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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
v.)	
)	
SCIP PARTNERS, L.P.,)	
SCIP MANAGEMENT COMPANY, INC.,)	
ROBIN D. JACKSON, AS TRUSTEE OF)	CIVIL ACTION NO.
THE SHELTON CHILDREN IRREVOCABLE TRUST,)	
AMY M. SHELTON,)	COMPLAINT
VICKI S. DEANGELI,)	
SCOTT E. SHELTON,)	
KIP A. SHELTON,)	
CHRISTINE A. DEANGELI,)	
ADAM M. DEANGELI,)	
JOHN A. SCHULTZ, and)	
E. KIRK SHELTON,)	
)	
Defendants.)	

COMES NOW, Plaintiff, the United States of America, and for its causes of action,
alleges and states as follows:

INTRODUCTION

1. Beginning on April 16, 1998, multiple civil actions were filed against E. Kirk

Shelton (“Mr. Shelton”) seeking damages in the hundreds of millions of dollars for losses that Mr. Shelton was later found criminally liable for. In transactions executed between May 27, 1998 and June 17, 1998, Mr. Shelton transferred, from an account in his name only to an account held jointly with his wife, cash and securities with a combined value at the time of \$24,461,944.91.

2. Within six months after the commencement of the lawsuits, Mr. Shelton transferred liquid assets totaling nearly \$4.5 million to his wife and sister. During this six month period, Mr. Shelton formed two straw companies and – with the assistance of the law firm representing Mr. Shelton in the lawsuits – created two trusts for the benefit of his children.

3. Less than a year after being named in the civil suits, Mr. Shelton transferred: (a) to his wife and sister, additional liquid assets totaling more than \$500,000; and, (b) to one of the trusts, stock options valued by Mr. Shelton at nearly \$10.5 million. In total during that first year, Mr. Shelton transferred assets – for no consideration – valued at more than \$15.4 million.

4. In December, 1999, the Cendant Corporation (“Cendant”) publicly announced its settlement of the civil suits for \$2.85 billion. As part of this settlement, Cendant expressly reserved the right to seek contribution from Mr. Shelton.

5. Less than four weeks after Cendant’s announcement, Mr. Shelton transferred to one of his straw companies assets valued at more than \$17.5 million.

6. In total during the two year period following the commencement of the civil suits, Mr. Shelton transferred assets – for no consideration – valued at more than \$37.8 million.

7. The United States first learned of these and other transfers after Mr. Shelton was convicted and ordered to pay restitution in the amount of \$3.25 billion. Discovery in aid of

execution has yielded evidence that the two trusts and the two straw companies were nothing more than artifices created and controlled by Mr. Shelton for the purpose of shielding his assets from his creditors.

8. Through the instant action, the United States seeks, *inter alia*, to: (a) have the straw companies be declared nominees and/or alter egos of Mr. Shelton and, thus, be held liable for Mr. Shelton's restitution judgment; (b) reverse all fraudulent transfers; and, (c) impose money judgments against all fraudulent transferees to the extent that such transferees are unable to return the assets transferred with interest accrued and/or any appreciation in value.

PARTIES, JURISDICTION AND VENUE

9. This Court has jurisdiction over this proceeding, pursuant to 28 U.S.C. § 1345, because the United States is Plaintiff. The District of Connecticut (the "District") is the proper venue for this proceeding, pursuant to 28 U.S.C. § 1391, because a substantial part of the events giving rise to the claim occurred in the District.

10. Defendant SCIP Partners, L.P. ("SCIP Partners") is a Delaware Limited Partnership whose registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. SCIP Partners maintains its principal place of business at 573 Middlesex Road, Darien, Connecticut 06820.

11. Defendant SCIP Management Company, Inc. ("SCIP Management") is a Delaware Corporation whose registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. SCIP Management maintains its principal place of business at 573 Middlesex Road, Darien, Connecticut 06820.

12. Defendant Shelton Children Irrevocable Trust (the "Children's Trust") is a

Connecticut living trust established by Trust Agreement dated January 5, 1999 between Mr. Shelton, as Settlor, and Robin D. Jackson (“Mr. Jackson”), as Trustee. Mr. Jackson currently resides at 101 Summer Street, Apartment 412, Stamford, Connecticut 06901.

13. Defendant E. Kirk Shelton (“Mr. Shelton”) is an individual resident of the State of Connecticut, who maintains his primary residence at 573 Middlesex Road, Darien, Connecticut 06820.

14. Defendant Amy M. Shelton (“Mrs. Shelton”) is an individual resident of the State of Connecticut, who maintains her primary residence at 573 Middlesex Road, Darien, Connecticut 06820. At all relevant times, Mrs. Shelton was Mr. Shelton’s wife.

15. Defendant Vicki S. DeAngeli (“Ms. DeAngeli”) is an individual resident of the State of Rhode Island, who maintains her primary residence at 60 Intrepid Lane, Jamestown, Rhode Island 02835. Ms. DeAngeli is Mr. Shelton’s sister.

16. Defendant Scott E. Shelton (“Scott Shelton”) is an individual resident of the State of Connecticut, who maintains his primary residence at 573 Middlesex Road, Darien, Connecticut 06820. Scott Shelton is Mr. Shelton’s son.

17. Defendant Kip A. Shelton (“Kip Shelton”) is an individual resident of the State of Connecticut, who maintains his primary residence at 573 Middlesex Road, Darien, Connecticut 06820. Kip Shelton is Mr. Shelton’s son.

18. Defendant Christine A. DeAngeli (“Christine DeAngeli”) is an individual resident of the State of Wisconsin, who maintains her primary residence at 4018 Paunack Avenue, Madison, Wisconsin 53711. Christine DeAngeli is Ms. DeAngeli’s daughter and Mr. Shelton’s niece.

19. Defendant Adam M. DeAngeli (“Adam DeAngeli”) is an individual resident of the State of Michigan, who maintains his primary residence at 2204 Glencoe Hills Drive, Apartment 9, Ann Arbor, Michigan 48108. Adam DeAngeli is Ms. DeAngeli’s son and Mr. Shelton’s nephew.

20. Defendant John A. Schultz (“Mr. Schultz”) is an individual resident of the State of West Virginia, who maintains his primary residence at 206 Morningside Drive, Falling Water, West Virginia 25419. Mr. Schultz is Mrs. Shelton’s brother.

BACKGROUND

Relationships Between the Parties

21. In or about January, 1976, while an undergraduate student at Yale University, Mr. Shelton met his wife, Mrs. Shelton, whose maiden name at the time was Amy Schultz. Mr. and Mrs. Shelton were married in or about 1984.

22. Mr. Jackson and Mr. Shelton have maintained a very close personal relationship since they first met in or about 1976 while attending Harvard Business School. Mr. Jackson roomed with Mr. Shelton in New York when the two men were beginning their careers.

23. Mr. Jackson has taken part in many of the significant events in Mr. Shelton’s life, from being best man at Mr. Shelton’s wedding to speaking at the memorial service for Mr. Shelton’s mother. Mr. Jackson has known Mrs. Shelton since before she married Mr. Shelton and has known Mr. Shelton’s two sons since they were born.

24. When Mr. Jackson was facing personal bankruptcy due to the failure of his real estate business in 1988, Mr. Shelton – without being asked and without asking to be repaid – provided significant financial support that allowed Mr. Jackson to pay his significant debts.

Mr. Shelton's Activities at CUC International, Inc.

25. In or about 1981, Mr. Shelton began his employment with CUC International, Inc. ("CUC") as Senior Vice President. In or about 1987, Mr. Shelton became CUC's Chief Operating Officer. Mr. Shelton became a member of CUC's Board of Directors and its Executive Committee in or about 1995. In or about 1996, Mr. Shelton became CUC's President.

26. Beginning in 1988, and possibly earlier, employees in CUC's accounting department engaged in a conspiracy (the "Conspiracy") to fraudulently inflate CUC's operating income. These individuals employed various schemes in furtherance of the Conspiracy. The object of the Conspiracy was to cause a continual increase in the value of CUC's publicly traded stock.

27. Because Mr. Shelton was compensated in large part by options to purchase CUC's stock, he benefitted directly from the inflation in CUC's stock value caused by the Conspiracy. During the period from 1995 through 1998, Mr. Shelton sold such stock for more than \$23 million.

28. Mr. Shelton was reportedly aware of, and/or participated in, the Conspiracy during the earliest years of its existence. Mr. Shelton's role as a leader of the Conspiracy from 1995 through 1997, however, has since been established as *res judicata*. Following a seven-month trial, a federal jury sitting in Hartford, Connecticut convicted Mr. Shelton of multiple counts of securities, wire and mail fraud violations as a result of his role in the Conspiracy from 1995 through 1997.

Mr. Shelton's Personal Liability for the Damages Caused by his Conduct

29. In December, 1997, CUC merged with HFS Incorporated ("HFS") to form

Cendant Corporation (“Cendant”). In the months following the merger, senior management and accounting personnel from HFS learned of CUC’s fraudulent accounting and of the Conspiracy itself.

