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P R O C E E D I N G S

JANUARY 20, 2012

THE COURT: Be seated. Good morning.

MR. SADLER: Good morning, Your Honor.

THE COURT: How long do y'all think this is going to take?

MR. REECE: Your Honor, for the Commission, I don't think it should take very long.

In fact, my understanding is that Mr. Cochell only has one witness and that witness is the coordinating person from the CJA panel who I don't think has anything to offer on the issue at hand. And given that, I'm not sure there's anything for the SEC or the Receiver to actually do in this particular matter.

THE COURT: Okay. Yes, sir?

MR. COCHELL: We would want to call Karyl Van Tassel for cross-examination as set out in the order.

THE COURT: Okay.

MR. SADLER: And, Your Honor, Kevin Sadler for the Receiver.

We do not believe it's appropriate for Mr. Cochell to call the Receiver's expert and cross-examine her. He had the opportunity to present witnesses, and if he doesn't have any, I don't think it's -- it's really appropriate for him to use ours. So we would object to that.

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THE COURT: I think if you're going to use her declaration, he's entitled to cross-examine her.

MR. SADLER: well, and I think that's -- that's -- really gets to issue that -- that I join Mr. Reece in. It's Mr. Cochell's motion. If he has no evidence, then it's really not the Receiver's burden to put anything on. And, in fact, this is not even the Receiver's injunction.

We stand ready, as we've alerted the Court, that if the Court were inclined for any reason to modify the SEC's asset freeze, we have a \$1.9 billion fraudulent transfer lawsuit against Mr. Stanford and a request for a temporary injunction.

So the answer to Your Honor's question you asked a moment ago, I think this hearing should take perhaps five minutes honestly because the man is not ready, doesn't have any evidence, and it's really not our burden to go forward.

THE COURT: Okay.

MR. COCHELL: Your Honor, Stephen Cochell appearing on behalf of Allen Stanford.

Under United States versus Melrose, which was cited to the Court, and counsel is aware of it, it is either the burden of the government--the SEC--or the burden of the Receiver who has been entrusted with the assets through government process to present a case of probable cause to show --

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THE COURT: Let me ask. Didn't they do that at the preliminary injunction?

1-20-12.txt

3 MR. COCHELL: Mr. -- Mr. Stanford was not there  
4 at the preliminary injunction. He was not represented by  
5 counsel.

6 THE COURT: But that's not their fault.

7 MR. COCHELL: It is -- it is not their fault.  
8 However, we -- we come to one of the issues that is pre-  
9 sented. When the government comes in and seizes every-  
10 body's -- someone's personal and all their business assets  
11 and they have no money to travel, no money to retain  
12 counsel, you know, it -- it makes it difficult to come in  
13 with somebody who is a qualified attorney or a qualified  
14 expert, to come in and prove in fact that they're entitled  
15 to some portion of the funds for the purposes of criminal  
16 defense.

17 And when it comes to the Sixth Amendment, the pre-  
18 liminary injunction was not a proceeding that was ancillary  
19 to the criminal case. This is an ancillary proceeding under  
20 Melrose and some other cases, including, for example, United  
21 States versus e-gold and the Monsanto case out of the Second  
22 Circuit.

23 So we would respectfully submit that the burden does  
24 rest on them to come forward and show probable cause that  
25 either crimes or violations were committed by my client and

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1 that the assets in question are forfeitable and that there  
2 are no assets from which he could properly obtain funds for  
3 his criminal defense. It's a matter of the Fifth Amendment  
4 due process provision of the Constitution as well as the  
5 Sixth Amendment.

6 So, respectfully, we would submit that it is their  
7 burden to come forward. If they want to do it by deposi-  
8 tion as set out in the Court's order, we then have an  
9 opportunity to examine Ms. Van Tassel to show before the  
10 Court what issues there are with respect to his culpability  
11 or guilt, as it were, and to demonstrate that they cannot  
12 make that showing or that the showing that they have  
13 previously made by affidavits are missing critical  
14 information or somehow defective.

15 THE COURT: If we were starting with a blank  
16 slate, I would probably agree with you. But we're not.  
17 There's a temporary or preliminary injunction in place.  
18 And I think the procedural posture could only be that you're  
19 here asking me to modify that preliminary injunction. And  
20 I think, in that case, the burden is on you to establish a  
21 basis for a modification.

22 I understand the government has to show initially that  
23 they're entitled to glom on to the money, but they did that  
24 a long time ago. And I think as the party asking me to  
25 change that determination, the evidentiary burden is on

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1 your side at this point.

2 MR. COCHELL: I understand the Court's approach  
3 and -- and feelings on the matter, although when it comes  
4 to the Sixth Amendment right to counsel, I mean, we're not  
5 asking for funds in the civil case. This is solely for  
6 funds to fund his criminal defense. And at that point,  
7 I believe that the constitutional guarantees place the  
8 government -- you know, this burden squarely on the  
9 government.

10 THE COURT: But I guess my point is they have  
11 already met it. They've already crossed that bridge.

12 MR. COCHELL: And Ms. Van Tassel is here, and we  
13 would like to call her as a witness and examine her.

1-20-12.txt

14 THE COURT: Well, I guess that raises a different  
15 issue. Why are they not able to just call her as a witness?

16 MR. SADLER: May I address the Court?

17 THE COURT: Uh-huh.

18 MR. SADLER: So Your Honor is -- is dead right on  
19 the procedural posture of this thing. And -- and let me  
20 remind the Court of -- of a couple things because a lot of  
21 time has gone by.

22 There originally was an appeal taken by Mr. Stanford of  
23 the initial orders, including the preliminary injunction,  
24 and that appeal was abandoned at the Fifth Circuit. So  
25 there is no question that the burden is on him to -- just

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1 as Your Honor said, convince you to change the injunction  
2 that's in place, which is the SEC's injunction.

3 The Receiver, secondary to that, as I said, has a  
4 \$1.9 billion fraudulent transfer lawsuit on file against  
5 Mr. Stanford with an application for temporary injunction.  
6 So only in the event that Your Honor were inclined to change  
7 the SEC's freeze would the Receiver then step forward and  
8 say, well, before you actually let any money go, Your Honor,  
9 we wish to be heard on our application for temporary  
10 injunction.

11 And in that event, Ms. Van Tassel's testimony would  
12 then become relevant and she would become subject to  
13 cross-examination. But we don't even need to get there  
14 because we have a freeze in place with virtually no showing.

15 THE COURT: I'm asking a much more simple  
16 question.

17 MR. SADLER: I'm sorry. I didn't mean to go on  
18 at length.

19 THE COURT: He says, okay, Judge, you put the  
20 burden on me, I call Ms. Van Tassel who is here present in  
21 the courtroom as a witness.

22 MR. SADLER: And, Your Honor, we had no notice  
23 that he was going to rely on the Receiver's expert to make  
24 his case. I think we probably were entitled to some notice  
25 of that.

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1 THE COURT: Why?

2 MR. SADLER: Well, probably just basic courtroom  
3 decorum and fairness.

4 THE COURT: I don't think there was any rule or  
5 order of the Court that would require advance notice of the  
6 witnesses being called. Only if you were relying on the  
7 declaration in lieu of live testimony.

8 MR. SADLER: I think then I would -- if -- if  
9 Your Honor is going to permit Mr. Cochell to -- to call  
10 Ms. Van Tassel and cross-examine her, then I think it would  
11 make sense procedurally for the Court to consider simul-  
12 taneously with his motion to modify the SEC's injunction  
13 the Receiver's application for preliminary injunction with  
14 respect to his lawsuit, as to which all of the testimony  
15 that we filed on her behalf was germane, and -- and we  
16 could certainly proceed that way.

17 THE COURT: Let's hold that thought for a while.

18 MR. SADLER: Very well, Your Honor.

19 THE COURT: Okay?

20 Ms. Van Tassel.

21 Q. (BY MR. COCHELL) Ms. Van Tassel --

22 MR. COCHELL: I'm sorry.

23 THE COURT: We should swear her in first.  
24 Could you raise your right hand, please?

1-20-12.txt

25 (The witness was duly sworn by the Court.)

0010

1 THE COURT: Stanford may proceed.  
2 KARYL VAN TASSEL, SWORN,  
3 DIRECT EXAMINATION

4 By Mr. Cochell:

5 Q. Ms. Van Tassel, I'm going to ask you a series of  
6 questions about a number of the affidavits that you filed  
7 in this case.

8 And I'd like you to tell the Court where you're  
9 employed. You're with FTI Consulting?

10 A. I'm currently a partner with PricewaterhouseCooper.

11 Q. Okay. And you were previously with FTI Consulting?

12 A. Yes, I was.

13 Q. And how long were you with FTI Consulting?

14 A. Let's see. From 2003 through 2011.

15 Q. I'm sorry, I didn't hear that last --

16 A. 2003 through 2011.

17 Q. Okay. And so how -- how recent were you -- was your  
18 change from FTI Consulting to --

19 A. It was effective as of September 30th that I left FTI.

20 Q. Okay. And with respect to this case, you were retained  
21 by the Receiver shortly after a freeze on the assets of the  
22 Allen Stanford companies and Mr. Stanford?

23 A. Technically we were actually retained by Baker Botts.

24 Q. Ah. Okay. And when were you actually retained by  
25 Baker Botts?

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1 A. About the same time as the order, February 16th, 2009.

2 Q. Okay. You had no knowledge of the order being applied  
3 for by the SEC before you were contacted by Baker Botts?

4 A. No.

5 Q. And with respect to your -- your qualifications, I  
6 understand that you are a forensic accountant. Is that  
7 correct?

8 A. Yes. That's part of what I do.

9 Q. You have a CPA?

10 A. I'm a CPA in Texas.

11 Q. Okay. Above and beyond that, do you have any  
12 specialized qualifications?

13 A. No, nothing specific.

14 Q. There is something similar to a board certification for  
15 forensic accounting. Is that correct?

16 A. I'm not sure what you refer to.

17 Q. Isn't there an organization called the AICPA, the  
18 American Institute of CPAs?

19 A. Oh, yes.

20 Q. And don't they have a specialty program for forensic  
21 accountants?

22 A. Not -- not that I know of. I mean, we -- we certainly  
23 work under the management consulting auspices of the AICPA.

24 Q. Okay. And I'd like to ask you a few questions about  
25 the assignment that you got. When you were retained by

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1 Baker Botts, what were you asked to do?

2 A. We were asked to look at sources of funds. First of  
3 all, to understand the Stanford entities, how they inter-  
4 acted, particularly from the financial processes, and  
5 looking at the flow of money in and between the different  
6 entities that were related to what we broadly called the  
7 Stanford Financial Group.

8 We were also asked to look at the CDs that were issued  
9 by SIB, Stanford International Bank, and to analyze the

1-20-12.txt

10 proceeds, the cash flows in and out related to those, and  
11 the circumstances related to those CDs being issued.  
12 Q. Okay. Now, with respect to the -- the assignment that  
13 you got, it appears that you had to hire a large number of  
14 people or you had a large number of people at FTI who were  
15 employed on this project. Is that a fair statement?  
16 A. Yes. There were many others from FTI that were working  
17 with me.  
18 Q. Now, I understand from your deposition that was taken,  
19 that as many as 120 people were employed by FTI for the  
20 Stanford project at one time.  
21 A. Well, 120 people may have worked who are employees of  
22 FTI may have worked on this engagement at one time.  
23 Q. Okay. And about for how many months did you maintain  
24 that kind of staffing level?  
25 A. A very short period of time. I would say -- and that's  
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1 the high. I would say that at anywhere near that level, it  
2 was probably a month or six weeks maybe.  
3 Q. Okay. And there was another accounting firm, Ernst &  
4 Young, that was also -- I think it was Ernst & Young, that  
5 was also rendering accounting services as part of the  
6 forensic effort. Is that correct?  
7 A. Ernst & Young was also retained.  
8 Q. And how many forensic accountants did they have on the  
9 project?  
10 A. I don't know.  
11 Q. And the 120 people, they weren't all CPAs. Is that  
12 correct?  
13 A. No, they would not have all been CPAs. They had other  
14 technical abilities that we required at that time.  
15 Q. And -- and part of what you need in terms of doing a  
16 case like this where there's 140 companies or so, you need  
17 to have a very good solid database system. Is that correct?  
18 A. It depends on the case.  
19 Q. Well, in this case you needed a pretty solid database.  
20 Is that correct?  
21 A. Well, we need people who can assist from a technical  
22 basis for IT services.  
23 Q. How many people did you have doing IT services in the  
24 first six months of the case?  
25 A. Just average?  
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1 Q. What's that?  
2 A. In the first six months, because it went down  
3 dramatically after the initial, I would say maybe 20.  
4 Q. 20 IT people?  
5 A. Yes.  
6 Q. How many CPAs in the first six months?  
7 A. Out of that 20?  
8 Q. Out of -- out of the 120.  
9 A. Probably -- and, again, the 120 is not for six months.  
10 So you're asking for the six-month, not the 120.  
11 Q. Yes, ma'am.  
12 A. I'd say another 40.  
13 Q. Okay. How many CPAs did you have from Ernst & Young?  
14 A. Again, I was not responsible for Ernst & Young's work.  
15 Q. So you don't know one way or the other?  
16 A. I do not know, huh-uh.  
17 Q. Okay. Fair enough. Now, do you hold any other  
18 certifications in any other countries or jurisdictions in --  
19 in the field of accounting?  
20 A. No, I do not.

