Jim: I prefer to think that this isn't about me. It's about what's best for the MOIC deal and all of us. As you prioritize your time, keep in mind that all of us - Wayne, Lou, you and me - suffer from delays. The solution is simple and easy...a quick partnership call to:

1. extend our agreement so we get past tax season and

2. authorize a quick solicitation of MD's full list to show good faith to CT/MD and see if anyone else has interest while we wait on Cap Z and while the hard market is still a selling point.

Other candidates not on that list that we might consider: George has mentioned JP Morgan & Wayne has seen recent insurance deals involving Lazard & Hicks Muse.

Thanks for the response.

(FYI, unbeknownst to my partners and just prior to partnership termination I did contact Fox Paine to test their interest in MOIC for the record. After reviewing a teaser summary on MOIC Fox Paine, like MMC & Cap Z, expressed strong interest and asked for an NDA so they could receive a Business Plan. I sent the NDA on March 26. All of my partners terminated on April 1. On April 19 Fox Paine executed the NDA and faxed it to me. However, I did not send a Business Plan since I was prohibited from doing so by Franco's protective clause in our agreement.)

I informed CT that SC's agreement with MP could be terminated soon. CT's President, Steve Hillard, emailed all MP partners re MOIC:

Steve Hillard (CT) 3/29 email to MP partners:
Gentlemen:
Gerry informed me a while ago that your agreement expires soon. From Council Tree's perspective, the recent minority angle R&D that Gerry and you have developed was very helpful. We are now willing to explore two potential funding tracks with you. However, if we are to continue working on MOIC together, I would like to know that the pieces will remain in place for a long enough time to complete a deal. I understand George has suggested a short list of acceptable lead insurance investors for the startup track, and that you are in the process of speaking with them. How is that going? Has the project been well received? Have you had any luck with potential partners for our structured exit track?

Please let me know the status of your agreement ASAP.

Thank you,
Steve Hillard
Council Tree Communications, Inc.

Franco responded:

Thanks for your note, Steve.
Internal partnership matters are obviously confidential. However, as a result of your inquiry and the disclosures you mentioned that were made to you, a decision will be made shortly and you'll certainly be contacted.

One thing that would be very helpful right now in the making of our decision is some indication from you of your timetable to complete a deal.

Regards,
Lou

Louis J. Franco

General Partner
Millennium Partnership

I am almost certain Given drafted Franco's response to Hillard (discovery). Realistically, a timetable for the deal could not be address until we had a lead investor. CT did not respond to Franco.

I emailed Eric of Cap Z on 3/30 and forwarded his 3/31 response to my partners:

Gerry,
Thanks for following up. Still not in a position to really spend time on MOIC. Should be in a position to do so in next few weeks. Sorry for delay, and if you guys need to move forward with someone else, understand that.

Regards,
Eric

14. Summary of Franco, Wong & Baliga's January - March stall of CT/MDP/Cap Z funding

- After 12/22 Chicago meeting: SC & Baliga do R&D per CT/MDP request, Franco & Wong refuse to participate.
- 1/15: CT/MDP agree to fund MOIC as a startup & give MP a list of 5 potential lead investors: Blackstone, TH Lee, Texas Pacific, Fox Paine & MMC.
- 1/21 Franco email insists we stop all R&D until CT/MDP conferences with all partners.
- 1/30 Conference call with CT: CT says startup path is now ok, MOIC management appears good, ready to go to due diligence with lead investor, & introduces a 6th lead investor, Cap Z; SC calls Cap Z & MMC.
- 2/1 Franco email & 2/2 Partner call: Franco blasts SC for calling Cap Z & MMC and tells SC not to call other lead investors or send any more R&D to CT/MDP; Partners insist CT has not agreed to the startup path; CT emails clarify that startup path is ok.
- 2/4 Baliga email notes that CA Tribes with casino $$ are investing in $300mm MOIC-like deal.
- 2/5 Partner call: Partners agree to move forward with Cap Z, but Franco says MMC is a conflict with Leatham; Partners again tell SC not to call other lead investors on CT's list.
- 2/9 Partner call: Even though SC offers to pay Leatham, MMC is removed from the list; SC is told not to call other lead investors until we get resolution with Cap Z; Franco refuses to give SC the latest Word version of the MOIC BP to easily update with current R&D for Cap Z; Franco suggests we dissolve MP.
- 2/13: Franco & Wong try to stall further R&D by insisting on unanimous consent before any R&D is sent out and then refusing to respond to requests for approval. As 50% of MP, Baliga & SC continue sending R&D.
- 2/20: Baliga speaks with Cap Z; Cap Z requests an MOIC BP to review & suggests a meeting in Chicago immediately after that review. Baliga email says: "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."
- 2/21: Baliga goes on vacation to Hawaii; Franco, Wong & Given insist Cap Z needs to sign an onerous NDA before we send them the BP. SC pushes to simply have CT send the BP to Cap Z under CT's NDA, as we had already done with MDP. On Given's advice, Franco & Wong refuse.
- 2/25: Baliga joins the stall & agrees with Franco, Wong & Given's illogical NDA stance.
- 3/1: Baliga sends Cap Z the same NDA we had accepted from Hub in December (without a 3-year non-compete); Franco insists he resend the CT NDA which has the non-compete.
- 3/8: Baliga says he has not heard from Cap Z & suggests a partner call to discuss next steps; SC asks Baliga why we are not simultaneously pursuing 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?

Baliga responds:

- 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 continually improvement of the plan based on each reviewers comments was the way to go. Of course, we can reconsider, but that was the rationale at the time.
- 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. If there are alternatives to the NDA which offers equivalent protection, I'm happy to discuss.

SC responds: reminding Baliga of what he has known all along:

- 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.

SC suggests a 6-month extension of MP until October, 2004.

- 3/14 Partner call: Franco, Wong & Baliga all refuse to allow CT to send Cap Z the MOIC BP so that Cap Z falls under CT's NDA; they also refuse to contact other potential lead investors or consider extending MP until Cap Z has responded.
- 3/17: SC calls Cap Z & CT: Cap Z says it will sign a "normal" NDA & will now have time to review the BP in 2-3 weeks; CT wonders why we have not yet called all of their suggested lead investors. SC emails a report to partners & again requests authority to call other investors and an extension of the MP partnership. Franco & Wong will not respond.
- 3/21 SC emails partners: "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?" Baliga talks with SC, but refuses to act without Franco & Wong's approval.
- 3/23: Baliga emails SC: "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."

SC responds: "I believe both Wayne & I feel that it makes business sense to immediately pursue others on CT/MD's list of acceptable lead investors. I don't know what to say or how to react to this silence. Guidance?? Personally, I feel we're all better off...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."

- 3/24 Baliga clarifies: "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."

SC responds: "CT/MD has been expecting us to solicit MD's approved list of lead investors since Jan 15, and we haven't. Why? 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. Given the proven difficulty of hooking up with these folks, not moving forward with other investors at this time risks: a) alienating CT/MD by our inaction and b) delaying so far into the hard market that no investor will sign on.

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. 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?

- 3/25 Baliga responds: "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. I presume Lou and Jim can speak for themselves on this matter.

  SC responds: I presume from your response that you've had no further discussions with them on the subject. (discovery)

  Franco responds: "I'll consider all the matters at hand and be back in touch with all the General Partners shortly."
- 3/26 Wong responds: "You are simply not on the top of my list. I will get back to you soon."
- 3/29 CT email: "From Council Tree's perspective, the recent minority angle R&D that Gerry and you have developed was very helpful. We are now willing to explore two potential funding tracks with you. However, if we are to continue working on MOIC together, I would like to know that the pieces will remain in place for a long enough time to complete a deal. I understand George has suggested a short list of acceptable lead insurance investors for the startup track, and that you are in the process of speaking with them. How is that going? Has the project been well received?"
- 3/31 Cap Z email: "Still not in a position to really spend time on MOIC. Should be in a position to do so in next few weeks. Sorry for delay, and if you guys need to move forward with someone else, understand that."

