting George's repeated clarifications, we all agreed on last Thursday's call that we're making progress. After all this work and progress, I don't know where that comment came from. I'll let you know as soon as I hear from Cap Z.

Wong's 2/9 response:

As long as we are documenting our conversation, let's set the record straight:

1. On Jack Leatham, I did not say that "I don't want to have to pay Jack", as you put it, Gerry. I said "I don't want Jack to come after me for money".

2. On the dissolution of partnership, you stated to all of us that "May be we should not work as partners", to which Lou responded with the dissolution of partnership.

3. On the current Word version of the business plan, we discussed the fact that you already have a pdf version of the business plan, and if you want to make any changes, I suggested that you type it up.

SC's response to Wong:

Jim,

Re Jack...fine, I'll accept your wording. I tried to solve the problem, but it was apparently unacceptable. So be it.

Re your other points, once again, you misunderstood a statement on a call. I did NOT say "May be we should not work as partners". what I said was "Maybe we SHOULD work as partners"...i.e. circulate the current Word (not pdf) version of the Business Plan so that I can type suggested changes right into it for review and edit by everyone...can't do that in pdf versions, Jim. You know as well as I that what I'm suggesting is the normal & most efficient development process and the process we have followed in the past. Why not now?

Baliga's 2/9 response to SC's recap:

My clarifications:

3. I'm happy to interface with funders when the appropriate time arrives. I also indicated that Lou and Jim bring unique skills and experience to the partnership and Lou and Jim should present and highlight those skills should also be highlighted when interfacing with investors. Similar to our three pronged market approach, our three pronged management approach is an enhancement to the business plan presentation.

4. I have a copy of the Hub NDA. It is in hard copy form, but I should be able to scan same and circulate. It is the same NDA previously used by the partnership, and everyone concurred that we get information to Hub ASAP so I'm not sure what the issue is on this matter. But if it helps folks sleep at night, I'll get a copy to whomever wants to see the NDA.

4. I do not have a current Word copy of the B.P. and I'm not looking for one. I'm happy with Lou as coordinator. He has done an excellent job collating the documents and giving them a professional appearance. Lou's backgrounds in marketing and underwriting come across well in the presentation of these documents. His work in this regard puts the partnerships "best foot forward" and that should be the main concern of all partners.

5. I did not advocate the dissolution of the partnership on the call and was not silent regarding same. I recommended everyone consider what was being said and we reconvene when everyone had considered their position. I had a meeting to attend at 11 a.m. so I could not discuss further at that time.

When I have time, I will review my hard copy draft of the B.P. and let everyone know if I have changes. I'm pretty happy with the overall plan, especially with the additional Conning information.

SC's response to Baliga:

My clarifications and responses:

3. As I said on the call, this suggestion comes from George and I strongly agree with it. It is not a slight to Jim or Lou, just a recognition of what will work best with funders and, therefore, best serve our purposes. Of course Jim & Lou bring integral skills and experience to the table and George has also said all three of you appear to be great. As this goes forward from here, believe me, all three of you will have ample face time with investors. Who's best to lead the charge is the issue, and the logical answer is you.

4. The only point of the Hub NDA is that I'm tired of the constant insinuations and outright accusations that I'm "flying solo", "reckless" and can't be trusted. What have I done to deserve that, and isn't there a bit of a double standard going around in that regard? That's the point of Hub.

In a normal world, we'd all grant each other some personal leeway to conduct business. My role to this point has been to find and attract qualified investors, and to do it ASAP if I understand all the timing discussions correctly. I have been doing that very responsibly and have not jeopardized the partnership or the deal in any way. Look back on the way I handled the CIRI NDA. Now ask yourself...do you honestly think I could sit on an NDA as long as you have without a huge uproar and more accusations out of Lou & Jim? Be honest.

I said on the call with George I was going to call Cap Z - no one objected; you said MMC wasn't a problem - again, no one objected; so I called both to quickly get the ball rolling. Consistent with my role and statements on the call, I'd say. Only preliminary information was exchanged and they were informed an NDA would be required to go further. I did not call the others on George's list because they were not discussed. What is wrong with that? Why is it different than sending out the Hub NDA based on statements we made?

I don't have a problem with anything you did re Hub, Wayne. To the contrary, I trust you and thank you for acting. That said, I don't recall a specific discussion or vote authorizing a particular version of the NDA or you to send it out...and that's fine by me...I think it would be silly to require a specific vote. You should be able to rely on statements made, and we should trust you will act in everyone's best interest. Let's be consistent in our standards and treat all partners the same, including me. That's the point of bringing up Hub.

4. (BP update) If we find a lead investor, we will now be stepping into the realm of the very insurance savvy for the first time. "Putting our best foot forward" is exactly the point of my advice to again circulate a Word version of the Business Plan - just as we've done in the past - for one more update that takes advantage of all the recent R&D. Pdf versions don't allow for input and, therefore, hinder an efficient update process. We all know that.

The current BP reads ok as is, but MD/CT found it lacking in some respects. Also, we've now discovered some things are wrong and others could be better...it can be improved and I think it would be very smart to do that before sending to a lead insurance investor. If simultaneously we can put MD & CT on the same page with the lead investor, that's also good to coordinate future discussions.

No matter the Conning report and all other supporting docs, the BP is our statement and definition of what investors are investing in, and it will be looked at as such. It had better be right and it should be as good as possible. Enough said. If no one else sees the wisdom of this approach, so be it. I'm comfortable I've fulfilled my duty to advise you on the best approach.

5. I've stated my feelings on dissolution...I don't know what prompted that comment from Lou. Jim says he heard me say "Maybe we should not work as partners". He's wrong. That certainly doesn't fit with my MO and, again, I don't know where Jim's statement came from. What I did say was "Maybe we SHOULD work as partners" and start trusting that I'm just trying to get the deal done for all of us. I don't succeed if we don't succeed, and vice versa. As always, my motivation is getting MOIC funded and up and running ASAP.

Jim's misunderstanding of my statement points out why it is good to recap our calls.

Baliga's response:

Gerry: I can't keep up with all the e-mail traffic. Suffice to say our goals are the same: My motivation is getting MOIC funded and up and running ASAP. I believe that is also Jim's and Lou's, but I'll let them speak for themselves on this point. I'll continue to focus on the B.P., gather information relevant to potential investors and plan business strategies presuming we get funded. I'm an "action speaks louder than words" kind of guy. I'll rest on my actions to date and future actions mentioned above.

SC's response:

Wayne: Agreed. Fighting is a colossal waste of time & energy. Wish I could focus on the project instead of defending my actions from attack at every turn.

We all talk about timing concerns, I called Cap Z & MMC right away...actions speak louder than words. I continue to advocate calling Blackstone, TH Lee & Texas Pacific sooner rather than later. Speed & our chances of finding a sponsor are best served by going to all ASAP.

