

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD., ET AL.

Defendants.

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Case No.: 03-CV-0298-N

**DECLARATION OF
JOHN PAUL MONTGOMERY**

I, John Paul Montgomery of 4219 Stonecroft Circle, Katy, Texas state on oath as follows:

EXPERIENCE, EXPERTISE, WORK IN THIS CASE

1. A copy of my resume and explanation of my business is attached as exhibits JPM 1 and JPM 2. They summarize my education and relevant work experience. As these documents state, I am a professional numismatist and consultant in the State of Texas, USA, and president of Paul Montgomery and Associates, LLC. I have 25 years of experience providing a variety of industry specific consulting, including but not limited to, acquisitions, liquidations, marketing, sales, information systems, strategic planning, strategic communication, general management, accounting, litigation preparation, valuation, appraisals and other financial and management advisory services related to the numismatic industry. I have performed detailed analyses for a variety of litigation matters, including intellectual property, breach of contract, and fraud. In the litigation context, I have acted as an expert on a variety of economic damage claims and forensic numismatic issues. In several cases alleging fraud and other wrongdoing, I have proposed and implemented liquidation solutions for same.

DECLARATION OF JOHN PAUL MONTGOMERY

2. The statements made in this declaration are true and correct based on the knowledge I have gained from the many documents I have reviewed and other work I have performed in the course of PMA's investigation on behalf of the Receiver.

3. I use the following acronyms or short-hand terms to refer to certain entities in this declaration:

- Stanford Entities — all legal entities owned, directly or indirectly, by the named Defendants in the SEC action as of the date the U.S. Receivership was instituted.
- PMA—Paul Montgomery and Associates, LLC
- SCB—Stanford Coins and Bullion, Inc.
- SGH—Stanford Group Holdings, Inc.

SEC ACTION AND PMA'S INVESTIGATION

FACTUAL BACKGROUND

4. SCB is a coin and bullion dealer and depository co-located with the headquarters of the defendant Stanford Group Company in Houston, Texas. SCB's primary line of business was to sell rare coins and precious metals to customers and to store the rare coins and precious metals in vaults located at SCB or at nearby commercial banks. Customers would purchase their coins and bullion directly from SCB or indirectly through a financial advisor of Stanford Group Company.

5. On February 16, 2009, the Securities and Exchange Commission commenced a lawsuit in this Court against R. Allen Stanford, two associates, James M. Davis and Laura Prendergast-Holt, and three of Mr. Stanford's companies, Stanford International Bank, Ltd., Stanford Group Company, and Stanford Capital Management, LLC. The Court entered (1) a Temporary Restraining Order, Order Freezing Assets, Order Requiring an Accounting, Order Requiring Preservation of Documents, and Order Authorizing Expedited Discovery ("TRO");

and (2) an Order Appointing a Receiver, Ralph S. Janvey, over all property, assets, and records of Defendants, and all entities they own or control (“Receivership Order”).

6. Because SCB is wholly-owned by Stanford Group Holdings, Inc., which in turn is wholly-owned by R. Allen Stanford, an individual defendant, SCB is part of the receivership estate and is subject to the TRO and the Receivership Order.

7. On March 10, 2009, the Receiver retained PMA to perform a variety of services, including assisting in the management of the cessation of business operations and the management, appraisal and valuation of all numismatic and precious metal assets held by SCB. I oversee, and am personally involved in, all aspects of SCB's activities under the direction of the Receiver.

8. The purposes of PMA's work have been, in part, to (a) determine the roles that the various Stanford Entities may have played in the fraud alleged by the SEC, specifically in regard to the purchase and sale of numismatic products between SCB and any Stanford Entities; (b) manage the efficient settlement of open claims against SCB by either SCB clients or vendors; and (c) manage the liquidation of any remaining numismatic or other business assets belonging to SCB as well as any numismatic products held by other Stanford Entities as determined by the Receiver.

9. With respect to liquidation of SCB's numismatic assets, sales of such assets by a receiver must be sold in accordance with section 2001 of the Judicial Code, unless modified by the court.

10. I believe the costs and logistics of complying with the procedures of section 2001 would hamper the ability of PMA to efficiently dispose of the coins and bullion in a manner that would maximize value to the estate.

FACTS REGARDING LIQUIDATIONS OF COIN AND BULLION PRODUCTS

11. PMA would separate the inventory into two separate categories: products to be sold at public auctions and products to be sold through private sales.

12. Many rare coins are best sold at sophisticated public auctions around the United States that occur throughout the year.

13. Being limited to §2001's requirement of selling the numismatic assets at a public sale in a designated district would hamper the ability of the Receiver to maximize the value of these assets to the estate.

14. Best practices require that the Receiver solicit bids from several auction companies and have the flexibility to use one or several of these companies throughout the United States.

15. Auction companies charge a buyer's premium to the hammer price of 15% as well as a seller's fee of up to 15%, so coins and bullion with low margins would most efficiently be sold through private sales. Such coins and bullion include generic or "common" rare coins that typically trade at margins of 5% or less and bullion that carries buy/sell spreads as low as 1%.