30. On or about April 15, 1998, Cendant publicly announced its discovery of “accounting irregularities” and that it would be restating its earnings for 1997 and possibly earlier periods.

31. One day following Cendant’s announcement, Cendant’s share price dropped 46% on the New York Stock Exchange, and Cendant shareholders lost approximately \$14 billion in share value.

32. Beginning on April 16, 1998, Cendant shareholders began filing class action and shareholder derivative lawsuits (the “Shareholder Suits”) in the U.S. District Court for the District of New Jersey seeking money damages caused by the misconduct of Mr. Shelton and others. The misconduct alleged in the Shareholder Suits included, *inter alia*, the “accounting irregularities” disclosed by Cendant as a result of the fraudulent conduct engaged in by the members of the Conspiracy. The Shareholder Suits alleged that the defendants thereto, including Mr. Shelton, were liable for damages in the hundreds of millions of dollars.

33. Mr. Shelton became aware of the existence and allegations of the Shareholder Suits shortly after such suits were filed.

34. By Affidavit dated June 24, 1998 and filed in one of the consolidated Shareholder Suits, Mr. Shelton accepted service of process of a summons and complaint through his attorney, Richard Schaeffer (“Mr. Schaeffer”), a member of the law firm Dornbush, Mensch, Mandelstam & Schaeffer, LLP (the “Schaeffer Law Firm”). In this June 24, 1998 Affidavit, Mr. Schaeffer

attested that “my law firm represents E. Kirk Shelton in this [shareholder] action ... I have been authorized by Mr. Shelton to accept service of process (including the Complaint) in this action and ... I have accepted service of the Complaint in this action on behalf of Mr. Shelton.”

Mr. Shelton’s Efforts to Shield His Assets From His Creditors

35. In four transactions executed on May 27, 1998 and June 17, 1998, Mr. Shelton transferred, from an account in his name only to an account held jointly with Mrs. Shelton, cash and securities with a combined value at the time of \$24,461,944.91.

36. Less than six months after appearing in the Shareholder Suits as counsel for Mr. Shelton, the Schaeffer Law Firm drafted two trust agreements that provided for the transfer of assets from Mr. Shelton to the Trustee, Mr. Jackson, for no consideration. These trusts are entitled the “Shelton Family Trust” (the “Family Trust”) and the “Shelton Children Irrevocable Trust” (the “Children’s Trust”) (the Family Trust and the Children’s Trust are hereinafter referred to collectively as the “Trusts”).

37. While the Trusts were “finalized” and dated effective January 5, 1999, they “were developed in the prior months” by Pearl Polifka, an attorney at the Schaeffer Law Firm.

38. On January 7, 1999, two days after the effective date of the Trusts, Mr. Shelton, along with one or more attorneys from the Schaeffer Law Firm, attended a proffer meeting at the United States Attorney’s Office in Newark, New Jersey to discuss Mr. Shelton’s role in and/or knowledge of the Conspiracy.

The Shelton Family Trust

39. The Family Trust was a two-year grantor retained annuity trust in which Mr. Shelton, as grantor, retained an annual “qualified annuity interest” of 54.422 percent of the fair

market value of the property transferred by the grantor.

40. By Assignment dated January 5, 1999, Mr. Shelton transferred to Mr. Jackson, as Trustee of the Family Trust, all of his right, title and interest in and to: (a) options (the “510,000 Cendant Options”) to purchase 510,000 shares of common stock of Cendant Corporation at an exercise price of \$34.3125 per share granted to Mr. Shelton on January 27, 1998 under Cendant Corporation’s 1997 Stock Option Plan; and, (b) options (the “450,000 Cendant Options”) to purchase 450,000 shares of common stock of Cendant Corporation at an exercise price \$31.375 per share granted to Mr. Shelton on December 17, 1997 under Cendant Corporation’s 1997 Stock Option Plan.

41. Messrs. Shelton and Jackson agreed that, as of January 5, 1999, the value of the 510,000 Cendant Options was \$5,492,700 and that the value of the 450,000 Cendant Options was \$4,964,500. Accordingly, the total value of the property transferred (the “Options”) from Mr. Shelton to the Family Trust was ascribed by Messrs. Shelton and Jackson to have been \$10,447,200 as of the date of the transfer, January 5, 1999.

42. The Options increased in value as Cendant’s stock price rose during 1999. On or about January 1, 2000, Messrs. Shelton and Jackson agreed that the value of the Options had increased from \$10,447,200 on January 4, 1999 to \$16,781,400 on December 31, 1999. The increase in the value of the Options, according to a news article photocopied by Messrs. Shelton and/or Jackson, was due in part to “Cendant’s announcement [in early December] that it would pay \$2.83 billion to settle a shareholder class action lawsuit over accounting irregularities.”

43. By letter dated January 1, 2000, Mr. Shelton directed Mr. Jackson, as Trustee of the Family Trust, to assign the Options back to Mr. Shelton in exchange for a cash payment of

\$16,781,400. Enclosed in this correspondence was a check signed by Mr. Shelton payable to the Trustee in the amount of \$16,781,400. By Assignment dated January 1, 2000, Mr. Jackson, as Trustee of the Family Trust, assigned the Options back to Mr. Shelton.

44. On or about January 11, 2000, Mr. Jackson, as Trustee of the Family Trust, disbursed to Mr. Shelton the first of two annuity payments in the amount of \$5,685,575.

Formation of SCIP Management and SCIP Partners

45. On September 7, 1999, an attorney retained by Mr. Shelton filed a Certificate of Incorporation with the Delaware Secretary of State for the purpose of incorporating SCIP Management Company, Inc. ("SCIP Management") under the laws of the State of Delaware.

46. Through an Action by Written Consent in Lieu of Organizational Meeting dated September 9, 1999, Mr. Shelton, as sole director of SCIP Management, resolved, *inter alia*, as follows: (a) SCIP Management's principal office would be in Mr. Shelton's home at 573 Middlesex Road, Darien, Connecticut 06820; (b) all of SCIP Management's stock, i.e., 500 shares of common stock, would be issued to Mr. Shelton in exchange for Mr. Shelton's payment of \$5,000 to the company; (c) Mr. Shelton would be SCIP Management's sole director, Chairman of the Board of Directors and President; (d) Mrs. Shelton would be SCIP Management's Secretary and Treasurer; and, (e) SCIP Management would be general partner of a limited partnership to be formed as SCIP Partners, L.P.

47. By Certificate of Limited Partnership filed with the Delaware Secretary of State on September 13, 1999, Mr. Shelton, as President of SCIP Management, formed SCIP Partners, L.P. ("SCIP Partners") as a Delaware Limited Partnership.

48. At the time of its formation, SCIP Partners was owned 0.1% by its sole General

Partner, SCIP Management, and 99.9% by its sole limited partner, Mr. Shelton. SCIP Partners' principal place of business was also located in Mr. Shelton's home at 573 Middlesex Road, Darien, Connecticut 06820.

On December 7, 1999, Cendant Agreed to Settle the Bulk of
the Shareholder Suits for \$2.85 Billion and Expressly
Reserved its Right to Sue Mr. Shelton for Contribution

49. On December 7, 1999, Cendant publicly disclosed that it had agreed to settle the bulk of the Shareholder Suits for a cash payment of more than \$2.85 billion (the "Cendant Settlement").

50. The agreement memorializing the Cendant Settlement specifically and expressly reserved Cendant's right to bring one or more actions for contribution against individual defendants such as Mr. Shelton.

Effective January 1, 2000, Mr. Shelton Transferred
to SCIP Management and SCIP Partners
Assets Valued at More Than \$17.5 Million

51. While SCIP Management and SCIP Partners were formed in September, 1999, these entities did not receive any assets until 2000.

52. By Assignment of Limited Partnership Interest dated January 1, 2000, Mr. Shelton transferred to SCIP Partners his individual interest in SL Partners, L.P. ("SL Partners"), an investment fund managed by Mr. Jackson. As of the date of this Assignment, this asset was valued at \$3,291,695. During 2001, SCIP Partners liquidated this investment and received \$4,623,316.

53. Pursuant to a Subscription Agreement dated January 1, 2000, Mr. Shelton caused to be transferred to SCIP Partners his "entire interest" in Fairfield Capital Partners, L.P.

(“Fairfield Capital”). As of the date of this transfer, this asset was valued at \$14,263,859.

On March 29, 2000, Judge Walls Granted Preliminary Approval of
the \$2.85 Billion Settlement, Including the Provision Which Expressly
Reserved Cendant’s Right to Sue Mr. Shelton for Contribution

54. On March 29, 2000, District Judge Walls entered an order preliminarily approving the Cendant Settlement, including the express reservation of Cendant’s right to bring one or more actions for contribution against individual defendants such as Mr. Shelton.