Over the past months you've sent mixed signals on the corporate partner/structured exit route...could it work, who's the best partner - broker or underwriter. Lately, you've preferred an underwriter and pre last Sunday's partner call you said St. Paul, Commonwealth and United might be a shot. Are you sure we shouldn't be approaching one or two of them? I could try approaching United through Fox Paine - they might also be an acceptable lead investor.

I, too, rest on my actions to date. I'll continue to contribute to the extent my hands aren't tied.

No word from Cap Z today.

Since Cap Z had already expressed interest & there were no conflicts, Franco couldn't concoct an excuse (as he had with MMC & Jack Leatham) to stop that initiative and we did follow up with Cap Z. I sent some additional R&D to MDP, and Michael Cole of MDP set up a call with Cap Z:

Michael Cole (MDP) 2/12 email to SC:

Thanks - I have passed on the info and spoken to Eric Rahe (pronounced "Ray"). Capital Z has substantial insurance experience, including existing investments in insurance underwriters. After discussing with Eric, think it would be most helpful to have Wayne give him a call directly to discuss. He can be reached at (212) 965-0800 and is expecting Wayne's call. Thanks.

MPC

The internal MP battle over conducting & sending out R&D to CT/MDP and pursuing lead investor candidates was peppered with constant insinuations and outright accusations that I was "flying solo", "reckless" and couldn't be trusted. Baliga & I continued to conduct R&D, and Franco & Wong continued to resist. Franco attacked Baliga's efforts as well.

From Franco's 2/13 emails to partners:

This is not a 50% Partnership, we agreed to have unanimous consent on Partnership matters, so I don't know what "existing partnership policy and procedures" Gerry is referring to. I strongly object to this release of information as is, the way it evolved without waiting for all of us to review and participate and another instance of Gerry acting unilaterally.

What happened to the plan of managing information, points of contact utilizing Gerry and I talking to Cap Z, protecting Wayne's identity with Cap Z, etc., that we all agreed upon in our last Partners' telecon?

BTW, I don't see consistent reinforcement of the strength of the MOIC management team taking place with these potential funders - this needs to change ASAP. Conversely, I see this project with MDR/CT and possibly Cap Z increasingly focusing on just one individual team member [Baliga], which may lead to possible less than desirable MOIC "embedded" post deal management team structure implications with someone like Capital Z that has "substantial insurance experience, including existing investments in insurance underwriters." I must insist that we bring this train to an immediate halt and talk as a group to ensure unanimous Partners' consent on all matters before any more activity takes place.

From SC's 2/14 reply:

You're sending some very mixed signals, Lou. When it suits your purposes, timing is crucial and we need to move ASAP. You & Jim were constantly hammering me on timing through Dec & Jan when MD/CT were acting slower than you thought necessary. Now, when it doesn't suit your purposes, timing is all of a sudden not so important? You can't have it both ways.

Bottom line: we've made tremendous progress (thanks to recent R&D and my quick contact of Cap Z).

- MD/CT have agreed to a normal "startup" funding track for MOIC (without a "structured exit" requirement).
- If an acceptable lead investor buys in to MOIC, MD/CT have said they may be ready to move to due diligence.
- We may have found the lead investor we need in Cap Z (a referral from MD, no less).
- All good signs. We just might have a deal here.

It's hard to see how any legitimate or logical motives could possibly be driving your objections or the constant roadblocks you've been attempting to throw up. Your continued negativity is especially confusing in the face of the positive movement we're now getting as a direct result of my positive actions. How about channeling your boundless negative energy into positive MOIC actions? You're obviously smart and insurance savvy and you should be motivated - COO of MOIC & a 5% equity interest potentially await you. Who knows how much further along we'd be with you as a positive force.

I'm sorry you're disappointed, but I look forward to Wayne's discussion with Cap Z in the hope we have found our lead investor and can get on with doing a MOIC deal that leads to ultimate success for all of us.

Baliga 2/14 response to partners:

Gentlemen: I have not yet spoken with Eric Rae, but have a call into his VM. I presume it is O.K. with everyone if I speak to Eric in general terms regarding the proposal. I suspect he already has some information from MDP/CT. If Eric wants more detailed information, I indicate we need an NDA and arrange for transmission of same. If anyone has any problems with this approach, let me know. I'm in my office today if anyone wishes to discuss.

SC 2/14 response to Baliga:

Wayne: In response to Lou's comments below, I encourage you to continue on the track requested by Michael Cole and Eric Rahe. They, obviously, would prefer to speak with you alone as a first point of contact. This is exactly as George and I have both said it would be. You're viewed by funders as the key guy, and they want to start with you. Our role - Jim, Lou & I - should be to support and prepare you as best we can. Lou & Jim's turn at bat will come and there will be plenty of opportunity to address everyone's skills and credentials in the very near future...if, in fact, Cap Z signs on to the MOIC project. That's the goal now, and Michael and Eric were explicit (below) re the first step in their process.

I'm here if you want to discuss any of the minority angle stuff. I can also back-channel with CT if that helps at any point. Let me know what I can do to help. I'll be following up with contacts from the Res 2004 conference this next week.

Given mostly stayed in the background, but was cc'd by Franco on select emails that attacked SC along the way, including this:

Franco 2/17 email to SC:

Gerry, since you put certain issues in writing I'm responding to your earlier e-mail to me. The facts are not as you portray them, especially about the MOIC General Partnership (which Wayne and Jim are in agreement with me about) and my personal time management (I responded to your e-mails as soon as I could) and I disagree with your characterizations. As I see it, you continue to mug the truth and act overaggressively & unilaterally (...none of us, including Wayne authorized you to send out that e-mail to Cap Z, especially without an NDA - we must have something in writing in place connecting & acknowledging Cap Z's agreement to our NDA) with reckless abandon. Nonetheless you are entitled to your opinion and your pejorative comments and actions speak for themselves. We don't need to belabor this any further via long e-mails!

Eric [Cap Z] & Baliga connected on 2/20 and Eric suggested we send the Business Plan for review and we meet in Chicago after that. Baliga recapped their call in two emails:

Baliga 2/20 email to MP partners:

I finally spoke with Eric. He is interested in the MOIC with one major caveat, timing. He indicated that we are pretty late in the hard market cycle. Their original investments were all in 2002 to take advantage of the emerging hard market. He and I concurred the market probably has one or two more years of firmness, but obviously, the sooner we would launch the better from his perspective. I explained to Eric our funding odyssey which got him to his doorstep (i.e. I wrote the original plan in 2002, MDP's need to get comfortable with a non-core investment, etc.) On the plus side:

1. He understood and liked the three pronged approach. I emphasized this approach to distinguish the MOIC from a pure hard market play.
2. He agreed with my theory that it is better to raise around \$100mm as opposed to \$1billion to maintain underwriting integrity.
3. He had not heard of this idea before, and understood our first mover advantage.

I explained target markets, underwriting expertise and business relationships which would help "jump start" the company. He suggested sending him a copy of the plan for review. He wants to see how we have defined the niche markets mentioned above (scope/size/etc.)

After studying the plan, he then indicated he would like to meet with me in Chicago to discuss in further detail. The key issue for Eric appears to be where we are in the insurance cycle. If we can show substantial tangible advantages that outlast the hard market, that is what will interest him.