15. Given's Termination Letters: Malpractice, Collusion, Deceit

Both CT & Cap Z's late March emails indicated their continued interest in MOIC. Nevertheless, Baliga, Franco & Wong ignored SC's attempts to renew MP, and all three sent identical MP termination letters to SC on April 1, 2004. Given drafted these letters for Baliga, Wong & Franco; Baliga inadvertently sent Given's draft document to SC on 4/1/04. The "Properties" file of Given's draft document shows it was created at 11 am CST on April 1, yet Baliga sent his scan to SC at 4:43 am CST on April 1. This suggests Given drafted termination letters for a subset of MP partners *before* the April 1 termination of MP (i.e. while SC was still his client) and tried to disguise that fact.

MP's 4/8/03 Partnership Agreement (see Addendum 1) said no partner could pursue MOIC without Franco. As a practical matter, Baliga (an insurance industry star executive) was necessary for deal credibility. Wong was relatively unimportant to MOIC success.

The Partnership Agreement also contained an initial provision intended to protect SC in the event MP was terminated and other partners wanted to continue pursuing the MOIC idea. It prevented other partners from pursuing MOIC with *any* minority investor without SC's participation, if SC helped to develop MOIC's concept, Business Plan and presentation.

- MP 4/8/03 Partnership Agreement
  We will be doing a lot of work together preparing the MOIC concept, Business Plan & presentation for the ANCs. If for some reason the ANCs eventually don't invest and we then agree to present the MOIC package that we've collectively prepared to another minority, I'd think it fair that I would stay involved as a partner and investment banker. Again, there's no need to partner with or use me if it's non-MOIC and you don't want to use me...but if it is MOIC related and I've contributed to that development, then I'd think it fair to keep things as is. This point is not included in the following, which should be in accordance with our agreement this morning. If you think this is fair, however, please agree to the above as well.

This provision was not stated as clearly as it might have been, but its intent was obvious. On 4/8/03 Franco & Baliga agreed to this clause without reservation (see Addendum 1); on 4/9 Wong agreed with caveats:

- Wong 4/9 email
  I assumed the "another minority" would have to be brought to the table by Spehar within the one year term. With that understanding, I agree.

SC did not address Wong's reply in April 2003 since three partners (Baliga, Franco & SC) had already agreed without exception and there can only be one partnership agreement. Neither Baliga nor Franco responded to Wong's caveats, which came in after their full acceptance. Therefore, by 3 to 1 vote, the position taken by SC, Franco & Baliga prevailed & established the Partnership's Agreement on this issue. Also, as individuals, Baliga & Franco agreed to SC's request, so they were bound as individuals no matter Wong's stance.

As MP counsel, Given suggested, advised on & reviewed MP's 4/8 Partnership Agreement - and was cc'd by all partners when it was executed. At that time Given noted no ambiguity nor potential for disagreement, and he did not suggest we reconcile Wong's position with the majority position taken by SC, Franco & Baliga.

So, MP's 4/8/03 Partnership Agreement, reviewed & accepted by Given, called for SC to participate in *any minority* funding of MOIC going forward if SC had helped develop the MOIC concept, Business Plan & presentation. On 10/27/03 & again on 3/23/04, in response to Franco emails, SC noticed all partners that SC had clearly met this provision of our Agreement & expected to remain a part of *any* MOIC effort going forward.

- Franco 10/27 email to MP partners:
  Gerry, one point I want to clarify for the record re: your 10/24/2003 e-mail is that you misstated when you said "...the MOIC concept Lou and I had developed...". The MOIC concept was developed solely and directly by me. Your involvement relates only to us working together to pitch the concept to various parties for investment consideration purposes as a Millennium Partnership general partner/investment advisor. Our partners agreement, tentatively called Millennium Partnership, reflects that the MOIC concept is mine and cannot be pursued without me.

- SC 10/27 response to MP partners
  First of all, who said anything about pursuing it without you?

  Secondly, for the record, I didn't misstate at all. Let's not confuse concept with development. Unless I was dreaming all those hours I spent researching, writing, restating, rearranging and otherwise "developing" all those pieces of the Business Plan (and the initial Executive Summary you and I put together for Sealaska), both Wayne and I did play a significant role in writing and developing the MOIC BP. Check your emails, Lou. While we all acknowledge your initial concept, I don't remember seeing any Business Plan or any other document out of you prior to our collective efforts. If I'm mistaken, though, please point me to it. Truth is, we developed this MOIC Business Plan together from scratch and our agreement also calls for us to pursue this collectively for the benefit of all. This sounds like CMGT hangover. We all agreed to put this aside while pursuing the MOIC as businessmen dealing with a separate opportunity. Let's abide by that agreement and see if we can successfully finish what we've started here.

As the end was in sight and SC was arguing for extension of the partnership, Franco again commented that no one could go forward without him. SC responded that no one could go forward without it either and again put that in writing in a 3/23/04 email to all partners:

- SC 3/23/04 email to MP partners
  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.

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.

Given's Termination Letters were improperly biased against SC

On April 1, 2004, Baliga, Franco & Wong all terminated MP in identical letters drafted by Given (see Addendum 2). Although he had failed to note & address Wong's caveats or any other ambiguity when MP's Agreement was executed, Given now ignored the obvious protective intent of the Agreement's initial clause and ignored SC's 10/27 & 3/23/04 notices. Instead he relied on the Agreement's perceived defects to draft Termination Letters for Baliga, Franco & Wong that ignored SC's protective clause and gave Franco, Wong & Baliga the right to continue pursuing MOIC with all minority investors except ANC's without obligation to SC. Franco, Wong & Baliga may have continued to pursue MOIC funding after terminating SC. (discovery)

Given's letters were drafted & sent while MP was still in effect: malpractice, collusion & deceit

An examination of timing suggests that Given actually drafted and sent the Termination Letters to Franco, Wong & Baliga sometime *before* the partnership's April 1, 2004 termination date (while he still had a fiduciary duty to treat SC equally), and tried to disguise that fact by altering the "Date Created" in the Properties file of his draft document. (see Addendum 2)

Baliga sent his scanned version of Given's termination letter to SC at 4:43 AM CST (6:43 AM PST) on April 1. When SC couldn't open his scanned document, Baliga forwarded Given's original Word document to SC. The "Properties" file of Given's document says it was "created" at 11:11 am CST and "modified" at 10:11 am CST – an impossibility. Since Baliga sent his first scan to SC at 4:43 am CST, it was obviously created before the "Properties" say it was. This suggests Given intentionally altered his computer dates to disguise the fact that he had actually drafted the termination letters and sent them to Baliga sometime before MP's 4/1/04 termination date. (discovery)

Both CT and Cap Z had sent emails to MP in late March saying they were still interested in funding MOIC. It was in MP's best interest to renew and extend for a few months to let this potential funding play out. SC lobbied hard to extend, but Baliga, Franco & Wong (advised by Given? discovery) refused to meet and address the topic with SC. They simply colluded in the background and terminated on April 1, to MP's & SC's detriment.

