

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

SECURITIES AND EXCHANGE COMMISSION	§	
	§	
Plaintiff,	§	
	§	
v.	§	Case No. 3:09-CV-0298-N
	§	
STANFORD INTERNATIONAL BANK, LTD.,	§	
STANFORD GROUP COMPANY,	§	
STANFORD CAPITAL MANAGEMENT, LLC,	§	
R. ALLEN STANFORD, JAMES M. DAVIS, and	§	
LAURA PENDERGEST-HOLT,	§	
	§	
Defendants.	§	

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**APPENDIX TO RECEIVER'S MOTION TO APPROVE SALE  
OF INVESTMENT INTEREST IN HSS**

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**ATTORNEYS FOR RECEIVER  
RALPH S. JANVEY**

**CERTIFICATE OF SERVICE**

On September 17, 2009 I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the electronic case filing system of the court. I hereby certify that I have served all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Kevin Sadler

Kevin Sadler

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

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD.,  
STANFORD GROUP COMPANY,  
STANFORD CAPITAL MANAGEMENT, LLC,  
R. ALLEN STANFORD, JAMES M. DAVIS,  
and LAURA PENDERGEST-HOLT,

Defendants.

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Case No.: 3-09-CV-0298-N

**DECLARATION OF SAMUEL COOPER**

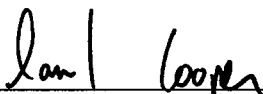
STATE OF TEXAS §  
§  
COUNTY OF HARRIS §

1. "My name is Samuel Cooper. I am legally competent to make this declaration. I have personal knowledge and am familiar with the matters stated in this declaration, and all of the facts and statements contained herein are true and correct.
2. I am a partner with the law firm of Baker Botts L.L.P. Baker Botts L.L.P. is counsel of record for the Receiver, Ralph S. Janvey, in the above-styled cause of action.
3. Attached as Exhibit 1 is a true and correct copy of the recommendation made by Park Hill Group pertaining to Health Systems Solutions, Inc.
4. Attached as Exhibit 2 is a true and correct copy of the Purchase and Sale Agreement by and between Stanford International Bank, Ltd. and Maler Holdings LLC, a

company owned by certain members of Health Systems Solutions, Inc., executed on August 20, 2009.

5. I declare under penalty of perjury that the foregoing is true and correct.”

EXECUTED on September 15, 2009.

  
\_\_\_\_\_

Samuel Cooper

# Health Systems Solutions



**Company Address:** 42 West 39th Street, 6th Fl  
New York, NY 10018

**Industry:** Healthcare Technology

**Contacts:** Stanley Vashovsky (Chairman and CEO)  
Michael Levine (CFO)

## Business Summary

Health Systems Solutions (“HSS” or the “Company”) through its subsidiaries operates as a technology and services company. The company offers various products and services to the healthcare sector, including home health care, medical staffing, telehealth/telemedicine, and acute and post-acute facilities. It operates in three segments:

- ◆ *Technology Solutions* — engages in developing and selling customized software applications to corporate operations support and management.
- ◆ *Software* — designs software to help its clients maximize revenue generation, optimize cash flow, maintain staffing efficiency, ensure appropriate risk management, monitor the quality of care provided and comply with regulatory changes and requirements.
- ◆ *Consulting* — provides analysis of performance and generates client-oriented work projects for performance improvements in clinical, quality and financial management.

## Current Status

Since December 1998, Stanford International Bank Ltd. (“Stanford”) has invested approximately \$40.0 million into HSS and its predecessor companies, and on a fully-diluted basis, Stanford owns 11,217,923 equivalent shares of common stock, which represent 82.1% of the total common shares outstanding. The Company estimates it will need approximately \$10 million of additional capital to stabilize and grow the business in the near term. Based on the number of shares the Company will need to issue to raise the required capital, without further investment, Stanford’s majority stake will severely diluted over time.