Between April 5 and April 27, 2000, Mr. Shelton Transferred
to SCIP Management and SCIP Partners Additional
Assets Valued at More Than \$4.8 Million

55. By Quitclaim Deed dated April 5, 2000, Mr. Shelton transferred to SCIP Partners title to a parcel of real estate located at 569 Middlesex Avenue, Darien, Connecticut (the “569 Middlesex Property”). An appraisal of the 569 Middlesex Property, as of April 10, 2000, described the property as a 1.361 acre parcel of land improved with a newly constructed 4,500± square foot single family dwelling and concluded that the value of the property at that time was \$950,000.

56. At some point prior to April 12, 2000, Mr. Shelton caused to be transferred to SCIP Partners his individual interest in DT Advisors, LLC, a general partner and manager of a venture capital fund named Dawntreader. As of January 1, 2000, this asset was valued at \$233,938.

57. SCIP Partners and SCIP Management received their first cash infusions in April, 2000 and May, 2000, respectively.

58. By check dated April 19, 2000, Mr. Shelton transferred \$2,000,000 to SCIP Partners.

59. By inter-account transfer dated April 27, 2000, Mr. Shelton transferred to SCIP Partners his interest in a tax exempt fund with a value of \$324,542 at the time of the transfer.

60. By inter-account transfer dated April 27, 2000, Mr. Shelton transferred to SCIP Partners a municipal bond portfolio with an aggregate value of \$1,296,159 as of the date of the transfer.

61. By two deposits dated May 12, 2000 and May 17, 2000, Mr. Shelton transferred \$31,000 to SCIP Management. By check dated May 22, 2000, Mr. Shelton caused SCIP Management to transfer \$30,000 to SCIP Partners.

During the Course of Transferring Assets to SCIP Partners,
Mr. Shelton Obtained an Appraisal of Those Assets Which Applied a 45% Discount
for Lack of Control and Marketability of the Assets in the Hands of SCIP Partners

62. As described above, between January, 2000 and May, 2000, Mr. Shelton transferred or caused to be transferred to SCIP Partners assets owned by him with an aggregate value of \$22,390,193 at the time of the transfers.

63. During the five-month period that he was transferring assets to SCIP Partners, Mr. Shelton retained Empire Valuation Consultants, Inc. ("Empire") to determine the fair market value of a limited partnership interest in SCIP Partners as of March 31, 2000.

64. Mr. Shelton informed Empire that the valuation was to be used for gift tax reporting purposes.

65. Notwithstanding the fact that five of the eight initial transfers to SCIP Partners were not effected until after the valuation date, Empire nevertheless included in its valuation the assets from all eight transfers.

66. Empire concluded that the adjusted book value of SCIP Partners' capital was

\$23,723,586 as of March 31, 2000. However, Empire further concluded that the fair market value of a limited partnership interest in SCIP Partners should be discounted by 45% from the adjusted book value due to limited marketability and lack of control. Therefore, Empire concluded that a one-percent limited partnership interest in SCIP Partners was worth \$130,000 as of March 31, 2000.

Within Weeks of Transferring to SCIP Partners Assets Worth More Than \$22 Million, Mr. Shelton Sold a 40% Interest in the Company to the Family Trust at a 45% Discount

67. Eight days after Empire issued its valuation and 39 days after the last of the eight initial transfers to SCIP Partners was effected, Mr. Shelton directed Mr. Jackson, as Trustee of the Family Trust, to exchange \$5,320,000 in cash and bonds from the trust for a 40% limited partnership interest in SCIP Partners. By letter dated June 30, 2000, Mr. Jackson, as Trustee of the Family Trust, acknowledged Mr. Shelton's directive.

68. By letter dated June 30, 2000, Mr. Jackson, as Trustee of the Family Trust, instructed Mike Sexton of Paine Webber to transfer specified assets with a stated combined value of \$5,320,000 "from the Shelton Family Trust account to Kirk and Amy Shelton's joint account" at Paine Webber.

69. By Assignment and Acceptance of Limited Partnership Interest Dated as of June 30, 2000, Mr. Shelton assigned to the Family Trust all of his right, title and interest in and to a 40% limited partnership interest in SCIP Partners.

The Family Trust was Liquidated and Terminated in January, 2001

70. By letter dated December 18, 2000, Mr. Jackson, as Trustee of the Family Trust, directed Mike Sexton of Paine Webber to: (a) transfer Mr. Shelton's second of two annuity

payments in the amount of \$5,685,575 on January 5, 2001 “into Kirk and Amy Shelton’s joint account” at Paine Webber; (b) transfer the balance of the Family Trust account to the Children’s Trust account at Paine Webber; and, (c) close out the Family Trust account at Paine Webber.

71. By two transfers dated January 5, 2001, the Family Trust account at Paine Webber was debited and Mr. and Mrs. Shelton’s joint account at Paine Webber was credited in the amounts of \$4,785,575 and \$547,534.68.

72. In or about January, 2001, the Family Trust terminated and its assets were divested.

The Shelton Children Irrevocable Trust

73. The Children’s Trust was created contemporaneously with the Family Trust and had the same effective date of January 5, 1999. However, the Children’s Trust was not funded until two years later.

74. Mr. Shelton intended for the assets of the Family Trust to be transferred to the Children’s Trust upon the termination of the Family Trust. Specifically, the Family Trust agreement provides that “[u]pon the expiration of the trust term, the Trust shall terminate and the Trustee shall transfer the remaining principal of the Trust to the then acting Trustee of the Shelton Children Irrevocable Trust dated as of this date.”

75. Notwithstanding Mr. Jackson’s December 18, 2000 letter of instruction to Mike Sexton of Paine Webber, the Paine Webber account statements indicate that the Children’s Trust received only \$6,154.95 from the Family Trust, by transfer dated January 9, 2001.

76. Additional funds received by the Children’s Trust were from Mr. and Mrs. Shelton’s joint account at Paine Webber, i.e., a transfer dated February 9, 2001 in the amount of

\$547,534.68.

77. Additionally, it appears that the Family Trust never assigned to the Children's Trust its 40% limited partnership interest (the "40% Interest") in SCIP Partners.

During the Criminal Proceedings Against Him, Mr. Shelton Transferred
Control of SCIP Management and SCIP Partners to Mrs. Shelton
and Mrs. Shelton Began Drawing Funds From These Entities

78. On January 25, 2001, Mr. Shelton attended a second meeting at the U.S. Attorney's Office in New Jersey to discuss his knowledge of and/or role in the Conspiracy. Six days later, on January 31, 2001, Mr. Shelton caused the transfer of \$5,024,418 from SCIP Partners' Paine Webber account to a Merrill Lynch account held jointly by Mr. and Mrs. Shelton.

79. In responding to a subpoena served on SCIP Partners by the United States, SCIP Partners did not produce any documentation to support, or even identify, this January 31, 2001 transfer.

80. On or about February 13, 2001, Mr. Shelton executed an Assignment of Common Stock whereby he transferred to Mrs. Shelton all of his right, title and interest to all of the issued and outstanding stock of SCIP Management. Upon information and belief, Mrs. Shelton paid less than fair value for this assignment of stock.

81. As described in shareholder meeting minutes dated December 6, 2003, the sole shareholder of SCIP Management, i.e., Mrs. Shelton, elected herself to serve as SCIP Management's Chairman and President and elected Mr. Shelton to serve as Vice-President, Treasurer and Secretary. These elections constituted a reversal of the Sheltons' management positions at SCIP Management.

82. By Amendment to the Agreement of Limited Partnership for SCIP Partners dated

January 1, 2004, Mr. and Mrs. Shelton and Mr. Jackson, as Trustee of the Children's Trust (the ostensible owner of the 40% Interest), authorized the payment of annual management fees from SCIP Partners to SCIP Management equal to one percent of "the aggregate net fair market value of [SCIP Partners'] assets as of January 1 of each Fiscal Year."

83. By check dated June 18, 2004 and signed by Mr. Shelton, SCIP Partners disbursed \$267,009 to SCIP Management for management fees.

84. By Authorization of Distribution signed June 18, 2004, Mrs. Shelton authorized SCIP Partners to distribute \$3 million to its partners.

85. By checks dated June 18, 2004 and signed by Mr. Shelton, SCIP Partners distributed \$3,000 to SCIP Management and \$1.797 million to Mr. Shelton.

86. By check dated July 3, 2004 and signed by Mr. Shelton, SCIP Partners distributed \$1.2 million to the Children's Trust (pursuant to the intended but unexecuted assignment of the 40% Interest from the Family Trust to the Children's Trust).

87. As described in meeting minutes of the sole shareholder and director of SCIP Management dated December 18, 2004, Mrs. Shelton voted to approve a "compensation plan" for herself. Specifically, Mrs. Shelton voted to "receive compensation for 2004 in the amount of \$50,000, to be paid no later than 3/31/05 and ... [quarterly] payments of \$12,500 beginning with the quarter ending 3/31/05."

88. By check dated January 4, 2005 and signed by Mr. Shelton, SCIP Partners disbursed \$238,365 to SCIP Management for management fees.

