



Respectfully submitted,

s/ Bradley W. Foster

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**CERTIFICATE OF SERVICE**

I hereby certify that on this 10th day of May 2010, I electronically filed the foregoing document with the clerk of the court for the U.S. District Court, Northern District of Texas, using the electronic case filing system of the Court. The electronic case files system sent a "Notice of Electronic Filing" to all counsel of records, each of whom have consented in writing to accept this Notice as service of this document by Electronic means.

s/Bradley W. Foster

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.

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A P P E A R A N C E S

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

3 EXAMINATION

4 BY MR. NIELSEN:

11:02:39 5 Q. Good morning, Ms. Van Tassel.

6 A. Good morning.

7 Q. My name is Matthew Nielsen. I'm with the law  
8 firm of Andrews & Kurth, and I represent 119 of the  
9 former financial advisors that are being sued. And  
11:02:51 10 you're aware of this. This isn't the SEC suit; it's a  
11 separate suit that's been brought by the Receiver  
12 against former employees and then a separate complaint  
13 against some investors. Are you aware of that?

14 A. Yes, I am.

11:03:04 15 Q. Okay. Very good.

16 What did you do to prepare for your  
17 deposition today?

18 A. I reviewed documents and met with counsel.

19 Q. What documents did you review?

11:03:14 20 A. Some of my prior affidavits and supporting  
21 documents for those affidavits. Documents in the case.  
22 Most of them financials, financial statements.

23 Q. Whose financial statements?

24 A. SGC's.

11:03:45 25 Marketing materials. E-mails. Training

1 materials. Gosh, there's so many documents. I -- that  
2 pretty much covers the general variety of what I was  
3 looking at.

4 Q. Okay. And besides counsel, who else did you  
11:04:15 5 speak with?

6 A. Some members of my team.

7 Q. Who are they?

8 A. Jeff Ferguson and Mark Russell.

9 Q. Anyone else?

11:04:27 10 A. No.

11 Q. You said financial statements for SGC. And I  
12 might use that term myself, but just for the record,  
13 you mean Stanford Group Company?

14 A. That would be, yes, Stanford Group Company.

11:04:43 15 Q. The broker/dealer?

16 A. Correct.

17 Q. The U.S. broker/dealer?

18 A. Yes.

19 Q. Okay. And I'm going to use that term, as  
11:04:47 20 well, today. That's good. We both know what that's  
21 about.

22 The financial statements for SGC, who  
23 prepared those?

24 A. They were the audited financial statements, so  
11:05:01 25 SGC would have prepared them.

1 Q. And the auditors were BDO Seidman?

2 A. That's correct.

3 Q. And what years did you look at?

4 A. I think I had 2004 through 2007.

11:05:17 5 Q. And the e-mails that you reviewed, are those  
6 the ones that were attached to the appendix to the  
7 receiver's application for an attachment injunction?

8 A. Well, those and others that are part of the  
9 basis of our opinions in the -- and the facts that we  
11:05:36 10 set out in our declaration and affidavits.

11 Q. So, all of these documents you're talking  
12 about, they're documents that support your  
13 declarations?

14 A. That we've reviewed in coming to those  
11:05:48 15 conclusions, yes.

16 Q. Okay. So, they support the facts and the  
17 conclusions you put in those declarations?

18 A. Yes.

19 Q. Okay. You said you met with counsel. I  
11:06:02 20 assume you met with someone from Baker Botts, you mean?

21 A. I did meet with Baker Botts, yes.

22 Q. Who did you meet with from Baker Botts?

23 A. Kevin Sadler and David Arlington.

24 Q. When did you meet with them?

11:06:15 25 A. Tuesday and Wednesday.

1 Q. How long did you meet with them?

2 A. In total, it was probably four or five hours.

3 Q. What was the general nature of your  
4 discussions?

11:06:31 5 A. We discussed some of the information in the  
6 affidavits, things that I had reviewed, information  
7 available to me that were red flags, if you will, for  
8 what was happening with Stanford and the Ponzi scheme  
9 in general.

11:06:55 10 Q. When you were talking -- when you were  
11 discussing your declarations, were there any --  
12 anything that came to your attention that was incorrect  
13 about your prior declarations that have been filed in  
14 this case?

11:07:05 15 A. No.

16 Q. Okay. Do you have any other declarations that  
17 haven't been filed that you've prepared and signed?

18 A. That have not been filed?

19 Q. Correct.

11:07:19 20 A. No.

21 Q. Okay. Just so we can have -- we talked about  
22 having an agreement on the term "SGC." I may also  
23 refer to the "SIB CDs" or the "bank CDs." Can we agree  
24 that those are the certificates of deposit of Stanford  
11:07:42 25 International Bank which are the subject of the SEC's

1 claims against Stanford, et al?

2 A. Yes.

3 Q. Okay. Have you ever been known by any other  
4 names besides Karyl Van Tassel?

11:07:56 5 A. My married name was Karyl Misrack.

6 Q. M-I-S-R-A-C-K?

7 A. Correct.

8 MR. SADLER: Some of your co-counsel have  
9 referred to her as Daryl Van Tassel, but that's --  
11:08:11 10 probably doesn't count.

11 MR. NIELSEN: Probably doesn't.

12 Q. (By Mr. Nielsen) What's your level of  
13 knowledge and experience about broker/dealer  
14 operations?

11:08:30 15 A. I've been involved in various litigation over  
16 the years related to broker/dealer.

17 Q. Okay. Do you feel like you have a pretty good  
18 grasp of broker/dealer operations?

19 A. Yes, I do.

11:08:49 20 Q. Okay. Do you feel like you have a good grasp  
21 and experience with compensation structures typical in  
22 U.S. broker/dealers that are paid to their associated  
23 persons?

24 A. Well, I've been familiar with that in the  
11:09:05 25 past, yes.

1 Q. Okay. Are you not familiar with the current  
2 structure?

3 A. Well, yes. Yes.

4 Q. Okay. Are you familiar with the commissions  
11:09:17 5 paid on securities and investment products?

6 A. Am I aware that there are commissions paid?

7 Q. No. Are you aware of the standard commissions  
8 for securities and investment products?

9 A. Well, I saw something in the SEC report, and I  
11:09:33 10 know what was paid at SIB. I have not gone around to  
11 see at other -- what there might be.

12 Q. I'm asking more just from a general industry  
13 standard, "industry" being U.S. securities market,  
14 U.S. broker/dealers. Are you just -- are you generally  
11:09:48 15 familiar with the commission structures that are  
16 general or standard in the industry?

17 A. Generally how they're paid, yes.

18 Q. But not the levels and percentages?

19 A. Again, at different times, they've been at  
11:10:00 20 different levels. So, I know that they vary between  
21 brokerages and --

22 Q. Okay. Let's talk about now. Are you aware,  
23 for instance, of the standard commission for equity  
24 products paid by U.S. broker/dealers?

11:10:13 25 A. No.

1 Q. Have you ever been aware of the standard  
2 commissions in the industry for equities?

3 A. I know I have been because I've looked at  
4 them, but I don't remember what they were.

11:10:23 5 Q. Okay. Do you know what the standard  
6 commission for fixed income products is in the  
7 industry?

8 A. No.

9 Q. Have you ever been aware of that?

11:10:33 10 A. I know because I've looked at different  
11 brokerages that we would have looked at the  
12 compensation structures, so, yes.

13 Q. And how long ago would that have been?

14 A. Well, up to 25 years ago and within the last  
11:10:45 15 ten years, so --

16 Q. When is the last time you did work that would  
17 have made you familiar with the industry standard for  
18 compensation to broker/dealers?

19 A. In cases, probably 1997, somewhere in there.

11:11:09 20 Q. Okay. You said in cases. Is there other  
21 consulting or other work you've done since, other than  
22 cases?

23 A. No.

24 Q. Okay. So, I assume you also would not be  
11:11:25 25 familiar with the standard commission for private

1 equity investments that are paid by broker/dealers?

2 A. No.

3 Q. Okay. And that same would be true for the  
4 standard fee for managed accounts, you wouldn't be

11:11:36 5 aware of that industry standard either?

6 A. The amount, no.

7 Q. Okay. Because you reviewed SGC's financial  
8 statements, I guess let's start with '04 and go  
9 forward. Do you -- can you tell me what the revenues

11:11:57 10 of that company were?

11 A. No. I don't remember what the numbers were  
12 off the top of my head.

13 Q. Okay. Do you have a general ballpark?

14 A. I don't.

11:12:12 15 Q. For any of the years?

16 A. Seems like they went from somewhere around 73  
17 million up to 300 some million, but I'm not sure what  
18 years.

19 Q. Okay. Do you know how much of Stanford Group  
11:12:39 20 Company's revenues came from non-bank CD brokerage  
21 activities in 2006?

22 A. That came -- are you just talking about that  
23 came only from commissions?

24 Q. Let's just put aside anything relating to  
11:12:55 25 money from the sale of CDs.

1 A. Okay.

2 Q. Let's just -- and let's step back a little  
3 bit.

4 As you've talked about in your  
11:13:04 5 declaration, there was an agreement between Stanford  
6 Group Company and Stanford International Bank.

7 Correct?

8 A. That's correct.

9 Q. And pursuant to that agreement, if Stanford  
11:13:14 10 Group Company's people sold a CD, Stanford  
11 International Bank would pay some portion of that money  
12 to SGC. Correct?

13 A. That was one of the agreements, yes.

14 Q. Okay. Were there other agreements by which  
11:13:24 15 Stanford International Bank received revenue -- or  
16 excuse me -- Stanford Group Company received revenue  
17 from Stanford International Bank?

18 A. Yes.

19 Q. Okay. Tell me what those are.

11:13:31 20 A. They had investment, I guess, in management  
21 fees, where they provide services. People within SGC  
22 would provide services and SIB would pay for those  
23 services through an agreement.

24 Q. And that was apart from the -- I think that  
11:13:52 25 was three percent that Stanford International Bank paid

1 Stanford Group Company?

2 A. For the referral fees. The three percent was  
3 on the referral fees --

4 Q. Correct?

11:14:01 5 A. -- for the CDs, yes.

6 Q. Right. But these management fees are separate  
7 from that three percent?

8 A. That's correct.

9 Q. What other income was there from Stanford  
11:14:12 10 International Bank to Stanford Group Company?

11 A. I think there was some reimbursements for  
12 trading information and databases at one time that was  
13 incurred by SEC and was paid for by SIB.

14 Q. Okay. Was that a substantial amount?

11:14:36 15 A. I think one year it was \$16 million.

16 Q. Do you remember what year that was?

17 A. I don't recall specifically, no.

18 Q. Any other revenues? And I'm trying to  
19 understand all the revenues that Stanford Group Company  
11:14:53 20 derived from Stanford International Bank.

21 A. Those are the primary ones. I don't -- there  
22 may be some other small ones, but those are the primary  
23 ones that I'm aware of.

24 Q. Okay. So, taking all of those categories  
11:15:05 25 together, and we'll call that Stanford International

1 Bank revenues, putting those Stanford International  
2 Bank revenues aside, do you know how much Stanford  
3 Group Company's revenues were in 2006?

4 A. No.

11:15:20 5 Q. Do you know what the proportion was between  
6 bank revenue and non-bank revenue?

7 A. When you say "bank revenue," that's  
8 anything --

9 Q. Stanford International Bank revenue.

11:15:31 10 A. It was always more than two-thirds.  
11 Two-thirds Stanford bank revenue versus nonrelated, if  
12 you will, third-party revenue.

13 Q. It was always?

14 A. Throughout that period of time that I looked  
11:15:45 15 at it in the years, it ranged from two-thirds to a  
16 little more than that.

17 Q. Okay. And that's based on the BDO Seidman  
18 audit reports?

19 A. That's based upon the SGC financial  
11:16:00 20 statements.

21 Q. Which were audited by BDO?

22 A. Right.

23 Q. Okay.

24 A. But they're not the auditor's financial  
11:16:04 25 statements.

1 Q. That's a good point. The company's financial  
2 statements. You're basing your answer on their  
3 financial statements, the ones that were audited by  
4 BDO?

11:16:12 5 A. That's correct.

6 Q. Okay. Are you aware that the receiver's  
7 represented to the court that more than 60 percent of  
8 SGC's revenues in 2008 came from non-CD brokerage  
9 activity?

11:16:25 10 A. Say that again. I'm sorry.

11 Q. Are you aware that the Receiver has  
12 represented to the court that more than 60 percent of  
13 SGC's revenues in 2008 came from non-CD brokerage  
14 activities?

11:16:41 15 A. That's not -- well, it would depend on how you  
16 classify those management fees, probably, if you're  
17 talking about non-CD brokerage activities. So, the  
18 management fees wouldn't be brokerage activity, per se.

19 Q. Okay. I'm just asking you whether they  
11:17:04 20 represented that to the court.

21 A. No. I'm not aware of that, no.

22 Q. Okay. But in your opinion, that's not  
23 correct?

24 A. I don't know that.

11:17:12 25 Q. Okay. How much were the management fees?

1 A. I don't know the numbers.

2 Q. Have you made any determinations as to whether  
3 Stanford Group Company was solvent between 2006 and  
4 2009?

11:17:36 5 A. Well, I have not done a solvency analysis of  
6 Stanford Group Company, a specific solvency analysis as  
7 that term of art is used.

8 Q. So, therefore, you have not made a  
9 determination as to whether Stanford Group Company was  
11:17:54 10 solvent in -- let's start with 2006.

11 A. Well, what I know from the financials is that  
12 it was balance sheet solvent. The assets exceeded the  
13 liabilities.

14 Q. What about in 2007?

11:18:19 15 A. I think -- well, the same thing is true.

16 Q. 2008?

17 A. I don't have audited financials for 2008.

18 Q. Okay. Have you seen any financials for 2008?

19 A. I may have. I don't recall those.

11:18:41 20 Q. Let's step back to 2005, because I recalled  
21 you said you looked at 2004 and 2005, as well. In  
22 2004, was Stanford Group Company solvent, according to  
23 its audited financial statements?

24 A. Yes.

11:18:54 25 Q. Same is true for 2005?

1 A. Yes. Under the definition that I gave you  
2 from the assets exceeding liabilities.

3 Q. Okay. Have you seen anything -- well, other  
4 than the definition you gave me, but that is the  
11:19:10 5 definition of solvency that's commonly used in the  
6 accounting profession. Correct?

7 A. No, there's more to it than that.

8 Q. Okay. What else would you look at?

9 A. That's referred to balance sheet solvency.

11:19:23 10 There's also, you know, whether they can pay their  
11 bills as they become due, that's a liquidity issue.

12 Q. Did you see any liquidity issues that were  
13 reflected in the Stanford Group Company's financial  
14 statements?

11:19:32 15 A. Well, they had liquidity issues because they  
16 had to have capital contributions to stay balance sheet  
17 solvent.

18 Q. During what time period?

19 A. From 2004 forward.

11:19:46 20 Q. So, it's your recollection that from 2004  
21 forward, without those capital contributions, they  
22 would not have had liquidity solvency?

23 A. No, that's not my opinion.

24 Q. Okay.

11:20:02 25 A. I'm saying that for all of those years from a

1 balance sheet perspective, they would not have been  
2 balance sheet solvent, I do not believe, without the  
3 capital contributions. They had a cumulative deficit.  
4 Their operations were running at a loss.

11:20:23 5 Q. And you're sure about that? Because you just  
6 said "I believe." I'm just asking how sure you are.

7 A. That's my recollection.

8 Q. You will agree with me that Stanford Group  
9 Company did generate substantial revenue from  
11:20:47 10 traditional retail brokerage services. Correct?

11 A. It did generate revenue from those services,  
12 too, yes.

13 Q. In other words, based on what you've seen, the  
14 brokers or financial advisors of Stanford Group  
11:21:02 15 Company, they didn't just exclusively sell bank CDs,  
16 did they?

17 A. Exclusively, no. The majority.

18 Q. Are you talking to the sales force as a total,  
19 or are you talking about each individual that has been  
11:21:16 20 sued in this case?

21 A. I'm talking about the brokerage as a whole.

22 Q. Okay. Have you looked -- for the people that  
23 have been sued in this case, the 300-something plus  
24 financial advisors, have you looked at the proportion  
11:21:30 25 of their sales activity being bank CD versus non-bank

1 CD?

2 A. I believe I probably have that information. I  
3 haven't looked at it specifically, no.

4 (Exhibit No. 1 marked.)

11:22:15 5 Q. (By Mr. Nielsen) I'm going to hand you what's  
6 been marked as Exhibit 1. And I'll tell you this is  
7 the -- your declaration with attachments that was filed  
8 on July 28, 2009 in this case. Does that appear to be  
9 true?

11:22:39 10 A. That does, yes.

11 Q. Okay.

12 A. July 27th, actually, or maybe it was filed.  
13 That's the date I signed it.

14 Q. Okay. Would you turn to Paragraph 14.

11:23:02 15 Paragraph 14 reads: "Our analysis of cash flows for  
16 2008 through February 17 of 2009 indicates that funds  
17 from sales of SIB CDs were used to make purported  
18 interest and redemption payments on preexisting CDs."

19 Did I read that accurately?

11:23:20 20 A. Yes.

21 Q. Okay. Have you made any determination of  
22 whether sales of SIB CDs were used to make purported  
23 interest and redemption payments on preexisting CDs for  
24 a time period before 2008?