1-20-12.txt

21 Q. Okay. And you apply the generally accepted -- the  
22 GAAP methods for accounting. Is that correct?

23 A. In what respect?

24 Q. In the respect of when you go through financial  
25 statements and balance sheets, you're looking to see if

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1 the methodology used in constructing those financial  
2 statements, the balance sheets, follow GAAP.

3 A. Well, it depends on the assignment. They may be inter-  
4 national accounting standards.

5 Q. Okay. And with respect to this case, I mean, what  
6 standards applied in this case?

7 A. Well, in theory, because they didn't actually apply,  
8 but they were purportedly following international accounting  
9 standards.

10 Q. This IFRS?

11 A. Yes.

12 Q. Or sometimes called IFRS? Have you heard it referred  
13 that way?

14 A. I think I've heard IFRS, but --

15 Q. IFRS? Okay. And --

16 THE COURT: I'm sorry. When you say they, who are  
17 you talking about?

18 THE WITNESS: As far as what is -- when you're  
19 talking about --

20 THE COURT: You said, they followed international  
21 standards.

22 THE WITNESS: Excuse me. The Stanford -- Stanford  
23 International Bank. Other than that, it would have been  
24 GAAP for those that were in the United States.

25 Q. (BY MR. COCHELL) Okay. And did you have any -- on --

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1 on your team, in terms of working up the information  
2 necessary for your affidavit, did you have a chartered  
3 accountant working with you?

4 A. I believe we consulted -- the person we consulted who  
5 has a great deal of experience in international accounting  
6 I think may have been a chartered accountant.

7 Q. Okay. You don't know one way or the other?

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

9 Q. And what is that person's name?

10 A. Don Walker.

11 Q. And where is he located?

12 A. Physically?

13 Q. Physically.

14 A. I believe he's in Washington, D.C.

15 Q. I see. And a chartered accountant is someone who is  
16 qualified to operate off of the IFRS accounting system. Is  
17 that correct?

18 A. Not really. The chartered accountant has been around  
19 long before we've had specific international standards  
20 generally out of London and Europe. So it's not necessarily  
21 the same. And -- and U.S. accountants, because we are going  
22 to an international standard, are trained in that, as I've  
23 taken classes in as well.

24 Q. But you're not a chartered accountant. Is that  
25 correct?

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1 A. I am not a chartered accountant, no.

2 Q. And you don't hold yourself out as being an expert in  
3 IFRS. Is that correct?

4 A. Actually, because of the nature of the accounting, one,  
5 IFRS is generally very similar to GAAP. And to the extent

1-20-12.txt

6 there are differences, I've taken significant classes in  
7 that. So I would not -- I would be comfortable saying that  
8 I could testify in an area of international accounting.

9 Q. Have you ever testified as an expert on international  
10 accounting?

11 A. No.

12 Q. Okay. Have you ever been -- when you say significant  
13 classes, I -- I didn't see anything in your resume that  
14 indicated that you've ever been working -- worked on a  
15 project that required you, for example, to prepare a  
16 statement under IFRS. Is that correct?

17 A. I have not prepared a statement under IFRS. I work  
18 on many engagements where I work with financial statements  
19 that are prepared under those principles.

20 Q. Now, the statements, the financial statements at  
21 Stanford, were prepared under IFRS. Isn't that correct?

22 A. Which entity are you referring to?

23 Q. Stanford International Bank.

24 A. That's correct.

25 Q. And the other entities that were organized in Antigua

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1 also operated under IFRS.

2 A. Could you be specific as to which entity?

3 Q. Well, Stanford Development Corporation, for example.

4 A. I don't recall if they are under IFRS or not. I'd  
5 have to go back and look specifically at the financial  
6 statements.

7 Q. And so do you recall that SIB was under IFRS?

8 A. I do, yes.

9 Q. Okay. And did you examine the books and records of  
10 any other Stanford entities in Antigua?

11 A. Well, there -- there's many -- there's -- there's  
12 some that are resident in Antigua that aren't necessarily  
13 Antiguan entities. So I guess you'd have to tell me  
14 exactly which entity to which you're referring.

15 Q. All right. Let me ask you a slightly different ques-  
16 tion. With respect to the -- the issue of chartered  
17 accountants, you would concede that you could not go to  
18 London or some other jurisdiction and go into business  
19 preparing financial statements and balance sheets and doing  
20 accounting as a CPA without having a charter accountant  
21 background when it comes to British corporations, for  
22 example.

23 A. You know, I'm not sure. In the U.S., for instance,  
24 you can prepare financial statements without being a CPA.  
25 It's whether you can sign an audit opinion that is really

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1 the difference.

2 Q. By --

3 A. So to the extent you could go to London or other parts  
4 of the world and prepare financial statements, that -- that  
5 may be entirely possible.

6 Q. Now, as I understand it, a lot of money has gone into  
7 funding FTI Consulting for forensic services. And I under-  
8 stand that figure exceeds \$20 million at this point?

9 A. The amount billed in total exceeds \$20 million, yes.

10 Q. And what is that amount?

11 A. I think as of September 30th, it was 23 and a half  
12 million.

13 Q. And within -- do you recall what -- strike that. Do  
14 you recall what your billable rate was during the time that  
15 you worked on this case?

16 A. My billable rate has remained at \$488 an hour.



1-20-12.txt

17 Q. And was there a flat rate for standard CPAs at FTI?  
18 A. We don't charge flat rates. It depends on the  
19 responsibilities and the abilities of the individuals.  
20 Q. And the range would be somewhere in the \$400 an hour  
21 range for -- can you give me some sense of how many people  
22 made between or were billed at 350 to \$400 an hour?  
23 A. I can't tell you how many. I know that we certainly  
24 had people billing at less than that.  
25 Q. Now, with respect to the \$23 million, part of that

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1 involves the IT system that was put into place. Is that  
2 correct? Or am I not -- is that counted differently from  
3 FTI?  
4 A. Well, we didn't put an IT system into place. That's  
5 not really what we did.  
6 Q. I'm sorry. Well, what I was trying to get at is, of  
7 that 23 million, can you tell the Court how much money was  
8 devoted to IT support or database support?  
9 A. I really -- I really don't know.  
10 Q. Fair enough. With respect to your qualifications, as  
11 I understand it, you're not qualified to value real estate  
12 in the United States?  
13 A. No, I do not value real estate.  
14 Q. Okay. And you don't value real estate in Antigua. Is  
15 that correct?  
16 A. No.  
17 Q. And as I understand it, in your deposition testimony,  
18 in forming your opinions in this case, you did not rely on  
19 the testimony or guilty plea of Jim Davis. Isn't that  
20 correct?  
21 A. I examined that as part of my work.  
22 Q. Do you remember testifying at a deposition in the  
23 Alguire case that -- testifying that you did not rely on  
24 the Jim Davis deposition in forming your opinions for that  
25 case?

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1 A. Well, I didn't rely on it without doing my independent  
2 work which actually coincided very -- very well and  
3 supported what Mr. Davis said. So we didn't rely on it  
4 without doing extra work, but we did consider that as part  
5 of our work.  
6 Q. Okay. With respect to Mr. Davis, you never talked to  
7 Mr. Davis?  
8 A. No, I have not.  
9 Q. You never traced any of his assets?  
10 A. We traced money to Mr. Davis, but we have not  
11 separately done a tracing of his specific assets outside  
12 of that.  
13 Q. Okay. And to your knowledge, no list of assets has  
14 ever been submitted by Mr. Davis of what he owns to the  
15 Receiver, to your knowledge.  
16 A. I don't recall seeing one. Whether he has or not, I'm  
17 not sure.  
18 Q. With respect to Mr. Stanford, as I understand it, were  
19 you involved in analyzing Mr. Stanford's personal assets?  
20 A. Yes. We analyzed his personal tax returns and transfers  
21 Mr. Stanford.  
22 Q. And with respect to his personal assets, were there  
23 financial statements or net worth statements that you  
24 reviewed involving Mr. Stanford?  
25 A. Well, as part and parcel of his tax returns, there were

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1 balance sheets submitted then.

1-20-12.txt

2 Q. Now, did you trace funds that left -- how far back  
3 did you go in terms of -- did you have, for example, Mr.  
4 Stanford's personal bank statements from 19 -- during the  
5 1990s?  
6 A. We have some of Mr. Stanford's personal bank state-  
7 ments. I'm not sure to the extent that they go back that  
8 far. I can't tell you for certain.  
9 Q. Is it fair to say that in 1999, Mr. Stanford had  
10 substantial personal net worth?  
11 A. Well, if so, it's not reflected on his tax returns in  
12 1999.  
13 Q. Okay. Do you recall what was reflected in his 1999 tax  
14 returns?  
15 A. Well, I know in each year, he reflected a loss on his  
16 tax returns.  
17 Q. And -- and did he report income on those tax returns?  
18 A. Yes.  
19 Q. And did he -- do you recall what the income was in  
20 1999?  
21 A. No, I don't specifically in that year.  
22 Q. Okay. Was it in -- in the seven figures?  
23 A. I don't know.  
24 Q. With respect to his bank accounts, did you undertake  
25 to trace funds leaving Mr. Stanford's bank account to find  
0023  
1 out where those funds went and what they were for?  
2 A. To the extent that we had some bank accounts, we did  
3 do some of that analysis, yes.  
4 Q. Okay. And did you find that -- what, if any -- well,  
5 let me ask this. I mean, are there records or summaries  
6 that involve those -- that analysis that was purportedly  
7 done?  
8 A. Yes, there would be. I -- I don't know if there's a  
9 summary. The -- the records we would have.  
10 Q. But you don't recall whether there was any work product  
11 that came from the records evaluating or tracing the assets  
12 from Mr. Stanford's bank account?  
13 A. I don't recall specifically. I know that, to the  
14 extent we had them, we traced them. So they may have been  
15 summarized. You know, I remember generally where the  
16 payments that we noted went to.  
17 Q. Okay. Do you remember what the balances were in the  
18 various bank accounts that he had available to him?  
19 A. I think at the time that we looked at them, they were  
20 in the million or two.  
21 Q. Okay. And let me ask you this. With respect to the  
22 records of SIB, you were unable to find or locate any  
23 records involving SIB prior to December of 2009. Is that  
24 correct?  
25 A. No, that's not correct.  
0024  
1 Q. What records did you locate of SIB prior to 2009?  
2 A. Oh, substantial number. We have financial statements  
3 going back to at least 1999. And we have data in the CD  
4 funds and the database that we have. Those go back into the  
5 early 2000s. There's bank records back to the early 2000s.  
6 There's various financial records that we have.  
7 Investor information. It's --  
8 Q. It's entirely --  
9 A. -- substantial amount of information.  
10 Q. Not to interrupt, but it's entirely possible that I  
11 gave you the wrong date.  
12 A. Oh.

1-20-12.txt

13 Q. Let me ask it differently. Prior to December of 1999,  
14 isn't it true that FTI did not find bank records, financial  
15 statements, and other similar data involving SIB?

16 A. I think we had some limited data before '99, but we do  
17 not have like financial statements to the same extent that  
18 we did at that point.

19 Q. And standing alone without those -- without those  
20 records and without any other information, you would  
21 ordinarily be unable to render any forensic opinions about  
22 SIB. Isn't that correct?

23 A. Are you asking me to assume a hypothetical that we  
24 don't have the information we have in the case?

25 Q. I'm saying, if you set aside any other information,

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1 and if you were only given the financial records, you know,  
2 after December of 1999, as a forensic accountant you would  
3 not render opinions about the state of finances of a  
4 company. Isn't that a fair statement?

5 A. If I had no other information and no other reports  
6 that had been given and that's the only information I had?

7 Q. That's correct.

8 A. Nothing else? No e-mails, no other information?

9 Q. Correct.

10 A. Then, no, I probably would not render an opinion prior  
11 to that time.

12 Q. Now, in your affidavits, from what I can tell --

13 THE COURT: I'm not sure I --

14 MR. COCHELL: I'm sorry.

15 THE COURT: I'm not sure I followed that.

16 MR. COCHELL: Okay.

17 THE COURT: Your question was, if she can rely  
18 only on the financial information generated after 1999,  
19 would she be able to render an opinion about --

20 MR. COCHELL: I was actually saying if -- if  
21 she was unable to locate information before December of  
22 1999, then she would not render an opinion as a forensic  
23 accountant on the state of financial affairs of SIB prior  
24 to that date, setting aside any other information that she  
25 might otherwise have, hearsay or e-mails that are, you

0026

1 know, that are not financial in nature.

2 THE COURT: If she had no information before 1999,  
3 could she render an opinion as to the financial status as of  
4 1999. Is that the question?

5 MR. COCHELL: Or -- or before.

6 THE COURT: Or before. Okay.

7 THE WITNESS: well, that's different than I under-  
8 stood your question. Obviously I have information through  
9 '99, so I have an -- have rendered an opinion through '99.

