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*1st Session*

HOUSE OF REPRESENTATIVES

REPORT
107–130

# IN THE MATTER OF REPRESENTATIVE EARL F. HILLIARD

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# REPORT

OF THE

# COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

JULY 10, 2001.—Referred to the House Calendar and ordered to be printed

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U.S. House of Representatives

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July 10, 2001

The Honorable Jeff Trandahl
Clerk, House of Representatives
Washington, D.C. 20515

Dear Mr. Trandahl:

Pursuant to Clause 3(a)(2) of Rule 11 of the House of Representatives, and by direction of the Committee on Standards of Official Conduct, we herewith transmit the attached Report, "In the Matter of Representative Earl F. Hilliard."

Sincerely,

Joel Hefley
Chairman

Howard L. Berman
Ranking Minority Member

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**107TH CONGRESS, 1ST SESSION**

**IN THE MATTER OF REPRESENTATIVE EARL F. HILLIARD**

**JUNE 20, 2001**

**Mr. HEFLEY and Mr. BERMAN from the Committee on Standards of Official Conduct, submitted the following**

**REPORT**

The Committee on Standards of Official Conduct ("Committee") submits this Report pursuant to House Rule XI, Clause 3(a)(2), which authorizes the Committee to investigate any alleged violation by a Member, officer, or employee of the House of Representatives, of the Code of Official Conduct or of any law, rule, regulation, or other standard of conduct applicable to the conduct of such Member, officer, or employee.

On September 22, 1999, the Committee established an Investigative Subcommittee to investigate specific matters relating to Representative Earl F. Hilliard that came to the attention of the Committee following publication of certain newspaper reports. The scope of jurisdiction of the Investigative Subcommittee was expanded one time to encompass matters that came to the attention of the Investigative Subcommittee during its inquiry.

The Investigative Subcommittee completed its investigation in the fall and, thereafter, found substantial reason to believe that Representative Hilliard violated House Rules within the Committee's jurisdiction. As part of a negotiated settlement, Representative Hilliard admitted to the violations found by the Investigative Subcommittee. The Investigative Subcommittee unanimously adopted a Statement of

Alleged Violation on April 4, 2001. The Statement of Alleged Violation consists of three Counts, each setting forth a separate pattern and practice of conduct by Representative Hilliard that violated both Clause 6 of former House Rule 43 (current House Rule 23), and Clause 1 of former House Rule 43 (current House Rule 23). The conduct at issue in Count I of the Statement of Alleged Violation involved the expenditure of campaign funds by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes, in violation of Clause 6 of former House Rule 43. The conduct at issue in Counts II and III of the Statement of Alleged Violation involved personal use of campaign funds by Representative Hilliard in excess of reimbursement for legitimate and verifiable campaign expenditures, and the expenditure of campaign funds by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes, in violation of Clause 6 of former House Rule 43. Further, with respect to each pattern and practice of conduct by Representative Hilliard described separately in each of the three Counts of the Statement of Alleged Violation, Representative Hilliard acted in a manner that did not reflect creditably on the House of Representatives, in violation of Clause 1 of former House Rule 43.

On May 10, 2001, the Investigative Subcommittee transmitted a copy of its final draft report in this matter to Representative Hilliard via his personal counsel. On May 11, 2001, through counsel, Representative Hilliard requested an extension of time to submit his views on the final draft report of the Investigative Subcommittee. On May 14, 2001, the Investigative Subcommittee notified Representative Hilliard's counsel that the deadline for Representative Hilliard to submit views on the final draft report of the Investigative Subcommittee was extended from May 17, 2001 until May 21, 2001. Notwithstanding the extension of time granted by the Investigative Subcommittee, on May 16, 2001, Representative Hilliard, through a letter from his counsel, informed the Investigative Subcommittee that he did not wish to submit views regarding the Investigative Subcommittee's final draft report. Representative Hilliard further waived the requirement of Committee Rule 22(c)(1) that the Investigative Subcommittee vote on whether to adopt the final draft report not less than 15 calendar days from Representative Hilliard's receipt of that Report. Representative Hilliard also submitted a written request to waive a sanction hearing in this matter pursuant to Committee Rule 25.

Subsequently, on May 17, 2001, the Investigative Subcommittee unanimously adopted the final draft report as its Report in this matter. On May 23, 2001, pursuant to Committee Rule 22(c)(3), the Investigative Subcommittee transmitted its Report to the Committee. On that same date, the Investigative Subcommittee also transmitted the letter from Representative Hilliard's counsel to the Investigative Subcommittee, stating that Representative Hilliard did not wish to submit views in response to the Investigative Subcommittee's Report. On May 23, 2001, pursuant to Committee Rule 27(b), the Committee agreed to Representative Hilliard's written request to waive a sanction hearing in this matter.

On June 20, 2001, the Committee by unanimous vote adopted the Report of the Investigative Subcommittee and includes that Report herewith as part of the Committee's Report to the House of Representatives in this matter. Pursuant to Committee Rule 25(d), on June 20, 2001, the Committee by a unanimous vote determined that a Letter of Reproval constituted the appropriate sanction for Representative Hilliard's violation of House Rules. Pursuant to Committee Rule 25(d), the Letter of Reproval issued by the Committee to Representative Hilliard is also included in the Committee's Report to the House of Representatives.

JOEL HEFLEY, COLORADO
CHAIRMAN
ROB PORTMAN, OHIO
DOC HASTINGS, WASHINGTON
ASA HUTCHINSON, ARKANSAS
JUDY BIGGERT, ILLINOIS

ROBERT L. WALKER,
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BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SEVENTH CONGRESS

# U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

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(202) 225–7103

June 20, 2001

The Honorable Earl F. Hilliard
1314 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Hilliard:

By this letter, the Committee on Standards of Official Conduct formally and publicly reproves you for violations of the Code of Official Conduct of the House of Representatives.

Your conduct in violation of the Code of Official Conduct is described in detail in the Statement of Alleged Violation adopted by the Investigative Subcommittee and in the Report of the Investigative Subcommittee. You have admitted to the Statement of Alleged Violation, and to the factual allegations therein, under penalty of perjury.

The conduct for which you are hereby sanctioned is summarized below:

1. During the period April 1993 to March 1994, you engaged in a pattern and practice of conduct whereby, at your authorization and instruction, the Hilliard for Congress Campaign (hereafter "HFCC"), the political committee authorized by you to receive contributions or make expenditures on your behalf, made loans totaling more than $16,000 to three individuals for purposes not attributable to any bona fide campaign or political purpose.

2. During the period July 1992 to August 1996, you engaged in a pattern and practice of conduct whereby, with your knowledge, HFCC made expenditures to three individuals for salary and benefits for performing services for corporations owned or controlled by you and members of your family. In this manner, you converted campaign funds to personal use in excess of reimbursement for legitimate campaign expenditures and expended campaign funds for a purpose not attributable to bona fide campaign or political purposes.

3. During the period 1993 through 1996, you engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by you in excess of reimbursement for legitimate and verifiable campaign expenditures and expended by you for purposes not attributable to bona fide campaign or political purposes. Your pattern and practice of conduct included (a) causing HFCC to make expenditures totaling $8,000 to pay rent owed pursuant to a lease you guaranteed for a corporation owned in substantial part by you and members of your family; (b) causing HFCC to make expenditures for rent substantially in excess of fair market value to a Section 501(c)(3) corporation operated and controlled by members of your family, which in turn transmitted these funds to a corporation owned and controlled by you and members of your family; (c) causing HFCC to make expenditures for rent substantially in excess of fair market value directly to corporations owned or controlled by you and members of your family; and (d) causing HFCC to make expenditures to pay utility expenses incurred by corporations owned or controlled by you and members of your family.

With respect to each pattern and practice of conduct separately described above, you violated Clause 6 of the Code of Official Conduct, former Rule 43 (current Rule 23) of the House of Representatives, which provided, in pertinent part, that a "Member shall convert no campaign funds to personal use in excess of reimbursement for legitimate and verifiable campaign expenditures and shall expend no funds from the campaign account not attributable to bona fide campaign or political purposes." With respect to each pattern and practice of conduct separately described above, you also violated Clause 1 of the Code of Official Conduct, former Rule 43 (current Rule 23) of the House of Representatives, which provided that "[a] Member, officer or employee of the House of Representatives shall conduct himself at all times in a manner which shall reflect creditably on the House of Representatives."

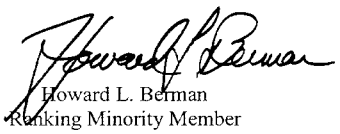
In knowing violation of the Code of Official Conduct, you expended funds from your campaign account for purposes not attributable to bona fide campaign or political purposes and you converted campaign contributions to personal use. Your improper use and conversion of campaign funds were accomplished through several distinct means and over a period of years. Through this extended conduct, monies contributed to your campaign for your campaign were, instead, put by you to your personal use and benefit and to the use and benefit of members of your family.

You engaged in serious official misconduct that brought discredit to the House of Representatives. The Investigative Subcommittee and the full Committee duly considered that misconduct. The Members of both bodies determined that you should be publicly sanctioned. Your willingness, ultimately, to admit to the misconduct set forth in the Statement of Alleged Violation, summarized above, and to enter into a settlement of this matter was significant in the Committee's determination to accept the recommendation of the Investigative Subcommittee and sanction you through a Letter or Reproval. We emphasize that a Letter of Reproval is a formal sanction intended to be a

rebuke of a Member's conduct issued by a body of that Member's peers acting, as the Committee on Standards of Official Conduct, on behalf of the House of Representatives.

Sincerely,

Joel Hefley
Chairman



Howard L. Berman
Ranking Minority Member

cc: Ralph L. Lotkin, Esq.

107TH CONGRESS, 1ST SESSION

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

IN THE MATTER OF REPRESENTATIVE EARL F. HILLIARD

MAY 17, 2001

Mr. PORTMAN from the Investigative Subcommittee submitted the following

REPORT

To the Committee on Standards of Official Conduct.

## I. EXECUTIVE SUMMARY

On September 22, 1999, the Committee on Standards of Official Conduct established an Investigative Subcommittee in the Matter of Representative Earl F. Hilliard. The Investigative Subcommittee's investigation regarding Representative Hilliard encompassed certain matters that had come to the attention of the Committee on Standards of Official Conduct following publication of certain newspaper reports. These matters had been the subject of a preliminary inquiry by the Chairman and Ranking Minority Member of the Committee on Standards of Official Conduct prior to the establishment of the Investigative Subcommittee. In the course of the Investigative Subcommittee's investigation of Representative Hilliard, the scope of its jurisdiction was

expanded one time to encompass additional matters that came to the attention of the Investigative Subcommittee during its inquiry.

At the conclusion of the investigation, the Investigative Subcommittee found substantial reason to believe that Representative Hilliard committed multiple violations of House Rules within the Committee's jurisdiction. The Investigative Subcommittee unanimously adopted a Statement of Alleged Violation on April 4, 2001, and Representative Hilliard admitted to the violations found by the Investigative Subcommittee on April 5, 2001. ***Exhibits 1 and 2.*** The Statement of Alleged Violation delineates those matters for which the Investigative Subcommittee found substantial reason to believe that Representative Hilliard violated a law, rule, regulation or other standard of conduct applicable to a Member of Congress. A summary and explanation of the Investigative Subcommittee's findings with respect to these matters is set forth below. With respect to the matters within the scope of the Investigative Subcommittee's jurisdiction that are not addressed in the Statement of Alleged Violation, the Investigative Subcommittee did not find substantial reason to believe that Representative Hilliard violated any law, rule, regulation or other standard of conduct applicable to Representative Hilliard. A summary of the basis for the Investigative Subcommittee's findings with respect to those matters is also set forth below.

The Statement of Alleged Violation provides as follows:

**STATEMENT OF ALLEGED VIOLATION**

***SUMMARY OF RELEVANT STANDARDS OF CONDUCT***

At all times relevant to the violations hereafter alleged (except as otherwise noted), the pertinent provisions of law and House Rules are summarized as follows:

Clause 6 of former House Rule 43 (now House Rule 23) stated, inter alia, that "[a] Member shall convert no campaign funds to personal use in excess of reimbursement for legitimate and verifiable campaign expenditures and shall expend no funds from his campaign account not attributable to bona fide campaign or political purposes."

Clause 1 of former House Rule 43 (now House Rule 23) stated that "[a] Member, officer or employee of the House of Representatives shall conduct himself at all times in a manner which shall reflect creditably on the House of Representatives."

*ALLEGED VIOLATIONS*

For each of the following alleged violations, the Investigative Subcommittee has determined there is "substantial reason to believe that a violation of the Code of Official Conduct, or of a law, rule, regulation, or other standard of conduct applicable to the performance of official duties or the discharge of official responsibilities by a Member, officer, or employee of the House of Representatives has occurred." See Rule 20(e), Rules of the Committee on Standards of Official Conduct.

At all times relevant to this Statement of Alleged Violation, Earl F. Hilliard was a Member of the United States House of Representatives representing the Seventh District of Alabama. References to the Hilliard for Congress Campaign ("HFCC") refer to the authorized committee of Representative Earl F. Hilliard, i.e. the political committee authorized by Representative Hilliard under 2 U.S.C. § 432(e)(1) to receive contributions or make expenditures on behalf of Representative Hilliard. See 2 U.S.C. § 431(6).

**Count I: Pattern And Practice Of Conduct In Violation of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Loans Of Campaign Funds To Three Individuals.***

During the period approximately April 1993 to March of 1994, with the authorization and at the instruction of Representative Hilliard, HFCC made at least nine loans totaling approximately $16,205.04 to three individuals. Approximately $13,205.04 of the loans was to one individual, and of this amount, $7,452 has not been repaid.

The remaining $3,000 in loans by HFCC were made to two individuals employed in the Congressional District office of Representative Hilliard located in

Birmingham, Alabama. Each of the remaining two loan recipients received $1,500. One of the loan recipients fully repaid the $1,500 loan from HFCC. The other loan recipient has repaid only $35 of the $1,500 loan. None of the above-described loans was attributable to any bona fide campaign or political purpose. Although the Investigative Subcommittee received no evidence that Representative Hilliard benefited financially from any of the disbursements in question, each of the loans was for the personal purposes of the recipient and was therefore improper.

***Alleged Violation***

As described above, with the authorization and at the instruction of Representative Hilliard, HFCC made loans totaling approximately $16,205.04 to three individuals for purposes not attributable to any bona fide campaign or political purpose of Representative Hilliard. In this manner, Representative Hilliard expended campaign funds for purposes not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

**Count II: Pattern And Practice Of Conduct In Violation Of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Expenditures Of Campaign Funds For Wages, Salaries, And/Or Benefits To Three Individuals For Work Performed For Corporations Owned Or Controlled By Representative Earl F. Hilliard And Members Of His Family.***

From approximately July 1992 until August 1996, with the knowledge of Representative Hilliard, HFCC made expenditures for salary and benefits to three individuals for performing services for corporations owned or controlled by Representative Hilliard and members of his family; while receiving these salary

and benefit expenditures these individuals did also perform certain functions for HFCC. One of the three individuals received regular expenditures from HFCC from approximately July 1992 until January 1994. The disbursements to this individual totaled approximately $23,961.67. Another of the three individuals received regular expenditures from HFCC from approximately August 1993 until May 1994. The disbursements to this individual totaled approximately $7,945.12. The third of the three individuals received regular disbursements from HFCC from approximately April 1994 until August 1996. The disbursements to this individual totaled approximately $25,242.30. Including disbursements for health care benefits, HFCC made over $60,000 in disbursements related to these individuals during approximately July 1992 until August 1996.

While paid by HFCC, these three individuals did perform certain functions for HFCC; however, at the same time, these three individuals also routinely performed administrative, secretarial, bookkeeping, and other services for corporations owned or controlled by Representative Hilliard, for which services the payments from HFCC were also intended as compensation. The corporations involved included American Trust Life Insurance Company, American Trust Corporation, and American First Bonding Corporation (also known as American First Bail Bonding Corporation).

***Alleged Violation***

From approximately July 1992 until August 1996, HFCC made expenditures to three individuals for performing services for corporations owned or controlled by Representative Hilliard and members of his family. In this manner, Representative Hilliard converted campaign funds to personal use in excess of reimbursement for legitimate campaign expenditures and expended campaign funds for a purpose not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

**Count III: Pattern And Practice Of Conduct In Violation Of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Expenditures Of Campaign Funds Relating To Use And/Or Occupancy Or Purported Use And/Or Occupancy Of Office Space By The Campaign.***

During approximately 1993 through 1996, Representative Hilliard engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by Representative Hilliard in excess of reimbursement for legitimate and verifiable campaign expenditures and expended by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes.

First, during September through December 1996, at the direction of Representative Hilliard, HFCC made expenditures of $8,000 of HFCC funds to pay rent for office space in Montgomery, Alabama owed pursuant to a lease Representative Hilliard guaranteed for a private corporation, the American Management and Marketing Corporation, that was owned in substantial part by corporations owned or controlled by Representative Hilliard and his family. While Representative Hilliard stated through counsel that HFCC occupied this office space on a part-time basis and provided to the Investigative Subcommittee copies of brief declarations from two individual for the purpose of corroborating that statement, there is substantial reason for the Investigative Subcommittee to believe that HFCC did not lease, sublease, or occupy this office space during the relevant period.

Second, during October 1993 through April 1995, at the direction of Representative Hilliard, HFCC made expenditures for rent substantially in excess of fair market value to the African American Institute, a Section 501 (c)(3) corporation operated and controlled by members of Representative Hilliard's family, which in turn transmitted these funds to a corporation owned or controlled by Representative Hilliard and members of his family.

Specifically, as early as 1992, HFCC began to make expenditures of $600 per month for rent of space within a building located in Birmingham, Alabama

owned by the American Trust Life Insurance Company ("ATLIC"), a corporation owned and controlled at the time by Representative Hilliard and members of his family. Beginning in April 1993, HFCC began to make rent payments of $1,000 per month for rent of space in the Birmingham, Alabama building; however no rent payments were made in July or September 1993. Thereafter, in September 1993, ATLIC sold the building at issue to the African American Institute, a 501(c)(3) operated and controlled by members of his family. There was no exchange of money in connection with the sale of the building, and the sale was not an arms length transaction.

Following the sale of the building, HFCC began to make monthly payments of rent to the African American Institute of $1,500 per month, an amount that substantially exceeded fair market value for rent. The fair market value for space utilized by HFCC within the building at issue was as low as $290 per month depending on the amount and quality of space utilized by HFCC. In addition, following the sale of the building to the African American Institute, there was a pattern of sets of payments between HFCC, ATLIC and the African American Institute relating to monthly rent and mortgage payments. HFCC would issue a check for $1,500 to the African American Institute for rent; ATLIC would also issue a check for $1,500 to the African American Institute for rent; and the African American Institute would issue a check to ATLIC for $3,000 for payment on the mortgage note held by ATLIC. Per this pattern, while ATLIC would write a check to the African American Institute for $1,500 for a month's rent, these funds were returned to ATLIC as part of a $3,000 mortgage payment paid by the African American Institute.

Third, at the direction of Representative Hilliard, following the resale of the building from the African American Institute back to the American Trust Life Insurance Company in April 1995 and continuing through July 1996, HFCC continued to make expenditures for rent substantially in excess of fair market value, but made such payments directly to corporations owned and controlled by Representative Hilliard and members of his family.

The aforementioned payments of rent by HFCC to the African American Institute and to corporations owned and controlled by Representative Hilliard and members of his family were not the result of arms length negotiations by independent parties with independent interests in the ordinary course of business. During the period approximately October 1993 through July 1996 alone, HFCC made approximately 29 expenditures of rent that totaled at least $53,100, a substantial portion of which represented rent payments in excess of fair market value. To the extent that rent payments in excess of fair market value were paid by HFCC directly to corporations owned or controlled by Representative Hilliard, and to the extent that such rent payments were made indirectly to ATLIC through the African American Institute, these payments represent a conversion of HFCC funds to entities owned or controlled by Representative Hilliard and members of his family.

Fourth, at the direction of Representative Hilliard, during the time period that HFCC paid rent in connection with the building purchased by the African American Institute from the American Trust Life Insurance Company, HFCC subsidized the other occupants in the building by paying utility expenses incurred for the entire building. Those other occupants were corporations owned and controlled by Representative Hilliard and members of his family. Specifically, at least during the period October 1993 through December 1994, no occupant of the building other than HFCC made payments to the Alabama Power Company, the Alabama Gas Company, Birmingham Water Works, or BellSouth for utility services for the building in Birmingham, Alabama. During that time period, HFCC made expenditures of over $11,000 to the aforementioned utility companies for which HFCC received no reimbursement from any of the other occupants of the building.

***Alleged Violation***

As described above, during approximately 1993 through 1996, Representative Hilliard engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by Representative Hilliard and

members of his family in excess of reimbursement for legitimate and verifiable campaign expenditures and were expended by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes. This conduct included (1) the expenditure of $8,000 of HFCC funds to pay rent owed pursuant to a lease Representative Hilliard guaranteed for the American Management and Marketing Corporation in Montgomery, Alabama; (2) expenditures for rent substantially in excess of fair market value by HFCC made to a Section 501(c)(3) corporation, operated and controlled by members of Representative Hilliard's family, which in turn transmitted these rent expenditures to a corporation owned and controlled by Representative Hilliard and members of his family; (3) expenditures for rent by HFCC substantially in excess of fair market value made directly to corporations owned or controlled by Representative Hilliard and members of his family; and (4) the expenditure of HFCC funds to pay utility expenses incurred by corporations owned or controlled by Representative Hilliard and members of his family. In this manner, Representative Hilliard converted campaign funds for personal use in excess of reimbursement for legitimate campaign expenditures and expended campaign funds for purposes not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

## II. SUMMARY OF FACTS PERTAINING TO REPRESENTATIVE HILLIARD'S PATTERN AND PRACTICE OF CONDUCT THAT VIOLATED CLAUSE 6 OF FORMER HOUSE RULE 43 AND CLAUSE 1 OF FORMER HOUSE RULE 43

### A. Background

Representative Earl F. Hilliard has served as a Member of Congress from the Seventh District of Alabama since January 1993. In 1992, Representative Hilliard established the Hilliard for Congress Campaign (hereafter "HFCC") as the political

committee authorized by him under 2 U.S.C. § 432(e)(1) to receive contributions or make expenditures on his behalf. *See* 2 U.S.C. § 431(6).

The Investigative Subcommittee found that Representative Hilliard engaged in a pattern and practice of conduct during the period at least 1993 through 1996 that violated Clause 6 of former House Rule 43 (a provision of the Code of Official Conduct that is currently designated as House Rule 23) by converting campaign funds for personal use in excess of reimbursement for legitimate campaign expenditures and expending campaign funds for a purpose not attributable to bona fide campaign or political purposes. The Investigative Subcommittee also found that Representative Hilliard's conduct, as delineated in the Statement of Alleged Violation adopted by the Investigative Subcommittee, did not reflect creditably on the House of Representatives, and therefore violated Clause 1 of former House Rule 43 (a provision of the Code of Official Conduct that is currently designated as House Rule 23).[1]

Clause 6 of former House Rule 43 states, *inter alia*, that "[a] Member shall convert no campaign funds to personal use in excess of reimbursement for legitimate and verifiable campaign expenditures and shall expend no funds from his campaign account not attributable to bona fide campaign or political purposes."

On its face, Clause 6 of former House Rule 43 restricts Members' use of their campaign funds.[2] While Members generally have wide discretion as to what constitutes a bona fide political purpose, they may not convert funds to personal use in excess of reimbursement for campaign expenditures that are not only legitimate, but that are also capable of being verified as such.[3] The House Select Committee on Ethics of the 95th Congress explained that "[t]he intent of this rule is to restrict the use of campaign funds to politically-related activities and thus to prohibit their conversion to personal use or to

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[1] In this Report, the House Rules are cited according to the numbering system that was in effect at the time Representative Hilliard became a Member of the House of Representatives and during the period covered by the Statement of Alleged Violation.

[2] *See generally, House Ethics Manual*, 102d Cong., 2d Sess. (April 1992) at 270-274.

[3] *House Ethics Manual*, 102d Cong., 2d Sess. (April 1992) at 271; *In the Matter of Representative E.G. "Bud" Shuster*, H. Rep. 106-979, 106th Cong., 2d Sess. (Oct. 16, 2000) at 3G.

supplement official allowances."[4] In a prior matter applying this rule, the Committee on Standards of Official Conduct held that any use of campaign funds personally benefiting a Member, rather than "exclusively and solely" benefiting the campaign is not a permissible use.[5] "[A] bona fide campaign purpose is not established merely because the use of campaign money *might* result in a campaign benefit as an incident to benefits personally realized by the recipient of such funds[.]"[6] (Italics original). Moreover, the Committee concluded that "any other interpretation and application of [this rule] would open the door to a potentially wide range of abuse and could result in situations where campaign moneys were expended for the personal enjoyment, entertainment, or economic well-being of an individual without any clear nexus that the funds so expended achieved any political benefit to the disburser (campaign organization) of the funds."[7]

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[4] *House Select Comm. on Ethics, Final Report*, H. Rep. No. 95-1837, 95th Cong., 2d Sess. 16 (1979).

[5] *Investigation of Financial Transactions of Representative Jim Weaver with His Campaign Organization*, H. Rep. 99-933, 99th Cong., 2d Sess. 13 (1986).

[6] *Id.* The Investigative Subcommittee also notes that pursuant to 2 U.S.C. § 439a, a provision of the Federal Election Campaign Act of 1971 ("FECA"), as amended, "[a]mounts received by a candidate as contributions that are in excess of any amount necessary to defray his expenditures, and any other amounts contributed to an individual for the purpose of supporting his or her activities as a holder of Federal office, may be used by such candidate or individual, as the case may be, to defray any ordinary and necessary expenses incurred in connection with his or her duties as a holder of Federal office," as well as for other specific purposes delineated in this section of the statute. 2 U.S.C. § 439a. However, "no such amounts may be converted by any person to any personal use, other than to defray any ordinary and necessary expenses incurred in connection with his or her duties as a holder of Federal office." *Id.* The Federal Election Commission ("FEC") has interpreted the "personal use" restrictions in the FECA in a manner that recognizes that candidates have wide discretion in making expenditures for campaign or officeholder activities. *See, e.g.*, FEC Advisory Opinion 1999-1. Nonetheless, preventing the personal use of campaign funds in either a direct or indirect manner also has been a concern of the FEC as reflected in advisory opinions addressing donations or other expenditures by campaign committees to charitable or other organizations in which the candidate or members of his family play leadership roles. *See, e.g.*, FEC Advisory Opinion 1999-1 and FEC Advisory Opinion 1994-8. The FEC has stated that a campaign committee may rent, for campaign use, part of an office building owned by a candidate and members of his family or owned by a corporation owned by a candidate and members of his family, but only "so long as it pays no more than the fair market value." FEC Advisory Opinion 1995-8. It should be noted that notwithstanding the provision of the FECA that may allow such expenditures, Clause 6 of former House Rule 43 (current House Rule 23) prohibits the use of campaign funds to defray ordinary and necessary expenses incurred in connection with holding office. See *House Ethics Manual*, 102d Cong., 2d Sess. (April 1992) at 295-296.

[7] *Investigation of Financial Transactions of Representative Jim Weaver with His Campaign Organization*, H. Rep. 99-933, 99th Cong., 2d Sess. 13 (1986). *See also Summary of Activities – One Hundred Fourth Congress*, Committee on Standards of Official Conduct, 104th Cong., 2d Sess., H. Rep. 104-886 (January 2, 1997) at 20 (Discussing violation of former House Rule 43, Clause 6, by Representative Charles Wilson arising from his personal loans of funds from his campaign committee. The Committee on Standards of

The House Ethics Manual specifically notes that "[o]n four separate occasions, the Committee on Standards of Official Conduct has investigated Members for transferring campaign funds to personal accounts or borrowing from their campaign funds," and the Committee on Standards of Official Conduct "found violations of [former] Rule 43, Clause 6 in all cases."[8] At that time the Committee on Standards of Official Conduct reported that "[h]aving issued four separate public reports condemning the practice, the Committee believes that all Members should at this point be on notice that they may not borrow from their campaigns."[9] The examples provided in the House Ethics Manual included the use of campaign funds by a Member to the Member's administrative assistant "to ease some short-term financial difficulties" and to enable the Member "to purchase a car for personal and campaign use in the district." Under these circumstances, "[t]he Committee concluded that these loans were not undertaken exclusively and solely to benefit the campaign."[10]

Clause 1 of former House Rule 43 (now House Rule 23) states that "[a] Member, officer or employee of the House of Representatives shall conduct himself at all times in a manner which shall reflect creditably on the House of Representatives." Clause 1 of former House Rule 43 is the most comprehensive provision of the Code of Official Conduct and was adopted in part so that the Committee, in applying the Code, would retain "the ability to deal with any given act or accumulation of acts which, in the judgment of the committee, are severe enough to reflect discredit on the Congress."[11]

In this matter, the Investigative Subcommittee determined, with respect to the conduct set forth in each of the three Counts of the Statement of Alleged Violation, that Representative Earl F. Hilliard violated Clause 6 of former House Rule 43, and through

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Official Conduct "concluded that Representative Wilson should have been aware of the prohibition of borrowing from campaign funds.").

[8] *House Ethics Manual*, 102d Cong., 2d Sess. (April 1992) at 272.

[9] *Id.*

[10] *House Ethics Manual*, 102d Cong., 2d Sess. (April 1992) at 273, *citing In the Matter of Representative Richard H. Stallings*, H. Rep. No. 100-382, 100th Cong., 1st Sess. (1987).

[11] *House Ethics Manual*, 102d Congress, 2d Session (April 1992) at 12, *citing* 114 Cong. Rec. 8778 (April 3, 1968). *See also In the Matter of Representative E.G. "Bud" Shuster*, H. Rep. 106-979, 106th Cong., 2d Sess. (Oct. 16, 2000) at 9.

the pattern and practice of conduct described in each Count, acted in a manner which did not reflect creditably on the House of Representatives, in violation of Clause 1 of former House Rule 43.

### B. Loans of Campaign Funds To Three Individuals

#### 1. Pattern And Practice Of Conduct

As described in detail below, based on evidence gathered during its investigation, the Investigative Subcommittee found reason to believe that during 1993 and 1994, Representative Hilliard and HFCC engaged in a pattern and practice of conduct in which HFCC funds were loaned to individuals apparently for personal purposes. Each of the loans was made with the authorization of Representative Hilliard and at his instruction. The Investigative Subcommittee subpoenaed documents and records from Representative Hilliard and from HFCC, as well as from each of the loan recipients, regarding each of the loans. In addition, each of the loan recipients was subpoenaed for deposition and gave sworn testimony to the Investigative Subcommittee. At the conclusion of its investigation, the Investigative Subcommittee concluded that none of the loans were attributable to any bona fide campaign or political purpose. As noted in the Statement of Alleged Violation adopted by the Investigative Subcommittee, although no evidence was received by the Investigative Subcommittee that Representative Hilliard benefited financially from any of the loans at issue, each of the loans was apparently for the personal purposes of the recipient, and therefore was improper under House Rules.

#### 2. HFCC Loans To Rita Hall Patterson

Rita Hall Patterson is the niece of Representative Earl F. Hilliard.[12] At various times, Rita Hall Patterson held positions within HFCC, as well as within other corporate entities owned or controlled by Representative Hilliard and members of his family.[13]

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[12] Rita Hall Patterson was formerly known as Rita Hilliard and Rita Hall.

[13] For example, at various times, Rita Hall Patterson was Vice-President of American Trust Life Insurance Company, as well as President of American Trust Corporation. Deposition of Rita Hall Patterson (July 13, 2000) at 78, 102 (hereafter "Patterson Dep."). As discussed in greater detail later in this report, the aforementioned corporations were owned by Representative Hilliard and members of his family other than Rita Hall Patterson.

During approximately April to September 1993, HFCC made six loans totaling approximately $13,205.04 to Rita Hall Patterson as follows: a loan of $3,000 on or about April 9, 1993; a loan of $2,350 on or about May 3, 1993; a loan of $850 on or about June 2, 1993; a loan of $752.04 on or about June 25, 1993; a loan of $1,253 on or about August 19, 1993; and a loan of $5,000 on or about September 10, 1993. ***Exhibit 3***. None of the loans were attributable to any bona fide campaign or political purpose of Representative Hilliard.[14] Ms. Patterson testified that the purpose of each of the loans was to provide her with a source of funds during a period of personal financial need. The Investigative Subcommittee notes, however, that the check from HFCC transmitting the loan for $5,000 on or about September 10, 1993 was deposited into the account of a corporation known as the Alabama Film and Entertainment Council, an entity incorporated by Representative Hilliard's wife and discussed in more detail later in this Report. Ms. Patterson testified that it was her recollection that the Alabama Film and Entertainment Council cashed the check for her, although she testified that did not remember what she may have done with the $5,000 she stated she received.[15] Each of the six loans was authorized and approved personally by Representative Earl F. Hilliard.[16] All the loans to Rita Hall Patterson from HFCC were unsecured and interest-free.[17]

### 3. HFCC Loan To Elvira Williams

Elvira Williams[18] is the district director of Representative Hilliard's district office located in Birmingham, Alabama, a post she has held since Representative Hilliard became a Member of Congress in January 1993. While employed on a full time basis in Representative Hilliard's Birmingham office, Ms. Williams also served as assistant treasurer of HFCC, and secretary, treasurer, and director of the American Trust Life Insurance Company, a corporation owned and controlled by Representative Hilliard and

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[14] Patterson Dep. 28, 30.

[15] Patterson Dep. 43-44.

[16] Patterson Dep. 27-28, 49.

[17] Patterson Dep. 49; ***Exhibit 3***.

[18] Elvira Williams is formerly known as Elvira Willoughby.

members of his family.[19] At various times, Ms. Williams also held positions in other corporations owned or controlled by Representative Hilliard or members of his family, including the American Trust Corporation.[20] Ms. Williams had check writing authority on the accounts of HFCC, American Trust Life Insurance Company, American Trust Corporation, and other corporations owned and controlled by Representative Hilliard and members of his family.

On or about January 18, 1994, the Hilliard for Congress Campaign made a $1,500 loan to Elvira Williams. ***Exhibit 4.*** This loan was unsecured and interest-free. The loan to Elvira Williams was authorized and approved personally by Representative Earl F. Hilliard.[21] During her testimony before the Investigative Subcommittee, Ms. Williams stated that she asked Representative Hilliard for a loan for her personal use, but then, by mistake, wrote the loan check to herself from the account of HFCC. Ms. Williams testified that she should have written the check from the account of one of the corporations owned by Representative Hilliard and members of his family.[22]

The Investigative Subcommittee concluded that the January 18, 1994 loan to Ms. Williams was part of the pattern and practice of conduct of Representative Hilliard to authorize loans to individuals of HFCC funds for purposes not related to any bona fide campaign or political purpose. Even though Ms. Williams testified that she wrote the loan check to herself from the account of HFCC in error, she acknowledged under oath that on March 15, 1994, Representative Hilliard approved a loan of HFCC funds to another individual (Jacqueline Smith) and authorized Ms. Williams to issue that check.[23] As discussed in the next subsection of this report, the loan to Jacqueline Smith was also unrelated to any bona fide campaign or political purpose of Representative Hilliard.[24]

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[19] Deposition of Elvira Williams (March 28, 2000) at 22, 214, 215 (hereafter "E. Williams Dep."); ***Exhibits 6, 7, and 12.***

[20] E. Williams Dep. 35.

[21] E. Williams Dep. 76.

[22] E. Williams Dep. 73.

[23] E. Williams Dep. 85, 86.

[24] Deposition of Jacqueline Smith (April 11, 2000) at 22, 25, 26 (hereafter "Smith Dep.").

Elvira Williams further testified that no effort was made to educate campaign staff as to the appropriate use of campaign funds and that she personally did not receive any such training.[25]

### 4. HFCC Loans To Jacqueline Smith

Jacqueline Smith was formerly employed as a grantswriter in Representative Hilliard's district office located in Birmingham, Alabama.

On or about March 15, 1994, and during the time she was employed in Representative Hilliard's congressional office, HFCC made an $800 loan to Jacqueline Smith. On or about March 16, 1994, HFCC made a $700 loan to Jacqueline Smith. ***Exhibit 5.*** These loans were unsecured and interest-free.[26] The loans to Jacqueline Smith were authorized and approved personally by Representative Earl F. Hilliard.[27] According to the testimony of Jacqueline Smith, the loans were for her personal use, and not attributable to any bona fide campaign or political purpose of Representative Hilliard.[28]

### 5. Conclusions

Based on the evidence gathered regarding the HFCC disbursements to Rita Hall Patterson, Elvira Williams, and Jacqueline Smith, the Investigative Subcommittee concluded there was substantial reason to believe that, with the authorization and at the instruction of Representative Hilliard, HFCC made loans to individuals totaling more than $16,000 for purposes not attributable to any bona fide campaign or political purpose of Representative Hilliard. In this manner, Representative Hilliard violated Clause 6 of former House Rule 43. The Investigative Subcommittee also determined that through the pattern and practice of conduct described in this Count, Representative Hilliard acted in a

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[25] E. Williams Dep. 90-91.

[26] The $800 and $700 loans were reported to the Federal Election Commission as a single loan of $1,500 made on March 15, 1994.

[27] Smith Dep. 22, 25, 26; E. Williams Dep. 85.

[28] Smith Dep. 22, 25, 26.

manner which did not reflect creditably on the House of Representatives, in violation of Clause 1 of former House Rule 43.

### C. Expenditures Of Campaign Funds For Wages, Salaries And/Or Benefits To Three Individuals For Work Performed For Corporations Owned Or Controlled By Representative Hilliard And Members Of His Family

#### 1. Pattern and Practice of Conduct

Based on evidence gathered during its investigation, the Investigative Subcommittee found reason to believe that during the period July 1992 through August 1996, Representative Hilliard and HFCC engaged in a pattern and practice of conduct in which individuals were paid by HFCC to perform work for corporations owned and controlled by Representative Hilliard and his family. This pattern and practice of conduct – described in detail below – began shortly after the formation of HFCC and the deposit of campaign contributions into the bank account of HFCC. The individuals paid by HFCC to perform these services did regularly perform certain duties for HFCC. With the knowledge of Representative Hilliard, however, these individuals also routinely performed substantive duties for Hilliard-owned private corporations for which services the payments from HFCC were also intended as, and were in fact, compensation.

#### 2. HFCC Expenditures To Elizabeth Turner

From approximately April 1994 until August 1996, HFCC made expenditures to Elizabeth Turner[29] for salary and/or payroll and benefits.[30] While receiving salary and/or payroll and benefits from HFCC, Ms. Turner worked in a building located at 1612-1614 3rd Avenue North in Birmingham, Alabama, that was occupied by several entities, including corporations owned by Representative Hilliard and members of his family. From approximately April 1994 to August 1996, HFCC made approximately 36 disbursements to Elizabeth Turner totaling approximately $25,242.30 for salary and/or

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[29] Elizabeth Turner is formerly known as Elizabeth Redmond.

[30] Deposition of Elizabeth Turner (March 30, 2000) at 30, 37, 39 (hereafter "Turner Dep.").

payroll related to her paid employment for the campaign.[31] During the time period, HFCC also made approximately seven disbursements totaling approximately $3,439 for health care insurance benefits for Elizabeth Turner.[32]

While a paid employee of the campaign, Ms. Turner performed bookkeeping for the campaign, paid the campaign's bills, and performed filing and other administrative duties for the campaign. She also assisted in the preparation of certain reports required to be filed by HFCC with the Federal Election Commission.[33]

Although Ms. Turner did regularly perform certain functions for the HFCC, the majority of her time and efforts were spent in the service of corporations owned and controlled by Representative Hilliard, and members of his family, which corporations were also headquartered in the building located at 1612-1614 3rd Avenue North. These corporations included the American Trust Life Insurance Company (hereafter "ATLIC"). Of the entire time she performed work at that building, Ms. Turner worked not less than fifty percent of her time for ATLIC.[34] Her duties for that company included (but were not limited to) bookkeeping, typing, filing, answering the phone, collecting insurance premiums from agents, paying commissions to insurance agents, making bank deposits, and preparing quarterly and annual financial reports to be filed with the State of Alabama Department of Insurance.[35]

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[31] Prior to the formation of the Investigative Subcommittee, Representative Hilliard and the full Committee on Standards of Official Conduct engaged in a series of communications regarding the allegations that eventually lead to the formation of the Investigative Subcommittee. These communications are described in more detail later in this Report. Attached to one communication from Representative Hilliard's counsel dated April 2, 1998 was a list of "Campaign Expenditures To Individuals For Salary, Consulting Fees, Or Reimbursement Of Expenses." *See **Exhibit 51***. While the list shows only 28 HFCC expenditures to Elizabeth Turner for salary and/or payroll totaling $19,113.87, in actuality, based on examination of bank records, HFCC made approximately 36 expenditures totaling approximately $25,242.30 as noted.

[32] The record indicates that HFCC did not hold a policy with Blue Cross Blue Shield, but provided insurance benefits to Ms. Turner through a policy held by ATLIC, American Trust Corporation, and/or American First Bonding Corporation, which were corporations owned and controlled by Representative Hilliard and members of his family. Turner Dep. 75-76; ***Exhibit 51.***

[33] Turner Dep. 39, 40, 43, 49, 75.

[34] Turner Dep. 109.

[35] Quarterly and annual reports and statements filed with the State of Alabama Department of Insurance by ATLIC while Ms. Turner was a paid employee of HFCC list Ms. Turner as an officer of ATLIC, and state

During the investigation, relevant bank records of ATLIC, American Trust Corporation, and other Hilliard-related occupants of 1612-1614 3rd Avenue North were obtained pursuant to subpoena. The bank records indicate that on or about February 2, 1995, American Trust Corporation made an expenditure of $867.08 to Elizabeth Turner for "payroll." Other than this single disbursement, no evidence was adduced from bank records of ATLIC, American Trust Corporation, or other Hilliard-related businesses that during the time that she was a paid employee of HFCC, Ms. Turner received salary and/or payroll from any of the private corporations for which she performed work at 1612-1614 3rd Avenue North.[36] Elizabeth Turner did not become a compensated employee of ATLIC until on or about August 22, 1996, after the entity was placed in receivership due to insolvency and was being operated by the State of Alabama Department of Insurance.[37] ***Exhibit 9.*** Due to her experience and familiarity with ATLIC operations, after ATLIC was placed in receivership in August 1996, Ms. Turner was hired by the State of Alabama Department of Insurance to continue the administration of ATLIC on a day-to-day basis.[38]

From her first day of employment by HFCC, Ms. Turner's work for ATLIC and other private corporations operating in the same building as HFCC was part of the duties she was required to perform as a condition of her employment for HFCC as enumerated by Representative Hilliard and Elvira Williams.[39] According to a list of "contact people" dated July 12, 1994 that ATLIC was requested to submit for use by examiners of the State of Alabama Department of Insurance, Elizabeth Turner was the "contact" for the company for items including "Employee Welfare," "Reinsurance," "Advertising,"

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that Ms. Turner held the position of Secretary of the Corporation. Ms. Turner signed reports and statements filed with the State of Alabama in her capacity as Secretary of ATLIC. ***Exhibits 10 and 11;*** Turner Dep. 110-114.

[36] Records reviewed also included documents produced by Representative Hilliard relating to the various corporations that occupied 1612-1614 3rd Avenue North, as well as records pertaining to ATLIC obtained from the Receivership Division of the State of Alabama Department of Insurance. Ms. Turner also testified that she did not have any other source of income during her period of employment by HFCC and that she was never paid by ATLIC. Turner Dep. 30, 32, 37.

[37] Turner Dep. 119.

[38] Turner Dep. 119, 120.

[39] Turner Dep. 103, 104.

"Agents Licensing," "Policyholder Complaints," "Insurance on Company Property," "Bank Statements, and "Policy Loans."[40] ***Exhibit 8.*** Representative Hilliard had direct, personal knowledge that Ms. Turner was an employee of his campaign organization, and that her regular duties included substantial work for ATLIC and other companies connected to Representative Hilliard. Ms. Turner received her job with HFCC after a personal interview with Representative Hilliard, and after she was hired Representative Hilliard was her supervisor.[41] Ms. Turner testified that after she began her employment, Representative Hilliard personally gave her instructions to perform duties on behalf of ATLIC and other private companies owned in whole or in part by him.[42]

> Q So to summarize, please tell me if I understand correctly, then the Congressman would personally direct to you [sic] to perform certain duties with regard to American Trust Life Insurance Company?
>
> A All of my instructions came either from the Congressman or from Elvira.[43]

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[40] The same document identified Earl F. Hilliard as the "contact" for items including "Organization, History, Territory, etc.," "Holding Company Act," "Bonds and Stocks," "Real Estate," "Mortgage Loans," "Agents Accounts," "Miscellaneous Assets," and "Capital Stock." ***Exhibit 8.***

[41] On this subject, Ms. Turner testified as follows (Turner Dep. 35):

> Q So you interviewed with the Congressman, Congressman Hilliard.
> A Right.
> Q Did he offer you a job?
> A Yes. That was the purpose of the meeting.
> Q What job did he offer you?
> A With Hilliard for Congress, and he told me what my title would be and the salary and so forth.
> Q What did he tell you your title would be?
> A Administrative assistant.
> Q To the campaign organization?
> A Right.

[42] Turner Dep. 106, 107, 112, 114. *See also* ***Exhibit 13.*** Representative Hilliard instructed Ms. Turner as to what bills should be paid on behalf of companies operating in the building and directed her to prepare financial reports for ATLIC. In addition, on the first day of each month, she was required to have a list of all outstanding bills for each company to be presented to Representative Hilliard for his review. Turner Dep. 106, 112, 114.

[43] Turner Dep. 106. The reference to "Elvira" in Ms. Turner's testimony was to Elvira Williams, the district director of Representative Hilliard's office in Birmingham, Alabama. Ms. Williams was also an officer of ATLIC during the time that Ms. Turner was employed by HFCC. At various times, Ms. Williams held the position of secretary and treasurer of ATLIC and, like Ms. Turner, signed quarterly reports and annual statements of ATLIC filed with the State of Alabama Department of Insurance. E. Williams Dep. 228, 229; ***Exhibits 10, 11, and 12.***

In response to questioning as to who directed her to undertake a specific financial transaction relating to HFCC, the American Trust Corporation, and the African American Institute (a Section 501(c)(3) corporation that operated in the building located at 1612-1614 3rd Avenue North), Ms. Turner testified that she "had constant contact with the Congressman over the phone, and [the instruction] could have come over the phone or . . . Elvira could have called and said, Liz, the Congressman wants you to write a check for so and so and make the deposit into such and such account. So I said, okay."[44]

In addition to the work she performed for HFCC and ATLIC, as part of her duties as a salaried employee of HFCC, Ms. Turner was also obligated to maintain the financial books and records and perform other duties for other Hilliard owned and controlled private businesses, including American First Bonding Corporation and American Trust Corporation.[45]

### 3. HFCC Expenditures To Yolanda Williams

From approximately August 1993 until May 1994, the Hilliard for Congress Campaign made expenditures to Yolanda Williams for salary and/or payroll. While receiving salary and/or payroll from HFCC, Ms. Williams, like Elizabeth Turner, worked in a building located at 1612-1614 3rd Avenue North in Birmingham, Alabama that was occupied by several entities, including corporations owned by Representative Hilliard and/or members of his family. On the basis of information submitted by Representative Hilliard (through counsel), from August 1993 to May 1994, HFCC made approximately 11 disbursements to Yolanda Williams totaling approximately $7,945.12 for salary and/or payroll. ***Exhibit 51.***

Prior to Elizabeth Turner's assumption of the position in April 1994, Yolanda Williams was the salaried office manager or secretary of HFCC.[46] Prior to her departure from HFCC in April 1994, Yolanda Williams trained and instructed Ms. Turner as to her

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[44] Turner Dep. 125.

[45] Turner Dep. 96, 109.

[46] Deposition of Yolanda Williams (May 11, 2000) at 13 (hereafter "Y. Williams Dep.") (Witness describing her position as that of secretary.); ***Exhibit 51*** (Document submitted on behalf of Representative

duties, including the responsibility to perform bookkeeping and other assignments for ATLIC and other private corporations operating in the building.[47] Although at all times paid by HFCC, Yolanda Williams' understanding at the time of hiring was that she was hired to work for ATLIC and other businesses in the building.[48] Sometime after she began her employment, Yolanda Williams assumed responsibilities related to HFCC, including bookkeeping, paying bills and other administrative duties for the campaign.[49]

At all times while being paid exclusively by HFCC, Ms. Williams performed work for corporations owned by Representative Hilliard and members of his family that were also headquartered in the building located at 1612-1614 3rd Avenue North. For example, Ms. Williams' duties for ATLIC included (but were not limited to) bookkeeping, bank reconciliation, writing checks, typing letters, answering the phone, preparing annual statements to the State of Alabama Department of Insurance, collecting insurance premiums from agents and recording those payments, banking, paying policies, and miscellaneous secretarial duties.[50]

During that time, Ms. Williams also performed work for the American First Bonding Corporation as assigned to her by Carol Allen.[51] Ms. Allen is the sister of Representative Hilliard, and was the President of American First Bonding Corporation.[52]

The annual report filed with the State of Alabama Department of Insurance by ATLIC while Ms. Williams was a paid employee of HFCC specifically listed Ms. Williams as an officer of ATLIC, and stated that Ms. Williams held the position of Secretary of the Corporation. ***Exhibit 12.*** During the time that she was a paid employee

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Hilliard describes Ms. Williams' position as office manager.).

[47] Turner Dep. 49, 108-112.

[48] Y. Williams Dep. 13.

[49] Y. Williams Dep. 13, 14, 31.

[50] Y. Williams Dep. 15, 16, 17, 79-83.

[51] Y. Williams Dep. 48; Deposition of Carol Allen (April 4, 2000) at 76-77 (hereafter "Allen Dep.").

[52] Allen Dep. 9, 27. Yolanda Williams was listed as treasurer of ATLIC, secretary of American Trust Corporation, American Trust Corporation, and American First Bonding Corporation, and as a director of Hilliards & Company, Inc., according to a 1993 list of "Board Of Directors And Officers" of those companies. ***Exhibit 6.***

of HFCC, Ms. Williams did not receive any salary, income, or other compensation from the private corporations for which she performed work at 1612-1614 3rd Avenue North.[53] From her first day of employment by HFCC, Ms. Williams' work for ATLIC and other private corporations operating in the same building as HFCC were services for which the payments from HFCC were intended to be, and were in fact, compensation.[54]

#### 4. HFCC Expenditures To Rita Hall Patterson

From approximately December 1992 until January 1994, the Hilliard for Congress Campaign made regular expenditures to Representative Hilliard's niece, Rita Hall Patterson, for salary and/or payroll and benefits. Like Elizabeth Turner and Yolanda Williams, while receiving salary and/or benefits from HFCC, Ms. Patterson worked in a building located at 1612-1614 3rd Avenue North in Birmingham, Alabama that was occupied by several entities, including corporations owned by Representative Hilliard and/or members of his family. Based on information furnished on behalf of Representative Hilliard, from July 1992 to January 1994, HFCC made approximately 27 disbursements to Rita Hall Patterson totaling approximately $23,961.67 for salary and/or payroll and benefits. ***Exhibit 51***. During that time, Ms. Patterson worked not only for HFCC, but, as described below, also for other private businesses operating in the same building as HFCC.[55]

The first disbursement to Rita Hall Patterson from HFCC took place on or about July 7, 1992, and was in the amount of $1,297.53. Prior to that date, according to ATLIC ledgers and bank records, Ms. Patterson drew an equivalent salary from ATLIC. Although Ms. Patterson was no longer compensated by ATLIC after being placed on the payroll of HFCC, she continued to perform work for that entity, as well as for the

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[53] Ms. Williams testified that it was her understanding that she was paid separately by ATLIC, HFCC, and AAI for the work she performed for those entities while working at 1612-1614 3rd Avenue North. Y. Williams Dep. 35. No evidence was adduced from bank records of those entities that Ms. Williams received salary from any of the entities that operated within 1612-1614 3rd Avenue North other than HFCC.

[54] Y. Williams Dep. 12-13.

[55] Ms. Patterson was also an officer and board member of the African American Institute, a Section 501(c)(3) corporation that was also headquartered in the building located at 1612-1614 3rd Avenue North. ***Exhibits 14 and 15.***

American Trust Corporation.[56] At all times while being paid exclusively by HFCC, Ms. Patterson's duties on behalf of private corporations owned and controlled by Representative Hilliard or members of his family included bookkeeping, check writing, collecting insurance premiums from agents and recording those payments, banking, paying policies, and providing supervision and direction on a regular basis to Yolanda Williams.[57]

Bank records and other financial records obtained by the Investigative Subcommittee show that during the time that she was a paid employee of HFCC, Ms. Patterson did not receive any salary, income, or other compensation from any of the Hilliard-owned private corporations for which she performed work at 1612-1614 3rd Avenue North.[58]

### 5. Conclusions

Based on the evidence gathered regarding the work of Elizabeth Turner, Yolanda Williams, and Rita Hall Patterson, the Investigative Subcommittee concluded there was substantial reason to believe that, with the full knowledge of Representative Hilliard, these three individuals were compensated by HFCC for services performed by those individuals for corporations owned and controlled by Representative Hilliard and members of his family. The evidence shows that the work performed for the private corporations at issue was not merely incidental to their HFCC responsibilities; rather, the work of these three individuals was required to carry out the regular and routine day-to-day business functions of ATLIC and the other corporations, thus enabling those businesses to operate. By in essence providing full time staff at no cost, HFCC

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[56] Patterson Dep. 9-10. Acknowledging the scope of work she performed for ATLIC while employed by HFCC, Ms. Patterson testified that she provided her services to ATLIC on a voluntary basis. Patterson Dep. 114. The Statement of Alleged Violation in this matter, however, to which Representative Hilliard has admitted, states that Ms. Patterson, along with Elizabeth Turner and Yolanda Williams, performed various services for corporations owned by Representative Hilliard and members of his family, for which services the payments from HFCC were also intended as compensation. ***Exhibits 1 and 2.***

[57] Patterson Dep. 135, 142, 144; Y. Williams Dep. 16.

[58] On or about October 1, 1993, however, Ms. Patterson did receive a single disbursement of $1320.53 for "payroll" from the Alabama Film and Entertainment Council, a tax-exempt corporation operated by members of Representative Hilliard's family. This entity is discussed in greater detail later in this Report.

subsidized private corporations owned and controlled by Representative Hilliard and members of his family. In this manner, Representative Hilliard violated Clause 6 of former House Rule 43. Moreover, the Investigative Subcommittee determined that the pattern and practice of conduct by Representative Hilliard, as delineated above and in the Statement of Alleged Violation, was severe enough to reflect discredit on the House of Representatives and therefore, was in violation of Clause 1 of former House Rule 43.

### D. Expenditures Of Campaign Funds Relating To Use And/Or Occupancy Or Purported Use And/Or Occupancy Of Office Space By The Campaign

#### 1. Expenditure Of Campaign Funds To A Corporation Owned And Controlled By Representative Hilliard For The Purpose Of Paying Rent Owed By A Related Corporation On A Property Leased In Montgomery, Alabama

On or about April 9, 1996, the American Management and Marketing Corporation ("AMMC") was incorporated under the laws of the State of Alabama. The incorporators of AMMC included three individuals and two corporations. The two corporations, American First Bonding Corporation and American Trust Corporation, were owned and controlled by Representative Hilliard and members of his family. Specifically, American First Bonding Corporation held 167 out of 1000 shares of AMMC, and American Trust Corporation also held 167 out of 1000 shares of American Trust Corporation. At the time of incorporation, John Hilliard (Representative Hilliard's brother by adoption and nephew by birth) was a member of the board of directors and a vice-president of AMMC. The signatories on the articles of incorporation included Carol Allen (Representative Hilliard's sister), who signed as President of American First Bonding Corporation, and Alesia Smith (Representative Hilliard's daughter), who signed as President of American Trust Corporation. ***Exhibit 16.***

American Trust Corporation and AMMC entered into a "Station Service Agreement" covering the period March 1, 1996 until February 29, 1999. The signatories to the agreement (undated) included Alesia Smith (as President of American Trust Corporation). Under the terms of the agreement, American Trust Corporation granted

AMMC the right to manage and/or operation WIQR, a radio station owned by American Trust Corporation. ***Exhibit 17.***

On or about March 15, 1996, and prior to the incorporation of AMMC, and with the knowledge and participation of Representative Hilliard, AMMC entered into a lease with Pizitz Realty Company for occupancy of premises located at 128 Lee Street in Montgomery, Alabama. ***Exhibit 18.*** With Representative Hilliard's knowledge and consent, the property located at 128 Lee Street was leased by AMMC for the purpose of housing and operating the WIQR radio station leased from the American Trust Corporation by AMMC.[59] At the time of leasing, Pizitz Realty Company of Birmingham, Alabama owned the leased premises. Another company, Aronov Realty Management, Inc., of Montgomery, Alabama, was engaged by Pizitz Realty Company to manage the property located at 128 Lee Street, and was responsible for maintaining the property, servicing the needs of the tenant, and collecting rents owed and transmitting them to the lessor.[60] The lease was for a period of four years commencing on April 1, 1996. Under the terms of the lease, rent was payable in monthly installments due on the first day of each calendar month. For the first six months of the lease (April through September 1996), the rent was $1,000 monthly. For the next six months (October 1996 through March 1997), the rent was $1,750 monthly. For the remainder of the lease, the rent was $2,000 monthly. Under the terms of the lease, the lessee (AMMC) was prohibited, *inter alia*, from assigning the lease and from subletting the leased premises absent the advance written consent of the lessor. ***Exhibit 18.***

The lessor would not agree to the lease arrangement without a personal guarantee,[61] and on or about March 15, 1996 Representative Earl F. Hilliard executed a

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[59] Declaration of Toni Knight, Oct. 13, 2000 (***Exhibit 19***), 2000; Interview of Deborah Lumpkin (President of AMMC), July 19, 2000.

[60] Interview of Scott Harris, Property Manager, Aronov Realty Management, Inc., July 7, 2000; Declaration of Richard Pizitz, Vice President, Pizitz Realty Company, October 5, 2000 (***Exhibit 20***).

[61] Interview of Scott Harris, Property Manager, Aronov Realty Management, Inc., July 7, 2000; Declaration of Toni Knight, Oct. 23, 2000 (***Exhibit 19***); Declaration of Richard Pizitz, Vice President, Pizitz Realty Company, October 5, 2000 (***Exhibit 20***).

personal guarantee of the lease between Pizitz Realty Company and AMMC as set forth below:

> In consideration of the making of this Lease by the Landlord with the Tenant and in the Landlord's reliance on this Guaranty, the undersigned [Earl F. Hilliard], and each of them jointly and severally, hereby guarantees the payment of the rent to be paid by the Tenant and the performance of the Tenant of all the terms, conditions, covenants and agreements of the Lease, and the undersigned promises to pay all the Landlord's expenses, including reasonable attorneys' fees, incurred by the Landlord in enforcing all obligations of the Tenant under the Lease or incurred by the Landlord in enforcing this Guaranty. The Landlord's consent to any assignment or assignments and successive assignments by the Tenant and Tenant's assignees, of this Lease, made either with or without notice to the undersigned, or a changed or different use of the demised Premises, or Landlord's forbearance, delays, extensions of time or any other reason whether similar to or different from the foregoing shall not release the undersigned from liability as guarantor.[62]

The guarantee also contained the handwritten initials "EH" and handwritten language stating that the guarantee refers to the lease "dated 3/15/96 between Pizitz Realty Company and American Marketing Management Corporation." In addition, John Hilliard signed the aforementioned guarantee as a witness. There were no guarantors of the lease other than Representative Hilliard. ***Exhibit 18.***

Prior to agreeing to the lease and allowing Representative Hilliard to guarantee the lease, the lessor also required the submission of financial statements demonstrating that the tenant and guarantor had the means to pay their financial obligations under the lease. ***Exhibits 20 and 21.***

As a result of the failure to make rent payments, as of September 1996, the account of AMMC was delinquent in the amount of approximately $4,000. ***Exhibits 20 and 22.*** As the guarantor of the lease, Representative Hilliard was personally responsible for the payment of the delinquent rent, and he was threatened with a collection action by the lessor absent payment of the rent in arrears. ***Exhibits 20 and 22.***

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[62] ***Exhibit 18.***

Subsequent to the threatened collection action, HFCC paid $2,000 to American Trust Corporation by check dated September 20, 1996. The "description" of the purpose of the payment as written on the check was "Rent Aug & Sept." ***Exhibit 23.*** This disbursement was reported to the Federal Election Commission as a disbursement for "rent - Montgomery August & September." ***Exhibit 25.*** By check also dated September 20, 1996, American Trust Corporation paid $2,000 to Aronov Realty Management, the property manager of 128 Lee Street, Montgomery, Alabama. The expenditure by American Trust Corporation was in satisfaction of the obligation of AMMC and Representative Hilliard to the lessor of 128 Lee Street. As indicated on the document, John Hilliard signed the American Trust Corporation check. ***Exhibit 24.***

By check dated September 30, 1996, American Trust Corporation paid another $2,000 to Aronov Realty Management for rent owed for the 128 Lee Street Property. This check was received by Aronov Realty Management on October 1, 1996. ***Exhibit 24.*** This check was also signed by John Hilliard, and was written in satisfaction of the obligation of AMMC and Representative Hilliard to the lessor of 128 Lee Street. By check dated October 1, 1996, HFCC paid $2,000 to American Trust Corporation. Notations on this HFCC check designated it as for "Rent Oct. & Nov." ***Exhibit 23.*** The payment was reported to the Federal Election Commission as being for October and November 1996 rent, but the report filed did not specify that the rent concerned the occupancy of office space in Montgomery, Alabama. ***Exhibit 25.***

By check dated November 1, 1996, American Trust Corporation made a third expenditure of $2,000 for rent owned on the 128 Lee Street property. ***Exhibit 24.*** This payment was received by Aronov Realty Management on November 8, 1996. Again, John Hilliard signed this check, which was written in satisfaction of the obligation of AMMC and Representative Hilliard to the lessor of 128 Lee Street. By check dated November 7, 1996, HFFC paid another $2,000 to American Trust Corporation for rent. ***Exhibit 23.*** The pertinent entry in the report filed by HFCC with the Federal Election Commission designated this expenditure as for "rent" but did not specify the rental period corresponding to this disbursement or that the rent concerned the use or occupancy of office space in Montgomery, Alabama. ***Exhibit 25.***

By check dated December 1, 1996, American Trust Corporation made a fourth expenditure of $2,000 to Aronov Realty Management for rent owed on the 128 Lee Street property. ***Exhibit 24.*** This check was signed by John Hilliard, and was received by Aronov Realty Management on December 10, 1996. This expenditure was in satisfaction of the obligation of AMMC and Representative Hilliard to the lessor of 128 Lee Street. By check dated December 9, 1996, HFFC made another $2,000 payment to American Trust Corporation for "rent." ***Exhibit 23.*** The pertinent entry in the report filed by HFCC with the Federal Election Commission designated this expenditure as for "rent" but did not specify the rental period corresponding to this disbursement or that the rent concerned the use or occupancy of office space in Montgomery, Alabama.[63] ***Exhibit 25.***

Although the reports filed with the Federal Election Commission disclosing the payments of $2,000 to the American Trust Corporation on or about September 20, 1996, November 7, 1996 and December 9, 1996 were all purportedly signed by Elizabeth Turner (then Elizabeth Redmond), as treasurer of HFCC, Ms. Turner had left the employment of HFCC in August 1996.[64] The reports were signed in her name; however, Ms. Turner testified that she did not sign these reports or any other reports that were filed with the Federal Election Commission after she left HFCC.[65]

HFCC was subpoenaed by the Investigative Subcommittee to produce documents and records relating to HFCC's lease, use, or occupancy of office space in Montgomery, Alabama during July 1, 1996, through June 30, 1997. In addition, Representative Hilliard was subpoenaed to produce all documents and records relating to the ownership, lease, use or occupancy of real property or office space in Montgomery, Alabama by Hilliards & Company, Inc. or any of its subsidiaries in 1996 and 1997. On July 7, 2000, Representative Hilliard's counsel (who also represented HFCC) advised the Investigative Subcommittee that the space leased by AMMC in Montgomery, Alabama was subleased

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[63] *See also* **Attachment A** to this Report. **Attachment A** is a diagram of the flow of money between HFCC, American Trust Corporation, and Aronov Realty Management.

[64] Turner Dep. 30, 37, 39; ***Exhibit 25.***

[65] Turner Dep. 46, 47. Ms. Turner did testify, however, that she gave permission to HFCC to continue to list her name as the campaign treasurer. She further testified, however, that it was her impression that her

by American Trust Corporation, who in turn "subleased such rented space to the Hilliard for Congress campaign committee in Montgomery, Alabama." ***Exhibit 26.*** Counsel further stated that the only document possessed by the campaign or Representative Hilliard related to office space in Montgomery, Alabama was a copy of the lease by AMMC of 128 Lee Street, a copy of which was already in the possession of the Investigative Subcommittee.

Although the aforementioned four expenditures $2,000 by HFCC were purportedly for the lease, use, and occupancy by HFCC of 128 Lee Street in Montgomery, Alabama, the Investigative Subcommittee concluded that HFCC never occupied that office space. Rather, the record indicated that the expenditures were merely a conversion of campaign funds for personal use by Representative Hilliard to satisfy a personal debt obligation he owed to Pizitz Realty Company.

Documents from the lessor of 128 Lee Street showed that in the weeks immediately prior to September 30, 1996, Representative Hilliard was in communication with Aronov Realty Management and provided assurances to that company that AMMC intended to occupy the space and bring current its rental account, which was delinquent in the amount of $4,000 as of September 30, 1996.[66] ***Exhibit 22***. The documents make no mention whatever of use or occupancy of the Montgomery property by HFCC. Moreover, reports filed by HFCC with the Federal Election Commission did not indicate that HFCC was occupying 128 Lee Street during the time period it was paying rent purportedly for occupying that space. To the contrary, a report filed with the Federal Election Commission by HFCC indicated another entity might have occupied the space at issue. Specifically, in a report of receipts and disbursements filed with the Federal

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name would be used for campaign literature and advertising purposes. Turner Dep. 48.

[66] Even after the combined $8,000 in disbursements by HFCC, AMMC continued to have difficulties meeting its rent obligations for the property it leased at 128 Lee Street in Montgomery, Alabama. The records obtained from the owner and manager of the property indicate that on or about October 23, 1997, John Hilliard (as "Manager" of AMMC) asked the lessor to relieve AMMC of its rent obligations under the lease, and stated the intention of AMMC to move out before the end of that month. Further, on or about November 4, 1997, an attorney engaged by Pizitz Realty Company (the lessor) threatened Representative Hilliard with a lawsuit unless he paid past due rental charges of $5,080 and a collection fee of $350. There was no mention of HFCC in any of the correspondence between the parties. ***Exhibit 22.***

Election Commission on or about July 30, 1997, HFCC reported an expenditure of $6,000 to the American Advertising Agency for "Advertising Fees Jan., Feb., March, April." The American Advertising Agency was a division of American Trust Communications Corporation, which in turn is a subsidiary of Hilliards and Company, Inc., a corporation owned and controlled by Representative Hilliard and members of his family. The address of the American Advertising Agency was reported by HFCC to be "128 Lee Street, Montgomery, AL 36104," the same location HFCC contended it occupied in late 1996. ***Exhibit 27.***

Documents obtained from both the lessor (Pizitz Realty Company) and the property manager (Aronov Realty Management) did not evidence the occupancy of the property by any entity other than AMMC. Neither of those companies ever consented to sublease of that property or had any knowledge of a sublease or use of the property by HFCC.[67] The Alabama Power Company lacked any record of accounts opened in the name of Representative Earl F. Hilliard, HFCC, the American Trust Communications Corporation, or the American Trust Corporation at 128 Lee Street in Montgomery during 1996 and 1997. Records of BellSouth, the telephone service provider, confirm that only American Trust Communications Corporation initiated telephone service at 128 Lee Street in Montgomery and that this did not occur until on or about January 31, 1997. BellSouth records also indicate that "Alisia [sic] Smith,"[68] as American Trust Communications Corporation president, was the contact individual for this account, and that the business for which telephone service was being established was "Radio Stations & Broadcasting Companies." Federal Election Commission reports filed by HFCC did not disclose any other disbursements (such as payments for utilities) that evidenced use of 128 Lee Street by the campaign.[69] Moreover, officials of AMMC, including its

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[67] Interview of Scott Harris, Property Manager, Aronov Realty Management (July 7, 2000); Interview of Larry McKeever, Vice President, Pizitz Realty Management; Declaration of Richard Pizitz, Vice President, Pizitz Realty Company, October 5, 2000 (***Exhibit 20***).

[68] As noted (*supra* p. 25), Alesia Smith is Representative Hilliard's daughter.

[69] The campaign did report to the Federal Election Commission a disbursement of $34.40 on August 22, 1996, to Tara Sallee for "reimbursement office supplies," and reported a Montgomery address for Ms. Sallee. A corresponding entry in the campaign's handwritten ledger of disbursements, however, made no reference to Montgomery for this disbursement. Since the disbursement presented the possibility that Ms. Sallee might have some knowledge regarding an HFCC office in Montgomery and because she declined to

president, lacked any knowledge of HFCC use of the space leased by AMMC.[70] Neither the President nor Vice President of AMMC nor its Board of Directors ever consented to the use of the space for that purpose.[71] It should be noted, however, that these individuals apparently severed their involvement with AMMC shortly before the purported occupancy of 128 Lee Street by HFCC.

The amount of monthly rent purportedly being paid to sublease 128 Lee Street in Montgomery, Alabama was not consistent with the terms of the lease entered into by AMMC. As of October 1, 1996, the lease required the tenant to pay $1,750 per month rent. Yet, as indicated on the HFCC checks dated September 20, 1996 and October 1, 1996, and in the Federal Election Commission reports filed by HFCC disclosing those expenditures, HFCC represented that it paid only $1,000 per month rent for months after October 1, 1996 for the purported use of 128 Lee Street in Montgomery, Alabama. The lessor and property manager did not agree to a reduced rent during this time period. To the contrary, the lessor applied the payments made by the American Trust Corporation in September and October 1996 to the delinquent rent owed by AMMC for prior months.

The testimony received by the Subcommittee did not allay concerns as to whether HFCC in fact occupied 128 Lee Street in Montgomery, Alabama. For example, Elizabeth Turner, the office manager of HFCC until August 1996 at its headquarters in Birmingham, Alabama, had no knowledge of the existence of a campaign office in Montgomery during her time of employment for HFCC.[72] Ms. Turner, however, left HFCC prior to the four $2,000 disbursements in question. More notably, John Hilliard testified "I don't recall" in response to a question as to whether he knew of a campaign

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consent to an informal voluntary interview with Investigative Subcommittee staff, Ms. Sallee was subpoenaed for testimony and was deposed under oath before the Investigative Subcommittee. Ms. Sallee testified that she was a former employee of Representative Hilliard in his Washington, D.C. office, and that her involvement with HFCC was very limited. Ms. Sallee had no specific recollection of the disbursement at issue, and had no knowledge as to the existence or non-existence of an HFCC office in Montgomery at any time. Deposition of Tara Sallee (September 12, 2000) at 21, 22.

[70] Interview of Deborah Lumpkin, President of AMMC, July 19, 2000; Declaration of Toni Knight, Oct. 13, 2000 (***Exhibit 19***).

[71] *Id.*

[72] Turner Dep. 140.

office in Montgomery during this time period.[73] As a participant in the operations and activities of AMMC, and as a volunteer for HFCC during that time period, and as an Alabama State Representative with an office in Montgomery, Alabama, it would appear that John Hilliard would have been in a position to know of an HFCC campaign office in Montgomery in 1996.[74] Instead, John Hilliard testified that he did not have any memory or knowledge as to where a campaign office of HFCC was located corresponding to the four $2,000 rent payments made by HFCC from September to December 1996.[75]

As noted in the Statement of Alleged Violation adopted by the Investigative Subcommittee, Representative Hilliard did furnish brief declarations from two individuals for the purpose of evidencing the use of 128 Lee Street by HFCC. The declarations were so lacking in detail that the Investigative Subcommittee could not rely upon them to support the claim of Representative Hilliard that HFCC did lease and use 128 Lee Street in 1996 or any other time. The Investigative Subcommittee also notes that Elvira Williams, the district director of Representative Hilliard's Birmingham office, testified that she was aware of a Montgomery office owned by American Trust Corporation that HFCC leased from American Trust Corporation. In light of inconsistent statements made during her testimony, as well as her assertion that HFCC utilized a

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[73] Deposition of Alabama State Representative John Hilliard (May 8, 2000) at 182 (hereafter "J. Hilliard Dep."). John Hilliard testified as follows with respect to this subject:

Q Okay. According to the FEC filings by the Hilliard for Congress campaign, the Hilliard campaign made payments for rents in the amount of $2,000 on September 20th, October 1st, November 7th and December 1996. Do you have any knowledge as to where the campaign office was located corresponding to rent payments?
A I don't remember. I don't have any knowledge.
Q Do you have any knowledge of a campaign office in Montgomery, Alabama, on that date in 1996?
A I don't recall.
Q You were working in Montgomery as a State Representative?
A And I was taking care of State business. I don't remember.
Q Did you have anything to do with Hilliard campaign operations in late '96?
A I have always [been] involved in volunteering in some type of way, but I don't remember.

[74] As noted (*supra* pp. 28-29), it was John Hilliard who signed the four American Trust Corporation checks to Aronov Realty Management in late 1996 for rent of 128 Lee Street in Montgomery. ***Exhibit 24.***

[75] J. Hilliard Dep. 182, 183.

Montgomery office at a time that the Investigative Subcommittee was able to confirm the property at 128 Lee Street was vacant and not utilized by any tenant, including HFCC, the Investigative Subcommittee did not credit Ms. Williams's testimony as supporting the existence of a Montgomery campaign office in 1996.

Based on the record before it regarding the aforementioned combined $8,000 disbursements from HFCC to American Trust Corporation, the Investigative Subcommittee concluded (1) that HFCC did not lease, sublease, or occupy 128 Lee Street during the relevant time period; (2) that Representative Hilliard used campaign funds to pay rent owed pursuant to a lease he guaranteed for AMMC; (3) that Representative Hilliard knowingly caused the expenditure of $8,000 (consisting of four payments of $2,000) for a purpose not attributable to any bona fide campaign or political purpose; and (4) that Representative Hilliard attempted to mask the use of campaign funds for an improper purpose by remitting purported rent payments to the American Trust Corporation and reporting to the Federal Election Commission that these expenditures were related to occupancy of a campaign office in Montgomery, Alabama.

### 2. Expenditures Of Campaign Funds For Rent In Excess Of Fair Market Value Paid To A Non-Profit Corporation That Would Transmit The Funds To A Private Corporation Owned And Controlled By Representative Hilliard And Members Of His Family, And Expenditures Of Campaign Funds For Rent In Excess Of Fair Market Value Paid Directly To Corporations Owned And Controlled By Representative Hilliard And Members Of His Family

#### *a. Overview Of Certain Corporations Owned And Controlled By Representative Hilliard And Members Of His Family*

Count III of the Statement of Alleged Violation adopted by the Investigative Subcommittee succinctly describes methods utilized by Representative Hilliard to accomplish the conversion of funds from HFCC to corporations owned and controlled by Representative Hilliard and members of his family. One of these methods was the payment of rent by HFCC in excess of fair market value for use of a building that was owned by corporations owned and controlled by Representative Hilliard and members of his family. The building at issue was located at 1612-1614 3rd Avenue North in

Birmingham, Alabama. In the course of its investigation, the Investigative Subcommittee found substantial reason to believe that the corporations involved in the various transactions and events leading to the transmittal of rent in excess of fair market value were not unrelated parties acting independently in their own self-interests. Rather, the corporations and individuals involved were engaged in a form of self-dealing to accomplish the transfer of funds from HFCC to corporations owned and controlled by Representative Hilliard and members of his family. A summary description of the corporate participants is set forth below.

On or about January 2, 1973, Hilliards and Company, Inc., was incorporated under the laws of the State of Alabama. At the time of its incorporation, Representative Hilliard, the corporation's president, held 980 out of 1000 shares of the corporation. The remaining 20 shares were divided equally between Mary Hilliard (Representative Hilliard's wife) and Iola Hilliard (Representative Hilliard's mother). On various later dates, the ownership of Hilliards and Company, Inc. changed, so that at all times relevant to the Investigative Subcommittee's investigation, Representative Hilliard owned approximately 30.48% of shares of Hilliards and Company, Inc., with the remaining shares owned by his wife, children, and other relatives as follows:

Mary Hilliard (spouse of Representative Hilliard): 14.47%
Earl F. Hilliard, Jr. (son of Representative Hilliard): 13.52%
Alesia L. Hilliard (daughter of Representative Hilliard): 13.52%
Iola Hilliard (mother of Representative Hilliard): .95%
John Hilliard (brother of Representative Hilliard): 13.52%
Frederick Hilliard (nephew of Representative Hilliard): 13.52%.[76]

The record indicates that Hilliards and Company, Inc. was controlled primarily by Representative Hilliard since its incorporation. Between 1977 and 1982, Hilliards and Company, Inc. acquired 100% ownership of an insurance company that would be renamed the American Trust Life Insurance Company ("ATLIC").[77] Although titled as a "life insurance" company, ATLIC was in the business of selling burial insurance

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[76] *See* ***Exhibits 9 and 29.*** The combined percentages of ownership of Hilliards & Company, Inc. (as reported by the entity in the cited exhibits) do not total precisely 100 percent.

[77] See State of Alabama Department of Insurance, *Report of Examination of the American Trust Life Insurance Company, Birmingham, Alabama, as of December 31, 1994*, at 3 (August 11, 1995) ***(Exhibit 9).***

policies.[78] According to a January 11, 1995 registration statement filed by Hilliards and Company, Inc. with the State of Alabama Department of Insurance in approximately June 1995, Representative Hilliard was the "ultimate controlling person" for ATLIC.[79] ***Exhibit 28.***

The following persons who are members of Representative Hilliard's family have been identified as serving as officers and/or members of the board of directors of ATLIC during the period approximately 1991 to 1996:[80]

Representative Earl F. Hilliard
Joel K. Hilliard (nephew of Representative Hilliard)
Rita Hall Patterson (niece of Representative Hilliard)
Cheryl Hilliard (niece of Representative Hilliard)
John Hilliard (brother of Representative Hilliard)
Frederick Earl Hilliard (son of Representative Hilliard)
Mary Hilliard (spouse of Representative Hilliard)
Carol Allen (sister of Representative Hilliard).

Since as early as 1990, ATLIC had been experiencing significant cash flow problems,[81] and the entity had been burdened by the assumption of the two mortgages from Representative Hilliard. ATLIC's financial problems apparently worsened during

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[78] J. Hilliard Dep. 34-35. John Hilliard testified that ATLIC did not sell life insurance.

[79] Alabama Code Section 27-29-1 (1975), as amended, defines the terms "control" and "person" for the purposes of the Insurance Holding Company Systems Act of the Insurance Code of the State of Alabama. The term "controlling" under the State statute means "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person[.]" The term "person" under the State statute means "[a]n individual, a corporation, a partnership, a limited partnership, an association, a joint-stock company, a trust, an unincorporated organization, or any similar entity or any combination of the foregoing acting in concert...." Counsel for the State of Alabama Department of Insurance further advised the Investigative Subcommittee that the term "ultimate" was not defined by statute, but rather under its common dictionary definition for purposes of interpreting the statute.

[80] *See* ***Exhibit 28***. All the members of Representative Hilliard's family that are listed may not have served simultaneously as officers and/or members of the board of directors of ATLIC. Other individuals with separate ties to Representative Hilliard also served as officers and/or members of the board of directors of ATLIC, such as Elvira Williams (the district director of Representative Hilliard's congressional district office in Birmingham), Yolanda Williams (a former HFCC employee), and Elizabeth Turner (a former HFCC employee).

[81] See State of Alabama Department of Insurance, *Report of Examination of the American Trust Life Insurance Company, Birmingham, Alabama, as of December 31, 1990*, at 14 (June 1991) (ATLIC official "in charge of operations" told State examiners "that in some instances [insurance] claims payments were delayed due to a 'cash flow problem' of the Company.") (***Exhibit 31*** at 14).

the period 1991-1994.[82] Eventually, a determination by the State of Alabama Department of Insurance was made that ATLIC was insolvent as of the end of 1994, and that entity was placed in receivership with the State of Alabama in August 1996. ***Exhibit 9.***

On or about April 10, 1984, American Trust Corporation was incorporated under the laws of the State of Alabama. The officers of this corporation at the time of its incorporation were John Hilliard (President), Mary Hilliard (Vice President), and Elvira Williams (Secretary/Treasurer). John Hilliard was the Chairman of the Board of American Trust Corporation at its initial incorporation. Mary Hilliard and Elvira Williams were directors of American Trust Corporation at its initial incorporation. At later dates, other members of Representative Hilliard's family were identified as officers and/or directors of American Trust Corporation, such as Alesia Hilliard (Representative Hilliard's daughter), and Rita Hall Patterson (Representative Hilliard's niece). American Trust Corporation was a wholly owned subsidiary of Hilliards and Company, Inc.[83]

On or about October 28, 1985, American Trust Communications Corporation was incorporated under the laws of the State of Alabama.[84] The officers of this corporation at the time of its incorporation were Representative Hilliard (President), Mary Hilliard (Vice President), and John Hilliard (Secretary/Treasurer). Representative Hilliard was the Chairman of the Board of American Trust Communications Corporation at its initial incorporation. Mary Hilliard and John Hilliard were directors of American Trust Communications Corporation at its initial incorporation. American Trust

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[82] In February 1996, in connection with an ongoing audit of ATLIC for the period of December 31, 1991, through December 31, 1994, the State of Alabama Department of Insurance issued a notice that its examiners "have found [ATLIC] to be insolvent as of December 31, 1994 by a capital impairment of $370,626." Notice of Impairment, *In the Matter of American Trust Life Insurance Company*, Case No. C-96-44 N (Feb. 20, 1996) (***Exhibit 9***). This was not the first time the State insurance regulators were concerned about ATLIC's solvency. In a May 31, 1991 memorandum, an examiner stated that ATLIC "has been operated in such a manner that, in my opinion, its present condition warrants immediate regulatory attention." ***Exhibit 32.***

[83] *See* ***Exhibit 28.***

[84] On different documents in possession of the Investigative Subcommittee, American Trust Communications Corporation was also referred to as American Trust Communication Corporation. These are the same entity.

Communications Corporation was a wholly owned subsidiary of Hilliards and Company, Inc.[85]

On or about July 14, 1992, American First Bonding Corporation was incorporated under the laws of the State of Alabama.[86] Carol Allen (Representative Hilliard's sister) was the sole incorporator and owner of this corporation.[87] Ms. Allen was also the President, Secretary, and Chairman of the Board of Directors of American First Bonding Corporation.[88] American First Bonding Corporation was either a wholly owned subsidiary of Hilliards and Company, Inc. or a corporation not owned by that entity but still wholly owned by a member of Representative Hilliard's family.[89]

On or about March 23, 1993, the African American Institute ("AAI") was incorporated as a non-profit corporation under the laws of the State of Alabama.[90] According to the original Articles of Incorporation of this entity, its incorporator was Cheryl Hilliard, the niece of Representative Hilliard. The founding directors of the corporation were Cheryl Hilliard (Chairman of the Board), Rita Hall Patterson (Vice Chairman of the Board), and Carol Allen (Secretary). Rita Hall Patterson is a niece of Representative Hilliard. Carol Allen is Representative Hilliard's sister. Cheryl Hilliard,

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[85] *See* ***Exhibit 28.***

[86] On different documents in possession of the Investigative Subcommittee, American First Bonding Corporation was also referred to as American First Bail Bonding. These are the same entity.

[87] Allen Dep. 27.

[88] Other corporations owned by Hilliards and Company, Inc. were known to have operated in the same building as HFCC (1612-1614 3rd Avenue North in Birmingham, Alabama) during the period 1992 to 1996. Those corporations included American Trust Travel Agency, which was incorporated under the laws of the State of Alabama on or about January 23, 1987. At the time of its incorporation, Representative Hilliard was the President and Chairman of the Board of Directors of American Trust Travel Agency, John Hilliard was the Vice President and a director of this corporation, and Elvira Williams was Secretary/Treasurer and director; Allen Dep. 75 (Witness testified as to use of 1612-1614 3rd Avenue North by American Trust Travel Agency); Deposition of Merriam McClendon (March 16, 2000) at 34 (hereafter "McClendon Dep.") (Witness recalled activities of American Trust Travel Agency within the building.).

[89] *See* Statement of Hilliards and Company, Inc. on behalf of ATLIC to State of Alabama Department of Insurance, Jan. 11, 1995 (***Exhibit 28***). In this document, American First Bonding Corporation is reported to regulators to be a subsidiary of Hilliards & Company, Inc. Carol Allen, however, testified that she owned the company. Allen Dep. 27.

[90] This entity was described by the former executive director of AAI as the "brainchild" of Representative Hilliard. McClendon Dep. 38. "In other words, the idea, the concept for the Institute, to the best of my knowledge, came from Congressman Hilliard." *Id.*

Carol Allen, and Rita Hall Patterson were also the founding officers of the African American Institute. Cheryl Hilliard was the corporation's founding Executive Director, Carol Allen was its Assistant Director, and Rita Hall Patterson was its Secretary. ***Exhibit 14.***

On or about May 28, 1993, the Articles of Incorporation of the African American Institute were amended to report a change in the directors of the corporation. Under the amendment, Rita Hall Patterson was Chairman of the Board, Carol Allen was Vice Chairman of the Board, and Cheryl Hilliard was Secretary. ***Exhibit 15.***

On or about August 26, 1993, the Internal Revenue Service accorded tax-exempt status under Section 501(c)(3) to AAI. The notice of the Internal Revenue Service was directed to Cheryl Hilliard, and informed her that donors to AAI may deduct conduct their contributions in accordance with the Internal Revenue Code and related regulations.

***b. Events Relating To Rent Paid By HFCC For Occupancy Of 1612-1614 3rd Avenue North***

On or about March 17, 1992, Representative Hilliard filed a Statement of Candidacy with the Federal Election Commission. On the same date, an amended Statement of Organization for HFCC was also filed with the Federal Election Commission. According to the amended Statement of Organization, the address of HFCC was a building located at 1612-1614 3rd Avenue North in Birmingham, Alabama, a building owned by ATLIC at the time.

On or about May 15, 1992, HFCC paid $3,000 for rent to ATLIC. This $3,000 rent payment was the first such payment by HFCC reported to the FEC. The record indicates that during the period approximately June through October 1992, HFCC made five disbursements of $600 each to ATLIC for rent. During the period April through August 1993, HFCC made four disbursements of $1,000 each to ATLIC for rent.

Thereafter, on or about September 29, 1993, ATLIC sold its home office building located at 1612-1614 3rd Avenue North in Birmingham, Alabama, to AAI.[91] ***Exhibit 30.*** Following the sale of the building, HFCC began to make monthly payments of rent to the African American Institute of $1,500 per month. The first such $1,500 rent payment was made by HFCC to AAI on or about October 5, 1993. The Investigative Subcommittee has determined that prior to the sale of the building and the increase of HFCC's rent to $1,500 per month, Representative Hilliard was aware that Clause 6 of former House Rule 43 (current House Rule 23) prohibited conversion of campaign funds to personal use in excess of reimbursement for legitimate and verifiable campaign expenditures, and that the payment of rent by his campaign in excess of that charged by other facilities in the area for similar space, that is, in excess of fair market value, would constitute such a conversion.

Prior to its purchase from ATLIC of the building located at 1612-1614 3rd Avenue North, the African American Institute was a tenant in the building, and made at least one payment of $1,000 to ATLIC for rent.[92] Under the terms of the sale, AAI agreed to pay $385,000 for the property as well as to assume a mortgage owed by Representative Hilliard to William Parker and a mortgage owed by Representative Hilliard to SouthTrust Bank. The balance of the two mortgages AAI agreed to assume totaled $200,000.[93] The total purchase price of the building was thus $585,000. Documents relating to the sale of the building to AAI included a deed that was executed by Mary Hilliard (Representative

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[91] The warranty deed was not recorded in the office of the Judge of Probate of Jefferson County, Alabama, until December 31, 1993.

[92] The payment of $1,000 from AAI to ATLIC for rent was made on or about July 7, 1993.

[93] The assumption of the SouthTrust and William F. Parker mortgage payments by ATLIC apparently began in 1987. According to a warranty deed, Representative Hilliard sold 1612-1614 3rd Avenue North to ATLIC in August 1987 for ten dollars ($10.00) and "other good and valuable consideration." Following its purchase of the building from Representative Hilliard in 1987, ATLIC assumed responsibility for making payments on the two mortgages on the property held personally by Representative Hilliard. One monthly payment was for the mortgage of $100,000 held by SouthTrust Bank, for which a monthly payment of $1,150 was required. The other payment was for the mortgage of $118,500 held by William Parker, for which the monthly mortgage payment was $1,125. State insurance examiners reported that ATLIC paid $34,305 in mortgage payments to SouthTrust Bank between November 19, 1987 and December 31, 1990, and had made $20,250 in mortgage payments to William Parker by the end of 1990. ***Exhibit 31*** at 25, 26.

Hilliard's spouse), as President of ATLIC. ***Exhibit 30.***[94] Another document, signed by Yolanda Williams as Executive Director of AAI, was styled as a real estate mortgage note and stated that AAI will pay ATLIC the sum of $385,000 "together with interest

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[94] A related document obtained by the Investigative Subcommittee was a lease agreement between ATLIC and AAI. This lease was also executed on or about September 29, 1993, and appeared to bind AAI to ATLIC in a very similar manner as in the documents memorializing AAI's purchase of 1612-1614 3rd Avenue North. Specifically, ATLIC agreed to lease 1612-1614 3rd Avenue North to AAI for 30 years in consideration for the payment by AAI to ATLIC of $585,000, of which $200,000 represented the balance of mortgages owed to SouthTrust Bank and William Parker by Representative Hilliard. The lease contained the provision that "[a] deed and a mortgage may be executed at anytime the parties desire." ***Exhibit 30.*** Rita Hall Patterson (Representative Hilliard's niece), who was Chairman of AAI, signed this lease document as Vice President of ATLIC. Yolanda Williams, who was working for ATLIC at the time (although compensated by HFCC) signed the lease document as Executive Director of AAI. Ms. Patterson was questioned by the Investigative Subcommittee regarding the sale of the building from ATLIC to AAI. Ms. Patterson testified that "I can't recall," "I do not remember," or words to that effect in response to questions regarding who decided to purchase the building on behalf of AAI or to sell it on behalf of ATLIC, or how the sales price of $585,000 was determined. Patterson Dep. 76, 81, 83. Ms. Patterson was also questioned as to her role in this transaction in light of her fiduciary obligations to both AAI and ATLIC (Patterson Dep. 78-79):

Q What role did you play for the American Trust Life Insurance Company regarding the sale of 1612-1614 Third Avenue North?
A I can't recall that.
Q Might you have played a role?
A Pardon me?
Q Might you have played a role?
A I just cannot remember.
Q Now, you -- at the time of the sale by the African American Institute, you were vice president of the American Trust Life Insurance Company; is that correct?
A Yes.
Q And you were also chairman of the board of the entity purchasing the building; is that correct?
A Yes. I think at the time, September '93.
Q Given your position with both entities, were you comfortable that you were fulfilling your fiduciary responsibility to these corporations?
A Yes.
Q How did you reach that determination?
A I didn't see a conflict.
Q Well, did you make any effort to ascertain the fair market value of this building?
A I can't recall. I may have.
Q Well, how would you have done that?
A I can't remember.
Q Now, where -- were there negotiations regarding the purchase price of this building?
A I can't remember.
Q Did you ever offer to pay less than $585,000 for this building?
A I don't remember.

upon the unpaid portion thereof from date at the rate of Six (6%) per cent per annum, in monthly installments of Three Thousand and no/100 – ($3,000.00) Dollars."[95] ***Exhibit 30.***

There was no exchange of money following the sale of the building. $385,000 of the sales price was financed by ATLIC in consideration of the $3,000 monthly payments it was to receive from the African American Institute. In addition, under the terms of the sale, AAI was obligated to pay $1,150 per month in satisfaction of the mortgage owed by Representative Hilliard to SouthTrust Bank, and $1,125 per month in satisfaction of the mortgage owed by Representative Hilliard to William Parker.

The purchase of the building by AAI resulted in the assumption by AAI of substantial debt obligations that limited its ability to conduct activities consistent with its exempt status under Section 501(c)(3) of the Internal Revenue Code. Whereas AAI had no known debt expenses prior to the September 1993 sale, after the sale it was responsible for two monthly mortgage payments (the mortgages owed by Representative Hilliard to SouthTrust Bank and William Parker) totaling approximately $2,275. Further, AAI was obligated to make a $3,000 monthly mortgage payment to ATLIC. Thus, after its purchase of the building from ATLIC, AAI was obligated to make monthly payments totaling $5,275. According to its former Executive Director, the debt service assumed by

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[95] Sworn testimony of individuals involved in the sales transaction, as evidenced by their names and signatures on the sales and mortgage documents, yielded little insight as to how the sales price of the building ($585,000) was derived at or negotiated. Each of these individuals – Carol Allen, Yolanda Williams, Cheryl Hilliard, John Hilliard, Elvira Williams, and Rita Hall Patterson – averred that they did not know and/or did not remember such details. Nor was a cogent explanation provided by these witnesses as to why any of these officials of AAI and/or ATLIC believed the purchase of the building at this price was in the best interests of AAI and/or ATLIC. Allen Dep. 55, 56, 62; Patterson Dep. 72, 73, 74, 76; Deposition of Cheryl Hilliard (February 17, 2000) at 89-90 (hereafter "C. Hilliard Dep."); Y. Williams Dep. 74, 77; E. Williams Dep. 191; J. Hilliard Dep. 133, 135. At one point in her deposition, Ms. Patterson testified that AAI purchased the building from ATLIC for "investment purposes." Patterson Dep. 94. Ms. Patterson, however, was not able to provide any details as to events leading to this "investment" or as to how the purchase of the building at the purchase price of $585,000 was a sound and legitimate investment for AAI. Patterson Dep. 83, 84. Yolanda Williams testified that while she typed the mortgage document at the direction of John Hilliard, she recalled no other involvement with this transaction: "I was instructed to type this document up. Those were my instructions. Those are the instructions that I performed. The negotiations, the considerations, the decision, whatever that was done before it got to me, I have no recollection. I do not know. I did what was asked of me to do. I typed the document and I signed it as Executive Director in trust that John Hilliard knew what he was telling me to do when he asked me to type up this document." Y. Williams Dep. 79.

AAI imposed a substantial financial burden on the non-profit organization. According to AAI's bank records, during October 1993 through December 1994, approximately 51% of all AAI expenditures were for mortgage payments resulting from its acquisition of the building. Mortgage payments to ATLIC alone during this period represented approximately 35% of all AAI expenditures. In addition, AAI reported to the Internal Revenue Service that it had received total revenue of $66,092 during the 1994 calendar year, including $38,500 in rental income. In addition to that revenue, AAI reported to the Internal Revenue Service that it had expenses of $50,675 for "occupancy, rent, utilities and maintenance." By contrast, AAI reported expenses for 1994 of only $773 for "printing, publications, postage, and shipping."[96] ***Exhibit 33.***

By contrast, ATLIC was in a far more favorable position after the sale transfer of the property to AAI. First, ATLIC was relieved of an apparent burden to make $2,275 in monthly payments for the two mortgages owed personally by Representative Hilliard. In addition, following the sale, ATLIC was to receive an additional $1,500 per month from funds derived from HFCC. Specifically, following the sale of the building to AAI, there was a pattern of sets of payments among HFCC, ATLIC and AAI relating to monthly rent and mortgage payments. HFCC would issue a check for $1,500 to AAI for rent; ATLIC would also issue a check for $1,500 to AAI for rent; and AAI would issue a check to ATLIC for $3,000 for payment on the mortgage note held by ATLIC. Accordingly, per this pattern, while ATLIC would write a rent check to AAI for $1,500 for a month's rent, these funds were returned to ATLIC in the form of a $3,000 mortgage payment paid by AAI.[97] Thus, the result of the approximately monthly transactions falling within this pattern was that the financial position of ATLIC was improved by $1,500 approximately

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[96] Merriam McClendon, who served as Executive Director of AAI, testified that AAI's debt obligation regarding the SouthTrust Bank and William Parker mortgages alone were financially burdensome for AAI. McClendon Dep. 60-61, 66, 87.

[97] *See* **Attachment B and *Exhibit 34*.** **Attachment B** to this Report is a diagram of the flow of certain monies between HFCC, AAI, and ATLIC. ***Exhibit 34*** includes checks that were used to accomplish the transfer of funds between HFCC and ATLIC, using AAI as a conduit.

each month from funds derived from HFCC.[98] Thus, by utilizing a third party (AAI), a 50% increase in campaign rent (from $1,000 to $1,500) was implemented that ultimately would pass back to ATLIC in the form of a mortgage payment by AAI, and these transfers of funds from HFCC to ATLIC could be accomplished without the outward appearance of self-dealing that would have arisen had ATLIC received the new rent directly from the campaign.[99] ***Exhibit 34.***

On or about April 27, 1995, AAI sold the building located at 1612-1614 3rd Avenue North back to ATLIC for consideration of one dollar ($1.00) and unspecified "other goods and valuable consideration," and the assumption back by ATLIC of the obligation to pay the two mortgages owed by Representative Hilliard to William Parker and SouthTrust Bank. AAI received no other remuneration from ATLIC.[100] ***Exhibit 35.***

Following the sale of 1612-1614 3rd Avenue North back to ATLIC, HFCC continued to make expenditures for rent in connection with its occupancy of this building. Such an expenditure was made to American Trust Corporation on or about May 26, 1995, and was in the amount of $4,500. No evidence was adduced from title records that at the time of this expenditure, American Trust Corporation (as opposed to ATLIC) owned 1612-1614 3rd Avenue in Birmingham at the time of rent payment, or was otherwise entitled to demand or collect rent for that property at that time.

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[98] To the extent that, as a consequence of the sale, AAI fulfilled Representative Hilliard's personal obligation to pay mortgages he owed to SouthTrust Bank and William Parker, Representative Hilliard was also in a more favorable position following the sale of the building to AAI.

[99] On or about February 13, 1995, HFCC issued a check to AAI in the amount of $3,000 for two months rent. The payment of this check was not accompanied by a $3,000 check from AAI to ATLIC. Rather, the $3,000 check from HFCC was deposited directly into the bank account of American Trust Corporation. ***Exhibit 36.*** This check was signed by Elizabeth Turner and endorsed by her to the American Trust Corporation and deposited by her into the account of that corporation. When asked why she endorsed and deposited this $3,000 rent check issued to AAI into the account of American Trust Corporation, Ms. Turner testified that she was "instructed to do so" by Representative Hilliard, and that she did not know why Representative Hilliard instructed her to take these actions. Turner Dep. 124.

[100] With respect to the sale of the building back to ATLIC for $1.00 and relief from paying two mortgages owed by Representative Hilliard, the Executive Director of AAI at the time of the sale testified that the monthly amount paid by AAI for mortgages each month could "be used for programs of the Institute," that AAI was "struggling to survive" and that AAI had a "debt burden" due to the mortgages that in her view, was not in the interests of the entity. McClendon Dep. 86-87.

In addition to the foregoing transaction, the following additional transactions occurred after the sale of 1612-1614 3rd Avenue North back to ATLIC:

On or about July 18, 1995, HFCC made an expenditure of $1,500 to AAI for rent of space within 1612-1614 3rd Avenue North, even though title records indicate that ATLIC, and not AAI, owned the building at that time.

On or about August 2, 1995, HFCC made an expenditure of $1,500 for rent. The check for this expenditure was made payable to American Trust Corporation, but the check was ultimately deposited into the account of American First Bonding Corporation. ***Exhibit 37.*** Title records do not indicate that either American Trust Corporation or American First Bonding Corporation owned 1612-1614 3rd Avenue North at the time of this rent payment.[101]

On or about November 9, 1995, HFCC made an expenditure of $3,000 to American Trust Corporation for rent. On or about November 28, 1995, HFCC made an expenditure of $1,500 to American Trust Corporation for rent. On or about December 31, 1995, HFCC made an expenditure of $600 to American Trust Corporation for partial payment of rent. Title records indicated that ATLIC, and not American Trust Corporation owned 1612-1614 3rd Avenue North at the time of these rent payments.

On or about January 3, 1996, HFCC made an additional expenditure of $1,500 to American Trust Corporation for rent, but this check was ultimately deposited into the account of American Trust Communications Corporation. ***Exhibit 38.*** Title records did

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[101] Carol Allen, the President and Chairman of American First Bonding Corporation, testified "I don't remember" when asked under oath why this HFCC check was deposited into her company's account. Allen Dep. 65. She further testified that she did not remember whether her company ever had a lease with HFCC or with American Trust Corporation, and that she did not recall whether her company ever owned the building located at 1612-1614 3rd Avenue North in Birmingham, Alabama. *Id.* Rita Hall Patterson, who wrote the HFCC check in question (***Exhibit 37***), also testified that she "cannot remember" why this check was deposited into the account of American First Bonding Corporation. Patterson Dep. 155. She also testified that she could not recall any dealings between HFCC and that corporation. *Id.* The record also indicated that on or about March 14, 1995, Rita Hall Patterson issued a check from the account of AAI payable to American First Bonding Corporation in the amount of $1,500, the purpose of which Rita Hall Patterson testified she could not remember. Patterson Dep. 150.

not indicate that either American Trust Corporation or American Trust Communications Corporation owned 1612-1614 3rd Avenue North at the time of this rent payment.

On January 22, 1996, HFCC made an additional expenditure of $1,500 to American Trust Corporation for rent. On or about April 1, 1996, HFCC made two expenditures of $1,500 apiece to American Trust Corporation for rent. On or about April 4, 1996, HFCC made another expenditure of $3,000 for rent to American Trust Corporation for rent for May and June. Again, title records indicated that ATLIC, and not American Trust Corporation, owned 1612-1614 3rd Avenue North at the time these rent payments were made.

On July 1, 1996, HFCC made an expenditure of $1,500 to ATLIC for rent. On July 9, 1996, HFCC made another expenditure of $1,500 to ATLIC for rent.

In sum, during the period approximately October 1993 through July 1996, HFCC made approximately 29 expenditures for rent in connection with 1612-1614 3rd Avenue North in Birmingham, Alabama, and the amount of those expenditures totaled approximately $53,100.[102]

Apart from the April 27, 1995, resale of the 1612-1614 3rd Avenue North property from AAI to ATLIC, several documents obtained by the Investigative Subcommittee in this matter purport to memorialize other resales of 1612-1614 3rd Avenue North during the relevant time period. Although none of these other purported sales were recorded in county title records, in the view of the Investigative Subcommittee, these documents indicating resales of 1612-1614 3rd Avenue North by AAI to ATLIC were significant because they evidenced the close relationship between the parties and raised further questions as to whether any of the sales of this building between Hilliard-related

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[102] The record indicates that after July 1996, it was not until December 1997 that HFCC made expenditures to lease office space in Birmingham, Alabama. The 1997 lease was for office space within a building located at 1703 4th Avenue North in Birmingham, a building that was not owned by Representative Hilliard or any member of his family. HFCC paid $300 per month for the use of the space leased on 4th Avenue North.

enterprises were legitimate business transactions.[103] For example, a warranty deed dated June 28, 1995 appeared to memorialize the sale by AAI to ATLIC of the building located at 1612-1614 3rd Avenue North. ***Exhibit 40.*** According to this document, the sales price for the building was $1,000 and the assumption by ATLIC of mortgages owed by Representative Hilliard to William Parker and SouthTrust Bank. According to county title records, the building was already owned by ATLIC on the date the warranty deed was executed, and no evidence was obtained from witnesses or title records either of a repurchase by AAI from ATLIC of the building located at 1612-1614 3rd Avenue North or of a reassumption by AAI from ATLIC of the obligation to make payments on the two personal mortgages owed by Representative Hilliard to William Parker and SouthTrust Bank. As noted (*supra* p. 45), however, on or about July 18, 1995, HFCC made an expenditure of $1,500 to AAI for rent, even though title records indicated that ATLIC owned the building at that time. Another document obtained by the Investigative Subcommittee similarly evidences the apparent fluid nature of ownership of 1612-1614 3rd Avenue North. According to a sales contract dated August 22, 1995, ATLIC sold American Trust Corporation the building located at 1612-1614 3rd Avenue North in Birmingham for the purchase price of $305,000, which amount includes the assumption of two unspecified mortgages. ***Exhibit 41.*** Under this contract, the sale of the building was to close by October 1, 1995. Again, title records and American Trust Corporation financial records obtained by the Investigative Subcommittee do not reflect this transaction.

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[103] During its investigation, the Investigative Subcommittee obtained copies of documents purporting to be minutes of board meetings of ATLIC. Some of the documents discuss the sale of 1612-1614 3rd Avenue North to AAI, as well as discuss the sale by ATLIC of the mortgage owed by AAI. *See* ***Exhibit 39.*** Two attendees of such meetings (as reflected in the minutes) that testified before the Investigative Subcommittee were not able to recall attending any specific meeting of the board of ATLIC or of participating in any such meetings. C. Hilliard Dep. 94 (Cheryl Hilliard testified that she did not "recall" attending a board meeting which minutes reflect her attendance and participation.); Allen Dep. 43-44 (Carol Allen testified that she did not recall attending a meeting of the Board of Directors of ATLIC where minutes recorded her attendance and participation.). Handwritten drafts of minutes of meetings were sometimes prepared by Representative Hilliard. E. Williams Dep. 220-228; ***Exhibit 39.***

### *c. Fair Market Value For Sale And Rental Of 1612-1614 3rd Avenue North*

One of the core issues before the Investigative Subcommittee in this matter was whether HFCC paid fair market value for rent of a building owned by corporations or controlled by Representative Hilliard and members of his family. Accordingly, the Investigative Subcommittee undertook to ascertain the fair market value for rent of the building in question. A subsidiary question raised in this matter was whether the sale of the building to AAI and the repurchase of the building from AAI by ATLIC were transactions made for the purpose of justifying or masking inflated rents to be paid by HFCC. Therefore, the Investigative Subcommittee also made an effort to determine the fair market value of the building during the relevant time period.

#### *i. Fair Market Value For Sale Of 1612-1614 3rd Avenue North*

The evidence garnered by the Investigative Subcommittee showed that the fair market value of 1612-1614 3rd Avenue North was hundreds of thousands of dollars lower than $585,000 at the time of the sale of the building to AAI in September 1993.

In 1991, Representative Hilliard personally engaged an appraiser, Lonnie Tidwell, to estimate the market value of 1612-1614 3rd Avenue North. The report of Mr. Tidwell to Representative Hilliard, dated August 30, 1991, concluded that the property had a market value of $305,000. This figure was contingent upon the completion of renovations to the building; however it appears that these renovations were never completed. ***Exhibit 42.*** Mr. Tidwell had also been engaged by Representative Hilliard in approximately March 1987 to estimate the fair market value of 1612-1614 3rd Avenue North, and at that time, Mr. Tidwell determined the fair market value of the property at that time to be $260,000, also subject to the completion of renovations. ***Exhibit 43.***

The Investigative Subcommittee also obtained a copy of a December 1987 "appraisal" of 1612-1614 3rd Avenue North prepared for Representative Hilliard by real estate agent Willie A. Casey. ***Exhibit 44.*** While Mr. Casey's "appraisal" states the property's value to be $654,000, this "appraisal" was not creditable for several reasons, and no credence was given by the Investigative Subcommittee to the conclusions

contained in that document except to the extent that the existence of this document raised concerns as to the purpose for which the document was generated. First, Mr. Casey was not a qualified professional appraiser. Second, at the time of the appraisal, Mr. Casey was a real estate agent or broker associated with a real estate company affiliated with Representative Hilliard called the American Trust Land Company located in the building at 1612-1614 3rd Avenue North in Birmingham, Alabama. Third, Mr. Casey was, or had been, associated with Representative Hilliard in one of Representative Hilliard's businesses. Indeed, Mr. Casey was not paid monetarily for the appraisal. Rather, Mr. Casey prepared and executed the appraisal in return for legal services performed by Representative Hilliard.[104] Finally, except for certain numerical data purporting to justify the estimated market value of the property, this "appraisal" was a near verbatim copy of the appraisal prepared by Lonnie Tidwell nine months earlier. ***Exhibit 44.*** While giving sworn testimony to the Investigative Subcommittee on February 10, 2000, Mr. Tidwell reviewed Mr. Casey's "appraisal" for the first time. Mr. Tidwell testified that "its obvious to me that someone copied" the report he was paid to prepare for Representative Hilliard.[105]

During the course of its inquiry, the Investigative Subcommittee also obtained documents regarding the subject property from the Jefferson County Board of Equalization and Adjustments. Those documents show that on or about May 12, 1994, Representative Hilliard, who had been a real estate broker, represented to the Board that in his opinion the value of the property at 1612-1614 3rd Avenue North was $100,000. ***Exhibit 45.*** In addition, on or about May 31, 1995, ATLIC (through John Hilliard, as President) also represented to the Board that it considered $100,000 to be the fair market value of the property.[106] ***Exhibit 46.*** Of significance to the issue of Representative

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[104] Interview of Willie A. Casey, December 7, 1999.

[105] Deposition of Lonnie Tidwell (February 10, 2000) at 48, 49 (hereafter "Tidwell Dep."). Even typographical errors were copied from Mr. Tidwell's appraisal onto the appraisal of Mr. Casey, leading Mr. Tidwell to conclude from his examination of several pages of the report, that the appraisal prepared by him in 1987 appeared to have been "copied verbatim." Tidwell Dep. 54.

[106] At the conclusion of this protest process, the Jefferson County Board of Equalization and Adjustments Board determined the assessed market value of 1612-1614 3rd Avenue North for taxation purposes was $189,130 for each of the years 1989 through 1993, and $185,230 for 1994. For 1995 and 1996, the

Hilliard's relationship to AAI, at the time of Representative Hilliard's protest, the building in question was legally owned by AAI, an entity with which Representative Hilliard repeatedly represented, through counsel, he never had any involvement.[107]

To resolve questions related to the fair market value of 1612-1614 3rd Avenue North, the Investigative Subcommittee engaged the services of two professional appraisers located in Birmingham, Alabama to estimate independently of one another the fair market value of 1612-1614 3rd Avenue North during the period 1993-1995. Both of the appraisers engaged by the Investigative Subcommittee were Alabama Certified General Real Property Appraisers, and both were certified members of the Appraisal Institute and the Counselors of Real Estate. Each appraiser had decades of experience in the area of real estate appraisals for which they were engaged by the Investigative Subcommittee.

In conducting their analyses, the appraisers considered factors including, but not limited to, prior sales of comparable properties during relevant time periods, as well as the condition and location of the subject building. Both appraisers concluded independently of one another that the fair market value of the building during the time period in question was substantially lower than the purchase price paid by AAI in 1993. One of the appraisers estimated the fair market value of the building was $150,000 during

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assessed market value of 1612-1614 3rd Avenue North by the Board continued to be $185,230. Prior to the protests, the assessed market value of this property varied substantially during the 1990's, with an assessed market value as high at $420,050 in 1993. Board records indicated that this high assessment was based substantially on anticipated renovations to the property that the Board ultimately learned did not occur. Indeed, an inspection of the building by a Board assessor in June 1995 discovered that only 25% of the building was being used as an office and that numerous repairs and renovations to the property were needed. The assessor noted cracks in walls, peeling paint, evidence of water and moisture, disconnected and unusable plumbing on the second floor, no central heat on the first floor of the building, and that the first floor air conditioning unit was not working, among other problems.

[107] ***Exhibit 50*** ("Mr. Hilliard does not have any interest or position in the African American Institute" and he "can not and will not speak for the African American Institute."); C. Hilliard Dep. 23 (Representative Hilliard's counsel, who also represented the deponent (Cheryl Hilliard), said he would "stipulate for the record that AAI was an entity with which the Congressman had absolutely no involvement."); C. Hilliard Dep. 23 (Representative Hilliard's counsel stated with respect to his previous assertion that Representative Hilliard had no involvement with AAI, that "[i]t's a fact. It's not a matter of belief. It is a fact.").

1993-1995.[108] ***Exhibit 47.*** The other appraiser estimated that the fair market value of the building was in the range of $130,000 to $140,000 during that time period.[109] ***Exhibit 48.***

***ii. Fair Market Value For Rent Of 1612-1614 3rd Avenue North***

The two professional appraisers engaged by the Subcommittee were also asked by the Subcommittee to estimate independently of one another the fair market value for rent of 1612-1614 3rd Avenue North during the time period (1992 to 1996) that the building was reportedly occupied by HFCC, among others. In conducting their detailed analyses, the appraisers considered, among other factors and information, competitive rental data from the neighborhood of the subject building, and information obtained from interviews of property managers and tenants in that neighborhood.

The building at issue, 1612-1614 3rd Avenue North, is a two-story office building with approximately 14,000 square feet of space. Approximately 7,000 square feet of the space within the building is located on the building's upper floor, which is an essentially unfinished shell. The ground floor, also approximately 7,000 square feet, essentially is divided into two areas separated by a wall. Each of the two areas on the ground floor has its own address and separate front entrance. The address of the east side of the building is 1614 3rd Avenue North; the ground floor of this side is divided into office space by partitioning walls that do not reach the ceiling and includes a conference room and a reception area. The west side of the building (1612 3rd Avenue North) is retail/commercial space and, unlike the other side of the building, the ground floor has not been improved by division into separate offices.

Both of the appraisers engaged by the Investigative Subcommittee concluded that the fair market value for rent in the building depended upon the space within the building that was being occupied. According to the appraisals provided to the Investigative

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[108] Report of T. Julian Skinner, MAI, CRE, June 9, 2000 (***Exhibit 47***).

[109] Report of Steve Graham, MAI, CRE, May 23, 2000 (***Exhibit 48***). In addition, in connection with collection efforts on the mortgage owed by Representative Hilliard, an appraisal report of the property was also completed in 1995 by an individual engaged by SouthTrust Bank. A copy of this report was obtained during this investigation. According to this appraisal report, fair market value of 1612-1614 3rd Avenue North in Birmingham as of November 21, 1995 was $210,000.

Subcommittee, the estimated fair market value of rent of the entire ground floor of the west side of the building (1612 3rd Avenue North) was as low as $350 per month and as high as $700 per month. The estimated fair market value of the rent for the entire ground floor of the east side of the building (1614 3rd Avenue North) was as low as $700 per month and as high as $1,167 per month. The estimated fair market value of rent of a single office suite within the east side of the building (1614 3rd Avenue North) was as low as $290 per month and as high as $333 per month. The estimated fair market value of rent of the building's second floor shell space (entire upper floor of building) was as low as $150 per month and as high as $233 per month. ***Exhibits 47 and 48.***

Based on the evidence it gathered, the Investigative Subcommittee concluded that during Representative Hilliard's 1992 campaign for Congress, HFCC utilized space on the ground floor of the 1612 3rd Avenue North side of 1612-1614 3rd Avenue North. At some point thereafter, HFCC instead occupied, at most, a single office of the approximately six to eight offices within the 1614 3rd Avenue North side of 1612-1614 3rd Avenue North. Indeed, based on materials obtained by the Investigative Subcommittee, it appears that the largest office on the 1614 3rd Avenue North side was no more than approximately 18 feet by 14 feet (252 square feet) within the approximately 14,000 square foot building. ***Exhibit 42.*** The other offices in the 1614 3rd Avenue North side of the building were occupied by various other entities including, ATLIC, AAI, American Trust Corporation, American First Bonding Corporation, and possibly other entities owned and controlled by Representative Hilliard and members of his family.[110] Notably, by at least approximately September 1, 1995, the ground floor of the 1612 3rd Avenue North side of 1612-1614 3rd Avenue North was leased to Williamson & Harrell Photographers by American Trust Corporation for $350 per month. ***Exhibit 52.*** HFCC

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[110] Conclusions as to use of space within 1612-1614 3rd Avenue North in Birmingham, Alabama, were drawn from many sources, including the testimony of witnesses who worked in the building during the relevant time period. Patterson Dep. 17, 57, 58; McClendon Dep. 25, 30-31, 41, 73, 107, 109, 114; Allen Dep. 11, 49; C. Hilliard Dep. 58, 133; Turner Dep. 38, 39, 51-61; E. Williams Dep. 35-36, 42, 138, 153; Y. Williams Dep. 15, 54, 58, 72; J. Hilliard Dep. 29, 71, 84. Elizabeth Turner testified that Representative Hilliard made the decisions for HFCC regarding the amount of rent that should be paid by that entity for office space. Turner Dep. 142-143. Elvira Williams also testified that increases in rent would not have occurred without the approval of Representative Hilliard. E. Williams Dep. 169.

had paid as much as $1,500 per month in connection with its use of that same space. ***Exhibit 53.***[111]

Based on the information obtained during its investigation, including the reports of the appraisers engaged by the Investigative Subcommittee, interviews and depositions of witnesses, the lease entered into between American Trust Corporation and Williamson & Harrell Photographers, and other documentary evidence, the Investigative Subcommittee found substantial reason to believe that to the extent HFCC paid $1,500 per month for occupancy of 1612 3rd Avenue North, the rent paid greatly exceeded fair market value. The Investigative Subcommittee found substantial reason to believe that, at most, HFCC utilized office space within 1612-1614 3rd Avenue North that had a fair market rent of as much as $700 per month (the highest estimate of fair market value of rent for use of the 1612 3rd Avenue North side of the building at issue), and as low as $290 per month (the lowest estimate of fair market rent for use of a single office suite within the 1614 3rd Avenue North side of the building). Based on these estimates, and the evidence regarding use of space by HFCC, in each month, for example, that HFCC paid $1,500 per month for use or occupancy of the Birmingham building owned by Representative Hilliard and members of his family, either directly or through AAI, approximately $800 to $1,210 per month of HFCC funds were converted to personal use by Representative Hilliard and used by him for purposes not attributable to bona fide campaign purposes.

As noted (*supra* p. 46), HFCC paid a total of approximately $53,100 for rent of space within 1612-1614 3rd Avenue North during the period October 1993 through July 1996. Thus, on average, HFCC paid approximately $1,562 per month for rent during that 34 month time period. Based on the estimated fair market value for rent of the space used by HFCC within the building in question, approximately between $29,300 [$53,100 minus ($700 times 34 months)] and $43,240 [$53,100 minus ($290 times 34 months)] of

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[111] The lease of space to Williamson & Harrell Photographers was apparently disclosed to SouthTrust Bank in a letter written on behalf of Representative Hilliard. The letter was apparently in response to collection efforts undertaken by SouthTrust Bank against Representative Hilliard with respect to the mortgage owed by Representative Hilliard to that bank. ***Exhibit 54.*** The fact of the regular payment of rent by HFCC for use of 1612-1614 3rd Avenue North was not disclosed to SouthTrust Bank in the letter. *Id.*

the $53,100 total rent paid by HFCC represents funds converted to personal use by Representative Hilliard and used by him for purposes not attributable to bona fide campaign purposes.

***d. Benefits To Representative Hilliard And/Or Members Of His Family Stemming From HFCC Rent Payments And The Sales Of 1612-1614 3rd Avenue North***

As noted, payments of rent in excess of fair market value by a candidate's campaign to a company owned by the candidate were not permitted under House Rules governing campaign expenditures. To the extent that rent payments in excess of fair market value were paid by HFCC directly to ATLIC, American Trust Corporation, and other corporations owned and controlled by Representative Hilliard and members of his family, and to the extent that such payments were made indirectly through AAI, these payments represented a conversion of HFCC funds to Representative Hilliard and members of his family.

Apart from the improvement to the financial bottom line of Hilliard-owned corporations, review of the subpoenaed bank and corporate records provided other indicia of how Representative Hilliard or members of his family may have benefited from the conversion of HFCC funds. For example, during the period that HFCC was paying $1,500 per month for rent for occupancy of 1612-1614 3rd Avenue North to AAI and corporations owned by Representative Hilliard and members of his family, numerous checks designated as "loan repayment" were issued by the various Hilliard-owned corporations to Earl F. Hilliard. The Investigative Subcommittee did not undertake an investigation of whether Representative Hilliard actually made loans to the corporations, owned by him and members of his family, for which these payments made by the corporations to him represented repayment. Nonetheless, the substantial amount of HFCC funds transferred to ATLIC and other Hilliard-owned corporations as described in this Report were among the funds available to the corporations to pay Representative Hilliard and, thereby, to benefit him personally.

The timing of some of the "loan repayments" identified served to exacerbate the Investigative Subcommittee's concerns regarding these transactions. For example, by

check dated October 13, 1994, ATLIC issued a $500 check to Earl F. Hilliard for "loan repayment." ***Exhibit 56.*** By check dated just the following day, ATLIC received a $3,000 payment from AAI, of which $1,500 was funds paid by HFCC to AAI for rent of 1612-1614 3rd Avenue North in Birmingham. ***Exhibit 34.***

In addition, as previously noted (*supra* note 99), on or about February 13, 1995, HFCC issued a $3,000 check to AAI for rent that, apparently at the instruction of Representative Hilliard,[112] was deposited directly into the bank account of American Trust Corporation. ***Exhibit 36.*** Thereafter, over the next 16 days, American Trust Corporation made five expenditures to Earl F. Hilliard totaling $2,935 that were designated as "loan repayments," as follows: check number 1216 for $85 dated February 14, 1995; check number 1217 for $600 expenditure dated February 14, 1995; check number 1218 for $600 dated February 15, 1995; check number 1219 for $600 dated February 20, 1995; and check number 1223 for $1,050 dated March 1, 1995. ***Exhibit 57.***

Also as previously noted (*supra* p. 45), on or about August 2, 1995, HFCC made an expenditure of $1,500 for rent to American Trust Corporation that was ultimately deposited into the account of American First Bonding Corporation. ***Exhibit 37.*** Subsequent to this deposit, by check dated August 21, 1995, American First Bail Bonding paid $1,200 to Earl F. Hilliard. A notation on the check designated the $1,200 expenditure as "partial loan repayment." ***Exhibit 58.***

Finally, again as previously noted (*supra* p. 45), by check dated November 9, 1995, HFCC made an expenditure of $3,000 to American Trust Corporation for rent. ***Exhibit 59.*** By check dated the same date, American Trust Corporation paid $3,000 to American Trust Communications Corporation. ***Exhibit 59.*** A notation on this American Trust Corporation check designated this payment as "loan." Also by check dated November 9, 1995, American Trust Communications Corporation then paid $400 to Earl F. Hilliard. Approximately four days later, by check dated November 13, 1995, American Trust Communications Corporation paid another $1,000 to Earl F. Hilliard.

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[112] Turner Dep. 124.

***Exhibit 59.*** Notations on the $400 and $1,000 checks from American Trust Communications Corporation to Earl F. Hilliard designated the checks as "loan repayments."[113]

In addition to the above-cited examples, bank records indicated the occurrence of other "loan repayments" totaling thousands of dollars to Earl F. Hilliard by the corporations at issue. Even in the absence of these payments or other payments apparently benefiting Representative Hilliard or members of his family, by the very fact of effectively transferring HFCC funds to corporations owned by him and members of his family, Representative Hilliard added to his personal wealth and to the wealth of his family members that shared in the ownership of the corporations. The Investigative Subcommittee notes its concern that in a March 5, 1998 letter to the Committee, Representative Hilliard advised the Committee that neither he nor any member of his family benefited financially, either directly or indirectly, from rent paid by HFCC for use of the building at 1612-1614 3rd Avenue North. ***Exhibit 50.*** In that letter, Representative Hilliard also represented to the Committee that neither he nor any member of his family benefited from the sale of the building at 1612-1614 3rd Avenue North to AAI "because no income was derived in light of the fact that the African American Institute did not distribute profits (and he held no position in the organization)." ***Exhibit 50.*** The evidence gathered by the Investigative Subcommittee in this matter regarding rent paid by HFCC and the use of AAI to convert HFCC funds to personal use casts doubt on the

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[113] Other expenditures of concern to the Investigative Subcommittee included certain payments by Hilliard-owned corporations to AmSouth Bank and National Bank of Commerce. From the period approximately June 4, 1993 through approximately August 1, 1996, American Trust Corporation, American Trust Communications Corporation, and American First Bonding Corporation collectively made at least 30 expenditures totaling over $29,000 to AmSouth Bank and to National Bank of Commerce. Notations made on some of the corporate checks referenced Earl Hilliard, and may indicate that the payments were in satisfaction of a personal obligation of Representative Hilliard to these banks. ***Exhibit 60*** (examples of checks used to make the referenced expenditures to AmSouth Bank and National Bank of Commerce). Indeed, in his financial disclosure statements, Representative Hilliard reported liabilities owed to AmSouth Bank and National Bank of Commerce; although no payments by corporations owned or controlled by Representative Hilliard and members of his family to AmSouth Bank or National Bank of Commerce were disclosed as income. ***Exhibit 55.*** If corporations owned by Representative Hilliard and his family in fact made expenditures towards personal obligations of Representative Hilliard or members of his family, HFCC payments of rent in excess of fair market value may have subsidized these expenditures.

truth and accuracy of the representations in Representative Hilliard's March 5, 1998 letter to the Committee.

### *e. Conclusions Regarding HFCC Occupancy Of 1612-1614 3rd Avenue North*

Based on the foregoing, the Investigative Subcommittee reached the following conclusions:

(1) The sale of the building from ATLIC to AAI in September 1993 was not an "arms length" transaction, i.e., a transaction negotiated by unrelated parties, each acting in its own self interest.[114] Rather, the parties were engaged in a form of self-dealing, in which the sale of the building from ATLIC to AAI in September 1993 for an amount substantially in excess of the property's fair market value enabled AAI (a Section 501(c)(3) corporation) to be used as a conduit for the transfer of funds from HFCC to ATLIC, a corporation owned by Representative Hilliard and members of his family;

(2) The $1,500 monthly rent paid by HFCC to AAI for its occupancy of 1612-1614 3rd Avenue North substantially exceeded fair market value for rent in light of the quantity and quality of the space used and/or occupied by HFCC. By utilizing AAI (a nominal third party operated and controlled by members of Representative Hilliard's family), rent in excess of fair market value could pass back to ATLIC or other corporations owned by Representative Hilliard and members of his family in the form of a $3,000 mortgage payment by AAI. These transfers of funds from HFCC were thus accomplished without the appearance of self-dealing that may have arisen had ATLIC received the newly increased rent directly from HFCC, and resulted in a conversion of

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[114] Black's Law Dictionary 109 (6th ed. 1990) (A transaction is generally considered to be at arms length if it was entered into in good faith in the ordinary course of business by parties with independent interests.); FEC Advisory Opinion 1996-12 (citing the aforementioned definition of "arms length"); Tidwell Dep. 24-25 (Real estate appraiser testified that a transaction involving parties related in some way, even if the relationship stemmed from a business or partnership, would not be considered an arm's length transaction. He also testified that an arm's length transaction would require parties to be unrelated, "neither having any interest in the other party, both acting in their own self-interest."). *See also* ***Exhibit 47*** at 7; ***Exhibit 48*** at 14.

funds from HFCC to ATLIC or other corporations owned by Representative Hilliard and members of his family; and

(3) The monthly amount paid by HFCC to ATLIC, American Trust Corporation, and other corporations owned by Representative Hilliard and members of his family for rent of 1612-1614 3rd Avenue North substantially exceeded fair market value for rent in light of the quality and quantity of the space used and/or occupied by HFCC. These payments in excess of fair market value resulted in a conversion of HFCC funds to corporations owned by Representative Hilliard and/or members of his family.

In sum, during 1993 through 1996, at the direction of Representative Hilliard, HFCC paid rent in excess of fair market value for use or occupancy of office space within a building owned either by a corporation owned and controlled by Representative Hilliard and members of family or by a tax exempt corporation controlled by members of Representative Hilliard's family. Through these expenditures, HFCC funds were improperly converted to one or more corporations owned by Representative Hilliard and members of his family. Representative Hilliard directed these expenditures of HFCC funds despite his awareness of the restrictions in Clause 6 of former house Rule 43 (current House Rule 23) governing the use of campaign funds for payment of rent for Member-controlled entities, and despite his awareness that the payment of rent by his campaign in excess of that charged by other facilities in the area for similar space would constitute a conversion of HFCC funds. The conversion of funds at issue utilized two methods: (1) expenditures for rent by HFCC in excess of fair market value made directly to corporations owned by Representative Hilliard and members of his family; and (2) expenditures for rent in excess of fair market value by HFCC made to a Section 501(c)(3) corporation (AAI) that was used as a conduit for the transfer of funds between HFCC and corporations owned by Representative Hilliard and members of his family.

### 3. Expenditure Of HFCC Funds To Pay Utility Bills Of Corporations Owned And Controlled By Representative Earl F. Hilliard And Members Of His Family

During the time period that HFCC paid rent in connection with its stated occupancy of 1612-1614 3rd Avenue North in Birmingham, that building was

simultaneously occupied by several private corporations owned and controlled by Representative Hilliard and members of his family. Those corporations included ATLIC, American Trust Corporation, and American First Bonding Corporation. As noted (*supra* p. 52), HFCC occupied only a portion of the building at any one time and, for a substantial time, occupied only a single office of approximately at most 18 by 14 feet (252 square feet) within the combined approximately 14,000 square feet of space within the building.[115]

On or about March 5, 1998, Representative Hilliard (through counsel) represented to the Committee on Standards of Official Conduct that each occupant of the 1612-1614 3rd Avenue North "paid its own overhead and rent" during the period that HFCC also occupied space in that building. ***Exhibit 50.*** On or about April 2, 1998, Representative Hilliard (through counsel) represented to the Committee that HFCC "had separate utilities with respect to occupancy of the rental at 1612 3rd Avenue North and paid them." ***Exhibit 51.*** Documentation obtained from HFCC as well from utility companies confirms, however, that at least during the period approximately October 1993 through December 1994, HFCC directly subsidized the other occupants in the building (including private corporations owned and controlled by Representative Hilliard and members of his family) by paying utility expenses incurred for the entire building. During that time period, HFCC received no reimbursement for these expenditures from any of the other occupants of the building.

### *a. HFCC Payments to Alabama Power Company*

During the period of approximately October 26, 1993 until approximately December 6, 1994, HFCC issued eleven checks totaling $2,278.60 either to "Cash" or to the Alabama Power Company for the purpose of paying amounts owed to the Alabama Power Company for use of electricity in 1612-1614 3rd Avenue North. During that time period, the building had two electric power meters, i.e., electric power used at 1612 3rd

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[115] Several witnesses testified as to the use and occupancy of office space within 1612-1614 3rd Avenue North in Birmingham, Alabama. Allen Dep. 11, 49; C. Hilliard Dep. 58, 133; J. Hilliard Dep. 29, 71, 84; McClendon Dep. 25, 30-31, 41, 73, 107, 109, 114; Patterson Dep. 17, 57, 58; Turner Dep. 38, 39, 51-61; E. Williams Dep. 36, 42, 138, 153; Y. Williams Dep. 15, 54, 58, 72.

Avenue North was metered separately from electric power used at 1614 3rd Avenue North. The Alabama Power Company account number for 1612 3rd Avenue North was 5110-732-0060-53, and this account was in the name of Earl F. Hilliard. The Alabama Power Company account number for 1614 3rd Avenue North was 5110-732-0670-41, and this account was in the name of the American Trust Corporation.

A review of records obtained from the Alabama Power Company pursuant to a subpoena authorized by the Investigative Subcommittee revealed that during the period of time in which HFCC issued the aforementioned eleven checks towards the use of electric power at 1612-1614 3rd Avenue North, no other occupants of that building made payments to the Alabama Power Company in connection with the use of electric power at 1612-1614 3rd Avenue North. Payments in satisfaction of monetary obligations to the Alabama Power Company for the building at issue were made exclusively by HFCC, even though it occupied only a portion of the building.

One of those checks is dated November 22, 1993, and was in the amount of $169.12. Notations on this check indicate that $53.04 of this check was to be applied to Alabama Power Company account number 5110-732-0660-53 (1612 3rd Avenue North), and that the balance of the check, $116.08, was to be applied to Alabama Power Company account number 5110-732-0670-41 (1614 3rd Avenue North). Another check issued to the Alabama Power Company by HFCC is dated March 21, 1994 and was in the amount of $324.14. Notations on this check indicate that $92.64 of this check was to be applied to Alabama Power Company account number 5110-732-0660-53 (1612 3rd Avenue North), and that the balance of the check, $231.50 was to be applied to Alabama Power Company account number 5110-732-0670-41 (1614 3rd Avenue North). ***Exhibit 61.*** Alabama Power Company records confirmed that payments were applied by the utility as instructed on these checks. ***Exhibit 62.***

The remaining nine checks were made payable to Cash; however, utility records and notations on the checks confirm that these checks were issued to satisfy Alabama Power Company accounts in 1612-1614 3rd Avenue North. Again, even though the record indicates that HFCC did not use or rent that space during the applicable time

period, the entirety of two checks (one dated December 23, 1993 for $116.17 and the other dated January 31, 1994 for $98.64) were in satisfaction of the account for 1614 3rd Avenue North. The chart below lists the dates of the eleven aforementioned checks issued by HFCC for Alabama Power Company accounts, as well as the payee, the amount of each check, and subsequent credits to each metered account at 1612-1614 3rd Avenue North.[116]

| Date Of Check | Payee | Amount Of Check Drawn On Account Of HFCC | Amount Paid On Alabama Power Company Account For 1612 3rd Avenue North (Account Number 5110-732-0660-53) | Amount Paid On Alabama Power Company Account For 1614 3rd Avenue North (Account Number 5110-732-0670-41) |
|---|---|---|---|---|
| 10/26/93 | Cash | $379.20 | $186.55 | $192.55 |
| 11/22/93 | Alabama Power Company | 169.12 | 53.04 | 116.08 |
| 12/23/93 | Cash | 116.17 | 0 | 116.17 |
| 1/31/94 | Cash | 98.64 | 0 | 98.64 |
| 3/21/94 | Alabama Power Company | 324.14 | 92.64 | 231.50 |
| 5/13/94 | Cash | 195.33 | 86.94 | 108.39 |
| 5/31/94 | Cash | 158.39 | 40.15 | 118.24 |
| 6/10/94 | Cash | 179.37 | 40.00 | 139.37 |
| 8/19/94 | Cash | 204.65 | 102.48 | 102.17 |
| 10/18/94 | Cash | 233.80 | 92.68 | 141.12 |
| 12/6/94 | Cash | 219.79 | 69.26 | 150.33 |
| | | | | Total: $2,278.60 |

[116] In two cases, the total amount applied to the two Alabama Power Company accounts by the utility

### *b. HFCC Payments To Alabama Gas Company*

During the period approximately October 6, 1993 until December 6, 1994, HFCC issued seven checks totaling $1,524.34 to the Alabama Gas Company (also known as Alagasco) for the purpose of paying amounts owed to that utility for use of natural gas in 1614 3rd Avenue North. During that time period, the building had two gas meters, i.e., natural gas use at 1612 3rd Avenue North was metered separately from natural gas use at 1614 3rd Avenue North. The account for 1614 3rd Avenue North was in the name of Earl F. Hilliard.

A review of records obtained from the Alabama Gas Company pursuant to a subpoena authorized by the Subcommittee revealed that during the period of time in which HFCC issued the aforementioned seven checks towards the use of gas at 1614 3rd Avenue North, no other occupants of that building made payments to Alagasco in connection with use of natural gas in that building. ***Exhibit 63.*** Payments in satisfaction of monetary obligations to the Alagasco were made exclusively by HFCC, even though no evidence was adduced that HFCC was even an occupant of 1614 3rd Avenue North, much less its sole occupant, during the applicable time period. According to Alagasco records, there is no evidence of any payments for gas service at 1612 3rd Avenue North during the period in which HFCC made expenditures for gas service at 1614 3rd Avenue North.

The chart below lists the dates and amounts of the seven aforementioned checks issued by HFCC to Alagasco for the use of natural gas at 1614 3rd Avenue North.

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differed by several cents from the amount actually paid by HFCC.

| Date Of Check | Payee | Amount Of Payment By HFCC To Alagasco For Use Of Natural Gas At 1614 3rd Avenue North |
|---|---|---|
| 10/6/93 | Alagasco | $ 17.72 |
| 1/27/94 | Alagasco | 437.13 |
| 3/21/94 | Alagasco | 628.28 |
| 6/10/94 | Alagasco | 250.45 |
| 9/8/94 | Alagasco | 49.59 |
| 10/18/94 | Alagasco | 17.59 |
| 12/6/94 | Alagasco | 123.58 |
| | | Total: $1,524.34 |

### *c. HFCC Payments To Birmingham Water Works*

During the period approximately October 6, 1993 until December 6, 1994, HFCC issued eight checks totaling $1,395.12 to Birmingham Water Works for the purpose of paying amounts owed to that utility for water and sewer service in 1612-1614 3rd Avenue North. This utility did not separately meter the two sides of the building. The account for the Birmingham Water Works account for the entire building was in the name of Hilliard & Company, Inc., an entity owned by Representative Hilliard and members of his family.

A review of records obtained from Birmingham Water Works pursuant to a subpoena authorized by the Investigative Subcommittee revealed that during the period of time in which HFCC issued the aforementioned eight checks for water and sewer service at 1612-1614 3rd Avenue North, no other occupants of that building made payments to Birmingham Water Works in connection with water and sewer service in that building. ***Exhibit 64.*** Payments in satisfaction of monetary obligations to

Birmingham Water Works for the building at issue were made exclusively by HFCC, even though that entity occupied only a portion of the building.

The chart below lists the dates and amounts of the eight aforementioned checks issued by HFCC to Birmingham Water Works for water and sewer service at 1612-1614 3rd Avenue North.

| Date Of Check | Payee | Amount Of Payment By HFCC To Birmingham Water Works For Water And Sewer Service At 1612-1614 3rd Avenue North |
|---|---|---|
| 10/6/93 | Birmingham Water Works | $ 83.28 |
| 1/27/94 | Birmingham Water Works | 230.32 |
| 3/18/94 | Birmingham Water Works | 335.17 |
| 5/9/94 | Birmingham Water Works | 154.07 |
| 6/10/94 | Birmingham Water Works | 140.54 |
| 8/23/94 | Birmingham Water Works | 198.08 |
| 10/18/94 | Birmingham Water Works | 103.26 |
| 12/6/94 | Birmingham Water Works | 150.40 |
| | | Total: $1,395.12 |

***d. HFCC Payments To South Central Bell***

During the period approximately October 5, 1993 until December 6, 1994, HFCC issued 13 checks totaling $5,939.57 to South Central Bell (now known as BellSouth) for the purposes of paying amounts owed to that utility for telephone service at 1614 3rd Avenue North. The telephone numbers and telephone service for this building were utilized not only by HFCC, but also by ATLIC, American Trust Corporation and other private corporations and entities affiliated with Representative Hilliard and members of his family that occupied 1614 3rd Avenue North. The Investigative Subcommittee obtained and reviewed records of BellSouth, HFCC, and the other occupants of the building. No evidence was adduced by the Investigative Subcommittee that any occupant

other than HFCC made payments to South Central Bell in connection with telephone service at 1614 3rd Avenue North during the aforementioned time period.

The chart below lists the dates and amounts of the 13 aforementioned checks issued by HFCC to South Central Bell for telephone service at 1614 3rd Avenue North.[117]

| Date Of Check | Amount Of Payment By HFCC To South Central Bell For Telephone Service At 1614 3rd Avenue North |
|---|---|
| 10/5/93 | $ 435.65 |
| 10/25/93 | 407.82 |
| 12/2/93 | 448.19 |
| 1/10/94 | 425.05 |
| 3/15/94 | 853.90 |
| 5/5/94 | 425.30 |
| 6/9/94 | 408.50 |
| 7/6/94 | 278.79 |
| 8/19/94 | 288.87 |
| 9/2/94 | 484.87 |
| 10/7/94 | 566.55 |
| 11/7/94 | 451.70 |
| 12/6/94 | 464.38 |
| | Total: $5,939.57 |

[117] Although not an allegation contained in the Statement of Alleged Violation, the Investigative Subcommittee notes that during the period approximately October 5, 1993 until March 21, 1994, HFCC issued four checks totaling $1,592.02 either to Cash or to U.S. Sprint for the purposes of paying amounts owed to that utility for telephone service. Prior to that date, payments for this account at U.S. Sprint were made by ATLIC. Documents obtained by the Investigative Subcommittee did not indicate that occupants of 1612-1614 3rd Avenue North other than HFCC made payments to U.S. Sprint during the period October 5, 1993 through December 31, 1994.

### *e. Investigative Subcommittee Conclusions Regarding HFCC Expenditures For Utilities*

Based on the foregoing, the Investigative Subcommittee found substantial reason to believe that, at the direction of Representative Hilliard, during the period approximately October 1993 through December 1994, HFCC subsidized private corporations owned and controlled by Representative Hilliard and members of his family by paying utility expenses incurred by those corporations in connection with their occupancy of 1612-1614 3rd Avenue North. The record indicates that at least during the aforementioned time period, no occupant of the building other than HFCC made payments to Alabama Power Company, Alabama Gas Company, Birmingham Water Works, and South Central Bell for services provided with respect to the building located at 1612-1614 3rd Avenue North.[118] In total, HFCC made expenditures of over $11,000 to these utility companies for which HFCC received no reimbursement from any of the other occupants of the building used by HFCC.

In addition, based on the evidence regarding HFCC expenditures for utilities from October 1993 through December 1994, the Investigative Subcommittee also concluded that the March 5, 1998 statement made by Representative Hilliard's counsel that each occupant of the 1612-1614 3rd Avenue North "paid its own overhead and rent" during the period that HFCC also occupied space in that building, and that the additional April 2, 1998 statement by counsel for Representative Hilliard that HFCC "had separate utilities with respect to occupancy of the rental at 1612 3rd Avenue North and paid them," were false or misleading statements with respect to the stated period of time.

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[118] The evidence in the record also indicated payments to utilities by HFCC after December 1994. For example, on or about March 19, 1996, HFCC made a payment of $863.52 to BellSouth. Due in large measure to inadequate records produced by corporations owned by Representative Hilliard and members of his family, the Investigative Subcommittee was not able to discern how occupants of the building utilized by HFCC shared utility costs after December 1994. It appeared from the records obtained by the Investigative Subcommittee, that for significant lengths of time, debts to various utility companies sometimes went unpaid.

### 4. Conclusions Of Investigative Subcommittee Regarding HFCC Expenditures Relating To Use And/Or Occupancy Or Purported Use And/Or Occupancy Of Office Space By HFCC

As set forth clearly and succinctly in the Statement of Alleged Violation adopted by the Investigative Subcommittee that was admitted to by Representative Hilliard, during approximately 1993 through 1996 (***Exhibits 1 and 2***), Representative Hilliard engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by Representative Hilliard in excess of reimbursement for legitimate and verifiable campaign expenditures and expended by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes.

This conduct included (1) the expenditure of $8,000 of HFCC funds to pay rent owed pursuant to a lease Representative Hilliard guaranteed for the American Management and Marketing Corporation in Montgomery, Alabama; (2) expenditures for rent substantially in excess of fair market value by HFCC made to a Section 501(c)(3) corporation, operated and controlled by members of Representative Hilliard's family, which in turn transmitted these rent expenditures to a corporation owned and controlled by Representative Hilliard and members of his family; (3) expenditures for rent by HFCC substantially in excess of fair market value made directly to corporations owned or controlled by Representative Hilliard and members of his family; and (4) the expenditure of HFCC funds to pay utility expenses incurred by corporations owned or controlled by Representative Hilliard and members of his family.

In the manner described above, Representative Hilliard violated Clause 6 of former House Rule 43. Moreover, the Investigative Subcommittee determined that the pattern and practice of conduct by Representative Hilliard, as delineated above and in the Statement of Alleged Violation, was severe enough to reflect discredit on the House of Representatives and therefore, was in violation of Clause 1 of former House Rule 43.

## III. RESULTS OF INQUIRY REGARDING CONDUCT NOT CHARGED IN STATEMENT OF ALLEGED VIOLATION

### A. Representative Hilliard's Compliance With Financial Disclosure Requirements During The Period 1992-1999 Regarding Ownership Interests In Certain Corporations

#### 1. Background

Pursuant to the provisions of Title I of the Ethics in Government Act of 1978, Members of Congress are required to file financial disclosure reports in accordance with the provisions of that Act. See 5 U.S.C. § 101, et seq. Moreover, former House Rule 44, Clause 2 (current House Rule 26), provides that "the provisions of Title I of the Ethics in Government Act of 1978 shall be deemed to be a rule of the House as it pertains to Members, officers, and employees of the House of Representatives." According to the statute, each report filed "shall include [*inter alia*] a full and complete statement with respect to" * * * "[t]he source, type, and amount or value of income . . . from any source (other than from current employment by the United States Government," as well as * * * "[t]he identity and category of value of any interest in property held during the preceding calendar year in a trade or business, or for investment or the production of income which has a fair market value which exceeds $1,000 as of the close of the preceding calendar year[.]" 5 U.S.C. §§ 102(a)(1)(A) and 102(a)(3).

Pursuant to 5 U.S.C. § 104(a) of the Ethics in Government Act, "[t]he Attorney General may bring a civil action in any appropriate United States district court against any individual who knowingly and willfully falsifies or who knowingly and willfully fails to report any information that such individual is required to report pursuant to Section 102 [of the Act]. The court in which such action is brought may assess against such individual a civil penalty in any amount, not to exceed $10,000."

The Investigative Subcommittee was charged with investigating Representative Hilliard's compliance with financial disclosure requirements during the period of 1992-1999 regarding ownership interests in Hilliards & Company, Inc. and the Birmingham Greater Golf Associates, Inc. or its successor, Birmingham Recreation, Inc. In brief, the issue to be resolved by the Investigative Subcommittee was whether Representative

Hilliard's interest in either of those assets had a fair market value of more than $1,000 during any year during the period 1992-1999. As explained below, while it was concerned about certain facts learned during its investigation, the Investigative Subcommittee did not find substantial reason to believe that Representative Hilliard violated any law, regulation, rule or other standard of conduct with respect to this issue.

**2. Hilliards & Company, Inc.**

A review of Representative Hilliard's financial disclosure statements revealed that he disclosed a joint interest in Hilliards & Company, Inc. with a valuation of "none" in a July 1992 amendment to his candidate's financial disclosure statement filed in May 1992, but did not subsequently disclose any ownership interest in that asset until May 1996, when he filed his financial disclosure statement for 1995. In May 1997, Representative Hilliard filed his financial disclosure statement for 1996, but did not disclose any ownership interest in Hilliards & Company, Inc. in that filing. Thereafter, on December 1, 1997, Representative Hilliard filed an amendment to his financial disclosure statements covering the years 1992 through 1997 to report a 32% interest in Hilliards & Company, Inc. valued at $100,001 to $250,000 for each of those years.[119] In May 1998, however, Representative Hilliard filed another amendment to his financial disclosure statement declaring that his December 1, 1997 amendment was incorrect and that he should not have reported Hilliards & Co., Inc. as an asset for 1992 through 1997. Thereafter, for the 1998 and 1999 reporting years, Representative Hilliard disclosed a 30.5% interest in American Trust Corporation "by virtue of Hilliards & Company owning 100% of [American Trust Corporation]." The valuation of this asset was reported for 1998 to be $15,001 to $50,000. For 1999, Representative Hilliard valued his share of this asset at $50,001 to $100,000. ***Exhibit 55.***

As previously noted (*supra* p. 37), Hilliards & Company, Inc. is 100% owned by Representative Hilliard and members of his family. At all times relevant to this matter, Representative Hilliard owned 30.48% of the entity, and his wife, Mary Hilliard owned

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[119] The amendment dated December 1, 1997 stated that the 1997 financial disclosure statement of Representative Hilliard was being amended; however Representative Hilliard's statement for 1997 was not

14.47% of the entity. Also as previously noted, Hilliards & Company, Inc. at least through 1999, owned 100% of American Trust Corporation and American Trust Communications Corporation, and at least through July 1996, it owned 100% of American Trust Life Insurance Company. In addition, Hilliards & Company, Inc. reported to state insurance regulators that it also owned American First Bonding Corporation. Hilliards & Company, Inc. also had a 100% interest in other entities that were operating businesses at various points from 1992 through 1999, including American Trust Travel Agency and American Advertising Agency. Through its ownership of American Trust Corporation and American First Bonding Corporation, Hilliards & Company, Inc. also had a minority stake in American Management and Marketing Corporation. ***Exhibit 16.***

To investigate the matter of Representative Hilliard's ownership in Hilliards & Company, Inc., the Investigative Subcommittee authorized subpoenas for any and all documents and records relating to assets and liabilities of that company, as well as for American Trust Corporation, ATLIC, American Trust Communications Corporation, and other corporations or entities that information in the possession of the Investigative Subcommittee indicated that they were owned by Hilliards & Company, Inc. Subpoenaed records included, but were not limited to, annual financial statements, statements of net worth, filings with the Internal Revenue Service, and any documents relating to the book value of these corporations. ***Exhibits 65 and 66.*** For each entity, the Investigative Subcommittee also subpoenaed records from banks and other financial institutions that held accounts in the name of each of these entities.

The Investigative Subcommittee obtained financial records related to ATLIC from the Receivership Division of the State of Alabama Department of Insurance, and also obtained public filings by the corporations at issue made with the State of Alabama Department of Insurance and with the Federal Communications Commission. Relevant financial data was also sought from Representative Hilliard and was also obtained from

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due, and was not filed, until May 1998. *See* ***Exhibit 55.***

filings made by Representative Hilliard with the Alabama Ethics Commission and other government agencies.

Following its examination of the record, it was the conclusion of the Investigative Subcommittee, that the financial records produced to the Investigative Subcommittee from Representative Hilliard and from corporate entities owned and controlled by Representative Hilliard and members of his family, were, at best, poorly maintained, incomplete, and, based on a comparison of bank records and company ledgers, often inaccurate. The Investigative Subcommittee's examination of whether Representative Hilliard complied with the rules governing disclosure of assets was hindered by the poor quality of records produced by him.

Of note, prior to the formation of the Investigative Subcommittee, Representative Hilliard provided to the Committee on Standards of Official Conduct, a copy of a sworn statement from James Wright, who represented in his statement that he "was the licensed bookkeeper who has been responsible for preparing corporate financial records for Hilliards & Company, Inc." Mr. Wright also stated that "for the calendar years 1992 through 1997 inclusive, Hilliards & Company had a negative book value which was reflected in forms filed with the Internal Revenue Service." ***Exhibit 67.*** The Investigative Subcommittee issued a subpoena for financial documents and records to Mr. Wright that would support his sworn statement. Unfortunately, because Mr. Wright was recovering from a stroke, he was unable to comply with the Investigative Subcommittee's subpoena for records, and when contacted by Investigative Subcommittee staff he stated he had no memory of his work for Representative Hilliard or of signing the statement that was submitted by Representative Hilliard to the Committee on Standards of Official Conduct. Indeed, the Investigative Subcommittee subsequently learned that Mr. Wright was a victim of a stroke prior to the signing of the statement that ultimately was submitted to the Committee. The Investigative Subcommittee was unable to determine based on interviews with Mr. Wright and his spouse whether Mr. Wright possessed the physical and mental ability to draw the conclusions contained in his statement and, if he did not possess the aforementioned ability, who enabled the production of the statement he signed. Due to the circumstances

presented, the Investigative Subcommittee was not able to ascertain from Mr. Wright or Representative Hilliard whether Mr. Wright ever possessed the knowledge or qualifications to make the assertions contained in Mr. Wright's sworn statement.

In light of Mr. Wright's statement, however, that "Hilliards & Company had a negative book value which was reflected in forms filed with the Internal Revenue Service," the Investigative Subcommittee sought to obtain those tax documents. Such filings were encompassed within the document subpoenas from the Investigative Subcommittee to Representative Hilliard, yet only limited tax filings were produced pursuant to those subpoenas, and those filings were limited to 1994 and 1995 tax filings of American Trust Corporation. Accordingly, by letter dated December 29, 1999, the Investigative Subcommittee asked that Representative Hilliard authorize the Investigative Subcommittee to obtain relevant tax filings directly from the Internal Revenue Service and the Alabama Department of Revenue. ***Exhibit 68.*** On October 3, 2000, nine months after the Investigative Subcommittee's initial request,[120] Representative Hilliard authorized the Investigative Subcommittee to obtain tax filings from the Internal Revenue Service and the Alabama Department of Revenue for three corporations: Hilliards & Company, Inc., American Trust Corporation, and American Trust Communications Corporation.

Following Representative Hilliard's authorization, the Investigative Subcommittee did obtain copies of federal and state tax filings from the Alabama Department of Revenue and the Internal Revenue Service for Hilliards & Company, Inc. for the tax years 1994 to 1998, and for American Trust Corporation for tax years 1994, 1995, and 1998. Tax returns of Hilliards & Company, Inc. were not on file for tax years 1992 and 1993; and tax returns of American Trust Corporation were not on file for tax

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[120] Other letters were exchanged between the Investigative Subcommittee and the Respondent regarding the Investigative Subcommittee's request for tax filings. One of the purported reasons for the delay in complying with the Investigative Subcommittee's request was that Representative Hilliard had not obtained approval from the Boards of Directors of the corporations, which, as shown above (*supra* pp. 35-37), consisted entirely of members of his family. ***Exhibit 69.*** Representative Hilliard's counsel also objected to complying with the request on the erroneous basis that public disclosure by the Investigative Subcommittee of information contained in tax returns provided to the Investigative Subcommittee by his client or obtained *with the consent* of his client would violate federal law.

years 1992, 1993, 1996, and 1997. Although Representative Hilliard completed an authorization for the Investigative Subcommittee to obtain tax filings for American Trust Communications Corporation from the Alabama Department of Revenue and the Internal Revenue Service, those agencies had no tax filings on file for that corporation. It appeared from the face of tax returns on file with the Alabama Department of Revenue and the Internal Revenue Service, that *all* of the aforementioned tax returns were filed by Representative Hilliard *after* the date of the Investigative Subcommittee's request for those returns. For example, the 1994 and 1995 federal and state tax returns of American Trust Corporation apparently were signed by Representative Hilliard on March 21, 2000.[121] The 1998 federal and state tax returns for that corporation apparently were signed by Representative Hilliard on September 11, 2000. The aforementioned 1994, 1995, 1996, 1997, and 1998 tax returns of Hilliards & Company, Inc. apparently were signed by Representative Hilliard on December 29, 1999.

Representative Hilliard provided no explanation to the Investigative Subcommittee as to why he did not disclose to the Investigative Subcommittee that tax returns for Hilliards & Company, Inc. and other corporations owned and controlled by him and his family had not been filed more timely, or why he declined simply to furnish copies of the recently filed tax returns to the Investigative Subcommittee. Instead, Representative Hilliard required the Investigative Subcommittee to go through the exercise of obtaining the documents from the Internal Revenue Service or Alabama Department of Revenue. The apparent delay in filing of the aforementioned tax returns

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[121] Copies of 1994 and 1995 federal tax returns for the American Trust Corporation were among the documents furnished to the Investigative Subcommittee by Representative Hilliard on November 17, 1999 pursuant to subpoena. The tax returns furnished on November 17, 1999 were signed by John Hilliard, and the data on those returns is identical to the returns later obtained by the Investigative Subcommittee from the Internal Revenue Service and the Alabama Department of Revenue. The 1994 tax return supplied on November 17, 1999 was dated April 15, 1996, and the 1995 tax return was undated. Based on the receipt of documents from the Internal Revenue Service and the Alabama Department of Revenue, however, the returns furnished to the Investigative Subcommittee by Representative Hilliard on November 17, 1999 apparently were not filed with the Internal Revenue Service as of that date. The 1994 tax return that was on file with the Internal Revenue Service was signed by Representative Hilliard (not John Hilliard) and was dated March 21, 2000. The 1995 tax return on file with the Internal Revenue Service also was signed by Representative Hilliard and was dated September 11, 2000. In submitting the copies of the 1994 and 1995 returns to the Investigative Subcommittee on November 17, 1999, it was not disclosed to the Investigative Subcommittee by the Respondent that those returns apparently were not copies of tax returns on file with the Internal Revenue Service.

until 1999 and 2000 also calls into question the accuracy of assertions contained in the sworn statement of James Wright submitted on behalf of Representative Hilliard. As noted (*supra* p. 71), Mr. Wright stated under penalty of perjury that "for the calendar years 1992 through 1997 inclusive, Hilliards & Company had a negative book value *which was reflected in forms filed with the Internal Revenue Service*." (Emphasis added). ***Exhibit 67.*** Yet, based on the records obtained by the Investigative Subcommittee, it appears that such filings did not exist as of the date of Mr. Wright's statement.

In any event, the tax returns of Hilliards & Company, Inc. purport to disclose an entity with little or no income. Of the tax returns obtained by the Investigative Subcommittee regarding this corporation, none report any taxable income. Based on the financial information regarding his corporations furnished to the Investigative Subcommittee from Representative Hilliard, however, the Investigative Subcommittee could not discern what financial data and records were relied upon to prepare the tax returns.

The tax returns of American Trust Corporation were similarly not a reliable means to draw conclusions as to the net worth of Hilliards & Company, Inc. For example, the 1995 federal income tax return of American Trust Corporation, a corporation that according to its tax returns uses a cash method of accounting, reported a loss for the corporation of $2,312 after deductions taken from a reported gross income of $110,473. Yet, based on a review by the Investigative Subcommittee, the deposits for that year into the bank account of American Trust Corporation at SouthTrust Bank in Birmingham totaled approximately $122,862. Based on this data, American Trust Corporation may have understated its 1995 taxable income.

Similarly, the 1994 federal income tax return of American Trust Corporation reported gross receipts for the entity of $30,887. According to the corporate bank records, however, on January 5, 1994, the entity deposited a check in the amount of $86,100 that contained the notation "Commission – George D. Leos Sale to City of Birmingham." ***Exhibit 70.*** Under the cash basis of accounting for taxes (the method used by American Trust Corporation), cash is recorded when it is actually received or

paid out. This is in contrast to accrual accounting where funds are recorded in the tax accounting records when the money is owed by another party (accounts receivables) or a debt is paid off (accounts payables). Thus, using the cash basis method of accounting, it appeared from the records obtained by the Investigative Subcommittee that the gross receipts reported on the 1994 tax return of American Trust Corporation should have been at least $86,100, or at least $55,000 more than reported. In addition, a schedule attached to the 1994 tax return detailing $49,055 in "Other deductions" reports a commission paid of $25,000. According to American Trust Corporation records obtained from SouthTrust Bank, the corporation issued check number 1088 on January 4, 1994 for $25,000 to Earl F. Hilliard. The bank records also showed that American Trust Corporation issued check number 1098 on January 21, 1994 for $25,000 to John R. Hilliard. ***Exhibit 70.*** While the receipt of income in the form of an $86,100 commission may have been indicative that American Trust Corporation was an enterprise with a positive net worth, taken in their totality with other records obtained by the Investigative Subcommittee, the tax return information obtained was not a reliable means to conclude whether Representative Hilliard complied with the rules governing disclosure of assets with respect to Hilliards & Company, Inc.[122]

Other documents obtained by the Investigative Subcommittee provided indications of the net worth of Hilliards & Company, Inc. For example, an Insurance Holding Company System Registration Statement filed on or about January 14, 1995 with the State of Alabama Department of Insurance by Hilliards & Company, Inc. contains a personal financial balance sheet of Representative Hilliard. The balance sheet was signed by Representative Hilliard and lists Hilliards & Company, Inc. as a personal asset with a value of $100,000. ***Exhibit 28.*** The Investigative Subcommittee was not able to ascertain the basis on which Representative Hilliard valued his holdings in Hilliards & Company, Inc. as set forth in his personal financial balance sheet. As already noted, Representative Hilliard signed and submitted another balance sheet, dated March

[122] Similarly, the 1998 federal income tax return of American Trust Corporation reports a cash balance of $(4,993) for that year, but a review of that corporation's bank records indicated that it apparently had a cash balance of $(271.37). This overstatement raises additional questions about the reliability of information reported on this corporation's tax returns.

1, 1996, in connection with the leasing of 128 Lee Street in Montgomery, Alabama, by the American Management and Marketing Corporation. This balance sheet lists an unspecified "Stock" as an asset with a value to him of $183,000. ***Exhibit 21.*** The Investigative Subcommittee was not able to ascertain whether the stock on this balance sheet refers to Hilliards & Company, Inc., but an examination of Representative Hilliard's financial disclosure statements did not disclose any stock assets of Representative Hilliard other than Hilliards & Company, Inc. and Greater Birmingham Golf Association, Inc. at that time. [123]

Additional documents obtained by the Investigative Subcommittee appeared to place a value on certain assets owned by Hilliards & Company, Inc. For example, minutes of an April 14, 1995 board meeting of Hilliards & Company, Inc. attended by Representative Hilliard and members of his family, and other documents from the files of the Receivership Division of the State of Alabama Department of Insurance discuss selling 80% of shares of ATLIC to the Conference of National Black Churches for $505,000. ***Exhibit 71.***[124] In addition, a signed stock purchase agreement in the Receivership Division files dated June 5, 1995 memorializes an apparent agreement between Hilliards & Company, Inc. and Joseph Global Financial Services Group for the latter to purchase 100% of shares of ATLIC from the former for $600,000. ***Exhibit 72.*** Another stock purchase agreement dated January 22, 1996 appears to memorialize the sale of ATLIC by Hilliards & Company, Inc. to Sarah Maxwell for $650,000. ***Exhibit 73.***

John Hilliard was questioned under oath by the Investigative Subcommittee about

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[123] According to a financial statement of American Trust Corporation that was also prepared in connection with the lease of 128 Lee Street in Montgomery, Alabama by the American Management and Marketing Corporation, as of on or about March 15, 1996, American Trust Corporation had a value of $341,300, which included $250,000 in "fixed assets," $20,000 in "inventory –furniture & equipment," $93,000 in "account/trade receivable," and $2,300 in "current assets –cash." American Trust Corporation also listed unspecified "current," "long term," and "other" liabilities totaling $24,000. ***Exhibit 21.*** The information in the financial statement was not supported by any data obtained from bank records, tax returns, or other information supplied by Representative Hilliard. Accordingly, the Investigative Subcommittee concluded that the aforementioned financial statement was not a reliable basis on which to draw a conclusion as to whether Representative Hilliard should have been required to report Hilliards & Company, Inc. on his financial disclosure statements.

[124] The minutes reproduced as ***Exhibit 71*** to this Report were not signed.

these apparent attempts to sell ATLIC. Even though the stock purchase agreements were signed by John Hilliard as President of American Trust Corporation and Hilliards & Company, Inc., John Hilliard testified that he did not remember or did not know how the sales price of ATLIC was derived in each of the documents memorializing the sale of ATLIC. Although bank records and testimony of other witnesses indicated that John Hilliard was centrally involved in ATLIC activities, John Hilliard testified that he could not recall details regarding these attempts to sell ATLIC:

Q Okay. This is an agreement providing for the sale of stock in the life insurance company to this entity Joseph Global Financial Services Group in or around June of 1995; is that correct?
A I remember something of that nature.
Q If you look at the last page of the exhibit --?[125]
A I saw it.
Q There is a seller's block and a purchaser's block. Is that your true signature in the seller's block?
A Yes.
Q In your capacity as president of the life insurance company?
A Right.
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Q How did this agreement come about?
A If I can remember, I think there was a group who was interested in purchasing, but it fell through, and I don't think anything ever happened. That is about as much as I remember about that. If my memory serves me right, I just don't recall the rest of it.
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Q And if you look at page 4, the purchase price was going to be as handwritten in the number $600,000, or $605,000 as printed. Do you recall a plan to sell the stock of the life insurance company for approximately $600,000?
A I recall some talk to do that.
Q You recall some talk. This is an agreement that you signed.
A I remember it, but it never happened.
Q How did this come about?

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[125] ***Exhibit 72*** to this Report.

A I don't know. A group was interested, they came and looked at the company, and they -- I think, it was so long ago, they were some kind of financial group, and it just never materialized.

Q How was the stock valued, at least for purposes of this possible transaction, at roughly $600,000?

A I don't know.

Q Do you have any knowledge as to where the figure of $600,000 came from?

A No, I don't.

Q Even though you initialed on page 4 opposite the handwriting $600,000.

A I don't remember. I really don't.

Q Did you discuss this proposed transaction with Congressman Earl Hilliard?

A It is possible.

Q Who did you discuss the transaction with?

A I think probably the board members, you know, staff, possibly Congressman Hilliard. I mean, there was a whole lot of people we talked to during that time. You can ask him. He would know.

Q Who is Minister Joseph?

A I don't know. I don't know anything about him.

Q Well, his initials also appear to be throughout this document.

A Right. He was a guy who appeared, who said he was interested in buying it.

Q Did he live in Birmingham?

A I don't know where he is from. I don't know where he lives. I haven't heard from him, haven't seen him.

Q Did you meet him?

A I met him that time, at that particular point.

Q Where did you meet him?

A I met him at American Trust Life Insurance's office.

Q Was anybody else present for that meeting?

A I don't remember.

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Q Why was the life insurance company interested in selling all of the stock of the company?

A You know, we wanted to move on. Heck, I really don't know.

Q Did it have anything to do with generating cash or proceeds to prevent the company from going into receivership?

A Possibly.

Q Do you recall any discussion about ways in which to avoid receivership?

A No.

Q Was not there an effort under way to avoid the [fate] of receivership?

A There was some talk about trying to sell the company if they could find some interested parties who was interested, and there are people, I guess, such as those folks who came to the table. But now why they didn't go through with it; I don't know.

Q Do you recall any meetings associated with this near-purchase by Sarah Maxwell?

A We called meetings around all of the offers we got.

Q Do you recall attending a meeting with Sarah Maxwell?

A I believe I do.

Q How did Sarah Maxwell come to the attention of the American Trust Life Insurance Company?

A I don't recall.

Q And this document on the last page indicates that you are the president of Hilliards & Company.[126] Is that a correct representation?

A That is possible.

Q Are you still the president of Hilliards & Company?

A No, not to my knowledge. No.

Q When did you become president of Hilliards & Company?

A I don't remember.

Q Do you ever recall someone telling you that you should be president of Hilliards & Company?

A At one point.

Q The purchase price for American Trust Life Insurance Company in Exhibit Number 25[127] for $650,000, in your estimation, is that the fair market value of the American Trust Life Insurance Company at that time?

A Possibly. There was just so much happening at that time, I don't remember.

Q This transaction was only just over 4 years ago.

A Yes. As I said before, there was a lot going on. I don't remember.

Q What was the process for calculating the value of the American Trust Life Insurance Company?

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[126] The reference is to ***Exhibit 73*** to this Report.

[127] ***Exhibit 73*** to this Report.

A I don't know.
Q Well, as an officer of that company, how would you direct someone to find out the value of the company?
A If I wanted to know, I would hire an appraiser, someone who knew something about it.
Q Was that what happened in this case?
A I don't know. I don't remember.
Q Might it have happened?
A Possibly.
Q Who would have made that decision?
A Maybe the board, maybe someone in the company, maybe me. I just don't remember.[128]

Ultimately, the Investigative Subcommittee did not credit the sales documents it obtained as accurately reflecting the fair market value of ATLIC. First, none of these sales were ever completed. Moreover, the Investigative Subcommittee took notice of the fact that far from being an asset of considerable worth, the finding of the State of Alabama Department of Insurance was that as of December 31, 1994, ATLIC was insolvent.[129] ***Exhibit 9.***

There were other indications that the entity may have had a reportable value during the relevant time period. For example, American Trust Corporation, which was owned by Hilliards & Company, Inc., had sufficient assets to issue checks to cash for amounts in thousands of dollars that were cashed by Representative Hilliard. ***Exhibit 75.*** In addition, the bank records of American Trust Corporation indicate that it had assets to pay other personal expenses of the Hilliard family, such as payments towards the credit

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[128] J. Hilliard Dep. 193-205.

[129] In response to the subpoena for documents relating to the assets and liabilities of his corporations, Representative Hilliard also submitted a copy of a letter faxed to his counsel on November 15, 1999 from J.D. Bayles. In the letter, Mrs. Bayles identified herself as a "part-time accountant for American Trust Life Insurance Company, Inc. in March 1982 thru December 1994." ***Exhibit 74.*** She further stated that it was her job to prepare quarterly and annual statements to the State of Alabama Department of Insurance, and that "[a]ccording to copies of the working papers, American Trust Life Insurance Company's net operating income was negative during the periods of my employment. The last report prepared during my employment was for the period ending September 30, 1994. I resigned in April 1995." Staff for the Investigative Subcommittee interviewed Mrs. Bayles by telephone and she stated that it was her recollection that the company was not profitable. She also said that she was not a certified public accountant, but had bookkeeping experience. Subsequent to this interview, Representative Hilliard engaged his counsel, Ralph L. Lotkin, to represent Mrs. Bayles in her capacity as a witness in this matter.

card debt of Mary Hilliard. ***Exhibit 76.*** In addition, in an October 24, 1994 filing with the Federal Communications Commission regarding the WIQR radio station it had purchased, American Trust Corporation reported that it had "sufficient net liquid assets [ ] on hand or [ ] available from committed resources to consummate the transaction and operate the facilities for three months." ***Exhibit 77.*** Reports of the State of Alabama Department of Insurance dated June 12, 1991 and August 11, 1995 also refer to a $120,000 certificate of deposit purchased by ATLIC in June 1988, the disposition of which state examiners were not able to verify. ***Exhibit 9 and Exhibit 31.*** An asset of this size would impact the net worth of ATLIC, and therefore Hilliards & Company, Inc., if still held during the time period under review by the Investigative Subcommittee.[130]

Despite the efforts of the Investigative Subcommittee in this matter, the state of the records obtained from Representative Hilliard's corporations left the Investigative

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[130] John Hilliard testified that he did not remember what happened to the proceeds of this $120,000 certificate of deposit. J. Hilliard Dep. 187-188. His testimony on this subject is set forth below:

Q Mr. Hilliard, are you familiar with a certificate of deposit roughly in the amount of $120,000 that the life insurance company had obtained in the late 1980s?
A I remember that, yes.
Q Okay. What do you remember about that?
A I think that was the sale of a building, I am not sure, on 3rd Avenue, that maybe they owned at the time -- 8th Avenue.
Q What happened to the CD?
A I don't remember what happened to it.
Q Was it liquidated?
A I don't remember.
Q Do you know what happened to the proceeds from the CD?
A No, I don't. At the time all of this stuff -- well, that, what year was that?
Q My understanding is that the CD was obtained by the life insurance company in approximately 1988, but it was the subject, as you may recall, of communications between the State insurance regulators and the life insurance company where the regulators continued to try to find out what happened to the disposition of the CD as it might affect the asset ratio of the life insurance company.
A Okay.
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Q Do you remember what happened to the CD?
A I don't remember. I don't recall.
Q It is a lot of money, $120,000.
A If you say so.

Subcommittee unable to draw any conclusion as to the fair market value of Representative Hilliard's ownership interest in Hilliards & Company, Inc. Since it could not reach a determination as to whether Hilliards & Company, Inc. was an asset with a value for which Representative Hilliard had a reportable ownership interest, the Investigative Subcommittee was not able to conclude whether Representative Hilliard complied with his financial disclosure requirements regarding this asset. To the extent that some evidence of a reportable value of Hilliards & Company, Inc. was revealed during the investigation, the Investigative Subcommittee ultimately determined the evidence was insufficient to support a finding of a violation. The failure of Representative Hilliard to keep and maintain records in a state sufficient to support his financial disclosure statements arguably could justify a separate finding that Representative Hilliard violated the Code of Conduct for Members of the House of Representatives. The Investigative Subcommittee, however, viewed this issue as outside the scope of its limited jurisdiction. Notwithstanding the finding of the Investigative Subcommittee on this issue, Representative Hilliard may yet need to amend financial disclosure statements regarding Hilliards & Company, Inc. and should do so, if necessary, after seeking guidance from the Committee on Standards of Official Conduct regarding his obligations on this subject. In all future filings, Representative Hilliard should be prepared to support, document, and justify fully all disclosures and non-disclosures on his financial disclosure statements.

### 3. Birmingham Recreation, Inc.

On or about April 13, 1987, Birmingham Greater Golf Associates, Inc. was incorporated under the laws of the State of Alabama. On or about January 3, 1993, the articles of incorporation of the corporation were amended to change the name of the entity to Birmingham Recreation, Inc. At times, the corporation also operated under the name Greater Birmingham Golf Associates. From the date of its inception until the date Birmingham Recreation, Inc. ceased activity, 18% of the shares of the corporation were owned by Representative Hilliard, with the remaining shares divided among five other persons, none of which are members of Representative Hilliard's family. Of the shareholders, no one shareholder owned more than 18% of the shares of the corporation.

The business of Birmingham Recreation, Inc. involved the ownership and operation of a golf course and golf shop.

While Representative Hilliard did not initially report any interest in Birmingham Greater Golf Associates, Inc. for the years 1992 through 1996, in December 1997, he filed an amendment to report an 18% interest in that corporation for the years 1992 through 1997, valued each year at $15,001 to $50,000. In May 1998, however, Representative Hilliard filed another amendment to his financial disclosure statements for 1992 through 1997 advising that his December 1997 amendment was incorrect and that Birmingham Greater Golf Associates, Inc. should not have been reported for those years. ***Exhibit 55.***

The investigative steps undertaken by the Investigative Subcommittee related to this subject included subpoenaing any and all documents and records related to assets and liabilities of Birmingham Recreation, Inc. Subpoenaed records included, but were not limited to, annual financial statements, statements of net worth, filings with the Internal Revenue Service, and any documents relating to the book value of the corporation. ***Exhibit 65.***

In response to the subpoena requesting documents reflecting the value of Birmingham Recreation, Inc., Representative Hilliard furnished complete copies of federal and state tax filings for Birmingham Recreation, Inc. and its predecessors. While these filings were not determinative of the book value of this corporate entity, the 1995 return revealed that Representative Hilliard received a distribution of $3,578 during that tax year, the only year for which the corporation had any taxable income. This income was not disclosed on any financial disclosure report filed by Representative Hilliard. Another document produced by Representative Hilliard pursuant to subpoena was a letter he wrote to his counsel, Ralph L. Lotkin, dated April 9, 1997, but signed April 9, 1998. In the two-sentence letter, Representative Hilliard stated as follows:

> I am a partner in Birmingham Greater Golf Associates, Inc. In response to your request, please be informed that for the calendar years 1992 through 1997 inclusive, Birmingham Greater Golf Associates, Inc. had a negative

> book value which was also reflected in forms filed with the Internal Revenue Service.[131]

At the bottom of the letter, Representative Hilliard affirmed under penalty of perjury that the foregoing statement was true and correct. The letter did not explain how Representative Hilliard was able to ascertain the book value of this corporate entity from forms filed with the Internal Revenue Service. In particular, as shown, the 1995 tax filing revealed that Rep. Hilliard did earn income from the entity in 1995, even if there were losses in other years. ***Exhibit 78.***

Other documents were obtained from Pearce, Bevill, Leesburg, Moore, P.C. of Birmingham, Alabama, the accounting firm engaged by Birmingham Recreation, Inc. During the course of the accounting firm's work for the corporation, the firm prepared financial statements for each of the years 1992 through 1995, and also prepared working trial balances for each the years 1992 through 1998; these documents were obtained by the Investigative Subcommittee. These documents indicated that net liabilities of the corporation in each of the years 1992 through 1998 greatly exceeded the amount of assets of the corporation.[132] ***Exhibit 79.***

In addition, from the attorney for the corporation, J. Gusty Yearout, of the law firm of Yearout, Myers & Traylor, P.C., and from Charles "Bubba" Major, one of the founding shareholders of the corporation, the Investigative Subcommittee learned that Birmingham Recreation, Inc. had not been in business since some point in 1998.

On the basis of the information obtained, the Investigative Subcommittee concluded that there was not substantial reason to believe that Representative Hilliard's conduct with respect to the reporting of his ownership interest in Birmingham Recreation, Inc. violated any law, regulation, rule or other standard of conduct applicable to him. While the record before it clearly indicated that Representative Hilliard was required to

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[131] ***Exhibit 78.***

[132] The Investigative Subcommittee notes that a personal financial balance sheet of Representative Hilliard dated January 1, 1994, lists Greater Birmingham Golf Association, Inc. stock as an asset with a value of $12,500. ***Exhibit 28.*** The Investigative Subcommittee was not able to ascertain the basis on which Representative Hilliard valued this asset at that time. It was apparent from the records of the corporation's accountants, however, that this valuation probably was not an accurate assessment of the value of Representative Hilliard's share of the entity.

have reported on his financial disclosure statements his income from the corporation in 1995, this omission was not within the limited jurisdiction of the Investigative Subcommittee. Representative Hilliard, however, should amend his financial disclosure statement for 1995 consistent with this Report.

### B. HFCC Loans Or Other Disbursements To The Alabama Film And Entertainment Council In 1993

On or about September 7, 1993, an entity known as the Alabama Film and Entertainment Council made an expenditure of $4,000 to ATLIC for rent. Following expansion of its jurisdiction by the Committee on Standards of Official Conduct, the Investigative Subcommittee was charged with investigating whether HFCC was the source of funds of this disbursement to ATLIC, and whether the $4,000 disbursement was merely another method utilized by Representative Hilliard and HFCC to convert HFCC funds to personal use, in violation of House Rules. With respect to this issue, the Investigative Subcommittee determined there was not a sufficient basis to allege a violation by Representative Hilliard of any law, rule, regulation, or other standard of conduct applicable to him. The findings of the Investigative Subcommittee on this issue are set forth below.

On or about August 26, 1993, the Alabama Film and Entertainment Council was incorporated under the laws of the State of Alabama. ***Exhibit 80.*** The incorporation papers stated that this entity was a corporation organized under Section 501(c)(3) of the Internal Revenue Code. As set forth in the original articles of incorporation of this entity, the sole incorporator of the Alabama Film and Entertainment Council was Mary Hilliard, the spouse of Representative Hilliard. The Board of Directors of this Corporation included Mary Hilliard, Elvira Williams, and Toni Motley.[133] The Alabama Film and Entertainment Council shared the same post office box utilized by HFCC, which was also the same post office box utilized by ATLIC, American Trust Corporation, American First Bonding Corporation, the African American Institute, and

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[133] Toni Motley is presently treasurer of HFCC. At the time of incorporation of the Alabama Film and Entertainment Council in 1993, Ms. Motley was assistant treasurer of HFCC.

other entities, and by Representative Hilliard for his personal mail.[134] The operations and activities of Alabama Film and Entertainment Council after its incorporation were unclear, although Representative Hilliard (through counsel) represented that the entity "was merged into [African American Institute] and operated under its organizational auspices." ***Exhibit 51.***

According to reports filed by HFCC with the Federal Election Commission, HFCC made approximately five disbursements to the Alabama Film and Entertainment Council totaling approximately $5,450 in July and August 1993 as follows: a $1,650 disbursement made on or about July 9, 1993[135] (listed as a loan when reported initially in Federal Election Commission reports); a $2,900 disbursement made on or about August 9, 1993 (listed as a loan when reported initially in Federal Election Commission reports); a $400 disbursement made on or about August 19, 1993 (listed as a loan when reported initially in Federal Election Commission reports); a disbursement of $200 on or about August 27, 1993 (listed as a loan of $800 when reported initially in Federal Election Commission reports); and a disbursement of $300 on or about August 30, 1993 (apparently not disclosed in Federal Election Commission reports). ***Exhibit 81.*** On an amended report filed in July of 1994, each of the foregoing loans to the Alabama Film and Entertainment Council was redesignated as a donation. As indicated by the dates of the "donations," all but $500 of the "donations" from HFCC was prior to incorporation of the Alabama Film and Entertainment Council.

As noted (*supra* p. 85), on or about September 7, 1993, the Alabama Film and Entertainment Council made a disbursement of $4,000 to ATLIC for "Rent Jun-Sept." ***Exhibit 82.*** Despite subpoenas for documents issued to every member of the board of directors of the Alabama Film and Entertainment Council, no formal lease arrangement for leasing of space from ATLIC or documentary evidence of Alabama Film and

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[134] E. Williams Dep. 238, 239. John Hilliard also used this post office box for his personal mail. *Id.*

[135] This disbursement was used to open the bank account of the Alabama Film and Entertainment Council. ***Exhibit 81.***

Entertainment Council operations and activities during 1993 was produced.[136] Some evidence was adduced that the Alabama Film and Entertainment Council may have operated for a brief period out of a single office within 1614 3rd Avenue North.[137] Even if, however, the $4,000 payment by the Alabama Film and Entertainment Council to ATLIC did in fact relate to rent of a single office for the period of June through September 1993, the amount of monthly rent – $1,000 – substantially exceeded fair market value with a resulting financial benefit to ATLIC.[138]

The lack of evidence of any lease or rental agreement, the related nature of the participants involved, the lack of evidence regarding the use and occupancy of the building by the Alabama Film and Entertainment Council, did raise substantial doubt as to whether the above-described donations by HFCC to the Alabama Film and Entertainment Council were made for any bona fide campaign or political purpose. Nonetheless, while the bank records of the Alabama Film and Entertainment Council obtained pursuant to subpoena confirm that the $4,000 disbursement to ATLIC could not have been made in the absence of the deposits of HFCC funds, there were other deposits into the account of the Alabama Film and Entertainment Council shortly before this disbursement. Therefore the Investigative Subcommittee could not determine whether the Alabama Film and Entertainment Council was used to transfer the funds from HFCC to ATLIC.

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[136] Subpoenas for records were issued to every person known to have served on the board of directors of both the African American Institute (including its successor entity, the National African American Center), and the Alabama Film and Entertainment Council. Persons subpoenaed for documents related to this entity included Roderick J. Smith, Elvira Williams, Mary Hilliard, Cheryl Hilliard, Toni Motley, and Representative Hilliard. The persons subpoenaed asserted that they did not possess any records relating to the lease, use, or occupancy of any premises by the Alabama Film and Entertainment Council. *See* ***Exhibits 26 and 83.***

[137] Patterson Dep. 41.

[138] *See* ***Exhibits 47 and 48.***

### C. Possible Violations Of Law, Rule, Regulation Or Other Standard Of Conduct Arising From Financial Relationships Between, And Transactions Relating To, American Trust Corporation, American Trust Life Insurance Company, Inc., HFCC, And The African American Institute

As described in the Statement of Alleged Violation adopted by the Investigative Subcommittee, this investigation involved a number of complex financial transactions between various private corporations owned and controlled by Representative Hilliard and members of his family, HFCC, and a Section 501(c)(3) organization established by members of Representative Hilliard's family known as the African American Institute ("AAI"). Although the original scope of the Investigative Subcommittee's jurisdiction clearly encompassed certain of these transactions, the scope of jurisdiction was later expanded to encompass other transactions or other consequences of transactions between these entities that may have violated any law, regulation, rule or standard of conduct applicable to Representative Hilliard.

#### 1. Causing A Tax-Exempt Organization To Violate The Internal Revenue Code

The Investigative Subcommittee examined whether Representative Hilliard caused AAI to violate the provisions of law governing its status as an organization exempt from federal income taxation by utilizing AAI to further a scheme to convert HFCC funds to personal use and to use campaign funds for a purpose not attributable to any bona fide campaign or political purpose.

Section 501(a) of the Internal Revenue Code generally exempts from federal income taxation numerous types of organizations. 26 U.S.C. § 501(c)(3). Among these are Section 501(c)(3) organizations which include corporations "[o]rganized and operated exclusively for religious, charitable, scientific . . . or educational purposes . . . no part of the net earnings of which inures to the benefit of any private shareholder or individual . . . and which does not participate in, or intervene in a . . . any political campaign on behalf of (or in opposition to) any candidate for public office." 26 U.S.C. § 501(c)(3).

Pursuant to regulations interpreting Section 501(c)(3) of the Internal Revenue Code, an organization does not meet the Section 501(c)(3) requirement that such an organization be organized and operated exclusively for one or more exempt purposes unless it serves a public rather than a private purpose. 26 C.F.R. § 1.501(c)(3) – 1(d)(1)(ii)). Thus, in order to qualify as an exempt organization under 26 U.S.C. § 501(c)(3), "it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests." Id. Moreover, "[a]n organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals." 26 C.F.R. § 1.501(c)(3) –1(c )(2).

As noted, under the Internal Revenue Code, Section 501(c)(3) tax exempt organizations must be operated exclusively for exempt purposes. 26 U.S.C. § 501(c)(3). In the view of the Investigative Subcommittee, the sale of 1612-1614 3rd Avenue North from ATLIC to AAI, the debt burden placed on AAI as a consequence of the sale, and the use of AAI as a vehicle to convert funds from HFCC to ATLIC, apparently were activities conferring a benefit on the private interests of Representative Hilliard and members of his family. Conferring a benefit on private interests is a non-exempt purpose. 26 C.F.R. § 1.501(c)(3)-1(c)(2). Thus, in the view of the Investigative Subcommittee, in utilizing AAI for private gain, it appeared Representative Hilliard caused AAI to violate the provisions of law governing its status as an organization exempt from federal income taxation.

The Investigative Subcommittee ultimately determined not to pursue an allegation based on Representative Hilliard's possibly causing a tax-exempt organization to violate the law. In brief, the Investigative Subcommittee determined that the core conduct under investigation, the conversion of campaign funds through expenditures for rent and occupancy of office space — including the use of AAI to accomplish such conversion — was already fully encompassed in other areas of the Statement of Alleged Violation adopted by the Investigative Subcommittee. To pursue this issue further would likely have required new and time-consuming avenues of inquiry.

### 2. Payment By AAI Of Credit Card Obligations Of Representative Hilliard And His Spouse

The Investigative Subcommittee also examined the payment by AAI of certain credit card debt owed by Representative Hilliard and his spouse, and whether these payments additionally constituted misuse of a tax-exempt organization.

Specifically, during the course of this investigation, evidence was adduced of payments by AAI toward credit card accounts held by Representative Hilliard and his wife Mary Hilliard. For example, as of January 12, 1994, the Corporate/Government Citicorp Diners Club account of Representative Hilliard was past due in the amount of $10,968.14. ***Exhibit 84.*** On or about February 1, 1994, AAI made a payment on this account in the amount of $2,595.76. ***Exhibit 85.*** On or about May 6, 1994, AAI made another payment on this account in the amount of $2,000. ***Exhibit 85.*** No other payments were credited to this account until AAI made a $300 payment on or about April 5, 1995, which was credited to the account on or about June 22, 1995. ***Exhibits 84 and 85.*** All these described payments were made during the period in which 1612-1614 3rd Avenue North was legally owned by AAI and during which AAI was collecting $1,500 per month in rent from HFCC. No evidence was discovered by the Investigative Subcommittee confirming that the described payments by AAI toward the overdue balance on Representative Hilliard's Citicorp Diners Club account were related to AAI activities in which Representative Hilliard may have been involved.[139] To the contrary, Representative Hilliard, through counsel, represented to the Subcommittee that AAI was an entity with which he had absolutely no involvement.[140] Similarly, the record indicates that AAI made payments in connection with the American Express account of Mary

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[139] The Subcommittee subpoenaed records relating to AAI activities from each member of its board of directors. Only Elvira Williams produced any records pursuant to her subpoena, but these very limited records did not shed any light on why that entity made payments on Representative Hilliard's Citicorp Diner's Club account. Rita Hall Patterson testified that she did not know why AAI would make a payment on Representative Hilliard's Citicorp Diners Club account or, for that matter, on the American Express account of Mary Hilliard. Further, she was not aware of any expenditures made personally by Representative Hilliard on behalf of AAI. Patterson Dep. 149, 150.

[140] ***Exhibit 50*** ("Mr. Hilliard does not have any interest or position in the African American Institute" and he "can not and will not speak for the African American Institute.")); C. Hilliard Dep. 23 (Representative Hilliard's counsel, who also represented the deponent said he would "stipulate for the record that AAI was an entity with which the Congressman had absolutely no involvement.").

Hilliard, the wife of Representative Hilliard. ***Exhibit 86.*** Although the Investigative Subcommittee issued subpoenas for documents to every person purportedly involved with AAI or its corporate successor entity, no evidence was discovered that payments to Mary Hilliard's American Express account related to AAI activities for which Mary Hilliard may have been involved.

Despite doubts as to the legitimacy of the AAI expenditures described herein, the Investigative Subcommittee lacked sufficient evidence to find substantial reason to believe that AAI's expenditures for credit card debt owed by Representative Hilliard and his spouse were in violation of a law, rule, regulation, or standard of conduct applicable to Representative Hilliard. Accordingly, under the circumstances presented, the Investigative Subcommittee concluded that there was an insufficient basis to support a finding that a violation by Representative Hilliard had occurred.

## IV. CONDUCT OF THE INQUIRY

### A. Establishment Of Investigative Subcommittee

On December 3 and 10, 1997, *The Hill* newspaper published several articles regarding certain of Representative Hilliard's business interests, disclosure of those interests on his financial disclosure statements, the use by his campaign committee of a building owned by corporations owned and controlled by Representative Hilliard and members of family, and other matters relating to Representative Hilliard. ***Exhibit 87.***

On December 29, 1997, Chairman James V. Hansen and Ranking Minority Member Howard L. Berman of the Committee on Standards of Official Conduct sent a letter to Representative Hilliard, inviting him to respond to the allegations contained in the December 3, and 10, 1997 articles in *The Hill*, and to provide any additional information he desired regarding the articles.[141] ***Exhibit 88.*** Subsequently, by letter

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[141] This letter (***Exhibit 88***) to Representative Hilliard from the Committee on Standards of Official Conduct cites Committee Rule 19, which provides for Committee-initiated inquiries. Committee Rule 19(a) states that

> [T]he Committee may consider any information in its possession indicating that a Member, officer, or employee may have committed a violation of the Code of Official Conduct or any law, rule, regulation, or other standard of conduct applicable to the conduct of such Member, officer, or

dated January 13, 1998, and after an intervening letter from Representative Hilliard's counsel (Ralph L. Lotkin) that raised questions regarding the jurisdiction of the Committee, and a meeting between Mr. Lotkin and Committee staff, the Committee requested answers to numerous specific requests regarding the allegations contained in articles published in *The Hill*. ***Exhibit 89.***

By letter dated January 21, 1998, Representative Hilliard, through his counsel, questioned whether the Committee was inquiring into matters outside the Committee's jurisdiction, including matters which he described as having nothing to do with the exercise of duties or responsibilities of a Member, and conduct prior to Representative Hilliard's tenure as a Member of Congress. These concerns were referenced again by Representative Hilliard's counsel by letter dated January 30, 1998. By letter dated February 6, 1998, Representative Hilliard was advised that the full Committee on Standards of Official Conduct affirmed its jurisdiction over the matters raised in its letter of January 13, 1998, and further granted a three week extension for Representative Hilliard to submit a response to the Committee's substantive questions. By letter from his counsel dated February 6, 1998, Representative Hilliard objected to the Committee's informal fact-finding efforts based on claims that the Committee was improperly inquiring into conduct that occurred before Representative Hilliard became a Member of the House of Representatives, conduct that occurred before the third previous Congress, and conduct described by Representative Hilliard's counsel as unrelated to Representative Hilliard's official duties or responsibilities. ***Exhibit 90.*** Representative Hilliard's counsel further questioned whether the publication of the articles in *The Hill* was a sufficient basis for the Committee to initiate a informal fact-finding effort. ***Exhibit 90.*** On March 4, 1998, the Chairman and Ranking Minority Member of the Committee, on behalf of the Committee, transmitted a response to the concerns raised by Representative Hilliard, and in that response the Committee explained the basis on which it could review the allegations raised in the articles in *The Hill*. In brief, the Committee

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employee in the performance of his or her duties or the discharge of his or her responsibilities. The Chairman and Ranking Minority Member may jointly gather additional information concerning such an alleged violation by a Member, officer or employee unless and until an investigative subcommittee has been established.

stated that "it has the jurisdiction to investigate allegations of misconduct relating to a successful campaign for election to the House," that the Committee was not barred from investigating an alleged violation which occurred before the third previous Congress if it determined that the alleged violation is directly related to a violation that occurred in a more recent Congress, and that the requests made to Representative Hilliard fell within the parameters of the authority of the Chairman and Ranking Minority Member of the Committee to gather additional information.[142] ***Exhibit 91.***

Representative Hilliard's counsel submitted letters dated February 25, 1998, March 5, 1998, and April 2, 1998, responding to the questions submitted to Representative Hilliard by the Committee on January 13, 1998. ***Exhibits 49, 50, and 51.*** Each of these letters enclosed from supplementary documents.

Chairman Lamar S. Smith and Ranking Minority Member Howard L. Berman of the Committee next submitted questions to Representative Hilliard by letter dated May 12, 1999. ***Exhibit 92.*** Concerns regarding the continued fact-finding process were raised in letters from Representative Hilliard's counsel dated May 13 and 21, 1999. In brief, Representative Hilliard challenged the validity of the May 12, 1999 letter to him on the grounds that the Committee had not yet published its rules in the *Congressional Record* prior to that date.[143] By letter dated May 27, 1999 from its Chairman and Ranking Minority Member, the Committee rejected "as without merit" the claims made "regarding the validity of the Committee's rules, and actions taken pursuant to those rules, prior to the publication of the rules in the *Congressional Record*."

By letter dated June 28, 1999, Representative Hilliard submitted a response to the Chairman and Ranking Minority Member of the Committee in which he raised several objections as to the Committee's handling of this matter. ***Exhibit 93.*** By this letter,

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[142] Committee Rule 19(d) provides that "[a]n inquiry shall not be undertaken regarding any alleged violation that occurred before the third previous Congress unless a majority of the Committee determines that the alleged violation is directly related to an alleged violation that occurred in a more recent Congress."

[143] Clause 2(a)(2) of House Rule 11 provides that "[e]ach committee shall submit its rules for publication in the Congressional Record not later than 30 days after the committee is elected in each odd-numbered year." The Committee published its rules in the *Congressional Record* on May 18, 1999.

Representative Hilliard also advised the Committee that he was choosing not to respond, at that time, to the Committee's pending questions. On July 22, 1999, the Ranking Minority Member of the Committee, with the knowledge and agreement of the Committee Chairman, met personally with Representative Hilliard to discuss this matter and to communicate the Committee's continuing interest in receiving responses to its outstanding questions. This meeting and subsequent communications between Representative Hilliard did not result in resolution of this matter or in the submission of substantive responses to the Committee's pending questions.

A final informal fact-finding effort was made by letter dated August 10, 1999. ***Exhibit 94.***[144] Following an exchange of letters between Representative Hilliard's counsel and the Committee, Representative Hilliard declined, again, to respond to the specific issues raised in the August 10, 1999 letter to him. Instead, by letter dated September 7, 1999, Representative Hilliard reiterated his objections regarding the Committee's informal fact-finding effort, and raised additional concerns that he was being treated differently by the Committee than other Members who were the subject of newspaper reports. In a September 15, 1999 response, the Chairman and Ranking Minority Member of the Committee on Standards of Official Conduct stated that Representative Hilliard's September 7, 1999 letter contained numerous inaccuracies and incorrect statements.

Following the review of information obtained during the initial fact-finding process, including the consideration of information and evidence submitted by Representative Hilliard and his counsel, on September 23, 1999, in accordance with Clause 3 of House Rule XI and Rules 15 and 19 of the Rules of the Committee on Standards of Official Conduct, which authorizes the Committee to establish an Investigative Subcommittee on its own initiative, the Committee voted to establish an Investigative Subcommittee to conduct a formal inquiry regarding Representative Earl F.

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[144] The August 10, 1999 letter attached to this Report as ***Exhibit 94*** refers to a proposal made on behalf of Representative Hilliard to resolve this matter at the informal inquiry stage. The proposal was submitted during a meeting between Representative Hilliard's counsel and Committee counsel on July 30, 1999. As explained in the letter, however, the proposal was rejected by the Committee because the Committee lacked a sufficient factual basis to resolve the pending issues. ***Exhibit 94.***

Hilliard. The Investigative Subcommittee was given jurisdiction to determine whether Representative Hilliard violated the Code of Official Conduct or any law, rule, regulation, or other standard of conduct applicable to his conduct in the performance of his duties or the discharge of his responsibilities, with respect to: (1) loans reportedly made by Representative Hilliard's campaign committee in 1993-1994 to certain individuals; (2) occupancy of office space in Birmingham, Alabama, by Representative Hilliard's campaign during the period of 1992-1998, including expenditures by the campaign for rent and utilities; and (3) Representative Hilliard's compliance with financial disclosure requirements during the period 1992-1999 regarding ownership interests in Hilliards & Company, Inc. and the Birmingham Greater Golf Associates, Inc. or its successor, Birmingham Recreation, Inc.

In a letter to Representative Hilliard on September 23, 1999, the Chairman and Ranking Minority Member of the Committee informed Representative Hilliard of the formation of an Investigative Subcommittee and the scope of its jurisdiction. Representative Hilliard was also informed in that letter that Representative Rob Portman would serve as Chairman of the Investigative Subcommittee, that Representative Martin Olav Sabo would serve as its Ranking Minority Member, and that the other two members of the subcommittee would be Representative Kenny C. Hulshof and Representative James E. Clyburn. ***Exhibit 95.*** On the same date, the Committee publicly announced the formation of the Investigative Subcommittee.

### B. Expansion Of Jurisdiction

On June 8, 2000, the Investigative Subcommittee voted unanimously to expand the jurisdiction of its inquiry, pursuant to Committee Rule 20(c), to include an inquiry into the following matters:

> Whether Representative Hilliard violated the Code of Official Conduct or any law, rule, regulation, or other standard of conduct applicable to his conduct in the performance of his duties or the discharge of his responsibilities, with respect to:
>
> 1. The use of campaign funds to: (a) pay salaries, wages, or other compensation to Rita Hall (Patterson), Elizabeth Redmond (Turner), and Yolanda Williams during the period of 1992-1996; (b) make loans or other disbursements to the Alabama Film & Entertainment Council in 1993; and (c) make reported expenditures for rent during the period of August through December 1996 in connection with the campaign's use or occupancy of premises in Montgomery, Alabama; and
>
> 2. The financial relationships between, and transactions relating to, American Trust Corporation, American Trust Life Insurance Company, Inc., Representative Hilliard's campaign organization, and the African-American Institute, a non-profit corporation under section 501(c)(3) of the Internal Revenue Code.

On June 14, 2000, the full Committee voted unanimously to expand the Investigative Subcommittee's jurisdiction to include these issues. On the same day, the Chairman and Ranking Minority Member of the Committee notified Representative Hilliard of the expansion of jurisdiction pursuant to Committee Rule 27(g)(4). ***Exhibit 96.***

### C. Carryover Of Investigation To 107th Congress

On March 14, 2001, the Committee voted to carryover this matter regarding Representative Hilliard to the 107th Congress. On the same date, the Chairman and Ranking Minority Member of the Committee reappointed Representatives Portman, Sabo, Hulshof, and Clyburn to the Investigative Subcommittee pursuant to House Rules. ***Exhibit 97.*** It should be noted that, although the Investigative Subcommittee had completed its investigative work in this matter during the preceding Congress, it was necessary to carryover this matter in order for the Investigative Subcommittee and the

full Committee to fulfill their remaining obligations in this matter in accordance with Committee and House Rules.

### D. Investigative Process

The Investigative Subcommittee was established on September 23, 1999, and investigated this matter until early November 2000. The Investigative Subcommittee interviewed and deposed witnesses and authorized the issuance of numerous subpoenas. Several witnesses furnished documents, consented to interviews, and submitted sworn statements on a voluntary basis.

In total, the Investigative Subcommittee approved the issuance of approximately 50 subpoenas for documents over the course of its inquiry. In addition to subpoenaed materials, documents were also voluntarily supplied to the Investigative Subcommittee and obtained by the Investigative Subcommittee from public sources such as governmental agencies. More than ten thousand pages of documents were obtained and reviewed by the Investigative Subcommittee in this matter, including thousands of items from banking institutions. Documents were received from Representative Hilliard in his personal capacity, as well as in his capacity as an official of HFCC and of corporations owned and controlled by him and members of his family. Documents were also obtained from HFCC, various banking and financial institutions, corporations owned and controlled by Representative Hilliard and members of his family, utility companies, former staff and officials of ATLIC, realty and accounting firms, and several other relevant sources of information as reflected in this report and accompanying exhibits. Government institutions that supplied documents included the State of Alabama Department of Insurance, the Federal Election Commission, the Federal Communications Commission, the Alabama Ethics Commission, the Alabama Secretary of State Corporations and Elections divisions, the Jefferson County Board of Equalization and Adjustments, the Internal Revenue Service, the Alabama Department of Revenue, and the Jefferson County Judge of Probate.

During its inquiry, the Investigative Subcommittee also formally deposed 11 individuals regarding the inquiry, resulting in approximately 1454 pages of transcribed

testimony. Each of the witnesses who were deposed appeared pursuant to subpoena, and each of them were placed under oath pursuant to Committee Rule 20(a)(6). At least two Members of the Investigative Subcommittee were present at all times for all depositions as required by Committee rules, although in fact, three or more Members were present for most of the depositions before the Investigative Subcommittee. In addition, counsel for the Investigative Subcommittee interviewed or otherwise received information from approximately 85 individuals. Each of the interviews were conducted either by telephone or in person at locations other than the offices of the Committee. Several of the telephone interviews were transcribed by a reporter with the consent of the individual being interviewed.

By letters dated January 14, 2000 and January 19, 2000, Representative Hilliard advised the Investigative Subcommittee that he had engaged his personal counsel, Ralph L. Lotkin, to represent the following other individuals who were witnesses in this matter: Elvira Williams, Elizabeth Turner,[145] Rita Hall Patterson, Jacqueline Smith, Carol Allen, John Hilliard, Mary Hilliard, Joyce Bayles, and Toni Motley. ***Exhibit 98.***[146] Subsequent to this letter, Representative Hilliard's personal counsel also appeared before the Investigative Subcommittee to represent other witnesses in this matter, including Yolanda Williams and Merriam McClendon. The record indicated that Representative Hilliard or individuals working on his behalf might have acted affirmatively to bring witnesses contacted by the Investigative Subcommittee under the umbrella of representation by Representative Hilliard's counsel. While not now prohibited by Committee Rules, based on its experience in this matter, the Investigative Subcommittee believes that such multiple representation is inimical to the fact-finding process and, therefore, recommends that in the future multiple representation be limited, or prohibited, whether by Committee policy or rule.

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[145] Mr. Lotkin's representation of Elizabeth Turner was terminated prior to her appearance before the Investigative Subcommittee on March 30, 2000.

[146] The letters dated January 14, 2000 and January 19, 2000 that are attached to this Report as ***Exhibit 98*** state that Representative Hilliard "re-engaged" Ralph L. Lotkin to represent him in this matter. By letter dated December 8, 1999, Representative Hilliard advised the Investigative Subcommittee that he had terminated Mr. Lotkin as his counsel.

As the Investigative Subcommittee neared the completion of its investigatory work, it invited Representative Hilliard to appear before the Investigative Subcommittee and give sworn testimony regarding the matters under investigation. ***Exhibit 99.*** At the request of Representative Hilliard (through counsel), the Investigative Subcommittee adjusted its schedule in order to receive testimony from Representative Hilliard on dates that both Representative Hilliard and his counsel were available, and the dates of Representative Hilliard's appearance before the Investigative Subcommittee were confirmed in writing a full month in advance of the hearing dates. ***Exhibit 100.*** On the morning of the first day of Representative Hilliard's scheduled testimony, however, Representative Hilliard appeared, was sworn in, and proceeded to read a prepared statement in which he announced that he refused to testify. Efforts by the Investigative Subcommittee to accommodate Representative Hilliard to obtain his agreement to testify either that day or another were rebuffed by him. Accordingly, although the Investigative Subcommittee believed that Representative Hilliard's testimony would have been helpful, the Investigative Subcommittee determined to proceed in this matter without testimony from Representative Hilliard. ***Exhibit 101.***

## V. DISCUSSION OF EVENTS RELATING TO STATEMENT OF ALLEGED VIOLATION AND RESOLUTION OF THIS MATTER

### A. Settlement Negotiations And Recommended Sanction

Beginning in October 2000, at the initiation of the Investigative Subcommittee lengthy discussions were held between the Investigative Subcommittee, through its counsel, with Representative Hilliard's counsel. In December 2000, the Investigative Subcommittee and Representative Hilliard reached mutually agreeable settlement terms; these terms were reaffirmed by the parties during the 107th Congress. The Investigative Subcommittee agreed to adopt the Statement of Alleged Violation in its current form, conditioned on Representative Hilliard's agreement to admit unconditionally to the charges contained in the document. The Investigative Subcommittee never proceeded to Committee Rule 27(c) and therefore never provided any of the evidence upon which it was relying to Representative Hilliard. Rule 27(c) of the Rules of the Committee on Standards of Official Conduct provides that "[n]ot less than 10 calendar days before a

scheduled vote by an investigative subcommittee on a Statement of Alleged Violation, the subcommittee shall provide the respondent with a copy of the Statement of Alleged Violation it intends to adopt together with all evidence it intends to use to prove those charges which it intends to adopt...." By voluntarily electing to settle this matter prior to proceeding to Committee Rule 27(c), Representative Hilliard waived his right to review the documentary evidence the Investigative Subcommittee had obtained in the course of its investigation.

Representative Hilliard and the Investigative Subcommittee agreed that the Investigative Subcommittee would recommend to the full Committee on Standards of Official Conduct that the Committee impose a letter of reproval at the conclusion of its deliberations. Representative Hilliard understood and agreed that although the full Committee would likely give considerable weight to the Investigative Subcommittee's recommendation, the full Committee was by no means obligated to follow that recommendation. Under the settlement agreement, in the event the full Committee declined to impose the sanction of a letter of reproval in this matter, Representative Hilliard would be permitted to withdraw his answer to the Statement of Alleged Violation, in which case the proceedings would revert to regular order under Committee Rules. It was also understood and agreed by Representative Hilliard that in the event that the full Committee declined to impose the sanction of a letter of reproval in this matter and Representative Hilliard withdrew his answer to the Statement of Alleged Violation admitting to the allegations therein, the Investigative Subcommittee retained complete discretion to amend the Statement of Alleged Violation, adopted as a basis for a settlement in this matter, in any manner it deemed appropriate. As a condition of settlement, Representative Hilliard further understood and agreed that neither he nor his counsel would have any role in the drafting of a letter of reproval in this matter, nor would they be permitted to review that document in any form prior to its issuance by the full Committee. Representative Hilliard further agreed that any response he submitted to the Investigative Subcommittee's Report in this matter or to the full Committee would not undermine his admission of the factual allegations contained in the Statement of Alleged Violation.

Representative Hilliard waived his right to an adjudicatory hearing under Committee Rule 24, and on April 5, 2001, Representative Hilliard admitted to the Statement of Alleged Violation adopted by the Investigative Subcommittee. ***Exhibits 1 and 2.***

The four Members of the Investigative Subcommittee unanimously agreed that the Statement of Alleged Violation identifies misconduct by Representative Hilliard that violated Clause 6 of former House Rule 43 and that also brought discredit to the House of Representatives, in violation of Clause 1 of former House Rule 43. The four Members of the Investigative Subcommittee also unanimously agreed that, absent a settlement, the violations to which Representative Hilliard admitted constituted the type of serious conduct that could merit the imposition of a reprimand as a sanction; some Members of the Investigative Subcommittee felt that the conduct at issue might merit an even greater sanction. Imposition of a sanction greater than a letter of reproval could be supported by many factors, including the demonstrated systematic and deliberate conversion of campaign funds by Representative Hilliard to personal use, and by what the Investigative Subcommittee found to be the lack of complete cooperation and candor by Representative Hilliard and his counsel during the investigative process.

Nonetheless, after full discussion among and consideration by its Members of alternative resolutions, the Investigative Subcommittee unanimously concluded that the imposition of a letter of reproval, pursuant to a settlement agreement with the Respondent, is an appropriate sanction in this matter. The Members of the Investigative Subcommittee reached this conclusion based in part on the consensus that, regardless of the level of formal sanction recommended, they wished to be absolutely clear that they spoke with one voice regarding the misconduct of Representative Hilliard.

In concluding that a letter of reproval is an appropriate sanction here, the Investigative Subcommittee also gave considerable weight to that fact that its detailed findings regarding the conduct of Representative Hilliard would be fully, clearly and, most importantly, publicly aired. In addition, as noted, Representative Hilliard will be allowed no say whatever as to the content of the letter of reproval or the Report of the

Investigative Subcommittee in this matter. The Investigative Subcommittee also gave due consideration to the fact that Representative Hilliard agreed to admit to all the allegations contained in the Statement of Alleged Violation, and by so doing acknowledged that he violated House Rules and that he engaged in a pattern and practice of conduct that did not reflect creditably on the House of Representatives.

This last phrase – "conduct that did not reflect creditably on the House of Representatives" – is not intended lightly or invoked by rote by the Investigative Subcommittee. The Investigative Subcommittee found that Representative Hilliard's conduct brought discredit to, that is, it dishonored and disgraced, the House of Representatives.

The conclusion of the Investigative Subcommittee to recommend a letter of reproval as the sanction to be imposed in this matter explicitly recognizes that the full Committee will make the ultimate decision as to what sanction is to be imposed. As noted, if the full Committee declines to accept the recommendation of the Investigative Subcommittee, the settlement agreement in this matter may be rendered void and the full Committee may proceed to an adjudicatory hearing.

### B. Adoption Of Statement Of Alleged Violation And Subsequent Related Events

On April 4, 2001, at a meeting held in executive session, the Investigative Subcommittee unanimously adopted the Statement of Alleged Violation in this matter, and the Investigative Subcommittee subsequently received Representative Hilliard's answer dated April 5, 2001, admitting to the charges contained in the Statement of Alleged Violation. ***Exhibit 2.***

Subsequently, at a meeting held in executive session on April 26, 2001, the four Members of the Investigative Subcommittee met with the Members of the full Committee.[147] At that meeting, the Investigative Subcommittee advised the full

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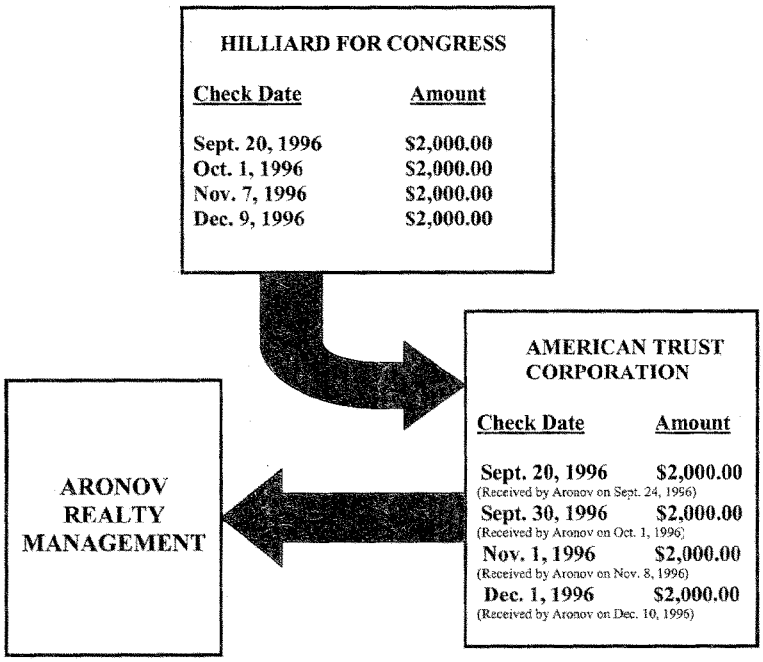
[147] The full Committee on Standards of Official Conduct voted unanimously at the commencement of its meeting to permit Representatives Hulshof and Clyburn to attend.

Committee that it had negotiated a settlement of the matter with Representative Hilliard and asked that the full Committee consider Representative Hilliard's request for waiver of an adjudicatory hearing. The Investigative Subcommittee further reported to the full Committee that it conducted its proceedings in a bipartisan manner, and that each and every action it had taken throughout the entire investigation (including the authorization of subpoenas for testimony and documents) had been unanimous. The Investigative Subcommittee further notes that it authorized all actions that were undertaken by Investigative Subcommittee counsel in this matter, and throughout this matter provided direction, guidance, and input through regular meetings and contact with its counsel.

