



OFFICE OF THE ATTORNEY GENERAL
STATE OF TEXAS

REQUEST TO OPEN AN INVESTIGATION
CONSUMER PROTECTION DIVISION
HOUSTON REGIONAL OFFICE

THIS REPORT IS CONFIDENTIAL, PRIVILEGED PARTY COMMUNICATIONS FURNISHED SOLELY FOR THE INTERNAL USE OF THE TEXAS ATTORNEY GENERAL. RELEASE OF ANY INFORMATION TO ANY THIRD PARTY WITHOUT THE CONSENT OF THE TEXAS ATTORNEY GENERAL'S OFFICE IS PROHIBITED.

Date: October 7, 2009
Attorney: Rick Berlin
Office: Consumer Protection & Public Health Division
Section: Houston Regional Office

Individual Name: **Steven Matejek**
40 Wall St., 32nd Floor
New York, NY 10005-1304

Paul Quintal
40 Wall St., 32nd Floor
New York, NY 10005-1304

Michael Sexton
40 Wall St., 32nd Floor
New York, NY 10005-1304

Donald J. Trump
725 5th Ave.
New York, NY 10005-1304

Stephen J. Goff, Sr.
301 Demonbreun St., Unit 915
Nashville, TN 37201-2234



OFFICE OF THE ATTORNEY GENERAL
STATE OF TEXAS

REQUEST TO OPEN AN INVESTIGATION
CONSUMER PROTECTION DIVISION
HOUSTON REGIONAL OFFICE

THIS REPORT IS CONFIDENTIAL, PRIVILEGED PARTY COMMUNICATIONS FURNISHED SOLELY FOR THE INTERNAL USE OF THE TEXAS ATTORNEY GENERAL. RELEASE OF ANY INFORMATION TO ANY THIRD PARTY WITHOUT THE CONSENT OF THE TEXAS ATTORNEY GENERAL'S OFFICE IS PROHIBITED.

Date: October 7, 2009
Attorney: Rick Berlin
Office: Consumer Protection & Public Health Division
Section: Houston Regional Office

Individual Name: **Steven Matejek**
40 Wall St., 32nd Floor
New York, NY 10005-1304

Paul Quintal
40 Wall St., 32nd Floor
New York, NY 10005-1304

Michael Sexton
40 Wall St., 32nd Floor
New York, NY 10005-1304

Donald J. Trump
725 5th Ave.
New York, NY 10005-1304

Stephen J. Goff, Sr.
301 Demonbreun St., Unit 915
Nashville, TN 37201-2234

Business Name: Trump University/Trump University, LLC
Location: 40 Wall St., 32nd Floor
New York, NY 10005-1304

TO:	DAVID S. MORALES Deputy Attorney General for Civil Litigation	Approved: _____ Date: _____
	PAUL D. CARMONA Chief, Consumer Protection and Public Health Division	Approved: _____ Date: _____
	JOHN OWENS Deputy Chief, Consumer Protection and Public Health Division	Approved: _____ Date: _____
	ROSEMARIE DONNELLY Managing Attorney, Houston Regional Office	Approved: _____ Date: _____

Synopsis: This is a request to open an investigation against the above mentioned businesses and persons. On Thursday, September 24, 2009, ATrump University@ placed advertisements in The Houston Chronicle for several Afree investor workshops@ to be held in the Houston area. The free workshop advertisement advises you to ACash in on the Greatest Property Liquidation in History!@ The full one page ad claims that A2009 is the >perfect storm= for real estate investors@ and that the workshops will teach you about foreclosure investing, how to finance deals using other people=s money and quotes Donald Trump as saying AI can turn anyone into a successful real estate investor, including you.@ The ad further professes that you can buy real estate from banks at up to 70% below market value. The ad, however, includes a disclaimer stating that results are not typical. The next workshop is on October 12, 2009 in Austin, Texas.

Background Facts: Consumers on blog sites have complained that Atidbits@ of information are gained at the workshops, but that the information is not worth the thousands of dollars one ultimately pays to remain in the three day workshop after the initial Afree@ day. The workshop is a high stress sales pitch to pay money for the rest of the information. One consumer stated that the only things that happened at the three day workshop was:

1. They pre-qualify you for a \$35,000 Gold Package.
2. They ask that you call your credit card company for a credit limit increase.
3. They try and sell you on their mentoring services.