SC responded to Baliga, Franco & Wong's termination with this on April 5:

> Gentlemen:
> This email acknowledges my receipt of the identical Millennium Partnership terminations that Ron Given drafted for you.
>
> Neither Ron's authoring, nor your sending of these letters, changes the scope or extent of our agreement, which speaks for itself. I noticed that Ron's list of continuing legal obligations was incomplete for ANCs and omitted the clause that prevents anyone from presenting the MOIC idea, which I have contributed to developing, to "another minority" other than ANCs without my involvement.
>
> I hope Ron hasn't parsed the text too finely.
>
> Best of luck to all.
>
> Gerry Spehar

In summary, even though we all agreed to continue pursuing MOIC funding as honorable businessmen, Franco and Wong threw up roadblocks at every turn and, when it appeared we might be successful, escalated their foot-dragging tactic to get rid of SC. Baliga shifted noticeably to Franco & Wong's camp in mid January & fully participated in the stall after February 25th. Despite his equal duty to SC, Given's continued focus on his own best interests, loyalty to his Chicago friends and anger towards SC trumped his duty to, and materially harmed, MP & SC.

Given was conflicted and, *at the very least*, failed his duty of impartial loyalty to all MP partners. To the extent that he advised Franco, Wong & Baliga on the best (legally safest) way to stall CT/MDP funding of MOIC and terminating MP, he advised a subset of partners to act against their duty to MP and SC to advance MOIC's best interests. As with CMGT, Franco, Wong & Baliga undoubtedly relied on Given/MB's advice during the MP/MOIC saga. If past is prologue, they may continue down the expedient path and turn on Given if given the choice between personal liability & honestly acknowledging Given complicity in MP/MOIC's demise.

L. MP/MOIC Damages

This assessment was written in mid-2004 and market information herein has not been updated since that time: easy to do when the time comes.

Calculation

MOIC was a $100 million deal that had to be fully funded at the outset for it to get a critical A- rating. Per the MOIC Business Plan, MP was to receive a 20% carried interest to be split equally among MP's four partners. CT & MDP had not objected to MP's 20% carried interest. SC's 5% would have been immediately worth $5 million at funding (5% of $100mm). SC was to also receive $1mm at closing per its MOIC fundraising contract with MP. Total SC value at MOIC closing: $6 million.

From that point forward, using the same logic that the Court accepted for SC's CMGT Default Judgment, MOIC damages would be calculated as follows:

MOIC's June 2003 BP calculated expected investor returns based on an IPO as early as December 2006 and as late as December 2008. Investor's expected ROIs at exit were based on a $491 million Market Cap for a 2006 IPO, $694 million for a 2007 IPO, and $941 million for a 2008 IPO.

Using the BP's lowest (most conservative) projected IPO Market Cap - $491mm in Dec 2006:

SC's 5% interest would be worth roughly $24.5 million at that time. SC was also to receive Investment Banking Rights to IPO's per the 4/8/03 MP Agreement: Assuming SC received 3% (or 1/3rd of standard IPO fees), SC's Investment Banking Rights would be worth another $14.7 million in December 2006. These are the same assumptions (& methodology) used to calculate SC's 2/26/04 CMGT damages prove up.

Therefore, Total Future Value in December 2006 would be $39.2 million. Assuming SC's case also goes to trial in December 2006, there is no need to discount to a PV and MOIC damages = $39.2 million + $1 million = $40.2 million per this logic.

Would MOIC have been funded?

MP was well down the road with CT/MDP. They had thoroughly reviewed the MOIC BP and the substantial market R&D that we had conducted at their direction. In mid January 2004, satisfied by our R&D, they agreed to a startup track to funding MOIC - a significant concession that made the deal much easier. They introduced us to Cap Z and gave us a list of 5 other acceptable lead investors. They told us we could represent that the capital was there for the deal, and that they were ready to go to due diligence if an experienced insurance investor from their list was willing to participate & lead the deal. Cap Z was interested, as was MMC. Fox Paine was interested and signed an NDA. CT/MDP said that management appeared great to them. They were aware of MP's proposed 20% carried interest and had not objected to it.

To be sure, even with a lead investor on board MOIC would still have had to undergo due diligence before funding. But MOIC had already been through enough investor scrutiny that an impartial observer should be reasonably certain the deal and management would have passed due diligence. In fact, on our 1/30/04 conference call, George Laub of CT advocated the following approach to lead investors on CT's list:

> "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."

When Jim asked if CT/MDP had concerns about the management team George replied:

> "No concerns whatsoever...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...an investor with insurance expertise will be able to make a judgment in a matter of days."

Re management, George said Baliga (MOIC's President & CEO) was key. Baliga is as good as it gets; an industry star responsible for Aon's Virginia Surety consistently outperforming its specialty P&C peer group by 10 – 20% in Gross Profit, ROI and other measures over the past decade. It is more than reasonably certain that MOIC management would have passed due diligence muster.

So, "reasonably certain" is a fair characterization of MOIC's funding by CT/MDP had we recruited a lead investor from their approved list.

A lead investor was the last piece of MOIC's funding puzzle and CT/MDP gave us a list of 6 acceptable investors & tried to help us with introductions. Cap Z & MMC were the only two lead investors from that list that SC could approach before being handcuffed by Franco, Wong & Baliga; both were interested; both requested an MOIC BP to review; neither was sent one. SC was never allowed to even call 4 of the 6 lead investor candidates, although SC did approach Fox Paine very late in the game and they were also interested. Conclusion: The CT/MDP deal was reasonably certain but for my partner's stall & termination.

Discovery of Given's communications with Franco, Wong & Baliga will undoubtedly uncover proof of his participation in their stall campaign that killed CT/MDP's funding of MOIC.

Lastly, but for Newco MP partners would have enthusiastically & cooperatively pursued MOIC funding as a cooperative team; and under that scenario, MOIC would have been funded. Given caused the MOIC deal to fail. There is a relentless and easily foreseeable chain of causality leading back to Newco and the anger & distrust that Given's conduct injected into MP relations. The key element was Given's secrecy in doing Newco, and the only plausible reason for that secrecy was Given's pursuit of leverage over the situation in pursuit of his own self-interest. But for Given's Newco conduct, MOIC was a highly likely to have succeeded.

Would MOIC have succeeded after funding?

Had MOIC been funded, there are solid market indicators that support the reasonable certainty of subsequent success leading to quick profitability and IPO. One can point to several contemporaneous and very successful IPOs of P&C startups that were initially funded by the same VC's on CT's list of MOIC lead investors, none with MOIC's substantial minority advantages (see Addendum 4). Insurance market fundamentals remained very positive and investor interest in insurance deals continued. At the time, Fox Paine said it had a dozen insurance deals under review, none with MOIC's substantial minority advantages, and Fox Paine signed an MOIC NDA on April 19,2004.

Examples of very quick IPO turnaround in insurance deals & buyouts of specialty P&C insurance carriers:

- United National Group, Ltd. (NASDAQ:UNGL) - purchased by Fox Paine in a private sale in June/July 2003, taken public on Dec 16, 2003. Fox Paine was on CT/MD's list of acceptable lead investors, said it was interested in MOIC and signed an MOIC NDA.

- Axis Capital Holdings Ltd (NYSE:AXS) & Endurance Specialty Holdings Ltd. (NYSE:ENH) are two examples of startup specialty P&C insurers (just like MOIC) that were funded in late 2001/early 2002 by a who's who of VCs and insurance players (Cap Z, KKR, Aon, MMC, Blackstone and others on CT's MOIC lead investor list). Both went public about one year after inception and immediately posted exceptional results.

Like Axis & Endurance, MOIC was a startup specialty & surplus lines P&C insurer. However, the business case for MOIC was even more compelling. As an ANC minority enterprise, MOIC enjoyed potent long-term market advantages that Axis & Endurance did not. (see Addendum 4: MOIC Advantages Summary).

Endurance post funding performance:
Endurance went from initial startup investment of $1.2 Billion in December 2001 to IPO in a little over one year. On February 3, 2003, Endurance sold 14.8% of the company via IPO for $220,800,000. Since the initial public offering the share price of Endurance has increased from $23 per share to $36.71 per share, with a market capitalization of $2,356,000,000.