11:23:35 25 A. Yes.

1 Q. Okay. How far back have you gone?

2 A. Well, really, the analysis goes back to 2004.

3 Q. You have done an analysis of whether SIB was  
4 using, in other words, the sale of new CDs to pay

11:23:55 5 redemption and interest payments on preexisting CDs?

6 A. I would say I have performed an analysis to  
7 show that -- that indicates that was the possible way  
8 they were making payments.

9 Q. I don't understand your differentiation.

11:24:15 10 A. Well, you're referring to a specific analysis  
11 here that refers to specific cash tracing that was  
12 done. That has also than been done for the year  
13 2007 --

14 Q. Okay.

11:24:27 15 A. -- additionally. But in addition to this  
16 analysis, there's other analyses that I think are  
17 relevant to whether they were paying the sale of SIB  
18 CDs were used to pay redemption and interest payments  
19 prior to that period of time.

11:24:42 20 Q. Did you do those analyses?

21 A. Yes.

22 Q. Okay. And I'm familiar with a fund tracing  
23 analysis, a very large spreadsheet and lots of work  
24 that goes into that. Correct?

11:24:56 25 A. Yes.

1 Q. Okay. And that's from -- you've done that for  
2 2007 through February 17, 2009?

3 A. We have, yes.

4 Q. Okay. But before that period of time, what  
11:25:06 5 analyses have you done to determine whether Stanford  
6 International Bank was paying preexisting CD redemption  
7 and interest payments with the sale of new CDs?

8 A. Well, it is a cash tracing analysis, as well,  
9 different than this. We went into detail into the bank  
11:25:28 10 records and used the bank records in some of what we're  
11 referring to here. But we've done the same kind of  
12 cash tracing analysis previous in time to look at what  
13 funds were available that would have been available to  
14 use for CD and interest payments.

11:25:50 15 Q. Okay. I guess I'm not understanding. You  
16 seem to be drawing some difference between what you've  
17 done for 2007 forward versus what you've done for the  
18 prior time. Can you just explain to me what's the  
19 difference and what you've done for those two time  
11:26:02 20 periods?

21 A. It's not a difference. Let me -- that's  
22 probably fair. This is referring to specific cash  
23 flows that were done that related to tracing from bank  
24 statements and into Temenos and looking at the specific  
11:26:22 25 CDs and tying those out. Other analysis has been done

1 over the entire period of time to look at, including  
2 these time periods, 2007, 2008, 2009, to see, you know,  
3 what the financial condition was of the entity --  
4 entities, really -- and what money would have been  
11:26:44 5 available to pay the interest and redemption payments.

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

9 A. Well, assets available.

11:27:01 10 Q. Okay. And so, it's your belief that beginning  
11 at least in 2004 forward, which is the time period  
12 you've looked at, that Stanford International Bank did  
13 not have sufficient assets to satisfy redemption and  
14 interest payments?

11:27:18 15 A. To cover those that were current, yes. They  
16 didn't have sufficient to cover the portfolio.

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

11:27:41 20 A. That's correct.

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

23 A. That's -- well, the interest is accrued; it  
24 isn't necessarily paid, so that's not a cash flow  
11:27:58 25 issue.

1 Q. Okay. But what you're saying is that -- I'm  
2 trying to understand what you're saying, is you said it  
3 was current versus the entire portfolio. Are you  
4 saying that if everybody had come and tried to redeem  
11:28:10 5 their CDs, there weren't sufficient assets to cover  
6 that?

7 A. That's correct.

8 Q. Okay. But you are saying there were  
9 sufficient assets to cover the redemption and interest  
11:28:20 10 payments that were actually being made?

11 A. Well, they -- yes. What they would do is  
12 leave a certain amount of cash available before they  
13 disseminated it throughout the other entities, and it  
14 was spent to pay what was the current -- the current  
11:28:41 15 redemptions, yes.

16 Q. Okay.

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

19 Q. Instead of liquidating other assets that  
11:28:50 20 Stanford International Bank had?

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

24 Q. How much income was Stanford International  
11:29:03 25 Bank generating on its investments in 2004?

1 A. Reported?

2 Q. Actual.

3 A. That's hard to say. They didn't really track  
4 their actual revenue so much, frankly. The reported  
11:29:25 5 revenue is based upon their spreadsheets and what they  
6 needed to have to cover the existing liabilities.

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

9 MR. NIELSEN: SIB.

11:29:42 10 MR. STANLEY: Okay. Sorry.

11 A. That's what I mean.

12 Q. (By Mr. Nielsen) And so, you have not had a  
13 chance to go back and try to re-create and figure out  
14 how much revenue was being generated? Is that what I'm  
11:29:52 15 hearing?

16 A. Well, I have gone back through and I have  
17 taken from the known investment assets that we have,  
18 Tier 2, what's known as Tier 2, which is investment  
19 with outside money managers, and other investments that  
11:30:14 20 we knew of that were paying interest to calculate what  
21 we believe, based upon that information, was their  
22 appreciation in those assets. A lot of it was, you  
23 know, gains in their assets as opposed to -- or losses,  
24 frankly, gains or losses on those assets as opposed to  
11:30:37 25 interest or dividend payments, really.

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

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

11:30:50 5 Q. Okay. And who have you shared that with?

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

9 Q. Have you gone through it with anybody other  
11:31:05 10 than Baker Botts and the Receiver?

11 A. Baker Botts and the Receiver?

12 Q. Correct.

13 A. No.

14 Q. Not the SEC?

11:31:13 15 A. Not me specifically.

16 Q. Have others?

17 A. I don't know.

18 Q. What about the Department of Justice?

19 A. Well, actually, I'll go back to that. I have  
11:31:26 20 had discussions with the SEC and the Department of  
21 Justice discussing this issue that, you know, there's  
22 the actual revenue, if you will, that there's what we  
23 can find of that and that we have tracked that, but --

24 Q. Was that based on the summary that you had  
11:31:46 25 prepared?

1 A. I don't think we walked through the summary,  
2 but my discussion is based upon my ongoing analysis,  
3 yes.

4 Q. Which is documented in this summary?

11:31:58 5 A. Yes.

6 Q. Okay. And then you've also prepared cash flow  
7 tracing analysis for 2004 forward, but, however, one  
8 being very detailed and one being from a higher level,  
9 I take it?

11:32:15 10 A. Well, the cash flow tracing analysis is to --  
11 prior in time is more to look at what might have been  
12 available from assets known, from income that was known  
13 to us, to see what that is, to see, you know, what was  
14 available other than CD proceeds.

11:32:41 15 Q. And then this document is a summary, as well?

16 A. Yes.

17 Q. Has that been shared with anybody other than  
18 Receiver and Baker Botts?

19 A. I think that we have discussed with -- I can  
11:33:03 20 recall the DOJ, some of that analysis, but not -- not  
21 going through the work papers, just the general terms.

22 Q. In other words, taking your analysis and based  
23 on your analysis, talking to the Department of Justice  
24 about what you found?

11:33:24 25 A. About what we've seen, yes.

1 Q. Okay. And obviously, you would have had to  
2 use your analysis in order to have that conversation?

3 A. Yes, though the conversation was more  
4 conceptual than numerical, so we didn't --

11:33:37 5 Q. Okay. Did you talk to anybody else besides  
6 the Department of Justice about that analysis or shown  
7 it to them?

8 A. Baker Botts and the Receiver. Not that I can  
9 recall.

11:33:48 10 Q. Has anyone else?

11 A. Not that I know of.

12 (Exhibit No. 2 marked.)

13 Q. (By Mr. Nielsen) Let me show you what's been  
14 marked as Exhibit 2. This is a more recent declaration  
11:34:03 15 from you. I'm not sure about when it was signed, but  
16 it was filed in connection with the Receiver's  
17 application for an attachment and injunction on April  
18 19, 2010. Do you recognize this?

19 A. Yes, I do.

11:34:21 20 Q. Does this appear to be a complete version of  
21 the -- of this particular declaration?

22 A. Yes, it does.

23 Q. Okay. And I'm going to ask you -- I'm going  
24 to ask you this question, then I'm going to step back  
11:34:39 25 and ask you about the other declaration. Who prepared

1 Exhibit 2?

2 A. Well, it --

3 Q. Let's start with the declaration. Who  
4 prepared the declaration?

11:34:49 5 A. Okay. The declaration was prepared between  
6 FTI and Baker Botts.

7 Q. Okay. Who did the initial drafting?

8 A. Baker Botts did.

9 Q. And did you participate in revising this, or  
11:35:05 10 was there someone else on your team?

11 A. I did specifically, as did others on my team.

12 Q. Who else did?

13 A. On this one in particular, Mark Russell and  
14 Jeff Ferguson.

11:35:22 15 Q. Let's go back to the other, Exhibit No. 1.  
16 Who prepared that document?

17 A. As far as initial draft, or what are you  
18 asking?

19 Q. Let's talk about initial draft.

11:35:34 20 A. It was initially drafted by Baker Botts.

21 Q. The entire thing?

22 A. Well, not the attachments.

23 Q. The actual -- but I'm talking about the  
24 declaration.

11:35:44 25 A. Yes.

1 Q. Okay. But then you and members of your team  
2 reviewed and edited it as you saw fit?

3 A. Yes, absolutely.

4 Q. So, let's go back to Exhibit No. 2. If you'll  
11:36:00 5 turn back to Exhibit A of that declaration.

6 A. Okay.

7 Q. It's the spreadsheet with 329 names in various  
8 columns beside them. Correct?

9 A. That's correct.

11:36:22 10 Q. Okay. Who prepared this spreadsheet?

11 A. Well, we prepared information in a spreadsheet  
12 that was similar to this. I don't believe this is our  
13 actual spreadsheet.

14 Q. Okay. So, my --

11:36:36 15 A. So I don't know exactly who prepared this.

16 Q. Okay. Have you gone back and reviewed this  
17 spreadsheet, Exhibit A, to determine whether it is  
18 accurate?

19 A. It is -- yes, it is accurate. It comports  
11:36:50 20 with the information that we provided.

21 Q. Okay. But have you personally gone back and  
22 determined whether this is accurate?

23 A. I have had someone else on my staff and I've  
24 looked at specific items that I was tracing to make  
11:37:04 25 sure that it was, yes.

1 Q. Okay. Who else -- so, who on your staff has  
2 went back and checked this?

3 A. Mark Russell.

4 Q. Okay. Was it recently checked?

11:37:16 5 A. Yes.

6 Q. Okay. Where did the information come from  
7 with regard to the numbers in this spreadsheet? In  
8 other words, how did you get to these numbers?

9 A. Just in general for all of it?

11:37:33 10 Q. Yes.

11 A. Okay. It came from spreadsheets that we  
12 received from accounting at SGC. It came from payroll  
13 records. It came from bank account information.  
14 Information we received from Human Resources of the  
11:38:09 15 receivership who were previously Stanford employees.  
16 There were financial statements of the branches that we  
17 looked at. PAR calculations and agreements. We looked  
18 at loan agreements to the brokers. Commission reports.  
19 Bonus reports. And then it would be also information  
11:38:57 20 from Temenos.

21 Q. What's that?

22 A. Temenos is the database that relates to the CD  
23 activity for SIB.

24 Q. That was their database, or is that something  
11:39:12 25 that's created?

1 A. That was their database.

2 Q. Okay. Is that it, that you can recall?

3 A. I think that's all I can recall.

4 Q. Okay. Over what time period are the amounts  
11:39:35 5 listed here reflect?

6 A. Well, in different columns they might reflect  
7 different periods of time, but for everything but the  
8 CD proceeds, let's leave those separate, these would --  
9 those would be from 2005 to February 2009.

11:40:02 10 Q. You said for everything but CD proceeds.  
11 I'll, however, note that someone has identified all of  
12 this as CD proceeds, because if you look at the last  
13 column, it says Total CD Proceeds. So, that's what I  
14 was asking here. When did you start -- I mean, did you  
11:40:24 15 just go back in time the whole way, or did you start at  
16 a particular time and come up with these numbers?

17 A. For CD proceeds?

18 Q. No, for anything. All of these numbers on  
19 here.

11:40:33 20 A. Okay.

21 Q. For Loans, SIB CD Commissions, Quarterly  
22 Bonuses. How far back did you go?

23 A. Okay. Let me -- I thought I answered that,  
24 but let me try again. For all the information in the  
11:40:47 25 columns, Loans, SIBL CD, SIBL Quarterly Bonus, PARS

1 Payments, Branch Managing Director, and Severance  
2 Payments, those are for the period 2005 through  
3 February 2009.

4 Q. Okay. Okay. Thank you.

11:41:11 5 Why did you start in 2005?

6 A. That's where we were asked to start.

7 Q. By?

8 A. Baker Botts.

9 Q. Do the figures -- I'm not going to -- right  
11:41:32 10 now --

11 A. I'm sorry, I'm thinking of CD proceeds in a  
12 different way. You're right. That's just a total for  
13 the column. I'm sorry.

14 Q. That's okay. I've already gotten confused and  
11:41:41 15 I'll -- it won't be the second -- it won't be the first  
16 time it will happen.

17 Beyond, you know, not taking this total  
18 amount, but for the other columns here, the amounts  
19 reflected, do those reflect before- or after-tax  
11:41:56 20 amounts that were paid to the listed people?

21 A. Those would be before-tax amounts.

22 Q. Okay. Now, for the amounts listed on here,  
23 you'll agree with me that these amounts were paid by  
24 Stanford Group Company. Correct? They're the ones  
11:42:33 25 that wrote the check to these people. Right?

1 A. There is, I think, some payments that were  
2 made by Stanford Financial Investor Services.

3 Q. Was that just for a couple of people, or was  
4 that --

11:43:00 5 A. I think it was more for a time period. I  
6 actually think it's throughout the time period but  
7 different people.

8 Q. Okay. How would I know which people were paid  
9 by Stanford Financial Investment Services? Was it a  
11:43:19 10 particular office? Was it a particular type of person?

11 A. No. It was -- I think it was based upon who  
12 they were selling CDs to as to where the payment would  
13 be made. So, I mean, we have the information in the  
14 detail that we have, but there is no -- no general rule  
11:43:46 15 that would say.

16 Q. Okay.

17 A. By far, most are paid through SGC.

18 Q. By far, that's the case?

19 A. That's the case, yes.

11:43:54 20 Q. And you're aware that when SGC paid these  
21 people the amounts listed here, they withheld taxes.  
22 Correct?

23 A. I believe that would be true on most, if not  
24 all, of these.

11:44:14 25 Q. And as a matter of fact, their pay stubs that

1 you would have looked at would reflect that. Correct?

2 A. I didn't look at the pay stubs, but they --

3 Q. Someone in your group did.

4 A. We looked at payroll records, not the pay  
11:44:27 5 stubs, but we would have that information, yes.

6 Q. Okay. So, wouldn't you agree with me that the  
7 people listed here actually didn't receive these  
8 amounts that you have listed? Right? They never got  
9 all of this money handed to them. Right?

11:44:45 10 A. They earned that amount of money or  
11 purportedly.

12 MR. NIELSEN: Objection; nonresponsive.

13 Q. (By Mr. Nielsen) When they were written a  
14 check, they did not receive all this money you have  
11:44:57 15 listed, did they?

16 A. I think they do, yes.

17 Q. I thought you said it was -- these are  
18 before-tax numbers.

19 A. They are. Maybe it's nomenclature. I think  
11:45:09 20 when I get my payroll check I'm receiving my gross  
21 amount. The fact that they withhold the withholding  
22 for me is not -- but you're right, my deposit into my  
23 account is less than that.

24 Q. And unless you're unlike me, you don't get  
11:45:28 25 that -- or at least the vast majority of that

1 withholding back, do you?

2 A. It depends on your tax situation.

3 Q. Most people don't. Right? You got to pay  
4 your taxes. Right?

11:45:37 5 A. I hope so, yes.

6 Q. Yeah. So, when we're talking about the actual  
7 funds received through a check, the people listed here  
8 did not receive the amounts you have listed in this  
9 spreadsheet, did they?

11:45:53 10 A. They would have received an amount less  
11 withholding in most of the cases, yes.

12 Q. Okay. I've noticed on your resume that you've  
13 done some -- you at some point did tax accounting work.  
14 Correct?

11:46:13 15 A. Yes.

16 Q. Okay. What's a good rough ballpark for how --  
17 what a percentage of tax withholdings are for most  
18 folks? Let's -- and let's talk about at this income  
19 level.

11:46:27 20 A. Effective rate? What kind of tax rate are you  
21 looking for?

22 Q. The withholding. What's a general rule of  
23 thumb on how much, percentage-wise, would you think  
24 that these people have withheld from their checks?

11:46:46 25 A. Well, what's required to be withheld is social

1 security, Medicare.

2 Q. Which is how much? What percentage? Six  
3 something, right?

4 A. Yes. Six or seven percent.

11:46:56 5 Q. Okay. And then --

6 A. Medicare is less than that.

7 Q. And then there's federal income tax  
8 withholdings. Correct?

9 A. That's correct, if you choose it. You can  
11:47:07 10 choose to pay -- you don't have to have withholding.

11 Q. Okay. Do you know whether any of these people  
12 chose not to have money withheld?

13 A. I don't know that.

14 Q. And federal income tax withholdings for people  
11:47:23 15 at this level of income would be 25 percent plus?

16 A. Probably, yes.

17 Q. Okay. And then --

18 A. Unless they chose something different. There  
19 are alternatives.

11:47:38 20 Q. But you don't know sitting here today what  
21 they chose?