HSS management (“Management”) believes the Company will not be able to stay solvent unless there is a capital infusion before October 2009. In order to bolster liquidity, Management approached a thoroughly screened targeted group of approximately 20 potential investors, which included high-net worth investors, the largest HSS customers, strategic investors and private equity firms. Despite their efforts over the last several quarters, Management has not been successful in raising additional capital. Moreover, HSS has witnessed an unprecedented number of key customer defections and has reduced its workforce four times in the last six months. More than half of the Company’s revenue comes from one customer, which has informed HSS that it will not renew its contract next year. Six (6) of HSS’s other top customers have indicated that they can no longer rely on the current HSS and have given notice that they will terminate or severely reduce their relationships with the Company. Also, in conjunction with the Company’s aggressive cost cutting measures, HSS, formerly a public company, filed a Form 15 with the SEC in early 2009 to de-list from OTC Bulletin Board, thus alleviating related filing expenses.

## Marketing Process

Given the rapidly deteriorating financial position of HSS and the substantial liabilities overshadowing the Company, a broad auction process was not a viable alternative to exit Stanford’s position in the Company. PHG and Management solicited interest from over 25 potential investors, which included high-net worth investors, the largest HSS customers, strategic investors, private equity firms and direct secondary buyers (collectively the “Investors”). The Investors were introduced to the opportunity given their ability to review the investment in an expedited timeframe as well as their knowledge of the Company and the industry. Based on extensive marketing efforts, there was not any interest from the marketplace in investing in the Company as long as Stanford was an investor. The Company also met with several third-party advisors (“Brokers”) to explore marketing Stanford’s investment or the entire company. The Investors and Brokers identified significant concerns that would affect HSS’s valuation, including but not limited to:

- (i) Potential legal liabilities associated with the termination of the Emageon, Inc, transaction. In February 2009, HSS was due to enter into a transaction to purchase Emageon, which was to be funded by Stanford but ultimately was not consummated resulting in the loss of an escrow deposit of approximately \$9 million and the transaction not being completed. Emageon was later purchased by another entity at a lower purchase price exposing HSS to potential legal liability.
- (ii) The reputational impact of HSS’s affiliation with Stanford, and the ability of HSS to win new business and attract or retain employees because of it;
- (iii) The customer concentration risk and the expectation of losing those top accounts;
- (iv) Changes to Medicare reimbursement requirements that will require significant changes and updates to keep HSS’s software compliant and the associated increase in costs related to hiring additional clinical and regulatory experts, developers, quality assurance and customer service personnel;
- (v) That HSS is having trouble meeting deadlines on the few customers left because the drastic reduction in the quality assurance team left it unable to perform the proper pre-launch quality checks; and



- (vi) The majority of the value attributed to HSS is related to the management team and that without a commitment from the team to stay on as part of a sale, the value of the business would be de minimis.

Management has proposed an offer of \$700,000, which is comprised of the following: (i) \$350,000 cash at closing; and (ii) a non-interest bearing, non-recourse secured note for \$350,000 payable in the following manner: \$175,000 cash on the 6 month anniversary of the Closing Date and \$175,000 cash on the one (1) year anniversary of the Closing Date.

**Conclusion**

In light of the extensive marketing process conducted, the offer from Management represents the highest dollar value for the Stanford Estate.

*Execution Version*

**PURCHASE AND SALE AGREEMENT**

**ORIGINAL**

This Purchase and Sale Agreement ("Agreement") is made this 20th day of August, 2009 (the "Effective Date"), by and between Stanford International Bank, Ltd., an entity organized under the laws of Antigua ("Seller"), and Maler Holdings LLC, a New York limited liability company, which is owned by certain members of Health Systems Solutions, Inc.'s, a Delaware corporation (the "Company"), management team signatory hereto ("Buyer") (Seller and Buyer being sometimes hereinafter referred to, collectively, as the "Parties," and each, individually, as a "Party").

**WITNESSETH:**

WHEREAS, Seller owns certain of the Company's equity (including common and preferred shares as well as certain warrants) and debt (including any accrued interest) securities ("Securities"), which are set forth on Schedule 1 hereto;

WHEREAS, the Court (as defined below) entered an order on February 17, 2009, appointing Ralph S. Janvey as Receiver (the "Receiver") for the assets of Seller, Stanford Group Company, Stanford Capital Management, LLC, R. Allen Stanford, James M. Davis and Laura Pendergest-Holt and the entities they own or control (the "Receivership Estate"); and