Legal Basis: Defendants in the course of trade and commerce may have directly or indirectly engaged in false, misleading and deceptive acts and practices declared to be unlawful by TEX BUS. & COM. CODE ANN. ' 17.46(a) and ' 17.46(b), to wit:

1. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities which they do not have or that a person has a sponsorship, approval, status, affiliation, or connection which he does not in violation of TEX. BUS. & COM. CODE ' 17.46(b)(5);
2. Advertising goods or services with intent not to sell them as advertised, in violation of TEX. BUS. & COM. CODE ' 17.46(b)(9);
3. Representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law, in violation of TEX. BUS. & COM. CODE ' 17.46(b)(12);
4. Representing that a guarantee or warranty confers or involves rights or remedies which it does not have or involveY, in violation of TEX. BUS. & COM. CODE ' 17.46(b)(20); and
5. Failing to disclose information concerning goods or services which was known at the time of the transaction if such failure to disclose such information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed, in violation of TEX. BUS. & COM. CODE ' 17.46(b)(24).

Time Constraints: There is no particular issue regarding timing.

Plan of Action:

- § Contact some of the consumers and attempt to gain more specific information on their dealings with Trump University.
- § Issue a CID to Trump University to determine: how many consumers have paid for their products/services, how many consumers have filed complaints regarding their products/services, what responses Trump University has provided to these consumers, what, if any, refunds have been provided to consumers complaining of their products/services, and whether any consumers in Texas have successfully employed their methods.
- § If the results of the investigation show that a lawsuit is necessary, we will seek relief which prohibits them from any continued deceptive advertising or business practices that violate the DTPA by filing an action seeking a TRO and TI.

**REQUEST FOR APPROVAL TO FILE
CONSUMER PROTECTION AND PUBLIC HEALTH DIVISION
HOUSTON REGIONAL OFFICE**

THIS REPORT IS CONFIDENTIAL, PRIVILEGED PARTY COMMUNICATIONS FURNISHED SOLELY FOR THE INTERNAL USE OF THE TEXAS ATTORNEY GENERAL. RELEASE OF ANY INFORMATION TO ANY THIRD PARTY WITHOUT THE CONSENT OF THE TEXAS ATTORNEY GENERAL'S OFFICE IS PROHIBITED.

TO: DAVID MORALES Approved: _____
Deputy Attorney General for Civil Litigation Date: _____

FROM: PAUL D. CARMONA
Chief, Consumer Protection and Public
Health Division

Approved: _____
Date: _____

JOHN OWENS
Deputy Chief, Consumer Protection and
Public Health Division

Approved: _____
Date: _____

ROSEMARIE DONNELLY Approved: RMD
Managing Attorney, Houston Regional Office Date: 5/6/10

RICK BERLIN

DATE: May 6, 2010

RE: Request for Approval to File Original Petition and Application for Permanent Injunction in the case of *State of Texas v. Trump University LLC and Donald J. Trump*; Short Name: Trump U; AG #093157089

SYNOPSIS

Defendants engage in false, misleading and deceptive practices in promoting and selling their real estate investment seminars in Texas. Defendants target Texas consumers eager to earn additional income during the economic slowdown by promising to teach them dubious real estate investment strategies that will “score” them big profits in virtually no time. Defendant Trump University (“Trump U”) advertises “free investor workshops” on real estate investing in various newspapers throughout Texas to the general public. The advertisements promise consumers that if they attend the “free workshops” they will have the opportunity to “[l]earn from Donald Trump’s handpicked experts how you can profit from the largest real estate liquidation in history”, how to “profit from the billion dollar bailouts” and to teach “foreclosure investing from the inside out.” Further, the

advertisements promote a method of "creative financing to invest without risk," including how to "invest in real estate through your IRA—tax free!"

The ads contain an enlarged photograph of Donald Trump, Chairman of Trump University, who is also quoted in the ad: " 'I can turn anyone into a successful real estate investor, including you.' Donald Trump" The ads also promise to teach attendees "Donald Trump's powerful techniques and strategies."

In fact, the "free" workshops are little more than 2-hour long infomercials for Trump U's 3-day real estate investment course. At the end of the "workshop", attendees are offered the 3-day course at a cost of \$1495 (a "special" price). Consumers who pay for the 3-day course complain that they are taught little useable content. Our review of the course materials reveals that the course teaches legally and ethically questionable real estate investment strategies and instructs "students" to target home sellers in financial turmoil.

