

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

HARD COPY

ADMINISTRATIVE PROCEEDING
File No. 3-16175

In the Matter of

Kenneth C. Meissner, James
Doug Scott, and Mark S.
"Mike" Tomich,

Respondents.

DIVISION OF ENFORCEMENT'S
MOTION FOR SUMMARY DISPOSITION

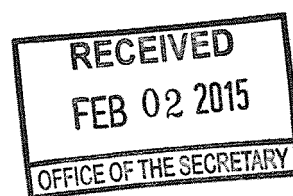


TABLE OF CONTENTS

I.	Preliminary Statement	1
II.	Procedural Background	3
III.	Facts	4
	A. Respondents Are Not Registered as Brokers and Have Been Previously Disciplined.....	4
	B. Snisky and Arete’s Investment Program.....	6
	C. Scott and Meissner Were Advised That The Investments in Arete were Securities.....	8
	D. Scott Acted as a Broker.....	10
	1. Scott Arranged for Arete to Open a SMA Account at Summit Trust	10
	2. Scott Induced or Attempted to Induce Insurance Salesmen and Advisers to Sell Investments in Arete.....	11
	3. Scott Received Transaction–Based Compensation for Sales of Investments in Arete by Meissner and Tomich	14
	4. Scott Tracked the Investments and Wire Transfers to Arete	15
	E. Meissner Acted as a Broker	17
IV.	Argument	18
	A. Summary Disposition Standard	18
	B. Elements of Section 15(a)(1) Violations	19
	C. Meissner and Scott Willfully Violated Section 15(a)(1) of the Exchange Act	20
	1. Scott Willfully Violated Section 15(a)(1) of the Exchange Act	21
	2. Meissner Willfully Violated Section 15(a)(1) of the Exchange Act	22
	D. Sanctions.....	23

1. Cease and Desist Order	24
2. Associational Bars.....	26
3. Disgorgement and Prejudgment Interest	28
4. Civil Penalties	30
V. Conclusion	34

TABLE OF AUTHORITIES

Cases

<i>Arthur Lipper Corp. v. SEC</i> , 547 F.2d 171 (2d Cir. 1976)	21
<i>Bearcat, Inc.</i> , 57 S.E.C. 406 (2004)	33
<i>Centreinvest, Inc.</i> , Initial Dec. Rel. No. 387, 2009 SEC LEXIS 2966 (Aug. 31, 2009)	19, 27, 28
<i>Cornhusker Energy Lexington LLC v. Prospect St. Ventures</i> , 2006 U.S. Dist. LEXIS 68959, 2006 WL 2620985 (D. Neb. Sept. 12, 2006)	20
<i>Couldock & Bohan, Inc. v. Societe Generale Secs. Corp.</i> , 93 F. Supp. 2d 220 (D. Conn. 2000)	19
<i>James E. Ryan</i> , 47 SEC 759 (1982)	21
<i>KPMG Peat Marwick LLP</i> , 54 S.E.C. 1135 (2001)	24
<i>Maria T. Giesige</i> , Initial Decision Rel. No. 359, 94 SEC Docket 10635, 2008 WL 4489677 (Oct. 7 2008)	24, 33
<i>Mass. Fin. Servs. Inc. v. Sec. Investor Prot. Corp.</i> , 411 F. Supp. 411 (D. Mass.)	20
<i>Ox Trading LLC</i> , 2012 SEC LEXIS 2810 (Sept. 5, 2012)	19
<i>SEC v. Bengert</i> , 697 F. Supp. 2d 932 (N.D. Ill. 2010)	20
<i>SEC v. First City Fin. Corp.</i> , 890 F.2d 1215, 1230 (D.C. Cir. 1989)	28, 29
<i>SEC v. First Jersey Sec.</i> , 101 F.3d 1450 (2d Cir. 1996)	30
<i>SEC v. JT Wallenbrock & Assoc.</i> , 440 F3d 1109 (9th Cir. 2006)	28
<i>SEC v. Kenton Capital, Ltd.</i> , 69 F. Supp. 2d 1 (D.D.C. 1998)	20
<i>SEC v. Lorin</i> , 76 F. 3d 458 (2d Cir. 1996)	29
<i>SEC v. Offill</i> , 2012 U.S. Dist. LEXIS 9369 (N.D. Tex. Jan. 26, 2012)	19, 20
<i>SEC v. Patel</i> , 61 F.3d 137 (2d Cir. 1995)	29
<i>SEC v. Rabinovich & Assoc., L.P.</i> , 2008 U.S. Dist. LEXIS 93595 (S.D.N.Y. Nov. 17, 2008)	19
<i>SEC v. U.S. Pension Trust Corp.</i> , 2010 WL 3894082 (S.D. Fla. Sept. 30, 2010)	20
<i>Steadman v. SEC</i> , 603 F.2d 1126 (5th Cir. 1979)	27
<i>Tager v. SEC</i> , 344 F.2d 5 (2d Cir. 1965)	21

Statutes

15 U.S.C. § 78c(a)(4)19
15 U.S.C. § 78o(a)(1).....19
15 U.S.C. §§ 78u-2(b) and 80a-9(d)(2)31
17 C.F.R. § 201.100431
17 C.F.R. § 201.250(b)18
17 C.F.R. § 201.60029

Other Authorities

Commission Rule of Practice 600(b).....29
Commission Rules of Practice Rule 250(b) 18

The Division of Enforcement moves, pursuant to Rule 250 of the Commission's Rules of Practice, for summary disposition of the claims in the Order Instituting Administrative and Cease-and-Desist Proceedings (OIP) that were brought under Sections 15(b) and 21C of the Securities Exchange Act of 1934 (Exchange Act) and Section 9(b) of the Investment Company Act of 1940 (Investment Company Act) against Respondents Kenneth C. Meissner (Meissner), and James Doug Scott (Scott).¹ The undisputed evidence establishes that Meissner and Scott willfully violated the broker registration provision of Section 15(a)(1) of the Exchange Act. The Division requests that the Respondents be ordered to cease and desist from further violations; collaterally barred from participation in the securities industry, offering penny stocks, and association with investment companies and advisers under Section 9(b) of the Investment Company Act; and ordered to pay disgorgement, prejudgment interest and civil penalties.

I. Preliminary Statement

It is undisputed that Scott and Meissner induced others to purchase the securities of Arete LLC (Arete) that were offered by Gary Snisky (Snisky), while not registered as a broker, or associated with a broker-dealer registered, with the Commission.² Scott induced three insurance salesmen, Tomich, Meissner and Bill Sparkman (Sparkman), to sell the securities of Arete to their clients, participated at key points in the chain of distribution, and for his efforts received

¹ The OIP also alleged claims against Respondent Mark S. "Mike" Tomich (Tomich), which were resolved through a settlement accepted by the Commission. *See In re Mark S. Tomich*, Exchange Act Rel. 34-73925 (Dec. 23, 2014). For that reason, this motion for summary disposition does not address the claims against Tomich, except to the extent that Scott received transaction-based compensation as a result of Tomich inducing his clients to purchase investments in Arete.

² The Division took the sworn investigative testimony of Scott on December 10, 2013 (referred to as Scott Tr. at p. __.) A true and correct copy of excerpts of the transcript is attached as Exhibit 1. *See* Scott Tr. at p. 35:6-10; *see also* Scott Answer at ¶ 4. *See also* Meissner Answer, paragraph 1.

\$26,297.84 in transaction-based commissions on their sales.³ Meissner induced four of his clients to invest \$355,242 in the securities of Arete and received \$17,723 in transaction-based commissions for his sales.⁴ The Division requests that the Respondents be ordered to pay full disgorgement, prejudgment interest, and second tier penalties of \$75,000.

In support of its motion, the Division submits the investigative testimony of Scott, Meissner, Tomich,⁵ and Kevin Brown,⁶ who was the president of Summit Trust; the Declaration of Kerry Matticks, who is a summary witness; and fifty-two Exhibits. The undisputed testimony of the Respondents establishes they acted as unregistered brokers inducing others to purchase the securities of Arete. Both admit that they were not registered as brokers at the time of the sales and both had been previously sanctioned and prohibited from acting as unregistered brokers. The Respondents willful violations and deliberate disregard of the regulatory requirement to register as brokers warrant entry of a cease-and-desist order, industry bars, and full disgorgement, prejudgment interest and second-tier civil penalties.

³³ Scott Tr. at p. 173:14-23; 178:2-10; 171:14-172:1 (Sparkman induced a husband and wife to invest and Scott was compensated).

⁴ The Division took the sworn investigative testimony of Meissner on November 14, 2013 (referred to as Meissner Tr. at p. _). A true and correct copy of Meissner's transcript is attached as Exhibit 2. *See* Meissner Tr. at p. 92:2-93:17, Exh. 5 was referred to in investigative testimony as Exh. 20 (Chadwick application); p. 106:12-107:17, Exh. 6 was referred to in investigative testimony as Exh. 21 (Weems application); p. 107:23-110:25 (Hall and Hart invested), Exhibit 7 was referred to in investigative testimony as Exh. 22 (Hall's PPM); p. 111:20-24 (there were four investors). Ms. Hall and Mr. Hart were new clients. Meissner Tr. at p. 114:14-19; 116:21-117:8.

⁵ The Division took the sworn investigative testimony of Tomich on November 20, 2013 (referred to as Tomich Tr. at p. _). A true and correct copy of excerpts of the transcript is attached as Exhibit 3.

⁶ The Division took the sworn investigative testimony of Kevin C. Brown on December 4, 2013 (referred to as Brown Tr. at p. _). A true and correct copy of excerpts of the transcript is attached as Exhibit 4.

II. Procedural Background

On September 25, 2014, the Securities and Exchange Commission (Commission) issued an OIP under Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act against Meissner and Scott. *See Kenneth C. Meissner*, Admin. Proc. 3-16175 (Sept. 25, 2014). The OIP alleged that Meissner, Scott, and Tomich willfully violated Section 15(a) of the Exchange Act when they induced the purchase of the securities of Arete while they were not registered as brokers, or associated with a broker-dealer registered, with the Commission. The Division made its investigative file available to the Respondents for inspection and copying on October 2, 2014.

At a prehearing conference held on November 3, 2014, the Court deemed all the Respondents were served with the OIP on October 16, 2014, directed them to file Answers by November 17, 2014, and granted the parties leave to file motions for summary disposition pursuant to Rule 250 of the Commission Rules of Practice by January 30, 2015, with responses and replies due on February 20, and March 2, 2015 respectively. *See Kenneth C. Meissner*, Admin. Proc. Rulings Release No. 1978 (Nov. 3, 2014). Meissner filed his Answer on November 13, 2014. *See Kenneth C. Meissner*, Admin. Proc. Rulings Release No. 2041 (Nov. 21, 2014). Scott filed his Answer on November 14, 2014.

On November 20, 2014, the Court conducted a prehearing conference pursuant to Rule 240(2) with the Division and Meissner to discuss settlement. Scott did not participate. *See Kenneth C. Meissner*, Admin. Proc. Rulings Release No. 2030 (Nov. 18, 2014). The Court subsequently issued a protective order to seal the transcript of the prehearing conference and the documents

submitted with Meissner's Answer. *See Kenneth C. Meissner*, Admin. Proc. Rulings Release No. 2041 (Nov. 21, 2014).

III. Facts

A. Respondents Are Not Registered as Brokers and Have Been Previously Disciplined.

Scott, age 62, is a resident of Perkasio, Pennsylvania.⁷ Scott is licensed to sell life and health insurance, and annuities in Pennsylvania since 1978 and also held insurance licenses in at least two other states.⁸ In 2005, Scott joined Summit Trust Company (Summit Trust), which is associated with Brown Investment Advisers, Inc. (Brown Advisers), a Pennsylvania registered investment adviser. Summit Trust offered trust services, custodial accounts for Individual Retirement Accounts (IRA) and non-IRA accounts, and trusts.⁹ Scott served as a Director of Business Development until January 1, 2012, when his employment with Summit Trust ended.¹⁰ In February 2012, Scott requested that his wife form The Cromarty Group LLC (Cromarty Group), an entity through which Scott conducted his consulting business, and received and paid commissions to other salespeople for their sales of Arete investments.¹¹ Scott has never been registered as a broker, or associated with a broker-dealer registered, with the Commission.¹²

⁷ *See* Scott Tr. at p. 25:20-26:5; Exh. 8 was referred to in investigative testimony as Exh. 62, Scott background questionnaire.

⁸ Scott Tr. at p. 33:23-34:23; Exh. 8, Scott background questionnaire at p. 10, question 33.

⁹ Scott Tr. at p. 28:25-29:6; 47:20-48:18; 50:12-17; Exh. 8, Scott background questionnaire at p. 11, question 36.

¹⁰ Scott Tr. at p. 27:17-28:5 (Scott's employment with Summit Trust); Brown Tr. at p. 38:12-19 (description of services provided by Summit Trust).

¹¹ The Cromarty Group is a Nevada LLC formed in 2012, with its principal place of business in Hatfield, Pennsylvania. *See* Scott Tr. at 21:14-22:2. Although Scott's wife, Linda F. Close, was the managing member of the Cromarty Group, Scott testified that he used the entity to engage in his consulting business and to appear "more professional." Scott also testified that his wife was

Scott has been the subject of two disciplinary actions brought by the Pennsylvania Securities Commission (PSC).¹³ In October 1999, the PSC ordered Scott to cease and desist from offering and selling unregistered and nonexempt promissory notes and acting as an unregistered broker-dealer (Docket No. 9910-06).¹⁴ In 2005, the PSC, in an administrative action against Scott related to the sale of promissory notes, permanently barred him from: representing an issuer offering or selling securities in Pennsylvania; acting as a promoter, officer, director, or partner of an issuer offering or selling securities in Pennsylvania or of a person who controls or is controlled by an issuer; being registered as, or being an affiliate of, a broker-dealer, investment adviser, or investment adviser representative; or relying on various offering exemptions (Docket No. 0102-36).¹⁵

Meissner, age 74, is a resident of Fair Oaks Ranch, Texas.¹⁶ Meissner has been licensed to sell life and health insurance, annuities, and life settlements in Texas for more than 30 years.¹⁷ Over the course of his career, Meissner held insurance licenses in at least 26 other states.¹⁸ Prior to June 2000, Meissner was licensed to sell securities and was associated with a broker-dealer registered with the Commission.¹⁹ In June 2000, Meissner's securities licenses were revoked and

the founder of the Cromarty Group because his credit was "not good" and he wished to secure a line of credit for the entity at some point. Scott Tr. 14:15-17:4.

¹² Scott Tr. at p. 35:6-10; see also Scott Answer at ¶ 4.

¹³ Scott Tr. at p. 35:15-38:10; Exh. 8, p. 7, question 28. See also Exh. 9, Orders from PSC, Dkt No. 9910-06 and 0102-36.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Meissner Answer at p. 1. See also Meissner Tr. at p. 14:17-15:10; 50:9-13; see also Meissner's background questionnaire, Exh. 10 was referred to in investigative testimony as Exh. 17 at p. 1.

¹⁷ Meissner Tr. at p. 24:2-5; 32:25-33:19; 41:16-43:12.

¹⁸ *Id.*

¹⁹ Meissner Tr. at p. 31:25-32:11; 34:10-36:21.

he was barred from association with any National Association of Securities Dealers (NASD) member in any capacity, because he sold securities in a private securities transaction and failed to provide written notice to his member firm describing the proposed transaction and disclosing whether he received selling compensation in connection with the transaction.²⁰ Although previously licensed and associated with a registered broker-dealer from 1968 through 2000, Meissner was not registered as a broker, or associated with a broker-dealer registered, with the Commission while he sold the investments in Arete during 2012.²¹

B. Snisky and Arete's Investment Program

During the summer of 2011, Scott was introduced to Snisky, who resided in Colorado.²² At that time, Scott was working for Summit Trust in Pennsylvania marketing trust services to life insurance agents and financial advisers.²³ Scott participated in several telephone calls with Snisky who represented that he was putting together an investment that resembled an annuity, but would pay a higher interest rate if investors were willing to invest their money for five to ten years.²⁴ Snisky explained that he pooled investors' funds to purchase "Agency Bonds," which he described as "Ginnie Mae"²⁵ bonds and other similar notes, to produce yields of 6 to 7 percent per year if

²⁰ Meissner Tr. at p. 31:25-32:11; 34:17-36:21; Exhibit 11 (Excerpt from NASD Notice to Members August 2000, p. 1-2, 77, NASD Case #C06000010).

²¹ See Meissner Answer, paragraph 1; see also Meissner Tr. at p. 31:18-32:12 (Meissner held a securities license until 2000); 34:10-35:25 (Meissner was barred from the securities industry in 2000); 42:20-21 ("I did not have a securities license.").

²² Scott Tr. at 144:22-146:6; 169:20-24; see also Scott's statement, Exh. 12 was referred to in investigative testimony as Exh. 68 at p. 1.

²³ Exh. 12 at p. 1; STC-0063898.

²⁴ *Id.*

²⁵ Bonds issued by the Government National Mortgage Association are referred to as "Ginnie Mae" bonds.

investors held their investment for five years.²⁶ Snisky represented that an investor who remained invested in Arete for ten years would receive an additional 10 percent bonus.²⁷ In January 2012, Snisky sent Scott a private placement memorandum (PPM) that described the investment with Arete.²⁸ Snisky disclosed in the PPM that the investments in Arete were securities and were not registered under the Securities Act of 1933.²⁹

In the PPM, Snisky made four main representations about the investments in Arete. First, he represented that Arete invested in “Agency Bonds,” such as those offered by the Government National Mortgage Association (Ginnie Mae), which were backed by the “full faith and credit of the U.S. Government.”³⁰ Second, he represented that investments presented low risk stating, “You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.”³¹ Third, he represented that investors who held the investment in Arete for ten years received a ten percent bonus and earned a guaranteed annual return of seven percent based upon the Agency Bond’s interest rate of six percent plus one percent from participating in overnight bank lending rate sweeps.³² Fourth, he represented there were no hidden fees; investors paid Arete a management fee from one percent to two and a half percent of Net

²⁶ Exh. 13 was referred to in investigative testimony as Exh. 67, Scott’s notes of first conversations with Snisky.

²⁷ Exh. 13 at p. 3.

²⁸ Scott Tr. at p. 189:14-190:23, *see also* Exh. 16, which was referred to in investigative testimony as Exh. 70, Arete PPM; Scott sent the PPM to Tomich and other advisers; *see also* Exh. 14, Scott email sending five-year memorandum to Rasmussen.

²⁹ *See e.g.* Exh. 5 and Exh. 7. at p. 3 ¶ 1 of both exhibits. *See also* Exh. 15, copy of PPM produced by Meissner with highlights of Disclosure No. 1 at p. Meissner-P-000039; and Exh.16, produced by Scott.

³⁰ Exh. 5 and 22 at p. 1, ¶ 1 & 2, and p. 8.

³¹ *Id.* at p. 8 ¶ 3, *see* indented point 2.

³² *Id.* at p. 8-10, *see* first paragraph under “An Exciting New Proprietary Value Model,” the table of yearly earnings, and Disclaimer Notes; *see also* Scott Tr. 151:24-152:20; 157:3-18; 165:13 – 166:23; 168:7-169:13.

Asset Value (NAV) and no additional fees were paid to representatives or for advertising.³³ Snisky made similar representations about Arete's investment program in his discussions with Scott, Meissner and Tomich.³⁴

Between August 2011 and October 2012, Snisky raised at least \$4,469,803.60 from forty investors who were located in at least eight states.³⁵ However, Snisky's representations about Arete's investment program were false. Snisky did not use investors' funds to purchase Agency Bonds.³⁶ Snisky did not disclose that he used investors' funds to pay his personal expenses.³⁷ Snisky did not disclose that investors' funds were used to pay commissions to the advisers.³⁸

C. Scott and Meissner Were Advised That The Investments in Arete were Securities

Snisky disclosed in the PPMs sent to Scott and Meissner that the investments in Arete were securities and were not registered under the Securities Act of 1933.³⁹ In addition, Snisky filed Notices of Exempt Offering of Securities on Forms D for the Summit 12PO5i and Summit 12PO10i offerings of Arete's securities with the SEC on April 26, 2012. Snisky sent the Forms D

³³ Exh. 5 and 22 at p. 2, 10-11, see headings "Company Management" and "Our Proprietary Model Has No Hidden Fees" respectively. Exh. 5 lists the management fee at 1% of NAV per year to be distributed at the beginning of the first calendar quarter. Exh. 7 lists an increased management fee of 2.5% of NAV. Scott explained that the management fee was not to be paid until the fifth quarter after the money was originally placed with Summit Trust. See Exh. 17, 1/22/13 email to Brown on Arete fees.

³⁴ Scott Tr. at 150:8-152:20; 165:25-169:13; Exh. 13, Scott notes of Snisky presentation at p. 1; Tomich Tr. at 55:18-56:14; Meissner Tr. at p. 64:17-65:21; 66:9-67:16; 68:24-71:7; 71:14-73:13; 73:22-74:9; 76:19-77:14.

³⁵ Matticks Decl. at ¶ 11.

³⁶ Scott Tr. at p. 203:17-25; Matticks Decl. at ¶ 4, 5, 10.

³⁷ Meissner Tr. at p. 87:17-88:7.

³⁸ Scott Tr. at 166:24-168:3

³⁹ See e.g. Exh. 5 and Exh. 7. at p. 3 ¶ 1 of both exhibits. See also Exh. 15, copy of PPM produced by Meissner with highlights of Disclosure No. 1 at p. Meissner-P-000039; and Exh. 16 produced by Scott.

to Scott who forwarded them to the insurance salesmen and advisors.⁴⁰ Meissner testified that he read the Forms D.⁴¹ Based on the PPMs and the Forms D, Scott and Meissner knew they were offering securities to investors.⁴²

The investments in Arete were investment contracts. Snisky represented to Scott, Meissner, and others that investors' funds were pooled to purchase Agency Bonds, which paid interest of six to seven percent.⁴³ The Arete investors did not own the individual bonds but rather a proportionate share of the bonds and the interest earned.⁴⁴ Snisky represented that Arete earned additional interest by lending principal repayments received from the bonds to a federal bank overnight lending program.⁴⁵ The interest that Arete was to earn came from the efforts of Snisky, the investment manager.⁴⁶ All the funds of the investors whom Tomich and Meissner induced to purchase investments in Arete were aggregated into a single Summit Trust SMA which transferred the funds to Arete.⁴⁷

⁴⁰ Exh. 18, Scott email to Rasmussen.

⁴¹ Meissner testified that he read the Form D for Arete. Meissner Tr. at p. 70:8-11. *See also* Exh. 19, Meissner's copy of Form D.

⁴² Meissner Tr. at p. 69:22-70:11 (Form D); 79:3-14 (Meissner received PPM from Snisky); 92:2-93:17 (Meissner went through Arete PPM and application with Chadwick

⁴³ Scott Tr. p. at 151:24-152:20; 178:5-17; Exh. 13, Scott's notes at p. 1: "1. Buy Bonds – provide int[erest] from Bonds to pool of investors [without] buy[ing] it! Agency Bonds – buy @ 6%- pay back to people 7% for 10 years (keep 1st 5 years in house)." *See also* Meissner Tr. at p. 76:19-77:14 (investors' funds were collected with funds of other investors to purchase bonds). Tomich Tr. at p. 85:13-86:2.

⁴⁴ Exh. 12, see Scott statement at 1, "Summit's role was to aggregate the funds of investors into one 'separately managed account' and to distribute the quarterly interest proportionately." *See also* Exh. 5 Arete PPM at p. 1 under heading "Contributions in Company" disclosing investors' contributions are held in "Book Capital Accounts". Scott Tr. at p. 154:8-13.

⁴⁵ Scott Tr. at p. 157:3-18; 168:16-169:9; Meissner Tr. at p. 71:14-73:13; 96:16-97:7 (identifying Exh. 5) and 100:22-102:6.

⁴⁶ Scott Tr. at p. 149:21-151:17; 151:22-152:20; 157:3-22; 168:16-169:9.

⁴⁷ Scott Tr. at p. 176:14-178:17.

D. Scott Acted as a Broker.

Scott acted as a broker in the sale of the securities of Arete by participating at key points in the chain of distribution in at least four ways. First, Scott arranged for Summit Trust to serve as the custodian for the accounts of Arete's investors. Second, he induced three insurance salesmen to persuade their clients to purchase investments in Arete. Third, he received transaction-based compensation of seven percent of the funds of the investors that his salesmen induced to purchase investments in Arete, and in turn he was to pay his salesmen a five percent commission. Fourth, he tracked the sales made by Tomich and Meissner, reviewed the investors' applications to determine if the investors were accredited, and confirmed wire transfers of funds to Summit Trust.⁴⁸

1. Scott Arranged for Arete to Open a SMA Account at Summit Trust.

At the beginning of January 2012, Scott's employment with Summit Trust ended.⁴⁹ After he was laid off, Scott asked Kevin Brown, the president of Summit Trust, to participate in two webinars hosted by Snisky to become familiar with the Arete investment.⁵⁰ Snisky wanted Summit Trust to act as a custodian to aggregate the funds from Arete's investors into one "separately managed account" (SMA), send account statements to investors, and allocate quarterly interest to investors who purchased the investments in Arete.⁵¹ In February 2012, Scott arranged for Arete to

⁴⁸ Scott Tr. at p. 204:18-205:7; Tomich Tr. at p. 102:19-104:2.

⁴⁹ Scott Tr. at p. 28:25-6; 118:24-22; 163:21-164:24.

⁵⁰ Scott Tr. at p. 48:6-18 (Brown is president of Brown); 49:12-50:4 (Brown was principal); Scott Tr. at p. 145:16-146:6; 157:3-160:16 (Scott asked Brown and Summit Trust to participate in two webinars) 164:15-24 (Scott asked Brown to open SMA); Exh. 12, Scott statement p. 1. *See also* Brown Tr. at p. 160:20-161:12.

⁵¹ Exh. 12 at p. 1; Brown Tr. at p. 165:25-168:4.

open a SMA with Summit Trust to receive funds from investors and transfer funds to Arete's bank accounts.⁵²

2. Scott Induced or Attempted to Induce Insurance Salesmen and Advisers to Sell Investments in Arete.

Scott introduced at least eight insurance salesmen and financial advisers to Snisky to induce them to offer Arete's securities to their clients.⁵³ Of the eight, Tomich, Meissner and Sparkman sold Arete's securities to their clients.

Scott introduced Tomich,⁵⁴ an insurance salesman from Michigan, and Rasmussen, an investment adviser from Texas, to Snisky in a telephone conference call to induce them to purchase investments in Arete.⁵⁵ Scott sent information about Snisky by email to Rasmussen, who responded he was interested in investing between \$5 and \$7 million in Arete.⁵⁶ In response, Scott emailed Rasmussen the Arete five-year private placement memorandum on January 27, 2012.⁵⁷

On February 2, 2012, Scott emailed Rasmussen, Dye, Henderson, and Sparkman to arrange a conference call with Snisky to introduce the Arete investment and later sent highlights about Arete's Summit 12PO10i and 12PO5i investments.⁵⁸ Scott also emailed Rasmussen and Kitchen the Bloomberg screen shots of bond transactions to be discussed during a conference call with

⁵² See Exh. 20, Scott email 2/3/12; Scott Tr. at p. 163:21-164:24

⁵³ Scott introduced Tomich, Donald Rasmussen, Wes Dye, David Henderson, Bill Sparkman, Ken Kitchen, Meissner, and Jeffrey Lumkes to the investments with Arete. See footnotes 54, 58, 59, 62, and 74.

⁵⁴ Tomich Tr. at p. 47:23-48:17; 49:4-18; 52:12-53:20; 54:5-15. Tomich initially learned about Snisky and Arete from Scott in the summer of 2011 in a conference call, and then again in another call in early January 2012. *Id.*

⁵⁵ Exh. 12, Scott statement ¶ 2 & 3.

⁵⁶ Exh. 21. Scott used the email address D1Scott@comcast.net. Scott Tr. at p. 12:10-11.

⁵⁷ Exh. 14.

⁵⁸ Exh. 22.

Snisky.⁵⁹ Later in February 2012, Scott travelled to Colorado to attend Snisky's training presentation with Rasmussen, Dye,⁶⁰ and Sparkman.⁶¹

After the training session, Sparkman told Meissner about the investments in Arete and told him to contact Scott.⁶² In February 2012, Meissner telephoned Scott, whom he knew from previous transactions with Summit Trust,⁶³ to learn more about the investments in Arete.⁶⁴ Scott set up a joint conference call with Snisky, so that Meissner could learn about investments in Arete, and arranged for Snisky to email to Meissner information about the trading platform.⁶⁵ Scott invited Meissner and Tomich to attend a training session.⁶⁶ Then Scott travelled to Colorado in March 2012 to participate in Snisky's training session with Meissner⁶⁷ and Tomich.⁶⁸

⁵⁹ Exh. 23.

⁶⁰ Rasmussen, Dye and Henderson did not induce any investors to purchase the securities of Arete. Scott Tr. at p. 172:2-4.

⁶¹ See Exh. 12, Scott statement at ¶ 3, (Rasmussen, Tomich and Sparkman attended meeting); see also Scott Tr. at p. 169:20-171:9, (identifying the attendees as Bill Sparkman, Don Rasmussen, Wes Dye, and Steve Tabb).

⁶² Meissner Tr. at p. 59:3-60:10; Meissner Answer at para. 4 (Bill Sparkman recruited and informed me about Arete LLC and told him to contact Scott.).

⁶³ Meissner Tr. at p. 54:1-21.

⁶⁴ Meissner Tr. at p. 61:19-64:14.

⁶⁵ Meissner Tr. at p. 82:14-83:8; Exh. 24, Snisky 3/1/12 email sending screen shots. Exh. 25, 2/28/12 email setting conference call.

⁶⁶ Exh. 19, Scott email setting up Arete training in Colorado. Meissner attended the Arete training with Tomich and another gentleman. See Meissner Tr. at p. 64:17-65:2; 66:9-68:15 (Exh. 19). See also Tomich Tr. at p. 74:6-11. Tomich attend the Arete training in Colorado with Doug Scott, Steve Tabb, and a "fellow from Texas, his name was Mieznar [sic]." Scott Tr. at p. 172:15-25 (Scott's second trip to Colorado was to attend Snisky's training with Meissner and Tomich).

⁶⁷ Scott Tr. at p. 182:13-15; Exh. 25, Scott email setting conference call.

⁶⁸ Scott Tr. at p. 172:15-25; Meissner Tr. at p. 64:17-65:2; 68:5-19; Tomich Tr. at p. 74:6-11.

In March 2012, Meissner travelled to Colorado to meet Snisky and Scott, learn about the company, and conduct his due diligence.⁶⁹ He and Scott spent a day with Snisky looking at computer screenshots from a Bloomberg Terminal while Snisky explained his trading program.⁷⁰ Although Snisky showed Meissner and Scott hypothetical transactions involving the purchase of Ginnie Mae bonds, neither asked Snisky if he had already purchased any bonds or through what brokerage firm he effected his transactions.⁷¹ Meissner did not ask Snisky how he obtained access to the overnight federal bank lending program.⁷² Following the training session, Scott emailed Meissner and others (Sparkman, Henderson, Rasmussen) instructions on how to complete the application to invest in Arete.⁷³

Scott also offered the investment in Arete to Jeffrey Lumkes and his clients.⁷⁴ Scott also represented in emails that he offered the Arete investment to an executive at US Bank in Colorado in June 2012⁷⁵ and to school districts in Colorado in October 2012.⁷⁶

As a result of Scott's efforts Tomich, Meissner and Sparkman offered Arete's securities to their clients who purchased the investments.

⁶⁹ Meissner Tr. at p. 59:3-10; 62:19-63:17; 64:3-17; 66:9-68:19; *see also* Exh. 19, Scott email to about Meissner travel arrangements to Colorado.

⁷⁰ Meissner Tr. at p. 64:17-65:21.

⁷¹ Meissner Tr. at p. 64:17-65:21; 68:24-70:16; 72:13-73:13, 74:19-77:13. *See also* Scott Tr. at p. 150:230-151:17; 203:16-25 (Snisky subsequently disclosed to Scott after the seizure of his accounts by the FBI that he had not purchased any bonds.)

⁷² Meissner Tr. at p. 71:14-72:4; 73:2-21.

⁷³ Exh. 26, Scott email sending instruction on how to invest in Arete.

⁷⁴ Exh. 27 which was referred to during investigative testimony as Exh. 52, Scott email 2/9/12.

⁷⁵ Scott Tr. at p. 182:16-184:2. *See also* Exh. 28 Scott email in Colo. in June 2012 with Snisky.

⁷⁶ *See* Scott emails Exh. 29 (*see also* Exh. 28, Scott email in Colo. in June 2012 with Snisky and want to discuss loan) and Exh. 30.

3. Scott Received Transaction–Based Compensation for Sales of Investments in Arete by Meissner and Tomich.

Snisky agreed to pay Scott a seven percent commission on the investments offered and sold by insurance agents or advisers whom Scott introduced Arete.⁷⁷ Scott agreed to pay the salesmen a five percent commission for inducing their clients to purchase investments in Arete.⁷⁸ To facilitate these transactions, Scott requested that his wife form the Cromarty Group in February 2012 and open a bank account, which received funds from Arete, Group Summit LLC,⁷⁹ and Snisky.⁸⁰

Scott received transaction-based compensation from Snisky when Meissner and Tomich were successful in selling investments in Arete to their clients.⁸¹ From April through October 2012, Tomich induced seven of his clients to purchase \$969,848.35 in investments in Arete.⁸² Tomich advised Scott when his clients were ready to invest and mailed the applications from Michigan to Summit Trust in Nevada.⁸³ From April through July 2012, Meissner induced four of his clients to purchase \$355,242 in investments in Arete.⁸⁴ Meissner advised Scott when each of his clients was ready to invest.⁸⁵

⁷⁷ Scott Tr. at p. 135:13-136:19 (Snisky to pay 7 percent to Cromarty and it was to pay 5% to the advisers who sold the security to the investors).

⁷⁸ Scott Tr. at p. 135:13-136:19; Meissner Tr. at p. 57:15-59:2; Tomich Tr. at p. 86:6-10; 110:24 – 111:7; 111:25-113:1 (Tomich received \$48,327 from Cromarty and Scott as commissions on Arete transactions).

⁷⁹ In April 2012, Snisky formed a new entity Group Summit LLC to receive funds raised by Scott and the insurance salesmen that he recruited. Scott Tr. at p. 191:3-192:25, Exh. 16.

⁸⁰ Exh. 31, which was referred to during investigative testimony as Exh. 61, Linda Close letter; Scott Tr. at p. 20:2-15; 22:10-15. Snisky wire transferred funds to the Cromarty Group account. Matticks Decl. at ¶ 4, 5, 8, 13, 14; see also Exh. 51.

⁸¹ Scott Tr. at p. 173:14-23; 178:2-10; 171:14-172:1 (Sparkman induced a husband and wife to invest and Scott was compensated).

⁸² Tomich Tr. at p. 98:12-99:8, Tomich identified seven investors that he introduced to Arete.

⁸³ Exh. 32, 4/2/12 Tomich email to Scott mailing application for investment in Arete.

⁸⁴ Meissner Tr. at p. 92:2-93:17, Exh. 5 (Chadwick application); p. 106:12-107:17, Exh. 6 (Weems application); p. 107:23-110:25 (Hall and Hart invested), Exh. 7 (Hall's PPM); there

In total, Tomich, Meissner and Sparkman induced eleven investors to purchase \$1,325,090 of the securities of Arete. As a result of the sales by Tomich and Meissner, Snisky and his entities made nine wire transfers to Scott through his Cromarty Group bank account totaling \$95,595.94, which corresponded to slightly more than seven percent of the total sales made by Tomich and Meissner. Out of those funds, Scott paid commissions of approximately five percent to Meissner that equaled \$17,737 and to Tomich that equaled \$48,327.40; and half percent commission to Sparkman on Meissner's sales that equaled \$1,776.20.⁸⁶ In addition, Scott paid Summit Trust \$1,457.50 for opening the custodial accounts for Arete.⁸⁷ Out of the funds he received from Snisky, Scott retained \$26,297.84.⁸⁸

4. Scott Tracked the Investments and Wire Transfers to Arete.

Scott tracked the investments of the clients of Tomich and Meissner were sent to Summit

were four investors, p. 111:20-24. Ms. Hall and Mr. Hart were new clients. Meissner Tr. at p. 114:14-19; 116:21-117:8.

⁸⁵ Meissner Tr. at p. 50:19-51:19; 97:25- 98:14 and 99:22-100:4 (Meissner described his clients as in the 50 to 70 age range looking for fixed rate returns to increase their income. Meissner communicated to his clients that the investments was a Ginnie Mae type investment fully guaranteed by the full faith and credit of the U.S. Government. Meissner provided the information to his clients because Arete did not advertise.) *See, e.g.*, Exh. 33, 3/21/12 Scott email stating "Ken Meissner has several clients that are ready to invest in the Arete program." Exh. 34, 3/28/12 Scott email "I believe you should have received one or two packages with business for the Arete SMA. Mike Tomich and /or Ken Meissner are sending in business." Exh. 35, 4/10/12 Scott email "I want to review the Arete business that is in different stages of the process and to see if Contribution Agreements have been completed for those that have been in Las Vegas for a while. . . . Chadwick . . . \$50,000 in the 10 year plan (Ken Meissner)." Exh. 36, 7/10/12 Summit Trust email to Scott re investment by Meissner client; Exh. 37, 6/25/12 Meissner email to Scott re Hart investment.

⁸⁶ Matticks Decl. at ¶ 16.

⁸⁷ *Id.*

⁸⁸ Scott Tr. at p. 199:17-201:3. Scott used those funds to pay health insurance and his other expenses.

Trust.⁸⁹ Brown, the president of Summit Trust, described Scott alternately as the quarterback for, or in the chain of command of, Tomich and Meissner coordinating their clients' investments in, and transfers of funds to Arete.⁹⁰ Scott knew that the first person to invest in Arete was a client of Tomich,⁹¹ and that Sparkman induced a husband and wife to invest in Arete.⁹² He confirmed various wire transfers of investors' funds from the Summit SMA account to Arete's bank account.⁹³

Scott also coordinated the transfer of investments funds. In May 2012, Scott directed Brown and Summit Trust to hold further wire transfers to Arete because Snisky was changing banks.⁹⁴ Later in May, Scott advised Brown that Snisky had moved the bank accounts to Key Bank.⁹⁵ Then Scott provided the new wire instruction information to Summit Trust in June 2012.⁹⁶ When Brown needed the contribution agreement for Summit Trust to send funds to Arete (Group

⁸⁹ See Exh. 33, 3/22/12 Scott email requesting brochures for Meissner's clients investing in Arete; Exh. 34, 3/28/12 Scott email re Tomich or Meissner sending Arete packages; Exh. 32, 4/2/12 Scott email that Tomich is sending in Arete paperwork; Exh. 35, 4/10/12 Scott email confirming investments by Tomich and Meissner clients; Exh. 38, 4/10/12 Scott email checking on wire of investors' funds to Arete. 4/30/12 Scott email tracking wires of investors' funds (Beland, Weems, Chadwick) STC-0073049-51; Exh. 36, 7/10/12 email to Scott re Mary Hall (sic Hart), and Exh. 37, 6/25/12 Meissner email to Scott re Hart investment.

⁹⁰ Brown Tr. at p. 171:21-172:12; 201:6-202:14.

⁹¹ Exh. 12, Scott statement ¶ 4.

⁹² Scott Tr. at p. 171:14-172:1; Matticks Decl. at ¶ 5 (LeGrand investments of \$141,500 deposited into Group Summit account 6304).

⁹³ Exh. 38, 4/10/12 Scott email tracking the flow of money to Arete and requested confirmation of funds wired to Arete; Exh. 39, 4/19/12 Scott email asking, "is there another group of clients who have funds ready to be wired this week?"; Exh. 40, 4/19/12 email to Scott identifying three investors whose funds were part of \$365,750 wire sent to Arete; at p. STC-0073051; *see also*, 4/24/12 Scott email asking for funds of Anne Savage to be sent, *id.* at p. STC-0073050.

⁹⁴ Exh. 41, 5/4/12 Scott email to hold wires.

⁹⁵ Exh. 29, 5/31/12 Scott email re Key Bank.

⁹⁶ Exh. 42, 6/5/12 Scott email with Key Bank wire instructions.

Summit), Scott emailed the document to him.⁹⁷

Scott acted as a broker in the sale of Arete's securities by participating a key points in the chain of distribution of the securities, and receiving and paying transaction-based compensation on eleven sales of Arete's securities to Tomich's and Meissner's clients.

E. Meissner Acted as a Broker.

Following the training session with Snisky and Scott in Colorado in March 2012, Meissner induced four investors to purchase \$355,242 in investments in Arete.⁹⁸ Meissner obtained the PPM and application from Snisky either by email or through the mail.⁹⁹ Meissner offered the Arete investment to two of his existing clients and two new clients.¹⁰⁰ Meissner discussed the merits of the investment in Arete,¹⁰¹ completed the applications, and sent the application along with investors' funds to Summit Trust in Nevada,¹⁰² for later transfer to Arete in Colorado.¹⁰³ Meissner did not disclose to his clients that he was receiving a five percent

⁹⁷ Exh. 43, 7/10/12 Scott email to Brown with Arete paperwork for 3Q2012.

⁹⁸ Meissner Tr. at p. 92:2-93:17, Exh. 5 (Chadwick application); p. 106:12-107:17, Exh. 6 (Weems application); p. 107:23-110:25 (Hall and Hart invested), Exh. 7 (Hall's PPM); there were four investors, p. 111:20-24. Ms. Hall and Mr. Hart were new clients. Meissner Tr. at p. 114:14-19; 116:21-117:8.

⁹⁹ Meissner Tr. at p. 79:3-14. Snisky sent Meissner the PPMs.

¹⁰⁰ Meissner Tr. at p. 92:2-93:17, Exh. 5 (Chadwick application); p. 106:12-107:17, Exh. 6 (Weems application); p. 107:23-110:25 (Hall and Hart invested), Exh. 7 (Hall's PPM); there were four investors, p. 111:20-24. Ms. Hall and Mr. Hart were new clients. Meissner Tr. at p. 114:14-19; 116:21-117:8.

¹⁰¹ Meissner Tr. at p. 50:19-51:19; 97:25-98:14; 99:22-100:4 (Meissner described his clients as in the 50 to 70 age range looking for fixed rate returns to increase their income. Meissner communicated to his clients that the investments was a Ginnie Mae type investment fully guaranteed by the full faith and credit of the U.S. Government. Meissner provided the information to his clients because Arete did not advertise.)

¹⁰² Meissner Tr. at p. 117:19-118:15. Meissner sent the completed forms to Summit Trust.

¹⁰³ *Id.*

commission on their investments.¹⁰⁴ Meissner advised Scott when each of his clients was ready to invest.¹⁰⁵

Meissner received transaction-based compensation from Scott through the Cromarty Group. Scott sent Meissner three checks for \$2,500, \$5,000 and \$10,237.¹⁰⁶ These checks represented a five percent commission on each of his client investments in Arete, with the last check combining the commission for two clients.¹⁰⁷ Meissner was not licensed or registered as a broker when he sold the securities of Arete in 2012.¹⁰⁸

IV. Argument

A. Summary Disposition Standard

The Division's motion for summary disposition should be granted because there are no genuine issues of material fact and the Division is entitled to summary disposition as a matter of law. Commission Rules of Practice Rule 250(b), 17 C.F.R. § 201.250(b). The facts in the pleadings of the party against who the motion is made shall be taken as true, except as modified by

¹⁰⁴ Meissner Tr. at p. 124:1-20.

¹⁰⁵ See e.g. Exh. 33, 3/21/12 Scott email stating "Ken Meissner has several clients that are ready to invest in the Arete program." Exh. 34, 3/28/12 Scott email "I believe you should have received one or two packages with business for the Arete SMA. Mike Tomich and /or Ken Meissner are sending in business." Exh. 35, 4/10/12 Scott email "I want to review the Arete business that is in different stages of the process and to see if Contribution Agreements have been completed for those that have been in Las Vegas for a while. . . . Chadwick . . . \$50,000 in the 10 year plan (Ken Meissner)." Exh. 36, 7/10/12 Summit Trust email to Scott re investment by Meissner client; Exh. 37, 6/25/12 Meissner email to Scott re Hart investment.

¹⁰⁶ Meissner Tr. at p. 124:25-126:9; see also Exh. 25 containing check stubs. Meissner Tr. at p. 56:15-59:2. Meissner was paid commission through Cromarty Group.

¹⁰⁷ Meissner Tr. at p. 124:25-126:9; see also Exh. 25.

¹⁰⁸ Meissner Tr. at p. 31:18-32:12 (Meissner held a securities license until 2000); 34:10-35:25 (Meissner was barred from the securities industry in 2000); 42:20-21 ("I did not have a securities license.")

stipulations or admissions made by him, by uncontested affidavits, or by facts officially noticed pursuant to Rule 323. Rule 250(a), 17 C.F.R. § 201.250(a).

The issue of whether a respondent violated Section 15(a)(1) of the Exchange Act may be resolved in a motion for summary disposition under Rule 250. *See, e.g., Ox Trading LLC*, 2012 SEC LEXIS 2810 (Sept. 5, 2012) (summary disposition finding respondent violated Section 15(a)(1) by acting as an unregistered dealer), citing *Couldock & Bohan, Inc. v. Societe Generale Secs. Corp.*, 93 F. Supp. 2d 220, 230-31 (D. Conn. 2000) (violation of Section 15(a) determined on summary judgment); *see also Centreinvest, Inc.*, Initial Dec. Rel. No. 387, 2009 SEC LEXIS 2966 (Aug. 31, 2009) (same); *SEC v. Offill*, 2012 U.S. Dist. LEXIS 9369, at *28-33 (N.D. Tex. Jan. 26, 2012) (finding defendants acted as unregistered brokers).

B. Elements of Section 15(a)(1) Violation

Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1), makes it unlawful for any broker to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker is registered with the Commission. Scienter is not an element of a Section 15(a)(1) violation. *SEC v. Offill*, 2012 U. S. Dist. LEXIS 9369, at *28; *SEC v. Rabinovich & Assoc., L.P.*, 2008 U.S. Dist. LEXIS 93595, at *14 (S.D.N.Y. Nov. 17, 2008).

A broker is “any person engaged in the business of effecting transactions in securities for the account of others.” Section 3(a)(4) of the Exchange Act, 15 U.S.C. § 78c(a)(4). The phrase “engaged in the business” is not defined by statute. However, it has been interpreted as regularly participating in securities transactions at key points in the chain of distribution. *See SEC v. Kenton*

Capital, Ltd., 69 F. Supp. 2d 1, 12-13 (D.D.C. 1998); *Mass. Fin. Servs. Inc. v. Sec. Investor Prot. Corp.*, 411 F. Supp. 411, 415 (D. Mass.), *aff'd*, 545 F.2d 754 (1st Cir. 1976).

The Exchange Act also does not define “effecting securities transactions” for the purpose of being a broker. But courts consider several factors in determining whether a person is “effecting securities transactions,” such as whether the person (1) solicited investors to purchase securities, (2) handled investor funds and securities, (3) advised investors on the merits of the investment; and (4) received transaction-related compensation. *See SEC v. Offill*, 2012 U. S. Dist. LEXIS 9369, at *29 (citations omitted); *SEC v. Bengler*, 697 F. Supp. 2d 932, 945 (N.D. Ill. 2010); *SEC v. U.S. Pension Trust Corp.*, 2010 WL 3894082, at *21 (S.D. Fla. Sept. 30, 2010) (compiling list of 11 factors courts consider when determining whether someone is a broker). Transaction-based compensation, which both Scott and Meissner received, is one of the hallmarks of being a broker. *See Cornhusker Energy Lexington LLC v. Prospect St. Ventures*, 2006 U.S. Dist. LEXIS 68959, 2006 WL 2620985 at *6 (D. Neb. Sept. 12, 2006).

C. Meissner and Scott Willfully Violated Section 15(a)(1) of the Exchange Act.

As an initial matter, it is undisputed that Meissner and Scott were not registered with the Commission as brokers when they induced or attempted to induce investors to purchase the securities of Arete.

Likewise, there can be no dispute that each of them used the means or instrumentalities of interstate commerce to effect the transactions, when they communicated with each other and Snisky by telephone, sent investment materials by email or the mails, travelled to Colorado to learn about the investment in Arete, sent investors’ applications and funds to Summit Trust in Nevada

for investment with Arete in Colorado, and received transaction-based compensation sent interstate by wire transfer or as checks sent through the mail.

The OIP alleges the Respondents *willfully* violated Section 15(a) of the Exchange Act. OIP at p. 6. To commit a willful violation a Respondent need only have intentionally committed the act that constitutes the violation; there is no requirement that the actor also be aware he is violating any statute or regulation. *See Arthur Lipper Corp. v. SEC*, 547 F.2d 171, 180 (2d Cir. 1976); *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965); *James E. Ryan*, 47 SEC 759, 761 n.9 (1982).

1. Scott Willfully Violated Section 15(a)(1) of the Exchange Act.

Scott acted as an unregistered broker when he induced three insurance agents to induce their clients to purchase the securities of Arete. He persuaded Meissner, Tomich, and Sparkman to induce their clients to purchase investments in Arete which totaled \$1,466,992.56.¹⁰⁹

Scott participated in the securities transactions at four key points in the chain of distribution. Scott was the quarterback coordinating Tomich's and Meissner's activities. First, Scott arranged for Summit Trust to serve as the custodian for the accounts of Arete's investors. Second, he induced Tomich, Meissner and Sparkman to persuade their clients to purchase investments in Arete and also attempted to induce at least five others to sell the investments in Arete. Third, he received \$95,595.94 in transaction-based compensation of seven percent of the funds of the investors that Tomich and Meissner induced to purchase the securities of Arete, and in turn he paid the salesmen a five percent commission. Fourth, he tracked the sales made by Tomich and Meissner, and confirmed the transfer of funds from Summit Trust to Arete.¹¹⁰ Although the PPMs that he distributed to the salesmen and ultimately the investors represented that Arete paid

¹⁰⁹ Matticks Decl. at ¶ 12; see also Exh. 50, Summary of Investor Proceeds.

¹¹⁰ Scott Tr. at p. 204:18-205:7; Tomich Tr. at p. 102:19-104:2.

no fees to representatives, Scott never disclosed that he was receiving commissions for selling investments in Arete.¹¹¹

Scott was engaged in the business of effecting securities transactions in Arete. Scott's principle activity during 2012 was inducing insurance agents or advisers to sell the investments in Arete. From February through October 2012, the majority of the deposits into the Cromarty Group bank account were received from Arete, Group Summit, and Snisky; \$95,595.94 out of the \$100,490.94 in total deposits came from Snisky and his entities.¹¹²

Scott's violations of the broker registration provisions of Section 15(a)(1) of the Exchange Act were willful. He knew that he was barred by the PSC from acting as an unregistered broker and yet he facilitated sales by three salesmen and received transaction-based compensation for each sale.

2. Meissner Willfully Violated Section 15(a)(1) of the Exchange Act.

Meissner acted as an unregistered broker when he induced four clients to invest a total of \$355,242 in the securities of Arete. Two of the four clients were new to Meissner. Meissner discussed the merits of the investment, and completed the investment applications for his clients and sent the applications along with the investors' funds by mail or email from Texas to Summit Trust in Nevada. These applications directed Summit Trust to wire transfer the funds to Arete's bank accounts in Colorado. Meissner advised Scott of each investment and received three checks from Scott totaling \$17,737, which were transaction-based commissions of five percent of the investors' funds. Meissner did not disclose to his clients that he was receiving commissions for

¹¹¹ Meissner Tr. at p. 57:20-58:9; Scott Tr. at p. 135:1-137:2; 166:24-168:3 (Scott believed his commissions were to come from the earnings not investors' funds.)

¹¹² Matticks Decl. 15; see also Exhibit 51, Summary of Cromarty Group account 4987.

selling investments in Arete.

Meissner was engaged in the business of offering low- risk investments to his clients and effecting securities transactions in Arete.¹¹³ He sold insurance, structured viatical settlements, and also the securities of Arete to his customers.¹¹⁴ Between April and July 2012, Meissner offered the securities of Arete to four investors who purchased the securities, and to others who were waiting until after the first promised interest payments were made before they purchased.¹¹⁵

Meissner's violations of the broker registration provisions of Section 15(a)(1) of the Exchange Act were willful. He knew that he was barred by the NASD from acting as a broker, and yet he sold the investments in Arete to four clients and received transaction-based compensation for each sale.

D. Sanctions

These proceedings were instituted pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act. Under these sections, the Commission is authorized to sanction violators of the federal securities laws through such means as a collateral securities bar from association with any broker or dealer or other securities industry organization, civil penalties, an accounting and disgorgement of ill-gotten gain including reasonable interest, and an order to cease and desist from violative conduct. *See* Sections 15(b)(6)(A), 21B(a) and (e), and 21C(a) and (e) of the Exchange Act, and Section 9(e) of the Investment Company. The undisputed facts discussed above establish that Scott and Meissner willfully violated Section 15(a) of the Exchange Act by acting as unregistered brokers.

¹¹³ Meissner Tr. at p. 41:16-42:6 (Meissner is self-employed as an independent insurance agent selling products that offer a guaranteed or good rate of return at a low risk.)

¹¹⁴ Meissner Tr. at p. 24:2-11; 42:16-45:17; 52:5-16 (commissions from structured annuities).

¹¹⁵ Meissner Tr. at p. 130:7-131:16.

1. Cease and Desist Order

Section 21C(a) of the Exchange Act authorizes the Commission to impose a cease-and-desist order if it finds that any person has violated any provisions of the federal securities laws. The Commission imposes cease-and-desist orders where there is risk of future violations. *KPMG Peat Marwick LLP*, 54 S.E.C. 1135, 1183-92 (2001). A single past violation ordinarily suffices to raise a sufficient risk of future violations to merit a cease-and-desist order. *Id.* at 1185, 1191.

In addition, the Commission considers other factors, such as: (1) the seriousness of the violation; (2) the isolated or recurrent nature of the violation; (3) the respondent's state of mind; (4) the sincerity of the respondent's assurances against future violations; (5) the respondent's recognition of the wrongful nature of his or her conduct; (6) the respondent's opportunity to commit future violations; (7) whether the violation is recent; (8) the degree of harm to investors or the marketplace resulting from the violation; and (9) the remedial function to be served by the cease-and-desist order in the context of any other sanctions being sought in the same proceeding. *Maria T. Giesige*, Initial Decision Rel. No. 359, 94 SEC Docket 10635, 10638, 2008 WL 4489677 (Oct. 7 2008), citing *KPMG Peat Marwick LLP*, 54 S.E.C. 1135, 1192 (2001).

The Division requests that Scott and Meissner be ordered to cease and desist from committing violations of Section 15(a) of the Exchange Act. There is a high probability of future violations here. Scott and Meissner violated the broker registration provisions even though each was aware of the requirement to be registered to offer securities and had been previously barred from acting as broker-dealers. In October 1999, the PSC ordered Scott to cease and desist from offering and selling unregistered and nonexempt promissory notes and acting as an unregistered

broker-dealer.¹¹⁶ Then again in 2005, the PSC permanently barred Scott from being registered as, or being an affiliate of, a broker-dealer, investment adviser, or investment adviser representative.¹¹⁷ Similarly, Meissner was a broker until he was barred from association with any broker-dealer by the NASD in June 2000.¹¹⁸ Despite their previous sanctions, Scott and Meissner ignored the prohibitions and acted as brokers selling the securities of Arete.

Respondents' violations were serious. Their actions caused investors to lose money invested in Arete.¹¹⁹ Scott attempted to induce at least eight individuals to offer investments in Arete, and through the actions of Meissner and Tomich, indirectly induced eleven investors to purchase Arete's securities. Meissner offered Arete's securities to at least four investors who lost a substantial portion of their investments.

The Respondents' violations were willful. Scott and Meissner knew from their review of Arete's PPMs and Forms D that they were offering and selling securities when they were not registered as brokers, and were barred from acting as brokers. The Respondents actions were recurrent. Both ignored their prior bars from acting as brokers and repeatedly offering investments in Arete to investors during 2012.

Respondents offer no assurances against future violations or recognition of the wrongful

¹¹⁶ See Exh. 9.

¹¹⁷ *Id.*

¹¹⁸ See footnote 21.

¹¹⁹ In 2013, the United States Attorney's Office for the District of Colorado filed a civil forfeiture action against fifteen bank accounts, two automobiles, and two properties related to Snisky and his entities. A final judgment was entered forfeiting the defendant properties. See Exh. 44, Final Judgment entered in *U.S. v. \$62,232.97 Seized from Vectra Bank*, Case no. 13-cv-00567 (D. Colo. Nov. 22, 2013). As result of the forfeiture action, the U.S. Attorney's Office has returned approximately \$1,973,892.98 to investors. Meissner's clients received a first round of payments of \$170,345.84 or approximately 48 percent of their investments back.

nature of their conduct.¹²⁰ Both continue to be licensed to sell insurance, which creates the opportunity for future violations.¹²¹ But for the government's seizure of Snisky's bank accounts in early 2013, investors would have likely lost all of their investments.

Entry of a cease-and-desist order is necessary to protect the public from future violations that Scott and Meissner could commit. Respondents have demonstrated their disregard of the previous orders barring them from serving as brokers. A cease-and-desist order will protect investors from further violations by the Respondents.

2. Associational Bars

The Division seeks collateral bars from association in the securities industry against Scott and Meissner pursuant to Section 15(b)(6)(A)(i) of the Exchange Act¹²² and Section 9(b)(2) of the Investment Company Act.¹²³ Both sections require the Commission to find, on the record after

¹²⁰ Meissner Tr. at p. 81:17-82:13 (Meissner claims he did not solicit investments because he sold clients about Arete when asked what investment opportunities are available.) Scott Tr. at p. 132:14-134:23. (Scott testified he did not speak to any investors.)

¹²¹ Meissner Tr. at p. 46:9-47:3. Meissner is licensed with twenty insurance companies and has between 150 and 200 clients. He is a member of a country club and makes presentations there. *Id.* at p. 47:15-48:4; 48:19-22.

¹²² Section 15(b)(6)(A)(i) of the Exchange Act, in conjunction with Section 15(b)(4)(D) of the Exchange Act, empowers the Commission to impose sanctions against any person associated with a broker or dealer, if such person *willfully* violated the Exchange Act or rules adopted thereunder. Specifically, the Commission may censure an associated person, place limitations on the activities or functions of that person, suspend that person for a period not exceeding twelve months, or bar the person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization, or from participating in the offering of penny stock.

¹²³ Section 9(b)(2) of the Investment Company Act empowers the Commission to prohibit, conditionally or unconditionally, either permanently or for such period of time as it is in its discretion shall deem appropriate in the public interest, any person from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor or principal underwriter if such person has *willfully* violated any provision of the Exchange Act or rules adopted thereunder.

notice and the opportunity for hearing, that such censure, placing of limitations, suspension, or bar is in the public interest. *Id*

As discussed above, Meissner and Scott willfully violated the broker registration provisions of Section 15(a)(a) of the Exchange Act, because they each knew they were selling securities, were not registered as brokers, and were barred from acting as brokers. Imposing a collateral bar against Meissner and Scott from participating in any aspect of the securities industry is in the public interest.

The public interest analysis requires that several factors be considered, including: the egregiousness of the respondent's actions; the isolated or recurrent nature of the infractions; the degree of scienter involved; the sincerity of the respondent's assurances against future violations; the respondent's recognition of the wrongful nature of his or her conduct; and the likelihood that his or her occupation will present opportunities for future violations. *See Centreinvest, Inc.*, SEC Initial Dec. Rel. No. 387, 2009 SEC LEXIS 2966, *31 (Aug. 31, 2009), citing *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981) (other citations omitted). These public interest factors are almost identical to those used in determining the appropriateness of a cease-and-desist order.

The Respondents actions were egregious since both offered the securities of Arete when they were barred from acting as brokers. Moreover, they conducted no substantive due diligence to determine whether any of Snisky's representations were true. They received no assurances that Snisky held any brokerage accounts through which he could affect the bond purchases or that he had conducted any bond trading. The Respondents' conduct was recurrent not only in acting as unregistered brokers when they were previously barred, but also in acting as brokers for several

Arete transactions. Meissner induced four investors to invest and Scott indirectly induced eleven investors to invest. They have provided no assurance against future violations and their occupation as insurance salesmen provides the opportunity for future violations.

For the reason discussed above, it is in the public interest to impose a collateral bar against Scott and Meissner barring them from association with a broker, dealer, investment adviser, municipal securities dealer, municipal adviser, transfer agent, or nationally recognized statistical rating organization, or from participating in the offering of penny stock. In addition, it is in the public interest to permanently prohibit Scott and Meissner from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor or principal underwriter.

3. Disgorgement and Prejudgment Interest

Sections 21B(e) and 21C(e) of the Exchange Act and Section 9(e) of the Investment Company Act authorize disgorgement, and reasonable prejudgment interest in any proceeding in which a civil money penalty or cease-and-desist order could be imposed. *Centreinvest, Inc.*, 2009 SEC LEXIS 2966, *34-35. Disgorgement is “an equitable remedy designed to deprive a wrongdoer of his unjust enrichment and to deter others from violating the securities laws.” *SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1230 (D.C. Cir. 1989). The amount of disgorgement should include “all gains flowing from the illegal activities.” *SEC v. JT Wallenbrock & Assoc.*, 440 F3d 1109, 1114 (9th Cir. 2006). “[D]isgorgement need only be a reasonable approximation of profits causally connected to the violation.” *First City*, 890 F. 2d at 1231. Once the Division shows that its disgorgement figure reasonably approximates the amount of unjust enrichment, the burden of

going forward shifts to the Respondents to demonstrate clearly that the Division's disgorgement figure is not a reasonable approximation. *See SEC v. Lorin*, 76 F. 3d 458, 462 (2d Cir. 1996); *SEC v. Patel*, 61 F.3d 137, 140 (2d Cir. 1995); *First City*, 890 F.2d at 1232. Any risk of uncertainty falls on the wrongdoer whose illegal conduct created the uncertainty. *See First City*, 890 F.2d at 1232 (citations omitted).

The Division requests that the Court order Meissner to disgorge \$17,737, which are all the commissions he received, and \$1,531.70 in prejudgment interest.¹²⁴ The Commission has adopted rules and regulations concerning rates of interest and periods of accrual. *See* Commission Rule of Practice 600(b), 17 C.F.R. § 201.600. The Division calculated prejudgment interest of \$1,531.70 on Meissner's disgorgement of \$17,737, computed as provided in Commission Rule of Practice 600(b) from May 1, 2012 through March 30, 2015.¹²⁵

The Division requests that the Court order Scott to disgorge \$26,297.84, which are all the commission he retained and \$2,294.22 in prejudgment interest.¹²⁶ Scott received \$95,595.94 in commissions from Snisky; after paying commissions to Meissner, Tomich, Sparkman, and fees to Summit Trust, Scott retained \$26,297.84. The Division also requests that the Court order Scott to be jointly and severally liable with Meissner for disgorgement of the \$17,737, which Scott paid to Meissner.¹²⁷ Where a firm has received gains through its unlawful conduct, where its owner has collaborated in that conduct and has profited from the violations, and the court has determined that an order of disgorgement of those gains is appropriate, it is within the discretion of the court to

¹²⁴ See Matticks Decl. at ¶ 18, 20.

¹²⁵ See Matticks Decl. at ¶ 20; *see also* Exh. 45, Meissner prejudgment interest calculation.

¹²⁶ See Matticks Decl. at ¶ 17, 21; *see also* Exh. 46, Scott prejudgment interest calculation.

¹²⁷ The Division is not requesting that Scott be held jointly and severally liability for Tomich's commissions, because Tomich has already repaid the disgorgement of \$48,327.40.

determine that the owner should be liable jointly and severally for the disgorgement. *See SEC v. First Jersey Sec.*, 101 F.3d 1450 at 1475 (2d Cir. 1996). In this instance, Scott collaborated with Meissner in inducing investors to purchase the securities of Arete when neither of them was registered as brokers. Scott received all of the commissions into the Cromarty Group bank account, and then doled out the commissions to Meissner and Tomich retaining approximately two percent of the commissions. Where Scott benefited from Meissner's illegal conduct, he should be held liable jointly and severally for disgorgement of \$17,737 with Meissner for the commissions he paid.¹²⁸

4. Civil Penalties

The Division also requests that the Court impose civil penalties under Section 21B(a)(1) of the Exchange Act, and Section 9(d)(1) of the Investment Company Act. The Commission may impose a civil penalty if it finds, on the record after notice and opportunity for hearing, that a penalty is in the public interest and that such person willfully violated any provision of the Exchange Act.

In determining whether a civil penalty is in the public interest, the Commission may consider: (a) whether the act or omission for which the penalty is assessed involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement; (b) the harm to other persons resulting either directly or indirectly from such act or omission; (c) the extent to which the person was unjustly enriched, taking into account any restitution made to person injured by such behavior; (d) whether the person previously has been found by the Commission, another

¹²⁸ Arguably Scott should also be jointly and severally liable for the \$48,327.40 in commissions that he paid to Tomich; however, as part of his settlement Tomich has already paid his disgorgement and therefore a joint and several order would have no effect.

appropriate regulatory agency, or self-regulatory organization to have violated the Federal Securities laws, state securities laws or the rules of a self-regulatory organization; (e) the need to deter such person or others from committing such acts; and (f) such other matters as justice require. See Section 21B(c) of the Exchange Act, and Section 9(d)(3) of the Investment Company Act.

These sections provide three tiers of maximum penalties for “each act or omission.” 15 U.S.C. §§ 78u-2(b) and 80a-9(d)(2). The amounts have been increased for violations occurring after March 3, 2009. See 17 C.F.R. § 201.1004. Because Scott’s and Meissner’s violations occurred during 2012, the adjusted maximum penalty amounts contained in 17 C.F.R. § 201.1004 apply to their conduct. The first tier penalty for a natural person is \$7,500 for each willful violation of the Exchange Act. *Id.* The second tier penalty for a natural person is \$75,000 for each willful violation of the Exchange Act involving fraud, deceit, manipulation, ore deliberate or reckless disregard of a regulatory requirement. *Id.*

The Division requests a single, second-tier penalty of \$75,000 against Scott. Scott violated Section 15(a)(1) of the Exchange Act eleven times when he induced Meissner and Tomich to induce their clients to purchase Arete’s securities for which Scott received compensation. Between them, Meissner and Tomich induced eleven clients to invest in Arete. Based on his previous sanctions by the PSC, Scott knew that he must be registered as a broker to sell securities. Scott acted in deliberate disregard of this requirement when he offered the investments in Arete without registering as a broker. Scott did no due diligence to determine if the investment offered by Arete and Snisky was valid. Contrary to the representations in Arete’s PPM that sales representatives were not paid, Scott knew that he was receiving a seven percent commission, but he did not disclose that fact. Scott’s conduct cause substantial harm to investors who lost more than half of

their investments. Scott was unjustly enriched by his commissions of \$26,297.84. Where Scott has been previously sanctioned by the PSC twice for acting as an unregistered broker, entry of a second tier penalty is necessary to deter Scott from further misconduct.

The Division also requests a single, second-tier penalty of \$75,000 against Meissner. Meissner willfully violated Section 15(a)(1) of the Exchange Act four times when he induced his four clients to purchase Arete's securities, each of which could be determined to constitute a separate "act or violation" for purposes of determining penalties. Having been a licensed broker for more than twenty years, Meissner knew that he must register as a broker to sell securities and that he was barred by the NASD in 2000 from associating with a registered broker-dealer. Despite this knowledge, Meissner acted with deliberate disregard of the broker registration requirements.

Meissner's conduct was egregious because he did no due diligence to determine that Arete and Snisky had successfully purchased any Agency Bonds, had the ability to lend funds to banks overnight, or possessed a brokerage account through which Arete could purchase the bonds. Meissner persuaded his clients, all of whom were over 55 years old, to invest a substantial amount of their retirement funds with Arete in an unproven program. Contrary to the representations in Arete's PPMs that sales representatives were not paid, Meissner never disclosed to his clients that he was paid five percent of their investments. Meissner's conduct caused substantial harm to the clients who lost over half of their investments. Meissner was unjustly enriched by his commissions of \$17,723.

In addition, Meissner was previously sanctioned by the NASD and barred from associating with a registered broker-dealer. Entry of a second tier penalty of \$75,000 is necessary to deter Meissner and others from violating the broker registration provisions. In the alternative, the

Division requests that the Court impose four first-tier penalties of \$7,500 against Meissner for total civil penalties of \$30,000.

Meissner submitted with his Answer, a letter stating he does not have the financial ability to pay full disgorgement and civil penalties, and he provided a sworn statement of financial condition, copies of his October bank statements, and his 2013 income tax return. Sections 21B(d) of the Exchange Act and Section 9(d)(4) of the Investment Company Act provide that in any proceeding in which the Commission may impose a penalty under these sections, the respondent may present evidence of the respondent's inability to pay such penalty. The Commission may, in its discretion, consider such evidence in determining whether such penalty is in the public interest. However, "[a]n applicant's ability to pay is but one factor to consider in determining whether a penalty is in the public interest." *See Marie T. Giesige*, 2009 SEC LEXIS 1756 *28, citing *Bearcat, Inc.*, 57 S.E.C. 406, 429 (2004). "Where the egregiousness of an applicant's conduct outweighs any consideration of the respondent's inability to pay the civil penalty, the public interest requires that the civil penalty be imposed." *Id.*

Meissner's current financial situation should not prevent the Court from ordering disgorgement and penalties sought by the Division. Meissner represents that he and his wife receive monthly social security payments that total \$2,996, insurance commission payments that average \$1,383 per month, and a \$142 monthly pension, which equals annual income of \$54,252. They own their home valued at \$425,000, against which they owe two mortgages totaling \$159,559, leaving them with equity of \$265,441. In spite of these significant assets, Meissner lists substantial credit card debt, personal loans, and accrued real estate taxes that result in a negative net worth of \$98,207. Despite the fact that Meissner imprudently ran up credit card debt and

incurred other debts, the sanctions to be imposed upon him for his violations of the securities laws should not be reduced.

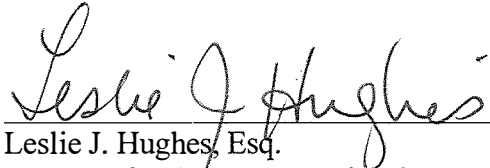
Meissner's inability to pay is but one factor the Court may consider. This factor is overridden by Meissner's willful violation of the broker registration requirements. Meissner's conduct is egregious where he acted as an unregistered broker after he was previously barred by the NASD. In light of his prior conduct in ignoring the NASD bar, entry of the cease-and-desist order and associational bars are unlikely to deter him from further violations. His conduct resulted in substantial harmed to his four clients who lost over half of their investment of \$355,242, and would have likely lost more but for the forfeiture action by the U.S. Attorney's Office.

V. Conclusion

Based on the undisputed facts, the Division request that the Court find that Meissner and Scott each willfully violated the broker registration provisions of Section 15(a)(1) of the Exchange Act. As sanctions, the Division requests that the Court enter a cease-and-desist order prohibiting them from further violations of Section 15(a)(1) of the Exchange Act, and associational bars prohibiting the Respondents from participating in the securities industry or offering penny stocks as provided in Section 15(b)(6)(A)(i) of the Exchange Act and Section 9(b)(2) of the Investment Company Act. In addition, the Division request that the Court order Meissner to disgorge \$17,737, which are all the commissions he received, and \$1,531.70 in prejudgment interest. The Division also requests that the Court order Scott to disgorge \$26,297.84, which is all the commissions that he retained and \$2,294.22 in prejudgment interest, and to be held jointly and severally liable to disgorge the \$17,737 in commissions that Meissner is ordered to disgorge. Finally, the Division requests the Court impose second-tier penalties of \$75,000 against both Meissner and Scott.

Dated January 30, 2015.

Respectfully submitted,

Handwritten signature of Leslie J. Hughes in cursive script.

Leslie J. Hughes, Esq.
Attorney for the Division of Enforcement
Securities and Exchange Commission
Byron G. Rodgers Federal Building



**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**

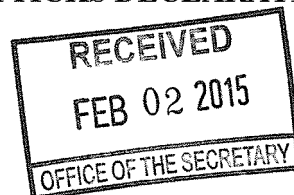
**ADMINISTRATIVE PROCEEDING
File No. 3-16175**

In the Matter of

**Kenneth C. Meissner, James
Doug Scott, and Mark S.
"Mike" Tomich,**

Respondents.

KERRY MATTICKS DECLARATION



I, Kerry Matticks, pursuant to 28 U.S.C. § 1746, declare:

1. I am a staff accountant employed in the Division of Enforcement (Division) in the Denver Regional Office of the Securities and Exchange Commission (SEC) since 1995. I am familiar with the following facts and circumstances in this action, and submit this declaration in support of the Division of Enforcement's motion for Summary Disposition against Respondents Kenneth C. Meissner (Meissner), and James Doug Scott (Scott).

2. During the SEC's investigation in this matter, the Division obtained the bank records for Arete LLC's account ending in 0996 at U.S. Bank in Colorado. The account was opened on August 22, 2011. The account signature card lists Gary Snisky as the sole signatory on the account. I prepared a summary of Arete's 0996 account which is attached as Exhibit 47. In the summary, I identify the transaction date; transaction type; source of the deposit or name of the payee on checks or wire transfers; category; the amount of the deposit or credits; the amount of the withdrawal or debit; and the monthly balance in the account. This account was closed on May 31, 2012.

3. Between August 2011 and May 2012, Arete's 0996 account received total deposits of \$3,835,059.48 with all but \$984.14 coming from investors. These deposits includes four wire transfers from Summit Trust Company in April and May 2012 that total \$832,248, which were for the benefit of five investors who were clients of Mike Tomich: Voorman, Schutte, Beland, Savage, and Fortuna; and two clients of Kenneth Meissner: Chadwick and Weems.

4. Between September 2011 and May 2012, Snisky made 48 counter withdrawals that totaled \$2,711,552.16, and wrote five checks to himself totaling \$60,000. Snisky also made numerous payments of at least \$12,162.57 to restaurants, groceries, household, automotive expenses, travel and payments to a casino; and at least four payments totaling \$50,412 to a custom house builder. The bank records show no transfers of funds to any brokerage accounts to purchase Agency Bonds. Out of Arete's 0996 account, Snisky wire transferred commissions of \$21,000 to the Cromarty Group LLC on April 16, 2102.

5. The Division also obtained the bank records for Group Summit LLC's account ending in 6304 at U.S. Bank in Colorado. The Group Summit's account 6304 was opened on April 27, 2012. The account signature card lists Gary Snisky as the sole signatory on the account. I prepared a summary of the Group Summit's account 6304 which is attached as Exhibit 48. Group Summit account 6304 received two deposits: \$1,185,079.62 from Snisky's counter withdrawal from Arete's account 0996; and \$141,902.12 from Summit Trust for the benefit of two clients of Bill Sparkman: LeGrand and LeGrand Trust. Out of Group Summit's account 6304, Snisky wire transferred commissions of \$35,000 and \$5,096 to the Cromarty Group LLC on April 30, and May 23, 2012. The bank records show no transfers of funds to any

brokerage accounts to purchase Agency Bonds. The account was closed on June 14, 2012 after Snisky withdrew the remaining balance of \$1,279,125.24 from the account.

6. The Division also obtained the bank records for Group Summit LLC's account ending in 4256 at Key Bank in Colorado. True and correct copies of the Key Bank account statements are attached as Exhibit 49. I have removed the last page of each statement, which contained a bank reconciliation form and notices but no transaction data. Group Summit's account 4256 was opened on April 24, 2012, with an initial deposit of \$100. The account signature card lists Gary Snisky as the sole signatory on the account. On June 1, 2012, Snisky wired \$1,279,125.24 from Group Summit's account 6304 at US Bank into Group Summit's account 4256 at Key Bank.

7. Between June and September, 2012, Group Summit received five additional deposits of investors' funds from Summit Trust that totaled \$471,642. These five deposits were wire transfers from Summit Trust:

- June 7 and 14, 2012, deposits of \$150,000 and \$64,500 for the benefit of three Tomich clients: Kieras, Fortuna, and Hasty-Wiers.
- July 11, 2012, Summit Trust deposit of \$205,242 for the benefit of two Meissner clients: Hart and Hall.
- August 2 and 9, 2012, deposits of \$44,700 and \$7,200 for the benefit of Tomich's clients Savage and Kieras.

8. Out of Group Summit's account 4256, Snisky made five wire transfers to the Cromarty Group:

- June 8, 2012 wire of \$10,500.
- July 3, 2012 wire of \$4,515.

- July 13, 2012 wire of \$14,366.94.
- August 8, 2012 wire of \$3,129.
- September 4, 2012 wire of \$505.

9. I reviewed the bank statement of Group Summit for its BBVA Compass bank account ending in 7573. On October 12, 2012, it received a wire transfer of \$21,200 from Summit Trust for the benefit of Tomich's client Hasty-Wiers.

10. The bank records for Group Summit's account 4256 show no transfers of funds to any brokerage accounts to purchase Agency Bonds. In September 2012, Snisky withdrew the remaining balance of \$1,363,077.54 and closed the Group Summit account 4256 in October 2012.

11. In summary, between August 2011 and October 2012, through these four accounts: Arete's 0996 account at US Bank, Group Summit account 6304 at U.S. Bank, Group Summit's account 4256 at Key Bank, Group Summit BBVA account 7573, Snisky received deposits of \$4,469,803.60 from forty investors who were located in eight states.

12. I prepared a summary of thirteen investors that were introduced to Arete and Snisky by Tomich, Meissner, and Bill Sparkman, which is attached as Exhibit 50. Tomich raised \$969,848 from seven investors that invested with Arete. Meissner raised \$355,242 from four investors. Sparkman raised \$141,902 from two investors. As I discussed above, these investors' funds were deposited into Arete's account 0996 at US Bank, Group Summit's account 6304 at US Bank, or into Group Summit's account 4256 at Key Bank.

13. As discussed above, between April and October 2012, Snisky made nine wire transfers totaling \$95,595.94 to Scott into the Cromarty Group Wells Fargo account ending in 4987. The details of the nine wire transfers are listed below:

DATE	ACCOUNT	AMOUNT
4/16/2012	Arete US Bank 0996	\$21,000.00
4/20/2012	Group Summit US Bank 6304	\$35,000.00
5/23/2012	Group Summit US Bank 6304	\$ 5,096.00
6/8/2012	Group Summit Key Bank 4256	\$10,500.00
7/3/2012	Group Summit Key Bank 4256	\$ 4,515.00
7/13/2012	Group Summit Key Bank 4256	\$14,366.94
8/8/2012	Group Summit Key Bank 4256	\$ 3,129.00
9/4/2012	Group Summit Key Bank 4256	\$ 505.00
10/12/2012	Gary Snisky Vectra Bank	\$ 1,484.00
	Total	\$95,595.94

Snisky made these transfers after receiving investments in Arete by clients of Tomich and Meissner. The \$95,595.94 that Scott received is 7.214% of the \$1,325,090 that the clients of Tomich and Meissner invested in Arete. From these funds, Scott paid approximately 5% to Tomich and Meissner.

14. The Division also obtained the bank records for the Cromarty Group's bank account ending in 4987 at Wells Fargo. I prepared a summary of the activity in the account. A true and correct copy of the Cromarty Group Bank Summary is attached as Exhibit 51. The account was opened on February 17, 2012. Scott and his wife are identified as signatories on the Cromarty Group account.

15. Between February 17, 2012 and October 31, 2012, the Cromarty Group account at Wells Fargo received a total of \$100,490.94 in deposits. Of the total deposits during that time period, \$95,595.94 were from Arete, Group Summit or Snisky.

16. Out of the funds received from Snisky and his entities, Scott paid Tomich a total of \$48,327.40 in commissions or roughly 5% of the \$969,848 in funds received from his seven investors. Out of the funds received from Snisky and his entities, Scott paid Meissner at total of \$17,737 in commissions or roughly 5% of the \$355,242 that Meissner raised from his four

investors. Scott also paid two checks to Sparkman that totaled \$1,776.20 and two checks to Summit Trust that totaled \$1,457.50. Scott's payment of \$1,776.20 to Sparkman is .05% of the \$355,242 in funds that Meissner raised from his four investors. I summarized the payments that Scott and Cromarty Group made to Tomich, Meissner, Sparkman and Summit Trust in Exhibit 52.

17. Out of the \$95,595.94 in funds received from Snisky and his entities, Scott retained \$26,297.84 after paying Tomich, Meissner, Sparkman and Summit Trust.

18. Scott and the Cromarty Group issued three checks to Meissner totaling \$17,737 as payment for commissions on the following dates and for the following amounts:

Check No.	Date	Amount
1054	4/19/2012	\$ 2,500.00
1064	4/30/2012	\$ 5,000.00
1086	7/17/2012	<u>\$10,237.00</u>
	Total	\$17,737.00

19. The check stubs produced by Meissner for each of the checks contained notes that identified the four investors for which he was receiving the commissions. On one check stub he noted the fee was reduced by \$25 for the cost of sending it by "Fed Ex." See Exh. 25; Meissner Tr. at p. 124:22-126:9.

20. I have calculated prejudgment interest on each of the payments made to Meissner from the first day of the month following each violation (May 1, 2012 for the first two violations and August 1, 2012 for the last violation) through March 31, 2015. See Commission Rules of Practice Rule 630. *See* 17 C.F.R. § 201.630. I selected March 31, 2015 as the end date for my calculation, because the reply briefs for the parties are due on March 2, 2015. The interest


accrued on the two payments made in April 2012 through March 2015 is \$683.02. The interest accrued on the one payment received on July 17, 2012 through March 2015 is \$848.68. I calculate the total prejudgment interest accrued for Meissner through March 31, 2015 is \$1,531.70. My calculations for Meissner's prejudgment interest are attached as Exhibit 45.

21. I calculated the amount of prejudgment interest that accrued on the net payments to Scott of \$26,297.84 as \$2,294.22. My calculations for Scott's prejudgment interest are attached as Exhibit 46. I calculated the interest upon the net amount of each wire transfer reduced by payments Scott made to Tomich, Meissner, Spar man or Summit Trust during each month. I calculated the interest on the net amount from the first day of the month after Scott received the funds through March 31, 2015. The total prejudgment interest on the \$26,297.84 that Scott received is \$2,294.22.

Date	Net Amount	Prejudgment Interest
April 2012	\$ 6,030.00	\$ 549.15
May 2012	\$12,043.60	\$1,063.60
June 2012	\$ 2,322.50	\$ 198.88
July 2012	\$ 4,423.74	\$ 366.77
August 2012	\$ 909.00	\$ 72.88
September 2012	\$ 145.00	\$ 11.23
October 2012	\$ 424.00	\$ 31.71
Total	\$26,297.84	\$2,294.22

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

Executed this 30th day of January, 2015 in Denver, Colorado.



 Kerry M. Matticks.

APPENDIX OF DIVISION OF ENFORCEMENT'S EXHIBITS

1. Investigative Testimony of James Doug Scott
2. Investigative Testimony of Kenneth Meissner
3. Investigative Testimony of Mark S. "Mike" Tomich
4. Investigative Testimony of Kevin Brown
5. Arete Private Placement Memorandum for Chadwick
6. Arete Private Placement Memorandum for Weems
7. Arete Private Placement Memorandum for Hall
8. Scott Background Questionnaire
9. Pennsylvania Securities Commission's Orders re J. Douglas Scott
10. Meissner Background Questionnaire
11. NASD Notice to Members on Bar of Kenneth Meissner
12. Scott's Statement
13. Scott's Notes of conversations with Snisky
14. Scott 1/27/12 email sending Arete PPM to Rasmussen
15. Arete private placement memorandum produced by Meissner with highlighting
16. Arete private placement memorandum produced by Scott
17. Scott 1/22/13 email to Brown about Arete's fees
18. Scott 5/7/12 email to Rasmussen sending Reg. D filing
19. Meissner's copy of Arete Form D
20. Scott 2/3/12 email to Summit Trust confirming SMA account for Arete
21. Scott 1/23/12 email to Rasmussen on back ground check
22. Scott 2/2/12 email to Rasmussen, Dye, Henderson and Sparkman setting conference call

23. Scott 2/20/12 email to Rasmussen and Kitchen sending screen shots
24. Snisky 3/1/12 email to Meissner sending screen shots
25. Scott 2/28/12 email to Meissner setting conference call
26. Scott 4/18/12 email on procedures to submit Arete investment
27. Scott 2/9/12 email to Lumke on Arete investment program
28. Scott 6/20/12 email to Rasmussen on being in Colorado in June
29. Scott 5/31/12 email to Brown about offering Arete to US Bank
30. Scott 10/9/12 email to Brown about offering Arete to school districts
31. 7/13/13 Letter from Linda Close, Scott's wife
32. Scott 4/2/12 email about investment by Tomich's client
33. Scott 3/21/12 email to Brown about Meissner's clients ready to invest
34. Scott 3/28/12 email about Arete, Tomich and Meissner sending in business
35. Scott 4/10/12 email about two investments
36. Brown 7/10/12 email about Hart investment
37. Meissner 6/25/12 email about Hart investment
38. Porro 4/10/12 email to Scott on transfer of \$250,000 to Arete
39. Scott 4/19/12 email checking on wires to Arete
40. Scott 4/24/12 email checking on wire for Savage
41. Scott 5/4/12 email to Brown to hold wires to Arete because of bank change
42. Scott 6/5/12 email about Arete's new bank
43. Scott 7/10/12 email to Brown sending new contribution agreement
44. Final Judgment in forfeiture action US v. \$62,232.97 seized from Vectra Bank, (D. Colo.

Case no. 13-cv-567, Nov. 22, 2013).