As of Q3 2003, Endurance reported:

- Net income rose 96% to $56.5 million or $0.83 per diluted share versus net income of $28.9 million or $0.48 per diluted share in the third quarter of 2002.
- Operating income for the nine months ended September 30, 2003 was $161.4 million or $2.48per diluted share, up 175% from the same period of 2002.
- Gross premiums written were $325.1 million for the quarter ended September 30, 2003, an increase of 42% from the $228.3 million in gross premiums written for the third quarter of 2002
- Net operating cash flow was $287 million in the third quarter of 2003 and $674 million for the nine months ended September 30, 2003, reflecting continued strong cash flows.
- Total assets were $3.4 billion and cash and invested assets were $2.5 billion up over $1.3 billion since the Company's formation in December 2001.

Compared to Endurance's actual post funding performance, MOIC's projections were conservative.

White Mountain Insurance, Arch Capital Group and Platinum Holdings are other start-ups that received excellent capital market receptions for their IPOs and continue to exceed earning expectations. Since these are now public companies, the above assertions can be verified via public record information.

- Baliga had heard of a $300 million funding of a startup P&C insurer by a CA Native American Casino group, attesting to funding viability of the MOIC concept.

- The world's largest P&C insurer (AIG) also posted very strong 2003 results.

In short, at the time we were pursuing MOIC, there was strong, demonstrable support for the MOIC business case from a funding, startup, product and hard market perspective. The deal and upside were there for the taking had we pursued CT/MD's lead investor list and found the last piece.

Steve Hillard, founder and president of Council Tree is a friend. CT is the most successful VC in recent Colorado history & MDP is a very credible & successful Chicago VC. Minority advantaged deals are CT/MDP's sweet spot. Despite early insistence on a structured exit, CT/MDP became convinced by our R&D, agreed to fund MOIC as a startup and gave us the list of acceptable lead investors with insurance experience to lead the deal. A lead investor was the last piece of the MOIC funding puzzle. CT/MDP were prepared to fund all but the lead investor's portion of the $100 million MOIC investment. They introduced us to Cap Z and expected us to pursue their full list of lead investor candidates. After speaking with Baliga, Cap Z was interested said they'd sign an NDA and asked for a BP to review before meet with MP in Chicago. Both Cap Z & CT sent emails verifying their interest. All MP needed was any one of the lead

investors on the list to participate and we were reasonably certain to be funded. MMC indicated interest and Fox Paine signed and NDA.

The several years after 9/11 was the best insurance environment in the past two decades (especially for specialty P&C insurers like AXS, ENH & MOIC); that's why so many major VCs funded insurance startups in the midst of the worst VC environment in recent memory. Going from startup financing to IPO in one year and subsequently posting the type of results virtually all of these deals posted is unheard of. Collectively, these specialty P&C insurance startups were a tremendous VC success story. MOIC was in exactly the right place at exactly the right time. As the nation's first minority owned insurance company of substance, MOIC was set to capitalize on this story and the best insurance environment in the past two decades with the added advantages of ANC minority status.

MOIC had a recognized industry star at the helm in Baliga; he was responsible for Aon's Virginia Surety outperforming its specialty P&C peer group by 10%-20% over the past decade leading up to MOIC. He accomplished this in poor insurance environments and he was to be funded by a top-tier VC in an environment where virtually any P&C startup that came along was making money hand over fist.

MOIC's Business Plan identifies several diversity target markets (Public Entities, Defense Department Contractors, Minority Businesses, etc.) - each with over $10 billion premium potential in its P&C products - that were ripe to use MOIC. We would have been the only game in town and our BP required only $18 million premium in year 1 and $255 million in year 5. (see MOIC BizPlan R&D Supplement)

MOIC had a truly exceptional Business Plan and CEO, and it was hitting an exceptionally profitable insurance environment at just the right time with just the right products. That's why CT & MDP backed off their structured exit approach and agreed fund MOIC as a startup.

All of this supports the "reasonable certainty" of CT/MDP doing the deal and the "reasonable certainty" of MOIC executing its Business Plan.

In a perfect world my former partners would have continued to pursue MOIC and succeeded in doing a deal that would have proved damages. Based on the above, however, damages are still provable.

M. Klenda's Memo: Assess Potential Claims Against Given-Mayer Brown (in CA)

SC's lead counsel in SC's action against CMGT was Steve Klenda. In his October 29, 2003 Memo - Assess Potential Claims Against Given-Mayer Brown, Klenda discussed potential SC legal action against MB *in California* based solely on Given's conduct in arranging the Newco deal for his client, CMGT. Klenda's memo did not address SC as an MP partner or CMGT shareholder; Klenda assumed SC was a Given non-client. Even so, I refer to page 4 of Klenda's memo where he writes:

> Although fraud is the most established and considered exception to the rule that attorneys are not liable to nonclients, fraud is just a particular claim in a class of tortious actions for which attorneys remain liable to nonclients. "An attorney has a duty to refrain from engaging in intentional tortious conduct toward nonclients." Shafer, 131 Cal.Rptr.2d at 790 (quoting Cicone v. URS Corp., 227 Cal.Rptr. 887, 891 (Cal. App. 1986). And California has recognized that an attorney is liable for tortious acts to nonparties since one of the earliest articulations of the general non-liability rule:
>
> exceptions to this general rule ... are where the attorney has been guilty of fraud or collusion, or of a malicious or tortious act.
>
> Shafer at 791 (quoting Buckley v. Gray, 42 P. 900 (Cal. 1895) (emphasis added, reversed on other grounds in Biakanja v. Irving, 320 P.2d 16 (Cal. 1958)).

Klenda concluded that *in California*, at least, Given may be liable to SC even as a nonclient. But SC was also Given's client as an MP partner - and perhaps as a CMGT shareholder. So, Given colluded with Franco & Trautner to defraud shareholders while SC was a shareholder; Given conspired with Franco to intentionally & tortiously breach SC's contract with CMGT while SC was his client as an MP partner & Franco was SC's MP partner; and Given conspired with Franco, Wong & Baliga to intentionally interfere with SC's prospective economic advantage while they *all* had a fiduciary duty to SC as an MP partner.

- Intentional: That Given's interference with SC's contract and economic advantage was intentional is supported by his intimate knowledge of both SC's contract with CMGT and the circumstances that placed Trautner under that contract. See SC's 8/8 memo to Franco & SC's 8/9 email to Given: Given knew full well that SC's contract applied to Trautner. He revealed the patently bogus nature of his position when he refused to substantively respond to SC's arguments: how could he give a reasoned response – he was dead wrong & he knew it.
- Malicious: Given's statements/threats and actions over the course of Newco were clearly malicious. For example:
  1. In his 8/9 email he issued a veiled threat by suggesting SC should remove itself from both CMGT & MOIC (SC's two primary deals) if SC simply exercised my right to seek counsel re CMGT/Newco; yet he underlined the gratuitous nature of that threat when he later failed to follow through & demand SC withdraw after he admitted knowing that SC had counsel on 8/19 (see his 8/19 email to SC).
  2. On our 8/19 "settlement" call Given *immediately* (within the first minute) and in front of my partner, Franco, called me a "motherf....er", a "son-of-a-b....", told me I knew only "a bunch of Indians & Mexicans" and threatened to "make me poor" with "18 shareholder lawsuits", hurt my business and remove me from all CMGT & MOIC efforts.
  3. On 9/19 Given followed up on these threats with a defamatory email inciting CMGT shareholders to sue "Gerry Spehar" individually (as opposed to SC), I'm sure to side-step SC's LLC protection.
- Collusion: Given conspired with Trautner, Franco & perhaps Wong at the outset, and later with Franco, Wong & Baliga to interfere with SC's CMGT & MP contracts & SC's prospective economic advantage under those contracts & as an MP partner.
- After SC was a CMGT shareholder per its 8/31 notice to Franco & Given.
  - Given & Franco (CMGT President, CEO & MP partner) conspired against CMGT shareholders & creditors to consummate the Newco transaction.
  - Franco & Given withheld material facts (the Washoe alternative) from shareholders and Franco voted Newco shareholder's proxies to approve Newco on 9/1.
  - Given deceived shareholders to keep them away for SC's 10/3 PI Hearing.
  - Given & Franco conspired and deceived shareholders with the 12/18 filing of UCCs to keep them away from SC's 2/26/04 Default Judgment Hearing.

