

I am opposed to the resolution by the City Attorney's Office in requesting to amend the contract with the law firm of Ezra, Buckras &

1. The original estimate, given by this firm for representing the City of Long Beach in the QSDI bankruptcy case was approximately \$100,000-\$200,000. Approving this amendment, will bring the total amount of fees allocated for this case to approximately \$1 million if it hasn't already surpassed that plateau.
2. I don't believe, that much of this information, relative to the bankruptcy case, is being properly provided to members of the City Council. I don't know how much you know. However, I have now been compelled to submit evidence that raises issues of the Queen Mary's operating companies.
3. The evidence I am submitting, are documents obtained, via a public records request to the CA. State Attorney General's Office, regarding the form RRF-1, which is the annual renewal application that is required of every non—profit doing business in the state. Two of the applications categories, ask questions pertaining to self-dealing transactions of the organization and if any government funds have been received.
4. For those of you, who have either operated, or participated in a nonprofit, are aware that self dealing transactions are areas when an officer, director or trustee of the organization has engaged in a contract, lease, loan and financial transaction where that particular person of position has any financial interest.
5. The documents that I am providing, are those that were submitted to the Attorney General's office by the RMS Foundation, in which former president Joseph Prevratil, and current president, Howard Bell, not only signed the renewal applications under penalty of perjury, but either failed to disclose, or simply answered no, to the relevant question, regarding Mr. Prevratil's financial interest in any self-dealing transactions of the RMS Foundation. In fact, for the years of 2004 & 2005, approximately \$2.3 million in payments were made by the RMS Foundation to Leisure Horizons, a private company owned by Joseph Prevratil. This, at a time when the Queen Mary's operating companies were heavily in debt. Mr. Prevratil has made public statements describing the monies exchanged as short-term loans that he made to the companies as a cash flow infusion. Even if they were, he is required by California Law to disclose that information to the Attorney General's office. The question, is why didn't he do it? Furthermore, for the year 2000, the RMS Foundation, claims that they had received a Tideland Operating Fund subsidy of \$400,000 when in fact the amount was \$1.7 million. Given that these were public funds, I believe city officials should conduct a thorough investigation as to why there is a \$1.3 million discrepancy.
6. Nonetheless, I believe these items raise serious credibility concerns regarding those who are providing information on this case. First, the bankruptcy trustee, Howard Ehrenberg, has publicly stated that he has conducted a forensic audit of the operating companies and found nothing out of the ordinary. How then, does he explain the evidence on these documents? Second, let me reiterate, why didn't the presidents of the RMS Foundation, Joseph Prevratil and Howard Bell, disclose this required information to the Attorney General's Office?

7. Finally, I ask of the Long Beach City Council, to adopt and support a resolution requesting the Ca. State Attorney General's Office, the District Attorney's Office and the office of the Long Beach City Auditor, in conducting an investigation into matters pertaining to the finances of the RMS Foundation. As I initially stated, I lived here for a number of years, and I currently live in San Francisco. I can't imagine the elected officials in San Francisco allowing these issues to occur at the Golden Gate Bridge. I don't believe the elected officials in Long Beach should allow this to occur at the Queen Mary.

EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE



RONALD REAGAN BUILDING
300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: AREA CODE/PUBLIC NUMBER
Telephone: (213) 897-1035
Facsimile: (213) 897-2801
E-Mail: Rebecca.Norrington@doj.ca.gov

March 14, 2007

Juan C. Pardell
754 Cayuga Avenue
San Francisco, CA 94112

RE: RMS Foundation

Dear Mr. Pardell:

Enclosed are the Registration Renewal Fee Reports you requested for 2004 & 2005. The 2006 form has not been filed as of this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Norrington", with a long horizontal flourish extending to the right.

REBECCA NORRINGTON
Legal Secretary for
JAMES M. CORDI
Supervising Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

Enclosures

MAIL TO:
 Registry of Charitable Trusts
 P.O. Box 903447
 Sacramento, CA 94203-4470
 Telephone: (916) 445-2021

WEB SITE ADDRESS:
<http://ag.ca.gov/charities/>

**ANNUAL
 REGISTRATION RENEWAL FEE REPORT
 TO ATTORNEY GENERAL OF CALIFORNIA**

Sections 12586 and 12587, California Government Code
 11 Cal. Code Regs. sections 301-307, 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code section 12586.1. IRS extensions will be honored.

CK # 108645

State Charity Registration Number: CT 88691 *me*

RMS FOUNDATION, INC.
 Name of Organization

1126 QUEENS HIGHWAY
 Address (Number and Street)

LONG BEACH, CA 90802
 City or Town, State and ZIP Code

Check if:
 Change of address
 Amended report

Corporate or Organization No. 1850336

Federal Employer I.D. No. 33-0545891

ANNUAL REGISTRATION RENEWAL FEE SCHEDULE (11 Cal. Code Regs. sections 301-307, 311 and 312)
 Make Check Payable to Attorney General's Registry of Charitable Trusts

Gross Annual Revenue	Fee	Gross Annual Revenue	Fee	Gross Annual Revenue	Fee
Less than \$25,000	0	Between \$100,001 and \$250,000	\$50	Between \$1,000,001 and \$10 million	\$150
Between \$25,000 and \$100,000	\$25	Between \$250,001 and \$1 million	\$75	Between \$10,000,001 and \$50 million	\$225
				Greater than \$50 million	\$300

PART A - ACTIVITIES

For your most recent full accounting period (beginning 01/01/2004 ending 12/31/2004) list:
 Gross annual revenue \$ 28,997,851. Total assets \$ 17,590,404.