10 I thought your question was before '99.

11 Q. (BY MR. COCHELL) Okay. So before '99, you could not  
12 render an opinion. Is that fair?

13 A. If they -- I had no other information that was  
14 available to me and no financial information, so, say,  
15 from '98 to prior, I would not make an opinion on those  
16 financials.

17 Q. Okay. And so from the beginning of the company some-  
18 time in the '80s, mid-'80s in Montserrat as guardian,  
19 through the end of 1998, you would -- sitting here today,  
20 if you had no other information, financial information,  
21 no financial statements, balance sheets, the things that  
22 accountants usually rely on, you would be unable to opine  
23 on the financial status of Stanford companies -- SIB. I'm

1-20-12.txt

24 sorry.  
25 A. Okay. So I -- I just want to make sure. You're  
0027  
1 talking about a hypothetical, not the --  
2 Q. Correct.  
3 A. -- actual facts that we have here?  
4 Q. Correct.  
5 A. If that were the only thing that was available to me  
6 and I did not have it, I would not render an opinion.  
7 Q. Okay. Now, let's just talk a little about what else  
8 you did have.  
9 A. Uh-huh.  
10 Q. As I understand it, the only additional information  
11 that you had was a guilty plea and the testimony as part of  
12 the guilty plea from Jim Davis. Am I correct about that?  
13 A. No.  
14 Q. Okay. well, what else, if anything, did you have?  
15 A. One of the things that we have is the report of the  
16 Officer of Inspector General of the SEC. They have found  
17 and -- and they looked through records back through 1996  
18 that indicated the same kinds of issues and problems with  
19 the CDs and with SIB at that time.  
20 Q. Okay.  
21 A. we talked to employees as to the -- you know, who go  
22 back before 1999, who indicated that the same kinds of  
23 behavior, that there was not a change in how they accounted  
24 for things or how things were done prior to that period of  
25 time.  
0028  
1 And we have Mr. Davis' guilty plea which we have been  
2 able to verify the information where we -- where we do have  
3 it.  
4 Q. Okay. And these people that you talked to that go back  
5 to before 1999, none of them were employed to your knowledge  
6 prior to 1999. Isn't that correct?  
7 A. There are some very longstanding employees. I think  
8 that there were some that may go back before then.  
9 Q. Okay. well, it sounds like you're speculating, and I  
10 just want to find out: who is it specifically that you  
11 claim was there in 1999 and was in a position to know  
12 something that contributes to your opinions today?  
13 A. You know, I can't recall specifically who we talked to  
14 that would say that and -- and who was there at that time.  
15 I do know from discussions that we had from our staff,  
16 our indications were that, prior to that time, the -- the  
17 same kinds of processes were in place, the same kind of  
18 pattern, if you will, of -- of what was happening.  
19 MR. COCHELL: Your Honor, this is an out-of-the-  
20 jury hearing. So ordinarily I would move to strike that  
21 answer as unresponsive and speculative. We can either go  
22 through that process if that helps the Court, but I can  
23 just forge ahead and --  
24 THE COURT: I'm happy for you to forge ahead.  
25 MR. COCHELL: Thank you.  
0029  
1 Q. (BY MR. COCHELL) with respect to the Office of  
2 Inspector General, did you -- did you personally talk to  
3 anybody at the OIG about their report?  
4 A. No, I did not.  
5 Q. And so all you have read is a report. Is that correct?  
6 A. Yes, and the exhibits attached.  
7 Q. And with respect to the report, you have no idea as to  
8 who prepared it or how internally other than the fact it was

1-20-12.txt

9 issued by the Office of the Inspector General. Is that  
10 correct?  
11 A. Well, it's issued by the Inspector General, so I would  
12 imagine that would be the author.  
13 Q. Okay. And sitting here today, you have no idea as to  
14 who prepared it, their level of expertise, their level of  
15 skill in accounting matters or SEC matters? Is that  
16 correct?  
17 A. Well, the information that is contained there comes  
18 from interviews and information that was drawn from people  
19 who were at the SEC and who had information from those  
20 periods of time. And I would say that they do have con-  
21 siderable knowledge about SEC and financial information.  
22 Q. Again, you -- you don't know one way or the other what  
23 their abilities are as interviewers or as accountants or you  
24 don't even know what their skill area is. Isn't that fair?  
25 A. Well, no, because they were there as examiners. That's  
0030  
1 their skill area.  
2 Q. Okay. And with respect to -- with respect to the OIG  
3 report, you have no -- what you're saying is that these  
4 folks go out and they interview somebody and so what you're  
5 relying on is their understanding of what someone else  
6 purportedly told them? Is that correct?  
7 A. Well, it's reported in -- that is what is reported in  
8 there, and then there were records that were referred to as  
9 well that came from those individuals.  
10 Q. And which records are you referring to?  
11 A. They refer to certain audit reports and information  
12 that those people had had at the time and -- and utilized.  
13 Q. Okay. And as I understand it -- strike that.  
14 with respect to Jim Davis, Mr. Davis testified, or I  
15 guess it's in his plea, that the -- that the values of  
16 certain Antiguan real estate, the Pelican Island property,  
17 the Asian Village property, which is now known as Islands  
18 Club, those -- the value of those properties were over-  
19 inflated dramatically. Do you recall that in his plea?  
20 A. You know, I don't think that it is referred to as  
21 Islands Club. There's two different pieces of property, I  
22 think, that are referred to, neither of which I think of  
23 as Islands Club. I don't know if he referred to them  
24 differently. I don't recall that.  
25 Q. Okay. So there are certain islands located in Antigua  
0031  
1 that were the subject of a \$63.5 million purchase by Stan-  
2 ford companies some time in 2008. Do you recall that?  
3 A. Yes. There were purchases by SIB in 2008 of two  
4 different properties totaling \$63.5 million.  
5 Q. And those properties were later reflected on the  
6 books and records of SIB as being, I think in one of your  
7 affidavits, 50 times higher than the acquisition value of  
8 \$63.5 million. Is that correct?  
9 A. That's correct.  
10 Q. Okay. And one of the things that you did in terms of  
11 evaluating the books and records of SIB was to adjust the --  
12 that asset from, I guess, \$640 million it was listed at on  
13 the books and records or was it significantly higher?  
14 A. Significantly higher.  
15 Q. Do you recall what it was?  
16 A. \$3.2 billion from the 63.5.  
17 Q. And is it -- is it correct, ma'am, that you adjusted  
18 that asset down to the acquisition value of \$63.5 million?  
19 Is that correct?

1-20-12.txt

20 A. I did, yes.

21 Q. Okay. And so instead of having that in the asset  
22 column, that was pretty much wiped out through your  
23 analysis of that asset. Is that correct?

24 A. It was reduced down to what I believed was appropriate,  
25 which was the acquisition value.

0032

1 Q. And part of that was because of Jim Davis' testimony in  
2 his plea agreement. Correct?

3 A. Really very little of that. He -- he corroborated what  
4 we found, but that's -- that's really very little of how I  
5 came to that opinion.

6 Q. And if he lied about something in his plea agreement  
7 and you later found that out to be a lie, wouldn't you  
8 agree with me that you would be reluctant to accept other  
9 parts of his testimony?

10 A. Well, again, it would depend because, for the most  
11 part, I did not rely primarily on his plea agreement. The  
12 work that we did coincided in many, many ways with exactly  
13 what he had in there.

14 So it would depend on what it was because, in most  
15 part, we were not really relying on that. It corroborated  
16 some of our independent findings, but we were not relying  
17 on it apart and aside from our own work.

18 Q. Okay. With respect to the real estate value, at your  
19 deposition in the Alguire case, you admitted that you  
20 knew only that Stanford had bought a cricket stadium and  
21 land for a home in Antigua, and that you also knew that  
22 the two parcels that were purportedly purchased by SIB  
23 were called Pelican Island and Asian Villages -- or Asian  
24 village. Is that correct?

25 A. I don't recall specifically, but I -- I do recall

0033

1 those, yes.

2 Q. Okay. And do you know what -- but I think you also  
3 testified that you didn't know what the purpose of those  
4 properties were.

5 A. Well, I understand what they thought they wanted to do  
6 with them. There was a development plan that they asserted  
7 for those properties. And when I refer to that, that's  
8 primarily the \$63.5 million which is Asian Village and  
9 Pelican Island.

10 Q. Do you remember, ma'am, asked -- being asked the  
11 question, did you know the purpose of the properties  
12 purchased, and do you recall answering that did you not?  
13 You did not know the purpose? Do you recall that, ma'am?

14 A. I don't, no.

15 Q. Okay. But you don't deny that you may have testified  
16 that way. Is that correct?

17 A. If I was testifying about Asian Village and Pelican  
18 Island, I would say I misspoke or that's incorrect because  
19 the other two you mentioned, I'm not -- I wouldn't be  
20 familiar with the -- with the purpose.

21 Again, there was a development plan. So I understand  
22 what they purported they thought they might do with it.  
23 So that's what I know.

24 Q. Now, at the time and prior to your affidavits filed  
25 before the Court, you've never conducted an investigation

0034

1 or attempt to determine what the value of those properties  
2 might be. Isn't that fair?

3 A. I did not seek to independently value those, no.

4 Q. You assumed that the only value would be \$63.5 million.

1-20-12.txt

5 Is that correct?

6 A. Given that they were purchased so closely in time and,  
7 if anything, the value would have decreased given what was  
8 happening in the area, yes, I believe that was appropriate.

9 Q. well, given what happened in the area, do you recall  
10 why the -- the property was valued by the company at close  
11 to \$3.2 billion?

12 A. why they purported to do it that way or why they did  
13 it? I think those are two different things.

14 Q. well, what is -- do you have an understanding of what  
15 their stated reason was, the reason that they would say to  
16 the public, this is why we valued it at \$3.2 billion?

17 A. I don't believe that information was made public. In  
18 fact, none of the information as to the complement of those  
19 assets was made public.

20 Q. All right. That's not my question. My question is,  
21 do you have some understanding of what management--Mr.  
22 Kuhrt, Mr. Lopez, Mr. Davis--what they were doing, what  
23 their thought process was in valuing that property at  
24 \$3.2 billion?

25 A. Yes, I do.

0035

1 Q. Okay. And what -- what is your understanding?

2 A. My understanding of the records as you walk through  
3 them was a series of transactions that would allow them to  
4 remove the \$1.8 billion that was a loan from Mr. Stanford  
5 and other assets and insert the \$3.2 billion. There is a  
6 whole scenario that they put out in various forms as to what  
7 they were doing in that regard.

8 Q. Did you know what their basis was for saying, this  
9 property is worth \$2 million an acre and then multiply it by  
10 1565 acres, the total, and that was the total square footage  
11 or, you know, acreage of -- of the property?

12 A. They had -- they put out a number of 2 million related  
13 to, and it's very cursory how they referred to it, Jumby  
14 Bay.

15 Q. Right. And did you understand anything about Jumby Bay  
16 when you formed your opinions?

17 A. Yes.

18 Q. Okay. what was your understanding of Jumby Bay and that  
19 property that they referred to?

20 A. Jumby Bay is a fully developed resort community. It is  
21 a resort owned by -- I don't remember what chain. It's a  
22 resort, and then its member owners -- actually the owners --  
23 they have various people who invest in Jumby Bay. They also  
24 owned property there, and they built a resort which is  
25 managed by a hotel company.

0036

1 Q. well, this is undeveloped land on Jumby Bay that was  
2 referred to by Davis, Kuhrt, and Lopez, isn't it?

3 A. I don't know that it is or not.

4 Q. Okay. You have never seen, you know, an appraisal of  
5 that property. Is that correct?

6 A. An appraisal? No.

7 Q. And so -- so you're just assuming that this was part  
8 of a fully developed vacation area. Is that correct?

9 A. No. I know what Jumby Bay is. It is the -- the land  
10 is owned by those people who invested in Jumby Bay.

11 Q. well, I'm talking about the six acres of land that was  
12 sold for \$2 million an acre and which was the basis for the  
13 \$2 million-an-acre calculation by Davis, Kuhrt, and Lopez.

14 As far as you know, you can only assume that it was  
15 part of the community, but you really don't know one way or

1-20-12.txt

16 the other. Is that correct?

17 A. Well, again, I know that the island is owned by its --  
18 the investors there, and that that property, all of it, is  
19 meant to be either -- was meant to be developed into the  
20 resort or to be owned by the individual investors or sold  
21 I'm sure if they choose.

22 Q. Okay. So I take it the answer to my question is, yes,  
23 you can only assume, you don't know one way or the other?

24 A. I don't think that's an assumption. That is based  
25 upon information that I have.

0037

1 Q. You don't know one way or the other whether the six  
2 acres of land that was the subject of the \$2 million-per-  
3 acre valuation by Davis, Kuhrt, and Lopez, was undeveloped  
4 land.

5 A. I don't know if that specific land was developed. I  
6 think the question was whether it was part of the Jumby Bay  
7 development.