The motion to accept Representative Hilliard's waiver of an adjudicatory hearing was unanimously accepted by the 10 Members of the full Committee who were present at the meeting.

**HILLIARD FOR CONGRESS CAMPAIGN PAYMENT OF RENT OWED BY AMERICAN MANAGEMENT AND MARKETING CORPORATION FOR PROPERTY LEASED IN MONTGOMERY, ALABAMA**




**ATTACHMENT A**

## INDEX TO EXHIBITS


1. Statement of Alleged Violation – April 4, 2001

2. Respondent's Answer to Statement of Alleged Violation – April 5, 2001

3. Hilliard for Congress Campaign ("HFCC") checks to Rita Hall Patterson (formerly Rita Hall) and related promissory notes – April 9 through September 10, 1993

4. HFCC check to Elvira Williams (formerly Elvira Willoughby) – January 18, 1994

5. HFCC checks to Jacqueline Smith – March 15 and 16, 1994

6. "1993 Board of Directors And Officers" of ATLIC, American Trust Corporation, American Trust Communication Corporation, American First Bonding Corporation, and Hilliards & Company, Inc.

7. List of ATLIC Board of Directors – undated

8. List of ATLIC "contact people" – July 12, 1994

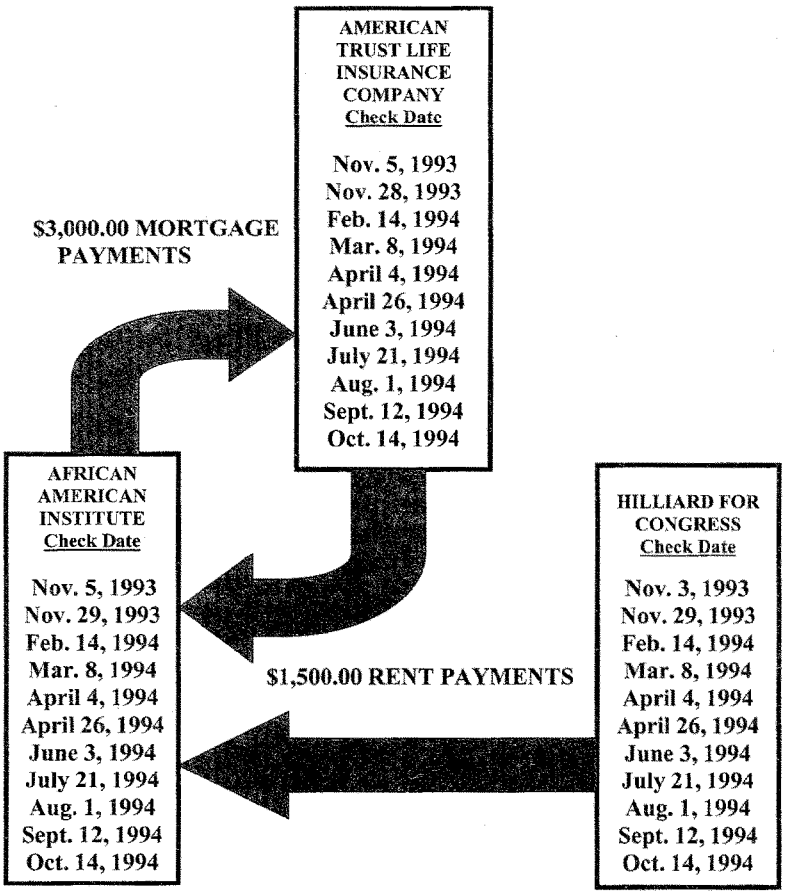
9. Order Terminating Rehabilitation Proceedings And Order Of Liquidation (November 1, 1996); Consent Order Of Rehabilitation, Preliminary Injunction, Appointment Of Receiver, And Other Relief (August 9, 1996); Civil Summons and Petition for Order to Show Cause, For Temporary Restraining Order or Injunction, Appointment of Receiver, And Other Relief (August 9, 1996); State of Alabama Department of Insurance Report on Examination of ATLIC as of December 31, 1994 (August 11, 1995); Notice of Impairment (February 20, 1996); Notice of Intent to Suspend (February 20, 1996); Amended Notice of Intent to Suspend (February 29, 1996); Order of Suspension (April 4, 1996); and Stipulation of the Parties for Entry of Consent Order of Rehabilitation, Permanent Injunction and Other Relief (August 9, 1996) and attached affidavit (August 8, 1996)

10. Quarterly Statement Of The Condition And Affairs Of American Trust Life Insurance Company ("ATLIC") As Of March 31, 1995 [excerpt] – May 12, 1995

11. Annual Statement For The Year Ended December 31, 1994 Of The Condition And Affairs Of ATLIC [excerpt] – April 18, 1995

12. Annual Statement For The Year Ended December 31, 1993 Of The Condition And Affairs Of ATLIC [excerpt] – February 28, 1994

**HILLIARD FOR CONGRESS CAMPAIGN $1,500 RENT PAYMENTS TO AFRICAN AMERICAN INSTITUTE THAT PASSED THROUGH TO AMERICAN TRUST LIFE INSURANCE COMPANY IN THE FORM OF $3,000 MORTGAGE PAYMENTS BY AFRICAN AMERICAN INSTITUTE FOR PROPERTY LOCATED IN BIRMINGHAM, ALABAMA**




**ATTACHMENT B**

13. Fax cover sheet and attachment Congressional office of Representative Hilliard to Elizabeth Turner (formerly Elizabeth Redmond) – November 20, 1995

14. Articles of Incorporation of African American Institute, Inc. ("AAI") – March 23, 1993

15. Amendment to Articles of Incorporation of AAI – June 2, 1993

16. Articles of Incorporation of American Management and Marketing Corporation – April 11, 1996

17. Station Service Agreement between American Management and Marketing Corporation and American Trust Corporation – February 1996

18. Lease of 128 Lee Street, Montgomery, Alabama by American Marketing and Management Corporation, and personal guarantee of lease by Earl F. Hilliard – March 15, 1996

19. Declaration of Toni Knight – October 23, 2000

20. Declaration of Richard Pizitz, Vice President, Pizitz Realty Company – October 5, 2000

21. Earl F. Hilliard balance sheet as of March 1, 1996 and fax cover sheet, and financial statements of American Trust Corporation and American Management and Marketing Corporation – March 20, 1996

22. Letters from files of Aronov Realty Management, Inc. and Pizitz Realty Company – various dates

23. HFCC checks to American Trust Corporation – September 20, 1996, October 1, 1996, November 7, 1996, and December 9, 1996

24. American Trust Corporation checks to Aronov Realty Management, Inc. – September 20, 1996, September 30, 1996, November 1, 1996, and December 1, 1996

25. HFCC Reports of Receipts and Disbursements to Federal Election Commission [excerpts] – October 11, 1996, October 18, 1996, December 4, 1996, and January 30, 1997

26. Letters to Investigative Subcommittee from Ralph L. Lotkin, with enclosed letters to Ralph L. Lotkin from Representative Earl F. Hilliard and Elvira Williams – July 7, 2000

27. HFCC Report of Receipts and Disbursements to Federal Election Commission [excerpt] – July 30, 1997

28. Submission by ATLIC to State of Alabama Department of Insurance, including Insurance Holding Company System Registration Statement by Hilliards and Company, Inc. dated January 11, 1995 and Balance Sheet of Earl F. Hilliard dated January 1, 1994 – June 28, 1995

29. Letter to Federal Communications Commission from John R. Hilliard (as President of American Trust Corporation) with enclosed list of stockholders of Hilliards & Company, Inc. – December 15, 1994

30. Mortgage note, warranty deed, and lease relating to sale of 1612-1614 3rd Avenue North in Birmingham, Alabama to from ATLIC to AAI – September 29, 1993

31. State of Alabama Department of Insurance Report of Examination of ATLIC as of December 31, 1990 – June 12, 1991

32. State of Alabama Department of Insurance Departmental Memorandum, with accompanying memorandum dated May 28, 1991 – May 31, 1991

33. 1994 Return of Organization Exempt From Income Tax (Internal Revenue Service Form 990-EZ) of AAI – August 8, 1995

34. HFCC checks to AAI, ATLIC checks to AAI, and AAI checks to ATLIC – various dates from November 1993 to October 1994

35. Warranty deed for sale of 1612-1614 3rd Avenue North in Birmingham, Alabama from AAI to ATLIC – April 27, 1995

36. HFCC check to AAI – February 13, 1995

37. HFCC check to American Trust Corporation – August 2, 1995

38. HFCC check to American Trust Corporation – January 3, 1996

39. Typed and handwritten versions of minutes of meetings of the Board of Directors of ATLIC – August 23, 1993, October 1993, October 15, 1993, December 27, 1993, March 25, 1994 (approximate), and December 16, 1994

40. Warranty deed for sale of 1612-1614 3rd Avenue North in Birmingham, Alabama from AAI to ATLIC – June 28, 1995

41. Equity sales contract for sale of 1612-1614 3rd Avenue North in Birmingham, Alabama from ATLIC to American Trust Corporation – August 22, 1995

42. Property appraisal report by Lonnie Tidwell [excerpt, including exhibit displaying schematics of building] – August 30, 1991

43. Property appraisal report by Lonnie Tidwell [exhibits section omitted] – March 3, 1987

44. Property appraisal report by Willie A. Casey [exhibits section omitted] – December 30, 1987

45. Protest of valuation set by Jefferson County Board of Equalization and Adjustments of 1612-1614 3rd Avenue North in Birmingham, Alabama – May 12, 1994

46. Protest of valuation set by Jefferson County Board of Equalization and Adjustments of 1612-1614 3rd Avenue North in Birmingham, Alabama – May 31, 1995

47. Property appraisal report by T. Julian Skinner, III, M.A.I. and supplemental letter dated October 4, 2000 – June 9, 2000

48. Property appraisal report by Steven V. Graham, M.A.I. – May 23, 2000

49. Letter to Committee on Standards of Official Conduct from Ralph L. Lotkin – February 25, 1998

50. Letter to Committee on Standards of Official Conduct from Ralph L. Lotkin – March 5, 1998

51. Letter to Committee on Standards of Official Conduct from Ralph L. Lotkin, and Attachments I through V submitted with the letter – April 2, 1998

52. Lease between American Trust Corporation and Williamson & Harrell Photographers, and handwritten unsigned version of lease – August 23, 1995

53. Lease between ATLIC and HFCC – May 15, 1996

54. Letter to John Morrow (of Burr & Forman law firm) from Mel Burns (of Mel Burns & Associates, P.C. law firm) – November 3, 1995

55. Financial Disclosure Statements of Representative Hilliard for January 1, 1991 to May 1, 1992, and for calendar years 1992, 1993, 1994, 1995, 1996, 1997, 1998, and 1999, including amendments – various dates

56. ATLIC check to Earl F. Hilliard – October 13, 1994

57. American Trust Corporation checks to Earl F. Hilliard – various dates from February 14, 1995 to March 1, 1995

58. American First Bail Bonding Corp. check to Earl F. Hilliard – August 21, 1995

59. HFCC check to American Trust Corporation (November 9, 1995); American Trust Corporation check to American Trust Communications Corporation (November 9, 1995); American Trust Communications Corporation check to Earl F. Hilliard (November 9, 1995); and American Trust Communications Corporation check to Earl F. Hilliard (November 13, 1995)

60. American Trust Corporation, American Trust Communications Corporation, and American First Bail Bonding Corporation checks to AmSouth Bank and National Bank of Commerce – various dates

61. HFCC checks to Cash and Alabama Power Company – various dates

62. Alabama Power Company Statements of Electric Service – various dates

63. Alabama Gas Company Statements of Account – various dates

64. Birmingham Water Works Account Records – various dates

65. *Subpoena Duces Tecum* issued to Representative Earl F. Hilliard by Committee on Standards of Official Conduct – October 14, 1999

66. *Subpoena Duces Tecum* issued to Representative Earl F. Hilliard by Committee on Standards of Official Conduct – June 6, 2000

67. Sworn Statement of James H. Wright – April 9, 1998

68. Letter to Representative Earl F. Hilliard from counsel to Investigative Subcommittee and letter to Ralph L. Lotkin from counsel to Investigative Subcommittee – December 29, 1999 and March 9, 2000

69. Letter to Investigative Subcommittee from Ralph L. Lotkin – March 17, 2000

70. Bouloukos & Oglesby check to American Trust Corporation (January 4, 1994), American Trust Corporation check to Earl F. Hilliard (January 4, 1994), and American Trust Corporation check to John R. Hilliard (January 21, 1994)

71. Typed and hand edited versions of minutes of an April 14, 1995 meeting of the Board of Directors of Hilliards & Company, Inc.

72. Stock Purchase Agreement between Hilliards & Company, Inc. and Joseph Global Financial Services Group – June 5, 1995

73. Stock Purchase Agreement between Hilliards & Company, Inc. and Sarah Maxell – January 22, 1996

74. Letter to Ralph L. Lotkin from J. D. Bayles – November 15, 1999

75. American Trust Corporation checks to Cash – February 14-16, 1998

76. American Trust Corporation checks to American Express – November 17, 1996 and June 1, 1998

77. Application For Consent To Assignment Of Broadcast Station Construction Permit Or License (Federal Communications Commission Form 314) of American Trust Corporation – October 24, 1994

78. Sworn Statement of Earl F. Hilliard – April 9, 1998

79. Letters to counsel for Investigative Subcommittee from Stephen B. Jones of Pearce, Bevill, Leesburg, Moore, P.C. accounting firm, and accompanying financial statements and working trial balances – December 2 and December 16, 1999

80. Articles of Incorporation of Alabama Film and Entertainment Council – August 26, 1993

81. HFCC checks to Alabama Film and Entertainment Council – July 9, 1993, August 9, 1993, August 19, 1993, August 27, 1993, and August 30, 1993

82. Alabama Film and Entertainment Council check to ATLIC – September 7, 1993

83. Letters to Investigative Subcommittee from Ralph L. Lotkin, with enclosed letters to Ralph L. Lotkin from Roderick J. Smith, Elvira Williams, Mary F. Hilliard, Cheryl Hilliard, and Toni Motley – July 7, 2000

84. Citicorp Diners Club account history for Earl F. Hilliard (January 12 to May 12, 1994) and Citicorp Diners Club Corporate/Government Duplicate Statement (July 12, 1995)

85. AAI checks to Citicorp Diners Club – February 1, 1994, May 6, 1994, and April 5, 1995

86. AAI check to American Express – September 10, 1997

87. Articles published in The Hill newspaper – December 3 and 10, 1997

88. Letter to Representative Earl F. Hilliard from Committee on Standards of Official Conduct – December 29, 1997

89. Letter to Ralph L. Lotkin from Committee on Standards of Official Conduct – January 13, 1998

90. Letter to Committee on Standards of Official Conduct from Ralph L. Lotkin – February 6, 1998

91. Letter to Ralph L. Lotkin from Committee on Standards of Official Conduct – March 4, 1998

92. Letter to Representative Hilliard from Committee on Standards of Official Conduct – May 12, 1999

93. Letter to Committee on Standards of Official Conduct from Representative Hilliard – June 28, 1999

94. Letter to Representative Hilliard from Committee on Standards of Official Conduct – August 10, 1999

95. Letter to Representative Hilliard from Committee on Standards of Official Conduct – September 23, 1999

96. Letter to Representative Hilliard from Committee on Standards of Official Conduct – June 14, 2000

97. Letter to Representative Earl F. Hilliard from Committee on Standards of Official Conduct – March 15, 2001

98. Letters to Investigative Subcommittee from Representative Earl F. Hilliard – January 14, 2000 and January 19, 2000

99. Letter to Ralph L. Lotkin from Investigative Subcommittee – July 28, 2000

100. Letter to Ralph L. Lotkin from counsel to Investigative Subcommittee (August 29, 2000), letter to counsel to Investigative Subcommittee from Ralph L. Lotkin (August 30, 2000), and letter to Ralph L. Lotkin from counsel to Investigative Subcommittee (August 30, 2000)

101. Letter to Ralph L. Lotkin from Investigative Subcommittee – September 27, 2000

# EXHIBIT 1

**U.S. House of Representatives**

**Committee on Standards of Official Conduct**

***In the Matter of Representative Earl F. Hilliard***

**April 4, 2001**

**Statement Of Alleged Violation**

## I. SUMMARY OF RELEVANT STANDARDS OF CONDUCT

At all times relevant to the violations hereafter alleged (except as otherwise noted), the pertinent provisions of law and House Rules are summarized as follows:
Clause 6 of former House Rule 43 (now House Rule 23) stated, inter alia, that "[a] Member shall convert no campaign funds to personal use in excess of reimbursement for legitimate and verifiable campaign expenditures and shall expend no funds from his campaign account not attributable to bona fide campaign or political purposes."
Clause 1 of former House Rule 43 (now House Rule 23) stated that "[a] Member, officer or employee of the House of Representatives shall conduct himself at all times in a manner which shall reflect creditably on the House of Representatives."

## II. ALLEGED VIOLATIONS

For each of the following alleged violations, the Investigative Subcommittee has determined there is "substantial reason to believe that a violation of the Code of Official Conduct, or of a law, rule, regulation, or other standard of conduct applicable to the performance of official duties or the discharge of official responsibilities by a Member, officer, or employee of the House of Representatives has occurred." See Rule 20(e), Rules of the Committee on Standards of Official Conduct.

At all times relevant to this Statement of Alleged Violation, Earl F. Hilliard was a Member of the United States House of Representatives representing the Seventh District of Alabama. References to the Hilliard for Congress Campaign ("HFCC") refer to the authorized committee of Representative Earl F. Hilliard, i.e. the political committee

authorized by Representative Hilliard under 2 U.S.C. § 432(e)(1) to receive contributions or make expenditures on behalf of Representative Hilliard. See 2 U.S.C. § 431(6).

**Count I: Pattern And Practice Of Conduct In Violation of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Loans Of Campaign Funds To Three Individuals.***

During the period approximately April 1993 to March of 1994, with the authorization and at the instruction of Representative Hilliard, HFCC made at least nine loans totaling approximately $16,205.04 to three individuals. Approximately $13,205.04 of the loans was to one individual, and of this amount, $7,452 has not been repaid.

The remaining $3,000 in loans by HFCC were made to two individuals employed in the Congressional District office of Representative Hilliard located in Birmingham, Alabama. Each of the remaining two loan recipients received $1,500. One of the loan recipients fully repaid the $1,500 loan from HFCC. The other loan recipient has repaid only $35 of the $1,500 loan. None of the above-described loans was attributable to any bona fide campaign or political purpose. Although the Investigative Subcommittee received no evidence that Representative Hilliard benefited financially from any of the disbursements in question, each of the loans was for the personal purposes of the recipient and was therefore improper.

***Alleged Violation***

As described above, with the authorization and at the instruction of Representative Hilliard, HFCC made loans totaling approximately $16,205.04 to three individuals for purposes not attributable to any bona fide campaign or political purpose of Representative Hilliard. In this manner, Representative Hilliard expended campaign funds for purposes not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

**Count II: Pattern And Practice Of Conduct In Violation Of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Expenditures Of Campaign Funds For Wages, Salaries, And/Or Benefits To Three Individuals For Work Performed For Corporations Owned Or Controlled By Representative Earl F. Hilliard And Members Of His Family.***

From approximately July 1992 until August 1996, with the knowledge of Representative Hilliard, HFCC made expenditures for salary and benefits to three individuals for performing services for corporations owned or controlled by Representative Hilliard and members of his family; while receiving these salary and benefit expenditures these individuals did also perform certain functions for HFCC. One of the three individuals received regular expenditures from HFCC from approximately July 1992 until January 1994. The disbursements to this individual totaled approximately $23,961.67. Another of the three individuals received regular expenditures from HFCC from approximately August 1993 until May 1994. The disbursements to this individual totaled approximately $7,945.12. The third of the three individuals received regular disbursements from HFCC from approximately April 1994 until August 1996. The disbursements to this individual totaled approximately $25,242.30. Including disbursements for health care benefits, HFCC made over $60,000 in disbursements related to these individuals during approximately July 1992 until August 1996.

While paid by HFCC, these three individuals did perform certain functions for HFCC; however, at the same time, these three individuals also routinely performed administrative, secretarial, bookkeeping, and other services for corporations owned or controlled by Representative Hilliard, for which services the payments from HFCC were also intended as compensation. The corporations involved included American Trust Life Insurance Company, American Trust Corporation, and American First Bonding Corporation (also known as American First Bail Bonding Corporation).

***Alleged Violation***

From approximately July 1992 until August 1996, HFCC made expenditures to three individuals for performing services for corporations owned or controlled by Representative Hilliard and members of his family. In this manner, Representative

Hilliard converted campaign funds to personal use in excess of reimbursement for legitimate campaign expenditures and expended campaign funds for a purpose not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

**Count III: Pattern And Practice Of Conduct In Violation Of Former House Rule 43, Clause 6 And Former House Rule 43, Clause 1.**

***Circumstances Relating To Alleged Violation: Expenditures Of Campaign Funds Relating To Use And/Or Occupancy Or Purported Use And/Or Occupancy Of Office Space By The Campaign.***

During approximately 1993 through 1996, Representative Hilliard engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by Representative Hilliard in excess of reimbursement for legitimate and verifiable campaign expenditures and expended by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes.

First, during September through December 1996, at the direction of Representative Hilliard, HFCC made expenditures of $8,000 of HFCC funds to pay rent for office space in Montgomery, Alabama owed pursuant to a lease Representative Hilliard guaranteed for a private corporation, the American Management and Marketing Corporation, that was owned in substantial part by corporations owned or controlled by Representative Hilliard and his family. While Representative Hilliard stated through counsel that HFCC occupied this office space on a part-time basis and provided to the Investigative Subcommittee copies of brief declarations from two individuals for the purpose of corroborating that statement, there is substantial reason for the Investigative Subcommittee to believe that HFCC did not lease, sublease, or occupy this office space during the relevant period.

Second, during October 1993 through April 1995, at the direction of Representative Hilliard, HFCC made expenditures for rent substantially in excess of fair market value to the African American Institute, a Section 501 (c)(3) corporation operated and controlled by members of Representative Hilliard's family, which in turn transmitted

these funds to a corporation owned or controlled by Representative Hilliard and members of his family.

Specifically, as early as 1992, HFCC began to make expenditures of $600 per month for rent of space within a building located in Birmingham, Alabama owned by the American Trust Life Insurance Company ("ATLIC"), a corporation owned and controlled at the time by Representative Hilliard and members of his family. Beginning in April 1993, HFCC began to make rent payments of $1,000 per month for rent of space in the Birmingham, Alabama building; however no rent payments were made in July or September 1993. Thereafter, in September 1993, ATLIC sold the building at issue to the African American Institute, a 501(c)(3) operated and controlled by members of his family. There was no exchange of money in connection with the sale of the building, and the sale was not an arms length transaction.

Following the sale of the building, HFCC began to make monthly payments of rent to the African American Institute of $1,500 per month, an amount that substantially exceeded fair market value for rent. The fair market value for space utilized by HFCC within the building at issue was as low as $290 per month depending on the amount and quality of space utilized by HFCC. In addition, following the sale of the building to the African American Institute, there was a pattern of sets of payments between HFCC, ATLIC and the African American Institute relating to monthly rent and mortgage payments. HFCC would issue a check for $1,500 to the African American Institute for rent; ATLIC would also issue a check for $1,500 to the African American Institute for rent; and the African American Institute would issue a check to ATLIC for $3,000 for payment on the mortgage note held by ATLIC. Per this pattern, while ATLIC would write a check to the African American Institute for $1,500 for a month's rent, these funds were returned to ATLIC as part of a $3,000 mortgage payment paid by the African American Institute.

Third, at the direction of Representative Hilliard, following the resale of the building from the African American Institute back to the American Trust Life Insurance Company in April 1995 and continuing through July 1996, HFCC continued to make expenditures for rent substantially in excess of fair market value, but made such

payments directly to corporations owned and controlled by Representative Hilliard and members of his family.

The aforementioned payments of rent by HFCC to the African American Institute and to corporations owned and controlled by Representative Hilliard and members of his family were not the result of arms length negotiations by independent parties with independent interests in the ordinary course of business. During the period approximately October 1993 through July 1996 alone, HFCC made approximately 29 expenditures of rent that totaled at least $53,100, a substantial portion of which represented rent payments in excess of fair market value. To the extent that rent payments in excess of fair market value were paid by HFCC directly to corporations owned or controlled by Representative Hilliard, and to the extent that such rent payments were made indirectly to ATLIC through the African American Institute, these payments represent a conversion of HFCC funds to entities owned or controlled by Representative Hilliard and members of his family.

Fourth, at the direction of Representative Hilliard, during the time period that HFCC paid rent in connection with the building purchased by the African American Institute from the American Trust Life Insurance Company, HFCC subsidized the other occupants in the building by paying utility expenses incurred for the entire building. Those other occupants were corporations owned and controlled by Representative Hilliard and members of his family. Specifically, at least during the period October 1993 through December 1994, no occupant of the building other than HFCC made payments to the Alabama Power Company, the Alabama Gas Company, Birmingham Water Works, or BellSouth for utility services for the building in Birmingham, Alabama. During that time period, HFCC made expenditures of over $11,000 to the aforementioned utility companies for which HFCC received no reimbursement from any of the other occupants of the building.

***Alleged Violation***

As described above, during approximately 1993 through 1996, Representative Hilliard engaged in a pattern and practice of conduct in which HFCC funds were converted to personal use by Representative Hilliard and members of his family in excess of reimbursement for legitimate and verifiable campaign expenditures and were expended

by Representative Hilliard for purposes not attributable to bona fide campaign or political purposes. This conduct included (1) the expenditure of $8,000 of HFCC funds to pay rent owed pursuant to a lease Representative Hilliard guaranteed for the American Management and Marketing Corporation in Montgomery, Alabama; (2) expenditures for rent substantially in excess of fair market value by HFCC made to a Section 501(c)(3) corporation, operated and controlled by members of Representative Hilliard's family, which in turn transmitted these rent expenditures to a corporation owned and controlled by Representative Hilliard and members of his family ; (3) expenditures for rent by HFCC substantially in excess of fair market value made directly to corporations owned or controlled by Representative Hilliard and members of his family; and (4) the expenditure of HFCC funds to pay utility expenses incurred by corporations owned or controlled by Representative Hilliard and members of his family. In this manner, Representative Hilliard converted campaign funds for personal use in excess of reimbursement for legitimate campaign expenditures and expended campaign funds for purposes not attributable to bona fide campaign or political purposes, in violation of former Rule 43, Clause 6 of the House of Representatives, and through this described pattern and practice of conduct, Representative Hilliard acted in a manner which did not reflect creditably on the House of Representatives in violation of former House Rule 43, Clause 1.

# EXHIBIT 2

**U.S. House of Representatives**

**Committee on Standards of Official Conduct**

**In the Matter of Representative Earl F. Hilliard**

**Respondent's Answer to Statement of Alleged Violation**

I, Earl F. Hilliard, admit to the Statement of Alleged Violation dated April 4, 2001.

Earl F. Hilliard
Representative Earl F. Hilliard
Respondent

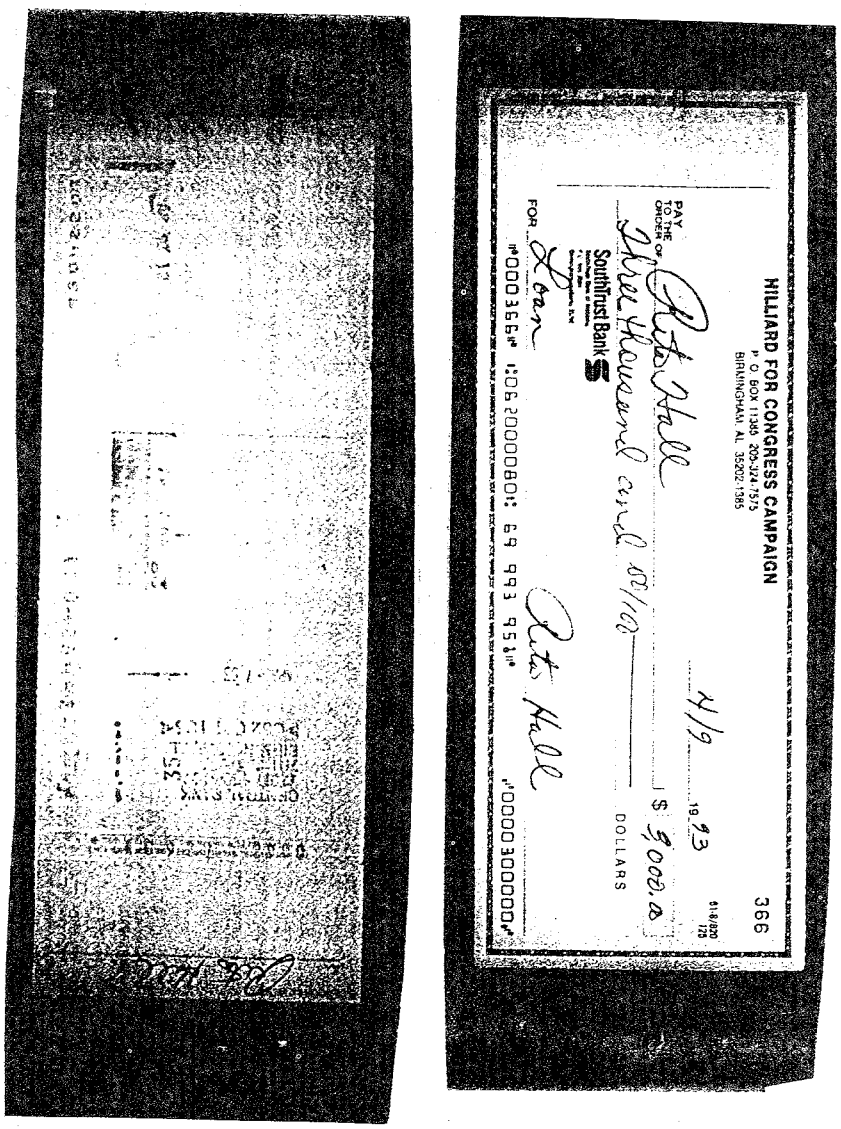
Ralph L. Lotkin
Counsel to Representative Hilliard

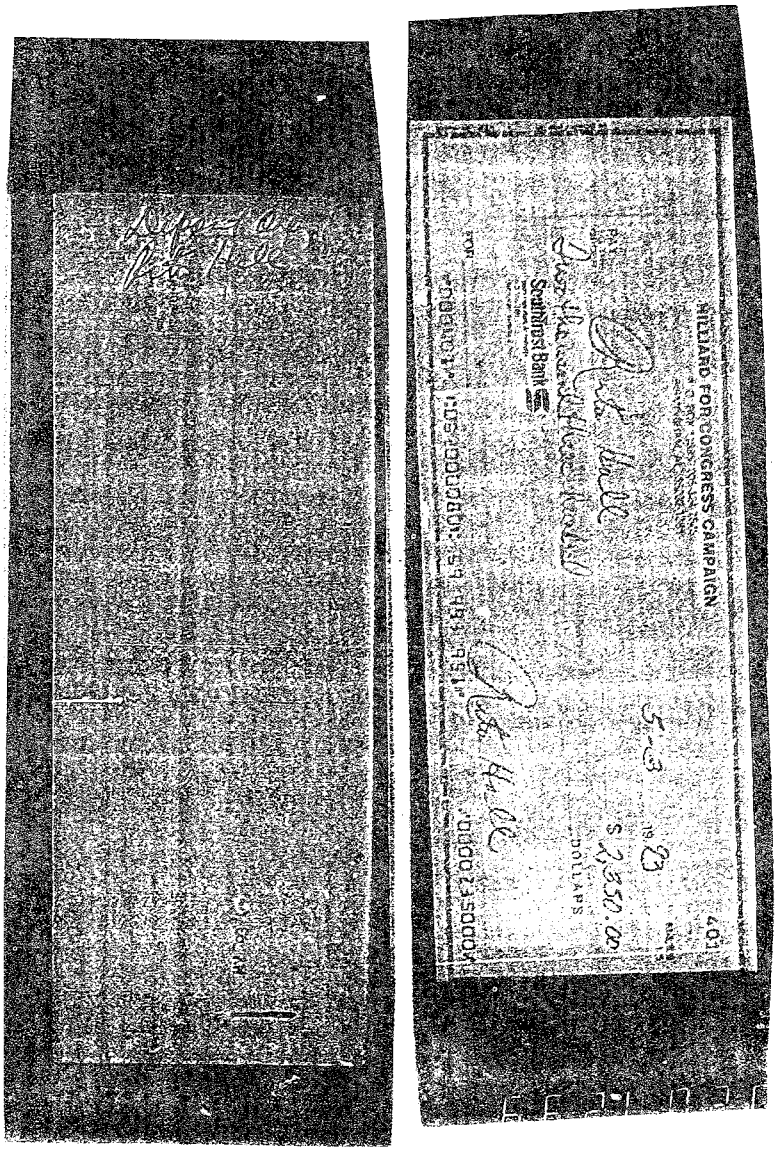
I declare under penalty of perjury that the foregoing is true and correct.

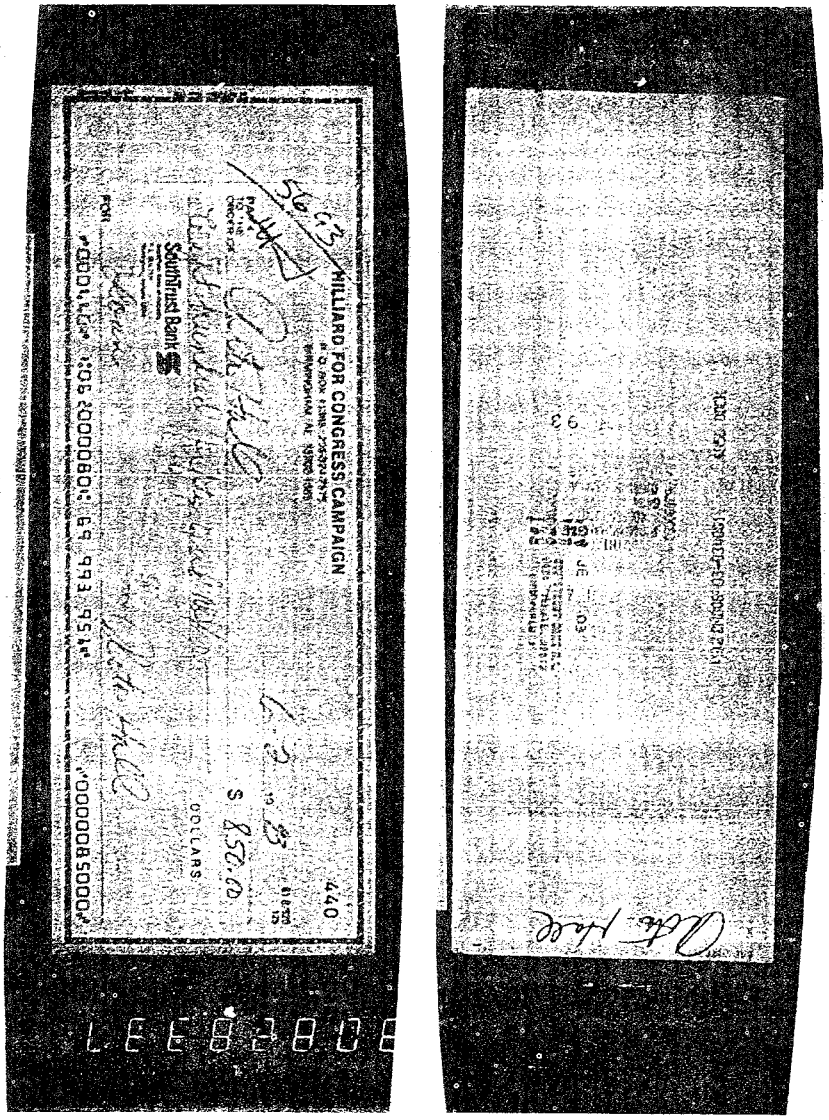
Executed this 5th day of April, 2001.

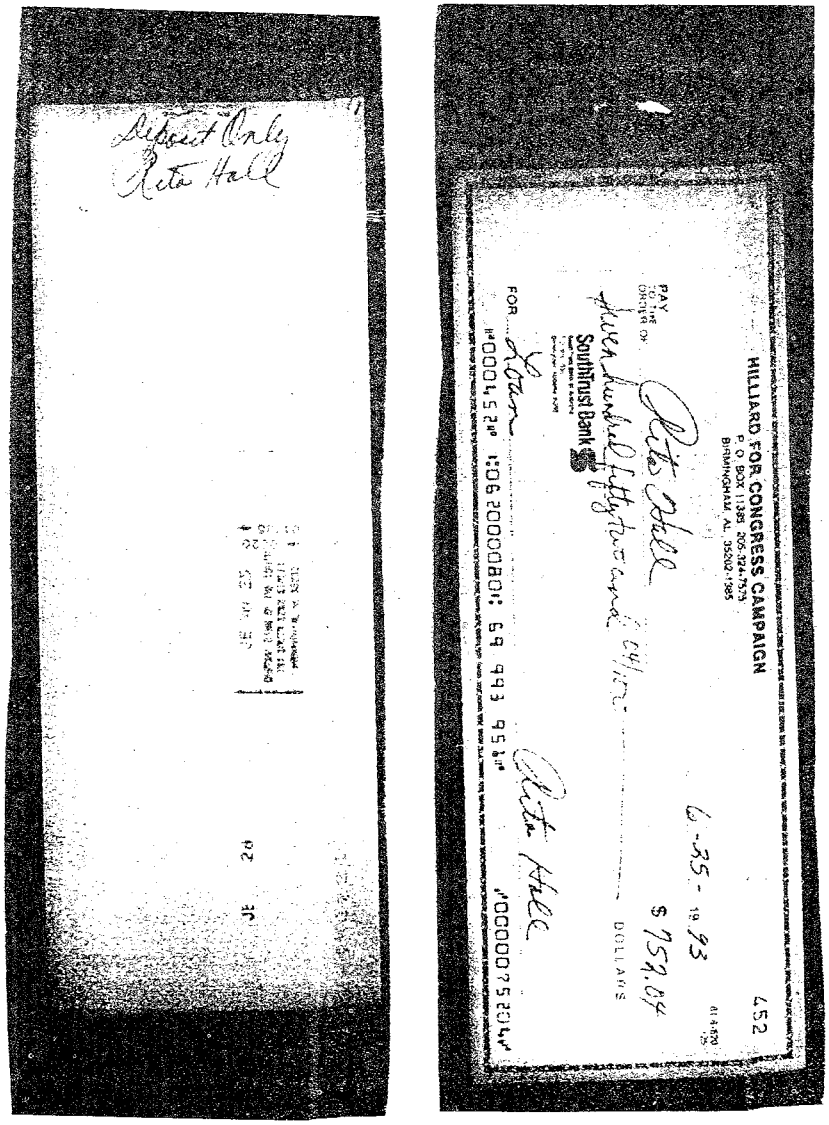
Earl F. Hilliard
Representative Earl F. Hilliard

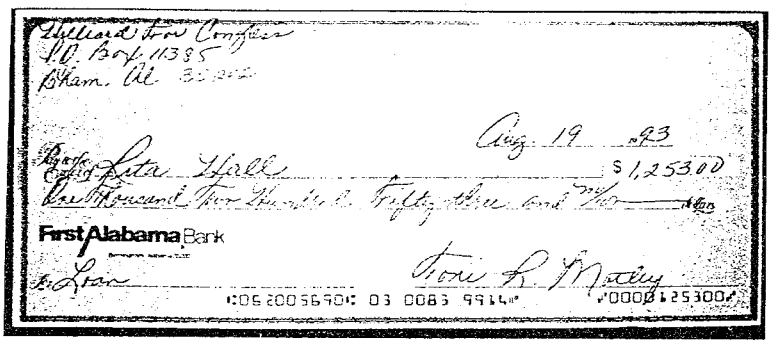
# EXHIBIT 3


HILLIARD FOR CONGRESS CAMPAIGN
P. O. BOX 11385 205-324-7575
BIRMINGHAM, AL 35202-1385
366
PAY TO THE ORDER OF
Rita Hall
Three thousand and 00/100
DOLLARS
SouthTrust Bank
FOR Loan
Rita Hall
4/9
19 93
$ 3,000.00




HILLIARD FOR CONGRESS CAMPAIGN
440
SouthTrust Bank
DOLLARS
$ 850.00


HILLIARD FOR CONGRESS CAMPAIGN
P. O. BOX 11388 205-324-7575
BIRMINGHAM, AL. 35202-1388
452
PAY TO THE ORDER OF
Rita Hall
6-25-1993
$ 752.04
DOLLARS
Southtrust Bank
FOR
Rita Hall
Detroit Only
Rita Hall


Hilliard Fire Confess
P.O. Box 11385
Bham. Al 35202

Aug. 19 93

Lita Hall $1,253.00

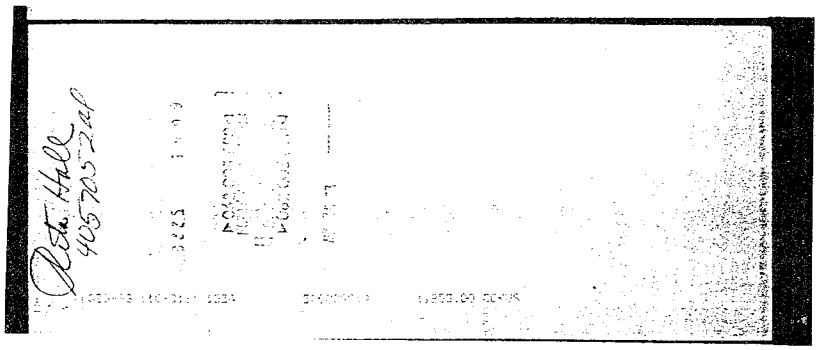
One Thousand Two Hundred Fifty three and no/100 dollars

First Alabama Bank

Loan

Toni L. Motley

⑆062005690⑆ 03 0083 9914⑈ ⑈0000125300⑈



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1008

PAY AMOUNT OF ew Five Thousand and no/100 DOLLARS

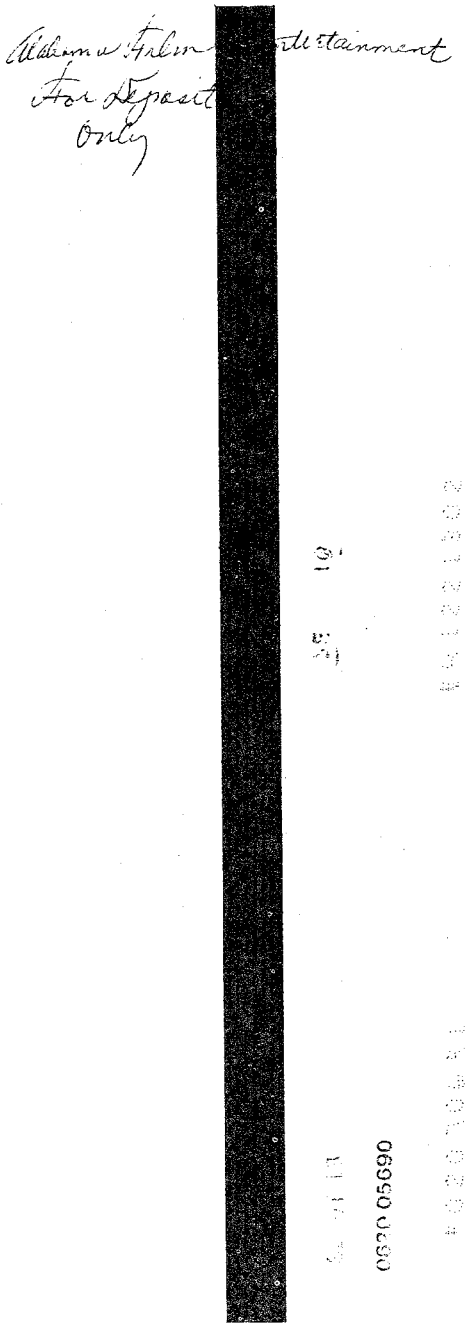
CHECK AMOUNT ew $ 5,000.00

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 9/10/93 | Rita Hall | Loan | 1008 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira Wilson

⑈001008⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000500000⑈


For Deposit
Only

1-1-4
Jefferson Title Insurance Corporation, Birmingham, Ala.

4/9/93

# PROMISSORY NOTE

$ 3,000.00

For value received, the undersigned promises to pay to the order of

HILLIARD FOR CONGRESS CAMPAIGN

the principal sum of Three Thousand and no/100 DOLLARS,

($ 3,000.00), with interest thereon from _____ at the rate of 0 % per

annum, the principal and interest payable as follows, namely: UPON DEMAND

Payable at the office of Hilliard For Congress Campaign

or such other place as the holder of the note may designate.

This note is secured by a ~~mortgage on real property~~ in Alabama.

In the event of default in the payment of any instalment of principal or interest the entire indebtedness shall become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby severally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws of Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of collection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, whether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And each maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, notice of protest, suit and all other requirements necessary to hold them or any of them and they severally agree that time of payment may be extended or a renewal note taken or other indulgence granted without notice of, or consent to, such action, without release of liability of any such party. This note may be declared due and payable with interest computed or abated to date at any time by notation hereon by the holder in the event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against any such party liable hereunder, subject to terms of mortgage.

Rita G. Hall

RITA G. HALL

4/9/93

Form 1-1-4
Lawyers Title Insurance Corporation, Birmingham, Ala.

# PROMISSORY NOTE

$ 2,350.00

For value received, the undersigned promises to pay to the order of

HILLIARD FOR CONGRESS CAMPAIGN

the principal sum of Two Thousand Three Hundred Fifty & No/100 DOLLARS,

($ 2,350.00), with interest thereon from _____ at the rate of 8 % per

annum, the principal and interest payable as follows, namely: UPON DEMAND

Payable at the office of Hilliard For Congress Campaign

or such other place as the holder of the note may designate.

This note is secured by a ~~mortgage on real property~~ In Alabama.

In the event of default in the payment of any instalment of principal or interest the entire indebtedness shall become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby severally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws of Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of collection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, whether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And each maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, notice of protest, suit and all other requirements necessary to hold them or any of them and they severally agree that time of payment may be extended or a renewal note taken or other indulgence granted without notice of, or consent to, such action, without release of liability of any such party. This note may be declared due and payable with interest computed or abated to date at any time by notation hereon by the holder in the event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against any such party liable hereunder, subject to terms of mortgage.

Rita G. Hall

RITA G. HALL

_____

Form This Insurance Corporation, Birmingham, Ala.

6/2/93

# PROMISSORY NOTE

850.00

For value received, the undersigned promises to pay to the order of HILLIARD FOR CONGRESS CAMPAIGN the principal sum of Eight Hundred Fifty and NO/100 DOLLARS, ($ 850.00), with interest thereon from _____ at the rate of 0 % per annum, the principal and interest payable as follows, namely: UPON DEMAND

Payable at the office of Hilliard For Congress Campaign or such other place as the holder of the note may designate.

This note is secured by a ~~mortgage on real property~~ in Alabama.

In the event of default in the payment of any instalment of principal or interest the entire indebtedness shall become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby severally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws of Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of collection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, whether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And each maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, notice of protest, suit and all other requirements necessary to hold them or any of them and they severally agree that time of payment may be extended or a renewal note taken or other indulgence granted without notice of, or consent to, such action, without release of liability of any such party. This note may be declared due and payable with interest computed or abated to date at any time by notation hereon by the holder in the event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against any such party liable hereunder, subject to terms of mortgage.

Rita G. Hall

RITA G. HALL

_____

...-1-4
...ert Title Insurance Corporation, Birmingham, Ala.

6/25/93

# PROMISSORY NOTE

752.04

For value received, the undersigned promises to pay to the order of
HILLIARD FOR CONGRESS CAMPAIGN
the principal sum of Seven Hundred Fifty Two and 04/100 DOLLARS,
($ 752.04), with interest thereon from _____ at the rate of 0 % per
annum, the principal and interest payable as follows, namely: UPON DEMAND

Payable at the office of Hilliard For Congress Campaign
or such other place as the holder of the note may designate.

This note is secured by ~~a mortgage on real property~~ in Alabama.

In the event of default in the payment of any instalment of principal or interest the entire indebtedness shall become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby severally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws of Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of collection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, whether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And each maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, notice of protest, suit and all other requirements necessary to hold them or any of them and they severally agree that time of payment may be extended or a renewal note taken or other indulgence granted without notice of, or consent to, such action, without release of liability of any such party. This note may be declared due and payable with interest computed or abated to date at any time by notation hereon by the holder in the event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against any such party liable hereunder, subject to terms of mortgage.

Rita G. Hall
RITA G. HALL

-1-4
...ers Title Insurance Corporation, Birmingham, Ala.

8/19/93

# PROMISSORY NOTE

1,253.00

For value received, the undersigned promises to pay to the order of
HILLIARD FOR CONGRESS CAMPAIGN
...e principal sum of One Thousand Two Hundred Fifty Three + no/100 DOLLARS,
...; 1,253.00), with interest thereon from _____ at the rate of 0 % per
...num, the principal and interest payable as follows, namely: UPON DEMAND

...ayable at the office of Hilliard For Congress Campaign
...r such other place as the holder of the note may designate.

This note is secured by a ~~mortgage on real property~~ in Alabama.

In the event of default in the payment of any instalment of principal or interest the entire indebtedness ...all become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby sev...rally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws ...f Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of ...llection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, ...hether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And ...ach maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, ...otice of protest, suit and all other requirements necessary to hold them or any of them and they severally ...gree that time of payment may be extended or a renewal note taken or other indulgence granted without ...otice of, or consent to, such action, without release of liability of any such party. This note may be declared ...ue and payable with interest computed or abated to date at any time by notation hereon by the holder in ...he event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against ...ny such party liable hereunder, subject to terms of mortgage.

Rita G Hall
RITA G. HALL

-1-4
...ers Title Insurance Corporation, Birmingham, Ala.

9/10/93

# PROMISSORY NOTE

5,000.00

For value received, the undersigned promises to pay to the order of

HILLIARD FOR CONGRESS CAMPAIGN

he principal sum of Five Thousand and no/100 DOLLARS,

$ 5000.00 ), with interest thereon from _____ at the rate of 0 % per

nnum, the principal and interest payable as follows, namely: UPON DEMAND

ayable at the office of Hilliard For Congress Campaign

r such other place as the holder of the note may designate.

This note is secured by a ~~mortgage on real property~~ in Alabama.

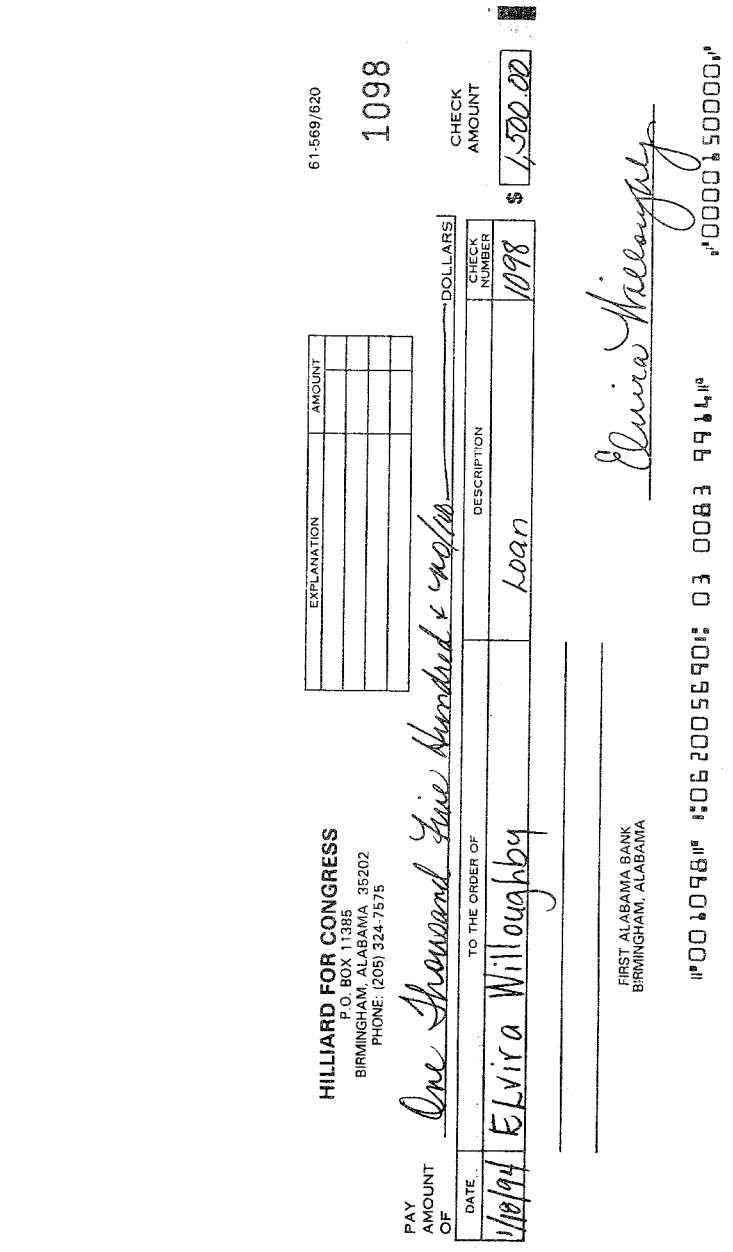
In the event of default in the payment of any instalment of principal or interest the entire indebtedness hall become due and payable at once and in full at the option of the holder thereof.

The parties of this instrument, whether maker, endorser, surety or guarantor, each for himself hereby sev-rally waives as to this debt, or any renewal thereof, all rights of exemption under the Constitution and Laws f Alabama, or of any other State, as to personal property, and they each severally agree to pay all costs of ollection or securing or attempting to collect or secure this note, including a reasonable attorney's fee, hether the same be collected or secured by any attorney consulted, with reference to suit or otherwise. And ach maker, endorser, surety and guarantor of this note severally waives demand, presentment, protest, otice of protest, suit and all other requirements necessary to hold them or any of them and they severally gree that time of payment may be extended or a renewal note taken or other indulgence granted without otice of, or consent to, such action, without release of liability of any such party. This note may be declared ue and payable with interest computed or abated to date at any time by notation hereon by the holder in e event of the insolvency of, general assignment by, judgment against or petition in bankruptcy by or against ny such party liable hereunder, subject to terms of mortgage.

Rita G. Hall

RITA G. HALL

# EXHIBIT 4



HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

61-569/620

1098

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |
| | |

PAY AMOUNT OF One thousand five hundred & no/100 DOLLARS

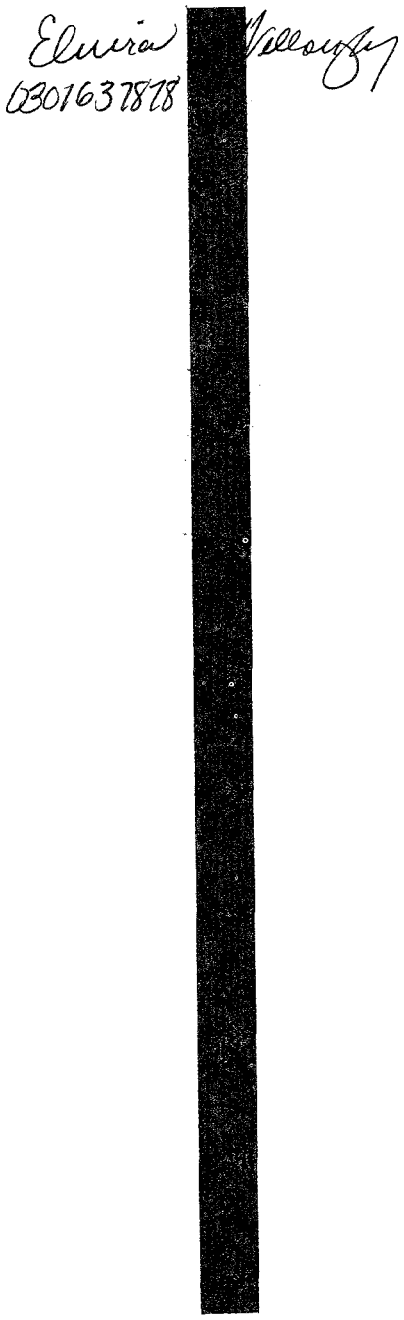
CHECK AMOUNT $ 1,500.00

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 1/18/94 | Elvira Willoughby | Loan | 1098 |

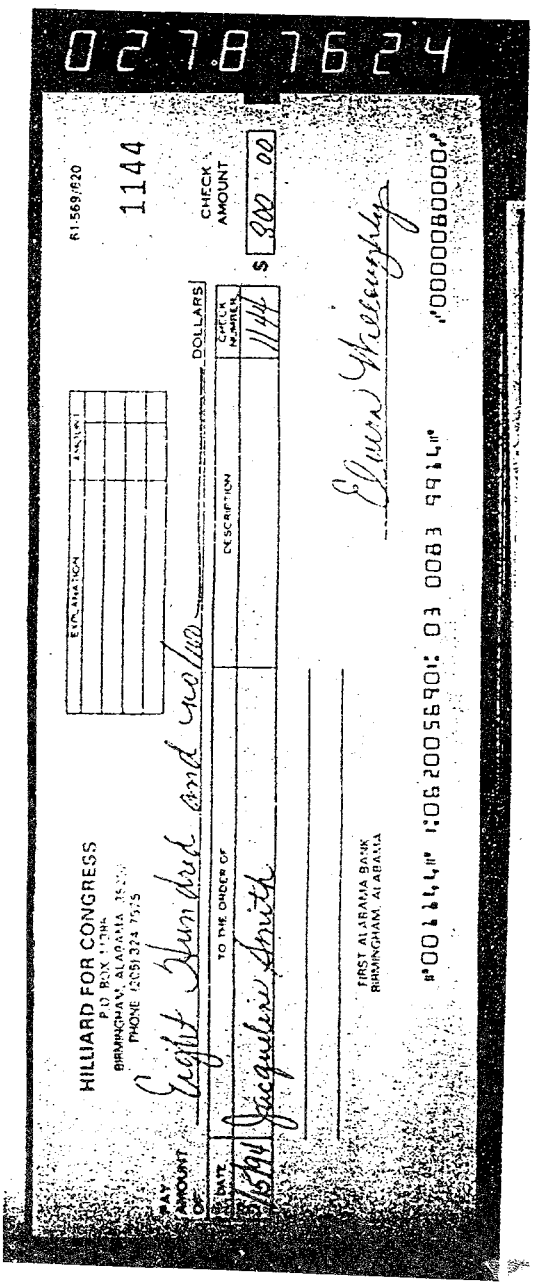
Elvira Willoughby

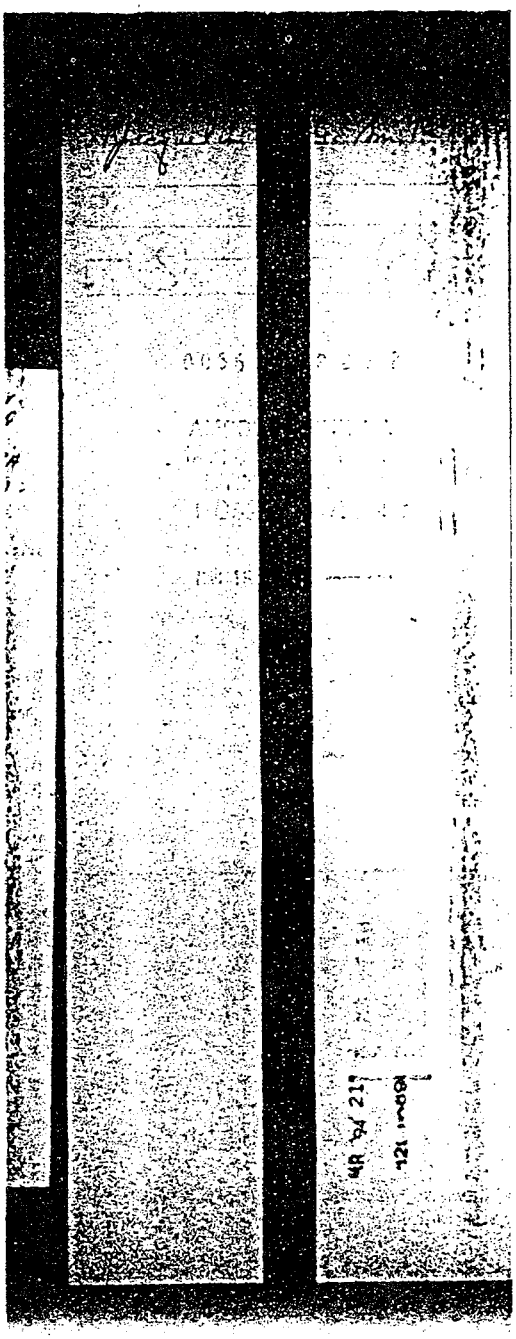
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

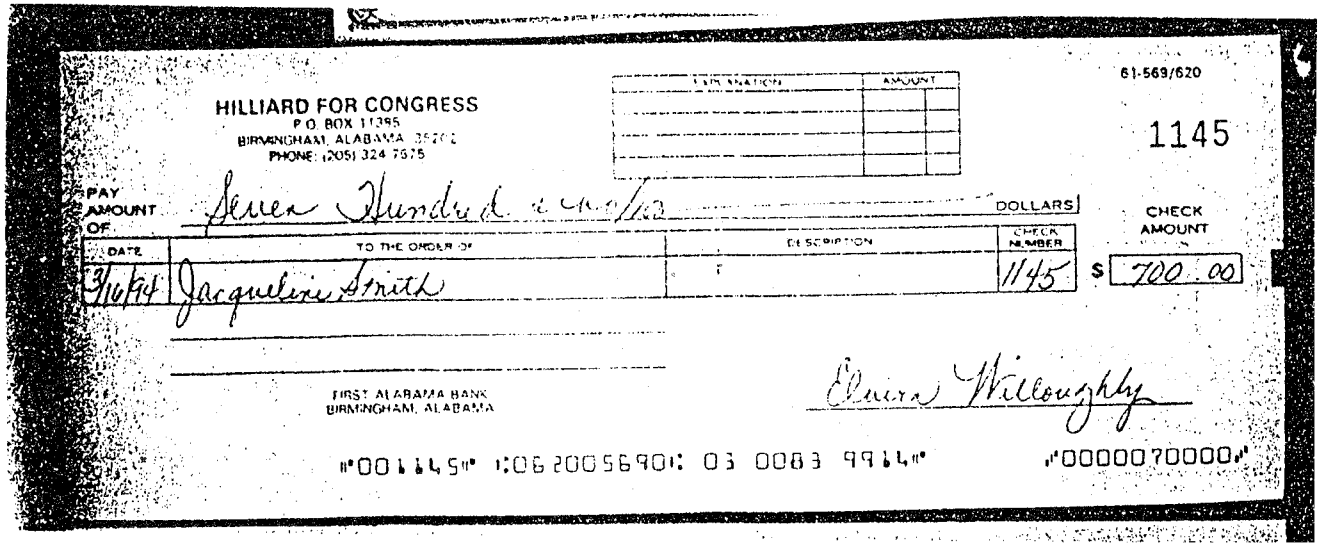
⑈001098⑈ ⑆062005690⑆ 03 0083 99⑆4 ⑈00001500000⑈


Elvira Villarreal
0301637878

# EXHIBIT 5


02787624
HILLIARD FOR CONGRESS
P.O. BOX 11704
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324 7575
61-569/620
1144
CHECK AMOUNT
$ 800 00
PAY AMOUNT OF
Eight Hundred and no/100
DOLLARS
DATE
5/6/91
TO THE ORDER OF
Jacqueline Smith
EXPLANATION
ANALYSIS
DESCRIPTION
CHECK NUMBER
1144
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA
Eileen Hilliard
⑈001144⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000080000⑈





HILLIARD FOR CONGRESS
P.O. BOX 11395
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324 7575

EXPLANATION | AMOUNT

61-569/620

1145

PAY AMOUNT OF Seven Hundred & 00/100 DOLLARS

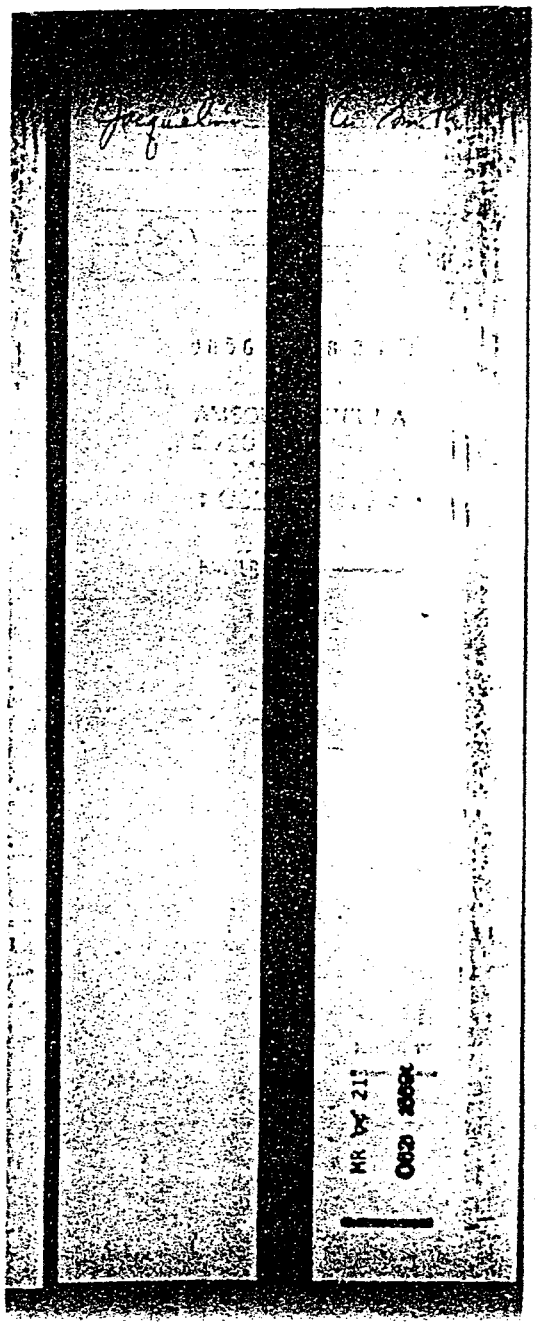
CHECK AMOUNT $ 700.00

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 3/16/94 | Jacqueline Smith | | 1145 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elnora Willoughby

"001145" :062005690: 03 0083 9914" "00000700000"



# EXHIBIT 6

## *1993*
## *BOARD OF DIRECTORS*
## *AND*
## *OFFICERS*

***AMERICAN TRUST LIFE INSURANCE COMPANY***

| | |
|---|---|
| **PRESIDENT** | **MARY HILLIARD** |
| **VICE PRESIDENTS** | ~~**RITA HILLIARD**~~<br>**JOHN HILLIARD**<br>**EARL HILLIARD, JR.**<br>**ALESIA HILLIARD** |
| **SECRETARY** | **ELVIRA WILLOUGHBY** |
| **TREASURER** | Yolonda Williams |

***AMERICAN TRUST CORPORATION***

| | |
|---|---|
| **PRESIDENT** | John<br>~~**EARL** HILLIARD, JR.~~ |
| **VICE PRESIDENT** | Mary Hilliard<br>~~**RITA HILLIARD**~~<br>~~**JOHN** HILLIARD~~ |
| **SECRETARY** | ~~**TONI MOTLEY**~~ Yolonda Williams |

***AMERICAN TRUST COMMUNICATION CORPORATION***

| | |
|---|---|
| **PRESIDENT** | John Hilliard<br>~~**RITA HILLIARD**~~ |
| **VICE PRESIDENT** | **JOHN HILLIARD** |
| **SECRETARY** | ~~**JEWEL CLARK**~~ ~~Elvira Willoughby~~<br>Virginia Williams |

***AMERICAN FIRST BONDING CORPORATION***

| | |
|---|---|
| **PRESIDENT** | **CAROL ALLEN** |
| **VICE PRESIDENT** | **JOHN HILLIARD** |
| **SECRETARY** | ~~**CAROL ALLEN**~~ Yolanda Williams |

***HILLIARD & COMPANY, INCORPORATED***

| | |
|---|---|
| **PRESIDENT** | **JOHN HILLIARD** |
| **VICE PRESIDENT** | **EARL HILLIARD, JR.** |
| **SECRETARY** | **MARY HILLIARD** |

***BOARD OF DIRECTORS***

| | |
|---|---|
| **CHAIRMAN** | **JOHN HILLIARD** |
| **VICE CHAIRMAN** | **EARL HILLIARD, JR.** |

**MARY HILLIARD**

**ALESIA HILLIARD**

~~**REVA HILLIARD**~~

~~**JOEL HILLIARD**~~

~~**FREDERICK E. HILLIARD**~~

~~**SHERON HILLIARD**~~

Earl Hilliard
Yolanda Williams
Elmira Willoughby

# EXHIBIT 7

AMERICAN TRUST LIFE INSURANCE COMPANY
BOARD OF DIRECTORS

Rec. 7-13-95 #7

John R. Hilliard, Chairman of Board of Directors
640 Tree Haven Drive
Birmingham, AL 35214
State Representative
State of Alabama

Rita Gail Hilliard, Director
490 Meehan Avenue
Birmingham, AL 35214
City Magistrate
City of Birmingham

Carol Jean Hilliard, Director
640 Tree Haven Drive
Birmingham, AL 35214
Assistant Coordinator
Alabama Community Assistance

Mary Franklin Hilliard, Director
1625 Castleberry Way
Birmingham, AL 35214
Housewife

Frederick Earl Hilliard, Director
640 Tree Haven Drive
Birmingham, AL 35214
Stock Clerk
Sears

Elvira Willoughby-Williams, Director
1936 Castleberry Way
Birmingham, AL 35214
District Director
US House of Representatives

Earl Frederick Hilliard, Director
1625 Castleberry Way
Birmingham, AL 35214
United States Congressman

# EXHIBIT 8

Company American Trust Life Insurance Company

Examination as of DECEMBER 31, 1994

Current Date July 12, 1994

Lee 7-12-94

You are requested to list the names of contact people for the examiners in order that they might secure necessary files and information in order to complete this examination.

| Item | Contact Person |
|---|---|
| Organization, History, Territory, etc. | Earl F. Hilliard |
| Employee Welfare | Elizabeth Redmond |
| Reinsurance | Elizabeth Redmond |
| Policy Forms and Underwriting | John Ripandelli |
| Advertising | Elizabeth Redmond |
| Agents Licensing | Elizabeth Redmond |
| Policyholder Complaints | Elizabeth Redmond |
| Insurance on Company Property | Elizabeth Redmond |
| Holding Company Act | Earl F. Hilliard |
| Ledgers | Eugene Pitts |
| Bonds and Stocks | Earl F. Hilliard |
| Real Estate | Earl F. Hilliard |
| Mortgage Loans | Earl F. Hilliard |
| Bank Statements | Elizabeth Redmond |
| Policy Loans | Elizabeth Redmond |
| Agents Accounts | Earl F. Hilliard |
| Miscellaneous Assets | Earl F. Hilliard |
| Reserves & Claim Liabilities | John Ripandelli |
| Premium Accounting | Eugene Pitts |
| Capital Stock | Earl F. Hilliard |

6

# EXHIBIT 9

IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA

| | |
|---|---|
| STATE OF ALABAMA, EX REL, MICHAEL DEBELLIS, as Commissioner of Insurance, and NELSON BURNETT, as Chief of the Insurance Department's Receivership Division,<br><br>Plaintiffs,<br><br>v.<br><br>AMERICAN TRUST LIFE INSURANCE COMPANY,<br><br>Defendant. | CIVIL ACTION NO. CV-96-4767<br><br>FILED IN OPEN COURT ON THIS THE 1st DAY OF November, 1996<br>Thomas A. Woodall<br>THOMAS A. WOODALL, JUDGE |

ORDER TERMINATING REHABILITATION PROCEEDINGS
AND
ORDER OF LIQUIDATION

This matter came before the Court on application of Nelson Burnett, as Receiver of American Trust Life Insurance Company, (hereinafter referred to as ATLIC) for authorization to terminate the rehabilitation proceedings of ATLIC, and for an Order of Liquidation pursuant to Ala. Code § 27-32-7 (1975). The Court has been informed by the parties, and their counsel that the issues contained in such petition have been resolved. Based upon such submission of counsel, the Court hereby finds that it is in the best interest of ATLIC, its policyholders and creditors, that rehabilitation proceedings be terminated, and that ATLIC be placed in liquidation upon the terms and conditions contained herein.

NOW, THEREFORE, it is ORDERED, ADJUDGED and DECREED as follows:

1. The Receiver's Petition to Terminate the Rehabilitation Proceedings and for Order of Liquidation for ATLIC is hereby GRANTED.

2. ATLIC, as of August 6, 1996, was insolvent. Efforts to rehabilitate ATLIC have not succeeded, and ATLIC is in such financial condition that the continuation of its rehabilitation, and the further transaction of its business thereunder would be hazardous to its policyholders, creditors, and the public.

3. As Receiver, Nelson Burnett is hereby directed to liquidate ATLIC in accordance with Ala. Code §§ 27-32-12, et. seq. (1975), and to take such action as the nature of the cause and the interest of the policyholders, creditors and the public may require. As Receiver, Nelson Burnett is further authorized to employ such legal counsel, accountants, appraisers, experts, clerks and assistants of his own choosing pursuant to Ala. Code § 27-32-15(f) (1975).

4. As Receiver, Nelson Burnett is further vested with title to all property, assets, contracts and rights of action of ATLIC, wherever located, whether tangible or intangible, including, without limitation, all stock, equity securities, partnership interests or other ownership interests of any kind in any other corporation, partnership (limited or otherwise), trust or other entity which is beneficially or legally owned or held by or attributable to ATLIC, as of the date of this Order.

5. As Receiver, Nelson Burnett is further authorized to institute and prosecute, in the name of ATLIC or in his own name as Receiver, any and all suits or other legal proceedings, defend suits in which ATLIC is a party, in this State or elsewhere, whether or not such suits are pending as of the date of this Order; abandon the

prosecution or defense of such suits, legal proceedings, or claims where to do so would be in the best interest of the policyholders and creditors of ATLIC; prosecute any action which may exist on behalf of the policyholders and creditors of ATLIC against any person, controlling parties of ATLIC, partnership, corporation or other entity, or any other person; and apply, on his own behalf, to have any default or default judgment set aside and to defend on the merits and assert all defenses available to ATLIC as against third parties.

6. All directors, officers and managers of ATLIC, if any, are hereby discharged and removed, and all authority of such directors, officers and managers is revoked, except as such persons may be appointed or reappointed by the Receiver, in his sole discretion, after entry of this Order.

7. All banks, brokerage houses, or other companies or persons having in their possession assets which are, or may be the property of ATLIC, are hereby ordered to deliver the possession of the same immediately to the Receiver, and are further ordered not to disburse the same without the written consent of, or unless directed in writing by, the Receiver. Such persons and entities, and all other persons and entities, are further enjoined from disposing of or destroying any records pertaining to any business transactions between ATLIC and banks, brokerage houses or other persons or companies having done business with ATLIC, or having in their possession assets which are or were the property of ATLIC.

8. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of ATLIC, shall account for, and to the extent due and

owing, shall pay all unearned premiums and commissions owed to ATLIC as a result of policies canceled by this Order, or in the normal course of business, directly to the Receiver within thirty (30) days after demand by the Receiver, or appear before this Court to show good cause, if any they may have, as to why they should not be required to account to the Receiver. All agents, brokers or other persons are enjoined and restrained from returning any unearned premiums, or any money in their possession collected for premiums, to policyholders or others. The Receiver shall serve a copy of this order on all agents, brokers or others which shall constitute notice of its injunctive provisions.

9. All attorneys employed by ATLIC as of this date shall, within thirty (30) days after notice of this Order, report to the Receiver with respect to the name, company claim numbers and status of each file they are handling on behalf of ATLIC. Said report shall also include an accounting of any funds received from or on behalf of ATLIC. All attorneys described herein are hereby discharged as of the date of this Order unless their services are retained by the Receiver after entry of this Order.

10. Each data processing service or other entity that has custody or control of any data processing information and records, including but not limited to, source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to ATLIC or any subsidiary, shall transfer custody and control of such records to the Receiver upon demand.

11. Except for contracts of insurance, all contracts executory or likewise to which ATLIC was a party, including all agents' contracts, general agents' contracts, brokers'

contracts, retirement and "golden parachute" agreements, are hereby canceled unless specifically adopted by the Receiver within thirty (30) days after the date of this Order. Any cancellation under this provision shall not be treated as an anticipatory breach of such contracts. All other contracts, policies and direct insurance, with obligations that have been assumed by respective state guaranty funds, shall remain in full force and effect. Persons and entities suffering real damages or loss as a result of said contract cancellations shall retain the right to file claim(s) with the Receiver which claim(s) shall be, if proven, allowed, allowed in part or disallowed in accordance with Alabama's Liquidation Act, Ala. Code §§ 27-32-1, et seq. (1975), the Uniform Insurers Liquidation Act, Ala. Code § 27-32-22, et seq. (1975), and other applicable laws of the State of Alabama.

12. All policies or contracts of insurance which are covered policies within the meaning of the Alabama Life and Disability Insurance Guaranty Association Act, Ala. Code §§ 27-44-1, et seq. (1975), or any similar law of any other state, or the obligations or any part thereof, of which the Alabama Life and Disability Insurance Guaranty Association or any similar organization in any other state, is obligated to assure payment of, which shall remain in full force and effect, until canceled by such guaranty association, or they expire, in accordance with applicable laws.

13. The Receiver shall give notice by first-class mail to all persons (including, but not limited to, individuals, aggregations of individuals, partnerships, corporations, associations, estates, trusts, and governmental units, to include all entities not named), having claims against ATLIC, and shall advise such persons to present and file with the

Receiver proper proofs of claim, or where applicable to file said claims with the appropriate insurance guaranty association of the state where the policyholder or creditor resides.

14. The deadline for filing such claims against ATLIC shall be 5:00 p.m., Central Standard Time, on July 1, 1997. The Receiver's notice shall specify the deadline for filing claims and further direct all claimants to file their claims with the Receiver at the address designated in such notice. Said notice shall be made by first-class mail to all claimants at their last known address, where available, but if sufficient information for notification by first-class mail is not available, the Receiver shall give notice by publication in a newspaper of general circulation in those states where ATLIC is currently licensed to transact business, and those states and counties where ATLIC currently has its corporate and administrative offices, or by any other method reasonably calculated to give actual notice to the policyholders and creditors of ATLIC.

15. The Receiver shall have drafted and printed appropriate proof of claim forms to be used by policyholders and creditors filing claims against ATLIC. Claim forms used by any ancillary receiver of ATLIC or any life and health guaranty association of another state shall also be acceptable for use in the claims filing process.

16. The Receiver shall be and is hereby authorized to pay all routine administrative expenses incurred by the Receiver without prior approval of the Court provided no one expenditure exceeds the sum of $10,000. Specific accounting and certification of these expenses as reasonable and necessary will be made to the Court.

17. The Receiver is further granted the authority to dissolve the corporate existence of ATLIC in accordance with the provisions of Ala. Code § 27-32-12(b) (1975) at such time as he deems appropriate.

18. The Receiver will make a written report to the Court by January 1, 1997, documenting the progress being made in carrying out the mandates of this Order, and any recommendations which the Receiver feels are in the best interests of the policyholders and creditors of ATLIC.

19. The injunctive provisions contained in this Court's Consent Order of Rehabilitation, Temporary Restraining Order, Preliminary Injunction and Other Relief are continued in effect until further order of this Court, including paragraph 5(D) of said Order which provides that all persons are restrained and enjoined from:

> Commencing or further prosecuting any action in law or equity or administrative proceedings except in this Court; obtaining any preference, judgment, attachment, or other liens against any of the property, personal or real, of Defendant ATLIC; commencing or continuing any action in the nature of an attachment, garnishment or execution against any of the property, personal or real, of ATLIC; making any levy, garnishment or execution against any of the property, personal or real, of ATLIC or its subsidiaries or their assets of any part thereof except in this Court.

20. The court shall retain exclusive jurisdiction over this matter for all purposes necessary to effectuate and enforce this Order.

ENTERED this 1st day of November, 1996.

Thomas A. Woodall

THOMAS A. WOODALL
CIRCUIT JUDGE

AM :ICAN TRUST LIFE INSURANCE CC 'ANY
(FOR INTERNAL USE – UNAUDITTED)
STATEMENT OF ASSETS, LIABILITIES, SURPLUS, OTHER FUNDS & DEFICIT
AUGUST 9, 1996

| | Per Company | Adjusted | Est Net Realizable Values |
|---|---|---|---|
| **ASSETS** | | | |
| I. Cash & Deposits | | | |
| A. Amsouth Checking #84097205 | 105 | 105 | |
| B. SouthTrust CD | 22,000 | 22,000 | |
| Total Cash | 22,105 | 22,105 | 22,105 |
| II. Real Estate | | | |
| A. 1612–1614 3rd Ave North | 305,000 | 305,000 | |
| Less encumbrance(Parker/ST) | (269,000) | (291,000) | 0 |
| B. 1013 13th Ave North | 65,000 | 65,000 | |
| Less encumbrance(Hale) | (59,000) | (51,536) | 0 |
| C. 1811 Ave C | 11,735 | 11,735 | 5,000 |
| D. 3005 Fairwest, Montg | 220,000 | 0 Foreclosed | |
| Less encumbrance(S/T) | (13,000) | 0 | 0 * |
| Total Real Estate | 260,735 | 39,199 | |
| III. Mortgage Loans on Real Estate | | | |
| Mtg Receivable–Figueroa | 3,451 | 3,451 | |
| Mtg Receivable–Gray | 4,086 | 4,086 | |
| Mtg Receivable–Brown | 11,780 | 11,780 | |
| Mtg Receivable–Hardy | 13,615 | 13,615 | |
| Mtg Receivable–Silas | 12,977 | 12,977 | |
| Mtg Receivable–Alexander | 7,145 | 7,145 | |
| Total Mortgage Loans | 53,054 | 53,054 | 47,749 ** |
| IV. Receivable Affiliates | | | |
| Hillards Company | 0 | 111,000 | |
| American Trust Corp | 0 | 15,600 | |
| Less Reserve for uncollectibility | 0 | (126,600) | |
| Total Other Receivables | 0 | 0 | 0 |
| V. Investment Income Due & Accrued | 0 | 1,285 | 1,285 |
| VI. Furniture, Fixtures & Equipment | 3,837 | 3,837 | 750 |
| **Total Assets** | 339,731 | 119,480 | 71,889 |
| **LIABILITIES** | | | |
| VII. Policy Reserves | 356,918 | 364,765 | 364,765 |
| VIII. Claims Liability/Surrenders | 5,132 | 11,600 | 11,600 |
| IX. Notes Payables | | | |
| Affiliates–American Trust Corp. | 3,850 | 3,850 | |
| Mortgages Payable | 341,000 | 342,765 | |
| Less reported with asset | (341,000) | (342,765) | |
| Total Notes Payable | 3,850 | 3,850 | 3,850 |
| X. Amts Held for Agents | 148 | 148 | 148 |
| XI. General Expenses Due | 26,390 | 6,838 | 6,838 |
| XII. Taxes, License & Fees | | 26,827 | 26,827 |
| **Total Liabilities** | 392,438 | 414,028 | 414,028 |
| **CAPITAL & SURPLUS** | | | |
| Common Stock | 50,000 | 50,000 | |
| Unassigned Surplus | (102,707) | (344,548) | |
| **Total Capital & Surplus** | (52,707) | (294,548) | |
| **Total Liabilities, Cap & Surplus** | 339,731 | 119,480 | |
| **DEFICIT** | | | (342,139) |
| **DEFICIT & LIABILITIES** | | | 71,889 |

* Possible recovery on foreclosed property
**Discounted at 10%

FILED IN OPEN COURT ON THIS THE
1st DAY OF November, 1996
Thomas A Woodall
THOMAS A. WOODALL, JUDGE

AM..ICAN TRUST LIFE INSURANCE COMPANY
RECEIVERSHIP REPORT OF SOURCES AND USES OF CASH
FOR THE PERIOD AUGUST 9, THROUGH OCTOBER 31, 1996

| | MONTH OF AUGUST | MONTH OF SEPTEMBER | MONTH OF OCTOBER | INCEPTION TO DATE |
|---|---|---|---|---|
| SOURCE OF FUNDS: | | | | |
| INTEREST INCOME | 95.74 | 297.45 | 323.95 | 717.14 |
| RENTAL INCOME | 905.00 | 1,540.00 | 440.00 | 2,885.00 |
| MORTGAGE LOAN PAYMTS | 163.48 | 330.55 | 454.05 | 948.08 |
| PREMIUM INCOME | 333.83 | 673.92 | 873.29 | 1,881.04 |
| AMOUNTS HELD FOR OTHERS | 0.00 | 50.00 | 50.00 | 100.00 |
| LIQUIDATION OF STATUTORY DEPOSIT | 22,000.00 | 0.00 | 0.00 | 22,000.00 |
| TOTAL SOURCE OF FUNDS | 23,498.05 | 2,891.92 | 2,141.29 | 28,531.26 |
| USE OF FUNDS: | | | | |
| ALLOCATED DEPARTMENT EXPENSE: | | | | |
| TOTAL ALLOCATED DEPARTMENT EXPENSE | 0.00 | 0.00 | 0.00 | 0.00 |
| ALLOCATED RECEIVERSHIP EXPENSE: | | | | |
| PAYROLL EXPENSE | 2,608.09 | 9,649.28 | 0.00 | 12,257.37 |
| TOTAL ALLLOCATED RECEIVERSHIP EXPENSE | 2,608.09 | 9,649.28 | 0.00 | 12,257.37 |
| DIRECT EXPENSE: | | | | |
| BANK FEES | 14.15 | 0.00 | 0.00 | 14.15 |
| CONTRACT LABOR | 312.00 | 1,272.00 | 1,032.50 | 2,616.50 |
| POSTAGE & EXPRESS MAIL | 32.00 | 0.00 | 0.00 | 32.00 |
| REAL ESTATE EXPENSE | 466.20 | 0.00 | 0.00 | 466.20 |
| INTEREST EXPENSE | 199.91 | 0.00 | 0.00 | 199.91 |
| COMMISSION /DEBIT | 76.38 | 122.77 | 234.74 | 433.89 |
| UTILITIES | 0.00 | 263.42 | 670.05 | 933.47 |
| MOVING EXPENSE | 0.00 | 155.58 | 0.00 | 155.58 |
| MILEAGE & PER DIEM | 1,713.13 | 1,891.75 | 0.00 | 3,604.88 |
| TOTAL DIRECT EXPENSES | 2,813.77 | 3,705.52 | 1,937.29 | 8,456.58 |
| TOTAL USE OF FUNDS | 5,421.86 | 13,354.80 | 1,937.29 | 20,713.95 |
| CASH INCREASE(DECREASE) | 18,076.19 | (10,462.88) | 204.00 | 7,817.31 |
| CASH BALANCE AT INCEPTION | 105.39 | | | 105.39 |
| CASH BALANCE 8/31/96 | 18,181.58 | 18,181.58 | | |
| CASH BALANCE 9/30/96 | | 7,718.70 | 7,718.70 | |
| CASH BALANCE 10/31/96 | | | 7,922.70 | 7,922.70 |
| CASH INCREASE(DECREASE) | 18,076.19 | (10,462.88) | 204.00 | 7,817.31 |

| | |
|---|---|
| PRIORITY EXPENSES INCURRED AND UNPAID | |
| CLAIMS PAYABLE | 13,850.00 |
| CASH SURRENDERS | 2,493.48 |
| CONTRACT LABOR-HOME OFFICE | 280.00 |
| RECEIVERSHIP EXPENSES @10/31/96 | 3,713.29 |
| INSURANCE DEPT EXPENSES @9/30/96 | 1,846.08 |
| TOTAL PRIORITY INCURRED & UNPAID | 22,172.85 |
| ESTIMATED REQUIRED CASH TO 12/31/96 | 7,500.00 |
| LESS CASH AVAILABLE | (7,922.70) |
| PROJECTED CASH SHORTAGE | 21,750.15 |

FILED IN OPEN COURT ON THIS THE 1st DAY OF November, 1996
Thomas A. Woodall
THOMAS A. WOODALL, JUDGE

G:\123R23\ACCT\CASH FLOW\ATLIC10.WK1

IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA

| | | |
|---|---|---|
| STATE OF ALABAMA, EX REL. MICHAEL DEBELLIS, as Commissioner of Insurance, and NELSON BURNETT, as Chief of the Insurance Department's Receivership Division, | ) | |
| Plaintiffs, | ) | CIVIL ACTION NO. CV9604767 |
| v. | ) | FILED IN OFFICE |
| AMERICAN TRUST LIFE INSURANCE COMPANY, | ) | AUG 9 1996 |
| Defendant. | ) | POLLY CONRADI Clerk |

**CONSENT ORDER OF REHABILITATION, PRELIMINARY INJUNCTION, APPOINTMENT OF RECEIVER, AND OTHER RELIEF**

This cause was submitted to the Court upon the duly verified application of the Plaintiffs for a temporary restraining order or a preliminary injunction, appointment of a Receiver and other appropriate relief as prayed for in the sworn Complaint filed in this matter.

On August 9, 1996, the parties entered into a Stipulation for the entry of a Consent Order wherein American Trust Life Insurance Company (ATLIC) agreed to the entry of a Consent Order of Rehabilitation, Permanent Injunction, and Other Relief without further delay and waived its right to a formal hearing on this issue.

ATLIC having conceded and consented to the entry of a final order in this matter granting Plaintiffs' full and complete relief as requested in their sworn petition, this Court finds and orders that:

1. The petition for injunctive and other relief is filed in conformity with the applicable provisions of Title 27, *Code of Alabama 1975*, and the Alabama Rules of Civil Procedure.

2. A show cause order, as requested by the Plaintiffs, is hereby granted. ATLIC stipulated to the entry of a consent order of receivership without further delay and waived a formal hearing on this issue, therefore, a show cause hearing is not necessary, and a final order of rehabilitation is due to be immediately rendered. Any statutory references as to the date of the issuance of a show cause order shall mean the date of this final order.

3. Defendant ATLIC is a mutual aid association domiciled in the state of Alabama. This Court has jurisdiction over the parties and of the subject matter of this proceeding and finds that ATLIC is insolvent in the approximate amount of $370,626. An exact insolvency amount shall be determined at a later date when further information concerning ATLIC's financial condition is received, developed and analyzed by the Receiver.

4. Plaintiffs Michael DeBellis and Nelson Burnett have demonstrated to the Court's satisfaction that a permanent injunction and other relief requested in Plaintiff's Bill of Complaint (as given below) should be granted immediately because there is a real and present danger Defendant ATLIC will suffer immediate and irreparable harm as described in Plaintiffs' Complaint should such relief not be granted. This harm includes the further erosion of ATLIC's financial condition, attachment or garnishment of all or substantially all of ATLIC's assets by a few creditors fortunate enough to know the whereabouts of ATLIC's assets, and increasing exposure to ATLIC, its policyholders and creditors due to said insurer's inability to pay claims and confront and resolve its insolvent condition.

5. In accordance with Sections 27-32-5, 27-44-18 and other pertinent sections of Title 27, *Code of Alabama 1975*, Defendant ATLIC, its agents, servants, employees and all officers and directors thereof, all persons in active concert or participation with Defendant ATLIC, and all persons and other legal entities, be and the same are hereby restrained and enjoined until further order of the Court from:

A. Transacting any further business of Defendant ATLIC of whatever kind and nature except as hereinafter provided in further orders of this Court.

B. Exercising any direction, control or influence whatsoever over said business of Defendant ATLIC and its subsidiaries or their assets pending further order of this Court.

C. Interfering in any shape, form or fashion, either directly or indirectly with the Receiver's operation of this receivership or in his possession or control of or in his title, right and interest to the property, books, records and all other assets of Defendant ATLIC as authorized by this or further order of this Court.

D. Commencing or further prosecuting any action in law or equity or administrative proceedings except in this Court; obtaining any preferences, judgment, attachments, or other liens against any of the property, personal or real of Defendant ATLIC; commencing or continuing any action in the nature of an attachment, garnishment or execution against any of the property, personal or real, of ATLIC, making any levy, garnishment or execution of any of the property, personal or real, or ATLIC or its subsidiary or its assets or any part thereof except in this Court.

E. Disposing of, removing, transferring, assigning or concealing the property or assets of Defendant ATLIC, including money, accounts receivable, stocks, bonds, notes, funds, premiums,

or any other property, whether real, personal or mixed, or doing or permitting to be done any action which might waste the assets of Defendant ATLIC.

F. Returning any unearned premiums or any money in their possession collected as premiums for enrollment contributions to policyholders (subscribers). Further, all persons are directed to turn over all funds of ATLIC in their possession, now or hereinafter acquired, to Nelson Burnett, as Receiver of Defendant ATLIC, who shall keep and maintain accurate reports of the receipt of any such funds and report same to the Court.

G. Asserting any claim against the Alabama Insurance Commissioner, the Receiver of Defendant ATLIC, or their agents and employees except insofar as such claims arise in the receivership proceedings of ATLIC presently before this Court.

H. The aforementioned injunctive relief is viewed as being reasonable and necessary to provide for an orderly receivership proceeding. Without such an orderly receivership proceeding, the policyholders and creditors of ATLIC have less of an opportunity to recover any monies due them from ATLIC. Because this Court finds that the aforementioned injunctive relief is so vital to an orderly receivership proceeding, this Court will not recognize any lien, sale, assignment, transfer, hypothecation, security interest, judgment, order, attachment, garnishment or legal process of any kind or nature with respect to, touching or pertaining to or affecting ATLIC or its assets or the Receiver of ATLIC or his agents. No such legal process shall be effective or enforceable unless entered in this Court in accordance with the injunctive relief granted by this and other orders of this Court.

6. Nelson Burnett, as Chief of the Receivership Division of the Alabama Department of Insurance, and his successors in office, under the provisions of Section 27-2-53 and Chapter 32 of

Title 27, *Code of Alabama 1975*, be and is hereby appointed Receiver of all property, business, assets (general or other), affairs and estate of said Defendant ATLIC, and is directed to take immediate possession, custody and control of said property, both real and personal, wherever subsequently found or located, including but not limited to the home office and other business premises and all rights of action, as well as the books, papers, documents of any kind and nature, evidence of debt and all other property and assets of every kind whatsoever belonging to ATLIC, including but not limited to, all real estate, stocks, bonds, checking and bank accounts, debentures, mortgages, fixtures, furniture, certificates of deposit, receivables, office supplies and rights of action of any kind.

7. Nelson Burnett, as permanent Receiver of Defendant ATLIC, in accordance with Section 27-32-11, et al., *Code of Alabama 1975*, shall continue to operate the business of Defendant ATLIC with the purpose of rehabilitating, conserving and preserving said company under the present and further order and direction of the Court; that Nelson Burnett, as Receiver of ATLIC, shall proceed to collect any and all debts due said company and he shall recommend to the Court such action which would remove the causes and conditions which have made receivership necessary, if such course of action is feasible.

8. Nelson Burnett, as permanent Receiver of Defendant ATLIC, shall have authority to negotiate sales of property, blocks of insurance business or other assets of Defendant ATLIC when necessary or desirable, but if he shall receive an offer for same, before making a private or public sale, Nelson Burnett, as Receiver, shall report the terms of such offer to the Court for such action or approval as the Court may deem proper.

9. Nelson Burnett, as permanent Receiver of Defendant ATLIC, is authorized and directed to hire legal, clerical, managerial and other employees necessary to carry on the business of Defendant ATLIC and the Receiver is also authorized to rent or lease office facilities and to pay reasonable and necessary expenses and salaries incidental thereto.

10. Nelson Burnett, as permanent Receiver of ATLIC, is hereby vested with all of the duties, rights, powers, obligations, immunities and authority placed upon the Commissioner of Insurance by Section 27-32-15 and other pertinent sections of the Alabama Insurance Code, now or hereinafter amended, as provided under the provisions of Sections 27-2-55, et al., *Code of Alabama 1975*.

11. The expenses of this receivership, including the administrative costs of the receiver, as well as any other costs relative to this proceeding, shall be paid from the assets of ATLIC, as approved by this Court.

12. In accordance with Sections 27-2-51, 27-32-5(c) and 27-32-15(d), *Code of Alabama 1975*, neither the Insurance Commissioner nor the Receiver is required at this time to post a bond in connection with these receivership proceedings.

13. Nelson Burnett, as permanent Receiver of ATLIC, be and is hereby authorized to apply to the Court for further instructions in the discharge of his duties as Receiver.

14. The Court reserves jurisdiction of this cause for such other orders on the premises and matters pertaining to this particular order or this cause in general as it may find necessary, appropriate or desirable to make from time to time and reserves jurisdiction generally of this cause.

15. The Clerk of the Court is directed to effect personal service of this Order upon all parties in this cause.

DONE and ORDERED at Birmingham, Alabama, on this 9th day of August, 1996 at 1:30 ~~A.M.~~/P.M.

Thomas A. Woodall
CIRCUIT JUDGE

COUNSEL OF RECORD FOR PLAINTIFFS:

Michael A. Bownes, Esquire
Ralph R. Norman, III, Esquire
Alabama Insurance Department
135 South Union Street
Post Office Box 303351
Montgomery, Alabama 36130-3351
Telephone: (334) 241-4116
Facsimile: (334) 241-4192

DEFENDANT MAY BE SERVED AT:

John R. Hilliard, President
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

| State of Alabama Unified Judicial System<br>Form C-34 Rev 6/88 | **SUMMONS**<br>**- CIVIL -** | Case Number<br>CV9604767 TAW |
|---|---|---|

IN THE Circuit COURT OF Jefferson COUNTY

**Plaintiff** State of Alabama **v. Defendant** American Trust Life Ins. Co.

**NOTICE TO** American Trust Life Ins. Co., c/o John R. Hilliard, President
1614 Third Avenue North, Birmingham, AL 35203

THE COMPLAINT WHICH IS ATTACHED TO THIS SUMMONS IS IMPORTANT AND YOU MUST TAKE IMMEDIATE ACTION TO PROTECT YOUR RIGHTS. YOU OR YOUR ATTORNEY ARE REQUIRED TO FILE THE ORIGINAL OF YOUR WRITTEN ANSWER, EITHER ADMITTING OR DENYING EACH ALLEGATION IN THE COMPLAINT WITH THE CLERK OF THIS COURT. A COPY OF YOUR ANSWER MUST BE MAILED OR HAND DELIVERED BY YOU OR YOUR ATTORNEY TO THE PLAINTIFF OR PLAINTIFF'S ATTORNEY Michael A. Bownes and Ralph R. Norman, III WHOSE ADDRESS IS Alabama Department of Insurance, P.O. Box 303351, Montgomery, AL 36130-3351

THIS ANSWER MUST BE MAILED OR DELIVERED WITHIN 30 DAYS AFTER THIS SUMMONS AND COMPLAINT WERE DELIVERED TO YOU OR A JUDGMENT BY DEFAULT MAY BE ENTERED AGAINST YOU FOR THE MONEY OR OTHER THINGS DEMANDED IN THE COMPLAINT.

FILED IN OFFICE
AUG 9 1996
POLLY CONRAD
Clerk

TO ANY SHERIFF OR ANY PERSON AUTHORIZED by the Alabama Rules of Civil Procedure:

☒ You are hereby commanded to serve this summons and a copy of the complaint in this action upon the defendant.

☐ Service by certified mail of this summons is initiated upon the written request of _____ pursuant to the Alabama Rules of Civil Procedure.

Date AUG 09 1996 Polly Conrad Clerk/Register By: _____

☐ Certified Mail is hereby requested.

_____
Plaintiff's/Attorney's Signature

RETURN ON SERVICE:

☐ Return receipt of certified mail received in this office on _____ (Date)

☐ I certify that I personally delivered a copy of the Summons and Complaint to _____ in _____ County, Alabama on _____ (Date)

_____ Date

_____ Server's Signature

_____ Address of Server

_____ Type of Process Server

IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA

| | | |
|---|---|---|
| STATE OF ALABAMA, EX REL MICHAEL DEBELLIS, as Commissioner of Insurance, and NELSON BURNETT, as Chief of the Insurance Department's Receivership Division, | ) | |
| Plaintiffs, | ) | CIVIL ACTION NO. CV9604767 |
| v. | ) | |
| AMERICAN TRUST LIFE INSURANCE COMPANY, | ) | |
| Defendant. | ) | |

FILED IN OFFICE
AUG 9 1996
POLLY CONRAD
Clerk

**PETITION FOR ORDER TO SHOW CAUSE, FOR TEMPORARY RESTRAINING ORDER OR INJUNCTION, APPOINTMENT OF RECEIVER, AND OTHER RELIEF**

Now come the Plaintiffs, Michael DeBellis, as Commissioner of Insurance for the State of Alabama, and Nelson Burnett, as Chief of the Insurance Department's Receivership Division, and respectfully shows the Court the following:

**PARTIES**

1. Plaintiff DeBellis is over the age of 19 years, is a resident of the State of Alabama, and serves as Commissioner of Insurance for the State of Alabama.

2. Plaintiff Burnett is over the age of 19 years, is a resident of the State of Alabama, and serves as Chief of the Receivership Division of the Alabama Department of Insurance.

3. Defendant American Trust Life Insurance Company (hereinafter "ATLIC") is a mutual aid association incorporated in the State of Alabama with its principal place of business in

Birmingham, Jefferson County, Alabama. ATLIC is licensed by the Commissioner of Insurance for the purpose of transacting business in this state as a mutual aid association pursuant to Sections 27-30-1, et seq., *Code of Alabama 1975*.

**JURISDICTION**

4. Plaintiff DeBellis, as Alabama Commissioner of Insurance, is charged by law (Sections 27-2-7, et al., *Code of Alabama 1975*) to enforce the provisions of and execute the duties imposed by the Alabama Insurance Code (Title 27, *Code of Alabama 1975*). (All Code sections hereinafter cited refer to said Code.) Included among these obligations and duties is the initiation of appropriate Delinquency Proceedings against any insurer for the purpose of liquidating, rehabilitating, reorganizing or conserving such insurer when the proper grounds for such action exist (Sections 27-32-1, et seq.).

5. Plaintiff Burnett, as Chief of the Receivership Division, is charged by law to be appointed Receiver of any insurer placed into receivership in accordance with the insurance laws of this state (Sections 27-2-53, et seq.).

6. This action is brought before this Court pursuant to Sections 27-30-33(16), 27-32-1, et seq., and 27-2-53, to secure an Order which will: (1) temporarily and eventually permanently appoint Plaintiff Burnett, as Chief of the Insurance Department's Receivership Division, Receiver of ATLIC; (2) authorize Plaintiff Burnett to attempt to rehabilitate, reorganize and conserve its assets (general and otherwise) and protect its policyholders, stockholders and creditors; (3) temporarily and eventually permanently restrain ATLIC, the directors of ATLIC, that company's stockholders, members, subscribers, agents, employees, all other persons in active concert or

participation with those mentioned above, and all other persons and other legal entities, from the further transaction of ATLIC's business or the waste, disposal, seizure or attachment of its property or that of its subsidiaries, or from any interference with the Insurance Department in the operation of ATLIC in receivership; (4) continue the operation of said company under the Insurance Department's direct control in a manner subject to the approval of this Court; and (5) authorize Plaintiff Burnett or his agents to take steps as the Court may direct toward removal (if possible) of the causes and conditions which have made rehabilitation, reorganization and conservation of ATLIC necessary.

7. This Court has original jurisdiction of delinquency proceedings pursuant to Section 27-32-3(a).

**FACTUAL AND LEGAL ALLEGATIONS**

8. Plaintiff DeBellis, through his financial examiners, has conducted an examination of the affairs and financial condition of ATLIC as of December 31, 1994. According to said examination, which was completed on August 11, 1995, ATLIC is impaired and insolvent. (See Examination Report attached hereto as Exhibit A.) Impairment and insolvency are grounds for rehabilitation or liquidation of domestic insurers pursuant to Sections 27-32(6)(1) and 27-32-7.

9. On or about the 20th day of February, 1996, Plaintiff DeBellis issued a "Notice of Impairment" to ATLIC in accordance with Section 27-27-41. (Copy attached as Exhibit B.) ATLIC has failed to make good the impairment within 60 days of said notice.

10. On or about the 20th day of February, 1996, Plaintiff DeBellis issued notice to ATLIC of his intent to suspend ATLIC's certificate of authority in this state. The grounds for this action

were that ATLIC "is in unsound condition or is in such condition or is using such methods and practices in the conduct of its business as to render its further transaction of insurance in this sate hazardous to its members, policyholders, dependents, beneficiaries or to the public" and that ATLIC "has been unable to provide a plan whereby the deficiencies will be corrected so as to result in a viable solution to the unsound financial condition." The facts supporting these grounds are set forth in the Report of Examination. This notice was amended on or about February 29, 1996. On or about the 4th day of April, 1996, Plaintiff DeBellis issued an order suspending the certificate of authority of ATLIC. (Copies attached as Exhibits C, D and E, respectively.)

11. Although ATLIC has stopped selling new insurance policies, it has hundreds of policyholders who are in danger due to the impaired and insolvent condition of the company as well as its hazardous operations.

12. Plaintiffs allege that several meetings have been held with representatives of the Insurance Department and ATLIC concerning steps to be taken by ATLIC to resolve the company's financial impairment.

13. Plaintiffs allege that on July 29, 1996, representatives of the Alabama Insurance Department met with a representative of ATLIC by telephone conference, at which time the serious nature of the company's impairment situation was again discussed and it was agreed by the parties that a financial examiner from the Insurance Department would return to ATLIC on August 6, 1996, for the purpose of reviewing any and all transactions made since the last examination which could have improved the impairment.

14. Plaintiffs allege that pursuant to Section 27-32-1(1) a domestic insurer is impaired when its liabilities and capital stock exceed its assets and the insurer shall be deemed to be

insolvent and that pursuant to Section 27-32-6(1) insolvency is, in and of itself, sufficient reason to place such an insurer into rehabilitation proceedings.

15. Plaintiffs allege that based on the examination, ATLIC is insolvent by at least $370,626. An exact insolvency amount shall be determined at a later date.

16. Plaintiffs allege that ATLIC does not have the financial ability, and has developed no viable alternatives, to cure the impairment noted above.

17. Plaintiffs allege that due to the adverse financial condition of ATLIC and the possibility that its remaining assets could be seized by a small number of creditors and/or claimants to the detriment and exclusion of all of ATLIC's policyholders and the majority of its creditors, further attempts to cure the impairment noted above without an Order of Rehabilitation would be vain and useless.

18. Plaintiffs allege that unless a Receiver is appointed by this Court to take immediate possession and control of ATLIC's assets and operations, there is a strong possibility that immediate and irreparable injury will occur to ATLIC, its policyholders and creditors as a result of, among other things, the seizure of ATLIC's assets.

19. On or about August 8th, 1996, the Board of Directors of ATLIC held a specially called meeting and did adopt a resolution consenting to the entry by this Court of a final order of rehabilitation and for a permanent injunction and authorized ATLIC's president to enter into a stipulation for the entry of a Consent Order in accordance therewith. A copy of said resolution is attached hereto as Exhibit F.

**PRAYER FOR RELIEF**

WHEREFORE PREMISES CONSIDERED, Plaintiffs pray as follows:

A. That this Court immediately issue a Temporary Restraining Order or a Preliminary Injunction (to be made permanent) restraining Defendant, the directors, stockholders, members, subscribers, agents and employees of ATLIC, and all other persons in active concert or participation with those involved herein, and any other individuals or legal entities, from the further transactions of ATLIC's business, or the waste, disposal, attachment or seizure of its assets (general and otherwise) until further Order of this Court, pursuant to Section 27-32-5.

B. That this Court temporarily, and eventually permanently, appoint Plaintiff Burnett, as Chief of the Receivership Division, under the provisions of Sections 27-2-53, et seq., Receiver of ATLIC and direct Plaintiff Burnett to forthwith take possession of the assets of ATLIC and its subsidiaries and administer the same under the Orders of this Court for the purpose of attempting to rehabilitate, reorganize and conserve the assets of ATLIC, all in accordance with Sections 27-32-1, et seq.

C. That this Court, pursuant to Section 27-32-4 and other pertinent sections of Chapter 32, Title 27, issue an Order directing Defendant ATLIC to appear on a date certain to be fixed by the Court and then and there to show cause why a preliminary or permanent injunction should not be issued restraining ATLIC, its directors, stockholders, members, subscribers, agents and employees of ATLIC, all persons in active concert or participation of those mentioned herein, and all other individuals or legal entities, from the further transactions of ATLIC's business or the waste, disposal, seizure or attachment of its assets (general and otherwise) until the further Order of this Court.

D. That this Court require ATLIC to pay the costs of this action and any further proceedings related to a receivership, including reasonable attorney's fees, and costs and expenses involved therein.

E. That this Court issue a temporary restraining order or a preliminary and eventually permanent injunction restraining all persons and other legal entities, except the Plaintiffs, from the making of claims or the commencement of or further prosecution of any actions in law or equity or administrative proceedings except in this Court; the obtaining of any preferences, judgment, attachments, or other liens against any of the property, personal or real, of ATLIC or its subsidiaries, commencing or continuing any action in the nature of an attachment, garnishment or execution against any of the property, personal or real, of ATLIC, or its subsidiaries, the making of any levy, garnishment, or execution against any of the property, personal or real, ATLIC, its subsidiaries, or their assets.

F. That this Court award such additional relief as may seem just and equitable to the Court under the above-mentioned circumstances and retain jurisdiction of this matter to supervise any Orders of the Court.

STATE OF ALABAMA )
)
MONTGOMERY COUNTY )

The undersigned hereby swear and affirm that the allegations made in this Complaint are true and correct to the best of our knowledge and belief. We also aver, swear and affirm that the exhibits attached to and incorporated into this Complaint are true and correct copies of those public documents on file in the office of the Insurance Department.

MICHAEL DEBELLIS, as Commissioner of Insurance, Plaintiff

NELSON BURNETT, as Chief of Receivership Division, Alabama Insurance Department, Plaintiff

Sworn to and subscribed before me this 9th day of August, 1996.

(SEAL)

NOTARY PUBLIC
My commission expires: 6-10-98

OF COUNSEL FOR PLAINTIFFS:

MICHAEL A. BOWNES
General Counsel

RALPH R. NORMAN, III
Associate Counsel

Alabama Insurance Department
135 South Union Street
Post Office Box 303351
Montgomery, Alabama 36130-3351
Telephone: (334) 241-4116
Facsimile: (334) 241-4192

DEFENDANT MAY BE SERVED AT:

John R. Hilliard, President
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

In accordance with Rule 65 (C) A.R.C.P., the Insurance Department chooses not to post bond in this matter.

EXHIBIT A

STATE OF ALABAMA

DEPARTMENT OF INSURANCE

MONTGOMERY, ALABAMA

# REPORT ON EXAMINATION

of

# *AMERICAN TRUST LIFE INSURANCE COMPANY*

BIRMINGHAM, ALABAMA

as of

DECEMBER 31, 1994

STATE OF ALABAMA

COUNTY OF JEFFERSON

Greg Taylor, AFE, being first duly sworn, upon his oath deposes and says:

THAT he is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

THAT an examination was made of the affairs and financial conditions of American Trust Life Insurance Company, for the period from January 01, 1991 through December 31, 1994;

THAT the following _35__ pages constitute the report thereon to the Commissioner of Insurance of the State of Alabama; and

THAT the statements, exhibits, and data therein contained are true and correct to the best of his knowledge and belief.

Greg Taylor

Greg Taylor, AFE, Examiner-in-Charge

Subscribed and sworn to before the undersigned authority this _11th day of August, 1995.

Elvira Willoughby

(Signature of Notary Public)

Elvira Willoughby Notary Public
(Print Name)

in and for the State of Alabama

My commission expires 11-18-95

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STATE OF ALABAMA
DEPARTMENT OF INSURANCE
135 SOUTH UNION STREET
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
Telephone: (334) 269-3550
Facsimile: (334) 269-6570

FOB JAMES, JR.
GOVERNOR

MICHAEL DEBELLIS
COMMISSIONER

DEPUTY COMMISSIONER
DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
JOHN S. ROBISON

GENERAL COUNSEL
MICHAEL A. BOWNES

LICENSING MANAGER
LINDA PUGH

Birmingham, Alabama
August 11, 1995

Honorable Michael DeBellis
Commissioner of Insurance
State of Alabama
135 South Union Street
Montgomery, Alabama 36130-3351

Dear Commissioner:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and financial condition of

AMERICAN TRUST LIFE INSURANCE COMPANY

at its Home Office located at 1614 3rd Avenue North, Birmingham, Alabama 35203, as of December 31, 1994. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate American Trust Life Insurance Company.

SCOPE OF EXAMINATION

The Company was last examined for the three year period ended December 31, 1990, by an examiner representing the State of Alabama. The current examination covers the intervening period from the date of the last examination through December 31, 1994. Where deemed appropriate, transactions subsequent to 1994 were reviewed.

The Company was examined in accordance with the statutory requirements of the Alabama Insurance Code, the Alabama Insurance Department's regulations and bulletins; in accordance with the applicable procedures and applicable guidelines promulgated by the National Association of Insurance Commissioners (NAIC); and in accordance with generally accepted examination standards.

The examination included a general review of the Company's operations, administrative practices and compliance with statutes and regulations. Corporate records were inspected. Income and disbursement items for selected periods were tested. Assets were verified and valued and all known liabilities were established or estimated as of December 31, 1994, as shown in the financial statements contained herein. However, the discussion of assets and liabilities contained in this report was confined to those items to which a material change was made, or which indicated a violation of the Alabama Insurance Code, or for which comments and/or recommendations were deemed appropriate.

A market conduct examination was conducted concurrently with this examination. The market conduct examination consisted of a

review of the Company's plan of operation, territory, policy forms and underwriting practices, advertising, compliance with agents' licensing requirements, and treatment of policyholders and claimants.

A letter of representation was presented to the Company at the beginning of this examination. In this certificate, management should attest to having valid title to all reported assets and to the non-existence of unrecorded liabilities as of December 31, 1994. At the conclusion of this examination, the letter of representation had not been completed and returned to the examiners.

ORGANIZATION AND HISTORY

The Company was incorporated in Jefferson County, under the laws of the State of Alabama, in 1935 as the Jordan Mutual Aid Association.

The Company's charter originally provided for capital of $5,000, divided into 500 shares of $10 par value common stock. There have been subsequent amendments to the charter in order to increase the amount of capital to $50,000, divided into 5,000 shares of $10 par value common stock.

On September 30, 1977, Hilliard and Company, Inc., purchased 2,493 shares of the then outstanding 2500 shares of common stock of the Company. Concurrently, the name of the Company was change to "American Trust Life Insurance Company, Inc."

The Company merged with Lincoln Industrial Insurance Company, per a court order dated December 14, 1981. The Company

was the survivor.

In 1982, Hilliard and Company, Inc., acquired 100% ownership of the Company by purchasing the remaining seven shares of common stock from the Alabama Department of Revenue, under the provisions of the Uniform Disposition of Unclaimed Property Act. Subsequent amendments to the Company's charter increased the number of outstanding shares to 5,000 with a $10 par value as of the date of this examination.

## HOLDING COMPANY AND AFFILIATE MATTERS

### Holding Company Registration

The Company is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act as defined in Section 27-29-1, Code of Alabama 1975. In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

The Form B filings, which are required under the Holding Company Act, were made for 1991 and 1994. For the other years under examination, 1992 and 1993, no Form B filings were made.

Form B filings are required to be filed annually in accordance with Section 27-29-4, Code of Alabama 1975. Furthermore, Alabama Insurance Department Regulation 55, requires that an amendment to Form B should be filed within fifteen days after the end of any month in which there is a material change to information provided in the annual registration statement.

### Management and Service Agreements

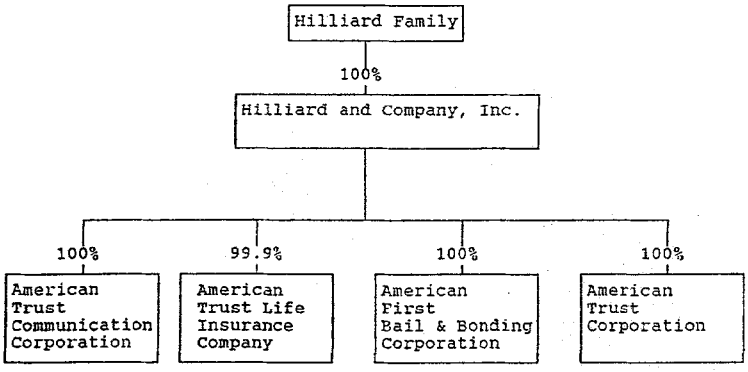
The Company had no written management or service agreements

at December 31, 1994. The day-to-day administrative duties were performed by persons working for affiliated companies.

Organizational Chart

The following chart presents the identities of and interrelationships among all affiliated persons within the Insurance Holding Company System as of December 31, 1994:

ORGANIZATION CHART




CORPORATE RECORDS

The Company's Certificate of Incorporation and By-Laws were inspected during the course of the examination and appeared to provide for operation of the Company in accordance with usual corporate practice and applicable statutes and regulations.

Minutes of the meetings of the Stockholders and the Board of

Directors were reviewed. The minutes appeared to be complete with respect to recording actions taken on matters before the respective bodies for deliberation and action.

## MANAGEMENT AND CONTROL

### Stockholders

The Company is a stock corporation with ultimate control vested in its stockholder(s). At December 31, 1994, Hilliard and Company, Inc., appeared to own 99.9% of the outstanding common stock of the Company. Each director of the Company appeared to own one share of common stock in accordance with Section 27-30-30(a), Code of Alabama 1975. The examiners could not verify that each director owned one share of common stock at December 31, 1994, because the Company not supply its stock ledger to the examiners. In the minutes of Company board meetings, it appears that the Company is issuing one share of stock to its board members in accordance with the aforementioned section of the Alabama Insurance Code.

### Board of Directors

The management and conduct of the business and affairs of the Company is vested in a Board of Directors consisting of no fewer than seven and no more than fifteen members. The directors shall be elected by a majority vote at the annual meeting of the stockholders. The following individuals were serving as directors at December 31, 1994:

| Director/Residence | Occupation |
|---|---|
| John Randall Hilliard<br>Birmingham, Alabama | Alabama State Representative |
| Rita Gail Hilliard<br>Birmingham, Alabama | City Of Birmingham Magistrate |
| Carol Jean Hilliard<br>Birmingham, Alabama | Assistant Coordinator, Alabama Community Assistance |
| Mary Franklin Hilliard<br>Birmingham, Alabama | Housewife |
| Earl Frederick Hilliard<br>Birmingham, Alabama | United States Congressman |
| Elvira Willoughby<br>Birmingham, Alabama | District Director, US House of Representatives |
| Frederick Earl Hilliard<br>Birmingham, Alabama | Stock Clerk, Sears |

Executive Committee

The By-Laws of the Company provide that the Board of Directors may appoint an executive committee consisting of three or more directors which shall include the Chairman of the Board and the President. There was no evidence that an executive committee had been elected during the period covered by this examination.

Officers

Officers of the Company, elected by the Board of Directors and serving at December 31, 1994, were as follows:

| Officer | Position |
|---|---|
| John Randall Hilliard | President |
| Frederick Earl Hilliard | Vice President |
| Elizabeth Redmond | Secretary |
| Elvira Willoughby | Treasurer |

Conflict of Interest

The Board of Directors approved and adopted a formal policy statement on business ethics and conflicts of interest. Said statement required that all directors, officers and employees

report annually, on a form approved by the Board of Directors, any conflicts between the Company's interest and the interest of its directors, officers and employees.

A review of signed conflict of interest statements indicated the Company was in compliance with the Alabama Insurance Code in regards to having directors, officers, and responsible employees complete annual statements which disclose any apparent conflicts of interest between the Company's interest and the interests of said individuals. No conflicts were disclosed during the period covered by this examination.

Dividends to Stockholders

The Company did not declare nor pay any dividends during the period covered by this examination.

## FIDELITY BONDS AND OTHER INSURANCE

At December 31, 1994, the Company did not have fidelity bond coverage. Per NAIC guidelines, the Company should maintain fidelity bond coverage of at least $25,000. It was recommended in the previous examination that the Company maintain fidelity bond insurance.

The Company maintained property insurance on its investment real estate in the following amounts:

| Property | Address | Amount |
|---|---|---|
| Office building | 3005 Fairwest Place | $250,000 |
| Apartment building | 1013 13th Street | $185,000 |
| House | 1811 Avenue C | $ -0- |

## EMPLOYEE AND AGENT WELFARE

The Company did not have any employees at December 31, 1994.

The day-to-day administrative duties were performed by persons working for affiliated companies. There were no written management or service agreements in affect between the Company and any of its affiliates at December 31, 1994.

The Company's agents received commission only.

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

The Company's agent operations were conducted under the supervision of the Company's Secretary. All policies were sold on a monthly debit basis through the Company's agents.

At December 31, 1994, there were approximately nine agents licensed to solicit business for the Company.

The Company's claims office was located at its home office in Birmingham, Alabama.

### Policy Forms and Underwriting

During the period covered by this examination, the Company issued only one policy form.

A) Monthly Debit Ordinary Policy - provided 3, 5, 10, or 20 year pay life plans with contract denominations of between $500 and $2,500.

### Advertising

The Company had no formal advertising program as of December 31, 1994.

### Compliance with Agents' Licensing Requirements

A representative sample of commissions to agents, paid by the Company during the examination period, was checked against a listing of agents licensed to write for the Company during the

same time period. All commission payments sampled were found to be paid to properly licensed persons.

Policyholders' Complaints

The complaints against the Company appear to be minimal, with any complaint handled in a timely manner. Two complaints were filed with the Alabama Insurance Department during the period covered by this examination and were handled in a timely manner by the Company.

Treatment of Policyholders and Claimants

During the course of the examination, a selected number of policy and claim files were reviewed. Said claims were handled promptly and in accordance with contract provisions. It appears the Company treated policyholders and claimants in a fair manner.

TERRITORY

The Company was authorized to transact business in the State of Alabama only during the period covered by this examination.

STATUTORY DEPOSITS

The following schedule reflects the deposits held by the State of Alabama at December 31, 1994, for the protection of all policyholders:

| Certificates of Deposit | Amount |
|---|---|
| Citizens Federal Savings Bank, Birmingham, AL | $ 1,000 |
| Citizens Federal Savings Bank Birmingham, AL | 21,000 |
| Total | $22,000 |

Confirmation was received directly from the State of Alabama

with no exceptions noted.

FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

| Year | Net Premiums Written | Admitted Assets | Liabilities | Capital and Surplus |
|---|---|---|---|---|
| 1990 | $30,494 | $263,699 | $359,882 | $ (96,183) |
| 1991 | 31,814 | 579,180 | 351,508 | 227,672 |
| 1992 | 26,978 | 537,553 | 353,054 | 184,499 |
| 1993 | 21,306 | 974,607 | 352,045 | 622,562 |
| 1994 | 15,808 | 32,218 | 352,844 | (320,626) |

Amounts reported for the years 1990 and 1994 are per examination; amounts for the remaining years were taken from the Company's Annual Statements.

REINSURANCE

The Company did not cede nor assume any reinsurance during the period covered by this examination.

ACCOUNTS AND RECORDS

The principal accounting records are maintained manually. The Company retained an outside bookkeeper for the purposes of creating the quarterly statements and preparing the Annual Statement. The Company did not maintain detailed Annual Statement workpapers; therefore, the examiners spent an inordinate amount of time trying to reconcile the Company's Annual Statement with the amounts listed in the Company's real estate and mortgage loan files, along with various other records. The Company could not produce detailed workpapers for real estate or mortgage loans which totaled to the Annual Statement amounts.

The Company does not maintain a general ledger but does maintain cash receipts and disbursements journals.

A number of errors where found in the Company's filed 1994 Annual Statement, which was incomplete with regard to various schedules and exhibits. Listed below are some areas where errors and/or omissions occurred in the Company's 1994 Annual Statement:

1. Schedule A - Real Estate
2. Schedule B - Mortgage Loans
3. Schedule E - Cash
4. Schedule T - Premiums and Annuity Considerations
5. Schedule Y - Transactions with Affiliates
6. Exhibit 2 - Net Investment Income
7. Exhibit 5 - General Expenses
8. Exhibit 13 - Assets

The Company records were not kept in conformity with accepted industry practices or NAIC guidelines. The four Annual Statements applicable to the examination period were not completed accurately nor in their entirety. This is the third consecutive examination which has noted this deficiency.

It was noted by the examiners that the Company either over reported or under reported several financial statement items that were deemed immaterial for the purposes of this examination and therefore, no notes to the financial statements were deemed necessary. Listed below are some areas where errors and/or omissions occurred in the Company's 1994 financial statements:

| | Per A/S | Per Exam | Difference |
|---|---|---|---|
| ASSETS: | | | |
| Investment Income | $9,640 | $2,312 | $(7,328) |
| Receivable from parent, subsidiaries and affiliates | -0- | 6,000 | 6,000 |
| LIABILITIES: | | | |
| General Expenses | -0- | 3,000 | 3,000 |
| TOTAL | $9,640 | $5,312 | $(4,328) |

FINANCIAL STATEMENTS INDEX

The financial statements included in this report were prepared on the basis of the Company's records, and the findings made during the course of the examination for the year ended December 31, 1994. Amounts shown in the comparative statements for years 1991, 1992 and 1993 were taken from office copies of filed Annual Statements. The statements are presented in the following order: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| Statement of Income | 15 |
| Reconciliation of Capital and Surplus Account | 15 |


THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

## STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS

For the year ended December 31, 1994

| Assets | Ledger Assets | Non-Ledger Assets | Assets Not Admitted | Net Admitted Assets |
|---|---|---|---|---|
| Mortgage loans on real estate(Note 1) | $422,571 | | $422,571 | $ -0- |
| Investment real estate (Note 2) | 498,709 | | 498,709 | -0- |
| Collateral loans (Note 3) | -0- | | | -0- |
| Cash on hand and on deposit (Note 4) | 22,578 | | | 22,578 |
| Investment income due and accrued | 9,640 | | | 9,640 |
| Furniture and equipment | 3,837 | | 3,837 | xxx |
| Aggregate write-ins for other than invested assets | 1,660 | | 1,660 | xxx |
| Total assets | $958,995 | $-0- | $926,777 | $ 32,218 |

| Liabilities | | |
|---|---|---|
| Aggregate reserve for life policies and contracts (Note 5) | | $ 351,500 |
| Policy and contract claims - Life (Note 5) | | 722 |
| Premium and annuity considerations received in advance | | 536 |
| Amounts held for agents' account | | 86 |
| Total liabilities | | $ 352,844 |
| Surplus and Other Funds | | |
| Common capital stock (Note 6) | $ 50,000 | |
| Unassigned funds (surplus) (Note 7) | (370,626) | |
| Surplus as regards policyholders | | $(320,626) |
| Total Liabilities, Surplus and Other Funds | | $ 32,218 |

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

## SUMMARY OF OPERATIONS
For the years ended December 31,

| | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|
| **Income:** | | | | |
| Premium and annuity considerations | $ 31,816 | $ 26,978 | $ 21,306 | $ 15,808 |
| Net investment income | 817 | (2,840) | (3,149) | 2,596 |
| Aggregate write-ins for miscellaneous income | 123 | 21 | -0- | -0- |
| Total Income | $ 32,756 | $ 24,159 | $ 18,157 | $ 18,404 |
| **Deductions:** | | | | |
| Death benefits | $ 11,665 | $ 15,446 | $ 11,729 | $ 21,042 |
| Surrender benefits and other fund withdrawals | 2,533 | 3,659 | 8,494 | 3,209 |
| Increase in aggregate reserve for life & accident & health policies | 9,906 | 5,798 | -0- | -0- |
| Commissions on premium and annuity considerations | 5,187 | 4,530 | 5,134 | 3,928 |
| General insurance expenses | 64,086 | 39,061 | 24,275 | 5,031 |
| Insurance taxes, licenses and fees | 2,347 | 4,171 | 728 | 666 |
| Total Deductions | $ 95,724 | $ 72,665 | $ 50,360 | $ 33,876 |
| Net gain from operations after dividends to policyholders and federal income taxes | (62,968) | (48,506) | (32,203) | (15,472) |
| Net Income | $(62,968) | $(48,506) | $(32,203) | $(15,472) |

## RECONCILIATION OF CAPITAL AND SURPLUS
For the years ended December 31,

| | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|
| Capital and surplus, December 31, previous year | $(96,183) | $227,672 | $184,499 | $ 622,562 |
| Net Income | (62,968) | (48,506) | (32,203) | (15,472) |
| Change in net unrealized capital gains or (losses) | 359,272 | -0- | 215,458 | -0- |
| Change in non-admitted assets | -0- | -0- | -0- | (921,280) |
| Change in reserve on account of change in valuation basis | -0- | -0- | 1,646 | -0- |
| Capital changes, paid in | -0- | 2,260 | 185,678 | (2,260) |
| Capital changes, transferred to surplus | -0- | -0- | -0- | 2,260 |
| Surplus adjustment, paid in | 27,551 | 3,073 | 67,484 | (6,436) |
| Net change in capital and surplus for the year | $323,855 | $(43,173) | $438,063 | $(943,188) |
| Capital and surplus, December 31, | $227,672 | $184,499 | $622,562 | $(320,626) |

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS AND EXHIBITS

Note 1 - Mortgage loans on real estate $-0-

The above asset is $422,571 less than the amount reported by the Company in its 1994 Annual Statement.

It was noted that the Company could not reconcile its mortgage loan ledger amount to the Annual Statement amount of $422,571. The amount the examiners could determine per mortgage loan ledger, at December 31, 1994, was $434,033. The mortgage loan ledger was $11,462 more than the amount that was reported in the Company's 1994 Annual Statement. The difference was deemed not relevant since either of the aforementioned amounts would be non-admitted by the examiners for the following reasons:

The mortgage held by the Company on its home office building, located at 1614 3rd Avenue, North, Birmingham, was not admitted by the examiners. The last appraisal on the home office building was August 25, 1991, and was done with improvements included in the value. The Company did not supply any requested documentation to verify that the renovations had been started and/or completed.

The Company seems to hold a third mortgage on the home office building. It appears that a William Parker held a first mortgage on the home office building at December 31, 1994. Mr. Parker issued a mortgage to Earl F. Hilliard, as recorded in Real 2971, Page 224, and it appears that Southtrust Bank holds a second mortgage issued to Earl F. Hilliard, recorded in Real 3171, Page 292.

The Company did not have a title policy on the home office building, paid property tax receipts, nor did it have any evidence of current property insurance coverage on the building.

The African American Institute (AAI) was the mortgagor on the home office building and was an affiliate of the Company at the time the mortgage was issued. AAI paid the Company $3,000 per month in mortgage payments. The Company, in turn, rented space from AAI for $1,500 a month. A commerical lease was in effect at December 31, 1994, between AAI and the Company.

It appears that the cost of the home office property to the Company, as recorded in a deed filed on November 18, 1987, between Earl F. Hilliard and American Trust Life Insurance Company, is $500. Section 27-37-9, Code of Alabama 1975, states in pertinent part that:

> "Purchase money mortgages on real property shall be valued in an amount not exceeding the acquisition cost of real property covered thereby or the unpaid balance of the debt secured by such mortgage, whichever is less."

Under said section of the Alabama Insurance Code, it appears that the most the Company could admit this mortgage for is its acquisition cost, or $500.

The Company held a mortgage for $5,778, on a house located at 3508 Avenue B, Birmingham, as reported in the mortgage loan ledger at December 31, 1994. The Company could not provide the examiners with an appraisal on the property, proof of property insurance coverage nor any proof that property tax payments on the house were current.

The Company held a mortgage for $4,717, on a house located at 1833 15th Street, South, Birmingham, as reported in the mortgage loan ledger at December 31, 1994. The Company did not provide the examiners with an appraisal on the property or a title policy on the property.

The Company held a mortgage on a house located at 1612 20th Street, Birmingham, for $12,648 as reported in the mortgage loan ledger at December 31, 1994. No appraisal or title policy on this property was provided to the examiners.

The Company held a mortgage for $15,204, on a house located at 2322 11th Place, North, Birmingham, as reported in the mortgage loan ledger at December 31, 1994. The Company had an appraisal on this property, dated June 19, 1991, for $15,000. The Company could not provide a title policy, and proof that property tax payments or property insurance coverage were current on this property. It appears that this mortgage was reissued in May of 1994, in favor of American First Bail Bonding Corporation, an affiliated company.

The Company held a mortgage for $15,742, on a house located at 1215 15th Street, Birmingham, as reported in the mortgage loan ledger at December 31, 1994. The Company did not provide the examiners with an appraisal on the property. The Company did have a title policy on the property dated December 1, 1980, for $1,500, and did have evidence of current property insurance on the house.

The Company held a mortgage for $2,200, on vacant lots

located on Victory Lane, Mobile, as reported in the Company's mortgage loan ledger at December 31, 1994. An appraisal for $8,400, on said lots, was dated February 15, 1984. The Company did have a current property tax receipt which valued the property at $1,320.

The Company held a mortgage for $7,145, on a house located at 4304 10th Avenue, North, Birmingham, as reported in the mortgage loan ledger at December 31, 1994. The Company did not provide the examiners with an appraisal on the property, evidence that property tax payments on the house were current nor current property insurance coverage on this house. Furthermore, there no payment has been made on this mortgage since October 15, 1993.

All of the mortgages discussed above could not be valued by the examiners due to the lack of current appraisals and/or current title opinions and/or current property tax receipts at December 31, 1994.

The Company is subject to Section 27-41-37(b), Code of Alabama 1975, which states, in pertinent part:

> "The moneys derived by such corporations from payment of subscriptions to its capital stock, (contributed surplus for mutual) may be invested in bonds of the United States or of this state or of the cities or counties of this state, estimated at their market value, or in notes or mortgages secured by real estate collateral worth twice the amount of said mortgages or notes."

Note 2 - Investment Real Estate $-0-

The above asset is $498,709 less than the amount reported by the Company in its 1994 Annual Statement.

It was noted that the Company could not reconcile the amount

in its investment real estate files to the Annual Statement amount of $498,709. The amount the examiners could determine per real estate files, at December 31, 1994, was $488,235. The real estate files were $10,474 less than the amount that was reported in the Company's 1994 Annual Statement. The difference was deemed not relevant since either of the aforementioned amounts would be non-admitted by the examiners for the following reasons:

The value of the apartment building, located at 1013 13th Street North, Birmingham, owned by the Company at December 31, 1994, could not be determined by the examiners. The Company did not have an appraisal nor did it have a title policy on the property. The apartment building appeared to be purchased by Eric Major on October 5, 1992, for $65,000, comprised of $6,500 cash and a mortgage note to the seller for $58,500. On September 29, 1993, Eric Major exchanged the apartment building for property owned by the Company. The Company determined the value of the apartment building at that time to be $285,000, of which approximately $57,000 was a mortgage note assumed by the Company. The deed for the sale to the Company was dated December 31, 1993.

The Company could not provide paid property tax receipts on the apartment building.

The apartment building's value was also not admitted by the examiners in accordance with Alabama Department of Insurance Regulation 18. Regulation 18 states, in pertinent part, as follows:

> "(2) In the case of investment real estate, the allowable market value shall not exceed that amount which is necessary

> to produce at a rate of 6% per year the net investment income (which is gross income, less upkeep, repairs, taxes and deprecation) reported and received on that property."

According to the Company's cash receipts and disbursements journals, the Company received $4,757 in income and disbursed $11,266 in expenses on the apartment building in 1994. Therefore, in accordance with Regulation 18, the allowable market value of the apartment building should be $-0- at the examination date.

The value of the office building, located at 3005 Fairwest Place in Montgomery, and owned by the Company at December 31, 1994, could not be determined by the examiners. The examiners requested an updated appraisal in accordance with Section 27-37-7(b), Code of Alabama 1975. No response was received from the Company before the completion of this examination. The Company's title policy on the office building was made on October 10, 1992, for $50,000, and disclosed a mortgage in favor of Southtrust Bank. The mortgage was executed by Montgomery West Communications Foundation, Incorporated, dated June 6, 1991, and recorded June 11, 1991, for a original principle amount of $53,650.

The office building value was also not admitted by the examiners in accordance with the following section of Alabama Department of Insurance Regulation 18.

> "(2) In the case of investment real estate, the allowable market value shall not exceed that amount which is necessary to produce at a rate of 6% per year the net investment income (which is gross income, less upkeep, repairs, taxes and deprecation) reported and received on that property."

According to the Company's cash receipts and disbursements journals, the Company received $7,310 in income on this property during 1994. The examiners could not verify any cash disbursements in 1994 on the office building, except mortgage loan payments made to Southtrust Bank which totaled $15,000 during 1994. At a rate of 6%, the most the Company could admit as an asset at December 31, 1994, would be approximately $122,000. The investment income amount of $7,310 should be reduced by upkeep, repairs, taxes and deprecation, in accordance with Regulation 18, which in turn would lower the $122,000 amount calculated by the examiners.

Paid property tax receipts on the office building were not provided by the Company.

The value of a house, located at 1811 Avenue C in Birmingham, and owned by the Company at December 31, 1994, could not be determined by the examiners. The Company could not produce an appraisal on the property, and it appears the Company foreclosed on the property in 1984.

Furthermore, the Company did not have any proof of property insurance coverage on the house nor was there any proof that property taxes had been paid on the real estate. The house's value, therefore, has been determine to be $-0-, at December 31, 1994.

The examiners requested an updated appraisals on all real estate owned by the Company, in accordance with Section 27-37-7(b), Code of Alabama 1975. No response was received from the

Company before the completion of this examination.

Note 3 - Collateral loans $ -0-

The Company did not report any amount under this caption at December 31, 1994.

It was noted that Exhibit 2 - Net Investment Income of the 1994 Annual Statement reported $3,922 in income collected during the year on collateral loans. Column 5 of that exhibit noted a non-admitted amount of $8,556. Collateral loans were not reported on the balance sheet during the examination period.

In 1993, Exhibit 13 reported ledger assets of $91,389 and assets not admitted in the same amount. A hand written notation on the Company's file copy of this exhibit stated "remove from ledger 9/94." Exhibit 2 reported income collection and the non-admittance of $4,634 in 1993.

No documentation was available for review on the captioned item.

Note 4 - Cash on hand and on deposit $22,578

The captioned amount is the same as was reported by the Company in its 1994 Annual Statement.

It was noted that $22,000 of the referenced amount was held by the State of Alabama as the Company's statutory deposit. The remaining $578 was the balance of a checking account at AmSouth Bank, Birmingham, Alabama.

In 1991, 1993, and 1994, Schedule E - Cash of the Annual Statement was not completed accurately nor in its entirety per NAIC instructions thereto.

The previous examination report noted that the Company had purchased a $120,000 Certificate of Deposit (CD) from AmSouth Bank in June of 1988. That examiner was not able to verify the disposition of said CD, and recommended that the Company provide a written explanation and substantial proof of the same to the Alabama Department of Insurance. This issue was never addressed by the Company. During the course of this examination, another request was made to the Company to provide this information. The examiners received no response.

A review of the cash receipts and disbursement journals was conducted. It was noted that the Company received periodic interest payments from Secor/First Alabama (FAB), and AmSouth banks during the examination period. Support documentation was not made available to the examiners. The disbursements journal recorded CD purchases from AmSouth Bank on January 28, 1993, February 21, 1994, and March 9, 1994, in the amounts of $1,000, $1,400, and $3,000, respectively. The existence of these CDs, and the item(s) producing income from several banks, could not be verified. Said investments were not included in the Company's cash inventory at December 31, 1994.

Between March 1991, and January 1994, the Company received approximately $21,800 from "stock purchases." The monies originated from the parent, Hilliard & Company, Inc., affiliated companies, and Mr. Earl F. Hilliard, a director of the Company. No information was reported on Schedule Y, Part 2 - Summary of Insurer's Transactions with Any Affiliates. The examiners were

unable to determine the source of the stock for sale. Documentation was requested on these stock sales. No response was received from the Company as of the examination date.

The cash receipts and disbursement journals recorded numerous entries for loans to and/or from the parent, affiliated companies and Mr. Hilliard. The examiners requested files and substantiating documentation on all of the loans made during the examination period. At the conclusion of the examination, no information had been made available for review. It appears that the Company may be in violation of Sections 27-27-26 and 27-27-40, Code of Alabama 1975, referencing pecuniary interests of officers and employees, and written agreements for business loans.

| | |
|---|---|
| Note 5 - Aggregate reserve for life policies and contracts | $351,500 |
| Policy and contract claims - Life | $772 |

The above liability is the same amount as reported by the Company in its 1994 Annual Statement.

Due to the problems encountered in the valuation of the Company's assets, it is the Department's position that an actuary will not be used to verify Company reserves at the time of this report. An actuary will be used to verify reserves when the Company has provided evidence and documentation of the valuation of its investment real estate and mortgage loans.

| | |
|---|---|
| Note 6 - Common Capital Stock | $50,000 |

The above captioned amount is $2,260 less than the amount reported by the Company in its 1994 Annual Statement.

In the 1992 Annual Statement, the capital amount was increased by $2,260, and was carried forward in the Company's Annual Statements for 1993 and 1994. The examiners could find no evidence in the Company's minutes or stock ledger to support the increase. Therefore, the $2,260 was removed from the Company's capital account and placed back into unassigned surplus.

| | |
|---|---|
| Note 7 - Unassigned Funds (surplus) | $(370,626) |

The above captioned amount is $919,020 less than the amount reported by the Company in its 1994 Annual Statement.

The following schedule presents a reconciliation of the unassigned funds reported by the Company with that developed by this examination:

| | | |
|---|---|---|
| Unassigned funds per 1994 Annual Statement | | $ 548,394 |
| Examination changes: | | |
| Mortgage loans on real estate (Note 1) | $(422,571) | |
| Investment real estate (Note 2) | (498,709) | |
| Common capital stock (Note 6) | 2,260 | |
| Net decrease per examination | | (919,020) |
| Unassigned funds per Examination | | $(370,626) |

CONTINGENT LIABILITIES AND PENDING LITIGATION

The examiners could not determine if the Company had any contingent liabilities in regards to pending litigation. The examiners requested a letter from the Company's attorney about pending litigation against the Company. No response was received during the course of the examination. The examiners also requested the Company President and Treasurer sign a letter of representation in accordance with NAIC procedures. The letter

was not received prior to the conclusion of the examination.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had not satisfactorily complied with all of the prior recommendations. These items are discussed below.

Management and Control

The previous two examination reports recommended that the Company comply with Section 27-27-30, Code of Alabama 1975, which requires all of a company's directors be stockholders. The minutes from the Board of Directors meetings indicated that all members of the Board had been voted one share of stock each; however, the Company could not produce a stock register which issued said shares to the directors. It was also noted that the Notes to Financial Statements section of the 1994 Annual Statement reported that "All outstanding shares of American Trust Life Insurance Company, Incorporated are owned by Hilliard & Company, Incorporated."

Holding Company

The previous examination report recommended that the Company file amendments to its Form B Registration Statement in accordance with Section 27-29-4, Code of Alabama 1975. The Company did not file annual updates in 1992 and 1993.

Fidelity Bond

The previous examination recommended that the Company

maintain fidelity bond coverage in accordance with NAIC guidelines. The Company did not obtain fidelity bond insurance during the examination period.

Accounts and Records

The previous examination recommended that the Company maintain its records in conformity with accepted industry standards, NAIC guidelines and Section 27-30-21, Code of Alabama 1975. The Company did not maintain its records in conformity with the above mention standards.

Mortgage loans on real estate

The previous examination recommended that the Company have proof of hazard insurance on each mortgage loan. The Company did not maintain proof of hazard insurance on all of its mortgage loans.

Investment real estate

The previous examination recommended that the Company depreciate its investment real estate in accordance with the NAIC publication Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies. Although the Company responded that a depreciation schedule had been set up consistent with said manual, the examiners were not provided with same.

The previous examination recommended that the Company keep its real estate file up to date and in the Home Office. The files were not so maintained during the period of examination; however, it appears that the existing documentation was maintained in the Home Office.

Cash on hand and on deposit

The Company did not address the examiner's recommendation to provide a written explanation and substantial proof of the same to the Alabama Department of Insurance as to the disposition of the $120,000 certificate of deposit.

Investment income due and accrued

The previous report recommended that the Company only accrue amounts receivable which are evidenced by a lease or other verifiable source. Neither leases nor substantiating documentation was provided to the examiners for review.

Receivable from parent, subsidiaries and affiliates

The previous examination recommended that Hilliard and Company, Inc., return $6,000, which appeared to be a dividend payment, to the Company and send verification of same to the Alabama Department of Insurance. The Company responded that the $6,000 had been repaid, and that an affidavit from Jewel Clark was attached. The Alabama Department did not receive an affidavit. The examiners requested a copy of that affidavit; it was not provided.

In addition, the examiner recommended that the $105,000 payment to Hilliard and Company, Inc., for Home Office improvements be refunded back to the Company until said improvements were finished. The Company did not provide evidence that either the $105,000 had been repaid, or the improvements had been completed.

COMMENTS AND RECOMMENDATIONS

Scope of Examination - Page 2

It is recommended that the Company complete the letter of representation in accordance with NAIC guidelines.

Holding Company Registration - Page 4

It is recommended that the Company file Form B registration statements for 1992 and 1993.

It is recommended that the Company comply with all the requirements of Section 27-29-4, Code of Alabama 1975, and all the requirements of Alabama Department of Insurance Regulation 55.

Management and Service Agreements - Page 4

It is recommended that the Company implement a written management or service agreement with its affiliates that meets the requirements of Section 27-29-5, Code of Alabama 1975.

Stockholders - Page 6

It is recommended that the Company supply evidence, pertaining to the issuance of stock to Company directors, that it is in compliance with Section 27-30-30(a), Code of Alabama 1975.

Fidelity Bond and Other Insurance - Page 8

It is recommended that the Company maintain fidelity bond insurance in accordance with NAIC guidelines.

It is recommended that the Company maintain property insurance on all of its investment real estate.

Accounts and Records - Page 11

It is recommended that the Company maintain its records in

accordance with Section 27-30-21, Code of Alabama 1975.

It is recommended that the Company complete its Annual Statement in conformity with the Annual Statement Instructions.

Mortgage Loans on Real Estate - Page 16

It is recommended that the Company non-admit all mortgage loans until current appraisals are done in accordance with Section 27-37-7(b), Code of Alabama 1975, and the appraisals meet all the requirements of Alabama Department of Insurance Regulation 59.

It is recommended that the Company have proof of current hazard insurance on each mortgage loan in order to protect its interest in the property.

It is recommended that the Company have proof of current property tax payments on each mortgage loan in order to protect its interest in the property.

It is recommended that the Company value purchase money mortgages in accordance with Section 27-37-9, Code of Alabama 1975.

Investment Real Estate - Page 19

It is recommended that the Company non-admit investment real estate until current appraisals are done in accordance with Section 27-37-7(b), Code of Alabama 1975, and the appraisals meet all the requirements of Alabama Department of Insurance Regulation 59.

It is recommended that the Company keep paid property tax receipts available for examination on all investment real estate.

It is recommended that the Company have and maintain property insurance in effect on all investment real estate to protect its interest in the property.

It is recommended that the Company depreciate its investment real estate in accordance with the NAIC Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies manual.

Collateral Loans - Page 23

It is recommended that the Company provide documentation evidencing the status of collateral loans which generated the $3,922 amount reported in Exhibit 2 - Net Investment Income of the Company's 1994 Annual Statement.

It is also recommended that the Company provide information relevant to the disposition of the $91,389 amount reported and non-admitted under this caption in 1993.

Cash on Hand and on Deposit - Page 23

It is recommended that Annual Statement Schedule E - Cash be completed accurately and in its entirety per NAIC instructions thereto.

The previous examination report recommended that the Company provide the Alabama Insurance Department with a written explanation and substantial proof of the disposition of the $120,0000 Certificate of Deposit which had been purchased in 1988. It is recommended that the Company address this issue and provide the requested information.

It is recommended that the Company provide support

documentation to evidence the disposition of the various Certificates of Deposit purchased during the examination period.

It is recommended that the Company provide a written explanation for the receipt of approximately $21,800 which was derived from the sale of "stock." Furnished information should include the source of the assets sold. Because such funds were received from the parent and affiliated companies, the transactions should have been recorded on Schedule Y, Part 2 - Summary of Insurer's Transactions with Any Affiliates of the Annual Statement. It is recommended, therefore, that said schedule be completed appropriately per NAIC instructions.

Compliance With Previous Recommendations - Page 27

It is recommended that the Company comply with all previous examination recommendations.

Compliance with Alabama Department of Insurance Regulation 60

It is recommended that the Company complete and file future annual and quarterly statements in accordance with the last filed report of examination pursuant to Alabama Department of Insurance Regulation 60.

## CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers and the people affiliated with American Trust Life Insurance Company during the course of this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Anne Ward, an examiner representing the Alabama Insurance Department, participated in this examination.

Respectfully submitted,

Greg Taylor

Greg Taylor, AFE
Examiner-in-Charge
Alabama Insurance Department

EXHIBIT B

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
135 SOUTH UNION STREET
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
Telephone: (334) 269-3550
Facsimile: (334) 241-4192

FOB JAMES, JR.
GOVERNOR

MICHAEL DeBELLIS
COMMISSIONER

DEPUTY COMMISSIONER
DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
JOHN S. ROBISON

GENERAL COUNSEL
MICHAEL A. BOWNES

LICENSING MANAGER
LINDA PUGH

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

| | | |
|---|---|---|
| IN THE MATTER OF: | ) | |
| | ) | CASE NO. C-96- 44 N |
| AMERICAN TRUST LIFE INSURANCE | ) | |
| COMPANY | ) | |

NOTICE OF IMPAIRMENT

Pursuant to Section 27-27-41, *Code of Alabama 1975*, notice is hereby given that the examiners of the Alabama Insurance Department have found American Trust Life Insurance Company to be insolvent as of December 31, 1994, by a capital impairment in the amount of $370,626.

It was further determined by said examiners that said company has, during the period covered by the examination, policies issued and in force providing benefits with a maximum aggregate benefit of $2,500, such that pursuant to Sections 27-30-15 and 27-30-5, *Code of Alabama 1975*, said company must have and maintain unimpaired surplus funds, representing the excess of its admitted assets over all its required reserves and incurred liabilities, of not less than $75,000.

American Trust Life Insurance Company is hereby given notice to make good the impairment of $370,626 and further that it increase its surplus to not less than $75,000 within sixty (60) days after service of this notice.

In the event the above described deficiencies are not made good and proof thereof filed with the Commissioner of Insurance within such sixty (60) day period, American Trust Life Insurance Company shall be deemed insolvent and delinquency proceedings shall be instituted under Chapter 32 of the Alabama Insurance Code, and/or other legal remedies deemed appropriate under the circumstances.

DONE and ORDERED this 20th day of February, 1996.

MICHAEL DEBELLIS
COMMISSIONER OF INSURANCE

MD/RN/bc

COPY OF NOTICE FURNISHED TO:

Mr. John Randall Hilliard, President
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

EXHIBIT C

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
135 SOUTH UNION STREET
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
Telephone: (334) 269-3550
Facsimile: (334) 241-4192

FOB JAMES, JR.
GOVERNOR

MICHAEL DeBELLIS
COMMISSIONER

DEPUTY COMMISSIONER
DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
JOHN S. ROBISON

GENERAL COUNSEL
MICHAEL A. BOWNES

LICENSING MANAGER
LINDA PUGH

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

| | | |
|---|---|---|
| IN THE MATTER OF: | ) | |
| | ) | CASE NO. C-96- 45 N |
| AMERICAN TRUST LIFE INSURANCE | ) | |
| COMPANY | ) | |

NOTICE OF INTENT TO SUSPEND

Notice is hereby given, pursuant to Section 27-30-12, *Code of Alabama 1975*, of the undersigned's intention to suspend the certificate of authority of American Trust Life Insurance Company (American Trust), said Order to be effective February 20, 1996.

The grounds for said Order of Suspension are as follows:

1. American Trust is in unsound condition or is in such condition or is using such methods and practices in the conduct of its business as to render its further transaction of insurance in this state hazardous to its members, policyholders, dependents, beneficiaries or to the public.

2. American Trust has been unable to provide a plan whereby the deficiencies will be corrected so as to result in a viable solution to the unsound financial condition.

Facts in support of the above-stated grounds are contained in the Report of Examination of American Trust as of December 31, 1994, which said report is dated August 11, 1995.

GIVEN this 20th day of February, 1996.

Michael DeBellis
MICHAEL DEBELLIS
COMMISSIONER OF INSURANCE

MD/RN/bc

COPY OF NOTICE FURNISHED TO:

Mr. John Randall Hilliard, President
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

EXHIBIT D

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
135 SOUTH UNION STREET
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
Telephone: (334) 269-3550
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FOB JAMES, JR.
GOVERNOR

MICHAEL DEBELLIS
COMMISSIONER

DEPUTY COMMISSIONER
DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
JOHN S. ROBISON

GENERAL COUNSEL
MICHAEL A. BOWNES

LICENSING MANAGER
LINDA PUGH

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

| | | |
|---|---|---|
| IN THE MATTER OF: | ) | |
| | ) | CASE NO. C-96-45N |
| AMERICAN TRUST LIFE INSURANCE | ) | |
| COMPANY | ) | |

AMENDED NOTICE OF INTENT TO SUSPEND

Notice is hereby given, pursuant to Section 27-30-12, *Code of Alabama 1975*, of the undersigned's intention to suspend the certificate of authority of American Trust Life Insurance Company (American Trust), said Order to be effective March 20, 1996.

The grounds for said Order of Suspension are as follows:

1. American Trust is in unsound condition or is in such condition or is using such methods and practices in the conduct of its business as to render its further transaction of insurance in this state hazardous to its members, policyholders, dependents, beneficiaries or to the public.

2. American Trust has been unable to provide a plan whereby the deficiencies will be corrected so as to result in a viable solution to the unsound financial condition.

Facts in support of the above-stated grounds are contained in the Report of Examination of American Trust as of December 31, 1994, which said report is dated August 11, 1995.

GIVEN this 29th day of February, 1996.

Michael P. Bellis
MICHAEL DEBELLIS
COMMISSIONER OF INSURANCE

MD/RN/bc

NOTICE OF INTENT TC 'JSPEND
CASE NO. C-96-45N
PAGE 2

COPY OF NOTICE FURNISHED TO:

Mr. John Randall Hilliard, President
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

EXHIBIT E

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
135 SOUTH UNION STREET
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
Telephone: (334) 269-3550
Facsimile: (334) 241-4192

FOB JAMES, JR.
GOVERNOR

MICHAEL DeBELLIS
COMMISSIONER

DEPUTY COMMISSIONER
DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
JOHN S. ROBISON

GENERAL COUNSEL
MICHAEL A. BOWNES

LICENSING MANAGER
LINDA PUGH

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

| | | |
|---|---|---|
| IN THE MATTER OF: | ) | |
| | ) | CASE NO. C-96-45N |
| AMERICAN TRUST LIFE INSURANCE | ) | |
| COMPANY | ) | |

## ORDER OF SUSPENSION

American Trust Life Insurance Company (American Trust) is a mutual aid association holding a current certificate of authority in this state.

The Report of Examination of American Trust as of December 31, 1994, revealed that American Trust is in unsound condition or is in such condition or is using such methods and practices in the conduct of its business as to render its further transaction of insurance in this state hazardous to its members, policyholders, dependents, beneficiaries or to the public.

A Notice of Intent to Suspend was provided on February 20, 1996, which said was amended on February 29, 1996. American Trust has been unable to provide a plan whereby the deficiencies will be corrected so as to result in a viable solution to the unsound financial condition.

Therefore, it is hereby ORDERED, pursuant to Sections 27-30-11, 27-3-22 and 27-3-23, *Code of Alabama 1975*, as follows:

A. That the certificate of authority of American Trust is suspended as of the date of this Order.

B. That American Trust shall not solicit or write any new coverage in this state during the period of suspension.

C. That during the period of suspension, American Trust shall file its annual statement, pay fees, licenses and taxes as required under the law as if the certificate had continued in full force, and it shall service its outstanding policies and adjust losses thereunder.

D. That the licenses of all agents of American Trust are likewise suspended and canceled during the period of suspension. Said agents shall, pursuant to Section 27-8-19, promptly return said licenses to this Department for cancellation.

E. That notice of the suspension shall be given to all American Trust agents of record in this state.

F. That in the event American Trust's certificate of authority has not been reinstated within one (1) year from the date of this Order, by establishing that it is so qualified, and has not been otherwise terminated, notice is hereby given that said certificate shall automatically be revoked without further notice or action by this Department.

DONE and ORDERED, this 4th day of April, 1996.

Michael D. Debellis
MICHAEL DEBELLIS
COMMISSIONER OF INSURANCE

MD/RN/bc

cc: American Trust Life Insurance Company
All Alabama Agents of American Trust Life Insurance Company
Alabama Life and Disability Insurance Guaranty Association

IN THE CIR( :T COURT OF JEFFERSON COUNT' ALABAMA

| | | |
|---|---|---|
| STATE OF ALABAMA, EX REL MICHAEL DEBELLIS, as Commissioner of Insurance, and NELSON BURNETT, as Chief of the Insurance Department's Receivership Division, | ) | |
| Plaintiffs. | ) | CIVIL ACTION NO _____ |
| v. | ) | |
| AMERICAN TRUST LIFE INSURANCE COMPANY, | ) | |
| Defendant. | ) | |

**STIPULATION OF THE PARTIES FOR ENTRY OF CONSENT ORDER OF REHABILITATION, PERMANENT INJUNCTION AND OTHER RELIEF**

THIS STIPULATION, made and entered into this 9th day of August, 1996, by and between the State of Alabama, ex rel., Michael DeBellis, etc., Petitioners, by and through its attorney of record, Ralph R. Norman, III, and American Trust Life Insurance Company (ATLIC), by and through its President, John R. Hilliard.

WITNESSETH

WHEREAS, the Alabama Insurance Department intends to file a Petition for Temporary Restraining Order and Show Cause for Appointment of Receiver and Permanent Injunction against the Respondent ATLIC; and

WHEREAS, the Board of Directors of Respondent ATLIC did, at a specially called meeting on August 8, 1996, adopt a resolution consenting to the entry by this Court of a

final Order of Rehabilitation and for a permanent injunction and for the other relief requested in the Plaintiffs' petition; and

WHEREAS, the Parties hereto are desirous of entering into a Stipulation seeking the entry of a Consent Order without further delay.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES, it is hereby agreed and stipulated by and between the parties that this Court enter a Consent Order of Rehabilitation, Permanent Injunction, and Other Relief as requested by the Plaintiffs without further delay and do hereby waive a formal hearing on this issue.

IN WITNESS WHEREOF, the parties have hereunto set their hands, on the day and date first written above.

Ralph R. Norman, III
Attorney for the Plaintiffs

John R. Hilliard
President
American Trust Life Insurance Company

STATE OF ALABAMA )
)
JEFFERSON COUNTY )

I, Elvira Willoughby-Williams, hereby certify that I am the duly elected Secretary of the Board of Directors of American Trust Life Insurance Company. I further certify that upon due notice, a special meeting of the Board of Directors of American Trust Life Insurance Company was held on August 8th, 1996, and that the following is an excerpt from the minutes of that meeting:

> Earl F. Hilliard moved that American Trust Life Insurance Company proceed on a voluntary basis under an Order of Rehabilitation and Permanent Injunction in connection with a receivership action by the Alabama Department of Insurance against American Trust Life Insurance Company, and further that the President, John R. Hilliard, be authorized and empowered to enter into a stipulation for the entry of a Consent Order in accordance therewith.
>
> This motion was seconded by Carol Jean Allen, and was carried by a vote of 5 votes for the motion and 0 votes against the motion.

I hereby certify that the above is a true and correct copy and that no motion to the contrary has passed to date.

(CORPORATE SEAL)

Elvira Willoughby-Williams
Secretary

Sworn to and subscribed before me, this 8th day of August, 1996.

(NOTARY SEAL)

Notary Public
My Commission Expires: 9/22/98

# EXHIBIT 10

LIFE AND ACCIDENT AND HEALTH COMPANIES–ASSOCIATION EDITION

Affix bar code above

## QUARTERLY STATEMENT

AS OF MARCH 31, 1995

**OF THE CONDITION AND AFFAIRS OF THE**

AMERICAN TRUST LIFE INSURANCE COMPANY

NAIC Group Code 000-9883 NAIC Company Code 84891 Employer's ID Number 63-0114922

Organized under the Laws of the State of ALABAMA , using _____ as the Port of Entry, made to th

**INSURANCE DEPARTMENT OF THE STATE OF**

PURSUANT TO THE LAWS THEREOF

Incorporated January 7, 1932 Commenced Business January 7, 1932

Statutory Home Office 1614-3rd Avenue, North (Street and Number), Birmingham, AL. 35203 (City or Town, State and Zip Code)

Main Administrative Office 1614-3rd Avenue, North (Street and Number)

Birmingham, AL. 35203 (City or Town, State and Zip Code) (205) 324-7575 (Area Code) (Telephone Number)

Mail Address P.O. Box 11385 (Street and Number or P.O. Box), Birmingham, AL. 35202-1385 (City or Town, State and Zip Code)

Primary Location of Books and Records 1614-3rd Avenue, North (Street and Number)

Birmingham, AL. 35203 (City or Town, State and Zip Code) (205) 324-7575 (Area Code) (Telephone Number)

Quarterly Statement Contact Elizabeth Redmond (Name) (205) 324-7575 (Area Code) (Telephone Number) (Extension)

### OFFICERS

President John Randall Hilliard

Secretary Elizabeth Redmond

Treasurer Elvira Willoughby

Actuary John Ripandelli

Vice-Presidents: Frederick Earl Hilliard

### DIRECTORS OR TRUSTEES

| | | |
|---|---|---|
| John Randall Hilliard | Elvira Willoughby | |
| Rita Gail Hilliard | Frederick Earl Hilliard | |
| Carol Jean Hilliard | | |
| Mary Franklin Hilliard | | |
| Earl Frederick Hilliard | | |
| | | |

State of ALABAMA }
County of JEFFERSON } SS

John Randall Hilliard President, Elizabeth Redmond Secretary, Elvira Willoughby Treas of the AMERICAN TRUST LIFE INSURANCE , being duly sworn, each deposes and says that they are the above described officers and/or actuar the said insurer, and that on the 31st day of MARCH , 1995 , all of the herein described assets were the absolute property of the insurer, free and clear from any liens or claims thereon, except as herein stated, and that this statement is a full and true statement of all the assets and liabilities and of conditions and affairs of the said insurer as of the 31st day of MARCH , 1995 , and of its income and deductions therefrom for 3 months ended on that date, and have been completed in accordance with the NAIC annual statement instructions and accounting practices and procedures man except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, accor to the best of their information, knowledge and belief, respectively.

John Randall Hilliard President, Elizabeth Redmond Secretary, Elvira Willoughby Treas

Subscribed and sworn to before me this _____ day of _____

John Ripandelli
Actuary

Revised for 1995

# EXHIBIT 11

...T AND HEALTH COMPANIES–ASSO[redacted]

## ANNUAL STATEMENT

For the Year Ended December 31, 1994

Affix bar code above

OF THE CONDITION AND AFFAIRS OF THE

AIC Group Code 000-9883 NAIC Company Code 84891 Employer's ID Number 63-0114922

Organized under the Laws of the State of ALABAMA, using _____ as the Port of Entry, made to the

**INSURANCE COMMISSIONER OF THE STATE OF ALABAMA**

PURSUANT TO THE LAWS THEREOF

Incorporated January 7, 1932 Commenced Business January 7, 1932

Statutory Home Office 1614-3rd Avenue, North (Street and Number), Birmingham, AL. 35203 (City or Town, State and Zip Code)

Main Administrative Office 1614-3rd Avenue, North (Street and Number)

Birmingham, AL. 35203 (City or Town, State and Zip Code) (205) 324-7575 (Area Code) (Telephone Number) (Extension)

Mail Address P.O. Box 11385 (Street and Number or P.O. Box), Birmingham, AL. 35202-1385 (City or Town, State and Zip Code)

Primary Location of Books and Records 1614-3rd Avenue, North (Street and Number)

Birmingham, AL. 35203 (City or Town, State and Zip Code) (205) 324-7575 (Area Code) (Telephone Number)

Annual Statement Contact Elizabeth Redmond (Name) (205) 324-7575 (Area Code) (Telephone Number) (Extension)

### OFFICERS

President John Randall Hilliard

Secretary Elizabeth Redmond

Treasurer Elvira Willoughby

Actuary John Ripandelli

Vice-Presidents: Frederick Earl Hilliard

### DIRECTORS OR TRUSTEES

John Randall Hilliard
Kita Gail Hilliard
Carol Jean Hilliard
Mary Franklin Hilliard
Earl Frederick Hilliard
Elvira Willoughby
Frederick Earl Hilliard

State of ALABAMA
County of JEFFERSON } SS

John Randall Hilliard President, Elizabeth Redmond Secretary, Elvira Willoughby Treasurer of the AMERICAN TRUST LIFE INSURANCE CO. being duly sworn, each deposes and says that they are the above described officers of the said insurer, and that on the thirty-first day of December last, all of the herein described assets were the absolute property of the said insurer, free and clear from any liens or claims thereon, except as herein stated, and that this annual statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statement of all the assets and liabilities and of the condition and affairs of the said insurer as of the thirty-first day of December last, and of its income and deductions therefrom for the year ended on that date, and have been completed in accordance with the NAIC annual statement instructions and accounting practices and procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

President Secretary Treasurer

John Ripandelli
Actuary

[redacted]
P. O. BOX 11385
BIRMINGHAM, ALABAMA 35202

Subscribed and sworn to before me this
18th day of April 1995

a. Is this an original filing Yes [X] No [ ]

b. If No: 1. State the amendment number

2. Date filed

3. Number of pages attached

# EXHIBIT 12

E AND ACCIDENT AND HEALTH COMPANIES–ASSOCIATION EDITION Form 1

SAFE

# INNUAL STATEMENT

For the Year Ended December 31, 1993

THE CONDITION AND AFFAIRS OF THE

AMERICAN TRUST LIFE INSURANCE COMPANY

Affix bar code above

AIC Group Code 000-9883 NAIC Company Code 84891 Employer's ID Number 63-0114922

rganized under the Laws of the State of ALABAMA, made to the

**NSURANCE COMMISSIONER OF THE STATE OF ALABAMA**

PURSUANT TO THE LAWS THEREOF

ıcorporated January 7, 1932 Commenced Business January 7, 1932

latutory Home Office 1614-3rd Avenue North (Street and Number), Birmingham, AL 35203 (City or Town, State and Zip Code)

lain Administrative Office 1614-3rd Avenue North (Street and Number)

Birmingham, AL 35203 (City or Town, State and Zip Code) (205) (Area Code) 324-7575 (Telephone Number)

lail Address P.O. Box 11385 (Street and Number or P.O. Box), Birmingham, AL 35202-1385 (City or Town, State and Zip Code)

rimary Location of Books and Records 1614-3rd Avenue North (Street and Number)

Birmingham, Alabama 35203 (City or Town, State and Zip Code) (205) (Area code) 324-7575 (Telephone Number)

ınnual Statement Contact Person and Phone Number Earl Frederick Hilliard (205) 324-7575

## OFFICERS

'resident John randall Hilliard

ecretary Yolanda Bertrille Williams

reasurer Elvira Willoughby

ctuary John Rippendelli

Vice-Presidents: Earl Frederick Hilliard, Jr.

## DIRECTORS OR TRUSTEES

| | | |
|---|---|---|
| Earl Frederick Hilliard | Frederick Earl Hilliard | |
| Rita Gail Hilliard | Mary Franklin Hilliard | |
| John Randall Hilliard | | |
| Elvira Willoughby | | |
| Carol Jean Allen | | |

ate of ALABAMA
unty of JEFFERSON } ss

John Randall Hilliard President, Yolanda B. Williams Secretary, Elvira Willoughby Treasurer
the AMERICAN TRUST LIFE INSURANCE COMPANY, being duly sworn, deposes and says that they are the above described officers of the said
surer, and that on the the thirty-first day of December last, all of the herein described assets were the absolute property of the said insurer, free and clear from any liens or claims thereon, except as herein stated, and that
is annual statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to are a full and true statement of all the assets and liabilities and of the condition and affairs of the said
surer as of the thirty-first day of December last, and of its income and deductions therefrom for the year ended on that date, and have been completed in accordance with the NAIC annual statement instructions and accounting
actices and procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the
st of their information, knowledge and belief, respectively.

John R. Hilliard
President

Secretary

Elvira Willoughby
Treasurer

John Ripandelli
Actuary

Subscribed and sworn to before me this
28 day of February, 1994

(a) Is this an original filing? Yes [X] No [ ]

(b) If no: (i) state the amendment number .....

(ii) date filed .....

(iii) number of pages attached .....

# EXHIBIT 13


...ARD
ALABAMA

...AGRICULTURE
...N DEPARTMENT
...RD, NUTRITION,
...RM AGRICULTURE
...E ON LIVESTOCK, DAIRY,
AND POULTRY

...TEE ON SMALL BUSINESS
...COMMITTEE ON PROCUREMENT,
...TS, AND BUSINESS OPPORTUNITIES

Congress of the United States
House of Representatives
Washington, DC 20515–0107

1007 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2665

DISTRICT OFFICES:

THE PEANCK BUILDING
319 17TH STREET, NORTH
SUITE 204
BIRMINGHAM, AL 35203
(205) 328-2841

1118 GREENSBORO AVENUE
SUITE 204
TUSCALOOSA, AL 35401
(205) 752-3578

3800 NORMAN BRIDGE RD.
MONTGOMERY, AL 36105
(334) 281-0513

109 FEDERAL BUILDING
908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-2884


Date: Nov. 29, 1995

To: Liz Redmond

Phone:

Fax: (205) 324-7589

From: Phyllis

Number of pages, including this one: 2

Message: Liz,
The Congressman asked me to send this to you.
Phyllis


Phone: (202) 225-2665
Fax: (202) 226-0772


PRINTED ON RECYCLED PAPER

'95 16:02 1234 AMERICAN TRUST TEL 2053247569 P. 1

fig also do one for apts on 13th St. a/

THE JOHNSON REALTY CO., INC.

OWNER'S RENTAL INFORMATION AND AGREEMENT

Owner's Name American Trust CORPORATION SS# 63-___-____

Owner's Name_____ SS#____-___-____

Owner's Address P.O. Box 11385

(City) BHAM (State) Alabama (Zip Code) 35202

Owner's Telephone # 799-7352 Business # 324-7575

Rental Property Address 1614 3rd AVE NORTH

(City) BHAM (State) Alabama (Zip Code) 35203

Amount of Rent$_____ Amount of Deposit $ NONE

Will Our Company Be Responsible For Repairs? X Yes _____ No

If you would like your check mailed to a different address from the one given above, please fill out the following:

Mailing Address SAME AS ABOVE

(City)_____ (State)_____ (Zip Code)_____

OUR COMPANY WILL CHARGE 10% OF THE GROSS RENT AS MANAGEMENT FEE.

"The commissions payable for the sale, lease or management of property are not set by the Birmingham Association of Realtors but in all cases are negotiable between the Broker and the Client."

Beginning Date of Management NOVEMBER 15, 1995

SIGNATURE AMERICAN TRUST CORPORATION DATE_____

By SIGNATURE BY: JOHN Hilliard DATE 10/ /95

# EXHIBIT 14

4506 page 599

STATE OF ALA. JEFFERSON CO.
I CERTIFY THIS INSTRUMENT
WAS FILED ON
1993 MAR 23 PM 2:44
RECORDED & S. MTG. TAX & S.
SEED TAX HAS BEEN PD. ON THIS INSTRUMENT
JUDGE OF PROBATE

# 075254
Posted by: JC
Checked by: [illegible]

ARTICLES OF INCORPORATION

of

AFRICAN - AMERICAN INSTITUTE, INC.

For the purpose of forming a non-profit corporation under the laws of the State of Alabama, and any act amending, supplementing or substituting for the same laws, the undersigned do adopt this Certificate of Incorporation and upon due execution, acknowledgement, filing and recording hereof as providing by the law, shall constitute a body corporate.

ARTICLE I.

NAME

1.1 The name of the Corporation shall be AFRICAN-AMERICAN INSTITUTE, INC.

ARTICLE II.

PRINCIPAL OR REGISTERED OFFICE

2.1 The location of the principal or registered office of the Corporation in the State of Alabama shall be 1614 3rd Avenue North, Birmingham, Alabama 35203.

ARTICLE III.

3.1 The purpose and objects for which the corporation is formed are:

(a) to conduct any and all lawful business for which corporations may be organized under the Alabama Non-Profit Corporation Act and within the meaning of Section 501(c)3 of the Internal Revenue Code.

(b) to promote and encourage positive solutions to the issues and concerns of the African-American community; to identify, define, and develop solutions; to engage in research; be it educational, scientific, or cutural; and to otherwise deal in any and all matters of concern to the African-American community.

3.2 The objects and purposes specified in each subsection of Section 3.1 shall, unless otherwise expressly provided, be in no ways limited by reference to, or inference



RECEIVED
MAR 26 1993
SECRETARY

from, the terms of any other subjection of Section 3.1, each of the subsections being regarded as creating independent objects and purposes. All words, phrases, and clauses appearing in this Article III are used in their broadest sense and shall be so construed.

ARTICLE IV.

POWERS

4.1 The Corporation shall have the capacity to do all things to the same extent as a natural person might or could do in any part of the world, as principal, agents, contractors, or otherwise; within or outside the State of Alabama.

4.2 The Corporation shall have and may exercise the powers given corporations by the Non-Profit Corporation Act and by any other law of the State of Alabama as if such powers were set forth in full herein.

4.3 The objects and purposes set forth in Article III shall be construed as powers as well as objects and purposes, and the Corporation shall have and may exercise such powers as if such powers were set forth in full herein.

4.4 The Corporation shall have and may exercise all powers as shall enable it to do each and everything necessary, suitable, convenient, advisable, expedient or proper for the accomplishment of any or all purposes and the attainment of any or all of the objects set forth in Article III.

4.5 The Corporation shall have and may exercise all powers set forth in any other article of the certificate of incorporation, including, without limiting the generality of the foregoing, any and all powers set forth in Article III.

ARTICLE V

5.1 The name and post office address of the incorporator is as follows:

Cheryl Hilliard
1614 3rd Ave. North
Birmingham, AL 35203

ARTICLE VI

INITIAL DIRECTORS AND OFFICERS

6.1 The name and post office address of the initial directors and officers chosen until the first annual meeting of the Board of Directors or until their successors shall be elected and qualified are:

| DIRECTORS | POSITION | ADDRESSES |
|---|---|---|
| Cheryl Hilliard | Chairman of the Board | 1614 3rd Ave. North Birmingham, AL 35203 |
| Rita Hall | Vice Chairman of the Board | 1614 3rd Ave. North Birmingham, AL 35203 |
| Carol Allen | Secretary | 1614 3rd Ave. North Birmingham, AL 35203 |

| OFFICERS | POSITION | ADDRESSES |
|---|---|---|
| Cheryl Hilliard | Executive Director | 1614 3rd Ave. North Birmingham, AL 35203 |
| Carol Allen | Assistant Director | 1614 3rd Ave. North Birmingham, AL 35203 |
| Rita Hall | Secretary | 1614 3rd Ave. North Birmingham, AL 35203 |

ARTICLE VII.

REGISTERED AGENT FOR SERVICE

7.1 The name and post office address of the person designated by the incorporator to be the registered agent and registered office to receive the service of process is:

Cheryl Hilliard
1614 3rd Avenue North
Birmingham, AL 35203

ARTICLE VIII.

DURATION

8.1 The duration of the Corporation shall be perpetual.

I, THE UNDERSIGNED, being incorporator named, for the purpose of forming a non-profit corporation pursuant to the above referenced Act, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein are true, and accordingly have hereunto set my hand this 29 day of March, 1993.

Cheryl Hilliard
CHERYL HILLIARD (Seal)

STATE OF ALABAMA )
JEFFERSON COUNTY )

Before me, Lonna Clark, a notary public in and for said county, in said state personally appeared Cheryl Hilliard who is known to me, and who being first duly sworn according to law, deposes and says that she is the officer or agent designated and authorized by the incorporator of AFRICAN-AMERICAN INSTITUTE, INC., the non-profit corporation proposed to be incorporated under the laws of the State of Alabama.

Cheryl Hilliard
CHERYL HILLIARD

Sworn to and subscribed before me, this 23rd day of March, 1993.

Lonna Clark
NOTARY PUBLIC
My Commission Expires: 7/14/96

STATE OF ALABAMA
JEFFERSON COUNTY

I, THE UNDERSIGNED, AS JUDGE OF THE COURT OF PROBATE, IN AND FOR SAID COUNTY, IN SAID STATE, HEREBY CERTIFY THAT THE FOREGOING IS A FULL, TRUE AND CORRECT COPY OF THE INSTRUMENT WITH THE FILING OF SAME AS APPEARS OF RECORD IN THIS OFFICE IN VOL. 4006 RECORD OF _____ ON PAGE 579 . GIVEN UNDER MY HAND AND OFFICIAL SEAL, THIS THE 27th DAY OF March, 19 93 .

George A. Reynolds
JUDGE OF PROBATE

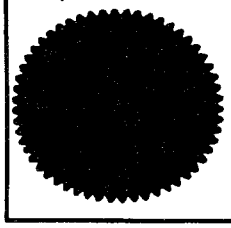
# State of Alabama
# Jefferson County

CERTIFICATE OF INCORPORATION
OF
AFRICAN-AMERICAN INSTITUTE, INC.

The undersigned, as Judge of Probate of Jefferson County, State of Alabama, hereby certifies that _____ Articles of INCORPORATION duly signed and verified pursuant to the provisions of Alabama NONPROFIT Corporation Act, have been received in this office and are found to conform to law.

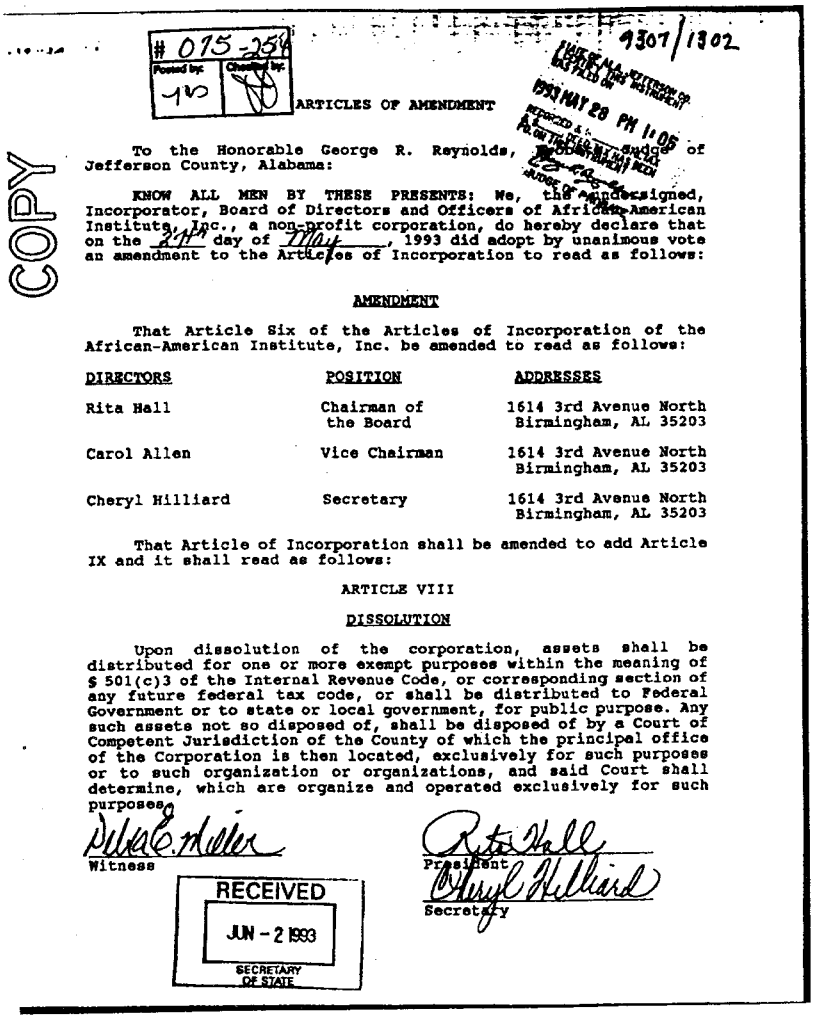
Accordingly the undersigned, as such Judge of Probate, and by virtue of the authority vested in him by law, hereby, issues this Certificate of INCORPORATION of AFRICAN-AMERICAN INSTITUTE, INC. and attaches hereto a copy of the _____ Articles of INCORPORATION

Given Under My Hand and Official Seal on this the 23RD day of MARCH, 19 93.



George A. Reynolds
Judge of Probate

# EXHIBIT 15



# 075-254

Posted by: 40 Checked by:

9307/1302

ARTICLES OF AMENDMENT

1993 MAY 28 PM 1:05

COPY

To the Honorable George R. Reynolds, Judge of Jefferson County, Alabama:

KNOW ALL MEN BY THESE PRESENTS: We, the undersigned, Incorporator, Board of Directors and Officers of African-American Institute, Inc., a non-profit corporation, do hereby declare that on the 24th day of May, 1993 did adopt by unanimous vote an amendment to the Articles of Incorporation to read as follows:

AMENDMENT

That Article Six of the Articles of Incorporation of the African-American Institute, Inc. be amended to read as follows:

| DIRECTORS | POSITION | ADDRESSES |
|---|---|---|
| Rita Hall | Chairman of the Board | 1614 3rd Avenue North Birmingham, AL 35203 |
| Carol Allen | Vice Chairman | 1614 3rd Avenue North Birmingham, AL 35203 |
| Cheryl Hilliard | Secretary | 1614 3rd Avenue North Birmingham, AL 35203 |

That Article of Incorporation shall be amended to add Article IX and it shall read as follows:

ARTICLE VIII

DISSOLUTION

Upon dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of $ 501(c)3 of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to Federal Government or to state or local government, for public purpose. Any such assets not so disposed of, shall be disposed of by a Court of Competent Jurisdiction of the County of which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, and said Court shall determine, which are organize and operated exclusively for such purposes.

Witness

President

Secretary

RECEIVED
JUN - 2 1993
SECRETARY OF STATE

I, Cheryl Hilliard, Secretary of African-American Institute, Inc. an Alabama Non-Profit Corporation, do hereby certify that all of the Directors, Officers and Incorporators have given their written consent to the adoption of the foregoing Amendment to the Certificate of Incorporation.

Witness my hand and seal this the 27th day of May, 1993.

Cheryl Hilliard
Secretary

STATE OF ALABAMA )
JEFFERSON COUNTY )

I, Lonna Clark, Notary Public in and for said County, in said State, hereby certify that Cheryl Hilliard, whose named as Secretary of African-American Institute, Inc. a Alabama Non-Profit Corporation and who is known to me, did certify to me on this day that the contents of said Certificate are true and correct.

Given under my hand and seal this the 27th day of May, 1993.

Lonna Clark
Notary Public

MY COMMISSION EXPIRES: 7/1/96

This instrument was prepare by:
Burns & Associates, P.C.
1919 Morris Avenue, Ste. 1500
Birmingham, AL 35203
(205) 731-7777

STATE OF ALABAMA
JEFFERSON COUNTY

I, THE UNDERSIGNED, AS JUDGE OF THE COURT OF PROBATE, IN AND FOR SAID COUNTY, IN SAID STATE, HEREBY CERTIFY THAT THE FOREGOING IS A FULL, TRUE AND CORRECT COPY OF THE INSTRUMENT WITH THE FILING OF SAME AS APPEARS OF RECORD IN THIS OFFICE IN VOL. 9307 RECORD OF RE ON PAGE 1802, GIVEN UNDER MY HAND AND OFFICIAL SEAL, THIS THE 21st DAY OF May, 19 53

George E. Reynolds

JUDGE OF PROBATE

# State of Alabama
# Jefferson County

CERTIFICATE OF AMENDMENT
OF
AFRICAN-AMERICAN INSTITUTE, INC.

The undersigned, as Judge of Probate of Jefferson County, State of Alabama, hereby certifies that _____ Articles of AMENDMENT duly signed and verified pursuant to the provisions of Alabama NONPROFIT Corporation Act, have been received in this office and are found to conform to law.

Accordingly the undersigned, as such Judge of Probate, and by virtue of the authority vested in him by law, hereby, issues this Certificate of AMENDMENT of AFRICAN-AMERICAN INSTITUTE, INC. and attaches hereto a copy of the _____ Articles of AMENDMENT

Given Under My Hand and Official Seal on this the 28TH day of MAY, 19 93.

George R. Reynolds
Judge of Probate

# EXHIBIT 16

9604/6327

COPY

ARTICLES OF INCORPORATION
of
American Management and Marketing Corporation

# 178838
Posted by: Checked by:

The undersigned, for the purpose of forming a corporation under the laws of the State of Alabama, and any act amending, supplementing or substituting for the same laws, the undersigned do adopt this Certificate of Incorporation and upon due execution, acknowledgment, filing and recording hereof as providing by the law, shall constitute a body corporate.

ARTICLE I.

NAME

1.1 The name of the Corporation shall be American Management and Marketing Corporation.

ARTICLE II.

PRINCIPAL OR REGISTERED OFFICE

2.1 The location of the principal or registered office of the Corporation in the State of Alabama shall be: Deborah Lumpkin
600 Forestwood Drive
~~1614 Third Avenue North~~
Birmingham, AL ~~35203~~ 35214

ARTICLE III.

3.1 The purpose and objects for which the corporation is formed are:

(a) To render services of all kinds; and to engage in any lawful act or activity for which corporations may be organized under the Alabama Business Corporation Act.

(b) To render services of all kinds; and to engage in any lawful act or activity for which an individual or group of individuals may be organized under the laws of the State of Alabama.

3.2 The objects and purposes specified in each subsection of Section 3.1 shall,

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SECRETARY OF STATE
1

unless otherwise expressly provided, be in no ways limited by reference to, or inference from, the terms of any other subjection of Section 3.1, each of the subsections being regarded as creating independent objects and purposes. All words, phrases, and clauses appearing in this Article III are used in their broadest sense and shall be so construed.

ARTICLE IV

CAPITAL STOCK

4.1 The total number of shares of stock which the Corporation shall have authority to issue shall be One Thousand (1,000) at One ($1.00) per share and the amount of capital with which the corporation shall be begin business is One Thousand ($1,000.00) Dollars.

4.2 All of the One Thousand (1,000) shares of authorized capital stock shall be common stock. Each holder of issued and outstanding shares of common stock shall have and possess the right to notice of and to vote at shareholders' meetings and shall be entitled to cast one vote for each share held of record by him. In any vote (whether by vote at shareholders' meeting or by written consent) which is taken for the purpose of electing directors to the Board of Directors of the Corporation, no holder of voting stock of the Corporation shall have or be entitled to cumulative voting rights with respect to this shares, and all shares shall be voted on a non-cumulative basis. Dividends on any stock of the Corporation shall be payable only out of earnings or assets of the Corporation legally available for the payment of such dividends and only as and when declared by the Board of Directors. The shares of outstanding stock shall have such other rights, powers, and preferences as shall be provided from time to time by applicable law or pursuant to provisions of or authority granted by this Certificate of Incorporation.

4.3 The number of shares of capital stock with which the Corporation will begin business shall be, in the aggregate, One Thousand (1,000).

4.4 The name and post office address of the officer or agent designated by the incorporators to receive subscriptions to the capital stock of the Corporation is:

Deborah Lumpkin
P.O. Box 310521
Birmingham, AL 35213-0521

ARTICLE V.

INCORPORATORS

5.1 The names and post office addresses of the incorporators and the number of shares of the capital stock of the corporation subscribed for by each as follows:

| NAME | ADDRESS | NO. OF SHARES |
|---|---|---|
| Cora Hall | P.O. Box ~~310453~~ 31b591<br>Birmingham, AL 35231 | 67 |
| Deborah Lumpkin | 1412 Iroquois Circle<br>Montgomery, AL | 200 |
| Toni Knight | 1614 Third Avenue N.<br>Birmingham, AL 35203 | 333 |
| American First Bonding Corporation | 1614 3rd Avenue North<br>Birmingham, AL 35203 | 167 |
| American Trust Corporation | 1614 3rd Avenue North | 167 |
| Vanessa Fisher | 4817 Clairmont Avenue<br>Birmingham, AL 35222 | 66 |

ARTICLE VI.

INITIAL DIRECTORS AND OFFICERS

6.1 The names and post office addresses of the initial directors chosen until the first annual meeting of the stock holders or until their successors shall be elected and qualified are:

| DIRECTORS | POSITION | ADDRESS |
|---|---|---|
| Deborah Lumpkin | Chairperson | P.O. Box ~~310453~~ 31053<br>Birmingham, AL 35231 |
| Toni Knight | Director | 1614 Third Avenue N.<br>Birmingham, AL 35203 |
| Cora Hall | Director | 1412 Iroquois Circle<br>Birmingham, AL 35214 |
| John Hilliard | Director | 1614 3rd Avenue North<br>Birmingham, AL 35203 |
| Vanessa Fisher | Secretary | 4817 Clairmont Avenue<br>Birmingham, AL 35222 |

| OFFICERS | POSITION | ADDRESS |
|---|---|---|
| Deborah Lumpkin | President | P.O. Box 310453<br>Birmingham, AL 35231 |
| Toni Knight | Vice-President | 1614 Third Avenue N.<br>Birmingham, AL 35203 |
| Cora Hall | Vice-President | 412 Iroquois Circle<br>Birmingham, AL 35214 |
| John Hilliard | Vice-President | 1614 3rd Avenue North<br>Birmingham, AL 35203 |
| Vanessa Fisher | Secretary | 4817 Chairmont Avenue<br>Birmingham, AL 35222 |

ARTICLE VII.

REGISTERED AGENT FOR SERVICE

7.1 The name and post office address of the person designated by the incorporators to be the registered agent and registered office to receive the service of process is:

Debra Lumpkin
~~P.O. Box 310521~~ 500 Forestwood Drive
~~Birmingham, AL 35231-0521~~ Birmingham, Al 35214

ARTICLE VIII.

DURATION

8.1 The duration of the Corporation shall be perpetual.

**WE, THE UNDERSIGNED,** being each of the incorporators named, for the purpose of forming a corporation pursuant to the above referenced Act, do make this certificate, hereby declaring and certifying that this is our act and deed and the facts herein are true, and accordingly have hereunto set our hands this 18th day of March, 1996.

AMERICAN FIRST BONDING CORPORATION

BY: Carol Allen
CAROL ALLEN, PRESIDENT

AMERICAN TRUST CORPORATION

BY: Alesia Smith
ALESIA SMITH, PRESIDENT

Deborah Lumpkin
DEBORAH LUMPKIN

Vanessa Fisher
VANESSA FISHER

Toni Knight
TONI KNIGHT

Cora Hall
CORA HALL

State of Alabama)
Jefferson County)

Before me, James Wright, a notary public in and for said county, in said state personally appeared Carol Allen, Alesia Smith, Toni Knight, Deborah Lumpkin, Cora Hall and Vanessa Fisher, who are known to me, and who being first duly sworn according to the law, deposes and says that they are officers or agents designated and authorized by the incorporators of American Management and Marketing Corporation, the corporation proposed to be incorporated under the laws of the State of Alabama.

Sworn to and subscribed before me, this 18th day of March, 1996.

James Wright
Notary Public

My commission expires: 1-22-97

# STATE OF ALABAMA

**I, Jim Bennett, Secretary of State of the State of Alabama, having custody of the Great and Principal Seal of said State, do hereby certify that**

pursuant to the provisions of Section 10-2B-4.02, Code of Alabama 1975, and upon an examination of the corporation records on file in this office, the following corporate name is reserved as available:

American Management and Marketing, Inc.

This domestic corporation name is proposed to be incorporated in Jefferson County and is for the exclusive use of Deborah Lumpkin, 500 Forestwood Drive, Birmingham, AL 35214 for a period of one hundred twenty days beginning March 21, 1996 and expiring July 20, 1996.

State of Alabama - Jefferson County
I certify this instrument filed on:
1996 APR 09 P.M. 13:59
Recorded and $ Mtg. Tax
and $ 36.00 Deed Tax and Fee Amt. 36.00
$ Total $
GEORGE R. REYNOLDS, Judge of Probate
9604/6327

**In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State, at the Capitol, in the City of Montgomery, on this day.**

March 21, 1996

**Date**

Jim Bennett

**Jim Bennett** **Secretary of State**

STATE OF ALABAMA
JEFFERSON COUNTY
I, THE UNDERSIGNED, AS JUDGE OF THE COURT OF PROBATE, IN AND FOR SAID COUNTY, IN SAID STATE, HEREBY CERTIFY THAT THE FOREGOING IS A FULL, TRUE AND CORRECT COPY OF THE INSTRUMENT WITH THE FILING OF SAME AS APPEARS OF RECORD IN THIS OFFICE IN VOL. 464 RECORD OF ___ ON PAGE 6327, GIVEN UNDER MY HAND AND OFFICIAL SEAL, THIS THE 22 DAY OF April, 19 96.

George R. Reynolds
JUDGE OF PROBATE

# EXHIBIT 17

STATE OF ALABAMA )

JEFFERSON COUNTY )

## STATION SERVICE AGREEMENT

This is an agreement by and between American Management & Marketing Corporation (referred to as "AMMC") and American Trust Corporation, (referred to as the "Licensee").

**WHEREAS**, Licensee owns and operates AM station WIQR, pursuant to a license from the Federal Communications Commission ("FCC") for its operation at 800 County Line Road Prattville, Alabama, 36067 and ATC is an experienced radio broadcaster which holds the FCC license for AM station WIQR-AM in Prattville, Alabama.

**WHEREAS**, AMMC has financial resources and the capability of operating WIQR successfully:

**WHEREAS**, Licensee and AMMC recognize the public interest in maintaining radio service to the public and the prevailing public policy of the FCC in sanctioning the continued operation of a station such as WIQR.

**WHEREAS**, Licensee and AMMC desire to arrange for WIQR to remain on the air and to serve the public by means of an arrangement for AMMC to perform

certain services for and on WIQR under the overall control of Licensee;

Now, therefore, Licensee and AMMC agree as follows:

1. This agreement shall be effective on March 1, 1996, and shall remain in effect until February 28, 1999, subject to Section 9 hereof. However, the First Month's Lease Price must be paid in full on or before March 1, 1996.

2. Licensee hereby grants to AMMC the right to manage the programs, time and facilities and commercial operations of WIQR, all under Licensee's control.

3. AMMC agrees to provide radio program service, commercial service, facilities, and other aspects of the operation of WIQR, all under Licensee's control. AMMC's obligations and rights hereunder are to provide commercial radio broadcast service on WIQR which will be consistent with the interests of the public in Prattville, Alabama within the signal range of the station, subject to Licensee's control. AMMC's plans for news, public affairs, local information, sports, political, public issue, and other material will be reviewed by Licensee, for suitability for broadcast under standards, rules and policies of the FCC. AMMC's continued operations shall be monitored and reviewed by Licensee, and Licensee shall have the right and duty to effect compliance with the standards, rules and policies of the FCC.

4. AMMC's operations of WIQR shall be subject to the following:

4.1 The main studio of AMMC shall be operated as required by FCC Rule 73.1125.

4.2 The technical operation of WIQR shall be conducted under the requirements of Parts 1, 17 and 73 of the FCC Rules and the direction of a competent chief operator, as required by FCC Rule 73.1870.

4.3 Programming of WIQR shall meet the needs of the public in the WIQR service area.

4.4 AMMC shall maintain the WIQR Local Public File for the Licensee, as required by FCC Rule 73.3526.

4.5 AMMC shall employ licensed radio operators for WIQR as required by FCC Rule 73.1860.

4.6 AMMC shall render to Licensee adequate reports of its operations on WIQR to permit the Licensee to satisfy itself as to the operations of WIQR.

4.7 AMMC will sell and service advertising on WIQR in accordance with the basic plans and policies of the Licensee, and AMMC's own procedures and strategies. In the course of providing such advertising, AMMC shall take special precautions for the observance of the requirements of Section 315 of the Communications Act of 1934, as amended, ("The Act") as well as FCC Rules 73.1930 and 73.1940, and of Sections 507 and 508 of the Act.

4.8 The Licensee shall have access to the records, personnel and facilities of AMMC to enable the Licensee to carry out its obligations as the licensee of WIQR. The Licensee shall complete and file all FCC and other governmental reports and applications, with the cooperation and assistance of AMMC.

4.9 AMMC shall aid and assist the Licensee in carrying out WIQR's EEO obligations, as provided in FCC Rules 73.2080 and 73.3612.

4.10 Licensee shall have the right to reject a program of AMMC, at any time, if Licensee determines, in its sole judgment, that such programming is inconsistent with Licensee's obligations under the FCC's Rules and policies or the Act.

5. American Management & Marketing Corporation agrees to Lease from the Licensee the assets of WIQR listed on Exhibit A hereto for the term of this Agreement, and AMMC shall pay the Licensee $3,500 per month, payable on the first day of each such month. If the lease amount is not paid by the tenth of each month a late charge of 10% of the Monthly Lease Price will also be due.

6. All equipment including, but not limited to that contained in Exhibit A, shall be properly maintained and returned in workable condition.

7. AMMC will be responsible for the payment of any attorney's fees in the event of collection, eviction, or any other such processes.

8. This Agreement may be cancelled by either party on sixty days written notice.

9. This Agreement is subject to the requirements of the Act and the laws of the State of Alabama. It shall be construed thereunder, and it shall be enforced in the courts of the State of Alabama.

10. Notices hereunder shall be given by certified U. S. Mail, by a National Courier of paper instruments such as Federal Express; or by fax, any of these being prepaid.

Notice shall be sent:

To the Licensee:

American Trust Corporation
P. O. Box 11385
Birmingham, AL 35202

To AMMC:

American Management & Marketing Corporation
1614 3rd Avenue North
Birmingham, Al 35203

11. The parties have signed this Agreement this _____ day of February, 1996.

FOR THE LICENSEE,

ATTEST: AMERICAN TRUST CORPORATION

_____ BY: A. Jessie Smith
President

ATTEST: AMERICAN MANAGEMENT & MARKETING CORPORATION

_____ BY: Deborah F. Lumpkin
President

**EXHIBIT A**

1. Building and Tower Site located at 800 County Line Road, Prattville, Alabama 36067

2. All Recording and Broadcasting Equipment located on premises above in #1

3. The Broadcasting License for The Frequency 1410 KHz Prattville, Alabama

4. The Call Letters WIQR

5. All Office Equipment and all Office Furnishings used in the operation of the Radio Station.

# EXHIBIT 18

620-9748

**ONE COURT SQUARE**
**MONTGOMERY, ALABAMA**

STATE OF ALABAMA
MONTGOMERY COUNTY

THIS LEASE made this 15th day of March, 1996, between **PIZITZ REALTY COMPANY**, a corporation, hereinafter called "**Lessor**", and **AMERICAN MARKETING MANAGEMENT ~~NETWORK~~ CORPORATION**, hereinafter called "**Lessee**":

RLP DL

**WITNESSETH:**

**ARTICLE I**

**PREMISES**

**1.01** **Lessor** hereby leases and demises unto **Lessee**, and **Lessee** hereby leases and takes from **Lessor** upon the covenants and conditions herein set forth, the following space described as 128 Lee Street, situated at 128 Lee Street, Montgomery, Alabama, hereinafter called "Demised Premises" or "Premises", to-wit:

> That space, 128 Lee Street, outlined in red on the floor plan attached hereto as Exhibit "A" and incorporated herein by reference, having approximately 3,700 square feet of floor space, located at 128 Lee Street, Montgomery, Alabama.

**NOTICES**

**1.02** Any notice to **Lessor** provided for in this Lease shall be transmitted by registered or certified mail to: Attn: Commercial Division, Aronov Realty Management, Inc., 3500 Eastern Boulevard, Montgomery, AL 36116-1781; and to the **Lessee** to: ~~[illegible]~~, American Marketing Management ~~[illegible]~~ Corporation, 1614 3rd Avenue, Birmingham, AL 35203, (205) 324-7575.

DL RLP

**TERM**

**1.03** The term of this Lease shall be for a period of four (4) years, commencing on the 1st day of April, 1996. Upon or after commencement of this term, whenever requested by **Lessor** or its agents, **Lessee** will execute and deliver to **Lessor** a recordable form, setting out the dates of commencement and expiration of the term. Upon the full execution of this Lease by both parties, AND APPROVAL BY GENERAL SERVICES ADMINISTRATION **Lessee** shall have the right to enter the Premises and commence tenant alterations.

DL RLP

**USE OF PREMISES**

**1.04** The Demised Premises shall be used by **Lessee** for office purposes and no other purposes.

**ARTICLE II**

**RENTAL**

**2.01** Subject to adjustments hereinafter provided in Article IV hereof, **Lessee** agrees to pay to **Lessor** for the Demised Premises an annual rental at the rate of Twelve Thousand and 00/100 Dollars ($12,000.00) per annum, payable in equal monthly installments, on the first day of each calendar month for the first six (6) months of the term of this Lease, the amount of One Thousand and 00/100 Dollars ($1,000.00) per month; beginning the first day of the seventh (7th) month of the lease term (October 1, 1996) and continuing for six (6) months, the annual rental shall be at the rate of Twenty-One Thousand and 00/100 Dollars ($21,000.00) per annum, payable in equal monthly installments of One Thousand Seven Hundred and 00/100 Dollars ($1,750.00); and beginning the 13th month of the lease term (April 1, 1997) and continuing for ~~24~~ 36 months, the annual rental shall be at the rate of Twenty-Four Thousand and 00/100 Dollars ($24,000.00) per annum, payable in equal monthly installments of Two Thousand and 00/100 Dollars ($2,000.00) (monthly basic rent). The prorated monthly installment, based on a thirty (30) day month, shall be paid for any fraction of a month, if the term shall begin on any day except the first day or shall be terminated on any day except the last day of any month. Said rental installments shall be paid to Aronov Realty Management, Inc., 3500 Eastern Boulevard, Montgomery, Alabama 36116-1781, or at such other place, or to such other person or persons, as **Lessor** may direct in writing.

DL RLP

If **Lessee** fails to pay, when due and payable, any monthly rental installment, such unpaid amount shall, commencing ten (10) days after the date such payment is due, bear a late charge equal to five percent (5%) of the amount thereof and, if such amount is not paid within fifteen (15) days after such amount is due, an additional late charge of ten percent (10%) shall accrue for each fifteen (15) days beyond fifteen (15) days after the due date until such rental and all late charges are paid in full. The provisions hereof are in addition to, and not in lieu of, any other right or remedy afforded **Lessor** elsewhere in the Lease on account of **Lessee's** default hereunder and the imposition by **Lessor** of such late charges shall in no way waive or diminish **Lessor's** rights or remedies provided elsewhere herein or on account of **Lessee's** default hereunder.

## ARTICLE III

**MAINTENANCE OF THE BUILDING**

**3.01** **Lessor** at **Lessor's** expense shall be responsible for the repair and replacement, as necessary, of the roof, structural members of the Building, exterior walls and underground pipes due to natural causes or their deterioration. **Lessee** shall take good and reasonable care of the Leased Premises and shall, at **Lessee's** own expense and cost, keep the improvements, including plate glass, indoor plumbing, and electrical system, in reasonably good repair. **Lessee** shall be responsible for the maintenance and repair of the air conditioning and heating equipment including preventative maintenance service (e.g., periodically changing filters). In the event **Lessee** fails to keep and maintain the improvements and these described areas in the condition required by the Article, then upon thirty (30) day prior written notice, **Lessor** may perform the necessary work and **Lessee** shall reimburse **Lessor** for all reasonable costs incurred which shall be due as additional rent on the next rent payment due.

At the termination of this Lease, **Lessee** shall deliver the Premises to **LESSOR** in reasonably good order and condition, subject to the usual wear and tear brought about by a prudent use of the same. It is the intent of **Lessor** that this be a net lease and that **Lessor** not be responsible for any costs associated with the maintenance, repair or replacement of the property not specifically addressed herein.

**PEACEFUL ENJOYMENT**

**3.02** **Lessee** shall and may peacefully have, hold and enjoy the demised Premises subject to the other terms hereof, and provided **Lessee** pay the rentals herein recited and perform all its covenants and agreements herein contained.

## ARTICLE IV

**LESSEE AGREES AS FOLLOWS:**

**PAYMENTS**

**4.01** To pay all rents and sums provided to be paid to **Lessor** hereunder at the time and in the manner herein provided.

**INCREASES IN TAXES**

**4.02** **Lessee** agrees to pay **Lessor**, its pro rata share, as hereinafter defined, of any increase in ad valorem or other property or lease or rental taxes for the Building, regardless of the governmental jurisdiction, jurisdictions, authorities, levying the same, in excess of the annual ad valorem taxes which **Lessor** pays and fall due during the year **1995**. The pro rata share of increases in taxes which is required to be paid by **Lessee** shall be that percentage of such increase which is equal to the percentage of the total floor area of the office space occupied by **Lessee** as compared to and in relation to the total leasable floor space in the One Court Square office building, containing approximately 110,000 square feet. The **Lessee** shall pay such increase in taxes not later than thirty (30) days prior to the due date of such taxes; provided that in any event **Lessee** shall not be required to pay its pro rata share of such additional taxes sooner than fifteen (15) days after it receives notice thereof from **Lessor** or its agents.

***If Lessee in good faith disputes Lessor's statement of the amount due, Lessee shall***

nevertheless, pending the determination of any dispute, promptly pay **Lessee's** share of the increase as demanded by the **Lessor**, but after such dispute is restored, any increase or decrease so determined shall be paid within thirty (30) days.

If **Lessee** fails to pay, when due and payable, its pro rata share of taxes, as demanded by **Lessor**, as provided hereinabove, such unpaid amounts shall bear interest at the maximum lawful rate, or, if there is none, then at the rate of fifteen percent (15%) per annum, based on the amount thereof from the date of payment. The provisions hereof are in addition to, and not in lieu of, any other right or remedy afforded **Lessor** elsewhere in the Lease on account of **Lessee's** default hereunder and the imposition by **Lessor** of such interest shall in no way waive or diminish **Lessor's** rights or remedies provided elsewhere herein on account of **Lessee's** default hereunder.

**WAIVER OF EXEMPTION**

**4.03** Any charges against the **Lessee** by the Lessor for supplies, services or for work done on the Premises by order of the **Lessee**, or otherwise accruing under this contract shall be considered as rent due and shall be included in any lien for rent due and unpaid.

**REPAIRS AND RE-ENTRY**

**4.04** **Lessee** will, at Lessee's own cost and expense, repair or replace any damage or injury done to the Building, or any part thereof, caused by **Lessee** or **Lessee's** agents, employees, invitees or visitors. If **Lessee** fails to make such repairs or replacements promptly, or in any event within fifteen (15) days of occurrence, **Lessor** may, at its option, make such repairs or replacements, and **Lessee** shall repay the cost thereof to **Lessor** on demand. **Lessee** will not commit or allow any waste or damage to be committed on any portion of the Demised Premises, and shall at the termination of this Lease, by lapse of time or otherwise, deliver up said Premises to **Lessor** broom clean and in as good condition as at date of possession of **Lessee**, ordinary wear and tear and damage by fire excepted, and, upon such termination of Lease, **Lessor** shall have the right to re-enter and resume possession of the Demised Premises.

**ASSIGNMENT OR SUBLETTING, ALTERATIONS, ADDITIONS AND IMPROVEMENTS**

**4.05** **Lessee** will not assign this Lease, or allow the same to be assigned by operation of law or otherwise, or sublet the Demised Premises, or any part thereof, or use or permit the same to be used for any other purpose than stated in the use clause hereof, or make or allow to be made any alterations or physical additions in or to the Demised Premises without written consent of **Lessor's** first had obtained; any and all such alterations, physical additions, or improvements, when made to the Demised Premises by **Lessee**, shall at once become property of **Lessor** and shall be surrendered to **Lessor** upon the termination in any manner of this Lease; but this clause shall not apply to movable fixtures or furniture of **Lessee.**

Upon **Lessor's** demand any alterations made by **Lessee** shall be removed at the termination of the Lease and the Premises restored to their former condition, all at **Lessee's** expense.

**LEGAL USE AND VIOLATIONS OF INSURANCE COVERAGE**

**4.06** **Lessee** will not occupy or use, or permit any portion of the Demised Premises to be occupied or used for any business or purpose which is unlawful in part or in whole or deemed to be disreputable in any manner, or extra hazardous, or permit anything done which will in any way increase the rate of insurance on said Building and/or its contents, and in the event that, by reason of acts of **Lessee**, there shall be an increase in rate of insurance on the building or its contents created by **Lessee's** acts or conduct of business, then **Lessee** hereby agrees to pay such increase, and to remedy such condition upon five (5) days written demand by **Lessor.**

**INDEMNITY LIABILITY**

**4.07** **Lessee** will indemnify and save harmless **Lessor** of and from any and all fines, suits, claims, demands, and actions of any kind by reason of any breach, violations or non-performance

of any condition hereof on the part of **Lessee**, its agents or employees, and/or arising from any act or negligence of the **Lessee** or any of its agents, servants, employees, invitees or licensees. **Lessee** is or will become familiar with the Demised Premises, and acknowledges that the same are received by **Lessee** in good state of repair, and are accepted by **Lessee** in the condition in which they are now or shall be when ready for occupancy, and that **Lessor** shall not be liable to **Lessee** or **Lessee's** agents, employees, invitees or visitors for any damage to persons due to condition, design or defect in the building or its mechanical systems or elsewhere in the Demised Premises or Building which may now exist or hereafter occur except for **Lessor's** negligence or misconduct. **Lessee** accepts the Demised Premises as suitable for the purpose for which the same are leased and assumes all risks of damage to persons or property, and agrees that no representations except such as are contained herein or endorsed hereon have been made to the **Lessee** respecting the condition of the Premises.

**RULES OF BUILDING**

**4.08** **Lessee** and **Lessee's** agents, employees, invitees or visitors shall comply with all requirements of the Rules of the Building which may be made by **Lessor**. A copy of the current Rules are attached hereto and incorporated herein by reference, which rules may be changed or amended by **Lessor** at any time.

**RE-ENTRY FOR LESSOR OR ITS AGENTS**

**4.09** **Lessor**, by its officers or agents, shall have at all reasonable times the right to enter said Premises to inspect same, and may at any time remove placards, signs, fixtures, alterations or additions not in conformity with this contract, or the **Lessor's** Building Rules and Regulations; and may make such repairs and alterations as may be deemed by the **Lessor** necessary to the preservation of the Demised Premises or the Building. The **Lessor** is not required to do any repairing upon the Premises leased herein unless **Lessor** agrees in writing in this Lease. **Lessor**, by its officers or agents, shall have the right at all reasonable times to enter said Premises for the purpose if showing same to a prospective purchaser or mortgagee, and during the last ninety (90) days of said term shall have the right to enter the said Premises to show the same to prospective tenants.

**USE OF BUILDING'S NAME**

**4.10** The **Lessee** shall not, ~~except to designate the Lessee's business address~~, use the name **"One Court Square Building"** or any simulation or abbreviation of such name.