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 instructions for information required.

	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?		X
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		X
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues?		X
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5. During this reporting period, were the services of a commercial fundraiser or fundraising counsel for charitable purposes used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.		X
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.		X
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fundraiser for charitable purposes.		X
9. Did your organization have prepared an audited financial statement in accordance with generally accepted accounting principles for this reporting period?	X	

Organization's area code and telephone number (562) 499-1600

Organization's e-mail address _____

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Joseph F. Preurath **Joseph F. PREURATH, PRESIDENT** 11/14/05
 Signature of authorized officer Printed Name Title Date

MAIL TO:
 Registry of Charitable Trusts
 P.O. Box 903447
 Sacramento, CA 94203-4470
 Telephone: (916) 445-2021

WEB SITE ADDRESS:

<http://ag.ca.gov/charities/>

**ANNUAL
 REGISTRATION RENEWAL FEE REPORT
 TO ATTORNEY GENERAL OF CALIFORNIA**

Sections 12586 and 12587, California Government Code
 11 Cal. Code Regs. sections 301-307, 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code section 12586.1. IRS extensions will be honored.

CK# 113253

State Charity Registration Number: CT 88691 NT

RMS FOUNDATION, INC.
 Name of Organization

1126 QUEENS HIGHWAY
 Address (Number and Street)

LONG BEACH, CA 90802
 City or Town, State and ZIP Code

Check if:
 Change of address
 Amended report

Corporate or Organization No. 1850336

Federal Employer I.D. No. 33-0545891

ANNUAL REGISTRATION RENEWAL FEE SCHEDULE (11 Cal. Code Regs. sections 301-307, 311 and 312)
 Make Check Payable to Attorney General's Registry of Charitable Trusts

Gross Annual Revenue	Fee	Gross Annual Revenue	Fee	Gross Annual Revenue	Fee
Less than \$25,000	0	Between \$100,001 and \$250,000	\$50	Between \$1,000,001 and \$10 million	\$150
Between \$25,000 and \$100,000	\$25	Between \$250,001 and \$1 million	\$75	Between \$10,000,001 and \$50 million	\$225
				Greater than \$50 million	\$300

PART A - ACTIVITIES

For your most recent full accounting period (beginning 01/01/2005 ending 12/31/2005) list:
 Gross annual revenue \$ 27,171,474. Total assets \$ 15,028,060.

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 instructions for information required.

	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?		X
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		X
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues?		X
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5. During this reporting period, were the services of a commercial fundraiser or fundraising counsel for charitable purposes used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.		X
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.		X
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fundraiser for charitable purposes.		X
9. Did your organization have prepared an audited financial statement in accordance with generally accepted accounting principles for this reporting period?	X	

Organization's area code and telephone number (562) 499-1600

Organization's e-mail address _____

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of authorized officer  Printed Name JFO Title CFO Date 11/14/06

EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE



RONALD REAGAN BUILDING
300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 897-2000
Telephone: (213) 897-2180
Facsimile: (213) 897-7605
E-Mail: James.Cordi@doj.ca.gov

March 5, 2007

Juan C. Pardell
754 Cayuga Avenue
San Francisco, CA 94112

RE: RMS Foundation

Dear Mr. Pardell:

Enclosed are the Registration/Renewal Fee Reports that you requested from our office. The reports are dated March 5, 2001; May, 10, 2002; September 23, 2003 and; May 15, 2003.

Sincerely,


JAMES M. CORDI
S. DEPUTY ATTORNEY GENERAL



For EDMUND G. BROWN JR.
Attorney General

Enclosures

MAIL TO:
 Registry of Charitable Trusts
 P.O. Box 903447
 Sacramento, CA 94203-4470

STREET ADDRESS:
 1300 I Street, Room 1130
 Sacramento, CA 95814
 Telephone (916) 445-2021

WEBSITE ADDRESS:
<http://caag.state.ca.us/charities/>

2001
REGISTRATION/RENEWAL FEE REPORT
 TO ATTORNEY GENERAL OF CALIFORNIA
 Sections 12586 and 12587, California Government Code
 11 CCR Sections 311 and 312

CK # 89484

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period will result in the loss of your tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code Section 12586.1 (recently enacted).

RRF-1 EXTENSIONS WILL NOT BE GRANTED

Enter State Charity Registration Number, Name, and Address of Organization Below:

State Charity Registration Number CT 88691 ✓

- Check if:
- Change of address
 - Initial report
 - Amended report
 - Final report

RMS FOUNDATION, INC.