89. In a second appraisal of SCIP Partners dated August 24, 2005 and addressed to Mr. Shelton, Empire Valuation Consultants noted that "the GP and partners [of SCIP Partners]

have shown a willingness to pay distributions; in fact, from inception to the Valuation Date, SCIP [Partners] has distributed virtually all of its earnings.”

Mr. Shelton Agreed to Sell the 59.9% Interest to the Children’s Trust
for \$9.827 Million on the Same Day Mrs. Shelton Authorized
SCIP Partners to Distribute \$11.088 Million to the Children’s Trust

90. By Judgment entered August 5, 2005 in the criminal case against Mr. Shelton, Judge Alvin W. Thompson ordered that Mr. Shelton pay restitution in the amount of \$3.25 billion (the “Restitution Judgment”), with a lump sum of \$15 million payable no later than October 24, 2005.

91. To marshal funds for the \$15 million payment due on or before October 15, 2005, Mr. Shelton sought to liquidate his ostensible 59.9% limited partnership interest (the “59.9% Interest”) in SCIP Partners. Rather than having SCIP Partners liquidate and/or borrow against its assets and make a distribution to its partners, including Mr. Shelton, Mr. Shelton instead chose to sell the 59.9% Interest – at a 35% discount – to the Children’s Trust.

92. The second Empire appraisal, dated August 24, 2005, concluded that the fair market value of the 59.9% Interest was \$9,827,000 as of June 30, 2005.

93. As with its previous valuation, Empire first assessed the adjusted book value of the partnership’s assets (arriving at \$24,125,256) and then applied various discounts for lack of marketability and control (a 20% discount) as well as an “Investment Company Discount” (a 15% discount) to arrive at a “fair market value” of \$9,827,000 for a 59.9% limited partnership interest in SCIP Partners.

94. As described in meeting minutes of the sole shareholder and director of SCIP Management dated September 12, 2005, Mrs. Shelton voted to approve, *inter alia*: (1) “[t]he sale

of Kirk Shelton's share of SCIP Partners to the Shelton Children Irrevocable Trust, effective September 19, 2005 at the appraised fair market value;" and, after the completion of such sale, (2) distributions to the owners of SCIP Partners' totaling \$11.2 million.

95. By Agreement of Purchase and Sale dated September 19, 2005, Mr. Shelton agreed to sell the 59.9% Interest to the Children's Trust for \$9,827,000.

96. The effect of the transactions described immediately above was to transfer the 59.9% Interest in SCIP Partners from Mr. Shelton to the Children's Trust for approximately \$9.8 million using the approximately \$11.1 million of SCIP Partners' funds to be distributed to the Children's Trust shortly thereafter.

97. To bridge the gap between the purchase of the 59.9% Interest and the distribution from SCIP Partners that would more than offset the purchase price, Mr. Jackson, as Trustee of the Children's Trust, borrowed \$9,827,000 from Ceniarth Wales Interests, L.P. ("Ceniarth"). Upon information and belief, Ceniarth is controlled by and/or affiliated with Anthony Petrello ("Mr. Petrello"), a close personal friend of Mr. Shelton.

98. By Bridge Loan Agreement (the "Ceniarth Bridge Loan") dated September 19, 2005, Mr. Jackson, as Trustee of the Children's Trust, agreed to: (1) borrow \$9,827,000 from Ceniarth; (2) make full repayment within ninety days; (3) pay interest at the rate of prime plus 1%; (4) pay to Ceniarth a "Financing Fee" of \$25,000 and "Lender's Expenses" of \$7,500; and, (5) pledge as security for the loan the limited partnership interests in SCIP Partners ostensibly held by the Children's Trust.

Mr. Shelton's Exercise of Control Over the Children's Trust was Apparent
Throughout the Transactions by Which the Children's Trust
Borrowed and Repaid the Funds Used to Purchase the 59.9% Interest

99. By e-mail message dated Friday, September 16, 2005, Howard Berkower ("Mr. Berkower"), the attorney handling the escrow for the Ceniarth Bridge Loan advised Messrs. Shelton and Jackson and the Ceniarth representative, Christopher Papouras ("Mr. Papouras"), that he had received all executed signature pages for the loan documents and that funding of the loan was likely to take place the following Monday morning.

100. By e-mail message dated Monday, September 19, 2005 at 10:03 a.m., Mr. Papouras advised Messrs. Berkower, Shelton, Jackson and Petrello that he "just called Goldman, and confirmed the wire transfer."

101. By e-mail message dated Monday, September 19, 2005 at 11:42 a.m., Mr. Shelton advised Messrs. Papouras, Petrello and Jackson that "Smith Barney has it."

102. One hour and twenty minutes after confirming that the proceeds of the Ceniarth Bridge Loan were deposited into the Children's Trust account at Smith Barney, Mr. Shelton sent another e-mail message to Mr. Jackson. This e-mail message read "Rob[,] Attached is the typed wire instructions for Arnie." Attached to this e-mail message was a letter for Mr. Jackson's signature dated September 20, 2005 and addressed to Mr. Arnold Blumenfeld ("Mr. Blumenfeld"), Sr. Vice President, Investments, Solomon Smith Barney.

103. The September 20, 2005 letter transmitted by Mr. Shelton to Mr. Jackson instructs Mr. Blumenfeld to transfer \$9,827,000 from the Children's Trust account to a joint account in the names of Mr. and Mrs. Shelton.

104. In a series of e-mail messages transmitted on September 20, 2005, Messrs.

Berkower, Papouras and Petrello discussed the matter of the \$25,000 Financing Fee and the \$7,500 Lender's Expenses.

105. By e-mail message dated September 20, 2005, copying Messrs. Shelton and Jackson, Mr. Petrello stated that Mr. Berkower's firm would invoice the Children's Trust for the \$7,500 fee and Ceniarth would invoice the Children's Trust for the \$25,000 fee.

106. By e-mail message to Mr. Shelton (and copying Messrs. Petrello and Papouras) dated September 21, 2005 at 12:34 p.m., Mr. Berkower enclosed two "invoices for amounts due Ceniarth and [Mr. Berkower's] firm for the Bridge Loan."

107. By e-mail message dated September 21, 2005 at 2:25 p.m., Mr. Shelton forwarded the bridge loan fee invoices, with wire instructions for payment, to Mr. Jackson.

108. By e-mail message dated September 23, 2005, Mr. Shelton advised Mr. Jackson that the Children's Trust did not have enough liquid funds to pay the \$32,500 in fees and expenses related to the Ceniarth Bridge Loan. Specifically, Mr. Shelton advised "Rob[,] The trust only has about \$1500 in cash, and a \$500k Fannie mae [sic] bond.... I recommend borrowing the \$32,500 to pay the 2 wires...."

109. On or about November 17, 2005, SCIP Partners distributed approximately \$7.7 million to the Children's Trust as a capital distribution.

110. By e-mail message dated November 18, 2005 at 8:59 a.m., Mr. Shelton transmitted to Mr. Jackson a letter for Mr. Jackson's signature, addressed to Mr. Blumenfeld and dated November 18, 2005. This letter contains a request for Mr. Blumenfeld to transfer \$7.5 million from the Children's Trust account to an account for the credit of Ceniarth to "repay funds borrowed in September."

111. However, according to Mr. Shelton, “Smith Barney was concerned about wiring the funds to repay CeniARTH...”

112. In an e-mail message dated November 18, 2005 at 10:04 a.m, Mr. Shelton advised Mr. Jackson that Mr. Blumenfeld had requested “an updated 407 form ... he said you would know what that is.”

113. By e-mail message dated November 22, 2005, Mr. Shelton transmitted to Mr. Jackson a new letter for Mr. Jackson’s signature, addressed to Mr. Blumenfeld and dated November 22, 2005.

114. This “revised letter [provided] for Smith Barney to wire the funds to the law firm” rather than CeniARTH’s financial institution.

115. Even after receiving the revised letter, Smith Barney still refused to transfer the funds to the benefit of CeniARTH.

116. On or about November 29, 2005, the Children’s Trust “wired \$7,500,000 back to SCIP Partners account at Merrill Lynch.”

117. In early 2006, Mr. Shelton – not Mrs. Shelton or Mr. Jackson – was the only person able to summarize the transactions by which the Children’s Trust repaid the CeniARTH Bridge Loan with the distribution paid by SCIP Partners. Mr. Shelton’s summarization of these events is as follows:

[] 11/16/05 SCIP Management Company authorized a \$7,700,000 distribution to partners, and on 11/17/05 \$7,692,300 was wired from SCIP Partners’ account at Merrill Lynch to the Trust account at Smith Barney.

[] Smith Barney was instructed to wire \$7,500,000 back to CeniARTH to repay the loan. However, Smith Barney was concerned about wiring the funds to repay CeniARTH, so on 11/29/05 the trust wired \$7,500,000 back to SCIP Partners

account at Merrill Lynch. On 12/1/05 SCIP Partners wired those funds from Merrill Lynch to the escrow account at Zukerman Gore & Brandeis, the law firm that handled the loan (wire transfer confirm attached):

United States Trust Company of New York
Zukerman Gore & Brandeis, LLP
For the benefit of the Shelton Children's Irrevocable Trust
875 Third Avenue
New York, NY 10022

On the same day, 12/1/05, Zukerman Gore paid the \$7,500,000 back to Ceniarth, a partial repayment of the loan.