45. Matticks calculation of prejudgment interest for Meissner
46. Matticks calculation of prejudgment interest for Scott
47. Matticks Summary of Arete account 0996 at US Bank
48. Matticks Summary of Group Summit account 6304 at US Bank
49. Matticks Summary of Group Summit account 4256 at Key Bank
50. Matticks Summary of Investor Proceeds Deposited with Summit Trust Company
51. Matticks Summary of Cromarty Group account 4987 at Wells Fargo
52. Matticks Summary of Payments to Cromarty Group

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. D-03321-A
ARETE, LLC)

WITNESS: James D. Scott
PAGES: 1 through 211
PLACE: Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202-2468
DATE: Tuesday, December 10, 2013

The above-entitled matter came on for hearing,
pursuant to Notice, at 8:26 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

C O N T E N T S

1	WITNESS	EXAMINATION
2		
3	JAMES D. SCOTT	4
4		
5		
6	EXHIBITS DESCRIPTION	IDENTIFIED
7	58 Subpoena and Cover Letter	8
8	59 Cover letter and a Document Subpoena	8
9	60 Cover letter/document Subpoena to the	13
10	Cromarty Group, LLC	
11	61 Two-page document	19
12	62 Background Questionnaire	24
13	63 Bates SEC-JDSCOTT-P3-9, Multipage	40
14	Document	
15	64 One-page document	110
16	65 SEC-JDSCOTT-P12-17, Multipage Document	118
17	66 Bates SEC-SUMMIT-E102, E-mail 1-7-13	140
18	67 Bates SEC-JDSCOTT-P18-20, Handwritten	147
19	Notes	
20	68 Bates SEC-JDSCOTT-P1-2, Two-page	158
21	Document	
22	69 Bates SEC-SUMMIT-E91, E-mail chain	188
23	70 Bates SEC-JDSCOTT-P80-90, multipage	190
24	Document	
25		

1 APPEARANCES:
2
3 On behalf of the Securities and Exchange Commission:
4 JOHN C. MARTIN, ESQ.
5 Securities and Exchange Commission
6 Division of Enforcement
7 1801 California Street, Suite 1500
8 Denver, Colorado 80202-2648
9
10 On behalf of the Witness:
11 JAMES D. SCOTT, PRO SE
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 P R O C E E D I N G S
2 MR. MARTIN: All right. Let's go on the
3 record at 8:26 a.m., December 10, 2013.
4 Mr. Scott, do you swear to tell the truth,
5 the whole truth and nothing but the truth?
6 THE WITNESS: I do.
7 Whereupon,
8 JAMES D. SCOTT,
9 appeared as a witness herein and having been first
10 duly sworn, was examined and testified as follows:
11 EXAMINATION
12 BY MR. MARTIN:
13 Q. Please state and spell your full name for
14 the record.
15 A. James Douglas Scott, J-A-M-E-S,
16 D-O-U-G-L-A-S, S-C-O-T-T.
17 Q. And you go by Doug; is that correct?
18 A. Yes.
19 Q. My name is John Martin, and I am an officer
20 of the Commission for the purposes of this
21 proceeding. This is an investigation by the United
22 States Securities and Exchange Commission in the
23 matter of Arete, LLC, D-3321, to determine whether
24 there have been violations of certain provisions of
25 the federal securities laws.

1 However, the facts developed in this
2 investigation might constitute violations of other
3 federal or state civil or criminal laws.

4 Prior to the opening of the record you were
5 provided with a copy of the formal order of
6 investigation in this matter as supplemented. It
7 will be available for your examination during the
8 course of this proceeding.

9 Doug, have you had an opportunity to review
10 the formal order?

11 A. I have.

12 Q. Okay. Prior to the opening of the record
13 you were provided with a copy of the Commission
14 Supplemental Information Form. A copy of that
15 notice previously has been marked as Exhibit
16 Number 1.

17 Doug, have you had the opportunity to read
18 Exhibit 1?

19 A. I have.

20 Q. And do you have any questions concerning
21 this notice?

22 A. No.

23 Q. Okay. You have the right to be
24 accompanied, represented and advised by counsel.
25 This means that you may have an attorney present

1 and that your attorney can advise you before,
2 during and after your examination here today.

3 Do you understand this?

4 A. I do.

5 Q. Since you are not represented by counsel
6 there are certain matters discussed in Exhibit
7 Number 1 that I want to highlight for you.

8 Do you understand that upon your request
9 these proceedings will be adjourned so you may
10 obtain counsel?

11 A. Yes.

12 Q. Okay. Do you understand that the statute
13 set forth in Exhibit Number 1 provide criminal
14 penalties for knowingly providing false testimony
15 or knowledge using false documents in connection
16 with this investigation?

17 A. Yes, I do.

18 Q. Okay. Do you understand that you may
19 assert your rights under the Fifth Amendment to the
20 Constitution and refuse to answer any question
21 which may tend to incriminate you?

22 A. I do.

23 Q. Okay. A couple of housekeeping things. If
24 you want to go off the record, please advise me of
25 your desire to do so, and I'll decide at that time

1 whether to ask the reporter to do so.

2 The reporter will not go off the record at
3 your request. Having said that, if you need to use
4 the restroom or, you know, get a drink of water,
5 we'll go off the record.

6 Let me also advise you that after we have
7 finished our questioning, your -- you will have --
8 actually, you individually, will have the
9 opportunity to clarify or add to any of the
10 statements you made today if you wish to do so.

11 I'll be asking you a number of questions
12 today, if you do not understand or do not hear any
13 question, please let me know. Please allow me to
14 complete the question before you begin your answer
15 so we're both not speaking at once, and please
16 answer audibly. Shakes of the heads, nods and
17 such, don't show on the record.

18 A. Sure.

19 Q. Also, please do not assume or infer
20 anything from our questions. If we ask whether an
21 event happened or someone did or said something, do
22 not assume that this occurred or that we believe it
23 did.

24 We're simply trying to ascertain whether
25 or not you have any information relevant to the

1 investigation.

2 (SEC Exhibit No. 58 was
3 marked for identification.)

4 BY MR. MARTIN:

5 Q. Doug, this copy of the subpoena is marked
6 as Exhibit Number 58.

7 Is this a copy of the subpoena and cover
8 letter by which you are appearing pursuant here
9 today?

10 A. It is.

11 Q. Okay. I'll take it back. Thanks. Just
12 leave this here if you need it.

13 (SEC Exhibit No. 59 was
14 marked for identification.)

15 BY MR. MARTIN:

16 Q. I'm going to hand you what's been
17 identified as Exhibit 59. Exhibit 59 is a cover
18 letter and a document subpoena which calls for the
19 production of certain documents.

20 Do you recognize Exhibit 59?

21 A. I do.

22 Q. Okay. And have you given to the staff all
23 documents called for by this subpoena?

24 A. To the best of my knowledge.

25 Q. Okay. Please describe the search that was

1 conducted for those documents and state who
 2 conducted that search.
 3 A. I conducted the search for the documents
 4 using my -- what I had in my computer and my e-mail
 5 files.
 6 Q. Any hardcopies search or files?
 7 A. Well, there were -- yes, there were
 8 hardcopies of the bank record that -- where the
 9 money came in and went out.
 10 Q. Uh-huh.
 11 A. There were some copies of some
 12 extemporaneous notes that -- that I took that I
 13 could -- could find while I was still at Summit
 14 Trust.
 15 Q. Okay. And the search that you conducted,
 16 where did that take place?
 17 A. Some in my home.
 18 Q. Uh-huh.
 19 A. Some in an office that I rent which had
 20 some of the files, between one of those two places.
 21 Q. Okay. And at home do you have a home
 22 office?
 23 A. Not really. I just use the dining room
 24 table for some --
 25 Q. Okay.

1 that, if it was information coming from Mr. Snisky
 2 to myself or from information from myself to Summit
 3 Trust in relationship to Arete, I believe, I copied
 4 those.
 5 Q. And are there e-mails sent to you while you
 6 were at Summit Trust that you did not have
 7 possession of?
 8 A. Yes.
 9 Q. That related to Arete?
 10 A. Yes. In the -- in the form and fashion of
 11 we're going to be having a call today. We're going
 12 to be having a webinar today. There would have
 13 also been an e-mail or two where a document would
 14 have been included.
 15 I believe the private -- the private
 16 offering or private opportunity document would have
 17 been included in that.
 18 Q. The PPM or the memorandum or -- well, you
 19 describe it to me.
 20 A. I'm not sure it was a PPM.
 21 Q. Okay.
 22 A. It was more of an anecdotal comparison
 23 between the program that Mr. Snisky was offering
 24 and what someone like myself would be familiar
 25 with, which would have been an annuity.

1 A. -- to do some stuff. There really isn't
 2 room for a home office.
 3 Q. Understood. And the office that you rent,
 4 what's the physical address?
 5 A. 530 West Butler Avenue, and there isn't a
 6 suite number. It's a conglomeration of almost like
 7 put together buildings there. And that's in
 8 Chalfont, Pennsylvania.
 9 Q. How do you spell that?
 10 A. C-H-A-L-F-O-N-T, 18914.
 11 Q. Okay. Thank you.
 12 And you alluded to this, but your search
 13 included an electronic search.
 14 A. Yes. I looked for any e-mails that -- that
 15 I still had when I left Summit Trust. They -- I
 16 asked if I could buy the computer that I had been
 17 using there, and they said I could. And I wanted
 18 it because I had a lot of information in it.
 19 Well, they purged everything, so when I got
 20 the computer it had nothing in it other than
 21 Microsoft Office and a few ancillary type things.
 22 So many of those -- those files were
 23 unretrievable by myself, but I did have some from
 24 my personal Comcast e-mail address. And I'm not
 25 sure if I copied all of those or how I handled

1 Q. Okay. And that's something that's no
 2 longer in your possession?
 3 A. To the best of my knowledge, it's not.
 4 Q. Okay. All right. But it was sent to you
 5 at the Summit Trust e-mail account?
 6 A. I believe so, yes.
 7 Q. Okay. What was your Summit Trust e-mail
 8 address?
 9 A. DScott@SummitTrust.com.
 10 Q. And what's your current e-mail address?
 11 A. DIScott@Comcast.net.
 12 Q. Okay. Have you used any other e-mail
 13 address in the last five years?
 14 A. DougScott007@gmail.com.
 15 Q. Any others?
 16 A. I have another e-mail address with Yahoo.
 17 I do not use it, but it's still active.
 18 Q. Okay. And what is that?
 19 A. That's JDoug007us@yahoo.com.
 20 Q. Okay. Was there any e-mail account for you
 21 associated with Brown Investment?
 22 A. No.
 23 Q. Okay. All right.
 24 A. Other than D1 -- other than
 25 DScott@SummitTrust.com.

1 Q. Okay. And any other e-mails associated
2 with any other entity you're affiliated with or
3 worked for during that period of time in the last
4 five years?

5 A. Not that I know of.

6 Q. Okay. I appreciate it. In regard to the
7 subpoena, Exhibit 59, have you withheld any
8 documents called for by the subpoena based on any
9 claim of privilege?

10 A. No, sir.

11 Q. Okay. And were any documents called for by
12 the subpoena not produced for any reason other than
13 privilege?

14 A. No.

15 Q. Okay.

16 And do you know of any documents
17 responsive to the subpoena, other than what you've
18 already described with sort of the Snisky program
19 and annuity program document; so any documents
20 responsive to the subpoena other than that one that
21 was not provided that were in your possession at a
22 prior time or that were lost, destroyed or
23 otherwise disposed of?

24 A. Not that I know of.

25 Q. I'll take that back. Thank you.

1 (SEC Exhibit No. 60 was
2 marked for identification.)
3 THE WITNESS: Can I go off the record for a
4 second?

5 MR. MARTIN: Sure. Let's go off the record
6 for -- well --

7 THE WITNESS: There's a form that you sent
8 me in the last request which I have with me.

9 BY MR. MARTIN:

10 Q. Okay. I'll tell you what. Let's get
11 through this other subpoena and then we'll go off
12 the record and give you a minute to -- to get that.
13 I'll make a few copies of it and then we'll go back
14 on the record and we'll look at it as appropriate.

15 So I'm going to hand you what's been
16 identified as Exhibit 60. Exhibit 60 is a cover
17 letter and a document subpoena to the Cromarty
18 Group, LLC.

19 Do you recognize Exhibit 60?

20 A. Yes, I do.

21 Q. Okay. And this particular subpoena also
22 calls for the production of certain documents.

23 Did you tender to the staff all documents
24 called for by the subpoena?

25 A. To the best of my ability, yes.

1 Q. Okay. Did you have assistance doing so?

2 A. No.

3 Q. Okay. You individually did so?

4 A. Yes, sir.

5 Q. Okay. Is your wife affiliated with the
6 Cromarty Group?

7 A. She was the sole member who established the
8 Cromarty Group.

9 Q. Okay. Okay. And what's her name?

10 A. Linda Close.

11 Q. Okay. And what's your association with the
12 Cromarty Group?

13 A. I was doing marketing with that
14 organization, and I don't know if that's an
15 association or what it is. It was formed primarily
16 to continue working at arm's length with Summit
17 Trust, and to assist advisors in the application of
18 trusts and their practice.

19 And so that was going to be the entity
20 that -- that was dealt with there and, in my mind,
21 it seemed to be more professional than just a name,
22 the person's name.

23 Q. Why were you not a member of it?

24 A. We thought it might be useful to have a
25 female as the founder of it.

1 Q. Okay.

2 A. My credit is not good.

3 Q. Okay.

4 A. My wife's credit is good. For example,
5 the -- the bank involved offered a line of credit.
6 We didn't -- we didn't choose to do that, but they
7 offered a line of credit or they offered at least
8 to apply for a line of credit, and we didn't
9 exercise that.

10 Q. Well, in regard to the day in and day out
11 business of the Cromarty Group, who operated that
12 entity or who undertook the business of that
13 entity?

14 A. Well, I was acting in everything we did as
15 the point -- the point of reference, the contact
16 person.

17 Q. Okay.

18 A. Linda did some things for the organization.
19 Generally, if I was out of town, she might exercise
20 some duties in that regard.

21 Q. Okay. It sounds like to me, based on what
22 you're telling me, that although your -- your wife,
23 Linda Close, was technically the founder and sole
24 member of the Cromarty Group, as a practical
25 matter, you were the principal and operator of the

1 Cromarty Group.
 2 Is that a fair statement?
 3 A. I would -- the people who we dealt with
 4 would know me as opposed to Linda.
 5 Q. Okay. Okay. All right. And is it fair to
 6 say that you founded and started the Cromarty Group
 7 in your wife's -- like, with your wife as a member
 8 because of credit issues and other access to
 9 principal, and then also the female component that
 10 you described? Is that --
 11 A. That's correct.
 12 Q. Okay. But in terms of the post-founding of
 13 the Cromarty Group, you were not only the face of
 14 the Cromarty Group, but you were -- you ran the
 15 thing. Is that -- I mean, I guess I'm trying to
 16 understand.
 17 What did your -- once it was founded, what
 18 did your wife do with Cromarty Group? What was her
 19 role?
 20 A. She provided some financing. She provided
 21 some money to the Cromarty Group which was a fairly
 22 significant role.
 23 Q. Sure.
 24 A. And, like I said, she did some things that
 25 might have been not possible for me. I was out the

1 Q. Okay. I mean, in some ways it sounds like
 2 the Cromarty Group was a more sophisticated way to
 3 represent yourself as an individual and your skills
 4 and your abilities?
 5 A. It was one of the considerations, yes.
 6 Q. All right. Other than interacting with the
 7 Summit Trust Company, was there any other business
 8 with the Cromarty Group?
 9 A. No.
 10 Q. Okay. No other business relationships or
 11 contractual relationships?
 12 A. No.
 13 Q. Okay. And I take it the Cromarty Group was
 14 founded after you had been -- or after you
 15 separated from the Summit Trust Company?
 16 A. Correct.
 17 Q. Okay. And we'll talk more about that
 18 later.
 19 I just -- I just want to understand sort of
 20 the basics of this. Part of it is also
 21 understanding the response that I got to that
 22 particular subpoena, which I'll put in front of
 23 you.
 24 (SEC Exhibit No. 61 was
 25 marked for identification.)

1 town.
 2 Q. Okay. Administrative things?
 3 A. Administrative things, not marketing
 4 things.
 5 Q. Okay. And any other -- any other role for
 6 her?
 7 A. She signed some checks, I guess, that's
 8 administrative.
 9 Q. Okay. All right. What role did you have
 10 with the Cromarty Group?
 11 A. I interfaced between Summit Trust and the
 12 Cromarty Group.
 13 Q. Okay.
 14 A. When -- when there were checks to be cut, I
 15 would know what the amounts needed to be and whom
 16 they were going.
 17 Q. Uh-huh.
 18 A. And there were some other efforts that I
 19 was attempting to do with some advisors that didn't
 20 prove fruitful, where I would have been explaining
 21 those efforts, and I would used the Cromarty Group
 22 as the organization's name.
 23 Q. Okay. Rather than just yourself
 24 individually?
 25 A. Yes, sir.

1 BY MR. MARTIN:
 2 Q. I'm going to hand you what's been
 3 identified as Exhibit 61. Exhibit 61 is a two-page
 4 document. The Bates number is SEC dash -- it says
 5 Comarty-P1 to 2.
 6 Do you recognize Exhibit 61?
 7 A. Yes, sir.
 8 Q. All right. It's dated July 13, 2013?
 9 A. Uh-huh.
 10 Q. Who drafted Exhibit 61?
 11 A. My wife.
 12 Q. Okay.
 13 A. With my assistance as far as, you know,
 14 some of the -- the dating we had to come up with,
 15 the records.
 16 Q. Okay. And, you know, I noticed on there;
 17 for example, it says in the second paragraph: I
 18 have been the only member. There are no officers,
 19 directors, employees or representatives of any
 20 kind. There are no subsidiaries, parent companies
 21 or affiliated entities.
 22 And that's in reference to your wife?
 23 A. Correct.
 24 Q. Okay. But that's not inconsistent with
 25 your testimony earlier today in your role with the

1 Cromarty Group; is that correct?
 2 A. I agree.
 3 Q. And there are other statements in here
 4 about your wife's interaction with Mr. Snisky,
 5 Mr. Sorrells, and various entities.
 6 Are those accurate statements to your
 7 knowledge?
 8 A. Yes. To my knowledge they are.
 9 Q. Okay. So your wife's never interacted with
 10 Gary Snisky?
 11 A. Never.
 12 Q. Okay. Or David Sorrells for that matter?
 13 A. No.
 14 Q. Okay. And, you know, down below where it
 15 says, Background, it states that the Cromarty Group
 16 is not registered in any capacity with the SEC or
 17 any broker/dealer investment advisor; is that
 18 accurate?
 19 A. That's correct.
 20 Q. Is it registered with any state agency in
 21 any capacity?
 22 A. State of Nevada.
 23 Q. Okay. At --
 24 A. Where it's -- where it was formed, state of
 25 Nevada.

1 Q. Okay. As a -- as a corporate entity?
 2 A. As an LLC, yes.
 3 Q. Okay. But not as an investment advisor --
 4 A. No, sir.
 5 Q. -- or anything of that sort?
 6 A. No, sir.
 7 Q. Okay. Solely as it's registered in its
 8 corporate status?
 9 A. Yes.
 10 Q. And, I'm sorry, the Cromarty Group has
 11 certain bank accounts; is that correct?
 12 A. Correct.
 13 Q. Okay. And what -- who are those accounts
 14 with?
 15 A. Had that account with Wells Fargo.
 16 Q. Okay. All right. And looking back at
 17 Exhibit 60, were the documents called for in that
 18 subpoena all produced to the staff?
 19 A. To the best of our ability. To the best --
 20 yes.
 21 Q. And that's -- the search for those
 22 documents was conducted by you and your wife?
 23 Am I --
 24 A. Correct. Yes, sir. My wife was not in
 25 possession of anything that came out of

1 Mr. Snisky's office.
 2 Q. Okay.
 3 A. Only documents that she would have had
 4 would have been when the entity was established --
 5 Q. Uh-huh.
 6 A. -- confirmation of that, opening of the
 7 checking account, statements that would have been
 8 mailed relevant to that.
 9 Q. Okay. So as indicated in Exhibit 61?
 10 A. Yes, sir.
 11 Q. Okay. And have any documents been withheld
 12 by the Cromarty Group that were called for by the
 13 subpoena and then withheld by any -- any claim of
 14 privilege?
 15 A. No, sir.
 16 Q. Okay. And were any documents called for by
 17 the subpoena that's Exhibit 60 not produced for any
 18 reason other than privilege?
 19 A. No, sir.
 20 Q. Okay. And do you know of any documents
 21 responsive to the subpoena that is Exhibit 60, but
 22 not provided, that were in your possession at a
 23 prior time or that were lost, destroyed or
 24 otherwise disposed of?
 25 A. No, sir.

1 Q. Who maintains the documents for the
 2 Cromarty Group?
 3 A. They -- they are at the office.
 4 Q. The Butler Avenue office?
 5 A. The Butler Avenue office.
 6 Q. Okay.
 7 A. The documents, meaning, checking account
 8 statements, that's about the only documents that
 9 exist, I mean, that are active at this point.
 10 Q. Okay. And so those are -- those are, as a
 11 practical matter, in your possession? Is that --
 12 A. That's correct. They actually go to a --
 13 it's a mail address, correct.
 14 Q. Okay. And does the Cromarty Group have a
 15 website or e-mail account?
 16 A. No, sir.
 17 Q. Okay. I'll take those two. Thank you.
 18 MR. MARTIN: Let's go off the record at
 19 8:52.
 20 (Whereupon, a recess was taken at 8:52
 21 a.m.)
 22 (SEC Exhibit No. 62 was
 23 marked for identification.)
 24 MR. MARTIN: Let's go on the record at
 25 8:55 a.m.

1 BY MR. MARTIN:

2 Q. While we were off the record, Mr. Scott
3 handed me a document which looked to be his
4 completed background questionnaire. And other than
5 that, there were no substantive conversations
6 between the staff and the witness; is that correct?

7 A. Correct.

8 Q. Doug, let me hand you what's been
9 identified as Exhibit 62. Exhibit 62 is a
10 multipage document with background questionnaire at
11 the top. I will say for the record it's kind of
12 our standard background questionnaire and template.

13 Do you recognize Exhibit 62?

14 A. I do.

15 Q. And is that your handwriting?

16 A. It is.

17 Q. And it's got a date of November 25, 2013,
18 on it; is that correct?

19 A. Correct.

20 Q. Okay. As of today's date, is Exhibit 62
21 accurate and complete?

22 A. To the best of my knowledge, it is.

23 Q. Okay. I just want to verify a few things
24 in here as we go through. On 14, I note that there
25 are two different addresses there.

1 A. Just about three years.

2 Q. Okay. And the 5th Street address, do you
3 own that home?

4 A. My wife owns the home.

5 Q. Your wife and the bank or just your wife?

6 A. I apologize. My wife and the bank, yeah.
7 Yeah.

8 Q. You have no ownership interest in that
9 house?

10 A. We were -- we were separated when she
11 bought the house.

12 Q. Okay. Do you own any real property?

13 A. No, sir.

14 Q. Okay.

15 A. 228 Marshal was a rental. I was renting
16 that property.

17 Q. Okay. Understood. And turning to page 3
18 of Exhibit 62, you identify a salary in 2011 of
19 \$65,000.

20 What made up that salary?

21 A. That was the check that I received
22 technically from Brown Investment Advisors, but
23 doing work for Summit Trust.

24 Q. Okay.

25 A. That had been my salary for about four

1 And is it Perkasio, Pennsylvania?

2 A. Yeah. Perkasio, yes.

3 Q. There's 1001 North 5th Street.
4 Is that your current address?

5 A. That's correct.

6 Q. And is that your current phone number, the
7 215?

8 A. It is not. The current phone number, the
9 only number we're using is the cell phones now.

10 Q. Okay.

11 A. We -- we discontinued the-- the triple
12 package from Comcast, for lack of a better word.

13 Q. Okay. So what is your -- what is your
14 phone number then that you use now?

15 A. (267) 253-0129.

16 Q. Okay. And that North 5th Street address is
17 your current address?

18 A. It is.

19 Q. Okay. Since when?

20 A. End of December 2009.

21 Q. Okay. And prior to that, you've got a
22 Marshal Street address. Is that where you lived
23 before?

24 A. That's correct.

25 Q. And how long did you live there?

1 years.

2 Q. Okay. And was it fee-based or
3 commission-based?

4 A. It was -- it was just a salary employee. I
5 got so much every other week.

6 Q. Okay. Any bonuses or other compensation
7 besides the 65,000?

8 A. There was generally a Christmas bonus
9 between 250 and \$300 each year.

10 Q. Okay.

11 A. It was not related to anything other than
12 goodwill.

13 Q. In 2011, did you receive any types of
14 commission fees or bonuses of any type other than
15 the Christmas bonus?

16 A. From Summit Trust or from any sources?

17 Q. First Summit Trust, and then we'll talk
18 about some others.

19 A. No, not Summit Trust.

20 Q. What about other sources?

21 A. I did sell some life insurance.

22 Q. Okay.

23 A. I would be guessing at those fees, but my
24 guess, it would be in the \$15,000 to \$20,000 range.

25 Q. Okay. All right. And then I note for 2012

1 and 2013, you identify yourself as unemployed?
 2 A. That's correct.
 3 Q. Is that because you weren't receiving a
 4 consistent salary or income?
 5 A. I was laid off from Summit Trust the very
 6 first working day of 2012.
 7 Q. Okay. So in 2012, did you earn any income
 8 whatsoever?
 9 A. Some, what they consider renewals from
 10 previous life insurance production over the years,
 11 might have been \$2,000, maybe a little bit less.
 12 Q. Okay. Any other income of any kind?
 13 A. Unemployment compensation.
 14 Q. Okay. Any fees or commissions related to
 15 anything else?
 16 A. No, sir.
 17 Q. Okay. And what about 2013?
 18 A. I went -- I exercised my right to begin
 19 drawing Social Security when I turned 62, and
 20 that's what I've been earning.
 21 Q. Okay.
 22 A. With those same, you know, dribblings in
 23 every month of renewals over the years from life
 24 insurance, which might be a couple thousand dollars
 25 a year. There's actually been no sales of

1 anything.
 2 Q. So no sales, you've made no sales of any
 3 investment product whatsoever in 2012 or 2013?
 4 A. No, sir.
 5 Q. Is that correct?
 6 A. Yes.
 7 Q. All right. I'm sorry. I don't mean to ask
 8 you the double negative question.
 9 A. That's okay. And I don't mean to answer
 10 you incorrectly, so --
 11 Q. No, no. I'm -- and are you currently
 12 employed by anyone today?
 13 A. No, sir.
 14 Q. Okay. Same situation drawing Social
 15 Security?
 16 A. Yes, sir.
 17 Q. And would you describe yourself as
 18 unemployed?
 19 A. Yes, sir.
 20 Q. Okay. On page 4 of Exhibit 62, there's a
 21 space for securities accounts.
 22 A. Uh-huh.
 23 Q. What securities accounts do you hold?
 24 A. There is -- there was a Roth IRA
 25 established at Summit Trust about four years ago of

1 \$100.
 2 Q. Okay.
 3 A. Which has now grown to \$110.
 4 Q. Okay.
 5 A. I don't know whether that's considered a
 6 security or not, because it's in cash. It's
 7 sitting in a cash account.
 8 Q. Any other securities accounts?
 9 A. No, sir.
 10 Q. Okay. Any other securities accounts in
 11 which you have any control?
 12 A. No, sir.
 13 Q. Any securities accounts which you have
 14 signatory authority or --
 15 A. No, sir.
 16 Q. -- which you're a beneficiary?
 17 A. No, sir.
 18 Q. Okay. Does your wife hold any securities
 19 accounts?
 20 A. She has an IRA.
 21 Q. Okay. And where is the IRA?
 22 A. Scottrade.
 23 Q. Okay.
 24 A. Nothing to do with us.
 25 Q. And on page 6 of Exhibit 62, you identify

1 some bank accounts, and I want to make sure I
 2 understand --
 3 A. Uh-huh.
 4 Q. -- the bank accounts that are in your name
 5 or in your control.
 6 A. Uh-huh.
 7 Q. National Penn Bank?
 8 A. Yes, sir. That's my primary. That's the
 9 only account that has anything in it. That's one
 10 that's in my name.
 11 Q. Okay. And then Santander Bank?
 12 A. Yeah. That was an account -- yes, sir.
 13 That was opened when it was formerly known as
 14 Sovereign Bank. Summit Trust used to issue their
 15 checks from Sovereign Bank, so I opened an account
 16 there. There's nothing in the account, but I still
 17 get a statement.
 18 Q. Okay. And then is it First Trust Bank?
 19 A. Yes, sir.
 20 Q. And you have an account there or you had an
 21 account there?
 22 A. I have an account there. It has between 10
 23 to \$15. One of the insurance companies, I believe,
 24 makes a direct deposit there once a year.
 25 Q. Okay. And those are all the -- the entire

1 inventory of bank accounts that are in your name?
 2 A. Yes.
 3 Q. Okay. And then you identify some accounts
 4 that -- in which you have direct or indirect
 5 beneficial interest?
 6 A. Uh-huh. Yes.
 7 Q. And there are accounts for the Cromarty
 8 Group; is that correct?
 9 A. Yes. The Wells Fargo account, yes.
 10 Q. Okay. And there's another account you
 11 identify there, could you --
 12 A. That is the Estate of Elizabeth Scott,
 13 deceased. I'm the executor of that.
 14 Q. Okay.
 15 A. There's -- it's just about closed, but
 16 there is an account still in existence.
 17 Q. Okay. Any other finance institution
 18 accounts in which you have signatory authority or a
 19 beneficial interest of any kind?
 20 A. No, sir.
 21 Q. Any foreign accounts?
 22 A. No, sir.
 23 Q. And you do hold some licenses?
 24 A. Just, the basic -- yes, sir, I do.
 25 Q. And what licenses do you hold?

1 active.
 2 Q. Right. And as you sit here today, the only
 3 active license you hold is in the State of
 4 Pennsylvania?
 5 A. Correct.
 6 Q. Have you ever held any securities licenses?
 7 A. No, sir.
 8 Q. Okay. And that includes whether with the
 9 SEC or FINRA or on a state level?
 10 A. Nothing, sir.
 11 Q. Okay. You're not a CPA?
 12 A. No, sir. I don't have any initials.
 13 Q. Okay. No law degree?
 14 A. No, sir.
 15 Q. And, again, turn to Exhibit 62, your
 16 background questionnaire.
 17 A. (The witness complies.)
 18 Q. I'm going to ask you on page 7 about prior
 19 proceedings; make sure I understand this correctly.
 20 A. Yes.
 21 Q. You did check yes, for whether you had been
 22 deposited in connection with any court proceeding?
 23 A. Yes.
 24 Q. What was that matter?
 25 A. One of my clients sued me, and I wasn't in

1 A. In the state of Pennsylvania, the basic
 2 license is the life, health and annuities license.
 3 I've held that since 1978.
 4 Q. Okay. Have you held any insurance-related
 5 licenses in any other jurisdiction besides
 6 Pennsylvania?
 7 A. In 1996, I held a license in the state of
 8 Florida. I was actually doing some joint work in
 9 Florida and you needed to have a license to do
 10 business there.
 11 Q. Uh-huh.
 12 A. I briefly held a license in the State of
 13 Colorado hoping to do business there. This would
 14 be back in '96 or '97. And back in the mid '80s, I
 15 held a license in the State of Delaware.
 16 Q. Same insurance license?
 17 A. Oh, yes, identical license, yes.
 18 Q. And is that it for your history of
 19 insurance related licenses in every jurisdiction?
 20 A. I'm not certain if I ever held one in the
 21 State of California. I may have. There was one
 22 case I was working on in California back in like
 23 '95 and '96.
 24 Q. Okay.
 25 A. So I just don't recall. It's not certainly

1 a position to defend myself financially, and it was
 2 actually a friend. And there was a judgment that
 3 was granted, and then there was a deposition to, I
 4 guess, determine what kind of financial assets I
 5 had.
 6 Q. Okay. What was the nature of the lawsuit
 7 that he brought?
 8 A. He had invested some money in a -- in a
 9 promissory note that turned out not to be
 10 legitimate, not to be good. And his brother who
 11 was an attorney thought that if he sued me, my E&O
 12 insurance would cover those losses. That was
 13 incorrect.
 14 Q. Okay. And in what jurisdiction was this
 15 lawsuit?
 16 A. Pennsylvania.
 17 Q. State court?
 18 A. I believe it was Philadelphia. Just -- I
 19 don't think it was state. I think it was the City
 20 of Philadelphia. I don't remember exactly. I
 21 don't have a copy of it.
 22 Q. But it wasn't in a U.S. Federal Court?
 23 A. No, sir.
 24 Q. And then in response to Number 28, you
 25 checked, yes, if you had been a defendant or

1 respondent in any action or proceeding brought by
2 the SEC, any other federal agency, a state
3 securities agency, the NASD or any stock exchange.

4 Explain that action, if you would, please.

5 A. When I realized the -- the Promissory Note
6 Program could not be legitimate, there were a group
7 of about ten agents. We retained counsel --

8 Q. Uh-huh.

9 A. -- with an attorney who seemed to have a
10 background in securities, and we went to the
11 Pennsylvania Securities Commission to present our
12 information to them.

13 They were not aware of the program. They
14 conducted an investigation. Took them about three
15 years, came back and you know, found out, just
16 decided it was not a legitimate program --

17 Q. Uh-huh.

18 A. -- and so the commission, the woman at the
19 commission got a hold of me. She knew I had been
20 through bankruptcy and she said: I know you don't
21 have any money to put towards this. Would you be
22 willing to agree to the fact that you will never
23 try to hold a securities license in Pennsylvania as
24 the finding of this? And I said I would.

25 Q. Okay. And was there a cease and desist

1 offering these?

2 A. It -- it looked like it was the name of the
3 offering name. It looked like it was being offered
4 by the company, that corporation.

5 Q. Okay. And the individual offering it was
6 Lloyd Wilson?

7 A. He was a gentleman who was packaging this.

8 Q. Okay. How many investors, roughly, did you
9 bring into this?

10 A. Maybe 20. Maybe 25.

11 Q. Okay. And how much did they invest?

12 A. I think it was about 350 or \$360,000.

13 Q. Okay. To your knowledge, did Mr. Wilson or
14 the Millennium program, did they also get
15 sanctioned by the Securities Commission in
16 Pennsylvania?

17 A. Not to my knowledge. The group of
18 individuals who hired this attorney, we then filed
19 a lawsuit against Mr. Wilson.

20 Q. Okay.

21 A. But nobody could ever find Mr. Wilson,
22 so --

23 Q. Okay. So the lawsuit sort of died out?

24 A. Well, yeah. There was a judgment granted,
25 but it was moot. We couldn't find him.

1 order of some kind entered against you related to
2 this promissory note?

3 A. I believe there was.

4 Q. Okay. But as part of the terms of this
5 cease and desist or your sanctions, were you
6 agreeing to not pursue a securities license in the
7 State of Pennsylvania?

8 A. Correct.

9 Q. And that was for life?

10 A. I believe so.

11 Q. Okay. That's the way you understood it?

12 A. That's what I understood it to mean.

13 Q. Okay. All right.

14 A. I didn't have an interest in pursuing it.

15 It seemed to be a good offer for me.

16 Q. Okay. What was the name of the promissory
17 note offering?

18 A. There were a group of three or four of them
19 coming out of an organization that was marketing it
20 in Fresno, California, by the name of Lloyd Wilson.

21 There was two or three different names.

22 One of them was called Millennium 2100. One was
23 called World Vision. There were three or four.

24 I'm not --

25 Q. Okay. What was the entity that was

1 Q. Okay.

2 A. I don't know if anybody ever looked that
3 hard. We looked, but nobody else seemed to be
4 interested in looking.

5 Q. Okay. I understand. Any other interaction
6 whatsoever with any other federal or state
7 securities agency?

8 A. Not to the best of my knowledge.

9 Q. Okay.

10 (SEC Exhibit No. 63 was
11 marked for identification.)

12 BY MR. MARTIN:

13 Q. Doug, I'm going to hand you what's been
14 identified as Exhibit 63. Exhibit 63 is a
15 multipage document from Bates SEC-JDScott-P3
16 through 9.

17 Do you recognize this exhibit?

18 A. I do.

19 Q. And what is this exhibit?

20 A. This is my response to the questions as
21 part of the written subpoena that was delivered to
22 me in, I think, June or July of this current year.

23 Q. Okay. So we -- we issued a document
24 submitted to you individually, which was Exhibit 59
25 and Exhibit 63 was your --

1 A. Response.
 2 Q. -- response?
 3 A. Yes, sir.
 4 Q. In addition to the documents you produced?
 5 A. Correct.
 6 Q. And there's just a little bit of 63 I want
 7 to go through. I want to make sure I understand.
 8 Well, first of all, is -- as you sit here
 9 today is the information in Exhibit 63 accurate?
 10 A. I believe taken in -- it would appear to me
 11 that there was some additional information in the
 12 background questionnaire that would serve as an
 13 adjunct to this in looking at the question about
 14 bank accounts.
 15 Q. Uh-huh.
 16 A. And I didn't list the -- the First Trust
 17 account --
 18 Q. Okay.
 19 A. -- in this.
 20 Q. But the information that is in 63 is
 21 accurate?
 22 A. Yes, sir.
 23 Q. I wanted to draw your attention to Number
 24 11 on the first page of 63.
 25 A. Uh-huh.

1 Q. You state that you have nothing regarding
 2 CMG Offering 5, CMG Offering 10, Cornerstone, New
 3 Direction or Sorrells; is that accurate?
 4 A. That's correct.
 5 Q. Have you ever met David Sorrells?
 6 A. No, sir.
 7 Q. Okay. Do you know who he is?
 8 A. I know of him, and his name was mentioned
 9 to me.
 10 Q. Okay. And in what context?
 11 A. In the context of he had a group of agents,
 12 for lack of a better title.
 13 Q. Uh-huh.
 14 A. I suppose they were in Arizona. I don't
 15 recall for sure. They wanted to do business with
 16 Mr. Snisky. Mr. Snisky wanted everything to go
 17 through a common Summit Trust relationship.
 18 Q. Uh-huh.
 19 A. So I heard -- heard that bandied about. I
 20 was on a phone call with Mr. Sorrells, a brief
 21 phone call with him and some other gentleman -- I
 22 don't remember the name -- to discuss the way
 23 Summit did certain things. I think that was -- I
 24 never met him in person.
 25 Q. Okay. When was that phone call with

1 Mr. Sorrells?
 2 A. Would have been in the summer of 2012.
 3 Q. Okay. And, again, what was the context of
 4 the call?
 5 A. He had a group of agents that were
 6 interested in learning or doing some business with
 7 Mr. Snisky.
 8 Q. Uh-huh.
 9 A. Mr. Snisky wanted those -- that business to
 10 go through the similar custodial account that
 11 Summit Trust was establishing.
 12 Q. Okay.
 13 A. So I was asked to call them and explain to
 14 them how that -- you know, how that account worked.
 15 Q. And you were no longer employed at Summit
 16 at that point?
 17 A. That's correct.
 18 Q. Okay. But you were working as a consultant
 19 for Summit?
 20 A. An independent trust consultant, yes.
 21 Q. Okay. And what did you explain to
 22 Mr. Sorrells at that time regarding Summit?
 23 A. That they had a separately managed account,
 24 that --
 25 Q. Which also goes by the name SMA?

1 A. That's correct.
 2 Q. Okay. All right.
 3 A. And that the money that any of those agents
 4 had from clients needed to go into an account
 5 there, there were certain forms that Summit Trust
 6 had. They would be forwarded to them and that was
 7 the -- the basis of the conversation. It might
 8 have been some questions about what an SMA was.
 9 Q. Uh-huh.
 10 A. But --
 11 Q. So that's the extent of your interaction
 12 with Mr. Sorrells?
 13 A. That's correct. One and only time.
 14 Q. Okay. And we'll talk more about your
 15 relationship with Summit and your consulting work
 16 with them. But I want to just make sure I
 17 understood the universe of your interaction with
 18 Sorrells.
 19 You also state in paragraph 11 here in
 20 Exhibit 63, that you state: I was not compensated
 21 for that as none of the attorneys that I would
 22 refer to Summit Trust placed any trust with Summit
 23 Trust.
 24 A. Yes.
 25 Q. What does that refer to?

1 A. Some of my function at Summit Trust was to
2 explain the benefits of a Nevada trust company to
3 attorneys, estate planning attorneys.

4 Q. Okay.

5 A. And because an attorney does not have to be
6 licensed to practice law in Nevada to draft a
7 Nevada document, some of those were Pennsylvania,
8 some were in New Jersey, some were in Nevada.

9 And I asked permission from Summit Trust if
10 I could continue to try to develop those
11 relationships, that was part of the reason for the
12 Cromarty Group, and they said yes. But nothing
13 really came of it. There were no trusts that came
14 out of those efforts.

15 Q. Okay. After leaving Summit Trust and/or
16 the Brown Investment Advisors Group in the very
17 first part of 2012 --

18 A. Yes.

19 Q. -- is that right?

20 A. Yes. Yes.

21 Q. Did you receive any compensation of any
22 kind from Brown Investment or Summit Trust or any
23 other principals?

24 A. Yes. I just remember that this document
25 would not be accurate. They paid what was

1 what the correct term would be, frankly.

2 Q. Okay. But just generally, kind a referral
3 fee, ongoing referral fee?

4 A. Yeah. It's almost like the renewals of an
5 insurance thing.

6 Q. Okay.

7 A. I'm sorry. I still -- it isn't enough to
8 do much with.

9 Q. Is that \$35 based on the assets under
10 management, is that --

11 A. I believe it probably is.

12 Q. Okay. And other than the severance
13 payments and the ongoing \$35 -- roughly \$35 a
14 month, are you receiving any other form of payment
15 from Summit Trust, Brown Investment Advisors or
16 their principals?

17 A. No, sir.

18 Q. Okay. I'll take those back.

19 A. (The witness complies.)

20 Q. Thank you. What is Brown Investment
21 Advisors, Inc.?

22 A. It's a registered -- it's a Pennsylvania
23 registered investment advisory firm.

24 Q. And what's your relationship with the firm,
25 historically?

1 equivalent to a severance pay when I left Summit
2 Trust, even though I was no longer in the building
3 doing any work for them.

4 Q. Okay.

5 A. That they paid that for a period of, I
6 believe, eight weeks and that's why I waited to
7 apply for unemployment until those -- those eight
8 weeks had expired.

9 Q. So were those the first eight weeks of
10 2012?

11 A. Yes, sir.

12 Q. And was it simply an extension of your
13 salary?

14 A. It was an extension of what I had been
15 paid.

16 Q. Okay. Other than that severance payment
17 that you just described, did you receive any other
18 payments from Summit Trust Company, Brown
19 Investment Advisors or their principals at any time
20 subsequent to January 1, 2012?

21 A. I -- I receive a check every month for
22 about 35 or \$37 based on an account that I kind of
23 established when I was working there with an
24 individual out of Alaska. It's like a referral
25 type of a fee or maintenance fee. I'm not sure

1 A. Historically, I was employed by them
2 beginning in, I think, 2004, late 2004, early 2005.

3 Q. In what capacity?

4 A. To help them develop the trust company in a
5 capacity.

6 Q. And was there a trust company associated
7 with Brown Investment Advisors?

8 A. Well, Summit Trust Company --

9 Q. Okay.

10 A. -- is, to the best of my knowledge at this
11 point, is owned by Mr. Kevin Brown, who I believe
12 is the president of Brown Investment Advisors.

13 Q. Okay. And what's the relationship, as you
14 understand it, between Brown Investment Advisors
15 and Summit Trust Company?

16 A. Brown Investment Advisors was providing
17 some investment advisory work for clients that were
18 coming through Summit Trust.

19 Q. Okay. And how is it that clients come to
20 Summit Trust? What is it that Summit Trust offers
21 there?

22 A. Summit Trust offers Nevada trusts, which
23 can take the form of life insurance trusts, which
24 is one of the things I was familiar with, had some
25 background in.

1 Asset protection trusts, what they call a
 2 dynasty trust, which is an estate planning type
 3 arrangement. And any one of those three trusts
 4 could hold assets in them, which would be managed.
 5 Summit would be the administrator. Brown
 6 Investment Advisors could be doing the investing.

7 Q. Okay. And it sounds like, though, the same
 8 individual could be assisting with the trust
 9 administration as well as the investment advising,
 10 and that's Kevin Brown?

11 A. To the best of my knowledge, yes.
 12 Q. Okay. Let's back up for just a second so I
 13 understand these businesses. Let's look at Brown
 14 Investment Advisors for a second.

15 Who are the individuals that are part of
 16 the Brown Investment Advisors, at least during the
 17 period you were there?

18 A. To the best of my knowledge, do you mean
 19 employees or do you mean principals?

20 Q. Well, let's start with principals and then
 21 we'll work our way to employees.

22 A. To the best of my knowledge?

23 Q. Uh-huh.

24 A. Because I was not an owner of anything. So
 25 I believe Mr. Kevin Brown and Mr. George Brown were

1 the principals of Brown Investment Advisors, to the
 2 best of knowledge.

3 Q. George Brown's his father?

4 A. That's correct.

5 Q. Okay. And were either one of those
 6 individuals, to the best of your understanding,
 7 registered individuals?

8 A. Yes.

9 Q. Okay.

10 A. To the best of my knowledge, both of them
 11 were, but that's just to my knowledge.

12 Q. And did you understand them to be
 13 registered investment advisors in the state of
 14 Pennsylvania?

15 A. I understood that -- that Brown Investment
 16 Advisors was a registered investment advisory firm
 17 in the state of Pennsylvania.

18 Q. Okay.

19 A. That's the only understanding I had. I
 20 didn't -- don't have a background in that to delve
 21 any deeper.

22 Q. Okay. And other than the two Browns, did
 23 you understand there to be any other owners or
 24 principals of Brown Investment Advisors?

25 A. I didn't understand it to be any other, no.

1 Q. Okay. And what about employees or staff?

2 A. There were several employees.

3 Q. Uh-huh.

4 A. Jutta Tardiff, who was the office manager
 5 in a sense.

6 Q. You'll have to spell that.

7 A. J-U-T-T-A. I apologize.

8 Q. No. It's okay. It's an unusual name.

9 A. Yes, it is -- I think, Stewart Tardiff or
 10 someplace in Germany. T-A-R-D-I-F-F. So it took a
 11 while to figure out how to pronounce it myself.

12 Q. Okay.

13 A. A Dan, I think, Dan Pompei, P-O-M-P-E-I, is
 14 an employee of them, but I -- you know, I was never
 15 told he works there. I was never told whether he
 16 was technically an employee of theirs or not.

17 Q. Okay.

18 A. And at one time there was a Barbara Brown
 19 who worked there, who would be a sister of Kevin.
 20 I don't -- I don't know that she's -- I'm not
 21 familiar with whether she's there or not.

22 Q. Others?

23 A. I know that -- well, I believe Ms. Leona
 24 Brown worked there. That would be the wife of
 25 George and the mother of Kevin.

1 Q. In what capacity?

2 A. General office help, coming in answering
 3 the phones, doing some filing.

4 Q. In what capacity was Barbara Brown there?

5 A. Similar.

6 Q. Okay.

7 A. Actually, she did more -- she also did some
 8 computer IT work for them.

9 Q. Okay. Others?

10 A. During my time, I believe those were the
 11 only employees of Brown Investment Advisors to the
 12 best of my knowledge.

13 Q. Okay. How did you understand that clients
 14 came to Brown Investment Advisors?

15 A. They had -- well, they predated my
 16 relationship with Brown Investment Advisors. I
 17 know that they did quite a bit of seminar
 18 presentation work over the years.

19 Q. Uh-huh.

20 A. Lots of seminar workshops as you may call
 21 them. They were to the public.

22 Q. Okay.

23 A. They had, I believe, most of their clients
 24 came that way at least initially.

25 Q. Okay. And they then provided investment

1 advice for those clients?
 2 A. And I believe they also sold some insurance
 3 and those types of related products.
 4 Q. Did they consistently also put them in
 5 trusts associated with the Summit Trust Company?
 6 A. Summit Trust didn't exist, I think, till
 7 2003.
 8 Q. Okay.
 9 A. So prior to that, certainly not.
 10 Subsequent to that, I believe some of the clients
 11 were using trusts.
 12 Q. Okay.
 13 A. They -- they had a group of advisors and
 14 agents that they had known over the years who had
 15 clients who would be interested in the use of
 16 trusts. They would direct them to Summit Trust.
 17 Q. Okay.
 18 A. To the best of my knowledge, Summit did not
 19 do any direct attempt at selling to clients.
 20 They -- in the Brown Investment Advisory firm they
 21 did, but in the Summit Trust format they preferred
 22 to remain arm's length from that and just work with
 23 advisors that they had relationships with.
 24 Q. Okay. But there certainly was overlap
 25 between the Summit Trust Company clients and the

1 Brown Investment Advisor clients?
 2 A. I believe so.
 3 Q. Okay. And as a technical matter, did you
 4 work for Brown Investment Advisors or Summit Trust
 5 Company?
 6 A. As a technical matter, I worked for Brown
 7 Investment Advisors. I received a paycheck from
 8 them.
 9 Q. Okay.
 10 A. But I was -- and I was working with
 11 advisors that had come out of that existing
 12 relationship, but I was -- I was doing quite a bit
 13 of talking about Summit Trust.
 14 Q. Okay. And you say advisors that came out
 15 of that relationship. What advisors are those?
 16 Those are affiliated with Brown?
 17 A. That's correct. That's correct. And the
 18 word, advisor, is fairly generic.
 19 Q. Uh-huh.
 20 A. Some of them might have been life licensed
 21 only.
 22 Q. Uh-huh.
 23 A. Some might have been CPAs. Some were
 24 attorneys.
 25 Q. Okay.

1 A. So they were professional relationships.
 2 Q. And who were these folks?
 3 A. Who were they?
 4 Q. Yeah.
 5 A. By name?
 6 Q. Yeah.
 7 A. There's too many to name.
 8 Q. Well, why don't you -- why don't you -- we
 9 start with the primaries, the ones that had the
 10 most involvement with Brown and Brown Investment
 11 Advisors?
 12 A. Mr. Michael Tomich.
 13 Q. Okay.
 14 A. Mr. Ron Morley.
 15 Q. How do you spell Morley?
 16 A. M-O-R-L-E-Y.
 17 Q. Where is Mr. Morley?
 18 A. I believe he's in Maryland.
 19 Q. Okay. And Tomich is in Michigan, right?
 20 A. Correct.
 21 Q. Okay.
 22 A. Mr. Brown, Mr. George Brown, over the years
 23 had participated in many workshops throughout the
 24 country where life insurance agents went for
 25 advanced planning strategies for their clients. He

1 would have been a speaker. So many of the
 2 relationships sprang from that. Some of which I
 3 may have heard a name, but I didn't necessarily
 4 know all of those people. But they would have not
 5 -- most of them would have been away from the
 6 geographic area of Philadelphia.
 7 Q. Understood.
 8 A. Yeah.
 9 Q. Understood. And, again, I'm trying to get
 10 at some of these, you know, you mentioned these
 11 advisors and you're using that in a -- in a generic
 12 sense.
 13 A. Yes, sir, right.
 14 Q. Who interacted with Brown Investment
 15 Advisors, and may have brought them clients or
 16 brought them perhaps trust clients to Summit Trust
 17 Company. So I'm just trying to get a feel for some
 18 of the rosters. So you've got Mike Tomich, Ron
 19 Morley.
 20 Who are some of the others?
 21 A. Would have been a Gary Burroughs who is a
 22 CPA.
 23 Q. Where is Mr. Burroughs?
 24 A. I believe he's in -- outside Portland.
 25 Q. Okay.

1 A. It's been a couple of years. I'm trying to
2 remember some of the --

3 Q. That's okay. Take your time.

4 A. There was a Darren Martinelli out of
5 California.

6 Q. And was he an insurance guy?

7 A. I believe he was a multifaceted individual.
8 I believe he did insurance. I know he had a Ph.D.
9 I'm not sure whether he had securities licenses or
10 not.

11 Q. Okay.

12 A. Don't know that.

13 Q. All right.

14 A. I'm going back and forth between east and
15 west.

16 MR. MARTIN: I'll tell you what, let's --
17 let's go off the record at 9:35, and I just want to
18 give you a few minutes. You can walk around, use
19 the restroom and whatever.

20 And I'd like you to just kind of reflect
21 and we'll go back on the record and maybe you'll
22 have some more names --

23 THE WITNESS: A couple, a couple, yeah.

24 MR. MARTIN: -- and so forth, and I'm going
25 to get myself a little organized. Why don't we

1 take five minutes.

2 THE WITNESS: Okay.

3 (Whereupon, a recess was taken at 9:35
4 a.m.)

5 (Whereupon, the proceedings resumed at 9:41
6 a.m.)

7 BY MR. MARTIN:

8 Q. Let's go on the record at 9:41 a.m.

9 While we were off the record, I asked
10 Mr. Scott to try to refresh his recollection a
11 little bit about some of the affiliated advisors
12 related to Brown Investment Advisors. And during
13 the last several minutes he appears to have done
14 so.

15 Other than that, the witness and the
16 counsel -- the witness and the staff have not had
17 any substantive conversations; is that correct?

18 A. Correct.

19 Q. Okay. Do you have some other names,
20 individuals or entities?

21 A. May I clarify a question?

22 Q. Sure, absolutely.

23 A. This is only relationships with Brown
24 Investment Advisors? This is not anybody related
25 to Summit Trust or --

1 Q. Well, actually, I'd like both, and to the
2 extent there's a distinction, if you can make that
3 distinction for me, I'd appreciate it.

4 A. Okay. A gentleman named Reese English.

5 Q. Okay. Where's Mr. English?

6 A. I believe he's in Mississippi.

7 Q. Okay.

8 A. Some of these relationships are vintage,
9 they're of age.

10 Q. Okay.

11 A. A Mr. Don Treadway.

12 Q. Where is Mr. Treadway?

13 A. Possibly Alabama, down south. He used to
14 attend the workshops, very deep southern accent.
15 Oh, excuse me, I think possibly Tennessee. I think
16 his accent was more Tennessee, but I can't be sure
17 about that.

18 Q. Mr. English is in the insurance business?

19 A. Yes, sir.

20 Q. And Mr. Treadway's in the insurance
21 business?

22 A. Yes, sir.

23 Q. Was Mr. Morley in the insurance business?

24 A. Yes, sir.

25 Q. Okay. Go ahead.

1 A. Mr. Joseph Zedalis.

2 Q. You'll have to spell that.

3 A. Z-E-D-A-L-I-S.

4 Q. Okay.

5 A. Of Seattle.

6 Q. All right.

7 A. Insurance.

8 Q. Okay.

9 A. Mr. Mike -- Michael Goodrich, G-O-O-D-R-I-C-H.
10 I think he's in the Towson area someplace.

11 Q. In Maryland?

12 A. Maryland, yes.

13 Q. Okay. Insurance?

14 A. Yes, sir.

15 Q. Okay.

16 A. Mr. Wes Dye, D-Y-E.

17 Q. Okay.

18 A. He's in Colorado, insurance.

19 Q. Okay.

20 A. Those, I believe, are the relationships
21 that were Brown Investment Advisors, at least
22 initially.

23 Q. And what was the basis of the relationship?
24 What -- how did they interact with Brown Investment
25 Advisors, if you would?

1 A. There was another entity, as I'm thinking
2 about these things, called Trust Counselors
3 Network.
4 Q. Okay.
5 A. Which is a 501 C3 formed back, I think, in
6 1992, when they were doing their public workshops
7 and so forth and so on, for the purpose of
8 educating attorneys, accountants, insurance people
9 about the benefits of charitable trusts and
10 charitable planning. So that clearly predated
11 Summit Trust.
12 So some of these people were in that genre
13 of advisors. They had that affinity. They were
14 interested in benefitting charities, ministries or
15 clients with the same mindset.
16 Q. And who is the principal of Trust
17 Counselors Network?
18 A. I believe Kevin is.
19 Q. Okay.
20 A. I believe he is.
21 Q. Is it still in existence?
22 A. Yes, sir.
23 Q. Okay. I'm sorry. Go ahead.
24 A. Yeah. So that's where they -- that was, I
25 believe, the genesis of much of those

1 relationships, learning about Brown Investment
2 Advisors. Because Mr. Brown, Sr., Mr. George
3 Brown, was traveling around with this advanced life
4 insurance and type group out of, I think, San
5 Francisco, but don't hold me to that.
6 Q. Uh-huh.
7 A. And he would be speaking with charitable
8 planning. The other gentleman who was heading
9 that, he was speaking of life insurance, but he
10 wanted multiple options, multiple disciplines there
11 to attract a greater audience. And so Mr. Brown
12 would be talking about those things, and many of
13 those relationships came out of those meetings.
14 That's why they're from Seattle and
15 Mississippi and Portland and all over in California
16 and so forth. And those were people that were of
17 kindred spirit to the Browns. They had very common
18 interests in benefitting nonprofits and those types
19 of things. So -- but I can't be certain that they
20 did -- that they drove their clients to Brown
21 Investment Advisors.
22 Q. Okay.
23 A. I think they were more of the Trust
24 Counselors Network type business.
25 Q. Uh-huh.

1 A. But then they would have been useful in
2 Summit truth because now Summit Trust would be
3 administering the charitable trusts as opposed to
4 the organization that existed before that.
5 Q. If someone did bring their clients to Brown
6 Investment Advisors, what did Brown Investment
7 Advisors have to offer them in terms of investment
8 products or advice?
9 A. Mutual funds, I'm -- I don't know what else
10 they would have offered, but I know that they must
11 have. It wasn't something that I was -- mutual
12 funds, anything that would have been life insurance
13 they wouldn't have needed Brown Investment
14 Advisors. They could do that all on their own.
15 Q. Through their own advisors?
16 A. Yeah. Absolutely. They didn't need
17 anybody for that, so it would have been some mutual
18 funds.
19 Q. What about -- what about some other
20 investment opportunities? And I'm going -- I'm
21 going to identify some for you.
22 A. Okay.
23 Q. And I want you to give me the wealth of
24 your knowledge about these particular things.
25 There's something called the Rampart Fund.

1 A. Uh-huh.
2 Q. Are you familiar with the Rampart Fund?
3 A. To a small extent.
4 Q. What do you know about the Rampart Fund?
5 A. This is my opinion.
6 Q. Uh-huh.
7 A. It was kept somewhat compartmentalize from
8 -- from what I was doing.
9 Q. Uh-huh.
10 A. I don't know if that was intentional. It
11 just wasn't what I was working on. I believe that
12 the Rampart Fund was -- it was like a big SMA type
13 account.
14 Q. Okay.
15 A. That they could offer opportunities to
16 individual clients.
17 Q. Did you understand that the Rampart Fund
18 was controlled or run by the Browns?
19 A. I believe that was true, yes.
20 Q. Okay. And did you understand that the
21 Browns were developing or finding investments for
22 the Rampart Fund to invest in?
23 A. I believe they did that. I believe there
24 were some advisors that came to them and said, I
25 know -- this is just my -- from hearing

1 conversation, not in a private meeting, but this is
 2 a program that I heard about. Would this be
 3 something you guys would be interested in, and
 4 possibly they would have been, and it might have
 5 been part of a Rampart offering or offering or fund
 6 or whatever you want to call it.
 7 Q. Did you understand the Rampart Fund to be a
 8 sort of mix of different investments?
 9 A. That would be my opinion.
 10 Q. Okay. And these are investments that
 11 George Brown and Kevin Brown decided to invest in?
 12 A. I believe so.
 13 Q. Okay. And the investors included their own
 14 clients from -- I'm sorry -- from Brown Investment
 15 Advisors?
 16 A. I would think so.
 17 Q. Okay. And did you understand that there
 18 were other investors from some of these other
 19 affiliated advisors who were in the Rampart Fund?
 20 A. I believe that's true.
 21 Q. Do you have a notion of the underlying
 22 investment of the Rampart Fund? You know, were
 23 they investing in oil wells or were they investing
 24 in exchange traded funds or real estate?
 25 A. Well, exchange traded funds they did

1 through Summit Trust.
 2 Q. Okay.
 3 A. Um, they have a portfolio of -- this is
 4 Summit Trust, now it's a portfolio of different
 5 investments, one -- some are ETFs, you know, some
 6 are --
 7 Q. Let's talk about Summit Trust for a second.
 8 A. Okay.
 9 Q. Let's stay with Rampart just for right now.
 10 A. I don't believe any ETFs were inside
 11 Rampart.
 12 Q. Okay.
 13 A. I really wasn't in the -- the mix on most
 14 of that. I -- there was -- there were several that
 15 I heard conversations regarding that would have
 16 been through Rampart.
 17 Q. Uh-huh. Okay.
 18 A. Occasionally, the advisor would ask me what
 19 did I know about such and such investment, and I
 20 would say, I don't, I don't, so I can't give you
 21 any yes or no or whether it's appropriate or not.
 22 Q. What did you hear that may have been in
 23 Rampart as you understood it?
 24 A. Um, the only one that I can actually affix
 25 a name to would have been a program with the

1 gentleman named Larry Wright.
 2 Q. Okay. And what was this program called?
 3 The Underwriters Group?
 4 A. That's correct, yes. Thank you.
 5 Q. And did you --
 6 A. TUG, TUG was the acronym that was used.
 7 Q. Why TUG?
 8 A. The Underwriters Group.
 9 Q. Okay. All right. Interesting.
 10 A. They like acronyms.
 11 Q. All right. And did you have an
 12 understanding what The Underwriters Group invested
 13 in or what that investment was?
 14 A. To some extent.
 15 Q. Okay.
 16 A. I was in a brief meeting with Mr. Wright,
 17 as they called him Dr. Larry Wright.
 18 Q. Uh-huh. Okay.
 19 A. That might have been 2006 or '07. I think
 20 it was a while ago, but it could have been more
 21 recent. I'm not sure. As I understood it, it was
 22 some type of program for raising money, short-term
 23 money for contractors. Contractors meaning guys
 24 who owned their own construction companies, small
 25 -- you know, small deals.

1 Q. Uh-huh, uh-huh.
 2 A. And they needed to borrow money to fund
 3 their -- whatever they needed to do to fund their
 4 project.
 5 Q. Okay. Any other details that you
 6 understand?
 7 A. Some type of a note, some type of a note
 8 that -- that I believe the contractor signed, and I
 9 think Dr. Wright was looking for investors for that
 10 program.
 11 Q. Okay. Were there other funds or were there
 12 -- excuse me -- were there other investments that
 13 were part of the Rampart Fund?
 14 A. I believe there were.
 15 Q. Okay.
 16 A. Just because of conversations that I would
 17 hear as I was walking from, you know, one office
 18 building to the other. But I couldn't -- don't
 19 know of name. Now, if you have a name, maybe I'll
 20 know it, but I can't think of any.
 21 Q. Okay. What's your understanding of the
 22 Rampart and its success?
 23 A. Well, I only know of the one with
 24 Dr. Wright.
 25 Q. Okay. And what happened there?

1 A. I know that wasn't successful.
2 Q. Okay. When you left Brown Investment
3 Advisors and Summit Trust, did you have a notion of
4 where the Rampart Fund stood in terms of its health
5 or situation?

6 A. No. Other than sometimes, I would hear a
7 conversation from Kevin's dad that related to that,
8 but it really wasn't, shall we say, it was a quiet
9 conversation. So it would have been inappropriate
10 for me to try to stick my head in the door and see
11 what it was. I would hear the name Dr. Larry
12 Wright quite a bit after -- when he was first up to
13 visit Summit Trust.

14 Q. Okay.

15 A. And then there wasn't much conversation
16 about Dr. Wright after that that I can recall.

17 Q. And how was the Rampart Fund being sold, to
18 your understanding?

19 A. I would -- to my understanding, select
20 advisors --

21 Q. Uh-huh.

22 A. -- would offer it to their clients. It's
23 possible that Summit -- that Brown or Summit may
24 have put money in it as well. I wouldn't have any,
25 you know, knowledge. That wouldn't have been

* 1 something that was mentioned.

2 Q. Did you bring anybody to the Rampart Fund?

3 A. No, sir.

4 Q. Okay. Other than the Rampart Fund, did
5 Brown Investment Advisors have any other funds or
6 offerings that it self-generated or instituted, set
7 up in any way?

8 A. This will be Brown Investment Advisors?

9 Q. Let's stay with Brown Investment Advisors
10 for right now.

11 A. Oh, not that I can recall. But I know
12 there was something else in there. I just don't
13 know a name that I can recall.

14 Q. Okay. All right. I'm going to give you a
15 few names and we'll go -- we'll go through them.

16 A. Okay.

17 Q. And -- but I want to keep Brown Investment
18 Advisors and Summit Trust distinct for right now.

19 A. Yes.

20 Q. Unless there's -- there is an overlap that
21 you can explain to me, but I want to stay sort of
22 within Brown Investment Advisors. And let's finish
23 with Rampart.

24 What, if anything, did the Rampart Fund
25 have to do with Summit Trust Company?

1 A. I don't think it had anything to do with
2 Summit Trust Company.

3 Q. Okay. I mean, it may well be that some of
4 the Summit Trust Company clients were also Rampart
5 Fund clients?

6 A. That could be true, yes.

7 Q. Okay.

8 A. Yeah.

9 Q. Other than that, there was no direct
10 involvement?

11 A. Not that I know of.

12 Q. Okay. All right.

13 A. I was not -- I was not -- I did not mention
14 Rampart, didn't know enough about it.

15 Q. Uh-huh.

16 A. So I did not mention it to an advisor. I
17 was asked, I told you on several occasions.

18 Q. Okay. Are you familiar with something
19 called the Capital Window Fund?

20 A. Not -- just a name, Capital Window, not the
21 fund, not the fund.

22 Q. What is Capital Window?

23 A. Well, Capital Windows.

24 Q. Windows?

25 A. Yes. Pardon me. That's how I knew it to

1 be, Capital Windows, a gentleman out of San Diego.
2 I don't know how he came to Summit Trust, so I
3 don't know that he was involved with -- with Brown
4 Investment Advisors.

5 Q. Okay. That's fine.

6 A. Yes.

7 Q. So this is a Summit Trust?

8 A. I believe it was. It was one of the very
9 last, the last two events that I was involved in
10 with Summit Trust.

11 Q. Okay.

12 A. Which was at the tail end of 2011, two
13 individuals from Capital Windows were there making
14 presentations.

15 Q. Okay. Who were these individuals?

16 A. Thomas Carter.

17 Q. Uh-huh.

18 A. And I don't know the other person.

19 Q. Okay.

20 A. I met Thomas Carter prior to that. The
21 other person I had not seen before. I know he was
22 an associate of Thomas. I don't know him.

23 Q. Okay. And so they were making
24 presentations to Summit Trust?

25 A. To Summit Trust advisors.

1 Q. Okay.
 2 A. Initially Thomas Carter made one to Summit
 3 Trust.
 4 Q. Okay. I'm sorry. Summit Trust advisors?
 5 A. Okay. Individuals like these names who
 6 they knew, and so they would invite them to a
 7 workshop.
 8 Q. Okay.
 9 A. So they did a workshop, for example, in
 10 Nevada because that was where the home office of
 11 Summit Trust exists. They did one in Florida
 12 because it was a warmer place to go in November.
 13 Q. All right. So Summit Trust would host
 14 these?
 15 A. Yes.
 16 Q. Okay. And what was in it for Summit Trust?
 17 Why host these?
 18 A. Generally, my opinion, I mean, they didn't
 19 discuss any of their fees at that point with me,
 20 because I was -- I'm a salaried person. Didn't --
 21 was nothing involved in it.
 22 Q. Right.
 23 A. There would be a custodial account
 24 established by Summit Trust.
 25 Q. Uh-huh.

1 provide all the, you know, web stuff and marketing
 2 material and exposure to funding, for lack of a
 3 better word.
 4 And I was not told this by anybody at
 5 Summit Trust, but I was told it by the gentleman
 6 who hired Capital Windows.
 7 Q. And who was that?
 8 A. His name was Jerry Mainardi,
 9 M-A-I-N-A-R-D-I, like Jerry Mainardi is how you
 10 pronounce it.
 11 Q. Okay.
 12 A. He has a company called Selling
 13 Technologies, which is a company that assists
 14 insurance agents, advisors, whatever you want to
 15 call it, in getting business clients.
 16 Q. And he invested in Capital Windows?
 17 A. No. He paid them a fee.
 18 Q. All right. All right.
 19 A. Paid them a fee to take his company to the
 20 next level. And that's -- that's my opinion of it.
 21 Q. Okay. And so what did you then hear from
 22 Mainardi?
 23 A. That he might as well have taken that money
 24 he paid to Capital Windows and thrown it out the
 25 window.

1 A. And an advisor could bring a client who
 2 would choose to go into that custodial account --
 3 Q. Okay.
 4 A. -- and then the monies would be directed to
 5 Capital Windows, whatever that was. I don't know
 6 what it was called. I have no idea what it was. I
 7 never saw it.
 8 Q. Uh-huh.
 9 A. And Summit Trust would have a fee for doing
 10 that, custodial fee.
 11 Q. Okay. Would there be any fees for Summit
 12 Trust or Brown Investment Advisors or any of the
 13 principals associated with the actual investment in
 14 Capital Windows or any of the other offerings?
 15 In other words, were there any fees or
 16 commissions earned by anybody associated with
 17 Summit Trust or Brown Investment Advisors that were
 18 not custodial in nature?
 19 A. I was told by one of the relationships that
 20 Capital Windows, he had been referred to Capital
 21 Windows by Mr. Brown, George Brown, and they were
 22 supposed to help find money for his company to grow
 23 it. That was one of these -- that seemed to be the
 24 big fuss about Capital Windows. They knew how to
 25 take your company and, you know, put it on the map,

1 Q. Okay.
 2 A. No connection with Capital Windows, just
 3 throw it away.
 4 Q. What funds, if any then, went to Summit
 5 Trust? I mean, what's the connection there?
 6 A. I believe there was a referral fee paid by
 7 Capital Windows to anyone, I guess. I don't know.
 8 That would refer business to them.
 9 Q. Including the Summit Trust people?
 10 A. Including somebody at Summit. I don't
 11 think they paid it to Summit Trust. I don't know
 12 that.
 13 Q. Okay.
 14 A. I mean, it could have been a direct payment
 15 to an individual.
 16 Q. All right. How many situations like
 17 Capital Windows existed at Summit Trust or Brown
 18 Investment Advisors?
 19 A. Other than Rampart, Capital Windows, and
 20 Rampart being the underwriters group
 21 specifically -- well, you're talking about not like
 22 a fund, like a DFA, Dimensional Fund Advisors,
 23 which is a true no load mutual fund that their
 24 clients would invest in.
 25 Q. Yeah. We're talking about things that --

1 let's talk about things first that are sort of off
2 market, as it were.

3 A. Okay. I only knew scuttlebutt of one
4 called Paul-Ellis.

5 Q. Okay.

6 A. But can go off the record for just a
7 second?

8 Q. Well, if you tell me something I'm going to
9 ask you to go back on the record and tell me.

10 A. Okay. I'm just saying, as you -- as you
11 think about these things, you thought about them
12 for two years, things are starting to, you know,
13 resurface in your memory.

14 Q. Right.

15 A. So Paul-Ellis, I don't know what Paul-Ellis
16 stood for. I don't think there was any man named
17 Paul or Ellis. It was just a group called
18 Paul-Ellis.

19 Q. Okay.

20 A. I believe they were from near Norristown
21 somewhere.

22 Q. Okay.

23 A. I never met with them. I did hear the
24 name. And apparently that wasn't a good situation,
25 because when I asked what is the role of Capital

1 Windows, I was told to help us avoid people like
2 Paul-Ellis or something like -- to that extent.

3 Q. Well, what -- what was the relationship
4 between Paul-Ellis and Summit?

5 A. They had some type of investment program.

6 Q. Okay.

7 A. Some type of a fund. As I recall, a low
8 risk/high risk alternative type fund. Some was a
9 high risk. Some was a low risk. I didn't know
10 anything about it. Didn't know what it was
11 supposed to do.

12 I -- the reason I found out about it was --
13 more about it was one of the clients that I was
14 working with about insurance on behalf of Brown
15 Investment Advisors, he mentions, well, I don't
16 think I should put my money in Paul-Ellis instead
17 of putting it in this?

18 And I said, I can't -- I can't tell you.
19 So I'm assuming the rate of return was
20 significantly better than the 6 percent that he
21 might have been able to average over 20 years with
22 an insurance program.

23 Q. Okay. So was Paul-Ellis affiliated with
24 Brown Investment Advisors or Summit Trust Company?

25 A. I think it was Summit Trust.

1 Q. Okay. And --

2 A. Could have been with Rampart, I'm not sure.

3 Q. Okay. And what was -- what was Summit
4 doing with Paul-Ellis? Were they recommending it
5 to Summit clients? I mean, I'm trying to
6 understand how this fits together.

7 A. I believe they would have spoken to certain
8 advisors about it.

9 Q. Okay.

10 A. It wasn't unusual for advisors -- it was
11 very common for advisors to call and ask. Do you
12 have such and such type of a program for this type
13 of client?

14 I've got a client with this demographic.
15 They're 55. They want growth. They're willing to
16 take risks. What do you guys have?

17 Q. Okay.

18 A. And it could be the opposite. You could
19 have clients at 55 that don't want risk.

20 Q. Right.

21 A. What do you have?

22 Q. And they would call and talk to Kevin Brown
23 and George Brown?

24 A. Correct.

25 Q. Okay. And that was either in the context

1 of Summit Trust or Brown Investment Advisors?

2 A. Well, yeah, I guess. I mean --

3 Q. I mean, was there much of a distinction?

4 A. There was in my mind, because Brown
5 Investment Advisors had an amount of money they
6 were managing as a center management --

7 Q. Okay.

8 A. -- when Summit Trust was started.

9 Q. Right.

10 A. And those were in some no load mutual
11 funds, some load mutual funds. I don't know, a
12 hodgepodge of things. I don't mean that
13 derogatorily.

14 Q. Sure.

15 A. Just a bunch of things. I know that
16 over -- systematically, over a period of years,
17 some of those clients were put into the no load
18 mutual funds or Dimensional Funds Advisors, because
19 there was a lower fee for the client to pay and
20 generally a greater historic diversity than any of
21 those other mutual funds had. I missed -- I forgot
22 the question. Sorry.

23 Q. Yeah. I just -- I'm trying to speak or ask
24 you to speak to the distinction between Summit
25 Trust Company and Brown Investment Advisors. And

1 if there is, for practical purposes, really a
2 distinction between the two entities and the
3 behavior of Mr. George Brown and Mr. Kevin Brown.

4 A. I think my opinion was there was a
5 distinction, a significant distinction. Most of my
6 opinion, and what I observed, most of the efforts
7 for the last four or five years were directed in
8 developing Summit Trust. And almost -- whatever it
9 was, it was. We had advisors there, but we're not
10 really trying to build that.

11 Q. But in developing Summit Trust Company, are
12 they essentially providing investment advisor
13 services or providing the same kind of services
14 they had for Brown Investment Advisors that they
15 are for Summit Trust Company?

16 I guess what I'm getting at, is I realize
17 there's an emphasis on Summit Trust Company of
18 late, but is there a distinction between what kind
19 of services they're providing and what they're
20 offering people?

21 A. Well, the trust company offers stuff that a
22 registered investment firm can't offer.

23 Q. Well, I -- I understand that. But as a
24 practical matter, are they -- are they offering
25 their Summit Trust clients investment

1 opportunities?

2 A. They would have offered investment
3 opportunities to Brown Investment Advisors clients.

4 Q. Okay.

5 A. They made a pledge that they would not
6 directly sell to the public over here in Summit
7 Trust. They would only work through advisors with
8 whom they had a relationship.

9 Q. Okay.

10 A. And whether that makes any distinction --
11 so those relationships would have been driven
12 by -- by whatever Summit Trust offered. That would
13 have been the catalyst to bringing in the business.
14 Whether it was Dimensional Fund Advisors. They had
15 another program. I forget what the name was.

16 Q. Well, let's -- let's talk about that for a
17 second.

18 So you say whatever Summit Trust Company is
19 offering.

20 A. That's a technical term. I don't mean to
21 use it that way.

22 Q. Okay.

23 A. We have -- we have access to relationships
24 with Dimensional Fund Advisors which is not very
25 easy to get.

1 Q. Okay.

2 A. It came through a company called Online
3 Brokerage Services.

4 Q. Okay.

5 A. The acronym is OBS.

6 Q. All right.

7 A. Guys in financial services love initials.
8 That's how they talk.

9 Q. Right.

10 A. OBS built a portfolio of dimensional fund,
11 advisor funds that were particularly appropriate
12 for banks and trust companies.

13 Q. All right. And I'm sorry, who is OB --

14 A. OBS.

15 Q. And what do they stand for?

16 A. Online Brokerage Services.

17 Q. Who's their principal?

18 A. I'm not sure now. The gentleman left there
19 two or three years ago at least, took a bunch of
20 the people that were there.

21 Q. Where were they located?

22 A. I think it was White Hall, Ohio, but White
23 something Ohio. White Hall, White Dell or
24 something.

25 Q. But they put together a portfolio at

1 Dimensional Fund Advisors?

2 A. They took -- Dimensional Fund Advisors has
3 access in their portfolio to like 3,000 different
4 stocks.

5 Q. Okay.

6 A. They take those and they put, they bundle
7 them together to create certain types of investment
8 opportunities. Some people --

9 Q. Funds?

10 A. Funds, correct, that's correct.

11 Q. Okay.

12 A. And they're no load funds, so that makes it
13 attractive for investors. If you go to -- if you
14 would start a relationship with Dimensional Fund
15 Advisors as an individual -- and this is what I was
16 told. I don't know this to be fact.

17 Q. Okay.

18 A. -- that you would need to have a minimum,
19 of like, of \$20 million you could move over in the
20 first 12 months or they weren't even going to talk
21 to you.

22 Q. Okay.

23 A. But if you went through Online Brokerage
24 Services, who, between the different banks and
25 trust companies they had, they'd already satisfied

1 that \$20 million. So you could come in -- Summit
 2 Trust would come in with a million or 500,000 and
 3 starts to build it over a period of months or
 4 years.
 5 Q. So Summit investors could come into the
 6 DFA --
 7 A. Funds.
 8 Q. -- funds --
 9 A. Uh-huh.
 10 Q. -- cheap?
 11 A. Low, low threshold.
 12 Q. Okay. How did it work mechanically? How
 13 did the Summit Trust clients find out about DFA?
 14 A. Summit would hold these workshops and
 15 generally at DFA, one of the two of the DFA people
 16 would be there, the marketing people.
 17 Q. Who were the workshops held for?
 18 A. Advisors.
 19 Q. Okay.
 20 A. Never to the public.
 21 Q. All right. And then the advisor or
 22 clients, if they chose to invest, would do so
 23 through the Summit Trust --
 24 A. Relationship.
 25 Q. -- relationship?

1 A. Yes.
 2 Q. How would Summit Trust get compensated?
 3 A. Summit Trust has in their -- on their
 4 website what they call fees and forms and here's
 5 what they charge. They charge 1-1/2 -- 1-1/2
 6 points -- 150 basis points on the first \$50,000 in
 7 an -- in an account, a custodial account, and then
 8 it grades down from that. It's actually all on the
 9 website.
 10 So that would be the fees that would be
 11 paid for Summit Trust. Of course, they would come
 12 out --
 13 Q. The custodial fees?
 14 A. Yes. They would come out of the client's
 15 funds. So if you open up an account with Summit
 16 inside DFA, for lack of a better word, and you put
 17 \$50,000 in, they charged you 1-1/2 percent divided
 18 up quarterly over the first -- over the first year.
 19 Online Brokerage Services. For building
 20 the portfolios and putting all this together, I
 21 think got like an additional 17 basis points,
 22 something in that neighborhood. And that's all I
 23 think on their -- in their stuff.
 24 Q. Okay. What other fees or funds did Summit
 25 Trust make off of those investments into the DFA

1 portfolio?
 2 A. That was it.
 3 Q. That was it?
 4 A. That was it, yep.
 5 Q. Okay. So there was no finder's fee or
 6 anything associated?
 7 A. No.
 8 Q. All right. Okay. What else like the DFA
 9 investment was in existence?
 10 A. They had -- they had some ETFs --
 11 Q. Okay.
 12 A. -- they actually designed. It was a
 13 gentleman working with them -- here's one of the
 14 memories.
 15 Q. Who's they?
 16 A. That Summit -- well, who's they? A
 17 gentleman named Ed Price in conjunction with
 18 Mr. George Brown. And Price has retired. He
 19 retired the year before I was laid off.
 20 They put together this almost similar to a
 21 DFA grid. Different types of ETFs and, of course,
 22 the ETFs have -- there weren't any -- it was simply
 23 the same basis points that they charged.
 24 Q. So, again, they're building their own fund?
 25 A. They did with ETFs.

1 Q. Okay.
 2 A. Again, Online Brokerage built the ones for
 3 DFA. Summit didn't have the --
 4 Q. Right.
 5 A. -- power to do that.
 6 Q. So it's Ed Price, George Brown. Is Kevin
 7 Brown part of this?
 8 A. I think he was certainly in on all of the
 9 discussions.
 10 Q. Okay.
 11 A. I don't know if he was picking any.
 12 Q. So Ed Price, George Brown, and perhaps
 13 Kevin Brown, or likely Kevin Brown, is designing
 14 ETFs, and they're sort of these portfolios or
 15 classes of ETFs?
 16 A. That's correct.
 17 Q. And if I'm understanding correctly, then to
 18 suit the -- the needs or the comfort level of a
 19 particular investor?
 20 A. Yes. Almost in a -- I use the word,
 21 "imitation," in the best sense of the word, of what
 22 DFA had where you would have -- you could have
 23 100 percent in cash --
 24 Q. Uh-huh.
 25 A. -- 100 percent in stock. You could have

1 10/90, 20/80, 30/70 --
 2 Q. Right.
 3 A. -- 40/60, so forth and so on. That's what
 4 they did with the ETFs.
 5 Q. Okay. All right.
 6 A. And some of them were international ETFs.
 7 Q. Okay. So they're trying to address
 8 people's comfort level with risk?
 9 A. Yes.
 10 Q. And sort of their kind of their window in
 11 terms of how long they're going to invest, sort of
 12 all these different factors that people can --
 13 A. And they actually have names similar to
 14 that.
 15 Q. Okay.
 16 A. Some are called like, target date
 17 portfolios. It means if you're going to retire in
 18 12 years or 15 years, this is what you should be
 19 looking at.
 20 Q. The two Browns and Ed Price went out and,
 21 if I'm understanding correctly, cherry-picked
 22 certain ETFs to put together these types of funds?
 23 A. To replicate those types, yes, correct.
 24 Q. Okay. How did they bring investors into
 25 those funds?

1 A. They would offer those at the workshops or
 2 they would do a webinar to the advisors explaining
 3 what this was about.
 4 Q. Okay.
 5 A. At the time of the ETFs, the international
 6 ETFs, there was a -- there was a concern about
 7 keeping all of your money strictly in U.S. stocks,
 8 because there had some pretty volatile years that
 9 they went crashing down.
 10 Q. Right. Same compensation arrangement as
 11 with --
 12 A. Well, we're just saying the same basis,
 13 part of their published fees, yes.
 14 Q. As the DFA?
 15 A. That's right. To the best of my knowledge.
 16 Q. Any other management fees or other kind of
 17 fees because they're developing these ETFs
 18 themselves?
 19 A. No. It wouldn't have been -- there
 20 wouldn't have been any, like, Online Brokerage.
 21 You've got 17 basis points. There was nothing like
 22 that that existed.
 23 Q. Okay. I guess what I'm getting at is, the
 24 two Browns and Ed Price went to the trouble to kind
 25 of design these funds --

1 A. Uh-huh.
 2 Q. -- so are they being compensated in any
 3 extra way or other way than the DFA compensation?
 4 A. No. And actually, Ed was a salaried
 5 employee.
 6 Q. Okay.
 7 A. As I believe Mr. Brown is of Brown
 8 Investment Advisors.
 9 Q. Okay.
 10 A. Which is George Brown.
 11 Q. All right. Were Brown Investment Advisors
 12 clients put into DFA or the ETFs?
 13 A. I don't know specific ones, but I believe
 14 they would have been. That's just my opinion.
 15 Q. And who would offer it -- offer it to them,
 16 the Browns?
 17 A. The Browns, yes.
 18 Q. Okay.
 19 A. All of the -- to the best of my knowledge,
 20 all of the clients that were in Brown Investment
 21 Advisors were all developed through their public
 22 workshops done in the '90s.
 23 Q. Okay. And were kind of longstanding
 24 clients?
 25 A. Yes.

1 Q. Okay. All right. So you've got DFA, and
 2 the DFA portfolio from the Online Brokerage
 3 Services folks, and you've got the ETFs that were
 4 designed by Price and the two Browns, correct?
 5 A. Uh-huh.
 6 Q. Is that a "yes"?
 7 A. Yes, sir. I apologize. Yes.
 8 Q. That's fine. And those seem to have the
 9 same structure in terms of how Summit Trust Company
 10 is making its money related do that; is that
 11 correct?
 12 A. Yes.
 13 Q. And now presumably if a Brown Investment
 14 Advisor client is also put into those, there are
 15 certain investment advisor fees that go to the
 16 Browns for putting that client into that
 17 investment?
 18 A. I don't believe so.
 19 Q. Okay.
 20 A. I believe whatever -- they were charging
 21 them, the way I understand Brown Investment
 22 Advisors, they were in some mutual funds. The
 23 mutual fund company paid a commission to Brown
 24 Investment Advisors.
 25 Q. Okay.

1 A. So if they came out of that and went into
2 here, that would no longer be, there would be
3 nothing that your client would be -- would be
4 coming out of the client's money with that
5 relationship.

6 Q. And there was no Brown Investment Advisors
7 commission related to putting any investors in DFA
8 or ETF?

9 A. Not that I knew of.

10 Q. Okay. Let's keep walking through what
11 other investments other than the DFA portfolio and
12 ETFs were there?

13 A. Well, we talked about the Capital Windows.

14 Q. Talked about Capital Windows?

15 A. Yes.

16 Q. Okay. And was that, was Capital Windows a
17 Summit Trust investment?

18 A. I believe it was.

19 Q. Okay. And did you understand that it
20 operated in the same way as ETF and DFA?

21 A. I don't believe it did.

22 Q. Okay.

23 A. I believe that operated -- again, I did
24 not -- no. I was not brought into that
25 relationship. I'm not sure why.

1 Q. Uh-huh.

2 A. I did meet with Mr. Carter when he came --
3 when he came to Pennsylvania.

4 Q. Right.

5 A. And I inquired as to why we were pursuing a
6 relationship with him. And I was told that he's
7 able to, you know, keep us from people like
8 Paul-Ellis.

9 Q. Okay.

10 A. I don't -- as he presented his
11 opportunities at those workshops in the late part
12 of 2011, this is Thomas Carter, I don't believe it
13 was at all similar to ETFs or DFA.

14 Q. Okay.

15 A. I believe it was something different
16 entirely, where there was maybe a higher degree of
17 reward with a higher degree of risk.