Based on my layman's understanding of Klenda's assessment:

1. All of the above are actionable in CA, whether or not SC was a client of MB,
2. CA has general jurisdiction over Mayer Brown (Mayer Brown has an LA office),
3. It is likely CA law would apply, and
4. (Not addressed by Klenda) Punitive damages may apply in CA, particularly if SC sues as a client.

Klenda notes potential negatives on page 7:

1. "Given's actions could be viewed as plausible and his advice as appropriate under the circumstances".

Reply:
Newco could only be considered plausible and appropriate conduct if Given were going to follow through & somehow help CMGT protect the Newco deal in court. Furthermore, I can't see any way that secrecy was appropriate or helpful to CMGT shareholders or MP. Given, Trautner, Franco & I had already spoken

on January 27, 2003 about Trautner's proposed asset purchase deal that he called "Newco", and Franco summarily rejected Trautner's Newco at that time. So, Newco was *already out in the open* & SC was a trusted advisor that Franco had previously insisted be involved in *all* deals. How could it be considered "appropriate" for Given to subsequently collude in secret with Trautner to do Newco? Why not continue conducting everything above board so any potential dispute would be open to discussion & resolution? Openness would have benefited all of Given's clients – CMGT, MP & its individual partners - by informing them of the potential for a dispute so they could address it & keep it from getting out of hand.

From the May 2003 Sealaska experience Given already knew SC would negotiate and try to work something out to save the deal, but transparency & negotiation with SC would not have benefited Trautner's, Given's or Franco's sweetheart arrangements under the Newco LOI. Gaining leverage over SC & shareholders in the service of his own (and his conspirators') self-interest is the only plausible reason for Given's secrecy. Later, his failure to properly inform CMGT shareholders and defrauding of them to keep MB out of CA courts were certainly inappropriate.

2. "Spehar Capital ("SC") could be perceived as being responsible for the damages that it, and others, incurred because the Newco deal collapsed."

Reply:

- CMGT had agreed to a tag along "asset purchase" clause in SC's 9/30/02 contract that should have made Newco liable to SC. However, Given simply ignored the clause (see Newco LOI; 8. Brokers) & counsel advised SC that the clause was ineffective since SC's contract was with CMGT, not Newco. SC could sue CMGT for ignoring the clause, but SC had no claim v Newco and no hope of undoing Newco once it was closed. SC's only way to protect itself was to get a TRO preventing Newco from closing and force CMGT/Newco to the table.
- Had Newco closed, SC's only recourse would have been against the debt-ridden shell of CMGT whose only asset would be 20% of Newco. SC would then be but one of many claimants to CMGT's Newco stock. SC would have been forced to settle because SC could not have afforded a protracted action against a fungible CMGT. SC's recovery would have been materially diminished once Newco closed *and* CMGT bankruptcy was a possibility.
- A review of the record clearly shows that SC tried to settle, continuously and often. However, Given set the tone early on (see his 8/9 email) and refused to deviate. The one time he did agree to talk (our 8/19 "settlement" call) Given immediately blew up at SC, refused to talk settlement and said nothing SC could do would stop Newco from proceeding. All of his & CMGT's subsequent communications & actions followed suit.
- Based on the above, we concluded SC's only hope was to a) try & bring the Washoe deal home and b) if that didn't work, seek a TRO v Newco & try to settle. Faced with a TRO, we assumed CMGT & Newco would be reasonable and settle rather than walk away from a virtually done deal that was good for all. Remember, SC's contractual compensation did not materially affect either CMGT's post-funding profitability or Newco's expected ROI at exit. Unfortunately, reason and business logic did not prevail despite our many settlement attempts.
- As SC prepared for its TRO, it also secured the competing Washoe LOI that would have resolved our dispute and been a substantially better deal for CMGT. Franco initially agreed to pursue that deal until Given overrode him. Given's editing of the Washoe LOI aborted the Washoe deal.

Conclusion: SC did everything it could to avoid harm to everyone. SC was not responsible for Newco's demise or the damages that others incurred.

3. Re the MP Partnership Agreement Klenda noted that SC didn't object to Jim Wong's caveats in his 4/9/03 agreement to our partnership. Klenda states:

> "Your non-objection to Wong's acceptance that adopted a narrower scope of this provision can be used to argue that you agreed with his narrower scope."

In fact, I did not agree and twice noticed Franco, Wong & Baliga of my stance: on 10/27/03 and again on 3/23/04 (see pg 60 above). I elected not to make a big deal of it in April 2003 because three of us (Baliga, Franco & SC) had already agreed without exception and there can only be one partnership agreement. Neither Baliga nor Franco modified their full acceptances to accommodate Wong's stance, which came after theirs. Therefore, by 3 to 1 vote, the stance taken by SC, Franco & Baliga prevailed & established the Partnership's Agreement on this issue. Also, as individuals, Baliga & Franco agreed to my request, so they were both bound as individuals no matter Wong's stance.

I am certain that Franco, Wong & Baliga discussed this issue with Given and he advised them on their responses to me along the way as well as drafting their termination letters that ignored the majority stance we agreed to on 4/8/03.

On the positive side Klenda notes:

"Given's unauthorized negotiation of the Newco deal, financial self-interest in it, misrepresentation that Spehar Capital was not owed a commission, and successful scuttling of the Washoe deal in order to preserve the certainty of his recovery of fees from the Newco deal, may constitute the extraordinary circumstances in which a court would find it appropriate to impose liability."

Motivated by self-interest, Given intentionally & maliciously interfered with SC's contract & its prospective economic advantage. SC was Given's client as an MP partner when he conspired with Franco to breach SC's contract. Furthermore, Given's conduct & advice constituted a fraud on shareholders. And SC was a CMGT shareholder when Given intentionally & knowingly deceived shareholders on 9/19, 10/2 and again on 12/18 to keep them out of CA courts on 10/3 and 2/26/04; recall that SC had noticed CMGT & Given that it was a 6% shareholder on 8/31. A tort action, particularly in CA under CA law where punitive damages apply, would considerably raise the financial stakes for MB & encourage a full settlement.

CA jurisdiction

Klenda's memo addresses CA jurisdiction against Given/MB in some detail and concludes CA has general jurisdiction over MB. Although they may not be needed, the following is a breakdown of 28 emails SC received directly from Given in 2003 in rough chronological order & by subject matter. Given directed many phone calls to SC in CA as well.

Emails Pre 4/8/03 MP Partnership Agreement:

8 from 3/12 to 4/7 that dealt with Sealaska & CMGT:

Re potential for a joint MOIC/CMGT action, CMGT & MOIC were very much tied together in our ongoing Sealaska marketing efforts (beginning in summer 2001) & Given was attorney for both. Sealaska's interest in CMGT was very much enhanced by the tie in to MOIC. We discussed MOIC with them, developed the first MOIC Executive Summary for them & they indicated a strong interest in MOIC. In the end Sealaska decided to get CMGT done as a first step since it was a smaller deal. Hence, these later stage emails all focus on the CMGT LOI & deal...Sealaska's CMGT LOI came in Jan 2003, due diligence was conducted through April & the deal fell apart in April/May.