On 12/9/05 SCIP Partners wired \$2,479,573, in two wires, to the same account at United States Trust to repay the balance of the loan to Ceniarth (wire transfer confirms attached). This included \$329,573 of funds borrowed from Merrill Lynch.

The Merrill loan was repaid on January 9, when the funds from a hedge fund were received. See internal Merrill transfer for \$338,986.25

1/25/06: transferred balance, \$534,000 from Merrill Lynch to Vanguard

Mrs. Shelton and Mr. Jackson Have Little Firsthand Knowledge of the Affairs of the SCIP and Trust Entities They Ostensibly Controlled

118. At all times relevant, Mr. Shelton, and not Mrs. Shelton, provided all documentation necessary for the preparation of the income tax returns for SCIP Partners and SCIP Management.

119. At all times relevant, Mr. Shelton, and not Mrs. Shelton, coordinated with, and answered the questions of, the Certified Professional Accountant who prepared the income tax returns for SCIP Partners and SCIP Management.

120. At all times relevant, the banking and financial records for the Family Trust and the Children's Trust were mailed only to Mr. Shelton's residence. At all times relevant, Mr. Jackson obtained these records only occasionally from Mr. Shelton.

121. At all times relevant, Mr. Shelton, and not Mr. Jackson, provided all documentation necessary for the preparation of the income tax returns for the Family Trust and the Children's Trust.

122. At all times relevant, Mr. Shelton, and not Mr. Jackson, coordinated with, and answered the questions of, the Certified Professional Accountant who prepared the income tax returns for the Family Trust and the Children's Trust.

123. Notwithstanding the fact that Mrs. Shelton was listed as corporate secretary and treasurer of SCIP Management from its formation through 2001, and has been listed as the sole shareholder, chairman of the board of directors and president of SCIP Management since 2001, Mrs. Shelton could not recall, in a July 11, 2006 deposition, which financial institutions had custody of SCIP Partners' primary assets, i.e., its stocks and bonds.

124. Notwithstanding the fact that Mr. Jackson signed detailed letters of instruction to Mike Sexton of Paine Webber directing millions of dollars to be transferred in and out of the Family Trust and Children's Trust, Mr. Jackson was not certain, in a July 11, 2006 deposition, whether these trusts ever had an account at Paine Webber.

125. In a July 11, 2006 deposition, Mr. Jackson testified that it was his decision to move the Children's Trust accounts from Salomon Smith Barney to Vanguard.

126. However, by letter to Mr. Jackson dated January 5, 2006 – and sent to Mr. Shelton's home – Smith Barney Branch Manager Edward S. Samson terminated the Children's Trust account, giving Mr. Jackson thirty days to transfer the securities and funds "to a like titled account."

127. By e-mail message dated January 10, 2006, Mr. Shelton forwarded to Mr. Jackson

a copy of the January 5, 2006 account termination letter from Smith Barney. In this e-mail message, Mr. Shelton also provided Mr. Jackson with a “draft letter to Smith Barney for wiring the balance to Vanguard” along with detailed instructions on effecting the transfer.

128. By e-mail message dated March 7, 2006, Mr. Shelton forwarded to Mr. Jackson several documents, including a document entitled “Trust History,” which describes, in thirty-seven numbered paragraphs, the history of the Family Trust and the Children’s Trust.

129. The Trust History document, described immediately above, also purports to list every financial transaction engaged in by the two trusts, from a “10/22/03 check for \$450 written to tax preparer,” to the transaction where on “12/9/05 SCIP Partners wired \$2,479,573, in two wires, to the same account at United States Trust to repay the balance of the [Children’s Trust loan from] Ceniarth (wire transfer confirms attached).”

Other Transfers of Mr. Shelton’s Assets in Avoidance of His Creditors

130. By account transfer effective May 7, 1998 – twenty-one (21) days after the first of the Shareholder Suits were filed – Mr. Shelton transferred to Ms. DeAngeli cash and securities owned by him with a combined value of \$959,081.73 at the time of transfer.

131. Mr. Shelton transferred to Ms. DeAngeli additional cash and securities owned by him as follows: (a) account transfer effective May 13, 1998 with a combined value of \$70,353.37 at the time of transfer; (b) account transfer effective May 26, 1998 with a value of \$103.90 at the time of transfer; and, (c) account transfer effective June 8, 1998 with a value of \$265.88 at the time of transfer.

132. By account transfer effective September 28, 1998 – ninety-six (96) days after Mr. Shelton’s attorney filed his appearance in the Shareholder Suits – Mr. Shelton transferred to Mrs.

Shelton cash and securities owned by him with a combined value of \$2,984,832 at the time of transfer.

133. Mr. Shelton transferred to Mrs. Shelton additional cash and securities owned by him as follows: (a) account transfer effective October 2, 1998 with a combined value of \$3,592.24 at the time of transfer; (b) check dated October 7, 1998 in the amount of \$376,270.89; and, (c) account transfer effective November 5, 1998 with a value of \$61.25 at the time of transfer.

134. Additional transfers of Mr. Shelton’s assets, to or for the benefit of certain of the above-named Defendants, are as follows:

Date	Payee	Value at Time	Transferor	Beneficiary
6/14/1999	Adam de Angeli	500.00	EKS	Adam de Angeli
9/26/1999	Univ. of Mich.	13,365.64	EKS	Adam de Angeli
1/23/2000	Univ. of Mich.	6,422.69	EKS	Adam de Angeli
2/22/2000	Univ. of Mich.	6,357.50	EKS	Adam de Angeli
9/18/2000	Univ. of Mich.	5,484.19	EKS	Adam de Angeli
10/18/2000	Univ. of Mich.	5,391.50	EKS	Adam de Angeli
11/14/2000	Adam de Angeli	10,000.00	EKS	Adam de Angeli
1/21/2001	Univ. of Mich.	5,484.19	EKS	Adam de Angeli
2/21/2001	Univ. of Mich.	5,406.50	EKS	Adam de Angeli
9/22/2001	Univ. of Mich.	5,837.69	EKS	Adam de Angeli
10/15/2001	Univ. of Mich.	5,745.00	EKS	Adam de Angeli
1/23/2002	Univ. of Mich.	6,155.19	EKS	Adam de Angeli
2/18/2002	Univ. of Mich.	6,062.50	EKS	Adam de Angeli
12/22/2002	Adam de Angeli	200.00	EKS	Adam de Angeli
1/16/2003	Univ. of Mich.	13,188.69	EKS	Adam de Angeli
9/17/2003	Univ. of Mich.	10,586.69	EKS	Adam de Angeli
10/26/2003	Univ. of Mich.	3,389.00	EKS	Adam de Angeli
1/16/2004	Univ. of Mich.	4,936.69	EKS	Adam de Angeli
2/15/2004	Univ. of Mich.	4,528.00	EKS	Adam de Angeli
1/15/2006	Adam de Angeli	150.00	EKS	Adam de Angeli
	Subtotal	119,191.66		
5/5/1998	Amy Shelton	16,400.00	EKS	Amy Shelton
5/28/1998	Amy Shelton	13,577.00	EKS	Amy Shelton
6/30/1998	Amy Shelton	23,400.00	EKS	Amy Shelton
1/27/1999	Amy Shelton	500,000.00	EKS	Amy Shelton