22 A. From the standard, if you're talking about  
23 standard tables, that's about what it would be.

24 Q. Okay. And then some of these folks may have  
11:47:47 25 lived in states where there's a state income tax, too.

1 Right?

2 A. They may have, yes.

3 Q. And there would have been withholdings there,  
4 too.

11:47:54 5 A. If they chose to have the withholding.

6 Q. Okay. And what would that general percentage  
7 be, in your experience?

8 A. That would depend on the state.

9 Q. What can it range? What's the range?

11:48:06 10 A. I don't know but across the 50 states what the  
11 range is.

12 Q. But you are aware that these people weren't  
13 across 50 states. Florida, they have an income -- a  
14 state income tax, don't they?

11:48:15 15 A. I believe so.

16 Q. Do you know what the percentage is?

17 A. I do not.

18 Q. Okay. So, if we take -- and federal income  
19 tax, we said 25 percent plus. It goes up to 39.6  
11:48:34 20 percent. Correct?

21 A. You're talking about withholding.

22 Q. Correct.

23 A. And I answered based upon tables what would be  
24 withheld unless they made other choices.

11:48:45 25 Q. Correct.

1 A. Now you're talking about the tax rate when  
2 they go to --

3 Q. They could have made a choice to have more  
4 withheld to be more in line with their effective tax  
11:48:52 5 rate. What you're saying is 25 percent is a good rule  
6 of thumb just for what's being withheld via the tables?

7 A. I'm saying that that would be a ballpark of  
8 where it could be.

9 Q. Okay. Then plus social security and Medicare?

11:49:08 10 A. Correct.

11 Q. Which would, if we added that to the 25  
12 percent, would take the number to over 30 percent.  
13 Correct?

14 A. If that's what was chosen, yes.

11:49:20 15 Q. Okay. So, the numbers here could be more than  
16 30 percent overstated as to what the actual check these  
17 people received is. Isn't that correct?

18 A. The actual check could be as much as that,  
19 yes.

11:49:38 20 Q. If not more?

21 A. It could be less.

22 Q. But it could be more?

23 A. It could be more.

24 Q. Okay. You just don't know?

11:49:44 25 A. I don't know.

1 Q. Now, on this table, I notice that -- well,  
2 let's step back here.

3 You're aware that many FA's, financial  
4 advisors -- can we agree on "FA" as the term for  
11:50:28 5 financial advisors of Stanford Group Company?

6 A. Yes.

7 Q. That many of the FA's made personal  
8 investments into the CDs at Stanford International  
9 Bank?

11:50:37 10 A. Yes. Some did make personal investments.

11 Q. Well, as a matter of fact, in Exhibit B, you  
12 have some of those people listed. Correct?

13 A. Correct.

14 Q. And in Exhibit B, there are some people that  
11:51:00 15 are shown to have been paid more than they actually  
16 invested, but wouldn't you agree that most of the  
17 people you have listed in Exhibit B are not in that  
18 category?

19 A. Yes. There are more that are not in the  
11:51:20 20 category of received in excess of investments than  
21 there are within that category.

22 Q. Isn't it a fact that there are financial  
23 advisors listed in Exhibit A that lost money on the  
24 Stanford International Bank CDs?

11:51:40 25 A. In Exhibit A, that they lost money on CDs?

1 Q. In their personal investments in Stanford  
2 International Bank CDs.

3 A. Yes.

4 Q. Okay. Did you take -- you didn't take those  
11:51:52 5 losses into account when you were coming up with total  
6 CD proceeds, did you?

7 A. No.

8 Q. Okay. Why not?

9 A. Because what we were looking at was the  
11:52:02 10 compensation that was related to the sale of CDs  
11 generally over here, and this is a separate schedule  
12 that shows the proceeds from the CDs.

13 Q. Do you know whether any of the folks listed in  
14 Exhibit A used any of the funds you have listed here to  
11:52:25 15 make personal investments in Stanford International  
16 Bank CDs?

17 A. I don't know specifically.

18 Q. Do you figure that may have happened?

19 A. I don't know.

11:52:36 20 Q. Did you look to determine whether that  
21 happened?

22 A. Not specifically, no.

23 Q. Wouldn't that be important to you to  
24 understand that if, in your opinion, all this money is  
11:52:48 25 coming indirectly or directly from Stanford

1 International Bank to understand whether they took that  
2 money and just put it right back in the bank?

3 A. We would have captured that in these amounts,  
4 in these proceeds.

11:53:03 5 Q. And you're pointing to Exhibit B?

6 A. Exhibit B. Excuse me.

7 Q. Okay. Well, yeah, but these -- the Receiver's  
8 trying to sue people for these amounts in Exhibit B.  
9 Right?

11:53:15 10 A. Correct.

11 Q. You're aware of that. Right?

12 A. That's correct.

13 Q. Okay. So, what I'm asking is, looking at  
14 Exhibit A, which is some compensation that these people  
11:53:24 15 received --

16 A. Yes.

17 Q. -- while they worked for Stanford Group  
18 Company, I'm asking is: Do you know whether any of  
19 these people took that compensation, turned around and  
11:53:34 20 bought a Stanford International Bank CD?

21 A. With those specific proceeds, no, I don't know  
22 that. It would go into their bank account. And if  
23 they decided to invest it elsewhere to put it into the  
24 CD, it would be commingled with whatever funds they  
11:53:53 25 have.

1 Q. But you didn't feel like it was appropriate to  
2 understand whether the folks you have listed here took  
3 compensation, put it right back in Stanford  
4 International Bank and whether they lost all of it?

11:54:06 5 A. I would have captured that information. It's  
6 right here on this Schedule B.

7 Q. Schedule B doesn't show how much these people  
8 lost, does it?

9 A. No.

11:54:16 10 Q. It just shows how much they invested?

11 A. No.

12 Q. Or proceeds?

13 A. Proceeds.

14 Q. Okay. So, they didn't show how much they  
11:54:26 15 invested?

16 A. That's correct.

17 Q. So, it just shows how much proceeds?

18 A. Yes.

19 Q. And it shows how much if they had any excess,  
11:54:32 20 according to your information?

21 A. In excess of their investments, yes.

22 Q. Okay. But we don't know who lost money?

23 A. No.

24 Q. Okay. I mean, let's just take -- let's just  
11:54:50 25 take the first one, Monica Ardesi. It shows that she

1 received almost 3.3 million in CDs in proceeds,  
2 according to your records. Correct?

3 A. That's correct.

4 Q. Okay. But you don't know how much money she  
11:55:03 5 actually put into the bank, do you?

6 A. I don't know the exact amount, no.

7 Q. Okay. Do you have any idea?

8 A. Well, from this schedule, it would tell you  
9 that it was more than the proceeds.

11:55:24 10 Q. Equal to or more than?

11 A. Correct.

12 Q. Okay. But she could have put in \$6.3 million  
13 and have a net \$3 million loss, couldn't she?

14 A. The proceeds would be -- or the investment  
11:55:43 15 would be more than what the proceeds were.

16 Q. And then if we turn back over to Schedule A,  
17 if you'll look down there at ID No. 13.

18 A. Yes.

19 Q. Do you see where she's being sued for about  
11:56:15 20 \$293,000?

21 A. From the amount of bonuses, yes.

22 Q. Do you -- but sitting here today, you don't  
23 know whether she lost more than \$293,000 on her CD --  
24 on her CD investments, do you?

11:56:32 25 A. I do not.

1 MR. SADLER: Can we take a two-minute  
2 break? We've been going about an hour.

3 MR. NIELSEN: Sure.

4 (Off the record 11:56 a.m. to 12:05 p.m.)

12:05:10 5 Q. (By Mr. Nielsen) During our break, did you  
6 have a chance to speak to Mr. Sadler?

7 A. I did, yes.

8 Q. What did y'all talk about?

9 A. There was one item that I think merits  
12:05:20 10 clarification --

11 Q. Okay.

12 A. -- based upon a question and my answer.

13 When we are referring to Exhibit B that  
14 we were just discussing, I -- from this, we can tell  
12:05:36 15 who lost, and I think we talked about that. It isn't  
16 reflected on here how much that amount might be, but  
17 that doesn't mean that we don't know how much that loss  
18 is. We don't know it from the schedule, but we have  
19 calculated that amount, so we know what the loss is.

12:05:57 20 Q. I figured that to be the case, but I  
21 appreciate you clarifying that.

22 A. Okay.

23 Q. I actually have a clarifying question for you,  
24 as well.

12:06:04 25 Going back to Exhibit A, talking about

1 all the different categories here, you said -- I asked  
2 you before, "How far did you go back?" And you said,  
3 "We went back to 2005." Did you go back to January 1,  
4 2005?

12:06:22 5 A. Yes. January 1, 2005.

6 Q. And then these numbers are cumulative from  
7 January 1, 2005 all the way to February 17, 2009?

8 A. That's true except for the loans.

9 Q. Okay. One-time payment?

12:06:50 10 A. Yes.

11 Q. Got it.

12 So, going back a little bit to what we  
13 were talking about right before the break. Looking at  
14 Exhibit -- looking at Exhibit A, we were talking about  
12:07:13 15 Ms. Ardesi here, and you agree with me on the Line  
16 No. 13 -- and you agree with me that it is possible  
17 that she lost more than \$293,000 in her personal CD  
18 investment?

19 A. Yes.

12:07:36 20 Q. Okay. And that is with regard to the folks in  
21 Exhibit B who you do not show to have received funds in  
22 excess of their investment, it is possible for them, as  
23 well, that they lost more than what you total for them  
24 for total CD proceeds. Correct?

12:07:56 25 A. That's possible, yes.

1 Q. Okay. Do you know whether any of the  
2 individuals listed on Exhibit A here are owed  
3 compensation from Stanford Group Company for non-CD  
4 related sales or activities?

12:08:29 5 A. I do not. I might have that information; I do  
6 not know that from the information on Exhibit A.

7 Q. Okay. Are you aware generally that there are  
8 FA's that are owed commissions that were earned but not  
9 paid before the receivership for things completely  
12:08:49 10 unrelated to the CDs?

11 A. There may be. I don't know that specifically,  
12 but there may be.

13 Q. Okay. Don't you think, in fact, that's  
14 probably likely?

12:09:02 15 A. I don't know what their pay -- when they were  
16 paid and what's outstanding and whether that is  
17 actually owed.

18 Q. Okay.

19 A. That's not -- I have not gotten into that  
12:09:12 20 issue from a claims perspective.

21 Q. Okay. That's not something you looked at?

22 A. Well, we've looked at it, but not separately  
23 from here.

24 Q. Okay. But Exhibit A doesn't take into account  
12:09:40 25 unpaid compensation these folks may be owed, that has

1 nothing to do with the Stanford CDs, does it?

2 A. This schedule only includes paid compensation,  
3 so it would not include unpaid compensation of any  
4 kind.

12:09:56 5 Q. Okay. And you didn't take that into account  
6 in coming up with this exhibit. Correct?

7 A. On this exhibit, no.

8 Q. Okay. That's something you could have done.  
9 Correct?

12:10:10 10 A. I could have added in what they are claiming.  
11 Is that --

12 Q. You could have figured out how much they may  
13 be owed, couldn't you? You have complete access to  
14 Stanford's accounting system, don't you?

12:10:27 15 A. I could get that information, yes.

16 Q. As a matter of fact, y'all were officed --  
17 y'all were in the offices of Stanford Group Company,  
18 weren't you?

19 A. We had --

12:10:38 20 Q. I mean, y'all literally had offices there,  
21 didn't you?

22 A. We had people there, yes.

23 Q. Okay. So, you could have just gone over to  
24 the people that were still employed there in the

12:10:45 25 Payroll Department and just asked them for that

1 information, couldn't you?

2 A. And we may have.

3 Q. Okay.

4 A. It's not on this schedule.

12:10:57 5 Q. Other than potentially earned but not paid  
6 compensation from Stanford Group Company, or any other  
7 Stanford entity, did you look at whether the people  
8 listed on Exhibit A were owed any other financial  
9 obligations from Stanford Group Company or any other  
12:11:14 10 Stanford entity that were unrelated to the sale of CDs?

11 A. Again, we may have looked at that. It's not  
12 reflected here.

13 Q. And you don't know sitting here today what  
14 these folks may be owed by Stanford Group Company for  
12:11:41 15 things completely unrelated to the sale of Stanford  
16 CDs?

17 A. I don't know -- with the information I have  
18 here today, no, I do not know that.

19 Q. Okay. Forgive me for asking. I think I know  
12:11:59 20 the answer to this question; I just need it on the  
21 record here. I assume for the people listed here, you  
22 didn't endeavor to try to determine how many customers  
23 they lost as a result of having to go to a different  
24 firm and the whole Stanford receivership and SEC case,  
12:12:18 25 did you?

1 A. No, I have not made any analysis in that way.

2 Q. Okay. So, you don't know how much income  
3 these folks have lost as a result of the things that  
4 Allen Stanford and his people allegedly did?

12:12:36 5 A. I do not -- I have not made a calculation as  
6 to what, if any, amounts that were lost.

7 Q. And certainly, for this spreadsheet, that  
8 wouldn't reflect any of those amounts?

9 A. It does not reflect any of those amounts.

12:12:58 10 Q. Okay. If we could quickly go through the  
11 headings on these columns and if you could just -- let  
12 me start with the Loans, because I think I know what  
13 those are pretty easily, but I want you to describe all  
14 of these for me generally. Although, I take it you did  
12:13:16 15 not -- you did not come up with the titles for these  
16 columns. Correct?

17 A. I may have edited the columns, but I don't  
18 remember authoring them, no.

19 Q. Okay. Let's take the first one: Loans.

12:13:33 20 A. Yes.

21 Q. Is that otherwise known as or maybe referred  
22 to as upfront payments these folks received when they  
23 switched from whatever firm they were at over to  
24 Stanford Group Company that are documented by  
12:13:48 25 promissory notes?

1 A. Yes. These are generally the upfront loans  
2 that are paid.

3 Q. You said "generally." I mean, is this the  
4 upfront loans that they were paid?

12:13:56 5 A. Yes.

6 Q. Okay. Now, the SIBL CD Commissions.

7 A. Yes.

8 Q. Okay. The way I understand it from your  
9 declaration is that if someone at Stanford Group  
12:14:15 10 Company sold -- or one of their customers bought one of  
11 these Stanford CDs, these Stanford International Bank  
12 CDs, Stanford International Bank had an agreement to  
13 pay three percent of that amount to Stanford Group  
14 Company. Correct?

12:14:31 15 A. That's correct, as a referral fee.

16 Q. Okay. And then Stanford Group Company agreed  
17 with the financial advisor to pay some dollar figure to  
18 them based on that sale?

19 A. Well, it would it be converted to a dollar  
12:14:47 20 figure. It was oftentimes a percentage.

21 Q. Okay. And that -- and so, that percentage  
22 that resulted in some dollar figure that Stanford Group  
23 Company decided to give these financial advisors, is  
24 that what you have listed here under CD commissions?

12:15:05 25 A. Yes. It is the commissions that they earned.

1 And just to be clear, some of it was SFIS, as well.  
2 You're saying SGC. I just want to clarify that and  
3 make sure.

4 Q. Okay. I appreciate that. Now, these  
12:15:19 5 quarterly bonuses, would you explain to me what that  
6 is, the SIBL quarterly bonuses?

7 A. Yes. There were quarterly bonuses paid to the  
8 extent that you were a top performer and had exceeded  
9 certain metrics as to sales, that you would receive a  
12:15:38 10 quarterly bonus for sales of CDs.

11 Q. And that was paid by Stanford Group Company or  
12 this other entity to these folks?

13 A. Yes.

14 Q. Okay. And Stanford Group Company obviously  
12:15:54 15 had some policy in place for setting these metrics for  
16 determining who would get these bonuses?

17 A. Yes. They're not overall metrics, they had  
18 individual agreements with some -- with people, because  
19 sometimes they were different, but they would come up  
12:16:12 20 with those metrics --

21 Q. Okay.

22 A. -- in conjunction with the individuals.

23 Q. Okay. Now, PARS Payments.

24 A. Yes.

12:16:23 25 Q. Could you explain to us what that is, because

1 there was only a couple of folks listed under that  
2 column.

3 A. Yes. Those are appreciation rights, and what  
4 they are is certain amounts that are given at a stated  
12:16:37 5 level, usually upon entry, but I'm not sure it has to  
6 be upon entry into the company. And those are  
7 measured, invested, looking at different measurement  
8 dates and valuations to determine, you know, basically  
9 with the growth of the company and the value of the  
12:16:58 10 company, you would get additional compensation.

11 Q. You may not agree with my characterization,  
12 but the way I kind of thought about this is stock  
13 options for a private company.

14 A. It's somewhat similar to that concept.

12:17:12 15 Q. Okay. And so, this column would reflect, as I  
16 understand it, and I'll tell you none of my folks are  
17 under this column, but this column reflects people  
18 that -- I'll use the word "redeemed" their PAR rights  
19 for cash?