**SIGNS**

**4.11** **Lessee** shall not paint, display, inscribe, maintain or affix any sign, picture, advertisement, notice, lettering or direction on any part of the outside of the Premises, or on any part of the Premises without approval by **Lessor** in writing. **Lessee** has the right to affix call letters and call signs to the Building and windows of the Premises, subject to the approval of **Lessor**.. **Lessor** reserves the right to remove, at Lessor's expense, all matter other than that above provided for without notice to **Lessee.**

**DEFACING PREMISES AND OVERLOADING**

**4.12** **Lessee** shall not place anything or allow anything to be placed near the glass of any door, partition, wall or window, which may be unsightly from outside the Premises, and **Lessee** shall not place or permit to be placed any article of any kind on any window ledge or on the exterior walls; blinds, shades, awnings or other forms of inside or outside window coverings, or window ventilators or similar devices, shall not be placed in or about the outside windows in the Premises except to the extent, if any, that the character, shape, color, material and make thereof is approved by the **Lessor**, and **Lessee** shall not do any painting or decorating in the Premises or make, paint, cut or drill into, or in any way deface any part of the Premises or Building without the written consent of **Lessor**. **Lessee** shall not overload any floor or part thereof in the Premises, or any facility in the Building or any public corridors or elevators therein bringing in or removing any large or heavy articles, and the Lessor may direct and control the locations of safes and all other heavy articles. Furniture and other large or heavy articles may be brought into the Building, removed therefrom or moved from place to place within the Building only at times

and in the manner designated by **Lessor**. **Lessee** agrees not to place any load on any portion of the Demised Premises or other portions of the Building or its equipment that would exceed the allowable load limits as may be specified by **Lessor**. **Lessee** shall by no means cause the overloading of electrical circuits serving the Demised Premises and/or other areas of the Building in which the Premises are located.

## ARTICLE V

**LESSOR AND LESSEE MUTUALLY AGREE AS FOLLOWS:**

**CONDEMNATION**

**5.01** If said Premises, or any part thereof, or any interest therein, be taken by virtue of eminent domain or for any public or quasi-public use or purpose, this Lease and the estate hereby granted shall terminate as of the date of such taking. If any part of the Building other than the Premises be so taken, the **Lessor** shall have the right to terminate this Lease at the date of such taking or within six (6) months thereafter by giving the **Lessee** thirty (30) days prior notice of the date of such termination. Any interest which **Lessee** may have or claim to have in any award resulting from any condemnation proceeding shall be limited to the unamortized value, as hereinafter defined, of any permanent improvements to the structure of the Building paid for by **Lessee** and any claim for furniture or fixtures of any nature whatsoever shall be excluded. For purposes of this Lease, "unamortized value of permanent improvements" shall be the cost of said improvements multiplied by a fraction, the numerator of which shall be the number of years remaining on the term of this Lease when possession is taken by reason of eminent domain, or the day the lease term is canceled, whichever is later, and the denominator of which shall be the number of years remaining on the term of this Lease when the improvements were placed on the Demised Premises.

**LOSS OR DAMAGE**

**5.02** **Lessor** shall not be liable or responsible for any loss or damage to any property or person occasioned by theft, fire, water, rain, snow, leakage of Building, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition or order of government body or authority, or other matter beyond the control of **Lessor** or for any damage or inconvenience which may arise through repair or alteration of any part of the Building, or failure to make such repairs, or for any cause, whatever, unless caused solely by **Lessor's** gross negligence.

**LESSEE'S PROPERTY REMAINING ON PREMISES**

**5.03** In the event the term of the Lease expires, or the Demised Premises are abandoned by the **Lessee** during the period of the operation of the Lease, or the **Lessee** is in default under the terms of the Lease, and in either of such events the **Lessor** enters into possession of the Demised Premises and there is within the Demised Premises furniture, fixtures or other personal property of the **Lessee, Lessor** shall have the right and option without liability to **Lessee** except as specifically provided herein (1) to store such properties in a warehouse or other storage space provided by **Lessor** or others at the reasonable storage expense of **Lessee**, or (2) to cause such properties to be sold at public auction or private sale with or without notice to **Lessee**, at which sale **Lessor** may be purchaser and to apply the proceeds of such sale first to the reasonably incurred expense of collection or sale and thereafter on any indebtedness due by **Lessee** to **Lessor**, with any excess over the amounts required for such purposes payable to **Lessee**, or (3) in the discretion of **Lessor** should such properties be deemed by it of small value, said properties may be discarded or destroyed.

**HOLDING OVER**

**5.04** If **Lessee** remains in possession after expiration of the term hereof, or any extensions thereof as provided by Section 5.17 of this Article V, with **Lessor's** acquiescence and without any distinct agreement of parties, **Lessee** shall be a tenant at will; and there shall be no renewal of this Lease by operation of law. As liquidated damages, **Lessee** agrees and contracts to pay to **Lessor** a sum of money equal to the contract rental for the last full calendar month of the Lease

which has expired, for each period of fifteen (15) days or fraction thereof Lessee remains in occupancy after the expiration of the term. No receipt of money by Lessor after termination of this Lease, or after the service of any notice, or after the commencement of any rent, or after final judgement for possession of the Premises shall reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit.

**LOSS BY FIRE OR OTHER CAUSES**

**5.05** Lessee shall, in case of fire, or loss or damage from other causes, give immediate notice thereof to Lessor. In the event of damage by fire or other causes resulting from fault or negligence of Lessee or Lessee's agents, employees, invitees or visitors, the same shall be repaired by Lessor at the expense of the Lessee. If the Demised Premises shall be damaged by fire or other casualty covered by Lessor's insurance and not resulting from the fault or negligence of Lessee or Lessee's agents, employees, invitees or visitors, the damages shall be repaired by and at the expense of the Lessor and the rent until such repairs shall be made shall be apportioned according to the part of the Demised Premises which is usable by Lessee. Lessor agrees, at its expense, to repair any damage of the Demised Premises not resulting from the fault or negligence of Lessee or Lessee's agents, employees, invitees or visitors, except that, if such damage be such that replacement of fifteen percent (15%) or more of the Building or fifty percent (50%) or more of the Demised Premises, be required then in either event, at the option of the Lessor, this Lease will be canceled and of no force and effect from and after the date of occurrence of such damage. No penalty shall accrue for reasonable delay which may arise by reason of adjustment of insurance on the part of Lessor, and for reasonable delay on account of "labor troubles" or any other causes beyond Lessor's control.

Notwithstanding anything contained herein to the contrary, if the Demised Premises is damaged by fire or other casualty in the last two (2) years of this lease term, Lessor shall have the option to cancel this Lease.

**ATTORNEYS' FEES**

**5.06** In case Lessee makes default in the performance of the terms, covenants, agreements or conditions contained in this Lease and Lessor places the enforcement of this Lease, or any part thereof, or the collection of any rent due, or to become due hereunder, or recovery of the possession of the Demised Premises in the hands of any attorney, or files suit upon the same, Lessee agrees to pay Lessor reasonable attorney's fees and payment of the same shall be secured in like manner as is herein provided, as to security for rent.

**AMENDMENT OF LEASE**

**5.07** This agreement may not be altered, changed or amended except by an instrument in writing, signed by both parties hereto.

**DEFAULT AND REMEDIES**

**5.08** In the event (A) the rent specified herein or any installment thereof, or any other item of debt of Lessee is not paid at the time and place when and where due; (B) or the leased Premises shall be deserted, vacated or abandoned; (C) or the Lessee shall fail to comply with any terms, provisions, conditions or covenant of this Lease or any of the rules and regulations now or hereafter established for the government of the Building; (D) or any petition is filed by or against Lessee under any section or chapter of the National Bankruptcy Act as amended; (E) or Lessee shall become insolvent or makes a transfer of assets under such circumstances as to jeopardize the interest of creditors; (F) or Lessee shall make an assignment for benefit of creditors; (G) or a receiver is appointed for a substantial part of the assets of Lessee; (H) or the leasehold interest is levied on, under execution; (I) or if Lessor and Lessee enter into a Lease Agreement for parking spaces in the Parking Deck (formerly known as Pizitz Parking Deck), which is adjacent to the Building on which the Premises are a part, and Lessee defaults under any term or condition of said Lease; then in any of such events, Lessor shall have the option to do any of the following, in addition to and not in limitation of any other remedy permitted by law or equity (including but not limited to damages, injunctions, or specific performance), or by this Lease:

(1) Declare to be due and payable immediately and without further notice all remaining installments of rent under the terms of the Lease and proceed by legal process or otherwise to enforce the payment thereof; and/or

(2) Enter into possession of the Demised Premises and remove or expel the **Lessee** and all persons holding under **Lessee** and all of their effects therefrom with or without legal process and in the event possession of the Demised Premises is entered under this alternative, then and in such event to lease the Demised Premises as the agent of **Lessee**. In the event the rental paid to and received by **Lessor** under the terms of such substitute Lease are not sufficient to pay the full amount due by **Lessee** under the terms of this Lease and all expenses and costs of collection and substitute leasing, then and in such event **Lessee** agrees to pay the deficiency as and when each installment of such deficiency is determined; or

(3) Terminate this Lease by reason of such default in which event **Lessee** shall be liable to **Lessor** for all damages and all losses incurred by **Lessor** by reason of such default and the termination of said Lease.

**Lessee**waives all claims for damages by reason of re-entry by **Lessor** or by reason of any act or thing done by **Lessor** to cure the default Lessee or to enforce the terms and provisions of this Lease and agrees to indemnify and hold harmless the **Lessor** against any loss incurred by reason of any such claims. The obligation of **Lessee** to pay the full amount of the Lease rental is not impaired by the re-entry of **Lessor** and the leasing of the Premises to a substitute **Lessee** under the terms and provisions of the Lease. The payment of rent by **Lessee** to **Lessor** after possession is restored to **Lessor** and a substitute Lease is made shall not entitle **Lessee** to re-enter possession of the leased Premises, but in the event the aggregate amount of rent which is received by **Lessor** under the terms of this Lease and under the terms of the substitute Lease shall exceed the rental which is assumed by **Lessee** under the terms of this Lease, after the payment of all reasonable costs and expenses of collection and re-leasing under the substitute Lease, **Lessor** agrees to reimburse to **Lessee** the amount of such excess.

**WAIVER**

**5.09** Failure of **Lessor** to declare any default immediately upon occurrence thereof or delay in taking any action in connection therewith shall not wave such default, but **Lessor** shall have the right to declare any such default, at any time, and take such action as might be lawful or authorized hereunder, either in law or in equity.

**POSSESSION**

**5.10** If, for any reason, the Demised Premises shall not be ready for occupancy by **Lessee** at the time of commencement of this Lease, this Lease shall not be affected thereby, nor shall **Lessee** have any claim against **Lessor** by reason thereof, but no rent shall be payable for the period during which the Premises shall not be ready for occupancy; and all claims for damages arising out of such delay are waived and released by **Lessee**.

**BANKRUPTCY**

**5.11** If voluntary bankruptcy proceedings be instituted by **Lessee**, or if proceedings be instituted by anyone else to adjudge **Lessee** a bankrupt, or if **Lessee** makes an assignment for the benefit of his creditors or if execution be issued against **Lessee**, or if the interests of **Lessee** in this contract pass by operation of law to any person other than **Lessee**, this Lease may, at the option of **Lessor**, be terminated by notice addressed to **Lessee**, and mailed in the Post Office at Montgomery, Alabama.

**ASSIGNMENT**

**5.12** This Lease shall also inure to the benefit of the successors and assigns of **Lessor** and with the written consent of **Lessor** first and obtained, but not otherwise, to the benefit of the heirs, executors and/or administrators, successors and assigns of **Lessee**.

**LESSOR EXCUSED IN CERTAIN INSTANCES**

**5.13** If, by reason of inability to obtain and utilize labor, materials or supplies, or by reason of circumstances directly or indirectly the result of any state of war or national or local emergency, or by reason of any laws, rules, orders, regulations or requirements of any government authority now or hereafter in force, or by reason of strikes or riots, or by reason of accidents in damage to or the making of repairs, replacements or improvements to the building or any of the equipment thereof, or by reason of any other cause beyond the reasonable control of the **Lessor**, the **Lessor** shall be unable to perform or shall be delayed in the performance of any covenant to supply any service, such non-performance shall not give rise to any claim against the **Lessor** for damages or constitute a total or partial eviction, constructive or otherwise.

**SUBORDINATION**

**5.14** At such times as **Lessor** and any mortgagee or proposed mortgagee of the Demised Premises may in writing request the same, the **Lessee** agrees that this Lease shall be subject and subordinate to all mortgages which may now or hereafter affect the land or the building of which the Premises form a part and to all renewals, modifications, consolidations, replacements and extensions thereof, and, although this subordination provision shall be deemed for all purposes to be automatic and effective without any further instrument on the part of the Lessee, Lessee shall execute any further instrument requested by the **Lessor** to confirm such subordination. Nothing contained in this agreement shall be construed as placing any limitation upon **Lessor's** right to sell, mortgage, assign or in any manner convey an interest in part or in whole, of either the land or the Building, or both.

**PRIOR OCCUPANCY**

**5.15** If **Lessee** shall occupy the Premises prior to the beginning of the term of this Lease with **Lessor's** consent, all of the provisions of this Lease shall be in full force and effect commencing on the date or such occupancy, such occupancy shall be on the basis of a month to month tenancy until the beginning of the term of this Lease, and rent for such period shall be paid at the monthly rate set forth in Article II.

**CONTINUATION OF LEASE AFTER TERMINATION**

**5.16** No receipt of money by **Lessor** from **Lessee** after termination of this Lease or after the service of any notice or after any final judgment for possession of the premises shall reinstate, continue, or extend the term of this Lease or affect any such notice, demand or suit.

**MISCELLANEOUS**

**5.17** That the waiver by **Lessor** of any breach of any covenant of this Lease shall be limited to the particular covenant, and shall not operate nor be deemed to waive any future breaches of the same covenant or covenants nor of any other covenant or covenants.

**5.18** It is understood and agreed by the parties hereto that notice from **Lessor** mailed or delivered to Premises leased hereunder shall constitute sufficient notice to the **Lessee** to comply with the terms of this Lease.

**5.19** In the event that any provision or part of a provision of this Lease is held invalid the other provisions and part of provisions shall remain in full force and effect.

**5.20** **Lessee** shall secure from an insurance company licensed to do business in the State of Alabama and acceptable to **Lessor** and written on forms acceptable to **Lessor**, fire and extended coverage for the and improvements, furniture, fixtures, equipment, signage and contents within the Demised Premises and for all improvements on the property covered by this Lease in the amount of not less than the full replacement value thereof, together with public liability insurance together with the broad form comprehensive general liability endorsement in an amount not less than One Million Dollars ($1,000,000.00) combined single limit, and all of said insurance shall be maintained during the term of this Lease contract and any extensions thereof. Said fire and extended coverage insurance shall name **Lessor** as named insured and loss payee with respect to

the Building and improvements situated on the Demised Premises, and shall provide waiver of subrogation with respect to both **Lessor** and **Lessee**. The liability insurance required hereunder shall name both **Lessor** and **Lessee** as named insureds, shall contain contractual liability endorsement, and shall be primary to any other coverage which may be in effect.

**5.21** Anything contained in this Lease to the contrary not withstanding, **Lessee** agrees that it shall look solely to the estate and property of the **Lessor** in the land and Buildings comprising the Demised Premises for the collection of any judgment (or other judicial process) requiring the payment of money by **Lessor** for any default or breach by **Lessor** of any of its obligations under this Lease, subject, however, to the rights of the holder of any mortgage covering the premises or of **Lessor's** interest therein or the land which exists at the time tenant's right matures to the level of constituting a lien. No other assets of the **Lessor** shall be subject to levy, execution or other judicial process for the satisfaction of **Lessee's** claim. This provision shall not be deemed, construed or interpreted to be or constitute an agreement, express or implied, between **Lessor** and **Lessee** that the **Lessor's** interest hereunder and in the Premises shall be subject to impressment of an equitable lien or otherwise.

**5.22 SECURITY DEPOSIT.** A security deposit of $1,000.00 shall be delivered to **Lessor** upon the execution of this Lease and shall be held by **Lessor** without liability for interest and as security for the performance of **Lessee's** obligations under this Lease. **Lessor** may, from time to time, without prejudice to any other remedy, use all or a portion of the security deposit to make good any arrearages of rent, to repair damages to the Premises caused by **Lessee**, to clean the Premises upon termination of this Lease or otherwise to satisfy any other covenant or obligation of **Lessee** hereunder. Following any such application of the security deposit, **Lessee** shall pay to **Lessor** on demand the amount so applied in order to restore the security deposit to its original amount. If **Lessee** is not in default at the termination of this Lease, after **Lessee** surrenders the Premises to **Lessor** in accordance with this Lease and all amounts due **Lessor** from **Lessee** are finally determined and paid, the balance of the security deposit shall be returned to **Lessee**. If **Lessor** transfers its interest in the Premises during the Lease term, **Lessor** may assign the security deposit to the transferee and thereafter shall have no further liability for the return of such security deposit. **Lessor** shall not be required to segregate the security deposit from its other accounts.

**5.23 EXISTING CONDITIONS.** **Lessee** accepts the Premises in their "as is" and "current" condition. Notwithstanding the foregoing, **Lessor** shall be responsible for the maintenance and repair of the plumbing and the heating and air conditioning systems at the commencement of the lease term and for the first 45 days of the lease term.

**5.24 SEPARATE METER.** **Lessor** and **Lessee** understand and agree that **Lessee** shall be responsible for the payment of electrical service for the Premises. **Lessee** shall cause Alabama Power Company to install a separate electric meter for all electrical usage for the Premises, including the heating and air conditioning system. Alabama Power Company shall read the meter monthly and bill **Lessee** directly.

**5.25 OPTION TO PURCHASE.** Provided **Lessee** is not in default of any of the terms and conditions of this Lease, **Lessee** shall have the right to purchase the herein described property at any time during the term of this Lease at the price of One Hundred Ten Thousand and 00/100 Dollars ($110,000.00).

**Lessee** shall have thirty (30) days to notify **Lessor** of **Lessee's** desire to exercise its right of first refusal to purchase the property by delivering, or mailing, postage prepaid, certified mail, notice to **Lessor** or **Lessor's Agent** stating that the **Lessee** is exercising his right to purchase by presenting an offer to purchase with no contingencies at or above the sales price offered by the heretofore mentioned contract and shall deposit with **Lessor's/Seller's Agent's** ~~escrow Ten Thousand and 00/100 Dollars ($10,000.00) as earnest money to apply towards the purchase price, and no further writing need be executed by the Lessee or Lessor.~~ $110,000.

5.26 **PERSONAL GUARANTEE OF LEASE** attached and made a part of this Lease Agreement.

5.27 Notwithstanding anything contained herein to the contrary, **Lessor** acknowledges that a portion of the Premises is presently leased to General Services Administration, and in the event that **Lessor** is unable to obtain a modification of the General Services Administration Lease acceptable to **Lessor** removing the presently leased portion from the General Services Administration Lease on or before April 1, 1996, the **Lessor** shall have the right to terminate this Lease by notice to **Lessee**, and all rights and obligations hereunder shall cease and terminate and this Lease shall be of no further force and effect.

IN WITNESS WHEREOF, the parties hereto have executed the above and foregoing Lease on the day and year first above written.

**WITNESS:**

**PIZITZ REALTY COMPANY**

By _____
As Its VICE PRES
**LESSOR**

**WITNESS:**

**AMERICAN MARKETING MANAGEMENT ~~NETWORK~~ OF CORPORATION**

By Deborah Pumpkin
As Its President
**LESSEE**

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## LESSOR ACKNOWLEDGMENT

STATE OF ALABAMA

COUNTY OF JEFFERSON

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that RICHARD PIZITZ of PIZITZ REALTY COMPANY, whose name as VICE PRESIDENT, is signed to the foregoing instrument, and who is known to me, acknowledged before me this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation as of the day the same bears date.

GIVEN under my hand and seal, this the 18 day of MARCH 1996.

Carolyn H. Lowe
NOTARY PUBLIC
[SEAL]

My Commission Expires:

9-18-98

## LESSEE ACKNOWLEDGMENT

STATE OF Alabama

COUNTY OF Jefferson

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Deborah Lumphin of AMERICAN MARKETING MANAGEMENT DC ~~NETWORK~~ CORPORATION, whose name as President, is signed to the foregoing instrument, and who is known to me, acknowledged before me this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation as of the day the same bears date.

GIVEN under my hand and seal, this the 15 day of March 1996.

Elvira Willoughby Williams
NOTARY PUBLIC
[SEAL]

My Commission Expires:

11-22-99

PERSONAL GUARANTEE OF LEASE dated 3/15/96 BETWEEN RITZ REALTY COMPANY AND AMERICAN MARKET MANAGEMENT CORP D/B/A ETC

In consideration of the making of this Lease by the Landlord with the Tenant and in Landlord's reliance on this Guaranty, the undersigned, and each of them jointly and severally, hereby guarantees the payment of the rent to be paid by the Tenant and the performance by the Tenant of all the terms, conditions, covenants and agreements of the Lease, and the undersigned promises to pay all the Landlord's expenses, including reasonable attorneys' fees, incurred by the Landlord in enforcing all obligations of the Tenant under the Lease or incurred by the Landlord in enforcing this Guaranty. The Landlord's consent to any assignment or assignments and successive assignments by the Tenant and Tenant's assignees, of this Lease, made either with or without notice to the undersigned, or a changed or different use of the demised Premises, or Landlord's forbearance, delays, extensions of time or any other reason whether similar to or different from the foregoing shall not release the undersigned from liability as guarantor.

Dated: 3-15-96

Earl F. Hilliard

Earl F. Hilliard
Guarantor

John R. Hilliard
WITNESS

# EXHIBIT 19



## DECLARATION

I, Toni Knight, residing at 705 21st Avenue, N.W., Birmingham, AL 35215 make the following declaration:

1. In the early part of 1996, I was involved in the formation and operation of a business entity known as the American Management and Marketing Corporation ("AMMC"). I was a member of the Board of Directors of AMMC. I was also a Vice President of AMMC.

2. AMMC was founded and incorporated for the purpose of operating a radio station. This radio station was owned by the American Trust Corporation and was located in Prattville, Alabama, and had the call letters WIQR.

3. I became involved in AMMC at the suggestion of Earl F. Hilliard. Earl F. Hilliard wanted me to be involved due to my approximately 17 years of experience in radio. My involvement in AMMC was to include setting up and operating the radio station in Montgomery, Alabama, and helping to turn the radio station into a profitable business enterprise. At the time I first became involved, the radio station was located in a trailer in Prattville, Alabama. AMMC leased the radio station from American Trust Corporation and agreed to pay a fee every month for use of the radio station.

4. The other individuals involved in this business venture included John Hilliard and Deborah Lumpkin. I accompanied Earl Hilliard during a visit to the radio station at its location in Prattville, Alabama.

5. In connection with my involvement with AMMC, I visited a building located at 1614 3rd Avenue North approximately two times for meetings. I do not know whether or not the office was a campaign office for the Hilliard for Congress Campaign or any campaign activities taking place in that building.

6. I made several trips to Montgomery, Alabama to locate office space for AMMC. I located a property at 128 Lee Street in Montgomery, Alabama that was available for leasing by AMMC.

7. On or about March 15, 1996, I negotiated a lease of 128 Lee Street in Montgomery, Alabama with Pizitz Realty Company. The lessor wanted a guarantor of the lease because AMMC was a new company, and Earl F. Hilliard agreed to be the guarantor. 128 Lee Street in Montgomery, Alabama was leased by AMMC for the exclusive purpose of housing a radio station in it. The property was not leased for any other purpose during my short involvement. After my involvement ceased, I had no knowledge of how this building was used by Mr. Hilliard.

DECLARATION OF TONI KNIGHT
Page 2

8. It was my intention to operate WIQR as a Christian radio station, and that the rent for use of 128 Lee Street in Montgomery, Alabama would be paid with funds raised through sales of radio advertising.

9. AMMC never became a profitable business enterprise, and WIQR never moved into 128 Lee Street in Montgomery, Alabama while I was involved with AMMC. My involvement in AMMC ended in approximately July 1996. I visited 128 Lee Street in Montgomery, Alabama approximately five times during my involvement in AMMC. My most recent visit to 128 Lee Street in Montgomery, Alabama was in July of 1996, and at the time of this visit the property was still vacant.

10. While I was involved with AMMC, AMMC did not sublease 128 Lee Street in Montgomery, Alabama to American Trust Corporation or the Hilliard for Congress Campaign. I have no knowledge or awareness of the use of the property located at 128 Lee Street in Montgomery, Alabama by the Hilliard for Congress Campaign.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on Friday Oct 13, 2000

Toni Knight

# EXHIBIT 20

**DECLARATION**

I, Richard Pizitz, formerly Vice President of Pizitz Realty Company, a dissolved Alabama corporation, 2140 Eleventh Avenue South, Suite 318, Birmingham, Alabama 32505, make the following declaration:

1. From January of 1996 until the time of its sale in June of 1997, Pizitz Realty Company ("Pizitz") owned the property of 128 Lee Street in Montgomery, Alabama. This property was managed for Pizitz by Aronov Realty Management, Inc. ("Aronov").

2. On or about March 15, 1996, following negotiations and the agreement by Congressman Earl F. Hilliard to act as guarantor of the lease, Pizitz approved a lease of space in 128 Lee Street, Montgomery, Alabama to the American Management and Marketing Corporation ("AMMC"). Congressman Hilliard, who Pizitz understood to be involved with AMMC, provided personal financial information to demonstrate that he had the financial means to serve as guarantor of the lease. Because AMMC was a new company, Pizitz was unwilling to lease the property to AMMC in the absence of Congressman Hilliard's agreement to serve as guarantor and to furnish a financial statement.

3. In September of 1996, Pizitz became aware that rent for the leased space was past due in the amount of $4,000. As guarantor, Representative Earl Hilliard was notified. Both Representative Hilliard and AMMC were informed that should past due rent not be paid promptly, legal action would be taken.

4. At no point during AMMC's tenancy with Pizitz at 128 Lee Street, were we notified or aware of a sublease of that space. According to the leasing agreement, the consent of Pizitz was required prior to any assignment or sublease of the premises. To my knowledge neither Pizitz nor Aronov ever consented to the sublease of this property or its use by anyone other than AMMC. I have no knowledge of the use or occupancy of that property at any time by the Hilliard For Congress Campaign or the American Trust Corporation.

5. In June 1997, the property, 128 Lee Street, Montgomery, Alabama was sold by Pizitz Realty Company to Colonial Bank.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on OCT 5, 2000

Richard Pizitz

Richard Pizitz, Vice President
Pizitz Realty Company

# EXHIBIT 21

Mar. 20 '96 17:23 1234 AMERICAN TRUST TEL 2053247589 P. 1

TO: DATE 3/20/96

NAME Mr. Richard Pitts

FAX # 879-8579

PHONE #

NUMBER OF PAGES, INCLUDING COVER SHEET

FROM:

NAME: Earl F. Hilliard

FAX # (205) 324-2589

PHONE #

MESSAGE:

EARL F. HILLIARD

MARCH 1, 1996

BALANCE SHEET

| ASSETS | | LIABILITIES | |
|---|---|---|---|
| Cash | 9,500.00 | Short term liabilities | 3,000.00 |
| Savings | 6,100.00 | U. S. Gov't Obligations | 81,000.00 |
| Deferred Comp | 55,000.00 | Total Liabilities | 84,000.00 |
| Stock | 183,000.00 | Net Worth | 177,600.00 |
| Real Estate | 8,000.00 | Net Worth & Liabilities | 261,600.00 |
| Total Assets | 261,600.00 | | |

Earl F. Hilliard

EARL F. HILLIARD

## AMERICAN TRUST CORPORATION

## FINANCIAL STATEMENT

ASSETS:

| | |
|---|---|
| CURRENT ASSETS - CASH | $ 2.300.00 |
| ACCOUNT/TRADE RECEIVABLE | $ 93,000.00 |
| INVENTORY- FURNITURE & EQUIPMENT | $ 20,000.00 |
| FIXED ASSETS | $ 250,000.00 |
| TOTAL ASSETS | $ 365,300.00 |

LIABILITIES:

| | |
|---|---|
| CURRENT LIABILITIES | $ 3,000.00 |
| LONG TERM LIABILITIES | $ 13,000.00 |
| OTHER LIABILITIES | $ 8,000.00 |
| TOTAL LIABILITIES | $ 24,000.00 |

NET WORTH (assets less liabilities) *$341,300.00*

TOTAL LIABILITIES AND NET WORTH $365,300.00

## AMERICAN MANAGEMENT AND MARKETING CORPORATION

## FINANCIAL STATEMENT AS OF MARCH 6, 1996

**ASSETS:**

| | |
|---|---|
| CURRENT ASSETS - CASH | $5,450.00 |
| ACCOUNT/TRADE RECEIVABLE * | $4,550.00 |
| INVENTORY-FURNITURE AND EQUIPMENT | $15,000.00 |
| OTHER | |
| TOTAL | $25,000.00 |

**LIABILITIES:**

| | |
|---|---|
| CURRENT LIABILITIES | |
| LONG - TERM LIABILITIES | $3,500.00 |
| CURRENT LIABILITIES | 500.00 |
| OTHER LIABILITIES | |
| TOTAL LIABILITIES | 4,000.00 |
| NET WORTH ( ASSETS MINUS LIABILITIES) | 21,000.00 |
| TOTAL ASSETS AND LIABILITIES | 25,000.00 |

AMERICAN MARKETING AND MANAGEMENT CORPORATION IS CURRENTLY LEASING THE RADIO STATION WIQR FROM THE AMERICAN TRUST CORPORATION.

The radio station will be managed by the American Marketing and Management Corporation . A copy of the lease agreement is attached for information purposes.

# EXHIBIT 22

**Aronov Realty Management, Inc.**
3500 Eastern Boulevard
Montgomery, Alabama 36116-1781
334-277-1000
FAX 334-272-0747

*Mailing Address:*
Post Office Box 235000
Montgomery, Alabama 36123-5000

ARONOV

Certified Mail

September 5, 1996

The Honorable Earl Hilliard
American Marketing Management Corporation
1614 3rd Ave.
Birmingham, AL 35203

RE: 128 Lee St.
Montgomery, AL

Dear Congressman Hilliard:

In reviewing our receivables, I noticed your account at the above referenced location is deliquent in the amount of $4,000.00 which represents rent for the months of June, 1996 thru September, 1996. Please insure that we receive payment in full in the form of a certified check no later than September 12, 1996 to avoid further action. In the event payment is not received by the above date, your account will be turned over to our attorneys.

Best Regards,

Scott Harris
Aronov Realty Management, Inc.

SH/cdr

cc: Richard Pizitz

c:\wp51\ltr\hilliard.ltr

**Aronov Realty Management, Inc.**
3500 Eastern Boulevard
Montgomery, Alabama 36116-1781
334-277-1000
FAX 334-272-0747

*Mailing Address:*
Post Office Box 235000
Montgomery, Alabama 36123-5000

ARONOV

September 25, 1996

The Honorable Earl Hilliard
319 17th Street North
Suite 204
Birmingham, Alabama 35203

Re: 128 Lee Street
Montgomery, Alabama

Dear Congressman Hilliard:

This letter is to provide notification that your account at the above referenced property is delinquent in the amount of $4,000.00. We have not received a payment as outlined in my letter dated September 5, 1996. If rental payment in full is not received prior to October 3, 1996, the account will be turned over to our attorney for collection. I am addressing this letter to you as we have received no response from American Marketing and you have personally guaranteed this lease.

Please contact me should you have any questions.

Sincerely,

Scott Harris
Aronov Realty Management, Inc.

JSH/nlk

**Aronov Realty Management, Inc.**
3500 Eastern Boulevard
Montgomery, Alabama 36116-1781
334-277-1000
FAX 334-272-0747

*Mailing Address:*
Post Office Box 235000
Montgomery, Alabama 36123-5000

**ARONOV**

September 30, 1996

Mr. Richard Pizitz
Pizitz Management Group
2140 Eleventh Avenue South
Suite 318
Birmingham, Alabama 35205

Dear Dick:

Per our discussion, I have been in touch with Earl Hilliard over the last couple of weeks and he has assured me that American Marketing intends to occupy the space and bring current their rental account. To date, we have not received any rental payments and they are delinquent in the amount of $4,000.00. I have written two letters to Congressman Earl Hilliard requesting payment be received in full no later than October 3, 1996 per the attached.

In addition, I am in discussions with GSA regarding the lump sum reimbursements on the Pre-Trial lease. The slab to slab partition in the restroom was handled by the attached amendment and the secured closet with shelving and walls, slab to slab was deleted from the scope of work. We will be receiving reimbursements for the plywood shelves, drawers and bullet proof panel.

As it relates to your August 30th memo, we are attaching aging reports to your financial statements for your review. This will inform you of the current status of all tenants in the building. Also requested in your August 30th memo where copies of Jim Richardson's bills which have previously been forwarded for your review. We have also answered questions regarding Jenilyn's Creations, *i.e.* the $600 expense in July of 1996 was a payment for the months of May, June and July.

Please contact me should you have additional questions.

Sincerely,

Scott Harris
Aronov Realty Management, Inc.

JSH/nlk

Attachments

Overnight mailed
9/30/96 3:45 P.M.

**AMERICAN MARKETING & MANAGEMENT CORPORATION**
**P. O. BOX 11385**
**BIRMINGHAM, ALABAMA 35202**

October 23, 1997

Scott Harris
Aronov Realty Management, Inc.
3500 Eastern Blvd.
Montgomery, AL 36116-1781

Re: 128 Lee Street
Account Number: 620-9748

Dear Ms. Reeder:

I am extremely sorry that American Marketing and Management Corporation has been unable to pay the rent for the past three months however, the radio station WIQR 1410 is off the air because the City of Prattville without permission entered onto the station property, laid several lines and destroyed the ground system of the station towers. The station has been off the air since that time.

We have tried to settle the matter without going to Court but the situation is such that we will probably have to litigate the matter, which may take years to resolve. The firm has no other source of income. Thus, the firm needs relief from the rent obligations that it is unable to pay at this time.

We have rented a small storage space to store our equipment and furniture and are prepared to move out before the end of this month if we can agree on a termination of the lease. Any help that you can give us at this time would be appreciated.

If you desire additional information or have any questions, please do not hesitate to contact me at (205) 324-7575.

Sincerely,

John R. Hilliard

John R. Hilliard
Manager

LAW OFFICES
CHAMBLESS, MATH & MOORE
A PROFESSIONAL CORPORATION

5720 CARMICHAEL ROAD
MONTGOMERY, ALABAMA 36117

KAREN P. CHAMBLESS
MARK N. CHAMBLESS
LEONARD N. MATH*
BRIAN W. MOORE
DEBORAH G. KNIGHT

*ALSO ADMITTED TO ILLINOIS BAR

MAILING ADDRESS
P. O. BOX 230759
36123-0759

TELEPHONE:
(334) 272-2230

FAX:
(334) 272-1955

RECEIVED
NOV 05 1997

November 4, 1997

**Personal and Confidential**

**Return Receipt Requested**

Earl F. Hilliard, Esq. (Guarantor)
314 17th Street North
Birmingham, Alabama 35202

RE: American Marketing Lease Guarantee
128 Lee Street, Montgomery, Alabama
Past Due Rental Charges

Dear Mr. Hilliard:

This firm has been retained to represent Pizitz Realty Company in the collection of past due rental charges occurring prior to the sale of the property on June 24, 1997. Our client has informed us that rental charges remain outstanding dating back to March, 1997. The total past due rental charges, excluding attorney's fees, interest, or costs incurred, are $5,080.00, plus a $350.00 fee. As personal guarantor, we demand your immediate payment of same.

The rental charges due, as stated in the above paragraph, reflect your outstanding lease payments through the month of June, 1997. On June 24, 1997, the underlying property was sold by Pizitz Realty Company to Colonial Bank. All rights existing pursuant to the lease agreement including future rent were transferred to Colonial Bank upon the sale. The request made in the letter dated October 23, 1997, to have Scott Harris of Aronov Realty Management, Inc., or Pizitz Realty Company, waive future rental charges due is a legal right of Colonial Bank. Neither Scott Harris of Aronov Realty, nor Pizitz Realty Company has the authority to waive future rents. This authority rests upon Colonial Bank. You must contact Colonial Bank to discuss the release of rents occurring after June 1997.

Due to the failure and refusal of American Marketing Management Corporation to pay the rental charges owed to Pizitz Realty Company, the guarantee agreement requires that you pay the past due rental charges as well as reasonable attorney's fees and expenses. The courts of Alabama generally award attorney's fees of up to 33.33% of any amount owed, including principal, interest, attorney fees, expenses, and court costs incurred. Therefore, if this matter goes to court, you will most certainly be responsible for the above items, including attorney fees.

However, if payment in the amount of $5,330.00, which includes an attorney fee of $250.00, is received within ten (10) days from the date of this letter, Pizitz Realty Company will agree to accept this as payment in full on your account through June, 1997. If, however, we do not receive the funds within ten days, we will proceed with suit.

As this matter has been referred to our office for collection, we request that all future communications concerning this past due account be referred to this office.

Sincerely yours,
CHAMBLESS, MATH & MOORE, P.C.

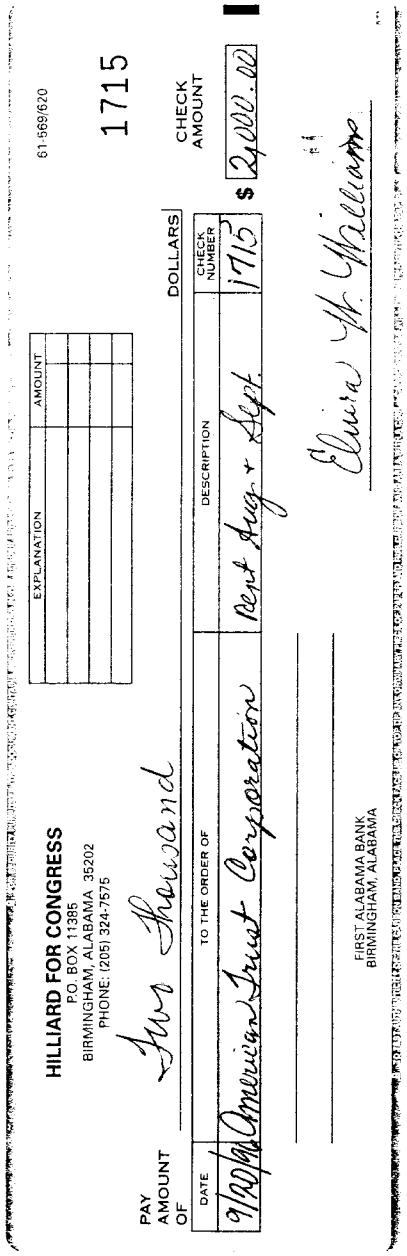
Mark N. Chambless

MNC/sbc

cc: AMERICAN MARKETING MANAGEMENT CORP.
Post Office Box 11385
Birmingham, Alabama 35202

Pizitz Realty Company
Aronov Realty

# EXHIBIT 23



HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

61-569/620

1715

PAY AMOUNT OF Two Thousand DOLLARS

CHECK AMOUNT $ 2000.00

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |
| | |

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 9/20/04 | American Trust Corporation | Rent Aug + Sept | 1715 |

Elvira W. Williams

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

⑈001715⑈ ⑆062005690⑆ 03 00083 9914⑈ ⑈0000200000⑈

American [redacted]st Corporation
6 993929

SE x 24

0620 05690

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1722

PAY AMOUNT OF Two Thousand and no/100 DOLLARS

CHECK AMOUNT

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | |
|---|---|---|---|---|
| 10/1/96 | American Trust Corporation | Rent Oct. + Nov. | 1722 | $ 2,000.00 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira W. Williams

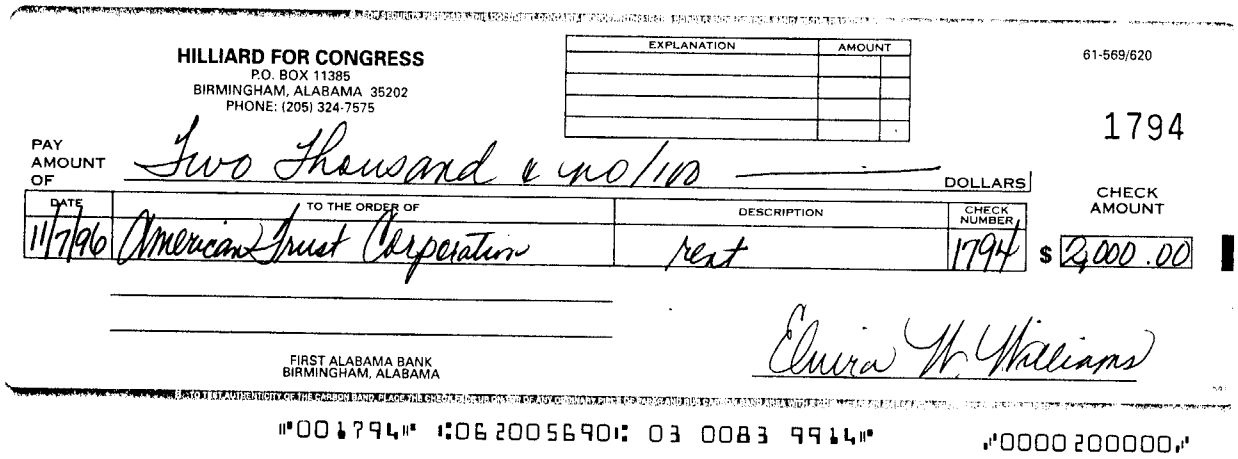
⑈001722⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000200000⑈

277

American Trust Corp
699939 29



0620 05690



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1794

PAY AMOUNT OF Two Thousand & no/100 DOLLARS

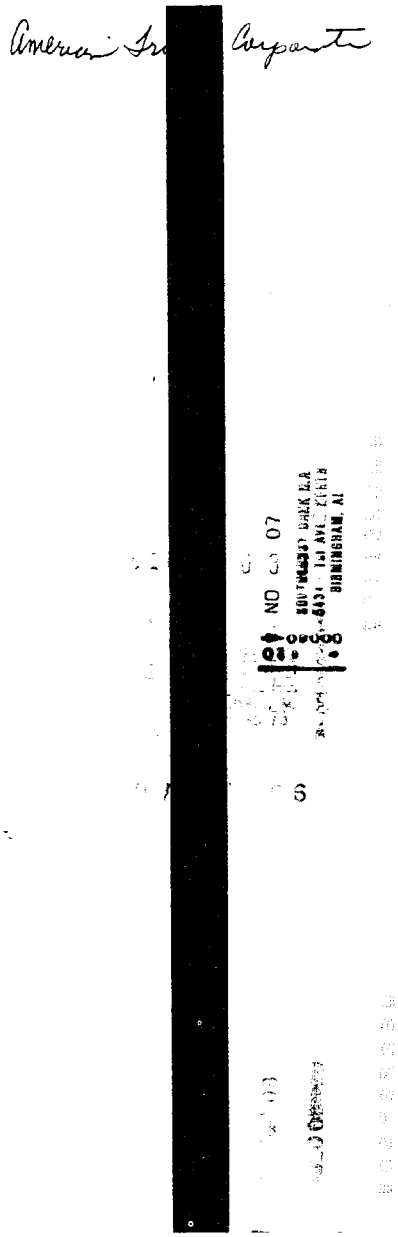
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | CHECK AMOUNT |
|---|---|---|---|---|
| 11/7/96 | American Trust Corporation | rent | 1794 | $ 2,000.00 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira W. Williams

TO TEST AUTHENTICITY OF THE CARBON BAND, PLACE THE CHECK FACE UPON SIDE OF ANY ORDINARY PIECE OF PAPER AND RUB CARBON BAND WITH A PENCIL ... [illegible]

⑈001794⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000200000⑈



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1804

PAY AMOUNT OF Two Thousand and no/100 DOLLARS

CHECK AMOUNT

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 11/9/96 | American Trust Corporation | rent | 1804 |

$ 2000.00

Elmira W. Williams

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

⑈001804⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000200000⑈

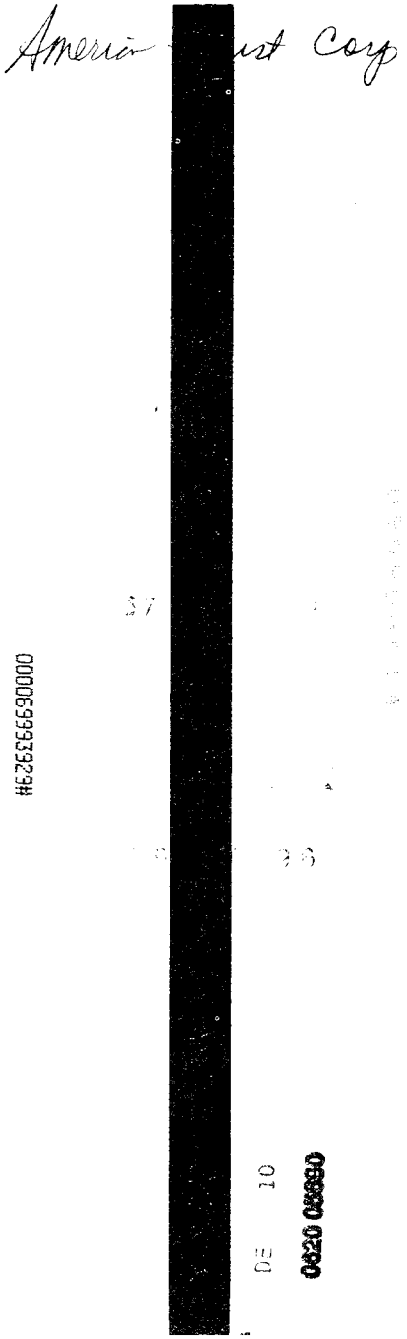
281

Americ[redacted]ust Corp.

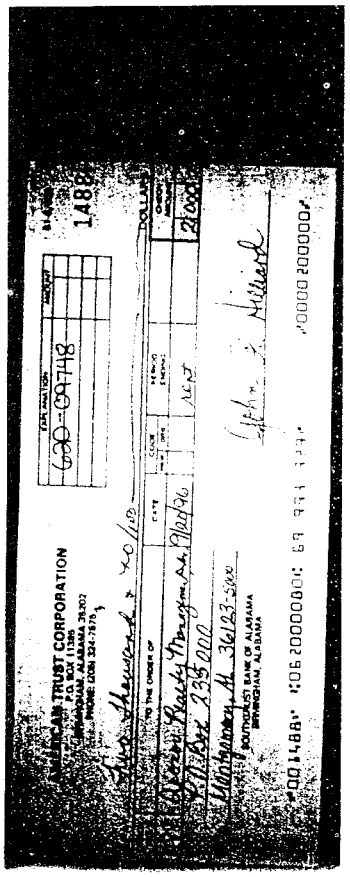
#9293699000

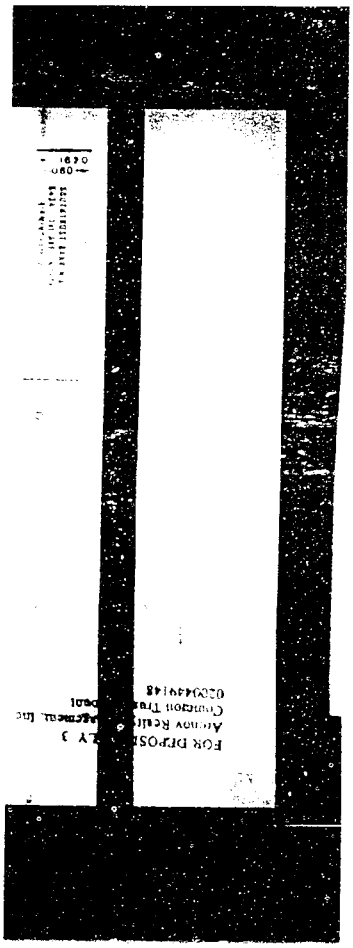
DE 10

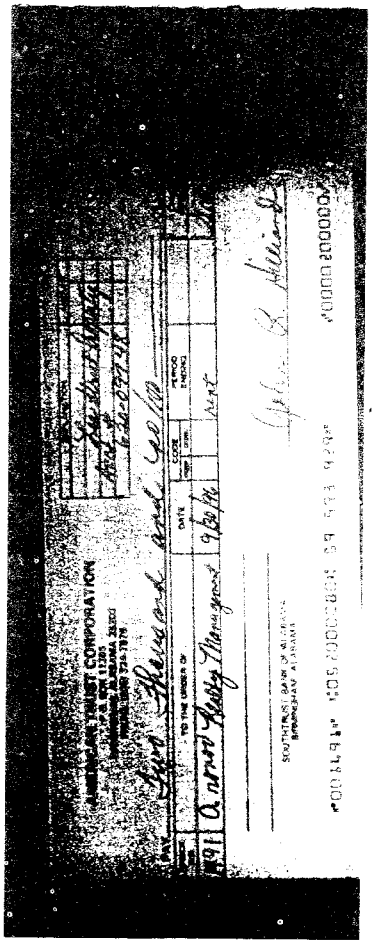
0620 05890

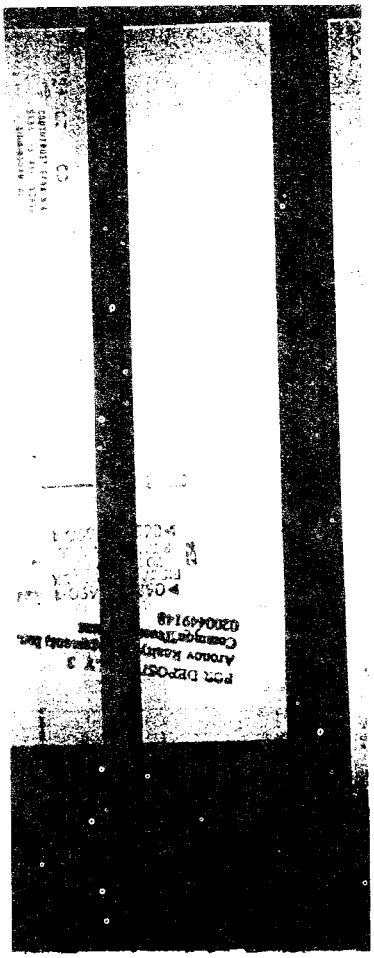


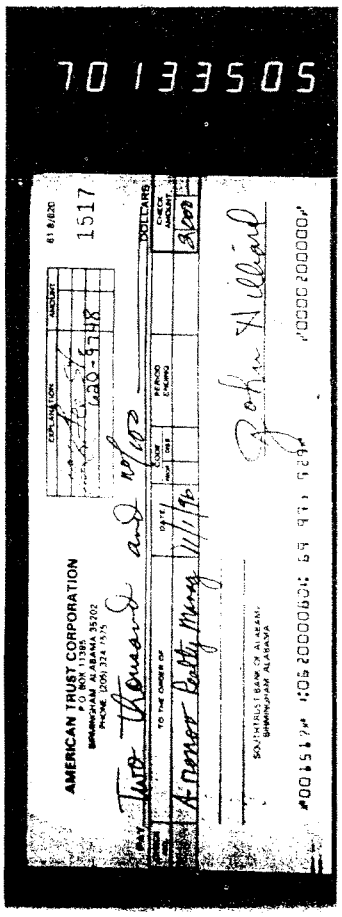
# EXHIBIT 24

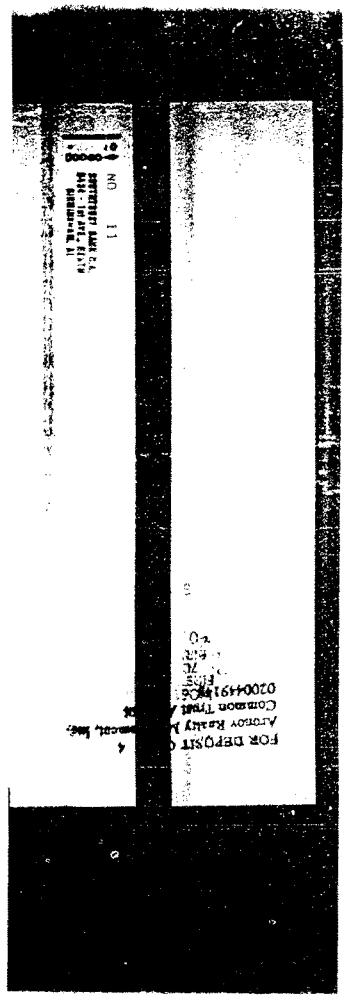

AMERICAN TRUST CORPORATION
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575
EXPLANATION
620-09748
1488
DOLLARS
TO THE ORDER OF
DATE
CODE
REF
CHECK NUMBER
21000
SOUTHEAST BANK OF ALABAMA
BIRMINGHAM, ALABAMA

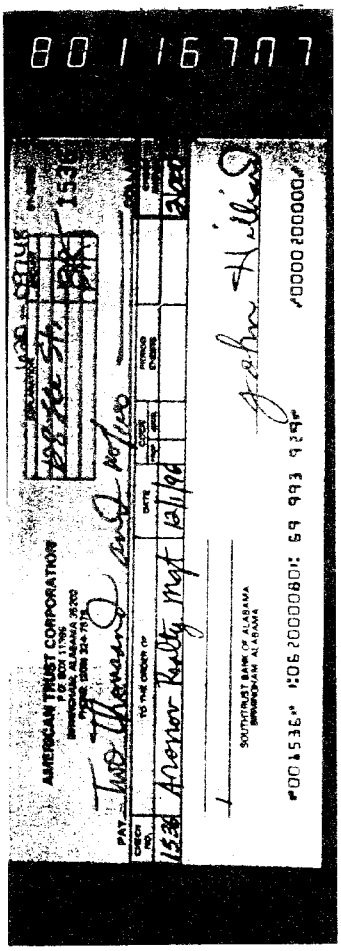


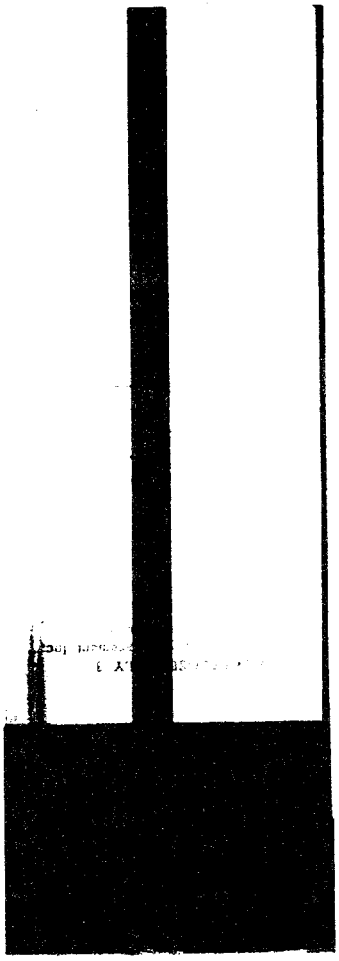

AMERICAN TRUST CORPORATION
TO THE ORDER OF
DATE
CODE
PERIOD ENDING
SOUTH TRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA




70133505
AMERICAN TRUST CORPORATION
P.O. BOX 11395
BIRMINGHAM ALABAMA 35202
PHONE (205) 324-7575
1517
DOLLARS
TO THE ORDER OF
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM ALABAMA


NO 11
FOR DEPOSIT


80116707
AMERICAN TRUST CORPORATION
PAY
TO THE ORDER OF
DATE
CHECK NO.
1536
Aronov Realty Mgt
12/1/96
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
⑈001536⑈ ⑆062000080⑆ 69 993 929⑈
⑈0000200000⑈



# EXHIBIT 25

603090071

## REPORT OF RECEIPTS AND DISBURSEMENTS

For An Authorized Committee
(Summary Page)

RECEIVED
FEDERAL ELECTION COMMISSION
MAIL ROOM

OCT 16 9 01 AM '96

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Hilliard For Congress Campaign

ADDRESS (number and street) [X] Check if different than previously reported.
P. O. Box 11385

CITY, STATE and ZIP CODE — STATE/DISTRICT
Birmingham, AL 35202-1385 — AL/07

2. FEC IDENTIFICATION NUMBER
C 00262816

3. IS THIS REPORT AN AMENDMENT?
[ ] YES [X] NO

### 4. TYPE OF REPORT

- [ ] April 15 Quarterly Report
- [X] July 15 Quarterly Report
- [ ] October 15 Quarterly Report
- [ ] January 31 Year End Report
- [ ] July 31 Mid-Year Report (Non-election Year Only)
- [ ] 12-Day Pre-Election Report for the _____ (Type of Election) election on _____ in the State of _____
- [ ] 30-Day Post-Election Report for the _____ (Type of Election) election on _____ in the State of _____
- [ ] Termination Report

This report contains activity for [ ] Primary Election [ ] General Election [ ] Special Election [ ] Runoff Election

### SUMMARY

| | | COLUMN A This Period | COLUMN B Calendar Year-to-Date |
|---|---|---|---|
| 5. | Covering Period 7/1/96 through 9/30/96 | | |
| 6. | Net Contributions (other than loans) | | |
| | (a) Total Contributions (other than loans) (from Line 11(a)) | 30,150.00 | 87,700.00 |
| | (b) Total Contribution Refunds (from Line 20(d)) | | |
| | (c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a)) | 30,150.00 | 87,700.00 |
| 7. | Net Operating Expenditures | | |
| | (a) Total Operating Expenditures (from Line 17) | 26,034.91 | 74,322.69 |
| | (b) Total Offsets to Operating Expenditures (from Line 14) | | |
| | (c) Net Operating Expenditures (subtract Line 7(b) from 7(a)) | 26,034.91 | 74,322.69 |
| 8. | Cash on Hand at Close of Reporting Period (from Line 27) | 13,259.94 | |
| 9. | Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D) | 15,272.04 | |
| 10. | Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D) | 42,426.00 | |

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

*I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.*

Type or Print Name of Treasurer
Rita Hall

Signature of Treasurer: Rita Hall — Date: 10/11/96

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FE6AN098

**FEC FORM 3**
(revised 4/87)

SCHEDULE B — ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 4 OF 5

FOR LINE NUMBER 17

Operating Expenditures

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Hilliard For Congress Campaign C00262816

| A. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
|---|---|---|---|
| Wendell Chambliss<br>1007 Longworth HOB<br>Washington, DC 20515 | reimbursement/travel<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 95/96 | 15.00 |
| B. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Spirit of Washington<br>Washington, DC | Rental/Catering<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/12/96 | 2,070.00 |
| C. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| William Parker<br>124 12th Avenue West<br>B'ham, AL 35204 | reimbursement lodging travel and meals<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/20/96 | 500.00 |
| D. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| American Trust Corporation<br>P. O. Box 11385<br>B'ham, AL 35202 | rent-Montgomery August & September<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/20/96 | 2,000.00 |
| E. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Jeff Germany<br>305 18th Street South<br>B'ham, AL 35222 | Party supplies/catering<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/25/96 | 1,000.00 |
| F. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Earl F. Hilliard<br>1625 Castleberry Way<br>B'ham, AL 35214 | Lodging, meals Congressional Black Caucus<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/30/96 | 1,345.00 |
| G. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Earl F. Hilliard<br>1625 Castleberry Way<br>B'ham, AL 35214 | reimbursement/lodging meals Southern Demo Summit<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/30/96 | 326.00 |
| H. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Internal Revenue Service<br>Memphis, TN 70515 | Penalty 6/30/96<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/30/96 | 6.56 |
| I. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Per |
| Alabama Income Tax Division<br>Montgomery, AL 36130 | Penalty & Interest<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Oct. Quarterly | 9/30/96 | 343.85 |

SUBTOTAL of Disbursements This Page (optional) ..... 7,606.41

TOTAL This Period (last page this line number only) .....

5031110200

# REPORT OF RECEIPTS AND DISBURSEMENTS

**For An Authorized Committee**
**(Summary Page)**

RECEIVED
FEDERAL ELECTION
COMMISSION MAIL ROOM

Oct 24 9 15 AM '96

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Hilliard For Congress Campaign

ADDRESS (number and street) ☐ Check if different than previously reported.
P. O. Box 11385

CITY, STATE and ZIP CODE
Birmingham, AL 35202-1385

STATE/DISTRICT
Alabama/07

2. FEC IDENTIFICATION NUMBER
C00262816

3. IS THIS REPORT AN AMENDMENT?
☐ YES ☒ NO

## 4. TYPE OF REPORT

☐ April 15 Quarterly Report
☐ July 15 Quarterly Report
☐ October 15 Quarterly Report
☐ January 31 Year End Report
☐ July 31 Mid-Year Report (Non-election Year Only)

☒ 12-Day Pre-Election Report for the General (Type of Election) election on 11/5/96 in the State of Alabama
☐ 30-Day Post-Election Report for the _____ (Type of Election) election on _____ in the State of _____
☐ Termination Report

This report contains activity for ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

## SUMMARY

| | | COLUMN A This Period | COLUMN B Calendar Year-to-Date |
|---|---|---|---|
| 5. | Covering Period 10/1/96 through 10/16/96 | | |
| 6. | Net Contributions (other than loans) | | |
| | (a) Total Contributions (other than loans) (from Line 11(a)) | 9,825.00 | 97,525.00 |
| | (b) Total Contribution Refunds (from Line 20(d)) | | |
| | (c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a)) | 9,825.00 | 97,525.00 |
| 7. | Net Operating Expenditures | | |
| | (a) Total Operating Expenditures (from Line 17) | 14,150.96 | 108,079.50 |
| | (b) Total Offsets to Operating Expenditures (from Line 14) | | |
| | (c) Net Operating Expenditures (subtract Line 7(b) from 7(a)) | 14,150.96 | 108,079.50 |
| 8. | Cash on Hand at Close of Reporting Period (from Line 27) | 7,514.48 | |
| 9. | Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D) | 15,272.04 | |
| 10. | Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D) | 42,426.00 | |

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

*I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.*

Type or Print Name of Treasurer
Rita Hall

Signature of Treasurer
Rita Hall

Date
10/ 18 /96

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FE5AN111

FEC FORM 3
(revised 4/87)

5031110914

**SCHEDULE B** **ITEMIZED DISBURSEMENTS**

Operating Expenditures

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 3

FOR LINE NUMBER 17

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

**NAME OF COMMITTEE (In Full)**

Hilliard For Congress C00262816

| A. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
|---|---|---|---|
| Charles Foster<br>1849 14th Street North<br>Birmingham, AL 35234 | Polling<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre General | 10/1/96 | 2,300.00 |
| B. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Bush Signs<br>300 May Street<br>MOntgomery, AL 36104 | campaign signs<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 2,808.00 |
| C. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| American Trust Corporation<br>P. O. Box 11385<br>Birmingham, AL 35202 | rent, Oct. & Nov.<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 2,000.00 |
| D. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| William Parker<br>124 12th Avenue West<br>Birmingham, AL 35204 | Polling<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 50.00 |
| E. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Federal Express<br>P. O. Box 167<br>Memphis, TN 38101 | Express Mail<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/3/96 | 13.00 |
| F. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| New South Coalition<br>207 Montgomery Street, Bell Bldg.<br>Montgomery, AL 36104 | Advertisement<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 400.00 |
| G. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Sandy's Flowers<br>1482 Pearson Avenue, S.W.<br>B'ham, AL 35211 | Flowers<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 81.38 |
| H. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Democratic Club<br>30 Ivy Street, S.W.<br>Washington, DC 20515 | Lunch<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 101.26 |
| I. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Lifting Christ Worship Center<br>1612 3rd Avenue North<br>B'ham, AL 35203 | Banquet<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Pre-General | 10/1/96 | 80.00 |

**SUBTOTAL** of Disbursements This Page (optional) ..... 7,833.64

**TOTAL** This Period (last page this line number only) .....

FSAN659

031584

# REPORT OF RECEIPTS AND DISBURSEMENTS

**For An Authorized Committee**
(Summary Page)

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM
DEC 10 3 00 PM '96

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Hilliard For Congress Campaign

ADDRESS (number and street) ☐ Check if different than previously reported.
P. O. Box 11385

CITY, STATE and ZIP CODE — STATE/DISTRICT
Birmingham, AL 35202-1385 — Alabama/07

2. FEC IDENTIFICATION NUMBER
C00262816

3. IS THIS REPORT AN AMENDMENT?
☐ YES ☒ NO

## 4. TYPE OF REPORT

☐ April 15 Quarterly Report
☐ July 15 Quarterly Report
☐ October 15 Quarterly Report
☐ January 31 Year End Report
☐ July 31 Mid-Year Report (Non-election Year Only)
☐ 12-Day Pre-Election Report for the _____ (Type of Election) election on _____ in the State of _____
☒ 30-Day Post-Election Report for the General (Type of Election) election on 11/5/96 in the State of Alabama
☐ Termination Report

This report contains activity for ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

## SUMMARY

| | | COLUMN A This Period | COLUMN B Calendar Year-to-Date |
|---|---|---|---|
| 5. | Covering Period 10/17/96 through 11/25/96 | | |
| 6. | Net Contributions (other than loans) | | |
| | (a) Total Contributions (other than loans) (from Line 11(e)) | 20,550.00 | 118,075.00 |
| | (b) Total Contribution Refunds (from Line 20(d)) | | |
| | (c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a)) | 20,550.00 | 118,075.00 |
| 7. | Net Operating Expenditures | | |
| | (a) Total Operating Expenditures (from Line 17) | 27,311.63 | 115,785.28 |
| | (b) Total Offsets to Operating Expenditures (from Line 14) | | |
| | (c) Net Operating Expenditures (subtract Line 7(b) from 7(a)) | 27,311.63 | 115,785.28 |
| 8. | Cash on Hand at Close of Reporting Period (from Line 27) | 367.85 | |
| 9. | Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D) | 15,272.64 | |
| 10. | Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D) | 37,294.00 | |

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

*I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.*

Type or Print Name of Treasurer
Elizabeth Redmond

Signature of Treasurer
Elizabeth Redmond

Date
12/4/96

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FEC FORM 3
(revised 4/87)

FE6AN098

5031584178

SCHEDULE B ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 3 OF 7

FOR LINE NUMBER 17

Operating Expenditures

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Hilliard For Congress Campaign

| A. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
|---|---|---|---|
| Rev. AL Dixon<br>Montgomery, AL | media<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/4/96 | 400.00 |
| B. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Earl F. Hilliard<br>1625 Castleberry Way<br>B'ham, AL 35214 | refreshments Party supplies<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/4/96 | 250.00 |
| C. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| The Democrat<br>P. O. box 369<br>Greensboro, AL | Media<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/4/96 | 396.00 |
| D. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Concerned Citizens of Bessemer<br>1620 Carriage House Road<br>Bessemer, AL | Polling<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/2/96 | 2,000.00 |
| E. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Pickwick Hotel<br>2024 20th Street South<br>B'ham, AL 36205 | Suite Rental<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/4/96 | 170.00 |
| F. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Dexter Williams<br>713 20th Avenue West<br>B'ham, AL 35204 | Polling<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/5/96 | 290.00 |
| G. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| American Trust Corporation<br>P. O. Box 11385<br>B'ham, AL 35202 | rent<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/7/96 | 2,000.00 |
| H. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Greyhound Bus Lines<br>15110 North Dallas Pkwy.<br>Dallas, TX 75248 | Shipping/pickup<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/13/96 | 8.30 |
| I. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| American Maritime Officers Club<br>490 L'Enfant Plaza<br>Washington, DC 20024 | rental<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Post General | 11/20/96 | 300.00 |

SUBTOTAL of Disbursements This Page (optional) 5,814.30

TOTAL This Period (last page this line number only)

SAMPLE

812:36

# REPORT OF RECEIPTS AND DISBURSEMENTS

**For An Authorized Committee**
(Summary Page)

FEB 7 9 21 AM '97

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Hilliard For Congress Campaign

ADDRESS (number and street) ☐ Check if different than previously reported.
P. O. Box 11385

CITY, STATE and ZIP CODE — STATE/DISTRICT
Birmingham, Alabama 35202 — AL 07

2. FEC IDENTIFICATION NUMBER
C00262816

3. IS THIS REPORT AN AMENDMENT? ☐ YES ☒ NO

## 4. TYPE OF REPORT

- ☐ April 15 Quarterly Report
- ☐ July 15 Quarterly Report
- ☐ October 15 Quarterly Report
- ☒ January 31 Year End Report
- ☐ July 31 Mid-Year Report (Non-election Year Only)
- ☐ 12-Day Pre-Election Report for the _____ (Type of Election) election on _____ in the State of _____
- ☐ 30-Day Post-Election Report for the _____ (Type of Election) election on _____ in the State of _____
- ☐ Termination Report

This report contains activity for: ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

## SUMMARY

| | | COLUMN A This Period | COLUMN B Calendar Year-to-Date |
|---|---|---|---|
| 5. | Covering Period 11/26/96 through 12/31/96 | | |
| 6. | Net Contributions (other than loans) | | |
| | (a) Total Contributions (other than loans) (from Line 11(e)) | 4,709.00 | 122,775.00 |
| | (b) Total Contribution Refunds (from Line 20(d)) | | |
| | (c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a)) | 4,709.00 | 122,775.00 |
| 7. | Net Operating Expenditures | | |
| | (a) Total Operating Expenditures (from Line 17) | 4,331.96 | 120,117.74 |
| | (b) Total Offsets to Operating Expenditures (from Line 14) | | |
| | (c) Net Operating Expenditures (subtract Line 7(b) from 7(a)) | 4,331.96 | 120,117.74 |
| 8. | Cash on Hand at Close of Reporting Period (from Line 27) | 335.89 | |
| 9. | Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D) | 15,272.04 | |
| 10. | Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D) | 37,394.00 | |

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

*I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.*

Type or Print Name of Treasurer
Elizabeth Redmond

Signature of Treasurer: Elizabeth Redmond — Date: 1/30/97

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FE6AN098

**FEC FORM 3**
(revised 4/87)

7031812150

HEDULE B — ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER 17

Operating Expenditures

ny information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial urposes, other than using the name and address of any political committee to solicit contributions from such committee

NAME OF COMMITTEE (In Full)

Hilliard For Congress Campaign C00262816

| A. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
|---|---|---|---|
| American Trust Corporation<br>P. O. Box 11385<br>Birmingham, AL 35202 | rent<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Year-end | 12/9/96 | 2,000.00 |
| B. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Earl F. Hilliard<br>1625 Castleberry Way<br>B'ham, AL 35214 | reimbursement for lodging and mileage<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) year-end | 12/10/96 | 672.96 |
| C. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Postmaster<br>351 24th Street North<br>B'ham, AL 35203 | Postage<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Year End | 12/11/96 | 32.00 |
| D. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| American Trust Advertising Agency<br>319 17th Street North, Suite 100<br>Birmingham, AL 35203 | media<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) year-end | 12/16/97 | 1,500.00 |
| E. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Kevin Arrington<br>1833 Mims Avenue, S.W.<br>B'ham, AL 35211 | Catering<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) year end | 12/16/96 | 32.00 |
| F. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| Elvira Williams<br>540 Wyatt Blvd.<br>Lincoln, AL 35096 | reimbursement/party supplies<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) year-end | 12/30/96 | 95.00 |
| G. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| | Disbursement for: [ ] Primary [ ] General<br>[ ] Other (specify) | | |
| H. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| | Disbursement for: [ ] Primary [ ] General<br>[ ] Other (specify) | | |
| I. Full Name, Mailing Address and ZIP Code | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
| | Disbursement for: [ ] Primary [ ] General<br>[ ] Other (specify) | | |

SUBTOTAL of Disbursements This Page (optional) .....

TOTAL This Period (last page this line number only) ..... 4,331.96

45

# EXHIBIT 26

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Representative Earl F. Hilliard, and in response to the subpoena issued to him on June 15, 2000 for (1) any and all documents and records relating to the ownership, lease, use or occupancy of real property or office space in Montgomery, Alabama by Hilliards and Company, Inc. or by any subsidiary of Hilliards and Company, Inc. during 1996 and 1997; (2) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (3) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Representative Hilliard stating that he does not have any of the records in question.

Regarding item (1), above, and as a matter of clarification, we have already submitted a copy of a lease with Pizitz Realty Company pursuant to an earlier subpoena to Elvira Williams. Not only did that document relate to space leased by American Trust Company (a subsidiary of Hilliards and Company, Inc.) from American Marketing Management Corporation but it was also the underlying instrument by which American Trust Company in turn subleased such rented space to the Hilliard for Congress campaign committee in Montgomery, Alabama. Since you already have the subject document, it is not again being submitted.

Sincerely yours,

Ralph L. Lotkin

Enclosure

**EARL F. HILLIARD**
**1625 CASTLEBERRY WAY**
**BIRMINGHAM, ALABAMA 35214**

July 5, 2000

Ralph L. Lotkin
Attorney at Law
201 Massachusetts Avenue, N.E., Suite C-1
Washington, DC 20002

Dear Attorney Lotkin:

I do not have any materials in my possession, custody or control, within the scope of the subpoena dated, June 15, 2000.

Sincerely,

Earl F. Hilliard

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Elvira Williams, Custodian of Records, Hilliard for Congress Campaign, and in response to the subpoena issued to her on June 15, 2000 for (1) any and all documents and records relating to the lease, use or occupancy of real property, office space, or premises of any kind in Montgomery, Alabama by the Hilliard for Congress campaign during the period July 1, 1996, through June 30, 1997, including but not limited to documents and records relating to expenditures for rent, there is enclosed a letter from Ms. Williams stating that she does not have any of the records in question.

As noted in her letter, materials relevant to the campaign rental of space have been submitted to the Committee and/or Investigative Subcommittee pursuant to prior requests and subpoenas. Consequently, Ms. Williams has no further or additional documents to submit.

Sincerely yours,

Ralph L. Lotkin

Enclosure

*ELVIRA W. WILLIAMS*
*540 WYATT BLVD.*
*LINCOLN, ALABAMA 35096*

June 21, 2000

Ralph L. Lotkin
Attorney at Law
201 Massachusetts Avenue, N.E., Suite C-1
Washington, DC 20002

Dear Attorney Lotkin:

In response to the subpoena request for additional information, as custodian of records for the Hilliard For Congress Campaign, I have previously submitted all records and documents in my possession as it relates to rental space in Montgomery for the time period of July 1, 1996 through June 30, 1997.

Aside from the materials I have previously provided, I have no records or documents for the African American Institute or the Alabama Film and Entertainment Council.

Sincerely,

Elvira W. Williams

Elvira W. Williams

# EXHIBIT 27

7032284.09

## REPORT OF RECEIPTS AND DISBURSEMENTS

For An Authorized Committee
(Summary Page)

RECEIVED
FEDERAL ELECTION
COMMISSION MAIL ROOM

Aug 3 3 42 PM '97

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Hilliard For Congress Campaign

ADDRESS (number and street) ☐ Check if different than previously reported
P. O. Box 11385

CITY, STATE and ZIP CODE — STATE/DISTRICT
Birmingham, AL 35202-1385 — Alabama/07

2. FEC IDENTIFICATION NUMBER
C00262816

3. IS THIS REPORT AN AMENDMENT?
☐ YES ☒ NO

### 4. TYPE OF REPORT

☐ April 15 Quarterly Report
☐ July 15 Quarterly Report
☐ October 15 Quarterly Report
☐ January 31 Year End Report
☒ July 31 Mid-Year Report (Non-election Year Only)
☐ 12-Day Pre-Election Report for the _____ (Type of Election) election on ____ in the State of ____
☐ 30-Day Post-Election Report for the _____ (Type of Election) election on ____ in the State of ____
☐ Termination Report

This report contains activity for: ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

### SUMMARY

| | | COLUMN A This Period | COLUMN B Calendar Year-to-Date |
|---|---|---|---|
| 5. | Covering Period 1-1-97 through 6-30-97 | | |
| 6. | Net Contributions (other than loans) | | |
| | (a) Total Contributions (other than loans) (from Line 11(e)) | 53,150.00 | 53,150.00 |
| | (b) Total Contribution Refunds (from Line 29(d)) | | |
| | (c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a)) | 53,150.00 | 53,150.00 |
| 7. | Net Operating Expenditures | | |
| | (a) Total Operating Expenditures (from Line 17) | 31,479.04 | 31,479.04 |
| | (b) Total Offsets to Operating Expenditures (from Line 14) | | |
| | (c) Net Operating Expenditures (subtract Line 7(b) from 7(a)) | 31,479.04 | 31,479.04 |
| 8. | Cash on Hand at Close of Reporting Period (from Line 27) | 21,936.35 | |
| 9. | Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D) | 15,272.04 | |
| 10. | Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D) | 38,872.00 | |

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

*I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.*

Type or Print Name of Treasurer: Elvira Williams, Assistant Treasurer

Signature of Treasurer: Elvira Williams — Date: 7/30/97

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FEC FORM 3
(revised 4/87)

97032284334

SCHEDULE B — ITEMIZED DISBURSEMENTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 2 OF 6

FOR LINE NUMBER: 17

Operating Expenditures

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Hilliard For Congress Campaign C00262816

| | Purpose of Disbursement | Date (month, day, year) | Amount of Each Disbursement This Period |
|---|---|---|---|
| A. Full Name, Mailing Address and ZIP Code<br>Democratic Congressional Campaign Committee<br>430 South Capitol<br>Wash., DC 20003 | (in kind contribution) research material<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) mid-year report | 3/18/97 | 300.00 |
| B. Full Name, Mailing Address and ZIP Code<br>Wendell Chambliss<br>1314 Longworth<br>Wash, DC 20515 | reimbursement for fundraiser<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid year report | 3/24/97 | 119.04 |
| C. Full Name, Mailing Address and ZIP Code<br>Phyllis Hallmon<br>1314 Longworth<br>Wash., DC 20515 | reimbursement for party supplies<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid-Year Report | 3/24/97 | 430.27 |
| D. Full Name, Mailing Address and ZIP Code<br>Kist Family Catering<br>1642 Vermont Ave. N.W.<br>Washington, DC | catering<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid Year Report | 3/28/97 | 550.00 |
| E. Full Name, Mailing Address and ZIP Code<br>Postmaster<br>351 24th Street North<br>B'ham, AL 35204 | Box Rental<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid Year | 4/1/97 | 172.00 |
| F. Full Name, Mailing Address and ZIP Code<br>American Advertising Agency<br>128 Lee Street<br>Montgomery, AL 36104 | Advertising Fees<br>Jan, Feb, March, April<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid Year Report | 4/10/97 | 6,000.00 |
| G. Full Name, Mailing Address and ZIP Code<br>Montgomery, Tuskegee Time<br>150 West Fairview Ave.<br>Montgomery, AL 36105 | Purpose of Disbursement<br>Advertising<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid Year | Date (month, day, year)<br>4/17/97 | Amount of Each Disbursement This Period<br>250.00 |
| H. Full Name, Mailing Address and ZIP Code<br>Jefferson County Citizens Coalition<br>1600 4th Avenue North<br>Birmingham, AL 35203 | Purpose of Disbursement<br>Dues<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid-Year Report | Date (month, day, year)<br>4/28/97 | Amount of Each Disbursement This Period<br>20.00 |
| I. Full Name, Mailing Address and ZIP Code<br>Jefferson County Democratic Conference<br>Carriage Hill Drive<br>Bessemer, AL 35020 | Purpose of Disbursement<br>Dues<br>Disbursement for: [ ] Primary [ ] General<br>[X] Other (specify) Mid Year Report | Date (month, day, year)<br>4/28/97 | Amount of Each Disbursement This Period<br>15.00 |

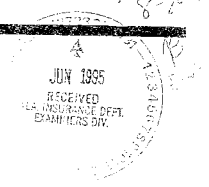
SUBTOTAL of Disbursements This Page (optional) ..... 7,856.31

TOTAL This Period (last page this line number only) .....

FEC Form 3 (6/95)

# EXHIBIT 28

American Trust Life Insurance Company
P.O. BOX 1985
BIRMINGHAM, ALABAMA 35202
205 324 7575




"I, John R. Hilliard, President, of American Trust Life Insurance Company hereby affirm that the listings and summaries of policies and contracts in force as of December 31, 1994, and other liabilities prepared for and submitted to John Ripandelli were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete and are the same as, or derived from, the in-force records and other data which form the basis for the annual statement(s)."

By _____
John R. Hilliard, President
American Trust Life Insurance Co.

JOHN S. RIPANDELLI, ACTUARY

*Member American Academy of Actuaries*
*Fellow Conference of Consulting Actuaries*
*Associate Casualty Actuarial Society*
*Member American Society Pension Actuaries*
*Enrolled Pension Actuary Federal Joint Board*
*Member Society of Financial Examiners*
*Certified Insurance Examiner*

Statement Of Actuarial Opinion

I, John S. Ripandelli, am an independent Consulting Actuary a member of the American Academy of Actuaries. I have been involved in the preparation of the annual statement of:

AMERICAN TRUST
Life Insurance Company
Birmingham, Alabama

I have examined the actuarial assumptions and actuarial methods used in determining policy reserves and related actuarial items listed below, where applicable, as shown in the annual financial statement for filing with a state's regulatory official, at December 31, 1994.

| | | |
|---|---|---|
| 1. | Aggregate Reserve for Life Policies | $ 351,500 |
| 2. | Policy & Contract Claims - Life | 722 |
| 3. | Aggregate Reserve For Deposit Funds | -0- |
| 4. | Cost of Collection In Excess of Loading | =0- |
| 5. | Net Deferred & Uncollected Premiums | -0- |

I relied upon the listings and summaries of policies sent me by the company prepared under the supervision of:

John R. Hilliard, President

In other respects, my examination included such review of actuarial assumptions and actuarial methods in addition to such tests of the underlying calculations as I considered necessary and sufficient.

In my opinion, the amounts carried on the balance sheet on account of the actuarial items listed above:

A. Are computed in accordance with commonly accepted actuarial standards consistently applied, and are fairly stated in accordance with sound actuarial principles.

B. Are based on actuarial assumptions which are in accordance with, or stronger than, those called for in policy provisions.

C. Meet the requirements of the insurance laws of Alabama.

P.O. Box 3552, Tallahassee, Florida 32315-3552, (904) 385-4940

D. Make good and sufficient provision for all unmatured obligations of the company the terms of its policies.

E. Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end.

F. Include provision for all actuarial reserves and related items which ought to be established.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

The undersigned has no financial interest either direct, or indirect, in the above Company.

Respectfully submitted,

John S. Ripandelli
FCA, ACAS, MAAA, CIE
Consulting Actuary

REGULATION NO. 55

FORM B

INSURANCE HOLDING COMPANY SYSTEM
REGISTRATION STATEMENT

Filed with the Insurance Department of the State of Alabama .

by

Hilliard and Company, Incorporated
*Name of Registrant*

On Behalf of the Following Insurance Companies:

| *Name* | *Address* |
|---|---|
| American Trust Life Insurance Company | 1614 3rd Avenue North Birmingham, Alabama 35203 |
| | |
| | |
| | |
| | |
| | |

Date: January 11, 1995

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

John R. Hilliard, President, 1614 3rd Avenue North, Birmingham, Alabama 35

Earl F. Hilliard, 1614 3rd Avenue North, Birmingham, AL 35203

1

Item 1. Identity and Control of Registrant

The exact name of the insurer being registered is American Trust Life Insurance Company and the home office address is 1614 3rd North Avenue, Birmingham, Alabama 35203, and its mailing address is P. O. Box 11385, Birmingham, Alabama 35202. The registrant became part of the isurance holding company system on September 30, 1977. The method by which control of the Registrant herein was acquired was through stock purchase and exchange of assets and is maintained by control of voting securities of Registrant.

Item 2. Organization Chart

See Exhibit "A" attached hereto:

Item 3. The Ultimate Controlling Person

(a) The name of the Ultimate Controlling person is Earl F. Hilliard.

(b) The home office address is 1614 North 3rd Avenue, Birmingham, Alabama 35203, and the mailing address is P. O. Box 11385, Birmingham, Alabama 35202.

(c) The principal executive office address is the same as in Item 3(b).

(d) The entry is a corporation incorporated in 1932 under the laws of Jefferson County, Alabama.

(SEE EXHIBITS "B" AND "C")

(e) The principal business of the applicant is a Real Estate dealer.

(f) The name and address of each person holding more than fifteen percent (15%) of voting security is:

| CLASS OF SECURITY | NAME AND ADDRESS |
|---|---|
| Common Stock | Hilliard & Company, Incorporated<br>1614 3rd Avenue North<br>Birmingham, Alabama 35203 |
| NUMBER OF SHARES OWNED | PERCENTAGE OF OWNERSHIP |
| 4,993 | 99.3 |

(g) There are no court, reorganization or liquidation proceedings pending.

Item 4. Biographical Information

(1) Earl F. Hilliard, - The requested information is on file with the Alabama State Insurance Commission (see enclosed resume).

(2) Mary F. Hilliard - The wife of Earl F. Hilliard; her address is 1625 Castleberry Way, Birmingham, Alabama 35214. Her principal occupation is Vice President American Trust Life Insurance Company. She has held the positions of a member of the Board of Directors and Secretary of Hilliard and Company, Inc. In the past five (5) years, she has been a housewife. Mary F. Hilliard has never been convicted of a crime.

(3) Iola F. Hilliard - The mother of Earl F. Hilliard; her address is 640 Tree Haven, Birmingham, Alabama 35214, principal occupation is a housewife. She held the position of a member of the Board of Director since its incorporation. Neither of the above have been convicted of a crime in the last ten years except for minor traffic violation.

Item 5. Transaction, Relationship and Agreements

A. (1) None

(2) None

(3) None

(4) None

(5) None

(6) None

B. None

Item 6. Litigation or Administrative Proceedings

(a) None

(b) None

Item 7. Financial Statements and Exhibits

The financial statements of American Trust Life Insurance Company is on file with the Alabama State Department of Insurance. Hilliard and Compnay, Inc. financial statements are not available at this time.

Pursuant to the requirement of Section 5 of the Act and Regulations Section XI, the Registrant has caused this registration statement to be duly signed on its behalf in the City of Birmingham and State of Alabama on the 14th day of January, 1995 for the year 1993.

AMERICAN TRUST LIFE INSURANCE COMPANY

BY John R. Hilliard

John R. Hilliard, President

Attest: Elvira Willoughby

ELVIRA WILLOUGHBY, SECRETARY

ALABAMA INSURANCE DEPT. REGULATIONS

SIGNATURE

Pursuant to the requirements of Section 5 of the Act and Regulations Section XI, the Registrant has caused this registration statement to be duly signed on its behalf in the City of Birmingham and State of Alabama on the 14 day of January, 1995.

American Trust Life Insurance Company

(Seal)

By: John R. Hilliard
John R. Hilliard, President

Attest: Elvira Willoughby
Elvira Willoughby
Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached registration statement dated January 14, 1995, for and on behalf of Registrant, that he is the President of such company, and that he has authority as President to execute and file such instrument. Deponent further says that he is familiar with such instrument and that the facts therein set forth are true to the best of his knowledge, information and belief.

John R. Hilliard
John R. Hilliard

Sworn to and subscribed before me this 30th day of January, 1995.
Griselda P. McCoy
NOTARY PUBLIC

EXHIBIT "A"

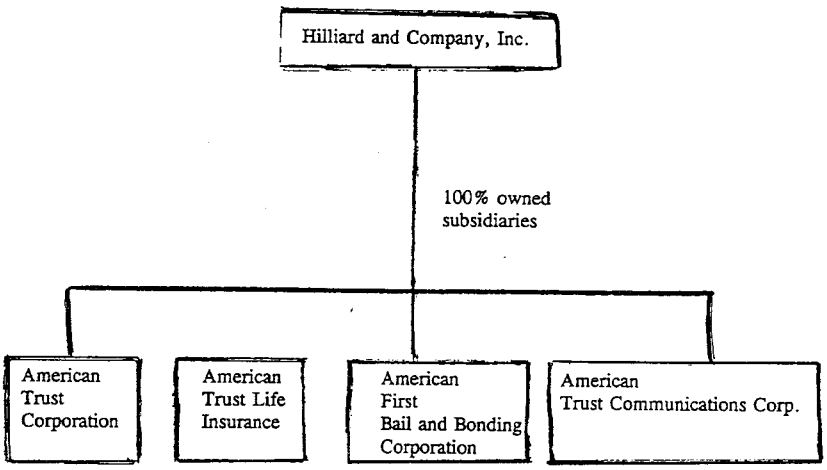

Hilliard and Company, Inc.
100% owned subsidiaries
American Trust Corporation
American Trust Life Insurance
American First Bail and Bonding Corporation
American Trust Communications Corp.

EXHIBIT "B"

HILLIARD & COMPANY, INC.
ORGANIZATIONAL CHART

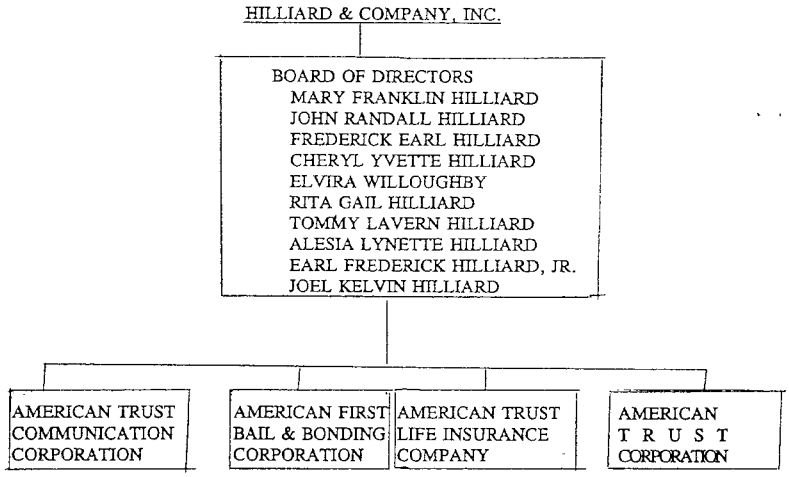
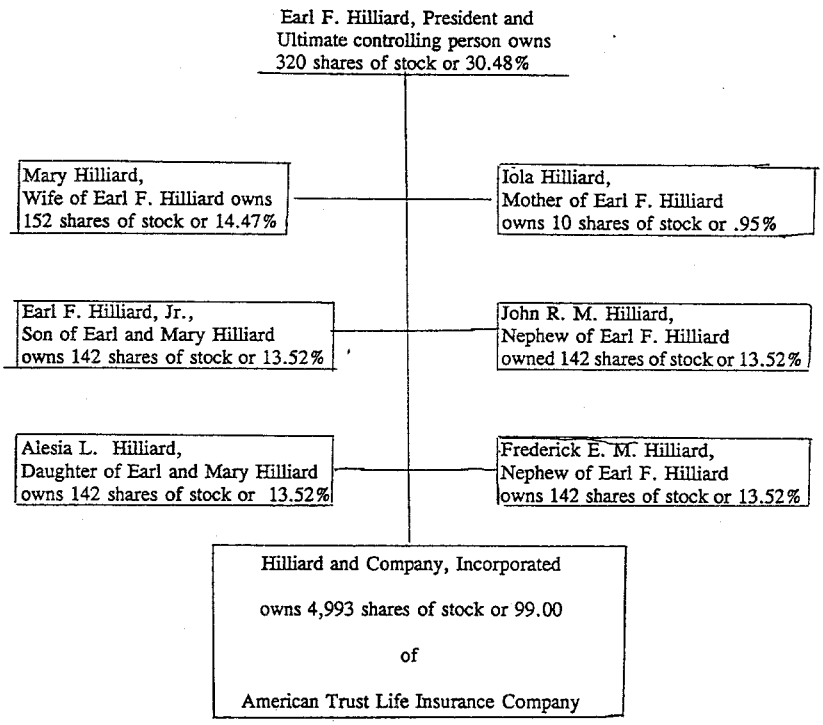


EXHIBIT "C"




Total number of shares of
stock outstanding 5,000

Hilliard and Company, Incorporated
Total number of shares of
stock outstanding 1,050

EXHIBIT "D"

RESUME

EARL F. HILLIARD
1625 CASTLEBERRY WAY
BIRMINGHAM, ALABAMA 35214

| | |
|---|---|
| BIRTHPLACE: | BIRMINGHAM, ALABAMA |
| BIRTHDAY: | APRIL 9, 1942 |
| MARTIAL STATUS: | MARRIED |
| FAMILY: | MARY FRANKLIN, WIFE; ALESIA LYNETTE, 25; EARL JR., 23 |
| EDUCATION: | MOREHOUSE COLLEGE, BACHELOR OF ARTS-1964; HOWARD UNIVERSITY SCHOOL OF LAW, JURIS DOCTORATE-1967; ATLANTA UNIVERSITY SCHOOL OF BUSINESS, MASTER OF BUSINESS ADMINISTRATION 1970. |
| ASSOCIATIONS: | LIFE MEMBER OF NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE; NATIONAL BAI ASSOCIATION; MOREHOUSE ALUMNI ASSOCIATION; ALPHA PHI ALPHA FRATERNITY. |
| HONORS & AWARDS: | UNITED STATES CONGRESS - 1993-PRESENT<br>ALBAMA STATE SENATE - 1980 - 1993<br>ALABAMA HOUSE OF REPRESENTATIVES - 1974 - 198( |

BALANCE SHEET

Earl Hilliard
January 1, 1994

| ASSETS | | LIABILITIES | |
|---|---|---|---|
| Cash | $ 800.00 | Taxes Payable | $122,000.00 |
| State of Alabama | 2,300.00 | Accounts Payable | 8,000.00 |
| Greater B'ham Golf Assn, Inc. Stock | 12,500.00 | Bank Notes | 200,000.00 |
| Hilliard & Co., Inc. | 100,000.00 | | |
| Eight Graves Elmwood Cemetery | 4,000.00 | | $330,000.00 |
| | $119,600.00 | Net Worth | ($210,400.0 |

Earl F. Hilliard
EARL HILLIARD

# EXHIBIT 29



AMERICAN TRUST CORPORATION
P. O. BOX 11385
BIRMINGHAM, ALABAMA 35202
(205) 324-7575

December 15, 1994

Ms. Glenda Thompson
AM Branch, Room 342
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

RE: File No. BAL941024EA

Dear Ms. Thompson:

These are the stockholders of Hilliard and Company, Incorporated. Hilliard and Company is the holding company and owns 100% of American Trust Corporation which owns WRNB 1410 AM, Prattville, Alabama. None of the stockholders nor Hilliard and Company, Incorporated owns any stock or interest in any other AM or broadcasting station.

If you have any questions, comments or need additional information, please do not hesitate to contact me.

Sincerely,

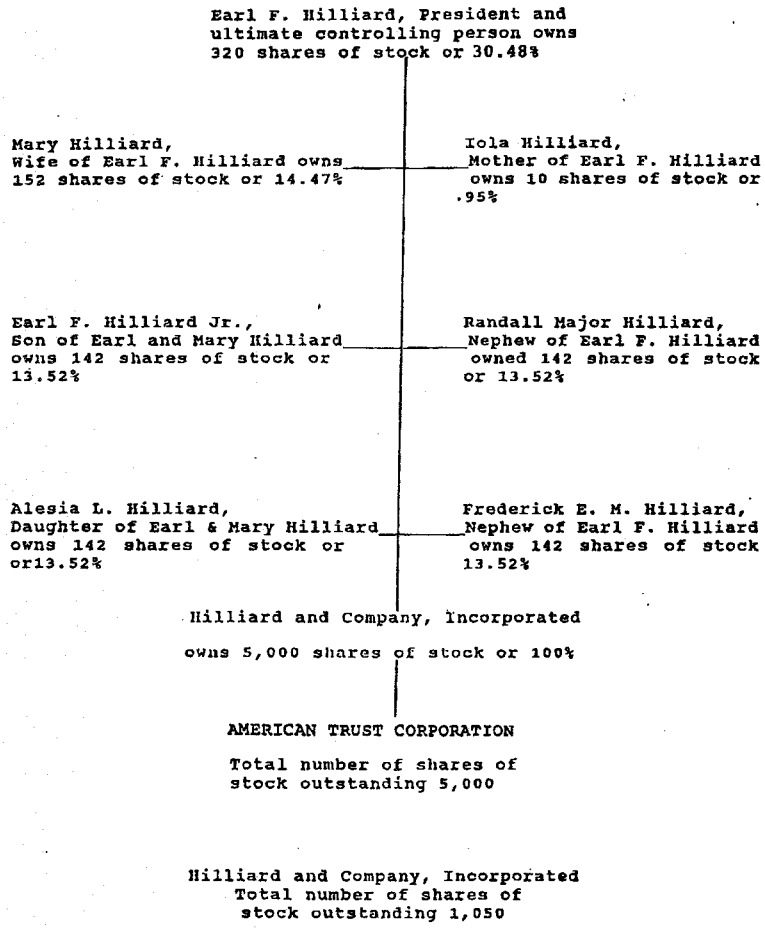
John R. Hilliard

John R. Hilliard
President

JRH/ew

Enclosure

EXHIBIT


Earl F. Hilliard, President and ultimate controlling person owns 320 shares of stock or 30.48%
Mary Hilliard, Wife of Earl F. Hilliard owns 152 shares of stock or 14.47%
Iola Hilliard, Mother of Earl F. Hilliard owns 10 shares of stock or .95%
Earl F. Hilliard Jr., Son of Earl and Mary Hilliard owns 142 shares of stock or 13.52%
Randall Major Hilliard, Nephew of Earl F. Hilliard owned 142 shares of stock or 13.52%
Alesia L. Hilliard, Daughter of Earl & Mary Hilliard owns 142 shares of stock or or13.52%
Frederick E. M. Hilliard, Nephew of Earl F. Hilliard owns 142 shares of stock 13.52%
Hilliard and Company, Incorporated
owns 5,000 shares of stock or 100%
AMERICAN TRUST CORPORATION
Total number of shares of stock outstanding 5,000
Hilliard and Company, Incorporated
Total number of shares of stock outstanding 1,050

# EXHIBIT 30

9317/4686

Send Tax Notice To:
AFRICAN-AMERICAN INSTITUTE, INC.
P. O. Box 11385
Birmingham, AL 35202

THIS INSTRUMENT PREPARED BY:
NAME: John Hilliard
ADDRESS: 1614 3RD AVENUE NORTH
Birmingham

$385,000

Form 1-1-6
CORPORATION FORM WARRANTY DEED-- ALABAMA TITLE CO., INC., BIRMINGHAM, ALA.

STATE OF ALABAMA
COUNTY OF JEFFERSON

KNOW ALL MEN BY THESE PRESENTS, 11/93

That in consideration of Three Hundred Eighty-five Thousand no/100(385,000)DOLLARS, to the undersigned grantor, American Trust Life Insurance Company a corporation, in hand paid by African-American Institute, Incorporated the receipt of which is hereby acknowledged, the said American Trust Life Insurance Company does by these presents, grant, bargain, sell and convey unto the said African-American Institute,Inc the following described real estate, situated in Jefferson County, Alabama, to Wit:

Lot 15, block 70 present plan and survey of Birmingham situated in Jeferson County, Alabama, Elyton Land Company, surve unrecorded and not available.

Grantee herein agrees to assume & pay that certain mortgage from Earl F. Hilliard to William Parker, recorded in Real 2971, Page 224, and that certain mortgage from Earl F. Hilliard to [illegible], NA, recorded in Real 3171, Page 292.

STATE OF ALA JEFFERSON CO.
I CERTIFY THIS INSTRUMENT
WAS FILED ON
1993 DEC 31 AM 11:02
550

JUDGE OF ALABAMA JEFFERSON COUNTY
I hereby certify that no mortgage tax or deed tax has been collected on this instrument.
Judge of Probate
"NO TAX COLLECTED"

TO HAVE AND TO HOLD, To the said African-American Institute, Inc., its heirs and assigns forever.

STATE OF ALA JEFFERSON CO.
I CERTIFY THIS INSTRUMENT
WAS FILED ON
1993 DEC 31 AM 11:02
DEED TAX HAS BEEN PD. ON THIS INSTRUMENT
JUDGE OF PROBATE

And said American Trust Life Insurance Company does for itself, its successors and assigns, covenant with said African-American Institute, Inc. heirs and assigns, that it is lawfully seized in fee simple of said premises, that they are free from all encumbrances, except as shown above, that it has a good right to sell and convey the same as aforesaid, and that it will, and its successors and assigns shall, warrant and defend the same to the said African-American Institute,Inc heirs, executors and assigns forever, against the lawful claims of all persons.

IN WITNESS WHEREOF, the said American Trust Life Insurance Company by its President, Mary F. Hilliard, who is authorized to execute this conveyance, has hereto set its signature and seal, this the 29 day of September ,1993

ATTEST:
Yolanda B. Williams
Assistant Secretary

By Mary F. Hilliard
MARY F. HILLIARD President

STATE OF ALABAMA
COUNTY OF JEFFERSON

I, a Notary Public in and for said County, in said State, hereby certify that MARY F. HILLIARD whose name as President of AMERICAN TRUST LIFE INSURANCE COMPANY a corporation, is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this the 29 day of September , 1993.

Elaine Wilkerson
11-18-95
Notary Public

Form Furnished By
ALABAMA TITLE COMPANY

Copy

# REAL ESTATE MORTGAGE NOTE

$ 385,000.00 Birmingham, Alabama, September 29, 1993

The undersigned, for value received, promise to pay to the order of

American Trust Life Insurance Company

the sum of Three hundred Eighty Five Thousand and no/100-($385,000.00)---- Dollars, together with interest upon the unpaid portion thereof from date at the rate of Six (6%) per cent per annum, in monthly installments of Three Thousand and no/100--($3,000.00)------Dollars, payable on the 1st day of each month after date, commencing October 1, 1993 until said sum is paid in full, payable at P. O. Box 11385 Birmingham, Alabama, 35202 or at such other place or places as the owner or holder hereof may from time to time designate. All payments shall be applied first to interest on the unpaid balance of principal, and the balance to principal. Each of said installments shall bear interest at 6 % per annum after maturity.

This note is secured by mortgage on real estate, executed to the payee herein. In the event of default under the terms of said mortgage, or in the event any installment shall remain unpaid for as much as ten days after the same becomes due, the holder hereof shall have the right and option to declare the entire indebtedness secured hereby to be at once due and payable.

Each maker and endorser hereby waives all right of exemption under the Constitution and Laws of Alabama, and agrees to pay the cost of collection, including a reasonable attorney's fee, if this obligation is not paid at maturity.

Demand, protest and notice of protest, and all requirements necessary to hold them liable, are hereby waived by each and every maker and endorser of this note.

This note is given, executed and delivered under the seal of the undersigned.

African American Institute, Inc.

BY: Yolanda B. Williams (L.S.)
EXECUTIVE DIRECTOR

_____ (L.S.)

_____ (L.S.)

_____ (L.S.)

TC-9

THIS INSTRUMENT PREPARED BY:
NAME: John Hilliard
ADDRESS: P. O. Box 11385
Birmingham, Ala 35202
MORTGAGE — ALABAMA TITLE CO., INC., Birmingham, Alabama

$1,000

9317/4691

## State of Alabama

JEFFERSON COUNTY

Know All Men By These Presents, that whereas the undersigned African-American Institute, Inc.

justly indebted to American Trust Life Insurance Company

in the sum of Three Hundred-eighty five and no/100--------($385,000.00) Dollars

evidenced by a promissory note of even date

and whereas it is desired by the undersigned to secure the prompt payment of said indebtedness with interest when the same falls due, October 1, 1993

Now Therefore in consideration of the said indebtedness, and to secure the prompt payment of the same at maturity, the undersigned, African-American Institute, Inc.

do, or does, hereby grant, bargain, sell and convey unto the said American Trust Life Insurance Company (hereinafter called Mortgagee) the following described real property situated in

Jefferson County, Alabama, to-wit:

Lot 15, Block 70 present plan and survey of Birmingham situated in Jefferson County Alabama, Elyton Land Company, survey unrecorded and not available.

Purchase money mortgage

Said property is warranted free from all incumbrances and against any adverse claims.

TO HAVE AND TO HOLD the above granted premises unto the said Mortgagee forever; and for the purpose of further securing the payment of said indebtedness, the undersigned, agrees to pay all taxes, or assessments, when legally imposed upon said premises, and should default be made in the payment of same, said Mortgagee has the option of paying off the same; and to further secure said indebtedness, the undersigned agrees to keep the improvements on said real estate insured against loss or damage by fire, lightning and tornado for the reasonable insurable value thereof, in companies satisfactory to the Mortgagee, with loss, if any, payable to said Mortgagee, as the interest of said Mortgagee may appear, and promptly to deliver said policies, or any renewals of said policies, to said Mortgagee; and if undersigned fail to keep said property insured as above specified, or fail to deliver said insurance policies to said Mortgagee then said Mortgagee has the option of insuring said property for said sum for the benefit of said Mortgagee, the policy, if collected, to be credited on said indebtedness, less cost of collecting same; all amounts so expended by said Mortgagee for taxes, assessments or insurance, shall become a debt to said Mortgagee, additional to the debt hereby specially secured, and shall be covered by this mortgage, and bear interest from the date of payment by said Mortgagee, and be at once due and payable.

Upon condition, however, that if the said Mortgagor pays said indebtedness, and reimburses said Mortgagee for any amounts Mortgagee may have expended for taxes, assessments and insurance, and the interest thereon, then this conveyance to be null and void, but should default be made in the payment of any sum expended by the said Mortgagee, or should said indebtedness hereby secured, or any part thereof, or the interest thereon, remain unpaid at maturity, or should the interest of said Mortgagee in said property become endangered by reason of the enforcement of any prior lien or incumbrance thereon, so as to endanger the debt hereby secured, or if any statement of lien is filed under the Statutes of Alabama relating to the liens of mechanics and materialmen without regard to form and contents of such statement and without regard to the existence or non-existence of the debt or any part thereof or of the lien on which such statement is based, then in any one of said events, the whole of said indebtedness hereby secured shall at once become due and payable, and this mortgage be subject to foreclosure as now provided by law in case of past due mortgages, and the said Mortgagee shall be authorized to take possession of the premises hereby conveyed and with or without first taking possession, after giving twenty-one days notice by publishing once a week for three consecutive weeks, the time, place and terms of sale, in some newspaper published in said County and State, to sell the same in lots or parcels, or en masse, as Mortgagee may deem best, in front of the Court House door in said County, at public outcry, to the highest bidder for cash and apply the proceeds of said sale; First, to the expense of advertising, selling and conveying, including a reasonable attorney's fee; Second, to the payment of any amounts that may have been expended, or that it may be necessary then to expended in paying insurance, taxes, or other incumbrances, with interest there-

FORM ALTA-5

on; Third, to the payment of said indebtedness in full, whether the same shall or shall not have fully matured, at the date of said sale, but no interest shall be collected beyond the day of sale; and Fourth, the remainder, if any, to be turned over to the said Mortgagor; and the undersigned, further agree that said Mortgagee may bid at said sale and purchase said property, if the highest bidder therefor, as though a stranger hereto, and the person acting as auctioneer at such sale is hereby authorized and empowered to execute a deed to the purchaser thereof in the name of the Mortgagor by such auctioneer as agent, or attorney in fact; and undersigned further agree to pay a reasonable attorney's fee to said Mortgagee for the foreclosure of this mortgage in Chancery, should the same be so foreclosed, said fee to be a part of the debt hereto secured.

It is expressly understood that the word "Mortgagee" wherever used in this mortgage refers to the person, or to the persons, or to the corporation named as grantee or grantees in the granting clause herein.

Any estate or interest herein conveyed to said Mortgagee, or any right or power granted to said Mortgagee in or by this mortgage is hereby expressly conveyed and granted to the heirs, and agents, and assigns, of said Mortgagee, or to the successors and agents and assigns of said Mortgagee, if a corporation.

IN WITNESS WHEREOF, we have hereunto set our hands and seals

on this the 29 day of September 19 93

WITNESSES:

AFRICAN-AMERICAN INSTITUTE, INC.
BY: Yolanda B. Williams (Seal)
EXECUTIVE DIRECTOR

_____ (Seal)

_____ (Seal)

_____ (Seal)

---

STATE OF
County | General Acknowledgement

I, the undersigned, , a Notary Public in and for said County in said State, hereby certify that whose name signed to the foregoing conveyance, and who known to me, acknowledged before me on this day, that being informed of the contents of the conveyance executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this day of 19

Notary Public.

---

STATE OF ALABAMA
COUNTY OF JEFFERSON | Corporate Acknowledgement

I, Elvira Willoughby a Notary Public in and for said County, in said State, hereby certify that Yolanda B. Williams whose name as Exec.Director of African-American Institute, Inc. a corporation, is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this the 29 day of September, 19 93

Elvira Willoughby
11-18-95 Notary Public

Return to American Trust Life Ins. Company
P.O. Box 11385
Birmingham, AL 35202

TO

MORTGAGE

STATE OF ALA. JEFFERSON CO.
I CERTIFY THIS INSTRUMENT
WAS FILED ON
1993 DEC 31 AM 11:03
RECORDED & $ MTG TAX $
DEED TAX HAS BEEN PD. ON THIS INSTRUMENT
JUDGE OF PROBATE

577.50
2.00
584.50

This Form Furnished By:
ALABAMA TITLE CO., INC.
2233 2nd Avenue North
Birmingham, Alabama 35203

The State of Alabama, )

Jefferson County. This lease, made 29th day of September 19 93

by and between American Trust Life Insurance Company, party of the first part

and African American Institute, Inc. party of the second part:

WITNESSETH, That the party of the first part does hereby rent and lease unto the part of the second part the following premises in: 1612-1614 3rd Avenue North, Birmingham, Alabama 35203

for occupation by it as an office and not otherwise, for and during the term of Thirty(30) years, to wit: from the 29th day of September 19 93 to the 1st day of November 2010

In Consideration Thereof, the party of the second part agrees to pay to the party of the first part the sum of Five Hundred Eighty Five Thousand ($585,000.00) and no/100---------- DOLLARS of which sum $200,000.00 the balance in mortgage to SouthTrust Bank and William Parker is assumed, $385,000.00 is divided into 206 payments of $ Three thousand and no/100 ($3,000.00) Dollars each evidenced by notes bearing legal interest, payable at the office of American Trust Life Insurance Company on the First day of each month, during said term, in advance, being at the rate of $ per annum. And should the rents of the second part fail to pay the rents as they become due, as aforesaid, or violate any other condition of this Lease, the said party of the first part shall then have the right, at their option, to re-enter the premises and annul this Lease. And in order to entitle the party of the first part to re-enter, it shall not be necessary to give notice of the rents being due and unpaid, or to make any demand for the same, the execution of this Lease signed by the said parties of the first and second part, which execution is hereby acknowledged, being sufficient notice of the rents being due and the demand for the same, and shall be so construed, any law, usage or custom to the contrary notwithstanding. And the party of the second part agrees to comply with all the laws in regard to nuisance, in so far as premises hereby leased are concerned, and by no act render the party of the first part liable therefor, and to commit no waste of property, or allow the same to be done, but to take good care of the same; not to under-lease said property nor transfer this Lease without the written consent of the party of the first part, hereon endorsed; and further, this Lease being terminated, to surrender quiet and peaceable possession of said premises in like good order as at the commencement of said term, natural wear and tear excepted.

In the event of the employment of an attorney by the party of the first part, on account of the violation of the conditions of this Lease by the party of the second part, the party of the second part hereby agrees to pay it reasonable attorney's fee. And as a part of the consideration of this Lease, and for the purpose of securing the party of the first part prompt payment of said rents as herein stipulated, or any damage that party of the first part may suffer either by failure to surrender quiet and peaceable possession of said premises, as aforesaid, or for any damage whatever, may be awarded said party of the first part under this contract, the said party of the second part hereby waives all right which it may have under the Constitution and Laws of the State of Alabama, to have any of the personal property of the party of the second part exempted from levy and sale, or other legal process.

The party of the second part agrees to pay all taxes on the above described property during said term as the same becomes due; and also agrees to pay all assessments for street and sidewalk improvements, should any be made against said property.

It is understood and agreed that at the end of said term if the party of the second part has complied with each and all conditions of this Lease, then the party of the first part agrees that the rent paid under his Lease shall be considered a payment for said property, and the party of the first part shall make and execute a deed conveying said property to the party of the second part.

It is further understood and agreed that if the party of the second part fails to pay the monthly rent as it becomes due; and becomes as much as two months in arrears during the first term of the existence of this Lease, or as much as three months in arrears on such payments at any time thereafter, or should fail to pay the taxes on the said property when the same becomes due, or should fail to comply with any condition or requirement herein, then on the happening of any such event by the party of the second part forfeits his rights to a conveyance of said property, and all money paid by the party of the second part under this contract shall be taken and held as payment of rent for said property, and the party of the second part shall be liable to the party of the first part as a tenant for the full term of said Lease, and the provisions herein "that the rent paid under this Lease shall be considered a payment for said property, and the party of the first part shall make and execute a deed with a warranty of title conveying said property to the party of the second part," shall be a nullity and of no force or effect; and the failure of the party of the second part to comply with any of the conditions of this instrument shall ipso facto render the said provision a nullity, and make the said party of the second part a lessee under this instrument, without any rights whatever except the rights of lessee without any notice or action whatever upon the part of the party of the first part.

It is further understood and agreed that if the party of the second part should at any time before the maturity thereof desire to pay off the remaining monthly payments, as named herein it shall have the right to do so, and shall be entitled to a rebate on such advancements of all unearned interest, it being intended that only the earned interest shall be collected.

A deed and a mortgage may be executed at anytime the parties agree.

IN TESTIMONY WHEREOF We have set our hands and seals in duplicate this 29th day of September 19 93

AMERICAN TRUST LIFE INSURANCE COMPANY

BY: (L. S.)
VICE PRESIDENT

AFRICAN AMERICAN INSTITUTE, INC. (L. S.)

BY: (L.S.)
EXECUTIVE DIRECTOR

# EXHIBIT 31

STATE OF ALABAMA

DEPARTMENT OF INSURANCE

MONTGOMERY, ALABAMA

REPORT OF EXAMINATION

OF THE

AMERICAN TRUST LIFE INSURANCE COMPANY

BIRMINGHAM, ALABAMA

AS OF

DECEMBER 31, 1990

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June 12, 1991
Birmingham, Alabama

Dec 31, 1987
Dec 31, 1990

Honorable Mike Weaver
Commissioner of Insurance
State of Alabama
135 South Union Street
Montgomery, Alabama 36130-3401

Dear Commissioner:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, an examination has been made of the affairs and financial condition of the

AMERICAN TRUST LIFE INSURANCE COMPANY

BIRMINGHAM, ALABAMA

at its Home Office located at 1614 Third Avenue North, Birmingham, Alabama 35203, as of December 31, 1990. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate American Trust Life Insurance Company.

SCOPE OF EXAMINATION

The Company was last examined for the three year period ended December 31, 1987, by an examiner representing the State of Alabama. The current examination covers the intervening period from the date of the last examination through December 31, 1990. Where deemed appropriate, transactions subsequent to 1990 were reviewed.

The examination was made in accordance with the statutory requirements of the Alabama Insurance Code and the Alabama Insurance Department's regulations and bulletins; in accordance with the applicable guidelines and procedures promulgated by the National Association of Insurance Commissioners (NAIC); and in accordance with generally accepted examination standards in connection with the verification of assets and determination of liabilities.

The examination included an inspection of corporate records, test checks of recorded income and disbursement items for selected periods, and a general review of records and files pertaining to operations, administrative practices and compliance with statutes and regulations. Assets were verified and valued and all known liabilities were established or estimated as of December 31, 1990, as shown in the Financial Statements contained herein. However, the discussion of assets and liabilities contained in this report is confined to those items where a material change was made,

or which indicated violation of the Alabama Insurance Code, or which are deemed to require comments and/or recommendations.

A Company work copy of the Annual Statement for 1990 was compared with or reconciled to account balances with respect to ledger items. A signed certificate of representation was obtained during the course of the examination. In this certificate, management attests to having valid title to all assets and to the non-existence of unrecorded liabilities as of December 31, 1990.

## ORGANIZATION AND HISTORY

The Company was incorporated in Jefferson County, Alabama in 1932 as the Jordan Mutual Aid Association.

The Company's charter originally provided for capital of $5,000, divided into 500 shares of $10.00 par value common stock. There have been subsequent amendments to the charter in order to increase the amount of capital to $50,000, divided into 5,000 shares of $10.00 par value common stock.

On September 30, 1977 Hilliards and Company, Inc. purchased 2,493 of the then outstanding 2500 shares of the common stock of the Company. At this time the name of the Company was changed to American Trust Life Insurance Company. The Company merged with Lincoln Industrial Insurance Company per a court order dated December 14, 1981. The Company was the survivor.

In 1982, Hilliards and Company, Inc. acquired 100% ownership of the Company by purchasing the remaining seven

shares of common stock from the Alabama Department of Revenue, under the provisions of the Uniform Disposition of Unclaimed Property Act. Due to the subsequent amendments to the charter, Hilliards and Company, Inc. was the sole stockholder of the 5,000 shares of $10.00 par value common stock at the date of examination.

## MANAGEMENT AND CONTROL

### Stockholders

It was noted in the last examination report that the Company was not in compliance with Section 27-30-30(a), Code of Alabama 1975, as amended, which states that,

> "The affairs of every domestic mutual aid association shall be governed by a board of directors or board of trustees consisting of not less than seven members, each of whom must be a member or stockholder of the corporation."

As of the date of this examination report, the stock of the Company was still wholly owned by Hilliards and Company, Inc.

### Board of Directors

The By-Laws provide that the corporate powers of the Company shall be vested in a Board of no fewer than seven and no more than fifteen members. The directors shall be elected by a majority vote at the annual meeting of the stockholder(s). The following individuals were serving as directors at December 31, 1990 per the Company's 1990 Annual Statement.

| Director/Address | Principal Occupation |
|---|---|
| Earl Frederick Hilliard<br>Birmingham, Alabama | Senator, State of Alabama |
| Mary Franklin Hilliard<br>Birmingham, Alabama | Vice President, Company |
| John Randall Hilliard<br>Birmingham, Alabama | Director, Alabama Community Assistance Program |
| Beverly Poole Baker<br>Birmingham, Alabama | Attorney |
| Jeff Germany<br>Birmingham, Alabama | Commissioner, Jefferson County |
| Arthur Rice<br>Birmingham, Alabama | Retired |
| William Andre Parker<br>Birmingham, Alabama | Grand Chancellor Knights of Pythias |
| George Perdue, Jr.<br>Birmingham, Alabama | Auditor, UAB Hospital |
| Curtis Eugene Stallworth<br>Birmingham, Alabama | Vice President, Company |
| Frederick Earl Hilliard<br>Birmingham, Alabama | Field Representative, Boy Scouts of America |

The Examiner noted that the Company did not list the full names (initials not acceptable) of its directors in the 1988, 1989, and 1990 Annual Statement as required by the instructions thereto.

**Executive Committee**

The By-Laws of the Company provide that the Board of Directors may appoint an executive committee consisting of three or more directors which shall include the Chairman of the Board and the President. There was no evidence that an

executive committee had been utilized during the period covered by this examination.

**Officers**

Officers of the Company elected by the Board of Directors and serving at December 31, 1990 were as follows:

| Officer | Title |
|---|---|
| Earl Frederick Hilliard | President |
| Mary Franklin Hilliard | First Vice President |
| John Randall Hilliard | Second Vice President |
| Arthur Rice | Third Vice President |
| Curtis Eugene Stallworth | Fourth Vice President |
| Elvira Willoughby | Secretary |
| Earl Frederick Hilliard | Treasurer |
| John Rippendelli | Actuary |

The Company did not include the full names (initials not acceptable) of its officers in the Annual Statement as required by the instructions therewith.

**Conflict Of Interest**

The Board of Directors approved and adopted a formal policy statement on business ethics and conflicts of interest. The policy statement adopted required that all directors, officers, and employees report annually, on a form approved by the Board of Directors, any conflicts between the Company's

interests and the interests of directors, officers and employees.

The conflict of interest statements filed during the three year period covered by this examination were reviewed. The examiner noted that one conflict statement for 1990 was not completed by a director, who did not attend the annual board meeting. The aforesaid review determined that no material conflicts were reported for those statements that were filed.

CORPORATE RECORDS

The Certificate of Incorporation and By-Laws, as amended, were inspected during the course of the examination and appeared to provide for operation of the Company in accordance with usual corporate practice and applicable statutes and regulations.

Minutes of meetings of the stockholders and Board of Directors were reviewed for the period under examination. The minutes appeared to be perfunctory in nature. Purchases and sales of investments were not approved by the Board of Directors. The minutes were deemed to be incomplete with regard to recording actions taken on matters before the respective bodies for deliberation and action.

## HOLDING COMPANY AND AFFILIATE MATTERS

### Holding Company

The Company is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act as defined in Section 27-29-1, Code of Alabama 1975, as amended. In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

According to previous examination reports, the Company originally filed their Form B amendment with the Commissioner of Insurance in 1977; however, the Company was unable to locate this filing. The Company had not updated or amended its Holding Company filings since the initial filing.

Material transactions which occur among the related companies of the Holding Company System are required to be filed within fifteen days after the end of the month in which the transaction occurred, per Section 27-29-4(c) and (d), Code of Alabama 1975, as amended.

During the course of the examination, the Company filed an updated Form B filing with the Alabama Department of Insurance.

### Dividends to Stockholders

The Company paid $6,000 to the Hilliards and Company, Inc. on August 11, 1988: this payment was charged to a line item entitled "Management fees." The Company responded that this was an error and that the transaction should have

reflected a loan to Hilliards and Company, Inc. At the date of examination there was no promissory note to evidence this loan; therefore, it appeared to the examiner that the Company was in violation of Section 27-27-37(a), Code of Alabama 1975, as amended, which states that,

"A domestic stock insurer shall not pay any cash dividend to stockholders except out of that part of its available surplus funds which is derived from realized net profits on its business."

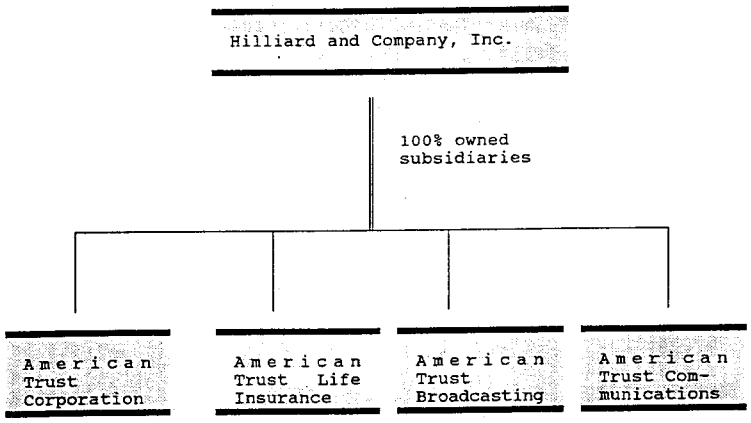
In addition, the Board of Directors did not approve a dividend payment. Consequently, the examiner has established and non-admitted an account receivable from Hilliards and Company, Inc. in the amount of $6,000.

Management and Service Agreements

The Company had no written management or service agreements.

**Organizational Chart**

The following chart presents the identities of and interrelationships among all affiliated persons within the Insurance Holding Company System at December 31, 1990:



## FIDELITY BOND AND OTHER INSURANCE

The Company did not maintain fidelity bond coverage. An escrow account in the amount of $1936, which consisted of withheld commissions, was maintained by the Company for its agents. Per NAIC guidelines, the Company should maintain fidelity bond coverage in a minimal amount of $125,000.

The Company had a business/property insurance policy in effect on the home office property. In conjunction with the property insurance, the business policy also provided liability, fire, and medical coverages.

## EMPLOYEE AND AGENTS WELFARE

The Company provided its employees and agents with the following benefits at December 31, 1990:

Vacation Leave
Sick Leave
Major Holidays
Health Insurance

## SCHEDULE OF ALL OTHER DEPOSITS

In order to comply with the statutory requirements of the State of Alabama the following deposits were held at December 31, 1990:

| Certificates of Deposit | Amount |
|---|---|
| Citizens Federal Savings Bank, Birmingham, AL 6.25% due 4/30/92 | $ 1,000 |
| Citizens Federal Savings Bank, Birmingham, AL 6.25% due 4/30/92 | 21,000 |
| Total | $22,000 |

The above deposits, confirmed directly with the custodian, were maintained for the benefit of all policyholders.

## FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

| | 1987* | 1988 | 1989 | 1990* |
|---|---|---|---|---|
| Admitted Assets | $ 453,670 | 522,241 | 510,210 | 263,699 |
| Liabilities | 465,635 | 354,088 | 345,237 | 359,882 |
| Common stock and paid in surplus | (11,965) | 168,153 | 164,973 | (96,183) |
| Premiums Earned | 45,980 | 42,163 | 35,405 | 30,494 |

* Per Examination

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

The Company's agency operations are conducted under the supervision of a Company Vice President. All policies are sold on a monthly debit basis, through the Company's own debit agents.

### Territory

The Company was licensed to transact business in the State of Alabama only, during the examination period and at December 31, 1990.

Advertising and Marketing

The Company had promotional calendars, pens, and sewing kits distributed to the public through its agents and the home office. The Company also started a limited amount of radio advertising during the period covered by this examination.

Policy Forms and Underwriting Practices

During the period covered by this examination, the Company issued only three policy forms.

A.) Monthly Debit Ordinary Policy - provided 3, 5, 10, or 20 years pay life plans, with contract denominations in amounts of $500 to $2500.

B.) Educational Endowment Policy - sold only to juveniles under 14 years of age, providing an endowment at age 18, with contract denominations in amount of $500 to $2,500.

C.) Accidental Injury and Death Policy - provided benefits for injuries, dismemberments, or death which resulted from an accidental means with a maximum aggregate benefit of $2,500.

Claims Review

A review of the Company's claims register was made during the course of examination. A selected sample of claims files was reviewed and the following observations were made by the examiner.

The claims register was not always complete in regards to listing the date of death, date received, and date paid by the Company. The claims files were poorly documented. Certain claims were not paid for three months from the date received by the Company; moreover, there was limited documentation in the claims files to support delays in payment.

When this was brought to the attention of the Vice President in charge of operations, she stated that in many instances they (the Company) are awaiting additional documentation such as death certificates or assignments. She continued by saying that in some instances claims payments were delayed due to a "cash flow problem" of the Company.

The examiner recommended during the review of claims that the Company institute some type of procedure to track all claims pending payment. This information should be available for review in each claim file during any subsequent examinations.

Policyholder Complaints

During the three year period covered by this examination, the Alabama Insurance Department received two complaints. Both complaints occurred during 1988 and appeared to have been caused by the beneficiaries' misinterpretation of benefits.

**Compliance With Agents Licensing Requirements**

A review of Company records was made by the examiner to determine that agents representing the Company were duly licensed by the Alabama Department of Insurance.

A listing of licensed agents was obtained from the Agent's License Division of the Alabama Department of Insurance. A review was made of the Company's cash disbursements for commissions paid during the examination period and compared to the listing of licensed agents. This review disclosed that the Company paid commissions in the amount of $326.51 to one unlicensed person during 1988. This individual was subsequently licensed as an agent in 1989 and 1990. The Company was in apparent violation of Section 27-8-27(a), Code of Alabama 1975, as amended which states that

> "No insurer, agent or broker shall pay, directly or indirectly, any commission or other valuable consideration to any person for services as an agent or broker within this state unless such person holds a currently valid license as an agent or broker as to the kind or class of business involved as required by this chapter."

## REINSURANCE

During the period covered by this examination, the Company did not cede or assume any business.

## ACCOUNTS AND RECORDS

The Company's accounting operations were under the supervision and direct control of a Vice President of the Company. The Company's accounting records were maintained

manually. The Company retained an outside bookkeeper for the purposes of creating a trial balance quarterly and preparing the Annual Statement. The Company does not maintain a general ledger. The trial balances which were created were of little use to the examiner as the flow of assets, especially real estate investments, could not be traced to the disbursements or receipts journal. Some asset accounts were established by the Company President providing a listing of the amount which to carry a specific asset with no support documentation. (See "Note 3 - home office property."

The workpapers which were used to prepare the Annual Statement were not sufficient to trace all the trial balance amounts to the Annual Statement. The Annual Statement was incomplete with regard to various schedules which will be specifically covered in the Notes to Financial Statements section of this report. Additionally, it was noted that some of the Company's records were not kept in the home office.

Section 27-30-21, Code of Alabama 1975, as amended, states as follows:

"(a) Every mutual aid association shall keep complete and accurate accounts and records of its affairs and transactions, in accordance with the usual and accepted methods and principles of insurance accounting and record keeping as applicable to the kind of business transacted by the association.

(b) All such accounts and records of a mutual aid association shall be kept in the principal offices of the association located in this state and be available for inspection thereat by the commissioner on any general business day.

(c) The commissioner may suspend or revoke the certificate of authority of any association found by him to be in violation of this section."

This is the second consecutive examination which has cited this problem. An inordinate amount of time was required to complete this examination as records were not readily available or locateable by Company personnel. Certain items that were not promptly provided, which should have been available immediately upon request, included minutes of the stockholders' meetings, conflict of interest statements, and the By-Laws of the Company.

The Company records were not in conformity with accepted industry practices or the NAIC guidelines. The three Annual Statements, applicable to the examination period, were not completed in their entirety. This is now the second consecutive examination which has noted this deficiency.

## FINANCIAL STATEMENTS

The Financial Statements included in this report were prepared on the basis of the Company's records, and the valuations and determinations made during the examination for the year 1990. Amounts shown in the comparative statements for the years 1988 and 1989 were compiled from Company work copies of Annual Statements. The statements are presented in the following order: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|---|---|
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| Statement of Income | 21 |
| Capital and Surplus Account | 22 |


The notes immediately following the Financial Statements in this report are an integral part thereof.

## STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS

For the Year Ended December 31, 1990

| ASSETS | Ledger Assets | Non-Ledger Assets | Non-Admitted Assets | Net Admitted Assets |
|---|---|---|---|---|
| Bonds (Note 1) | $ 15,000 | $ | $ | $ 15,000 |
| Mortgage loans on real estate (Note 2) | 110,983 | | 5,354 | 105,629 |
| Real estate-home office (Note 3) | 495,763 | | 482,352 | 13,411 |
| Investment real estate (Note 4) | 183,503 | | 16,976 | 105,527 |
| Cash on deposit (Note 5) | 22,257 | | | 22,257 |
| Life insurance premiums and annuity considerations deferred and uncollected on in force Dec. 31st of current year | | 227 | | 227 |
| Investment income due and accrued (Note 6) | | 11,848 | 10,200 | 1,648 |
| Furniture and equipment | 3,837 | | 3,837 | |
| Loans on personal security | 15 | | 15 | |
| Utility deposits | 1,660 | | 1,660 | |
| Receivable from parent company (Note 7) | | 291,500 | 291,500 | |
| Total Assets | $833,018 | $303,575 | $872,894 | $263,699 |

The notes immediately following the Financial Statements and Exhibits in this report are an integral part thereof.

## STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS

For the Year Ended December 31, 1990

| | | |
|---|---|---|
| **LIABILITIES** | | |
| Aggregate reserve for life policies and contracts (Note 8) | | $348,616 |
| Policy and contract claims (Note 9) | | 3,500 |
| Premiums and annuity considerations received in advance | | 536 |
| General expenses due or accrued | | 556 |
| Taxes, licenses and fees due or accrued (Note 10) | | 150 |
| Amounts withheld or retained by company as agent or trustee | | 685 |
| Amounts held for agents' account | | 1,936 |
| Mandatory securities valuation reserve | | 240 |
| Pythian Lodge Account (Note 11) | | 3,663 |
| Total Liabilities | | $359,882 |
| **SURPLUS AND OTHER FUNDS** | | |
| Common capital stock | $ 50,000 | |
| Gross paid in and contributed surplus (Note 12) | $(146,183) | |
| Total Surplus | $(146,183) | |
| Total Capital and Surplus | | $(96,183) |
| Total Liabilities, Surplus and Other Funds | | $263,699 |

The notes immediately following the Financial Statements and Exhibits in this report are an integral part thereof.

STATEMENT OF INCOME

For the Years Ended December 31, 1988, 1989 and 1990

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| Premiums and annuity considerations | $ 42,163 | $ 35,405 | $ 30,494 |
| Net investment income | 2,888 | 8,143 | (7,597) |
| Beverage coin machine | 322 | 421 | 184 |
| Total income | $ 45,373 | $ 43,969 | $ 23,081 |
| Deductions: | | | |
| Death benefits | $ 15,163 | $ 13,813 | $ 16,544 |
| Matured endowments | 1,700 | | |
| Surrender benefits and other fund withdrawals | 1,123 | 2,288 | 2,170 |
| Increase in aggregate reserves for life and accident and health policies and contracts | | | 19,620 |
| Increase in reserves for policy and contract claims | | | 3,000 |
| Commissions on premiums and annuity considerations | 9,839 | 8,511 | 7,501 |
| General insurance expenses | 52,534 | 38,952 | 28,817 |
| Insurance taxes, licenses and fees | 10,185 | 2,828 | 1,623 |
| Increase in loading on and cost of collection in excess of loading on deferred and uncollected premiums | 175 | 34 | 76 |
| Total deductions | $ 90,719 | $ 66,426 | $ 79,351 |
| Net income (loss) | $(45,346) | $(22,457) | $(56,270) |

The notes immediately following the Financial Statements and Exhibits in this report are an integral part thereof.

## CAPITAL AND SURPLUS ACCOUNT

For the Years Ended December 31, 1988, 1989 and 1990

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| Surplus as Regards Policyholders December 31, Previous Year | $737,739 | $168,153 | $164,973 |
| Gains and (Losses) in Surplus: | | | |
| Net income (loss) | $(45,346) | $(22,466) | $(56,270) |
| Net unrealized capital gains and (losses) | 109,143 | (268) | (254,706) |
| Change in non-admitted assets | 861 | | |
| Change in reserve on account of change in valuation basis | 30,830 | 11,427 | |
| Change in mandatory securities valuation reserve | (30) | (30) | (30) |
| Paid in capital | (749,704) | | |
| Paid in surplus | 72,132 | 8,157 | 49,850 |
| Auditors net adjustments | 2,528 | | |
| Permanent improvements home office | 4,000 | | |
| Repayment of Amsouth loan | 6,000 | | |
| Net Increase (Decrease) | $(569,586) | $ (3,180) | $(261,156) |
| Surplus as Regards Policyholders December 31, Current Year | $ 168,153 | $164,973 | $ (96,183) |

The notes immediately following the Financial Statements and Exhibits in this report are an integral part thereof.

NOTES TO FINANCIAL STATEMENTS

**Note 1 - Bonds** **$15,000**

The above referenced amount is the same amount as reported in the Company's 1990 Annual Statement.

The two bonds that composed this account were physically located at out-of-state brokerage firms at December 31, 1990. Section 27-27-29(b), Code of Alabama 1975, as amended, requires the Company to maintain all its assets in the state of Alabama. In addition to the bonds being located out of state, there was no custodial agreement with the brokerage firm to evidence this arrangement.

During the course of the examination, the examiner gave the Company the opportunity to bring the bonds back to the state of Alabama. The Company did comply and the bonds were located in a safe deposit box at Southtrust Bank of Alabama, supported by a custodial agreement at the conclusion of this examination.

It was noted that the Company did not complete Schedule D in its entirety. The Company failed to list Cusip numbers for the bonds owned; in addition, they failed to complete Part 1A and columns 14 and 15 of Schedule D. It was also noted that the Company indicated a "yes" designation under column 13 for the NAIC designation. The rating system of the NAIC has been changed to a numerical rating system. The bonds that the Company owned were fully amortizable; however, the correct designations should have been as follows:

Alabama Power, 9.5%, maturing 2/2008, Cusip number 010392-BN-7, NAIC designation of (1).

Detroit Edison, 9.8%, maturing 10/2008, Cusip number 250847-AZ-3, NAIC designation of (2).

Note 2 - Mortgage loans on real estate $105,629

The above captioned amount is $95,881 less than the $201,510 amount reported in the Company's 1990 Annual Statement.

$90,527 has been reclassified to the more appropriate caption "Investment Real Estate." This reclassification occurred due to three parcels of real estate being foreclosed upon during 1990.

$5,354 has been non-admitted as a judgement was rendered against the Company on October of 1990 reducing the balance of a mortgage note from $6,354 to $1,000.

During the review of this account, the examiner noted that the files were poorly maintained. Certain files were not located at the home office property: other files had to be updated during the course of examination to prove ownership of the applicable assets. This is the third consecutive examination which has recommended that the Company keep their files current with regard to documentation to titles, encumbrances, appraisals, paid taxes, insurance coverages, and all transactions which affect the ownership value of the properties.

Note 3 - Real estate

| | |
|---|---|
| Properties occupied by the company | $13,411 |

The amount listed above is $188,352 less than the amount reported in the Company's 1990 Annual Statement.

The Company acquired this property from Earl Hilliard on August 24, 1987. At the time the property was contributed to the Company, there were two existing mortgages on the property.

The first mortgage resulted from a loan made to Earl Hilliard May 30, 1987 payable to Southtrust Bank in the amount of $100,000. This loan was made for the purpose of renovation and improvements to be made by Rainbow Building of Birmingham. This transaction took place prior to Earl Hilliard contributing the property to American Trust Life Insurance Company. Southtrust Bank did not agree to allow the property to be sold (contributed) as the property was the security for their loan to Earl Hilliard. It was noted by the examiner that this loan was amortized over a fifteen year period but matures in five years, or May 1992. No agreement was made for the Company to assume payments on this loan; however, it was noted that since November 19, 1987 the Company has paid $34,305 in mortgage payments to Southtrust Bank.

The second mortgage resulted from the original purchase of the property in August of 1986 by Earl Hilliard. The seller agreed to hold a mortgage in the amount of $118,500. In addition, the seller agreed to subordinate his lien to Southtrust Bank when the May 30, 1987 loan transaction took

place; therefore, making the seller the second mortgage holder. It was also noted on this loan that the borrower was Earl Hilliard: no assumption of mortgage has been agreed to by the lender (seller). The Company has paid $20,250 in mortgage payments to the seller.

Upon examination of the deeds of the property, the examiner noted that there were five different recorded deeds within a fourteen month period. The owners of the property at various points during this fourteen month period included Earl Hilliard, Hilliards and Company, Inc., and American Trust Life. The last title policy in file was in 1986 when Earl Hilliard originally acquired the property. The examiner requested a current title search and title policy to verify current ownership of the property. The title search did confirm that the Company was the owner of this property as of May 24, 1991.

On September 23, 1989, the Company contracted with Hilliards and Company, Inc., the parent of the Company, to renovate the home office property at a cost of $105,000. The Company issued Hilliards and Company a check for the full amount of $105,000 on December 29, 1989. As of the date of this examination report, the renovation had not been completed. See "Note 5 - Cash on hand and on deposit" for further discussion on this payment and "Note 7 - Amounts receivable from parent" for further discussion.

Per the 1987 examination report the net admitted value of the home office property was $31,185. The most recent appraisal available to the examiner was dated March 3, 1987. This appraisal listed a land value of $49,000 and improvements of $211,000 for a total value of $260,000. The examiner questioned Company officials as to how the value of the property was determined. They responded by stating that the value was increased due to renovation of the property. With the renovation not being completed fifteen months after Hilliards and Company was paid for the improvements, the examiner requested a new appraisal to determine the value of any improvements that might have been completed. The examiner temporarily recessed the examination in order that the Company might obtain an appraisal on this property. When the examination was reconvened, four weeks after the initial request for a new appraisal, the President of the Company stated that he could not obtain a qualified appraisal within this four week period. Without a new qualified appraisal, the examiner was forced to use the last qualified appraisal which was dated March 3, 1987.

The Company had depreciated the property at a rate of $19,158 per year beginning in 1987. Therefore, the value of this property is determined as follows:

| | |
|---|---|
| Appraised value of property | $260,000 |
| Less encumbrances | (207,219) |
| Less accumulated depreciation | (39,370) |
| Value per examination December 31, 1990 | $ 13,411 |

It was also noted that the Company omitted the date of last appraisal in Schedule A of the Annual Statement.

**Note 4 - Real Estate**
**Investment property** **$105,527**

The above captioned amount is $31,473 more than the $76,000 reported in the Company's 1990 Annual Statement. The changes resulting from this examination are as follows:

| | |
|---|---|
| Amount per 1990 Annual Statement before non-admitted assets | $ 92,976 |
| Reclassification from Mortgage loans | 90,527 |
| Encumbrances on properties | (14,500) |
| Non-admitted real estate per Company | (16,976) |
| Non-admitted per examination, in addition to Company's non-admit | (46,500) |
| Value per examination | $105,527 |

The $90,527 which was reclassified from the caption mortgage loans was due to three foreclosed properties being incorrectly classified in the 1990 Annual Statement.

The non-admitted amounts resulted primarily from properties which were contributed from Hilliards and Company, Inc. These properties had no qualified appraisals upon which to base a value. Once again, the examiner gave the Company the opportunity to obtain qualified appraisals; however, the Company stated that they could not comply with this request. The cost of these properties to Hilliards and Company was substantially less than what the Company was carrying on its books. The President of the Company stated that improvements were made to these properties which increased the value; however, he could not provide receipts for these expenditures.

The examiner non-admitted the difference between the cost of the properties to Hilliards and Company, Inc. and the amount that the Company was carrying these properties. The non-admitted amounts are disclosed below.

1.) 2322 11th Place, Birmingham, Alabama - The book value per the Company was $23,500. This property was contributed from Hilliards and Company, Inc. on December 28, 1990. Hilliards and Company acquired this property on December 10, 1990 for a cost of $5,000. No appraisal was available for review; therefore, the examiner non-admitted the difference of $18,500.

2.) 1223 Pineview, Birmingham, Alabama - The book value per the Company was $38,500. This property was contributed by Hilliards and Company, Inc. on December 28, 1990. The examiner was unable to determine the original purchase price which Hilliards and Company paid; however, the Company did owe $14,500 on a mortgage on the property which the seller of the property held. Therefore, the examiner non-admitted $24,000, allowing a value of $14,500 which was offset by the amount of the encumbrance.

3.) Ridge Place Lot - The book value per the Company of this lot was $4,000. This property was contributed in 1981. No documentation was in file regarding the cost of this lot or appraised value. The examiner non-admitted the $4,000 book value.

The investment property files were lacking in documentation as to ownership, hazard insurance, mortgages on properties, and leases. During the course of the examination, the examiner was able to obtain sufficient information to verify ownership of the admitted portion of this asset.

It was noted that the Company surrendered an investment property located at 122 West South Street, Montgomery, Alabama to the mortgagee during the period covered by this examination. This property had a net admitted value of

$58,679 per the 1987 report of examination. The mortgage holder accepted a deed in-lieu-of foreclosure from the Company; therefore, the Company did not have any additional liability in the event of a loss by the mortgagee. The loss of this property resulted from the Company's failure to meet the terms of the mortgages on this property.

The Company failed to list each property separately in Schedule A that exceeded one-tenth of one percent of the Company's admitted assets (or $528) as required by the Annual Statement instructions; in conjunction, the date of last appraisal should be listed for each property.

It was also noted that the Company was not depreciating any of its investment real estate. The NAIC publication Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies states that, "The cost of property, other than land, should be depreciated over its estimated useful life."

Note 5 - Cash on hand and on deposit $22,257

The above referenced amount is the same as reflected in the 1990 Annual Statement; however, It was noted by the examiner that the above amount consisted of $22,000 in the form of certificates of deposit, which were held by the State of Alabama as statutory deposits. The remaining $257 was located in the Company's sole checking account at Amsouth Bank.

It was noted by the examiner that the Company purchased a certificate of deposit in the amount of approximately $120,000 from Amsouth Bank during June of 1988. The President of the Company stated that the funds used to purchase this certificate of deposit were from the sale of an investment property located on 1605 8th Avenue North. On December 29, 1989, the Company listed in its cash receipts journal a deposit for $105,650, with a description of "withdrawal from CD-Amsouth." On the same day, the cash disbursements journal listed a check payable to Hilliards and Company, Inc. for $105,650 for "home office improvements." See "Note 3 - Home Office Real Estate" for further discussion on this payment. Upon examination of the December 1989 Amsouth bank statement, the examiner ascertained that the Company wrote the check to Hilliards and Company for $105,650: Hilliards and Company endorsed the check and returned the check to the Company. The Company then deposited the check and listed the deposit as a "withdrawal from CD." Thus, the check and its deposit "wash." It appeared to the examiner that this was a deliberate attempt to conceal the true withdrawal of funds from the certificate of deposit. The examiner was not able to verify the disposition of the $120,000 certificate of deposit.

The examiner noted that disbursements, with no support documents, were made during the 1988, 1989 and 1990 period totalling $18,360 to family members of the President of the Company. These expenditures were charged to various line

items including office help, travel, and professional services. Payroll taxes were not withheld for payments classified as office help or professional services. There was an annual agreement for payments entitled "travel." This agreement allowed for round trip transportation from the residence of the individual to the Company office; in addition, a per diem amount of $5.00 per day was allowed. 1099 filings were not made to the Internal Revenue Service for any of the aforementioned payments. The Company is in apparent violation of Section 27-27-30 (a and b), Code of Alabama 1975, as amended, which states that:

> "(a) No insurer shall make any disbursement of $25.00 or more unless evidenced by a voucher or other document correctly describing the consideration for the payment and support by a check or receipt endorsed or signed by, or on behalf of, the person receiving the money.
>
> (b) If the disbursement is for services and reimbursement, the voucher or other document, or some other writing referred to therein, shall describe the services and itemize the expenditures."

**Note 6 - Investment income due and accrued** **$1,648**

The above referenced amount is $10,200 less than the amount reflected in the 1990 Annual Statement. This change resulted from two accruals which are not admissible.

The Company had established an accrual in the amount of $10,200 for rental income from W A Casey and Earl Hilliard. These two accruals were not accepted for purposes of this examination as:

1.) leases were not available to substantiate that these amounts were actually due.

2.) a review of the 1991 cash receipt journal did not indicate that these amounts had been received.

**Note 7 - Receivable from parent, subsidiaries, and affiliates** -0-

The 1987 examination report non-admitted a collateral loan in the net amount of $180,300. Subsequent to the 1987 examination, the Company transferred this loan back to the parent company for no consideration. Even though this loan was not an admissible asset in accordance with Sections 27-37-6 and 27-37-2, the loan had an actual market value. No documentation was provided to the examiner to support or evidence this transaction; therefore, the examiner has established and non-admitted a receivable from Hilliards and Company, Inc. for $180,300, the same amount the Company listed in their 1987 Annual Statement.

The examiner also established and non-admitted an additional $6,000 receivable from Hilliards and Company, Inc. due to what appeared to be an illegal dividend payment June 3, 1988. See "Dividends to Stockholders" for further discussion on this payment.

In addition to the receivables listed above, the examiner also established and non-admitted a receivable in the amount of $105,000 from Hilliards and Company, Inc. due to the non-completion of improvements on the home office property.

The aggregate amount of the receivable from parent is $291,500.

**Note 8 - Aggregate reserve for life policies** **$348,616**

The captioned amount is $16,603 more than the liability established by the Company in its 1990 Annual Statement.

It was noted that the Company did not compute its reserves in accordance with Section 27-30-16, Code of Alabama 1975, as amended, which requires that the Company,

> ". . . compute the net value as of December 31 of the preceding year of all benefits payable in cash under all outstanding contracts or policies...made upon the basis of the "combined experience" or "actuaries table" or "the American experience table" rate of mortality (Illinois standard of valuation), with interest at the rate of four percent per annum."

The tables which the Company is using are at least as conservative as the American Experience Table with interest at 4%. The changes arose from missing factors and from using whole life factors on some plans where the premium paying period had expired.

**Note 9 - Policy and contract claims** **$3,500**

The captioned amount is $3,000 more than the $500 amount reported in the Company's 1990 Annual Statement.

The $3,500 represented an average of the last three years incurred but not reported claims. The last examination report cited this same understatement of liability. In written response to the last examination report, the President of the Company stated that "The Company has and will maintain an

adequate amount of reserves for its incurred but not reported claims in compliance with Section 27-36-1(1), Code of Alabama, 1975."

The $500.00 liability that the Company established for each year covered by this examination is not sufficient to pay claims incurred prior to the date of the Annual Statement; therefore, the Company is in violation of Section 27-36-1(2), Code of Alabama 1975, as amended, which states that:

> "In any determination of the financial condition of an insurer, capital stock and liabilities to be charged against its assets shall include: (2) The amount, estimated consistent with the provision of this title, necessary to pay all of its unpaid losses and claims incurred on or prior to the date of statement, whether reported or unreported, together with the expenses of adjustment or settlement thereof."

**Note 10 - Taxes, licenses and fees due or accrued** **$150**

The amount listed above is the same amount as listed in the 1990 Annual Statement. Upon examination of the 1991 payments for taxes; it was determined that the actual amount paid was $432 which was incurred during 1990. Due to the immaterial amount of this difference, no changes have been reflected in the financial statements of this report.

**Note 11 - Pythian Lodge Account** **3,663**

It was noted by the examiner that the last two examination reports recommended that the Company submit this block of business to its actuary in order to establish a proper reserve. As of the date of this examination, the Company had not complied with this recommendation. Adequate

records were not available to the examiner in order to submit this line of business to the consulting actuary who participated in this examination.

**Note 12 - Unassigned surplus** **$(146,183)**

The following schedule presents a reconciliation of the unassigned funds reported by the Company with that developed by the examination:

| | Increase (Decrease) | Balance |
|---|---|---|
| Gross paid in and contributed surplus per the Company | | $ 138,326 |
| **Assets:** | | |
| Mortgage loans, reclassified | $ (90,527) | |
| Mortgage loans, non-admitted | (5,354) | |
| Home office Property | (188,352) | |
| Investment real estate, reclassified from mortgage loans | 90,527 | |
| Investment real estate, non-admitted | (61,000) | |
| Investment income accrued | (10,200) | |
| Receivable from parent established | 291,500 | |
| Receivable from parent non-admitted | (291,500) | |
| Net decrease in assets | | $(264,906) |
| **Liabilities:** | | |
| Policy and contract claims | $ 3,000 | |
| Aggregate reserve for life policies | 16,603 | |
| Net increase in liabilities | | $ (19,603) |
| **Unassigned surplus per examination** | | $(146,183) |

CONTINGENT LIABILITIES AND PENDING LITIGATION

It was noted that the Company was named as a co-defendant in a counterclaim filed against American Trust Corporation, an affiliated company. This counterclaim was filed February 4, 1991 by Gary Richardson and Richardson Broadcasting System. The Company was named as a co-defendant in the counterclaim as the property, mortgage notes, and security agreements in question were assets of the Company.

This counterclaim sought a judgement for breach of contract, fraud and wrongful interference with business transactions, money paid by mistake and/or money had and received; in addition, the counterclaim plaintiffs sought declaratory relief from notes, security interest and stock pledge agreements.

A motion to dismiss the Company as a counterclaim defendant was filed on February 26, 1991. As of the date of this report, the case was continued pending discovery of evidence.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had not satisfactorily complied with the prior recommendations. These items are discussed below.

Management and Control

The previous examination report recommended that the Company comply with Section 27-27-30, Code of Alabama 1975, as amended, which requires that all of its directors be stockholders of the Company. Hilliards and Company, Inc. was the sole stockholder as of the date of this examination report.

Mortgage Loans and Real Estate

The previous two examinations made recommendations that the Company keep its records regarding mortgage loans and real estate current and complete. The findings of this examination did not indicate that this has been accomplished

Aggregate reserve for life policies

The prior examination recommended that the Company establish an adequate amount of reserve for its incurred but not reported claims. It appears that the Company has not made any change in its procedure for computing this line item.

Pythian Lodge Account

Examiners recommended during the 1984 and 1987 examinations that the Company submit this block of business to its actuary, in order that proper reserves be ascertained. As of the date of this examination, this block of business had not been submitted to its actuary.

IMPORTANT POINTS, COMMENTS AND RECOMMENDATIONS

The following summary presents the important points, comments and recommendations which are made in the current report of examination.

Management and Control - Page 4

**It is recommended** that the Company comply with Section 27-30-30(a), Code of Alabama 1975, as amended, which requires that all of its directors be stockholders.

Board of Directors/Officers- Pages 4 and 6

**It is recommended** that the Company use full names in future Annual Statements in compliance with the Annual Statement instructions.

Conflict of Interest- Page 6

**It is recommended** that all officers, directors, and employees file conflict of interest statements annually in accordance with the conflict of interest policy of the Company.

Corporate Records - Page 7

**It is recommended** that the Company maintain complete and informative records as to the meetings of the Board of Directors and Stockholders.

Holding Company - Page 8

**It is recommended** that the Company files amendments to its Holding Company filings in accordance with Section 27-29-4, Code of Alabama 1975, as amended.

Dividends to Stockholders - Page 8

**It is recommended** that the Company follow the guidelines for dividends payments as directed by Section 27-27-37(a), Code of Alabama 1975, as amended. See recommendation entitled "Receivable from parent, subsidiaries, and affiliates" for further discussion.

Fidelity Bond and Other Insurance - Page 11

**It is recommended** that the Company maintain fidelity bond insurance in accordance with guidelines of the NAIC.

Claims Review - Page 13

**It is recommended** that the Company maintain complete claim files and registers.

**It is also recommended** that the Company accurately document any delay in payment of claims.

Compliance with Agents' Licensing Requirements - Page 15

**It is recommended** that the Company only pay commissions to agents licensed by the State of Alabama in accordance with Section 27-8-27(a), Code of Alabama 1975, as amended.

Accounts and Records - Page 15

It is recommended that the Company maintain its records in conformity with accepted industry standards, NAIC guidelines, and Section 27-30-21, Code of Alabama 1975, as amended.

Bonds - Page 23

It is recommended that the Company maintain its securities in the state of Alabama in compliance with Section 27-27-29, Code of Alabama 1975, as amended.

It is recommended that the Company have written agreements evidencing safekeeping or custodial agreements.

It is recommended that the Company complete Schedule D accurately and completely in future Annual Statements.

Mortgage loans on real estate - Page 24

It is recommended that the Company include only valid mortgage loans on real estate under this caption.

It is recommended that the Company have proof of hazard insurance on each mortgage loan.

It is recommended that the Company keep its mortgage files up to date; furthermore, it is recommended that these files be maintained in the home office of the Company.

Real estate-property occupied by the Company - Page 25

It is recommended that the Company value the home office property in accordance with Sections 27-37-7, Code of Alabama 1975, as amended and Regulations 18 and 59.

**It is recommended** that the Company only make payments for debt obligations for which they are legally responsible.

**It is recommended** that the Company keep its files complete regarding ownership, improvements, depreciation, insurance, appraisals, and taxes on the home office property.

Investment real estate - Page 28

It is recommended that the Company depreciate its investment real estate in accordance with the NAIC Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies.

For the third consecutive examination, **it is recommended** that the Company keep its real estate files up to date. These files should be kept current in regard to documentation of titles, encumbrances, appraisals, paid taxes, insurance coverages, and all transactions which affect the ownership or value of the property.

**It is also recommended** that the information listed in the preceding paragraph be maintained in the home office of the Company.

Cash on Hand and on Deposit- Page 30

**It is recommended** that the Company maintain vouchers for any expenditure $25.00 or more in accordance with Section 27-27-30(a and b), Code of Alabama 1975, as amended.

**It is recommended** that the Company file Form 1099 per the Internal Revenue Service requirements on any applicable individuals or businesses.

**It is recommended** that the Company provide a written explanation and substantial proof of the same to the Alabama Department of Insurance as to the disposition of the $120,000 certificate of deposit.

Investment income due and accrued - Page 32

**It is recommended** that the Company only accrue amounts receivable which are evidenced by a lease or other verifiable sources. It is also recommended that the Company not accrue income where the collectibility of unpaid rent is in doubt.

Receivable from parent, subsidiaries, and affiliates - Page 33

**It is recommended** that Hilliards and Company, Inc. return the $6,000, that appeared to be a dividend payment, to the Company and send verification of the same to the Alabama Department of Insurance. **It is also recommended** that the Company receive a fair and reasonable payment for the collateral loan which was transferred to Hilliards and Company, Inc. The Company established a value of $180,500 in their 1987 Annual Statement; therefore, the examiner has established a receivable in the same amount.

**It is recommended** that the $105,000 payment to Hilliards and Company, Inc. for home office improvements be refunded

back to the Company until the improvements have been completed.

The examiner also recommends that all transactions with Hilliards and Company, Inc., or any subsidiary be handled fairly and reasonably to both parties in accordance with Section 27-29-5(a), Code of Alabama 1975, as amended.

Aggregate reserve for life policies - Page 34

It is recommended that the Company compute its reserves in accordance with Section 27-30-16, Code of Alabama 1975, as amended.

It is also recommended that the Company's actuary use correct factors in computing reserves where the premium paying period has expired.

Policy and contract claims - Page 34

It is recommended that the Company establish an adequate amount of reserve for its incurred but not reported claims, in compliance with Section 27-36-1(5), Code of Alabama 1975, as amended.

Taxes, licenses, and fees - Page 35

It is recommended that the Company accrue a sufficient amount to cover the payment of taxes, licenses, and fees.

Pythian Lodge account - Page 35

It is recommended that the Company submit this block of business to its actuary in order to establish proper reserves.

CONCLUSION

This examination disclosed that as of December 31, 1990, the Company was insolvent.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and evaluation of assets and determination of liabilities set forth in this report.

Acknowledgement is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, Harland Dyer, Consulting Actuary for the Alabama Department of Insurance, participated in this examination of American Trust Life Insurance Company.

Respectfully submitted,

James L. Hattaway, III
Examiner-in-Charge
Department of Insurance
State of Alabama

# EXHIBIT 32

STATE OF ALABAMA
DEPARTMENT OF INSURANCE

****DEPARTMENTAL MEMORANDUM****

Copy for Reyn
Report Filed 6/13/91

TO: Commissioner Weaver
General Counsel Bownes

FROM: Paul Raadt

SUBJECT: Examination of American Trust Life Insurance Co.

DATE: May 31, 1991

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Our examiner has recessed subject examination for two weeks to provide company president Earl Hilliard time to obtain a real estate appraisal. Howver, because of the serious nature of the examiner's findings, I requested a preliminary draft of the Report which will be finalized in a couple of weeks.

This company has been operated in such a manner that, in my opinion, its present condition warrants immediate regulatory attention. This memo is to briefly highlight some of the findings. I will also attach a copy of Jim Hattaway's memo which accompanied the report draft I received yesterday.

A summary of violations and deficiencies follows:

1. Section 27-30-30-(a): In spite of previous recommendations, company directors still do not own stock as is required by law. All outstanding stock is owned by Hilliards and Company.

2. Chapter 29: No holding company filings have been made. A Form B registration statement was finally filed this past week.

3. Section 27-27-37 (dividends): Monies were paid by the Company to Hilliards and Company without any support, loan document, etc. Such payments could be construed as illegal dividends.

4. Section 27-8-27: Commissions totaling $326.51 were paid to an unlicensed agent in 1988.

5. Section 27-30-21: Repeated violation of requirement to keep company records in home office.

6. Section 27-27-29(b): $15,000 in bonds were held by brokerage firms located outside of Alabama.

7. Section 27-27-30 (a)(b): Disbursements totaling $18,650 from 1988-1990 were made to family members without supporting documentation. No payroll tax was withheld for payments classified as "Office help" and "Professional Services".

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*One situation which indicates ta very serious problem, perhaps embezzlement, has to do with a cash receipts journal entry on May 29, 1989 which indicated a deposit of $105,650 for "withdrawal from CD-AmSouth"(apparently part of a $120,000 CD acquired from AmSouth in June of 1988). On the same day, the disbursements journal listed a check payable to Hilliards and Company, Inc. for $105,650 for "home office improvements". This check was then endorsed to the Company and the Company desposited it as a "withdrawal from CD". Thus, the check and its deposit "wash". However, there is no evidence of actual receipt of any of the proceeds from the AmSouth CD.*

*Earl Hilliard and/or Hilliards and Company borrowed money from SouthTrust Bank in 1987, secured by real estate which he contributed to American Trust a few months later. American Trust has disbursed $34,305 in payments on this personal loan. On 12/29/89 American Trust paid Hilliards and Company $109,000 for the cost of renovations which as of today have still not been completed.*

*A company official admitted delaying claims due to a "cash flow" problem.*

*Company consistently ignores recommendations made by our examiners.*

M E M O R A N D U M

DATE: May 28, 1991

TO: Mr. Paul Raadt

FROM: Jim Hattaway

RE: American Trust Life Insurance Company

Enclosed you will find a draft copy of the examination report for American Trust.

The financial statements have not been completely adjusted pending appraisals and reserve verification. Unless appraisals are higher than what I am anticipating, the report will show an insolvent company.

My major concerns in this report are not necessarily related to the current financial solvency of the company. The areas which I would like to bring to your immediate attention are as follows:

1.) disregard to previous examination recommendations. The accounts and records appear to have deteriorated, rather than improved, since the last examination. There is very little documentation for transactions unless they involve the Company's checking account, as no general ledger is maintained. Other areas of non-compliance include reserves, bonds, mortgage loans, investment property, and home office property.

2.) receivable from parent. The Company's transactions with the parent have not been fair and reasonable. Three separate transactions totalling $291,500 have been established as a receivable from Hilliards and Company. Financial statements for the parent company were not available for review (see Form B filing enclosed). It appears that the Company is being drained by the parent company and the Hilliard family (see "Cash" commentary in report.

3.) claims payments. By the Company's own admission and the limited records available, the Company is delaying payment on claims up to three months because they do not have the liquid assets to pay claims.

4.) protection of assets. It appears that the Company has transferred properties among the affiliated and parent companies at sporadic intervals in order to improve the financial status of individual companies when needed. The Company had one parcel of real estate foreclosed upon due to non-payment of debts.

5.) management of Company. During my visit to the Company, the receptionist was the only person consistently present. Mrs. Hilliard arrived at work 11:00 or after each day. Mr. Hilliard was

only available half-days on Mondays and Fridays. Mr. Hilliard is the only person with detailed knowledge of real estate transactions which account for the vast majority of the Company's assets.

Mr. and Mrs. Hilliard understand that they have two weeks from today to supply me with the needed information to complete this report. Per our phone conversation today, if the documents are not available for review at that time, I believe that the report should be completed and filed.

If any of the above areas need clarification, please advise me. Your input is appreciated.

# EXHIBIT 33

MAY-04-2000 21:35 P.03

Form **990-EZ**

Department of the Treasury
Internal Revenue Service

## Short Form
## Return of Organization Exempt From Income Tax

9412

**Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust**

▶ For organizations with gross receipts less than $100,000 and total assets less than $250,000 at the end of the year.

▶ *The organization may have to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-1150

**1994** 16

**This Form is Open to Public Inspection**

**A** For the 1994 calendar year, OR tax year beginning , 1994, and ending , 19

**B** Check if:
- ☐ Change of address
- ☐ Initial return
- ☐ Final return
- ☐ Amended return (required also for State reporting)

Please use IRS label or print or type. See Specific Instructions.

FI 63-1088041 9412 07 03 16 3 IB
AFRICAN AMERICAN INSTITUTE INC
~~% CHERYL HILLIARD~~ Merriam L McLendon
1614 3RD AVE N
BIRMINGHAM AL 35203

**D** Employer identification number: 63 1088041

**E** State registration number

**F** Check ▶ ☐ if exemption application is pending

**H** Enter four-digit group exemption number (GEN)

**G** Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ▶

**I** Type of organization— ▶ ☒ Exempt under section 501(c)( 3 ) ◀ (insert number) OR ▶ ☐ section 4947(a)(1) nonexempt charitable trust

**Note:** ***Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts MUST attach a completed Schedule A (Form 990).***

**J** Check ▶ ☐ if the organization's gross receipts are normally not more than $25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, the organization should file a return without financial data. **Some states require a complete return.**

**K** Enter the organization's 1994 gross receipts **(add back lines 5b, 6b, and 7b, to line 9)** ▶ $ 9 15

**If $100,000 or more, the organization must file Form 990 instead of Form 990-EZ.**

**Part I** **Statement of Revenue, Expenses, and Changes in Net Assets or Fund Balances**

| | | | | |
|---|---|---|---|---|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received (attach schedule—see instructions) | 1 | 46,280 |
| | 2 | Program service revenue including government fees and contracts | 2 | 1,643 |
| | 3 | Membership dues and assessments (see instructions) | 3 | |
| | 4 | Investment income | 4 | |
| | 5a | Gross amount from sale of assets other than inventory — 5a | | |
| | b | Less: cost or other basis and sales expenses — 5b | | |
| | c | Gain or (loss) from sale of assets other than inventory (line 5a less line 5b) (attach schedule) | 5c | |
| | 6 | Special events and activities (attach schedule—see instructions): | | |
| | a | Gross revenue (not including $ _____ of contributions reported on line 1) — 6a 1643 | | |
| | b | Less: direct expenses other than fundraising expenses — 6b 21,974 | | |
| | c | Net income or (loss) from special events and activities (line 6a less line 6b) | 6c | <20,331> |
| | 7a | Gross sales of inventory, less returns and allowances — 7a | | |
| | b | Less: cost of goods sold — 7b | | |
| | c | Gross profit or (loss) from sales of inventory (line 7a less line 7b) | 7c | |
| | 8 | Other revenue (describe ▶ Rental Income) | 8 | 38,500 |
| | 9 | **Total revenue** (add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8) ▶ | 9 | 66,092 |
| Expenses | 10 | Grants and similar amounts paid (attach schedule) | 10 | |
| | 11 | Benefits paid to or for members | 11 | |
| | 12 | Salaries, other compensation, and employee benefits | 12 | |
| | 13 | Professional fees and other payments to independent contractors | 13 | |
| | 14 | Occupancy, rent, utilities, and maintenance | 14 | 50,675 |
| | 15 | Printing, publications, postage, and shipping | 15 | 773 |
| | 16 | Other expenses (describe ▶ ) | 16 | |
| | 17 | **Total expenses** (add lines 10 through 16) ▶ | 17 | 51,448 |
| Net Assets | 18 | Excess or (deficit) for the year (line 9 less line 17) | 18 | 14,644 |
| | 19 | Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return) | 19 | |
| | 20 | Other changes in net assets or fund balances (attach explanation) | 20 | |
| | 21 | Net assets or fund balances at end of year (combine lines 18 through 20) ▶ | 21 | 14,644 |

NO REPLY
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ATSCHEDULE 5240

**Part II** **Balance Sheets**—If Total assets on line 25, column (B) are $250,000 or more, Form 990 must be filed instead of Form 990-EZ.

| | | (A) Beginning of year | | (B) End of year |
|---|---|---|---|---|
| 22 | Cash, savings, and investments | 0 | 22 | 72 |
| 23 | Land and buildings | | 23 | |
| 24 | Other assets (describe ▶ Equipment) | | 24 | 14,572 |
| 25 | **Total assets** | 00 | 25 | 14,644 |
| 26 | **Total liabilities** (describe ▶ ) | | 26 | |
| 27 | **Net assets or fund balances** (line 27 of column (B) must agree with line 21) | 0 | 27 | 14,644 |

**For Paperwork Reduction** [redacted] **separate instructions.** Cat. No. 10642I Form **990-EZ** (1994)

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Form 990-EZ (1994) Page 2

**Part III Statement of Program Service Accomplishments**—(see instructions)

What is the organization's primary exempt purpose?

Describe what was achieved in carrying out the organization's exempt purposes. Fully describe the services provided, the number of persons benefited, or other relevant information for each program title.

**Expenses** (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.)

28 ..... (Grants $ ) 28a

29 ..... (Grants $ ) 29a

30 ..... (Grants $ ) 30a

31 Other program services (attach schedule) (Grants $ ) 31a

32 **Total program service expenses** (add lines 28a through 31a) ▶ 32

**Part IV List of Officers, Directors, Trustees, and Key Employees** (List each one even if not compensated. See instructions.)

| (A) Name and address | (B) Title and average hours per week devoted to position | (C) Compensation (If not paid, enter -0-) | (D) Contributions to employee benefit plans & deferred compensation | (E) Expense account and other allowances |
|---|---|---|---|---|
| See Attached | | Ø | | |
| | | Ø | | |
| | | Ø | | |

**Part V Other Information**

| | | Yes | No |
|---|---|---|---|
| 33 | Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | | X |
| 34 | Were any changes made to the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes. | | X |
| 35 | *If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but NOT reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T.* | | |
| a | During the year covered by this return, did the organization have unrelated business gross income of $1,000 or more or incur liability for the section 6033(e) tax on lobbying and political expenditures? | | X |
| b | If "Yes," has it filed a tax return on **Form 990-T,** Exempt Organization Business Income Tax Return, for this year? | | X |
| 36 | Was there a liquidation, dissolution, termination, or substantial contraction during the year? (If "Yes," attach a statement; see instructions.) | | X |
| 37a | Enter amount of political expenditures, direct or indirect, as described in the instructions. ▶ 37a | | |
| b | Did the organization file **Form 1120-POL,** U.S. Income Tax Return for Certain Political Organizations, for this year? | | X |
| 38a | Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee OR were any such loans made in a prior year and still unpaid at the start of the period covered by this return? | | X |
| b | If "Yes," attach the schedule specified in the instructions and enter the amount involved 38b | | |
| 39 | *Section 501(c)(7) organizations.*—Enter: | | |
| a | Initiation fees and capital contributions included on line 9 39a | | |
| b | Gross receipts, included on line 9, for public use of club facilities (see instructions) 39b | | |
| c | Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (If "Yes," attach statement; see instructions.) | | |

40 List the states with which a copy of this return is filed. ▶ None

41 The books are in care of ▶ Myron E. McDaniel Telephone no. ▶ (205) 324-2571

Located at ▶ 1614 3rd Ave. North Bham., AL ZIP code ▶ 35203

42 *Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of* **Form 1041,** *U.S. Income Tax Return for Estates and Trusts.*—Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 42

**Please Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer Date ▶ Title

**Paid Preparer's Use Only**

Preparer's signature Eugene Pitts Date 5/4/95 Check if self-employed ▶ ☐ 420 Preparer's social security no. 586 46 59

Firm's name (or yours if self-employed) and address Pitts, Davis & Co. LLC E.I. No. ▶ 63 1102384

2001 Park Place North Ste 860 ZIP code ▶ [redacted] 35205

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**SCHEDULE A (Form 990)**

Department of the Treasury
Internal Revenue Service

# Organization Exempt Under Section 501(c)(3)

(Except Private Foundation), and Section 501(a), 501(f), 501(k), or Section 4947(a)(1) Nonexempt Charitable Trust

## Supplementary Information

▶ Must be completed by the above organizations and attached to their Form 990 (or 990-EZ).

OMB No. 1545-0047

**1994**

Name of the organization: African American Institute, Inc

Employer identification number: 63 1088041

**Part I** Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions.) (List each one. If there are none, enter "None.")

| (a) Name and address of each employee paid more than $50,000 | (b) Title and average hours per week devoted to position | (c) Compensation | (d) Contributions to employee benefit plans & deferred compensation | (e) Expense account and other allowances |
|---|---|---|---|---|
| None | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total number of other employees paid over $50,000 ▶ | | | | |

**Part II** Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions.) (List each one (whether individuals or firms.) (If there are none, enter "None.")

| (a) Name and address of each independent contractor paid more than $50,000 | (b) Type of service | (c) Compensation |
|---|---|---|
| None | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total number of others receiving over $50,000 for professional services ▶ | | |

**Part III** Statements About Activities

| | | Yes | No |
|---|---|---|---|
| 1 | During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? . . . . . If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities. ▶ $ _____ Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities. | 1 | | X |
| 2 | During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary: | | | |
| a | Sale, exchange, or leasing of property? . . . . . | 2a | | X |
| b | Lending of money or other extension of credit? . . . . . | 2b | | X |
| c | Furnishing of goods, services, or facilities? . . . . . | 2c | | X |
| d | Payment of compensation (or payment or reimbursement of expenses if more than $1,000)? . . . . . | 2d | | X |
| e | Transfer of any part of its income or assets? . . . . . If the answer to any question is "Yes," attach a detailed statement explaining the transactions. | 2e | | X |
| 3 | Does the organization make grants for scholarships, fellowships, student loans, etc.? . . . . . | 3 | | X |
| 4 | Attach a statement explaining how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See instructions.) | | | |

**Part IV Reason for Non-Private Foundation Status** (See instructions for definitions.)

The organization is not a private foundation because it is (please check only **ONE** applicable box):

5 ☐ A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).

6 ☐ A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)

7 ☐ A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).

8 ☐ A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).

9 ☐ A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter the hospital's name, city, and state** ▶ .....

10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** below.)

11a ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** below.)

11b ☐ A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** below.)

12 ☒ An organization that normally receives: **(a) no more than 33⅓%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and **(b) more than 33⅓%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete the **Support Schedule** below.)

13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: **(1)** lines 5 through 12 above; or **(2)** section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions for Part IV, line 13.)

| (a) Name(s) of supported organization(s) | (b) Line number from above |
|---|---|
| | |
| | |
| | |

14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

**Support Schedule** (Complete only if you checked a box on line 10, 11, or 12 above.) ***Use cash method of accounting.***

**Note:** *You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.*

| **Calendar year (or fiscal year beginning in)** ▶ | (a) 1993 | (b) 1992 | (c) 1991 | (d) 1990 | (e) Total |
|---|---|---|---|---|---|
| 15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.) | | | | | |
| 16 Membership fees received | | | | | |
| 17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose | | | | | |
| 18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975 | | | | | |
| 19 Net income from unrelated business activities not included in line 18 | | | | | |
| 20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf | | | | | |
| 21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge | | | | | |
| 22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets | | | | | |
| 23 Total of lines 15 through 22 | | | | | |
| 24 Line 23 minus line 17 | | | | | |
| 25 Enter 1% of line 23 | | | | | |
| 26 Organizations described in lines 10 or 11: | | | | | |
| a Enter 2% of amount in column (e), line 24 | | | | | |
| b Attach a list (which is not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1990 through 1993 exceeded the amount shown in line 26a. Enter the sum of all these excess amounts here ▶ | | | | | |

*(Support Schedule continued on page 3)*

[redacted]

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Schedule A (Form 990) 1994 Page 5

**Part IV** **Support Schedule** (continued) (Complete only if you checked a box on line 10, 11, or 12.)

27 Organizations described on line 12:

a Attach a list, for amounts shown on lines 15, 16, and 17, to show the name of, and total amounts received in each year from, each "disqualified person." Enter the sum of such amounts for each year:

(1993) ..... (1992) ..... (1991) ..... (1990) .....

b Attach a list to show, for 1990 through 1993, the name of, and amount included in line 17 for, each person (other than a "disqualified person") from whom the organization received, during that year, an amount that was more than the larger of **(1)** the amount on line 25 for the year or **(2)** $5,000. Include organizations described in lines 5 through 11, as well as individuals. After computing the difference between the amount received and the larger amount described in **(1)** or **(2)**, enter the sum of all these differences (the excess amounts) for each year:

(1993) ..... (1992) ..... (1991) ..... (1990) .....

28 For an organization described in line 10, 11, or 12, that received any unusual grants during 1990 through 1993, attach a list (which is not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15. (See instructions.)

**Part V** **Private School Questionnaire**
**(To be completed ONLY by schools that checked the box on line 6 in Part IV)** N/A

| | | Yes | No |
|---|---|---|---|
| 29 | Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body? | 29 | |
| 30 | Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships? | 30 | |
| 31 | Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? (If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.) | 31 | |
| 32 | Does the organization maintain the following: | | |
| a | Records indicating the racial composition of the student body, faculty, and administrative staff? | 32a | |
| b | Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? | 32b | |
| c | Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? | 32c | |
| d | Copies of all material used by the organization or on its behalf to solicit contributions? (If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.) | 32d | |
| 33 | Does the organization discriminate by race in any way with respect to: | | |
| a | Students' rights or privileges? | 33a | |
| b | Admissions policies? | 33b | |
| c | Employment of faculty or administrative staff? | 33c | |
| d | Scholarships or other financial assistance? (See instructions.) | 33d | |
| e | Educational policies? | 33e | |
| f | Use of facilities? | 33f | |
| g | Athletic programs? | 33g | |
| h | Other extracurricular activities? (If you answerec "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) | 33h | |
| 34a | Does the organization receive any financial aid or assistance from a governmental agency? | 34a | |
| b | Has the organization's right to such aid ever been revoked or suspended? (If you answered "Yes" to either 34a or b, please explain using an attached statement. | 34b | |
| 35 | Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation. (See instructions for Part V.) | 35 | |

[redacted]

**Part VI-A** **Lobbying Expenditures by Electing Public Charities** (See instructions.)
(To be completed **ONLY** by an eligible organization that filed Form 5768) N/A

Check here ▶ a ☐ If the organization belongs to an affiliated group (see instructions).
Check here ▶ b ☐ If you checked a and "limited control" provisions apply (see instructions).

| Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred) | | (a) Affiliated group totals | (b) To be completed for ALL electing organizations |
|---|---|---|---|
| 36 | Total lobbying expenditures to influence public opinion (grassroots lobbying) | 36 | |
| 37 | Total lobbying expenditures to influence a legislative body (direct lobbying) | 37 | |
| 38 | Total lobbying expenditures (add lines 36 and 37) | 38 | |
| 39 | Other exempt purpose expenditures (see Part VI-A instructions) | 39 | |
| 40 | Total exempt purpose expenditures (add lines 38 and 39) (see instructions) | 40 | |
| 41 | Lobbying nontaxable amount. Enter the amount from the following table— | | |
| | **If the amount on line 40 is—** / **The lobbying nontaxable amount is—** | | |
| | Not over $500,000 / 20% of the amount on line 40 | | |
| | Over $500,000 but not over $1,000,000 / $100,000 plus 15% of the excess over $500,000 | | |
| | Over $1,000,000 but not over $1,500,000 / $175,000 plus 10% of the excess over $1,000,000 | 41 | |
| | Over $1,500,000 but not over $17,000,000 / $225,000 plus 5% of the excess over $1,500,000 | | |
| | Over $17,000,000 / $1,000,000 | | |
| 42 | Grassroots nontaxable amount (enter 25% of line 41) | 42 | |
| 43 | Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36 | 43 | |
| 44 | Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38 | 44 | |

**Caution:** *File Form 4720 if there is an amount on either line 43 or line 44.*

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50.)

| | Calendar year (or fiscal year beginning in) ▶ | (a) 1994 | (b) 1993 | (c) 1992 | (d) 1991 | (e) Total |
|---|---|---|---|---|---|---|
| | | Lobbying Expenditures During 4-Year Averaging Period | | | | |
| 45 | Lobbying nontaxable amount (see instructions) | | | | | |
| 46 | Lobbying ceiling amount (150% of line 45(e)) | | | | | |
| 47 | Total lobbying expenditures (see instructions) | | | | | |
| 48 | Grassroots nontaxable amount (see instructions) | | | | | |
| 49 | Grassroots ceiling amount (150% of line 48(e)) | | | | | |
| 50 | Grassroots lobbying expenditures (see instructions) | | | | | |

**Part VI-B** **Lobbying Activity by Nonelecting Public Charities**
(For reporting by organizations that did not complete Part VI-A) N/A

| During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of: | | Yes | No | Amount |
|---|---|---|---|---|
| a | Volunteers | | | |
| b | Paid staff or management (include compensation in expenses reported on lines c through h) | | | |
| c | Media advertisements | | | |
| d | Mailings to members, legislators, or the public | | | |
| e | Publications, or published or broadcast statements | | | |
| f | Grants to other organizations for lobbying purposes | | | |
| g | Direct contact with legislators, their staffs, government officials, or a legislative body | | | |
| h | Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means | | | |
| i | Total lobbying expenditures (add lines c through h) | | | |

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

[redacted]

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**Part VII** **Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations** N/A

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527 relating to political organizations?

| | | Yes | No |
|---|---|---|---|
| a | Transfers from the reporting organization to a noncharitable exempt organization of: | | |
| | (i) Cash | 51a(i) | |
| | (ii) Other assets | a(ii) | |
| b | Other transactions: | | |
| | (i) Sales of assets to a noncharitable exempt organization | b(i) | |
| | (ii) Purchases of assets from a noncharitable exempt organization | b(ii) | |
| | (iii) Rental of facilities or equipment | b(iii) | |
| | (iv) Reimbursement arrangements | b(iv) | |
| | (v) Loans or loan guarantees | b(v) | |
| | (vi) Performance of services or membership or fundraising solicitations | b(vi) | |
| c | Sharing of facilities, equipment, mailing lists, other assets, or paid employees | c | |

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

| (a) Line no. | (b) Amount involved | (c) Name of noncharitable exempt organization | (d) Description of transfers, transactions, and sharing arrangements |
|---|---|---|---|
| | | | |

52a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☐ No

b If "Yes," complete the following schedule.

| (a) Name of organization | (b) Type of organization | (c) Description of relationship |
|---|---|---|
| | | |

[redacted]

Form 990-EZ
Part I IV

ARTICLE VI

INITIAL DIRECTORS AND OFFICERS

6.1 The name and post office address of the initial directors and officers chosen until the first annual meeting of the Board of Directors or until their successors shall be elected and qualified are:

| DIRECTORS | POSITION | ADDRESSES |
|---|---|---|
| ~~Cheryl Hilliard~~ Merriam McLendon | Chairman of the Board | 1614 3rd Ave. North Birmingham, AL 35203 |
| Rita Hall | Vice Chairman of the Board | 1614 3rd Ave. North Birmingham, AL 35203 |
| Carol Allen | Secretary | 1614 3rd Ave. North Birmingham, AL 35203 |

| OFFICERS | POSITION | ADDRESSES |
|---|---|---|
| ~~Cheryl Hilliard~~ Merriam McLendon | Executive Director | 1614 3rd Ave. North Birmingham, AL 35203 |
| Carol Allen | Assistant Director | 1614 3rd Ave. North Birmingham, AL 35203 |
| Rita Hall | Secretary | 1614 3rd Ave. North Birmingham, AL 35203 |

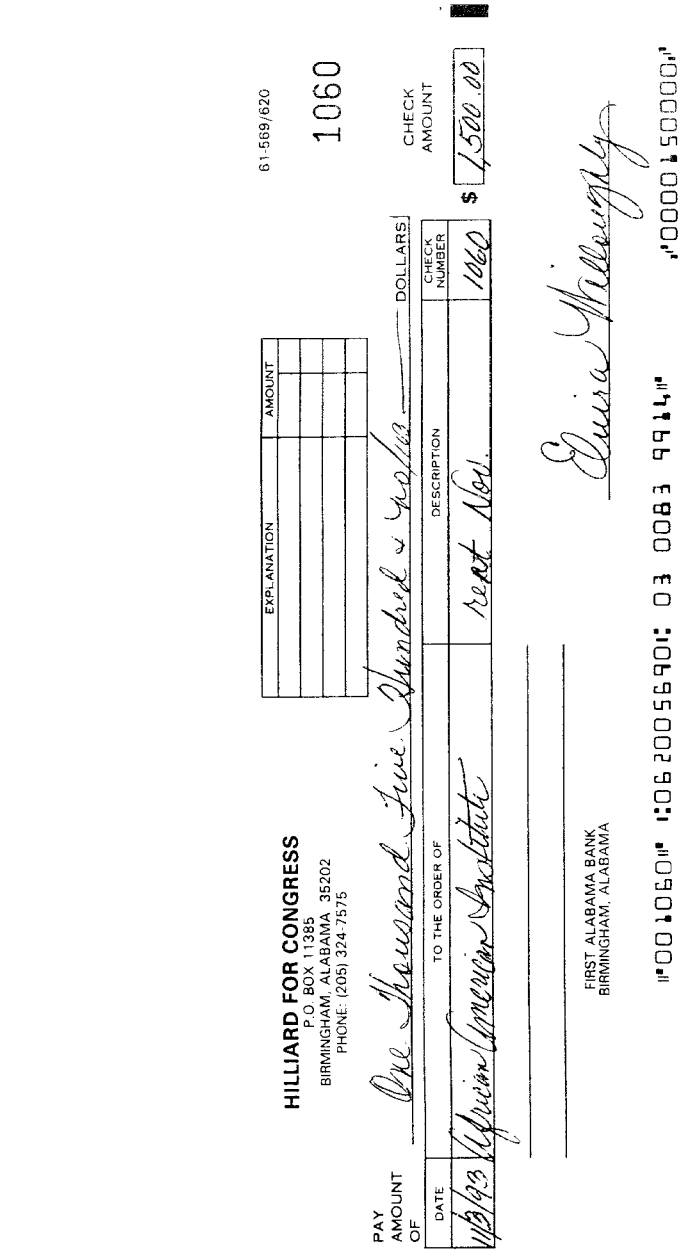
ARTICLE VII.

REGISTERED AGENT FOR SERVICE

7.1 The name and post office address of the person designated by the incorporator to be the registered agent and registered office to receive the service of process is:

Merriam McLendon
~~Cheryl Hilliard~~
1614 3rd Avenue North
Birmingham, AL 35203

# EXHIBIT 34



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT | |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

61-569/620

1060

PAY AMOUNT OF One Thousand Five Hundred & no/100 DOLLARS

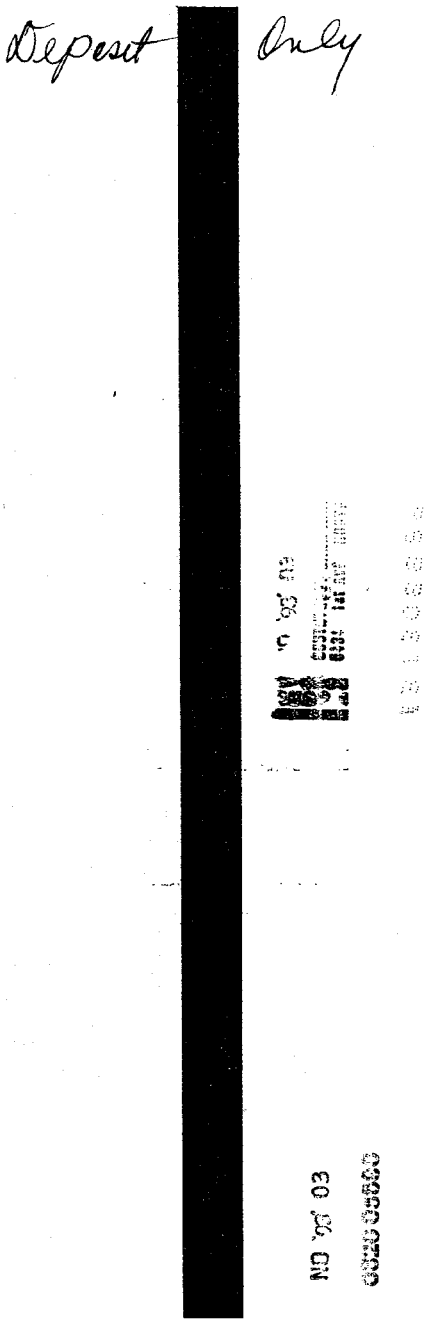
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 11/3/93 | African American Institute | rent Nov. | 1060 |

CHECK AMOUNT $ 1,500.00

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira Willoughby

⑈001060⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑇0000150000⑇


Deposit Only

AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND. INS. CO.)
P.O. BOX 1350
BIRMINGHAM, ALABAMA 35202
PHONE 324-7573

| DATE | INVOICE | AMOUNT |
|---|---|---|
| | | |
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| | | |

61-1/820

8725

PAY One Thousand Five Hundred and no/100 DOLLARS

| CHECK NO. | TO THE ORDER OF | DATE | CODE PROV. | CODE CODE | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|---|
| 8725 | African American Institute | 1/5/93 | | | Rent | | 1500 — |

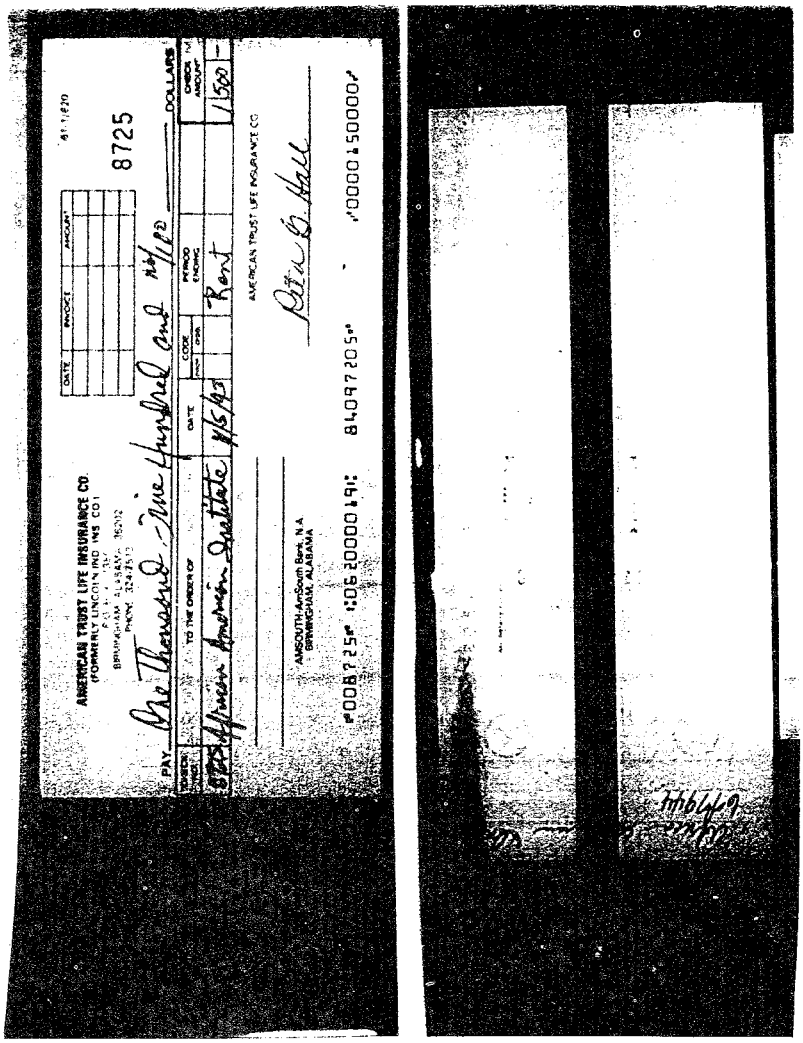
AMERICAN TRUST LIFE INSURANCE CO.

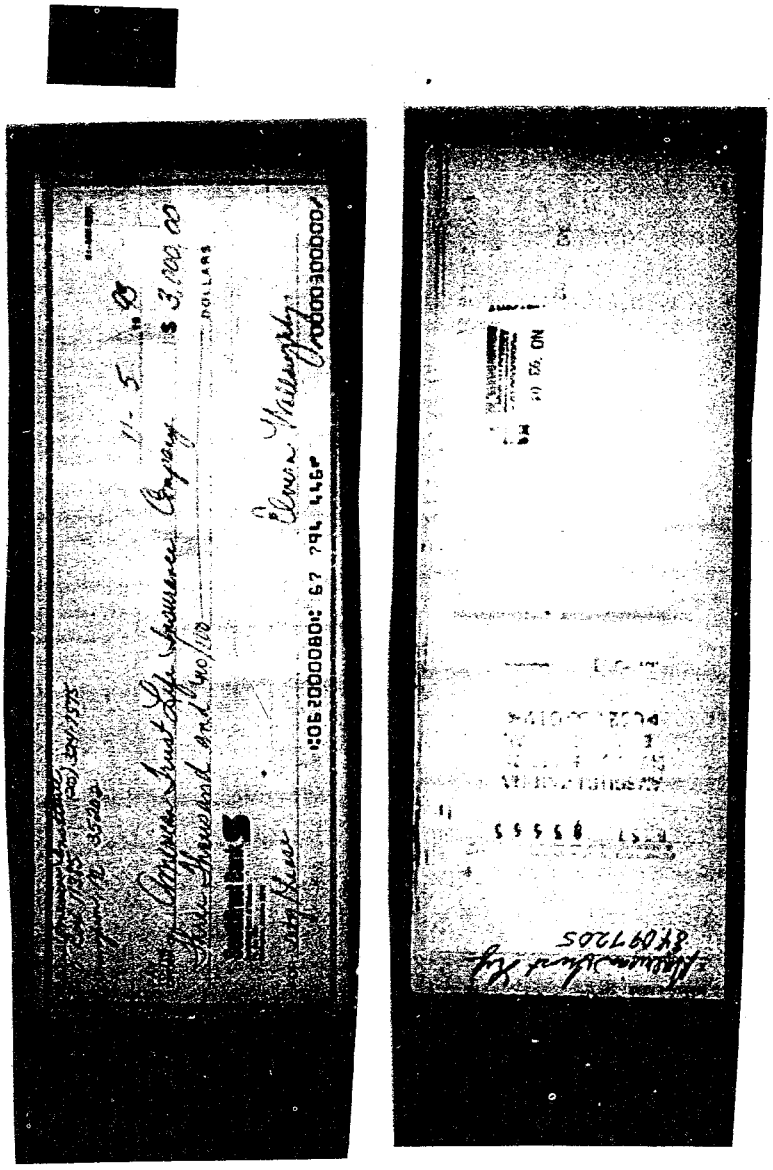
Peta G. Hall

AMSOUTH-AmSouth Bank, N.A.
BIRMINGHAM, ALABAMA

⑈008725⑈ ⑆062000019⑆ 84097205⑈ ⑇0000150000⑇

67-7944





**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT | |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

61-569/620

1065

PAY AMOUNT OF One Thousand Five Hundred and no/100 DOLLARS

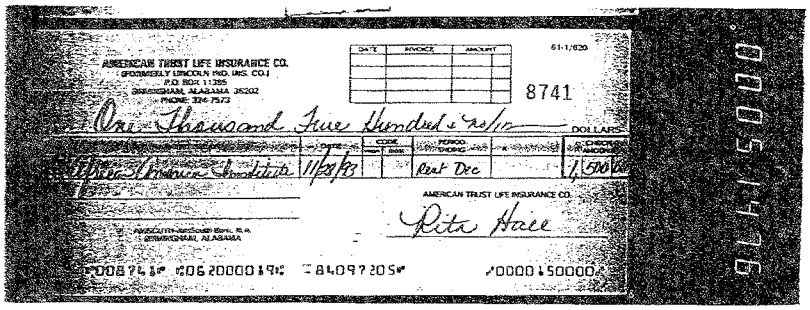
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 11/29/93 | African American Institute | Rent Dec. | 1065 |

CHECK AMOUNT $ 1,500.00

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira Willoughby

⑈001065⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈



AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND. INS. CO.)
P.O. BOX 11355
BIRMINGHAM, ALABAMA 35202
PHONE: 324-7573

| DATE | INVOICE | AMOUNT |
|---|---|---|
| | | |
| | | |
| | | |

61-1/620

8741

One Thousand Five Hundred & no/100 DOLLARS

| | DATE | CODE | | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|
| Alpha America Constitute | 11/28/93 | | | Rent Dec | | 1,500 |

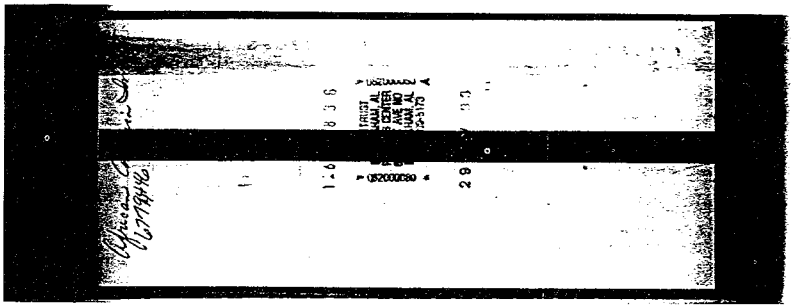
AMERICAN TRUST LIFE INSURANCE CO.

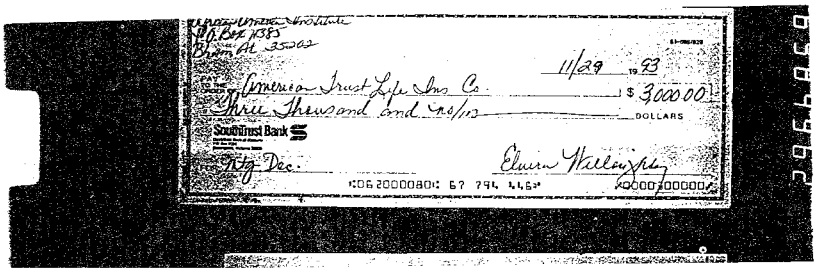
Rita Hall

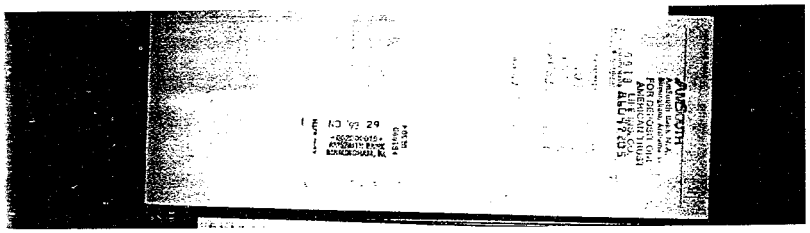
AMSOUTH-Northeast Bank, N.A.
BIRMINGHAM, ALABAMA

⑈008741⑈ ⑆062000019⑆ ⑆84097205⑈ ⑈0000150000⑈

00051476




P.O. Box 11385
Birm AL 35202
11/29 1993
American Trust Life Ins Co.
$ 3,000.00
Three Thousand and no/100
DOLLARS
Southtrust Bank
Mtg Dec.
Elwin Wallace Jr
⑆062000080⑆ 67 794 446⑈
⑈0000300000⑈



AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND INS CO)
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE 324-7573

61-1,820

8839

PAY One Thousand five hundred & no/100 DOLLARS

| CHECK NO. | TO THE ORDER OF | DATE | | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|
| 8839 | African American Institute Inc | | | Rent | | 1,500.00 |

AMERICAN TRUST LIFE INSURANCE CO

AMERICAN SOUTH BANK, N.A.
BIRMINGHAM, ALABAMA

Yolanda B. Williams

⑈008839⑈ ⑆062000019⑆ 84097205⑈ ⑇0000150000⑇

HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575

61-569/820

1121

PAY One Thousand five hundred & no/100 DOLLARS

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | CHECK AMOUNT |
|---|---|---|---|---|
| 2/14/94 | African American Institute Inc | Rent | 1121 | $ 1,500.00 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Emma Willoughby

⑈001121⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑇0000150000⑇

SouthTrust Bank
AFRICAN AMERICAN INSTITUTE, INC.
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202

14-7-6-94

CURRENCY
COIN
CHECKS
Hilliard for Congress 1500.00
American Trust Life 1,500.00

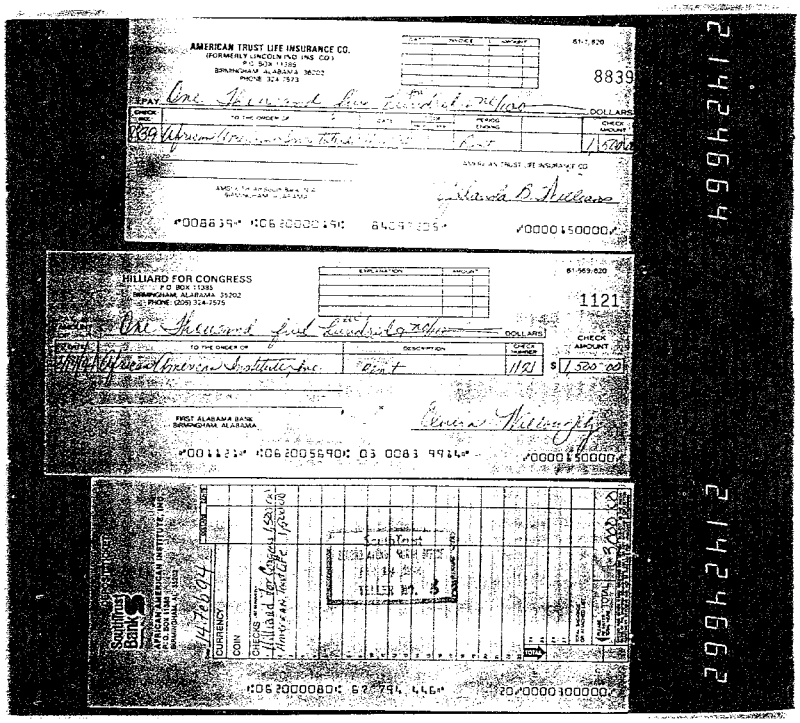
SouthTrust
SOUTH AMERICAN BANK OFFICE
TELLER NO. 5

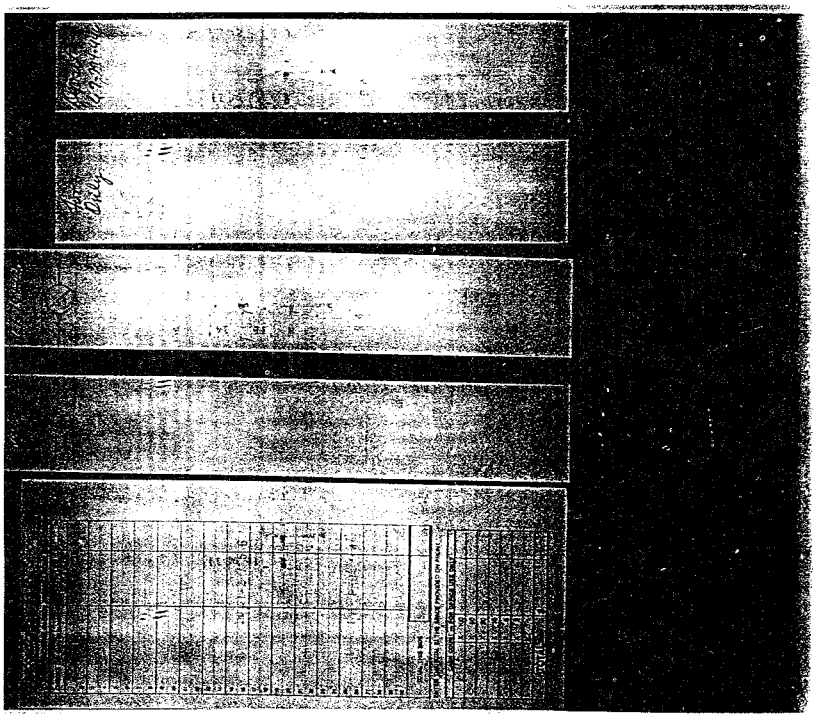
TOTAL 3,000.00

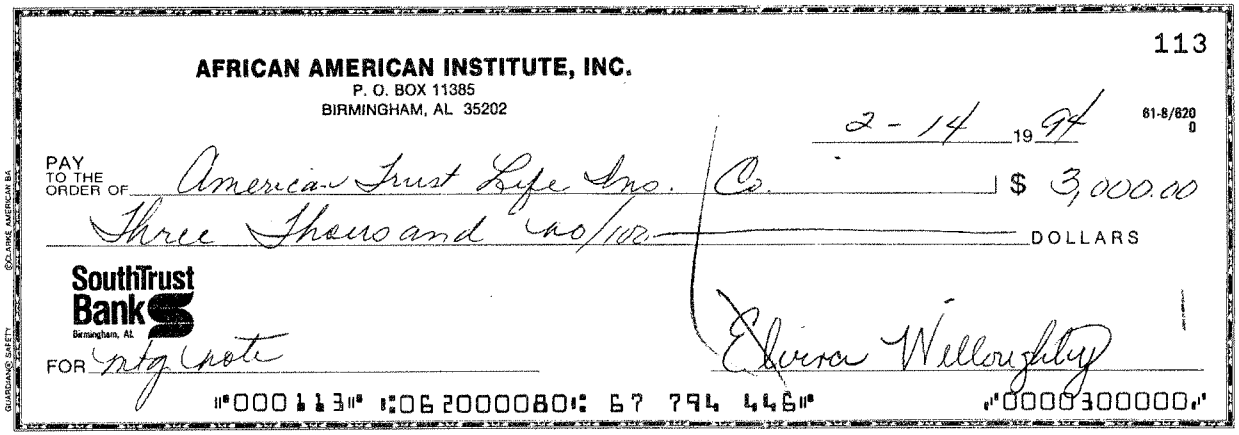
⑆062000080⑆ 62 794 446⑈ 20⑇0000300000⑇

2142466 4

2142466 2







113

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

2 - 14 19 94

61-8/620
0

PAY TO THE ORDER OF American Trust Life Ins. Co. $ 3,000.00

Three Thousand no/100 DOLLARS

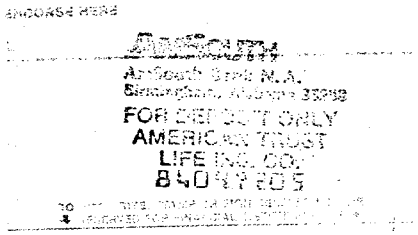
SouthTrust Bank
Birmingham, AL

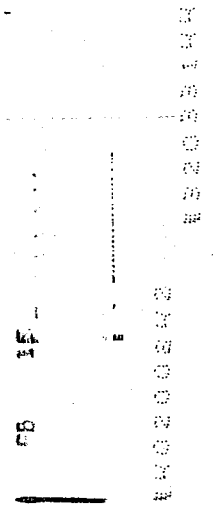
FOR mtg note

Elvira Willoughby

⑈000113⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

GUARDIAN® SAFETY ©CLARKE AMERICAN BA


ANCHORAGE HERE
AmSouth Bank N.A.
Birmingham, Alabama 35288
FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
8407205



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
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| | |

61-569/620

1137

PAY AMOUNT OF One Thousand Five Hundred & 40/100 DOLLARS

CHECK AMOUNT $ 1,500.00

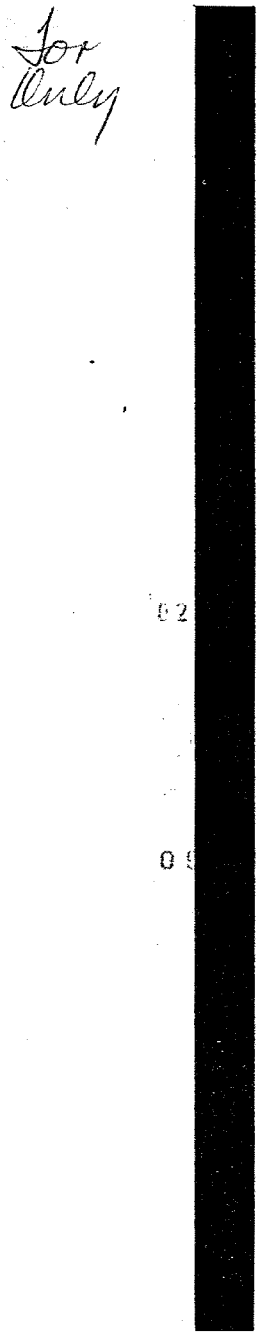
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 3/3/94 | African American Institute | rent | 1137 |

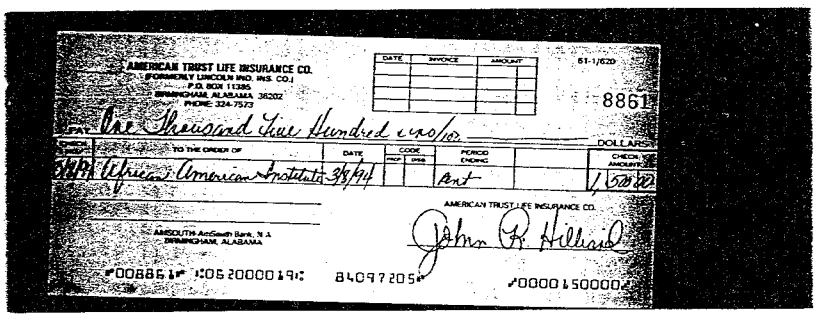
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elmira Willoughby

⑈001137⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈

394


For
Only
Deposit
47-794-446



AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND. INS. CO.)
P.O. BOX 11385
BIRMINGHAM, ALABAMA 36202
PHONE: 324-7573

| DATE | INVOICE | AMOUNT |
|---|---|---|
| | | |
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| | | |

61-1/620

8861

PAY One Thousand Five Hundred and no/100 DOLLARS

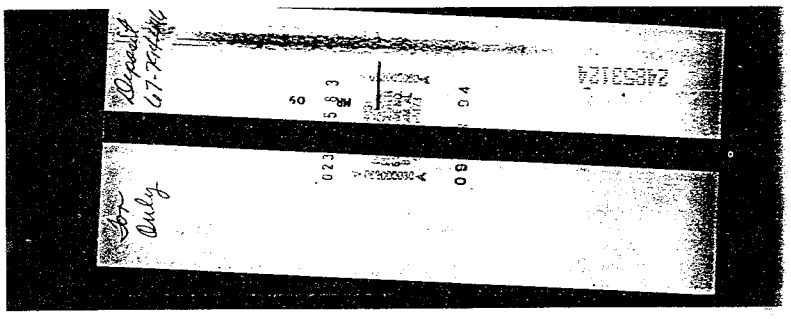
| CHECK NO. | TO THE ORDER OF | DATE | CODE PROP | CODE DISB | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|---|
| 5/8/94 | African American Institute | 3/8/94 | | | Rent | | 1,500.00 |

AMERICAN TRUST LIFE INSURANCE CO.