18 Q. Uh-huh. So then how did it work
19 mechanically? If it was different than the DFA
20 opportunities and the ETF opportunity, how was
21 Capital Windows offered and how did it work?

22 A. I could -- this would just be a supposition
23 on my part, based on what I've seen before.

24 Q. I'll take it that way.

25 A. They would have opened up a custodial

1 account or an SMA.

2 Q. Uh-huh.

3 A. That SMA, the client would have said, put
4 the money in Capital Windows. Summit Trust would
5 have said, we're charging a fee for that. That fee
6 would probably be more like 2 percent than 1-1/2
7 percent.

8 Q. Okay.

9 A. And it would have been a flat fee. That's
10 my understanding. If you put in 100,000, it's the
11 same 2 percent as if you put in 50,000 or 20,000 or
12 200,000.

13 Q. But still what you're describing is a
14 custodial fee?

15 A. That's what I understand, yes.

16 Q. Okay. Now, I believe what you stated
17 before that you were -- you had the understanding
18 that unlike DFA and the ETF, Capital Windows also
19 may have had some form of referral fee or some
20 other compensation?

21 A. Well, Capital Windows, as I understood it,
22 had a bunch of different things inside it in what
23 you call the umbrella of just Capital Windows. So
24 they might have been the Capital Windows Fund,
25 let's just call it a growth fund for lack of a

1 better word. Then there's a Capital Windows, what
2 I call, developing businesses. That's not a fund,
3 that's a function.

4 Q. Right.

5 A. So you pay them a fee. It's 25,000, it's
6 25,000, it's 50,000 to take your company to the
7 next level. That wasn't an investment that had any
8 specific return, only the return of your company
9 doing more business.

10 Q. Right. As a service?

11 A. Correct.

12 Q. Okay.

13 A. That they paid a referral fee.

14 Q. Okay.

15 A. I don't know exactly what it was, and I
16 don't know to whom they paid it. They may have
17 paid it to Summit Trust. They may have paid it to
18 -- I don't know.

19 Q. Okay. All right. All right. So other
20 than Capital Windows, Paul-Ellis, and did you
21 understand how Paul-Ellis functioned in terms
22 of -- it sounds like you don't know very much about
23 the Paul-Ellis situation?

24 A. I just -- no. Because I just -- I never
25 met the guys. I wasn't involved in any of those

1 meetings. I mean, I was very involved in DFA and
2 things like that, you know. When they had the guys
3 come in, I was in the meetings.

4 Q. Uh-huh.

5 A. So I don't know too much about it.

6 Q. Okay. Let's step back for just a second.

7 In relation to DFA and ETF and all this stuff, what
8 was your role? What did you do?

9 A. I would be talking to advisors about the
10 types of portfolios that the DFA offered. I would
11 be inviting them to come to one of the workshops
12 where DFA would be presenting.

13 If they had a client that was interested in
14 DFA, they could call the office and we would talk
15 to them. Again, we weren't directly compensated
16 for doing anything of that nature, but it was --
17 was a building of the company.

18 Q. But what if -- what if one of the advisors
19 put an investor in DFA for \$100,000 --

20 A. Okay.

21 Q. -- would there be any compensation for you
22 associated with that?

23 A. No.

24 Q. Okay. Even though you had made the
25 introduction and essentially, for the sake of a

1 A. It wouldn't have been if he was in the
2 insurance business. If he was in the insurance
3 business, the only thing he could do would be to
4 refer the clients to Summit Trust. Summit Trust
5 would then discuss with the client what was
6 appropriate and would place him. Then they would
7 pay him some type of referral fee, but it wasn't
8 anything along the lines of -- of what a registered
9 investment advisor would get.

10 Q. But the registered investment advisor would
11 get part of the custodial fee?

12 A. Correct.

13 Q. All right.

14 A. Yes. Otherwise he -- it would be not much
15 better for bringing his clients there, unless he
16 would charge them a fee.

17 Q. Okay. So the registered investment
18 advisors would get part of the Summit Trust
19 custodial fee for bringing in clients through
20 Summit Trust?

21 A. Uh-huh. Uh-huh.

22 Q. That's a "yes"?

23 A. That's a "yes." I'm sorry.

24 Q. Okay. And the insurance agents and others,
25 the nonregistered investment advisors would get

1 better word, brokered the -- brokered the
2 relationship?

3 A. I asked about that on several occasions and
4 nothing was ever -- nothing ever happened. I was
5 asking you about it, not that I would be directly
6 compensated, but if at the end of a year, X number
7 of millions of dollars had been brought in, was
8 there any way that, you know, my pay would go up,
9 my salary would go up?

10 Q. And was that possible?

11 A. It never happened.

12 Q. It never happened? Okay.

13 A. So I'm guessing not.

14 Q. Was anybody else compensated related to the
15 investors that came in the door? In other words --

16 A. If an advisor, if it was a registered
17 investment advisor, which they had a number of
18 those, if they came in with a client and the
19 registered investment advisor would be paid up to
20 80 percent of the fees that -- the custodial fees
21 that Summit Trust charged, depending upon his
22 experience, his block of business and so forth and
23 so on.

24 Q. And would that include if the advisor was
25 in the insurance business?

1 some kind of referral fee; is that correct?

2 A. Yes.

3 Q. And what would the referral fee be,
4 roughly?

5 A. Could have been a solicitor's type fee of
6 10 -- 10 basis points, maybe up to 25 basis points.

7 Q. Meaning what?

8 A. In other words --

9 Q. Translate that. If it's a \$100,000
10 investment.

11 A. If you called up and said, I've got a
12 client who has \$100,000, and he's really angry with
13 his Merrill Lynch broker, I've been to your
14 seminars, DFA, can I refer him to you guys?

15 And the answer would be, yes. And then we
16 would take over from that point, and they work with
17 the client often, and it would be Mr. Brown or
18 Mr. Price or somebody else, and put them in a
19 portfolio. They would pay to that -- to that
20 agent, for lack of a better word, the agent a
21 percent of what came in.

22 Q. A percent of the investment?

23 A. A percent, yes.

24 Q. And what was the rough percent?

25 A. I would say probably 25 -- 25 basis points,

1 maybe as high as 40 basis points.
 2 Q. Okay. So .25?
 3 A. .25.
 4 Q. And I ask this -- I try to be really clear
 5 about it because I have people define basis points
 6 differently for me.
 7 A. Okay.
 8 Q. And I want to make sure that I'm
 9 understanding.
 10 A. I didn't know what a basis point was until
 11 I went to work for Summit Trust.
 12 Q. I understand that. Whereas the same
 13 investment -- a registered investment advisor had
 14 brought in the same client and made the same
 15 \$100,000 investment, they would get part of the --
 16 what we're calling the custodial fees that Summit
 17 would charge?
 18 A. Yes, yes. Again, there's RIAs. There's
 19 IARs. So depending what their classification. If
 20 they -- you know, they were an entity unto
 21 themselves, they were paid the maximum that they
 22 paid as opposed to if they were under somebody
 23 else.
 24 Q. Okay. Is -- to your knowledge, is Summit
 25 Trust for Brown Investment Advisors then getting

1 any money back from DFA, for example?
 2 A. No, sir.
 3 Q. No? Okay.
 4 A. I don't believe that exists. I don't know,
 5 but I don't believe it does because of the meetings
 6 I was in with DFA.
 7 Q. Okay.
 8 A. Actually, with OBS, technically.
 9 Q. All right. And the DFA and ETF, are these
 10 -- do these have SMA accounts?
 11 A. No. The DFA, each is an individual account
 12 with the -- advise with the client. And, you know,
 13 an IRA would be different than a non-IRA account.
 14 Q. Right.
 15 A. So it would be different accounts, but each
 16 account would have a different account number
 17 associated with it.
 18 Q. Uh-huh. What about ETFs?
 19 A. The same thing.
 20 Q. Okay. DFA, ETF, Capital Windows,
 21 Paul-Ellis, others?
 22 A. They formed right about the time in that
 23 last six months. They were forming --
 24 Q. You mean, the last half of 2011?
 25 A. That's correct, sorry.

1 Q. Okay.
 2 A. The real estate, the International Real
 3 Estate Fund. Now, I don't know if it ever went
 4 anywhere. It still shows up on the website. I
 5 mean, I visit their website every two to three
 6 months, you know, just to see what's going on.
 7 Q. You said they formed an international real
 8 estate fund. You mean along the lines of the ETFs
 9 that they had formed?
 10 A. No, no. I believe it was more along the
 11 lines of the Capital Windows type of a situation,
 12 where somebody would bring in, let's say, \$100,000.
 13 Q. Uh-huh.
 14 A. And they would be charged a flat 2 percent
 15 for that. And then they had an individual working
 16 with them in that area who was traveling to
 17 different countries to look for real estate.
 18 None of that happened. I've never known
 19 anybody that invested in it, but when I was there,
 20 it was supposed to be the plan.
 21 Q. Okay.
 22 A. That was talked about in the final two
 23 workshops that I attended.
 24 Q. Well, who was working for the real estate,
 25 somebody who worked for Summit Trust?

1 A. Did not work for them.
 2 Q. Okay.
 3 A. Did not work for them. I'm trying to come
 4 up with his name, that's why I'm thinking. He was
 5 only around, you know, the last six months I was
 6 there, so a nice gentleman. But I didn't -- I know
 7 he was traveling to Ecuador and other countries. I
 8 cannot recall his name.
 9 Q. Okay.
 10 A. Sorry.
 11 Q. What about something called the Dominion
 12 Group?
 13 A. Don't know anything about that. That was
 14 before me or after me. I'm not sure which.
 15 Q. These different things, the ETF fund and
 16 the DFA funds and so forth, who handled the books
 17 and records for those? Like, who -- who managed
 18 the day-to-day?
 19 A. I believe it would have been Kevin Brown.
 20 Q. Kevin Brown?
 21 A. I believe so, yes.
 22 Q. Okay. And how did they manage informing
 23 the different Summit Trust clients of their
 24 investment holdings and what they were making, what
 25 they were earning and so forth?

1 A. Well, every client had online access 24/7
2 to their account. They could see what their
3 balances were. They mailed out at least -- I'm
4 pretty sure while I was there they were still
5 mailing out quarterly statements.
6 Q. Okay.
7 A. They, I think they started mailing out
8 monthly statements, which became too difficult to
9 do from a cost perspective. But -- and the clients
10 would sometimes call up and say, what's going on?
11 You know, they didn't talk to me about it because I
12 didn't know, but they were calling out to George
13 and Kevin or this one.
14 Q. But they would get quarterly statements?
15 A. Yes.
16 Q. And would it break it out? You know, this
17 is -- this is my account and this shows my DFA
18 money. This shows my ETFs. This shows whatever
19 investments I have and so forth?
20 A. I never saw a statement that had anything
21 other than the ETFs and the DFA.
22 Q. Okay.
23 A. I didn't see -- I didn't see statements,
24 unless I went and pulled, like, I said can I see so
25 and so's statement? They didn't pass them all

1 around. But because they had their own access to
2 the accounting, to the statements and what it was
3 doing, it could -- they -- if they had a question
4 it was because they didn't understand how to do it
5 when they were online.
6 But I don't know anything about -- about
7 how Capital Windows would have known what was going
8 on there or any of those, like, Paul-Ellis. I
9 don't know. They would have gotten statements I'm
10 sure, but I don't know how they would have accessed
11 them.
12 Q. Okay. What's the Summit Trust Company
13 investment committee?
14 A. I know it was -- I don't know what it is
15 now.
16 Q. Okay.
17 A. It was -- it was initially George, Kevin,
18 and Ed, and they -- they met, I don't know, once a
19 month or something to talk about the different
20 portfolios.
21 Q. To make investment decisions?
22 A. I guess, I guess.
23 Q. Or was that --
24 A. Yes. They were either building something
25 or modifying something.

1 Q. Okay. But they were deciding how to --
2 like, what to invest in or how to invest in?
3 A. I believe so.
4 Q. Okay. And that was the purpose of that
5 committee as you understood it?
6 A. Yes.
7 Q. Okay. I want to go back to DFA and ETF and
8 so forth.
9 A. Uh-huh.
10 Q. Any other funds or investment opportunities
11 or anything else like that at all, other than
12 Arete, we haven't gotten to Arete yet. But other
13 than Arete, anything like that at all associated
14 with Summit Trust Company and Brown Investment
15 Advisors?
16 A. Not that I know of. Again, there were a
17 bunch of things that were going on that I wasn't
18 privy too. I was working a little bit more with
19 attorneys and stuff the last year or two, trying to
20 develop, you know, the trust or actually doing
21 anything else, so I don't know.
22 Q. Uh-huh.
23 A. I mean, there were lots of meetings that I
24 wasn't in, so I -- generally were, I'm sure,
25 something like that.

1 Q. Okay. And you've never heard of the
2 Dominion Investment Group or the Dominion Group?
3 A. No, sir. Dominion? I don't know that I've
4 ever heard of that. But, I mean, the name -- oh,
5 interesting, I -- I don't know if this is the same
6 thing. I called to see how Kevin's daughter was
7 about a month or so or two months ago. I forget
8 exactly when. And I was told they were putting on
9 some type of event with Dominion Bank. Is that the
10 same Dominion you're talking about or not? I don't
11 know.
12 Q. Yes. I --
13 A. I don't know.
14 Q. I could only ask you what you know.
15 A. Okay. So then I don't know.
16 Q. Okay.
17 A. I just -- I heard that name and --
18 Q. But it sounds like, based on your testimony
19 today, it sounds like if Kevin Brown and George
20 Brown, whether it's -- whether it's under the
21 heading of Brown Investment Advisors or Summit
22 Trust Company, if -- if they create or come upon an
23 investment opportunity, it -- it seems to me that a
24 typical practice for them is to then introduce that
25 investment opportunity to their sort of network of

1 advisors. So that they can then in a sense offer
2 or inform those advisors about that opportunity to
3 then run it back through the Summit Trust Company
4 and -- and, you know, enjoy new clients through
5 that fashion.

6 A. Yes. That's my understanding. My
7 understanding was and still is that their goal was
8 to increase the amount of assets under management
9 of Summit Trust.

10 Q. Okay.

11 A. That was their primary focus, that Brown
12 Investment Advisors was kind of like yesterday's
13 news.

14 Q. And is that because that's how they made
15 their money?

16 A. That's how Summit would make their fees.

17 Q. Because it was a percentage of that?

18 A. Would be those, either the custodial fees
19 on these other types of investments that you were
20 discussing --

21 Q. Uh-huh.

22 A. -- or it would be the fees that DFA, you
23 know, would come through OBS to them and those
24 types of things.

25 Q. Okay. All right.

1 A. I don't know what their fees -- their
2 assets are now, but I believe when I left it was
3 about 175 or 180 million. I don't know.

4 Q. Okay. And so every -- every year they get
5 a certain percentage of that as a custodial fee and
6 it's chopped up into quarterly payments for the
7 company; is that accurate?

8 A. Yes, yes. The client is charged a
9 quarterly fee in arrears, so you're charged in the
10 end of March for the first three months of the
11 year.

12 Q. Uh-huh.

13 A. You're charged whatever that fee structure
14 is published on their website or the paper you
15 filled out.

16 Q. Uh-huh.

17 A. And out of that they pay, if appropriate to
18 the registered investment advisor at IAR, whatever
19 it would be, they pay what they pay. Whatever's
20 left over would be Summit Trust.

21 Q. Okay. I'm going to put something in front
22 of you, we'll see if we --

23 (SEC Exhibit No. 64 was
24 marked for identification.)

25 THE WITNESS: And that would include trusts

1 as well as custodial accounts.

2 Can we go off the record for a second? I
3 think I need -- would like to use the bathroom just
4 for a brief moment.

5 MR. MARTIN: Sure. Sure. Let's go off the
6 record at 10:40.

7 (Whereupon, a recess was taken at 10:40
8 a.m.)

9 (Whereupon, the proceedings resumed at
10 10:47 a.m.)

11 BY MR. MARTIN:

12 Q. Let's go on the record at 10:47 a.m.

13 While we were off the record there were no
14 substantive conversations between the witness and
15 the staff; is that correct?

16 A. That's correct.

17 Q. I'm going to hand you what's been
18 identified as Exhibit 64. Exhibit 64 is a one-page
19 document. I will represent to you that I pulled it
20 off of the Summit Trust website.

21 A. Uh-huh.

22 Q. At the top it says: Fee Schedule, Trust
23 and Estate Services.

24 A. Yes, sir.

25 Q. Do you -- do you recognize Exhibit 64?

1 A. I certainly do.

2 Q. And -- and what is it?

3 A. Well, it's -- it's a written record of what
4 Summit Trust charges for different services in the
5 area of estate planning, trusteeship.

6 Q. Okay.

7 A. And this would be -- this would be useful
8 for an attorney if he was going to be using,
9 directing his clients to Summit or recommending
10 they would use Summit. It would be useful for an
11 investment advisor if he was going to ask Summit to
12 serve in a certain function.

13 Q. Uh-huh.

14 A. It would be useful for an insurance agent
15 if he was recommending a life insurance trust.

16 Q. And are these fees also consistent with
17 what you understood with the DFA portfolio and ETFs
18 and so forth?

19 A. This is different from the ETFs.

20 Q. It is?

21 A. And the DFA.

22 Q. How so?

23 A. This is for trusts and estate services or
24 actually what they call assets under management.

25 Q. Okay.

1 A. Or investment services. That would be
 2 different. I was actually the one who helped
 3 developed this one.
 4 Q. Which is Exhibit 64?
 5 A. Yes. Because I needed to have something
 6 when I was talking to attorneys other than just my
 7 anecdotal discussions.
 8 Q. So in regard to the investments like the
 9 DFA portfolio and the ETFs, what is the -- what is
 10 the fee schedule -- how does it set up then?
 11 A. How does it set up? You mean, how does it
 12 look or what are the fees?
 13 Q. What are the fees associated?
 14 A. Um, they show zero to \$50,000. The fee is
 15 1.5 percent or, I think, 1.5 percent.
 16 Q. Okay.
 17 A. 50,000 to I think 150,000 is 1.25. I
 18 don't -- I used to know it pretty well, it's been a
 19 couple years.
 20 Q. And those are annual fees?
 21 A. Those are annual fees.
 22 Q. For the amount invested?
 23 A. That's correct. And they're taken a
 24 quarter each.
 25 Q. Okay. Let me turn your attention to

1 Exhibit 64.
 2 A. Uh-huh.
 3 Q. About almost all the way to the bottom
 4 there is something called: Independent Investment
 5 Trustee.
 6 A. Uh-huh.
 7 Q. What is that? What is an independent
 8 investment trustee?
 9 A. In what is called a discretionary trust
 10 where, say, for example, I'm a registered
 11 investment advisor.
 12 Q. Uh-huh.
 13 A. And I'm -- through my relationship with
 14 Summit Trust, I'm recommending that my client
 15 establishes a trust for the benefit of his
 16 grandchildren.
 17 Q. Okay.
 18 A. Summit will allow that trustee, if the
 19 client permits, to -- that investment advisor to
 20 invest the money.
 21 Q. So it's -- it's essentially an actively
 22 managed trust?
 23 A. Yes. I would say -- I would say correct.
 24 The investment inside is actively managed. I don't
 25 know the terms of the trust or anything else, but

1 --
 2 Q. What investment advisors?
 3 A. I would assume it would be the gentlemen
 4 who are registered licensed with 65, with 65 and
 5 IAR and RIA.
 6 Q. But does this include George Brown and
 7 Kevin Brown, for example -- or may include them?
 8 A. I suppose it could. I didn't know of them
 9 doing anything like that for -- they certainly
 10 wouldn't be doing it for a client that was not
 11 theirs by history.
 12 They would not be doing it for a client
 13 that -- that came to them, because the only clients
 14 that are coming as far as I knew, the clients that
 15 were coming to them were all coming through the
 16 recommendation of another advisor.
 17 Q. And so it would be that advisor that would
 18 be actively managing them?
 19 A. That's correct.
 20 Q. Okay.
 21 A. But as you noticed there in a little
 22 description it says -- Trustee may give discretion
 23 to Summit. So they may say to Summit, we want you
 24 to do certain things. You can do this if you want
 25 to. I'm not sophisticated enough to do it.

1 Q. Well, and but here's my question, I guess.
 2 It says: Summit will assist primary trustee in
 3 placing and managing investment.
 4 So Summit will assist in managing
 5 investment?
 6 A. That means in their portfolios that they
 7 have.
 8 Q. Such as?
 9 A. DFA.
 10 Q. And ETF?
 11 A. ETFs.
 12 Q. And so forth?
 13 A. And certainly, to my knowledge, would never
 14 have been any other ones. It never would have been
 15 any of the, like, Paul-Ellis or Rampart or Capital
 16 Windows.
 17 Q. Okay. And in assisting in the managing of
 18 those investments, we're talking about
 19 individually, we're talking about Kevin Brown or
 20 George Brown?
 21 A. Well, it could be the investment committee.
 22 There could be other people in that committee at
 23 this point. There could be -- you know.
 24 Q. Okay. But who -- who could -- who could
 25 that be? Who are the individuals who could be

1 doing that in terms of assisting the primary
2 trustee in placing and managing the business? Who
3 -- what individuals could be doing that?
4 A. At the Summit Trust level you're asking who
5 could be doing it?
6 Q. Yes.
7 A. I'm not sure who else could be doing that.
8 That doesn't mean that there could not be several
9 other people. They have an office out of
10 Massachusetts that does a lot of what -- kind of
11 what I would call making sure they dot their I's
12 and cross their T's type of stuff.
13 Q. Okay.
14 A. I don't know if they're involved in that.
15 They weren't when I was there, but --
16 Q. But you see the primary people at Summit
17 involved in that work as George Brown and Kevin
18 Brown?
19 A. Yes.
20 Q. Okay.
21 A. But they would not be the primary trustee.
22 The primary trustee would have been somebody the
23 client would have established.
24 Q. No. But I'm focused on the -- it says:
25 Summit will assist.

1 A. Yes.
2 Q. So in terms of Summit --
3 A. Summit would be yes.
4 Q. George Brown or Kevin Brown?
5 A. Yes.
6 Q. I'll take that back.
7 A. (The witness complies.)
8 Q. Thank you. And to your knowledge, that
9 assistance in managing that fund doesn't go outside
10 of the DFA and the ETF and the other things that
11 have already been established through Summit?
12 A. That would be my understanding as the way
13 it was when I was there.
14 Q. Okay.
15 A. Yeah. And this is just -- this is my
16 opinion, so my opinion would be somebody
17 establishing a trust is not -- is not interested in
18 having the liability as a trustee of something
19 lacking going on with the money.
20 Q. Okay.
21 (SEC Exhibit No. 65 was
22 marked for identification.)
23 BY MR. MARTIN:
24 Q. I'm going to hand you what's been
25 identified as Exhibit 65. Exhibit 65 is a

1 multipage document identified as SEC-JDSCOTT-PI2 --
2 A. Uh-huh.
3 Q. --- through 17.
4 A. Uh-huh.
5 Q. It says: Separation agreement of general
6 release, at the top.
7 Do you recognize this agreement?
8 A. I do.
9 Q. What is Exhibit 65?
10 A. This is what they offered to me the day I
11 was laid off. Actually, I signed it one day later.
12 I think I was laid off on the 3rd.
13 Q. Okay.
14 A. And I signed it on the 4th. I gave it to
15 Kevin the following day.
16 Q. Uh-huh.
17 A. It took a couple days to clear out my
18 stuff.
19 Q. And why is it between you and Brown
20 Investment Advisors?
21 A. Because they were the ones who were paying
22 me.
23 Q. Okay. So I'll confess to a little
24 confusion. I mean, the work that you've described
25 that you've done --

1 A. Uh-huh.
2 Q. -- seems to me to have been largely done on
3 behalf of Summit Trust Company. Is that fair?
4 A. I would agree with that, yes, sir.
5 Q. I mean, if almost entirely on behalf of
6 Summit Trust Company?
7 A. Without trying to put it in exact numbers,
8 certainly the vast, vast majority of everything
9 with the exception of what they call Trust
10 Counselors Network.
11 Q. Uh-huh.
12 A. I wasn't compensated out of that, but yes,
13 yes.
14 Q. Okay. And so why was the arrangement or
15 why was your employer Brown Investment Advisors?
16 A. I don't know. I have an opinion. I could
17 offer that. I don't have any facts. My opinion
18 was, Summit Trust did not have the income to do it
19 when it was first started.
20 Q. Okay. Doesn't this suggest, though,
21 Exhibit 65, in your employment situation, the sort
22 of considerable overlap between Brown Investment
23 Advisors and Summit Trust Company?
24 A. I don't know -- I don't know that to be
25 true. I -- I didn't consider them to be two

1 different sleeves of the same shirt for analogy. I
2 didn't consider them to be there. I considered
3 them -- what I knew it to be, which was a
4 preexisting organization that had been established
5 back in the -- maybe the late '80s. I'm not sure.

6 Q. Right.

7 A. And that -- while it was -- while I
8 believed, my focus with was with Summit Trust.

9 Q. Right.

10 A. At least most of it, the vast, vast
11 majority of it was.

12 Q. Did you -- did you understand or see George
13 Brown and/or Kevin Brown engaging in, generally,
14 investment advising kind of activity in the context
15 of Summit Trust Company?

16 A. I saw them engage in an activity where they
17 would be educating advisors, either life insurance
18 agents, registered investment advisors, independent
19 advisor representatives and so forth, about the
20 benefits of a trust company.

21 Q. Okay.

22 A. And why that would help solidify their
23 client relationships, specifically because if your
24 client has investment money other places, you
25 really can't provide any counsel for that. Where

1 Q. And we'll talk about this later, but also
2 with the Arete investment; is that correct?

3 A. To the best of my knowledge, no.

4 Q. They didn't -- they didn't? Okay.

5 A. No. The relationships -- if I can expand
6 that.

7 Q. Yeah. Absolutely.

8 A. The relationships of Arete all came out of
9 Summit Trust, but I don't know of anybody that
10 Summit Trust, after I left, spoke to about Arete.

11 Q. Okay.

12 A. I mean, I would have known because, you
13 know, they would have -- they would have wanted me
14 to clarify some things or whatever.

15 Q. Let me ask the question this way: You
16 mentioned before that there were workshops or
17 seminars that Kevin Brown and George Brown put on
18 from Summit Trust related to the ETF investment and
19 the DFA investment and so on and so forth; is that
20 correct?

21 A. Yes, sir.

22 Q. Did they ever put on seminars or workshops
23 related to the Arete investment?

24 A. No, sir.

25 Q. Okay. And we'll get into more of the meat

1 if it's inside Summit Trust, and what's going on
2 here, you'll know what's -- what's going on.
3 Unless you're a Merrill Lynch guy, then you don't
4 know what you're doing anyway.

5 Q. Right.

6 A. So that's -- I believe that's the answer to
7 your question.

8 Q. But weren't they also advising these same
9 advisors, be it insurance agents or registered reps
10 or registered investment advisors about investment
11 opportunities?

12 A. They would make them aware of some of the
13 things, correct, that had come to them.

14 Q. Okay. Including -- but including also the
15 ETFs that they had designed, correct?

16 A. Yes. I believe that's true.

17 Q. And the DFA portfolio?

18 A. Certainly the DFA portfolio.

19 Q. Okay. And then also to your knowledge,
20 Paul-Ellis and Capital Windows, correct?

21 A. I don't know that they did it with
22 Paul-Ellis, but I know they did it with Capital
23 Windows.

24 Q. Okay.

25 A. Because I was at two events where they did.

1 of that in a minute, but I just want to make sure I
2 understand the distinctions here.

3 A. Yes.

4 Q. All right. I'll take 65 back.

5 A. (The witness complies.)

6 Q. Thank you. At some point, you executed a
7 consulting agreement between yourself and Summit
8 Trust; is that correct?

9 A. The independent trust consultant, yes.

10 Q. Okay. Was that before or after you had
11 established a relationship or became aware of
12 Arete?

13 A. Before.

14 Q. Before?

15 A. Yes. I had one, I don't know how many
16 years ago, four or five years ago, but it wasn't --
17 it was in my name specifically. It did not mention
18 the Cromarty Group.

19 Q. Okay.

20 A. And I thought that since I was -- that I
21 was going to be using the Cromarty Group, I should
22 have one specific to the Cromarty Group.

23 Q. Okay. So prior to executing an independent
24 trust consulting agreement with Summit as -- as the
25 d/b/a of the Cromarty Group --

1 A. Uh-huh.
 2 Q. -- you had executed one individually --
 3 A. Yes, sir.
 4 Q. -- in your name?
 5 A. Yes.
 6 Q. Okay. And when did you execute that
 7 consulting agreement?
 8 A. I would only be guessing at the date, 2008,
 9 maybe something along that line.
 10 Q. Okay. And that was separate and apart from
 11 your employment with the Brown Investment Advisors?
 12 A. That's correct, yes.
 13 Q. Okay. And what was the purpose of that
 14 consulting agreement?
 15 A. I think it had several purposes. One would
 16 have allowed them to compensate me for that little
 17 case I had up in -- with a gentleman in Alaska who
 18 called in to Summit Trust.
 19 Q. Okay.
 20 A. The other was they wanted to build a
 21 network of independent trust consultants --
 22 Q. Uh-huh.
 23 A. -- and they thought everybody -- you know,
 24 they thought I should be one. That would have been
 25 a good opening line.

1 Q. Okay.
 2 A. I'm -- I rep -- I represent -- I'm a trust
 3 consultant. I mean, and I am. They actually had,
 4 I think, a number of them who -- who filtered that
 5 kind of paperwork. I couldn't tell you how many.
 6 Q. Based on that independent consulting
 7 agreement that you entered into in about 2008 --
 8 A. Uh-huh.
 9 Q. -- other than the compensation related to
 10 the gentleman from Alaska --
 11 A. Uh-huh.
 12 Q. -- did you earn any other compensation
 13 related to that agreement that you had with Summit
 14 Trust, that consulting agreement?
 15 A. Other than the client in Alaska, to the
 16 best of my knowledge, nothing.
 17 Q. Okay. So it was in place with the hope
 18 that you would be able to develop those
 19 relationships, but it doesn't sound like that
 20 actually happened?
 21 A. It didn't actually happen, no.
 22 Q. Okay. Except in the one instance with the
 23 guy in Alaska?
 24 A. He put an X, I didn't develop this. He
 25 just came to the company.

1 Q. Okay. Yeah. He may have fallen into your
 2 lap, but still you got credit for it?
 3 A. Yes. So to speak, yes.
 4 Q. Okay. All right. The independent trust
 5 consultant agreement between you as the Cromarty
 6 Group --
 7 A. Uh-huh.
 8 Q. -- and Summit Trust Company was entered
 9 into after you had established a relationship with
 10 Arete; is that correct?
 11 A. It certainly was after I knew of Arete.
 12 Q. Okay.
 13 A. Yes.
 14 Q. Was it entered into in contemplation, in
 15 large part because of your relationship with Arete,
 16 or because your knowledge of Arete?
 17 A. No, no, no.
 18 Q. Okay. What was the purpose of entering
 19 into that?
 20 A. I still wanted to develop the attorneys
 21 that I thought invested a lot of time in over the
 22 years --
 23 Q. Okay.
 24 A. -- who I thought would develop trust
 25 business if somebody would just pay attention to

1 them.
 2 Q. Okay.
 3 (Previously marked SEC
 4 Deposition Exhibit 50 was
 5 referenced.)
 6 BY MR. MARTIN:
 7 Q. Let me hand you what's been previously
 8 identified as Exhibit 50.
 9 A. Okay.
 10 Q. Exhibit 50 is a multipage document. It
 11 goes from SEC-SUMMIT-E5 through 10.
 12 Do you recognize Exhibit 50?
 13 A. Uh-huh. I do.
 14 Q. And what is it?
 15 A. That's the -- the independent trust
 16 consulting agreement that was entered into with
 17 Summit Trust and the Cromarty Group. They would
 18 not put the Cromarty Group on there unless they
 19 have my name there.
 20 Q. Okay. If you look, you see the Bates
 21 numbers on the bottom right-hand corner, if you
 22 look at 07.
 23 A. Okay.
 24 Q. Is that your signature on the bottom right?
 25 A. It is.

1 Q. So that's where you actually executed this
 2 document?
 3 A. Yes.
 4 Q. And did you execute it on or about the 20th
 5 day of June 2012?
 6 A. I thought that was done quite a bit prior
 7 to that in my mind.
 8 Q. Uh-huh.
 9 A. But that's what's filled in at the top.
 10 Q. Okay.
 11 A. So I don't know. I thought that was done
 12 maybe back in April, but it's possible it could be
 13 up in June.
 14 Q. Okay. Do you have any reason to dispute it
 15 was executed in about June of 2012?
 16 A. Nothing that I could verify.
 17 Q. Okay. I noticed in the -- in the middle of
 18 the first page of Exhibit 50 --
 19 A. Uh-huh. Uh-huh.
 20 Q. -- it says: To not engage in providing
 21 investment advice relevant to the Investment
 22 Advisors Act of 1940.
 23 Is that part of your consulting agreement
 24 to not engage in such activities?
 25 A. Where is that, sir?

1 A. All right. I would have been able, and I
 2 was hopeful of generating referrals on trust
 3 administration fees from attorneys who were
 4 establishing trusts.
 5 Q. Okay. Okay.
 6 A. And at that particular moment, that was
 7 really all I was considering.
 8 Q. Okay. In relation to the Arete
 9 investment --
 10 A. Uh-huh.
 11 Q. -- what was contemplated that you could
 12 refer or could do with Summit Trust Company in
 13 terms of Arete?
 14 A. Well, I wasn't going to be compensated for
 15 anything that -- that Summit Trust did in
 16 relationship to Arete.
 17 Q. Okay.
 18 A. They agreed to charge 50 basis points a
 19 year for the separately managed account that I
 20 supposedly created for Arete. I was not supposed
 21 to, nor did I, receive any of those 50 basis
 22 points. Actually, the Cromarty Group paid the 50
 23 basis points.
 24 Q. Okay. From Summit? Compensated from
 25 Summit to you?

1 Q. It's the third paragraph down under,
 2 "Witness said."
 3 A. Okay.
 4 Q. It says -- it says: And to not engage in
 5 providing investment advice relative to the
 6 Investment Advisors Act of 1940.
 7 A. Yes.
 8 Q. That's explicitly something you're not
 9 supposed to be engaged in?
 10 A. That's right.
 11 Q. What -- what are you to be engaged in in
 12 this consulting agreement? What, as you understood
 13 the consulting agreement, what were you supposed to
 14 be doing?
 15 A. Well, I could have done a number of things.
 16 I could have referred clients of mine to Summit
 17 Trust.
 18 Q. Uh-huh.
 19 A. I couldn't have given them investment
 20 advice, but I could have referred them as any other
 21 life licensed agent could have done.
 22 Q. Right. And then they would have given
 23 investment advice?
 24 A. That's right.
 25 Q. At Summit Trust. Okay.

1 A. No. The Cromarty Group paid when the
 2 client established the account --
 3 Q. Okay.
 4 A. -- the Cromarty Group paid out of what we
 5 received, the 50 basis points to Summit Trust.
 6 Q. Okay. Let's back up --
 7 A. Okay.
 8 Q. -- a second so the record's clear here.
 9 An Arete investor -- or there's an investor
 10 who wants to invest in Arete.
 11 A. Uh-huh.
 12 Q. Okay. And he's going to use Summit Trust.
 13 A. Uh-huh.
 14 Q. Okay. Let's just say hypothetically it's a
 15 \$100,000 investment. Okay. Let's walk through how
 16 that investment works and who's getting
 17 compensated.
 18 A. Okay.
 19 Q. All right.
 20 A. The client would -- the advisor --
 21 Q. Insurance agent or whomever?
 22 A. Correct. Correct. Could have been IRA.
 23 Could have been just an insurance agent. In
 24 discussing multiple opportunities for what someone
 25 could do with their money, would discuss the Arete

1 offering.
 2 I never spoke to any investors. So the
 3 relationship was designed to be with the credited
 4 investors only, and relationships that were mature.
 5 That meant, you know, longstanding with the
 6 advisor, not somebody they just came across at a, I
 7 don't know, at a party somewhere.
 8 Q. And who -- from whose direction was it
 9 longstanding and accredited investors?
 10 A. In other words, the -- first of all, the
 11 investor had to be an accredited investor. The
 12 advisor had to have a longstanding relationship
 13 with the accredited investor.
 14 Q. Right. And at whose direction was that?
 15 Who was directing?
 16 A. That would be done that way?
 17 Q. Yeah.
 18 A. Mr. Snisky.
 19 Q. Okay. And did he explain why?
 20 A. Well, I believe -- I believe it was
 21 explained that because they were filing a Reg D
 22 offering, and I'm not an -- certainly not a expert
 23 in Reg D's, it needed be to an accredited investor.
 24 And the investor had to self-direct. The
 25 investor had to make the choice to do this. And it

1 A. Okay. The client would then be given the
 2 -- the offering, the private opportunity, whatever
 3 the title was on the top of it --
 4 Q. Right.
 5 A. -- with the instructions, with the
 6 explanations in there to be discussed, and then to
 7 consider whether they wanted to proceed with that.
 8 If they wanted to proceed, then they needed to fill
 9 out the custodial forms with Summit, open the trust
 10 account, transfer the money from the existing
 11 custodial or existing place to Summit Trust and
 12 instruct Summit Trust what to do with the money.
 13 Q. Okay. So who's being compensated in that
 14 chain of events and how? Again, hypothetically
 15 let's say it's a \$100,000 investment. We'll use
 16 round numbers.
 17 A. Mr. Snisky determined that the client --
 18 the advisor would be paid 5 percent.
 19 Q. Okay. From who?
 20 A. Well, it ended up being from the Cromarty
 21 Group. He was -- he was to pay the Cromarty Group.
 22 Q. Who?
 23 A. Mr. Snisky, I apologize. Mr. Snisky was to
 24 pay the Cromarty Group.
 25 Q. How much?

1 was his -- I believe it was his opinion at that
 2 point that in order for that to be facilitated, you
 3 would have had to have known the client for a
 4 period of time or they wouldn't have any reason to
 5 consider any of the things that you would be, you
 6 know, educating them on.
 7 Q. Okay. And that was an instruction that
 8 Snisky gave you?
 9 A. He gave it to the four or five people that
 10 were trained by, you know, trained to do this or
 11 explained the opportunity to them.
 12 Q. The advisors?
 13 A. That's correct.
 14 Q. Or the sellers?
 15 A. Well, yes.
 16 Q. Are introduced to --
 17 A. Or whatever they're called, yes.
 18 Q. All right. Okay. But people like
 19 Mr. Tomich, for example?
 20 A. Right.
 21 Q. And this is what you heard him say or how
 22 do you know that he told them this?
 23 A. I heard him say it.
 24 Q. Okay. All right. I'm sorry to interrupt,
 25 but let's go -- we'll go from there.

1 A. He was going to pay us 7 percent.
 2 Q. So in this instance, in our hypothetical,
 3 \$7,000?
 4 A. Correct.
 5 Q. Okay. All right. And then in turn the
 6 Cromarty Group would pay the advisor?
 7 A. Would pay the advisor 5 percent.
 8 Q. Okay.
 9 A. And would pay the 50 basis points ongoing
 10 to Summit Trust.
 11 Q. Cromarty would?
 12 A. Correct.
 13 Q. Or the half percent?
 14 A. Yes.
 15 Q. Yes. Leaving Cromarty 1.5?
 16 A. Correct.
 17 Q. Okay. And did that remain true? Was that
 18 consistent?
 19 A. It was.
 20 Q. Okay. Any other fees or compensation at
 21 all associated with the Arete investment?
 22 A. No, no.
 23 Q. Okay. Did you understand what the source
 24 of Mr. Snisky's 7 percent was?
 25 A. I believed, I don't know if I was

1 specifically told this. I believed, it was from
 2 assets that Arete had.
 3 Q. Okay.
 4 MR. MARTIN: Let's go off the record at
 5 11:15.
 6 (Whereupon, a lunch recess was taken at
 7 11:15 a.m.)
 8 (Whereupon, the proceedings resumed at
 9 12:01 p.m.)
 10 BY MR. MARTIN:
 11 Q. Let's go on the record at 12:01 p.m.
 12 We were off for our lunch break. And while
 13 we were on the break, there were no substantive
 14 conversations between the staff and the witness; is
 15 that correct?
 16 A. Yes, sir.
 17 Q. So you have in front of you Exhibit 50, the
 18 Independent Trust Consultant Agreement between
 19 Summit Trust Company and J. Doug Scott d/b/a the
 20 Cromarty Group.
 21 What -- you described earlier the type of
 22 consulting you contemplated entering into this
 23 agreement.
 24 A. Uh-huh.
 25 Q. Were you ever able to successfully engage

1 Q. In Schedule B?
 2 A. In Schedule B, they took multiple employer
 3 plans. That was one of the things that I wanted to
 4 do. I was cultivating a relationship with a select
 5 group of advisors. That's what they worked in,
 6 multiple employer plans.
 7 Q. Uh-huh.
 8 A. So that's why that language is in there.
 9 This was almost like specifically for the stuff I
 10 was doing.
 11 Q. Okay. All right. Thank you. We left off
 12 before you were talking about the compensation
 13 related to the Arete investments. And then I want
 14 to follow up with that and make sure that I am
 15 understanding the -- the percentages accurately.
 16 If I'm understanding correctly, Summit was
 17 to be paid .5 percent commission or fee by --
 18 A. Custodial fee, annual custodial fee.
 19 Q. Okay. And that was to be paid really by
 20 Snisky through Cromarty Group?
 21 A. That's correct.
 22 Q. Okay. And now Kevin Brown stated that
 23 Summit did not collect those funds?
 24 A. Did not collect those fees?
 25 Q. Did not collect those fees; is that

1 in any consulting and receive any fees?
 2 A. No, sir.
 3 Q. Okay. You didn't receive any fees pursuant
 4 to this contract?
 5 A. No. Except we discussed the one client in
 6 Alaska which was prior to this.
 7 Q. Okay.
 8 A. Which was actually under the old
 9 independent trust consulting agreement.
 10 Q. Okay. Is Exhibit 50 still in effect today?
 11 A. Yes. They -- they have -- Summit has
 12 several different types of agreements. One for
 13 registered investment advisor. One for life
 14 insurance only, and one for what they call a
 15 solicitor.
 16 Q. Okay.
 17 A. Somebody just says, here's somebody, you
 18 might want to get a hold of them.
 19 Q. Okay. And are you actively pursuing any of
 20 this work as a consultant for Summit Trust Company?
 21 A. Not very actively, no, to be candid.
 22 Q. Okay.
 23 A. Can I add -- can I add one thing here?
 24 Q. Sure. Absolutely.
 25 A. These --

1 accurate?
 2 A. They did collect some of the fees, yes. I
 3 think there were two different checks paid to
 4 Summit. It might have been a total of \$1,700 or
 5 \$1,600. I -- it's two different checks that I know
 6 went through there.
 7 Q. Okay.
 8 A. There was a third one actually due to be
 9 sent, but when things kind of went south, I didn't
 10 move any other money over there.
 11 Q. Okay.
 12 (SEC Exhibit No. 66 was
 13 marked for identification.)
 14 BY MR. MARTIN:Â
 15 Q. I'm going to hand you what's been
 16 identified as Exhibit 66. Exhibit 66 is a one-page
 17 document, Bates SEC-SUMMIT-E102. And it's an
 18 e-mail dated January 7, 2013, from you to a
 19 Charlotte@moneymethods.com and a
 20 Matt@moneymethods.com, copied to Kevin Brown.
 21 A. Uh-huh.
 22 Q. Do you recognize Exhibit 66?
 23 A. Yes.
 24 Q. First of all, who are Charlotte and Matt?
 25 A. Charlotte and Matt are two registered

1 investment advisors, somewhere in the south part of
2 the country. I'm not sure whether it's North
3 Carolina, South Carolina, Georgia. I never met
4 them.

5 Q. Okay.

6 A. Somehow they were introduced to Gary, not
7 by -- not through anything I knew. And he asked me
8 to have a phone call with them, which I did. And
9 then I directed them to Summit, to Kevin, to have a
10 phone call to explain things maybe more thoroughly
11 than I could explain them.

12 Q. Okay.

13 A. And this was a response, I guess, from
14 that.

15 Q. So what's the purpose of this e-mail then?

16 A. To clarify -- she was opening up accounts
17 for herself.

18 Q. Okay.

19 A. Charlotte, and she wanted to know every --
20 what all the fees were. So it was a \$75 account
21 establishment fee and then it would have been four
22 times 61.25.

23 Q. Okay. And were these the standard fees for
24 each of the individuals in the Arete investment?

25 A. I believe so.

1 Q. But these were simply the custodial fees?
2 Because what I'm not understanding here is any
3 percentage connection.

4 A. That's correct. This is -- the account
5 that she was opening, I'm not even sure this was
6 going to be an Arete-directed investment. She was
7 opening a self-directed account there for some
8 purpose, because she -- it might have -- it might
9 have been a DFA situation. I'm not sure at this
10 point to even remember.

11 Q. Okay.

12 A. So the 61.25 is clearly 250 a year.

13 Q. Right.

14 A. So I'm not sure why the second year would
15 have been 81.25, and the first year is 61.25 a
16 quarter.

17 Q. But this isn't necessarily Arete-related?

18 A. I don't know that this specific e-mail was
19 addressing Arete.

20 Q. Okay. Were there separate fees for a
21 self-directed --

22 A. Yes.

23 Q. -- account?

24 A. Yes, yeah.

25 Q. Okay. And these were those separate fees?

1 A. That's correct.

2 Q. So any .5 percent that Summit would have
3 earned through Cromarty from Snisky, would have
4 been in addition to these fees?

5 A. Well, it's possible, but this appears to me
6 to be something totally unrelated to Arete.

7 Q. Okay. All right.

8 A. So that she had to pay them herself.

9 Q. Right. But it is conceivable that an Arete
10 investment could have been part of this and then
11 that .5 percent would have been in addition to
12 these self-directed fees?

13 A. No. Because the custodial fee for Arete
14 was a flat 50 basis, 50 -- .50.

15 Q. Okay.

16 A. So there wasn't anything else. There
17 wasn't any opening an account establishment fee.
18 This would have -- look -- this, from the fees,
19 would have been something she was going to do with
20 Summit that had nothing to do with Arete.

21 Q. Okay. And in directing her to Summit --

22 A. Uh-huh.

23 Q. -- did you get compensated in any way for
24 this?

25 A. No, no.

1 Q. Okay. Well, why -- what was in this for
2 you then?

3 A. Gary asked me to do it.

4 Q. Okay. And to your understanding did -- was
5 Gary going to benefit?

6 A. Not from -- not from this, I don't believe
7 he would have, no.

8 Q. Okay.

9 A. When I spoke with Charlotte, and her son,
10 Matt, on the phone --

11 Q. Uh-huh.

12 A. -- they asked me about other things that
13 Summit had. And so this looks to me as it might
14 have been even a very small -- well, it's
15 self-directed, so it's an IRA. It would have been
16 a very small account that she was opening, a very
17 basic account.

18 Q. Okay.

19 A. But there was no compensation in this for
20 me, and I don't think anything for Gary because it
21 would have been a different schedule.

22 Q. Okay. When did you first meet Gary Snisky?

23 A. I first met Gary in -- are you talking
24 face-to-face?

25 Q. Well, in any -- in any -- when did you

1 first communicate?

2 A. I believe I was first introduced to Gary in

3 July or August of 2011, one of those two months.

4 Q. Okay. And in what circumstances?

5 A. A gentleman that I knew in this area, knew

6 Gary.

7 Q. What was his name?

8 A. Steve Tabb.

9 Q. Okay.

10 A. And I had been out to meet with Steve

11 before as it related to Summit Trust and an

12 educational program that he was involved in. And

13 he called me and asked me if Summit Trust did

14 charitable, do they do any charitable trusts? And

15 I said, yes, they do. They administer, I don't

16 know how many, but they have some. And he said, I

17 want to introduce you to this guy, Gary Snisky, and

18 so forth and so on. So we had three or four

19 conversations --

20 Q. Uh-huh.

21 A. -- over the phone. He showed me over the

22 phone in a webinar --

23 Q. This is Snisky?

24 A. This is Gary Snisky. Gary showed me

25 the -- the examples of certain bonds and how you

1 could accelerate the principal repayment through a

2 technique. I'm not sure what it was called.

3 I met with Kevin and said to Kevin that he

4 would like to do this with Summit. And I'd like

5 you to take a look at it to see if you're okay with

6 it.

7 Q. Okay. Let's slow down for just a second.

8 When you first begin communicating with Gary

9 Snisky, what did he tell you about himself?

10 A. He told me he worked at Mason Hill.

11 Q. Uh-huh.

12 A. Mentioned a gentleman, I -- I don't

13 remember his name, who apparently took him under

14 his wing to teach him certain things.

15 Subsequent to that, he worked on a project

16 somewhere in the state of New York developing, I

17 don't know if it was a golf course or country club,

18 some type of situation.

19 He then said he was in, I think somewhere

20 in Wisconsin for three or four years. That may

21 have been where this -- where this project was.

22 I'm not sure now. At which time I think he left

23 New York after 9/11. His wife was -- did not want

24 to be around.

25 And he was in Wisconsin for a period of

1 years. I don't know if he said he was doing this

2 project or not, to be frank at this point. But he

3 did mention a project he was working on. Then he

4 moved to Cal -- to Colorado. I think he had family

5 here. Did real estate projects and -- but when he

6 was working on the desk, as he called it at Mason

7 Hill, he learned some of these things and -- and

8 characterized it as the same type of strategy the

9 insurance companies use when they build their

10 portfolio for the annuities as they take money in

11 from clients to invest.

12 You know, not that that's an annuity, but

13 that's what they would use the monies. Use some

14 terms, I'm not sure if I can pull them out of my

15 head right now, so --

16 Q. I mean, did he -- did he describe -- are

17 these all conversations on the phone at this point?

18 A. Yes, sir. Yes.

19 Q. Okay. And this is all in mid to late 2011?

20 A. Yes. I was an employee of Summit Trust.

21 Everything I was doing had to be, so to speak,

22 through their -- you know, with their permission.

23 Q. Okay.

24 (SEC Exhibit No. 67 was

25 marked for identification.)

1 BY MR. MARTIN:

2 Q. I'm going to hand you what's been

3 identified as Exhibit 67. Exhibit 67 are three

4 pages of what appear to be handwritten notes.

5 A. Yep.

6 Q. And the Bates number is SEC-JDSCOTT-P18

7 through 20.

8 Do you recognize Exhibit 67?

9 A. Yes, I do.

10 Q. What are they?

11 A. Those are notes that I was taking on one or

12 more of your phone conversations.

13 Q. With Mr. Snisky?

14 A. With Mr. Snisky.

15 Q. And is this your handwriting?

16 A. It is.

17 Q. Okay. Are these notes -- do these notes

18 reflect the conversations you had with Mr. Snisky

19 during that period of time in mid to late 2011?

20 A. Yes.

21 Q. Okay. I'd like to you look through your

22 notes in Exhibit 67, and see if it refreshes your

23 recollection in regard to what you were told by

24 Mr. Snisky during that period of time.

25 A. Yes. These were two different

1 conversations, because some of the notes are repeat
2 of the other stuff I took, so --

3 Q. Okay. But are they relatively
4 contemporaneous conversations?

5 A. Yes.

6 Q. Within a week or two?

7 A. Probably, yes.

8 Q. And this was all roughly July or
9 August 2011?

10 A. This might have been closer to September,
11 October.

12 Q. Now I -- would you walk me through your
13 notes here? I can read your handwriting to some
14 extent, but I'd appreciate understanding what
15 the --

16 A. He went to UNLV, played football there. I
17 don't know what Pace University -- I don't remember
18 what Pace University is.

19 Q. I noticed that bit about an institutional
20 trader.

21 Did he represent to you that he was some
22 kind of an institutional trader?

23 A. No. He said at Mason Hill. I think they
24 were institutional -- they did institutional
25 trading.

1 Q. Okay.

2 A. And he talked about working on the desk. I
3 remember -- I didn't write that, but I remember him
4 saying he was working on the desk at Mason Hill.

5 Q. Okay.

6 A. And they did lots of things there. They
7 were private placement as opposed to institutional
8 type stuff. He said he was licensed -- he was a
9 licensee of Bloomberg. There's lots of licensees
10 of Bloomberg, but he did say he was a licensee of
11 Bloomberg. He did -- these notes say he was able
12 to work from desk-to-desk.

13 Now, I'm trying to recall exactly what he
14 meant that to be. I think he meant that to be that
15 he could purchase the bond directly with the
16 structure that he wanted, and communicate with
17 anybody else that was on Bloomberg directly from
18 desk-to-desk. I think that's kind of the gist of
19 it.

20 Q. And did he specifically identify what kind
21 of bonds he was talking about purchasing?

22 A. Ginnie Maes.

23 Q. Okay. Had he done so already?

24 A. He said he had.

25 Q. He said he had? He said he made some

1 purchases of some Ginnie Mae bonds?

2 A. Said he had purchased some Ginnie Mae
3 bonds.

4 Q. As part of the Arete investment?

5 A. Did not say that. Did not say that.

6 Q. Okay. Did you assume that?

7 A. Yeah. I believe I did. I believe I did.

8 Q. Let me -- let me put it this way: When you
9 first started communicating with Mr. Snisky, did
10 you have an understanding that this Arete
11 investment was up and running?

12 A. I did have an understanding that the model
13 that he was going to use, he'd already -- he'd
14 already been doing it.

15 Q. Okay. And doing it with real investor
16 funds and real returns and so forth?

17 A. Yes.

18 Q. Okay.

19 A. That's how I understood it. I don't know
20 if I remember a specific conversation where he said
21 it, but that was what I understood it to be.

22 Q. Okay. But keep walking me through your
23 notes, that would be great.

24 A. He said that instead of how an insurance
25 company buys the bonds and only pays, you know, 1,

1 1-1/2 percent to the client, he said they -- what
2 words did he use here? He said I can get the yield
3 or the coupon, not the -- not the percentage it
4 pays, which might be 1.8, 2.2 or whatever it was.
5 I can buy the yield, which in the models he showed
6 on the screen were generally 5 or 6 percent and
7 some were even higher.

8 Q. Okay.

9 A. And he said this could be done for a pool
10 of investors, not a single -- you know, this would
11 be done. A single investor could not do what he
12 was doing unless they were -- you know, unless it
13 was him. He couldn't -- they couldn't do it
14 individually. So you can buy Ginnie Mae, but you
15 can't buy the -- the yield. You can buy the --
16 what it pays out, the interest.

17 And so he was saying, I can pay -- I'm
18 summarizing. I can pay 6 percent back to the
19 people, and probably 7 percent if the money would
20 remain in the program for ten years.

21 I don't see this -- I don't know what this
22 next -- it looks like bank buys the bonds, but I
23 can't be sure what that was.

24 He used the example of a company called
25 North American Company for Life Insurance.

1 Q. Okay.

2 A. The acronym is NACOLAH. And he said that
3 he knew that this was a model that they had been
4 using. And I believe, I believe he said that while
5 he did not purchase the bond or help them purchase
6 the bond, he worked with some -- he had helped
7 somebody using -- develop this strategy for them or
8 for a company like North America.

9 So he said it's -- it's almost like an
10 annuity, but it's not. And he said, it's a high
11 watermark. I'm trying to anecdotally recall this.
12 If they hold it for ten -- willing to hold, it
13 should be ten years, not 10 percent, I think.

14 Q. Okay.

15 A. Or excuse me, I apologize. Willing to hold
16 it for ten years, he could add an additional 1
17 percent as though that was like a -- like a bonus,
18 like an annuity does.

19 Q. If investors could hold for ten years?

20 A. That's correct.

21 Q. All right.

22 A. He talked about minimum should be really in
23 the 1-1/2 million range. Three million is a better
24 way to buy the bonds. He talked about a doctor
25 who -- I don't know where the doctor is -- in

1 California, somebody, Irvine, California.
2 Dr. Jonathan Lakey, who has some kind of clinic,
3 something to do with diabetes research. And he was
4 -- the doctor was interested in opening clinics,
5 and Gary was interested in helping get these
6 clinics going.

7 Q. Okay.

8 A. He said the client could not own an
9 interest in the bond. Summit could own an interest
10 in the bond and they could have an interest in the
11 Summit separately managed account, but the client
12 couldn't actually own the bond personally to get
13 this type of yield. Five for self-directed IRAs
14 and he talked about Entrust, who he had been using
15 previously, and he was not happy about something
16 about Entrust. Whether it was either the paperwork
17 or the process, something was wrong with Entrust.

18 Q. So he wanted to switch to Summit Trust?

19 A. Correct.

20 Q. Okay.

21 A. Last page looks like another conversation,
22 Mason Hill, New York, you know, on Wall Street. He
23 was working with them for six years.

24 Q. And, again, I noticed that institutional
25 trader.

1 A. Yeah. He said they did institutional
2 trading there.

3 Q. Let me tell you. I have heard from other
4 witnesses that he has called himself -- excuse me,
5 quote, institutional trader, because of his work
6 with Bloomberg and so forth.

7 And did you hear him label himself that?

8 A. No. I think -- well, I think what he said
9 was, he's able to do institutional type trades.

10 Q. Uh-huh.

11 A. And he needs to do that through Bloomberg,
12 because he cannot -- again, this is not written.
13 This is just my recollection.

14 Q. Uh-huh.

15 A. He cannot structure -- you can't structure
16 this prepayment of principal over five or ten years
17 without going through that type of a -- of a
18 format.

19 Q. Okay.

20 A. He said this is what annuities are,
21 generally insurance companies, agency bonds,
22 corporation bonds and treasuries in your portfolio
23 for their annuity products.

24 So you talked about, you know, first, you
25 know, the ten years in length. That was his

1 typical program. The first five years. I don't
2 remember what 2 percent drawn out means, to be
3 frank. I don't remember what that was.

4 But if people wanted to get out after the
5 fifth year they could, but he needed to recover
6 something if they did that. So there's the bonus
7 of 10 percent. So it would look like if they put
8 in 100,000, they had a 110,000, just like what an
9 annuity would do.

10 Q. Okay.

11 A. Prepaid principal to institutional side.
12 So, again, I have the word "trader" there. So I'm
13 assuming he -- if he didn't say he was an
14 institutional trader, he used such expressions --
15 and this is what I'm writing here.

16 So he said after the sixth year the client
17 could pull down their interest in almost perpetuity
18 if they wanted to, but after ten years their money
19 would be liquid. And I just have these notes, you
20 know, they're triple A paper.

21 That's -- this -- this is some notes I talk
22 about my daughters swim meet down here. That's
23 why --

24 Q. That's on the second page?

25 A. Yeah. I didn't think that was necessary

1 to -- I grabbed something when I'm ready to write
 2 something down, so --
 3 Q. All right. So you had these conversations
 4 with Mr. Snisky and took these notes.
 5 A. Uh-huh.
 6 Q. And I take it, then, you had a reasonably
 7 decent big picture understanding of what this Arete
 8 investment was?
 9 A. The big picture?
 10 Q. Yes.
 11 A. Yes. I would say the big picture based on
 12 what he told me. He was buying bonds. He was
 13 structuring them to accelerate the principal
 14 repayment over the first seven to ten years.
 15 He talked about that some of the money
 16 would go into the -- could potentially go into the
 17 overnight Fed Lending Program or something like
 18 that. And --
 19 Q. No. Go ahead.
 20 A. That was -- that was another part of the
 21 accelerated principal, what he was going to do with
 22 the money. And when I took it to Kevin, Kevin
 23 Brown, I said, Kevin, I'd like you to see what he's
 24 doing. So you can either say I think that's okay
 25 or not.

1 A. I do.
 2 Q. And what is Exhibit 68?
 3 A. That's my anecdotal recollection of how I
 4 was introduced to Gary, what he shared with me, and
 5 what I did with it.
 6 Q. Okay. So you typed this up?
 7 A. I did.
 8 Q. And you signed it on the second page?
 9 A. I did.
 10 Q. Okay. So if you review the first paragraph
 11 of Exhibit 68, does that capture these first
 12 communications with Gary and what you were told? I
 13 mean, you've given me more detail today --
 14 A. Yeah.
 15 Q. -- but is that accurate in that first
 16 paragraph?
 17 A. Yes.
 18 Q. And so then you set up -- you set up a
 19 webinar for Kevin Brown to attend and Gary Snisky
 20 to attend too?
 21 A. Well, Gary set up the webinar and invited
 22 Kevin, you know. I told -- Kevin had to be
 23 involved in anything, we couldn't -- you know,
 24 there's nothing could be done without his
 25 permission.

1 Q. Okay. But you -- but you introduced --
 2 A. I'm sorry.
 3 Q. You introduced this to Kevin --
 4 A. Yes.
 5 Q. -- after you had had a few conversations
 6 with Mr. Snisky?
 7 A. Probably after one, I mentioned it to
 8 Kevin.
 9 Q. Okay.
 10 A. Because that's what I would do if something
 11 was brought to me, I would go to him.
 12 Q. Uh-huh.
 13 A. I had no power to make a choice.
 14 Q. Right.
 15 A. And then probably after I saw the webinar
 16 presentation, that's why I wanted to Kevin to see
 17 it.
 18 (SEC Exhibit No. 68 was
 19 marked for identification.)
 20 BY MR. MARTIN:
 21 Q. I'm going to put in front of you what's
 22 been identified as Exhibit 68. Exhibit 68 is a
 23 two-page document, typewritten. It's from
 24 SEC-JDSCOTT-P1 through 2.
 25 And do you recognize Exhibit 68?

1 Q. Okay. And in the course of that webinar,
 2 did Gary then repeat to Kevin what he had told you
 3 previously?
 4 A. Yes, he did. He went through his Mason
 5 Hill time and some other things he did. To my
 6 recollection, Gary took a fair amount of time on
 7 those phone calls to talk about what he had been
 8 doing in his lifetime.
 9 Q. Okay. Were there multiple communications
 10 between Kevin Brown -- between Kevin Brown and
 11 Gary Snisky in which you participated?
 12 A. I would only know of two.
 13 Q. Okay.
 14 A. Two.
 15 Q. A webinar, yes?
 16 A. Well, I think maybe even two webinars.
 17 Q. Okay.
 18 A. A webinar again. I mean, there might have
 19 been e-mails, but I'm saying as far as -- I don't
 20 know that Kevin spoke to Gary alone. It's
 21 possible, but he probably wouldn't have done that.
 22 Q. Okay. And when were these webinars?
 23 A. Late in 2011, you know, probably September,
 24 October.
 25 Q. Okay. Did, at that time during the same

1 period of these webinars, did Snisky provide Kevin
2 or you with any documentation or any documents
3 related to Arete?

4 A. Yes. He -- he sent -- he sent something
5 having to do with some -- Arete. He talked about a
6 like, kind of annuity structuring. He also had a
7 document. I don't think I have it at this point.
8 It talked about a Dr. Jonathan Lakey and a
9 potential for developing clinics.

10 Q. Uh-huh.

11 A. He also had spoken to Kevin about whether
12 or not Kevin would see his program as being
13 appropriate for some of their charitable trusts, so
14 that investments were inside the charitable trusts
15 as an alternate to what they were doing.

16 Q. Okay. Were you doing anything at this time
17 to attempt to get comfortable with the information
18 that Snisky was telling you?

19 A. Other than what we discussed on the phone
20 calls and then with the webinars, I didn't. I
21 mean, I knew Steve Tabb, and I was under the
22 impression that Gary, you know, was -- had been
23 doing this for a period of time.

24 And that's why I wanted Kevin to, for all
25 intents and purposes, say, you know, okay. We'll

1 open up an SMA for this.

2 Q. Uh-huh.

3 A. And when advisors would call and say, you
4 know, what do you got, what do you have, what's
5 going on, what do you have that's of a fixed
6 investment nature with a fixed rate of interest?
7 This is one of the things I would mention. There
8 were two or three.

9 One of them, I didn't put his name in here,
10 but he never did any business, but he mentioned it
11 to another advisor who called me about it. So
12 that's as much as familiarity as I -- as I could
13 get. I didn't have the sophistication to know how
14 to do these types of things.

15 Q. Okay. Did you conduct any -- any due
16 diligence or any investigation of Snisky or Arete
17 independently?

18 A. I did a little bit of Googling of Gary
19 Snisky.

20 Q. Uh-huh.

21 A. -- and I saw something about a colony,
22 reverse colony or colony investment company or
23 something like that with -- with real estate.

24 Q. Uh-huh.

25 A. I didn't have any way to check on the Mason

1 Hills story.

2 Q. Did you run across anything that struck you
3 as odd or negative or --

4 A. No. No.

5 Q. -- any kind of warning about Snisky?

6 A. No. I may add that when I met Gary, one of
7 the things that Gary offered to do was to provide a
8 background check, to initiate a background check by
9 some independent agency other than himself.

10 Q. Uh-huh. Okay.

11 A. And I can't find that. I know I saw that,
12 and I was looking for it. Maybe you have a copy,
13 but I don't know. But I could not find it in any
14 of my notes or any of my e-mails or anything else,
15 but I did see it.

16 Q. Okay.

17 A. But that was subsequent to this.

18 Q. Subsequent to what?

19 A. That would have been after the end of 2011,
20 that would have been after I met him face-to-face.

21 Q. Okay. All right. I mean, at some point,
22 Kevin Brown must have gotten comfortable with the
23 idea of Arete investors working with Summit and
24 this actually going forward?

25 A. I believe he would or he wouldn't --

1 wouldn't have okayed it.

2 Q. And so when was that, approximately, that
3 he gave his okay for this?

4 A. Well, it was certainly after I left the
5 firm, after I was laid off.

6 Q. So after the 1st of the year 2012?

7 A. Yeah. I mean, he was okay with it before,
8 but nothing was happening. Nothing had gone on.

9 Q. Okay.

10 A. They were busy doing end of year workshops,
11 one in Vegas, one in Miami. They weren't -- they
12 weren't even, you know, going to be slightly
13 distracted by anything else. They were trying to
14 promote those workshops.

15 So -- so after I was laid off, I said to
16 Kevin, would you be willing to use Summit in this
17 separately managed account, which you did for Gary?
18 And he said he would, so --

19 Q. And so the investment through Summit or
20 using Summit began sometime after the 1st of the
21 year, January 2012?

22 A. Yes, yes. I don't think anything, any
23 money was transferred to Summit until maybe March
24 or April.

25 Q. Okay. Earlier this year you and I talked

Page 165

1 on the phone along with Special Agent Locker?
 2 A. Yes.
 3 Q. Okay. And during the course of that
 4 conversation you provided us several of the
 5 representations that Mr. Snisky made to you
 6 regarding Arete.
 7 A. Okay.
 8 Q. And I want to -- from my notes from before,
 9 I'd like to sort of state those to you and have you
 10 reiterate those on the record that, in fact, those
 11 are representations that Mr. Snisky made to you.
 12 A. Understand.
 13 Q. Snisky explained to you that he had both a
 14 five-year and a ten-year program; is that accurate?
 15 A. That's correct.
 16 Q. Okay. He stated to you that the five-year
 17 program paid a 6 percent annual return which was to
 18 be paid out quarterly?
 19 A. That's correct.
 20 Q. Okay. At the end of the five years the
 21 investment, quote, matures, at which time the
 22 investors can withdraw their principal or roll over
 23 onto another five-year contract?
 24 A. That's correct.
 25 Q. Okay. And by the way, these

Page 166

1 representations by Snisky all happened during the
 2 latter half of 2011; is that correct, prior to the
 3 time you left Summit Trust?
 4 A. Yes.
 5 Q. Okay.
 6 A. But they were restated again when I was in
 7 his office in January, February 2012.
 8 Q. Okay. He also stated to you that the
 9 ten-year program offered a 10 percent bonus upon
 10 investing and paid a 6 percent annual return?
 11 A. That's correct.
 12 Q. The funds would be tied up for ten years,
 13 but after the fifth year the investor could
 14 withdraw the interest payments?
 15 A. Correct.
 16 Q. Okay. He stated that both the five-year
 17 and ten-year program funds would be used to
 18 purchase Ginnie Mae bonds in which Snisky would
 19 accelerate the payout?
 20 A. Accelerate the principal repayment is what
 21 the expression should be.
 22 Q. On the Ginnie Mae bonds?
 23 A. That's correct.
 24 Q. Okay. And the cash flow from these
 25 payments was used to pay expenses and pay

Page 167

1 commissions to advisors?
 2 A. That's kind of where I thought it came
 3 from.
 4 Q. Okay. All right. Certainly -- well, let
 5 me ask this: Did you understand that commissions
 6 to advisors would be paid from other investor's
 7 funds?
 8 A. I did not.
 9 Q. Okay. And if I told you that that, in
 10 fact, happened to some degree or at least -- at
 11 least to some degree, would that surprise you?
 12 A. Candidly, it wouldn't surprise me now, but
 13 it would surprise me before.
 14 Q. Okay. Because it was contrary to what was
 15 represented to you?
 16 A. I would have to say the -- the inference
 17 was that it didn't come out of investor money.
 18 Q. Okay. Well, had you known that investor
 19 funds would be used to pay commissions for
 20 advisors, would you have continued to deal with
 21 Mr. Snisky?
 22 A. No, no. I would have told him we couldn't
 23 -- we couldn't do it.
 24 Q. Why?
 25 A. Well, that just -- that's -- I think that's

Page 168

1 a slippery slope when you start taking investor
 2 money to pay compensation for anything to pay
 3 compensation.
 4 Q. Okay.
 5 A. Because where does the money come from now
 6 to repay the investors?
 7 Q. Right. Well, did you understand in your
 8 conversations or communications with Mr. Snisky
 9 that the investor funds would be used to purchase
 10 Ginnie Mae bonds?
 11 A. I did.
 12 Q. Entirely?
 13 A. That was -- that was my understanding.
 14 Q. Yeah. Dollar for dollar?
 15 A. That was my understanding, yes.
 16 Q. Did Mr. Snisky represent to you that he
 17 would be taking remaining funds from the bonds and
 18 place them in federal overnight lending program
 19 which would generate five basis point per night
 20 which would generate a 10 percent return per month?
 21 A. I'm not sure about the last part. What he
 22 said was that the acceleration of principal would
 23 allow him to take some of that money, put it in the
 24 overnight lending program, which would generate
 25 five basis points a day. And there were 22 --

1 generally 22 days a month, so between 10 and
2 11 percent.
3 Q. Okay. And that this particular overnight
4 lending program was available to Snisky because he
5 was a, quote, institutional trader?
6 A. That, that may have been said, yes.
7 Q. Okay. Do you believe it's likely that was
8 said to you?
9 A. I believe -- I believe that's likely, yes.
10 Q. Did Mr. Snisky represent to you that his
11 portion of the profits was then placed in his
12 proprietary trading program?
13 A. That's correct. He -- he said that none of
14 the client -- he talked about the proprietary model
15 he had.
16 Q. Uh-huh.
17 A. None of the investor money goes into that,
18 but any -- but his profit, some of it would be
19 directed to that, yes.
20 Q. Okay. You made your first trip to Colorado
21 in January or February of 2012?
22 A. Yes. Correct. To meet him.
23 Q. To meet Snisky?
24 A. Yes.
25 Q. And at that time he reiterated all these

1 statements to you in person?
2 A. He certainly went over, because I had three
3 or four people there, you know. And he was
4 explaining it to them as he had done over the
5 phone, in person. So I believe he did.
6 Q. Okay.
7 A. He certainly talked about the overnight
8 lending program and the proprietary model, the
9 differentiation of the funds being kept segregated
10 from that.
11 Q. When you went to Colorado, did you go by
12 yourself?
13 A. Yes.
14 Q. Okay. Did you meet other advisors or other
15 folks who were also communicating with Mr. Snisky?
16 A. Yes.
17 Q. And was the purpose for you to attend with
18 them to learn about Arete or to help them
19 understand Arete?
20 A. No. The purpose -- well, the purpose for
21 me was to explain the role of Summit Trust --
22 Q. Okay.
23 A. -- in a separately managed account. And
24 certainly the three or four individuals that I
25 knew, they wanted me to be there with them when

1 they were introduced, when they were meeting Gary.
2 Q. Okay. Who did you go with?
3 A. The first meeting was Bill Sparkman, Don
4 Rasmussen, a gentleman named Wes Dye, Steve Tabb
5 was there, because Steve was picked up at the
6 airport. Mr. Rick Greeott and his wife Michelle,
7 and I think that was it.
8 Q. Okay.
9 A. And Mr. Snisky of course.
10 Q. And at that time did Snisky go over
11 materially the same information that you've
12 explained in testimony here?
13 A. Yes.
14 Q. And did any of those individuals end up
15 offering the Arete product to their clients?
16 A. Mr. Sparkman offered it.
17 Q. Okay. Did he offer it successfully?
18 A. I think he put a husband and wife into it,
19 yes.
20 Q. And was Mr. Sparkman compensated as you
21 described before --
22 A. Yes.
23 Q. -- with 5 percent that flowed through you?
24 A. Yes, he was.
25 Q. Okay. And you were compensated accordingly?

1 A. Yes, sir.
2 Q. Okay. Did Mr. Rasmussen ever successfully
3 make any sales of the Arete product?
4 A. He did not.
5 Q. Did he try, to your understanding?
6 A. No.
7 Q. Why?
8 A. He was in the process of relocating his
9 family from Texas to North Carolina --
10 Q. Uh-huh.
11 A. -- and I thought he would do some business,
12 but he said -- he said he would, but he didn't.
13 Q. He didn't. Okay.
14 A. Yes.
15 Q. Your next trip to Colorado was when?
16 A. February or March. I'm not sure which one
17 of those two times.
18 Q. Okay.
19 A. And the two people that came to that
20 meeting were Mr. Ken Meissner and Mr. Mike Tomich.
21 Q. And did -- as we discussed before, did
22 Mr. Snisky repeat materially the same things that
23 you've testified to earlier in terms of the
24 substance of the Arete program?
25 A. Yes.

1 Q. Okay. Any wrinkles or anything different
 2 for Mr. Tomich or Mr. Meissner?
 3 A. No. I would say that Mr. -- I don't
 4 remember specifically, but I know Mr. Tomich asked
 5 a number of questions. He asked a great deal of
 6 questions --
 7 Q. Uh-huh.
 8 A. -- to understand certain things, so --
 9 Q. Anything in particular that stands out to
 10 you?
 11 A. No. I think he was just trying to make
 12 sure that this was something he could represent to
 13 clients if it was appropriate.
 14 Q. Okay. And were Mr. Tomich and Mr. Meissner
 15 successful in selling the Arete product to their
 16 client?
 17 A. Yes.
 18 Q. Okay. And, in fact, Mr. Tomich sold to
 19 seven or eight different clients?
 20 A. I believe so, yes.
 21 Q. Okay. And Mr. Meissner to, say, three or
 22 four clients?
 23 A. I believe that's true.
 24 Q. Okay. And were they also compensated with
 25 the 5 percent that flowed through Cromarty?

1 A. They were.
 2 Q. And did you also get compensated for
 3 Mr. Snisky as you described before?
 4 A. I did.
 5 Q. Okay.
 6 A. With one -- with one slight difference.
 7 Mr. Snisky thought it was appropriate, a good idea,
 8 whatever word you want to use, that if another
 9 advisor brought an advisor to the table that we
 10 could somehow reward him for doing that. So, for
 11 example, Mr. Sparkman was the one who told
 12 Mr. Meissner to contact us, to contact me.
 13 Q. Okay.
 14 A. So in one particular case, because
 15 Mr. -- in the case that Mr. Meissner sold,
 16 Mr. Sparkman received an additional half percent.
 17 Q. Above and beyond the 5 percent of Meissner?
 18 A. Yeah. In other words, he received 5 -- a
 19 half of percent on some of Mr. Meissner's business.
 20 Q. That didn't come out of your take?
 21 A. It did.
 22 Q. It did?
 23 A. It did, yes.
 24 Q. So for Meissner's clients, Meissner got 5
 25 percent, correct?

1 A. Yes.
 2 Q. Sparkman got .5 percent, correct?
 3 A. Right.
 4 Q. Summit got .5 percent, correct?
 5 A. Or should have, at least most I think they
 6 did.
 7 Q. Okay. And then you would have been -- or
 8 the Cromarty Group would have been left with 1
 9 percent?
 10 A. That's correct.
 11 Q. Okay. All right. Just making sure the
 12 math is --
 13 A. Uh-huh.
 14 Q. -- math is square. And just in regard to
 15 these financial transactions, is it true that any
 16 of the financial transactions between Arete and
 17 Snisky were done through the Cromarty Group bank
 18 account?
 19 A. Would you repeat that question? Any
 20 financial transaction between --
 21 Q. Between Arete or Snisky and yourself were
 22 done through the Cromarty Group bank account?
 23 A. Yes.
 24 Q. Okay. Either wires or checks or --
 25 A. Yes. Mr. Snisky wired, I believe

1 everything he sent to Cromarty Group was wired.
 2 Q. Okay.
 3 A. Yeah.
 4 Q. To the Cromarty Group account?
 5 A. That's correct.
 6 Q. And then from there you would write checks
 7 to the different advisors?
 8 A. I would, with the exception of Mr. Tomich.
 9 Mr. Tomich wanted his money wired.
 10 Q. Okay. Which you did?
 11 A. Which I did, correct.
 12 Q. Okay. And you directed those payments?
 13 A. Yes.
 14 Q. Okay. Is it -- is it accurate that part of
 15 the explanation from Mr. Snisky and yourself to
 16 Meissner, Tomich and others was that investor funds
 17 would go to Summit Trust where they would be
 18 accumulated and then sent to Arete?
 19 A. That's correct.
 20 Q. Can you explain the mechanics of that,
 21 please.
 22 A. The separately managed account would be
 23 opened. There were two separately managed
 24 accounts. One for IRA money, one for non-IRA
 25 money.

1 And when the client would have the money
2 sent to Summit, there would be self-directed
3 instructions that come along with it saying where
4 the money was to go. And it would be, for lack of
5 a better word, it would be held or pooled or
6 aggregated at Summit Trust and then sent out
7 to -- to the Arete account, whatever the account
8 was.

9 Q. Was there some magic amount that needed to
10 be pooled before it was sent out?

11 A. Well, that he didn't -- the -- yes. Gary
12 didn't want anything less than \$50,000 to be -- to
13 be sent into the program. And that is what Summit
14 felt was appropriate too. If they couldn't
15 generate \$50,000 they didn't want -- you know, if
16 they couldn't get people to put in 50,000, they
17 didn't want to get involved in it.

18 Q. Was -- as a technical matter, was Summit
19 presenting a single Summit investor to Arete or was
20 it presenting multiple individual investors? Do
21 you understand the distinction?

22 A. As a technical question, a technical issue,
23 Summit became the sole investor in Arete.

24 Q. Okay. And that was why they were
25 aggregating these funds and sending them on?

1 other than the .5 percent that flowed through the
2 Cromarty Group account?

3 A. To the best of my knowledge, that's all
4 they were getting.

5 Q. Okay. So Tomich and Meissner met Snisky
6 and you in February or March 2012, correct?

7 A. Uh-huh.

8 Q. Is that a "yes"?

9 A. I apologize. Yes, that's correct.

10 Q. That's all right. These accumulated or
11 aggregated funds were -- were in a Summit-managed
12 account, correct?

13 A. Separately managed account.

14 Q. Separately managed account?

15 A. Yes.

16 Q. An SMA?

17 A. SMA, yes.

18 Q. And was it clear with -- in front of
19 Mr. Tomich and Mr. Meissner that as the funds
20 rolled in the door, they would be used at that time
21 to purchase bonds?

22 A. No. What Mr. Snisky said was that he -- he
23 would take a position in a bond. And I understood
24 that to mean this is what I expect to do. And I
25 think he used the example of, let's say there's a

1 A. Correct. Right.

2 Q. So all the investors that came through
3 Summit, from Tomich and Meissner and Sparkman and
4 then --

5 A. That was actually all there was.

6 Q. Yeah. Tomich, Meissner, and Sparkman
7 really in the aggregate constituted a single Summit
8 investor for purposes of Arete?

9 A. That's correct. That's the way Mr. Snisky
10 explained it.

11 Q. Okay. And then Summit would apportion
12 earnings and interest and so on and so forth
13 downstream?

14 A. Correct. Mr. Snisky was sending quarterly
15 payments to Summit for those investors that had the
16 five-year program.

17 Q. Uh-huh.

18 A. And then they would, well, it's like a
19 mutual fund accounting system. I'm using, you
20 know, just reference like, you know, analogy.

21 Q. Uh-huh.

22 A. They would then have that money sent to the
23 individual investor.

24 Q. Okay. And did you understand that Summit
25 was being compensated by Arete in any other fashion

1 Ginnie Mae that's \$2.75 million. And through
2 Bloomberg, and this is my understanding of it, he
3 would say, I want to reserve half a million dollars
4 of that.

5 Then he would have a period of time. I
6 don't know if it was the end of the month or what
7 it was to satisfy that.

8 Q. Right.

9 A. That's how he said he would do it.

10 Q. Was there any amount that Mr. Snisky
11 communicated to you that he was waiting to
12 accumulate before he was buying any bonds?

13 In other words, was he waiting to
14 accumulate \$4 million or \$5 million before he began
15 his purchasing of the bonds, or did you understand
16 he would be purchasing bonds as he went along?

17 A. I think he -- he -- I believe he said to
18 me, he would rather do this in a 1-1/2 to \$2
19 million -- starts with a T.

20 Q. Tranche?

21 A. Tranche.

22 Q. Okay.

23 A. Correct. It was a tranche.

24 Q. Well, by the time Meissner and Tomich came
25 in in February or March of 2012 --

1 A. Uh-huh. Uh-huh.

2 Q. -- did you understand that Snisky had
3 already purchased bonds?

4 A. In the past, yes.

5 Q. For Arete?

6 A. I'm not sure if he said it was for Arete,
7 but that's what I assumed it to be.

8 Q. Okay. Well, there were other -- there were
9 other clients than the ones you were bringing in
10 through your advisors, correct?

11 A. I did hear about that, yes.

12 Q. Okay. So did you make the assumption or
13 did you have an understanding that other bonds had
14 been purchased and they had been investing in Arete
15 all along prior to --

16 A. I had the -- I certainly had the assumption
17 to what extent, I don't know how large, but there
18 had been some type of bonds purchased for previous
19 clients of other people.

20 Q. Okay. Related to Arete?

21 A. Related to Arete.

22 Q. Okay.

23 MR. MARTIN: Let's go off the record at
24 12:53. I just need a few minutes. I need to talk
25 to a colleague about something.

1 (Whereupon, a recess was taken at 12:53
2 p.m.)

3 (Whereupon, the proceedings resumed at 1:03
4 p.m.)

5 BY MR. MARTIN:

6 Q. We had gotten through a second Colorado
7 visit -- oh, I'm sorry.

8 Let's go on the record at 1:03. While we
9 were off the record, there were no substantial
10 conversations between the staff and the witness; is
11 that correct?

12 A. That's correct.

13 Q. You spoke to a second Colorado visit in
14 which Mr. Tomich and Mr. Meissner attended?

15 A. Correct.

16 Q. What was the third visit to Colorado that
17 you made to see Mr. Snisky?

18 A. I met with a gentleman from U.S. Bank. His
19 name was, I believe, Doug Priest.

20 Q. Okay. And what were the circumstances of
21 that visit?

22 A. Gary wanted me to meet with him to explain
23 how Summit Trust was functioning in the role for
24 Mr. Snisky. And I believe U.S. Bank was doing
25 something similar to what Mr. Snisky said he was

1 doing.

2 Q. In terms of bond purchasing?

3 A. Yes.

4 Q. Okay.

5 A. In terms of purchasing bonds and
6 structuring them in a certain way. So he -- they
7 both referred to an individual. I don't remember
8 his name, who had done some work for U.S. Bank who
9 had written a white paper on this particular type
10 of strategy.

11 And again, I don't know that -- remember
12 that gentleman's name. I just remember Doug Priest
13 because his first name was Doug.

14 Q. Uh-huh.

15 A. And they were very intrigued with what
16 Mr. Snisky was doing and the -- the inference was
17 they might be getting together to -- to do some
18 things for U.S. Bank clients.

19 Q. And so why were you are part of that
20 conversation?

21 A. Well, to talk about Summit Trust's role,
22 the SMA. So that U.S. Bank would be comfortable if
23 the money was not going directly from their clients
24 to Mr. Snisky, but coming through a custodian who
25 would also be providing the accounting and the

1 access to the funds from a standpoint of their
2 values from an online access position.

3 Q. Well, you know, the funds were going
4 directly from Summit Trust to Snisky with --

5 A. Nothing in the middle.

6 Q. -- nothing in the middle. I mean, can you
7 explain that?

8 A. No, I can't.

9 Q. Was there supposed to be some sort of a
10 process or procedure in place before Summit Trust
11 sent funds to Snisky and Arete?

12 A. No. No. Gary, Mr. Snisky would have
13 created or established another separate numbered
14 name offering, whatever you want to call it, that
15 would have been only for U.S. Bank clients.

16 Q. Uh-huh.

17 A. But there was -- there was -- there was
18 some reason -- I don't remember it right now.
19 There was some reason why U.S. Bank didn't want to
20 be seen sending money directly to Mr. Snisky. And
21 I don't know whether it had to do with their own
22 wealth management department or something like
23 that. I don't recall.

24 Q. Whatever came of it?

25 A. Nothing that I know of.

1 Q. Okay. Did you ever talk to Doug Priest
2 again?

3 A. I did not. I -- I don't know if he talked
4 to Kevin Brown though. He may have. I tried to
5 arrange that.

6 Q. Okay. Uh-huh.

7 A. I don't know if it happened, but I never
8 had any further conversation with him.

9 Q. Did you have yet another visit to Colorado
10 with Mr. Snisky, a fourth visit?

11 A. I -- I believe I did.

12 Q. Okay.

13 A. I'm not sure what the purpose of the visit.
14 I was -- I was in town to see an attorney in Denver
15 that I was trying to cultivate a relationship with
16 -- for Summit Trust for doing trust administration
17 in Nevada trusts. He was an estate planning
18 attorney.

19 Q. Uh-huh.

20 A. I think that might have been the genesis of
21 the trip, but when I was in town I did spend a day
22 with Gary. I think that was in the summertime.

23 Q. Of 2012?

24 A. I believe so.

25 Q. When an investor invested in Arete and

1 Summit forms for whether it was IRA or just non-IRA
2 custodial account.

3 Q. Uh-huh.

4 A. And those would be delivered to the
5 investor prior to them going forward with anything.
6 To review the forms and if they needed to show it
7 to somebody, to do that.