This was the same time frame (11/03 through 4/04) during which the current MP partners were discussing our MP agreement that was agreed to on 4/8 & 4/9. Given was very much aware of Sealaska's interest in MOIC and its effect on Sealaska's interest in CMGT (recall that Sealaska's 5/1/03 CMGT Term Sheet specifically made MOIC a part of the deal); he was also very aware that all MP partners were stakeholders in CMGT and this status influenced their MP & MOIC discussions & decisions; he advised on those discussions & the agreement itself and he was copied on all partnership agreement emails.

Emails Post 4/8/03 Millennium Partnership Agreement:

1 pertaining to a CMGT NDA for Chrysalis Ventures on 4/24. Chrysalis is a Kentucky VC with insurance expertise that SC went to when Sealaska began falling apart. Chrysalis has very strong insurance expertise and MOIC was a part of the pitch to them.

5 pertaining to Sealaska & CMGT deal negotiations...there were also many phone conversations with Given during this period. Again, MOIC was a part of Sealaska's 5/1/03 CMGT Term Sheet.

2 following the Newco announcement that specifically reference MOIC along with CMGT: 8/8 & 8/9

10 dealing with CMGT & the Washoe Tribe's LOI. MOIC did not play as big a role in our pitch to the Washoe, but they were initially interested in MOIC (see Franco's 8/13 email to Given). The Washoe eventually decided they would not pursue insurance.

2 pertaining only to MOIC: 9/5 & 12/18. 9/5 ok's an NDA and 12/18 merely addresses meeting details.

Thoughts on CA jurisdiction

For Sealaska & a few other ANCs, MOIC was a big part of CMGT's pitch & appeal, but initially the two projects were not presented as one offering. For CT & MDP, CMGT & MOIC became one offering.

We began marketing MOIC and CMGT as a joint offering to CT in April 2003. The Business Plan we sent them packages the two deals, calculates projected ROI & Cash Flow based on a joint deal and argues the benefit of joint management and other synergies (see Addendum 3). MOIC & CMGT remained a packaged offering to CT/MDP through 11/8/03. All partners met with CT & MDP in Given's Chicago office on 8/1 to discuss the joint deal. Given then sent the 8/8 & 8/9 emails saying SC should pull out of both CMGT & MOIC if it took an adversarial position v CMGT & its Newco deal.

Even though he advised SC on 8/9 that it should pull out of both deals it SC sought counsel v CMGT, Given stayed on as counsel for both CMGT & MP/MOIC.

In light of the above, it seems all of the jurisdictional justifications that applied to SC's CMGT action would apply in a joint MOIC/CMGT action against Given/MB.

Our informal partnership agreement is silent on domicile and choice of law, as is SC's contract with CMGT. I believe MOIC's NDAs are the only documents that specify Illinois law.

Given was counsel for a General Partnership (MP) that he knew had a CA partner, and he provided ongoing advice to that partnership. It would seem Given's role as MP counsel and ongoing advice to all partners (including SC, a CA LLC) would give CA personal jurisdiction over Given.

ADDENDUM 1: MP 4/8/03 Partnership Agreement
Suggested & reviewed by Given

Subject: MOIC agreement
Date: Tue, 08 Apr 2003 10:58:09 -0700
From: Gerry Spehar <gspehar1@earthlink.net>
To: "Baliga, Wayne" <wbaliga@yahoo.com>, "Wong, Jim" <jim@wongknowles.com>, "Franco, Lou" <Louman01@aol.com>
CC: "Given,Esq., Ronald B." <rgiven@mayerbrownrowe.com>

Wayne, Jim & Lou:

I have modified my 3/30/03 email according to our discussion this morning. We were unceremoniously cut off before I could bring up one further point, so I'll raise it now for your consideration. We will be doing a lot of work together preparing the MOIC concept, Business Plan & presentation for the ANCs. If for some reason the ANCs eventually don't invest and we then agree to present the MOIC package that we've collectively prepared to another minority, I'd think it fair that I would stay involved as a partner and investment banker. Again, there's no need to partner with or use me if it's non-MOIC and you don't want to use me...but if it is MOIC related and I've contributed to that development, then I'd think it fair to keep things as is. This point is not included in the following, which should be in accordance with our agreement this morning. If you think this is fair, however, please agree to the above as well.

Partners' agreement as of today's discussion - changes from prior email are in blue text:

1. We agree that the four of us (Lou Franco, Wayne Baliga, Jim Wong & Gerry Spehar) will pursue the Minority Owned Insurance Company (MOIC) concept together through a partnership (Millennium Partnership was suggested by Lou) and that the four of us will be equal partners in that partnership. 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. This term notwithstanding, all parties agree that the MOIC concept was introduced by Lou Franco and none of the other parties to this agreement will pursue a MOIC at any time in the future without the participation or agreement of Lou Franco.

2. As Spehar Capital, LLC introduced CMGT, the MOIC and all of us to the Alaska Native Corporations (ANCs), we agree that Spehar Capital will be used to raise MOIC funding from any ANC or group including ANCs under a contract similar to that in place with CMGT. Furthermore, If ANC investment contributes to establishing an MOIC and other non-ANC investors are used for additional funding, Spehar Capital will also be used for these investors under the same terms as for the ANCs. As with the MOIC partnership agreement referenced above, the term of this agreement with Spehar Capital is one year, commencing on 4/1/03 and ending on 4/1/04, and the period would be renewable based on agreement of all parties. This term notwithstanding, all parties agree that they will neither solicit nor accept funding for MOIC (and/or any other deals involving any of us) from Sealaska or any other ANC, at any time in the future, without going through Spehar Capital or receiving Spehar Capital's written permission to do so. With regards to compensation:

a. upon securing MOIC funding, we agree that Spehar Capital will be paid cash compensation based on the "Lehman" formula, i.e. 5% of the first $1 million raised, 4% of the second $1 million raised, 3% of the third $1 million raised, 2% of the fourth $1 million raised, and 1% of all remaining funding.

PL 04613

b. upon securing MOIC funding, Spehar Capital will be given a right of first refusal to raise any additional funding that is needed and a right of first refusal to pursue any IPO, sale or merger.

If you agree with the above, please return this email to all other partners ASAP with a note agreeing to its contents. I'll get a Spehar Capital contract together soon. We should also pursue a formal partnership agreement ASAP.

Best regards,

Gerry

Baliga's response:

Subject: Re: MOIC agreement
Date: Tue, 8 Apr 2003 11:36:44 -0700 (PDT)
From: wayne baliga <wbaliga@yahoo.com>
To: Gerry Spehar <gspehar1@earthlink.net>, "Wong, Jim" <jim@wongknowles.com>, "Franco, Lou" <Louman01@aol.com>
CC: "Given,Esq., Ronald B." <rgiven@mayerbrownrowe.com>

Gerry:This looks good from my end. After CMGT is finished, we can sit down with Ron and have him draft something more formal. Until then, this should suffice.

Franco's response:

Subject: Re: MOIC agreement
Date: Tue, 8 Apr 2003 21:19:29 EDT
From: Louman01@aol.com
To: gspehar1@earthlink.net
CC: wbaliga@yahoo.com, jim@wongknowles.com (James Wong,CPA), RGiven@mayerbrownrowe.com (Ronald B. Given,Esq.)

Gerry: I agree with the above.
Regards, Lou

Wong's response:

Subject: RE: MOIC agreement
Date: Wed, 9 Apr 2003 09:34:27 -0500
From: James Wong <jim@wongknowles.com>
To: Gerry Spehar' <gspehar1@earthlink.net>, "Baliga, Wayne" <wbaliga@yahoo.com>, "Franco, Lou" <Louman01@aol.com>
CC: "Given,Esq., Ronald B." <rgiven@mayerbrownrowe.com>

I assumed the "another minority" would have to be brought to the table by Spehar within the one year term. With that understanding, I agree.