Name of Organization

1126 QUEENS HIGHWAY

Address (number and street)

LONG BEACH, CA 90802

City or town, State, and ZIP code

Corporate or Organization No. 1850336

Federal Employer I.D. No. 33-0545891

PART A - ACTIVITIES

		Yes	No
1.	During your most recent full accounting period did your gross receipts or total assets exceed \$100,000 or more?	X	
(a) If the answer is yes, you are required by Title 11 of the California Code of Regulations, §§311 and 312, to attach a check in the amount of \$25.00 to this report. Make check payable to Department of Justice.			
2.	For your most recent full accounting period (beginning <u>01/01/2000</u> ending <u>12/31/2000</u>) list: Gross receipts \$ <u>37,000,000</u> Total assets \$ <u>18,000,000</u> Actual <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>		

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 Instructions for information required.

		Yes	No
1.	During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest? <p style="text-align: right;">SEE STATEMENT 6</p>	X	
2.	During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		X
3.	During this reporting period, did nonprogram expenditures exceed at least 50% of gross revenues?		X
4.	During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5.	During this reporting period, were the services of a professional fundraiser or fundraising counsel used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6.	During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number. <p style="text-align: right;">SEE STATEMENT 7</p>	X	

Organization's area code and telephone number (562) 499-1600

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Joseph F. Prevratil Signature of authorized officer
JOSEPH F. PREV RATIL Printed Name
PRESIDENT Title
3/5/01 Date

FORM RRF-1

EXPLANATION OF FINANCIAL TRANSACTIONS
PART B, LINE 1

STATEMENT 6

RMS FOUNDATION, INC. HAS FINANCIAL TRANSACTIONS WITH QUEENS SEAPORT DEVELOPMENT, INC, WHICH IS PARTIALLY OWNED BY AN OFFICER OF RMS FOUNDATION, INC. QUEENS SEAPORT DEVELOPMENT, INC. LEASES PROPERTY TO RMS FOUNDATION, INC. AND RMS FOUNDATION, INC. HAS ALSO LEASED BACK SOME PROPERTY TO QUEENS SEAPORT DEVELOPMENT, INC. THE LEASES WERE NEGOTIATED AS ARMS LENGTH TRANSACTIONS AND REPRESENTATIVE OF CURRENT MARKET CONDITIONS. QUEENS SEAPORT DEVELOPMENT, INC. HAS ALSO MADE LOANS TO RMS FOUNDATION, INC. WITHOUT A STATED INTEREST RATE.

THE CITY OF LONG BEACH HAS ESTABLISHED A SUBFUND IN THE TIDELANDS OPERATING FUND TO BE USED AS A RESERVE FOR IMPROVEMENTS AND THE BETTERMENT OF THE QUEEN MARY. THE CITY HAS THE SOLE AND ABSOLUTE DISCRETION OVER THE DISBURSEMENTS OF THE FUNDS. RMS FOUNDATION HAS MADE CAPITAL IMPROVEMENTS DURING THE YEAR 2000 AND IT IS ESTIMATED THAT THE CITY OF LONG BEACH HAS MADE CONTRIBUTIONS OF \$400,000 TO RMS FOUNDATION IN SUPPORT OF ITS CAPITAL IMPROVEMENTS.

JW

2002

REGISTRATION/RENEWAL FEE REPORT
TO ATTORNEY GENERAL OF CALIFORNIA
Sections 12586 and 12587, California Government Code
11 CCR Sections 311 and 312

MAIL TO:
Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470
Telephone: (916) 445-2021

WEBSITE ADDRESS:
<http://caag.state.ca.us/charities/>

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code Section 12586.1 (Recently enacted).

RRF-1 EXTENSIONS WILL NOT BE GRANTED

Enter State Charity Registration Number, Name, and Address of Organization Below:

State Charity Registration Number CT 88691

ck # gille

Check if:

- Change of address
- Initial report
- Amended report
- Final report

RMS FOUNDATION, INC.
Name of Organization

1126 QUEENS HIGHWAY
Address (Number and Street)

Corporate or Organization No. 1850336

LONG BEACH, CA 90802
City or Town, State and ZIP Code

Federal Employer I.D. No. 33-0545891

PART A - ACTIVITIES

		Yes	No
1.	During your most recent full accounting period did your gross receipts or total assets equal \$100,000 or more?	X	
(a) If the answer is yes, you are required by Title 11 of the California Code of Regulations, §§311 and 312, to attach a check in the amount of \$25.00 to this report. Make check payable to Department of Justice.			
2.	For your most recent full accounting period (beginning <u>01/01/2001</u> ending <u>12/31/2001</u>) list: Gross receipts \$ <u>28,785,296</u> . Total assets \$ <u>20,120,078</u> . Actual <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>		

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 Instructions for information required.