8 Q. Okay. And then how -- how did they get to
9 the investor to execute?

10 A. How did the forms get to the investor?

11 Q. Uh-huh.

12 A. I believe the advisor would have delivered
13 those to the -- to the client.

14 Q. How is that?

15 A. Because there had to be a client. It had
16 to be somebody they had a relationship with, so
17 yes.

18 Q. Okay. And then how did the investor secure
19 the forms, the necessary forms from Summit?

20 A. Well, Summit -- Summit initially produced
21 thumb drives for any of their relationships which
22 would have all these forms on it. These would not
23 be forms for Arete or anything, these would just be
24 their forms.

25 Q. Okay.

1 filled out forms and sent them to Summit, what did
2 Summit send the investor, if anything?

3 A. I never saw anything, but I believe they're
4 supposed to send them an acknowledgement that funds
5 had been received and an account was opened in
6 their name.

7 Q. Okay.

8 A. But I didn't see that.

9 Q. Some sort of an introduction or welcome
10 letter?

11 A. I believe so, yes.

12 Q. Okay.

13 A. That was standard procedure for them,
14 Summit Trust.

15 Q. With their --

16 A. With any client.

17 Q. With their EFT fund?

18 A. I believe so, that's correct, yes.

19 Q. Mechanically, how did an investor receive
20 the documentation from Arete, the Arete documents,
21 the contribution agreement, the PPM and so forth?

22 A. Mr. Greeott established some forms that
23 were online that the advisor was to download.

24 Q. Uh-huh.

25 A. And included with those forms were all the

1 A. So they would -- the advisor would have had
2 those forms.

3 Q. Uh-huh.

4 A. I think though, Mr. Greeott also put that
5 on this -- I almost what to call it like an
6 intranet type of an operation, as opposed to an
7 Internet type of operation.

8 Q. Hosted by Arete?

9 A. That's correct.

10 (SEC Exhibit No. 69 was
11 marked for identification.)

12 BY MR. MARTIN:

13 Q. I'm going to hand you what's been
14 identified as Exhibit 69. Exhibit 69 is a one-page
15 document. It's an e-mail chain. The Bates number
16 is SEC-SUMMIT-E91, and it's a two-part e-mail.

17 The bottom e-mail is from Gary Snisky to
18 Doug Scott. The top e-mail is from you to Kevin
19 Brown. The subject line says: Arete info.

20 Do you recognize Exhibit 69?

21 A. Yes, I do.

22 Q. And what is -- what had Gary sent you and
23 what in turn are you sending Kevin?

24 A. These would be copies of the documents, the
25 forms that the client would have filled out.

1 Q. Uh-huh.
 2 A. Somebody needs to have a copy of that,
 3 because they were following directions of the
 4 client. So that would have been the ten-year
 5 program, the five-year program, and then
 6 subsequently the updated documents because
 7 Mr. Snisky said every quarter they had to be
 8 updated.
 9 Q. Okay. And were these the templates, these
 10 were the unexecuted --
 11 A. That's correct. They would have been
 12 copies of -- of what could have been printed and
 13 filled out by anybody.
 14 Q. Okay. So these were the, you know, sort of
 15 the PPMs and the contribution agreements from Arete
 16 going to you and then going on to Kevin?
 17 A. Yeah. Because for whatever reason they
 18 didn't have Kevin Brown's e-mail address. I
 19 thought it was kind of unusual, but --
 20 Q. Okay. And then what did Kevin do with
 21 them? He just had a copy of them?
 22 A. Yes. I think he had -- he needed to have
 23 those for his file to see what --
 24 Q. Okay. And how did -- you said before that
 25 Snisky had them warehoused for the advisors to be

1 able to get to?
 2 A. I'm not sure if he did then, but that was
 3 one of his goals.
 4 Q. Okay.
 5 A. Because -- expand on that. He wanted to
 6 make sure that the advisor had as little ability to
 7 make a mistake with the client with the forms. So
 8 there were defaults if it was filled out
 9 improperly, you couldn't even print it off.
 10 Q. Okay. But prior to the kind of the
 11 warehousing concept --
 12 A. Uh-huh.
 13 Q. -- did Snisky sent them directly to the
 14 advisors or how did they get to the advisors? Do
 15 they go through you at times?
 16 A. I'm not sure. I would automatically have
 17 said coming from him directly, but I'm -- I'm not
 18 sure. It might have initially -- he might have
 19 initially sent them to me.
 20 Q. And then you forwarded it on to Mr. Tomich
 21 and so forth?
 22 A. Rather than him having all their different
 23 e-mails, just sent them to me.
 24 Q. Understood. Understood.
 25 (SEC Exhibit No. 70 was

1 marked for identification.)
 2 BY MR. MARTIN:
 3 Q. I'm going to hand you what's been
 4 identified as Exhibit 70. Exhibit 70 is a
 5 multipage document, SEC-JDSCOTT-P80 through 90.
 6 A. Uh-huh.
 7 Q. Do you recognize Exhibit 70?
 8 A. I do.
 9 Q. And what is it?
 10 A. That would have been the initial document
 11 that Gary -- Mr. Snisky showed to the individuals
 12 that came to those meetings in January and
 13 February.
 14 Q. To the advisor?
 15 A. To the advisor, correct.
 16 Q. And were these the documents that were then
 17 given to their investors or their clients executed
 18 as part -- and executed as part of the investment?
 19 A. I believe this would have been part of the
 20 package that had to be delivered and handed to an
 21 investor.
 22 Q. Okay. And is this the, for the sake of a
 23 better expression, the PPM or private placement
 24 memorandum related to Arete?
 25 A. I would say yes.

1 Q. Okay. At different points in time the name
 2 changed. It went from Arete to there was one
 3 called Salmon. There was one called CMG, et
 4 cetera?
 5 A. Yeah.
 6 Q. Do you understand why there was a name
 7 change?
 8 A. I do. I don't know about the CMG, other
 9 than I think I know what it stood for.
 10 Q. Right.
 11 A. Cornerstone Management Group.
 12 Q. Okay.
 13 A. Again, I never saw that or did anything.
 14 All I knew is what CMG stood for from
 15 conversations. I believe based on what Mr. Snisky
 16 told me, that's all I can tell you. Is that he
 17 wanted to differentiate any money that might have
 18 been coming in by the source of it, so to speak.
 19 Q. Okay.
 20 A. So Summit, he wasn't saying this was a
 21 Summit offering.
 22 Q. Uh-huh.
 23 A. But this was coming in through the Summit
 24 advisors, through advisors who were affiliated with
 25 Summit Trust.

1 Q. Okay.

2 A. There's an -- there's an individual that

3 does some oversight for Summit Trust. When he saw

4 that form after a couple three months, he said,

5 this form has to be changed. You cannot have

6 Summit's name on any form, because they're not

7 offering anything. They're serving as a custodian,

8 self-directed trustee. Their name has to come off.

9 Q. Okay.

10 A. At which time Salmon Trust was created.

11 Q. Did you understand that any of these

12 offerings were -- at all different from one another

13 even though the names were different? In other

14 words, were they all fundamentally the Arete

15 offering?

16 A. Yes. I believe they were.

17 Q. Okay.

18 A. Yes.

19 Q. So even though the names changed, they

20 didn't fundamentally change the offering or the

21 components of the offering?

22 A. Correct. I understood it to be a way for

23 Mr. Snisky to distinguish between the source of the

24 funds.

25 Q. Okay. All right. Did you ever review any

1 of the Arete documents?

2 A. Yes. I read them, yes.

3 Q. But did you ever make any corrections or

4 provide any advice to Mr. Snisky about changes or

5 any edits of any kind?

6 A. No. Not that I know of. The only thing I

7 was privy to was when the other gentleman said then

8 you've got to take the name Summit off of any of

9 these documents.

10 Q. And that was coming from the Summit Trust

11 people?

12 A. That's correct. It was coming from me.

13 Q. Okay.

14 A. I did ask Gary, Mr. Snisky, why he put

15 Summit, you know, on the document at all.

16 Q. Right.

17 A. And he said it was to distinguish from

18 other things that were going on. And he talked

19 about CMG and some other things.

20 Q. Got you. At some point did Snisky change

21 banks?

22 A. He did.

23 Q. And from what to what, if you know?

24 A. I don't remember both banks, but one of

25 them was Key Bank.

1 Q. Okay. And do you understand why he made

2 that change?

3 A. He did tell me something, but I don't

4 recall what it was. I mean, I asked him why,

5 because when -- when Kevin Brown went to wire money

6 to, I guess the initial -- the initial bank,

7 something didn't happen properly. So that's when I

8 found out the other bank was involved.

9 Q. Okay. So Summit Trust received quarterly

10 payments from Snisky as promised, at least for a

11 few quarters.

12 A. Yes, until everything was stopped, yes.

13 Q. So roughly the first part of 2013?

14 A. That's right. That's correct.

15 Q. Okay. And how do you know that those

16 payments were made?

17 A. Kevin confirmed them.

18 Q. Okay. And again, they were in the

19 aggregate, enough funds to cover the quarterly

20 interest earned by all the Summit investors?

21 A. All of those in the five-year only.

22 Q. Okay. And why is that?

23 A. Because the ten-year didn't pay any

24 interest at all, didn't pay out anything until

25 after five years.

1 Q. Okay.

2 A. That's why he was -- he claimed he put the

3 extra bonus in there.

4 Q. Okay. So when we spoke before with Agent

5 Locker, you stated to me that you first became

6 aware there was a problem with the investment

7 program after Summit Trust alleged they did not

8 receive their third quarter profit payment?

9 A. That's correct.

10 Q. Okay. And that you called Snisky perhaps

11 even on the same day that federal agents were

12 executing a search warrant at his office?

13 A. It's possible, yes.

14 Q. And what made you think that?

15 A. He didn't -- he didn't pick up. He didn't

16 call me back. And when I finally got a hold of him

17 four days later, I asked him a very direct

18 question.

19 Q. What did you ask him?

20 A. I said: Is something going bad?

21 Q. What did he say?

22 A. He said that, yes, they were in my office

23 last week. So he didn't say what day, but I just

24 made that kind of a reference that may have been

25 when I was calling, but you know, I don't know that

1 for sure.
 2 Q. What did he tell you had happened?
 3 A. He told me that Mr. Sorrells came to town
 4 to supposedly meet with a potential investor. They
 5 had had, I guess had lunch. And when they came
 6 back, they walked into -- into the building and
 7 hadn't even gotten to the office.
 8 There was -- there was a knock on the door
 9 and I don't know how many, two or three individuals
 10 walked in.
 11 Q. Federal agents?
 12 A. I think he said something like that, yes,
 13 with badges and began a process of serving
 14 something on them. He wasn't totally specific.
 15 You know, my stomach dropped into my toes.
 16 Q. And what did he say later, after they had
 17 left, after they served their warrant and seized
 18 their documents and so forth?
 19 A. I'm trying to remember exactly what he said
 20 at that conversation point. I think I was asking
 21 some questions about, what does this mean? What
 22 are they accusing you of?
 23 I think he said -- I remember one specific
 24 thing he said because it was so -- so dramatic in
 25 my mind. One of the federal officers referred to

1 A. He said that he had been told that funds
 2 were either being seized or had been seized.
 3 Q. Okay. And how did you respond to that?
 4 A. With, I don't know, some type of a despair,
 5 dismay.
 6 Q. Did -- did you ever communicate to
 7 Mr. Tomich that Snisky had said he had been to the
 8 bank and the funds were actually not seized?
 9 A. That might have been his personal funds. I
 10 said to him, have you -- have they seized your
 11 personal funds? And he said, No, they haven't. I
 12 believed they have, because I called the bank and
 13 they said no.
 14 Q. Okay. Did you ever tell any investors that
 15 the funds had not been seized by the government?
 16 A. No. I never spoke to any investor.
 17 Q. Okay. So how many funds, in total, did
 18 Cromarty Group receive from Arete?
 19 A. What was sent to us?
 20 Q. In --
 21 A. In total?
 22 Q. In total.
 23 A. I believe it was around 97,000.
 24 Q. Okay.
 25 A. You know, 97,400, 500, something like that.

1 David Sorrells as that he's been involved in three
 2 other Ponzis and you're the fourth. And that's --
 3 that's the one thing I remember from that
 4 conversation. I don't know whether that happened
 5 or not, but that's what I was told.
 6 Q. Okay.
 7 A. He did say that he -- Mr. Snisky said that
 8 he gave them a bunch of stuff. He took them to his
 9 screen, his computer screen. He tried to pull up
 10 some of the things he was talking about and
 11 referenced with advisors and so forth, you know, I
 12 think he was obviously quite concerned.
 13 Q. Right.
 14 A. That's all I can recall of that
 15 conversation.
 16 Q. Did Snisky tell you or communicate to you
 17 that funds had been seized from any bank accounts?
 18 A. Did not at that point, no.
 19 Q. Okay. Did he tell you otherwise?
 20 A. I didn't ask him that.
 21 Q. Okay.
 22 A. I did subsequent to that.
 23 Q. Okay. How much later?
 24 A. Maybe a week, maybe less.
 25 Q. Okay. How did he respond?

1 Q. And then how many of those funds were sent
 2 on to advisors?
 3 A. I believe about 74,000.
 4 Q. And how many funds were sent on to Summit?
 5 A. I think about 1,500 or something like that.
 6 Not exactly 1,500, but somewhere in that
 7 neighborhood.
 8 Q. Okay. And then the balance was kept?
 9 A. Yes.
 10 Q. So roughly 20,000?
 11 A. I would say for certain, yes.
 12 Q. Okay. And that was your take on
 13 essentially introducing the advisors?
 14 A. Well, that was to include whatever travel I
 15 had to Denver --
 16 Q. Uh-huh.
 17 A. -- to meet with Gary or to meet with
 18 advisors, to take care of Summit Trust, yes.
 19 Q. Okay. And were those funds paid to you by
 20 Cromarty or were any of those funds paid to you
 21 directly by Arete?
 22 A. They were not.
 23 Q. How -- how were they paid to you?
 24 A. Well, actually they were -- they were used
 25 for expenses.

1 Q. Okay. Out of the Cromarty account?
 2 A. Yes, health insurance and those types of
 3 things.
 4 Q. Okay. All right. Did you ever have any
 5 direct communications with any investor?
 6 A. No.
 7 Q. The \$1,500 that was paid by Cromarty to
 8 Summit, what -- what were those funds for?
 9 A. That was for, that represented I think it
 10 was two different checks. One was for 770 and one
 11 was for like, I don't know, maybe a similar total.
 12 It would have been one quarter of their 50
 13 basis points fees, because Mr. Snisky said to me
 14 that's something you're going to have to take care
 15 of.
 16 Q. Okay.
 17 A. So in theory, if more investors were coming
 18 in every year, it would have been more that would
 19 have been paid to Summit.
 20 Q. Okay. When was the last time you talked to
 21 Mr. Snisky?
 22 A. About six weeks ago.
 23 Q. In what circumstances?
 24 A. I would just call to see how he was.
 25 Q. Okay.

1 A. We -- I kind of thought he was an okay guy.
 2 I mean, I had no way of knowing anything might have
 3 been going on that was strictly aboveboard.
 4 Q. Okay.
 5 A. I mean, I met -- I met his wife, his
 6 children, his girls. His girls swam. My girls
 7 swam. I mean, so --
 8 Q. Well, since -- since the seizure by the
 9 federal criminal authorities, what -- what
 10 information about Arete and the status of the
 11 investments has Mr. Snisky given you since that
 12 time?
 13 A. The status? I mean, he didn't -- I mean,
 14 the monies were seized and is that what you're
 15 talking about?
 16 Q. Yeah. Like, what -- what information did
 17 he give you about the Arete investment since the
 18 seizure?
 19 A. Since the seizure?
 20 Q. Yes.
 21 A. Since the seizure, he told me that he took
 22 money from the investor money was part of the model
 23 that he built in.
 24 Q. I don't understand.
 25 A. In other words, you earlier referenced the

1 fact that did I know he was taking investor money.
 2 Q. Uh-huh.
 3 A. Not 100 percent of what Summit was sending
 4 him was going to buy a bond.
 5 Q. Right.
 6 A. I said, no, I did not know that. I didn't
 7 -- I understood it to be exactly 100 percent. And
 8 he explained to me that that was something he did
 9 not disclose that he should have disclosed.
 10 Q. That he was taking some of those funds?
 11 A. That in the model there was money set
 12 aside. He used the expression, there was money set
 13 aside for operations. And that though that money
 14 would have been repaid through the model, he should
 15 have disclosed that to the investors. And I said,
 16 yeah, you should have.
 17 Q. Did he ever disclose to you that no bonds
 18 had been purchased?
 19 A. He did tell me that subsequently, yes.
 20 Q. And how did you react to that?
 21 A. I asked him why.
 22 Q. What did he say?
 23 A. He said that several times he had attempted
 24 to place money in a bond to buy, but the bank had
 25 kicked out his funds.

1 Q. Did that make any sense to you?
 2 A. It didn't -- it made -- the answer is it
 3 made a little bit of sense. The way he explained
 4 it was that the Department of Justice, I guess, had
 5 been investigating what he was doing for a period
 6 of time. And if they make an inquiry to the bank
 7 about what's going on with these funds, that's kind
 8 of like a -- I think he called it a SAR, a
 9 suspicious activity report, and they would return
 10 the funds. They would just say, we can't take
 11 these funds.
 12 They wouldn't -- he said they didn't -- I
 13 said, well, what did they tell you? He said they
 14 didn't tell me anything. They wouldn't tell me.
 15 They said we're sending your funds back.
 16 I had no way of knowing if that's
 17 legitimate or not.
 18 Q. Okay. Did you personally do anything to
 19 establish whether various investors through Tomich
 20 and Meissner were accredited investors?
 21 A. There was a form that was developed that
 22 would indicate whether it was an accredited
 23 investor or not.
 24 Q. Was that something that you reviewed?
 25 A. I did review the form.

1 Q. Okay. And did you do so to assure yourself
2 that these were, in fact, accredited investors?

3 A. The ones that I saw, yes.

4 Q. Okay.

5 A. And subsequent to that I've talked to
6 Meissner and Sparkman and they said, yeah, these
7 were accredited investors.

8 Q. Was that something that Snisky was
9 concerned with? Did he -- let me rephrase the
10 question.

11 Did Snisky, to your understanding, review
12 any of the forms to evaluate the accredited status
13 of the investors?

14 A. I don't -- I don't know that. It was he
15 who put that in there that it needed to be an
16 accredited investor. I don't know if he reviewed
17 the forms.

18 Q. Okay.

19 A. I don't know if he actually saw the forms
20 when they came, because Summit Trust had them. I'm
21 not sure.

22 Q. Right. Were you involved in any of the,
23 quote, training sessions that happened in Longmont
24 with Snisky?

25 A. The training sessions? Can you be

1 Q. Okay. And what have you discussed with
2 them?

3 A. They just asked me what I know.

4 Q. Okay. And what have you told them?

5 A. Little that I know, because I don't know
6 anything.

7 Q. Okay. Have -- have you spoken to Snisky
8 about this investigation?

9 A. Very little, but I made a choice that I
10 cared about him as a person.

11 Q. Uh-huh.

12 A. And if I was calling, I wanted to see how
13 he was doing as a person and his family were
14 holding up, not to get into the nitty-gritty of
15 this. Because it would all just be hearsay. It
16 would be what he would be telling me.

17 Q. Okay.

18 A. So I didn't think he'd have anything --
19 unless he would say to me, everything's done. It's
20 okay. Everything's been dismissed.

21 Q. Okay. And have you spoken with anyone
22 regarding your appearance here today?

23 A. Mr. Meissner.

24 Q. Okay. And what did you discuss?

25 A. That I was coming here. Because he had

1 specific?

2 Q. Well, he -- when certain individuals came
3 into town, he -- Snisky would refer to these
4 sessions as training sessions. Now, perhaps they
5 are with the same meetings when Tomich and
6 Meissner --

7 A. Those were the only meetings that I was
8 involved where anything went on.

9 Q. Okay. And you've already described those?

10 A. Yes, I have.

11 MR. MARTIN: Let's go off the record at
12 1:36.

13 (Whereupon, a brief recess was taken at 1:36
14 p.m.)

15 BY MR. MARTIN:

16 Q. Let's go on the record at 1:41.

17 While we were off the record, there were no
18 substantive conversations between the staff and the
19 witness; is that correct?

20 A. Correct.

21 Q. Other than -- well, have you spoken with
22 anyone regarding this investigation? Anyone at all
23 regarding the SEC's investigation?

24 A. Well, the individuals, Mr. Meissner and
25 Mr. Sparkman.

1 called me and told me he was here.

2 Q. Okay. Did he tell you anything about his
3 appearance here or what he said?

4 A. He just it -- no. He just said it lasted
5 three or four hours. I asked him that question.

6 Q. Okay. Have you discussed with anyone what
7 your testimony would be or should be?

8 A. No.

9 Q. Okay. Has anyone suggested to you what
10 your testimony should be?

11 A. No.

12 Q. Okay. Have you seen a transcript or digest
13 or summary of the testimony of anyone else who's
14 testified in this investigation?

15 A. No.

16 Q. Okay. And do you know anyone else who's
17 been subpoenaed or testified in this investigation?

18 A. Mr. Meissner.

19 Q. Okay. Other than that, anyone else?

20 A. No.

21 Q. Okay. Have you discussed with them what
22 their testimony would be or should be?

23 A. No.

24 Q. And have you discussed your testimony or
25 past or proposed testimony with any witness or with

1 any intermediary?
 2 A. No.
 3 Q. All right. At this time we are going to
 4 adjourn testimony to a date uncertain. If --
 5 although testimony's adjourned you remain under
 6 subpoena and we'll contact you if we need
 7 additional testimony.
 8 A. Understood.
 9 Q. Do you wish to clarify anything or add
 10 anything to the statements you made today?
 11 A. Not that I can think of.
 12 MR. MARTIN: Let's go off the record at
 13 1:43 p.m. on December 10, 2013. We're good.
 14 (Whereupon, at 1:43 p.m., the examination
 15 was concluded.)
 16 * * * * *

1 PROOFREADER'S CERTIFICATE
 2
 3 In the Matter of: ARETE, LLC
 4 Witness: James D. Scott
 5 File Number: D-03321-A
 6 Date: December 10, 2013
 7 Location: Denver, CO
 8
 9
 10 This is to certify that I, Nicholas Wagner,
 11 (the undersigned), do hereby swear and affirm
 12 that the attached proceedings before the U.S.
 13 Securities and Exchange Commission were held
 14 according to the record and that this is the
 15 original, complete, true and accurate transcript
 16 that has been compared to the reporting or recording
 17 accomplished at the hearing.
 18
 19
 20
 21
 22 _____
 (Proofreader's Name) (Date)
 23
 24
 25

1 REPORTER'S CERTIFICATE
 2
 3
 4 I, THERESA MENDEZ, reporter, hereby certify that the
 5 foregoing transcript of 209 pages is a complete, true and
 6 accurate transcript of the testimony indicated, held on
 7 December 10, 2013, at Washington, D.C. in the matter of:
 8 ARETE, LLC.
 9
 10
 11 I further certify that this proceeding was recorded by me,
 12 and that the foregoing transcript has been prepared under my
 13 direction.
 14
 15
 16
 17 Date: _____
 18 Official Reporter: _____
 19 Diversified Reporting Services, Inc.
 20
 21
 22
 23
 24
 25

*UNITED STATES SECURITIES AND EXCHANGE COMMISSION

CONTENTS

In the Matter of:)
) File No. D-03321-A
ARETE, LLC)

WITNESS: Kenneth Charles Meissner
PAGES: 1 through 140
PLACE: Securities and Exchange Commission
Denver Office
1801 California Street, Suite 1500
Denver, Colorado 80202-2648
DATE: Thursday, November 14, 2013

The above-entitled matter came on for hearing,
pursuant to notice, at 8:31 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

1	WITNESS:	EXAMINATION
2		
3	Kenneth Charles Meissner	4
4		
5		
6	EXHIBITS: DESCRIPTION IDENTIFIED	
7	14 SEC Subpoena to Kenneth Meissner	8
8	15 Document Subpoena to Kenneth Meissner	9
9	16 Kenneth Meissner Response to Document	13
10	Subpoena	
11	17 Background Questionnaire Filled Out	13
12	By Kenneth Meissner	
13	18 Biography of Kenneth Meissner	37
14	19 E-Mails Re: Travel Arrangements For	66
15	Kenneth Meissner to Longmont, Colorado	
16	In March 2012	
17	20 Summit Trust Application For Chadwick	91
18	21 PPM For Eleanor Weems	106
19	22 PPM For Mary Hall	107
20	23 Summit Trust Application for Weems	119
21	24 Summit Trust Application for Mary Hall	122
22	25 Copies of Check For Professional Fees	124
23	Received By Kenneth Meissner	
24		
25		

1 APPEARANCES:

2

3

4 On behalf of the Securities and Exchange Commission:

5 JOHN C. MARTIN, ESQ.

6 Division of Enforcement

7 Securities and Exchange Commission

8 Denver Regional Office

9 1801 California Street, Suite 1500

10 Denver, Colorado 80202

11 (303) 844-1086

12

13

14 On behalf of the Witness:

15 KENNETH CHARLES MEISSNER, PRO SE

16

17

18

19

20

21

22

23

24

25

1 PROCEEDINGS

2 MR. MARTIN: Let's go on the record at

3 8:31 a.m., on November 14th, 2013.

4 Whereupon,

5 KENNETH CHARLES MEISSNER

6 was called as a witness and, having been first duly

7 sworn, was examined and testified as follows:

8 EXAMINATION

9 BY MR. MARTIN:

10 Q Okay. Please state and spell your full

11 name for the record.

12 A I'm sorry?

13 Q That's all right.

14 Please state and spell your full name for

15 the record.

16 A Okay. Kenneth Charles Meissner,

17 K-e-n-n-e-t-h, C-h-a-r-l-e-s, M-e-i-s-s-n-e-r.

18 Q Okay. My name is John Martin and I am an

19 officer of the Commission for the purposes of this

20 proceeding.

21 A gentleman named Jay Scoggins may be

22 joining us at some time today; he is also an officer

23 of the Commission for the purposes of this

24 proceeding.

25 This is an investigation by the United

1 States Securities and Exchange Commission, in the
2 matter of Arete, comma, LLC, D-3321, to determine
3 whether there have been violations of certain
4 provisions of the Federal Securities Laws; however,
5 the facts developed in this investigation might
6 constitute violations of other federal or state
7 civil or criminal laws.

8 Prior to the opening of the record, you
9 were provided with a copy of the formal order of
10 investigation in this matter, as supplemented; it
11 will be available for your examination during the
12 course of this proceeding.

13 Mr. Meissner, have you had an opportunity
14 to review the formal order?

15 A Yes.

16 Q Okay. All right. And I'm going to leave
17 this right here. If you need to look at it, you're
18 welcome to do so --

19 A Sure.

20 Q -- okay?

21 Prior to the opening of the record, you
22 were provided with a copy of the Commission's
23 supplemental information form; a copy of that has
24 been marked Exhibit No. 1. Have you had the
25 opportunity to review Exhibit No. 1?

1 A Yes.

2 Q Okay. And do you have any questions
3 concerning this notice?

4 A Not yet.

5 Q Okay.

6 Okay. You have the right to be
7 accompanied, represented and advised by counsel;
8 this means that you may have an attorney present and
9 that your attorney can advise you before, during and
10 after your examination here today; do you understand
11 this?

12 A Yes.

13 Q Okay. Since you are not represented by
14 counsel, there are certain matters discussed in
15 Exhibit No. 1 that I want to highlight for you.

16 Do you understand, that upon your request,
17 these proceedings will be adjourned so that you may
18 obtain counsel?

19 A Yes.

20 Q Okay. Do you understand that the statutes
21 set forth in Exhibit No. 1 provide criminal
22 penalties for knowingly providing false testimony or
23 knowingly using false documents in connection with
24 this investigation?

25 A Yes.

1 Q Do you understand that you may assert your
2 rights under the Fifth Amendment to the Constitution
3 and refuse to answer any question which may tend to
4 incriminate you?

5 A How would that happen?

6 Q Well, if -- if at any time you want to
7 assert your rights under the Fifth Amendment to the
8 Constitution and refuse to answer any question which
9 may tend to incriminate you, you may do so; do you
10 understand this?

11 A Yes. Okay.

12 Q All right. Just a few -- a few
13 housekeeping things, okay.

14 If you want to go off the record, please
15 advise me of your desire to do so, and I'll decide
16 at that time whether to ask the reporter to do so.

17 The reporter will not go off the record at your
18 or -- your request. But if you need to use the
19 restroom or you want to take a little break, just --
20 just tell me okay?

21 A Okay.

22 Q Let me also advise you, that after the --
23 after the staff has finished its questioning, you
24 will have the opportunity to clarify or add to
25 whatever testimony you want to bring today. So if

1 you want to make additional statements at the end
2 today, you're welcome to do so.

3 A Okay.

4 Q I will be asking you a number of questions
5 today. If you do not understand or do not hear any
6 question, please let me know, and just let me know
7 right away.

8 A Okay.

9 Q Okay. Please allow me to complete
10 questions before you begin your answers so that
11 we're both not speaking at once, and please answer
12 audibly. Nods and shakes don't -- don't show up on
13 the record.

14 A Right.

15 Q Okay. Also, please do not assume or infer
16 anything from our questions. If we ask whether an
17 event happened or someone did or said something, do
18 not assume that this occurred or that we believe it
19 did. We're simply attempting to ascertain whether
20 or not you have any information relevant to the
21 investigation, okay?

22 A Okay.

23 (SEC Exhibit 14 was marked
24 for identification.)

25 BY MR. MARTIN:

1 Q Mr. Meissner, I'm going to hand you what's
2 been identified as Exhibit 14; this is a copy of the
3 subpoena by which you are appearing here today; is
4 that correct?

5 A Yes.

6 Q Okay. I'll take it back.

7 A (Passes Exhibit 14 back.)

8 Q Thank you.

9 (SEC Exhibit 15 was marked
10 for identification.)

11 BY MR. MARTIN:

12 Q Mr. Meissner, this subpoena -- document
13 subpoena identified as Exhibit 15 calls for the
14 production of certain documents. Have you given to
15 the staff all documents called for by the subpoena?

16 A I believe so.

17 Q Okay. Very briefly, describe the search
18 that you conducted for the subpoenaed documents.

19 A If I had them available, that was my
20 search, was if they were in my office.

21 Q Okay. And is your office at home?

22 A Yes.

23 Q Okay. And did that include a search -- an
24 electronic search, your computer or --

25 A No.

1 Q No?

2 A I did not do any electronic search that I
3 know of or can recall.

4 Q Okay. Do you have any electronic
5 documents that are responsive to the subpoena?

6 A I don't believe so, no.

7 Q Okay. Okay. And do you have any e-mails
8 that are responsive to the subpoena?

9 A Gosh, I -- it could be. I had some
10 e-mails but I don't know if they're responsible --
11 responsive to this.

12 Q Okay. I'd like to ask you, when you get
13 back home, to take this -- you know, to take the
14 copy of the subpoena that was sent to you, and go
15 back through the subpoena, and do an electronic
16 search with your computer, including e-mails, and
17 produce to me any other documents that are
18 responsive to the subpoena; do you agree to do
19 so?

20 A If it's stated -- so stated, yes.

21 Q Okay. All right. Because it sounds like
22 you looked through your hard copy documents but you
23 didn't necessarily look through your computer for
24 this; is that --

25 A I didn't recall a question in there about

1 that.

2 Q Okay. And -- and what I'm asking you to
3 do is -- well, I'm representing to you that the
4 subpoena covers electronic documents, and I'd like
5 to ask you to make that search, too, okay? Would
6 you agree?

7 A Sure.

8 Q Okay. Thank you.

9 Did -- have you withheld any documents
10 from us based on any claim of privilege?

11 A No.

12 Q Okay. Were any documents called for by
13 the subpoena not produced for any other reason than
14 priv- -- privilege?

15 A There were some documents that were
16 required that I didn't feel were necessary to the
17 subpoena, I -- as I recall --

18 Q Okay.

19 A -- that I may not have sent.

20 Q All right. I'd -- I'd like to ask you to
21 send those documents to me, too. Why is it that you
22 believe they weren't necessary?

23 A Well, you were asking for information
24 dating back forever. I mean, I --

25 Q Well, I'm only interested in -- and

1 actually, the subpoena dates back to --

2 A I gave you my banking statements -- or my
3 bank information --

4 Q Mm-hmm.

5 A -- and those things that I thought that
6 you were asking for.

7 Q Okay. But the subpoena only goes back to
8 January 1st of 2011. So anything before January 1st
9 of 2011 doesn't fit the subpoena.

10 A Okay. Well, then that's probably -- that
11 information was sent. I mean --

12 Q Okay.

13 A I believe.

14 Q Okay. All right. And I'm just asking you
15 to double-check, okay?

16 A Okay.

17 Q Thank you.

18 And do you know of any documents that were
19 responsive to the subpoena but not provided, that
20 were in your possession at some time, that were
21 lost, destroyed or otherwise disposed of?

22 A No.

23 Q Okay. All right. I'll take that.

24 A (Passes Exhibit 15 back.)

25 Q Thank you.

(SEC Exhibit 16 was marked
for identification.)

BY MR. MARTIN:

Q Mr. Meissner, I'm going to hand you what's
been identified as Exhibit 16. Do you recognize
Exhibit 16?

A Yes.

Q What is it?

A That was in response to the information
you were requesting.

Q Okay. So it's a three-page document here;
is that your handwriting?

A Yes, sir.

Q Okay. And this is your response to the
subpoena that was issued to you; is that correct?

A Yes, sir.

Q Okay. And I want you to hang onto it for
now. We're going to go through some of these
background questions, and if -- and Exhibit 16 may
help you answer those questions.

(SEC Exhibit 17 was marked
for identification.)

BY MR. MARTIN:

Q Thank you.

Mr. Meissner, I'm also going to hand you

Q Okay. How much do you own and how much
does the bank own?

A I -- I -- you know, my wife takes care of
that. It's probably 200-and-some thousand.

Q On the mortgage?

A Yes.

Q Okay. And how much equity do you have in
the home?

A The house could be valued at 500, plus or
minus.

Q Okay. All right. And Fair Oaks Ranch is
in what part of Texas? Where are you down there?

A It's approximately fifteen -- or ten to
twelve miles outside the city limits north of San
Antonio.

Q Okay. All right. Basically a suburb of
San Antonio?

A Well, it's its own city, but it's -- it's
just outside of San Antonio.

Q Gotcha. Gotcha.

And you -- you identify in -- in your
Background Questionnaire, which is Exhibit 17, you
identify two cell phone numbers, including an old
cell phone number. When did you stop using that old
cell phone number?

what's been identified as Exhibit 17. Exhibit 17 is
a multi-page document, from Bates range Meissner 1
through Meissner 12, and at the top it says
"Background Questionnaire." Do you recognize
Exhibit 17?

A Yes.

Q And is that your handwriting in Exhibit
17?

A Yes.

Q As of today's date, which is November
14th, 2013, is the information in Exhibit 17
accurate and complete?

A (Examining) Yes.

Q Okay. Let's look through the Background
Questionnaire in Exhibit 17. I want to look at --
just kind of take it page-by-page, okay.

Let's look at the second page. You state
in Exhibit 16 that you -- you've lived at [REDACTED]
[REDACTED], for
seventeen years; is that correct?

A Yes, sir.

Q Okay. Do you own that home?

A Well, I have a mortgage against it.

Q So you and the bank own that home?

A Yes.

A When I stopped hearing. I don't know when
that was. That was probably -- I don't know. Gosh,
five or six -- I'm not sure.

Q But -- but --

A I've had this phone here for -- since I've
had -- have become hard of hearing, and it works
through my bluetooth, which is new technology; so
that was the reason for the change.

Q Okay. So it sounds like maybe several
years since you've used the old cell phone.

A It was at least several years. My wife
would have an idea, she's good at those numbers.

Q Okay. All right. And we go back
through -- you have a securities account at
Ameritrade; is that correct?

A Yes.

Q And also at E*TRADE?

A No.

Q Okay. Did you formerly have one at
E*TRADE?

A I -- I had some old shares of -- that I
carried over a twenty-year period. I went to sell
them -- or open an account -- or tried to open an
account with E*TRADE, I gave them the shares. And
there was some glitch in the thing, that I don't

1 recall, that I got the shares back, and I opened
 2 with Ameritrade, and I sold those shares through
 3 Ameritrade.
 4 Q Okay. So the only securities account you
 5 have is at Ameritrade --
 6 A Yes, sir.
 7 Q -- is that correct?
 8 A Yes, sir.
 9 Q Okay. All right. And where do you bank?
 10 A I bank at Frost National Bank.
 11 Q Okay. And are those the only bank
 12 accounts you hold?
 13 A Yes.
 14 Q Okay. You -- you do list in your
 15 Background Questionnaire a Chase checking account?
 16 A Yes.
 17 Q Do you have a Chase checking account?
 18 A Those two accounts, yes, sir.
 19 Q Okay.
 20 A Frost and Chase.
 21 Q Frost and Chase, okay.
 22 Any other bank accounts?
 23 A No --
 24 Q Okay.
 25 A -- not that I know of.

1 Q Okay. All right.
 2 All right. And then I'm on Page 7 of the
 3 Background Questionnaire, and it talks about prior
 4 proceedings. And it's -- it is my responsibility to
 5 sort of walk through this and understand some of
 6 this history.
 7 So, let me ask you about -- there was a
 8 judgment entered against you, according to the
 9 Background Questionnaire, in November of 2006; is
 10 that correct?
 11 A That's correct.
 12 Q What were the circumstances of that -- of
 13 that lawsuit or -- or action?
 14 A How much information do you want?
 15 Q Well, why don't you -- why don't you start
 16 telling me about it, and we'll --
 17 A Okay. I was, at the time, selling life
 18 settlements through Mutual Benefits Corporation, out
 19 of Florida. I did a ton of due diligence with them,
 20 felt like they were viable. I do mostly fixed with
 21 my clients, especially in this low interest rate
 22 environment.
 23 And in the process of selling these life
 24 settlements, a gentleman came to me, Steve Konetzke,
 25 and he wanted to buy -- came to me and wanted to buy

1 the settlements -- I don't know how he found out
 2 about me -- that was my first meeting with him.
 3 And the primary reason, I find out, he
 4 wanted to -- or as part of the purchase, he wanted
 5 to get licensed or have a -- an agreement -- or -- I
 6 don't know -- I guess you would call it a license,
 7 to sell life settlements so that he could get a
 8 commission on his purchase.
 9 I probably should have walked out of the
 10 room at that point; I didn't. My wife told me too,
 11 but I make bad decisions from time-to-time.
 12 But anyway, he bought three or four
 13 contracts, his wife -- in his name, in his wife's
 14 name, an IRA account, and possibly an IRA account in
 15 his name. I believe one or two of those contracts
 16 matured, which means -- are you familiar with life
 17 settlements?
 18 Q Why don't you explain it for the record so
 19 that we have it in the record.
 20 A Okay.
 21 Q Yeah.
 22 A A life settlement is basically a person
 23 who has been issued a life insurance previously, has
 24 found reason that he would like to sell that
 25 contract -- for several reasons -- and get the

1 funds. One of the reasons, that he may not be able
 2 to pay the premium or he needs the cash. I can name
 3 a ton of reasons why you'd want to do it.
 4 Anyway, you put that up for auction.
 5 There's a market out there, it's been around for
 6 years. It's a capital equity. That account was --
 7 is purchased by investors.
 8 Mutual Benefits Corporation handled the
 9 transaction -- or was the -- I guess, the conduit of
 10 those transactions. They came to me, I presented
 11 them to clients. They put money into the contracts
 12 in piecemeal -- at some occasions maybe the total
 13 contract. But most of them were larger-type
 14 equities, so we're talking enough that it took
 15 several people to buy the contract.
 16 Q Mm-hmm.
 17 A Konetzke bought three or -- or four of
 18 these accounts. I don't recall how much it was, but
 19 I do recall that -- I believe one or two of his
 20 contracts matured. He got the funds in a very short
 21 period of time. Lists, then, what was -- excuse
 22 me -- designated. These contracts come with
 23 maturity-type estimates. A doctor supposedly looks
 24 at them and says, "You're going to die in four
 25 years," and that's information based on financial --

1 or medical information.
 2 Q So, what was the dispute then?
 3 A Well, the dispute was, then, that the --
 4 I -- I guess it was the Securities and Exchange came
 5 in and said that Mutual Benefits Corporation was
 6 selling unregistered securities.
 7 Q Okay.
 8 A And so they took it into receivership, and
 9 Konetzke filed a lawsuit against me for that reason.
 10 Q As a -- a -- like a fraudulent sale?
 11 A He wanted his money back, I guess.
 12 Q Okay. All right. All right.
 13 A I mean, he -- although he bought them, he
 14 knew that -- he's sophisticated. His wife's an
 15 attorney. I have a lot of other clients who
 16 purchased these; none of them sue me.
 17 Q Mm-hmm.
 18 A He sued me.
 19 I decided that probably the best thing to
 20 do and the easiest thing was just -- I did fight it,
 21 because I thought he was -- I thought it was --
 22 well, I thought it was crazy. But anyway, I did
 23 fight it.
 24 And the Judge, I think, made the
 25 decision -- which is in the records -- that it was

1 unregistered, even though the largest law firm in
 2 Florida said it wasn't, all the paperwork said it
 3 wasn't --
 4 Q Mm-hmm.
 5 A -- all the documentation said it wasn't.
 6 Anyway, the decision was it was; that I
 7 didn't unknowingly sell an unregistered security
 8 because I did my due diligence. And I think, under
 9 the rule -- could be corrected on this -- I had to
 10 purchase the contracts back from him.
 11 Q Okay. Because they were unregistered
 12 securities that you sold to him?
 13 A Yes.
 14 Q Okay. And so what was the resolution?
 15 A I paid him, I believe, \$90,000.
 16 Q Okay. All right. And that was in?
 17 A 2006, I think, was the -- or, no. The
 18 settlement was 2007 --
 19 Q Okay.
 20 A -- September of 2007.
 21 Q Okay. You --
 22 A By the way, this is how much of a -- this
 23 is his personality: Even though I purchased back
 24 the contracts, he wanted to hold a couple of them
 25 because he thought they may mature.

1 Q Right. I under- --
 2 A So he held onto a couple of them.
 3 Q Understood.
 4 A So that gives you the -- his personality,
 5 or whatever. I don't want to --
 6 Q Okay.
 7 A -- make disparaging remarks.
 8 Q Okay. So, also in your Background
 9 Questionnaire, on Page 7 -- which, again, is Exhibit
 10 17 -- you identify a civil lawsuit where the
 11 Plaintiff is Martha Jane Aldred?
 12 A Yes, sir.
 13 Q Okay. Would you explain the circumstances
 14 of that lawsuit.
 15 A The -- her husband's name was Jack Aldred;
 16 I had known him for a good period of time, ten years
 17 or so. He was in the oil field. He made his money
 18 on the rich end, I made mine on the working end. We
 19 had lots of great discussions, we became very good
 20 friends. He lived in Houston when I was there. And
 21 then I moved to San Antonio, and I'd go back and
 22 forth and visit.
 23 He had a stroke and his wife put him in a
 24 nursing home in Houston. I continued to go down and
 25 visit with him over a period of one, two, or maybe

1 three years, and suggested certain -- sold an
 2 insurance policy to his wife. I'm insurance
 3 licensed. I sell life insurance annuities and
 4 structured annuities, and, at one time, life
 5 settlements, which I don't anymore.
 6 But in the process, I was -- and was
 7 security licensed at that time -- there was a
 8 company called Adam that invested funds in mutual
 9 funds; I sold that to them. And anyway, made
 10 several investments with him. We discussed
 11 investments each time we got together.
 12 In the process, I told him about a company
 13 I was working with in -- or San Antonio. The name
 14 of the company is Latelco. It was a wireless
 15 operation that was supposed to do -- deliver
 16 wireless information from the outer boondocks to the
 17 main line; looked very viable. He had asked me
 18 several times about it. I said, you know, "I'll get
 19 you some information or I'll have them send you
 20 information."
 21 They sent him information, he read over
 22 it, I believe he even called and talked to them, and
 23 he invested some funds in Latelco. I believe it
 24 was -- I think it was \$100,000.
 25 Q Okay.

1 A I made investments in Latelco. I felt --
 2 Q And this was a private company?
 3 A Yes.
 4 Q Okay.
 5 A At the time, it was private -- well, it
 6 was a private company.
 7 Q Okay.
 8 A And they were very close to getting
 9 funding when the dot-com bubble exploded in
 10 two-thousand-something -- whatever that was. And we
 11 had funds that were designated that we -- that -- I
 12 say "we" -- Latelco did, that would have probably
 13 made it -- gave it the possibility of being
 14 successful. When the dot-com exploded, everything
 15 went to hell in a hand basket, there were no funds
 16 available. Latelco, since, went bankrupt.
 17 Jack Aldred passed away -- I'm not sure of
 18 the exact date. His two children came and sued me,
 19 saying that I had sold him a very risky investment.
 20 I didn't -- I may -- I don't believe I sold it to
 21 him. I -- I don't sell, I present my opinion. The
 22 two of them were really similar to Mr. Konetzke.
 23 So, I pick out some good people here.
 24 Anyway, it wasn't him -- them I was doing
 25 business with, I was doing business with Jack

1 Aldred. I had negotiations back and forth with them
 2 and finally agreed that I would give him back his
 3 money.
 4 Q Okay. What were the nature of the
 5 allegations that they brought?
 6 A They said it was too risky an investment
 7 for him.
 8 Q Okay. Was it a fraud --
 9 A No.
 10 Q -- allegation?
 11 No. They said -- they were saying it was
 12 inappropriate --
 13 A -- inappropriate investment for him.
 14 Q Okay. All right. Too risky for him?
 15 A Yes.
 16 Now, his background is he's a wildcat, or
 17 he was a risk-taker. He knew -- you know, he was
 18 all growed (sic) up, he knew what he was doing.
 19 Q Mm-hmm.
 20 A You know, if that wouldn't have been the
 21 case, I would have not recommended or suggested it.
 22 He knew the risks.
 23 Q Okay.
 24 A But his children didn't feel like he did,
 25 possibly. I'm not sure what they --

1 Q Okay.
 2 A -- felt.
 3 Q And how did that resolve itself?
 4 A I paid him back his \$100,000 plus some
 5 interest.
 6 Q Okay. All right. I'm also familiar with
 7 a suit or a claim dating all the way back to 1988, a
 8 Grossman claim --
 9 A Jesus.
 10 Q -- okay.
 11 Can you explain to me the circumstances of
 12 the Grossman situation?
 13 A Another --
 14 Q I'm sorry. It's not -- it's not a -- it's
 15 not a negative version of This Is Your Life. I'm
 16 just trying to pull through some things I'm required
 17 to pull through.
 18 A Well, what you're really exposing is my --
 19 my ability to really choose some good people -- I
 20 mean some people that can cause me grief. I should
 21 know better.
 22 Anyway, Grossman -- I don't recall, that
 23 was so long ago -- was from New York; he was on a
 24 disability claim from New York. And the fellow was
 25 not disabled.

1 Q Mm-hmm.
 2 A He was doing -- playing golf and doing fun
 3 things and all.
 4 Anyway, he filed a suit -- I don't even
 5 recall the -- the details. He filed saying that --
 6 Q Was it --
 7 A I don't even remember who I was working
 8 for at the time.
 9 Q As I understand it, it was related to
 10 neg- -- quote/unquote, negligent handling of
 11 investments; is that --
 12 A That is what he may have thought.
 13 Q Right. And it was for the rescission of
 14 the purchase of certain stock? It was a stock
 15 purchase?
 16 A He had bought some stock and he wanted me
 17 to buy the stock back, I believe. I don't --
 18 Q Okay.
 19 A That went to arbitration, I believe.
 20 Q So, what did he claim? What was his --
 21 what was his issue?
 22 A Well, of course, the stock went -- when
 23 the stock goes down, people decide they want their
 24 money back because it was a bad deal. Well, he
 25 wanted -- he said it was a bad investment, whatever,

1 I shouldn't have sold it to him.
 2 Q Okay.
 3 A Okay. So I don't recall what the resolve
 4 was.
 5 Q Okay. And in my notes I've got that it
 6 settled for \$1300; does that --
 7 A I don't recall.
 8 Q Okay.
 9 A He --
 10 Q All right.
 11 A It was in arbitration.
 12 Q All right.
 13 A That 1300 may have been that I bought
 14 whatever stock he was wanting me to buy back. I
 15 don't know.
 16 Q Mm-hmm.
 17 A I don't recall. That was a -- I mean,
 18 I'm -- that was twenty years ago.
 19 Q Right.
 20 Other than the Konetzke matter, the Aldred
 21 matter and the Grossman matter, have you ever been a
 22 Defendant in any other criminal, civil or regulatory
 23 proceeding?
 24 A Ever?
 25 Q Ever.

1 A Yes. I had a similar situation with a
 2 Francis Round Davis, who --
 3 Q And --
 4 A -- did a similar thing to Grossman, I
 5 guess. I had sold --
 6 Q And when -- when was this, sir?
 7 A I don't recall. I don't know. That was
 8 back -- I don't know. Goll. Gosh.
 9 Q Around the time of the Grossman?
 10 A It could have been. Because it was a -- I
 11 think it was involved in the same stock. This was
 12 the stock that I finally sold through Ameritrade,
 13 after holding it for fifteen years.
 14 But it was a stock in a gold company, and
 15 Francis Round Davis decided that -- as a matter of
 16 fact, the stock went up, and she made money, and she
 17 didn't sell it. So then it goes down, and she comes
 18 back and says this is a risky investment, and she
 19 goes into small claims court. And, of course, she's
 20 an older -- she was older. But she came in -- she
 21 probably came in in a wheelchair --
 22 Q Mm-hmm.
 23 A -- that's probably the mode (sic) of
 24 operandi.
 25 Q Mm-hmm.

1 A And said that I needed to buy the stock
 2 back -- back.
 3 My contention was, you had plenty of time
 4 to sell it, it had made a profit, now you want me to
 5 do this. I guess I'm a nice guy.
 6 But anyway, I don't know what the -- if
 7 the courts -- we agreed that I would buy the stock
 8 back.
 9 Well, similar to Konetzke, Francis Round
 10 Davis decides that, gosh, she wants to keep half the
 11 stock because it still may make some money.
 12 But anyway, that 1300, I think, reimbursed
 13 her for what she felt she needed reimbursement for.
 14 Q Okay. At -- at some point, you --
 15 A It sounds like I'm making excuses, but, I
 16 mean, this is actual. This is -- could -- probably
 17 could be a -- well, it's my nightmare. But proceed.
 18 Q Okay. At -- at some point in your career,
 19 you held securities licenses, correct?
 20 A Yes, sir, prior to giving it up back in
 21 two-thousand -- or thirteen years ago, I believe it
 22 was --
 23 Q Okay.
 24 A -- after the Aldred thing.
 25 Q Okay. What licenses did you hold?

1 A At the time?
 2 Q Yes.
 3 A I -- securities -- or section -- or Series
 4 7, life insurance, life and -- and health --
 5 Q Okay.
 6 A -- license.
 7 Q And obviously, your securities license is
 8 a national license, correct, your Series 7?
 9 A (Witness nods head.)
 10 Q Is that correct?
 11 A Whatever that is.
 12 Q Yeah.
 13 But your insurance licenses tend to be
 14 licensed by the States?
 15 A Yes.
 16 Q Okay. So were you licensed --
 17 A State of Texas.
 18 Q State of Texas?
 19 A I did have other license in other states,
 20 as a result of having a client who had employees in
 21 other states. And then doing business in the other
 22 states, I had to get a license.
 23 Q Okay. So let's -- we'll skip around just
 24 a little bit.
 25 Let's talk about your insurance licensing.

1 Are you currently licensed -- do you currently hold
2 insurance licenses?

3 A Yes, sir.

4 Q Okay. Tell me what those licenses are.

5 A It's an insurance license.

6 Q Okay. Life?

7 A Life and health --

8 Q Okay.

9 A -- which allows me, also, to sell
10 annuities.

11 Q Okay. And how long have you held --

12 A For thirty years.

13 Q Okay. In the state of Texas?

14 A Yes.

15 Q And then you have --

16 A -- other states, as a result of having to
17 do business in some other states.

18 Q Okay. And what are those other states?

19 A I was licensed in 26 states --

20 Q Okay.

21 A -- at the time. It was a major company,
22 that had employees all over -- all over the United
23 States. But I don't know what they're called.

24 They're called -- well, I don't know.

25 Q Okay. Currently, though --

1 A My resident license was Texas, has always
2 been Texas.

3 Q Okay. And currently, do you hold other
4 state insurance licenses?

5 A I don't think so.

6 Q Okay.

7 A I've canceled most of them. I don't --
8 some of them, that I don't have to pay fees on, I
9 may still have.

10 Q Okay. Let's go back over to the
11 securities license; you held that license until you
12 said approximately thirteen years ago; is that
13 correct?

14 A Correct.

15 Q Okay. So right around the year 2000?

16 A Yes.

17 Q Okay. And what were the circumstances of
18 you terminating that license or giving up that
19 license?

20 A The Aldred children filed a -- against --
21 because I had already decided to settle, they filed
22 with the NASD -- I guess to encourage me or
23 whatever. But anyway, they filed.

24 I was planning to drop the license at that
25 point anyway. At that point, I think I'm sixty, and

1 the insurance industry -- or the securities industry
2 was getting to a point where I didn't want the risk,
3 the liability. And most of the younger generation
4 are doing business on the Internet --

5 Q Mm-hmm.

6 A -- paying \$10 or \$8 a fee; I didn't want
7 that. So, I was planning -- at the time, I was
8 doing -- or -- or sitting in a brokerage shop, and I
9 was planning on giving it up anyway, because it was
10 coming up for renewal, and the -- there were some
11 new restrictions coming out and I didn't want to do
12 that. And so I -- I had discussed with the NASD the
13 Aldred situation, and I guess we were in agreement
14 that I just go ahead and let my license go.

15 Q Okay. And so did you agree to a bar by
16 the NASD; was that the outcome?

17 A I'm not sure if it was a bar.

18 Q Okay.

19 A It was more of a, I'm going to do this
20 anyway, so whatever.

21 Q And the NASD said, "Fine --

22 A Fine.

23 Q -- "because we're going to make you do it
24 if you don't give it up"?

25 A I think that's how it happened.

1 Q Okay. All right. All right. Fair
2 enough.

3 And that was -- that was on the heels of
4 the Aldred situation?

5 A That was the result of the Aldred filing.
6 They didn't have to do that. I was to pay him -- or
7 pay them back anyway. But anyway.

8 Q Okay. And so the last securities firm you
9 worked for was Lincoln Benefit Financial Services;
10 is that correct?

11 A I worked -- I -- I wasn't paid, but I -- I
12 sat in an office -- the Donlen operation, who has
13 since sold their operation to somebody. But Lincoln
14 National was the -- the last largest person that I
15 worked for.

16 Q Okay.

17 A Or operation.

18 Q All right. And securities firm?

19 A Yes.

20 Q Okay.

21 A Well, it was life and securities.

22 Q Okay. All right. Since then, have you
23 worked for any securities firm?

24 A No.

25 Q Okay. Only life --

1 A True.
 2 Q -- or only health -- I'm sorry --
 3 insurance firms?
 4 A Life and health and annuities --
 5 Q Okay. Sorry.
 6 A -- yes, sir.
 7 Q I'm going to --
 8 (SEC Exhibit 18 was marked
 9 for identification.)
 10 BY MR. MARTIN:
 11 Q So, Kenneth, I'm going to hand you what's
 12 been identified as Exhibit 18. Exhibit 18 is a
 13 two-page document, SEC-Meissner-P-14 through 15. Do
 14 you recognize Exhibit 18?
 15 A Yes.
 16 Q And what is Exhibit 18?
 17 A It's my biograph.
 18 Q Okay.
 19 A Well, my -- what -- is that how you say
 20 it, biograph?
 21 Q Your biography?
 22 A Biography.
 23 Q There you go.
 24 A Okay.
 25 Q And is this something you sent to

1 prospective clients?
 2 A I did this way back when. I haven't
 3 done -- I haven't sent this out in years, probably
 4 four or five years.
 5 Q Okay. Did you ever send out something
 6 like this during the time when you introduced people
 7 to the Arete product?
 8 A To Arete?
 9 Q Arete.
 10 A No. I only dealt with existing people
 11 that I knew. I did not solicit anything.
 12 Q Okay.
 13 A So I didn't send it -- I didn't need to
 14 send this out. Most of my clients I've known twenty
 15 years.
 16 Q Okay. Let me -- and I -- and we're a
 17 little bit off -- out of the --
 18 A Yes.
 19 Q -- out of the sequence of the topic right
 20 now, but I just want to ask you a quick question.
 21 In the course of introducing Arete to
 22 investors, did you only speak to current clients?
 23 A No. I -- in my neighborhood, I have --
 24 socially have -- may have discussed -- you know,
 25 they may ask me what I'm doing, and I may discuss

1 it, so --
 2 Q Okay.
 3 A And one of the clients that I did -- or --
 4 or who purchased the Arete product was a friend that
 5 I've known for a years --
 6 Q Okay. So --
 7 A -- who was not a client prior to that.
 8 Q So you did discuss Arete at social
 9 gatherings?
 10 A I -- I didn't -- I was told vehemently not
 11 to discuss Arete or the deal, but to say, "If you
 12 may be interested in a fixed type of return that
 13 looks attractive, I'll get some information to you."
 14 Q Okay. And nevertheless --
 15 A I never mentioned Arete, actually.
 16 Q Okay. But nevertheless, you discussed it
 17 in general terms at -- it's what sounds like social
 18 circumstance in your neighborhood?
 19 A Quite possibly.
 20 Q Okay.
 21 A Because I sell fixed products.
 22 Q Sure.
 23 A And so some of my other fixed products pay
 24 similar interest rates.
 25 Q Okay. Did you ever send out any faxes or

1 e-mails, or any other kind of broader information,
 2 with any of the Arete information or anything
 3 generally about Arete?
 4 A No.
 5 Q Okay. Did you ever call folks about
 6 Arete? You know --
 7 A No.
 8 Q Okay. Any other form of sort of
 9 introduction, other than what you've already
 10 described or talked about?
 11 A The only thing I could possibly say is
 12 maybe someone asked me about that, and I -- I don't
 13 know if I sent them information or not, so --
 14 Q Somebody came to you?
 15 A Yes.
 16 Q And how did they come to you or learn from
 17 you?
 18 A Well, they just -- they know me through
 19 social functions, other friends. Refer -- some --
 20 well, no. I don't know if any came as a referral or
 21 not.
 22 Q Okay. All right.
 23 MR. MARTIN: Let's go off the record at
 24 9:11 a.m.
 25 (Break from 9:11 a.m. to 9:23 a.m.)

1 MR. MARTIN: Let's go on the record at
2 9:23 a.m.
3 BY MR. MARTIN:
4 Q While we were off the record, there were
5 no substantive conversations between the witness and
6 the staff; is that correct?
7 A No.
8 Q Okay. Or, yes, it is correct?
9 A Pardon?
10 Q Yes, it is correct?
11 A Yes, it is correct.
12 Q Okay.
13 A There was no --
14 Q I -- I wanted to step back for a minute
15 and also ask you about your more recent work
16 history. So, what -- what are the circumstances of
17 your employment right now?
18 A I'm self-employed. I've been
19 self-employed for twenty years.
20 Q And when you say "self-employed," in the
21 context of the insurance world --
22 A I work for myself as an independent
23 agent --
24 Q Okay.
25 A -- is what -- is considered self-employed,

1 or what I consider self-employed. I have the
2 insurance license, the annuity license, health
3 insurance, that's what I have settled in selling, or
4 fixed guaranteed type products, that offer a
5 guaranteed or a good rate of return at a low risk,
6 in this low interest rate environment.
7 Q Okay.
8 A We're in a very -- low interest rate
9 environment; everybody will agree with that.
10 Life insurance, there's not much question
11 about that. That -- the life insurance that I sell
12 is whole life. I do not get into all the little --
13 all of the -- the derivative type of life insurance.
14 I sell a whole life insurance that pays dividends.
15 Q Mm-hmm.
16 A With an AA++ company. I sell annuities.
17 But I have gotten -- within the last -- I guess it's
18 three years or so, I have kind of moved away from
19 insurance annuities because of the low interest rate
20 environment, and I did not -- I did not have a
21 securities license. And a lot of the annuities --
22 variable annuities are securities.
23 The hybrid annuities, the indexes are not
24 considered annuities. But I'm not -- I do not sell
25 those, because they do have a risk factor and I'm

1 trying to sell low-risk, fixed, guaranteed products.
2 Q Right.
3 A I have got involved, after a lot of
4 research into, selling what's called "structured
5 annuities." A structured annuity is an annuity
6 similar to a life settlement, in that a person who
7 was awarded a settlement, because of whatever
8 reason -- he was run over by a car and he got a \$5
9 million settlement -- he has -- he has been given
10 an -- a settlement in which an annuity is paid out
11 to him over a period of years, number of years,
12 lifetime, any number of maturities.
13 It seems, in this -- since the great
14 recession, that a lot of the -- of these -- and I
15 guess I would -- I don't have an age factor, because
16 I don't really know who's selling. But the person
17 that received the settlement is coming back and
18 saying, "I don't want a monthly settlement anymore,
19 it's not paying my bills, I want to sell the
20 remaining portion of my payments or some tranche in
21 there." Sometimes they don't sell the total.
22 They'll just say, "I want to sell the next five or
23 ten years."
24 Q And there -- and there's a market for them
25 to do so at a discount, right?

1 A There's a wholesale market out there that
2 deals in that, and that market is available to me.
3 I get those -- I get the inventory of those cases,
4 and I present them to my clients. The interest
5 rates can vary anywhere from 4 to 9 percent --
6 Q Mm-hmm.
7 A -- depending on the period of time, the
8 maturities, and -- and the -- and, I guess, the
9 negotiations. I've been doing that for three or
10 four years.
11 In the process of doing --
12 Q Well, what are the -- what are the
13 companies that you work with in order do that work?
14 A Oh, there's an MJ Financial, there's a
15 Main Street, there's a Genex -- there's ten of them.
16 I -- Main Street -- you know, I can't even recall
17 the little ones. I can get them for you.
18 Q Mm-hmm.
19 A They -- they all -- oh, Bull Brook -- Bull
20 Brooke -- B-u-l-l B-r-o-o-k-e, I believe. Bull
21 Brook & Associates.
22 But I work with enough of them that I get
23 a varied amount of inventory, that allows me to find
24 inventory -- or find a product for a client who fits
25 the particular maturity. Because they will run

1 anywhere from -- they pay immediately. I sold one
2 just recently that starts paying immediately.

3 Q Okay.

4 A There's some that don't pay for five
5 years. There's some that don't pay for ten years.
6 There's some that don't pay for twenty years.

7 I don't go out more than ten, because most
8 of my clients want income currently or in the
9 future, and they want to, more or less, ladder those
10 products, so that money comes in --

11 THE REPORTER: I'm sorry. They want to?

12 THE WITNESS: Ladder. "Ladder" as in a
13 structural ladder.

14 A -- maybe two or three, so that they have
15 money coming in, they can reinvest if interest rates
16 were to move up -- which everybody seems to think is
17 going to happen sooner or later.

18 In the process, back in -- it was at the
19 beginning of 2012 I heard about the Arete -- and it
20 wasn't Arete, it was -- I heard about a product that
21 offered a 6 to 7 percent return, backed by Ginnie
22 Mae contracts.

23 BY MR. MARTIN:

24 Q Okay. And --

25 A And I heard -- go ahead.

1 Q Before we go down that road, I want to --
2 that -- that is going to be a more involved
3 conversation.

4 A Okay.

5 Q I want to continue to talk generally about
6 your work these last few years and -- and the
7 products you sell and so forth.

8 A All right.

9 Q So you mentioned whole life products.
10 What -- what company do you work with on the whole
11 life?

12 A I work with several, but mainly with
13 Lafayette Life, out of Lafayette, Indiana.

14 Q Okay. And then you also mentioned you
15 still do a little bit of annuity work --

16 A Yes.

17 Q -- annuity sales. And --

18 A Recently sold a -- or I'm licensed with
19 Aviva -- A-v-i-v-a -- Insurance, who's been bought
20 out by Athene -- A-t-h-e-n-e -- Insurance; I'm
21 licensed with them. I have -- I'm licensed with
22 probably twenty insurance companies that I --

23 Q Okay.

24 A -- don't do any business with.

25 Q And what's the size of your client base?

1 A It's -- over the years, it's gone down
2 because most of them are dying. So I would say I
3 probably have 150, maybe 200 clients.

4 Q Okay. And how do you find new clients?

5 A Through referrals, basically. Ask around.
6 I was planning to get involved in a mail-out of
7 sorts though.

8 Q But you haven't done so yet?

9 A I haven't done it, no.

10 Q Okay.

11 A I'm -- I'm thinking about it, I haven't
12 done it.

13 Q Do you do lunches, dinners?

14 A I did -- well, no, not really. Not on a
15 mail-out type. The country -- or the development
16 that I live in has a country club, and they came to
17 me and asked me to be on a board -- an economic
18 board that presented varied things, a CPA, an
19 attorney, an insurance person, a broker, or a
20 representative --

21 Q Mm-hmm.

22 A -- securities representative.

23 So, there was a series of probably five of
24 those, where they would do the -- the -- the
25 advertising and all. I just showed up and -- or I

1 told them what I would present.

2 Q Mm-hmm.

3 A And my presentation was generally, again,
4 on fixed return assets, annuities, life insurance.

5 Q And those five get-togethers, or -- or
6 forums, or whatever you want to call them, when --

7 A "Forums" they call them.

8 Q -- when did those happen?

9 A That was -- this is probably 2012 and
10 2011.

11 Q Okay. And during that time period, at any
12 of those, did you ever discuss the Arete product?
13 Even if you didn't call it Arete, but just the --

14 A I didn't know about the Arete product when
15 I was doing that.

16 Q Okay. So this was before you learned
17 about it?

18 A No. The answer is "no."

19 Q Okay. And how else do you find your
20 clients?

21 A Just word of mouth, and social events,
22 country club events.

23 Q Mm-hmm.

24 A I play golf.

25 Q Okay. And would you describe your

1 business as -- as consistent? Has your business
2 been consistent with what you've described for the
3 last, say, five years?

4 A It's been floundering because of these
5 glitches that I go through --

6 Q Okay.

7 A -- have gone through.

8 Q But the approach to your business and the
9 products you sell, is that consistent --

10 A Hasn't changed.

11 Q Hasn't changed, okay. And it hadn't
12 changed maybe for even ten years or so --

13 A No.

14 Q -- is that fair?

15 A No.

16 Q Is that fair?

17 A No, it hasn't changed. I do --

18 Q Yeah.

19 A You know, there's not a lot of rocket
20 science in fixed return assets.

21 Q Okay. But you will say that -- is it fair
22 to say the last few years -- if I'm understanding
23 your testimony correctly, the last few years has
24 been difficult because the interest rates are low?

25 A Yes. And I'm getting old.

1 Q And some of your clients are getting
2 old --

3 A Getting old, too.

4 Q -- and dying?

5 A Yes.

6 Q Right. It's hard to sell something to
7 a --

8 A As I had mentioned on the phone to you,
9 I'm 73 years old.

10 Q Right.

11 A So --

12 Q Well, you don't look it.

13 A Well, I am 73 years old.

14 Q All right. Okay.

15 A And as an addition to that, just to add,
16 the younger generation is smarter than I am, so
17 they -- the younger generation can do -- make their
18 own decisions and -- and all, and they don't need
19 the help of an old-timer. So it does make it
20 difficult, although I still work with mostly an
21 older-age group --

22 Q Okay.

23 A -- who are looking for fixed rate returns
24 to increase their income, of which they're getting 1
25 percent at the local bank, or a CD, or --

1 Q Right.

2 A I think the best rate right now in an
3 annuity, guaranteed, is 2 percent.

4 Q Right. Well, am I understanding correctly
5 that most of your clients, then, are older and
6 looking for fixed returns?

7 A Well, not really. A lot of them have
8 their own investment advisors -- security investment
9 advisors, they are invested in the stock market, and
10 they're -- that's another part of the problem that I
11 have, because the market has going gangbusters --

12 Q Okay.

13 A -- and so everybody is fat and sassy right
14 now.

15 Q Right.

16 A And my clients that are the 50 or 65 or 70
17 range are -- are probably a higher percentage in
18 securities than they are wanting fixed -- those dull
19 old fixed interest rate returns.

20 Q Right. Right.

21 Let me ask you -- I'm going to take this
22 back from you.

23 I'm going to ask you to look at your
24 Background Questionnaire, which is Exhibit 17, and I
25 want you to look at Page 3, if you would.

1 At the top of Page 3, No. 16, it
2 identifies salaries and bonuses, and so forth, for
3 the last three years?

4 A Right.

5 Q Well, let's go back through that. Let's
6 start with the year 2010, and you identified \$49,381
7 in salary, and that salary was based on what?

8 A Commissions mostly. I get a little --
9 let's see. The majority of it is commissions,
10 insurance companies, those structured annuity
11 commissions maybe.

12 Q Okay. But basically -- basically
13 commissions based on the products that you've
14 described to me already that you sell to your
15 clients?

16 A Yes, sir.

17 Q Okay. Any other source of income?

18 A I get a little pension off of -- from
19 Lincoln National, social security.

20 Q Okay. All right. And then in 2011, it
21 was 42,140; is that correct?

22 A Yes.

23 Q Okay. And then in 2012, 24,810; is that
24 correct?

25 A Correct.

1 Q Okay.

2 A Well -- well, no. I -- in filing my
3 2012 -- I don't think it's in here, but I missed a
4 17,000 amount that was paid from Cromarty as a
5 result of the sales I made in Arete.

6 Q Okay.

7 A I believe that would -- probably should be
8 added to that. This was -- I had to make a
9 correction to my tax return after my wife brought it
10 to my attention.

11 Q Okay. So --

12 A They didn't --

13 Q So you did receive some other commissions
14 in 2012 that were related to the Arete sales?

15 A Yes, sir.

16 Q Okay.

17 A 2012.

18 Q All right. And you mentioned Cromarty, is
19 that the Cromarty Group, LLC?

20 A I -- I didn't even know who they were
21 until I looked on the check.

22 Q Okay.

23 A I think it's a company, I believe -- and I
24 hate to make -- well, I don't know. I think it's
25 Doug Scott's -- one of Doug Scott's companies.

1 Q Okay. Who is Doug Scott?

2 A Doug -- Doug Scott is a person that I met
3 probably ten years ago. He was an employee of
4 Summit Trust. Summit Trust is a trust company.

5 I had gone to Summit Trust back when a
6 client or two was looking to do some estate planning
7 type and set up some trusts, and I looked at Summit
8 to see what their costs were to do that, and I met
9 Doug Scott in that process.

10 And I talked to Doug Scott maybe one or
11 two times since then. If I had a -- if I had a
12 particular case that I needed some maybe help with,
13 I would call him, and he would give me some advice.
14 I never took any of his advice at the time.

15 Q What kind of -- what kind of case or
16 advice were you seeking?

17 A Well, it -- it -- it probably was a --
18 more of a, you know, what -- more having to do with
19 the irrevocable trust or some type of trust
20 arrangement.

21 Q Okay.

22 A And, you know, I get special cases every
23 once in a while. Somebody is looking for a large
24 amount of insurance, and I'm looking around for the
25 best company to do that maybe, and I'll ask around

1 to see what's out there.

2 Q Okay. When you first met Doug Scott, what
3 was his position at Summit Trust; what is your
4 understanding?

5 A I have no idea. He was an employee of
6 Summit Trust.

7 Q Okay. But what -- what did he bring to
8 the table for you? What -- what was --

9 A Well, he didn't do anything at the time. I
10 never did any business with him.

11 Q Okay. What did you understand he -- he
12 did for the company or what his role was?

13 A I don't know if I had an understanding.
14 He -- I don't know what he was doing, actually.

15 Q Okay. But you, nevertheless, developed a
16 relationship with him that goes back, say, ten years
17 or so; is that correct?

18 A Yes. I would call him. I -- I call
19 around to try to find out what's competitive, what's
20 out there.

21 Q Mm-hmm.

22 A You know, in my industry, things change
23 daily. There are new products coming onboard.
24 There's always something out there. And I want to
25 be aware, so that if one of my clients asks about it

1 or somebody asks about it, I'll be knowledgeable in
2 it.

3 Q Okay. And Doug Scott's one of those
4 people that you reach out to keep --

5 A I think Doug Scott was more involved in
6 the health end of the business, the -- maybe the
7 group health, the other -- like, dental or things.
8 I'm not sure.

9 Q Okay.

10 A But I never -- I didn't do that type of
11 business.

12 Q Okay. And do you have an understanding
13 whether Doug Scott still works for Summit Trust
14 Company?

15 A No. I believe -- or he told me that he
16 left as a result of the Arete situation because it
17 would -- could -- possibly a conflict of interest.

18 Q How so?

19 A He didn't explain that to me.

20 Q But that was -- that was what he told me?

21 A That was his statement to me.

22 Q Okay. And was that at the beginning of
23 when you learned about Arete or was it sometime into
24 it?

25 A It was right at the beginning. That would

1 have probably been around -- I don't know when he
2 left, I don't have a date.

3 But I went up -- I came here -- or to
4 Denver and went to Longmont March the -- I believe
5 it was the 14th, and visited the offices.

6 But prior to that, I had talked to Doug
7 about Arete, and I'm not sure if he was working for
8 Summit at the time. I -- I probably assumed he was.
9 I'm not sure.

10 Q Okay. And when you say "March 14th," you
11 mean March 14 of 2012?

12 A Twelve --

13 Q Okay.

14 A -- yes, sir.

15 Q All right. Other than receiving
16 commission checks from the Cromarty Group, did you
17 have any other understanding of what that entity is?

18 A No. I didn't have any idea about Cromarty
19 until I got the check.

20 Q Okay. But you -- it's your best
21 understanding that Cromarty Group is associated with
22 Doug Scott?

23 A Yes. He paid -- it was my understanding
24 that the commissions -- or the -- it wasn't actually
25 commissions -- I was told they were professional

1 details of your commission?

2 A Probably -- yes, Doug Scott.

3 Q Okay. And were you introduced to Arete
4 and to Gary Snisky by Doug Scott?

5 A I -- it depends on how you interpret
6 "introduced." I -- I said -- in doing my due
7 diligence, I wanted to go to the company and talk
8 directly with him. I had a conference call,
9 actually, with -- with -- I don't know if it was
10 before I went up there or after.

11 Q Well, let me -- let me rephrase the
12 question --

13 A I don't --

14 Q -- because I do want to -- I kind of want
15 to start at the beginning.

16 How did you first learn about Arete?

17 A Through Doug Scott and -- I think Doug
18 Scott.

19 Q Okay. And he just told you?

20 A I -- I believe. And I -- you know, again,
21 in my asking around, the different people out there,
22 every once in a while I'd talked to a person named
23 Bill Sparkman.

24 Q Okay.

25 A And I believe Bill Sparkman was the one

1 fees, were paid to Doug Scott, who, in turn, paid me
2 my agreed upon professional fee to place the con --
3 to place the funds.

4 Q Okay. And how did it break down?

5 A How did what break down?

6 Q The percentages for Scott and for you?

7 A I have no idea what Doug Scott was making.
8 I don't -- that's his business.

9 Q Okay.

10 A I was told that I would make a 5 percent
11 fee. I -- that was reasonable, I thought, I -- you
12 know, in light of insurance commissions, fees -- or
13 commissions up in the 7, 8 and 9 percent. I always
14 try to keep my costs in the 2 to maybe 5, max, as --
15 after we got into it -- and I may have his e-mail --
16 I -- I saw that Summit was charging a percent to be
17 the custodian.

18 And I thought it was high, and I told Doug
19 Scott that I'd be willing to give up a portion of my
20 commission to reduce that, and he agreed that he
21 would match -- I -- I gave up a quarter percent, I
22 think he added a quarter to that. So my commission
23 probably netted down to four-and-three-quarters.

24 Q Okay. And who discussed your commission
25 with you, was that Doug Scott? How did you get the

1 that said that he was look -- that he has looked
2 into this, and had actually come up to Denver or
3 Longmont prior to that. It was in -- I don't
4 know -- when he -- when he came up, but it was
5 before I came up.

6 Q Mm-hmm. Okay.

7 A That's how I found him.

8 And then I talked to Doug Scott, and got
9 information, and I said I wanted to come up and
10 visit the company and talk to Gary.

11 Q Okay. Well, let's take -- let's take it
12 one step at a time.

13 So let's just -- let's just limit your
14 communications with Bill Sparkman. What did Mr.
15 Sparkman tell you about Arete?

16 A He told me he had come up to Longmont,
17 visited with them, and he said it --

18 Q Visited with Snisky?

19 A What's that?

20 Q Visited with Snisky --

21 A Yes.

22 Q Okay.

23 A At his offices.

24 Q Okay.

25 A And he said it looked like a viable

1 investment.

2 Q Did he tell you why or any of the details?

3 A I don't take his word for anything. I
4 don't take anybody's word for anything.

5 Q Well, I know. But I'm trying to -- I'm
6 trying to understand -- under- --

7 A I mean, he wasn't selling me. He was
8 giving me information, I guess with the idea that I
9 ought to look into it.

10 Q Okay. And what I'm trying to get at is
11 the concrete information that he gave you. So, did
12 he tell you, for example, there was -- you know, any
13 of the risk associated with it?

14 A No.

15 Q Did he tell you about any of the
16 underlying investment?

17 A No. He only told me that he went up and
18 met with them, and it looked like a good investment.
19 And I think, thereafter, I called Doug Scott and
20 asked him about it, and that was the --

21 Q Okay.

22 A -- sequence.

23 Q So then we'll go to that. And let's go
24 to -- let's -- and I want to know what Doug told you
25 about it, at least in -- in any detail. You know,

1 Q Okay. And that's in March of 2012?

2 A Yes, sir.

3 Q Okay. So before -- before we get there,
4 though, I still am interested in the specifics of
5 what Doug Scott told you. Did he -- did he tell you
6 there was a certain interest to be earned off this
7 investment? Did -- I mean, something had to have
8 made it attractive for you to have spent your own
9 money to go up to Longmont to talk to Snisky.

10 A Well, it was probably mentioned that
11 Ginnie Mae's could -- could offer an opportunity of
12 6 -- a 6 percent rate of return --

13 Q Okay.

14 A -- on a guaranteed -- you know, government
15 guaranteed basis.

16 Q Was that good?

17 A Yes.

18 Q Okay. I mean, because understand, right,
19 I'm in a world where I look at investments sometimes
20 that are offering 25 percent a year, right?

21 A Right.

22 Q Now, that may be fraudulent, it may not
23 be.

24 A It's fraudulent.

25 Q Right. Right. Okay. But you know and I

1 did Doug tell you about any returns, or any risk
2 issues, or underlying investments, anything like
3 that?

4 A He -- the only -- probably the basics were
5 that it was a Ginnie Mae type investment, and he
6 felt comfortable with it. You know, I don't know
7 how much association he had prior to that with -- at
8 Summit, while he was still there, because Gary went
9 to Summit.

10 Q Mm-hmm.

11 A So all those things took place. And I'm
12 assuming all of that was presented and -- and I'm --
13 I assume -- which sometimes I probably shouldn't --
14 that Summit would have done some due diligence with
15 the operation, because they were going to be the
16 custodian, and actually, I think, probably ought to
17 have some liability in this thing, if there is going
18 to be liability.

19 So, again, I do due diligence. I go
20 through a process that I have to go through if I
21 want to present to a client. So I heard about it,
22 talked to Doug. I said, "I want to go to the
23 offices." He scheduled me -- or scheduled a flight;
24 paid my own money and went up there and visited for
25 the day.

1 know that when somebody says 25 percent a year,
2 that's -- that's really high, right?

3 But when I hear 6 percent on something
4 like this, I'm just trying to get a little
5 perspective on it.

6 A Okay. My -- my thought was -- probably, I
7 may have asked, "Well, how do we get" -- how does he
8 get 6 percent in a 2 percent market?

9 Q Okay.

10 A And, you know, he was -- I think Doug
11 Scott was absolutely careful not to do anything that
12 would cause grief. So he said that you'd have to
13 find out, you know, and go up and see the platform
14 and see what you think.

15 Q Okay. And you did that?

16 A Yes.

17 Q So, describe for me, if you will, in -- in
18 as much detail as you can, your visit to Longmont in
19 March of 2012.

20 A I went up the day before, spent the night,
21 got up early, went in. There were two -- there were
22 two other gentlemen in there -- I don't recall their
23 names -- and Doug Scott. I think Doug Scott had
24 brought two other -- I said "brought" -- had two
25 other people interested. The whole day was centered

1 around looking at the screens, the platforms, how it
2 is -- how it's accomplished.

3 Q Let -- and let me stop -- let me just stop
4 you there. I just want to take it piece-by-piece.
5 When you say "screens," is that a Bloomberg
6 Terminal?

7 A Yes.

8 Q Okay.

9 A We were looking at the -- gosh, I don't --
10 you know, there's probably a better word for it.
11 But the Ginnie Mae -- actual Ginnie -- or a
12 hypothetical Ginnie Mae tranche and what it could
13 bring by its prepaid interest -- or prepaid
14 principal and interest, and how that reinvestment
15 could get to the 6 percent.

16 And it was also explained to me that
17 Ginnie Maes that were issued back when -- you know,
18 there's -- I don't know how much Ginnie Maes are out
19 there. There's probably a trillion. And there were
20 Ginnie Maes issued at 6 percent back when interest
21 rates were 6, 7, 8 percent.

22 Q Okay. Let me -- let me -- let's -- hold
23 that thought for just a second.

24 A You know, all -- this is -- you know, I
25 can refer to the private offering; all that

1 says "Arete Training"?

2 A That's what they were calling it, I guess.

3 Q That's -- okay. And -- and that's -- but
4 that's what I want to get at, is I want to get at
5 what Mr. Snisky was doing. And -- and did you
6 understand that it was a training environment or
7 that you were being trained about Arete?

8 A If you want to use the word "training." I
9 was under the -- I went up there to learn about how
10 this all works.

11 Q Okay.

12 A And therefore, be knowledgeable. And if
13 you consider that training, yes, then I was in a
14 training process.

15 Q Okay. So, you met with Gary Snisky, yes?

16 A Yes.

17 Q Okay. Who else was there?

18 A Greeott.

19 Q Rick?

20 A Rick Greeott was there.

21 Q Okay. Who --

22 A I believe his wife worked there. I'm not
23 sure. No. Somebody else -- there was a lady there,
24 a secretary or --

25 Q Michelle Greeott?

1 information is in there.

2 Q Okay. And we'll -- and we'll get there. I
3 just want to -- I just want to slow us down a little
4 bit.

5 A Sure.

6 (SEC Exhibit 19 was marked
7 for identification.)

8 BY MR. MARTIN:

9 Q Mr. Meissner, let me hand you what's been
10 identified as Exhibit 19. Exhibit 19's a one-page
11 document, it's SEC-Meissner-P-50. Do you recognize
12 Exhibit 19?

13 A Yeah. This was my travel arrangements.

14 Q Okay. So this is the e-mails of your
15 travel arrangements for this March of 2012 visit
16 to -- to Longmont, Colorado; is that correct?

17 A 2013 is when I went.

18 Q 2012.

19 A Oh, the date on this is 2012. Or, no. I
20 don't know. This is two-twenty --

21 Q You -- you visited Longmont in 2012, in
22 March?

23 A Yes.

24 Q Okay. But I -- I note that if you look at
25 the heading on the e-mail, it says "Training" -- it

1 A Could have been. I don't know.

2 Q Okay. But you didn't know her name?

3 A No.

4 Q Okay. Anybody else?

5 A The two people that went up -- that came
6 up, one from Michigan and one from somewhere else,
7 that were --

8 Q Okay.

9 A There was a Mike, I believe. I'm not
10 sure.

11 Q Mike Tomich?

12 A Could be.

13 Q Okay. All right. And the other gentleman
14 was from where?

15 A I believe he was from Michigan.

16 Q Okay.

17 A I didn't pay attention. I don't -- I'm
18 not --

19 Q There were just other folks?

20 A (Witness nods head.)

21 Q Okay. But they were other folks who were
22 learning about Arete like you were; is that correct?

23 A They were interested in the product.

24 Q Okay. All right. So you're at the Arete
25 offices in Longmont, correct?

1 A Yes.

2 Q Okay. And you were -- before were
3 describing -- you were looking at screen-shots of
4 Ginnie Mae products on the Bloomberg Terminals?

5 A Yes.

6 Q And what did you understand you were --
7 you were seeing? What was happening?

8 I mean, were they purchasing bonds? Were
9 these bonds that had been purchased? What -- what
10 were you seeing there?

11 A I was looking at a -- what I was -- I
12 believe it was a hypothetical --

13 Q Okay.

14 A -- situation that said, here's a tranche
15 we could have -- or that could -- it could have been
16 bought, or here's a -- here's an example, I guess.
17 And it was a \$5 million tranche of Ginnie Maes, and
18 it showed the principal and interest payments. And
19 it went through the process to show that that
20 principal and interest paid pretty much in a
21 four-to-five-year period.

22 Q Okay. Did you understand that they had
23 already purchased some Ginnie Mae bonds, had already
24 engaged in --

25 A I did not even ask them, for some reason.

1 A The CUSIP numbers were on the screens.

2 Q Okay. And so did you understand, that in
3 him showing you this, that they had already made
4 some purchases of these bonds?

5 A No, I did not. They had -- they had not
6 made any purchases when I had that conversation,
7 that I was aware of.

8 Q Well, did you understand that they had
9 investors prior to March of 2012?

10 A They -- I didn't ask. That's their
11 business. I don't ask their business.

12 Q Okay.

13 A I know what I sent up there.

14 Q Okay. What else did Snisky tell you about
15 the investment?

16 A He told me he -- not so much about the
17 investment; the fact that he was a Bloomberg person,
18 which had some special -- or it was a special
19 situation, that he had to earn over a period of
20 years, and that it allowed him the special treatment
21 that the special guys get.

22 Q Mm-hmm.

23 A The -- the Goldberg (pronouncing) -- or
24 the -- whatever the big banking operation and all.
25 And it allowed him, with that designation, to

1 I just assumed that -- well, I didn't assume.
2 They -- I was told that they had to have, at least
3 to make the first purchase, \$5 million.