12:17:35 20 A. I -- what I believe happened is all of these  
21 that are paid actually were done at termination.

22 Q. Okay. Now, is -- the PARS, performance  
23 appreciation rights --

24 A. That's correct.

12:17:55 25 Q. -- is that what it stands for? Okay.

1                   As I understand, there was a vesting  
2 schedule to them. In other words, you had to wait a  
3 certain time period before you could receive any  
4 financial benefits from it?

12:18:07 5           A.     That's correct.

6           Q.     Okay. And isn't it true for the vast majority  
7 of folks who received the PAR payments -- or excuse  
8 me -- that for the vast majority of people that  
9 received PARS, they never vested?

12:18:22 10          A.     I have not looked at all of them to see what  
11 the vesting was. I can't really say that. It was new  
12 enough that there were very few payments, and it was  
13 only through the -- through the termination or leaving  
14 of the company that they would be paid, so I would say  
12:18:41 15 that they -- there probably were not very many that  
16 were fully vested.

17          Q.     Branch managing director quarterly  
18 compensation, what is that?

19          A.     That is compensation that is given to the  
12:19:04 20 branch managing directors that are basically for their  
21 office based upon different metrics. Again, it would  
22 depend upon the individual, what was negotiated, that  
23 would provide an additional bonus based upon either  
24 revenues or net income or variable income, different  
12:19:31 25 metrics, if you will, for additional bonuses based upon

1 the office performance.

2 Q. But it was based on some variation of  
3 production in the office?

4 A. Well, I told you what it was based on:  
12:19:50 5 Revenue.

6 Q. It could be revenue, it could be net revenue,  
7 it could be something else. Okay.

8 A. Yes.

9 Q. So, I take it, then, that that amount could be  
12:20:04 10 maybe based -- you know, could be based on income  
11 generated from the sale of CDs, as well as, you know,  
12 traditional retail brokerage services?

13 A. The total compensation they received might  
14 relate to that. This amount only relates to the  
12:20:24 15 portion that's CDs.

16 Q. Okay. So, then your team went back, looked at  
17 whatever agreement was in place with this -- and branch  
18 managing director, you went back and then looked at the  
19 metrics and backed out all of the non-Stanford CD sales  
12:20:49 20 and then figured it up based upon just those CD sales?

21 A. Generally. We had to go through each one and  
22 really re-create the financial statements to whatever  
23 level was necessary separating out CD and non-CD.

24 Q. Okay. Severance payments.

12:21:13 25 A. Yes.

1 Q. I take it this was a payment made to folks in  
2 connection with terminating their employment with  
3 Stanford Group Company?

4 A. That's correct.

12:21:26 5 Q. Okay. We're going to go back and talk about  
6 each one of these now. Let's start with the loans  
7 column. Did you or your team review the promissory  
8 notes in connection with coming up with the amounts  
9 listed in that column, the loans column?

12:21:46 10 A. That was part of what we looked at, yes.

11 Q. Okay. Did you look at their offer letters for  
12 each individual?

13 A. We looked at those since they were available.

14 Q. Okay. And then you looked at other documents,  
12:22:02 15 payroll records, checks, things like that.

16 A. We also looked at schedules that had the loans  
17 on them, listed on them.

18 Q. Okay. Well, let's talk a little bit about  
19 just generally loan arrangements. You said earlier  
12:22:22 20 that these were upfront payments in connection with  
21 these people coming over -- agreeing to come over and  
22 be employed by Stanford Group Company. Correct?

23 A. That's correct, in general. And the reason I  
24 said that, I'm not sure that there aren't -- there may  
12:22:39 25 be some amounts on here that are not related only to

1 the time period when they came over.

2 Q. Okay.

3 A. I think there are some loans that may be  
4 related to other reasons that they paid them, or

12:22:47 5 weren't exactly at the time of them coming over from  
6 another company, so --

7 Q. Are they unrelated to joining SGC, or you're  
8 just saying they were a personal loan to someone for --

9 A. No.

12:23:01 10 Q. Okay.

11 A. They're related to their employment; I'm just  
12 saying it's not necessarily in time, specifically at  
13 that time.

14 Q. Okay. But this is -- you know, generally  
12:23:09 15 speaking, this is the upfront payments that these folks  
16 received, you know, for joining SGC?

17 A. Yes, I agree with you, and generally that's  
18 true.

19 Q. Okay. Okay. And you said that, you know, I  
12:23:23 20 guess as late as '97, you had done some expert work in  
21 connection with broker/dealer cases. You're aware that  
22 paying upfront payments to financial advisors is a very  
23 common practice in the industry. Correct?

24 A. I'm aware it's a practice that is done. How  
12:23:45 25 common, I can't say.

1 Q. You don't know that one way or the other?

2 A. Well, I know that I've seen it quite a bit.  
3 The preponderance of it, I don't know.

4 Q. Okay. The cases that you've seen, you've  
12:23:55 5 observed that happen, but what you're saying -- I'm  
6 hearing you say is, "I'm not -- I don't know the  
7 industry to be able to tell you that that's the case"?

8 A. That it's always the case or mostly the case,  
9 as you -- I think you said.

12:24:12 10 Q. Okay. In other words, you're not disagreeing  
11 with me; you're just saying, "I don't know one way or  
12 the other"?

13 A. As it relates to the fact that you are -- I  
14 think your question was: This is very common. And I  
12:24:27 15 don't know to what extent that it happens, but it is --  
16 it certainly does happen in the industry.

17 Q. Okay. And when you said that -- you said if  
18 there were offer letters that were available, you  
19 looked at those, and then you looked at the promissory  
12:24:45 20 notes. Isn't it true that upfront payments, the loans  
21 here, were calculated by using some percentage of these  
22 people's commissions at their other firm?

23 A. I think that was sometimes true. I think that  
24 it was based on -- based upon e-mails and information  
12:25:10 25 I've seen, also based upon what they thought they would

1 be able to continue to do at Stanford.

2 Q. But you're aware generally there was some  
3 documentation of saying -- Stanford Group saying:  
4 We'll pay you 150 percent, 200 percent of your, quote,  
12:25:33 5 trailing 12-month commissions?

6 A. I don't know the percentage, but I do know  
7 that that did occur, yes.

8 Q. And sitting here, I mean, isn't it a fact that  
9 that was mostly the case?

12:25:49 10 A. I'm saying I can't say that. I didn't look at  
11 every offer letter, but I do understand that that was  
12 generally a consideration that was made.

13 Q. Okay. Are you aware that the upfront payment  
14 represents the purchase of this financial advisor's  
12:26:15 15 book of business?

16 A. I don't know that that's technically how it's  
17 accounted for. I guess I'm looking at it from an  
18 accounting perspective.

19 Q. But in your experience, isn't that the  
12:26:30 20 practical effect of what's happening?

21 A. It is certainly what is done to compensate for  
22 the fact that you're bringing in preexisting business.

23 Q. In other words, these financial advisors work  
24 like you and me and you work over years and you build  
12:26:46 25 up a client base. Right?

1 A. We certainly hope to.

2 Q. And these financial advisors are the same way.  
3 Right?

4 A. Yes.

12:26:53 5 Q. Based on your experience here. And they build  
6 up this client base and over years they generate  
7 commissions and income based upon providing those  
8 people with brokerage services. Right?

9 A. They can, yes.

12:27:09 10 Q. And people like Stanford Group Company and  
11 other broker/dealers, they want those financial  
12 advisors to come over with all of their clients and all  
13 the income they can generate. Right?

14 A. That's the hope.

12:27:23 15 Q. Okay. And when they come up with these  
16 upfront payments, what they say is: Okay, let's look  
17 at how much income you generate, and I'm going to pay  
18 you for -- based on that and then pay you to come on  
19 over here. Right?

12:27:33 20 A. As I said, in this case, I know that that was  
21 a consideration.

22 Q. Okay. Do you know what the standard  
23 percentage that SGC used to calculate the payment based  
24 upon the trailing commissions?

12:27:59 25 A. I don't know that.

1 Q. Okay. Do you know how that percentage  
2 compared to what was being paid by other broker/dealers  
3 at the time?

4 A. No, I don't.

12:28:17 5 Q. Would it surprise you that the percentage  
6 being paid by Stanford Group Company between 2006 and  
7 2009 was smaller than what was being paid by other  
8 broker/dealers, Merrill Lynch, Smith Barney, Deutsche  
9 Bank?

12:28:34 10 A. I couldn't say one way or the other.

11 Q. Okay. You'll agree with me that the folks  
12 listed on Exhibit A, prior to coming to Stanford Group  
13 Company, didn't sell any SIB CDs. Right?

14 A. I guess it's possible that they could, but I  
12:29:00 15 don't believe so.

16 Q. Okay. So, when Stanford Group Company and  
17 these people listed in Exhibit A were sitting down and  
18 trying to figure out how to calculate the loan payment  
19 here, this upfront payment, and that payment being  
12:29:15 20 based on the business that these folks had done at  
21 their prior firm, that necessarily did not involve the  
22 sale of any CDs?

23 A. I don't think that meant that it wasn't a  
24 thought that it wouldn't lead to the sale of CDs.

12:29:31 25 Q. Are you aware of any offer letters, any

1 promissory notes or any other documents where the --  
2 any financial advisor agreed as a condition of their  
3 employment at Stanford Group Company that they would  
4 sell Stanford Group CDs?

12:29:46 5 A. No, not that I've seen.

6 Q. And was the sale of Stanford Group CDs some  
7 condition on receiving the upfront payment or some  
8 other provision in the promissory notes that you've  
9 reviewed?

12:30:00 10 A. No.

11 Q. But you'll agree with me that the Stanford  
12 Group Company was using a percentage, some percentage,  
13 and multiplying that times the trailing commissions of  
14 these people at their prior firms, that as a matter of  
12:30:21 15 rule, the payment had nothing to do with the Stanford  
16 CDs. Isn't that right?

17 A. I disagree with that in this case.

18 Q. Okay. But the people did not sell CDs at  
19 their prior firms. Correct?

12:30:35 20 A. Correct.

21 Q. You're not aware of a single person. Correct?

22 A. It's possible that they could have, but  
23 generally they would not have been.

24 Q. Okay. And you're not aware sitting here today  
12:30:43 25 that any person listed in Exhibit A sold a CD prior to

1 coming over to Stanford Group Company. Correct?

2 A. I am not aware of that.

3 Q. Okay. So, if they only generated commissions  
4 based upon things other than selling CDs and if their

12:30:59 5 upfront payment is based upon the commissions they had  
6 at the prior firm, then that calculation had nothing to  
7 do with Stanford Group CDs, did it?

8 A. I disagree with that.

9 Q. Okay. And are you disagreeing because you  
12:31:13 10 believe that this was somehow some effort to lure these  
11 people over to sell CDs?

12 A. What I believe it is, is what you're doing is  
13 looking at the fact that in another environment they  
14 were able to sell and produce a certain level of the  
12:31:28 15 products that they were selling in that environment.  
16 When Stanford is looking at what they're buying,  
17 they're looking at their ability to sell to a  
18 population base the products available in their  
19 environment. And their environment is primarily CDs,  
12:31:52 20 so I disagree that there's no relationship.

21 Q. But selling CDs had -- was not a term or  
22 condition of the promissory notes, was it?

23 A. I do not believe so, no.

24 Q. And the physical calculation of the upfront  
12:32:05 25 payment did not include the sale of a single SIB CD,

1 did it?

2 A. As I said, part of the consideration for that  
3 was based upon a trailing 12 months. I don't know that  
4 they in all cases tied to that calculation.

12:32:22 5 Q. But if they did tie to that calculation, that  
6 calculation necessarily would not include the sale of  
7 one CD, Stanford CD. Correct?

8 A. I think the purchase is not unrelated to the  
9 sale of CDs.

12:32:38 10 MR. NIELSEN: Objection; nonresponsive.

11 Q. (By Mr. Nielsen) I'm asking about the  
12 calculation of the percentage of some agreed percentage  
13 times the trailing 12 commissions, that calculation  
14 does not include any sale of Stanford International  
12:32:55 15 bank CD, does it?

16 A. To the extent that that person had not sold  
17 CDs before, that there would not be a CD amount in that  
18 calculation.

19 Q. Thank you.

12:33:08 20 You're aware that the loan amounts listed  
21 in Exhibit A include some portion attributable to PARS?

22 A. In some cases.

23 Q. In other words, some financial advisors agreed  
24 to take their upfront payments, some portion in cash  
12:33:30 25 and some portion in these PARS. Right?

1 A. That's correct.

2 Q. Okay. And are you aware of the people who did  
3 choose to take some portion of their upfront payment in  
4 the form of PARS, are you aware if those people  
12:33:53 5 realizing any financial benefit whatsoever from the  
6 PARS?

7 A. I'm sorry. Can you say your question again?  
8 I'm not sure what you're asking about.

9 Q. We talked about that there's only a couple of  
12:34:06 10 people that actually got paid anything for their PARS.  
11 Right?

12 A. I think there's four or five.

13 Q. Okay. Four or five out of 300 and something  
14 folks. Right?

12:34:17 15 A. That's correct.

16 Q. Okay. And so, for the folks with regard to  
17 the loan column, the folks that chose to take a portion  
18 of their upfront payment in the form of PARS, are you  
19 aware that those people realized any financial benefit  
12:34:35 20 from those PAR grants?

21 A. I don't know that, no.

22 Q. Okay. If they received a check, they -- it  
23 would be listed here, wouldn't it?

24 A. If they received a check related to a payment  
12:34:51 25 from the PARS system or the methodology that they had,

1 then it would be listed here.

2 Q. Okay. So, isn't it a fact that this, that for  
3 some of these folks, the amounts listed in the loans  
4 here include an amount attributable to PARS to which  
12:35:15 5 those folks never received a check?

6 A. I think that those were separated out, but I'd  
7 have to go back and check.

8 Q. Okay. Did you check that?

9 A. I don't recall specifically. That's my  
12:35:31 10 understanding.

11 Q. I'll tell you the evidence shows that they  
12 weren't separated out.

13 A. Okay.

14 Q. Do you have any reason to doubt me?

12:35:39 15 A. Well, I don't know one way or the other.

16 Q. But you'll agree with me that if these folks  
17 never received a check for their PARS, that shouldn't  
18 be included in this loan amount, should it?

19 A. I don't know legally what can be claimed.

12:35:54 20 Q. Would you have done that? Would you think --  
21 just being, you know, kind of your 24 years of  
22 experience, if this loan amount includes some portion  
23 that was attributable to PARS and the people -- they  
24 never vested and they never got a check for it, should  
12:36:10 25 that amount be included in this column?

1 A. Again, I would ask from a legal perspective  
2 whether it should be included.

3 Q. Do you think it should be included?

4 A. I answered that question. I --

12:36:18 5 Q. I'm just asking your personal opinion.

6 A. I think --

7 Q. Do you think people ought to be sued for money  
8 they never received?

9 A. I think what can be claimed is based upon the  
12:36:27 10 legal basis.

11 Q. I'm asking your personal opinion, because  
12 you've talked -- you've given speeches on fraudulent  
13 conveyances, haven't you?

14 A. Right.

12:36:36 15 Q. I'm just asking your personal opinion. Do you  
16 think people ought to be sued for amounts they never  
17 received a check for?

18 A. And I'm saying I don't know. I would base  
19 that upon --

12:36:46 20 Q. You don't know what your personal opinion is?

21 A. I -- what my personal opinion is that it  
22 should be based upon the legal basis on which the claim  
23 is sought.

24 Q. Sitting here today, do you know -- for the  
12:37:14 25 people listed in this loan column, do you know the

1 people that had part of their upfront payment given to  
2 them in the form of PARS?

3 A. Actually, I don't. And, you know, going back  
4 to this, I know that these were traced to actual  
12:37:31 5 payments going out. And I -- so, that's why I said  
6 that they were separated. I think that to the extent  
7 there were exceptions, we included the amount that was  
8 paid. So, that's why to my belief they were the amount  
9 that was paid out and that they were separated.

12:37:54 10 Q. Well, since you can't recall sitting here  
11 today, would there be any objection to y'all clarifying  
12 that after the deposition, whether that was, in fact,  
13 done?

14 MR. SADLER: Send us a request and we'll  
12:38:07 15 take it under advisement.

16 MR. NIELSEN: Okay.

17 Q. (By Mr. Nielsen) You mentioned that in doing  
18 this calculation under the column under Loans that you  
19 reviewed the promissory notes. Correct?

12:38:21 20 A. In part, yes.

21 Q. Okay. You'll agree with me that those  
22 promissory notes had forgiveness provision in them,  
23 didn't they?

24 A. I don't recall specifically.

12:38:36 25 Q. Do you recall generally the concept of when,

1 in connection with an upfront payment, sometimes  
2 they're called employee forgivable loans?

3 A. I don't remember that specifically. It's been  
4 a long time since I've looked at them, but --

12:38:52 5 Q. Well, would you be surprised to learn that the  
6 promissory notes underlying the loans you have listed  
7 here do, in fact, have forgiveness provisions that  
8 forgive a portion of the loan over some defined period  
9 of time?

12:39:05 10 A. That's generally my understanding, yes.

11 Q. Okay. Now, in connection with listing the  
12 amounts on the loans here, you did not take into  
13 account that forgiveness provision, did you?