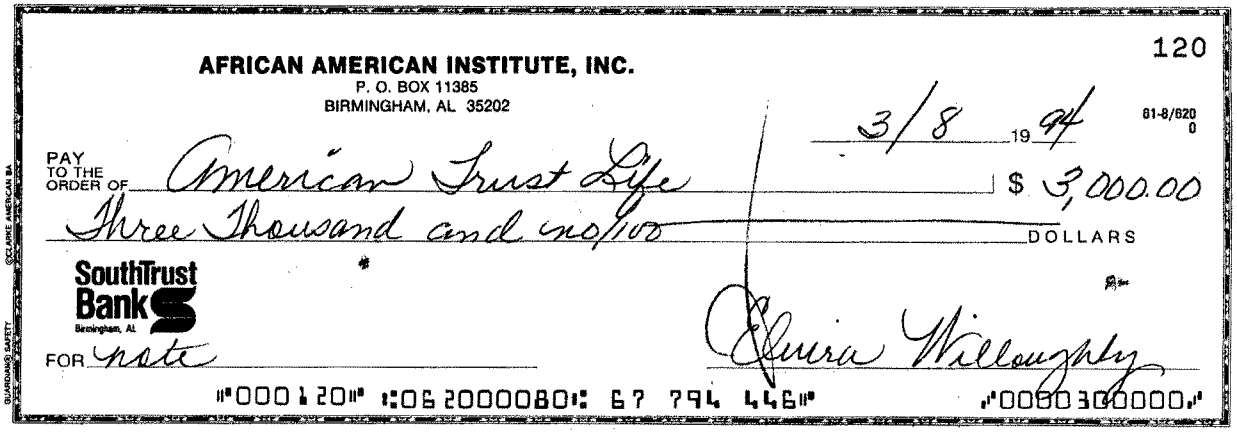
John R. Hilliard

AMSOUTH AmSouth Bank, N.A.
BIRMINGHAM, ALABAMA

⑈008861⑈ ⑆062000019⑆ 84097205⑈ ⑈0000150000⑈



120



**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

3/8 19 94

61-8/620
0

PAY TO THE ORDER OF American Trust Life $ 3,000.00

Three Thousand and no/100 DOLLARS

SouthTrust Bank
Birmingham, AL

FOR note

Elvira Willoughby

⑈000120⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

GUARDIAN® SAFETY ©CLARKE AMERICAN BA

AMSOUTH
Amsouth Bank N.A.
Birmingham, Alabama 35205
FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
84097205

AMSOUTH
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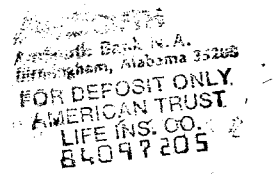
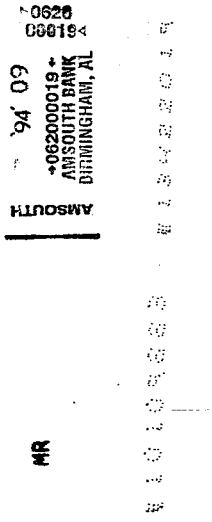
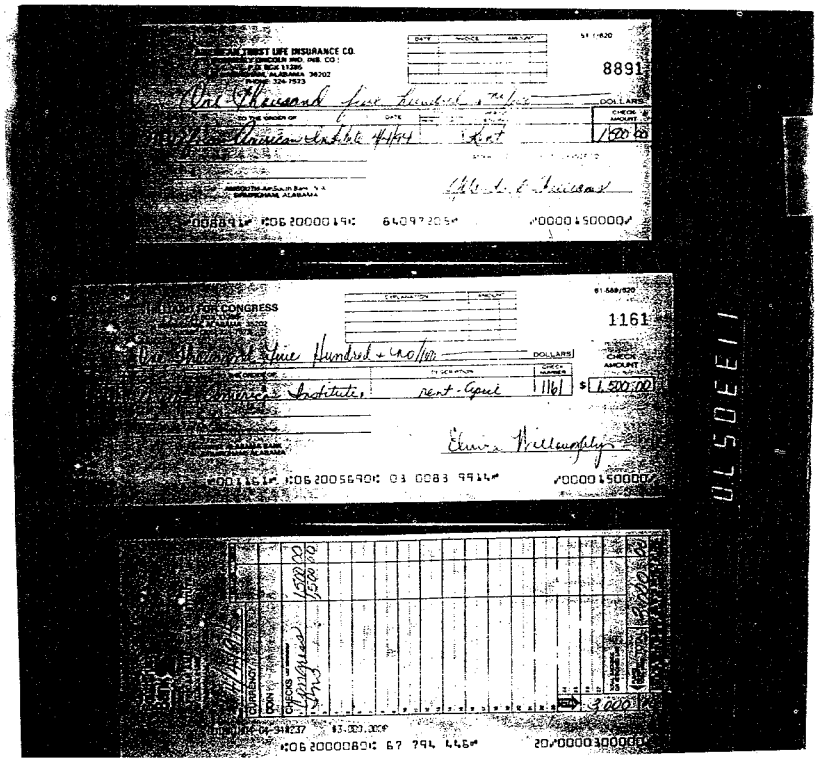
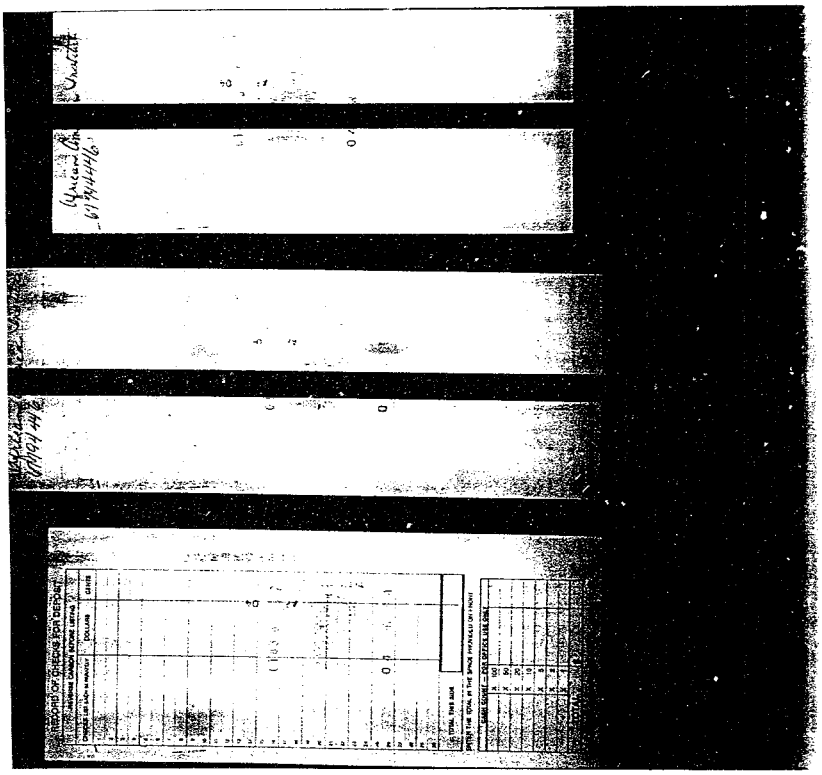
+062000019+
AMSOUTH BANK
BIRMINGHAM, AL
0626
00019

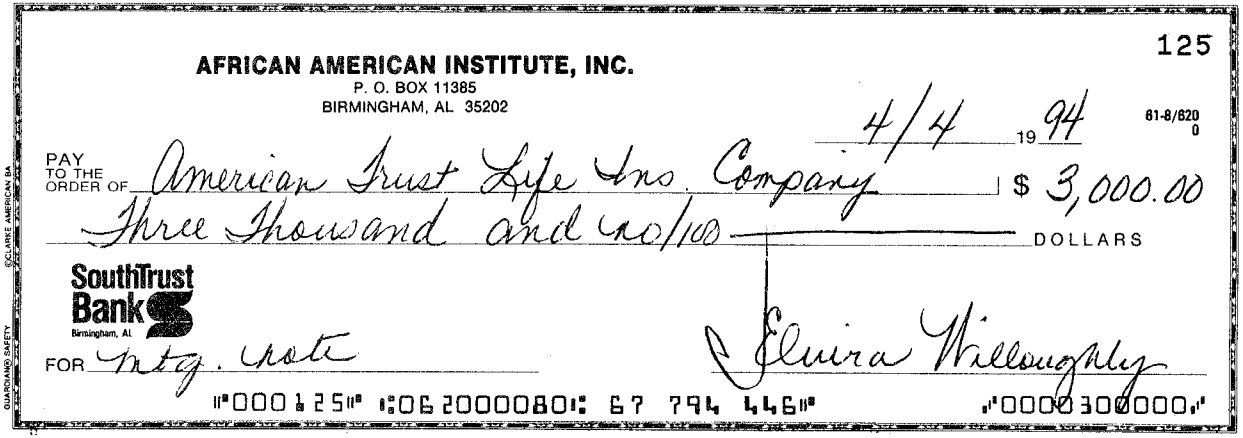
MR






8891
1161
1,500.00
3,000.00





125

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

4/4 19 94

61-8/620
0

PAY TO THE ORDER OF American Trust Life Ins. Company $ 3,000.00

Three Thousand and no/100 DOLLARS

SouthTrust Bank
Birmingham, AL

FOR Mtg. note

Elmira Willoughby

⑈000125⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0003000000⑈

©CLARKE AMERICAN SA
GUARD AND SAFETY

FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
84097205

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
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61-569/620

1170

PAY AMOUNT OF One Thousand Five Hundred & 00/100 DOLLARS

CHECK AMOUNT $ 1,500.00

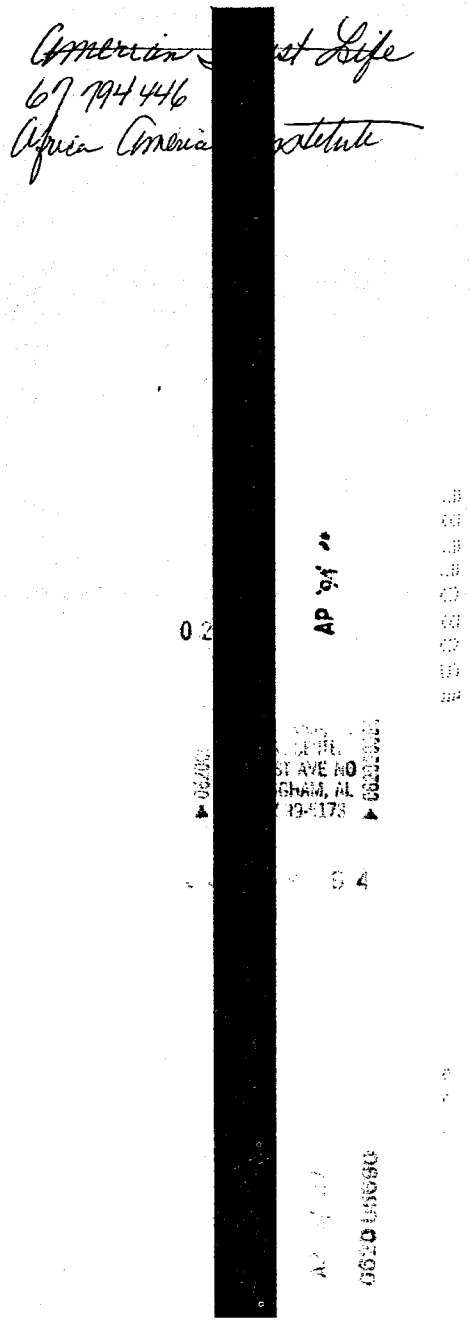
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 4/26/94 | African American Institute | Rent - May | 1170 |

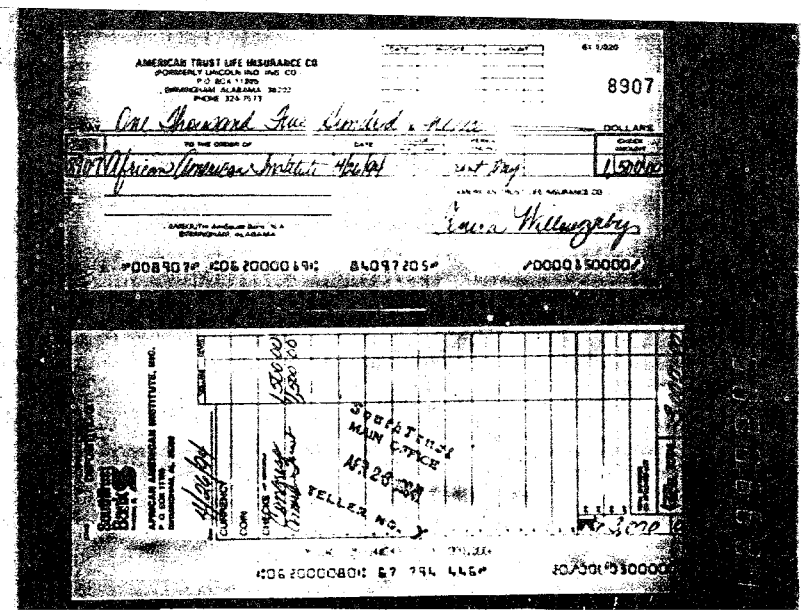
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

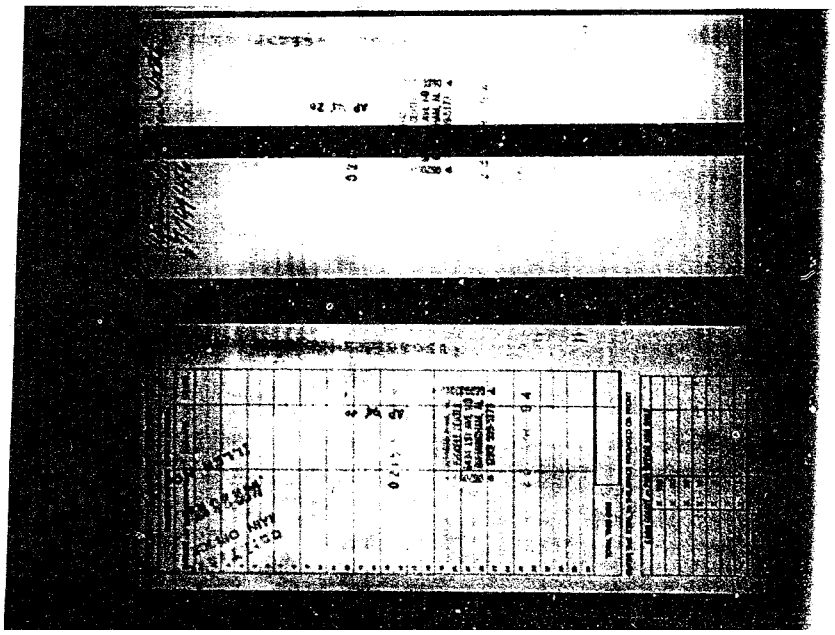
Elvira Williams

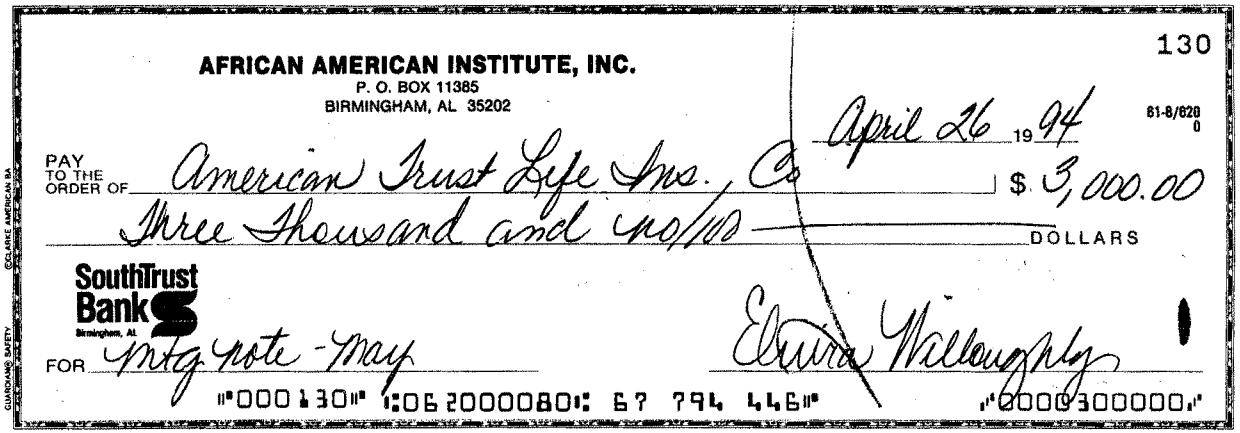
⑈001170⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈

404




AMERICAN TRUST LIFE INSURANCE CO
8907
One Thousand Five Hundred & Nine
DOLLARS
TO THE ORDER OF
DATE
African American Institute
4/26/94
1,500.00
AMERICAN TRUST LIFE INSURANCE CO
Erica Willoughby
⑈008907⑈ ⑆062000069⑆ 84097205⑈ ⑈0000150000⑈
AFRICAN AMERICAN INSTITUTE, INC.
4/26/94
CURRENCY
COIN
CHECKS
1,500.00
1,500.00
South Trust
MAIN OFFICE
TELLER NO. 7
⑆062000080⑆ 67 794 446⑈





AFRICAN AMERICAN INSTITUTE, INC.
P. O. BOX 11385
BIRMINGHAM, AL 35202

130

61-8/620
0

April 26 19 94

PAY TO THE ORDER OF American Trust Life Ins. Co $ 3,000.00

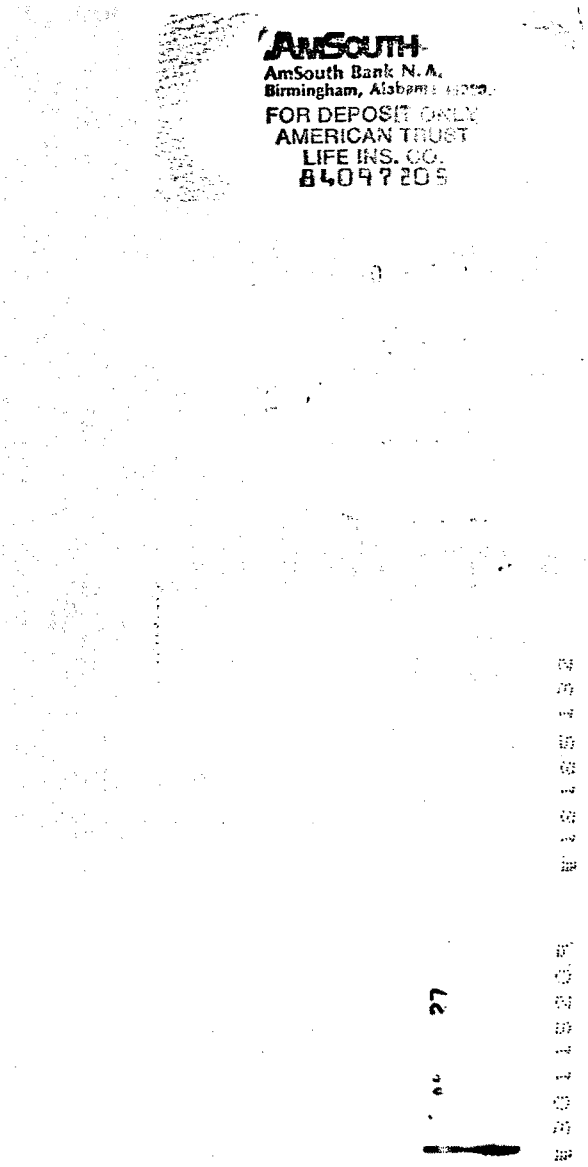
Three Thousand and no/100 DOLLARS

SouthTrust Bank
Birmingham, AL

FOR Mtg note - May

Elvira Willoughby

⑈000130⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0003000000⑈


AmSouth
AmSouth Bank N.A.
Birmingham, Alabama
FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
84097205

AMERICAN TRUST LIFE INSURANCE
FORMERLY INDEPENDENCE INSURANCE

8928

PAY Fifteen hundred and no/100 DOLLARS

CHECK NO. 8928 African American Inst. 6/3/94 Mortg. CHECK AMOUNT 1,500.00

AMOUNT ON ABOVE BANK
BIRMINGHAM ALABAMA

Laura Willoughby

⑈008928⑈ ⑆062000019⑆ 64097205⑈ ⑈0000150000⑈

HILLIARD FOR CONGRESS
P.O. BOX 11396
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7979

1203

One Thousand Five Hundred DOLLARS

CHECK AMOUNT

TO THE ORDER OF African American Institute | DESCRIPTION Rent | CHECK NUMBER 1203 | $ 1,500.00

FIRST ALABAMA BANK
BIRMINGHAM ALABAMA

Elizabeth Redmond

⑈001203⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈

AFRICAN AMERICAN INSTITUTE, INC.
P.O. BOX 11396
BIRMINGHAM, AL 35202

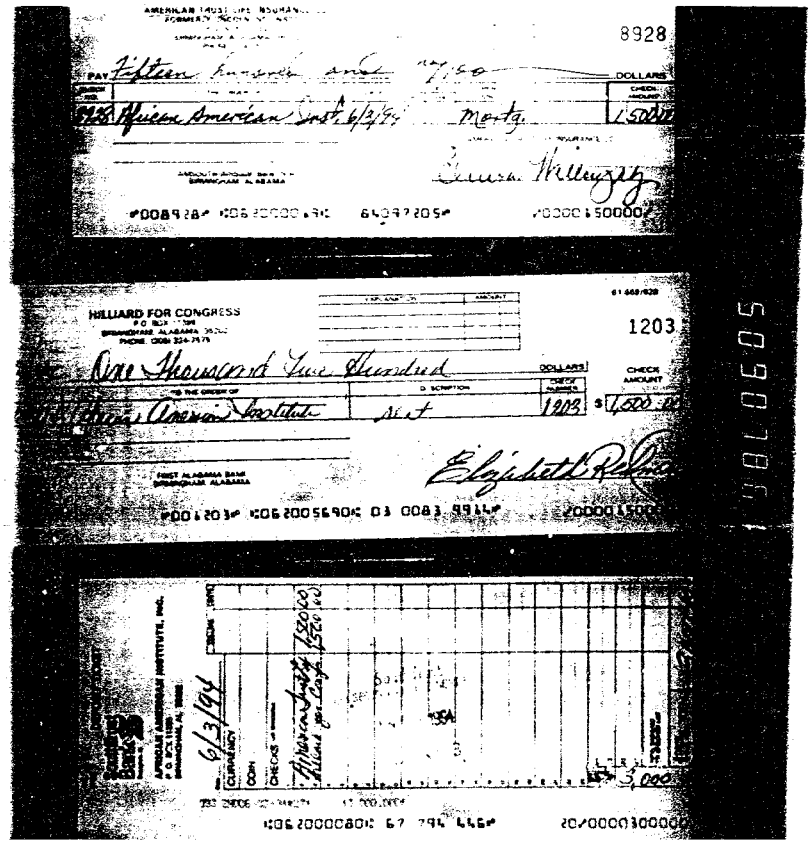
6/3/94

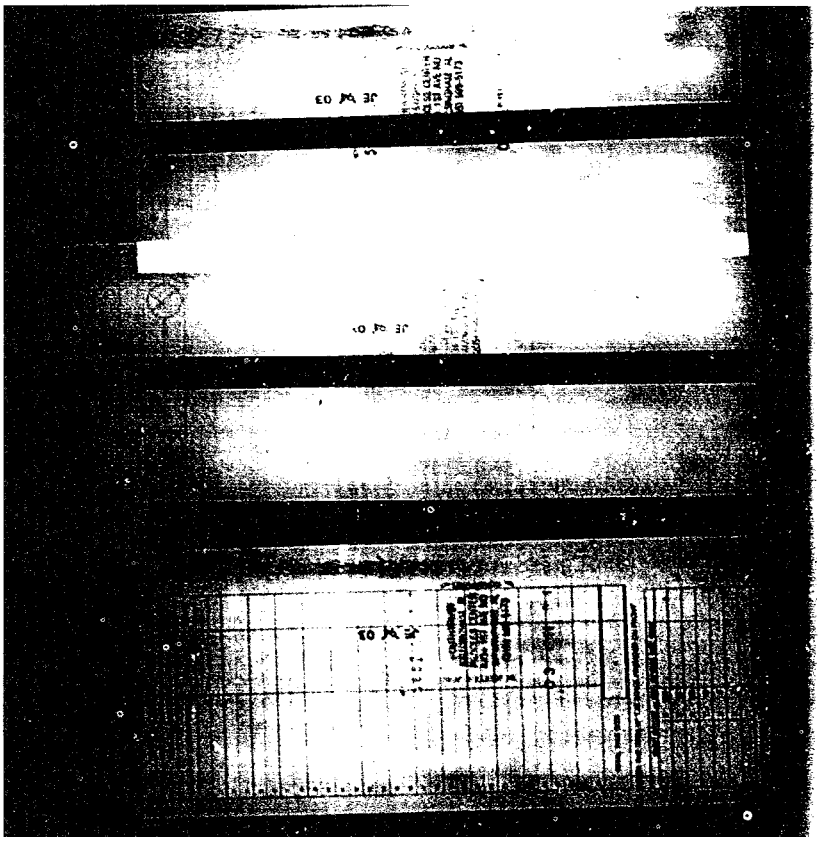
CURRENCY
COIN
CHECKS
American Institute 1,500.00
Alliance for Cafe 1,500.00

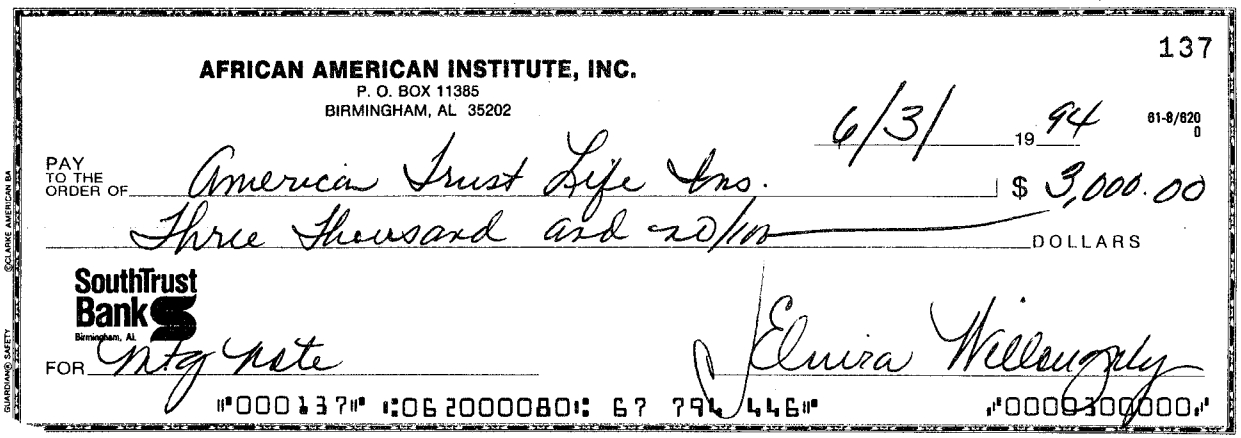
$ 3,000

⑆062000080⑆ 67 794 446⑈ 20/0000300000

1 9 8 1 0 6 0 5







137

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

61-8/820
0

6/3/ 19 94

PAY TO THE ORDER OF American Trust Life Ins. $ 3,000.00

Three Thousand and no/100 DOLLARS

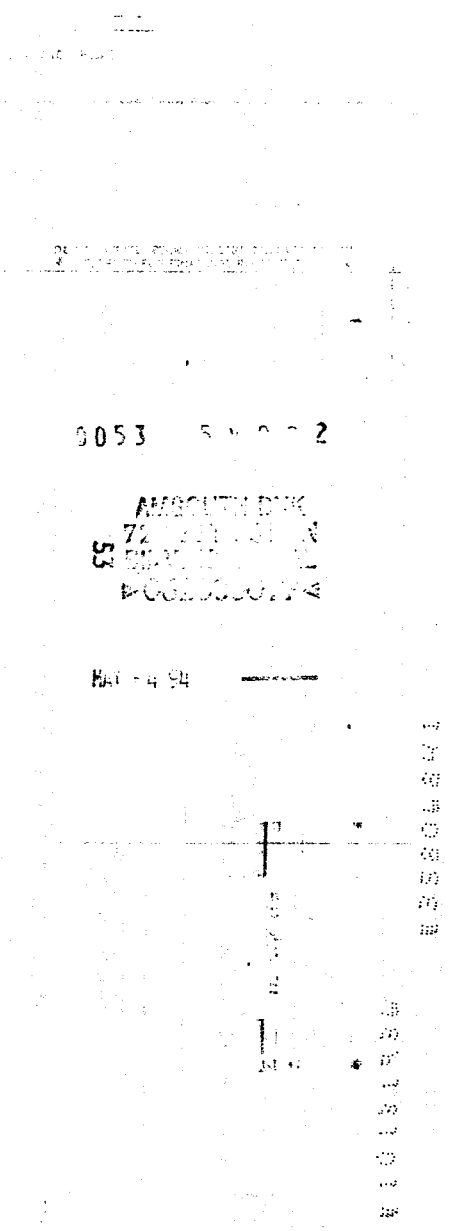
SouthTrust Bank
Birmingham, AL

FOR Mtg note

Elvira Willoughby

⑈000137⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

GUARDIAN® SAFETY ©CLARKE AMERICAN BA



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
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61-569/620

1237

PAY AMOUNT OF One Thousand Five Hundred & no/100 DOLLARS

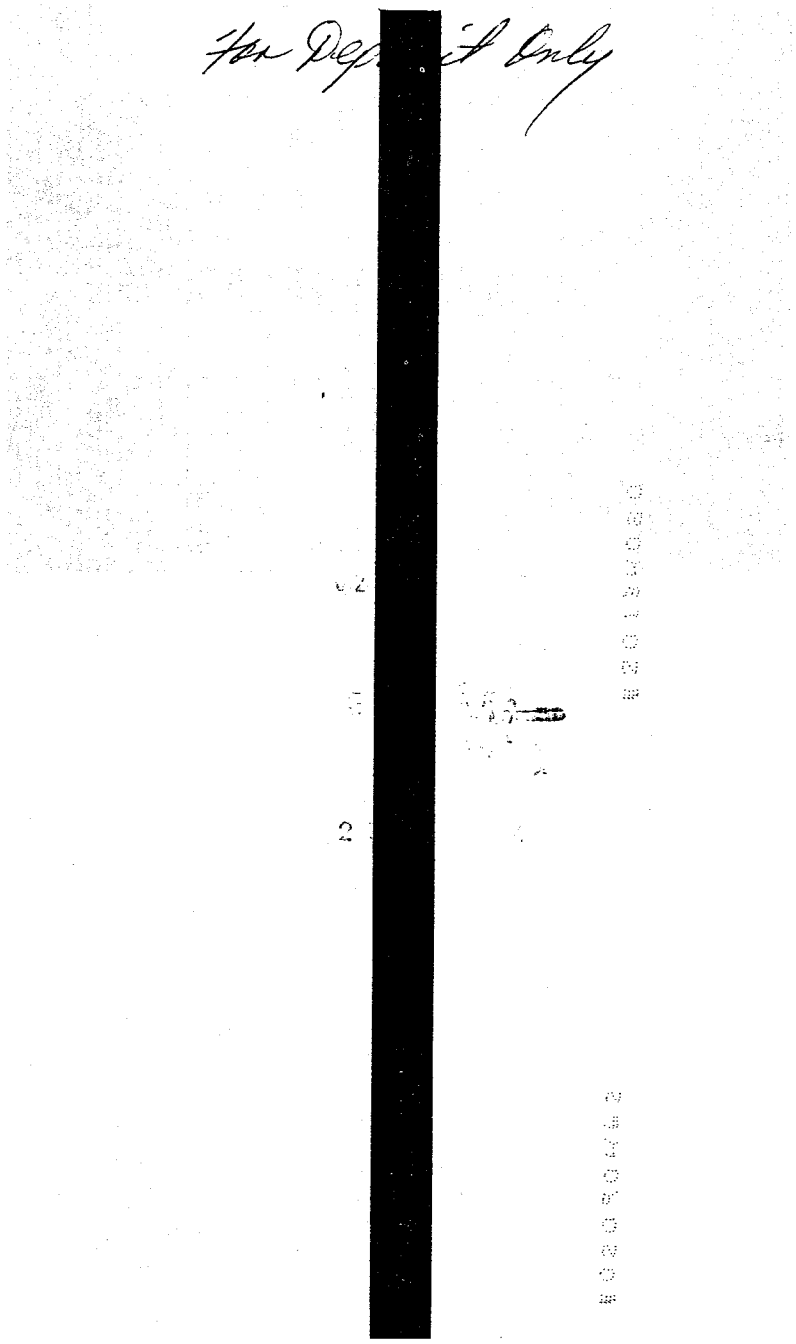
CHECK AMOUNT

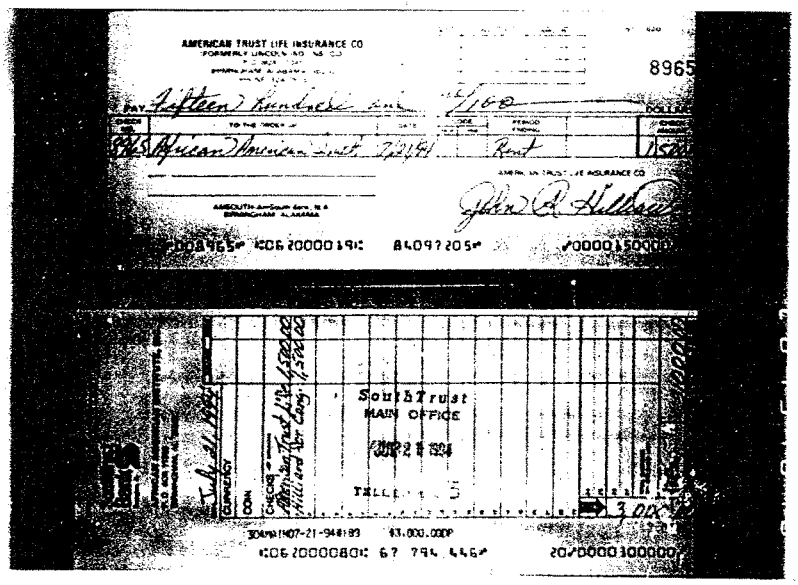
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | |
|---|---|---|---|---|
| 7/21/94 | African American Institute | rent | 1237 | $ 1,500.00 |

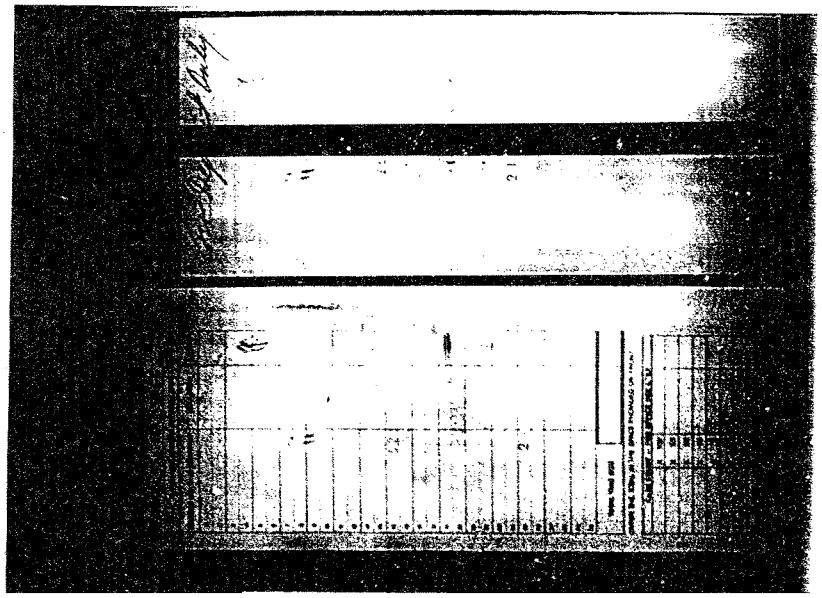
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

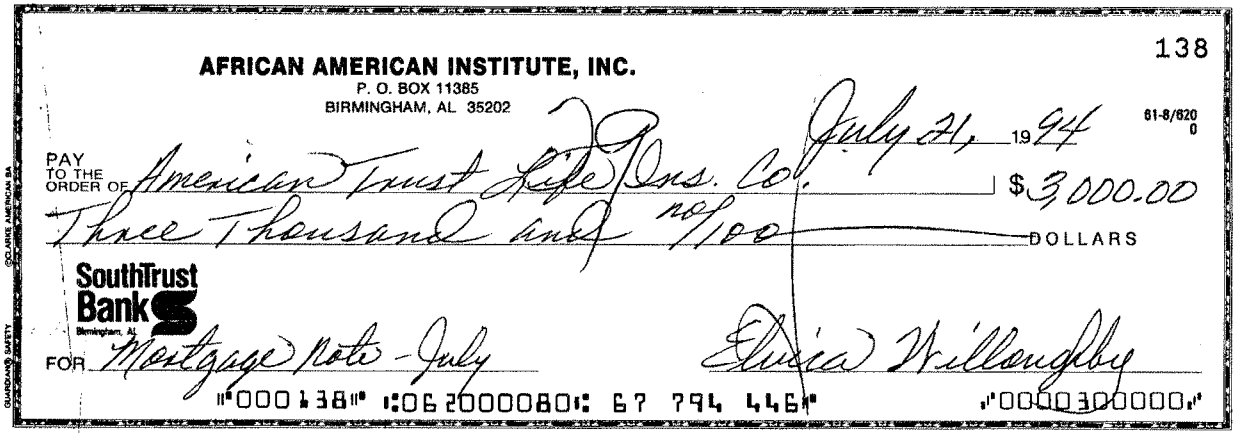
Rita Hall

⑈001237⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈


For Deposit Only


AMERICAN TRUST LIFE INSURANCE CO
8965
Fifteen Hundred and
Rent
AMERICAN TRUST LIFE INSURANCE CO
John R. Hillard
SouthTrust
MAIN OFFICE
TELLER
CURRENCY
COIN
CHECKS
Hillard Ser Corp
1,500.00
1,500.00
3.00





138

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

61-8/620
0

July 21, 1994

PAY TO THE ORDER OF American Trust Life Ins. Co. $3,000.00

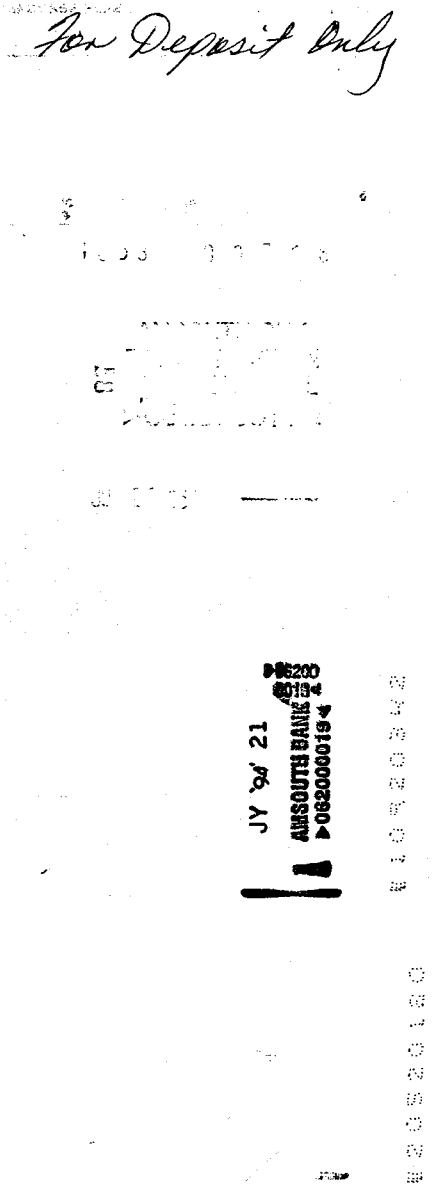
Three Thousand and no/100 DOLLARS

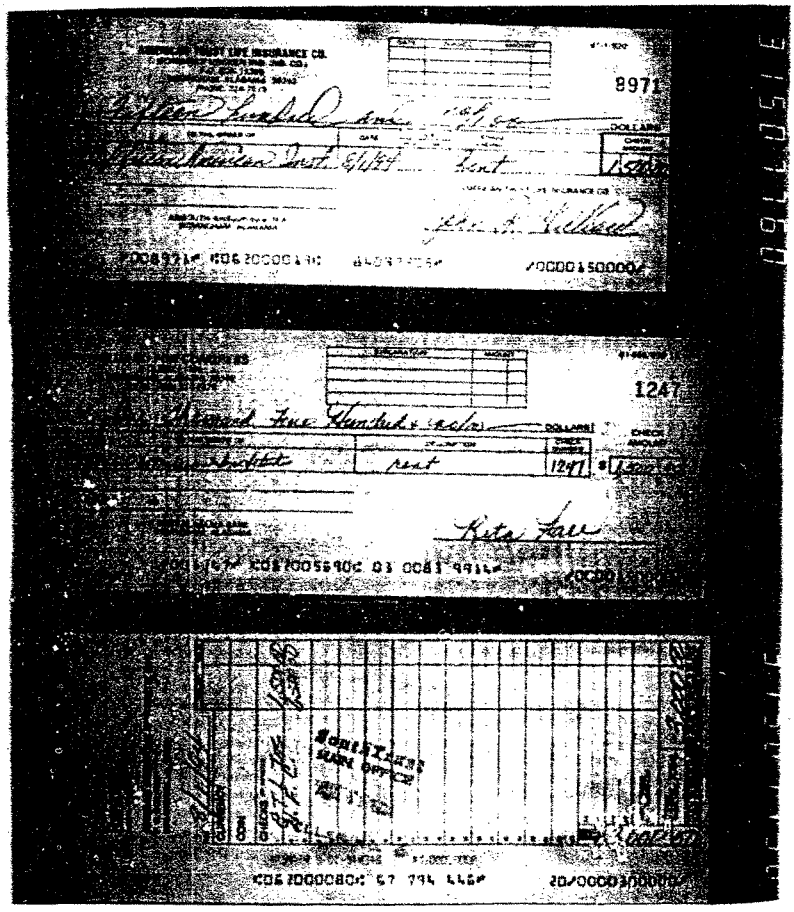
SouthTrust Bank
Birmingham, AL

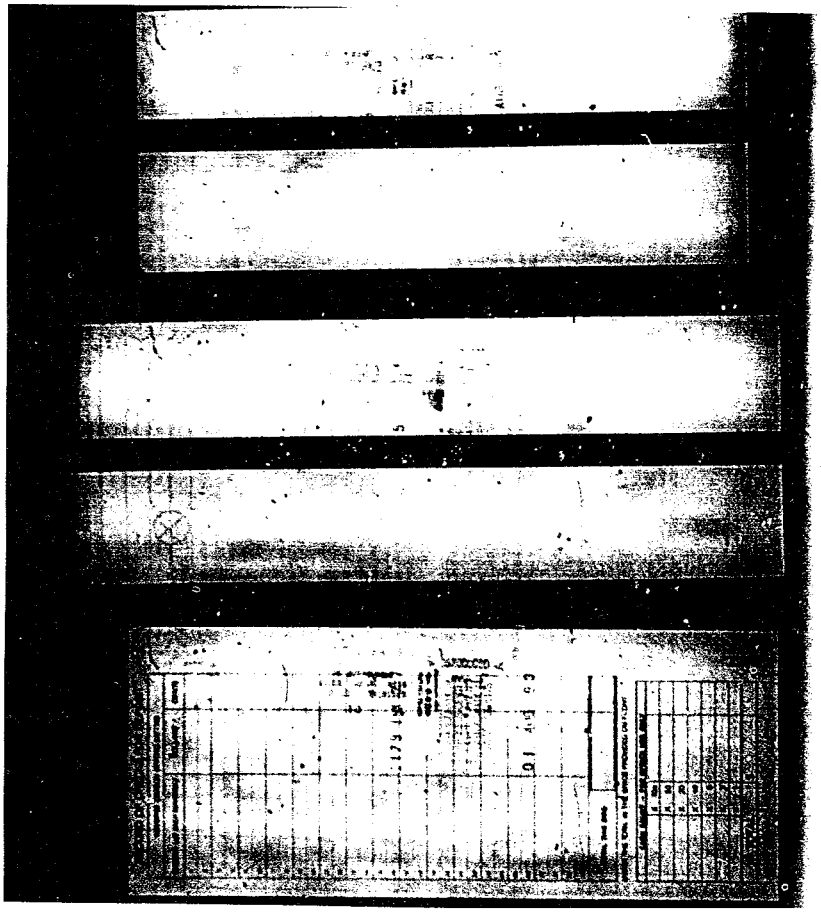
FOR Mortgage Note - July

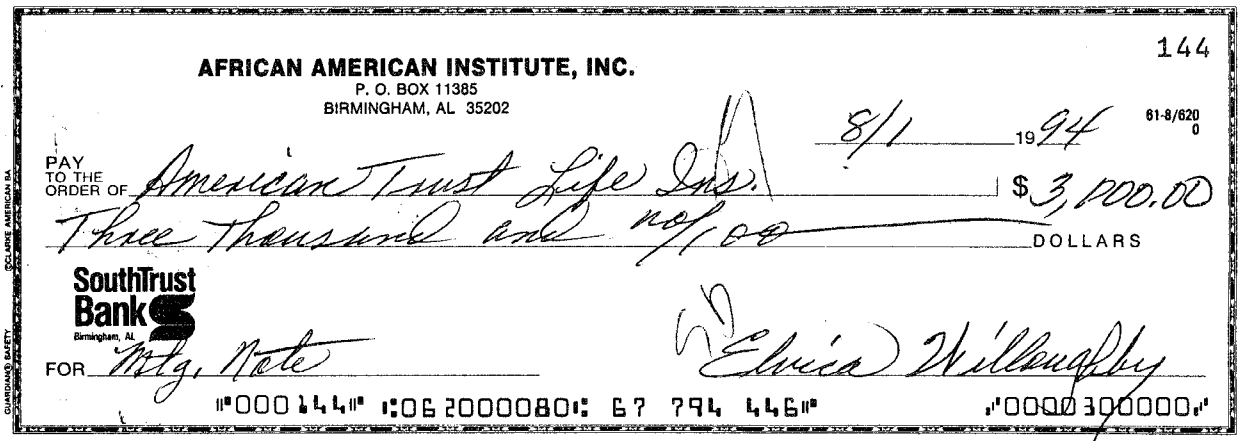
Elvira Willoughby

⑈000138⑈ ⑆062000080⑆ 67 794 4464⑈ ⑈0000300000⑈


For Deposit Only
JY '94 21
AMSOUTH BANK
▶062000019◀


8971
rent
1247
rent





144

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

8/1 19 94

61-8/620
0

PAY TO THE ORDER OF American Trust Life Ins. $ 3,000.00

Three Thousand and no/100 DOLLARS

SouthTrust Bank
Birmingham, AL

FOR Mtg. Note

Elvira Willoughby

⑈000144⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

DCLARKE AMERICAN BA
GUARDIAN® SAFETY

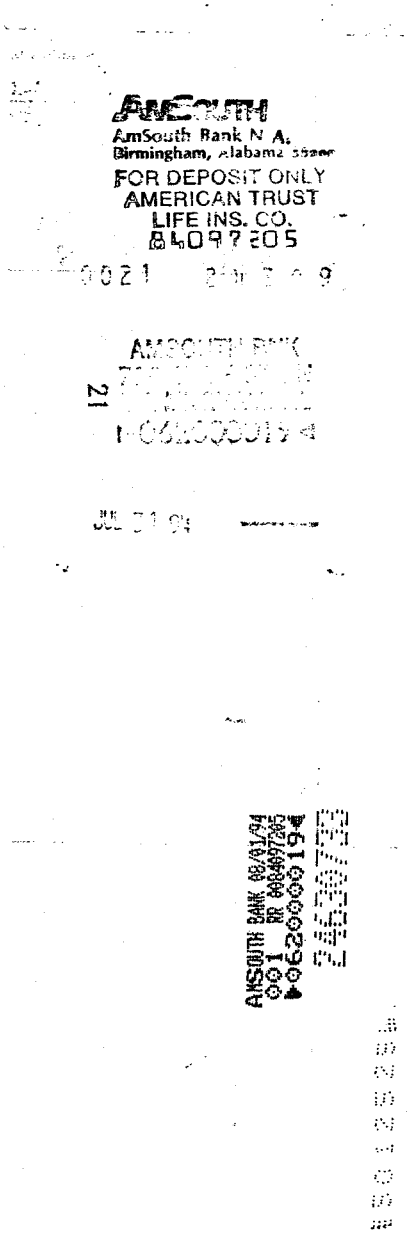
AMSOUTH
AmSouth Bank N A.
Birmingham, Alabama 35209
FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
84097205

0021 [illegible]

AMSOUTH BANK
[illegible]
21
1-062000019 4

JUL 31 94

AMSOUTH BANK 08/01/94
001 RR 0084097205
1-062000019 4
24630733



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1292

PAY AMOUNT OF Fifteen Hundred and 00/100 DOLLARS

CHECK AMOUNT $ 1,500.00

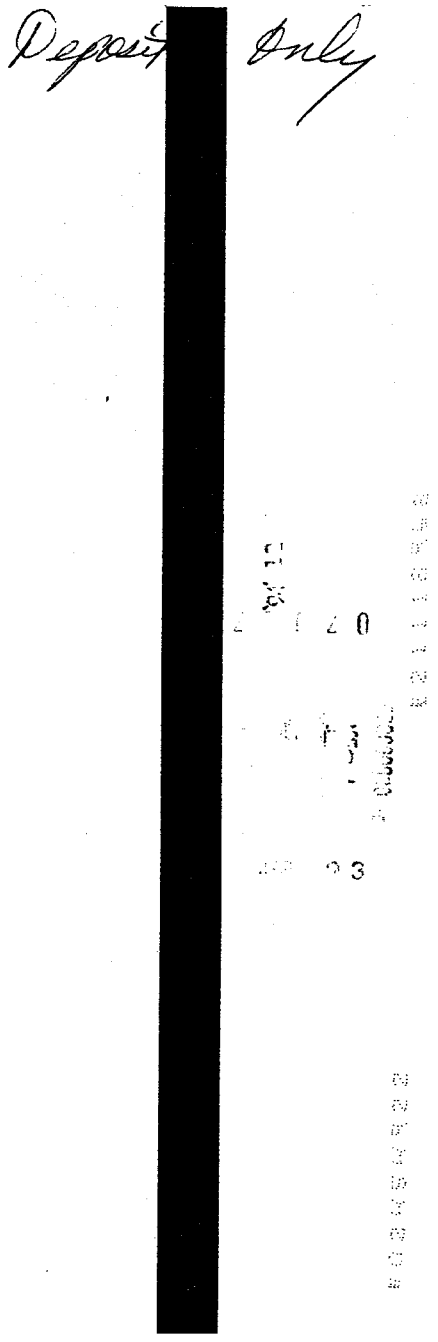
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 9/12/94 | African American Institute | Rent | 1292 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth Bedsole

⑈001292⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000150000⑈

424


Deposit
Only

AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND INS CO.)
P.O. BOX 11385
BIRMINGHAM, ALABAMA 36202
PHONE 324-7523

81-1/620

9006

Fifteen hundred and 00/100 DOLLARS

| CHECK NO. | TO THE ORDER OF | DATE | CODE | PERIOD ENDING | CHECK AMOUNT |
|---|---|---|---|---|---|
| 9006 | African American Inst. | 9/12/94 | | Rent | 1500 |

AMERICAN TRUST LIFE INSURANCE CO.

John R. Hilliard

AMSOUTH AmSouth Bank, N.A.
BIRMINGHAM, ALABAMA

⑈009006⑈ ⑆062000019⑆ 84097205⑈ ⑈0000150000⑈

Southtrust Bank
AFRICAN AMERICAN INSTITUTE, INC.
P.O. BOX 11385
BIRMINGHAM, AL 36202

9/12/94

CURRENCY
COIN
CHECKS
Amer. Trust Life 1,500.00
Hilliard for Congress 1,500.00

SouthTrust
MAIN OFFICE
SEP 12 1994
TELLER NO.

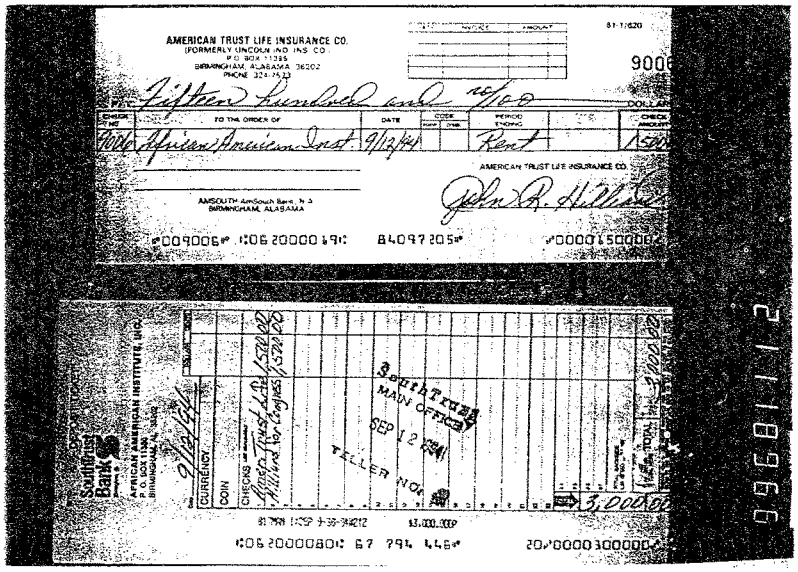
TOTAL 3,000.00

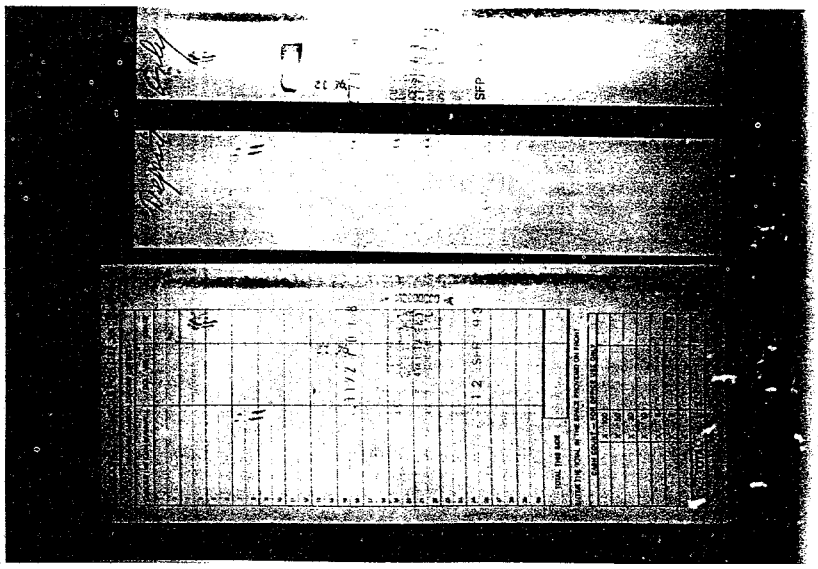
3,000.00

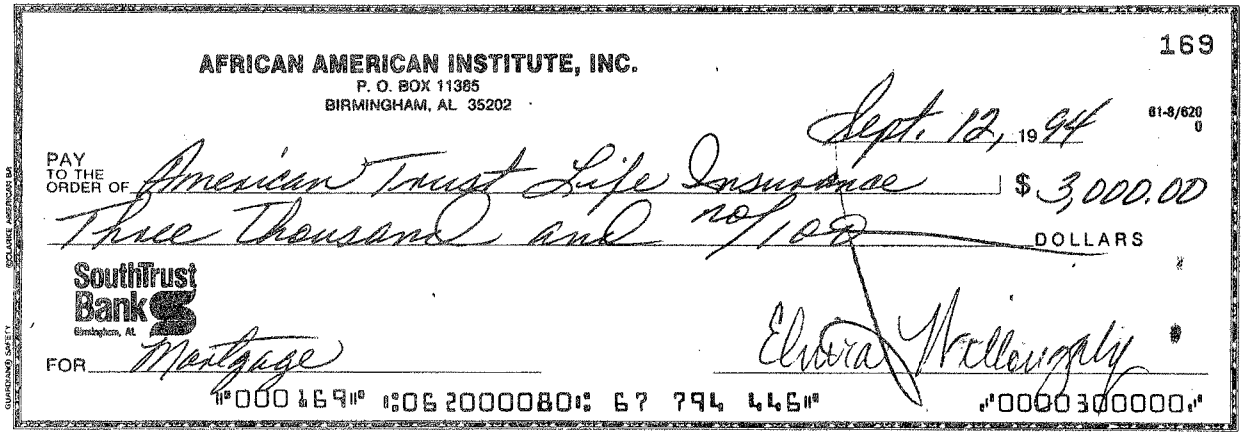
81 7 9 1 1 2 9 9 36 9 4 2 1 2 $3,000.000

⑆062000080⑆ 67 794 446⑈ 20⑈0000300000⑈

99681112




SFP



169

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

61-8/620
0

Sept. 12, 1994

PAY TO THE ORDER OF American Trust Life Insurance $ 3,000.00

Three Thousand and no/100 DOLLARS

SouthTrust Bank
Birmingham, AL

FOR Mortgage

Elvira Willoughby

⑈000169⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

GUARDIANS SAFETY ©CLARKE AMERICAN BA

AMSOUTH BANK 09/12/94
SS 008409720S
0620000019
41401111

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1330

PAY AMOUNT OF One Thousand Five Hundred and no/100 DOLLARS

CHECK AMOUNT

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | |
|---|---|---|---|---|
| 10/14/94 | African American Institute | Rent | 1330 | $ 4500.00 |

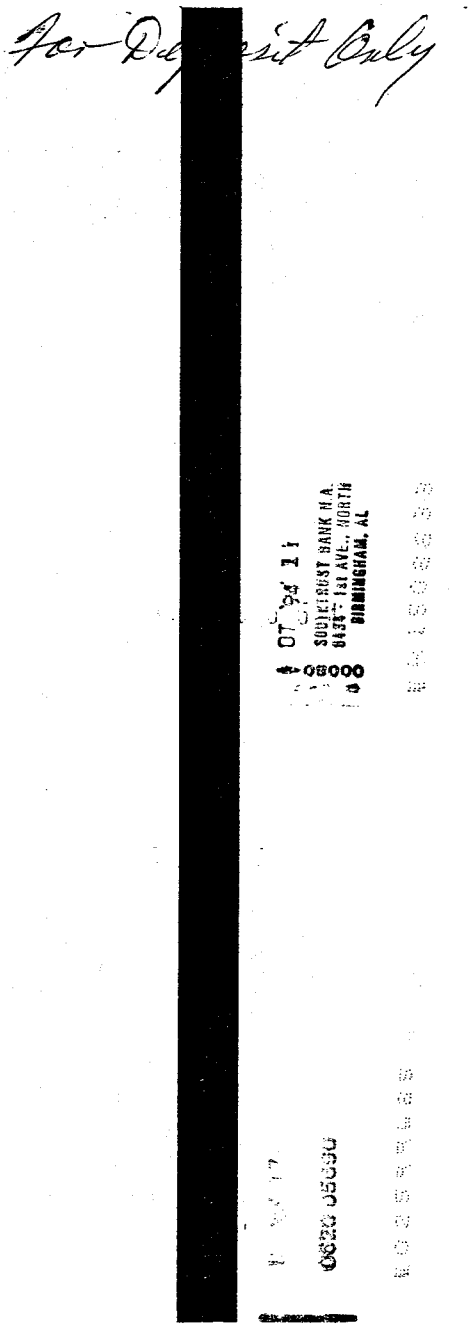
10/14/94

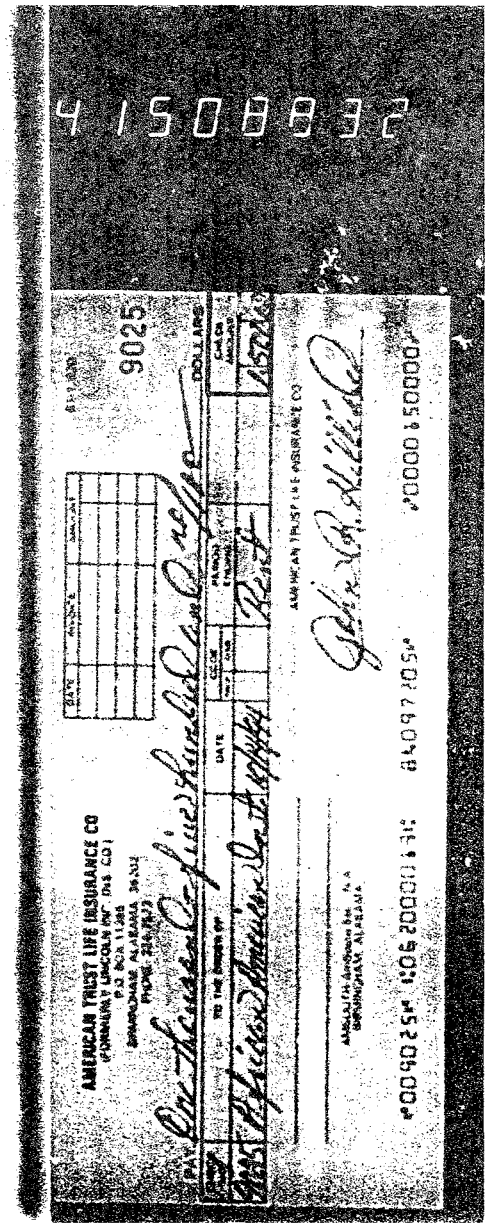
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

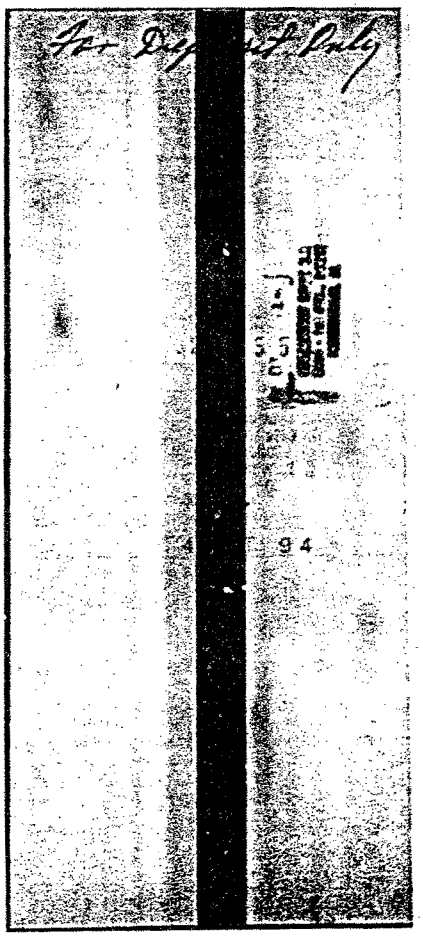
Elizabeth Redmond

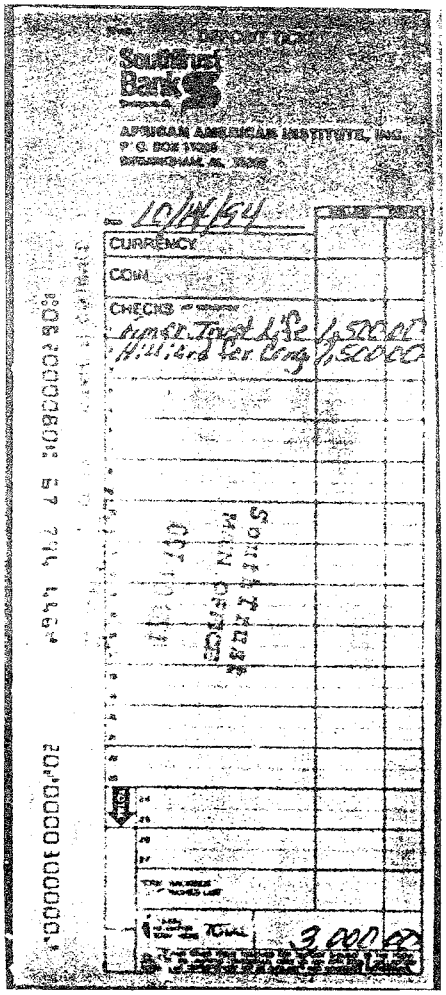
⑈001330⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000450000⑈

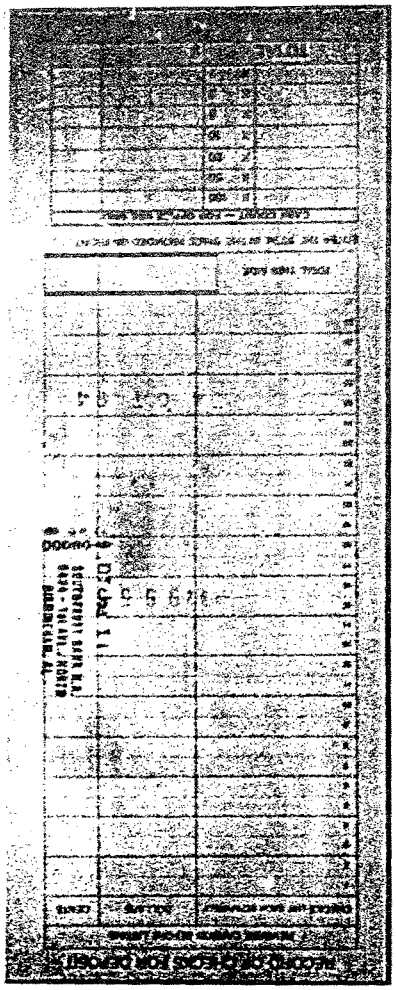
430

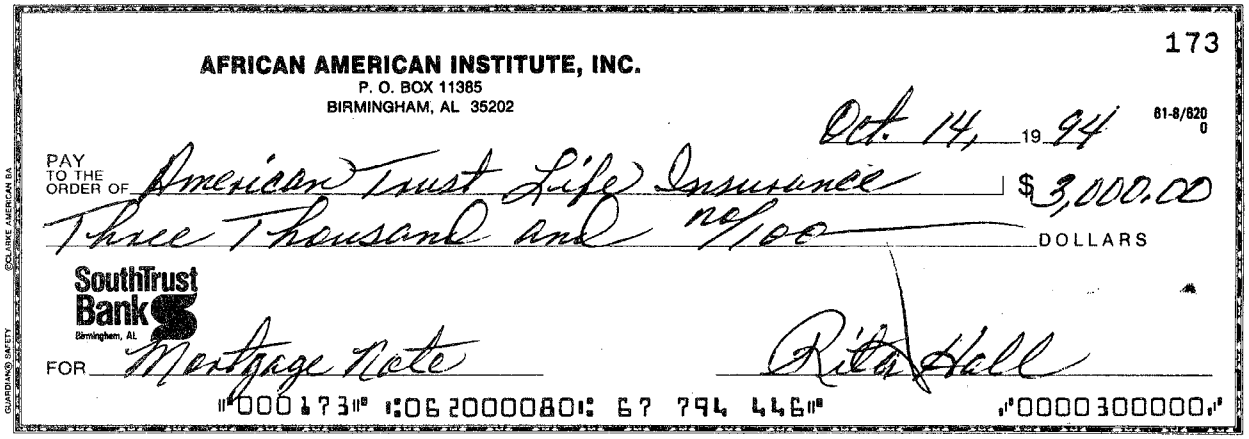

For Deposit Only
SOUTHTRUST BANK N.A.
BIRMINGHAM, AL


AMERICAN TRUST LIFE INSURANCE CO
9025
DOLLARS
AMERICAN TRUST LIFE INSURANCE CO




Southtrust Bank
AFRICAN AMERICAN INSTITUTE, INC.
CURRENCY
COIN
CHECKS
TOTAL
3,000 00





173

**AFRICAN AMERICAN INSTITUTE, INC.**
P. O. BOX 11385
BIRMINGHAM, AL 35202

Oct. 14, 19 94

61-8/620
0

PAY TO THE ORDER OF American Trust Life Insurance $ 3,000.00

Three Thousand and no/100 DOLLARS

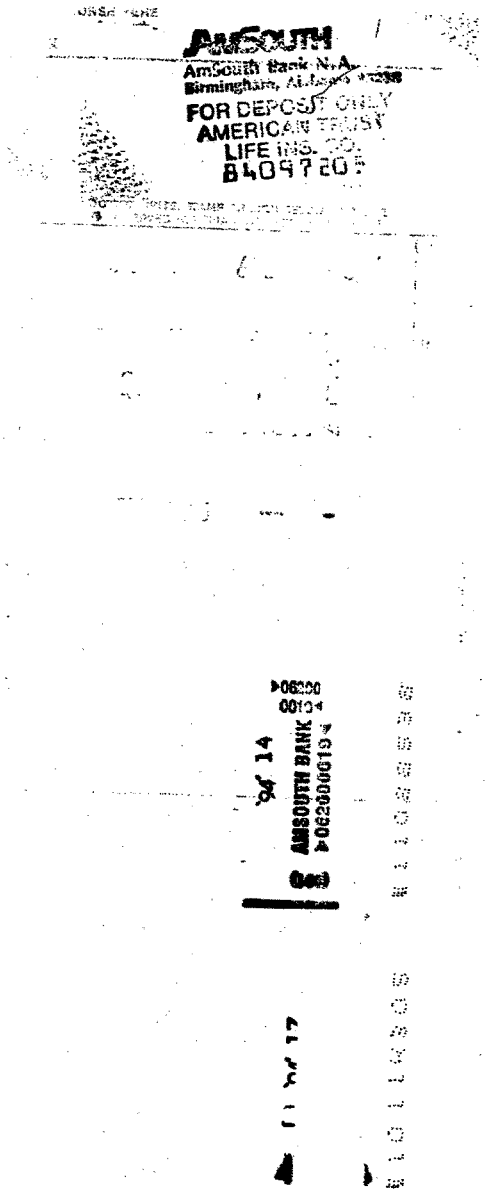
SouthTrust Bank
Birmingham, AL

FOR Mortgage Note

Rita Hall

⑈000173⑈ ⑆062000080⑆ 67 794 446⑈ ⑈0000300000⑈

GUARDIAN® SAFETY ©CLARKE AMERICAN BA


AmSOUTH
AmSouth Bank N.A.
FOR DEPOSIT ONLY
AMERICAN TRUST
LIFE INS. CO.
B409720
AMSOUTH BANK
▶062000019◀

# EXHIBIT 35

9505/1375

Send Tax Notice To:
American Trust Life Insurance Company
P. O. Box 11385
Birmingham, AL 35202-1385

THIS INSTRUMENT PREPARED BY:
NAME: Elvira Willoughby, Notary Public
ADDRESS: 1614 3rd Avenue North
Birmingham, AL 35203

Form 1-1-6

CORPORATION FORM WARRANTY DEED-- ALABAMA TITLE CO., INC., BIRMINGHAM, ALA.

STATE OF ALABAMA
COUNTY OF JEFFERSON

KNOW ALL MEN BY THESE PRESENTS,

That in consideration of One ($1.00) Dollar and other goods and valuable consideration DOLLARS,
to the undersigned grantor, The African American Institute, Incorporated a corporation,
in hand paid by American Trust Life Insurance Company

the receipt of which is hereby acknowledged, the said African American Institute, Inc,

does by these presents, grant, bargain, sell and convey unto the said American Trust Life Insurance Company

the following described real estate, situated in Jefferson County, Alabama, to wit:

Lot 15, Block 70, present plan and survey of Birmingham situated in Jefferson County, Alabama, Elyton Land Company, survey unrecorded and not available.

Purchaser hereby agrees to assume and pay those certain mortgages from Earl F. Hilliard to William Parker recorded in Real Volume 2971, Page 224 and that certain mortgage from Earl F. Hilliard to SouthTrust Bank, NA recorded in Real Volume 3171, Page 224.

TO HAVE AND TO HOLD, To the said American Trust Life Insurance Company, its heirs and assigns forever.

And said African American Institute, Incorporated does for itself, its successors and assigns, covenant with said American Trust Life Insurance Company, its

heirs and assigns, that it is lawfully seized in fee simple of said premises, that they are free from all encumbrances, except as shown above, that it has a good right to sell and convey the same as aforesaid, and that it will, and its successors and assigns shall, warrant and defend the same to the said American Trust Life Insurance Company, its

heirs, executors and assigns forever, against the lawful claims of all persons.

IN WITNESS WHEREOF, the said African American Institute, Incorporated by its President, Merriam L. McLendon, who is authorized to execute this conveyance, has hereto set its signature and seal, this the 27th day of April, 1995.

ATTEST:
Secretary

AFRICAN AMERICAN INSTITUTE, INCORPORATED
By Merriam L. McLendon, President
MERRIAM L. MCLENDON,
EXECUTIVE DIRECTOR

STATE OF ALABAMA
COUNTY OF JEFFERSON

I, Elvira Willoughby, a Notary Public in and for said County, in said State, hereby certify that Merriam L. McLendon, Executive Director whose name as ~~President~~ of African American Institute, Incorporated a corporation, is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this the 27th day of April, 1995.

MY COMMISSION EXPIRES: 11-18-95

Notary Public

State of Alabama - Jefferson County
I certify this instrument filed on:
1995 APR 27 P.M. 13:25
Recorded and $ 1.00 Mtg. Tax
and $ 4.50 Deed Tax and Fee Amt. 5.50
$ Total $
GEORGE R. REYNOLDS, Judge of Probate

9505/1375

TO

# WARRANTY DEED

STATE OF ALABAMA )
COUNTY OF )

Office of the Judge of Probate:

Recording Fee $_____
Deed Tax $_____

This Form Furnished By
ALABAMA TITLE CO., INC.
615 North 21st Street
Birmingham, Alabama

# EXHIBIT 36

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1398

PAY AMOUNT OF Three Thousand and no/100 DOLLARS

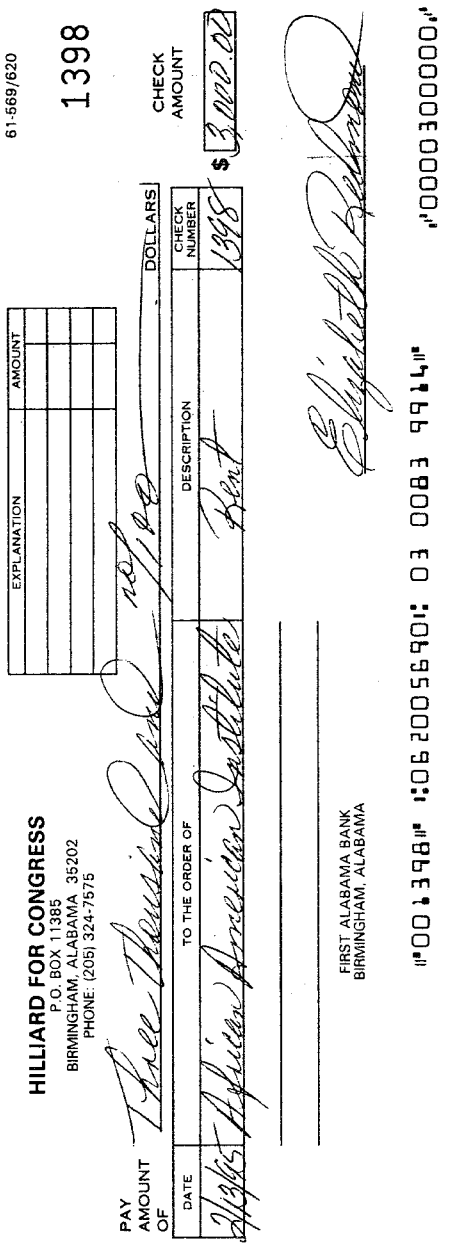
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 2/13/95 | African American Institute | Rent | 1398 |

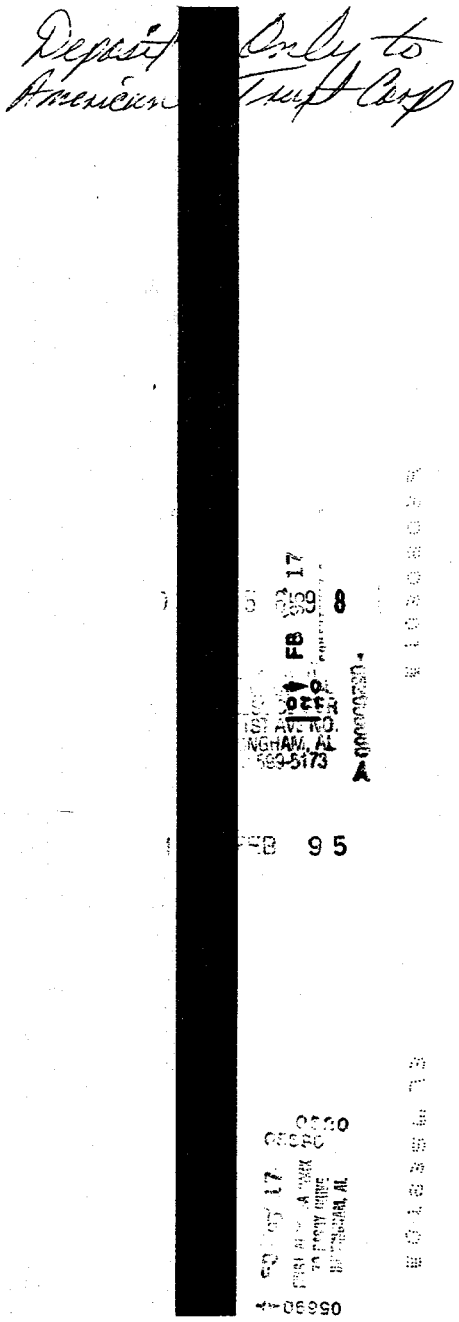
CHECK AMOUNT $ 3,000.00

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

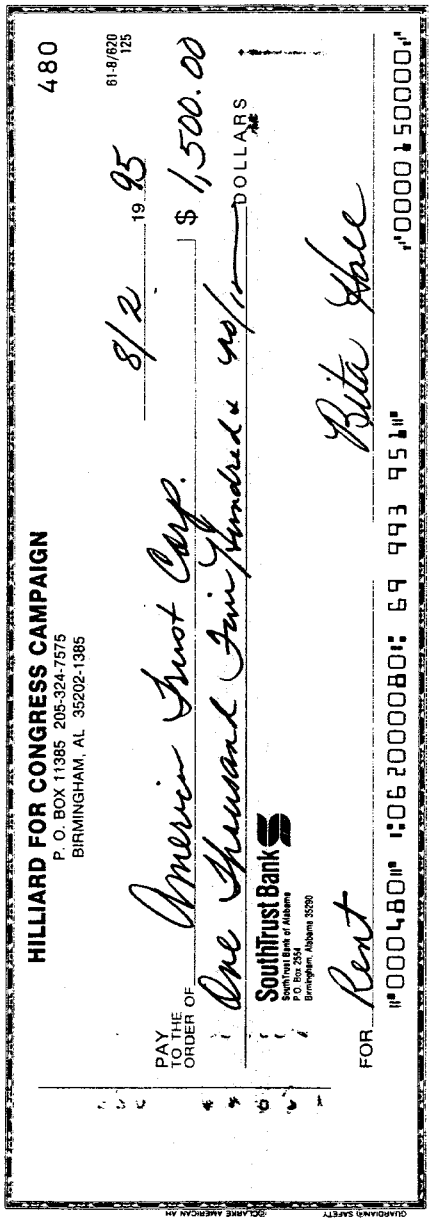
Elizabeth Redmond

⑈001398⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000300000⑈

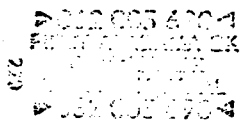


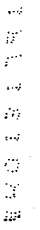

Deposit Only to
American Trust Corp
FEB 95

# EXHIBIT 37

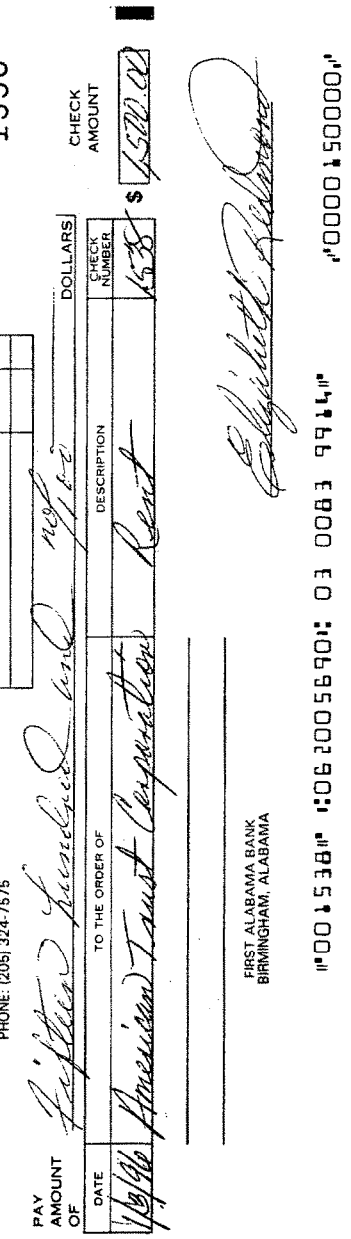

HILLIARD FOR CONGRESS CAMPAIGN
P. O. BOX 11385 205-324-7575
BIRMINGHAM, AL 35202-1385
480
61-9/620
125
PAY TO THE ORDER OF
8/2
19 95
$ 1,500.00
One thousand five hundred and no/100
DOLLARS
SouthTrust Bank
SouthTrust Bank of Alabama
P.O. Box 2554
Birmingham, Alabama 35290
FOR Rent
Rita Hare
"000480" "062000801: 69 993 95 1" "00001500"

American Trust Co
Amer Bonding
030080 4304

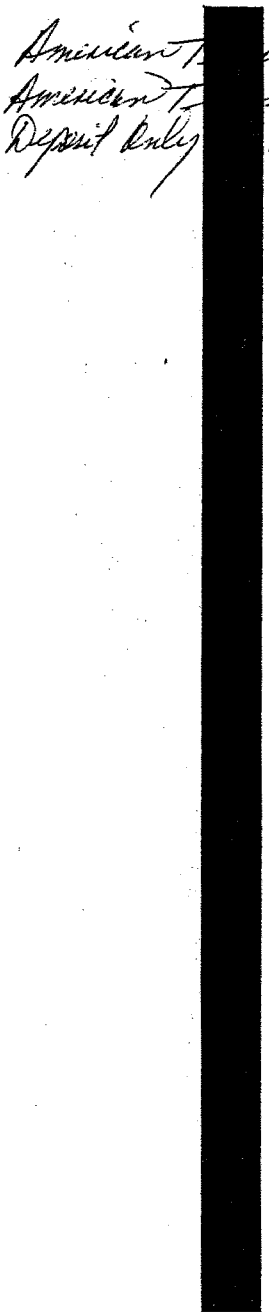




# EXHIBIT 38


HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575
61-569/620
1538
EXPLANATION
AMOUNT
PAY AMOUNT OF
DOLLARS
CHECK AMOUNT
$
DATE
TO THE ORDER OF
DESCRIPTION
CHECK NUMBER
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA
"001538" "062005690": 03 0008 3 9914"
"0000150000"

American T[redacted]ust Corp.
American T[redacted]st Comm Corp
Deposit Only [redacted] 60 307 890



# EXHIBIT 39

## AMERICAN TRUST LIFE INSURANCE COMPANY
### BOARD OF DIRECTORS MEETING
### AUGUST 23, 1993

**AGENDA**

1. Call to order
    A. Roll call
    B. Quorum call
2. Devotion
3. Reading of the minutes from last meeting
4. Old business
5. New business
6. Sale of insurance company
7. Sale of home office building
8. Property exchange
9. Adjournment

# AMERICAN TRUST LIFE INSURANCE COMPANY

**1614 3RD Avenue North**
**Birmingham, Alabama 35203**

**AUGUST 23, 1993**

**BOARD MEETING**

The Board of Directors of American Trust Life Insurance Company met on August 23, 1993. The meeting was called to order by the president, Mary Hilliard, and the attached agenda was presented. A motion was made by Cheryl Hilliard and seconded by Rita Hilliard to accept the agenda as read. By a 7-0 vote, the agenda was accepted.

The first order of business was the reading of the minutes of the last meeting. A motion was made by Rita Hilliard and seconded by John Hilliard that the minutes be accepted as read. By a vote of 7-0, the minutes were approved.

The next order of business was the discussion of an offer that had been made for the purchase of the insurance company. A copy of the letter was presented to each member of the board. After a length discussion which lasted for more than 1 hour, a motion was made by Earl Hilliard, Jr. that the offer be turned down because it was inadequate. It was seconded by John Hilliard and the motion was passed by a 6-1 vote.

The next item on the agenda was the sale of the home office building to the African American Institute. Mary Hilliard stated that she was in favor of the sale, based on the high appraisal that was made sometime ago. She also stated that real estate value had fallen in the area because of the stressed sales made by the Resolution Trust Corporation and that now would be a very good time to sell and financially, it would be beneficial to the insurance company. It was moved by Mary Hilliard and seconded by John Hilliard that the home office be sold to the African American Institute pursuant to the contract attached to the agenda. The motion was passed with a 7-0 vote. The President was authorized to carry out the sale.

The next item of business was the sale and exchange of real estate for the apartments on 13th Street pursuant to the contract attached to the agenda. Earl Hilliard, Jr. made the observation that the insurance company had problems with maintaining the property, trying to collect the rent, and keeping it in good repair. He stated that this was the best offer we had and agrees with it. He feels that the insurance company should not be in the real estate business. Thereafter, Earl Hilliard, Jr. moved that the property be sold, John Hilliard seconded and by a 7-0 vote, the motion passed. The President was authorized to carry out the sale.

A motion was made by Rita Hilliard to adjourn and by a 7-0 vote, the motion was passed and the meeting was adjourned.

Rita Gail Hilliard
Secretary

08/23/93
Date

AMERICAN TRUST LIFE INSURANCE COMPANY
BOARD OF DIRECTORS MEETING
OCTOBER , 1993

AGENDA

1. CALL TO ORDER
   - A. ROLL CALL
   - B. QUORUM CALL
2. DEVOTION
3. READING OF THE MINUTES FROM LAST MEETING
4. OLD BUSINESS
5. NEW BUSINESS
6. SALE OF INSURANCE COMPANY
7. SALE OF HOME OFFICE BUILDING
8. PROPERTY EXCHANGE
9. ADJOURNMENT

The Board of Directors of American Trust Life Insurance Company met on October , 1993. The meeting was called to order by the president, Mary Hilliard, and the attached agenda was presented. A motion was made by Cheryl Hilliard and seconded by Rita Hilliard to accept the agenda as read. By a 7-0 vote, the agenda was accepted.

The first order of business was the reading of the minutes of the last meeting. A motion was made by Rita Hilliard and seconded by John Hilliard that the minutes ~~to~~ be accepted as read. By a vote of 7-0, the minutes were approved.

The next order of business was the discussion of an offer that had been made for the purchase of the insurance company. A copy of the letter was presented to each member of the board. After a lengthy discussion which lasted for more than 1 hour, a motion was made by Earl Hilliard that the offer be turned down because it was inadequate ~~to the needs of the company~~. It was seconded by John Hilliard and ~~was~~ the motion was passed ~~with~~ a 6-1 vote.

The next item on the agenda was the sale of the home office building to African American Institute. Mary Hilliard stated that she was in favor of the sale, based on the high appraisal that was made sometime ago. She also stated that real estate value had fallen in the area because of the stressed sells made by RTC and that now would be a very good time to sale and financially, it would be beneficial to the insurance company, ~~greatly~~. It was moved by Earl Hilliard and seconded by John Hilliard that the home office be sold to the African American Institute pursuant to the contract attached to the agenda. The motion was passed with a 7-0 vote. The President was authorized to carry out the Sale.

The next item of business was the sale and exchange of real estate for the apartments on 13th Street pursuant to the contract attached to the agenda. Earl Hilliard made the observation that the insurance company had problems with maintaining the property, trying to collect the rent, and keeping it in good repair. He stated that there were too many problems and that it needed to be sold. He also stated that this was the best offer we had had and agrees with it. He feels that the insurance company is getting a good deal and recommends the sale of the property. He also stated that the insurance company ~~was~~ should not be in the real estate business. Thereafter, Earl Hilliard moved that the property be sold, John Hilliard seconded and by a 7-0 vote, the motion passed. The President was authorized to carry out the Sale.

A motion was made by Rita Hilliard to adjourn and by a 7-0 vote, the motion passed and the meeting was adjourned.

_____
Secretary

_____
Date

AMERICAN TRUST LIFE INSURANCE COMPANY
BOARD OF DIRECTORS MEETING
OCTOBER , 1993

AGENDA

1. CALL TO ORDER
   - A. ROLL CALL
   - B. QUORUM CALL
2. DEVOTION
3. READING OF THE MINUTES FROM LAST MEETING
4. OLD BUSINESS
5. NEW BUSINESS
6. SALE OF INSURANCE COMPANY
7. SALE OF HOME OFFICE BUILDING
8. PROPERTY EXCHANGE
9. ADJOURNMENT

Jan.27 '94 15:23 1234 AMERICAN TRUST TEL 2052247589

***AMERICAN TRUST LIFE INSURANCE COMPANY***
***1614 3RD AVENUE NORTH***
***BIRMINGHAM, ALABAMA 35203***

***OCTOBER , 1993***

***BOARD MEETING***

The Board of Directors of American Trust Life Insurance Company met on October , 1993. The meeting was called to order by the president, Mary Hilliard, and the attached agenda was presented. A motion was made by Cheryl Hilliard and seconded by Rita Hilliard to accept the agenda as read. by a 7-0 vote, the agenda was accepted.

The first order of business as the reading of the minutes of the last meeting. A motion was made by Rita Hilliard and seconded by John Hilliard that the minutes be accepted as read. By a vote of 7-0, the minutes were approved.

The next order of business was the discussion of an offer that had been made for the purchase of the insurance company. a copy of the letter was presented to each member of the board. After a length discussion which lasted for more than 1 hour, a motion was made by earl Hilliard that offer be turned down because it was inadequate. It was seconded by John Hilliard and the motion was passed by a 6-1 vote.

The next item on the agenda was the sale of the home office building to African American Institute. Mary Hilliard stated that she was in favor of the sale, based on the high appraisal that was made sometime ago. She also stated that real estate value had fallen in the area because of the stressed sales made by the Resolution Trust Corporation and that now would be a very good time to sale and financially, it would be beneficial to the insurance company. It was moved by Earl Hilliard and seconded by John Hilliard that the home office be sold to the African American Institute pursuant to the contract attached to the agenda. The motion was passed with a 7-0 vote. The President was authorized to carry out the sale.

The next item of business was the sale and exchange of real estate for the apartments on 13th Street pursuant to the contract attached to the agenda. Earl Hilliard made the observation that the insurance company had problems with maintaining the property, trying to collect the rent, and keeping it in good repair. He stated that this was the best offer we had had and agrees with it. He feels that the insurance company should not be in the real estate business. Thereafter, Earl Hilliard moved that the property be sold, John Hilliard seconded and by a 7-0 vote, the motion passed. The President was authorized to carry out the sale.

A motion was made by Rita Hilliard to adjourn and by a 7-0 vote, the motion was passed and the meeting was adjourned.

Secretary _____

Date _____

Jan.27 '94 15:23 1234 AMERICAN TRUST TEL 2052524589 P. 5

AMERICAN TRUST LIFE INSURANCE COMPANY
Board of Directors Call Meeting
October 15, 1993

AGENDA

A. Call to Order

B. Special Election

C. Adjournment

American Trust Life Insurance
October 15, 1993
Call Meeting of Board of Directors

The meeting was called to order by the President, Mary F. Hilliard. The following directors were present:

Mary F. Hilliard

John R. Hilliard

Earl F. Hilliard, Jr.

Rita Hall

Frederick E. Hilliard

Mary F. Hilliard, Chairman, presented the Board with a proxy from Hilliards and Company, Incorporated and called for the election of one (1) additional member to the Board.

Frederick E. Hilliard made a motion that Earl F. Hilliard be returned as a member of the Board of Directors. The motion was seconded by Rita Hall. The Board voted unanimously for the return of Earl F. Hilliard to the Board and the motion was carried.

The was no further business, the meeting was adjourned.

Yolanda B Williams
Secretary

8/15/93

Min of Bd

ALABAMA STATE SENATE
ALABAMA STATE HOUSE
MONTGOMERY, ALABAMA 36130

ALABAMA

EARL F. HILLIARD
STATE SENATOR 20TH DISTRICT
P.O. BOX 11385
BIRMINGHAM
35202 - 1385
(205) 731-7777
MONTGOMERY
(206) 242-7879

COMMITTEES:
CHAIRPERSON, LOCAL LEGISLATION NO. 2
CHAIRPERSON, COMMERCE, TRANSPORTATION AND UTILITIES
FINANCE AND TAXATION / EDUCATION FUND
CONSUMER AFFAIRS

Amer. Trust Life Ins Co.

12-27-93

Meeting called to order by the Pres.

Prayer

Min. from last meeting read, accepted

Bd member present EARL F. HILLIARD, FREDERICK HILLIARD
RITA, CAROL, MARY

old business —

New Business — President Resigning as Chairman but will stay on as a Board member.

Election of Bd. members

Mary - Secretary of Bd
John - Chairman
Rita - Vice Chairman
Joel -
Frederick -
Earl, Sr. - Treasurer
Alesia -
Carol Allen -
Earl, Sr. - Mary moved for nominations

ALABAMA STATE SENATE
ALABAMA STATE HOUSE
MONTGOMERY, ALABAMA 36130

ALABAMA

EARL F. HILLIARD
STATE SENATOR 25TH DISTRICT
P.O. BOX 11388
BIRMINGHAM
35202 - 1388
(205) 731-7777
MONTGOMERY
(205) 242-7878

COMMITTEES:
CHAIRPERSON, LOCAL LEGISLATION NO. 2
CHAIRPERSON, COMMERCE, TRANSPORTATION AND UTILITIES
FINANCE AND TAXATION / EDUCATION FUND
CONSUMER AFFAIRS

Election of Officers of the Corp.

John - President
Earl Jr - 2nd V. Pres.
Mary - Treasurer
[redacted] -
Rita - 1st Vice Pres. + [redacted]
Frederick - 3rd V - Pres[redacted]
Yolanda - Secretary
Earl Jr. moved to accept nomination motion was second ~~passed~~ motion carried
Meeting Adjourned

# AMERICAN TRUST LIFE INSURANCE COMPANY
## BOARD OF DIRECTORS MEETING
## DECEMBER 27, 1993

### AGENDA

1. Call to order
2. Devotion
3. Reading of the minutes form last meeting
4. Old business
5. New business
6. Sale of insurance company
7. Surplus increase
8. Conflict of interest statement
9. Insurance audit
10. Computerization
11. Adjournment

# AMERICAN TRUST LIFE INSURANCE COMPANY

**1614 3rd Avenue North**
**Birmingham, Alabama 35203**

**DECEMBER 27, 1993**

**BOARD MEETING**

The Board of Directors of the American Trust Life Insurance Company met on December 27, 1993. The meeting was called to order by the President, Mary Franklin Hilliard, at 4:00 p.m., at 1614 3rd Avenue North. Those present were: Mary Hilliard, John Hilliard, Frederick Earl Hilliard, Earl Frederick Hilliard, Earl Frederick Hilliard, Jr., and Rita Gail Hilliard. The president declared that the quorum was present for the transaction of business.

The minutes from the Annual Meeting of December 29, 1992, were read. A motion was made by John Hilliard and seconded by Cheryl Hilliard that the minutes be approved as read. By a vote of 7-0, the minutes were approved.

Mary Hilliard presented the agenda for the meeting which is attached hereto. A motion was made by John Hilliard and seconded by Cheryl Hilliard to accept the agenda as read. The motion was passed by a 7-0 vote.

The first order of business was the discussion on the sale of the insurance company. No motion was made, but it was the consensus of the Board of Directors that the directors would entertain any further offers for the purchase of the insurance company and that members of the Board actively seek a purchaser of the company to merge with. The next order of business was the discussion of increasing the surplus of the company so that it would be able to write insurance policies in the minimum amount of $10,000.00. Earl Hilliard suggested that the president ask the lawyer for the insurance company to file action against Gary Richardson for not providing insurance with a note and mortgage for the $95,000.00 owed pursuant to the court order. He explained that the insurance department denied the admissibility of the $95,000.00 because it was a lien only. Once this action has been taken and corrected, the insurance company will be able to write an additional $5,000.00 policy. Mary Franklin Hilliard, president, stated that she will have the lawyers pursue legal action against Gary Richardson immediately and will try to have the matter cleared up by the end of the first quarter in 1994.

Mary Franklin Hilliard asked each person to sign the Conflict of Interest Statement and stated that if one had any question or comments, she would be happy to entertain them. A short irrelevant discussion was held about the Conflict of Interest Statement and then everyone present signed it. The upcoming audit was discussed it was decided to review all of the mortgages and real estate files to make sure they were in order so that the auditor can finish wit the company in 2 or 3 days. Mary Franklin Hilliard stated that the sale of the matter had been finalized. She

expressed satisfaction in that the insurance company has less than 5 pieces of real estate and that most of it will be sold in 1994. She stated that her goal was to sell all of the real estate in 1994 and to buy a multi-purpose office building in order to keep the insurance company out of the real estate business so that everyone can concentrate on selling insurance. She noted that Hilliard and Company had sold 7 people one (1) share of stock in the insurance company, and they were: Mary Franklin Hilliard, Alesia Lynette Hilliard, Earl Frederick Hilliard, Earl Frederick Hilliard, Jr., John Randall Hilliard, Carol Jean Allen, and Iola Hilliard. Mary Franklin Hilliard stated that the company had almost completed computerizing 100% of all files and reports of the business and that by the end of the second quarter of 1994, the computerization will be completed.

Mary Franklin Hilliard then opened up the meeting for nominations to the Board of Directors. Earl Frederick Hilliard presented a slate of persons for the Board. He presented a stock proxy from the Hilliard and Company, Incorporated; he and the other stockholders voted in favor of the following persons:

1. John Randall Hilliard - Chairman
2. Rita Gail Hilliard - Vice Chairman
3. Earl Frederick Hilliard - Treasurer
4. Elvira Willoughby - Secretary
5. Carol Jean Allen
6. Frederick Earl Hilliard
7. Mary Franklin Hilliard

The Board then elected the following officers:

1. John Randall Hilliard - President
2. Earl Frederick Hilliard - Vice President
3. Elvira Willoughby - Treasurer
4. Yolanda B. Williams - Secretary

Mary Franklin Hilliard asked if there was any further business and there was no response. John Randall Hilliard made a motion to adjourn and by a 7-0 vote, the motion passed and the meeting was adjourned.

Yolanda B. Williams
Secretary

12/27/93
Date

Ditt kurs- og OSLO PLAZA Plaza Tower ***** konferansehotell

Call to Order
Quorem Check
Reading of ~~Minutes~~ Minutes of last meeting
Discussion of Africa American Institute Mortgage
Old Business
New Business
Adjournment

Sonja Henies pl. 3, 0134 Oslo, Norway – Tel.: (+47) 22 17 10 00 – Fax: (+47) 22 17 75 00

Ditt kurs- og OSLO PLAZA Plaza Tower konferansehotell

March 25, 1994 ?.

The meeting of the American Trust Life Insurance Company was called to order by The Chairman, John Hilliard. An agenda was passed out to each Board members. Those persons present were:

- John Hilliard
- Earl Hilliard
- Rita Hilliard
- Carol Allen
- Elwira Willoughby

A quorem was declared Present by the Chairman, John Hilliard. The Chairman asked all members to read the annual report which was now available and a copy of which is always available in the office of the Company.

A discussion of whether to move the office was discuss at length. A decision was not made.

A discussion to sell the office on American Institute was mortgage discussed and the Chairman asked Earl Hilliard to bring in a report on the sale of the mortgage at the next meeting.

The Chairman called for any old business — There was none — Any new business — there was none. The Chairman adjourned the meeting.

M.S.

Ditt kurs- og OSLO PLAZA konferansehotell
Plaza Tower

Mortgage Sale

Report on justification's for selling the $385,000 mortgage for approximately $130,000 or approximately $.33 on the dollar.

The true amount of the African American Institute Incorporated mortgage is $ . The interest rate is six percent (6%). The mortgage is junior to two other mortgages. The first one is to Southtrust Bank for approximately $78,000.00 and to William Parker, an individual for approximately $95,000.00 The latest appraisal of the property that the mortgage covers shows a value of $305,000.

The mortgage on the property known as Montgomery, Alabama is in favor of Southtrust Bank in the approximately amount of $ at an interest rate of percent ( %) payable in the amount of per month.

The mortgage on the property known as 1609 11th Avenue N, Birmingham, Alabama is payable to Hale, an individual in the amount of Seven Hundred (700.00) Dollars each month at 8% interest. The balance is approximately $ 38,000.00 These two mortgages have a total amount of Rental income of approximately $1,720 or about enought to cover the mortgage payments. The forty thousand dollar cash would readily be admitted as an asset whereas the junior mortgage is

Ditt kurs- og OSLO PLAZA Plaza Tower ***** konferansehotell

is ineligible. True, the three thousand dollars monthly income is significant but the saving ~~of~~ from not having to pay the Southtrust Mortgage of $1,185.00 and the Hale mortgage of $700.00, ~~payable~~ and the interest income from the #40,000 partially offset the lost of income.

~~The effect that~~

American Trust Life Insurance Company becomes stronger by selling an ineligible asset of questionable value for the #40,000 cash and the assumption ~~of the~~ and payment of the mortgages heretofore mentions

# AMERICAN TRUST LIFE INSURANCE COMPANY
## BOARD OF DIRECTORS MEETING
## MARCH 25, 1994

### AGENDA

1. Call to order
2. Quorum check
3. Reading of the minutes of the last meeting
4. Discussion of lease and space
5. Discussion of sale of the African American Institute mortgage
6. Old business
7. New business
8. Adjournment

# AMERICAN TRUST LIFE INSURANCE COMPANY

**1614 3rd Avenue North**
**Birmingham, Alabama 35203**

**MARCH 25, 1994**

## BOARD MEETING

The meeting of the American Trust Life Insurance Company, was called to order by the Chairman, John Randall Hilliard. An agenda was passed out to each Board Member. Those persons present were:

1. John Randall Hilliard
2. Earl Frederick Hilliard
3. Rita Gail Hilliard
4. Carol Jean Allen
5. Elvira Willoughby

A Quorum was declared present by the Chairman, John Randall Hilliard. The Chairman asked all members to read the annual report which was available now and a copy of which is always available in the office of the Company.

A discussion of whether to move the office was held at length. A decision was not made. A discussion to sell the African American Institute, and the Richardson Mortgages was held, and the Chairman asked Earl Hilliard to bring in a report on the sale of the mortgages at the next meeting.

Since there was no other business, the meeting was adjourned.

Yolanda B. Williams
Secretary

# AMERICAN TRUST LIFE INSURANCE COMPANY
## BOARD OF DIRECTORS MEETING
## DECEMBER 16, 1994

### AGENDA

1. Call to order
2. Devotion
3. Reading of the minutes from last meeting
4. Election of members of the Board of Directors
5. Election of Officers
6. Old business
7. New business
8. Adjournment

# AMERICAN TRUST LIFE INSURANCE COMPANY

**1614 3rd Avenue North**
**Birmingham, Alabama 35203**

**DECEMBER 16, 1994**

## BOARD MEETING

Minutes of meeting of the Board of Directors of American Trust Life Insurance Company.

Pursuant to regular notice, a meeting of the Board of Directors of American Trust Life Insurance Company was held at 1614 Third Avenue North, Birmingham, Alabama, on December 16, 1994, at 4:00 p.m.

A quorum of Directors attended.

1. John Randall Hilliard
2. Rita Gail Hilliard
3. Earl Frederick Hilliard
4. Elvira Willoughby
5. Frederick Earl Hilliard

The meeting was called to order by the Chairman, John Randall Hilliard. The minutes were read and adopted.

The first item was the election of members to the Board of Directors. Earl Frederick Hilliard, presented the Board with proxy from Hilliard and Company, Incorporated. He casted one hundred percent (100%) of the votes for the following members of the Board of Directors:

1. John Randall Hilliard - Chairman
2. Rita Gail Hilliard
3. Mary Franklin Hilliard
4. Carol Jean Hilliard
5. Frederick Earl Hilliard
6. Earl Frederick Hilliard
7. Elvira Willoughby

The Board of Directors, then, elected the following persons as Officers:

1. John Randall Hilliard - President
2. Frederick Earl Hilliard - Vice President
3. Elvira Willoughby - Treasurer
4. Elizabeth Redmond - Secretary

There was no old business. Under new business, a discussion was held on sale of the Company. No decision was reached.

A motion to adjourn was made and it was unanimously approved. The meeting was adjourned.

Elizabeth Redmond
Secretary

# EXHIBIT 40

Send Tax Notice To:
American Trust Life Insurance Co.
P. O. Box 11385
Birmingham, AL 35202

THIS INSTRUMENT PREPARED, BY:
NAME: Elvira Willoughby
1614 3rd Avenue North
ADDRESS: Birmingham, AL 35203

Form 1-1-6

CORPORATION FORM WARRANTY DEED— ALABAMA TITLE CO., INC., BIRMINGHAM, ALA.

STATE OF ALABAMA
COUNTY OF JEFFERSON

KNOW ALL MEN BY THESE PRESENTS,

That in consideration of One Thousand and no/100----------($1,000.00)----- DOLLARS,

to the undersigned grantor, African AmericanInstitute, Incorporated, a a corporation,
in hand paid by American Trust Life Insurance Company

the receipt of which is hereby acknowledged, the said African American Institute, Inc.

does by these presents, grant, bargain, sell and convey unto the said American Trust Life Insurance Company

the following described real estate, situated in Jefferson County, Alabama, to wit:

Lot 15, Block 70 , present plan and survey of Birmingham situated in Jefferson County, Alabama, Elyton Land Company, survey unrecorded and not available.

Grantee herein agrees to assume and pay that certain mortgage Earl F. Hilliard to William Parker, recorded in Real 2971, Page 224, and that certain mortgage from Earl F. Hilliard to SouthTrust Bank, NA recorded in Real 3171, Page 292.

TO HAVE AND TO HOLD, To the said American Trust Life Insurance Company, it's heirs and assigns forever.

And said African American Institute, Inc. does for itself, its successors and assigns, covenant with said American Trust Life Insurance Company, it's

heirs and assigns, that it is lawfully seized in fee simple of said premises, that they are free from all encumbrances, except as shown above, that it has a good right to sell and convey the same as aforesaid, and that it will, and its successors and assigns shall, warrant and defend the same to the said American Trust Life Insurance Company, it's

heirs, executors and assigns forever, against the lawful claims of all persons.

IN WITNESS WHEREOF, the said African American Institute, Inc. by its President, Merriam L. McLendon , who is authorized to execute this conveyance, has hereto set its signature and seal, this the 28th day of June ,19 95

ATTEST:
Rita Hall
RITA HALL Secretary

AFRICAN AMERICAN INSTITUTE, INC.
By Merriam L. McLendon
MERRIAM L. McLENDON President

STATE OF ALABAMA
COUNTY OF JEFFERSON

I, Elvira Willoughby a Notary Public in and for said County, in said State, hereby certify that Merriam L. McLendon whose name as President of African American Institute, Inc. a corporation, is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this the 28th day of June , 19 95.

Elvira Willoughby

STATE OF ALABAMA)
JEFFERSON COUNTY)

FULL SATISFACTION OF RECORDED LIEN

Know All Men By These Presents, That, the undersigned American Trust Life Insurnace Comapny, acknowledges full payment of the indebtedness secured by that certain (Real Property) (Personal Property) mortgage executed by African American Institute, Incorporated, which said mortgage was recorded in the office of the Judge of Probate Court of Jefferson County, Alabama, in Book No. 9317, Page No. 4691, (and assigned to in Book No. , Page ) and the undersigned does further hereby release and satisfy said mortgage.

THIS INSTRUMENT PREPARED BY:

Elvira Willoughby, Notary Public
1614 3rd Avenue North
Birmingham, AL 35203

In Witness Whereof, the undersigned, American Trust Life Insurance Company has caused these presents to be executed this day of June, 19 95.

American Trust Life Insurance Company
BY: John R. Hilliard
JOHN R. HILLIARD, PRESIDENT

STATE OF ALABAMA)
JEFFERSON COUNTY)

GENERAL ACKNOWLEDGEMENT

Notary Public

I, the undersigned, Judge of Probate, in and for said County in said State, hereby certify that _____ whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and Official seal this _____ day of _____, 19 ____.

Judge of Probate
Notary Public

STATE OF ALABAMA)
JEFFERSON COUNTY)

CORPORATE ACKNOWLEDGEMENT

Notary Public

I, the undersigned, ~~Judge of Probate~~, in and for said County in said State, hereby certify that John R. Hilliard whose name as President of American Trust Life Insurance Company, a corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and Official seal this _____ day of June, 19 95.

Judge of Probate
Notary Public

FORMATE - 78

# EXHIBIT 41

**EQUITY SALES CONTRACT**
Form approved by Birmingham Area Board of REALTORS®
2/2/98 (Previous Forms Obsolete)

This Form Furnished By
PROFESSIONAL TITLE SERVICES INC.
(205) 424-3507 (205) 254-3543

Birmingham, Alabama August 22, 19 95

The undersigned Purchaser(s) American Trust Corporation (PLEASE PRINT NAME) hereby agrees to purchase and the undersigned Seller(s) American Trust Life Insurance Company (PLEASE PRINT NAME) hereby agrees to sell the following described real estate, together with all improvements, shrubbery, plantings, fixtures and appurtenances (the "Property") situated in the City of Birmingham, County of Jefferson, Alabama, on the terms stated below:

Address 1612 and 1614 3rd Avenue North

and legally described as Lot 15 - Block 70 Survey Present plan City of Birmingham Elyton Land Company

Map Book _____ Page _____

1. **THE PURCHASE PRICE:** shall be approximately $ 305,000.00 payable as follows:

(a) CASH CONSIDERATION FOR SELLER'S EQUITY OF $ 26,000.00 FIRM

| | |
|---|---|
| Earnest Money, receipt of which is hereby acknowledged by the Agent | $ 1,400.00 |
| Cash on closing | $ 24,600.00 |
| (b) ASSUMPTION of the existing FIRST MORTGAGE [~~APPROXIMATELY~~] & Second mortgages including Taxes | $ 279,000.00 |

with monthly installments of approximately $ N/A including principal, interest and escrow deposits. If Mortgagee's approval is required for assumption of the Mortgage, this Contract is contingent upon such approval. This Contract is also contingent upon the unpaid balance of the mortgage principal payable by Purchaser, not exceeding $ N/A at the time of closing.

| | |
|---|---|
| Total Purchase Price (Approximate) | $ 305,000.00 |

PROPERTY SOLD "AS IS"
*SEE ATTACHED ADDENDUM*

(c) MONTHLY MORTGAGE PAYMENT through and including the payment due during the month of September, 1995 shall be paid by Seller.

(d) ESCROW ACCOUNT: Seller agrees to assign the escrow account, if any, to Purchaser and to transfer the existing insurance policy to Purchaser (provided insurer permits such transfer). Seller also warrants that, at time of closing, there will be sufficient funds in the escrow account to cover any necessary deposits required by the Mortgagee. Any reported surplus in the escrow accounts shall be credited to Seller. If there is no escrow account for taxes and/or insurance, then such unescrowed items shall be prorated as of the date of closing.

(e) THE MORTGAGEE TRANSFER FEE, if any, and deed recording cost will be paid by Purchaser.

2. **AGENCY DISCLOSURE:** The listing Agency N/A represents the Seller (unless otherwise stated), and the selling Agency N/A represents ☐ Purchaser ☐ Seller.

Seller's initials _____ _____ Purchaser's initials _____ _____

3. **CONDITION OF PROPERTY:** NEITHER SELLER NOR ANY AGENT MAKES ANY REPRESENTATIONS OR WARRANTIES REGARDING THE CONDITION OF THE PROPERTY EXCEPT TO THE EXTENT EXPRESSLY AND SPECIFICALLY SET FORTH HEREIN. Purchaser has the obligation to determine, either personally or through or with a representative of Purchaser's choosing, any and all conditions of the Property material to Purchaser's decision to buy the Property, including without limitation, the condition of the heating, cooling, plumbing and electrical systems and any built-in appliances, and the roof and the basement, including leaks therein; the size and area of the Property; construction materials, including floors; structural condition; utility and sewer or septic tank availability and condition; and any matters affecting the character of the neighborhood. In recognition of the foregoing, Purchaser and Seller agree that the following paragraphs selected from A-E below shall govern this Contract with respect to the physical condition of the Property:

| PARAGRAPH | PURCHASER'S INITIALS | SELLER'S INITIALS |
|---|---|---|
| A | _____ | _____ |
| B(1) | _____ | _____ |
| B(2) | _____ | _____ |
| C | _____ | _____ |
| D | _____ | _____ |
| E | _____ | _____ |

[NOTE: ONLY THOSE PARAGRAPHS INITIALED BY BOTH PARTIES SHALL APPLY TO TO THIS CONTRACT]

A. [If A is selected, do not select B(1), B(2), C or D.] Seller shall not be required to make any repairs to the Property whatsoever under this Contract. Purchaser accepts the Property in its present "as is" condition, including ordinary wear and tear to the closing date. However, if the Property suffers material damage beyond ordinary wear and tear prior to the closing date, and Seller refuses to pay for any repairs reasonably required to restore the property to a condition at least as good as previously existing, ordinary wear and tear excepted, Purchaser may proceed with the closing or cancel the Contract and recover the earnest money by notifying Seller in writing of the cancellation within _____ hours of Purchaser's receipt of Seller's notice of refusal to pay the excess; provided, that the notice of cancellation must in any event be received prior to closing.

B. [NOTE: Choose B(1) below if Purchaser does not require further inspections, or choose B(2) if further inspections are required, but do not select both.]

B(1) Purchaser has inspected the Property and, without relying on any representation or warranty from Seller or Broker or any salesperson or on any printed or written description of the Property, accepts the Property in its present "as is" condition, including ordinary wear and tear to closing date, subject only to the following: N/A

B(2) Purchaser requires additional inspections of the Property. Within _____ calendar days after Seller's acceptance of this Contract, Purchaser shall have the right, at Purchaser's expense and through licensed contractor(s) or other qualified professionals of Purchaser's choosing, to inspect and investigate the Property. When such inspections or investigations reveal conditions unsatisfactory to Purchaser, Purchaser shall inform Seller in writing of such unsatisfactory conditions, and provide to Seller at no cost a copy of the inspector's written report, all within _____ days of this Contract. Seller shall notify Purchaser in writing within _____ days of receipt of notice of such unsatisfactory condition whether Seller will correct the defect prior to Closing. If Seller is unable or unwilling to correct the defect, Seller shall not be obligated to do so, but Purchaser shall then have the option of cancelling this Contract by notifying Seller in writing within _____ hours of receipt of Seller's written refusal to correct the defect, and the Earnest Money shall be returned to Buyer. Purchaser's failure to notify Seller of any such defects or of Purchaser's election to terminate the Contract, as herein provided, shall conclusively be considered approval of the Property as is and an election to proceed with the closing.

C. Seller agrees to deliver the heating, cooling, plumbing and electrical systems and any built-in appliances in normal operating condition at the time of closing; provided, it shall be the responsibility of Purchaser to inspect said systems and equipment prior to closing and to notify Seller immediately of any systems that are not in normal operating condition. Purchaser's failure to provide such notification prior to closing shall conclusively establish that Seller has satisfied this covenant.

Seller's initials _____ _____  Purchaser's initials _____ _____

D. All repairs required of Seller under NONE (B(1) _____ C [check the paragraph(s) to which the dollar ceiling applies] shall not exceed $ N/A. If such repairs exceed the specified amount and Seller refuses to pay the excess, Purchaser may pay the additional cost or accept the Property with the limited repairs for accept the specified ceiling amount at closing as a reduction of the purchase price], and this sale shall be closed as scheduled, or Purchaser may cancel this Contract by notifying Seller in writing of the cancellation within N/A hours of Purchaser's receipt of Seller's notice of refusal to pay the excess.

E. PURCHASER REQUIRES A WALK-THROUGH INSPECTION IMMEDIATELY PRIOR TO CLOSING TO VERIFY THAT ANY REQUIRED REPAIRS HAVE BEEN PERFORMED AND THE PROPERTY IS OTHERWISE IN SUBSTANTIALLY THE SAME CONDITION AT CLOSING, ORDINARY WEAR AND TEAR EXCEPTED, AS WHEN WE INITIALLY ACCEPTED IT.

4. **EARNEST MONEY & PURCHASER'S DEFAULT:** Seller hereby authorizes the listing Agency, American Trust Life Insurance Company, to hold the earnest money in trust for Seller pending the fulfillment of this Contract. In the event Purchaser fails to carry out and perform the terms of this Contract, the earnest money shall be forfeited as liquidated damages at the option of Seller, provided Seller agrees to the cancellation of this Contract. Said earnest money so forfeited shall be divided equally between Seller and his Agent. In the event both Purchaser and Seller claim the earnest money, the person or firm holding the earnest money may interplead the disputed portion of the earnest money into court.

5. **CONVEYANCE:** Seller agrees to convey the Property to Purchaser by Corporate warranty deed [check here ☐ if Purchasers desire title as joint tenants with right of survivorship], free of all encumbrances except as permitted in this Contract. Seller and Purchaser agree that any encumbrances not herein excepted or assumed may be cleared at the time of closing from sales proceeds. THE PROPERTY IS SOLD AND IS TO BE CONVEYED SUBJECT TO ANY MINERAL AND MINING RIGHTS NOT OWNED BY SELLER AND SUBJECT TO PRESENT ZONING CLASSIFICATION, Business, AND IS ☐ IS NOT ☒ LOCATED IN A FLOOD PLAIN, AND, UNLESS OTHERWISE AGREED HEREIN, SUBJECT TO UTILITY EASEMENTS SERVING THE PROPERTY, RESIDENTIAL SUBDIVISION COVENANTS AND RESTRICTIONS, AND BUILDINGS LINES OF RECORD, PROVIDED THAT NONE OF THE FOREGOING MATERIALLY IMPAIR USE OF THE PROPERTY FOR RESIDENTIAL PURPOSES.

6. **TITLE INSURANCE:** Seller agrees to furnish Purchaser a standard form owner's title insurance policy at Seller's expense, issued by a company qualified to insure titles in Alabama, in the amount of the purchase price, insuring Purchaser against loss on account of any defect or encumbrance in the title, subject to exceptions herein, including paragraph 3 above; otherwise, the earnest money shall be refunded.

7. **SURVEY:** Purchaser does ☐ does not ☒ [check one] require a survey by a registered Alabama land surveyor of Purchaser's choosing. Unless otherwise agreed herein, the survey shall be at Purchaser's expense.

8. **PRORATIONS:** It is understood and agreed that this contract represents a purchase of the equity in the above described property and that there shall be no prorations at closing for taxes, insurance premiums or interest except as herein provided.

9. **CLOSING & POSSESSION DATES:** The sale shall be closed and the deed delivered on or before Oct 1, 1995, except Seller shall have a reasonable length of time within which to perfect title or cure defects in the title to the Property. Possession is to be given on delivery of the deed, if the Property is then vacant; otherwise, possession shall be delivered on _____, 19____, at _____ (A.M./P.M.).

10. **DISCLAIMER:** Seller and Purchaser acknowledge that they have not relied upon advice or representations of Broker (or Broker's associated salespersons) relative to (i) the legal or tax consequences of this Contract and the sale, purchase or ownership of the Property, (ii) the structural condition of the Property, including condition of the roof and basement; (iii) construction materials; (iv) the nature and operating condition of the electrical, heating, air conditioning, plumbing, water heating systems and appliances; (v) the availability of utilities or sewer service; (vi) the character of the neighborhood; (vii) the investment or resale value of the Property; or (viii) any other matters affecting their willingness to sell or purchase the Property on the terms and price herein set forth. Seller and Purchaser acknowledge that if such matters are of concern to them in the decision to sell or purchase the Property, they have sought and obtained independent advice relative thereto.

11. **SELLER WARRANTS** that Seller has not received notification from any lawful authority regarding any assessments, pending public improvements, repairs, replacement, or alterations to the Property that have not been satisfactorily made. Seller warrants that there is no unpaid indebtedness on the Property except as described in this Contract. These warranties shall survive the delivery of the deed.

12. **FIRE/SMOKE DETECTORS:** Purchaser shall satisfy himself that all applicable federal, state and local statutes, ordinances and regulations concerning fire/smoke detectors have been met. Upon closing or after taking possession of the Property, whichever occurs first, Purchaser shall be solely responsible for compliance with such laws, including the Alabama Department of Insurance (Fire Marshall Division) Regulation entitled "Requirements for Single Station Smoke Detectors in New and Existing Residential Occupancies."

13. **RISK OF LOSS:** Seller agrees to keep in force sufficient hazard insurance on the property to protect all interests until this sale is closed and the deed is delivered. If the Property is destroyed or materially damaged between the date hereof and the closing, and Seller is unable or unwilling to restore it to its previous condition prior to closing, Purchaser shall have the option of cancelling this Contract and receiving the Earnest Money back or accepting the Property in its then condition. If Purchaser elects to accept the Property in its damaged condition, any insurance proceeds otherwise payable to Seller by reason of such damage shall be applied to the balance of the purchase price or otherwise be payable to Purchaser.

14. **SELECTION OF ATTORNEY.** If they have agreed to share the fees of a closing attorney hereunder, the parties hereto acknowledge and agree that such sharing may involve a potential conflict of interest and they may be required to execute an affidavit at closing acknowledging their recognition and acceptance of same. Each of the parties further acknowledges that he has a right to be represented at all times in connection with this Contract and the closing by an attorney of his own choosing, at his own expense.

15. **ADDITIONAL PROVISIONS** set forth on the attached addendum(s) attached, and signed by all parties, are hereby made a part of this Contract.

16. **ENTIRE AGREEMENT.** This Contract constitutes the entire agreement between Purchaser and Seller regarding the Property, and supersedes all prior discussions, negotiations and agreements between Purchaser and Seller, whether oral or written. Neither Purchaser, Seller, nor Broker or any sales agent shall be bound by any understanding, agreement, promise, or representation concerning the Property, expressed or implied, not specified herein.

**THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF YOU DO NOT UNDERSTAND THE LEGAL EFFECT OF ANY PART OF THIS CONTRACT, SEEK LEGAL ADVICE BEFORE SIGNING.**

AMERICAN TRUST LIFE INSURANCE COMPANY

_____ BY: Glen R. Hilliard
Purchaser Seller PRESIDENT [SEAL]

_____ Purchaser [SEAL]
Witness to Purchaser's Signature(s)

AMERICAN TRUST CORPORATION
_____ BY: Rita Hall
Seller Purchaser PRESIDENT [SEAL]

_____ _____ Seller [SEAL]
Witness to Seller's Signature(s)

**************

EARNEST MONEY: Receipt is hereby acknowledged of the earnest money as hereinabove set forth _____ CASH _X_ CHECK
FROM American Trust Life Insurance Company

**************

COMMISSION: THE COMMISSION PAYABLE TO THE BROKER IN THIS SALE IS NOT SET BY THE BIRMINGHAM AREA BOARD OF REALTORS®, INC., BUT IN ALL CASES IS NEGOTIABLE BETWEEN THE BROKER AND THE CLIENT. In this contract, Seller agrees to pay N/A as Agent, a commission in the amount of N/A of the total purchase price.

_____ _____
Seller [SEAL] Page 2 of 2 Seller [SEAL]

# EXHIBIT 42

Lonnie Tidwell, MAI, SRPA

TIDWELL ASSOCIATES

Tidwell Associates
Real Estate Appraisers - Consultants
2112 Eleventh Avenue South, Suite 215
Birmingham, Alabama 35205
(205) 252-8696

August 30,1991

Mr. Earl Hilliard
Attorney at Law
1605 8th Avenue North
Birmingham, Alabama 35203

Hilliard Building
Proposed Renovation
1612-1614 3rd Avenue North
Birmingham, Alabama 35203

Dear Mr. Hilliard:

At your request, an inspection and appraisal have been completed on the above referenced property. The purpose of the appraisal was to estimate the market value of the property subject to renovation as an office building according to plans and specifications made an addendum to the report. A definition of market value and legal description are presented within the attached report.

In valuing the property, consideration was given to the three traditional appraisal methods, i.e., the Reproduction Cost, Income Capitalization, and Sales Comparison Approaches to Value.

Based on the available data and subsequent analysis, the property has an indicated market value, subject to renovation, as of August 25, 1991 , of:

Three Hundred Five Thousand Dollars
($305,000)

Divided as:

| | |
|---|---|
| Land | $ 49,000 |
| Improvements | 256,000 |
| Total | $ 305,000 |

The attached report is submitted in support of this conclusion.

Very truly yours,

Lonnie Tidwell, MAI, SRPA

LT/kv

Enclosure

## EXECUTIVE SUMMARY

| | |
|---|---|
| Property Address: | Hilliard Building<br>1612-1614 3rd Avenue North<br>Birmingham, AL 35203 |
| Legal Description: | Lot 15, Block 70, Birmingham Survey |
| Owner's Name and Address: | Earl F. Hilliard, Attorney<br>1605 8th Avenue North<br>Birmingham, Alabama 35203 |
| Subject Sale History: | William Parker to Earl F. Hilliard<br>Price $125,000 (PMM $118,500)<br>Date 8/21/86; Recorded RV 2971,<br>Pg. 226 |
| Tax Assessment: | Parcel I.D. # 22-36-2-41-9<br>Land $ 35,000<br>Improvements 239,320<br>Total $274,320<br>before renovation) |
| Present Zoning: | B-4, General Business District |
| Highest and Best Use: | Office or Retail use. |
| Date of Value: | August 25, 1991 |
| *Indicated Market Value: | $305 000<br>Divided as: Land $ 49,000<br>Improvements 256,000<br>Total $305,000 |

* Subject to completion according to plans and specifications attached hereto.

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| Highest and Best Use | 6 |
| Purpose of Appraisal | 7 |
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| Reproduction Cost Approach | 20 |
| Income Capitalization Approach | 22 |
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EXHIBITS SECTION
Subject Photographs
Location Map
Tax Map
Building Plans
Comparable Office Rentals
Comparable Building Sales
Comparable Land Sales Map
Assumptions and Limiting Conditions
Qualifications of Appraiser

DATE OF VALUE ESTIMATE

The subject property is appraised as of January 29, 1987, being the date of inspection. The appraisal is made subject to completion of renovation plans and specifications as made an addendum hereto and summarized under Description of Improvements.

PROPERTY OWNERSHIP/TAX DATA

The subject is owned by:

Mr. Earl F. Hilliard
Attorney at Law
1605 8th Avenue North
Birmingham, Alabama 35203

The property is assessed under parcel #22-36-2-41-9. The total present value for tax purposes is:

| | |
|---|---|
| Land | $ 35,000 |
| Improvements | $239,320 |
| Total | $274,320 |

Ad Valorem Taxes: $3,813 (Sold to state for non-payment of taxes.

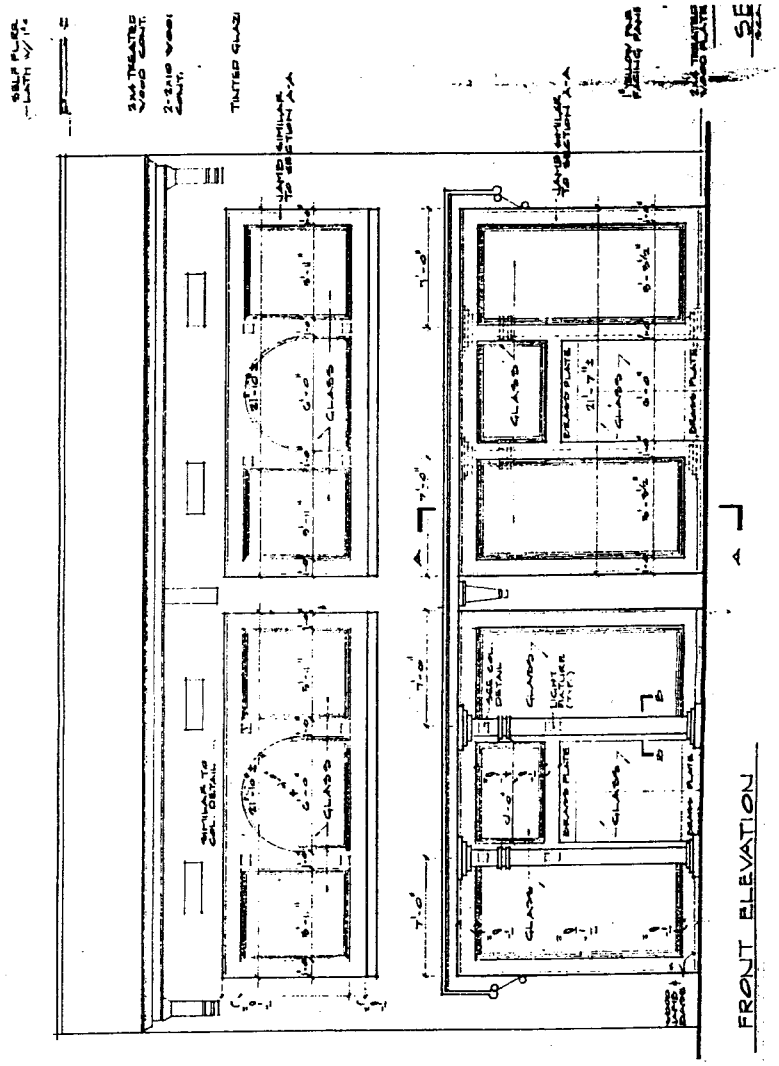
LOCATION OF SUBJECT/LEGAL DESCRIPTION

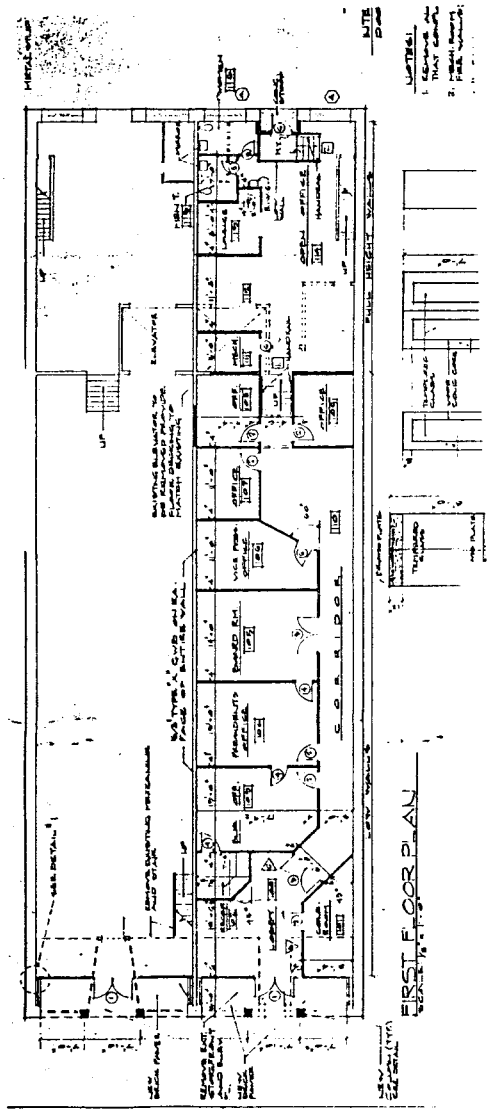
The two-story commercial building is located in the downtown business district of Birmingham.

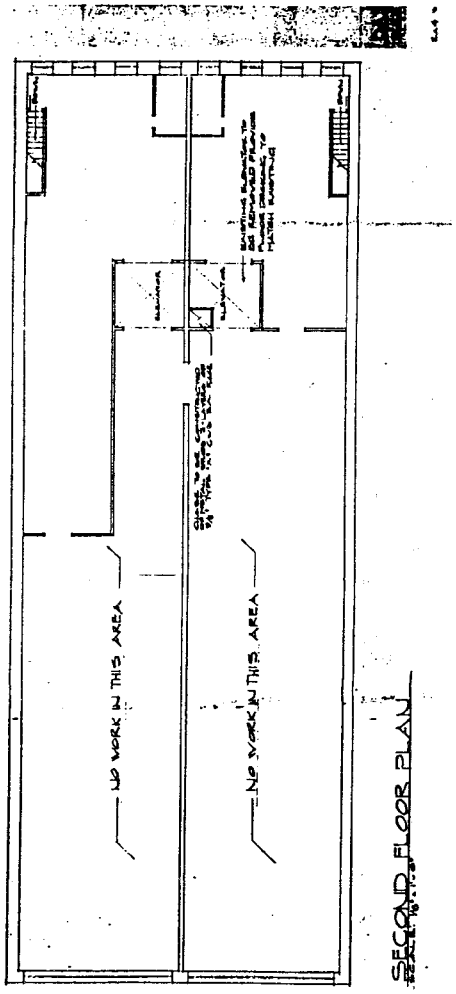
1612-1614 3rd Avenue North
Birmingham, AL 35203

Lots 15, Block 70
Survey of Birmingham

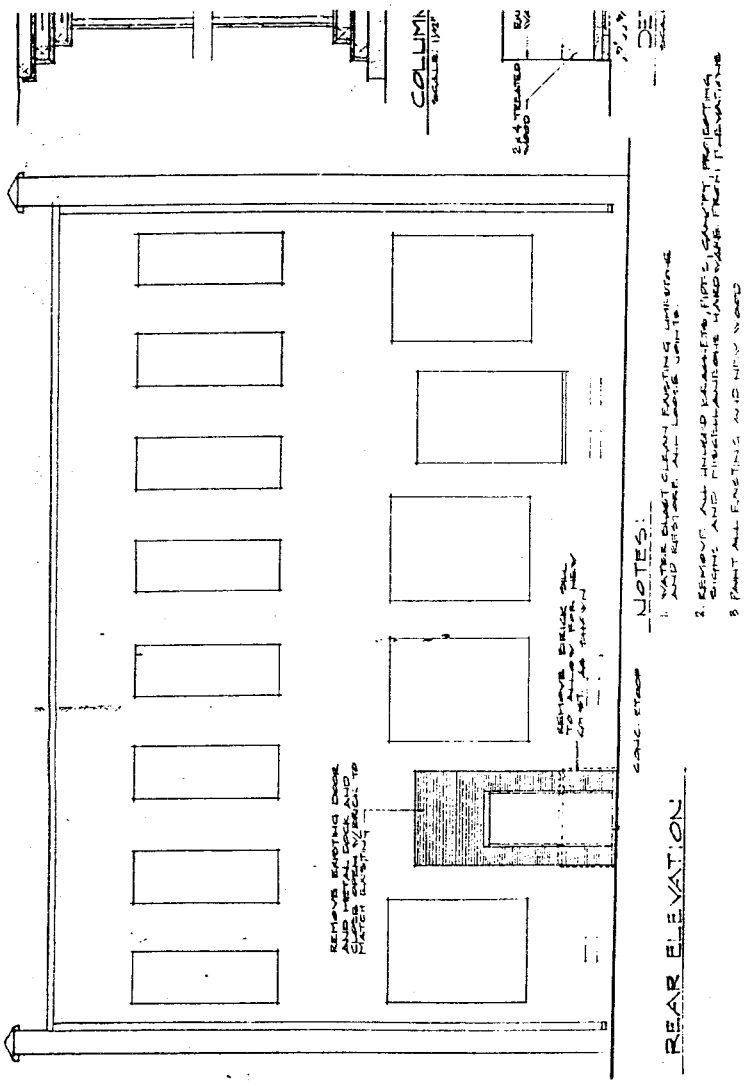
The lot is a rectangular shaped interior lot, with 50 feet along 3rd Avenue North and 140 feet deep. The total land area is 7,000 square feet.


FRONT ELEVATION
SE


FIRST FLOOR PLAN




SECOND FLOOR PLAN


COLUMN
2x4 TREATED
NOTES:
REAR ELEVATION

# EXHIBIT 43

Lonnie Tidwell, MAI, SRPA

TIDWELL ASSOCIATES

Tidwell Associates
Real Estate Appraisers · Consultants
2112 Eleventh Avenue South, Suite 215
Birmingham, Alabama 35205
(205) 252-8696

March 3, 1987

Mr. Earl Hilliard
Attorney at Law
1605 8th Avenue North
Birmingham, Alabama 35203

Hilliard Building
Proposed Renovation
1612-1614 3rd Avenue North
Birmingham, Alabama 35203

Dear Mr. Hilliard:

At your request, an inspection and appraisal have been completed on the above referenced property. The purpose of the appraisal was to estimate the market value of the property subject to renovation as an office building according to plans and specifications made an addendum to the report. A definition of market value and legal description are presented within the attached report.

In valuing the property, consideration was given to the three traditional appraisal methods, i.e., the Reproduction Cost, Income Capitalization, and Sales Comparison Approaches to Value.

Based on the available data and subsequent analysis, the property has an indicated market value, subject to renovation, as of January 29, 1987, of:

TWO HUNDRED SIXTY THOUSAND DOLLARS
($260,000)

Divided as:

| | |
|---|---|
| Land | 49,000 |
| Improvements | 211,000 |
| Total | $260,000 ✓ |

The attached report is submitted in support of this conclusion.

Very truly yours,

Lonnie Tidwell

Lonnie Tidwell, MAI, SRPA

LT/kv

Enclosure

EXECUTIVE SUMMARY

| | |
|---|---|
| Property Address: | Hilliard Building<br>1612-1614 3rd Avenue North<br>Birmingham, AL 35203 |
| Legal Description: | Lot 15, Block 70, Birmingham Survey |
| Owner's Name and Address: | Earl F. Hilliard, Attorney<br>1605 8th Avenue North<br>Birmingham, Alabama 35203 |
| Subject Sale History: | William Parker to Earl F. Hilliard<br>Price $125,000 (PMM $118,500)<br>Date 8/21/86; Recorded RV 2971, Pg. 226 |
| Tax Assessment: | Parcel I.D. # 22-26-2-41-9<br>Land $35,000<br>Improvements 25,880<br>Total $60,880 (as is before renovation) |
| Present Zoning: | B-4, General Business District |
| Highest and Best Use: | Office or Retail use. |
| Date of Value: | January 29, 1987 |
| *Indicated Market Value: | $260,000<br>Divided as: Land $ 49,000<br>Improvements 211,000<br>Total $260,000 |

* Subject to completion according to plans and specifications attached hereto.

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| Highest and Best Use | 6 |
| Purpose of Appraisal | 7 |
| Land Value | 9 |
| Description of Improvements | 18 |
| Reproduction Cost Approach | 20 |
| Income Capitalization Approach | 22 |
| Sales Comparison Approach | 26 |
| Reconciliation and Final Value | 28 |
| Certification | 30 |

EXHIBITS SECTION
Subject Photographs
Location Map
Tax Map
Building Plans
Comparable Office Rentals
Comparable Building Sales
Comparable Land Sales Map
Assumptions and Limiting Conditions
Qualifications of Appraiser

DATE OF VALUE ESTIMATE

The subject property is appraised as of January 29, 1987, being the date of inspection. The appraisal is made subject to completion of renovation plans and specifications as made an addendum hereto and summarized under Description of Improvements.

PROPERTY OWNERSHIP/TAX DATA

The subject is owned by:

Mr. Earl F. Hilliard
Attorney at Law
1605 8th Avenue North
Birmingham, Alabama 35203

The property is assessed under parcel #22-36-2-41-9. The total present value for tax purposes is:

| | |
|---|---|
| Land | $35,000 |
| Improvements | $25,000 |
| Total | $60,880 (as if before renovation) |

Ad Valorem Taxes: $846.23 Paid 11/13/86

LOCATION OF SUBJECT/LEGAL DESCRIPTION

The two-story commercial building is located in the downtown business district of Birmingham.

1612-1614 3rd Avenue North
Birmingham, AL 35203

Lots 15, Block 70
Survey of Birmingham

The lot is a rectangular shaped interior lot, with 50 feet along 3rd Avenue North and 140 feet deep. The total land area is 7,000 square feet.

ZONING AND PUBLIC UTILITIES

The subject parcel is under the zoning jurisdiction of the Birmingham Zoning and Planning Commission; with a current zoning of B-4, Central Business District. All utilities area available to the property. The proposed use as an office building does conform to property's zoning. Provisions for off-street parking is not required under B-4, zoning, however the building owner has an arrangement for parking spaces in a lot a short distance away. See Exhibits Section for letter agreement.

NEIGHBORHOOD DATA

The property's location on 3rd Avenue North between 16th and 17th Streets is on the fringe of the primary downtown Birmingham business district. The 100% district of downtown is considered to be along 20t Street between 1st and 6th Avenues North. Property values generally decrease progressively east and west of 20th Street. The subject neighborhood is characterized by a mixture of land uses such as older low rental buildings, parking lots, older retail buildings, and vacant parcels. There have been some recent developments nearby which have spurred property sales in the neighborhood. The construction of Alabama Power Company's new headquarters building and the new Federal Courthouse Building have created a rather active sales market in the area. Public records indicate that Alabama Power Company is continuing to purchase properties in the area, evidently in anticipation of future expansion. Approximated two blocks north of the subject at 17th Street and 5th Avenue North, a city housing authority home for elderly was recently completed. The building, called Freedom Manor, is a highrise apartment type structure. Kelly Ingram Park takes up an entire city block two blocks north of the subject and is a well-maintained city park frequented often by children living or going to school or church nearby. There are several churches, in the area, including 16th Street Baptist Church and St. Paul Methodist Church, across the street from the subject.

There are a number of small office and commercial buildings being renovated in this area of downtown as shown by the neighborhood photographs in the Exhibits Section. Overall, the subject neighborhood appears to be in the revitalization stage of development and shows some very positive signs of support for the subject.

NEIGHBORHOOD DATA (con't)

The transition from old to new will most likely continue at a slow pace with the most interested parties being the government or corporate sectors which already have a sizable investment in nearby properties. The City of Birmingham has been purchasing property in the neighborhood for several years, apparently anticipating a revitalization of this area of town. Therefore, the future of property values in the subject neighborhood appear to be increasing.

SITE DATA

The site is a level 50' x 140' foot lot containing 7,000 sq.ft. of land area. The interior lot fronts fifty feet on Third Avenue North and fifty feet along a rear alleyway. The site is level and improved with a two-story masonry building that is currently vacant. The building covers the entire lot area, therefore no offstreet parking area is feasible on the site. There is a large public parking lot located one hundred feet east of the subject at the corner of 3rd Avenue North and 17th Street.

Buildings on both sides of the subject appear to have been renovated and are presently occupied. Businesses on either side of the subject include a printer, preview color business, leather shop, and community blood plasma service. Across the street are two renovated buildings occupied by a security service company and optical business. The subject street has a good appearance and shows signs of revitalization.

All public utilities are available and connected to the site. Municipal services such as police and fire protection are provided by the City of Birmingham. Under the property's zoning of B-4, General Business District, most types of office or rental uses are allowed with no off-street parking required.

HIGHEST AND BEST USE

The highest and best use, or that which presents the highest return to the land site, as if vacant, is felt to be for office or retail usage as zoned. This conclusion is based on the surrounding land uses, current B-4 zoning and the needs and demands evident within the area. Due to the complexities of a feasibility analysis, the exact highest and best use of the site is beyond the scope of the appraisal assignment. However, an inspection of the building indicates that the structure is sound with good hardwood floors and ornamental ceilings which would contribute to a desirable office environment when renovated. An arrangement with a nearby parking lot, as well as signed leases for the second floor of the building, all support a highest and best use determination as office usage.

PURPOSE OF APPRAISAL

This appraisal is made for the purpose of estimating a fair market value of the properties described herein with this value being in fee simple unencumbered title and being subject to easements and restrictions of public record.

The term "Market Value" as defined in the Federal Home Loan Bank Board's R-41C Memorandum as:

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowlegdeably and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. buyer and seller are typically motivated;

b. both parties are well informed or well advised, and each acting in what he considers his own best interest;

c. a reasonable time is allowed for exposure in the open market;

PURPOSE OF APPRAISAL (con't)

d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

LAND VALUE - SALES COMPARISON

The subject land site is valued by the sales comparison approach using the price per square foot as a unit of comparison. Consideration is given to sales in the subject area with similar zoning and potential usage as the subject site. Adjustments are made for time of sale, location, and condition of sale, if applicable.

1. Parcel #: 22-35-1-16-2
   Street / #: 6th Avenue North
   Type and Zone: Vacant/M-1
   Date of Sale: 11/16/83
   Sale Amount: $10,000
   Grantor/ee: Dolphus B. Mitchell to Alabama Power Co.
   Legal Desc: Block 42, Lot 4
   Size/Lot: 5,000 SF
   Deed/Book: RV 2420, P. 576
   Price/SF: $2.00

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 2. | Street / #: | 6th Avenue North between 14th & 15th St. |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 4/30/84 |
| | Sale Amount: | $150,000 |
| | Grantor/ee: | Iron & Steel Credit Union to Jim Burke |
| | Size/Lot: | 43,000 SF |
| | Deed/Book: | RV 2499, P. 47 |
| | Price/SF: | $3.49 |
| 3. | Parcel #: | 22-35-1-16-3 |
| | Street / #: | 1421 6th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | /83 |
| | Sale Amount: | $42,000 |
| | Grantor/ee: | Birmingham Realty to Alabama Power |
| | Size/Lot: | 19,200 SF |
| | Deed/Book: | RV 2424, P. 854 |
| | Price/SF: | $2.20 |

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 4. | Parcel #: | 22-35-1-16-4 |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 8/21/84 |
| | Sale Amount: | $14,000 |
| | Grantor/ee: | Sam Grambrone to Jim Burke, Jr. |
| | Size/Lot: | 4,750 SF |
| | Deed/Book: | RV 2560, P. 965 |
| | Price/SF: | $2.95 |
| 5. | Parcel #: | 22-35-1-16-9 |
| | Street / #: | 513 14th Street North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 5/13/83 |
| | Sale Amount: | $85,000 |
| | Grantor/ee: | Mozambique Inc. to Jim Burke Buick |
| | Legal Desc: | Lots 12 - 16, Block 42 |
| | Size/Lot: | 19,000 SF |
| | Deed/Book: | RV 2332, P. 252 |
| | Price/SF: | $4.47 |

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 6. | Parcel #: | 22-35-4-10-4 |
| | Street / #: | 1207 5th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 3/4/84 |
| | Sale Amount: | $100,000 |
| | Grantor/ee: | C.H. Chichester to Alabama Power Co. |
| | Legal Desc: | Lots 17 and 18, Block 254 |
| | Size/Lot: | 19,000 SF |
| | Deed/Book: | RV 2471, P. 845 |
| | Price/SF: | $5.26 |
| 7. | Parcel #: | 22-35-3-43-1 |
| | Street / #: | 621 3rd Avenue NW |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 7/17/84 |
| | Sale Amount: | $55,000 |
| | Grantor/ee: | Allison Oil Co. to Joe C. Vickers |
| | Size/Lot: | 30,845 SF |
| | Deed/Book: | RV 2540, P. 702 |
| | Price/SF: | $1.78 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 8. | Parcel #: | 22-35-1-35-7 |
| | Street / #: | 1111 7th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 6/18/84 |
| | Sale Amount: | $31,500 |
| | Grantor/ee: | St. James Baptist Church to Alabama Power |
| | Size/Lot: | 9,500 SF |
| | Deed/Book: | RV 2529, P. 607 |
| | Price/SF: | $3.32 |
| 9. | Parcel #: | 22-35-1-35-3 |
| | Street / #: | 1117 7th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 3/30/84 |
| | Sale Amount: | $20,000 |
| | Grantor/ee: | Ruth Dowdell to Alabama Power Co. |
| | Size/Lot: | 4,750 SF |
| | Deed/Book: | RV 2484, P. 484 |
| | Price/SF: | $4.21 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 10. | Parcel #: | 22-36-2-43-5 |
| | Street / #: | 1524 3rd Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 1/23/84 |
| | Sale Amount: | $49,000 |
| | Grantor/ee: | McDonald etal to City of Birmingham |
| | Legal Desc: | Lots 18 - 20, Block 69 |
| | Size/Lot: | 14,000 SF |
| | Deed/Book: | RV 2452, P. 6 |
| | Price/SF: | $3.50 |
| 11. | Parcel #: | 22-35-2-9-1 |
| | Street / #: | 1101 8th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 7/5/83 |
| | Sale Amount: | $32,500 |
| | Grantor/ee: | Suzanne Oliver Vann to Leon S. Shelton |
| | Size/Lot: | 19,500 SF |
| | Deed/Book: | RV 2367, P. 557 |
| | Price/SF: | $1.69 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 12. | Parcel #: | 22-35-1-26-2 |
| | Street / #: | 6th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 5/16/83 |
| | Sale Amount: | $655,000 |
| | Grantor/ee: | Caldwell Foundry & Conaway to AL Power |
| | Legal Desc. | Lots 1 - 24, Block 41 |
| | Size/Lot: | 152,000 SF |
| | Deed/Book: | RV 2332, P. 937 |
| | Price/SF: | $4.31 |
| 13. | Parcel #: | 22-36-3-28-8 |
| | Street / #: | 2nd Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 7/10/85 |
| | Sale Amount: | $25,000 |
| | Grantor/ee: | Stober & Sessions to Brother Bryan Mission |
| | Legal Desc: | W 1/2 Lot 16, Block 89 |
| | Size/Lot: | 3,500 SF |
| | Deed/Book: | RV 2538, P. 101-108 |
| | Price/SF: | $7.14 |

LAND VALUE - SALES COMPARISON (con't)

Sales Summary and Adjustments:

| Sale No. | Date | Land Size | Price/SF | Adjustments Time | Location | Cond. | Adjusted Price/SF |
|---|---|---|---|---|---|---|---|
| 1 | 11/83 | 5000 SF | $2.00 | +15% | +20% | -0- | $2.70 |
| 2 | 4/84 | 43000 SF | 3.49 | +13% | +20% | -0- | 4.64 |
| 3 | 1/83 | 19200 SF | 2.20 | +20% | +20% | -0- | 3.08 |
| 4 | 8/84 | 4750 SF | 2.95 | +12% | +20% | -0- | 3.89 |
| 5 | 5/83 | 19000 SF | 4.47 | +18% | +20% | -0- | 6.17 |
| 6 | 3/84 | 19000 SF | 5.26 | +14% | +50% | -50% | 6.00 |
| 7 | 7/84 | 30845 SF | 1.78 | +12% | +110% | -0- | 3.95 |
| 8 | 6/84 | 9500 SF | 3.32 | +13% | +60% | -0- | 5.74 |
| 9 | 3/84 | 4750 SF | 4.21 | +14% | +60% | -0- | 7.33 |
| 10 | 1/84 | 14000 SF | 3.50 | +15% | +10% | -0- | 4.38 |
| 11 | 7/83 | 19500 SF | 1.69 | +17% | +60% | -0- | 2.99 |
| 12 | 5/83 | 152000 SF | 4.31 | +18% | +30% | -0- | 6.38 |
| 13 | 7/84 | 3500 SF | 7.14 | +12% | -0- | -0- | 8.00 |

Time: A time increase of 5% per year is applied to sales prices form 1/87 to date of appraisal 8/85. The increase is felt to reasonably reflect the active market in the area and improved economic conditions affecting the area real estate market as reflected by land sales data.

LAND VALUE - SALES COMPARISON (con't)

Location: Since land values typically decrease to the west of the subject (toward I-65) and increase to the east of the subject (toward downtown) the sales are adjusted by +10% for each block west and -20% for each block east of the subject site.This trend is evident by numerous land sales within the market.

Sales Summary and Adjustments:

Condition of Sale: Sales #6 was considerably above the market due to plottage value to Alabama Power Co. land assemblage.

Final Value Analysis:

The adjusted sales indicate an overall adjusted price range of $2.70 to $8.00 per square foot. It is noted that the majority of sales fall within the $4.00 to $7.00 per square foot range, which appears to represent the current market value for land in the subject area. The subject being located 3rd Avenue North would have a value at the upper end of the range. Based on the above sales and subsequent analysis, a value of $7.00 per square foot of land area appears to be a reasonable reflection of the market for the subject land.

Land Value 7,000 S.F. @ $7/SF = $49,000

DESCRIPTION OF IMPROVEMENTS

Details of the subject building and renovation plans are presented by the blue prints and specifications as prepared by The Owens and Woods Partnership, P.C., Architects, identified as the "Renovation of the Hilliard Building", dated October 9, 1986. These plans are made an Addendum to this report and the value estimated herein is made subject to the completion of construction as described.

A description summary is presented as follows:

Present Building Condition: The subject building measures 50 x 140 x 2 floors for a total of 14,000± square feet. Construction is brick with a built-up tar and gravel flat roof. Interior walls are sheetrock or plaster with hardwood floors and high ornamental ceilings. The building is divided in equal halves with seperate entrances on the ground floor. According to public records the structure was built around 1900. Although vacant now, a sign in front reads H.J. Spark's Mercantile Company which was apparently the last tenant. The building appears to be very solid and in amazingly good condition for its age except for a lack of cleaning. There are two non-working freight elevators in the building as well as four-2 fixture restrooms (two up/two down). Four gas heating units service the building with no central heat or air.

DESCRIPTION OF IMPROVEMENTS (con't)

Proposed Renovation Description: Plans and specifications by owens and Woods Architects indicate that the front and rear of the building will be completely renovated including redesigned windows, doors, and ornamental columns. The interior right one-half of the ground floor containing 3500 square feet will be renovated as offices. Other area of the building (10,500 sq.ft.) will be leased out as a "shell" with the tenants finishing the areas at their expense. The entire building will be rewired and central heat and air conditioning installed. The old freight elevators will be removed, therefore access to second floor will be by two rear interior stairways. The appraiser questions whether the local building code will allow access to the second floor by rear stairway only. It is the appraiser's understanding that second floor office space must have a seperate entrance to the outside foyer of the building. However, since the second floor is being left as a shell and given very little consideration in the valuation analysis, this construction detail is not significant regarding this appraisal. The building's design would easily accommodate a front stairway to the second floor in what is now a mezzanine area. Confirmation with the city building inspection and re-design of the plans would be required prior to placing any significant value contribution to the second floor of the subject building.

Overall the building appears to be well suited for office conversion. The plans and specifications as referenced appear to be feasible for this initial stage of renovating the building, subject to compliance with local codes.

REPRODUCTION COST APPROACH TO VALUE

This valuation approach is not considered a primary method for the appraisal of older buildings, however with building renovations such as the subject this approach does offer a measure of feasibilty. The estimated building cost, less accrued depreciation, is added to the land value. Reproduction figures were obtained from the Marshall Valuation service under average class C office building as well as actual cost estimates provided by the subject building contractor as presented in the Exhibits Section. Accrued depreciation is based on the age/life method with an effective age estimated at 10 years after renovation, with a remaining life of 40 years, indicating 20% physical deterioration. Functional obsolescence is based on $20 per sq.ft. finishing cost of the previously discussed unfinished interior of the building containing 10,500 square feet. No economic obsolescence noted. Also, deducted from construction cost new is the cost of demolition and removal of old materials related to renovation. This amount is estimated as $20,000 in additional construction cost as estimated by observation.

The value by Cost Approach is calculated on the following page.

COST APPROACH (con't)

| | | |
|---|---|---|
| Finishing Building 14,000 SF @ $40/SF = | | $560,000 |
| Less Depreciation: | | |
| Physical Deterioration (20%) | 112,000 | |
| Functional Obsolescence (10,500 SF @ $20/SF) | 210,000 | |
| Economic Obsolescence | -0- | |
| Total Depreciation | | (332,000) |
| Sub-total Depreciated Cost of Improvements | | $238,000 |
| Less: Demolition related to Renovation | | (20,000) |
| Total Depreciated Cost of Improvements | | $218,000 |
| Plus: Land Value as Estimated | | 49,000 |
| Value by Cost Approach | | $267,000 |

INCOME CAPITALIZATION APPROACH

This valuation method is considered to be the best reflection of market value for income producing office buildings such as the subject. The gross rental income is estimated from comparable office building rentals and is reduced by estimated operating expenses to arrive at a Net Operating Income (NOI). The N.O.I. is capitalized into value by use of an appropriate capitalization rate which represents current debt and equity rates available in the market. Comparable rental income and expense data are presented in the Exhibits Section. Two executed leases are also presented in the Exhibits Section showing the subject second floor rental at $3.43 per square foot unfinished. However, due to the relationship between the lessor and leasee, these leases were not considered direct reflections of market rent and only the ground floor is considered readily leasable after renovation (see discussion under Improvement Section). Expenses are itemized based on expenses of comparable buildings with the overall operating expense amount of $2.80 per square foot of ground floor leasable area.

Calculations of the Income Approach are presented on the following page:

INCOME APPROACH (con't)

Calculations by Income:

| | | |
|---|---|---|
| Estimated Gross Income: | Ground Floor Finished 3500 SF @ $9.50 = | $ 33,250 |
| | Ground Floor Unfinished 3500 SF @ $5 = | 17,500 |
| | 2nd Floor Unfinished 7000 SF | N/A |
| | Sub-total | $ 50,750 |
| Estimated Vacancy and Credit Loss (10%) | | (5,075) |
| Effective Gross Income | | $ 45,675 |

| | | |
|---|---|---|
| Less: Operating Expenses | | |
| Management (5%) | 2,284 | |
| Taxes (est.) | 2,800 | |
| Insurance | 1,500 | |
| Utilities | 7,000 | |
| Janitorial | 3,600 | |
| Miscellaneous & Supplies | 2,400 | |
| Total Expenses | | (19,584) |
| Net Operating Income (N.O.I.) | | $ 26,091 |
| Capitalization: | | |
| NOI $26,091 - .1012* = | | $257,816 |
| **Value by Income Approach (Rounded) | | $258,000 |

* See following page for basis of Capitalization rate.

** Subject to renovation as shown by plans and specifications made an Addendum hereto.

INCOME APPROACH (con't)

Basis for Capitalization Rate:

A capitalization rate reflective of current market financing and equity requirements is best developed by the Band of Investment method. Under this method a cash to seller transaction is assumed with the purchaser obtaining a conventional mortgage loan at the prevailing market terms. The rate of return on any cash requirement paid by the purchaser above the loan amount is based on competitive alternate investments. At the date of appraisal commercial lenders were quoting terms as follows:

| | |
|---|---|
| 80% | Loan to Value Ratio |
| 25 years | Monthly Amortization w/3 year call |
| 10% | Fixed Interest Rate |
| .1090 | Annual Constant (monthly payments) |

The equity dividend rate of return on cash outlay is reflective of the risk involved in an office building investment as compared to a "safe" rate of return in alternate investments such as U.S. Treasury Notes or Bonds. Since the available "safe" rates are currently 5% to 5.5% on five year maturities, an equity dividend rate of 7% appears to be reasonable for the subject considering the additional risk involved.

INCOME APPROACH (con't)

Basis for Capitalization Rate (con't)

Considering the market rates as discussed the following Band of Investment calculation is applied for an overall capitalization rate:

| | | | |
|---|---|---|---|
| Loan to Value Ratio | .80 x .1090 Constant | = | .0872 |
| Equity Investment | .20 x .07 EDR | = | .0140 |
| | Overall Capitalization Rate | | .1012 or 10.12% |

SALES COMPARISON APPROACH TO VALUE

As the third valuation approach consideration is given to small downtown office building sales. Although there have been very little office renovation in the immediate subject area, the sales presented are intended to offer a reference point from which to judge the subject. Adjustments for differences in location, time of sale, and condition of the building as compared to the subject were considered.

Downtown building sales are presented in the Exhibits Section with a summary as follows:

| Sale | Date | Price/SF Ground Floor | Adjustments Time | Cond | Loc. | Adjusted Price/SF |
|---|---|---|---|---|---|---|
| 1 | 1/85 | $25.71 | +10% | +50% | -20% | $35.99 |
| 2 | 4/85 | $21.43 | +10% | +60% | -20% | $32.15 |
| 3 | 3/85 | $27.58 | +10% | +50% | -20% | $38.61 |
| 4 | 6/84 | $36.41 | +20% | -0- | -20% | $40.05 |
| 5 | 4/84 | $37.70 | +20% | -0- | -20% | $37.70 |

Adjustments for time are based on a +5% per year value increase as reflected in market sales and activity. Condition adjustments considers the subject in renovated condition as compared to the observed condition of the sales. Location adjustment related to land sales analysis, however building value changes are less dramatic than land sales.

SALES COMPARISON APPROACH (con't)

The adjusted building sales indicate an overall value range for the subject of $32.15 to $40.05 per square foot ground floor building area. Sales No. 4 and 5 required the least adjustment and are more comparable to the condition of the subject after renovation. Therefore, a subject value of $37 per sq.ft. of ground floor area is indicated by the available data, calculated as:

| | | |
|---|---|---|
| 7,000 S.F. ground floor building area | @ $37/SF = | $259,000 |
| Value by Sales Comparison | | $259,000 |

RECONCILIATION AND FINAL VALUE

Reproduction Cost Approach $267,000

This approach is given the least consideration due to the age of the building and difficulty in estimating accrued depreciation. Land value was based on comparable land sales and is well supported. Actual construction cost of renovation is shown in the Exhibits Section to be approximately $96,000 plus $10,000 Architect's fee according to the owner.

Income Capitalization Approach $258,000

This is the primary approach to value for the subject property since the building will be renovated for office rental usage. Renovation plans show the second floor area to be left unfinished and with only a rear stairway access. Upstairs walk-up rental space has traditionally drawn very little demand in downtown Birmingham therefore any rental value of the second floor is considered minimal, particularly unfinished. The 10.12% Capitalization rate used is reflective of current debt and equity rates in the current market.

Sales Comparison Approach $259,000

Although the availability of comparable building sales were few, the sales used did offer a reference point from which to judge the subject. This approach was basically used as a check against the value by Income Approach.

RECONCILIATION AND FINAL VALUE (con't)

Based on the available data and subsequent analysis, the indicated market value of the subject property, subject to completion according to plans and specifications, as of January 29, 1987, is:

TWO HUNDRED SIXTY THOUSAND DOLLARS

($260,000)

Divided as:

| | |
|---|---|
| Land | 49,000 |
| Improvements | 211,000 |
| Total | $260,000 |

CERTIFICATION

I certify that, to the best of my knowledge and belief, ...

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

5. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the American Institute of Real Estate Appraisers.

6. The use of this report is subject to the requirements of the American Institute of Real Estate Appraisers relating to review by its duly authorized representatives.

7. I am currently certified under the voluntary continuing education program of the American Institute of Real Estate Appraisers.

8. I have made a personal inspection of the property that is the subject of this report.

9. No one provided significant professional assistance to the person signing this report, except as noted below.

Lonnie Tidwell, MAI, SRPA

# EXHIBIT 44

## AMERICAN TRUST LAND COMPANY

*Residential* **Real Estate** *Commercial*

612 3rd Avenue North
Birmingham, Alabama 35203

Telephone
(205) 324-7878

December 30, 1987

Mr. Hilliard
Attorney at Law
1605 8th Avenue North
Birmingham, Alabama 35203

American Trust
1612-1614 3rd Avenue North
Birmingham, Alabama 35203

Dear Mr. Hilliard:

At your request, an inspection and appraisal have been completed on the above referenced property. The purpose of the appraisal was to estimate the market value of the property subject to renovation as an office building according to plans and specifications made an addendum to the report. A definition of market value and legal description are presented within the attached report.

In valuing the property, consideration was given to the three traditional appraisal methods, i.e., the Reproduction Cost, Income Capitalization, and Sales Comparison Approaches to Value.

Based on the available data and subsequent analysis, the property has an indicated market value, subject to renovation, as of December 30, 1987, of:

SIX HUNDRED FIFTY-FOUR THOUSAND DOLLARS

Divided as:

| | |
|---|---|
| Land | 49,000 |
| Improvements | 605,000 |
| Total | $654,000 |

The attached report is submitted in support of this conclusion.

Very truly yours,

Willie A. Casey

Willie A Casey

## EXECUTIVE SUMMARY

| | |
|---|---|
| Property Address: | American Trust<br>1612-1614 3rd Avenue North<br>Birmingham, Alabama 35203 |
| Legal Description: | Lot 15, Block 70, Birmingham Survey |
| Owner's Name & Address: | Earl F. Hilliard, Attorney<br>1605 8th Avenue North<br>Birmingham Alabama 35203 |
| Subject Sale History: | William Parker to Earl F. Hilliard<br>Price $125,000 (PMM $118,500)<br>Date: 8/21/86; Recorded RV 2971, Pg. 226 |
| Tax Assessment: | Parcel I.D. # 22-26-2-41-9<br>Land $35,000<br>Improvements 25,880<br>Total $60,880<br>(as is before renovation) |
| Present Zoning | B-4, General Business District |
| Highest and Best Use: | Office use. |
| Date of Value: | December 30, 1987 |
| Divided as: | Land $ 49,000<br>Improvements 605,000<br>Total 654,000 |

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| Highest and Best Use | 6 |
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| Reproduction Cost Approach | 20 |
| Income Capitalization Approach | 22 |
| Sales Comparison Approach | 26 |
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EXHIBITS SECTION
Subject Photographs
Location Map
Tax Map
Building Plans
Comparable Office Rentals
Comparable Building Sales
Comparable Land Sales Map
Assumptions and Limiting Conditions
Qualifications of Appraiser

DATE OF VALUE ESTIMATE

The subject property is appraised as of December 30, 1987, being the date of inspection. The appraisal is made subject to completion of renovation plans and specifications as made an addendum hereto and summarized under

Description of Improvements.

PROPERTY OWNERSHIP/TAX DATA

The subject is owned by: American Trust Life Insurance Company
1614 3rd Avenue North
Birmingham, Alabama 35203

The property is assessed under parcel #22-36-2-41-9. The total present value for tax purposes is:

| | | |
|---|---|---|
| Land | $35,000 | |
| Improvements | $25,880 | |
| Total | $60,880 | (as is before renovation) |

Ad Valorem Taxes: $846.23

LOCATION OF SUBJECT/LEGAL DESCRIPTION

The two-story commercial building is located in the downtown business district of Birmingham.

1612-1614 3rd Avenue Norht
Birmingham, AL 35203

Lots 15, Block 70
Survey of Birmingham

The lot is a rectangular shaped interior lot, with 50 feet along 3rd Avenue North and 140 feet deep. The total land area is 7,000 square feet.

ZONING AND PUBLIC UTILITIES

The subject parcel is under the zoning jurisdiction of the Birmingham Zoning and Planning Commission, with a current zoning of B-4, Central Business District. All utilities area available to the property. The proposed use as an office building does conform to property's zoning. Provisions for off-street parking is not required under B-4, zoning, however the building owner has an arrangement for parking spaces in a lot a short distance away. See Exhibits Section for letter agreement.

NEIGHBORHOOD DATA

The property's location on 3rd Avenue North between 16th and 17th Streets is on the fringe of the primary downtown Birmingham business district. The 100% district of downtown is considered to be along 20th Street between 1st and 6th Avenues North. Property values generally decrease progressively east and west of 20th Street. The subject neighborhood is characterized by a mixture of land uses such as older low rental buildings, parking lots, older retail buildings, and vacant parcel. There have been some recent developments nearby which have spurred property sales in the neighborhood. The construction of Alabama Power Company's new headquarters building and the new Federal Courthouse Building have created a rather active sales market in the area. Public records indicate that Alabama Power Company is continuing to purchase properties in the area, evidently in anticipation of future expansion. Approximated two blocks north of the subject at 17th Street and 5th Avenue North, a city housing authority home for elderly was recently completed. The building, called Freedom Manor, is a highrise apartment type structure. Kelly Ingram Park takes up an entire city block two blocks north of the subject and is a well-maintained city park frequented often by children living or going to school or church nearby. There are several churches, in the area, including 16th Street Baptist Church and St. Paul Methodist Church, across the street from the subject.

There are a number of small office and commercial buildings being renovated in this area of downtown as shown by the neighborhood photographs in the Exhibits Section. Overall, the subject neighborhood appears to be in the revitalization stage of development and shows some very positive signs of support for the subject.

NEIGHBORHOOD (con't)

The transition from old to new will most likely continue at a slow pace with the most interested parties being the government or corporate sectors which already have a sizable investment in nearby properties. The City of Birmingham has been purchasing property in the neighborhood for several years, apparently anticipating a revitalization of this area of town. Therefore, the future of property values in the subject neighborhood appear to be increasing.

SITE DATA

The site is a level 50' x 140' foot lot containing 7,000 sq.ft. of land area. The interior lot fronts fifty feet on Third Avenue North and fifty feet along a rear alleyway. The site is level and improved with a two-story masonry building presently occuped. The building covers the entire lot area, therefore no offstreet parking area is feasible on the site. There is a large public parking lot located one hundred feet east of the subject at the corner of 3rd Avenue North and 17th Stree.

Buildings on both sides of the subject appear to have been renovated and are presently occupied. Businesses on either side of the subject include a printer, preview color business, leather shop, and community blood plasma service. Across the street are two renovated buildings occupied by a security service company and optical business. The subject street has a good appearance and shows signs of revitalization.

All public utilities are available and connected to the site. Municipal services such as police and fire protection are provided by the City of Birmingham, Under the property's zoning of B-4, General Business District, most types of office or rental uses are allowed with no off-street parking required.

HIGHEST AND BEST USE

The highest and best use, or that which presents the highest return to the land site, as if vacant, is felt to be for office or retail usage as zoned. This conclusion is based on the surrounding land uses, current B-4 zoning and the needs and demands evident within the area. Due to the complexities of a feasibility analysis, the exact highest and best use of the site is beyond the scope of the appraisal assignment. However, an inspection of the building indicates that the structure is sound with good hardwood floors and ornamental ceilings which would contribute to a desirable office environment. An arrangement with a nearby parking lot, as well as signed leases for the second floor of the building, all support a highest and best use determination as office usage.

PURPOSE OF APPRAISAL

This appraisal is made for the purpose of estimating a fair market value of the properties described herein with this value being in fee simple unencumbered title and being subject to easements and restrictions of public record.

The term "Market Value" as defined in the Federal Home Loan Bank Board's R-41C Memorandum as:

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowlegdeably and assuming the price is not affected by undue stimulus."

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. buyer and seller are typically motivated;

b. both parties are well informed or well advised, and each acting in what he considers his own best interest;

c. a reasonable time is allowed for exposure in the open market;

PURPOSE OF APPRAISAL (con't)

d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

LAND VALUE - SALES COMPARISON

The subject land site is valued by the sales comparison approach using the price per square foot as a unit of comparison. Consideration is given to sales in the subject area with similar zoning and potential usage as the subject site. Adjustments are made for time of sale location, and condition of sale, if applicable.

| | | |
|---|---|---|
| 1. | Parcel #: | 22-35-1-16-2 |
| | Street / #: | 6th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 11/16/83 |
| | Sale Amount: | $10,000 |
| | Grantor/ee: | Dolphus B. Mitchell to Ala. Power Co. |
| | Legal Desc: | Block 42, Lot 4 |
| | Size/Lot: | 5,000 SF |
| | Deed/Book: | RV 2420, P. 576 |
| | Price/SF: | $2.00 |

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 2. | Street / #: | 6th Avenue North between 14th & 15th St. |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 4/30/84 |
| | Sale Amount: | $150,000 |
| | Grantor/ee: | Iron & Steel Credit Union to Jim Burke |
| | Size/Lot: | 43,000 SF |
| | Deed/Book: | RV 2499, P. 47 |
| | Price/SF: | $3.49 |
| 3. | Parcel #: | 22-35-1-16-3 |
| | Street / #: | 1421 6th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | /83 |
| | Sale Amount: | $42,000 |
| | Grantor/ee: | Birmingham Realty to Alabama Power |
| | Size/Lot: | 19,200 SF |
| | Deed/Book: | RV 2424, P. 854 |
| | Price/SF: | $2.20 |

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 4. | Parcel #: | 22-35-1-16-4 |
| | Type and Zone: | Vacant/M-1 |
| | Date aof Sale: | 8/21/84 |
| | Sale Amount: | $14,000 |
| | Grantor/ee: | Sam Grambrone to Jim Burke, Jr. |
| | Size/Lot: | 4,750 SF |
| | Deed/Book | RV 2560, p. 965 |
| | Price/SF: | $2.95 |

| | | |
|---|---|---|
| 5. | Parcel #: | 22-35-1-16-9 |
| | Street / #: | 513 14th Street North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 5/13/83 |
| | Sale Amount: | $85,000 |
| | Grantor/ee: | Mozambique Inc. To Jim Burke Buick |
| | Legal Desc: | Lots 12 - 16, Block 42 |
| | Size/Lot: | 19,000 SF |
| | Deed/Book: | RV 2332, p. 252 |
| | Price/SF: | $4.47 |

LAND VALUE - SALES COMPARISON (con't)

| | | |
|---|---|---|
| 6. | Parcel #: | 22-35-4-10-4 |
| | Street /#: | 1207 5th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 3/4/84 |
| | Sale Amount: | $100,000 |
| | Grantor/ee: | C.H. Chichester to Alabama Power Co. |
| | Legal Desc: | Lots 17 and 18, Block 254 |
| | Size/Lot: | 19,000 SF |
| | Deed/Book: | RV 2471, p. 845 |
| | Price/SF: | $5.26 |
| 7. | Parcel #: | 22-35-3-43-1 |
| | Street / #: | 621 3rd Avenue NW |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 7/17/84 |
| | Sale Amount: | $55,000 |
| | Grantor/ee: | Allison Oil Co. to Joe C. Vickers |
| | Size/Lot: | 30, 845 SF |
| | Deed/Book: | RV 2540, p. 702 |
| | Price/SF: | $1.78 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 8. | Parcel #: | 22-35-1-35-7 |
| | Street /#: | 1111 7th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 6/18/84 |
| | Sale Amount: | $31,500 |
| | Grantor/ee: | St. James Baptist Church to Alabama Power |
| | Size/Lot: | 9,500 SF |
| | Deed/Book: | RV 2529, p. 607 |
| | Price/SF: | $3.32 |
| 9. | Parcel #: | 22-35-1-35-3 |
| | Street / #: | 1117 7th Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 3/30/84 |
| | Sale Amount: | $20,000 |
| | Grantor/ee: | Ruth Dowdell to Alabama Power Co. |
| | Size/Lot: | 4,750 SF |
| | Deed/Book: | RV 2484, p. 484 |
| | Price/SF: | $4.21 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 10. | Parcel #: | 22-36-2-43-5 |
| | Street / #: | 1524 3rd Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 1/23/84 |
| | Sale Amount | $49,000 |
| | Grantor/ee: | McDonald etal to City of Birmingham |
| | Legal Desc: | Lots 18 - 20, Block 69 |
| | Size/Lot: | 14,000 |
| | Deed/Book: | RV 2452, p. 6 |
| | Price/SF: | $3.50 |
| 11. | Parcel #: | 22-35-2-9-1 |
| | Street /#: | 1101 8th Avenue North |
| | Type and Zone | Vacant/M-1 |
| | Date of Sale: | 7/5/83 |
| | Sale Amount: | $32,500 |
| | Grantor/ee: | Suzanne Oliver Vann to Leon S. Shelton |
| | Size/Lot: | 19,500 SF |
| | Deed/Book: | RV 2367m p. 557 |
| | Price/SF: | $1.69 |

LAND VALUE - SALES COMPARISON

| | | |
|---|---|---|
| 12. | Parcel #: | 22-35-1-26-2 |
| | Street / #: | 6th Avenue North |
| | Type and Zone | Vacant/M-1 |
| | Date of Sale: | 5/16/83 |
| | Sale Amount: | $655,000 |
| | Grantor/ee: | Caldwell Foundry & Conaway to Ala. Power |
| | Legal Desc. | Lots 1 - 24, Block 41 |
| | Size/Lot: | 152,000 SF |
| | Deed/Book: | RV 2332, p. 937 |
| | Price/SF: | $4.31 |

| | | |
|---|---|---|
| 13. | Parcel #: | 22-36-3-28-8 |
| | Street / #: | 2nd Avenue North |
| | Type and Zone: | Vacant/M-1 |
| | Date of Sale: | 7/10/85 |
| | Sale Amount: | $25,000 |
| | Grantor/ee: | Stober & Sessions to Brother Bryan Mission |
| | Legal Desc: | W 1/2 Lot 16, Block 89 |
| | Size/Lot: | 3,500 SF |
| | Deed/Book: | RV 2538, p.101-108 |
| | Price/SF: | $7.14 |

LAND VALUE - SALES COMPARISON (con't)

Sales Summary and Adjustments:

| Sale No. | Date | Land Size | Price/SF | Time | Adjustments Location | Adjustments Cond. | Adjusted Price |
|---|---|---|---|---|---|---|---|
| 1 | 11/83 | 5000 SF | $2.00 | +15% | +20% | -0- | $2.70 |
| 2 | 4/84 | 43000 SF | 3.49 | +13% | +20% | -0- | 4.64 |
| 3 | 1/83 | 19200 SF | 2.20 | +20% | +20% | -0- | 3.08 |
| 4 | 8/84 | 4750 SF | 2.95 | +12% | +20% | -0- | 3.89 |
| 5 | 5/83 | 19000 SF | 4.47 | +18% | +20% | -0- | 6.17 |
| 6 | 3/84 | 19000 SF | 5.26 | +14% | +50% | -50% | 6.00 |
| 7 | 7/84 | 30845 SF | 1.78 | +12% | +110% | -0- | 3.95 |
| 8 | 6/84 | 9500 SF | 3.32 | +13% | +60% | -0- | 5.74 |
| 9 | 3/84 | 4750 SF | 4.21 | +14% | +60% | -0- | 7.33 |
| 10 | 1/84 | 14000 SF | 3.50 | +15% | +10% | -0- | 4.38 |
| 11 | 7/83 | 19500 SF | 1.69 | +17% | +60% | -0- | 2.99 |
| 12 | 5/83 | 152000 SF | 4.31 | +18% | +30% | -0- | 6.38 |
| 13 | 7/84 | 3500 SF | 7.14 | +12% | -0- | -0- | 8.00 |

Time: A time increase of 5% per year is applied to sales prices form 1/87 to date of appraisal 8/85. The increase is felt to reasonably reflect the active market in the area and improved economic conditions affecting the area real estate market as reflected by land sales data.

LAND VALUE -SALES COMPARISON (con't)

| | |
|---|---|
| Location | Since land values typically decrease to the west of the subject (toward I-65) and increase to the east of the subject (toward downtown) the sales are adjusted by +10% for each block west and -20% for each block east of the jubject wite. This trend is evident by numerous land sales within the market. |

Sales Summary and Adjustments:

| | |
|---|---|
| Condition of Sale: | Sales #6 was considerably above the market due to plottage value to Ala. Power Co. land assemblage. |

Final Value Analysis:

The adjusted sales indicate an overall adjusted price range of $2.70 to $8.00 per square foot. It is noted that the majority of sales fall within the $4.00 to $7.00 per square foot range, which appears to represent the current market value for land in the subject area. The subject being located 3rd Avenue North would have a value at the upper end of the range. Based on the above sales and subsequent analysis, a value of $7.00 per square foot of land area appears to be a reasonable reflection of the market for the subject land.

Land Value 7,000 SF @ $7/SF = $49,000

DESCRIPTION OF IMPROVEMENTS

Details of the subject building and renovation plans are presented by the blue prints and specifications as prepared by The Owens and Woods Partnership, P.C., Architects, identified as the "Renovation of the Hilliard Building", dated October 9, 1986. These plans are made an Addendum to this report and the value estimated herein is made subject to the completion of construction as described.

A description summary is presented as follows:

Present Building Condition: The subject building measures 50 x 140 x 2 floors for a total of 14,000± square feet. Construction is brick with a bult-up tar and gravel flat roof. Interior walls are sheetrock or plaster with hardwood floors and high ornamental ceilings. The building is divided in equal halves with seperate entrances on the ground floor. According to public records the structure was built around 1900. The first floor has been completed, and tastefully renovated and occupied by the owner and a real estate company. The building appears to be very solid and in amazingly good condition for its age. There is a freight elevator in the building as well as five restrooms (two up/three down). The first floor is served by central heat and air.

DESCRIPTION OF IMPROVEMENTS (con't)

Proposed Renovation Description: Plans and specifications by Owens and Woods Architects indicate that the second floor of the building will be completely renovated including redesigned doors, and ornamental columns. The second floor of the building (7,000 sq. ft.) will be leased out as a "shell" with the tenants finishing the areas at their expense. The entire building will be reqired and central heat and air conditioning installed. The freight elevator and the staircase at the front of the building as well as the two rear interior stairways will provide access to the second floor.

Overall the building appears to be well suited for office conversion. The plans and specifications as referenced appear to be feasible for this stage of renovating the building, subject to compliance with local codes.

REPRODUCTION COST APPROACH TO VALUE

This valuation approach is not considered a primary method for the appraisal of older buildings, however with building renovations such as the subject this approach does offer a measure of feasibility. The estimated building cost, less accrued depreciation, is added to the land value. Reproduction figures were obtained from the Marshall Valuation service under average class C office building as well as actual cost estimates provided by the subject building contractor. Accrued depreciation is based on the age/life method with an effective age estimated at 10 years after renovation, with a remaining life of 40 years, indicating 20% physical deterioration. No functional and economic obsolescence noted. Also, deducted from construction cost is the cost of demolition and removal of old materials related to renovation. This amount is estimated as $2.00 in additional construction cost as estimated by observation.

The value by Cost Approach is calculated on the following page.

COST APPROACH (con't)

| | | |
|---|---|---|
| Finishing Building 14,000 SF @ $60/SF = | | $840,000 |
| Less Depreciation: | | |
| Physical Deterioration (20%) | 168,000 | |
| Functional Obsolescence | -0- | |
| Economic Obsolescence | -0- | |
| Total Depreciation | | 168,000 |
| Sub-total Depreciated Cost of Improvements | | $168,000 |
| Less: Demolition related to Renovation | | 2,000 |
| Total Depreciated Cost of Improvements | | $670,000 |
| Plus: Land Value as Estimated | | 49,000 |
| Value by Cost Approach | | $719,000 |

INCOME CAPITALIZATION APPROACH

This valuation method is considered to be the best reflection of market value for income producing office buildings such as the subject. The gross rental income is estimated from comparable office building rentals and is reduced by estimated operating expenses to arrive at a Net Operating Income (NOI). The N.O.I. is capitalization rate which represents current debt and equity rates available in the market. Comparable rental income and expense data are presented in the Exhibits Section. The subject second floor rental is set at $5.00 per square foot finished. Expenses are itemized based on expenses of comparable buildings with the overall operating expense amount of $2.80 per square foot of ground floor leasable area.

Calculations of the Income Approach are presented on the following page:

INCOME APPROACH (con't)

Calculations by Income:

| | | | |
|---|---|---|---|
| Estimated Gross Income: | Ground Floor Finished 7000 SF @ | $9.50 = | $66,500 |
| | 2nd Floor finished 7000 SF | 5.00 | 35,000 |
| | Sub-total | | $101,500 |
| Estimated Vacancy and Credit Loss (10%) | | | (10,150) |
| Effective Gross Income | | | $ 91,350 |

| | | | |
|---|---|---|---|
| Less: Operating Expenses | | | |
| Management (5%) | 2,284 | | |
| Taxes (est.) | 2,800 | | |
| Insurance | 1,500 | | |
| Utilities | 7,000 | | |
| Janitorial | 3,600 | | |
| Miscellaneous & Supplies | 2,400 | | |
| Total Expenses | | | (19,584) |

| | |
|---|---|
| Net Operating Income (N.O.I.) | $71,766 |
| Capitalization: | |
| NOI $71,766 - .1012* = | $726,271 |
| **Value by Income Approach (Rounded) | 726.000 |

* See following page for basis of Capitalization rate.

** Subject to renovation as shown by plans and specifications made an Addendum herto.

INCOME APPROACH (con't)

Basis for Capitalization Rate:

A capitalization rate reflective of current market financing and equity requirements is best developed by the Band of Investment method. Under this method a cash to seller transaction is assumed with the purchaser obtaining a conventional mortgage loan at the prevailing market terms. The rate of return on any cash requirement paid by the purchaser above the loan amount is based on competitive alternate investments. At the date of appraisal commercial lenders were quoting terms as follows:

| | |
|---|---|
| 80% | Loan to Value Ration |
| 25 years | Monthly Amortization w/3 year call |
| 10% | Fixed Interest Rate |
| .1090 | Annual Constant (monthly payments) |

The equity dividend rate of return on cash outlay is reflective of the risk involved in an office building investment as compared to a "safe" rate of return in alternate investments such as U.S. Treasury Notes or Bonds. Since the available "safe" rates are currently 5% to 5.5% on five year maturities, an equity dividend rate of 7% appears to be reasonable for the subject considering the additional risk involved.

INCOME APPROACH (con't)

Basis for Capitalization Rate (con't)

Considering the market rates as discussed the following Band of Investment calculation is applied for an overall capitalization rate:

| | | |
|---|---|---|
| Loan to Value Ration | .80 x .1090 Constant | = .0872 |
| Equity Investment | .20 x .07 EDR | = .0140 |
| | Overall Capitalization Rate | .1012 or 10.12% |

SALES COMPARISON APPROACH TO VALUE

As the third valuation approach consideration is given to small downtown office building sales. Although there have been very little office renovation in the immediate subject area, the sales resented are intended to offer a reference point from which to judge the subject. Adjustments for differences in location, time of sale, and condition of the building as compared to the subject were considered.

Downtown building sales are presented in the Exhibits Section with a summary as follows:

| Sale | Date | Price/SF Ground Floor | Adjustments Time | Cond | Loc. | Adjusted Price/SF |
|---|---|---|---|---|---|---|
| 1 | 1/85 | $25.71 | +10% | +50% | -20% | $35.99 |
| 2 | 4/85 | 21.43 | +10% | +60% | -20% | 32.15 |
| 3 | 3/85 | 27.58 | +10% | +50% | -20% | 38.61 |
| 4 | 6/84 | 36.41 | +20% | -0- | -20% | 40.05 |
| 5 | 4/84 | 37.70 | +20% | -0- | -20% | 37.70 |

Adjustments for time are based on a +5% per year value increase as reflected in market sales and activity. Condition adjustments considers the subject in renovated condition as compared to the observed condition of the sales. Location adjustment related to land sales analysis, however building value changes are less dramatic than land sales.

SALES COMPARISON APPROACH (con't)

The adjusted building sales indicate an overall value range for the subject of $32.15 to $40.05 per square foot floor building area. Sales No. 4 and 5 required the least adjustment and are more comparable to the condition of the subject after renovation. Therefore, a subject value of $37 per sq.ft. of floor area is indicated by the available data, calculated as:

| | |
|---|---|
| 14,000 SF ground floor building area @ $37/SF | $518,000 |
| Value by Sales Comparison | $518,000 |

RECONCILIATION AND FINAL VALUE

Reproduction Cost Approach $719,000

This approach is given the least consideration due to the age of the building and difficulty in estimating accrued depreciation. Land value was based on comparable land sales and is well supported. Actural construction cost of renovation is shown in the Exhibits Section to be approximately $170,000 Architect's fee according to the owner.

Income Capitalization Approach $726,000

This is the primary approach to value for the subject property since the building will be renovated for office rental usage. Renovation plans show the second floor area to be left unfinished and with only a rear stairway access. Upstairs walk-up rental space has traditionally drawn very little demand in downtown Birmingham therefore any rental value of the second floor is considered minimal, particularly unfinished. The 10.12% Capitalization rate used is reflective of current debt and equity rates in the current market.

Sales Comparison Approach $518,000

Although the availability of comparable building sales were few, the sales used did offer a reference point from which to judge the subject. This approach was basically used as a check against the value by Income Approach.

RECONCILIATION AND FINAL VALUE (con't)

Based on the available data and subsequent analysis, the indicated market value of the subject property, subject to completion according to plans and specifications, as of December 30, 1987, is:

SIX HUNDRED FIFTY FOUR THOUSAND DOLLARS

($654,000)

Divided as:

| | |
|---|---|
| Land | 49,000 |
| Improvements | 605,000 |
| Total | $654,000 |

CERTIFICATION

I certify that, to the best of my knowledge and belief, ....

1. The statements of fact contained in this report ate true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumption and limiting conditions, and are my personal, unbaised professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is and subject of this report, and I have no personal interest or bias with respect to the parties involved.

4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

5. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of Real Estate Appraisers.

6. The use of this report is subject to the requirements of the Real Estate Appraisers relating to reviews by its duly authorized representatives.

7. I am currently under the voluntary continuing education program of Real Estate Appraisers.

8. I have made a personal inspection of the property that is subject of this report.

9. No one provided significant professional assistance to the person signing this report, except as noted below.

Willie A. Casey

Willie A. Casey

# EXHIBIT 45

RECEIVED
MAY 12 1994
BOARD OF EQUALIZATION

1994 PROTEST OF VALUATION

PARCEL # 22-36-2-041-009.000-00

1. I DO WISH TO APPEAR FOR HEARINGS ☑
OR
2. I DO NOT WISH TO APPEAR FOR HEARINGS, BUT REQUEST THE BOARD'S REVIEW ☐

3. MY OPINION OF VALUE IS 100,000

4. EVIDENCE IN SUPPORT OF OBJECTIONS TO VALUATION SET BY THE BOARD: The Board's own valuation of Adjoining property.

5. IF YOU WISH A HEARING, WHICH LOCATION DO YOU PREFER?*

(1) BIRMINGHAM (DOWNTOWN) X (2) BESSEMER ____

(3) CENTERPOINT ____ (4) GREEN SPRINGS ____

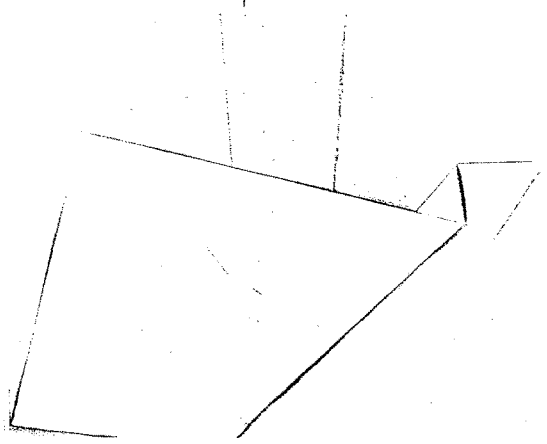
6. NAME AND ADDRESS FOR NOTIFICATION OF HEARING DATE AND TIME. PLEASE PRINT OR TYPE.

Earl F. Hilliard P.O. Box 11385
1614 3rd Ave NO. Bham, Ala 35202
Bham, Ala 35203

7. SIGNATURE OF OWNER OR AGENT:

Earl F. Hilliard (PHONE) 324-7573

*ALL COMMERCIAL AND APARTMENT PROPERTIES HEARD IN BIRMINGHAM AND BESSEMER.



# EXHIBIT 46

BOARD OF EQUALIZATION
JEFFERSON COUNTY

Parcel Identification Number:

22-00-36-2-41-009.00
IN ORDER FOR YOUR PROTEST TO BE PROCESSED, YOU MUST LIST PARCEL IDENTIFICATION NUMBER

Property Owner AMERICAN TRUST LIFE INSURANCE Address 1612 3rd Avenue North

Birmingham, AL Zip 35203

Legal Description of Property: Lot 15 Block 70, Survey of Birmingham Elyton Land Company unrecorded

Summary of Major Complaint: The appraisal of the property as set by the assessor is too high and does not reflect the true value of the property.

Complete the following information:

1. What year did you acquire the property? 1988

2. Total purchase price including any assumption of mortgage $ 125,000

3. Did you assume a mortgage or have you placed any mortgage on this property? Yes (X) No ( ) If so, the amount of the first mortgage $ 100,000 Amount of other mortgage $ 100,000

4. Was the seller related to you or family? Yes (X) No ( )

5. Cost of any improvements made since purchase of property $ 100,000

6. Do you rent any part of the property to others? Yes (X) No ( )
Describe part rented: 3,500 sq. ft.
Date of Lease 08/01/1993 Amount of monthly rent $ 1,500 Lease expires 12/31/1996

7. What do you consider to be the fair market value of your property? $ 100,000

8. What evidence do you wish to present which indicates the market value of this property is excessive to comparables in your neighborhood?

Other property appraisals

9. I (do) - do not (circle one) desire an oral hearing (If you do not desire an appointment with the Board, your case will be reviewed from the information contained in this form).

I hereby certify, under the penalties, that the information given is true and correct.

Date: May 31, 1995

Phone: (205) 324-7575

American Trust Life Insurance Co.
By: John G. Hilliard
Signature of owner or agent (circle one)
John Hilliard, President
1612 3rd Avenue North
Address of owner or agent (circle one)
Birmingham, AL AL 35203
City State Zip

EQUALIZATION - 3E

# EXHIBIT 47

**REAL PROPERTY SERVICES, INC.**
*PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING*

## APPRAISAL REPORT
***(COMPLETE, SELF-CONTAINED REPORT)***

**PROPERTY**
American Trust Building
1612-1614 3rd Avenue North
Birmingham, AL
RPS File #99-066

**FOR**

Mr. Ken Kellner
Committee on Standards of Official Conduct
HT 2 – The Capital
Washington D.C. 20515-6328

**REPORT DATE**

June 9, 2000

Six Office Park Circle, Suite 120
Birmingham, Alabama 35223
(205) 879-4529

http://www.rpserv.com

704 South 4th Street
Gadsden, Alabama 35901
(205) 547-2042

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T. Julian Skinner, III, MAI, CRE*
Joseph R. Skinner*
Nancy S. Kerr
Corey S. Kearse

T. Mandell Tillman, MAI*
R. Scott Allen*
Terri A. Riddle
Daniel Sizemore

* Alabama Certified General Real Property Appraiser

REAL PROPERTY SERVICES, INC.
PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING

June 9, 2000

Mr. Ken Kellner
Committee on Standards of Official Conduct
HT 2 – The Capital
Washington D.C. 20515-6328

RE: Investigative Subcommittee Confidential Report
1612-1614 3rd Avenue North
Birmingham, AL
RPS File #99-066

Dear Mr. Kellner

In accordance with your request, we have made an appraisal of the above-referenced property for the purpose of estimating the fair market rent and the fair market value of the subject facility at various dates as discussed herein. The effective dates of the valuation are September 29, 1993 and April 27, 1995. The fair market rents are for the years 1992 to 1997. It is the writers' understanding that the function of the appraisal is to assist with internal decisions making purposes related the subject property. The property was valued based on the Market Value definition reproduced in this report. Under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice of the Appraisal Standards Board, this report is classified as a *Complete, Self-Contained Appraisal Report.*

The reader's attention is directed to the general Assumptions and Limiting Conditions contained within the attached report. In addition, the special Assumptions and Limiting Conditions are detailed as follows:

1. A current survey of the subject was not provided to the writers. The size estimates for the site and building have been based on calculations from tax maps and records. If a survey indicates a significant different size estimates than indicated within this report, the value conclusions found herein may need be changed accordingly.

2. As stated in the Assumptions and Limiting Condition in this analysis, the writers are not experts in environmental hazards. No environmental studies were provided to the writers for the subject parcel, therefore the sites were valued "as if environmentally clean." The writers are aware that the subject facility has been a paint manufacturing operation for many years and that the site possible may be contaminated. However, no environmental studies were provided to the writers for the subject parcel, therefore the sites were valued "as if environmentally clean." The **readers' attention is directed to general Assumptions and Limiting Conditions 13-15 which relate to environmental hazards.**

3. The writers were requested to value only the real estate. No equipment has been included in this analysis or final indicated value.

This appraisal was developed as a "complete" appraisal in accordance with Standards Rule 1 of the Uniform Standards of Professional Appraisal Practice (USPAP). This appraisal is being reported as a "self-contained" report in accordance with Standard Rule 2-2(a) of USPAP. This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state certified appraisers have met the requirements of the board that allow this report to be regarded as a "certified appraisal."

This appraisal has been prepared by Real Property Services, Inc. for our client, Mr. Ken Kellner, Committee on Standards of Official Conduct. It is our understanding that the purpose of the appraisal is to establish the value of the property for internal decision making related to the property. This appraisal may not be used or relied upon by anyone other than the client without the express written consent of Real Property Services, Inc.

We trust you will find the attached appraisal report satisfactory; however, if any further assistance is needed, please notify us accordingly.

Very truly yours,
**REAL PROPERTY SERVICES, INC.**

T. Julian Skinner, III, MAI, CRE
Alabama Certified General Real Property Appraiser #G00070

JRS/TJS:jrs

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**SUMMARY OF FACTS AND CONCLUSIONS**

| | |
|---|---|
| **PROPERTY IDENTIFICATION:** | American Trust Building<br>1612-1614 3rd Avenue North<br>Birmingham, AL<br>RPS File #99-066 |
| **CLIENT:** | Mr. Ken Kellner<br>Committee of Standards of Official Conduct<br>HT 2 – The Capitol<br>Washington D.C. 20515-6328 |
| **LAND SIZE:** | 7,000+/-Square Feet |
| **GROSS BUILDING AREA:** | 14,000± Square Feet GBA<br>7,000± Square Feet Finished Area all of which is on the Ground or First Floor<br>7,000± Square Feet Unfinished on Second Floor. |
| **ESTIMATED MARKET VALUE:** | **September 29, 1993 = $150,000**<br>**April 27, 1995 = $150,000** |
| **ESTIMETD FAIR MARKET RENT:** | **1992 – 1997 = $1.70/SF**<br>Unit 1612 - $1.20 x 3,500 = $4,200 ($350/Month)<br>Unit 1613 - $4.00 x 3,500 = $14,000 ($1,167/Month)<br>Upstairs - $0.40 x 7,000 = $2,800 ($233/Month)<br>$21,000 |
| **DATE OF VALUATION:** | September 29, 1993<br>April 27, 1995 |
| **DATE OF REPORT:** | June 9, 2000 |
| **APPRAISER:** | T. Julian Skinner, III, MAI, CRE<br>Alabama Certified General Real Property Appraiser #G00070 |

## ASSUMPTIONS AND LIMITING CONDITIONS

1. This appraisal covers the property as described in this report, and the areas and dimensions as shown herein are assumed to be correct.

2. The appraisers have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

3. Responsible ownership and competent management are assumed.

4. No responsibility is assumed for matters involving legal or title considerations.

5. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed.

6. The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraisers are not required to engage in post appraisal consultation, give testimony or attendance in court by reason of this appraisal unless arrangement has previously been made therefore for an additional fee.

7. The allocation of total value to land or to buildings, as shown in this report, is invalidated if used separately in conjunction with any other appraisal.

8. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute.

9. The attached plats and other exhibits are provided to help the reader understand the writer's conclusions. Any plats or drawings are generally approximations and taken from sources deemed to be reliable. However, this is not guaranteed.

10. The writers have made no study as to the conditions and strengths of the soil and are in no way certifying that the soils are suitable for a certain type of development without a complete engineering study being provided. The writers make no statement or certification as to the suitability of the subject property for construction of any buildings or development of the property with regard to subsurface conditions including the presence or absence of sinkholes, mining activities, wells, or buried tanks, and other objects including potentially hazardous gases such as radon. The client is urged to retain an expert in this field if desired.

    The appraiser has inspected as far as possible by observation the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm, however, subsidence in the area is unknown. The appraisers do not warrant against this condition or occurrence of problems arising from soil conditions.

11. The liability of the appraisers, Real Property Services, Inc., and employees is limited to the fee collected for the work done. There is no accountability, obligation, or liability to any third party.

    The fee for this appraisal or study is for the services rendered and not for the time spend on the physical report.

12. Acceptance of, and/or use of, this appraisal report constitutes acceptance of all of the assumptions and limiting conditions.

13. The writers have not considered the impact of any environmental studies that would limit the use of the subject property. If any environmental studies affect the utilization of the subject property, the value should be amended accordingly. It is the reader's responsibility to ascertain any limitations by environmental studies that may be conducted in the future.

14. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

**ASSUMPTIONS AND LIMITING CONDITIONS *(continued)*** 3

15. It should be understood that:

(a) The appraiser is not an expert in the field of hazardous materials;
(b) The appraisal was prepared for purposes as stated in the appraisal and does not constitute an expert inspection of the property;
(c) The only way to be certain as to the condition of the property with respect to "environmental hazards" is to have n an expert in the field inspect the property;
(d) The appraisal should not be relied upon as to whether or not environmental hazards actually exist on the property.

The value(s) estimated herein is based on the assumption that no such "environmental hazards" are associated with the subject property. If an environmental audit is performed on the subject property after the effective date of the appraisal and a negative environmental audit is the result, this firm reserves the right to review and revise this appraisal report and the value conclusions. Additional charges based on this firms then prevailing hourly rates will be made for such services.

16. This firm assumes no responsibility for hidden or unapparent conditions of the property, subsoil or structures, or the correction of any defects now existing or that may develop in the future. Equipment components are assumed in good working conditions unless otherwise stated in this report.

17. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

18. Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report (s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of an officer of the appraisal firm (Real Property Services, Inc.) and then only in its entirety.

Neither all nor any part of the contents of this report should be conveyed to the public through advertising, public relations efforts, news, sales or other media without the written consent and approval of an officer of Real Property Services, Inc., nor may any reference be made in such a public communication to the Appraisal Institute or the SRA, SRPA, or MAI designations.

19. The appraiser may not divulge the material "evaluation" contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or as designated or specified in writing except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement or by court of law or body with the power of subpoena.

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis are set forth in the report were prepared by the appraisers whose signatures appear on the appraisal report unless indicates as "review appraiser". No change of any item in the report shall be made by anyone other than the appraiser and/or officer of the firm. The appraiser and firm shall have no responsibility if any unauthorized change is made.

20. This appraisal was obtained from Real Property Services, Inc. or related companies and/or its individuals or related independent contractors and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 USC 552(b)(4). Notify the appraisers signing the report or an officer of Real Property Services, Inc. of any request to reproduce this appraisal in whole or in part.

21. The authentic copies of this report are signed in ink. Any copy that does not have an original signature is unauthorized and may have been altered. Furthermore, this report includes a cover letter which is integral to it. Without this cover letter, this report is incomplete and cannot be relied upon.

22. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

**SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS**

1. A current survey of the subject was not provided to the writers. The size estimates for the site and building have been based on calculations from tax maps and records and measurements made upon the physical inspection of the site. If a survey indicates a significant different size estimates than indicated within this report, the value conclusions found herein may need be changed accordingly.

2. As stated in the Assumptions and Limiting Condition in this analysis, the writers are not experts in environmental hazards. No environmental studies were provided to the writers for the subject parcel, therefore the sites were valued "as if environmentally clean." The writers are aware that the subject facility has been a paint manufacturing operation for many years and that the site possible may be contaminated. However, no environmental studies were provided to the writers for the subject parcel, therefore the sites were valued "as if environmentally clean." The **readers' attention is directed to general Assumptions and Limiting Conditions 13-15 which relate to environmental hazards.**

3. The writers were requested to value only the real estate. No equipment has been included in this analysis or final indicated value.

## APPRAISERS' CERTIFICATION AND RESTRICTION UPON DISCLOSURE AND USE OF THIS REPORT

The undersigned do hereby certify that, to the best of our knowledge and belief,

1. The statements of fact contained in this appraisal report, upon which the analysis, opinions and conclusions expressed herein are based, are true and correct.

2. The report and analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

3. The undersigned have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

5. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of Uniform Standards of Professional Appraisal Practice.

6. We certify that, to the best of our knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

7. We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

8. I have made a personal inspection of the property that is the subject of this report.

9. Joseph Reid Skinner(Alabama Certified General Real Property Appraiser #G00444) and Corey S. Kearse (Alabama Trainee Real Property Appraiser #T00907) provided a significant professional assistance to the persons signing this report. These are our personal, unbiased, professional analyses and opinion.

10. Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report (s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of an officer of the appraisal firm (Real Property Services, Inc.) and then only in its entirety. Neither all nor any part of the contents of this report should be conveyed to the public through advertising, public relations efforts, news, sales or other media without the written consent and approval of an officer of Real Property Services, Inc., nor may any reference be made in such a public communication to the Appraisal Institute or the SRA, SRPA, or MAI designations.

11. This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state certified appraisers have met the requirements of the board that allow this report to be regarded as a "certified appraisal"

12. The Assumptions and Limiting Conditions, in their entirety, are made a part of this report.

13. The appraisers have performed within the context of the competency provisions of the Uniform Standards of Professional Appraisal Practice.

14. As of the date of this report, I, T. Julian Skinner, III, have completed the requirements of the continuing education program of the Appraisal Institute.

T. Julian Skinner, III, MAI, CRE
Alabama Certified General Real Property Appraiser #G00070

## PROFESSIONAL QUALIFICATIONS

**T. JULIAN SKINNER, III, MAI, SRA, CRE**
**Real Estate Appraiser-Consultant**
**Alabama Certified General Real Property Appraiser #G00070**

## EDUCATION

University of Alabama, BS Degree, School of Commerce and Business Administration - 1964. Various appraisal courses and seminars on the Appraisal of Real Estate, Leases, Urban Properties, Condemnation, Capitalization, Real Estate Investment Analysis, Appraisal of Abandoned Mine Lands, Federal Income Tax and Real Estate, Condominium Conversion, Uniform Standards of Professional Practice, and others.

## PROFESSIONAL DESIGNATIONS

MAI Member, Appraisal Institute - Appraisal Institute, Certificate #6727
SRPA Senior Real Property Appraiser - Appraisal Institute
SRA Senior Residential Appraiser - Appraisal Institute
CRE Counselor of Real Estate - American Society of Real Estate Counselors

## CONTINUING EDUCATION CURRENT

The Appraisal Institute conducts a mandatory program of continuing education for its designated members. MAIs meeting the minimum standards of this program are awarded periodic educational certification. I have completed the requirements of the continuing education under this program.

## EXPERIENCE

Experience in appraising commercial, industrial, special purpose, residential, acreage and other properties. Clients include:

Federal Asset Disposition Association
Banks and Savings & Loan Associations
Insurance Companies
Various Corporations
Alabama Power Company
Veterans Administration
Various Municipalities
U.S. Small Business Administration
Metropolitan Life Insurance
Industrial Plant Owners
Attorney & Accountants
Mortgage Companies
Transfer Companies
Various Individuals
Alabama Highway Department
Jefferson County
U.S. Office of Surface Mining
Resolution Trust Corporation

## ORGANIZATIONS

Appraisal Institute
Society of Real Estate Counselors
Alabama Association of Realtors
Birmingham Association of Realtors
National Association of Realtors
Mortgage Bankers Association of Alabama
Licensed Real Estate Broker - State of Alabama
Qualified Expert Witness, Circuit Courts of Alabama

**PURPOSE AND DEFINITION OF VALUE**

The purpose of this appraisal is to estimate the fair market value and the fair market rent of the subject property as of the dates indicated in this appraisal,

It is the writers' understanding that the function of the appraisal is to assist with internal decision making purposes related to the subject property. The definition of market value under which the subject property was appraised is from federal regulations and is as follows:

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> (A) Buyer and seller are typically motivated;
> (B) Both parties are well informed or well advised, and each acting in what he considers his own best interest;
> (C) A reasonable time is allowed for exposure in the open market;
> (D) Payment is made in cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
> (E) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

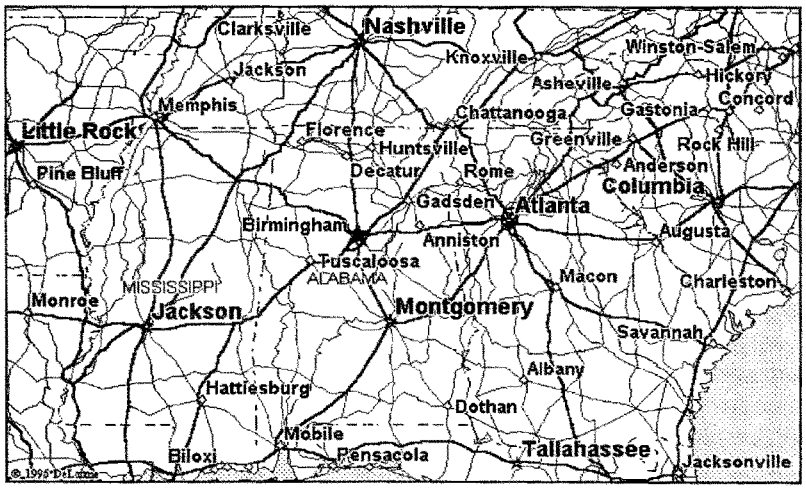
**PROPERTY RIGHTS APPRAISED**

The property rights appraised are the fee simple and leased fee interests in the real property as though unencumbered. This interest excludes any interest in mineral rights which might exist: this has not been considered in this analysis, as it is considered beyond the scope of this assignment. The property rights appraised are subject to the existing leases, which currently encumber the properties.

The fee simple interest is defined on page 140 of *The Dictionary of Real Estate Appraisal, Third Edition* by the Appraisal Institute as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." The value of the property has been estimated subject to the existing leases, which currently encumber it. Due to the existence of these leases, it is also appropriate to consider the leased fee estate. The leased fee estate is defined on page 204 of the same dictionary as "an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."

When the terms of a lease are equivalent to those which could be obtained in the open market, the leased fee and fee simple estate are generally considered to be equivalent. If the terms are more favorable to the tenant than the market would indicate, then a situation arises in which the leasehold interest in the property has some positive value. In cases where the landlord can exact more favorable terms than would otherwise be available in the market, the leased fee estate may have a higher value than the fee simple estate, provided these superior terms can be enforced.

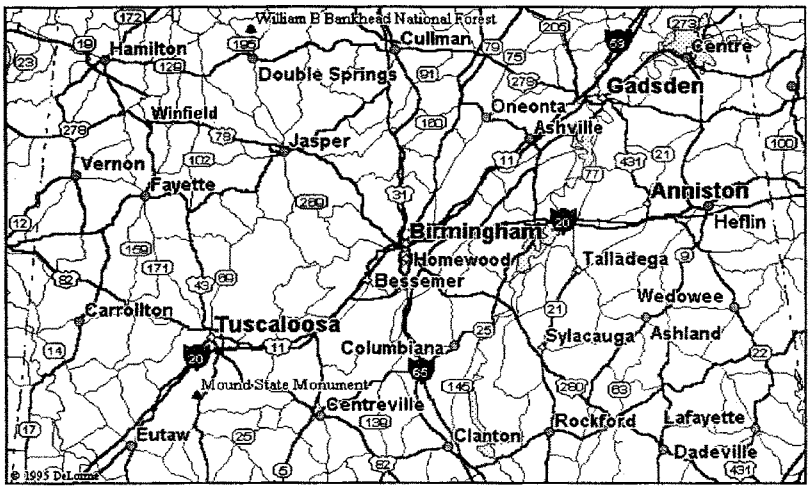
**AREA ANALYSIS: METROPOLITAN BIRMINGHAM**




***SOUTH CENTRAL REGION***

***Location:*** The Metropolitan Birmingham area is defined primarily by the Birmingham MSA (Metropolitan Statistical Area), which consists of four counties - Jefferson, St. Clair, Blount, and Shelby. Up until the 1990 Census, Walker County was also included, but was dropped because of changing patterns in commuting. However, there is some indication that it may be re-included in the MSA by the year 2000, and it is considered to be a part of Metropolitan Birmingham, or the Birmingham Region. The City of Birmingham is the largest city in the area and the state and an analysis of the subject's environment should begin with the City of Birmingham and the survey area in general. The Birmingham area is situated in the north central portion of Alabama, and is bound on the north by areas surrounding Huntsville, on the east by the Anniston-Gadsden area, on the south by the Central Alabama and Montgomery area, and on the west by the Tuscaloosa area, all of which are considered to be distinct areas influenced by varying factors.

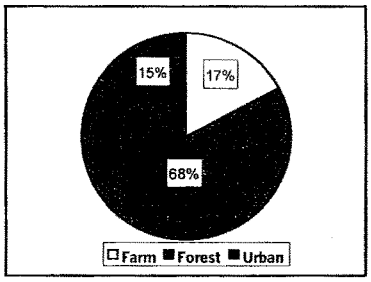
As shown in the map above, the Birmingham area enjoys central positioning in the South Central Region of the United States, and is also fairly centrally located within Alabama. This geographic position has played an important role in the development of the area, and it is anticipated that this will likely continue in the future.




*NORTH CENTRAL ALABAMA*

***Physical Characteristics***

Birmingham is centrally located in Jefferson County, and is in the southwesterly portion of the metropolitan area. The Birmingham MSA contains 3,221 square miles of land area (4,034 square miles if Walker County is included). The City of Birmingham itself contains 151 square miles of land area, having grown dramatically through a series of annexations in the early to mid-1980's, primarily involving commercial or undeveloped properties in south Jefferson and north Shelby Counties. In addition to Birmingham, there are approximately 31 satellite municipalities in Jefferson County, and 32 additional incorporated areas in Blount, St. Clair, and Shelby Counties. While the area is the largest urban area in the state, the bulk of the land within it is largely undeveloped, as shown in the chart at the right. Only about 15% of the land area is heavily developed, with a similar amount actively farmed, while the bulk of the land area consists of forestland. Much of Blount and St. Clair Counties, south Shelby County, and west Jefferson County tend to be rural in character.




*DISTRIBUTION OF LAND USES*

Birmingham is located near the southern terminus of the Appalachian Mountains, which creates a great diversity in topography, varying from nearly level to very steep.

This topography has played a role in the development of the area as well as influencing land utility and values. On average, the area lies at about 620 feet above sea level, with elevations varying from about 583 to 1,200 feet. The area is situated in a geologic zone known as the "Valley and Rift" district, which is generally an accurate description of the prevailing topography in the area. The thin ridges of several mountains run through the area, generally in a northeast-southwest manner, with the ridges paralleling one another, and broad, rolling valleys in between. Of particular note are Red Mountain, Shades Mountain, Sand Mountain, and Oak Mountain, which have played a major role in the history of the region, and have been a major influence on the pattern of development. These prominent ridgelines divide the area into several watersheds, with the northerly portion lying in the Warrior River watershed, the eastern portion drained by the Coosa River, and the southerly portion by the Cahaba. The Coosa has been dammed in numerous locations, existing now as a series of interconnected reservoirs. The Warrior basin serves as an inland waterway, draining to the Tombigbee in western Alabama, and then to the Gulf. The Cahaba is largely free-flowing, and serves as the primary source of drinking water for much of the region.

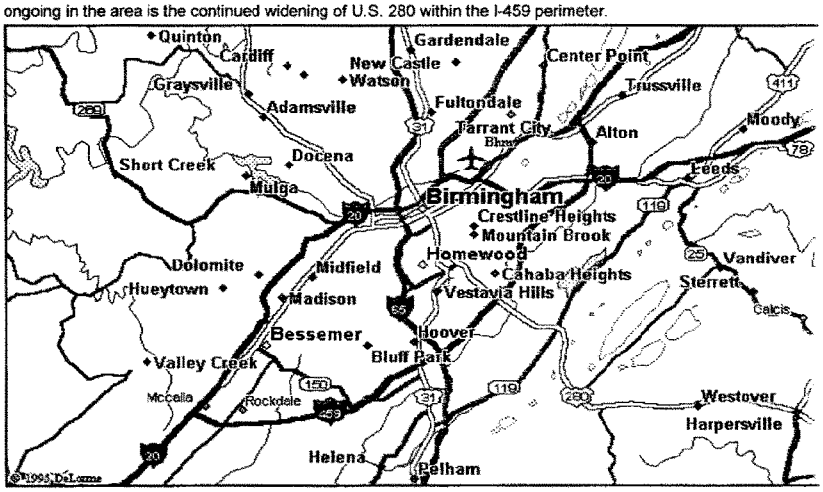
The area is noted for its mineral wealth, which was the source of its initial development in the late 1800's. Iron ore, coal, and limestone are all prevalent in many portions of the area: all of the basic ingredients required for iron production, the region's first major industry. In addition, oil and gas reserves have been found in some areas, particularly in the coal fields of the Black Warrior River basin lying in Walker and west Jefferson Counties. Historically, mining (strip, shaft, and long-wall) has played an important role in the economy of the area. As a result, there are a number of old mining shafts, which, along with natural underground streams and limestone sinkholes, have caused some problems and must be addressed before heavy construction is considered for a site. Soils in the area are predominantly loam clay formed in a sandstone and shale residuum. This soil is appropriate for most types of construction with little beaming problems. While much of the terrain is rolling, it is supportive of some agricultural uses, with active farming ongoing in all counties (Blount County is the most active agriculturally and has the bulk of the area's cultivated land). Much of the area surrounding Birmingham itself consists of timberland, with large tracts of forested slopes located throughout the area.