8 Q. Okay. Now, you still have not valued the property  
9 at Jumby Bay. You've never gotten an appraisal of that.

10 Correct?

11 A. No.

12 Q. And with respect to the -- have you ever heard the  
13 phrase "Islands Club"?

14 A. That doesn't jump out at me, but it's possible.

15 Q. Was it mentioned at your deposition in the Alguire  
16 case?

17 A. It may be.

18 Q. Okay. And has -- have you ever reviewed or -- you  
19 never requested any documents from -- from the Stanford  
20 companies in Antigua regarding this property? Is that  
21 correct?

22 A. We have tried to obtain as much as we could about the  
23 properties, yes.

24 Q. Okay. Did you know that the planning for that site  
25 began as early as at least 2005, if not earlier, by Mr.

0038

1 Stanford?

2 A. No, I don't.

3 Q. Did you know that Mr. Stanford built a desalinization  
4 plant in the Island Club's project?

5 A. I don't know that for sure. I remember hearing about  
6 a project like that. Where it was, I don't recall.

7 Q. Are you familiar with the fact that Mr. Stanford built  
8 a power plant to provide the infrastructure for the Maiden  
9 Island, Crabs Island, and other areas that were acquired as  
10 part of the Islands Club project?

11 A. No, I don't recall that specifically.

12 Q. All right. Did you -- so Kuhrt, Lopez, and Mr. Davis  
13 determined that the \$2 million was an appropriate figure  
14 to put on the parcels acquired by Stanford companies or  
15 SIB and that it was worth \$3.2 billion. Is that your  
16 understanding?

17 A. That's what they -- that's what they put on the papers  
18 that they had, yes.

19 Q. All right. And -- and as far as you know, that was  
20 based on the \$2 million per acre from property that was  
21 purchased in May of 2008 in Jumby Bay.

22 A. That's the only reference that we found as to a reason  
23 for that 2 million per acre.

24 THE COURT: If I can inquire, I take it from the  
25 way you're testifying, that you don't believe that they

0039



1-20-12.txt

1 believed that at the time they said it. You think it was  
2 a pretext.

3 THE WITNESS: I do because of how they were --  
4 they were working to an end number that they needed. So  
5 it's almost like they -- they needed to get a certain equity  
6 number to keep their -- and this is what they did on an  
7 ongoing basis, to make sure that they had the right equity  
8 to report. And so they kind of started at the bottom of  
9 what they needed and worked up.

10 So from an accounting perspective, I don't put a lot of  
11 confidence, I guess, in that when they're basically working  
12 to a number they need for financial interests.

13 THE COURT: Okay. Thank you.

14 Q. (BY MR. COCHELL) And -- and your surmise about their  
15 intention in approaching the valuation is not based on any  
16 personal discussions with Mr. Davis or Mr. Kuhrt or Mr.  
17 Lopez. Isn't that correct?

18 A. That's correct.

19 Q. Okay. And so you're gathering and you're making  
20 those inferences based on your review of records? Is  
21 that correct?

22 A. Yes, and it's also supported by what Mr. Davis had to  
23 say in his plea agreement.

24 Q. And with respect to that particular valuation, as far  
25 as you know, Mr. Stanford was not personally involved in the

0040  
1 issue of what value to be assigned to these two parcels of  
2 land.

3 A. Well, what I do know is that there is correspondence  
4 with Mr. Stanford about the transactions in general and  
5 the entire manner in which they were coming to those  
6 conclusions.

7 Q. Okay. So he was kept advised much like a client would  
8 be kept advised by an accountant or a -- or a lawyer. I'm  
9 having trouble spitting it out.

10 A. There's indication that Mr. Stanford was kept apprised  
11 of the manner in which they were doing that kind of  
12 calculation.

13 Q. All right. And you referred that there was to -- to  
14 your belief that there was going to be a series of trans-  
15 actions involving that land. Is that correct?

16 A. Yes.

17 Q. And you referred to, I believe, shareholder notes that  
18 were involved with what you thought those transactions were  
19 going to involve?

20 A. Yes.

21 Q. Okay. And there was \$1.8 billion of shareholder notes?  
22 Correct?

23 A. Yes.

24 Q. And they were reflected on the books and records of the  
25 company. Is that correct?

0041  
1 A. Well, that's -- they were part and parcel of what added  
2 up to the ultimate value. What was reflected on the books  
3 and records would be fair market value of assets which is  
4 really not real estate. It's not a shareholder loan. So  
5 it isn't what was reflected on the financial statements.

6 And there's -- there's two different things you need to  
7 look at as to what was purported, you know, what they gave  
8 to the FRC and what they gave to investors.

9 Q. Okay. Now, as I understand your testimony in the  
10 Alguire case, this particular property was never transferred  
11 to SIB or another Stanford-owned entity. Is that correct,

1-20-12.txt

12 ma'am?  
13 A. It was purchased by SIB.  
14 Q. Okay. And so the funds -- you've traced the funds that  
15 went from SIB to purchase this property?  
16 A. Yes.  
17 Q. And so with respect to the property, was it to be  
18 transferred to the Stanford Development Corporation?  
19 A. There were actually a series of transactions that were  
20 to occur so that it would turn it into stock that would be  
21 owned by Mr. Stanford so that it could be increased in value  
22 and then transferred back as if he was making a contribution  
23 to the company.  
24 Q. Okay.  
25 A. SDC I don't believe was one of those.

0042  
1 Q. Well, that was never done. Is that correct?  
2 A. The -- as far as we could tell, there was some  
3 information about these companies that they were going to  
4 have them transferred to. And as far as we could tell, the  
5 companies may have existed at one time and they were asking  
6 legal if they could use them. So -- but we don't see any  
7 transactions.  
8 what did get recorded was the necessary increase in the  
9 equity so that, at the end of the transaction, the equity  
10 they needed was recorded. They did not go through the  
11 mechanism of actually, at least that we could see, recording  
12 each and every transaction. The net result of it, which is  
13 kind of where they started at the bottom what they needed,  
14 was recorded.  
15 Q. Okay. You would agree with me that the Asian Village's  
16 project was a high-end real estate development project that  
17 had suitable land for development of the so-called Islands  
18 Club.  
19 A. As it stood?  
20 Q. Well, let me ask you this. Did you evaluate this land  
21 in terms of whether it was suitable for development as a --  
22 as a high-end real estate project for high net worth  
23 individuals?  
24 A. No, I did not evaluate that. That would be what it  
25 might be in the future, not what the value was as of that

0043  
1 time.  
2 Q. Well, at the time, you don't know what was on the  
3 property in terms of infrastructure. Isn't that correct?  
4 A. Not specifically, but I know that whatever was there  
5 was purchased for \$63 million.  
6 Q. Okay. With respect to -- there's a class of assets  
7 called private equity during your testimony in the Alguire  
8 case. You testified that you adjusted transactions in the  
9 private equity investments that had no economic basis.  
10 Do you recall that testimony?  
11 A. Yes, I do.  
12 Q. Okay. Do you recall what -- what -- could you describe  
13 for the Court what that class of companies comprised?  
14 A. In general or the ones that were the subject of the  
15 increase?  
16 Q. The ones that were the subject of your evaluation and  
17 adjustment downward from the books and records of Stanford.  
18 A. These were generally properties or investments, if you  
19 will, that were either private companies, privately-held  
20 companies, or small cap, over-the-counter kinds of penny  
21 stock companies. That's what was comprised of -- in the  
22 private equities.

1-20-12.txt

23 Q. Let me show you this document and see if you recognize  
24 this. It's entitled SIBL's Adjusted Assets versus Total  
25 Liabilities. Do you recall seeing that document before or

0044  
1 preparing it?  
2 A. Yes.

3 Q. And basically this document takes the adjusted assets  
4 from real estate, from private equity companies, and from  
5 shareholder loans that we briefly discussed, and you con-  
6 cluded that there was a deficit of almost \$1.5 billion. Is  
7 that a correct statement, ma'am?

8 A. The \$1.5 billion, how -- what we did to adjust it is  
9 not correct.

10 Q. Okay. What are you referring -- are you referring to  
11 the chart itself or are you wanting to clarify what this  
12 number (indicating) represents?

13 A. No. I was referring to your characterization of how  
14 we got to those numbers.

15 Q. Okay. All right. With respect to --  
16 MR. COCHELL: Your Honor, I'd like to mark this  
17 and offer it into evidence at this time. I don't have any  
18 stickers.

19 THE COURT: I'm happy for you just to write  
20 Stanford 1 on it.

21 MR. COCHELL: Yes, ma'am -- yes, sir.  
22 MR. ARLINGTON: We have no objection, Your Honor.  
23 MR. REECE: No objection either, Your Honor.  
24 THE COURT: Stanford 1 is admitted.

25 Q. (BY MR. COCHELL) I'd like to also invite your

0045  
1 attention, ma'am, to another document which we'll mark for  
2 identification as Stanford 2, which is Analysis of SIBL's  
3 Adjusted Assets compared to their CD liability.

4 And it appears that, again, the bottom line number on  
5 the bottom right, surplus deficit, is \$1,469,176,162. I did  
6 say 1 billion, didn't I? I may have --

7 A. I think so.  
8 MR. ARLINGTON: Your Honor, it shows -- actually  
9 I can't read it from here.

10 MR. COCHELL: Oh, I'm sorry.  
11 THE WITNESS: I can't. Thank you.

12 Q. (BY MR. COCHELL) Oh, here we go. I apologize. Can  
13 you see that?

14 MR. REECE: I cannot.  
15 MR. ARLINGTON: I can't. I mean --  
16 THE WITNESS: I'm sorry.

17 Q. (BY MR. COCHELL) Okay. How is that? Okay.

18 A. I can generally see the numbers. I don't know that I  
19 could get all of it right, but --

20 Q. Oh, you don't have a TV right next to you. I'm sorry.  
21 I was --

22 A. I don't.  
23 Q. -- making an assumption. Can you see that?

24 A. I can't see all the letters so -- I'm sorry.

25 Q. Okay.

0046  
1 A. Or all the numbers.

2 Q. Let me see if I have an extra copy. I have a similar  
3 document but not -- why don't we use a different document.  
4 It's similar in character. We'll call this Stanford Number  
5 3 for identification, and this is entitled Analysis of SIBL's  
6 Adjusted Assets compared to their CD liability.

7 MR. COCHELL: And if I may approach the witness,  
Page 19

1-20-12.txt

8 Your Honor.  
9 Q. (BY MR. COCHELL) Here's an extra copy so that you can  
10 see it up close and personal.  
11 A. Thank you.  
12 (Document proffered to the witness.)  
13 Q. (BY MR. COCHELL) Ready?  
14 A. Sure, yes.  
15 Q. Okay. So let me just invite your attention to footnote  
16 3, "Market to Market Adjustment is equal to the difference  
17 between the Capital Market Assets value assigned in  
18 unsupported journal entries contributed to SIBL in 2004 and  
19 2008 and the reported cost of those same assets in 2004 and  
20 2008."  
21 Now, from market to market adjustment, what does that  
22 refer to?  
23 A. That refers to for certain properties that were in the  
24 private equity portfolio that they referred to, that they  
25 had increased those values and did -- whether the trans-  
0047  
1 actions were ever done or not, the -- the -- the needed  
2 equity increase was booked into the financial statements.  
3 That was to -- again, this was based upon documentation  
4 where they needed extra equity. So they were looking for a  
5 way to -- to do that. And the information shows that, you  
6 know, they did this transaction to get to that -- to that  
7 equity which they needed.  
8 Q. So if -- if they didn't have adequate support for the  
9 transaction, how did you treat that -- the -- the value  
10 assigned by the company to that particular private equity  
11 investment?  
12 A. We removed the increase in value that was, as I  
13 indicated, did not show any economic substance to it.  
14 Q. And how did you determine that?  
15 A. Again, to the extent that I have a document that shows  
16 that you're trying to get to a figure because you need  
17 equity and therefore your -- that is the basis of how you're  
18 valuing an asset, I don't consider that reasonable economic  
19 substance.  
20 Q. Okay. So -- so even though you -- you believe or you  
21 suspect that there's activity designed to inflate the value  
22 of -- of an asset, are you discounting the fact that there  
23 may actually be value to those sets of companies that  
24 increased over time after the acquisition?  
25 A. Well, in -- in viewing the actual portfolio, I don't  
0048  
1 believe that is what happened. In fact, we now know that  
2 they were overvalued even at their value that was originally  
3 purchased.  
4 Our adjustment is not to remove the assets entirely.  
5 It is to only take out that portion which was an equity  
6 adjustment to get to a predetermined figure that they  
7 desired.  
8 Q. Well, and your -- your thought process about  
9 predetermination is based on what information?  
10 A. Well, on this one, it's -- it's interesting. There  
11 were two parts here. Mr. Davis would determine what the  
12 assets needed to be in order to determine -- to get the  
13 equity that they needed overall. And he would send those  
14 adjustments to others in St. Croix.  
15 They wrote back in these particular -- this particular  
16 month that said, you know, oh, I think you need to increase  
17 the numbers because we need more equity. It would have to  
18 be a certain amount.