		Yes	No
1.	During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest? <p style="text-align: right;"><i>SEE STATEMENT 8</i></p>	X	
2.	During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		X
3.	During this reporting period, did nonprogram expenditures exceed at least 50% of gross revenues?		X
4.	During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5.	During this reporting period, were the services of a professional fundraiser or fundraising counsel used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6.	During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number. <p style="text-align: right;"><i>SEE STATEMENT 9</i></p>	X	

Organization's area code and telephone number (562) 499-1600

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Joseph F. Pauratil
Signature of authorized officer Printed Name Title Date 5/10/02

ORM RRF-1

EXPLANATION OF FINANCIAL TRANSACTIONS
PART B, LINE 1

STATEMENT

8

RMS FOUNDATION, INC. HAS FINANCIAL TRANSACTIONS WITH QUEENS SEAPORT DEVELOPMENT, INC, WHICH IS PARTIALLY OWNED BY AN OFFICER OF RMS FOUNDATION, INC. QUEENS SEAPORT DEVELOPMENT, INC. LEASES PROPERTY TO RMS FOUNDATION, INC. AND RMS FOUNDATION, INC. HAS ALSO LEASED BACK SOME PROPERTY TO QUEENS SEAPORT DEVELOPMENT, INC. THE LEASES WERE NEGOTIATED AS ARMS LENGTH TRANSACTIONS AND REPRESENTATIVE OF CURRENT MARKET CONDITIONS. QUEENS SEAPORT DEVELOPMENT, INC. HAS ALSO MADE LOANS TO RMS FOUNDATION, INC. WITHOUT A STATED INTEREST RATE.

FORM RRF-1

INFORMATION REGARDING GOVERNMENT FUNDING

STATEMENT

9

PART B, LINE 6

THE CITY OF LONG BEACH HAS ESTABLISHED A SUBFUND IN THE TIDELANDS OPERATING FUND TO BE USED AS A RESERVE FOR IMPROVEMENTS AND THE BETTERMENT OF THE QUEEN MARY. THE CITY HAS THE SOLE AND ABSOLUTE DISCRETION OVER THE DISBURSEMENTS OF THE FUNDS. RMS FOUNDATION HAS MADE CAPITAL IMPROVEMENTS DURING THE YEAR 2001 AND THE CITY OF LONG BEACH HAS MADE CONTRIBUTIONS OF \$867,537 TO RMS FOUNDATION IN SUPPORT OF ITS CAPITAL IMPROVEMENTS.

MAIL TO:
 Registry of Charitable Trusts
 P.O. Box 908447
 Sacramento CA 94203-4470
 Telephone: (916) 445-2021

WEBSITE ADDRESS:
<http://ag.ca.gov/charities/>

REGISTRATION/RENEWAL FEE REPORT
TO ATTORNEY GENERAL OF CALIFORNIA
 Sections 12586 and 12587, California Government Code
 11 Cal. Code Regs. Sections 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code Section 12586.1.

OK 9/24/02

RRF-1 EXTENSIONS WILL NOT BE GRANTED

Enter State Charity Registration Number, Name, and Address of Organization: State Charity Registration Number: <u>CT 88691</u> <u>RMS FOUNDATION, INC.</u> <small>Name of Organization</small> <u>1126 QUEENS HIGHWAY</u> <small>Address (Number and Street)</small> <u>LONG BEACH, CA 90802</u> <small>City or Town, State and ZIP Code</small>	Check if: <input type="checkbox"/> Change of address <input type="checkbox"/> Amended report Corporate or Organization No. <u>1850336</u> Federal Employer I.D. No. <u>33-0545891</u>
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PART A - ACTIVITIES	Yes	No
1. During your most recent full accounting period did your gross receipts or total assets equal \$100,000 or more?	<input checked="" type="checkbox"/>	
Note: If the answer is yes, you are required by Title 11 of the California Code of Regulations, §§311 and 312, to attach a check in the amount of \$25.00 to this report. Make check payable to Department of Justice.		
2. For your most recent full accounting period (beginning <u>01/01/2002</u> ending <u>12/31/2002</u>) list: Gross receipts \$ <u>27,347,021</u> . Total assets \$ <u>20,290,459</u> . Actual <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>		

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT		
Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 Instructions for information required.		
	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest? SEE STATEMENT 6	<input checked="" type="checkbox"/>	
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		<input checked="" type="checkbox"/>
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues?		<input checked="" type="checkbox"/>
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		<input checked="" type="checkbox"/>
5. During this reporting period, were the services of a professional fund-raiser or fund-raising counsel used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		<input checked="" type="checkbox"/>
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number. SEE STATEMENT 7	<input checked="" type="checkbox"/>	
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.		<input checked="" type="checkbox"/>
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fund-raiser.		<input checked="" type="checkbox"/>
Organization's area code and telephone number <u>(562) 499-1600</u>		
Organization's e-mail address _____		

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

Joseph F. Prevratil JOSEPH F. PREVRATIL PRESIDENT & CEO 5/15/03
Signature of authorized officer Printed Name Title Date