The climate in the area is fairly typical for the southeastern United States. Average temperature for the year is about 62® F, although average temperatures through the year generally range from the low-30's to the low-90's, with a record low of 6® and high of 106®. Days with high temperatures above 90®, or lows below 32® are about equal, with 52 and 53 reported, respectively. Average rainfall for the year is about 52", with the early spring experiencing the most. Snowfall is generally infrequent, but averages about 2.1". Given the general lack of snowfall, area governments are not fully equipped to handle winter weather situations, and road closings and power outages are not unheard of in the winter. However these generally cause less than a week of slow downs or loss of business in a year. As with much of the Sunbelt, though, the relatively mild climate in the area is attractive, and generally results in lower energy costs and less workdays lost than for many businesses in other areas of the nation.

***Access and Transportation***

Access to the region is considered to be excellent, with an extensive network of highways and railways, an international airport and several commuter airports, and barge access by way of the Ten-Tom waterway to the

Gulf of Mexico and the central United States. The metropolitan Birmingham area is served by four interstate highways (I-20, I-59, I-65, and I-459), six principal federal highways (US 11, US 31, US 231, US 411, US 280, and US 78) and numerous state highways. In addition, the long-anticipated "Corridor X," an as yet undesignated federal restricted access highway between Birmingham and Memphis is finally approaching Birmingham, with construction ongoing in adjacent Walker County. Completion of this route, which is to tie into I-65 just north of Birmingham, will significantly enhance the area's access to this important regional city. There has been extensive planning related to the development of the northerly extension of I-459 to complete a beltway around the city, but the actual development of such a highway is not likely in the near future. Existing interstates through Birmingham have been enhanced in the past several years, primarily in terms of safety with the addition of protective barriers through most medians. The only other major highway project ongoing in the area is the continued widening of U.S. 280 within the I-459 perimeter.




*METROPOLITAN BIRMINGHAM*

The following chart lists highway mileage's from Birmingham to several regional cities.

| | Atlanta, GA | Mobile, AL | Jackson, MS | Nashville, TN | Memphis, TN | Montgomery, AL |
|---|---|---|---|---|---|---|
| Distance | 142 | 241 | 241 | 185 | 247 | 90 |

Almost since its founding at two railroad crossings in the late 1800's, Birmingham has served as a key transportation hub in the Southeastern United States. This remains the case today, with the excellent transportation infrastructure currently in place serving as an important local benefit. While this infrastructure has expanded beyond rail, Birmingham remains among the best served cities in the South by railways. There

are currently four interstate railways serving Birmingham (CSX, Burlington Northern, Norfolk Southern, and Amtrak), two of these have intermodal cargo facilities. Rail service is also available to most municipalities throughout the area. Much freight today is carried "over-the-road," and there are over 100 truck transit companies operating in the Birmingham area from dozens of terminal facilities. While Birmingham lies some 250 miles north of the Gulf, water-based transportation of freight is also available. Barge service is provided by seven lines, operating primarily out of Port Birmingham on the Warrior River in northwest Jefferson County. These lines carry general commodities throughout much of mid-America on 16,000 miles of inland waterways, and to the world by way of the Port of Mobile. These barges carry primarily bulk resources to and from the surrounding area (coal, oil, lime, etc.), or processed goods such as steel and iron products.

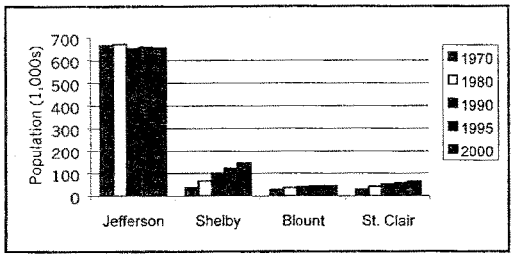
Birmingham is the site of Alabama's principal airport, recently redesignated from a regional airport to an international airport, complete with its own U.S. Customs office. The facility has been expanded and enhanced considerably in the past ten years, with work substantially complete on a $125 million renovation project which included redevelopment of the passenger terminal, expansion of the runways, expansion of the parking facilities, and increased cargo capacity. In addition, the federal government is to begin construction of a new FAA tower at the facility which will double the height of the existing tower to 200+ feet. These improvements have had a major impact on the utility and convenience of the facility. The airport serves as a major aircraft maintenance destination with the presence of Pemco Aeroplex, a large international contract maintenance firm located on an adjacent site. Currently, eight major commercial carriers serve the area, with six regional carriers. These combine to offer non-stop and connecting service to over 70 cities with 160 daily flights. Almost 50,000 tons of cargo were handled through the facility in 1995, with over 2.5 million passengers served in the same period. These both represent substantial increases, attributable at least in part to the much improved facilities at the airport. There has been discussion in the past few years of the possible development of a new airport for north Alabama. While a site northeast of the area has been mentioned as the primary choice for such a facility, politics, financing, and the extensive planning and development required for such a facility would indicate that it would not be on line anytime in the foreseeable future to serve as competition for the existing airport.

***Demographics***

According to figures from the U.S. Census Bureau, population trends in Birmingham have been:

| Year | Birmingham | % Change | MSA | % Change |
|---|---|---|---|---|
| 1960 | 340,887 | + 5% | 717,883 | + 11.3% |
| 1970 | 300,910 | - 12% | 757,837 | + 5.6% |
| 1980 | 286,058 | - 5% | 815,286 | + 7.6% |
| 1990 | 265,968 | - 7% | 840,140 | + 3.0% |

As noted in the population chart, the City of Birmingham has experienced a decline in population since the 1960's. This trend has been witnessed in the central city areas of other large cities and is due to a combination of factors. Locally, this outmigration was originally caused by factors such as air pollution and relatively low land costs in nearby suburban areas. The pollution problems have been dealt with rather effectively, and as suburban sprawl has continued, the conveniently located suburban property has greatly increased in price. With these conditions improving the desirability of the central city, a trend toward renovation of homes in the southern portions of the city has been evident. In short, it appears that the trend toward decentralization will continue, but at a slower pace than evident over the past 30 years. This shift in population growth from Jefferson County to the surrounding counties in the MSA is illustrated in the chart at the left. As shown, the overall population in the MSA has been increasing, but the bulk of this increase has occurred in suburban Shelby County, with Jefferson County having a generally level or slightly declining overall population. The Birmingham MSA ranked 66th in terms of overall population of the 316 MSAs classified in the United States in 1995 according to statistics from *Demographics USA*. This population represents over 20% of the total population in the state of Alabama. The MSA is part of a larger, 19 county area considered to be the Direct Market Area, which had a 1992 population of over 1.4 million.



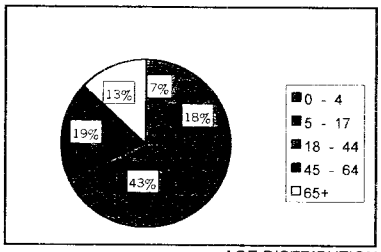

***POPULATION GROWTH PATTERNS (Birmingham MSA)***

In July, 1994, the population was estimated to have increased to about 872,246 in the MSA, or about a 3.8% increase over 1990. Much of this growth has been in Shelby County, posting a 19% growth rate over this period, compared to Jefferson County at only a .8% rate. Blount and St. Clair counties also posted greater relative gains, but this is in large part attributable to their much lower existing population bases. Growth projections would place the MSA population at over 900,000 by the year 2,000, with a relatively modest overall 3.3% growth rate, but almost a 20% rate projected for Shelby County. The fastest growing cities in the MSA between 1980 and 1992 (with a base population over 10,000) are in southern Jefferson and northern Shelby County. Blount and St. Clair Counties have no communities with this size base population. Leading the list in terms of growth are Alabaster and Pelham in Shelby County, Hoover (which lies partially in Shelby and

Jefferson), and Vestavia Hills in Jefferson. Unincorporated Shelby County has also experienced strong growth. While not yet having over 10,000 residents, Irondale and Trussville in eastern Jefferson County have also experienced strong growth. According to the *Wall Street Journal* in a recent article, Shelby County is the sixth fastest growing, wealthiest, and most educated county in the country.

In 1995, there were an estimated 877,500 residents of the MSA according to *Demographics USA*. These residents formed 334,200 households, for an average household size of 2.63 persons. This household size is projected to decline slightly in the next five years. It is already below the national and state averages reported at about 2.71 and 2.67, respectively.

The population of Birmingham is relatively young compared to many other Sunbelt areas, with over 68% of the residents under 45. The chart at the right illustrates the age composition of the population in the MSA. As shown, there is a greater proportion of school aged children than seniors, and it is anticipated that this trend will continue as the proportion of children that are younger than school age is quite high. The bulk of the population is in the younger adult sector, with a lower proportion of middle-aged residents that would be in their highest income producing years.




*AGE DISTRIBUTION*

Income, measured by various statistics, is generally lower in the Birmingham MSA than in the U.S. as a whole, but higher than the state of Alabama as a whole. In 1990, the per capita personal income for the MSA was about $17,500, which is only 94% of the U.S. average, but 117% of the Alabama average. Jefferson County posted the highest income in this category at 100% of the U.S. average. In terms of average household income, which provides a more accurate picture of potential buying power, Shelby county ranked the highest in the area with an average of almost $45,000 per year, followed by Jefferson at $35,000. According to *Demographics USA*, the average household effective buying income, which is roughly analogous to disposable income was almost $41,000 in 1994 for the MSA as a whole, ranging from $52,000 in Shelby County to $30,000 in Blount. A 24% increase is projected by 1999 for this figure. Income in the area, while below national averages in many respects, has been increasing over the past 40 years relative to overall national average increases, and is approaching the national average in many categories. The total Effective Buying Income for the MSA ranks 68$^{th}$ in the nation, somewhat below its population rank of 66$^{th}$. However, this income is not proportionately spread among households, with significant pockets of wealth and poverty geographically located throughout the area. The most significant disproportion is in households with very high incomes. The MSA ranks 65$^{th}$ in total number of households, but 54$^{th}$ in households with $100,000 to $150,000 per year, and 45$^{th}$ in households with greater than this amount.

***Government and Services***

The City of Birmingham is governed by a mayor-council government. The surrounding cities each have their own governments, as do each of the counties. Each municipality provides police and fire protection with most

rated from average to good. In addition, there are fifteen separate public school systems in the area. Cooperation among these various units of government is not always characterized as good, and limited efforts to coordinate some common services among the government units have generally not met with success, particularly when the City of Birmingham finds itself at odds with the smaller, wealthier communities to the south. The governments do not operate together under any coordinated system leading to some overall inefficiency, but each does generally perform well in providing necessary services for its own citizens.

The Birmingham area has the services of the Birmingham Regional Planning Commission, a locally and federally funded commission which assists in the long range planning for the area as well as studying population, employment, and other factors within the area. This commission has met with a mixed success in its acceptance by the municipalities. Each municipality has its own zoning controls, as do Jefferson and Shelby Counties in their unincorporated areas. To date, there have been no inordinately restrictive policies implemented in the area.

Government services are primarily funded through sales taxes, property taxes, and occupational taxes levied through some of the government units. Each local government generally sets their own rates, so there is a somewhat confusing array of property tax rates, sales tax rates, and occupational tax rates throughout the county. This inconsistent tax structure throughout the area is frequently considered by businesses when making location decisions in the area. The imposition of an occupational payroll tax by the City of Birmingham several years ago was named as a factor in the relocation of many business from the city center to other locations in the area. In addition, consumers frequently choose where to make large ticket purchase decisions with consideration of the tax rates in effect at a given location. Homebuyers consider property tax rates, but variances in these across the area are generally attributable to increased school expenditures, with higher tax rates generally going to fund better quality schools, which offsets some tax concerns.

The various utilities available throughout the area include electricity, natural gas, telephone, public water, public sewer, and cable television. Alabama Power Company provides most of the electrical power to the area with TVA Power available in a few areas through municipal systems. Telephone service has historically been provided by South Central Bell (now BellSouth), although changes in the telecommunications industry are likely to introduce competition for local service in the future. Cable television is provided through most of the area (except for outlying areas) by a variety of vendors. Alabama Gas is the largest provider of natural gas. Public water and sewer are available in most urban areas, with at least water available to many rural areas. These services are provided generally either at the municipal or county level. Recent lawsuits relating to the amount of sewer discharge into the Cahaba River are anticipated to require significant upgrades in county systems in the near future. While this has not resulted in any moratoriums on construction at this time, the possibility of this does exist in the future, although this is considered remote at the moment. There are some 24 licensed radio stations, and six broadcast television stations (representing all major networks) in the area. In addition, there are two daily newspapers and a number of weekly or monthly publications.

There are 150,000 students registered at over 300 public schools (in 15 separate systems) and 50 private schools in the area. The quality of these schools varies considerably, but includes some of the highest ranking school systems in the state represented by Mountain Brook, Vestavia Hills, Hoover, and Homewood. Several

of the schools in the area have been past winners as Blue Ribbon Schools for Excellence by the U.S. Department of Education. There are special purpose schools including the Alabama School of Fine Arts (one of only three schools of its type in the nation), and a school offering an International Baccalaureate degree. In addition to primary and secondary education, higher education is well represented in the area with seven universities and colleges, seven community colleges, and five technical colleges. The center of education is the University of Alabama at Birmingham (UAB), which is home to one of two medical schools in the state, and is recognized as a premier facility in terms of healthcare provision and training. It offers over 140 degree options for its 16,000+ undergraduate and graduate students. It employs 15,000+ people in its educational and medical endeavors, and has an annual budget approaching $1 billion.

Healthcare has become one of Birmingham's major economic forces. There are 21 hospitals in the area with a total bed capacity of over 6,400. These facilities provide all levels of care to patients from throughout the local area, the region, and many parts of the world. Birmingham is home to the UAB medical complex, featuring a comprehensive cancer center, and the recently completed Kirklin Clinic (ranked third in the nation behind Mayo and Johns Hopkins). Birmingham is also home of HealthSouth, which has grown to be the largest rehabilitative healthcare firm in the nation, anchored locally by a sports medicine institute which attracts athletes from around the world.

Birmingham has extensive cultural and recreational outlets. Included among these are the Birmingham-Jefferson Civic Center Complex (BJCC) which recently underwent a $139 million renovation and expansion and currently features a 700+ room hotel, 220,000 square feet of exhibition space, a 3,000-seat concert hall, a 1,000-seat theater and a 19,000-seat capacity coliseum. The facility is home to the Birmingham Bulls, a minor league hockey franchise, and will be a host site for the 1996 NCAA regional basketball tournament. Legion Field is located in western Birmingham, and was recently expanded and changed to a natural turf field in time to serve as a venue for soccer competition in the Centennial Olympic Games. Legion Field has been the historic site of the traditional Alabama-Auburn football rivalry, the Iron Bowl, and has frequently been used by Alabama for home games. The UAB Blazers recently moved up to division I-A in NCAA football, and currently use the facility as their home field. Birmingham has the oldest professional baseball stadium in the country, Rickwood Field, which has recently been featured in several movies, and is actively being restored and preserved. It was formerly home to the Birmingham Barons, a minor league franchise which now plays at a modern facility in Hoover. While there has been some talk of building a new stadium to replace Legion Field, it is not anticipated that this would be undertaken without a major commitment for regular use. Birmingham has been home to several start-up professional football teams in the past decade, all of which have failed. Rounding out spectator sports in the area are the annual Bruno's Memorial Classic, a Senior PGA event held at Greystone that has grown to be a favorite stop on the tour, drawing 150,000 spectators.

The area has a thriving entertainment district centered around Five Points South in the Highlands neighborhood of Birmingham. This area was a street-car suburb at the turn of the century, and many of the historic commercial structures have been renovated for use by numerous restaurants, bars, brewpubs, and nightclubs. It is the primary destination for weekend revelers in the area.

A wide variety of cultural and special events are scheduled in the city throughout the year, headlined by *City*

*Stages*, a music festival held downtown each summer that has grown to draw 250,000 spectators, and over 200 performers over a three day period. The Alabama State Fair is held at fairgrounds in Birmingham, although there has been talk of relocating it within the area in recent years. The most notable cultural and recreational facilities include the area's 15+ museums including the Birmingham Museum of Art, which is in the Cultural District. This district has recently been enhanced by the completion of a new Alabama School of Fine Arts and the $20 million expansion and renovation of the Birmingham Museum of Art, making the museum the largest municipally owned museum in the South. The Civil Rights District, featuring the Birmingham Civil Rights Institute is another recent amenity added to the downtown area. Work has finally begun on Discovery 2000, a $50 million science-oriented museum being developed in a former department store downtown. An adjacent store has been razed to make way for an attached Omnimax theater. The Birmingham Zoo and separate Botanical Gardens are located at Lane Park south of the city. Plans are underway to raise money to either upgrade the zoo, or relocate it in the near future. A planned "Ecoplex" that would have been located south of I-459 and feature large natural habitat areas for the animals appears to have lost favor and is not likely to be developed.

Participatory recreational facilities include an extensive park system that allows passive and active recreational uses. There has been extensive development of new playing fields for community sports, particularly in Hoover and Vestavia Hills, which are each completing multi-million dollar multiple use parks with baseball, softball, football and soccer fields. There are numerous golf courses (daily-fee and private) in the area, and play is generally possible year-round. The public courses include a 54-hole stop at Oxmoor Valley on Alabama's world-renowned Robert Trent Jones Golf Trail. Oak Mountain State Park lies only 20 miles south of downtown Birmingham, and is a 10,000 acre multi-use park with golf, hiking, fishing, boating, tennis, and other recreational opportunities.

***Employment and Economy***

The metropolitan Birmingham area has long outgrown its industrial heritage and today has a highly diversified economic base. The service sector has grown in importance, particularly healthcare, which accounted for over 9% of the total MSA employment of over 425,000 (in 1994). Manufacturing does remain a vital component in the local economy, however, with durable goods industries (primarily metal-related) employing almost 8% of the workforce. General service employment accounts for the highest share of the workforce, with 18%. This is followed closely by retail trade (17%), and government (16%). The workforce is employed by over 20,000 individual businesses (including nearly half of the nation's *Fortune 500* companies which have a presence in the area), and unemployment in the 1990's has been consistently below both state and national averages, with a rate of 4.3% posted for 1994, and incomplete 1995 figures showing a lower rate around 4%. The diversified employment base allowed Birmingham to escape some of the deep recessionary pressures that affected much of the country in the late 1980's. A list of the 25 largest area employers illustrates the diversity that has been achieved in the local economy. Eight of these are government-related, six are service businesses (all healthcare providers), three are retailers, three are financial institutions, three are manufacturers, and two are utilities. Trends in various employment segments and industries that are likely to have a significant influence in the economy of the area are outlined in the paragraphs below.

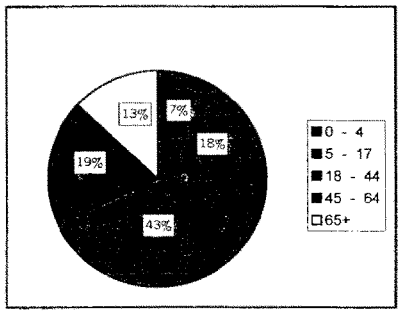
***Manufacturing:*** Birmingham left its reliance on iron and steel-making in the 1970's, but these industries still

remain an important component in the manufacturing segment of the economy. USX leads the local manufacturers, having made recent significant commitments to expand operations at its Fairfield Works, having spent $1 billion in capital improvements in the last ten years. ACIPCO has recently spent over $20 million upgrading its facilities, and is one of the leading cast iron pipe manufacturers in the nation. A spin-off industry from this has been the manufacture of wrought-iron furniture. Meadowcraft, a local manufacturer is expanding its existing plant by 350,000 square feet and adding a 660,000 square foot distribution center. While the metals industries remain important in the area, the biggest change in the manufacturing picture has begun with the development of the first North American assembly plant for Mercedes-Benz in Vance, which lies only thirty minutes southwest of Birmingham in Tuscaloosa. The $300 million facility began projected annual production of 67,000 sport utility vehicles in 1997. To serve the facility, six additional suppliers (and likely more in the future) have located within an hour of the plant. The largest to of these in Birmingham is Ogihara America, which is constructing a $70 million body panel plant. The area is reported to have over 80 million square feet of free-standing industrial space, and this is about 97% occupied. The decision by Mercedes to locate near Birmingham has drawn substantial interest from other international manufacturers, and it is anticipated that spin-off manufacturers and the positive image this location decision creates for the area will lead to continued growth in the manufacturing segment.

***Healthcare:*** One of the leading services provided in Birmingham is healthcare. The facilities at UAB have given the area an international reputation in providing highly specialized services. In addition, the numerous hospitals in the area provide a high level of general service to the region. The growth of HealthSouth to become the largest provider of rehabilitative healthcare in the nation has received widespread attention. In addition, there are a growing number of healthcare servicing firms in the area including numerous growing national physician practice management firms, and one of the country's first REITs specializing in healthcare properties. The direct and indirect economic impact of healthcare in the local economy is profound, and is anticipated to continue to grow in importance in the future.

***Services:*** Firms in the Birmingham area employ an estimated 6,000 engineers, many engaged in design and construction of process facilities. Locally based Rust International, an industry leader in this field, was recently acquired by Raytheon, and there was initial concern that this would lead to drastic changes at the company. However, initial indications are that the company will remain an important employer in Birmingham. Competitor BE&K is based in Birmingham and is a world-leader in the field as well. It is also considered to be one of the leading employers in the country in terms of creating a positive environment for its workers, consistently named in the top 100 companies in the nation in this respect. Other engineers and skilled professionals are employed by utilities such as Energen, BellSouth, and Southern Company Services, active in the natural gas, telecommunications, and electrical service industries, respectively. The significance of these high-wage skilled positions in the local economy is tremendous. In addition to these services, Birmingham is also home of Southern Progress Corporation, which is a publishing subsidiary of Time-Warner, producing a number of nationally known publications and providing a notable positive impact on the local economy. It is anticipated that the economic importance of these companies will be considerable in the future. While down-sizing at many of the larger utilities continues, this has frequently produced opportunities for out-source providers of services to the companies, and little net loss of employment in the area.

***Finance and Insurance:*** Birmingham is the center of finance in the state of Alabama, and is growing in importance as a regional financial center. AmSouth, SouthTrust, Regions, and Compass Bank are all headquartered in Birmingham where they began, and have used this base to expand operations throughout the rest of the Southeast. While these all remain locally based, independent institutions, they are frequently named near the top of the list of takeover targets for larger banks from outside the region. A generally conservative fiscal approach has allowed all of these institutions to remain profitable and attractive for takeover. This approach also has contributed to the general stability of the local economy, with the banks resisting urges in the 1980's to fund massive over-building in commercial real estate markets that plagued many other areas for years. This local restraint shown in the past is anticipated to fuel continued steady growth in the area, with less potential for the extreme cycles that have been experienced in commercial real estate in areas with more liberal financial institutions. While the largest of Alabama's banks have expanded throughout the region with acquisition, a number of small, local independent banks have been increasing their presence, offering additional capital options. Birmingham is home to Torchmark (Liberty National) and Protective Life, two large insurance providers with a national presence. With its established healthcare base, there has also been growth in healthcare insurers and alternative providers that now have a regional presence. It is anticipated that the finance and insurance industries will continue to play an important role in Birmingham's economy.

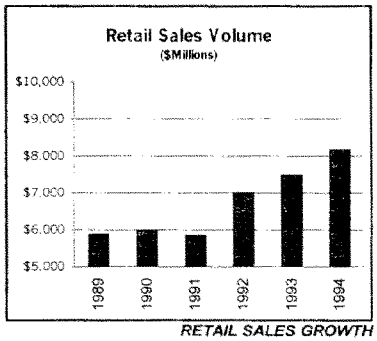



*BIRMINGHAM AREA CONSTRUCTION ACTIVITY*

***Construction:*** The construction industry in Birmingham is active with firms busy with projects both locally and throughout the world. Several notable construction companies are head-quartered in Birmingham with a significant presence in the regional, national, and international construction field. These firms accept general building contracts, or are specialized in areas such as healthcare construction and process industrial construction. In 1994, construction employed about 22,000 people, or 5% of the total workforce. It has a greater impact on the economy however, as these higher-wage skilled positions accounted for almost 8% of the total payroll in the area. There are almost 2,000 construction firms in the area, and while many are active outside of the area, there has been significant construction activity in the area in each of the past several years. The chart at the left illustrates the value of building products undertaken in the area. As shown,

residential construction increased in importance in 1990, and has grown steadily since that time, primarily driven by record-low interest rates which significantly enhanced the affordability of homes for a large proportion of the population. Non-residential construction has had a less steady growth than in the past. While more recent complete figures are not available, construction in the first half of 1995 was up significantly from 1994, with much of this fueled by non-residential development. It is considered that this trend has continued in 1996 as there have been a large number of significant commercial projects undertaken.

***Retail and Wholesale Trade:*** The Birmingham area is the largest retail market in the state. Its 18 county trade zone includes over 1.5 million residents, and retail sales have grown steadily since the last major national recession ended in the early 1990's, as shown in the chart at the right. The area is a trade center for Alabama, with 24% of the states retail sales, but only 21% of the population. Large retail centers in the area are a major draw, particularly during the holiday shopping season. There has been extensive new retail development over the past several years. There are five enclosed shopping malls, and about 50 retail centers with over 100,000 square feet each in the market. By far the largest retail center is the Riverchase Galleria, which was recently expanded to over 1.7 million square feet of space to make it the 20th largest mall in the nation. It is anchored by Macy's, Rich's, McRae's, J.C. Penney, a recently expanded Parisian, and a newly added, Sears. It also features 200+ shops in the mall area and numerous surrounding retail and restaurant facilities on outparcels. Wildwood Center and Brook Highland Shopping Center introduced the market to the "big-box" concept of retailing, as did the recent arrival of national chains such as Home Depot, Barnes & Noble, Bed Bath & Beyond, Campo Electronics, CompUSA, and other "category killer" merchants. Development is ongoing at the Summit, which will add some 450,000+ square feet of retail space to the market, primarily "big box" tenants.



*RETAIL SALES GROWTH*

In addition to being a major retail area in the state, Birmingham is an important wholesale area, and is home to a number of retailers that operate stores regionally and nationally from their Birmingham headquarters. Changes in the retailing industry are most evident by looking at retailers based in Birmingham. Bruno's, the largest grocery chain in the state was recently acquired by the Wall Street investment firm of KKR, although it remains based in Birmingham. Parisian, a long-standing local department store chain that had been expanding in many other areas was recently acquired by Proffitt's, a Knoxville based chain that had already acquired Jackson-based McRae's, which had entered the Birmingham market with its acquisition of the local Pizitz chain several years ago. It is uncertain what long-term changes this will bring to Parisian, which is to remain locally headquartered at present. Revco, a nationally prominent drugstore chain is attempting to acquire Big B, Alabama's leading chain based in Birmingham. The potential impact of this hostile takeover on Birmingham is unknown at this point. Yeilding's, a 120 year old local clothing retailer recently announced that

it will close its stores due to increased competitive pressure in the industry. While consolidation of these large chains is continuing, several Birmingham-based retailers have found niches and are expanding regionally and nationally. Just for Feet is expanding through the country with its category-killer concept athletic shoe superstores, and has been well received by Wall Street. The former Sandwich Chef chain based in Birmingham has successfully introduced its Wall Street Deli concept restaurants through the region. Alabama-based Books-a-Million maintains a strong Birmingham presence, and has been aggressively expanding its book superstores. While Birmingham will remain an important retail market, it is apparent that local control of some of its largest retailers has been lost, and it is possible that headquarters operations for these businesses currently located in Birmingham may eventually relocate.

***Advanced Technology:*** Birmingham is making an effort to increase its advanced technology industries, and is already home of Southern Research Institute (SRI), the largest nonprofit independent research laboratory in the Southeast, focusing on medical, environmental, and materials research. UAB houses numerous research facilities, largely in medical-related and bio-technology fields. The university is active in commercializing technologies through its Office for the Advancement of Developing Industries, an incubator which has housed 47 advanced technology firms, seventeen of which have graduated to become independent businesses. Among these is BioCryst, a publicly traded firm with several medical-related products in advanced testing. The program is constructing a new 70,000 square foot facility in Oxmoor known as Genesis Center. It will join SRI in this mixed-use project that was originally intended to attract primarily high-tech firms. The City of Birmingham funded construction of a state-of-the-art medical products mart at the BJCC, the first of its kind in the nation. To date, however, it has not attracted the volume of advanced technology firms and trade shows it was envisioned to house. Growth in this industry segment is anticipated in the future, and is likely to have a positive impact.

***Hospitality & Tourism:*** While not traditionally viewed as a tourist destination, the area is a business center for the state, which has led to a healthy hospitality and lodging market. In addition, a number of special events in the area and surrounding areas occur through the year which bring in large numbers of out-of-town visitors. Conventions centered at BJCC have brought upwards of 40,000 attendees. Tourism is by all accounts a growing industry in the area, with the cultural amenities previously addressed serving as significant draws. In addition, the City of Fairfield, west of Birmingham, is spearheading development of an amusement park known as Visionland. Final planning of this $39 million amusement park is underway, and indications are that it will begin development shortly. The project is intended to enhance Birmingham's draw as a tourist destination. Another such project is being contemplated by B.A.S.S., and outdoor sports organization currently based in Montgomery that has the area on its short list of three cities for relocation. The relocation would reportedly bring not only the headquarters for this organization, but also would include development of a large theme park with an outdoor flavor. There has been some indication that if the project locates at a site selected east of Birmingham, the city would relocate the zoo to be part of the facility. Tourism is estimated to account for 25,000 jobs in the area, and has an economic impact estimated at over $900 million annually. According to the Greater Birmingham Convention and Visitors Bureau, there were almost 11,000 hotel rooms in over 100 facilities in the area as of April, 1996. In addition, some 800 rooms are currently slated to be added to this base in 12 facilities under construction in 1996. Occupancies in 1995 (as reported by Smith Travel Research) were at the national average of about 65%. This is up from 1994 when they were about 63% in Birmingham

and 65% in the nation. Average daily room rates increased from about $49 to $51 in this time, which is significantly below national averages of $64 to $67. The number of national and regional restaurant chains with locations in Birmingham has increased significantly in the past several years with such entrants as Johnny Rockets, Ralph & Kacoo's, Landry's Seafood House, Tony Romas, Tia's, Superior Grill, and J. Alexander's. Most of these offer mid-range sit-down dining. As Birmingham continues to grow in importance as a business center, develops additional tourist destinations, and experience increases in effective household buying income, it is anticipated that the hospitality industry will continue to increase in importance in the local economy.

***Agriculture & Resource Industries:*** While often given little regard in analyzing the overall economy of the Birmingham area, agriculture remains a strong component in its economic vitality, having its greatest impact in outlying areas such as Blount and St. Clair Counties, west Jefferson County, and south Shelby County. In addition, Birmingham itself is home to a number of supporting and processing industries associated with the agricultural products reaped from the surrounding areas. Agricultural production in the area resulted in almost $200 million in cash sales in 1992, with more than half of this from Blount County, where it is the largest economic component. Only about $25 million of this resulted from crops, which includes timber. The bulk is from livestock production, in particular broilers. Farms in Blount County alone produced over $75 million in broilers, and over $100 million in all livestock. While agricultural use of land has become an interim use in areas in close proximity to the continued growth of Birmingham's suburbs, it will likely remain of significant importance in areas such as north Blount County, south Shelby County, and east St. Clair County as these areas are physically the most distant from current development. Much of the timberland in the area is held by a few private interests. As development has approached some of these holdings in the past, owners have shown a strong willingness to release land for development.

In addition to agricultural uses of land, extraction of mineral resources is also an important component in the local economy. Extracted resources in the area include primarily coal (for local use and export), quarried stone (primarily for local use), and natural gas and coalbed methane. The Warrior River basin is considered to hold some of the richest coal reserves in the country, and this mineral wealth has created significant financial wealth in the area, particularly in adjacent Walker County, where it is perhaps the largest component of the local economy. Mine operators use shaft, strip, and long wall mining techniques in extracting mineral resources in the area, and the large number of mines located in northwest Jefferson County will tend to limit any potential future growth in that area, although development in former mined areas has been successful in Birmingham in the past, most notably in the Liberty Park area, which had been extensively mined in the past. While the mining industry employs only about 3,000 workers in the area, loss of jobs in this field would have a disproportionate impact on several small communities, particularly in west Jefferson County, which have developed around mining employment. Of perhaps greater future potential impact on the overall area than from direct mining is the fact that much of the mineral resource land is held by a few interests in the area. USX, one of the largest landowners, has been quite shrewd in the development of its holdings, preferring to retain ownership of their properties and control development within them rather than sell them outright. The ability of this and other well-financed interests to do this has had a profound positive impact on the quality of planned developments surrounding Birmingham. USX is currently developing Trace Crossings, and owns the bulk of the land in the Oxmoor Valley area.

***Significant Growth Areas***

Birmingham is a growing metropolitan area, as illustrated by the discussion in the preceding pages. However, as with any market area, not all portions of the metropolitan area are poised for equivalent growth. In addition, physical growth trends in Birmingham are frequently influenced by terrain and a number of large, influential landowners. In its early history, suburban growth in Birmingham was perhaps less concentrated than it is now, with growth occurring radially in all directions from the city center. However, the direction of development in the past 50+ years has been distinctly to the south with development cresting successive ridges and spilling into the next valley as transportation routes over the mountains were improved, enhancing access. There are currently few ongoing transportation projects in the area which would significantly improve linkages to a large area. Therefore, development now is tied more to other factors, and is catching up with existing linkage capacity primarily by infill development in areas already easily accessible by existing infrastructure (roads, sewers, water lines, schools, and other services). There is a large amount of undeveloped land in the area within the boundaries of existing infrastructure service areas, and it is anticipated that these would tend to be developed prior to new areas opening up as the government's current efforts are geared more toward maintenance of the existing infrastructure and logical upgrades in areas already served, rather than in expanding the infrastructure further at this time. There are a number of key growth spots in the area that will be important in shaping future trends in the market. Several of these are identified and discussed below.

***Highway 280 Corridor***: Growth in the U.S. 280 corridor in southeast of Birmingham is ending its second decade. It began with the development of the Inverness planned community by Metropolitan Life in the 1970's, and has for many years been one of the strongest growth centers in the area. Development now includes thousands of single family homes, primarily located in planned communities such as Inverness, Meadow Brook, Brook Highland, and Greystone. These homes are targeted primarily to relatively affluent residents, with significant numbers of new home communities having entry prices generally well over $150,000. In addition, there is a large concentration of multi-family projects, and the bulk of Birmingham's suburban office space. Retail development was somewhat under-represented in the area until the recent construction of the Brook Highland shopping center, and the proposed construction of the Summit, a new planned commercial center. Growth continues in this corridor, with HealthSouth and Just for Feet developing new headquarters facilities here. Redevelopment of a former Southern Company facility at Shades Creek Parkway in the northern end of the corridor is evidence of the continued attractiveness of this area for office users. Concerns related to traffic congestion in the corridor have been the most noted drawback to development in this area. However, U.S. 280 has now been widened to six lanes from I-459 to Cherokee Road, alleviating some congestion in a traditional bottleneck area. This widening is slated to continue to the Red Mountain Expressway, which will significantly enhance access when completed, but this construction is currently being held up by a lawsuit involving the contractors and it will be several years before it is completed. The significant shifts in population (primarily affluent residents) to this area, and the fairly large amounts of remaining vacant land (primarily within existing planned developments with all infrastructure available) will likely ensure continued quality growth in this corridor in the future.

***I-459 East Corridor:*** This area is situated along I-459 east of U.S. 280, and is centered around the Liberty Park planned community. Development in the area began with the construction of a headquarters facility by

Liberty National Insurance, but this has been joined by several other office facilities that provide some of the newest, best appointed space in the market. Developers of the park built the only significant speculative office buildings in Birmingham in the early 1990s, which appear to be successful at this time. In addition, development of the large upscale residential community is ongoing, enhanced by the resolution of lawsuit allowing Vestavia Hills to annex the property and bring it into its prestigious school district. The city is also developing a large recreational complex in the area. The residential community is centered on a private golf and country club. The Federal Reserve recently announced that it would move its Birmingham operations to a site in the park, and Wyndham hotels will be adding a full service hotel to the mix of uses in the area. Further to the east, at Grants Mill Road, property owners are proposing development of a number of highway related commercial ventures. While there is no significant retail development in the area at this time, it is anticipated that this will likely follow additional residential construction. A national mall developer reportedly abandoned the idea of building at a Liberty Park site at this time, but it is considered that this area, with its excellent proximity to numerous high income neighborhoods and easy access by I-459, will likely be successful in attracting such potential development in the future.

***Highway 150 Corridor:*** This area lies west of U.S. 31 south of I-459, and is adjacent to the successful Riverchase project in Hoover. It includes the last remaining undeveloped portions of this extremely successful planned project which was begun in the late 1970's. The cornerstone of the project is the Riverchase Galleria, which has frontage on Highway 150. The corridor is strongly influenced by this major retail center, and also by the presence of Trace Crossings, an upscale planned residential project located in its westerly portion. This corridor has been the focus of strong multi-family development in the last several years as it has some of the few remaining development sites for this purpose in the desirable Hoover market. Hoover opened its state-of-the-art Hoover High School in this area in 1995. Widening of the highway to four lanes from U.S. 31 to I-459 has begun, and this is anticipated to alleviate growing congestion and enhance the attractiveness of the area. Several small retail centers are planned for the area as well. With its easy access to I-459 west, this area is a short commute from the Mercedes plant in Vance, located off of I-59 just west of the Tuscaloosa county line. This proximity will also likely have a beneficial effect on growth in this area in the future.

***I-65 South Corridor:*** This area is considered to include the suburban communities of Pelham, Helena, and Alabaster, all of which access Birmingham primarily by way of I-65. Located south of Hoover, these communities were formerly small rural towns which have boomed in recent years as developers have constructed numerous subdivisions marketed primarily toward first-time, or middle income homebuyers, with a choice of homes in many new subdivisions priced under $150,000. These areas began growing primarily as traditional bedroom communities with residents employed elsewhere in the metropolitan area. However, in recent years, this corridor has grown in importance as an employment center, with numerous distribution and light industrial operations located in one of several small parks. In addition, the Cahaba Valley Road interchange in Pelham has grown to be a major highway commercial center, with numerous national chain restaurants, service stations, and hundreds of motel rooms developed in the past few years. Continued residential growth in this corridor is likely to result in continued demand for commercial growth.

***I-59 East Corridor:*** This area is currently one of the few areas of strong growth that is not located south of Birmingham. It is centered around the community of Trussville, which was a small rural town, but has grown in

importance as a bedroom community. As growth has proceeded to the south of Birmingham, congestion has increased, and typical commuting times have increased in turn. This has created opportunities for development in many areas formerly not given much consideration. Developers around Trussville have taken advantage of this situation. While much development has been single family in nature to date, a large community shopping center was recently completed as well as a class-A apartment complex, numerous highway commercial businesses, and a number of manufacturing facilities and other employment centers. It is anticipated that this area will continue to experience strong growth.

***Oxmoor Valley:*** This 7,600 acre planned mixed use development is conveniently located south of Birmingham within the I-459 perimeter, west of I-65. Owned largely by USX, the area is slated to be developed as a planned community with residences and businesses in close proximity. There is already a significant commercial base in the area, with a thriving industrial distribution center, the Wildwood retail center, and several large offices including the regional IRS office, State Farm's regional office, and SouthTrust Bank's recently completed operations center. In addition, SRI maintains new facilities in the area, and UAB is building its Genesis Center in the park, in keeping with planner's goal to create a high-tech image for the development. Plans are to extend Lakeshore Parkway through the property to State Road 150 in Bessemer, which would significantly enhance access in this corridor. The residential component would be enhanced by the 54-hole Oxmoor Valley golf course which is already in place. However, single family residential development has not been undertaken to date, reportedly as a result of concerns over which school district will ultimately have jurisdiction over the development. However, this will likely be resolved, and the most recent plans include having UAB operate a model school in the area for grades K-8. While no single family residential growth has occurred to date, the first apartment complex in the area is currently under construction. This area, with its central location and expanses of undeveloped land, is considered to be poised for significant future potential growth.

***Other Areas:*** The areas identified in the preceding paragraphs have captured (and will likely continue to capture) much of the growth and development in Birmingham. However, there are a few other trends and development projects worth noting which may enhance growth in other areas as well.

One such development project is the anticipated completion of "Corridor X" from I-65 north of Birmingham to Memphis. This highway would tremendously enhance access to the northwesterly portion of the market. This is likely to have a positive impact on development in the communities of Forestdale, Adamsville, and Graysville for two reasons. First, it will directly enhance access to these areas, and second, it will alleviate significant congestion (and its negative impact) on U.S. 78 which currently provides primary access to these areas but also serves as a major truck route. Another potential project is the planned extension of I-459 around the northerly perimeter of Birmingham, which would likely open new areas to development. This would enhance the northerly area of Birmingham in a similar manner as the southerly area of Birmingham was enhanced by the completion of I-459 as it currently exists. The area that might be influenced the most by this development would be south Blount County, which could experience a surge in growth similar to that being experienced by north Shelby County at this time.

The I-65 North corridor around Gardendale has not been heavily developed in the past, in part because of a

number of heavy industries in the northern part of Birmingham that serve as a negative influence in the area. However, increased commuting times caused by congestion in the southerly suburbs, as well as generally lower land prices have recently led to increased residential development in this area, particularly in outlying areas such as Mt. Olive. This trend is likely to increase in the future as is being experienced currently in the I-59 East Corridor.

The downtown area is currently positioned at a crucial point in its history. For years, there has been a drain of businesses (including retail and office occupants) from the city center to the suburbs, with little done successfully to alter this condition. However, there is now an active, concerted effort by public and private groups to try to rebuild this declining area. Operation New Birmingham, a semi-public entity has been spearheading this effort for some time, and signs of success are beginning to appear. Adaptive re-use projects which convert historic buildings from former occupancies as retail buildings, warehouses, or offices are ongoing. New uses include primarily residential, office, and special purpose uses. It is not likely that significant retail recovery in the city center can be achieved, as this would be going against the trend that has been experienced in city centers throughout the South since the advent of the automobile. There have been almost weekly announcements of new projects in the area, and the list of vacant buildings in the city center is declining. However, this conversion of the city center from a place that closes after office hours to a vibrant, "round-the-clock" community is in its early stages, and the success of many projects that have been announced is in no way assured. However, the thrust of redevelopment is such that this area will likely continue to change for the better.

***Conclusion***

The metropolitan Birmingham area is the most significant in the state of Alabama. It has the largest economic base, and has diversified itself from its roots as an iron town to an economically sound community with a strong service, financial, retail, healthcare, and manufacturing community. The generally conservative nature of the business and banking communities have insulated the market from some of the extreme economic cycles which have been experienced in other areas: while Birmingham rarely experiences significant economic booms, it also tends to avoid significant busts. Homegrown businesses such as engineering firms, retailers, banks, and healthcare operators have expanded their presence throughout the region and country, and have been attracting more national attention in recent years. North Alabama secured a significant economic prize with the development of the Mercedes plant near Birmingham, and this action has brought additional positive attention to the area from national and international manufacturers. A second or third tier market from the national perspective, the Birmingham area and its real estate markets have received renewed interest from regional and national investors in the past several years. Development in all real estate categories is currently ongoing at a pace which has not been experienced in Birmingham for many years. New subdivisions, apartments, shopping centers, office buildings, industrial facilities, and special purpose properties are all being built at this time, while occupancy rates in most categories in most areas remain quite healthy. In conclusion, it would appear that the Birmingham market is well positioned for continued steady growth into the next century, which will have a positive effect on the health of its real estate markets.

**NEIGHBORHOOD ANALYSIS:**

The subject is located in the 1600 Block of 3rd Avenue North in downtown Birmingham. The subject neighborhood is situated on the outside fringe of the Central Business District of the City of Birmingham. The neighborhood consists of multiple common wall buildings. These buildings contain offices, retail and storage space mainly. The subject neighborhood is an older an established commercial area of downtown. In the recent past, the downtown market as seen an increase in demand. The subject neighborhood is bounded by the streets, which run north and south and the avenues running east and west through the downtown area. The neighborhood is bounded on the west by 15th Street North and on the east by 24th Street North. In addition, the neighborhood is bounded on the south by 1st Avenue North and on the north by 7th Avenue North. The above listed streets and avenues make up the subject neighborhood for this area of Birmingham. Most demand is centered surrounding the financial district of 5th Avenue North and 20 Street North. In addition, several buildings to the south and east of the subject have been renovated over the past years to high quality office space or to loft apartment space.

**NEIGHBORHOOD ANALYSIS (continued)** 30

The majority of the renovations in the subject neighborhood have taken place from 18th Street to 22nd Street North and 7th Avenue to 3rd Avenue North. The subject area has not seen the increase in demand that areas in the southern and eastern sections have seen. Most facilities in the subject area consist of retail stores on the first or ground floor and office or storage space on the second or third floors. Some buildings in the subject's immediate area have been renovated or restored. However, most are still utilized for their first floor retail or commercial space.

As discussed, areas to the northeast of the subject are in high demand. This area, known as the financial district houses many of Birmingham's skyscrapers and Class A office facilities. Two of Birmingham's most recent skyscraper office facilities are scheduled for construction in the financial district. Most retail and commercial facilities in this section of the neighborhood cater to the office buildings and companies in this area.

Areas to the south and east of the subject are just beginning to feel demand shift in their directions. Many older office buildings and retail facilities have been remodeled. Small size office facilities are being remolded and used by single tenants as high quality office space. Other larger offices have been remodeled into apartment loft space. Overall, this area is also seeing redevelopment and some new growth.

Areas to the far south of the subject on the southern section of downtown are mainly associated with the medical facilities in the area. This consist of The University of Alabama, Birmingham (UAB) and other hospitals such as St. Vincent's and Children's. These areas are not considered comparable to the subject.

**Conclusion:**
The subject's immediate area is in the Central Business District (CBD). However, it is on the fringe of the CBD for the city of Birmingham. The uses on the fringe of the CBD are dominated by ground floor retail and office space, but not much of the above ground floor space is used for any other use rather than storage. Many sections of the CBD have seen an increase in new growth or redevelopment in the recent past. The subject area has not yet felt this growth or rise in demand. Space in the subject area is generally used for retail purposes with the upper floors mainly used for storage. There are some offices in the subject's immediate area, but most commercial space in the subject's section of the neighborhood is retail.

## ZONING AND UTILITIES ANALYSIS

The subject property is zoned B-4, Central Business District, by the City of Birmingham. This zoning classification allows for most types of commercial uses with the intent to provide areas for office, retail and service.

All public utilities are reportedly available to the subject property including electric, water, sewer, telephone, and natural gas. The writers are aware of no conditions, which would change this factor in the near future, nor are they aware of any factors that would reduce the available supply of such services.

## AD VALOREM TAX ANALYSIS

The subject property is currently assessed as one parcel (22-36-2-041-009.000) by the Jefferson County Tax Assessor's office. The county appraised value for the subject in 1993 was $420,050 with $35,000 being land value and the remaining $385,050 being improvement value. The parcel is assessed at 20% of its estimated appraised value and then multiplied by the prevailing millage rate of 69.5 mills. The total estimated tax for 1993 was $5,838.70. The county appraised value for the subject in 1995 was $185,230 with $42,000 being land value and the remaining $143,230 being improvement value. The parcel is assessed at 20% of its estimated appraised value and then multiplied by the prevailing millage rate of 69.5 mills. The total estimated tax for 1995 was $2,574.70.

## HISTORY OF OWNERSHIP

It is the writers understanding that the ownership of the subject is in the State of Alabama Insurance Commission. There appears to be no transactions in the past three years, therefore, a further title search was not performed by the writers as it would be beyond the scope of the appraisal.

**SUBJECT PROPERTY ANALYSIS**

**Site:**

The subject property is a regular shaped tract of land containing an estimated 7,000± square feet of land area. The site is located at 1612 3rd Avenue North in Birmingham, Jefferson County, Alabama. The subject site is part of a typical city block in downtown Birmingham.

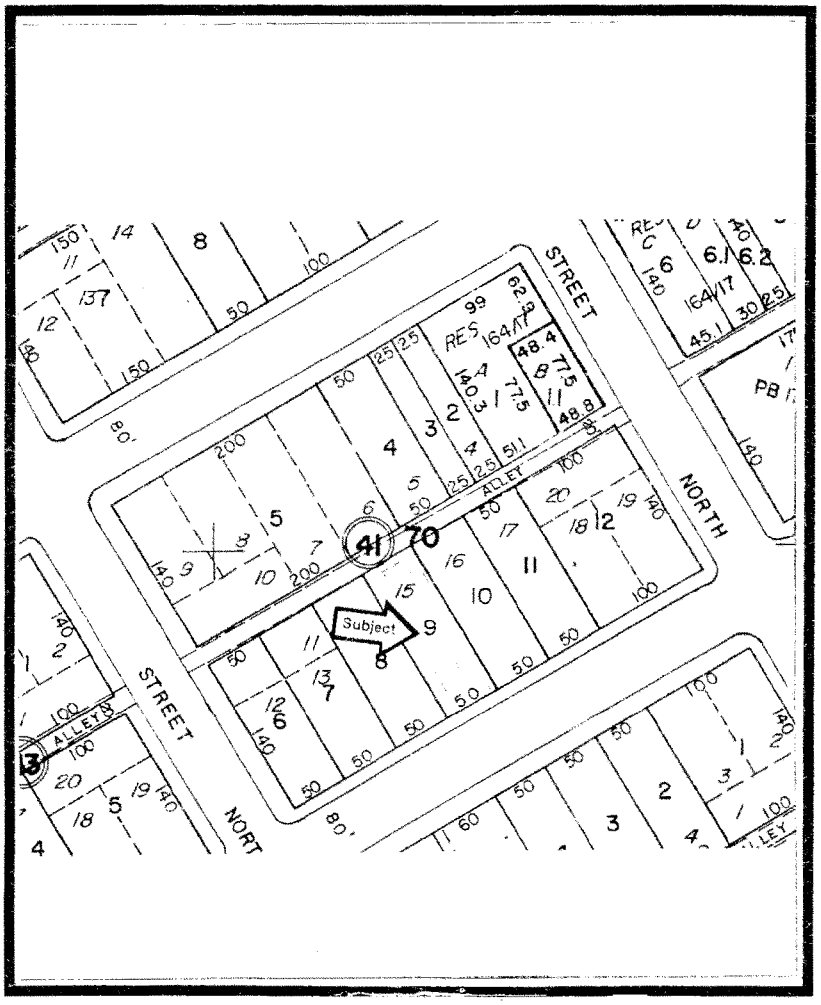
According to the Flood Insurance Rate Maps for the subject area, no portions of the subject are located within an area that would be classified as a special flood hazard area.

**Improvements:**

The subject property is developed with a 14,000± square foot office building. Approximately 7,000± square feet of the building is finished area all on the first/ground floor. The remaining 7,000± square feet of the building is unfinished area located on the second floor. The subject is a two-story building with a masonry exterior and a flat built-up tar and gravel roof. This design and layout of the building is typical for the neighborhood. The building appeared to be in fair condition at the time of the inspection.

**Conclusion:**

The subject improvement would be considered as a two-story office building. The construction is typical for this neighborhood with the flat roofs and the masonry exterior. There are multiple buildings, which are similar to the subject in the neighborhood. There have been several renovations performed on numerous buildings in the subject's neighborhood. The tax records reveal that the subject was built in 1900 and renovated in 1988.




REAL PROPERTY SERVICES, INC.

**SCOPE OF THE APPRAISAL**

The term "scope of the appraisal" means the extent of the process of collecting, confirming, and reporting data. This scope encompasses the necessary research and analysis required to prepare a report in accordance with the intended use of the "Standards of Professional Practice" of the Appraisal Institute, and the "Uniform Standards of Professional Practice" of the Appraisal Foundation.

The Appraisal Assignment was to furnish your office with an estimate of the market value of the leased fee interest in the subject property based upon the highest and best use as of the effective date of this appraisal. Use Analysis in this report will reflect that in the opinion of the writers, the property's highest and best use is for continued commercial use as improved.

The effective date of this appraisal is as shown in this report. Other information regarding the subject property such as zoning, taxes, and utilities was obtained from appropriate government agencies in the City of Birmingham and Jefferson County.

The Area Description was based on information available from the Chamber of Commerce, Bureau of the Census, and local professionals, as well as on information compiled within the offices of Real Property Services, Inc. The Neighborhood Description was based on an inspection of the neighborhood and data that was researched by Real Property Services, Inc.

Three approaches to value were considered by the appraisers in the estimation of a real property market value for the subject: the Cost Approach, the Sales Comparison Approach, and the Income Approach. In developing these approaches to value, the market data used was collected by Real Property Services, Inc. based on our research and discussions with real estate professionals such as realtors, purchasers and/or sellers of properties, other appraisers, and persons knowledgeable of the comparable properties used in analyzing the subject property.

After assembling the information and data defined in this "Scope of the Appraisal," and applying it to the subject property through the approaches to value, a final estimate of market value for the subject properties was made. This estimated market value for the subject property is as noted within this appraisal report.

**HIGHEST AND BEST USE ANALYSIS**

Highest and Best Use is defined on page 171 of The Dictionary of Real Estate Appraisal, Third Edition, as published by The Appraisal Institute as follows:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

Highest and best use of land or a site as though vacant is defined as,

> "Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."

Highest and best use of property as improved is defined as,

> "The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one."

In determining the Highest and Best Use, the primary test is to discover which program a future utilization is able to develop the highest net return on the land over a substantial period of time. This type of highest and best use estimate is always developed from the perspective of potential purchaser/users who constitute an active market for the subject market.

**AS THOUGH VACANT**

**Physically Possible:**

The physical configuration of the property lends itself well to most types of downtown area developments. The subject contains 7,000± square feet, which does limit the size of developments the site could handle. The site is suitable for most any type of commercial venture, such as a retail store, office building, or light industrial facility. The only large-scale development that may overcome this size restraint would be a multiple level development. Overall, the site is best suitable for most any type of development, but any large-scale development must be a multi-story development.

**Legally Permissible:**
The subject property is zoned B-4, Central Business District, by the City of Birmingham. This zoning classification allows for most types of commercial uses with the intent to provide areas for office, retail and service.

**Financially Feasible:**
The subject area is considered to be on the western edge of the central business district. Currently, most uses in the immediate area are retail in nature with some offices. The CBD has expanded in the past 5 to 10 years with many buildings in the downtown area being renovated. Most buildings in the subject immediate area have yet to see this new demand. However, buildings located one to two blocks east of the subject have experienced some of this demand. As demand in the CBD and surrounding neighborhoods continue, it could be assumed that the subject area would increase in demand as well. Therefore, it is the writers' opinion that the highest and best use for the subject site as though vacant would be for some form of commercial use.

**AS IMPROVED**
**Physically Possible:**
The subject improvements consist of a two story facility containing 14,000± square feet of gross building area. Approximately 7,000± square feet is currently finished, all of which is on the ground or first floor. The building was built in 1900 and renovated in 19898 according to tax records. The first floor consists of low quality retail/office space. The second floor is basically an unfinished shell, designed for office space.

**Legally Permissible:**
The subject property is zoned B-4, Central Business District, by the City of Birmingham. This zoning classification allows for most types of commercial uses with the intent to provide areas for office, retail and service.

**Financially Feasible / Maximally Productive:**
It is the writers' opinion that the subject's improvements contribute substantially to the value of the site. Due to the layout of the two-story building and the subject neighborhood, the main use would be for retail use on the first floor with office or storage uses on the second floor. Most buildings in the immediate area consist of ground floor retail space. Above ground floor space is either used for offices if finished or storage if this above ground space is unfinished. Therefore, it is the writers opinion that the highest and best use as improved would be for continued commercial use.

**ESTIMATE OF REASONABLE EXPOSURE TIME**

Implicit in the definition of market value is that adequate time for exposure to the market has occurred predating the effective date of the appraisal. In order to determine the appropriate exposure time for the subject property, it is necessary to consider market conditions, and the highest and best use of the property. An estimate of reasonable exposure time is contingent on the assumed use of the property and the value range considered. It is the writers' opinion that the highest and best use for the subject would be as continued commercial use. In addition, the value range for which this estimate of reasonable exposure time is considered are the value ranges discussed within the valuation section later in this report. It is possible that a shorter exposure to the market would result in a lower value than reported herein.

In order to estimate a reasonable exposure time inherent in the value conclusions reached in this report, the writers considered the number of similar properties available on the market in the subject neighborhood. As discussed, the subject area of its neighborhood has not seen the increases in demand that other sections of the CBD have seen in the past. This is highlighted by the fact that rental rates in the area have been stagnant for some time with little to no increases. There have been some sales of buildings, but most have been located further to the east of the subject. Therefore, it is the writers' opinion that a exposure time of 12 to 24 months would be required for the subject property at the value level reported herein. This exposure time is implicitly assumed to have occurred prior to the date of appraisal, and appears both reasonable and market oriented.

**ESTIMATE OF REASONABLE MARKETING PERIOD**

Similar to the concept of reasonable exposure time is that of a reasonable marketing period. The significant difference, however, is that the marketing period is an estimate of a future period of time that active marketing would likely be required in order to realize the value for the subject properties concluded herein. Exposure time was a historical estimate that is assumed to be implicit in the value conclusions reached below.

The estimated exposure time and marketing period can vary depending on anticipated changes in market conditions which would impact the future oriented estimate of marketing period but would not be incorporated in the historical data used to estimate the exposure time. While the information presented above is a good starting point for an estimate of a reasonable marketing period for the subject properties, it is not sufficient by itself. In addition to this historical data, the writers have considered anticipated changes in market conditions which would influence the reasonable marketing period for the subject property, as well as consulted knowledgeable market participants in the area. As stated, the subject is located on the western edge of the CBD. As demand grows throughout the downtown market, it would be reasonable to assume that the subject area will benefit ass does the rest of the neighborhood. Therefore, it is the writers' opinion that a reasonable marketing period for the subject property would best be estimated to be in the range of 12 to 24 months barring any unforeseen changes in market conditions.

## THE APPRAISAL PROCESS

The appraisal process is a systematic analysis of the factors that bear upon the value of real estate. It is an orderly program by which the problem is defined, the work necessary to solve the problem is planned, and the data acquired, classified, analyzed and interpreted into an estimation of a real property market value. Three basic appraisal approaches are used by the appraiser in the estimation of a real property market value: the Cost Approach, the Sales Comparison Approach, and the Income Approach.

The Cost Approach is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is most applicable for new improvements. This process requires that the site being appraised be compared with sales of similar vacant parcels in order to arrive at an estimate of site value as of the data of the appraisal. The replacement cost of the improvements is then estimated. From this replacement cost, estimated depreciation from all sources is deducted in order to arrive at an estimate of the indicated present worth of the improvements. This indicated depreciated improvement value is then added to the indicated site value to give the estimated market value of the property by this approach.

The Sales Comparison Approach is based on an analysis of sales of similar recently sold properties in order to derive an indication of the most probable sales prices of the property being appraised. Current listings are also sometimes analyzed as they tend to set the upper limit of the value range in any market. These properties are all compared to the subject property on the basis of several key criteria including size, location, quality of construction, land-to-building ratios, time, and conditions influencing the sale as well as other factors, to the extent that such factors are relevant. The differences in the data are analyzed, and adjustments are made to result in an indication of market value from this approach.

By way of the Income Approach, anticipated benefits (dollar income or amenities) to be derived from the ownership of the property are converted into a value estimate. This approach is widely applied in appraising income producing properties whereby anticipated future income and/or reversions are discounted to a present worth figure through the discounting process. The appraiser is primarily concerned with the future benefits resulting from net income which is the net result after deducting expenses and vacancy from potential gross income. The specified net operating income is then projected and discounted together with an estimate of the reversionary value of the property in order to arrive at a value indication for the subject property through this approach.

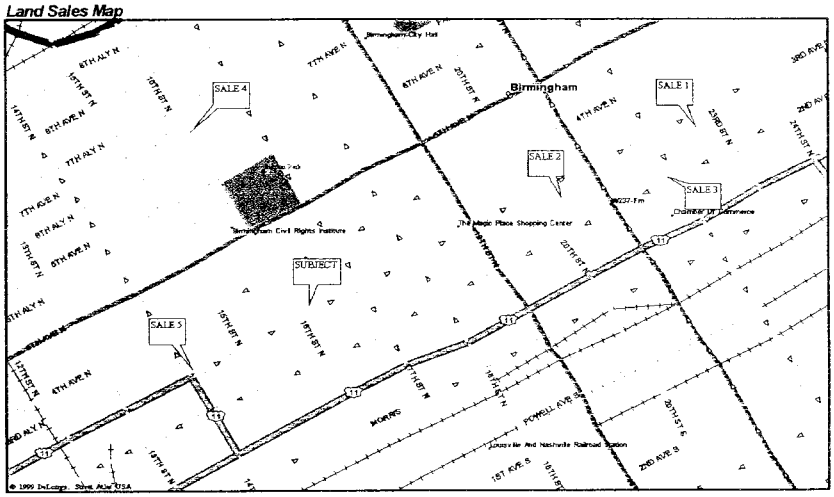
Upon completion of the three approaches, the appraiser generates a final value estimate by reviewing the quality of all of the data developed and utilized in the three approaches to value. In the final reconciliation, the appraiser considers all of the differences among the data and the three approaches to make a determination as to the most applicable and supportable considerations to arrive at the final value estimate.

**THE COST APPROACH**

In this approach, the land is valued "as if unimproved" on the basis of comparison with similar tracts of land recently sold in the same market area. To this is added the estimated replacement cost of the subject improvements, less an estimate of accrued depreciation from all sources. This summation results in an estimate of value by the cost approach. The subject building was originally constructed in the 1900's and renovated in 1988 according to the Jefferson County tax records. The Cost Approach is most applicable for new facilities with little or no deprecation having occurred. The difficulty in measuring depreciation for a building the age of the subject is what makes this approach less desirable. Therefore, the writers have not considered the Cost Approach applicable in this instance.

**ESTIMATE OF SITE VALUE:** The subject property was compared to several other tracts of similar vacant land which sold between the years of 1991-1994. Adjustments were then made to the sales prices indicated for these comparable sites to better equate these indications to the subject property. After these adjustments were made, an estimate of the site value of the subject property was derived based on these indications. The transactions involving sites which were considered the most similar to the subject property are summarized in the table below, followed by a discussion of the adjustments required, and an estimate of the value of the subject site. More complete details related to each sale are attached as an addendum to this report.

***Land Sales Map***



LAND SALES COMPARISON CHART

| Sale # | Sale Date | Location | Physical Characteristics | Size (SF) | SP Per SF |
|---|---|---|---|---|---|
| 1 | 3/91 | Superior | Similar | 4,000 | $10.00 |
| 2 | 6/92 | Superior | Inferior | 7,500 | $7.00 |
| 3 | 1/94 | Superior | Superior | 5,000 | $12.00 |
| 4 | 4/94 | Inferior | Superior | 10,000 | $6.50 |
| 5 | 1/95 | Inferior | Similar | 7,000 | $4.00 |

The first factor considered was market conditions at time of sale. The sales occurred from March of 1991 to January of 1995. There was no data available to directly compare for purposes of estimating a time adjustment. All differences are explained by other factors. Therefore, no adjustment for time was considered necessary.

All of the sales were reportedly arm's length transactions. The indicated prices are in line with other sales, and the motivation of the buyers and sellers is not considered to have unduly influenced the transactions in this instance. Therefore, no adjustments were made for this factor.

The next factor considered was location. The subject parcel is located at 1612-1614 3rd Avenue North. The subject has frontage along 3rd Avenue North and an alley to the rear of the subject. Sales 1, 2 and 3 are all located on 2nd Avenue North, but in higher demand areas. The highest demand areas in the neighborhood start on 20th Street and continue to 22nd Street. Therefore, Sales 1, 2, and 3 are considered superior and require a downward adjustment. Sales 4 and 5 are located in more industrialized areas rather than commercial. Therefore, both of these sales were considered inferior requiring an upward adjustment.

The next factor considered was physical characteristics. The subject has a level topography and sits level with road grade of 3rd Avenue North. The subject is an interior site in the 1600 Block of 3rd Avenue North. Sales 1 and 5 also have level topographies and are also interior lots of a typical downtown city block. Therefore, Sales 1 and 5 are considered similar in terms of physical characteristics and require no adjustments. Sales 2, 3, and 4 were level sites like the subject, but were corner sites and not interior. Therefore, these sales are considered superior and require a downward adjustment.

The next factor considered in equating the sales to the subject property was size. Typically with vacant commercial properties, a larger site will tend to sell for less on a per unit basis than an otherwise similar smaller site. This is due to a concept known as marginal utility which considers the fact that increases in size do not always lead to proportional increases in the overall utility of a site. The subject contains 7,000+/- square feet. Sales 1, 3, and 4 were all significantly smaller sites than the subject. Therefore, these sales were considered to be superior and

required a downward adjustment. Sale 2, 4, and 5 contain between 7,000 and 10,000+/- square feet. This is in a competitive size range of the subject's site size. Therefore, these sales are considered similar and require no adjustments.

The next and final factor considered was whether or not the site was improved with paving or any structures. The subject "as vacant" would be a cleared, level lot with no type of improvements. Sales 1 and 3 were improved with paving at the time of the sale. Therefore, these sales are considered superior requiring downward adjustments. Sales 2, 4, and 5 were considered similar requiring no adjustments.

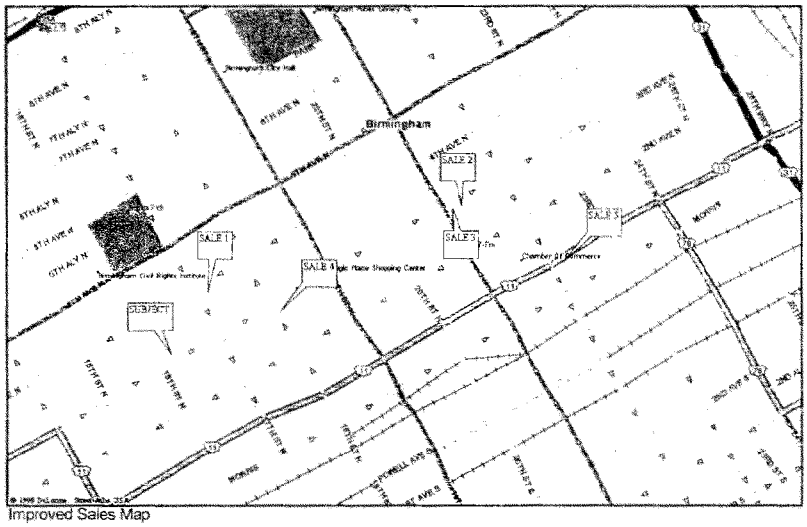
After considering all adjustments and the sales as they relate to the subject, the sales provided a range of indications from about $5.00 to $9.00 per square foot. The writers concluded that the Sales 2 and 5 should have the most reliance placed upon them as they required the least amount of adjustments. After analyzing and considering each of the sales as it relates to the subject property, it is the writers' opinion a market value of about $7.00 per square foot appears appropriate for the subject tract. Based on the indications and discussion above, it is the writers' opinion that the market value of subject tracts as of the effective date of this appraisal is best estimated at $49,000 or say $50,000.

**$50,000**
**(7,000 SF X $7.00/SF)**

## SALES COMPARISON APPROACH

The Sales Comparison Approach, or Market Data Approach, is the method of estimating market value whereby the subject property is compared with comparable properties that have recently been sold, based upon the highest and best use analysis previously indicated within this report. One premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines prices of comparable, competitive properties. Essentially, the Sales Comparison Approach is a systematic procedure for carrying out comparative shopping.

The first step in the Sales Comparison Approach is to make a thorough research of sales that would be considered comparable to the subject property. Within the Sales Comparison Approach, the writer considered supply and demand, balance, substitution, and other applicable considerations to retail facilities. The sales listed, as well as others, were considered and principal units of comparison were selected for use in the valuation process of the Sales Comparison Approach. The sales given the greatest consideration in this approach to value are shown in the addenda of this report.



Improved Sales Map

IMPROVED SALES COMPARISON CHART

| SALE # | SALE DATE | LOCATION | Land To Build. | Quality & Cond. | Size (SF) | Price/SF |
|---|---|---|---|---|---|---|
| 1 | 6/91 | 1701 4th Ave N | .5/1 | Superior | 12,600 | $19.84 |
| | | Superior | Similar | | | |
| 2 | 7/92 | 2109 3rd Ave N | .5/1 | Superior | 7,550 | $22.25 |
| | | Superior | Similar | | | |
| 3 | 12/92 | 1801 3rd Ave N | .5/1 | Superior | 10,000 | $18.50 |
| | | Superior | Similar | | | |
| 4 | 12/94 | 2118 2nd Ave N | .5/1 | Inferior | 6,000 | $10.42 |
| | | Superior | Similar | | | |
| 5 | 8/96 | 2212 3rd Ave N | .58/1 | Inferior | 7,000 | $10.71 |
| | | Superior | Similar | | | |

These are the most recent sales of which the writer are aware involving similar retail/office facilities in the subject area. These sales are considered the most appropriate for comparison to the subject. Several factors were considered appropriate for consideration in this instance, and these include location, size, and quality and condition. Prior to adjustment, the sales ranged from $10.42 to $22.25 on a per square foot basis.

The first factor considered was market conditions at time of sale. The sales occurred from June of 1991 to August of 1996. No adjustment for time appears to be indicated by the sales presented. Differences in price are all explained by other differences. Therefore, no adjustments were made for this factor.

All of the sales were reportedly arm's length transactions. The indicated prices are in line with other sales, however, and the motivation of the sellers is not considered to have unduly influenced the transactions in this instance. Therefore, no adjustments for conditions of sale were considered necessary for the sales.

The next factor considered was location. In terms of commercial/retail properties, location is mainly based on exposure and access to the market. The subject is an interior building located on a major thoroughfare in the subject neighborhood on the fringe of the Central Business District. As previously discussed, the subject is located on the western edge of the neighborhood. Many areas to the east of the subject have experienced new demand in the past. This has been in the form of renovations of older buildings and some new development. The subject area is still somewhat stagnant at this time. Sales 1 and 3 are on the subject's side of 20th Street North, however, these two sales are closer to the CBD and are considered superior in terms of location than the subject. Sales 2, 4, and 5 are located on the opposite side of 20th Street North, which is in an area that is more developed. Therefore, all the sales were considered superior in terms of location and all required downward adjustments.

The next factor considered was the quality and condition of the sales. The subject building was constructed in the 1900's and renovated in 1988 according to tax records. However, the subject contains 3,500± square feet of finished area in the building. The entire 2nd floor of the subject is unfinished space. The other 3,500± square feet on the ground floor is open space used for a photography studio and is not considered to be fully finished area. All the sales were built in similar time frames and are considered similar in terms of quality. Sale 1 was renovated after the date of sale, but was still superior to the subject at the time of sale. Therefore, Sale 1 is considered to be superior to the subject and requires a downward adjustment. Sales 2 and 3 contain more finished area than the subject and also are superior in terms of condition to the subject. Therefore, Sales 2, and 3 are also considered superior requiring downward adjustments. Sales 4, and 5 are both older buildings and were inferior to the subject at the time of the sale. Both these buildings required major Therefore, Sales 4, and 5 were considered inferior requiring upward adjustments.

The next factor considered was the land-to-building ratio. Land-to-building ratios are calculated by dividing the amount of land area by the amount of building area. This helps identify the amount of excess land that may be utilized for expansion, parking or whatever may be needed. The higher the ratio the more excess land available. The subject has a ratio of .5/1 based on the total gross building area of the subject. This is common in the downtown market as most multi-story sales have ratios of less than 1/1. Sales 1, 2, 3, and 4 all have .5/1 land to building ratios, which are in a competitive range with the subject. Sale 5 has a land to building ration of .5/1, which is also considered within a competitive range of the subject. Therefore, all of the sales are considered similar and require no adjustments.

The last factor considered was the size. The subject contains approximately 14,000± square feet of gross building area. The market has shown that smaller size facilities demand a higher per square foot price than larger ones and vise versa. Sales 1 and 3 are in a competitive size range with the subject, and were therefore considered similar requiring no adjustments. Sales 2, 4, and 5 are significantly smaller than the subject, therefore, these sales are considered superior requiring downward adjustments.

After considering all adjustments, the price per square foot ranged from $10.42 to $15.87. The writers examined all the sales thoroughly and concluded that sales 1, 4 and 5 were considered to be competitive with the subject with sales 2 and 3 supporting the value conclusion below as well.

**SALES COMPARISON APPROACH (continued)** 46

Considering each sale as it relates to the subject property, it is the writers' opinion that a value indication of $12.50 per square foot, would be most appropriate for the subject property indicating a value of $175,000. Therefore, it is the writers' opinion that the best estimated value by the Sales Comparison Approach is as follows:

**$175,000**

**(14,000± SF x $12.50/SF)**

**INCOME APPROACH**

Income-producing properties are typically purchased for investment purposes, and from the investor's point of view, earning power is the critical element that effects the property's value. One essential value premise is the higher the earnings, the higher the value. An investor who purchases income-producing real estate is essentially trading a sum of present dollars for the right to receive future benefits. The subject property would qualify as an income-producing property, deriving income through the leasing of the office and storage space.

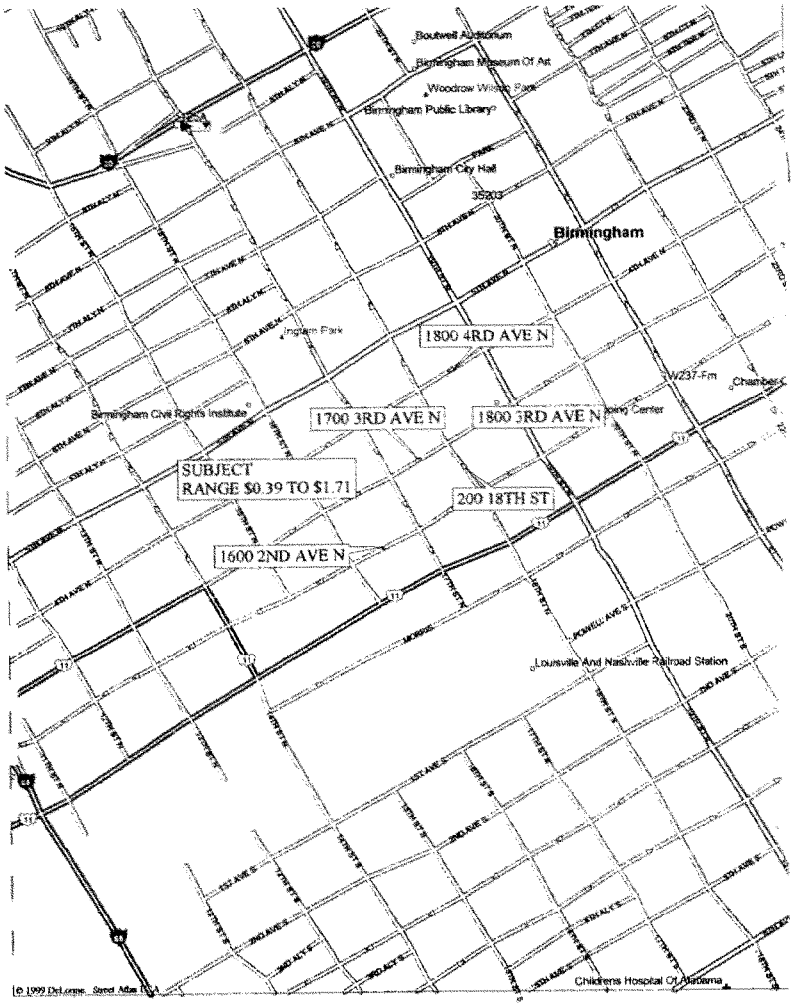
The assignment was to provide your office with rental values for each year 1992-1997 as well as property valuations for 1193 and 1997. The review of the leases you provided included several that apparently were never executed and we are not able to determine if the rents were paid. As an example, there were five leases starting in 1995 for one year. According to a letter dated November 3, 1995 from Mel Burns to John Morrow, the only tenant at that time that was paying rent was American Bail & Bonding Company. He stated that three other leases had been secured but the only one that seems to be activated was for the Williamson Photo in side A. The current tenant in side B appears to be a job placement company that pays $1,500 per month or $18,000 per year for the lower part of side B (3,500+-sf) and the total upstairs (7,000+-). This amounts to an average of $1.71 per SF for the 10,500+- sf. Williamson Photo pays $1.20 per SF for the space they occupy in side A.

Our review of the rental market in the area comes from Mr. Charles Parrish of Watts & Company who handles most of this type of property in the market area as well as an interview of local tenants. Both indicate that the rental market in this area has been stagnant for years and that there have been no rental increases. Existing tenants have been able to keep the same rate.

The properties in the area rent on a per space instead of a per SF basis. This is due to several factors, including the quality of the space, who made improvements to the space (the tenant or the owner), the location, etc. However, a unit of measure has to be determined and for purposes of this report, a per SF basis has been made. Rents in the area vary widely due to location. The closer to 20th street, which is the main business district, the higher the rent. This is reflected in the map on the following page that shows the range of rents in each area.

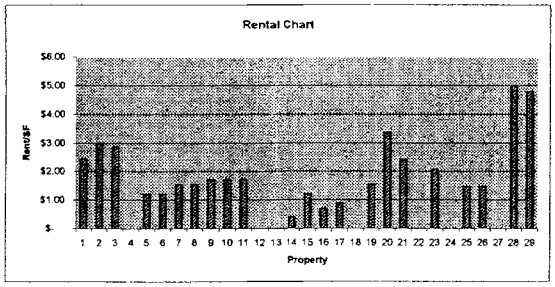
Following the map is a chart showing the rents in the area as well as the rental information for the subject. As can be seen on the chart the rents vary by location as well as other factors. Rentals 15 & 16 are the most similar to the subject, however, I understand that the tenants made improvements at their cost and the current rents reflect that position. The subject is partially finished and falls more in line with the existing rent in side A as well as side B. In my opinion, a fair rent for the years 1992-1997 would be $1.70/SF for the entire building. This would produce a Gross Potential Income of $23,800 (14,000 sf x $1.70 = $23,800).

600


Boutwell Auditorium
Birmingham Museum Of Art
Woodrow Wilson Park
Birmingham Public Library
Birmingham City Hall
35203
Birmingham
Ingram Park
1800 4RD AVE N
Chamber
Birmingham Civil Rights Institute
1700 3RD AVE N
1800 3RD AVE N
SUBJECT
RANGE $0.39 TO $1.71
200 18TH ST
1600 2ND AVE N
Louisville And Nashville Railroad Station
Childrens Hospital Of Alabama

**RENTAL SURVEY**
**BY LOCATION**

| NUMBER | DATE | NAME | LOCATION | SIZE | RENT | RENT/SF | COMMENTS |
|---|---|---|---|---|---|---|---|
| 1 | 2000 | IND STAFFING | 1600-02 2ND AVE N | 5,000 | $ 12,129 | $ 2.43 | FIRST FLOOR |
| 2 | 2000 | HAIR IMAGES | 1604 2ND AVE N | 2,500 | $ 7,500 | $ 3.00 | FIRST FLOOR |
| 3 | 2000 | HATCHER FLORIST | 1606 2ND AVE N | 2,500 | $ 7,200 | $ 2.88 | FIRST FLOOR |
| 4 | 1995 | WILLIAMSON PHOTO | 1612A 3RD AVE N | 3,500 | $ 4,200 | $ 1.20 | FIRST FLOOR |
| 5 | 2000 | WILLIAMSON PHOTO | 1612A 3RD AVE N | 3,500 | $ 4,200 | $ 1.20 | FIRST FLOOR |
| 6 | 1995 | A & S DIVERSIFIED | 1614 3RD AVE N | 3,500 | $ 5,400 | $ 1.54 | FIRST FLOOR |
| 7 | 1995 | AMER BAIL & BONDING | 1614 3RD AVE N | 3,500 | $ 5,400 | $ 1.54 | FIRST FLOOR |
| 8 | 1993 | AFRICAN AMER INST | 1614 3RD AVE N | 10,500 | $ 18,000 | $ 1.71 | ONE SIDE 1ST FL & 2nd |
| 9 | 1995 | AFRICAN AMER INST | 1614 3RD AVE N | 10,500 | $ 18,000 | $ 1.71 | ONE SIDE 1ST FL & 2nd |
| 10 | 1995 | HILLIARD FOR CONGRESS | 1614 3RD AVE N | 10,500 | $ 18,000 | $ 1.71 | ONE SIDE 1ST FL & 2nd |
| 11 | 1997 | AMER TRST LIFE | 1614 3RD AVE N- 2 OFF | UNKNOWN | $ 7,200 | UNKNOWN | FIRST FLOOR |
| 12 | 1996 | HILLIARD FOR CONGRESS | 1614 3RD AVE N | UNKNOWN | $ 9,000 | UNKNOWN | FIRST FLOOR |
| 13 | 1995 | KEVIN ARRINGTON - CHURCH | 1614B 3RD AVE N | 7,000 | $ 2,700 | $ 0.39 | UPSTAIRS |
| 14 | 2000 | ALA BALLET | 1616 3RD AVE N | 3,500 | $ 4,200 | $ 1.20 | STORAGE |
| 15 | 2000 | COMM BIO | 1618 3RD AVE N | 10,500 | $ 7,278 | $ 0.69 | ONE SIDE 1ST FL & 2nd |
| 16 | 2000 | SERA TECH | 1620 3RD AVE N | 14,000 | $ 12,360 | $ 0.88 | TWO STORY, 3RD FL UNF |
| 17 | 2000 | BEAUTY SUPPLIES | 1717 3RD AVE N | 3,500 | $ 5,400 | $ 1.54 | FIRST FLOOR |
| 18 | 2000 | CUT ABOVE HAIR | 1725 3RD AVE N | 2,500 | $ 8,400 | $ 3.36 | FIRST FLOOR |
| 19 | 2000 | CROWN | 1727 3RD AVE N | 5,000 | $ 12,000 | $ 2.40 | TWO STORY FINISHED |
| 20 | 1995 | NATL LOAN | 1806 3RD AVE N | 3,500 | $ 7,200 | $ 2.06 | FIRST FLOOR |
| 21 | 1995 | FAMOUS SHOE SHOP | 1809 4TH AVE N | 3,500 | $ 5,100 | $ 1.46 | FIRST FLOOR |
| 22 | 1995 | SUNNY BOY PRODUCTS | 1811 4TH AVE N | 3,500 | $ 5,100 | $ 1.46 | FIRST FLOOR |
| 23 | 1999 | UNITED HAIR | 220 18TH ST N - EST SIZE | 1,500 | $ 7,500 | $ 5.00 | FIRST FLOOR |
| 24 | 1999 | NEW JERUSALEAM | 230 N 18TH ST - EST SIZE | 3,000 | $ 14,400 | $ 4.80 | FIRST FLOOR |




| RENTAL # | LOCATION |
|---|---|
| 1-3 | 1600 blk 2ND Ave N |
| 4-16 | 1600 blk 3rd Ave N SUBJECT LOCATION |
| 17-19 | 1700 blk 3rd Ave N |
| 20 | 1800 blk 3rd Ave N |
| 21-22 | 1800 blk 4th Ave N |
| 23-24 | 200 blk 18 st N |

NOTE: NUMBERS 6,9 & 10 IN SUBJECT NOT SIGNED

***Vacancy and Credit Loss:*** The property is currently leased to two tenants on the ground floor with second floor vacant at the effective dates of this appraisal. Due to the location of the property and the time estimated that it would take to lease the property if vacant, a 10%.

***Effective Gross Income:*** Effective Gross income is calculated by subtracting the estimated vacancy and credit loss amount from the Potential Gross Income. Therefore, the total effective gross income for property is calculated to be $21,420.

***Estimate of Operating Expenses:*** The daily expenditures required to maintain the building in an operable condition are considered first in this analysis. The expenses incurred by the landlord are listed below as follows.

***Management:*** Professional management companies within the Birmingham area have historically charged a management fee of between 2% and 6% of Effective Gross Income. Due to the multiple tenants and type of lease a management fee of 5% is estimated.

***Taxes:*** The actual taxes for the subject property were discussed earlier in this report. The writers based the tax amounts on these figures and estimated taxes plus any additional fees to be in the range of $2,500 per year. The tax was higher in 1993 but was reduced. A buyer would consider the lower taxes in all years.

***Insurance:*** An insurance expense of $0.10 per square foot has been estimated based on estimated expenses from comparable properties. This is considered reasonable and is market justified and indicates an expense of $1,400.

***Repairs and Maintenance:*** This expense is for exterior maintenance and repairs including the roof. Comparable data indicated an annual expense of $.05 per square foot. This indicates a total expense of $700 per year. This is considered to be market supported.

***Total Expenses:*** Based on the preceding estimates, an estimate can be made for the total expenses associated with operating the subject property. This figure for each year, when deducted from the estimated effective gross income results in the projected net operating income for the subject property. This can be converted into an estimate of the value of the property by means of direct capitalization.

***Estimate of Net Operating Income:*** The projected net operating income results from deducting total expenses from the estimated effective gross income. The effective gross income has previously been estimated at $21,420. Deducting the estimated expenses of $5,671 indicates a net operating income of $15,749.

***Estimate of Value by Capitalization Rate: The*** first step in the direct capitalization technique is to estimate an appropriate capitalization rate in order to translate the net rental rate figure estimated above into an indication of value for the subject property as a whole. Since there were no sales indicating an overall capitalization rate (OAR), an alternate method was applied to use other market information to develop a capitalization rate. This is the band-of-investment mortgage equity technique, which takes a weighted average of prevailing debt and equity rates in the market to arrive at an estimated overall capitalization rate. For the subject property, a loan to value ratio of about 75% would be considered appropriate. A market oriented mortgage rate to a qualified buyer of about 8.5% would be

most appropriate on a 15 year term (due to the age of the property), indicating a mortgage constant of .1182: this is the debt component. A market oriented equity dividend rate of about .10 is estimated for the subject property. An estimated overall capitalization rate can be calculated from these terms. These calculations are shown in the chart below.

**Band of Investment: Mortgage / Equity Method**

| Error! Bookmark not defined. Component | Proportion | Required Return | Weighted Return |
|---|---|---|---|
| Debt (75%, 15 year loan) | 75.0% | .1182 | .0887 |
| Equity | 25.0% | .1000 | .0250 |
| | | | .1137 |
| | | | Say 11.25% |

**Conclusion:** Due to the age of the property and the large amount of vacant space it is the writers opinion an overall capitalization rate in the range of 11.25% would be appropriate. A chart showing the direct capitalization process is shown on the following page. The indication of value by the Income Approach by way of direct capitalization is produced by dividing the net operating income of $15,749 by the estimated overall capitalization rate. This direct capitalization technique produced an estimated market value of $139,991. Therefore, it is the writers' opinion that the market value of the subject property as of the date of appraisal is best estimated by way of the Income Approach to be:

$140,000

**INCOME APPROACH (continued)** 52

**DIRECT CAPITALIZATION TECHNIQUE**

| | | |
|---|---|---|
| Potential Gross Income | | |
| 4,000 SF @ $1.70/SF | | $23,800 |
| Vacancy | | |
| Less 10% | | $ 2,380 |
| EGI | | $21,420 |
| Expenses | | |
| Management 5% | $1,071 | |
| Taxes | $2,500 | |
| Insurance | $1,400 | |
| Repairs and Maintenance | $700 | |
| Total Expenses | | $5,671 |
| Net Operating Income | | $15,749 |
| OAR 11.25% | | $139,991 |
| Estimated Value | | $140,000 |

**RECONCILIATION**

Two indication of the market value of the leased fee interest in the subject property have been estimated based on the three approaches to value. To summarize, these are:

| | |
|---|---|
| **Cost Approach** | Not Applicable |
| **Sales Comparison Approach** | $175,000 |
| **Income Approach** | $140,000 |

In order to arrive at a single estimate of value for the fee simple estate in the subject property, it is necessary to consider each of the approaches to value and to analyze their strengths and weaknesses. The following paragraphs summarize this analysis.

The Income Approach to value is considered applicable to the property. Rents were analyzed for the subject as well as the market area. Therefore, this approach was considered particularly applicable in this instance and was given substantial weight in the final estimation of value.

The Sales Comparison Approach is also considered a good approach to value in this instance. The writers were able to locate several properties that have sold in the recent past. These sales were discussed with appropriate adjustments made when necessary to better relate the sales to the subject property. It is the writers' opinion that the adjustments made to the sales were reliable. Therefore, strong consideration of this approach has therefore been given in the final value estimate.

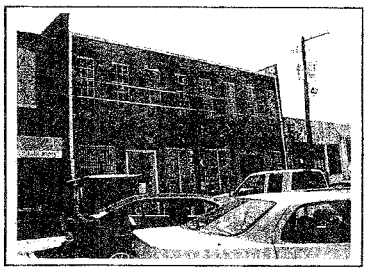
The Cost Approach is typically used for buildings that have been recently constructed and have little to no depreciation. The subject facility is an older building that has been partially renovated since that time. It would be difficult to estimate the exact amount of depreciation that would be associated with the subject building has will have both older structural features and newer interior finishes. Therefore, the writers have considered the Cost Approach not applicable in this instance

Therefore, based on the analysis contained in this report, and the factors discussed above, the writers' have given primary consideration to the Income Approach and Sales Comparison Approaches to value. Based on this, it is the writers' opinion that the market value of the subject property as of the effective dates of appraisal is best estimated at:

**ONE HUNDRED FIFTY THOUSAND DOLLARS**
**($150,000)**

# ADDENDA

**Subject Property Photographs**



## LAND SALE NO. 1

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 169 |
| **Property Type** | Commercial, Commercial |
| **Address** | 213 22nd Street North, Birmingham, Jefferson County, Alabama |
| **Location** | Birmingham CBD |
| **Tax ID** | 22-36-1-029-004.000 |
| **Sale Data** | |
| **Grantor** | Mila B. Hendon |
| **Grantee** | Robert L. Crook, Jr |
| **Sale Date** | March 04, 1991 |
| **Deed Book/Page** | 3992/860 |
| **Recorded Plat** | Lot 10 Block 83 Bham |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $40,000 |
| **Land Data** | |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 40 x 100 |
| **Shape** | Rectangular |
| **Parking** | Paved |
| **Flood Info** | No |
| **Land Size** | |
| **Gross Land Size** | 0.092 Acres or 4,000 SF |
| **Front Footage** | 40 ft 22nd Street N |
| **Indicators** | |
| **Sale Price/Gross Acre** | $435,587 |
| **Sale Price/Gross SF** | $10.00 |
| **Sale Price/Front Foot** | $1,000 |

**Remarks**
Site is a interior parcel on 22nd Street North. Improved with paved parking lot.

## LAND SALE NO. 2

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 170 |
| **Property Type** | Commercial, Commercial |
| **Address** | Parcel 1 - 3rd Ave N, Parcel 2 - 21st Street N, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-2-012-006, Part of 18 & all of 19 |
| **Sale Data** | |
| **Grantor** | Resolution Trust Corp (RTC) |
| **Grantee** | Massey Building Parnters |
| **Sale Date** | June 19, 1992 |
| **Deed Book/Page** | 4316/758 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $52,500 |
| **Land Data** | |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Shape** | 2 rectangular lots |
| **Flood Info** | No |
| **Land Size** | |
| **Gross Land Size** | 0.172 Acres or 7,500 SF |
| **Front Footage** | 50 ft 3rd Ave N |
| **Indicators** | |
| **Sale Price/Gross Acre** | $304,913 |
| **Sale Price/Gross SF** | $7.00 |

**Remarks**

Sale of two seperate tracts in same block. First tract is a 50 x 100 on 3rd Ave N. The second tract are part of two adjacant tracts located on 21st Street North.

**LAND SALE NO. 3**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 171 |
| **Property Type** | Commercial, Commercial |
| **Address** | 2130 3rd Ave N, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-1-041-015.000 |
| **Sale Data** | |
| **Grantor** | Al C Garber (Trustee) |
| **Grantee** | Cook's Pest Control |
| **Sale Date** | January 19, 1994 |
| **Deed Book/Page** | 9401/8664 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $60,000 |
| **Land Data** | |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 50 x 100 |
| **Shape** | Rectangular |
| **Flood Info** | No |
| **Land Size** | |
| **Gross Land Size** | 0.115 Acres or 5,000 SF |
| **Front Footage** | 150 ft Total Frontage: 50 ft 2nd Ave N; 100 ft 22nd Street N |
| **Indicators** | |
| **Sale Price/Gross Acre** | $522,739 |
| **Sale Price/Gross SF** | $12.00 |
| **Sale Price/Front Foot** | $400 |

**Remarks**
Site was improved with paved parking lot.

## LAND SALE NO. 4

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 172 |
| **Property Type** | Commercial, Commercial |
| **Address** | 1421 7th Avenue North, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-35-1-017-001 |
| **Sale Data** | |
| **Grantor** | Edward W. Mudd |
| **Grantee** | Alabama Property Company |
| **Sale Date** | April 29, 1994 |
| **Deed Book/Page** | 9405/9390 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $65,000 |
| **Land Data** | |
| **Zoning** | M-1, Light Industrial |
| **Topography** | Level |
| **Utilities** | All |
| **Shape** | Square |
| **Flood Info** | No |
| **Land Size** | |
| **Gross Land Size** | 0.230 Acres or 10,000 SF |
| **Front Footage** | 200 ft Total Frontage: 100 ft 7th Ave N; 100 ft 15th Street N |
| **Indicators** | |
| **Sale Price/Gross Acre** | $283,138 |
| **Sale Price/Gross SF** | $6.50 |
| **Sale Price/Front Foot** | $325 |

**Remarks**
Lots 3 and 4 Block 39 Birmingham. APCO purchase of land in CBD area.

## LAND SALE NO. 5

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 173 |
| **Property Type** | Commercial, Commercial |
| **Address** | 1400 4th Ave N, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-2-043-002.000 |
| **Sale Data** | |
| **Grantor** | William S. Pritchard |
| **Grantee** | CIty View Mtg. Company |
| **Sale Date** | January 02, 1995 |
| **Deed Book/Page** | 9501/0445 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $28,000 |
| **Land Data** | |
| **Zoning** | M-1, Light Industrial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 50 x 140 |
| **Shape** | Rectangular |
| **Flood Info** | No |
| **Land Size** | |
| **Gross Land Size** | 0.161 Acres or 7,000 SF |
| **Front Footage** | 50 ft 4th Ave N |
| **Indicators** | |
| **Sale Price/Gross Acre** | $174,238 |
| **Sale Price/Gross SF** | $4.00 |
| **Sale Price/Front Foot** | $560 |

**Remarks**
Interior lot.

**IMPROVED SALE NO. 1**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 153 |
| **Property Type** | Commercial, Office |
| **Address** | 1701 4th Ave North, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-2-034-006 |
| **Sale Data** | |
| **Grantor** | City of Birmingham |
| **Grantee** | Henry L. Penick |
| **Sale Date** | June 08, 1994 |
| **Deed Book/Page** | 4038/482 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $250,000 |
| **Land Data** | |
| **Land Size** | 0.145 Acres or 6,300 SF |
| **Front Footage** | 185 ft Total Frontage: 45 ft 4th Ave N; 140 ft 17th Street N |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 45 x 140 |
| **Shape** | Rectangular |
| **Flood Info** | No |
| **General Physical Data** | |
| **Building Type** | Multi-tenant, Office |
| **Gross SF** | 12,600 |
| **Construction Type** | Concrete Block |
| **HVAC** | Typical |
| **Stories** | 2 |
| **Year Built** | 1925 |
| **Condition** | Fair at time of Sale |
| **Location** | CBD |
| **Indicators** | |
| **Sale Price/Gross SF** | $19.84 |
| **Floor Area Ratio** | 2.00 |
| **Land to Building Ratio** | 0.50:1 |

**Remarks**

Purchase of older building that was renovated after sale for attorney offices on second floor and retail on first. Purchase was of shell building. $150,000 spent for upgrades.

**IMPROVED SALE NO. 2**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 155 |
| **Property Type** | Commercial, Office |
| **Address** | 2109 3rd Avenue North, Birmingham, Jefferson County, Alabama |
| **Location** | CDB |
| **Tax ID** | 22-36-2-002-001 |
| **Sale Data** | |
| **Grantor** | RTC |
| **Grantee** | Curtis Gordon, et al |
| **Sale Date** | July 06, 1992 |
| **Deed Book/Page** | 4328/368 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $168,000 |
| **Land Data** | |
| **Land Size** | 0.115 Acres or 5,000 SF |
| **Front Footage** | 53 ft 3rd Avenue North |
| **Zoning** | Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Shape** | Regular |
| **Flood Info** | None |
| **General Physical Data** | |
| **Building Type** | Single tenant, Office |
| **Gross SF** | 7,550 |
| **Construction Type** | Concrete Block |
| **Roof Type** | Flat |
| **Foundation** | Slab |
| **HVAC** | Typical |
| **Stories** | 2 |
| **Year Built** | 1925 |
| **Condition** | Fair |
| **Location** | CBD |
| **Indicators** | |
| **Sale Price/Gross SF** | $22.25 |
| **Floor Area Ratio** | 1.51 |
| **Land to Building Ratio** | 0.66:1 |

**Remarks**

Lot 8, Block 84, Birmingham

This is a typical 2-story office building purchased for renovation for attorney offices.

**IMPROVED SALE NO. 3**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 156 |
| **Property Type** | Commercial, Office |
| **Address** | 1801 3rd Avenue North, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-2-029-002.000 |
| **Sale Data** | |
| **Grantor** | The Leasing Corporation, Inc. |
| **Grantee** | Birmingham Landmarks, Inc./Al. Theater |
| **Sale Date** | December 14, 1992 |
| **Deed Book/Page** | 4441/707 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $185,000 |
| **Land Data** | |
| **Land Size** | 0.115 Acres or 5,000 SF |
| **Front Footage** | 100 ft 3rd Avenue North; 50 ft 18th Street North |
| **Zoning** | Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Shape** | Regular |
| **Flood Info** | None |
| **General Physical Data** | |
| **Building Type** | Single tenant, Office |
| **Gross SF** | 10,000 |
| **Construction Type** | Masonry |
| **Roof Type** | Flat |
| **Foundation** | Slab |
| **HVAC** | Typical |
| **Stories** | 2 |
| **Year Built** | 1920 |
| **Condition** | Fair |
| **Location** | CBD |
| **Indicators** | |
| **Sale Price/Gross SF** | $18.50 |
| **Floor Area Ratio** | 2.00 |
| **Land to Building Ratio** | 0.50:1 |

**Remarks**
Map # - 42 M15-2

This is the sale of a typical two-story office building in the CBD, but located on the outer fringe of the neighborhood.

**IMPROVED SALE NO. 4**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 158 |
| **Property Type** | Commercial, Office |
| **Address** | 2118 2nd Avenue North, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-1-041-011.000 |
| **Sale Data** | |
| **Grantor** | Harold E. Roberts, etal |
| **Grantee** | Denaburg Investments LLC |
| **Sale Date** | December 14, 1994 |
| **Deed Book/Page** | 9414/3978 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Compass Bank Mortgage for $50,000 |
| **Sale Price** | $62,500 |
| **Land Data** | |
| **Land Size** | 0.080 Acres or 3,500 SF |
| **Front Footage** | 25 ft 2nd Ave N |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 50 x 140 |
| **Shape** | Irregular |
| **Flood Info** | No |
| **General Physical Data** | |
| **Building Type** | Single tenant, Office |
| **Gross SF** | 6,000 |
| **Construction Type** | Birck |
| **Roof Type** | Tar and Gravel |
| **Foundation** | Slab |
| **HVAC** | Typical |
| **Stories** | 2 |
| **Year Built** | 1924 renovated in 1995 |
| **Condition** | Fair to Average |
| **Location** | CBD |
| **Indicators** | |
| **Sale Price/Gross SF** | $10.42 |
| **Floor Area Ratio** | 1.71 |
| **Land to Building Ratio** | 0.58:1 |

**Remarks**

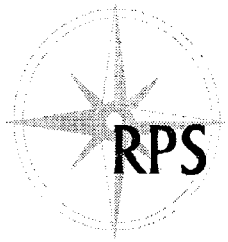
Property was purchased and renovated after purchase for use as office space.

**IMPROVED SALE NO. 5**

| | |
|---|---|
| **Property Identification** | |
| **Record ID** | 159 |
| **Property Type** | Commercial, Office |
| **Property Name** | Maloy Offiices |
| **Address** | 2212 3rd Ave North, Birmingham, Jefferson County, Alabama |
| **Location** | CBD |
| **Tax ID** | 22-36-1-028-007.000 |
| **Sale Data** | |
| **Grantor** | Louie Reese, Jr., etal |
| **Grantee** | Richard Mzloy and Steve Morgan |
| **Sale Date** | August 27, 1996 |
| **Deed Book/Page** | 9610/7965 |
| **Property Rights** | Fee |
| **Conditions of Sale** | Arm's Length |
| **Financing** | Cash |
| **Sale Price** | $75,000 |
| **Land Data** | |
| **Land Size** | 0.080 Acres or 3,500 SF |
| **Front Footage** | 25 ft 3rd Ave N |
| **Zoning** | B-4, Commercial |
| **Topography** | Level |
| **Utilities** | All |
| **Dimensions** | 25 x 140 |
| **Shape** | Rectangular |
| **Flood Info** | No |
| **General Physical Data** | |
| **Building Name** | Maloy's Offices |
| **Building Type** | Single tenant, Office |
| **Gross SF** | 7,000 |
| **Construction Type** | Brick |
| **Roof Type** | Tar and gravel |
| **Foundation** | Slab |
| **HVAC** | Typical |
| **Stories** | 2 |
| **Year Built** | 1910 Renovated 1960/1997 |
| **Condition** | Fair to Average |
| **Location** | CBD |
| **Indicators** | |
| **Sale Price/Gross SF** | $10.71 |
| **Floor Area Ratio** | 2.00 |
| **Land to Building Ratio** | 0.50:1 |

**Remarks**

Office located across from Red Cross Building on eastern edge of CBD.

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REAL PROPERTY SERVICES, INC.
PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING

REAL PROPERTY SERVICES, INC.
PROFESSIONAL REAL ESTATE ANALYSIS, VALUATION & COUNSELING

October 4, 2000

Mr. Ken Kellner
Committee of Standard of Official Conduct
HT 2 - The Capitol
Washington D.C. 20515-6328

RE: Typographical Error
American Trust Building
1612-1614 3rd Avenue North
Birmingham, AL
**RPS FILE # 99-066**

Dear Mr. Kellner:

This letter is to inform you that there was a typographical error in the original report that was previously sent to you. On Page 1 - Summary of Facts and Conclusions under the Fair Market Rent it should read **1614, and not 1613.** This was a typographical error on the writers part, and we apologize for any inconvenience.

If any other assistance is needed, please feel free to contact us at Real Property Services, Inc.

Very truly yours,
REAL PROPERTY SERVICES, INC.

T. Julian Skinner, III
Alabama Certified General Real Property Appraiser #G00070

TJS/csk

# EXHIBIT 48

GRAHAM & COMPANY, INC.

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Institute of Real Estate Management
National Association of Industrial & Office Parks
Building Owners & Managers Association International
CORFAC INTERNATIONAL

**Limited Analysis**
**Summary Appraisal Report**
**Summary Appraisal Reviews**

For

Mr. Kenneth E. Kellner
Counsel
Committee on Standards of Official Conduct
U. S. House of Representatives
HT-2 The Capitol
Washington, D C 20515

**Property**

Commercial Building
1612-14 3rd Avenue North
Birmingham, AL

-Rental Analysis- 1992-1997
-Value Estimates: 9/93, 4/95
-Appraisal Reviews- 12/87, 8/91, 11/95

Report Date: May 2000

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National Association of Industrial & Office Parks
Building Owners & Managers Association International

CORFAC INTERNATIONAL

May 23, 2000

Mr. Kenneth E. Kellner
Counsel
Committee on Standards of Official Conduct
U. S. House of Representatives
HT-2 The Capitol
Washington, D C 20515

RE: Commercial Building
1612-14 3rd Avenue North
Birmingham, AL
Rent Study/Value Analysis
Appraisal Reviews
Summary Appraisal Report

Dear Mr. Kellner:

At your request, I have prepared the enclosed analysis and summary of my research for commercial property located in the West Central Business District of Birmingham, AL. The function of this study is to provide the House Committee on Standards a guide to a reasonable and economic market rent for commercial property at 1612-14 3rd Avenue North in the years 1992 -1997, and to provide a market value estimate effective 9/93 and 4/95. More specifically, your inquiry addresses an estimate of market rent for an undetermined amount of square footage of commercial/office space on the ground floor and a portion of the 2nd floor storage areas. The value estimates apply to the real property as a whole, land and building.

The intended users of this consulting report include legal counsel to the House Committee and other members of the committee in connection with their role and function on said committee. During the times in question, the subject property was owned by American Trust Life Insurance Company or The African American Institute, Incorporated. The property interest appraised assumes a fee simple interest.

**Conclusions:**

As discussed below, I have estimated the reasonable rental for the subject property during the 1992 -97 time frame and a market value estimate as follows:

| | |
|---|---|
| Grade floor retail/commercial, 3,500 sf | $500 to $700/month |
| Grade floor office, 3,500 sf | $700 to $900/month |
| Second floor shell space, 7,000 sf | $150 to $200/month |
| Small Office suite, 350 sf - 400 sf | $290 to $333/month |
| Market Value Conclusions, 9/93, 4/95 | $130,000 to $140,000 |

**Subject Property**

The subject property is located at 1612-14 3rd Avenue North on a site of 7,000 square feet (50 x 140) containing a two-story building of 14,000 square feet. The subject building was built in the early 1900's and partially renovated in the 1980's. The ground floor is improved with commercial store space (west 25') and office space (east 25'). The upper floor is an essentially unfinished shell. On the ground floor, the west 25 foot store space (1612) is occupied by a photography studio. The east 25 feet (1614) is currently occupied by several businesses, but mostly an employment or industrial staffing company.

**Neighborhood Comments**

The West Central Business District can be generally described those blocks east of Interstate 65 forming the west boundary, north to 6th Avenue North and south to 1st Avenue North, extending eastward to 19th Street. The area is a mixture of commercial, office, automobile retailing, grade level automobile parking and some small light industrial applications. During the 1990's, the neighborhood has experienced vacancies higher than in other portions of the downtown market. Businesses tend to be smaller and local in nature, with the exception of fast food restaurants along the axis of I-65 and three major automobile dealerships that anchor the western end of the Central Business District.

Traffic patterns are carried east and west by companion one-way streets. Principal traffic in the area moves east and west with secondary traffic moving north and south. Properties within the immediate block of the subject property include a car wash, an employment agency, blood/plasma bank, grade level parking, a barber shop and a security business. From the west, 3rd Avenue functions as a one-way (east) entry into the downtown area from Interstate 65. In the block to the east of the subject property is the new headquarters of Citizens Federal Savings & Loan Association, additional grade-level parking and a variety of 25 to 50 foot retail stores.

The subject neighborhood is a mixture of commercial and grade parking with older buildings and traffic patterns which move through the area rather than to the area. Vacancies are prevalent in each block, though there are signs of improved occupancy levels and more activity in the last year or so. I expect the area to remain reasonably stable with modest demand for secondary commercial and office uses.

**Highest & Best Use**

The most likely and probable use of the subject property is for commercial store space or commercial office space on the ground floor with storage for the tenants/occupants on the upper floor.

**Analysis Methodology**

To formulate an opinion as to the market rent for the subject property, I have interviewed property managers and tenants from the subject neighborhood with regard to rental rates, tenant size, length of lease and tenant obligations. The results of that market research and interviews have been summarized in the attached grid. The location of the subject property and the location of the competitive rental data has been set out on the accompanying tax map for this portion of the subject neighborhood.

As summarized on the grid, the market rents are varied and range from as little as $350/month to $1,200/month depending on the building location, age and tenant size. The typical commercial or retail store space tends to be a 25' - 50' store building, extending a depth from 100 feet to 140 feet, the latter depth extending fully to the alleys that run east and west through downtown Birmingham. The upper floors tend to be used for storage only with limited build out for office space. Most tenant spaces are rented on the basis of the ground floor retail areas, though many spaces are leased without specific computations of square footage. The market for upper floor rental is less defined than that for the ground floor, and in many instances, the upper floor areas are leased as a adjunct to the ground floor area without a specific allocation of rent for the upper storage areas.

**Market Rent Conclusions: 25'- 50' Store Space**

The subject property is a two story 14,000 square foot building with 7,000 square feet of ground floor space used for office and retail purposes. The interior finish is average and consistent generally with the other properties in the subject neighborhood.

Based on the current research, for the subject property, a 25 foot retail store space should command a retail rental rate in the range of $500 to $700 per month, corresponding to a range of $1.70 to $2.40 per square feet per annum. A 50 foot store space has an estimated market rent in the range of $1,000 to $1,200 per month for commercial purposes.

Because of the greater number of partitions, and the potential of renting out smaller office suites, a 25 foot ground floor office space is estimated to have a higher rental rate, estimated at $700 to $900 per month.

The market lease rates quoted above are typically structured on what is commonly referred to as a commercial gross basis in which the tenant pays for the prorata utilities (water, gas, power) and for interior maintenance and janitorial. The landlord is responsible for the ad valorem taxes, casualty insurance and roof or exterior maintenance. This data is used in the income approach for the 9/93 and 4/95 value estimates set out as an enclosure.

**Market Rent Conclusions- Small Office Suite/Upper Storage**

As a secondary analysis, I was asked for an estimate of market rent for a small office suite or room(s) on the ground floor of the subject and for a judgment of rent for storage areas in the upper floor.

With regard to a rental estimate for a portion of the ground floor, I was able to locate limited office lease rental data for upper floor offices at 319 17th Street North. The upper floor space of 6,500 sf is leased to two tenants at a rate of $9.00/sf on a full service basis.

Rents for office space in the older Class C office buildings and those west of 20th Street suggest a range of $9.00 to $12.00 per sf on a full service lease. The Farley Building at 1929 3rd Ave. North (35,096 sf) offers office space at rental rates of $11.00/sf as of 4th quarter 1995, with occupancy level of 72.5%.[1] Late 99 data for Farley indicates the occupancy level is 88.6%. The Ideal Building at 109 19th Street North (24,000 sf) offers office space at rents of $10.00/sf; 4th quarter office surveys indicate this building is 66.7% occupied.[2]

For the American Trust Building, I would estimate a small office room(s) on the ground floor would constitute an area of 350-400 sf (i.e., 10 x 14 + 15 x 15 = 365). A reasonable rental rate for such a small space would be estimated at $10.00 per square foot on an annual basis, full service. Annual rent would compute to $3,500 to $4,000 per year or $290 - $333 per month.

As to upper floor storage areas, the market research suggests that there is little independent demand for these upper storage areas and that the ground floor tenants have access to these storage areas for little or no additional rent. In a typical 25' retail store building with a market rent of $500 to $700 per month for the ground floor, I would allocate approximately $100 per month for access to storage areas of the upper floor.

If a landlord can locate a separate user for the upper storage area, I would estimate a rental of $150 to $200 per month could be achieved for the entire upper floor of 7,000 sf.

---

[1] Wilhelm Report 4th Quarter, 1995

[2] Data on the Ideal Building indicates the same offering rate of $10.00/sf and 66.7% occupied as far back as 4th quarter 1995 according to "The Wilhelm Report".

**Market Rents from 1992-1997**

During the 1990's, the subject neighborhood has experienced significant and continuing vacancies in a large number of the commercial buildings. There has been increased activity in the subject area in the last two years, and the occupancy levels have improved. In interviewing property managers and tenants, the rental rates have tended to remain relatively flat over the lease term with only modest increases. Based on my observations and from these interviews, I would conclude that the current rents are generally supportive of rents from a time period of 1992 to 1997. The probable rental rate is reasonable for a 3,500 sf shop space in a range from $500 to $700 per month, and for ground floor office of 3,500 sf in a range of $700 to $900 per month.

As to a small office suite, I would conclude that the current rent estimate of $290 to $333 per month for an office room would have been a reasonable rate going back during the early 1990's. As reported there has been little or no change in the rental rates in the immediate subject neighborhood.

**Market Value Estimate: 9/93, 4/95**

I have completed additional research regarding sales of improved properties in the west and east portions of the CBD as a guide to an estimate of market value for the subject building of 14,000 sf, effective 9/93 and 4/95. As with the rents, sales data from this time period is scattered geographically and sales from 1991 to 1995 would tend to support a value conclusion for both the time periods in question, 1993 and 1995. At the time of valuation, it is my understanding that the subject property was partially renovated on the ground floor, and the upstairs was in a shell condition.

I have reviewed sales for older downtown buildings which were in varying states of renovation and repair. The buildings range in size from 4,000 sf to 21,000 sf. The prices paid for such shell properties will vary widely due to location and the extent of renovations, if any, $4.00/sf to $15.00/sf. The subject location is in the middle of the block and there is no off street parking for the subject. At 2 stories and 14,000 sf, the subject is among the larger of the older CBD shell buildings. Most of the sales data tends to fall in a tighter range of $7.00 to $15.00.

The American Trust building is superior to Sale 3 across the street at $7.00/sf. The subject is inferior to Sale 4 (H. S. Lee) which is 14,000 sf on one level and a corner location at $11.00/sf. The subject is inferior to Sales 8 ($19.84) and 9 ($18.50), both corners and in superior locations. The sales grid is set out as an attachment to this letter.

With consideration to the perceived condition of the building, its interior location, and the overall appeal, the reconciled unit value is estimated at $10.00/sf or a total of $140,000, effective 9/93 and 4/95.

**Appraisal Review: 3 Reports**

I have reviewed three appraisal reports supplied by counsel from various time frames. Comments about each are set out below.

12/30/87. Appraiser- Willie Casey. Value conclusion of $654,000. Value is subject to completion of extensive remodeling and renovations, which were apparently only partially completed. This report contains a cost approach which has little significance for a value conclusion. The Cost Approach is flawed in its assessment of depreciation and its replacement cost. The Sales Comparison Approach is flawed as the selection of the sales data does not include any sales of properties in the immediate sub-market of the subject, and there appears to be some math errors in the analysis. The Income Approach suggests potential rental rates that are unreasonable or at least unsupported from the limited market data presented. Overall the appraisal methodology is questionable. Even with the proposed renovations, the value conclusion is not well supported and does not appear reasonable.

8/25/91. Appraiser- Lonnie Tidwell. Value conclusion of $305,000. Value is subject to completion of extensive renovations, but the detail of the cost or the extent of renovations can only be inferred from the available text. The amount of renovations is suggested at $157,500 as an item of functional obsolescence in the cost approach. For the subject property, the cost approach has little significance in the market place.

In the Income Approach, the rental data is broadly presented as an Exhibit. The rent data is second generation survey and the estimated rental rates for the subject are not well supported. The expenses appear high for commercial leases and low for leases that are structured as full service leases. The presented income estimates may have a blend of commercial leases and full service leases, but I am unable to determine clearly from the text.

The Sales Comparison Approach is flawed in the selection of the comparable sales. Secondly, the sales data are for older comparable data, with unsupported upward adjustments for time. The upward adjustments for condition are not valid as the renovations apparently never occurred to the extent as contemplated in the appraisal. Even with adjustments for location at -20%, the sales data is flawed in that the sales prices are adjusted up by 50% to 60% which is presumably attributable to the planned renovations. Given the comparable data, and the questionable adjustments made to the sales price data, the conclusion from the Sales Comparison Approach does not appear to be reasonable or adequately supported.

Overall the value conclusion is subject to the proposed renovations, which are not clearly presented in scope or dollar amount in the copy of the text for my review. The value conclusion does not appear to be reasonable from my review of the data.

11/25/95. Appraiser- James C. Childress. Value conclusion of $210,000. Pages 16-24 apparently are missing from the text I reviewed and address the description and condition of the building in this time frame. The Childress computations are based on a building size of 13,750 sf, rather 14,000 sf used in the other analyses. In the Sales Comparison Approach, the sales data used for comparison would appear to be superior in appeal or location to the subject. The market conditions adjustment is based on the CPI index, and not consistent with my observations of the sub-market. The conclusion from the Sales Comparison Approach appears high based on the comparable selection and the market conditions adjustment.

In the Income Approach, appropriate rental data from the west CBD is considered, and the rental estimate appears reasonable for the ground floor, but inconsistent with the limited demand and appeal for rental of the 2nd floor. The expenses appear to be in line with market parameters. Based on my estimate for a lower rental estimate, the conclusion from the income approach is not appropriate.

The Childress report places equal weight on the Sales Comparison Approach and the Income Approach with a reconciled conclusion of $210,000. The market data is generally adequate. The adjustments are not consistent with my interviews of agents in the area, and the estimated rent for the upper floor in not consistent with my data from the market participants. The value conclusion does not appear to be reasonable from my review of the data in the appraisal text and the supplemental data generated from my research.

**Conclusions:**

Set out above are conclusions related to the market rent estimate for commercial and office space at 1612-14 3rd Avenue North, an estimate of market value effective 9/93 and 4/95, and review and comments about appraisals on the subject property during a time period of 1987 to 1995. Please refer to the attached grids for supporting data on market rents and improved sales.

This report is intended to be a summary valuation report and submitted in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Yours very truly,

Steven V. Graham, MAI
Member Appraisal Institute
State Certified General Real Property Appraiser G00140

Enclosures

# Rental Grid

COMPARABLE RENTAL DATA
WEST CBD- BIRMINGHAM, ALABAMA

16123ann

DATE OF SURVEY 4/1/2000

| NO. | TENANT/BUSINESS ADDRESS | OWNER/ REALTY CO. | LAND SIZE | MONTHLY RENT | BLDG SIZE SF | TENANT SIZE SF | ANNUAL RENT | ANNUAL REVENUE | COMMENTS |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Ala Ballet<br>1618 3rd Ave No | Carper, Dowlen, | 50 x 140<br>7,000 | $ 350.00 | 25 x 140 | 3,500 | $ 4,200 | $ 1.20 | Ground floor leased for storage of props.<br>Commercial gross lease |
| 2 | Sera Tech<br>1618 3rd Ave. No | Carper, Dowlen; | 50 x 140<br>7,000 | $ 608.50 | 25 x 140<br>50 x 140 | 10,500 | $ 7,278 | $ 0.69 | 25' ground floor for customers and lobby.<br>Upper floor for offices. |
| 3 | Sera Tech<br>1620 3rd Ave. No | Bushorne | 50 x 140<br>7,000 | $ 1,030.00 | 3 stories<br>50 x 140 | 14,000<br>based on 2 stories | $ 12,360 | $ 0.88 | Commercial gross lease.<br>1st & 2nd story finished out as offices<br>and commercial. 3rd floor unfinished. |
| 4 | Hatcher Florist<br>1606 2nd Ave. No. | Guthrie | 25 x 100<br>2,500 | $ 600.00 | 25 x 100 | 2,500 | $ 7,200 | $ 2.88 | 25' commercial building.<br>Commercial gross lease |
| 5 | Hair Images<br>1604 2nd Ave. No | Guthrie | 75 x 140+<br>11,500 | $ 625.00 | 25 x 100 | 2,500 | $ 7,500 | $ 3.00 | 25' store with rear parking.<br>Commercial gross lease |
| 6 | Industrial Staffing<br>1600-02 2nd Ave. No | Guthrie | 75 x 140+<br>11,500 | $ 1,010.79 | 50 x 100 | 5,000 | $ 12,129 | $ 2.43 | Temporary labor employer. Rear parking.<br>Commercial gross lease |
| 7 | Hilliard Campaign<br>1703 4th Ave. North | Charles Gratton | 25 x 140<br>3,500 | $ 300.00 | 2,075 | 2,075 | $ 3,600 | $ 1.73 | 12/97 lease for one year.<br>Bldg size taken from BOE.<br>Suite size reportedly much smaller sf. |
| 8 | Williamson Photo<br>1812 A 3rd Ave North | American<br>Trust | 50 x 140 | $ 350.00 | 25 x 140 | 3,500 | $ 4,200 | $ 1.20 | Part of subject building.<br>Ground floor photo studio. |
| 9.1 | For Lease<br>226 18th Street No.<br>2nd Floor Office | Glenn Realty | 50 x 100<br>5,000 | $2,000.00 | 46 x 100 x2<br>9,200 | 4,800<br>2nd floor | $ 24,000 | $ 5.22 | Commercial gross lease<br>Tenant to pay for utilities. |
| 9.2 | New Jerusalem<br>230 North 18th Street | Glenn Realty | 50 x 100<br>5,000 | $ 1,200.00 | 46 x 100 x2<br>9,200 | 3,000<br>1st Floor | $ 14,400<br>Corner | $ 4.80 | Tenant size is estimate<br>New lease from late 1999 |
| 9.3 | United Hair Fashions<br>220 18th Street No | Glenn Realty | 50 x 100<br>5,000 | $ 625.00 | 46 x 100 x2<br>9,200 | 1,500<br>1st floor | $ 7,500 | $ 5.00 | Tenant size is estimate.<br>New lease from late 1999. |
| 10 | Crown/Yamini Acc<br>1727 3rd Ave. No | Glenn Realty | 25 x 100<br>2,500 | $ 1,000.00 | 25 x 100 x 2<br>5,000 | 5,000 | $ 12,000<br>for both floors | $ 2.40 | 25' store bldg. rent for 1st & 2nd floor.<br>Commercial gross lease. |
| 11 | Cut Above Hair<br>1725 3rd Ave. No | Stewart McGee | 25 x 100<br>2,500 | $ 700.00 | 25 x 100 x 2 | 2,500 | $ 8,400<br>1st floor only | $ 3.36 | 25' retail bldg. 1st floor only.<br>2nd floor vacant and in poor repair.<br>Rent in 91 at $500 up to $700 in 1998. |
| 12 | Beauty Supplies/<br>Variety Shop<br>1717 3rd Ave. No | Tom Scott | 25 x 140<br>3,500 | $ 450.00 | 25 x 140<br>3,500 | 3,500 | $ 5,400 | $ 1.54 | Bldg has a split floor level at rear.<br>Base size of 1st floor only.<br>Commercial gross lease. |
| 13 | Revelation Beauty<br>Shop<br>320 17th Street No. | Nelson Bros. | 77.5 x 46.8<br>3,627 | $ 350.00 | 70 x 40<br>2,800 | 20 x 30<br>600 | $ 4,200 | $ 7.00 | Rent from assistant manager.<br>Manager would not reveal. |
| 14 | Nelson Bros Café<br>312-14 17th Street N | Nelson Bros. | 77.5 x 46.8<br>3,627 | $ 800.00 | 70 x 40<br>2,800 | 30 x 40<br>1,200 | $ 9,600<br>Alley corner | $ 8.00 | Café on alley corner. Data from proprietor<br>of café, who may also be owner of bldg. |
| 15 | Urban Impact, Inc.<br>1701 4th Ave. No. | Pennick | 45 x 140<br>6,300 | $ 1,200.00 | 45 x 140 x 2<br>12,600 | 30 x 70+<br>2,400 | $ 14,400<br>Corner | $ 6.00 | Commercial gross, tenant pays power.<br>Lessor pays for water.<br>Lease is for ground floor space.<br>Been a tenant since 1991. 2000 is first<br>year to pay rent. Prior years rent via<br>bldg renovations. Upper floor offices. |
| 16 | Lee Building<br>312-326 16th St. No. | Merle Tinsley | 100 x 140<br>14,000 | $ 350.00<br>$ 400.00 | 100x 140<br>14,000 | 25 x 100<br>2,500 | $ 4,200<br>$ 4,800 | $ 1.68<br>$ 1.92 | 25' store buildings rent @ $350/month<br>La Vase Restaurant at corner at $650/mo.<br>Commercial gross, little change in rents<br>over last 5+ years |
| | Averages | | | $ 778.31 | | 3,992.65 | | $ 3.37 | |

| Subject Property | | |
|---|---|---|
| 1612 3rd Ave. North | | |
| Land Area | 50 x 140 | 7,000 |
| Building | 50 x 140 x 2 | 14,000 |
| Comments: | Ground floor finished as offices, and retail photo store | |
| | Upper floor unfinished and used for general storage. | |

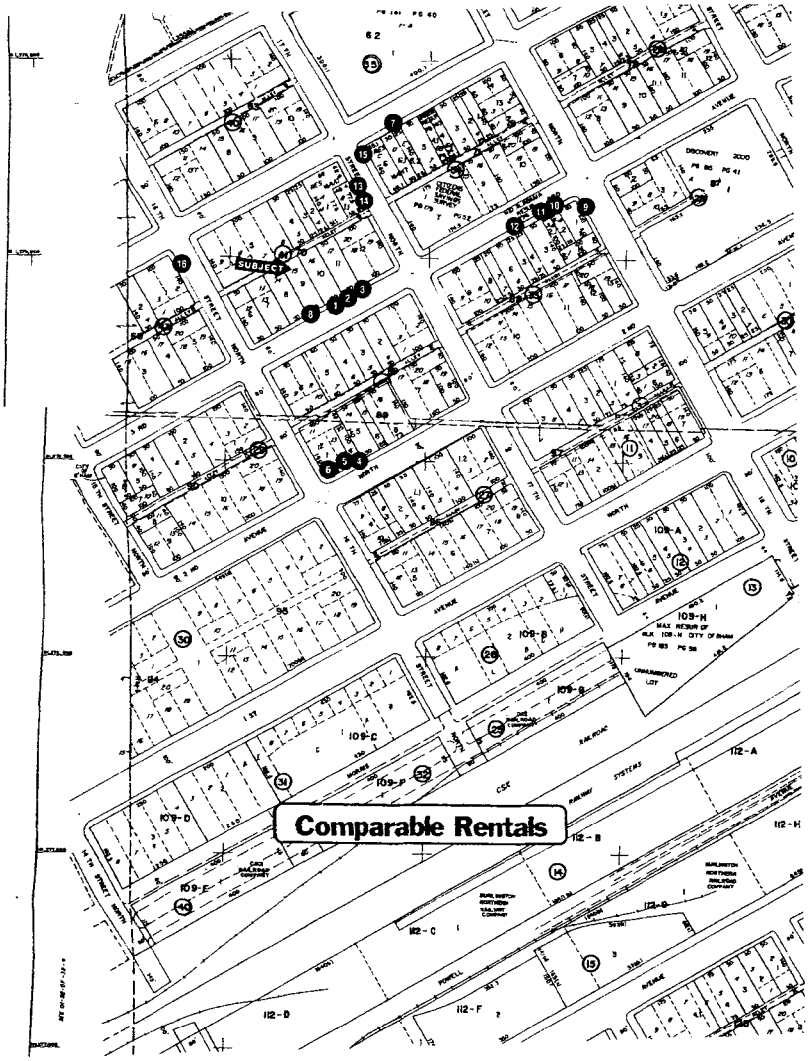
Conclusions
Typical retail space tends to be on ground floor with a 25' to 50' store.
Commercial space of 3500 sf should command a rental rate in a range of
$ per month $ 500.00 $ 700.00
Grade floor office (3,500 sf) rental rate estimate per mo $ 700.00 $ 900.00
Tenant usually pays utilities (power/water/gas). Landlord pays for taxes, insurance, roof.

| Square footage est. | Monthly Est Commercial | Annual /sf | Monthly Est Office Space | Annual/sf |
|---|---|---|---|---|
| 3,500 | $ 500.00 | $ 1.71 | $ 700.00 | $ 2.40 |
| 3,500 | $ 700.00 | $ 2.40 | $ 900.00 | $ 3.09 |
| 7,000 | $ 1,000.00 | $ 1.71 | Office rent estimate for 400 sf office | |
| 7,000 | $ 1,200.00 | $ 2.06 | suite | $333.00 per month |

Historical Rent Conclusions for 3500 sf Shop
Formula based on CPI adjustments

| Year | CPI | Adjusted Rent Range | |
|---|---|---|---|
| Monthly | | $ 500.00 | $ 700.00 |
| Annual | | $ 1.71 | $ 2.40 |
| 1998 | 0.0219 | $ 1.67 | $ 2.35 |
| 1997 | 0.0155 | $ 1.64 | $ 2.30 |
| 1996 | 0.0234 | $ 1.69 | $ 2.25 |
| 1995 | 0.0293 | $ 1.57 | $ 2.20 |
| 1994 | 0.0278 | $ 1.53 | $ 2.15 |
| 1993 | 0.0263 | $ 1.50 | $ 2.10 |
| 1992 | 0.0295 | $ 1.46 | $ 2.06 |
| 1992 | 0.0303 | $ 1.43 | $ 2.01 |
| Avg | 0.0255 | $ 1.57 | $ 2.20 |

Interviews also suggested that the above rates may be more flat and that the 1999- 2000 rates are representative of rates from early to mid 1990's.

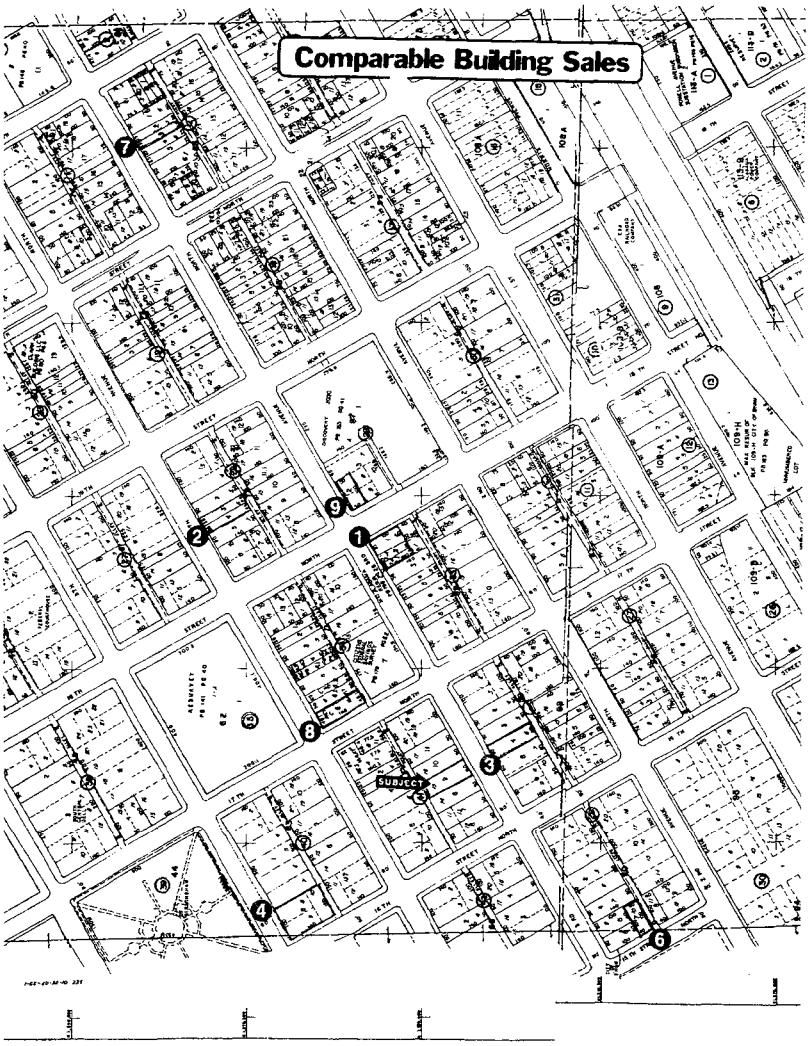

SUBJECT
Comparable Rentals

Income Approach Grid

American Trust
1612-14 3rd Ave. North
Birmingham, Alabama
Effective Dates 9/29/1993 4/27/1995

Income Approach

| 1612-14 3rd Ave. North | | Est. Rent/mo | Annual Rent | Annual/sf |
|---|---|---|---|---|
| Grade Floor W | 3,500 | $ 600.00 | | $ 2.06 |
| Grade Floor E | 3,500 | $ 900.00 | | $ 3.09 |
| 2nd Floor | 7,000 | $ 200.00 | | $ 0.34 |
| Total | 14,000 | $ 1,700.00 | $ 20,400 | $ 1.46 |
| Less VCL | | 5.00% | $ 1,020 | |
| Effective Gross Income | | | $ 19,380 | |
| Less Expenses | | | | |
| Management @ | 4% | $ 775 | | |
| Taxes | | $ 2,608 | | |
| Insurance | $ 0.05 | $ 700 | | |
| Repairs/Maint | $ 0.10 | $ 1,400 | | |
| Total | | | $ 5,483 | |
| NOI | | | $ 13,897 | |
| Capitalized at | | 10.50% | $ 132,350 | |
| Rounded | | | $ 130,000 | |
| Indicated Value per SF of Bldg | | | $ 9.29 | |


Comparable Building Sales
1
2
3
4
5
6
7
8
9

## Improved Sales Grid

American Trust Bldg
1612-14 3rd Ave. North
Birmingham, Alabama

| | | | |
|---|---|---|---|
| Effective Dates | | 9/29/1993 | 4/27/1995 |
| Land | 50 x 140 | 7000 sf | |
| Bldg | 2 story | 14000 sf | |

SALES COMPARISON APPROACH

| No. | Date/Record | Property | Address | Land | Bldg-sf | Year Built | Price | Price/sf | Comments |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 11/24/1994<br>4427/358<br>4427/359 | Green/<br>Fan Ware | 230 18th Street No<br>1727 3rd Ave. No | 5000<br>5000<br>10000 | 9092<br>8183<br>17275 | 1960 | $ 80,000 | $ 4.63 | 2 bldgs sold by US Marshall Leases # 9 & 10. |
| 2 | 12/4/1991<br>4160/451<br>4160/453 | Wee Care<br>Academy | 1813-15<br>3rd Ave. N | 7000 | 21000 | 1900 | $ 80,000 | $ 3.81 | 3 story bldgs renovated to child care centers in 93. |
| 3 | 11/29/1995<br>9513/4408 | Peake to<br>Etheridge | 1615 3rd Ave No. | 7000 | 7000 | 1920 | $ 50,000 | $ 7.14 | Resale of bldg from 1991 sale of $25,000 |
| 4 | 6/18/1992 | BTW/<br>Helen Shores Lee | 1601 5th Ave No | 14000 | 14000 | 1920 | $ 155,000 | $ 11.07 | Corner bldg at Kl Park. Renovated for offices |
| 5 | 12/19/1994 | Roberts/<br>Denaberg | 2118 2nd Ave No | 3500 | 6000 | 1924 | $ 62,500 | $ 10.42 | 25 store bldg. , 2 story |
| 6 | 10/23/1993<br>9314/3887 | McKaig/<br>Smoot | 213 15th Street N | 4000 | 3196 | 1940/68 | $ 48,500 | $ 15.18 | Renovated by McKaig who bought in 91 for $20K |
| 7 | 6/26/1995<br>9508/9316 | Trawick/<br>Advantage | 2017 3rd Ave No | 3500 | 9852 | 1920 | $ 70,000 | $ 7.11 | 3 story shell renovated for offices. |
| 8 | 6/8/1994<br>4038/482 | Bham/<br>Penick | 1701 4th Ave. No | 6300 | 12500 | 1925 | $ 250,000 | $ 19.84 | Corner shell bldg at prime corner. $150K for upgrades. |
| 9 | 12/14/1992<br>4441/707 | Leasing/<br>Bham Ldmarks | 1801 3rd Ave. No | 5000 | 10000 | 1920 | $ 185,000 | $ 18.50 | Prime corner. Adj Alabama Theater. CAPS. |

| Subject | Probable Values | | |
|---|---|---|---|
| 1612-14 3rd Ave No. | Subject sf | Unit $ | Total |
| CBD Shell with some renovations on ground floor. | 14,000 | $ 10.00 | 140,000 |

**CERTIFICATION**
**STEVEN V. GRAHAM, MAI**
**MEMBER APPRAISAL INSTITUTE**

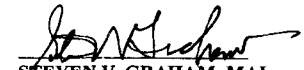
I, the undersigned, do certify that with respect to the property identified as:

**American Trust Building**
**1612-14 3rd Avenue North**
**Birmingham, AL**

To the best of my knowledge and belief...

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions, or the use of this report, or approval of a loan. Furthermore, my employment in this assignment was not conditioned upon producing a specific value or a value within a given range. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice, as adopted by the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.
- This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state certified appraiser has met the requirements of the Board that allow this report to be regarded as a certified appraisal.
- No one provided significant professional assistance to the person signing this report.
- I have made a physical inspection of the subject property.
- In my opinion, the conclusions related to the subject property, as of **December 1, 1992 -97,** are:

| | |
|---|---|
| Grade floor retail/commercial, 3,500 sf | $500 to $700/month |
| Grade floor office, 3,500 sf | $700 to $900/month |
| Second floor shell space, 7,000 sf | $150 to $200/month |
| Small Office suite, 350 sf - 400 sf | $290 to $333/month |
| Market Value Conclusions, 9/93, 4/95 | $130,000 to $140,000 |



**STEVEN V. GRAHAM, MAI**
**State Certified General Real Estate**
**Appraiser Certificate Number G00140**

## GENERAL LIMITING CONDITIONS

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the state program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Possession of the report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

3. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.

5. This appraisal covers the property as described in this report, and the areas and dimensions as shown herein are assumed to be correct.

6. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

## GENERAL ASSUMPTIONS

1. No responsibility is assumed for the legal description or for matters including legal or title consideration. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed that all required license, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimated contained in this report is based.

10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

**Definition of Market Rent**

According to The Dictionary of Real Estate Appraisal, 3rd Edition, Appraisal Institute, market rent is defined as "the rental income that a property would most probably command in the open market; indicated by the current rents paid and as for comparable space as of the date of the appraisal" (Page 221).

**Definition of Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[2]

[2] *Federal Register*, volume 55, number 163, August 22, 1990, pages 34228 and 34229.

GRAHAM & COMPANY, INC.

Birmingham • Huntsville

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Jack Key
Judy Lewis
Dan Lovell, SIOR
J. Claude Tindle, SIOR
Jack Brown
Kristin Vickery
Timothy U. Rau
Walter H. Brown, Jr.
Thomas P. Krebes, FMA, RPA
Weyman W. Prater

HUNTSVILLE, ALABAMA
Gardner Lee, CPM

MEMBERSHIPS:
REALTORS
Society of Industrial & Office Realtors
Appraisal Institute
Counselors of Real Estate
Institute of Real Estate Management
National Association of Industrial & Office Parks
Building Owners & Managers Association International
CORFAC INTERNATIONAL

**QUALIFICATIONS**
**STEVE GRAHAM, MAI, CRE**

Education:

1973 - B.A., University of the South, Sewanee, Tennessee
1978 - J.D., Cumberland School of Law, Samford University, Birmingham, Alabama
Appraisal Institute Courses and Seminars

Real Estate Qualifications:

State of Alabama Broker's License - December, 1978
Primarily involved in real estate appraisal and consulting in all types of real estate.
MAI - Appraisal Institute, Certificate No. 7194
CRE - Member, Counselors of Real Estate, Certificate No. 1214
State Certified General Real Property Appraiser, G00140

Activities:

Birmingham Area Board of Realtors, Board of Directors 1993-94
Alabama State Bar - September, 1978
Mid-South AL Chapter, Appraisal Institute, Officer 1990-1993, Board of Directors, 1996-1998
Operation New Birmingham, Board of Directors, 1986-1992
Alabama Real Estate Appraisers Board, Chairman, 1990-1994
Boy Scouts of America, Troop Committee, Troop 320

Experience:

Appraising and counseling for a wide range of real estate: commercial, industrial, office and investment properties.
Clients include various investors, attorneys, accountants and corporations in addition to those outlined below.

AmSouth Bank N.A.
SouthTrust Bank N.A.
Compass Bank N.A.
Colonial Bank
Regions Bank
Gulf States Paper
Capstone Development
University of Alabama at Birmingham
Baptist Medical Centers
Daniel Corporation
Ebsco Realty
Harbert Corporation
Vulcan Materials
Jefferson County
DCH Regional Medical Center
Children's Health Systems

# EXHIBIT 49

JOHNNIE L. COCHRAN, JR.*
RALPH L. LOTKIN
*ALSO MEMBER OF
THE CALIFORNIA BAR

LAW OFFICES
COCHRAN & LOTKIN
CAPITOL HILL WEST BUILDING
201 MASSACHUSETTS AVENUE, N.E.
SUITE C-1
WASHINGTON, D.C. 20002
PHONE (202) 547-9225
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98 FEB 25 PM 12: 28

LOS ANGELES OFFICE
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OF COUNSEL
OCHOA & SILLAS*
LOS ANGELES, CALIFORNIA
ORANGE COUNTY, CALIFORNIA
SACRAMENTO, CALIFORNIA
MEXICO CITY, MEXICO
*ADMITTED ONLY IN CALIFORNIA
AND MEXICO, D.F.

February 25, 1998

The Honorable James V. Hansen
Chairman
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

The Honorable Howard I. Berman
Ranking Democratic Member
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

Re: Representative Earl F. Hilliard

Dear Mr. Chairman and Ranking Member:

This responds to your letter of February 6, 1998, in which you: (1) denied Representative Hilliard's request for a meeting; (2) confirmed the Committee's earlier request for answers to certain questions; (3) granted an extension of three weeks in which to submit a response; and (4) "affirmed", without any explanation, that the Committee has jurisdiction over all matters raised in its letter of January 13, 1998.

In my brief follow-up conversation with the Committee's Chief Counsel on February 16, 1998, Mr. Van Der Meid indicated he would clarify the meaning of your letter of February 6 in which you stated, "[t]he full Committee has affirmed that it has jurisdiction over the matters raised in its letter of January 13." As discussed with Mr. Van Der Meid, there is no indication which particular matters the Committee "affirmed," hence our continuing confusion and concern.

My letter of February 6, sent to the Committee before your letter to me was received by fax, raised at least 4 separate and distinct questions regarding the Committee's jurisdiction and authority to seek information about: (1) "pre-Member" conduct; (2) conduct having no relationship to official duties and responsibilities; (3) events pre-dating the 3 Congress statute of limitation without either an investigative subcommittee and a separate a majority vote of the Committee to waive the limitation; and (4) statutorily protected materials under the Internal Revenue Code absent formal investigative action by the full Committee. The quoted portion of your letter did not state the rule basis or precedent(s) relied upon. On the other hand, my letter included references to relevant rules, precedents, and legislative history. We also have analyses of the Congressional Research Service confirming our review and conclusions as to issues 1 and 2.

Indeed, your February 6 letter does not even acknowledge or refer to my specific questions, several of which were not included in prior correspondence (3 Congress limit and tax data). Consequently, we, again, simply wish to know what specific rule and precedent supports your decision(s). If there is no precedent, please so advise us as to the fact that a new procedural or Rule interpretation has been adopted. I explicitly requested this guidance from Mr. Van Der Meid who said he would confer with you on specific answers to my specific questions and applicable supporting precedents. To date, I have not heard from the Committee (even as to the issue of submitting a brief detailing our positions and reasoning.)

In light of the above, answers to clearly objectionable questions are being provided because of Representative Hilliard's desire to expedite resolution of a fact-gathering exercise predicated upon erroneous and unverified press accounts. In short, much of the information is submitted under protest, the questions having been prompted by clear jurisdictional and procedural excesses and the absence of any supporting precedent or applicable rule.

Our review of the January 13 letter is that seven broad areas of inquiry were presented to the Congressman, as follows:

I. Business and Charitable Interests
II. Campaign Office
III. Campaign Expenditures
IV. Use of Official Resources
V. Financial Disclosure Statements
VI. Campaign Disclosure Reports
VII. Federal Investigations

Efforts have been undertaken to identify and organize those documents and materials considered responsive to your requests for information. As you can well imagine, certain documents are more readily available than others and not all have yet been collected. In order to avoid unnecessary delay(s) in responding to the Committee's inquiries, answers to certain areas are being provided as they become available. To this end, at least partial responses are provided in connection with categories I, IV, V, VI, and VII, above. As more data is obtained we will promptly supplement our submission.[1] Nonetheless, the answers submitted herewith are based upon information currently available to the congressman in the context of the footnoted caveat regarding the document seizure by the State of Alabama, Department of Insurance.

* * *

I. Business and Charitable Interests

1. *Please provide a complete list of all corporations, businesses, and other entities (including charitable organizations) in which you have had an ownership interest or held a position from January 1, 1991, to the present.*

[Answer]: Mr. Hilliard does not have an ownership interest in any charitable organizations. He has served on the Board of Trustees, as an officer, on the Board of Directors and/or on the Advisory Board of the following organizations:

Hilliards and Company, Incorporated
90-92 - President & Chairman of the Board
92- Chairman of the Board
See Exhibit 1

[1] Caveat: The reason for our difficulty in providing more fully documented responses is due to the fact that major portions of relevant records are in the possession of the State of Alabama, Department of Insurance. Attached as Enclosure 1 is a copy of the State Receiver's letter to me acknowledging possession of documents although no inventory has ever been completed despite the fact that the documents were taken in mid-1996.

American Trust Communication Corporation
Wholly owned subsidiary of Hilliards and Company
At various times, President and/or Chairman of the Board
See Exhibit 2

American Advertising Agency[2]
A Division of American Trust Communication Corporation
No Position

American Trust Corporation
Wholly owned subsidiary of Hilliards and Company
See Exhibit 3

WIQR - 1410 AM
A Division of American Trust Corporation
No Position

American Trust Broadcasting Corporation
Wholly owned subsidiary of Hilliards and Company
At various times, President and/or Chairman of the Board
Defunct in 1992
See Exhibit 4

American Trust Life Insurance Company
Wholly owned subsidiary of Hilliards and Company
President
See Exhibit 5

[2] Contrary to press articles, this entity was never known as American Trust Advertising Agency.

Citizens for Hilliard
State Campaign Committee; appointed self as "agent"
Dissolved in 1993 when elected to Congress
Political Organization

Alabama Community Assistance Corporation
Honorary Position

African American United Fund, Inc.
Director
Formed October 1996 - never activated
Religious, charitable, scientific, literary and educational under IRC 501(c)(3)
See Exhibit 6

World Center for Democracy, Inc.
Director Board
Formed October 1996
Religious, charitable, scientific, literary and educational under IRC 501(c)(3)
See Exhibit 7

The Elected and Appointed Officials Educational and Legal Defense Fund, Inc.
Director Board
Formed October 1996 - never activated
Religious, charitable, scientific, literary and educational under IRC 501(c)(3)
See Exhibit 8

The Emma L. Bower Foundation for Minority Interests in Media, Inc.
Trustee Board
(Formerly, Foundation for Minority Interests in Media, Inc.)
Came on Board in 1995

Metro-Area Morehouse College Alumni Association 1998 Annual Invitational Benefit Golf Tournament
Honorary Position - 1997

Birmingham Greater Golf Associates, Inc.
Director Board
See Exhibit 9

Mt. Moriah Baptist Church - Trustee Board
Religious Organization

Mt. Moriah Missionary Baptist Church - Trustee Board
Religious Organization

Birmingham Morehouse College Alumni Club, Inc. - Vice President
Social/Educational Organization

Tuskegee University - Trustee Board
On Board since 1985

Miles College Law School - Trustee Board
On Board since 1980's

Selma University - Trustee Board
On Board since 1996

- *Please specify the nature or scope of your ownership interests in such entities, and the titles of any positions held.*

  [Answer]: Of the organizations listed above, Mr. Hilliard only has an ownership interest in 2 entities: Hilliards and Company and through such entity, its subsidiary organizations. The nature of his ownership is shares of stock of approximately 30.5% (320 of 1050 shares). The positions are listed above. The other ownership interest is in the Birmingham Greater Golf Associates in which his interest is 18%.

- *During the period of January 1, 1991, to the present, have you or any members of your family possessed signature authority to prepare or issue checks drawn on the bank accounts of any of those organizations? If yes, please identify the pertinent organizations and the corresponding financial institutions at which such accounts are (or were) located.*

[Answer]: Yes.

Hilliards and Company, Inc.
SouthTrust Bank, Birmingham, AL
American Trust Corporation
SouthTrust Bank, Birmingham, AL
American Trust Communication Corporation
SouthTrust Bank, Birmingham, AL
American Trust Life Insurance Company
SouthTrust Bank, Birmingham, AL

2. *Please describe the relationship between American Trust Corp., American Trust Life, American Trust Advertising Agency, and American Trust Communications Corp.*

[Answer]: Hilliards and Company is the parent organization which includes three wholly owned subsidiaries: American Trust Life, American Trust Corporation, and American Trust Communications Corp. Within American Trust Corporation is a division that has been known as WIQR (an AM Radio Station). Similarly, within American Trust Communication Corporation there is a division known as American Advertising Agency.

- *What is the relationship, if any, between any of those entities and Hilliard & Co., Inc.?*

[Answer]: See Answer above.

3. *Please describe the purpose and activities of the Alabama Film and Entertainment Council and the African American Institute.*

[Answer]: The purpose and activities of the Alabama Film and Entertainment Council and the African American Institute are set forth in the Articles of Incorporation for these two entities, copies of which are attached [Exhibits 10 and 11].

- *Have you or any family members held any position in either of those organizations since January 1, 1991?*

[Answer]: Mr. Hilliard has not held a position in either organization. However, as evidenced by the Articles of Incorporation Cheryl

Hilliard (his niece) has been on the Board of Directors of the African American Institute and Mary Hilliard (his spouse) has been on the Board of the Alabama Film and Entertainment Council.

- *What is the relationship, if any, between either of those organizations and other corporations or businesses in which you or members of your family have held an interest or served as a director or officer?*

[Answer]: There is no operational or organizational relationship between either the Alabama Film and Entertainment Council and any of the Hilliards and Company entities, although there have been occasional business transactions involving these organizations.

4. *Please specify the sources of funds for the African American Institute and the Alabama Film and Entertainment Council during the period of January 1, 1991, to the present.*

[Answer]: To the best of the congressman's recollection, and in light of the caveat discussed on page 3 footnote, it is believed that the sources of funds for the African American Institute and the Alabama Film and Entertainment Council during the period of January 1, 1991 to the present are:

Alabama Power Company
City of Birmingham
Jefferson County
National Rifle Association
State Rep. John Hilliard
WIQR - AM 1410
Philip Morris
South Central Bell
Congressman Earl F. Hilliard
American Trust Corporation
Alabama Gas Corporation
Hilliard for Congress
AT & T
American Trust Communication Corporation

5. *With respect to corporations (including charitable organizations) in which you have served as an officer or director from January 1, 1991, to the present, please provide copies of the articles of incorporation and documents pertaining to tax-exempt status, if applicable.*

[Answer]: Relevant available Exhibits provided above.

- *With respect to tax-exempt organizations, please provide copies of applications for exempt status, tax returns or other filings with the Internal Revenue Service ("IRS"), and any correspondence between such organizations and the IRS.*

[Answer]: Congressman Hilliard does not have custody or control of such documents.

6. *What financial interest, if any, do you or any members of your family have in American Trust Advertising Agency?*

[Answer]: Congressman Hilliard and certain members of his family collectively own 100% of American Advertising Agency through their ownership of Hilliards and Company.

7. *Please describe the types of insurance policies provided or underwritten by American Trust Life from January 1, 1991, to the present.*

[Answer]: American Trust Life Insurance Company sold life, accidental, funeral, and maternal policies. As noted earlier, the State of Alabama, Department of Insurance has all records regarding the types and value of any and all such policies that were issued.

8. *What is, and has been, the nature of your interest in the radio station WIQR, and how has that changed since 1991, if at all?*

[Answer]: See response to #2. To the best of Mr. Hilliard's recollection, and in the absence of documents, it is believed that the station was sold to Canterbury Broadcasting Corporation (CBC) for $175,000. Canterbury paid a down payment for $25,000 and the balance was financed by the American Trust Corporation. Canterbury made approximately fifteen (15) payments of $1,600.00 and defaulted. American Trust purchased the station back from Canterbury for $25,000.00 and satisfaction of the balance of the indebtedness owed by Canterbury to American Trust Corporation. Efforts are underway to locate additional documents.

9. *What is, and has been, the relationship, if any, between American Trust Advertising Agency and WIQR?*

[Answer]: See response to #2.

10. *What is, and has been, the relationship, if any, between American Trust Life and the African American Institute?*

[Answer]: There is no operational or organizational relationship between these two entities, however, American Trust Life Insurance Company sold to the African American Institute a building located at 1612 - 1614 3rd Avenue North, Birmingham, Alabama and they have had both a lessor-lessee relationship and a mortgagee-mortgagor relationship. All relevant documents were taken by the State of Alabama.

11. *What is, and has been, the nature of your interest or involvement, if any, in the radio station WSKN?*

[Answer]: When the Radio Station WIQR was sold to Canterbury Broadcasting Corporation, the name was changed to WSKN and when American Trust Corporation purchased WSKN back from Canterbury, WSKN was named WIQR. When Canterbury owned WSKN a mortgagee-mortgagor relationship existed since American Trust Corporation financed the station sale for Canterbury. Same radio station as WIQR. See, also, response to question #8.

* * *

IV. <u>Use of Official Resources</u>

1. *Which employees of your Washington, D.C. or district congressional offices also have worked on your congressional campaign?*

Comment: It is not possible to discern from this question whether the Committee seeks information regarding work undertaken by a congressional staff person during the <u>same</u> general period of time campaign activities may have been pursued or whether a possible response is simply triggered by an individual having worked for either the congressional office and the campaign

office although during wholly separate and non-overlapping periods. Also unclear is the timeframe in which information is sought as well as whether individuals were compensated or unpaid volunteers. In light of these obvious ambiguities, we have assumed the Committee's interest to apply to individuals who may have worked for the congressional office or the campaign organization during the same period of time since 1993.

Caveat: Answer is based upon currently available records of the Clerk of the House and campaign reports (some of which we believe may be included in the State of Alabama document seizure).

[Answer]: Mary Brown
Elvira Williams
Robert Lane
Tunstall Wilson
Ken Mullinax
Jack Zylman
William Parker
Phyllis Hallmon
Erica Arrington
Lonna Clark
Don Hull
Jacqueline Smith
Toni Motley

2. *Which employees of your Washington, D.C. or district congressional offices also have worked for any business or charitable organization in which you or members of your family have had a financial interest or have served as an officer or director?*

Comment: It is not possible to discern from this question whether the Committee seeks information regarding work undertaken by a congressional staff person during the same general period of time relevant business or charitable activities may have been pursued or whether a possible response is simply triggered by an individual having worked for either the congressional office and a relevant business or charity office although during wholly separate and non-overlapping periods. Also unclear is the timeframe in which information is sought as well as whether individuals were compensated or unpaid volunteers. In light of these obvious ambiguities, we have assumed the

Committee's interest to apply to individuals who may have worked for the congressional office or a relevant business or charitable organization during the same period of time since 1993. See Caveat, above, to question 1 and footnote, page 3.

[Answer]: Elvira Williams
Janine Hunt
Tunstall Wilson

3. *Did your campaign organization, as reported, move into the same building occupied by your congressional office in Birmingham in 1996?*

[Answer]: No. The address for the congressional office in Birmingham was 319 17th Street North. The address for the campaign office was 1614 3rd Avenue North. Attached as Exhibit 12 is a map of downtown Birmingham showing the relative position of the two offices and their totally separate physical locations.

4. *Has your congressional office in Birmingham ever shared space or other resources with your campaign organization or other organizations?*

[Answer]: No, as to sharing space. With respect to resources (by which we assume the Committee refers to copy machine, fax machine, and the like), the lease agreement between my congressional office and the landlord entitled all occupants to have access to such items, a matter which was contemplated by, and figured into, valuing the lease costs.

5. *Has your congressional office in Montgomery ever shared space or other resources with your campaign organization? With any other organization?*

[Answer]: No. In Montgomery, they are 10 miles apart.

6. *To what extent, if any, has campaign activity been conducted in any of your congressional offices?*

[Answer]: There has always been an explicit policy to avoid pro-active campaign activity in the congressional office such as initiating fundraising, political campaign calls, or the preparation of campaign materials. Nonetheless, and as would reasonably be expected,

campaign-related calls would occasionally come to the congressional office (including mail). As a matter of routine, such contacts promptly would be referred to the appropriate campaign office. This policy was consistent with the Committee's letter to Mr. Hilliard dated February 7, 1997 (Enclosure 2).

7. *To what extent, if any, has business concerning WIQR or any other company or entity in which you have had a financial interest been conducted in any of your congressional offices?*

[Answer]: No business activities were initiated during official business hours or utilizing official resources. To the extent possible, any such calls which may have come in would either be referred or deferred until such time (or location) as would be appropriate.

8. *Does your campaign organization in Birmingham currently pay rent to occupy its location? If yes, to whom is that rent paid, and in what amount?*

[Answer]: Yes, $300 monthly, Penick Realty.

- *Please provide a copy of the rental agreement.*

[Answer]: A copy of the lease is attached [Exhibit 13].

- *Was there a period during the last two years when the campaign organization in Birmingham did not pay rent? If so, why?*

[Answer]: The Alabama Insurance Commissioner took control of the building American Trust Life Insurance company at 1612 - 3rd Avenue, North in June 1996. The Commissioner elected for the Insurance Company not to keep the building and the first mortgagee, SouthTrust Bank, foreclosed on it. It was a while before the campaign found a new place. It was this period of time that the campaign did not pay rent.

9. *Please state whether your congressional office in Montgomery moved in 1994 from the local federal building to a former bank branch building on Norman Bridge Road. If yes, please specify the date of the move and explain the reason for the move.*

[Answer]: The Federal Courthouse was getting ready to undergo extensive renovation and added a major addition. Mr. Hilliard elected to move; plus he had free parking at the new location for constituents. The date of the move was on or about March 16, 1995.

- *What was the monthly rent at the previous location in the federal building?*

[Answer]: The monthly rent at the Federal building was approximately $590.

- *What was the monthly rent at the new location on Norman Bridge Road? On what basis was that rent calculated?*

[Answer]: The monthly rent on Norman Bridge Road was $1000. The rent for the building was negotiated.

10. *Please state whether your congressional office in Montgomery moved in 1996 from the location on Norman Bridge Road to a new location on West South Street. If so, please specify the date of the move and explain the reason for the move.*

[Answer]: Yes, Mr. Hilliard's Congressional office in Montgomery did move from the location on Norman Bridge Road to a new location on West South Boulevard. The date of the move is in the lease attached hereto and marked as Exhibit 14. The move provided his office with more privacy, more visibility and more free parking.

- *What amount of rent is the district office in Montgomery currently paying?*

[Answer]: The amount of rent the district office in Montgomery is currently is $1000, the same amount as for the prior location on Norman Bridge Road.

- *To whom is that rent being paid?*

[Answer]: The rent is being paid to R. Smith & Associates.

11. *Please identify any persons who have been employed in your district office in Montgomery since your election to the House of Representatives in 1992, and provide the dates of their employment.*

[Answer]: See Exhibit 15 marked as Montgomery Employees. Information is based upon Clerk's Reports, as currently available.

12. *Please identify any persons who has been employed in your district office in Birmingham since your election to the House of Representatives in 1992, and provide the dates of their employment.*

[Answer]: See Exhibit 16 marked as Birmingham Employees. Information is based upon Clerk's Reports, as currently available.

13. *What financial interest, if any, do you or any members of your family have in R.S. Associates?*

[Answer]: Absolutely None.

14. *Have you or any members of your family benefitted financially, either directly or indirectly, from any rent paid by your district congressional office in Montgomery to R.S. Associates?*

[Answer]: Absolutely Not.

* * *

V. Financial Disclosure Statements

1. *Please identify all individuals who have been involved in the preparation of your Financial Disclosure Statements since you first became a candidate for the House of Representatives.*

[Answer]: Theta Shipp
Tunstall Wilson
Wendell Chambliss
Phyllis Hallmon

In addition to the above, from time to time and particularly during financial disclosure preparation "season", members of Mr. Hilliard's congressional staff contacted Committee staff for advice on disclosure matters.

2. *Have you held a reportable ownership interest or position in American Trust Advertising Agency since you originally became a candidate for election to the House of Representatives?*

[Answer]: Not to Mr. Hilliard's knowledge or understanding of the Ethics in Government Act. Specifically, it has been his understanding that wholly owned subsidiaries (such as the relationship of the American Advertising Agency to Hilliards and Company) do not need to be separately reported if the parent entity is disclosed in accordance with reporting requirements. Similarly, it is his understanding that reporting of "positions" would also be governed by whether a position in one organization was a subsidiary of another organization in which the holding of a position was disclosed. Congressman Hilliard consistently informed the Committee of his Board member status in family owned entities as reflected by Enclosure 3, a Committee letter to Mr. Hilliard dated December 6, 1996, (regarding Hilliards and Company, American Trust Communication Corporation, and American Trust Corporation); and Enclosure 4, a Committee letter to Representative Hilliard dated June 9, 1993 (regarding Hilliards and Company and American Trust Insurance Company). At no time did the Committee inform Mr. Hilliard that separate reporting as to "Holdings" or "Positions" regarding subsidiaries was required even though he had disclosed his interest in Hilliards and Company in his very first candidate filing in May 1992.

* * *

VI. Campaign Disclosure Reports

1. *Please identify all individuals who have been involved in the preparation of your filings with the Federal Election Commission since you first became a candidate for the House of Representatives.*

[Answer]: Elizabeth Redmond
Elvira Williams
Donald Hull
Rita Hall
James Parker
Jewel Clark
Toni Motley

**VII. Federal Investigations**

1. *Please state whether, to your knowledge, you or your campaign organization is currently the target or subject of an investigation by the Department of Justice or the Federal Election Commission and, if so, please describe the nature and scope of the investigation.*

[Answer]: Neither Mr. Hilliard nor his campaign organization have been informed that either is currently the target or subject of an investigation by the Department of Justice or the Federal Election Commission.

* * *

As matters now stand, Congressman Hilliard has been denied: (1) a meeting to discuss any issues; and (2) any explanation of the basis of Committee decisions which we believe are clearly in violation of both rules and precedents of the Committee and the House of Representatives. Such unprecedented treatment of a Member, per se, raises serious questions about fundamental fairness in the light of past practice of the Committee to afford all Members such minimal basic courtesies. Accordingly, the Congressman, once again, renews his request for a meeting with you to discuss existing issues of concern and to obtain clarification of the bases and precedents underlying your requests for information.

Supplementing data as well as answers and documentation regarding the remaining two categories will be submitted to the Committee as soon as practicable.

Sincerely,

Ralph L. Lotkin
Counsel for Representative Earl F. Hilliard

Enclosures and Exhibits

# EXHIBIT 50

JOHNNIE L. COCHRAN, JR.*
RALPH L. LOTKIN
*ALSO MEMBER OF
THE CALIFORNIA BAR

LAW OFFICES
COCHRAN & LOTKIN
CAPITOL HILL WEST BUILDING
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OF COUNSEL
OCHOA & SILLAS*
LOS ANGELES, CALIFORNIA
ORANGE COUNTY, CALIFORNIA
SACRAMENTO, CALIFORNIA
MEXICO CITY, MEXICO
*ADMITTED ONLY IN CALIFORNIA
AND MEXICO, D.F.

March 5, 1998

The Honorable James V. Hansen
Chairman
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

The Honorable Howard I. Berman
Ranking Democratic Member
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

Re: Representative Earl F. Hilliard

Dear Mr. Chairman and Ranking Member:

This communication constitutes a further response to your February 6, 1998, letter seeking answers to numerous questions regarding the activities, private business relationships, and campaign and official actions of Congressman Earl F. Hilliard. Certain of your questions cover a period predating Mr. Hilliard's tenure in Congress by over 2 years and also relate to matters having absolutely nothing to do with his duties as a Member of Congress.

Despite our repeated requests, both orally and in writing, the Committee has effectively ignored and denied Mr. Hilliard's request for a citation to those specific Committee and House Rules and precedents supporting its scope and method of inquiry. The only response has been a generic statement that the "full Committee has affirmed that it has jurisdiction over the matters". Such statement on its face provides nothing in the way of guidance or analysis and leaves to speculation

whether, in fact, an in-depth review of the specific issues we presented for consideration has ever been undertaken. Part of any such comprehensive and objective analysis would be the identification of those specific precedents establishing that the Committee has, in fact, exercised its authority/jurisdiction over the types of issues presented to Congressman Hilliard -- i.e., seeking information on matters relating to (1) "pre-Member" conduct, (2) conduct having no nexus to official duties and responsibilities as a Member, (3) conduct pre-dating the 3-Congress statute of limitations absent a majority vote of the Committee, and (4) access to tax materials without initiation of a formal investigation.

While we have both raised and analyzed these matters from the perspective of Rules and precedents, no Committee reaction beyond the quoted blanket assertion as to jurisdiction has ever been provided.

The same concern lies with respect to the Congressman's repeated requests for a meeting with you -- again, a matter which has been denied.

By contrast, we simply invite your attention to the Committee's February 23, 1998, memorandum distributed to Members, officers and employees setting forth a detailed analysis of outside earned income restrictions. It is abundantly evident that the document was prepared in response to the concerns of certain Member(s) with regard to practicing a profession. Regardless of what the February 23 document states from a substantive standpoint, it represents the fact that the Committee has apparently chosen to selectively respond to such requests by Members for an explanation of the Committee's decisions on a matter of interest to the body as a whole. We firmly believe the parameters and scope of authority of the Committee's jurisdiction to investigate Members on issues that pre-date even their candidacy for office is at least of similar importance to Members. Nonetheless, our requests for analysis and explanation have been ignored.

Even more troubling is the fact that news reports indicate that Rep. Coburn (presumably the Member whose concerns prompted the analysis of February 23) may have also been granted an opportunity to meet with the Committee to advance his position. Assuming the accuracy of the news accounts, it need only be pointed out that, by contrast, Rep. Hilliard has not been accorded such a courtesy even though he sought such a meeting as early as January 21, 1998, about 1-1/2 months ago. Such apparently disparate treatment raises additional issues for which we seek an explanation.

In this light, we place in the record yet another request for a meeting and that the Committee respond in writing to our long-standing questions regarding the specific procedural basis, policy, and historical Committee and House precedents underlying and supporting the instant series of inquiries propounded to Congressman Hilliard.

Against this backdrop of concern, we herewith submit to you answers to Section II of your January 13, 1998 letter captioned "Campaign Office".

II. Campaign Office

1. *Please provide the addresses of your campaign offices in Alabama from 1991 to the present, and state when the campaign offices were located at those addresses.*[1]

[Answer]:

| | |
|---|---|
| 1992-1995: | 1612-A and 1614-A - 3rd Avenue North, Birmingham, Alabama |
| 1996: | 1612-B and 1614-A - 3rd Avenue North, Birmingham, Alabama<br>128 Lee Street, Montgomery, Alabama |
| 1997-Present: | 1703 - 3rd Avenue, Birmingham, Alabama |

2. *Regarding the campaign office previously located in a building on Third Avenue in Birmingham:*

   - *Who owned that building during the time when your campaign occupied space in the building?*

[Answer]: The building had two owners: American Trust Life Insurance Company and African American Institute, Inc.

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[1] It is not clear whether this question applies to any State level office campaign office, or just to a federal congressional campaign. Answer assumes federal congressional campaign office is focus of inquiry.

- *What other organizations or entities were located in that building when the campaign office was located there?*

[Answer]: Comment: The following organizations were located in the 3rd Avenue building during the period 1992-1996, but not simultaneously or at all times in such period.

American Trust Life Insurance Company
American Trust Corporation
African American Institute
American First Bail and Bonding Corporation
Lifting Christ Worship Center
Williamson Photography Studio
Wright & Associates
A & S Diversified

- *Did you or any members of your family have any financial interest, or hold any position, in any of those businesses or entities?*

[Answer]: Yes. See answers to questions 1, 2 and 3 under Heading "I. Business and Charitable Interests" contained in the February 25, 1998, letter to Committee.[2]

- *How was space in the building allocated between the campaign and other entities located in the building?*

[Answer]: The building consisted of approximately 14,000 square feet. Initially, the campaign office had 3,500 square feet at 1612-A. The campaign later moved to offices at 1614-A and upstairs to 1612-B for additional space.

- *Why was the building on Third Avenue selected as the location of your campaign office?*

---

[2] It is unclear whether this question pertains to a family interest or position in the organizations which owned the building or those organizations that occupied the building, or to both ownership and/or occupation. Answer assumes "both" possibilities intended.

[Answer]: Third Avenue is one of the most highly traveled streets in Birmingham, and it was the bus stop and pick-up for two different bus companies and several buses. It was located in the population center of my district.

3. *What amount of rent did the campaign initially pay for the use of the building at Third Avenue, and to whom was that rent paid?*

[Answer]: The initial monthly rent as reported in FEC documents was $600 per month paid to American Trust Life Insurance Corporation.

- *By what amount, if any, did the campaign's rent increase during the time the campaign office was located at the Third Avenue building?*

[Answer]: As reported to the FEC, rent increased by $400.00 (to $1000 per month) in 1993 (paid to American Trust Life Insurance Corporation). In September 1993, rent increased to $1500 per month and paid to African American Institute (see question/answer 12, infra.)

- *On what factors were those rent increases based?*

[Answer]: The campaign obtained additional space (in unit 1612-B) for storage and advertisement space. A large banner was erected (4ft x 20ft approximately) and displayed across the front of the building.

4. *Did you or any member of your family benefit financially, either directly or indirectly, from the rent paid by your campaign for use of the building at Third Avenue?*

[Answer]: No. The American Trust Life Insurance Company, an owner of the building, was the successor name of the entity formerly known as Jordan's Mutual Aid Association, Inc. Neither entity paid dividends or distributed any profits. Similarly, the subsequent building owner, African American Institute, Inc., was a non-profit corporation, and, as such, also did not pay dividends or distribute profits.

5. *Did the campaign ever prepay its rent at Third Avenue? If so, why?*

[Answer]: Yes. Campaign funds came in infrequently and sometimes the campaign had to make several payments to catch-up, so whenever

money came in, when possible, the campaign would prepay its rent to cover lean months.

- *Did the identity of the lessor change during the period that the campaign occupied space at Third Avenue? If so, why?*

[Answer]: Yes. The lessors were always the building owners. Rent payments were made to the appropriate owner/lessor. In those instances in which rent was paid to American Trust Corporation, a payment to American Trust Corporation was considered as effectively being made to American Trust Life Insurance Corporation.

6. *What was the relationship of American Trust, or any subsidiary thereof, to any of the entities located in, or using, the building on Third Avenue?*

[Answer]:
American First Bail and Bonding Corporation - no relationship
Lifting Christ Worship Center - No relationship
Williamson Photography Studio - No relationship
Wright & Associates - No relationship
A & S Diversified - No relationship
Hilliard for Congress - No relationship
African American Institute - No relationship
American Trust Life Insurance Corporation - See answers to questions 1-3 under Heading "I. Business and Charitable Interests" contained in the February 25, 1998, letter to the Committee.

7. *To what extent did the campaign have access to, or make use of, space, equipment, furnishings, and other resources belonging to any of the other entities located in, or using the building at, Third Avenue?*

[Answer]: The campaign by lease agreement could use the telephone, fax, post office box, office equipment, conference rooms, upstairs storage space and front advertising space of the landlords.

8. *To what extent did each of the entities using the building at Third Avenue contribute to the cost of their individual overhead?*

[Answer]: Each entity paid its own overhead and rent.

- *Please state whether the campaign shared a phone or fax number, or post office box, with any of the other entities using the building.*

[Answer]: See Answer to No. 7 above.

9. *To what extent were campaign funds used to pay for any of the overhead or other expenses incurred by any of the other entities located in, or using, the building at Third Avenue?*

[Answer]: Campaign funds were used to pay for discreet and identifiable expenses incurred by the campaign such as long distance calls and the cost of repairing the copier when the campaign used it excessively and it needed servicing.

10. *Who paid for the use of the telephone or fax machine by entities using the building other than the campaign?*

[Answer]: The other occupants and/or the lessor.

11. *Please provide copies of the lease agreements for the campaign and any other entities that used or occupied the building at Third Avenue from 1991 through the end of 1996.*

[Answer]: The Insurance Commissioner of the State of Alabama took control of American Trust Life Insurance Company, 1612 and 1614 Third Avenue Building and the records for the insurance company. See footnote 1 to February 25, 1998, letter to Committee. See also, Enclosure 1, State of Alabama letter dated February 23, 1998, regarding status of seized records.

12. *According to the December 3, 1997, article in The Hill, "in 1993, the African American Institute paid a Hilliard company $385,000 for a Third Avenue property housing Hilliard's campaign and companies. Two years later, the institute sold the building to American Trust Life for $1 'and other goods and valuable consideration.'"*

- Is this report accurate?

[Answer]: Yes.

- *If yes, please explain why the African American Institute purchased the building at Third Avenue.*

[Answer]: Mr. Hilliard's understanding is that the African American Institute purchased the building at Third Avenue as an investment. It should be noted, however, and particularly in light of previously expressed objections as to scope of questions and jurisdictional limitations and precedents of the Committee, that this transaction has no nexus to official duties or responsibilities of Mr. Hilliard's status as a Member of Congress. Moreover, as noted in the February 25, 1998, letter to the Committee, Mr, Hilliard does not have any interest or position in the African American Institute. See February 25, 1998, letter, page 7-8. Accordingly, he can not and will not speak for the African American Institute.

- *Where did the African American Institute obtain the funds to purchase the building?*

[Answer]: American Trust Life Insurance company financed the sale with a purchase money mortgage.

- *Please explain why the purchase price in this transaction was only $1 "and other goods and valuable consideration."*

[Answer]: This is an incorrect understanding of the transaction. No such phrase was used in the 1993 sale. It was only a purchase money mortgage. See Enclosure 2. The two parties agreed on the terms of the sale. A purchase money mortgage was considered the sole consideration.

- *Please identify the "other goods and valuable consideration" provided by American Trust Life to the African American Institute with respect to this transaction.*

[Answer]: In the 1995 sale the other good and valuable consideration was the purchaser's assumption of mortgage liability held by Mr. Hilliard to William Parker and SouthTrust Bank. See Enclosure 3, copy of the 1995 sale.

- *To what extent, if any, did you or members of your family benefit financially from this transaction?*

[Answer]: Mr. Hilliard did not, nor any members of his family, personally financially benefit from this transaction because no income was derived in light of the purchase money mortgage basis of the sale and the fact that American Trust Life Insurance Corporation did not distribute profits.

- *Please provide copies of settlement agreements and other documents relating to this sales transaction.*

[Answer]: See answer to question No. 12 of this section.

13. *According to the December 3, 1997, article in The Hill, rent paid by your campaign to use the building at Third Avenue increased from $1,000 to $1,500 "immediately after" the African American Institute purchased the building.*

- *Please assess the accuracy of this report.*

[Answer]: Mr. Hilliard believes this is basically accurate.

- *If the report is accurate, please explain why the campaign's rent increased after the purchase transaction, and why it increased by fifty percent.*

[Answer]: As noted in question/answer 3, above, the campaign leased additional space at 1612 B for storage.

- *Please state whether the African American Institute later sold the building to American Trust Life; if so, please specify the date of that transaction and provide any documents relating to that transaction.*

[Answer]: See answer to question 12 of this section.

- *To what extent, if any, did you or members of your family benefit financially, from that transaction?*

[Answer]: Neither Mr. Hilliard nor any member of his family benefitted from that transaction because no income was derived in light of the fact

that the African American Institute did not distribute profits (and he held no position in the organization).

* * *

Based upon this submission, the only category of inquiry which remains for response is section III of your January 13, 1998, letter entitled "Campaign Expenditures". As soon as necessary materials have been obtained and organized, we will forward an appropriate submission to you.

We await your reply to the matters addressed in the beginning of this correspondence.

Sincerely,

Ralph L. Lotkin
Counsel for Representative
Earl F. Hilliard

Enclosures

# EXHIBIT 51

JOHNNIE L. COCHRAN, JR.*
RALPH L. LOTKIN
*ALSO MEMBER OF
THE CALIFORNIA BAR

LAW OFFICES
COCHRAN & LOTKIN
CAPITOL HILL WEST BUILDING
201 MASSACHUSETTS AVENUE, N.E.
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PHONE (202) 547-3228
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OF COUNSEL
OCHOA & SILLAS*
LOS ANGELES, CALIFORNIA
ORANGE COUNTY, CALIFORNIA
SACRAMENTO, CALIFORNIA
MEXICO CITY, MEXICO
*ADMITTED ONLY IN CALIFORNIA
AND MEXICO, D.F.

April 2, 1998

The Honorable James V. Hansen
Chairman
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

The Honorable Howard I. Berman
Ranking Democratic Member
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

Re: Representative Earl F. Hilliard

Dear Mr. Chairman and Ranking Member:

This correspondence constitutes the third submission on behalf of Congressman Hilliard in response to those questions contained in Section III of your January 13, 1998, letter entitled, "Campaign Expenditures."

Based upon the breadth and repetition of matters raised in various of your inquiries, we have prepared a series of Attachments containing selected related items and categories of campaign organization expenditures. By so doing, answers to specific questions raised in your letter can be found by simple reference to the appropriate Attachment.[1] The Attachments are identified as follows:

---

[1] Every effort has been made to identify and categorize relevant items. We again note many associated records are in the possession of the State of Alabama. See letter to Committee dated February 25, 1998, footnote 1; and March 5, 1998, letter to the Committee, Answer 11.

| | |
|---|---|
| Attachment I | Campaign expenditures to individuals for salary, consulting fees, or reimbursement of expenses |
| Attachment II | Campaign disbursements to companies, charities, or entities in which Congressman Hilliard or a family member had a financial interest or position |
| Attachment III | Interest free loans and donations to family or campaign organizations in which Congressman Hilliard or a member of his family is involved |
| Attachment IV | Insurance policy payments |
| Attachment V | Media advertising payments |

Pursuant to the foregoing, responses to your questions regarding campaign expenditures follow.

Campaign Expenditures

1. *Please provide the names of all paid campaign employees from January 1, 1991, to the present, specify their duties or title (if any) and state their salary (and any changes thereto) during that time period.*[2]

   [Answer]: See Attachment I.

2. *To what extent, if any, have funds from your campaign account been used to benefit any business or other entity in which you, or any member of your family, have had a financial interest or have served in a position?*

   [Answer]: See Attachment II. If your use of the term "benefit" is meant to imply gratuitous transfers of campaign funds to third party entities without either receipt of consideration or for non- political/campaign purposes, the answer is

[2] Prior to 1993, paid campaign workers were salaried. Subsequently, the decision was made to engage compensated campaign staff as consultants in order to reduce the financial overhead of the campaign organization for taxes. As paid consultants, such individuals were personally responsible for applicable tax withholdings.

"No." Similarly, we note that because the term "benefit" as used in your question is ambiguous, it could be construed to include campaign organization expenditures and disbursements for rent payments as well as donations to qualified charities. Accordingly, a wide range of disbursements have been listed in Attachment II although the circumstances of any particular item might not be considered a "benefit" to the recipient as opposed to meeting a contractual obligation for use of facilities, goods, services, etc.

- *In particular, has your campaign committee, as alleged, ever made "[d]irect payments to companies and charities under the control of [your] family," or to companies and charities that listed their address at your post office box? If yes*

- *Please specify the date, amount, and recipient of such payments.*

[Answer]: Yes. See Attachment II. See also Enclosure 1, copy of correspondence from the Internal Revenue Service designating the African American Institute (AAI) as a qualified § 501(c)(3) entity. (The Alabama Film and Entertainment Council was merged into AAI and operated under its organizational auspices.)

- *In what way were such payments made for a bona fide campaign or political purpose?*

[Answer]: All such payments were for a bona fide campaign or political purpose, such as paying rent, utilities, resources costs incurred by the campaign or assisting a qualified charitable undertaking with consequent political benefit to the campaign, in accordance with relevant FEC guidelines. As you know, such charitable donations enhance the political image of a candidate and have been properly undertaken by numerous Members' campaign organizations for many years.

- *To what extent, if any, did your campaign pay the utility bills relating to use of the premises at Third Avenue in Birmingham by entities other than the campaign?*

[Answer]: The campaign had separate utilities with respect to occupancy of the rental at 1612 3rd Avenue, North and paid them. No other entities occupied that space leased to the campaign. (We, again, note underlying documents are in the possession of the State of Alabama.)

3. *Has your campaign committee, as reported, ever made payments to members of your family in salaries or consultant fees?*

   [Answer]: Yes.

   - *If yes, please describe the services performed by those family members in return for those salaries or fees, and provide documentation concerning the assignment and performance of those services.*

   [Answer]: See Attachment I. Family members worked in various capacities as campaign and office managers, putting out signs, passing out literature, fundraising, media and such other duties as assigned.

4. *Please identify any campaign expenditures that have been made to reimburse members of your family for expenses, specify the purpose of the expenditure, and provide any documentation concerning such expenses.*

   [Answer]: See Attachment I.

5. *Please state whether, as alleged, your campaign ever has made interest-free loans to members of your family, or to charitable organizations with which you or a member of your family were involved. Please provide any documentation concerning such loans.*

   [Answer]: See Attachments II and III. As noted in Attachment II, donations, **not** interest free loans were made to the African American Institute and the Alabama Film and Entertainment Council. Your question is apparently prompted by **erroneous** information in *The Hill*'s article due to inadequate checking of FEC documents by the reporter. A copy of the FEC amended filing and correspondence with the Clerk of the House are provided as Enclosure 2. Included as Enclosure 3 are loan documents regarding Rita Hilliard.

6. *What payments, if any, has your campaign made to American Trust Life? Why were such payments made?*

   [Answer]: See Attachment II.

7. *Has your campaign ever paid for an insurance policy on behalf of a campaign employee? If yes, what type of policy was provided, who was the policyholder, and who was the policy's beneficiary?*

[Answer]: See Attachment IV. The policy holder was Elizabeth Redmond and the beneficiary was Elizabeth Redmond. See Enclosure 4, copy of correspondence from Blue Cross/Blue Shield of Alabama.

- *What premium was charged for this policy, and on what basis was the premium calculated?*

[Answer]: Premiums were calculated on actuarial assumptions by Blue Cross/Blue Shield. The premium amount was $181.00 per month.

- *For how long was this policy in effect?*

[Answer]: The policy was in effect for the period May 1, 1994-June 1, 1996. See Enclosure 4.

8. *Has your campaign ever prepaid insurance premiums? If yes, why?*

[Answer]: Yes, insurance premiums were prepaid. Campaign contributions came in infrequently and sometimes the campaign had to make several payments to catch up and therefore, when possible the campaign would prepay premiums to cover lean months.

9. *Please state whether your campaign organization has made expenditures to American Trust Advertising Agency, specify the purpose of those expenditures, and provide a copy of the contract, agreement, or other documentation concerning any services provided by American Trust Advertising Agency.*

[Answer]: See Attachment II.

10. *In connection with any campaign expenditures relating to the radio station WIQR:*

- *Please respond to allegations that your campaign made expenditures in 1996 for radio advertising on WIQR at a time when the station was not broadcasting.*

[Answer]: See Attachment V. WIQR was broadcasting under the supervision of Engineer/Operating Manager, Paul Harvechek. Subsequently we learned that the fact of continued operation was not properly reported to FCC.

- *Please state whether your campaign purchased advertising on stations other than WIQR. If not, please explain.*

[Answer]: See Attachment V. See Enclosure 5, copies of available bills for campaign advertising at other stations.

- *Please state whether the campaign purchased advertising on WIQR during a non-election year. If so, please explain.*

[Answer]: See Attachment V. The campaign supported year round promotions and news exposure.

- *Please explain the extent to which the listening audience of WIQR includes individuals in your congressional district.*

[Answer]: The listening audience of WIQR includes the following counties in the Seventh Congressional District: Montgomery, Wilcox, Lowdnes, and Dallas.

11. *Who currently has authority to sign checks drawn on your campaign's bank account?*

[Answer]: Elizabeth Redmond, Treasurer
Elvira Williams, Assistant Treasurer

- *Who else has possessed signature authority since January 1, 1991?*

[Answer]: James H. Parker
Toni Motley
Rita Hall

12. *Please describe the process by which checks drawn on your campaign's account are authorized and prepared.*

[Answer]: All bills, obligations, salaries, wages and donations requests were made to the treasurer or assistant treasurer and was authorized and prepared by them.

- *How has that process changed, if at all, since January 1, 1991?*

[Answer]: Different treasurers have been authorized and deleted since 1991.

13. *The December 3, 1997, article in The Hill reported that your campaign has made interest-free loans totalling approximately $30,000 to your niece Rita Hilliard Hall; your son, State Rep. Earl Hilliard, Jr.; and the Alabama Film and Entertainment Council.*

- *Was this report accurate? If so, please specify the purpose of these loans, and provide copies of related loan agreements and other documentation, if any.*

[Answer]: This report is not accurate. (See Attachments II and III and Answer No. 5 of this section.) Note: your question **incorrectly** states a loan to Congressman Hilliard's "son" (who is not a State Representative). *The Hill*'s article concerned the congressman's **nephew** whose State political campaign organization received loans, as reported to the FEC. The loans to John Hilliard's campaign (see loan documents at Enclosure 6) were to assist his political efforts which was intended to, and did, have a positive effect on the congressman's campaign efforts. Moreover, such a loan transaction between a federal campaign and a state or local campaign has been specifically approved by the FEC.

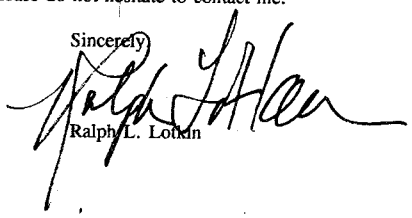
* * *

With this submission, we believe we have undertaken best efforts to respond to your January 13, 1998, questions. By so doing, however, we do not concede any of the legal objections as to policy and precedent raised in earlier correspondence. Nonetheless, it is our view that the documentation and responses provided to you should be more than adequate to put to rest any concerns raised by *The Hill* news articles, significant aspects of which are based upon either obvious misinformation or incomplete review of available public documents.

In the meantime, and under separate cover, we are submitting a request for the Committee's assistance in the preparation of amendments to Financial Disclosure Statements. We look forward to a prompt response and resolution of our questions.

Should you wish to further discuss any of the above or the prior submissions in response to your January 13 letter, please do not hesitate to contact me.

Sincerely,



Ralph L. Lotkin

Enclosures

**ATTACHMENT I**

**CAMPAIGN EXPENDITURES TO INDIVIDUALS FOR SALARY, CONSULTING FEES, OR REIMBURSEMENT OF EXPENSES**

CAROL ALLEN (nee Hilliard)
Campaign Worker - Duties as Assigned, Birmingham

| | | |
|---|---|---|
| 2/12/93 | $ 1000.00 | Consultant Fees |
| 2/22/93 | 200.00 | Consultant Fees |
| 4/21/93 | 2000.00 | Consultant Fees |

ERICA ARRINGTON
Campaign Worker - Duties as Assigned, Birmingham

| | | |
|---|---|---|
| 3/11/94 | 1000.00 | Consultant Fee |
| 3/18/94 | 1500.00 | Consultant Fee |
| 8/31/94 | 300.00 | Consultant Fee |
| 9/5/96 | 500.00 | Consultant Fee |

RAYE BEAN:
Campaign Office Director, Montgomery

| | | |
|---|---|---|
| 6/12/92 | $ 225.00 | GOTV Salary |
| 6/19/92 | 225.00 | GOTV |
| 6/27/92 | 225.00 | Campaign Help |
| 7/6/92 | 425.00 | Salary |

EDNA BOOKER (Booker & Booker):
Birmingham - Duties as Assigned

| | | |
|---|---|---|
| 3/8/93 | $ 857.40 | Consultant Fees |
| 6/1/93 | 1200.00 | Consultant Fees |
| 7/1/93 | 1200.00 | Consultant Fees |

WASHINGTON BOOKER:
Campaign Worker - Duties as Assigned, Birmingham

| | | |
|---|---|---|
| 4/2/92 | $ 700.00 | Campaign Help |
| 6/27/92 | 150.00 | (GOTV) |
| 6/27/92 | 100.00 | (GOTV) |
| 7/21/92 | 1000.00 | (Polling) |
| 7/21/96 | 300.00 | Consultant Fee |

MARY BROWN:
Birmingham - Duties as Assigned

| | | |
|---|---|---|
| 11/1/93 | 264.99 | Payroll |
| 12/1/93 | 264.99 | Payroll |

JEWEL CLARK:

Campaign Office Manager, Birmingham

| | | |
|---|---|---|
| 3/19/92 | $ 156.74 | Campaign Employee |
| 3/27/92 | 156.74 | Campaign Employee |
| 4/1/92 | 156.74 | Campaign Employee |
| 4/9/92 | 156.74 | Campaign Employee |
| 4/16/92 | 156.74 | Campaign Employee |
| 4/23/92 | 156.74 | Campaign Employee |
| 4/30/92 | 156.74 | Campaign Employee |
| 5/13/92 | 156.74 | Campaign Employee |
| 5/14/92 | 156.74 | Campaign Employee |
| 5/19/92 | 156.74 | Campaign Help-Salary |
| 5/22/92 | 156.74 | Campaign Help-Salary |
| 6/11/92 | 156.74 | Campaign Help |
| 6/17/92 | 156.74 | Campaign Help |
| 6/25/92 | 156.74 | Campaign Help |
| 7/2/92 | 156.74 | Salary |
| 7/8/92 | 156.74 | Salary |
| 7/16/92 | 156.74 | Salary |
| 7/21/92 | 156.74 | Salary |
| 7/31/92 | 156.74 | Salary |
| 8/13/92 | 191.54 | Salary |
| 8/13/92 | 241.54 | Salary |
| 8/28/92 | 191.54 | Salary |
| 8/28/92 | 260.00 | Salary |
| 9/4/92 | 191.54 | Salary |
| 9/18/92 | 191.54 | Salary |
| 9/23/92 | 191.54 | Salary |
| 9/25/92 | 241.54 | Salary |
| 10/2/92 | 191.54 | Salary |
| 10/9/92 | 191.54 | Salary |
| 10/16/92 | 191.54 | Salary |
| 10/23/92 | 191.54 | Salary |
| 10/23/92 | 260.00 | Salary |
| 10/31/92 | 191.54 | Salary |
| 11/6/92 | 191.54 | Salary |
| 11/17/92 | 128.08 | Salary |
| 11/18/92 | 191.54 | Salary |
| 11/25/92 | 191.54 | Salary |

LONNA CLARK

Birmingham - Duties as Assigned

| | | |
|---|---|---|
| 11/1/93 | 113.56 | Payroll |
| 12/1/93 | 113.56 | Payroll |
| 1/6/94 | 113.56 | Payroll |

FANNIE DAVIS

Tuscaloosa - Duties as Assigned

| | | |
|---|---|---|
| 5/4/94 | $ 200.00 | Campaign Help |

DUNNALY DONOVAN (Silver Spring, MD)
Fundraiser

| | | |
|---|---|---|
| 9/24/94 | $ 305.00 | Consultant Fee |

ESTHER FAIRLEY:
Tuscaloosa - Duties as Assigned

| | | |
|---|---|---|
| 9/10/92 | $ 87.00 | Salary |
| 9/22/92 | 87.00 | Salary |
| 9/25/92 | 87.00 | Salary |
| 10/8/92 | 87.00 | Salary |
| 10/15/92 | 87.00 | Salary |
| 10/23/92 | 87.00 | Salary |
| 11/6/92 | 121.80 | Payroll |

CHARLES FOSTER:
Birmingham - Duties as Assigned

| | | |
|---|---|---|
| 4/28/92 | $ 300.00 | GOTV |
| 6/1/92 | 305.00 | GOTV, gas, travel exp. |
| 7/21/92 | 250.00 | Polling |
| 7/31/92 | 150.00 | Travel expenses |
| 8/28/92 | 350.00 | Travel expenses |
| 9/7/92 | 1000.00 | Travel Expenses |
| 9/18/92 | 500.00 | Travel Expenses |
| 10/2/92 | 100.00 | Travel Expenses |
| 10/6/92 | 50.00 | Travel Expenses |
| 4/4/96 | 200.00 | Consultant Fee |
| 10/1/96 | 2300.00 | Polling |
| 10/7/96 | 595.00 | Polling |

LILLIAN GERMAN
Fundraiser - Washington, DC

| | | |
|---|---|---|
| 4/1/96 | $1000.00 | Consultant Fee |
| 5/7/96 | 3000.00 | Consultant Fee |
| 6/4/96 | 1000.00 | Consultant Fee |
| 6/26/96 | 1000.00 | Consultant Fee |
| 7/31/96 | 1000.00 | Consultant Fee |
| 9/5/96 | 1500.00 | Consultant Fee |
| 10/15/96 | 200.00 | Consultant Fee |

JOHN GORDON:
Campaign Worker - Tuscaloosa

| | | |
|---|---|---|
| 3/1/93 | $ 448.28 | Payroll |

PHYLLIS HAND:
Campaign Worker -Tuscaloosa

| | | |
|---|---|---|
| 6/12/92 | $ 87.00 | GOTV |
| 7/8/92 | 87.00 | Salary |

CAROL J. HILLIARD:
MC's sister - now Carol Allen

| | | |
|---|---|---|
| 5/22/92 | $ 20.00 | Booth Purchase |

CHERYL HILLIARD:
MC's niece

| | | |
|---|---|---|
| 6/1/92 | $ 45.23 | Reimb. Postage |
| 6/29/92 | 100.00 | Purchase Victory Supplies |
| 9/24/92 | 200.00 | Catering Expenses |
| 7/1/93 | 100.00 | Janitorial Services |

EARL F. HILLIARD:

| | | |
|---|---|---|
| 3/13/92 | $2590.09 | Reimb. Congressional filing fee |
| 5/13/92 | 60.53 | Petty Cash |
| 6/1/92 | 2800.00 | GOTV-Ballots |
| 6/24/92 | 1400.00 | GOTV, Travel Ex. Ballots |
| 6/30/92 | 100.00 | Reimb. |
| 7/14/92 | 300.00 | Expenses Dem. Convention |
| 7/31/92 | 125.00 | Travel Expenses Reimb. |
| 8/7/92 | 800.00 | Travel Expenses Reimb. |
| 9/28/92 | 596.44 | Travel Expenses CBS Weekend |
| 10/22/92 | 483.98 | Travel Exp. |
| 2/22/93 | 200.00 | Consultant Fee [should be Jr.?] |
| 4/20/93 | 418.00 | Reimb. Exp. |
| 6/25/93 | 489.00 | Reimb. Exp. |
| 9/10/93 | 350.00 | CBC Registration |
| 9/13/93 | 591.00 | CBC Expenses |
| 3/5/94 | 200.00 | Travel Reimb. |
| 5/20/94 | 1100.00 | Reimb. Exp. |
| 4/17/96 | 265.57 | Reimb. Exp. |
| 5/28/96 | 237.00 | Reimb. Travel |
| 6/26/96 | 229.29 | Reimb. Travel |
| 7/24/96 | 324.00 | Reimb. Travel Exp. |
| 8/20/96 | 2100.00 | Reimb. Dem. Nat'l Convention |
| 9/30/96 | 1345.00 | CBC lodging/meals |
| 9/30/96 | 326.00 | South Dem. Summit |
| 10/4/96 | 250.00 | Regis. room/meals |
| 11/4/96 | 250.00 | Refreshment/party supplies |
| 5/28/97 | 186.60 | Reimb. airline ticket |
| 9/19/97 | 150.00 | Reimb. airline ticket |

EARL F. HILLIARD, JR.
MC's son - Campaign Manager

| | | |
|---|---|---|
| 6/1/92 | $ 50.00 | GOTV Travel Exp |
| 9/4/92 | 1000.00 | Travel Exp. |
| 10/3/92 | 155.00 | Travel Exp. |
| 10/8/92 | 550.00 | Travel Exp. |
| 10/22/92 | 1000.00 | Salary |
| 12/18/92 | 1000.00 | Salary |
| 2/10/93 | 600.00 | Consultant Fee |
| 2/10/93 | 400.00 | Consultant Fee |
| 3/9/93 | 200.00 | Consultant Fee |
| 3/26/93 | 600.00 | Consultant Fee |
| 4/14/93 | 1000.00 | Consultant Fee |
| 5/3/93 | 1000.00 | Consultant Fee |

| | | |
|---|---|---|
| 5/10/93 | 1000.00 | Consultant Fee |
| 5/25/93 | 1000.00 | Salary |
| 6/21/93 | 500.00 | Consultant Fee |
| 8/2/93 | 4500.00 | Consultant Fee |
| 7/24/96 | 324.00 | Reimb. Travel Exp. |

FREDERICK E. HILLIARD:
MC's nephew - Duties as Assigned

| | | |
|---|---|---|
| 3/18/92 | $ 25.00 | Reimb. for keys made |
| 3/20/92 | 465.00 | Reimb. Art Alpha Mobile Conven. |
| 4/10/92 | $ 300.00 | Campaign Help |
| 4/21/92 | 917.07 | Campaign Help |
| 4/24/92 | 200.00 | Reimb. Hospitality Suite Refresh. |
| 6/12/92 | 50.88 | Reimb. for gas |
| 6/15/92 | 50.00 | Reimb./gas/GOTV |
| 6/22/92 | 30.00 | Gas |
| 6/25/92 | 75.00 | GOTV |
| 6/25/92 | 65.88 | GOTV/Gas |
| 7/10/92 | 150.00 | Ballots Distribution |
| 7/21/92 | 80.90 | Travel Exp. |
| 7/30/92 | 300.00 | Salary |
| 7/31/92 | 150.00 | Salary |
| 7/31/92 | 350.00 | Salary |
| 8/7/92 | 1000.00 | Salary |
| 8/25/92 | 20.65 | Reimb. Travel Expenses |
| 9/2/92 | 1000.00 | Salary |
| 9/18/92 | 500.00 | Salary |
| 10/3/92 | 1000.00 | Salary |
| 10/29/92 | 20.00 | Gas |
| 11/9/92 | 10.00 | Travel Exp. |

JOEL K. HILLIARD:
MC's nephew - Duties as Assigned

| | | |
|---|---|---|
| 3/24/92 | $ 319.41 | Reimb. Alpha Convention Mobile |
| 4/10/92 | $ 300.00 | Campaign Help |
| 4/21/92 | 917.07 | Campaign Help |
| 5/18/92 | 50.00 | Gas |
| 5/26/92 | 50.00 | GOTV-Gas |
| 6/1/92 | 100.00 | Travel Exp. GOTV, Gas |
| 6/5/92 | 200.00 | GOTV, Travel Exp. |
| 6/15/92 | 100.00 | Reimb/Gas/GOTV |
| 6/23/92 | 30.00 | GOTV/Gas |
| 6/24/92 | 50.00 | GOTV |
| 6/25/92 | 55.00 | GOTV/Gas |
| 7/10/92 | 325.00 | Ballots Distributions |
| 7/20/92 | 92.00 | Travel Expense Reimb. |
| 8/7/92 | 245.00 | Salary |
| 8/7/92 | 755.00 | Salary |
| 9/2/92 | 1000.00 | Salary |
| 9/18/92 | 500.00 | Salary |
| 10/3/92 | 1000.00 | Salary |
| 10/22/92 | 25.00 | Gas/Travel Exp. |

| | | |
|---|---|---|
| 10/30/92 | 25.00 | Travel Exp. |
| 11/2/92 | 20.00 | Gas |
| 11/6/92 | 10.00 | Travel Exp. |
| 1/29/93 | 100.00 | Janitorial Services |

JOHN R. HILLIARD:
MC's nephew - Duties as Assigned

| | | |
|---|---|---|
| 5/15/92 | $ 55.00 | GOTV-Travel Expenses |
| 5/21/92 | 80.00 | GOTV-Gas & Travel |
| 5/26/92 | 25.00 | Petty Cash |
| 6/19/92 | 1500.00 | GOTV-Turn on Phones & Utilities |
| 6/23/92 | 115.00 | Reimb/GOTV |
| 6/24/92 | 50.00 | GOTV, Travel, meals & Exp. |
| 9/21/92 | 300.00 | Travel Exp. |
| 10/3/92 | 150.00 | Travel Exp. |
| 10/15/92 | 3500.00 | Signs & Lit. Distrib. |
| 10/16/92 | 150.00 | Material Distrib. |
| 10/20/92 | 30.00 | Travel Exp. Gas |
| 10/22/92 | 3000.00 | Distrib. to Tuscaloosa/Greene Cos. |
| 10/22/92 | 25.00 | Gas |
| 1/14/93 | 215.29 | U-Haul Rental |

LEONARD HILLIARD
MC's brother - Duties as Assigned

| | | |
|---|---|---|
| 10/24/96 | $ 1006.00 | Polling |

MARY F. HILLIARD:
MC's wife - Duties as Assigned

| | | |
|---|---|---|
| 6/8/92 | $ 60.47 | Reimb. Wine Purchase |
| 8/28/92 | 2900.00 | Travel Exp. Reimb. - Dem. Convention |
| 9/28/92 | 1277.09 | Reimb. Travel-Regis. Miami |
| 10/26/92 | 429.00 | Travel Exp./tickets/Wash.DC |
| 2/10/93 | 6510.06 | Hotel Res./Bus Rental |
| 4/26/93 | 1800.00 | Reimb. Travel |
| 10/28/96 | 40.00 | Reimb. advertising |

RITA HALL: (nee Hilliard)
MC's niece. Campaign manager/treasurer

| | | |
|---|---|---|
| 7/7/92 | $ 1297.53 | Salary |
| 8/3/92 | 1320.53 | Salary |
| 9/1/92 | 1320.53 | Salary |
| 9/1/92 | 144.00 | Travel Exp |
| 9/23/92 | 55.50 | Ofc. Supplies |
| 9/29/92 | 208.00 | Travel Exp. |
| 10/2/92 | 1320.53 | Salary |
| 11/2/92 | 1320.53 | Salary |
| 11/4/92 | 208.00 | Travel Exp. |
| 12/9/92 | 1320.53 | Salary |
| 12/9/92 | 208.00 | Travel Exp. |
| 12/31/92 | 208.00 | Travel Exp. |

| | | |
|---|---|---|
| 1/1/93 | 500.00 | Payroll |
| 1/1/93 | 820.00 | Payroll |
| 1/29/93 | 208.00 | Payroll |
| 2/1/93 | 400.00 | Payroll |
| 2/1/93 | 920.53 | Payroll |
| 3/1/93 | 208.00 | Payroll |
| 3/1/93 | 1256.41 | Payroll |
| 4/1/93 | 208.00 | Payroll |
| 4/1/93 | 1256.41 | Payroll |
| 4/30/93 | 208.00 | Salary |
| 4/30/93 | 1320.73 | Salary |
| 5/28/93 | 1320.53 | Salary |
| 5/28/93 | 208.00 | Salary |
| 7/1/93 | 1320.53 | Payroll |
| 7/1/93 | 208.00 | Payroll-Insurance Premium |
| 8/2/93 | 1320.53 | Payroll |
| 8/19/93 | 208.00 | Insurance Premium |
| 9/1/93 | 1320.53 | Payroll |
| 10/29/93 | 1320.23 | Payroll |
| 1/5/94 | 1320.53 | Payroll |
| 2/1/94 | 585.00 | Consultant Fee |

RITA HILLIARD:

MC's niece - now Rita Hall

| | | |
|---|---|---|
| 5/26/92 | $ 10.00 | GOTV-Gas |
| 6/22/92 | 50.00 | Purchase Refreshments |
| 6/23/92 | 300.00 | GOTV-Polling, Phone Bank |
| 6/29/92 | 5300.00 | GOTV Jefferson County |
| 7/31/92 | 144.00 | Travel |

RODERICK HILLIARD:

MC's nephew - Birmingham & Tuscaloosa - Duties as Assigned

| | | |
|---|---|---|
| 6/12/92 | $ 160.00 | Travel & Meals, GOTV |
| 6/23/92 | 190.00 | GOTV-Salary |
| 6/29/92 | 20.00 | GOTV, Travel Exp. |
| 7/10/92 | 150.00 | Ballots Distribution |
| 7/20/92 | $ 150.00 | Salary |
| 7/21/92 | 350.00 | Salary |
| 7/24/92 | 150.00 | Salary |
| 7/31/92 | 150.00 | Salary |
| 8/7/92 | 75.00 | Salary |
| 8/7/72 | 50.00 | Salary |
| 8/13/92 | 40.22 | Salary |
| 8/28/92 | 37.50 | Janitorial Services |
| 8/24/92 | 50.00 | Salary |
| 9/2/92 | 120.50 | Janitorial Services |
| 9/18/92 | 500.00 | |
| 9/30/92 | 67.00 | Janitorial Services |
| 10/14/92 | 62.50 | Janitorial Services |
| 10/29/92 | 62.50 | Janitorial Services |
| 11/17/92 | 62.50 | Janitorial Services |

DON C. HULL
Birmingham - Campaign worker - Duties as Assigned

| | | |
|---|---|---|
| 6/2/94 | 700.00 | Consultant Fee |
| 12/7/94 | 1095.00 | Consultant Fee |
| 10/31/96 | 39.00 | Polling |

GRISELDA McCOY
Fundraiser

| | | |
|---|---|---|
| 9/1/94 | $ 792.00 | Consultant Fee |
| 12/9/94 | 1323.75 | Consultant Fee |

MERRIAM McLENDON
Fundraiser, Birmingham

| | | |
|---|---|---|
| 7/1/94 | $3,333.33 | Consultant Fee |
| 9/2/94 | 2,733.00 | Consultant Fee |
| 9/9/94 | 600.00 | Consultant Fee |

ERIC MAJOR
Birmingham & Tuscaloosa - Campaign worker - Duties as Assigned

| | | |
|---|---|---|
| 12/1/93 | $ 353.37 | Consultant Fee |
| 12/16/93 | 275.00 | Consultant Fee |
| 12/24/93 | 900.00 | Consultant Fee |
| 8/15/94 | 1200.00 | Consultant Fee |
| 9/2/94 | 600.00 | Consultant Fee |
| 9/9/94 | 600.00 | Consultant Fee |

TONI MOTLEY
Fundraiser, Birmingham

| | | |
|---|---|---|
| 12/21/94 | 595.87 | Consultant Fee |
| 6/6/95 | 595.87 | Consultant Fee |

KENNETH MULLINAX
Press/Fundraiser, Birmingham

| | | |
|---|---|---|
| 2/17/93 | 1665.00 | Consultant Fees |

WILLIAM PARKER
Birmingham - Campaign Worker - Duties as Assigned

| | | |
|---|---|---|
| 7/2/96 | $ 498.50 | Consultant Fee |
| 10/1/96 | 50.00 | Polling |

ELIZABETH REDMOND
Birmingham - Office Manager

| | | |
|---|---|---|
| 4/22/94 | $ 50.00 | Advance on Salary |
| 4/29/94 | 741.51 | Salary |
| 6/1/94 | 791.51 | Payroll |
| 7/1/94 | 829.27 | Payroll |
| 8/1/94 | 50.00 | Payroll Advance |
| 8/4/94 | 250.00 | Payroll |
| 9/7/94 | 829.27 | Payroll |
| 12/7/94 | 867.08 | Payroll |
| 1/9/95 | 500.00 | Payroll |

| | | |
|---|---|---|
| 1/23/95 | 367.08 | Payroll |
| 2/24/95 | 868.07 | Payroll-Jan. |
| 2/24/95 | 868.07 | Payroll-Feb. |
| 3/1/95 | 868.07 | Payroll |
| 4/7/95 | 943.69 | Payroll |
| 5/4/95 | 943.69 | Payroll |
| 6/5/95 | 943.69 | Payroll |
| 6/30/95 | 500.00 | Payroll |
| 1/1/96 | 936.07 | Payroll |
| 2/1/96 | 936.07 | Payroll |
| 3/1/96 | 936.07 | Payroll |
| 4/1/96 | 936.07 | Payroll |
| 5/1/96 | 936.07 | Payroll |
| 5/30/96 | 250.00 | Salary |
| 6/1/96 | 686.07 | Salary |
| 6/27/96 | 936.07 | Salary |
| 8/1/96 | 936.07 | Payroll |
| 8/20/96 | 200.00 | Payroll |
| 9/3/96 | 214.31 | Payroll |

MARY ROBERTS:

Campaign worker - Tuscaloosa

| | | |
|---|---|---|
| 7/8/92 | $ 87.00 | Salary |
| 9/4/92 | 174.00 | Salary |
| 9/22/92 | 87.00 | Salary |
| 9/25/92 | 87.00 | Salary |
| 10/6/92 | 87.00 | Salary |
| 10/8/92 | 87.00 | Salary |
| 10/16/92 | 87.00 | Salary |
| 10/23/92 | 87.00 | Salary |
| 11/4/92 | 121.80 | Payroll |

TARA SALLEE

Montgomery - Duties as Assigned

| | | |
|---|---|---|
| 8/22/96 | $ 34.40 | Reimb. ofc. supplies |
| 9/5/96 | 45.00 | Travel reimb. |

ANDREA SIMMONS

Birmingham - Duties as Assigned

| | | |
|---|---|---|
| 12/31/93 | $ 100.00 | Computer services |
| 2/15/94 | 167.00 | Consultant Fee |
| 4/8/94 | 167.00 | Accounting Service |

JACQUELINE SMITH

Campaign worker - Birmingham

| | | |
|---|---|---|
| 12/9/94 | 508.92 | Consultant Fee |

LAURA STANSEL:

Bessemer - Office Manager

| | | |
|---|---|---|
| 4/1/92 | 917.07 | Campaign Employee |
| 5/1/92 | 917.07 | Campaign Employee |
| 6/1/92 | 917.97 | Campaign Help |

| | | |
|---|---|---|
| 7/2/92 | 917.07 | Salary |
| 8/3/92 | 917.07 | Salary |
| 9/1/92 | 917.07 | Salary |
| 10/2/92 | 917.07 | Salary |
| 11/2/92 | 917.07 | Salary |

CURTIS TRAVIS:

Tuscaloosa - Duties as Assigned

| | | |
|---|---|---|
| 7/8/92 | $ 87.00 | Salary |
| 3/1/93 | 440.33 | Payroll |

SONYA THOMAS:

Montgomery - Duties as Assigned

| | | |
|---|---|---|
| 9/4/92 | $ 87.00 | Salary |
| 9/10/92 | 87.00 | Salary |
| 9/22/92 | 87.00 | Salary |
| 9/25/92 | 87.00 | Salary |
| 10/6/92 | 87.00 | Salary |
| 10/8/92 | 87.00 | Salary |
| 10/15/92 | 87.00 | Salary |
| 10/23/92 | 87.00 | Salary |
| 11/4/92 | 121.80 | Payroll |

HEZIKIAH WAGGSTAFF

Montgomery - Duties as Assigned

| | | |
|---|---|---|
| 6/15/92 | $ 600.00 | Opening of Montgomery Hdqs. |

HASAN WALKER:

Montgomery - Duties as Assigned

| | | |
|---|---|---|
| 5/4/92 | $ 400.00 | GOTV |
| 6/24/92 | 600.00 | GOTV - Ballots, Travel & Meals |

YOLANDA WILLIAMS

Office Manager, Birmingham

| | | |
|---|---|---|
| 8/2/93 | $ 504.31 | Payroll |
| 9/1/93 | 819.43 | Payroll |
| 9/3/93 | 67.05 | Shortage of Payroll |
| 11/1/93 | 886.48 | Payroll |
| 12/1/93 | 1031.43 | Payroll |
| 1/5/94 | 1031.43 | Payroll |
| 2/1/94 | 1033.82 | Payroll |
| 3/5/94 | 900.00 | Payroll |
| 3/8/94 | 272.04 | Payroll |
| 4/1/94 | 1172.04 | Payroll |
| 5/3/94 | 227.09 | Salary |

ELVIRA WILLOUGHBY (Williams)

Campaign worker - Birmingham

| | | |
|---|---|---|
| 12/1/93 | 1149.68 | Consultant Fees/Secretarial |
| 10/30/96 | 750.00 | Polling |

MICHELLE WILSON (also spelled "Michele")
Tuscaloosa - Office Manager

| | | |
|---|---|---|
| 6/11/92 | $ 250.00 | GOTV |
| 6/12/92 | 250.00 | GOTV |
| 6/19/92 | 435.80 | GOTV-Postage |
| 6/27/92 | 435.80 | GOTV |
| 7/8/92 | 87.00 | Salary |
| 7/17/92 | 174.00 | Salary |
| 7/24/92 | 174.00 | Salary |
| 8/7/92 | 152.25 | Salary |
| 8/14/92 | 152.25 | Salary |
| 8/25/92 | 87.00 | Salary |
| 9/10/92 | 87.00 | Salary |
| 9/25/92 | 87.00 | Salary |
| 10/6/92 | 87.00 | Salary |
| 10/8/92 | 42.50 | Salary |
| 10/15/92 | 43.50 | Salary |
| 10/23/92 | 69.60 | Salary |

TUNSTALL WILSON
Campaign Manager, Tuscaloosa

| | | |
|---|---|---|
| 12/30/92 | 500.00 | Consultant Fee |

JAMES WRIGHT
Accounting, Birmingham

| | | |
|---|---|---|
| 4/22/93 | $ 450.00 | Polling |
| 12/23/93 | 150.00 | Tax Services |
| 4/26/96 | 50.00 | Accounting Services |

**ATTACHMENT II**

**CAMPAIGN DISBURSEMENTS TO COMPANIES, CHARITIES, OR ENTITIES IN WHICH CONGRESSMAN HILLIARD OR A FAMILY MEMBER HAD A FINANCIAL INTEREST OR POSITION**

AFRICAN AMERICAN INSTITUTE

Donations:

| | | |
|---|---|---|
| 4/8/93 | $ 150.00 | Donation |
| 5/27/93 | 150.00 | Donation |
| 8/18/93 | 330.00[1] | Donation |
| 9/28/94 | 2500.00 | "Donation for Film Festival" |
| 4/10/97 | 2000.00 | "Donation for Film Festival" |

Rent Payments:

| | | |
|---|---|---|
| 10/1/93 | $ 1,500.00 | Rent - Sep |
| 10/5/93 | 1,500.00 | Rent - Oct |
| 11/3/93 | 1,500.00 | Rent - Nov |
| 11/29/93 | 1,500.00 | Rent - Dec |
| 2/4/94 | 1,500.00 | |
| 3/8/94 | 1,500.00 | |
| 4/4/94 | 1,500.00 | Rent- Apr |
| 4/26/94 | 1,500.00 | Rent - May |
| 5/19/94 | 1,500.00 | |
| 6/3/94 | 1,500.00 | |
| 7/21/94 | 1,500.00 | |
| 8/1/94 | 1,500.00 | |
| 8/23/94 | 1,500.00 | |
| 8/30/94 | 1,500.00 | |
| 9/9/94 | 1,500.00 | |
| 2/13/95 | 3,000.00 | Rent - Feb & Mar |
| 7/18/95 | 1,500.00 | |

[1] *The Hill* article erroneously described this disbursement as interest free loan and apparently ignored FEC amendment of 7/6/94 in which disbursement was correctly identified as a donation.