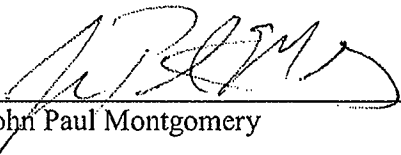
16. Obtaining three disinterested appraisers as required by §2001 would be too costly because the cost of such an appraisal process for an individual coin or bullion products could exceed the value of such an item.

17. The private sale liquidation process for each coin and bullion product should include solicitation of the services of one nationally known rare coin and precious metals dealer to do an appraisal of the coins and bullion selected for private sale. Because of readily available and specific market information with respect to pricing such coins and bullion, a single appraisal is sufficient for such products and the requirement of three appraisals is unnecessary.

18. PMA would then execute, on behalf of the Receiver, the liquidation of all products in this category utilizing best practices at or above 75% of such appraised value.

19. PMA will prepare a report detailing the manner in which the coins and bullion are ultimately sold, the proceeds realized from such sales, and the expenses incurred in connection with such sales.

Executed this 29th day of July, 2009.



John Paul Montgomery

John "Paul" Montgomery

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E-mail: Paul@PaulMontgomeryonline.com

PROFESSIONAL EXPERIENCE:

Paul Montgomery and Associates, LLC, Houston, and Beaumont, Texas **2004- Present**
President and founder

Comprehensive consulting services: management, marketing, research, public relations, writing, numismatic specific IT, and legal (See attached).

Bowers and Merena Galleries, Mandeville, LA **2003-2004**
President

Served as president during one of the most challenging change of control scenarios in numismatic history. Successfully transitioned company from founding management to new ownership. Built the largest single catalog, numismatic auction in ANA history in 2003. My team created and managed the promotion that led to the discovery of the missing 1913 "Walton" nickel, now on display at the ANA museum in Colorado Springs. Also co-authored award winning book *Million Dollar Nickels*, Zyrus Press 2005.

Jefferson Coin and Bullion, Inc., Jefferson, LA **1995-2003**
President and CEO/Owner

Responsible for all aspects of the business. Successfully transitioned failing company into one of the world's premiere rare coin and bullion dealerships. Sold JCB in 2000 to present ownership.

U.S. Coins, Inc., Houston, Texas **1991-1995**
Director of Wholesale Marketing

Managed all aspects of a \$75,000,000/yr. wholesale rare coin business. Purchasing, sales, cash flow management, business development and training.

Paul Montgomery Rare Coins, Inc. **1987-1991**
Miscellaneous wholesale trading

Royal Coins, Inc. of Houston/Texas Numismatic Investments, Austin, TX **1984-1987**

Education

Baylor University, Waco, TX
Bachelor of Science, 1983

AFFILIATIONS

- American Numismatic Association - Life Member #4901
- Industry Council for Tangible Assets – Board member (1996-Present) and past chairman
- Professional Numismatist Guild – Vice President (Board member 2000-Present)

Paul Montgomery and Associates, L.L.C.
Numismatic Services

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About Paul Montgomery and Associates, LLC

Numismatist, entrepreneur, and award-winning author Paul Montgomery launched Paul Montgomery and Associates, LLC, to provide comprehensive industry specific services occasionally overlooked by today's trade. In addition to numismatic consultation, estate planning, acquisition and liquidation strategies for collectors and investors, PMA will also continue to provide services to the numismatic industry through; management evaluation as well as infrastructural consulting for private firms and hobby organizations.

The mission of Paul Montgomery and Associates (PMA) is to deliver specific professional expertise in numismatics, precious metals, marketing, public relations, management, technology, and dispute resolution as well as pre-legal consultation that challenge a young industry and its participants.

"Although coin collecting is an age-old hobby, as an industry it is still in its infancy," said Montgomery. "Until twenty or so years ago, coin collecting and the cottage industry that supports it was confined primarily to the local coin shops and coin shows where the casual hobbyist could browse the selections to fill holes in a collection. But as prices of coins escalated rapidly in the late 20th century and dealer organizations grew ever larger, the market capitalization of the coin industry has grown to an estimated \$4 billion per year nationwide. It's now a significant business that attracts serious investors along with the traditional collectors," Montgomery said.

"The extraordinary growth of the numismatic industry over the last 25 years advanced so rapidly that it left a void of experienced leadership at the upper level of industry management," said Montgomery. "Collectors, investors, dealers, hobby associations and organizations can become so focused on the bottom line that oftentimes important pieces of day to day business can be missed. My purpose is to help identify and fill that void."

The scope of services offered by PMA is designed to provide the most efficient collector, investor and business processes for the numismatic trade. With more than a quarter-century of high-level executive experience, Montgomery has established a vast network of relationships

with vendors, publishers, media consultants, public relations experts, and legal resources. PMA is structured to offer the maximum benefit from these knowledgeable sources in addition to Montgomery's own considerable expertise. "If I don't know how to do it, I know reputable people who do," Montgomery said.