WHEREAS, Seller desires to sell and convey to Buyer, and Buyer desires to accept and purchase from Seller, for the Purchase Price (as defined below), all of Seller's right, title and interest in the Securities upon the terms and conditions hereinafter set forth in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, Seller and Buyer hereby agree as follows:

1. **DEFINED TERMS:** Capitalized terms and expressions used in this Agreement shall have the meanings set forth in the Recitals above or as follows:
  - A. Affiliates: means with respect to any specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the Person specified. For purposes of this definition, "control" (including the correlative terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of a voting equity interest, by contract or otherwise.
  - B. Assignment of Ownership Interest: means an instrument assigning the Securities from Seller to Buyer in the form attached hereto as Exhibit A.
  - C. Buyer's Release: An agreement wherein Buyer and the Company, and each of their respective affiliates, releases Seller and the Receivership Estate from any and all claims, actions, causes of actions, suits, debts, liens, demands, contracts, liabilities, agreements, costs, expenses, or losses of any type, whether known or unknown, fixed or contingent, whether based on contract, tort, statute, local ordinance, regulation or any comparable law in any jurisdiction.
  - D. Closing: means the closing of the transactions set forth in this Agreement, including the performance by Seller and Buyer of their respective obligations set forth herein.



- E. Closing Date: means the date five (5) business days following approval of this Agreement by the Court as herein provided.
- F. Court: means the United States District Court for the Northern District of Texas, Dallas Division, which is the court with exclusive jurisdiction in Case No. 3-09CV0298-L (the "Case Number").
- G. Person: means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, government or agency or subdivision thereof or any other entity.
- H. Purchase Price: means Seven Hundred Thousand and No/100 Dollars (\$700,000.00) to be paid as follows: (i) Three Hundred and Fifty Thousand and No/100 Dollars (\$350,000) to be paid in immediately available funds on the Closing Date (the "Closing Funds"); and (ii) a Three Hundred and Fifty Thousand and No/100 Dollars (\$350,000) non-recourse, secured note that will be issued on the Closing Date and will be paid in two equal installments on the six month and one year anniversary, respectively, of the Closing Date (the "Note"). The Note shall be secured by the Securities and there shall be no further recourse to the Buyer.
- I. Seller's Release: An agreement wherein Seller, and each of its respective affiliates, releases Buyer and the Company from any and all claims, actions, causes of actions, suits, debts, liens, demands, contracts, liabilities, agreements, costs, expenses, or losses of any type, whether known or unknown, fixed or contingent, whether based on contract, tort, statute, local ordinance, regulation or any comparable law in any jurisdiction.

2. **SALE AND CONVEYANCE OF SECURITIES:**

- A. Subject to the terms and conditions of this Agreement, and for the Purchase Price contemplated herein, Seller hereby agrees to sell and convey the Securities to Buyer, and Buyer hereby agrees to purchase and accept the Securities from Seller.
- B. In addition to the Securities, each Party hereby agrees to deliver at Closing all documents required by this Agreement and perform any other acts as may be reasonably required by the other party to successfully effect the transactions contemplated in this Agreement.

3. **BUYER'S CONDITIONS TO CLOSING:** In addition to all other conditions set forth herein, the obligation of Buyer to consummate the transactions contemplated hereunder is subject to the following conditions (each, a "Buyer's Closing Condition"), all of which may be waived by Buyer in its sole discretion. In the event any Buyer's Closing Condition remains unfulfilled at Closing, Buyer may terminate this Agreement or waive such condition and proceed with Closing as provided for in this Agreement:

- A. The representations and warranties of Seller set forth herein are true and correct as of the date hereof and as of the Closing Date.
- B. Seller shall have delivered to Buyer approval by the Court of this Agreement, and authorization of Seller by the Court to convey the Securities to Buyer in accordance with the terms hereof. In connection therewith, Seller hereby covenants and agrees that as soon as reasonably possible after the execution of this Agreement by Buyer (and in no



event more than five (5) business days thereafter), Seller shall apply to the Court for approval of the transaction contemplated hereby and use all reasonable efforts to obtain such approval as soon as reasonably possible.

- C. Seller shall have delivered the Assignment of Ownership Interest, fully executed by Seller.
- D. Seller shall have delivered the Seller's Release, fully executed by Seller.