4 Q Okay.

5 A So I don't think, at that time, they had
6 \$5 million. I'm not sure.

7 Q And who told you that?

8 A Who told me what?

9 Q About the \$5 million and --

10 A That's what, I think, is on the Reg. D
11 I -- that I read before I went up there.

12 Q Okay.

13 A But they told -- but I was told that they
14 couldn't make their purchase, at a minimum I
15 believe, of -- no, 5 million, I believe. I'm not
16 sure about that.

17 Q Okay. In -- earlier this year, in 2013,
18 you were interviewed by an agent named Ron Loecker;
19 is that correct?

20 A Yes.

21 Q Okay. Did you tell Mr. Loecker that --
22 that Snisky showed you actual Ginnie Mae con- --
23 contracts with CUSIP numbers?

24 A That was on the screens.

25 Q Okay.

1 participate in an overnight banking fed rate lending
2 rate, which was an advantage to him, and part of the
3 process of him being able to earn 6 percent on the
4 investment.

5 Q Did he refer to himself as an
6 "institutional trader"?

7 A I don't know if I distinguished between --
8 he -- he continually said that he was a Bloomberg
9 authorized person.

10 Q Mm-hmm.

11 A I -- you know, whatever you want to take
12 from that.

13 Q Okay. What did he tell you about the
14 interest rate and the -- the structure of the
15 investment?

16 A Well, based on the screens, the tranche
17 was paying 6 percent.

18 Q Okay.

19 A He was taking the 6 percent and putting it
20 in an overnight -- I think a five-tenths percent of
21 day or night. And it was his plan to -- of course,
22 he was going to earn, on the basis of what I
23 understood, a -- a lot more than 6 percent to pay
24 the 6 percent. And he would have some -- of course,
25 my -- my fee would come out of that. And what he

1 was paying anyone else, I didn't get into that.
 2 Q Okay. But did you understand that
 3 investors would get 6 percent?
 4 A It was a -- I think -- it was my
 5 understanding, specifically, that the return would
 6 be 5.68 or something, and he would make up the
 7 difference at the end of the twelve-month period, to
 8 make it whole at 6 percent.
 9 Q Okay. And then did he mention the
 10 overnight lending program -- or the overnight
 11 program, and would that also enhance the return?
 12 A Absolutely. And that is a benefit of an
 13 institutional investment, I understand.
 14 Q Okay.
 15 A I mean, you -- I can't get that, you can't
 16 get it.
 17 Q But you understood that Snisky could?
 18 A Could because of his designation; which he
 19 was very protective. I mean, I will tell you that
 20 he was very protective of that and did not want to
 21 lose it because it was his livelihood.
 22 Q Okay. And did you understand there was
 23 any kind of -- a bonus related to the investment of
 24 10 percent?
 25 A On the five-year plan, there was not. On

1 "accelerated." And it wasn't -- it was a -- the
 2 initial was a thirty-year bond. But he was buying
 3 tranches out of the thirty-year. So it wasn't a
 4 thirty-year bond -- or it was initially. But, you
 5 know, you can -- you can pull tranches out of -- I
 6 don't know if you know, but you can -- you can take
 7 the first ten years, the next ten years, and the
 8 next ten years, or any portion.
 9 Q Okay.
 10 A He was -- his platform was showing me that
 11 he could buy a tranche paying 6 percent, and then he
 12 would show the principal and interest payback.
 13 Q Okay.
 14 A But not accelerated. That's all -- was
 15 all part of the pay -- of the mortgage payback on a
 16 Ginnie Mae contract.
 17 Q Okay. But due to his skill and his
 18 ability to access this, he was able to buy tranches
 19 that would generate those returns?
 20 A Yes. And that goes back to what I had
 21 said earlier, I believe the minimum purchase was \$5
 22 million.
 23 Q Okay.
 24 A I believe. I can stand corrected on that.
 25 Q And -- but you got that information from

1 the ten-year plan, because of the ten-year period,
 2 he was able to put -- or give a 10 percent bonus on
 3 the front end, because of the holding period, and he
 4 would be able to make that up over the ten-year
 5 period.
 6 Q Okay. And all these things that we're
 7 talking, these are things that Snisky verbally told
 8 you; is that correct?
 9 A Yeah.
 10 Q Okay.
 11 A I mean, I went up there with a series of
 12 questions to ask --
 13 Q Mm-hmm.
 14 A -- and I went through all of that.
 15 Q Okay. Did Snisky talk about an
 16 accelerated payment related to the bonds?
 17 A In what -- you have to explain
 18 "accelerated."
 19 Q Well, it's -- it's my understanding that
 20 Snisky represented to you and to others that he had
 21 a system in which he was able to get the bonds to
 22 pay an accelerated payment; so the thirty-year bond
 23 would pay off in ten years, and that would help him
 24 generate the funds for those?
 25 A You know, I don't know if you'd call it an

1 the Reg. D filing; is that correct?
 2 A Yes.
 3 Q Did Snisky --
 4 A And he may have said -- they may have said
 5 something to that. I don't remember.
 6 Q You don't have a recollection --
 7 A I don't recall.
 8 Q -- of it?
 9 A No.
 10 Q Okay. Did you -- did you --
 11 A But I did know you couldn't go in there
 12 and buy \$50,000 worth of it.
 13 THE REPORTER: I'm sorry. But I --
 14 A He could not go in and buy a \$50,000
 15 purchase, it had to be a larger sum of funds.
 16 BY MR. MARTIN:
 17 Q Okay.
 18 A Does that --
 19 Q And did you understand, though, that when
 20 you brought in funds from your investors, that those
 21 funds would be used to purchase these agency bonds,
 22 these Ginnie Mae bonds?
 23 A It was my understanding that they would go
 24 to -- that -- no. That it would go to trust under a
 25 Summit managed account; those trusts would be

1 forwarded to another account -- or a trust account,
2 and accumulated to buy the tranches.
3 Q Under --
4 A So --
5 Q -- Snisky's direction?
6 A Yes.
7 Q Okay. So the funds would actually go to
8 Summit Trust in an -- what they call an SMA account?
9 A Yes, sir.
10 Q Okay. And there they would be collected
11 with funds from other investors?
12 A I don't know if they were collected or
13 they were sent on.
14 Q Okay. All right.
15 A And Summit would charge an administrative
16 fee, and they would also issue an annual, or
17 whatever, statement -- whatever statements and
18 whatever they had to apply --
19 Q Okay.
20 A -- or to comply.
21 Q Okay. All right. Did Snisky -- at -- at
22 the training session or the visit to Longmont in
23 March of 2012, did Snisky make any other
24 representations to you?
25 A You'd have to identify it.

1 Q Just anything -- anything else that stands
2 out to you.
3 A Other than directed at the Ginnie Mae
4 investment?
5 Q Mm-hmm.
6 A No.
7 Q Okay. And part of your -- part of your
8 due diligence, part of what you're looking into is
9 the representations you're getting from Snisky; he's
10 the one running the program, right?
11 A Yes, sir.
12 Q Okay. So there's an element of having
13 faith and trusting what he's telling you is true?
14 A True.
15 Q Yeah. I mean, that's -- that's just the
16 way -- the way that situation works, right?
17 A That's what I was up there to decide.
18 Q Right. And when you left, did you have a
19 strong feeling that Mr. Snisky was being truthful
20 with you?
21 A Yes, sir.
22 Q Okay.
23 A I visited with his family, his -- I didn't
24 meet his three daughters, but his wife was very
25 cordial. He's -- he was a very nice person, never

1 said anything that would lead me to believe that he
2 was other than trustworthy.
3 Q Okay. Did he give -- at that time, did he
4 give you any of the offering materials, or PPMs, or
5 any documentation?
6 A I'm not sure if they had completed
7 their -- the documentations and all and -- it was
8 probably understood that they'd be sent to me.
9 Q Okay. And were they sent to you later?
10 A Yes.
11 Q And how?
12 A By mail.
13 Q By U.S. Mail?
14 A Yes.
15 Q Okay.
16 A I believe -- well, I'm not sure. I could
17 have typed -- I don't know. I think I took them off
18 the Internet. No. I think they were mailed.
19 Q Mailed or e-mailed maybe?
20 A I don't think so. I don't remember having
21 to print out all of that, but -- because there were
22 quite a few pages involved.
23 Q Okay. But --
24 A But they could have been.
25 Q All right. But nevertheless, he got them

1 to you from Colorado to Texas --
2 A Correct.
3 Q -- you think likely by mail?
4 A Either that or by e-mail. It could have
5 been by e-mail.
6 Q Okay. And those were the same documents,
7 then, that you passed along to your investors?
8 A Well, the -- if they asked about the
9 investment, then yes, I passed the private
10 placement -- or the -- yes, the private -- the
11 information explaining it, which was the private --
12 the private placement document.
13 Q Okay. And did you make any changes to any
14 of the written documents that Mr. Snisky sent to you
15 before giving them to any of your investors?
16 A No.
17 Q Okay.
18 A There were some mistakes on it that I
19 brought to their attention.
20 Q Such as?
21 A The -- on the ten-year plan they had a
22 mistake in the interest accumulation.
23 Q Okay.
24 A And it was a -- and it wasn't -- didn't --
25 it was not a -- I don't think an obvious mistake, it

1 was just a stupid mistake. And there was a couple
2 spelling mistakes in the document which someone --
3 an attorney friend of mine brought to my attention.

4 Q Okay. And you -- and you, then, brought
5 those to the attention of Mr. Snisky?

6 A Yes.

7 Q Okay.

8 A And they, in turn, corrected it.

9 Q All right. Did you share with the
10 investors the information that Mr. Snisky had
11 verbally shared with you?

12 A I shared with them what information I
13 understood about Ginnie Mae investment.

14 Q Right. You didn't -- you didn't give them
15 any additional information or any extra information?

16 A No. No.

17 Q Okay. So, if I understand it correctly,
18 the information you gave to your investors was the
19 same information in written form and in verbal form
20 Mr. Snisky, and you just passed it through to your
21 investors; is that correct?

22 A After they asked about it, I -- because I
23 was vehemently told not to solicit --

24 Q Okay.

25 A -- and not to advertise, and not to do

1 over it on a conference call.

2 Q Okay. And do you have a copy of that
3 e-mail?

4 A I could not get it. I can't print it out.
5 So I don't -- I tried to print it out, it won't
6 print.

7 Q Okay. Can you forward that to me?

8 A I can.

9 Q You can?

10 A Well, I -- I don't know. I guess I can.

11 Q Why don't you -- I tell you what, I'm
12 going to give you my e-mail address. Well, I gave
13 you my business card, right?

14 A I think you gave me your business card.

15 Q Yeah. Let me just write my e-mail on
16 there, and I'm going to ask you to forward that
17 e-mail to me.

18 A I think you gave me that, didn't you?

19 Q There you go. It's -- it's right -- my
20 e-mail is in the bottom-right-hand of that card. So
21 I'm going to ask you to forward that e-mail that you
22 had difficulty printing out, I want you to forward
23 that to me. And as I understand it, that's the
24 e-mail Mr. Snisky sent to you in advance of that
25 conference call?

1 anything other than, in conversation, if I was asked
2 about it, that I would present the information, they
3 would make the decision.

4 Q And how -- but how would you be asked
5 about it?

6 A Because most of the people know I'm a
7 fixed guaranteed investment person.

8 Q So, you'd have a client or maybe a
9 prospective client would say, "Hey" --

10 A "What else are you doing?"

11 Q -- "what are the other opportunities,"
12 right?

13 A Right.

14 Q Okay. All right. Did -- you also had a
15 conference call -- before the -- before you went to
16 Longmont, you had a conference call with Snisky with
17 Doug Scott on the line; is that correct?

18 A I think -- yes, I believe so.

19 Q Okay. And that was, I believe, the very,
20 very first part of March of 2012, just a few weeks
21 before you went to Longmont?

22 A Correct.

23 Q Okay. What did you discuss on that phone
24 call?

25 A He e-mailed me the platform and we went

1 A Yes, sir.

2 Q Okay. What were the types of things that
3 you discussed in that conference call then?

4 A Well, we just basically went over the
5 five -- there were five platforms that went through
6 the hypothetical Ginnie Mae tranche investment.

7 Q Okay.

8 A He explained each one so that I understood
9 how this thing happened.

10 Q Give me -- do you have a -- give me a
11 notion of what you mean by "platforms."

12 A Well, it was a -- a ten-year illus- -- you
13 know, just the purchase, the -- the next -- the
14 first two, not much information. The third one was
15 a actual ten-year illustration of a Ginnie Mae
16 payment system.

17 Q Okay.

18 A And I -- the last one or two didn't have
19 much -- primarily, the one illustration was -- that
20 I was interested in is how you're able to do what
21 you do, and that's what -- that's pretty much, I
22 think, what is explained in that; it's a ten-year
23 principal/interest payout, and how they reduce
24 the -- the -- the investment costs, and what they --
25 how much they're able to accumulate over that period

1 of time, and therefore, is it viable to be able to
 2 earn 6 percent? The -- Ginnie Mae, itself, was
 3 paying 6 percent.
 4 Q Mm-hmm.
 5 A But that wouldn't get there if you're
 6 going to take costs -- or expenses out of it.
 7 Q Including commissions and so forth?
 8 A Correct.
 9 Q Okay.
 10 A And they may have had that -- I'm -- I
 11 don't know because I'm not Internet -- I'm a -- I'm
 12 not a nerd. But I'm not sure -- I'm not sure if
 13 that can be forwarded. It may have been protected.
 14 I'm not sure.
 15 Q Well, let's -- we -- we had need to figure
 16 out a way to get that information to me. So, why
 17 don't you -- why don't you try to forward it. And
 18 if -- worst case scenario, we'll get one of our
 19 technology people on the phone with you and we'll
 20 get it -- we'll figure out a way to get it -- get it
 21 to me, okay.
 22 I'm going to hand you what's been
 23 previously identified as Exhibit 7. And Exhibit 7
 24 is -- it's a -- we had some difficulty with the
 25 format. But it's truly just a one-page document that

1 is SEC-Sorrells-E-244. And I'd like you to look at
 2 the -- what's the second page of it. And it's
 3 called Private Placement Calculator. Do you
 4 recognize this?
 5 A Yes. That is the next-to-the-last -- or
 6 second-to-the-last page in the private offering.
 7 Q Okay. And this is, as you understood it,
 8 sort of a breakdown to get to the 7 percent -- this
 9 has -- this has a 7 percent interest on it?
 10 A This was the ten-year investment, correct.
 11 Q Okay. And was this -- as I understand it,
 12 there was a -- an actual calculator provided to some
 13 people who introduced this to their clients. Did
 14 you ever have any such calculator that you could sit
 15 down with your clients and go through this?
 16 A No.
 17 Q No, okay.
 18 But you saw a table like this as part of
 19 the offering documents?
 20 A Correct.
 21 Q Okay. And it broke out the payments over
 22 time?
 23 A If they were chose. You didn't
 24 necessarily have to make that choice.
 25 Q Okay. But in terms of an actual

1 independent calculator, you were never given any
 2 such thing by Mr. Snisky?
 3 A No.
 4 Q Okay. All right. I'll take it back.
 5 A (Witness passes Exhibit 7 back.)
 6 Q Thank you.
 7 I'm also going to hand you what's
 8 previously been identified as Exhibit 8. Exhibit 8
 9 is a one-page document, SEC-Sorrells-688. And it is
 10 a -- it's a bond model sheet. Have -- do you
 11 recognize Exhibit 8?
 12 A No.
 13 Q Have you ever seen anything like it?
 14 A No.
 15 Q Okay. I'll take that.
 16 A (Witness passes Exhibit 8 back.)
 17 Q When Mr. Snisky was making representations
 18 to you about the Arete program, did he ever tell you
 19 that he would be using investor funds for his own
 20 personal uses?
 21 A No.
 22 Q Okay. Did he ever tell you that he would
 23 be using investor funds to make his personal home
 24 mortgage payments?
 25 A No.

1 Q To pay for meals and other entertainment
 2 for himself?
 3 A No.
 4 Q Okay. That he would just be taking cash
 5 to use for his own purposes, that were investor
 6 funds?
 7 A Didn't make that statement.
 8 Q Well, did he tell --
 9 A I mean, he maybe was --
 10 Q Did he tell you these things?
 11 A He was -- he was able to charge an
 12 expense, and maybe, from that expense, do whatever
 13 he damn well pleased.
 14 Q Well, let's talk about that for a second.
 15 What -- what did you understand he was able to take
 16 as his share of -- of the funds?
 17 A Stated in the private offering is 1
 18 percent.
 19 Q As a manager fee?
 20 A As a -- as a fee. You know, some of these
 21 numbers I don't have committed to memory.
 22 Q Okay.
 23 A I think it was 1 percent, and that would
 24 make -- I'll have -- I'll refer to it.
 25 Q Okay. Well, no. Let me -- let's -- I

1 mean, let's look at --

2 A I mean, you're asking me questions I don't
3 want to get myself in trouble over. So if I'm going
4 to make -- I have no idea what he did with the
5 money. I was happy with the fact that these funds
6 were going to Summit --

7 Q Right.

8 A -- which had been in business for ten
9 years.

10 Q Right.

11 A I think 2013 is when they were
12 incorporated. And that Summit Trust would do the
13 administration custodial, and that those funds would
14 go into a trust account that would be specific to
15 buying Ginnie Mae contracts, less an expense that --
16 that Snisky took out, which I -- I'm -- I'm not
17 positive what that is. I think it was --

18 Q Okay.

19 A -- around 1 -- 1 percent.

20 Q Okay. Would it surprise you that he never
21 purchased any agency bonds?

22 A No, because I wasn't in it very long.

23 Q Okay.

24 A I just got in it -- I was only in it three
25 months or so when it shut down.

1 Q Okay.

2 A So I don't think he had time to do it.

3 Q Okay. Did you understand that the funds
4 were supposed to go from Summit Trust Company to
5 Snisky for the purpose of buying the bonds?

6 A Yes, sir.

7 Q Okay. If I told you that those funds went
8 from Summit Trust Company to Snisky and Snisky used
9 a -- a high percentage of those funds for his
10 personal use, would that be contrary to what was
11 represented to you?

12 A Absolutely.

13 Q Okay. Because you believed those funds
14 would be used to purchase agency bonds, as Mr.
15 Snisky had described to you?

16 A And would go into a separate trust
17 account.

18 Q Okay. To be held for the purchase --

19 A Purchase --

20 Q -- of the bonds?

21 A Correct.

22 Q Okay. And how did you understand Mr.
23 Snisky was making his profit from the Arete
24 investment?

25 A In the -- the institutional idea that you

1 talked about --

2 Q Mm-hmm.

3 A -- the overnight rate was one, and the
4 fact that he had principal and interest coming back
5 on a monthly basis, those funds being reinvested in
6 government agency bonds, and such, would be where he
7 would do that.

8 Q Okay. But before he made any profit,
9 investors needed to make their 6 or 7 percent?

10 A I don't know what that procedure would
11 have been. If it's -- it's a -- I don't think you
12 can separate it. It's a, I'm investing these funds
13 to get 6, and in the process, I take out an expense.

14 Q Okay. Let's take a look at --

15 A And I -- you know --

16 (SEC Exhibit 20 was marked
17 for identification.)

18 BY MR. MARTIN:

19 Q Okay. I'm going to hand you what's been
20 identified as Exhibit 20. Exhibit 20 is a
21 multi-page document, from Bates range
22 SEC-Meissner-P-224 through 234. Do you recognize
23 Exhibit 20?

24 (The witness examined the document.)

25 A Yes.

1 BY MR. MARTIN:

2 Q Okay. And what is Exhibit 20?

3 A What?

4 Q What is it? How would you --

5 A Well, it was part of the application
6 process.

7 Q That you gave -- that you gave to an
8 investor?

9 A That I filled out and -- and -- along with
10 the Summit application, and sent to Summit.

11 Q Okay. Did you ever provide this actual
12 document to Mr. Chadwick?

13 A Yes.

14 Q Okay. And did he go through it?

15 A Yes.

16 Q Okay. And -- but this is your handwriting
17 in the document, itself?

18 A Yes.

19 Q Okay. Why did you fill it out instead of
20 Mr. Chadwick?

21 A Seemed the right thing to do.

22 Q Okay. But he -- he did sign there --

23 A But he was -- he was sitting right there
24 when I was filling it out.

25 Q Okay. And if you look at the -- you see

1 the Bates numbers in the bottom-right-hand corner,
 2 you look at No. 229 --
 3 A Okay.
 4 Q -- is that Mr. Chadwick's signature?
 5 A Yes, sir.
 6 Q Okay. And he signed it on or about April
 7 4th of 2012?
 8 A Yes.
 9 Q Okay. And let's look at -- well, first of
 10 all, you testified earlier that you received the
 11 document that is Exhibit 20, either from -- by
 12 e-mail or U.S. Mail from Mr. Snisky?
 13 A I believe that's correct.
 14 Q Okay. And you didn't make any changes to
 15 the document before you put it in front of Mr.
 16 Chadwick?
 17 A No.
 18 Q Okay. So let's look at this. In the --
 19 on the front page here, in the first --
 20 A Other than making a correction that I did
 21 maybe.
 22 Q What correct -- and what correction was
 23 that?
 24 A Well, if I checked the wrong box or
 25 something.

1 Q Right. But you didn't change any of the
 2 wording or redraft it or anything?
 3 A No. No. No.
 4 Q Okay. Let's -- let's go off the record
 5 at -- at 10:19 a.m.
 6 (Break from 10:19 a.m. to 10:22 a.m.)
 7 MR. MARTIN: So let's go on the record
 8 at -- at 10:22 a.m.
 9 While we were off the record, Mr. Meissner
 10 was expressing the opinion to me that it's a
 11 complete surprise to him that Mr. Snisky may have
 12 used investor funds for his personal -- personal
 13 use. And so let's -- let's clarify this a little
 14 bit.
 15 It's -- as I'm understanding it, in
 16 Exhibit 20 and in your communications with Mr.
 17 Snisky, you understood he had a fee that he earned
 18 for running Arete; is that correct?
 19 A Yeah. It's in -- it's in there.
 20 Q Yeah. And I believe, if you look at the
 21 second page of Exhibit 20, where it says "company
 22 management" --
 23 A Is it in there? I --
 24 Q Yeah.
 25 A Okay.

1 BY MR. MARTIN:
 2 Q All right. So it says "1 percent," is
 3 that what you understood his fee was?
 4 A That's -- yeah; that's -- I said that
 5 earlier.
 6 Q Okay.
 7 A Yes, that was my understanding.
 8 Q And I'll represent to you that Mr. Snisky,
 9 for personal uses, spent far more than 1 percent of
 10 the investor funds.
 11 A You --
 12 Q Are you learning that for the first time
 13 today?
 14 A Yes, sir.
 15 Q Okay. Does that surprise you?
 16 A Yes.
 17 Q Okay. And why?
 18 A Because I thought he was an honest person.
 19 Q Okay. And if I tell you he didn't buy any
 20 bonds with any of the investor funds, does that --
 21 A That wouldn't be so much of a surprise,
 22 because I knew he had to accumulate 5 million before
 23 he bought the tranche, so --
 24 Q That was your understanding?
 25 A That was my understanding, yes, sir.

1 Q Okay. All right. And was that the same
 2 understanding your investors had, that he had to
 3 accumulate funds?
 4 A Yes.
 5 Q Okay.
 6 A I think it's in the document.
 7 Q Okay. And certainly your investors didn't
 8 understand that he would be spending on himself more
 9 than the 1 percent management fee?
 10 A Absolutely.
 11 Q Okay.
 12 A Well, that he would be spending more than
 13 1 on his personal use, yes.
 14 Q Right. Okay.
 15 A I guess.
 16 Q All right. So let's look at Exhibit 20
 17 again. I just want to walk through some of the
 18 details. It says right up-front, in the first
 19 paragraph, that the objective is contributing within
 20 Principal Insured Products, or -- quote -- or Agency
 21 Bonds, correct?
 22 A Where are you?
 23 Q I'm on the first page, in the first
 24 paragraph, of Exhibit 20.
 25 A Okay.

1 Q All right. Is that correct?

2 A That was what my understanding was.

3 Q Okay. And that in the advisement
4 paragraph, that these bonds are backed by the full
5 faith and credit of the United States Government; is
6 that correct?

7 A Correct.

8 Q Okay.

9 A Of which I did research into to be sure
10 that that was correct, and that is what it states on
11 their website.

12 Q Okay. And then if we turn to -- the Bates
13 number is 230 in the bottom corner.

14 A Okay.

15 Q In the first paragraph it talks about
16 "consistent absolutely returns;" is that what you
17 understood would happen here?

18 A Yes.

19 Q Okay. And it talks about, in the third
20 paragraph, a "Trading Environment," and then later
21 in the paragraph it talks about "offer limited
22 downside." Did you understand there was a limited
23 downside to this?

24 A Yes.

25 Q Okay. And are those are all things that

1 it's Bates No. 231. At the top it says, "Is a
2 like-kind annuity but is not an annuity." And is
3 that sort of generally what you understood it to be?

4 A Yes. Because it's my under- -- because
5 I've -- I've been insurance licensed for thirty --
6 or fifty years, I guess, that the insurance
7 companies do a similar thing. So that's why I felt
8 that way.

9 Q Okay.

10 A They offer a 10 percent bonus on the front
11 of their contracts. And they invest in -- because I
12 talked to the insurance company about it.

13 Q Mm-hmm.

14 A They invest in Ginnie Maes and -- and real
15 estates and other government agency bonds, in order
16 to get their fixed returns.

17 Q Right.

18 A So, yes, it was my understanding it was a
19 like kind. And according to the document, it stated
20 that it wouldn't have the expenses the insurance
21 company has, and I agreed with -- I agree with that.

22 Q And in that same first paragraph it says
23 it does not have the same costs and advertisement
24 fees as a typical annuity, and that's what you
25 understood, correct?

1 were communicated to your investors, because they're
2 in the PPM here?

3 A You know, I pretty much stayed on the
4 Ginnie Mae type, fully guaranteed by the full faith
5 and credit of the U.S. Government.

6 Q Right. And Mr. Chadwick looked at this
7 document, right?

8 A Yes.

9 Q Okay.

10 A They all -- all of my clients looked at
11 it.

12 Q Okay. Looked at this -- at this PPM and
13 these representations from Mr. Snisky?

14 A Yes, they --

15 Q Okay. And did you -- did you understand
16 that Mr. Snisky created this document?

17 A I -- it was my understanding that he and
18 an attorney -- or probably with some advice -- did
19 it. But that -- I wouldn't think he would do it by
20 himself. I don't think he had the knowledge do it
21 by himself.

22 Q Okay. But nevertheless, the finished
23 product was sent to you by Mr. Snisky?

24 A Correct.

25 Q Okay. All right. So let's look at --

1 A Yes. Because they don't advertise the --
2 again, it was understood, under the Reg. D offering,
3 that there would not -- there would not be any
4 advertising or costs involved in that.

5 Q And if you look toward the middle of the
6 page, it says, "Agency bonds represent one of the
7 safe -- safest products and are often compared to
8 Treasury bonds for their low risk and high
9 liquidity," is that what you understood?

10 A Where are you?

11 Q I'm on Bates No. 231, sort of --

12 A Okay. Where?

13 Q -- right in the middle the page there.
14 Right here (indicating).

15 A (Indicating.)

16 Q Yeah.

17 A Oh, professional advice -- yes.
18 Okay. And what's the question?

19 Q Well, that's -- that's what you understood
20 with this product; is that right?

21 A Yes.

22 Q Okay. And then if you turn the page to
23 232, here's where it lays out the 7 percent return
24 on the investment; is that correct?

25 A Yes.

1 Q Okay. And you understood that it would
 2 pay out according to this table that's provided
 3 here?
 4 A Yes.
 5 Q And Mr. Chadwick did, too?
 6 A Yes.
 7 Q Okay. If you turn to the top of Page 233.
 8 A (Witness complies.)
 9 Q Do you see where it says "Disclaiming
 10 Notes"?
 11 A Yes.
 12 Q It says, "Calculations assume an agency
 13 bond interest rate of 6 percent plus a 1 percent on
 14 the Accumulation Period Addition which is the
 15 prepaid principal applied in the overnight bank
 16 lending rate sweeps."
 17 So, I'm reading that to understand that
 18 the bond, itself, is going to do 6 percent, and then
 19 they're going to capture another 1 percent on those
 20 overnight sweeps; is that correct?
 21 A Correct.
 22 Q And is that based -- is that consistent
 23 with the information you got from Mr. Snisky
 24 verbally, too?
 25 A That's consistent with the fed rate, yes.

1 Q Okay.
 2 A The overnight rate.
 3 Q Okay. And what Mr. Snisky told you he was
 4 going to do?
 5 A Yes. He had access to the overnight
 6 banking rate.
 7 Q Okay. And then at the bottom of that same
 8 page it says, "Our Proprietary Model Has No Hidden
 9 Fees"?
 10 A (Witness nods head.)
 11 Q And what did you -- what did you
 12 understand that to mean?
 13 A That, other than the 1 percent he was
 14 going to charge, was it.
 15 Q That was the only fee around, okay.
 16 And other than that 1 percent for
 17 management fee, did you understand he was going to
 18 be -- to be making any other profit off of this?
 19 A Absolutely. That's why he's in business.
 20 Q Right.
 21 A I mean, he was going to make the excess
 22 interest after he paid the interest on it.
 23 Q So after he paid investors, he would make
 24 the excess interest?
 25 A He would be making more than 6 and 7

1 percent, would be -- based on what I saw, he could
 2 do that.
 3 Q Right.
 4 All right. So let me back up for a second
 5 just so I can understand what was represented to
 6 you.
 7 Seven percent goes to investors off of the
 8 return?
 9 A On a ten-year plan.
 10 Q On a ten-year plan?
 11 A They had to stay in the plan for at
 12 least -- although they could get out with a fee.
 13 But they could get -- they could start growing
 14 income at the end of the fifth year, and there would
 15 not be a fee at that point, I guess. I really
 16 didn't get into that, if they wanted to get out.
 17 Q Mm-hmm.
 18 A Because it was -- if you bought the
 19 ten-year, it was in here that you stayed in it for
 20 ten years.
 21 Q But the 7 percent was annual?
 22 A That's what was going to be the annual
 23 percentage, yes.
 24 Q Okay. The management fee was 1 percent;
 25 is that correct?

1 A Yes.
 2 Q And then anything over that, clearly Mr.
 3 Snisky is anticipating making a profit, then he gets
 4 to take his profit; is that --
 5 A Yes.
 6 Q Is that what you understood?
 7 A That's the way the business is conducted
 8 in that arena.
 9 Q Okay. And that's the way -- if I'm
 10 understanding your testimony, that's the way Mr.
 11 Snisky also explained it to you when explaining
 12 Arete?
 13 A I don't -- I didn't get into that. I just
 14 was wanting to know if he could get 6 and 7 percent
 15 for my investors.
 16 Q Right.
 17 A What he made over and above that was his
 18 business.
 19 Q Right. But those investors needed to get
 20 paid first, before he got his over and above?
 21 A Absolutely.
 22 Q And that's the way it works, right?
 23 A Absolutely. He's -- the contract said
 24 they were going to get 6 percent a year for five
 25 years, and 7 percent over the ten-year period.

1 Q Period?

2 A Period.

3 Q Right. Okay.

4 A Sounds familiar.

5 Q And -- and in the -- in the -- in the

6 ten-year program, a ten percent bonus?

7 A At the front end, yes.

8 Q Okay. All right. So -- so he had to

9 account for that, too?

10 A Well, he -- you have to -- it's --

11 probably was -- I'm thinking that -- and I'm not

12 sure -- that it's an accounting thing, where you

13 say, "I'm going to pay a 10 percent bonus," but

14 you're not going to get unless you're in it for ten

15 years.

16 Q Well, right. But it's still --

17 A So he --

18 Q Those are still funds he has to come up

19 with through the investment?

20 A True, absolutely.

21 Q Right. So it's -- it -- let me put it

22 this way. That 10 percent is not money he's going

23 to be able to put in his own pocket, he's got to pay

24 the investor?

25 A True. According to the illustration, it's

1 accumulating on that 10 percent.

2 Q Right. Right. I mean, that's what the

3 PPM says?

4 A Right.

5 Q Okay. All right. I'll take it back.

6 A (Witness passes exhibit 20 back.)

7 Q And did you give -- well --

8 MR. MARTIN: Here we go.

9 (SEC Exhibit 21 was marked

10 for identification.)

11 BY MR. MARTIN:

12 Q Mr. Meissner, I'm going to hand you what's

13 been identified as Exhibit 21. Exhibit 21 is a

14 multi-page document, SEC-Meissner-P 284 through 295.

15 And is Exhibit 21 the same PPM that you gave to Mr.

16 Chadwick, except Exhibit 21 was given to --

17 A Eleanor Weems.

18 Q -- Eleanor Weems; is that correct?

19 A Yes.

20 Q Okay. And on Bates No. 289, is that Ms.

21 Weems' signature?

22 A Yes.

23 Q And did you go through this document with

24 Ms. Weems similar to -- to the way that you went

25 through it with Mr. Chadwick?

1 A Not only that, her daughter was present. I

2 went through it with her and her daughter, to be

3 sure that she understood and the daughter understood

4 that this would work for her.

5 Q Okay. And you made the same

6 representations that are in the document to Ms.

7 Weems that you had to Mr. Chadwick?

8 A The representation would be -- the

9 daughter read over the documentation, she asked

10 questions, I answered the questions.

11 Q Right. So the representations are what

12 they are, they're in the document?

13 A Yeah.

14 Q Yeah. They're in 21 and they're in

15 Exhibit 20?

16 A And they're in all of the three or four

17 that I sold.

18 Q Okay. Let me take 21 back.

19 A (Witness passes Exhibit 21 back.)

20 (SEC Exhibit 22 was marked

21 for identification.)

22 BY MR. MARTIN:

23 Q I'm going to hand you what's been

24 identified as Exhibit 22. Exhibit 22 is a

25 multi-page document, from Bates range

1 SEC-Meissner-P-259 through 268. Do you recognize

2 Exhibit 22?

3 A Yes.

4 Q And what is it?

5 A This is Mary Hall's IRA account that she

6 placed in the investment.

7 Q Okay. So this is the PPM for Mary Hall,

8 the investor?

9 A Yes, sir.

10 Q Okay. But you'll notice that it's -- it's

11 a little different than -- I'm going to hand you

12 back Exhibit 21.

13 A Well, probably because it's an IRA.

14 Q Well, that's what I want to ask you is,

15 why is it slightly different?

16 A I have no idea.

17 Q Okay.

18 A Where -- you'd have to tell me where the

19 slight difference is.

20 Q Well, up at the top, in the top-left-hand

21 corner in 22 it says "Summit Offering-12PO10I-LLC.

22 A Okay.

23 Q And then the other one says "Arete, LLC,"

24 there's no reference to the Summit offering.

25 A The only answer I would have to that is

1 that the documents changed over, you know, a period
 2 of time, and this was the most recent --
 3 Q Okay.
 4 A -- I would guess. I'm not sure.
 5 Q Did you think you were offering your
 6 investors anything different in 22 than you were in
 7 21?
 8 A No.
 9 Q Okay. As far as you knew, all your
 10 investors were investing in the same thing?
 11 A Yes.
 12 Q And it was the Arete product?
 13 A Right.
 14 Q Okay.
 15 A I -- I believe what was told to me is that
 16 Summit actually probably balked on having their name
 17 on the document. I guess they went to -- it went
 18 through three names.
 19 Q Okay. But you also received the document
 20 that is Exhibit 22 from Mr. Snisky, is that correct?
 21 A Correct.
 22 Q Either by the mail or by e-mail; is that
 23 correct?
 24 A Correct.
 25 Q Okay. And you didn't make any -- like,

1 you didn't make the change and put "Summit Offering"
 2 in the top-left-hand corner?
 3 A No.
 4 Q Okay. That came from Mr. Snisky?
 5 A Correct.
 6 Q Okay. And so when -- when Ms. Hall
 7 executed Exhibit 22 -- and I take it, that on -- on
 8 Bates No. 264 of Exhibit 22, that's Ms. Hall's
 9 signature?
 10 A Correct. Let me look at it. Yes.
 11 Q And that's your handwriting otherwise?
 12 A Yes.
 13 Q Okay. I take it, that when she executed
 14 this, she also looked through it and discussed it
 15 with you, similar to Mr. Chadwick and Ms. Weems?
 16 A In addition, her husband was present, he
 17 read through it. He's an engineer, accredited, very
 18 sharp; looked through it.
 19 Q Okay. And the representations that were
 20 provided to them were those that were in the exhibit
 21 that is 22?
 22 A Yes, sir.
 23 Q Okay. And with Mr. Chadwick or Ms. Weems
 24 or Ms. Hall or -- I believe there was one other
 25 investor, Mr. Hart -- did you ever make any

1 representations to them that were any different than
 2 the PPM documentation that was put in front of them
 3 for the Arete product?
 4 A No.
 5 Q Okay. So, verbally, you stood behind, I
 6 guess, is another way -- or you -- or you reiterated
 7 what was in the documentation itself?
 8 A That's what was provided in the document.
 9 Q Right.
 10 A Yes.
 11 Q And it was consistent with what Mr. Snisky
 12 had told you --
 13 A Yes.
 14 Q -- in Longmont; is that correct?
 15 A Oh, excuse me. Yes.
 16 Q Okay.
 17 I'll take those two.
 18 A (Witness passes exhibits back.)
 19 Q Thank you.
 20 With the investors -- and I -- and I only
 21 understand there to be four investors for you, Mr.
 22 Chadwick, Ms. Hall, Ms. Weems and Mr. Hart; is that
 23 correct?
 24 A Correct.
 25 Q Okay. With any of those investors, did

1 you go through their accredited investor status with
 2 them?
 3 A Yes. And I knew most of them, because
 4 I've known them for a good period of time, and knew
 5 that they were accredited investors --
 6 Q Okay.
 7 A -- based on just what I knew.
 8 Q Okay. And -- and how did you -- how did
 9 you know that?
 10 A Well, I knew -- I knew what they owned.
 11 They were -- like, with Mrs. Weems, I worked with
 12 her for twenty years.
 13 Q Okay. So --
 14 A That's how --
 15 Q -- you were familiar with her net worth?
 16 A Yes. And I was familiar with Mark Hart's.
 17 And with Gary, I went through with it with him to be
 18 sure. And with Jack, I've known him for twenty
 19 years.
 20 Q And to be an accredited investor, what did
 21 their net worth need to be?
 22 A It needs to be one million.
 23 Q Okay. And did all four of these investors
 24 have a net worth of a million dollars?
 25 A Yes.

1 Q Okay. Did you ask them those questions at
2 the time or did you just know those things to be
3 accurate?

4 A It probably was stated in the process.

5 Q Okay. Did you discuss with them the
6 notions -- notion of being a qualified purchaser,
7 which is a definition that's under the Investment
8 Company Act?

9 A I talked to them about accredited
10 investor, that this was offered to accredited
11 investors.

12 Q Okay. All right.

13 A And I would -- I just said they were
14 generally sophisticated enough to understand. And I
15 had a copy of an accredited investor, I may have
16 given -- showed that to them.

17 Q Okay. Did you, at any time, get any
18 information from Mr. Snisky about the need for
19 investors to be accredited or not?

20 A I went through the Reg. D on 505, 506, and
21 in there it so states that you can have unlimited of
22 accredited and I believe 35 non-accredited.

23 Q Okay.

24 A And it varies in 505 and 06, I believe.

25 Q Okay. But did you ever get any specific

1 A I -- I asked him about -- I got him -- I
2 had to fill out a suitability study on one of the
3 annuities that he bought, that's how I got that
4 information there.

5 Q Okay. And were you concerned -- it sounds
6 like Ms. Weems had her daughter with her; is that
7 correct?

8 A She was in town at the time.

9 Q Okay.

10 A She didn't -- she lives in Oregon, and she
11 didn't come specifically for it but she was there.

12 Q Mm-hmm.

13 A I had talked -- or Mrs. Weems said she
14 would like to have her there since she was coming.

15 Q Okay. And were you concerned, because of
16 Mrs. Weems' age, that her daughter be there or that
17 she got some help understanding it?

18 A No. Mrs. Weems is phenomenal. She'll
19 live to be 150.

20 Q Okay. So even at 91, she --

21 A She's very in- -- she's very cognizant of
22 what's going on. She makes -- she makes the final
23 call.

24 Q Okay. And what about Mr. Chadwick at --
25 he's in his late sixties -- not that that's old, but

1 direction from Mr. Snisky about whether you could
2 sell Arete to accredited investors or non-accredited
3 investors or otherwise?

4 A I may have discussed it on the 35. And I
5 decided it probably didn't make sense to put
6 somebody in it that was not accredited.

7 Q Okay. So that was a decision you came to
8 on your own?

9 A Yes.

10 Q Okay. And based on your knowledge of your
11 clients, all four of these individuals were
12 accredited investors?

13 A Yes.

14 Q Okay. Were any of these four individuals,
15 Mr. Hart, Ms. Hall, Ms. Weems, or Mr. Chadwick, new
16 clients for you?

17 A Yes. Gary Hart's wife was a new client.
18 And Mark Hart is my neighbor, I've known him for
19 fifteen years, and he was not an investor.

20 Q Okay.

21 A But he was -- he -- we had talked about it
22 and we were getting there.

23 Q Okay. And so how -- with Mr. Hart, how
24 did you assure yourself that he was accredited if he
25 was a new client to you?

1 were you comfortable with his ability to --

2 A Yes. He has -- he has properties. He has
3 a trust. He's knowledgeable.

4 THE REPORTER: I'm sorry. He?

5 THE WITNESS: He's knowledgeable.

6 BY MR. MARTIN:

7 Q He's sophisticated?

8 A Sophisticated. I had -- I've known him --
9 I don't know -- thirty years, and he and I get
10 together every so often and just talk.

11 Q Mm-hmm. All right. I --

12 A He's a friend, too.

13 Q Okay.

14 A And so are Mrs. Weems and Mary Hart, and
15 so is -- or -- yeah, Mary Hart and Mark Hart.

16 Q Mary Hall?

17 A Hall.

18 Q Yeah.

19 A I was going to say, they have the same
20 name?

21 Q Yeah. So -- and was Mary Hall a new
22 client to you with the Arete investment?

23 A Yes.

24 Q Okay. She and Mark Hart both?

25 A Yes.

1 Q Okay. And how did Mary Hall learn about
 2 this?
 3 A In social events I -- I've talked to --
 4 and Gary Hall and her -- or Gary and Mary have been
 5 in my house several times, we talk about certain
 6 things --
 7 Q Okay.
 8 A -- and that's where it came up and --
 9 Q Okay. And how did you assure yourself
 10 that Mary Hall was an accredited investor?
 11 A I talked to Gary about it, and he told me
 12 what -- all the assets they had, and pension plans.
 13 And she's a -- she's got a very wealthy dad who
 14 passed away, I believe she inherited some funds.
 15 Q Okay. And in terms of the PPM document,
 16 you just -- you physically handed this to them after
 17 you'd received it from Mr. Snisky?
 18 A Yes.
 19 Q Okay. And how did you -- what did you do
 20 with the -- the executed PPM after you received it
 21 from these investors?
 22 A I sent that -- after I completed the
 23 information, the Summit document, the PPM, the
 24 check, the laundering deal, copies of driver's
 25 license and all that you had to have, I sent that to

1 at 10:49 a.m.
 2 While we were off the record, Mr. Meissner
 3 was asking about Mr. Snisky's current assets, and I
 4 responded that, to the extent that I know about Mr.
 5 Snisky's assets, I'm not at liberty to discuss those
 6 with him.
 7 BY MR. MARTIN:
 8 Q And other than that, we didn't have any
 9 substantive conversations; is that correct?
 10 A Correct.
 11 Q Okay.
 12 A You stated it was more than 1 percent.
 13 Q Well, I did state that it was more than 1
 14 percent, as I had indicated to you before, on the
 15 record, and so --
 16 A Okay.
 17 Q Or that he took more than 1 percent, as we
 18 said on the record.
 19 (SEC Exhibit 23 was marked
 20 for identification.)
 21 BY MR. MARTIN:
 22 Q So I'm going to hand you what's been
 23 identified as Exhibit 23. Exhibit 23 is a
 24 multi-page document, from Bates No.
 25 SEC-Meissner-P-269 through 283. Do you recognize

1 Summit Trust.
 2 Q Okay.
 3 A Summit Trust acknowledged the funds were
 4 received.
 5 Q Okay. And then did you understand that
 6 that documentation would go back to Snisky or stay
 7 with Summit Trust?
 8 A I had no idea where it went at that point.
 9 I would think that Summit Trust would hold it.
 10 Q Okay. Who directed you to send it to
 11 Summit Trust?
 12 A Because they were the custodian, they --
 13 that was part of the process.
 14 Q Okay.
 15 A It goes to Summit, it goes to Arete.
 16 Q And that was what you understood from Mr.
 17 Snisky, that -- that process?
 18 A Yes.
 19 Q Okay.
 20 A It was not to go to him directly.
 21 Q Okay.
 22 MR. MARTIN: Let's -- let's go off the
 23 record at 10:46.
 24 (Break from 10:46 a.m. to 10:49 a.m.)
 25 MR. MARTIN: Let's go back on the record

1 Exhibit 23?
 2 A Yes.
 3 Q And what is it?
 4 A It's the Summit application, custodial
 5 operation agreement, non-IRA for Eleanor Weems.
 6 Q And did all four of your investors go
 7 through Summit?
 8 A Yes.
 9 Q Okay. So all four of your investors
 10 filled out an application identical to Exhibit 23?
 11 A That check so states.
 12 Q Okay. All right. And so the checks that
 13 they made out were to Summit Trust Company?
 14 A Correct.
 15 Q Okay. And did you fill these applications
 16 out for them?
 17 A Yes.
 18 Q Okay. Were all your investors in the
 19 ten-year program?
 20 A Yes.
 21 Q Okay. And did they fill out these
 22 applications that are identified, by example, in
 23 Exhibit 23 on the same day they looked -- reviewed
 24 their PPMs and made their investment?
 25 A Yes.

1 Q Okay. Did they review Exhibit 23 in the
2 same way that they had reviewed the PPM?
3 A Yes.
4 Q Okay.
5 A I always had them review what I filled out
6 to make sure the information was correct.
7 Q Okay. Other than the PPM and the Summit
8 application, were there any other documents that the
9 investors reviewed before they made their
10 investment?
11 A Not any documents. I had to have a
12 driver's license, and whatever, to satisfy the
13 laundering deal. And it was a different document
14 for the IRA than for the normal -- and there was
15 only one. Mary Hart was the IRA.
16 Q Mm-hmm.
17 A So the answer to your question, were there
18 any other documents, no.
19 Q Okay.
20 A That I -- that I recall.
21 Q Yeah. And from whom did you receive the
22 Summit application?
23 A I guess -- I believe from Summit.
24 Q Okay. By e-mail or by mail?
25 A They sent me -- I asked for their

1 brochures and -- and the applications for it.
2 Q Okay. All right. And they -- and then
3 they sent it to you by U.S. Mail or by e-mail?
4 A Yes.
5 Q Which -- which one?
6 A Mail -- U.S. Mail, okay.
7 All right. I'll take that.
8 A (Witness passes Exhibit 23 back.)
9 Q Okay. So I'll also --
10 MR. MARTIN: Here you go.
11 (SEC Exhibit 24 was marked
12 for identification.)
13 Q I'm going to hand you what's also been
14 identified as Exhibit 24. Exhibit 24 is a
15 multi-page document, from Bates No. 2 --
16 SEC-Meissner-P-237 through 258. And do you
17 recognize Exhibit 24?
18 A Yes.
19 Q And what is it?
20 A It's Mary Hall's Summit application, the
21 IRA account.
22 Q Okay. So Exhibit 24 is for an IRA
23 account, Exhibit 23 was for an a non-IRA?
24 A Non-IRA, yes, sir.
25 Q And those were the two types that you used

1 for Summit?
2 A Yes, sir.
3 Q Okay. And so in Exhibit 24, is Mary
4 rolling over her IRA or transferring?
5 A She was transferring it from -- at the
6 back I thought I saw a -- well, no -- from an
7 Ameritrade account, I guess.
8 Q Okay. To the --
9 A Yeah. She rolled it from some IRA
10 account, and I had to have the documentation in
11 order to get it transferred directly to Summit IRA.
12 Q Okay.
13 A And that would have been a -- a TD
14 Ameritrade account.
15 Q Okay. So, with your four investors, you
16 used one of the -- one of these two Summit
17 applications, either the IRA or the non-IRA, in
18 order for them to make their investment?
19 A I made one IRA investment and three non.
20 Q Okay. All right. And Mary Hall was the
21 only IRA investment; is that correct?
22 A Yes, sir.
23 Q Okay. I'll take that.
24 A (Witness passes Exhibit 24 back.)
25 Q Thank you.

1 With any of your four investors, did you
2 ever disclose to them that you were receiving the
3 4.5 to 5 percent commission related to this
4 transaction?
5 A I normally -- I mean, they knew I was
6 earning a commission. I don't know if I stated
7 specifically. In some cases I do. With my older
8 clients, probably not.
9 Q Okay.
10 A They know -- and I've explained many
11 times -- that I try to keep the commission at a
12 reasonable rate.
13 Q Okay. But you didn't specifically
14 disclose the commission in this instance to each of
15 the four investors; is that right?
16 A I probably didn't.
17 Q Okay. All right.
18 A And it wasn't asked.
19 Q By them?
20 A Right.
21 Q Right. Okay.
22 (SEC Exhibit 25 was marked
23 for identification.)
24 BY MR. MARTIN:
25 Q Mr. Meissner, I'm going to hand you what's

1 been identified as Exhibit 25. Exhibit 25 is a
2 multi-page document, from SEC-Meissner-P-5 through
3 9. The first page identifies some amounts from the
4 Cromarty Group to Kenneth Meissner, and then the
5 other pages are some portions of -- of bank
6 statements. Do you recognize Exhibit 25?

7 A Yes.

8 Q Okay. What is Exhibit 25?

9 A It shows copies of the check on the
10 professional fees I received.

11 Q Okay. So, related to the commissions for
12 Arete, does Exhibit 25 capture the total of those
13 commissions?

14 A Yes.

15 Q Okay.

16 A The three -- I don't know if there are
17 three or four. There was --

18 Q Well, is the -- it -- it looks like Mr.

19 Hart and Ms. Hall are together on the top one.

20 A Ah, there you go.

21 Q Is that correct?

22 A Yes.

23 Q Okay. So, if I'm understanding this
24 correctly, you received a commission for the sale to
25 Mr. Chadwick for \$2,500; is that correct?

1 A That's correct.

2 Q And you received a commission for the sale
3 to Ms. Weems for \$5,000; is that correct?

4 A Correct.

5 Q And you received a total commission on the
6 sales to Mr. Hart and Ms. Hall of \$10,000, \$237; is
7 that correct?

8 A Correct.

9 Q Okay. And that's roughly \$18,000.
10 What -- where are those funds now, that were -- were
11 paid to you as commissions on the Arete sales?

12 A Where are the funds?

13 Q Yeah.

14 A Spent.

15 Q Okay. For your --

16 A I'm deep in debt.

17 Q Okay. But you spent them as you would --

18 A Household expenses and paying some of the
19 debts that I have.

20 Q To live?

21 A Yes.

22 Q You used the funds to live?

23 A Yes.

24 Q Okay. And you didn't receive any other
25 fees or commissions related to Arete; is that

1 correct?

2 A No.

3 Q Okay. Did you receive any other payment
4 of any kind from Summit Trust Company or Mr. Scott,
5 other than what you've already described?

6 A The commissions were paid through
7 Cromarty, which I guess is Mr. Scott.

8 Q Okay. But you --

9 A But nothing from Summit.

10 Q Nothing from Summit.

11 Anything directly from Mr. Snisky or
12 Arete?

13 A No.

14 Q Okay. Okay. We're going to go off the
15 record in a second. But part of the reason we're
16 going to go off the record is I want you to have the
17 opportunity to collect your thoughts. If you want
18 to add anything to what you've said before -- before
19 or clarify anything, when we go back on the record,
20 you're welcome do that. If you're comfortable with
21 how you've articulated everything today, then
22 we'll -- that's fine. I just have a few other kind
23 of housekeeping-type questions. But --

24 A Well, other than you hitting me with a
25 bombshell. I mean, you know, you knocked my legs

1 out from underneath me, because I didn't -- I --
2 even when I came here, I didn't believe that Snisky
3 was doing -- would be doing anything wrong.

4 Q Mm-hmm.

5 A I trusted him.

6 Q Right. And you trusted what he told you,
7 obviously?

8 A Correct.

9 Q You trusted what he showed you, on
10 Bloomberg and other things?

11 A He -- he's probably -- I don't want to
12 make any state- -- he's good. If he -- if he in
13 fact did it, there was either a reason or whatever.
14 I met his family. I mean, why would you put your
15 family, your wife, three children in jeopardy for
16 peanuts? I mean, I think it was peanuts. There
17 wasn't a lot of money involved here. I mean, if
18 you're going to do it, do it for 10 million, or 50
19 million, or whatever. But for -- I guess, in my
20 count, there's only -- not even \$400,000; that's not
21 enough to throw your life away. And if he was so
22 concerned about --

23 Are you taking this?

24 Q Mm-hmm. But that's okay. I mean,
25 we're -- we're still on the record. But I don't --

1 you know, I -- I want to hear what you have to say.

2 So if --

3 A Well, that's what I have to say. I just
4 think that he -- he reiterated to me on a number of
5 occasions -- in fact, at one point, he even
6 thought -- he even told me that he wasn't sure he
7 wanted me to -- to work with him. Maybe he thought
8 I'd look into it too far, or I don't know what the
9 reason.

10 Q Well, what was the context of that comment
11 that he made to you?

12 A You know, I was told that maybe I wasn't
13 material -- or a person that should sell this
14 product.

15 Q Did you have a --

16 A No reason.

17 Q No?

18 A I didn't get a reason. So I called and I
19 said, "What's that all about." And somehow, in the
20 conversation -- I wish to hell I'd have stopped,

21 Q Mm-hmm. Do you think it was a backwards
22 way to try to entice you to --

23 A I don't think so.

24 Q Hmm.

25 A I mean, he had to get people bring him

1 funds to get to his five million, was my logic.

2 Q Mm-hmm.

3 A I mean, you don't do that, you know, doing
4 business with John R. Lunch Bucket. I mean, you got
5 to get people that can bring money to you.

6 Q Right.

7 A You know, I -- if you think about it,
8 there are a ton of people out here who would do this
9 if in fact it would work as he said it would,
10 because 6 and 7 percent is a really good rate of
11 return for fixed returns.

12 Q Mm-hmm.

13 A And there are a lot of people sitting with
14 tons of money sitting at I percent --

15 Q Right.

16 A -- or less.

17 Q Right.

18 A The money market's at a half. So, I mean,
19 I talked to people that have -- that were talking
20 about giving -- sending \$600,000 to a million. So
21 you stopped it -- you saved me a lot of grief by
22 stopping it. Again, my logic, you stopped it before
23 I got to that point.

24 Q Before more of your clients put in more
25 money?

1 A Right. They would -- you know, my clients
2 talk to every -- each other. And a lot of them were
3 waiting, actually, for the end of the first year to
4 see if in fact they were going to get their 6 and
5 their 7.

6 Q Did any of your clients receive any
7 account statements?

8 A They got some account statements from
9 Summit that showed that there was nothing -- I
10 wasn't -- they wasn't in there a year. They had to
11 be at least in there a year to show the percent.

12 Q So they didn't show any -- any interest
13 gain?

14 A No.

15 Q Or any gain whatsoever?

16 A No.

17 Q Okay.

18 A I mean, really, I -- February, March, and
19 April, that was it.

20 Q Okay.

21 A So they were only in there three or four
22 months.

23 Q Did any of your investors or clients
24 receive any information directly from Arete?

25 A No.

1 Q Okay. Not to your knowledge?

2 A Not to my knowledge, right.

3 Q Yeah.

4 A Thanks. No, I don't -- I don't think so.
5 Or my clients, generally, would tell me probably.

6 Q Okay. All right. And after the -- your
7 investors invested in Arete --

8 A We're still off the record here, aren't
9 we?

10 Q No. We're on -- we're on the record.
11 We're -- we're still talking?

12 A Oh, all right.

13 Q After your clients invested in Arete, did
14 you get any other information or any other
15 communications from Snisky or Arete?

16 A Not from Snisky, no.

17 Q What about from Arete?

18 A What?

19 Q What about from Arete?

20 A No.

21 Q No, okay.

22 A I -- what information I was trying to find
23 out I got from Doug Scott.

24 Q And what was that?

25 A Just what's going on, what's happening.

1 Q Mm-hmm.

2 A And I'm concerned. I've got three, four
3 clients that have put their hard-earned money into
4 this thing.

5 Q What did Doug Scott tell you?

6 A Not a lot. He was not getting a lot of
7 information from Gary, other than the accounts were
8 taking the -- whatever. They were taking the house,
9 the -- that he -- you know, I knew he had that
10 building there, and I asked about that, is that --
11 is that free and clear, was he leasing it or what.
12 I'm trying to figure out how --

13 Q The office building?

14 A The office building.

15 Q Yeah.

16 A I'm trying to figure out, really -- I
17 don't know what I was trying to figure out, because
18 I still assumed that he was an honest person until
19 you told me today.

20 Q Okay. But nevertheless, it sounds like
21 you're still maybe running through if he has any
22 assets or what's out there maybe for your investors
23 to -- to capture; I mean, is that --

24 A Well, it -- it's -- it's logic that
25 eventually the monies are going to have to be

1 Q So since --

2 A I talked to Doug Scott, which I've
3 mentioned.

4 Q So when was the last time you talked to
5 Snisky?

6 A When I was -- well, it -- it may have been
7 on a teleconference. I don't have the date
8 commanded to memory. I went up there -- I believe
9 the first conference was before that. I had some
10 telephone conversations trying to clarify things,
11 asking specifically questions that I had after I did
12 some due diligence and --

13 Q And this is all still back in 2012?

14 A Yes.

15 Q Okay.

16 A Nothing since -- I haven't talked to
17 Snisky since you shut -- you shut it down.

18 Q So since January 2013?

19 A Before.

20 Q Before that even?

21 A Yeah.

22 Q Okay.

23 A But --

24 Q But you have talked to Doug Scott?

25 A Yes.

1 returned, whatever is left.

2 Q Mm-hmm. Okay.

3 A So --

4 Q To your knowledge, have any of your
5 investors been paid anything by anyone?

6 A No.

7 Q Okay. Certainly not by Mr. Snisky?

8 A No.

9 Q Okay. All right. Okay.

10 I think we'll just -- if you've clarified
11 or added what comments you have, I think we'll just
12 continue. I have some final questions, and then
13 we'll just -- we'll just quit from there.

14 If you want me to go off the record now,
15 and you -- to give you time to think about other
16 things, then we can -- we can do so. You tell me.

17 A No. As I said before, I'm stunned.

18 Q Okay.

19 A So right now I'm --

20 Q Okay. Have you spoken with anyone
21 regarding this investigation?

22 A Such as?

23 Q Mr. Snisky.

24 A No, I did not talk -- I have not talked to
25 Mr. Snisky since this came about.

1 Q And what have you talked to Doug Scott
2 about?

3 A Just what the hell is happening? What's
4 happening?

5 Q Okay. And what is Mr. Scott telling you?

6 A You know, that -- not a lot of information
7 that I could grab hold of. I mean, he just said
8 they're -- you know, that they're saying -- Doug
9 Scott was telling me, actually, that he thought this
10 was all concerning the -- the ZEEK deal, which --
11 you know, the penny option thing.

12 Q Mm-hmm.

13 A And that it was my -- his understanding
14 maybe that you guys were going after him because he
15 was involved in that and whatever, and that's about
16 all I got.

17 Q Okay. Have you talked to anybody about
18 your appearance here today for testimony?

19 A My wife. Eleanor Weems called me.

20 Q Okay.

21 A She was concerned.

22 Q What did you discuss with Ms. Weems?

23 A I just told her I was going up to give a
24 deposition.

25 Q Okay. Has anyone discussed with you what

1 your testimony would be or should be today?
 2 A No.
 3 Q Okay. Have you seen a transcript or a
 4 digest or a summary of the testimony of anyone else
 5 who's testified in this matter?
 6 A No.
 7 Q Okay. Do you know anyone else who's been
 8 subpoenaed or testified in this investigation?
 9 A No.
 10 Q Okay. Have you discussed your testimony
 11 or the past or proposed testimony of another witness
 12 with any third party or any other person?
 13 A I called a friend of mine who's an
 14 attorney and asked him, you know, what I could --
 15 could or couldn't do possibly in this deposition
 16 that -- and he just said, you know, you can
 17 always -- well, anyway, just to find out what I can
 18 do here.
 19 Q Okay. But that was -- you reached out to
 20 an attorney for some advice basically?
 21 A Yes.
 22 Q Okay.
 23 A Had nothing to do about my deposition, or
 24 the investment, or anything. It was just that I was
 25 giving a deposition and what --

1 PROOFREADER'S CERTIFICATE
 2
 3 In The Matter of: ARETE, LLC
 4 Witness: Kenneth Meissner
 5 File Number: D-03321-A
 6 Date: Thursday, November 14, 2013
 7 Location: Denver, CO

8
 9 This is to certify that I, Donna S. Raya,
 10 (the undersigned), do hereby swear and affirm that
 11 the attached proceedings before the U.S. Securities
 12 and Exchange Commission were held according to the
 13 record and that this is the original, complete, true
 14 and accurate transcript that has been compared to
 15 the reporting or recording accomplished at the
 16 hearing.

17
 18
 19 _____
 (Proofreader's Name) (Date)
 20
 21
 22
 23
 24
 25

1 Q And I don't want -- and I don't want you
 2 to share that advice with me, because that's
 3 privileged, whatever he told you.
 4 A Right.
 5 Q But I -- I just was curious who you talked
 6 to.
 7 So, Mr. Meissner, at this time we're going
 8 to adjourn testimony to a date uncertain, if -- if
 9 we need to come -- come back and ask further
 10 questions. Although testimony is adjourned, you
 11 remain under subpoena.
 12 MR. MARTIN: Let's go off the record at
 13 11:10 a.m., on November 14th, 2013.
 14 (Whereupon, at 11:10 a.m., the examination
 15 was concluded.)

16 * * * * *

1 SECURITIES AND EXCHANGE COMMISSION
 2 REPORTER'S CERTIFICATE
 3 I, Denise Truax, Registered Merit
 4 Reporter, hereby certify that the foregoing
 5 transcript consisting of 138 pages is a complete,
 6 true, and accurate transcript of the testimony
 7 indicated, held November 14, 2013, in the matter of
 8 Arete, LLC. I further certify that this proceeding
 9 was recorded by me, and the foregoing transcript has
 10 been prepared under my direction.

11
 12 DATE: November 25, 2013
 13 Official Reporter: _____
 14 Denise Truax
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. D-03321-A
ARETE, LLC)

WITNESS: Mark S. Tomich
PAGES: 1 through 159
PLACE: Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202-2468
DATE: Wednesday, November 20, 2013

The above-entitled matter came on for
examination, pursuant to Notice, at 8:34 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

CONTENTS

1	WITNESS:	EXAMINATION
2		
3	Mark S. Tomich	5
4		
5		
6	EXHIBITS DESCRIPTION	IDENTIFIED
7	26 Subpoena issued October 17, 2013	9
8	27 Cover letter/document subpoena -	10
9	issued on June 19, 2013	
10	28 July 23, 2013 letter to Mr. Martin,	13
11	ENF-CPU from Matthew L. Vicari	
12	29 Background questionnaire, TOMICH	30
13	0001147-0001159	
14	30 Notes, Strategic Planning Services,	57
15	TOMICH 000315	
16	31 Notes TOMICH 000316, 319, 321,323, 326	57
17	32 Notes, TOMICH 000318, 322, 324	57
18	33 One page document/note	62
19	34 SPS College Funding Services, TOMICH	64
20	000321-000322	
21	35 Notes, TOMICH 000323-000324	64
22		
23		
24		
25		

1 APPEARANCES:
2
3 On behalf of the Securities and Exchange Commission:
4 JOHN C. MARTIN, ESQ.
5 JAMES A. SCOGGINS, ESQ.
6 Securities and Exchange Commission
7 Division of Enforcement
8 1801 California Street, Suite 1500
9 Denver, Colorado 80202-2648
10 (303) 844-1107
11 (303) 844-1105
12
13

14 On behalf of the Witness:
15 JASON C. MILLER, ESQ.
16 MILLER JOHNSON LAW FIRM
17 Calder Plaza Building

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22
23
24
25

CONTENTS (CONT.)

1	EXHIBITS DESCRIPTION	IDENTIFIED
2		
3	36 Notes, TOMICH 000317-000319	65
4	37 Notes, Strategic Planning Services,	66
5	Bates Tomich 315	
6	38 Arete LLC, a Private Company document,	100
7	TOMICH 000442-000452	
8	39 Salary, Bonuses, Fees, and	111
9	compensation, TOMICH 000004-000006	
10	40 Two-page document, Tomich 440 through	117
11	441	
12	41 One-page document, Bates number Tomich	119
13	453	
14	42 A multipage document from Bates range	125
15	Tomich 560 through 570	
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

PROCEEDINGS

MR. MARTIN: Let's go on the record at 8:34 a.m. on November 20, 2013.

Mr. Tomich, do you swear to tell the truth, the whole truth and nothing but the truth?

THE WITNESS: I do.

Whereupon,

MARK S. TOMICH,

appeared as a witness herein and having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. MARTIN:

Q Please state and spell your full name for the record.

A My name is Mark S. Tomich. M-A-R-K, middle initial S, T-O-M-I-C-H.

Q And you go by Mike; is that true?

A I do.

Q My name is John Martin, and with me today is James Scoggins who will be in and out during the testimony. We are officers of the Commission for the purposes of this proceeding.

This is an investigation by the United States Securities and Exchange Commission, in the matter of Arete, LLC, D-3321, to determine whether

BY MR. MARTIN:

Q Prior to the opening of the record, you were provided with a copy of the Commission Supplemental Information Form. A copy of that notice has previously been marked as Exhibit Number 1.

Mr. Tomich, have you had the opportunity to read Exhibit I?

A Yes.

Q And do you have any questions concerning this notice?

A No.

Q Mr. Tomich, are you represented by counsel?

A Yes.

MR. MARTIN: Would counsel please identify yourself, name, firm name, address and telephone number, please.

MR. MILLER: Jason C. Miller of the Miller Johnson Law Firm, 250 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503, direct dial, (616) 831-1794.

MR. MARTIN: And, Counsel, are you representing Mr. Tomich as his counsel today?

MR. MILLER: I am.

BY MR. MARTIN:

there have been violations of certain provisions of the federal securities laws.

However, the facts developed in this investigation might constitute violations of other federal or state civil or criminal laws. Prior to the opening of the record, you were provided with a copy of the formal order of investigation in this matter. It will be available for your examination during the course of this proceeding.

Mr. Tomich, have you had an opportunity to review the formal order?

THE WITNESS: Yes.

MR. MILLER: And, Counsel, before you go on, if I could just quickly state that Mr. Tomich, his understanding is that he is not a target of any criminal investigation at this time. And he is of course here to fully cooperate and testify, but he's not waiving any Fifth Amendment rights.

MR. MARTIN: Okay, and I appreciate that. And so that the record's clear, for our purposes and our investigations we don't use terminology such as target or subject, and whatever Mr. Tomich's relationship with the criminal authorities is between Mr. Tomich and the criminal authorities.

Q Just a few housekeeping matters. Mr. Tomich, if you want to go off the record, please advise me your desire to do so, and I'll decide at that time whether to ask the reporter to do so.

The reporter will not go off the record at you or your counsel's request. However, if you need to use the restroom or even stretch your legs, just let me know.

A Is that what you're referring to as off the record?

Q Yes. Exactly.

A Okay. Let me advise you that after the staff has finished his questioning, your counsel will have the opportunity to ask you questions for the purpose of clarifying your testimony.

I'll be asking you a number of questions today. If you do not understand or do not hear any questions, please let me know. Please allow me to complete the question before you begin your answer so that we're both not speaking at once, and please answer audibly. Nods and shakes of the head don't show up on the record.

A I understand. One thing, I have Lyric hearing aids and sometimes they will target in on

1 different sounds, so I get almost everything.
 2 Q Not a problem.
 3 A Okay.
 4 Q And if you don't, just ask me to repeat
 5 myself.
 6 A Okay.
 7 Q Please do not assume or infer anything from
 8 our questions. If we ask whether an event happened
 9 or someone did or said something, do not assume
 10 that this occurred or that we believe it did.
 11 We're simply attempting to ascertain whether or not
 12 you have any information relevant to the investigation.
 13 (SEC Exhibit No. 26 was
 14 marked for identification.)
 15 BY MR. MARTIN:Â
 16 Q And I'll routinely hand you a courtesy copy
 17 which I'll ask you to shoot right back to me.
 18 Mr. Tomich, I'm going to hand you what's
 19 been identified as Exhibit 26. This is a copy of
 20 the subpoena, the testimony subpoena we issued to
 21 you on October 17, 2013, and the cover letter. Is
 22 this a copy of the subpoena by which you're
 23 appearing here today?
 24 A Yes, sir.
 25 Q Okay.

1 Maryann Busch, went through our files, our e-mails,
 2 our records. We did as thorough a search as we
 3 possibly could to comply with that. Frankly, I
 4 didn't want to miss anything.
 5 Q Understood. And you have an office that's
 6 not in your home; is that correct?
 7 A That's true.
 8 Q Okay. And just again, briefly for my
 9 education, would you describe that office, that
 10 physical office space?
 11 A It's about 850-square feet. We have a --
 12 you walk from the outside into the office itself.
 13 We have a reception area there where Maryann Busch
 14 works. To the left is a conference room. We have
 15 windows all around.
 16 To the back and the right is a restroom,
 17 and to back on the left is my office.
 18 Q Understood. Other than Ms. Busch and
 19 yourself, any other employees or individuals who
 20 work for you or with you?
 21 A No employees, but I do have a guy that
 22 comes in and helps with my books, a guy that comes
 23 in and does birthday cards and that kind of stuff
 24 for me.
 25 Q Okay. And did the search you conducted

1 MR. MILLER: I would just note that that
 2 subpoena has a different date than we agreed to be
 3 here today.
 4 MR. MARTIN: Understood. Counsel and I
 5 agreed to a slightly different date for the
 6 testimony and accordingly you're here this morning.
 7 THE WITNESS: Right.
 8 MR. MARTIN: Thank you.
 9 (SEC Exhibit No. 27 was
 10 marked for identification.)
 11 BY MR. MARTIN:
 12 Q Mr. Tomich, I'm going to hand you what's
 13 been identified as Exhibit 27. This is a copy of
 14 the cover letter and the document subpoena that we
 15 issued to you on June 19, 2013.
 16 And do you recognize Exhibit 27?
 17 A I do. We submitted that evidence, right.
 18 Q And have you given to the staff all
 19 documents called for by the subpoena?
 20 A Yes, I have.
 21 Q And if you would, please, just briefly
 22 describe the search that was conducted for the
 23 subpoena documents and tell me who conducted that
 24 search.
 25 A I -- excuse me -- I and my secretary,

1 include an electronic search?
 2 A Yes.
 3 Q Okay. E-mails and databases and so forth?
 4 A Yes.
 5 Q Okay. Thank you.
 6 MR. MILLER: Counsel, I would just note
 7 that I also went online and pulled some additional
 8 things, printouts from the state of Michigan and
 9 maybe FINRA -- things that were included in that
 10 that we produced.
 11 MR. MARTIN: Understood. I appreciate it.
 12 BY MR. MARTIN:
 13 Q Mr. Tomich, have you withheld any documents
 14 called for by the subpoena based on any claim of
 15 privilege?
 16 A No.
 17 Q Okay. And were any documents called for by
 18 the subpoena not produced for any reason other than
 19 privilege? In other words, did you not produce
 20 something for any other reason?
 21 A No.
 22 Q And do you know of any documents responsive
 23 to the subpoena but not provided that were in your
 24 possession at a prior time or that were lost,
 25 destroyed or otherwise disposed of?

1 A I'm not aware of any.
 2 Q Okay. Thank you.
 3 (SEC Exhibit No. 28 was
 4 marked for identification.)
 5 BY MR. MARTIN:
 6 Q Mr. Tomich, I'm going to hand you what has
 7 been identified as Exhibit 28. Exhibit 28 is a
 8 multipage letter dated July 23, 2013. It's to me
 9 in regard to Arete, LLC, subpoenaed to Mark S.,
 10 quote, Mike Tomich, and it's signed by Mr. Matthew
 11 Vicari of the Miller Johnson Law Firm.
 12 Do you recognize this letter?
 13 A Yes.
 14 Q Okay. And to your understanding is this
 15 the letter that was included in the response to the
 16 document subpoena that we issued to you?
 17 A That is my understanding.
 18 Q And is it also your understanding that this
 19 helped capture that response and explain the
 20 response similar to me so that I understood what I
 21 was getting?
 22 A That's my understanding.
 23 Q Okay. Let's walk through the letter if you
 24 don't mind, just to make sure the staff doesn't
 25 have any questions. And in subpoena response

1 number one, it states that Tomich is not a
 2 registered representative nor is he affiliated with
 3 any broker/dealer; is that accurate?
 4 A That's correct.
 5 Q At one time were you a registered
 6 representative?
 7 A Yes, I was.
 8 Q Okay. And when was that?
 9 A You know, it's been long enough now.
 10 From -- I believe it was 1987 through 2008.
 11 Q Okay. And what licenses did you hold?
 12 A 65 -- and I just lost it here. 67, I
 13 believe.
 14 Q And those were -- those were your standard
 15 securities license, your Series 65 and your Series
 16 67?
 17 A That's correct.
 18 Q And when did your 65 stop?
 19 A When I resigned. I submitted my
 20 resignation by broker/dealer. I believe it was
 21 2008.
 22 Q Okay. And what was the broker/dealer at
 23 the time?
 24 A MTL Equity Products, Incorporated.
 25 Q What were the circumstances from your

1 departure from MTL?
 2 A There was a life insurance -- well, MTL
 3 Equity is wholly owned by MTL Insurance Company.
 4 And I was selling the whole life insurance policy
 5 from MTL Insurance Company and MTL Equity. It was
 6 a concept called infinite banking. It is a concept
 7 called infinite banking.
 8 And the equities side didn't approve of
 9 that concept. And I wanted to sell, you know, the
 10 life insurance and was perfectly fine with the
 11 company. They endorsed it. And they had no clue
 12 that the equity side didn't approve of that.
 13 Q Okay.
 14 A So there was a conflict. It was more
 15 important to me to be able to sell life insurance
 16 than it was equities, and I still, you know, as a
 17 registered investment advisor, so --
 18 Q So was your license terminated or did you
 19 voluntarily --
 20 A No -- yeah, I resigned or I suspended my --
 21 gee, I can't even think of the initials. Was it
 22 CDC, no, it's not the CDC. Well, anyhow, I
 23 voluntarily --
 24 Q The NASD, is that the --
 25 A Well, I voluntarily resigned, yeah.

1 Q Okay. And was there any sanction or issue
 2 at that time related to that?
 3 A None. Never has been.
 4 Q Okay. And you had a Series 67?
 5 A Uh-huh.
 6 Q Is that correct?
 7 A That's correct, yeah.
 8 Q And did you also voluntarily let that go?
 9 A Yes -- oh, no, no. 65 -- let me back up
 10 here.
 11 Q Sure.
 12 A I totally misunderstood that.
 13 Q Yes.
 14 A Yeah, the 65 I kept because I need that
 15 registered investment advisory business, 67.
 16 Q That's what we've been talking about?
 17 A Yes.
 18 Q All right. So your Series 65, is that
 19 still current?
 20 A No.
 21 Q Okay. And when did that terminate?
 22 A It was October, the end of October 2010.
 23 Q Okay. And what were the circumstances of
 24 that termination?
 25 A I voluntarily terminated.

1 Q And why?
 2 A I didn't get a 72 on my test, and I didn't
 3 want to retest. I was primarily in the life
 4 insurance and annuities, and it was not a big issue
 5 for me.
 6 Q Okay. And were there any sanctions or --
 7 A No.
 8 Q -- any reprimands at that time?
 9 A I'm sorry. I answered that too quick,
 10 none. Thank you.
 11 Q All right. Thank you. Did you hold any
 12 other securities licenses through any of the states
 13 at any time?
 14 A No.
 15 Q Were you -- did you hold an investment
 16 advisor license in Michigan?
 17 A Yes. That was the IRA.
 18 Q Okay.
 19 A My firm was the registered advisement firm,
 20 and I was the representative of my own firm.
 21 Q Okay. And what was the date range on that?
 22 A The date range?
 23 Q Yes. When did you hold that --
 24 A Start and end. I believe I started this in
 25 1999. I don't remember the month. Do we have it?

1 MR. MILLER: I would just note that in the
 2 answer to question number 7, it does recall some
 3 dates.
 4 THE WITNESS: Okay.
 5 BY MR. MARTIN:
 6 Q That's correct. So let's look at -- I'm
 7 sorry -- Exhibit 28. And we're looking at question
 8 number 7.
 9 A January 13, 1999, in answer to your
 10 question.
 11 Q And when you look at the response, sir, is
 12 that response accurate for number 7?
 13 A That's what I'm looking at here.
 14 Q Uh-huh.
 15 A Yes.
 16 Q Okay. And what were the circumstances of
 17 your resignation of investment advisor in
 18 October of 2010?
 19 A I didn't -- I got a 70 on my Series 65.
 20 You needed a 72.
 21 Q Okay.
 22 A Then I didn't want to -- I had to wait
 23 three or five months, I don't remember now, to
 24 retest.
 25 Q Was there any disciplinary action or

1 anything associated with your withdrawal at that
 2 time?
 3 A None.
 4 Q And this IRA business was in the name of
 5 Strategic Planning Services?
 6 A That's correct.
 7 Q Let's go back to the first page of
 8 Exhibit 28.
 9 A (The witness complies.)
 10 Q If you look at number 2 and flip over to
 11 the next page, top of the second page of Exhibit 28.
 12 A Uh-huh.
 13 Q Your response to number 2, you have a d/b/a
 14 of Strategic Planning Services since 1982; is that
 15 accurate?
 16 A That's accurate.
 17 Q From a corporate structure standpoint, is
 18 Strategic Planning Services simply a name only, a
 19 d/b/a, or is it incorporated in any fashion?
 20 A No. It's a d/b/a.
 21 Q Okay. And in the state of Michigan, do you
 22 license d/b/a -- or do you register d/b/a's?
 23 A You do.
 24 Q You do. Okay. To hold the name?
 25 A Uh-huh.

1 Q But it's not an LLC or partnership or
 2 anything of the sort?
 3 A That's correct.
 4 Q Okay. And you identify here that you're
 5 the sole proprietor; is that accurate?
 6 A That's correct.
 7 Q Okay. You're also identified as the d/b/a
 8 of Western Michigan Adult Learning Center; is that
 9 correct?
 10 A That's correct.
 11 Q What's the business of Western Michigan
 12 Adult Learning Center?
 13 A I do -- I run classes for ABC Conservative
 14 Investing. It's about life insurance and annuities
 15 at the local college. I do that independently.
 16 And I conduct seminars on social security
 17 workshops.
 18 Q And when did you begin doing that?
 19 A I believe it was two years ago. Man, I
 20 don't know if it's in response here. Let me go
 21 back. I believe it was approximately the spring of
 22 2012 when I did that.
 23 Q And do you continue to do that?
 24 A Yes.
 25 Q Through today?

1 A Yes.
 2 Q Have you gained new clients through that
 3 work?
 4 A Yes.
 5 Q I imagine something like that is not only
 6 instructed for the people who are in the classes,
 7 but also helpful for you to -- your clients --
 8 A I meet people, and if they wanted to come
 9 talk to me, it's voluntarily, and there are no
 10 sales done there.
 11 Q Right. And it's at the local community
 12 college; is that correct?
 13 A Yes. Well, no, I'm sorry. It's Grand
 14 Valley State University. I rent a room there.
 15 Q Okay. And let me ask you about Strategic
 16 Planning Services. What is the business of
 17 Strategic Planning Services?
 18 A It's life insurance and annuities.
 19 Q Okay. Is that functionally how you operate
 20 your insurance business?
 21 A Yes.
 22 Q Under that name?
 23 A Yes.
 24 Q Okay. And you've done so since 1982;
 25 that's correct?

1 A That's correct.
 2 Q And if you would, take a minute and tell me
 3 about your business that is Strategic Planning
 4 Services? In other words, what do you offer? What
 5 do you sell? What do you do in that function?
 6 A Life insurance and fixed annuities, fixed
 7 index annuities.
 8 Q And by -- when I hear fixed annuities, I
 9 think of a couple different things.
 10 A Okay.
 11 Q So help me understand, at least
 12 historically and moving forward, what it means when
 13 you say you sell fixed annuities. Like what are
 14 those fixed annuities exactly, and what companies
 15 are they associated with?
 16 A It's a variety of companies. I'm down to
 17 maybe seven or eight companies right now that I do
 18 most of my business with. But First Catholic
 19 Slovak Ladies Association, American Equity,
 20 Annexus, Allianz, Equitrust, who else? North
 21 American Life, Midland National. It's a number of
 22 companies, but it's pretty much condensed to that.
 23 On life insurance, mutual trust or MTL, and
 24 I do North American and Midland National. I do
 25 others, but First Catholic Slovak Ladies, I forgot

1 about them.
 2 Q Do you do hazard?
 3 A No. No, property casualty.
 4 Q Nothing of the sort?
 5 A No.
 6 Q Have you ever done that?
 7 A No.
 8 Q And other than what you've described
 9 before -- you said you had a secretary. You said
 10 you had a gentleman who helps you with the books
 11 once in a while, and then you said you had somebody
 12 who helps you with sort of birthday cards and I
 13 take it kind of marketing a little bit.
 14 A No.
 15 Q No marketing?
 16 A No marketing. Cleans the office, too.
 17 Q Cleans the office, okay. All right.
 18 Anybody else sell the products that you've
 19 described from Strategic Planning Services?
 20 A You mean, affiliated with me?
 21 Q Yes, affiliated with you or in the same
 22 office space?
 23 A No. There's nobody in the same office
 24 other than the people I noted. I'm the only
 25 licensed person in that office, no I -- no.

1 I have -- I'm trying to think -- MTL, I
 2 think I have a couple brokers under me, but I don't
 3 even remember anymore, Frank Baker, get whatever
 4 overrides a little bit, but that's about it.
 5 Q And it's my understanding based on the
 6 documents you produced that Strategic Planning
 7 Services has a bank account with Lake Michigan
 8 Credit Union; is that correct?
 9 A That's correct.
 10 Q Any other bank accounts associated with
 11 Strategic Planning Services?
 12 A Not with Strategic Planning Services.
 13 Q Any securities accounts?
 14 A I have an account with Scottrade, not with
 15 the business but in my personal name.
 16 Q But Strategic Planning Services, as a d/b/a
 17 or entity, does not have a securities account?
 18 A Yes, sir, that's true.
 19 Q And since you're halfway there, what bank
 20 accounts do you control or are you a signatory for?
 21 A My personal bank account, and the personal
 22 savings. The bank account for Western Michigan
 23 Adult Learning Center. And I have one other bank
 24 account -- well, I have a little account at Meeder,
 25 with their money market account, Meeder Financial,

1 and then Independent Bank, I have an account there.
 2 Q Okay. And nothing else other than what
 3 you've already described?
 4 A No. I'm pretty sure there's nothing else.
 5 Q Okay. You obviously hold some insurance
 6 licenses; is that correct?
 7 A Just one, life and health.
 8 Q Okay. And State of Michigan, correct?
 9 A That's correct.
 10 Q How many other states?
 11 A Ohio, Indiana -- well, I don't think any --
 12 Ohio, Illinois, Florida, and Massachusetts.
 13 Q And you hold those because that's where you
 14 have clients, correct?
 15 A Yeah. I have done business there in the
 16 past.
 17 Q Other than what you've described with
 18 historical securities licenses and your insurance
 19 licensing, do you have any other professional
 20 licenses that you hold?
 21 A No.
 22 Q Looking back at Exhibit 28, on the second
 23 page, you identify in the response to Number 4, two
 24 different e-mail accounts. Mike at S-P-S-I-N or
 25 SPS Investments.com and Maryann at SPS

1 Investments.com; is that correct?
 2 A That's correct.
 3 Q Any other e-mails accounts?
 4 A You know, I got to thinking about that. I
 5 was affiliated with a company where they did
 6 college planning and they set up a couple accounts.
 7 I have no clue. I never used them. I have no
 8 clue.
 9 Q Okay. But you don't have a personal, you
 10 know, a Yahoo account, a Gmail account or anything
 11 of the sort?
 12 A No.
 13 Q Is it fair to say that if you're engaged in
 14 any e-mail traffic, it's with this Mike at SPS
 15 Investments.com e-mail account?
 16 A Yes.
 17 Q And again I'm just kind of going through
 18 Exhibit 28 to help guide us a little bit and move
 19 us along.
 20 You identify in response to Number 9, that
 21 since 1988 you've resided at [REDACTED] in
 22 [REDACTED]; is that correct?
 23 A That's correct.
 24 Q And is that your primary residence?
 25 A Yes.

1 Q Do you have any other real estate?
 2 A I have real estate, but vacant land in
 3 Belding, Michigan.
 4 Q Just one --
 5 A 23 acres, I believe it's 23 now.
 6 Q Other than that acreage, any other real
 7 estate holdings or ownership?
 8 A No.
 9 Q And I take it you own your home here on Van
 10 Dam?
 11 A I'm buying it.
 12 Q Well, you and the bank own your home on Van
 13 Dam; is that correct?
 14 A Uh-huh.
 15 Q How much equity do you have in that home?
 16 A You know, it's hard telling because it came
 17 down -- last I knew it was worth about 120, 123. I
 18 believe my balance is 87-something, between 87 and
 19 88,000 on the mortgage.
 20 Q Okay. It must be nice to live somewhere
 21 where it's actually about wood and nails and bricks
 22 instead of just the air above the house.
 23 And I just want to talk about this really
 24 quick. In response to number 10, we asked you to
 25 produce for us responsive documents related to any

1 criminal work proceeding or regulatory action, so
 2 on and so forth. And you identify in Exhibit 28 a
 3 cease and desist from the year 2000; is that
 4 correct?
 5 A That's correct.
 6 Q Would you explain the circumstances of that
 7 cease and desist?
 8 A My broker/dealer, I think it was 1996, what
 9 happened to be Tower Equities out of -- I don't
 10 remember now, Columbus, Ohio, introduced us to
 11 viaticals, said we could sell them. And so we sold
 12 viaticals, all of his agents.
 13 And we got a notice after selling a number
 14 of them, after a period of time, and you know,
 15 Mr. Martin, I don't remember if it was a month,
 16 five months, I don't remember. But in either case,
 17 he sent us a notice that we can't sell them in
 18 Michigan because it is a nonregistered security.
 19 And so we stopped selling them, but it was too
 20 late. And that's the -- the proceedings went from
 21 there.
 22 Q And I take it the State of Michigan came in
 23 after the fact and issued a cease and desist
 24 against you?
 25 A Well, in this case, yes, and all the others

1 that were involved in it that resided in Michigan.