1-20-12.txt

19 And he said, no, don't worry about it.  
20 That's because he knew about this transaction and they  
21 didn't.

22 So you put those together, and they are looking at we  
23 need to determine what the equity needs to be. You either  
24 need to increase your revenue or you need to increase the  
25 assets. He knew about this. So when you added those

0049  
1 together, they came to their predetermined amount.

2 Q. So --

3 THE COURT: If I could interrupt briefly. You're  
4 at about an hour and two minutes with this witness just so  
5 that we have a --

6 MR. COCHELL: Yes, Your Honor. Thank you.

7 THE COURT: -- time mark. Let's take about a ten-  
8 minute break, and then we'll come back and go till 12:30.

9 MR. COCHELL: Okay. Thank you.

10 (Brief recess taken.)

11 THE COURT: Be seated.

12 Stanford may proceed.

13 MR. COCHELL: Thank you, Your Honor.

14 Q. (BY MR. COCHELL) If I understand correctly from --

15 MR. COCHELL: By the way, Your Honor, we move for  
16 the admission of Stanford Number 3.

17 THE COURT: Any objection?

18 MR. ARLINGTON: No objection, Your Honor.

19 MR. REECE: No objection, Your Honor.

20 THE COURT: It's admitted.

21 MR. COCHELL: Thank you, Your Honor.

22 Q. (BY MR. COCHELL) If I understand correctly, in as of  
23 the date February 17th or 16th, 2009, when the Receiver  
24 took possession of Stanford companies and Mr. Stanford's  
25 property, CD obligations amounted to approximately

0050  
1 \$7.2 billion. Is that correct?

2 A. At the time of the Receivership, yes.

3 Q. And prior to that time, during 2008, approximately  
4 \$2.2 billion was -- of early redemptions were paid by the  
5 Stanford -- by SIB to CD depositors. Is that correct?

6 A. Over what period of time?

7 Q. From prior to 2009 for approximately the one-year  
8 period preceding the takeover.

9 A. And you're referring to just early redemptions?

10 Q. Early redemptions.

11 A. I have not broken down the redemptions into whether  
12 they were regularly scheduled redemptions or early  
13 redemptions.

14 Q. Did you -- did you calculate how much of it was  
15 principal versus interest in terms of the payout?

16 A. Not specifically. We have the numbers from the system,  
17 but we have not done our analysis in that way.

18 Q. Do you know if early redemptions were paid by SIB?

19 A. I know that at times early redemptions were allowed up  
20 until a certain point in time in 2008 or 2009.

21 Q. Are you familiar with a gentleman named Gary Magness  
22 who requested an early redemption of \$80 million?

23 A. I am familiar with Mr. Magness, yes.

24 Q. Are you familiar with the amount of money that he  
25 obtained through an early redemption request?

0051  
1 A. I don't know if that was an early redemption request.  
2 As I recall, it was loans that were taken out against the  
3 CDs.

1-20-12.txt

4 Q. Okay. with respect to early redemptions, Stanford  
5 wouldn't have been -- Stanford companies -- SIB wouldn't  
6 have been required to pay those. Is that correct?  
7 A. At what time? I mean --  
8 Q. At the time of an early redemption request.  
9 A. well, there were certain products that were allowed  
10 early redemption, had early redemption features where they  
11 could opt for that.  
12 Q. who could opt for it?  
13 A. The investor.  
14 Q. Okay. And if it wasn't allowed, the investor or the  
15 CD depositor -- the CD purchaser could request an early  
16 redemption, notwithstanding the fact that an option wasn't  
17 allowed. Isn't that correct?  
18 A. Yes, I guess they could request one.  
19 Q. Now, there's different types of CDs with different  
20 maturity dates. Is that correct?  
21 A. For SIB.  
22 Q. One-, three-, and five-year maturity dates?  
23 A. There's -- there's more than that. There's six, nine  
24 months as well.  
25 Q. And as I understand it, you did not evaluate or analyze  
0052  
1 SIB's cash needs based on the maturity dates of CDs. Is  
2 that correct?  
3 A. Their cash needs?  
4 Q. Cash needs.  
5 A. I did not evaluate their cash needs on that, no.  
6 Q. Right. In other words, at some point, a CD comes in,  
7 a CD is purchased, the money is wired to Antigua. Correct?  
8 A. No.  
9 Q. It's not wired to Antigua?  
10 A. No.  
11 Q. where is wired to?  
12 A. It is wired to a bank in Canada if it is done by wire.  
13 Q. Okay. And then it goes to Antigua?  
14 A. No.  
15 Q. No? The CD is issued in Antigua?  
16 A. The CD is issued out of Antigua.  
17 Q. Okay. So -- and then you did not analyze what the cash  
18 needs would be -- if you have a thousand one-year CDs versus  
19 10,000 three-year CDs, you did not sit down with the CDs,  
20 the \$7.2 billion in CDs, and determine when cash would be  
21 due going out into the future. Isn't that correct?  
22 A. After the Receivership or --  
23 Q. At any time.  
24 A. No, I did not do that calculation.  
25 Q. Okay. with respect to CDs, in your affidavits you  
0053  
1 stated a number of times that the CDs were offered with  
2 extremely high interest rates. Do you remember that?  
3 A. Yes.  
4 Q. Okay. And I have not seen anything anywhere in your  
5 affidavits that looks at the prices or the interest rates  
6 offered in Antigua by other banks in Antigua to individuals  
7 who want to purchase CDs from other banks.  
8 A. No. I used what SIB gave to investors as the  
9 comparison, which was CD rates.  
10 Q. Okay. And so when you say that there were extremely  
11 high rates and they were unrealistic -- you did say that,  
12 they were unrealistic or they were inflated. Correct?  
13 A. Over and above that which you would find in a general  
14 CD.

1-20-12.txt

15 Q. Yes. A general CD in the United States.  
16 A. Right, which is what SIB was in their documents  
17 relating them to.  
18 Q. Well, no, but I'm asking you about your analysis --  
19 A. Uh-huh.  
20 Q. -- of your statement that these are impossibly high  
21 rates. Am I correct in understanding that you did not take  
22 the time or put in the effort to compare what those rates  
23 were from SIB, an Antiguan bank, to the other banks in  
24 Antigua that offered the same or similar CD products?  
25 A. I did not do that analysis, no.

0054  
1 Q. Okay. And with respect to -- and so for all you know,  
2 those rates were perfectly appropriate. Correct?  
3 A. Well, I don't believe they were appropriate when they  
4 are comparing them to domestic CDs in their documents to  
5 investors.  
6 Q. Why wouldn't a foreign bank behave like a foreign bank  
7 if it goes to England, the United States, or Canada? I  
8 withdraw the question.  
9 With respect to the issue of the adjustments, we talked  
10 about the market to market adjustment. Can you tell the  
11 Court what your total adjustment downward was in the market  
12 to market category?  
13 A. In 2004 to 2007, it was \$252,200,786. And in  
14 December 31, 2008, it was \$273,893,811.  
15 Q. Okay. And what you did basically was take it down to  
16 whatever the book value was at the time of purchase for  
17 these market to market investments. Is that correct?  
18 A. We -- we took it down to the value that they had stated  
19 in their records which may or may not have been the amount  
20 that was the original purchase price.  
21 Q. Now, the shareholder note, \$1.8 billion, you zeroed  
22 that out in terms of a downward adjustment. Is that  
23 correct?  
24 A. Yes.  
25 Q. Okay. And with respect to the shareholder note, is it

0055  
1 fair to say that shareholder note was from -- for loans that  
2 were to the shareholder, Allen Stanford? Correct?  
3 A. To call them loans is -- is really not what they were  
4 in the traditional sense of how most people think of loans.  
5 Q. Okay. But loans are made to shareholders all the time.  
6 Isn't that correct?  
7 A. They may be, yes.  
8 Q. And it can be made in a variety of forms from cash to  
9 stock or -- not stock, but in property or they can -- they  
10 can do any sort of thing that the accountants can dream of.  
11 Right?  
12 A. Well, I think there are some limitations to that. One,  
13 if they're a publicly traded company, there are certainly  
14 limitations to that. And even if they're private, I don't  
15 think it's left to the imagination. It needs to be, you  
16 know, valued from an accounting standpoint on a -- on the  
17 basis of value.  
18 So it isn't left to what an accountant could dream of.  
19 Q. Well, these -- these shareholder loans were evaluated  
20 by the United States tax people. Right? There was a tax  
21 case involving these shareholder loans. Right?  
22 A. There was a case in which the IRS refers to -- and  
23 there's lots of documentation about what they are going to  
24 tell the IRS about loans. It's unclear exactly what -- to  
25 me what the IRS was looking at and whether they were looking

1-20-12.txt

0056

1 at these loans or something else that was reported.  
2 These amounts were not ever reported in Mr. Stanford's  
3 tax returns.  
4 Q. Well, what I'm asking about is a tax case between Mr.  
5 Stanford and the IRS involving the IRS's contention that he  
6 should pay income taxes based on the distribution of -- of  
7 the value of the companies to him through these loans.  
8 Are you familiar with that case?  
9 A. There was a tax case that related to loans.  
10 Q. And the -- the bottom line is that he was not -- let me  
11 see. Strike that.  
12 The bottom line, though, is that those funds or those  
13 loans were in fact re-invested into other companies. Isn't  
14 that correct? Stanford companies.  
15 A. That's not really how it worked, no.  
16 Q. Okay. With respect to one or two other questions  
17 because I'm running out of time. Oh. So just to get a  
18 sense, what was the total write-down or downward adjustment  
19 for the real estate, the 3.2 valuation you -- you later  
20 adjusted that down to. So what was the total amount that  
21 was actually adjusted downward?  
22 A. In our calculation, which is reflected here, we took --  
23 we removed only the equity increase portion of \$677,500,000.  
24 Q. Okay. Now, with respect to one or two other matters,  
25 in your testimony you -- or in your affidavit, you indicated

0057

1 that the Stanford companies were selling new CDs in order  
2 to pay off old CDs that had already previously been issued,  
3 or words to that effect. Correct?  
4 A. Yes.  
5 Q. Okay. And when American companies, for example, sell  
6 CDs, they invest the -- the funds, don't they?  
7 A. Certainly the investor hopes so, yes.  
8 Q. And if there's -- and if they have cash needs in other  
9 areas, they -- they can use those funds to invest in other  
10 areas of their portfolio. Correct?  
11 A. They can, given certain restrictions and requirements  
12 that we have in the U.S.  
13 Q. And -- and what are the restrictions on use of funds  
14 from CDs in Antigua, if you know?  
15 A. I don't think that there are specific restrictions.  
16 There's types of assets and how they must be reported in  
17 certain equity that is based upon the Basel Economic Summit.  
18 That's the requirements generally.  
19 Q. Did you find out whether the -- is there what they call  
20 a reserve requirement? Is that what you're referring to?  
21 A. Yes.  
22 Q. Okay. Did you find out what the reserve requirement  
23 was in Antigua?  
24 A. I believe during the period of time we were looking at  
25 this, it was either 5 percent or 10 percent. I think it

0058

1 changed within that period of time.  
2 Q. So --  
3 A. That was equity.  
4 Q. -- 5 to 10 percent, that's a pretty large variation.  
5 So you really don't know?  
6 A. No. I'm saying the requirements changed during that  
7 period of time. They went from I think Basel I to Basel  
8 II.  
9 Q. Okay. Basel I is referring to some sort of standard --  
10 A. Correct.



1-20-12.txt

11 Q. -- banking standard?  
12 A. Correct.  
13 Q. Okay. And then was the -- was the reserve requirement  
14 in Antigua higher than the reserve requirement in the United  
15 States, if you know?  
16 A. I don't know specifically, no.  
17 Q. Now --  
18 MR. COCHELL: All right. That's all the questions  
19 we have for this witness at this time, Your Honor.  
20 MR. ARLINGTON: Your Honor, David Arlington for  
21 the Receiver.

22 At this time we would move for the admission of the  
23 filings that were attached to the Receiver's notice of  
24 filing in document number 1510. Those include -- they are  
25 specifically defined in that notice of filing, but just at

0059  
1 a high level, Exhibit A to that notice of filing was a  
2 declaration of Karyl Van Tassel dated January 18th which  
3 attaches and incorporates other declarations into -- into  
4 that submission.  
5 And Exhibits B through F in that notice of filing are  
6 orders that have been entered by the criminal court or by  
7 the -- by the judge in the criminal case against Mr. Stan-  
8 ford in Houston. And we'd offer those into evidence at this  
9 time.

10 THE COURT: Any objection?  
11 MR. COCHELL: No, Your Honor. They filed the  
12 affidavits pursuant to the Court's order. And we certainly  
13 don't have an objection to the -- the criminal orders.  
14 We also have some similar documents that we'd like the  
15 Court to consider.

16 THE COURT: Okay. Those are admitted.  
17 MR. ARLINGTON: And, Your Honor, we have no  
18 questions of this witness.  
19 THE COURT: Thank you, ma'am. You may step down.  
20 Anything else on behalf of Mr. Stanford?

21 MR. COCHELL: Yes, Your Honor. And just for the  
22 record, the reason I terminated cross-examination at this  
23 point was because of Your Honor's time strictures and a  
24 reminder of this is a witness, if -- if given the oppor-  
25 tunity, I would take much more time to work through her  
0060  
1 analysis and question her. But I'm being respectful of  
2 the Court's order.