4. **SELLER'S CONDITIONS TO CLOSING:** In addition to all other conditions set forth herein, the obligation of Seller to consummate the transactions contemplated hereunder is subject to the following conditions (each, a "Seller Closing Condition"), all of which may be waived by Seller in its sole discretion. In the event any Seller Closing Condition remains unfulfilled at Closing, Seller may terminate this Agreement or waive such condition and proceed with Closing as provided for in this Agreement:

- A. The representations and warranties of Buyer set forth herein are true and correct as of the date hereof and as of the Closing Date.
- B. Buyer shall have delivered to Seller evidence reasonably satisfactory to Seller of all consents and authorizations necessary to authorize Buyer to consummate the transactions contemplated by this Agreement.
- C. Seller shall have received approval by the Court of this Agreement and authorization of Seller by the Court to convey the Securities to Buyer in accordance with the terms hereof.
- D. Buyer shall have delivered the Assignment of Ownership Interest, fully executed by Buyer.
- E. Buyer shall have delivered the Buyer's Release, fully executed by Buyer and the Company.

5. **CLOSING:**

- A. The Closing shall be held via facsimile simultaneously at the offices of Buyer, 763 Raleigh Street, Woodmere, New York 11598, and Baker Botts L.L.P., 910 Louisiana St., Houston, Texas 77002, on or before the Closing Date, unless otherwise agreed to by the Parties; provided, that if for any reason the Closing Date has not occurred on or before October 31, 2009, Buyer shall have the option, at any time thereafter prior to the Closing, to terminate this Agreement.
- B. At Closing, Buyer and Seller shall perform the obligations set forth in, respectively, subparagraphs (i) and (ii) below, the performance of which obligations shall be concurrent conditions:
  - (i) Buyer shall deliver, or cause to be delivered, to Seller:
    - (a) the Assignment of Ownership Interest, fully executed by Buyer;
    - (b) the Closing Funds in the form of immediately available funds by wire transfer to an account or accounts specified by Receiver;

- (c) the Note, fully executed by Buyer;
      - (d) any other documents reasonably requested by Seller to evidence Buyer's authority to enter into and comply with all of the terms and conditions contained in this Agreement; and
      - (e) the Buyer's Release, fully executed by Buyer and the Company.
    - (ii) Seller shall deliver, or cause to be delivered, to Buyer:
      - (a) the Assignment of Ownership Interest, fully executed by Seller;
      - (b) any other documents reasonably requested by Buyer to evidence Seller's authority under the laws of the United States to enter into and comply with all of the terms and conditions contained in this Agreement; and
      - (c) the Seller's Release, fully executed by Seller.
  - C. Each Party shall bear its own expenses with respect to the performance of its obligations under this Agreement and providing all of the documents required under this Agreement in connection with Closing.
6. **SELLER'S REPRESENTATIONS:** Seller makes the following representations and warranties, which shall be true as of the Effective Date and at Closing and which shall survive Closing:
- A. **Authorization of Agreement and Enforceability:** Subject to Court approval, this Agreement is a valid and legally binding obligation of Seller under the laws of the United States and enforceable against it in accordance with its terms and, subject to Court approval, each document and instrument of transfer contemplated by this Agreement, when executed and delivered by Seller in accordance with the provisions hereof, shall be valid and legally binding upon Seller in accordance with its terms.
  - B. **Ownership of Securities:** Seller is the sole and exclusive registered and beneficial owner of the Securities and, to the Receiver's knowledge, Seller has good, valid and marketable title thereto, free and clear of any liens, charges, pledges or other encumbrances. Upon delivery of the Purchase Price, as provided for in this Agreement, Buyer will receive, subject to Section 6(d), good, valid and marketable title to the Securities, free and clear of any liens, charges, pledges or other encumbrances. The Securities constitute all of Seller's interests in the Company and, on the Closing Date, Seller shall cease to have any interest in the Company, whether direct or indirect, actual or contingent.
  - C. **No Conflicts: Consents and Approvals:** Seller, to the Receiver's knowledge, has not granted to any Person any current rights in the Securities that will survive the Closing or any rights to acquire all or any part of the Securities that remain in effect, and, to the Receiver's knowledge, there is no outstanding agreement by Seller to sell all or any part of the Securities to any other Person. To the Receiver's knowledge, no consent, approval, waiver, authorization or other order of or filing with any person is required on the part of Seller in connection with Seller's execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for consent from the Court, which will be delivered to Buyer prior to Closing.