ADDENDUM 2: MP 4/1/04 partnership Termination Letters
This is Given's draft doc that was sent to SC by Baliga on 4/1/04 - a single Word file with 3 letters

File Properties: Summary
Title: Wayne Baliga
Author: Ronald Given
Company: Mayer, Brown & Platt

File Properties: General
Created: Friday, January 1, 1904
Modified: Thursday April 1, 2004 10:11 AM

File Properties: Statistics
Created: Thursday, April 1, 2004 11:11 AM
Modified: Thursday April 1, 2004 10:11 AM

Via E-Mail and Regular Mail [Baliga sent his scanned version of this termination letter to SC at 4:43 AM CST (6:43 AM PST) on 4/1/04]

TO: Lou Franco, James Wong & Gerry Spehar

RE: Millennium Partnership

Date: April 1, 2004

Gentlemen:

This letter constitutes my formal notice that our general partnership we have referred to as Millennium Partnership is to terminate effective April 1, 2004. Any agreement with Spehar Capital, LLC also terminates on that date and will not be renewed. Thereafter, I have absolutely no legal obligations to any of you, and you have none to me, in regard to Millennium Partnership except as follows:

1. I recognize that I cannot engage in a minority-owned insurance company ("MOIC") transaction without the concurrence of Lou Franco.

2. I recognize that I cannot seek funding for an MOIC from an Alaska Native Corporation without the concurrence of Gerry Spehar/Spehar Capital, LLC. Because Millennium Partnership was not funded by the April 1st deadline, I have absolutely no other obligations to Gerry Spehar/Spehar Capital, LLC.

Thank you.

Very truly yours,

_____
Wayne Baliga

PL 04615

Lou Franco

Via E-Mail and Regular Mail

TO: Wayne Baliga, James Wong & Gerry Spehar/Spehar Capital, LLC.

RE: Millennium Partnership

Date: April 1, 2004

Gentlemen:

This letter constitutes my formal notice that our general partnership we have referred to as Millennium Partnership is to terminate effective April 1, 2004. Any agreement with Spehar Capital, LLC also terminates on that date and will not be renewed. Thereafter, I have absolutely no legal obligations to any of you, and you have none to me, in regard to Millennium Partnership except as follows:

1. Be advised that none of you can engage in a minority-owned insurance company ("MOIC") transaction without my concurrence.

2. I recognize that I cannot seek funding for an MOIC from an Alaska Native Corporation without the concurrence of Gerry Spehar/Spehar Capital, LLC. Because Millennium Partnership was not funded by the April 1st deadline, I have absolutely no other obligations to Gerry Spehar/Spehar Capital, LLC.

Thank you.

Very truly yours,

Lou Franco

PL 04616

James Wong

Via E-Mail and Regular Mail

TO: Lou Franco, Wayne Baliga & Gerry Spehar

RE: Millennium Partnership

Date: April 1, 2004

Gentlemen:

This letter constitutes my formal notice that our general partnership we have referred to as Millennium Partnership is to terminate effective April 1, 2004. Any agreement with Spehar Capital, LLC also terminates on that date and will not be renewed. Thereafter, I have absolutely no legal obligations to any of you, and you have none to me, in regard to Millennium Partnership except as follows:

1. I recognize that I cannot engage in a minority-owned insurance company ("MOIC") transaction without the concurrence of Lou Franco.

2. I recognize that I cannot seek funding for an MOIC from an Alaska Native Corporation without the concurrence of Gerry Spehar/Spehar Capital, LLC. Because Millennium Partnership was not funded by the April 1st deadline, I have absolutely no other obligations to Gerry Spehar/Spehar Capital, LLC.

Thank you.

Very truly yours,

James Wong

ADDENDUM 3: CMGT extract from MOIC Business Plan

From MOIC_BizPln_v11_06-10-03.doc

Sent to Madison Dearborn & Council Tree Communications

CMGT, Inc.'s Role

All of the principals in Millennium Partnership are also heavily involved in CMGT, Inc. as senior management, significant investors, etc. With an additional $2.5 million investment for 51% ownership of CMGT, an ANC Investor Group would gain several additional key elements that would not only benefit the effective execution of this MOIC Business Plan, but would also enhance their expected risk/return profile on the investment.

1. The MOIC opportunity is one instance where the overused term "first-mover advantage" is, indeed, appropriate. If 51% ANC owned, CMGT's ANC minority status would provide an immediate industry-internal platform and legitimate reason for management to quietly address and R&D many of the issues surrounding a broad implementation of the MOIC Business Plan. The MOIC would benefit because this R&D could begin immediately and be accomplished very quietly without prematurely signaling our intention to dramatically change the industry paradigm for handling minority set-aside opportunities. Through the CMGT affiliation, the MOIC's highly desirable "first-mover" advantage would be protected.
2. Through an association with CMGT, the MOIC would further benefit from the economies of scale presented through shared key personnel and certain operational areas, such as information technology, accounting and finance, marketing, call center and administrative infrastructures, etc.
3. CMGT is a leading player in Absence Management, an evolving insurance-related market in its expansion stage. Expected ROIs on a $2.5 million investment in CMGT - 100%+ in virtually all scenarios - far outpace the expected ROIs on the MOIC, which addresses mature insurance markets. Notwithstanding the small investment size, CMGT has legitimate potential to become a $200+ million (market cap) company by 2006. CMGT will dramatically enhance the blended expected returns on a portfolio investment in both MOIC and CMGT. Diversifying the investment into both opportunities will also reduce risk while still keeping the entire investment in the insurance related sector.

Investor Exit

There are several potential exit and/or growth scenarios for the MOIC:

1. Sale in the public markets through IPO

There have been several recent insurance sector IPOs offering market confirmation that new insurance businesses are currently attractive in the public markets. In October 2002 Montpelier (MRH) sold 9.5 million shares at $20 per share and Platinum Underwriters Holdings (PTP) sold 30 million shares at $23 per share. Both are reinsurers and Platinum focuses of P&C reinsurance. As of May 27, 2003, both were trading at their highs: Montpelier at $32.90 and Platinum at $27.97.

Endurance Specialty Holdings (ENH) began trading on February 3, 2003. Endurance is a current example and is also engaged in reinsurance of property and casualty business similar to the MOIC Business Plan. Endurance went from initial investment of $1.2 Billion to IPO in less than one year. On February 3, 2003, Endurance sold 14.8% of the company via IPO for $220,800,000. This equaled a return to initial investors of 25% in less than one year. Since the initial public offering of Endurance in February, the share price of Endurance has increased from $23 per share to $29.96 per share as of May 27, 2003. This is equal to current market capitalization of $1,935,000,000. Based on current market value, an initial investor who retained ownership in Endurance from inception has a market gain of 62.75%.

These examples – all of them reinsurers - currently trade between 8 to 14 x expected future (next year) earnings, and 9 to 18 times historic earnings. Reinsurers assume more risk that primary insurers like the MOIC because they do not have day-to-day control over underwriting, loss reserves, claims payment decisions, etc. Therefore, it would be a fair to assume the MOIC should trade at a higher market multiple than a reinsurer.

Assuming an IPO at a 15x the following year's projected pre-tax operating earnings and a $100 million equity investment for 80% ownership of the MOIC, investor annual ROIs based on an IPO in 2006, 2007 & 2008 are shown in the chart below. The rightmost column shows an investors' blended ROI in 2006 from IPOing both the MOIC (at 15 P/E) and CMGT (at 20 P/E) after investing a total of $102.5 million in both opportunities.

