

generally available to all salaried employees affected by relocations, or were not related to any Tyco relocation, enriching themselves with no colorable benefit to Tyco.

L. Dennis Kozlowski

Mr. Kozlowski improperly borrowed approximately \$29,756,000 in non-qualifying relocation loans to purchase land and construct a home in Boca Raton, Florida during the years 1997 to 2000, and improperly borrowed approximately \$7,012,000 in non-qualifying relocation loans to purchase a cooperative apartment in New York City in 2000.

Pursuant to the unapproved New York plan, Mr. Kozlowski:

- a. Rented an apartment at 817 Fifth Avenue, New York City, with annual rent of \$264,000 paid for by the Company, from 1997 to 2001.
- b. Purchased, using interest-free relocation loans, a \$7 million Tyco-owned apartment at 610 Park Avenue, New York City in 2000, at depreciated book value and without appraisals, which Mr. Kozlowski deeded to his ex-wife a few months later.
- c. Sold his house at 10 Runnymede, North Hampton, New Hampshire to the Company in 2000 without appraisals for an amount approximately three times its market value. Less than 24 months later, the Company wrote down this asset by approximately \$3 million.
- d. Caused Tyco to purchase a second apartment for his use (with Mr. Kozlowski as nominee owner) at 950 Fifth Avenue, New York in 2001 for \$16.8 million, and then caused Tyco to spend \$3 million in improvements and \$11 million in furnishings for that apartment.
- e. Received “gross-up” benefits to avoid having to pay any state income tax liability incurred after relocating to New York.

Mr. Kozlowski repeatedly abused the New York relocation program solely for his personal benefit, at the expense of the Company, and in a way that did not advance the interests of the Company in any colorable way. For example, for the apartment that was provided to him in New York at 950 Fifth Avenue and that he maintained for his exclusive use, he caused Tyco to purchase fine art worth millions of dollars and failed to pay sales taxes. He purchased and decorated the apartment with appointments and furnishings lacking any legitimate business justification, including:

- a shower curtain for \$6,000;
- a dog umbrella stand for \$15,000;
- a sewing basket for \$6,300;

- a traveling toilette box for \$17,100;
- a gilt metal wastebasket for \$2,200;
- coat hangers for \$2,900;
- two sets of sheets for \$5,960;
- a notebook for \$1,650; and
- a pincushion for \$445.

Pursuant to the unapproved Florida plan, Mr. Kozlowski purchased lots and built a home at 4101 Ibis Point Circle, Boca Raton, Florida, located in a development called "The Sanctuary." No mortgages were recorded on the Florida properties, as required by the purported program guidelines and as required to qualify for tax-exempt status under IRS regulations for interest-free relocation loans.

The following table sets forth the interest-free "relocation loans" taken by Mr. Kozlowski since the inception of his relocation program account, including all loans and charges reflected in the Company's records for Mr. Kozlowski's relocation account.

L. Dennis Kozlowski April 1, 1996 – June 30, 2002			
Date	Description	Amount	Balances
04/01/96	Beginning Balance	\$ —	\$ —
04/02/96	Nantucket house	750,000	
04/03/96	Nantucket house	168,750	
05/31/96	Nantucket house	56,250	
08/30/96	Nantucket house	1,000,000	
09/30/96	Balance		1,975,000
11/29/96	Nantucket house	100,000	
01/24/97	Nantucket house	2,225,000	
04/25/97	Connecticut house	475,000	
04/25/97	Connecticut house	4,375,000	
05/30/97	Nantucket house	1,340,532	
06/27/97	Nantucket house	150,000	
09/30/97	Balance		10,640,532
12/24/97	1st Union Bank - Lot 55, Sanctuary	220,000	
12/29/97	Nantucket house	20,174	
12/29/97	Nantucket house	96,355	
12/29/97	Nantucket house	14,725	
12/29/97	Nantucket house	33,550	
12/29/97	Nantucket house -- paid		(5,955,336)
12/29/97	Connecticut house	450,000	
12/30/97	Dickenson Murdoch, Rex & Sloan	4,705,957	
01/30/98	Wire Transfer - Fleet Bank	1,000,000	