- D. Litigation: Seller has not received any written notice of any pending or threatened litigation, proceeding or investigation by any Person against it with respect to or against the Securities, except for those matters within the jurisdiction of the Court and consolidated under the Case Number.
- E. Access to Information: Seller has had access to all material information concerning the Company which is known to Buyer. The Seller represents that it has had the opportunity to ask questions of, and receive answers from, the Company and the Buyer regarding the foregoing documents and information.
7. **BUYER'S REPRESENTATIONS**: Buyer makes the following representations and warranties, which shall be true as of the Effective Date and at Closing and which shall survive Closing:
- A. Organization; Authority: Buyer has the legal authority to enter into and to consummate the transactions contemplated by this Agreement.
- B. Authorization of Agreement: The execution, delivery and performance of this Agreement have been duly and validly authorized within Buyer's organization. This Agreement is a valid and legally binding obligation of Buyer enforceable against it in accordance with its terms and each document and instrument of transfer contemplated by this Agreement, when executed and delivered by Buyer in accordance with the provisions hereof, shall be valid and legally binding upon Buyer in accordance with its terms.
- C. Consents and Approvals: No consent, approval, waiver, authorization or other order of or filing with any person is required on the part of Buyer in connection with Buyer's execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for consent from the Court.
- D. Purchase for Investment: Buyer is acquiring the Securities for its own account, for investment purposes and not with a view to any distribution or resale thereof, except in compliance with the Securities Act of 1933, as amended, and applicable state securities laws.
8. **REMEDIES**: In the event of a default by Buyer hereunder, which default remains uncured for a period of ten (10) business days after written notice thereof is received by Buyer, Seller shall be entitled to all remedies available to Seller at law or in equity, including without limitation, the right to maintain an action for monetary damages or for specific performance of the terms of this Agreement; *provided, however*, that Seller may not seek monetary damages in excess of the aggregate Purchase Price. In the event of a default by Seller hereunder, which default remains uncured for a period of ten (10) business days after written notice thereof is received by Seller, Buyer shall be entitled to all remedies available to Buyer at law or in equity, including without limitation, the right to maintain an action for monetary damages or for specific performance of the terms of this Agreement.
9. **ASSIGNMENT**: Buyer shall have the right to assign its rights and obligations under this Agreement to an entity in which Buyer or its Affiliates have an ongoing controlling interest. Seller shall not assign any interest in this Agreement to any other party without the prior written consent of Buyer.
10. **BROKERS**: Except as set forth on Schedule 2, each Party represents to the other Party that (i) there are no finders' fees or brokers' fees that have been or will be incurred in connection with

this Agreement or the transfer of the Securities, and (ii) such Party has not authorized any broker or finder to act on such Party's behalf in connection with the sale and purchase hereunder. Each Party hereto agrees to indemnify, defend, and hold harmless the other Party from and against any and all claims, losses, damages, costs or expenses of any kind or character arising out of or resulting from any agreement, arrangement or understanding alleged to have been made by such Party with any broker or finder in connection with this Agreement or the transaction contemplated hereby. This obligation shall survive the Closing or earlier termination of this Agreement.

11. **FURTHER ASSURANCES:** Each Party shall from time to time, before and after Closing, at the other Party's request, execute and deliver such further instruments of conveyance, assignment and transfer and shall take such further action as either Party may reasonably require for the conveyance and transfer of the Securities under the laws of the United States and to consummate the transactions contemplated by this Agreement.
  
