**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§	
Plaintiff,	§	
V.	§	CIVIL ACTION NO. 3:09-CV-00724-N
JAMES R. ALGUIRE, ET AL.	§	
Defendants.	§	

APPENDIX IN SUPPORT OF RESPONSE IN OPPOSITION TO THE RECEIVER'S MOTION FOR PRELIMINARY INJUNCTION OR WRIT OF ATTACHMENT

Respectfully submitted,

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BY: /s/
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CERTIFICATE OF SERVICE

I hereby certify that pursuant to the Federal Rules of Civil Procedure a true and correct copy of the above and foregoing document was served via ECF on counsel of record on this the 10th day of May, 2010.

/s/
Michael J. Stanley

APPENDIX 1

> of telling the truth. He now is concerned that we need to pursue the Stanford Bank CD issue through OCIE with the Federal Reserve. He believes that there needs to be a high-level dialog on this between the SEC and Fed.

May 21, 2003 E-mail from [redacted] to [redacted] attached as Exhibit 85.

On May 21, 2003 [redacted] contacted OCIE to address Degenhardt's concern and described the issue Degenhardt was concerned about as follows:

> Degenhardt[] has expressed an interest in our having a "high level" dialogue with the Federal Reserve regarding the "CDs" discussed in our examination report on the Stanford Group examination. ... He is concerned about the ability of Stanford International Bank (SIB) to offer these CDs in the US without being a bank officially subject to US banking regulation. ... We have as yet received no reply from the Federal Reserve ([redacted])[40]

May 21, 2003 E-mail from [redacted] to [redacted] attached as Exhibit 86 at 2.

On May 22, 2003 [redacted] asked [redacted], "Did Hal [Degenhardt] say what kind of role we [the Examination staff] were going to play in investigating this further?" Exhibit 84 at 1. [redacted] explained that Degenhardt was not interested in the SEC investigating the matter; he was only interested in "mak[ing] sure we had done all we could do in alerting the banking authorities of our concerns ...." *Id.*

On June 3, 2003, [redacted] updated Wright on the discussions with the Federal Reserve Board as follows:

[redacted]

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40 [redacted] updated [redacted] on May 22, 2003, "I have not heard a peep from [redacted]." Exhibit 84.

[redacted]

June 3, 2003 E-mail from [redacted] to Hugh Wright, attached as Exhibit 87 at 2.

Wright forwarded [redacted] update to Degenhardt and stated:

[redacted]

June 3, 2003 E-mail from Hugh Wright to Harold Degenhardt, attached as Exhibit 87 at 1-2.

Degenhardt responded to Wright's update on the unproductive discussions with the Federal Reserve by querying, "This [is] all great, but what does it mean? Is this something that we ought to go after or not?" *Id.* at 1. Wright responded by describing the history of the matter as follows:

> The decision not to go after it has been made in Enforcement some time back, who then referred [it] to Texas. As mentioned below, the Fed referred the matter to the FBI [redacted] Nothing has changed since we referred it to Enforcement several months ago to suggest that it would be an easier case now than before. After our exam a couple of years ago, Stanford

> started filing Form Ds relying on Rule 506, although they did so under protest. This would seem to make it difficult to work a case for selling unregistered securities. If we can't go on that basis, then we would have to prove that they are operating a Ponzi scheme which would be very difficult, if not impossible, considering that, as far as I am aware, there have never been any complaints by investors, and all of the bank records and sales records are maintained offshore in Antigua. In my opinion, there is nothing further for us to do at this point.

Id.

At this point in time, it had been approximately six years since the SEC Examination staff had concluded that the SIB CDs were likely a Ponzi scheme. During that period, the SEC had conducted three examinations resulting in two Enforcement referrals; an Enforcement inquiry had been opened and closed with no meaningful effort to obtain evidence related to the Ponzi scheme; and the Examination staff had attempted to interest the Federal Reserve in investigating Stanford, to no avail. As discussed below, it would take almost another six years, another Examination and Enforcement referral, and the collapse of the Madoff Ponzi scheme before the SEC acted to shut down Stanford's Ponzi scheme.

V. IN 2003, THE SEC ENFORCEMENT STAFF RECEIVED TWO COMPLAINTS THAT STANFORD WAS A PONZI SCHEME, BUT NOTHING WAS DONE TO PURSUE THOSE COMPLAINTS

A. [redacted] in a Ponzi Scheme Case Filed By the SEC Noted Several Similarities Between That Case and Stanford's Operations

On August 4, 2003, the TSSB forwarded to Barasch a letter from [redacted] that discussed [redacted] concern that Stanford was operating a Ponzi scheme. *See* August 4, 2003 Letter from [redacted] to Spencer Barasch, attached as Exhibit 88; *see also* July 31, 2003 Letter from [redacted] to [redacted] (the [redacted] Letter"), attached as Exhibit 8 [redacted].[42] *See* Exhibit 89. [redacted] Letter discussed several

[41] Barasch told the OIG that he did not recall seeing the [redacted] Letter. Barasch Interview Tr. at 45-46. Barasch said the TSSB sent virtually every complaint it received to the SEC, and the [redacted] Letter would have been one of many complaints that he received from the TSSB. Barasch Interview Tr. at 46.

[42] [redacted]

It is possible that the Enforcement investigation may have been advanced had OEA responded to the request for some expert analysis of Stanford's claims. After reviewing Prescott's analysis of those claims in the 2005 Enforcement referral, [redacted] in the Division of Risk, Strategy, and Financial Innovation ("RSFI"), stated unequivocally that [redacted] Interview Memorandum. [redacted] stated, [redacted] *Id.* [redacted] stated that it should have been "very easy" to perform a quantitative evaluation of the plausibility of SIB's reported returns by running various computer models. *Id.*

[redacted][55][redacted]

On October 18, 2004, Prescott contacted [redacted] an attorney in OIA, for information regarding Antigua's regulation of Stanford.[56] *See* October 18, 2004 E-mail from Victoria Prescott to [redacted], attached as Exhibit 97 at 2-3. Prescott sought that information because it was relevant to the jurisdictional issue of whether the Stanford CDs were securities. *Id.* Prescott also contacted OIA in January 2005 for information about SIB's London auditor. *See* January 6, 2005 E-mail from Victoria Prescott to [redacted]

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[54] RSFI was created as a Division in 2009 and includes the group that was formerly OEA.

[55] The paragraph Berman referred to stated:

> Further, SIB's annual audit casts doubt upon its claims of consistent profitability over the last 20 years. For example, from 2000 through 2002, SIB reported earnings on investments of between approximately 12.4% and 13.3%. This return seems remarkable when you consider that during this same time frame SIB supposedly invested at least 40% of its customers' assets into the global equity market. Ten of 12 global equity market indices were down *substantially* during the same time frame. The indices we reviewed were down by an average of 11.05% in 2000, 15.22% in 2001 and 25.87% in 2002. It is equally unlikely that the portion of the portfolio invested into debt instruments (approximately 60%) could make up the expected losses in the equity portion of the portfolio. For example, in 2002, when the global indices were down 25%, the debt portion of the portfolio would have to generate an approximately 40% return for SIB to generate the 12.4% overall return it claimed in 2002.

Exhibit 101 at 5 (footnote omitted) (emphasis in original).

[56] Prior to Prescott's contact, the OIG investigation found no evidence that any of the Fort Worth examination or enforcement staff had ever asked OIA for assistance in connection with the previous examinations and enforcement referrals.

D. In November 2005, the Head of the FWDO Enforcement Group Overruled Her Staff's Objections to Continuing the Stanford Investigation and Decided to Seek a Formal Order in Furtherance of That Investigation

In response to Clarkson's request for a memorandum setting forth Enforcement's perspective regarding the Stanford investigation, Cohen prepared an eleven-page memorandum (the "Cohen Memorandum") that discussed the status of the investigation, the difficulties confronting the staff, and Cohen's view of the options going forward. *See* November 14, 2005 Memorandum from Jeffrey Cohen to James Clarkson, attached as Exhibit 144. Cohen addressed the Examination staff's recommendation for a formal order as follows:

[redacted]

Id. at 1-2.

Cohen recommended that, if the Stanford investigation continued, it should focus on [redacted] causes of action. *Id.* at 11. After discussing the [redacted] Cohen made the following recommendation:

[redacted]

urgent for the FWRO," and the SEC moved forward with its Stanford investigation. Report of Investigation, Case No. OIG-516, entitled "Investigation of Fort Worth Regional Office's Conduct of the Stanford Investigation" at 10.

VIII. THE ENFORCEMENT STAFF REJECTED THE POSSIBILITY OF FILING AN "EMERGENCY ACTION" AGAINST SIB BASED ON CIRCUMSTANTIAL EVIDENCE THAT IT WAS OPERATING A PONZI SCHEME

In November 2005, the Enforcement staff considered recommending that the Commission file an "emergency action" against SIB expressly alleging that the CDs were a Ponzi scheme based solely on the circumstantial evidence available to the staff. *See* Exhibit 144. The Cohen Memorandum presented this option as follows:

DPP; LE; WP

[redacted]

[redacted]

Id. at 2-3 (footnotes omitted).

The Cohen Memorandum stated that bringing such an action [redacted]

Id. at 4. *See also* Cohen Testimony Tr. at 50

The Cohen Memorandum acknowledged that there were two primary categories of circumstantial evidence that would have supported an allegation by the Commission that the SIB CDs were a Ponzi scheme – [redacted]

[redacted]

Id. at 3-4 (footnotes omitted) (emphasis in original).

Cohen believed that the [redacted] that the CDs were a Ponzi scheme and the [redacted] meant that an action by the Commission would have been a [redacted]

[redacted]

Id. at 4 (footnotes omitted) (emphasis in original). Cohen also noted that if the Commission filed an action, [redacted] *Id.*

Cohen testified that he met with Addleman, Clarkson and Stephen Korotash, then a FWRO trial attorney, and that those three individuals decided against filing an emergency action [redacted] Cohen Testimony Tr. 65-68. Cohen testified that he was not "entirely comfortable with that decision" and that he "thought it was a mistake at the time we met." *Id.* at 68, 78.[82]

In April 2006, the Enforcement staff apparently considered presenting to the Commission the issue of whether it should file an emergency action. *See* Exhibit 145. A draft of the formal order action memorandum that was circulated in April 2006 discussed three "special issues" as follows:

> This matter raises three special issues: (1) [redacted] (2) whether further investigation is warranted to determine whether the CD program is a Ponzi scheme; and (3)

[82] However, as discussed above, approximately six weeks before the meeting, Cohen had instructed [redacted] to "[c]lose the case" and Addleman overruled Cohen after an appeal by Preuitt. *See* Exhibit 132.

[redacted]

Id. at 7.

After including verbatim an excerpt from [redacted] the draft action memorandum concluded [redacted] *Id.* at 9. As the draft action memorandum noted, during the five months since the November 2005 meeting, [redacted] *Id.* at 8, note 10.

However, the draft formal order action memorandum that the FWDO submitted to Washington, DC, for review and comment on June 13, 2006 ("June Draft Action Memorandum"), omitted the discussion of filing an "emergency action" as a "special issue." *See* Exhibit 146. The June Draft Action Memorandum described the special issues as follows:

[redacted]

Id. at 5. The June Draft Action Memorandum did state, [redacted] *Id.* at 6.

Ultimately, the SEC did rely, in part, on circumstantial evidence in filing an action against Stanford on February 16, 2009.[84] The following chart compares some of the circumstantial evidence included in the SEC's 2009 Complaint with similar statements from the prior examinations and referrals.

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[83] The discussion of the "special issues" and the statement [redacted] in the June Draft Action Memorandum, were [redacted] *See* Exhibit 148.

[84] The Complaint filed by the SEC in 2009 also relied on "additional evidence in 2008 that was not available earlier." *See* Prescott Testimony Tr. at 60. *See also* Report of Investigation, Case No. OIG-516, entitled "Investigation of Fort Worth Regional Office's Conduct of the Stanford Investigation."

A. The Issue of Whether the Stanford CDs Were Securities Was Irrelevant to an Action Against SGC For Violations of the Anti-Fraud Provisions of the Investment Advisers Act

All of the possible causes of action considered by the FDWO Enforcement staff in 2005 required that the SEC establish that the SIB CDs were securities. The Cohen Memorandum's discussion of a possible emergency action included the following assertion, [redacted] Exhibit 144 at 4. Cohen then noted:

> [redacted]

Id. at 4, n. 11 (emphasis in original).

[redacted] confirmed that there was a long period of time during which the Stanford matter was analyzed and discussed. [redacted] Testimony Tr. at 37. [redacted] described these discussions as follows:

> [A] lot of the discussion [before requesting and obtaining the formal order in October 2006] was on [redacted] like how -- you know, is this going to be -- [redacted] What if we get to this point and [redacted] So we lose on something like that. And there was definitely, you know, a feeling that [redacted]

Id.

In the context of the Enforcement staff's request for a formal order in the Stanford matter, the SEC's Office of General Counsel commented:

> [redacted]

> [redacted]

October 24, 2006 Memorandum to the Commission from the SEC's Office of General Counsel, attached as Exhibit 152, at 2-3.

More recently, in response to a question from Mark Adler, Deputy Chief Litigation Counsel in the SEC's Enforcement Division, about whether the SEC could have filed an action against SGC earlier, Kimberly Garber, Associate District Administrator for Examinations in FWDO, explained that the SEC had been unable to take action against SGC because [redacted] May 6, 2009 E-mail from Kimberly Garber to Mark Adler, attached as Exhibit 153. Specifically, Garber stated:

> There may be legal theories as to how we could have stopped them from doing business in the US, and we considered a number of approaches along the way, however [redacted]

Id.

As the SEC stated in its brief filed in support of its February 16, 2009 action against Stanford, fraud claims brought under Section 206 of the Investment Advisers Act do not require that the fraud involve a security. *See* Exhibit 149 at 26. The SEC expressly argued:

> Through their deceitful and fraudulent conduct in selling the CDs and SAS, Defendants violated the antifraud provisions of the Investment Advisers Act. *This is true, even if the Court, for the sake of argument, determines that the defendants' fraud was not in connection with the offer, sale or purchase of securities for purposes of Section 17(a) of the Securities Act or Section 10(b) of the Exchange Act.*

Id. (emphasis added). The SEC further argued in its brief:

> Section 206 establishes federal fiduciary standards to govern the conduct of investment advisers. The fiduciary duties of investment advisers to their clients include . . . the duty to employ reasonable care to avoid misleading clients.

> SGC claims that it keeps no records regarding the portfolios into which SIB places investor funds and that it can not get this information from SIB. Indeed, SGC has related to the Staff that SIB claims it cannot divulge the specifics of how it has used customers' deposits, based (variously) upon the bank secrecy laws of Antigua and SIB's own internal "Chinese Wall" policies with SGC.

Exhibit 101 at 2 (footnotes omitted).

2. Neither Cohen's nor Preuitt's November 2005 Memorandum Discussed a Section 206 Violation

Similar to the 2005 Enforcement Referral, the Preuitt and Cohen Memoranda did not discuss a potential Section 206 claim, nor did they reference the fact that SGC was a registered investment adviser. Cohen's memorandum did state:

[redacted]

Exhibit 144 at 6. Cohen then discussed SGC's [redacted] and concluded that the SEC would [redacted]. *Id*. at 7. According to the Cohen Memorandum:

[redacted]

Id. at 39. [redacted] testified that, in connection with the 1998 SGC examination that he conducted, he gained some familiarity with the 1997 B-D Examination, "but not a great deal." [redacted] Testimony Tr. at 15-16.

[redacted]

Id. at 6-7 (emphasis in original).