Date	Payee	Value at Time	Transferor	Beneficiary
3/26/1999	Amy Shelton	2,899.74	EKS	Amy Shelton
3/28/1999	Amy Shelton	705.00	EKS	Amy Shelton
9/8/1999	Amy Shelton	51,958.34	EKS	Amy Shelton
9/10/1999	Amy Shelton	1,000.00	EKS	Amy Shelton
9/15/1999	Amy Shelton	4,000.00	EKS	Amy Shelton
	Subtotal	613,940.08		
8/17/1998	Christine de Angeli	100.00	EKS	Christine de Angeli
6/14/1999	St. Andrews Episcopal School	9,202.00	EKS	Christine de Angeli
12/17/1999	St. Andrews Episcopal School	7,252.78	EKS	Christine de Angeli
2/10/2000	Christine de Angeli	250.00	EKS	Christine de Angeli
6/23/2000	St. Andrews Episcopal School	10,110.00	EKS	Christine de Angeli
11/14/2000	Christine de Angeli	10,000.00	EKS	Christine de Angeli
12/19/2000	St. Andrews Episcopal School	7,785.04	EKS	Christine de Angeli
7/13/2001	Univ. of Penn.	106,520.00	EKS	Christine de Angeli
7/16/2001	Univ. of Penn.	4,582.00	EKS	Christine de Angeli
12/16/2001	Univ. of Penn.	4,478.32	EKS	Christine de Angeli
2/13/2002	Univ. of Penn.	1,450.32	EKS	Christine de Angeli
6/23/2002	Nu Chapter Housing Corp.	1,850.00	EKS	Christine de Angeli
8/30/2002	Christine de Angeli	2,000.00	EKS	Christine de Angeli
8/30/2002	Christine de Angeli	200.00	EKS	Christine de Angeli
12/22/2002	Christine de Angeli	200.00	EKS	Christine de Angeli
1/7/2003	Nu Chapter Housing Corp.	1,850.00	EKS	Christine de Angeli
1/7/2003	Christine de Angeli	2,000.00	EKS	Christine de Angeli
7/23/2003	Univ. of Penn.	2,648.22	EKS	Christine de Angeli
5/15/2005	Christine de Angeli	500.00	EKS	Christine de Angeli
1/15/2006	Christine de Angeli	150.00	EKS	Christine de Angeli
	Subtotal	173,128.68		
12/21/2003	John Schultz	50,000.00	EKS	John Schultz
	Subtotal	50,000.00		
12/18/2002	Kip Shelton	20,000.00	EKS	Kip Shelton
12/22/2002	Kip Shelton	2,000.00	EKS	Kip Shelton
12/24/2003	Kip Shelton	22,000.00	EKS	Kip Shelton
12/30/2004	Kip Shelton	22,000.00	EKS	Kip Shelton
3/31/2006	Kip Shelton	900.00	EKS	Kip Shelton
	Subtotal	66,900.00		
12/18/2002	Scott Shelton	20,000.00	EKS	Scott Shelton
12/22/2002	Scott Shelton	2,000.00	EKS	Scott Shelton
12/23/2003	Scott Shelton	22,000.00	EKS	Scott Shelton
6/12/2004	Scott Shelton	200.00	EKS	Scott Shelton
9/6/2005	Scott Shelton	967.00	EKS	Scott Shelton

Date	Payee	Value at Time	Transferor	Beneficiary
11/14/2005	Northeastern Univ.	65.00	EKS	Scott Shelton
3/31/2006	Scott Shelton	600.00	EKS	Scott Shelton
4/30/2006	Scott Shelton	2,892.80	EKS	Scott Shelton
7/31/2006	Scott Shelton	1,000.00	EKS	Scott Shelton
	Subtotal	49,724.80		
3/29/1998	Vicki de Angeli	15,000.00	EKS	Vicki de Angeli
3/28/1999	Vicki de Angeli	250.00	EKS	Vicki de Angeli
11/14/2000	Vicki de Angeli	80,000.00	EKS	Vicki de Angeli
	Subtotal	95,250.00		
	Total Misc Transfers	1,168,135.22		

Summary of Mr. Shelton's Asset Transfers Following the Shareholder Suits

135. As described in detail above, Mr. Shelton transferred, primarily to SCIP Partners, assets valued in the tens of millions of dollars following the commencement of the Shareholder Suits in April of 1998. These transfers, combined with the "miscellaneous" transfers scheduled immediately above, and all subsequent transfers, are summarized as follows:

Date	Payee	Value at Time	Transferor	Beneficiary
6/14/1999	Adam de Angeli	500.00	EKS	Adam de Angeli
9/26/1999	Univ. of Mich.	13,365.64	EKS	Adam de Angeli
1/23/2000	Univ. of Mich.	6,422.69	EKS	Adam de Angeli
2/22/2000	Univ. of Mich.	6,357.50	EKS	Adam de Angeli
9/18/2000	Univ. of Mich.	5,484.19	EKS	Adam de Angeli
10/18/2000	Univ. of Mich.	5,391.50	EKS	Adam de Angeli
11/14/2000	Adam de Angeli	10,000.00	EKS	Adam de Angeli
1/21/2001	Univ. of Mich.	5,484.19	EKS	Adam de Angeli
2/21/2001	Univ. of Mich.	5,406.50	EKS	Adam de Angeli
9/22/2001	Univ. of Mich.	5,837.69	EKS	Adam de Angeli
10/15/2001	Univ. of Mich.	5,745.00	EKS	Adam de Angeli
1/23/2002	Univ. of Mich.	6,155.19	EKS	Adam de Angeli
2/18/2002	Univ. of Mich.	6,062.50	EKS	Adam de Angeli
12/22/2002	Adam de Angeli	200.00	EKS	Adam de Angeli
1/16/2003	Univ. of Mich.	13,188.69	EKS	Adam de Angeli
9/17/2003	Univ. of Mich.	10,586.69	EKS	Adam de Angeli
10/26/2003	Univ. of Mich.	3,389.00	EKS	Adam de Angeli
1/16/2004	Univ. of Mich.	4,936.69	EKS	Adam de Angeli
2/15/2004	Univ. of Mich.	4,528.00	EKS	Adam de Angeli
1/15/2006	Adam de Angeli	150.00	EKS	Adam de Angeli

Date	Payee	Value at Time	Transferor	Beneficiary
	Subtotal	119,191.66		
5/5/1998	Amy Shelton	16,400.00	EKS	Amy Shelton
5/28/1998	Amy Shelton	13,577.00	EKS	Amy Shelton
6/30/1998	Amy Shelton	23,400.00	EKS	Amy Shelton
9/28/1998	Amy Shelton	2,984,832.00	EKS	Amy Shelton
10/2/1998	Amy Shelton	3,592.24	EKS	Amy Shelton
10/7/1998	Amy Shelton	376,270.89	EKS	Amy Shelton
11/5/1998	Amy Shelton	61.25	EKS	Amy Shelton
1/27/1999	Amy Shelton	500,000.00	EKS	Amy Shelton
3/26/1999	Amy Shelton	2,899.74	EKS	Amy Shelton
3/28/1999	Amy Shelton	705.00	EKS	Amy Shelton
9/8/1999	Amy Shelton	51,958.34	EKS	Amy Shelton
9/10/1999	Amy Shelton	1,000.00	EKS	Amy Shelton
9/15/1999	Amy Shelton	4,000.00	EKS	Amy Shelton
	Subtotal	3,978,696.46		
1/9/2001	Children's Trust	6,154.95	Family Trust	Children's Trust
2/9/2001	Children's Trust	547,534.68	EKS	Children's Trust
7/3/2004	Children's Trust	1,200,000.00	SCIP Partners	Children's Trust
12/9/2005	Children's Trust	344,873.00	SCIP Partners	Children's Trust
	Subtotal	2,098,562.63		
8/17/1998	Christine de Angeli	100.00	EKS	Christine de Angeli
6/14/1999	St. Andrews Episcopal School	9,202.00	EKS	Christine de Angeli
12/17/1999	St. Andrews Episcopal School	7,252.78	EKS	Christine de Angeli
2/10/2000	Christine de Angeli	250.00	EKS	Christine de Angeli
6/23/2000	St. Andrews Episcopal School	10,110.00	EKS	Christine de Angeli
11/14/2000	Christine de Angeli	10,000.00	EKS	Christine de Angeli
12/19/2000	St. Andrews Episcopal School	7,785.04	EKS	Christine de Angeli
7/13/2001	Univ. of Penn.	106,520.00	EKS	Christine de Angeli
7/16/2001	Univ. of Penn.	4,582.00	EKS	Christine de Angeli
12/16/2001	Univ. of Penn.	4,478.32	EKS	Christine de Angeli
2/13/2002	Univ. of Penn.	1,450.32	EKS	Christine de Angeli
6/23/2002	Nu Chapter Housing Corp.	1,850.00	EKS	Christine de Angeli
8/30/2002	Christine de Angeli	2,000.00	EKS	Christine de Angeli
8/30/2002	Christine de Angeli	200.00	EKS	Christine de Angeli
12/22/2002	Christine de Angeli	200.00	EKS	Christine de Angeli
1/7/2003	Nu Chapter Housing Corp.	1,850.00	EKS	Christine de Angeli
1/7/2003	Christine de Angeli	2,000.00	EKS	Christine de Angeli
7/23/2003	Univ. of Penn.	2,648.22	EKS	Christine de Angeli
5/15/2005	Christine de Angeli	500.00	EKS	Christine de Angeli
1/15/2006	Christine de Angeli	150.00	EKS	Christine de Angeli
	Subtotal	173,128.68		