12. **NOTICES:** All notices and other communications from one Party to the other pertaining to this Agreement shall be given in written form and shall be served either (i) by personal delivery, or (ii) by depositing the same with the United States Postal Service addressed to the Party to be notified, postage prepaid and in registered or certified form, with return receipt requested, or (iii) by deposit with FedEx or other recognized courier for overnight delivery, or (iv) by email or facsimile, and in any event addressed as set forth below. Notice given as aforesaid shall be deemed delivered on the date actually received at the address to which such notice was sent, or if delivery is refused or not accepted, such notice shall be deemed delivered on the date of such refusal or failure to accept delivery. For purposes of notice, the addresses of the Parties shall be as follows:

If to Seller or the Receiver:

Ralph S. Janvey  
Receiver for the Stanford Financial Group  
2100 Ross Avenue, Suite 2600  
Dallas, TX 75201  
Email: info@stanfordfinancialreceivership.com  
Phone: 214-397-1912  
Fax: 214-220-0230

With copy to:

Baker Botts L.L.P.  
2001 Ross Avenue  
Dallas, TX 75201  
Attn: Craig N. Adams  
Email: Craig.Adams@BakerBotts.com  
Phone: 214-953-6819  
Fax: 214-661-4819

If to Buyer:

Maler Holdings, LLC  
763 Raleigh Street  
Woodemere, NY 11598  
Attn: Stan Vashovsky  
Email: stan.vashovsky@hssglobal.com  
Phone: 718-306-2542  
Fax: 212-671-1438

Either Party may change its address to another location in the continental United States upon five (5) days' prior written notice thereof to the other party; provided, however, a notice of change of address shall not become effective unless actual receipt thereof by the Party to be notified.

**13. MISCELLANEOUS:**

- A. This Agreement shall be construed in accordance with the laws of the State of Texas notwithstanding any contrary "choice of laws" provisions of that or any other State. Each Party hereto agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement, whether in tort or contract or at law or in equity, exclusively in the Court.
- B. This Agreement may be executed in multiple counterparts, including emailed or faxed counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.
- C. If the final day of any period of time set out in any provision of this Agreement falls upon a Saturday or Sunday or a legal holiday under the laws of the State of Texas, then, and in such event, the time of such period shall be extended to the next business day that is not a Saturday, Sunday or legal holiday. The term "business day" shall mean a day that is not a Saturday, Sunday or national bank holiday in Houston, Texas.
- D. Time is of the essence in the performance of this Agreement.
- E. Subject to any limitations on an assignment by Buyer or Seller set forth in this Agreement, this Agreement shall bind and benefit the Parties and their respective representatives, successors and assigns.
- F. This Agreement may not be amended except in writing, executed by the Party against whom enforcement of any waiver, change, or discharge is sought.
- G. This Agreement and its Schedules and Exhibits contain all of the representations by each Party to the other and expresses the entire understanding between the Parties with respect to the transactions contemplated in this Agreement. All prior communications concerning the sale of the Securities are merged in or replaced by this Agreement.

[End of text.]

IN WITNESS WHEREOF, the signatories hereto have executed this Agreement as of the Effective Date.

**BUYER:**

MALER HOLDINGS, LLC

By: \_\_\_\_\_

Name: Stan Vashovsky

Title: Chief Executive Officer

**SELLER:**

STANFORD INTERNATIONAL BANK, LTD., an  
entity organized under the laws of Antigua

By: \_\_\_\_\_

Name: Ralph S. Janvey

Title: Receiver

IN WITNESS WHEREOF, the signatories hereto have executed this Agreement as of the Effective Date.

**BUYER:**

MALER HOLDINGS, LLC

By: \_\_\_\_\_

Name: Stan Vashovsky

Title: Chief Executive Officer

**SELLER:**

STANFORD INTERNATIONAL BANK, LTD., an  
entity organized under the laws of Antigua

By: Ralph S. Jarvey \_\_\_\_\_

Name: Ralph S. Jarvey

Title: Receiver

**Schedule 1**

**SECURITIES**

**Debentures:**

1. Convertible Secured Debentures due December 31, 2013; Par Value \$10,000,000 (plus any accrued interest)

**Preferred Stock:**

1. 4,625,000 shares of Series C Convertible Preferred (\$2.00)
2. 1,425,000 shares of Series D Convertible Preferred (\$2.00)
3. 500,000 shares of Series E Convertible Preferred (\$6.00)

**Common Stock:**

1. 5,692,923 shares of Common Stock; \$0.001 par value; CUSIP 42223R301

**Warrants:**

1. 625,000 Warrants; strike price - \$1.00
2. 3,000,000 Warrants; strike price - \$2.00
3. 3,208,334 Warrants; strike price - \$4.00



**Schedule 2**

Brokers

1. Seller - Park Hill Group LLC
2. Buyer - None