Cohen concluded that it was [redacted] regarding the SIB CDs:

[redacted]

Id at 8-9.[90]

3. When the FWDO Staff Met With Addleman, She Was Unaware That SGC Was an Investment Adviser

Addleman testified that she was "unaware" that the Investment Adviser Examination staff had done an examination of SGC in Houston in 1998 and 2002. Addleman Testimony Tr. at 40. In fact, Addleman testified that she was not aware that SGC was a registered investment adviser when the staff briefed her on the matter in November 2005. *Id.* at 34-35. Addleman only learned that SGC had been a registered investment adviser during her OIG testimony. *Id.* at 40-41. Her reaction to that information was striking, as evidenced by the following exchange:

> Q: [T]he fact is . . . that Stanford was a dual registrant, a broker-dealer and an investment adviser. You didn't know that, correct?
>
> A: As I sit here, it's a surprise.

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[90] [redacted] testified that, in his experience, the Enforcement attorneys in FWDO were not "very familiar with the Investment Advisors Act." [redacted] Testimony Tr. at 77

in the course of investigations in which relevant documents, individuals, or entities are located abroad.

The OIG investigation also found that the former head of Enforcement in Fort Worth, Spencer Barasch, who played a significant role in multiple decisions over the years that quashed the investigations of Stanford, sought to represent Stanford on three separate occasions after he left the Commission, and in fact represented Stanford briefly in 2006 before he was informed by the SEC Ethics Office that it was improper to do so. Because the OIG found that Barasch's representation of Stanford appeared to violate state bar rules that prohibit a former government employee from working on matters in which that individual participated as a government employee, we are referring this Report of Investigation to the Commission's Ethics Counsel for referral to the Bar Counsel offices in the two states in which he is admitted to practice law.

Submitted: [redacted] Date: [redacted]

Concur: [redacted] Date: [redacted]

Approved: H. David Kotz Date: 3.31.10

APPENDIX 2

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

RALPH S. JANVEY, IN HIS)
CAPACITY AS COURT-)
APPOINTED RECEIVER FOR THE)
STANFORD INTERNATIONAL)
BANK, LTD., ET AL.,)
Plaintiff,)
)
VS.) CASE NO. 3:09-CV-0724-N
)
JAMES R. ALGUIRE, ET AL.,)
Defendants.

****

ORAL DEPOSITION OF
KARYL VAN TASSEL

MAY 6, 2010

****

THE ORAL DEPOSITION OF KARYL VAN TASSEL, produced as a witness at the instance of the Defendants, and duly sworn, was taken in the above-styled and numbered cause on the 6th day of May, 2010, from 11:02 a.m. to 2:22 p.m., before Johnnie E. Barnhart, CSR in and for the State of Texas, reported by machine shorthand, at the offices of Baker Botts LLP, One Shell Plaza, 910 Louisiana Street, Houston, Texas 77002, pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto.

APPEARANCES

FOR THE PLAINTIFF:
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EXHIBITS

KARYL VAN TASSEL,
having been first duly sworn, testified as follows:

EXAMINATION

BY MR. NIELSEN:

Q. Good morning, Ms. Van Tassel.
A. Good morning.
Q. My name is Matthew Nielsen. I'm with the law firm of Andrews & Kurth, and I represent 119 of the former financial advisors that are being sued. And you're aware of this. This isn't the SEC suit; it's a separate suit that's been brought by the Receiver against former employees and then a separate complaint against some investors. Are you aware of that?
A. Yes, I am.
Q. Okay. Very good.
What did you do to prepare for your deposition today?
A. I reviewed documents and met with counsel.
Q. What documents did you review?
A. Some of my prior affidavits and supporting documents for those affidavits. Documents in the case. Most of them financials, financial statements.
Q. Whose financial statements?
A. SGC's.
Marketing materials. E-mails. Training

materials. Gosh, there's so many documents. I -- that pretty much covers the general variety of what I was looking at.
Q. Okay. And besides counsel, who else did you speak with?
A. Some members of my team.
Q. Who are they?
A. Jeff Ferguson and Mark Russell.
Q. Anyone else?
A. No.
Q. You said financial statements for SGC. And I might use that term myself, but just for the record, you mean Stanford Group Company?
A. That would be, yes, Stanford Group Company.
Q. The broker/dealer?
A. Correct.
Q. The U.S. broker/dealer?
A. Yes.
Q. Okay. And I'm going to use that term, as well, today. That's good. We both know what that's about.
The financial statements for SGC, who prepared those?
A. They were the audited financial statements, so SGC would have prepared them.

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Q. And the auditors were BDO Seidman?
A. That's correct.
Q. And what years did you look at?
A. I think I had 2004 through 2007.
Q. And the e-mails that you reviewed, are those the ones that were attached to the appendix to the receiver's application for an attachment injunction?
A. Well, those and others that are part of the basis of our opinions in the -- and the facts that we set out in our declaration and affidavits.
Q. So, all of these documents you're talking about, they're documents that support your declarations?
A. That we've reviewed in coming to those conclusions, yes.
Q. Okay. So, they support the facts and the conclusions you put in those declarations?
A. Yes.
Q. Okay. You said you met with counsel. I assume you met with someone from Baker Botts, you mean?
A. I did meet with Baker Botts, yes.
Q. Who did you meet with from Baker Botts?
A. Kevin Sadler and David Arlington.
Q. When did you meet with them?
A. Tuesday and Wednesday.

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Q. How long did you meet with them?
A. In total, it was probably four or five hours.
Q. What was the general nature of your discussions?
A. We discussed some of the information in the affidavits, things that I had reviewed, information available to me that were red flags, if you will, for what was happening with Stanford and the Ponzi scheme in general.
Q. When you were talking -- when you were discussing your declarations, were there any -- anything that came to your attention that was incorrect about your prior declarations that have been filed in this case?
A. No.
Q. Okay. Do you have any other declarations that haven't been filed that you've prepared and signed?
A. That have not been filed?
Q. Correct.
A. No.
Q. Okay. Just so we can have -- we talked about having an agreement on the term "SGC." I may also refer to the "SIB CDs" or the "bank CDs." Can we agree that those are the certificates of deposit of Stanford International Bank which are the subject of the SEC's

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claims against Stanford, et al?
A. Yes.
Q. Okay. Have you ever been known by any other names besides Karyl Van Tassel?
A. My married name was Karyl Misrack.
Q. M-I-S-R-A-C-K?
A. Correct.
MR. SADLER: Some of your co-counsel have referred to her has Daryl Van Tassel, but that's -- probably doesn't count.
MR. NIELSEN: Probably doesn't.
Q. (By Mr. Nielsen) What's your level of knowledge and experience about broker/dealer operations?
A. I've been involved in various litigation over the years related to broker/dealer.
Q. Okay. Do you feel like you have a pretty good grasp of broker/dealer operations?
A. Yes, I do.
Q. Okay. Do you feel like you have a good grasp and experience with compensation structures typical in U.S. broker/dealers that are paid to their associated persons?
A. Well, I've been familiar with that in the past, yes.

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Q. Okay. Are you not familiar with the current structure?
A. Well, yes. Yes.
Q. Okay. Are you familiar with the commissions paid on securities and investment products?
A. Am I aware that there are commissions paid?
Q. No. Are you aware of the standard commissions for securities and investment products?
A. Well, I saw something in the SEC report, and I know what was paid at SIB. I have not gone around to see at other -- what there might be.
Q. I'm asking more just from a general industry standard, "industry" being U.S. securities market, U.S. broker/dealers. Are you just -- are you generally familiar with the commission structures that are general or standard in the industry?
A. Generally how they're paid, yes.
Q. But not the levels and percentages?
A. Again, at different times, they've been at different levels. So, I know that they vary between brokerages and --
Q. Okay. Let's talk about now. Are you aware, for instance, of the standard commission for equity products paid by U.S. broker/dealers?
A. No.

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Q. Have you ever been aware of the standard commissions in the industry for equities?
A. I know I have been because I've looked at them, but I don't remember what they were.
Q. Okay. Do you know what the standard commission for fixed income products is in the industry?
A. No.
Q. Have you ever been aware of that?
A. I know because I've looked at different brokerages that we would have looked at the compensation structures, so, yes.
Q. And how long ago would that have been?
A. Well, up to 25 years ago and within the last ten years, so --
Q. When is the last time you did work that would have made you familiar with the industry standard for compensation to broker/dealers?
A. In cases, probably 1997, somewhere in there.
Q. Okay. You said in cases. Is there other consulting or other work you've done since, other than cases?
A. No.
Q. Okay. So, I assume you also would not be familiar with the standard commission for private

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equity investments that are paid by broker/dealers?
A. No.
Q. Okay. And that same would be true for the standard fee for managed accounts, you wouldn't be aware of that industry standard either?
A. The amount, no.
Q. Okay. Because you reviewed SGC's financial statements, I guess let's start with '04 and go forward. Do you -- can you tell me what the revenues of that company were?
A. No. I don't remember what the numbers were off the top of my head.
Q. Okay. Do you have a general ballpark?
A. I don't.
Q. For any of the years?
A. Seems like they went from somewhere around 73 million up to 300 some million, but I'm not sure what years.
Q. Okay. Do you know how much of Stanford Group Company's revenues came from non-bank CD brokerage activities in 2006?
A. That came -- are you just talking about that came only from commissions?
Q. Let's just put aside anything relating to money from the sale of CDs.

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A. Okay.
Q. Let's just -- and let's step back a little bit.
As you've talked about in your declaration, there was an agreement between Stanford Group Company and Stanford International Bank. Correct?
A. That's correct.
Q. And pursuant to that agreement, if Stanford Group Company's people sold a CD, Stanford International Bank would pay some portion of that money to SGC. Correct?
A. That was one of the agreements, yes.
Q. Okay. Were there other agreements by which Stanford International Bank received revenue -- or excuse me -- Stanford Group Company received revenue from Stanford International Bank?
A. Yes.
Q. Okay. Tell me what those are.
A. They had investment, I guess, in management fees, where they provide services. People within SGC would provide services and SIB would pay for those services through an agreement.
Q. And that was apart from the -- I think that was three percent that Stanford International Bank paid

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Stanford Group Company?
A. For the referral fees. The three percent was on the referral fees --
Q. Correct?
A. -- for the CDs, yes.
Q. Right. But these management fees are separate from that three percent?
A. That's correct.
Q. What other income was there from Stanford International Bank to Stanford Group Company?
A. I think there was some reimbursements for trading information and databases at one time that was incurred by SEC and was paid for by SIB.
Q. Okay. Was that a substantial amount?
A. I think one year it was $16 million.
Q. Do you remember what year that was?
A. I don't recall specifically, no.
Q. Any other revenues? And I'm trying to understand all the revenues that Stanford Group Company derived from Stanford International Bank.
A. Those are the primary ones. I don't -- there may be some other small ones, but those are the primary ones that I'm aware of.
Q. Okay. So, taking all of those categories together, and we'll call that Stanford International

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Bank revenues, putting those Stanford International Bank revenues aside, do you know how much Stanford Group Company's revenues were in 2006?
A. No.
Q. Do you know what the proportion was between bank revenue and non-bank revenue?
A. When you say "bank revenue," that's anything --
Q. Stanford International Bank revenue.
A. It was always more than two-thirds. Two-thirds Stanford bank revenue versus nonrelated, if you will, third-party revenue.
Q. It was always?
A. Throughout that period of time that I looked at it in the years, it ranged from two-thirds to a little more than that.
Q. Okay. And that's based on the BDO Seidman audit reports?
A. That's based upon the SGC financial statements.
Q. Which were audited by BDO?
A. Right.
Q. Okay.
A. But they're not the auditor's financial statements.

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Q. That's a good point. The company's financial statements. You're basing your answer on their financial statements, the ones that were audited by BDO?
A. That's correct.
Q. Okay. Are you aware that the receiver's represented to the court that more than 60 percent of SGC's revenues in 2008 came from non-CD brokerage activity?
A. Say that again. I'm sorry.
Q. Are you aware that the Receiver has represented to the court that more than 60 percent of SGC's revenues in 2008 came from non-CD brokerage activities?
A. That's not -- well, it would depend on how you classify those management fees, probably, if you're talking about non-CD brokerage activities. So, the management fees wouldn't be brokerage activity, per se.
Q. Okay. I'm just asking you whether they represented that to the court.
A. No. I'm not aware of that, no.
Q. Okay. But in your opinion, that's not correct?
A. I don't know that.
Q. Okay. How much were the management fees?

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A. I don't know the numbers.
Q. Have you made any determinations as to whether Stanford Group Company was solvent between 2006 and 2009?
A. Well, I have not done a solvency analysis of Stanford Group Company, a specific solvency analysis as that term of art is used.
Q. So, therefore, you have not made a determination as to whether Stanford Group Company was solvent in -- let's start with 2006.
A. Well, what I know from the financials is that it was balance sheet solvent. The assets exceeded the liabilities.
Q. What about in 2007?
A. I think -- well, the same thing is true.
Q. 2008?
A. I don't have audited financials for 2008.
Q. Okay. Have you seen any financials for 2008?
A. I may have. I don't recall those.
Q. Let's step back to 2005, because I recalled you said you looked at 2004 and 2005, as well. In 2004, was Stanford Group Company solvent, according to its audited financial statements?
A. Yes.
Q. Same is true for 2005?

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A. Yes. Under the definition that I gave you from the assets exceeding liabilities.
Q. Okay. Have you seen anything -- well, other than the definition you gave me, but that is the definition of solvency that's commonly used in the accounting profession. Correct?
A. No, there's more to it than that.
Q. Okay. What else would you look at?
A. That's referred to balance sheet solvency. There's also, you know, whether they can pay their bills as they become due, that's a liquidity issue.
Q. Did you see any liquidity issues that were reflected in the Stanford Group Company's financial statements?
A. Well, they had liquidity issues because they had to have capital contributions to stay balance sheet solvent.
Q. During what time period?
A. From 2004 forward.
Q. So, it's your recollection that from 2004 forward, without those capital contributions, they would not have had liquidity solvency?
A. No, that's not my opinion.
Q. Okay.
A. I'm saying that for all of those years from a

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balance sheet perspective, they would not have been balance sheet solvent, I do not believe, without the capital contributions. They had a cumulative deficit. Their operations were running at a loss.
Q. And you're sure about that? Because you just said "I believe." I'm just asking how sure you are.
A. That's my recollection.
Q. You will agree with me that Stanford Group Company did generate substantial revenue from traditional retail brokerage services. Correct?
A. It did generate revenue from those services, too, yes.
Q. In other words, based on what you've seen, the brokers or financial advisors of Stanford Group Company, they didn't just exclusively sell bank CDs, did they?
A. Exclusively, no. The majority.
Q. Are you talking to the sales force as a total, or are you talking about each individual that has been sued in this case?
A. I'm talking about the brokerage as a whole.
Q. Okay. Have you looked -- for the people that have been sued in this case, the 300-something plus financial advisors, have you looked at the proportion of their sales activity being bank CD versus non-bank

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CD?
A. I believe I probably have that information. I haven't looked at it specifically, no.
(Exhibit No. 1 marked.)
Q. (By Mr. Nielsen) I'm going to hand you what's been marked as Exhibit 1. And I'll tell you this is the -- your declaration with attachments that was filed on July 28, 2009 in this case. Does that appear to be true?
A. That does, yes.
Q. Okay.
A. July 27th, actually, or maybe it was filed. That's the date I signed it.
Q. Okay. Would you turn to Paragraph 14. Paragraph 14 reads: "Our analysis of cash flows for 2008 through February 17 of 2009 indicates that funds from sales of SIB CDs were used to make purported interest and redemption payments on preexisting CDs."
Did I read that accurately?
A. Yes.
Q. Okay. Have you made any determination of whether sales of SIB CDs were used to make purported interest and redemption payments on preexisting CDs for a time period before 2008?
A. Yes.