Further, Defendants falsely assert at these "free workshops" that the classes are approved continuing education credit for realtors. The Texas Real Estate Commission has not approved any Trump University courses for continuing education credit. Defendant Trump University is also not an accredited institution of higher learning and does not have a certificate of authority to use the term "University" in the state of Texas in violation of TEX. EDUC. CODE § 6.313. Trump University has also not complied with Secretary of State registration or tax requirements necessary to do business in Texas or paid sales tax on any of their sales.

There have been approximately 57 "free" Trump U workshops conducted in Texas, with approximately 50-100 attendees per workshop.

FACTUAL BASIS

Pre-suit Investigation:

During our investigation, we attended a "free" seminar in Houston. We also sent a CID to Trump University to which the company responded. We have also sent out over 60 letters to consumers in an attempt to gain more specific information on their dealings with Trump University. We have interviewed 20-30 consumers by telephone. There are no filed complaints with the OAG. We are checking with the BBB in New York. We believe the Trump U representatives tell the "students" that if they are not successful it is because they are not sufficiently committed or did not follow their advice, etc.

Trump's Deceptive Trade Practices:

- In addition to newspaper ads, Defendant Trump U also advertises by direct mail to Texas residents. These advertisements solicit consumers to attend Defendants' workshops by including two complimentary VIP tickets and a letter signed by Donald Trump. In these letters, Defendant Trump U claims it will "demonstrate specific, proven and profitable

strategies that you can use right away to score big profits within these current market conditions” and have “a proven system for profitable real estate investing that anyone can use, right away, to score big profits in today’s market.” Defendants claim that “[t]here is no question [Trump] can turn you into a successful real estate investor” and that they are offering an opportunity for people to “**better their life, quit their job, and be set for life!**”

- The “free workshops” are merely a selling ground for the Defendant Trump U’s 3-day seminars and offer little useable content. The “free workshops” are usually a couple of hours long and take place in large conference rooms at local hotels. Attendees are ushered into the conference room to watch a large screen video “sales pitch” for Trump U. Donald Trump is a featured speaker on the video. Speaking directly to the attendees, Trump assures them that making money in real estate investing is going to be “a short process” if they sign up for the Trump U seminar. The video also features several alleged “graduates” of the Trump U seminar, who give testimonials about large and virtually instantaneous profits they earned as a result of the Trump U seminar.
- The Trump U “instructors” who appear live represent themselves as successful students of the Trump U seminar and give verbal testimonials that resemble motivational speeches about how easily they made money in real estate investing. After the video, testimonials, and motivational speech, the Trump University representatives engage in the hard sell, emphasizing to their audience that if they leave without signing up for the 3-day seminar, they will not succeed using the information they learned at the “free workshop.”
- As an added incentive, the Trump U representatives tell attendees that the 3-day seminar is being offered at a special reduced price (\$1,495) for workshop attendees even though the 3-day seminar is primarily marketed to “free workshop” attendees at this regular price and rarely, if ever, marketed at the inflated rates quoted to attendees. However, Defendants fail to tell the attendees that the “instructors” are paid a commission by Trump U for every student who signs up for the 3-day course.
- The Trump U representatives also tell attendees that they should go out and find properties that are for sale-by-owner, for rent or lease, or in foreclosure and bring these leads to the 3-day seminar so that instructors can take them step-by-step through the negotiation process and work out deals for the attendees. Defendants claim that they have worked out up to 15 deals at one seminar. Consumers complain that this is not the case, and at most only a few contacts are ever called at the 3 day seminars and no deals were made. In other cases, no contacts are called at the 3-day seminar at all.
- The training materials we have reviewed indicate that Trump University 3-day seminar attendees are taught to prey upon homeowners in financial turmoil and to target foreclosure properties. Instructors teach students that by using terms such as “subject to...” and “and/or assigns” they will be able to enter contracts with home sellers which they can then turn over to a private party investor for a profit without risk because the “subject to...” language allows them to walk away from the contract.