I had been advocating inclusion of our most recent R&D in the BP before sending it to Eric. Franco had appointed himself guardian of the BP and had refused to incorporate it.

Baliga 2/20 email to SC:

Gerry: Perhaps incorporating some of your 2/16 memo into the plan makes sense. Also, the memo on the Onieda tribe in which they discuss a 10% advantage on Native to Native business makes sense. I pushed both advantages hard during the call to emphasize this is a long term play, not a hard market play. In fact, I began the call by saying this was a hard market play even before Eric expressed concerns about timing.

The fact that Eric is willing to review the plan and meet in Chicago is a positive. His only concern at this point is timing. If we solve that issue, he appears to be in the deal.

To my surprise & chagrin, Baliga immediately went on vacation and the Business Plan was never sent to Cap Z because, as with CIRI in August 2003, Franco & Wong (supported by Given) insisted Cap Z needed to sign an onerous MOIC NDA. Nine days passed before Baliga again corresponded with Cap Z and Baliga finally sent an NDA on 3/1. By that time Eric had become involved in closing another deal and the process stalled.

I was never allowed to contact any of the other lead investor candidates. Franco and Wong still insisted we needed to get resolution from Cap Z before moving on to other lead investor candidates and Baliga supported them.

During the ensuing Cap Z NDA struggle, I argued that we were already protected by our most onerous NDA because Cap Z already fell under CT's NDA (as MDP had). I asked for Given's input.

SC 2/25 email to Baliga (on vacation):

Wayne: Given Eric's interest & timing issues, and your being in Hawaii, here's what I'd suggest:

1. You should email and/or call Eric and ask him to send email confirmation that he will be bound by CT's NDA, as you suggested he would do.
2. Once we have that, I can immediately email him the latest pdf BP that we sent to CIRI and the R&D BizPln update doc I compiled and sent to you, cc'd to Michael and George so they're in the mix, updated & all on the same page. As happened before, this is our best shot for exciting all of these folks and getting them talking. Eric will then have a forum to push timing, and George & Michael will have a forum to discuss their willingness to fund if he's on board. I've communicated with Eric a few times already, so he knows me. You can set up my email when you speak with him.

The latest CIRI pdf has your resume in it and the overview chart. There is another pdf CIRI version which leaves you anonymous, if you'd prefer. I can send either.

3. We can follow up with a hard copy plan ASAP.

This is how we've always done it, and it will get Eric what he needs while his interest level is high. We shouldn't squander that or give him reason to wonder why we aren't responding quickly.

Wong had remained typically silent for days, but he now entered the fray.

Wong's 2/25 email response:

Wayne, sending the original business plan, without change, with attachments sounds fine to me. As I have stated in prior conferences however, I believe we need to ask CapZ to sign an NDA. Sending the business plan without an official NDA from CapZ is not a prudent business practice and is playing with fire. Someone who is really interested and dealing in good faith should not have problems with entering into NDA.

SC 2/25 response to Wong, cc'd to Given:

Jim: You might check with Ron on this point. In the past he has counseled that we were protected if a NDA signatory passed information on to another party, and also protected if a third party agreed to be bound by a co-investor's NDA.

Right, Ron?

We should have simply asked Cap Z to confirm being bound by CT's NDA and/or asked CT to immediately send the BP to Cap Z, as we had done with MDP. MP's NDA covered all information "furnished by or on behalf of the Company [MP/MOIC] to you or any of your directors, officers, employees, representatives, advisors or other agents (collectively, 'Your Representatives')." (see CT NDA) MDP had had not signed an NDA because Given knew MDP was bound by CT's NDA as one of "Your Representatives". If CT's NDA sufficiently covered MDP, then it also covered Cap Z. Furthermore, CT's NDA was our most onerous NDA; it contained a 3-year non-compete clause and Steve Hillard, CT's President, had signed it as an individual as well as for CT.

SC 2/25 email to Given, cc'd to all partners:

Ron: Just so you have background on this, Council Tree & Steve Hillard (CT's President) individually have signed our 3yr, most onerous NDA. CT then involved Madison Dearborn & passed info to MD...all covered by CT's NDA. MD/CT have now referred us to Cap Z (Partner Eric Rahe) who has spoken with MD & Wayne (last Friday) and indicated he would like to review the plan and meet in Chicago. His biggest issue was timing...if he's in he wants to move quickly to catch the hard market. As you will see in Wayne's email below, Eric has given Wayne verbal confirmation of NDA protection and Wayne believes he can get an email from Eric saying he agrees to be subject to CT's NDA. This is the quickest way to keep this moving. Cap Z is the lead insurance investor that MD is comfortable with, if Eric's in, MD/CT are in and we have a deal. We should act quickly given Eric's timing concerns. If he's in, he will push timing for us.

Here's the chain of recent emails on this topic.

Given did not respond, but Franco spoke with Given and said Given wanted us to get an NDA directly from Cap Z. Again, this was counter to our past process with CT & MDP and made no sense. It would slow the process (Cap Z legal review, etc.) when we could have simply sent Cap Z our information through CT (as we had done with MDP), relied on CT's very protective NDA and brought CT & Cap Z together in the process. There was no risk to the partnership in following this approach - we were already relying on CT's NDA to protect us with MDP. We could have done exactly the same with Cap Z & moved quickly.

Franco 2/25 email:

Wayne: Attached is a fresh NDA I prepared, with my signature on behalf of Millennium Partnership, for Capital Z/Eric Rahe to sign (same format as Council Tree signed). You should send this to Eric, ask him to print & sign 2 original edition copies, retain one for his records & return one fully executed copy to me via fax & regular mail for our records.

As Jim said, we need this to err on the side of prudent business practice. MDP/CT is not passing our Business Plan on to Cap Z, we are sending it directly and we have nothing in writing from MDP/CT documenting that Cap Z is acting as one of MDPs/CTs "representatives" that would be bound by the NDA. Additionally, since you felt Eric would not have a problem with an NDA and wants to keep you as the MOIC contact at this time, I believe you should send this to him so we can have it in place before we send him the Business Plan & other documents, as suggested by Gerry.

I spoke with Ron Given and he agrees we should get an NDA in place with Cap Z/Eric Rahe.

BTW, I, too, have no problem with the strategy of sending the original business plan, without change & with the suggested attachments, but only with an NDA in place because Cap Z could duplicate our MOIC concept in a NY minute, given their insurance/reinsurance company startup experience & resources – this gets something to Eric quickly.

I have limited access to e-mail and cellphone through Saturday, but would be happy to create a new, updated MOIC Business Plan incorporating all our collective good suggestions once I am back in my home-office Sunday - this would only take a day or so.

Enjoy the rest of your time in Hawaii with your family and bring back some warm weather!

Aloha!