14 A. Well, in listing the amounts, what I sought to  
12:39:28 15 do is put the original loan amount.

16 Q. Okay.

17 A. So, no, I have not included forgiveness on  
18 those loans.

19 Q. Okay. Is it possible that some of the folks  
12:39:39 20 listed here, by virtue of the agreement they signed,  
21 that the entire loan amount was forgiven pursuant to  
22 the note term?

23 A. Is it possible? Yes.

24 Q. Okay. It's possible that the people listed  
12:39:53 25 here that a substantial portion of the amount they

1 originally paid was forgiven under the terms of a  
2 promissory note?

3 A. Possible.

12:40:05 4 Q. Okay. Sitting here today, you can't testify  
5 as to who those people are?

6 A. Not individually, no.

7 Q. Okay. Are you aware that the promissory notes  
8 contain cancellation provisions in the event of a  
9 change of control?

12:40:25 10 A. I don't remember that specifically.

11 Q. Well, if there was a cancellation provision in  
12 connection with the change in control, you don't recall  
13 considering that in listing the amounts here on this  
14 spreadsheet, do you?

12:40:40 15 A. No, because I listed the original loan amount.

16 Q. Okay. Is that because that's what you were  
17 asked to do by counsel?

18 A. That is what we were asked to do, yes.

19 Q. Okay. Do you -- did you -- did you ask  
12:40:54 20 counsel, you know, well, why don't we take into account  
21 the forgiveness provisions or the cancellation  
22 provisions of the promissory note?

23 A. Well, we had the amortization schedules; and  
24 when we looked at the amortization schedules, we were  
12:41:10 25 asked to pull the amounts, to use the names on those

1 schedules, but to include the total loan amount.

2 Q. So, including the loan -- including the  
3 amounts here, you did not take into account to what  
4 extent there was a valid loan obligation or balance  
12:41:43 5 under the terms of the promissory notes?

6 A. There were no adjustments to the numbers.  
7 They're the original loan amount.

8 Q. Okay. Let's talk a little bit about the next  
9 two columns together, commissions and quarterly  
12:42:01 10 bonuses.

11 A. Yes.

12 Q. Okay.

13 MR. SADLER: Before you ask that, the  
14 receptionist indicated I need to step out. Can you  
12:42:10 15 just give me like 90 seconds and I'll be right back.

16 MR. NIELSEN: Well, let's just take a  
17 quick break.

18 (Off the record 12:42 p.m. to 12:49 p.m.)

19 Q. (By Mr. Nielsen) Okay. Before we broke, we  
12:49:43 20 were -- I'm going to talk to you a little bit about the  
21 next two columns kind of together, the CD Commissions  
22 and the SIBL Quarterly Bonuses columns.

23 Do you -- we were talking a little bit  
24 about there were FA's who made personal investments in  
12:50:03 25 Stanford CDs. You're aware of that. Right?

1 A. Yes.

2 Q. Okay. Do you know whether those FA's were  
3 paid commissions on their own personal SIB CD  
4 investments?

12:50:15 5 A. No, I don't.

6 Q. Okay. So, I assume sitting here today, the  
7 figures in these two columns, you don't know whether  
8 that includes any commissions the FA's may have  
9 received on their own personal CD investments?

12:50:34 10 A. No. I can't say one way or the other.

11 Q. Do you have any -- are you offering any  
12 opinions on the reasonableness of the amount the FA's  
13 received in connection with the sale of SIB CDs?

14 A. Only that it's higher than you would expect  
12:51:04 15 for generally selling these type of services.

16 Q. What type of services?

17 A. For selling the CDs.

18 Q. Generally higher than you expect for a  
19 U.S. certificate of deposit, is what you're saying?

12:51:20 20 A. Yes.

21 Q. What is the normal rate of a U.S. certificate  
22 of deposit?

23 A. Well, I know at -- I think at Stanford, at  
24 least, it was .05 percent to .125 percent.

12:51:36 25 Q. Okay. But I think as you noted in your

1 declaration, Stanford International Bank really wasn't  
2 like a normal U.S. bank as we think about it, was it?

3 MR. SADLER: You can say that again.

4 A. No, it was not.

12:51:49 5 Q. (By Mr. Nielsen) I may have just made the  
6 biggest understatement in the case so far.

7 Regardless of whether it was true or not,  
8 what was purported was that the Stanford International  
9 Bank would take this money and they would go invest it  
12:52:06 10 all over the world in different types of investments.  
11 That's what people generally were told. Right?

12 A. What the investors were told by their FA's?

13 Q. Yes. Right.

14 A. I suppose that's what they told them.

12:52:20 15 Q. Well, that's what the FA's were being told by  
16 the bank, wasn't it?

17 A. That they were investing it in different  
18 equities and -- yes.

19 Q. Okay. So, wouldn't you agree with me that the  
12:52:35 20 function of the Stanford International Bank CD was  
21 really much different investment than a traditional  
22 U.S. bank CD, wasn't it?

23 A. Well, while I might agree with you on that,  
24 that's not really how it was sold. It was sold to have  
12:52:53 25 many of the same characteristics.

1 Q. But the Stanford International Bank CD had  
2 much more of a characteristic of a investment in a  
3 hedge fund, for instance, or some global macro economic  
4 mutual fund, which was much more a reality of what that  
12:53:13 5 money was purportedly being used for, wasn't it?

6 MR. SADLER: Objection; form.

7 A. Well, what was being sold is a certificate of  
8 deposit at a stated rate.

9 Q. (By Mr. Nielsen) That was higher than what  
12:53:28 10 was offered at a traditional U.S. bank. Correct?

11 A. Yes.

12 Q. And what was purported by the bank was they  
13 were able to offer those higher rates because of the  
14 investments that they made with the money they  
12:53:40 15 received?

16 A. Yes.

17 Q. Okay. Which were much different than what a  
18 U.S. bank generally does with the money it gets?

19 A. That's correct.

12:53:57 20 Q. Okay. So, did you -- so, when you're  
21 coming -- when you're thinking that -- when you're  
22 saying that the commission, the money that was paid off  
23 the sale of an SIB CD was higher than a standard  
24 U.S. bank CD, when you come to that thought, do you  
12:54:13 25 take into consideration the economic realities of the

1 two different investments and the rate -- higher rate  
2 of return that's offered on one versus another when  
3 coming up with how -- whether the commission is  
4 reasonable or not?

12:54:28 5 A. From how the FA's would have seen it?

6 Q. I'm asking how you see it. Did you take that  
7 into consideration?

8 A. Well, if you look at the fact that you're  
9 paying a higher rate on the stated rate and your  
12:54:50 10 investments are much more risky, I think you would look  
11 at that and think that that was a high rate to be  
12 getting.

13 Q. Do you know -- you said earlier you're not  
14 familiar with the standard commission rates on the  
12:55:06 15 fixed income products. Correct?

16 A. I'm not, no.

17 Q. Okay. And on private equity products.  
18 Correct?

19 A. That's correct.

12:55:13 20 Q. Okay. Or other alternatives that the brokers  
21 may have put clients in as opposed to the Stanford CD?

22 A. No. Except that I know that they were all  
23 less than what they were getting here.

24 Q. I don't understand.

12:55:32 25 A. I think that they were getting more on these

1 commissions than they would get generally if they were  
2 using other more traditional investments.

3 Q. You think that the commission on other fixed  
4 income products is less than one percent?

12:55:51 5 A. It's calculated differently, I believe, but I  
6 think they ultimately were making less.

7 Q. But if you don't understand the general  
8 commissions on fixed income products, how can you say  
9 that to be true?

12:56:05 10 A. I know what in Stanford they were calculated,  
11 how they were done for -- generally for portfolio  
12 management.

13 Q. Okay. I'm asking just about fixed income  
14 products away from Stanford. Any offer by anybody  
12:56:24 15 else, by U.S. banks, by other entities besides Stanford  
16 International Bank, how does the rate on commissions of  
17 a fixed income product or a hedge fund or private  
18 equity investment compare to one percent for a Stanford  
19 CD?

12:56:42 20 A. Okay. You're saying hypothetically if you're  
21 not --

22 Q. Yes.

23 A. -- at Stanford --

24 Q. Correct.

12:56:46 25 A. -- you're at some other bank and you sell a

1 fixed equity?

2 Q. I'm asking if you're at Stanford, if you just  
3 sell a fixed income product, not offered by Stanford,  
4 offered by someone else, do you know what the  
12:56:57 5 commission on that would have been?

6 A. I've seen calculations of how they -- the  
7 overall management of the portfolio.

8 Q. But that's a fee-based account. Correct?

9 A. In part. There's a percentage on that.

12:57:11 10 Q. I'm asking just straight commissions on buying  
11 a fixed-income product that they -- that the folks  
12 at -- the FA's could have bought while at Stanford, but  
13 a fixed-income product offered by someone else other  
14 than Stanford. Do you know what the commission would  
12:57:27 15 have been on that?

16 A. No, I don't.

17 Q. You did an excellent job in explaining the  
18 Branch Managing Director Compensation, so let's just  
19 skip over to the Severance Payments.

12:57:54 20 Again, we talked earlier that this is a  
21 payment that certain people received in connection with  
22 the termination of their employment with Stanford Group  
23 Company. Correct?

24 A. That's correct.

12:58:06 25 Q. And in connection with that payment, there

1 were severance agreements entered into between the  
2 employee and Stanford Group Company. Correct?

3 A. I presume there were agreements.

4 Q. Okay. Did you review the agreements?

12:58:16 5 A. No.

6 Q. Okay. Why not?

7 A. I received the amounts that were paid from the  
8 HR.

9 Q. Did you ask for the agreements?

12:58:29 10 A. I don't recall. Perhaps some of my staff did.

11 Q. Okay. Do you know the circumstances as to why  
12 any of the people listed in Exhibit A received  
13 severance payments?

14 A. Not as I sit here, no.

12:58:45 15 Q. Okay. Do you know how the severance payments  
16 were calculated or come up with how someone came up  
17 with that amount to pay these people?

18 A. No, not specifically.

19 Q. Do you have any reason to believe it had  
12:58:56 20 anything to do with the sale of Stanford International  
21 Bank CDs?

22 A. I can't speculate one way or the other.

23 Q. Okay. But sitting here today, you have no  
24 facts that would indicate these amounts have anything  
12:59:10 25 to do with the sale of Stanford International Bank CDs?

1 A. I can't speculate one way or the other.

2 Q. I'm just asking: Do you have any facts that  
3 would indicate that these amounts were calculated or  
4 come up with based upon the sale of Stanford

12:59:27 5 International Bank CDs?

6 A. No, I can't say one way or the other.

7 Q. So, if you did not review the severance  
8 agreements related to these payments, I take it that  
9 you did not take into account any of the provisions of

12:59:47 10 the severance agreements in coming up with your  
11 columns?

12 A. Well, to the extent whatever the provisions  
13 were impacted the amount paid, I picked up the amount  
14 that was paid. So, they would be reflected in the  
01:00:05 15 payment.

16 Q. Is it your general experience that when  
17 someone gets a severance payment, they do sign an  
18 agreement that contains releases of claims?

19 A. Generally. It depends, I think.

01:00:32 20 Q. Okay. But you understand that is one common  
21 way of doing severance?

22 A. That can be one way.

23 Q. Was it important to you to understand whether  
24 there was some release by the entities that the  
01:00:50 25 Receiver represents relating to the payments, the

1 severance payment?

2 A. Not for purposes of this, no.

3 Q. Okay. Because for this, I take it what -- you  
4 know, I take what your testimony is that you just look  
01:01:06 5 at whatever amount was paid, but anything else, any of  
6 the other terms of the severance you didn't take into  
7 account?

8 A. I did not make any revisions for that, for any  
9 of those --

01:01:17 10 Q. All right.

11 A. -- if they existed.

12 (Exhibit No. 3 marked.)

13 Q. (By Mr. Nielsen) I'll show you what's been  
14 marked as Exhibit 3, which ironically is called Exhibit  
01:01:31 15 2. I'll represent to you, and I think Mr. Sadler can  
16 confirm this, that this is Exhibit 2 in the appendix to  
17 the Receiver's April 19th injunction and attachment  
18 application. If you'll look through this, do you  
19 recognize this document?

01:02:02 20 A. I remember seeing this in the -- attached to  
21 the application.

22 Q. Okay. Did you have anything to do with  
23 preparing this document?

24 A. We may have provided some of the information.

01:02:17 25 To my knowledge, FTI did not prepare this document.

1 Q. What information do you think you may have  
2 provided? I say "you" being collectively FTI.

3 A. I can't speculate. I don't know if we  
4 provided it or not.

01:02:32 5 Q. Okay. Well, based upon your work on the  
6 Stanford case, the last column there, Net Worth as of  
7 April 14, 2010. Do you see that?

8 A. Yes.

9 Q. Do you have any reason to believe that is that  
01:02:55 10 particular person's actual net worth, or do you believe  
11 that actually is just the amount or the balance in the  
12 particular account named?

13 A. Well, if you look at the name of the  
14 production here, it's SGC STC Held Accounts. So, I  
01:03:15 15 believe that to be the net worth on April 14, 2010, of  
16 the held account.

17 Q. Each of those accounts. Okay.

18 A. Yes.

19 Q. In connection with the services that you  
01:03:29 20 provided to the Receiver, in connection with their  
21 application -- you understand we're here today because  
22 the Receiver wants to hold on to these accounts in  
23 Exhibit B past June 1st. Right?

24 A. I think it's broader than that, but I know  
01:03:45 25 that there's an application that involves many things.

1 Q. Okay. So, in connection with your work with  
2 the Receiver, have you done any work to assess the  
3 financial condition of the people whose accounts are  
4 listed in Exhibit B of your April 2010 declaration?

01:04:15 5 A. Independently their financial position, no.

6 Q. Do you or FTI know anything about the people  
7 whose accounts are reflected here, their ability to  
8 satisfy a judgment should the Receiver prevail on their  
9 claims?

01:04:43 10 A. As I said, I've not done any work in that  
11 regard.

12 Q. Okay. I'm going to ask a few more questions,  
13 and then I'm going to let Mr. Stanley hop in here.

14 You're generally aware that at the outset  
01:05:01 15 of the receivership back in February of 2009 that the  
16 accounts -- the financial advisor's accounts at the  
17 clearing firms for Stanford were frozen. Right?

18 A. Yes.

19 Q. Okay. And over time, some of those people  
01:05:17 20 have had those balances released; others haven't.  
21 Right?

22 A. For the financial advisors?

23 Q. Correct.

24 A. I believe some of them have, yes.

01:05:29 25 Q. Okay. You're aware that with regard to the

1 financial advisors with the frozen accounts, that those  
2 financial advisors had no access to those accounts  
3 except to liquidate positions. Correct?

4 A. I don't know that one way or the other.

01:05:47 5 Q. Okay. Do you believe that the financial  
6 advisors were given the right to use the funds in those  
7 accounts to manage the securities, buy, sell, trade  
8 securities?

9 A. The amounts in their individual?

01:06:02 10 Q. The amounts and the security positions, were  
11 they allowed to have -- go in there and like you and I  
12 would do with our securities account, go in there and  
13 sell positions and use that money to buy another  
14 security? Do you have any reason to believe the  
01:06:16 15 financial advisors were able to do that?

16 A. After the receivership?

17 Q. Correct.

18 A. I do not believe that they were.

19 Q. I agree with you.

01:06:27 20 At the time of the receivership, how  
21 would you describe the general economic condition in  
22 the United States?

23 A. Well, we were clearly in a recession at that  
24 time.

01:06:40 25 Q. Very significant economic downturn?

1 A. Correct.

2 Q. And would you agree with me that the  
3 U.S. securities markets were in a steep decline?

4 A. I think they were still declining in '09, yes.  
01:06:54 5 February '09, yes.

6 Q. They hadn't rebounded in February, had they?

7 A. Not generally, no.

8 Q. Now, since the receivership, have the  
9 securities markets improved?

01:07:08 10 A. Some, yes.

11 Q. Well, they have, in fact, haven't they?

12 A. The overall markets, yes.

13 Q. Okay. And so, you'll agree with me then that  
14 the financial advisors with frozen accounts haven't  
01:07:22 15 been able to manage those accounts to participate in  
16 the market rebound since the receivership. Correct?

17 A. To the extent that it's true, that they could  
18 not access their accounts, they would not be able to do  
19 that.

01:07:39 20 Q. Okay. When you were coming up with the  
21 amounts, the spreadsheets to support the claims of the  
22 Receiver, did you look at the market rebound that the  
23 financial advisors weren't able to enjoy and consider  
24 that in coming up with the amount the Receiver should  
01:08:00 25 be suing them for?

1 A. No. That's not part of what we were asked to  
2 do.

3 Q. Okay. Would you have had the ability to do  
4 that?

01:08:09 5 A. We could consider that. I mean, you could --  
6 you would have some information to do that. You'd have  
7 to look at specifically what was invested and what  
8 happened.

9 Q. Okay. Are you aware of any banks or  
01:08:40 10 broker/dealers making an effort to purchase Stanford  
11 Group Company during the pendency of this receivership?

12 A. I don't recall specifically.

13 Q. Are you aware of any offers that were made by  
14 anybody, by any banks, broker/dealers, to purchase  
01:08:58 15 Stanford Group Company?