Date	Payee	Value at Time	Transferor	Beneficiary
12/21/2003	John Schultz	50,000.00	EKS	John Schultz
	Subtotal	50,000.00		
12/18/2002	Kip Shelton	20,000.00	EKS	Kip Shelton
12/22/2002	Kip Shelton	2,000.00	EKS	Kip Shelton
12/24/2003	Kip Shelton	22,000.00	EKS	Kip Shelton
12/30/2004	Kip Shelton	22,000.00	EKS	Kip Shelton
3/31/2006	Kip Shelton	900.00	EKS	Kip Shelton
	Subtotal	66,900.00		
5/12/2000	SCIP Mgt	5,000.00	EKS	SCIP Mgt
5/17/2000	SCIP Mgt	26,000.00	EKS	SCIP Mgt
6/18/2004	SCIP Mgt	267,009.00	SCIP Partners	SCIP Mgt
6/18/2004	SCIP Mgt	3,000.00	SCIP Partners	SCIP Mgt
1/4/2005	SCIP Mgt	238,365.00	SCIP Partners	SCIP Mgt
	Subtotal	539,374.00		
1/1/2000	SCIP Partners	3,291,695.00	EKS	SCIP Partners
1/1/2000	SCIP Partners	14,263,859.00	EKS	SCIP Partners
4/5/2000	SCIP Partners	950,000.00	EKS	SCIP Partners
4/12/2000	SCIP Partners	233,938.00	EKS	SCIP Partners
4/19/2000	SCIP Partners	2,000,000.00	EKS	SCIP Partners
4/27/2000	SCIP Partners	324,542.00	EKS	SCIP Partners
4/27/2000	SCIP Partners	1,296,159.00	EKS	SCIP Partners
5/22/2000	SCIP Partners	30,000.00	SCIP Mgt	SCIP Partners
	Subtotal	22,390,193.00		
12/18/2002	Scott Shelton	20,000.00	EKS	Scott Shelton
12/22/2002	Scott Shelton	2,000.00	EKS	Scott Shelton
12/23/2003	Scott Shelton	22,000.00	EKS	Scott Shelton
6/12/2004	Scott Shelton	200.00	EKS	Scott Shelton
9/6/2005	Scott Shelton	967.00	EKS	Scott Shelton
11/14/2005	Northeastern Univ.	65.00	EKS	Scott Shelton
3/31/2006	Scott Shelton	600.00	EKS	Scott Shelton
4/30/2006	Scott Shelton	2,892.80	EKS	Scott Shelton
7/31/2006	Scott Shelton	1,000.00	EKS	Scott Shelton
	Subtotal	49,724.80		
3/29/1998	Vicki de Angeli	15,000.00	EKS	Vicki de Angeli
5/7/1998	Vicki de Angeli	959,081.73	EKS	Vicki de Angeli
5/13/1998	Vicki de Angeli	70,353.37	EKS	Vicki de Angeli
5/26/1998	Vicki de Angeli	103.90	EKS	Vicki de Angeli

Date	Payee	Value at Time	Transferor	Beneficiary
6/8/1998	Vicki de Angeli	265.88	EKS	Vicki de Angeli
3/28/1999	Vicki de Angeli	250.00	EKS	Vicki de Angeli
11/14/2000	Vicki de Angeli	80,000.00	EKS	Vicki de Angeli
	Subtotal	1,125,054.88		
	Grand Total	30,590,826.11		

Transfers by Mr. Shelton From Individual Accounts to Joint Accounts

136. In the two months following the commencement of the Shareholder Suits, Mr. Shelton transferred, from an account in his name only to an account held jointly with Mrs. Shelton, cash and securities with a combined value at the time of \$24,461,944.91.

137. While it appears that the bulk of the assets described in the preceding paragraph were later transferred to SCIP Partners, some of these assets may have been subsequently transferred to or for Mrs. Shelton's benefit with the actual intent to hinder, delay and/or defraud one or more of Mr. Shelton's creditors.

138. In early 2004, Mr. Shelton deposited, into accounts held jointly with Mrs. Shelton, checks made payable solely to Mr. Shelton and totaling \$1,066,546.62. These checks were dated and valued follows: (a) January 22, 2004 in the amount of \$266,546.62; (b) February 16, 2004 in the amount of \$200,000; and, (c) May 25, 2004 in the amount of \$600,000.

139. Upon information and belief, the assets described in the preceding paragraph were subsequently transferred to or for Mrs. Shelton's benefit with the actual intent to hinder, delay and/or defraud one or more of Mr. Shelton's creditors.

140. Between May 24, 2006 and August 10, 2006, Mr. Shelton transferred, from an account in his name only to an account held jointly with Mrs. Shelton, liquid assets totaling \$610,000. The amounts and dates of these transfers are as follows: (a) \$10,000 effective May 24,

2006; (b) \$10,000 effective June 6, 2006; (c) \$20,000 effective June 14, 2006; (d) \$30,000 effective June 30, 2006; (e) \$20,000 effective July 18, 2006; (f) \$20,000 effective August 2, 2006; and, (g) \$500,000 effective August 10, 2006.

141. Upon information and belief, the assets described in the preceding paragraph were subsequently transferred to or for Mrs. Shelton's benefit with the actual intent to hinder, delay and/or defraud one or more of Mr. Shelton's creditors.

Mrs. Shelton Holds Title to Mr. Shelton's Residence as Nominee

142. By Statutory Form Quitclaim Deed dated February 4, 1993, Mr. Shelton transferred to Mrs. Shelton "all of [his] undivided fifty percent ... interest in" the Sheltons' primary residence located at 573 Middlesex Road, Darien, Connecticut 06820 (the "Shelton Residence").

143. Upon information and belief, Mrs. Shelton provided no consideration in exchange for the transfer described in the preceding paragraph.

144. In a July 11, 2006 deposition, Mrs. Shelton testified that since 1990, the funds that were used to pay expenses related to the Shelton Residence – including utilities, insurance and mortgage payments – were derived entirely from Mr. Shelton's employment.

Mr. Shelton Exercised Domination and Control Over SCIP Partners and SCIP Management

145. Mr. Shelton's domination and control over SCIP Partners and SCIP Management is evidenced by *inter alia*, Mr. Shelton's causing the transfer – for no apparent business purpose and with no supporting documentation – of \$5,024,418 (the "\$5 Million Transfer") on January 31, 2001 from SCIP Partners' Paine Webber account to a Merrill Lynch account held jointly by Mr. and Mrs. Shelton.

146. Mr. Shelton did not report the \$5 Million Transfer on the books and records of SCIP Partners; he did not report this distribution on the Internal Revenue Service Tax Form 1065 (Schedule K-1, Partner's Share of Income, Credits, Deductions, etc.) that SCIP Partners issued to Mr. Shelton as Limited Partner; nor did Mr. and Mrs. Shelton report this receipt of funds on any of their U.S. Individual Income Tax Returns.

147. Mr. Shelton made the \$5 Million Transfer without notifying or consulting with the ostensible owner of the 40% Interest in SCIP Partners.

148. Other than the use of the Sheltons' personal accountant for the preparation and filing of tax returns, neither SCIP Partners nor SCIP Management retained professional service providers such as accountants or lawyers to assist in their day-to-day affairs.

149. Neither SCIP Partners nor SCIP Management maintained accounting records such as general ledgers, trial balances, cash receipts and disbursement ledgers or capital account ledgers.

150. SCIP Partners, SCIP Management, the Family Trust and the Children's Trust, and each of them, were funded solely with Mr. Shelton's personal assets. With the sole exception of capital appreciation and income derived from the transferred assets, these four entities received no additional funds or assets from any source other than Mr. Shelton.

COUNT I
Nominee Ownership of the Shelton Residence

151. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 150 as if fully set forth herein.

152. Mrs. Shelton is a nominee who holds bare legal title to the Shelton Residence for

the benefit of Mr. Shelton.

153. Property held by a taxpayer's nominee or alter ego may be subjected to a federal tax lien or levy.

154. The Restitution Judgment against Mr. Shelton is a lien in favor of the United States on all property and rights to property of Mr. Shelton as if the liability of Mr. Shelton were a liability for tax assessed under the Internal Revenue Code of 1986.

155. Accordingly, the nominee theory of ownership applied by federal courts to levy on property held by nominees of delinquent taxpayers is equally applicable to property held by nominees of defendants ordered to pay restitution.

156. The following applicable factors are to be considered in determining whether property is held by a nominee:

- (a) inadequate or no consideration was paid by the nominee;
- (b) the property was placed in the nominee's name while the transferor remains in control of the property;
- (c) there is a close relationship between the nominee and the transferor;
- (d) the transferor retains possession;
- (e) the transferor continues to enjoy the benefits of the transferred property; and,
- (f) expenditure of personal funds by the transferor to purchase and maintain the property.

COUNT II

28 U.S.C. § 3304(b)(1)(A)

Transfers With Intent to Hinder, Delay or Defraud a Creditor

157. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 156 as if fully set forth herein.

158. Mr. Shelton made each of the transfers described in Paragraph 135, above, with actual intent to hinder, delay or defraud one or more creditors, including, without limitation, the

United States and/or the Cendant shareholders who were named as plaintiffs in the Shareholder Suits.

159. The transfers described in Paragraph 135, above, were made either: (a) directly to one of the Defendants; (b) for the benefit of one of the Defendants; or, (c) to one of the Defendants as a subsequent transferee who was not, and did not take from, a good faith transferee for value.

160. The transfers described in Paragraph 135, above, and each of them, could not reasonably have been discovered by the United States prior to two years of the date this action was brought.