ALABAMA FILM & ENTERTAINMENT COUNCIL

Donations:[2]

| | | |
|---|---|---|
| 7/12/93 | $ 1,650.00 | Donation |
| 8/10/93 | 2,900.00 | Donation |
| 8/19/93 | 400.00 | Donation |
| 8/27/93 | 800.00 | Donation |

AMERICAN ADVERTISING AGENCY

| | | |
|---|---|---|
| 4/10/97 | $ 6,000.00 | Advertising Fee - Jan-Feb-Mar-Apr |
| 5/1/97 | 1,500.00 | Advertising Fee - May |
| 6/1/97 | 1,500.00 | Advertising Fee |
| 7/7/97 | 1,100.00 | Advertising Fee |
| 8/15/97 | 1,500.00 | Advertising Fee |

AMERICAN TRUST CORPORATION

Insurance Premiums:

| | |
|---|---|
| 9/7/94 | $ 1,086.00 |
| 2/24/95 | 362.00 |
| 3/1/95 | 181.00 |
| 5/22/95 | 905.00 |
| 3/25/96 | 362.00 |

Rent Payments:

| | | |
|---|---|---|
| 1/3/96 | $ 3,000.00 | Rent - Jan & Feb |
| 1/22/96 | 1,500.00 | |
| 4/1/96 | 6,000.00 | Rent - Mar-Jun |
| 9/20/96 | 2,000.00 | Aug-Sep |
| 10/1/96 | 2,000.00 | |
| 11/7/96 | 2,000.00 | |
| 12/9/96 | 2,000.00 | |

[2] See footnote 1.

AMERICAN TRUST LIFE INSURANCE COMPANY

Insurance Premiums:

| | | |
|---|---|---|
| 4/22/96 | $ 181.00 | |

Rent Payments:

| | | |
|---|---|---|
| 5/15/92 | $ 3,000.00 | |
| 6/24/92 | 600.00 | |
| 7/7/92 | 600.00 | |
| 7/30/92 | 600.00 | |
| 8/28/92 | 600.00 | |
| 10/1/92 | 600.00 | |
| 4/9/93 | 1,000.00 | |
| 5/9/93 | 1,000.00 | |
| 6/8/93 | 1,000.00 | |
| 5/26/95 | 4,500.00 | |
| 11/28/95 | 3,000.00 | |
| 12/21/95 | 600.00 | |
| 7/1/96 | 1,500.00 | Rent - July |
| 7/9/96 | 1,500.00 | Rent - Aug |

AMERICAN TRUST COMMUNICATION CORPORATION

Insurance Premiums:

| | | |
|---|---|---|
| 1/3/96 | $ 181.00 | |

WIOR (Payee: American Marketing Management)

| | | |
|---|---|---|
| 4/9/96 | $ 800.00 | Radio Airtime advertising |
| 5/7/96 | 4,000.00 | Radio advertising |
| 5/12/97 | 1,500.00 | Radio advertising |

TUSKEGEE UNIVERSITY

| | |
|---|---|
| 3/24/92 | $ 25.00 |
| 5/14/92 | 25.00 |
| 5/1/97 | 1,000.00 |

MOREHOUSE COLLEGE

| | |
|---|---|
| 5/19/94 | $ 2,000.00 |

**ATTACHMENT III**
**INTEREST FREE LOANS AND DONATIONS TO**
**FAMILY OR CAMPAIGN ORGANIZATIONS IN WHICH CONGRESSMAN HILLIARD**
**OR A MEMBER OF HIS FAMILY IS INVOLVED**

FRIENDS OF JOHN HILLIARD

Promissory Notes:

| | |
|---|---|
| 4/14/93 | $ 700 |
| 4/28/93 | 3000 |
| 4/30/93 | 3000 |
| 5/12/93 | 2000 |
| 5/17/93 | 850 |
| 5/27/93 | 600 |

RITA HALL

Promissory Notes:

| | |
|---|---|
| 4/9/93 | $ 3000.00 |
| 4/9/93 | 2350.00 |
| 5/3/93 | 850.00 |
| 6/2/93 | 850.00 |
| 6/25/93 | 752.04 |
| 8/19/93 | 1253.00 |
| 9/10/93 | 5000.00 |

**ATTACHMENT IV - INSURANCE POLICY PAYMENTS**

| | | |
|---|---|---|
| 9/7/94 | American Trust Corporation | $ 1,086.00 |
| 2/24/95 | American Trust Corporation | 362.00 |
| 3/1/95 | American Trust Corporation | 181.00 |
| 5/22/95 | American Trust Corporation | 905.00 |
| 1/3/96 | American Trust Communications | 181.00 |
| 3/25/96 | American Trust Corporation | 362.00 |
| 4/22/96 | American Trust Life Insurance Co | 181.00 |

**ATTACHMENT V - MEDIA ADVERTISING PAYMENTS**

Radio Stations:

| | | | |
|---|---|---|---|
| WTUG (Tuscaloosa) | | | |
| | 5/22/92 | $ 1,077.80 | Advertising |
| | 6/28/93 | 437.92 | Radio Advertising |
| | 10/29/96 | 1,800.00 | Media |
| WZZK | | | |
| | 5/22/92 | $ 93.50 | Advertising |
| | 5/27/92 | 539.75 | Advertising |
| WSKN | | | |
| | 3/31/94 | $ 5,040.00 | Air-time advertising |
| WIQR (Payee: American Marketing Management) | | | |
| | 4/9/96 | $ 800.00 | Radio Airtime advertising |
| | 5/7/96 | 4,000.00 | Radio advertising |
| | 5/12/97 | 1,500.00 | Radio advertising |
| WATV | | | |
| | 5/27/92 | $ 408.00 | Advertising |
| | 11/10/92 | 408.00 | Media Advertising |
| WTXT | | | |
| | 5/27/92 | $ 425.00 | Advertising |
| | 10/7/92 | 212.50 | Radio ad/Media |
| | 6/28/93 | 994.00 | Radio ad/Media |
| WENN | | | |
| | 5/27/92 | $ 425.00 | Advertising |
| | 6/1/92 | 500.00 | Advertising |
| | 6/26/92 | 982.60 | Radio advertising |
| | 10/29/92 | 1,366.80 | Advertisement |
| WZBQ | | | |
| | 6/1/92 | $ 234.60 | Advertising |
| WJLD | | | |
| | 5/20/96 | $ 1,500.00 | Airtime-Ad |
| WYVC/WCOV | | | |
| | 9/21/92 | $ 320.00 | Media Advertisement |
| WHBB | | | |
| | 10/7/96 | $ 300.00 | Advertisement |
| REV. AL DIXON | | | |
| | 11/20/92 | $ 600.00 | Radio Advertisement |
| | 11/4/96 | 400.00 | Media |
| REV. GLENN KING GOSPEL HOUR | | | |
| | 11/16/93 | $ 300.00 | Radio Ad |
| | 3/21/94 | 400.00 | Radio Ad |
| | 2/22/96 | 200.00 | Advertisement |
| | 7/3/96 | 400.00 | Radio Ad |

# EXHIBIT 52

## COMMERCIAL LEASE

This is a legally binding contract if not understood, seek competent advice.

STATE OF ALABAMA
Jefferson County

This lease made this 22nd day of August, 19 95 by and between

American Trust Corporation

hereinafter called "Lessor", by

as agent for the Lessor and by Williamson & Harrell Photographers

hereinafter called "Lessee": A Partnership

WITNESSETH: That the Lessor does hereby demise and let unto the Lessee the following described premises in the City of , Alabama, to-wit:

1612 A (Downstairs) Third Avenue, North
Birmingham, Alabama 35203

**Use** Subject to existing easements, if any, and the regulatory laws and ordinances of the political subdivision in which the property is situated, for use and occupation by the Lessee as A Photographic Studio

**Term** and for no other or different use of purpose, for and during the term of Two Years beginning on 1st day of September, 1995 and ending on the 31st day of August, 1997

**Rent**

1. In consideration whereof, the Lessee agrees to pay the Lessors agent at office of said agent,
2.
3. on the first day of each month of said term, in advance, as rent for said premises, the sum of Three Hundred-
4. Fifty and no/100 DOLLARS ($ 350.00 ) per month,
5. being at the rate of Forty-Two Hundred and no/100 DOLLARS ($ 4200.00 ) per annum.
6. Lessee agrees that a Service and Bookkeeping charge of Ten Percent (10%) shall become due and payable each
7. and every month that the rent has not been received in the office of by the 10th of the month.
8. ~~Should premises by completed and turned over to Lessee either prior to, or after~~
9. ~~then in that event rent for such fractional month shall be pro-rated, and this lease term shall commence on the first day~~ of the
10. ~~next calendar~~ month.

**Quiet Enjoyment**

11. This lease is made upon the following terms, conditions, and covenants: The Lessor covenants to keep the Lessee in
12. possession of said premises during said term, but shall not be liable for the loss of use by eminent domain nor the failure or in-
13. ability of the Lessee to obtain possession thereof provided the Lessor shall exercise due diligence and effort to place the Lessee
14. in possession. Nothing herein contained shall be construed as a warranty that said premises are in good condition or are fit or suit-

**Condition of Premises**

15. able for the use or purpose for which they are let. The Lessor or Lessor's agent have made no representations or promises with
16. respect to said building or the demised premises except as herein expressly set forth. The Lessee has examined the leased premises
17. and accepts the same in the physical condition in which the same now exists (except as otherwise expressly provided herein.)

**Roof**

18. Should the roof of the building leak at any time during said term, due to no fault on the part of the Lessee, the Lessor will
19. repair the same within a reasonable time after being requested in writing by the Lessee so to do, but in no event shall the Lessor
20. be liable for damages or injuries arising from such defect or the failure to make said repairs after being so notified, except to the
21. extent of the reasonable cost of repairing said roof; nor shall the Lessor be liable for damages or injuries arising from defective
22. workmanship or materials, the Lessee hereby expressly waiving the same. Lessor and its agents, shall not be liable for any deaths,
23. injury, loss or damage resulting from any repair or improvement and undertaken, voluntarily or involuntarily, by or on behalf
24. of, the Lessor, other than willfully wrongful acts of Lessor.

**Air Conditioning and Signs**

25. In the event air conditiong equipment or a part of any air conditioning equipment is installed on the roof of any building
26. hereby leased, or in the event that the Lessee installs a sign on the roof, then Lessee shall be responsible for repairing any roof
27. leaks, attributable to such installation, during the term of this lease at Lessee's sole cost and expense, but no such air condition-
28. ing equipment or sign may be installed until the consent in writing of the Lessor is first had and obtained thereto.

**Roof and Drains, etc., Debris On**

29. The Lessee will keep the roof and the leased grounds free of all cans, bottles, fragments, debris and trash, and the Lessee
30. will keep the downspouts, gutters and drains clean, open and free of obstruction, and in good working order.

**Repairs**

31. Lessor shall not be obligated or required to make any other repairs or do any other work on or about said premises or any
32. part thereof, or the elevators therein, if any, or on or about any premises connected therewith, but not hereby leased, unless
33. and only to the extent herein agree. All other portions of any building hereby leased shall be kept in good repair by Lessee and
34. at the end of the term hereof, the Lessee shall deliver the demised premises to Lessor in good repair and condition, reasonable,
35. wear and tear excepted.

**Inspection and Showing**

36. However, Lessor reserves the right to enter upon said premises and to make such repairs and to do, such work on or about
37. said premises as Lessor may deem necessary or proper, or that Lessor may be lawfully required to make. Lessor reserves the right
38. to visit and inspect said premises at all reasonable times and the right to show said premises to prospective tenants and purchasers,
39. and the right to display "For Sale" and "For Rent" signs on said premises.

**Failure of Lessee to Repair [illegible] Signs**

Should the Lessee fail to make repairs agreed to by him under this lease, the Lessor may enter the premises and make such repairs and collect the cost thereof from [illegible] as additional rent. [illegible] the Lessee will not make or permit to be made any alterations, additions, improvements or changes in the premises, nor will [illegible] paint the outside of the building or permit the same to be [illegible] without the [illegible] contracted or let. No signs of any character shall be erected on the [illegible] until the consent thereof in writing [illegible] from the Lessor. The consent to a particular alteration, addition, improvement or change shall not be deemed a consent to, nor a waiver of, a restriction against alterations, additions, improvements or changes for the future.

**Alterations and Improvements by Lessee**

**Upkeep**

**Compliance With Law**

Lessee will replace all plate and other glass, if and when broken, and failing so to do the Lessor may replace the same and the Lessee will pay the Lessor the cost and expense thereof upon demand. Lessee will replace all keys lost or broken, and will pay all bills for utilities and services used on said premises. Lessee will keep all elevators, air conditioning equipment, electric wiring, water pipes, water closets, drains, sewer lines and other plumbing on said premises in such good order and repair and will do all repairs, modifications and replacements which may be required by the applicable laws or ordinances. Lessor shall not be liable for any damages caused by, or growing out of, any breakage, leakage, getting out of order or defective conditions of said elevators, air conditioning equipment, electric wiring, pipes, water closets, drains, and sewer lines or plumbing, or any of them. Lessee will comply, at all times and in all respects with all the applicable laws and ordinances relating to nuisance, insofar as the building and premises hereby let, and the streets and highways bounding the same, are concerned, and the Lessee will not by any act, or omission render the Lessor liable for any violation thereof. Lessee will not commit any waste of property, or permit the same to be done, and will take good care of said building and said premises at all times.

The Lessee agrees to pay all sewer rentals or other charges becoming due, levied under the authority of the Act No. 619 of the Alabama Legislature of 1949, approved September 19, 1949, or any other act, law or regulation. Failure to pay said rental shall constitute a default under the terms of this lease.

**Public Liability Insurance And Indemnity**

Lessee shall during the entire term of this Lease, at Lessee's own expense keep in force by advance payment of premiums, public liability insurance in an amount of not less than $100,000.00 for injury to or death of one person or as a result of one occurrence and not less than $300,000.00 for injury to or death of more than one person as a result of one occurrence and for damage to property in the amount of $100,000.00, or single limit of $ , insuring Lessee, Lessor, and Lessor's Agents, Servants, and employees (as an additional assured) against any liability that may accrue against them or either of them on account of any occurrences in or about the demised premises during the term or in consequence of Lessee's occupancy thereof and resulting in personal injury or death or property damage. Lessee shall on request furnish to Lessor certificates of all insurance required under this paragraph.

**Defects In Premises**

Lessor shall not be liable for any injury or damage caused by, or growing out of, any defect in said building, or its equipment, drains, plumbing, wiring, electric equipment or appurtenances, or in said premises, or caused by, or growing out of fire, rain, wind, leaks, seepage or other cause.

**Snow, Ice, Trash**

If the leased premises, or any part thereof, consist of first floor space, adjacent upon the street, or ground adjacent to the street, the Lessee will keep the sidewalk, curb and gutter in front thereof or adjacent thereto clean and free from snow, ice, debris and obstructions and will hold the Lessor harmless from all damages or claims arising out of the Lessee's failure to so do.

**Events of Default**

Upon the happening of any one or more of the events as expressed in this paragraph, the Lessor shall have the right, at the option of the Lessor, to either annul and terminate this lease upon two days written notice to Lessee and thereupon re-enter and take possession of the premises; or the right upon two days written notice to the Lessee to re-enter and re-let said premises, from time to time, as agents of the Lessee, and such re-entry or re-letting or both, shall not discharge the Lessee from any liability or obligation hereunder, except that rents (That is, gross rents less the expense of collecting and handling, and less commission) collected as a result of such re-letting shall be credited on the Lessee's liability up to the amount due under the terms of this lease and the balance, if any, credited to the Lessor. Nothing herein, however, shall be construed to require the Lessor to re-enter and re-let, nor shall anything herein be construed to postpone the right of the Lessor to sue for rents, whether matured by acceleration or otherwise, but on the contrary, the Lessor is hereby given the right to sue therefor at any time after default. The events or default referred to herein are: failure of the Lessee to pay any one or more of the installments of rent, or any other sum, provided for in this lease as and when the same become due, the removal, attempt to remove or permitting to be removed from said premises, except in the usual course of trade, the goods, furniture, effects or other property of the Lessee or any assignee, or sub-tenant of the Lessee; the levy of an execution or other legal process upon the goods, furniture, effects or other property of the Lessee brought on the leased premises or upon the interest of the Lessee in this lease; the filing of a Petition in Bankruptcy, a Petition for an Arraignment or reorganization by or against the Lessee; the appointment of a receiver or trustee, or other court officer, for the assets of the Lessee; the execution of an assignment for the benefit of creditors of the Lessee; the vacation or abandonment by the Lessee of the leased premises or the use thereof for any purpose other than the purpose for which the same are hereby let or (if the rental herein is based in whole or in part on the percentage of Lessee's sales) failure of the Lessee to exercise diligent effort to produce the maximum volume of sales; the assignment by Lessee of this lease or the re-letting or sub-letting by the Lessee of the leased premises or any part thereof without the written consent of the Lessor first had and obtained the violation by the Lessee of any other of the terms, conditions or covenants not set out in this paragraph on the part of the Lessee herein contained and failure of the Lessee to remedy such violation within ten (10) days after written notice thereof is given by the Lessor to the Lessee.

**Removal of Goods**

The Lessee shall not remove any of the goods, wares or merchandise of the Lessee from said premises other than in the regular course of Lessee's trade or business without having first paid all rent due or to become due under the terms of this lease

**Acceleration of Rent**

**Default—Attorney Fee and Cost**

**Waiver of Exemptions**

Upon termination or breach of this lease or re-entry upon said premises for any one or more of the causes set forth above or upon termination of this lease or re-entry of said premises, the rents provided for in this lease for the balance of the origina rental term, or any renewal term or other extended term, and all other indebtedness to the Lessor owed by the Lessee, shall b and become immediately due and payable at the option of the Lessor and without regard to whether or not possession of th premises shall have been surrendered to or taken by the Lessor. The Lessee agrees to pay Lessor, or on Lessor's behalf, a reasona ble attorney's fee in the event Lessor employs an attorney to collect any rents due hereunder by Lessee, or to protect the interes of Lessor in the event the Lessee is adjudged a bankrupt, or legal process is levied upon the goods, furniture, effects or persona property of the Lessee upon the said premises, or upon the interest of the Lessee in this lease or in said premises, or in the even the Lessee violates any of the terms, conditions, or covenants on the part of the Lessee herein contained. In order to further sec ure the prompt payments of said rents, as and when the same mature, and the faithful performance by the Lessee of all and sing lar the terms, conditions and covenants on the part of the Lessee herein contained, and all damages, and costs that the Lessor ma sustain by reason of the violation of said terms, conditions and covenants, or any of them, the Lessee hereby waives any and a rights to claim personal property as exempt from levy and sale, under the laws of any State or the United States.

**Abandonment**

**Re-Letting**

In the event the Lessee abandons the leased premises before the expiration of the term, whether voluntarily or involuntaril or violates any of the terms, conditions, or covenants hereof, the Lessor shall have the privilege at Lessor's option of re-enterin and taking possession of said premises and leasing all or any portion of said premises for such term and for such use deemed sati factory to the Lessor, applying each month the net proceeds obtained from said leasing to the credit of the Lessee herein, up t the amount due under the terms of this lease and the balance to the Lessor and said leasing shall not release the Lessee fro liability hereunder for the rents reserved for the residue of the term hereof, but Lessee shall be responsible each month for th difference, if any, between the net rents obtained from such leasing and the monthly rent reserved hereunder, and said differen shall be payable to the Lessor on the first day of each month for the residue of the term hereof.

**Re-Entry, etc., No Bar**

No re-entry hereunder shall bar the recovery of rent or damages for the breach of any of the terms, conditions, or covenan on the part of the Lessee herein contained. The receipt of rent after breach or condition broken, or delay on the part of Lessor t enforce any right hereunder, shall not be deemed a waiver of forfeiture, or a waiver of the right of the Lessor to annul the lease c to re-enter said premises or to re-let the same, or to accelerate the maturity of the rents hereunder.

**Reinstatement**

If this lease is terminated by the Lessor for any reason, including non-payment of rent, and the Lessee pays the rent, attorneys' fees and other charges and thus makes himself current, and/or remains or continues to be in possession of the leased premises

**Improvements and Additions; Property of Lessor**

Lessor, with the exception of such additions as are usually classed as furniture and trade fixtures, agrees that all improvements and additions to the premises, made by the Lessee, shall be and remain the property of the Lessor and may be removed by the Lessee at the expiration of this lease, provided all terms, conditions and covenants of within contract have been complied with by Lessee and provided said Lessee restores the building and premises to its original condition, normal wear and tear excepted.

**Fire & Other Casualty**

In the event of the total destruction of, or partial damage to, the buildings upon the demised premises by fire or other casualty, Lessor shall proceed with due diligence and dispatch to repair and restore the buildings to the conditions to which they existed immediately prior to the occurrence of such casualty, at Lessor's cost and expense, provided such cost does not exceed the proceeds of insurance collected on the buildings, by reason of such casualty, the application of which insurance proceeds are not prohibited, by reason of any mortgage provision, from being used toward the cost of restoration and repairing the same; provided, further, that if the unexpired portion of the term or any extension thereof shall be two (2) years or less on the date of such casualty and the cost of such repair or restoration exceeds twenty percent (20%) of the then replacement value of said damaged leased premises, as estimated by two or more reputable contractors, Lessor may by written notice to the Lessee, within thirty (30) days after the occurence of such casualty, terminate this lease. If Lessor exercises the above right to terminate this lease and Lessee elects to exercise an option of renewal privilege which Lessee may have under this lease, which if exercised, would extend the unexpired term beyond two (2) years, Lessee may void such above notice of Lessor's right to terminate this lease by exercising such option renewal privilege within such thirty (30) day period. If the insurance proceeds are insufficient to effect such restoration or repairs, Lessor at its option may cancel this lease by written notice to Lessee within thirty (30) days after the occurrence of such casualty.

In the event the repairing and restoring of the buildings can not be completed within four (4) months after the date of occurrence of such casualty, as estimated by two or more reputable contractors, the Lessee shall have the right to terminate this lease upon giving written notice to Lessor within thirty (30) days from the date of occurrence of said casualty. From the date of such damage or destruction until said building has been substantially repaired or restored, an equitable abatement of rent shall be allowed the Lessee.

**Transfer or Assignment, Conditions**

Each and every transfer or assignment of this lease, or any interest therein, and each and every sub-letting of said premises, or any part thereof, or any interest therein, shall be null and void, unless the written consent of the Lessor be first obtained thereto. As a condition precedent to the obtaining of such consent, the assignee or sub-lessee must assume, in writing, all the obligations of the Lessee hereunder, but such assumption shall not operate to release the Lessee from any agreement or understanding on the part of the Lessee expressed or implied in this lease. If a lease assignment is consumated for this Lessee or any one or more assigns before expiration term of this lease, then the Lessee or his subsequent assigns shall pay a $

**Lease Assignment Fee Clause**

assignment fee to agent for each and every lease assignment made.

**Notices and Demands**

All notices and demands authorized or required to be given to the Lessee under any provision hereof must be in writing, and may be delivered to the Lessee in person or left on or in the leased premises or shall be conclusively deemed to have been delivered to the Lessee if the same be deposited in the United States mail addressed to the Lessee at the leased premises, with the proper postage affixed thereto. All notices herein authorized are required to be given to the Lessor may be given by certified mail, addressed to the Lessor at the address of the Lessor shown on page 1 of this leare, or in care of the Lessor's rental agent at that time authorized by the Lessor to service this lease, and said notices must be in writing.

**Agents Commission Agreement**

THE COMMISSIONS PAYABLE FOR THE SALE, LEASE OR MANAGEMENT OF PROPERTY ARE NOT SET BY THE BIRMINGHAM BOARD OF REALTORS, BUT IN ALL CASES ARE NEGOTIABLE BETWEEN THE BROKER AND THE CLIENT.

Lessor in consideration of the services rendered by as agent of Lessor in leasing said premises to Lessee, does hereby authorize said its successors or assigns, to collect and receipt for the rents payable hereunder during the entire term hereof and any renewals or extensions of the within lease, whether renewed or extended, or the premises re-leased to the Lessee hereunder, or Lessee's successors or assigns, and hereby agrees to pay to the said its successors or assigns, for the services rendered in effecting this lease or any renewal, extension, or re-leasing as above provided, (an amount equal to per cent of all rents paid by virtue thereof, whether or not effected by ok any other person, firm or corporation, or whether or not said rent is paid direct to its successors or assigns, payment of said commissions to be made as and when rents are received by the Lessor, its successors or assigns, and the said its successors or assigns shall be entitled to said commission from the present Lessor, the Lessor's personal representative, heirs, successors, assigns, or grantees in title of the property herein described, and the same shall be charged upon the land, tenements and hereditaments herein described.

As a further consideration for the services rendered by if the term of this lease is for twelve (12) months or less the Lessor agrees to pay the agent % of all rents paid as commission instead of the aforementioned % provided for in the preceding paragraph; if the term of this lease is in excess of one year and less than three years, Lessor agrees that in addition to said commission provided in the preceding paragraph, said agent shall be entitled to receive rent payable hereunder, or, if this lease term is for three years or more, to receive rent payable hereunder, but percentage commission stated above shall not apply on said first month's rent, and this additional rent commission shall not be paid to the agent for any lease renewal or extension to the herein named Lessee.

In the event the within lease is canceled or terminated by virtue of any act or default by the Lessor, including the sale of the leased premises, the Agent shall be entitled to be paid an amount equal to the full commission which the Agent would have earned, provided the lease had not been canceled or terminated.

**Agents Repair and Improvement**

If the Lessor undertakes to make any improvements or repairs on the leased premises during the term of this lease, the cost of which exceeds $ , and if the agent supervises the same, the Lessor agrees to pay the said agent a reasonable fee for the additional services rendered.

**Lessee Will Hold Harmless**

Lessee will indemnify and hold Lessor and Lessor's agent free and harmless from all demands, claims and suits or expenses caused by any default committed hereunder on the part of the Lessee. Lessee will further indemnify and save harmless Lessor and Lessor's agent from any loss, cost, damage and/or expenses caused by injuries to persons or property while in, on or about the demised premises, not attributable to the willfully wrongful act of the Lessor or Lessor's agent. Any property stored in the demised premises shall be at the sole risk of Lessee.

**Waiver of Subrogation Rights**

Neither Lessor nor Lessee shall be liable to the other for any loss or damage from risks ordinarily insured against under fire insurance policies with extended-coverage endorsements, irrespective of whether such loss or damage results from their negligence or that of any of their agents, servants, employees, licensees or contractors to the extent that such losses are covered by valid and collectable insurance on the property at the time of the loss.

**Holdover**

Should the Lessee continue to occupy the premises after the expiration of the said term or after a forfeiture incurred, whether with or against the consent of the Lessor, such tenancy shall be a tenancy at sufferance and in no event a tenancy from month to month, or from year to year.

**Non-Waiver**

The failure of the Lessor to insist, in any one or more instances, upon a strict performance of any of the covenants of this lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by the Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provision hereof shall be deemed to have been made unless expressed in writing, and signed by the Lessor.

213. If all or any part of the demised premises is taken by eminent domain ("eminent domain" shall include the exercise of any
214. similar power of taking, and any purchase or acquisition in lieu of condemnation), during the term of this lease, and possession
215. is required or directed to be given up, or removal from said premises by public authority, then the term of this lease shall cease as to the said premises
**Non-Waiver** 216. shall reimburse the condemning authority, or to the date improvements are ordered removed, and said necessary
**Eminent Domain and Condemnation** 217. be paid to the rent to be apportioned as of the date of such taking or of such order, as the case may be; provided,
218. however, in the event of a partial taking of the demised premises by eminent domain, the ground floor area of the building
219. forming a part of the demised premises is reduced by not more than twenty-five percent (25%), the Lessor may elect to con-
220. tinue the term of this lease and to restore, at Lessor's expense, the remaining premises to a complete architectural unit with
221. storefront, signs and interior of equal appearance and utility as they had previous to the taking, but there will be prorata re-
222. duction of the rent payable each month. The Lessor shall be deemed to have exercised its said option to restore the premises un-
223. less, within 30 days after the date of taking, the Lessor shall notify the Lessee in writing of its election to terminate this lease. The
224. Lessor shall be entitled to receive all of the proceeds of any total or partial taking of the demised premises by eminent domain,
225. including any part of such award as may be attributable to the unexpired leasehold interest or other rights of the Lessee in the
226. premises, and the Lessee hereby assigns, and transfers to the Lessor all of the Lessee's right to receive any part of such proceeds.

**Clean Premises Upon Termination, etc.**

227. The Lessee hereby agrees that upon the expiration or prior termination of this lease, the Lessee will promptly remove
228. from the leased premises all signs, trash, debris and property of the Lessee, and the Lessee will leave the floors, stairs, passage-
229. ways, elevator and shafts as clean as it is possible to clean them by means of the use of broom and shovel.

**Taxes and Insurance**

230. In the event that during the term of this Lease or any renewal period thereof, the total real estate taxes, special assessments,
231. or insurance cost levied or assessed on the subject property owned by Lessor should be increased over and above the Real Estate
232. taxes, special assessments or insurance costs for the first full lease year, then Lessee shall pay to Lessor as additional rent a pro-
233. rata share of such increased taxes, special assessments, or insurance costs which shall be in the proportion which the total area
234. of the Leased Premises bears to the total building area owned by the Lessor of which these premises are a part.

**Addendum Clause**

235. This lease consists of 4 pages together with an Addendum of 0 pages which is attached hereto,
236. initialed by the parties and incorporated in this lease by reference. In case of conflict between the printed portion of this lease
237. and the Addendum, the terms of the Addendum shall prevail.

238. It is understood and agreed by the parties hereto that this lease shall be binding upon the Lessee, its executor, adminis-
239. trator, heirs, assigns or successor.

## FURTHER TERMS AND CONDITIONS MADE A PART HEREOF

Premises are leased "AS IS". All utilities, except water, are to be placed in lessee's name.

Lessee shall have an option to renew said lease for two years if the building has not been sold or is not under contract to sell at the expiration period.

IN WITNESS WHEREOF, the Lessor and the Lessee have respectively executed these presents this 23rd day of August, 1995.

Agent

American Trust Corporation

By: John R. Hillard (Lessor)
President

Witness for Lessor:

Elizabeth Belmont

Paul D. Williamson (L. S.)
Lessee

Witness for Lessee:

Madlean F. Washington

Lurn Harrell (L. S.)
Lessee

# COMMERCIAL LEASE

This is a legally binding contract. If not understood, seek [illegible]

STATE OF ALABAMA
Jefferson County

This lease made this 22nd day of August 1995 by and between [illegible] American Trust Corporation hereinafter called "Lessor", by [illegible] as agent for the Lessor and by Williamson & Harrell Photographers a partnership hereinafter called "Lessee":

WITNESSETH: That the Lessor does hereby demise and let unto the Lessee the following described premises in the City of 1612 A (Downstairs) Alabama, to-wit: 1612 A (Downstairs) 1612 A (Downstairs) Third Avenue North Birmingham, Alabama 35203

**Use** Subject to existing easements, if any, and the regulatory laws and ordinances of the political subdivision in which the property is situated, for use and occupation by the Lessee as A Photographic Studio

**Term** and for no other or different use of purpose, for and during the term of two years beginning on September First day of September 1995 and ending on the 31st day of August 1997

**Rent** In consideration whereof, the Lessee agrees to pay the Lessors agent at office of said agent, on the first day of each month of said term, in advance, as rent for said premises, the sum of Three Hundred Fifty and no/100 DOLLARS ($ 350.00 ) per month, being at the rate of Forty two Hundred DOLLARS ($ 4200.00 ) per annum.

Lessee agrees that a Service and Bookkeeping charge of Ten (10%) shall become due and payable each and every month that the rent has not been received in the office of by the 10th of the month.

Should premises by completed and turned over to Lessee either prior to, or after ~~then in that event rent for such fractional month shall be pro-rated, and this lease term shall commence on the first day of the next calendar month.~~

**Quiet Enjoyment** This lease is made upon the following terms, conditions, and covenants: The Lessor covenants to keep the Lessee in possession of said premises during said term, but shall not be liable for the loss of use by eminent domain nor the failure or inability of the Lessee to obtain possession thereof provided the Lessor shall exercise due diligence and effort to place the Lessee in possession. Nothing herein contained shall be construed as a warranty that said premises are in good condition or are fit or suitable for the use or purpose for which they are let. The Lessor or Lessor's agent have made no representations or promises with respect to said building or the demised premises except as herein expressly set forth. The Lessee has examined the leased premises and accepts the same in the physical condition in which the same now exists (except as otherwise expressly provided herein.)

**Condition of Premises**

**Roof** Should the roof of the building leak at any time during said term, due to no fault on the part of the Lessee, the Lessor will repair the same within a reasonable time after being requested in writing by the Lessee so to do, but in no event shall the Lessor be liable for damages or injuries arising from such defect or the failure to make said repairs after being so notified, except to the extent of the reasonable cost of repairing said roof; nor shall the Lessor be liable for damages or injuries arising from defective workmanship or materials, the Lessee hereby expressly waiving the same. Lessor and its agents, shall not be liable for any deaths, injury, loss or damage resulting from any repair or improvement and undertaken, voluntarily or involuntarily, by or on behalf of, the Lessor, other than willfully wrongful acts of Lessor.

**Air Conditioning and Signs** In the event air conditioning equipment or a part of any air conditioning equipment is installed on the roof of any building hereby leased, or in the event that the Lessee installs a sign on the roof, then Lessee shall be responsible for repairing any roof leaks, attributable to such installation, during the term of this lease at Lessee's sole cost and expense, but no such air conditioning equipment or sign may be installed until the consent in writing of the Lessor is first had and obtained thereto.

**Roof and Drains, etc., Debris On** The Lessee will keep the roof and the leased grounds free of all cans, bottles, fragments, debris and trash, and the Lessee will keep the downspouts, gutters and drains clean, open and free of obstruction, and in good working order.

**Repairs** Lessor shall not be obligated or required to make any other repairs or do any other work on or about said premises or any part thereof, or the elevators therein, if any, or on or about any premises connected therewith, but not hereby leased, unless and only to the extent herein agree. All other portions of any building hereby leased shall be kept in good repair by Lessee and at the end of the term hereof, the Lessee shall deliver the demised premises to Lessor in good repair and condition, reasonable, wear and tear excepted.

**Inspection and Showing** However, Lessor reserves the right to enter upon said premises and to make such repairs and to do, such work on or about said premises as Lessor may deem necessary or proper, or that Lessor may be lawfully required to make. Lessor reserves the right to visit and inspect said premises at all reasonable times and the right to show said premises to prospective tenants and purchasers, and the right to display "For Sale" and "For Rent" signs on said premises.

**Failure of Lessee to Repair**

**Signs**

Should the Lessee fail to make repairs agreed to by him under this lease, the Lessor may enter the premises and make such repairs and collect the cost thereof from the Lessee as additional rent. Except as herein specifically provided, the Lessee will not make or permit to be made any alterations, additions, improvements or changes in the premises, nor will the Lessee paint the outside of the building or permit the same to be painted without the written consent of the Lessor before work is contracted [illegible]. No signs of any character shall be erected on the roof until the consent thereof in writing is first had and obtained from the Lessor. The consent to a particular alteration, addition, improvement or change shall not be deemed a consent to nor a waiver of, a restriction against alterations, additions, improvements or changes for the future.

**Alterations and Improvements by Lessee**

**Upkeep**

**Compliance With Law**

Lessee will replace all plate and other glass, if and when broken, and failing so to do the Lessor may replace the same and the Lessee will pay the Lessor the cost and expense thereof upon demand. Lessee will replace all keys lost or broken, and will pay all bills for utilities and services used on said premises. Lessee will keep all elevators, air conditioning equipment, electric wiring, water pipes, water closets, drains, sewer lines and other plumbing on said premises in such good order and repair and will do all repairs, modifications and replacements which may be required by the applicable laws or ordinances. Lessor shall not be liable for any damages caused by, or growing out of, any breakage, leakage, getting out of order or defective conditions of said elevators, air conditioning equipment, electric wiring, pipes, water closets, drains, and sewer lines or plumbing, or any of them. Lessee will comply, at all times and in all respects with all the applicable laws and ordinances relating to nuisance, insofar as the building and premises hereby let, and the streets and highways bounding the same, are concerned, and the Lessee will not by any act, or omission render the Lessor liable for any violation thereof. Lessee will not commit any waste of property, or permit the same to be done, and will take good care of said building and said premises at all times.

The Lessee agrees to pay all sewer rentals or other charges becoming due, levied under the authority of the Act No. 619 of the Alabama Legislature of 1949, approved September 19, 1949, or any other act, law or regulation. Failure to pay said rental shall constitute a default under the terms of this lease.

**Public Liability Insurance And Indemnity**

Lessee shall during the entire term of this Lease, at Lessee's own expense keep in force by advance payment of premiums, public liability insurance in an amount of not less than $100,000.00 for injury to or death of one person or as a result of one occurrence and not less than $300,000.00 for injury to or death of more than one person as a result of one occurrence and for damage to property in the amount of $100,000.00, or single limit of $ , insuring Lessee, Lessor, and Lessor's Agents, Servants, and employees (as an additional assured) against any liability that may accrue against them or either of them on account of any occurrences in or about the demised premises during the term or in consequence of Lessee's occupancy thereof and resulting in personal injury or death or property damage. Lessee shall on request furnish to Lessor certificates of all insurance required under this paragraph.

**Defects In Premises**

Lessor shall not be liable for any injury or damage caused by, or growing out of, any defect in said building, or its equipment, drains, plumbing, wiring, electric equipment or appurtenances, or in said premises, or caused by, or growing out of fire, rain, wind, leaks, seepage or other cause.

**Snow, Ice, Trash**

If the leased premises, or any part thereof, consist of first floor space, adjacent upon the street, or ground adjacent to the street, the Lessee will keep the sidewalk, curb and gutter in front thereof or adjacent thereto clean and free from snow, ice, debris and obstructions and will hold the Lessor harmless from all damages or claims arising out of the Lessee's failure to so do.

**Events of Default**

Upon the happening of any one or more of the events as expressed in this paragraph, the Lessor shall have the right, at the option of the Lessor, to either annul and terminate this lease upon two days written notice to Lessee and thereupon re-enter and take possession of the premises; or the right upon two days written notice to the Lessee to re-enter and re-let said premises, from time to time, as agents of the Lessee, and such re-entry or re-letting or both, shall not discharge the Lessee from any liability or obligation hereunder, except that rents (That is, gross rents less the expense of collecting and handling, and less commission) collected as a result of such re-letting shall be credited on the Lessee's liability up to the amount due under the terms of this lease and the balance, if any, credited to the Lessor. Nothing herein, however, shall be construed to require the Lessor to re-enter and re-let, nor shall anything herein be construed to postpone the right of the Lessor to sue for rents, whether matured by acceleration or otherwise, but on the contrary, the Lessor is hereby given the right to sue therefor at any time after default. The events or default referred to herein are: failure of the Lessee to pay any one or more of the installments of rent, or any other sum, provided for in this lease as and when the same become due, the removal, attempt to remove or permitting to be removed from said premises, except in the usual course of trade, the goods, furniture, effects or other property of the Lessee or any assignee, or sub-tenant of the Lessee; the levy of an execution or other legal process upon the goods, furniture, effects or other property of the Lessee brought on the leased premises or upon the interest of the Lessee in this lease; the filing of a Petition in Bankruptcy, a Petition for an Arraignment or reorganization by or against the Lessee; the appointment of a receiver or trustee, or other court officer, for the assets of the Lessee; the execution of an assignment for the benefit of creditors of the Lessee; the vacation or abandonment by the Lessee of the leased premises or the use thereof for any purpose other than the purpose for which the same are hereby let or (if the rental herein is based in whole or in part on the percentage of Lessee's sales) failure of the Lessee to exercise diligent effort to produce the maximum volume of sales; the assignment by Lessee of this lease or the re-letting or sub-letting by the Lessee of the leased premises or any part thereof without the written consent of the Lessor first had and obtained the violation by the Lessee of any other of the terms, conditions or covenants not set out in this paragraph on the part of the Lessee herein contained and failure of the Lessee to remedy such violation within ten (10) days after written notice thereof is given by the Lessor to the Lessee.

**Removal of Goods**

The Lessee shall not remove any of the goods, wares or merchandise of the Lessee from said premises other than in the regular course of Lessee's trade or business without having first paid all rent due or to become due under the terms of this lease

**Acceleration of Rent**

**Default—Attorney Fee and Cost**

**Waiver of Exemptions**

Upon termination or breach of this lease or re-entry upon said premises for any one or more of the causes set forth above or upon termination of this lease or re-entry of said premises, the rents provided for in this lease for the balance of the origina rental term, or any renewal term or other extended term, and all other indebtedness to the Lessor owed by the Lessee, shall b and become immediately due and payable at the option of the Lessor and without regard to whether or not possession of th premises shall have been surrendered to or taken by the Lessor. The Lessee agrees to pay Lessor, or on Lessor's behalf, a reasona ble attorney's fee in the event Lessor employs an attorney to collect any rents due hereunder by Lessee, or to protect the interes of Lessor in the event the Lessee is adjudged a bankrupt, or legal process is levied upon the goods, furniture, effects or persona property of the Lessee upon the said premises, or upon the interest of the Lessee in this lease or in said premises, or in the even the Lessee violates any of the terms, conditions, or covenants on the part of the Lessee herein contained. In order to further sec ure the prompt payments of said rents, as and when the same mature, and the faithful performance by the Lessee of all and singu lar the terms, conditions and covenants on the part of the Lessee herein contained, and all damages, and costs that the Lessor ma sustain by reason of the violation of said terms, conditions and covenants, or any of them, the Lessee hereby waives any and a rights to claim personal property as exempt from levy and sale, under the laws of any State or the United States.

**Abandonment**

**Re-Letting**

In the event the Lessee abandons the leased premises before the expiration of the term, whether voluntarily or involuntarily or violates any of the terms, conditions, or covenants hereof, the Lessor shall have the privilege at Lessor's option of re-enterin and taking possession of said premises and leasing all or any portion of said premises for such term and for such use deemed sati factory to the Lessor, applying each month the net proceeds obtained from said leasing to the credit of the Lessee herein, up t the amount due under the terms of this lease and the balance to the Lessor and, said leasing shall not release the Lessee fro liability hereunder for the rents reserved for the residue of the term hereof, but Lessee shall be responsible each month for th difference, if any, between the net rents obtained from such leasing and the monthly rent reserved hereunder, and said differenc shall be payable to the Lessor on the first day of each month for the residue of the term hereof.

**Re-Entry, etc., No Bar**

No re-entry hereunder shall bar the recovery of rent or damages for the breach of any of the terms, conditions, or covenant on the part of the Lessee herein contained. The receipt of rent after breach or condition broken, or delay on the part of Lessor t enforce any right hereunder, shall not be deemed a waiver of forfeiture, or a waiver of the right of the Lessor to annul the lease c to re-enter said premises or to re-let the same, or to accelerate the maturity of the rents hereunder.

**Reinstatement**

If this lease is terminated by the Lessor for any reason, including non-payment of rent, and the Lessee thereafter pays all fees and other charges and thus makes himself current, and/or remains or continues to be in possession of the leased premises or any part thereof, with the Lessor's consent, this lease will be considered reinstated and continue in force as though it had not been terminated.

**Improvements and Additions Property of Lessor.**

Improvements, additions, alterations and fixtures attached to the premises by the Lessee, with the exception of such additions as are usually classed as furniture and fixtures, shall remain the property of the Lessor and shall not be removed by the Lessee at the time of the expiration of this lease; provided all terms, conditions and covenants of within contract have been complied with by Lessee and provided said Lessee restores the building and premises to its original condition, normal wear and tear excepted.

**Fire & Other Casualty**

In the event of the total destruction of, or partial damage to, the buildings upon the demised premises by fire or other casualty, Lessor shall proceed with due diligence and dispatch to repair and restore the buildings to the conditions to which they existed immediately prior to the occurrence of such casualty, at Lessor's cost and expense, provided such cost does not exceed the proceeds of insurance collected on the buildings, by reason of such casualty, the application of which insurance proceeds are not prohibited, by reason of any mortgage provision, from being used toward the cost of restoration and repairing the same; provided, further, that if the unexpired portion of the term or any extention thereof shall be two (2) years or less on the date of such casualty and the cost of such repair or restoration exceeds twenty percent (20%) of the then replacement value of said damaged leased premises, as estimated by two or more reputable contractors, Lessor may by written notice to the Lessee, within thirty (30) days after the occurence of such casualty, terminate this lease. If Lessor exercises the above right to terminate this lease and Lessee elects to exercise an option of renewal privilege which Lessee may have under this lease, which if exercised, would extend the unexpired term beyond two (2) years, Lessee may void such above notice of Lessor's right to terminate this lease by exercising such option renewal privilege within such thirty (30) day period. If the insurance proceeds are insufficient to effect such restoration or repairs, Lessor at its option may cancel this lease by written notice to Lessee within thirty (30) days after the occurrence of such casualty.

In the event the repairing and restoring of the buildings can not be completed within four (4) months after the date of occurrence of such casualty, as estimated by two or more reputable contractors, the Lessee shall have the right to terminate this lease upon giving written notice to Lessor within thirty (30) days from the date of occurrence of said casualty. From the date of such damage or destruction until said building has been substantially repaired or restored, an equitable abatement of rent shall be allowed the Lessee.

**Transfer or Assignment, Conditions**

Each and every transfer or assignment of this lease, or any interest therein, and each and every sub-letting of said premises, or any part thereof, or any interest therein, shall be null and void, unless the written consent of the Lessor be first obtained thereto. As a condition precedent to the obtaining of such consent, the assignee or sub-lessee must assume, in writing, all the obligations of the Lessee hereunder, but such assumption shall not operate to release the Lessee from any agreement or understanding on the part of the Lessee expressed or implied in this lease. If a lease assignment is consumated for this Lessee or any one or more assigns before expiration term of this lease, then the Lessee or his subsequent assigns shall pay a $

**Lease Assignment Fee Clause**

assignment fee to agent for each and every lease assignment made.

**Notices and Demands**

All notices and demands authorized or required to be given to the Lessee under any provision hereof must be in writing, and may be delivered to the Lessee in person or left on or in the leased premises or shall be conclusively deemed to have been delivered to the Lessee if the same be deposited in the United States mail addressed to the Lessee at the leased premises, with the proper postage affixed thereto. All notices herein authorized are required to be given to the Lessor may be given by certified mail, addressed to the Lessor at the address of the Lessor shown on page 1 of this lease, or in care of the Lessor's rental agent at that time authorized by the Lessor to service this lease, and said notices must be in writing.

**Agents Commission Agreement**

THE COMMISSIONS PAYABLE FOR THE SALE, LEASE OR MANAGEMENT OF PROPERTY ARE NOT SET BY THE BIRMINGHAM BOARD OF REALTORS® BUT IN ALL CASES ARE NEGOTIABLE BETWEEN THE BROKER AND THE CLIENT.

Lessor in consideration of the services rendered by as agent of Lessor in leasing said premises to Lessee, does hereby authorize said its successors or assigns, to collect and receipt for the rents payable hereunder during the entire term hereof and any renewals or extensions of the within lease, whether renewed or extended, or the premises re-leased to the Lessee hereunder, or Lessee's successors or assigns, and hereby agrees to pay to the said its successors or assigns, for the services rendered in effecting this lease or any renewal, extension, or re-leasing as above provided, (an amount equal to per cent of all rents paid by virtue thereof, whether or not affected by or any other person, firm or corporation, or whether or not said rent is paid direct to its successors or assigns, payment of said commissions to be made as and when rents are received by the Lessor, its successors or assigns, and the said its successors or assigns shall be entitled to said commission from the present Lessor, the Lessor's personal representative, heirs, successors, assigns, or grantees in title of the property herein described, and the same shall be charged upon the land, tenements and hereditaments herein described.

N/A

As a further consideration for the services rendered by If the term of this lease is for twelve (12) months or less the Lessor agrees to pay the agent % of all rents paid as commission instead of the aforementioned % provided for in the preceding paragraph; if the term of this lease is in excess of one year and less than three years, Lessor agrees that in addition to said commission provided in the preceding paragraph, said agent shall be entitled to receive rent payable hereunder, or, if this lease term is for three years or more, to receive rent payable hereunder, but percentage commission stated above shall not apply on said first month's rent; and this additional rent commission shall not be paid to the agent for any lease renewal or extension to the herein named Lessee.

In the event the within lease is cancelled or terminated by virtue of any act or default by the Lessor, including the sale of the leased premises, the Agent shall be entitled to be paid an amount equal to the full commission which the Agent would have earned, provided the lease had not been cancelled or terminated.

**Agents Repair and Improvement**

If the Lessor undertakes to make any improvements or repairs on the leased premises during the term of this lease, the cost of which exceeds $ , and if the agent supervises the same, the Lessor agrees to pay the said agent a reasonable fee for the additional services rendered.

**Lessee Will Hold Harmless**

Lessee will indemnify and hold Lessor and Lessor's agent free and harmless from all demands, claims and suits or expenses caused by any default committed hereunder on the part of the Lessee. Lessee will further indemnify and save harmless Lessor and Lessor's agent from any loss, cost, damage and/or expenses caused by injuries to persons or property while in, on or about the demised premises, not attributable to the willfully wrongful act of the Lessor or Lessor's agent. Any property stored in the demised premises shall be at the sole risk of Lessee.

**Waiver of Subrogation Rights**

Neither Lessor nor Lessee shall be liable to the other for any loss or damage from risks ordinarily insured against under fire insurance policies with extended-coverage endorsements, irrespective of whether such loss or damage results from their negligence or that of any of their agents, servants, employees, licensees or contractors to the extent that such losses are covered by valid and collectable insurance on the property at the time of the loss.

**Holdover**

Should the Lessee continue to occupy the premises after the expiration of the said term or after a forfeiture incurred, whether with or against the consent of the Lessor, such tenancy shall be a tenancy at sufferance and in no event a tenancy from month to month, or from year to year.

**Non-Waiver**

The failure of the Lessor to insist, in any one or more instances, upon a strict performance of any of the covenants of this lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by the Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provision hereof shall be deemed to have been made unless expressed in writing, and signed by the Lessor.

[illegible] any part of the demised premises is taken by eminent domain (~~eminent domain shall include~~ the exercise of any similar power of taking, and any purchase or acquisition in lieu of condemnation), or if the ~~governmental agreements~~ are consummated ~~[illegible]~~ by which building or improvements are to be ~~[illegible]~~ by any governmental or other authority, then the term of this lease shall ~~[illegible]~~ of the date of possession ~~[illegible]~~ Non-Waiver ~~[illegible]~~ shall not be ~~[illegible]~~ condemning authority, ~~[illegible]~~ of the date of ~~[illegible]~~ improvements ~~[illegible]~~ which ~~[illegible]~~

**Eminent Domain and Condemnation**

has payable, with the rent to be apportioned as of the date of such taking or of such order, as the case may be; provided, however, if as a result of a partial taking of the demised premises by eminent domain the ground floor area of the building forming a part of the demised premises is reduced by not more than twenty-five percent (25%), the Lessor may elect to continue the term of this lease and to restore, at Lessor's expense, the remaining premises to a complete architectural unit with storefront, signs and interior of equal appearance and utility as they had previous to the taking, but there will be prorata reduction of the rent payable each month. The Lessor shall be deemed to have exercised its said option to restore the premises unless, within 30 days after the date of taking, the Lessor shall notify the Lessee in writing of its election to terminate this lease. The Lessor shall be entitled to receive all of the proceeds of any total or partial taking of the demised premises by eminent domain, including any part of such award as may be attributable to the unexpired leasehold interest or other rights of the Lessee in the premises, and the Lessee hereby assigns, and transfers to the Lessor all of the Lessee's right to receive any part of such proceeds.

**Clean Premises Upon Termination, etc.**

The Lessee hereby agrees that upon the expiration or prior termination of this lease, the Lessee will promptly remove from the leased premises all signs, trash, debris and property of the Lessee, and the Lessee will leave the floors, stairs, passageways, elevator and shafts as clean as it is possible to clean them by means of the use of broom and shovel.

**Taxes and Insurance**

In the event that during the term of this Lease or any renewal period thereof, the total real estate taxes, special assessments, or insurance cost levied or assessed on the subject property owned by Lessor should be increased over and above the Real Estate taxes, special assessments or insurance costs for the first full lease year, then Lessee shall pay to Lessor as additional rent a prorata share of such increased taxes, special assessments, or insurance costs which shall be in the proportion which the total area of the Leased Premises bears to the total building area owned by the Lessor of which these premises are a part.

**Addendum Clause**

This lease consists of 4 pages together with an Addendum of 0 pages which is attached hereto, initialed by the parties and incorporated in this lease by reference. In case of conflict between the printed portion of this lease and the Addendum, the terms of the Addendum shall prevail.

It is understood and agreed by the parties hereto that this lease shall be binding upon the Lessee, its executor, administrator, heirs, assigns or successor.

FURTHER TERMS AND CONDITIONS MADE A PART HEREOF

~~All~~ Premises are leased "as is". All utilities except water are to be placed ~~[illegible]~~ in lessee names. Lessee shall have an option to renew said lease for two years if the building has ~~not~~ been ~~[illegible]~~ sold or is not under contract to sell at the expiration period.

IN WITNESS WHEREOF, the Lessor and the Lessee have respectively executed these presents this

day of August, 19 95.

American Trust Corporation

Agent

By: _____ (Lessor)

Witness for Lessor:

_____

_____ (L. S.)

Paul W. Williamson Lessee

Witness for Lessee:

_____

_____ (L. S.)

Lurn Harrell Lessee

Lurn Harrell

# EXHIBIT 53

## COMMERCIAL LEASE

**This is a legally binding contract. If not understood, seek competent advice.**

APPROVED BY BIRMINGHAM AREA BOARD OF REALTORS
AMENDED OCTOBER, 1976

LEASE FORM
150-ZSSCO

STATE OF ALABAMA
Jefferson County

This lease made this 15th day of May 1996 by and between

American Trust Life Insurance Company

hereinafter called "Lessor", by

as agent for the Lessor and by Hilliard For Congress Campaign

hereinafter called "Lessee":

WITNESSETH: That the Lessor does hereby demise and let unto the Lessee the following described premises in the City of Birmingham, Alabama, to-wit:

**Use**

Subject to existing easements, if any, and the regulatory laws and ordinances of the political subdivision in which the property is situated, for use and occupation by the Lessee as Political Campaign Office

**Term**

and for no other or different use of purpose, for and during the term of 6 months beginning on 1st day of June, 1996.

and ending on the 30th day of November, 1996

**Rent**

In consideration whereof, the Lessee agrees to pay the Lessors agent at office of said agent,

on the first day of each month of said term, in advance, as rent for said premises, the sum of One Thousand Five Hundred and no/100---------- DOLLARS ($ 1,500.00 ) per month, being at the rate of Nine Thousand and no/100($9,000)- DOLLARS ($ 9,000.00 ) per annum.

Lessee agrees that a Service and Bookkeeping charge of shall become due and payable each and every month that the rent has not been received in the office of by the 10th of the month.

Should premises by completed and turned over to Lessee either prior to, or after _____ then in that event rent for such fractional month shall be pro-rated, and this lease term shall commence on the first day of the next calendar month.

**Quiet Enjoyment**

This lease is made upon the following terms, conditions, and covenants: The Lessor covenants to keep the Lessee in possession of said premises during said term, but shall not be liable for the loss of use by eminent domain nor the failure or inability of the Lessee to obtain possession thereof provided the Lessor shall exercise due diligence and effort to place the Lessee in possession. Nothing herein contained shall be construed as a warranty that said premises are in good condition or are fit or suitable for the use or purpose for which they are let. The Lessor or Lessor's agent have made no representations or promises with respect to said building or the demised premises except as herein expressly set forth. The Lessee has examined the leased premises and accepts the same in the physical condition in which the same now exists (except as otherwise expressly provided herein.)

**Condition of Premises**

**Roof**

Should the roof of the building leak at any time during said term, due to no fault on the part of the Lessee, the Lessor will repair the same within a reasonable time after being requested in writing by the Lessee so to do, but in no event shall the Lessor be liable for damages or injuries arising from such defect or the failure to make said repairs after being so notified, except to the extent of the reasonable cost of repairing said roof; nor shall the Lessor be liable for damages or injuries arising from defective workmanship or materials, the Lessee hereby expressly waiving the same. Lessor and its agents, shall not be liable for any deaths, injury, loss or damage resulting from any repair or improvement and undertaken, voluntarily or involuntarily, by or on behalf of, the Lessor, other than willfully wrongful acts of Lessor.

**Air Conditioning and Signs**

In the event air conditiong equipment or a part of any air conditioning equipment is installed on the roof of any building hereby leased, or in the event that the Lessee installs a sign on the roof, then Lessee shall be responsible for repairing any roof leaks, attributable to such installation, during the term of this lease at Lessee's sole cost and expense, but no such air conditioning equipment or sign may be installed until the consent in writing of the Lessor is first had and obtained thereto.

**Roof and Drains, etc., Debris On**

The Lessee will keep the roof and the leased grounds free of all cans, bottles, fragments, debris and trash, and the Lessee will keep the downspouts, gutters and drains clean, open and free of obstruction, and in good working order.

**Repairs**

Lessor shall not be obligated or required to make any other repairs or do any other work on or about said premises or any part thereof, or the elevators therein, if any, or on or about any premises connected therewith, but not hereby leased, unless and only to the extent herein agree. All other portions of any building hereby leased shall be kept in good repair by Lessee and at the end of the term hereof, the Lessee shall deliver the demised premises to Lessor in good repair and condition, reasonable, wear and tear excepted.

**Inspection and Showing**

However, Lessor reserves the right to enter upon said premises and to make such repairs and to do, such work on or about said premises as Lessor may deem necessary or proper, or that Lessor may be lawfully required to make. Lessor reserves the right to visit and inspect said premises at all reasonable times and the right to show said premises to prospective tenants and purchasers, and the right to display "For Sale" and "For Rent" signs on said premises.

**Failure of Lessee to Repair**

Should the Lessee fail to make repairs agreed to by him under this lease, the Lessor may enter the premises and make such repairs and collect the cost thereof from the Lessee as additional rent. Except as herein specifically provided, the Lessee will not make or permit to be made any alterations, additions, improvements or changes in the premises, nor will the Lessee paint the outside of the building or permit the same to be painted without the written consent of the Lessor before work is contracted or let.

**Signs**

No signs of any character shall be erected on the roof until the consent thereof in writing is first had and obtained from the Lessor. The consent to a particular alteration, addition, improvement or change shall not be deemed a consent to, nor a waiver of, a restriction against alterations, additions, improvements or changes for the future.

**Alterations and Improvements by Lessee**

Lessee will replace all plate and other glass, if and when broken, and failing so to do the Lessor may replace the same and the Lessee will pay the Lessor the cost and expense thereof upon demand. Lessee will replace all keys lost or broken, and will pay all bills for utilities and services used on said premises. Lessee will keep all elevators, air conditioning equipment, electric wiring, water pipes, water closets, drains, sewer lines and other plumbing on said premises in such good order and repair and will do all repairs, modifications and replacements which may be required by the applicable laws or ordinances. Lessor shall not be liable for any damages caused by, or growing out of, any breakage, leakage, getting out of order or defective conditions of said elevators, air conditioning equipment, electric wiring, pipes, water closets, drains, and sewer lines or plumbing, or any of them. Lessee will comply, at all times and in all respects with all the applicable laws and ordinances relating to nuisance, insofar as the building and premises hereby let, and the streets and highways bounding the same, are concerned, and the Lessee will not by any act, or omission render the Lessor liable for any violation thereof. Lessee will not commit any waste of property, or permit the same to be done, and will take good care of said building and said premises at all times.

**Upkeep**

**Compliance With Law**

The Lessee agrees to pay all sewer rentals or other charges becoming due, levied under the authority of the Act No. 619 of the Alabama Legislature of 1949, approved September 19, 1949, or any other act, law or regulation. Failure to pay said rental shall constitute a default under the terms of this lease.

**Public Liability Insurance And Indemnity**

Lessee shall during the entire term of this Lease, at Lessee's own expense keep in force by advance payment of premiums, public liability insurance in an amount of not less than $100,000.00 for injury to or death of one person or as a result of one occurrence and not less than $300,000.00 for injury to or death of more than one person as a result of one occurrence and for damage to property in the amount of $100,000.00, or single limit of $ , insuring Lessee, Lessor, and Lessor's Agents, Servants, and employees (as an additional assured) against any liability that may accrue against them or either of them on account of any occurrences in or about the demised premises during the term or in consequence of Lessee's occupancy thereof and resulting in personal injury or death or property damage. Lessee shall on request furnish to Lessor certificates of all insurance required under this paragraph.

**Defects In Premises**

Lessor shall not be liable for any injury or damage caused by, or growing out of, any defect in said building, or its equipment, drains, plumbing, wiring, electric equipment or appurtenances, or in said premises, or caused by, or growing out of fire, rain, wind, leaks, seepage or other cause.

**Snow, Ice, Trash**

If the leased premises, or any part thereof, consist of first floor space, adjacent upon the street, or ground adjacent to the street, the Lessee will keep the sidewalk, curb and gutter in front thereof or adjacent thereto clean and free from snow, ice, debris and obstructions and will hold the Lessor harmless from all damages or claims arising out of the Lessee's failure to so do.

**Events of Default**

Upon the happening of any one or more of the events as expressed in this paragraph, the Lessor shall have the right, at the option of the Lessor, to either annul and terminate this lease upon two days written notice to Lessee and thereupon re-enter and take possession of the premises; or the right upon two days written notice to the Lessee to re-enter and re-let said premises, from time to time, as agents of the Lessee, and such re-entry or re-letting or both, shall not discharge the Lessee from any liability or obligation hereunder, except that rents (That is, gross rents less the expense of collecting and handling, and less commission) collected as a result of such re-letting shall be credited on the Lessee's liability up to the amount due under the terms of this lease and the balance, if any, credited to the Lessor. Nothing herein, however, shall be construed to require the Lessor to re-enter and re-let, nor shall anything herein be construed to postpone the right of the Lessor to sue for rents, whether matured by acceleration or otherwise, but on the contrary, the Lessor is hereby given the right to sue therefor at any time after default. The events or default referred to herein are: failure of the Lessee to pay any one or more of the installments of rent, or any other sum, provided for in this lease as and when the same become due, the removal, attempt to remove or permitting to be removed from said premises, except in the usual course of trade, the goods, furniture, effects or other property of the Lessee or any assignee, or sub-tenant of the Lessee; the levy of an execution or other legal process upon the goods, furniture, effects or other property of the Lessee brought on the leased premises or upon the interest of the Lessee in this lease; the filing of a Petition in Bankruptcy, a Petition for an Arraignment or reorganization by or against the Lessee; the appointment of a receiver or trustee, or other court officer, for the assets of the Lessee; the execution of an assignment for the benefit of creditors of the Lessee; the vacation or abandonment by the Lessee of the leased premises or the use thereof for any purpose other than the purpose for which the same are hereby let or (if the rental herein is based in whole or in part on the percentage of Lessee's sales) failure of the Lessee to exercise diligent effort to produce the maximum volume of sales; the assignment by Lessee of this lease or the re-letting or sub-letting by the Lessee of the leased premises or any part thereof without the written consent of the Lessor first had and obtained; the violation by the Lessee of any other of the terms, conditions or covenants not set out in this paragraph on the part of the Lessee herein contained and failure of the Lessee to remedy such violation within ten (10) days after written notice thereof is given by the Lessor to the Lessee.

**Removal of Goods**

The Lessee shall not remove any of the goods, wares or merchandise of the Lessee from said premises other than in the regular course of Lessee's trade or business without having first paid all rent due or to become due under the terms of this lease

**Acceleration of Rent**

Upon termination or breach of this lease or re-entry upon said premises for any one or more of the causes set forth above or upon termination of this lease or re-entry of said premises, the rents provided for in this lease for the balance of the original rental term, or any renewal term or other extended term, and all other indebtedness to the Lessor owed by the Lessee, shall become immediately due and payable at the option of the Lessor and without regard to whether or not possession of the premises shall have been surrendered to or taken by the Lessor. The Lessee agrees to pay Lessor, or on Lessor's behalf, a reasonable attorney's fee in the event Lessor employs an attorney to collect any rents due hereunder by Lessee, or to protect the interest of Lessor in the event the Lessee is adjudged a bankrupt, or legal process is levied upon the goods, furniture, effects or personal property of the Lessee upon the said premises, or upon the interest of the Lessee in this lease or in said premises, or in the event the Lessee violates any of the terms, conditions, or covenants on the part of the Lessee herein contained. In order to further secure the prompt payments of said rents, as and when the same mature, and the faithful performance by the Lessee of all and singular the terms, conditions and covenants on the part of the Lessee herein contained, and all damages, and costs that the Lessor may sustain by reason of the violation of said terms, conditions and covenants, or any of them, the Lessee hereby waives any and all rights to claim personal property as exempt from levy and sale, under the laws of any State or the United States.

**Default—Attorney Fee and Cost**

**Waiver of Exemptions**

**Abandonment**

In the event the Lessee abandons the leased premises before the expiration of the term, whether voluntarily or involuntarily or violates any of the terms, conditions, or covenants hereof, the Lessor shall have the privilege at Lessor's option of re-entering and taking possession of said premises and leasing all or any portion of said premises for such term and for such use deemed satisfactory to the Lessor, applying each month the net proceeds obtained from said leasing to the credit of the Lessee herein, up to the amount due under the terms of this lease and the balance to the Lessor and, said leasing shall not release the Lessee from liability hereunder for the rents reserved for the residue of the term hereof, but Lessee shall be responsible each month for the difference, if any, between the net rents obtained from such leasing and the monthly rent reserved hereunder, and said difference shall be payable to the Lessor on the first day of each month for the residue of the term hereof.

**Re-Letting**

**Re-Entry, etc., No Bar**

No re-entry hereunder shall bar the recovery of rent or damages for the breach of any of the terms, conditions, or covenants on the part of the Lessee herein contained. The receipt of rent after breach or condition broken, or delay on the part of Lessor to enforce any right hereunder, shall not be deemed a waiver of forfeiture, or a waiver of the right of the Lessor to annul the lease or to re-enter said premises or to re-let the same, or to accelerate the maturity of the rents hereunder.

**Reinstatement**

If this lease is terminated by the Lessor for any reason, including non-payment of rent, and the Lessee pays the rent, attorneys' fees and other charges and thus makes himself current, and/or remains or continues to be in possession of the leased premises or any part thereof, with the Lessor's consent, this lease will be considered reinstated, and will continue in effect as though it had not been terminated.

**Improvements and Additions Property of Lessor**

All improvements and additions to the leased premises shall adhere to the leased premises, and become the property of the Lessor, with the exception of such additions as are usually classed as furniture and trade fixtures; said furniture and trade fixtures are to remain the property of the Lessee, and may be removed by the Lessee two (2) weeks prior to the expiration of this lease, provided all terms, conditions and covenants of within contract have been complied with by Lessee and provided said Lessee restores the building and premises to its original condition, normal wear and tear excepted.

**Fire & Other Casualty**

In the event of the total destruction of, or partial damage to, the buildings upon the demised premises by fire or other casualty, Lessor shall proceed with due diligence and dispatch to repair and restore the buildings to the conditions to which they existed immediately prior to the occurrence of such casualty, at Lessor's cost and expense, provided such cost does not exceed the proceeds of insurance collected on the buildings, by reason of such casualty, the application of which insurance proceeds are not prohibited, by reason of any mortgage provision, from being used toward the cost of restoration and repairing the same; provided, further, that if the unexpired portion of the term or any extension thereof shall be two (2) years or less on the date of such casualty and the cost of such repair or restoration exceeds twenty percent (20%) of the then replacement value of said damaged leased premises, as estimated by two or more reputable contractors, Lessor may by written notice to the Lessee, within thirty (30) days after the occurence of such casualty, terminate this lease. If Lessor exercises the above right to terminate this lease and Lessee elects to exercise an option of renewal privilege which Lessee may have under this lease, which if exercised, would extend the unexpired term beyond two (2) years. Lessee may void such above notice of Lessor's right to terminate this lease by exercising such option renewal privilege within such thirty (30) day period. If the insurance proceeds are insufficient to effect such restoration or repairs, Lessor at its option may cancel this lease by written notice to Lessee within thirty (30) days after the occurrence of such casualty.

In the event the repairing and restoring of the buildings can not be completed within four (4) months after the date of occurrence of such casualty, as estimated by two or more reputable contractors, the Lessee shall have the right to terminate this lease upon giving written notice to Lessor within thirty (30) days from the date of occurrence of said casualty. From the date of such damage or destruction until said building has been substantially repaired or restored, an equitable abatement of rent shall be allowed the Lessee.

**Transfer or Assignment, Conditions**

Each and every transfer or assignment of this lease, or any interest therein, and each and every sub-letting of said premises, or any part thereof, or any interest therein, shall be null and void, unless the written consent of the Lessor be first obtained thereto. As a condition precedent to the obtaining of such consent, the assignee or sub-lessee must assume, in writing, all the obligations of the Lessee hereunder, but such assumption shall not operate to release the Lessee from any agreement or understanding on the part of the Lessee expressed or implied in this lease. If a lease assignment is consumated for this Lessee or any one or more assigns before expiration term of this lease, then the Lessee or his subsequent assigns shall pay a $

**Lease Assignment Fee Clause**

assignment fee to agent for each and every lease assignment made.

**Notices and Demands**

All notices and demands authorized or required to be given to the Lessee under any provision hereof must be in writing, and may be delivered to the Lessee in person or left on or in the leased premises or shall be conclusively deemed to have been delivered to the Lessee if the same be deposited in the United States mail addressed to the Lessee at the leased premises, with the proper postage affixed thereto. All notices herein authorized are required to be given to the Lessor may be given by certified mail, addressed to the Lessor at the address of the Lessor shown on page 1 of this lease, or in care of the Lessor's rental agent at that time authorized by the Lessor to service this lease, and said notices must be in writing.

**Agents Commission Agreement**

THE COMMISSIONS PAYABLE FOR THE SALE, LEASE OR MANAGEMENT OF PROPERTY ARE NOT SET BY THE BIRMINGHAM BOARD OF REALTORS BUT IN ALL CASES ARE NEGOTIABLE BETWEEN THE BROKER AND THE CLIENT.

as agent of

Lessor in consideration of the services rendered by

Lessor in leasing said premises to Lessee, does hereby authorize said

its successors or assigns, to collect and receipt for the rents payable hereunder during the entire term hereof and any renewals or extensions of the within lease, whether renewed or extended, or the premises re-leased to the Lessee hereunder, or Lessee's

its

successors or assigns. and hereby agrees to pay to the said

successors or assigns, for the services rendered in effecting this lease or any renewal, extension, or re-leasing as above provided,

(an amount equal to per cent of all rents paid by virtue thereof, whether or not effected by

or any other person, firm or corporation, or whether or not said rent is paid

its successors or assigns, payment of said commissions to be made direct to

as and when rents are received by the Lessor, its successors or assigns, and the said

its successors or assigns shall be entitled to said commission from the present Lessor, the Lessor's personal representative, heirs, successors, assigns, or grantees in title of the property herein described, and the same shall be charged upon the land, tenements and hereditaments herein described.

if the

As a further consideration for the services rendered by

term of this lease is for twelve (12) months or less the Lessor agrees to pay the agent % of all rents paid as commission instead of the aforementioned % provided for in the preceding paragraph; if the term of this lease is in excess of one year and less than three years, Lessor agrees that in addition to said commission provided in the preceding paragraph, said agent shall be entitled to receive rent payable hereunder, or, if this lease term is for three years or more, to receive rent payable hereunder, but percentage commission stated above shall not apply on said first month's rent; and this additional rent commission shall not be paid to the agent for any lease renewal or extension to the herein named Lessee.

In the event the within l ase is cancelled or terminated by virtue of any act or default by the Lessor, including the sale of the leased premises, the Agent shall be entitled to be paid an amount equal to the full commission which the Agent would have earned, provided the lease had not been cancelled or terminated.

**Agents Repair and Improvement**

If the Lessor undertakes to make any improvements or repairs on the leased premises during the term of this lease, the cost of which exceeds $ , and if the agent supervises the same, the Lessor agrees to pay the said agent a reasonable fee for the additional services rendered.

**Lessee Will Hold Harmless**

Lessee will indemnify and hold Lessor and Lessor's agent free and harmless from all demands, claims and suits or expenses caused by any default committed hereunder on the part of the Lessee. Lessee will further indemnify and save harmless Lessor and Lessor's agent from any loss, cost, damage and/or expenses caused by injuries to persons or property while in, on or about the demised premises, not attributable to the willfully wrongful act of the Lessor or Lessor's agent. Any property stored in the demised premises shall be at the sole risk of Lessee.

**Waiver of Subrogation Rights**

Neither Lessor nor Lessee shall be liable to the other for any loss or damage from risks ordinarily insured against under fire insurance policies with extended-coverage endorsements, irrespective of whether such loss or damage results from their negligence or that of any of their agents, servants, employees, licensees or contractors to the extent that such losses are covered by valid and collectable insurance on the property at the time of the loss.

**Holdover**

Should the Lessee continue to occupy the premises after the expiration of the said term or after a forfeiture incurred, whether with or against the consent of the Lessor, such tenancy shall be a tenancy at sufferance and in no event a tenancy from month to month, or from year to year.

**Non-Waiver**

The failure of the Lessor to insist, in any one or more instances, upon a strict performance of any of the covenants of this lease, or to exercise any option herein contained, shall not be construed as a waiver, or a relinquishment for the future, of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by the Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provision hereof shall be deemed to have been made unless expressed in writing, and signed by the Lessor.

**Non-Waiver Eminent Domain and Condemnation**

If all or any part of the demised premises is taken by eminent domain ("eminent domain" shall include the exercise of any similar power of taking, and any purchase or acquisition in lieu of condemnation), or in the event the improvements are condemned and ordered torn down or removed by lawful authority, then the term of this lease shall cease as of the date possession shall be taken by the condemning authority, or as of the date improvements are ordered torn down or removed, whichever may be applicable, with the rent to be apportioned as of the date of such taking or of such order, as the case may be; provided, however, if as a result of a partial taking of the demised premises by eminent domain, the ground floor area of the building forming a part of the demised premises is reduced by not more than twenty-five percent (25%), the Lessor may elect to continue the term of this lease and to restore, at Lessor's expense, the remaining premises to a complete architectural unit with storefront, signs and interior of equal appearance and utility as they had previous to the taking, but there will be prorata reduction of the rent payable each month. The Lessor shall be deemed to have exercised its said option to restore the premises unless, within 30 days after the date of taking, the Lessor shall notify the Lessee in writing of its election to terminate this lease. The Lessor shall be entitled to receive all of the proceeds of any total or partial taking of the demised premises by eminent domain, including any part of such award as may be attributable to the unexpired leasehold interest or other rights of the Lessee in the premises, and the Lessee hereby assigns, and transfers to the Lessor all of the Lessee's right to receive any part of such proceeds.

**Clean Premises Upon Termination, etc.**

The Lessee hereby agrees that upon the expiration or prior termination of this lease, the Lessee will promptly remove from the leased premises all signs, trash, debris and property of the Lessee, and the Lessee will leave the floors, stairs, passageways, elevator and shafts as clean as it is possible to clean them by means of the use of broom and shovel.

**Taxes and Insurance**

In the event that during the term of this Lease or any renewal period thereof, the total real estate taxes, special assessments, or insurance cost levied or assessed on the subject property owned by Lessor should be increased over and above the Real Estate taxes, special assessments or insurance costs for the first full lease year, then Lessee shall pay to Lessor as additional rent a prorata share of such increased taxes, special assessments, or insurance costs which shall be in the proportion which the total area of the Leased Premises bears to the total building area owned by the Lessor of which these premises are a part.

**Addendum Clause**

This lease consists of pages together with an Addendum of pages which is attached hereto, initialed by the parties and incorporated in this lease by reference. In case of conflict between the printed portion of this lease and the Addendum, the terms of the Addendum shall prevail.

It is understood and agreed by the parties hereto that this lease shall be binding upon the Lessee, its executor, administrator, heirs, assigns or successor.

FURTHER TERMS AND CONDITIONS MADE A PART HEREOF

IN WITNESS WHEREOF, the Lessor and the Lessee have respectively executed these presents this 15th day of May, 19 96.

Agent

AMERICAN TRUST LIFE INSURANCE COMPANY

BY: John B. Hilliard (Lessor)

Witness for Lessor:

HILLIARD FOR CONGRESS CAMPAIGN

BY: Rita Hall Treasurer (L. S.)

Lessee

Witness for Lessee:

(L. S.)

Lessee

# EXHIBIT 54



MEL BURNS AND ASSOCIATES, P.C.
ATTORNEYS AT LAW
1500 BANK FOR SAVINGS BUILDING
1919 MORRIS AVENUE
BIRMINGHAM, ALABAMA 35203

TELEPHONE (205) 731-7777

JAMES MELVIN BURNS
W. GREGORY RIDDLE

November 3, 1995

Mr. John Morrow
Burr & Forman
420 N. 20th Street
Suite 3000
Birmingham, AL 35203

Re: Property at 1614 3rd Avenue North

Dear John:

My client, Earl Hilliard, and I have discussed your letter dated October 25, 1995 and the related letter sent to the tenants at 1614 3rd Avenue North. Since the meeting in your office, my client has talked to several realtors in reference to the sale of the American Trust Building, and to several potential purchasers of the American Trust Life Insurance Company which owns the building and is negotiating for the sale of the building and/or company. A sale of the building or the Insurance Company would solve the problem.

The realtors advised my client to get as many tenants for as long as possible and as soon as possible. In the past three months, the following tenants have been secured:

| Names | Monthly Payments | Lease Term | Address |
|---|---|---|---|
| Williamson Photo | $ 350.00 | 2 years | 1612 A 3rd Ave. N. |
| A & S Diversified | 400.00 | monthly | 1614 A 3rd Ave. N. |
| Lifting Christ Worship Center | 225.00 | monthly | 1614 B 3rd Ave. N. |

The only current paying tenant is American Bail and Bonding Company which pays $450.00 monthly. There are not any other commercial tenants in the building. My client let several non profit tenants use space. They are marginal services organizations with little or no assets and survive off of volunteers aid and assistance.

The service of Johnson & Associates, a Real Estate Management Company, has been obtained and he has been instructed that SouthTrust Bank is to be paid $1500.00 monthly starting December 1, 1995, his first month of managing the premises. Because the tenants are sharing common space, it is necessary to have a Management Company that will take a personal interest in the situation.

My client purposes that you suspend your collection and foreclosure action for a period of ninety days subject to the payment of November, December, 1995, January and February 1996 being made by the tenth of each month to the bank. In February 1996, if the building has not been sole then a Status Conference will be held to determine a course of action.

My client understands that the Bank will not waive any of its rights by agreeing to the proposal but will only suspend its collection action temporarily to allow for the possible sale of the building.

Your consideration of the proposal will be very much appreciated. I realize that the Bank has been very generous. I think that this proposal will better serve the interest of the Bank.

Please let me hear from you at your earliest convenience.

Sincerely,

Mel Burns

M/kc

OFFICE OF RECORDS & REGISTRATION
1992 JUL 14 PM 4:04
OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES

**UNITED STATES HOUSE OF REPRESENTATIVES**

**FINANCIAL DISCLOSURE STATEMENT FOR** 1/1/91 to 5/1/92 (Indicate Period Covered)

**FORM B**
For use by candidates for the office of Member and new employees

JUL 09 1992

(5)

(Office Use Only)

Earl Frederick Hilliard (Full Name)

1625 Castleberry Way (Mailing Address) (205) 798-7352 Telephone:

Birmingham, Alabama 35214

**Filer Status**

[X] Candidate for the House of Representatives — State: Alabama — District 07 — Date of Election: June 2, 1992

[ ] New officer or employee — Employing office:

Check If Amendment [X]

In all sections, please type or print clearly in black ink.

## PART I—EARNED INCOME (INCLUDING HONORARIA)

List the source, type, and amount of earned income, including honoraria, from any source (other than the filer's current employment by the U.S. Government) aggregating $200 or more during the current year to the filing date *and*, separately, the preceding calendar year. For a spouse, only the source, not amount of earned income needs to be reported, except for honoraria, for which the source and amount must be reported. See instructions, page 10.

NONE [ ]

| Source (Include date of receipt for honoraria) | Type | Amount: Current Year to Filing | Amount: Preceding Year |
|---|---|---|---|
| Examples: ABC Corporation, Houston, Texas | Salary | $6,300 | $28,450 |
| First Bank & Trust, Houston, Texas | Director's Fee | 400 | $3,200 |
| ABC Trade Association, Chicago, Ill. (Rec'd 12-2-90) | Honorarium | NA | $1,000 |
| Harris County, Texas, Public Schools | Spouse Salary | NA | NA |
| Hilliard & Burns, P.C. 1919 Morris Avenue, Ste. 1500, Birmingham, AL 35203 | salary | 13,191.00 | 31,141.38 |
| State of Alabama, Montgomery, AL 36130 | salary/expenses | 17,620.00 | 27,513.33 |
| Alabama Cable Television Association :04/01/92 | Honoraria | 500.00 | |
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EXHIBIT 55

Reporting Individual's Name: Earl Frederick Hilliard

## PARTS II and III—ASSETS AND "UNEARNED" INCOME

In **BLOCK A** report (a) the identity of each asset held during the preceding year and/or in the current year up to a date within 31 days of the filing date which had a fair market value exceeding $1,000 as of the end of the period and (b) any other asset or source of income which generated $200 or more in "unearned" income during the period. Exclude: Any personal liability owed to the reporting individual by a spouse, child, parent or sibling of the reporting individual or that person's spouse; any deposits aggregating $5,000 or less in personal savings accounts; and, financial interests in or income derived from U.S. Government retirement programs.

In **BLOCK B**, indicate the category of value for each asset listed in Block A which had a fair market value exceeding $1,000 as of a date within 31 days of the filing date, stated below. Specify any alternative valuation method.

In **BLOCK C**, indicate the type and category of value of any "unearned" income aggregating more than $200 received during the current year to the filing date and, separately, the preceding calendar year, from assets and sources listed in Block A. For IRA's and retirement plans that are not self-directed, you may list only the value and indicate "NA" for income.

If you wish to indicate that an asset, income source, or income is that of your spouse or dependant child, so indicate in the column for that purpose on the far left. (This is optional.)

For further information, see Instructions pages 12–14.

Information current as the following date: 7/7/92
(Must be within 31 days of filing date)

NONE ☐

| BLOCK A: Asset and/or Income Source | | | | BLOCK B: Valuation of Asset | | | | | | | | | BLOCK C: Income | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| You may identify each asset and/or income source as yours, your spouse's (S), your dependent child's (DC), or jointly held (JT). This is optional. | | | | Reporting Date Value (X) | | | | | | | | | Indicate if alternative valuation method (X) Attach explanation | Type of Income (X) | | | | | | | | Category of Amount of Income (X) — Current Year to Date | | | | | | | | | Preceding Year | | | | | | | | |
| | | | | A None | B Less than $1,001 | C $1,001 - $15,000 | D $15,001 - $50,000 | E $50,001 - $100,000 | F $100,001 - $250,000 | G $250,001 - $500,000 | H $500,001 - $1,000,000 | over $1,000,000 | | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | OTHER (SPECIFY) | I None | II Less than $201 | III $201 - $1,000 | IV $1,001 - $2,500 | V $2,501 - $5,000 | VI $5,001 - $15,000 | VII $15,001 - $50,000 | VIII $50,001 - $100,000 | IX $100,001 - $1,000,000 | over $1,000,000 | I None | II Less than $201 | III $201 - $1,000 | IV $1,001 - $2,500 | V $2,501 - $5,000 | VI $5,001 - $15,000 | VII $15,001 - $50,000 | VIII $50,001 - $100,000 | IX $100,001 - $1,000,000 | over $1,000,000 |
| S, DC, JT | Examples: S | ABC Corporation Stock | | | | | X | | | | | | | | X | | | | | | | | | | | | | | | | | | | | | | | |
| | | George Wash. Credit Union Accounts | | | | | | X | | | | | | | | X | | | | | | | | X | | | | | | | | | | | | X | | | |
| | | 182 Main Street, Dover, Delaware | | | | | | | X | | | | | | X | | | | | | | | | | X | | | | | | | | | | X | | | |
| JT | Hilliard and Company, Inc. | | | X | | | | | | | | | | X | | | | | | X | | | | | | | | | | | | X | | | | | | |
| | Hilliard and Burns, P.C. | | | X | | | | | | | | | | X | | | | | | X | | | | | | | | | | | | X | | | | | | |
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*For additional assets and unearned income, use next page*

Financial Disclosure B-2

50-267 O - 91 - 2 (Form B)

## PARTS II AND III—ASSETS AND "UNEARNED" INCOME

**Reporting Individual's Name:** Earl Frederick Hilliard

Continuation Sheet (if needed)

BLOCK A — Asset and/or Income Source. You may identify each asset and/or income source as yours, your spouse's (S), your dependent child's (DC), or jointly held (JT). This is optional.

BLOCK B — Valuation of Asset: Reporting Date Value (X)

BLOCK C — Income: Type of Income (X); Category of Amount of Income (X): Current Year to Date; Preceding Year

| S, DC, JT | BLOCK A Asset and/or Income Source | B: None | B: A Less than $1,001 | B: B $1,001 - $15,000 | B: C $15,001 - $50,000 | B: D $50,001 - $100,000 | B: E $100,001 - $250,000 | B: F $250,001 - $500,000 | B: G $500,001 - $1,000,000 | B: H over $1,000,000 | Indicate if alternative valuation method (X) Attach explanation | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | OTHER (Specify) | Current Year to Date: None | I Less than $201 | II $201 - $1,000 | III $1,001 - $2,500 | IV $2,501 - $5,000 | V $5,001 - $15,000 | VI $15,001 - $50,000 | VII $50,001 - $100,000 | VIII $100,001 - $1,000,000 | IX over $1,000,000 | Preceding Year: None | I Less than $201 | II $201 - $1,000 | III $1,001 - $2,500 | IV $2,501 - $5,000 | V $5,001 - $15,000 | VI $15,001 - $50,000 | VII $50,001 - $100,000 | VIII $100,001 - $1,000,000 | IX over $1,000,000 |
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Reporting Individual's Name
Earl Frederick Hilliard

## PART IV – LIABILITIES

Report liabilities over $10,000 owed to any one creditor *at any time* during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to a spouse, child, parent, or sibling of the reporting individual or the reporting individual's spouse. For further information, see instructions, page 18.

NONE ☐

| S, DC, JT | Creditor | Type of Liability | Category of Amount or Value (X) B $10,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|
| | Example: First Bank of Wilmington, Delaware | Mortgage on 182 Main Street, Dover, Del. | | | | X | | | |
| JT | AmSouth Bank, Birmingham, AL | Signature Loan | | X | | | | | |
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## PART V – POSITIONS

Report the identity of all positions, compensated or uncompensated, held on or before the date of filing during the current calendar year and in the two prior years as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see instructions, page 22.

**EXCLUSIONS:** Positions held in any religious, social, fraternal, or political entities, and positions solely of an honorary nature need not be shown.

NONE ☐

| Position | Name of Organization |
|---|---|
| President/Chairman of the Board of Directors | Hilliard and Company, Inc. |
| President/Chairman of the Board of Directors | American Trust Life Insurance Company |
| | |

Reporting Individual's Name
Earl Frederick Hilliard

## PART VI – AGREEMENTS (FOR NEW EMPLOYEES ONLY, *NOT* CANDIDATES)

Identify the date, parties to, and terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer. For further information, see Instructions, page 23.

NONE [X]

| Date | Parties To | Terms of Agreement |
|---|---|---|
| | | |
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## PART VII – COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE

Report sources of such compensation received by you or your business affiliation for services provided directly by you during the two prior years. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any non-profit organization when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source. For further information, see Instructions, page 23.

NONE [X]

| | Source (Name and Address) | Brief Description of Duties |
|---|---|---|
| Examples | Doe Jones & Smith, Hometown, USA | Accounting services |
| | Metro University (client of Doe Jones & Smith), Moneytown, USA | Legal services in connection with university construction |
| | | |
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## PART VIII – ADDITIONAL INFORMATION AND CERTIFICATION

**TRUSTS** – Do you, your spouse or dependent child receive income from or have a beneficial interest in a trust or other financial arrangement whose holdings were not reported because the trust is a "Qualified Blind Trust" or other excepted trust? A Qualified Blind Trust is a trust which has been specifically approved by the Committee on Standards of Official Conduct. (See Instructions, page 15.) Yes [ ] No [X] NA [ ]

**EXEMPTION TEST** – Have you omitted any assets or liabilities of a spouse or dependent child because they meet the three tests for exemption? (See Instructions, page 5.) Yes [ ] No [X] NA [ ]

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended (5 U.S.C. app. 6, § 101 et seq.). The Statement will be made available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions (See 5 U.S.C. app. 6 § 104 and 18 U.S.C. § 1001).

| SIGNATURE OF REPORTING INDIVIDUAL | DATE (Month, Day, Year) |
|---|---|
| Earl F. Hilliard | 07/07/92 |

GPO: 1991 50-997 (m)

...TES HOUSE OF REPRESENTATIVES

FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1992

FORM A
For use by Members, officers, and employees

RECEIVED
OFFICE OF RECORDS & REGISTRATION
1993 MAY 14 PM 3:43
OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES

MC (4)

HAND DELIVERED
(Office Use Only)

Earl F. Hilliard
(Full Name)

1625 Castleberry Way (202) 226-2665
(Mailing Address) Daytime Telephone:

Birmingham, Alabama 35214

| | | | | |
|---|---|---|---|---|
| Filer Status | ☒ Member of the U.S. House of Representatives | State: AL District: 7th C.D. | ☐ Officer or Employee | Employing Office: |
| Report Type | ☒ Annual (May 15) | ☐ Amendment | ☐ Termination | Termination Date: |

## PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | | | | |
|---|---|---|---|---|---|
| Did you or your spouse have "earned" income (e.g., salaries or fees) of more than $200 from any source in the reporting period? If yes, Complete and Attach Schedule I. | Yes ☒ | No ☐ | Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? If yes, Complete and Attach Schedule VI. N/A | Yes ☐ | No ☐ |
| Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? If yes, Complete and Attach Schedule II. | Yes ☐ | No ☒ | Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? If yes, Complete and Attach Schedule VII. N/A | Yes ☐ | No ☐ |
| Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? If yes, Complete and Attach Schedule III. | Yes ☒ | No ☐ | Did you hold any reportable positions on or before the date of filing in the current calendar year? If yes, Complete and Attach Schedule VIII. | Yes ☐ | No ☒ |
| Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? If yes, Complete and Attach Schedule IV. | Yes ☐ | No ☒ | Did you have any reportable agreement or arrangement with an outside entity? If yes, Complete and Attach Schedule IX. | Yes ☐ | No ☒ |
| Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? If yes, Complete and Attach Schedule V. | Yes ☒ | No ☐ | Each question in this part must be answered and the appropriate schedule attached for each "Yes" response. | | |

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | |
|---|---|---|
| **TRUSTS**—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or a dependent child? (See Instructions, page 10.) | Yes ☐ | No ☒ |
| **EXEMPTION**—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.) | Yes ☐ | No ☒ |

## CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended (5 U.S.C. app. 6, § 101 et seq.). The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions (See 5 U.S.C. app. 6, § 104 and 18 U.S.C. § 1001).

SIGNATURE OF REPORTING INDIVIDUAL Earl F. Hilliard DATE (Month, Day, Year) 5/14/93

Reporting Individual's Name
Earl F. Hilliard

## SCHEDULE I—EARNED INCOME

List the source, type, and amount of earned income from any source (other than the filer's current employment by the U.S. Government) totalling $200 or more during the preceding calendar year. For a spouse, list the source and amount of any honoraria; only the source need be reported for other spouse earned income. For further information, see Instructions, page 12.

| | Source | Type | Amount |
|---|---|---|---|
| Examples: | State College | Approved Teaching Fee | $6,000 |
| | State of Maryland | Legislative Pension | $9,000 |
| | Civil War Roundtable (Oct. 2nd) | Spouse Speech | $1,000 |
| | Fairfax County Board of Education | Spouse Salary | NA |
| | Hilliard and Burns, P.C. | Salary | $34,760.00 |
| | State of Alabama | Salary / Expenses | $32,490.00 |
| | Alabama Cable Television Assoc. (04-01-92) | Honoraria | $500.00 |
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For payments to charity in lieu of honoraria, use Schedule II



Schedule I

Reporting Individual's Name
Earl F. Hilliard

## SCHEDULE III – ASSETS AND "UNEARNED" INCOME

In **BLOCK A** report (a) the identity of each asset held for investment or production of income which had a fair market value exceeding $1,000 as of the close of the year and (b) any other asset or source of "unearned" income which generated $200 or more in income during the reporting period. Exclude: Any personal liability owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits aggregating $5,000 or less in personal savings accounts; and, financial interests in or income derived from U.S. Government retirement programs. For rental property or land, provide the city and a street address or lot number.

In **BLOCK B** indicate the category of value for each asset listed in Block A. If you use a valuation method other than fair market value, explain the method used. If an asset was sold and is included only because it generated income, the value should be "None".

In **BLOCK C** indicate the type and category of value of "unearned" income aggregating more than $200 received from assets and sources listed in Block A. For IRA's and retirement plans that are *not* self-directed, you may list only year and value and indicate "NA" for income. You must, however, name the institution holding the IRA.

In **BLOCK D** indicate if the asset was purchased, sold, or exchanged during the year. If so, provide details on Schedule IV. For more details, see Instructions, pages 14–19.

If you wish to indicate that an asset, income source, or income is that of your spouse or dependent child, or owned jointly, so indicate in the column for that purpose on the far left. (This is optional.) See Instructions, page 17.

| BLOCK A Asset and/or Income Source | | | BLOCK B Valuation of Asset | | | | | | | | | BLOCK C Income | | | | | | | | | | | | | | | | Block D |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| You may identify each asset and/or income source as yours, your spouse's (S), your dependent child's (DC), or jointly held (JT) in the left column. This column is optional. | | | Year End Value (X) | | | | | | | | | Indicate if alternative valuation method (X) Attach explanation | Type of Income (X) | | | | | | | Other Income (Specify type) | Category of Amount of Income (X) | | | | | | | | | Transaction (X) |
| | | | A None | B Less than $1,001 | C $1,001 - $15,000 | D $15,001 - $50,000 | E $50,001 - $100,000 | F $100,001 - $250,000 | G $250,001 - $500,000 | H $500,001 - $1,000,000 | Over $1,000,000 | | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | | I None | II Less than $201 | III $201 - $1,000 | IV $1,001 - $2,500 | V $2,501 - $5,000 | VI $5,001 - $15,000 | VII $15,001 - $50,000 | VIII $50,001 - $100,000 | IX $100,001 - $1,000,000 | Over $1,000,000 | |
| S, DC, JT | Example: | S | ABC Corporation Stock | | | X | | | | | | | X | | | | | | | | | X | | | | | | | X |
| | | | George Wash. Credit Union Accounts | | | | X | | | | | | | | X | | | | | | | | | X | | | | | | |
| | | | 182 Main Street, Dover, Delaware | | | | | X | | | | | | X | | | | | | | | | X | | | | | | | |
| | | | State of Ala. Pension Fund | | | X | | | | | | | | | | | | | | X | | | | | | | | | | |
| | | | Hilliard for Congress (Account Receivable) | | | | X | | | | | | | | | | | | | X | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Reporting Individual's Name
Earl F. Hilliard

## SCHEDULE V – LIABILITIES

Report liabilities of over $10,000 owed to any one creditor *at any time* during the reporting period by you, your spouse, or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, child, parent, or sibling of the reporting individual or the reporting individual's spouse. For further information, see Instructions, page 21.

| S, DC, JT | Creditor | Type of Liability | Category of Amount of Value (X) B $10,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|
| | Example: First Bank of Wilmington, Delaware | Mortgage on 182 Main St. Dover, Del. | | | | X | | | |
| JT | AmSouth Bank, Birmingham, Al. | Signature Loan | | X | | | | | |
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## SCHEDULE VI – GIFTS

Report the source, a brief description, and the value of all gifts totalling more than $250 in value received by you, your spouse, or a dependent child from any source during the calendar year.

**Exclusions:** Gifts from relatives, gifts of personal hospitality of an individual, and local meals need not be reported. Gifts with a value of $100 or less need not be added towards the $250 disclosure threshold. Gifts to a spouse or dependent child that are totally independent of his or her relationship to you need not be disclosed.

**Note:** House Rule XLIII, clause 4, limits the total value of gifts a Member, officer, or employee of the House may accept from any one source in a calendar year to $250 in most instances. For further information, see Instructions, page 22.

| Source | Brief Description | Value |
|---|---|---|
| Example: Mrs. Joseph H. Smith, Anytown, USA | Silver Platter (waiver received from Committee on Standards) | $270 |
| N/A | | |
| | | |
| | | |
| | | |
| | | |

Use additional sheets if more space is required.

**UNITED STATES HOUSE OF REPRESENTATIVES**

**FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1993**

**FORM A**
For use by Members, officers, and employees

1994 MAY 16 PM 3:15
OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES
HAND DELIVERED
(Office Use Only)

Earl Frederick Hilliard
(Full Name)

P. O. Box 11385
(Mailing Address)

(202) 225-2665
Daytime Telephone

Birmingham, Alabama 35202-1385

| | | | | | |
|---|---|---|---|---|---|
| **Filer Status** | [X] Member of the U.S. House of Representatives | State: Alabama District: 7th C.D. | [ ] Officer or Employee | Employing Office | |
| **Report Type** | [X] Annual (May 15) | [ ] Amendment | [ ] Termination | Termination Date: | |

**A *$200 penalty* shall be assessed against anyone who files more than 30 days late.**

## PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | | |
|---|---|---|---|
| Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? **If yes, complete and attach Schedule I.** | Yes [X] No [ ] | Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? **If yes, complete and attach Schedule VI.** | Yes [ ] No [X] |
| Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? **If yes, complete and attach Schedule II.** | Yes [X] No [ ] | Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? **If yes, complete and attach Schedule VII.** | Yes [ ] No [X] |
| Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? **If yes, complete and attach Schedule III.** | Yes [ ] No [X] | Did you hold any reportable positions on or before the date of filing in the current calendar year? **If yes, complete and attach Schedule VIII.** | Yes [X] No [ ] |
| Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? **If yes, complete and attach Schedule IV.** | Yes [ ] No [X] | Did you have any reportable agreement or arrangement with an outside entity? **If yes, complete and attach Schedule IX.** | Yes [ ] No [X] |
| Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? **If yes, complete and attach Schedule V.** | Yes [X] No [ ] | **Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.** | |

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | |
|---|---|
| **TRUSTS**—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See Instructions, pages 10–11.) | Yes [ ] No [X] |
| **EXEMPTION**—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.) | Yes [ ] No [X] |

## CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions (See 5 U.S.C. app. 6, §104 and 18 U.S.C. §1001).

SIGNATURE OF REPORTING INDIVIDUAL: Earl F. Hilliard

DATE (Month/Day/Year): May 16, 1994

Name: Earl Frederick Hilliard | Page 1 of 8

## SCHEDULE I – EARNED INCOME

List the source, type, and amount of earned income from any source (other than the filer's current employment by the U.S. Government) totalling $200 or more during the preceding calendar year. For a spouse, list the source and amount of any honoraria; list only the source for other spouse earned income exceeding $1,000. For further information, see Instructions, pages 12–13.

| Source | Type | Amount |
|---|---|---|
| Examples: Jefferson University | Approved Teaching Fee | $6,000 |
| State of Maryland | Legislative Pension | $9,000 |
| Civil War Roundtable (Oct. 2nd) | Spouse Speech | $1,000 |
| Fairfax County Board of Education | Spouse Salary | NA |
| *Alabama Community Assistance Program* | *Spouse Salary* | *N/A* |

For payments to charity in lieu of honoraria, use Schedule II.

## SCHEDULE II — PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium. A separate confidential list of charities receiving such payments must be filed directly with the Committee on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package. For further information, see Instructions, pages 13–14.

| Source | Activity | Date | Amount |
|---|---|---|---|
| Examples: Association of American Associations, Wash., D.C. / XYZ Magazine | Speech / Article | Feb. 2, 1993 / Aug. 13, 1993 | $2,000 / $500 |
| St. John Baptist Church, Hurtsville, Al. | Speech | 4/11/93 | 500.00 |
| Mt. Olive Baptist Church, Anniston, Al. | Speech | 9/12/93 | 1,000.00 |
| 25th Avenue Baptist Church, Birmingham, Al. | Speech | 12/05/93 | 250.00 |
| AT&T, Atlanta, GA | Speech | 12/28/93 | 1,380.00 |

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## SCHEDULE III - ASSETS AND "UNEARNED" INCOME

Name *Earl Frederick Hillaird* | Page 3 of 8

**BLOCK A — Asset and/or Income Source**

Identify (a) each asset held for investment or production of income with a fair market value exceeding $1,000 at the end of the reporting year, and (b) any other asset or source of income which generated more than $200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For an IRA or retirement plan that is self-directed, list the underlying assets worth more than $1,000. For an IRA or retirement plan that is not self-directed, name the institution holding the account.

**Exclude:** Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totaling $5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs.

If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left.

For further information, see Instructions, pages 14-20.

| | | | |
|---|---|---|---|
| SP, DC, JT | Examples: | SP | Mega Corp. Stock<br>123 Main St., Dover, Del.<br>1st Bank of Peoria, IL accounts |

**BLOCK B — Value of Asset**

at close of reporting year. If you use a valuation method other than fair market value, please specify the method used. If an asset was sold and is included only because it generated income, the value should be "None."

| | A None | B $1 – $1,000 | C $1,001 – $15,000 | D $15,001 – $50,000 | E $50,001 – $100,000 | F $100,001 – $250,000 | G $250,001 – $500,000 | H $500,001 – $1,000,000 | Over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|
| Examples: | | | X | | | X | | | |
| | | | | X | | | | | |
| *State of Alabama Pension Fund* | | X | | | | | | | |
| *Hillyard For Congress (account receivables)* | | | X | | | | | | |

**BLOCK C — Type of Income**

If other than one of the listed categories, specify the type of income by writing a brief description in this block.

| | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST |
|---|---|---|---|---|---|---|
| Examples: | X | | | | | |
| | | X | | | | |
| | | | X | | | |

**BLOCK D — Amount of Income**

For IRA's and retirement plans that are not self-directed, you may write in "NA" for income.

| | I None | II $1 – $200 | III $201 – $1,000 | IV $1,001 – $2,500 | V $2,501 – $5,000 | VI $5,001 – $15,000 | VII $15,001 – $50,000 | VIII $50,001 – $100,000 | IX $100,001 – $1,000,000 | Over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Examples: | | X | | | | | | | | |
| | | | | X | | | | | | |
| | | | | | | X | | | | |
| *State of Alabama Pension Fund* | X | | | | | | | | | |
| *Hillyard For Congress (account receivables)* | X | | | | | | | | | |

**BLOCK E — Transaction**

Indicate if asset was purchased (P), sold (S), or exchanged (E) in reporting year.

| |
|---|
| P, S, E |
| P |

For additional assets and unearned income, use next page.

## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Continuation Sheet (if needed)

Name: Earl Frederick Hilliard



| SP, DC, JT | BLOCK A: Asset and/or Income Source | BLOCK B: Year-End Value of Asset | | | | | | | | BLOCK C: Type of Income | | | | | BLOCK D: Amount of Income | | | | | | | | | BLOCK E: Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | None | A $1 – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H Over $1,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | None | I $1 – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX Over $1,000,000 | P, S, E |
| | N/A | X | | | | | | | | | | | | | | | X | | | | | | | | | |

This page may be copied if more space is required.

Name Earl Frederick Hilliard | Page 5 of 8

## SCHEDULE IV — TRANSACTIONS

| Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting year of any real property, stocks, bonds, commodities futures, or other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction between you, your spouse, or your dependent child, or the purchase or sale of your personal residence, unless it is rented out. For further information, see Instructions, pages 20–21. | | Type of Transaction | | | Date | Amount of Transaction | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SP, DC, JT | Asset | PURCHASE | SALE | EXCHANGE | (MO/DAY/YR) | B $1,001–$15,000 | C $15,001–$50,000 | D $50,001–$100,000 | E $100,001–$250,000 | F $250,001–$500,000 | G $500,001–$1,000,000 | H over $1,000,000 |
| *Example:* | Mega Corporation Common Stock | X | | | 10-12-93 | | X | | | | | |
| | *N/A* | | | | | | | | | | | |

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Name: Earl Frederick Hilliard | Page 6 of 8

## SCHEDULE V — LIABILITIES

Report liabilities of over $10,000 owed to any one creditor ***at any time*** during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year. **Exclude:** Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report ***revolving charge accounts*** only if the balance at the end of the reporting period exceeded $10,000. For further information, see Instructions, pages 21–22.

| SP. DC. JT | Creditor | Type of Liability | Amount of Liability B $10,001– $15,000 | C $15,001– $50,000 | D $50,001– $100,000 | E $100,001– $250,000 | F $250,001– $500,000 | G $500,001– $1,000,000 | H over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|
| — | *Example* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | | | | X | | | |
| JT | AmSouth Bank, Birmingham, Al. | Signature Loan | | X | | | | | |

## SCHEDULE VI — GIFTS

Report the source, a brief description, and the value of all gifts totalling more than $250 received by you, your spouse, or a dependent child from any source during the year.

**Exclude:** Gifts from relatives, gifts of personal hospitality of an individual, local meals, and gifts to a spouse or dependent child that are totally independent of his or her relationship to you. Gifts with a value of $100 or less need not be added towards the $250 disclosure threshold.

**Note:** House Rule 43, clause 4, prohibits most gifts exceeding $250. For further information, see Instructions, pages 22–23.

| Source | Description | Value |
|---|---|---|
| *Example:* Mr. Joseph H. Smith, Anytown, Anystate | Silver Platter (waiver received from Committee on Standards) | $270 |
| N/A | | |

Use additional sheets if more space is required.

## SCHEDULE VII – FACT-FINDING, SUBSTANTIAL PARTICIPATION, AND OTHER TRAVEL

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.

**Exclude:** Travel-related expenses provided by federal, state, and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. § 7342); travel paid for by campaign funds; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you. For further information, see Instructions, pages 24–25.

| Source | Date(s) | Point of Departure—Destination(s)—Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|
| Examples: Chicago Chamber of Commerce | Mar. 2 | Wash., D.C.—Chicago—Wash., D.C. | N | N | N | N |
| Mega Corporation | Aug. 6–13 | Wash., D.C.—Los Angeles—Cleveland | Y | Y | Y | 4 Days |
| Coordination Council for North American Affairs | Apr. 4-10 | Wash.,D.C.- Los Angeles Taiwan- los Angeles-Atlanta-Birmingham | Y | Y | Y | N |
| American Israel Educ. Found. | June 1-8 | Birmingham-New York-Tel Aviv- New York-DC | Y | Y | Y | N |
| Congressional Black Caucus | June 24-27 | Wash.D.C.-Los Angeles Wash. D.C. | Y | Y | Y | N |
| Far East Studies Institute | Aug 10-26 | Wash., D.C.-Tokyo-Beijing-Peking-Hong Kong- Tokyo-Chicago-Wash. D.C. | Y | Y | N | N |
| Comte. on Agric. Virgin Island Senate | Sept. 1-2 | Birmingham-St. Thomas Virgin Island- B'ham | Y | Y | N | N |
| Metropolitan Comm. Church | Oct. 2-3 | Birmingham- Los Angeles Birmingham | Y | Y | N | N |
| Chicago Mercantile Exch. | Dec. 17 | Birmingham-Chicago-Birmingham | N | Y | N | N |

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## SCHEDULE VIII — POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see Instructions, pages 25–26.

**Exclude:** Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Name of Organization |
|---|---|
| *Director* | *Tuskegee University (uncompensated)* |
| Trustee | Miles College Law School (uncompensated) |

## SCHEDULE IX — AGREEMENTS

Identify the date, parties to, and general terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer. For further information, see Instructions, page 26.

| Date | Parties To | Terms of Agreement |
|---|---|---|
| | *N/A* | |

OPO 1994 75 BM (mw)

Use additional sheets if more space is required.

**UNITED STATES HOUSE OF REPRESENTATIVES**
**FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1994**

**FORM A**
For use by Members, officers, and employees

RECEIVED
1995 MAY -9 AM 7:22
U.S. HOUSE OF REPRESENTATIVES

MAY - 3 1995

MC (Office Use Only)

(9)

Earl Frederick Hilliard
(Full Name)

P. O. Box 11385 (202) 225-2665
(Mailing Address) Daytime Telephone

Birmingham, Alabama 35202-1385

| | | | | | |
|---|---|---|---|---|---|
| **Filer Status** | [X] Member of the U.S. House of Representatives | State: Alabama District: 7th C.D. | [ ] Officer or Employee | Employing Office: | |
| **Report Type** | [X] Annual (May 15) | [ ] Amendment | [ ] Termination | Termination Date: | |

**A *$200 penalty* shall be assessed against anyone who files more than 30 days late.**

## PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | | | | |
|---|---|---|---|---|---|
| I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? **If yes, complete and attach Schedule I.** | Yes [X] | No [ ] | VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? **If yes, complete and attach Schedule VI.** | Yes [ ] | No [X] |
| II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? **If yes, complete and attach Schedule II.** | Yes [X] | No [ ] | VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? **If yes, complete and attach Schedule VII.** | Yes [ ] | No [X] |
| III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? **If yes, complete and attach Schedule III.** | Yes [ ] | No [X] | VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? **If yes, complete and attach Schedule VIII.** | Yes [X] | No [ ] |
| IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? **If yes, complete and attach Schedule IV.** | Yes [ ] | No [X] | IX. Did you have any reportable agreement or arrangement with an outside entity? **If yes, complete and attach Schedule IX.** | Yes [ ] | No [X] |
| V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? **If yes, complete and attach Schedule V.** | Yes [X] | No [ ] | **Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.** | | |

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | |
|---|---|---|
| **TRUSTS**—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See Instructions, pages 10–11.) | Yes [ ] | No [X] |
| **EXEMPTION**—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See instructions, page 11.) | Yes [ ] | No [X] |

## CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions (*See* 5 U.S.C. app. 6, §104 and 18 U.S.C. §1001).

SIGNATURE OF REPORTING INDIVIDUAL Earl F Hilliard DATE (Month/Day/Year) 5/3/95

Name Earl Frederick Hilliard | Page 1 of 8

## SCHEDULE I — EARNED INCOME

List the source, type, and amount of earned income from any source (other than the filer's current employment by the U.S. Government) totalling $200 or more during the preceding calendar year. For a spouse, list the source and amount of any honoraria; list only the source for other spouse earned income exceeding $1,000. For further information, see Instructions, pages 12–13.

| Source | Type | Amount |
|---|---|---|
| *Examples:* Jefferson University | Approved Teaching Fee | $6,000 |
| State of Maryland | Legislative Pension | $9,000 |
| Civil War Roundtable (Oct. 2nd) | Spouse Speech | $1,000 |
| Fairfax County Board of Education | Spouse Salary | NA |
| Alabama Community Assistance Program | Spouse Salary | N/A |
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**For payments to charity in lieu of honoraria, use Schedule II.**

## SCHEDULE II — PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium. A separate confidential list of charities receiving such payments must be filed directly with the Committee on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package. For further information, see Instructions, pages 13–14.

| Source | Activity | Date | Amount |
|---|---|---|---|
| *Examples:* Association of American Associations, Wash., D.C. | Speech | Feb. 2, 1994 | $2,000 |
| XYZ Magazine | Article | Aug. 13, 1994 | $500 |
| The Tobacco Institute, Washington, DC | Speech | Jan. 28, 1994 | $2,000 |
| St. John's University, Jamaica, NY | Speech | Sept. 14, 1994 | $1,000 |
| Alabama A & M University, Normal, AL | Speech | Oct. 18, 1994 | $1,000 |
| American Crop Protection Association, Washington, DC | Speech | Nov. 21, 1994 | $ 500 |
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## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Name Earl Frederick Killiard



**BLOCK A — Asset and/or Income Source**

Identify (a) each asset held for investment or production of income with a fair market value exceeding $1,000 at the end of the reporting year, and (b) any other asset or source of income which generated more than $200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For an IRA or retirement plan that is *self-directed*, list the underlying assets worth more than $1,000. For an IRA or retirement plan that is *not* self-directed, name the institution holding the account.

**Exclude:** Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totalling $5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs.

If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left.

For further information, see Instructions, pages 14–20.

**BLOCK B — Value of Asset**

at close of reporting year.
If you use a valuation method other than fair market value, please specify the method used.
If an asset was sold and is included only because it generated income, the value should be "None."

**BLOCK C — Type of Income**

If other than one of the listed categories, specify the type of income by writing a brief description in this block.

**BLOCK D — Amount of Income**

For IRA's and retirement plans that are *not* self-directed, you may write in "NA" for income.

**BLOCK E — Transaction**

Indicate if asset was purchased (P), sold (S), or exchanged (E) in reporting year.

| | | | Block A | Block B | | | | | | | | | Block C | | | | | | | Block D | | | | | | | | | Block E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | None | A $1 – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H Over $1,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | None | I $1 – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX Over $1,000,000 | S, P, E |
| SP, DC, JT | *Examples:* | SP | Mega Corp. Stock | | | | X | | | | | | X | | | | | | | | X | | | | | | | | P |
| | | DC | 123 Main St., Dover, Del. | | | | | X | | X | | | | X | | | | | | | | | X | | | | | | | |
| | | JT | 1st Bank of Peoria, IL accounts | | | | | X | | | | | | | X | | | | | | | X | | | | | | | | |
| | | | State of Alabama Pension Fund | | | X | | | | | | | | | | | | | X | | | | | | | | | | | |

**For additional assets and unearned income, use next page.**

## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Continuation Sheet (if needed)

Name Earl Frederick Hilliard



| SP, DC, JT | BLOCK A<br>Asset and/or Income Source | BLOCK B<br>Year-End Value of Asset | | | | | | | | BLOCK C<br>Type of Income | | | | | BLOCK D<br>Amount of Income | | | | | | | | | BLOCK E<br>Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | None | A<br>$1 – $1,000 | B<br>$1,001 – $15,000 | C<br>$15,001 – $50,000 | D<br>$50,001 – $100,000 | E<br>$100,001 – $250,000 | F<br>$250,001 – $500,000 | G<br>$500,001 – $1,000,000 | H<br>Over $1,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | None | I<br>$1 – $200 | II<br>$201 – $1,000 | III<br>$1,001 – $2,500 | IV<br>$2,501 – $5,000 | V<br>$5,001 – $15,000 | VI<br>$15,001 – $50,000 | VII<br>$50,001 – $100,000 | VIII<br>$100,001 – $1,000,000 | IX<br>Over $1,000,000 | P, S, E |
| | N/A | X | | | | | | | | | | | | | | X | | | | | | | | | |
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Name Earl Frederick Hilliard | Page 5 of 8

## SCHEDULE IV — TRANSACTIONS

Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting year of any real property, stocks, bonds, commodities futures, or other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction between you, your spouse, or your dependent child, or the purchase or sale of your personal residence, unless it is rented out. For further information, see Instructions, pages 20–21.

| SP, DC, JT | Asset | Type of Transaction: PURCHASE | SALE | EXCHANGE | Date (MO/DAY/YR) | Amount of Transaction: B ($1,001–$15,000) | C ($15,001–$50,000) | D ($50,001–$100,000) | E ($100,001–$250,000) | F ($250,001–$500,000) | G ($500,001–$1,000,000) | H (over $1,000,000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SP | *Example:* Mega Corporation Common Stock | X | | | 10–12–94 | | X | | | | | |
| | N/A | | | | | | | | | | | |
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## SCHEDULE V — LIABILITIES

Report liabilities of over $10,000 owed to any one creditor ***at any time*** during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year. **Exclude:** Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report ***revolving charge accounts*** only if the balance at the end of the reporting period exceeded $10,000. For further information, see Instructions, pages 21–22.

| SP, DC, JT | Creditor | Type of Liability | Amount of Liability B $10,001–$15,000 | C $15,001–$50,000 | D $50,001–$100,000 | E $100,001–$250,000 | F $250,001–$500,000 | G $500,001–$1,000,000 | H over $1,000,000 |
|---|---|---|---|---|---|---|---|---|---|
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | | | | X | | | |
| JT | AmSouth Bank, Birmingham, Alabama | Signature Loan | | X | | | | | |
| | National Bank of Commerce, Birmingham, Alabama | Signature Loan | | | X | | | | |
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## SCHEDULE VI — GIFTS

Report the source, a brief description, and the value of all gifts totalling more than $250 received by you, your spouse, or a dependent child from any source during the year.

**Exclude:** Gifts from relatives, gifts of personal hospitality of an individual, local meals, and gifts to a spouse or dependent child that are totally independent of his or her relationship to you. Gifts with a value of $100 or less need not be added towards the $250 disclosure threshold.

**Note:** House Rule 43, clause 4, prohibits most gifts exceeding $250. For further information, see Instructions, pages 22–23.

| Source | Description | Value |
|---|---|---|
| *Example:* Mr. Joseph H. Smith, Anytown, Anystate | Silver Platter (waiver received from Committee on Standards) | $270 |
| N/A | | |
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**Use additional sheets if more space is required.**

## SCHEDULE VII —FACT-FINDING, SUBSTANTIAL PARTICIPATION, AND OTHER TRAVEL

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.

**Exclude:** Travel-related expenses provided by federal, state, and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. § 7342); travel paid for by campaign funds; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you. For further information, see Instructions, pages 24–25.

| Source | Date(s) | Point of Departure—Destination—Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|
| *Examples:* Chicago Chamber of Commerce | Mar. 2 | Wash., D.C.—Chicago—Wash., D.C. | N | N | N | N |
| *Examples:* Mega Corporation | Aug. 6–13 | Wash., D.C.—Los Angeles—Cleveland | Y | Y | Y | 4 Days |
| Congressional Black Caucus Foundation Florida Public Policy Conference | Mar. 19-20 | Birmingham. Charlotte, Miami, Wash. DC | Y | Y | Y | N |
| Selma Dallas County Economic Development Authority | Jun. 24-29 | Birmingham, Atlanta, Los Angeles, Singapore, Jakarta Tokyo, Wash. DC | Y | Y | N | N |
| St. John's University | Sept. 10-11 | Wash, DC, New York, Wash, DC | Y | Y | N | N |
| The National Agricultural Chemicals Association | Sept. 23-25 | Wash., DC, White Sulphur Springs, WV, Wash., DC | Y | Y | Y | N |
| Tenth Biennial Research Syposium Association of Research Directors (1890 Land Grant Colleges and University) | Oct. 1-3 | Birmingham, New Orleans, Birmingham | Y | Y | N | N |
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## SCHEDULE VIII — POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see Instructions, pages 25–26.

**Exclude:** Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Name of Organization |
|---|---|
| Director | Tuskegee University (uncompensated) |
| Trustee | Miles College Law School (uncompensated) |
| | |
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## SCHEDULE IX — AGREEMENTS

Identify the date, parties to, and general terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer. For further information, see Instructions, page 26.

| Date | Parties To | Terms of Agreement |
|---|---|---|
| | N/A | |
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GPO: 1995 88-324 (mac)

**Use additional sheets if more space is required.**

**FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1995**

**FORM A**
For use by Members, officers, and employees

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OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES
HAND DELIVERED
MC
(Office Use Only)

RECEIVED
96 MAY 16 PM 12:33
COMMITTEE ON STANDARDS

Earl Frederick Hilliard
(Full Name)

P.O. Box 11385
(Mailing Address)

Birmingham, Alabama 35202-1385

(202) 225-2665
(Daytime Telephone)

| | | | | |
|---|---|---|---|---|
| **Filer Status** | [X] Member of the U.S. House of Representatives | State: Alabama District: 7th C. D. | [ ] Officer or Employee | Employing Office: |
| **Report Type** | [X] Annual (May 15) | [ ] Amendment | [ ] Termination | Termination Date: |

**A *$200 penalty* shall be assessed against anyone who files more than 30 days late.**

## PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | | | |
|---|---|---|---|
| I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? **If yes, complete and attach Schedule I.** | Yes [ ] No [X] | VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? **If yes, complete and attach Schedule VI.** | Yes [ ] No [X] |
| II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? **If yes, complete and attach Schedule II.** | Yes [X] No [ ] | VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? **If yes, complete and attach Schedule VII.** | Yes [X] No [ ] |
| III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? **If yes, complete and attach Schedule III.** | Yes [X] No [ ] | VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? **If yes, complete and attach Schedule VIII.** | Yes [X] No [ ] |
| IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? **If yes, complete and attach Schedule IV.** | Yes [X] No [ ] | IX. Did you have any reportable agreement or arrangement with an outside entity? **If yes, complete and attach Schedule IX.** | Yes [ ] No [X] |
| V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? **If yes, complete and attach Schedule V.** | Yes [X] No [ ] | **Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.** | |

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

| | |
|---|---|
| **TRUSTS**—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See Instructions, pages 10–11.) | Yes [ ] No [X] |
| **EXEMPTION**—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.) | Yes [ ] No [X] |

## CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties (*See* 5 U.S.C. app. 6, §104).

**SIGNATURE OF REPORTING INDIVIDUAL** Earl F. Hilliard **DATE** (Month/Day/Year) May 15, 1996

## SCHEDULE II — PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium. A separate confidential list of charities receiving such payments must be filed directly with the Committee on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package. For further information, see Instructions, pages 13–14.

| Source | Activity | Date | Amount |
|---|---|---|---|
| *Examples:* Association of American Associations, Wash., D.C. | Speech | Feb. 2, 1994 | $2,000 |
| XYZ Magazine | Article | Aug. 13, 1994 | $500 |
| St. John University | Forum participant | Oct. 17, 1995 | $1,000 |
| Gallilee Baptist Church, Birmingham, Alabama | Speech | March 10, 1996 | $75.00 |
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## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Name Earl Frederick Hilliard — Page 3 of 7

**BLOCK A — Asset and/or Income Source**

Identify (a) each asset held for investment or production of income with a fair market value exceeding $1,000 at the end of the reporting year, and (b) any other asset or source of income which generated more than $200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For an IRA or retirement plan that is *self-directed*, list the underlying assets worth more than $1,000. For an IRA or retirement plan that is *not* self-directed, name the institution holding the account.

**Exclude:** Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totalling $5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs.

If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left.

For further information, see instructions, pages 14–20.

**BLOCK B — Value of Asset**

at close of reporting year. If you use a valuation method other than fair market value, please specify the method used. If an asset was sold and is included only because it generated income, the value should be "None."

**BLOCK C — Type of Income**

If other than one of the listed categories, specify the type of income by writing a brief description in this block.

**BLOCK D — Amount of Income**

For IRA's and retirement plans that are *not* self-directed, you may write in "NA" for income.

**BLOCK E — Transaction**

Indicate if asset was purchased (P), sold (S), or exchanged (E) in reporting year.

| | | | | A None – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H $1,000,001 – $5,000,000 | I $5,000,001 – $25,000,000 | J $25,000,001 – $50,000,000 | K Over $50,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | I None – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX $1,000,001 – $5,000,000 | X Over $5,000,000 | P, S, E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SP, DC, JT | *Examples:* | SP | Mega Corp. Stock | | | | X | | | | | | | | X | | | | | | | X | | | | | | | | P |
| | | DC | 123 Main St., Dover, Del. | | | | | | | X | | | | | | X | | | | | | | | | | X | | | | |
| | | JT | 1st Bank of Paducah, KY accounts | | | | | X | | | | | | | | | X | | | | | | | X | | | | | | |
| ✓ | St. of Ala. defefred payment | | | | X | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Hilliard & Co. Inc. | | | | | | | X | | | | | | | | | CK | | | | X | | | | | | | | | |
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**For additional assets and unearned income, use next page.**

## SCHEDULE IV — TRANSACTIONS

Name Earl Frederick Hilliard | Page 4 of 7

Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting year of any real property, stocks, bonds, commodities futures, or other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction between you, your spouse, or your dependent child, or the purchase or sale of your personal residence, unless it is rented out. For further information, see instructions, pages 20–21.

| SP, DC, JT | Asset | Type of Transaction: PURCHASE | SALE | EXCHANGE | Date (MO/DAY/YR) | Amount of Transaction: B ($1,001 – $15,000) | C ($15,001 – $50,000) | D ($50,001 – $100,000) | E ($100,001 – $250,000) | F ($250,001 – $500,000) | G ($500,001 – $1,000,000) | H ($1,000,001 – $5,000,000) | I ($5,000,001 – $25,000,000) | J ($25,000,001 – $50,000,000) | K (Over $50,000,000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SP | *Example:* Mega Corporation Common Stock | X | | | 10-12-95 | | X | | | | | | | | |
| | Am. Trust Comm. Corp. Promissory Note | | | X | July 1995 | | | X | | | | | | | |

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## SCHEDULE V — LIABILITIES

Report liabilities of over $10,000 owed to any one creditor ***at any time*** during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year. **Exclude:** Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report ***revolving charge accounts*** only if the balance at the end of the reporting period exceeded $10,000. For further information, see Instructions, pages 21–22.

| SP, DC, JT | Creditor | Type of Liability | Amount of Liability | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | B $10,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H $1,000,001 – $5,000,000 | I $5,000,001 – $25,000,000 | J $25,000,001 – $50,000,000 | K Over $50,000,000 |
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del | | | | X | | | | | | |
| | AmSouth Bank, Birmingham, Alabama | Loan | | X | | | | | | | | |
| | National Bank of Commerce | Loan | | | | X | | | | | | |
| | SouthTrust Bank | Mortgage on 1614-3rd Ave. N., Birmingham, AL | | | | X | | | | | | |
| | William Parker, Birmingham, Alabama | Mortgage on 1614-3rd Ave. N., Birmingham, AL | | | | X | | | | | | |
| | | | | | | | | | | | | |

## SCHEDULE VI — GIFTS

Report the source, a brief description, and the value of all gifts totalling more than $250 received by you, your spouse, or a dependent child from any source during the year.

**Exclude:** Gifts from relatives, gifts of personal hospitality of an individual, local meals, and gifts to a spouse or dependent child that are totally independent of his or her relationship to you. Gifts with a value of $100 or less need not be added towards the $250 disclosure threshold.

**Note:** House Rule 43, clause 4, prohibits most gifts exceeding $250. For further information, see Instructions, pages 22–23.

| Source | Description | Value |
|---|---|---|
| *Example:* Mr. Joseph H. Smith, Anytown, Anystate | Silver Platter (waiver received from Committee on Standards) | $270 |
| | | |
| | | |
| | | |
| | | |
| | | |

**Use additional sheets if more space is required.**

Name Earl Frederick Hilliard | Page 9 of 7

## SCHEDULE VII —FACT-FINDING, SUBSTANTIAL PARTICIPATION, AND OTHER TRAVEL

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.

**Exclude:** Travel-related expenses provided by federal, state, and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. § 7342); travel paid for by campaign funds; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you. For further information, see Instructions, pages 24–25.

| Source | Date(s) | Point of Departure—Destination—Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|
| *Examples:* Chicago Chamber of Commerce | Mar. 2 | Wash., D.C.—Chicago—Wash., D.C. | N | N | N | N |
| Roycroft Corporation | Aug. 6–13 | Wash., D.C.—Los Angeles—Cleveland | Y | Y | Y | 4 Days |
| Tuskegee University | March 29 | Wash., D.C. - Mont., AL Tuskegee, AL - Mont., | N | Y | N | N |
| " | " | Wash., D.C. | | | | |
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## SCHEDULE VIII — POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see Instructions, pages 25–26.

**Exclude:** Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Name of Organization |
|---|---|
| Trustee | Tuskegee University (uncompensated) |
| Trustee | Miles College Law School (uncompensated) |
| Director | Hilliard & Co. Inc. (uncompensated) |
| Director | American Trust Life Insurance Company (uncompensated) |
| Director | American Trust Corporation (uncompensated) |
| Director | American Trust Communication Corporation (uncompensated) |

## SCHEDULE IX — AGREEMENTS

Identify the date, parties to, and general terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer. For further information, see Instructions, page 26.

| Date | Parties To | Terms of Agreement |
|---|---|---|
| | None N/A | |
| | | |
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GPO 1998 22-842 (mac)

Use additional sheets if more space is required

UNITED STATES HOUSE OF REPRESENTATIVES

Form A
For use by Members, officers, and employees

97 MAY 15 AM 10:55

OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES

HAND DELIVERED

(Office Use Only)

# FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1996

Earl Frederick Hilliard
(Full Name)

1314 Longworth House Office Building
(Mailing Address)

Washington DC 20515

Daytime Telephone: (202) 225-2665

| | | | | | | |
|---|---|---|---|---|---|---|
| Filer Status | [X] Member of the U.S. House of Representatives | State: AL District: 07 | [ ] Officer or Employee | Employing Office: | | A $200 penalty shall be assessed against anyone who files more than 30 days late. |
| Report Type | [X] Annual (May 15) | [ ] Amendment | | [ ] Termination | Termination Date: | |

## PRELIMINARY INFORMATION -- ANSWER EACH OF THESE QUESTIONS

I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? If yes, complete and attach Schedule I. Yes [ ] No [X]

II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? If yes, complete and attach Schedule II. Yes [ ] No [X]

III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? If yes, complete and attach Schedule III. Yes [ ] No [X]

IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? If yes, complete and attach Schedule IV. Yes [ ] No [X]

V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? If yes, complete and attach Schedule V. Yes [X] No [ ]

VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? If yes, complete and attach Schedule VI. Yes [ ] No [X]

VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? If yes, complete and attach Schedule VII. Yes [X] No [ ]

VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? If yes, complete and attach Schedule VIII. Yes [X] No [ ]

IX. Did you have any reportable agreement or arrangement with an outside entity? If yes, complete and attach Schedule IX. Yes [ ] No [X]

**Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.**

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION -- ANSWER EACH OF THESE QUESTIONS

**TRUSTS**--Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See Instructions, pages 10-11.) Yes [ ] No [X]

**EXEMPTION** Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.) Yes [ ] No [X]

## CERTIFICATION -- THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties and criminal sanctions (See 5 U.S.C. app. 4, 104 and 18 U.S.C 1001).

SIGNATURE OF REPORTING INDIVIDUAL: Earl F. Hilliard

DATE (Month/Day/Year): 5-15-97

| Name Earl Frederick Hilliard | Page __ of __ |
|---|---|

## SCHEDULE V -- LIABILITIES

Report liabilities of over $10,000 owed to any one creditor *at any time* during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year.
Exclude: Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report revolving charge accounts only if the balance at the end of the reporting period exceeded $10,000. For further information, see Instructions, pages 21-22.

| SP,DC,J | Creditor | Type of Liability | Amount of Liability |
|---|---|---|---|
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | $100,001 - $250,000 |
| | AmSouth Bank, B'ham, AL | Loan | $15,001 - $50,000 |
| | National Bank of Commerce | Loan | $100,001 - $250,000 |
| | SouthTrust Bank | Mortgage on 1614-3rd Avenue, N., Birmingham, AL | $100,001 - $250,000 |
| | | Ave. N., Birmingham, AL | |
| | William Parker, B'ham, AL | Mortgage on 1614-3rd Avenue N., Birmingham, AL | $100,001 - $250,000 |
| | | Ave. N., Birmingham, AL | |

Name Earl Frederick Hilliard | Page ___ of ___

## SCHEDULE VII -- TRAVEL PAYMENTS AND REIMBURSEMENTS

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor. Exclude: Travel-related expenses provided by federal, state and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. 7342); travel paid for by a Federal political committee; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you. For further information, see instructions, pages 24-26.

| | Source | Date(s) | Point of Departure--Destination--Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|---|
| Examples: | Chicago Chamber of Commerce | Mar.2 | Wash., D.C.-Chicago-Wash., D.C. | N | N | N | N |
| | Mega Corporation | Aug.6-13 | Wash., D.C.-Los Angeles-Cleveland | Y | Y | Y | 4 Days |
| | Tobacco Institute | Nov. 9-12, 1996 | Birmingham-Phoenix-Birmingham | Y | Y | N | No |

## SCHEDULE VIII -- POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see instructions, page 26.

Exclude: Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Organization |
|---|---|
| Trustee (uncompensated) | Selma University |
| Trustee (uncompensated) | Tuskegee University |
| Trustee (uncompensated) | Miles College of Law |
| Director (uncompensated) | Hilliard & Company, Inc. |
| Director (uncompensated) | American Trust Life Insurance Company |
| Director (uncompensated) | American Trust Corporation |
| Director (uncompensated) | American Trust Communication Corporation |

EARL F. HILLIARD
7TH DISTRICT, ALABAMA

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY

COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE

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Congress of the United States
House of Representatives
Washington, DC 20515–0107

1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2665

DISTRICT OFFICES:
THE PENICK BUILDING
319 17TH STREET, NORTH
SUITE 224
BIRMINGHAM, AL 35203
(205) 328-2841

1118 GREENSBORO AVENUE
SUITE 224
TUSCALOOSA, AL 35401
(205) 752-3518

3800 NORMAN BRIDGE RD
MONTGOMERY, AL 36105
(334) 281-0513

109 FEDERAL BUILDING
908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-2664

December 1, 1997

(2)

Committee on Standards of
Official Conduct
U.S. House of Representatives
Suite HT-2, The Capitol
Washington, D.C. 20515

MC ✓

Dear Sir or Madam:

I wish to amend my 1992, 1993, 1994, 1995, 1996, and 1997 Financial Disclosure Statements to reflect the following:

(1) An 18% interest in the Greater Birmingham Golf Association, Inc.; and
(2) A 32 percent interest in Hilliard & Company, Inc. (See Attached Amendments)

If you have any questions regarding these modifications, please do not hesitate to contact me at (202) 225-2665.

Sincerely,

Earl F. Hilliard

Earl F. Hilliard
Member of Congress

EFH:pgh

PRINTED ON RECYCLED PAPER

## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Continuation Sheet (if needed)

Amendments 1993

Name: Earl F. Hilliard

Page ___ of ___

| SP, DC, JT | BLOCK A: Asset and/or Income Source | BLOCK B: Year-End Value of Asset | | | | | | | | | | BLOCK C: Type of Income | | | | | | BLOCK D: Amount of Income | | | | | | | | | BLOCK E: Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A None – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H $1,000,001 – $5,000,000 | I $5,000,001 – $25,000,000 | J $25,000,001 – $50,000,000 | K Over $50,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | I None – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX $1,000,001 – $5,000,000 | X Over $5,000,000 | P, S, E |
| | Hilliard & Co., Inc. | | | | | x | | | | | | | | | | | | | x | | | | | | | | | |
| | Greater B'ham Golf Assoc., Inc. | | | x | | | | | | | | | | | | | | | x | | | | | | | | | |

## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Amendments 1994

Continuation Sheet (if needed)

Name Earl F. Hilliard

Page ____ of ____

| SP, DC, JT | BLOCK A: Asset and/or Income Source | BLOCK B: Year-End Value of Asset | | | | | | | | | | BLOCK C: Type of Income | | | | | | BLOCK D: Amount of Income | | | | | | | | | BLOCK E: Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A None - $1,000 | B $1,001 - $15,000 | C $15,001 - $50,000 | D $50,001 - $100,000 | E $100,001 - $250,000 | F $250,001 - $500,000 | G $500,001 - $1,000,000 | H $1,000,001 - $5,000,000 | I $5,000,001 - $25,000,000 | J $25,000,001 - $50,000,000 | K Over $50,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | I None - $200 | II $201 - $1,000 | III $1,001 - $2,500 | IV $2,501 - $5,000 | V $5,001 - $15,000 | VI $15,001 - $50,000 | VII $50,001 - $100,000 | VIII $100,001 - $1,000,000 | IX $1,000,001 - $5,000,000 | X Over $5,000,000 | P, S, E |
| | Hilliard & Co., Inc. | | | | | x | | | | | | | | | | | | | x | | | | | | | | | |
| | Greater B'ham Golf Assoc., Inc. | | | x | | | | | | | | | | | | | | | x | | | | | | | | | |

## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Amendments 1995

Continuation Sheet (if needed)

Name: Earl F. Hilliard

Page ___ of ___

| SP, DC, JT | BLOCK A: Asset and/or Income Source | BLOCK B: Year-End Value of Asset | | | | | | | | | | BLOCK C: Type of Income | | | | | | BLOCK D: Amount of Income | | | | | | | | | BLOCK E: Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A: None – $1,000 | B: $1,001 – $15,000 | C: $15,001 – $50,000 | D: $50,001 – $100,000 | E: $100,001 – $250,000 | F: $250,001 – $500,000 | G: $500,001 – $1,000,000 | H: $1,000,001 – $5,000,000 | I: $5,000,001 – $25,000,000 | J: $25,000,001 – $50,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | I: None – $200 | II: $201 – $1,000 | III: $1,001 – $2,500 | IV: $2,501 – $5,000 | V: $5,001 – $15,000 | VI: $15,001 – $50,000 | VII: $50,001 – $100,000 | VIII: $100,001 – $1,000,000 | IX: $1,000,001 – $5,000,000 | X: Over $5,000,000 | P, S, E |
| | Hilliard & Co., Inc. | | | | | x | | | | | | | | | | | | x | | | | | | | | | |
| | Greater B'ham Golf Assoc., Inc. | | | x | | | | | | | | | | | | | | x | | | | | | | | | |

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## SCHEDULE III — ASSETS AND "UNEARNED" INCOME

Amendments 1996

Continuation Sheet (if needed)

Name Earl F. Hilliard

Page ___ of ___

| SP, DC, JT | BLOCK A: Asset and/or Income Source | BLOCK B: Year-End Value of Asset | | | | | | | | | | BLOCK C: Type of Income | | | | | | BLOCK D: Amount of Income | | | | | | | | | BLOCK E: Transaction |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A None – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H $1,000,001 – $5,000,000 | I $5,000,001 – $25,000,000 | J $25,000,001 – $50,000,000 | K Over $50,000,000 | DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | I None – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX $1,000,001 – $5,000,000 | X Over $5,000,000 | P, S, E |
| | Hilliard & Co., Inc. | | | | | X | | | | | | | | | | | | | X | | | | | | | | | |
| | Greater B'ham Golf Assoc., Inc. | | | X | | | | | | | | | | | | | | | X | | | | | | | | | |
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## SCHEDULE III — ASSETS AND "UNEARNED" INCOME Amendments 1997.

Continuation Sheet (if needed)

Name Earl F. Hilliard

Page ___ of ___

| SP, DC, JT | BLOCK A Asset and/or Income Source | BLOCK B Year-End Value of Asset: A None – $1,000 | B $1,001 – $15,000 | C $15,001 – $50,000 | D $50,001 – $100,000 | E $100,001 – $250,000 | F $250,001 – $500,000 | G $500,001 – $1,000,000 | H $1,000,001 – $5,000,000 | I $5,000,001 – $25,000,000 | J $25,000,001 – $50,000,000 | K Over $50,000,000 | BLOCK C Type of Income: DIVIDENDS | RENT | INTEREST | CAPITAL GAINS | EXCEPTED TRUST | QUALIFIED BLIND TRUST | BLOCK D Amount of Income: I None – $200 | II $201 – $1,000 | III $1,001 – $2,500 | IV $2,501 – $5,000 | V $5,001 – $15,000 | VI $15,001 – $50,000 | VII $50,001 – $100,000 | VIII $100,001 – $1,000,000 | IX $1,000,001 – $5,000,000 | X Over $5,000,000 | BLOCK E Transaction P, S, E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hilliard & Co., Inc. | | | | | x | | | | | | | | | | | | | x | | | | | | | | | | |
| | Greater B'ham Golf Assoc., Inc. | | | x | | | | | | | | | | | | | | | x | | | | | | | | | | |

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98 MAY 15 AM 11:52

**UNITED STATES HOUSE OF REPRESENTATIVES**
**FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1997**

Form A
For use by Members, officers, and employees

EARL FREDERICK HILLIARD
(Full Name)

1314 Longworth House Office Building
(Mailing Address)

Washington DC 20515

Daytime Telephone: (202) 225-2665

HAND DELIVERED
(Office Use Only)

5

| | | | | | |
|---|---|---|---|---|---|
| Filer Status | [X] Member of the U.S. House of Representatives | State: AL District: 07 | [ ] Officer or Employee | Employing Office: | |
| Report Type | [X] Annual (May 15) | [ ] Amendment | | [ ] Termination | Termination Date: |

**A $200 penalty shall be assessed against anyone who files more than 30 days late.**

## PRELIMINARY INFORMATION -- ANSWER EACH OF THESE QUESTIONS

| | | | |
|---|---|---|---|
| I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? If yes, complete and attach Schedule I. | Yes [ ] | No [X] | VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? If yes, complete and attach Schedule VI. | Yes [ ] | No [X] |
| II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? If yes, complete and attach Schedule II. | Yes [X] | No [ ] | VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? If yes, complete and attach Schedule VII. | Yes [X] | No [ ] |
| III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? If yes, complete and attach Schedule III. | Yes [ ] | No [X] | VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? If yes, complete and attach Schedule VIII. | Yes [X] | No [ ] |
| IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? If yes, complete and attach Schedule IV. | Yes [ ] | No [X] | IX. Did you have any reportable agreement or arrangement with an outside entity? If yes, complete and attach Schedule IX. | Yes [ ] | No [X] |
| V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? If yes, complete and attach Schedule V. | Yes [X] | No [ ] | **Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.** | | |

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION -- ANSWER EACH OF THESE QUESTIONS

| | | |
|---|---|---|
| TRUSTS - Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See instructions, pages 10-11.) | Yes [ ] | No [X] |
| EXEMPTION. Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See instructions, page 11.) | Yes [ ] | No [X] |

## CERTIFICATION -- THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties and criminal sanctions (See 5 U.S.C. app. 4, 104 and 18 U.S.C. 1001).

SIGNATURE OF REPORTING INDIVIDUAL: Earl F. Hilliard

DATE (Month/Day/Year): 5/15/98

1673

747

| Name EARL FREDERICK HILLIARD | Page 2 of 5 |
|---|---|

## SCHEDULE II -- PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium.
A separate confidential list of charities receiving such payments must be filed directly with the Committee on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package. For further information, see Instructions, pages 13-14.

| | Source | Activity | Date | Amount |
|---|---|---|---|---|
| *Examples:* | Association of American Associations, Wash., D.C. | Speech | Feb. 2, 1994 | $2,000 |
| | XYZ Magazine | Article | Aug. 13, 1994 | $500 |
| American Federation of Teachers | | Speech | Oct. 25 | $ 1,000 |

| Name EARL FREDERICK HILLIARD | Page 3 of 5 |
|---|---|

## SCHEDULE V -- LIABILITIES

Report liabilities of over $10,000 owed to any one creditor *at any time* during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year.
Exclude: Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report *revolving charge accounts* only if the balance at the end of the reporting period exceeded $10,000. For further information, see instructions, pages 21-22.

| SP,DC,J | Creditor | Type of Liability | Amount of Liability |
|---|---|---|---|
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | $100,001 - $250,000 |
| | National Bank of Commerce | Business Loan | $100,001 - $250,000 |
| | Federal Retirement Thrift Investment Board | Business Loan | $15,001 - $50,000 |

| Name EARL FREDERICK HILLIARD | Page 4 of 5 |
|---|---|

## SCHEDULE VII -- TRAVEL PAYMENTS AND REIMBURSEMENTS

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.
**Exclude:** Travel-related expenses provided by federal, state and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. 7342); travel paid for by a Federal political committee; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you. For further information, see Instructions, pages 24-26.

| | Source | Date(s) | Point of Departure--Destination--Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|---|
| *Examples:* | Chicago Chamber of Commerce | Mar 2 | Wash., D.C.-Chicago-Wash., D.C. | N | N | N | N |
| | Mega Corporation | Aug 6-13 | Wash., D.C.-Los Angeles-Cleveland | Y | Y | Y | 4 Days |
| Winnington Limited, Lugano, Switzerland | | Aug 21-25 | DC-Tunisia/Libya-DC | Y | Y | N | No |
| Catholic Relief Services | | Nov 16-21 | DC-The Gambia-DC | Y | Y | N | No |

| Name EARL FREDERICK HILLIARD | Page 5 of 5 |
|---|---|

## SCHEDULE VIII -- POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see instructions, page 26.
Exclude: Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Organization |
|---|---|
| Chairman of the Board | Hilliards and Company, Inc. |
| Chairman of the Board | American Trust Communication Corporation |
| Chairman of the Board | American Trust Corporation |
| Director | African American United Fund, Inc. |
| Director | World Center for Democracy, Inc. |
| Director | The Elected and Appointed Officials Educational and Legal Defense Fund, Inc. |
| Trustee | The Emma L. Bower Foundation for Minority Interest in Media, Inc. |
| Vice President | Birmingham Morehouse College Alumni Club, Inc. |
| Trustee | Tuskegee University |
| Trustee | Miles College Law School |
| Trustee | Selma University |
| Director | Birmingham Greater Golf Associates, Inc. |

EARL F. HILLIARD
7TH DISTRICT, ALABAMA

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY

COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE

# Congress of the United States
## House of Representatives
Washington, DC 20515–0107

1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2665

DISTRICT OFFICES:

THE PRINCE BUILDING
319 17TH STREET, NORTH
SUITE 204
BIRMINGHAM, AL 35203
(205) 326-3941

1118 GREENSBORO AVENUE
SUITE 204
TUSCALOOSA, AL 35401
(205) 752-3578

3606 NORMAN BRIDGE RD.
MONTGOMERY, AL 36105
(334) 281-0812

109 FEDERAL BUILDING
908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-3864

May 15, 1998

The Honorable Robin H. Carle
Clerk, U.S. House of Representatives
Legislative Resource Center
B-106 Cannon House Office Building
Washington, D.C. 20515

HAND DELIVERED

98 MAY 15 AM 11:52

Dear Ms. Carle:

In accordance with advice received from the Committee on Standards of Official Conduct, please consider this letter an amendment to my Financial Disclosure Statements for calendar years 1992, 1993, 1994, 1995, and 1996. Specifically, by letter dated December 1, 1997, I disclosed interest in the Birmingham Greater Golf Associates, Inc. and Hilliards & Company, Inc. for the years 1992 through 1996 to be included as part of Schedule III - Assets and "Unearned" Income. This disclosure was incorrect; neither entity should have been listed for those years.

In addition, Schedule VIII - Positions, should be amended for calendar years 1992, 1993, 1994, 1995, and 1996, to reflect the various organizations in which I held positions, as follows:[1]

Hilliards and Company, Inc.
1990 -1992 - President and Chairman of the Board
1996 - 1998 - Chairman of the Board

American Trust Communication Corporation
1990 - 1992 - President and Chairman of the Board
1996 - 1998 - Chairman of the Board

American Trust Corporation
1990 - 1992 - Chairman and President
1996 - 1998 - Chairman of the Board

American Trust Broadcasting Corporation
1990 - 1992 - Chairman and President

American Trust Life Insurance Company
1990 - 1992 - Chairman and President

[1] I am also including a listing of those organizations in which my position is not required to be reported under the EIGA.

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African American United Fund, Inc.
1996 - 1998 - Director

World Center for Democracy, Inc.
1996 - 1998 - Director

The Elected and Appointed Officials Educational and Legal Defense Fund, Inc.
1996 - 1998 - Director

The Emma L. Bower Foundation for Minority Interest in Media, Inc.
1995 - 1998 - Trustee

Birmingham Morehouse College Alumni Club, Inc.
1995 - 1998 - Vice President

Tuskegee University
1985 - 1998 - Trustee

Miles College Law School
1980 - 1998 - Trustee

Selma University
1996 - 1998 - Trustee

Birmingham Greater Golf Associates, Inc.
1987 - 1998 - Director

Sincerely,

Earl F. Hilliard

Earl F. Hilliard
Member of Congress

**UNITED STATES HOUSE OF REPRESENTATIVES**

**FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1998**

Form A
For use by Members, officers, and employees

EARL FREDERICK HILLIARD
(Full Name)

1314 Longworth House Office Building
(Mailing Address)

Washington DC 20515

Daytime Telephone: (202) 225-2665

(Office Use Only)

**Filer Status**
[X] Member of the U.S. House of Representatives — State: AL District: 07
[ ] Officer or Employee — Employing Office:

**Report Type**
[X] Annual (May 15)
[ ] Amendment
[ ] Termination — Termination Date:

**A $200 penalty shall be assessed against anyone who files more than 30 days late.**

## PRELIMINARY INFORMATION -- ANSWER EACH OF THESE QUESTIONS

I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? **If yes, complete and attach Schedule I.** Yes [ ] No [X]

II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? **If yes, complete and attach Schedule II.** Yes [X] No [ ]

III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? **If yes, complete and attach Schedule III.** Yes [X] No [ ]

IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? **If yes, complete and attach Schedule IV.** Yes [X] No [ ]

V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? **If yes, complete and attach Schedule V.** Yes [X] No [ ]

VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $250 and not otherwise exempt)? **If yes, complete and attach Schedule VI.** Yes [ ] No [X]

VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (worth more than $250 from one source)? **If yes, complete and attach Schedule VII.** Yes [X] No [ ]

VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? **If yes, complete and attach Schedule VIII.** Yes [X] No [ ]

IX. Did you have any reportable agreement or arrangement with an outside entity? **If yes, complete and attach Schedule IX.** Yes [ ] No [X]

**Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.**

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION -- ANSWER EACH OF THESE QUESTIONS

**TRUSTS--Details** regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or dependent child? (See Instructions, pages 10-11.) Yes [ ] No [X]

**EXEMPTION**- Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.) Yes [ ] No [X]

## CERTIFICATION -- THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties and criminal sanctions (See 5 U.S.C. app. 4, 104 and 18 U.S.C 1001).

**SIGNATURE OF REPORTING INDIVIDUAL** Earl F. Hilliard

**DATE** (Month/Day/Year) 6/15/99

754

## SCHEDULE II -- PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium.
A separate confidential list of charities receiving such payments must be filed directly with the Commite on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package. For further information, see Instructions, pages 13-14.

| Source | Activity | Date | Amount |
|---|---|---|---|
| *Examples:* Association of American Associations, Wash., D.C. | Speech | Feb. 2, 1994 | $2,000 |
| XYZ Magazine | Article | Aug. 13, 1994 | $500 |
| Interdenominational Association of Churches, Inc., Gadsden, AL | Speech | 04/13/98 | $ 400 |
| First Christian Methodist Episcopal Church, Montgomery, AL | Speech | 08/12/98 | $ 200 |
| St John Baptist Church, Birmingham, AL | Speech | 08/24/98 | $ 150 |
| Huntsville-Madison County Chapter Blacks in Government, Huntsville, AL | Speech | 11/18/98 | $ 250 |

Name EARL FREDERICK HILLIARD | Page 3 of 7

## SCHEDULE III -- ASSETS AND "UNEARNED" INCOME

| BLOCK A<br>**Asset and/or Income Source**<br>Identify (a) each asset held for investment or production of income with a fair market value exceeding $1,000 at the end of the reporting year, and (b) any other asset or source of income which generated more than $200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For an IRA or retirement plan that is *self-directed*, list the underlying assets worth more than $1,000. For an IRA or retirement plan that is *not* self-directed, name the institution holding the account.<br>**Exclude:** Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totalling $5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs.<br><br>If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left.<br><br>For further information, see Instructions, pages 14-20 | BLOCK B<br>**Value of Asset**<br>at close of reporting year.<br>If you use a valuation method other than fair market value, please specify the method used.<br>If an asset was sold and is included only because it generated income, the value should be "None." | BLOCK C<br>**Type of Income**<br>If other than one of the listed categories, specify the type of income by writing a brief description in this block. | BLOCK D<br>**Amount of Income**<br>For IRA's and retirement plans that are *not* self-directed, you may write in "NA" for income. | BLOCK E<br>**Transaction**<br>Indicate if asset was purchased(P), sold(S), or exchanged(E) in reporting year. |
|---|---|---|---|---|
| SP, DC, JT *Examples:* Mega Corp. Stock | $15,001 - $50,000 | Dividends | $201 - $1,000 | P |
| SP 123 Main St., Dover, Del. | $250,001 - $500,000 | Rent | $1,001 - $2,500 | |
| 1st Bank of Paducah, KY accounts | $50,001 - $100,000 | Interest | $5,001 - $15,000 | |
| American Trust Corp. (30.5% interest by virtue of Hilliards & Company owning 100% of ATC) | $15,001 - $50,000 | | None - $200 | P |

NOV. 10. 1999 9:00AM

## SCHEDULE IV -- TRANSACTIONS

Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting year of any real property, stocks, bonds, commodities futures, or other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction between you, your spouse, or your dependent child, or the purchase or sale of your personal residence, unless it is rented out. For further information, see instructions, pages 20-21.

| SP,DC,JT | Asset | Type of Transaction | Date | Amount of Transaction |
|---|---|---|---|---|
| | *Example:* Mega Corporation Common Stock | Purchase | 10/12/94 | $15,001 - $50,000 |
| | 1306 Pennsylvania Ave., S.E., Washington, D.C. (Purchased in the name of American Trust Corp. - MC has 30.05% interest in ATC) | Purchase | 06/15/98 | $100,001 - $250,000 |

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| Name EARL FREDERICK HILLIARD | Page 5 of 7 |
|---|---|

## SCHEDULE V -- LIABILITIES

Report liabilities of over $10,000 owed to any one creditor *at any time* during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year.
**Exclude:** Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report *revolving charge accounts* only if the balance at the end of the reporting period exceeded $10,000. For further information, see instructions, pages 21-22.

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|---|---|---|---|
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | $100,001 - $250,000 |
| | National Bank of Commerce | Business Loan | $100,001 - $250,000 |
| | Federal Retirement Thrift Investment Board | Business Loan | $15,001 - $50,000 |
| | Paul Pizza, Port Orange, FL | Business Mortgage on 1306 Pennsylvania Ave., S.E. Washington, DC | $100,001 - $250,000 |

NOV. 10. 1999 9:01AM

## SCHEDULE VII -- TRAVEL PAYMENTS AND REIMBURSEMENTS

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $250 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.

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| Source | Date(s) | Point of Departure--Destination--Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|
| *Examples:* Chicago Chamber of Commerce | Mar.2 | Wash., D.C.-Chicago-Wash., D.C. | N | N | N | N |
| Mega Corporation | Aug.6-13 | Wash., D.C.-Los Angeles-Cleveland | Y | Y | Y | 4 Days |
| The Faith & Politics Institute | March 6-8 | Birmingham-Montgomery-Selma, AL & return | Y | Y | N | No |

NOV. 10. 1999 8:01AM

| Name EARL FREDERICK HILLIARD | Page 7 of 7 |
|---|---|

## SCHEDULE VIII -- POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see instructions, page 26.

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| Trustee | The Emma L. Bower Foundation for Minority Interest in Media, Inc. |
| Vice President | Birmingham Morehouse College Alumni Club, Inc. |
| Trustee | Tuskegee University |
| Trustee | Miles College Law School |
| Trustee | Selma University |
| Director | Birmingham Greater Golf Associates, Inc. |

NOV. 10. 1999 9:01AM NO. 7000 P. 8

UNITED STATES HOUSE OF REPRESENTATIVES

Form A
For use by Members, officers, and employees

FINANCIAL DISCLOSURE STATEMENT FOR CALENDAR YEAR 1999

RECEIVED
00 JUN 15 PM 1:39
COMMITTEE ON STANDARDS

00 JUN 14 PM 1:16

HAND DELIVERED

(Office Use Only)

EARL FREDERICK HILLIARD
(Full Name)

1314 Longworth House Office Building
(Mailing Address)
Washington DC 20515

Daytime Telephone:
(202) 225-2665

| | | | | | |
|---|---|---|---|---|---|
| Filer Status | [X] Member of the U.S. House of Representatives | State: AL District: 07 | [ ] Officer or Employee | Employing Office: | A $200 penalty shall be assessed against anyone who files more than 30 days late. |
| Report Type | [X] Annual (May 15) | [ ] Amendment | | [ ] Termination Date: Termination | |

## PRELIMINARY INFORMATION -- ANSWER EACH OF THESE QUESTIONS

I. Did you or your spouse have "earned" income (e.g., salaries or fees) of $200 or more from any source in the reporting period? Yes [X] No [ ]
**If yes, complete and attach Schedule I.**

II. Did any individual or organization make a donation to charity in lieu of paying you for a speech, apppearance, or article in the reporting period? Yes [X] No [ ]
**If yes, complete and attach Schedule II.**

III. Did you, your spouse, or a dependent child receive "unearned" income of more than $200 in the reporting period or hold any reportable asset worth more than $1,000 at the end of the period? Yes [X] No [ ]
**If yes, complete and attach Schedule III.**

IV. Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than $1,000 in the reporting period? Yes [ ] No [X]
**If yes, complete and attach Schedule IV.**

V. Did you, your spouse, or a dependent child have any reportable liability (more than $10,000) during the reporting period? Yes [X] No [ ]
**If yes, complete and attach Schedule V.**

VI. Did you, your spouse, or a dependent child receive any reportable gift in the reporting period (i.e., aggregating more than $260 and not otherwise exempt)? Yes [ ] No [X]
**If yes, complete and attach Schedule VI.**

VII. Did you, your spouse, or a dependent child receive any reportable travel or reimbursements for travel in the reporting period (wealth more than $260 from one source)? Yes [X] No [ ]
**If yes, complete and attach Schedule VII.**

VIII. Did you hold any reportable positions on or before the date of filing in the current calendar year? Yes [X] No [ ]
**If yes, complete and attach Schedule VIII.**

IX. Did you have any reportable agreement or arrangement with an outside entity? Yes [ ] No [X]
**If yes, complete and attach Schedule IX.**

**Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.**

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION -- ANSWER EACH OF THESE QUESTIONS

**TRUSTS**--Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefitting you, your spouse, or dependent child? Yes [ ] No [X]

**EXEMPTION**- Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? Yes [ ] No [X]

## CERTIFICATION -- THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties and criminal sanctions (See 5 U.S.C. app. 4, 104 and 18 U.S.C 1001).

| CERTIFICATION | SIGNATURE OF REPORTING INDIVIDUAL | DATE (Month/Day/Year) |
|---|---|---|
| **I CERTIFY that the statements I have made on this form, and all attached schedules are true, complete and correct to the best of my knowledge and belief.** | Earl F. Hilliard | 6-14-2000 |

## SCHEDULE I -- EARNED INCOME

List the source, type, and amount of earned income from any source (other than the filer's current employment by the U.S. Government) totalling $200 or more during the preceding calendar year. For a spouse, list the source and amount of any honoraria; list only the source for other spouse earned income exceeding $1,000.

| | Source | Type | Amount |
|---|---|---|---|
| *Examples:* | Keene State | Approved Teaching Fee | $10,000 |
| | State of Maryland | Legislative Pension | $9,000 |
| | Civil War Roundtable (Oct. 2nd) | Spouse Speech | $1,000 |
| | Ontario County Board of Education | Spouse Salary | NA |
| | University of Alabama, Birmingham | Spouse Consulting Fee | NA |

For payments to charity in lieu of honoraria, use Schedule II.

## SCHEDULE II -- PAYMENTS IN LIEU OF HONORARIA MADE TO CHARITY

List the source, activity (i.e., speech, appearance, or article), date, and amount of any payment made by the sponsor of an event to a charitable organization in lieu of an honorarium. A separate confidential list of charities receiving such payments must be filed directly with the Committe on Standards of Official Conduct. An envelope for transmitting the list is included in each Member's filing package.

| | Source | Activity | Date | Amount |
|---|---|---|---|---|
| *Examples:* | Association of American Associations, Wash., D.C.<br>XYZ Magazine | Speech<br>Article | Feb. 2, 1999<br>Aug. 13, 1999 | $2,000<br>$ 500 |
| | Alabama A&M University | Speech | May 15, 1999 | $500.00 |

## SCHEDULE III -- ASSETS AND "UNEARNED" INCOME

| BLOCK A<br>**Asset and/or Income Source**<br>Identify (a) each asset held for investment or production of income with a fair market value exceeding $1,000 at the end of the reporting period, and (b) any other asset or source of income which generated more than $200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For a self-directed IRA (i.e. one where you have the power to select the specific investments), provide information on each asset in the account that exceeds the reporting threshold, and the income earned for the account. For an IRA that is not self-directed, name the institution holding the account and provide its value at the end of the reporting period. For an active business that is not publicly traded, in Block A state the nature of the business and its geographic location. For additional information, see the instruction booklet for the reporting year.<br>**Exclude:** Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totalling $5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs<br>If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left. | BLOCK B<br>**Value of Asset**<br>at close of reporting year.<br>If you use a valuation method other than fair market value, please specify the method used.<br>If an asset was sold and is included only because it generated income, the value should be "None." | BLOCK C<br>**Type of Income**<br>If other than one of the listed categories, specify the type of income by writing a brief description iin this block. | BLOCK D<br>**Amount of Income**<br>For retirement plans that do not allow you to choose specific investments, you may write "NA" for income. For all other assets, indicate the category of income by checking the appropriate box below. Dividends, even if reinvested, should be listed as income. | BLOCK E<br>**Transaction**<br>Indicate if asset was purchased(P), sold(S), or exchanged(E) in reporting year. |
|---|---|---|---|---|
| SP, DC, JT | *Examples:* | SP | Mega Corp. Stock<br>123 Main St., Dover, Del.<br>1st Bank of Paducah, KY accounts | $15,001 - $50,000<br>$250,001 - $500,000<br>$50,001 - $100,000 | Dividends<br>Rent<br>Interest | $201 - $1,000<br>$1,001 - $2,500<br>$5,001 - $15,000 | P |
| | American Trust Corp. (30.5% interest by virtue of Hilliards & Company owning 100% of ATC) | | | $50,001 - $100,000 | NA | None | |

## SCHEDULE V -- LIABILITIES

Report liabilities of over $10,000 owed to any one creditor **at any time** during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the year

**Exclude:** Any mortgage on your personal residence (unless it is rented out); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report **revolving charge accounts** only if the balance at the close of preceding calendar year exceeded $10,000.

| SP,DC,JT | Creditor | Type of Liability | Amount of Liability |
|---|---|---|---|
| | *Example:* First Bank of Wilmington, Delaware | Mortgage on 123 Main St., Dover, Del. | $100,001 - $250,000 |
| | National Bank of Commerce | Business Loan | $100,001 - $250,000 |
| | Federal Retirement Thrift Investment Board | Business Loan | $10,001 - $15,000 |
| | Paul Pizza, Port Orange, FL | Business Mortgage on 1306 Pennsylvania Ave., S.E., Washington, DC | $100,001 - $250,000 |

## SCHEDULE VII -- TRAVEL PAYMENTS AND REIMBURSEMENTS

Identify the source and list travel itinerary, dates, and nature of expenses provided for travel and travel-related expenses totalling more than $260 received by you, your spouse, or a dependent child during the reporting period. Indicate whether a family member accompanied the traveler at the sponsor's expense, and the amount of time, if any, that was not at the sponsor's expense. Disclosure is required regardless of whether the expenses were reimbursed or paid directly by the sponsor.
**Exclude:** Travel-related expenses provided by federal, state and local governments, or by a foreign government required to be separately reported under the Foreign Gifts and Decorations Act (5 U.S.C. 7342); political travel that is required to be reported under the Federal Election Campaign Act; travel provided to a spouse or dependent child that is totally independent of his or her relationship to you.

| Source | Date(s) | Point of Departure--Destination--Point of Return | Lodging? (Y/N) | Food? (Y/N) | Was a Family Member Included? (Y/N) | Any time not at sponsor's expense |
|---|---|---|---|---|---|---|
| *Examples:* Chicago Chamber of Commerce | Mar 2 | Wash., D.C.-Chicago-Wash., D.C. | N | N | N | N |
| Mega Corporation | Aug 6-13 | Wash., D.C.-Los Angeles-Cleveland | Y | Y | Y | 4 Days |
| Steel Valley Authority and the Solidarity Fund | Jan. 5, 1999 | DC-Quebec & Montreal, Canada-DC | N | Y | N | N |
| Christopher Reynolds Foundation, Area Foundation, & General Service Foundation | Feb 17-22, 1999 | Birmingham, AL-Cuba-Birmingham, AL | Y | Y | N | N |
| The Faith & Politics Institute | Mar 5-7, 1999 | DC-Birmingham-Montgomery-Selma, AL-DC | Y | Y | N | N |
| Gethsemane Baptist Church | Oct 22-23, 1999 | Birmingham, AL-Buffalo, NY-Birmingham, AL | Y | N | N | N |
| Catholic Relief Services | Dec 15-20, 1999 | Birmingham, AL-Banjul, The Gambia-Birmingham, AL | Y | Y | N | N |

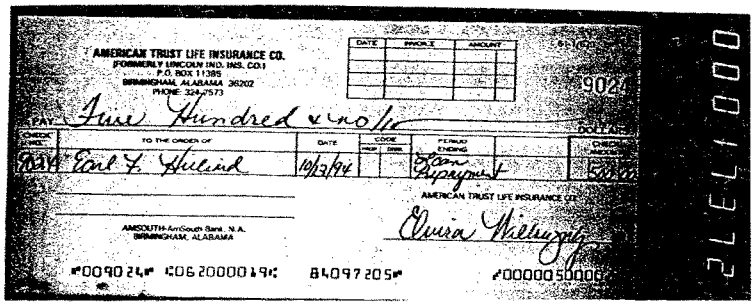
## SCHEDULE VIII -- POSITIONS

Report all positions, compensated or uncompensated, held during the current calendar year as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States.

Exclude: Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

| Position | Organization |
|---|---|
| Chairman of the Board | Hilliards and Company, Inc. |
| Chairman of the Board | American Trust Communication Corporation |
| Chairman of the Board | American Trust Corporation |
| Director | African American United Fund, Inc. |
| Director | World Center for Democracy, Inc. |
| Director | The Elected and Appointed Officials Educational and Legal Defense Fund, Inc. |
| Trustee | The Emma L. Bower Foundation for Minority Interest in Media, Inc. |
| Vice President | Birmingham Morehouse College Alumni Club, Inc. |
| Trustee | Tuskegee University |
| Trustee | Miles College Law School |
| Trustee | Selma University |
| Director | Birmingham Greater Golf Associates, Inc. |
| | |

# EXHIBIT 56



AMERICAN TRUST LIFE INSURANCE CO.
(FORMERLY LINCOLN IND. INS. CO.)
P.O. BOX 11385
BIRMINGHAM, ALABAMA 36202
PHONE: 324-7573

| DATE | PAYOR | AMOUNT |
|---|---|---|
| | | |

9024

PAY Five Hundred & no/100 DOLLARS

| CHECK NO. | TO THE ORDER OF | DATE | CODE PROP. | CODE DIST. | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|---|
| 9024 | Earl F. Hulind | 10/13/94 | | | Loan Repayment | | 500.00 |

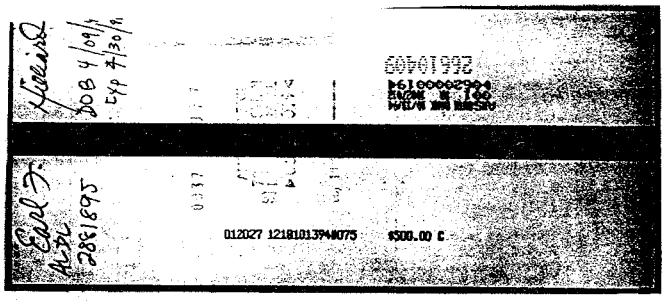
AMERICAN TRUST LIFE INSURANCE CO.

Elvira Willingly

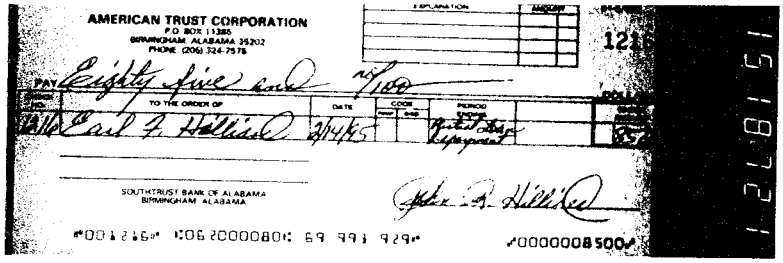
AMSOUTH-AmSouth Bank, N.A.
BIRMINGHAM, ALABAMA

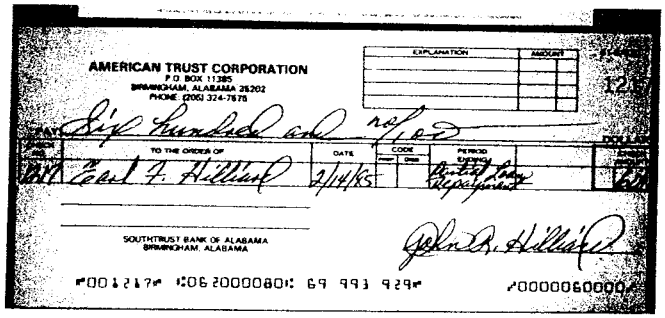
⑈009024⑈ ⑆062000019⑆ 84097205⑈ ⑈0000050000⑈

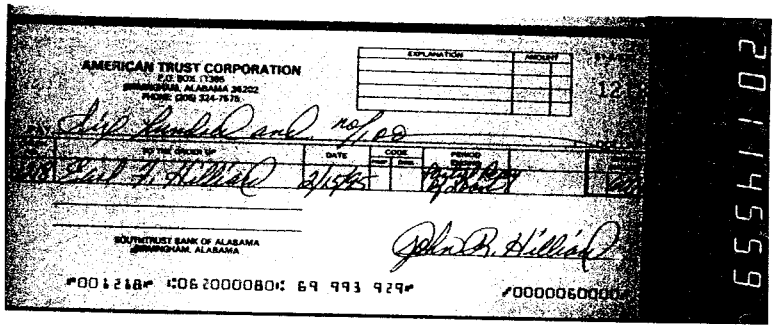
2LE41000

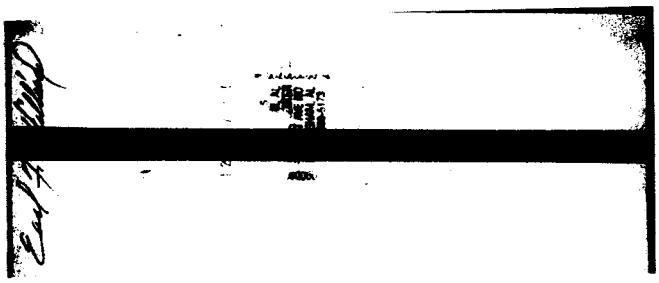

Earl F.
ALDL
2881895
012027 1218101394#075
$500.00 C

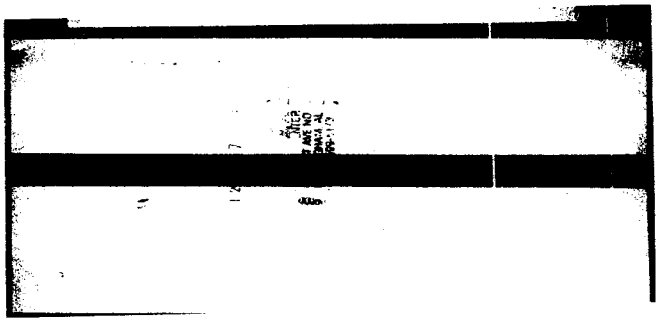
# EXHIBIT 57

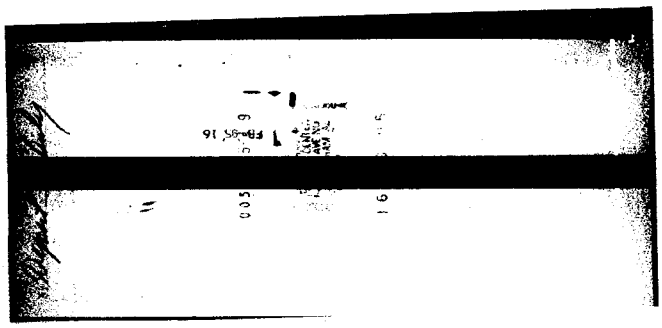

AMERICAN TRUST CORPORATION
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7578
Eighty five and no/100
Earl F. Hilliard
3/14/85
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
#0000008500#

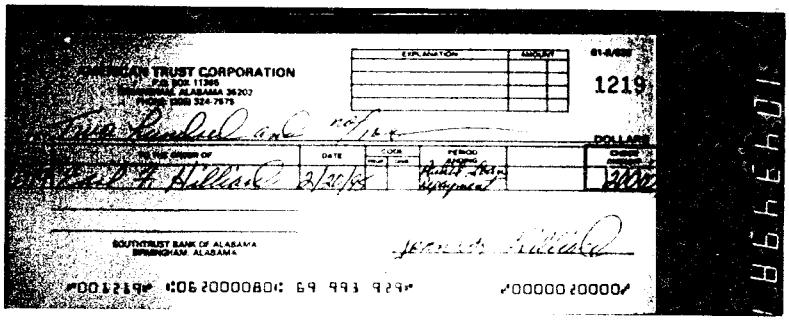

AMERICAN TRUST CORPORATION
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7578
Six hundred and no/100
Earl F. Hilliard
2/14/85
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
#0000060000#

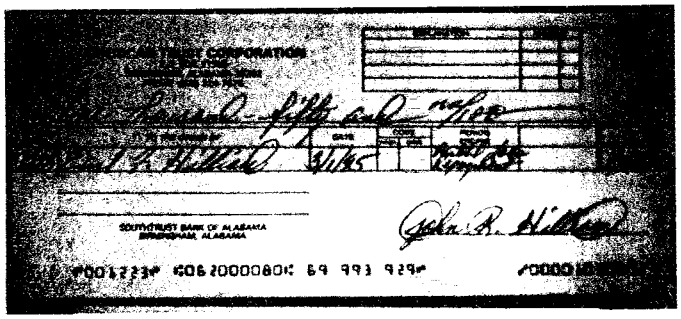

AMERICAN TRUST CORPORATION
Six hundred and no/100
Earl F. Hilliard
2/15/85
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
#0000060000#

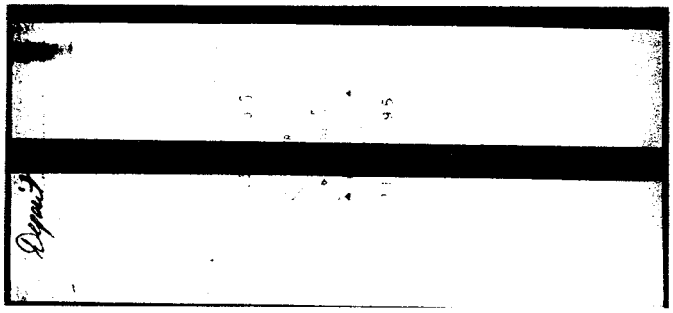


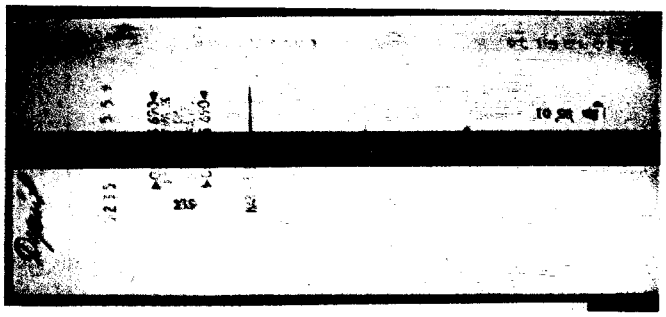




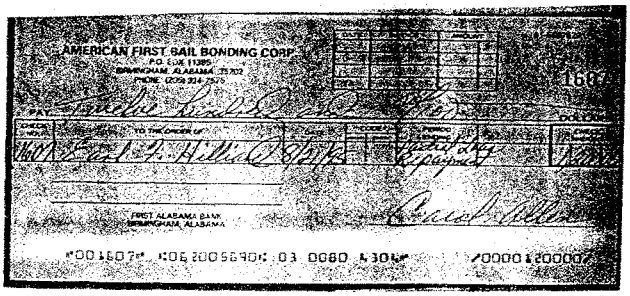

TRUST CORPORATION
1219
DOLLARS
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA


SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA





# EXHIBIT 58



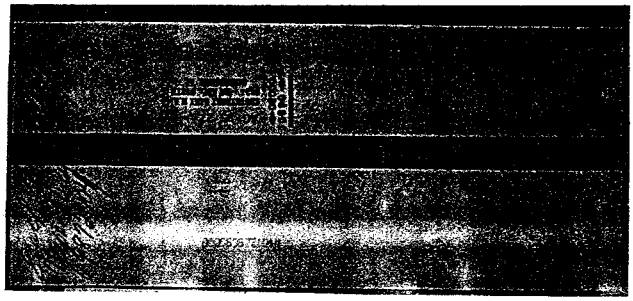


**EXHIBIT 59**

61-569/620

1519

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

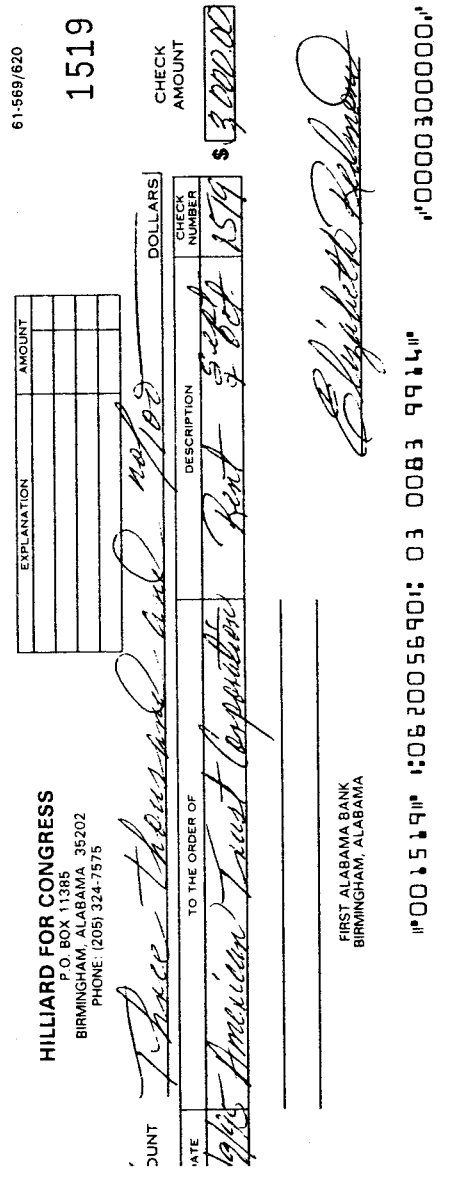
OUNT Three thousand and no/100 DOLLARS

| ATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | CHECK AMOUNT |
|---|---|---|---|---|
| 9/95 | American Trust Corporation | Rent Sept & Oct | 1519 | $ 3,000.00 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

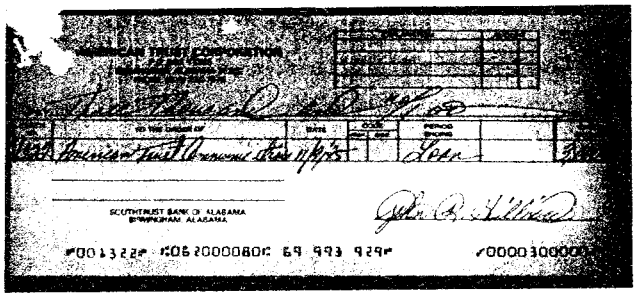
Elizabeth Redmond

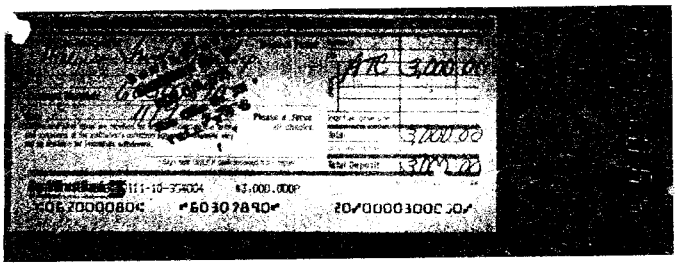
⑈001519⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈0000300000⑈

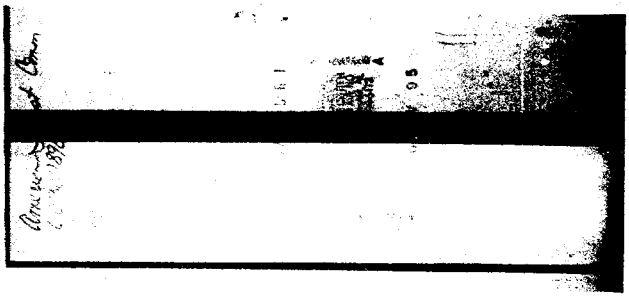


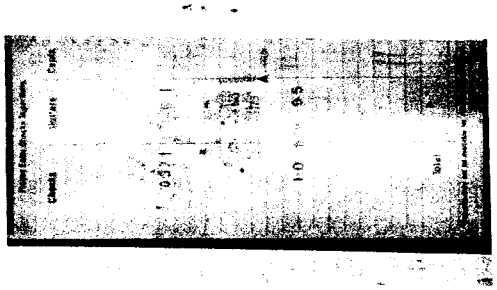
American [redacted] Trust Corporation
Deposit Only 6992929

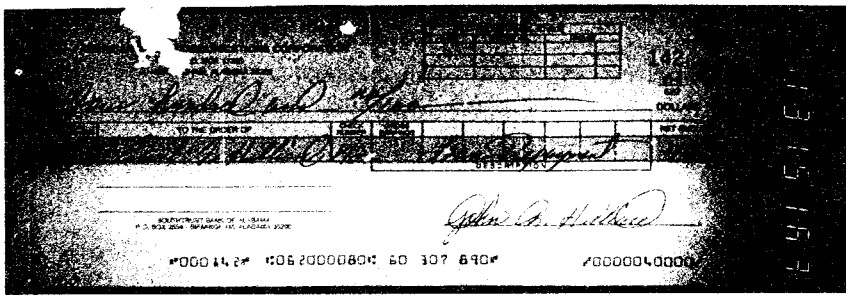
[redacted]

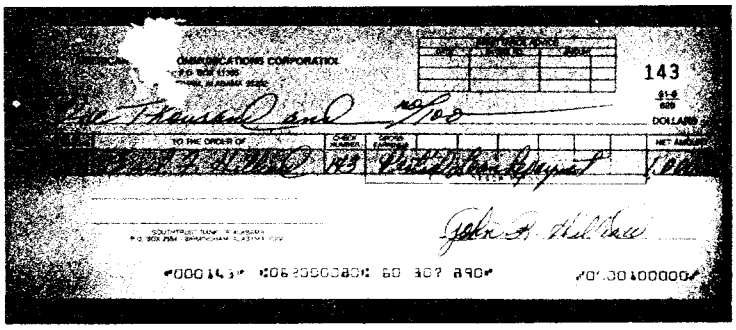


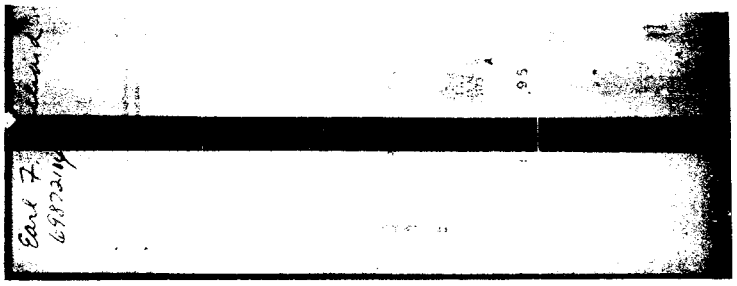


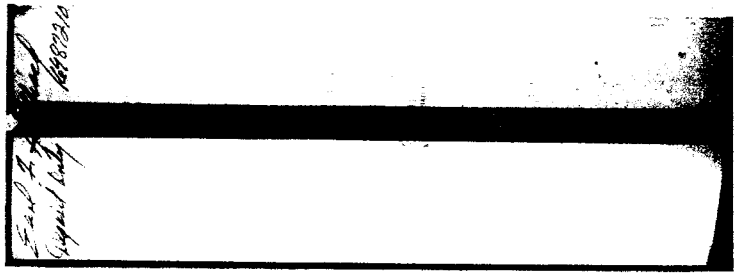




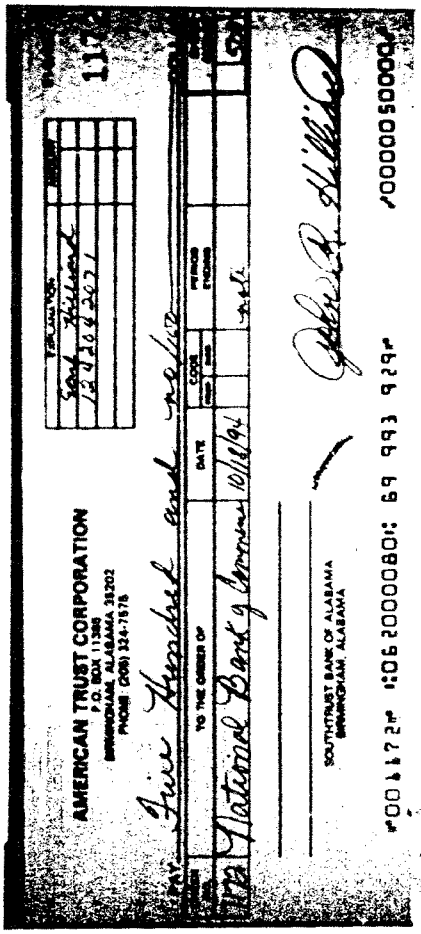


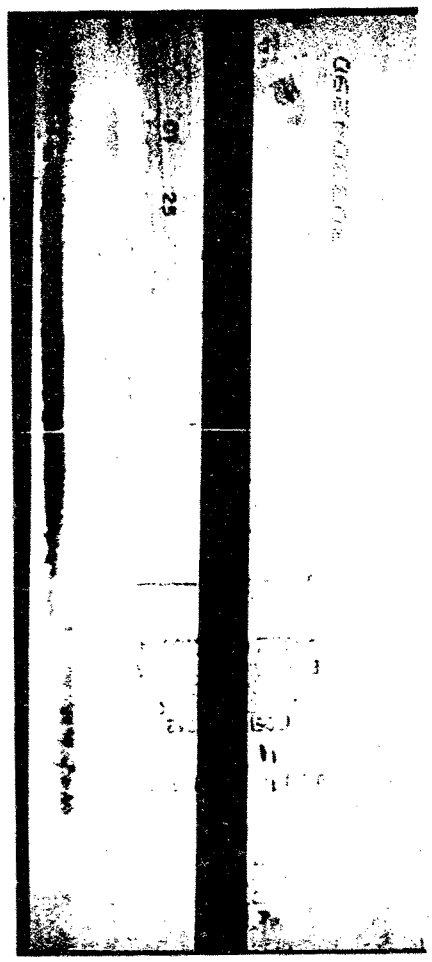


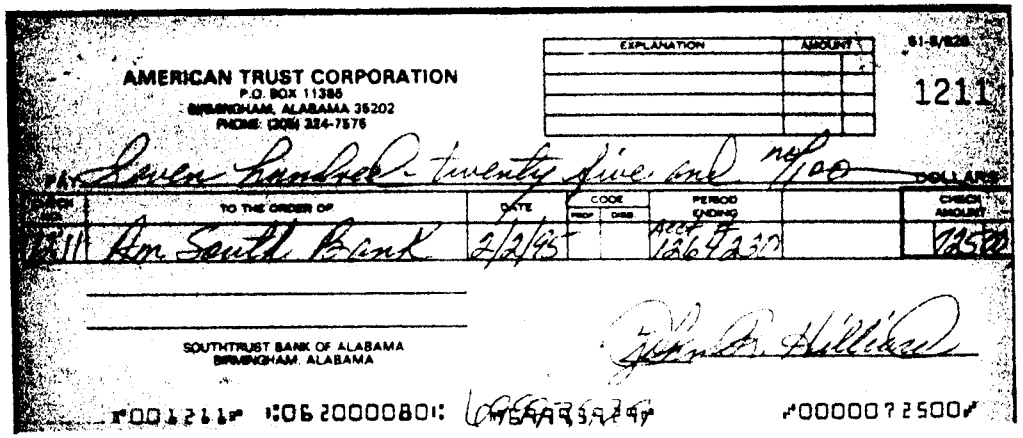




# EXHIBIT 60


AMERICAN TRUST CORPORATION
P.O. BOX 11388
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575
Five Hundred and no/100
TO THE ORDER OF
DATE
CODE
PERIOD ENDING
National Bank of Commerce
10/18/94
note
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
⑈001172⑈ ⑆062000080⑆ 69 993 929⑈ ⑈0000050000⑈





**AMERICAN TRUST CORPORATION**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7576

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-8/820

1211

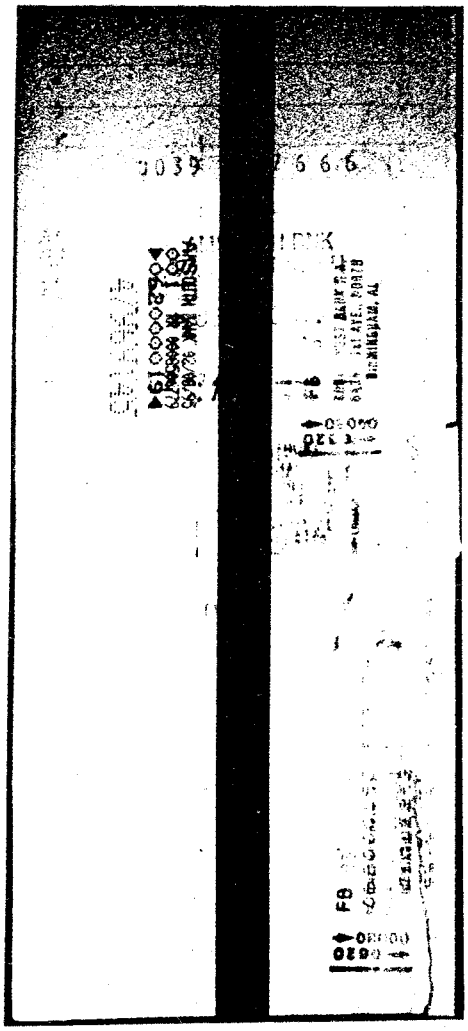
PAY Seven hundred twenty five and no/100 DOLLARS

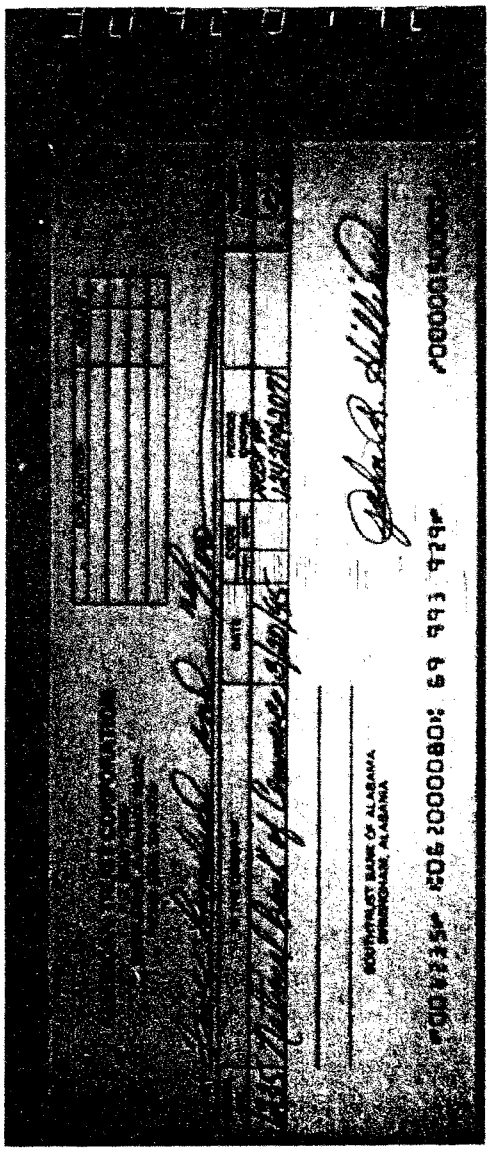
| CHECK NO. | TO THE ORDER OF | DATE | CODE PROP | CODE DISB | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|---|
| 1211 | Am South Bank | 2/2/95 | | | Acct # 1264230 | | 725.00 |

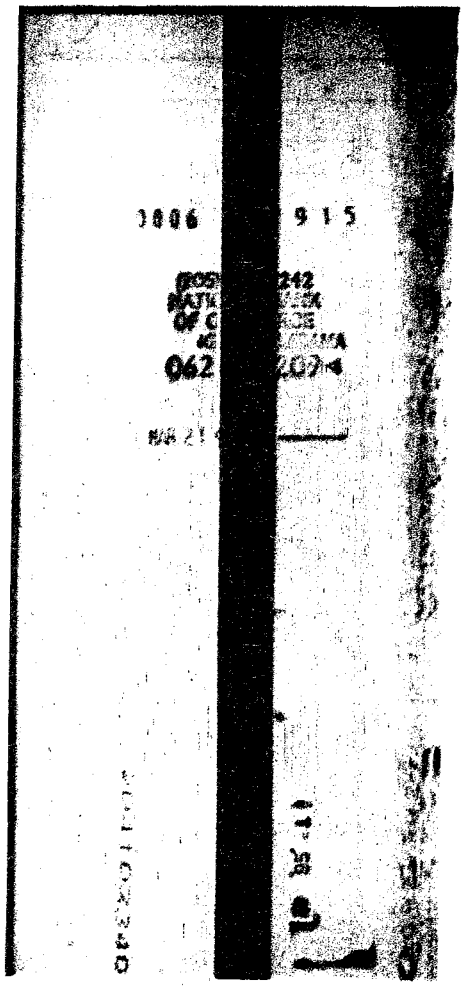
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA

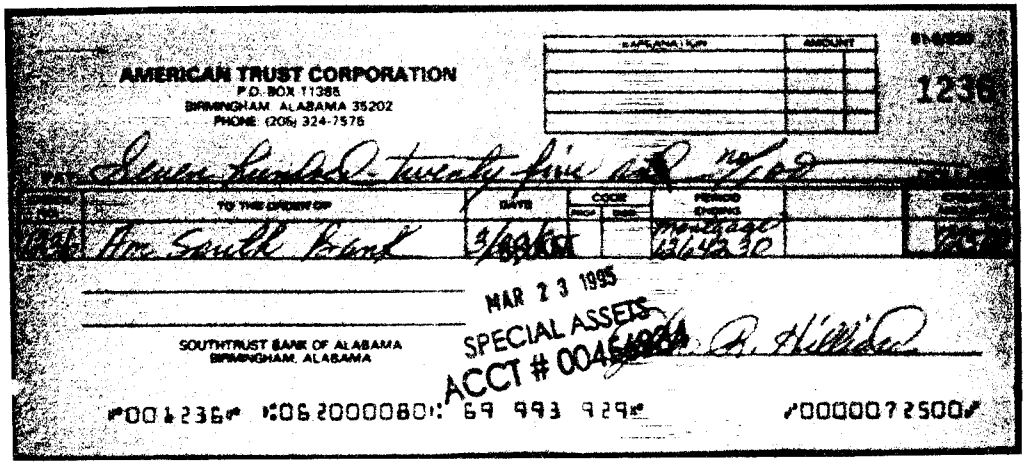
John R. Hilliard

⑈001211⑈ ⑆062000080⑆ [illegible] ⑈0000072500⑈









AMERICAN TRUST CORPORATION
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |

1236

PAY Seven hundred twenty five and no/100

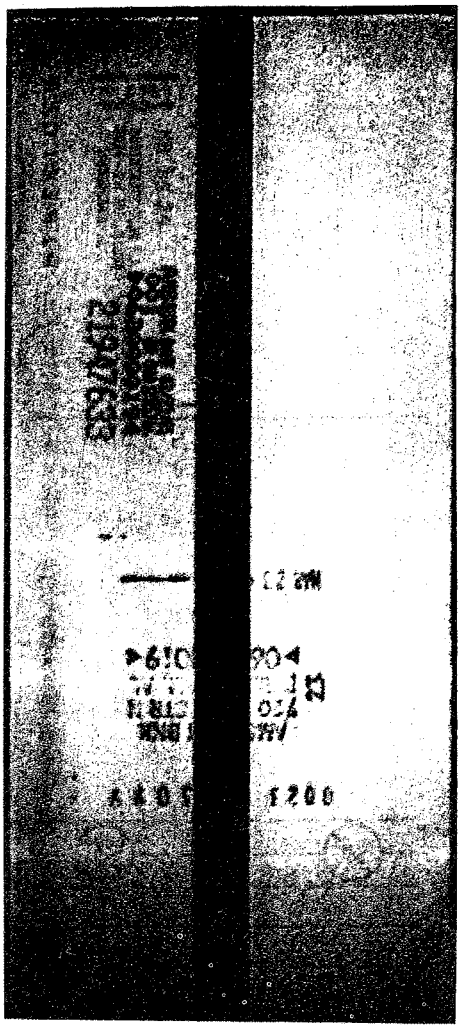
| ORDER NO. | TO THE ORDER OF | DATE | CODE PROF | CODE INST | PERIOD ENDING | | |
|---|---|---|---|---|---|---|---|
| 1236 | Am South Bank | 3/[illegible] | | | Mortgage 1364230 | | [illegible] |

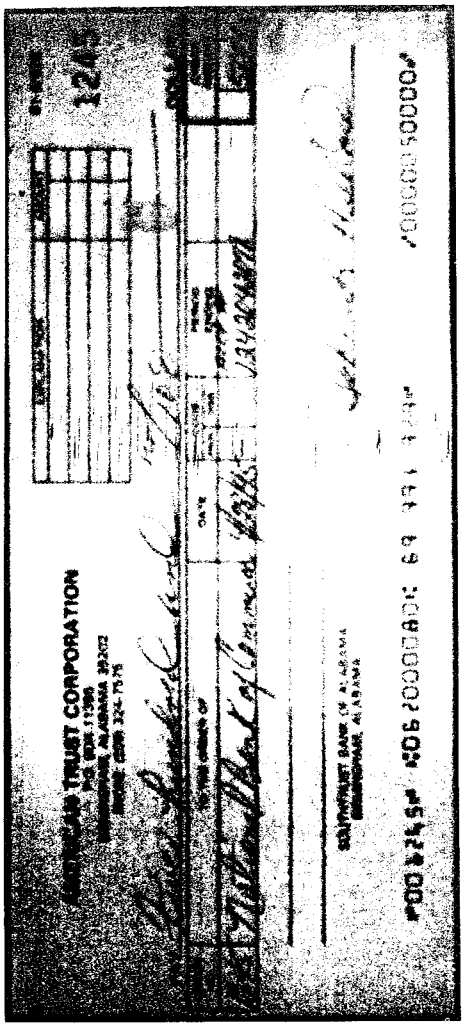
MAR 23 1995
SPECIAL ASSETS
ACCT # 004[illegible]

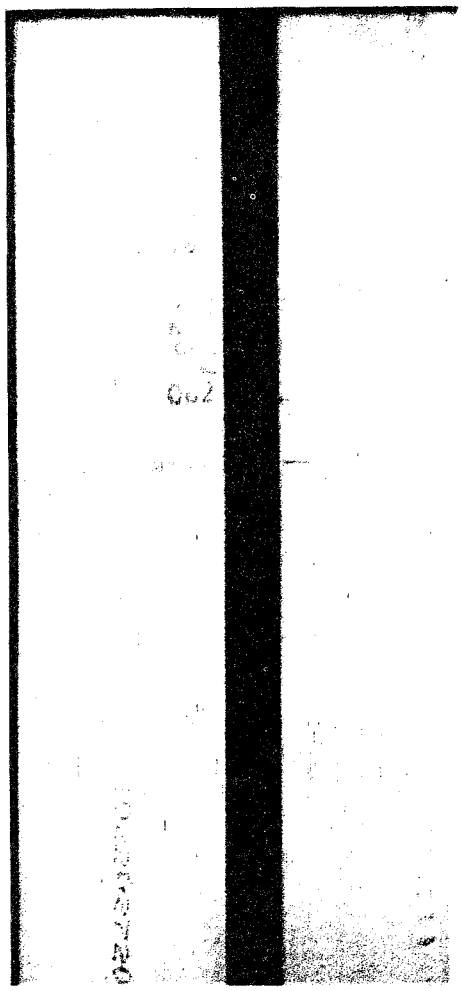
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA

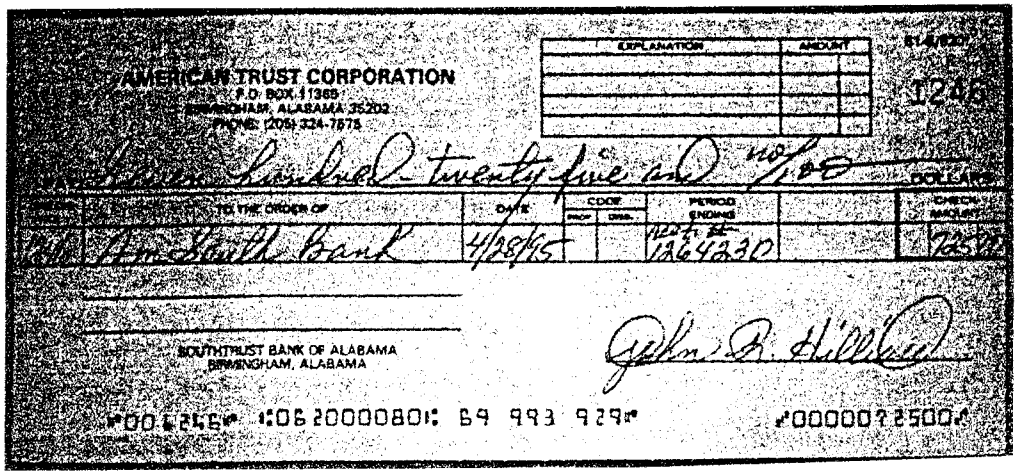
R. Hillide

⑈001236⑈ ⑆062000080⑆ 69 993 929⑈ ⑇0000072500⑇




1245







AMERICAN TRUST CORPORATION
P.O. BOX 11365
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |

1246

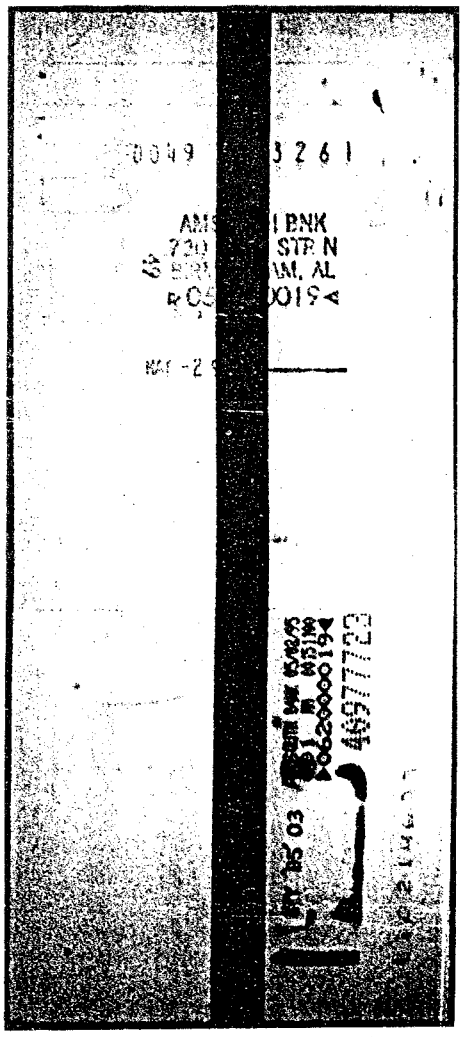
PAY Seven hundred twenty five and no/100 DOLLARS

| | TO THE ORDER OF | DATE | CODE PROP. | CODE DISB. | PERIOD ENDING | | CHECK AMOUNT |
|---|---|---|---|---|---|---|---|
| 1246 | Am South Bank | 4/28/95 | | | Acct # 1264230 | | 725.00 |

SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA

John R. Hillier

⑈001246⑈ ⑆062000080⑆ 69 993 929⑈ ⑈0000072500⑈



AMERICAN T[illegible]ST COMMUNICATIONS CORPORATION
P.O. BOX 11386
BIRMINGHAM, ALABAMA 35202

REMITTANCE ADVICE

135

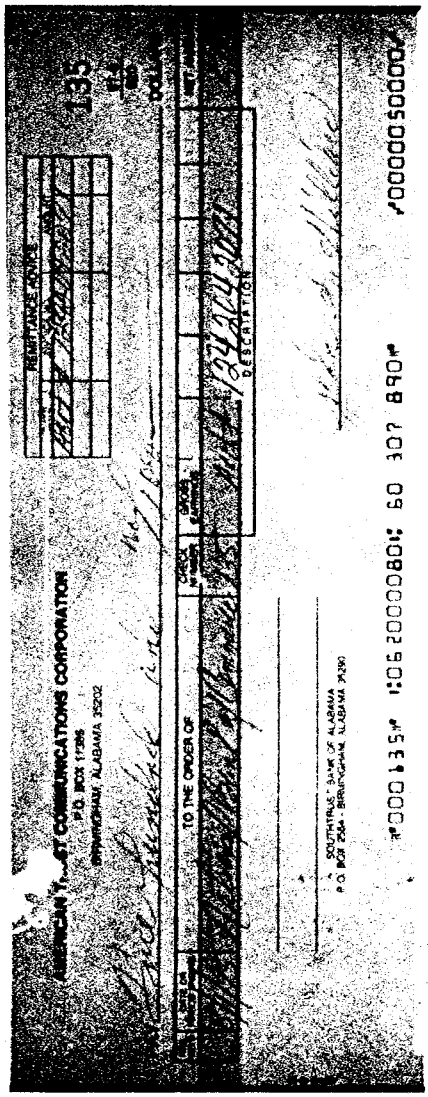
DOLLARS

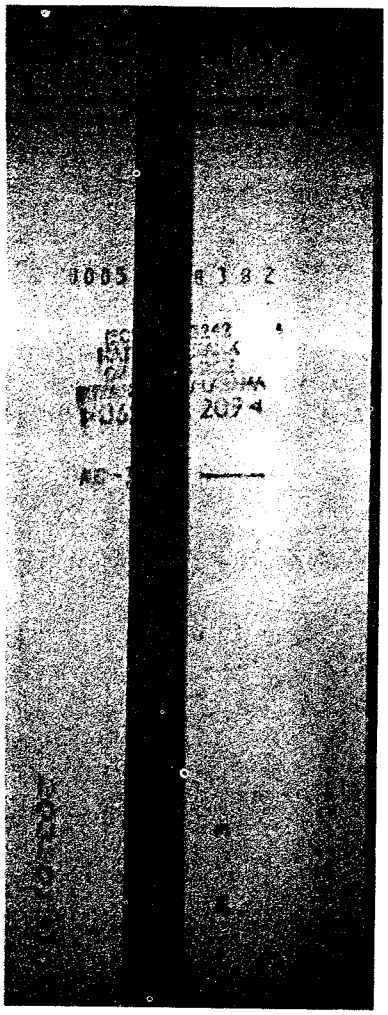
| DATE OR INVOICE PAYING | TO THE ORDER OF | CHECK NUMBER | GROSS EARNINGS | | | | | | | NET AMOUNT |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