FORM RRF-1

EXPLANATION OF FINANCIAL TRANSACTIONS
PART B, LINE 1

STATEMENT 6

THE CITY OF LONG BEACH HAS ESTABLISHED A SUBFUND IN THE TIDELANDS OPERATING FUND TO BE USED AS A RESERVE FOR IMPROVEMENTS AND THE BETTERMENT OF THE QUEEN MARY. THE CITY HAS THE SOLE AND ABSOLUTE DISCRETION OVER THE DISBURSEMENTS OF THE FUNDS. RMS FOUNDATION HAS MADE CAPITAL IMPROVEMENTS DURING THE YEAR 2002 AND THE CITY OF LONG BEACH HAS MADE CONTRIBUTIONS OF \$1,090,000 TO RMS FOUNDATION IN SUPPORT OF ITS CAPITAL IMPROVEMENTS.

FORM RRF-1 INFORMATION REGARDING GOVERNMENT FUNDING
PART B, LINE 6

STATEMENT 7

RMS FOUNDATION, INC. HAS FINANCIAL TRANSACTIONS WITH QUEENS SEAPORT DEVELOPMENT, INC. WHICH IS PARTIALLY OWNED BY AN OFFICER OF RMS FOUNDATION, INC. QUEENS SEAPORT DEVELOPMENT, INC. LEASES PROPERTY TO RMS FOUNDATION, INC. AND RMS FOUNDATION, INC. HAS ALSO LEASED BACK SOME PROPERTY TO QUEENS SEAPORT DEVELOPMENT, INC. THE LEASES WERE NEGOTIATED AS ARMS LENGTH TRANSACTIONS AND REPRESENTATIVE OF CURRENT MARKET CONDITIONS. QUEENS SEAPORT DEVELOPMENT, INC. HAS ALSO MADE LOANS TO RMS FOUNDATION, INC. WITHOUT A STATED INTEREST RATE.

AG

MAIL TO:
Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470
Telephone: (916) 445-2021

REGISTRATION/RENEWAL FEE REPORT
TO ATTORNEY GENERAL OF CALIFORNIA
Sections 12586 and 12587, California Government Code
11 Cal. Code Regs. Sections 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code Section 12586.1.

WEBSITE ADDRESS:

<http://ag.ca.gov/charities/>

RRF-1 EXTENSIONS WILL NOT BE GRANTED

Enter State Charity Registration Number, Name, and Address of Organization: State Charity Registration Number: <u>CT 88691</u>	Check if: <input checked="" type="checkbox"/> Change of address <input type="checkbox"/> Amended report
<u>RMS FOUNDATION, INC.</u> Name of Organization	Corporate or Organization No. <u>1850336</u>
<u>1126 QUEENS HIGHWAY</u> Address (Number and Street)	Federal Employer I.D. No. <u>33-0545891</u>
<u>LONG BEACH, CA 90802</u> City or Town, State and ZIP Code	

PART A - ACTIVITIES		Yes	No
1. During your most recent full accounting period did your gross receipts or total assets equal \$100,000 or more?		X	
Note: If the answer is yes, you are required by Title 11 of the California Code of Regulations, §§311 and 312, to attach a check in the amount of \$25.00 to this report. Make check payable to Department of Justice.			
2. For your most recent full accounting period (beginning <u>01/01/2002</u> ending <u>12/31/2002</u>) list: Gross receipts \$ <u>27,347,021</u> . Total assets \$ <u>20,290,459</u> . Actual <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>			

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT		Yes	No
Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 Instructions for information required.			
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?	<u>SEE STATEMENT 8</u>	X	
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?			X
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues?			X
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.			X
5. During this reporting period, were the services of a professional fund-raiser or fund-raising counsel used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.			X
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.	<u>SEE STATEMENT 9</u>	X	
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.			X
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fund-raiser.			X
Organization's area code and telephone number <u>(562) 499-1600</u>			
Organization's e-mail address _____			

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

	<u>Joseph F. PREVRATIK</u>	<u>PRESIDENT</u>	<u>9/23/03</u>
Signature of authorized officer	Printed Name	Title	Date

OK

FORM RRF-1

EXPLANATION OF FINANCIAL TRANSACTIONS
PART B, LINE 1

STATEMENT 8

THE CITY OF LONG BEACH HAS ESTABLISHED A SUBFUND IN THE TIDELANDS OPERATING FUND TO BE USED AS A RESERVE FOR IMPROVEMENTS AND THE BETTERMENT OF THE QUEEN MARY. THE CITY HAS THE SOLE AND ABSOLUTE DISCRETION OVER THE DISBURSEMENTS OF THE FUNDS. RMS FOUNDATION HAS MADE CAPITAL IMPROVEMENTS DURING THE YEAR 2002 AND THE CITY OF LONG BEACH HAS MADE CONTRIBUTIONS OF \$1,090,000 TO RMS FOUNDATION IN SUPPORT OF ITS CAPITAL IMPROVEMENTS.