YEAR END	REVENUE (Millions)	PRIVATE MARKET SALE @ XX x SALES	PRE-TAX EARNINGS (millions)	MOIC IPO @ 15 P/E	IPO	
					MOIC @ 15 P/E	CMGT @ 20 P/E
2004	$ 18,000,000	-	$(5,388,194.98)	-	-	
2005	$ 54,000,000	-	$ (650,135.76)	-	-	
2006	$108,000,000	-	$ 9,936,894	43%	57%	
2007	$177,000,000	-	$ 24,348,925	43%	-	
2008	$232,500,000	-	$ 34,458,610	42%	-	

Pre Tax Earnings for 2008 (Year 5) above would suggest a pre-tax "operating margin" of 14.3%. However, management considers the projections in this Business Plan to be conservative and will aspire to improve on them in three primary ways:

a. The Business Plan assumes loss ratios ranging from 62% to 65% for various categories of business. These are conservative; management will aspire to loss ratios ranging from 58.5% to 60.5% and feels these can be achieved – particularly in the current hard market. To that point, in a recent Wall Street Journal article Merrill Lynch and Smith Barney analysts argue that P&C insurers in particular should benefit from increasing pricing and underwriting power through 2004 and rates "plateauing in 2005 - meaning any price decreases won't be as sharp as some have feared".

b. Current financials reflect establishing several branch offices (Los Angeles, New York, etc.) in addition to the Chicago home office. Alternatively, the MOIC can consolidate and run everything from Chicago without impacting expected business. This would reduce "underwriting expense".

c. The MOIC's minority advantage should allow it to direct sell and reduce the assumed 15% "brokerage commissions" substantially in many cases.

Assuming only 1a & 1b above would increase pre-tax income by $11 million in 2008 and bring MOIC's operating margin to just under 20%. Further, assuming 1a & 1b above would increase the ROIs in the above grid to 58% in 2006 (69% with CMGT), 53% in 2007 and 50% in 2008.

Additional increases from reduced brokerage commissions (1c) could be expected.

2. Private sale of the MOIC to an Insurance or Financial Services company that desires a minority presence. Zurich Financial Services Group recently announced the sale of Zurich Life, its U.S. life insurance unit, to Banc One Corp. for $500 million. This indicates a viable private sale option exists and we will research the appropriate multiple to assume for exit ROI calculations.

3. Further grow the MOIC into an admitted, multi-line Insurance Company and/or Financial Services conglomerate.

ADDENDUM 4: MOIC: Summary of Business Advantages

Long Term Advantages:

1. Pricing - up to 10%: Diversity markets we have identified highly value Small Disadvantaged Businesses and Native American and other minority vendors. Buyers can & will pay up to 10% over market, all else being equal, for a diversity buy.

2. Underwriting selectivity (reduced losses) - 10% or greater:

   - MOIC has identified several multi-billion dollar diversity markets: Government Agencies & Public Entities, their suppliers & contractors, Native American and other minority communities & their businesses.

   - MOIC will have limited competition for overall diversity dollars and insurance dollars in these markets, and will enjoy powerful competitive advantages.

   - This means MOIC can "cherry pick" business. This should translate into at least a 10% reduction in annual underwriting losses. MOIC's Business Plan assumes loss ratios ranging from 62% to 65% for various categories of business, whereas two sample diversity programs reviewed in R&D have experienced historical losses of 40.7% and 44%.

3. Native American Rebate - 5%: A Department of Defense prime contractor that subcontracts with a 51% Native American-owned company is entitled to a 5% rebate of the subcontract amount. Congress annually appropriates funds to support this program.

4. Product advantage: MOIC will concentrate on Surplus & Specialty P&C because these are particularly attractive products with less rate control, less competition, and better risk selection, particularly in the current hard market. Over the past decade specialty insurers have achieved far better underwriting results than standard companies or reinsurers. The annual gap in reported statutory combined loss ratios was generally six to ten points.

5. Marketing/Distribution advantage: Every large broker and some smaller ones now have diversity managers and diversity initiatives. Some, like Marsh, also have established Public Entity departments that partner with minority agents to access clients with diversity mandates. Rather than share commissions with a minority agent, they can distribute MOIC's products and bring additional benefits to clients (see 6. below).

6. Customer loyalty: Diversity incentives, coupled with limited diversity competition and MOIC's unique competitive advantages, should result in retention rates that exceed industry averages.

   - Public Entities and other enterprise can count MOIC's full premium amount towards diversity goals rather than just a minority agent's commission.

   - DoD prime contractors can count business MOIC does with subs and suppliers many tiers below towards their own diversity goals because of our ANC status.

   - Native American and other Minority Communities: R&D discusses a program serving the CA Hispanic community that historically experiences approximately 80% persistency in the accounts that are offered a renewal quotation. This same program experienced only 44% pure losses.

7. Management advantage: Over the past decade MOIC management has consistently outperformed its specialty peer group by 10% to 20% in gross profit and other industry measures.

8. Fronting advantage over reinsurers: As a direct writer, MOIC would deserve a premium for owning insurance paper. A direct insurer of exactly our product mix that is familiar to management typically gets 6% to 8% simply for letting MGA's and/or reinsurers utilize its paper. Reinsurers (Axis, Endurance, etc.) do not have this advantage.

9. Smaller capital base: Competitors like Axis and Endurance have large capital and surplus. MOIC can be more selective in capital deployment. MOIC's strategy will be to write only $200 million to $300 million in gross written premium and gradually grow its surplus and writings over time. This should result in long-term better results than companies like Axis and Endurance that are writing over a billion dollars in premiums.

10. Financial Services potential: The same diversity dynamic that drives the MOIC opportunity exists for other financial services. MOIC will establish a presence and brand in diversity markets and open the door to expand on that base into other financial services (banking, consumer/specialty lending, mortgage lending, etc.) in the minority communities that it serves.

Short term advantages:

1. Hard market: Two years into the current hard market, many negatives (e.g. deteriorating underwriting results & trends) have been substantially addressed by the market. Premiums have increased 100%+ in some products, coverage has been limited and deductibles have been raised. Pricing in MOIC's products continues to improve and many industry analysts argue that P&C insurers should benefit from increasing pricing and underwriting power through 2004 with rates "plateauing" in 2005.

   These conditions occurring early in the life of MOIC provide significant near-term advantages. Increased premium volume and profitability, together with prudent underwriting guidelines, should yield significant and profitable early growth. This will enable MOIC to practice more conservative underwriting practices during soft market cycles, and still maintain a reasonable level of profitability.

2. Startup status: As a clean slate startup in this environment, MOIC will not have existing losses and the pressure of covering current losses with new premium. Many underwriting errors are made when insurance companies "try to write their way out of a deficit". MOIC will not have that issue. Axis & Endurance recent earnings are testament to the power of hard market startup status.

3. Startup business: The MOIC Business Plan calls for $36 million Gross Written Premium (GWP) in Year One, and $72 million GWP in Year Two. Management has documented $62.5mm in first year GWP in a table showing expected sources for that GWP by programs, type and producer. This covers roughly 87% of the Business Plan's Year Two target.

4. Turnkey implementation: All key personnel that MOIC will initially need to get up and running have already committed.

5. Market due diligence: While securing licenses, Best rating, etc., MOIC will have the advantage of six months of substantial due diligence of its target markets before entering. Based on that due diligence MOIC will refine target markets and products. Most underwriting with "old-line" insurers is reactive (i.e. reacting to others' pricing, form changes, etc.). As a startup, MOIC will have the opportunity to be reflective in choosing target classes after ascertaining the facts through due diligence. MOIC will focus on underwriting select risks and will diversify aggregate risk exposure to broad market & product segments.