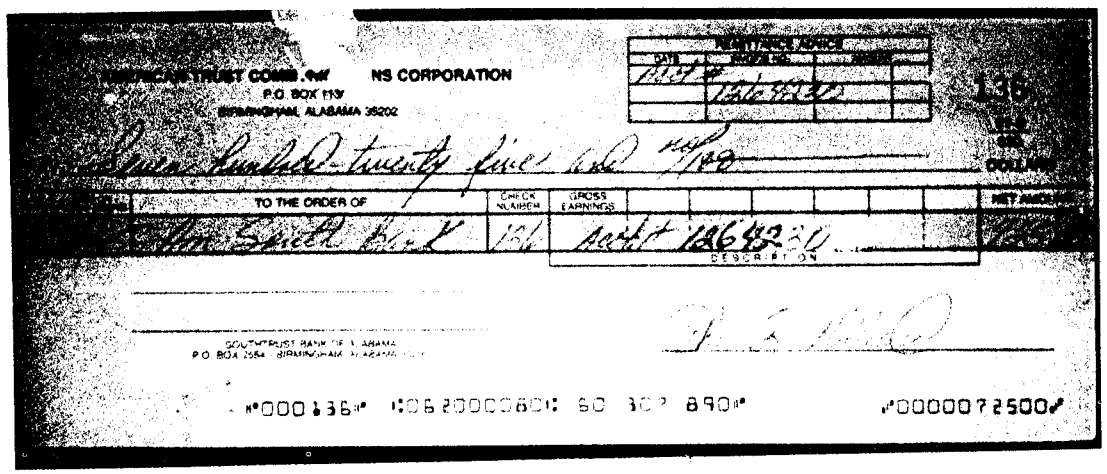
DESCRIPTION

SOUTHTRUST BANK OF ALABAMA
P.O. BOX 2584 - BIRMINGHAM, ALABAMA 35290

⑈000135⑈ ⑆062000080⑆ 60 307 890⑈ ⑇0000050000⑇







AMERICAN TRUST COMP... NS CORPORATION
P.O. BOX 1137
BIRMINGHAM, ALABAMA 35202

REMITTANCE ADVICE

| DATE | INVOICE NO. | AMOUNT |
|---|---|---|
| Acct # | 12648230 | |

136

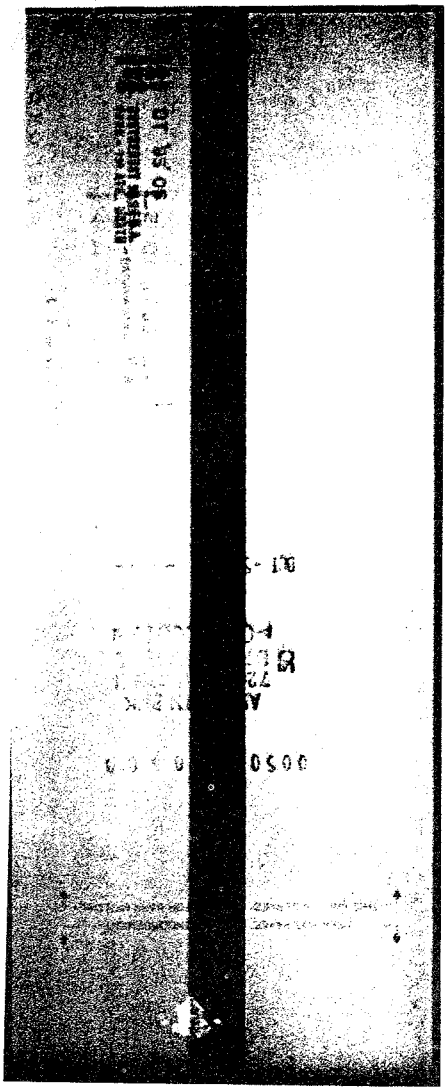
Seven hundred twenty five and no/100 DOLLARS

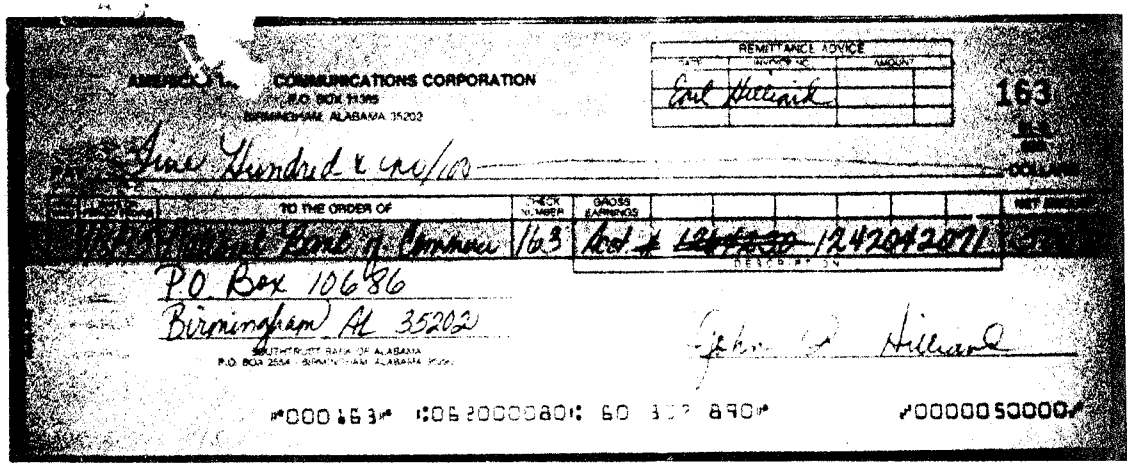
| TO THE ORDER OF | CHECK NUMBER | GROSS EARNINGS | NET AMOUNT |
|---|---|---|---|
| Ann South Bank | 136 | Acct # 12648230 | [illegible] |

DESCRIPTION

SOUTHTRUST BANK OF ALABAMA
P.O. BOX 2554 BIRMINGHAM, ALABAMA

⑈000136⑈ ⑆062000080⑆ 60 307 890⑈ ⑈0000072500⑈





AMERICAN [illegible] COMMUNICATIONS CORPORATION
P.O. BOX 11395
BIRMINGHAM, ALABAMA 35202

REMITTANCE ADVICE

| DATE | INVOICE NO. | AMOUNT |
|---|---|---|
| Earl Hilliard | | |

163

Five Hundred & no/100 — DOLLARS

| TO THE ORDER OF | CHECK NUMBER | GROSS EARNINGS | NET AMOUNT |
|---|---|---|---|
| [illegible] Bank of Commerce | 163 | Acct # ~~[illegible]~~ 1242042071 | [illegible] |

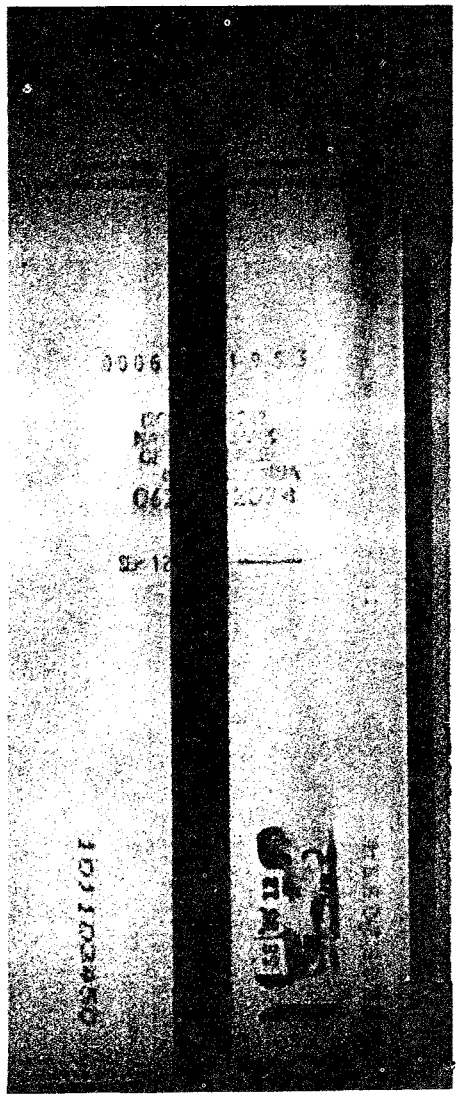
DESCRIPTION

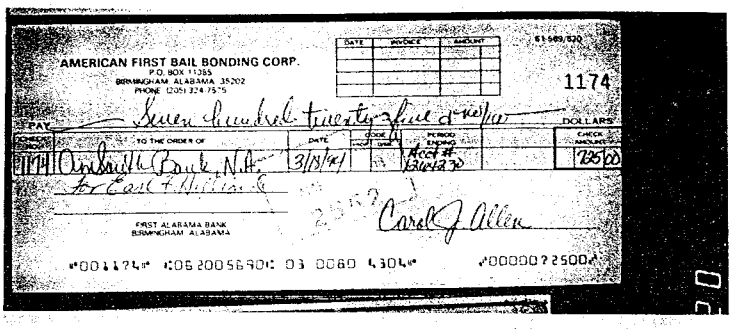
P.O. Box 10686
Birmingham AL 35202

SOUTHTRUST BANK OF ALABAMA
P.O. BOX 2554 · BIRMINGHAM, ALABAMA [illegible]

John [illegible] Hilliard

⑈000163⑈ ⑆062000080⑆ 60 3[illegible] 890⑈ ⑈0000050000⑈





AMERICAN FIRST BAIL BONDING CORP.
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575

| DATE | INVOICE | AMOUNT |
|---|---|---|
| | | |

61-589/620

1174

PAY Seven hundred twenty-five & no/100 DOLLARS

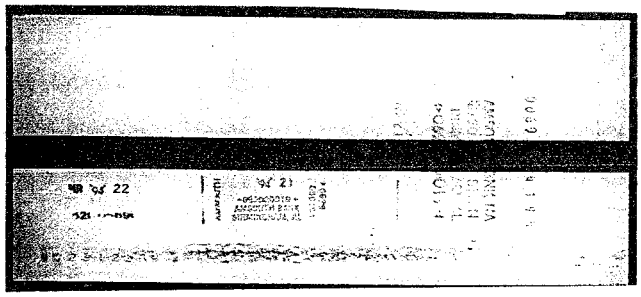
| CHECK NO. | TO THE ORDER OF | DATE | CODE | PERIOD ENDING | CHECK AMOUNT |
|---|---|---|---|---|---|
| 1174 | Ansbach Bank, N.A. | 3/18/91 | | Acct # 12164230 | 725.00 |

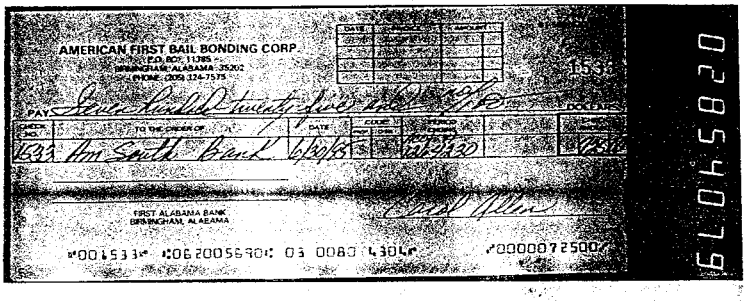
for Earl F. Hillard

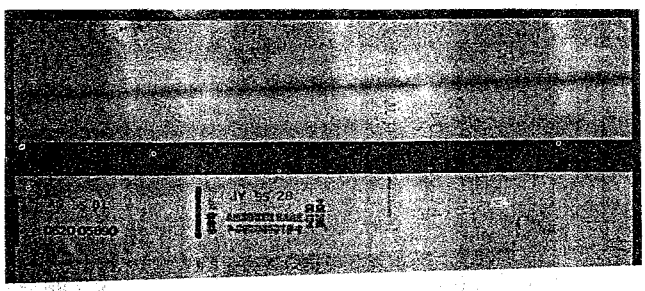
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

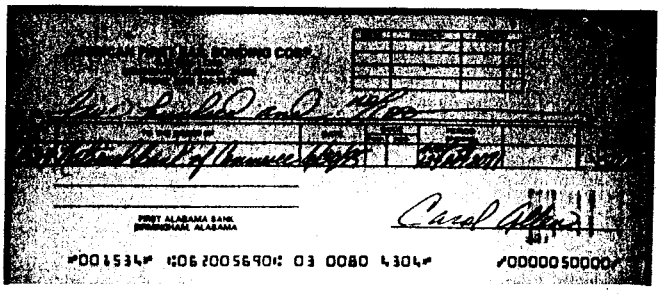
Carol J. Allen

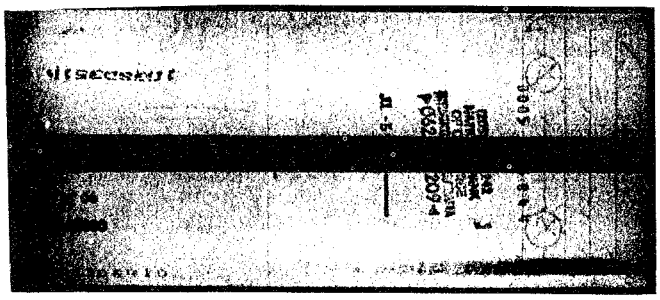
⑈001174⑈ ⑆062005690⑆ 03 0060 4304⑈ ⑈0000072500⑈



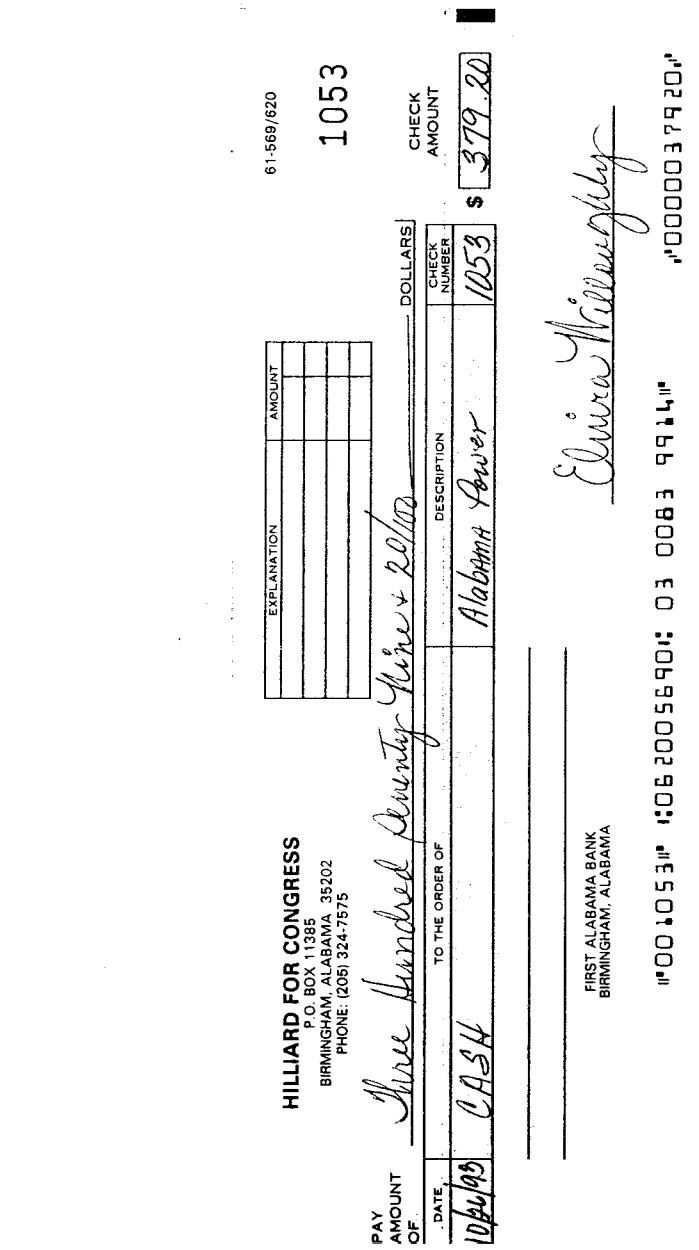

AMERICAN FIRST BAIL BONDING CORP.
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575
1533
PAY
DOLLARS
TO THE ORDER OF
DATE
1533
Am South Bank
6/30/85
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA
⑈001533⑈ ⑆062005690⑆ 03 0080 4304⑈ ⑈0000072500⑈
0 2 8 5 4 0 7 9




FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA
⑈001534⑈ ⑆062005690⑆ 03 0080 4304⑈ ⑈00000500000⑈



# EXHIBIT 61



HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

61-569/620

1053

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |
| | |

PAY AMOUNT OF: Three Hundred Seventy Nine + 20/100 DOLLARS

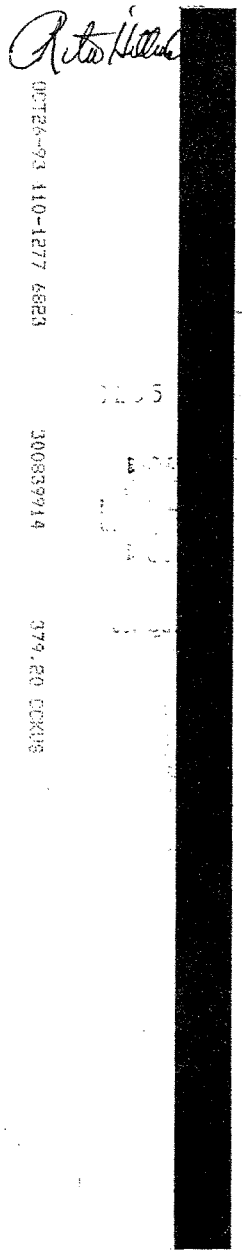
CHECK AMOUNT: $ 379.20

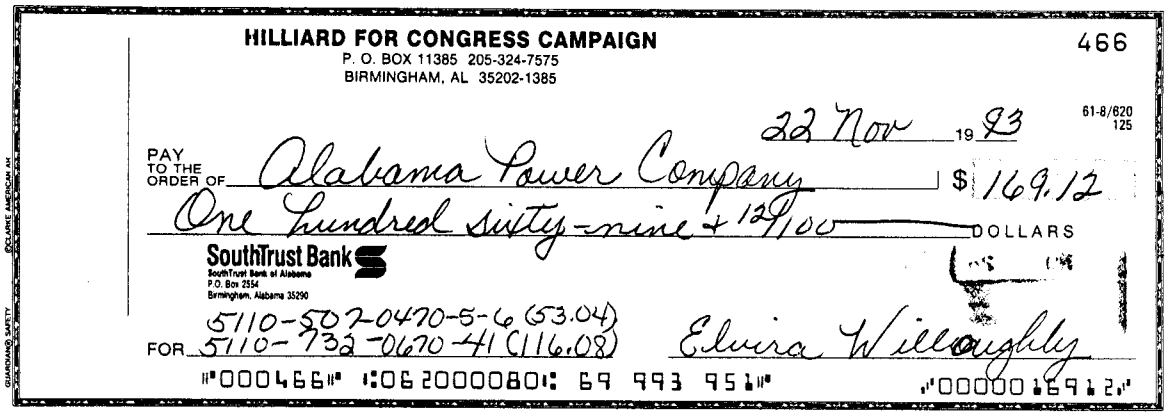
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 10/24/95 | CASH | Alabama Power | 1053 |

Elmira Hilliard

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

⑈001053⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈00037920⑈





**HILLIARD FOR CONGRESS CAMPAIGN**
P. O. BOX 11385 205-324-7575
BIRMINGHAM, AL 35202-1385

466

61-8/620
125

22 Nov 19 93

PAY TO THE ORDER OF Alabama Power Company $ 169.12

One hundred sixty-nine + 12/100 DOLLARS

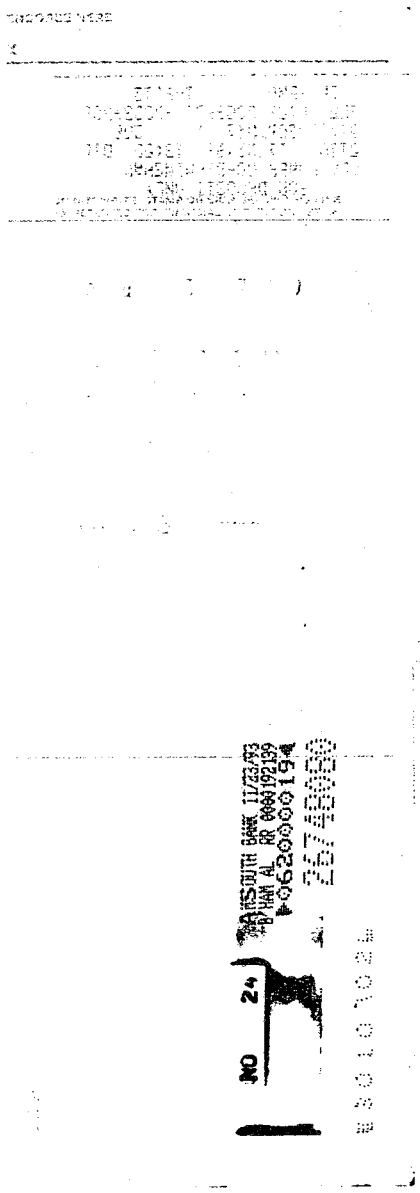
SouthTrust Bank
SouthTrust Bank of Alabama
P.O. Box 2554
Birmingham, Alabama 35290

FOR 5110-507-0470-5-6 (53.04)
5110-732-0670-41 (116.08)

Elvira Willoughby

⑈000466⑈ ⑆062000080⑆ 69 993 951⑈ ⑈0000016912⑈

GUARDIAN® SAFETY ©CLARKE AMERICAN AK



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1084

PAY AMOUNT OF One Hundred Sixteen and 17/100 DOLLARS

CHECK AMOUNT $ 116.17

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 12/23/93 | Cash | Alabama Power | 1084 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira Willoughby

⑈001084⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈00000116 17⑈

810

DEC27-93 110-1283 6658
300839914
116.17 CCKUS

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1116

PAY AMOUNT OF Ninety-eight 64/100 DOLLARS

CHECK AMOUNT $ 98.64

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 1/31/94 | Cash | Power Bill 5110-732-06004 | 1116 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

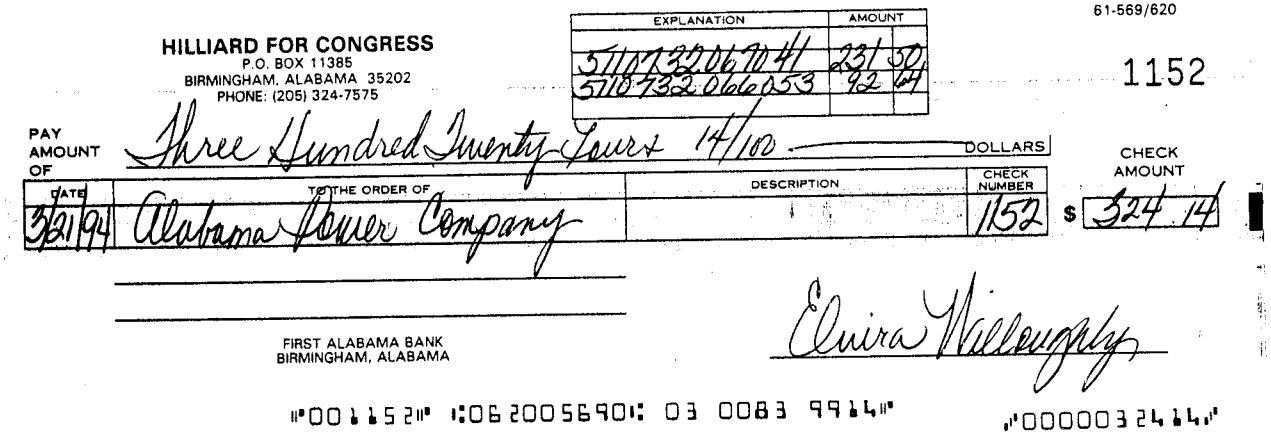
Elvira Willoughby

"001116" :062005690: 03 0083 9964" "0000009864"

812

[redacted]

JAN31-94 120-1295 8607 300839914 98.64 CCKUS



HILLIARD FOR CONGRESS
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| 5110732066044 | 231 50 |
| 5110732066053 | 92 64 |

61-569/620

1152

PAY AMOUNT OF Three Hundred Twenty Four + 14/100 DOLLARS

CHECK AMOUNT $ 324.14

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 3/21/94 | Alabama Power Company | | 1152 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elvira Willoughby

⑈001152⑈ ⑆062005690⑆ 03 0083 9964⑈ ⑈000032414⑈

814

[redacted]

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1187

PAY AMOUNT OF One hundred-ninety five and 33/00 DOLLARS

CHECK AMOUNT

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 5/13/94 | Cash | Ala. Power Co. | 1187 |

$ 195 33

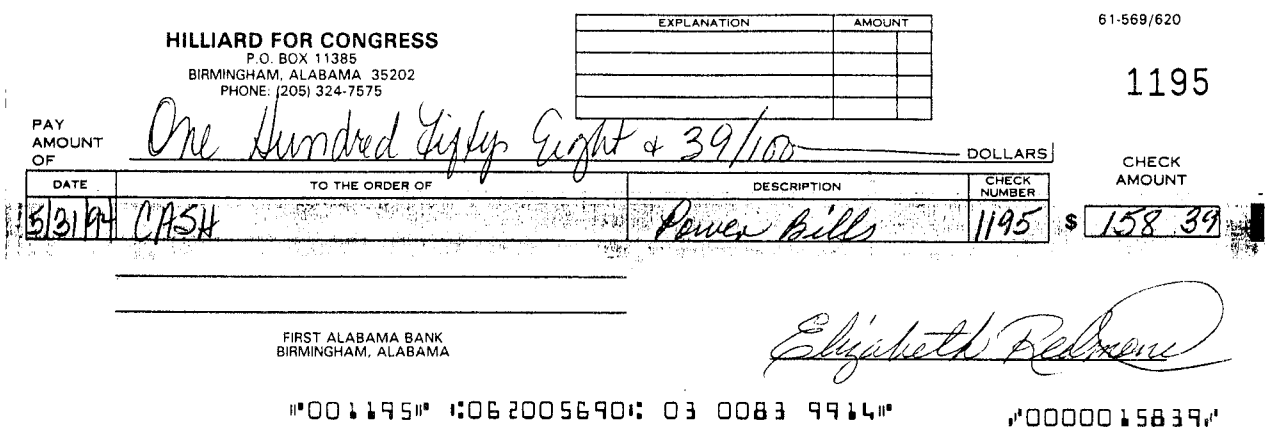
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth Robinson

⑈001187⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈00000195 33⑈

816

Elizabeth Redmond
MAY13-94 110-1283 5237
300839914
195.33 CCKUS



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1195

PAY AMOUNT OF: One Hundred Fifty Eight & 39/100 DOLLARS

CHECK AMOUNT: $ 158 39

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 5/31/94 | CASH | Power Bills | 1195 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth Bedsaul

⑈001195⑈ ⑆062005690⑆ 03 0083 9916⑈ ⑈00000158 39⑈

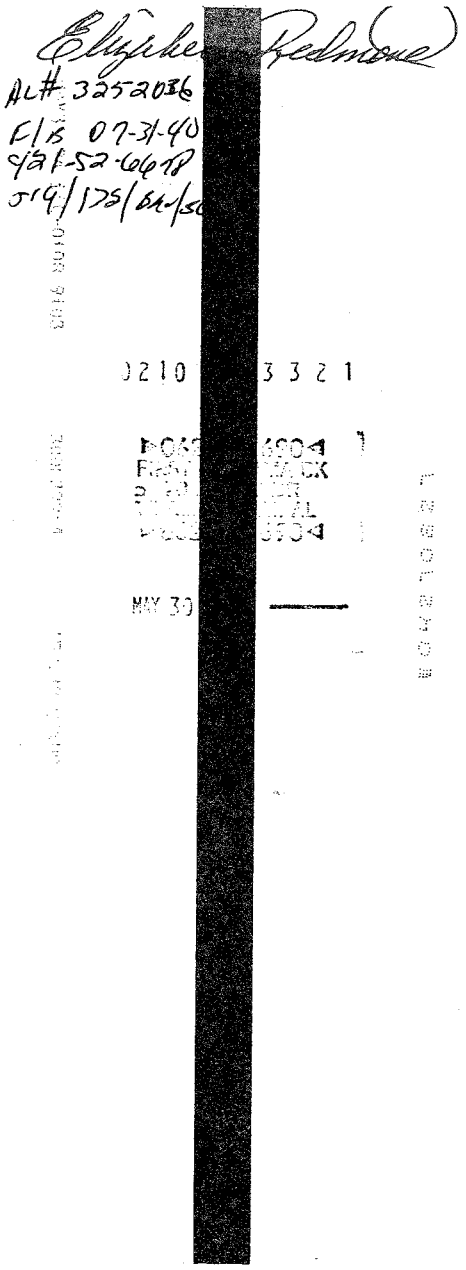
818

Elizabeth Redmond

AL# 3252036
F/B 07-31-40
421-52-6678
J14/175/BR/SC

0210 3321

MAY 30



**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

35203

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1212

PAY AMOUNT OF One Hundred-Seventy nine and 37/100 DOLLARS

CHECK AMOUNT

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER | |
|---|---|---|---|---|
| 6/10/94 | Cash | Power Bill Alta Power | 1212 | $ 179 37 |

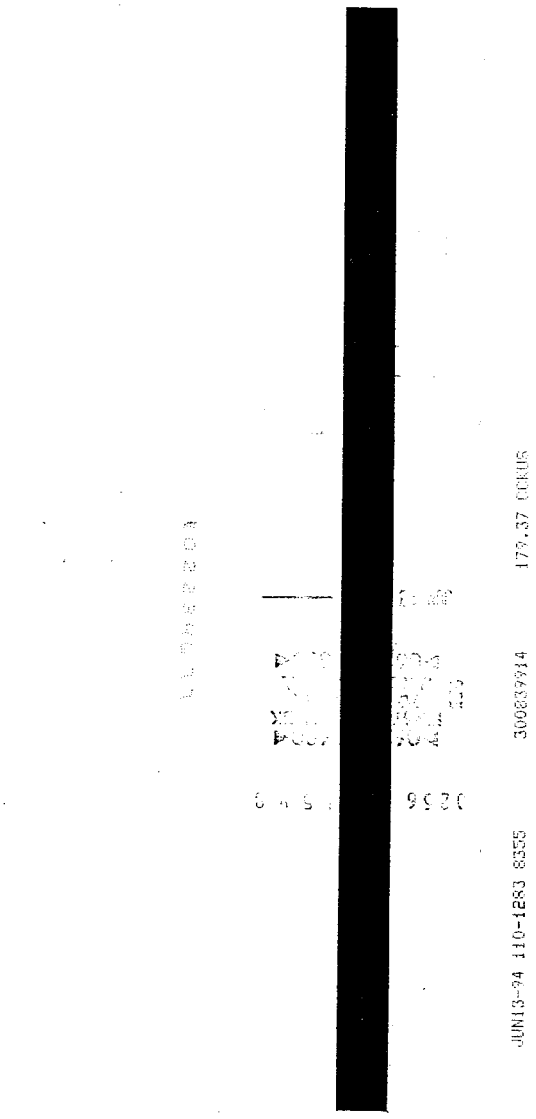
FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth Redmond

"001212" :062005690: 03 0083 9914" "00000179 37"

820

[redacted]



JUN13-94 110-1283 8355 300839914 179.37 CCKUS

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1264

PAY AMOUNT OF Two Hundred four and 65/100 DOLLARS

CHECK AMOUNT $ 204.65

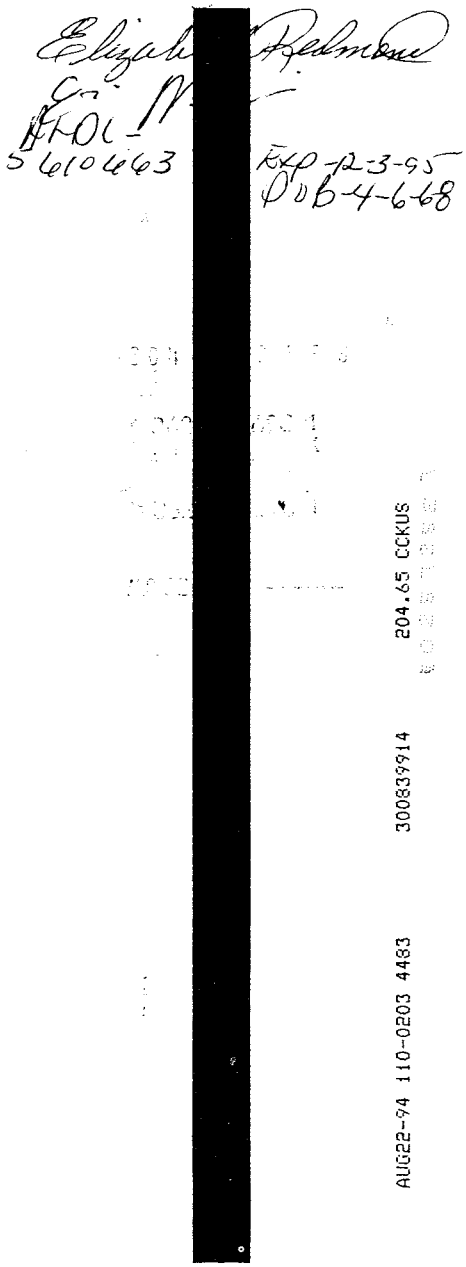
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 8/19/94 | Cash | Power Bill | 1264 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth D Redmond

⑈001264⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈00000204 65⑈

822


AUG22-94 110-0203 4483
300839914
204.65 CCKUS

Ac 3252036 F 7-31-40

SS421-52-6628

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1340

PAY AMOUNT OF Two Hundred Thirty Three + 80/100 DOLLARS

CHECK AMOUNT $ 233.80

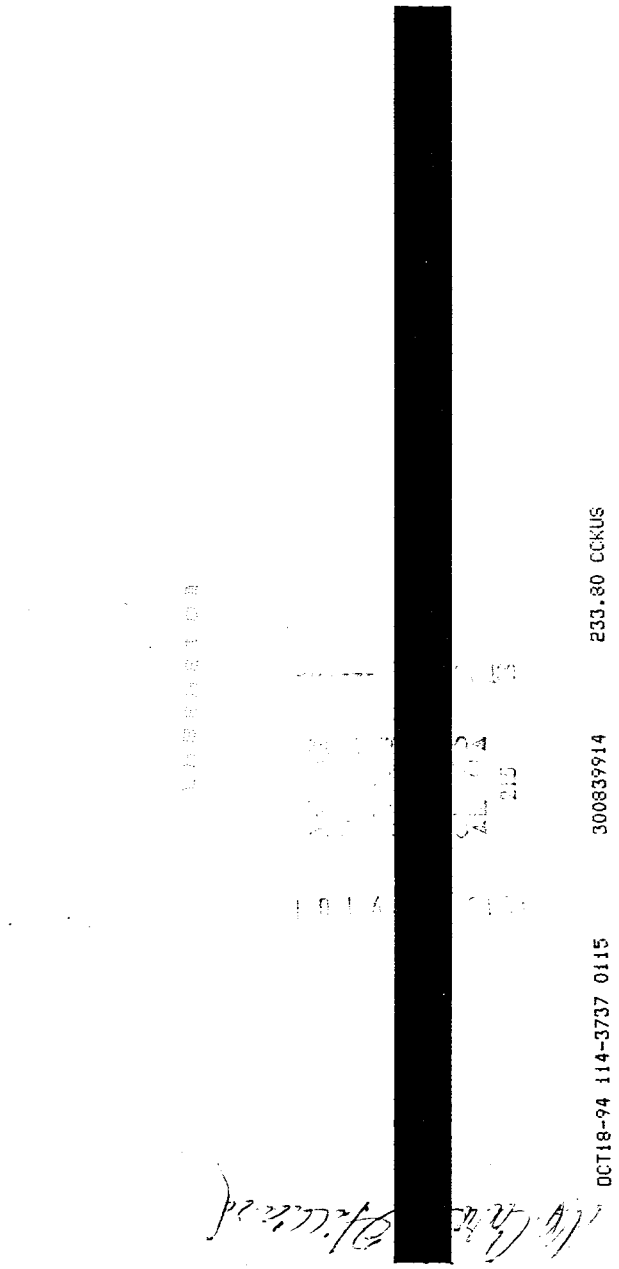
| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 10/8/84 | CASH | Alabama Power | 1340 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth B Hilliard

⑈001340⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈000023380⑈

824


OCT18-94 114-3737 0115
300839914
233.80 CCKUS

**HILLIARD FOR CONGRESS**
P.O. BOX 11385
BIRMINGHAM, ALABAMA 35202
PHONE: (205) 324-7575

| EXPLANATION | AMOUNT |
|---|---|
| | |
| | |
| | |
| | |

61-569/620

1376

PAY AMOUNT OF Two Hundred Nineteen and 79/100 DOLLARS

CHECK AMOUNT $ 219.79

| DATE | TO THE ORDER OF | DESCRIPTION | CHECK NUMBER |
|---|---|---|---|
| 12/6/94 | Cash | Power Bill | 1376 |

FIRST ALABAMA BANK
BIRMINGHAM, ALABAMA

Elizabeth Redmond

⑈001376⑈ ⑆062005690⑆ 03 0083 9914⑈ ⑈000021979⑈

928

DEC06-94 110-0203 0925 300339914 219.79 CCKUS

# EXHIBIT 62

## STATEMENT OF ELECTRIC SERVICE

**NAME: EARL F. HILLIARD**

**MAILING ADDRESS: P O BOX 11385, BIRMINGHAM, AL 35203**
**SERVICE ADDRESS: 1612 N 3RD AVE, BIRMINGHAM AL 35203**
**ACCOUNT NUMBER: 5110-732-0660-53**
**METER NUMBER: XD2128 RATE: LPM–LIGHT AND POWER MEDIUM**

| SERVICE DATES | KWH | COLLECTION CHARGE | AMOUNT | PAYMENT DATE | PAYMENT AMT. |
|---|---|---|---|---|---|
| 12-31-91 | | | | | |
| 01-30-92 | 23 | | $25.99 | | |
| 02-28-92 | 14 | | $25.34 | 02-21-92 | $25.99 |
| 03-30-92 | 236 | | $39.76 | 03-25-92 | $25.34 |
| 04-29-92 | 225 | | $39.03 | 04-24-92 | $39.76 |
| 05-28-92 | 744 | | $79.96 | | |
| 06-29-92 | 1512 | | $134.64 | 05-29-92 | $39.03 |
| 07-28-92 | 1114 | | $116.15 | 07-16-92 | $214.60 |
| 08-27-92 | 254 | | $55.43 | | |
| 09-28-92 | 308 | $1.00 | $58.91 | 09-25-92 | $171.58 |
| 10-27-92 | 260 | $1.00 | $55.82 | 10-22-92 | $61.46 |
| 11-30-92 | 328 | | $59.97 | | |
| 12-31-92 | 352 | $1.00 | $61.49 | 12-31-92 | $116.24 |
| 01-04-93 | | Deposit Interest | -$21.00 | | |
| 02-01-93 | 239 | $1.00 | $54.26 | | |
| | | | | 01-28-93 | $41.49 |
| 02-26-93 | 33 | | $41.18 | | |
| 03-31-93 | 8 | $1.00 | $39.58 | | |
| 04-29-93 | 56 | | $42.66 | | |
| 05-28-93 | 73 | | $43.81 | 05-17-93 | $178.68 |
| 06-29-93 | 67 | | $43.43 | | |
| 07-29-93 | 26 | | $35.91 | | |
| 08-27-93 | 193 | | $51.44 | 08-02-93 | $87.24 |
| | | | | 08-24-93 | $35.91 |
| 09-28-93 | 1565 | $1.00 | $134.21 | | |
| 10-27-93 | 167 | $1.00 | $47.34 | 10-26-93 | $186.65 |
| 11-29-93 | 68 | | $41.06 | | |
| 01-03-94 | 45 | | $39.58 | 12-10-93 | $53.04 |
| 01-04-94 | | Deposit Interest | -$21.00 | | |
| 01-31-94 | 31 | | $38.70 | | |
| 03-01-94 | 95 | | $42.77 | | |
| 03-30-94 | 117 | | $44.17 | 03-22-94 | $92.64 |
| 04-29-94 | 54 | | $40.15 | 05-13-94 | $86.94 |
| 05-31-94 | 52 | | $40.00 | 05-31-94 | $40.15 |
| 06-29-94 | 54 | | $40.12 | 06-13-94 | $40.00 |
| 07-29-94 | 403 | | $62.36 | | |
| 08-29-94 | 3 | | $31.93 | 08-23-94 | $102.48 |
| 09-27-94 | 456 | | $60.75 | | |
| 10-27-94 | 65 | | $35.87 | 10-19-94 | $92.68 |
| 11-30-94 | 26 | | $33.39 | | |
| 01-03-95 | 52 | | $35.05 | 12-06-94 | $69.26 |
| 01-04-95 | | Deposit Interest | -$21.00 | | |

| SERVICE DATES | KWH | COLLECTION CHARGE | AMOUNT | PAYMENT DATE | PAYMENT AMT. |
|---|---|---|---|---|---|
| 02-01-95 | 133 | | $40.19 | | |
| 03-02-95 | 202 | | $44.54 | 02-14-95 | $54.24 |
| 03-30-95 | 27 | | $33.43 | | |
| 04-28-95 | 18 | | $32.85 | 04-28-95 | $77.97 |
| 05-31-95 | 183 | | $43.33 | 05-23-95 | $32.85 |
| 06-28-95 | 199 | | $44.34 | | |
| 07-31-95 | 262 | | $52.95 | 07-28-95 | $88.67 |
| 08-28-95 | 398 | | $56.61 | 08-23-95 | $52.95 |
| 09-05-95 | 78 | | $14.63 | | |
| TOTALS | | $7.00 | $2172.08 | | $2107.84 |

| | |
|---|---|
| TOTAL ELECTRIC SERVICE BILLED | $2172.08 |
| COLLECTION CHARGE | $ 7.00 |
| TOTAL CHARGES | $2179.08 |
| LESS PAYMENTS | $2107.84 |
| LESS DEPOSIT AND INTEREST REFUND | $ 315.98 |
| DEPOSIT REFUND CHECK | $ 244.74 |

STATE OF ALABAMA
JEFFERSON COUNTY
Personally appeared before me, the undersigned authority, in and for said county, In said state Patricia Huntley, who is known to me and who being by me first duly sworn, voluntarily deposes and says on oath as follows: That the within account against above debtor, in the amount of $00.00, Is justly due Alabama Power Company, a corporation incorporated by and under the laws of the State of Alabama, of which (s)he is Accounting Services Supervisor, and that (s)he has personal knowledge of the correctness of the same after the allowance of all credit to which such debtor is entitled.

Sworn to and subscribed before me this 24th day of April, 2000

Christopher S. McGuire
Notary Public, Jefferson County, Alabama

Patricia Huntley
of said Alabama Power Company

MY COMMISSION EXPIRES:

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: JULY 30, 2002
BONDED THROUGH RELIANCE SURETY COMPANY

# STATEMENT OF ELECTRIC SERVICE

**NAME: AMERICAN TRUST CORP.**

**MAILING ADDRESS: P O BOX 11385, BIRMINGHAM, AL 35203**
**SERVICE ADDRESS: 1614 N 3RD AVE, BIRMINGHAM AL 35203**
**ACCOUNT NUMBER: 5110-732-0670-41**
**METER NUMBER: C07582 LPM–LIGHT AND POWER MEDIUM**

| SERVICE DATES | KWH | COLLECTION CHARGE | AMOUNT | PAYMENT DATE | PAYMENT AMT. |
|---|---|---|---|---|---|
| 12-31-91 | | | | | |
| 01-30-92 | 825 | | $100.24 | | |
| 02-28-92 | 925 | | $106.47 | 02-25-92 | $100.24 |
| 03-30-92 | 943 | | $107.64 | 03-25-92 | $106.47 |
| 04-29-92 | 781 | | $97.13 | 04-21-92 | $107.64 |
| 05-28-92 | 1152 | $1.00 | $121.06 | | |
| 06-29-92 | 2727 | | $242.70 | 05-29-92 | $97.13 |
| 07-28-92 | 2039 | $1.00 | $200.52 | 06-24-92 | $123.00 |
| | | | | 07-16-92 | $242.70 |
| 08-27-92 | 1748 | | $181.26 | 08-27-92 | $200.58 |
| 09-28-92 | 1675 | $1.00 | $176.54 | 09-25-92 | $182.26 |
| 10-27-92 | 739 | $1.00 | $108.71 | 10-22-92 | $178.54 |
| 11-30-92 | 893 | $1.00 | $117.98 | 11-30-92 | $109.71 |
| 12-31-92 | 998 | $1.00 | $124.69 | 12-31-92 | $118.98 |
| 01-04-93 | | Deposit Interest | -$32.00 | | |
| 02-01-93 | 877 | $1.00 | $116.97 | 01-28-93 | $93.49 |
| 02-26-93 | 789 | $1.00 | $111.53 | | |
| 03-31-93 | 920 | $1.00 | $119.91 | 03-02-93 | $117.97 |
| | | | | 04-06-93 | $112.53 |
| 04-29-93 | 800 | $1.00 | $129.33 | 04-27-93 | $120.91 |
| 05-28-93 | 923 | | $120.10 | 05-17-93 | $129.33 |
| 06-29-93 | 1927 | | $184.20 | 06-25-93 | $120.10 |
| 07-29-93 | 3024 | | $261.58 | 08-02-93 | $84.20 |
| 08-27-93 | 2737 | | $243.10 | 08-24-93 | $361.58 |
| 09-28-93 | 2096 | $1.00 | $191.55 | 09-29-93 | $244.10 |
| 10-27-93 | 861 | $1.00 | $116.08 | 10-26-93 | $192.55 |
| 11-29-93 | 862 | | $116.17 | 11-22-93 | $116.08 |
| 01-03-94 | 1092 | | $130.84 | 12-27-93 | $116.17 |
| 01-04-94 | | Deposit Interest | -$32.00 | | |
| 01-31-94 | 884 | | $117.57 | 01-31-94 | $98.64 |
| 03-01-94 | 817 | $1.00 | $113.31 | | |
| 03-30-94 | 734 | | $108.01 | 03-22-94 | $231.50 |
| 04-29-94 | 863 | $1.00 | $116.24 | 05-13-94 | $108.39 |
| 05-31-94 | 1228 | $1.00 | $139.37 | 05-31-94 | $118.24 |
| 06-29-94 | 1078 | | $129.82 | 06-13-94 | $139.37 |
| 07-29-94 | 644 | | $102.17 | 08-03-94 | $129.82 |
| 08-29-94 | 523 | $1.00 | $86.99 | 08-23-94 | $102.17 |
| 09-27-94 | 467 | | $54.13 | | |
| 10-27-94 | 584 | | $61.57 | 10-19-94 | $141.12 |
| 11-30-94 | 884 | | $87.96 | | |
| 01-03-95 | 973 | $1.00 | $91.18 | 12-06-94 | $150.53 |
| 01-04-95 | | Deposit Interest | -$32.00 | | |
| | | | | | |

| SERVICE DATES | KWH | COLLECTION CHARGE | AMOUNT | PAYMENT DATE | PAYMENT AMT. |
|---|---|---|---|---|---|
| 02-01-95 | 1369 | $1.00 | $126.14 | | |
| 03-02-95 | 1314 | | $117.64 | 02-14-95 | $186.12 |
| 03-30-95 | 833 | | $82.21 | | |
| 04-28-95 | 675 | $1.00 | $67.27 | 04-28-95 | $200.85 |
| 05-31-95 | 869 | | $79.60 | 05-23-95 | $67.27 |
| 06-28-95 | 634 | $1.00 | $64.67 | | |
| 07-31-95 | 942 | $1.00 | $92.99 | 07-28-95 | $146.27 |
| 08-28-95 | 2328 | | $206.61 | 08-21-95 | $92.99 |
| 09-27-95 | 1944 | | $180.16 | | |
| 10-26-95 | 1931 | $1.00 | $186.67 | 10-13-95 | $387.77 |
| 11-28-95 | 302 | $1.00 | $77.22 | 11-30-95 | $187.67 |
| 01-02-96 | 1681 | $1.00 | $162.84 | 12-29-95 | $50.00 |
| 0-04-96 | | Deposit Interest | -$32.00 | | |
| | | | | 01-31-96 | $158.86 |
| 02-01-96 | 1404 | $1.00 | $145.64 | | |
| 02-29-96 | 1251 | $1.00 | $136.28 | 02-26-96 | $146.64 |
| 04-01-96 | 1226 | | $134.72 | 04-01-96 | $137.28 |
| 04-30-96 | 1074 | $1.00 | $125.28 | 04-29-96 | $0.25 |
| | | | | 04-29-96 | $134.47 |
| 05-28-96 | 613 | | $96.59 | 05-30-96 | $125.28 |
| 06-27-96 | 1302 | | $144.25 | 06-28-96 | $97.59 |
| 07-30-96 | 2655 | $1.00 | $262.42 | 07-24-96 | $144.25 |
| 08-27-96 | 1386 | | $173.87 | | |
| 09-25-96 | 981 | $1.00 | $146.18 | 09-30-96 | $263.42 |
| 10-28-96 | 576 | | $123.55 | 10-28-96 | $321.05 |
| 11-26-96 | 877 | | $142.43 | 11-15-96 | $123.55 |
| 01-02-97 | 1057 | | $153.64 | 12-27-96 | $142.43 |
| 01-03-97 | | Deposit Interest | -$32.00 | | |
| 01-31-97 | 1059 | $1.00 | $153.77 | | |
| | | | | | |
| TOTALS | | $30.00 | $7956.26 | | $7710.05 |

| | |
|---|---|
| TOTAL ELECTRIC SERVICE BILLED | $7956.26 |
| COLLECTION CHARGE | $ 30.00 |
| TOTAL CHARGES | $7986.26 |
| LESS PAYMENTS | $7710.05 |
| LESS DEPOSIT AND INTEREST REFUND | $ 465.28 |
| DEPOSIT REFUND CHECK | $ 189.07 |

STATE OF ALABAMA
JEFFERSON COUNTY
Personally appeared before me, the undersigned authority, in and for said county, In said state Patricia Huntley, who is known to me and who being by me first duly sworn, voluntarily deposes and says on oath as follows: That the within account against above debtor, in the amount of $00.00, Is justly due Alabama Power Company, a corporation incorporated by and under the laws of the State of Alabama, of which (s)he is Accounting Services Supervisor, and that (s)he has personal knowledge of the correctness of the same after the allowance of all credit to which such debtor is entitled.

Sworn to and subscribed before me this 24th day of April, 2000

Christopher S. McElwee
Notary Public, Jefferson County, Alabama

Patricia Huntley
of said Alabama Power Company

MY COMMISSION EXPIRES:

NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: JULY 30, 2002
BONDED THROUGH RELIANCE SURETY COMPANY

# EXHIBIT 63

STATE OF ALABAMA )
:
JEFFERSON COUNTY )

**AFFIDAVIT OF GLYNDA MORGAN**

I, Glynda Morgan, do testify as follows:

1. I am over the age of nineteen (19) years.

2. I am employed at Alabama Gas Corporation as Manager-Business Services. I have served in this capacity for four (4) years.

3. In my capacity as Manager-Business Services, I am able to access, and as required, to understand customer gas service accounts. These accounts are maintained in the ordinary course of business by computer, only.

4. In response to the attached subpoena from the House of Representatives of the Congress of the United States of America dated April 13, 2000, I conducted a thorough search of Alabama Gas Corporation's customer gas service accounts. Specifically, I searched for any information responsive to document requests 1 and 2 on the attachment to the subpoena.

5. The statements of account, each dated April 20, 2000, which I produced, were the result of my thorough search of Alabama Gas Corporation's customer accounts. The said statements of account are a true, correct and accurate summary of the accounts made the subject of the attached subpoena. They are, further, the only records responsive to the requests in the attached subpoena.

I hereby swear and affirm that the above and foregoing is true and correct to the best of my knowledge.

Glynda Morgan
Glynda Morgan

Sworn to and subscribed before me this 17 day of October 2000.

Dawn H. Wade
Notary Public

My commission expires: Jan. 31, 2001

# Statement of Account

ALABAMA GAS CORPORATION
20 South Twentieth Street
Birmingham, Alabama 35295

Date: April 4/20/2000

Earl F. Hilliard
1614 3 Avenue North
Birmingham, Alabama

**Account No. 21-9428-2880-15**

| Date | Reading | Heating Degree Days | CCF | Charges | Credits | Balance |
|---|---|---|---|---|---|---|
| 1/22/1992 | | | 387 | $244.65 | | $244.65 |
| 2/21/1992 | | | | | $244.65 | $0.00 |
| 2/20/1992 | | | 292 | $201.79 | | $201.79 |
| 3/24/1992 | | | | | $201.79 | $0.00 |
| 3/23/1992 | | | 176 | $128.46 | | $128.46 |
| 4/21/1992 | | | 117 | $78.93 | | $207.39 |
| 5/21/1992 | | | 37 | $32.76 | | $240.15 |
| 5/29/1992 | | | | | $207.39 | $32.76 |
| 6/22/1992 | | | 3 | $17.18 | | $49.94 |
| 7/22/1992 | | | 8 | $20.28 | | $70.22 |
| 8/18/1992 | | | | | $70.22 | $0.00 |
| 8/24/1992 | | | 8 | $20.27 | | $20.27 |
| 9/23/1992 | | | 6 | $19.12 | | $39.39 |
| 10/23/1992 | | | | | $39.39 | $0.00 |
| 10/27/1992 | | | 36 | $36.97 | | $36.97 |
| 11/24/1992 | | | 143 | $109.03 | | $146.00 |
| 12/22/1992 | | | 376 | $234.90 | | $380.90 |
| 1/25/1993 | | | 297 | $213.37 | | $594.27 |
| 1/28/1993 | | | | | $380.90 | $213.37 |
| 2/22/1993 | | | 435 | $277.97 | | $491.34 |
| 3/24/1993 | | | 450 | $263.19 | | $754.53 |
| 4/12/1993 | | | | | $491.34 | $263.19 |
| 4/22/1993 | | | 154 | $113.36 | | $376.55 |
| 5/6/1993 | | | | | $376.55 | $0.00 |
| 5/21/1993 | | | 25 | $31.70 | | $31.70 |
| 6/22/1993 | | | 4 | $17.95 | | $49.65 |
| 7/23/1993 | | | 3 | $17.70 | | $67.35 |
| 8/24/1993 | | | 0 | $15.66 | | $83.01 |
| 8/31/1993 | | | | | $83.01 | $0.00 |
| 9/23/1993 | | | 3 | $17.71 | | $17.71 |
| 10/8/1993 | | | | | $17.72 | -$0.01 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 10/22/1993 | | | 25 | $32.59 | | $32.58 |
| 11/19/1993 | | | 237 | $162.56 | | $195.14 |

## Statement of Account

ALABAMA GAS CORPORATION
20 South Twentieth Street
Birmingham, Alabama 35295

Date: April 4/20/2000

Earl F. Hilliard
1614 3 Avenue North
Birmingham, Alabama

**Account No. 21-9428-2880-15**

| Date | Reading | Heating Degree Days | CCF | Charges | Credits | Balance |
|---|---|---|---|---|---|---|
| 12/21/1993 | | | 354 | $241.99 | | $437.13 |
| 1/19/1994 | | | 577 | $361.37 | | $798.50 |
| 1/28/1994 | | | | | $437.13 | $361.37 |
| 2/17/1994 | | | 384 | $265.31 | | $626.68 |
| 3/24/1994 | | | | | $628.28 | -$1.60 |
| 3/21/1994 | | | 181 | $147.54 | | $145.94 |
| 4/20/1994 | | | 99 | $83.54 | | $229.48 |
| 5/23/1994 | | | 6 | $20.97 | | $250.45 |
| 6/13/1994 | | | | | $250.45 | $0.00 |
| 6/22/1994 | | | 2 | $16.98 | | $16.98 |
| 7/21/1994 | | | 2 | $16.95 | | $33.93 |
| 8/22/1994 | | | 0 | $15.66 | | $49.59 |
| 9/12/1994 | | | | | $49.59 | $0.00 |
| 9/21/1994 | | | 3 | $17.59 | | $17.59 |
| 10/21/1994 | | | | | $17.59 | $0.00 |
| 10/20/1994 | | | 24 | $34.36 | | $34.36 |
| 11/21/1994 | | | 82 | $89.22 | | $123.58 |
| 12/6/1994 | | | | | $123.58 | $0.00 |
| 12/20/1994 | | | 250 | $174.46 | | $174.46 |
| 1/18/1995 | | | 298 | $201.14 | | $375.60 |
| 2/17/1995 | | | | | $375.60 | $0.00 |
| 2/15/1995 | | | 558 | $303.72 | | $303.72 |
| 3/21/1995 | | | 331 | $216.74 | | $520.46 |
| 4/17/1995 | | | | | $303.72 | $216.74 |
| 4/19/1995 | | | 45 | $51.83 | | $268.57 |
| 5/1/1995 | | | | | $216.74 | $51.83 |
| 5/22/1995 | | | 28 | $30.46 | | $82.29 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 6/21/1995 | | | 5 | $19.62 | | $101.91 |
| 7/24/1995 | | | 3 | $17.21 | | $119.12 |
| 8/24/1995 | | | | | $119.12 | $0.00 |
| 8/24/1995 | | | | | $50.00 | -$50.00 |
| 8/23/1995 | | | 3 | $17.21 | | -$32.79 |
| 9/25/1995 | | | 4 | $17.73 | | -$15.06 |

## Statement of Account

ALABAMA GAS CORPORATION
20 South Twentieth Street
Birmingham, Alabama 35295

Date: April 4/20/2000

Earl F. Hilliard
1614 3 Avenue North
Birmingham, Alabama

**Account No. 21-9428-2880-15**

| Date | Reading | Heating Degree Days | CCF | Charges | Credits | Balance |
|---|---|---|---|---|---|---|
| 10/18/1995 | | | | $50.00 | | $34.94 |
| 11/24/1995 | | | 7 | $19.71 | | $54.65 |
| 11/22/1995 | | | 203 | $113.31 | | $167.96 |
| 11/30/1995 | | | | | $54.65 | $113.31 |
| 1/22/1996 | | | 1897 | $1,053.51 | | $1,166.82 |
| 2/20/1996 | | | 926 | $555.48 | | $1,722.30 |
| 3/20/1996 | | | 471 | $334.24 | | $2,056.54 |
| 4/18/1996 | | | 411 | $249.28 | | $2,305.82 |
| 5/1/1996 | | | | | $175.00 | $2,130.82 |
| 5/21/1996 | | | 12 | $25.54 | | $2,156.36 |
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# EXHIBIT 64

THE BIRMINGHAM
WATER WORKS BOARD

**Certificate**

I hereby certify that the attached is a true and complete copy of records pertaining to;

1. Any and all documents and records relating to the services provided by Birmingham Water Works (or it predecessor entity, if any) to real property located at 1612 3rd Avenue North in Birmingham, Alabama, or to real property located at 1614 3rd Avenue North in Birmingham, Alabama, during the period of January 1, 1992, through December 31, 1997.

2. Any and all documents and records relating to accounts in effect during the period of January 1, 1992, through December 31, 1997, in the name of (a) Hilliard for Congress (or Hilliard for Congress Campaign); (b) Hilliards & Company, Inc.; (c) American Trust Life Insurance Company; (d) American Trust Corporation; (g) African American Institute, Inc.; (h) American First Bonding; (I) Lifting Christ Worship Center; (j) Alabama Film & Entertainment Council; (k) A & S Diversified; and (l) Williamson & Harrell Photography (or Lurn and Paul's Photo Reflections).

3. Any and all documents and records relating to account number 05097518, 18862275, and 0509751 during the period of January 1, 1992, through December 31, 1997.

Kept in our office in our custody and that I am authorized as a keeper of said records for **Birmingham Water Works**. I further certify that said records were made, kept and/or obtained in the regular course of business, and that it was in the regular course of said office for such records to be made, kept and/or obtained at the time of the events, transactions or occurrences to which they refer or within a reasonable time thereafter.

Signed this the 19th day of Oct. 2000.

Randolph G. Harmon
Manager, Birmingham
Water Works Board

Sworn to and subscribed before me this the 19th day of Oct. 2000

Notary Public
My Commission Expires:
NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: Nov. 18, 2003
BONDED THRU NOTARY PUBLIC UNDERWRITERS

3600 First Avenue North, P.O. Box 830110, Birmingham, Alabama 35283-0110 Phone 205-251-3261 Fax 205-323-9851

JAN 92 THROUGH DEC 97 ACTIVITY  RPT.# FEDDATA1  DATE RUN 04/26/2000  TIME RUN 09:14  CYCLE DATE  PAGE 1

| SERVICE TENANT NAME | DATE | SOURCE | WATER | TAX | SEWER (A) | OTHER | TOTAL | BALANCE |
|---|---|---|---|---|---|---|---|---|
| 050975-1 HILLIARD & COMPANY, INC | 01-01-1992 | BFWD | 5.83 | .73 | 15.44 J | 22.00- | .00 | .00 |
| | 01-06-1992 | BREG | 13.86 | .55 | 12.65 J | | 27.06 | 27.06 |
| | 01-21-1992 | PAPP | 7.97- | .73- | 15.44- J | | 24.14- | 2.92 |
| | 02-03-1992 | PAPP | 2.92- | | | | 2.92- | .00 |
| | 02-06-1992 | BREG | 10.80 | .43 | 8.05 J | | 19.28 | 19.28 |
| | 02-21-1992 | PAPP | 8.80- | .55- | 9.93- J | | 19.28- | .00 |
| | 03-04-1992 | BREG | 14.52 | .58 | 12.65 J | | 27.75 | 27.75 |
| | 03-24-1992 | PAPP | 16.55- | .43- | 10.77- J | | 27.75- | .00 |
| | 04-02-1992 | BREG | 13.59 | .54 | 11.50 J | | 25.63 | 25.63 |
| | 04-24-1992 | PAPP | 12.40- | .58- | 12.65- J | | 25.63- | .00 |
| | 05-01-1992 | BREG | 11.73 | .47 | 9.20 J | | 21.40 | 21.40 |
| | 05-29-1992 | PAPP | 9.96- | .54- | 10.90- J | | 21.40- | .00 |
| | 06-02-1992 | BREG | 13.59 | .54 | 11.50 J | | 25.63 | 25.63 |
| | 07-02-1992 | BREG | 26.61 | 1.06 | 27.60 J | | 55.27 | 80.90 |
| | 07-16-1992 | PAPP | 51.93- | 2.07- | 26.90- J | | 80.90- | .00 |
| | 08-04-1992 | BREG | 17.31 | .69 | 16.10 J | | 34.10 | 34.10 |
| | 09-02-1992 | BREG | 9.87 | .39 | 6.90 J | | 17.16 | 51.26 |
| | 10-05-1992 | BREG | 10.80 | .43 | 8.05 J | | 19.28 | 70.54 |
| | 10-27-1992 | PAPP | 27.18- | 1.08- | 42.28- J | | 70.54- | .00 |
| | 11-03-1992 | BREG | 8.94 | .36 | 5.75 J | | 15.05 | 15.05 |
| | 12-02-1992 | BREG | 11.73 | .47 | 9.20 J | | 21.40 | 36.45 |
| | 12-23-1992 | PAPP | 19.74- | .79- | 15.92- J | | 36.45- | .00 |
| | 01-05-1993 | BREG | 15.49 | .62 | 14.85 J | | 30.96 | 30.96 |
| | 01-29-1993 | PAPP | 17.76- | .47- | 9.80- J | | 28.03- | 2.93 |
| | 02-01-1993 | PAPP | 2.93- | | | | 2.93- | .00 |
| | 02-02-1993 | BREG | 10.44 | .42 | 8.10 J | | 18.96 | 18.96 |
| | 03-03-1993 | BREG | 9.43 | .38 | 6.75 J | | 16.56 | 35.52 |
| | 04-02-1993 | BREG | 46.05 | 1.84 | 56.70 J | | 104.59 | 140.11 |
| | 04-09-1993 | PAPP | 72.45- | 3.26- | 64.40- J | | 140.11- | .00 |
| | 05-04-1993 | BREG | 11.45 | .46 | 9.45 J | | 21.36 | 21.36 |
| | 05-18-1993 | PAPP | | | 21.36- J | | 21.36- | .00 |
| | 06-02-1993 | BREG | 13.47 | .54 | 12.15 J | | 26.16 | 26.16 |
| | 07-02-1993 | BREG | 21.55 | .86 | 22.95 J | | 45.36 | 71.52 |
| | 08-03-1993 | BREG | 16.50 | .66 | 16.20 J | | 33.36 | 104.88 |
| | 08-17-1993 | PAPP | 46.47- | 1.86- | 23.19- J | | 71.52- | 33.36 |
| | 09-02-1993 | BREG | 9.43 | .38 | 6.75 J | | 16.56 | 49.92 |
| | 10-04-1993 | BREG | 16.50 | .66 | 16.20 J | | 33.36 | 83.28 |
| | 10-12-1993 | PAPP | 37.29- | 1.04- | 44.95- J | | 83.28- | .00 |
| | 11-02-1993 | BREG | 64.29 | 2.57 | 82.35 J | | 149.21 | 149.21 |
| | 12-02-1993 | BREG | 36.45 | 1.46 | 43.20 J | | 81.11 | 230.32 |
| | 01-04-1994 | BREG | 52.36 | 2.09 | 66.24 J | | 120.69 | 351.01 |
| | 01-06-1994 | SCOL | | | | 6.50 | 6.50 | 357.51 |
| | 01-28-1994 | SCOL | | | | 6.50 | 6.50 | 364.01 |
| | 01-28-1994 | PAPP | 105.88- | 4.69- | 119.75- J | | 230.32- | 133.69 |
| | 02-01-1994 | PAPP | | | 2.92- J | | 2.92- | 130.77 |
| | 02-02-1994 | BREG | 83.67 | 3.35 | 110.88 J | | 197.90 | 328.67 |
| | 02-24-1994 | SCOL | | | | 6.50 | 6.50 | 335.17 |
| | 03-03-1994 | BREG | 39.23 | 1.57 | 47.52 J | | 88.32 | 423.49 |
| | 03-18-1994 | PAPP | 136.03- | 5.44- | 180.70- J | 13.00- | 335.17- | 88.32 |
| | 04-04-1994 | BREG | 29.99 | 1.20 | 34.56 J | | 65.75 | 154.07 |

JAN 92 THROUGH DEC 97 ACTIVITY RPT.# FEDDATA1 DATE RUN 04/26/2000 TIME RUN 09:14 CYCLE DATE PAGE 2

| SERVICE | TENANT NAME | DATE | SOURCE | WATER | TAX | SEWER (A) | | OTHER | TOTAL | BALANCE |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 04-26-1994 | SCOL | | | | | 6.50 | 6.50 | 160.57 |
| | | 05-03-1994 | BREG | 31.05 | 1.24 | 36.00 | J | | 68.29 | 228.86 |
| | | 05-11-1994 | PAPP | 69.22- | 2.77- | 75.58- | J | 6.50- | 154.07- | 74.79 |
| | | 06-02-1994 | BREG | 29.99 | 1.20 | 34.56 | J | | 65.75 | 140.54 |
| | | 06-14-1994 | PAPP | 61.04- | 2.44- | 70.56- | J | 6.50- | 140.54- | .00 |
| | | 07-05-1994 | BREG | 37.21 | 1.49 | 44.64 | J | | 83.34 | 83.34 |
| | | 08-03-1994 | BREG | 47.31 | 1.89 | 59.04 | J | | 108.24 | 191.58 |
| | | 08-23-1994 | SCOL | | | | | 6.50 | 6.50 | 198.08 |
| | | 08-24-1994 | PAPP | 84.52- | 3.38- | 110.18- | J | | 198.08- | .00 |
| | | 09-02-1994 | BREG | 45.29 | 1.81 | 56.16 | J | | 103.26 | 103.26 |
| | | 10-04-1994 | BREG | 25.75 | 1.03 | 28.80 | J | | 55.58 | 158.84 |
| | | 10-21-1994 | PAPP | 45.29- | 1.81- | 49.66- | J | 6.50- | 103.26- | 55.58 |
| | | 11-02-1994 | BREG | 39.23 | 1.57 | 47.52 | J | | 88.32 | 143.90 |
| | | 12-01-1994 | SCOL | | | | | 6.50 | 6.50 | 150.40 |
| | | 12-02-1994 | BREG | 4.55 | .18 | 1.80 | J | | 6.53 | 156.93 |
| | | 12-06-1994 | PAPP | 64.98- | 2.60- | 82.82- | J | | 150.40- | 6.53 |
| | | 01-04-1995 | BREG | 6.80 | .27 | 2.88 | J | | 9.95 | 16.48 |
| | | 02-01-1995 | PAPP | | | 2.92- | J | | 2.92- | 13.56 |
| | | 02-02-1995 | BREG | 7.92 | .32 | 4.32 | J | | 12.56 | 26.12 |
| | | 02-17-1995 | PAPP | 5.06- | .18- | 14.38- | J | 6.50- | 26.12- | .00 |
| | | 03-02-1995 | BREG | 11.28 | .45 | 8.64 | J | | 20.37 | 20.37 |
| | | 04-04-1995 | BREG | 6.80 | .27 | 2.88 | J | | 9.95 | 30.32 |
| | | 05-01-1995 | PAPP | 22.53- | .59- | 7.20- | J | | 30.32- | .00 |
| | | 05-02-1995 | BPRO | 6.80 | .27 | 2.88 | J | | 9.95 | 9.95 |
| | | 06-02-1995 | BREG | 7.92 | .32 | 4.67 | J | | 12.91 | 22.86 |
| | | 07-05-1995 | BPRO | 7.36 | .30 | 3.78 | J | | 11.44 | 34.30 |
| | | 08-02-1995 | BREG | 12.96 | .51 | 12.02 | J | | 25.49 | 59.79 |
| | | 08-24-1995 | PAPP | 35.33- | 1.61- | 22.85- | J | | 59.79- | .00 |
| | | 09-06-1995 | BPRO | 10.16 | .41 | 7.90 | J | | 18.47 | 18.47 |
| | | 10-03-1995 | BREG | 32.56 | 1.30 | 39.50 | J | | 73.36 | 91.83 |
| | | 10-13-1995 | PAPP | 52.19- | 2.22- | 37.42- | J | | 91.83- | .00 |
| | | 11-02-1995 | BPRO | 21.36 | .86 | 23.70 | J | | 45.92 | 45.92 |
| | | 12-04-1995 | BREG | 83.12 | 3.32 | 112.18 | J | | 198.62 | 244.54 |
| | | 01-03-1996 | BPRO | 52.24 | 2.09 | 67.94 | J | | 122.27 | 366.81 |
| | | 02-01-1996 | PAPP | | | 2.92- | J | | 2.92- | 363.89 |
| | | 02-06-1996 | BREG | 145.22 | 5.81 | 215.78 | J | | 366.81 | 730.70 |
| | | 03-04-1996 | BPRO | 98.73 | 3.95 | 141.86 | J | | 244.54 | 975.24 |
| | | 03-05-1996 | ABIL | | | 377.14- | J | | 377.14- | 598.10 |
| | | 04-02-1996 | BREG | 28.99- | 1.16- | 51.90- | J | | 82.05- | 516.05 |
| | | 04-22-1996 | SCOL | | | | | 6.50 | 6.50 | 522.55 |
| | | 04-22-1996 | PAPP | 371.68- | 14.87- | 129.50- | J | | 516.05- | 6.50 |
| | | 04-26-1996 | SCOL | | | | | 6.50 | 6.50 | 13.00 |
| | | 05-02-1996 | BPRO | 34.87 | 1.40 | 44.98 | J | | 81.25 | 94.25 |
| | | 06-05-1996 | BREG | 1.09- | .05- | 8.65- | J | | 9.79- | 84.46 |
| | | 07-03-1996 | BREG | 82.77 | 3.31 | 117.64 | J | | 203.72 | 288.18 |
| | | 08-05-1996 | BREG | 135.21 | 5.41 | 197.22 | J | | 337.84 | 626.02 |
| | | 09-04-1996 | BREG | 94.17 | 3.77 | 134.94 | J | | 232.88 | 858.90 |
| | | 10-02-1996 | BREG | 75.93 | 3.04 | 107.26 | J | | 186.23 | 1,045.13 |
| | | 10-04-1996 | SCOL | | | | | 6.50 | 6.50 | 1,051.63 |
| | | 10-11-1996 | PAPP | 421.86- | 16.88- | 593.39- | J | 13.00- | 1,045.13- | 6.50 |

JAN 92 THROUGH DEC 97 ACTIVITY RPT.# FEDDATA1 DATE RUN 04/26/2000 TIME RUN 09:14 CYCLE DATE PAGE 3

| SERVICE | TENANT NAME | DATE | SOURCE | WATER | TAX | SEWER (A) | OTHER | TOTAL | BALANCE |
|---|---|---|---|---|---|---|---|---|---|
| | | 11-05-1996 | BREG | 124.95 | 5.00 | 181.65 J | | 311.60 | 318.10 |
| | | 11-21-1996 | PAPP | 124.95- | 5.00- | 181.65- J | 6.50- | 318.10- | .00 |
| | | 12-03-1996 | BREG | 62.25 | 2.49 | 86.50 J | | 151.24 | 151.24 |
| | | 12-31-1996 | PAPP | 62.25- | 2.49- | 86.50- J | | 151.24- | .00 |
| | | 01-06-1997 | BREG | 65.67 | 2.63 | 91.69 J | | 159.99 | 159.99 |
| | | 02-03-1997 | PAPP | | | 2.93- J | | 2.93- | 157.06 |
| | | 02-06-1997 | BREG | 132.93 | 5.32 | 199.36 J | | 337.61 | 494.67 |
| | | 03-04-1997 | BREG | 41.73 | 1.67 | 56.96 J | | 100.36 | 595.03 |
| | | 03-06-1997 | BFIN | 10.58 | .42 | 16.02 J | | 27.02 | 622.05 |
| | | 03-06-1997 | SCOL | | | | 13.00 | 13.00 | 635.05 |
| | | 03-24-1997 | PAPP | 30.00- | | 15.51- J | | 45.51- | 589.54 |
| | | 05-21-1997 | ACOF | | | 367.59- J | | 367.59- | 221.95 |

# EXHIBIT 65

*Subpoena Duces Tecum*

## By Authority of the House of Representatives of The Congress of the United States of America

---

To: The Hon. Earl F. Hilliard, 1314 Longworth House Office Bldg., U.S. House of Representatives, Washington, DC 20515

You are hereby commanded to produce before the Investigative Subcommittee of the Committee on Standards of Official Conduct of the House of Representatives of the United States, of which the Honorable Rob Portman is chairman, in Suite HT-2 of the Capitol, in the city of Washington, by no later than 5:00 p.m. on November 4, 1999, the things identified in the attachment to this subpoena concerning matters of inquiry committed to said Subcommittee, pursuant to the instructions specified in the attachment.

Witness my hand and the seal of the House of Representatives of the United States, at the city of Washington, this 14TH day of October 1999.

Lamar Smith
The Honorable Lamar Smith
Chairman
Committee on Standards of Official Conduct

Howard L. Berman
The Honorable Howard L. Berman
Ranking Minority Member
Committee on Standards of Official Conduct

Attest: Jeffrey Trandahl
Jeffrey Trandahl
Clerk of the House

# ATTACHMENT TO SUBPOENA

**The Hon. Earl F. Hilliard**

**A. Documents to be Produced**

1. Any and all documents and records relating to the occupancy of building or office space by the Hilliard for Congress campaign during the period of January 1, 1992, through December 31, 1997.

2. Any and all documents and records relating to expenditures for rent by the Hilliard for Congress campaign during the period of January 1, 1992, through December 31, 1998, including but not limited to any agreements to rent premises for occupancy by the campaign, and any and all documents or records relating to the basis on which amounts of rent were determined.

3. Any and all documents relating to expenditures by the Hilliard for Congress campaign for utility services during the period of January 1, 1992 through December 31, 1997, including but not limited to expenditures for any utility services received by any organization or individual other than the Hilliard for Congress campaign.

4. Any and all documents and records relating to the purchase in 1993 by the African American Institute ("AAI") of a building on Third Avenue North in Birmingham, Alabama from American Trust Life Insurance Company, Inc. ("ATLIC"), and the sale by AAI of that same building back to ATLIC in 1995, including but not limited to any real estate appraisals regarding that building and any and all documents and records relating to the terms or conditions of the above-specified transactions in 1993 and 1995.

5. Any and all documents and records relating to loans by the Hilliard for Congress campaign to Elvira Willoughby (or Elvira Williams), Rita Hall (or Rita Hilliard), and Jacqueline Smith.

6. Any and all documents and records relating to assets and liabilities of Hilliards & Company, Inc., American Trust Corporation, ATLIC, and Birmingham Greater Golf Associates, Inc. (or its successor, Birmingham Recreation, Inc.) during the period of January 1, 1992, through December 31, 1998, including but not limited to annual financial statements, statements of net worth, filings with the Internal Revenue Service, and any and all documents and records relating to the book value of the corporation.

**B. Definitions**

1. As used herein, the term "document" means any and all records and other tangible forms of expression in your possession, custody, or control, whether drafts or unfinished versions, originals, copies or annotated copies, however created, produced, or stored (manually, mechanically, electronically, by computer, or otherwise), including but not limited to books, papers, files, notes or records of conversations or meetings, minutes of meetings, contracts, agreements,

calendars, datebooks, bank statements, worksheets, summaries, invoices, bills, records of billings, checks, wire transfers, drafts of money, records of payment, magnetic tape, tape recordings, disks, diskettes, and other electronic media, microfilm, microfiche, and other storage devices.

2. "And" as well as "or" as used herein shall be read and applied as though interchangeable, and shall be construed either disjunctively or conjunctively so as to require the fullest and most complete disclosure of all requested information and documents.

3. As used herein, the singular shall always include the plural, and the present tense shall always include the past tense, and vice versa, as necessary in order to bring within the scope of the subpoena all responses which might otherwise be construed to be outside its scope.

4. As used herein, "relating to" means and includes "constituting," "referring to," "pertaining to," "evidencing," "reflecting," "describing" or "having anything to do with," and in each instance, directly or indirectly. These terms mean, without limitation, any reference or relationship which either (1) provides information with respect to the subject of inquiry, or (2) might lead to individuals who, or documents which, might possess or contain information with respect to the subject of inquiry.

5. As used herein, "Hilliard for Congress campaign" means and includes any federal election campaign committee or similar organization established or operated in connection with a campaign by Earl F. Hilliard for election or reelection to the U.S. House of Representatives.

**C. Instructions**

1. This subpoena is addressed to you in both your official and personal capacities and includes, but is not limited to, documents from, or in the possession of, your campaign or your congressional offices, or any other responsive documents in your possession, custody, or control.

2. Send all responsive documents and records to:

David H. Laufman
Counsel
Committee on Standards of Official Conduct
U.S. House of Representatives
Suite HT-2 U.S. Capitol
Washington, DC 20515

2. If any document is not produced, in whole or in part, based on a claim of privilege, furnish a list of all such documents, identifying: (1) the date of the document; (2) the author; (3) the recipient; (4) the general subject matter; and (5) the basis of the claim of privilege. This instruction is included without prejudice to the Investigative Subcommittee's determination of the validity or applicability of any privilege claimed as a grounds for withholding or altering any responsive document.

Subpoena for the Hon. Earl F. Hilliard to produce the things identified in the attachment to this subpoena before the Investigative Subcommittee of the Committee on Standards of Official Conduct chaired by the Hon. Rob Portman.

Served BY HAND ON COUNSEL TO REP. HILLIARD, PURSUANT TO COUNSEL'S AGREEMENT

Shannine McNeil Braccio

OCT. 14, 1999 House of Representatives

# EXHIBIT 66

*Subpoena Duces Tecum*

## By Authority of the House of Representatives of The Congress of the United States of America

---

To: The Honorable Earl F. Hilliard

You are hereby commanded to produce before the Investigative Subcommittee of the Committee on Standards of Official Conduct of the House of Representatives of the United States, of which the Honorable Rob Portman is chairman, in Suite HT-2 of the Capitol, in the city of Washington, by no later than 5:00 p.m. on June 26, 2000, the things identified in the attachment to this subpoena concerning matters of inquiry committed to said Subcommittee, pursuant to the instructions specified in the attachment.

Witness my hand and the seal of the House of Representatives of the United States, at the city of Washington, this 6th day of June 2000.

The Honorable Lamar Smith
Chairman
Committee on Standards of Official Conduct

The Honorable Howard L. Berman
Ranking Minority Member
Committee on Standards of Official Conduct

Attest:

Jeffrey Trandahl
Clerk of the House

Subpoena for The Honorable Earl F. Hilliard to produce the things identified in the attachment to this subpoena before the Investigative Subcommittee of the Committee on Standards of Official Conduct chaired by the Hon. Rob Portman.

Served by hand to office of counsel pursuant to agreement

Jean T. Kelly

6/9/03 House of Representatives

# ATTACHMENT TO SUBPOENA

**The Honorable Earl F. Hilliard**

**A. Documents to be Produced**

Any and all documents and records relating to assets and liabilities of American Trust Communication Corporation or American Trust Communications Corporation during the period of January 1, 1992, through December 31, 1998, including but not limited to annual financial statements, statements of net worth, filings with the Internal Revenue Service, and any and all documents and records relating to the book value of the corporation.

**B. Definitions**

1. As used herein, the term "document" means any and all records and other tangible forms of expression in your possession, custody, or control, whether drafts or unfinished versions, originals, copies or annotated copies, however created, produced, or stored (manually, mechanically, electronically, by computer, or otherwise), including but not limited to books, papers, files, notes or records of conversations or meetings, minutes of meetings, contracts, agreements, calendars, datebooks, bank statements, worksheets, summaries, invoices, bills, records of billings, checks, wire transfers, drafts of money, records of payment, magnetic tape, tape recordings, disks, diskettes, and other electronic media, microfilm, microfiche, and other storage devices.

2. "And" as well as "or" as used herein shall be read and applied as though interchangeable, and shall be construed either disjunctively or conjunctively so as to require the fullest and most complete disclosure of all requested information and documents.

3. As used herein, the singular shall always include the plural, and the present tense shall always include the past tense, and vice versa, as necessary in order to bring within the scope of the subpoena all responses which might otherwise be construed to be outside its scope.

4. As used herein, "relating to" means and includes "constituting," "referring to," "pertaining to," "evidencing," "reflecting," "describing" or "having anything to do with," and in each instance, directly or indirectly. These terms mean, without limitation, any reference or relationship which either (1) provides information with respect to the subject of inquiry, or (2) might lead to individuals who, or documents which, might possess or contain information with respect to the subject of inquiry.

5. As used herein, "Hilliard for Congress campaign" means and includes any federal election campaign committee or similar organization established or operated in connection with a campaign by Earl F. Hilliard for election or reelection to the U.S. House of Representatives.

**C. Instructions**

1. This subpoena is addressed to you in both your official and personal capacities. Produced documents should include, but not be limited to, documents in your personal possession, documents in the possession of the Hilliard for Congress campaign and Hilliards & Company, Inc. or any of its subsidiaries, documents in your congressional offices, or any other documents in your possession, custody, or control.

2. Send all responsive documents and records to:

Kenneth E. Kellner
Counsel
Committee on Standards of Official Conduct
U.S. House of Representatives
Suite HT-2 U.S. Capitol
Washington, DC 20515

3. If any document is not produced, in whole or in part, based on a claim of privilege, furnish a list of all such documents, identifying: (1) the date of the document; (2) the author; (3) the recipient; (4) the general subject matter; and (5) the basis of the claim of privilege. This instruction is included without prejudice to the Investigative Subcommittee's determination of the validity or applicability of any privilege claimed as a grounds for withholding or altering any responsive document.

# EXHIBIT 67

WRIGHT & ASSOCIATES
3000 22ND STREET NORTH
BIRMINGHAM, ALABAMA 35207
(205) 322-5516

April 9, 1998

SENT VIA FAX: (202) 547-9228

Ralph L. Lotkin, Esq.
Cochran & Lotkin
301 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Dear Mr. Lotkin:

I am the licensed bookkeeper who has been responsible for preparing corporate financial records for Hilliards & Company, Inc. In response to your request, please be informed that for the calendar years 1992 through 1997 inclusive, Hilliards & Company had a negative book value which was also reflected in forms filed with the Internal Revenue Service.

I certify and affirm pursuant to penalty of perjury that the foregoing is true and correct.

James H. Wright
James Wright

# EXHIBIT 68

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

December 29, 1999

BY HAND DELIVERY

The Honorable Earl F. Hilliard
1314 Longworth House Office Buidling
U.S. House of Representatives
Washington, D.C. 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Representative Hilliard:

In connection with the matters now before it, the Investigative Subcommittee respectfully requests that you authorize the Subcommittee to obtain the following documents from the Internal Revenue Service and the Alabama Department of Revenue:

> For the tax years 1992 through 1998, (1) complete copies of federal and state tax filings by the corporate entities currently or formerly known as Hilliards and Company, Inc., the American Trust Life Insurance Company, the American Trust Corporation; and (2) complete copies of federal and state tax filings by any other corporate or non-corporate entities owned in whole or in part by the corporate entity currently or formerly known as Hilliards and Company, Inc.

Blank copies of Internal Revenue Service Form 8821 and Alabama Department of Revenue Form 8821A are enclosed for your convenience for completion and forwarding to the pertinent government agencies. These forms may be duplicated as needed.

Your cooperation in this matter is greatly appreciated. As we understand that you intend soon to retain new counsel in this matter, we would understand and expect that

you would consult with your new counsel before responding to this request. Nonetheless, we request that a response be submitted to the Subcommittee as soon as feasible.

Sincerely,

Kenneth E. Kellner
Counsel to the Investigative Subcommittee

Enclosures: IRS Form 8821 – Tax Information Authorization and General Instructions
Alabama Department of Revenue Form 8821A – Tax Information Authorization

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

March 9, 2000

BY FACSIMILE AND FIRST CLASS MAIL

Ralph L. Lotkin, Esq.
Cochran & Lotkin
Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Lotkin:

This letter is a reminder that the Investigative Subcommittee's request for authorization from your client for the Subcommittee to obtain certain tax filings is still pending. A copy of this December 29, 1999 request to Representative Hilliard was enclosed with David Laufman's letter to you dated January 21, 2000. At your earliest convenience, please inform us as to when we may expect to receive a response to the pending request.

Sincerely,

Kenneth E. Kellner
Counsel to the Investigative Subcommittee

# EXHIBIT 69



LAW OFFICES
COCHRAN & LOTKIN

Johnnie L. Cochran, Jr.*
Ralph L. Lotkin

* Also Member of the California Bar

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228
email: CLLAW@aol.com

Los Angeles Office
4929 Wilshire Boulevard
Suite 1010
Los Angeles, California 90010
Phone (323) 931-6200
Fax (323) 931-9521

Of Counsel:
Ochoa & Sillas*
Los Angeles, California
Orange County, California
Sacramento, California
Mexico City, Mexico
* Admitted Only in California and Mexico, D.F.

March 17, 2000

SENT VIA FACSIMILE AND U.S. MAIL

The Honorable Rob Portman, Chairman
The Honorable Martin Olav Sabo, Ranking Democratic Member
Investigative Subcommittee
House Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, D.C. 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Chairman Portman and Ranking Member Sabo:

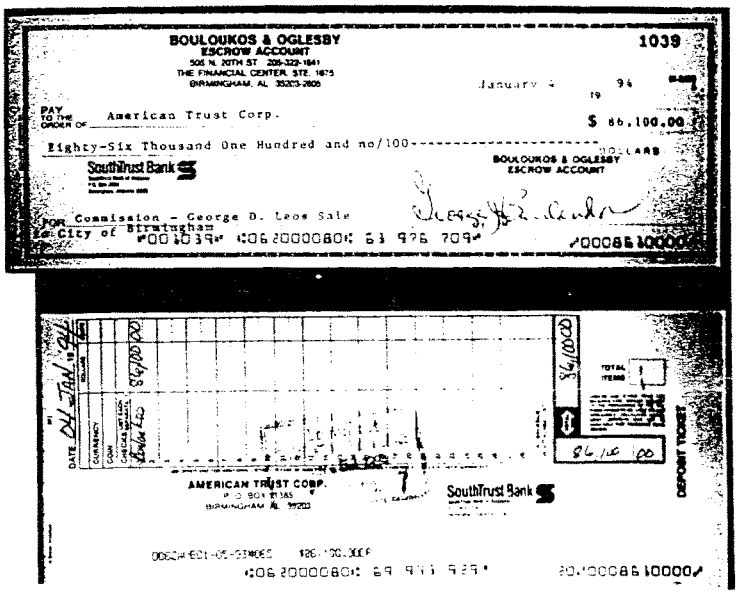
This responds to the recent letters received from your Subcommittee Counsels regarding their requests that Representative Hilliard authorize the Subcommittee to obtain documents from the Internal Revenue Service and the Alabama Department of Revenue for certain filings submitted by Hilliards & Company, Inc., the American Trust Life Insurance Company, the American Trust Corporation, or by any other corporate or non-corporate entities owned in whole or in part by the corporate entity currently or formerly known as Hilliards & Company, Inc.

As of this date, Representative Hilliard neither has the authority, nor has been given permission by any of the affected Boards of Directors of the above-stated entities, to authorize the disclosure of the tax documents to the Subcommittee.

Sincerely,

Ralph L. Lotkin

# EXHIBIT 70



BOULOUKOS & OGLESBY
ESCROW ACCOUNT
505 N. 20TH ST. 205-322-1841
THE FINANCIAL CENTER, STE. 1675
BIRMINGHAM, AL 35203-2605

1039

January 4 94

PAY TO THE ORDER OF American Trust Corp. $ 86,100.00

Eighty-Six Thousand One Hundred and no/100---------- DOLLARS

SouthTrust Bank

BOULOUKOS & OGLESBY
ESCROW ACCOUNT

FOR Commission - George D. Leos Sale
to City of Birmingham

⑈001039⑈ ⑆062000080⑆ 63 976 709⑈ ⑈0008610000⑈

DATE 04 JAN 94

CURRENCY
COIN
CHECKS AND OTHER ITEMS

86,100.00

TOTAL ITEMS

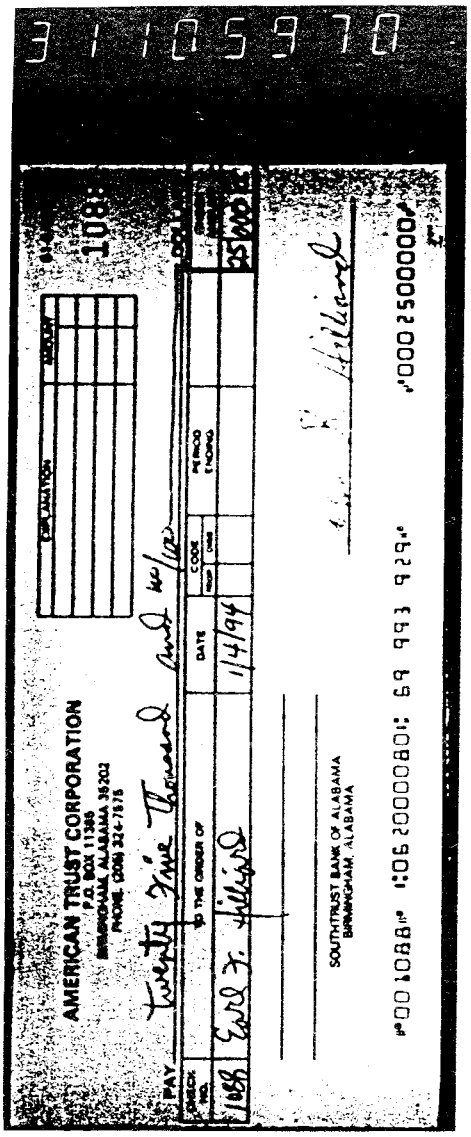
86,100.00

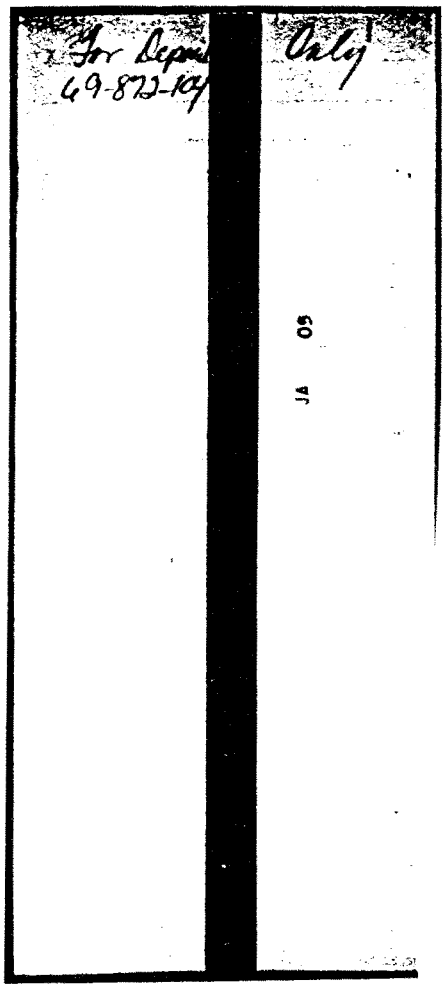
AMERICAN TRUST CORP.
P.O. BOX 11385
BIRMINGHAM AL 35203

SouthTrust Bank

DEPOSIT TICKET

⑆062000080⑆ 69 991 929⑈ ⑈0008610000⑈


3110970
AMERICAN TRUST CORPORATION
P.O. BOX 11386
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575
1088
PAY
Twenty Five Thousand and no/100
TO THE ORDER OF
Earl F. Hilliard
DATE
1/4/94
CODE
PERIOD ENDING
AMOUNT
DESCRIPTION
25000 00
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
Hilliard


For Depu
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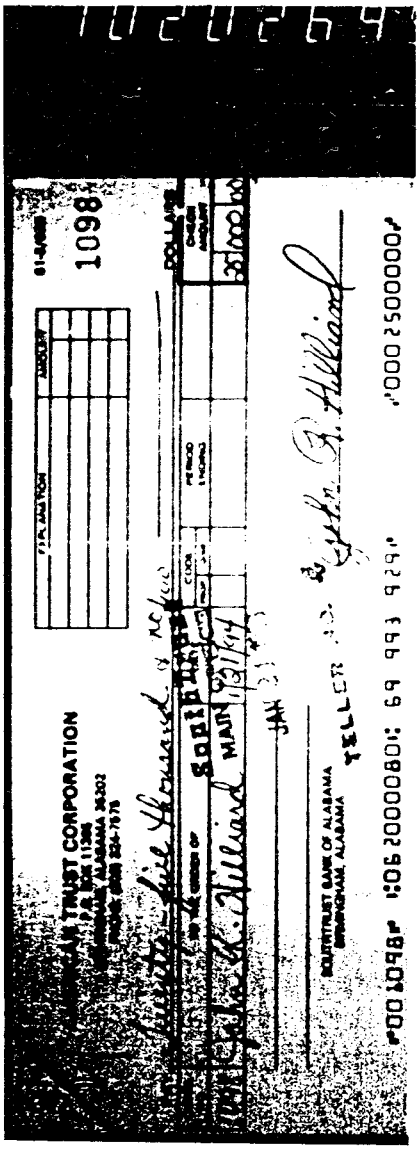
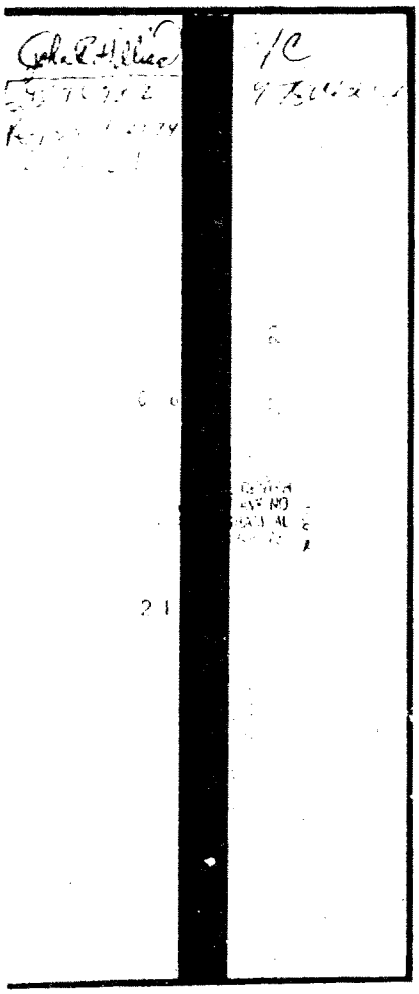

TRUST CORPORATION
1098
DOLLARS
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA
TELLER
MAIN
JAN



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
OF HILLIARD & CO., INC.

~~Pursuant to the~~ A special meeting of the Board of Directors of Hilliard & Co., Inc. was held at 1614 Third Avenue North, Birmingham, Alabama on April 14, 1995 at 3:30 p.m.

A quorum of directors attended, as shown by the attached roster. ~~Proxies (if any) were examined and admitted as shown by the attached roster.~~

The meeting was called to order by the meeting's Chairman, John R. Hilliard. the members present ~~are~~ were as follows:

| | |
|---|---|
| Earl F. Hilliard | John ~~[illegible]~~. Hilliard, ~~[illegible]~~ |
| Mary Hilliard | ~~Alesia Hilliard Smith~~ |
| ~~[illegible]~~ | Frederick Earl Hilliard |
| Carol Allen | |

~~The following~~ A motion was made by ~~John R.~~ Earl Hilliard and seconded by ~~[illegible]~~ Carol Allen. To authorize the sale of ~~[illegible]~~ Eight (8) percent or ~~Four~~ Four thousand ~~five hundred fifty~~ (4000) shares of common stock of American Trust Life Insurance to ~~Unique Solutions, Inc. for [illegible]~~ the National Council of Negroes Churches Five Hundred ~~[illegible]~~-Five Thousand ($~~[illegible]~~5,000.00). Dollars

~~No new business~~ The motion passed unnaminously.

Meeting was adjourned at 4:30 p.m.

Dated:_____

_____
Secretary

# EXHIBIT 72

file

05319S1

STOCK PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into this 5 day of June, 1995, by and between HILLIARDS & COMPANY, INC., a corporation organized under the laws of the State of Alabama, hereinafter referred to as "Seller" and ~~LOWERY-RIGGAN COMPANY~~, a corporation organized under the laws of the State of ~~Tennessee~~ Delaware or assigns, hereinafter referred to as "Purchaser". for JOSEPH Global Financial Services Group

WITNESSETH

WHEREAS, Seller desires to sell under the terms and conditions set forth herein ~~Eighty~~ one hundred Percent (100%) of the outstanding and issued shares of the capital stock (hereinafter sometimes referred to as the "Stock") of AMERICAN TRUST LIFE INSURANCE COMPANY, a corporation organized under the laws of the State of Alabama, having offices at 1614 Third Avenue North, Birmingham, Alabama 35203 (hereinafter sometimes referred to as the "Company"); and

WHEREAS, Purchaser desires to purchase the Stock under the terms and conditions set forth herein; and

NOW, THEREFORE, for and in consideration of the terms and conditions and mutual covenants contained herein, the Seller and Purchaser hereby agree as follows:

ARTICLE I

AGREEMENT TO PURCHASE

1.1 Agreement to Purchase and Sell. Seller does hereby agree to sell and Purchaser does hereby agree to purchase the Stock on the terms and conditions set forth below.

1.2 Earnest Money Deposit.

A. As a good faith earnest money deposit hereunder, and in consideration of other valuable considerations of Purchaser, Purchaser shall deliver to Seller within seven (7) business days from the date of this Contract, a check in the amount of TEN DOLLARS ($10.00), hereinafter referred to as "Earnest Money", subject, however, to the terms and conditions of this Contract.

B. (deleted)

# EXHIBIT 72

file ✓

0531951

STOCK PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into this 5 day of June, 1995, by and between HILLIARDS & COMPANY, INC., a corporation organized under the laws of the State of Alabama, hereinafter referred to as "Seller" and ~~LOWERY RIGGAN COMPANY~~, a corporation organized under the laws of the State of ~~Tennessee~~ Delawark or assigns, hereinafter referred to as "Purchaser". got J.O.S.E.P.H. Global Financial Services Group

WITNESSETH

WHEREAS, Seller desires to sell under the terms and conditions set forth herein ~~Eighty~~ one hundred Percent (100%) of the outstanding and issued shares of the capital stock (hereinafter sometimes referred to as the "Stock") of AMERICAN TRUST LIFE INSURANCE COMPANY, a corporation organized under the laws of the State of Alabama, having offices at 1614 Third Avenue North, Birmingham, Alabama 35203 (hereinafter sometimes referred to as the "Company"); and

WHEREAS, Purchaser desires to purchase the Stock under the terms and conditions set forth herein; and

NOW, THEREFORE, for and in consideration of the terms and conditions and mutual covenants contained herein, the Seller and Purchaser hereby agree as follows:

ARTICLE I

AGREEMENT TO PURCHASE

1.1 Agreement to Purchase and Sell. Seller does hereby agree to sell and Purchaser does hereby agree to purchase the Stock on the terms and conditions set forth below.

1.2 Earnest Money Deposit.

A. As a good faith earnest money deposit hereunder, and in consideration of other valuable considerations of Purchaser, Purchaser shall deliver to Seller within seven (7) business days from the date of this Contract, a check in the amount of TEN DOLLARS ($10.00), hereinafter referred to as "Earnest Money", subject, however, to the terms and conditions of this Contract.

B. (deleted)

ARTICLE II

APPROVALS OF SALE

2.1 Approvals by Seller. It is a condition of this Contract that the sale of the capital stock contemplated herein be approved and ratified by the Board of Directors and the share holders of American Trust Life Insurance Company and of the Seller.

2.2 Regulatory Approval. It is a further condition of this Contract that the sale of the capital stock contemplated herein shall be approved by the Commissioner of Insurance of the State of Alabama.

ARTICLE III

INSPECTION PERIOD

3.1 Inspection Period. Purchaser shall have an Inspection Period commencing upon the date of this Contract and ending ~~twenty~~ (30) days after the date of this Contract first above written, unless otherwise extended in writing by the parties hereto. During the Inspection Period, Purchaser, at its expense, shall have the right to undertake examinations, analyses, investigations and inspections as it may desire concerning the Company, which shall encompass the audit and examination of in complete detail and precision all of the various books, documents and exhibits generally required in the conclusion of such transactions. If, in its sole discretion, Purchaser determines that the acquisition of the stock hereby contemplated is not satisfactory for its purposes, Purchaser shall have the right to cancel this Contract by written notice to Seller within said Inspection Period, whereupon the Seller and Purchaser shall direct the Escrow Agent to return the Earnest Money to Purchaser and all parties shall be released from liability hereunder.

3.2 Disclosure and Verification. Seller shall provide to Purchaser copies of all documents of the Company reasonably required in Purchaser's discretion for further evaluation of the acquisition of the Seller's shares of capital stock hereby contemplated. Seller shall also provide Purchaser a reasonable level of interpretation and explanation of the documents furnished pursuant to this Section III, so that Purchaser and its consultants can make a reasonable evaluation of liabilities and potential liabilities associated with the acquisition of the Stock hereunder. This shall include, but shall not be limited to, the following:

A. Sales of the Company's life insurance and related products in progress, under contract, pending, and all related obligations to insurance agents, insurance agencies, insurance companies, policy holders, annuity holders or any liabilities or obligations pertinent to a prudent evaluation of the Company's past, present and future financial condition;

B. Financial Statements (for the last three years to present) of the Company, both internal and those prepared and certified by third party accountants and other parties.

C. A summary identifying each state in which the Company is qualified to conduct business, to include:

(1) a statement of the current corporate status in each state (i. e., annual filing requirements, status of filings);

(2) the nature and type of each license held by the Company to engage in its business operations and the status of such license;

(3) the name, address and affiliation to the Company of each individual who serves as the Company's qualifying agent for the purposes of each such license; and

(4) a statement as to whether each such license is transferable and generally what regulations affect such transfers.

D. Disclosure of all matters pertaining to the Company's employee benefit programs, including insurance, profit sharing and pension plans and their status. Purchaser shall assume Seller's role with respect to said programs.

E. Disclosure of employee contracts and the status of all contributions and benefits required by the Company thereunder.

F. Where not otherwise provided for above:

(1) the Company's current and past due accounts receivables, with current aging information;

(2) the book value of property and equipment and the sums owed, whether secured or unsecured, for such property or equipment;

(3) the Company's accounts payable, with current aging information;

(4) unpaid and accrued commissions due by the Company to insurance agents and sales representatives;

(5) inter-company receivables;

(6) receivables which are delinquent, in default, contested as to liability or amount, or which are subject to existing or reasonably foreseeable litigation or arbitration;

(7) insurance or other contracts which are or reasonably may be subject to litigation, arbitration, dispute or controversy;

(8) other assets as to which there are asserted or non-asserted claims, demands or potential liabilities;

(9) sales of any assets in progress, under negotiations or under contract, and the liabilities associated with the ongoing administration of such assets;

G. All assets, receivables and payables of the Company, including quarterly financial statements fairly demonstrating the Company's financial position for the current year to date.

3.3 Access. Seller hereby represents and warrants that the Company shall provide Purchaser and Purchaser's agents, employees, consultants and independent contractors, access to the Company's premises, offices, books and records and, as to personnel, its executives and staff, including managers at all levels, and relevant third parties, for the purpose of completing its examinations, analyses, investigations and inspections.

## ARTICLE IV

## PURCHASE PRICE

4.1 Purchase Price. Subject to the provisions set forth herein, the purchase price for the Stock shall be ~~FIVE~~ HUNDRED FIVE THOUSAND DOLLARS ($~~505~~,000.00). 600,000.00 Six

4.2 Method of Payment. The Purchase Price shall be in full at and upon the closing of this contract. Payment shall be in the form of certified funds, a cashier's check or wired funds.

## ARTICLE V

## CLOSING

5.1 Time and Place of Closing. Unless extended by other provisions of this Contract, the closing for the purchase price of the stock shall be held on a mutually convenient date on or before thirty (30) days after the end of the Inspection Period. In the event Purchaser is not ready to close on or before the Date of Closing, but has presented Seller sufficient evidence to indicate that closing is imminent, Seller shall agree to extend the Closing Date up to an additional ~~FIVE~~ (30) days. ~~Seller's approval to extend the Closing Date hereunder shall not be unreasonably withheld.~~ The closing shall be held on a normal business day prior to 5:00 P.M. prevailing local time at the offices of the Escrow Agent or at such other location mutually acceptable to Purchaser and Seller.

5.2 Obligations at Closing.

A. Seller shall deliver to Purchaser at closing:

(1) ~~Eighty~~ One Hundred Percent (100%) of the issued and outstanding capital stock of American Trust Life Insurance Company.

(2) An affidavit from Seller certified to Purchaser and to any third parties designated by Purchaser certifying the following matters:

(a) The Stock is owned by Seller and is free and clear of all liens and encumbrances.

(b) There are no outstanding unrecorded instruments affecting title to the Stock or any interest, claim or estate therein.

(c) There are no matters pending against the Company or Seller that could give rise to a lien that would attach to the Stock, and that neither the Company nor Seller has not and will not execute any instrument that would adversely affect the title to the Stock.

(3) Originals or certified copies of originals of approvals, licenses and accounting records involved under Article III hereof.

B. Purchaser shall deliver to Seller at closing the sum specified in Article IV hereinabove.

## ARTICLE VI

## CLOSING COSTS

6.1 Purchaser: With respect to the conveyance of the stock, the Purchaser shall bear the cost of recording fees.

6.2 Seller: The Seller shall bear the cost of any applicable brokerage fees.

6.3 Legal: Each party shall bear its own attorney's fees.

## ARTICLE VII

## MISCELLANEOUS AGREEMENTS

7.1 Use of Name. Purchaser shall be assigned by Seller any and all right and ownership of and license to the "American Trust Life Insurance Company" name, as held and owned by Seller, both within and outside the State of Alabama. Seller and its subsidiaries and affiliates, if any, will covenant and agree never to use, whether within or outside the State of ~~Ten-~~ Delaware

~~nessee~~, the "American Trust Life Insurance Company" name singularly or in concert with any other name or abbreviation or trademark. Seller shall disclose where and how its name is under current or anticipated use.

7.2 Covenant Not to Compete. Seller, and its agents, subsidiaries and related entities and parties, hereby covenants not to compete with Purchaser in any manner or by any means whatsoever in the business of the Company, at any place in the State of Alabama, for a term of five (5) years from the date of closing of this Contract;

~~7.3 Duties of Escrow Agent; Escrow Provisions. (deleted)~~

7.3 Deterioration of the Company. In the event that during the term of the Contract that the Company or any portion thereof is caused deterioration by governmental proceedings, adverse litigation or any other damaging action, Purchaser shall have the option of terminating the Contract.

7.4 Cooperation by Parties. Seller and Purchaser agree, and Seller represents and warrants that the Company shall agree, to cooperate with each other in order to prepare and execute documents required by governmental authorities for the closing of this Contract.

7.5 Contingency Relating to Assignment. Purchaser hereby represents that it will assign this Contract to Freedom Management Corporation, a Delaware corporation, or to such other third party Purchaser may hereafter designate. Purchaser's obligation to close hereunder shall be contingent upon its securing the approval and acceptance of such assignment by the Board of Directors and shareholders of Freedom Management Corporation or such other third party hereinabove referenced. Such assignment would occur prior to the submission of the Contract for approval by the Commissioner of Insurance of the State of Alabama.

ARTICLE VIII

BROKERS' COMMISSIONS

8.1 Brokers' Commissions. Purchaser hereby acknowledges that it has employed Unique Solutions of Memphis, Tennessee, Inc. as a broker to market the stock described herein. Purchaser agrees to pay said broker such fees as may become due them and shall hold Seller harmless from any commission claimed by the said broker before or after the closing.

ARTICLE ~~VIII~~ IX

DEFAULT

9.1 Notice of Default. No default as to any provision of this Contract shall be claimed or charged by either party against the other until

written notice thereof be given to the defaulting party and such default remains uncured for a period of thirty (30) days after the defaulting party's receipt of such notice.

8.2 Seller's Remedies on Default. If the Purchaser fails to perform any of the covenants of this Contract within the time herein specified, Seller shall have the right to terminate this Contract and retain the Earnest Money deposit paid by Purchaser hereunder together with accrued interest earned thereon. Upon delivery of such funds, Purchaser and Seller shall be released and relieved of and from an and all further obligations or liabilities under this Contract.

8.3 Purchaser's Remedies Upon default. In the event Seller fails to meet any obligation imposed on Seller pursuant to this Contract, Purchaser may, at it option, terminate this Contract whereupon the Earnest Money Deposit paid by Purchaser hereunder, together with accrued interest there, of any, shall be returned to Purchaser, and Purchaser and Seller shall be released and relieved of and from any and all further obligations or liabilities under this Contract.

8.4 Litigation. In any litigation brought under the terms of this Contract, whether at trial or on appellate level or in bankruptcy court, the prevailing party in such litigation shall be entitled to an award of all costs, expenses and reasonable attorneys' fees.

## ARTICLE IX

## GENERAL PROVISIONS

9.1 Time of Essence. Time is of the essence of this Contract. Any time period provided for herein which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 P.M. of the next full business day determined according to custom and business practice in the locale of the Property. Notwithstanding the foregoing to the contrary, in the event that either party fails to timely comply with the terms of this Contract and if, despite such failure, the other party elects to keep this Contract and if, despite such failure, the other party elects to keep this Contract in force, then all time periods imposed upon the other party for performance shall, at the other party's option, be extended for a like period equal to the delay.

9.2 Non-Waiver. The failure of either party to insist upon the other party's compliance with its obligations under this Contract in any one or more instances shall not operate to release such other party from its duties to comply with such obligations in all other instances.

9.3 Notices. Any notices provided for shall be in writing and shall be deemed to have been properly and time delivered by either party to the other if such notice shall have been delivered by hand or mailed certified or registered mail, return receipt requested, postage prepaid, addressed to the parties, as follows:

SELLER: Hilliards & Company, Inc.
American Trust Life Insurance Company
1614 Third Avenue North
Birmingham, Alabama 35203

Attention: Mr. John R. Hilliard

WITH A COPY TO: _____

_____

_____

PURCHASER: minator Joseph
~~Lowry Riggan Company~~
~~7848 West Poplar Avenue~~
~~Collierville, Tennessee 38017~~
40 Wall Street
4Th Floor
NY NY 10005

Attention: John B. Lowery

WITH A COPY TO: Kutak Rock
717 Seventeenth Street
Suite 2900
Denver, Colorado 80202-3329

Attention: Paul Belitz, Esquire

9.4 Assignment. Purchaser may assign all or any part of its interest herein pursuant to the provisions of Article 7.6 hereof.

9.5 Severability. If any provisions of this Contract are held to be illegal or invalid, the other provisions shall remain in full force and effect.

9.6 Entire Agreement. This Contract and the exhibit attached hereto constitute the entire agreement between the parties pertaining to the subject matter hereof and may not be modified orally or otherwise than by written amendments executed on behalf of each party.

9.7 Survival of Representations. The representations, warranties and covenants herein shall survive the closing hereunder.

9.8 Time for Acceptance. If this Contract is not executed by Seller and the fact of such execution communicated in writing to Purchaser on or before ~~Friday, June 16,~~ 1995, then this Contract shall be deemed null and void.

Thursday July 6

9.9 Effective Date. The Effective Date of this Contract shall be the date when the last one of Seller and Purchaser shall have executed this Contract.

9.10 Governing Law. This Contract shall be governed by the laws of the State of ~~Tennessee.~~ Delaware

9.11 Binding on Successors, Personal Representatives, Heirs and Assigns. The obligations and covenants of this Contract shall bind and benefit the successors, personal representatives, heirs and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed in manner and form sufficient to bind them as of the dates indicated hereinafter.

"SELLER":

Hilliards & Company, Inc.

By John P. Hilliard

Title President

Date: June 5, 1995

"PURCHASER":

~~Lowery Riggan Company~~ Joseph Global Financial Services Group

By ~~John B. Lowery~~ Minister Joseph

~~President~~ Chairman

Date: ~~May 31, 1995~~ June 5, 1995

Minister Joseph

Minister Joseph

Chairman

# EXHIBIT 73

**STOCK PURCHASE AGREEMENT**

**THIS AGREEMENT**, made and entered into this 22nd day of January, 1996 between **HILLIARD & COMPANY, INC.**, a corporation organized under of the laws of the State of Alabama, hereafter referred to as **"Seller"** and **SARAH MAXWELL**, or assigns, hereinafter referred to as **"Purchaser"**.

**W I T N E S S E T H**

**WHEREAS**, Seller desires to sell under the terms and conditions set forth herein One Hundred (100%) percent of the outstanding and issued shares of the capital stock (hereinafter sometimes referred to as the **"Stock"**) of **AMERICAN TRUST LIFE INSURANCE COMPANY**, a corporation organized under the laws of the State of Alabama, having offices at 1614 Third Avenue North, Birmingham, Alabama 35203 ( hereinafter sometimes referred to as the "Company"); and

**WHEREAS**, Purchaser desires to purchase the Stock under the terms and conditions set forth herein; and

**NOW, THEREFORE**, for and in consideration of the terms and conditions and mutual covenants contained herein, the Seller and Purchaser hereby agree as follows:

**ARTICLE I**

**AGREEMENT TO PURCHASE**

1.1 Agreement to Purchase and Sell. Seller does hereby agree to sell and Purchaser does hereby agree to purchase the Stock on the terms and conditions set forth below.

1.2 As a good faith earnest money deposit hereunder, and in consideration of other valuable considerations of Purchaser, Purchaser shall deliver to Seller with this Contract, a check in the amount of **ONE THOUSAND ($1,000) DOLLARS**, hereinafter referred to as **"Earnest Money"**, subject, however, to the terms and conditions of this Contract.

**ARTICLE II**

**APPROVALS OF SALE**

2.1 Approvals by Seller. It is a condition of this Contract that the sale of the capital stock contemplated herein be approved and ratified by the Board of Directors and the shareholders of American Trust Life Insurance Company and of Hilliard and Company, Inc.

2.2 Regulatory Approval. It is a further condition of this Contract that the sale of the capital stock contemplated herein shall be approved by the Commissioner of Insurance of the State of Alabama.

**ARTICLE III**

**INSPECTION PERIOD**

3.1 Inspection Period. Purchaser shall have an Inspection Period commencing upon the date of this Contract and ending Nine (9) days after the date of this Contract, first above written, unless otherwise extended in writing by the parties hereto. During the Inspection Period, Purchaser, at its expense, shall have the right to undertake examinations, analyses, investigations and inspections as it may desire concerning the Company, which shall encompass the audit and examination of in complete detail and precision all of the various books, documents and exhibits generally required in the conclusion of such transaction. If, in its sole discretion, Purchaser determines that the acquisition of the stock hereby contemplated in not satisfaction for its purposes, Purchaser shall have the right to cancel this Contract by written notice to Seller within said Inspection Period, whereupon the Seller shall return the Earnest Money to Purchaser and all parties shall be released from liability hereunder.

3.2 Disclosure and Verification. Seller shall provide to Purchaser copies of all documents of the Company reasonably required in Purchaser's discretion for further evaluation of the acquisition of the Seller's shares of capital stock hereby contemplated. Seller shall also provide Purchaser a reasonable level of interpretation and explanation of the documents furnished pursuant to this Section III, so that Purchaser and its consultants can make a reasonable evaluation of liabilities and potential liabilities associated with the acquisition of the Stock hereunder. This shall include, but shall not be limited to, the following:

A. Sale of the Company's life insurance and related products in progress, under contract, pending, and all related obligations to insurance agents, insurance agencies, insurance companies, policy holders, annuity holders or any liabilities or obligations pertinent to a prudent evaluation of the Company's past, present and future financial condition;

B. Financial Statements (for the last two years to present) of the Company, both internals and those prepared and certified by third party accountants and other parties.

C. Disclosure of all matters pertaining to the Company's employee programs.

D. Disclosure of employee contracts and the status of all contributions and benefits required by the Company thereunder.

E. Where not otherwise provided for above:

(1) other assets as to which there are asserted or non-asserted claims, demands or potential liabilities;

(2) sales of any assets in progress, under negotiations or under contract, and the liabilities associated with the ongoing administration of such assets;

F. All assets, receivables and payable of the Company, including quarterly financial statements fairly demonstrating the Company's financial position for the current year to date.

3.3 Access. Seller hereby represents and warrants that the Company shall provide Purchaser and Purchaser's agents, employees, consultants and independent contractors, access to the Company's premises, offices, books and records and, as to personnel, its executives and staff, including managers at all levels, and relevant third parties, for the purposes of completing its examination, analyses, investigations and inspections.

**ARTICLE IV**

**PURCHASE PRICE**

4.1 Purchase Price. Subject to the provisions set forth herein, the purchase price for the Stock shall be SIX HUNDRED FIFTY THOUSAND (650,000) DOLLARS.

4.2 Method of Payment. The Purchase Price shall be in full at and upon the closing of this contract. Payment shall be in the form of certified funds, a cashier's check or wired funds; a note and chattel mortgage on stock of the company, real estate or a combination thereof.

4.3 Purchasers shall pay off the debts of the Insurance Company, and the mortgages on the properties located at 1614 Third Avenue North; 1013 13th Street North in Birmingham, Alabama; and the property located at 3005 Fairwest Place in Montgomery, Alabama. However, Purchaser shall net a minimum of Three Hundred Fifty Thousand ($350,000.00) Dollars.

## ARTICLE V

## CLOSING

5.1 Time and Place of Closing. Unless extended by other provisions of this Contract, the closing for the purchase price of the stock shall be held on a mutually convenient date on or before ten (10) days after the end of the Inspection Period. In the event Purchaser is not ready to close on or before the Date of Closing, but has presented Seller sufficient evidence to indicate that closing imminent, Seller shall agree to extend the Closing Date up to an additional Ten (10) days. Seller's approval to extend the Closing Date hereunder shall not be unreasonably withheld. The closing shall be held on a normal business day prior to 5:00 p.m. prevailing local time at the offices of the Seller or at such other location mutually acceptable to Purchaser and Seller.

5.2 Obligation at Closing.

A. Seller shall deliver to Purchaser at closing:

(1) One Hundred (100%) percent of the issued and outstanding capital stock of American Trust Life Insurance Company.

(2) An affidavit from Seller certified to Purchaser and to any third parties designated by Purchaser, the following matters:

(a) The Stock is owned by Seller and is free and clear of all liens and encumbrances.

(b) There are no outstanding unrecorded instruments affecting title to the stock or any interest, claim or estate therein.

(c) There are no matters pending against the Company or Seller that could give rise to a lien that would attach to the Stock, and that neither the Company nor Seller has not and will not execute any instruments that would adversely affect the title to the Stock.

(3) Originals or certified copies of originals of approvals, licenses and records involved under Article III hereof.

B. Purchaser shall deliver to Seller at closing the sum specified in Article IV hereinabove.

## ARTICLE VI

## CLOSING COSTS

6.1 With respect to the conveyance of the stock, Purchaser shall bear the cost of recording fees.

6.2 The Purchaser shall bear the cost of any applicable brokerage fees.

6.3 Legal. Each part shall bear its own attorney's fees.

## ARTICLE VII

## MISCELLANEOUS AGREEMENTS

7.1 Use of Name. Purchaser shall be assigned by Seller any and all right and ownership of and license to the "American Trust Life Insurance Company" name, as held and owned by Seller, both within and outside the State of Alabama. Seller and its subsidiaries and affiliates, if any, will covenant and agree never to use, whether within or outside the State of Alabama, the "American Trust Life Insurance Company" name singularly or in concert with any other name or abbreviation or trademark. Seller shall disclose where and how its name is under current or anticipated use.

7.2 Covenant Not to Compete. Seller, and its agents, subsidiaries and related entities and parties, hereby covenants not to be compete with Purchaser in any manner or by any means whatsoever in the business of the Company, at any place in the State of Alabama, for a term of three (3) years from the date of closing of this Contract;

7.3 Deterioration of the Company. In the event that during the term of the Contract that the Company or any portion thereof is caused deterioration by governmental proceedings, adverse litigation or any other damaging action, Purchaser shall have the option of terminating the Contract.

7.4 Cooperation by Parties. Seller and Purchaser agree, and Seller represents and warrants that the Company shall agree, to cooperate with each other in order to prepare and execute documents required by governmental authorities for the closing of this Contract.

## ARTICLE VIII

## BROKERS' COMMISSIONS

8.1 Brokers' Commissions. NONE

## ARTICLE IX

## DEFAULT

9.1 Notice of Default. No default as to any provision of this Contract shall be claimed or charged by either party against the other until written notice thereof be given to the defaulting party and such default remains uncured for a period of fifteen (15) days after the defaulting party's receipt of such notice.

9.2. Seller's Remedies on Default. If the Purchase fails to perform any of the covenant of this Contract within the time herein specified, Seller shall have the right to terminate this Contract and retain the Earnest Money deposit paid by Purchaser. Upon delivery of such funds, Purchaser and Seller shall be released and relieved of and from any and all further obligations or liabilities under this contract.

9.3 Purchaser's Remedies Upon Default. In the event Seller fails to meet any obligation imposed pursuant to this Contract, Purchase may, at its option, terminate this Contract whereupon the Earnest Money Deposit paid by Purchase hereunder, shall be returned to Purchaser, and Purchaser and Seller shall be released and relieved of and from any and all further obligations or liabilities under this Contract.

9.4 Litigation. In any litigation brought under the terms of this Contract, whether at trial or on appellate level or in Bankruptcy Court, the prevailing party in such litigation shall be entitled to an award of all costs, expenses and reasonable attorneys' fees.

## ARTICLE X

## GENERAL PROVISIONS

10.1 Time of Essence. Time is of the essence of this Contract. Any time period provided for herein which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. or the next full business day. Notwithstanding the foregoing to the contrary, in the event that either party fails to timely comply with the terms of this Contract and if, despite such failure, the other party elects to keep this Contract in force, then all time periods imposed upon the other party for performance shall, at the other party's option, be extended for a like period equal to the delay.

10.2 Non-Waiver. The failure of either party to insist upon the other party's compliance with its obligations under this Contract in any one or more instances shall not operate to release such other party from its duties to comply with such obligations in all other instances.

10.3 Notices. Any notices provided for shall be in writing and shall be deemed to have been properly and timely delivered by hand or mailed certified or registered mail, return receipt requested, postage prepaid, addressed to the parties, as follows:

SELLER: Hilliard & Company, Inc.
American Trust Life Insurance Company
1614 3rd Avenue North
Birmingham, Alabama 35203

PURCHASER: Sarah Maxwell
906 40th Street North
Birmingham, AL 35222
Telephone (205) 595-4541

10.4 Assignment. Purchase may assign all or any part of its interest herein pursuant to the provisions of Article 2.2 hereof.

10.5 Severability. If any provisions of this Contract are held to be illegal or invalid, the other provisions shall remain in full force and effect.

10.6 Entire Agreement. This Contract and the exhibit attached hereto constitute the entire agreement between the parties pertaining to the subject matter hereof and may not be modified orally or otherwise than by written amendments executed on behalf of each party.

10.7 Survival of Representations. The representations, warranties and covenants herein shall survive the closing hereunder.

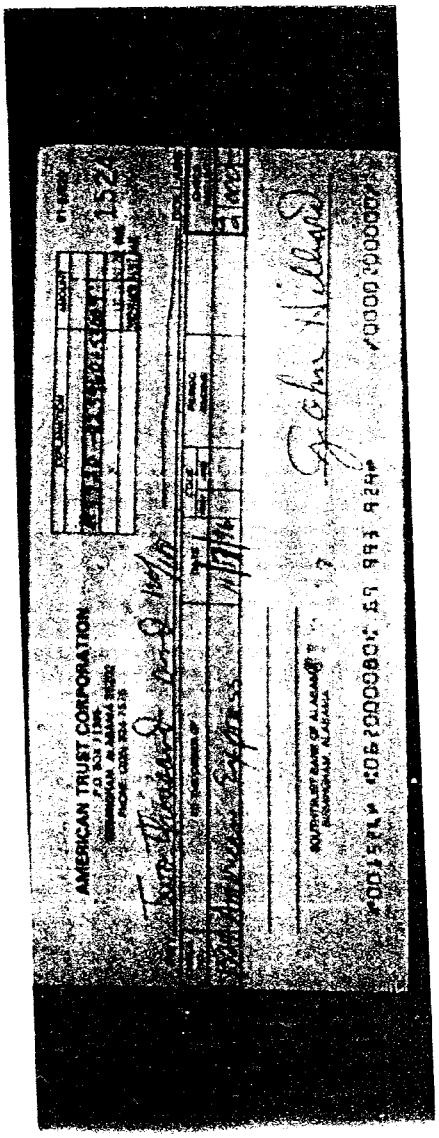
10.8 Time for Acceptance. If this Contract is not executed by Seller and the fact of such execution communicated in writing to Purchaser on or before Monday, January 22, 1996, then this Contract shall be deemed null and void.

10.9 Effective date. The Effective Date of this Contract shall be January 22, 1996.

10.10 Governing Law. This Contract shall be governed by the laws of the State of Alabama.

10.11 Binding on Successors, Personal Representatives, Heirs and Assigns. The obligations and covenants of this Contract shall bind and benefit the successors, personal representatives, heirs and assigns of the parties hereto.

# EXHIBIT 76



# EXHIBIT 74

COPY

*Mrs. J.D. Bayles*
*P.O. Box 39023*
*Birmingham, Alabama 35208*
*(205) 324-5707*

November 15, 1999

Via facsimile: (202) 547-9228 and
U.S. Mail

Ralph L. Lotktin, Esq.
Cochran & Lotkin
Attorneys At Law
201 Massachusetts Avenue NE
Suite C1
Washington, D.C. 20002

***Re: American Trust Life Insurance Company***

Dear Attorney Lotkin:

This letter is notice that I, Mrs. J.D. Bayles was hired as a part-time accountant for American Trust Life Insurance Company, Inc. in March 1982 thru December 1994.

As the accountant, my primary responsibility was to prepare the quarterly and annual statements due to the State of Alabama Department of Insurance located at 135 South Union Street, Montgomery, Alabama 36130-3351.

According to my copies of the working papers, American Trust Life Insurance Company's net operating income was negative during the periods of my employment. The last report prepared during my employment was for the period ending September 30, 1994. I resigned in April 1995.

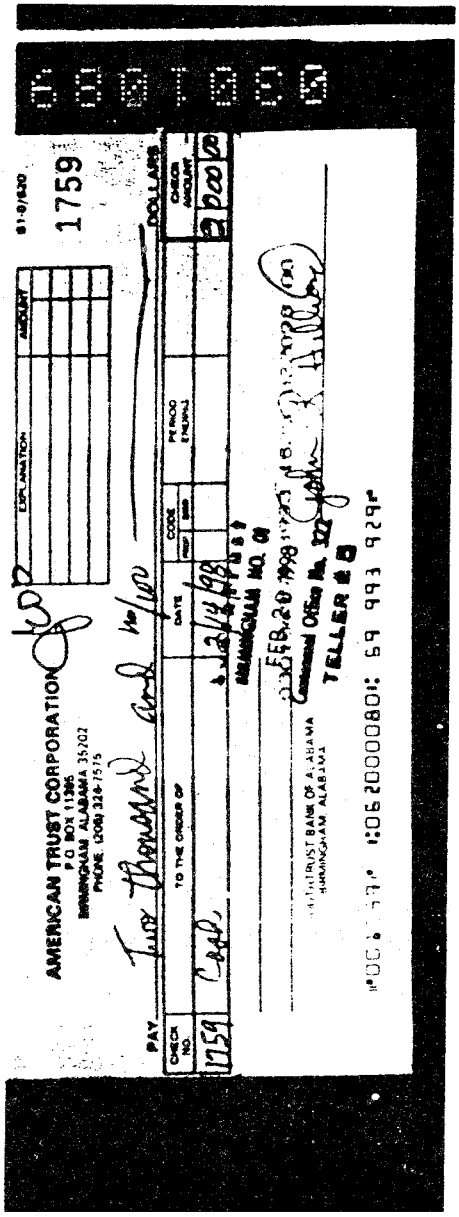
Should you need to speak with me further, please feel free to give me a telephone call at the number captioned above.

Yours truly,

JD Bayles

Mrs. J.D. Bayles
cc: File

# EXHIBIT 75


AMERICAN TRUST CORPORATION
P.O. BOX 11395
BIRMINGHAM, ALABAMA 35202
PHONE (205) 324-7575
1759
PAY
TO THE ORDER OF
DATE
CODE
PERIOD ENDING
DOLLARS
CHECK AMOUNT
EXPLANATION
AMOUNT
CHECK NO.
1759
Cash
2/14/98
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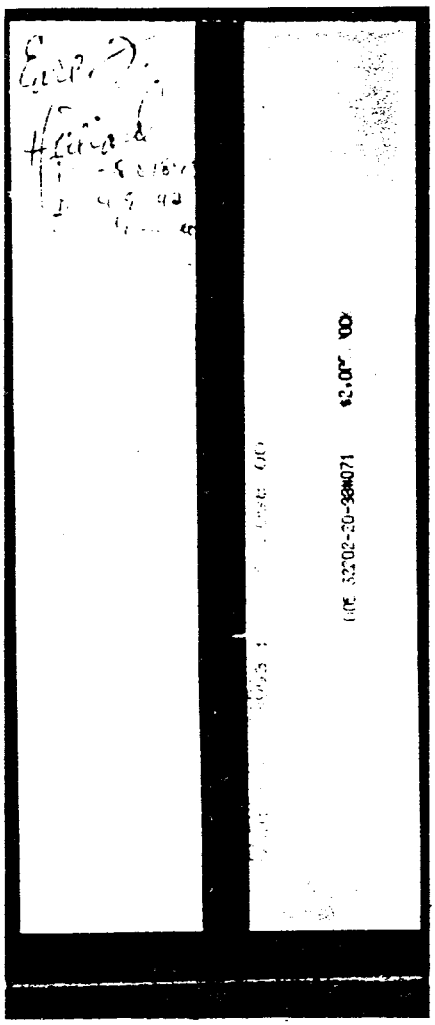
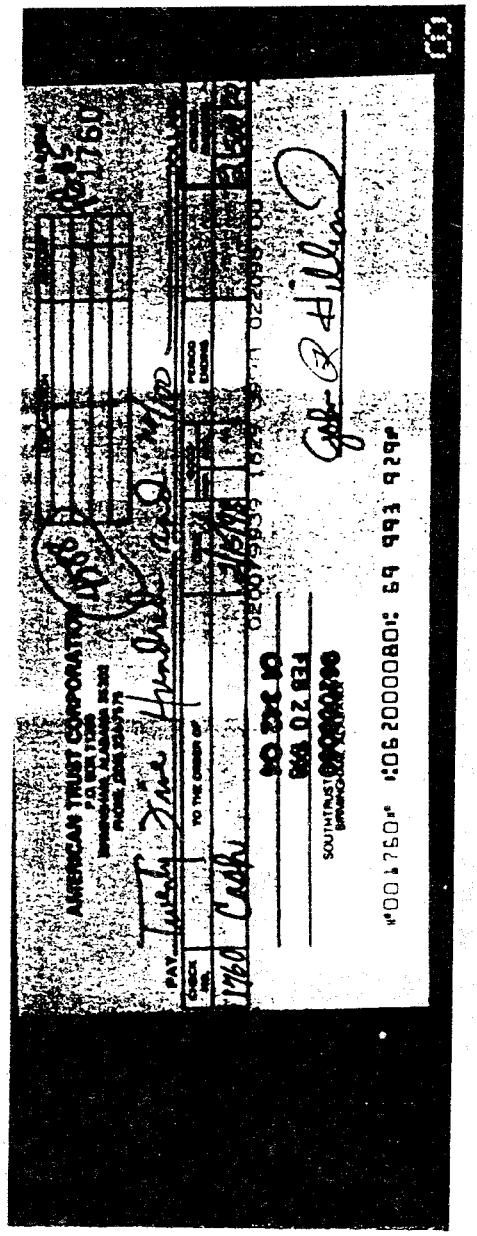
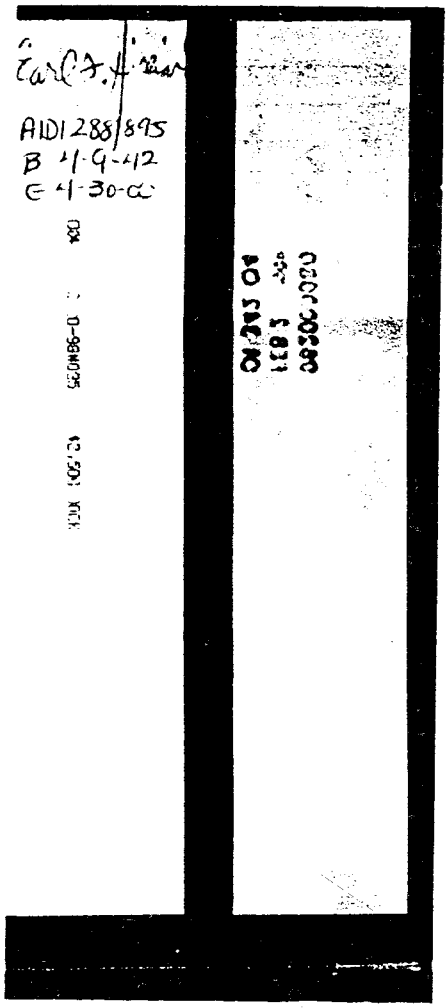
BIRMINGHAM NO. 01
FEB 20 1998
TELLER #
AMERICAN TRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA



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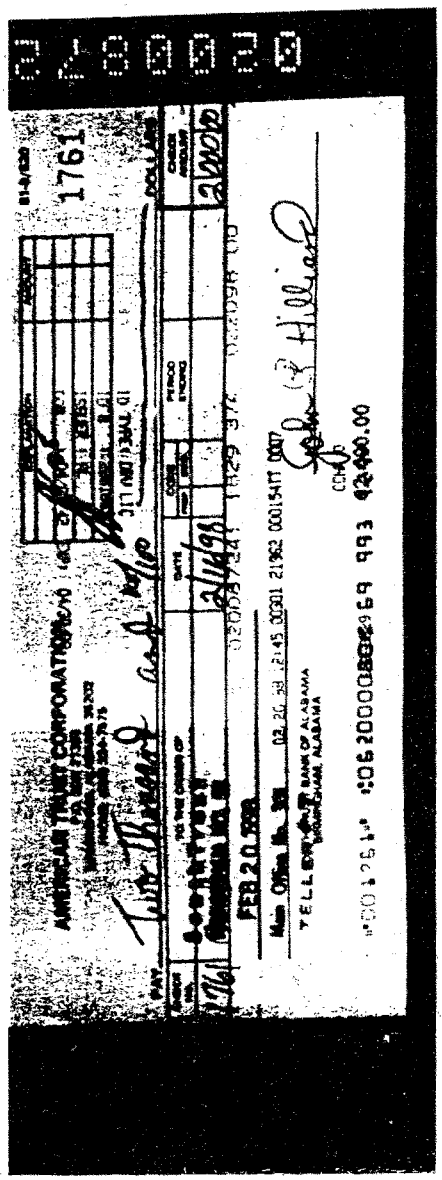
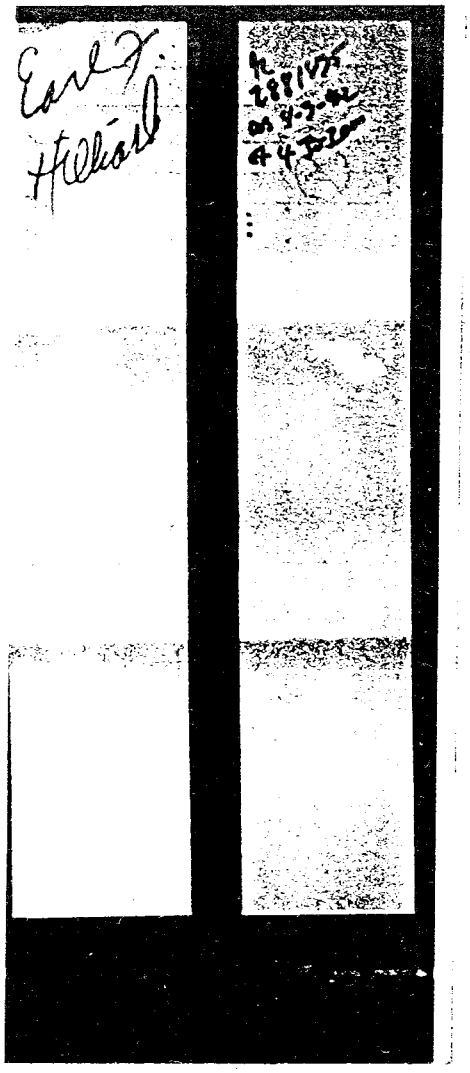
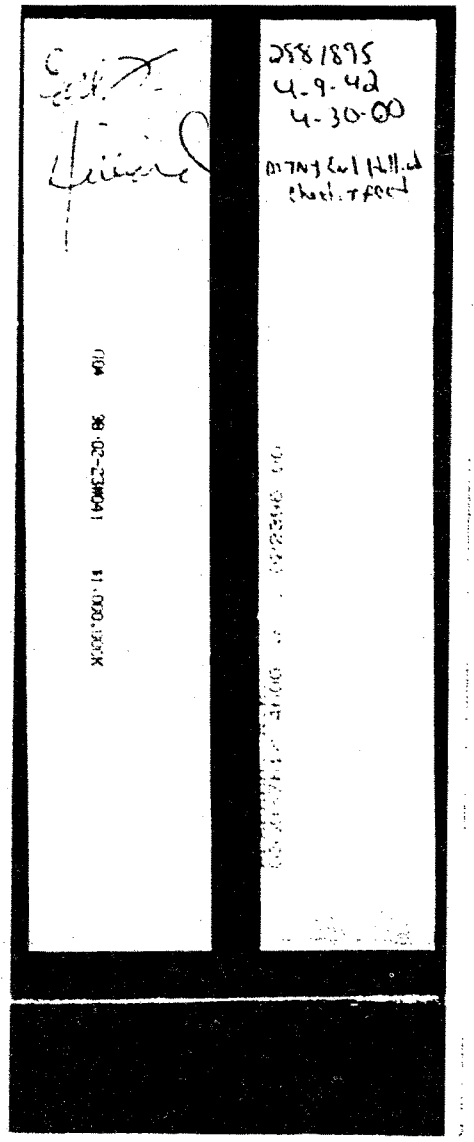
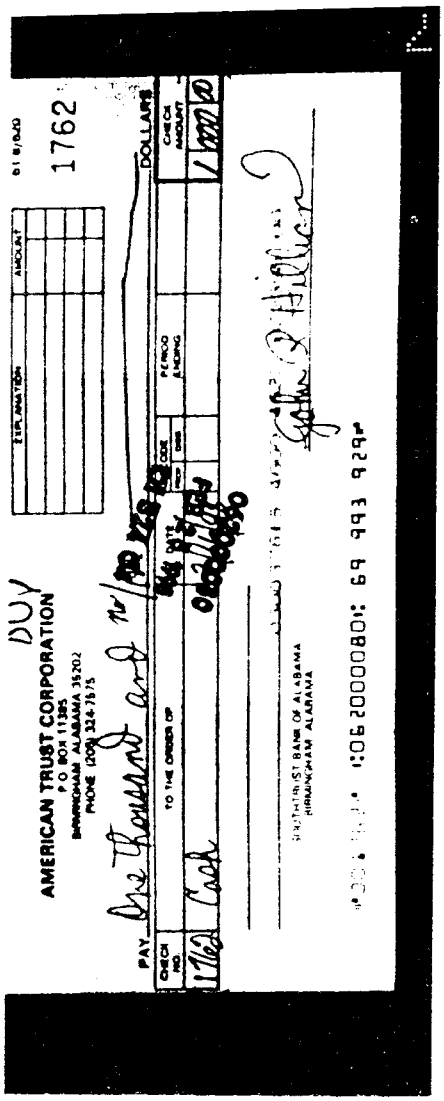
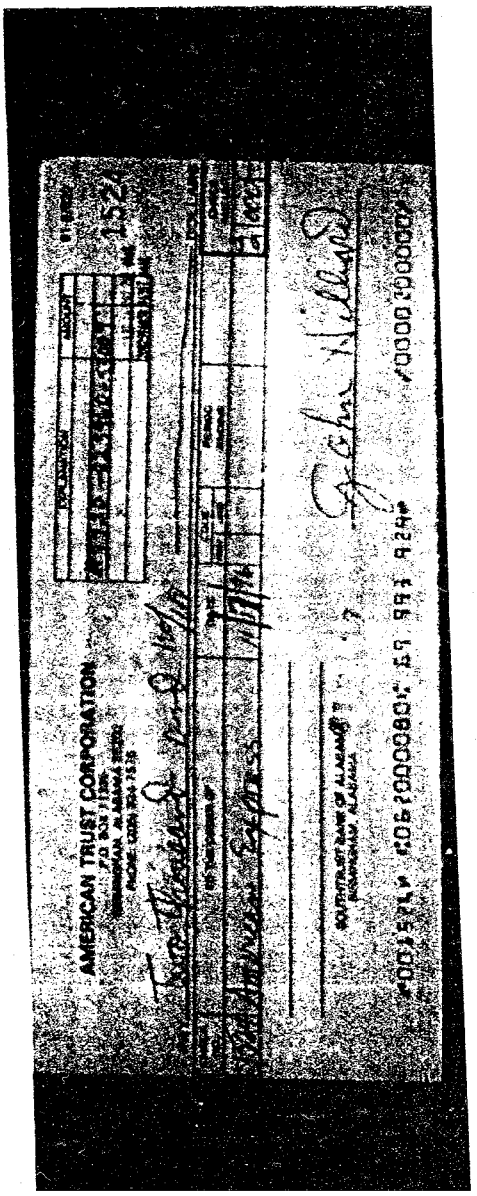


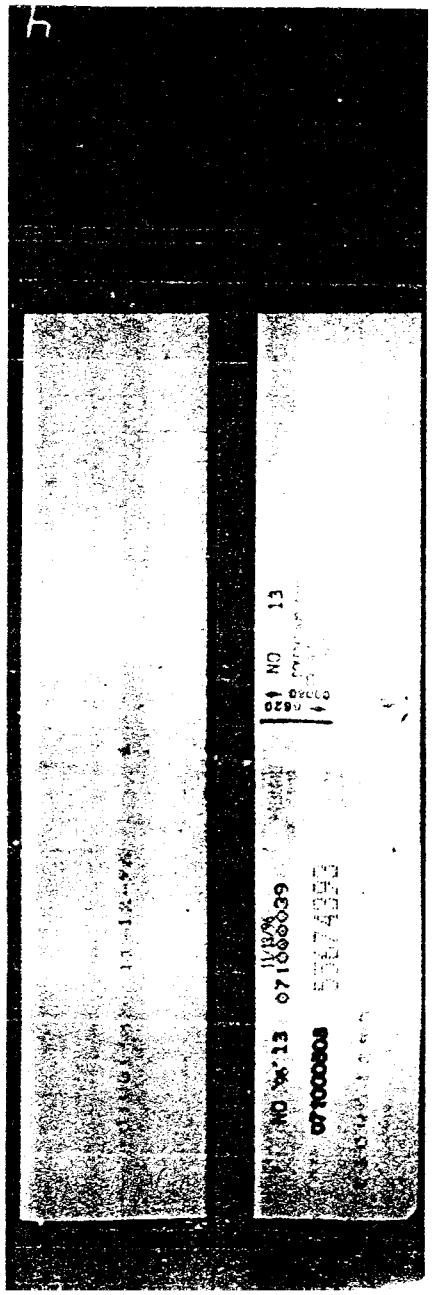


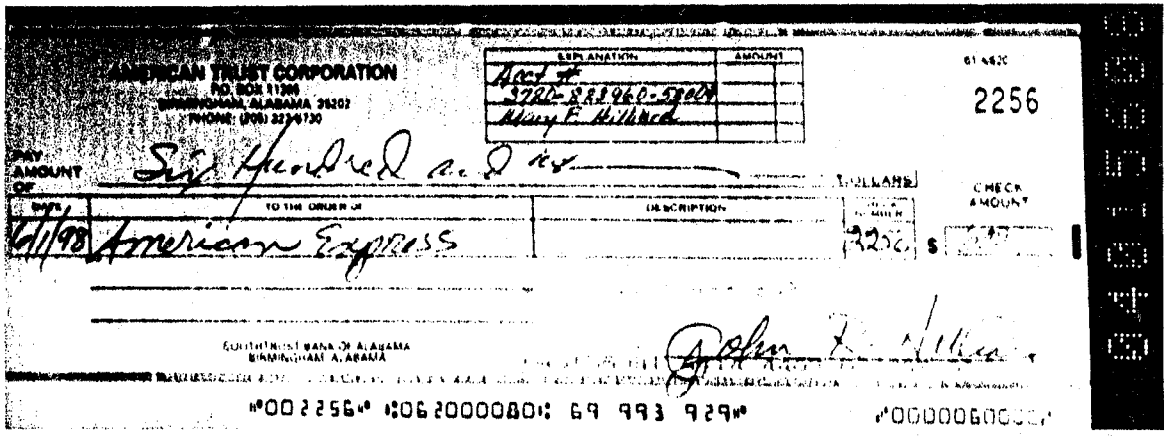



DUY
AMERICAN TRUST CORPORATION
P O BOX 11395
BIRMINGHAM ALABAMA 35202
PHONE (205) 324-7575
1762
DOLLARS
CHECK AMOUNT
EXPLANATION
AMOUNT
PAY
TO THE ORDER OF
CHECK NO
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM ALABAMA
:062000080: 69 993 9294

# EXHIBIT 76






AMERICAN TRUST CORPORATION
EXPLANATION
AMOUNT
Acct #
Mary F. Millard
2256
PAY AMOUNT OF
DOLLARS
CHECK AMOUNT
DATE
TO THE ORDER OF
DESCRIPTION
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American Express
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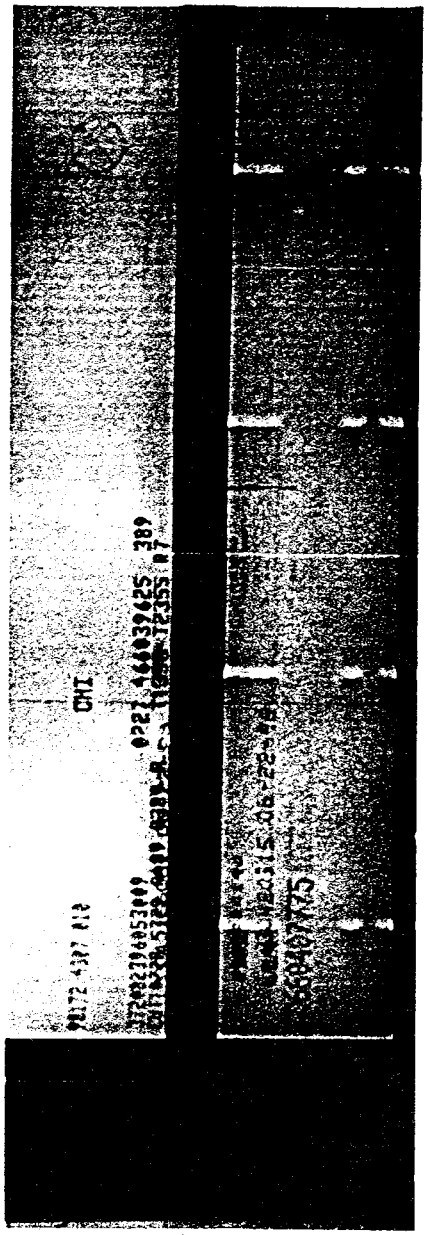
SOUTHTRUST BANK OF ALABAMA
BIRMINGHAM, ALABAMA


CHI

# EXHIBIT 77

JUL. 21. 2000 3:19PM FCC OEIB 202 418?227 NO. 1220 P. 20

Approved by OMB
3060-0031
Expires 06/30/95

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

## FCC 314

## APPLICATION FOR CONSENT TO ASSIGNMENT OF BROADCAST STATION CONSTRUCTION PERMIT OR LICENSE

(Please read instructions before completing this form.)

FOR FCC USE ONLY

FCC/MELLON OCT 24 1994

FOR MASS MEDIA BUREAU USE ONLY
FILE NO BAL 941024EA

**Section I – GENERAL INFORMATION**

1. APPLICANT NAME

American Trust Corporation

MAILING ADDRESS (Line 1) (Maximum 35 characters)
1614 Third Avenue North

MAILING ADDRESS (Line 2) (If required) (Maximum 35 characters)

| CITY | STATE OR COUNTRY (if foreign address) | ZIP CODE |
|---|---|---|
| Birmingham | Alabama | 35203 |

| TELEPHONE NUMBER (include area code) | CALL LETTERS | OTHER FCC IDENTIFIER (IF APPLICABLE) |
|---|---|---|
| (205) 324-7575 | WAIC | |

FOR MAILING THIS APPLICATION, SEE INSTRUCTIONS FOR SECTION 1

2. A. Is a fee submitted with this application? [X] Yes [ ] No

B. If No, select the appropriate box to indicate reason for fee exemption (see 47 C.F.R. Section 1.1112) or reason a fee is not applicable and go to Question 3.

[ ] Governmental Entity [ ] Noncommercial educational licensee [ ] Other (Please explain):

C. If item 2.A. is Yes, provide the following information:

Enter in Column (A) the correct Fee Type Code for the service you are applying for. Fee Type Codes may be found in the "Mass Media Services Fee Filing Guide." Column (B) lists the Fee Multiple applicable for this application. Enter in Column (C) the result obtained from multiplying the value of the Fee Type Code in Column (A) by the number listed in Column (B).

| | (A) FEE TYPE CODE | (B) FEE MULTIPLE (If required) | (C) FEE DUE FOR FEE TYPE CODE IN COLUMN (A) | FOR FCC USE ONLY |
|---|---|---|---|---|
| (1) | M P R | / | $ 650.00 | |

To be used only when you are requesting concurrent actions which result in a requirement to list more than one Fee Type Code.

| | (A) FEE TYPE CODE | (B) FEE MULTIPLE (If required) | (C) FEE DUE FOR FEE TYPE CODE IN COLUMN (A) | FOR FCC USE ONLY |
|---|---|---|---|---|
| (2) | M B R | | $ | |

| ADD ALL AMOUNTS SHOWN IN COLUMN C, LINES (1) THROUGH (2), AND ENTER THE TOTAL HERE. THIS AMOUNT SHOULD EQUAL YOUR ENCLOSED REMITTANCE. | TOTAL AMOUNT REMITTED WITH THIS APPLICATION | FOR FCC USE ONLY |
|---|---|---|
| | $650.00 | 650.00 |

FCC 314
August 1992

**SECTION I (Page 2)**
**PART I – Assignor**

| 1. Name of Assignor | Street Address | | |
|---|---|---|---|
| Canterbury Broadcasting Corporation | 1505 Lincoln Avenue S.W. | | |
| | City: Birmingham | State: AL | ZIP Code: 35211 |
| | Telephone Number (include area code) | | |

2. Authorization which is proposed to be transferred

(a) Call letters: WRNB Location: Prattville, Alabama

(b) Has the station commenced its initial program tests within the past twelve months? ☐ Yes ☒ No

If Yes, was the initial construction permit granted after comparative hearing? ☐ Yes ☐ No

If Yes, attach as an Exhibit the showing required by 47 C.F.R. Section 73.3597. Exhibit No.

(c) Has the license for the station been acquired through the Commission's Minority Ownership Policy? ☐ Yes ☒ No

If Yes, has the station been operated on-air for less than the past twelve months? ☐ Yes ☐ No

If Yes, attach as an Exhibit the showing required by 47 C.F.R. Section 73.3597. Exhibit No.

3. Call letters of any SCA, FM or TV booster station, or associated auxiliary service stations (e.g., remote pickup, STL, inter-city relay) which are to be assigned:

None

4. Attach as an Exhibit a copy of the contract or agreement to assign the property and facilities of the station. If there is only a general agreement, reduce the terms to writing and attach. Exhibit No. 1

5. If this application is for assignment of a construction permit for an unbuilt station, submit as an Exhibit the detailed showings and declarations of the applicants required by 47 C.F.R. Section 73.3597 regarding the assignor's legitimate and prudent out-of-pocket expenditures and the retention, if any, of any interest in the station. Exhibit No.

6. State in an Exhibit whether the assignor, or any party to the assignor: Exhibit No.

(a) has any interest in or connection with an AM, FM or television broadcast station or a broadcast application pending before the FCC; or

(b) has had any interest in or connection with any application denied and/or dismissed with prejudice or any FCC license which has been revoked.

The Exhibit should include the following information:

(1) name of party with such interest;
(2) nature of interest or connection, giving dates;
(3) call letters or file number of application or docket number; and
(4) location.

7. Since the filing of the assignor's last renewal application for the authorization being assigned or other application, has an adverse finding been made or an adverse final action been taken by any court or administrative body with respect to the applicant or parties to this application in a civil or criminal proceeding, brought under the provisions of any law related to the following: any felony; mass media related antitrust or unfair competition; fraudulent statements to another governmental unit; or discrimination? ☐ Yes ☒ No

If Yes, attach as an Exhibit a full description of the persons and matter involved, including an identification of the court or administrative body and the proceeding (by dates and file numbers) and the disposition of the litigation. Exhibit No.

**SECTION II - ASSIGNEE'S LEGAL QUALIFICATIONS (Page 2)**

NOTE: The terms "applicant and "parties to this application" are defined in the Instructions for Section II of this form. Complete information as to each "party to this application" is required. If the applicant considers that to furnish complete information would pose an unreasonable burden, it may request that the Commission waive the strict terms of this requirement with appropriate justification.

4. List the applicant, and, if other than a natural person, its officers, directors, stockholders and partners with attributable interests. Use one column for each individual or entity. Attach additional pages if necessary.

*(Read carefully - The numbered items below refer to line numbers in the following table.)*

a. Name and residence of the applicant and, if applicable, its officers, directors, stockholders, or partners (if other than individual also show name, address and citizenship of natural person authorized to vote the stock). List the applicant first, officers next, then directors and, thereafter, remaining stockholders and partners.

b. Citizenship.

c. Office or directorship held.

d. Number of shares or nature of partnership interests.

e. Number of votes.

. Percentage of votes.

NOTE: Radio Applicants ONLY: Radio applicants need not respond to subparts g. and h. of the table. Instead, proceed and respond to Questions 5, 6 and 7, Section II below.

g. Other existing attributable interests in any broadcast station, including the nature and size of such interests.

h. All other ownership interests of 5% or more (whether or not attributable), as well as any corporate officership or directorship, in broadcast, cable, or newspaper entities in the same market or with overlapping signals in the same broadcast service, as described in 47 C.F.R. Section 73.3555 and 76.501, including the nature and size of such interests and the positions held.

| | | | |
|---|---|---|---|
| a. | American Trust Corporation<br>John Hilliard- President,<br>Carol Allen-Vice-president<br>Frederick Hilliard-Sec. | | |
| b. | USA Alabama Corporation | | |
| c. | | | |
| | 0 | | |
| e. | 0 | | |
| f. | 0 | | |
| g. | None | | |
| h. | None | | |

## SECTION I - GENERAL INFORMATION

**Part II – Assignee**

| 1. Name of Assignee | Street Address | | |
|---|---|---|---|
| American Trust Corporation | 1614 Third Avenue North | | |
| | City: Birmingham | State: AL | Zip Code: 35203 |
| | Telephone No. (include area code): (205) 324-7575 | | |

2. Does the contract submitted in response to Question 4, Part I of Section I embody the full and complete agreement between the assignor and assignee? [X] Yes [ ] No

If No, explain in an Exhibit. Exhibit No.

## SECTION II - ASSIGNEE'S LEGAL QUALIFICATIONS

1. Assignee is:

[ ] an individual [ ] a general partnership [X] a for-profit corporation

[ ] other [ ] a limited partnership [ ] a not-for-profit corporation

2. If the applicant is an unincorporated association or a legal entity other than an individual, partnership or corporation, describe in an Exhibit the nature of the applicant. Exhibit No.

3. Complete if applicable, the following certifications:

(a) Applicant certifies that no limited partner will be involved in any material respect in the management or operation of the proposed station. [ ] Yes [ ] No

If No, applicant must complete Question 4 below with respect to all limited partners actively involved in the media activities of the partnership.

(b) Does any investment company (as defined by 15 U.S.C. Section 80 a-3), insurance company, or trust department of any bank have an aggregated holding of greater than 5% but less than 10% of the outstanding votes of the applicant? [ ] Yes [X] No

If Yes, applicant certifies that the entity holding such interest exercises no influence or control over the applicant, directly or indirectly, and has no representatives among the officers and directors of the applicant. [ ] Yes [ ] No

**SECTION II - ASSIGNEE'S LEGAL QUALIFICATIONS (Page 3)**

RADIO APPLICANTS ONLY NEED TO RESPOND TO QUESTIONS 5, 6 AND 7.

5. Does the applicant, or any party to the application, own, or have an attributable interest in: (a) any AM, FM or TV station; or (b) a daily newspaper in the same market(s) as the station(s) being acquired? ☐ Yes ☒ No

6. Does the applicant, or any party to the application, broker more than 15 percent of the broadcast hours per week of any AM or FM station in a market in which the applicant, or party to the application, has an attributable interest in any AM or FM station? See 47 C.F.R. Section 73.3555(a) for definition of "radio market." ☐ Yes ☒ No

If the answer to 5 or 6 is Yes, set forth in an Exhibit, name of party having interest; nature of the interest; call letters and location of stations involved; and identification of newspaper, where applicable. Exhibit No.

7. Does the principal community service contour (predicted or measured 5 mV/m groundwave contour for AM; predicted 3.16 mv/m contour for FM) of any AM or FM station being acquired overlap the principal community service contour of:

(a) an AM or FM station which is directly or indirectly owned, operated or controlled by the applicant or any party to the application; or ☐ Yes ☒ No

(b) an AM or FM station at which more than 15 percent of the broadcast time per week is brokered by the applicant or any party to the application? ☐ Yes ☒ No

If the answer to (a) or (b) is Yes, do you certify that the ownership interests which will result from grant of the application(s) comply with 47 C.F.R. Section 73.3555(a), or that appropriate waivers of that section are herein sought? ☐ Yes ☐ No

If Yes, attach a separate Exhibit containing the market and audience information necessary to demonstrate compliance. Exhibit No.

**Note:** With reference to the Radio Contour Overlap Rule of 47 C.F.R. Section 73.3555(a), the applicant's Exhibit must include: (i) a map that clearly identifies, by relevant contours, the location and geographic coverage of the market or markets involved; (ii) the number of commercial AM and FM stations counted as being in the market or markets, including a map that shows the principal community contours of the stations that define the market or markets and the principal community contours of all commercial stations intersecting with the principal community contours of these stations; (iii) for markets with 15 or more commercial radio stations, a combined audience share figure, the basis and/or source material for this figure, and the results and qualification of any commissioned audience survey or alternative showing used; and (iv) the call letters and locations of all stations in the market or markets that are, or are proposed to be, commonly owned, operated or controlled, including any AM or FM station in the market for which the applicant or any party to the application brokers more than 15 percent of that station's broadcast time per week.

8. Does the applicant, or any party to the application, have:

(a) a petition pending to migrate to the expanded band (1605 - 1705 kHz)? ☐ Yes ☒ No

(b) a permit or license in either the existing band (535 - 1605 kHz) or expanded band (1605 - 1705 kHz) that is held in combination with the station(s) proposed to be sold? ☐ Yes ☒ No

If Yes, provide particulars as an Exhibit. Exhibit No.



JUL.21.2000 3:20PM FCC OLIA 202 418/2599 NO.1226 P.33

**SECTION II - ASSIGNEE'S LEGAL QUALIFICATIONS (Page 4)**

9. Does the applicant or any party to this application have any interest in or connection with a broadcast application pending before the FCC? ☐ Yes ☒ No

10. Has the applicant or any party to this application had any interest in or connection with the following:

(a) an application which has been dismissed with prejudice by the Commission? ☐ Yes ☒ No

(b) an application which has been denied by the Commission? ☐ Yes ☒ No

(c) a broadcast station, the license of which has been revoked? ☐ Yes ☒ No

(d) an application in any Commission proceeding which left unresolved character issues against the applicant? ☐ Yes ☒ No

If the answer to any of the questions in 9 or 10 is Yes, state in an Exhibit the following information: Exhibit No.

(1) Name of party having interest;
(2) Nature of interest or connection, giving dates;
(3) Call letters of stations or file number of application or docket; and
(4) Location.

11. (a) Are any of the parties to this application related (as husband, wife, father, mother, brother, sister, son or daughter) either to each other or to individuals holding nonattributable interests of 5% or more in the applicant? ☐ Yes ☒ No

(b) Does any member of the immediate family (i.e., husband, wife, father, mother, brother, sister, son or daughter) of any party to this application have any interest in or connection with any other broadcast station, pending broadcast application, newspaper in the same area (see 47 C.F.R. Section 73.3555(c)) or, in the case of a television station applicant only, a cable television system in the same area (see 47 C.F.R. Section 76.501(a))? ☐ Yes ☒ No

If the answer to (a) or (b) above is Yes, attach as an Exhibit a full disclosure concerning the persons involved, their relationship, the nature and extent of such interest or connection, the file number of such application, and the location of such station or proposed station. Exhibit No.

12. (a) Do individuals or entities holding nonattributable interests of 5% or more in the applicant have an attributable ownership interest or corporate officership or directorship in a broadcast station, newspaper or CATV system in the same area? (See Instruction 8 to Section II.) ☐ Yes ☒ No

(b) Does any member of the immediate family (i.e., husband, wife, father, mother, brother, sister, son or daughter) of an individual holding a nonattributable interest of 5% or more in the applicant have any interest in or connection with any other broadcast station, pending broadcast application, newspaper in the same area (see 47 C.F.R. Section 73.3555(c)) or, in the case of a television station applicant only, a cable television system in the same area (see 47 C.F.R. Section 76.501(a))? ☐ Yes ☒ No

If the answer to (a) and/or (b) above is Yes, attach as an Exhibit a full disclosure concerning the persons involved, their relationship, the nature and extent of such interest or connection, the file number of such application, and the location of such station or proposed station. Exhibit No.

**SECTION II - ASSIGNEE'S LEGAL QUALIFICATIONS (Page 5)**

13. (a) Is the applicant in violation of the provisions of Section 310 of the Communications Act of 1934, as amended, relating to interests of aliens and foreign governments? (See Instruction C to Section II.)

☐ Yes ☒ No

(b) Will any funds, credits or other financial assistance for the construction, purchase or operation of the station(s) be provided by aliens, foreign entities, domestic entities controlled by aliens, or their agents?

☐ Yes ☒ No

If the answer to (b) above is Yes, attach as an Exhibit a full disclosure concerning this assistance.

Exhibit No.

14. (a) Has an adverse finding been made or an adverse final action been taken by any court or administrative body with respect to the applicant or parties to this application in a civil or criminal proceeding, brought under the provisions of any law related to the following: any felony; mass media related antitrust or unfair competition; fraudulent statements to another governmental unit; or discrimination?

☐ Yes ☒ No

(b) Is there now pending in any court or administrative body any proceeding involving any of the matters referred to in (a) above?

☐ Yes ☒ No

If the answer to (a) and/or (b) above is Yes, attach as an Exhibit a full disclosure concerning the persons and matters involved, including an identification of the court or administrative body and the proceeding (by dates and file numbers), a statement of the facts upon which the proceeding is or was based or the nature of the offense alleged or committed, and a description of the current status or disposition of the matter.

Exhibit No.

15. Are there any documents, instruments, contracts or understandings relating to ownership or future ownership rights (including, but not limited to, non-voting stock interests, beneficial stock ownership interests, options, warrants, debentures)?

☐ Yes ☒ No

If Yes, provide particulars in an Exhibit.

Exhibit No.

16. Do documents, instruments, agreements or understandings for the pledge of stock of a corporate applicant, as security for loans or contractual performance, provide that (a) voting rights will remain with the applicant, even in the event of default on the obligation; (b) in the event of default, there will be either a private or public sale of the stock; and (c) prior to the exercise of stockholder rights by the purchaser at such sale, the prior consent of the Commission (pursuant to 47 U.S.C. Section 310(d)) will be obtained?

☐ Yes ☐ No
☒ Does Not Apply

If No, attach as an Exhibit a full explanation.

Exhibit No.

**SECTION III - ASSIGNEE'S FINANCIAL QUALIFICATIONS**

The applicant certifies that sufficient net liquid assets are on hand or are available from committed resources to consummate the transaction and operate the facilities for three months. [X] Yes [ ] No

**SECTION IV - ASSIGNEE'S PROGRAM SERVICE STATEMENT**

Attach as an Exhibit a brief description, in narrative form, of the planned programming service relating to the issues of public concern facing the proposed service area. Exhibit No. 2

**SECTION V - ASSIGNEE'S EQUAL EMPLOYMENT OPPORTUNITY PROGRAM**

Does the applicant propose to employ five or more fulltime employees? [X] Yes [ ] No

If the answer is Yes, the applicant must include an EEO program called for in the separate Model EEO Program Report (FCC Form 396-A).

**SECTION VI - CERTIFICATION**

**Part I - Assignor**

1. Has or will the assignor comply with the public notice requirement of 47 C.F.R. Section 73.3580? [X] Yes [ ] No

2. By checking Yes, the applicant certifies that, in the case of an individual applicant, he or she is not subject to a denial of federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. Section 862, or, in the case of a non-individual applicant (e.g., corporation, partnership or other unincorporated association), no party to the application is subject to a denial of federal benefits that includes FCC benefits pursuant to that section. For the definition of a "party" for these purposes, see 47 C.F.R. Section 1.2002(b). [X] Yes [ ] No

The ASSIGNOR acknowledges that all its statements made in this application and attached exhibits are considered material representations, and that all of its exhibits are a material part hereof and are incorporated herein.

The ASSIGNOR represents that this application is not filed by it for the purpose of impeding, obstructing, or delaying determination on any other application with which it may be in conflict.

In accordance with 47 C.F.R. Section 1.65, the ASSIGNOR has a continuing obligation to advise the Commission, through amendments, of any substantial and significant changes in the information furnished.

**WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, SECTION 1001), AND/OR REVOCATION OF ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, SECTION 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).**

I certify that the ASSIGNOR'S statements in this application are true, complete, and correct to the best of my knowledge and belief, and are made in good faith.

| Name of Assignor | Signature |
|---|---|
| Canterbury Broadcasting Corporation | Dr Bob W. Hubbell |
| **Title** | **Date** |
| President | 8/21/94 |

**SECTION VI - CERTIFICATION (Page 2)**

**Part II - Assignee**

By checking Yes, the applicant certifies that, in the case of an individual applicant, he or she is not subject to a denial of federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. Section 862, or, in the case of a non-individual applicant (e.g., corporation, partnership or other unincorporated association), no party to the application is subject to a denial of federal benefits that includes FCC benefits pursuant to that section. For the definition of a "party" for these purposes, see 47 C.F.R. Section 1.2002(b).

[X] Yes [ ] No

The ASSIGNEE hereby waives any claim to the use of any particular frequency as against the regulatory power of the United States because of the previous use of the same, whether by license or otherwise, and requests an authorization in accordance with this application. (See Section 304 of the Communications Act of 1934, as amended.)

The ASSIGNEE acknowledges that all its statements made in this application and attached exhibits are considered material representations, and that all its exhibits are a material part hereof and are incorporated herein.

The ASSIGNEE represents that this application is not filed by it for the purpose of impeding, obstructing or delaying determination on any other application with which it may be in conflict.

In accordance with 47 C.F.R. Section 1.65, the ASSIGNEE has a continuing obligation to advise the Commission, through amendments, of any substantial and significant changes in the information furnished.

**WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE, TITLE 18, SECTION 1001), AND/OR REVOCATION OF ANY STATION LICENSE OR CONSTRUCTION PERMIT (U.S. CODE, TITLE 47, SECTION 312(a)(1)), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).**

I certify that the ASSIGNEE'S statements in this application are true, complete, and correct to the best of my knowledge and belief, and are made in good faith.

| Name of Assignee | Signature |
|---|---|
| American Trust Corporation | John R. Hilliard |
| **Title** | **Date** |
| President | 5-16-94 |

**FCC NOTICE TO INDIVIDUALS REQUIRED BY THE PRIVACY ACT AND THE PAPERWORK REDUCTION ACT**

The solicitation of personal information requested in this application is authorized by the Communications Act of 1934, as amended. The Commission will use this information to determine whether grant of this application is in the public interest. In reaching that determination, or for law enforcement purposes, it may become necessary to refer personal information contained in this form to another government agency. In addition, all information provided in this form will be available for public inspection. If information requested on the form is not provided, processing of the application may be delayed or the application may be returned without action pursuant to the Commission's rules. Your response is required to obtain the requested authority.

**THE FOREGOING NOTICE IS REQUIRED BY THE PRIVACY ACT OF 1974, P.L. 93-579, DECEMBER 31, 1974, 5 U.S.C. 552(e)(3) AND THE PAPERWORK REDUCTION ACT, P.L. 96-511, DECEMBER 11, 1980, 44 U.S.C. 3507.**

# EXHIBIT 78

**EARL F. HILLIARD**
**1625 CASTLEBERRY WAY**
**BIRMINGHAM, ALABAMA 35214**
**(205) 798-7352**

April 9, 1997

Mr. Ralph L. Lotkin, Esq.
Cochran & Lotkin
201 Massachusetts Avenue, N. E.
Washington, DC 20002

Dear Mr. Lotkin:

I am a partner in Birmingham Greater Golf Associates, Inc. In response to your request, please be informed that for the calendar years 1992 through 1997 inclusive, Birmingham Greater Golf Associates, Inc. had a negative book value which was also reflected in forms filed with the Internal Revenue Service.

I certify and affirm pursuant to penalty of perjury that the foregoing is true and correct.

Earl F. Hilliard

Earl F. Hilliard

4/9/98

Date

# EXHIBIT 79

J. Wray Pearce, CPA
Harold L. Bevill, CPA (1946-1992)
Charles W. Leesburg, CPA
Stephen L. Moore, CPA
Tommy B. Beam, CPA
W. Glenn Bridges, Jr., CPA
Hal Coons, III, CPA
Edwin R. Ridley, CPA
Stephen B. Jones, JD, CPA, CVA
Hollis N. Gieger, Jr., CPA, CVA
Larry G. Fine, CPA
Joseph M. Lassiter, CPA
David T. Williams, CPA
Jeffrey R. Thornton, CPA
W. Robert Cook, CPA, CVA
Michael B. Hawkins, CPA, CVA

P B L M PEARCE, BEVILL, LEESBURG, MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Delphine E. Ford, CPA
Debra G. Lomoro, CPA
Nolan Jack Palmer, CPA
E. Montile Parrott, CPA
Ericka R. Ruggs, CPA
Robin A. Waldrup, CPA
J. Wes Yeatman, CPA

December 2, 1999

Mr. Ken Kellner
Counselor to the Investigative Subcommittee
Committee on Standards of Official Conduct
U. S. House of Representatives
Suite HT-2 U.S. Capitol
Washington, DC 20515

**RE: REPRESENTATIVE EARL HILLIARD**
**BIRMINGHAM RECREATION, INC.**

Dear Mr. Kellner:

Enclosed you will find the financial statements for Birmingham Greater Golf/Birmingham Recreation, Inc. for the years 1992 through 1995. We did not prepare financial statements after 1995. We have also included copies of the working trial balances for the years 1992 through 1998. We did not include the income tax returns for the entity, since it is my understanding that these have been previously provided to you.

These are all the records that we have in regard to the net worth and book value of the corporation. If you have any questions in regard to these documents or need any additional information, please do not hesitate to contact us.

Very truly yours,

**PEARCE, BEVILL, LEESBURG, MOORE, P. C.**

Stephen B. Jones, JD, CPA, CVA

SBJ/lbm

Enclosures

Members:
- The American Institute of Certified Public Accountants
- The Alabama Society of Certified Public Accountants
- PCPS - The AICPA Alliance for CPA Firms
- National CPA Health Care Advisors Association

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J. Wes Yeatman, CPA

December 16, 1999

Mr. Ken Kellner
Counselor to the Investigative Subcommittee
Committee on Standards of Official Conduct
U. S. House of Representatives
Suite HT-2 U.S. Capitol
Washington, DC 20515

**RE: REPRESENTATIVE EARL HILLIARD**
**BIRMINGHAM RECREATION, INC./BIRMINGHAM GREATER GOLF ASSOCIATION, INC.**

Dear Mr. Kellner:

In our telephone conversation today, you questioned what was the net worth of Birmingham Recreation, Inc. We define the net worth of a company being the remainder after liabilities are deducted from assets. Please bear in mind that in most situations the assets are reflected as historical cost which is sometimes referred to book value. Using this criteria, Birmingham Recreation, Inc. had deficit net worth for 1992 through 1998. The deficit net worth for the years was as follows:

| Year | Deficit |
|---|---|
| 1992 | ($176,979) |
| 1993 | ($206,386) |
| 1994 | ($211,003) |
| 1995 | ($201,508) |
| 1996 | ($324,592) |
| 1997 | ($328,788) |
| 1998 | ($328,969) |

We have enclosed the schedule for your information, which shows the net worth calculation for those years.

Members:
- The American Institute of Certified Public Accountants
- The Alabama Society of Certified Public Accountants
- PCPS - The AICPA Alliance for CPA Firms
- National CPA Health Care Advisors Association

Mr. Ken Kellner
Counselor to the Investigative Subcommittee
Committee on Standards of Official Conduct
U. S. House of Representatives
December 16, 1999
Page Two

I have spoken with Hollis Gieger in our office concerning the work that he had performed for Mr. Hilliard. Mr. Gieger informed me that he met with Mr. Hilliard regarding helping with the completion of information that was required to be filed with the State of Alabama Insurance Commission on the American Trust Life Insurance Company. Mr. Gieger stated that he helped Mr. Hilliard prepare that statement, but nothing else was done for Mr. Hilliard. This statement was for either 1990 or 1991. Since then, we have done no other work for Mr. Hilliard, any of Mr. Hilliard's companies or the American Trust Life Insurance Company. Please be advised also that we did not help Mr. Hilliard set up any books as outlined in the letter. We have reviewed our files and we have no files in regard to American Trust Life Insurance Company nor Mr. Hilliard. It is our policy to destroy files after seven years. Therefore, we can not provide you with information as to what was done or the report prepared on the American Trust Life Insurance Company.

Enclosed you will also find the compiled financial statement for the year ended December 31, 1994, along with the working trial balance for the year. It is my understanding that you did not receive this in the information that we previously sent you. I hope that this gives you the information that you need. Should you have any question or need any additional information, please do not hesitate to contact us.

Very truly yours,

**PEARCE, BEVILL, LEESBURG, MOORE, P. C.**

Stephen B. Jones, JD, CPA, CVA

SBJ/lbm

Enclosures

**BIRMINGHAM RECREATIONAL, INC.**
NET WORTH 1992-1997

| YEAR | ASSETS | LIABILITIES | NET WORTH |
|---|---|---|---|
| 1992 | 145,726 | 322,705 | (176,979) |
| 1993 | 184,762 | 391,148 | (206,386) |
| 1994 | 164,532 | 375,535 | (211,003) |
| 1995 | 140,536 | 342,044 | (201,508) |
| 1996 | 548 | 325,140 | (324,592) |
| 1997 | 1,475 | 330,263 | (328,788) |
| 1998 | 196 | 329,165 | (328,969) |

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

COMPILED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1992

PEARCE, BEVILL, LEESBURG & MOORE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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| Statement of Cash Revenues and Expenses and Accumulated Deficit | 5 |

PEARCE, BEVILL, LEESBURG & MOORE, P.C.

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FACSIMILE (205) 328-6523

1826 THIRD AVENUE
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BESSEMER, ALABAMA 35020
(205) 428-9126
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S. JAMES SLAY, JR., CPA

JOSEPH M. LASSITER, CPA
DENNIS D. SPENCER, CPA
KATHERINE P. BUNKLEY, CPA
JULIE M. MAY, CPA
ELIZABETH B. WILLIAMS, CPA
ASHBY WATKINS, CPA
MICHELE YAKIMOVIC, CPA
LESLIE L. CURRAN, CPA

TERESA E. CALLAWAY
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T. CRAIG EDMONDS
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JOHN D. GLOVER, III
MICHAEL N. HEIMAN
IRINA B. MOORE
N. JACK PALMER
TAMMY T. SMITH
JOHN A. WALDRUP
RACHAEL R. WILLIAMS
MELANIE S. YEATMAN

February 27, 1993

Board of Directors
Birmingham Greater Golf Associates, Inc.
Birmingham, Alabama

We have compiled the accompanying statement of assets and liabilities arising from cash transactions of Birmingham Greater Golf Associates, Inc. as of December 31, 1992, and the related statement of cash revenues and expenses for the year than ended, in accordance with Statements on Standards for Accounting and Review Services by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial status. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Pearce, Bevill, Leesburg & Moore, P.C.



MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
THE ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES PRACTICE SECTION

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENTS OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 1992

ASSETS

| | |
|---|---|
| Current Assets | |
| Cash | $ 5,143 |
| Inventories | 589 |
| Total Current Assets | 5,732 |
| Property And Equipment | |
| Leasehold improvements | 38,330 |
| Equipment | 114,662 |
| Irrigation system | 105,365 |
| | 258,357 |
| Less accumulated depreciation | 118,363 |
| | 139,994 |
| | $ 145,726 |

LIABILITIES AND DEFICIENCY IN ASSETS

| | |
|---|---|
| Current Liabilities | |
| Note payable to bank | $ 272,500 |
| Note payable-other | 50,205 |
| Total Current Liabilities | 322,705 |
| Deficiency in Assets | |
| Common stock $10 par value per share; 100 shares authorized and outstanding | 1,000 |
| Paid-in capital | 147,200 |
| Accumulated deficit | (325,179) |
| | (176,979) |
| | $ 145,726 |

See accountant's compilation report.

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENT OF CASH REVENUES AND EXPENSES
AND ACCUMULATED DEFICIT

YEAR ENDED DECEMBER 31, 1992

| | |
|---|---|
| Revenues | |
| Golf fees, rental and sales | $ 344,652 |
| Vending | 7,433 |
| | 352,085 |
| Direct Expenses | |
| Course maintenance | |
| Labor | 63,516 |
| Soil maintenance | 27,193 |
| Equipment maintenance | 32,288 |
| Depreciation | 14,169 |
| Other | 6,198 |
| Golf operations | 65,110 |
| | 208,474 |
| | 143,611 |
| General and administrative expenses | 153,623 |
| Excess of Cash Expenses over Revenues | (10,012) |
| Accumulated deficit at January 1, 1992 | (315,167) |
| Accumulated deficit at December 31, 1992 | $ (325,179) |

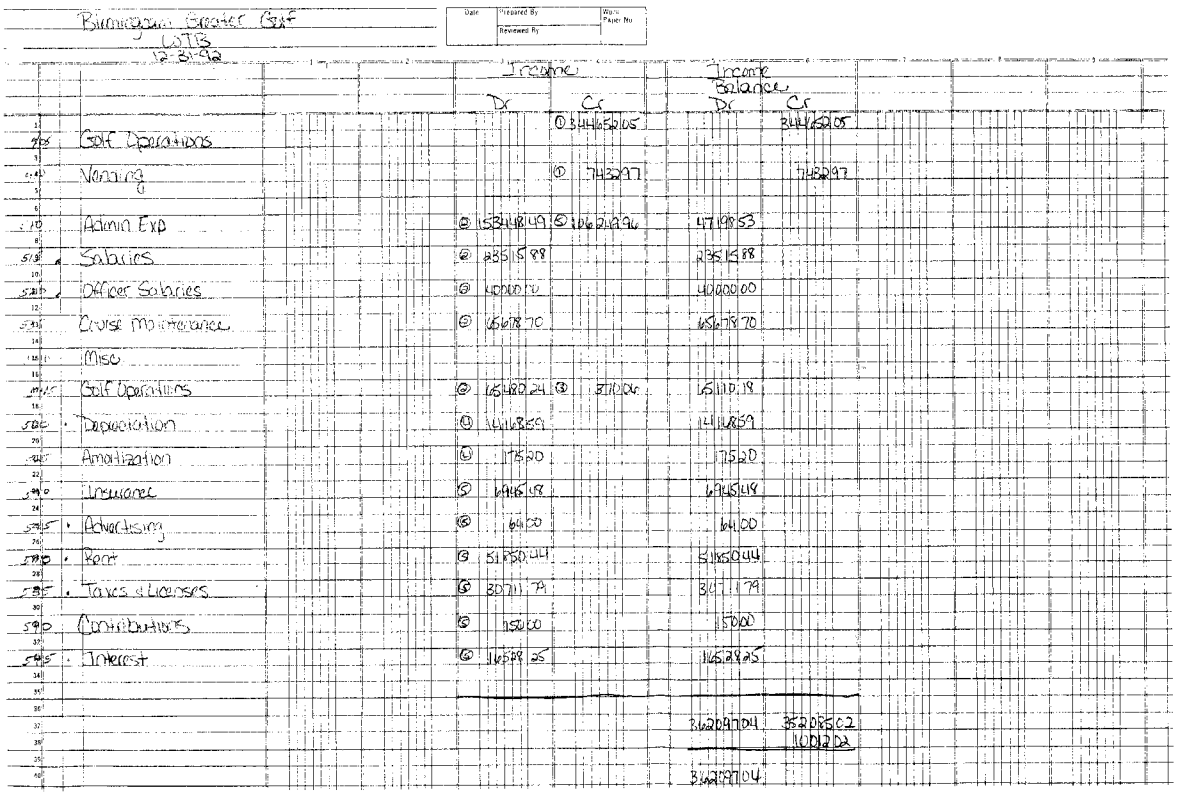
See accountant's compilation report.

Birmingham Greater Golf
Working Trial Balance
12-31-92

| Date | Prepared By | Work Paper No. |
|---|---|---|
| | Reviewed By | |

| | | Balance 12-31-91 Dr | Balance 12-31-91 Cr | Transactions & Adjustments Dr | Transactions & Adjustments Cr | Balance 12-31-92 Dr | Balance 12-31-92 Cr |
|---|---|---|---|---|---|---|---|
| 1 | Cash on hand | 107 86 | | | ③ 51 49 | 56 37 | |
| 2 | Cash in bank | 1125 20 | | ① 352085 02 | ② 348123 31 | 5086 91 | |
| 13 | Inventory | 167 85 | | ② 421 55 | | 589 40 | |
| 14 | Leasehold Improvements | 38330 31 | | | | 38330 31 | |
| 14 | Equipment | 114661 36 | | | | 114661 36 | |
| 14 | Irrigation System | 105364 90 | | | | 105364 90 | |
| 15 | Accumulated Depr. | | 104194 60 | | ④ 14168 59 | | 118363 19 |
| 16 | Organ. Expense | 75 20 | | | ④ 175 20 | -0- | |
| 21 | Note Payable Banks | | 272500 00 | | | | 272500 00 |
| 21 | Note Payable Hagan | | 50205 02 | | | | 50205 02 |
| 30 | Common Stock | | 1000 00 | | | | 1000 00 |
| 30 | Paid-in-Capital | | 147200 00 | | | | 147200 00 |
| 31 | Ret. Earnings | 315166 94 | | | | 315166 94 | |
| | | | | | | 579256 19 | 589268 21 |
| | | 575099 62 | 575099 62 | 821226 63 | 821226 63 | 10012 02 | |
| | | | | | | 589268 21 | 589268 21 |

NBC - 22500
[illegible] 50000 [illegible] Hagan
No change in balance


Birmingham Greater Golf
LWTB
12-31-96
Date
Prepared By
Reviewed By
Work Paper No
Income
Dr
Cr
Income Balance
Dr
Cr
Golf Operations
Vending
Admin Exp
Salaries
Officer Salaries
Cruise Maintenance
Misc
Golf Operations
Depreciation
Amortization
Insurance
Advertising
Rent
Taxes & Licenses
Contributions
Interest

Birmingham Greater Golf
Transactions + Adjustments
12-31-82

| Date | Prepared By | Work Paper No. |
|---|---|---|
| | Reviewed By | |

| | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| 1 | (1) Cash | | | 3520865 02 | |
| 2 | Golf Operations | | | | 344652 05 |
| 3 | Vending | | | | 7482 97 |
| 4 | | | | | |
| 5 | To record cash receipts | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | (2) Administration | | | 153448 49 | |
| 9 | Salaries | | | 23515 88 | |
| 10 | Golf Course Maintenance | | | 165678 70 | |
| 11 | Golf Operations | | | 165480 24 | |
| 12 | Offner Salaries | | | 40000 00 | |
| 13 | Cash | | | | 3491523 31 |
| 14 | | | | | |
| 15 | To record cash disbursements | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | (3) Inventory | | | 42155 | |
| 19 | Golf Operations | | | | 37006 |
| 20 | Cash on hand | | | | 5149 |
| 21 | | | | | |
| 22 | To record actual year | | | | |
| 23 | end amounts | | | | |
| 24 | | | | | |
| 25 | | | | | |
| 26 | (4) Depreciation Expense | | | 1411859 | |
| 27 | Amortization Exp. | | | 17520 | |
| 28 | Acc. Dep. | | | | 1411859 |
| 29 | Acc. Amort. | | | | 17520 |
| 30 | | | | | |
| 31 | To record current expenses | | | | |
| 32 | | | | | |
| 33 | | | | | |
| 34 | (5) Rent | | | 51850 44 | |
| 35 | Advertising | | | 6400 | |
| 36 | Taxes & Lic. | | | 307111 79 | |
| 37 | Contributions | | | 1500 00 | |
| 38 | Interest | | | 165218 25 | |
| 39 | Insurance | | | 16445 48 | |
| 40 | Administration | | | | 1062499 96 |
| | To reclass exp. | | | | |

Form 1140 • H G Professional Forms • Omaha, Ne. 68102 DATE _____ W. P. No. _____

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

COMPILED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1993

**PEARCE, BEVILL, LEESBURG & MOORE, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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March 16, 1994

Board of Directors
Birmingham Greater Golf Associates, Inc.
Birmingham, Alabama

We have compiled the accompanying statement of assets and liabilities arising from cash transactions of Birmingham Greater Golf Associates, Inc. as of December 31, 1993, and the related statement of cash revenues and expenses for the year than ended, in accordance with Statements on Standards for Accounting and Review Services by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial status. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Pearce, Bevill, Leesburg & Moore, P.C.



MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
THE ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES PRACTICE SECTION

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENTS OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 1993

ASSETS

| | |
|---|---|
| Current Assets | |
| Cash | $ 5,409 |
| Inventories | 1,088 |
| Total Current Assets | 6,497 |
| Property And Equipment | |
| Leasehold improvements | 38,330 |
| Equipment | 115,435 |
| Irrigation system | 105,365 |
| Land improvements | 54,991 |
| | 314,121 |
| Less accumulated depreciation | 135,856 |
| | 178,265 |
| | $ 184,762 |

LIABILITIES AND DEFICIENCY IN ASSETS

| | |
|---|---|
| Current Liabilities | |
| Note payable-bank | $ 32,000 |
| Note payable-other | 359,148 |
| Total Current Liabilities | 391,148 |
| Deficiency in Assets | |
| Common stock $10 par value per share; 100 shares authorized and outstanding | 1,000 |
| Paid-in capital | 147,200 |
| Accumulated deficit | (354,586) |
| | (206,386) |
| | $ 184,762 |

See accountant's compilation report.

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENT OF CASH REVENUES AND EXPENSES
AND ACCUMULATED DEFICIT

YEAR ENDED DECEMBER 31, 1993

| | |
|---|---|
| Revenues | |
| Golf fees, rental and sales | $ 352,341 |
| Other income | 369 |
| | 352,710 |
| Direct Expenses | |
| Course maintenance | |
| Labor | 66,310 |
| Soil maintenance | 13,993 |
| Equipment maintenance | 43,855 |
| Depreciation | 17,493 |
| Other | 7,715 |
| Golf operations | 77,535 |
| | 226,901 |
| | 125,809 |
| General and administrative expenses | 155,216 |
| Excess of Cash Expenses over Revenues | (29,407) |
| Accumulated deficit at January 1, 1993 | (325,179) |
| Accumulated deficit at December 31, 1993 | $ (354,586) |

See accountant's compilation report.

REPORT DATE: 03/14/94 TIME: 19:00:23 | BIRMINGHAM GREATER GOLF ASSOC., INC. | PAGE 1
PREPARED BY: | TRIAL BALANCE WORKSHEET
PEARCE, BEVILL, LEESBURG & MOORE PC | December 31, 1993

| ACCOUNT NUMBER | DESCRIPTION | PRIOR YEAR BALANCE | CURRENT YEAR BALANCE | AJE | ADJUSTMENTS | ADJUSTED BALANCE |
|---|---|---|---|---|---|---|
| 1010 | CASH ON HAND | 56.37 | 56.37 | 1 | 2.94 | 59.31 |
| 1015 | CASH | 5,086.91 | 5,638.29 | 4 | -290.25 | 5,348.04 |
| 1300 | INVENTORY | 589.40 | 589.40 | 1 | 499.04 | 1,088.44 |
| 1410 | LEASEHOLD IMPROVEMENTS | 38,330.31 | 38,330.31 | | | 38,330.31 |
| 1420 | EQUIPMENT | 114,661.36 | 115,435.36 | | | 115,435.36 |
| 1430 | IRRIGATION SYSTEM | 105,364.90 | 105,364.90 | | | 105,364.90 |
| 1440 | LAND IMPROVEMENTS | 0.00 | 54,991.48 | | | 54,991.48 |
| 1500 | ACCUMULATED DEPRECIATION | -118,363.19 | -118,363.19 | 6 | -17,493.00 | -135,856.19 |
| 1600 | ORGANIZATION COST | 3,506.00 | 3,506.00 | | | 3,506.00 |
| 1650 | ACCUMULATED AMORTIZATION | -3,506.00 | -3,506.00 | | | -3,506.00 |
| | Total Assets | 145,726.06 | 202,042.92 | | -17,281.27 | 184,761.65 |

REPORT DATE: 03/14/94 TIME: 19:00:24 | BIRMINGHAM GREATER GOLF ASSOC., INC. | PAGE 7
PREPARED BY: | TRIAL BALANCE WORKSHEET
PEARCE, BEVILL, LEESBURG & MOORE PC | December 31, 1993

| ACCOUNT NUMBER | DESCRIPTION | PRIOR YEAR BALANCE | CURRENT YEAR BALANCE | AJE | ADJUSTMENTS | ADJUSTED BALANCE |
|---|---|---|---|---|---|---|
| 2105 | NOTE PAYABLE - NBC | -222,500.00 | 0.00 | | | 0.00 |
| 2110 | NOTE PAYABLE - AMSOUTH | -50,000.00 | 0.00 | | | 0.00 |
| 2115 | NOTE PAYABLE - FIRST COMMERCIAL | 0.00 | -32,000.00 | | | -32,000.00 |
| 2120 | NOTE PAYABLE - CITY OF BIRMINGH | 0.00 | -349,156.36 | 4 | 8.69 | -349,147.67 |
| 2150 | NOTE PAYABLE - WILLIS HAGAN | -50,205.02 | -8,535.86 | 4 | -1,464.14 | -10,000.00 |
| | Total Liabilities | -322,705.02 | -389,692.22 | | -1,455.45 | -391,147.67 |
| 3000 | COMMON STOCK | -1,000.00 | -1,000.00 | | | -1,000.00 |
| 3050 | PAID IN CAPITAL | -147,200.00 | -147,200.00 | | | -147,200.00 |
| 3100 | RETAINED EARNINGS | 315,166.94 | 325,178.96 | | | 325,178.96 |
| | Net Income | 10,012.02 | 10,670.34 | | 18,736.72 | 29,407.06 |
| | Total Equity | 176,978.96 | 187,649.30 | | 18,736.72 | 206,386.02 |
| | Total Liabilities and Equity | -145,726.06 | -202,042.92 | | 17,281.27 | -184,761.65 |

REPORT DATE: 03/14/94 TIME: 19:00:25 | BIRMINGHAM GREATER GOLF ASSOC., INC. | PAGE 3
PREPARED BY: | TRIAL BALANCE WORKSHEET
PEARCE, BEVILL, LEESBURG & MOORE PC | December 31, 1993

| ACCOUNT NUMBER | DESCRIPTION | PRIOR YEAR BALANCE | CURRENT YEAR BALANCE | AJE | ADJUSTMENTS | ADJUSTED BALANCE |
|---|---|---|---|---|---|---|
| 4050 | GOLF OPERATIONS | -344,652.05 | -352,341.36 | | | -352,341.36 |
| 4100 | VENDING | -7,432.97 | 0.00 | | | 0.00 |
| 4200 | INTEREST INCOME | 0.00 | 0.00 | | | 0.00 |
| 4250 | OTHER INCOME | 0.00 | 0.00 | 5 | -368.97 | -368.97 |
| | Total Revenue | -352,085.02 | -352,341.36 | | -368.97 | -352,710.33 |
| 5100 | ADMINISTRATIVE EXPENSES | 47,198.53 | 155,216.25 | 3 | -122,318.70 | 32,897.55 |
| 5150 | SALARIES | 23,515.88 | 66,310.10 | 2 | -48,153.84 | 18,156.26 |
| 5200 | OFFICER SALARIES | 40,000.00 | 0.00 | 2 | 48,153.84 | 48,153.84 |
| 5350 | COURSE MAINTENANCE | 65,678.70 | 65,562.89 | | | 65,562.89 |
| 5400 | MISCELLANEOUS EXPENSE | 0.00 | -2,114.67 | 4 | 281.56 | 0.00 |
| | | | | 4 | 1,464.14 | |
| | | | | 5 | 368.97 | |
| 5450 | GOLF OPERATIONS | 65,110.18 | 78,037.13 | 1 | -501.98 | 77,535.15 |
| 5600 | DEPRECIATION | 14,168.59 | 0.00 | 6 | 17,493.00 | 17,493.00 |
| 5650 | AMORTIZATION | 175.20 | 0.00 | | | 0.00 |
| 5700 | INSURANCE | 6,945.48 | 0.00 | 3 | 7,957.44 | 7,957.44 |
| 5750 | ADVERTISING | 64.00 | 0.00 | 3 | 99.00 | 99.00 |
| 5800 | RENT | 51,850.44 | 0.00 | 3 | 69,923.55 | 69,923.55 |
| 5850 | TAXES & LICENSES | 30,711.79 | 0.00 | 3 | 17,065.65 | 27,813.44 |
| | | | | 3 | 8,278.43 | |
| | | | | 3 | 780.01 | |
| | | | | 3 | 1,689.35 | |
| 5900 | CONTRIBUTIONS | 150.00 | 0.00 | | | 0.00 |
| 5950 | INTEREST | 16,528.25 | 0.00 | 3 | 16,525.27 | 16,525.27 |
| | Total Expense | 362,097.04 | 383,011.70 | | 19,105.69 | 382,117.39 |
| | Net Income | 10,012.02 | 10,670.34 | | 18,736.72 | 29,407.06 |

REPORT DATE: 03/14/94 TIME: 19:01:12 | BIRMINGHAM GREATER GOLF ASSOC., INC. | PAGE 1
PREPARED BY: | ADJUSTING JOURNAL ENTRIES
PEARCE, BEVILL, LEESBURG & MOORE PC | Year End Date: 12/31/93

| AJE | ACCOUNT DESCRIPTION | W/P REF. | ACCOUNT NUMBER | ADJUSTMENTS DEBITS | ADJUSTMENTS CREDITS |
|---|---|---|---|---|---|
| 1 | INVENTORY | | 1300 | 499.04 | |
| 1 | CASH ON HAND | | 1010 | 2.94 | |
| 1 | GOLF OPERATIONS | | 5450 | | 501.98 |
| | TO RECORD ACTUAL AMOUNTS | | | | |
| 2 | OFFICER SALARIES | | 5200 | 48,153.84 | |
| 2 | SALARIES | | 5150 | | 48,153.84 |
| | TO RECLASSIFY | | | | |
| 3 | INSURANCE | | 5700 | 7,957.44 | |
| 3 | TAXES & LICENSES | | 5850 | 17,065.65 | |
| 3 | TAXES & LICENSES | | 5850 | 8,278.43* | |
| 3 | TAXES & LICENSES | | 5850 | 780.01 | |
| 3 | TAXES & LICENSES | | 5850 | 1,689.35 | |
| 3 | RENT | | 5800 | 69,923.55 | |
| 3 | INTEREST | | 5950 | 16,525.27 | |
| 3 | ADVERTISING | | 5750 | 99.00 | |
| 3 | ADMINISTRATIVE EXPENSES | | 5100 | | 122,318.70 |
| | TO RECLASSIFY | | | | |
| 4 | NOTE PAYABLE - CITY OF BIRMINGHAM | | 2120 | 8.69 | |
| 4 | CASH | | 1015 | | 290.25 |
| 4 | MISCELLANEOUS EXPENSE | | 5400 | 281.56 | |
| 4 | NOTE PAYABLE - WILLIS HAGAN | | 2150 | | 1,464.14 |
| 4 | MISCELLANEOUS EXPENSE | | 5400 | 1,464.14 | |
| | TO ADJUST TO PROPER BALANCE | | | | |
| 5 | MISCELLANEOUS EXPENSE | | 5400 | 368.97 | |
| 5 | OTHER INCOME | | 4250 | | 368.97 |
| | TO RECLASSIFY | | | | |
| 6 | DEPRECIATION | F-1 | 5600 | 17,493.00 | |
| 6 | ACCUMULATED DEPRECIATION | | 1500 | | 17,493.00 |
| | TO RECORD DEPRECIATION | | | | |
| | | | | 190,590.88 | 190,590.88 |

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

COMPILED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1994

**PEARCE, BEVILL, LEESBURG & MOORE, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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| Accountant's Compilation Report | 3 |
| Financial Statements | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 4 |
| Statement of Cash Revenues and Expenses and Accumulated Deficit | 5 |

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KIMBERLY D. McMAIR
ROBERT P. JOGERS
CHERYL L. SWARTS
ROBIN A. WALDRUP

March 8, 1995

Board of Directors
Birmingham Greater Golf Associates, Inc.
Birmingham, Alabama

We have compiled the accompanying statement of assets and liabilities arising from cash transactions of Birmingham Greater Golf Associates, Inc. as of December 31, 1994, and the related statement of cash revenues and expenses for the year than ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Pearce, Bevill, Leesburg & Moore, P.C.



MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
THE ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES PRACTICE SECTION

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENTS OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 1994

ASSETS

| | |
|---|---|
| Current Assets | |
| Cash | $ 4,907 |
| Inventories | 1,393 |
| Total Current Assets | 6,300 |
| Property And Equipment | |
| Leasehold improvements | 83,666 |
| Equipment | 125,090 |
| Irrigation system | 105,365 |
| | 314,121 |
| Less accumulated depreciation | 155,889 |
| | 158,232 |
| | $ 164,532 |

LIABILITIES AND DEFICIENCY IN ASSETS

| | |
|---|---|
| Current Liabilities | |
| Note payable-bank | $ 32,000 |
| Note payable-other | 343,535 |
| Total Current Liabilities | 375,535 |
| Deficiency in Assets | |
| Common stock $10 par value per share; 100 shares authorized, issued and outstanding | 1,000 |
| Additional paid-in capital | 147,200 |
| Accumulated deficit | (359,203) |
| | (211,003) |
| | $ 164,532 |

See accountant's compilation report.

BIRMINGHAM GREATER GOLF ASSOCIATES, INC.

STATEMENT OF CASH REVENUES AND EXPENSES
AND ACCUMULATED DEFICIT

YEAR ENDED DECEMBER 31, 1994

| | |
|---|---|
| Revenues | $ 339,028 |
| Direct Expenses | |
| Course maintenance | |
| Labor | 99,150 |
| Soil maintenance | 6,045 |
| Equipment maintenance | 36,912 |
| Depreciation | 20,033 |
| Other | 8,257 |
| Golf operations | 28,581 |
| | 198,978 |
| | 140,050 |
| General and administrative expenses | 144,667 |
| Excess of Cash Expenses over Revenues | (4,617) |
| Accumulated deficit at January 1, 1994 | (354,586) |
| Accumulated deficit at December 31, 1994 | $ (359,203) |

See accountant's compilation report.

03/04/95 04:32 PM — BIRMINGHAM GREATER GOLF ASSOC., INC. — PAGE: 1

Pearce, Bevill, Leesburg, & Moore, P.C. — Working Trial Balance - Adjusted — December 31, 1994 — Prepared by: — Reviewed by:

| Account Description | W/P Ref | Adjusted Balance 12/31/93 | Unadjusted Balance 12/31/94 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/94 |
|---|---|---|---|---|---|---|
| 1010 CASH ON HAND | | 59.31 | 59.31 | 1 | 40.96 | 100.27 |
| 1015 CASH | | 5,348.04 | 4,806.03 | 1 | -0.60 | 4,805.43 |
| 1300 INVENTORY | | 1,088.44 | 1,088.44 | 2 | 304.66 | 1,393.10 |
| 1410 LEASEHOLD IMPROVEMENTS | | 38,330.31 | 38,330.31 | 6 | 45,336.50 | 83,666.81 |
| 1420 EQUIPMENT | | 115,435.36 | 115,435.36 | 6 | 9,654.98 | 125,090.34 |
| 1430 IRRIGATION SYSTEM | | 105,364.90 | 105,364.90 | | | 105,364.90 |
| 1440 LAND IMPROVEMENTS | | 54,991.48 | 54,991.48 | 6 | -54,991.48 | 0.00 |
| 1500 ACCUMULATED DEPRECIATION | | -135,856.19 | -135,856.19 | 7 | -20,032.55 | -155,888.74 |
| 1600 ORGANIZATION COST | | 3,506.00 | 3,506.00 | | | 3,506.00 |
| 1650 ACCUMULATED AMORTIZATION | | -3,506.00 | -3,506.00 | | | -3,506.00 |
| Asset | | 184,761.65 | 184,219.64 | | -19,687.53 | 164,532.11 |
| Total Assets | | 184,761.65 | 184,219.64 | | -19,687.53 | 164,532.11 |

03/04/95 04:32 PM — BIRMINGHAM GREATER GOLF ASSOC., INC. — PAGE: 2

Working Trial Balance - Adjusted — Prepared by:

Pearce, Bevill, Leesburg, & Moore, P.C. — December 31, 1994 — Reviewed by:

| Account | Description | W/P Ref | Adjusted Balance 12/31/93 | Unadjusted Balance 12/31/94 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/94 |
|---|---|---|---|---|---|---|---|
| 2105 | NOTE PAYABLE - NBC | | 0.00 | 0.00 | | | 0.00 |
| 2110 | NOTE PAYABLE - AMSOUTH | | 0.00 | 0.00 | | | 0.00 |
| 2115 | NOTE PAYABLE - FIRST COMMERCI | | -32,000.00 | -32,000.00 | | | -32,000.00 |
| 2120 | NOTE PAYABLE - CITY OF BIRMIN | | -349,147.67 | -316,967.58 | | | -316,967.58 |
| 2150 | NOTE PAYABLE - WILLIS HAGAN | | -10,000.00 | -10,000.00 | 3 | -1,567.07 | -11,567.07 |
| 2155 | NOTE PAYABLE - JAMES MAJOR | | 0.00 | -15,000.00 | | | -15,000.00 |
| | Liabilitiy | | -391,147.67 | -373,967.58 | | -1,567.07 | -375,534.65 |
| | Total Liabilities | | -391,147.67 | -373,967.58 | | -1,567.07 | -375,534.65 |
| 3000 | COMMON STOCK | | -1,000.00 | -1,000.00 | | | -1,000.00 |
| 3050 | PAID IN CAPITAL | | -147,200.00 | -147,200.00 | | | -147,200.00 |
| 3100 | RETAINED EARNINGS | | 325,178.96 | 354,586.02 | | | 354,586.02 |
| | Equity | | 176,978.96 | 206,386.02 | | 0.00 | 206,386.02 |
| | Net (Income) Loss | | 29,407.06 | -16,638.08 | | 21,254.60 | 4,616.52 |
| | Total Equity | | 206,386.02 | 189,747.94 | | 21,254.60 | 211,002.54 |
| | Total Liabilities and Equity | | -184,761.65 | -184,219.64 | | 19,687.53 | -164,532.11 |

03/04/95 04:32 PM — BIRMINGHAM GREATER GOLF ASSOC., INC. — PAGE: 3

Working Trial Balance - Adjusted

Pearce, Bevill, Leesburg, & Moore, P.C. — December 31, 1994 — Prepared by: / Reviewed by:

| Account | Description | W/P Ref | Adjusted Balance 12/31/93 | Unadjusted Balance 12/31/94 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/94 |
|---|---|---|---|---|---|---|---|
| 4050 | GOLF OPERATIONS | | -352,341.36 | -368,782.39 | 4 | 29,754.00 | -339,028.39 |
| 4100 | VENDING | | 0.00 | 0.00 | | | 0.00 |
| 4200 | INTEREST INCOME | | 0.00 | 0.00 | | | 0.00 |
| 4250 | OTHER INCOME | | -368.97 | 0.00 | | | 0.00 |
| | Revenue | | -352,710.33 | -368,782.39 | | 29,754.00 | -339,028.39 |
| | Total Revenue | | -352,710.33 | -368,782.39 | | 29,754.00 | -339,028.39 |
| 5100 | ADMINISTRATIVE EXPENSES | | 32,897.55 | 136,960.10 | 5 | -113,485.31 | 23,474.79 |
| 5150 | SALARIES | | 18,156.26 | 95,444.39 | 4 | -26,294.00 | 69,150.39 |
| 5200 | OFFICER SALARIES | | 48,153.84 | 0.00 | 5 | 30,000.00 | 30,000.00 |
| 5350 | COURSE MAINTENANCE | | 65,562.89 | 42,957.08 | | | 42,957.08 |
| 5400 | MISCELLANEOUS EXPENSE | | 0.00 | 8,536.94 | 5 | 160.00 | 8,256.58 |
| | | | | | 4 | -400.00 | |
| | | | | | 1 | -40.36 | |
| 5450 | GOLF OPERATIONS | | 77,535.15 | 68,245.80 | 4 | -1,500.00 | 28,581.14 |
| | | | | | 4 | -1,560.00 | |
| | | | | | 2 | -304.66 | |
| | | | | | 5 | -36,300.00 | |
| 5600 | DEPRECIATION | | 17,493.00 | 0.00 | 7 | 20,032.55 | 20,032.55 |
| 5650 | AMORTIZATION | | 0.00 | 0.00 | | | 0.00 |
| 5700 | INSURANCE | | 7,957.44 | 0.00 | 5 | 5,042.14 | 6,722.85 |
| | | | | | 5 | 1,680.71 | |
| 5750 | ADVERTISING | | 99.00 | 0.00 | 5 | 183.59 | 183.59 |
| 5800 | RENT | | 69,923.55 | 0.00 | 5 | 26,620.35 | 62,920.35 |
| | | | | | 5 | 36,300.00 | |
| 5850 | TAXES & LICENSES | | 27,813.44 | 0.00 | 5 | 1,231.53 | 36,590.34 |
| | | | | | 5 | 337.50 | |
| | | | | | 5 | 69.25 | |
| | | | | | 5 | 405.70 | |
| | | | | | 5 | 40.00 | |
| | | | | | 5 | 24,764.64 | |
| | | | | | 5 | 8,174.65 | |
| | | | | | 3 | 217.59 | |
| | | | | | 3 | 670.20 | |
| | | | | | 3 | 679.28 | |
| 5900 | CONTRIBUTIONS | | 0.00 | 0.00 | | | 0.00 |
| 5950 | INTEREST | | 16,525.27 | 0.00 | 5 | 14,775.25 | 14,775.25 |
| | Expense | | 382,117.39 | 352,144.31 | | -8,499.40 | 343,644.91 |
| | Total Expense | | 382,117.39 | 352,144.31 | | -8,499.40 | 343,644.91 |

| Account Description | W/P Ref | Adjusted Balance 12/31/93 | Unadjusted Balance 12/31/94 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/94 |
|---|---|---|---|---|---|---|
| Net (Income) Loss | | 29,407.06 | -16,638.08 | | 21,254.60 | 4,616.52 |

03/04/95 04:32 PM
Pearce, Bevill, Leesburg, & Moore, P.C.

BIRMINGHAM GREATER GOLF ASSOC., INC.
Journal Entry Listing - Adjusting
December 31, 1994


Prepared by:
Reviewed by:

| Number | W/P Ref | Date | Status | Rec | Rev | Account | Description | Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | A-1 | 12/31/94 | Booked | No | No | 1015 | CASH | -0.60 |
| | | | | | | 1010 | CASH ON HAND | 40.96 |
| | | | | | | 5400 | MISCELLANEOUS EXPENSE | -40.36 |
| | | | | | | | TO ADJUST CASH TO PROPER BALANCES | |
| 2 | A-1 | 12/31/94 | Booked | No | No | 1300 | INVENTORY | 304.66 |
| | | | | | | 5450 | GOLF OPERATIONS | -304.66 |
| | | | | | | | TO ADJUST TO ENDING BALANCE | |
| 3 | P-1 | 12/31/94 | Booked | No | No | 5850 | TAXES & LICENSES | 679.28 |
| | | | | | | 5850 | TAXES & LICENSES | 217.59 |
| | | | | | | 5850 | TAXES & LICENSES | 670.20 |
| | | | | | | 2150 | NOTE PAYABLE - WILLIS HAGAN | -1,567.07 |
| | | | | | | | TO RECORD SALES TAX PAID BY WILLIS HAGAN | |
| 4 | P-1 | 12/31/94 | Booked | No | No | 4050 | GOLF OPERATIONS | 29,754.00 |
| | | | | | | 5150 | SALARIES | -26,294.00 |
| | | | | | | 5450 | GOLF OPERATIONS | -1,500.00 |
| | | | | | | 5450 | GOLF OPERATIONS | -1,560.00 |
| | | | | | | 5400 | MISCELLANEOUS EXPENSE | -400.00 |
| | | | | | | | TO ADJUST FOR MONEY GIVEN BY THE CITY OF BIRMINGHAM FOR IMPROVEMENTS. NEW TEE, TEE MARKER, AND IRRIGATION OF NEW TEE. | |
| 5 | U-1 | 12/31/94 | Booked | No | No | 5950 | INTEREST | 14,775.25 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -113,485.31 |
| | | | | | | 5850 | TAXES & LICENSES | 1,231.53 |
| | | | | | | 5750 | ADVERTISING | 183.59 |
| | | | | | | 5850 | TAXES & LICENSES | 337.50 |
| | | | | | | 5850 | TAXES & LICENSES | 40.00 |
| | | | | | | 5850 | TAXES & LICENSES | 405.70 |
| | | | | | | 5850 | TAXES & LICENSES | 69.25 |
| | | | | | | 5400 | MISCELLANEOUS EXPENSE | 160.00 |
| | | | | | | 5700 | INSURANCE | 5,042.14 |
| | | | | | | 5850 | TAXES & LICENSES | 24,764.64 |
| | | | | | | 5850 | TAXES & LICENSES | 8,174.65 |
| | | | | | | 5700 | INSURANCE | 1,680.71 |
| | | | | | | 5800 | RENT | 26,620.35 |
| | | | | | | 5800 | RENT | 36,300.00 |
| | | | | | | 5450 | GOLF OPERATIONS | -36,300.00 |

| Number | W/P Ref | Date | Status | Rec | Rev | Account | Description | Amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 5200 | OFFICER SALARIES | 30,000.00 |
| | | | | | | | TO RECLASSIFY EXPENSES | |
| 6 | | 12/31/94 | Booked | No | No | 1410 | LEASEHOLD IMPROVEMENTS | 45,336.50 |
| | | | | | | 1440 | LAND IMPROVEMENTS | -54,991.48 |
| | | | | | | 1420 | EQUIPMENT | 9,654.98 |
| | | | | | | | TO RECLASSIFY | |
| 7 | f-1 | 12/31/94 | Booked | No | No | 5600 | DEPRECIATION | 20,032.55 |
| | | | | | | 1500 | ACCUMULATED DEPRECIATION | -20,032.55 |
| | | | | | | | TO RECORD DEPRECIATION EXPENSE | |

BIRMINGHAM RECREATION, INC.