RMS FOUNDATION, INC. HAS FINANCIAL TRANSACTIONS WITH QUEENS SEAPORT DEVELOPMENT, INC. WHICH IS PARTIALLY OWNED BY AN OFFICER OF RMS FOUNDATION, INC. QUEENS SEAPORT DEVELOPMENT, INC. LEASES PROPERTY TO RMS FOUNDATION, INC. AND RMS FOUNDATION, INC. HAS ALSO LEASED BACK SOME PROPERTY TO QUEENS SEAPORT DEVELOPMENT, INC. THE LEASES WERE NEGOTIATED AS ARMS LENGTH TRANSACTIONS AND REPRESENTATIVE OF CURRENT MARKET CONDITIONS. QUEENS SEAPORT DEVELOPMENT, INC. HAS ALSO MADE LOANS TO RMS FOUNDATION, INC. WITHOUT A STATED INTEREST RATE.

Draft of Notes Queen Mary Rent Credits

Tidelands Contributions to the RMS Foundation Inc. (non-profit of Queen Mary operation)

1997	1998	1999	2000	2001	2002
\$471,062	\$357,256	\$3,929,456	\$1,761,898	\$867,537	\$1,090,000***

Total Tidelands Operating Fund contribution from 1997 to 2002= \$8.5 million

***2001 Comprehensive Audited Financial Report notes

- | |
|--|
| <ol style="list-style-type: none">1 "Rental Income from the Queen Mary decreased \$1,088,000 mainly due to a one time rent credit related to certain capital improvements"2 The City's FAMIS expenditure report (FAMR 255A) for the fiscal year ending Sept 30, 2002 pg. 152 notes: \$1,089,403.99 contributed from the Tidelands Operating Fund/Queen Mary TF 410. |
|--|

January 12, 2004, Press Telegram article "LB, Queen Mary in \$2 Million Dispute". According to records provided by the City the rent credits being disputed are:

2000 (retroactive rent credits for 1997-2000) = \$432,721.11

- 1 QSDI developments for the Waterfront (\$1.8 million), (Faith Popcorn (\$1.2 million), the Scorpion (\$.8 million), 55 acres (\$.7 million) and Prior Years (with no explanation \$300K).
- 2 This is also year that Earl Hobbs noted that the operator lacked supporting documents for ALL of the above improvements resulting in \$432K worth of rent credits.
- 3 Additionally, a hand-written note dated 4/2/01 by Hobbs says: "Per Jim McCabe...Russian sub is inside the embankment and not part of waterfront property. Sub expenditure not to be included in rent credit - sub revenue is not waterfront revenue." The Scorpion was not eligible because it was considered part of the Queen Mary ship. According to the lease at that time -- the Queen Mary was EXCLUDED from rent credits.

The City has not provided responsive documents for documenting receipts for the 2000 improvements.

Still outstanding are receipts for Teak Deck improvements for \$2,746,546. Expenses for improvements covered by the City have not been reconciled for clarity. Notes on documents provided by my CPRA; says the Teak Decks are 85% completed and that the City paid \$1.5-2.0 million of the costs. The City has also paid some costs for asbestos abatement, Ghost and Legends, refurbishment of hotel rooms (\$2,064,327), overhaul of HVAC systems (\$1,190,137) and the replacement of Fire/Life Safety Systems (\$1,621,412). No receipts for these "on-ship improvements". These items need to be reconciled for clarity in City vs. Operator paid leasehold improvements.

2001 (retroactive rent credits from 1998, 1999, 2000 and 2001) =
\$677,514

1999 -- The City lacks verification for the following improvements:

- 1 Exhibit Hall Renovation: \$160,000.00
- 2 Hospitality Furnishings Leasehold Improvements: \$2,633,211.29
- 3 Mesa Leasehold Improvements (Phase 1,2,3): \$250,184.01
- 4 Hotel Room Refurbishment Cost: \$22,322.00

2000 -- The City lacks verification for the following improvements:

- 5 Ghosts and Legends Development Costs (Pankow): \$1,242,046.78
- 6 Ghosts and Legends Leasehold Improvements (Renaissance Interco):
\$177,485

2001 -- The City lacks verification of the following improvements:

- 7 Ghosts and Legends Development (Pankow and ADT): \$347,051

Additional documentation missing:

RMS Foundation Inc.

- 8 The City is missing leases and invoice data for a total of
\$1,674,891 in improvements.

Queen's Seaport Development Inc.

- 9 Special Events Park and Construction in Progress expenses of
\$3,933,189 lack supporting documentation (contracts, supporting
invoice copies and itemized payments by contract.)

2002 Rent Credits = \$827,169

- 10 City lacks any documentation for rent credits claimed on QSDI's
financial statements for \$827,169 - based on the 1998 lease
agreement. The November 2002 council approved lease amendment was
never consummated.
- 11 *January 12, 2004 Press Telegram* article, "LB, Queen Mary in \$2
Million Dispute" notes for May 22, 2003: "In a letter... Miller
said Prevratil owed the City \$956,056 in revenue related rent for
2002; based upon the City's interpretation of the figures in
Prevratil's financial statements. As for the \$827,169 in rent
credits - the City said that they are not documented or detailed
under the existing lease and thus, cannot be reviewed as
appropriate. The letter concluded with a request for the rent and
a not so subtle reference to a lease provision that failure to
pay rent is a sign of default."