3 THE COURT: Good.  
4 MR. COCHELL: Okay. I call Marlo Cadeddu to the  
5 stand.  
6 THE COURT: Go ahead and have a seat, please.  
7 THE WITNESS: Thank you, Your Honor.  
8 THE COURT: Could you raise your right hand,  
9 please?

10 (The witness was duly sworn by the Court.)  
11 THE COURT: And if you could pull that microphone  
12 around, that will help us to hear you.  
13 THE WITNESS: Yes, sir.  
14 THE COURT: The chair won't go anywhere.  
15 THE WITNESS: Okay.  
16 THE COURT: Stanford may proceed.  
17 MR. COCHELL: Yes, Your Honor. I'm trying to  
18 locate my documents for this witness. It will just take a  
19 moment hopefully.

20 MARLO CADEDDU, SWORN,  
21 DIRECT EXAMINATION

1-20-12.txt

22 By Mr. Cochell:

23 Q. If you would, ma'am, please state your name and  
24 business address for the record.

25 A. My name is Marlo Cadeddu. My business address is

0061

1 3232 McKinney Avenue, Suite 700, Dallas, Texas, 75204.

2 Q. And are you involved in the Stanford case in some  
3 capacity?

4 A. Yes, I am.

5 Q. And what is your role in the Stanford case?

6 A. I was appointed by Judge Hittner in the criminal case  
7 as a discovery expert at the recommendation of the Fifth  
8 Circuit, specifically Judge Jones.

9 Q. Okay. And -- and just for the record, are you con-  
10 sidered a member of the Stanford criminal defense team?

11 A. I am so that the privilege adheres.

12 Q. Okay. But at the same time, you have a dual responsi-  
13 bility of reporting to the Fifth Circuit. Is that correct?

14 A. I do. My directive was, when I was appointed, was  
15 essentially to review the work that had been done on the  
16 defense case and the monies that had been spent and then  
17 see what needed to be spent going forward in order to take  
18 the case to trial and propose that budget to the Fifth  
19 Circuit.

20 Q. Okay. And did you -- did you make any findings that  
21 you could report to the Court in a public setting?

22 A. Yes. There are a couple of confidentiality restraints  
23 that I operate under. One obviously is the privilege and  
24 work product protections. But also information relating to  
25 CJA matters is -- is protected under -- by statute and also

0062

1 the CJA rules.

2 So I can't -- I can disclose in camera information that  
3 pertains to defensive strategy, but I can speak generally  
4 about matters that are of public record.

5 Q. Okay. Now, did there come a time in the criminal  
6 case where an issue arose regarding payment of the expert  
7 witnesses in that case?

8 A. Yes.

9 Q. When was that?

10 A. Are you talking about my involvement?

11 Q. Yes, ma'am.

12 A. My initial involvement? My understanding is that --  
13 that the Fifth Circuit began to be concerned about expert  
14 payments in the fall.

15 And by December, I was contacted by the senior  
16 appellate conference attorney at the Fifth Circuit to find  
17 out if I would be willing to do the review that I mentioned  
18 before of -- of the financial situation, the -- the CJA  
19 funding.

20 Q. In or about December, late December of 2011, what, if  
21 anything, did you learn about issues involving payment of  
22 the expert witnesses?

23 A. Well, I prepared a -- I had about five days to analyze  
24 the -- the CJA -- what had been spent, what needed to be  
25 spent. I spent that time with -- I met with -- with the

0063

1 defense lawyers, I met with experts, I met with Judge Jones  
2 individually, I had conferences with the senior appellate  
3 conference attorney and prepared a memorandum for the Fifth  
4 Circuit detailing my findings, and including a list of  
5 accomplishments by the Stanford defense team, a list of  
6 work that still needed to be done, and an anticipated budget

1-20-12.txt

7 that was proposed by the defense team and the experts.  
8 My understanding -- I presented that, I believe, to the  
9 Fifth Circuit on December 20th, is my recollection, and my  
10 understanding is that on December the 30th or thereabouts,  
11 the Fifth Circuit indicated that it was willing to make  
12 some payments for past due invoices. There were actually  
13 substantial past due invoices dating from September that  
14 had not been paid for the experts and also for the lawyers.

15 And the Court indicated it would make partial payment  
16 on the past due invoices and that it would make some pay-  
17 ments going forward but not -- but didn't approve the full  
18 amount that was requested for -- by the defense team for  
19 expert services.

20 Q. And when I refer to expert witnesses, I'm really  
21 talking about Marcum, LLP.

22 A. There was another, but I think -- it was a -- a lesser  
23 issue.

24 Q. Okay. And was -- what happened with respect to Marcum,  
25 if you know?

0064

1 A. Well, after the defense team and Marcum received notice  
2 that their past due invoices would be cut by something like  
3 I think 75 or 80 percent and that there was no guarantee  
4 of future payment and that they would likely have to work --  
5 perform a substantial amount of work for free, Marcum  
6 actually resigned and their subcontractors resigned. They  
7 submitted letters of resignation to the defense team.

8 Q. And did -- did Chief Judge Jones in the Fifth Circuit  
9 issue an order thereafter?

10 A. She did, and I can't recall the exact date. I think it  
11 might have been the 3rd or 4th of January of this year, and  
12 that was a -- something like Payment and Continuity Order,  
13 something like that. I can't recall the exact title.

14 Q. With respect to this Continuity and Payment Order, there  
15 was one issued on -- let me see if this is what I'm looking  
16 for -- dated January 4th of 2012. And is this the order that  
17 you're referring to in your testimony?

18 A. It is.

19 MR. COCHELL: We mark that as Stanford Number 4,  
20 Your Honor, and move for its admission.

21 MR. REECE: No objection, Your Honor.

22 MR. SADLER: It's already been offered, so no  
23 objection.

24 MR. COCHELL: Okay.

25 THE COURT: It's admitted.

0065

1 MR. COCHELL: All right.

2 Q. (BY MR. COCHELL) With respect to this order, basically  
3 there's a difference between the amount -- of about \$600,000  
4 between the amount authorized for payment and actually paid.  
5 I'm sorry, between the amount that was invoiced and the  
6 amount actually paid. Is that correct?

7 A. A shortfall? Is that what you're talking about?

8 Q. Yes, ma'am.

9 A. Yes, I believe that's correct. I believe that's the  
10 difference between the amount that was authorized and the  
11 then pending invoices for Marcum.

12 Q. Now, do you know if Marcum returned back to work  
13 pursuant to this order?

14 A. Yes, Marcum did, after a delay of -- of a few days.

15 Q. Okay. And do you know what the impact was on the  
16 defense team effort through their absence?

17 A. Well --

1-20-12.txt

18 Q. Without going into specifics.

19 A. -- the case is set for trial -- well, it's set for jury  
20 selection on Monday. And so, of course, in a case that's  
21 complicated and expert dependent like this one, losing the  
22 expert -- experts' work -- losing a week of work is a -- is  
23 a substantial problem.

24 Q. With respect to Marcum, do you know if they have filed  
25 an appeal of Chief Judge Jones' order?

0066

1 A. Yes. I am aware that Marcum filed a -- filed a motion  
2 for reconsideration with Judge Jones. That was filed a few  
3 days after the Payment and Continuity Order. That was filed  
4 actually with Judge Jones herself or with the Fifth Circuit.

5 Thereafter, on this past wednesday, which would have  
6 been I think the 18th of January, and Marcum has retained  
7 counsel, Marcum filed a petition for writ of mandamus with  
8 the United States Supreme Court seeking to essentially --  
9 seeking to, I guess, stay execution of the order.

10 There was actually also yesterday filed an emergency  
11 motion with the Supreme Court for stay of execution of Judge  
12 Jones' Payment and Continuity Order.

13 Q. Now, Mr. Stanford obviously is receiving services under  
14 the CJA. Correct?

15 A. Yes. He's --

16 Q. And so that means that Judge Hittner found him  
17 qualified under the CJA statute during an earlier portion  
18 of the case?

19 A. Yes, that's correct.

20 MR. COCHELL: With respect to this witness's  
21 testimony about the Supreme Court emergency petition for  
22 writ of mandamus, we would offer Stanford Number 5, which  
23 is a copy of what was recently filed, I believe, two days  
24 ago.

25 MR. REECE: Your Honor, I don't have any objection

0067

1 to introducing the pleading. I do -- I mean, in theory. I  
2 do object on relevance grounds. I don't see what any of  
3 this has to do with the issues before the Court today.

4 THE COURT: I'm not sure I do, either, but I think  
5 I'll address that in determining what weight to give to the  
6 exhibit. And the objection is overruled. The exhibit is  
7 admitted.

8 Q. (BY MR. COCHELL) This petition merely sets out  
9 Marcum's petition -- position with respect to the order.  
10 Is that correct?

11 A. Yes, I believe that's correct.

12 Q. Now, if this petition is -- they've also filed an  
13 emergency motion for stay of Judge Jones' order.

14 A. Yes, yesterday.

15 Q. And do you know what might happen if that stay is  
16 granted?

17 A. Well, if the stay were granted, presumably Marcum would  
18 not be compelled to continue to work without pay. I'm not  
19 second-guessing the Supreme Court, but I suppose either  
20 Marcum would be allowed to withdraw from the case and not  
21 continue work or perhaps the case would be stayed pending  
22 resolution of the motion or the petition.

23 MR. COCHELL: That's all the questions we have  
24 of this witness, Your Honor. And 4 and 5, we hand to the  
25 clerk.

0068

1  
2 By Mr. Reece:

CROSS EXAMINATION

1-20-12.txt

3 Q. Good afternoon. I had to check to see if it was noon  
4 or morning still. So good afternoon. I'm David Reece,  
5 attorney for the SEC. I just have a brief couple of quick  
6 questions.  
7 A. Sure.  
8 Q. One, just to make sure I understand, so are you being  
9 compensated as part of the CJA process?  
10 A. Yes. I was appointed as a member of the Stanford  
11 defense team. So I'm compensated under the CJA like any  
12 other defense lawyer at \$125 an hour.  
13 Q. And so is your attendance today part of that payment?  
14 A. I presume so, but I'm not sure. There's a provision  
15 in the CJA that permits payment under the CJA for testimony  
16 or appearance in ancillary matters. This is a bit out of  
17 the norm of what a CJA lawyer would do. So I'm not sure  
18 whether it will be compensated or not.  
19 Q. Anyone other source of payment for your attendance here  
20 today?  
21 A. No.  
22 Q. And, again, I don't -- I'm not -- I'm going to confess.  
23 I'm not familiar with the restrictions that may -- may limit  
24 your ability to answer my questions. So with the caveat that  
25 I don't want to ask a question that --  
0069  
1 A. Sure.  
2 Q. -- would be violating that, so help keep me in check.  
3 How many people are currently working on the -- the  
4 defense team?  
5 A. In what capacity?  
6 Q. In the criminal case as far as you're aware that have  
7 submitted invoices for payment under the CJA.  
8 A. Are you talking about lawyers or experts?  
9 Q. Both.  
10 A. I think the answer is that there are four lawyers, two  
11 of whom are working full-time, two of whom have been in the  
12 past working part-time. And then there are a couple of  
13 younger lawyers who are working as paralegals. I mean,  
14 they are lawyers, but they are -- they are being paid as  
15 paralegals.  
16 Q. But they are licensed attorneys?  
17 A. I'm not sure.  
18 Q. Okay.  
19 A. I believe they are, but they are -- they are -- they  
20 are new lawyers if they are licensed.  
21 Q. And how many experts or what you're referring to as  
22 experts?  
23 A. Well, I think I can say -- I think it's public record  
24 that there -- that there are two expert firms and an  
25 investigative firm.  
0070  
1 Q. Okay. And you're aware that the issues related to the  
2 representation under the CJA have been addressed at some  
3 length by Judge Hittner in -- in the Southern District?  
4 A. I'm not sure I understand the question.  
5 Q. Has he addressed the issue of any complaints or  
6 deficiencies that Mr. Stanford believes are involved in  
7 the CJA process?  
8 A. I really don't know how to answer that. If you mean  
9 has he denied motions for continuance, the answer is yes.  
10 Q. Okay.  
11 A. Is that the question?  
12 Q. And was part of the basis for the motion for con-  
13 tinuance, do you know, issues related to the -- to payment

1-20-12.txt

14 under the CJA?

15 A. Yes, part of it was.

16 Q. Okay. You haven't done -- strike that.

17 MR. REECE: I have no further questions,

18 Your Honor.

19 MR. COCHELL: One follow-up, Your Honor.

20 REDIRECT EXAMINATION

21 By Mr. Cochell:

22 Q. There was a -- a very recent motion for continuance

23 involving illness of the head IT person for the defense

24 team. Do you recall that?

25 A. Yes.

0071

1 Q. And do you know what that medical condition is?

2 A. I do.

3 Q. I don't want any details. Requires surgery?

4 A. It does.

5 Q. And at least --

6 A. It did.

7 Q. -- three weeks -- three weeks of bed rest following?

8 MR. REECE: Judge, I'm going to have to object  
9 on relevance. I don't see what relevance it has to this  
10 proceeding.