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Q. Okay. How far back have you gone?
A. Well, really, the analysis goes back to 2004.
Q. You have done an analysis of whether SIB was using, in other words, the sale of new CDs to pay redemption and interest payments on preexisting CDs?
A. I would say I have performed an analysis to show that -- that indicates that was the possible way they were making payments.
Q. I don't understand your differentiation.
A. Well, you're referring to a specific analysis here that refers to specific cash tracing that was done. That has also than been done for the year 2007 --
Q. Okay.
A. -- additionally. But in addition to this analysis, there's other analyses that I think are relevant to whether they were paying the sale of SIB CDs were used to pay redemption and interest payments prior to that period of time.
Q. Did you do those analyses?
A. Yes.
Q. Okay. And I'm familiar with a fund tracing analysis, a very large spreadsheet and lots of work that goes into that. Correct?
A. Yes.

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Q. Okay. And that's from -- you've done that for 2007 through February 17, 2009?
A. We have, yes.
Q. Okay. But before that period of time, what analyses have you done to determine whether Stanford International Bank was paying preexisting CD redemption and interest payments with the sale of new CDs?
A. Well, it is a cash tracing analysis, as well, different than this. We went into detail into the bank records and used the bank records in some of what we're referring to here. But we've done the same kind of cash tracing analysis previous in time to look at what funds were available that would have been available to use for CD and interest payments.
Q. Okay. I guess I'm not understanding. You seem to be drawing some difference between what you've done for 2007 forward versus what you've done for the prior time. Can you just explain to me what's the difference and what you've done for those two time periods?
A. It's not a difference. Let me -- that's probably fair. This is referring to specific cash flows that were done that related to tracing from bank statements and into Temenos and looking at the specific CDs and tying those out. Other analysis has been done

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over the entire period of time to look at, including these time periods, 2007, 2008, 2009, to see, you know, what the financial condition was of the entity -- entities, really -- and what money would have been available to pay the interest and redemption payments.

Q. You're saying money available. Are you drawing a distinction between liquid assets and nonliquid assets?

A. Well, assets available.

Q. Okay. And so, it's your belief that beginning at least in 2004 forward, which is the time period you've looked at, that Stanford International Bank did not have sufficient assets to satisfy redemption and interest payments?

A. To cover those that were current, yes. They didn't have sufficient to cover the portfolio.

Q. Okay. When you say "current," are you talking about the ones that were actually asking for redemption or the ones receiving interest payments?

A. That's correct.

Q. Okay. Well, let's talk -- I mean, interest, that should apply to the entire portfolio. Correct?

A. That's -- well, the interest is accrued; it isn't necessarily paid, so that's not a cash flow issue.

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Q. Okay. But what you're saying is that -- I'm trying to understand what you're saying, is you said it was current versus the entire portfolio. Are you saying that if everybody had come and tried to redeem their CDs, there weren't sufficient assets to cover that?

A. That's correct.

Q. Okay. But you are saying there were sufficient assets to cover the redemption and interest payments that were actually being made?

A. Well, they -- yes. What they would do is leave a certain amount of cash available before they disseminated it throughout the other entities, and it was spent to pay what was the current -- the current redemptions, yes.

Q. Okay.

A. But they were paying them from the CD proceeds that were coming in.

Q. Instead of liquidating other assets that Stanford International Bank had?

A. That's correct. There were no -- there were not significant liquidations from the investments in general until 2008.

Q. How much income was Stanford International Bank generating on its investments in 2004?

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A. Reported?

Q. Actual.

A. That's hard to say. They didn't really track their actual revenue so much, frankly. The reported revenue is based upon their spreadsheets and what they needed to have to cover the existing liabilities.

MR. STANLEY: And I'm sorry, I missed your question. Were you asking about SIB or SGC?

MR. NIELSEN: SIB.

MR. STANLEY: Okay. Sorry.

A. That's what I mean.

Q. (By Mr. Nielsen) And so, you have not had a chance to go back and try to re-create and figure out how much revenue was being generated? Is that what I'm hearing?

A. Well, I have gone back through and I have taken from the known investment assets that we have, Tier 2, what's known as Tier 2, which is investment with outside money managers, and other investments that we knew of that were paying interest to calculate what we believe, based upon that information, was their appreciation in those assets. A lot of it was, you know, gains in their assets as opposed to -- or losses, frankly, gains or losses on those assets as opposed to interest or dividend payments, really.

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Q. Okay. And have you prepared some document that reflects all of this?

A. I have a summary, yes, that does prepare that, that does go through that.

Q. Okay. And who have you shared that with?

A. Baker Botts. I think we've gone through it in general terms. I don't know if they've received the spreadsheet we've talked about.

Q. Have you gone through it with anybody other than Baker Botts and the Receiver?

A. Baker Botts and the Receiver?

Q. Correct.

A. No.

Q. Not the SEC?

A. Not me specifically.

Q. Have others?

A. I don't know.

Q. What about the Department of Justice?

A. Well, actually, I'll go back to that. I have had discussions with the SEC and the Department of Justice discussing this issue that, you know, there's the actual revenue, if you will, that there's what we can find of that and that we have tracked that, but --

Q. Was that based on the summary that you had prepared?

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A. I don't think we walked through the summary, but my discussion is based upon my ongoing analysis, yes.
Q. Which is documented in this summary?
A. Yes.
Q. Okay. And then you've also prepared cash flow tracing analysis for 2004 forward, but, however, one being very detailed and one being from a higher level, I take it?
A. Well, the cash flow tracing analysis is to -- prior in time is more to look at what might have been available from assets known, from income that was known to us, to see what that is, to see, you know, what was available other than CD proceeds.
Q. And then this document is a summary, as well?
A. Yes.
Q. Has that been shared with anybody other than Receiver and Baker Botts?
A. I think that we have discussed with -- I can recall the DOJ, some of that analysis, but not -- not going through the work papers, just the general terms.
Q. In other words, taking your analysis and based on your analysis, talking to the Department of Justice about what you found?
A. About what we've seen, yes.

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Q. Okay. And obviously, you would have had to use your analysis in order to have that conversation?
A. Yes, though the conversation was more conceptual than numerical, so we didn't --
Q. Okay. Did you talk to anybody else besides the Department of Justice about that analysis or shown it to them?
A. Baker Botts and the Receiver. Not that I can recall.
Q. Has anyone else?
A. Not that I know of.
(Exhibit No. 2 marked.)
Q. (By Mr. Nielsen) Let me show you what's been marked as Exhibit 2. This is a more recent declaration from you. I'm not sure about when it was signed, but it was filed in connection with the Receiver's application for an attachment and injunction on April 19, 2010. Do you recognize this?
A. Yes, I do.
Q. Does this appear to be a complete version of the -- of this particular declaration?
A. Yes, it does.
Q. Okay. And I'm going to ask you -- I'm going to ask you this question, then I'm going to step back and ask you about the other declaration. Who prepared

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Exhibit 2?
A. Well, it --
Q. Let's start with the declaration. Who prepared the declaration?
A. Okay. The declaration was prepared between FTI and Baker Botts.
Q. Okay. Who did the initial drafting?
A. Baker Botts did.
Q. And did you participate in revising this, or was there someone else on your team?
A. I did specifically, as did others on my team.
Q. Who else did?
A. On this one in particular, Mark Russell and Jeff Ferguson.
Q. Let's go back to the other, Exhibit No. 1. Who prepared that document?
A. As far as initial draft, or what are you asking?
Q. Let's talk about initial draft.
A. It was initially drafted by Baker Botts.
Q. The entire thing?
A. Well, not the attachments.
Q. The actual -- but I'm talking about the declaration.
A. Yes.

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Q. Okay. But then you and members of your team reviewed and edited it as you saw fit?
A. Yes, absolutely.
Q. So, let's go back to Exhibit No. 2. If you'll turn back to Exhibit A of that declaration.
A. Okay.
Q. It's the spreadsheet with 329 names in various columns beside them. Correct?
A. That's correct.
Q. Okay. Who prepared this spreadsheet?
A. Well, we prepared information in a spreadsheet that was similar to this. I don't believe this is our actual spreadsheet.
Q. Okay. So, my --
A. So I don't know exactly who prepared this.
Q. Okay. Have you gone back and reviewed this spreadsheet, Exhibit A, to determine whether it is accurate?
A. It is -- yes, it is accurate. It comports with the information that we provided.
Q. Okay. But have you personally gone back and determined whether this is accurate?
A. I have had someone else on my staff and I've looked at specific items that I was tracing to make sure that it was, yes.

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Q. Okay. Who else -- so, who on your staff has went back and checked this?
A. Mark Russell.
Q. Okay. Was it recently checked?
A. Yes.
Q. Okay. Where did the information come from with regard to the numbers in this spreadsheet? In other words, how did you get to these numbers?
A. Just in general for all of it?
Q. Yes.
A. Okay. It came from spreadsheets that we received from accounting at SGC. It came from payroll records. It came from bank account information. Information we received from Human Resources of the receivership who were previously Stanford employees. There were financial statements of the branches that we looked at. PAR calculations and agreements. We looked at loan agreements to the brokers. Commission reports. Bonus reports. And then it would be also information from Temenos.
Q. What's that?
A. Temenos is the database that relates to the CD activity for SIB.
Q. That was their database, or is that something that's created?

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A. That was their database.
Q. Okay. Is that it, that you can recall?
A. I think that's all I can recall.
Q. Okay. Over what time period are the amounts listed here reflect?
A. Well, in different columns they might reflect different periods of time, but for everything but the CD proceeds, let's leave those separate, these would -- those would be from 2005 to February 2009.
Q. You said for everything but CD proceeds. I'll, however, note that someone has identified all of this as CD proceeds, because if you look at the last column, it says Total CD Proceeds. So, that's what I was asking here. When did you start -- I mean, did you just go back in time the whole way, or did you start at a particular time and come up with these numbers?
A. For CD proceeds?
Q. No, for anything. All of these numbers on here.
A. Okay.
Q. For Loans, SIB CD Commissions, Quarterly Bonuses. How far back did you go?
A. Okay. Let me -- I thought I answered that, but let me try again. For all the information in the columns, Loans, SIBL CD, SIBL Quarterly Bonus, PARS

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Payments, Branch Managing Director, and Severance Payments, those are for the period 2005 through February 2009.
Q. Okay. Okay. Thank you.
Why did you start in 2005?
A. That's where we were asked to start.
Q. By?
A. Baker Botts.
Q. Do the figures -- I'm not going to -- right now --
A. I'm sorry, I'm thinking of CD proceeds in a different way. You're right. That's just a total for the column. I'm sorry.
Q. That's okay. I've already gotten confused and I'll -- it won't be the second -- it won't be the first time it will happen.
Beyond, you know, not taking this total amount, but for the other columns here, the amounts reflected, do those reflect before- or after-tax amounts that were paid to the listed people?
A. Those would be before-tax amounts.
Q. Okay. Now, for the amounts listed on here, you'll agree with me that these amounts were paid by Stanford Group Company. Correct? They're the ones that wrote the check to these people. Right?

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A. There is, I think, some payments that were made by Stanford Financial Investor Services.
Q. Was that just for a couple of people, or was that --
A. I think it was more for a time period. I actually think it's throughout the time period but different people.
Q. Okay. How would I know which people were paid by Stanford Financial Investment Services? Was it a particular office? Was it a particular type of person?
A. No. It was -- I think it was based upon who they were selling CDs to as to where the payment would be made. So, I mean, we have the information in the detail that we have, but there is no -- no general rule that would say.
Q. Okay.
A. By far, most are paid through SGC.
Q. By far, that's the case?
A. That's the case, yes.
Q. And you're aware that when SGC paid these people the amounts listed here, they withheld taxes. Correct?
A. I believe that would be true on most, if not all, of these.
Q. And as a matter of fact, their pay stubs that

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you would have looked at would reflect that. Correct?
A. I didn't look at the pay stubs, but they --
Q. Someone in your group did.
A. We looked at payroll records, not the pay stubs, but we would have that information, yes.
Q. Okay. So, wouldn't you agree with me that the people listed here actually didn't receive these amounts that you have listed? Right? They never got all of this money handed to them. Right?
A. They earned that amount of money or purportedly.
MR. NIELSEN: Objection; nonresponsive.
Q. (By Mr. Nielsen) When they were written a check, they did not receive all this money you have listed, did they?
A. I think they do, yes.
Q. I thought you said it was -- these are before-tax numbers.
A. They are. Maybe it's nomenclature. I think when I get my payroll check I'm receiving my gross amount. The fact that they withhold the withholding for me is not -- but you're right, my deposit into my account is less than that.
Q. And unless you're unlike me, you don't get that -- or at least the vast majority of that

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withholding back, do you?
A. It depends on your tax situation.
Q. Most people don't. Right? You got to pay your taxes. Right?
A. I hope so, yes.
Q. Yeah. So, when we're talking about the actual funds received through a check, the people listed here did not receive the amounts you have listed in this spreadsheet, did they?
A. They would have received an amount less withholding in most of the cases, yes.
Q. Okay. I've noticed on your resume that you've done some -- you at some point did tax accounting work. Correct?
A. Yes.
Q. Okay. What's a good rough ballpark for how -- what a percentage of tax withholdings are for most folks? Let's -- and let's talk about at this income level.
A. Effective rate? What kind of tax rate are you looking for?
Q. The withholding. What's a general rule of thumb on how much, percentage-wise, would you think that these people have withheld from their checks?
A. Well, what's required to be withheld is social

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security, Medicare.
Q. Which is how much? What percentage? Six something, right?
A. Yes. Six or seven percent.
Q. Okay. And then --
A. Medicare is less than that.
Q. And then there's federal income tax withholdings. Correct?
A. That's correct, if you choose it. You can choose to pay -- you don't have to have withholding.
Q. Okay. Do you know whether any of these people chose not to have money withheld?
A. I don't know that.
Q. And federal income tax withholdings for people at this level of income would be 25 percent plus?
A. Probably, yes.
Q. Okay. And then --
A. Unless they chose something different. There are alternatives.
Q. But you don't know sitting here today what they chose?
A. From the standard, if you're talking about standard tables, that's about what it would be.
Q. Okay. And then some of these folks may have lived in states where there's a state income tax, too.

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Right?
A. They may have, yes.
Q. And there would have been withholdings there, too.
A. If they chose to have the withholding.
Q. Okay. And what would that general percentage be, in your experience?
A. That would depend on the state.
Q. What can it range? What's the range?
A. I don't know but across the 50 states what the range is.
Q. But you are aware that these people weren't across 50 states. Florida, they have an income -- a state income tax, don't they?
A. I believe so.
Q. Do you know what the percentage is?
A. I do not.
Q. Okay. So, if we take -- and federal income tax, we said 25 percent plus. It goes up to 39.6 percent. Correct?
A. You're talking about withholding.
Q. Correct.
A. And I answered based upon tables what would be withheld unless they made other choices.
Q. Correct.

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A. Now you're talking about the tax rate when they go to --
Q. They could have made a choice to have more withheld to be more in line with their effective tax rate. What you're saying is 25 percent is a good rule of thumb just for what's being withheld via the tables?
A. I'm saying that that would be a ballpark of where it could be.
Q. Okay. Then plus social security and Medicare?
A. Correct.
Q. Which would, if we added that to the 25 percent, would take the number to over 30 percent. Correct?
A. If that's what was chosen, yes.
Q. Okay. So, the numbers here could be more than 30 percent overstated as to what the actual check these people received is. Isn't that correct?
A. The actual check could be as much as that, yes.
Q. If not more?
A. It could be less.
Q. But it could be more?
A. It could be more.
Q. Okay. You just don't know?
A. I don't know.