Paul Montgomery and Associates is a friend to the casual hobbyist as well as the most sophisticated investor. Montgomery enjoys lifelong relationships with collectors and investors who rely on his expertise and integrity regarding numismatic acquisition and liquidation strategies. "I've helped my client friends build marvelous collections over the years" says Montgomery "I take people and their collections very seriously, they do, and thus deserve the same attention they've given to their pursuits." Additionally, PMA will serve its clients liquidation needs. "The liquidation process continues to be the most challenging aspect facing the future of the hobby," admits Montgomery, PMA will provide answers. My experience as a wholesale trader, president and CEO of a major retailer and president of one of the nation's most prestigious auction houses provide me unique insights into liquidation strategies. I will continue to provide innovative solutions to this age old dilemma."

Paul Montgomery and Associates also works with numismatic companies as well as affiliated organizations to identify areas of opportunity for improvement in organizational structure, policies and procedures, operating efficiencies, industry relations, media relations, and consumer affairs. PMA custom designs solutions to these challenges and assists in their implementation. PMA brings objectivity to the process, which is usually difficult or impossible to achieve with attempts to solve problems solely by internal means.

PMA also provides evaluation and strategic planning for management of information systems, which have grown vastly more complex and difficult to manage as collectors, wholesalers, retailers, and auctioneers – all with different technological needs and capabilities – have embraced the computer and the Internet as integral tools for information flow.

PMA acts as a middleman for collectors, lawyers and estate trustees so they don't have to deal directly with other parties in negotiations. As a third-party negotiator/mediator, Montgomery has successfully resolved hundreds of disputes between collectors and dealers, between dealers and dealers, and between attorneys and companies or organizations. As an ancillary service to the handling of pre-legal concerns, Montgomery provides valuations for collections, expert testimony specific to the hobby as well as liquidation strategies.

Paul Montgomery brings impressive credentials to his new enterprise. He is a lifelong collector and during his more than 25 years as a professional numismatist, he has transacted or supervised nearly a billion dollars in numismatic business. He was President, CEO, and owner of Jefferson Coin and Bullion of New Orleans (founded by noted collector and gold guru James U. Blanchard III). He was also President and CEO of the eminent auctioneer firm Bowers and Merena Galleries.

Prior to opening PMA, Montgomery served as an independent consultant to a number of well-known and respected numismatic companies and organizations across the United States.

Montgomery also serves on numerous trade association boards. He is a vice president of the Professional Numismatists Guild (PNG), the prestigious industry group formed to establish and maintain high standards and serve as the ethical guardian for the numismatic trade. Fewer than 300 numismatists nationwide qualify for membership. In 2001, Montgomery was awarded

the coveted Sol Kaplan Award. This award, jointly presented by the PNG and the Lewis M. Reagan Foundation, recognizes those who work to rid the profession of fraud and thievery, and for upholding the PNG's ethical standards.

Montgomery is a past chairman of the board and still serves on the board of the Industry Council for Tangible Assets (ICTA), the legislative watchdog and lobbyist for the hobby and industry. Montgomery avidly supports the efforts of ICTA to ensure the success of the hobby through the legislative process by protecting and defending the rights of dealers and collectors.

He is a life member of the American Numismatic Association, America's largest organization dedicated to promoting and supporting the coin collecting hobby. In August of 2008 Montgomery was honored by the President of the American Numismatic Association for his dedication and service to the Numismatic and Precious Metals community receiving the ANA Presidents Award.

Montgomery is a respected editor and author of award-winning publications and books on numismatics and macroeconomic factors affecting precious metals and coin markets. He is a past editor of the *Investment Profit Advisory* newsletter. This publication has been honored numerous times by the Numismatic Literary Guild as the best dealer publication. He was also editor of the highly-regarded *Market Insights* newsletter published by Jefferson Coin and Bullion. He is a regular contributor to *The Official Guide Book of United States Coins*, better-known as "The Redbook."

Montgomery co-authored the book *Million Dollar Nickels: Mysteries of the Illicit 1913 Liberty Head Nickels Revealed*. Published in 2005 by Zyru Press, the book details the colorful history of the controversial nickels and Montgomery's personal role in rediscovering one of the famed coins that had been mysteriously missing for more than four decades. *Million Dollar Nickels* was honored by the Numismatic Literary Guild for Extraordinary Merit in 2006.

Beneath his all-business professional demeanor, Montgomery is at heart a passionate coin collector. He got the collecting bug when he was about six years old. His father, a NASA aerospace engineer in Houston, got him started by turning over to young Paul an eclectic collection of specimens that he picked out of pocket change. The coins weren't particularly valuable but sparked the interest in coins that led to a lifelong career for Montgomery.

"I have been a coin collector almost all of my life and am a career numismatist," Montgomery said. "I have always loved coin collecting and feel very blessed to be able to make a living while enjoying the greatest hobby imaginable. I understand, as a collector, the importance of a coin collection to an individual and how a collection defines the collector. I also enjoy and am committed to the responsibility that comes in serving the hobby, the collector, the investor as well as the industry."

For more information contact:

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