161. With respect to the transfers described in Paragraph 135, above, the following badges of fraud are applicable and are to be considered in determining actual intent:

- (a) the transfers were to insiders (including relatives of Mr. Shelton and/or entities that Mr. Shelton controlled either directly or indirectly);
- (b) Mr. Shelton retained possession or control of the property after it was transferred;
- (c) the transfers were concealed;
- (d) before the transfers were made, Mr. Shelton had been sued or threatened with suit;
- (e) the transfers were of substantially all of Mr. Shelton's assets;
- (f) Mr. Shelton removed or concealed assets;
- (g) little or no consideration was received by Mr. Shelton in exchange for the transfers;
- (h) Mr. Shelton was insolvent or became insolvent shortly after the transfers were made;
- (i) the transfers occurred shortly before or shortly after a substantial debt was incurred.

COUNT III
28 U.S.C. § 3304(b)(1)(B)(ii)
Transfers for Less than Equivalent Value
With Awareness of Impending Inability to Pay Debts

162. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 161 as if

fully set forth herein.

163. Mr. Shelton made each of the transfers described in Paragraph 135, above, without receiving a reasonably equivalent value in exchange for the transfers and, at the time of such transfers, Mr. Shelton believed or reasonably should have believed that he would incur debts beyond his ability to pay as they became due.

164. The transfers described in Paragraph 135, above, were made either: (a) directly to one of the Defendants; (b) for the benefit of one of the Defendants; or, (c) to one of the Defendants as a subsequent transferee who was not, and did not take from, a good faith transferee for value.

165. Included in this Count are each of the transfers described in Paragraph 135, above, that were effected within six years of the date this action was brought.

COUNT IV
Reverse Piercing Against Alter Ego Companies
Instrumentality Rule

166. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 165 as if fully set forth herein.

167. SCIP Partners and SCIP Management (hereinafter collectively referred to as the “Companies”), and each of them, have at all times: (a) been mere shells; (b) served no legitimate purpose; and, (c) been used primarily as intermediaries to perpetrate fraud and/or to promote injustice in an attempt by Mr. Shelton to escape his financial obligations.

168. At all times relevant, Mr. Shelton exercised control over the Companies as follows: (a) complete stock control; and, (b) complete domination, not only of finances but of policy and business practice so that the Companies had no separate mind, will or existence of

their own.

169. The following factors are applicable and are to be considered in determining Mr. Shelton's domination and/or control over the Companies:

- (a) the absence of corporate formalities;
- (b) funds were put in and taken out of the Companies for personal rather than business purposes;
- (c) overlapping ownership, officers, directors, personnel;
- (d) common office space, address, phones;
- (e) little or no business discretion was exercised by the Companies; and,
- (f) the Companies did not conduct their transactions at arms length.

170. At all times relevant, Mr. Shelton used his control over the Companies to: (a) commit fraud or wrong; (b) perpetrate the violation of a statutory or other positive legal duty; and/or, (c) perpetrate a dishonest or unjust act in contravention of Plaintiff's legal rights.

171. Mr. Shelton's control over the Companies proximately caused the injury or unjust loss complained of herein, i.e., the inability of the United States to levy execution against the assets held by the Companies without first having to commence the instant proceeding.

COUNT V
Reverse Piercing Against Alter Ego Companies
Identity Rule

172. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 171 as if fully set forth herein.

173. At all times relevant, there was between and among Mr. Shelton and the Companies such a unity of interest and ownership that the independence of the Companies had never begun.

174. At all times relevant, the Companies have, in reality, been controlled as one enterprise because of the existence of common owners, officers, directors or shareholders and

because of the lack of observance of corporate formalities between the two entities.

175. At all times relevant, there has been such domination of finances, policies and practices that the Companies have, so to speak, no separate mind, will or existence of their own and are but business conduits for Mr. Shelton.

176. The following applicable factors are to be considered in determining the applicability of the identity rule for disregarding the separate legal existence of the Companies:

- (a) Mr. Shelton used his complete control of the Companies to manage their assets as if they were his own;
- (b) Mr. Shelton conducted the operations of the Companies without any input from other owners;
- (c) Mr. Shelton did little to demonstrate the adherence to corporate formalities other than some segregation of expenses for tax purposes;
- (d) the Companies did not hold regular meetings;
- (e) the Companies did not make regular distributions to owners; and,
- (f) the Companies did not lease separate office space, but operated out of Mr. Shelton's home.

177. At all times relevant, Mr. Shelton has used the Companies as cloaks for the evasion of his obligations, as masks behind which to do injustice to his creditors, including the Cendant shareholders, Cendant, and the United States.

COUNT VI

Alternatively, Any Ownership Interest in SCIP Partners Held by the Children's Trust is Held as Nominee and/or Fraudulent Transferee of Mr. Shelton

178. Plaintiff repeats and realleges each allegation in Paragraphs 1 through 177 as if fully set forth herein.

179. In the alternative to Counts IV and V, to the extent that the Children's Trust holds any ownership interest in SCIP Partners, it holds such interest as nominee and/or fraudulent transferee of Mr. Shelton.

180. The 40% Interest in SCIP Partners that was ostensibly transferred from the Family Trust to the Children's Trust in January, 2001 was: (a) at the time of the ostensible transfer, Mr. Shelton's property (as that term is defined by 28 U.S.C. § 3002(12)); (b) transferred, if at all, to the Children's Trust at the direction of Mr. Shelton; and, (c) transferred, if at all, to the Children's Trust for no consideration.

181. The 40% Interest in SCIP Partners was transferred to the Children's Trust, if at all, by Mr. Shelton with actual intent to hinder, delay or defraud one or more of Mr. Shelton's creditors.

182. The 40% Interest in SCIP Partners was transferred to the Children's Trust, if at all, by Mr. Shelton without receiving a reasonably equivalent value in exchange for the ostensible transfer and, at the time of such ostensible transfer, Mr. Shelton believed or reasonably should have believed that he would incur debts beyond his ability to pay as they became due.

183. Mr. Shelton transferred his 59.9% Interest in SCIP Partners to the Children's Trust in September, 2005 with actual intent to hinder, delay or defraud one or more of Mr. Shelton's creditors.

184. Mr. Shelton transferred his 59.9% Interest in SCIP Partners to the Children's Trust in September, 2005: (a) without receiving a reasonably equivalent value in exchange for the transfer; and, (b) at a time when Mr. Shelton believed or reasonably should have believed that he would incur debts beyond his ability to pay as they became due.

185. Mr. Shelton transferred his 59.9% Interest in SCIP Partners to the Children's Trust in September, 2005: (a) after the entry of the Restitution Judgment; (b) without receiving a reasonably equivalent value in exchange for the transfer; and, (c) at a time when Mr. Shelton was

insolvent.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff hereby petitions this Court for an Order providing for:

- A. Pursuant to 28 U.S.C. § 2201, a declaration that Mrs. Shelton holds title to the Shelton Residence as nominee for Mr. Shelton and, therefore, that the Shelton Residence is subject to execution by the United States in the same manner as if Mr. Shelton held legal title to same;
- B. Pursuant to 28 U.S.C. § 2201, a declaration that SCIP Partners is an alter ego of Mr. Shelton and, therefore, that SCIP Partners is jointly and severally liable for the Restitution Judgment against Mr. Shelton;
- C. Pursuant to 28 U.S.C. § 2201, a declaration that SCIP Management is an alter ego of Mr. Shelton and, therefore, that SCIP Management is jointly and severally liable for the Restitution Judgment against Mr. Shelton;
- D. Pursuant to 28 U.S.C. § 3306(a)(1), the avoidance of the fraudulent transfers described above to the extent necessary to satisfy the Restitution Judgment owed by Mr. Shelton;
- E. Pursuant to 28 U.S.C. § 3307(b), money judgments, for the value of assets fraudulently transferred, against all Defendants (the “Transferee Defendants”) who are: (a) a first transferee of such an asset; (b) a person for whose benefit such a transfer was made; and/or, (c) a subsequent transferee who was not (or did not take from) a good faith transferee for value. Pursuant to 28 U.S.C. § 3307(c), the value of such assets transferred, and therefore the amount of the money judgment, is the value of the asset at the time of the transfer, subject to adjustment as the equities may require;
- F. Pursuant to 28 U.S.C. §§ 3306(a)(2) and 3104, garnishment of bank and/or securities accounts maintained by the Transferee Defendants up to the value of the assets transferred to and/or for the benefit of these Defendants;
- G. Pursuant to 28 U.S.C. §§ 3306(a)(2) and 3102, attachment of all property in the possession, custody or control of the Transferee Defendants, and in which such Defendants have substantial non-exempt interests, up to the value of the assets transferred to and/or for the benefit of these Defendants; and,

H. Pursuant to 28 U.S.C. § 3306(a)(3), any other relief the circumstances may require.

Respectfully submitted,

CHRISTOPHER J. CHRISTIE
Special Attorney
U.S. Department of Justice

/s/John G. Silbermann

Dated: November 13, 2006
Newark, New Jersey

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