L. Dennis Kozlowski
April 1, 1996 – June 30, 2002

Date	Description	Amount	Balances
02/12/98	Wire Transfer - Fleet Bank	600,000	
03/04/98	Wire Transfer - Fleet Bank	600,000	
03/10/98	1st Union Bank - Lot 55, Sanctuary	157,000	
03/26/98	Wire Transfer - additional payment	500,000	
03/31/98	Connecticut house	500,000	
04/08/98	Aprrea Mare - Italian boat per Michael Castania	147,371	
04/15/98	Wire Transfer	600,000	
04/25/98	Connecticut house	500,000	
04/27/98	Wire Transfer	500,000	
04/27/98	Purchase Lot 55, The Sanctuary	1,410,028	
05/28/98	Wire Transfer	500,000	
05/31/98	Rye Beach house	2,705,930	
05/31/98	Rye Beach house	198,703	
06/03/98	Mark Michaels Interiors	250,000	
06/23/98	Wire Transfer - Citizen's Bank	500,000	
07/08/98	Wire Transfer - Fleet Bank	500,000	
07/15/98	Wire Transfer - 1st United Bank	1,000,000	
07/30/98	Wire Transfer - Addison Construction	500,000	
08/06/98	Wire Transfer	250,000	
08/11/98	Michael Castania	20,000	
08/15/98	Wire Transfer	200,000	
08/24/98	Vern's Elec Custom AV System - Custom Audio / Video System	32,139	
08/24/98	Vern's Elec Custom AV System - Custom Audio / Video System	69,053	
08/31/98	Addison Construction	76,118	
09/15/98	Wire Transfer	500,000	
09/18/98	German Friers - K Project	216,000	
09/22/98	Wire Transfer	500,000	
09/22/98	Kemp Interior	2,111	
09/22/98	Real Estate Taxes re: 60 East 88 Street	6,646	
09/25/98	Sequin Cottage	858,960	
09/30/98	Balance		25,626,016
10/01/98	Reclass to KEL Account		(978,757)
10/05/98	Addison Construction	317,900	
10/16/98	Addison Construction	131,389	
10/20/98	Devonshire Lantern Fountain - fountains / lantern	23,755	
10/20/98	Floral Emporium - flowers	1,857	
10/20/98	Howard Kaplans	15,458	
10/20/98	Paris Province	25,980	
10/20/98	Nevel Art Galleries	4,059	
10/20/98	Reclass to KEL Account	1,590	
10/28/98	McDougall Fine Arts - Art frame & repair	1,505	
10/29/98	Andalusian Floors - Lanterns throughout house	6,950	
10/29/98	Pottery Kingdom - Italian fountain	2,685	
11/05/98	Mark Michaels Interiors - final payment of balance due	750,000	
11/05/98	American Express - Glassware / Crystal	19,771	
11/11/98	Dickenson Murdoch, Rex & Sloan - Addison Construction bal. due	903,139	
11/12/98	Addison Construction - additions	45,280	
11/15/98	Payment - paid Ct., Nantucket, & Rye Beach		(10,063,593)