- Defendants' representatives also ask attendees, on the morning of the first day of the seminar, to call their credit card companies, banks, and mortgage companies and ask for an increase or extension of credit so that they may finance the "Gold Elite" package purchase. Defendant Trump U will even ask attendees to call their bank during these one-on-one sessions while the representative waits. The primary goal of the 3-day seminars appears to be more high pressure sales tactics in an attempt to induce them into purchasing Defendant Trump U's "Gold Elite" package for \$35,000.
- The "Gold Elite" package includes additional classes, foreclosed property search software, and a 3-day meeting with one of Defendants' representatives, which are also all offered for sale independently. Consumers complain that the information is out of date, inapplicable to the Texas real estate market, and generally of little practical value. Moreover, the so-called strategies that are taught are highly speculative and may be tantamount to encouraging attendees to sell real estate without a license, which is illegal in Texas.

We have cited some additional representative examples of consumer complaints in the petition.

LEGAL BASIS

DTPA

Defendants in the course of trade and commerce may have directly or indirectly engaged in false, misleading and deceptive acts and practices declared to be unlawful by TEX. BUS. & COM. CODE ANN. ' 17.46(a) and ' 17.46(b), to wit:

- A. False, misleading, or deceptive acts or practices in the conduct of any trade or commerce, in violation of § 17.46(a);
- B. causing confusion or misunderstanding as to the source, sponsorship, approval, or certification of goods or services in violation of § 17.46(b)(2);
- C. causing confusion or misunderstanding as to affiliation, connection, or association with, or certification by, another in violation of § 17.46(b)(3);
- D. Representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities which they do not have or that a person has a sponsorship, approval, status, affiliation, or connection which he does not in violation of §17.46(b)(5);
- E. Representing that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of another, in violation of §17.46(b)(7);
- F. Advertising goods or services with the intent not to sell them as advertised, in

violation of §17.46(b)(9);

- G. making false or misleading statements of fact concerning the reasons for, existence of, or amount of price reductions in violation of §17.46(b)(11);
- H. Representing that an agreement confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law, in violation of §17.46(b)(12); and
- I. Failing to disclose information concerning goods or services which was known at the time of the transaction if such failure to disclose such information was intended to induce the consumer into a transaction into which the consumer would not have entered had the information been disclosed, in violation of § 17.46(b)(24).

TEX. BUS. ORG. CODE

Defendant Trump University, LLC is a foreign filing entity transacting business in this state and is not registered in accordance with Chapter 9 of the TEX. BUS. ORG. CODE ANN.

PLAN OF ACTION

We have been in contact with Trump's lawyers for several months concerning the CID we issued, and Trump U agreed to discontinue its seminars in Texas until the investigation is completed.

We have a pre-suit settlement conference scheduled with the Trump lawyers for May 19, 2010 in Houston.

In the event we are unable to settle, we request permission to file the attached petition and request for permanent injunction and initiate discovery immediately. Should Trump U resume seminars in Texas, we will seek a temporary injunction. At final trial, we will seek civil penalties, restitution, permanent injunction, attorneys' fees and costs.

**REQUEST FOR APPROVAL TO SETTLE
CONSUMER PROTECTION AND PUBLIC HEALTH DIVISION
HOUSTON REGIONAL OFFICE**

THIS REPORT IS CONFIDENTIAL, PRIVILEGED PARTY COMMUNICATIONS FURNISHED SOLELY FOR THE INTERNAL USE OF THE TEXAS ATTORNEY GENERAL. RELEASE OF ANY INFORMATION TO ANY THIRD PARTY WITHOUT THE CONSENT OF THE TEXAS ATTORNEY GENERAL'S OFFICE IS PROHIBITED.

TO: DAVID MORALES Approved: _____
Deputy Attorney General for Civil Litigation Date: _____

RUTH HUGHS Approved: _____
Associate Deputy Attorney General for Civil Date: _____
Litigation

FROM: PAUL D. CARMONA Approved: _____
Chief, Consumer Protection and Public Date: _____
Health Division

JOHN OWENS Approved: _____
Deputy Chief, Consumer Protection and Date: _____
Public Health Division

ROSEMARIE DONNELLY Approved: _____ RMD
Managing Attorney, Houston Regional Office Date: _____ 5/12/10

RICK BERLIN

DATE: May 11, 2010

RE: Request for Approval to Engage in Pre-Suit Settlement Negotiations in *State of Texas v. Trump University LLC and Donald J. Trump*; Short Name: Trump U; AG #093157089

SYNOPSIS

We are seeking approval to enter into settlement negotiations with Defendants, who engage in false, misleading and deceptive practices in promoting and selling their real estate investment seminars in Texas.