2 Q Okay. And was there some -- some form of
3 payment that you had to pay and/or penalty?

4 A Yes, I paid them. I believe it was a
5 \$2,000 penalty and rescission, and I don't remember
6 the amount of the rescission. I'm pretty sure you
7 have the records on that.

8 Q And there were some number of investors
9 that you had to pay back?

10 A Yes.

11 Q Since that time have you had any other
12 instances of reprimand, censure, penalty, any form
13 of interaction or intervention by any regulatory
14 body at the state or federal level?

15 A Never had it before or since.

16 Q Okay. And the viaticals matter that you
17 were talking about, is that PCO, Inc.?

18 A That's correct.

19 Q All right. Okay. I'd like you to take a
20 minute, if you would, Mr. Tomich, and review
21 Exhibit 28. I understand, you know, based on the
22 receipt of this, with the signature from
23 Mr. Vicari, that clearly he put this together and
24 created this document on your behalf.

25 But I'd like you to look through

1 myself. On page 3 of the background questionnaire,
2 question 16, it says list salary and bonuses and
3 stock options for the last three years.

4 Do you see that?

5 A Yes, I do.

6 Q And what I wanted to ask you there, your
7 salary for those three years, is that inclusive of
8 any commissions and fees and other earnings
9 relating to your insurance sales?

10 A I only earn commissions and fees. I have
11 no salary.

12 Q Okay. Fair enough. That answers the
13 question. And did those salaries also include any
14 earnings related to Arete, LLC, and/or any sales or
15 introductions that were made related to Arete?

16 A In 2012, they did.

17 Q And we'll talk more specifically about that
18 later. I just want to make sure that those figures
19 are inclusive of that.

20 A Let me go back -- no -- that's okay.
21 That's okay. I'm getting that confused in my mind.

22 Q I'm going to have you look at Exhibit 29,
23 the background questionnaire -- and again as I did
24 with the last --

25 A I'm sorry. Question what?

1 Exhibit 28, and in regard to the responses, tell
2 me, as you sit here today, if those responses are
3 accurate and complete.

4 A It looks accurate to me.

5 Q Okay. I'll take it.

6 A Sure.

7 Q Thank you.

8 (SEC Exhibit No. 29 was
9 marked for identification.)

10 BY MR. MARTIN:

11 Q I'm going to hand you what's been
12 identified as Exhibit 29. Exhibit 29 is a
13 multipage document from Bates range Tomich 1147
14 through 1159. It's identified at the top as a
15 background questionnaire.

16 Do you recognize Exhibit 29?

17 A I do.

18 Q Okay. Is this the background questionnaire
19 that the SEC sent you to fill out?

20 A It looks like it.

21 Q Okay. And is this your handwriting
22 throughout Exhibit 29?

23 A I believe it is.

24 Q And I want to go through very quickly the
25 background questionnaire and confirm a few things

1 Q Exhibit 29.

2 A Okay.

3 Q I'm going to have you look through the
4 background questionnaire. And what I'd like you to
5 answer for me, as you sit here this morning, are
6 your answers in Exhibit 29 accurate and complete in
7 relation to the background questionnaire? So take
8 your time to review this.

9 A Okay.

10 Q I just want to make sure that these answers
11 are accurate and complete as of this morning.

12 (Whereupon, Mr. Scoggins Walked in to the
13 examining room.)

14 THE WITNESS: Yes, they are. The last
15 page -- last page got stuck.

16 BY MR. MARTIN:

17 Q Okay. Thank you. I'll take that back.

18 A (The witness complies.)

19 Q Mark, what is the Cromarty Group?

20 A I have no clue.

21 Q Who's Doug Scott?

22 A Doug Scott is somebody I've known. I don't
23 know, seven, eight years.

24 Q How did you meet him?

25 A I met him at a meeting in Philadelphia

1 regarding estate planning.

2 Q And what did you understand Mr. Scott's
3 position to be or what was he -- what was his job?

4 A He was a representative for Summit Trust
5 Company.

6 Q And by "representative," what do you mean?

7 A He worked with them, and he talked about,
8 oh boy. It's a little vague now. It's been a
9 while. But he did a presentation on what he did
10 for Summit Trusts, and about wills and trust. They
11 had an attorney there, a fellow by the name of
12 Oshin out in Nevada, Las Vegas. That's my
13 understanding is that that's what Doug did. He did
14 a presentation.

15 Q What was he offering?

16 A He was just explaining some of the services
17 of Summit Trust.

18 Q Which were?

19 A Trust accounts -- trust accounts,
20 self-directed IRAs or self-directed accounts held
21 by the trust company.

22 Q Okay. And did you -- after that, after
23 meeting Mr. Scott and being introduced to Summit
24 Trust, did you engage with any business with either
25 him or Summit Trust Company?

1 A Summit Trust, but not Doug. He and I would
2 talk, but --

3 Q What business did you engage with Summit
4 Trust?

5 A Set up self-directed IRA accounts.

6 Q For your clients?

7 A Yes.

8 Q And what was the purpose of doing that?

9 A So they could self-direct their IRA, they
10 could buy mutual funds or gold or annuities or
11 whatever.

12 Q Okay. And mechanically how did those
13 self-directed IRA accounts work through Summit
14 Trust?

15 A We would establish the account that was an
16 establishment fee, an annual fee for having that
17 account. And the individual would tell Summit
18 Trust what they wanted to do or what they wanted to
19 invest in.

20 Q Okay. And did Summit Trust actually hold
21 the investors' accounts, the clients' accounts or
22 the funds, excuse me?

23 A You know, not if they were -- no, no.

24 Q Okay. But the clients would send money to
25 Summit Trust?

1 A Uh-huh.

2 Q And then did you understand that Summit
3 Trust would send those funds on to whatever the
4 investment was --

5 A That's -- that was my understanding, that
6 is true.

7 Q That's the way you understood it
8 functioned?

9 A Uh-huh.

10 Q Was that a yes?

11 A That's a yes.

12 Q And, in fact, that was the way it
13 functioned; is that correct?

14 A That's correct.

15 Q And just by way of example, what were some
16 of the investments associated with Summit Trust
17 Company that your clients were in?

18 A Dimensional fund advisors, which is an
19 institutional mutual fund, gold, I did annuities,
20 some other self-directed accounts.

21 Q Okay. And what role, if any, did Mr. Scott
22 have in relation to the Summit Trust Company
23 work in -- with your client?

24 A With me?

25 Q With you or your client?

1 A None.

2 Q Any association with your clients?

3 A None.

4 Q To your understanding, did Mr. Scott
5 receive any kind of commission or fees relating to
6 your clients being put through Summit Trust?

7 A No.

8 Q Going back, these seven or eight years, did
9 you have any other business relationship with
10 Mr. Scott other than his introduction of Summit
11 Trust Company?

12 A None. No independent relationship or
13 business dealings, none.

14 Q Who was your point of contact at Smith
15 Trust Company?

16 A Usually it was -- well, the receptionist,
17 but Kevin Brown or George Brown.

18 Q Are they related?

19 A Father and son.

20 Q Who was who?

21 A George is the father, and Kevin is the son.

22 Q What positions did they hold as you
23 understood it?

24 A Kevin is the president of Summit Trust
25 Company.

1 Q Okay. And --
 2 A You know, I'm not sure. At one time -- but
 3 George was, I think he was the president at one
 4 time when I first met him. Actually, I'm not sure.
 5 George is the -- I'm really not sure what position
 6 George holds there, because most of my dealings are
 7 with Kevin.
 8 Q Father of the president, maybe?
 9 A Yeah.
 10 Q But it sounds like you interacted primarily
 11 with Kevin Brown. Is that a fair statement?
 12 A That's true.
 13 Q Was there anything particular that you
 14 would interact with George Brown, any particular
 15 topics or types of information?
 16 A If I had questions about charitable gifts
 17 or charitable gift annuities, George was generally
 18 the go-to guy for that.
 19 Q Okay.
 20 A Wills and trusts, if I had questions about
 21 LLCs, because they had -- they offered those.
 22 Q Okay. Did they have counsel that worked
 23 for them?
 24 A At one time they did, had something
 25 in-house, and I don't remember how many years ago

1 and it was a business that was on their books.
 2 They pay me a referral fee.
 3 Q How much?
 4 A You know, it varied. One and a half
 5 percent to a half of a percent depending on the
 6 volume of the account.
 7 MR. MILLER: Counsel, I'll note we did
 8 produce an agreement that had that in it.
 9 MR. MARTIN: I understand. I'm just trying
 10 to get a feel for the relationship in general
 11 terms.
 12 BY MR. MARTIN:
 13 Q And it's 1-1/2 percent or a half percent of
 14 the total investment from the client; is that
 15 correct?
 16 A Uh-huh, standard money management fee that
 17 they had at the time.
 18 Q Okay. And when was that paid?
 19 A I think quarterly. Yeah, it's quarterly.
 20 Q So you were paid that 1-1/2 to .5 percent
 21 quarterly, depending on the amount that your client
 22 had?
 23 A Excuse me. Monthly.
 24 Q Monthly?
 25 A Yes. Doing the math here.

1 that was.
 2 Q Do you remember the --
 3 A I don't remember the fellow's name either,
 4 no.
 5 Q Any other employees besides Kevin Brown,
 6 George Brown and you mentioned a receptionist?
 7 A Yeah -- and then there's Dan. I don't
 8 remember Dan's last name. I think they have one or
 9 two other people, but I don't interact with those
 10 folks.
 11 Q What were their roles as you understood
 12 them?
 13 A They worked there. I never asked. Every
 14 now and then they answered a phone.
 15 Q Okay. And in relation to your clients
 16 having self-directed IRA accounts and other
 17 interaction with Summit Trust, did you receive any
 18 commissions or fees?
 19 A Fees, referral fees.
 20 Q Okay. And would you describe that
 21 structure for me?
 22 A What do you mean structure?
 23 Q Well, what did you get paid and how and
 24 why?
 25 A I got paid for referring business to them,

1 Q Okay. Well, let me -- I guess I'm just
 2 trying to understand. So you had a client who was
 3 investing through Summit Trust?
 4 A Uh-huh.
 5 Q Is that correct?
 6 A Yes.
 7 Q You had many clients? Yes?
 8 A Yes.
 9 Q And let's, by way of example, say you had a
 10 client who was putting in \$100,000?
 11 A Okay.
 12 Q Explain your fees that you would earn over
 13 the course of a year.
 14 A It went according to the schedule.
 15 Q Okay.
 16 A Whatever it was is what I got paid.
 17 Q But you get paid monthly?
 18 A On those fees for the DFA account, yes.
 19 Q And your monthly fee was 1-1/2, as much as
 20 1-1/2 or as little as .5 percent based on their
 21 total, total client funds that were in Summit Trust
 22 or through Summit Trust?
 23 A Yes, that's correct.
 24 Q Okay. I just want to make sure I
 25 understand. Because that 1-1/2 or .5 percent then

1 is 6 percent or 18 percent annually; is that --
 2 A Oh, no. That wasn't annual -- I beg your
 3 pardon.
 4 Q That's what I'm trying to understand.
 5 A You're asking me monthly. No. Those are
 6 annual fees payable monthly, that's standard money
 7 management fees is pretty much what they were.
 8 Q So the 1-1/2 to .5 were annual fees, but
 9 they were paid out fractionally per month?
 10 A Right.
 11 Q I'm trying to understand. And what was
 12 Golden Summit's take in terms of their fees or
 13 their percentages that they took?
 14 A I never paid attention to it no more than I
 15 did with my broker/dealer.
 16 Q All right. So that was between Summit
 17 Trust and your clients then?
 18 A No, they would show it up. I just -- it
 19 was not something -- it was not something I paid a
 20 lot of attention to because it was all part of that
 21 total amount.
 22 The regular schedule, and I -- this is --
 23 I'm pulling from memory at best, would be the first
 24 50,000, a hundred -- 1.50 annually payable monthly.
 25 And I would get a part of that and Summit would get

1 their part of it.
 2 I'm thinking Summit shared -- it was like
 3 on an annual basis 30 or 40 basis points, but I
 4 can't take that to the bank and tell you that for
 5 sure, but it was pretty much standard language.
 6 Q And that was for Summit managing this
 7 self-directed --
 8 A Yes, for their platform.
 9 Q Okay. All right. And that was taken out
 10 of obviously the clients' or investors' funds that
 11 were passing through?
 12 A Yes, that's correct.
 13 Q Were there any circumstances where Summit
 14 Trust actually held your clients' funds at Summit
 15 Trust in a trust account or otherwise and didn't
 16 pass those funds through to whatever investment --
 17 A I'm not aware of any, no.
 18 Q Okay. To your understanding, did Mr. Scott
 19 leave Summit Trust Company at some point?
 20 A Yes.
 21 Q When was that?
 22 A Boy, I'd have to start going backwards here
 23 maybe, maybe a year before this stuff started with
 24 the Arete business.
 25 Q So 2010, maybe a little before that?

1 A Maybe 11, in there someplace.
 2 Q Somewhere in there?
 3 A Yeah.
 4 Q Do you understand the circumstances of why
 5 he left Summit Trust?
 6 A I have no clue, never asked.
 7 Q He never discussed it with you?
 8 A No.
 9 Q Never communicated it in any way?
 10 A Just going off on his own, and I have no
 11 idea what happened.
 12 Q Did either Kevin Brown or George Brown ever
 13 discuss Mr. Scott with you?
 14 A No. No. Now, discuss Mr. Scott -- would
 15 you expand on what you mean by that?
 16 Q Just generally, did they ever talk about
 17 Mr. Scott with you?
 18 A No.
 19 Q And then more specifically, did they ever
 20 talk about his departure from the Summit company,
 21 Summit group?
 22 A No.
 23 Q I asked you before if you recognize any of
 24 the Cromarty Group, and you said no.
 25 A No. No. I don't believe -- I believe you

1 asked me if I --
 2 Q Let me re-ask the question.
 3 A Okay.
 4 Q Do you recognize the Cromarty Group as
 5 being associated with Mr. Scott?
 6 A I do.
 7 Q And do you have an understanding what the
 8 Cromarty Group is?
 9 A No.
 10 Q Have you had dealings with the Cromarty
 11 Group?
 12 A With Doug Scott, yes. He would forward
 13 whatever fees I got from Arete through his Cromarty
 14 Group.
 15 Q In the name of the Cromarty Group?
 16 A Yes.
 17 Q So fees or commissions in the form of
 18 checks would come from the Cromarty Group?
 19 A He would wire them to me.
 20 Q He would wire them?
 21 A Yes.
 22 Q And those were in the name of the Cromarty
 23 Group?
 24 A Uh-huh.
 25 Q Is that a "yes"?

1 A Yes.

2 Q And any other communications on behalf of
3 or from the Cromarty Group?

4 A Every now and then we would get e-mails or
5 whatever, and we would talk -- or he would send me
6 something, a new form or whatever, but that was
7 pretty much it -- yeah, it just -- general stuff.

8 Q How did you first understand that the
9 Cromarty Group was Doug Scott or that they were
10 associated with each other?

11 A Doug told me, yeah.

12 Q Did he give you any other explanation about
13 the Cromarty Group?

14 A None.

15 Q What did he tell you?

16 A Nothing. That Cromarty Group was a d/b/a
17 of his.

18 Q Did he actually say that d/b/a?

19 A I don't think he ever did, but he intimated
20 that was -- no, he never said it was a d/b/a.

21 Q Sounds like that's what you understood
22 though?

23 A Yes, that was my understanding.

24 Q Okay. All right. Did you ever get any
25 payments of any form from Doug Scott personally?

1 A None that I'm aware of.

2 Q And then associated with Arete, did you
3 ever get any payments from any other entity or from
4 any other individual other than the Cromarty Group?

5 A In association with Arete?

6 Q In association with Arete?

7 A No, just through Doug Scott and Cromarty.

8 Q Okay. What does Scott do now, to your
9 understanding?

10 A I have no idea.

11 Q When was the last time you talked to him?

12 A I think when I told him that Mr. Snisky was
13 lying, and at that point I didn't want to have
14 anything to do with either one of them.

15 Q That was several months?

16 A That was probably -- you know, the time
17 really is lost, maybe February. I really don't
18 remember. I know I talked about it with the fellow
19 from the IRS while you were on the line there.

20 Q Mr. Loecker?

21 A Yeah. And so I have -- I mean, that was
22 it. I just didn't want -- I didn't want to have
23 anything to do with him.

24 Q And we'll talk about that conversation in a
25 little bit more detail later. But if I'm

1 understanding your testimony correctly, you haven't
2 spoken to Mr. Scott since that time?

3 A That's correct.

4 Q Have you communicated in any other form, by
5 mail or e-mail?

6 A Yeah, I think I sent him -- I sent him
7 something, some e-mail, I don't remember what it
8 was related to, and I don't know why I sent it to
9 him.

10 I remember sending it because he was on the
11 list. It's like he gets stuff and forwarded it to
12 a bunch of people, whatever, but that was it. I
13 don't remember ever doing that again. I was going
14 to take his name off my e-mail list, but it's there
15 because who knows, I may need it sometime.

16 Q So other than the discussion you had with
17 Mr. Scott in or about February of 2013 that you
18 told Mr. Loecker and I about on our phone
19 interview, you haven't had any communications with
20 Mr. Scott about Arete or matters associated with
21 Arete?

22 A That's correct.

23 Q Okay. When did you first learn about
24 Arete?

25 A Arete?

1 Q Yes.

2 A Um, I believe it was January of '12. I
3 believe that's when Doug first called me. Might
4 have been February, but it was right around there
5 someplace. It wasn't Arete. It was Gary Snisky.
6 I had no clue what Arete was.

7 Q Okay. And that's interesting. So before
8 you learned about Arete, you learned about somebody
9 named Gary Snisky, correct?

10 A That's correct.

11 Q So when did you first learn about Gary
12 Snisky?

13 A Well, you know. I have to start backing up
14 on this, because Doug had to refresh my memory
15 initially. It had to be around summer or July,
16 August of 2011. I remember him talking about this
17 guy that sold bonds that had called him.

18 Q And this is -- Doug Scott is telling you
19 this?

20 A Doug Scott is talking about Gary Snisky,
21 and I had no clue who Gary Snisky was. He said
22 bond salesman or bonds -- institutional bond guy.
23 I had no clue what the heck he was talking about,
24 and he said the guy's an old salesman.

25 I remember him saying this. The guys an

1 old salesman. He talks too much. He doesn't know
2 when to shut up. That's a loose quote. And I do
3 remember that. Apparently, somehow Snisky got a
4 hold of Doug when he was working at Summit. So
5 from there, Doug put together -- and I don't know
6 if there was just Snisky and Doug Scott and me on
7 the phone or if there was somebody else, I don't
8 remember that, but around July or August of '11.

9 And we did a conference call. And there
10 was nothing I was interested in, because again,
11 Doug had talked about this guy. And he said that
12 he is no salesman. He did talk too much, and he
13 was talking way over my head.

14 Q In that conference call -- and let's back
15 up for just a second. You have a conference call
16 in July or August, roughly July or August of 2011
17 with Mr. Snisky and Mr. Scott; is that correct?

18 A That's correct.

19 Q Anybody else on the call?

20 A I wasn't aware of it. There could have
21 been, I wasn't aware of it.

22 Q But to your knowledge it was just the three
23 of you?

24 A Yeah.

25 Q And how was it introduced? What was the

1 A Always.

2 Q Like, I am Gary Snisky, institutional bond
3 trader?

4 A It was pretty much. He let you know he was
5 an institutional bond trader.

6 Q Okay. All right. And it sounds like Doug
7 Scott kind of previewed that for you a little bit?

8 A Uh-huh.

9 Q He kind of told you a little bit about
10 Snisky?

11 A Yeah, he did. He didn't tell me about
12 Snisky, but he told me about what he did. But he
13 kept on saying the man, as it turns out, obviously
14 is not accurate. But he's no salesman. He said he
15 talks too much and he doesn't know when to keep
16 quite.

17 Q Okay. Did you have a sense in that July or
18 August conference call of what the investment
19 product was that Mr. Snisky was offering --

20 A I'm sorry. Go ahead.

21 Q No. I just -- I'm trying to get at -- I'm
22 trying to get at what he was trying to offer if you
23 had any sense of that?

24 A Other than what -- his product -- whatever
25 his product was, and it was just nothing. Nothing

1 purpose of the call?

2 A He says I want you to meet this guy and see
3 what he has, talk about what he has.

4 Q And this guy being Snisky?

5 A Snisky. Right.

6 Q What did Snisky tell you at that time?
7 What did he have for you?

8 A You know, if my life depended on it. If
9 you were my priest in a confessional, I couldn't
10 tell you. I don't remember. I don't remember the
11 conversation. What I remember is I wasn't
12 interested, and that's the extent of it.

13 Q Why weren't you interested?

14 A I don't remember other than it just -- I
15 wasn't interested.

16 Q Was there something about it that was
17 questionable or maybe didn't make sense to you in
18 some way? I'm trying to get at --

19 A I had no reason to doubt that this guy was
20 who he was. He was an institutional bonds trader,
21 and that's what I knew, but it was something
22 outside of anything I wanted to do or that I was
23 interested in.

24 Q And you mentioned this institutional bond
25 trader. Is that how Mr. Snisky described himself?

1 happened after that. I mean, that was the extent
2 of it.

3 Q Okay. But that was your introduction to
4 Mr. Snisky?

5 A That's true.

6 Q At that time, did you learn of the name
7 Arete or was Arete mentioned in that call?

8 A No.

9 Q Okay. At least not to your recollection?

10 A No. No. There was nothing about anything
11 there other than --

12 Q Okay. When did you next speak to either
13 Mr. Scott or Mr. Snisky about opportunities with
14 Mr. Snisky?

15 A You know, again, I believe it was January
16 of '12 -- was it '12 or '11, '12. It could have
17 been early February, but it was in there someplace.

18 And Doug called, and he says, hey, I've had
19 some people -- okay. Doug Scott told me that
20 Snisky couldn't do what he wanted to do with the
21 bonds, because there was no way for somebody to be
22 responsible. This is loose. This is not verbatim.
23 There was no way for somebody to -- for an
24 intermediary to have the funds to -- I'm sorry --
25 to transfer to Snisky. And Doug Scott said well,

1 he was aware of the trust company and how trust
2 companies work. And he approached Summit Trust and
3 was able to put this thing together.

4 And so Snisky, according to Doug Scott, was
5 excited about it because it could make the whole
6 thing work. There was a paper trail. Somebody
7 could hold the ownership, if I remember. And again
8 don't hold me to that word, but that's what I
9 remember.

10 Q Let me interrupt you for just a second.
11 What did you understand that Doug Scott put
12 together with Summit Trust?

13 A Summit Trust would be the receiver of the
14 funds that transferred to Snisky and that's what I
15 understood at that time.

16 Q So investors would pay their funds to
17 Summit Trust, and then Summit Trust would forward
18 those funds to Mr. Snisky and his investment?

19 A That was -- yeah -- that was pretty much
20 the gist of what Doug told me at that point.

21 Q Okay. And what other details, if any, did
22 Mr. Scott give to you?

23 A He said he was excited about it. It's a
24 unique opportunity. It was new.

25 Q Okay. Did you have an understanding of why

1 was doing and received the funds.

2 What -- was Doug excited? Gosh, I can't
3 tell you. If it's just conversation saying, you
4 know, no different than anybody else talking to me
5 about a fixed annuity with really neat features in
6 it, probably.

7 Q But it sounds like you're getting an update
8 as though some kind of hurdle is being removed,
9 right?

10 A That's --

11 Q Some impediment is being removed?

12 A That's exactly correct.

13 Q And kind of opening the door now for
14 investors and Mr. Snisky's investment?

15 A That's correct.

16 Q Is that a fair way to put it?

17 A That's very fair.

18 Q And at that time did they use the word
19 "Arete"?

20 A No. That's a no.

21 Q Gary Snisky's investment?

22 A Or whatever it was, yeah.

23 Q Okay. But it was very much about the
24 individual Snisky, not the name of the investment?

25 A Yeah. The Ginnie-Mae bond.

1 investors couldn't directly pay their funds to
2 Mr. Snisky for the investment?

3 A You know, I'm sure Doug said that, but I
4 don't remember.

5 Q And these are communications in earlier
6 2012; is that correct?

7 A That's correct.

8 Q On the phone?

9 A Yes.

10 Q And you're in Michigan?

11 A Uh-huh.

12 Q Is that yes?

13 A Yes, that's a yes.

14 Q And where's Doug Scott?

15 A He's in Philadelphia.

16 Q Philadelphia area?

17 A Yeah, Philadelphia area.

18 Q Okay. Does he call you kind of excited
19 about this?

20 A He -- I don't know other than he was -- he
21 had this arrangement, and it could work. And the
22 big thing that I remember was -- and it goes back
23 to I guess, Snisky, intimating or telling me
24 somehow, because the trust company was here, it was
25 now -- he could make a legal entity out of what he

1 Q Okay. So you knew enough then that it was
2 about Ginnie-Mae bond investment?

3 A That's what he had said, yeah.

4 Q At that time, did you have an understanding
5 of any of the other little details of the
6 investment beside the fact that there would be a
7 purchase of Ginnie-Mae bond?

8 A Nothing.

9 Q Any notions of returns or safety or, you
10 know, time period of investment, lockup, any of
11 those notions?

12 A Other than it being, you know, government
13 of Ginnie-Mae bond and backed by the full faith and
14 credit of the U.S. Government.

15 Q Okay. Did you have any understanding from
16 Mr. Scott that he was reaching out to other people
17 like yourself?

18 A Excuse me. Yes. He had -- when he invited
19 me to -- well, to Longmont, he had said that he had
20 brought some other people, you know, and to meet
21 Gary.

22 I don't remember what he said about them.
23 I had the impression that he had had other
24 meetings, and he had been to Longmont a number of
25 times.

1 Q Okay.

2 MR. MILLER: Counsel, I imagine you're
3 about to get into a new topic area. Can we take a
4 quick bathroom break now?

5 MR. MARTIN: Yes, that's fine. Let's go
6 off the record at 9:40.

7 (Recess from 9:40 to 9:47 a.m.)

8 BY MR. MARTIN:

9 Q Let's go on the record at 9:47 a.m. While
10 we were off the record there were no substantive
11 conversations between the staff and the witness or
12 his counsel; is that correct?

13 A I didn't understand that.

14 Q While we were off the record, there were no
15 substantive conversations between the staff and the
16 witness or his counsel; is that correct?

17 A Oh, that's correct.

18 Q Okay. That's great.

19 (SEC Exhibit No. 30 was
20 marked for identification.)

21 (SEC Exhibit No. 31 was
22 marked for identification.)

23 (SEC Exhibit No. 32 was
24 marked for identification.)

25 BY MR. MARTIN:

1 Q I'm going to hand you three separated
2 documents, Exhibits 30, 31 and 32. Exhibit 30 is a
3 one-page document. It's Bates numbered Tomich 315.
4 Exhibit 31 is a three -- actually, it's a multipage
5 document from Bates range 316 through 3 -- I'm
6 sorry. It's 316, 319, 321, 323 and 326. But I
7 will represent to you these were produced in
8 sequence to us.

9 And then Exhibit 32 is Bates Number 318,
10 322, and 324. So let's look at Exhibit 30 first.

11 A (The witness complies.)

12 Q Let me see. I rather -- I -- yeah -- let's
13 look at Exhibit 30. It's a single page, Exhibit
14 30, Bates 315.

15 Do you recognize Exhibit 30?

16 A Yes, I do.

17 Q And what are those?

18 A Those are notes from a conversation -- not
19 a conversation, from a meeting that we -- that I
20 attended. It looks like meeting -- in Longmont,
21 right.

22 Q Okay. And this is your handwriting?

23 A It is.

24 Q So Exhibit 30 relates to a meeting that you
25 actually had in Longmont, Colorado?

1 A That's correct.

2 Q So let's put 30 to the side for just a
3 second and we'll get to that in just a minute. I'd
4 like you to look at Exhibit 31, which is a series
5 of notes here.

6 Do you recognize Exhibit 31?

7 A Yes, I do.

8 Q And are those your handwritten notes in
9 Exhibit 31?

10 A Yes.

11 Q And when were those notes taken?

12 A I don't know if they have a date on here or
13 not. It looks like it would have been part of the
14 same meeting in Longmont. Well, No. No. What do
15 I have -- no, I don't know what that means -- 12.

16 Q You do have a date or what appears to be a
17 date on -- you see the Bates number there that says
18 321, the bottom right-hand corner of the document?

19 A Oh, yes. Okay.

20 Q So if you look on the left-hand side of
21 those handwritten notes, there looks to be December
22 something 2012.

23 A I know. And that's confusing to me. Let's
24 see -- okay. Oh, okay. Okay. Okay. I guess it
25 could have been the 12th, because we're looking --

1 okay. Yes -- okay.

2 Q Let's take this one step at a time. Let's
3 look at Exhibit 31. If you look at the first page,
4 please, which is Bates 316.

5 A (The witness complies.) Okay.

6 Q Do you recognize those notes as your
7 handwritten notes?

8 A Yes.

9 Q And when did you take those notes?

10 A Apparently, at this meeting or well --
11 because of the Mozilla, and I can remember that
12 coming up because that was a question I had for
13 Rick. I don't remember the guy's name, Garete,
14 Garout, whatever his --

15 Q Greeott?

16 A Greeott.

17 Q Okay.

18 A Okay. He was a tech, and I had a question
19 about Mozilla. I'm assuming -- because of that, it
20 was -- when I attended the -- when I stopped in to
21 visit Snisky and Rick to get some more information
22 about Arete on the way to an insurance meeting in
23 Arizona.

24 Q And this was later in 2012?

25 A This would have been sometime in December,

1 yeah.

2 Q And so is it your testimony today that the
3 notes that are part of Exhibit 31 were all taken
4 during that period of time?

5 A Yes, I would believe that to be true.

6 Q Are any portion of these notes taken during
7 a different period of time?

8 A Let's see. No. It looks to be consistent
9 with that meeting.

10 Q Okay. And -- let's do this. Because
11 these -- hand me back 30 -- 30, 31, and 32, if you
12 don't mind.

13 A Sure.

14 Q These -- I'm afraid during the -- in my
15 review of the production, that these Bates numbers
16 were jumbled a little bit in the production that I
17 looked at. So what I'm going to do is I'm going to
18 go off the record and I'm going to reconstitute the
19 notes in a correct Bates number order in a way that
20 makes more sense. Because as I look at 30, 31, 32,
21 they're jumbled in a way that puts them out of
22 sequence. So I'm going to take a few minutes and
23 I'm going to reorganize them and we're going to
24 look at them in a way that I think they were
25 actually produced to us rather than in a way that

1 one-page document.

2 (Whereupon, Mr. Scoggins is present in the
3 examining room.)

4 BY MR. MARTIN:

5 Q And the Bates number is Tomich 316.
6 Do you recognize Exhibit 33?

7 A Yes, I do.

8 Q Is that your handwriting?

9 A Yes, it is.

10 Q And in what context did you take these
11 notes?

12 A I believe this is a meeting in Longmont,
13 Colorado -- excuse me -- with Gary Snisky in
14 December 2012.

15 Q Okay. And you attended this meeting with
16 who? Who all was there?

17 A It was Rick --

18 Q Greott?

19 A Greott -- I have trouble with that name.
20 It drives me nuts -- and Gary and me.

21 Q Okay. And what was the purpose of the
22 meeting?

23 A I wanted some clarification on things that
24 he had put in his briefcase and some other
25 questions I had, because some of the stuff in a

1 my computer told us they were produced to us.
2 Okay?

3 So let's go off the record at 9:55. Give
4 me a few minutes and we'll come back and we'll work
5 our way back through them.

6 (Recess from 9:55 to 10:06 a.m.)

7 (Mr. Scoggins not present in examining room.)

8 BY MR. MARTIN:

9 Q Let's go on the record at 10:06 a.m. While
10 we were off the record, there were no substantive
11 conversations between the staff and the witness or
12 counsel; is that correct?

13 A That's correct.

14 Q And I will, for clarity of the record, we
15 had some pagination issues with some of the
16 exhibits that we put in front of Mr. Tomich. And
17 those now appear to be sorted out.

18 I'm going to reintroduce some documents to
19 Mr. Tomich, and we'll talk about those documents.
20 All right.

21 (SEC Exhibit No. 33 was
22 marked for identification.)

23 BY MR. MARTIN:

24 Q Mr. Tomich, I'm going to hand you what's
25 been identified as Exhibit 33. Exhibit 33 is a

1 briefcase didn't make any sense to me. It
2 wasn't -- it was something that I couldn't
3 understand or explain.

4 Q And are you in person at this meeting in
5 Longmont?

6 A I am.

7 Q Let me also --

8 (SEC Exhibit No. 34 was
9 marked for identification.)

10 BY MR. MARTIN:

11 Q Let me also hand you what's been identified
12 as Exhibit 34. Exhibit 34 is a two-page document,
13 Bates numbers Tomich 321 through 322.

14 Do you recognize Exhibit 34?

15 A I do.

16 Q And are those also your handwritten notes?

17 A Yes.

18 Q And when did you take those handwritten
19 notes that are Exhibit 34?

20 A I believe it was at that same meeting in
21 Longmont in December of 2012.

22 Q Okay. Hold those for a second if you
23 would.

24 (SEC Exhibit No. 35 was
25 marked for identification.)

1 BY MR. MARTIN:

2 Q Mr. Tomich, I'm also going to hand you
3 what's been identified as Exhibit 35. Exhibit 35
4 is a two-page document, Bates numbers Tomich 323
5 through 324.

6 Do you recognize Exhibit 35?

7 A Yes.

8 Q And what are Exhibit 35, what is that?

9 A I believe it's the same notes from the same
10 meeting in Longmont in December 2012.

11 Q Okay. And these are your handwritten
12 notes?

13 A Yes.

14 Q Okay.

(SEC Exhibit No. 36 was
16 marked for identification.)

17 BY MR. MARTIN:

18 Q Let me also hand you what's been identified
19 as Exhibit 36, which is a three-page document from
20 Tomich 317 through Tomich 319.

21 Do you recognize Exhibit 36?

22 A Yes, I do.

23 Q And what is Exhibit 36?

24 A I believe it's the same, the notes from
25 that meeting in Longmont, December of '12.

1 Q Okay. And these are your handwritten
2 notes; is that correct?

3 A Yep.

4 Q And then one more document.

(SEC Exhibit No. 37 was
6 marked for identification.)

7 BY MR. MARTIN:

8 Q I'm also going to hand you what's been
9 identified as Exhibit 37. And Exhibit 37 is a
10 one-page document. It says Tomich 315, and you'll
11 note across the top, it says, notes from phone call
12 with what looks like Doug and Gary Snisky.

13 Do you recognize Exhibit 37?

14 A I do.

15 Q And what is Exhibit 37?

16 A It looks like it's notes from the phone
17 call with Doug Scott and Gary Snisky.

18 Q Okay. And those are your handwritten
19 notes?

20 A Yes.

21 Q All right. So let's -- based on your
22 recollection, Exhibit 33 through 36 are what you
23 believe to be notes all from a meeting with
24 Mr. Snisky in Longmont, Colorado, in December of
25 2012; is that correct?

1 A Would you please say that again?

2 Q Exhibit 33, 34, 35, and 36, as you've
3 testified, are notes from a meeting with Mr. Snisky
4 in Longmont, Colorado, in or about December 2012?

5 A That's correct.

6 Q Exhibit 37 are your handwritten notes
7 related to a phone call that you had with
8 Mr. Snisky and Mr. Scott; is that correct?

9 A That's correct.

10 Q All right. So let's look at Exhibit 37
11 first. And we'll set the others to the side.

12 These notes in Exhibit 37, are these the notes from
13 the phone call that you described earlier in the
14 middle of 2011, July or August of 2011, when you
15 had Mr. Scott and Mr. Snisky on the phone on a
16 conference call?

17 A I don't believe -- I look at the annotation
18 here about March 12th or 13th in Denver, Longmont,
19 Colorado.

20 Q So it suggested to you that it was in fact
21 after that?

22 A No. It's before that is what I would
23 surmise from here because otherwise why would I put
24 that date down there.

25 Q I guess that's what I'm trying to get at

1 is, when did this call with you and Doug Scott and
2 Gary Snisky occur that generated these notes?

3 A This is an assumption because I -- this
4 would be -- I would think when Doug called to
5 invite me to the meeting, I don't recollect this.

6 Q Okay.

7 A So I'm just going to have to reconstruct.
8 I'm surmising from this that it was a call. And
9 you know, it's going across the top, because I know
10 these are two separate pieces of paper.

11 And my assumption must -- is that these
12 were notes prior to me going there to meet him.

13 Q Prior to the March meeting in Longmont?

14 A To the March meeting, yes.

15 Q And prior to that meeting, were you on the
16 phone with Mr. Scott and Mr. Snisky in some sort of
17 conference call or some call?

18 A Other than the one in August or year before
19 in 2011?

20 Q Yes.

21 A Not that I'm aware of.

22 Q Okay. Why don't you take a minute and read
23 through your notes in Exhibit 37, they're very
24 specific. They're very specific details here. See
25 if that refreshes your recollection about any such

1 call with Mr. Scott or Mr. Snisky and maybe what
2 was conveyed to you during that call, and take your
3 time, please.

4 MR. MILLER: Can we go off the record for
5 just a moment.

6 MR. MARTIN: Let's go all off the record at
7 10:15 a.m.

8 (Recess taken from 10:15 to 10:16 a.m.)

9 BY MR. MARTIN:

10 Q Let's go on the record at 10:16. While we
11 were off the record, counsel reminded both the
12 staff and the witness that there was a call prior
13 to going out to Longmont, Colorado, in March of
14 2012.

15 And Mr. Tomich had an opportunity to sort
16 of refresh his recollection by reviewing
17 Exhibit 37. And he's going to tell us about the
18 context of Exhibit 37 and when that call occurred.

19 A I believe this call and these notes are in
20 reference to the invitation that Doug extended to
21 me to come to Longmont to meet Gary.

22 Q Okay.

23 A Gary Snisky.

24 Q All right. It looks like during this call
25 there were several elements of Snisky's investment

1 that were presented to you; is that correct?

2 A It looks that way.

3 Q All right. Can you go through your notes
4 here and explain to me what was told to you on this
5 call and by whom?

6 A At the top where I have Doug Scott on the
7 left -- on the left side of the notes here, I'm
8 surmising that this was given to me by Doug.

9 Q Okay. And so can you help me with -- can
10 you read through your notes there and tell me what
11 you were told on this particular call?

12 A Okay. The way I interpret them, and this
13 is my interpretation of notes, is that it was a
14 50,000 investment of 6 percent. They would net
15 5-1/2 percent.

16 It's a five-year agency bond.
17 Nonaccredited investors limited to -- it looks like
18 20 percent. Credited investors -- oh, okay. I'm
19 sorry. Nonaccredited -- I see this --
20 nonaccredited investors limited 20 percent of
21 liquid assets, and credited investors. Obviously,
22 talking about accredited investors.

23 It's a private placement, invitation only.
24 Ginnie-Mae, receipts are taxable. Five percent
25 reach to 2-1/2 million. I don't know what that

1 means. I don't understand. I don't know. The
2 5-1/2 percent at 25 bp trailer. At 25 basis points
3 trailer after two years.

4 That indicates to me that there was some
5 type of trailing fee that they were going to pay
6 after -- what does it say -- after two years. So
7 five-year redo on the bonds. They rewrite the
8 bond, I guess.

9 Q Okay.

10 A Then on the right where it says Gary at the
11 top, institutional bond investor, that's him.
12 Enjoyed protection and a full faith and credit of
13 the U.S. Government. Gary is a market maker for
14 Ginnie-Mae bonds, and Summit Trust Company is a
15 custodian aggregating funds. And that pretty much
16 summarizes it.

17 Q And did this call occur prior to any of
18 your clients investing in Arete?

19 A It would have to.

20 Q And are these the representations that you
21 just read through that you received from Mr. Scott
22 and Mr. Snisky on that call, are they consistent
23 with what was then told your clients or your
24 investors later?

25 A Well, after the meeting in Longmont, he

1 would have elaborated on it, and it would be
2 consistent, yes.

3 Q But by themselves, are these fairly
4 consistent with what you told your clients?

5 A Yes.

6 Q Okay. Is there anything on here that's not
7 consistent with what you later told your clients?

8 A No. I don't see anything that it would be
9 inconsistent.

10 Q Okay. And again this was a call prior to
11 you going out to Longmont, personally to --

12 A Yes. I forget about the shaking of the
13 head.

14 Q Why did you need to go to Longmont if
15 you're getting this information over the phone?

16 A Doug wanted me to meet Gary, wanted to meet
17 his family, me and whomever else he was inviting.
18 And Gary wanted to meet us and be able to explain,
19 show us his facility and his -- what, his -- what I
20 would understand now to be his Bloomberg
21 subscription and how that works and to meet and
22 understand him and what was going on.

23 Q Okay. And was it typical for you to want
24 to visit somebody personally before you put your
25 clients into an investment? Was this a typical

1 thing for you to do to make this kind of visit?

2 A No, because of being in an insurance
3 business, no, usually it's pretty much over the
4 phone or on the web.

5 Q Because you're dealing with more
6 institutional clients or bigger clients?

7 A The insurance business, you mean?

8 Q Yes.

9 A No. I deal with individuals.

10 Q Okay. I guess what I'm getting at is why
11 make the visit, trip?

12 MR. MILLER: To Longmont?

13 MR. MARTIN: Yes. Why make the trip?

14 THE WITNESS: Because they wanted to
15 establish -- this was my understanding. He wanted
16 me to meet Gary to see the legitimacy of what he --
17 Doug Scott -- the legitimacy of the organization
18 and to validate that what he was talking about was
19 true.

20 BY MR. MARTIN:

21 Q Have you been provided any documentation at
22 this point?

23 A None.

24 Q Prior to your visit to Longmont?

25 A I don't remember any.

1 Q No private placement memorandum? No other
2 forms or documents?

3 A No, none that I remember.

4 Q Okay. Did you pay your own way there?

5 A Yes, I did.

6 Q When you went to Longmont in March of 2012,
7 who else attended?

8 A I think there was Doug Scott, Rick Greeott,
9 Steve Tubbs or Tabs, I just seen his name there
10 again. A fellow from Texas, his name was Miezner,
11 and me.

12 There was supposed to be somebody else,
13 don't know who that was, but they didn't attend for
14 whatever reason. I know Doug was waiting for him
15 at the airport, and he didn't show up.

16 Q Okay. When -- did you get there in the
17 evening, in the middle of the day? I'm trying to
18 walk through your visit.

19 A No. I understand. Probably about 3 or 4
20 o'clock in the afternoon, because I know I checked
21 into the hotel and, you know, refreshed and then we
22 went out to dinner.

23 Q And did you go out to dinner with the same
24 folks that you just identified?

25 A Yes, and then there was -- as it turns

1 out -- I don't remember her name now, Greeott's
2 wife.

3 Q Is that Michelle Greeott?

4 A Yes. And then there was Gary's wife.

5 Q All right. And at dinner, did you talk
6 about Arete or the investment?

7 A A little bit, but not much. It was pretty
8 much general conversation about backgrounds and
9 individual families and that kind of stuff, just
10 chitchat.

11 Q Anything substantive about the investment?

12 A No.

13 Q Not really?

14 A No. None. I'm sorry. Nothing
15 substantive.

16 Q Okay. All right. Then what happened after
17 the dinner?

18 A Went back to the room, went to sleep, got
19 up in the morning and met Doug Scott, Miezner, I
20 think it was Steve Tob, Tobbs, Tubs -- and me and
21 Steve drove us -- I believe it was Steve drove us
22 to Gary's office, Gary Snisky's office.

23 Q Okay. And when you got to the office, what
24 happened then?

25 A He had somebody there to make us breakfast.

1 He had a kitchen facility, and somebody made us
2 breakfast. We did the tour of the office, the
3 rooms. Rick Greeott was in his room, and it was
4 pretty much it, the conference room, and then we
5 went -- we had a meeting.

6 Q All right. Before we get to the meeting in
7 the conference room, what did you understand Rick
8 Greeott's role to be?

9 A He was the -- he was the guy that designed
10 the algorithm that would make this program work.

11 Q What program?

12 A Gary Snisky's program -- Gary Snisky's
13 program.

14 Q Well, related to the --

15 A The Arete -- the Ginnie-Mae bond, and how
16 he would -- going to the government window is what
17 he talked about, you know, the fed went on picking
18 up those four basis points in a night trade.

19 He had something to do with that. It was
20 pretty vague about what he did other than he was
21 the computer geek, and he designed the algorithm
22 that Snisky's business used.

23 Q So one component of this investment was
24 this overnight fed window where there was trading
25 that occurred?

1 A Right.
 2 Q As you understood it?
 3 A That's my understanding.
 4 Q And Mr. Greeott helped with the algorithm
 5 and the technical aspect of that?
 6 A That was my understanding.
 7 Q And that overnight window was a component
 8 that helped earned Snisky the interest that he was
 9 representing on this?
 10 A That's my understanding. It's the excess
 11 interest.
 12 Q Okay. Did you actually see Mr. Greeott or
 13 Mr. Snisky engage in any trading or any activity
 14 related to that?
 15 A No.
 16 Q Okay. Did Snisky or Greeott, at any time,
 17 show you the Bloomberg terminal that Mr. Snisky
 18 had?
 19 A Yes.
 20 Q And in what context did they show you that?
 21 A It was a powdered (phonetic) meeting. He
 22 had it set up, and, if I remember he had three
 23 screens or a big screen on a wall, was reflected on
 24 a wall. I don't remember, but it was in a
 25 conference room.

1 Q Okay. And what did he show you? What were
 2 you --
 3 A He gave us screen shots -- should let you
 4 finish.
 5 Q No. I'm interested in what you have to
 6 say.
 7 A Yeah, I'm sure you are. The screen shots
 8 of the Bloomberg program. What the heck would you
 9 call it, the Bloomberg subscription.
 10 Q Did he show you actual bonds?
 11 A Yes.
 12 Q He did. And did he show you --
 13 (Whereupon, Mr. Scoggins has left the
 14 examining room.)
 15 THE WITNESS: Excuse me. Let me qualify
 16 that. He showed us a bond and it was paying -- he
 17 said, look at the 6 percent. This is the 6
 18 percent. This is what it's paying. This is the
 19 bond. This is the issue date, and he went through
 20 that explanation.
 21 BY MR. MARTIN:
 22 Q Okay. And did you understand these were
 23 bonds that had already been purchased.
 24 A You know, I didn't understand that, other
 25 than I understood it was a bond paying 6 percent.

1 Q I guess more specifically, did you
 2 understand that Mr. Snisky had made bond purchases
 3 with investor funds prior to you coming to Longmont
 4 for that visit?
 5 A Not on the level that he was presenting it
 6 to us. He said that he was instrumental in, I
 7 think it was North American under charter series
 8 annuity that he put that together. And he said he
 9 just put others together for other investors.
 10 Q But you didn't understand what he was
 11 showing you on the Bloomberg bonds that had been
 12 purchased for Arete?
 13 A Not at all, no.
 14 Q All right. So these were -- he was showing
 15 you prospective bonds?
 16 A No. He was showing us -- he said he
 17 presented them as actual bonds and a report on that
 18 particular bond.
 19 Q But they -- but he wasn't showing you bonds
 20 that had already been purchased for Arete?
 21 A No. My understanding were that -- my
 22 understanding was that it was a bond that he was
 23 showing us that was actually somebody else's bond.
 24 Q All right. It's my understanding based on
 25 your comments to Special Agent Loecker and me

1 several months ago that someone during this
 2 presentation by Mr. Snisky asked him if it was a
 3 Ponzi scheme like with Mr. Madoff?
 4 A Yes.
 5 Q Was that question asked?
 6 A Yes, it was.
 7 Q Who asked that question?
 8 A I think it was Mieznier, and I might have
 9 come up supporting that also.
 10 Q How did Mr. Snisky respond?
 11 A Very vocally.
 12 Q What did he say?
 13 A He said that -- come on -- I just lost the
 14 guy's name.
 15 Q Madoff?
 16 A Madoff. Thank you. That Madoff didn't
 17 have to do what he was doing. He was a fool. He
 18 was making a lot of money. There was a lot of
 19 money to be made in this business. And he didn't
 20 have to do what he was doing. There's no reason to
 21 do things like that, illegal.
 22 And he said that Madoff was -- and I'm
 23 giving you a bunch of stuff here that I remember
 24 that he said. Was playing sex games in his office.
 25 He just was being irresponsible, and he didn't have

1 to do what he was doing. It was just a scam.

2 Q And that that's not what Mr. Snisky was
3 doing?

4 A That's exactly what he was implying, not
5 implying, telling us.

6 Q So in other words, Mr. Snisky was telling
7 you he was running a legitimate operation?

8 A Yes, sir.

9 Q And that he would be purchasing these bonds
10 with the investor funds; is that correct?

11 A That's correct.

12 Q Did he tell you when the bonds would be
13 purchased with the investor funds?

14 A No, he didn't. I don't believe that came
15 up in conversation.

16 Q Did you have an understanding that the
17 bonds would be purchased somewhat immediately?

18 A My understanding from his explanation was
19 that he would put in a bid on a bond. And he had a
20 window of time to purchase that bond. And I don't
21 remember if it was three months. I believe it was
22 on a quarterly basis that he could fulfill that
23 purchase commitment that he made.

24 Q Okay. Excuse me. Mr. Snisky told me that
25 he did not purchase any of these bonds at any time

1 million, you know, you can buy them unless their
2 denominations.

3 Q Well, let me put it this way. Did you
4 understand that he didn't need anywhere near
5 \$5 million to be able to purchase some portion of
6 these bonds?

7 A I don't know how to answer that.

8 Q Well, I guess what I'm saying is, did you
9 understand that when he got funds from your clients
10 and other investors, that very shortly thereafter
11 he would be purchasing bonds?

12 A That was my understanding.

13 Q Okay. And that he didn't need to
14 accumulate \$5 million in order to be able to
15 purchase the first of these bonds?

16 A That would be the understanding, yes.

17 Q Okay. All right. Based on the interview
18 that we had with Special Agent Loecker and myself,
19 you told us previously that no one at that time, at
20 that meeting, requested any P&L statement or bank
21 records from Mr. Snisky; is that correct?

22 A That's correct.

23 Q Okay. Is there any reason why you didn't
24 request such a thing?

25 A You know, in retrospect, I guess we should

1 with the investor funds. Is that news to you?

2 A That was when I found that out, yes.

3 Q Okay. When did you find that out?

4 A I don't remember when I found that out.
5 But I think I had found it out when Agent Loecker
6 called one of my clients, in that circle of
7 conversation, within a day or two.

8 Q Is that contrary? Is that information
9 contrary to what Mr. Snisky told you?

10 A Oh, definitely.

11 Q How so?

12 A He didn't purchase the bonds.

13 Q And he was supposed to?

14 A Yes.

15 Q Within a very short period of time?

16 A Yeah. And I'm just -- I'm reconstructing
17 here, and I'm just darn sure that he said that he
18 put a bid on a bond, whether it was a million or 5
19 million, whatever it was, on a quarterly basis.
20 And he had a quarter to fill that bond purchase.

21 Q Okay. At any time did Mr. Snisky tell you
22 that he needed to raise \$5 million before he could
23 ever go out and purchase any bonds?

24 A I didn't heard that. The 5 million did
25 come up, just in general conversation. But the I

1 have. But, you know, I look at it, an insurance
2 company's rating, when I work with them, but never
3 thought about it here, because it was represented
4 by Doug Scott. That he was viable. He had
5 presented himself as being a bond trader since the
6 '90s, and it just never came up.

7 Q Any other due diligence conducted by you at
8 any time related to Arete or Mr. Snisky?

9 A Not outside of that meeting, no.

10 Q And by that meeting, you mean --

11 A I'm sorry. The meeting in March of 2012,
12 yes.

13 Q You also represented to Mr. Loecker and I
14 previously you weren't entirely sure how Mr. Snisky
15 purchased the bonds, but that you understood the
16 investors would begin receiving their 6 percent
17 return immediately and did not need to wait until
18 there was \$5 million worth of funds to by the
19 bonds, correct?

20 A That's correct. They would get paid their
21 rate of return payable quarterly, immediately would
22 be whatever the nearest quarter is.

23 Q And you understood that because that was
24 what was represented to you by Mr. Snisky; is that
25 correct?

1 A That's correct.

2 Q And you also told Agent Loecker and I that
3 you were -- you were told that the funds were being
4 used to purchase bonds, you were not buying a
5 promissory note of any type?

6 A That's correct.

7 Q And that's also a representation from
8 Mr. Snisky?

9 A That's correct.

10 Q And based on your experience and
11 understanding of the investment; is that fair?

12 A That's correct.

13 Q Okay. You also represented to Mr. Loecker
14 and I -- or Agent Loecker and I, previously that in
15 outlining the program Mr. Snisky stated that funds
16 would be used to purchase Ginnie-Mae bonds; is that
17 correct?

18 A That's correct.

19 Q And that Snisky represented that investors
20 would receive a 6 percent annual return; is that
21 correct?

22 A That's correct.

23 Q And that Mr. Snisky had a proprietary
24 system which he could get an extra point or two in
25 the overnight fed window; is that correct?

1 A He didn't say a point or two. He said
2 20 -- I think it's 20 basis points a night.

3 Q Okay. And that was where Mr. Greott came
4 in with his algorithm; is that right?

5 A That was the understanding, yeah.

6 Q And that Mr. Snisky also represented that
7 he would pay the, quote, introducer a 5 percent
8 commission which would come out of his own pocket;
9 is that correct?

10 A That's correct.

11 Q Okay. And you in this circumstance -- you
12 would be such an introducer; is that correct?

13 A That's correct.

14 Q Okay. You also told Agent Loecker and I in
15 our earlier interview that Mr. Snisky represented
16 that all the fees would be paid by him upfront from
17 his own funds, and that nothing was to be taken out
18 of the investors' account until it was profitable;
19 is that accurate?

20 A He was going to pay us. He had a group of
21 investors that work with him. They had funds, and
22 he was going to pay out of his own funds until, I
23 believe, 2-1/2 years. And then he figured at that
24 point with the system he had, he would then start
25 paying out of a profit position and pay himself

1 back.

2 Q But it would be at least 2-1/2 years or
3 roughly 2-1/2 years before Mr. Snisky would enjoy
4 any profit on this investment; is that fair?

5 A Yes. I think that's exactly the way he
6 represented it.

7 Q Okay. Is it also true that Mr. Snisky
8 represented -- this investment was virtually risk
9 free because the bonds purchased were Ginnie-Mae
10 bonds and backed by the U.S. Government?

11 A Emphatically stated, and showed us the
12 website and you know, backed by the full faith and
13 credit of the U.S. Government.

14 Q And is it also accurate that Mr. Snisky
15 explained in some detail about his investment
16 experience and his expertise?

17 A That's correct.

18 Q And what did he say in regard to that
19 specifically?

20 A He had been in the bond business in the
21 '90s. And again I mentioned in our conversation --
22 excuse me -- my eyes are itching.

23 With the -- that he was in his office. I
24 don't remember the name of the firm, the top two
25 floors of the twin towers, and he was with that firm

1 as a major brokerage, but he wasn't at work that
2 day.

3 I'm sorry -- that day being 2000,
4 September 11, 2001, he wasn't there. And he worked
5 for them, then he went off, worked in their
6 Syracuse office because he refused to stay in the
7 city of New York.

8 And he was a bond trader, and he was --
9 prior to coming to Longmont, he had a business
10 enterprise that he successfully developed in
11 Wisconsin.

12 Do you need these back?

13 Q We're okay. It sounds like Mr. Snisky was
14 at least, by his words, pretty good at what he did.
15 Did you get that impression?

16 A I got that impression, yes.

17 Q And so did he -- he talked about him being,
18 himself being an institutional trader; is that
19 accurate?

20 A That's correct.

21 Q Did you give that a finer point? Did he
22 explain what that meant?

23 A There was some type of exclusivity to that.
24 And to purchase and be a member of the Bloomberg
25 website, it cost them -- \$18,000 sticks in my mind,

1 but it wasn't the 18,000.

2 He said to do that, you had to be an
3 institutional trader, and it was behind a veil,
4 behind a curtain stuff. It was to limited -- you
5 had to qualify, and they had a very thorough
6 background investigation to substantiate his
7 qualifications to be a member of that service.

8 Q Did you have any reason to doubt that?

9 A I had no reason to doubt that.

10 Q And with that status, did he explain what
11 that allowed him to do?

12 A To be able to buy the institutional bonds,
13 but he also talked about 10 percent, 529 account
14 that he had for his children's education. He was
15 getting 10 percent on it.

16 And I had questioned that was -- excuse
17 me -- in a trip -- they picked us up at the
18 airport, and on the way back to the hotel -- on the
19 way down to the hotel, and I said, where are you
20 getting 10 percent? Nobody's paying 10 percent.

21 And he said, I'll show you tomorrow. And
22 so when he did, he showed us on the site, and it
23 said 10 percent Morgan Stanley, I believe the bank
24 was. And stuff goes by and he pointed it out and
25 you know --

1 Q Were you familiar with the Bloomberg
2 terminal and that type of information?

3 A Not at all.

4 Q Okay. So when he showed you something like
5 that, it may or may not have had a 10 percent
6 return. You don't know that for sure; is that
7 true?

8 A That's true, but it said -- it said 10 or
9 10 percent. It said 10 on the screen.

10 Q Right. In hindsight, do you have some
11 question as to what he was showing you on Bloomberg
12 and its accuracy or sort of what he said it was
13 versus what you were seeing?

14 A Of course.

15 Q Yes. Okay. Do you have a sense now, as
16 you sit here today, that maybe Mr. Snisky was
17 attempting to fool you with the use of the
18 Bloomberg terminal?

19 A It was a sales technique, apparently, yeah.

20 Q As you sit here today, do you feel deceived
21 by Mr. Snisky?

22 A Yes.

23 Q And in what particular ways?

24 A In every way that he presented his product
25 and his service.

1 Q Okay. And for all the reasons we talked
2 about, the 6 percent return, the Ginnie-Mae bonds,
3 the proprietary system; is that fair?

4 A Yes, uh-huh.

5 Q What else, if anything, was discussed
6 during your visit in Longmont in March of 2012?

7 A In addition to?

8 Q In addition to what we already discussed?

9 A You know, this Zeeker thing or Zeekster --
10 or what is Zeekster or Zeekster, whatever the heck
11 that is, the bidding site. Because this guy Tobbs
12 talked about it and how much money he was making.
13 You know, it's a multilevel marketing thing.

14 So at the end of the meeting, Doug Scott
15 apparently had signed up for it and never did
16 anything with it, and they signed us up. You know,
17 I never did anything with it either. It just -- it
18 was a bidding site.

19 And Michelle came in at one point and said
20 this is not a quote, but this is just a loose --
21 this is a memory of what she said. She had just
22 made \$10,000 on a bidding site.

23 I had no clue what that meant, other than
24 apparently she had made a bid on something, and
25 other people were bidding, and she had made a

1 substantial profit. That was the other topic that
2 was discussed. That was it.

3 Q Okay. Did you in our interview with
4 Special Agent Loecker and myself, several months
5 ago, you mentioned that Snisky made a point to tell
6 everyone that they were to, quote, not sell the
7 investment, but they needed to instead -- in a
8 sense give the investor the opportunity to ask
9 about it and seek it out for themselves. There's
10 something to that effect.

11 Does that refresh your recollection?

12 A You said there was no sales.

13 Q Okay.

14 A You couldn't solicit. You could only talk
15 to people that you knew. You could present it to
16 them. They would have to take it and make their
17 own decision, do their own consult and their own
18 due diligence, and that was the combatant.

19 Q And when -- eventually, when you started to
20 discuss Arete with your clients, did you discuss
21 Arete with anyone who was not already a client of
22 yours?

23 A No. Everybody I discussed it with I had a
24 relationship. He was adamant that you had to know
25 them or have a relationship with -- I mean -- I'm

1 sorry -- not know them, not just know them, you had
2 to have a relationship with them.

3 Q Okay. Did you ever discuss Arete with
4 anybody that you met at the class you taught, for
5 example?

6 A No.

7 Q Okay. Even if they asked you first about
8 other opportunities or anything, did you ever
9 discuss it with them?

10 A That question doesn't come up at those
11 classes.

12 Q Okay. Were there any other formats? Did
13 you ever conduct dinners or lunches or anything to
14 promote new clients?

15 A I have in years past, but I haven't --
16 yeah, I can't say that. I did an annuity seminar,
17 I think two of them this past year.

18 Q Did you mention Arete at those seminars?

19 A No, no. It had nothing to do with that.

20 Q After the visit to Longmont in March of
21 2012, you went back to Michigan, correct?

22 A That's correct.

23 Q Okay. What happened next in terms of Arete
24 and Mr. Snisky and your business?

25 A You know, not a heck of a lot other than

1 I'm almost -- I'm pretty darn sure I never talked
2 to Gary there. I talked to Doug. Doug called. I
3 don't remember the conversation. But, you know,
4 are you going to do this? Do you have any
5 prospects? And that was pretty much it.

6 I never -- the understanding was that Gary
7 was somebody we weren't to talk to directly.

8 Q Did you understand why?

9 A No. Other than there was some type of
10 procedural --

11 MR. MILLER: Hierarchy?

12 THE WITNESS: Not hierarchy, but at his
13 capacity, it wasn't prudent for him to be talking
14 to us for whatever reason. That is pretty much
15 what I understand.

16 BY MR. MARTIN:

17 Q So who were you supposed to talk to?

18 A Doug Scott.

19 Q Doug Scott?

20 A Yes.

21 Q So if you had questions about Arete, Doug
22 Scott was your source of information?

23 A That's correct.

24 Q And did you talk to Doug about Arete?

25 A If I had questions, certainly, yes.

1 Q And can you give me some examples? Did you
2 have some questions about it?

3 A Yeah. We discussed the meeting, and
4 discussed what to do with it. Doug said, remember,
5 if I'm going to do this, he has to send me the
6 forms, and he would e-mail me whatever that
7 offering form was.

8 Q And who e-mailed you?

9 A Doug Scott.

10 Q Doug did?

11 A Yes.

12 Q Okay. So in terms of the documentation
13 that you put in front of your clients or your
14 investors, that came from Doug Scott; is that
15 correct?

16 A That's correct.

17 Q And that includes any PPMs or private
18 placement memorandum from Arete or --

19 A I don't remember. I'm sorry.

20 Q No. Go ahead.

21 A Doing the sales technique here. I don't
22 remember getting anything directly from Gary. I
23 may have, but I don't remember.

24 Q Okay. The stuff that you got from Doug
25 Scott, the Arete documentation information, did you

1 understand that Doug Scott was getting it from
2 Gary?

3 A Yes, I did.

4 Q Okay. So it was just being passed along to
5 you?

6 A Yes.

7 Q And did you have an understanding of who
8 had created those documents or authorized their
9 use?

10 A No, I didn't. Other than -- my
11 understanding was that whoever the legal people
12 were, that an Arete employee created the document.

13 Q Okay. And if there were no legal people,
14 would it have been Gary Snisky himself?

15 A Apparently.

16 Q I mean, did you have a sense that if you
17 got documents from Arete directly or indirectly,
18 that they needed to be approved by Mr. Snisky?

19 A Yes, I understand that, yes.

20 Q Let me ask a question in slightly a
21 different way. Did you understand that Gary Snisky
22 controlled Arete?

23 A Yes, that was my understanding.

24 Q Okay. All right?

25

1 (Previously marked SEC
2 Exhibit No. 8 was referenced.)
3 BY MR. MARTIN:
4 Q I'm going to hand you what's previously
5 been identified as Exhibit 8.
6 Do you recognize Exhibit 8?
7 A No. I don't recognize this at all.
8 Q Have you ever seen it?
9 A I'm not aware of having seen it.
10 (Previously marked SEC
11 Exhibit No. 7 was referenced.)
12 BY MR. MARTIN:
13 Q I'm also going to hand you what's
14 previously been identified as Exhibit 7. Exhibit 7
15 is a two-page document. The first page is a
16 formatting cover sheet. And the Bates number on
17 this is SEC-SORRELLS-E-244. And the pertinent part
18 of this is the second page. It's called a private
19 placement calculator.
20 Do you recognize Exhibit 7?
21 A No, I don't.
22 Q Okay. And you weren't provided any such
23 calculator by Mr. Snisky or anybody else to use
24 with your clients, sir?
25 A No, I wasn't.

1 Q All right. Thank you. How soon after the
2 visit to Longmont in March of 2012 did you begin to
3 discuss Arete with some of your clients?
4 A The client I discussed it with is Jerry
5 Beland, very nice man. And that was probably -- I
6 can't say, probably. I don't remember, but it was
7 within two to three weeks, in there someplace, I'd
8 have to look back in the time frame.
9 Q And Mr. Beland had been an ongoing client
10 of yours?
11 A Oh, yes. Yes.
12 Q And it's my understanding that over time,
13 some seven or eight of your clients invested in
14 Arete for a total of approximately 1.1 million; is
15 that right?
16 A That's my understanding, yeah.
17 Q And the clients were in no particular
18 order, Duane Voorman; is that correct?
19 A That's correct.
20 Q Gerald and Marcia Schutte?
21 A Schutte.
22 Q Schutte; and that's correct?
23 A That's correct.
24 Q Anne Savage?
25 A That's correct.

1 Q Marcia Fortuna?
2 A That's correct.
3 Q Jerry or Jerome Beland?
4 A That's correct.
5 Q And Carol Hasty-Wiers?
6 A That's correct.
7 Q And Edmond Kieras?
8 A That's correct.
9 Q And that's -- those are the only investors
10 that you brought to Arete; is that correct?
11 A That's correct.
12 Q And each one of those individuals was
13 already a client of yours by the time they invested
14 in Arete; is that correct?
15 A That's correct.
16 Q So let's talk about Mr. Beland. He was the
17 first of your clients that you discussed Arete
18 with. How did it come up?
19 A I called him up and said, Jerry, I have
20 something I'd like to talk to you about, and he
21 came in.
22 Q And that was on the heels of your visiting
23 Longmont?
24 A That's -- that's correct.
25 Q And what did you tell him about the

1 investment opportunity?
2 A We went through the offering. I told him
3 it was private, private placement, and we went
4 through it literally word for word. I told him
5 take it with him, discuss it with his wife as he
6 always did, because Laura wasn't with him at the
7 time and come back and see if he wanted to do
8 something with it.
9 Q Okay. Let me put something in front of
10 you.
11 (SEC Exhibit No. 38 was
12 marked for identification.)
13 BY MR. MARTIN:
14 Q I'm going to hand you what's been
15 identified as Exhibit 38. Exhibit 38 is a
16 multipage document from Tomich 442 through Tomich
17 452, and at the top it says, Arete, LLC, a private
18 company.
19 Do you recognize Exhibit 38?
20 A It looks familiar to me, yes.
21 Q Is this the private placement memorandum
22 for Arete, LLC?
23 A It looks to be true, yes.
24 Q And is this what you reviewed with
25 Mr. Beland?

1 A And his initials are here, yeah, would seem
2 to be so.

3 Q And you did review this with him?

4 A Uh, yes.

5 Q And I noticed -- let's look at Exhibit 38
6 in a little bit more detail. I noticed right away
7 in the first few paragraphs, it talks about agency
8 bonds and the purchase of agency bonds; is that
9 correct, just on the first page there of 38?

10 A Yeah, I'm trying to see where it says
11 agency -- I beg your pardon, okay, yes. Okay.

12 Q And that's consistent with what Mr. Snisky
13 told you; is that true?

14 A That's true.

15 Q Okay. As you went through Exhibit 38 with
16 Mr. Beland, was the paperwork that constitutes the
17 PPM consistent with what Mr. Snisky had told you in
18 Longmont?

19 A This paperwork?

20 Q Yes.

21 A Yes.

22 Q Yes. I mean, there's -- in other words,
23 you're looking at 38 with Mr. Beland, and it rings
24 true with what Mr. Snisky had told you?

25 A Exactly.

1 Q Yeah. Okay. And if you look at the Bates
2 numbers are in the bottom right-hand corner, if you
3 look at Tomich 447, it's still the same exhibit,
4 Exhibit 38.

5 A Oh, I see what you're saying, okay.

6 Q Yes, 447 there.

7 A 447, hang on. Okay.

8 Q Is that your handwriting?

9 A It is.

10 Q So you filled this out on behalf of
11 Mr. Beland?

12 A I did.

13 Q And was that consistent with what you did
14 with all your clients?

15 A Yes.

16 Q Okay. Is that Mr. Beland's signature at
17 the bottom there?

18 A It appears to be.

19 Q Did you in any way address whether
20 Mr. Beland was an accredited investor or not?

21 A You know, I knew he was and I knew he was
22 close, but I knew he wasn't, and I called Doug
23 Scott about that, and he said that, you know, he
24 met the parameters.

25 Q And what were those parameters?

1 A That they had enough liquidity after they
2 placed money here, so you know we didn't consume
3 their money.

4 Q Okay. Did you understand Mr. Scott was
5 getting his information from Mr. Snisky?

6 A That was my understanding, yes.

7 Q Okay. And so essentially not to worry
8 about the fact that Mr. Beland was not an
9 accredited investor?

10 A Yes. He couldn't do a lot of those. He
11 said they were limited, but you could do some.

12 Q Were any of your other investors
13 nonaccredited?

14 A I believe Marcia Fortuna. Other than that,
15 the others were only credited investors.

16 Q Okay. And did you run Ms. Fortuna's
17 circumstances by Mr. Snisky or Mr. Scott?

18 A Scott, of course.

19 Q And what did he say?

20 A He said it was fine. We talked about her
21 portfolio and their worth and they were close.

22 Q So it sounds like you got a similar answer
23 that you did for Mr. Beland?

24 A That's correct.

25 Q And so of your investors only Mr. Beland

1 and Fortuna were not accredited?

2 A That is correct.

3 Q So again I'm looking at Exhibit 38, the PPM
4 for Mr. Beland. If you look at the Bates number
5 450 at the bottom right-hand corner.

6 A Uh-huh.

7 Q There's a distribution chart in there with
8 the 6 percent percentages. Did you understand
9 that's what the return would be on this investment?

10 A Yes. That's what I understood.

11 Q Okay. And there was a five-year lockup.
12 Is that also accurate?

13 A Yes.

14 Q And after the end of five years, what could
15 Mr. Beland do?

16 A Take his money.

17 Q Okay. All of it?

18 A Yes.

19 Q And that was upon representations by
20 Mr. Snisky; is that correct?

21 A That's correct.

22 Q If you look at Bates Number 451.

23 A (The witness complies.)

24 Q It says at the bottom that our proprietary
25 model has no hidden fees; is that correct?

1 A That's correct.
 2 Q And was that consistent with your
 3 understanding?
 4 A Yes.
 5 Q Okay. If Mr. Snisky in fact was taking
 6 investor funds for his personal use, including
 7 mortgage payments on his house and other uses,
 8 would that be a surprise to you?
 9 A That would be a shock to me.
 10 Q And would that be inconsistent with this
 11 notion of no hidden fees?
 12 A Obviously.
 13 Q Would it be inconsistent with the
 14 representations that he made to you about the use
 15 of the proceeds about the investment?
 16 A Yes.
 17 Q Okay. So if he's using funds for his
 18 personal use rather than to buy agency bonds,
 19 that's inconsistent with the representations he
 20 made to you; is that correct?
 21 A That's correct.
 22 Q And it's inconsistent with the
 23 representations you gave to your investors because
 24 you were relying on Mr. Snisky?
 25 A Yes.

1 Q It's also inconsistent with Exhibit 38; is
 2 that correct?
 3 A Yes.
 4 Q Okay. In fact, at any time, did Mr. Snisky
 5 tell you that he would be using investor funds for
 6 his own purposes?
 7 A Never.
 8 Q In fact, didn't you testify earlier that
 9 Mr. Snisky represented to you verbally in your
 10 meeting in Longmont, Colorado, that he wouldn't be
 11 using any funds at all until they secured a profit.
 12 Is that --
 13 A That is correct.
 14 Q Am I characterizing that accurately?
 15 A That is absolutely accurate.
 16 Q And that the time frame on that was roughly
 17 2 or 2-1/2 years. Do I have that right?
 18 A 2-1/2 years.
 19 Q Okay. So he wouldn't be touching any of
 20 this money for a couple of years?
 21 A That's correct.
 22 Q Okay. And that includes any fees or
 23 whatever profit percentage to him. Is that what
 24 you understood?
 25 A That was my understanding, yes.

1 Q Okay. Did you represent to Mr. Beland that
 2 this was a relatively risk free or secure
 3 investment?
 4 A It's exactly the way it was represented to
 5 me.
 6 Q And I'm --
 7 A Yes, I did.
 8 Q And that was because it was represented to
 9 you by Mr. Snisky that that was the case?
 10 A That's exactly true.
 11 Q Right. And that was consistent with
 12 Exhibit 38?
 13 A Yes.
 14 Q And you also represented to Mr. Beland that
 15 funds would be used to purchase government or
 16 agency bonds and that he would be paid out at 6
 17 percent annually; is that correct?
 18 A Yes. There was the 5-1/2, and I don't
 19 remember what that 5-1/2 was, but he -- I don't
 20 remember what it was, but it was going to be a net
 21 5-1/2, but Snisky would make that up, and I don't
 22 remember particulars on that.
 23 Q Okay. But materially, at 6 percent annual
 24 return?
 25 A That's correct.

1 Q At least as far as the investors were
 2 concerned?
 3 A That's correct.
 4 Q Okay. And in terms of being risk free and
 5 purchasing agency bonds and paying out 6 percent,
 6 are those all representations that you made to each
 7 and every one of your investors?
 8 A Would you say that again, please?
 9 Q In regard to the risk free nature of the
 10 investment, and the use of the funds to purchase
 11 the agency bonds, and the 6 percent annual return,
 12 are those all representations that you made to each
 13 and every one of your investors?
 14 A Yes, they are.
 15 Q And you made those to each and every one of
 16 your investors over a several month period based on
 17 the representations that had been made by
 18 Mr. Snisky to you?
 19 A That's correct.
 20 Q And also based on the paperwork, the PPMs
 21 that you review with your individual investors; is
 22 that correct?
 23 A That is correct.
 24 Q And an example of that is Exhibit 38?
 25 A That's correct.

1 Q Okay. You also shared with Special Agent
2 Loecker and I in our earlier interview several
3 months ago that at no time did you disclose the
4 fact that you were receiving commissions with your
5 particular investors?

6 A You know, I look back over that -- it's
7 been because it's been a business practice for me
8 for 23 years before that, you know, in the
9 securities business I always disclose -- in
10 securities, you know, I have to disclose how
11 much -- or what the concessions are.

12 In the insurance industry you just -- you
13 don't have to. But I tell everybody, because
14 people ask, how do you get paid? But as a matter
15 of form, I do tell them I'm getting paid.

16 In this case, in the insurance business
17 with annuities and life insurance, I don't discuss
18 my amount of commission, but I tell them it comes
19 from the company. And when I look at that that's
20 inconsistent with what I would normally say. So I
21 don't know if I really understood the question. My
22 normal -- my normal procedure is to say I get paid,
23 and the company pays me.

24 Q Well, let me put it this the way, because
25 I'm trying to you be fair to what you understand

1 A You know, yes, but when I do the math, and
2 believe me, when we did the information for you
3 folks on the bank accounts and all that, it didn't
4 come out to 5 percent.

5 I don't know -- calculated the amount -- if
6 I have to go back and look. The amount is
7 approximately -- is it here, 48,000.

8 Q Let me put something in front of you.

9 A Okay.

10 (SEC Exhibit No. 39 was
11 marked for identification.)

12 BY MR. MARTIN:

13 Q Let me put in front of you what has been
14 identified as Exhibit 39. And I'll take the other
15 one.

16 A Okay.

17 Q Exhibit 39 is a multipage document that
18 goes from Bates range Tomich 4 through 6. It's a
19 three-page document. At the top of the first one,
20 it says 2013 salary, bonuses, fees and
21 compensation, January 1 through July 12, 2013.

22 The second page says, 2012 salary, bonuses,
23 fees and compensation. And third one says, 2011
24 salary, bonuses, fees and compensation.

25 Do you recognize this exhibit?

1 your normal practice to be, but I'm also -- you
2 were asked a question before, and you did give us
3 an answer.

4 A I understand.

5 Q Is it fair to say with your clients related
6 to Arete that you did not discuss with them
7 explicitly what your compensation would be or what
8 your fees would be related to that investment?

9 A The amount, yes, that would be fair to say
10 that.

11 Q Okay. But the fact that you were being
12 compensated, is it fair to say that you believe
13 they understood you were being compensated or you
14 generally said you were being compensated?

15 A They knew I was being compensated. They
16 knew that.

17 Q By practice?

18 A Yeah. Sure. They've been dealing with me
19 long enough to know that I'm getting paid if I
20 didn't disclose it. Again, I have to -- it's not a
21 caveat. It's like getting up in the morning and
22 going to the bathroom. It's something I did all
23 the time.

24 Q All right. And you received commission of
25 5 percent in the investment; is that accurate?

1 A Yes.

2 Q Okay. Did you create the Exhibit 39?

3 A Yes.

4 Q So you put together these figures related
5 to your salary, bonuses, fees and compensation?

6 A That's correct.

7 Q So let's -- let's zero in on any funds or
8 any fees you earned related to Arete and Gary
9 Snisky.

10 A Okay.

11 Q On the first page of Exhibit 39, are any of
12 those amounts related to Arete?

13 A Nothing.

14 Q Okay. On the second page for 2012, are any
15 of those amounts related to Arete?

16 A Yes.

17 Q Which amounts are those?

18 A Cromarty at \$48,327.

19 Q Okay. And what does that figure
20 constitute?

21 A The wire transfer from Cromarty, who is
22 Doug Scott, on the fees or commissions or whatever
23 you want to call them from the Arete transactions.

24 Q Okay. And that's the entirety of your
25 commissions for Arete?

1 A Yes.
 2 Q Okay. Any other entries in 2012 on the
 3 second page of Exhibit 39 that would constitute
 4 funds received related to your Arete sales?
 5 A Nothing.
 6 Q Okay. So is it your testimony today that
 7 the entirety of the commissions that you received
 8 related to Arete were \$48,327?
 9 A That's correct. Yes.
 10 Q Okay. Is that a little less than you had
 11 thought before?
 12 A Yes.
 13 Q Okay. Why the disparity?
 14 A I just -- you know, when I'm -- I don't
 15 keep track of this until the end of the year, and
 16 if I know I'm going to get paid on a particular
 17 case, whether it's an insurance company or
 18 whatever, you know, I look to see if it hit the
 19 account.
 20 So whatever the amount was, I took 5
 21 percent of \$1,150,000 when I gave you and Agent
 22 Loecker that number. That's all I did, simple
 23 math.
 24 Q Okay.
 25 A It wasn't simple math. There's something

1 bonuses, fees and compensation, and I take it
 2 there's nothing -- there's no figure on there
 3 that's related to Arete?
 4 A 2000 -- I'm sorry, '12?
 5 Q 2011.
 6 A '11, I beg your pardon. I'm just fixated
 7 on '12. No. I didn't even know those people then.
 8 Q Okay. All right. How did you determine
 9 the 5 percent commission figure?
 10 A I didn't determine it. They did.
 11 Q So you were told that by Snisky?
 12 A Yes.
 13 Q Okay. Did you at any point ask him how he
 14 would come up with that 5 percent for you?
 15 A Never occurred to me to ask. Pretty
 16 standard fee a lot of times.
 17 Q Okay. Did you have any understanding that
 18 other investor funds including maybe even your own
 19 investors' funds would be used to pay you that 5
 20 percent commission?
 21 A No, I didn't.
 22 Q If you had known that, would you have
 23 gotten involved in Arete?
 24 A No.
 25 Q Would not have gotten involved?

1 missing here, and I have no idea what it was.
 2 Because when I calculated these, we went through my
 3 bank statements, my ledger statements. We went
 4 through whatever we had, and that's the number we
 5 came up with three different times.
 6 Q And they're all paid in wire transfers from
 7 the Cromarty Group?
 8 A Yes. We see nothing that came any other
 9 way.
 10 Q I noticed that in 2012 you also have an
 11 entry for Summit Trust Company?
 12 A That's correct.
 13 Q Approximately \$5,000?
 14 A That's correct.
 15 Q Okay. What's the source of those funds?
 16 A Referral fees.
 17 Q For?
 18 A For referring business to them.
 19 Q Related to Arete?
 20 A No, nothing to do with Arete.
 21 Q Okay. So that's not Arete related?
 22 A No, nothing with Summit Trust -- I'm sorry.
 23 Q No. Go ahead.
 24 A Nothing with Summit Trust is Arete related.
 25 Q And then I'm looking at the 2011 salary

1 A Obviously not, no.
 2 Q Okay. And if I tell you that investor
 3 funds were used to pay not just commissions for you
 4 but for other salespeople or introducers, would
 5 that come as a surprise to you?
 6 A It was a shock when I found that out, yes.
 7 Q And would that be inconsistent with what
 8 you were told by Mr. Snisky in terms of the use of
 9 these funds?
 10 A Yes.
 11 Q In fact, what were the funds supposed to be
 12 used for?
 13 A To purchase the Ginnie-Mae bonds.
 14 Q Right. Not to pay commissions to
 15 salespeople?
 16 A And not to pay any overhead any of that.
 17 Q Okay.
 18 MR. MARTIN: Let's go off the record at
 19 11:12.
 20 (Recess taken from 11:12 to 11:21 a.m.)
 21 BY MR. MARTIN:
 22 Q Let's go on the record at 11:21. While we
 23 were off the record we talked briefly about where
 24 lunch might fit in in today's schedule, and we've
 25 decided to sort of plow ahead for the time being.

1 Other than that, we didn't have any substantive
2 conversations between the staff, and the witness or
3 counsel; is that correct?

4 A That's correct.
5 (SEC Exhibit No. 40 was
6 marked for identification.)

7 BY MR. MARTIN:
8 Q Mark, I'm going to hand you what's been
9 identified as Exhibit 40. Exhibit 40 is a two-page
10 document from Tomich 440 through 441.

11 Do you recognize Exhibit 40?

12 A Yes, I do.

13 Q What is it?

14 A It's an asset purchase for Jerome Beland
15 for Arete for a five-year offering at 6 percent.

16 Q Okay. What's the purpose of Exhibit 40?
17 Why does it exist?

18 A So Jerome Beland could purchase the Arete
19 offering.

20 Q And this is a Summit Trust document?

21 A Yes, it is.

22 Q Did you get this from Summit Trust?

23 A Yes.

24 Q Did they e-mail it to you?

25 A No. It's on our website. We download it.

1 all your clients filled out related to the Arete
2 investment?

3 A I believe that, yes.

4 Q In order to make this purchase?

5 A Yes.
6 (SEC Exhibit No. 41 was
7 marked for identification.)

8 BY MR. MARTIN:
9 Q I'm going to hand you what's been
10 identified as Exhibit 41. Exhibit 41 is a one-page
11 document, Bates number Tomich 453.

12 Do you recognize Exhibit 41?

13 A Yes, I do.

14 Q And what is Exhibit 41?

15 A It's a Summit Trust document for him to
16 sell his mutual fund, place it in the money market
17 and then transfer it to a purchase for the Arete
18 offering.

19 Q And did you fill out Exhibit 41 other than
20 Mr. Beland's signature?

21 A Yes.

22 Q And is that Mr. Beland's signature?

23 A Yes, it is.

24 Q And did you pull this form off the Summit
25 website?

1 Q Okay. And do you fill this out for
2 Mr. Beland and then he signs it?

3 A Yes.

4 Q And is that his signature on the second
5 page?

6 A Yes.

7 Q Okay. And this is a document that Summit
8 Trust requires; is that correct?

9 A Yes.

10 Q Okay. And then associated with this,
11 Beland wrote a check to Summit Trust?

12 A No.

13 Q How did --

14 A Money came out of his money market -- is it
15 money market or it could have been his DFA. He
16 decided to move that money.

17 Q Okay.

18 A And interestingly enough, I don't give
19 advice, and I don't give advice on that,
20 obviously -- know where the money's at.

21 Q So was it a -- technically was it a
22 rollover or how did the funds get to --

23 A I believe this -- it's an IRA account, so
24 it just -- it's a self-directed IRA.

25 Q Okay. And is this the type of form that

1 A I did.

2 Q Yes. Okay.

3 A Maryann did, my assistant, Maryann Busch.

4 Q And so he's actually redeeming some funds
5 in order to purchase Arete; is that right?

6 A That's correct.

7 Q And is this also a form that's required by
8 Summit?

9 A Yes, it is.

10 Q And did your other client similarly fill
11 out the form such as this?

12 A If they had money there or -- yes, if they
13 had money there.

14 Q Money at Summit?

15 A I beg your pardon, yes, at Summit Trust.
16 In a Summit Trust account.

17 Q Okay. Right. Right. I mean, they're
18 basically just moving funds from one Summit Trust
19 account to another one?

20 A Basically, yes.

21 Q Right. I noticed that it says 8 percent
22 for five years on the Arete.

23 A That's a typo.

24 Q That's a typo. All right. And it says
25 Arete SMA. What does SMA mean?

1 A SEP holding managed account, I believe, is
 2 what it means.
 3 Q Okay. And were those funds supposed to
 4 stay with Summit?
 5 A Huh-uh, huh-uh.
 6 Q No?
 7 A No. Summit was just the -- you go ahead.
 8 Q You explain.
 9 A Okay. Summit was the Trust Company and
 10 transfer agent basically for the funds to go to
 11 Snisky and Arete.
 12 Q Okay. Who held the interest earnings?
 13 A It would go to Summit, and Summit would
 14 place it into a money market account that was
 15 attached to this particular individual. Summit
 16 never had constructed receipt of the money other
 17 than it would be directed.
 18 Q So once the investors started earning their
 19 interest -- which happened quarterly; is that
 20 right?
 21 A Yes.
 22 Q -- those funds would start to be collected
 23 in the Summit Trust accounts on behalf of those
 24 individuals; is that correct?
 25 A It would go to Summit Trust account and

1 Q Who?
 2 A You know, I think most of them, if not all
 3 of them, received some type of interest payments.
 4 I believe Gary Jerome Beland received two. I would
 5 have to go back, Mr. Martin, and look, but I'm
 6 pulling from memory that they all received one or
 7 two interest payments.
 8 Q In actual cash in hand?
 9 A In their account.
 10 Q In their account.
 11 A Yes.
 12 Q And they were able to access that account.
 13 A If they wanted to, yes.
 14 Q Okay. To your knowledge, did any of your
 15 investors receive any periodic statements from
 16 Arete or Summit regarding their accounts?
 17 A Not that I'm aware of.
 18 Q Did you ever receive such statement?
 19 A No. Excuse me. I have to back up on that.
 20 Because what their normal account, you know, the
 21 quarterly statements that they sent out, yes, that
 22 would have been annotated on the Summit report.
 23 Q Those are sent directly to investors?
 24 A Yes.
 25 Q Not to you?