16 A. Not specifically, no.

17 Q. You say "not specifically." Do you know  
18 generally?

19 A. No. I'm just saying I -- during the pendency  
01:09:09 20 of the receivership, I've heard different things as to,  
21 you know, what they were trying to do and that there  
22 might be offers. Whether there was actually any, I  
23 don't know.

24 Q. You don't know. Okay. Well, I'm going to let  
01:09:22 25 Mr. Stanley start asking some questions.

1 A. Okay.

2 EXAMINATION

3 BY MR. STANLEY:

4 Q. Good afternoon, Ms. Van Tassel.

01:09:42 5 A. Good afternoon.

6 Q. My name is Michael Stanley; and we haven't met  
7 before, but I represent a number of the financial  
8 advisors in this case.

9 I'm going to -- I want to just pick up on  
01:09:49 10 one of the last few issues you were asked about, and  
11 then I'll try to go into some of the -- some other  
12 issues. You were asked towards the tail end of this  
13 examination about the held accounts on Exhibit No. 2.  
14 It was Exhibit No. 3. It's marked Exhibit 2, but the  
01:10:10 15 last one you looked at.

16 A. Yes.

17 Q. And do I understand correctly you do not know  
18 who prepared this exhibit?

19 A. I do not know.

01:10:17 20 Q. Okay. And do you know what information --  
21 where the information on this exhibit came from? In  
22 other words, what the source documents were that gave  
23 rise to this spreadsheet.

24 A. I do not.

01:10:34 25 Q. Okay. You, yourself, did not provide

1 information to either your team members or the receiver  
2 to provide -- to prepare this exhibit?

3 A. I did not personally do that.

4 Q. Okay. And do you know of anyone on your team  
01:10:50 5 that was involved in that task?

6 A. I don't know specifically, no.

7 Q. Okay. Through the documents that you've had  
8 access to -- I understand there's a database that has a  
9 lot of this in it. Do you have access to the account  
01:11:06 10 statements for the financial advisors that are

11 reflected on this exhibit?

12 A. The account statements for these accounts?

13 Q. The frozen accounts, yes.

14 A. We have access to Pershing, which would have  
01:11:26 15 account statements.

16 Q. Okay. Have you or members of your team had a  
17 chance to see and review those documents, statements?

18 A. Not that I know specifically.

19 Q. Okay. Would you agree that the financial

01:11:44 20 advisors -- well, let me ask it differently. From the  
21 documents that are available to you, have you seen any  
22 evidence that the financial advisors have had the  
23 ability to manage their frozen accounts over the last  
24 year?

01:12:04 25 A. Just in the court documents I've seen, to the

1 extent they were frozen, I do not believe there was any  
2 access to them.

3 Q. Okay. You haven't -- and from either  
4 statements or court documents or whatever you've been  
01:12:15 5 privy to, you haven't seen any evidence that they could  
6 direct whoever is holding the account to buy securities  
7 or other assets in those accounts?

8 A. I told you what I've seen. It's limited to  
9 that.

01:12:30 10 Q. Okay. Now, do you think that the ability to  
11 manage your own account is important to the account  
12 holder?

13 A. I can't speculate what they would want to do.

14 Q. Well, you've testified in securities cases and  
01:12:49 15 worked on things like this. Do you understand that as  
16 the markets go up, investors often want to take  
17 advantage of buy opportunities in their accounts?

18 A. They could.

19 Q. Okay. And there are rewards or gains that  
01:13:05 20 could be made when people take advantage of those  
21 opportunities. Right?

22 A. If it goes up.

23 Q. Right. And since these accounts were frozen a  
24 little more than a year ago, the market has gone up  
01:13:18 25 substantially, hasn't it?

1 A. The overall market has, yes.

2 Q. And to your knowledge, none of the  
3 accountholders have been given the opportunity to take  
4 advantage of buy opportunities in this rising market  
01:13:32 5 with the frozen accounts. Is that right?

6 A. I think what I said was is I understand to the  
7 extent they're held that there's not been access given  
8 to the accounts.

9 Q. And as a result of them not having access to  
01:13:43 10 their account, they have not been able to take  
11 advantage of any buy opportunities in this rising  
12 market, have they?

13 A. They have not been able to access their  
14 accounts, that's my understanding.

01:13:54 15 Q. Okay. Now, let me ask a little bit about --  
16 just a little background and we'll come back to some of  
17 these issues.

18 When were -- when was FTI first engaged  
19 in this matter?

01:14:08 20 A. By the receivership?

21 Q. Yes.

22 A. We began February 15, 2009.

23 Q. Okay. That was I believe the day before the  
24 receivership orders or --

01:14:22 25 A. That's correct.

1 Q. Okay. And prior to that, you all had not been  
2 involved in looking at the Stanford matter?

3 A. No.

4 Q. Okay. And so, first, were you the engagement  
01:14:34 5 partner?

6 A. Well, we don't have partners --

7 Q. Okay.

8 A. -- because we're a publicly-traded company.  
9 I'm the senior managing director who oversees FTI's  
01:14:43 10 work.

11 Q. Okay. And were you the one, then, that was  
12 approached and said we'd like to get FTI involved in  
13 the Stanford receivership?

14 A. Yes.

01:14:53 15 Q. And that started, your recollection, the day  
16 before?

17 A. Two days before we came in, yes.

18 Q. Okay. Now, you've had a number of people  
19 working on this matter in the last year, haven't you?

01:15:06 20 A. Yes.

21 Q. How many people do you -- can you give me an  
22 estimate have worked from FTI on the Stanford matter?

23 A. At different times, we've had over a hundred.

24 Q. Okay. And that's not just here in the Houston  
01:15:21 25 office, it's throughout the country?

1 A. We've had people from other FTI offices  
2 involved, yes.

3 Q. Okay. You've -- we've seen and we'll talk  
4 about the two declarations that you've signed, Exhibits  
01:15:36 5 1 and 2 to your deposition. In addition to those  
6 declarations, did you prepare and sign off on any other  
7 affidavits or declarations?

8 A. Yes.

9 Q. Okay. What other declarations and affidavits  
01:15:49 10 have you signed off on?

11 A. There's been quite a few. I don't have a  
12 listing in front of me of all the affidavits.

13 Q. Okay. Do you recall what matters they were  
14 in?

01:16:01 15 A. They were -- I can talk about the  
16 jurisdictions and the matters that related to -- there  
17 was one that related to the Chapter 15 proceeding. I  
18 think all of them have actually been filed under the  
19 proceeding of -- the main proceeding, which is the SEC  
01:16:39 20 case.

21 Q. The one pending in Dallas?

22 A. Correct.

23 Q. Okay. So, there's a Chapter 15. Have you  
24 filed any declarations or sworn statements in any of  
01:16:49 25 the foreign proceedings?

1 A. Yes.

2 Q. Okay. Which ones do you recall providing  
3 testimony?

4 A. I provided testimony in jurisdictions that  
01:17:00 5 include Antigua, Canada, London, and I believe  
6 Switzerland.

7 Q. And then for the testimony you've provided  
8 inside the United States, you believe all of that, in  
9 one manner or another, has been filed in the Dallas  
01:17:26 10 proceedings?

11 A. I think there was one declaration that was in  
12 the Northern District of Texas, and I think it was  
13 another proceeding. I can't tell you what it is.

14 Q. Okay. Was that one of the cases in the MDL  
01:17:41 15 litigation, or do you recall?

16 A. I don't recall.

17 Q. Okay. Are there any other declarations or  
18 affidavits you can think of?

19 A. No.

01:17:52 20 Q. Have you given any deposition testimony in any  
21 of the Stanford-related matters?

22 A. No.

23 Q. Okay. So, everything that you have testified  
24 on has been in the form of a written affidavit or  
01:18:05 25 declaration?

1 A. That's correct.

2 Q. Okay. Now, after -- once FTI got involved,  
3 two days before the receivership, did you know  
4 immediately what had happened at Stanford?

01:18:22 5 A. That's a very broad question. What do you  
6 mean what had happened at Stanford?

7 Q. Did you have the information available to you  
8 to conclude that there was a Ponzi scheme, right at the  
9 inception of your engagement?

01:18:39 10 A. No.

11 Q. Okay. How long did it take you until you  
12 reached that conclusion?

13 A. I believe by March I filed an affidavit and in  
14 that indicated that it had been a Ponzi scheme.

01:18:59 15 Q. Okay. And at the time that you filed that,  
16 had you been able to figure out all the flows of  
17 moneys, that you've talked somewhat already about  
18 today?

19 A. All the flows of money?

01:19:14 20 Q. Yes.

21 A. I don't know that we'll ever get through all  
22 the flows of money.

23 Q. Okay. So, you had an initial opinion, but you  
24 didn't have it all figured out at that point, did you?

01:19:25 25 A. You asked if I had looked at all the flows of

1 money.

2 Q. Yes.

3 A. That's different than the question you just  
4 asked me.

01:19:32 5 Q. Okay. So, I take it from your prior comment,  
6 you haven't figured out even today all the flows of  
7 money and you don't know if you'll figure that out.  
8 Right?

9 A. As it relates to -- are you talking about the  
01:19:47 10 Ponzi scheme?

11 Q. Well, the Stanford operations, where the money  
12 came into, where it went, how it was sent out, had you  
13 ever figured that out in early March?

14 A. In general terms, yes.

01:20:02 15 Q. Okay. Had you -- what was necessary for you  
16 to get to that point where you were able to reach that  
17 conclusion in March?

18 A. We had done significant analysis of the assets  
19 that were available, the cash flows that we had  
01:20:28 20 available to us, interviews of what had happened,  
21 review of documents showing falsified revenues going  
22 back in time. Evidence of falsified assets going back  
23 in time. Substantial financial analysis of cash flows  
24 and other financial metrics, I guess.

01:21:04 25 Q. Okay. And that was analyses that you were

1 able to perform after the Receiver stepped in and you  
2 gained access to a lot of documents. Right?

3 A. Yes.

4 Q. Okay. As you -- and I believe I've read in  
01:21:24 5 one of your affidavits, you all went through kind of a  
6 gathering, document gathering task as part of your  
7 original charge to get your hands around the documents  
8 and put them together. Is that right?

9 A. That's correct.

01:21:36 10 Q. All right. Is that task still ongoing?

11 A. Yes.

12 Q. Okay.

13 A. Let me -- can I go back?

14 Q. Sure.

01:21:43 15 A. Because I was thinking about this. You know,  
16 when I referred to that was the first opinion that I  
17 came out with on a Ponzi scheme, I think we knew very  
18 quickly that it was a Ponzi scheme, had to be a Ponzi  
19 scheme. So, it didn't take all of that data analysis  
01:22:05 20 to come to that conclusion pretty quickly.

21 Q. Okay. And then you went through the data  
22 gathering and analysis to, I guess, support your  
23 findings or your beliefs?

24 A. That's correct.

01:22:19 25 Q. Okay. Now, you've seen that the regulators,

1 both industry regulators and government regulators,  
2 have been involved at Stanford in various points in  
3 time. Right?

4 A. Yes.

01:22:36 5 Q. SEC and FINRA and overseas regulators have had  
6 different views or looks at the company over the years.  
7 Right?

8 A. Yes, they have.

9 Q. In your reviews, did you -- I'll come back to  
01:22:53 10 that in a minute. Let me ask something else about the  
11 documents.

12 As you gather these documents, FTI has  
13 compiled a fairly large database of documents. Isn't  
14 that right?

01:23:05 15 A. We have a fair -- we have a large amount of  
16 documents. They're not necessarily in a database.

17 Q. Okay. I believe in your first affidavit, or  
18 last summer in the SEC case, you mentioned how a  
19 database had been compiled that had over 40 terabytes  
01:23:24 20 of information and two and a half million documents at  
21 that time.

22 A. Yes.

23 Q. Okay. The database has grown substantially  
24 since then, hasn't it?

01:23:33 25 A. That has. That's referring to specifically an

1 electronic database that we have. That's not all the  
2 documents we have.

3 Q. Okay. Let's maybe try to identify, then,  
4 maybe the kind of universe of your sources of

01:23:43 5 information to help you reach these opinions. Okay?

6 The electronic database, roughly how many documents are  
7 in it now?

8 A. I really have no idea.

9 Q. Okay. I think at one of the proceedings in  
01:23:58 10 the criminal action, I heard it was over five million  
11 documents last fall. Does that sound fair?

12 A. I don't know if that was referring to our  
13 database or not.

14 Q. Okay.

01:24:06 15 A. Others have different databases, so I can't  
16 say one way or the other.

17 Q. All right. Tell me about your database, the  
18 electronic one, what does that consist of?

19 A. We have loaded in certain custodians, either  
01:24:21 20 e-mail or hard drives data that we have in electronic  
21 format.

22 Q. Okay. And when you say "e-mail and hard  
23 drives," are you talking about e-mail and hard drives  
24 that come from the financial advisors and other  
01:24:40 25 employees of Stanford?

1 A. That's correct, yes.

2 Q. Okay. As well as any other Stanford-related  
3 electronic documents that you-all found?

4 A. Yes. Correct.

01:24:51 5 Q. Okay. And in addition to this electronic  
6 database, what other documents have you put together?

7 A. There's many paper documents that are  
8 financial statements, marketing materials, training  
9 information, bank account statements. I'm trying to  
01:25:31 10 think what other general sorts of paper. HR records.  
11 Wire data.

12 Q. Accounting documents?

13 A. Accounting documents. We have both  
14 electronically and, as I said, in paper.

01:25:54 15 Q. Okay. Where are the paper documents kept?

16 A. Our files?

17 Q. Yes.

18 A. We still have some out at the facility at 5051  
19 Westheimer, and in our offices.

01:26:15 20 Q. Okay.

21 A. There's many other, you know, electronic  
22 pieces of information we have.

23 Q. Okay. And where do those documents come from?

24 A. Well, we talked about the Temenos database.

01:26:25 25 Q. Okay.

1 A. That would be a large portion of the data that  
2 we have available to us.

3 Q. And I think Mr. Nielsen asked some questions  
4 on this. These documents you have amassed, these  
01:26:49 5 databases you've put together, have you shared access  
6 to those databases with others other than the Receiver?

7 A. No. I don't believe we've shared access to  
8 our database.

9 Q. Okay. So, you -- have you shared documents  
01:27:09 10 that have come out of the database?

11 A. We have been asked to produce some documents,  
12 yes.

13 Q. Okay. So, in various litigations with other  
14 parties, you-all have gone to your documents and pulled  
01:27:20 15 them out?

16 A. We have, yes.

17 Q. Okay. When you were asked to prepare these  
18 declarations and either come up with information or  
19 confirm information in the draft declaration, do you go  
01:27:35 20 to your documents, either your database or the hard  
21 copies, to look for the support for your opinions?

22 A. Well, generally what had happened is we had  
23 come up with our analysis and discussed it and that's  
24 what got into the draft. So, that support had already  
01:27:59 25 been provided. So, we would have that. It wasn't that

1 we were getting this information and we'd go look in  
2 documents and see if we had something that supported  
3 that. Our analysis was the basis for what would go  
4 into the declaration.

01:28:12 5 Q. Okay. And so, let me maybe streamline it a  
6 little bit. This database of documents that you've  
7 assembled provides the support for opinions that find  
8 their way into your declarations and affidavits. Is  
9 that right?

01:28:28 10 A. And, again, you're just referring to the  
11 database of e-mails. As I said, there's more than one  
12 database, so I just want to make sure.

13 Q. Let me identify which ones. There's the  
14 e-mail hard drive database. Right?

01:28:41 15 A. That --

16 Q. Is Temenos a separate database?

17 A. Yes.

18 Q. Okay. How many databases do you-all have?

19 A. We have financial systems. I'm putting this  
01:29:02 20 into the large bucket.

21 Q. Sure.

22 A. We have the -- and that would, I guess,  
23 include Temenos. We have databases that include --  
24 when I talk about e-mail and hard drives, it would be  
01:29:19 25 files that were contained on hard drives. We have

1 databases that include PDF documents that we've PDFed  
2 and included in the database. Those are the general  
3 categories, I think, of databases that we have that  
4 would be based on these opinions -- or these opinions  
01:29:45 5 would be based.

6 Q. Okay. And then -- and I'll --

7 A. In addition to paper documents.

8 Q. All right. So, you have paper documents, and  
9 then you have, in general, these three classes of  
01:29:57 10 databases, electronic one that has e-mails and hard  
11 drive files. You have financial systems, and then you  
12 have PDFs. So, I take it those would be documents you  
13 have scanned and put in some electronic format so you  
14 can use them.

01:30:13 15 A. That's correct.

16 Q. Okay. And when you have rendered your  
17 opinions in these various written statements, you have  
18 drawn upon all three of those databases, you or your  
19 people working with you, to get the backup and support  
01:30:28 20 that justifies your opinions. Is that fair?

21 A. That's correct.

22 Q. Okay. Other than those sources of  
23 information, do you have other sources of information  
24 that you've relied upon in forming your opinions?

01:30:44 25 A. I think they're listed in here. There's

1 interviews that were part of our opinions.