CURRENT STATUS

We have not filed suit. We opened an investigation into Trump University and Donald J. Trump in the fall of 2009 after attending (undercover) a series of "free" workshops of Defendants held in Houston. As we described in the draft petition in more detail, the "free" workshops are little more than 2-hour long infomercials for Trump U's 3-day real estate investment course. At the end of the "workshop," attendees are offered the 3-day course at a cost of \$1,495 (a "special" price).

We sent a CID and have interviewed approximately 30 Texas consumers who purchased one of the courses. Our review of the Trump course materials and audio tapes of the seminars reveals that the course teaches legally and ethically questionable real estate investment strategies and instructs "students" to target home sellers in financial turmoil. Consumers who pay for the 3-day course complain that they are taught little useable content and are given the hard sell for yet another Trump U course (a "Gold Elite" package that costs \$35,000). They also complain that much of the actual content of the course is too general to be of much use.

The specific strategies that are taught are also legally questionable. For example, Trump "students" are urged to target distressed homeowners and enter into a contract to buy the home that is "subject to" the student's ability to locate financing. Of course, the Trump "student" has no financing and is simply placing want ads in an attempt to locate a buyer for the property. If by some miracle the "student" were to find a buyer, and negotiate a sale for the homeowner, the "student" would realize a "profit" from the homeowner's equity in the property, i.e., equity skimming. If no buyer is found, then the Trump student can simply walk away and would have succeeded in tying up the property during a critical period in which the homeowner could have tried to sell the property on his own or found a licensed realtor to help or turned the keys back to the mortgage lender. Frankly, the notion that the homeowner is fully informed of the pitfalls of this "subject to" strategy is extremely unlikely.

In addition to the CID and consumer interviews, we have also been in contact with the Texas Real Estate Commission regarding whether the techniques taught in the seminars violate Texas law, and their response was that for an untrained person it would be very easy to step over the line into the realm of selling real estate without a license, which is a Class A misdemeanor. TREC has had complaints over the years regarding similar activities and has initiated proceedings to punish offenders.

We have also been in contact with the Comptroller regarding Trump U's failure to pay sales and franchise taxes. Trump U also has failed to register to do business in Texas.

After receiving our CID, Defendants agreed to discontinue their seminars in Texas during our investigation. Based upon the materials in response to our CID and phone interviews with consumers, we issued and prepared a draft petition for which we have sought Exec approval to file.

We held a conference call on May 11, 2010 with Defendants' lawyers (including a former General Counsel of Trump U who is now practicing with the Austin based firm Reed & Scardino). During the call, we summarized the findings of our investigation and outlined the potential claims that we believe the evidence supports under Texas law. Trump's lawyers indicated that the Trump U is "not a money maker" for Donald Trump and he formed it "to give back to the community."

Trump's lawyers questioned the claims against Donald Trump individually, which we explained. They acknowledged that Trump personally reviewed and approved the course materials. We are presently scheduled for a face to face settlement conference in Houston on May 19, 2010. Trump lawyers indicated there would be four people attending for their side.

We are seeking approval to enter into settlement negotiations to recover consumer restitution, DTPA penalties, unpaid sales taxes, and attorneys' fees, plus a permanent injunction to enjoin future seminars in Texas.

SETTLEMENT ANALYSIS:

A number of issues warrant additional information:

Donald J. Trump Is Named Individually.

We have named Donald J. Trump individually because he has extensive direct involvement in this business. He is featured prominently and directly in the advertising (identified as Chairman of Trump U) and he speaks directly to the audience at the seminars, encouraging them to sign up for the courses so that they can learn his secrets to success. The ads contain an enlarged photograph of Donald Trump, who is also quoted in the ad: "I can turn anyone into a successful real estate investor, including you." - Donald J. Trump." The ads also promise to teach attendees "Donald Trump's powerful techniques and strategies."

Trump also signs direct mail letters to prospective attendees residing in Texas. These letters are a personal invitation from Mr. Trump to attend his class and ask the question if traders and bankers get bailouts and rescue packages, "who's helping you? I will," states Donald Trump (emphasis in original).