13. February 25: Baliga joins Franco & Wong's stall

Baliga's 2/25 response:

Jim: I concur with the need for an NDA of some sort (full, e-mail, etc.). Sorry I left that off the last e-mail. I'm on a 19.2K line in my hotel and my e-mails are excruciatingly slow so I'm tending to rush through my responses. Anyway, I presume we can get counsel's advice on form of NDA if necessary.

SC's 2/26 response:

Wayne: If the NDA Lou sent proves difficult to get signed from a timing or other perspective, you might ask Eric if he will accept receipt of our information from CT, with the understanding Cap Z would be covered by CT's NDA like MD. If so, I can quickly send to George for forward to Eric.

On 2/26, SC's motion for a \$17 million default judgment against CMGT was heard and granted in Burbank Superior Court. No one appeared for CMGT. CMGT and Mayer Brown were properly noticed.

2/27: Silence from all MP partners.

SC 2/27 email to Baliga:

Wayne: as I said in my last email, if the Cap Z NDA Lou sent is going to take some time to get signed or proves difficult for whatever reason, we can shortcut the process (and still be just as protected) by asking Eric if he will accept receipt of our information from CT, with the understanding Cap Z would be covered by CT's NDA. We would then have Cap Z in exactly the same NDA position as MD is now. If that's easier for Eric, I can quickly send information to George [CT] for forward to Eric.

Baliga's 2/29 response:

Gerry: I'm back from vacation. I'll find out from Eric what he will execute tomorrow. We can then discuss further if he will not execute a new NDA.

SC 2/27 email to Baliga: cc'd to Given:

Wayne: Our outstanding NDAs exist to protect MOIC's first mover advantage, whatever that may be. A quick look at how we sit with all outstanding NDA exposures for assessing how to deal with Cap Z - reverse chronological order.

1. The NDA Lou sent for Cap Z is our most protective: 3 year non disclosure & 3 year non compete, proposed for signing by Eric both as an individual and partner of Cap Z. Dated Feb, 2004, it would protect until Feb, 2007.

2. Hub signed our most protective NDA in Dec. 2003. Signed by Joe as an individual & officer. It will expire in Dec. 2006.

3. CIRI signed a less protective NDA in Sept. 2003: 3 year non-disclosure, but only 1 year non compete. CIRI has the right to immediately compete if it can establish a "preponderance of evidence" showing it did not use our evaluation materials in the investment. It was not signed by an individual, only an officer.

4. Council Tree signed our most protective NDA in April, 2003: Signed by Steve Hillard as an individual & officer; It will expire in April, 2006.

5. Sealaska signed a CMGT 3 year NDA (no non compete clause) in June 2001. Lou & I gave them verbal and written information on MOIC before you & Jim became involved. We sent an Executive Summary with full concept and Overview chart in 2002. Sealaska was never required to sign a separate MOIC NDA, we presumed MOIC limitations under the CMGT NDA. These presumed limitations expire in June 2004, so Sealaska will be free to pursue MOIC in roughly three months. Sealaska has evidenced a strong interest in MOIC.

In addition, we have had involved discussions of the MOIC concept and our current investment discussions with at least ERC & Blackwell that I am aware of, and Blackwell informed us that St. Paul had done extensive exploration of a MOIC in the past.

A preliminary "teaser" was discussed with MMC. Lou & I also mentioned the MOIC idea as a CMGT "teaser" in past discussions with MMC, Chrysalis Ventures and Warburg Pincus.

We have current market information that CA Tribes will soon invest \$300 million in a P&C startup.

Assessing this overall exposure picture, we are at first-mover risk to at least:

1. Immediate: The CA tribe's P&C MOIC (& perhaps other tribes - tribes are already doing CA WC),
2. Three months: Sealaska - our exact concept,
3. Seven months: CIRI - our exact BP - in September 2004 or before with "preponderance of evidence",
4. Council Tree & Madison Dearborn - our exact BP in April 2006,
5. St. Paul or others who have already reviewed and/or proposed a MOIC whenever they decide to act.

In my opinion, this picture strongly suggests that our biggest risk is delay, not lack of an onerous Cap Z NDA. The CA tribal initiative will pre-empt us if we delay, and any NDA we put in place with Cap Z won't help. We have very short term protection remaining with Sealaska and CIRI, & they are attuned to our exact concept. Quick action with powerful partners is our best defense. If Eric will join the CT NDA, I'd take it and have George send him our info right away.

On 3/1 Baliga finally sends an NDA to Cap Z. It is not the onerous NDA Lou had prepared for him, but an NDA without the potentially problematic 3-year non-compete - the same one Baliga had sent Hub, and we had accepted from Hub, in December.

Baliga 3/1 email to Cap Z:

Eric: Please excuse my delay in forwarding the MOIC BP. After I left for vacation, our counsel got back to me regarding our NDA/Confidentiality agreement. We originally were under the impression

that either our MDP or Council Tree NDA may suffice to include Cap Z. However, counsel indicated that an individual NDA from Cap Z would be appropriate. This is the same NDA executed by MDP and CT so hopefully this will not be a problem on your end. If you have any questions or comments on the NDA, please give me a call. Once this is executed, I will promptly forward the plan.

Franco 3/1 email to Baliga:

Oops! I just got to my hotel room & checked e-mails & saw that the NDA you sent to Eric Rahe does not have the 3-year restriction prohibiting Cap Z from investing in any MOIC unless they do so in collaboration with us - it's missing subparagraph "1.(z) prior to three years from the date of this agreement, directly or indirectly invest in any minority owned insurance company formed after the date herein unless done in collaboration with the company." There's also a couple of typos in the 1st para..

I notice the NDA was retyped and sent under your signature. To save time, you should send the attached PDF which is exactly the same as the CT NDA with my signature - I am on the road without access to my Word doc version, otherwise I would change it now to add your signature - or, resend Eric a corrected NDA with your signature - and tell him to disregard the one you sent him and point out this corrected version is the same version signed by CT.

SC 3/1 email to Baliga:

Wayne: I believe the NDA you sent Eric gives us adequate and appropriate protection per my email
Re: BP: MOIC NDA exposure sent Sun, 29 Feb 2004 at 15:01:48 PST. I vote we leave it as is with Cap Z. If anyone objects, let's hold a conference call and discuss before resending.

This discussion over the non-compete clause goes on several days. Meanwhile, Franco & Wong don't respond to approve or help with the Business Plan update and Eric & Wayne don't connect.

Baliga 3/8 email to partners:

Gerry/Gentlemen: I received and reviewed the plan. I suggest the four of us get together to discuss the plan and how we wish to proceed with Cap Z. I have not heard anything back from Eric. We should decide next steps on the plan and Cap Z.

SC 3/8 response to Baliga:

Wayne: We should quickly convene to talk about the BP and other issues.

As we found out when I was on the hot seat, this process always takes longer than expected. Re Cap Z, your conversation with Eric took place on Feb 20 and it took us 9 days to get back to him with an NDA request on March 1. He's had our NDA you sent for 1 week now, so he's really not slow or out of line yet relative to our own movement. I'd call and stay on top of the situation...see if there's an NDA review or hangup and let's get it resolved.