Responsive documents not received but mentioned in the PT story of Jan.
12, 2004.

- 1 Notice of Default (May 22, 2003)
- 2 Spruce Goose Dome for Carnival: Engineering, Architectural and
other studies for 1998 development plans that received
retroactive rent credits in 2000.
- 3 No documentation for 2000, 2001, 2002 and 2003 rent credits -
including expenditures for Faith Popcorn, Scorpion etc.
- 4 No documentation for assignment of development rights for the 55
acres site and sale of part of QSDI

Queen Mary Rent Credits & Tidelands Contributions
Page 3

Question

Why were rent credits accepted without supporting documentation? Why has it taken Burroughs 3 years to investigate or audit? No audit of the Queen Mary has been made public since 1994. Since Burroughs has been in office - there has been no audit of the Tidelands Operating Fund.

Rent Paid by the QSDI/RMS 1997-2002

1997-- \$581,564 (no copy of check or proof paid) -- Financial Statements report -- \$893,428 due less minimum rent. (No proof minimum rent paid \$300,000)

1998 -- \$1,066,905 (per copy of check)
Financial Statements reports: -- \$1,366,905 due less minimum rent (\$1,066,905 -- According CPRA worksheet.) No proof minimum rent paid \$300,000)

1999 (per copy of check) -- \$1,003,549.20
Financial Statement reports: (1,303,549 -- rent paid to City of LB -- net of development credit taken. (pg. 8 of Financial Statement 2000 and 1999) pg. 18 of Financial Report 2000 and 1999 reports \$1,303,549 rent due less minimum lease payments of \$300,000 -- No proof minimum rent paid \$300,000.

2000 -- \$482,556.00 (copy of check)
Financial Statement reports: \$965,161-- rent paid to City of LB -- net of development credit taken. No proof minimum rent paid \$300,000; on page 18 same report as above notes: \$1,397,873 rent due City including minimum lease payments less \$432,712 development credits retroactive to 1997.

2001 -- \$369,801.00 (copy of check)
Financial Statement reports rent due City \$565,136 (No proof minimum rent paid \$300,000 -- balance appears to be short)

2001

Minimum Lease Payments	\$300,000
Contingent Rentals	\$942,650
subtotal rent due	\$1,242,650
Development Credit	(\$677,514)
Net rent due City	\$565,136
Sublease income from Foundation	(\$1,039,977)
Sub-sublease expense to Foundation	\$165,912
Net rental income	\$308,929

1 **FOURTH CLAIM FOR RELIEF**

2 (BREACH OF FIDUCIARY DUTY)

3 (Against Joseph Prevratil and QSDI)

4 56. Cross-claimants reallege the allegations in paragraphs 1 through 55 and incorporate said
5 paragraphs by this reference as though set forth in full herein.

6 57. At all times referenced herein, Bandero is and was a 24% shareholder of QSDI and the
7 claim being asserted herein is derivative in nature and being pursued on behalf of QSDI.

8 58. Cross-claimant Bandero is excused from making demand upon QSDI and its directors
9 from instituting the within action, as such action would be futile since it cannot be disputed that Joseph
10 Prevratil and Paul Leevan are the controlling shareholders, act in unity of interest and so dominate and
11 control QSDI and the Board of Directors that said demand would be useless.

12 59. At all times referenced herein, Joseph Prevratil was and is an officer and director of
13 QSDI. As such, he owed a fiduciary duty to QSDI. Joseph Prevratil committed breaches of said duty
14 by:

15 A. Failing to disclose his connection to entities controlled by he and his family
16 members, including: 1) Leisure Horizons, Inc.; 2) Archstone Foundation; 3) Attractions Development
17 and Management; 4) Evolutions Technologies, Inc.; 5) Funrite Inc; 6) General Terminal Corporation;
18 7) General Terminal Sales Corporation; 8) Long Beach Water Concessions; 9) Queen Mary Complex
19 International; 10) Queen Mary Complex, Inc.; 11) Queen Mary Hotel; 12) Queen Mary Wedding Chapel;
20 13) Queen Mary Spa; 14) Queen Mary Chelsea; 15) Queen Mary Sir Winston's; 16) Queen of the Desert
21 Inc.; 17) Renew Real Properties; 18) Science Fiction Hall of Fame Foundation; 19) Science Fiction Hall
22 of Fame, Inc.; 20) Shipwreck Productions, Inc.; 21) Terrorfest Productions, Inc. (California); 22)
23 Terrorfest Productions, Inc. (Nevada); and 23) House of Board. To the extent that QSDI has engaged
24 in transactions with any or all of these entities, Joseph Prevratil has failed to disclose his connections
25 with said entities, his interests in said transactions and failed to abstain in obtaining approval of said
26 transactions;