At this point, we do not know how much involvement Donald Trump in fact has in the day to day running of Trump University; however, the gist of the marketing message is that students will learn his techniques and strategies as taught to his "hand picked" protégés. The program markets itself as the next best thing to being his Apprentice. Further, Trump U's lawyers confirmed in the May 11 conference call that Trump himself reviews the written materials provided to attendees and the advertisements using his name and/or likeness.

It is also clear that Trump is aware and approved the deceptive marketing strategy of inviting people to a "free" workshop that promises to teach them Trump's investment strategies but is actually a sales pitch for the Trump U courses.

Consumer Complaints.

Consumers complain on internet complaint boards about Trump U, and Trump U formerly

had a "D" rating with the BBB but now appears "Unrated." OAG does not have any written complaints from Texas consumers; however, we have spoken directly with approximately 30 Texas consumers who purchased the 3-day seminar. Almost all share the view that the seminar was of little value to them. None has earned a dime as a result of what they were taught.

There have been approximately 57 "free" Trump U workshops conducted in Texas, with approximately 50-100 attendees per workshop. Approximately 450 Texas consumers have purchased the \$1,495 three-day seminar, the \$35,000 "Gold Elite" package, or other courses or products.

California federal court class action.

Last week a private federal class action was filed against Trump U (not Donald Trump). The allegations in the class action suit are similar to the allegations in our proposed suit.

Potential Defenses.

We anticipate that Trump U will contend that students who take the course and do not succeed in real estate investing were not sufficiently motivated, did not follow the instruction, etc. We believe we will be able to demonstrate at trial that virtually none of the students ever earn a dime as a result of the course and certainly not enough to recoup their \$1,495 for the 3-day course or \$35,000 for the "Gold Elite" package. The testimonials from consumers on the advertisements, promotional materials, and workshop power point and video presentations represent the rare few who actually closed a deal (assuming the testimonials are accurate), and certainly are not representative of what the average consumer can expect. We will have to do some discovery on this issue.

Defendants are likely also to claim that their marketing is mere puffery and therefore not actionable. We believe we will be able to demonstrate at trial that Trump U specifically targets consumers who are unsophisticated about real estate, falsely promises them they will make a profit in a short period of time, and then blames them for not being able to achieve success with Trump U's "proven" methods.

Defendants will also claim that they offer to refund students their money prior to the first day of the 3-day seminar. Of course, the refund offer is accompanied by the simultaneous promise that the really useful part of the seminar will be presented on Day 2 and 3.

Defendants will also likely point to contract waiver language in their form contract; however, Texas law is clear that the contract waiver language, even assuming it would be enforceable in a breach of contract action, is not enforceable to defeat a DTPA action. TEX. BUS. & COM. CODE §17.42.

In defending Trump individually, Defendants are likely to argue that he had no knowledge of what was being said by the "instructors" at the workshops and seminars and that if they went "off script" it was done without his knowledge or consent. Even assuming that to be the case, we believe

the evidence will demonstrate that Trump himself approved the business model and marketing plan for the "free" workshops which is sufficient to impose individual liability.

We believe there is a possibility that Trump University will file for bankruptcy, primarily to stay both the California federal court class action and this case.

SETTLEMENT PROPOSAL

We request approval to settle for the following:

- (i) Full restitution for the approximately 267 Texas consumers who purchased the 3 day seminar and who file a claim with the OAG. Estimated amount: \$425,865
- (ii) Full restitution for the approximately 39 Texas consumers who purchased the "Gold Elite" package. Estimated amount: \$1,364,815
- (iii) Full restitution for the approximately 150 Texas consumers who purchased other goods or services: \$ 826,462
- (iv) Matching DTPA penalties. Estimated amount: \$ 2,590,442
- (v) Full payment of all unpaid sales taxes and penalties for not being registered to do business in Texas.
- (vi) Attorneys' fees. Settlement offer: \$250,000.
- (vii) Permanent injunction enjoining future seminars in Texas.

The total, all in, we would recommend for settlement at this point is \$3,750,000, plus injunctive relief. We recommend a starting point of \$5,430,884, all in, to begin negotiations.

Next week, on May 19, 2010, at the settlement conference, we will present our case to Defendants' attorneys in more detail and if we have approval will give them a copy of the draft petition. At that time, we would like to set forth our demand with the "all in" number of \$5.4 million. We have already advised Defendants' lawyers that any settlement will run into the "seven figures."