This again begs the bigger question: why are we not simultaneously pursuing at least TH Lee, Texas Pacific & Blackstone? George identified these guys as acceptable investors in mid January (see my January 20 email) and I've been pushing to call them ever since. For close to two months I've been restricted from doing so. Why are we waiting?

Contrary to common sense and George's suggestion we've put all of our eggs in one basket - Cap Z. I'd like to understand why I'm still being held back from even getting the ball rolling with these other people? Our actions don't jive with the timing concerns we all talk about.

MMC showed a spark of interest. Why are we letting Jack Leatham's purported and legally unsupported threat derail that effort, particularly in the face of my offer to pay him anyway? Ask Ron if Jack has a legal leg to stand on...he doesn't.

Re NDA slowdowns with Eric, we partners have yet to discuss NDA risk in the context of our portfolio of risks that I laid out...we should do that. We're obviously facing much bigger risks

here...namely our window of opportunity quickly closing and everyone sitting on a great "concept" for another 15 years until the next hard market comes along.

Again, Wayne, I appreciate your efforts in a difficult role...please don't take personal offense to any of the above. We can pull this off, but we need to push it hard on all fronts right now. Cap Z could still happen, but it makes no sense delaying on other investors. Another thought, we now have the R&D ammo to go back to CIRI. A combination of CIRI and Fox Paine - whom CIRI has already invested with - might work, and CIRI has left the door open to revisit MOIC after R&D.

A suggested agenda for the call:

1. New BP & R&D doc
2. Cap Z NDA concerns in the context of our entire portfolio of risks
3. Calling TH Lee, Texas Pacific, Blackstone & other investors.
4. MMC
5. CIRI
6. Any interest you or your contacts have surfaced with potential "big brothers" - Berkeley, Commonwealth, et al?

Suggest some times and I'll accommodate. The sooner the better.

Baliga responds:

Gerry: I followed up on Friday. My presumption is that his legal department is reviewing or Eric is working on other matters.

Re calling other investors: We discussed this about a month ago. My recollection is that we wanted to see what type of issues Cap Z would raise and then refine our business plan accordingly so that if Cap Z did not participate we would have a better more thorough business plan for the next candidate. We now know timing is one issue, but until Cap Z reviews the actual plan, we don't know what, if any, other issues they may have. Basically, we believed, at the time, that continual improvement of the plan based on each reviewer's comments was the way to go. Of course, we can reconsider, but that was the rationale at the time.

Re Jack Leatham & MMC: I'll defer this issue to Lou since MMC was Lou's contact.

Re Cap Z NDA risk: We can discuss, but there is risk with Cap Z which exceeds our risk with CT or MDP. Since Cap Z is actively involved in insurance deals and their parent company Zurich owns a very large P&C insurance company, without an NDA Cap Z could move forward without the Millennium group through their existing P&C company. I'm not casting any aspersions on Eric who appeared to be a reasonable and knowledgeable guy. However, our three-pronged approach is unique, and we need to protect that concept. If there are alternatives to the NDA which offers equivalent protection, I'm happy to discuss.

SC responds to Baliga:

Re the list of lead investors: I've disagreed with the one-at-a-time approach all along and continue to do so. I continue to agree with George that we should be pursuing the full list of acceptable insurance investors simultaneously, thereby increasing our chances of quickly finding the one we need. We're facing several timing issues:

1. We've convinced MD/CT to invest by the normal route. They gave us a list of 5 acceptable lead investors almost two months ago and suggested we go after all of them to find the one we need. We risk losing momentum with MD/CT. Over the past two months we've yet to approach three on their list and we've nixed a fourth, MMC. MD/CT will have a hard time rationalizing this approach with our constant past emphasis on moving quickly to catch the hard market.
2. The later in the hard market we go, the more difficult to attract an insurance savvy lead investor. Cap Z's stated timing concern is testament to this statement.

3. Just when we're on the verge of success, delays have resulted in us bumping up against the April 1 anniversary of our email agreement. Fortunately, that agreement contemplates renewal. "The term of this agreement is one year commencing on 4/1/03 and ending on 4/1/04. The period would be renewable based on agreement of all parties."

Absent renewal, disagreement is likely when that date arrives. Arguing over that can of worms would be self-defeating, because any MOIC-related turmoil would probably kill Cap Z and CT/MD's - or any other investor's - interest in dealing with Millennium or any of us. It would be more than a bit unnerving if the partnership with whom investors have been dealing disintegrates mid-deal.

So, I suggest we agree that delay is a good thing in this instance. I suggest a six-month extension leaving our agreement as is until Oct 1, 2004. This would provide stability and continuity to Cap Z and CT/MD and allow us to continue our pursuit of ANC based funding without getting bogged down in any termination or funding-timing disputes. It would also allow for your timing with St. Paul, Berkeley, et al. Given the history of the parties involved in MOIC, it is prudent to be proactive, table potential terminal disputes and renew our agreement as is for a reasonable time period.

On the NDA issues, I understand your concerns but I continue to think it unlikely that Cap Z would go around MD after being introduced to MOIC by MD. I also think it unlikely Cap Z would pursue an MOIC without CT/ANC status (now that they're aware of ANCs), or take the time to reinvent the wheel in the face of Eric's hard market timing concerns. Much quicker & better & by-the-book to just jump on board with CT & MD if they like the idea.

Stacking those low probabilities up against the much higher likelihood that we won't get a deal done (for various reasons) or lose our first-mover advantage to the CA tribe's initiative, I still think the least risky course of action for us is to get whatever NDA we can from Eric while he's interested and get on with it. In any case, we will almost certainly not do better NDA-wise than having Eric tag along with CT's NDA. That's the easiest and best way to approach this.

Re our three pronged approach, what real advantage over the CA tribe's P&C approach do we get with our three pronged approach? It's highly likely that group will be pursuing all three of our prongs, anyway: Public Entities & their contractors, Native American business, and whatever hard market opportunities they can grab while the hard market's there.

So, respectfully, exactly what is it that we're protecting here that's unique while we delay and potentially lose an investor and give others time to get going ahead of us? Perhaps my lack of an insurance background is showing on this one. If so, I'm willing to learn. Please, show me where I'm wrong.

I'm fine for a call tomorrow morning from 8 am on CST, does that work for everyone?

As usual, Jim & Lou are silent. Baliga responds:

Baliga 3/9 email to SC:

Gerry: I'd be happy to discuss any and all issues in more detailed. The message below involves issues germane to all partners. We should set up a call or meeting to discuss as a group. I have not heard from Jim or Lou, but I believe Lou is traveling most weeks and Jim is typically immersed in tax season this time of year. We will have to set up a meeting time that works for everyone.

SC 3/9 response to Baliga:

Wayne: I'm sure Jim & Lou have access to email & phone if timing's still a concern. In the meantime, what are your thoughts on the new BP and R&D doc? Any edits you'd do?

Franco 3/9 response suggesting a call six days hence:

Gentlemen: FYI, I have limited access to e-mail and voicemail this week, but am available this weekend on Sunday (March/14), after Mass in the afternoon.