L. Dennis Kozlowski
April 1, 1996 – June 30, 2002

Date	Description	Amount	Balances
11/16/98	K Project Omohundro	226,756	
11/23/98	Final Payment Addison - Final payment re: Lot 70, Sanctuary	300,000	
11/24/98	Wire Transfer - First Union Bank	150,000	
12/01/98	Lasting Impressions Landscape	4,317	
12/01/98	Muscle & Wrench	225	
12/08/98	Wire Transfer - Fleet Bank	500,000	
12/11/98	Wire Transfer - Mark Michaels	600,000	
01/01/99	Reclass to KEL Account		(231,298)
01/01/99	Reclass from KEL	668,829	
01/07/99	Addison Construction – additions	54,133	
01/13/99	Wire Transfer - Fleet Bank	500,000	
01/26/99	Wire Transfer - Addison Construction	150,000	
02/10/99	Mark Michaels Interiors - balance due additions	329,341	
02/12/99	John Munford Yachting	42,864	
02/17/99	Vern's Elec Custom AV System - Custom Audio / Video System	14,605	
02/28/99	Masterpiece Gallery	9,413	
03/01/99	Reclass to K Project (to CIP)		(711,693)
03/05/99	Floral Emporium	14,551	
03/09/99	Vern's Elec Custom AV System - Custom Audio / Video System	1,055	
03/09/99	Rosado Propane Sales	582	
03/09/99	Reclass to KEL Account	3,319	
03/19/99	Addison Construction – additions	15,210	
04/20/99	Dickenson Murdoch, Rex & Sloan - Lot 72, Sanctuary	220,000	
04/27/99	Floral Emporium	19,330	
05/04/99	Wire Transfer - deposit for property in Florida	335,000	
05/07/99	Arbor – flowers	5,973	
05/21/99	Mark Michaels Interiors – additions	150,603	
06/04/99	Addison Construction - Lot 71, Sanctuary	7,567	
06/08/99	Dickenson Murdoch, Rex & Sloan	4,974,438	
06/08/99	Hinckley - start of hull molding	211,250	
06/17/99	Addison Construction - Lot 55 & 73, Sanctuary	100,000	
06/23/99	Wire Transfer - First Union Bank	1,000,000	
06/24/99	Addison Construction - deposit re: Lot 73 demolition	50,000	
07/01/99	Mandel Weisman & Kirschner	125,000	
07/15/99	Aquatic Sales	322	
07/15/99	Floral Emporium	1,323	
07/23/99	Wire Transfer - Karen Mayo - First Union Bank	1,000,000	
08/04/99	Seldom Scene	126,500	
08/08/99	Mark Michaels Interiors - includes deposit re: Tennis and Party house	85,929	
08/15/99	Addison Construction	100,000	
08/15/99	Preferred Air conditioner	250	
08/15/99	Highland Beach - date uncertain	500,000	
08/15/99	Highland Beach - date uncertain	50,000	
08/15/99	Vern's Elec Custom AV System - date uncertain	1,233	
09/10/99	Hinckley - reimbursed Dennis for Hinckley	284,219	
09/30/99	From KEL loan	6,481,636	
09/30/99	Balance		35,307,668

L. Dennis Kozlowski
April 1, 1996 – June 30, 2002

Date	Description	Amount	Balances
10/21/99	Hinckley	3,205	
10/25/99	Hinckley	291,719	
10/25/99	Boca Tropics	10,632	
11/28/99	Palm Beach Property	285,000	
12/26/99	Addison Construction	250,000	
01/01/00	Reclass to KEL Account		(18,631,825)
01/23/00	Addison Construction	350,000	
02/27/00	Addison Construction	100,000	
02/29/00	R.V. Electric	11,144	
02/29/00	Veronica Butler Landscape	21,234	
05/01/00	Boca Tropics	7,679	
05/26/00	Addison Construction	100,000	
05/29/00	Reclass 610 Park Ave	7,011,669	
09/25/00	Forgiveness of Relo Loans		(19,439,392)
09/25/00	Payment		(5,678,734)
09/30/00	Balance		0
09/30/01	Balance		0
06/30/02	Balance	\$ 0	\$ 0

In short:

- \$7,011,669 in interest free loans was charged by Mr. Kozlowski for purported New York relocations that did not qualify under the New York Relocation Program,
- \$29,756,110 in interest free loans was charged by Mr. Kozlowski for the acquisition of property under an unauthorized Florida relocation program, and
- \$24,922,849 in interest free loans was borrowed by Mr. Kozlowski for the acquisitions of other properties that were not authorized by any relocation program.

Of Mr. Kozlowski's total \$61,690,628 of unauthorized interest free relocation loans:

- \$21,697,303 were actually repaid by him, but without interest;
- \$19,439,392 were repaid through unauthorized forgiveness, discussed in the next section, that he bestowed upon himself; and
- \$20,553,933 were reclassified to other Mr. Kozlowski loan accounts that he maintained with the Company.