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Q. Now, on this table, I notice that -- well, let's step back here.
You're aware that many FA's, financial advisors -- can we agree on "FA" as the term for financial advisors of Stanford Group Company?
A. Yes.
Q. That many of the FA's made personal investments into the CDs at Stanford International Bank?
A. Yes. Some did make personal investments.
Q. Well, as a matter of fact, in Exhibit B, you have some of those people listed. Correct?
A. Correct.
Q. And in Exhibit B, there are some people that are shown to have been paid more than they actually invested, but wouldn't you agree that most of the people you have listed in Exhibit B are not in that category?
A. Yes. There are more that are not in the category of received in excess of investments than there are within that category.
Q. Isn't it a fact that there are financial advisors listed in Exhibit A that lost money on the Stanford International Bank CDs?
A. In Exhibit A, that they lost money on CDs?

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Q. In their personal investments in Stanford International Bank CDs.
A. Yes.
Q. Okay. Did you take -- you didn't take those losses into account when you were coming up with total CD proceeds, did you?
A. No.
Q. Okay. Why not?
A. Because what we were looking at was the compensation that was related to the sale of CDs generally over here, and this is a separate schedule that shows the proceeds from the CDs.
Q. Do you know whether any of the folks listed in Exhibit A used any of the funds you have listed here to make personal investments in Stanford International Bank CDs?
A. I don't know specifically.
Q. Do you figure that may have happened?
A. I don't know.
Q. Did you look to determine whether that happened?
A. Not specifically, no.
Q. Wouldn't that be important to you to understand that if, in your opinion, all this money is coming indirectly or directly from Stanford

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International Bank to understand whether they took that money and just put it right back in the bank?
A. We would have captured that in these amounts, in these proceeds.
Q. And you're pointing to Exhibit B?
A. Exhibit B. Excuse me.
Q. Okay. Well, yeah, but these -- the Receiver's trying to sue people for these amounts in Exhibit B. Right?
A. Correct.
Q. You're aware of that. Right?
A. That's correct.
Q. Okay. So, what I'm asking is, looking at Exhibit A, which is some compensation that these people received --
A. Yes.
Q. -- while they worked for Stanford Group Company, I'm asking is: Do you know whether any of these people took that compensation, turned around and bought a Stanford International Bank CD?
A. With those specific proceeds, no, I don't know that. It would go into their bank account. And if they decided to invest it elsewhere to put it into the CD, it would be commingled with whatever funds they have.

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Q. But you didn't feel like it was appropriate to understand whether the folks you have listed here took compensation, put it right back in Stanford International Bank and whether they lost all of it?
A. I would have captured that information. It's right here on this Schedule B.
Q. Schedule B doesn't show how much these people lost, does it?
A. No.
Q. It just shows how much they invested?
A. No.
Q. Or proceeds?
A. Proceeds.
Q. Okay. So, they didn't show how much they invested?
A. That's correct.
Q. So, it just shows how much proceeds?
A. Yes.
Q. And it shows how much if they had any excess, according to your information?
A. In excess of their investments, yes.
Q. Okay. But we don't know who lost money?
A. No.
Q. Okay. I mean, let's just take -- let's just take the first one, Monica Ardesi. It shows that she

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received almost 3.3 million in CDs in proceeds, according to your records. Correct?
A. That's correct.
Q. Okay. But you don't know how much money she actually put into the bank, do you?
A. I don't know the exact amount, no.
Q. Okay. Do you have any idea?
A. Well, from this schedule, it would tell you that it was more than the proceeds.
Q. Equal to or more than?
A. Correct.
Q. Okay. But she could have put in $6.3 million and have a net $3 million loss, couldn't she?
A. The proceeds would be -- or the investment would be more than what the proceeds were.
Q. And then if we turn back over to Schedule A, if you'll look down there at ID No. 13.
A. Yes.
Q. Do you see where she's being sued for about $293,000?
A. From the amount of bonuses, yes.
Q. Do you -- but sitting here today, you don't know whether she lost more than $293,000 on her CD -- on her CD investments, do you?
A. I do not.

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MR. SADLER: Can we take a two-minute break? We've been going about an hour.
MR. NIELSEN: Sure.
(Off the record 11:56 a.m. to 12:05 p.m.)
Q. (By Mr. Nielsen) During our break, did you have a chance to speak to Mr. Sadler?
A. I did, yes.
Q. What did y'all talk about?
A. There was one item that I think merits clarification --
Q. Okay.
A. -- based upon a question and my answer.
When we are referring to Exhibit B that we were just discussing, I -- from this, we can tell who lost, and I think we talked about that. It isn't reflected on here how much that amount might be, but that doesn't mean that we don't know how much that loss is. We don't know it from the schedule, but we have calculated that amount, so we know what the loss is.
Q. I figured that to be the case, but I appreciate you clarifying that.
A. Okay.
Q. I actually have a clarifying question for you, as well.
Going back to Exhibit A, talking about

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all the different categories here, you said -- I asked you before, "How far did you go back?" And you said, "We went back to 2005." Did you go back to January 1, 2005?
A. Yes. January 1, 2005.
Q. And then these numbers are cumulative from January 1, 2005 all the way to February 17, 2009?
A. That's true except for the loans.
Q. Okay. One-time payment?
A. Yes.
Q. Got it.
So, going back a little bit to what we were talking about right before the break. Looking at Exhibit -- looking at Exhibit A, we were talking about Ms. Ardesi here, and you agree with me on the Line No. 13 -- and you agree with me that it is possible that she lost more than $293,000 in her personal CD investment?
A. Yes.
Q. Okay. And that is with regard to the folks in Exhibit B who you do not show to have received funds in excess of their investment, it is possible for them, as well, that they lost more than what you total for them for total CD proceeds. Correct?
A. That's possible, yes.

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Q. Okay. Do you know whether any of the individuals listed on Exhibit A here are owed compensation from Stanford Group Company for non-CD related sales or activities?
A. I do not. I might have that information; I do not know that from the information on Exhibit A.
Q. Okay. Are you aware generally that there are FA's that are owed commissions that were earned but not paid before the receivership for things completely unrelated to the CDs?
A. There may be. I don't know that specifically, but there may be.
Q. Okay. Don't you think, in fact, that's probably likely?
A. I don't know what their pay -- when they were paid and what's outstanding and whether that is actually owed.
Q. Okay.
A. That's not -- I have not gotten into that issue from a claims perspective.
Q. Okay. That's not something you looked at?
A. Well, we've looked at it, but not separately from here.
Q. Okay. But Exhibit A doesn't take into account unpaid compensation these folks may be owed, that has

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nothing to do with the Stanford CDs, does it?
A. This schedule only includes paid compensation, so it would not include unpaid compensation of any kind.
Q. Okay. And you didn't take that into account in coming up with this exhibit. Correct?
A. On this exhibit, no.
Q. Okay. That's something you could have done. Correct?
A. I could have added in what they are claiming. Is that --
Q. You could have figured out how much they may be owed, couldn't you? You have complete access to Stanford's accounting system, don't you?
A. I could get that information, yes.
Q. As a matter of fact, y'all were officed -- y'all were in the offices of Stanford Group Company, weren't you?
A. We had --
Q. I mean, y'all literally had offices there, didn't you?
A. We had people there, yes.
Q. Okay. So, you could have just gone over to the people that were still employed there in the Payroll Department and just asked them for that

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information, couldn't you?
A. And we may have.
Q. Okay.
A. It's not on this schedule.
Q. Other than potentially earned but not paid compensation from Stanford Group Company, or any other Stanford entity, did you look at whether the people listed on Exhibit A were owed any other financial obligations from Stanford Group Company or any other Stanford entity that were unrelated to the sale of CDs?
A. Again, we may have looked at that. It's not reflected here.
Q. And you don't know sitting here today what these folks may be owed by Stanford Group Company for things completely unrelated to the sale of Stanford CDs?
A. I don't know -- with the information I have here today, no, I do not know that.
Q. Okay. Forgive me for asking. I think I know the answer to this question; I just need it on the record here. I assume for the people listed here, you didn't endeavor to try to determine how many customers they lost as a result of having to go to a different firm and the whole Stanford receivership and SEC case, did you?

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A. No, I have not made any analysis in that way.
Q. Okay. So, you don't know how much income these folks have lost as a result of the things that Allen Stanford and his people allegedly did?
A. I do not -- I have not made a calculation as to what, if any, amounts that were lost.
Q. And certainly, for this spreadsheet, that wouldn't reflect any of those amounts?
A. It does not reflect any of those amounts.
Q. Okay. If we could quickly go through the headings on these columns and if you could just -- let me start with the Loans, because I think I know what those are pretty easily, but I want you to describe all of these for me generally. Although, I take it you did not -- you did not come up with the titles for these columns. Correct?
A. I may have edited the columns, but I don't remember authoring them, no.
Q. Okay. Let's take the first one: Loans.
A. Yes.
Q. Is that otherwise known as or maybe referred to as upfront payments these folks received when they switched from whatever firm they were at over to Stanford Group Company that are documented by promissory notes?

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A. Yes. These are generally the upfront loans that are paid.
Q. You said "generally." I mean, is this the upfront loans that they were paid?
A. Yes.
Q. Okay. Now, the SIBL CD Commissions.
A. Yes.
Q. Okay. The way I understand it from your declaration is that if someone at Stanford Group Company sold -- or one of their customers bought one of these Stanford CDs, these Stanford International Bank CDs, Stanford International Bank had an agreement to pay three percent of that amount to Stanford Group Company. Correct?
A. That's correct, as a referral fee.
Q. Okay. And then Stanford Group Company agreed with the financial advisor to pay some dollar figure to them based on that sale?
A. Well, it would it be converted to a dollar figure. It was oftentimes a percentage.
Q. Okay. And that -- and so, that percentage that resulted in some dollar figure that Stanford Group Company decided to give these financial advisors, is that what you have listed here under CD commissions?
A. Yes. It is the commissions that they earned.

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And just to be clear, some of it was SFIS, as well. You're saying SGC. I just want to clarify that and make sure.
Q. Okay. I appreciate that. Now, these quarterly bonuses, would you explain to me what that is, the SIBL quarterly bonuses?
A. Yes. There were quarterly bonuses paid to the extent that you were a top performer and had exceeded certain metrics as to sales, that you would receive a quarterly bonus for sales of CDs.
Q. And that was paid by Stanford Group Company or this other entity to these folks?
A. Yes.
Q. Okay. And Stanford Group Company obviously had some policy in place for setting these metrics for determining who would get these bonuses?
A. Yes. They're not overall metrics, they had individual agreements with some -- with people, because sometimes they were different, but they would come up with those metrics --
Q. Okay.
A. -- in conjunction with the individuals.
Q. Okay. Now, PARS Payments.
A. Yes.
Q. Could you explain to us what that is, because

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there was only a couple of folks listed under that column.
A. Yes. Those are appreciation rights, and what they are is certain amounts that are given at a stated level, usually upon entry, but I'm not sure it has to be upon entry into the company. And those are measured, invested, looking at different measurement dates and valuations to determine, you know, basically with the growth of the company and the value of the company, you would get additional compensation.
Q. You may not agree with my characterization, but the way I kind of thought about this is stock options for a private company.
A. It's somewhat similar to that concept.
Q. Okay. And so, this column would reflect, as I understand it, and I'll tell you none of my folks are under this column, but this column reflects people that -- I'll use the word "redeemed" their PAR rights for cash?
A. I -- what I believe happened is all of these that are paid actually were done at termination.
Q. Okay. Now, is -- the PARS, performance appreciation rights --
A. That's correct.
Q. -- is that what it stands for? Okay.

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As I understand, there was a vesting schedule to them. In other words, you had to wait a certain time period before you could receive any financial benefits from it?
A. That's correct.
Q. Okay. And isn't it true for the vast majority of folks who received the PAR payments -- or excuse me -- that for the vast majority of people that received PARS, they never vested?
A. I have not looked at all of them to see what the vesting was. I can't really say that. It was new enough that there were very few payments, and it was only through the -- through the termination or leaving of the company that they would be paid, so I would say that they -- there probably were not very many that were fully vested.
Q. Branch managing director quarterly compensation, what is that?
A. That is compensation that is given to the branch managing directors that are basically for their office based upon different metrics. Again, it would depend upon the individual, what was negotiated, that would provide an additional bonus based upon either revenues or net income or variable income, different metrics, if you will, for additional bonuses based upon

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the office performance.
Q. But it was based on some variation of production in the office?
A. Well, I told you what it was based on: Revenue.
Q. It could be revenue, it could be net revenue, it could be something else. Okay.
A. Yes.
Q. So, I take it, then, that that amount could be maybe based -- you know, could be based on income generated from the sale of CDs, as well as, you know, traditional retail brokerage services?
A. The total compensation they received might relate to that. This amount only relates to the portion that's CDs.
Q. Okay. So, then your team went back, looked at whatever agreement was in place with this -- and branch managing director, you went back and then looked at the metrics and backed out all of the non-Stanford CD sales and then figured it up based upon just those CD sales?
A. Generally. We had to go through each one and really re-create the financial statements to whatever level was necessary separating out CD and non-CD.
Q. Okay. Severance payments.
A. Yes.

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Q. I take it this was a payment made to folks in connection with terminating their employment with Stanford Group Company?
A. That's correct.
Q. Okay. We're going to go back and talk about each one of these now. Let's start with the loans column. Did you or your team review the promissory notes in connection with coming up with the amounts listed in that column, the loans column?
A. That was part of what we looked at, yes.
Q. Okay. Did you look at their offer letters for each individual?
A. We looked at those since they were available.
Q. Okay. And then you looked at other documents, payroll records, checks, things like that.
A. We also looked at schedules that had the loans on them, listed on them.
Q. Okay. Well, let's talk a little bit about just generally loan arrangements. You said earlier that these were upfront payments in connection with these people coming over -- agreeing to come over and be employed by Stanford Group Company. Correct?
A. That's correct, in general. And the reason I said that, I'm not sure that there aren't -- there may be some amounts on here that are not related only to

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the time period when they came over.
Q. Okay.
A. I think there are some loans that may be related to other reasons that they paid them, or weren't exactly at the time of them coming over from another company, so --
Q. Are they unrelated to joining SGC, or you're just saying they were a personal loan to someone for --
A. No.
Q. Okay.
A. They're related to their employment; I'm just saying it's not necessarily in time, specifically at that time.
Q. Okay. But this is -- you know, generally speaking, this is the upfront payments that these folks received, you know, for joining SGC?
A. Yes, I agree with you, and generally that's true.
Q. Okay. Okay. And you said that, you know, I guess as late as '97, you had done some expert work in connection with broker/dealer cases. You're aware that paying upfront payments to financial advisors is a very common practice in the industry. Correct?
A. I'm aware it's a practice that is done. How common, I can't say.

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Q. You don't know that one way or the other?
A. Well, I know that I've seen it quite a bit. The preponderance of it, I don't know.
Q. Okay. The cases that you've seen, you've observed that happen, but what you're saying -- I'm hearing you say is, "I'm not -- I don't know the industry to be able to tell you that that's the case"?
A. That it's always the case or mostly the case, as you -- I think you said.
Q. Okay. In other words, you're not disagreeing with me; you're just saying, "I don't know one way or the other"?
A. As it relates to the fact that you are -- I think your question was: This is very common. And I don't know to what extent that it happens, but it is -- it certainly does happen in the industry.
Q. Okay. And when you said that -- you said if there were offer letters that were available, you looked at those, and then you looked at the promissory notes. Isn't it true that upfront payments, the loans here, were calculated by using some percentage of these people's commissions at their other firm?
A. I think that was sometimes true. I think that it was based on -- based upon e-mails and information I've seen, also based upon what they thought they would

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be able to continue to do at Stanford.
Q. But you're aware generally there was some documentation of saying -- Stanford Group saying: We'll pay you 150 percent, 200 percent of your, quote, trailing 12-month commissions?
A. I don't know the percentage, but I do know that that did occur, yes.
Q. And sitting here, I mean, isn't it a fact that that was mostly the case?
A. I'm saying I can't say that. I didn't look at every offer letter, but I do understand that that was generally a consideration that was made.
Q. Okay. Are you aware that the upfront payment represents the purchase of this financial advisor's book of business?
A. I don't know that that's technically how it's accounted for. I guess I'm looking at it from an accounting perspective.
Q. But in your experience, isn't that the practical effect of what's happening?
A. It is certainly what is done to compensate for the fact that you're bringing in preexisting business.
Q. In other words, these financial advisors work like you and me and you work over years and you build up a client base. Right?