On 3/11 SC's CA counsel on the CMGT matter served CMGT and Franco with SC's judgment and permanent injunction against CMGT. I don't know if service was required, but I certainly would have counseled against it, if not. Rodi served without asking me or informing me.

On 3/11, at Baliga's suggestion, I also contacted Eric's [Cap Z] office - he was out working on closing another deal. We arranged to speak the following week. I sent around more BP changes, R&D summary doc and MOIC Advantages Summary to discuss & approve on Sunday's partnership call.

On 3/14 we held the partnership call. Everyone was cordial, but no one had completed much work on the BP. Baliga said he had minimal edits, Franco complemented my work but added nothing, Wong had not even read the documents. Franco, Baliga & Wong still would not allow me to call other investors or CIRI until we heard back from Eric at Cap Z. Also, no one would address the April 1 termination issue until after we heard back from Cap Z.

After the call I send this so the BP & other docs will be ready to send if needed:

SC 3/14 email to partners:

Wayne & Lou:

To avoid having to chase everyone around this week, can we get this much done & sent around today before everyone gets into their week:

Lou:

1. could you correct the Federal Gov balloon (maybe focus on potential 8(a) DoD & other select opportunities, FAIR Act R&D, etc) in the MOIC overview chart and add that chart to BP v8 (p 19) I sent around on Friday.

2. You also need to correct your title to COO in the Management chart and verbiage, and add Wayne as well.

Wayne: Could you send me your edits to work with, preferably after Lou has made his above adjustments. If Lou doesn't get to that, please send me your edits anyway.

On 3/15 Baliga sends a few edits and I incorporate them into the Plan.

This response from Franco:

<<<<<<OUT OF OFFICE MESSAGE>>>>>>

Please note that Lou Franco is out of the office from Monday 3/15/2004 through Friday 3/19/2004 with limited access to e-mail and voicemail. Lou can be reached at his cellphone (630-215-8193) for any urgent matter.

Over the next few days Baliga & I exchange more R&D. Silence from Franco & Wong.

On 3/17 I spoke with Eric Rahe of Cap Z.

SC 3/17 email to partners:

Gentlemen: I spoke with Eric Rahe today. He said he had now become involved in trying to get another deal closed and it will be another two or three weeks before he has time to devote to MOIC. He could not elaborate on his interest until full review. He said they wouldn't have a problem signing a typical NDA (didn't elaborate on "typical"), but didn't want to address it until he had time to focus.

I also spoke with George and am working on getting a CT intro to Blackstone. We should discuss at least Blackstone & MMC, as we have now successfully answered the main reservation MMC had (MOIC advantage vs minority brokers). George believes, and I believe, we should immediately pursue the entire list of acceptable investors to increase our chances of quickly finding one who will participate. As we've learned, it's not easy to get these guys to focus and even review a project...we could be at this until next Christmas taking them one at a time.

I suggest we reconvene ASAP to discuss this and extending our agreement for another six months or so. While Marsh's study that Wayne sent around today suggests the hard market still has some legs, it's obvious we won't be able to explore other lead investors before April 1, let alone close a deal.

On 3/18, SC's judgment against CMGT was entered and ordered in Burbank Superior Court. Baliga & I talked, but Franco & Wong would not respond to my email requesting they join us in a conference call. I asked, but Baliga would not allow me to call any other lead investors from CT's list without their input.

On 3/21 I send this:

SC email to partners:

Gentlemen: On last Sunday's call Jim & Lou wanted to defer further discussion on the attached issues until after we'd heard back from Cap Z. We agreed to discuss moving on to other investors and timing/agreement extension issues ASAP after connecting with Cap Z. We've now done that. Everyone indicated they'd be available to talk again this weekend. Anyone besides Wayne available to talk today?

Wayne, have you heard from Jim/Lou? Can you & I hook up today even if others can't? I'm here & available...please let me know a time.

I spoke with Baliga and he was acting funny, blaming delays on CT/MDP.

On 3/22 I sent this:

SC email to Baliga:

Wayne: When we spoke yesterday, I told you I'm hearing two takes on the same story. To help you appreciate George's side, please see the attached email exchange you & I had back in January showing MD's been willing to go down our preferred "startup" path (no big brother, no structured exit requirement) since mid January. MD agreed to our preferred path and suggested this initial list of acceptable lead investors for it on January 15: Blackstone, TH Lee, Texas Pacific, Fox Paine & MMC...see 2. B. George now wonders why, in over two months, we've not followed up with any of these suggested candidates (Cap Z was an additional direct referral from MD that came a bit later).

Any confusion on our side as to what "startup" path meant was cleared up by George on Feb 2.

"Gerry, you are correct in saying that our thoughts on structured exit relate to the corporate partnering scenario (where we could also include other investors / sponsors as well).

If we do not have a corporate partner, we have no exit other than the traditional sponsor exit, namely a sale of the company, an IPO, a recapitalization, etc., where we are fully exposed to the gain or loss that the resulting valuation dictates. If you had a structured exit here, where our downside is mitigated and/or our upside enhanced, then by definition it is a corporate partnering scenario as described in the first paragraph.

and

Gerry, to clarify further...We would consider both the strategic partner and

"startup" paths. The second path we would consider only with a credible, sizable private equity investor who is experienced in insurance. Please feel free to call or have anyone on the team call if you like. Regards, George."

From their perspective, CT & MD compromised after reviewing our R&D. They stopped insisting on a "structured exit" path and acquiesced as best they could to our preferred "startup" path, even giving us a list of acceptable lead investors to accomplish it. We haven't followed through on our side. They even opened the door to Cap Z, spoke with Eric and set up a call for you, then we delayed for nine days after your conversation with Eric.

Personally, I feel both sides can be faulted for delays at different junctures. Since January 15, however, I don't see how we can blame anyone but ourselves.

The big point that's being missed here is that our R&D is powerful enough to have caused MD to back off of their standard insistence on a structured exit and acquiesce to our startup path back in January... a big change of position. Yet, we still haven't put R&D in front of any of the investor list they gave us then... even Cap Z hasn't yet seen it. Does this make sense? R&D had a very positive impact on the only investors (MD/CT) who've actually reviewed it. Why aren't we showing it to others as George has been asking? Why do all this R&D work, have it prove to be extremely persuasive with CT/MD and then not give it a hearing elsewhere?

Our partnership would be best served by immediately getting the ball rolling with the above list + JP Morgan and perhaps Hicks Muse & Lazard (you mentioned them yesterday). I respect your concern over personal exposure. To date we've handled that well, and you don't need to suffer any additional exposure going forward unless you agree to it. I can do all initial work to get us to the point of stated interest - keeping you & others anonymous. You can dictate when you feel it's appropriate to come forward.

I'd follow the accepted normal procedure in this world, just as I have in the past: make an introductory call, share a "teaser" of non-proprietary information and request a typical NDA like you sent to Cap Z if they show interest. Once an NDA's in place, you can make a decision on being involved or not.