2 Q. What else besides interviews?

3 A. In large categories, I think we've gone  
4 over --

01:31:02 5 Q. Okay. So, the --

6 A. -- what we've relied upon.

7 Q. So, the documents we've identified and then  
8 interviews. On Exhibit No. 1 --

9 A. Let me -- actually, let me add -- because we  
01:31:13 10 have court filings. That would be, I guess, in a paper  
11 documents and some electronic. We have some public  
12 information we've downloaded that would go into there.  
13 I think those are the broad categories.

14 Q. Okay. If you'll put in front of you Exhibit  
01:31:29 15 No. 1 to your deposition. It's your affidavit from  
16 last -- or declaration from last summer. Do you have  
17 that?

18 A. Yes.

19 Q. And then on Page 37 of your declaration,  
01:31:44 20 there's a list of some of the interviews you had  
21 conducted, at least as of the time of that declaration.  
22 Is that right?

23 A. That's correct.

24 Q. And the wording in your declaration was that  
01:31:57 25 list includes some but not necessarily all of the

1 people you interviewed?

2 A. Yes.

3 Q. Did you personally conduct the interviews of  
4 the people that's on Page 37?

01:32:09 5 A. Some of them.

6 Q. Okay. Which ones were you involved in?

7 A. Patricia Maldonado, Laura Holt, Gill Lopez.

8 And I should say some of these were more than one  
9 interview and I was involved in one of them. There may

01:32:30 10 have been other interviews that I wasn't involved in.

11 Q. Okay.

12 A. Henry Amadio, Kerry Jackson, Denise Groves,  
13 Tarrie Patlan, Charles Weiser, Osvaldo Pi, John Varkey,  
14 Mark Collingsworth, Oscar Leal, Pam Ward, Anne

01:33:11 15 Severtson, Ken Weeden.

16 Q. Okay. Did you make notes at these interviews  
17 as you had discussions with these various people?

18 A. Did I?

19 Q. Yes.

01:33:27 20 A. No.

21 Q. Okay. Was someone with you or anyone else at  
22 that meeting that made notes?

23 A. Yes.

24 Q. Okay. Who participated in these interviews

01:33:37 25 with you that made notes of those discussions?

1 A. Generally, we would have someone from Baker  
2 Botts.

3 Q. Okay.

4 A. And we would have someone else from my team.

01:33:46 5 Q. All right.

6 A. Sometimes more than one other person from my  
7 team.

8 Q. Who from your team participated in these  
9 interviews?

01:33:55 10 A. I can tell you the ones I know. I'm sure  
11 there are others.

12 Q. Okay.

13 A. I know Jeff Ferguson, Brian Ong, Patrick  
14 Beaman, Jim Scarazzo, Tony Tabb. Those are the ones  
01:34:40 15 that I can recall being in the interviews specifically.

16 Q. Okay.

17 A. And others may have conducted separate  
18 interviews.

19 Q. Certainly.

01:34:48 20 Are there records other than this list at  
21 FTI that would identify who all you all -- who all you  
22 have interviewed?

23 A. Well, to be clear, these are where there was a  
24 formal interview. We've talked to in our, you know,  
01:35:07 25 work --

1 Q. Sure.

2 A. -- many, many people. So, is there another  
3 place that that would be documented? No. I can't  
4 think of where we -- why we would have that somewhere  
01:35:24 5 separately.

6 Q. Okay. Were these interviews recorded, either  
7 by a tape-recording or someone like a court reporter  
8 taking down the statements of the individuals?

9 A. None that I am aware of, no.

01:35:36 10 Q. Okay. Other than the notes, is there any  
11 record that you're aware of that would reflect these  
12 interviews?

13 A. No.

14 Q. Okay. In addition to gathering documents and  
01:35:49 15 conducting interviews, one of the things you identified  
16 in your declaration was tracing funds. Was that  
17 something you-all have been engaged in for the better  
18 part of a year or so?

19 A. Yes, that is part of what we've been engaged  
01:36:03 20 in.

21 Q. All right. And you've also been analyzing  
22 different accounts. Is that right?

23 A. Many different kinds of accounts, yes.

24 Q. Different kinds. There's certainly the  
01:36:12 25 corporate accounts of the Stanford-related entities.

1 Right?

2 A. The accounting, when we talk about corporate  
3 accounts, that would be the accounting information.

4 Q. Okay. And in addition, y'all have looked at  
01:36:26 5 individual accounts, whether they're investors or  
6 financial advisors. Is that right?

7 A. Yes.

8 Q. Okay. This effort that you put in over the  
9 last year and a few months, your firm has billed in  
01:36:47 10 excess of \$10 million, hasn't it?

11 A. Yes.

12 Q. Okay. How much has been paid so far?

13 A. I think we have received about \$12 million.

14 Q. Okay. Now, ironically that --

01:37:03 15 MR. SADLER: I don't think those numbers  
16 add up.

17 A. Well, he said you've billed in excess of 10  
18 million. We have.

19 MR. SADLER: Okay. All right. I thought  
01:37:10 20 you said 10 million.

21 MR. STANLEY: No, it's over 10 million,  
22 but I know, you know, there's some time and things  
23 getting paid.

24 Q. (By Mr. Stanley) But you've been paid over  
01:37:19 25 \$12 million so far?

1 A. To date, yes.

2 Q. Okay. Ironically, that's with money that --  
3 have you traced it coming from the sale of CDs?

4 A. No. I've not traced that.

01:37:31 5 Q. Okay. Well, do you have any opinions where  
6 that money came from?

7 A. That money came from a variety of places.  
8 Sale of assets.

9 Q. Okay. The company has been liquidating  
01:37:44 10 assets?

11 A. Yes.

12 Q. All right. We're going to talk about the  
13 assets in a minute, I think.

14 In your most recent affidavit -- you can  
01:38:05 15 get that in front of you. It's Exhibit No. 2. In the  
16 third paragraph, you describe Exhibit A and you were  
17 questioned at length about Exhibit A. I'll ask you a  
18 few things about the first column, loans, that's one of  
19 the items that you said you looked at. Correct?

01:38:30 20 A. Yes.

21 Q. The employee loans are not unusual in the  
22 securities industry, are they?

23 A. I think we've discussed that. They are done  
24 in this industry, yes.

01:38:48 25 Q. I mean, it's a common practice that firms give

1 these forgivable loans to employees to get them to come  
2 over to their company. Right?

3 A. I would say it's common practice that there  
4 are payments made up front, whether they're forgivable  
01:39:03 5 loans or not. They're different in different entities.

6 Q. Now, you had testified a little bit earlier  
7 that you didn't know if these were forgivable loans or  
8 not. Are you unsure about that?

9 A. I don't think that's what I testified.

01:39:22 10 Q. Okay. Do you remember if the loans that were  
11 given to the employees that came over to Stanford were  
12 forgivable loans?

13 A. I think that the provisions -- what I was  
14 asked is whether I recall the specific provision. I  
01:39:36 15 know that they are -- they were generally forgivable  
16 loans.

17 Q. Okay. So, you -- and I misunderstood -- maybe  
18 I missed the question earlier. You were talking about  
19 you don't remember the exact term, but you do know that  
01:39:48 20 in general these loans were forgivable loans and that  
21 the employee would come over, be given a loan, and that  
22 over a certain amount of time the employee stayed with  
23 the company, those loans were forgiven?

24 A. In general, yes.

01:40:04 25 Q. Okay. And from your review or your team's

1 review of the documents, is that what you understood  
2 about the loans that the employees had at Stanford?

3 A. As I just said, in general, I think that's  
4 true.

01:40:15 5 Q. Okay. Do you remember anything that didn't  
6 fit that general category? Did you see loans that were  
7 not forgivable or that had some term that jumped out at  
8 you that was unusual?

9 A. No.

01:40:30 10 Q. Okay. Now, what's your understanding of why  
11 the financial advisors were given these loans?

12 A. They were given these loans as payments  
13 incentives for coming to Stanford.

14 Q. And there's nothing in the loan term, the  
01:40:54 15 terms on the loan agreement, that says the forgiveness  
16 of the loan is based upon your CD production, is it?

17 A. As I think I testified before, no, I don't  
18 believe that is.

19 Q. Okay. And from your analysis of the financial  
01:41:12 20 advisors and their different levels of production,  
21 you've noticed, have you not, that there are a number  
22 of financial advisors that have large amounts of loans  
23 but have very little CD production?

24 A. There are -- I guess it's all relative. What  
01:41:30 25 was your question again? I'm sorry.

1 Q. Well, you know that the employee, when he came  
2 over and engaged in this loan, was still free to sell  
3 what he wanted to, wasn't he?

4 A. Yes.

01:41:48 5 Q. You haven't seen anything that says the only  
6 way your loan is forgiven is if you sell CDs?

7 A. That is not in writing, no.

8 Q. Okay. And from your analysis of the numbers,  
9 you know that there are a number of financial advisors  
01:42:03 10 out there that came over, received loans, but  
11 relatively speaking did not sell that great a  
12 percentage of CDs. Right?

13 A. There are -- I see one, two. There are a few  
14 where there are upfront loans and we do not show CD  
01:42:56 15 commission payments or payments in other of the five  
16 categories to the right.

17 Q. Okay. And you're looking at Exhibit A to your  
18 declaration to come up with that answer. Right?

19 A. That's correct.

01:43:12 20 Q. Okay. While you have that in front of you and  
21 looking at the loan column, if I understand your  
22 earlier testimony right, the number that you put in the  
23 loan column by the different financial advisors is a --  
24 is the gross amount of the loan. It's not net of any  
01:43:29 25 taxes paid or anything else that was set aside, is it?

1 A. That's correct.

2 Q. Okay. And this number -- did I understand you  
3 correctly that you were only trying to reflect loans  
4 paid or loans funded to the brokers from 2005 through  
01:43:50 5 2009?

6 A. Not necessarily. They were loans that were --  
7 to the extent there was a loan outstanding as of  
8 January 1, 2005, those were included, the upfront loan  
9 was included. A payment may have been made outside of  
01:44:11 10 that time period.

11 Q. Okay. So, when you say "outstanding," what  
12 are you meaning by that?

13 A. To the extent that as of January 1, 2005,  
14 there were unamortized or forgiven -- unforgiven  
01:44:30 15 amounts on these loans. For these holders, the full  
16 amount of the loan was included on this schedule.

17 Q. Okay. So, let me -- I think I get it. Now  
18 I'll try to break it up into bite-size pieces. Okay.

19 Did you see schedules at the company, SGC  
01:44:55 20 or any of the companies, that were amortization  
21 schedules for these loans?

22 A. Yes.

23 Q. So, for example, a financial advisor that had  
24 a million-dollar loan forgiven over five years, five  
01:45:08 25 years it would drop by \$200,000 each year until he had

1 stayed at the company for five years and was totally  
2 forgiven. Right?

3 A. If that was the provisions of the loan.

4 Q. I'm just picking that one as a hypothetical.

01:45:20 5 And are you telling me that if that loan had been  
6 funded back in '02 and had been gradually forgiven but  
7 there was a penny left on it, on January '05, you  
8 scheduled this for the full amount of the loan?

9 A. That's correct.

01:45:40 10 Q. Okay.

11 A. If there was any amount.

12 Q. Penny or higher. Any amount left on that  
13 loan, had it been forgiven on, you know, January 1 of  
14 '04, it doesn't show up on your schedule. Is that  
01:45:57 15 right?

16 A. That's correct.

17 Q. Okay. But regardless of the amount that was  
18 owed on the loan, you scheduled it on Exhibit A at the  
19 full originally funded amount?

01:46:14 20 A. Irrespective of the amount that was remaining  
21 unamortized per the schedule, we, on this schedule,  
22 have included the full amount of the loan.

23 Q. Had you ever -- okay. So, just to be  
24 perfectly clear, column titled loans does not reflect  
01:46:33 25 any amounts of the loan forgiven over time based on the

1 terms of the loan agreement?

2 A. It includes the full amount of the loan.

3 Q. Right. So, my question was: It does not  
4 reflect, then, any credit for amounts forgiven,

01:46:56 5 according to the terms of the loan documents, does it?

6 A. That's correct.

7 Q. If a financial advisor repaid some of the loan  
8 but not all, in cash, if he turned around and paid back  
9 the loan, does this schedule reflect a credit for the

01:47:14 10 amount that the financial advisor paid?

11 A. Actually, I think that it does. I think there  
12 were circumstances perhaps where that occurred. And if  
13 there was actually a payment, that may have been  
14 reduced. I'm not certain on that.

01:47:29 15 Q. Okay. If the payment is not reflected on the  
16 column for loans, is that an error?

17 A. Not necessarily.

18 Q. Was your intent in making this loan listing  
19 here to reflect the amounts that had been funded less  
01:47:53 20 any repayment by the broker?

21 A. What we were requested to do was to include on  
22 this schedule any amounts that were the original loan  
23 amounts. I think there may have been some adjustment  
24 because of specific circumstances. If there was some  
01:48:15 25 cash amount, if there was reductions. But in general,

1 it is the full loan amount.

2 Q. Okay. Had you made any effort to figure out  
3 how much was actually outstanding on the loans based on  
4 the amortization schedule?

01:48:37 5 A. Well, I had the amount as of that date that  
6 was unamortized.

7 Q. Okay. So, you had those numbers -- when you  
8 prepared this exhibit to your declaration, you had  
9 previously seen and knew the numbers of the actual  
01:48:55 10 amounts outstanding under the terms of the loans.

11 Right?

12 A. From an accounting perspective, what had been  
13 unamortized is what we were using.

14 Q. Okay. And this schedule, however, reflects  
01:49:07 15 the full amount of the loans, and that amount is  
16 greater than the unamortized amount, isn't it?

17 A. It could be greater or the same. I mean, if  
18 there were no amortization at that point, so --

19 Q. You know that's not the case.

01:49:21 20 A. No, that's not -- well, the amount that would  
21 be at any given time, if it was close to that time,  
22 there may not be an amount that's amortized. So, the  
23 original loan could be the same amount as the  
24 unamortized.

01:49:36 25 Q. It could be, but when you had the numbers of

1 all of the loans outstanding, unamortized amounts under  
2 the loan agreements and the books of the company.

3 Right?

4 A. Yes.

01:49:45 5 Q. You knew that that amount was actually less  
6 than the amount that went onto Schedule A. Right?

7 A. It could be less. It could be the same, as we  
8 just discussed. We included the full amount of the  
9 loan.

01:49:58 10 Q. Well, what was it? Was the unamortized amount  
11 the same as the full amount?

12 A. I just said it could be --

13 Q. I'm talking about the total amount. I'm  
14 sorry. You're talking about per individual. Right?

01:50:08 15 A. Yes.

16 Q. Okay. Let's do it -- I was -- I apologize I  
17 was asking kind of in an aggregate form. Okay? The  
18 amount -- if you were to go down the loan amount here  
19 on your schedule --

01:50:19 20 A. Yes.

21 Q. -- and add up the -- all the amounts on here,  
22 you would have a number that is greater than the number  
23 from the books of the company and the loan agreements  
24 of the FA's that was owed under the terms of the  
01:50:34 25 agreement. Right?

1 A. As of what date?

2 Q. As of the date you prepared this schedule,  
3 3/26/10.

4 A. I didn't have a schedule as of that date.

01:50:52 5 Q. Well, you knew that the -- you had seen how  
6 much the financial advisors owed under the terms of  
7 their agreement and as reflected on the books of the  
8 company. Right?

9 A. As I said, I had the unamortized portion as of  
01:51:08 10 January 1, 2005. That's from which I based this  
11 analysis.

12 Q. This analysis here?

13 A. Yes.

14 Q. You've seen the documents -- well, let me ask.  
01:51:25 15 Maybe you haven't. Since 2005, did you understand that  
16 under the terms of the loan, further portions of these  
17 loans were forgiven?

18 A. Yes.

19 Q. Okay. So, that number -- that aggregate  
01:51:40 20 number from 2005 would have gone down over time as  
21 additional tranches were forgiven of the different  
22 loans. Right?

23 A. As long as you're talking about the exact same  
24 number of advisors. The total amount might be higher  
01:51:57 25 because you added more.

1 Q. Okay. The individuals' obligations went down  
2 over time when they would hit their respective one-year  
3 mark or whatever the term would be under the contract.  
4 Right?

01:52:10

5 A. Yes.

6 Q. Okay. And the number here is set in stone or  
7 locked in as of January '05, is what you're saying?

8 A. No.

01:52:27

9 Q. Well, the number for existing loans -- back  
10 up.

11 There were loans that were in existence  
12 in January of 2005. Correct?

13 A. Correct.

01:52:36

14 Q. And since that time, additional loans have  
15 been made. Right?

16 A. That's correct.

01:52:52

17 Q. All right. For the loans that were made after  
18 January of 2005, you've scheduled them on this exhibit  
19 at the full amount of the loan that was funded. Is  
20 that fair?

21 A. That's correct.

01:53:07

22 Q. Okay. And even if they got their loan on  
23 January 2, 2005, and had two or three tranches forgiven  
24 over time, you didn't base your numbers on the terms of  
25 their note or the schedules at the company; you just

1 went back to that full funding at inception?

2 A. It is the full amount of the loan for all of  
3 these individuals.

4 Q. And so, am I correct that you did not reflect,  
01:53:24 5 as you put these individuals down on here, any  
6 forgiveness if their loan originated after January  
7 2005?