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A. We certainly hope to.
Q. And these financial advisors are the same way. Right?
A. Yes.
Q. Based on your experience here. And they build up this client base and over years they generate commissions and income based upon providing those people with brokerage services. Right?
A. They can, yes.
Q. And people like Stanford Group Company and other broker/dealers, they want those financial advisors to come over with all of their clients and all the income they can generate. Right?
A. That's the hope.
Q. Okay. And when they come up with these upfront payments, what they say is: Okay, let's look at how much income you generate, and I'm going to pay you for -- based on that and then pay you to come on over here. Right?
A. As I said, in this case, I know that that was a consideration.
Q. Okay. Do you know what the standard percentage that SGC used to calculate the payment based upon the trailing commissions?
A. I don't know that.

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Q. Okay. Do you know how that percentage compared to what was being paid by other broker/dealers at the time?
A. No, I don't.
Q. Would it surprise you that the percentage being paid by Stanford Group Company between 2006 and 2009 was smaller than what was being paid by other broker/dealers, Merrill Lynch, Smith Barney, Deutsche Bank?
A. I couldn't say one way or the other.
Q. Okay. You'll agree with me that the folks listed on Exhibit A, prior to coming to Stanford Group Company, didn't sell any SIB CDs. Right?
A. I guess it's possible that they could, but I don't believe so.
Q. Okay. So, when Stanford Group Company and these people listed in Exhibit A were sitting down and trying to figure out how to calculate the loan payment here, this upfront payment, and that payment being based on the business that these folks had done at their prior firm, that necessarily did not involve the sale of any CDs?
A. I don't think that meant that it wasn't a thought that it wouldn't lead to the sale of CDs.
Q. Are you aware of any offer letters, any

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promissory notes or any other documents where the -- any financial advisor agreed as a condition of their employment at Stanford Group Company that they would sell Stanford Group CDs?
A. No, not that I've seen.
Q. And was the sale of Stanford Group CDs some condition on receiving the upfront payment or some other provision in the promissory notes that you've reviewed?
A. No.
Q. But you'll agree with me that the Stanford Group Company was using a percentage, some percentage, and multiplying that times the trailing commissions of these people at their prior firms, that as a matter of rule, the payment had nothing to do with the Stanford CDs. Isn't that right?
A. I disagree with that in this case.
Q. Okay. But the people did not sell CDs at their prior firms. Correct?
A. Correct.
Q. You're not aware of a single person. Correct?
A. It's possible that they could have, but generally they would not have been.
Q. Okay. And you're not aware sitting here today that any person listed in Exhibit A sold a CD prior to

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coming over to Stanford Group Company. Correct?
A. I am not aware of that.
Q. Okay. So, if they only generated commissions based upon things other than selling CDs and if their upfront payment is based upon the commissions they had at the prior firm, then that calculation had nothing to do with Stanford Group CDs, did it?
A. I disagree with that.
Q. Okay. And are you disagreeing because you believe that this was somehow some effort to lure these people over to sell CDs?
A. What I believe it is, is what you're doing is looking at the fact that in another environment they were able to sell and produce a certain level of the products that they were selling in that environment. When Stanford is looking at what they're buying, they're looking at their ability to sell to a population base the products available in their environment. And their environment is primarily CDs, so I disagree that there's no relationship.
Q. But selling CDs had -- was not a term or condition of the promissory notes, was it?
A. I do not believe so, no.
Q. And the physical calculation of the upfront payment did not include the sale of a single SIB CD,

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did it?
A. As I said, part of the consideration for that was based upon a trailing 12 months. I don't know that they in all cases tied to that calculation.
Q. But if they did tie to that calculation, that calculation necessarily would not include the sale of one CD, Stanford CD. Correct?
A. I think the purchase is not unrelated to the sale of CDs.
MR. NIELSEN: Objection; nonresponsive.
Q. (By Mr. Nielsen) I'm asking about the calculation of the percentage of some agreed percentage times the trailing 12 commissions, that calculation does not include any sale of Stanford International bank CD, does it?
A. To the extent that that person had not sold CDs before, that there would not be a CD amount in that calculation.
Q. Thank you.
You're aware that the loan amounts listed in Exhibit A include some portion attributable to PARS?
A. In some cases.
Q. In other words, some financial advisors agreed to take their upfront payments, some portion in cash and some portion in these PARS. Right?

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A. That's correct.
Q. Okay. And are you aware of the people who did choose to take some portion of their upfront payment in the form of PARS, are you aware if those people realizing any financial benefit whatsoever from the PARS?
A. I'm sorry. Can you say your question again? I'm not sure what you're asking about.
Q. We talked about that there's only a couple of people that actually got paid anything for their PARS. Right?
A. I think there's four or five.
Q. Okay. Four or five out of 300 and something folks. Right?
A. That's correct.
Q. Okay. And so, for the folks with regard to the loan column, the folks that chose to take a portion of their upfront payment in the form of PARS, are you aware that those people realized any financial benefit from those PAR grants?
A. I don't know that, no.
Q. Okay. If they received a check, they -- it would be listed here, wouldn't it?
A. If they received a check related to a payment from the PARS system or the methodology that they had,

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then it would be listed here.
Q. Okay. So, isn't it a fact that this, that for some of these folks, the amounts listed in the loans here include an amount attributable to PARS to which those folks never received a check?
A. I think that those were separated out, but I'd have to go back and check.
Q. Okay. Did you check that?
A. I don't recall specifically. That's my understanding.
Q. I'll tell you the evidence shows that they weren't separated out.
A. Okay.
Q. Do you have any reason to doubt me?
A. Well, I don't know one way or the other.
Q. But you'll agree with me that if these folks never received a check for their PARS, that shouldn't be included in this loan amount, should it?
A. I don't know legally what can be claimed.
Q. Would you have done that? Would you think -- just being, you know, kind of your 24 years of experience, if this loan amount includes some portion that was attributable to PARS and the people -- they never vested and they never got a check for it, should that amount be included in this column?

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A. Again, I would ask from a legal perspective whether it should be included.
Q. Do you think it should be included?
A. I answered that question. I --
Q. I'm just asking your personal opinion.
A. I think --
Q. Do you think people ought to be sued for money they never received?
A. I think what can be claimed is based upon the legal basis.
Q. I'm asking your personal opinion, because you've talked -- you've given speeches on fraudulent conveyances, haven't you?
A. Right.
Q. I'm just asking your personal opinion. Do you think people ought to be sued for amounts they never received a check for?
A. And I'm saying I don't know. I would base that upon --
Q. You don't know what your personal opinion is?
A. I -- what my personal opinion is that it should be based upon the legal basis on which the claim is sought.
Q. Sitting here today, do you know -- for the people listed in this loan column, do you know the

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people that had part of their upfront payment given to them in the form of PARS?
A. Actually, I don't. And, you know, going back to this, I know that these were traced to actual payments going out. And I -- so, that's why I said that they were separated. I think that to the extent there were exceptions, we included the amount that was paid. So, that's why to my belief they were the amount that was paid out and that they were separated.
Q. Well, since you can't recall sitting here today, would there be any objection to y'all clarifying that after the deposition, whether that was, in fact, done?
MR. SADLER: Send us a request and we'll take it under advisement.
MR. NIELSEN: Okay.
Q. (By Mr. Nielsen) You mentioned that in doing this calculation under the column under Loans that you reviewed the promissory notes. Correct?
A. In part, yes.
Q. Okay. You'll agree with me that those promissory notes had forgiveness provision in them, didn't they?
A. I don't recall specifically.
Q. Do you recall generally the concept of when,

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in connection with an upfront payment, sometimes they're called employee forgivable loans?
A. I don't remember that specifically. It's been a long time since I've looked at them, but --
Q. Well, would you be surprised to learn that the promissory notes underlying the loans you have listed here do, in fact, have forgiveness provisions that forgive a portion of the loan over some defined period of time?
A. That's generally my understanding, yes.
Q. Okay. Now, in connection with listing the amounts on the loans here, you did not take into account that forgiveness provision, did you?
A. Well, in listing the amounts, what I sought to do is put the original loan amount.
Q. Okay.
A. So, no, I have not included forgiveness on those loans.
Q. Okay. Is it possible that some of the folks listed here, by virtue of the agreement they signed, that the entire loan amount was forgiven pursuant to the note term?
A. Is it possible? Yes.
Q. Okay. It's possible that the people listed here that a substantial portion of the amount they

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originally paid was forgiven under the terms of a promissory note?
A. Possible.
Q. Okay. Sitting here today, you can't testify as to who those people are?
A. Not individually, no.
Q. Okay. Are you aware that the promissory notes contain cancellation provisions in the event of a change of control?
A. I don't remember that specifically.
Q. Well, if there was a cancellation provision in connection with the change in control, you don't recall considering that in listing the amounts here on this spreadsheet, do you?
A. No, because I listed the original loan amount.
Q. Okay. Is that because that's what you were asked to do by counsel?
A. That is what we were asked to do, yes.
Q. Okay. Do you -- did you -- did you ask counsel, you know, well, why don't we take into account the forgiveness provisions or the cancellation provisions of the promissory note?
A. Well, we had the amortization schedules; and when we looked at the amortization schedules, we were asked to pull the amounts, to use the names on those

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schedules, but to include the total loan amount.
Q. So, including the loan -- including the amounts here, you did not take into account to what extent there was a valid loan obligation or balance under the terms of the promissory notes?
A. There were no adjustments to the numbers. They're the original loan amount.
Q. Okay. Let's talk a little bit about the next two columns together, commissions and quarterly bonuses.
A. Yes.
Q. Okay.
MR. SADLER: Before you ask that, the receptionist indicated I need to step out. Can you just give me like 90 seconds and I'll be right back.
MR. NIELSEN: Well, let's just take a quick break.
(Off the record 12:42 p.m. to 12:49 p.m.)
Q. (By Mr. Nielsen) Okay. Before we broke, we were -- I'm going to talk to you a little bit about the next two columns kind of together, the CD Commissions and the SIBL Quarterly Bonuses columns.
Do you -- we were talking a little bit about there were FA's who made personal investments in Stanford CDs. You're aware of that. Right?

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A. Yes.
Q. Okay. Do you know whether those FA's were paid commissions on their own personal SIB CD investments?
A. No, I don't.
Q. Okay. So, I assume sitting here today, the figures in these two columns, you don't know whether that includes any commissions the FA's may have received on their own personal CD investments?
A. No. I can't say one way or the other.
Q. Do you have any -- are you offering any opinions on the reasonableness of the amount the FA's received in connection with the sale of SIB CDs?
A. Only that it's higher than you would expect for generally selling these type of services.
Q. What type of services?
A. For selling the CDs.
Q. Generally higher than you expect for a U.S. certificate of deposit, is what you're saying?
A. Yes.
Q. What is the normal rate of a U.S. certificate of deposit?
A. Well, I know at -- I think at Stanford, at least, it was .05 percent to .125 percent.
Q. Okay. But I think as you noted in your

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declaration, Stanford International Bank really wasn't like a normal U.S. bank as we think about it, was it?
MR. SADLER: You can say that again.
A. No, it was not.
Q. (By Mr. Nielsen) I may have just made the biggest understatement in the case so far.
Regardless of whether it was true or not, what was purported was that the Stanford International Bank would take this money and they would go invest it all over the world in different types of investments. That's what people generally were told. Right?
A. What the investors were told by their FA's?
Q. Yes. Right.
A. I suppose that's what they told them.
Q. Well, that's what the FA's were being told by the bank, wasn't it?
A. That they were investing it in different equities and -- yes.
Q. Okay. So, wouldn't you agree with me that the function of the Stanford International Bank CD was really much different investment than a traditional U.S. bank CD, wasn't it?
A. Well, while I might agree with you on that, that's not really how it was sold. It was sold to have many of the same characteristics.

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Q. But the Stanford International Bank CD had much more of a characteristic of a investment in a hedge fund, for instance, or some global macro economic mutual fund, which was much more a reality of what that money was purportedly being used for, wasn't it?
MR. SADLER: Objection; form.
A. Well, what was being sold is a certificate of deposit at a stated rate.
Q. (By Mr. Nielsen) That was higher than what was offered at a traditional U.S. bank. Correct?
A. Yes.
Q. And what was purported by the bank was they were able to offer those higher rates because of the investments that they made with the money they received?
A. Yes.
Q. Okay. Which were much different than what a U.S. bank generally does with the money it gets?
A. That's correct.
Q. Okay. So, did you -- so, when you're coming -- when you're thinking that -- when you're saying that the commission, the money that was paid off the sale of an SIB CD was higher than a standard U.S. bank CD, when you come to that thought, do you take into consideration the economic realities of the

two different investments and the rate -- higher rate of return that's offered on one versus another when coming up with how -- whether the commission is reasonable or not?
A. From how the FA's would have seen it?
Q. I'm asking how you see it. Did you take that into consideration?
A. Well, if you look at the fact that you're paying a higher rate on the stated rate and your investments are much more risky, I think you would look at that and think that that was a high rate to be getting.
Q. Do you know -- you said earlier you're not familiar with the standard commission rates on the fixed income products. Correct?
A. I'm not, no.
Q. Okay. And on private equity products. Correct?
A. That's correct.
Q. Okay. Or other alternatives that the brokers may have put clients in as opposed to the Stanford CD?
A. No. Except that I know that they were all less than what they were getting here.
Q. I don't understand.
A. I think that they were getting more on these

commissions than they would get generally if they were using other more traditional investments.
Q. You think that the commission on other fixed income products is less than one percent?
A. It's calculated differently, I believe, but I think they ultimately were making less.
Q. But if you don't understand the general commissions on fixed income products, how can you say that to be true?
A. I know what in Stanford they were calculated, how they were done for -- generally for portfolio management.
Q. Okay. I'm asking just about fixed income products away from Stanford. Any offer by anybody else, by U.S. banks, by other entities besides Stanford International Bank, how does the rate on commissions of a fixed income product or a hedge fund or private equity investment compare to one percent for a Stanford CD?
A. Okay. You're saying hypothetically if you're not --
Q. Yes.
A. -- at Stanford --
Q. Correct.
A. -- you're at some other bank and you sell a

fixed equity?
Q. I'm asking if you're at Stanford, if you just sell a fixed income product, not offered by Stanford, offered by someone else, do you know what the commission on that would have been?
A. I've seen calculations of how they -- the overall management of the portfolio.
Q. But that's a fee-based account. Correct?
A. In part. There's a percentage on that.
Q. I'm asking just straight commissions on buying a fixed-income product that they -- that the folks at -- the FA's could have bought while at Stanford, but a fixed-income product offered by someone else other than Stanford. Do you know what the commission would have been on that?
A. No, I don't.
Q. You did an excellent job in explaining the Branch Managing Director Compensation, so let's just skip over to the Severance Payments.
Again, we talked earlier that this is a payment that certain people received in connection with the termination of their employment with Stanford Group Company. Correct?
A. That's correct.
Q. And in connection with that payment, there

were severance agreements entered into between the employee and Stanford Group Company. Correct?
A. I presume there were agreements.
Q. Okay. Did you review the agreements?
A. No.
Q. Okay. Why not?
A. I received the amounts that were paid from the HR.
Q. Did you ask for the agreements?
A. I don't recall. Perhaps some of my staff did.
Q. Okay. Do you know the circumstances as to why any of the people listed in Exhibit A received severance payments?
A. Not as I sit here, no.
Q. Okay. Do you know how the severance payments were calculated or come up with how someone came up with that amount to pay these people?
A. No, not specifically.
Q. Do you have any reason to believe it had anything to do with the sale of Stanford International Bank CDs?
A. I can't speculate one way or the other.
Q. Okay. But sitting here today, you have no facts that would indicate these amounts have anything to do with the sale of Stanford International Bank CDs?