11 THE COURT: I understand why it may be very  
12 important for the proceedings in front of Judge Hittner,  
13 but I am at a loss as to why --

14 MR. COCHELL: well, the -- the -- maybe that  
15 particular question. But -- but the point is is that this  
16 IT person is now unavailable for the defense team when she  
17 goes to surgery on Monday, and the IT person is incredibly  
18 important in the scheme of a white collar criminal defense  
19 case involving thousands and thousands of documents.

20 And so it takes money to hire someone else and that's  
21 why it's relevant to this particular proceeding.

22 THE COURT: Any other questions for this witness?

23 MR. COCHELL: No, Your Honor.

24 THE COURT: Thank you, ma'am. You may step down.

25 THE WITNESS: Thank you.

0072

1 THE COURT: And it probably doesn't matter at  
2 all, but in my personal opinion, I think this is certainly  
3 ancillary to the criminal proceedings and should be  
4 compensable under the CJA.

5 THE WITNESS: Thank you, Your Honor.

6 MR. COCHELL: Your Honor, we do have some docu-  
7 ments that we'd like to ask the Court to receive similar  
8 to the Court orders to include the defense motion for  
9 continuance in the criminal case, document 552 from that  
10 proceeding.

11 The order for continuance, which is document --  
12 docket 565, the order by Judge Hittner denying it I think  
13 is already into evidence, so we won't move that.

14 Docket 566 from the criminal case is a motion to  
15 reconsider the motion for reconsideration.

16 And 577 is Judge Hittner's order on the motion to  
17 reconsider.

18 And so we would move the admission for the Court's  
19 consideration of these three documents.

20 THE COURT: Any objection?

21 MR. REECE: Not by the Commission, Your Honor.

22 MR. SADLER: Not from the Receiver, Your Honor.

23 THE COURT: They're admitted.

24 MR. COCHELL: And, Your Honor, just -- as Your

1-20-12.txt

25 Honor knows, we had previously requested the limited funds  
0073

1 to prepare for this hearing and to hire an expert witness.  
2 We have no other source of funds for Mr. Stanford, and I'm  
3 unable to fund that myself.

4 So we are unable to present any further testimony  
5 to rebut the testimony of Ms. Van Tassel or to otherwise  
6 take issue with her conclusions.

7 So I mark these, if it please the Court, as Stanford 6,  
8 7, and 8.

9 THE COURT: That's fine.

10 (Documents handed to the law clerk.)

11 THE COURT: Anything else on behalf of Mr.  
12 Stanford?

13 MR. COCHELL: Not by way of evidence, Your Honor.  
14 By way of argument, when the Court is ready to -- to  
15 entertain argument in the matter.

16 THE COURT: Okay. At this point, do the  
17 respondents intend to offer any further evidence?

18 MR. REECE: Not at this time, Your Honor.

19 MR. SADLER: No further evidence from the  
20 Receiver, Your Honor.

21 THE COURT: All right. Then if you-all will make  
22 brief summations, I'd be happy to listen to that. And why  
23 don't we let Mr. Stanford go first.

24 MR. COCHELL: Okay. One moment, Your Honor.

25 Your Honor, I referred earlier in our hearing today

0074

1 to the need to have funds to prove that funds were not  
2 misappropriated or obtained illegally and misused which  
3 is the gravamen of the entire Receivership, the actions  
4 against Mr. Stanford.

5 And with respect to the -- the ability of attorneys to  
6 try and represent a client who is otherwise indigent, you  
7 know, to try and get funds, it's very limited. It places  
8 both the client and the attorney in a very difficult  
9 position.

10 So what we did today was the best we could do to try  
11 and bring some issues to the Court's attention that are  
12 important in the entire scheme of whether there's probable  
13 cause to believe that Mr. Stanford or his companies were  
14 involved in activities for which assets can be forfeited to  
15 the point to where he's not allowed any money whatsoever.

16 We have issues where this Court knows from the various  
17 applications for attorneys' fees submitted by Baker Botts  
18 that good legal representation is expensive. Ms. Van Tassel  
19 admitted that \$23 million were expended on forensic fees,  
20 much of which were an intensive effort at the beginning.

21 The amount of fees for a complex criminal case such  
22 as the one Mr. Stanford has to defend in Houston is sub-  
23 stantial. Qualified expert witnesses are not -- are not low  
24 priced. I mean, they charge 3- or 400 or sometimes \$500 an  
25 hour. IT services to support a database so that the defense

0075

1 team can -- can access documents quickly, efficiently, and  
2 marshal the evidence on behalf of their client, this is  
3 expensive stuff.

4 In this case, the IT coordinator is literally going  
5 into surgery, serious surgery, next week the eve of trial.  
6 Now, those are issues for Judge Hittner as to when the trial  
7 starts. But we asked for an emergency hearing today because  
8 it's clear that these expert witnesses are in a state of  
9 uncertainty.

1-20-12.txt

10 And clearly, as any person would react, it's just human  
11 nature, that if you're getting paid 30 or 40 cents on the  
12 dollar and you're stuck in a trial for three months, they  
13 may not perform at the level that's needed for the task at  
14 hand. If they do it, they'll do it grudgingly, and no one  
15 likes that situation.

16 And so the fact that they've gone all the way to the  
17 Supreme Court, and in those pleadings you'll see that they  
18 are saying that not getting paid what they were supposed  
19 to, and then facing three months potentially of a long,  
20 difficult trial with around-the-clock, you know, services by  
21 various staff members, is going to put them in a position  
22 where they're going to be in financial distress at the end  
23 of it.

24 So what we have is a situation where Judge -- Judge  
25 Jones, I'm sure, is acting in good faith. We're not

0076

1 questioning Judge Jones' good faith. We don't know what's  
2 going on or why she's taken the action she did.

3 But what we do know is we know the consequences. And  
4 so that's why we're here before the Court, because my  
5 client deserves a fair trial. He deserves an opportunity  
6 to defend himself with the same quality, maybe not the  
7 identical quality of the experts that the government has --  
8 the government is not restrained by the CJA. The government  
9 has had the benefit, as this Court well knows, of documents  
10 from Baker Botts and FTI being provided to the Department of  
11 Justice.

12 And as part of the Court's freeze order and the various  
13 applications for fees by FTI show that a lot of time and  
14 effort has gone into providing the government with a lot of  
15 information that no doubt they have used to good effect.

16 Bottom line is that my client feels that he is in a  
17 position where he's at an extreme disadvantage. And I  
18 cited a case, the Grupo case, where the Supreme Court has  
19 noted that seizure of assets is the nuclear weapon of the  
20 law.

21 And so because it does place defendants who may have  
22 had -- may have been millionaires, but once the government  
23 seizes their assets, including their personal accounts and  
24 so on, they are basically paupers and have to rely on the  
25 system.

0077

1 And the record -- as I've cited in briefs before  
2 the Court, the record is that Mr. Stanford has not had a  
3 consistent coherent defense team until Scardino and Fazel  
4 entered in late October of 2010. And expert witnesses--and  
5 the documents will indicate this--the expert witnesses  
6 weren't retained until I believe March of 2011. And so  
7 there's been a lot of work in a very short time that  
8 creates big bills.

9 Now, what is the evidence in this case with respect to  
10 Ms. Van Tassel? As you know, the limitations are, I have  
11 had no discovery. I am pro bono for Mr. Stanford. We don't  
12 have access to the defense database. Judge Hittner has  
13 made it clear that we will not have access to the database  
14 because we're litigating civil cases which, you know, he  
15 doesn't believe it's appropriate to have CJA funding used  
16 in civil cases, whether it's defense or otherwise.

17 And so even today, when I came to this court, it's  
18 only public records that I used. It's -- it's -- that's  
19 all I've got.

20 So when we talk about putting on a case, what we know



1-20-12.txt

21 from the limited cross-examination here is that three major  
22 adjustments were made in the books and records to the tune  
23 of about \$2 billion when you add it all up. Maybe less,  
24 maybe more. And that goes to the heart of whether there  
25 were assets available within the Stanford companies to honor  
0078

1 CD redemption requests. There's numerous other issues, but  
2 this is my limited ability to delve into that.

3 Now, what do we also know? What we also know is that  
4 the Receiver has had Mr. Stanford's personal wealth in his  
5 hands. And before 1999, there's a serious question as to  
6 whether any of that is tainted by fraud as alleged by the  
7 SEC and so on.

8 what we have is hearsay from Mr. Davis who pled guilty.  
9 He pled guilty because he wanted a deal with the United  
10 States government. And he stated that he inflated the cost  
11 of or the value of the Antiguan real estate 50 times. Well,  
12 that's convenient when you're trying to get a deal with the  
13 United States, you're trying to get leniency and you know  
14 that your big value to the United States government is the  
15 \$1.8 billion, the real estate. And so this gentleman has  
16 every reason to exaggerate to gain the benefit and the favor  
17 of the United States.

18 And -- and these are sensitive matters. I think that  
19 the weight -- you know, when you talk about there was an  
20 objective basis for \$2 million an acre. It was Jumby Bay.  
21 There's no evidence that Jumby Bay was a highly developed  
22 area, and therefore they didn't make any effort to  
23 investigate the Jumby Bay property.

24 They made no effort to investigate the -- the  
25 development of -- of the property and what it would be  
0079

1 worth, what assets were there at the time. You know,  
2 Ms. Van Tassel didn't know that there was a power plant,  
3 that there was a desalinization plant already in place at  
4 the time of -- of the -- of the takeover. So the develop-  
5 ment value was incredibly high.

6 So there's no basis -- she has no basis to compare  
7 the real estate value, and she didn't know that -- what the  
8 interest rates were in Antigua, but she's making a lot of  
9 statements that this is outlandish interest rates.

10 well, she has no comparison because a foreign bank is  
11 allowed to act like a foreign bank. If they want to offer  
12 high rates, they're entitled to do it. And, you know, there  
13 may be a lower cost of doing business in Antigua, which is  
14 a third world country.

15 So -- so the bottom line is that there's a lot of  
16 surmise and speculation. The OIG report. This is all  
17 interesting, but it contains double hearsay. It's very  
18 clear from Ms. Van Tassel's testimony.

19 And she said, well, they're examiners. well, she  
20 really doesn't know that. She knows that some people in a  
21 government bureaucracy interviewed some folks and got some  
22 information. It's not clear what they got or what their  
23 conclusions are, what they add to pre-1999, when we contend  
24 they have not shown by probable cause that the 1 to 2  
25 million in 1999 is -- is -- is not Mr. Stanford's  
0080

1 legitimately, and every year before.

2 Now, I don't have his tax returns. I can't tell you  
3 where that money is or how much money he made. The Receiver  
4 has that information. And until -- until this hearing, I  
5 have not had a chance to point out what it is that I might

1-20-12.txt

6 be able to do with that kind of information.

7 However, it seems to me that there is a role that this  
8 Court can play in assuring that Mr. Stanford receive a fair  
9 trial, which while it's not the role of a civil judge, it is  
10 the role of a civil judge sitting in an ancillary matter to  
11 assure the Sixth Amendment right to counsel and the Fifth  
12 Amendment right to due process.

13 We respectfully submit that to the extent that the  
14 Fifth Circuit is only willing to pay 35 cents on the dollar  
15 for these experts pursuant to their budget, that the  
16 Receiver should be required to pay a matching amount only  
17 to the extent that Judge Jones approves the activities.

18 She says, "I'm going -- these things should be done."  
19 That's the way the CJA budgets works. I probably should  
20 have brought that out, but Your Honor knows how they work.  
21 If she says, "These are legitimate activities by legitimate  
22 experts, they are for a legitimate purpose, I authorize  
23 that, but I'm only going to pay you guys 35 or 40 cents on  
24 the dollar."

25 That seems to be what the writ of mandamus is saying.

0081

1 If that's what it's saying, we think the Receiver should  
2 step up to the plate and pay the 65 or 70 cents on the  
3 dollar that is not going to be covered under the Criminal  
4 Justice Act.

5 Your Honor well knows that the CJA funding is limited.  
6 what -- what the circuits get are what the circuits get and  
7 they have to make do. Going back to Congress for more money  
8 is a -- is a problem and the bureaucracy is a problem. We  
9 all know that.

10 So the issue is really probable cause, it's not the  
11 highest standard around. You know that and they know that.  
12 But the bottom line is that the standard does not have to be  
13 applied mechanically. It's not you have some hearsay from  
14 some guy who's pleading guilty or you have double hearsay.  
15 You can take that into account. You are fully within your  
16 discretion to do that.

17 However, you are fully within your discretion to  
18 exercise the conscience of this Court and ensure -- ensure  
19 the public and ensure that Allen Stanford get the funds  
20 necessary so that everybody knows that if he's convicted,  
21 he went down not because his attorneys were incompetent,  
22 not because the case was underfunded, but because the  
23 evidence was sufficient for that jury to convict him on  
24 those charges based on expert testimony from both sides of  
25 the aisle.