8 A. That's correct.

9 Q. Okay. Now, for the loans that were already in  
01:53:37 10 the hopper on January 1, 2005, if they owed a penny,  
11 you likewise put them down for the full amount. Is  
12 that right?

13 A. Any amount owed, we included them on the  
14 schedule and it was for the full amount of the loan.

01:53:53 15 Q. Okay. And by its very nature, then, putting  
16 them down for the full amount in the schedule results  
17 in the number that is higher than the amount that the  
18 financial advisors would owe if you were to calculate  
19 the forgiveness terms and what portions had been  
01:54:15 20 forgiven. Is that right?

21 A. It would depend on at any given time and what  
22 that amount would be. You're not being specific as to  
23 time. And you're going from aggregate to specific  
24 individuals. So, why don't you be clear on what you  
01:54:34 25 want me to answer.

1 Q. Well, either way it's the same thing. On an  
2 aggregate basis, booking it at the full amount of the  
3 loans gives you a number that's higher than all of the  
4 loans with one or more that have pieces forgiven of  
01:54:53 5 them. Right?

6 A. You are booking at the full amount of the  
7 loan, not at an amortized amount.

8 Q. Okay. Did the company keep records of the --  
9 well, I've already asked you that. The amortization.

01:55:16 10 Let me ask you about Schedule B to your  
11 exhibit, please. I just want to make sure I'm clear on  
12 something here. These are the -- this is a list of  
13 people that, from your records and analyses, have had  
14 invested in CDs themselves. Right?

01:55:45 15 A. These are -- yes. These are financial  
16 advisors that had CDs, SIB CDs.

17 Q. Okay. So this would reflect those that  
18 purchased CDs for themselves. Correct?

19 A. That's correct.

01:56:03 20 Q. Okay. And if you wanted to know if they were  
21 net losers or net gain -- had net gains on their  
22 investment, you would look to the second column.  
23 Right?

24 A. That's correct. It would be -- I'm not sure  
01:56:21 25 net gains is the correct term. To the extent that you

1 wanted to see those that received in excess of  
2 investments, that would be reflected on this. And if  
3 they were net losers, you would know that from this,  
4 too.

01:56:35 5 Q. That's right. And that's what I was trying  
6 to -- we talked -- you talked about the net gains  
7 earlier. Looking at this, the second column or the  
8 last column, it says "proceeds for former Stanford  
9 employees CDs," if there is no number there, from your  
01:56:49 10 analysis, that would tell us that the broker on that  
11 line was a net loser on the CD investment?

12 A. That's correct.

13 Q. Okay. We don't know the amount from the  
14 schedule, but that's something that you all have and  
01:57:03 15 can tell from the records you have. Is that right?

16 A. Yes.

17 Q. Okay. Have you done that analysis?

18 A. Yes.

19 Q. Okay. When you looked at the accounts that  
01:57:36 20 were frozen, did you notice that many of them are IRA  
21 accounts?

22 A. I haven't looked at that one way or the other.

23 Q. It's not reflected on your schedule; it just  
24 says Pershing or an account number, but do you  
01:57:52 25 understand that the financial advisors have IRA

1 accounts that have been frozen?

2 A. I don't know if they include IRA accounts.

3 Q. Okay. As you've done your tracing analyses to  
4 figure out where CDs moneys went, did you undertake any

01:58:08 5 analysis to see if moneys in the financial advisors'  
6 accounts came from CD proceeds?

7 A. That I specifically tied them in individually?

8 Q. Yes.

9 A. No.

01:58:27 10 Q. Okay. I take it, then -- and that's for any  
11 accounts of the financial advisors. Is that right? In  
12 other words, I'm not being IRA or regular brokerage  
13 account specific, I'm talking about for any account  
14 that the financial advisors have that have been frozen,  
01:58:49 15 you have not undertaken any analysis to determine if  
16 any dollars in those accounts came from investors. Is  
17 that right?

18 A. I have not done a specific analysis, no.

19 Q. Okay. From your review of documents, whether  
01:59:04 20 they're HR documents or the account documents, do you  
21 have an understanding as to whether or not the  
22 financial advisors had IRA accounts that rolled over  
23 from previous employers?

24 A. I believe that may be true, yes.

01:59:21 25 Q. Okay. And from the documents that you have,

1 you know that it's clear that for those IRA accounts  
2 that rolled over, those were from moneys that were  
3 earned elsewhere, not from their employ at Stanford.  
4 Right?

01:59:43 5 A. For the amount that was rolled over --

6 Q. Yes.

7 A. -- that would be from funds received previous  
8 to Stanford.

9 Q. And you don't have any evidence or knowledge,  
01:59:51 10 do you, that money in those IRA accounts came from the  
11 sale of CDs or commissions earned on CDs or any  
12 other -- in any other way derived from the CD  
13 investments, do you?

14 A. As I said, I don't have any specific analysis  
02:00:09 15 on that. I've not been asked to do that.

16 MR. STANLEY: Okay. Stop for just one  
17 second.

18 (Off the record 2:00 p.m. to 2:01 p.m.)

19 Q. (By Mr. Stanley) I want to ask some kind of  
02:01:22 20 general questions, and a lot of it comes from the first  
21 affidavit you did last summer. Okay? In Exhibit No. 1  
22 to your deposition. It may not have been the first  
23 affidavit, but first in the SEC case.

24 In that affidavit, you said it was your  
02:01:45 25 analysis that this -- that SIB was really kind of run

1 by a close band of confidants, was your phrase. Do you  
2 remember saying that?

3 A. I think at that point I was pointing to  
4 specific areas that were run specifically by those  
02:02:04 5 three, yes.

6 Q. Okay. And is that still your opinion after  
7 you've kind of gone through these documents and  
8 conducted interviews and learned more over the last  
9 year?

02:02:15 10 A. That it was run by that group?

11 Q. Uh-huh.

12 A. Yes, that's still true.

13 Q. Okay. And from your interviews on that list  
14 we looked at a little bit earlier, did anyone in those  
02:02:30 15 interviews tell you that they had known it was a Ponzi  
16 scheme during the previous number of years that they  
17 worked with the company?

18 A. No. No one said that to me.

19 Q. Okay. Did any of those people that you  
02:02:44 20 interviewed tell you that they had talked to the  
21 financial advisors and told them that it was a Ponzi  
22 scheme while they were working at the company?

23 A. No. Nobody told me that they told them it was  
24 a Ponzi scheme. I think they gave them a lot of  
02:03:01 25 information, but not told them it was a Ponzi scheme.

1 Q. All right. From your discussions in those  
2 interviews, did you come to appreciate how the money  
3 came in and then where it was deployed, where it was  
4 invested or what was done with it?

02:03:18 5 A. Which money are you referring to?

6 Q. I'm talking about the CD sales.

7 A. Yes.

8 Q. All right. And you mentioned a little bit  
9 about the different tiers. Going back to the end of  
02:03:33 10 2007. Okay?

11 A. Okay.

12 Q. The year end of 2007, how much cash in assets  
13 were reflected on the books at -- at SGC and related  
14 companies?

02:03:49 15 A. I don't know if it's in here. Do you want all  
16 assets?

17 Q. Yes.

18 A. I don't recall the amount as of 12/31/07. I  
19 don't know the amount.

02:04:04 20 Q. Do you have an approximate number?

21 A. It would be somewhere between 6-1/2 and 7-1/2  
22 billion, somewhere in there.

23 Q. At the end of '07?

24 A. I believe so.

02:04:22 25 Q. Probably about right. Well, we know that

1 there was 2 billion that was able to be liquidated over  
2 the following year, 2008. So, there was certainly at  
3 least \$2 billion at the company.

4 A. At SIB?

02:04:38 5 Q. Yes. Well, and I'll say SIB or their related  
6 entities, because I'm not certain yet and I haven't --  
7 I'm not privy to all of the work you've done. Where  
8 the money was invested -- maybe I should ask that  
9 first. Where was the money invested that went to SIB?

02:04:58 10 A. Reported or actual?

11 Q. Let's start with actual.

12 A. The money that came in, there was some  
13 invested in what was known as Tier 2, and then there  
14 were amounts that were used to fund operations. And  
02:05:23 15 then much of it was dissipated out to the different  
16 organizations.

17 Q. Okay. There were investment accounts held in  
18 the name of SIB at various places in the world, weren't  
19 there?

02:05:34 20 A. There were.

21 Q. And those accounts had hundreds of millions of  
22 dollars in them, at least prior to the end of '07?

23 A. They did, yes.

24 Q. Okay. And in 2008, the market turned, didn't  
02:05:51 25 it?

1 A. It did.

2 Q. And there was a very large run on the bank  
3 during that time. Right?

4 MR. SADLER: Which bank?

02:05:58 5 Q. (By Mr. Stanley) SIB. I'm sorry.

6 A. Well, at the end of 2008, the -- you had the  
7 redemptions started to increase.

8 Q. Right. And I think it was one of your reports  
9 you had mentioned that there was really this loss came  
02:06:11 10 from a number of factors, but there was a market loss  
11 that affected the balance sheets of SIB. Right?

12 A. Well, you're talking about Tier 2. I mean,  
13 the rest of it, you know, what -- I guess what the  
14 brokers knew was that they thought it was in equities  
02:06:27 15 and things, and so they would have thought that was  
16 going down. But what you have is, if you're talking  
17 about Tier 2, you had a market loss and then some  
18 liquidations during 2008.

19 Q. Okay. What about --

02:06:40 20 A. Only for Tier 2.

21 Q. Okay. Tier 1 was cash, largely?

22 A. Cash, cash equivalents, yes.

23 Q. Okay. We know that Tier 2, from your  
24 analyses, went from over \$800 million at the beginning  
02:06:57 25 of '08 and was less than 300 million by February of

1 '09. Is that right?

2 A. It was about -- it was right at 300 million.

3 Q. Okay. And that drop was a combination of both  
4 liquidations and market losses. Correct?

02:07:15 5 A. That's correct.

6 Q. All right. Over -- about \$2 billion was paid  
7 out in redemptions during that time frame, wasn't it?

8 A. That's probably right.

9 Q. I think I saw that number in your report last  
02:07:33 10 year.

11 A. Yes.

12 Q. All of that money didn't come from Tier 2,  
13 then, because Tier 2 didn't have \$2 billion at the  
14 beginning of '08. Right?

02:07:43 15 A. That's -- well, Tier 2 did not, no.

16 Q. Okay. So, where did the rest of this  
17 liquidation money come from?

18 A. The investors that were putting money in.

19 Q. Okay. And what was in Tier 3?

02:07:56 20 A. Tier 3 was made up primarily of private  
21 equity. It was made up of land and notes to Allen  
22 Stanford.

23 Q. Now, there were -- you said that there was a  
24 lot of misinformation regarding SIB's financial  
02:08:24 25 strength in your declaration.

1 A. Given to investors? Yes.

2 Q. Okay. Well, in your declaration, you say it  
3 was given to the financial advisors.

4 A. I may have.

02:08:38 5 Q. It's Page 5 of your -- of Exhibit No. 1.

6 A. Okay.

7 Q. Paragraph 11. What misinformation regarding  
8 SIB's financial strength was given to the financial  
9 advisors?

02:08:52 10 A. Well, the reported information that was given  
11 showed equity -- you know, showed equity in the  
12 company. They were told there was liquidity and there  
13 was a lot of information I think that would tell them  
14 otherwise, but the reported information was that there  
02:09:25 15 was equity in the company.

16 Q. Okay. What misinformation regarding  
17 profitability was given to the financial advisors?

18 A. Well, again, if you look at the SIB financial  
19 information that was available, they were showing  
02:09:43 20 returns, high returns. Not so much in 2008, which was  
21 implausible, and I'm sure the brokers understood.

22 Q. What about the misinformation regarding  
23 investment strategy and investment allocation, what  
24 information have you seen that was given to the  
02:10:06 25 financial advisors about strategy and allocation that

1 was inaccurate?

2 A. Well, there was information that was provided  
3 that they were generally in, I think, equities and that  
4 being the SIBL total investments, equities, fixed  
02:10:28 5 income, alternative investments and metals.

6 Q. And from your analysis, was that  
7 misinformation, that was wrong?

8 A. That was not what they were actually doing in  
9 the background, no.

02:11:02 10 Q. Okay. How far back have you gone in your  
11 analyses to look at when the bank was insolvent?

12 A. Oh, if you look back, 2004, if you just strip  
13 out the amount of the loan and the false equity, it was  
14 insolvent as of 2004, at least.

02:11:30 15 Q. Okay. And when you say the "false equity,"  
16 you're not referring to the island real estate deal,  
17 because that came much later. Right?

18 A. That's correct.

19 Q. All right. So, are you talking about equity  
02:11:42 20 investments in '04 that SIB had invested in, in the  
21 investments that lost their value?

22 Let me ask: What are you talking about  
23 when you said "false equity"?

24 A. There was transactions similar to the real  
02:12:03 25 estate transactions that occurred later that occurred

1 in '04.

2 Q. Okay. What transaction are you talking about,  
3 or transactions?

4 A. They're from venture capital. They were --  
02:12:17 5 they injected from Stanford venture capital holdings  
6 investments at an inflated value which went to equity.

7 Q. How much money was involved in Stanford  
8 venture capital?

9 A. What do you mean?

02:12:33 10 Q. For the investments you're talking about that  
11 went through Stanford.

12 A. I think total amount was 3 or \$400 million.

13 Q. Okay. Is it fair to say that there have  
14 always been investments made with the SIB investment  
02:13:02 15 money? I'll make it a little more clear. When money  
16 came in from investors, this didn't sit in a big burlap  
17 bag under Allen Stanford's desk, did it?

18 A. No.

19 Q. Okay. It was actually put into banks and  
02:13:22 20 investments were made with that money. Right?

21 A. That's correct.

22 Q. And even with this venture capital or these  
23 private equity deals, there were moneys put into  
24 different deals. Right?

02:13:39 25 A. Yes, there were.

1 Q. Okay. Now, when the investors wanted to  
2 redeem their CDs, sometimes those investments would  
3 come from the available -- or the redemption funds  
4 would come from available cash. Right?

02:13:55 5 A. It would come from other investors. That's  
6 what it would come from, yes.

7 Q. Okay. Did it come -- it came from cash they  
8 had in the accounts that had not been invested in  
9 private equity or equity or the metals. Right?

02:14:14 10 A. Or otherwise disseminated throughout the  
11 organization, yes.

12 MR. STANLEY: Okay. I'm going to stop  
13 there, because obviously we have a lot more to pick up  
14 at some other date on that, but thank you for your  
02:14:29 15 time.

16 MR. NIELSEN: Let's take a quick break.

17 MR. STANLEY: Sure.

18 (Off the record 2:14 p.m. to 2:20 p.m.)

19 MR. BYRD: It is my understanding that  
02:20:57 20 this deposition is being taken for the purpose of  
21 allowing certain defendants properly to prepare  
22 oppositions to Receiver's application for injunctive  
23 relief, and my client is not among those targeted  
24 defendants. I will reserve my questions of  
02:21:11 25 Ms. Van Tassel for a later time. Thank you.

1 EXAMINATION

2 BY MR. NIELSEN:

3 Q. Ms. Van Tassel, just a few questions. Looking  
4 at Exhibit B to your March 2010 declaration.

02:21:23 5 A. Yes.

6 Q. I just wanted to clear something up: This  
7 exhibit actually would not show financial advisors who  
8 made personal investments in Stanford and didn't take  
9 out any interest or redeem their CDs, does it? In  
02:21:42 10 other words, this just shows people who made  
11 investments and got some interest or redemption  
12 payment?

13 A. That's true.

14 Q. Okay. So, if an FA, financial advisor, made a  
02:22:04 15 personal investment and lost every dollar, that's not  
16 reflected on here?

17 A. If there were never any proceeds, I do not  
18 believe they would be included on here.

19 Q. Okay. In connection with the interviews that  
02:22:25 20 FTI performed, did it document its notes in any  
21 memorandums?

22 A. In a few.

23 MR. NIELSEN: Okay. That's all I have.

24 MR. SADLER: Great. Thank y'all so much.

02:23:00 25 (The deposition concluded at 2:22 p.m.)

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CHANGES AND SIGNATURE

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

4  
5

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KARYL VAN TASSEL

6  
7

THE STATE OF \_\_\_\_\_:

8

COUNTY OF \_\_\_\_\_:

9

10 Before me, \_\_\_\_\_, on  
11 this day personally appeared KARYL VAN TASSEL, known to  
12 me (or proved to me under oath or through  
13 \_\_\_\_\_) (description of identity card or  
14 other document) to be the person whose name is  
15 subscribed to the foregoing instrument and acknowledged  
16 to me that they executed the same for the purposes and  
17 consideration therein expressed.

14

15 Given under my hand and seal of office  
16 this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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Notary Public in and for  
The State of \_\_\_\_\_

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My Commission Expires \_\_\_\_\_

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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

1 Matthew G. Nielsen - Attorney for 119 Former  
Stanford Employees

2 Michael J. Stanley - Attorney for Susana  
Anguiano, et al.

3 John Timothy Byrd - Attorney for Zack Parrish.

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

7  
Certified to by me this \_\_\_\_\_ day of \_\_\_\_\_,  
8 2010.

9  
10

11 -----  
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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.

\_\_\_\_\_  
JOHNNIE E. BARNHART, TEXAS CSR NO. 976  
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