

STATEMENT OF CHARLES W. BLAU  
ON BEHALF OF  
MEADOWS, OWENS, COLLIER, REED, COUSINS & BLAU, L.L.P.  
TO THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE COMMITTEE ON HOMELAND  
SECURITY AND GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

August 1, 2006

Chairman Coleman, Ranking Member Levin, and members of the Subcommittee, my name is Charles W. Blau. I am a partner in the Dallas law firm of Meadows, Owens, Collier, Reed, Cousins & Blau, L.L.P. ("Firm" or "Meadows Owens"). By agreement with the Subcommittee, I am appearing today as the designated representative of Meadows Owens. I am pleased to submit this written statement in response to certain specific inquiries addressed to Meadows Owens by the Subcommittee in its letter of July 18, 2006.

In its letter of July 18, the Subcommittee advised us that today's hearing would address, among other things, "the structure and operation of certain trusts and trust-owned corporations in the Isle of Man and Cayman Islands related to" our former clients identified in your letter as "Messrs. Sam and Charles Wyly and their families" (the "Clients").

Meadows Owens is a 31-member law firm with a practice concentration in taxation. Meadows Owens was established in 1983 and has historically provided clients with legal services in the areas of tax litigation, tax planning and estate planning. The Firm's tax litigation practice traditionally has centered on representing taxpayers in both civil and criminal tax controversies. The tax planning practice generally has involved advising clients about the tax implications of financial and business transactions. The estate practice has concentrated on assisting clients with the planning of their estates to comply with the clients' testamentary wishes, state probate laws and applicable federal and state tax laws.

Over the course of its 23-year existence, Meadows Owens has expanded beyond its original areas of concentration to encompass other areas, including real estate, corporate/securities, white-collar legal defense, and commercial litigation.

Meadows Owens does not, and has not, structured, promoted or provided opinions to promoters in connection with listed transactions as identified by the Internal Revenue Service. We are, however, often involved in tax controversies on behalf of clients who are in litigation with the Internal Revenue Service.

Most of the attorneys in the Firm who practice in the tax area have received specialized training beyond their basic law school education. For instance, 12 attorneys

have Masters of Law degrees in taxation from leading law schools such as New York University, Georgetown University and Southern Methodist University. Additionally, 7 attorneys have been certified in the area of taxation by the Texas Board of Legal Specialization. Finally, 8 attorneys are non-practicing Certified Public Accountants.

As previously communicated to members of the Subcommittee's staff, Meadows Owens' former Clients have instructed the Firm to maintain and protect the attorney-client and work product privileges. Accordingly, as dictated by law and applicable rules of professional conduct, we must act at all times to uphold and respect our former Clients' instructions. While strictly honoring their instructions, we have diligently attempted to assist the Subcommittee with its inquiries to the extent we are ethically permitted to do so.

In addition, we ask that the Subcommittee take notice of the fact that the attorney who oversaw and directed a majority of Meadows Owens' legal services for our former Clients passed away on July 25, 2003. His passing creates obvious difficulties in researching the background and details of various specific inquiries made by the Subcommittee's staff.

These obstacles notwithstanding, I can tell you that Meadows Owens was engaged from time to time by the Clients on a variety of legal matters within the areas in which we practice. The first such engagement occurred on or about mid- 1997. At this time, we no longer represent the Clients. Our representation terminated when it became apparent to us that a conflict might exist because of the possibility that members of the Firm might be witnesses in this matter. When we learned of this potential conflict, we immediately informed our Clients of our need to withdraw from all further representation.

During the period of our representation, the legal services performed were appropriate and in compliance with the applicable governing law and other precedent guiding such matters at that time.

While I cannot, of course, ethically disclose confidential information acquired in connection with our representation of our former Clients, I can, and will, respond to your questions during the hearing if it is possible to do so without disclosing client confidences.