1 then it would be directed to the money market
 2 account.
 3 Q But in the name of --
 4 A Of the individual.
 5 Q Of the individual?
 6 A Yes.
 7 Q Would not be held by Arete?
 8 A The interest?
 9 Q The interest?
 10 A No. It would go to Summit Trust to
 11 Arete -- would go to Summit Trust to the money
 12 market account attached to this individual's
 13 account.
 14 Q And that individual would not have access
 15 to that account for five years; is that correct?
 16 A No. The interest was available to him as
 17 soon as it was in the money market account.
 18 Q That was your understanding?
 19 A No, that's a fact.
 20 Q That's a fact?
 21 A Yeah.
 22 Q Okay. And to your knowledge did any of
 23 your investors ever get access or receive any
 24 interest funds?
 25 A Yes.

1 A Well, they're on the website. If I have to
 2 access them I can.
 3 Q But you're not copied on any transmission
 4 of those?
 5 A No.
 6 Q And how does Summit send those? Do they
 7 e-mail it or U.S. mail?
 8 A Mail.
 9 Q U.S. mail?
 10 A Right.
 11 Q Okay. I got my understanding that
 12 Mr. Kieras received \$1,500, a single payment of
 13 \$1,500 from Arete in or about July of 2012.
 14 Do you have any knowledge of that?
 15 A Yes. He received -- I believe Mr. Kieras
 16 received two \$1,500 payments.
 17 Q Okay. And according to Mr. Kieras, it
 18 didn't make sense to him because those funds were
 19 not due till the end of the quarter, yet he
 20 received them in July.
 21 Do you have any knowledge why he received
 22 those funds at that time?
 23 A No. I just thought it was normal pro
 24 forma.
 25 Q Did he discuss that payment with you or the

1 receipt of those funds?
 2 A No.
 3 Q Okay. Did any of your clients discuss any
 4 of the interest payments or receipt of funds
 5 related to Arete with you?
 6 A No.
 7 Q Okay. If an investor or client made more
 8 than one investment, would they fill out the forms
 9 multiple times?
 10 A Yes.
 11 Q And so they would review a PPM a second
 12 time, sign it, initial it, and so forth?
 13 A Yes.
 14 Q Okay.
 15 (SEC Exhibit No. 42 was
 16 marked for identification.)
 17 BY MR. MARTIN:
 18 Q Mr. Tomich, I'm going to hand you what's
 19 been identified as Exhibit 42. Exhibit 42 is a
 20 multipage document from Bates range Tomich 560
 21 through 570.
 22 It says up at the top left-hand corner,
 23 Summit offering-12 PO 5I, LLC, and then it says the
 24 private opportunity.
 25 Do you recognize Exhibit 42?

1 Q And so where did you get the document that
 2 became Exhibit 42?
 3 A From Doug Scott, where I got everything
 4 else, yes.
 5 Q And so you were told there was a legal
 6 reason for updating the name?
 7 A Yes.
 8 Q Okay. Were you provided any other
 9 information?
 10 A No.
 11 Q Did you understand that it was the same
 12 investment?
 13 A Yes.
 14 Q That it was still the Arete investment?
 15 A Yes.
 16 Q Even though it had this other name?
 17 A Yes.
 18 Q Nothing had changed other than the name?
 19 A That was my understanding.
 20 Q Okay. And was that a representation from
 21 Mr. Scott?
 22 A Yes, it was.
 23 Q Did you ever talk to Mr. Snisky?
 24 A You know, I had very little conversation
 25 with Gary. If I were to go back and look at my

1 A I do.
 2 Q If you turn to the Bates number 565, is it
 3 your handwriting?
 4 A Up above it is, yes.
 5 Q Is that Mr. Carol Hasty-Wiers' signature
 6 down below?
 7 A That is.
 8 Q Okay. And like you testified earlier, it
 9 was typical for you to fill out the PPM materials
 10 on behalf of your clients?
 11 A Yes.
 12 Q Okay. Now, I noticed in Exhibit 42, which
 13 is similar, if not identical, to Exhibit 38 that we
 14 looked at, which was the PPM for Mr. Beland, if you
 15 remember -- I'll put that in front of you -- also
 16 38 there.
 17 A Uh-huh.
 18 Q Instead of saying Arete at the top, it says
 19 Summit Offering-12-PO 5I.
 20 A Right.
 21 Q Why does it say that?
 22 A Excuse me. Doug Scott told me that Gary's
 23 legal people, whoever they were, needed to redefine
 24 the name, and that was how they had to update the
 25 docs.

1 records, I don't know -- I don't remember talking
 2 to Gary other than I had to have some conversation
 3 with them at some time, but Doug Scott was the only
 4 one I had contact with.
 5 Q Okay. And did you understand that
 6 Mr. Scott was in direct contact with Mr. Snisky?
 7 A Of course, yeah.
 8 Q And again with Exhibit 42, you went through
 9 that document with Ms. Hasty-Wiers; is that
 10 correct?
 11 A Word by word.
 12 Q Right. In the same way that you went
 13 through Exhibit 38 with Mr. Beland?
 14 A Yes.
 15 Q And you did so with each and every one of
 16 your clients or investors?
 17 A That's correct.
 18 Q And regardless of the fact that it says
 19 Summit offering at the top instead of Arete?
 20 A That's correct.
 21 Q I'll take those.
 22 A Both of them?
 23 Q And I take it with Ms. Hasty-Wiers and
 24 anyone else who was provided the Summit offering
 25 document, that you also made the same verbal

1 representations that had been given to you by
2 Mr. Snisky?
3 A That's correct.
4 Q In regard to the investments being risk
5 free; is that correct?
6 A That's correct.
7 Q The 6 percent annual interest; is that
8 correct?
9 A That's correct.
10 Q The notion that Mr. Snisky was an
11 institutional trader and was engaged in overnight
12 Fed trading; is that correct?
13 A That's correct.
14 Q The -- that the investor funds would be
15 used to purchase agency bonds, Ginnie-Mae bonds?
16 A Ginnie-Mae bonds, that's correct.
17 Q Okay. I want you to look in front of you.
18 I have Exhibits 33, 34, 35, and 36. And what I'd
19 like to ask you to do is review those handwritten
20 notes if you would and explain to me as best you
21 can the context in which you took those notes and
22 what those notes mean to you?
23 A Okay.
24 Q And if you would refer to the different
25 exhibit number while you're talking about that,

1 that will be particularly useful.
2 A Exhibit 33, I don't know where this came
3 from. I don't know if this was just a note I had
4 had. If it was a note from a conversation, or if
5 it was a note of questions that I wanted to ask
6 Gary. So the fact that it's on just a note, and at
7 the top it says married, indicates to me that I did
8 this at my office, and life is a series of
9 unexpected events, which is the last quote in
10 there, with something somebody gave me on the
11 phone, so I wouldn't have put that in anyplace
12 else. So I just assume it was either notes that I
13 had to ask him, Doug Scott, and that's my
14 assumption on -- excuse me -- on, I believe that's
15 33, is it?
16 Do you have a notion when you took these
17 notes?
18 A No, I don't. Exhibit 34. This is
19 apparently a conversation I had to have with Gary
20 at some point. Maybe Gary and Doug Scott, I don't
21 know. But -- and I can't tell you if this is from
22 a meeting.
23 Q Well, you will note on the left-hand side
24 of the front page there's a date on there.
25 A That's right. I see that again. That must

1 be from a meeting from when I stopped to see him
2 on my way to Arizona for an insurance company
3 meeting in December of '12.
4 Q Okay.
5 A Yeah. I was looking for a date and
6 couldn't find it. These are questions I had for
7 Gary. What happens with Arete if he dies.
8 Q What did he say?
9 A He said it would go on, and he assured me
10 that there's a continuity provision. I don't
11 remember what he said beyond that.
12 Q When using these notes in Exhibit 34, on or
13 about December 5th of 2012, what else did Gary
14 Snisky tell you?
15 A They had the note here of an additional
16 5,000 or 10,000 parcel deposits, new five-year
17 term. How do you keep track of that? I don't
18 remember what he said about that.
19 How to reassure clients about the apparent
20 secrecy because that was the, um -- that was the,
21 um -- that was the, um, a form that they sign. I
22 don't remember which one it was. I'm guessing you
23 have a copy of it -- about nondisclosure.
24 Q Okay.
25 A And so that was my question. Now,

1 ownership and Ginnie-Mae --
2 Q How did he answer that though?
3 A You know -- and, again, I can't tell you
4 because I don't remember. I don't remember how he
5 answered that.
6 Q Okay.
7 A Ownership in Ginnie-Mae bonds, how to
8 satisfy clients who want something of ownership.
9 Again, these are questions I don't know how he
10 answered that one. I don't know. I don't
11 remember.
12 Q Let me interrupt for just a second. Why
13 are you asking him these questions in December of
14 2012?
15 A Because those are questions that came up in
16 my mind.
17 Q Are you continuing to introduce or offer
18 this to your clients?
19 A At that point I stopped because -- and
20 before that -- because that briefcase thing they
21 had didn't make sense. They were excited. Trying
22 to remember, Mr. Martin, when that briefcase was
23 released, if it was September, October.
24 Q And this is the electronic briefcase?
25 A Yes. It was on their website. And they

1 were excited about it that we could show
2 information. The information they were showing
3 made no sense to me.

4 Q Okay.

5 A And that's part of why I wanted to go and
6 stop there on my way to Arizona, simply because I
7 wanted to get some clarification on that. I mean,
8 to put stuff up there that I couldn't explain to
9 anybody made no sense.

10 Q Okay.

11 A And that was the reason. Yield to maturity
12 at Ginnie-Mae retail, that's a question I had
13 because the bond, yield to maturity question, if
14 they put it in if there were partial years.

15 They just, again, I don't know what he told
16 me about this, but these are questions I had. I
17 can't tell you exactly what his answers were to
18 these because I don't recollect. If I did, I'd
19 certainly tell you. Let's see -- T-bill, agency
20 bond, Ginnie-Mae, corporation structure.

21 This must have been -- these had to be
22 answers that he gave me. Yeah, these are answers.
23 Now, T-bill, agency bonds, Ginnie-Mae, corporate
24 structure, guarantee notes. He talked about the
25 North American, that's NOA, North American charter

1 A And so those were apparently things we had
2 talked about. And I remember Rick was -- Greeott,
3 Garot, Greeott was putting up there. How does that
4 fit? And I said, Well, that makes sense. So
5 that's that document. Am I okay with this?

6 Q We're okay with 34. I just want to
7 understand.

8 A And 35. Okay. Yeah, see, these would
9 be -- these are notes from that meeting, I believe.
10 Let me see here. From the meeting -- I'm sorry --
11 the meeting in December of '12, unless this is -- I
12 see the date there, but I can't -- it seems to
13 be -- that's really weird. Boy, um, okay. So
14 these are notes I took from the -- from the meeting
15 with Gary. Now, I'm not --

16 Q And this is the December 2012 meeting?

17 A Yeah, you can see. I can't make that out
18 there so, okay. And so questions and he was giving
19 me answers on the 505 or 506 Reg D accredited
20 investor.

21 He talked about 30-year bond for yield of
22 1.88, the charge to buy. They had a charge -- if a
23 bond trader was selling a bond, and normal bond's
24 paying 188, they still had to charge a fee to the
25 investor on top of the bond cost, purchase cost.

1 series, 92 percent -- Ginnie-Mae, corporate
2 structured notes.

3 The 8 percent and something else, mutual
4 funds it looks like FNDS is abbreviated by bonds
5 with pooled value -- okay. Apparently, he answered
6 that one. They buy bonds with pooled value at 6
7 percent, 144-A is a regulated instrument.

8 I don't know what that bottom --
9 collectively through something -- grounds through
10 something. Then private equity rules, which is
11 covered -- his offering. Bloomberg brief
12 structured notes and private equity.

13 And then the bond screen shot. So I was
14 asking him about the bond screen shot there and how
15 we could -- I think the Bloomberg, if I remember
16 correctly, this was one of the things that Rick, he
17 was asking me what I thought should be up there. I
18 had no clue what the heck was available, what would
19 be simple for a person.

20 You can go to the Ginnie-Mae site and look
21 at this and it says, Ginnie-Mae and backed by the
22 full faith and credit of the government. I wanted
23 to be able to do something like that at his
24 briefcase site.

25 Q Right.

1 Q Okay.

2 A That's what that was. Charter series, the
3 North American again, he said he designed that.
4 CPR to continue his payment rate. That's the --
5 continue his payment rate, the business about the
6 partial ownership of the bond as you go along.
7 Played a game with them not against them.

8 I don't know who he's talking about. It
9 could be your institution. I don't know. Backed
10 by full faith and credit. Because he was -- he was
11 very structured on this about wanting to keep
12 everything on the up-and-up, so he didn't have
13 people showing up at his office, you know.

14 Q Meaning like regulatory authorities?

15 A Yes. Yes. This is a very fragile
16 business. Federal Reserve way to set up on the
17 institutional side, that's his Bloomberg thing
18 again.

19 Restricted to interest only for five years.
20 That's got to be his Ginnie-Mae. You can get the
21 yield -- we're taking you behind, yeah, behind a
22 veil and giving you the institutional side that
23 already exists. That was the big thing with the
24 Bloomberg site, that this was something that was
25 really a rarified atmosphere, you know, privileged

1 territory.

2 Q So did you understand then that he was able
3 to access these bonds and get them somehow to
4 discount or better because of his institutional
5 trader status?

6 A Yes. Yes.

7 Q And was that something that he explained to
8 you back in March of 2012?

9 A When our original meeting -- yes, he had
10 access. The Bloomberg site gave him additional
11 access apparently.

12 Q Okay.

13 A Rated out for money -- let's see -- and
14 calendar quarters -- bond, a coupon rate
15 institution. Arete is a private equity firm, a
16 brief overview, okay. It's not a solicitation
17 obviously, part of presentation. I am here to
18 share information. It's an opportunity with you.

19 Offer them info upon which to make a
20 decision. After explanation ask does this sound
21 like something you would be interested in?
22 Notation on check, Arete SMA, check made to Summit
23 Trust Company. Aggregate a pool -- a broker buys a
24 yield. Okay. There's a note there.

25 Aggregate a pool of money to meet the

1 annuities, and I sell life insurance. And it's a
2 question that I wanted to get some insight into
3 about annuities, and he knew something about them.

4 The FINRA with Allison. It frankly was
5 reassuring to meet her at lunch. I don't know if I
6 can -- you have questions on that. This Allison
7 was the former FINRA attorney at Chicago.

8 Q And did she represent herself that way?

9 A I asked her a question at lunch, yeah.

10 Q What did she say?

11 A I asked her if she was FINRA background.
12 She was at the downtown Chicago office. And I
13 asked her if she was in compliance, and I believe
14 she said she was. Yeah. And that was just an --
15 it was a harbor of comfort because all of those
16 things, why would he be bringing -- can I talk
17 about that here?

18 Q Absolutely.

19 A Okay. Because I don't know if this is your
20 question of format or not. Why would he be
21 bringing an attorney onboard, inside, and she was
22 going to be or was the trustee on his checking
23 account. Why would he do that?

24 It's just another matter of -- and Doug
25 Scott had said it. It's another matter of just

1 required minimum to purchase the bond, 5 million, 2
2 million, whatever it was.

3 Q And are these the notes that you took of
4 what he told you in December of 2012 as represented
5 in Exhibit 35? Are those statements consistent
6 with what he told you in March of 2012?

7 A Yeah, nothing changed. He was consistent
8 about that.

9 Q Okay. And then let's look at, finally, at
10 Exhibit 36.

11 A Okay. It looks like notes from the same
12 meeting.

13 Q And again, the meeting is December 2012?

14 A Yes. Okay.

15 Q Okay.

16 A I don't know what the police thing is. I
17 don't have a clue about that. Outstanding
18 principal, month to month payment. That's the
19 fractional interest ownership of the bond.

20 Real banking institutional side, that's the
21 Bloomberg thing again. Three components of
22 annuities. Bank guaranteed, structured notes,
23 T-bills, and agency bonds, Ginnie-Mae, Fannie Mae,
24 and Freddie Mae (sic).

25 That was a question, because I sell

1 making this a more solid -- what am I looking for,
2 legitimate enterprise, you didn't have to worry
3 about.

4 Q Okay.

5 A FINRA, Allison, CPR coupon payment, 5
6 million at 6 divided by 12 equals 25,000. That's
7 the interest rate. Mozilla -- okay. I added --
8 this was a note that I did with Rick, because Rick
9 was a -- he's a geek. He's a computer geek.

10 And I had just bought an Apple iPad. And I
11 could have bought a rocketship, because I had no
12 clue. And so he was helping me with it.

13 Q Okay.

14 A His comments were about Mozilla, and that
15 it's a really good site. That was with this Qrobe
16 and a nice -- nice search site. And there's my
17 note about Allison.

18 Jason was the investment advisor. Angie
19 was their CPA. And Jason was at lunch with us. We
20 went to lunch that day. And that was at this
21 meeting in December of 2012. It was Gary, Rick, I
22 think Allison went there. But this kid Jason,
23 kid -- this man Jason met us there and --

24 Q What did he --

25 A Excuse me -- I don't think there was

1 anybody else. I think that was it.

2 Q What did Jason explain his role was?

3 A He was an insurance man, basically. And he
4 was an investment advisor, grew up on a ranch, I
5 think in Montana or Wyoming, you know, there was a
6 little chitchat back and forth.

7 And they were going to develop an insurance
8 agency. They were applying to have an insurance
9 agency, and Jason was the man in-house to run that.

10 Q Okay.

11 A So there was another component.

12 Q And he was new?

13 A I hadn't met him before. I don't know how
14 new he was, between the March meeting, and the
15 December meeting.

16 The other notes down here are the notes
17 about the Qrobe site, that kind of stuff about the
18 privacy. And the other 319, same thing, notes
19 about the Mozilla and subtracting and all that
20 stuff.

21 Q And, again, if I'm understanding your
22 testimony correctly. The notes that you took on
23 Exhibit 36 reflect statements that Mr. Snisky made
24 to you that were consistent with the same kind of
25 statements he made to you in March of 2012?

1 A Yes.

2 Q All your clients?

3 A Yes.

4 Q Okay. After that, did you have additional
5 concerns or --

6 A No. Once that we found out that the
7 interest payment was there, I was okay. He made
8 his payments, and we're fine. Go ahead. I'm
9 sorry.

10 Q No. That's all right. At some point in
11 2013, though, did you begin to suspect that there
12 was something wrong with Arete or Snisky?

13 A No, I did not.

14 Q What was the first indication that
15 something had gone badly or --

16 A The phone call from Agent Loecker.

17 Q And at that point were you learning some
18 information for the first time?

19 A Oh, yes.

20 Q After the call from Agent Loecker, did you
21 reach out to Snisky or Doug Scott?

22 A You know, I tried -- yes, well, Doug Scott
23 in particular because he was my go-to guy. I
24 wanted to know what was going on. I told Doug, you
25 know -- I don't know. I think he was unaware until

1 A Yes.

2 Q At some point you question the legitimacy
3 of the Arete investment and sort of the legitimacy
4 of Mr. Snisky; is that correct?

5 A I believe that, yeah, that was in
6 particular at the March meeting.

7 Q Well, but I'm saying, as you get into 2013,
8 at some point you begin to become concerned about
9 Snisky and Arete.

10 A Doug, and I -- yes.

11 Q Why did that happen?

12 A Because an interest payment didn't show up,
13 but as it turns out, it was there.

14 Q And did you discuss that with Doug?

15 A Oh, yes.

16 Q Okay. What did he have to say?

17 A He -- he -- yeah, he was the one that
18 brought it up, and you know, I mean that -- what
19 happened? Well, it was there. It just wasn't
20 credited properly.

21 Q And was this for an individual?

22 A No. It was for individuals. It was a
23 payment, I believe it was an October payment.

24 Q Okay. But it related to all your
25 investors?

1 I told him.

2 As the sequence was, I was putting on a
3 class at Grand Valley for the conservative
4 investors, and I get a call before the class starts
5 from Jerry Beland. And he said I got a call from
6 this IRS agent about the Arete, and you know, I
7 thought I was going to have a heart attack.

8 And so I called, at that point, I called
9 Doug. I said, Are you aware of this? The sequence
10 is a little vague, but I remember this. And so he
11 wasn't. He said he would find out.

12 He called me back some time before 9
13 o'clock that night. I'm thinking at the break. I
14 don't remember, and he said, Gary said that, no,
15 that's not true.

16 He said the money's in the account. Talked
17 about -- because Agent Loecker said that the
18 accounts were frozen or seized or whatever. That's
19 what he told Jerry. And he said Gary said, no,
20 that's not true.

21 So I said, Okay. Let's find out what's
22 going on. Doug Scott knew this girl in Stockton
23 that had had some business dealings with Gary. I
24 said, why don't you call her up because apparently
25 she was going to be an investment advisor for

1 Gary's firm, too. I don't know what the synergism
2 was there. And he -- Doug then said we'll contact
3 her and see if she knows anything.

4 Q What was her name?

5 A I don't know.

6 Q Okay.

7 A Doug said it, but I have no idea. And I'm
8 pretty sure it was Stockton. I wouldn't bet on it,
9 but I'm pretty sure. So I went -- after the
10 class -- went back to my office. And I told Jerry
11 when I talked to him. I'll stop and see you
12 tonight.

13 I dropped my stuff at the office and
14 checked my voicemail, and there's a message from
15 Marcia Fortuna. And so I thought, well, I've got
16 to go see Jerry. So I went to see him, and talked
17 about what went on, and had no idea, him and Laura
18 told me about the conversation.

19 Went back to the office. It was maybe 10
20 o'clock, and I knew I had to call Marcia. I know
21 she goes to bed at 9:00, but it didn't make any
22 difference. This is way, way, too serious. So I
23 called her, and she confirmed what Jerry said.

24 And according to Agent Loecker, they had
25 recovered 50 percent or so of the funds, and it

1 was -- excuse me -- I have got to stand up for just
2 a second.

3 She said that Agent Loecker said that the
4 accounts were frozen. So Doug sends me this
5 e-mail. No, he calls me. I send him an e-mail.
6 The next day, anyhow, Doug calls and he says Gary
7 wants to do -- Gary wants to do a conference call.
8 And he had talked to Gary the night before, and he
9 said -- I think I must have sent you the e-mail
10 because I sent in all that stuff.

11 He talked to Doug and prayed on the phone
12 for about an hour. Doug -- I'm sorry. Doug Scott
13 talked to Gary and they prayed on the phone for an
14 hour. And he says, I believe he's telling the
15 truth.

16 And then I don't remember how -- was it
17 after I talked to Marcia, and I got that message
18 from Doug. And then I sent Doug an e-mail and said
19 he's lying. I don't know the exact sequence.

20 And Doug got back to me, and we had some
21 conversation. Then Doug -- after that said, Gary,
22 we're going to do a conference call with you, Gary,
23 and I. I said, I have no interest in talking to
24 him. And that was the end of that.

25 Q Did you ever talk to him?

1 A Not since then, no. And shortly thereafter
2 I didn't talk to Doug Scott either.

3 (Telephone interruption.)

4 BY MR. MARTIN:

5 Q Did you ever communicate with Snisky since
6 early 2013 in any form, an e-mail or any way?

7 A Let me -- I'm sorry -- I did miss
8 something. I did talk to Snisky. I did talk to
9 him, totally forgot about that. After Doug -- Doug
10 gave me his direct line, and I called him. Now, it
11 could have been -- it could have been the night
12 after Jerry Beland called, the sequence is a little
13 confusing in my mind.

14 Q It's all right in that same period?

15 A Yes. Yes. And I talked to Gary, and he
16 was -- I don't know, maybe he was at home. They
17 were going to have supper and he says, no,
18 everything's fine. And he assured me or reassured
19 me, then subsequent to that, I believe, Doug Scott
20 talked to him.

21 Q And by fine, what did he --

22 A I'm sorry.

23 Q What did he tell you exactly?

24 A He said his accounts were not seized, that
25 he checked and you know, they're -- he has access

1 to the accounts.

2 That Allison and his wife -- my
3 understanding was that Allison and his wife were
4 trustees on that account so he couldn't touch the
5 money. That was one of the reasons for setting up
6 that checking account or that trust account so he
7 could have no access to that money. They would
8 have to authorize any checks or withdrawals.

9 Q All right. I want to go back to a slightly
10 different topic. I want to talk about your
11 dealings with Summit Trust prior to Arete. It's my
12 understanding that there was an investment through
13 Summit Trust called the Rampart Fund?

14 A That's true.

15 Q What's the Rampart Fund?

16 A It's an individual -- it's a platform --
17 not a platform -- it's an offering that they do
18 depending on what they have available that they can
19 offer through Rampart for self-directed IRAs.

20 Q Okay. And who is Rampart or what is
21 Rampart?

22 A They are Rampart. Rampart is wholly owned
23 by Summit Trust or was.

24 Q So it's their -- Rampart is their offering?

25 A Uh-huh.

1 Q Is that a yes?
 2 A I'm sorry, yes. That's a yes.
 3 Q Okay. And so whatever are the underlying
 4 investments in Rampart is sorted out and figured
 5 out by the Summit Trust people and they put
 6 together that offering?
 7 A That's correct.
 8 Q And I take it that they offer a certain
 9 return and certain bells and whistles?
 10 A That's correct.
 11 Q And what are those representations that
 12 they made related to Rampart?
 13 A The return?
 14 Q Yes.
 15 A Depends on the duration. It was -- depends
 16 on whether, you know, how many years, and it was 6,
 17 6 -- it was 7, 8 or 9 or 10. It depends on the
 18 duration.
 19 Q Percent?
 20 A Yes, percent, per year.
 21 Q And were your clients in Rampart?
 22 A Yes.
 23 Q And did they receive their funds?
 24 A Yes.
 25 Q Did Rampart successfully provide or run its

1 course?
 2 A Yes.
 3 Q And was it a five-year program or --
 4 A It's all done. Everybody got their money
 5 back, so whoever had whatever.
 6 Q Got their money back, including interest?
 7 A Yes.
 8 Q And were there some unusual circumstances
 9 to the wrap-up at Rampart? I have seen some
 10 documentation that suggests that there were some
 11 missed payments, and then there was payments made
 12 up.
 13 A Oh, you're talking from Maryann, my
 14 assistant.
 15 Q Yes.
 16 A Yeah, she kept track of all that, made sure
 17 she did that, too, for mutual funds. When we had
 18 mutual funds. She's really very good at that, that
 19 and made sure that everything was in order. And
 20 she caught a discrepancy, and they took care of it.
 21 It's just that whatever happened between
 22 Summit. Unless -- I don't know what Revzon calls
 23 his organization, but Revzon does reporting. He's
 24 the reporting service for about 300 banks or so,
 25 and trust companies. And Summit Trust is one of

1 his clients.
 2 Q There's another investment called Capital
 3 Window?
 4 A Yes.
 5 Q And what was that investment?
 6 A That's a private offering.
 7 Q Okay. Through Summit Trust?
 8 A Summit offered it, yes.
 9 Q And Capital Window is its own entity?
 10 A Yes.
 11 Q And who's the principal of Capital Window?
 12 A Thomas Carter, I believe.
 13 Q Was that also a set investment with an
 14 annual return --
 15 A Yes.
 16 Q -- similar to Rampart --
 17 A Yes.
 18 Q -- and so forth?
 19 A Yes.
 20 Q Okay. And did you understand what the
 21 underlying investments in Capital Window were?
 22 A It was an investment in their business,
 23 for, I think, a three or four-year period. I don't
 24 remember offhand.
 25 Q And what was the business?

1 A Their business is evaluating other
 2 businesses that would approach them, and they would
 3 put them through -- they charge a fee, I believe,
 4 it was \$25,000.
 5 Q Okay.
 6 A For evaluating the business, if they had a
 7 viable business opportunity to offer -- to private
 8 equity firms to get money to fund their offering.
 9 Q Okay. Did any of your clients ever not
 10 receive funds when they were due from Capital
 11 Window or Rampart?
 12 A No. The Rampart -- no, everybody received
 13 theirs. Capital Window, is I think is -- no, as
 14 far as I know they've been okay.
 15 Q Still ongoing?
 16 A Yeah.
 17 Q Okay.
 18 MR. MARTIN: Let's go off the record at
 19 12:10.
 20 (Recess taken from 12:10 to 12:16 p.m.)
 21 BY MR. MARTIN:
 22 Q Let's go on the record at 12:16 p.m.
 23 While we were off the record there were no
 24 substantive conversations between the staff and the
 25 witness or his counsel; is that correct?

1 A That's correct.
 2 Q Okay. Mike, at any time did you tell any
 3 of your clients or investors that you personally
 4 had invested in Arete?
 5 A No, I didn't.
 6 Q Did you ever tell any of them that you
 7 intended to invest in Arete?
 8 A No.
 9 Q Okay. Other than counsel, have you spoken
 10 with anyone regarding this investigation?
 11 A Probably my secretary.
 12 Q Okay.
 13 A I know I mentioned it to Kevin, Kevin
 14 Brown, um, but no, in discussing -- what am I going
 15 to discuss?
 16 Q But what did you discuss with Mr. Brown?
 17 A Just knowing that he's coming in and I'm
 18 coming in, and apparently the other day he told
 19 me -- I don't know when it was, end of spring, I
 20 guess, that Agent Loecker and somebody else came in
 21 and interviewed him, but that's pretty much it.
 22 Q Okay. And have you -- other than counsel,
 23 have you spoken with anyone regarding your
 24 appearance here today?
 25 A Well, let me back up a little bit.

1 Q Sure.
 2 A Okay. Because -- yeah -- discussing this
 3 investigation.
 4 Q Uh-huh.
 5 A Obviously, Kevin Brown and I talked about
 6 what was going on when all this stuff started
 7 happening.
 8 Q Right.
 9 A So yes, we discussed it then. But the rest
 10 of it pretty much no -- my secretary knows I'm
 11 here. Kevin Brown knows I'm here, and my children
 12 know I'm here.
 13 Q All right. More importantly, have you
 14 discussed with anybody what your testimony would be
 15 today?
 16 A Other than counsel?
 17 Q Right.
 18 A No.
 19 Q Okay. Anyone suggested what your testimony
 20 should be today?
 21 A No.
 22 Q Okay. Have you seen a transcript or digest
 23 or summary of the testimony of anyone else who's
 24 testified in this investigation?
 25 A I have no clue who's testified, no, I

1 haven't.
 2 Q And other than Mr. Brown, do you know
 3 anyone else who's been subpoenaed or testified in
 4 this investigation?
 5 A No.
 6 Q Have you discussed with anybody what their
 7 testimony would be or should be?
 8 A No.
 9 Q And have you discussed your testimony or
 10 past or proposed testimony with other witness with
 11 any intermediary?
 12 A No.
 13 MR. MARTIN: Mr. Martin, at this point
 14 we're going to adjourn testimony to a date
 15 uncertain. If we need you, we'll contact counsel.
 16 In that event, what I would imagine is we would be
 17 very specific about our questions and likely be
 18 able to handle it by phone or in some other
 19 expedient fashion.
 20 And I want to remind you, that although
 21 your testimony is adjourned, you do remain under
 22 subpoena.
 23 And I'll ask counsel if you wish to ask any
 24 clarifying questions at this time.
 25 MR. MILLER: Just a couple of questions.

1 Thank you for the opportunity.
 2 BY MR. MILLER:
 3 Q Mr. Tomich, as you sit here today, do you
 4 believe that you told your clients that you would
 5 be receiving a commission related to the Arete
 6 offering?
 7 A I believe I told them I was getting --
 8 getting paid, yes.
 9 Q Earlier it was mentioned that the name
 10 Bernie Madoff came up at the meeting concerning
 11 Arete suggesting that is this a scam or not.
 12 Did you believe that Arete was a scam?
 13 A Not ever.
 14 Q And why did you not believe that when the
 15 name Madoff came up?
 16 A As I mentioned earlier, the meeting was
 17 convincing, the material and the evidence that they
 18 presented was convincing. I had absolute faith
 19 that Doug and I, Doug Scott and I, had a relationship
 20 that went back some years.
 21 And the fact that he was involved in this,
 22 you know, I had no knowledge of Doug doing anything
 23 that would be stupid or foolish. And based on
 24 that, you know, with the other evidence at that
 25 meeting, it just seemed to me, and the stuff I

1 could do as far as ascertaining that the government
2 bond was, you know, was a government bond, a
3 Ginnie-Mae bond. No, I had no reason to believe
4 anything other than it was legitimate.

5 Q Okay. That's all I have.

6 MR. MARTIN: Let's go off the record at
7 12:21 p.m., on November 20, 2013.

8 (Whereupon, at 12:21 p.m., the hearing was
9 concluded.)

10 * * * * *

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION.
2 REPORTER'S CERTIFICATE

3
4
5
6
7
8
9
10
11
12
13

I, Theresa L. Mendez, RPR, Registered
Professional Reporter, hereby certify that the
foregoing transcript consisting of 158 pages is a
complete, true, and accurate transcript of the
testimony indicated, held on November 20, 2013. In
the Matter of ARETE. I further certify that this
proceeding was recorded by me, and the foregoing
transcript has been prepared under my direction.

14 DATE: December 3, 2013

17 Official Reporter: _____

19 Theresa L. Mendez, RPR

15
16
18
20
21
22
23
24
25

1 PROOFREADER'S CERTIFICATE

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

In the Matter of: ARETE, LLC
Witness: Mark S. Tomich
File Number: D-03321-A
Date: Wednesday, November 20, 2013
Location: Denver, Colorado

This is to certify that I, Don R. Jennings (the
undersigned), do hereby swear and affirm that the attached
proceedings before the U.S. Securities and Exchange
Commission were held according to the record and that this is
the original, complete, true and accurate transcript that has
been compared to the reporting or recording accomplished at
the hearing.

(Proofreader's Name) (Date)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. D-03321-A
ARETE, LLC)

WITNESS: Kevin Charles Brown
PAGES: 1 through 230
PLACE: Securities and Exchange Commission
Denver Office
1801 California Street, Suite 1500
Denver, Colorado 80202-2648
DATE: Wednesday, December 4, 2013

The above-entitled matter came on for hearing,
pursuant to notice, at 8:31 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

CONTENTS

3	WITNESS	EXAMINATION
4	Kevin Charles Brown	5
6	EXHIBITS DESCRIPTION	IDENTIFIED
7	43 10/9/13 Kevin Brown Subpoena AT/DT	8
8	44 7/9/13 Summit Trust SDT	12
9	45 8/14/13 Summit Production Letter	13
10	46 Background Questionnaire	17
11	47 5/14/12 E-Mail Re: Anne Savage	90
12	Account	
13	48 3/28/13 E-Mail Re: Helen Westover	94
14	49 4/2/12 Voorman Docs (Summit)	132
15	50 6/20/12 Scott/Summit Consultation	157
16	Agreement	
17	51 1/5/13 E-Mail Re: Screen-shots	162
18	52 2/9/12 E-Mail Re: Follow Up	184
19	53 7/1/12 Group Summit, LLC,	190
20	Contribution Agreement	
21	54 7/8/12 Kieras Documents	194
22	Summit Example	
23	55 1/22/13 E-Mail Re: Arete Fees	202

APPEARANCES:

On behalf of the Securities and Exchange Commission:
JOHN C. MARTIN, ESQ.
JAMES A. SCOGGINS, ESQ.
Division of Enforcement
Securities and Exchange Commission
Denver Regional Office
1801 California Street, Suite 1500
Denver, Colorado 80202
(303) 844-1105

On behalf of the Witness:
PAUL R. TYNDALL, ESQ.
The Law Offices of Paul R. Tyndall

[Redacted]
[Redacted]
[Redacted]

CONTENTS (CONT.)

3	EXHIBITS DESCRIPTION	IDENTIFIED
4	56 9/4/12 E-Mail Re: Cornerstone	210
5	Financial	
6	57 5/31/12 E-Mail Re: Arete	219

PROCEEDINGS

MR. MARTIN: Let's go on the record at 8:31 a.m., on December 4th, 2013.

Whereupon,

KEVIN CHARLES BROWN was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. MARTIN:

Q Okay. Please state and spell your full name for the record.

A Kevin Charles Brown, it's K-e-v-i-n, C-h-a-r-l-e-s, B-r-o-w-n.

Q Okay. My name is John Martin, and with me today is Jay Scoggins. We are officers of the Commission for the purposes of this proceeding.

This is an investigation by the United States Securities and Exchange Commission in the matter of Arete, LLC, D-3321, to determine whether there have been violations of certain provisions of the Federal Securities Laws; however, the facts developed in this investigation might constitute violations of other federal or state civil or criminal laws.

Prior to the opening of the record, you

were provided with a copy of the formal order of investigation in this matter, which is this; it will be available for your examination during the course of the proceeding. Mr. Brown, have you had an opportunity to review the formal order?

A Yes, I have.

Q Okay. And prior to the opening of the record, you were provided with a copy of the Commission's supplemental information form. A copy of that notice previously was marked as Exhibit No. 1. Have you had an opportunity to read Exhibit No. 1?

A Yes, I have.

Q Okay. Do you have any questions concerning this notice?

A No, I do not.

Q Okay. Mr. Brown, are you represented by counsel today?

A I am.

Q Okay.

MR. MARTIN: Counsel, please identify yourself, name, firm name, address and phone number, please.

MR. TYNDALL: Yeah. My name is Paul Tyndall. My address is 609A Piner Road -- P-i-n-e-r

-- Road, Suite 237, Wilmington, North Carolina, 28409. I am the law firm of -- The Law Offices Of Paul R. Tyndall.

MR. MARTIN: Okay. And, counsel --

MR. TYNDALL: Phone number --

MR. MARTIN: Go ahead. I'm sorry.

MR. TYNDALL: Phone number, 910-232-1733.

MR. MARTIN: Thank you.

And, Counsel, are you representing

Mr. Brown as his counsel today?

MR. TYNDALL: Yes, I am.

MR. MARTIN: Okay.

BY MR. MARTIN:

Q Just a couple of housekeeping matters.

If you want to go off the record, please advise me of your desire to do so, and I'll decide at that time whether to ask the reporter to -- to do so. The reporter will not go off the record at you or your counsel's request.

Having said that, if you need to use the restroom, or get a drink of water, or whatever, just let me know and we'll go off the record.

Let me also advise you that after the staff has finished its questioning, your counsel will have the opportunity to ask you questions for the

purpose of clarifying your testimony.

I'll be asking you a number of questions today. If you do not understand or do not hear any question, please let me know, and please allow me to complete the question before you begin your answer so that we are both not speaking at once. And please answer audibly. Shakes of the head or nods, and so forth, don't show up on the record, so --

Also, please do not assume or infer anything from our questions. If we ask whether an event happened or someone did or said something, do not assume that this occurred or that we believe it did. We are simply attempting to ascertain whether or not you have any information relevant to the investigation.

MR. MARTIN: And, Paul, I'll hand you sort of a courtesy copy throughout, and I need them back as we go along, and --

MR. TYNDALL: Okay.

MR. MARTIN: All right.

MR. TYNDALL: Sure.

(SEC Exhibit 43 was marked for identification.)

BY MR. MARTIN:

Q Kevin, this is a copy of the cover letter

1 and the subpoena -- testimony subpoena and document
2 subpoena marked as Exhibit No. 43. Is this a copy of
3 the subpoena by which you're appearing here today?

4 A Yes, I believe so.

5 Q Okay. And obviously --

6 MR. TYNDALL: For clarification. We --
7 are we here in response to the July subpoena or this
8 subpoena?

9 MR. MARTIN: Well, the October subpoena is
10 the subpoena by which you're here today, and we
11 obviously agreed to move the testimony today -- to
12 today's date; is that correct?

13 A Yes.

14 MR. TYNDALL: Yes.

15 BY MR. MARTIN:

16 Q Okay. All right.

17 All right. I'll take that back. Thank
18 you.

19 Or, actually, I want you to hang onto that
20 for right now, if you would.

21 A Mm-hmm.

22 Q The document subpoena portion of this
23 subpoena calls for the production of certain
24 documents. Have you tendered to the staff all
25 documents called for by the subpoena?

1 A -- yeah.

2 Q What's her name.

3 A It's J-u-t-t-a, last name is
4 T-a-r-d-i-f-f. It's Jutta Tardiff.

5 Q Okay. And she's your administrative
6 assistant?

7 A Yes.

8 Q Okay. Does she have any other role in the
9 office?

10 A Just things like answering phones, general
11 secretarial/receptionist type duties.

12 Q Okay. And you said the search included
13 electronic documents; did it also include e-mails?

14 A Yes.

15 Q Okay. Do you have a server in your
16 office? How do you handle your e-mail?

17 A I don't think we have a physical server in
18 the office at this point. I think we're on the
19 cloud.

20 Q Okay. And, obviously, you searched the
21 cloud for e-mails; is that correct?

22 A Correct.

23 Q Okay. Do you also back up your e-mails in
24 the office, other than on the cloud?

25 A I don't think so, not other than on the

1 A I believe I have.

2 Q Okay. And are there any -- well, please
3 describe the search that was conducted for the
4 subpoenaed documents.

5 A We searched our computer records and we
6 searched all physical files for all clients and --
7 and anything else we might have had on -- on Arete.

8 Q Okay.

9 A So, it was both computer and -- and
10 physical files.

11 Q Okay. And who's "we"?

12 A Myself, Theresa Le -- that's L-e -- in
13 our Las Vegas headquarters office, and Les Revzon --
14 that's R-e-v-z-o-n -- who is our compliance officer.

15 Q Okay. What's -- what's Ms. Les' position?

16 A At this point, she's vice president of
17 Summit Trust Company.

18 Q Okay. Do you have an administrative
19 assistant of any sort?

20 A I do, yes.

21 Q Okay. And did your administrative
22 assistant help you in this search for documents?

23 A I'm sure she helped me by retrieving files
24 and that sort of thing --

25 Q Okay.

1 cloud.

2 Q Okay. I also want to hand you -- and hang
3 onto that, if you would.

4 (SEC Exhibit 44 was marked
5 for identification.)

6 BY MR. MARTIN:

7 Q I'm going to hand you what's been
8 identified as Exhibit 44. Exhibit 44 is the document
9 subpoena that we issued to Summit Trust Company. And
10 do you recognize Exhibit 44 and the cover letter?

11 A Yes, I do.

12 Q Okay. And have you tendered to the staff
13 all documents called for by the subpoena that was
14 issued to Summit Trust Company?

15 A Yes, I believe I have.

16 Q Okay. And did you engage in the same
17 search for those documents that you described for the
18 personal documents?

19 A Yes.

20 Q Okay. And in regard to either Exhibit 44
21 or 43, have you withheld any documents called for by
22 the subpoenas based on any claim of privilege?

23 A No, I don't think so.

24 Q Okay. And were any documents called for
25 by either subpoena not produced for any other reason

1 than privilege?
 2 A No.
 3 Q Okay. And do you know of any documents
 4 responsive to these two subpoenas but not provided,
 5 that were in your possession at a prior time, or that
 6 were lost, destroyed or otherwise disposed of?
 7 A No, I do not.
 8 Q I'll take those back. Thank you.
 9 A Both of these?
 10 Q Yes.
 11 (The Witness passes Exhibits 43
 12 and 44 to Mr. Martin.)
 13 Q Thank you.
 14 A Mm-hmm.
 15 (SEC Exhibit 45 was marked
 16 for identification.)
 17 BY MR. MARTIN:
 18 Q Kevin, I'm going to hand you what's been
 19 identified as Exhibit 45. Exhibit 45 is a two-page
 20 letter dated August 14th, 2013. Do you recognize
 21 Exhibit 45?
 22 A I do.
 23 Q Okay. And what is it?
 24 A This is a letter from me to the SEC in
 25 Washington, with a copy to you.

1 Q Okay. And is that your signature on the
 2 seventh -- second page?
 3 A Yes.
 4 Q Okay. Great.
 5 And I just want to draw your attention to
 6 the body of the letter on the first page. And at the
 7 bottom of the page, I just want to make sure I
 8 understand what you're articulating there.
 9 It says, "Summit Trust Company was not a
 10 sponsor of CMG Offering 5 or CMG Offering 10," and I
 11 just want to make sure I understand what you mean by
 12 that.
 13 A Well, what I mean by that was our role, as
 14 far as Arete was concerned, was just to act as
 15 custodian for the accounts. We did not promote
 16 Arete, we did not offer it to anyone. Our -- our
 17 scope and -- and our duties was limited to just that,
 18 as being a custodian.
 19 Q Okay. And so, what -- what do you mean by
 20 "sponsor" there? What's -- I'm just trying to get at
 21 the definition there.
 22 A It means we didn't -- we didn't offer it
 23 to any clients, we didn't promote it, we didn't pass
 24 merit on it, we didn't do due diligence on the
 25 investments themselves; none of that was -- none of

1 that was within the scope of our role as -- as --
 2 acting as custodian.
 3 Q Okay. And we'll get into that in more
 4 detail. I just wanted to make sure I understood what
 5 you meant by -- by "sponsor" in the context of this
 6 letter.
 7 A Okay.
 8 Q So -- and -- and, obviously, Exhibit 45
 9 covered the production made by Summit Trust Company;
 10 is that correct?
 11 A Yes.
 12 Q Okay. All right. I'll take that.
 13 (The Witness passes Exhibit 45
 14 to Mr. Martin.)
 15 Q Thanks.
 16 MR. MARTIN: And, Paul I'll take these,
 17 too, get them out of the way, because we're going to
 18 end up with --
 19 BY MR. MARTIN:
 20 Q In regard to the documents maintained by
 21 Summit Trust Company, who -- who controls and has
 22 access to those documents at the company?
 23 A Well, I do in -- in my office in Colmar.
 24 Q Mm-hmm.
 25 A Typically, we would have copies of almost

1 everything in Las Vegas as well.
 2 Q Okay.
 3 A And they should have access to documents
 4 at Revzon's office, which is in Massachusetts.
 5 Q Okay.
 6 A So, really, all three locations should
 7 have access to almost everything.
 8 Q Okay. Is there anything that any one of
 9 those locations would not have access to?
 10 A It's possible that they may not have a
 11 copy of -- of -- of an item. But if there is an item
 12 there, it would be at -- at one of those locations at
 13 least, if not two or three.
 14 Q Okay. And when you say "an item," do you
 15 mean an electronic copy, a hard copy, both? I'm
 16 trying to get a sense of that.
 17 A Either/or.
 18 Q Okay. And just to be clear, you have an
 19 office in Colmar, Pennsylvania; is that correct?
 20 A Yes.
 21 Q Okay. And that's outside of Philadelphia?
 22 A It is.
 23 Q Okay. And then you have an office in Las
 24 Vegas?
 25 A Correct.

1 Q Okay. And that's Las Vegas, Nevada?
 2 A Right.
 3 Q Okay. And then Les Revzon is in
 4 Massachusetts; is that correct?
 5 A It is correct.
 6 Q And what town in Massachusetts?
 7 A Hingham, H-i-n-g-h-a-m. It's a -- I guess
 8 it's a suburb of Boston, but it's near Boston.
 9 Q Okay. And he works from that location?
 10 A Yes.
 11 MR. TYNDALL: His actual address, I think,
 12 is Marshfield.
 13 MR. BROWN: Oh, is it Marshfield?
 14 MR. TYNDALL: Marshfield.
 15 MR. BROWN: Okay.
 16 MR. MARTIN: Okay.
 17 BY MR. MARTIN:
 18 Q All right. Any other locations for Summit
 19 Trust Company?
 20 A No.
 21 Q Okay.
 22 (SEC Exhibit 46 was marked
 23 for identification.)
 24 BY MR. MARTIN:
 25 Q Kevin, I'm going to hand you what's been

1 46 and ask you a few particular questions.
 2 A Sure.
 3 Q The residence that you identified on the
 4 second page -- and -- and I'll -- I'll reference the
 5 -- the paragraph numbers here. So, I'm looking at
 6 Paragraph 14, on Page 2 -- you list 1 [REDACTED]
 7 [REDACTED] is that your home address?
 8 A Yes.
 9 Q Okay. And do you own that home?
 10 A Yes.
 11 Q Okay. Well, does the bank help you own
 12 that home?
 13 A Yes.
 14 Q Okay. And what's -- what's your current
 15 equity in that home?
 16 A Probably around 200,000.
 17 Q Okay. Do you own any other real property?
 18 A No.
 19 Q Okay. The offices of Summit Trust Company
 20 in Colmar, the physical building, itself, is owned by
 21 whom?
 22 A Holmes & Murray, H-o-l-m-e-s, ampersand,
 23 Murray, M-u-r-r-a-y.
 24 Q Okay. So do you lease from them?
 25 A We -- yeah, we do. We rent.

1 identified as Exhibit 46. Exhibit 46 is a multi-page
 2 document, with the heading "Background Questionnaire"
 3 at the top, and then the date of 10/21/2013 and your
 4 name. Do you recognize Exhibit 46?
 5 A I do.
 6 Q And what is it?
 7 A It's a Background Questionnaire that --
 8 that was sent to me to be completed and returned.
 9 Q Okay. And throughout the Background
 10 Questionnaire, is this your handwriting?
 11 A Yes, it is.
 12 Q Okay. And I'd like you to review
 13 Exhibit 46, if you would. And as of today's date,
 14 which is December 4th, 2013, I'd like you to confirm
 15 for me that the information in this questionnaire is
 16 accurate and complete.
 17 (The Witness reviews Exhibit 46.)
 18 A Yes, I -- I believe everything on here is
 19 still correct and accurate.
 20 BY MR. MARTIN:
 21 Q Okay. So it's still -- it is accurate and
 22 it is complete as of today's date?
 23 A Yes.
 24 Q Okay. Thank you.
 25 I just want to work my way through Exhibit

1 Q Okay. And the property in Las Vegas is --
 2 who owns that property that Summit Trust Company
 3 occupies?
 4 A I believe it's a company called Winner --
 5 W-i-n-n-e-r -- Properties.
 6 Q Okay. And do you lease in Las Vegas, too?
 7 A We do.
 8 Q Okay. And I want to draw your attention
 9 to Page 3 and number -- Paragraph 16, and you
 10 identify your salaries for the last three years. I
 11 notice that, in 2010, your salary was 91,000, and
 12 then by 2012, it's 237-plus-thousand; is that
 13 accurate?
 14 A Correct.
 15 Q Okay. What's the -- what's the reason for
 16 the fairly dramatic increase over a couple of years
 17 in your salary?
 18 A Well, frankly, I -- I was underpaid in
 19 2010.
 20 Q Okay. Well -- and -- but you were still
 21 at Summit Trust Company at that time; is that
 22 correct?
 23 A Correct.
 24 Q Okay. What's the -- what makes up your
 25 salary that you've identified in -- in Paragraph 16;

1 is it a -- a straight salary paid to you or is it
 2 commissions, fees?
 3 A It's mostly salary, and it's actually for
 4 Summit Trust Company and Brown Investment Advisors --
 5 Q Okay.
 6 A -- both -- they're combined. There are
 7 some -- there are some fees, not -- it's mostly
 8 salary, though.
 9 Q Okay.
 10 A It's -- it's not a lot of fees.
 11 Q And who determines your salary?
 12 A I do.
 13 Q Okay. So, again, I sort of -- I'm just
 14 curious as to why the -- why the great increase over
 15 a couple of years?
 16 A Well, as the trust company grew, I was
 17 able to get to a salary that was really more -- what
 18 I thought more commensurate with someone that was
 19 president of a trust company.
 20 Q Okay. Were there any particular clients,
 21 or events or things that happened during that period
 22 of time, that caused an increase in the revenue of
 23 the company, an increase in your salary?
 24 A Only -- only that we were growing.
 25 Q Okay. All right. And during that period

1 of time, you opened the Las Vegas office; is that
 2 right?
 3 A We've actually had a Las Vegas -- or a
 4 Nevada presence since 2003, since -- since we began.
 5 Q Okay. And -- and how long have you
 6 actually been in the Las Vegas, itself, that you're
 7 in now?
 8 A I think, between two and three years.
 9 Q Okay. Why have multiple offices?
 10 A Well, Summit Trust Company is a
 11 Nevada chartered trust company.
 12 Q Mm-hmm.
 13 A And for some of the things -- particularly
 14 some of the estate planning and trust work, Nevada
 15 has good trust law.
 16 In order to -- in order to be an -- an --
 17 you know, a trust company chartered in Nevada, you
 18 have to have a real physical location and that's
 19 where all new business has to be processed; so you
 20 have to have an office there.
 21 Q Okay. So you -- in order to conduct that
 22 type of business, you have to have a physical
 23 presence; is that correct?
 24 A That's right.
 25 Q Okay. And you've actually had a physical

1 presence in the Nevada since 2003; am I understanding
 2 that correctly?
 3 A You are.
 4 Q Okay. And then I -- I note on Page 4,
 5 with -- and I'm looking at Nos. 19 and 20 -- I see a
 6 -- an -- a securities account at Scottrade; is that
 7 correct?
 8 A That is correct.
 9 Q And then another account which you have a
 10 direct or indirect beneficial interest, at 1st
 11 Discount Brokerage?
 12 A Yes.
 13 Q And then another one at Raymond James?
 14 A Correct.
 15 Q So, what is -- what is your relationship
 16 to the Scottrade account?
 17 A I believe that's an account held jointly
 18 with my wife --
 19 Q Okay.
 20 A -- and, you know, in the individual names.
 21 Q All right. What's the purpose of the
 22 account?
 23 A It owns -- it owns some stock in a -- in a
 24 -- in a mining company; that's really the only
 25 purpose of it. It's not a -- it's an not an actively

1 trading account. It only holds that one asset, that
 2 I can remember.
 3 Q All right. And it's a personal account
 4 for you?
 5 A It is.
 6 Q Okay. And what's your relationship to the
 7 1st Discount Brokerage account?
 8 A It's -- the brokerage account is in the
 9 name of a trust for which I'm a beneficiary -
 10 Q Okay.
 11 A -- and my wife as well.
 12 Q All right. Is it -- it's a family trust
 13 or -
 14 A It is.
 15 Q Okay. And who -- what -- what's the name
 16 of the trust?
 17 A I believe it's the Kevin and Kathy Brown
 18 2006 Irrevocable Trust.
 19 Q Okay. And then what's your relationship
 20 to the Raymond James account?
 21 A It's the same as 1st Discount, same -- you
 22 know, owned by the trust for which I'm a beneficial
 23 owner -
 24 Q Okay.
 25 A -- or beneficiary.

1 Q Are there any securities accounts which
2 you have any control or any beneficiary interest
3 related to Summit Trust Company?
4 A Could you repeat --
5 MR. TYNDALL: Could you repeat that?
6 A Yeah.
7 BY MR. MARTIN:
8 Q Are there any -- are there any securities
9 accounts, in which you have control or beneficiary
10 interest or some signatory authority, related to
11 Summit Trust Company?
12 A Yes.
13 Q And what are those accounts?
14 A JP Turner. It's a brokerage account. I
15 think it's in -- I think they're headquartered
16 in -- in Atlanta, Georgia.
17 Q Okay. And who's your rep there?
18 A Anthony, and the last name is "Joslyn,"
19 J-o-s-l-y-n.
20 Q Okay. And what's the purpose of that JP
21 Turner account in regard to Summit Trust?
22 A It just -- it holds some assets of
23 Summit's. And my role is -- well, not my role, but
24 -- I think one of the things you asked was do I have
25 signature authority, but that would be a "yes" to

1 that, and that's, you know, my corporate duty as
2 president.
3 Q Okay. You say it holds some assets of
4 Summit; are those client assets or company assets?
5 Can you explain that to me?
6 A Company assets.
7 Q Okay. Of what nature? What does it hold?
8 A Oh.
9 Q What's -- what's in the account?
10 A Oh, stocks, Facebook and OPKO Health.
11 Q Okay.
12 A It's about four or five stocks.
13 Q Okay. And who -- who owns those shares?
14 I mean, who benefits from those?
15 A Summit.
16 Q Summit as -- as an entity?
17 A Correct, as an entity.
18 Q Okay. There's no ownership interest by
19 any clients or investors?
20 A No.
21 Q Okay. Well, who has a -- who has an
22 ownership interest in Summit Trust Company?
23 A Currently, I'm -- I'm the owner of Summit
24 Trust Company.
25 Q Okay. So, is it accurate to say that the

1 assets held in this JP Turner account are your
2 assets?
3 I mean, if you -- if you're the sole owner
4 of Summit Trust Company and Summit Trust Company owns
5 these assets at JP Turner, aren't they really your
6 assets?
7 MR. TYNDALL: Can I confer with him for a
8 second?
9 MR. MARTIN: Sure.
10 (Mr. Tyndall confers with the Witness
11 off the record.)
12 MR. MARTIN: Yeah. Let -- they're --
13 they're whispering right now.
14 MR. TYNDALL: Okay.
15 (Mr. Tyndall confers with the Witness
16 off the record.)
17 BY MR. MARTIN:
18 Q I guess what I'm -- let me -- let me
19 rephrase. I'm just trying to get at a -- an
20 understanding of the ownership of the assets that are
21 in the JP Turner account.
22 A Mm-hmm.
23 Q So if you can explain that to me in a way
24 that makes sense, then I would appreciate it.
25 A Well, as I said, I mean, they are -- it's

1 an asset that's in the name of Summit Trust
2 Company --
3 Q Right.
4 A -- not -- not me personally.
5 Q Okay.
6 A I didn't -- I never thought about
7 conferring that that would make them my assets.
8 Q Okay. But it is a true statement that you
9 are the hundred-percent owner of Summit Trust
10 Company; is that accurate?
11 A I own all the common stock of Summit Trust
12 Company, yeah, that's true.
13 Q Okay. All right. Are there any other
14 securities accounts or brokerage accounts in which
15 you have signatory authority or any type of
16 control related to Summit Trust Company, besides the
17 JP Turner account?
18 A None that I can think of, no.
19 Q Okay. Are there any securities or
20 brokerage accounts associated with Summit Trust
21 Company in which Summit Trust clients or investors
22 have funds?
23 A Could you repeat that. I'm sorry.
24 Q Summit Trust has clients, correct?
25 A Yes.

1 Q Okay. Are there any brokerage or
2 securities accounts in which those clients have funds
3 that are associated, in any way whatsoever, with
4 Summit Trust Company -- I'm sorry -- which they have
5 assets?

6 A Yeah. There are -- there are clients that
7 have invested in things like No-Load Mutual Funds.

8 Q Mm-hmm.

9 A -- or brokerage accounts, or any number of
10 things, where they would be ultimately the beneficial
11 owner, but it may be in the name of Summit but it's
12 for their benefit.

13 Q Okay. So there are accounts -- securities
14 accounts and/or mutual fund accounts held by Summit
15 Trust Company, but those accounts are for the benefit
16 of certain Summit Trust clients; is that accurate?

17 A That -- yeah, I think that's accurate,
18 yeah.

19 Q And so those Summit Trust clients are the
20 beneficiaries of the assets held in those accounts?

21 A Yes.

22 Q Okay. And why is it that Summit Trust
23 holds those accounts on behalf of the clients; can
24 you explain that relationship or that structure for
25 me?

1 were, for example, the DFA funds at -- I think
2 they're held at Fidelity.

3 Q And -- I'm sorry -- when you say "DFA,"
4 what is that?

5 A I'm sorry. Dimensional Fund Advisors,
6 they're a No-Load Mutual Fund company, I believe, in
7 California and Texas. I think they probably have
8 offices all over the place.

9 Q Okay. But that's through Fidelity?

10 A Yes.

11 Q Okay.

12 A There are ETF funds, Exchange Traded
13 Funds --

14 Q Mm-hmm.

15 A -- the clients own interest in; those are
16 custodied at -- I'm thinking TD Ameritrade but I'm
17 not a hundred-percent sure of that.

18 Q Okay. Others?

19 A There may be others; I can't think of them
20 right now.

21 Q Okay. And these -- these funds, do they
22 have other names, as far as the clients are
23 concerned? What do the clients understand these
24 funds to be?

25 In other words, have you -- have you named

1 A Yeah. Well, it -- at least in some of the
2 instances that I can think of, they're omnibus
3 accounts, where there may be, for example, a
4 couple-hundred clients that are invested in
5 dimensional fund, DFA funds --

6 Q Mm-hmm.

7 A -- and those are purchased in an omnibus
8 account at Fidelity --

9 Q Okay.

10 A -- and then Summit does the recordkeeping
11 and tracks who owns what.

12 Q Okay. So, in other words, you have Summit
13 Trust clients or investors who are pooling or
14 aggregating their funds into a -- a Summit Trust
15 account that's a mutual fund account, or otherwise a
16 securities account, and then you, at Summit Trust,
17 are figuring out which portion out of that account
18 belongs to which client; is that --

19 A That's -- that's accurate.

20 Q That's accurate, okay.

21 And what are the accounts that exist that
22 take that form, that have more than one client's
23 funds in them?

24 A I'm sure I couldn't name all of them off
25 the top of my head. But the ones that came to mind

1 them the ACME Fund but you're investing in DFA or the
2 ETF funds, or are they -- do they understand or
3 believe that they're investing in --

4 A It would be something like the -- the DFA
5 60 percent equity, 40 percent fixed income portfolio,
6 if that's the allocation that they had.

7 Q Okay.

8 A Or the -- the DFA hundred-percent equity
9 or --

10 Q But is that the same name that the DFA
11 people are giving it, or are you -- you renaming it
12 or relabeling it for your investors to access it?

13 A No. In essence, it's -- I think it's the
14 same thing that DFA would called it.

15 Q Okay. Is that also true for the different
16 ETF funds?

17 A It's -- yes. It's labeled as whatever
18 equity fixed income allocation --

19 Q Okay.

20 A -- they have.

21 Q Who makes the investment decisions related
22 to these -- what you're calling "omnibus funds"?

23 A Which investment decisions do you mean?

24 Q Meaning, when to buy shares in them, when
25 to sell shares in them, any -- any of the

are

tion

Page 34

Page 36

1 A We have several -- we have -- I don't know
2 -- 3,000 accounts, I guess, something like that,
3 so --
4 Q Well, when you say "3,000 accounts," what
5 are those accounts generally?
6 A Well, they're either IRA accounts --
7 Q Okay.
8 A -- or custody accounts or trust accounts;
9 I think that's probably most of the accounts.
10 Q Are they primary -- primarily
11 individual accounts?
12 A I would consider the IRA accounts to be
13 individual accounts --
14 Q Mm-hmm.
15 A -- so, yes.
16 And most of the custodial accounts, you
17 know, they would be individuals or, you know, joint
18 tenants.
19 Q Okay.
20 A And, of course, a trust account is a --
21 you know, it's a trust, it's its own entity.
22 Q Right. But some of these accounts, it
23 appears, are accounts that exist in order to have
24 clients pool their funds to make an investment, be it
25 a mutual fund investment, an ETF, or some other type

1 A Yes; he's executive VP -- I'm sorry --
2 executive vice president --
3 Q Okay.
4 A -- and director of marketing.
5 MR. TYNDALL: He's also chairman of the
6 board, too, right?
7 MR. BROWN: He's on the board. I don't
8 think he's chairman of the board though.
9 BY MR. MARTIN:
10 Q But he doesn't have an ownership position
11 in Summit Trust?
12 A No, he does not.
13 Q Okay. So you and your father created
14 Rampart Fund; is that correct?
15 A That is correct.
16 Q Okay. And is it a formal entity, an LLC,
17 a --
18 A It's a -- an LP, a Limited Partnership.
19 Q Okay. And what was the purpose of Rampart
20 Fund when it was formed?
21 A The purpose was to invest in contractor
22 financing bonds at that time.
23 Q And what do you mean by that? What --
24 when you say "contractor," I'm just looking for a
25 little -- a little bit better understanding of what

1 you're talking about.
 2 A So, the idea was that there were
 3 contractors that had -- they had government
 4 contracts, but they needed financing because they
 5 couldn't always get paid either on time or -- or, I
 6 guess, during the time that they were getting -- or
 7 doing their jobs.
 8 Q Okay. So sort of like -- almost like a
 9 bridge loan kind of a thing or --
 10 A Well, you could look at it that way, I
 11 suppose.
 12 Q Okay.
 13 A I -- I hadn't -- I hadn't thought about it
 14 that way, but, yeah, I guess you could look at it
 15 that way.
 16 Q Okay. So how much did the Rampart Fund
 17 raise?
 18 A All together, I think it might have been
 19 about five million.
 20 Q Okay. From approximately how many
 21 investors?
 22 A Somewhere between thirty and fifty, I
 23 think. And that's off the top of my head, I
 24 didn't --
 25 Q Okay.

1 A -- you know.
 2 Q And were they all Summit clients?
 3 A Well, I'm not sure. Probably but I'm not
 4 sure.
 5 Q Okay.
 6 BY MR. SCOGGINS:
 7 Q May -- maybe, if we could back up, it
 8 would be helpful for me to better understand the --
 9 the role of Summit and Brown Investment Advisors.
 10 MR. MARTIN: Yeah.
 11 BY MR. SCOGGINS:
 12 Q Could you just briefly describe for me the
 13 -- the services that Summit Trust Company offers?
 14 A Summit Trust offers trustee services,
 15 acting as a corporate trustee for trusts and the
 16 Nevada Situs for trusts, it offers IRA custodial
 17 accounts, non-IRA custodial accounts, and trust
 18 accounts; I -- I would say that's most of the scope
 19 of what Summit does.
 20 Q And then let's talk about Brown Investment
 21 Advisors.
 22 A Sure.
 23 Q What services does that firm offer?
 24 A It's a Pennsylvania Registered Investment
 25 Advisory firm. It's pretty small but it -- it

1 does provide some investment advisory services,
 2 investment advice.
 3 Q And how many clients do you currently have
 4 at -- at Brown?
 5 A Under thirty.
 6 Q And when you say that it's registered, is
 7 it registered with the State or with the SEC?
 8 A It's -- it's State. Yeah, it's too small
 9 to be with the -- the U.S. SEC.
 10 Q And -- and currently thirty
 11 clients, when did it peak and at how many clients?
 12 A Probably around 2000 -- the year 2000. I
 13 don't know. Maybe about -- maybe about ninety, a
 14 hundred clients, I guess; that's a guess but
 15 something like that.
 16 Q Sure. That's helpful.
 17 A Okay.
 18 Q And is there overlap between clients of
 19 Brown and -- and clients of Summit Trust Company?
 20 A Small overlap, maybe -- you know, maybe a
 21 half-a-dozen.
 22 Q And how many clients does Summit Trust
 23 Company currently have?
 24 A Based on the number of accounts -- because
 25 there -- I mean, it's possible that some clients have

1 more than one account. But probably -- probably
 2 between 2,000 and like 2300 clients, I guess;
 3 something like that.
 4 Q And -- and what's the overlap in -- of
 5 employees, officers, directors, between the two
 6 entities?
 7 A My dad and I are both employees of Brown
 8 and Summit, my administrative assistant is just an
 9 employee of Brown at this point, and the -- the two
 10 people at Summit in Nevada are only employees of
 11 Summit.
 12 Q And for the Pennsylvania offices, is there
 13 a shared office for Brown and Summit?
 14 A Yes.
 15 Q Okay. And just kind of give me a -- a
 16 visual picture. When you walk in, is it just one
 17 office or is there a physical separation?
 18 A No. We -- we have -- basically, we have
 19 the whole first floor of our -- of our office in --
 20 in Colmar. And we can only actually do things like
 21 the marketing out of -- out of Colmar. We can't --
 22 we don't -- we're not allowed to take in new business
 23 for Summit; all that has to go to Nevada. We can
 24 handle some client servicing and that sort of thing.
 25 There's no sign out front that says "Summit Trust

1 Company."
 2 Q Okay. And when I walk into Brown
 3 Investment Advisors and say, "I'm here to just talk
 4 about Summit," do I have to go to a different
 5 physical location to do that or is it just the same
 6 office?
 7 A No. It's the -- it's the same office.
 8 Q Okay. And we were talking about Rampart
 9 -- Rampart Fund before I --
 10 A Mm-hmm.
 11 Q -- I interrupted here. Who -- who are the
 12 managing partners of Rampart Fund?
 13 A George Brown and myself.
 14 Q And when was Rampart Fund formed?
 15 A It could be as far back as 2008, 2007.
 16 Q And who made the investment decisions on
 17 behalf of Rampart Fund?
 18 A George Brown.
 19 Q Anyone else?
 20 A Well, I suppose I had some influence.
 21 Q And what do you mean by "some influence"?
 22 A Well, I mean, I could -- I could chime in
 23 if I had some ideas, as well.
 24 Q So --
 25 A So I -- I -- okay. I guess you could say

1 I had some -- or I had some involvement, too; I
 2 guess that's accurate.
 3 Q Did -- did you have actual authority to
 4 make decisions on behalf of the fund?
 5 A Yeah.
 6 Q Were there any other board members,
 7 advisors, or anyone else that contributed to making
 8 investment decisions at Rampart Fund?
 9 A No. No.
 10 Q And when someone became an investor in the
 11 Rampart Fund, how was that accomplished? Were they
 12 -- were they a general partner, a limited partner?
 13 What sort of interest did they obtain in order to
 14 become an investor?
 15 A Well, it was in the form of a note, so I
 16 guess -- I guess they would be a limited partner.
 17 Q And was it a Promissory Note?
 18 A It was.
 19 Q And what was the length of time on that
 20 note?
 21 A Up to five years.
 22 Q And so if it's up to five years, what's
 23 the earliest time that you could withdraw from your
 24 note or --
 25 A Two or three years.

1 Q Okay. And how did investors come to learn
 2 about Rampart Fund?
 3 A There were a few -- probably a few that --
 4 that either my dad or myself told about; otherwise,
 5 it would have been through an advisor.
 6 Q Okay. Would that include Brown Investment
 7 Advisors?
 8 A No.
 9 Q And why -- why wasn't Brown Investment
 10 Advisors involved in telling clients or potential
 11 investors about Rampart Fund?
 12 A Well, frankly, you know, Brown Investment
 13 Advisors really didn't get a whole lot of our
 14 attention over the last few years because we were
 15 trying to build the trust company. You know, it's
 16 hard to -- it is hard to spend a lot of time, you
 17 know, building both of those entities, frankly.
 18 Q Sure. So, what advisors would -- or did
 19 bring investors to the Rampart Fund?
 20 A Mike -- Mark, also known as Mike, Tomich
 21 and Gregory Smith.
 22 Q And do they have any entities that were
 23 associated with bringing investors to the Rampart
 24 Fund?
 25 A You mean like a company or a --

1 Q Sure. Any sort of legal entity, or was it
 2 -- or were -- I'm trying to figure out if there was
 3 something akin to like a Brown Investment Advisors
 4 out there who was advising people on whether or not
 5 to invest in the Rampart Fund.
 6 A I think -- I think each gentleman might
 7 have had a firm. I know that -- I know Tomich had a
 8 firm called Strategic Planning Services; I don't know
 9 exactly what sort of entity it is. And Greg has a
 10 firm called Estate Asset Management, but I don't --
 11 again, I don't know if it's just some corporation or
 12 if it's something else.
 13 Q How were Mike and Greg compensated for
 14 bringing investors to the Rampart Fund?
 15 A They were paid a quarterly fee.
 16 Q Was it, in any way, associated to the
 17 dollar amount that was under management or -- or --
 18 A Yes. Oh, yes.
 19 Q Okay.
 20 A Mm-hmm.
 21 Q And we mentioned that this was done
 22 through Promissory Notes; what was the return on the
 23 Promissory Notes?
 24 A Eight percent for a three-year, 9 percent
 25 for a four, and 10 percent for a five.

1 Q Were those returns paid out on a periodic
2 basis or were they rolled over into the investment?

3 A They were paid out quarterly.

4 Q Quarterly.

5 What's the current status of the Rampart
6 Fund?

7 A I would say it's winding down.

8 Q And tell me why you say that.

9 A Mainly because interest rates are starting
10 the upswing, and I don't think there's going to be a
11 particular demand for -- you know, for anything that
12 pays any kind of interest rate if -- you know, if
13 clients can start going out to -- to banks and
14 getting higher yields, and that sort of thing.

15 And it's -- you know, I -- you know,
16 Tomich decided he wanted to liquidate his people, and
17 he's -- so he's done that. And, you know, frankly, I
18 -- you know, I want to focus more on the trust
19 company and -- and -- and so it just needs to -- it
20 just needs to be wound down at this point. There's
21 no -- I don't think there's a -- it's -- you know, I
22 just don't think, as an ongoing entity, there's any
23 need to keep it going.

24 Q How many investors did you personally
25 bring into the Rampart Fund?

1 A I think maybe two.

2 Q And how many did your father bring in?

3 A They would have been the same two people.
4 It would have been the two of us together.

5 Q Is the Rampart Fund a Registered
6 Investment Fund, or -- or anything like that, with
7 the state or with the SEC?

8 A I don't know.

9 Q Or a Registered Investment Company?

10 A It's not that, no.

11 Q And when investors placed funds with the
12 Rampart Fund, where were those funds held?

13 A In a checking account at -- at Citizens
14 Bank in the name of Rampart Funds.

15 Q And how many accounts did Rampart Fund
16 have there?

17 A You mean checking accounts?

18 Q Yes, sir.

19 A Oh, just one.

20 Q And were there any sub accounts?

21 A No.

22 Q And so when -- among the thirty to fifty
23 investors, were funds from all those investors placed
24 into that same account?

25 A I believe so, yeah.

1 Q And when funds were transferred to one of
2 the government contractors, how was that done?

3 A It was done through an entity called The
4 Underwriters Group.

5 Q And who were the officers, directors or
6 controlling parties of that group?

7 A It was Dr. Larry Wright, W-r-i-g-h-t.

8 Q How do you know Dr. Wright?

9 A He was introduced to me by a -- a third
10 party; I can't remember who it was, though, at this
11 point. It goes back quite a few years. I don't --
12 but I don't remember who it was off the top of my
13 head.

14 Q And why did the funds flow through The
15 Underwriters Group?

16 A Well, they had access to the -- to the
17 contractors and the contracts. It was their program.

18 Q Okay. So The Underwriters Group would
19 identify the government contractors that Rampart
20 could invest in; is that --

21 A I believe that's correct.

22 Q Were there any government contractors that
23 the Rampart Fund invested in who did not come through
24 The Underwriters Group?

25 A No.

1 Q And when funds were returned from these
2 government contractors, did they flow back through
3 The Underwriters Group?

4 A Yes.

5 Q And what sort of returns that Rampart
6 actually earned over the last three years or so?

7 I'm trying to understand. You -- you were
8 -- you were contractually obligated to pay investors
9 8, 9 or 10 percent.

10 A Mm-hmm.

11 Q So I'm wondering what sort of income the
12 Rampart -- Rampart Fund earned during the last three
13 years that would serve as the basis for repaying on
14 those contracts.

15 A At this point, we weren't earning
16 anything.

17 Q And why is that?

18 A It's because the -- The Underwriters Group
19 defaulted.

20 Q When did that happen?

21 A I don't remember exactly. Probably --
22 jeez, I don't know -- 2010, 2011, something like
23 that.

24 Q So it sounds like maybe the Rampart Fund
25 suffered some losses; is that right?

1 A Yes, mm-hmm.
 2 Q Tell me about that.
 3 A Well -- well, we have a judgment against
 4 The Underwriters Group for about -- I think, for
 5 about 6,000 -- \$6 million altogether.
 6 Q And I believe you said that the total
 7 investment into the Rampart Fund was 5 million; so
 8 does that mean that there was a total loss of -- of
 9 all the investments?
 10 A No, hmm-mm. We actually had -- we had
 11 other investments besides the money that was put
 12 there over time, we had some equity investments as
 13 well -- or, actually, we still have them.
 14 Q Publicly traded stock, or what -- what --
 15 what do you mean by "equity investments"?
 16 A Yeah, publicly traded stocks, some funds
 17 at a company called Clark Capital, if you know them.
 18 Well, you -- well, you wouldn't know them. They're a
 19 -- they're a -- a mutual fund manager in
 20 Philadelphia.
 21 So, we have -- we have some equities and
 22 such that will -- that back up the funds now, which
 23 is, you know, another part of why we want to -- you
 24 know, why we want to wind it down.
 25 Q So, what are the losses suffered by

1 A Probably around two to two-and-a-half
 2 million.
 3 Q And what's the basis for the \$6 million
 4 judgment that you obtained against The Underwriters
 5 Group?
 6 A When -- well, what -- what do you mean by
 7 the -- "the basis" for that? You mean --
 8 Q Just -- I'm trying to put together the
 9 dollar amounts. And so far, from what I've heard,
 10 it's not adding up in my mind.
 11 A Now, when we were --
 12 THE REPORTER: Okay. So far, from what
 13 I've heard --
 14 MR. SCOGGINS: -- it's not adding up in my
 15 mind.
 16 THE REPORTER: Sorry.
 17 BY MR. SCOGGINS:
 18 Q We've got to try to be careful and not
 19 speak over each other, it makes it very difficult.
 20 A I -- I believe we were awarded damages,
 21 too. It wasn't just for -- you know, for the actual
 22 loss.
 23 Q So how much was invested through The
 24 Underwriters Group and how much was lost?
 25 A I don't remember exactly but it was

1 investors in the Rampart Fund to date; do you know
 2 dollar figures or a percentage?
 3 A Well, thus far, no clients have lost
 4 anything. They've been -- anybody who's been --
 5 who's wanted to, you know, redeem, we've had -- you
 6 know, we've had reserves to do that.
 7 Q How much has been redeemed by investors?
 8 A I think around a million-two to a
 9 million-five. It was mostly Tomich's clients.
 10 Q And there have been no other redemption
 11 requests that have not been honored?
 12 A No, hmm-mm.
 13 Q What's your understanding of why investors
 14 have not made redemption requests, given the failure
 15 of The Underwriters Group?
 16 A Well, because their notes aren't due yet.
 17 Q When are their notes coming due?
 18 A Probably within the next like twelve to
 19 eighteen months, maybe two years, something like
 20 that.
 21 Q What assets does the Rampart Fund
 22 currently have?
 23 A It has the equity investments that I
 24 mentioned.
 25 Q And I'm looking for a dollar amount.

1 probably around 3 or 4 million, I guess.
 2 Q Invested?
 3 A Yeah.
 4 Q And was it a total loss?
 5 A Well, aside from the judgment, I know that
 6 -- I know that they were -- they're owed a payment by
 7 a mining company of about a million dollars. And so
 8 we -- you know, since we have a judgment against
 9 them, we stand in line to get that, too.
 10 Q Let me ask the question a different way.
 11 A I'm sorry. Go ahead.
 12 Q If Rampart put 3 or \$4 million in with the
 13 -- in The Underwriters Group, how much money has it
 14 received back from The Underwriters Group?
 15 A Well, since the judgment, nothing.
 16 Q How about prior to the judgment?
 17 A Well, we -- I know we received interest
 18 payments; I don't -- I don't remember how much that
 19 was though.
 20 Q Was that more or --
 21 A And there were some -- go ahead.
 22 Q I was just going to ask if it was more or
 23 less than a million dollars.
 24 A I don't know. It was probably close to a
 25 million dollars. We did have some return of

1 principal, as well, but I -- I don't know how much
2 that was. I don't remember.

3 Q What's your understanding of -- of why The
4 Underwriters Group defaulted?

5 A I can't say that we definitely got to the
6 bottom of it. My suspicion is that there were some
7 improprieties with the funds, so to speak.

8 Q And which individuals are you suspicious
9 of?

10 A Larry Wright.

11 Q And give me a little more detail on your
12 suspicions.

13 A Well, he was the one who -- who ran The
14 Underwriters Group, he was the one who -- who owned
15 The Underwriters Group; so there's nobody else for me
16 to -- to suspect, frankly.

17 Q And is he located in Philadelphia?

18 A No.

19 Q Where's he located?

20 A He's in Jacksonville, Florida.

21 Q With regard to the Rampart Fund, did you
22 receive any sort of compensation or income from the
23 fund?

24 A No. Did I? No, hmm-mm.

25 Q Did your father?

1 have a CPA.

2 Q Who's your CPA?

3 A Anthony, the last name is "Pontarelli,"
4 P-o-n-t-a-r-e-l-l-i.

5 Q And was Mr. Pontarelli engaged as a CPA to
6 take care of the books, the accounting, the accounts
7 on behalf of Rampart Fund?

8 A Only to do the bookkeeping.

9 Q Did investors receive any sort of monthly
10 or quarterly statements with regard to the Rampart
11 Fund?

12 A No; just interest payments or, you know,
13 return of principal if they requested it.

14 Q And who handled the quarterly interest
15 payments or return of principal?

16 A I -- that was me, I did.

17 Q And you would sign the checks?

18 A Yes.

19 Q Okay. And were those checks coming from
20 an account in the name of the Rampart Fund?

21 A Yes.

22 Q Are there any -- any other funds that you
23 have been a managing partner for in the past five
24 years?

25 A None that I can think of.

1 A No.

2 Q Were you entitled to any sort of income
3 that you did not take?

4 A No.

5 Q What was the benefit to you, then, for
6 creating and being involved with the Rampart Fund?

7 A Well, if there was going -- there was
8 supposed to be a spread between what we received and
9 what the clients were entitled to, so something north
10 of 10 percent.

11 Q And that's what you would have been
12 entitled to, correct?

13 A Correct.

14 Q But you did not receive it why?

15 A Well, we ended up not receiving it because
16 -- because they defaulted.

17 Q Who's responsible for keeping the books of
18 the Rampart Fund?

19 A When you say "keeping the books" --

20 Q Well, you know, I've asked you to sort of
21 estimate some of these numbers.

22 A Mm-hmm.

23 Q And if I wanted the exact numbers, who
24 would I go to, to get those numbers?

25 A I -- well, I could get them for you. I

1 Q Is there a reason why you wouldn't be able
2 to think of one in the last five years?

3 A No. No.

4 Q Has your father been a managing partner of
5 any other funds in the last five years?

6 A I don't think so.

7 Q How about indirectly? Have you or your
8 father been a managing partner indirectly of another
9 fund, such as through -- you know, maybe Brown
10 Investment Advisors was the named partner, as opposed
11 to you as an individual?

12 A No.

13 Q And just sort of a history question here.

14 What came first? Did -- did Rampart Fund get set up
15 and then develop -- develop a relationship with
16 Dr. Larry Wright and The Underwriters Group, or did
17 you or your father meet The Underwriters Group and
18 Dr. Larry Wright first and then set up the Rampart
19 Fund?

20 A The latter.

21 Q Okay.

22 BY MR. MARTIN:

23 Q What is Capital Window?

24 A It's a -- it's like a venture -- venture
25 equity fund.

1 Q And what's your role with Capital Window?
 2 A I don't have a role with Capital Window.
 3 Q Well, are there Summit Trust clients that
 4 are invested in Capital Window?
 5 A Yes.
 6 Q Okay. Who is the principal of Capital
 7 Window or who --
 8 A A man named Thomas, the last name is
 9 Carter," C-a-r-t-e-r.
 10 Q Okay. And -- I'm sorry -- you described
 11 it as a venture?
 12 A Yeah, like a venture capital fund.
 13 Q And --
 14 A I think that's an accurate description.
 15 Sorry.
 16 Q And how is it that your clients learned of
 17 Capital Window?
 18 A I made the introduction from -- from
 19 Thomas Carter to Mike Tomich.
 20 Q So -- I'm sorry -- it's -- did Tomich then
 21 essentially sell or offer Capital Window to his
 22 clients?
 23 A Yes.
 24 Q Okay. And those same clients are also
 25 Summit Trust clients?

1 A Correct.
 2 Q Okay. And what benefit did you receive
 3 related to Capital Window?
 4 A I think I got like a 2 percent referral
 5 fee.
 6 Q Okay. Total funds invested by the
 7 investors?
 8 A I estimate about 150,000, maybe a 100,000.
 9 Q Just in your fee alone?
 10 A Oh.
 11 Q I'm trying to get at what you --
 12 A Oh, I'm sorry.
 13 Q Yeah.
 14 A No. I thought -- no. The -- no. No, no,
 15 no. The client -- the clients invested about
 16 \$100,000.
 17 Q Okay.
 18 A So my fee was like \$2,000.
 19 Q Okay.
 20 A Sorry about that.
 21 Q That's fine.
 22 And does Carter operate under an entity or
 23 a d/b/a of any kind?
 24 A Capital Window. Capital Window Fund.
 25 Q Capital Window and the other one?

1 A Mm-hmm.
 2 Q Okay. And so if I'm understanding
 3 correctly, roughly 100 to a \$150,000 of Summit Trust
 4 clients' funds were invested into Capital Window; is
 5 that correct?
 6 A Yeah.
 7 Q Okay. And where are those funds held now?
 8 A At Capital Window --
 9 Q Okay.
 10 A -- in -- yeah.
 11 Q What role, if any, did Summit Trust have
 12 related to Capital Window and the funds raised by
 13 Capital Window?
 14 A Just making the introduction.
 15 Q Was it solely an introductory --
 16 A Yeah. We don't -- you know, we have no
 17 management role or --
 18 Q Okay.
 19 A -- anything like that.
 20 Q All right. And I want to go back over a
 21 few questions about the Rampart Fund.
 22 Jay was asking you before, and you
 23 mentioned that approximately 1.2 to \$1.5 million had
 24 been redeemed by Rampart investors; is that accurate?
 25 A I -- yes, I think so.