0082

1 Thank you, Your Honor.

2 The exact mechanism of it, I'm sure we could work out  
3 if Your Honor rules in our favor. Thank you.

4 THE COURT: All right. Thank you.

5 MR. REECE: Your Honor, Mr. Stanford would not  
6 have the -- it's not that he doesn't want the legal  
7 principles and the well established case law to be applied  
8 mechanically. He doesn't want them to be applied at all.

9 I guess I will just start where Your Honor did this  
10 morning. The simple fact is, the -- the Court has all the  
11 authority in the world to freeze these funds because there  
12 has already been a high showing that every asset that's  
13 available now is tainted by that fraud.

14 We know if -- if there were some untainted -- mythical  
15 untainted asset out there, whether it's pre-1999 or post  
16 1999, whatever date you'd like to pick, Mr. Stanford is the

1-20-12.txt

17 person in the best position to do that. He's had three  
18 years to show that. And, instead, what he tried -- what he  
19 wanted to do was invoke his Fifth Amendment privilege. And  
20 that's -- that's his right, but there are consequences to  
21 that in this civil case.

22 THE COURT: In fairness, I think we have to note  
23 that he was under some disabilities for a good part of that  
24 time.

25 MR. REECE: Fair enough, Your Honor. However,

0083

1 there's still been an ample amount of time where if there  
2 were some mythical untainted asset, he would be in a posi-  
3 tion to have explained that to his attorneys by now and he  
4 hasn't.

5 And the reason he hasn't is because of what Ms. Van  
6 Tassel's evidence has also demonstrated to the Court in  
7 this and other relevant proceedings. The simple fact is all  
8 the assets out there, the overwhelming evidence shows way  
9 beyond the preponderance of the evidence, the evidence is  
10 overwhelming and, frankly, undisputed even after this  
11 evidentiary hearing, that the assets all derived from the  
12 sale of the CDs and are tainted by the fraud.

13 It's Mr. Stanford's burden to demonstrate that's not  
14 the case, and he has simply failed to do that. I mean, this  
15 is not a case -- and Mr. Stanford and his counsel of course  
16 want to use the phrase, want the Receiver to pay, or he  
17 wants access to his personal money. Unfortunately, that's  
18 not what the evidence in the case shows.

19 The evidence in the case shows that the money he wants  
20 to spend are the money he took from investors. That's the  
21 wealth. He didn't have wealth. He had other people's money  
22 that he used, and that's what the evidence in the record  
23 shows.

24 And for that reason, I would point out that there has  
25 been no unfairness. The law sets out what standards to

0084

1 apply in determining whether or not to freeze a defendant's  
2 assets in a case like this. Those standards have been met,  
3 the Court has shown abundant patience in reevaluating that  
4 and giving Mr. Stanford an opportunity to present evidence.

5 He hasn't presented any evidence. And so the evidence  
6 presented, if it shows that all the -- all the assets are  
7 tainted, really stands un rebutted.

8 And for that reason, we would ask that the Court  
9 continue to deny the request to spend what is really  
10 investors' money for Mr. Stanford's personal benefit.

11 THE COURT: Anything to add from the Receiver?

12 MR. SADLER: When Your Honor writes an order with  
13 respect to this matter, I would encourage and urge the Court  
14 to apply the standards set out in the two cases we cited,  
15 SEC versus Dobbins and SEC versus Forte. And those cases  
16 set out the standard to consider the type of request that's  
17 being made.

18 Until 12/19, Mr. Cochell hadn't uttered a word that  
19 had anything to do with that standard. And he mentioned  
20 it briefly, and then he went on to more things that don't  
21 have anything to do with that standard.

22 So you've not been presented with any law to compel a  
23 different conclusion. You've not been presented with any  
24 facts to compel a different conclusion other than the  
25 motion needs to be denied.

0085

1 Mr. Stanford is getting a government-funded defense.

1-20-12.txt

2 And even if Your Honor was to decide to modify the freeze,  
3 the Receiver stands ready to proceed on an application for  
4 temporary injunction to lock down any theoretical untainted  
5 assets that might suddenly spring into existence. But we  
6 don't need to do that. Deny the motion on it, please.

7 Thank you.

8 THE COURT: Reply?

9 MR. COCHELL: Briefly, Your Honor.

10 The cases cited by counsel for the Receiver I believe  
11 are civil cases, and I believe it's apples to oranges.  
12 We're operating under United States versus Melrose and its  
13 progeny which is a case that interprets the circumstances  
14 under which a judge must consider releasing assets seized by  
15 the government while charges are pending and for purposes  
16 of criminal defense.

17 The Receivership is an equitable proceeding, and we  
18 respectfully submit that the equities here do favor Mr.  
19 Stanford. The fact is is that he was a man of substantial  
20 wealth prior to 2009.

21 There's no real evidence. There are some -- some --  
22 something from Mr. Davis who's never been deposed, he's  
23 never testified. And this is after three years. Nobody  
24 has been able to find him for a deposition. In the Alguire  
25 case, they tried to take his deposition; they couldn't find

0086  
1 him. He's free. None of his assets have been listed. It  
2 doesn't seem like anything has been forfeited. Maybe it  
3 has, but maybe it hasn't.

4 The bottom line is Mr. Stanford has been in jail. He  
5 hasn't been able to do anything for three years. His assets  
6 have been taken and he's now in a state where he's barely  
7 regained competence. While the judge found him competent  
8 to assist counsel at trial, that doesn't necessarily mean  
9 that he has fully recovered his faculties.

10 So the bottom line is, regardless of -- of whether  
11 people think he's guilty or innocent, whether the Receiver  
12 thinks he's guilty, their case is not a perfect case. And  
13 the first time that we've had to even look beneath some of  
14 Ms. Van Tassel's opinions came during the Alguire case when  
15 her deposition was taken and some limited discovery was  
16 allowed.

17 without expert witnesses, we can't really come before  
18 this Court and marshal the resources that the Receiver and  
19 the other folks can marshal.

20 I admire some of the work they've done as a lawyer.  
21 They've been -- their -- their briefs are they well written.  
22 But I do respectfully submit that they are wrong when it  
23 comes to trying to say to the Court should apply civil  
24 cases to this particular case.

25 This is a case that has constitutional dimensions

0087  
1 and must be decided in light of the fact that this is an  
2 individual who has rights under the Bill of Rights -- rights  
3 under the Constitution and the Bill of Rights. And to some  
4 extent he should be given the benefit of the doubt when  
5 confronted with mere hearsay and double hearsay.

6 Thank you, Your Honor.

7 THE COURT: I think in view of the possibility  
8 that the criminal case may begin on Monday, it's advisable  
9 for me to go ahead and rule from the bench instead of take  
10 the time to craft a written order.

11 So I apologize in advance to the extent that it takes  
12 me a while to put a sentence together because I just can't

1-20-12.txt

13 think on my feet quite as quickly as I can when I am draft-  
14 ing on reflection back in the back quiet of chambers. But  
15 as I say, I do think it's important that all the parties  
16 involved understand my ruling.

17 So with that disclaimer, let me say that I'm going to  
18 deny the motion.

19 And I have no criticism at all of the work done by  
20 Mr. Cochell. Is that the correct way to pronounce it?

21 MR. COCHELL: Yes, sir.

22 THE COURT: By Mr. Cochell. He is obviously in a  
23 challenging circumstance. And in view of the constraints  
24 that he has on what he's able to do for Mr. Stanford, as I  
25 say, I have absolutely no criticism of the quality of his

0088

1 legal representation of Mr. Stanford.

2 Having said that, on this record the evidence is  
3 simply overwhelming that the Receiver does not have in the  
4 Receivership estate even a nickel that wasn't effectively  
5 stolen from the Stanford investors.

6 I don't quarrel with really much of the legal proposi-  
7 tions or the factual contentions that Mr. Cochell was  
8 raising about Mr. Stanford's right for counsel and his need  
9 for funding for an effective defense. But I don't know of  
10 any case that says Mr. Stanford has a right to fund those  
11 expenses with money that he stole from investors.

12 So even before I get to any of the considerations of  
13 how much additional money might he need for his defense or  
14 the kinds of issues that are in fact addressed by Chief  
15 Judge Jones and Judge Hittner, even before I get to those,  
16 I've got to address the antecedent question of whether there  
17 are any funds available in the Receivership that were not  
18 stolen from the investor.

19 And on this record, I think that the clear answer to  
20 that under essentially any evidentiary standard is, no,  
21 there's not any money there that is properly Mr. Stanford's.  
22 It was all stolen.

23 And I'm using the word "stolen" colloquially, not in  
24 any kind of technical legal sense. And under those circum-  
25 stances, I don't think Mr. Stanford has shown any kind of

0089

1 entitlement to use any of those funds for his defense.

2 And if I were to do so, I think the Stanford investors  
3 would quite rightly be outraged that Mr. Stanford was able  
4 to steal money from them and then use their stolen money to  
5 try and stay out of jail where I gather they pretty much  
6 all believe is where he belongs. And presiding over the  
7 Receivership, I do have to be cognizant of the investors  
8 who were defrauded since a court acting in equity I think  
9 is obligated to consider that.

10 In reaching this decision, I am giving zero, absolutely  
11 zero, weight to anything in connection with the Davis plea.  
12 I'm not criticizing Mr. Davis or saying I think he was not  
13 being truthful. I'm just saying I've reached this conclu-  
14 sion without giving any weight whatsoever to anything that  
15 may have been said in connection with that plea.

16 I would also say, I indicated at the beginning of the  
17 hearing that I believe the burden was on Mr. Stanford in the  
18 procedural context of this case, given that I have already  
19 entered a preliminary injunction, that the burden of proof  
20 is on Mr. Stanford to come forward and persuade me that I  
21 should alter the existing injunction. And I believe that's  
22 correct.

23 However, I would also say, if I were ruling on a blank

1-20-12.txt

24 slate of paper with the burden on the Receiver and the  
 25 Commission in this proceeding, given the evidentiary record  
 0090

1 that's there, I would reach still exactly the same result.  
 2 The overwhelming evidence in this proceeding is the  
 3 Receivership contains no funds that were not tainted by  
 4 the Ponzi scheme that on this record I think I'd have to  
 5 find exists.

6 So, again, I apologize for the unstudied language that  
 7 I am using here today. But as I say, I think it's more  
 8 important that you have a prompt decision now than a piece  
 9 of legal scholarship in six weeks.

10 Again -- well, I think I've said enough. I think I  
 11 better quit now. No more advisory opinions from me today.  
 12 That's the Court's ruling on the matters in front of me.

13 For those of you who have traveled in from out of town  
 14 on short notice, I appreciate your accommodating the Court's  
 15 schedule. I've been in trial this week, and this was the  
 16 only day that I could have the hearing. And understanding  
 17 that it was an emergency request, I felt it was important to  
 18 try and get it scheduled before the potential of proceedings  
 19 starting on Monday.

20 So understanding I may have particularly inconvenienced  
 21 those of you traveling from out of town, let me wish you-all  
 22 safe travels back to your home, and the Court will stand in  
 23 recess.

24 (The proceedings were concluded.)  
 25

0091

I N D E X	PAGE
KARYL VAN TASSEL	
DIRECT EXAMINATION - MR. COCHELL .....	10
MARLO CADEDDU	
DIRECT EXAMINATION - MR. COCHELL .....	60
CROSS EXAMINATION - MR. REECE .....	68
REDIRECT EXAMINATION - MR. COCHELL .....	70
ARGUMENT OF COUNSEL:	
MR. COCHELL .....	73
MR. REECE .....	82
MR. SADLER .....	84
MR. COCHELL .....	85
RULING OF THE COURT .....	87
STANFORD EXHIBITS INDEX .....	92
RECEIVER EXHIBITS INDEX .....	93
REPORTER'S CERTIFICATION.....	94

0092

STANFORD EXHIBITS INDEX		(EXCLD)
NO.	DESCRIPTION	OFRD ADMTD
1		
2		
3		

4	1	Document entitled SIBL's Adjusted Assets versus Total Liabilities	44	44
5				
6	3	Document entitled Analysis of SIBL's Adjusted Assets compared to their CD liability	49	49
7				
8	4	Continuity and Payment Order	64	64
9	5	Emergency petition for writ of Mandamus to Supreme Court	66	67
10	6	Order on Motion to reconsider Document No. 577 from Case No. 4:09-CR-342	72	73
11				
12	7	Motion to reconsider, Document No. 566 from Case No. 4:09-CR-342	72	73
13				
14	8	Defense Motion for Continuance Document 552	72	73

15  
16  
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18  
19  
20  
21  
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23  
24  
25  
0093

RECEIVER EXHIBITS INDEX

	NO.	DESCRIPTION	OFRD	(EXCLD) ADMTD
1				
2				
3				
4	1	Receiver's Notice of Filing Document No. 1510, including Exhibits A, B, C, D, E, and F	58	59
5				
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8				
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12				
13				
14				
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16				
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CERTIFICATION

I certify that the foregoing is a true and correct  
Page 39

1-20-12.txt

5 transcript from the record of proceedings in the above-  
6 entitled matter. I further certify that the transcript  
7 fees format comply with those prescribed by the Court  
8 and the Judicial Conference of the United States.

9  
10 s/Linda J. Langford Date: September 10, 2012

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