27 B. Failing to disclose and obtain approval of paid to himself and his three children
28 that work for QSDI: 1) Robert Prevratil; 2) Eric Prevratil; and 3) Renee Prevratil;

1 G. Causing RMS to pay Leisure Horizons, Inc. ("LHI"), rather than repaying the
 2 monies owed to QSDI, as follows:

3	CHECK			
4	ENTITY MAKING			
5	PAYMENT	#	DATE	AMOUNT
6	RMS	99364	8/15/2003	\$ 25,850.00
	RMS	100004	10/8/2003	\$ 25,850.00
7	RMS	100224	10/27/2003	\$ 25,850.00
	RMS	100533	11/25/2003	\$ 25,850.00
8	SUB-TOTAL - 2003			\$ 103,400.00
9	RMS	101038	1/20/2004	\$ 25,850.00
	RMS	101602	3/17/2004	\$ 25,850.00
10	RMS	102212	5/13/2004	\$ 25,850.00
	RMS	102651	6/24/2004	\$ 80,000.00
11	RMS	102696	6/25/2004	\$ 25,850.00
	RMS	103018	7/22/2004	\$ 25,850.00
12	RMS	103140	8/3/2004	\$ 135,000.00
	RMS	103897	10/8/2004	\$ 100,000.00
13	RMS	103993	10/14/2004	\$ 55,000.00
	RMS	104042	10/21/2004	\$ 100,000.00
14	RMS	104596	12/10/2004	\$ 100,000.00
15	SUB-TOTAL - 2004			\$ 699,250.00
16	RMS	105306	2/11/2005	\$ 100,000.00
	RMS	105403	2/21/2005	\$ 45,000.00
17	RMS	105509	3/2/2005	\$ 50,000.00
	RMS	105515	3/3/2005	\$ 75,000.00
18	RMS	105593	3/11/2005	\$ 100,000.00
	RMS	105635	3/16/2005	\$ 125,000.00
19	RMS	105749	3/25/2005	\$ 30,000.00
	RMS	105808	3/31/2005	\$ 50,000.00
20	RMS	105821	4/4/2005	\$ 70,000.00
	RMS	105851	4/6/2005	\$ 15,000.00
21	RMS	105886	4/7/2005	\$ 50,000.00
	RMS	105942	4/14/2005	\$ 35,000.00
22	RMS	105953	4/18/2005	\$ 60,000.00
	RMS	106037	4/22/2005	\$ 30,000.00
23	RMS	106080	4/28/2005	\$ 125,000.00
	RMS	106096	4/29/2005	\$ 105,000.00
24	RMS	106138	5/5/2005	\$ 90,000.00
	RMS	106174	5/9/2005	\$ 55,000.00
25	RMS	106250	5/12/2005	\$ 105,000.00
	RMS	106267	5/18/2005	\$ 25,850.00
26	RMS	106480	5/26/2005	\$ 155,000.00
	RMS	106491	5/31/2005	\$ 65,000.00
27	SUB-TOTAL - 2005			\$ 1,560,850.00

28

1 C. Commingling funds between QSDI and the RMS Foundation, Inc., a California
2 non-profit charitable corporation, under his control;

3 D. Executing an agreement and confession of judgment in excess of \$1,000,000
4 without notice to Bandero, the Board of Directors for QSDI or subsequent ratification;

5 E. Causing QSDI to make more than \$7,500,000 in loans to RMS, on an unsecured
6 and interest free basis and failing to demand repayment or make any effort to collect said sums,
7 notwithstanding QSDI's need for said funds.

8 F. Causing QSDI to pay Leisure Horizons, Inc. ("LHI") \$1,227,000 in 2003 and
9 2004 as follows:

ENTITY MAKING		CHECK		
PAYMENT	#	DATE		AMOUNT
QSDI	3940	8/15/2003	\$	20,000.00
QSDI	4009	10/8/2003	\$	20,000.00
QSDI	4023	10/27/2003	\$	20,000.00
QSDI	4057	11/25/2003	\$	20,000.00
SUB-TOTAL - 2003			\$	80,000.00
QSDI	4127	1/20/2004	\$	20,000.00
QSDI	4192	3/17/2004	\$	20,000.00
QSDI	4264	5/13/2003	\$	20,000.00
QSDI	4316	6/25/2004	\$	20,000.00
QSDI	4356	7/22/2004	\$	20,000.00
QSDI	4430	8/27/2004	\$	165,000.00
QSDI	4450	9/2/2004	\$	225,000.00
QSDI	4470	9/16/2004	\$	200,000.00
QSDI	4523	10/14/2004	\$	95,000.00
QSDI	4571	11/19/2004	\$	42,000.00
QSDI	4586	12/2/2004	\$	150,000.00
QSDI TO PREVRATIL	4610	12/14/2004	\$	85,000.00
QSDI	4629	12/29/2004	\$	10,000.00
QSDI	4631	12/31/2004	\$	75,000.00
SUB-TOTAL MARCH 04-05			\$	1,127,000.00
SUB-TOTAL - 2004			\$	1,147,000.00