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A. I can't speculate one way or the other.
Q. I'm just asking: Do you have any facts that would indicate that these amounts were calculated or come up with based upon the sale of Stanford International Bank CDs?
A. No, I can't say one way or the other.
Q. So, if you did not review the severance agreements related to these payments, I take it that you did not take into account any of the provisions of the severance agreements in coming up with your columns?
A. Well, to the extent whatever the provisions were impacted the amount paid, I picked up the amount that was paid. So, they would be reflected in the payment.
Q. Is it your general experience that when someone gets a severance payment, they do sign an agreement that contains releases of claims?
A. Generally. It depends, I think.
Q. Okay. But you understand that is one common way of doing severance?
A. That can be one way.
Q. Was it important to you to understand whether there was some release by the entities that the Receiver represents relating to the payments, the

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severance payment?
A. Not for purposes of this, no.
Q. Okay. Because for this, I take it what -- you know, I take what your testimony is that you just look at whatever amount was paid, but anything else, any of the other terms of the severance you didn't take into account?
A. I did not make any revisions for that, for any of those --
Q. All right.
A. -- if they existed.
(Exhibit No. 3 marked.)
Q. (By Mr. Nielsen) I'll show you what's been marked as Exhibit 3, which ironically is called Exhibit 2. I'll represent to you, and I think Mr. Sadler can confirm this, that this is Exhibit 2 in the appendix to the Receiver's April 19th injunction and attachment application. If you'll look through this, do you recognize this document?
A. I remember seeing this in the -- attached to the application.
Q. Okay. Did you have anything to do with preparing this document?
A. We may have provided some of the information. To my knowledge, FTI did not prepare this document.

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Q. What information do you think you may have provided? I say "you" being collectively FTI.
A. I can't speculate. I don't know if we provided it or not.
Q. Okay. Well, based upon your work on the Stanford case, the last column there, Net Worth as of April 14, 2010. Do you see that?
A. Yes.
Q. Do you have any reason to believe that is that particular person's actual net worth, or do you believe that actually is just the amount or the balance in the particular account named?
A. Well, if you look at the name of the production here, it's SGC STC Held Accounts. So, I believe that to be the net worth on April 14, 2010, of the held account.
Q. Each of those accounts. Okay.
A. Yes.
Q. In connection with the services that you provided to the Receiver, in connection with their application -- you understand we're here today because the Receiver wants to hold on to these accounts in Exhibit B past June 1st. Right?
A. I think it's broader than that, but I know that there's an application that involves many things.

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Q. Okay. So, in connection with your work with the Receiver, have you done any work to assess the financial condition of the people whose accounts are listed in Exhibit B of your April 2010 declaration?
A. Independently their financial position, no.
Q. Do you or FTI know anything about the people whose accounts are reflected here, their ability to satisfy a judgment should the Receiver prevail on their claims?
A. As I said, I've not done any work in that regard.
Q. Okay. I'm going to ask a few more questions, and then I'm going to let Mr. Stanley hop in here.
You're generally aware that at the outset of the receivership back in February of 2009 that the accounts -- the financial advisor's accounts at the clearing firms for Stanford were frozen. Right?
A. Yes.
Q. Okay. And over time, some of those people have had those balances released; others haven't. Right?
A. For the financial advisors?
Q. Correct.
A. I believe some of them have, yes.
Q. Okay. You're aware that with regard to the

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financial advisors with the frozen accounts, that those financial advisors had no access to those accounts except to liquidate positions. Correct?
A. I don't know that one way or the other.
Q. Okay. Do you believe that the financial advisors were given the right to use the funds in those accounts to manage the securities, buy, sell, trade securities?
A. The amounts in their individual?
Q. The amounts and the security positions, were they allowed to have -- go in there and like you and I would do with our securities account, go in there and sell positions and use that money to buy another security? Do you have any reason to believe the financial advisors were able to do that?
A. After the receivership?
Q. Correct.
A. I do not believe that they were.
Q. I agree with you.
At the time of the receivership, how would you describe the general economic condition in the United States?
A. Well, we were clearly in a recession at that time.
Q. Very significant economic downturn?

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A. Correct.
Q. And would you agree with me that the U.S. securities markets were in a steep decline?
A. I think they were still declining in '09, yes. February '09, yes.
Q. They hadn't rebounded in February, had they?
A. Not generally, no.
Q. Now, since the receivership, have the securities markets improved?
A. Some, yes.
Q. Well, they have, in fact, haven't they?
A. The overall markets, yes.
Q. Okay. And so, you'll agree with me then that the financial advisors with frozen accounts haven't been able to manage those accounts to participate in the market rebound since the receivership. Correct?
A. To the extent that it's true, that they could not access their accounts, they would not be able to do that.
Q. Okay. When you were coming up with the amounts, the spreadsheets to support the claims of the Receiver, did you look at the market rebound that the financial advisors weren't able to enjoy and consider that in coming up with the amount the Receiver should be suing them for?

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A. No. That's not part of what we were asked to do.
Q. Okay. Would you have had the ability to do that?
A. We could consider that. I mean, you could -- you would have some information to do that. You'd have to look at specifically what was invested and what happened.
Q. Okay. Are you aware of any banks or broker/dealers making an effort to purchase Stanford Group Company during the pendency of this receivership?
A. I don't recall specifically.
Q. Are you aware of any offers that were made by anybody, by any banks, broker/dealers, to purchase Stanford Group Company?
A. Not specifically, no.
Q. You say "not specifically." Do you know generally?
A. No. I'm just saying I -- during the pendency of the receivership, I've heard different things as to, you know, what they were trying to do and that there might be offers. Whether there was actually any, I don't know.
Q. You don't know. Okay. Well, I'm going to let Mr. Stanley start asking some questions.

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A. Okay.
EXAMINATION
BY MR. STANLEY:
Q. Good afternoon, Ms. Van Tassel.
A. Good afternoon.
Q. My name is Michael Stanley; and we haven't met before, but I represent a number of the financial advisors in this case.
I'm going to -- I want to just pick up on one of the last few issues you were asked about, and then I'll try to go into some of the -- some other issues. You were asked towards the tail end of this examination about the held accounts on Exhibit No. 2. It was Exhibit No. 3. It's marked Exhibit 2, but the last one you looked at.
A. Yes.
Q. And do I understand correctly you do not know who prepared this exhibit?
A. I do not know.
Q. Okay. And do you know what information -- where the information on this exhibit came from? In other words, what the source documents were that gave rise to this spreadsheet.
A. I do not.
Q. Okay. You, yourself, did not provide

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information to either your team members or the receiver to provide -- to prepare this exhibit?
A. I did not personally do that.
Q. Okay. And do you know of anyone on your team that was involved in that task?
A. I don't know specifically, no.
Q. Okay. Through the documents that you've had access to -- I understand there's a database that has a lot of this in it. Do you have access to the account statements for the financial advisors that are reflected on this exhibit?
A. The account statements for these accounts?
Q. The frozen accounts, yes.
A. We have access to Pershing, which would have account statements.
Q. Okay. Have you or members of your team had a chance to see and review those documents, statements?
A. Not that I know specifically.
Q. Okay. Would you agree that the financial advisors -- well, let me ask it differently. From the documents that are available to you, have you seen any evidence that the financial advisors have had the ability to manage their frozen accounts over the last year?
A. Just in the court documents I've seen, to the

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extent they were frozen, I do not believe there was any access to them.
Q. Okay. You haven't -- and from either statements or court documents or whatever you've been privy to, you haven't seen any evidence that they could direct whoever is holding the account to buy securities or other assets in those accounts?
A. I told you what I've seen. It's limited to that.
Q. Okay. Now, do you think that the ability to manage your own account is important to the account holder?
A. I can't speculate what they would want to do.
Q. Well, you've testified in securities cases and worked on things like this. Do you understand that as the markets go up, investors often want to take advantage of buy opportunities in their accounts?
A. They could.
Q. Okay. And there are rewards or gains that could be made when people take advantage of those opportunities. Right?
A. If it goes up.
Q. Right. And since these accounts were frozen a little more than a year ago, the market has gone up substantially, hasn't it?

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A. The overall market has, yes.
Q. And to your knowledge, none of the accountholders have been given the opportunity to take advantage of buy opportunities in this rising market with the frozen accounts. Is that right?
A. I think what I said was is I understand to the extent they're held that there's not been access given to the accounts.
Q. And as a result of them not having access to their account, they have not been able to take advantage of any buy opportunities in this rising market, have they?
A. They have not been able to access their accounts, that's my understanding.
Q. Okay. Now, let me ask a little bit about -- just a little background and we'll come back to some of these issues.
When were -- when was FTI first engaged in this matter?
A. By the receivership?
Q. Yes.
A. We began February 15, 2009.
Q. Okay. That was I believe the day before the receivership orders or --
A. That's correct.

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Q. Okay. And prior to that, you all had not been involved in looking at the Stanford matter?
A. No.
Q. Okay. And so, first, were you the engagement partner?
A. Well, we don't have partners --
Q. Okay.
A. -- because we're a publicly-traded company. I'm the senior managing director who oversees FTI's work.
Q. Okay. And were you the one, then, that was approached and said we'd like to get FTI involved in the Stanford receivership?
A. Yes.
Q. And that started, your recollection, the day before?
A. Two days before we came in, yes.
Q. Okay. Now, you've had a number of people working on this matter in the last year, haven't you?
A. Yes.
Q. How many people do you -- can you give me an estimate have worked from FTI on the Stanford matter?
A. At different times, we've had over a hundred.
Q. Okay. And that's not just here in the Houston office, it's throughout the country?

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A. We've had people from other FTI offices involved, yes.
Q. Okay. You've -- we've seen and we'll talk about the two declarations that you've signed, Exhibits 1 and 2 to your deposition. In addition to those declarations, did you prepare and sign off on any other affidavits or declarations?
A. Yes.
Q. Okay. What other declarations and affidavits have you signed off on?
A. There's been quite a few. I don't have a listing in front of me of all the affidavits.
Q. Okay. Do you recall what matters they were in?
A. They were -- I can talk about the jurisdictions and the matters that related to -- there was one that related to the Chapter 15 proceeding. I think all of them have actually been filed under the proceeding of -- the main proceeding, which is the SEC case.
Q. The one pending in Dallas?
A. Correct.
Q. Okay. So, there's a Chapter 15. Have you filed any declarations or sworn statements in any of the foreign proceedings?

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A. Yes.
Q. Okay. Which ones do you recall providing testimony?
A. I provided testimony in jurisdictions that include Antigua, Canada, London, and I believe Switzerland.
Q. And then for the testimony you've provided inside the United States, you believe all of that, in one manner or another, has been filed in the Dallas proceedings?
A. I think there was one declaration that was in the Northern District of Texas, and I think it was another proceeding. I can't tell you what it is.
Q. Okay. Was that one of the cases in the MDL litigation, or do you recall?
A. I don't recall.
Q. Okay. Are there any other declarations or affidavits you can think of?
A. No.
Q. Have you given any deposition testimony in any of the Stanford-related matters?
A. No.
Q. Okay. So, everything that you have testified on has been in the form of a written affidavit or declaration?

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A. That's correct.
Q. Okay. Now, after -- once FTI got involved, two days before the receivership, did you know immediately what had happened at Stanford?
A. That's a very broad question. What do you mean what had happened at Stanford?
Q. Did you have the information available to you to conclude that there was a Ponzi scheme, right at the inception of your engagement?
A. No.
Q. Okay. How long did it take you until you reached that conclusion?
A. I believe by March I filed an affidavit and in that indicated that it had been a Ponzi scheme.
Q. Okay. And at the time that you filed that, had you been able to figure out all the flows of moneys, that you've talked somewhat already about today?
A. All the flows of money?
Q. Yes.
A. I don't know that we'll ever get through all the flows of money.
Q. Okay. So, you had an initial opinion, but you didn't have it all figured out at that point, did you?
A. You asked if I had looked at all the flows of

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money.
Q. Yes.
A. That's different than the question you just asked me.
Q. Okay. So, I take it from your prior comment, you haven't figured out even today all the flows of money and you don't know if you'll figure that out. Right?
A. As it relates to -- are you talking about the Ponzi scheme?
Q. Well, the Stanford operations, where the money came into, where it went, how it was sent out, had you ever figured that out in early March?
A. In general terms, yes.
Q. Okay. Had you -- what was necessary for you to get to that point where you were able to reach that conclusion in March?
A. We had done significant analysis of the assets that were available, the cash flows that we had available to us, interviews of what had happened, review of documents showing falsified revenues going back in time. Evidence of falsified assets going back in time. Substantial financial analysis of cash flows and other financial metrics, I guess.
Q. Okay. And that was analyses that you were

able to perform after the Receiver stepped in and you gained access to a lot of documents. Right?
A. Yes.
Q. Okay. As you -- and I believe I've read in one of your affidavits, you all went through kind of a gathering, document gathering task as part of your original charge to get your hands around the documents and put them together. Is that right?
A. That's correct.
Q. All right. Is that task still ongoing?
A. Yes.
Q. Okay.
A. Let me -- can I go back?
Q. Sure.
A. Because I was thinking about this. You know, when I referred to that was the first opinion that I came out with on a Ponzi scheme, I think we knew very quickly that it was a Ponzi scheme, had to be a Ponzi scheme. So, it didn't take all of that data analysis to come to that conclusion pretty quickly.
Q. Okay. And then you went through the data gathering and analysis to, I guess, support your findings or your beliefs?
A. That's correct.
Q. Okay. Now, you've seen that the regulators,

both industry regulators and government regulators, have been involved at Stanford in various points in time. Right?
A. Yes.
Q. SEC and FINRA and overseas regulators have had different views or looks at the company over the years. Right?
A. Yes, they have.
Q. In your reviews, did you -- I'll come back to that in a minute. Let me ask something else about the documents.
As you gather these documents, FTI has compiled a fairly large database of documents. Isn't that right?
A. We have a fair -- we have a large amount of documents. They're not necessarily in a database.
Q. Okay. I believe in your first affidavit, or last summer in the SEC case, you mentioned how a database had been compiled that had over 40 terabytes of information and two and a half million documents at that time.
A. Yes.
Q. Okay. The database has grown substantially since then, hasn't it?
A. That has. That's referring to specifically an

electronic database that we have. That's not all the documents we have.
Q. Okay. Let's maybe try to identify, then, maybe the kind of universe of your sources of information to help you reach these opinions. Okay? The electronic database, roughly how many documents are in it now?
A. I really have no idea.
Q. Okay. I think at one of the proceedings in the criminal action, I heard it was over five million documents last fall. Does that sound fair?
A. I don't know if that was referring to our database or not.
Q. Okay.
A. Others have different databases, so I can't say one way or the other.
Q. All right. Tell me about your database, the electronic one, what does that consist of?
A. We have loaded in certain custodians, either e-mail or hard drives data that we have in electronic format.
Q. Okay. And when you say "e-mail and hard drives," are you talking about e-mail and hard drives that come from the financial advisors and other employees of Stanford?