COMPILED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1995

PEARCE, BEVILL, LEESBURG & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS


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| Accountant's Compilation Report | 3 |
| Financial Statements | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 4 |
| Statement of Cash Revenues, Expenses and Accumulated Deficit | 5 |

**PEARCE, BEVILL, LEESBURG & MOORE, P.C.**

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ROBIN A. WALDRUP
J. ANDREW PESTERFIELD
KEVIN T. GREEN
E. MONTILE PARROTT
TIMOTHY E. MOORE
J. WES YEATMAN

March 4, 1996

Board of Directors
Birmingham Recreation, Inc.
Birmingham, Alabama

We have compiled the accompanying statement of assets and liabilities arising from cash transactions of Birmingham Recreation, Inc. as of December 31, 1995, and the related statement of cash revenues, expenses and accumulated deficit for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Pearce, Bevill, Leesburg & Moore, P.C.



MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
THE ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES PRACTICE SECTION

BIRMINGHAM RECREATION, INC.

STATEMENTS OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 1995

ASSETS

| | |
|---|---|
| Current Assets | |
| Cash | $ 8,882 |
| Inventories | 1,623 |
| Total Current Assets | 10,505 |
| Property and Equipment | |
| Leasehold improvements | 73,263 |
| Equipment | 121,797 |
| Irrigation system | 105,365 |
| | 300,425 |
| Less accumulated depreciation | 170,394 |
| | 130,031 |
| | $ 140,536 |

LIABILITIES AND DEFICIENCY IN ASSETS

| | |
|---|---|
| Current Liabilities | |
| Note payable-bank | $ 32,000 |
| Note payable-other | 310,044 |
| Total Current Liabilities | 342,044 |
| Deficiency in Assets | |
| Common stock $10 par value per share; 100 shares authorized, issued and outstanding | 1,000 |
| Additional paid-in capital | 147,200 |
| Accumulated deficit | (349,708) |
| | (201,508) |
| | $ 140,536 |

See accountant's compilation report.

BIRMINGHAM RECREATION, INC.

STATEMENT OF CASH REVENUES, EXPENSES
AND ACCUMULATED DEFICIT

YEAR ENDED DECEMBER 31, 1995

| | |
|---|---|
| Revenues | $ 311,644 |
| Direct Expenses | |
| Course maintenance | |
| Labor | 96,704 |
| Maintenance | 47,152 |
| Depreciation | 17,921 |
| Other | 7,599 |
| Golf operations | 18,311 |
| | 187,687 |
| | 123,957 |
| General and administrative expenses | 104,181 |
| Operating Income | 19,776 |
| Loss on disposal of property | (10,281) |
| Excess of Revenues over Expenses | 9,495 |
| Accumulated deficit at January 1, 1995 | (359,203) |
| Accumulated deficit at December 31, 1995 | $ (349,708) |

See accountant's compilation report.

11/12/96 10:14 am

Pearce, Bevill, Leesburg, & Moore, P.C.

BIRMINGHAM GREATER GOLF ASSOC., INC.
Working Trial Balance - Adjusted
December 31, 1995

PAGE: 1
Prepared by:
Reviewed by:

| Account | Description | W/P Ref | Adjusted Balance 12/31/94 | Unadjusted Balance 12/31/95 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/95 |
|---|---|---|---|---|---|---|---|
| 1010 | CASH ON HAND | | 100.27 | 100.27 | 2 | 99.73 | 200.00 |
| 1011 | PETTY CASH | | 0.00 | 0.00 | 2 | 200.00 | 200.00 |
| 1015 | CASH | | 4,805.43 | 8,482.28 | | | 8,482.28 |
| 1300 | INVENTORY | | 1,393.10 | 1,393.10 | 3 | 229.70 | 1,622.80 |
| 1410 | LEASEHOLD IMPROVEMENTS | | 83,666.81 | 83,666.81 | 6 | -10,403.78 | 73,263.03 |
| 1420 | EQUIPMENT | | 125,090.34 | 125,090.34 | 6 | -3,293.00 | 121,797.34 |
| 1430 | IRRIGATION SYSTEM | | 105,364.90 | 105,364.90 | | | 105,364.90 |
| 1440 | LAND IMPROVEMENTS | | 0.00 | 0.00 | | | 0.00 |
| 1500 | ACCUMULATED DEPRECIATION | | -155,888.74 | -155,888.74 | 5 | -17,920.87 | -170,393.94 |
| | | | | | 6 | 3,415.67 | |
| 1600 | ORGANIZATION COST | | 3,506.00 | 3,506.00 | | | 3,506.00 |
| 1650 | ACCUMULATED AMORTIZATION | | -3,506.00 | -3,506.00 | | | -3,506.00 |
| | Asset | | 164,532.11 | 168,208.96 | | -27,672.55 | 140,536.41 |
| | Total Assets | | 164,532.11 | 168,208.96 | | -27,672.55 | 140,536.41 |

BIRMINGHAM GREATER GOLF ASSOC., INC.
Working Trial Balance - Adjusted
December 31, 1995



| Account | Description | W/P Ref | Adjusted Balance 12/31/94 | Unadjusted Balance 12/31/95 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/95 |
|---|---|---|---|---|---|---|---|
| 2105 | NOTE PAYABLE - NBC | | 0.00 | 0.00 | | | 0.00 |
| 2110 | NOTE PAYABLE - AMSOUTH | | 0.00 | 0.00 | | | 0.00 |
| 2115 | NOTE PAYABLE - FIRST COMMERCI | | -32,000.00 | -32,000.00 | | | -32,000.00 |
| 2120 | NOTE PAYABLE - CITY OF BIRMIN | | -316,967.58 | -283,476.43 | | | -283,476.43 |
| 2150 | NOTE PAYABLE - WILLIS HAGAN | | -11,567.07 | -11,567.07 | | | -11,567.07 |
| 2155 | NOTE PAYABLE - JAMES MAJOR | | -15,000.00 | -15,000.00 | | | -15,000.00 |
| | Liabilitiy | | -375,534.65 | -342,043.50 | | 0.00 | -342,043.50 |
| | Total Liabilities | | -375,534.65 | -342,043.50 | | 0.00 | -342,043.50 |
| 3000 | COMMON STOCK | | -1,000.00 | -1,000.00 | | | -1,000.00 |
| 3050 | PAID IN CAPITAL | | -147,200.00 | -147,200.00 | | | -147,200.00 |
| 3100 | RETAINED EARNINGS | | 354,586.02 | 359,202.54 | | | 359,202.54 |
| | Equity | | 206,386.02 | 211,002.54 | | 0.00 | 211,002.54 |
| | Net (Income) Loss | | 4,616.52 | -37,168.00 | | 27,672.55 | -9,495.45 |
| | Total Equity | | 211,002.54 | 173,834.54 | | 27,672.55 | 201,507.09 |
| | Total Liabilities and Equity | | -164,532.11 | -168,208.96 | | 27,672.55 | -140,536.41 |

| Account | Description | W/P Ref | Adjusted Balance 12/31/94 | Unadjusted Balance 12/31/95 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/95 |
|---|---|---|---|---|---|---|---|
| 4050 | GOLF OPERATIONS | | -339,028.39 | -336,541.13 | 4 | 24,897.30 | -311,643.83 |
| 4100 | VENDING | | 0.00 | 0.00 | | | 0.00 |
| 4200 | INTEREST INCOME | | 0.00 | 0.00 | | | 0.00 |
| 4250 | OTHER INCOME | | 0.00 | 0.00 | | | 0.00 |
| | Revenue | | -339,028.39 | -336,541.13 | | 24,897.30 | -311,643.83 |
| | Total Revenue | | -339,028.39 | -336,541.13 | | 24,897.30 | -311,643.83 |
| 5100 | ADMINISTRATIVE EXPENSES | | 23,474.79 | 130,018.00 | 1 | -42,903.94 | 7,113.25 |
| | | | | | 4 | -83,344.37 | |
| | | | | | 7 | 3,343.56 | |
| 5150 | SALARIES | | 69,150.39 | 65,368.80 | 7 | -3,343.56 | 64,703.75 |
| | | | | | 4 | -8,025.43 | |
| | | | | | 1 | 10,903.94 | |
| | | | | | 2 | -200.00 | |
| 5200 | OFFICER SALARIES | | 30,000.00 | 0.00 | 1 | 32,000.00 | 32,000.00 |
| 5350 | COURSE MAINTENANCE | | 42,957.08 | 48,158.27 | 4 | -1,006.64 | 47,151.63 |
| 5400 | MISCELLANEOUS EXPENSE | | 8,256.58 | 7,482.38 | 4 | 117.00 | 7,599.38 |
| 5450 | GOLF OPERATIONS | | 28,581.14 | 52,203.68 | 2 | -99.73 | 18,310.96 |
| | | | | | 3 | -229.70 | |
| | | | | | 4 | -33,563.29 | |
| 5600 | DEPRECIATION | | 20,032.55 | 0.00 | 5 | 17,920.87 | 17,920.87 |
| 5650 | AMORTIZATION | | 0.00 | 0.00 | | | 0.00 |
| 5700 | INSURANCE | | 6,722.85 | -3,858.00 | 4 | 9,282.00 | 11,394.32 |
| | | | | | 4 | 1,341.38 | |
| | | | | | 4 | 4,628.94 | |
| 5750 | ADVERTISING | | 183.59 | 0.00 | | | 0.00 |
| 5800 | RENT | | 62,920.35 | 0.00 | 4 | 24,000.00 | 61,054.23 |
| | | | | | 4 | 33,082.60 | |
| | | | | | 4 | 2,484.35 | |
| | | | | | 4 | 1,487.28 | |
| 5850 | TAXES & LICENSES | | 36,590.34 | 0.00 | 4 | 9,192.15 | 9,192.15 |
| 5900 | CONTRIBUTIONS | | 0.00 | 0.00 | 4 | 100.00 | 100.00 |
| 5950 | INTEREST | | 14,775.25 | 0.00 | 4 | 15,326.73 | 15,326.73 |
| 6000 | CASUALTY LOSS | | 0.00 | 0.00 | 6 | 10,281.11 | 10,281.11 |
| | Expense | | 343,644.91 | 299,373.13 | | 2,775.25 | 302,148.38 |
| | Total Expense | | 343,644.91 | 299,373.13 | | 2,775.25 | 302,148.38 |

BIRMINGHAM GREATER GOLF ASSOC., INC.
Working Trial Balance - Adjusted
December 31, 1995



| Account Description | W/P Ref | Adjusted Balance 12/31/94 | Unadjusted Balance 12/31/95 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/95 |
|---|---|---|---|---|---|---|
| Net (Income) Loss | | 4,616.52 | -37,168.00 | | 27,672.55 | -9,495.45 |

02/24/96 11:50 am — BIRMINGHAM GREATER GOLF ASSOC., INC. — PAGE: 1

Pearce, Bevill, Leesburg, & Moore, P.C. — Journal Entry Listing - Adjusting — December 31, 1995 — Prepared by: — Reviewed by:

| Number | W/P Ref | Date | Status | Rec | Rev | Account | Description | Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | | 12/31/95 | Booked | No | No | 5200 | OFFICER SALARIES | 32,000.00 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -42,903.94 |
| | | | | | | 5150 | SALARIES | 10,903.94 |
| | | | | | | | TO RECLASSIFY SALARY | |
| 2 | | 12/31/95 | Booked | No | No | 1010 | CASH ON HAND | 99.73 |
| | | | | | | 1011 | PETTY CASH | 200.00 |
| | | | | | | 5450 | GOLF OPERATIONS | -99.73 |
| | | | | | | 5150 | SALARIES | -200.00 |
| | | | | | | | TO ADJUST TO YEAR END BALANCES | |
| 3 | | 12/31/95 | Booked | No | No | 1300 | INVENTORY | 229.70 |
| | | | | | | 5450 | GOLF OPERATIONS | -229.70 |
| | | | | | | | TO ADJUST TO ENDING BALANCE | |
| 4 | | 12/31/95 | Booked | No | No | 5950 | INTEREST | 15,326.73 |
| | | | | | | 5850 | TAXES & LICENSES | 9,192.15 |
| | | | | | | 4050 | GOLF OPERATIONS | 24,897.30 |
| | | | | | | 5900 | CONTRIBUTIONS | 100.00 |
| | | | | | | 5400 | MISCELLANEOUS EXPENSE | 117.00 |
| | | | | | | 5700 | INSURANCE | 4,628.94 |
| | | | | | | 5700 | INSURANCE | 1,341.38 |
| | | | | | | 5800 | RENT | 33,082.60 |
| | | | | | | 5800 | RENT | 24,000.00 |
| | | | | | | 5800 | RENT | 2,484.35 |
| | | | | | | 5700 | INSURANCE | 9,282.00 |
| | | | | | | 5800 | RENT | 1,487.28 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -83,344.37 |
| | | | | | | 5350 | COURSE MAINTENANCE | -1,006.64 |
| | | | | | | 5450 | GOLF OPERATIONS | -33,563.29 |
| | | | | | | 5150 | SALARIES | -8,025.43 |
| | | | | | | | TO RECLASSIFY EXPENSES | |
| 5 | F-1 | 12/31/95 | Booked | No | No | 5600 | DEPRECIATION | 17,920.87 |
| | | | | | | 1500 | ACCUMULATED DEPRECIATION | -17,920.87 |
| | | | | | | | TO RECORD CURRENT DEPRECIATION | |
| 6 | | 12/31/95 | Booked | No | No | 1420 | EQUIPMENT | -3,293.00 |

| Number | W/P Ref | Date | Status | Rec | Rev | Account | Description | Amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 1410 | LEASEHOLD IMPROVEMENTS | -10,403.78 |
| | | | | | | 1500 | ACCUMULATED DEPRECIATION | 3,415.67 |
| | | | | | | 6000 | CASUALTY LOSS | 10,281.11 |
| | | | | | | | TO RECORD DESTRUCTION OF DRIVING RANGE EQUIPMENT | |
| 7 | | 12/31/95 | Booked | No | No | 5150 | SALARIES | -3,343.56 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | 3,343.56 |
| | | | | | | | to reclassify contract labor | |

BIRMINGHAM GREATER GOLF ASSOC., INC.
Working Trial Balance - Adjusted
December 31, 1996


Prepared by:
Reviewed by:

| Account Description | W/P Ref | Adjusted Balance 12/31/95 | Unadjusted Balance 12/31/96 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/96 |
|---|---|---|---|---|---|---|
| 1010 CASH ON HAND | | 200.00 | 200.00 | 2 | -200.00 | 0.00 |
| 1011 PETTY CASH | | 200.00 | 200.00 | 2 | -200.00 | 0.00 |
| 1015 CASH | | 8,482.28 | -314.14 | 2 | 400.00 | 147.57 |
| | | | | 2 | 61.71 | |
| 1300 INVENTORY | | 1,622.80 | 1,622.80 | 2 | -1,222.80 | 400.00 |
| 1410 LEASEHOLD IMPROVEMENTS | | 73,263.03 | 73,263.03 | 4 | -73,263.03 | 0.00 |
| 1420 EQUIPMENT | | 121,797.34 | 121,797.34 | 4 | -121,797.34 | 0.00 |
| 1430 IRRIGATION SYSTEM | | 105,364.90 | 105,364.90 | 4 | -105,364.90 | 0.00 |
| 1440 LAND IMPROVEMENTS | | 0.00 | 0.00 | | | 0.00 |
| 1500 ACCUMULATED DEPRECIATION | | -170,393.94 | -170,393.94 | 4 | 170,393.94 | 0.00 |
| 1600 ORGANIZATION COST | | 3,506.00 | 3,506.00 | | | 3,506.00 |
| 1650 ACCUMULATED AMORTIZATION | | -3,506.00 | -3,506.00 | | | -3,506.00 |
| Asset | | 140,536.41 | 131,739.99 | | -131,192.42 | 547.57 |
| Total Assets | | 140,536.41 | 131,739.99 | | -131,192.42 | 547.57 |

| Account | Description | W/P Ref | Adjusted Balance 12/31/95 | Unadjusted Balance 12/31/96 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/96 |
|---|---|---|---|---|---|---|---|
| 2105 | NOTE PAYABLE - NBC | | 0.00 | 0.00 | | | 0.00 |
| 2110 | NOTE PAYABLE - AMSOUTH | | 0.00 | 0.00 | | | 0.00 |
| 2115 | NOTE PAYABLE - FIRST COMMERCI | | -32,000.00 | -32,000.00 | | | -32,000.00 |
| 2120 | NOTE PAYABLE - CITY OF BIRMIN | | -283,476.43 | -266,222.60 | | | -266,222.60 |
| 2150 | NOTE PAYABLE - WILLIS HAGAN | | -11,567.07 | -11,917.07 | | | -11,917.07 |
| 2155 | NOTE PAYABLE - JAMES MAJOR | | -15,000.00 | -15,000.00 | | | -15,000.00 |
| | Liabilitiy | | -342,043.50 | -325,139.67 | | 0.00 | -325,139.67 |
| | Total Liabilities | | -342,043.50 | -325,139.67 | | 0.00 | -325,139.67 |
| 3000 | COMMON STOCK | | -1,000.00 | -1,000.00 | | | -1,000.00 |
| 3050 | PAID IN CAPITAL | | -147,200.00 | -147,200.00 | | | -147,200.00 |
| 3100 | RETAINED EARNINGS | | 359,202.54 | 349,707.09 | | | 349,707.09 |
| | Equity | | 211,002.54 | 201,507.09 | | 0.00 | 201,507.09 |
| | Net (Income) Loss | | -9,495.45 | -8,107.41 | | 131,192.42 | 123,085.01 |
| | Total Equity | | 201,507.09 | 193,399.68 | | 131,192.42 | 324,592.10 |
| | Total Liabilities and Equity | | -140,536.41 | -131,739.99 | | 131,192.42 | -547.57 |

3/05/97 09:04 am — BIRMINGHAM GREATER GOLF ASSOC., INC. — PAGE: 3

earce, Bevill, Leesburg, & Moore, P.C. — Working Trial Balance - Adjusted — December 31, 1996 — Prepared by: — Reviewed by:

| Account Description | W/P Ref | Adjusted Balance 12/31/95 | Unadjusted Balance 12/31/96 | AJE | Adjustments Dr/(Cr) | Adjusted Balance 12/31/96 |
|---|---|---|---|---|---|---|
| 4050 GOLF OPERATIONS | | -311,643.83 | -206,197.35 | 1 | 16,175.95 | -173,845.45 |
| | | | | 5 | 16,175.95 | |
| 4100 VENDING | | 0.00 | 0.00 | | | 0.00 |
| 4200 INTEREST INCOME | | 0.00 | 0.00 | | | 0.00 |
| 4250 OTHER INCOME | | 0.00 | -6,500.00 | 4 | 120,396.15 | 113,896.15 |
| Revenue | | -311,643.83 | -212,697.35 | | 152,748.05 | -59,949.30 |
| Total Revenue | | -311,643.83 | -212,697.35 | | 152,748.05 | -59,949.30 |
| 5100 ADMINISTRATIVE EXPENSES | | 7,113.25 | 100,630.68 | 1 | -35,206.29 | 3,158.44 |
| | | | | 3 | -46,090.00 | |
| | | | | 5 | -16,175.95 | |
| 5150 SALARIES | | 64,703.75 | 55,765.12 | | | 55,765.12 |
| 5200 OFFICER SALARIES | | 32,000.00 | 0.00 | 3 | 30,000.00 | 30,000.00 |
| 5350 COURSE MAINTENANCE | | 47,151.63 | 36,547.39 | | | 36,547.39 |
| 5400 MISCELLANEOUS EXPENSE | | 7,599.38 | 4,733.31 | 1 | 139.00 | 4,872.31 |
| 5450 GOLF OPERATIONS | | 18,310.96 | 11,940.12 | 2 | 1,222.80 | 13,101.21 |
| | | | | 2 | -61.71 | |
| 5600 DEPRECIATION | | 17,920.87 | 0.00 | 4 | 9,635.18 | 9,635.18 |
| 5650 AMORTIZATION | | 0.00 | 0.00 | | | 0.00 |
| 5700 INSURANCE | | 11,394.32 | 0.00 | 1 | 1,338.75 | 1,785.00 |
| | | | | 1 | 446.25 | |
| 5750 ADVERTISING | | 0.00 | 0.00 | | | 0.00 |
| 5800 RENT | | 61,054.23 | 0.00 | 3 | 16,090.00 | 16,090.00 |
| 5850 TAXES & LICENSES | | 9,192.15 | 0.00 | 1 | 8,015.68 | 8,015.68 |
| 5900 CONTRIBUTIONS | | 100.00 | 0.00 | | | 0.00 |
| 5950 INTEREST | | 15,326.73 | 0.00 | 1 | 9,090.66 | 9,090.66 |
| 6000 CASUALTY LOSS | | 10,281.11 | -5,026.68 | | | -5,026.68 |
| Expense | | 302,148.38 | 204,589.94 | | -21,555.63 | 183,034.31 |
| Total Expense | | 302,148.38 | 204,589.94 | | -21,555.63 | 183,034.31 |
| Net (Income) Loss | | -9,495.45 | -8,107.41 | | 131,192.42 | 123,085.01 |

| Number | W/P Ref | Date | Status | Rec | Rev | Account | Description | Amount |
|---|---|---|---|---|---|---|---|---|
| 1 | | 12/31/96 | Booked | No | No | 5850 | TAXES & LICENSES | 8,015.68 |
| | | | | | | 5400 | MISCELLANEOUS EXPENSE | 139.00 |
| | | | | | | 5700 | INSURANCE | 1,338.75 |
| | | | | | | 5700 | INSURANCE | 446.25 |
| | | | | | | 5950 | INTEREST | 9,090.66 |
| | | | | | | 4050 | GOLF OPERATIONS | 16,175.95 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -35,206.29 |
| | | | | | | | TO RECLASSIFY EXPENSES. | |
| 2 | | 12/31/96 | Booked | No | No | 1300 | INVENTORY | -1,222.80 |
| | | | | | | 5450 | GOLF OPERATIONS | 1,222.80 |
| | | | | | | 1010 | CASH ON HAND | -200.00 |
| | | | | | | 1011 | PETTY CASH | -200.00 |
| | | | | | | 1015 | CASH | 400.00 |
| | | | | | | 1015 | CASH | 61.71 |
| | | | | | | 5450 | GOLF OPERATIONS | -61.71 |
| | | | | | | | TO ADJUST TO ENDING BALANCE. | |
| | | 12/31/96 | Booked | No | No | 5200 | OFFICER SALARIES | 30,000.00 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -46,090.00 |
| | | | | | | 5800 | RENT | 16,090.00 |
| | | | | | | | TO RECLASSIFY OFFICER'S SALARY. | |
| | | 12/31/96 | Booked | No | No | 5600 | DEPRECIATION | 9,635.18 |
| | | | | | | 1500 | ACCUMULATED DEPRECIATION | 170,393.94 |
| | | | | | | 1410 | LEASEHOLD IMPROVEMENTS | -73,263.03 |
| | | | | | | 1420 | EQUIPMENT | -121,797.34 |
| | | | | | | 1430 | IRRIGATION SYSTEM | -105,364.90 |
| | | | | | | 4250 | OTHER INCOME | 120,396.15 |
| | | | | | | | TO RECORD CURRENT YEAR DEPRECIATION AND SALE AND WRITE OFF OF EQUIPMENT. | |
| | | 12/31/96 | Booked | No | No | 4050 | GOLF OPERATIONS | 16,175.95 |
| | | | | | | 5100 | ADMINISTRATIVE EXPENSES | -16,175.95 |
| | | | | | | | TO RECLASSIFY SALES TAX. | |

IRMINGHAM GREATER GOLF ASSOC., INC
ecember 31, 1997

ORKING TRIAL BALANCE REPORT


Prepared by: EMP
Reviewed by:
3/7/98 2:27PM

| ccou | Description | Adjusted 12/31/96 | Beginning 12/31/97 | AJE 12/31/97 | Adjusted 12/31/97 |
|---|---|---|---|---|---|
| 010 | CASH ON HAND | | | | |
| 011 | PETTY CASH | | | | |
| 015 | CASH | 147.57 | 147.57 | 2,471.97 | 376.71 |
| 300 | INVENTORY | 400.00 | 400.00 | ( 400.00) | |
| 410 | LEASEHOLD IMPROVEMENTS | | | | |
| 420 | EQUIPMENT | | | | |
| 430 | IRRIGATION SYSTEM | | | | |
| 500 | ACCUMULATED DEPRECIATION | | | | |
| 500 | ORGANIZATION COST | 3,506.00 | 3,506.00 | | 3,506.00 |
| 550 | ACCUMULATED AMORTIZATION | ( 3,506.00) | ( 3,506.00) | | ( 3,506.00) |
| 115 | NOTE PAYABLE - FIRST COMMERCIAL | ( 32,000.00) | ( 32,000.00) | 5,140.05 | ( 26,859.95) |
| 120 | NOTE PAYABLE - CITY OF BIRMINGHAM | ( 266,222.60) | ( 266,222.60) | | ( 266,222.60) |
| 150 | NOTE PAYABLE - WILLIS HAGAN | ( 11,917.07) | ( 11,917.07) | ( 1,665.00) | ( 13,582.07) |
| 155 | NOTE PAYABLE - JAMES MAJOR | ( 15,000.00) | ( 15,000.00) | ( 7,500.00) | ( 22,500.00) |
| 000 | COMMON STOCK | ( 1,000.00) | ( 1,000.00) | | ( 1,000.00) |
| 050 | PAID IN CAPITAL | ( 147,200.00) | ( 147,200.00) | | ( 147,200.00) |
| 100 | RETAINED EARNINGS | 349,707.09 | 472,792.10 | | 472,792.10 |
| 050 | GOLF OPERATIONS | ( 173,845.45) | | | |
| 250 | OTHER INCOME | 113,896.15 | | ( 806.97) | ( 806.97) |
| 100 | ADMINISTRATIVE EXPENSES | 3,158.44 | | | |
| 150 | SALARIES | 55,765.12 | | | |
| 200 | OFFICER SALARIES | 30,000.00 | | | |
| 350 | COURSE MAINTENANCE | 36,547.39 | | | |
| 400 | MISCELLANEOUS EXPENSE | 4,872.31 | | 400.00 | 400.00 |
| 450 | GOLF OPERATIONS | 13,101.21 | | | |
| 500 | DEPRECIATION | 9,635.18 | | | |
| 700 | INSURANCE | 1,785.00 | | | |
| 800 | RENT | 16,090.00 | | | |
| 350 | TAXES & LICENSES | 8,015.68 | | | 1,458.28 |
| 950 | INTEREST | 9,090.66 | | 2,359.95 | 2,359.95 |
| 000 | CASUALTY LOSS | 5,026.68) | | | |
| 050 | ACCOUNTING | | | | 450.00 |
| 100 | BANK CHARGES | | | | 334.55 |
| OTALS | | 0.00 | ( 0.00) | 0.00 | 0.00 |

| | Adjusted |
|---|---|
| FD NI (Loss) | ( 4,195.81) |

BIRMINGHAM GREATER GOLF ASSOC., INC
December 31, 1997

Page:
Prepared by: EM
Reviewed by:
3/7/98 2:27PM

Journal Entries Report : All entries

| Entry | # | Status | Account # | Account Name | Workpaper | Misstate | Debit | Credit |
|---|---|---|---|---|---|---|---|---|
| WJE | 1 | Posted | 2150 | NOTE PAYABLE - WILLIS HAGAN | | | | 1,665.00 |
| | | | 2155 | NOTE PAYABLE - JAMES MAJOR | | | | 7,500.00 |
| | | | 4250 | OTHER INCOME | | | | 806.97 |
| | | | 1015 | CASH | | | 9,971.97 | |
| | | | | TO RECORD INCOME. | | | | |
| WJE | 2 | Posted | 5950 | INTEREST | | | 2,359.95 | |
| | | | 2115 | NOTE PAYABLE - FIRST COMMERCIA | | | 5,140.05 | |
| | | | 1015 | CASH | | | | 7,500.00 |
| | | | | TO RECORD PAYMENTS ON FIRST COMMERCIAL NOTE. | | | | |
| WJE | 3 | Posted | 1300 | INVENTORY | | | | 400.00 |
| | | | 5400 | MISCELLANEOUS EXPENSE | | | 400.00 | |
| | | | | TO WRITE OFF INVENTORY. | | | | |
| TOTALS | | | | | | | 17,871.97 | 17,871.97 |

Birmingham Recreation, Inc
Combined Statement
12/31/98

| | 12/31/98 | 12/31/97 |
|---|---|---|
| Current Assets | | |
| CASH | 195.50 | 376.71 |
| ORGANIZATION COST | 3,506.00 | 3,506.00 |
| ACCUMULATED AMORTIZATION | ( 3,506.00) | ( 3,506.00) |
| Total Current Assets | 195.50 | 376.71 |
| Total Assets | 195.50 | 376.71 |
| Current Liabilities | | |
| NOTE PAYABLE - FIRST COMMERCIAL | 26,859.95 | 26,859.95 |
| NOTE PAYABLE - CITY OF BIRMINGHAM | 266,222.60 | 266,222.60 |
| NOTE PAYABLE - WILLIS HAGAN | 13,582.07 | 13,582.07 |
| NOTE PAYABLE - JAMES MAJOR | 22,500.00 | 22,500.00 |
| Total Current Liabilities | 329,164.62 | 329,164.62 |
| Total Liabilities | 329,164.62 | 329,164.62 |
| Capital/Owners' Equity | | |
| COMMON STOCK | 1,000.00 | 1,000.00 |
| PAID IN CAPITAL | 147,200.00 | 147,200.00 |
| RETAINED EARNINGS | ( 476,987.91) | ( 472,792.10) |
| Net Income (loss) | ( 181.21) | ( 4,195.81) |
| Total Capital/Owners' Equity | ( 328,969.12) | ( 328,787.91) |
| Total Liabilities & Capital | 195.50 | 376.71 |
| Revenues | | |
| OTHER INCOME | 0.00 | 806.97 |
| Total Revenues | 0.00 | 806.97 |
| Expenses | | |
| ADMINISTRATIVE EXPENSES | 0.00 | ( 0.00) |
| MISCELLANEOUS EXPENSE | 0.00 | 400.00 |
| TAXES & LICENSES | 70.00 | 1,458.28 |
| INTEREST | 0.00 | 2,359.95 |
| ACCOUNTING | 0.00 | 450.00 |
| BANK CHARGES | 111.21 | 334.55 |
| Total Expenses | 181.21 | 5,002.78 |
| Net Income (loss) | ( 181.21) | ( 4,195.81) |

BIRMINGHAM Recreation, INC
December 31, 1998

WORKING TRIAL BALANCE REPORT


Prepared by: SBJ
Reviewed by:
3/11/99 11:23AM

| Accou | Description | Adjusted 12/31/97 | Beginning 12/31/98 | AJE 12/31/98 | Adjusted 12/31/98 |
|---|---|---|---|---|---|
| 1010 | CASH ON HAND | | | | |
| 1011 | PETTY CASH | | | | |
| 1015 | CASH | 376.71 | 376.71 | (181.21) | 195.50 |
| 1300 | INVENTORY | | | | |
| 1410 | LEASEHOLD IMPROVEMENTS | | | | |
| 1420 | EQUIPMENT | | | | |
| 1430 | IRRIGATION SYSTEM | | | | |
| 1500 | ACCUMULATED DEPRECIATION | | | | |
| 1600 | ORGANIZATION COST | 3,506.00 | 3,506.00 | | 3,506.00 |
| 1650 | ACCUMULATED AMORTIZATION | (3,506.00) | (3,506.00) | | (3,506.00) |
| 2115 | NOTE PAYABLE - FIRST COMMERCIAL | (26,859.95) | (26,859.95) | | (26,859.95) |
| 2120 | NOTE PAYABLE - CITY OF BIRMINGHAM | (266,222.60) | (266,222.60) | | (266,222.60) |
| 2150 | NOTE PAYABLE - WILLIS HAGAN | (13,582.07) | (13,582.07) | | (13,582.07) |
| 2155 | NOTE PAYABLE - JAMES MAJOR | (22,500.00) | (22,500.00) | | (22,500.00) |
| 3000 | COMMON STOCK | (1,000.00) | (1,000.00) | | (1,000.00) |
| 3050 | PAID IN CAPITAL | (147,200.00) | (147,200.00) | | (147,200.00) |
| 3100 | RETAINED EARNINGS | 472,792.10 | 476,987.91 | | 476,987.91 |
| 4250 | OTHER INCOME | (806.97) | | | |
| 5400 | MISCELLANEOUS EXPENSE | 400.00 | | | |
| 5850 | TAXES & LICENSES | 1,458.28 | | 70.00 | 70.00 |
| 5950 | INTEREST | 2,359.95 | | | |
| 6050 | ACCOUNTING | 450.00 | | | |
| 6100 | BANK CHARGES | 334.55 | | 111.21 | 111.21 |
| TOTALS | | 0.00 | 0.00 | (0.00) | 0.00 |

| | Adjusted |
|---|---|
| YTD NI (Loss) | (181.21) |

BIRMINGHAM Recreation, INC
December 31, 1998


Prepared by: SBJ
Reviewed by:
3/11/99 11:22AM

Journal Entries Report : All entries

| Entry # | Status | Account | Account Name | Debit | Credit |
|---|---|---|---|---|---|
| AJE 1 | Posted | 5850 | TAXES & LICENSES | 70.00 | |
| | | 6100 | BANK CHARGES | 111.21 | |
| | | 1015 | CASH | | 181.21 |
| | | | To record 1998 transactions | | |
| TOTALS | | | | 181.21 | 181.21 |

# EXHIBIT 80

COPY

9311/4759

STATE OF ALA. JEFFERSON CO.
I CERTIFY THIS INSTRUMENT WAS FILED ON
93 AUG 26 PM 3:47
RECORDED & $ ____ MTG. TAX
$ ____ DEED TAX HAS BEEN PD. ON THIS INSTRUMENT
# 075772 JUDGE OF PROBATE
Posted by: | Checked by:

## ARTICLES OF INCORPORATION

## OF

## ALABAMA FILM AND ENTERTAINMENT COUNCIL, INC.

### ARTICLE I

1.1 The name of the corporation shall be: Alabama Film and Entertainment Council, Inc.

1.2 The principal office of the corporation shall be 1614 3rd Avenue North, Birmingham, Alabama 35203.

### ARTICLE II

2.1 The period of duration of the corporation shall be perpetual.

### ARTICLE III

3.1 The purposes for which the corporation is organized are exclusively religious, charitable, scientific, literary and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal tax code (the "Code"), including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under said Section 501(c)(3) or the corresponding provision of any future federal tax code, and the objects to be carried on and promoted by it are as follows:

(a) To create, produce, acquire, purchase, import, sell, lease, license, distribute, exhibit and display films, plays, works of literature, dramas, dramatic compositions, musical compositions, operas and operettas, of any kind whatsoever, in any form now in use or hereafter invented; to engage and employ the services of actors, actresses, singers, musicians, directors, playwrights, scenario writers, cameramen, electricians, stage staff, wardrobe staff, scenic artists and all other persons necessary and proper for the accomplishment of the purposes set forth above; to sponsor film festivals and screenplay writing competitions, along with related festivals and competitions; and generally to engage in any and all aspects of the entertainment business and to take all actions and do all things necessary or incident thereto;

(b) To solicit such contributions, endowments, gifts, bequests and donations of money, property or services, as its Board of Directors shall determine to be appropriate for receipt by the corporation;

(c) To pursue any other objects permitted under the aforesaid Section 501(c)(3) and to exercise any power granted to nonprofit corporations by Chapter 3A of Title 10 of the Code of Alabama 1975, as the said Chapter may be amended or supplemented from time to time (the "Alabama Non-Profit Corporation Act"); and

(d) To do all things and take all such actions as shall be considered necessary or advisable in connection with the accomplishment of this Section 3.1.

3.2 The corporation shall possess and exercise all the powers and privileges granted by the Alabama Non-Profit Corporation Act or by any other law of the State of Alabama together with all powers necessary or convenient to the conduct, promotion or retainment of the activities or purposes of the corporation (limited only by the restrictions set forth in these Articles of Incorporation), including, but not limited to, the following powers:

(a) to have perpetual succession by its corporate name;

(b) to sue and be sued, complain and defend, in its corporate name;

(c) to have a corporate seal which may be altered at its pleasure, and to use the same by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced;

(d) to purchase, take, receive, lease, take by gift, devise or bequest, or otherwise acquire, own, hold, improve, use and otherwise deal in and with real or personal property, tangible or intangible, or any interest thereon, wherever situated;

(e) to sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of all or any part of its property and assets;

(f) to lend money to its employees other than its officers and directors and otherwise assist its employees, officers and Directors;

(g) to purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign corporations, whether for profit or not for profit, associations, partnerships or individuals, or direct or indirect obligations of the United States, or of

any other government, state, territory, governmental district or municipality or of any instrumentality thereof;

(h) to make contracts, guarantees, and indemnity agreements and incur liabilities, borrow money at such rates of interest as the corporation may determine, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage, pledge of, or creation of security interests in, all or any of its property, franchises, or income, or any interest therein, not inconsistent with the provisions of the Constitution of Alabama as the same may be amended from time to time;

(i) to lend money for its corporate purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds so loaned or invested;

(j) to conduct its affairs, carry on its operations, and have offices and exercise the powers granted by the Alabama Non-Profit Corporate Act in any state, territory, district, or possession of the United States, or in any foreign country;

(k) to elect or appoint officers and agents of the corporation, who may be directors or members, and define their duties and fix their compensation;

(l) to make and alter bylaws, not inconsistent with these Articles of Incorporation or with the laws of Alabama, for the administration and regulation of the affairs of the corporation;

(m) to make donations for the public welfare or for charitable, scientific or educational purposes; and in time of war to make donations in aid of war activities;

(n) to indemnify any Director or officer or former Director or officer of the corporation, or any person who may have served at its request as a Director or officer of another corporation, whether for profit or not for profit, in which it owns shares of capital stock or of which it is a creditor, against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such Director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his duty; and to make any other indemnification that shall be authorized by these Articles of Incorporation or the Bylaws, vote of the Board of Directors, or resolution adopted after notice by the members entitled to vote, if any;

(o) to pay pensions and establish pension plans or pension trusts for any or all of its directors, officers and employees;

(p) to cease its corporate activities and surrender its corporate franchise;

(q) to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the corporation is organized.

3.3 No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its Directors, trustees, officers or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in this Article III. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code, or corresponding section of any future federal tax code.

## ARTICLE IV

4.1 The corporation shall have no members, and all voting powers shall be vested in a Board of Directors. Directors shall be elected for one year terms and shall serve until their successors are elected and shall take office. The number, qualifications and rights of the Directors, the terms each shall serve and the procedure for determining the same, shall be as provided in the Bylaws of the corporation, as originally adopted by the Board of Directors, or as thereafter amended. Vacancies or impending vacancies on the Board of Directors shall be filled by the affirmative vote of a majority of the Directors voting at a duly called meeting of the Board of Directors at which a quorum is present. Elections to fill impending vacancies on the Board of Directors shall be held not sooner than one month prior to the expiration of the terms of office creating the vacancy or vacancies. Unless otherwise provided in the Bylaws, a Director may vote in the election of his successor, and a Director may succeed himself in office.

## ARTICLE V

5.1 The affairs of the corporation shall be managed by the Board of Directors in accordance with the Bylaws of the corporation and the provisions of the Alabama Non-Profit Corporation Act as now enacted or as the same may be hereafter amended. The Board of Directors shall meet at such times and places as are specified in the Bylaws of the corporation.

ARTICLE VI

6.1 The initial registered office of this Corporation shall be located at 1200 AmSouth/Harbert Plaza, 1901 Sixth Avenue North, Birmingham, Alabama 35203, and the initial registered agent shall be Haskell Slaughter Young & Johnston, Professional Association

ARTICLE VII

7.1 The initial Board of Directors of the corporation shall comprise four persons. The names and addresses of the members of the first Board of Directors of the corporation are as follows:

| Name | Address |
|---|---|
| Mary Hilliard | 1614 3rd Avenue North<br>Birmingham, Alabama 35203 |
| Lonna Clark | 1614 3rd Avenue North<br>Birmingham, Alabama 35203 |
| Elvira Willoughby | 1614 3rd Avenue North<br>Birmingham, Alabama 35203 |
| Toni Motley | 1614 3rd Avenue North<br>Birmingham, Alabama 35203 |

ARTICLE VIII

8.1 The name and address of the sole incorporator of the corporation is as follows:

| Name | Address |
|---|---|
| Mary Hilliard | 1614 3rd Avenue North<br>Birmingham, Alabama 35203 |

ARTICLE IX

9.1 The officers of the corporation shall consist of a President and Executive Director, one or more Vice-Presidents, a Secretary, a Treasurer, and such other officers as may be provided from time to time in the By-Laws. All officers of the corporation shall be elected by the Board of Directors to serve a term not exceeding one year in duration as specified in the By-Laws. Unless otherwise specified in the Bylaws, officers may be elected for successive terms.

ARTICLE X

10.1 Bylaws for the regulation of the conduct of the corporation shall be adopted by the initial Board of Directors and the said Bylaws may be amended by resolution adopted at a duly called meeting of the Board of Directors at which a quorum is present upon the affirmative vote of a majority of the Directors present, provided that no such amendment shall be made which would in any way result in the operation of the corporation for the private advantage or pecuniary profit of any Director or officer thereof or permit the operation of the corporation for any purpose other than charitable, literary and educational purposes.

ARTICLE XI

11.1 The corporation shall not issue any shares of stock to any person, firm or corporation, nor declare or pay any dividend, nor make any distribution of its assets, except as provided by the Alabama Non-Profit Corporation Act, or Article XI of these Articles of Incorporation.

ARTICLE XII

12.1 Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for public purpose. Any such assets not so disposed of shall be disposed of by the Court of Claims of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as such court shall determine, which are organized and operated exclusively for such purposes.

IN WITNESS WHEREOF, the undersigned, being the sole incorporator of the corporation, in accordance with the Alabama Non-Profit Corporation Act, has executed these Articles of Incorporation this 25th day of August, 1993.

Mary Hilliard

Mary Hilliard

90527.1

STATE OF ALABAMA
JEFFERSON COUNTY

I, THE UNDERSIGNED, AS JUDGE OF THE COURT OF PROBATE, IN AND FOR SAID COUNTY, IN SAID STATE, HEREBY CERTIFY THAT THE FOREGOING IS A FULL, TRUE AND CORRECT COPY OF THE INSTRUMENT WITH THE FILING OF SAME AS APPEARS OF RECORD IN THIS OFFICE IN VOL. 9311 RECORD OF R.E. ON PAGE 4759 . GIVEN UNDER MY HAND AND OFFICIAL SEAL, THIS THE 26th DAY OF August, 1993.

George R. Reynolds

JUDGE OF PROBATE

# State of Alabama

# Jefferson County

CERTIFICATE OF INCORPORATION

OF

ALABAMA FILM AND ENTERTAINMENT COUNCIL, INC.

The undersigned, as Judge of Probate of Jefferson County, State of Alabama, hereby certifies that _____ Articles of INCORPORATION duly signed and verified pursuant to the provisions of Alabama NONPROFIT Corporation Act, have been received in this office and are found to conform to law.

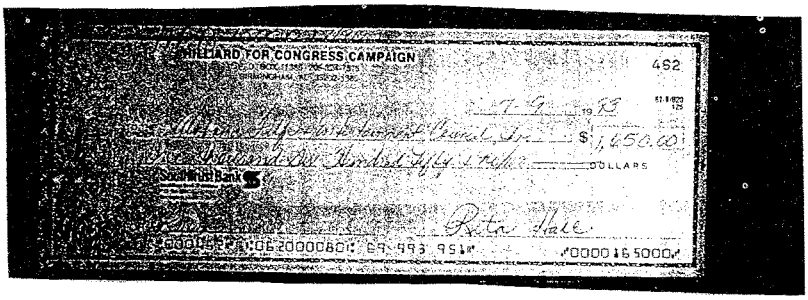
Accordingly the undersigned, as such Judge of Probate, and by virtue of the authority vested in him by law, hereby, issues this Certificate of INCORPORATION of ALABAMA FILM AND ENTERTAINMENT COUNCIL, INC. and attaches hereto a copy of the _____ Articles of INCORPORATION

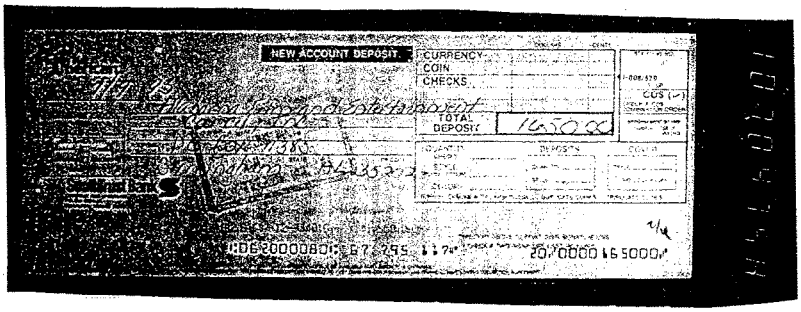
Given Under My Hand and Official Seal on this the 26TH day of AUGUST, 19 93.

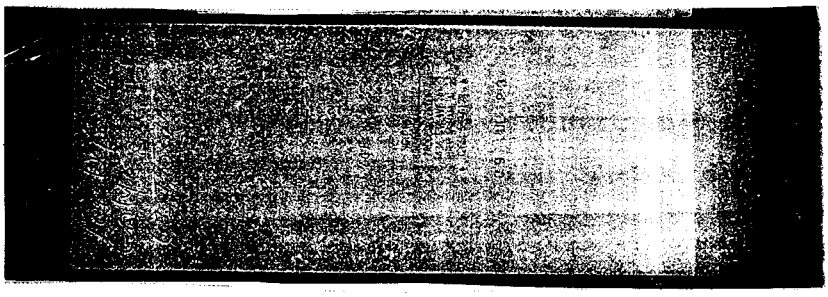
George A. Reynolds

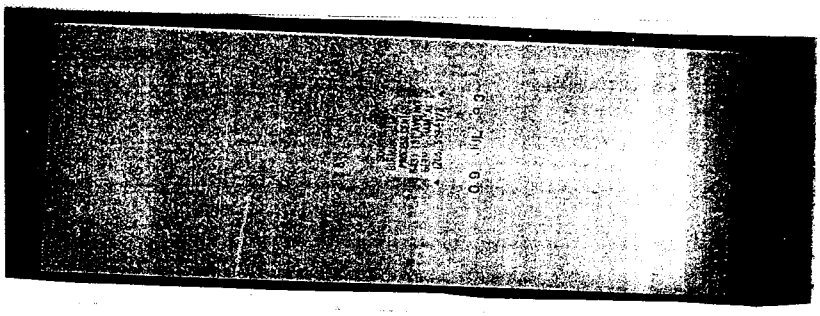
Judge of Probate

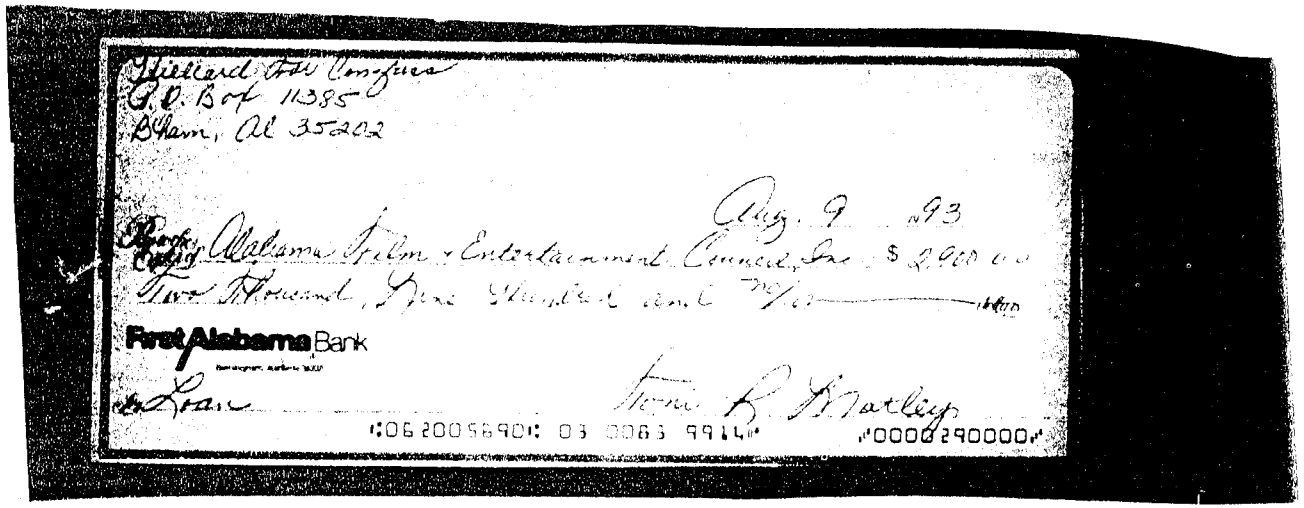
# EXHIBIT 81


HILLIARD FOR CONGRESS CAMPAIGN
482
DOLLARS
Rita Hall


NEW ACCOUNT DEPOSIT
CURRENCY
COIN
CHECKS
TOTAL DEPOSIT
1650 00







Hilliard for Congress
P.O. Box 11385
Bham, Al 35202

Aug. 9 1993

Alabama Film & Entertainment Council, Inc. $ 2,900.00

Two Thousand, Nine Hundred and no/100 ——— 1000

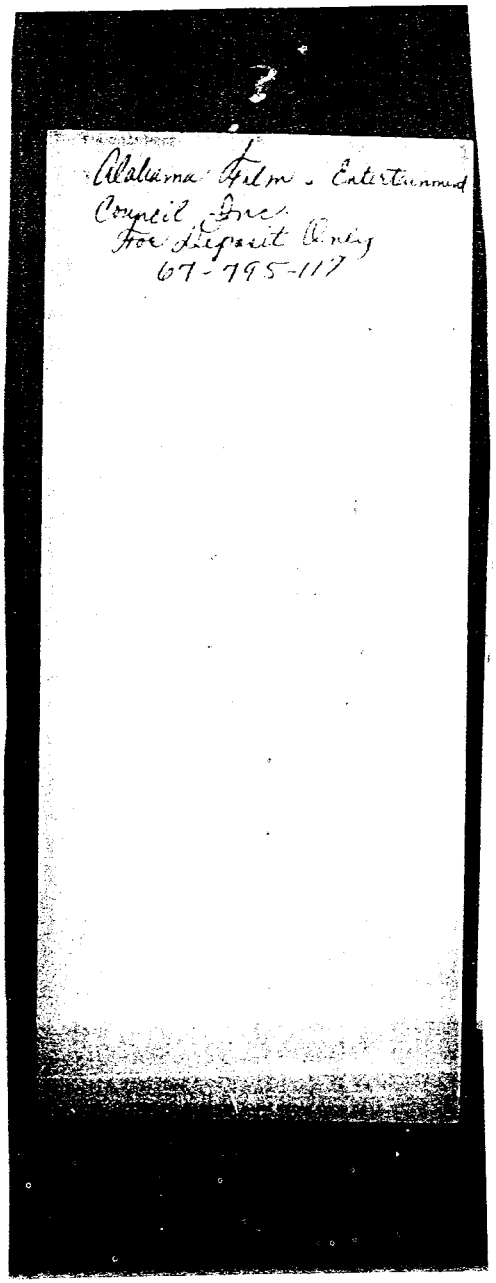
First Alabama Bank

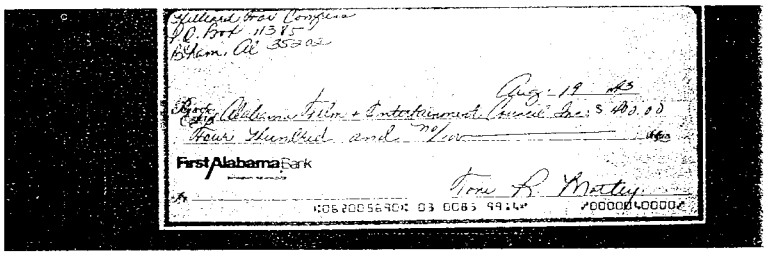
Loan

Toni R. Marley

⑆062005690⑆ 03 0063 9914⑈ ⑈0000290000⑈

Alabama Film - Entertainment
Council Inc.
For Deposit Only
67-795-117





Hilliard Trav Company
P.O. Box 11385
Bham, Al 35202

Aug. 19 '83

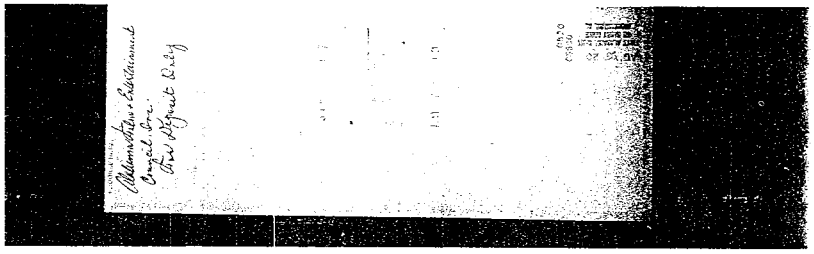
Alabama Film + Entertainment Council Inc. $ 400.00

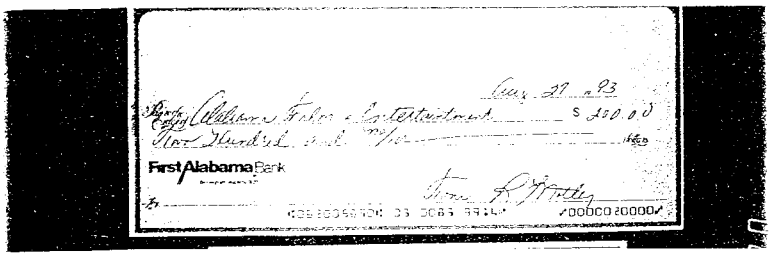
Four Hundred and no/100 Dollars

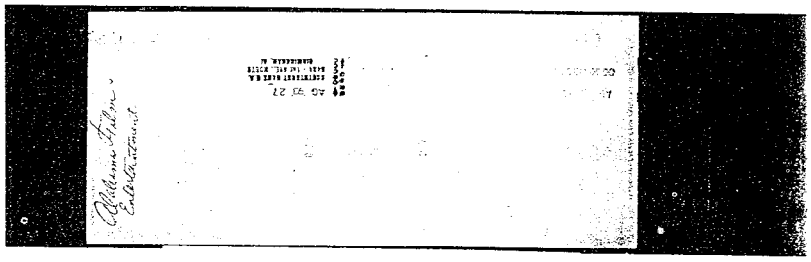
First Alabama Bank

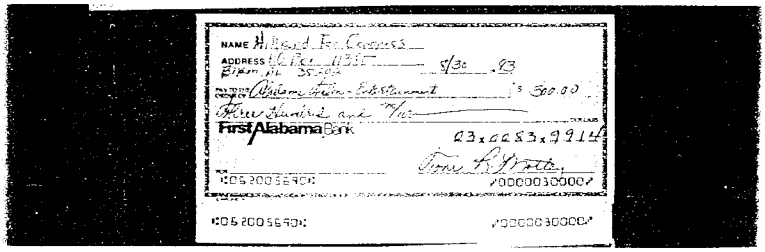
Tom R. Motley

⑆062005690⑆ 03 0083 9914⑈ ⑈0000040000⑈




First Alabama Bank





NAME Hilliard Fee Caverness

ADDRESS [illegible] 8/30 .93

Bham Ala 35[illegible]

PAY TO THE ORDER OF Alabama Fruits - Entertainment $ 300.00

Three Hundred and 00/100 DOLLARS

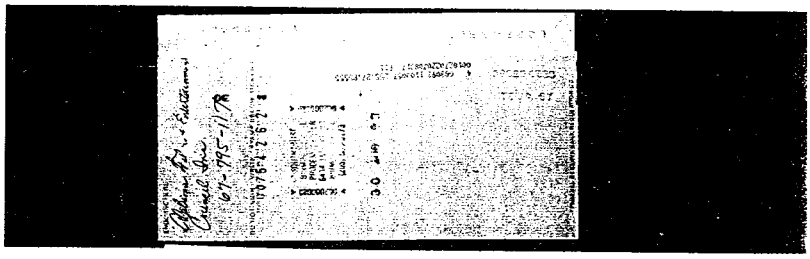
First Alabama Bank

03x0283x9914

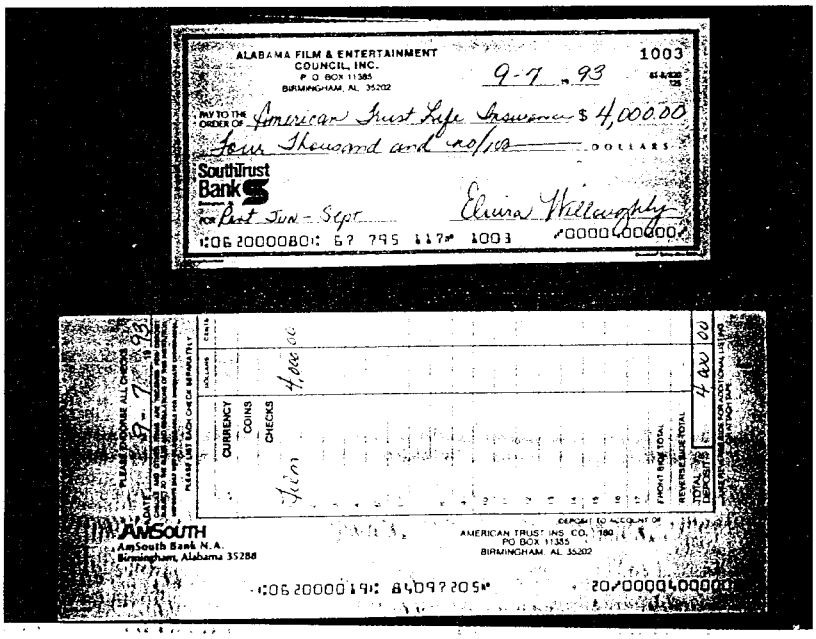
Tom L. Wotta

⑆062005690⑆ ⑈0000030000⑈

⑆062005690⑆ ⑈0000030000⑈



# EXHIBIT 82



ALABAMA FILM & ENTERTAINMENT COUNCIL, INC.
P. O. BOX 11385
BIRMINGHAM, AL 35202

1003

9-7 19 93

PAY TO THE ORDER OF American Trust Life Insurance $ 4,000.00

Four Thousand and no/100 DOLLARS

SouthTrust Bank

FOR Rent Jun - Sept

Elvira Willoughby

⑆062000080⑆ 67 795 117⑈ 1003 ⑈0000400000⑈

PLEASE ENDORSE ALL CHECKS

DATE 9-7 1993

PLEASE LIST EACH CHECK SEPARATELY

CURRENCY

COINS

CHECKS

Film 4,000.00

FRONT SIDE TOTAL

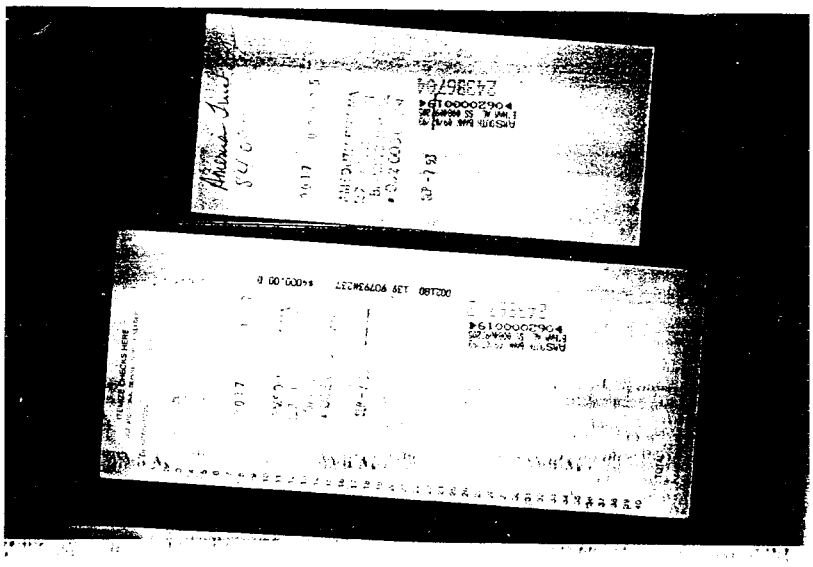
REVERSE SIDE TOTAL

TOTAL DEPOSIT $ 4,000.00

AMSOUTH
AmSouth Bank N.A.
Birmingham, Alabama 35288

DEPOSIT TO ACCOUNT OF
AMERICAN TRUST INS. CO. 180
PO BOX 11385
BIRMINGHAM, AL 35202

⑆062000019⑆ 84097205⑈ 20⑈0000400000⑈



# EXHIBIT 83

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Roderick J. Smith, and in response to the subpoena issued to him on June 15, 2000 for (1) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (2) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Mr. Smith stating that he does not have any of the records in question.

Sincerely yours,

Ralph L. Lotkin

Enclosure

**RODERICK J. SMITH**
**112 HARVILL LANE**
**BIRMINGHAM, ALABAMA 35217**

July 5, 2000

Ralph L. Lotkin
Attorney at Law
201 Massachusetts Avenue, N.E., Suite C-I
Washington, DC 20002

Dear Attorney Lotkin:

In response to the subpoena request for information as Chairman of the Board of Directors for the National African American Center, Inc., I do not have in my possession, custody or control, any documents or records of the African American Institute and the Alabama Film and Entertainment Council.

Sincerely,

R. J. Smith

Roderick J. Smith

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Elvira Williams, and in response to the subpoena issued to her on June 15, 2000 for (1) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (2) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Ms. Williams stating that she does not have any of the records in question in addition to those already given to me.

Enclosed are copies/originals of documents not previously submitted.

Sincerely yours,

Ralph L. Lotkin

Enclosure

*ELVIRA W. WILLIAMS*
*540 WYATT BLVD.*
*LINCOLN, ALABAMA 35096*

June 21, 2000

Ralph L. Lotkin
Attorney at Law
201 Massachusetts Avenue, N.E., Suite C-1
Washington, DC 20002

Dear Attorney Lotkin:

In response to the subpoena request for additional information, as custodian of records for the Hilliard For Congress Campaign, I have previously submitted all records and documents in my possession as it relates to rental space in Montgomery for the time period of July 1, 1996 through June 30, 1997.

Aside from the materials I have previously provided, I have no records or documents for the African American Institute or the Alabama Film and Entertainment Council.

Sincerely,

Elvira W. Williams

Elvira W. Williams

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Mary Hilliard, and in response to the subpoena issued to her on June 15, 2000 for (1) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (2) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Mrs. Hilliard stating that she does not have any of the records in question.

Sincerely yours,

Ralph L. Lotkin

Enclosure

**MARY F. HILLIARD**
**1625 CASTLEBERRY WAY**
**BIRMINGHAM, ALABAMA 35214**

June 21, 2000

Ralph Lotkin
Attorney at Law
210 Massachusetts Avenue, N.E., Suite C-1
Washington, DC 20002

Dear Attorney Lotkin:

Pursuant to the subpoena request to produce records and documents for the African American Institute and the Alabama Film and Entertainment Council, I do not have in my possession any documents on said corporations.

Sincerely,

Mary F. Hilliard

Mary F. Hilliard

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

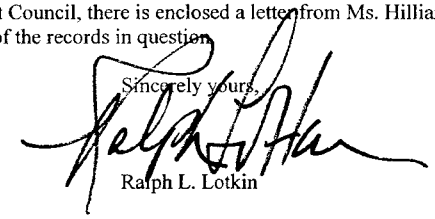
Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client Cheryl Hilliard, and in response to the subpoena issued to her as Registered Agent, National African American Center, Inc. on June 15, 2000 for (1) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (2) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Ms. Hilliard stating that she does not have any of the records in question.

Sincerely yours,



Ralph L. Lotkin

Enclosure

**CHERYL Y. HILLIARD**
**164 SUNBURST CIRCLE**
**BIRMINGHAM, ALABAMA 35215**

June 21, 2000

Ralph L. Lotkin
Attorney at Law
201 Massachusetts Avenue, N.E., Suite C-1
Washington, DC 20002

Dear Attorney Lotkin:

Pursuant to the subpoena request to produce records and documents for the National African American Center, Inc., African American Institute and the Alabama Film and Entertainment Council. I do not have in my possession any records or any documents pertaining to the National African American Center, Inc., the African American Institute or the Alabama Film and Entertainment Council

Sincerely,

Cheryl Y. Hilliard

Cheryl Y. Hilliard

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

July 7, 2000

Kenneth E. Kellner
Counsel
Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, DC 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Kellner:

On behalf of my client, Toni Motley, and in response to the subpoena issued to her on June 15, 2000 for (1) any and all documents and records relating to the lease, use, ownership, or occupancy of real property, office space, or premises of any kind by the African American Institute or the Alabama Film and Entertainment Council; and (2) any and all documents and records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council, there is enclosed a letter from Ms. Motley stating that she does not have any of the records in question.

Sincerely yours,

Ralph L. Lotkin

Enclosure

***Toni R. Motley***
***665 Candle Lane***
***Birmingham, AL 35214***

*June 21, 2000*

*Ralph L. Lotkin, Esq.*
*Attorney at Law*
*201 Massachusetts Avenue*
*Suite C-1*
*Washington, DC 20002*

*Dear Attorney Lotkin:*

*Pursuant to the subpoena to produce documents and records for the African American Institute and the Alabama Film and Entertainment Council dated June 15, 2000, I do not have in my possession, any documents or records pertaining to the lease, ownership, occupancy, office space or premises of said corporations. Also, I do not have any documents or records relating to the operations and activities of the African American Institute or the Alabama Film and Entertainment Council.*

*I do not have any knowledge as to the whereabouts of said documents and records.*

*Sincerely,*

Toni R. Motley

*Toni R. Motley*

# EXHIBIT 84

```
*****************************************************************************
**  AXCIS NOTEPAD PRINT FOR DPOX609                                        **
**  WORK ITEM ID: $DYN0001                                                 **
**  ENTERED: 20000711 062639                                               **
**  DESCRIPTION: DYNAMIC WORK ITEM                                         **
*****************************************************************************
*****************************************************************************
**  OBJECT NAME: STDAAAAA / DSTCD055 /                                     **
**  OBJECT DATE: 19940113 DESCRIPTION: diners account number history       **
*****************************************************************************
*****************************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME          ADDRESS                    INV REF NUM   R/A REF NUM   01/12/94
3889-210380-0500        10  EARL F HILLIARD              1307 LONGWORTH             994012888888
                            HOUSE OF REPRESENTATIVES     WASHINGTON      DC  20515


******************** PREVIOUS BALANCE                PAYMENTS              CREDITS              PAST DUE
DATE   01/12/94          12,288.43                1,032.29CR              288.00CR              10,968.14
                     LATE FEES                    OTHER DEBITS       CURRENT CHARGES       TRAVEL ADVANCE      TOTAL PAYMENT DUE
                        N/A                           .00                   .00                   .00                10,968.14
     **HOLD  00

TRNS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                  AMOUNT
3889-210380-0500    12/07   ECG07098      0822104303  NORTHWEST AIRLINES          TRAVLR: HILLIARD/E                 144.00CR

3889-210380-0500          (CONTINUED)                                                          PAGE    9096
                                                      TICKET NUM:  0121436313140
3889-210380-0500    12/07   ECG07100      0822104303  NORTHWEST AIRLINES          TRAVLR: HILLIARD/E                 144.00CR
                                                      TICKET NUM:  0121439593391
3889-210380-0500    01/04   LW5200040796  01/04/94    PAYMENT - THANK YOU                                            291.00CR
3889-210380-0500    01/04   LW5200040797  01/04/94    PAYMENT - THANK YOU                                            288.00CR
3889-210380-0500    01/04   LW5200040863  01/04/94    PAYMENT - THANK YOU                                             66.90CR
3889-210380-0500    01/04   LW5200040864  01/04/94    PAYMENT - THANK YOU                                             39.24CR
3889-210380-0500    01/04   LW5200040865  01/04/94    PAYMENT - THANK YOU                                             59.15CR
3889-210380-0500    01/04   LW5200040866  01/04/94    PAYMENT - THANK YOU                                            288.00CR

*********************


-------------------DPOX609 /DPOX609  07/11/00 06:31:27-------------------
|CHERYL MICROFILM HILLIARD 01/94                                          |
-------------------------------------------------------------------------
*************************** END OF NOTEPAD PRINT ***************************
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*****************************************************************************
**  AXCIS NOTEPAD PRINT FOR DPOX609                                        **
**  WORK ITEM ID: 5DYN0001                                                 **
**  ENTERED: 20000711 063142                                               **
**  DESCRIPTION: DYNAMIC WORK ITEM                                         **
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*****************************************************************************
**  OBJECT NAME: STDAAAAA / DSTCD055 /                                     **
**  OBJECT DATE: 19940211 DESCRIPTION: diners account number history       **
*****************************************************************************
*********************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME          ADDRESS                    INV REF NUM   R/A REF NUM   02/10/94
3889-210380-0500         10  EARL F HILLIARD             1007 LONGWORTH             994041888888
                             HOUSE OF REPRESENTATIVES    WASHINGTON      DC  20515

3889-210380-0500         (CONTINUED)                                                   PAGE    8957

******************** PREVIOUS BALANCE              PAYMENTS              CREDITS          PAST DUE
DATE   02/10/94          10,968.14                2,595.76CR                .00            8,372.38
                     LATE FEES                    OTHER DEBITS      CURRENT CHARGES   TRAVEL ADVANCE     TOTAL PAYMENT DUE
                         N/A                          .00                .00                .00                8,372.38
     **HOLD  00

TRNS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                  AMOUNT
3889-210380-0500   02/08    144360244360  02/08/94    PAYMENT - THANK YOU                                        2,595.76CR

*********************
----------------------DPOX609 /DPOX609  07/11/00 06:33:00-------------------
|CHERYL MICROFILM HILLIARD 02/94                                            |
-----------------------------------------------------------------------------
***************************** END OF NOTEPAD PRINT ***************************
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*****************************************************************************
**  AXCIS NOTEPAD PRINT FOR DPOX609                                          **
**  WORK ITEM ID: $DYN0001                                                   **
**  ENTERED: 20000711 063309                                                 **
**  DESCRIPTION: DYNAMIC WORK ITEM                                           **
*****************************************************************************
*****************************************************************************
**  OBJECT NAME: STDAAAAA / OSTCD055 /                                       **
**  OBJECT DATE: 19940315 DESCRIPTION: diners account number history         **
*****************************************************************************
**********************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME          ADDRESS                    INV REF NUM   R/A REF NUM   03/15/94
3889-210380-0500        10  EARL F HILLIARD              1007 LONGWORTH             994073888888
                            HOUSE OF REPRESENTATIVES     WASHINGTON      DC  20515


********************** PREVIOUS BALANCE                PAYMENTS              CREDITS              PAST DUE
DATE   03/14/94          8,372.38                        .00                   .00                8,372.38
                      LATE FEES                   OTHER DEBITS        CURRENT CHARGES      TRAVEL ADVANCE      TOTAL PAYMENT DUE
                         N/A                           .00                   .00                   .00                8,372.38
     **HOLD  00

TRNS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                    AMOUNT

**********************
-----------------------DPOX609 /DPOX609  07/11/00 06:35:43---------------------
|CHERYL MICROFILM HILLIARD 03/94                                                |
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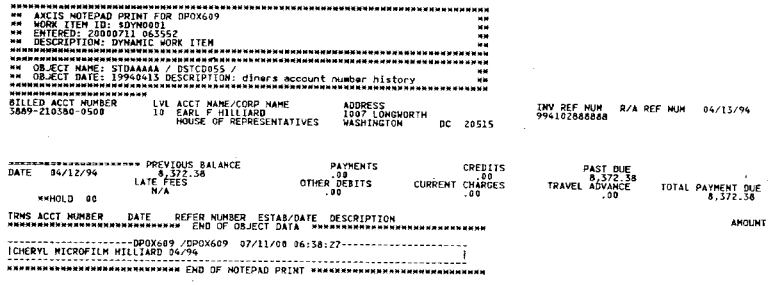

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*****************************************************************************
**  AXCIS NOTEPAD PRINT FOR DPOX609                                        **
**  WORK ITEM ID: 5DYN0001                                                 **
**  ENTERED: 20000711 063552                                               **
**  DESCRIPTION: DYNAMIC WORK ITEM                                         **
*****************************************************************************
*****************************************************************************
**  OBJECT NAME: STDAAAAA / DSTCD055 /                                     **
**  OBJECT DATE: 19940413 DESCRIPTION: diners account number history       **
*****************************************************************************
*****************************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME          ADDRESS                    INV REF NUM   R/A REF NUM   04/13/94
3889-210380-0500         10  EARL F HILLIARD             1007 LONGWORTH             994102888888
                             HOUSE OF REPRESENTATIVES    WASHINGTON      DC  20515


*********************** PREVIOUS BALANCE                PAYMENTS                CREDITS              PAST DUE
DATE   04/12/94            8,372.38                   .00                     .00                  8,372.38
                      LATE FEES                  OTHER DEBITS        CURRENT CHARGES      TRAVEL ADVANCE      TOTAL PAYMENT DUE
                         N/A                          .00                     .00                     .00                 8,372.38
     **HOLD  00

TRNS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                    AMOUNT
*****************************  END OF OBJECT DATA  ******************************

--------------------DPOX609 /DPOX609  07/11/00 06:38:27--------------------
|CHERYL MICROFILM HILLIARD 04/94                                            |
-----------------------------------------------------------------------------
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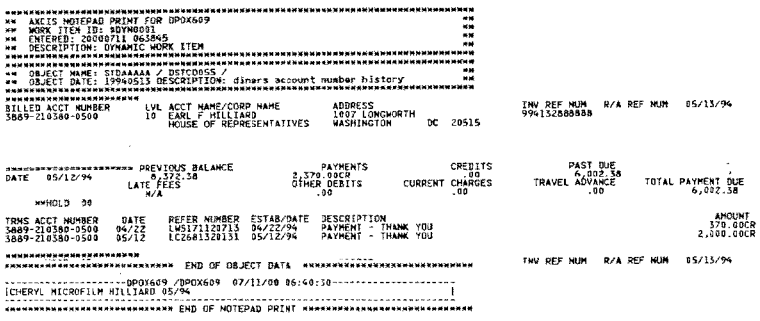

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**  AXCIS NOTEPAD PRINT FOR DPOX609                                        **
**  WORK ITEM ID: $DYN0001                                                 **
**  ENTERED: 20000711 063845                                               **
**  DESCRIPTION: DYNAMIC WORK ITEM                                         **
*****************************************************************************
*****************************************************************************
**  OBJECT NAME: STDAAAAA / DSTCDOSS /                                     **
**  OBJECT DATE: 19940513 DESCRIPTION: dinars account number history       **
*****************************************************************************
*********************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME        ADDRESS                    INV REF NUM   R/A REF NUM   05/13/94
3889-210380-0500        10  EARL F HILLIARD            1007 LONGWORTH             994132888888
                            HOUSE OF REPRESENTATIVES   WASHINGTON      DC  20515


******************** PREVIOUS BALANCE              PAYMENTS              CREDITS              PAST DUE                 -
DATE   05/12/94          8,372.38              2,370.00CR                 .00                6,002.38
                    LATE FEES                  OTHER DEBITS       CURRENT CHARGES      TRAVEL ADVANCE     TOTAL PAYMENT DUE
                        N/A                         .00                  .00                  .00                6,002.38
     **HOLD  30

TRMS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                  AMOUNT
3889-210380-0500   04/22    LW5171120713  04/22/94    PAYMENT - THANK YOU                                        370.00CR
3889-210380-0500   05/12    LC2681320131  05/12/94    PAYMENT - THANK YOU                                      2,000.00CR

*********************                                                          INV REF NUM   R/A REF NUM   05/13/94
*********************** END OF OBJECT DATA ***************************

-------------------DPOX609 /DPOX609  07/11/00 06:40:30--------------------
|CHERYL MICROFILM HILLIARD 05/94                                          |
-------------------------------------------------------------------------
*************************** END OF NOTEPAD PRINT ***************************
```

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*****************************************************************************
**  AXCIS NOTEPAD PRINT FOR DPOX609                                        **
**  WORK ITEM ID: SDYN0001                                                 **
**  ENTERED: 20000710 063436                                               **
**  DESCRIPTION: DYNAMIC WORK ITEM                                         **
*****************************************************************************
*****************************************************************************
**  OBJECT NAME: STDAAAAA / DSTCD055 /                                     **
**  OBJECT DATE: 19940614 DESCRIPTION: diners account number history       **
*****************************************************************************
*****************************
BILLED ACCT NUMBER      LVL ACCT NAME/CORP NAME        ADDRESS                        INV REF NUM   R/A REF NUM   06/14/94
3889-210380-0530        10  EARL F HILLIARD            1007 LONGWORTH                 994164888888
                            HOUSE OF REPRESENTATIVES   WASHINGTON      DC  20515


========================= PREVIOUS BALANCE              PAYMENTS              CREDITS              PAST DUE
DATE   06/13/94            6,002.38                        .00                   .00                6,002.38
                      LATE FEES                   OTHER DEBITS       CURRENT CHARGES      TRAVEL ADVANCE      TOTAL PAYMENT DUE
                         N/A                            .00                   .00                   .00                6,002.38
     **HOLD  00

TRMS ACCT NUMBER    DATE    REFER NUMBER  ESTAB/DATE  DESCRIPTION                                                  AMOUNT
*********************


-------------------DPOX609 /DPOX609  07/10/00 06:40:18-------------------
|CHERYL MICROFILM HILLIARD 06/94                                          |
*************************** END OF NOTEPAD PRINT ***************************
```

Corporate/Government
Duplicate Statement

Diners Club International

CITIBANK

PAYMENT COUPON
ACCOUNT: 3089 210380 0500
BILLING DATE: 07-12-95
PAYMENT DUE: 08-05-95

TOTAL DUE: $ 5,702.38

EARL F MILLIARD 23
HOUSE OF REPRESENTATIVES
1087 LONGWORTH
WASHINGTON DC
20515

DINERS CLUB
P. O. BOX 6009
THE LAKES, NV
USA 88901-6009

PAYMENT SUMMARY
ACCOUNT: 3089 210380 0500
BILLING DATE: 07-12-95
PAYMENT DUE: 08-05-95

TOTAL DUE: $ 5,702.38

YOUR ACCOUNT HAS BEEN CANCELLED. PLEASE DO NOT TRY TO USE YOUR CARD AS NO CHARGES WILL BE APPROVED. IF YOU HAVE ANY QUESTIONS, PLEASE CALL 1-800-613-4637. OUR HOURS ARE 8:30AM TO 9:00PM EST MONDAY - THURSDAY, 8:30AM TO 7:00PM FRIDAY, AND 9:00AM TO 1:00PM SATURDAY.

DINERS CLUB ACCOUNT ACTIVITY
ACCOUNT: 3089 210380 0500
NAME: EARL F MILLIARD
BILLING DATE: 07-12-95

| DATE | DESCRIPTION | REFERENCE NUMBER | CHARGES AND OTHER DEBITS | PAYMENTS AND CREDITS |
|---|---|---|---|---|
| 06-22-95 | PAYMENT - THANK YOU | LG0961730223 | | $ 300.00 |
| | TOTAL FOR: 3089 210380 0500 | | | $ 300.00 |

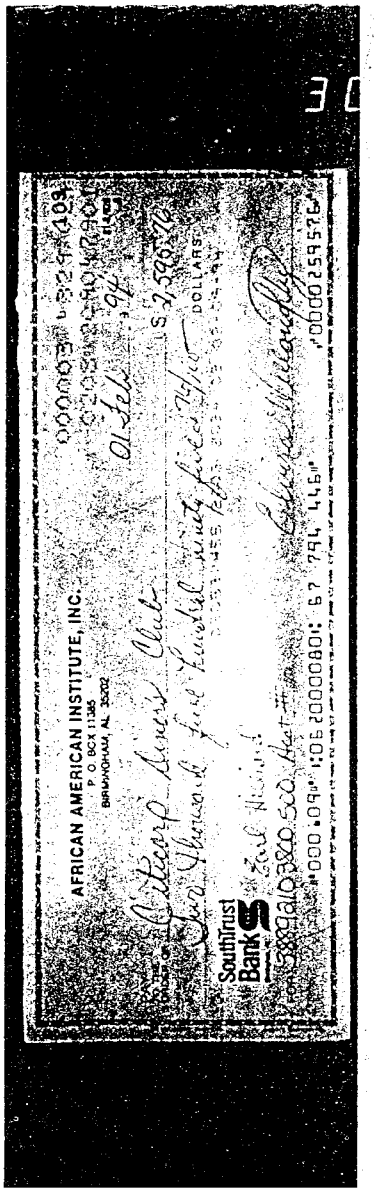
| PREVIOUS BALANCE | - PAYMENTS | - CREDITS | = PAST DUE BALANCE |
|---|---|---|---|
| $ 6,002.38 | $ 300.00 | $ 0.00 | $ 5,702.38 |

| + LATE FEES | + NEW CHARGES | + OTHER DEBITS | +/- TRAVEL ADVANCES | = DINERS CLUB BALANCE DUE |
|---|---|---|---|---|
| N/A | $ 0.00 | $ 0.00 | $ 0.00 | $ 5,702.38 |

253101132214 D CFH

*** DUPLICATE STATEMENT ***

# EXHIBIT 85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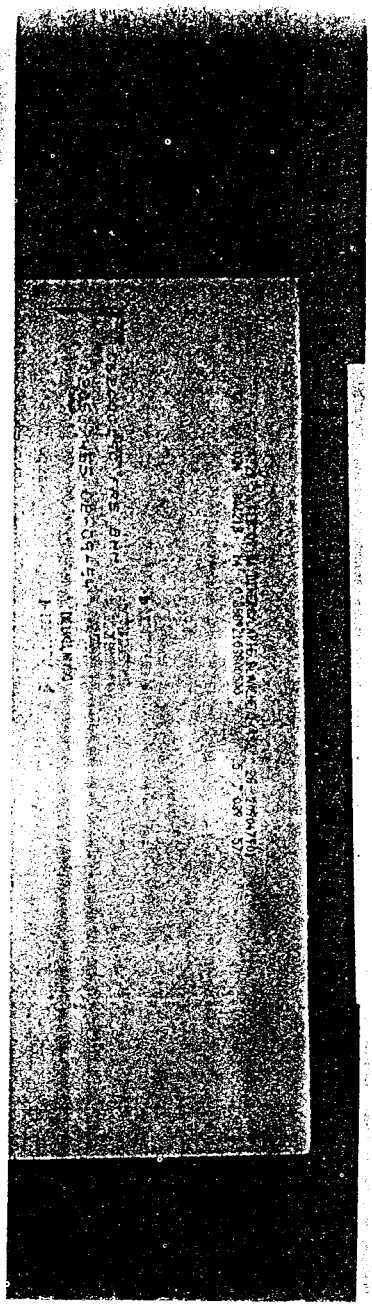
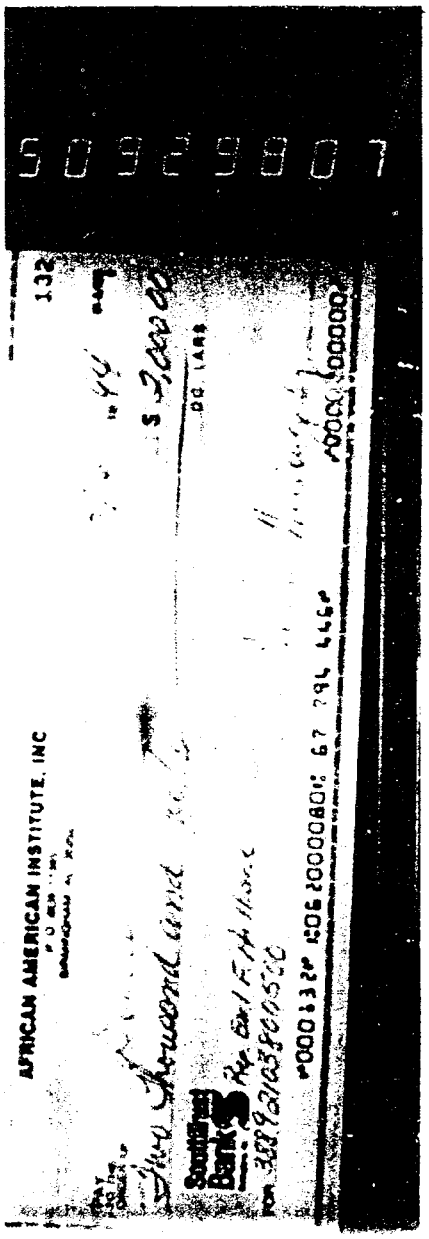
DOLLARS

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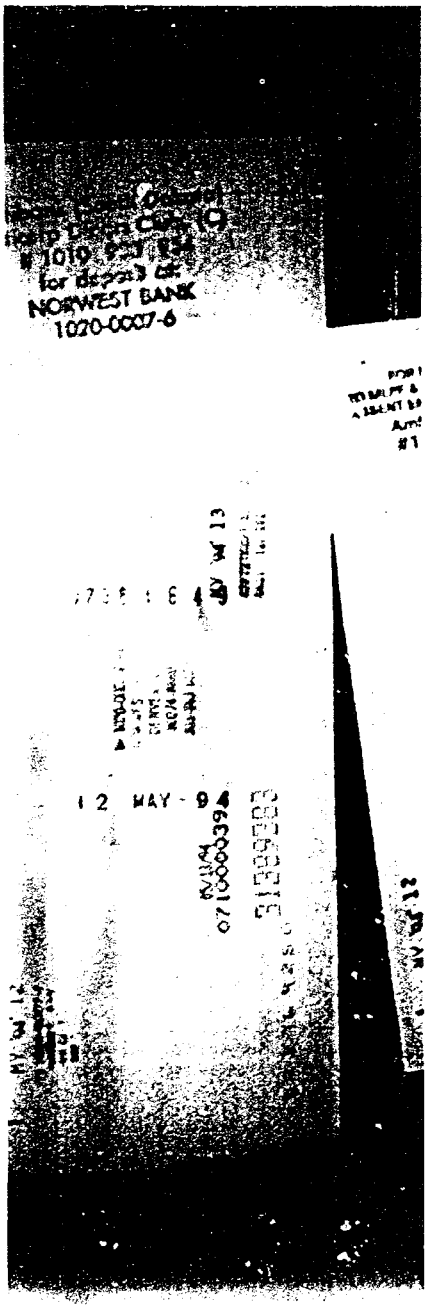
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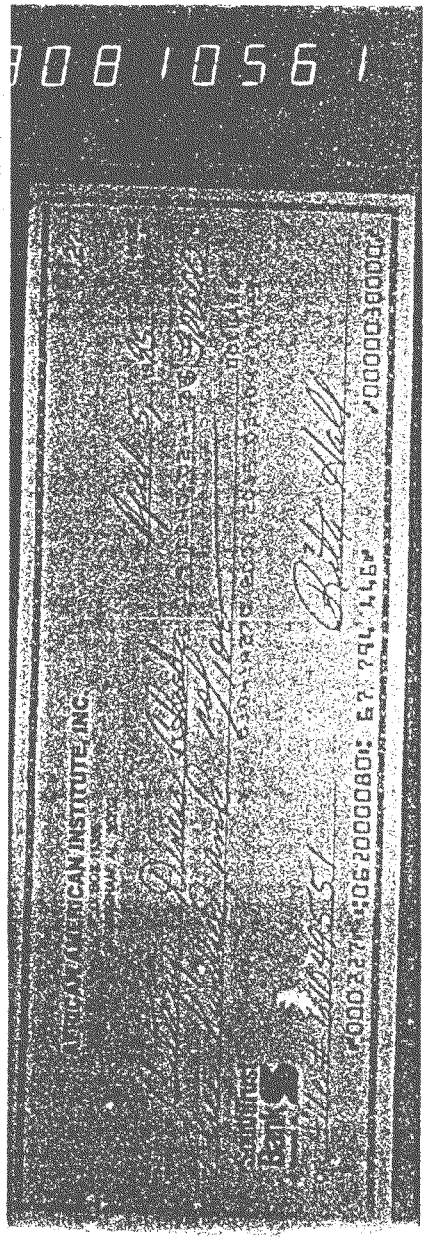
12 MAY - 94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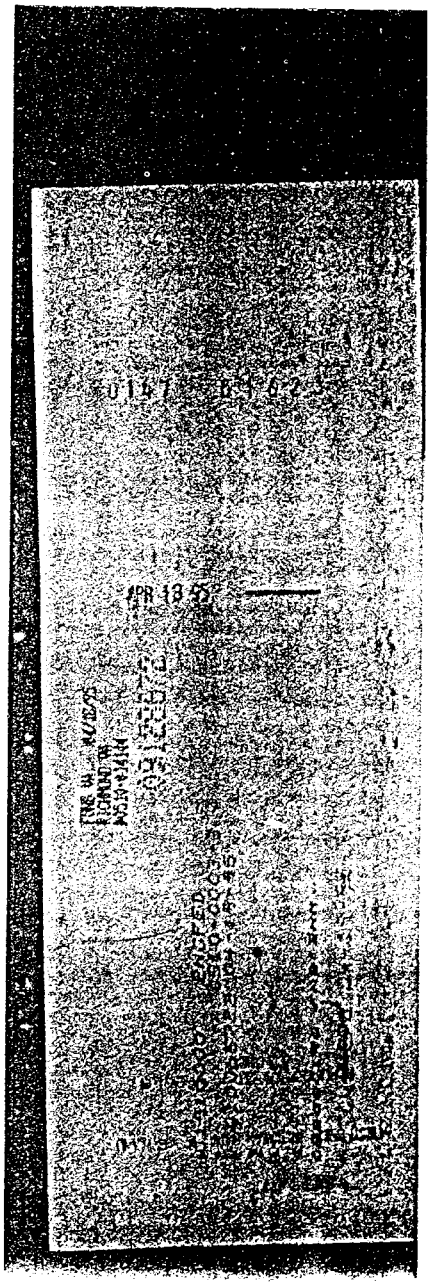

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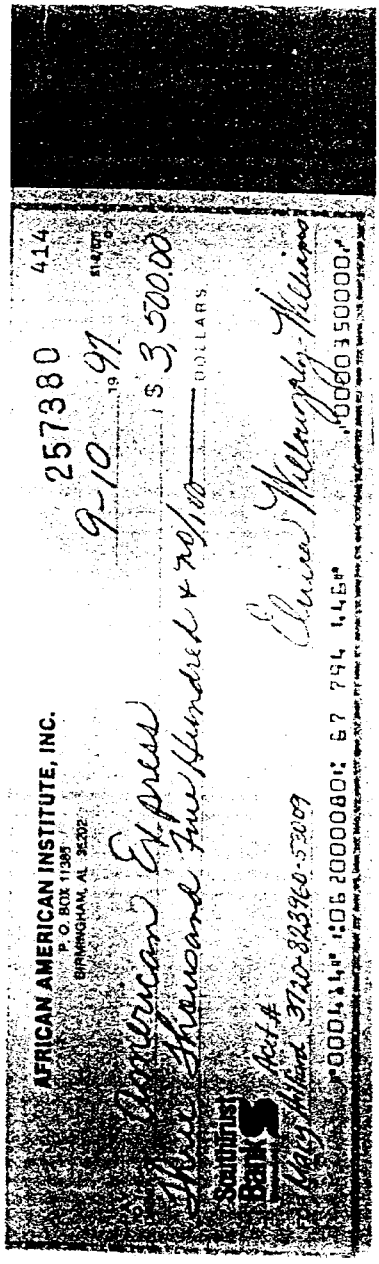
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P. O. BOX 11385
BIRMINGHAM, AL 35202
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$ 3,500.00
DOLLARS
American Express
Three Thousand Five Hundred & 00/100
Southtrust Bank
Act #
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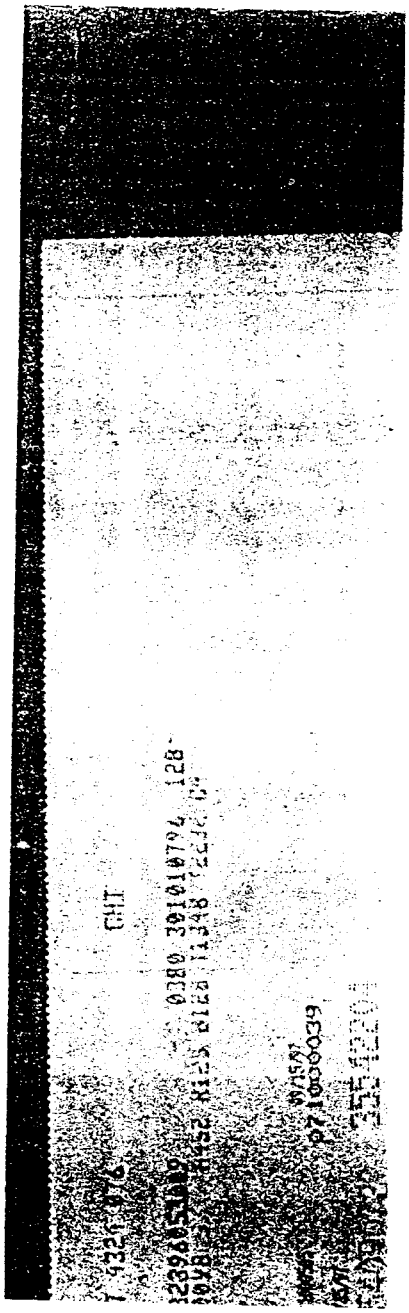

## EXHIBIT 87

### Press Clips December 3, 1997

The Hill
December 3, 1997
Pages 1, 18, 19, 20

Rep. Earl Hilliard

# Hilliard campaign boosted his business

# Hilliard's disclosures incomplete

**By Jock Friedly**

Since 1992, Rep. Earl Hilliard (D-Ala.) has made well over $100,000 in payments from his campaign to businesses and charities he controls, in a manner that raises questions about whether the congressman has complied with federal election laws, an investigation by The Hill has found.

*First in a two-part series.*

The payments to his companies included thousands of dollars in advertising on a radio station that Federal Communications Commission filings indicate was not broadcasting and insurance premiums to a company that state auditors said sold only burial policies.

Although campaigns may employ candidate-owned companies by paying market rates for goods and services, the nature of these payments suggests the campaign may have converted donations for "personal use" or payments for non-campaign purposes, which violates the Federal Election Campaign Act and implementing regulations.

Public records and interviews regarding Hilliard's ever-changing web of companies reveal other questionable practices by the Birmingham lawmaker, including the following:

- Hilliard has repeatedly failed to make disclosures about his many business interests that are required under the Ethics in Government Act;
- Hilliard's campaign made more than $30,000 in interest-free loans to family members and organizations they control, at least in small part helping to finance the purchase of a building from a for-profit company of Hilliard's at an inflated price;
- Hilliard blurred legal lines between his congressional office, his private business enterprises and his campaign headquarters, including the apparent use of campaign funds to subsidize his business operations and the apparent use of official office space to run his campaign;
- His first congressional campaign in 1992 ran a negative cash balance of thousands of dollars for months, a paradox suggesting to Federal Election Commission (FEC) officials that the campaign may have received money from an undisclosed source.

Rep. Hilliard ran campaign activity and private business dealings out of his federal office.
See page 18

Hilliard's election to Congress in 1992 was historic. Running in a newly configured district regarded as one of the poorest in America, he became the first black representative from Alabama since Reconstruction. Since then, he has aggressively sought for projects and grant money that could bring jobs to help his mostly African-American constituency.

The suspect practices involve his campaign and his modest business empire, which consists mostly of a constantly changing list of small firms falling under a tightly controlled holding company named Hilliards & Co.

"It's really confusing because it's a shell game," commented Jack Williams, the tax collector for Jefferson County who has criticized the repeated failure of Hilliard's businesses to pay taxes. At one time, federal tax liens against property owned by Hilliard companies exceeded $145,000, according to the Associated Press.

The extent of Hilliard's interest in the holding company and its subsidiaries, many of which include the name "American Trust," is difficult to determine from his financial disclosures. His forms covering the 1993 and 1994 years list no corporate assets, transactions, outside income or directorships of any private company.

These sworn declarations contrast with a report by Alabama insurance regulators in 1995 that stated that the lawmaker owned a controlling interest in the holding company at least in 1994.

The declarations also contrast with a Dec. 15, 1994, letter filed with the Federal Communications Commission (FCC) by his nephew, state Rep. John Hilliard (D), who runs the day-to-day operations of Hilliards & Co. An attachment to the letter depicts the congressman as the president and "ultimately controlling person" of Hilliards & Co. with a 30 percent personal stake and a 75 percent interest attributable to himself, his wife and his two children. The same distribution of shares appears in an ownership report that Earl Hilliard filed with the FCC in 1986.

Not until his disclosure for 1995, filed in the spring of 1996, did Hilliard finally acknowledge a stake in Hilliards & Co. worth more than $100,000. He also said he was director, not president, of the holding company and three subsidiaries. On the disclosure form he failed to mention any shares held by his wife, Mary, even though disclosure of a spouse's interests is required by the Ethics in Government Act. The next year, he again did not list a financial stake in, or a liability from, Hilliards & Co. or any of its subsidiaries.

In addition, on none of his disclosure forms has he listed any interest in the Birmingham Greater Golf Association. This association was hired by the city in 1987 to run the Highland golf course. According to William Pate, an assistant city attorney for Birmingham, as well as Gusty Yearout, who serves as attorney for the ownership group, Hilliard has a major personal stake in the association, along with five other investors.

To the community, the association was a failure. The golf course now lies unused, its greens turned brown and its vegetation unmanageable. The congressman joined his co-investors a few weeks ago in filing a law-

# Legal questions raised by office-sharing Hilliard paid own burial insurance company

suit claiming that the city caused the failure of the course by placing restrictions on how much the company could charge golfers.

But city officials are now planning to seek legal recourse from Hilliard and his colleagues for allegedly defaulting on a $300,000 loan from the city. "We are going to countersue [for] the $279,000 that we believe they owe," Pate said in an interview two weeks ago.

The possibility of a public court fight led Hilliard to recently phone the city to offer money if it would drop its claim against him. "He offered to pay one-sixth of the debt if we released him on that," Pate said, noting that the city has no plans to release him.

Many of the legal questions raised by The Hill investigation revolve around Hilliard's campaign.

Hilliard swept to victory in 1992 in his heavily Democratic district after a bruising primary that resulted in a run-off. In that election year, and the ones that followed, he appears to have made little distinction between his companies and his campaign.

From 1992 to 1996, the campaign headquarters was located on Third Avenue in Birmingham in a two-story brick and stone office building, owned by a company controlled by Hilliard. The same space also housed several of his businesses.

The campaign and these businesses even shared the same phone and fax numbers, as well as the same post office box — all paid for by the campaign, according to the campaign's FEC filings. When the campaign sent out faxes, Hilliard's American Trust company name usually appeared on top.

Experts say the office-sharing arrangement raises legal questions under federal tax law.

"That would be a very serious concern," said Jack Reilly, an official with the tax-exempt organizations division of the Internal Revenue Service. "It's saying the political organization doesn't exist" because the campaign ceases to be a legally separate identity from the company.

The office-sharing also presents problems under the election law.

Campaign laws prohibiting conversion of campaign funds for "personal use" — defined by law as the campaign paying costs that would exist "irrespective of the candidate's campaign or duties as a federal officeholder" — may also have been violated by the sharing of resources. "'Personal use' is anything that personally benefits the candidate," said former FEC Commissioner Trevor Potter, a leading election law expert now in private law practice. Personal use, he said, would include excessive payments to corporations controlled by the candidate.

To avoid trouble, Potter said, a "paper trail" would be needed to show why rent and other costs were set at the level they were. "You'd simply have to be able to show you had some good-faith measurement," he said.

Conversely, noted attorney Jan Baran, a Republican specializing in election law, the campaign also would need to properly reimburse the corporation for funds or in-kind resources spent on campaign purposes. "That gets into whether corporate resources were being used improperly to finance a congressional campaign," he said. "He's got to be careful at both ends."

Hilliard's practices raise questions of compliance with both these prohibitions.

On the one hand, records filed by the Hilliard for Congress committee indicate the campaign never reimbursed the companies for the use of desks, phones, the fax machine and other accouterments that were already located in the facility that became the campaign headquarters.

On the other hand, according to the election filings, his campaign paid more than $8,200 in utility bills for the building directly to the utility companies, even though it was not the sole occupant. No utility reimbursements to the campaign were provided by the other tenants, which were all Hilliard's private businesses. Real estate agents in Birmingham say the arrangement was extraordinary because tenants normally are responsible for utilities only when they occupy the entire building.

At the end of 1994, the campaign's utility payments stopped for a reason that is not clear.

The campaign picked up other miscellaneous costs of the building, such as $702.04 to fix the air conditioning unit, even though no record exists that such a unit was purchased by the campaign. In the next election cycle, the campaign paid to repair bad plumbing and a broken water heater. The campaign also bought a plane ticket for Hilliard to attend a conference of the Minority Radio Association, which may have been related to his ownership of an AM radio station. The association could not be located for comment.

The campaign appears to have subsidized Hilliard's company operations in other ways as well. Direct payments to companies and charities under the control of the congressman's family of listing their address at his post office box totaled $102,000. Another $63,000 went to pay Hilliard's relatives in salaries and consultant fees. Tens of thousands more, sometimes paid in sums that rounded to the nearest $100, went to Hilliard family members to defray expenses. An additional $30,000 was given to family members or charities they controlled in interest-free loans.

In 1992, the campaign began to pay rent to whichever Hilliard company or charity held title to the Third Avenue building at that particular time. Rent payments grew from $500 a month in 1992 to $1,000 to $1,500 and finally, in 1996, to $2,000, with no reduction made during non-election years. The more than tripling in rent came despite the fact that Hilliard's only seriously contested campaign came in the 1992 primary, and according to the campaign's FEC filings, the number of salaried campaign employees had dropped to zero in the second half of 1996.

How much office space the campaign occupied is unclear. Candidates are not required to disclose such figures. Alabama insurance examiner Greg Taylor spent weeks in the building auditing the books at a time when records show the campaign was paying rent. But Taylor was not aware that the office building — much of it empty — also served as a campaign office. "To my knowledge it was just the insurance company," he said.

Hilliard's insurance company, American Trust Life, itself received unusual $181 payments from the campaign. Despite its name, its sole business, according to a 1995 state examiner's report written by Taylor, was burial insurance. Clients, mostly poor Birmingham residents, typically paid pennies a day for policies that returned anywhere from $500 to $2,500 to cover their funeral costs.

It is not clear from campaign disclosures who or what the insurance policy covered: The monthly premium did not change regardless of how many employees the campaign had. "One hundred eighty one dollars would have been high for what [American Trust's] premiums were," Taylor said.

Like several of his previous business ventures, Hilliard's insurance company was a flop. Finding that the company had overstated its provable assets by a factor of 30, the state finally seized the troubled life insurance business in August 1996. The state continued to operate the company, collecting the monthly bills and paying claims.

The campaign did not continue its $181 monthly policy after Hilliard began to lose control of American Trust Life. Campaign records indicate that its last premium payment occurred in April 1996, the month that the state made the first step in taking over. The company is now being liquidated, and the policies transferred to other providers.

In at least some instances, the timing of campaign payments suggests that the payments were intended to help the businesses. In October 1994, for example, with the campaign nearly broke, the campaign prepaid $4,500 in rent. One year, it also prepaid its insurance premiums.

Another questionable campaign expenditure is the $1,500-a-month retainer paid beginning this year to the American Trust Advertising Agency. The address listed is the same as the studio for WIQR, a Montgomery radio station Hilliard owns.

The payments have occurred even though it was a non-election year, the audience of the station was limited, the listener area contains relatively few congressional district residents, and no other radio stations received money during that period.

Other radio advertising by the campaign also raises questions. In April and May of 1996, with Hilliard facing no primary opponent, the campaign paid $4,800 to a Hilliard firm for what it described as "radio air-time advertisement" on WIQR. At that time, however, the radio station was off the air, according to a former employee and a June 1996 FCC filing on the station's behalf. WIQR did not receive approval from the FCC to return to the air until December 1996.

Some of Hilliard's businesses were intertwined with charities, which shared the same post office box as the campaign and were founded by family members.

According to state auditors, payments flowed back and forth between American Trust Life and the African American Institute. And in 1993, the African American Institute paid a Hilliard company $385,000 for a Third Avenue property housing Hilliard's campaign and companies. Two years later, the institute sold the building to American Trust Life for $1 "and other goods and valuable consideration."

Rent that the campaign paid on the property jumped from $1,000 to $1,500 immediately after the charity's original purchase of the property — at more than twice what the county lists as its present market value of $185,000. The campaign also donated $300 to the institute that year and gave it a $330 interest-free loan. According to a 1995 article in the Birmingham *Post-Herald*, most of the charity's income went to pay mortgage debt.

The campaign made other interest-free loans totaling more than $30,000. Of that sum, $13,000 went to Rita Hilliard Hall, the congressman's niece who is the campaign's treasurer and his business's office manager, and $11,300 went to the reelection campaign of his nephew, state Rep. Hilliard. Another $5,750 went to a family-controlled charity called the Alabama Film and Entertainment Council.

Thus far, the FEC's only official action against the campaign was a $5,500 fine for late filing of forms. The agency also raised questions about the campaign's 1992 assertions regarding how much cash it had on hand.

In that year, the Hilliard for Congress campaign registered minus-$8,705 cash on hand on June 30, 1992, minus-$4,379 by the end of September, and minus-$7,537 two weeks later. The first of the filings caught the notice of an FEC analyst, who wrote that "this suggests that you have overdrawn your account, made a mathematical error, or incurred a debt" and that, "if the negative ending cash balance is a result of an overdraft, it may constitute a prohibited bank contribution."

The campaign responded that this was an accounting anomaly caused by "checks that were written but, [sic] have not cleared the bank."

The FEC accepted this explanation. Yet, according to an analysis by The Hill based on campaign filings, Hilliard ran a negative cash balance for months at a stretch that year.

"At best, it shows that they were living hand-to-mouth and that they were constantly anticipating donations to cover checks they had written over a protracted period of time," said Baran, the election law expert. "The worst can only be speculated as to whether it is possible to juggle a campaign check book so finely over so long a period of time."

*Laura Dunphy and Sandra Basu provided research assistance for this story.*

**Next week: Whether tax dollars helped support Rep. Hilliard's ailing business**

FILE PHOTO/THE HILL

*Rep. Earl Hilliard (D-Ala.)*

## Ownership in Hilliards & Co. as of December 1994:

| NAME | RELATIONSHIP | PERCENT |
|---|---|---|
| Rep. Earl F. Hilliard | | 30.48% |
| Mary F. Hilliard | wife of Earl | 14.47% |
| Iola Hilliard | mother of Earl | .95% |
| Alesia L. Hilliard | daughter of Earl and Mary | 13.52 % |
| Earl F. Hilliard Jr. | son of Earl and Mary | 13.52% |
| Randall M. Hilliard | nephew of Earl | 13.52% |
| Frederick E.M. Hilliard | nephew of Earl | 13.52% |

# Hilliard's finances indicate possible violations of federal law

By Jock Friedly

Rep. Earl Hilliard (D-Ala.) ran campaign activity and private business dealings out of his federal offices in possible violation of House ethics rules and federal law, according to documents and interviews.

Evidence that the congressional office was used to support the campaign and his companies includes:

• Hilliard's Montgomery federal office also served as campaign headquarters there, neighbors say;

• The manager of Hilliard's Birmingham congressional district office, Elvira Willoughby Williams, is listed in documents as wearing three hats, serving as full-time congressional district manager, as the assistant treasurer who files disclosures for the campaign, and as treasurer for his private businesses;

• In 1995, a Hilliard-controlled business, American Trust Corp., submitted an ownership report with the Federal Communications Commission (FCC) listing the official phone number of the company as Hilliard's federal office in Birmingham;

• A private contractor for Hilliard's radio station said he was told to conduct station business with Hilliard's congressional office, through Williams, the congressman and other aides;

• In one of the few faxes in the public record, on April 16, 1996, the Hilliard for Congress campaign used a cover page from the federal office to file a document with the Federal Election Commission (FEC);

• Rent for Hilliard's federal office in Birmingham was increased more than 25 percent at the beginning of this year after his campaign, which now pays no rent, moved into the same building in late 1996.

"Official resources should be used for official purposes only," said the House ethics committee general counsel, Ted van der Meid, speaking in general terms. "To the extent that someone is using public office for private gain, that's all problematic."

In 1995 and 1996, Hilliard's congressional office in Montgomery was used for campaigning, according to several people. But the $1,000 a month rent was paid entirely by the federal government.

A source at the bank owning the property, who spoke on condition of anonymity, said Hilliard used the building for his campaign and closed the office after the election. Neighbors say the property served the campaign, as well as official functions.

"It was campaign headquarters," described neighbor Braxton Causey, who still retains the official congressional business card that he received last year from Robert Lane, Hilliard's full-time manager of the Montgomery office. "There was a sign up" on the building identifying it as a campaign operation.

*Possible taxpayer subsidies of Hilliard's campaign.*

Causey's son-in-law, Leon McDaniel, also recalls a sign hanging there. "It was an open functioning headquarters for a political campaign," he said. "That was obvious to see it was a campaign headquarters."

While neighbor John Wimpee said he never could figure out what the purpose of the building was, another neighbor, Cheryl Powell, recalls that a political campaign seemed to be in full swing. "I remember seeing some banners or stick posters," she said.

Further evidence comes from a campaign disclosure. Eighty Redman, who is listed in campaign records as having conducted polling for the campaign in May 1996, was listed in the disclosure for that period as being located at the Norman Bridge site, even though he was a campaign, not congressional, worker. Redman could not be located for comment.

"While it is possible for congressional staff to hold positions in the campaign and, to the extent allowable under House rules, to have outside employment, great care must always be taken to ensure that those individuals are not using phones, buildings or government funds for private commercial or campaign activity," commented Trevor Potter, a former chairman of the FEC who specializes in election law and government ethics. "Certainly the use of a congressional office as a campaign headquarters would raise serious issues under the House ethics rules."

In Birmingham, similar issues of possible taxpayer subsidies to Hilliard's campaign arise.

FEC filings list District Manager Williams as being the assistant treasurer of Hilliard's campaign committee and show that several times she was reimbursed for incurring campaign expenses. She was also listed in corporate records as treasurer and a director. Pay records indicate that Williams never received a reduction in congressional pay for pursuing unrelated work.

But according to one former Hilliard staffer, who asked for anonymity, Williams sometimes would work in the congressional office in the morning and be gone the entire afternoon at the building around the corner that served as campaign and corporate headquarters.

Late last year, the campaign and Hilliard's companies were forced to move from their building on Third Avenue to an office building around the corner that housed his federal office. Hilliard's company lost title to the Third Avenue building through failure to make mortgage payments — all the while his company was still charging rent to his campaign.

At about the same time as the move, the rent on his congressional office increased more than 25 percent, from $1,120 to $1,420 a month. Meanwhile, his campaign has paid nothing in rent in its new location. Henry Penick, the building's owner, an attorney who formerly represented Hilliard and who now shares the second floor with Hilliard, denied any connection between the rent increase and the move of Hilliard's business and campaign. He said he could not explain who pays the campaign's rent.

There is evidence to suggest that Hilliard also did not draw a sharp line between his federal office and his private business interests.

Tom Jones said he was hired on a contract basis as the main engineer for WIQR radio, which is owned by Hilliard's American Trust Communications Corp. "I dealt with Earl Hilliard himself," he said, explaining that the lawmaker gave him his congressional office numbers and home number to contact him on radio station matters.

Jones described how Hilliard's congressional staff, including District Manager Williams, also helped deal with business matters, including billing. "They were the same people doing it," he said.

The involvement by Williams on behalf of Hilliard's businesses was not incidental to her duties as a federal employee, according to documents and several accounts. In fact, when state examiners audited Hilliard's American Trust Life Insurance Co., they found Williams listed in corporate papers as the treasurer, as well as a director. She appears to have served in a similar role with Hilliard's other companies. Her signature appears on other corporate documents reviewed for this story that were dated after she went to work for the congressional office.

Though Hilliard's office had no comment, former aides denied that the line between Hilliard's congressional office and his businesses blurred. Asked about connections between the two, former Assistant Office Manager Don Hull said he knew of "none whatsoever." Another former aide, Jacqueline Smith, concurred. "I was very clear on what my duties were," she said, although she added that Williams was "very confidential in everything she did" and could not say what she did.

Williams, reached by telephone, declined comment.

# *Rep. Hilliard responds*

*After repeated attempts to seek comment from Rep. Hilliard, The Hill sent a two page letter summarizing this article. Hilliard responded with the following fax:*

"I am writing in response to your letter of Dec. 1, 1997, regarding an upcoming article you plan to write in The Hill newspaper on Wednesday, Dec. 3, 1997, alleging unethical and illegal conduct on my part. You have not provided me with a copy of the article; therefore, I am unable to respond to any allegations you make.

"Based on telephone calls received by members of my staff, you have contacted virtually every employee that I have dismissed or who has resigned from my staff. However, it appears that you have exaggerated and distorted facts and have added lies and untruths to arrive at unsupported conclusions regarding unethical or illegal conduct. This appears to have been done with reckless disregard for the truth or veracity of the allegations.

"I have been under attack ever since I entered politics because I have supported the interests of the underserved. In spite of your threatened attack on my character, I will continue to work vigorously on behalf of children, the poor, the elderly, the disenfranchised, the voiceless, African countries, countries with majority black populations, and African-Americans. These allegations will not silence me."

Sincerely,
Earl F. Hilliard
Member of Congress

## Press Clips December 10, 1997

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Rep. Hilliard

# Hilliard radio station helped by tax funds

**By Jock Friedly**

A foundation affiliated with Rep. Earl Hilliard (D-Ala) ran a radio station that State of Alabama auditors found benefited from a state college's expenditure of $472,000 in tax funds, in a manner violating the law.

*Second of a two-part series*

Hilliard's office later began paying a firm associated with the college's president — who was fired for his role in these and other expenditures — $1,000 a month in tax funds to rent office space, many times what real estate experts say the tiny space is worth.

Hilliard and various aides have declined repeated requests for their comments. The Hill has found no information that suggests that Hilliard was aware that the college's use of tax funds violated the law. Nevertheless, the episodes shed new light on the controversial business practices that Hilliard has used over the years, as well as his stewardship over his federal office.

The state audit that mentions

■ CONTINUED ON PAGE 32

■ CONTINUED FROM PAGE 1

the college's expenditure of tax dollars was the subject of local press reports, but because control of the radio station at the time of the expenditures was not disclosed to federal regulators, his fall role has never before been revealed.

The story of how large sums of tax money were spent to benefit the radio station grows out of the tortured history of a radio station in Prattville known as WIQR.

In May 1988, when Hilliard was a state senator, his family-owned company, the American Trust Broadcasting Corp., owned WIQR. The company sold the station to Canterbury Broadcasting Corp., a firm owned by Bob Hutchins of Jackson, Miss. Hutchins did not buy the station outright. He borrowed $150,000 from Hilliard, and scheduled regular payments.

Hutchins soon had trouble paying Hilliard back. In court filings, he said it was because Hilliard failed to tell him about a large lien again: radio station equipment, despite a clause in the sale contract declaring that the station equipment was "free and clear of all liens and encumbrances."

Then, Hilliard allegedly took drastic action. According to the complaint Hutchins later filed in federal district court, obtained from archives in Atlanta, Hilliard visited the station with a locksmith to "illegally" gain entry "during non-business hours." Once in, the complaint said, he "wrongfully seized" station records and equipment, including some that Hutchins had purchased from elsewhere.

"He had someone physically break into the studio and stole the equipment," Gary Richardson, an executive with Canterbury Broadcasting, told The Hill. "What happened in the process is Earl Hilliard took control of the radio station without legal right to do so."

The Hutchins suit said Hilliard sold the equipment for $200,000 to Montgomery West Community Foundation Inc., a nonprofit corporation in which Hilliard was an officer. Montgomery West was founded by employees of Trenholm State Technical College, a school run by Thad McClammy. A long-time Hilliard ally, McClammy served in the state legislature with Hilliard and continues to serve there.

That fall of 1989, the suit alleged, Montgomery West used the seized equipment to begin broadcasting as WSKN.

With none of the required documentation coming in from the station, such as annual ownership reports, Federal Communications Commission records show that agency officials assumed in 1990 that the radio station had gone off the air.

What actually happened with the station was described in an audit filed in February 1995 by the Alabama Department of Examiners of Public Accounts. The audit's findings were supported by a detailed September 1997 report from the U.S. Department of Education.

The state audit revealed that from 1989 to 1992, the college spent $472,000 in state and federal funds on WSKN, the facility housing it, and another building being renovated for the station's use. The federal moneys were intended for other programs at Trenholm because it is considered a historically black university.

The college's expenditures on WSKN "failed to comply" with "laws, regulations, directives, and guidelines of the State of Alabama and federal award programs," the audit found.

The audit detailed how Trenholm State paid for renovation of the WSKN building, even though required approval from the State Board of Education was not sought and competitive bids were not requested. Auditors found that the renovations totaled $41,600, including $38,200 in federal funds. Utility and other miscellaneous station expenses paid by taxpayers amounted to $5,100.

Trenholm State also staffed Hilliard's new station. Tax funds used for that purpose totaled $127,500, including $20,300 in federal money, the audit report revealed.

Beverly Ross, a college official who managed the station, said then-Sen. Hilliard would stop by every so often "and offer suggestions as to what to do with the station." But, she said, "I didn't deal with Mr. Hilliard on a day-to-day basis."

The audit report also found that Trenholm State entered into a lease-purchase of a neighboring building at 3005 Fairwest Place that Hilliard's insurance company owned.

Although Trenholm ultimately did not exercise its option to purchase the property, the audit said the college spent $148,000 of tax dollars on renovations. Unnamed private businesses occupied Hilliard's building, leading auditors to conclude that "the renovation of a building to house private businesses does not appear to comply with the laws and regulations of the State of Alabama and federal award programs."

In addition, the college approved the lease-purchase of another building, with 11 of the 29 rooms to be used by WSKN, the audit said. Some $150,000 of tax money, including $115,000 in federal grant money, went to fund renovations that were neither approved by the State Board of Education nor sent out for competitive bids.

In August 1992, Hilliard settled the legal battle over WSKN. Hutchins received $150,000 from Montgomery West, which also relieved him of his $150,000 debt to Hilliard.

Whether Hilliard personally profited from this arrangement is unclear. The audit was not designed to determine that. The audit report did not even mention Hilliard or his company by name.

# Hilliard station benefited from taxpayer funds

After the audit was published in 1995, the State Board of Education removed McClammy from his post. A federal criminal probe ensued, ending last year with no charges filed because "no cognizable federal criminal offense" had occurred, a Dec. 30, 1996, press release from the U.S. Attorney's Office in Montgomery stated. Without mentioning names, the release added that "the inquiry disclosed certain other matters which remain under review and on which work is continuing."

In court, the state is seeking the return of $577,000 for which it said McClammy is personally liable, including some of the money expended for the benefit of Hilliard's radio station. The Department of Education is currently seeking nearly $1 million that it says Trenholm State owes.

McClammy did not return several phone calls seeking comment for this article. However, in response to the audit, he asserted in 1995 that "even though the station was licensed as a commercial station, it functioned as a college radio station providing public service to the community and training opportunities for college students."

McClammy and Hilliard have also been involved in other business dealings. In March 1995, Hilliard moved his congressional office in Montgomery from the federal building to a former bank branch building on Norman Bridge Road subleased from R.S. & Associates, a firm affiliated with McClammy.

According to a former Hilliard employee, the congressman told his staff that the move was intended to save money. Instead, the rent cost $1,000, or 60 percent more than before.

After the 1996 election, Hilliard again moved his Montgomery congressional office, this time to an empty building controlled by McClammy on West South Street. He continued to pay $1,000 every month to R.S. & Associates.

Hilliard only has one permanent aide in his Montgomery office, with part-time employees sometimes bringing the staff to two. And Hilliard's office appears to be only about 9 feet by 12 feet, according to Mallie Shavers, a neighbor who inspected the building at The Hill's request.

Shavers said, based on what he saw it might be possible that Hilliard's office had another room for storage or equipment, but not much more than that. The office building's only other tenants that Shavers could see are McClammy and John Knight, another state legislator who is friends with Hilliard and McClammy. "Eighty percent of it is empty," Shavers said.

Leon Obenhaus, a Montgomery real estate agent specializing in commercial office space, said McClammy has had trouble renting the building because of its condition and its location in an unsafe neighborhood. He estimated the cost of office space at no more than $4 per square foot per year, which at $1,000 a month would allow Hilliard to rent space the size of a large home.

Other commercial real estate experts said that even rents for the most luxurious office space in Montgomery, which top out at $20 per foot, would not justify the rent for office space several times the size of what Shavers saw.

*Shannan Cutler provided research assistance for this article in Atlanta.*

# Hilliard responds to allegations

The office of Rep. Earl Hilliard (D-Ala.) responded Thursday to two of the portrayals of his financial practices in last week's issue of The Hill, but the explanations contradict the congressman's own campaign filings and another official document.

The response came from Hilliard's press secretary, Kenneth Mullinax, in statements to the Associated Press. According to an AP story, Mullinax stated that The Hill was incorrect in asserting that Hilliard spent thousands of dollars in campaign funds on insurance premiums to a company of his that sold only burial insurance and for advertising for his radio station when it was not operating.

The AP reported that Mullinax said the $181 premium payments were for life insurance — not burial insurance — for a campaign employee who insisted upon having the benefit.

The payments to the American Trust Insurance Co. began in the fall of 1994. However, an audit by Alabama insurance regulators indicated that the only new policies written during 1994 by the company paid out at most $2,500, which are known in the business as burial policies because of their limited pay-out.

Elizabeth Redmond, who could not be reached for comment, was apparently the holder of the insurance policy. She was the only salaried employee who worked for the campaign during the time in question.

The second Mullinax statement related to $4,800 in radio advertising payments in 1996 that went to a Hilliard firm, American Marketing and Media. As reported last week in The Hill, the payments occurred when WIQR, the radio station owned by the Hilliard family, was off the air, according to a WIQR employee and the station's own filings with the Federal Communications Commission.

Mullinax explained that the payments to American Marketing and Media were intended for another radio station, not WIQR. However, the campaign's own filings list the purpose of the $4,800 payments as being for "Radio Airtime Advertisement WIQR."

Mullinax did not return The Hill's phone calls seeking documentary evidence for the statements attributed to him by the AP.

— JOCK FRIEDLY

# EXHIBIT 88

JAMES V. HANSEN, UTAH
CHAIRMAN
LAMAR SMITH, TEXAS
JOEL HEFLEY, COLORADO
BOB GOODLATTE, VIRGINIA
JOE KNOLLENBERG, MICHIGAN

HOWARD L. BERMAN, CALIFORNIA
RANKING DEMOCRATIC MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA
SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED FIFTH CONGRESS

**U.S. House of Representatives**

**COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT**

**Washington, DC 20515–6328**

December 29, 1997

The Honorable Earl F. Hilliard
U.S. House of Representatives
1314 Longworth House Office Building
Washington, D.C. 20515

Dear Colleague:

The Committee has reviewed the attached articles published by *The Hill* on December 3 and December 10, 1997, as well as your published responses to those articles. Pursuant to Rule 19 of the Rules of the Committee on Standards of Official Conduct, we invite you to respond in writing to the allegations contained in those articles, and to provide any additional information you may desire regarding the articles.

The Committee asks that your response to this request be more specific and detailed than your published responses, and that you submit your response to the Committee by no later than January 30, 1998.

Thank you for your cooperation in this matter. If you have any questions regarding this letter, please contact Chief Counsel Theodore J. Van Der Meid, Counsel David H. Laufman, or Counsel Virginia H. Johnson at (202) 225-7103.

Sincerely.

James V. Hansen
Chairman

Howard L. Berman
Ranking Democratic Member

Attachments

JVH/HLB:dhl

# EXHIBIT 89

JAMES V. HANSEN, UTAH
CHAIRMAN

HOWARD L. BERMAN, CALIFORNIA
RANKING DEMOCRATIC MEMBER

SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED FIFTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515-6328

January 13, 1998

**BY HAND-DELIVERY**
Ralph L. Lotkin, Esq.
Cochran & Lotkin
201 Massachusetts Ave., N.E.
Suite C-1
Washington, D.C. 20002

Re: Representative Earl F. Hilliard

Dear Mr. Lotkin:

The Committee is in receipt of your letter dated January 8, 1998, in which you expressed uncertainty regarding the scope of the Committee's interest as reflected in its letter to Representative Hilliard dated December 29, 1997.

In response to your request for clarification, we therefore ask that Representative Hilliard respond in writing to the following specific questions:

**Business and Charitable Interests**

1. Please provide a complete list of all corporations, businesses, and other entities (including charitable organizations) in which you have had an ownership interest or held a position from January 1, 1991, to the present.

   - Please specify the nature or scope of your ownership interests in such entities, and the titles of any positions held.

   - During the period of January 1, 1991, to the present, have you or any members of your family[1] possessed signature authority to prepare or issue checks drawn on the bank accounts of any of those organizations? If yes, please identify the pertinent organizations and the corresponding financial institutions at which such accounts are (or were) located.

[1] For purposes of your response to this letter, "members of your family" shall be understood to include an individual who is related to you, as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, first cousin, nephew, niece, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, or who is the grandfather or grandmother of the reporting individual.

2. Please describe the relationship between American Trust Corp., American Trust Life, American Trust Advertising Agency, and American Trust Communications Corp.

   - What is the relationship, if any, between any of those entities and Hilliard & Co., Inc.?

3. Please describe the purpose and activities of the Alabama Film and Entertainment Council and the African American Institute.

   - Have you or any family members held any position in either of those organizations since January 1, 1991?

   - What is the relationship, if any, between either of those organizations and other corporations or businesses in which you or members of your family have held an interest or served as a director or officer?

4. Please specify the sources of funds for the African American Institute and the Alabama Film and Entertainment Council during the period of January 1, 1991, to the present.

5. With respect to corporations (including charitable organizations) in which you have served as an officer or director from January 1, 1991, to the present, please provide copies of the articles of incorporation and documents pertaining to tax-exempt status, if applicable.

   - With respect to tax-exempt organizations, please provide copies of applications for exempt status, tax returns or other filings with the Internal Revenue Service ("IRS"), and any correspondence between such organizations and the IRS.

6. What financial interest, if any, do you or any members of your family have in American Trust Advertising Agency?

7. Please describe the types of insurance policies provided or underwritten by American Trust Life from January 1, 1991, to the present.

8. What is, and has been, the nature of your interest in the radio station WIQR, and how has that changed since 1991, if at all?

9. What is, and has been, the relationship, if any, between American Trust Advertising Agency and WIQR?

10. What is, and has been, the relationship, if any, between American Trust Life and the African American Institute?

11. What is, and has been, the nature of your interest or involvement, if any, in the radio station WSKN?

**Campaign Office**

1. Please provide the addresses of your campaign offices in Alabama from 1991 to the present, and state when the campaign offices were located at those addresses.

2. Regarding the campaign office previously located in a building on Third Avenue in Birmingham:

   - Who owned that building during the time when your campaign occupied space in the building?

   - What other organizations or entities were located in that building when the campaign office was located there?

   - Did you or any members of your family have any financial interest, or hold any position, in any of those businesses or entities?

   - How was space in the building allocated between the campaign and other entities located in the building?

   - Why was the building on Third Avenue selected as the location of your campaign office?

3. What amount of rent did the campaign initially pay for the use of the building at Third Avenue, and to whom was that rent paid?

   - By what amount, if any, did the campaign's rent increase during the time the campaign office was located at the Third Avenue building?

   - On what factors were those rent increases based?

4. Did you or any member of your family benefit financially, either directly or indirectly, from the rent paid by your campaign for use of the building at Third Avenue?

5. Did the campaign ever prepay its rent at Third Avenue? If so, why?

   - Did the identity of the lessor change during the period that the campaign occupied space at Third Avenue? If so, why?

6. What was the relationship of American Trust, or any subsidiary thereof, to any of the entities located in, or using, the building on Third Avenue?

7. To what extent did the campaign have access to, or make use of, space, equipment, furnishings, and other resources belonging to any of the other entities located in, or using the building at, Third Avenue?

8. To what extent did each of the entities using the building at Third Avenue contribute to the cost of their individual overhead?

   - Please state whether the campaign shared a phone or fax number, or post office box, with any of the other entities using the building.

9. To what extent were campaign funds used to pay for any of the overhead or other expenses incurred by any of the other entities located in, or using, the building at Third Avenue?

10. Who paid for the use of the telephone or fax machine by entities using the building other than the campaign?

    - To whom did the campaign and other entities using the building pay rent?

11. Please provide copies of the lease agreements for the campaign and any other entities that used or occupied the building at Third Avenue from 1991 through the end of 1996.

12. According to the December 3, 1997, article in *The Hill*, "in 1993, the African American Institute paid a Hilliard company $385,000 for a Third Avenue property housing Hilliard's campaign and companies. Two years later, the institute sold the building to American Trust Life for $1 'and other goods and valuable consideration.'"

    - Is this report accurate?

    - If yes, please explain why the African American Institute purchased the building at Third Avenue.

    - Where did the African American Institute obtain the funds to purchase the building?

    - Please explain why the purchase price in this transaction was only $1 "and other goods and valuable consideration."

    - Please identify the "other goods and valuable consideration" provided by American Trust Life to the African American Institute with respect to this transaction.

    - To what extent, if any, did you or members of your family benefit financially from this transaction?

- Please provide copies of settlement agreements and other documents relating to this sales transaction.

13. According to the December 3, 1997, article in *The Hill*, rent paid by your campaign to use the building at Third Avenue increased from $1,000 to $1,500 "immediately after" the African American Institute purchased the building.

    - Please assess the accuracy of this report.

    - If the report is accurate, please explain why the campaign's rent increased after the purchase transaction, and why it increased by fifty percent.

    - Please state whether the African American Institute later sold the building to American Trust Life; if so, please specify the date of that transaction and provide any documents relating to that transaction.

        - To what extent, if any, did you or members of your family benefit financially, from that transaction?

**Campaign Expenditures**

1. Please provide the names of all paid campaign employees from January 1, 1991, to the present, specify their duties or title (if any), and state their salary (and any changes thereto) during that time period.

2. To what extent, if any, have funds from your campaign account been used to benefit any business or other entity in which you, or any member of your family, have had a financial interest or have served in a position?

    - In particular, has your campaign committee, as alleged, ever made "[d]irect payments to companies and charities under the control of [your] family," or to companies and charities that listed their address at your post office box? If yes:

        - Please specify the date, amount, and recipient of such payments.

        - In what way were such payments made for a bona fide campaign or political purpose?

        - To what extent, if any, did your campaign pay the utility bills relating to use of the premises at Third Avenue in Birmingham by entities other than the campaign?

3. Has your campaign committee, as reported, ever made payments to members of your family in salaries or consultant fees?

   - If yes, please describe the services performed by those family members in return for those salaries or fees, and provide documentation concerning the assignment and performance of those services.

4. Please identify any campaign expenditures that have been made to reimburse members of your family for expenses, specify the purpose of the expenditure, and provide any documentation concerning such expenses.

5. Please state whether, as alleged, your campaign ever has made interest-free loans to members of your family, or to charitable organizations with which you or member of your family were involved. Please provide any documentation concerning such loans.

6. What payments, if any, has your campaign made to American Trust Life? Why were such payments made?

7. Has your campaign ever paid for an insurance policy on behalf of a campaign employee? If yes, what type of policy was provided, who was the policyholder, and who was the policy's beneficiary?

   - What premium was charged for this policy, and on what basis was the premium calculated?

   - For how long was this policy in effect?

8. Has your campaign ever prepaid insurance premiums? If yes, why?

9. Please state whether your campaign organization has made expenditures to American Trust Advertising Agency, specify the purpose of those expenditures, and provide a copy of the contract, agreement, or other documentation concerning any services provided by American Trust Advertising Agency.

10. In connection with any campaign expenditures relating to the radio station WIQR:

    - Please respond to allegations that your campaign made expenditures in 1996 for radio advertising on WIQR at a time when the station was not broadcasting.

    - Please state whether your campaign purchased advertising on stations other than WIQR. If not, please explain.

    - Please state whether the campaign purchased advertising on WIQR during a non-election year. If so, please explain.

- Please explain the extent to which the listening audience of WIQR includes individuals in your congressional district.

11. Who currently has authority to sign checks drawn on your campaign's bank account?

    - Who else has possessed signature authority since January 1, 1991?

12. Please describe the process by which checks drawn on your campaign's account are authorized and prepared.

    - How has that process changed, if at all, since January 1, 1991?

13. The December 3, 1997, article in *The Hill* reported that your campaign has made interest-free loans totalling approximately $30,000 to your niece Rita Hilliard Hall; your son, State Rep. Earl Hilliard, Jr.; and the Alabama Film and Entertainment Council.

    - Was this report accurate? If so, please specify the purpose of these loans, and provide copies of related loan agreements and other documentation, if any.

**Use of Official Resources**

1. Which employees of your Washington, D.C. or district congressional offices also have worked on your congressional campaign?

2. Which employees of your Washington, D.C. or district congressional offices also have worked for any business or charitable organization in which you or members of your family have had a financial interest or have served as an officer or director?

3. Did your campaign organization, as reported, move into the same building occupied by your congressional office in Birmingham in 1996?

4. Has your congressional office in Birmingham ever shared space or other resources with your campaign organization or other organizations?

5. Has your congressional office in Montgomery ever shared space or other resources with your campaign organization? With any other organization?

6. To what extent, if any, has campaign activity been conducted in any of your congressional offices?

7. To what extent, if any, has business concerning WIQR or any other company or entity in which you have had a financial interest been conducted in any of your congressional offices?

8. Does your campaign organization in Birmingham currently pay rent to occupy its location? If yes, to whom is that rent paid, and in what amount?

   - Please provide a copy of the rental agreement.

   - Was there a period during the last two years when the campaign organization in Birmingham did not pay rent? If so, why?

9. Please state whether your congressional office in Montgomery moved in 1995 from the local federal building to a former bank branch building on Norman Bridge Road. If yes, please specify the date of the move and explain the reason for the move.

   - What was the monthly rent at the previous location in the federal building?

   - What was the monthly rent at the new location on Norman Bridge Road? On what basis was that rent calculated?

10. Please state whether your congressional office in Montgomery moved in 1996 from the location on Norman Bridge Road to a new location on West South Street. If so, please specify the date of the move and explain the reason for the move.

    - What amount of rent is the district office in Montgomery currently paying?

    - To whom is that rent being paid?

11. Please identify any persons who have been employed in your district office in Montgomery since your election to the House of Representatives in 1992, and provide the dates of their employment.

12. Please identify any persons who have been employed in your district office in Birmingham since your election to the House of Representatives in 1992, and provide the dates of their employment.

13. What financial interest, if any, do you or any members of your family have in R.S. Associates?

14. Have you or any members of your family benefited financially, either directly or indirectly, from any rent paid by your district congressional office in Montgomery to R.S. Associates?

**Financial Disclosure Statements**

1. Please identify all individuals who have been involved in the preparation of your Financial Disclosure Statements since you first became a candidate for the House of Representatives.

2. Have you held a reportable ownership interest or position in American Trust Advertising Agency since you originally became a candidate for election to the House of Representatives?

**Campaign Disclosure Reports**

1. Please identify all individuals who have been involved in the preparation of your filings with the Federal Election Commission since you first became a candidate for the House of Representatives.

**Federal Investigations**

1. Please state whether, to your knowledge, you or your campaign organization is currently the target or subject of an investigation by the Department of Justice or the Federal Election Commission and, if so, please describe the nature and scope of the investigation.

The Committee would appreciate Representative Hilliard's responses to the above questions and requests by no later than February 6, 1998.

Thank you for your cooperation in this matter. If you have any questions regarding this letter, please contact Chief Counsel Theodore J. Van Der Meid, Counsel David H. Laufman, or Counsel Virginia H. Johnson at (202) 225-7103.

Sincerely,

James V. Hansen
Chairman

Howard L. Berman
Ranking Democratic Member

JVH/HLB:dhl

# EXHIBIT 90

JOHNNIE L. COCHRAN, JR.*
RALPH L. LOTKIN
*ALSO MEMBER OF
THE CALIFORNIA BAR

RECEIVED
98 FEB -6 AM 2:35
COMMITTEE

LAW OFFICES
COCHRAN & LOTKIN
CAPITOL HILL WEST BUILDING
201 MASSACHUSETTS AVENUE, N.E.
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WASHINGTON, D.C. 20002
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OF COUNSEL
OCHOA & SILLAS*
LOS ANGELES, CALIFORNIA
ORANGE COUNTY, CALIFORNIA
SACRAMENTO, CALIFORNIA
MEXICO CITY, MEXICO
*ADMITTED ONLY IN CALIFORNIA
AND MEXICO, D.F.

February 6, 1998

SENT VIA FAX: 225-7392, HARD COPY VIA MAIL

The Honorable James V. Hansen
Chairman
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

The Honorable Howard I. Berman
Ranking Democratic Member
Committee on Standards of Official Conduct
HT-2, U.S. Capitol Building
Washington, D.C. 20515

Re: Representative Earl F. Hilliard

Dear Mr. Chairman and Ranking Member:

On December 3 and 10, 1997, *The Hill*, a weekly newspaper with primarily a Capitol Hill circulation, published two articles regarding Rep. Hilliard. The clear intent of the items was to raise questions regarding certain activities of Mr. Hilliard, either during the period of time prior to his being sworn in as a Member of the House of Representatives, or later as a Congressman. The implied objective of the articles was to precipitate an official examination of the matters raised.

*The Hill* was successful in meeting its goals. Less than 3 weeks after the publication of the second article, the Chairman and Ranking Democratic Member sent a letter dated December 29, 1997, to the Congressman seeking his reaction to the myriad of allegations. It is an obvious and unfortunate fact that the Committee's December 29 request provided absolutely no guidance with respect to areas of

potential Committee interest.[1] This alone establishes that, in hindsight, there was no possible way that any effort to comment upon the articles would have been deemed adequate since he was totally left in the dark as to what matters or allegations were of concern even as to issues already considered and approved by the Committee.

As is discussed more fully below, the issue of responding to unstated, and unknown, questions was exacerbated by the fact that, for all intents and purposes, the articles devoted as much space to making allegations over matters or events which predated Mr. Hilliard's position as a Member, or which had absolutely nothing to do with his official duties and responsibilities, as they did to his official conduct since 1993.

In this light, on January 8, 1998, an effort was undertaken on behalf of Mr. Hilliard to obtain informal guidance from the Committee staff on such obvious issues as: matters of substantive concern, time-frame of interest, and connection with official duties. As the record clearly indicates, the Committee's response to our inquiry was presentation of a multi-paged questionnaire on January 13 with a requested response date of February 6. Staff informed counsel for the Congressman that they would not engage in any discussion regarding the above three issues -- only that they were to provide the fact-gathering questions. Staff said that all matters of procedure and substance were to be directed to the Committee. This was done by letter of January 21, 1998 and, to date, no guidance or any response has been provided by the Committee.

Review of the matters and questions addressed in the Committee's January 13 letter establishes that the Committee has undertaken what would appear to be a number of unprecedented steps. First, the Committee has accepted as a sufficient

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[1] For example, it would be erroneous and simplistic to assume that mere assertions or innuendos about Mr. Hilliard's campaign office being located in a building owned by a company under his control was, per se, evidence of improper conduct or that it constituted a matter necessitating the Congressman's response. Soon after being sworn in as a Member, the Congressman sought the Committee's advice on this matter. In its Advisory Opinion to the Congressman of June 9, 1993, the Committee explicitly stated the arrangement would not be, per se, improper. Thus, the questions in the Committee's January 13, 1998, letter about this specific concern could never have been anticipated, the issue having already been considered and approved by the Committee.

basis for investigation (9 pages and 80 questions is hardly informal fact-gathering) unverified insinuations and allegations contained in 2 newspaper articles. In this regard, what would be explicitly rejected if submitted by a non-Member as the basis of a complaint -- newspaper articles -- is apparently more than sufficient to precipitate a self-initiated undertaking. Consequently, one is left to conclude that the Committee's investigative efforts will, indeed, be triggered by unverified news reports so long as such articles are not attached to a complaint.[2]

Second, the breadth of matters addressed in the January 13 questionnaire establish what we believe to be a new precedent of the Committee seeking information pre-dating an individual's tenure as a Member of the House. In point of fact, there are numerous requests for information in which the time-frame of stated interest is as of "January 1, 1991". The fact that this matter is of serious concern should come as no surprise to the Committee since it was raised during a telephone conversation with Committee attorney David Laufman on January 8, 1998, was again raised during a meeting with Committee staff attorneys on January 13, 1998, raised in my letter to the Committee of January 21, 1998, reiterated in correspondence dated January 30, 1998, and most recently, alluded to in my letter of February 3, 1998.

As of today -- February 6, 1998 -- absolutely no Committee response, formal or informal, has been provided. Consequently, Congressman Hilliard suffers from the same lack of information and guidance today as existed on December 29, 1997, when the Committee first sought his reaction to the articles. In the face of such silence, including even the absence of any response to a simple request for an extension of the time in which to provide information, or an opportunity to meet with at least the Chairman and Ranking Democratic Member to discuss these matters, it has become necessary to place our views in the record. (Even in this regard, we believe it is unprecedented for a Member, whose reputation and conduct has been called into question on the basis of unverified news reports, not to be provided with the guidance and courtesies which have been extended to numerous Members in the past.)

In our view, there are two fatal flaws inherent in any and all of the requests for information pre-dating January 3, 1993 -- the date on which Mr. Hilliard became a

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[2] See, Ethics Reform Task Force Report, at p. 23, indicating news reports as a basis for self-initiated "investigations." The context and history make clear this is to be a Committee decision and action, not a matter simply left to the Chairman and Ranking Democratic Member.

Member of the House of Representatives. First, our research establishes that the Committee's explicit policy and practice, as supported in published precedents, has been not to either investigate or to take action with respect to matters pre-dating an individual's status as a Member. Examples of such precedents are readily apparent in both H.Rept. No. 94-1792 (In Re Representative Andrew J. Hinshaw) and H.Rept. No. 104-886, Summary of Activities One Hundred Fourth Congress, page 19, *Representative Mel Reynolds*. In both cases, the Committee did not undertake action with regard to matters of so-called "pre-Member conduct". We also point out that there is no evidence that the Committee undertook official investigative action concerning former Member Walter Tucker. Mr. Tucker was convicted for engaging in illegal activity pre-dating his tenure. Notwithstanding, there is no record of which we are aware indicating Mr. Tucker was subjected to the same degree of inquiry as has been visited upon Mr. Hilliard. (This office represented Congressman Tucker during what would have been the relevant period of Committee investigation.)

Separate and apart from the generic matter of "pre-Member" jurisdiction, the request for information going back to January 1, 1991, is also flawed because it directly violates Committee Rules 16(i) and 19(d). January 1, 1991, was a date which fell within the last days of the 101st Congress. Inasmuch as the Committee's request to Mr. Hilliard was propounded during the 105th Congress, any requests for information dating back to January 1, 1991, exceed the scope of investigative authority under the cited Rules, the so-called 3-Congress statute of limitation unless there has been a majority vote of the Committee.[3]

It would, therefore, appear, given the ascribed informal nature of factfinding being undertaken regarding Mr. Hilliard, that the scope and duration of matters addressed in the January 13 letter contradict established policy, precedent and procedural rules of the Committee -- unless, of course, new precedents have been established investing the Chairman and Ranking Democratic Member with the authority to informally seek information which the Committee formally could not or

[3] Moreover, we believe that even application of the 3-Congress rule waiver assumes that the individual was, indeed, a Member at all times during the period which is to be the subject of review (Hilliard was not) and there is evidence (not innuendo) such conduct continued into the later time. Even on this specific issue clarification is needed.

has not under its precedents and rules. Again, there has been no response to our questions in this matter.[4]

Third, and directly related to the issue of investigating pre-Member conduct, is the matter of efforts to investigate conduct that has no relationship to the performance of official duties or responsibilities -- the expressly stated scope of jurisdiction granted to the Committee under House Rule X. In this specific regard, aspects of *The Hill* articles make allegations about matters clearly having no nexus to Mr. Hilliard's congressional responsibilities.[5] Again, no Committee response to our requests for guidance or discussion. Accordingly, we must again respectfully object to all such portions of your January 13 letter which seek information about such matters. This objection is supported by policy and precedent of the Committee. Our review of the public reports of the Committee do not establish any instance in which the Committee utilized either formal or informal investigative efforts to gather information on what has been referred to as unofficial or personal conduct. Consequently, it would appear that yet another new policy and precedent is being

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[4] The same concern applies to those requests for confidential tax information without any affirmative action by a majority of the Committee to investigate. We believe this, too, is unprecedented; i.e., the Chairman and Ranking Member seeking statutorily protected tax materials. Indeed, we understand such materials only to have been provided (and on very few occasions) in Committee-approved investigations, not informal processes such as here involved.

Our confusion even includes whether the current undertaking is proper under Committee Rule 19, as stated in the December 29, 1997 letter to Mr. Hilliard. As you know, Rule 19 speaks to a self-initiated "inquiry", a term defined under Committee Rule 2(c) as a matter handled by an investigative subcommittee, which this is not. Perhaps the reference should have been to Committee Rule 17, although subsection (d) of the Rule indicates fact gathering is to occur in the context "of a complaint or of information offered as a complaint." We, again, are unaware that this is the case or covers newspaper articles. Indeed, during floor consideration of the Ethics Reform Task Force Report, Mr. Cardin stated: "You cannot use speculation or what might be in a newspaper article," regarding adequate bases for complaints triggering Committee review. Cong. Rec. September 18, 1997, H 7549.

[5] See, for example, those questions regarding the relationships between certain organizations and their sources of funding; or insurance company policies for individuals.

established concerning Mr. Hilliard. If this be the case, we again seek the opportunity to discuss this matter with the Committee in order to ascertain whether our reading of the letter is wrong or that such questions were inadvertent.[6]

We have anticipated the possibility that certain of our views or the results of our analysis are not shared by the Committee or its staff. To this end, and because your January 13 letter raised serious policy and precedent matters for resolution, Mr. Hilliard requested an analysis by the Congressional Research Service ("CRS") on two issues: Are there any Committee precedents establishing that the panel has investigated pre-Member conduct; and are there any precedents establishing that the Committee has investigated and exercised jurisdiction over matters not directly related to the performance of official duties or responsibilities. We understand the CRS to answer both questions in the negative. Hence, if there is something that we or CRS have missed, we need to know.[7]

In view of the foregoing, and while efforts are underway to respond to as much of the January 13 letter as we believe is currently appropriate, we renew our request to meet with you to resolve these serious matters. In so doing, we also must point out that we still await being provided with copies of all correspondence between the Committee and Mr. Hilliard as requested, in writing, on February 3. We wish to again emphasize that such materials are considered critical to responding to certain areas of Committee interest. Thus, any comprehensive submission prompted by your January 13 questionnaire must await receipt of Committee correspondence with the Congressman. (In a telephone conversation with the Committee's Chief Counsel on

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[6] We also assume your question about money having been given to Mr. Hilliard's son is an inadvertent misreading of the December 3, 1997, article. The relevant passage referred to the Congressman's nephew, not his son. While this matter was brought to the Committee staff's attention during the January 13, 1998, meeting, we have not been informed that the error has been corrected or even agreed to as being an inaccurate paraphrase of *The Hill* article.

[7] It is important that, as to overall policy and standards, Chairman Hansen stated during floor debate of the Ethics Task Force Report that,

> "As Chairman of the Committee, I intend to operate by the standards I knew then as a member of the Committee when I was its ranking member and my good friend [Mr. Stokes] was a chairman of the Committee. Cong. Rec. September 18, 1997, H 7547.

February 4, regarding our document request and desire for a meeting, he indicated a Committee response might be provided by February 6, the same date as the deadline for answering your January 13 letter.) In the meantime, we wish to assure you that steps are being taken to obtain necessary documents and materials appropriately responsive to your requests.

Another issue raised by the January 13 letter warrants discussion. In some cases, *The Hill* articles actually allege wrongdoing, for example, inadequate financial disclosure. However in numerous instances the articles make no charge at all. Rather, they leave to innuendo and implication some notion of improper conduct. Often the "allegation" is simply that Congressman Hilliard knew someone or that someone whom the congressman knew obtained some form of financial benefit. If simply knowing someone is the new standard for precipitating even informal fact-gathering by the Committee, then all Members should be placed on notice of the potential to being subjected to the process that has been implemented *vis-a-vis* Mr. Hilliard. Even the articles fall short of suggesting Mr. Hilliard derived benefit from such transactions.[8] Yet, the Committee has sought to ask questions about even these matters in which there is no charge or allegation. This, too, is a matter of concern which we believe is necessary to be addressed prior to submitting information.

Even as to matters not implicating the issues discussed above, not all materials have yet been assembled. (The details of documents needed were only known on January 13). To this end, we again renew a request for extension in the context of obtaining clarification of scope and jurisdiction, as discussed above. Even if the spectrum of Committee questions were reduced consistent with our analysis of controlling policy and precedents, we believe it will take at least an additional several weeks to obtain relevant documents.

Congressman Hilliard will fully cooperate with the Committee, however, such cooperation is predicated upon his having a reasonable understanding of the procedures and policies that will be applied to even an informal review of his actions. Currently, this is not the case despite our best and repeated efforts to obtain such information.

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[8] See, for example, the December 10, 1997 article reference to a congressional office lease with RS & Associates. Even *The Hill* did not assert Representative Hilliard benefitted from the lease, yet the January 13, 1998, letter asks several questions about this issue.

Representative Hilliard expects to be treated no better nor any worse than other Members whose actions have been the subject of negative unverified news reports and Committee analysis. For this reason, the Congressman is available to meet with you at your earliest convenience to address all concerns and to facilitate a prompt and expeditious resolution of all matters properly before the Committee.

We look forward to your response and guidance.

Sincerely,

Ralph L. Lotkin
Counsel for
Representative Earl F. Hilliard

cc: Members of the Committee
on Standards of Official Conduct

JAMES V. HANSEN, UTAH
CHAIRMAN
LAMAR SMITH, TEXAS
JOEL HEFLEY, COLORADO
BOB GOODLATTE, VIRGINIA
JOE KNOLLENBERG, MICHIGAN

HOWARD L. BERMAN, CALIFORNIA
RANKING DEMOCRATIC MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA
SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED FIFTH CONGRESS

**U.S. House of Representatives**

**COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT**

**Washington, DC 20515-6328**

March 4, 1998

Ralph L. Lotkin, Esq.
Cochran & Lotkin
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Dear Mr. Lotkin:

The Committee is in receipt of your response of behalf of Representative Hilliard.

You have asked the Committee to identify the authority under which it has requested information pertaining to pre-Member conduct. The Committee asserts jurisdiction over pre-Member conduct based, among other things, on a precedent from the last Congress in which the Committee voted it had jurisdiction in the Matter of Representative Waldholtz pertaining to potential discrepancies on her financial disclosure forms both as a candidate and as a Member.

We read the *Hinshaw* case differently. The Committee in *Hinshaw* elected to take no action not because it lacked jurisdiction, but rather because of the policy "to defer action until the judicial proceedings have run their course."[1] The Committee in *Hinshaw* made clear that its conclusion in that case "is based entirely on the instant set of facts and in no way implies that different circumstances may not call for a different conclusion."[2]

The position of this Committee is that it has jurisdiction to investigate allegations of misconduct relating to a successful campaign for election to the House. This is based on Committee precedent as well as the statutory requirement for candidates to file financial disclosure statements with the House. The Committee is directed to review these forms and may send them back to the candidate for correction if they are improperly submitted or completed. We may refer willful noncompliance to the Department of Justice. While we do not have authority over an individual for disciplinary proceedings while he or she is merely a candidate, we do have jurisdiction once the individual becomes a Member. These financial disclosure forms cannot be walled off from future inquiries, for to do so would be absurd.

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[1] H. Rep. No. 94-1477 at 4.

[2] *Id.* at 2.

You also ask for clarification regarding the ability of the Committee to seek information about "events pre-dating the three Congress statute of limitation without either an investigative subcommittee and a separate [sic] majority vote of the Committee to waive the limitation."

House Rule X, clause 4(e)(2)(A)(II), provides that the Chairman and Ranking Minority Member of the Committee may jointly gather additional information concerning the alleged conduct which is the basis of a complaint or of information offered as a complaint until they have established an investigative subcommittee. Our requests to date fall within the parameters of our authority to gather additional information.

You refer to Section (C) of the same rule stating that the Committee cannot investigate any alleged violation which occurred before the third previous Congress. The rule goes on to state that this applies "unless the committee determines that the alleged violation is directly related to any alleged violation which occurred in a more recent Congress." The allegations raised in *The Hill* story with which we are concerned predate the third previous Congress by a few days but appear to continue into more recent Congresses. Therefore, we believe that we have jurisdiction to seek information relating to the time period prior to the third previous Congress.

If the Committee adopted your rationale, it could investigate this type of activity only after it established an investigative subcommittee. We prefer to gather facts ourselves to determine whether such a step is necessary.

As to your concern about "requests for confidential tax information without any affirmative action by a majority of the Committee to investigate," the Committee does not believe it sought such information. Please identify the "confidential tax information" to which you are referring.

If you have additional questions, please contact the Committee's Chief Counsel, Theodore J. Van Der Meid, at 225-7103.

Sincerely,

James V. Hansen
Chairman

Howard L. Berman
Ranking Democratic Member

JVH/HLB:TJV

# EXHIBIT 92

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
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SUITE HT-2, THE CAPITOL
(202) 225-7103

May 12, 1999

**BY HAND-DELIVERY**
The Honorable Earl F. Hilliard
1314 Longworth House Office Bldg.
U.S. House of Representatives
Washington, DC 20515

Dear Colleague:

Pursuant to Rule 19 of the Rules of the Committee on Standards of Official Conduct ("Committee"), we respectfully request that you respond in writing to the following additional questions regarding matters under review by the Committee.

**Financial Disclosure of Ownership Interest in Hilliards & Company, Inc.**

In your May 1998 amendment to Financial Disclosure Statements for the years 1992 through 1997, you indicated that you were not required under the Ethics in Government Act to report Hilliards & Company, Inc. as an asset on your Financial Disclosure Statements for those years. The Committee understood your amendment to be based on an April 29, 1998, letter to Ralph Lotkin from the Committee Chairman and Ranking Minority Member, in which they discussed an exception to the reporting requirement for assets with a negative book value. In your May 1998 letter of amendment, however, you did not specify the reason why Hilliards & Co., Inc. was not a reportable asset for the years 1992-1997.

1. Please confirm: (a) that the book value of Hilliards & Co., Inc. was negative for each of the reporting periods covered by your Financial Disclosure Statements for 1993, 1994, 1995, 1996, and 1997; and (b) that the value of the corporation was not otherwise ascertainable each year without an appraisal.

2. In connection with the above question, it would be helpful to the Committee if you would provide copies of annual corporate financial statements for each of the years in question.

3. In your December 1997 amendment to your Financial Disclosure Statements for 1992-1997, you reported a 32% interest in Hilliards & Co., Inc. In your May 1998 amendment, however, you reported a 30.5% interest. Please clarify the amount of

your current percentage interest in the company. In addition, please specify the percentage interests currently held by other family members. Finally, please specify whether your percentage interest in Hilliards & Co., Inc. and the percentage interests of other family members has changed since 1992, and, if so, the date and amount of any such changes.

**Disclosure of Ownership Interest in Greater Birmingham Golf Association, Inc.**

1. Please specify why you believe your interest in Greater Birmingham Golf Association, Inc. was not reportable under the Ethics in Government Act for the years 1992 through 1997.

2. To the extent you believe that your interest in Greater Birmingham Golf Association, Inc. was not reportable for the years in question because of the book value of the corporation, please confirm: (a) that the book value of the corporation was negative for each of the reporting periods covered by your Financial Disclosure Statements for the years 1992 through 1997; and (b) that the value of the corporation was not otherwise ascertainable each year without an appraisal.

**Campaign Expenditures for Rent**

1. Questions have been raised about whether the rents previously paid by your campaign committee for occupancy in Birmingham corresponded to fair market value. Filings by your campaign with the Federal Election Commission ("FEC") indicate that your campaign's monthly rent at the Third Avenue North location in Birmingham increased from $600 to $1,000 in approximately April 1993 and increased again from $1,000 to $1,500 in approximately September 1993. To assist the Committee in evaluating whether those rent increases were consistent with Federal election campaign laws and corresponding House rules, please explain the reasons for each of those rent increases and specify when each increase took effect.[1]

2. FEC filings by your campaign reported that the campaign made monthly payments for rent in the amount of $2,000 to American Trust Corporation on September 20, 1996; October 1, 1996; November 7, 1996; and December 9, 1996. The FEC filing

[1] In connection with rent increases incurred by your campaign at the Third Avenue North location in Birmingham in 1993, the Chairman and Ranking Minority Member asked the following question in their letter to you dated January 13, 1998: "On what factors were those rent increases based?" In his response of March 5, 1998, Mr. Lotkin responded: "The campaign obtained additional space (in unit 1612-B for storage and advertisement space. A large banner was erected (4ft x 20 ft approximately) and displayed across the front of the building." The Committee now asks additional questions about this matter to clarify whether both rent increases were based on the campaign's acquisition of additional space and, if not, on what factors each increase was based.

dated September 20, 1996, specified that the rent payment was for "Montgomery" for August and September 1996. The FEC filings reporting the rent disbursements on October 1, November 7, and December 9, 1996, did not specify the campaign office to which those disbursements related. Please confirm whether the September 1996 rent payment pertained to the campaign office in Montgomery, and that the monthly rent in Montgomery at that time was $2,000. In addition, please specify which campaign office locations corresponded to the three other rent payments listed above.

3. According to the FEC filing dated October 11, 1996, the $2,000 campaign payment for rent in Montgomery on September 20, 1996, was made to American Trust Corporation. Please explain why this (and other rent payments for Montgomery, if any) were made to American Trust Corporation. If American Trust Corporation owned the building in which the campaign rented space in Montgomery or was the lessor, please provide documents so indicating.

4. If any of the $2,000 rent payments listed in question three above pertained to the campaign's occupancy of space in Birmingham, please explain why rent at the Third Avenue property increased from $1,500 to $2,000 (a 33% increase), and when that increase occurred. In addition, please specify whether this increase occurred during the period when the building at Third Avenue was still under the control of the Alabama Insurance Commissioner. (In his letter to the Committee Chairman and Ranking Minority Member dated February 25, 1998, Mr. Lotkin advised that the Alabama Insurance Commissioner took control of the building in June 1996.)

5. In their letter to Mr. Lotkin of January 13, 1998, the Chairman and Ranking Minority Member asked you to "[p]lease provide the addresses of your campaign offices in Alabama from 1991 to the present, and state when the campaign offices were located at those addresses." In Mr. Lotkin's response of March 5, 1998, he provided the addresses of campaign offices for aggregate calendar years, but was not more specific as to when your campaign occupied space at the addresses provided. (See page 3 of Ralph Lotkin's March 5, 1998, letter to the Honorable James V. Hansen and the Honorable Howard L. Berman.) To assist the Committee in evaluating allegations regarding your campaign, please provide a more specific chronology (*i.e.*, by month) of locations and addresses where your campaign offices in Alabama have been located from January 1, 1992, to the present, indicating the specific dates applicable to occupancy at each location, and the acquisition of any additional space. In addition, please clarify whether units 1612-A, 1612-B, and 1614-A on Third Avenue North in Birmingham are located in the same building.

6. In his letter dated February 25, 1998, Mr. Lotkin advised that your campaign did not pay rent for occupancy at 1612 Third Avenue North in Birmingham between June 1996, when the Alabama Insurance Commissioner took control of the building, and the campaign's location of "a new place." The Committee is interested in determining whether your campaign committee may have received any improper in-

kind contributions in the form of free occupancy. Therefore, please specify: (a) the period in which the campaign paid no rent for occupancy of space in Birmingham;[2] (b) why the campaign paid no rent during that period; (c) the location(s) from which the campaign conducted its activities during the period in which it did not pay rent; (d) the amount of rent that was unpaid; (e) who held title to the building (or who was lessor) during the period in which rent was unpaid; and (f) whether the campaign subsequently paid back-rent for the period in which it had not made rent payments.

7. What knowledge, if any, did you have that your campaign was occupying office space at no charge at the Third Avenue location in Birmingham during the period when it was paying no rent to occupy those premises?

8. Please state whether there was any period in which the campaign paid rent for occupancy of premises at Third Avenue in Birmingham in which the campaign office was not, in fact, located at Third Avenue.

9. During the period in which your campaign occupied office space at the Third Avenue location in Birmingham without making rent payments, did it also receive utility services without paying for those services?

10. A review of FEC filings by your campaign indicates several gaps in reported payments for rent of premises in Birmingham. Based on their review of the FEC filings, for example, Committee staff have been unable to identify any rent payments between:

    - A reported $600 payment to American Trust Life Insurance Corporation on October 1, 1992, and a reported payment of $1,000 to American Trust Life Insurance Corporation on April 9, 1993.

    - A reported $1,000 payment to American Trust Life Insurance Corporation on June 8, 1993, and a $1,500 payment to the African American Institute on October 1, 1993.

    - A reported $4,500 payment to "American Trust" on May 26, 1995 (possibly for three months of rent) and a reported $3,000 payment to American Trust Corporation on January 3, 1996, for "Rent Jan. & Feb."[3]

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[2] Based on their review of FEC filings by your campaign committee, Committee staff have been unable to identify any disbursement for rent in 1997 until December 1997, when the campaign reportedly paid $300 to Penick Realty Co. in Birmingham.

[3] Committee staff, however, have been unable thus far to obtain your campaign's year-end FEC filing for 1995, which could reflect rent payments between the May 1995 and January 1996 payments noted above.

The Committee is interested in determining whether your campaign committee may have received improper in-kind contributions in the form of free occupancy for the above-specified periods in which rent payments do not appear indicated on your campaign's FEC filings. Please comment on these apparent gaps in rent payments and state whether your campaign received occupancy of any premises during the periods indicated for which it did not pay rent.

11. To assist the Committee in evaluating allegations regarding your campaign, please explain: (a) why your campaign office in Birmingham moved to 1703 4th Avenue North in December 1997; and (b) why rent at the latter location was only $300. In that regard, it would be helpful to the Committee if you would specify the total square footage occupied by the campaign at the Third Avenue North and Fourth Avenue North locations, respectively.

12. FEC filings by your campaign indicate that the campaign paid $300 to Penick Realty on January 6, 1998 (consistent with the new lease entered into in December 1997) and paid $900 to Penick Realty on April 6, 1998, for the months of February, March, and April 1998. Based on their review of FEC filings by your campaign through early January 1999, however, Committee staff have been unable to identify any subsequent rent payments to Penick Realty for the campaign office in Birmingham after the April 1998 payment. The Committee is interested in determining whether your campaign committee may have received improper in-kind contributions in the form of free occupancy. In that regard, please specify the date and amount of rent payments by your campaign for the Birmingham campaign office since the reported payment of April 6, 1998, and explain any gaps in monthly rent payments by the campaign.

**Campaign Expenditures for Utility Services**

1. In the Committee's letter of January 13, 1998, the Chairman and Ranking Minority Member asked, "To what extent, if any, did your campaign pay the utility bills relating to use of the premises at Third Avenue in Birmingham by entities other than the campaign." In response, Mr. Lotkin advised in his letter of March 5, 1998, that "[e]ach entity paid its own overhead and rent." In his subsequent letter of April 2, 1998, Mr. Lotkin stated that "[t]he campaign had separate utilities with respect to occupancy of the rental at 1612 3rd Avenue, North and paid them. No other entities occupied that space leased to the campaign." The Committee is uncertain of the meaning of Mr. Lotkin's responses. Therefore, please clarify whether your campaign has ever paid for any utility services received by any organization other than the campaign.

**Campaign's Payments for Insurance Premiums**

1. None of the disbursement entries for insurance payments included in the campaign's FEC filings mentions Elizabeth Redmond or a health insurance policy, and the March 5, 1998, letter from Blue Cross to Ms. Redmond contains no mention of the campaign or who was paying for the insurance. It therefore would be helpful to the Committee if you would provide documentation corroborating that your campaign paid for Elizabeth Redmond's health insurance.

2. The information provided by Mr. Lotkin indicates that the campaign paid insurance premiums to three different organizations in connection with Ms. Redmond's health care policy: American Trust Corporation, American Trust Life Insurance Company, and American Trust Communication Corporation. Please explain why the campaign made insurance premium payments to third parties, rather than directly to Blue Cross. In addition, please explain why insurance premiums were paid to three different business entities.

3. If Ms. Redmond's health insurance policy was in effect beginning on May 1, 1994, as indicated by Mr. Lotkin, please explain why FEC filings do not reflect payment of an insurance premium by the campaign until September 7, 1994 -- four months later.

4. Please explain why your press secretary, Kenneth Mullinax, reportedly told the Associated Press that the insurance in question was for *life insurance*, rather than health insurance.

**Rent for Campaign and Congressional District Offices in Birmingham**

1. The $300 monthly rent for the Birmingham campaign office, instituted pursuant to the December 1997 lease with Penick Realty, appears low in comparison with the previous monthly rent paid by the campaign of at least $1,500, particularly given the Committee's previous need for additional space. Please explain the basis for the $300 monthly rent.

2. To the best of your knowledge or belief, has any organization in which you or a family member had a business interest or held a position received free or subsidized occupancy of the building housing your congressional district office in Birmingham?

3. Please provide copies of rental agreements in effect in 1997 relating to occupancy of the Birmingham building housing your congressional office by private organizations (if any) in which you or family members held an ownership interest or a position.

**Campaign Loans to Rita Hall**

1. Please specify the purpose of each of the loans made by the campaign to Rita Hall. To the best of your knowledge and belief, how did Ms. Hall use the loan proceeds?

2. As of the FEC filing by your campaign dated January 11, 1999, Ms. Hall reportedly still owed an outstanding loan balance to your campaign of $7,452. In light of the fact that these loans were made more than five years ago and are payable on demand, please explain why the campaign has not obtained repayment in full of the loans.

3. The FEC filing by your campaign dated January 31, 1994, reported that Ms. Hall made a loan repayment to the campaign of $4,500 on October 1, 1993. The Committee would be appreciative if you would provide written documentation of that loan repayment.

**Campaign Loan to Elvira Willoughby**

1. According to an FEC filing by your campaign dated April 15, 1994, your campaign loaned $1,500 to Elvira Willoughby on January 18, 1994. According to the same FEC filing, Ms. Willoughby repaid the loan in full on January 31, 1994. Please specify the purpose of the loan made to Ms. Willoughby and, to the best of your knowledge and belief, the use she made of the loan proceeds.

2. To assist the Committee in assessing whether the loan to Ms. Smith was consistent with Federal election campaign laws and corresponding House rules, please provide a copy of the loan agreement or other written documentation, if any, of the campaign's loan to Ms. Willoughby. In addition, please provide documentation of her repayment of the loan.

**Campaign Loan to Jacqueline Smith**

1. According to an FEC filing by your campaign dated April 15, 1994, your campaign loaned $1,500 to Jacqueline Smith -- identified on the filing as a "Grants Writer" employed by your Birmingham congressional office -- on March 15, 1994. Please specify the purpose of the loan made to Ms. Smith and, to the best of your knowledge and belief, the use she made of the loan proceeds.

2. To assist the Committee in assessing whether the loan to Ms. Smith was consistent with Federal election campaign laws and corresponding House rules, please provide a copy of the loan agreement or other written documentation, if any, of the campaign's loan to Ms. Smith.

3. As of the FEC filing by your campaign dated January 11, 1999, Ms. Smith apparently had not repaid any portion of the loan. In light of the fact that this loan was made approximately five years ago, please explain why the campaign has not obtained repayment in full of the loan.

**Purchase and Sale of Building Housing the Birmingham Campaign Office**

1. Based on the information provided by Mr. Lotkin, the Committee understands that the African American Institute purchased the building at Third Avenue (in which your campaign office was located) from American Trust Life Insurance Co. in 1993 for $385,000, then sold it back to American Trust Life Insurance Co. in 1995 for $1.00 and other goods and valuable consideration. Please confirm the accuracy of the Committee's understanding.

2. To the best of your knowledge and belief, please explain the basis for the 1993 sales price of $385,000. In addition, please provide any documents relating to the 1993 sale to the African American Institute, including any written appraisals of the Third Avenue property or documents regarding sales of comparable properties.

3. To the best of your knowledge and belief, please explain why the African American Institute resold the property in 1995.

4. To the best of your knowledge and belief, what was the balance of mortgage liability in 1995 at the time of the resale of the property to American Trust Life Insurance Co.?

5. In his letter of March 5, 1998, Mr. Lotkin advised that the "other goods and valuable consideration" provided by the purchaser to the African American Institute in the 1995 sale of the property was "the purchaser's assumption of mortgage liability held by Mr. Hilliard to William Parker and South Trust Bank." Please explain why the assumption in 1995 of mortgage liability by American Trust Life Insurance Co. of a debt held personally by you would have benefited the African American Institute.

6. What was your knowledge of, or involvement in, the 1993 and 1995 sales transactions at the time of those transactions?

**Use of Official Resources**

1. An article published in the December 3, 1997, issue of *The Hill* (see the attached) contained allegations of misuse of official resources by your congressional district offices in Alabama, both for campaign purposes and in connection with your private business interests. In a letter dated February 25, 1998, Mr. Lotkin commented on

these allegations in response to questions posed by the former Chairman and Ranking Minority Member in their letter to Mr. Lotkin of January 13, 1998. We invite you to submit whatever additional information you may desire in connection with the allegations as published by *The Hill*.

We respectfully request that you submit your responses to the above questions in writing by no later than June 11, 1999, that your attorney review your responses before they are submitted to the Committee, and that you personally sign your responses.

Thank you for your cooperation in this matter. If you have any questions regarding this letter, please contact Chief Counsel Robert Walker or Counsel David H. Laufman at (202) 225-7103.

Sincerely,

Lamar Smith
Chairman

Howard L. Berman
Ranking Minority Member

cc: Ralph Lotkin, Esq.

LS/HLB:dhl

# EXHIBIT 93

EARL F. HILLIARD
7TH DISTRICT, ALABAMA

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY

COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
SUBCOMMITTEE ON INTERNATIONAL HUMAN RIGHTS

Congress of the United States
House of Representatives
Washington, DC 20515–0107

1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2665

DISTRICT OFFICES:

THE PENICK BUILDING
319 17TH STREET, NORTH
SUITE 704
BIRMINGHAM, AL 35203
(205) 326-2041

1118 GREENSBORO AVENUE
SUITE 204
TUSCALOOSA, AL 35401
(205) 752-3578

88 WEST SOUTH BLVD., SUITE 100
MONTGOMERY, AL 36105
(334) 281-0513

109 FEDERAL BUILDING
908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-2684

June 28, 1999

RECEIVED
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COMMITTEE ON STANDARDS

The Honorable Lamar Smith
Chairman
The Honorable Howard L. Berman
Ranking Minority Member
Committee on Standards of Official Conduct
HT-2 U. S. Capitol
Washington, D.C. 20515

Dear Chairman Smith and Ranking Minority Member Berman:

Please consider this letter a response to your correspondence of May 12, 1999, as amended by a later letter dated May 27, 1999. In those two items, you requested that I respond in writing to "additional questions regarding matters under review by the Committee." The subject questions were propounded "[p]ursuant to Committee Rule 19 of the Rules of the Committee on Standards of Official Conduct." Your letter of May 27, 1999 requested my response be submitted by June 28, 1999.

As you know, the subject Rule 19 activities began on December 29, 1997 when the then Chairman and Ranking Democratic Member of the Committee requested my reaction to articles published by *The Hill* on December 3 and December 10, 1997. In seeking clarification of just what type of information was sought, I received a letter dated January 13, 1998 raising numerous questions and seeking relevant documents. Notably, my attorney, Mr. Lotkin, was assured by the staff members present at the "meeting" during which the letter was given to him that Rule 19 contemplated an informal fact-finding effort by the Chairman and Ranking Democratic Member and that any responses by me to requests for information would be completely voluntary -- that Rule 19 fact-finding was not a formal Committee investigation with the usual mandatory participation/cooperation elements imposed on a Respondent Member. The Committee attorneys present at that meeting included David Laufman and Mmes. Johnson and Schwartz. Indeed, Mr. Lotkin specifically recalls that it was Ms. Schwartz who emphasized this point at the meeting.

Because of the sheer volume and breadth of the matters raised, I sought and received approval from the Federal Election Commission to utilize campaign funds to defray the legal costs involved in submitting responses to your letter. In a series of communications to the Committee, the last of which was dated April 2, 1998, answers were provided to all questions based upon records available to either

PRINTED ON RECYCLED PAPER

me or my campaign committee. Since the submission of April 2, 1998, and through the expiration of the 105th Congress, there was absolutely no further contact, communication, inquiry, reaction, or implied suggestion that my extensive submissions to the Committee were not sufficient to respond to the Rule 19 voluntary fact-finding exercise undertaken by the Chairman and Ranking Democratic Member.

Therefore, it came as a shock and surprise that, on May 12, 1999 -- fully one Congress and over 13 months later -- and pursuant to what were indisputably non-public rules of the Committee, I was effectively informed that your "voluntary, fact-finding" exercise had either been restarted, resurrected, or continued. Your recent correspondence provides not one scintilla of explanation as to the circumstances occasioning a 1-Congress/13-month hiatus. I can only assume there is no rational basis available to explain this fact. I should also point out that during this same 13-month period, the Committee refused to provide me with any assistance -- as it provides to all other Members and staff -- with regard to the pre-screening of annual Financial Disclosure Statements. In this respect, it is evident the Committee consciously chose to provide me no guidance on my Statements, thereby giving rise to the reasonable inference that any filing would be at my intended peril because the Committee refused to treat me as it does other Members.

This old proceeding becomes increasingly stale and dated. When you first asked your 1998 questions, at least they related somewhat to 1997 matters, and at the time I prepared my answers, matters of 1997 were not that long before. But as 1997 became 1998, and 1998 became 1999, now we are dealing with matters that become increasingly hard for anyone to take an interest in, that increasingly fade from memories, and that become increasingly hard for me to discuss with you the way I can discuss recent matters. Justice delayed is justice denied. Every Member, including me, has filed financial disclosure forms since those of 1997, every Member, including me, desires to pay attention to the urgent new needs of his constituents, not be distracted by going back to old forms, old campaigns, old issues, old constituent service. The well-known doctrine of desuetude suggests reconsidering the need to press on and on, about matters that became dated, stale, and faded while you basically ignored them for over a year.

Most recently, and because of your May 12, 1999 inquiries, we asked specifically about the validity of your renewed "Rule 19" efforts because of the failure by the Committee to publish its rules in the *Congressional Record* as required by House Rule XI, clause 2(a)(2). In this regard, Mr. Lotkin requested "the legal rationale supporting any such determination." Your letter of May 27, 1999 simply "rejects as without merit" such concerns. Nowhere does your 8-sentence letter provide any indication of the basis for your cursory rejection. I am left to assume that you could not find a rational legal basis for your summary statement or decided that I am not entitled to any explanation at all. As a legislative peer and elected Member of Congress, I strongly believe in the concept that I am as entitled to a detailed legal opinion as any other Member. Your letter denies me that equality.

That this is apparent is evident by the mere facts that the published Rules of the House have included annotations indicating that Rule XI 2(a)(2) "derived from statute (2 U.S.C. 190a-2 * * *. A court interpreted that statute to be mandatory in a case where a Senate committee failed to publish in the Record a rule regarding a quorum for the purpose of taking sworn testimony." The simple fact that the House of Representatives formally gave notice to and recognized the Senate case in an explanation of the purposes and mandates of House Rule XI 2(a)(2) is unequivocal evidence that publication of Committee Rules in the *Congressional Record* is officially viewed by the House of Representatives as a prerequisite for the operational validity of committee rules. Further, it would take minimal effort by any one of your staff attorneys to ascertain the guidance in *United States v. Reinecke*, 524 F.2d 435 (DC Cir. 1975) in which the Court stated "a committee rule which has not been published pursuant to the statute cannot be considered valid." Again, your recent letter does not even attempt to explain to me why my reference to that opinion is "without merit." Such is not an indication of fairness or due process.

Even more alarming is the fact that virtually immediately after Mr. Lotkin raised this issue, the Committee Chairman submitted the rules for publication in the *Congressional Record* on May 18, 1999. Why? If our concern was "without merit," then Chairman Smith, or the Committee, should have felt no need to submit the Committee's rules for publication at all. Again, the total absence of any explanation in your sweeping rejection speaks for itself. Apparently, your letter suggests that House Rule XI 2(a)(2) imposes a non-substantive but cosmetic requirement regarding publication. Consequently, your "without merit" analysis is in direct conflict with the cited annotations in the official Rules of the House of Representatives. This conflict directly implicates the prohibition under House Rules that Committee rules cannot conflict with House Rules.

Third, to add insult to injury, it is more than interesting to note that the "Rule 19" adopted by the Committee and which governed your original December 29, 1997 letter is **not** the same "Rule 19" that was published on May 18, 1999. Indeed, the Committee's explanation for the difference states that the Committee, "Amended Rule 19 to make express the inherent authority of the Chairman and Ranking Minority Member to engage in informal, preliminary fact-gathering to determine whether to recommend a Committee-initiated inquiry." This explanation establishes that, prior to the amendment of the Rule, one was left to assume whether the Chairman and Ranking Minority Member had any authority -- let alone "inherent" -- to engage in a fact-finding exercise based solely on newspaper articles and the absence of a formal complaint.

In sum, the current situation can be detailed as follows:

- In 1997 the Chairman and Ranking Minority Member initiated an informal review in a prior Congress under a now-revised Rule seeking my voluntary response to unsupported innuendoes and allegations raised in 2 newspaper articles.

- The Committee has reacted with complete and total silence as to the adequacy or substance of my detailed and document-supported responses, the most recent which was April 2, 1998.

- The Committee has, for 2 years in a row, formally refused to provide any assistance to me in the review of my Financial Disclosure Statements.

- The Committee amended and did not publish, as required by House Rule XI 2(a)(2) and controlling case law, Rule 19 or any of its *Rules of Procedure* for the 106th Congress and, in all probability, would not have done so but for my inquiry concerning the validity of your May 12, 1999 letter.

- To this date, I have never been informed about the existence of a complaint as the basis for the so-called Rule 19 voluntary procedures but, rather, am left to assume that this entire matter was prompted by undocumented and uncorroborated allegations in a weekly newspaper.

- There are not now, and never have been, any rules of procedure or other guidance issued by the Committee with respect to the parameters, rights, protections, or limitations governing the "inherent" exercise of authority claimed by you under Rule 19. Thus, unlike other matters, the Chairman and Ranking Minority Member apparently do not have to justify, seek Committee approval of, or otherwise explain their informal fact-finding activities either as to scope or duration. (Not so in the case of a formal complaint.) In this regard, I request confirmation that the full Committee considered and adopted the position reflected in your May 27, 1999 letter with regard to the issue of required publication of the Committee's Rules in the *Congressional Record*. Clearly, Members are better off if a complaint is filed against them versus being the subject of critical or uncomplimentary news articles. The former implicates time and scope limitations under the Committee's rules, the latter a virtual and unwritten *carte blanche* under Rule 19 as to the same considerations.

- The only thing that has been assured since December 1997 is that my continued voluntary participation in a procedureless undertaking pursuant to Rule 19 will cost me more time and money.

- The approach reflected in all of your inquiries going back to the last Congress leaves no doubt that the burden of proof is on me (the Member) to establish innocence through the potentially perpetual submission of responses and documents which apparently can span Congresses and years.

- During the relevant period of your review, there have been numerous newspaper articles suggesting improper conduct by other named Members of Congress. To date, I am unaware that, with the exception of Representatives Shuster (whose "problems" pre-dated the newspaper articles about me) and Brown, that the Committee has pursued any actions -- Rule 19 or otherwise -- against an equal number of non-minority Members. The inferences to be drawn from these facts are obvious and raise serious concern. Someone looking at these facts could reasonably conclude that the informal procedure that generated the May 12 letter, in which questions got asked without any involvement by the full Committee, lacks safeguards for the proper protection of African-American Members. Indeed, the inferences to be drawn from these facts raise the appearance that African-American Members may become the victims of adverse selection.

In light of the above, I conclude and agree that my initial responses during the last Congress were purely voluntary, as indicated not only by then Rule 19 but also Committee counsels' statements during a January 13, 1998 meeting emphasizing this fact. I further conclude that your May 12, 1999 letter seeks to continue my voluntary participation under a now revised Rule 19. However, such a requested voluntary response would be "doubly voluntary" because any response would be to a May 12, 1999 letter which, in my judgment, is invalid, owing to the fact that it was issued in the absence of any publication of the Committee's Rules in the *Congressional Record*. Nonetheless, and regardless of the supposed validity of your letter, I have also concluded that there are not now, and never have been, any procedures establishing the rights or liabilities of a Member or the limitations of the Chairman and Ranking Minority Member under Committee Rule 19. In short, I (and all similarly situated Members) am at your mercy without opportunity to appeal, or even appear before the full Committee.

In my judgment, I submitted -- well over a year ago -- explanations and voluminous documents sufficient to put to rest any of the unfounded allegations published by *The Hill*. Your most recent questions represent a fishing expedition on actions not even raised in the news articles in order to obtain statements or documents which somehow justify a counterfactual hypothesis that I have engaged in improper conduct. (You have even asked about my 1997 disclosure statement that was amended in strict accordance with the Committee's April 29, 1998, advisory opinion and for which you formally refused to provide any pre-screening assistance to me.) Indeed, your questions, on their face, imply wrongdoing based upon the absence of records in your possession. Such rank speculation or surmise demeans a supposed fair process. I refer you to your own committee's report in 1987 in which the Committee stated, "speculation ... is not evidence ... it would be inappropriate to attribute improper

action to an individual based solely on inference and speculation..." H.Rpt. 100-46 at 43 (1987). It unfortunately appears evident that your May 12, 1999 letter represents an abandonment of this rational and long-standing Committee tenet.

If, in the judgment of the full Committee, I have done something wrong based upon the record that is now before you (and which has existed since April of last year), then the Committee should formally notify me precisely what it is that I am viewed as having done, including the documentary basis for such conclusion, and take action in accordance with its May 18, 1999 published *Rules of Procedure*.

In the light of all of the foregoing, and particularly (1), the inexplicable and unreasonable delay in now raising issues that could have been resolved over a year ago (when documents and memories were fresher without my having to incur inordinate additional expense to voluntarily research and respond to your most recent inquiries); and (2), the explicit assurance of Committee staff that a decision not to respond would not, *per se*, place me in jeopardy or raise any negative inferences under either House or Committee rules, I respectfully choose not to respond further, at this time, to matters that could have been put to rest well before the expiration of the last Congress.

Sincerely,

Earl F. Hilliard

Earl F. Hilliard
Member of Congress

cc: All Members of the Committee
on Standards of Official Conduct

# EXHIBIT 94

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515-6328

August 10, 1999

**BY HAND-DELIVERY**
The Honorable Earl F. Hilliard
U.S. House of Representatives
1314 Longworth House Office Building
Washington, D.C. 20515

Dear Colleague:

We appreciate your effort to resolve the matters pending before the Committee through the written proposal offered on your behalf by your attorney, Ralph Lotkin, during his meeting with Committee counsel on July 30, 1999. We have carefully reviewed that proposal and we have discussed with Committee counsel other information provided by your attorney during that meeting. We have determined that we must reject the proposal. We simply do not have a sufficient factual basis to resolve the pending issues.

In this letter we discuss the areas about which we have continuing concerns. In doing so, of course, we also ask you for explanations and information addressing these concerns. We wish to emphasize that direct, detailed, specific, and, where possible, verifiable responses by you to our concerns and questions will assist us greatly in reaching appropriate and fair resolutions in this matter. As it has been when we have addressed earlier requests for information to you in this matter, it is our hope that you will provide such responses. It is in this spirit that we write to you.

**Financial Disclosure**

As you know, the Committee has an obligation to oversee and enforce financial disclosure requirements; this obligation is a fundamental aspect of our jurisdiction. Therefore, we would find it extremely useful, for the purpose of resolving our concerns in this area, to hear from you why -- as you stated in your May 1998 amendment to your Financial Disclosure Statements for the years 1992 through 1997 -- it is your understanding that you were not required under the Ethics in Government Act to report Hilliards & Company, Inc., as an asset on your Financial Disclosure Statement for those years. At the meeting with Committee counsel on July 30, 1999, Mr. Lotkin provided a letter dated April 9, 1998, from James Wright, a bookkeeper, stating that Mr. Wright "has been responsible for preparing corporate financial records for Hilliards & Company, Inc."

and that "for the calendar years 1992 through 1997 inclusive, Hilliards & Company had a negative book value which was also reflected in forms filed with the Internal Revenue Service." If accurate, please personally confirm that Hilliards & Company had a negative book value for the years 1992 through 1997. Any further documentation or records that you can provide relating to this issue would greatly facilitate our ability to resolve our concerns.[1]

Our questions to you are similar regarding why you believe your interest in the "Greater Birmingham Golf Association, Inc." was not reportable on your Financial Disclosure Statements for the years 1992 through 1997. While we appreciate the offer to us, through Mr. Lotkin, of two K-1 tax schedules in connection with this issue, it is not clear on their face that those documents relate to the Greater Birmingham Golf Association (the schedules specifically refer to "Birmingham Recreation, Inc."); further, those documents appear to concern only your income from your interest in the entity and do not appear to concern the value of the underlying holding. Therefore, again if accurate, please personally confirm that Greater Birmingham Golf Association had a negative book value for the years 1992 through 1997. Any documentation or records that you can provide relating to this issue would be very valuable to us in our efforts to resolve our questions about this issue.

**Campaign Expenditures for Rent and Utility Services**

Broadly speaking, the explanations and information we ask you to provide to us in this area relate to our attempt to resolve questions as to whether or not, through the payment of rents by your campaign in Birmingham, campaign funds may have been converted to personal use in excess of reimbursement for legitimate and verifiable campaign expenses. In order to address these questions, we simply must have a sufficient basis to reach conclusions about whether or not the rates for rents paid by your campaign for the Third Avenue North location in Birmingham -- both to American Trust Insurance Company and to the African American Institute -- were based on fair market value. One category of information which we believe to be essential to us in reaching any determination as to fair market value is information as to the square footage of space occupied by your campaign over the period in question, that is, from roughly May 1992 to December 1997. Therefore, please tell us what the square footage was for your campaign office over this period; if the square footage changed, please tell us when, how and why; also, please identify the specific location(s) for your campaign office in Birmingham over this period.

Particularly in light of the Committee's letter advisory opinion to you of June 1993 -- in which the Committee advised you that you could continue to house your campaign in Birmingham with the building owned by American Trust Insurance

[1] In determining what kind of documentation and records the Committee would find useful with respect to this and the other areas of concern discussed in this letter, please consult the Committee's May 12, 1999, letter to you.

Company provided that the company charged rent to the campaign based on fair market value -- we would appreciate your explaining to us what efforts, if any, were undertaken by you, or people working on your behalf, to assure that fair market value was paid, as well as to document that fair market value was paid or required to be paid. With regard to these issues, as well as with regard to the questions above relating more specifically to locations and square footages occupied by your campaign office in Birmingham, verifiable documents and records would be of great assistance to us in resolving our concerns; therefore, we ask you to provide to us any documents or records that may be relevant to these matters. To the extent that relevant documents or records do not exist (and we are aware of your attorney's representations as to the state of recordkeeping relating to these issues), please personally so inform us and please explain the state of documentation in this matter. Having said this, however, we also note that, even if full documentation does not exist on these issues, memories certainly do exist; therefore, we ask you to provide us the name, address and telephone number, if possible, of anyone who may have personal knowledge relevant to the questions set forth above regarding expenditures by your campaign for rent.

Lastly, in the July 30 meeting with Committee counsel, your attorney represented that each of the business entities that occupied the Birmingham building housing your campaign paid for its own utilities. So that we may resolve this issue, please confirm for us, in your own words and if accurate, that your campaign paid only for its own utilities in the building in question and that each of the other entities in the building paid for its own utilities.

**Purchase and Sale of Building Housing the Campaign in Birmingham**

In our view, receiving sufficient assurances as to the bona fides of the transactions between American Trust Life Insurance Co. and the African American Institute for the building at Third Avenue North in Birmingham is directly connected to the concerns expressed above regarding expenditures for rent by your campaign. Therefore, we ask you to shed as much light on these transactions as you can. We would find answers to the following kinds of questions especially helpful in our attempt to understand these events: on what basis was the 1993 sales price of $385,000 arrived at; what were the balances of the two mortgages assumed by the African American Institute in the 1993 transaction; given the terms of its purchase of the building in 1993, why did the African American Institute sell the building back to American Trust Life in 1995 for $1 (in addition to discharging itself of certain mortgage liability owed by you)? What we seek from you -- and what we would find to be of the greatest weight in this area -- is as full, candid, and specific an explanation as possible of these transactions and the circumstances surrounding them. As with the other areas covered in this letter, any and all documentation you can provide relating to these transactions would be of great help to us. If documents or records do not exist, please inform us and explain, if you can. We would also appreciate your identifying for us (by name, address and telephone number)

any person -- including the relevant persons at the African American Institute -- who was involved in, or had firsthand knowledge of, either of the two transactions at issue.

**Possible Receipt of Free Occupancy by the Campaign**

As detailed in our May 12, 1999, letter to you, it appears that there were periods between 1992 and 1998 when your campaign did not pay rent for its occupancy of office space in Birmingham. At the meeting between Mr. Lotkin and Committee counsel on July 30, 1999, he acknowledged that there were periods when your campaign occupied space in Birmingham but did not pay rent contemporaneously with that occupancy. Mr. Lotkin offered that the campaign later made payments satisfying all of its rent obligations; he said he was unaware, however, of any documentation of those payments.

As you are no doubt aware, if your campaign received free occupancy of office space, questions arise as to whether such free occupancy constituted an in-kind contribution to the campaign. Mr. Lotkin's proffer of information notwithstanding, we do not have sufficient factual representations from you to answer or resolve these questions. Therefore, we ask you to tell us whether there occasions or periods when the campaign in Birmingham did not pay rent when such rent was due or when it was obligated to make such payments. In your response to us regarding this issue, please be guided by the following questions: When were the occasions or periods or non-payment of rent, if any? What were the amounts involved? Why was the rent not paid, or not paid in a timely fashion? Who at the campaign was responsible for making the rental payments at the relevant times; who at American Trust Life was responsible for collecting rents? If, as your attorney has stated, your campaign eventually made payments satisfying its rent obligations, please tell us as much as you can about the facts and circumstances surrounding such payments. Does any documentation exist relating to such payments? If so, we would find it valuable for you to provide it to us.

**Campaign Loans**

As we noted in previous correspondence, FEC filings by your campaign indicate that your campaign made loans to your niece Rita Hall and to Jacqueline Smith and Elvira Willoughby. Our previous understanding as to the specific amounts and terms of these loans is set forth in our letter to you of May 12, 1999. Based on this understanding, we had concerns that these loans may have constituted expenditures of funds from your campaign account not attributable to bona campaign or political purposes.

In the July 30 meeting with Committee counsel, Mr. Lotkin advised, among other relevant matters, that you had personal knowledge of the loans to the three people mentioned above; that none of the loans was memorialized in writing; and that the purpose of each loan was to help the recipient "resolve personal financial problems." The written proffer tendered by Mr. Lotkin sets forth other representations regarding these loans. At the meeting, Mr. Lotkin also commented that he was unaware of any

documentation for loan repayments reported to the FEC, although he commented that such repayments were, in fact, made. Significantly, Mr. Lotkin acknowledged that these loans were not attributable to bona fide campaign or political purposes.

We consider the representations made by Mr. Lotkin regarding these loans as evidence of a commitment to candor by you on this issue. We appreciate that greatly. In furtherance of that apparent commitment, we ask you to explain to us, in your own words, the facts and circumstances surrounding these loans. In setting forth your explanation, it would be helpful if you specifically informed us of such matters as the purpose of each loan and your knowledge of each of the loans at the time each loan was made. To the extent you have any knowledge, please also state how each loan recipient used the loan proceeds. Here, as with regard to the other issues discussed in this letter, documentation would be very helpful to our purposes and we would appreciate its production by you. Therefore, please provide any documentation available regarding these loans, including documentation as to any repayments of the loans. If no such documentation exists (or was never created), please explain this to us as fully as you can.

Not only as the Chairman and Ranking Member of this Committee, but also as your colleagues, we recognize that there has been a long exchange between you and the Committee on the matters discussed in this letter. The Committee began and continued its correspondence with you on these matters because they raise concerns which we take seriously, and which we believe need to be addressed. We know that you take these concerns seriously as well. But, as we began this letter by noting, the explanations and information that you and your attorney have so far offered on the matters still at issue simply do not provide us with a sufficient factual basis for arriving at any conclusions as to these matters. That is why we wish to emphasize to you that, from the Committee's perspective, there can be no substitute for specific, direct, and, whenever possible, documented responses to the questions and concerns put forth here. We believe that it is possible that sufficient, specific, direct, and, where possible, verifiable responses could answer and allay some, most or all of these questions and concerns. We truly hope to receive such responses from you.

So that we may give your responses the full consideration they deserve, we ask that you submit your responses to the matters set forth in this letter to the Committee in writing by no later than September 7, 1999. We also ask that you have your attorney review your responses before they are submitted to the Committee, and that you personally sign your responses. If your responses to this letter do not provide a sufficient factual basis to resolve the matters discussed above, we intend to present those matters to the full Committee at its first meeting in September 1999.

Thank you for your cooperation in this matter. If you have any questions regarding this letter, please call Chief Counsel Robert L. Walker or Counsel David H. Laufman at (202) 225-7103.

Sincerely,

Lamar Smith
Chairman

Howard L. Berman
Ranking Minority Member

cc: Ralph Lotkin, Esq.

# EXHIBIT 95

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED SIXTH CONGRESS

**U.S. House of Representatives**

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515-6328

September 23, 1999

**BY HAND DELIVERY**
The Hon. Earl F. Hilliard
1314 Longworth
U.S. House of Representatives
Washington, DC 20515

Dear Representative Hilliard:

In accordance with Clause 3 of House Rule XI and Rules 15 and 19 of the Rules of the Committee on Standards of Official Conduct ("Committee"), which authorize the Committee to establish an investigative subcommittee on its own initiative, the Committee has voted to establish an investigative subcommittee to conduct a formal inquiry.

Pursuant to the Committee's action, the investigative subcommittee shall have jurisdiction to determine whether you violated the Code of Official Conduct or any law, rule, regulation, or other standard of conduct applicable to your conduct in the performance of your duties or the discharge of your responsibilities, with respect to: (1) loans reportedly made by your campaign committee in 1993-1994 to Rita Hall, Elvira Willoughby, and Jacqueline Smith; (2) occupancy of office space in Birmingham, Alabama, by your campaign during the period of 1992-1998, including expenditures by the campaign for rent and utilities; and (3) your compliance with financial disclosure requirements during the period of 1992-1999 regarding ownership interests in Hilliards & Company, Inc. and the Birmingham Greater Golf Associates, Inc. or its successor, Birmingham Recreation, Inc.

Representative Rob Portman will serve as Chairman of the investigative subcommittee, and Representative Martin Olav Sabo will serve as its Ranking Minority Member. The other two members of the subcommittee are Representative Kenny C. Hulshof and Representative James E. Clyburn.

Consistent with Committee Rule 18(g), you shall have ten days after the transmittal of this letter to object to the participation of any subcommittee member. Any such objection must be in writing and must be on the grounds that the subcommittee member cannot render an impartial and unbiased decision. The subcommittee member

against whom such an objection is made shall be the sole judge of his or her disqualification.

Should you or your attorneys have any questions regarding this letter, please call Committee Chief Counsel Robert L. Walker or Counsel David H. Laufman at (202) 225-7103.

Sincerely,

Lamar Smith
Chairman

Howard L. Berman
Ranking Minority Member

cc: Ralph L. Lotkin, Esq.

# EXHIBIT 96

LAMAR SMITH, TEXAS
CHAIRMAN

JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR

JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN

EARL L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER

MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

June 14, 2000

BY HAND DELIVERY

The Honorable Earl F. Hilliard
1314 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Representative Hilliard:

Pursuant to Rule 27g(4) of the Rules of the Committee on Standards of Official Conduct, we are notifying you that the Committee has expanded the scope of the Investigative Subcommittee's inquiry to include the following matters:

1. The use of campaign funds to: (a) pay salaries, wages, or other compensation to Rita Hall (Patterson), Elizabeth Redmond (Turner), and Yolanda Williams during the period of 1992-1996; (b) make loans or other disbursements to the Alabama Film & Entertainment Council in 1993; and (c) make reported expenditures for rent during the period of August through December 1996 in connection with the campaign's use or occupancy of premises in Montgomery, Alabama.

2. The financial relationships between, and transactions relating to, American Trust Corporation, American Trust Life Insurance Company, Inc., Representative Hilliard's campaign organization, and the African-American Institute, a non-profit corporation under section 501(c)(3) of the Internal Revenue Code.

The Committee has taken this action in conformity with the requirements of Committee Rule 20(c). Any communications by your counsel should be addressed to the Investigative Subcommittee or to its counsel, Kenneth E. Kellner, who may be reached at (202) 225-7103.

We note for your information that the Committee has determined not to issue a press release announcing the expansion described in this letter.

Sincerely,

Lamar S. Smith
Chairman

Howard L. Berman
Ranking Minority Member

cc: Ralph Lotkin, Esq.

# EXHIBIT 97

U.S. House of Representatives
COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT
Washington, DC 20515

March 15, 2001

BY HAND DELIVERY

The Honorable Earl F. Hilliard
1314 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Re: In the Matter of Representative Earl F. Hilliard

Dear Representative Hilliard:

This is to advise you that on March 14, 2001, the Committee on Standards of Official Conduct voted to carryover the formal inquiry in the above-captioned matter from the 106th Congress and, pursuant to Committee Rule 19(b), to reestablish an Investigative Subcommittee in that matter.

As in the 106th Congress, Representative Rob Portman will serve as Chairman of the Investigative Subcommittee, and Representative Martin Olav Sabo will serve as its Ranking Minority Member. The other two Members of the Investigative Subcommittee will again be Representative Kenny C. Hulshof and Representative James E. Clyburn.

Any communications by your counsel regarding this letter should be addressed to the Investigative Subcommittee or to its counsel, Kenneth E. Kellner, who may be reached at (202) 225-7103.

Sincerely,

Joel Hefley
Chairman

Howard L. Berman
Ranking Minority Member

cc: Ralph L. Lotkin, Esq.

# EXHIBIT 98

EARL F. HILLIARD
7TH DISTRICT, ALABAMA

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY

COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
SUBCOMMITTEE ON INTERNATIONAL HUMAN RIGHTS

Congress of the United States
House of Representatives
COMMITTEE ON STANDARDS
Washington, DC 20515–0107

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1314 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2665

DISTRICT OFFICES:

THE PENICK BUILDING
319 17TH STREET, NORTH
SUITE 704
BIRMINGHAM, AL 35203
(205) 328-2841

1118 GREENSBORO AVENUE
SUITE 704
TUSCALOOSA, AL 35401
(205) 752-3578

88 WEST SOUTH BLVD., SUITE 100
MONTGOMERY, AL 36105
(334) 281-0813

109 FEDERAL BUILDING
908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-2684

January 14, 2000

The Honorable Rob Portman
Subcommittee Chairman
The Honorable Martin Sabo
Ranking Member
Committee on Standards of Official Conduct
U.S. House of Representatives
Suite HT-2, U.S. Capitol
Washington, D.C. 20515

Dear Chairman Portman and Ranking Member Sabo:

I have re-engaged the law firm of Cochran & Lotkin to represent me, the Hilliard for Congress Campaign, Elvira Williams, Elizabeth Turner, Rita Hall, Jacqueline Smith, Carol Allen, John Hilliard, Mary Hilliard, Joyce Bayles and Toni Motley in the matter before the Committee. I also have engaged the law firm of Baxley, Dillard, Dauphin and McKnight as local counsel. Ralph Lotkin of the firm Cochran and Lotkin will serve as lead counsel.

If you have any questions, comments or need additional information, please do not hesitate to contact Ralph Lotkin at (202) 547-9225.

Sincerely,

Earl F. Hilliard

Earl F. Hilliard
Member of Congress

PRINTED ON RECYCLED PAPER

EARL F. HILLIARD
7TH DISTRICT, ALABAMA

COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY

COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
SUBCOMMITTEE ON INTERNATIONAL HUMAN RIGHTS

Congress of the United States
House of Representatives
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908 ALABAMA AVENUE
SELMA, AL 36701
(334) 872-2684

January 19, 2000

The Honorable Rob Portman
Subcommittee Chairman
The Honorable Martin Sabo
Ranking Member
Committee on Standards of Official Conduct
U.S. House of Representatives
Suite HT-2, U.S. Capitol
Washington, D.C. 20515

Dear Chairman Portman and Ranking Member Sabo:

Please accept this correspondence as a correction to my earlier letter to you dated January 14, 2000. I have re-engaged the law firm of Cochran & Lotkin to represent me, the Hilliard for Congress Campaign, and Elvira Williams, Elizabeth Turner, Rita Hall, Jacqueline Smith, Carol Allen, John Hilliard, Mary Hilliard, Joyce Bayles and Toni Motley in the matter before the Committee in both their campaign and personal capacities. I apologize for the inadvertent error in giving the impression that the above individuals were only being represented in their campaign capacities as opposed to all matters. I also have engaged the law firm of Baxley, Dillard, Dauphin and McKnight as local counsel. Ralph Lotkin of the firm Cochran and Lotkin will serve as lead counsel.

If you have any questions, comments or need additional information, please do not hesitate to contact Ralph Lotkin at (202) 547-9225.

Sincerely,

Earl F. Hilliard

Earl F. Hilliard
Member of Congress

cc: Ralph Lotkin

PRINTED ON RECYCLED PAPER

# EXHIBIT 99

LAMAR SMITH, TEXAS
CHAIRMAN

JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR

JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN

BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER

MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

July 28, 2000

BY FACSIMILE AND FIRST CLASS MAIL

Ralph L. Lotkin, Esq.
Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Lotkin:

The Subcommittee's investigation of Representative Earl F. Hilliard has reached a point where the Subcommittee is now prepared to hear sworn testimony from Congressman Hilliard regarding the matters under investigation.

Accordingly, consistent with Congressman Hilliard's stated interest in cooperating in these proceedings, the Subcommittee has scheduled a hearing for the purpose of hearing sworn testimony from Congressman Hilliard on September 19, 2000 beginning at 9:30 a.m. and concluding at 6:00 p.m. We wish to alert you that in light of anticipated interruptions for votes and other legislative matters, there is a reasonable probability that all areas of questioning may not be completed on September 19, 2000 and that Congressman Hilliard may be asked to return on September 21, 2000 at 9:30 a.m. to give further testimony. We intend to proceed as expeditiously as possible so as to minimize the inconvenience to Congressman Hilliard of appearing on those dates.

The Subcommittee appreciates Congressman Hilliard's voluntary cooperation in this matter. Please confirm in writing by August 7, 2000 that Congressman Hilliard will appear on September 19, 2000 and on September 21, 2000 (if necessary).

In the event that Congressman Hilliard declines to appear voluntarily, or in the

event Congressman Hilliard has a conflict on the dates described above that he cannot reschedule, please notify Subcommittee counsel.

Sincerely,

Rob Portman
Chairman
Investigative Subcommittee

Martin Olav Sabo
Ranking Minority Member
Investigative Subcommittee

# EXHIBIT 100

LAMAR SMITH, TEXAS
CHAIRMAN

JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
EARL L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

RANKING MINORITY MEMBER

MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

ONE HUNDRED SIXTH CONGRESS

**U.S. House of Representatives**

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

August 29, 2000

BY FACSIMILE AND FIRST CLASS MAIL

Ralph L. Lotkin, Esq.
Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Re: In the Matter of Representative Earl F. Hilliard

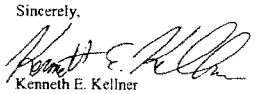
Dear Mr. Lotkin:

In our telephone conversation of August 21, 2000, you communicated, inter alia, that Representative Hilliard would appear voluntarily before the Investigative Subcommittee to give sworn testimony in the above-referenced matter as requested by the Subcommittee. During our conversation you further stated that due to a trial scheduled to take place in Baltimore, you would be unavailable to represent Representative Hilliard at a hearing prior to September 21, 2000. You stated, however, that both you and Representative Hilliard were available on both September 21, 2000 and September 22, 2000.

This is to inform you that the Investigative Subcommittee has adjusted its schedule in order to receive testimony from Representative Hilliard on the dates you indicated that both you and Representative Hilliard were available. Accordingly, the Subcommittee has scheduled a hearing for the purpose of obtaining sworn testimony from Representative Hilliard to take place on September 21, 2000 and September 22, 2000, beginning at 9:30 a.m. and concluding at 6:00 p.m. on each day. The hearing will take place in the offices of the Committee on Standards of Official Conduct, HT-2, The Capitol.

The Subcommittee appreciates Representative Hilliard's cooperation in this matter. Please confirm in writing by August 31, 2000 that Representative Hilliard will appear on September 21, 2000 and on September 22, 2000 as scheduled.

Sincerely,



Kenneth E. Kellner
Counsel to the Investigative Subcommittee

**RALPH L. LOTKIN**
ATTORNEY AT LAW

Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Suite C-1
Washington, D.C. 20002
Phone (202) 547-9225
Fax (202) 547-9228

August 30, 2000

**SENT VIA FACSIMILE (202) 225-7392**

Kenneth E. Kellner, Esq.
Counsel to the Investigative Subcommittee
Committee on Standards of Official Conduct
HT-2 U.S. Capitol
Washington, D.C. 20515

Dear Mr. Kellner:

Re: In the Matter of Representative Earl F. Hilliard

This responds to your letter of August 29, 2000 concerning the schedule for obtaining sworn testimony from Representative Hilliard in the above-referenced matter. Both Representative Hilliard and I will be available on September 21, 2000 and September 22, 2000, beginning at 9:30 a.m. and concluding at 6:00 p.m. on each day.

Sincerely,

Ralph L. Lotkin

LAMAR SMITH, TEXAS
CHAIRMAN

JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
BARI L. SCHWARTZ,
COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER

MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

August 30, 2000

BY FACSIMILE AND FIRST CLASS MAIL

Ralph L. Lotkin, Esq.
Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Lotkin:

In response to your letter dated August 30, 2000, this is to confirm that Representative Hilliard will appear and give sworn testimony to the Investigative Subcommittee on September 21, 2000 and September 22, 2000, in accordance with my letter to you dated August 29, 2000.

Sincerely,

Kenneth E. Kellner
Counsel to the Investigative Subcommittee

# EXHIBIT 101

LAMAR SMITH, TEXAS
CHAIRMAN
JOEL HEFLEY, COLORADO
JOE KNOLLENBERG, MICHIGAN
DAVE CAMP, MICHIGAN
ROB PORTMAN, OHIO

ROBERT L. WALKER,
CHIEF COUNSEL/STAFF DIRECTOR
JOHN W. LAMPMANN,
ASSISTANT TO THE CHAIRMAN
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COUNSEL TO THE RANKING
MINORITY MEMBER

ONE HUNDRED SIXTH CONGRESS

U.S. House of Representatives

COMMITTEE ON STANDARDS OF
OFFICIAL CONDUCT

Washington, DC 20515–6328

HOWARD L. BERMAN, CALIFORNIA
RANKING MINORITY MEMBER
MARTIN OLAV SABO, MINNESOTA
ED PASTOR, ARIZONA
CHAKA FATTAH, PENNSYLVANIA
ZOE LOFGREN, CALIFORNIA

SUITE HT-2, THE CAPITOL
(202) 225-7103

September 27, 2000

BY FACSIMILE AND FIRST CLASS MAIL

Ralph L. Lotkin, Esq.
Capitol Hill West Building
201 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Re: In the Matter of Representative Earl F. Hilliard

Dear Mr. Lotkin:

As you know, by letter dated July 28, 2000, consistent with your client Representative Earl F. Hilliard's stated interest in cooperating in these proceedings, the Investigative Subcommittee invited Congressman Hilliard to appear before the Subcommittee and give sworn testimony regarding the matters under investigation.

Representative Hilliard accepted the Subcommittee's invitation, but requested that the meeting the Subcommittee had scheduled to hear testimony from him be rescheduled, for his convenience and for that of his counsel. Accordingly, at Representative Hilliard's request, the Subcommittee rescheduled its meeting by a day so that it could obtain his testimony on the dates preferred by him. The meeting was rescheduled to September 21 and 22, 2000. These meetings, scheduled for the exclusive purpose of hearing testimony from Representative Hilliard, were confirmed by your office in writing weeks before his scheduled appearance.

Nonetheless, on the morning of September 21, 2000, the first day of Representative Hilliard's scheduled testimony, your client appeared, was sworn in, and proceeded to read a prepared statement, in which he announced that he refused to testify. Good faith efforts by the Subcommittee to reach an accommodation with Representative Hilliard to obtain his agreement to testify that day or any day during the following week were rebuffed by him.

For reasons not explained to the Subcommittee, you and your client determined not to notify the Subcommittee in advance that a decision had been made not to testify before the Subcommittee, despite Representative Hilliard's having agreed to do so. Objections to his appearing and testifying before the Subcommittee could have been lodged well prior to September 21, 2000. Instead the Subcommittee and its Members accommodated their schedules and convened unnecessarily on that morning, under the false pretense of hearing testimony from your client regarding the matter under investigation.

The purported basis of your client's refusal to testify included his concerns over whether the Investigative Subcommittee has complied with its obligations under Committee Rule 26, which pertains to the disclosure of exculpatory information to a respondent. In correspondence to you prior to September 21, 2000, the Investigative Subcommittee had already responded to your concerns regarding the application of Committee Rule 26 in this matter. The Investigative Subcommittee has been and remains in full compliance with Rule 26 with regard to your client and has treated your client fairly under that Rule. The fact that you and your client have a different interpretation of Rule 26 was not a valid reason for Representative Hilliard to refuse to testify on September 21, 2000, as scheduled.

The only other basis cited by your client for his refusal to testify -- that is, his concerns about information contained in tax returns of corporate entities of Hilliard and Company -- was irrelevant, legally unsound and equally invalid.

As we responded at our September 21, 2000 meeting, we are very disappointed that your client is unwilling to testify before the Subcommittee. We believe such testimony would have been quite helpful to our interest in resolving outstanding issues and moving the process found as expeditiously as possible. In light of the refusal of your client to testify before the Subcommittee, the Subcommittee has no choice but to proceed in this matter on the basis of the record as it now stands.

Sincerely,

Rob Portman
Chairman
Investigative Subcommittee

Martin Olav Sabo
Ranking Minority Member
Investigative Subcommittee

Kenny C. Hulshof
Member
Investigative Subcommittee

James E. Clyburn
Member
Investigative Subcommittee

cc: Earl F. Hilliard,
Member of Congress