On our March 14 call we agreed to reconvene ASAP after hearing from Eric. That took place and was recapped for everyone last Wednesday. Any word from Jim or Lou on a partner discussion? How would you like to proceed? I'll be speaking with CT in the next day or so... I don't know what to say or how to react to this silence. Guidance??

Baliga 3/23 response to SC:

Gerry: Pursuant to our discussion, I spoke with Jim and Lou. Their notes indicate that we are not to reconvene until Eric has reviewed the plan and we heard something negative or positive from Eric. They do not want to meet until that occurs. At this point, you may wish to give Lou and Jim a direct call on their notes and their schedule. There is not much more I can do from my end to convene a meeting.

Consider the Catch-22 absurdity of Baliga's statement & the box it puts SC in. Of course, Eric hadn't reviewed or responded to the Business Plan; Cap Z hadn't even received our BP yet because my partners & Given had *again* (see CIRI: 8/28) bogged us down in an absolutely unnecessary and counterproductive prerequisite NDA dance. Although he blamed Franco & Wong, Baliga's email was disingenuous; he was complicit in this endgame NDA stall & the Termination Letters that followed.

What could Baliga have done? He was slated to be MOIC's CEO. In Dec/Jan/Feb Baliga had continued R&D with me against Franco & Wong's wishes because he knew it was the right thing to do and he knew we had both the right & duty to do it. Why not now? As 50% of the partnership, Baliga & I could do what we knew was right. In prior emails during our R&D battle with Franco & Wong, I had pointedly noted that MP had never established or even voted on a "unanimous consent" or even "majority needed" rule.

Therefore, Franco & Wong had no authority to stop funding progress if Baliga simply joined me & moved things along - as he had already previously done with the R&D - and Baliga knew that.

Again, had Given & my partners allowed it, CT could have sent MOIC's BP to Cap Z at any time, thereby placing Cap Z under CT's NDA as one of "Your Representatives". That's exactly how we had already handled MDP with Given's full knowledge & consent; MDP had never executed an NDA with MP/MOIC, and everyone was fine with them having received all of our information. Even after my 2/25 email spelled this out for everyone, no one thought it necessary to revisit the NDA question with MDP, so they must have agreed we were adequately protected against MDP risk by CT's NDA.

In his 3/8 email above, Baliga had responded that Cap Z was more of a risk than MDP because of its insurance experience & record of investing in insurance. But, Hub (a top ten insurance broker) had our BP under an NDA without a non-compete clause - and Baliga himself was responsible for that situation. Furthermore, experience & track record had nothing to do with our NDA's legal barriers and completely ignored the substantial practical barriers I had pointed out in my 3/8 response to Baliga. Furthermore, this disingenuous & leading opinion on relative NDA risk came from the same fellow who had said the following back in August after Franco's 8/27 "hold your horses" email had stopped me from sending out CIRI's NDA:

Baliga 8/28/03 email to SC re CIRI NDA:

Gerry: This is a new process to me since I have not handled NDA's previously. After discussion with Lou, it clearly made sense that legal counsel review. Based on Lou's experience with these matters, this NDA contained drafting concessions not previously granted other potential investors. I'm doing my best jumping into the middle of this thing, but there is a learn curve associated with previous custom and practice. I was also unaware that Lou was signator on this document. Therefore, he needs to be satisfied with any changes since he is attesting to the agreement.

Truth was, (and we all knew it), CT's NDA language would have bound Cap Z (just as it did MDP) and neither MDP nor CT nor Steve Hillard, as an individual, would have allowed Cap Z to put them at risk by violating CT's NDA. The VC community at that level is very tight... Cap Z never would have violated MDP or CT's trust in that egregious way, and we were all experienced enough to know that. At the very least, we could have explained the approach to Cap Z (as I suggested in my 2/26 email above) and let them decide.

It is important to note that CT's NDA was our most onerous NDA; it contained a 3-year non-compete clause and Steve Hillard, CT's President, had signed it as an individual as well as CT's President. (see CT NDA)

SC 3/23 email to Franco & Wong:

Lou & Jim,

We've all communicated with Wayne in the last day or so about reconvening to discuss moving forward with MOIC. I received the following from Wayne and just spoke with him again:

Gerry: Pursuant to our discussion, I spoke with Jim and Lou. Their notes indicate that we are not to reconvene until Eric has reviewed the plan and we heard something negative or positive from Eric. They do not want to meet until that occurs. At this point, you may wish to give Lou and Jim a direct call on their notes and their schedule. There is not much more I can do from my end to convene a meeting.

Following his suggestion, here's my understanding of where we sit and what we should do ASAP.

First of all, our respective notes from our March 14 conversation aside, I believe both Wayne & I feel that it makes business sense to immediately pursue others on CT/MD's list of acceptable lead investors. We need to get a read ASAP from a knowledgeable investor on timing concerns vs MOIC's long term

advantages that outlive the hard market. That's the key issue, and the sooner we approach lead investors, the more likely it's resolved in MOIC's favor. The further we go into the hard market, the bigger their timing concerns become. We're at a crucial hard/soft juncture right now, and our long-term advantages still stand a good chance of trumping market softening concerns.

The big point that's being missed here is that our recent R&D is powerful enough to have caused MD to back off of their standard insistence on a structured exit and acquiesce to our startup path back in mid January...a big change of position. Yet, we still haven't put R&D in front of any of the investor list they gave us on January 15: Blackstone, TH Lee, Texas Pacific, Fox Paine & MMC. Does this make sense? R&D had a very positive impact on the only investors (MD/CT) who've actually reviewed it and commented on it. Why aren't we showing it to others as George has been asking? Why do all this R&D work, have it prove to be extremely persuasive with CT/MD and then not give it a hearing elsewhere?

I've been warning that we are flirting with MD/CT losing interest. To help you appreciate George's side, please review our email exchanges showing MD's been willing to go down our preferred "startup" path (no big brother, no structured exit requirement) since mid January. MD agreed to our preferred path and suggested the initial list of acceptable lead investors for it on January 15. George now wonders why, in over two months, we've not followed up with any of these suggested candidates (Cap Z was an additional direct referral from MD that came a bit later).

From their perspective, CT & MD compromised after being persuaded by our minority angle R&D. They stopped insisting on a "structured exit" path and acquiesced as best they could to our preferred "startup" path, even giving us a list of acceptable lead investors to accomplish it. We haven't followed through on our side. They even opened the door to Cap Z, spoke with Eric and set up a call for Wayne. Even though Eric said he was ready to review the BP & meet in Chicago, we delayed for nine days after that conversation before even sending Eric an NDA. Now he's busy on another deal.

Personally, I feel both sides can be faulted for delays at different junctures. Since January 15, however, I don't see how we can blame anyone but ourselves.

At this point, that's all water under the bridge. Our partnership would be best served by immediately getting the ball rolling with the above list + JP Morgan and perhaps Hicks Muse & Lazard (Wayne mentioned them yesterday re another deal). We don't know what Eric's temperature on the deal or schedule will be in two weeks - we risk another delay or MD/Cap Z losing interest. Better to immediately follow George's consistent advice to simultaneously pursue at least the above list CT/MD gave us. By doing so, we at least let George know we're following through on his suggestion and list.