A. That's correct, yes.
Q. Okay. As well as any other Stanford-related electronic documents that you-all found?
A. Yes. Correct.
Q. Okay. And in addition to this electronic database, what other documents have you put together?
A. There's many paper documents that are financial statements, marketing materials, training information, bank account statements. I'm trying to think what other general sorts of paper. HR records. Wire data.
Q. Accounting documents?
A. Accounting documents. We have both electronically and, as I said, in paper.
Q. Okay. Where are the paper documents kept?
A. Our files?
Q. Yes.
A. We still have some out at the facility at 5051 Westheimer, and in our offices.
Q. Okay.
A. There's many other, you know, electronic pieces of information we have.
Q. Okay. And where do those documents come from?
A. Well, we talked about the Temenos database.
Q. Okay.

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A. That would be a large portion of the data that we have available to us.
Q. And I think Mr. Nielsen asked some questions on this. These documents you have amassed, these databases you've put together, have you shared access to those databases with others other than the Receiver?
A. No. I don't believe we've shared access to our database.
Q. Okay. So, you -- have you shared documents that have come out of the database?
A. We have been asked to produce some documents, yes.
Q. Okay. So, in various litigations with other parties, you-all have gone to your documents and pulled them out?
A. We have, yes.
Q. Okay. When you were asked to prepare these declarations and either come up with information or confirm information in the draft declaration, do you go to your documents, either your database or the hard copies, to look for the support for your opinions?
A. Well, generally what had happened is we had come up with our analysis and discussed it and that's what got into the draft. So, that support had already been provided. So, we would have that. It wasn't that

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we were getting this information and we'd go look in documents and see if we had something that supported that. Our analysis was the basis for what would go into the declaration.
Q. Okay. And so, let me maybe streamline it a little bit. This database of documents that you've assembled provides the support for opinions that find their way into your declarations and affidavits. Is that right?
A. And, again, you're just referring to the database of e-mails. As I said, there's more than one database, so I just want to make sure.
Q. Let me identify which ones. There's the e-mail hard drive database. Right?
A. That --
Q. Is Temenos a separate database?
A. Yes.
Q. Okay. How many databases do you-all have?
A. We have financial systems. I'm putting this into the large bucket.
Q. Sure.
A. We have the -- and that would, I guess, include Temenos. We have databases that include -- when I talk about e-mail and hard drives, it would be files that were contained on hard drives. We have

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databases that include PDF documents that we've PDFed and included in the database. Those are the general categories, I think, of databases that we have that would be based on these opinions -- or these opinions would be based.
Q. Okay. And then -- and I'll --
A. In addition to paper documents.
Q. All right. So, you have paper documents, and then you have, in general, these three classes of databases, electronic one that has e-mails and hard drive files. You have financial systems, and then you have PDFs. So, I take it those would be documents you have scanned and put in some electronic format so you can use them.
A. That's correct.
Q. Okay. And when you have rendered your opinions in these various written statements, you have drawn upon all three of those databases, you or your people working with you, to get the backup and support that justifies your opinions. Is that fair?
A. That's correct.
Q. Okay. Other than those sources of information, do you have other sources of information that you've relied upon in forming your opinions?
A. I think they're listed in here. There's

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interviews that were part of our opinions.
Q. What else besides interviews?
A. In large categories, I think we've gone over --
Q. Okay. So, the --
A. -- what we've relied upon.
Q. So, the documents we've identified and then interviews. On Exhibit No. 1 --
A. Let me -- actually, let me add -- because we have court filings. That would be, I guess, in a paper documents and some electronic. We have some public information we've downloaded that would go into there. I think those are the broad categories.
Q. Okay. If you'll put in front of you Exhibit No. 1 to your deposition. It's your affidavit from last -- or declaration from last summer. Do you have that?
A. Yes.
Q. And then on Page 37 of your declaration, there's a list of some of the interviews you had conducted, at least as of the time of that declaration. Is that right?
A. That's correct.
Q. And the wording in your declaration was that list includes some but not necessarily all of the

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people you interviewed?
A. Yes.
Q. Did you personally conduct the interviews of the people that's on Page 37?
A. Some of them.
Q. Okay. Which ones were you involved in?
A. Patricia Maldonado, Laura Holt, Gill Lopez. And I should say some of these were more than one interview and I was involved in one of them. There may have been other interviews that I wasn't involved in.
Q. Okay.
A. Henry Amadio, Kerry Jackson, Denise Groves, Tarrie Patlan, Charles Weiser, Osvaldo Pi, John Varkey, Mark Collingsworth, Oscar Leal, Pam Ward, Anne Severtson, Ken Weeden.
Q. Okay. Did you make notes at these interviews as you had discussions with these various people?
A. Did I?
Q. Yes.
A. No.
Q. Okay. Was someone with you or anyone else at that meeting that made notes?
A. Yes.
Q. Okay. Who participated in these interviews with you that made notes of those discussions?

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A. Generally, we would have someone from Baker Botts.
Q. Okay.
A. And we would have someone else from my team.
Q. All right.
A. Sometimes more than one other person from my team.
Q. Who from your team participated in these interviews?
A. I can tell you the ones I know. I'm sure there are others.
Q. Okay.
A. I know Jeff Ferguson, Brian Ong, Patrick Beaman, Jim Scarazzo, Tony Tabb. Those are the ones that I can recall being in the interviews specifically.
Q. Okay.
A. And others may have conducted separate interviews.
Q. Certainly.
Are there records other than this list at FTI that would identify who all you all -- who all you have interviewed?
A. Well, to be clear, these are where there was a formal interview. We've talked to in our, you know, work --

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Q. Sure.
A. -- many, many people. So, is there another place that that would be documented? No. I can't think of where we -- why we would have that somewhere separately.
Q. Okay. Were these interviews recorded, either by a tape-recording or someone like a court reporter taking down the statements of the individuals?
A. None that I am aware of, no.
Q. Okay. Other than the notes, is there any record that you're aware of that would reflect these interviews?
A. No.
Q. Okay. In addition to gathering documents and conducting interviews, one of the things you identified in your declaration was tracing funds. Was that something you-all have been engaged in for the better part of a year or so?
A. Yes, that is part of what we've been engaged in.
Q. All right. And you've also been analyzing different accounts. Is that right?
A. Many different kinds of accounts, yes.
Q. Different kinds. There's certainly the corporate accounts of the Stanford-related entities.

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Right?
A. The accounting, when we talk about corporate accounts, that would be the accounting information.
Q. Okay. And in addition, y'all have looked at individual accounts, whether they're investors or financial advisors. Is that right?
A. Yes.
Q. Okay. This effort that you put in over the last year and a few months, your firm has billed in excess of $10 million, hasn't it?
A. Yes.
Q. Okay. How much has been paid so far?
A. I think we have received about $12 million.
Q. Okay. Now, ironically that --
MR. SADLER: I don't think those numbers add up.
A. Well, he said you've billed in excess of 10 million. We have.
MR. SADLER: Okay. All right. I thought you said 10 million.
MR. STANLEY: No, it's over 10 million, but I know, you know, there's some time and things getting paid.
Q. (By Mr. Stanley) But you've been paid over $12 million so far?

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A. To date, yes.
Q. Okay. Ironically, that's with money that -- have you traced it coming from the sale of CDs?
A. No. I've not traced that.
Q. Okay. Well, do you have any opinions where that money came from?
A. That money came from a variety of places. Sale of assets.
Q. Okay. The company has been liquidating assets?
A. Yes.
Q. All right. We're going to talk about the assets in a minute, I think.
In your most recent affidavit -- you can get that in front of you. It's Exhibit No. 2. In the third paragraph, you describe Exhibit A and you were questioned at length about Exhibit A. I'll ask you a few things about the first column, loans, that's one of the items that you said you looked at. Correct?
A. Yes.
Q. The employee loans are not unusual in the securities industry, are they?
A. I think we've discussed that. They are done in this industry, yes.
Q. I mean, it's a common practice that firms give

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these forgivable loans to employees to get them to come over to their company. Right?
A. I would say it's common practice that there are payments made up front, whether they're forgivable loans or not. They're different in different entities.
Q. Now, you had testified a little bit earlier that you didn't know if these were forgivable loans or not. Are you unsure about that?
A. I don't think that's what I testified.
Q. Okay. Do you remember if the loans that were given to the employees that came over to Stanford were forgivable loans?
A. I think that the provisions -- what I was asked is whether I recall the specific provision. I know that they are -- they were generally forgivable loans.
Q. Okay. So, you -- and I misunderstood -- maybe I missed the question earlier. You were talking about you don't remember the exact term, but you do know that in general these loans were forgivable loans and that the employee would come over, be given a loan, and that over a certain amount of time the employee stayed with the company, those loans were forgiven?
A. In general, yes.
Q. Okay. And from your review or your team's

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review of the documents, is that what you understood about the loans that the employees had at Stanford?
A. As I just said, in general, I think that's true.
Q. Okay. Do you remember anything that didn't fit that general category? Did you see loans that were not forgivable or that had some term that jumped out at you that was unusual?
A. No.
Q. Okay. Now, what's your understanding of why the financial advisors were given these loans?
A. They were given these loans as payments incentives for coming to Stanford.
Q. And there's nothing in the loan term, the terms on the loan agreement, that says the forgiveness of the loan is based upon your CD production, is it?
A. As I think I testified before, no, I don't believe that is.
Q. Okay. And from your analysis of the financial advisors and their different levels of production, you've noticed, have you not, that there are a number of financial advisors that have large amounts of loans but have very little CD production?
A. There are -- I guess it's all relative. What was your question again? I'm sorry.

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Q. Well, you know that the employee, when he came over and engaged in this loan, was still free to sell what he wanted to, wasn't he?
A. Yes.
Q. You haven't seen anything that says the only way your loan is forgiven is if you sell CDs?
A. That is not in writing, no.
Q. Okay. And from your analysis of the numbers, you know that there are a number of financial advisors out there that came over, received loans, but relatively speaking did not sell that great a percentage of CDs. Right?
A. There are -- I see one, two. There are a few where there are upfront loans and we do not show CD commission payments or payments in other of the five categories to the right.
Q. Okay. And you're looking at Exhibit A to your declaration to come up with that answer. Right?
A. That's correct.
Q. Okay. While you have that in front of you and looking at the loan column, if I understand your earlier testimony right, the number that you put in the loan column by the different financial advisors is a -- is the gross amount of the loan. It's not net of any taxes paid or anything else that was set aside, is it?

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A. That's correct.
Q. Okay. And this number -- did I understand you correctly that you were only trying to reflect loans paid or loans funded to the brokers from 2005 through 2009?
A. Not necessarily. They were loans that were -- to the extent there was a loan outstanding as of January 1, 2005, those were included, the upfront loan was included. A payment may have been made outside of that time period.
Q. Okay. So, when you say "outstanding," what are you meaning by that?
A. To the extent that as of January 1, 2005, there were unamortized or forgiven -- unforgiven amounts on these loans. For these holders, the full amount of the loan was included on this schedule.
Q. Okay. So, let me -- I think I get it. Now I'll try to break it up into bite-size pieces. Okay.
Did you see schedules at the company, SGC or any of the companies, that were amortization schedules for these loans?
A. Yes.
Q. So, for example, a financial advisor that had a million-dollar loan forgiven over five years, five years it would drop by $200,000 each year until he had

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stayed at the company for five years and was totally forgiven. Right?
A. If that was the provisions of the loan.
Q. I'm just picking that one as a hypothetical. And are you telling me that if that loan had been funded back in '02 and had been gradually forgiven but there was a penny left on it, on January '05, you scheduled this for the full amount of the loan?
A. That's correct.
Q. Okay.
A. If there was any amount.
Q. Penny or higher. Any amount left on that loan, had it been forgiven on, you know, January 1 of '04, it doesn't show up on your schedule. Is that right?
A. That's correct.
Q. Okay. But regardless of the amount that was owed on the loan, you scheduled it on Exhibit A at the full originally funded amount?
A. Irrespective of the amount that was remaining unamortized per the schedule, we, on this schedule, have included the full amount of the loan.
Q. Had you ever -- okay. So, just to be perfectly clear, column titled loans does not reflect any amounts of the loan forgiven over time based on the

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terms of the loan agreement?
A. It includes the full amount of the loan.
Q. Right. So, my question was: It does not reflect, then, any credit for amounts forgiven, according to the terms of the loan documents, does it?
A. That's correct.
Q. If a financial advisor repaid some of the loan but not all, in cash, if he turned around and paid back the loan, does this schedule reflect a credit for the amount that the financial advisor paid?
A. Actually, I think that it does. I think there were circumstances perhaps where that occurred. And if there was actually a payment, that may have been reduced. I'm not certain on that.
Q. Okay. If the payment is not reflected on the column for loans, is that an error?
A. Not necessarily.
Q. Was your intent in making this loan listing here to reflect the amounts that had been funded less any repayment by the broker?
A. What we were requested to do was to include on this schedule any amounts that were the original loan amounts. I think there may have been some adjustment because of specific circumstances. If there was some cash amount, if there was reductions. But in general,

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it is the full loan amount.
Q. Okay. Had you made any effort to figure out how much was actually outstanding on the loans based on the amortization schedule?
A. Well, I had the amount as of that date that was unamortized.
Q. Okay. So, you had those numbers -- when you prepared this exhibit to your declaration, you had previously seen and knew the numbers of the actual amounts outstanding under the terms of the loans. Right?
A. From an accounting perspective, what had been unamortized is what we were using.
Q. Okay. And this schedule, however, reflects the full amount of the loans, and that amount is greater than the unamortized amount, isn't it?
A. It could be greater or the same. I mean, if there were no amortization at that point, so --
Q. You know that's not the case.
A. No, that's not -- well, the amount that would be at any given time, if it was close to that time, there may not be an amount that's amortized. So, the original loan could be the same amount as the unamortized.
Q. It could be, but when you had the numbers of

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all of the loans outstanding, unamortized amounts under the loan agreements and the books of the company. Right?
A. Yes.
Q. You knew that that amount was actually less than the amount that went onto Schedule A. Right?
A. It could be less. It could be the same, as we just discussed. We included the full amount of the loan.
Q. Well, what was it? Was the unamortized amount the same as the full amount?
A. I just said it could be --
Q. I'm talking about the total amount. I'm sorry. You're talking about per individual. Right?
A. Yes.
Q. Okay. Let's do it -- I was -- I apologize I was asking kind of in an aggregate form. Okay? The amount -- if you were to go down the loan amount here on your schedule --
A. Yes.
Q. -- and add up the -- all the amounts on here, you would have a number that is greater than the number from the books of the company and the loan agreements of the FA's that was owed under the terms of the agreement. Right?

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A. As of what date?
Q. As of the date you prepared this schedule, 3/26/10.
A. I didn't have a schedule as of that date.
Q. Well, you knew that the -- you had seen how much the financial advisors owed under the terms of their agreement and as reflected on the books of the company. Right?
A. As I said, I had the unamortized portion as of January 1, 2005. That's from which I based this analysis.
Q. This analysis here?
A. Yes.
Q. You've seen the documents -- well, let me ask. Maybe you haven't. Since 2005, did you understand that under the terms of the loan, further portions of these loans were forgiven?
A. Yes.
Q. Okay. So, that number -- that aggregate number from 2005 would have gone down over time as additional tranches were forgiven of the different loans. Right?
A. As long as you're talking about the exact same number of advisors. The total amount might be higher because you added more.

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Q. Okay. The individuals' obligations went down over time when they would hit their respective one-year mark or whatever the term would be under the contract. Right?
A. Yes.
Q. Okay. And the number here is set in stone or locked in as of January '05, is what you're saying?
A. No.
Q. Well, the number for existing loans -- back up.
There were loans that were in existence in January of 2005. Correct?
A. Correct.
Q. And since that time, additional loans have been made. Right?
A. That's correct.
Q. All right. For the loans that were made after January of 2005, you've scheduled them on this exhibit at the full amount of the loan that was funded. Is that fair?
A. That's correct.
Q. Okay. And even if they got their loan on January 2, 2005, and had two or three tranches forgiven over time, you didn't base your numbers on the terms of their note or the schedules at the company; you just

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went back to that full funding at inception?
A. It is the full amount of the loan for all of these individuals.
Q. And so, am I correct that you did not reflect, as you put these individuals down on here, any forgiveness if their loan originated after January 2005?
A. That's correct.
Q. Okay. Now, for the loans that were already in the hopper on January 1, 2005, if they owed a penny, you likewise put them down for the full amount. Is that right?
A. Any amount owed, we included them on the schedule and it was for the full amount of the loan.
Q. Okay. And by its very nature, then, putting them down for the full amount in the schedule results in the number that is higher than the amount that the financial advisors would owe if you were to calculate the forgiveness terms and what portions had been forgiven. Is that right?
A. It would depend on at any given time and what that amount would be. You're not being specific as to time. And you're going from aggregate to specific individuals. So, why don't you be clear on what you want me to answer.

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Q. Well, either way it's the same thing. On an aggregate basis, booking it at the full amount of the loans gives you a number that's higher than all of the loans with one or more that have pieces forgiven of them. Right?
A. You are booking at the full amount of the loan, not at an amortized amount.
Q. Okay. Did the company keep records of the -- well, I've already asked you that. The amortization.
Let me ask you about Schedule B to your exhibit, please. I just want to make sure I'm clear on something here. These are the -- this is a list of people that, from your records and analyses, have had invested in CDs themselves. Right?
A. These are -- yes. These are financial advisors that had CDs, SIB CDs.
Q. Okay. So this would reflect those that purchased CDs for themselves. Correct?
A. That's correct.
Q. Okay. And if you wanted to know if they were net losers or net gain -- had net gains on their investment, you would look to the second column. Right?
A. That's correct. It would be -- I'm not sure net gains is the correct term. To the extent that you

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wanted to see those that received in excess of investments, that would be reflected on this. And if they were net losers, you would know that from this, too.
Q. That's right. And that's what I was trying to -- we talked -- you talked about the net gains earlier. Looking at this, the second column or the last column, it says "proceeds for former Stanford employees CDs," if there is no number there, from your analysis, that would tell us that the broker on that line was a net loser on the CD investment?
A. That's correct.
Q. Okay. We don't know the amount from the schedule, but that's something that you all have and can tell from the records you have. Is that right?
A. Yes.
Q. Okay. Have you done that analysis?
A. Yes.
Q. Okay. When you looked at the accounts that were frozen, did you notice that many of them are IRA accounts?
A. I haven't looked at that one way or the other.
Q. It's not reflected on your schedule; it just says Pershing or an account number, but do you understand that the financial advisors have IRA

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accounts that have been frozen?
A. I don't know if they include IRA accounts.
Q. Okay. As you've done your tracing analyses to figure out where CDs moneys went, did you undertake any analysis to see if moneys in the financial advisors' accounts came from CD proceeds?
A. That I specifically tied them in individually?
Q. Yes.
A. No.
Q. Okay. I take it, then -- and that's for any accounts of the financial advisors. Is that right? In other words, I'm not being IRA or regular brokerage account specific, I'm talking about for any account that the financial advisors have that have been frozen, you have not undertaken any analysis to determine if any dollars in those accounts came from investors. Is that right?
A. I have not done a specific analysis, no.
Q. Okay. From your review of documents, whether they're HR documents or the account documents, do you have an understanding as to whether or not the financial advisors had IRA accounts that rolled over from previous employers?
A. I believe that may be true, yes.
Q. Okay. And from the documents that you have,

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you know that it's clear that for those IRA accounts that rolled over, those were from moneys that were earned elsewhere, not from their employ at Stanford. Right?
A. For the amount that was rolled over --
Q. Yes.
A. -- that would be from funds received previous to Stanford.
Q. And you don't have any evidence or knowledge, do you, that money in those IRA accounts came from the sale of CDs or commissions earned on CDs or any other -- in any other way derived from the CD investments, do you?
A. As I said, I don't have any specific analysis on that. I've not been asked to do that.
MR. STANLEY: Okay. Stop for just one second.
(Off the record 2:00 p.m. to 2:01 p.m.)
Q. (By Mr. Stanley) I want to ask some kind of general questions, and a lot of it comes from the first affidavit you did last summer. Okay? In Exhibit No. 1 to your deposition. It may not have been the first affidavit, but first in the SEC case.
In that affidavit, you said it was your analysis that this -- that SIB was really kind of run

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by a close band of confidants, was your phrase. Do you remember saying that?
A. I think at that point I was pointing to specific areas that were run specifically by those three, yes.
Q. Okay. And is that still your opinion after you've kind of gone through these documents and conducted interviews and learned more over the last year?
A. That it was run by that group?
Q. Uh-huh.
A. Yes, that's still true.
Q. Okay. And from your interviews on that list we looked at a little bit earlier, did anyone in those interviews tell you that they had known it was a Ponzi scheme during the previous number of years that they worked with the company?
A. No. No one said that to me.
Q. Okay. Did any of those people that you interviewed tell you that they had talked to the financial advisors and told them that it was a Ponzi scheme while they were working at the company?
A. No. Nobody told me that they told them it was a Ponzi scheme. I think they gave them a lot of information, but not told them it was a Ponzi scheme.

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Q. All right. From your discussions in those interviews, did you come to appreciate how the money came in and then where it was deployed, where it was invested or what was done with it?
A. Which money are you referring to?
Q. I'm talking about the CD sales.
A. Yes.
Q. All right. And you mentioned a little bit about the different tiers. Going back to the end of 2007. Okay?
A. Okay.
Q. The year end of 2007, how much cash in assets were reflected on the books at -- at SGC and related companies?
A. I don't know if it's in here. Do you want all assets?
Q. Yes.
A. I don't recall the amount as of 12/31/07. I don't know the amount.
Q. Do you have an approximate number?
A. It would be somewhere between 6-1/2 and 7-1/2 billion, somewhere in there.
Q. At the end of '07?
A. I believe so.
Q. Probably about right. Well, we know that

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there was 2 billion that was able to be liquidated over the following year, 2008. So, there was certainly at least $2 billion at the company.
A. At SIB?
Q. Yes. Well, and I'll say SIB or their related entities, because I'm not certain yet and I haven't -- I'm not privy to all of the work you've done. Where the money was invested -- maybe I should ask that first. Where was the money invested that went to SIB?
A. Reported or actual?
Q. Let's start with actual.
A. The money that came in, there was some invested in what was known as Tier 2, and then there were amounts that were used to fund operations. And then much of it was dissipated out to the different organizations.
Q. Okay. There were investment accounts held in the name of SIB at various places in the world, weren't there?
A. There were.
Q. And those accounts had hundreds of millions of dollars in them, at least prior to the end of '07?
A. They did, yes.
Q. Okay. And in 2008, the market turned, didn't it?

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A. It did.
Q. And there was a very large run on the bank during that time. Right?
MR. SADLER: Which bank?
Q. (By Mr. Stanley) SIB. I'm sorry.
A. Well, at the end of 2008, the -- you had the redemptions started to increase.
Q. Right. And I think it was one of your reports you had mentioned that there was really this loss came from a number of factors, but there was a market loss that affected the balance sheets of SIB. Right?
A. Well, you're talking about Tier 2. I mean, the rest of it, you know, what -- I guess what the brokers knew was that they thought it was in equities and things, and so they would have thought that was going down. But what you have is, if you're talking about Tier 2, you had a market loss and then some liquidations during 2008.
Q. Okay. What about --
A. Only for Tier 2.
Q. Okay. Tier 1 was cash, largely?
A. Cash, cash equivalents, yes.
Q. Okay. We know that Tier 2, from your analyses, went from over $800 million at the beginning of '08 and was less than 300 million by February of

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'09. Is that right?
A. It was about -- it was right at 300 million.
Q. Okay. And that drop was a combination of both liquidations and market losses. Correct?
A. That's correct.
Q. All right. Over -- about $2 billion was paid out in redemptions during that time frame, wasn't it?
A. That's probably right.
Q. I think I saw that number in your report last year.
A. Yes.
Q. All of that money didn't come from Tier 2, then, because Tier 2 didn't have $2 billion at the beginning of '08. Right?
A. That's -- well, Tier 2 did not, no.
Q. Okay. So, where did the rest of this liquidation money come from?
A. The investors that were putting money in.
Q. Okay. And what was in Tier 3?
A. Tier 3 was made up primarily of private equity. It was made up of land and notes to Allen Stanford.
Q. Now, there were -- you said that there was a lot of misinformation regarding SIB's financial strength in your declaration.

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A. Given to investors? Yes.
Q. Okay. Well, in your declaration, you say it was given to the financial advisors.
A. I may have.
Q. It's Page 5 of your -- of Exhibit No. 1.
A. Okay.
Q. Paragraph 11. What misinformation regarding SIB's financial strength was given to the financial advisors?
A. Well, the reported information that was given showed equity -- you know, showed equity in the company. They were told there was liquidity and there was a lot of information I think that would tell them otherwise, but the reported information was that there was equity in the company.
Q. Okay. What misinformation regarding profitability was given to the financial advisors?
A. Well, again, if you look at the SIB financial information that was available, they were showing returns, high returns. Not so much in 2008, which was implausible, and I'm sure the brokers understood.
Q. What about the misinformation regarding investment strategy and investment allocation, what information have you seen that was given to the financial advisors about strategy and allocation that

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was inaccurate?
A. Well, there was information that was provided that they were generally in, I think, equities and that being the SIBL total investments, equities, fixed income, alternative investments and metals.
Q. And from your analysis, was that misinformation, that was wrong?
A. That was not what they were actually doing in the background, no.
Q. Okay. How far back have you gone in your analyses to look at when the bank was insolvent?
A. Oh, if you look back, 2004, if you just strip out the amount of the loan and the false equity, it was insolvent as of 2004, at least.
Q. Okay. And when you say the "false equity," you're not referring to the island real estate deal, because that came much later. Right?
A. That's correct.
Q. All right. So, are you talking about equity investments in '04 that SIB had invested in, in the investments that lost their value?
Let me ask: What are you talking about when you said "false equity"?
A. There was transactions similar to the real estate transactions that occurred later that occurred

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in '04.
Q. Okay. What transaction are you talking about, or transactions?
A. They're from venture capital. They were -- they injected from Stanford venture capital holdings investments at an inflated value which went to equity.
Q. How much money was involved in Stanford venture capital?
A. What do you mean?
Q. For the investments you're talking about that went through Stanford.
A. I think total amount was 3 or $400 million.
Q. Okay. Is it fair to say that there have always been investments made with the SIB investment money? I'll make it a little more clear. When money came in from investors, this didn't sit in a big burlap bag under Allen Stanford's desk, did it?
A. No.
Q. Okay. It was actually put into banks and investments were made with that money. Right?
A. That's correct.
Q. And even with this venture capital or these private equity deals, there were moneys put into different deals. Right?
A. Yes, there were.

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Q. Okay. Now, when the investors wanted to redeem their CDs, sometimes those investments would come from the available -- or the redemption funds would come from available cash. Right?
A. It would come from other investors. That's what it would come from, yes.
Q. Okay. Did it come -- it came from cash they had in the accounts that had not been invested in private equity or equity or the metals. Right?
A. Or otherwise disseminated throughout the organization, yes.
MR. STANLEY: Okay. I'm going to stop there, because obviously we have a lot more to pick up at some other date on that, but thank you for your time.
MR. NIELSEN: Let's take a quick break.
MR. STANLEY: Sure.
(Off the record 2:14 p.m. to 2:20 p.m.)
MR. BYRD: It is my understanding that this deposition is being taken for the purpose of allowing certain defendants properly to prepare oppositions to Receiver's application for injunctive relief, and my client is not among those targeted defendants. I will reserve my questions of Ms. Van Tassel for a later time. Thank you.

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EXAMINATION
BY MR. NIELSEN:
Q. Ms. Van Tassel, just a few questions. Looking at Exhibit B to your March 2010 declaration.
A. Yes.
Q. I just wanted to clear something up: This exhibit actually would not show financial advisors who made personal investments in Stanford and didn't take out any interest or redeem their CDs, does it? In other words, this just shows people who made investments and got some interest or redemption payment?
A. That's true.
Q. Okay. So, if an FA, financial advisor, made a personal investment and lost every dollar, that's not reflected on here?
A. If there were never any proceeds, I do not believe they would be included on here.
Q. Okay. In connection with the interviews that FTI performed, did it document its notes in any memorandums?
A. In a few.
MR. NIELSEN: Okay. That's all I have.
MR. SADLER: Great. Thank y'all so much.
(The deposition concluded at 2:22 p.m.)

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WITNESS NAME:______________ DATE OF DEPOSITION________

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Page 133

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I, KARYL VAN TASSEL, have read the foregoing deposition and hereby affix my signature that same is true and correct, except as noted above

____
KARYL VAN TASSEL

THE STATE OF ________________:

COUNTY OF ___________________:

Before me,________________________, on this day personally appeared KARYL VAN TASSEL, known to me (or proved to me under oath or through _______________) (description of identity card or other document) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed

Given under my hand and seal of office this _______day of ______________________, _____

____
Notary Public in and for
The State of ______________________

My Commission Expires ______________

Job No. 1-57789

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

RALPH S. JANVEY, IN HIS)
CAPACITY AS COURT-)
APPOINTED RECEIVER FOR THE)
STANFORD INTERNATIONAL)
BANK, LTD., ET AL.)
Plaintiff.)
)
VS) CASE NO 3:09-CV-0724-N
)
JAMES R. ALGUIRE, ET AL.)
Defendants.

REPORTER'S CERTIFICATION
DEPOSITION OF KARYL VAN TASSEL
TAKEN ON MAY 6, 2010

I, JOHNNIE E. BARNHART, Certified Shorthand Reporter, hereby certify to the following:

That the witness, KARYL VAN TASSEL, was duly sworn by the officer and that the transcript of the oral deposition is a true record of the testimony given by the witness;

That the deposition transcript was submitted on ________________, 2010, to the witness or to the attorney for the witness for examination, signature and return to me by ____________________, 2010;

That the amount of time used by each party at the deposition is as follows:
Kevin M. Sadler - 00:00:00
Matthew G. Nielsen - 01:51:57
Michael J. Stanley - 01:04:00
John Timothy Byrd - 00:00:00

That pursuant to information given to the deposition officer at the time said testimony was taken, the following includes counsel for all parties of record:
Kevin M. Sadler - Attorney for Plaintiff

Matthew G. Nielsen - Attorney for 119 Former Stanford Employees
Michael J. Stanley - Attorney for Susana Anguiano, et al
John Timothy Byrd - Attorney for Zack Parrish

I further certify that I am neither counsel for, related to, nor employed by any of the parties or attorneys in the action in which this proceeding was taken, and further that I am not financially or otherwise interested in the outcome of the action

Certified to by me this ______ day of ____________, 2010

____
JOHNNIE E. BARNHART, TEXAS CSR NO 976
Expiration Date: December 31, 2010
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FURTHER CERTIFICATION

The original deposition was/was not returned to the deposition officer on ____________________;

If returned, the attached Changes and Signature page contains any changes and the reasons therefor;

If returned, the original deposition was delivered to ____, Custodial Attorney;

That $ ________ is the deposition officer's charges to the ____________________ for preparing the original deposition transcript and any copies of exhibits;

That the deposition was delivered in accordance with Rule 30(f), and that a copy of this certificate was served on all parties shown herein.

Certified to by me this ____ day of ______________, 2010

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