Re Wayne's concern over personal exposure, to date we've handled that well. No one need suffer any additional exposure going forward unless he agrees to it. I can do all initial work to get us to the point of stated interest - keeping other partners anonymous if you want. You can dictate when you feel it's appropriate to come forward.

I'd follow the accepted normal procedure in this world, just as I have in the past: make an introductory call, share a "teaser" of non-proprietary information and request a typical NDA like you sent to Cap Z if they show interest. Once an NDA's in place, individual partners can make a decision as to when they get involved.

I'll be speaking with CT...I don't know what to say or how to react to this silence. Guidance??

Re our partnership, Wayne also mentioned that Lou had again pointed out that our agreement contains a clause prohibiting anyone else from pursuing MOIC without him. That is true. However, we have a stalemate on that issue since the agreement also prohibits pursuing MOIC without me. There is virtually no chance of MOIC funding for any of us if we start fighting over this, so I suggest it's time to deal with this 50,000 lb elephant.

PL 04596

Personally, I feel we're all better off avoiding the issue by extending our present agreement. Realistically, the deal is helped tremendously by whatever remains of the hard market. The more we discuss/delay, the less sellable MOIC is for any of us. We start fighting and, realistically, the deal is dead for all of us and nobody wins.

Per Wayne's suggestion, I'll follow up with a call today.

Baliga's 3/24 response:

Gerry: I'd like to clarify some inaccuracies in your memo below.

I believe both Wayne & I feel that it makes business sense to immediately pursue others on CT/MD's list of acceptable lead investors. This statement is taken out of context. Throughout our call, I indicated such decisions were the domain of the entire partnership. While I indicated it **might** make business sense to pursue other investors, I also indicated this idea should be discussed with the entire partnership and no decisions of this type should be made without partnership input.

George now wonders why, in over two months, we've not followed up with any of these suggested candidates (Cap Z was an additional direct referral from MD that came a bit later). Not included in this summary are my comments that if MD/CT believe this is a great idea they should hire an insurance consultant, do proper due diligence and consider 100% funding of the facility without a "sizable private equity investor who is experienced in insurance." This requirement for a sizable equity investor and previously a big brother are what has delayed funding.

we delayed for nine days after that conversation before even sending Eric an NDA. Now he's busy on another deal. I immediately followed up with Eric after this path was open. I called and e-mailed on several occasions before we finally spoke. I indicated to everyone I was going on vacation and that someone should follow up with Eric regarding the NDA. I then followed up myself, and only after no response did I request assistance on this matter. Other than fly to New York and hang outside of Eric's, I'm not sure what more could have been done in this regard.

The above clarifies our discussion during the past few days. WJB

SC's 3/24 response to Baliga:

Wayne: Your clarifications are noted. You did indicate, and I agree that the decision to pursue other investors should be discussed by the partnership. I did not intend to imply otherwise. We should discuss this as a partnership as soon as possible so that we can move forward.

Re consultants, yesterday was the first time you mentioned the idea to me. MD has been clear all along about wanting another investor to participate, so I think they'll still want someone who is investing \$\$ with them, not just advice. But, if you want to run the idea by them, I'm happy to do it. For that overture to stand a chance, however, I'd suggest we have some prime candidates in mind.

Re your general frustration with MD, the only reason MD is even involved is we need CT for the premier minority (ANC) element. Otherwise, we wouldn't even bother with MD, we'd go straight to the folks who know insurance. From MD's perspective, that's all they're asking us to do anyway - take MOIC to 5 folks who already know insurance to see if one of them wants to participate. They see it as fair and normal procedure in VC land - deals are usually participated because it brings shared expertise and shared risk.

The big business issues I see before the partnership right now are:

1. CT/MD has been expecting us to solicit MD's approved list of lead investors since Jan 15, and we haven't. Why? Our recent R&D turned MD around & caused them to accept our startup approach without a structured exit. That was a big concession. George has consistently advised us to immediately get MOIC's improve business case in front of the entire list to maximize our chances of quickly finding an acceptable partner for MD. We can accomplish this without further exposing you

by referencing your track record anonymously in an initial approach. Once an NDA is in place, you can decide whether to come forward.

We know hard market timing is a big issue with lead investors, but we may still be ok in that regard. Recall that when you spoke with Eric on Feb 20 he and you agreed that the market probably has one or two more years of firmness, but the sooner we launch the better from his perspective. You felt that if we solve the timing issue, he appeared to be in the deal. [emphasis added]

Eric's now unavailable for at least 2-3 weeks, and we can only guess at his schedule and interest when we reconnect, or even when we'll reconnect. Given the proven difficulty of hooking up with these folks, not moving forward with other investors at this time risks: a) alienating CI/MD by our inaction and b) delaying so far into the hard market that no investor will sign on.

2. What happens after April 1? We now have only a few more hurdles to clear. If we are going to hang together to take a run at them, then we should formalize this so that ambiguity does not foster frustration or suspicion on anyone's part. Big-time referrals like Eric and indications we've received, and the proven persuasiveness of the R&D we've developed make a persuasive case for going forward full-speed ahead. But (and this may just be my frustration showing) I sense that there may be some intent to delay past the April 1 extension date for our partnership. If so, it only hurts the potential (and nearly complete) deal we've worked to build and, post April 1, we'll all be in the same boat of needing each other to move forward anyway. If not, then let's at least get our feelings on the subject out on the table so that everyone is clear that we're moving forward.

Again, I agree these items should be discussed with the entire partnership. Let's do so ASAP. Per your suggestion, I put in a call to Jim & Lou yesterday. No response from either as of yet. Have you communicated with either Jim or Lou since we last spoke?

Baliga's 3/25 response to SC:

Gerry: As I previously indicated, it makes no sense to me to do anything further on this matter until April 1 issues are resolved. As indicated in prior e-mails, I also do not intend to act as mediator or middle-man in partnership matters. We all previously agreed this is an unfair role for me to assume. As you may recall, I attempted that role in the CMGT matter without success, and, earlier in the life of MOIC, I attempted this role without much success. Twice burned, twice shy. I presume Lou and Jim can speak for themselves on this matter.

SC 3/25 response to Baliga:

Wayne: Ok...an understandable position on your part. It appears we need some indication from Jim & Lou as to where they stand on all of this. I presume from your response that you've had no further discussions with them on the subject.

Franco 3/25 response:

Gerry: I've had limited access to e-mail and voicemail and am just now harvesting & reading my e-mails, including all yours to/from Wayne and to Jim and me.

Thank you for your points of view.

I'll consider all the matters at hand and be back in touch with all the General Partners shortly.

Wong 3/26 response:

Gerry, I will address your thought when I can. Around this time of the year when my clients are closing their books, and filing tax returns, you are simply not on the top of my list. I will get back to you soon.

SC responds to Wong:

PL 04598