1 Q Okay. And what were the source of those
 2 funds paid to the Rampart investors?
 3 A Either cash or redeeming assets, that kind
 4 of thing.
 5 Q Yeah. But what -- where did the cash come
 6 from?
 7 A From Rampart itself.
 8 Q So directly from Rampart, not from Summit
 9 Trust?
 10 I guess I'm trying to -- you've -- you've
 11 got investors who made redemptions in Rampart, and
 12 I'm trying to understand, mechanically, how they
 13 received those funds and from -- from where did they
 14 receive those funds?
 15 A They were from Rampart.
 16 Q Mm-hmm. Right.
 17 A Right. You know, Summit is also an
 18 investor in Rampart.
 19 Q Okay.
 20 A But --
 21 Q But what was the source of those funds?
 22 If -- if The Underwriters Group is not successfully
 23 securing funds from the contractors, where's that
 24 million to million-and-a-half coming from that were
 25 paid out in redemption?

1 A It was from the other holdings that
2 Rampart had, because we didn't -- we weren't just
3 invested with Dr. Wright. As I said, we had mutual
4 -- well, we had equities, mutual funds, other kinds
5 of investments, to be diversified.
6 Q Okay. And other Rampart earnings?
7 A Did you say "other"?
8 Q Well, I guess I'm just trying to make
9 sense of the numbers adding up here.
10 So, you've got a million and
11 million-and-a-half, roughly, that were redeemed, and
12 you're saying these are coming from other Rampart
13 holdings. But you also said that there currently are
14 equity investments of roughly at least the \$2 million
15 held by Rampart; is that accurate?
16 A I think that's pretty accurate.
17 Q So are you suggesting that Rampart also
18 earned roughly another million to million-and-a-half
19 through investments not related to The Underwriters
20 Group?
21 A Well, since they were equity investments,
22 there was some growth, and so we just had to
23 liquidate some stuff to -- to meet the redemptions.
24 Q Okay. But where did the funds come from
25 to purchase the equities that you liquidated to pay

1 off the Rampart Fund?
2 A From clients. From clients that invested
3 in Rampart.
4 Q Okay. So, am I understanding correctly
5 that the redemptions made, the roughly 1 million to
6 1.5 million, the redemptions made to the Rampart
7 investors, the source of those funds were the
8 liquidation of equities purchased by funds invested
9 by the Rampart investors?
10 A Yes; that and cash that we had; that was
11 -- but that was it.
12 Q Okay.
13 A Yeah.
14 Q And the cash that you had, what -- where
15 did that cash come from?
16 A Mostly liquidations or -- you know, or
17 investments that we had that were sitting on the
18 sidelines, that kind of thing.
19 Q Okay. Were any of those funds from other
20 Rampart investors?
21 In other words, did you redeem -- make
22 redemption payments to Rampart investors using funds
23 that were invested by other Rampart investors?
24 A No.
25 Q Okay. You mentioned Gregory Smith and his

1 entity, Estate Asset Management?
2 A Yeah.
3 Q Where's Gregory Smith located?
4 A Winchester, California.
5 Q Okay. And to your understanding, is
6 Gregory Smith an investment advisor, a registered
7 rep, what -- doe -- is he a licensed individual?
8 A I think he's an RIA. He's not with a
9 broker-dealer, but I think he's an RIA.
10 Q Okay. And how did you -- how did you come
11 to know Mr. Smith?
12 A I think he found Summit Trust Company on
13 the Internet. You know, we have a website. I'm not
14 sure how I -- I -- because I don't really know
15 anybody that knows him, and I don't -- you know, I
16 don't -- I don't know anybody else in his neck of the
17 woods, so I think he just found us.
18 Q And he brought investors to Rampart; is
19 that correct?
20 A That's correct.
21 Q Roughly how many?
22 A Twenty-something to thirty-something.
23 Q Okay. And those twenty to thirty, how
24 much did they invest roughly?
25 A I think they were probably between

1 two-and-a-half and three million.
2 Q Okay. And if I'm understanding your
3 testimony correctly, none of Mr. Smith's investors
4 have asked for any redemption at this point; is
5 that --
6 A A couple maybe.
7 Q Okay.
8 A Just a couple.
9 Q And the timeline on their note is still
10 another -- there's still another twelve to eighteen
11 months before they're -- they're expecting --
12 A Yeah.
13 Q -- a return?
14 A Something like that. It may be a little
15 longer, but yeah, that's about right.
16 Q Okay. And are you current with quarterly
17 payments to those investors?
18 A Yes.
19 Q And when are those payments made, on a
20 calendar quarter?
21 A It depends on -- on when they invested.
22 It could be, you know -- I mean, there are, you know,
23 different-sized payments every week, but it's all --
24 you know, everybody is on some quarterly -- it's not
25 a calendar quarter, is what I'm trying to say --

1 Q Okay.

2 A -- if that makes sense.

3 Q All right. And over a -- a rough calendar

4 quarter -- so say from -- let's just say from

5 October 1st through roughly today, what's the amount

6 of quarterly interest payments that are being made to

7 the Rampart investors?

8 A That's a tough question.

9 It might be -- I don't know. It might be

10 70, 80,000, I'm guessing. I don't know.

11 Q Okay.

12 A Something like that.

13 Q And those -- those payments have been made

14 during this last calendar quarter; is that correct?

15 A It is.

16 Q And what are the source of those funds?

17 A Liquidating equities.

18 Q Equities owned by whom?

19 A By Rampart.

20 Q And who makes the decision to liquidate

21 those equities?

22 A I do.

23 Q Okay. Mr. Tomich had approximately how

24 many investors in Rampart?

25 A My guess is around 20 to 25, I guess.

1 Q Okay. And approximately how much did

2 those investors invest in Rampart, total?

3 A I'm thinking it was between a million

4 and a million-and-a-half.

5 Q Okay.

6 A I -- I don't know. 1.2 or something like

7 that, that's my guess. At this point, he doesn't

8 have anybody left in -- in Rampart.

9 Q Okay. So all the Tomich investors have

10 been redeemed?

11 A Yeah.

12 Q Is that correct?

13 A That is correct.

14 Q And were -- when you say "redeemed," were

15 they redeemed and earned the interest as promised in

16 the Promissory Note, or were they returned

17 simply their principal amount? I'm trying to

18 understand what -- what their redemption --

19 A Well, they -- well, they had previously

20 received their interest.

21 Q Yep.

22 A But when they -- you know, if they redeem,

23 they're not -- they're not entitled to interest. You

24 know, if they -- if -- for example, if you were --

25 you know, if you were to redeem a year early --

1 Q Mm-hmm.

2 A -- you're not entitled to interest for

3 another year, you know.

4 Q Okay. Well, that's what I was trying to

5 understand. Go ahead, just articulate what you want

6 to say.

7 A Yeah. It -- they would only be entitled

8 to the interest that they had as long as they held

9 the investment. They wouldn't be entitled to

10 interest for a period of time when they don't hold

11 the note.

12 Q Okay.

13 A So, in other words, they didn't receive

14 principal plus interest going forward.

15 Q But when they did redeem, they redeemed

16 for the principal that they had initially put in?

17 A That's true.

18 Q All right. And then whatever interest

19 they had earned was from the beginning of their

20 investment, going forward, that they had earned on a

21 quarterly basis?

22 A Right.

23 Q All right. Okay. And how was -- how was

24 Mr. Tomich compensated, in what way?

25 A He received a quarterly fee.

1 Q And what was that quarterly fee based on?

2 A Assets that were in the fund. Well, that

3 he was -- you know, that his clients had in the fund.

4 Q Right. And I -- and I recollect you

5 saying that earlier. But is -- was there a set

6 percentage or --

7 A Yes. It was -- it was 2 percent on an

8 annualized basis; so I guess that's half-a-percent a

9 quarter.

10 Q Okay. And did Mr. Smith have a similar

11 compensation structure?

12 A He did. But he -- he was -- he negotiated

13 3 percent.

14 Q Okay. Okay. You had mentioned that

15 Mr. Smith brought in roughly 20 to 30 investors,

16 Mr. Tomich brought in roughly 20 to 25 investors, and

17 that you and your father, jointly, brought in

18 approximately two investors; is that accurate?

19 A I think so, yeah.

20 Q Was there anyone else who brought in any

21 other investors or were there any other investor

22 source related to Rampart?

23 A Well, there -- there was a gentleman named

24 Wes, last name is "Dye, D-y-e, and I believe he

25 brought in one client.

1 Q Where's Mr. Dye?
 2 A He splits his time between Longmont,
 3 Colorado --
 4 Q Mm-hmm.
 5 A -- and actually in Ecuador.
 6 Q Okay. And is Mr. Dye a licensed
 7 individual in any capacity?
 8 A I don't know what his deal is --
 9 Q Okay.
 10 A -- I mean, whether he's registered or not.
 11 Q Okay. Was he compensated for bringing in
 12 this one client?
 13 A Yes.
 14 Q What was his compensation?
 15 A Same arrangement as Wes -- as -- I'm sorry
 16 -- as Mike Tomich, 2 percent paid quarterly.
 17 Q Okay. So other than Mr. Tomich,
 18 Mr. Smith, Mr. Dye, and yourself and your father,
 19 anyone else bring in any other clients or investors
 20 to the Rampart Fund?
 21 A No.
 22 Q Okay.
 23 BY MR. SCOGGINS:
 24 Q Did you receive a 2 percent or a 3 percent
 25 quarterly fee?

1 A No.
 2 Q Why not?
 3 A Didn't -- didn't feel the need to take it.
 4 MR. TYNDALL: As a clarification, are you
 5 talking about on the investors that Kevin and George
 6 brought into Rampart Fund?
 7 MR. SCOGGINS: Yes. Thank you.
 8 A Same answer.
 9 BY MR. SCOGGINS:
 10 Q And what about your father, did he receive
 11 any --
 12 A No, he did not.
 13 Q You said that you thought Greg Smith
 14 learned about Rampart Fund through Summit's website;
 15 tell me how that would have happened.
 16 A I'm sorry. He learned about Summit and --
 17 and met us through the website.
 18 Q Okay. So is Rampart Fund --
 19 A But --
 20 Q -- or was it ever advertised anywhere?
 21 A No. No. We -- no. My dad and I would
 22 have told Greg about it, but it was not on the
 23 website.
 24 Q And you indicated that Summit was an
 25 investor in Rampart?

1 A Yes.
 2 Q And when you say that, you're referring to
 3 Summit's corporate assets or Summit's client assets?
 4 A Corporate.
 5 Q And how much did Summit invest?
 6 A I really don't know. I didn't -- I didn't
 7 come prepared to -- to answer that. I don't know.
 8 I'm sorry.
 9 Q Is Summit still an investor?
 10 A Yes.
 11 Q The two or three investors that you
 12 personally brought into Rampart, are they still
 13 investors?
 14 A One is and one's not.
 15 Q Who is still an investor?
 16 A It's Helene -- H-e-l-e-n-e -- Nicoletti --
 17 N-i-c-o-l-e-t-t-i.
 18 Q And who is the investor that's no longer
 19 in the Rampart Fund?
 20 A Larry, last name is "Bice," B-i-c-e.
 21 Q Where does Helene live, what state?
 22 A Delaware.
 23 Q Where does Larry live?
 24 A Pennsylvania.
 25 Q Are there other investors who are not

1 residents of Pennsylvania?
 2 A Do you mean of all of Tomich's clients
 3 and --
 4 Q Of any investor in Rampart Fund, are there
 5 others, besides Helene, who are not residents of
 6 Pennsylvania?
 7 A Yeah; all of them. Everybody else that's
 8 -- all of Tomich's clients are from Michigan, and
 9 Smith's clients are from California or maybe Florida
 10 -- a couple in Florida.
 11 Q You indicated earlier that some investors
 12 might have taken their money out early; did I
 13 understand that correctly?
 14 A You did.
 15 Q And was that allowed under the -- the
 16 contract?
 17 A Yes.
 18 Q And how was it determined whether or not
 19 to grant an early redemption?
 20 A It was just, if someone asked, we did it.
 21 I mean, there's no -- you know, if -- we didn't give
 22 any thought to say "no."
 23 Q So, no one who's asked for an early
 24 redemption has been denied?
 25 A That's correct.

1 Q Are all investors aware of the -- the
2 current financial issues related to Rampart Fund?

3 A I don't think so.

4 Q And why don't you think so?

5 A Well, I haven't -- I haven't told anybody
6 about it.

7 Q Why not?

8 A Well, I didn't want to cause a panic or
9 anything.

10 Q So there are some investors who are aware
11 of the issues; is that correct?

12 A No, no, hmm-mm.

13 Q So, no investors know that The
14 Underwriters Group has defaulted?

15 A I don't think they -- I don't think
16 there's anyone. No one's mentioned it to me.

17 Q And who -- who was involved in the
18 decision to not share that information with investors
19 in the Rampart Fund?

20 A That was me.

21 Q Does the Fund ever issue any sort of
22 regular report, or newsletter, or anything like that,
23 updating the investors?

24 A No.

25 Q Is there anything ever issued other than

1 charged by Summit Trust Company?

2 A For what we call a "basic account," it
3 would be -- oh -- it's either -- I think at this
4 point it's \$100 a year.

5 If it were what's called an "unlimited
6 account," which has multiple investments in it, of
7 different kinds, that are not -- that they wouldn't
8 fall under a basic, it would be basis points,
9 starting at -- probably starting at something like
10 45, and then relatively early on going down from --
11 from there, to like 30 and 20 and that sort of thing.

12 Q And is the basis point applied to the
13 initial investment dollar amount or the current
14 investment dollar amount?

15 A It's -- it's on the -- the current amount,
16 not the -- not the initial.

17 Q And I know we've been using some inexact
18 numbers because we've needed to rely upon your
19 memory, which is understandable. So, for my next
20 question, I'm just going to ballpark some numbers in
21 order to try to get an understanding of how this
22 would work.

23 If -- let's say I was an investor in the
24 Rampart Fund for a million dollars, and I had a
25 custodial account at Summit Trust that -- in which I

1 the initial note and the quarterly interest payments?

2 A Yes.

3 Q What?

4 A They get a statement from Summit that
5 shows their interest and -- and their note, but
6 that's it.

7 Q And tell me -- help me understand Summit's
8 connection to the Rampart Fund then.

9 A Summit's the custodian for the accounts
10 that invest in it, that's the extent of the
11 relationship.

12 Q And so investors in the Rampart Fund have
13 an account at Summit; is that correct?

14 A That is correct, yeah.

15 Q And do these investors pay any sort of fee
16 to Summit for that account?

17 A Tomich's clients did, because they had
18 other investments as well. So they were charged, you
19 know, a custodial fee.

20 At this point, I don't know -- I don't
21 know if Summit is charging Greg Smith's clients.

22 Q Who -- who would know that?

23 A I could find out. It's simple enough for
24 me to find out.

25 Q And what's the typical custodial fee

1 was charged a basis point -- or some sort of basis
2 point figure for that account, and let's
3 hypothetically say the Rampart Fund has lost half its
4 value. Would the basis point fee be charged to my
5 million-dollar investment or the current value of
6 \$500,000.

7 A Well, that's fairly theoretical, because
8 Greg Smith's clients I don't think are charged basis
9 points. I mean, if they're charged anything, it's a
10 flat fee.

11 It would be -- but it -- it would be based
12 -- it would be whatever is -- you know, whatever's
13 carried on the books. So -- and, you know, Rampart,
14 because the note can still be redeemed for the face
15 amount, we would carry it at that.

16 Q So it's --

17 A But again, we don't -- I'm sorry. Go
18 ahead.

19 Q All right. In my hypothetical, then, it
20 would still be marked as a million dollars?

21 A Yeah.

22 Q It would not reflect any losses by
23 Rampart; is that correct?

24 A That's right.

25 Q What are investors in Rampart Fund told

1 about the relationship between Summit Trust and
2 Rampart?

3 A I don't know. I'm not sure what -- I'm
4 not sure what the advisors tell them. They should
5 tell them that we're the custodian for Rampart, but I
6 don't know what they tell them.

7 Q Well, you know, the main point I'm getting
8 at is, is it disclosed to investors that there is
9 common ownership or control related to Summit Trust
10 Company and the Rampart Fund?

11 A I don't know.

12 Q With regard to the Rampart Fund, who
13 drafted the Promissory Notes that investors signed?

14 A I did.

15 Q Did anyone assist you with that?

16 A George might have helped me. George Brown
17 might have helped me at some point, but --

18 Q And did you draft this starting with a
19 blank page or did you refer to some other investment
20 that you were familiar with and use that as a -- as a
21 -- as a guide?

22 A There would have had to have been some
23 kind of -- you know, some kind of template, but I
24 don't remember at this point.

25 Q Other than the Promissory Note, what other

1 sort of due diligence was done with regard to The
2 Underwriters Group?

3 A George would have done the due diligence
4 on that. I know that there were some onsite visits
5 to his office, but I don't know -- I'm not sure what
6 other due diligence there was. I'm sure -- I'm sure
7 there was some.

8 Q Is there a file folder somewhere that
9 contains that due diligence?

10 A Very well could be.

11 Q Well, what's the current plan to address
12 upcoming redemptions with regard to the Rampart Fund?

13 A We'll have to liquidate assets to meet the
14 demand is what we'll have to do.

15 Q And are there sufficient assets at this
16 date to meet the outstanding notes?

17 A It's fairly close. I think we're probably
18 a little under. But I think -- I think there's a
19 fairly good amount of assets to meet demand as they
20 come due.

21 Q What do you estimate the current deficit
22 to be?

23 A Maybe 8 or 900,000; that's a guesstimate.
24 But I believe that -- as there's still time for the
25 equity assets to increase, you know, I think -- I

1 written materials are provided to investors or
2 potential investors in the Rampart Fund?

3 A At one point, there was some -- you know,
4 some basic marketing piece. I don't know if I could
5 lay my hands on it now. It's been a few years. But
6 I think that's it. I'm not sure what else.

7 Q Was that -- was that a written document?

8 A Yeah. With graphics and such, you know,
9 but yeah.

10 Q How many pages?

11 A A couple.

12 Q Who prepared that document?

13 A George Brown.

14 Q Did anyone assist your father in preparing
15 that document?

16 A Just to proofread it.

17 Q Who provided the content that went into
18 that document?

19 A I think it would have been George.

20 Q Well, did you receive any written
21 materials from Dr. Larry Wright, at The Underwriters
22 Group, that would have flowed through into that
23 document?

24 A Most likely.

25 Q When the Rampart Fund was set up, what

1 think that'll be made up.

2 Q With regard to the judgment that you
3 obtained against The Underwriters Group and Dr. Larry
4 Wright, what -- what state was that judgment obtained
5 in?

6 A Florida.

7 Q Was that in federal court or state court?

8 A It -- it was -- oh, boy. It was done
9 through mediation, but it was -- I don't think it was
10 a federal court. I mean -- I don't know. I had a
11 lawyer down there that handled it. I would have -- I
12 -- I don't know. I really don't know.

13 Q And so you have a signed agreement from
14 The Underwriters Group agreeing to this dollar
15 amount?

16 A There is -- yeah, there's some kind of
17 signed documentation. An "agreement" is probably an
18 accurate -- you know, an accurate description.

19 BY MR. MARTIN:

20 Q Who's your Florida attorney that handled
21 this matter?

22 A Chris, his last name is Haslip,
23 H-a-s-l-i-p.

24 Q What town?

25 A Jacksonville.

1 Q Jacksonville.
 2 A He's with a firm. I don't remember the
 3 name of it, but it's -- it's -- there's a firm down
 4 there.
 5 Q Understood.
 6 In terms of the written document, the
 7 Promissory Note that went to the Rampart investors,
 8 how did they receive that written material?
 9 A I -- I don't remember how they received
 10 that, if they received it.
 11 Q Did it come directly from the Rampart Fund
 12 and you?
 13 A Well, yeah.
 14 Q Okay. Did you e-mail it or mail it or --
 15 A I honestly don't remember if they got
 16 copies of it, and if they did, how.
 17 Q Okay. Did you provide copies of the
 18 Promissory Note to Tomich and Smith?
 19 A I don't remember.
 20 Q Okay. Did investors execute a Promissory
 21 Note?
 22 A No.
 23 Q Okay. So there's no executed document
 24 from an investor related to the Rampart Fund?
 25 A No. They would -- they would have signed

1 Q And who's "we"?
 2 A George Brown, Kevin Brown.
 3 Q Okay. Did you have some kind of template
 4 or example that you worked from?
 5 A You know, there were -- yeah, there were
 6 other -- other Asset Purchase Forms out there to be
 7 seen, that other -- that other trust companies or
 8 other fund companies would have used, that kind of
 9 thing.
 10 Q From the Internet and --
 11 A Yeah.
 12 Q Okay.
 13 A It's used for -- it's used for anything
 14 that anyone wants to invest in, be it, you know,
 15 Rampart Note or DFA funds or you name it.
 16 Q Okay. Other than the Asset Purchase Form,
 17 do you have a Promissory Note on file or in place for
 18 each of the Rampart investors?
 19 A Yes.
 20 Q And who executes such a document?
 21 A Either George or myself.
 22 Q Okay. But it's not executed by the
 23 investor himself?
 24 A Right.
 25 Q Okay. And I take it the Promissory Note

1 an Asset Purchase Form directing Summit to make a
 2 purchase for it.
 3 Q Okay. They would have or they did?
 4 A I think they did.
 5 Q Okay. And how did they get that form?
 6 A Most likely from their advisor. In fact,
 7 I mean, you could -- you know, all of our forms are
 8 available online, but I -- I'm sure they would
 9 have gotten it from their advisor.
 10 Q Okay. And -- and their advisors got it
 11 from the Summit site online or from -- from you
 12 directly?
 13 A I can't say I remember for sure. It could
 14 have been e-mailed to them or it could have been
 15 downloaded, either way. I really don't remember.
 16 Q Okay.
 17 A I suspect -- I suspect some of them
 18 downloaded it and some of them received it by e-mail.
 19 Q All right. I'm sorry. You called an
 20 Asset Purchase Agreement; is that correct?
 21 A Asset Purchase Form.
 22 Q Asset Purchase Form, okay.
 23 A Yeah.
 24 Q And who created the Asset Purchase Form?
 25 A We did, at Summit.

1 will dictate or state clearly whether it's a
 2 three-year or a four-year or a five-year program; is
 3 that --
 4 A Yes. That's right.
 5 Q Okay. And it also holds the interest rate
 6 to be earned and so forth; is that --
 7 A That's correct.
 8 Q Okay. And do you understand that the
 9 investor, himself, then gets a copy of that
 10 Promissory Note that's been executed by you or George
 11 Brown?
 12 A I don't send it to them.
 13 Q Do you --
 14 A I don't -- I can't say that they do.
 15 Q Okay. Do you send it to Tomich or Smith?
 16 A We may have in the past. I can't recall
 17 doing that any time --
 18 Q Okay.
 19 A -- recently, so --
 20 Q What documentation does an investor have
 21 to show as evidence or proof that they actually have
 22 an investment with the Rampart Fund?
 23 A Aside from a quarterly statement that they
 24 get from Summit, I guess there's nothing.
 25 Q Okay.

1 (Mr. Tyndall confers with the Witness.)
 2 A Okay. There is the Asset Purchase Form,
 3 too.
 4 BY MR. MARTIN:
 5 Q Do they have a copy of it?
 6 A They should have gotten a copy of that
 7 from their advisor, yes.
 8 Q Okay. Does the advisor help them fill
 9 that out -
 10 A Yes.
 11 Q - to your understanding?
 12 A I believe so.
 13 Q Okay.
 14 A Yeah.
 15 Q And that's a form that either gets e-mail
 16 mailed to the advisor or pulled off the Summit
 17 website; is that right?
 18 A Yeah.
 19 Q Okay. And how do you calculate the
 20 interest -- the quarterly interest earned by
 21 investors in the Rampart Fund?
 22 A Well, you take whatever the interest rate
 23 that they selected -
 24 Q Mm-hmm.
 25 A -- multiply it by their principal, and

1 A It is.
 2 Q Who are the signatories on that account?
 3 A George or Kevin Brown.
 4 Q That's it?
 5 A That's it.
 6 Q Okay. What's the current -- what's the
 7 current holding in that account? What's the amount
 8 in that account?
 9 A I'll guesstimate about 30,000.
 10 Q Okay. And the equities that you've spoken
 11 of, related to Rampart and held by Rampart, are in
 12 what securities account?
 13 A I think they're -- I think there's a 1st
 14 Discount Brokerage, I -- there maybe another one.
 15 There are some certificates held -- you know,
 16 physical -- physical certificates.
 17 Q Mm-hmm.
 18 A And there's the Clark Capital account.
 19 Q All these are Rampart?
 20 A Correct.
 21 Q Okay. Are they in the Rampart name? Is
 22 there -- is there an account called "Rampart" at
 23 these various -
 24 A Yeah.
 25 Q - brokerages?

1 divide it by four.
 2 Q Okay. And is that a calculation you carry
 3 out?
 4 A Yeah.
 5 Q Okay. You don't use an accountant or a
 6 bookkeeper --
 7 A No.
 8 Q -- to help you with that?
 9 A No.
 10 Q Okay. That's pretty simple math, right?
 11 A Yes.
 12 Q Okay. And I believe you told Jay earlier
 13 that you then issued the quarterly checks for
 14 interest to the Rampart investors; is that correct?
 15 A A check is cut, but it's sent to Summit,
 16 deposited, and then they credit it to each client's
 17 account.
 18 Q Okay. All right. And all those checks
 19 were from a single account at Citizens Bank; is that
 20 correct?
 21 A Yeah.
 22 Q Okay.
 23 A Yes. Sorry.
 24 Q And is that an account held in the name of
 25 Rampart?

1 A I'm sorry. Yes. Yes.
 2 Q Okay. Okay.
 3 A I'm sorry. I shouldn't say "yeah."
 4 Q And so it sounds like there's a Rampart
 5 account at 1st Discount, for example; is that
 6 correct?
 7 A I believe it's 1st Discount, yes.
 8 Q Okay. And then one held at Clark Capital;
 9 is that correct?
 10 A Yes.
 11 Q And where -- where else?
 12 A Rampart has a -- has a couple of accounts
 13 at Summit.
 14 Q Okay.
 15 A It has a couple of -- I believe it has a
 16 couple of paper certificates for some stocks. And
 17 then I just don't remember where else there's stuff.
 18 Q Okay. Who manage -- who manages that on
 19 behalf of Rampart, who manages these holdings?
 20 A I handle that --
 21 Q Okay.
 22 A - yeah.
 23 Q And so when you say you're not sure or you
 24 don't know in the context of the questioning I'm --
 25 I'm presenting to you right now, it's -- it's a

1 recollection issue, it's not a control issue; is that
2 fair?
3 A That's fair to say, yeah.
4 Q Okay. All right. And you mentioned
5 Anthony Pontarelli before, the CPA?
6 A Mm-hmm.
7 Q You said he does the bookkeeping for
8 Rampart. Could you be more explicit and explain
9 exactly what he does on behalf of Rampart?
10 A All he really does is take anything that's
11 handwritten in a checkbook or a physical deposit of
12 some kind, if there is one, and enters it into
13 QuickBooks online; that's really all he does.
14 Q Okay. All right. So credits/debits?
15 A That's about it, yeah.
16 Q Okay.
17 A I mean, there's not -- you know, there's
18 not a whole lot to it.
19 Q Okay. Kind of balances the checkbook for
20 Rampart in a sense --
21 A Yeah.
22 Q -- is that -- okay.
23 Does he prepare any kind of review or
24 auditing paperwork or any -- any such function for
25 Rampart?

1 A No.
2 Q Is the Rampart Fund audited in any way by
3 anyone else?
4 A No.
5 Q Okay.
6 MR. TYNDALL: Excuse me. Could we take a
7 quick bio break?
8 MR. MARTIN: Yeah. Let's --
9 MR. TYNDALL: Only a few minutes.
10 MR. MARTIN: That's fine.
11 Let's go off the record at 10:12 a.m.
12 (Break from 10:12 a.m. to 10:39 a.m.)
13 MR. MARTIN: Let's go back on the record
14 at 10:39 a.m.
15 BY MR. MARTIN:
16 Q While we were off the record, there were
17 no substantive conversations between the staff and
18 the witness or his counsel; is that correct?
19 MR. TYNDALL: Correct.
20 A Correct.
21 (SEC Exhibit 47 was marked
22 for identification.)
23 BY MR. MARTIN:
24 Q Kevin, I'm going to hand you what's been
25 identified as Exhibit 47. Exhibit 47 is a two-page

1 document from TOMICH-000354 through 355. And you'll
2 see you're on this e-mail exchange -- there are two
3 different e-mails here. Do you recognize the e-mails
4 that constitute Exhibit 47?
5 A Yes.
6 Q Okay. You'll note that in the top e-mail,
7 which is the more recent e-mail, dated May 14th,
8 2012, from you to Marianne, at -- and I believe
9 Marianne works for Mr. Tomich's office; is that -- is
10 that correct?
11 A Yes.
12 Q Yeah. Okay.
13 You reference that -- that, "For the rest
14 of the Rampart notes" -- and then parenthetically --
15 "that is the ones other than the ones that are,"
16 quote, "on course, all of them were overpaid." What
17 does this overpayment of the Rampart notes reference
18 to.
19 A I guess a duplicate interest payment; in
20 other words, paid more than they should have been.
21 Q And how did that happen?
22 A Well, that would have been my error.
23 Q Okay. Just from a procedural standpoint,
24 how do you handle your interest payments on the -- on
25 the Rampart Fund, what's your methodology?

1 A It's all on spreadsheet, with a -- I mean,
2 with a next due date, payment due.
3 Q Okay. And so how is it that an
4 overpayment would occur then?
5 A I'm not really sure. I guess I
6 miscalculated it.
7 Q Okay.
8 A It should have been easy enough, but --
9 Q And -- and then you reference the ones
10 that are, quote, on course. What do you mean by "on
11 course" there? It's in quotations in that first
12 paragraph.
13 A I don't know what that means.
14 Q Okay.
15 A Well, let me -- well --
16 Q Go head.
17 A Yeah. Let me just read it real quick
18 again.
19 (The Witness reviews Exhibit 47.)
20 A If I had to guess, it would be the ones
21 that were paid correctly.
22 BY MR. MARTIN:
23 Q Okay. And so you're -- you're paying
24 these into the Summit Trust accounts of these
25 particular individuals who are investing in Rampart;

1 is that correct?

2 A That's correct.

3 Q Okay. And at this time, by May of 2012,
4 is Mr. Tomich and -- are his clients liquidating
5 their Rampart Fund? In other words, are they
6 redeeming their funds?

7 A Yeah, I believe some of them would have
8 been.

9 Q Okay. The -- when you look in the --
10 initial e-mail, which is the -- the bottom e-mail, in
11 the first sentence it says, "Hi, Kevin. You've
12 probably been pretty busy lately, but the above
13 account," 100353, "is still in a state of," quote,
14 "shock." What does that reference, to your
15 understanding?

16 A I'm thinking that she's referring to some
17 of these interest overpayments.

18 Q Okay.

19 A Because she's got something -- if you
20 look, it's -- her terminology in the e-mail below is
21 "on course."

22 Q Right.

23 A So I'm thinking -- and -- you know, I
24 think -- I'm not sure but I think she is British. So
25 I'm not sure if she always uses Americanized terms,

1 you'll see that this is e-mail correspondence between
2 the same Marianne individual at Tomich's office and a
3 Jennifer Revzon.

4 Do you recognize this e-mail interchange
5 that is Exhibit 48?

6 A I'm -- well, I'm looking at it now.
7 (The Witness reviews Exhibit 48.)

8 A I can say I'm familiar with it now. I
9 haven't seen it before, but --

10 BY MR. MARTIN:

11 Q Okay.

12 A Sure.

13 Q And what I want to draw your attention to
14 is the second sentence of the top e-mail, where it
15 says, "we understand from Kevin that all Rampart
16 funds are to be closed and placed in the money
17 market." Does that reference you, "Kevin"?

18 A It does.

19 Q Okay. And what -- what's the meaning of
20 that sentence?

21 A This was during the time when Tomich was
22 having all of his Rampart Funds liquidated.

23 Q Okay. And so he -- all -- it says, "All
24 Rampart Funds are to be closed." Does that include
25 for non-Tomich investors?

1 but --

2 Q Okay. What -- what is that account, that
3 "100353," what does that reference?

4 A That is Anne Savage's account, either an
5 IRA or a non-IRA -- I'm not sure which, but it's an
6 account at Summit.

7 Q At Summit?

8 A Yes.

9 Q Okay. So that would be the account into
10 which the interest payments from Rampart would be
11 paid, because Anne Savage was one of the Rampart
12 investors?

13 A Yes.

14 Q That's correct?

15 A Yes.

16 Q Okay. I'll take that back.
17 (The Witness passes Exhibit 47
18 to Mr. Martin.)

19 (SEC Exhibit 48 was marked
20 for identification.)

21 BY MR. MARTIN:

22 Q Okay. Kevin, I'm going to hand you what's
23 been identified as Exhibit 48. Exhibit 48 is a
24 one-page document, an e-mail chain, dated March 28th,
25 2013, and the Bates number is TOMICH-001059. And

1 A No. No. Hmm-mm.

2 Q Okay. That's just for Tomich investors?

3 A Yeah.

4 Q "And placed in the money market," what is
5 the money market?

6 A When someone were to redeem any kind of
7 investment, and the money comes back into their
8 account at Summit, it -- instead of just sitting in
9 cash, it would go into a money market account.

10 Q Okay. And that money market account is
11 particular to an investor?

12 A No.

13 Q It's --

14 A It's an omnibus account.

15 Q It's an omnibus account.

16 And so do you account for their cash in
17 the money market in some way? In other words, the --
18 the -- the funds are coming back into the money
19 market.

20 A Mm-hmm.

21 Q Does a particular investor have a piece of
22 that and another investor have a piece --

23 A Yes.

24 Q -- and so forth?

25 A Yes.

1 Q How do you account for that?
 2 A It's done -- done on our AccuTrust Gold
 3 software system --
 4 Q Okay.
 5 A -- for the trust company.
 6 Q Okay. So you have one omnibus money
 7 market account in which there are funds that belong
 8 to, I suppose, potentially hundreds of your clients;
 9 is that accurate?
 10 A That -- sure. Or more, sure, mm-hmm.
 11 Q Okay. All right. And in the course of
 12 liquidating or redeeming the Rampart Funds for the
 13 Tomich clients, when those were redeemed, they were
 14 put into the money market -- the omnibus money market
 15 account; is that correct?
 16 A I believe that is correct.
 17 Q Okay. And where is that money market
 18 held?
 19 A Federated. Federated Funds, which I
 20 believe is in Pittsburgh.
 21 Q What is Federated Funds?
 22 A It's a mutual fund family.
 23 Q Okay. Who's the signatory on that
 24 account?
 25 A I would have had to have signed something

1 A It is. It is hourly.
 2 Q And what's the rate?
 3 A It varies. On the low end, they may have
 4 people at \$30 an hour or less. I think Jennifer
 5 might be around \$90 an hour, but I'm not positive of
 6 that. But it's -- it varies depending on the
 7 employee.
 8 Q And out of what funds do you pay the
 9 Revzons?
 10 A Out of Summit's general operating funds.
 11 Q Okay. And -- I'm sorry -- the -- the
 12 entity name for the Revzons is called what?
 13 A Revzon Consulting Group.
 14 Q Okay.
 15 MR. TYNDALL: LLC.
 16 A LLC.
 17 MR. BROWN: Thank you.
 18 BY MR. MARTIN:
 19 Q And I notice in the -- in the signature
 20 line here, it says "Jennifer Revzon, Summit Trust
 21 Company, Compliance Office." What services do they
 22 provide regarding compliance?
 23 A Les Revzon is our chief compliance officer
 24 for Summit.
 25 Q Okay. And what does he do in that role?

1 at some point, but there's no -- there's no checks.
 2 Everything is done either wired into the account or
 3 wired back out of the account.
 4 Q Okay. Who has authority over the account?
 5 A I do, as well as --
 6 Q Okay.
 7 A -- Revzon's office.
 8 Q I'm sorry. Revzon's office?
 9 A Les Revzon and Jennifer Revzon.
 10 Q Okay. And who is Jennifer Revzon?
 11 A Les Revzon's daughter, but she works for
 12 Revzon Consulting.
 13 Q And what is Revzon Consulting?
 14 A They are, among other things, an
 15 outsourcing firm for small trust companies like ours,
 16 where they provide either back office support,
 17 compliance support, things like that.
 18 Q Okay. So is either Les Revzon or Jennifer
 19 Revzon an actual employee of Summit Trust?
 20 A No. It's -- no. It's done -- it's --
 21 they're consultants, so they're just paid a month --
 22 you know, they're paid monthly whatever -- whatever
 23 time they spend working for us, we pay them.
 24 Q And -- and how does that work? How are
 25 they compensated, exactly? Is it an hourly wage?

1 A Well, he interacts with the Nevada
 2 Financial Institutions Division and, you know, other
 3 things that a compliance officer does for a trust
 4 company, review trusts. He's on the trust committee.
 5 So when we get a new trust in from an attorney or a
 6 client, we have to review it before we can accept it.
 7 Q Mm-hmm.
 8 A He's one of the people that reviews the
 9 trust to make sure that it's properly situs'ed and
 10 that -- that we can do the things that the trust
 11 document may say that we can do as a trust company.
 12 Q Okay. And it sounds like he has some
 13 responsibilities in -- with the trust component. But
 14 does Revzon -- either Revzon Consulting or the
 15 individuals, Les Revzon or Jennifer Revzon, have
 16 anything to do with the investments in which the
 17 Summit Trust clients are in, such as Rampart or Arete
 18 or any of the --
 19 A No.
 20 Q -- other investments?
 21 A I'm sorry. No. No, they don't, no.
 22 Q Okay. So, in terms of compliance, there's
 23 no compliance over any underlying investments or
 24 related investments with Summit Trust; is that
 25 accurate?

1 A That's correct.
 2 Q Okay. It -- it sounds like it's purely
 3 trust-oriented compliance work; is that a fair
 4 statement?
 5 A Well, you know, I -- I think it's more
 6 than that, because they -- you know, they -- they --
 7 they help with IRA accounts to make sure that people
 8 aren't investing in prohibited investments for an
 9 IRA, for example.
 10 Q Mm-hmm.
 11 A But they -- you know, it's -- it's more
 12 than just reviewing trusts, but it's all trust
 13 company related, if that's -- if that's what you're
 14 saying.
 15 Q Okay. I mean, were they ever in a
 16 position where they reviewed or were involved in any
 17 way in the Rampart Fund?
 18 A No.
 19 Q Okay. So the Revzons and their entity
 20 were not involved in the Rampart at all?
 21 A That's correct.
 22 Q Okay. Were they involved in any review or
 23 due diligence related to Arete?
 24 A No.
 25 Q Okay. Any other funds or investments in

1 Q Well, what -- and just in terms of
 2 categories, what types of investments are the Summit
 3 Trust clients in? We know about Rampart, correct?
 4 A Mm-hmm.
 5 Q Is that a "yes"?
 6 A Oh, I'm sorry. Yes.
 7 Q Okay. We know about Capital Window, yes?
 8 A Yes.
 9 Q And we understand there are some -- as you
 10 testified earlier, some mutual funds, and some EFTs,
 11 and some investments of that nature, correct?
 12 A That's right.
 13 Q What other investments -- or types of
 14 investments are your clients at Summit Trust in?
 15 A Investment real estate, REITs -- or Real
 16 Estate Investment Trusts, I should say.
 17 Q And --
 18 A Publicly -- I'm sorry. Go ahead.
 19 Q And then can you explain more specifically
 20 what type of REITs or real estate investments your
 21 clients are in?
 22 A Investment real estate might constitute
 23 something like a rental condo; that's the only one I
 24 can think of off the top of my head. But I happen to
 25 know a client that has investment rental, investment

1 which Summit Trust clients are in, do the Revzons
 2 have any review or due diligence work or any other
 3 compliance work related to those investments?
 4 A No, hmm-mm.
 5 Q Okay.
 6 MR. TYNDALL: Hang on one second -- one
 7 second.
 8 (Mr. Tyndall confers with the Witness.)
 9 BY MR. MARTIN:
 10 Q Okay. I'll take that from you. Thank
 11 you.
 12 (The Witness passes Exhibit 48
 13 to Mr. Martin.)
 14 BY MR. MARTIN:
 15 Q At Summit Trust or at Brown Investment
 16 Advisors, are there any other funds or investments
 17 like Rampart which originated with you or your father
 18 in terms of the -- the structure of the investment or
 19 the -- the program itself?
 20 A How do you mean?
 21 Q Well, is there anything else like Rampart
 22 that originated with you or your father, whether it
 23 was through Summit Trust, Brown, or otherwise?
 24 A No. Nothing like that, no. I don't think
 25 so.

1 property that they own inside an IRA. Real Estate
 2 Investment Trusts, I think, are both publicly and
 3 privately traded and held, I think.
 4 Q And what's your involvement, if any, with
 5 those investments?
 6 A No. Just a custodian. We don't have any
 7 investment involvement in those.
 8 Q Okay. And other than the real estate,
 9 what other types of investments are your -- your
 10 clients involved in?
 11 A Publicly traded stocks --
 12 Q Mm-hmm.
 13 A -- bonds, mutual funds of all kinds.
 14 Q And who's advising your clients regarding
 15 these stocks and bonds and mutual funds?
 16 A It's the advisor that -- that works with
 17 the client.
 18 Q Does that include your father or you?
 19 A Yes, on some clients. Not a -- not -- not
 20 lots of clients, but, sure, some.
 21 Q And how many of the Summit clients would
 22 you say are you or your father advising regarding
 23 securities?
 24 A Securities? Could you --
 25 Q Well, stocks, bonds.

Page 105

1 A Anything, you mean?

2 Q Yeah.

3 A Okay. I'm thinking it might be in the

4 neighborhood of maybe 50 or 60 --

5 Q Okay.

6 A -- something like that. I -- it could be

7 more.

8 Q How many are your clients and how many are

9 your father's clients?

10 A Probably -- I'm thinking probably

11 60 percent might be my clients and 40 percent might

12 be his.

13 Q Okay. And related to the advice that you

14 give these clients for these investments in the

15 stocks and the bonds and mutual funds, and so forth,

16 how are you compensated?

17 A I can't think of any compensation that

18 George receives.

19 For the clients that I have in the

20 Dimensional Funds, DFA Funds, I do receive a portion

21 of the -- the fees that we get from DFA.

22 Q What's the portion?

23 A I get 50 percent.

24 Q Fifty percent of what?

25 A Of whatever the fee that we collect on

Page 106

1 those accounts are. It starts at -- for DFA, it

2 starts at one-and-a-half percent annualized on like

3 the first 10,000, and then it goes down to one and --

4 1.35 percent, 1.21, and like that. It's, you

5 know --

6 Q Okay. Other than the portion of the DFA

7 fee, how else are you compensated for this advice you

8 give your clients?

9 A That's it. I don't -- I don't charge an

10 hourly fee or anything like that.

11 Q Well, how do you make any money, then, off

12 of it? I mean, you have these clients and you're

13 providing them advice related to different

14 stock and bond purchases, mutual funds; how do you --

15 how does it help you?

16 A Well, we get paid every month on those.

17 Q In what way?

18 A On -- well, from the DFA Funds. The --

19 the -- you know, the investment management fees are

20 collected on a monthly basis.

21 Q But that's just for DFA.

22 A Yeah.

23 Q What about the other investments?

24 A I -- there's not a tremendous amount of

25 investment advice that I provide to people, because

Page 107

1 I'm, you know, mostly running the trust company.

2 Q All right. Related to DFA or any other

3 fees that you receive for this advice, are you

4 disclosing that information to these clients, the

5 existence of the fee or the amount?

6 A Yeah; clients are told that upfront.

7 Q What are they told exactly?

8 A That there's an investment management fee

9 and -- and they're told what it is.

10 Q Are they told that you share in that fee?

11 A I think we tell them that in the

12 beginning, yeah.

13 Q You -- you think or --

14 A Well, I do think. I don't know for sure.

15 It's been a while since I've actually had a retail

16 client.

17 Q Okay. Are they told how much such a fee

18 is?

19 A Yeah, that's disclosed.

20 Q Okay.

21 MR. MARTIN: Go ahead.

22 BY MR. SCOGGINS:

23 Q Mr. Brown, I have a few follow-up

24 questions related to Rampart.

25 A Mm-hmm.

Page 108

1 Q Were there additional investors that came

2 into Rampart after The Underwriters Group defaulted?

3 A I think so.

4 Q Approximately how many?

5 A I don't remember. I really don't know.

6 Q Who brought those investors in?

7 A I believe those would have been Greg

8 Smith.

9 Q What, if anything, were these investors

10 told about the default by The Underwriters Group?

11 A They weren't told anything about it.

12 Q And why is that?

13 A Well, because there were other investments

14 there.

15 Q And -- and you're referring to the

16 investments through Clark Capital?

17 A Well, you know, all the different

18 equities, yeah.

19 Q With regard to the individual investors in

20 Rampart who have their funds -- or their investment,

21 rather, custodied at Summit, do they each have

22 individual accounts at Summit?

23 A Yes.

24 Q And I thought I understood you to say

25 earlier that Rampart had accounts at Summit as well;

1 did I understand that correctly?
 2 A Yes.
 3 Q And tell me about those.
 4 A Well, Rampart has -- just like a client
 5 might invest -- so -- so Rampart has some investments
 6 custodied at Summit, is what that means.
 7 Q Okay. For example, was Rampart's
 8 investment at The Underwriters Group custodied at
 9 Summit?
 10 A No.
 11 Q Can you give me an example of -- of one or
 12 two investments by Rampart that are custodied at
 13 Summit then?
 14 A We've had things like precious metals,
 15 like some gold and silver holdings; some mutual
 16 funds, like DFA; some ETF Funds; some funds from a
 17 company called Main Management, which is a -- I think
 18 they manage ETFs, too; things like that. I mean,
 19 some of those are actually specific examples, but --
 20 Q Sure. And so what's the purpose of
 21 Rampart having custody of its mutual funds or ETF's
 22 through Summit, as opposed to just directly having a
 23 brokerage account to handle those?
 24 A Well, it didn't make sense to -- to send
 25 that business elsewhere, rather than have it, you

1 know, at Summit. I -- why would I -- you know, why
 2 would I go somewhere else to do that? I'd have to
 3 have some other custodian.
 4 Q So, did Summit earn any compensation
 5 related to those custodial accounts?
 6 A If there were investment management fees
 7 charged -- and, for example, with DFA funds, you
 8 know, there would have been, you know, some -- there
 9 would have been some fees there. But I don't think
 10 that there's a custodial fee; I think we waived that,
 11 but -- you know, the custodial fees, but those are
 12 relatively minor anyway.
 13 Q And I did a little research during the
 14 break with -- with regard to The Underwriters Group,
 15 and I understand that The Underwriters Group offered
 16 more than just the investment that you described for
 17 us. So I was wondering if there were any other
 18 investments through the -- through The Underwriters
 19 Group that you were connected to?
 20 A No.
 21 Q And did the investment that Rampart Fund
 22 was interested in through The Underwriters Group, did
 23 that have a separate name other than "The
 24 Underwriters Group"?
 25 A I don't think so.

1 MR. SCOGGINS: That's all.
 2 BY MR. MARTIN:
 3 Q The Promissory Note that was executed
 4 related to the Rampart Group investment, did that
 5 explicitly reference The Underwriters Group and that
 6 investment?
 7 A I don't believe it does, no.
 8 Q What scope or what type of investment does
 9 the Promissory Note reference?
 10 A Off the top of my head, I don't remember
 11 if it does reference anything in the note, itself.
 12 Q Okay. Did it allow discretion to you and
 13 your father, for example, to invest in virtually
 14 anything?
 15 A I, honestly, don't remember if it spoke to
 16 that or not. I don't think it did but I don't
 17 remember.
 18 Q Okay. But -- and I realize you're
 19 attempting to recall this. Did the Promissory Note
 20 speak to a category of investments or a particular
 21 type of investments with any particularity?
 22 A I really don't remember.
 23 Q Okay.
 24 A I'm sorry.
 25 Q I want to bring your attention back to the

1 Background Questionnaire, which is Exhibit 46 in
 2 front of you, and I want to -- I want to work through
 3 a few other questions here related to the Background
 4 Questionnaire.
 5 If you'd look at what is Page 7 --
 6 actually, I want to take you back to Page 6.
 7 A Mm-hmm.
 8 Q I'm sorry. There's a list of bank
 9 accounts, I just want to make sure that I'm
 10 understanding the scope of the accounts here.
 11 You identify a checking account at
 12 TD Bank; is that correct?
 13 A Yes.
 14 Q And in what name is that account?
 15 A That's jointly with my wife.
 16 Q Okay. You also identify checking accounts
 17 at Citizens Bank; is that correct?
 18 A Yes.
 19 Q And in whose name are those accounts?
 20 A Those are both jointly with my wife.
 21 Q Okay. And then another savings account at
 22 TD Bank; is that correct?
 23 A Yes.
 24 Q And in whose name is that account?
 25 A Jointly with my wife.

1 Q Okay. And then there's Andrews -- is that
 2 "Andrews Credit Union," "Andrews Federal Credit
 3 Union"?

4 A It is "Federal Credit Union," yes.

5 Q Okay. And whose account is that?

6 A That's mine.

7 Q Your personal account?

8 A Yes.

9 Q Okay. And does anyone else have signatory
 10 authority over that particular account?

11 A No.

12 Q Okay. Other than the accounts that are
 13 listed here on Page 6, Item No. 23, on Exhibit 46, do
 14 you have signatory authority over any other bank
 15 accounts at all?

16 A Do you mean in my name or jointly with my
 17 wife; is that what you're talking about, or --

18 Q Regardless of whose name the account is
 19 in, whether it's an entity or an individual, what
 20 other accounts, besides these accounts, do you have
 21 signatory authority?

22 A Okay. So, there's corporate accounts.

23 Q Yeah.

24 A Okay.

25 Q We'll start there.

1 a new account for the, you know, the client
 2 account at Wells Fargo.

3 Q To take the place of the account at Bank
 4 of Nevada?

5 A Right.

6 Q Okay. Others?

7 A I'm thinking.

8 American Preferred Services has a money
 9 market account at Delaware Cash Reserve.

10 BY MR. MARTIN:

11 Q What is Delaware Cash Reserve?

12 A It's -- well, it's -- it's a money market
 13 account with a Delaware group of funds, which is a
 14 mutual fund company in -- in -- I think in
 15 Philadelphia.

16 Q Okay.

17 A And then Trust Counselors Network also has
 18 a money market account at Delaware Cash Reserve.

19 Rampart has a -- I don't know -- money
 20 market account with The -- The Bancorp -- B-a-n- --
 21 it's all one word, B-a-n-c-o-r-p. They're located in
 22 Philadelphia and Wilmington, both.

23 Q Okay.

24 A And then Trust Counselors Network, I
 25 think, also has a money market account with The

1 A Summit Trust Company.

2 Q What institution?

3 A Citizens.

4 Q Okay.

5 A Of course, we talked about Rampart.

6 Q And the Rampart's at?

7 A Citizens.

8 Q At Citizens.

9 A Brown Investment Advisors, also Citizens.

10 Q Okay.

11 A American Preferred Services, Citizens.

12 Q These are all active accounts?

13 A Yeah, mm-hmm.

14 Q Okay.

15 A They are, yes.

16 Q All right.

17 A Trust Counselors Network, Citizens.

18 There is a Summit Trust Company client
 19 account, which is the -- the one that I told you
 20 about first, the first Summit one, that's the
 21 corporate account.

22 Q Mm-hmm.

23 A There is a client checking account for
 24 Summit that's currently at Bank of Nevada, but we're
 25 opening up -- actually, it probably is just opened --

1 Bancorp.

2 I'm just trying to remember if there's
 3 anymore.

4 Now, when you say "signing authority" --
 5 so Summit has two money market accounts at Citizens.

6 BY MR. MARTIN:

7 Q Mm-hmm.

8 A There are no checks. But I'm authorized
 9 to -- you know, to transfer funds, so I think that
 10 probably qualifies.

11 Q Yeah. And it --

12 A So -- Okay. So two different Summit Trust
 13 Company money market accounts at Citizens Bank; you
 14 can label them as "Account One" and "Account Two" if
 15 you want.

16 Q And any other accounts that you control,
 17 whether you're a signatory or not, where you have
 18 control over?

19 A I -- I'm not recalling any others.

20 Q Okay. All right.

21 MR. MARTIN: I'd like to ask if counsel
 22 could get back to me on that particular issue. If
 23 there are other accounts, other than what Mr. Brown
 24 has identified, over which he has signatory authority
 25 or control over the account, I would like an

1 exhaustive list. And if you could --
 2 MR. BROWN: Do you have the -- this that
 3 we've already rattled off here?
 4 MR. TYNDALL: Yeah.
 5 MR. BROWN: Okay.
 6 MR. MARTIN: And let me know, basically,
 7 the entity or individual, the type of account, and
 8 the financial institution, that would be helpful.
 9 BY MR. MARTIN:
 10 Q And, Kevin, let me draw your attention
 11 again to Exhibit 46. On the next page, Page 7,
 12 there's a reference to prior proceedings, and I
 13 wanted to follow up on the -- the two items there in
 14 those paragraphs that you mentioned.
 15 The first one is Paul-Ellis Investment
 16 Advisors, in 2012, and you wrote that you had an
 17 on-the-record meeting with the SEC regarding an
 18 investigation with this. What is Paul-Ellis
 19 Investment Advisors?
 20 A They were a small investment advisory firm
 21 near Philadelphia.
 22 Q Okay. And what was your interaction with
 23 Paul-Ellis Investment Advisors?
 24 A Our ETF portfolio was invested with them
 25 for a time.

1 BY MR. SCOGGINS:
 2 Q I'm sorry. You said "our." Who are
 3 you --
 4 A I'm -- well, the ETF portfolio that was at
 5 Summit.
 6 BY MR. MARTIN:
 7 Q Does that include associated with Rampart?
 8 A No.
 9 Q Okay. And what did the SEC want to
 10 discuss with you at that time?
 11 A Well, they -- we -- we -- we -- we
 12 sustained some what I would call substantial losses
 13 at the hands of Paul Ellis and the SEC was
 14 investigating them; so they wanted to see what
 15 interactions I had had with them.
 16 Q Okay. And what losses did you suffer?
 17 A You know, altogether, I think we lost
 18 about \$700,000.
 19 Q And who's the "we"? Who are the -- whose
 20 funds were these?
 21 A They were client funds.
 22 Q Okay. Individual clients?
 23 A Yeah. Yes.
 24 Q Okay.
 25 A Sorry.

1 Q Not aggregated, or, you know, not Rampart
 2 investors, for example?
 3 A No.
 4 Q Were there any Rampart investors that lost
 5 funds this way?
 6 A No.
 7 Q Okay. And how did those investors learn
 8 about Paul Ellis, to invest in it in the first place?
 9 A Well, we actually -- we had -- we had a
 10 couple of investors that weren't in the ETF portfolio
 11 that invested with Paul Ellis and the ETF portfolios
 12 in general.
 13 Q Okay.
 14 A We were -- Summit was introduced to Paul
 15 Ellis by an attorney in Florida named Stan Padget --
 16 which is P-a-d-g-e-t. So we went and -- "we" being
 17 George Brown and myself, went and met with those guys
 18 at Paul Ellis, did some due diligence. It looked
 19 like it would be a good place to invest some money,
 20 so we did. And over the course of some period of
 21 time, they made some money, and then they lost quite
 22 a bit of money.
 23 Q Okay. So did the SEC staff that
 24 interviewed you or took testimony in that instance,
 25 did they discuss with you the Paul Ellis situation as

1 though -- that Summit had been victimized by Paul
 2 Ellis; was that the context for the conversation?
 3 A That's correct.
 4 Q Okay. And just in general terms, how were
 5 you victimized or what did you tell them regarding
 6 the Paul Ellis situation?
 7 A Well, Paul Ellis did -- they -- they
 8 mischaracterized how they invested the money for us.
 9 They were much more aggressive than they told us they
 10 would be.
 11 Q Okay.
 12 A And I -- I believe it was by investing in
 13 things like options and other -- you know, other
 14 investments that were -- that are fairly -- well, not
 15 "fairly" -- that are pretty risky.
 16 Q Mm-hmm.
 17 A And so that came out after they had lost
 18 quite a bit of money for us.
 19 Q So the 700,000 lost, was that net or was
 20 that the total invested with them?
 21 A No, that was net.
 22 Q That was net.
 23 How much, total, was invested with Paul
 24 Ellis?
 25 A In -- in -- I think, in three different

1 portfolios there was probably -- well, there was
2 probably close to 2 million. They had one portfolio
3 that actually made a little bit of money. And then
4 -- and then one I don't remember. But the -- the
5 one, you know, took some substantial losses.

6 Q But approximate -- approximately 1.3
7 million was recovered; is that --

8 A At least, yeah.

9 Q Okay.

10 A Mm-hmm. I believe they're still under
11 investigation.

12 Q Okay. Who was the particular individual
13 at Paul Ellis -- Ellis that you interacted with?

14 A John Ellis was one.

15 Q Okay.

16 A And Andrew Paul was the other.

17 Q Were they the principals?

18 A They were the principals, yes.

19 Q Okay.

20 BY MR. SCOGGINS:

21 Q Why was Summit visiting with Paul Ellis to
22 determine if it was a good investment for Summit
23 clients?

24 A Because we were -- well, because
25 Brown was managing the -- the ETF portfolio on behalf

1 people are -- have accounts at Summit that Brown is
2 managing, how did those individuals become clients of
3 Summit?

4 A For the most part, they were referred by
5 investment advisors or consultants.

6 Q And does the -- the ETF investment that
7 we're talking about here, this ETF portfolio, does it
8 have a name? How was it referred to?

9 A I think it's just called a "Summit Trust
10 ETF Portfolio."

11 Q And how would an investor know that this
12 Summit Trust ETF Portfolio existed?

13 A The client would have been told by their
14 advisor.

15 Q And what would they have been told?

16 A Probably something like, if -- if you're
17 looking for an alternative to a mutual fund portfolio
18 or something to complement a mutual fund portfolio,
19 you can look at an ETF portfolio, because, typically,
20 ETFs have lower fees than mutual funds and they have
21 the same sort of liquidity, and so they're -- they're
22 a good complement to a mutual fund portfolio.

23 Q Maybe I should back up in the process --

24 A Sure.

25 Q -- to help me understand the picture.

1 of Summit clients, and we're always looking for
2 places to -- you know, to invest those funds to
3 maximize returns for clients.

4 Q So Summit is a client of -- of Brown; do I
5 have that correctly?

6 A You do.

7 Q And are the individual account holders at
8 Summit clients of Brown as well?

9 A No. I believe it's just Summit that's the
10 client of Brown.

11 Q And I have to admit I'm a little bit
12 confused, because -- I mean, I'm -- obviously, I'm
13 familiar with investment advisors.

14 A Sure.

15 Q And I'm also familiar with companies that
16 offer self-directed IRAs and other accounts like
17 that. But -- but I'm not used to the -- the
18 intertwining that I'm hearing about here, so that's
19 why I keep having to ask you some questions for
20 clarification.

21 As I typically understand it, the -- the
22 person making the investment and the investment
23 opportunity are both unrelated to the firm that's
24 offering the self-directed IRA. So, in -- in the
25 case -- in the example you're giving us here, where

1 How does an investment advisor know about
2 the Summit Trust ETF Portfolio?

3 A By talking to Summit Trust.

4 Q Okay. And -- and how does Summit Trust
5 connect with these investment advisors?

6 A Summit -- well, George Brown and I had
7 relationships with advisors in different parts of the
8 country, going back at least twenty years, just from
9 -- just from being in the business and -- and
10 connecting with people, and just having a network of
11 professionals that we knew even before the -- you
12 know, the trust company was formed.

13 Q And so the Summit Trust ETF Portfolio, is
14 that an entity?

15 A No. There's no -- it's not like an LLC,
16 it's not an LP, there's no corporate formation to it.
17 It's just -- it's just an investment portfolio of --
18 of ETFs, that's all it is.

19 Q And this portfolio, was -- was there just
20 a single account at Paul Ellis?

21 A No, hmm-um. No, no. There's different
22 ETFs inside of it as well; some gold ETF, some
23 currency ETFs, things like that, just traditional ETF
24 funds that are out there.

25 Q Right. But when Summit placed funds with

Page 125

1 Paul Ellis, did it open a single account with them,
 2 or how -- I'm trying to understand the structure.
 3 A Yes. Three -- three -- well, we made
 4 three investments, yes.
 5 Q Okay. What were those three investments?
 6 A Well, in the Paul Ellis there were
 7 three funds. I don't even remember the names of them
 8 all off the top of my head, but they had three
 9 different funds that we invested in.
 10 Q And who made decisions as to which of
 11 those funds to invest in?
 12 A George and myself.
 13 Q And again, I'm -- I'm trying to understand
 14 the structure here. This is multiple investors who
 15 have placed funds in individual accounts at Summit
 16 Trust, and those funds have been divided among three
 17 investments at Ellis, at the direction of you and
 18 your father?
 19 A Yes; along -- again, along with all those
 20 other ETF holdings that were inside the account, too.
 21 Q How many investors were there that made up
 22 this \$2 million investment through Ellis?
 23 A Probably somewhere along the lines of 40,
 24 maybe 50, something like that.
 25 Q From across multiple states, I assume?

Page 126

1 A That's correct.
 2 Q And how -- how many different advisors
 3 brought these 40 to 50 customers to Summit?
 4 A Perhaps a dozen.
 5 Q And in at least some of these cases, these
 6 were -- were clients who previously had no
 7 association with Summit but, through the advice of
 8 their individual advisor, decided they wanted to be
 9 involved in this ETF portfolio, and then open an
 10 account at Summit, and their funds were pooled
 11 together to be put into the ETF portfolio; do I -- do
 12 I have that right?
 13 A It was more like they'd already had funds
 14 at Summit invested in -- in the Dimensional Funds.
 15 Q Okay.
 16 A And as a complement to that, the ETF
 17 portfolio was created. And then some people decided
 18 that they would like to invest in that. Not --
 19 obviously not all of the people in DFA Funds, but
 20 some of them did.
 21 Q And when someone invests what's become a
 22 part of this Summit Trust ETF portfolio, what sort of
 23 documentation do they get?
 24 A Aside from the Asset Purchase Form, you
 25 mean, I guess. They get an Asset Purchase Form,

Page 127

1 which they have to sign, directing us to do that.
 2 Q And -- and so what would that Asset
 3 Purchase Form say in -- in this instance that we're
 4 talking about?
 5 A Nothing in particular. It's the same
 6 Asset Purchase Form that you would use to make any
 7 investment at all.
 8 Q Exactly. And I want to know what gets
 9 filled into the blanks. If I want to put \$500,000 in
 10 this, what's that Asset Purchase Form going to say?
 11 A It's going to ask for the account name,
 12 account number; it'll ask for a social security
 13 number, dollar amount to invest, the name of the
 14 portfolio, and then a signature and a date.
 15 Q Are other portfolios, besides this one,
 16 that -- that you make investment decisions on -- or
 17 you or your father?
 18 A Not that I can think of off the top of my
 19 head, no.
 20 BY MR. MARTIN:
 21 Q So I'm -- I'm just trying to keep it
 22 straight, too, Kevin.
 23 A Okay. Sure.
 24 Q If -- many of these Summit Trust clients
 25 are already in a DFA investment, correct?

Page 128

1 A Yes.
 2 Q And then they become investors in the EFT'
 3 (sic) -- the Summit Trust EFT (sic) portfolio; that's
 4 correct, that -- that happened, right?
 5 A Yes.
 6 Q How is it that those investors learned
 7 about the EFT program, having already been in the DFA
 8 program?
 9 A Through their advisor, who was informed of
 10 that option by us -- by George and Kevin.
 11 Q Okay. So you and your father discussed
 12 the Summit Trust ETF portfolio option or program with
 13 these dozen or so investment advisors?
 14 (The Witness nods head.)
 15 Q And those dozen or so investment advisors
 16 then relayed that information to their clients, who
 17 were already, for the most part, Summit Trust
 18 clients; do I have that correct?
 19 A I believe that's accurate, yes.
 20 Q Okay. And then, obviously, some of them
 21 then chose -- some 40 or 50 of them then choice to
 22 make some investment into the Summit Trust ETF
 23 portfolio, as you've described?
 24 A Yes.
 25 Q Okay. Were any of those that invested in

1 the ETF portfolio your or your father's clients
 2 solely, not -- there was no other advisor affiliated
 3 with them?
 4 A Yes.
 5 Q And how many of those investors were
 6 solely you or your father's clients?
 7 A Maybe something like a dozen.
 8 Q Okay. And for approximately how much of
 9 an investment in the ETF portfolio?
 10 A That's a hard question. I'm going to
 11 guess -- I don't know -- maybe 600,000, 500,000. I
 12 don't know.
 13 Q Okay. That's --
 14 A That's a guess though.
 15 Q Certainly six figures?
 16 A Yes.
 17 Q Okay. But likely maybe not more than a
 18 million dollars?
 19 A I'd say that's accurate.
 20 Q Okay. And those dozen or so investors
 21 that were your -- specific clients of you and your
 22 father, how did they learn about the ETF portfolio
 23 specifically?
 24 A We would have told them about it.
 25 Q And in what -- in what format? How did

1 you go about telling these dozen or so investment
 2 clients of yours about the ETF program?
 3 A Well, for example, two of them were --
 4 were board members. And so just in the course of
 5 talking to them, we mentioned what we were doing.
 6 Q Okay.
 7 A And then the other ones, it just would
 8 have been, you know, word of mouth.
 9 Q Did they come to you looking for other
 10 opportunities, did you present it to them, what was
 11 -- I need a little context to that.
 12 A Sure. I think we would have presented it
 13 to them.
 14 Q Okay. And what information did you give
 15 them?
 16 A I hate to speculate.
 17 I think we probably had some kind of
 18 marketing piece, which I'm -- I'm just -- you know,
 19 off the top of my head, we might have. I don't
 20 remember for sure.
 21 Q Was it something you created yourself
 22 or --
 23 A Oh, yeah.
 24 Q -- something --
 25 A No. It would have been -- you know, we

1 would have put it together, yeah.
 2 Q Okay. Did you have any documentation
 3 directly from the Paul Ellis people about --
 4 A About what they do?
 5 Q -- about what they do?
 6 A Yeah; we have -- yeah, we do.
 7 Q And did you pass that along to your
 8 investors?
 9 A To the two board members we did --
 10 Q Okay.
 11 A -- so that they could look at it.
 12 Q Okay.
 13 A And to one other client that I can
 14 remember, yes.
 15 Q Okay. Did you pass that information from
 16 Paul Ellis onto the dozen or so advisors that talked
 17 to their clients?
 18 A I did not.
 19 Q Okay.
 20 A I can't speak for anyone else but I did
 21 not.
 22 Q The materials that you created related to
 23 the ETF portfolio, did you pass those materials along
 24 to the dozen or so advisors to give to their clients?
 25 A I think so.

1 Q Okay.
 2 A But I -- but that's assuming that we did
 3 create something. I -- I'm --
 4 Q Well, as you sit here today, is it likely
 5 that you, in fact, did create something, at least a
 6 -- you know, some form of sheet or material?
 7 A Information sheet or something?
 8 Q Yeah.
 9 A It -- it's reasonable to think we did.
 10 Q Okay. Well, was that -- was that your
 11 practice for such things, to put together such
 12 information for these advisors?
 13 A I imagine we would have. I just -- I
 14 can't be more specific than that. I'm sorry.
 15 Q Okay. All right. And is that something
 16 you would have e-mailed to them or faxed to them, or
 17 how -- how would you have provided it typically?
 18 A Probably e-mail.
 19 Q Okay.
 20 A It wouldn't have been faxed.
 21 Q All right. Like a PDF or something?
 22 A Yeah.
 23 Q Yeah, okay. And --
 24 (SEC Exhibit 49 was marked
 25 for identification.)

Page 133

1 MR. SCOGGINS: Before you go into that,
2 John.
3 MR. MARTIN: Okay. Yeah.
4 BY MR. SCOGGINS:
5 Q Is there still a Summit Trust ETF
6 Portfolio, does that still exist?
7 A It does.
8 Q And where -- where are its holdings at
9 now?
10 A I believe it's most of those ETF funds,
11 and I don't -- I don't know.
12 Q Are you still with Paul Ellis?
13 A No.
14 Q So where's -- where are the funds at now?
15 A They should all be -- I think all in ETF
16 funds at -- I think it's Trade PMR, and they're in
17 Gainesville, I think.
18 THE REPORTER: I'm sorry. Where?
19 MR. BROWN: I'm sorry. Trade P-M-R, like
20 "Paul," "Mary," "Robert."
21 BY MR. MARTIN:
22 Q I'm sorry. In Gainesville or
23 Jacksonville?
24 A Gainesville.
25 Q Gainesville.

Page 134

1 A I think that's where they are. I didn't
2 -- you know, I didn't -- I didn't refresh my memory,
3 but I believe that's where they are. But we're not
4 with Paul Ellis anymore.
5 Q And -- I'm sorry -- who's the principal at
6 -- at Trade PMR that you deal with?
7 A I don't -- I don't really deal with
8 anybody. The president's name is Rob Baldwin.
9 BY MR. SCOGGINS:
10 Q And what assets are -- are in this
11 portfolio now, how -- how much?
12 A I'm sorry for taking so long.
13 I -- jeez, I don't know. You know, at
14 this point, it might be a million-and-a-half,
15 something -- it's not -- you know, it might be a
16 million now. There have been, you know, people that
17 have redeemed along the way, or whatever, but --
18 BY MR. SCOGGINS:
19 Q When an investor puts money in the Summit
20 Trust ETF Portfolio, who gets compensated?
21 A Brown Investment Advisors, we get about --
22 hmm -- I'm thinking we get somewhere between like 2
23 and \$600 a month on that.
24 Summit gets compensated, and Summit pays
25 an investment advisor or a trust consultant a

Page 135

1 referral fee.
2 Q Is that a one-time fee or -- or --
3 A No. It's paid monthly.
4 Q It is some percentage of the assets under
5 management?
6 A Correct.
7 Q Any other --
8 A On an annualized basis, I think it's -- it
9 starts at 2 percent and it goes down incrementally.
10 Q Okay. Any other individuals or entities
11 that, in any way, receive compensation related to an
12 investment in the Summit Trust ETF Portfolio?
13 A No.
14 Q What compensation does Summit receive?
15 A Out of the 2 percent annual fee, we keep
16 whatever we don't have to pay out to an advisor.
17 Q And you indicated that Brown earns between
18 2 and \$600 a month; how is that number reached?
19 A It's based on assets in the account. I
20 just don't remember -- you know, it's -- since it's
21 not a very large amount of money, I don't remember
22 exactly what portion that is.
23 BY MR. MARTIN:
24 Q What's the standard payment to an advisor
25 by Summit if an advisor is in the loop?

Page 136

1 A It varies. With the ETF portfolio, for
2 example, we have one advisor who -- who has -- I'm
3 trying to think -- probably at least a third of the
4 assets of the ETF among his clients; he gets paid
5 90 percent of the fee, so we keep 10 percent. He's
6 an investment advisor.
7 There's another gentleman who gets about
8 50 percent of the fee.
9 Then there are a couple -- a couple other
10 people that get like a 30 percent or a 40 percent
11 fee. It varies. It depends on -- on who it is.
12 BY MR. SCOGGINS:
13 Q Are there any other portfolios, funds,
14 accounts that either you, your father or Brown makes
15 investment decisions for?
16 A I can't remember any.
17 Q Well, in the past six months, have you
18 made investment decisions on behalf of a fund, a
19 portfolio, an account?
20 A You mean besides the ones we've already
21 talked about, right?
22 Q Correct.
23 A I can't think of any.
24 Q And who handles the bookkeeping for Summit
25 Trust ETF Portfolio?

1 A Well, there's not really any bookkeeping,
2 it's -- all the investment tracking and stuff is done
3 inside of AccuTrust Gold, which is the trust
4 accounting software. So there's no -- you know,
5 there's -- I -- I pay the fees to the advisors, if
6 that's what you're asking, I handle that. But other
7 than that, there's no real bookkeeping, it's all
8 automated.

9 Q Well, who maintains the AccuTrust Gold
10 trust software?

11 A It's a combination of Revzon's office --
12 when you say "maintain," I guess it's Revzon's
13 office.

14 Q Well, who makes entries?

15 A Revzon's office.

16 Q And where do they get the data for their
17 entries?

18 A Usually it's directly from the ETF funds.
19 I guess either a statement, or we might even have a
20 -- a -- like a -- an electronic feed. I'm not sure
21 if we do. With some -- some investments we do, but I
22 don't know if we do with these or not.

23 BY MR. MARTIN:

24 Q So does it go from ETF to Revzon or from
25 ETF to you to Revzon?

1 Investment Advisors also received fees associated
2 with that investment?

3 A I don't remember the -- telling anybody
4 that, no.

5 Q Okay. Kevin, I'm going to hand you what's
6 been identified as Exhibit 49. Exhibit 49 is a
7 multi-page document, from Bates Range
8 SEC-SUMMIT-E-301 through 314. And it's a couple of
9 different documents assembled together in one -- into
10 one packet. Do you recognize Exhibit 49?

11 A I do.

12 Q Okay. And for the purposes of my next few
13 questions, I'd like to draw your attention to the
14 first two pages of Exhibit 49. And you'll see at the
15 top there it's -- it's identified as Asset Purchase
16 -- Purchase Investment Account; do you see that in
17 the upper-left-hand corner?

18 A I do.

19 Q Okay. So this -- this two-page document
20 that starts off Exhibit 49, is this the Asset
21 Purchase Form that you referenced before, just
22 generically, an Asset Purchase Form?

23 A This is an Asset Purchase Form, yes.

24 Q Okay. Now, this particular form is for
25 the Arete program; is that correct?

1 A ETF to Revzon, I think. I mean, I don't
2 know -- I just -- I think we get a monthly paper
3 statement, but -- you know, I don't know if -- if the
4 values are updated daily, because they could be.
5 Like, with mutual funds, that are update -- you know,
6 we get an electronic feed and the system updates it
7 daily. I don't know if that's done with the ETFs; it
8 could be. It's very -- I mean, it's -- it's very
9 possible.

10 BY MR. MARTIN:

11 Q The roughly 40 or 50 ETF investors that
12 you mentioned before, did you or anyone else at
13 Summit disclose to them that Summit was securing a
14 fee related to their investment in the ETF -- the
15 Summit Trust ETF Portfolio?

16 A I don't know if -- I don't know if the
17 advisor told them that. The advisors knew that we
18 were, because they -- that's how they get paid.

19 Q But did you or anyone else at Summit
20 disclose that to these particular investors?

21 (The Witness shakes his head.)

22 Q No?

23 A No.

24 Q And did you or your father or anyone else
25 disclose to any of those investors that Brown

1 A This is a generic form that was used to
2 purchase Arete. It's not specifically for Arete.

3 Q Right. That -- and I'm sorry.

4 A Okay.

5 Q Maybe my question was poorly phrased.

6 A That's okay.

7 Q But in Exhibit 49, this form was used to
8 purchase Arete; is that correct?

9 A That's correct.

10 Q Okay. But am I understanding correctly
11 that you used virtually an identical form for the
12 purchases of the Summit Trust ETF Portfolio?

13 A It would -- yeah, it would be a similar
14 form, yes, mm-hmm.

15 Q Okay. And I guess my ultimate question
16 is, is that this is, generically, the Summit Trust
17 Company's Asset Purchase Form, the first two pages of
18 Exhibit 49?

19 A Right.

20 Q Okay. And that's -- that's all I wanted
21 to get at. Thank you.

22 Are -- are payments being timely made from
23 Trade PMR on the ETF Portfolio?

24 A What -- what kind of payments do you mean?

25 Q Well, are there interest payments or -- is

1 that you were talking about?
 2 A Oh, no. No. It's purely a -- it's purely
 3 a growth portfolio.
 4 Q Purely growth?
 5 A Yeah.
 6 Q Okay.
 7 A There's no interest payments, or anything
 8 like that, to be made.
 9 Q And what's your understanding of the
 10 health of that portfolio right now?
 11 A It's fine. It's okay.
 12 Q All right. There's no tension between
 13 Summit Trust and Trade PMR --
 14 A Oh, no.
 15 Q -- at the current date?
 16 A No, not at all.
 17 Q Okay. I also wanted to direct your
 18 attention to Exhibit 46, and Page 7, again. We're in
 19 that Prior Proceedings section of the document there.
 20 There's reference to a deposition or some form of --
 21 of sworn statement related to JYL Dairies, in April
 22 of 2011; do you see that?
 23 A I do.
 24 Q And what is that in reference to?
 25 A That was in reference to an investment

1 of the matter?
 2 A In order to get out of the -- the lawsuit,
 3 my insurance company paid a settlement and we were
 4 released from that. And I don't know what's going on
 5 with it now. I just know that they're in Bankruptcy
 6 Court, because I get notices from it once in a while,
 7 but it doesn't involve me anymore.
 8 (Mr. Scoggins leaves the room.)
 9 BY MR. MARTIN:
 10 Q I'd like to turn your attention to Page 10
 11 of Exhibit 46, where you identify professional
 12 licenses, and I just want to make sure I'm
 13 understanding exactly what professional licenses you
 14 currently hold and what licenses you have held in the
 15 past. So, let's walk through it.
 16 Let's start with your securities licenses.
 17 It appears that you, at some point, held a Series 6,
 18 Series 7 and Series 65; is that correct?
 19 A That is correct.
 20 Q Okay. And are those dates in No. 33 there
 21 accurate in terms of the period of time in which you
 22 held those licenses?
 23 A Uh, yeah, they are.
 24 Q Okay. So I note that your Series 6 and
 25 Series 7 licenses terminated in some fashion in 2001;

1 that some clients had made in this -- this JYL
 2 Dairies thing.
 3 Q What is the JYL Dairies thing; that's what
 4 I'm trying to --
 5 A Okay. It was -- it was -- it was a
 6 Promissory Note program where a gentleman was raising
 7 funds to invest in a -- in dairy farms.
 8 Q Okay. And -- and what happened?
 9 A The dairy farms went bankrupt.
 10 Q Okay. So did investors lose their funds?
 11 A Yeah. They -- well, yeah, they did lose a
 12 portion of their funds, yes.
 13 Q Okay. And why were you deposed in this
 14 particular matter?
 15 A Because we were the custodian for the
 16 self-directed accounts that invested in these things.
 17 Q All right. Did you have any involvement
 18 with informing investors about this investment
 19 opportunity or informing investment advisors?
 20 A Absolutely not. It was brought to us by
 21 one particular individual. And I said "brought to
 22 us." It was one individual who used Summit as a
 23 custodian for it. We didn't -- we never promoted it
 24 to anyone, never talked to an investor about it.
 25 Q Okay. What was the resolution of the --

1 is that correct?
 2 A Correct.
 3 Q And what was the circumstances of that
 4 termination?
 5 A I didn't want to be registered with a
 6 broker-dealer anymore.
 7 Q Okay. So did they lapse at that time? In
 8 other words, did they -- did they expire on their own
 9 or --
 10 A Yes.
 11 Q Okay.
 12 A Are you -- are you asking me, was it
 13 voluntary versus were they -- was I terminated or --
 14 Q Well, yeah, that is another way -- I'm --
 15 -- I'm --
 16 A Okay.
 17 Q Yeah. I'm asking, was it a voluntary --
 18 did you voluntarily give up those licenses at that
 19 time?
 20 A Yes.
 21 Q Okay. And I note that you are currently a
 22 holder of a Series 65 license; is that correct?
 23 A That is correct.
 24 Q Okay. And through what -- through what
 25 entity do you hold that Series 65?

Page 145

1 A Brown Investment Advisors.
2 Q All right. Does your father hold any
3 securities licenses?
4 A Just a 65 at this point.
5 Q Okay. All right. Any other securities
6 licenses that you currently hold or have ever held?
7 A No.
8 Q Okay. All right. Insurance licenses,
9 what do you hold now?
10 A Life and health.
11 Q Life and health?
12 A Yeah.
13 Q Okay. And is that through Pennsylvania?
14 A Yes.
15 Q Okay. Any other states?
16 A I don't think so, not anymore. I may have
17 been licensed in New Jersey at one time, but I'm not
18 -- I don't remember now.
19 Q Okay.
20 A And I don't think there are any others
21 now.
22 Q All right. And you're current with that?
23 A Yes.
24 Q Okay. All right. Any other professional
25 licensing?

Page 146

1 A No.
2 Q Okay. I'm going to have you turn to
3 Page 11 of Exhibit 46, and look at your employment
4 history for Question 36 there.
5 Let's start at the bottom, where it says
6 "American Preferred Services. What is American
7 Preferred Services?
8 A At this time, it's -- it's just a -- an
9 insurance general agency. It doesn't -- it's not --
10 it's -- it's in existence, it's not particularly
11 active.
12 Q Okay. During the entirety from '86 to
13 '93?
14 A From -- well, from '86 to '93, it
15 was also a broker-dealer. Then in 19-- I
16 think it was then, in 1993, we merged with
17 Multi-Financial Securities, actually here in Denver.
18 At that time they were a mid-sized independent
19 broker-dealer.
20 Q And what was your role?
21 A Just a registered representative.
22 Q Okay. Did that continue after the merger?
23 A Yeah; that was it.
24 Q Okay. So, were you technically, then,
25 working for Multi-Financial services after 1993?

Page 147

1 A No. I was still -- no. I was still
2 really working for American Preferred and then Brown
3 Investments. We -- it's -- you know, just we had --
4 we had securities licenses that were -- you know,
5 that were with Multi-Financial.
6 Q Okay. So, in '93 to the present -- in 93,
7 Brown Investment Advisors began; is that correct?
8 A Yes.
9 Q And what is Brown Investment Advisors?
10 A It's a registered -- you know, a
11 Registered Investment Advisory firm.
12 Q In the state of Pennsylvania?
13 A Yes.
14 Q Is it also an SEC Registered Investment
15 Advisor?
16 A No. I -- at one point it was. But at
17 this point, it's too small to be U.S. SEC.
18 Q Okay. And by "too small," what do you
19 mean?
20 A I mean -- well, because I -- there are
21 certain -- you know, depending on the size of -- of
22 your firm or how -- I guess how many assets you have
23 under management, or whatever, that determines, I
24 think, whether you're U.S. SEC or if you're state
25 registered.

Page 148

1 Q Okay.
2 A And we're much too small to be U.S. SEC
3 registered.
4 Q Okay. I just wanted to make sure I was
5 clear.
6 A Sure.
7 Q So you -- you have too few assets under
8 management to be an SEC Registered Investment
9 Advisor; is that what you're saying?
10 A That's true.
11 Q Okay. And what is your current role with
12 Brown Investment Advisors?
13 A Well, I'm actually president of Brown
14 Investment Advisors.
15 Q Okay. How many clients do you have?
16 A I don't think we have any more than a
17 couple of dozen.
18 Q Okay.
19 A It's probably less than that.
20 Q Who else works for Brown Investment
21 Advisors?
22 A George Brown does.
23 Q Mm-hmm. What's his role?
24 A I think -- for that company, I think he's
25 chairman.

1 Q Okay.
 2 A And then --
 3 Q Does he have any -- any clients?
 4 A It would be the same clients that I have.
 5 Q Anyone else?
 6 A Someone I mentioned before, Jutta Tardiff;
 7 that's J-u-t-t-a T-a-r-d-i-f-f.
 8 Q Is that a woman?
 9 A Yes.
 10 Q Okay. And what does she do there?
 11 A She's administrative/secretarial.
 12 Q Okay. And the clients at Brown Investment
 13 Advisors, what are the -- roughly, what are the
 14 assets under management there?
 15 A It's -- it's probably under 5 million.
 16 Q Okay. Okay. And at Summit Trust, what's
 17 your role there?
 18 A President.
 19 Q You're also the president. So,
 20 specifically, what -- what are your responsibilities?
 21 A You know, executive duties. I -- we're a
 22 small firm people-wise. So anything from, you know,
 23 marketing to -- you know, to payroll, to
 24 administrative, the client services, you name it.
 25 Q Mm-hmm. And who else works for the

1 company?
 2 A George does, George Brown.
 3 Q Okay. What's his role?
 4 A He is executive vice president and chief
 5 marketing officer.
 6 Q Okay.
 7 A Theresa Le, L-e.
 8 Q Mm-hmm.
 9 A She is vice president and trust officer.
 10 Q And so what exactly do her duties entail?
 11 A She manages the Las Vegas office, she
 12 helps with new business intake, she does market
 13 locally to -- to attorneys in the -- you know, the
 14 Las Vegas area, as well as -- you know, as well as
 15 beyond, but a lot of local marketing to -- to those
 16 attorneys, to drum up business for, you know, new
 17 trusts that we can administer.
 18 And she also is -- again, because of the
 19 size of our firm, she's involved in customer service
 20 and that kind of thing. And there's also, in the
 21 Vegas office, Peggy Johnson-Love.
 22 Q And what's Peggy do?
 23 A She's administrative.
 24 Q Okay.
 25 A Answers phones, greets people, opens the

1 mail.
 2 Q Mm-hmm. Anybody else?
 3 A No. Nobody on the payroll that is.
 4 Q Okay. Your board of directors includes
 5 James Armstrong; is that right?
 6 A It does, yeah.
 7 Q Who's James Armstrong?
 8 A He's a -- well, first of all, he's a --
 9 he's a client. He is -- he's a retired executive
 10 from a company called St. -- S-t, period -- Onge,
 11 O-n-g-e. And I don't know if it's "Industries" or --
 12 I think it's "Company." I think it's St. Onge
 13 Company.
 14 Q Okay.
 15 A He -- he -- I don't know. He was a high
 16 executive there.
 17 Q Mm-hmm.
 18 A Took -- you know, took a retirement
 19 because they sold the firm.
 20 Q Okay. And Arthur St. Onge -
 21 A Mm-hmm.
 22 Q - is what's -- he's also on your board;
 23 is that correct?
 24 A Yes.
 25 Q Okay.

1 A Similar. He was actually -- well, I think
 2 it was his father that started St. Onge Company.
 3 Q Okay.
 4 A But he was -- he's also retired from --
 5 from there, and he's a client, too.
 6 Q Okay. And then you're a board member; is
 7 that correct?
 8 A That's correct.
 9 Q And George Brown's a board member,
 10 correct?
 11 A That's right.
 12 Q And then Kathy Brown?
 13 A Yes.
 14 Q Who is Kathy Brown?
 15 A That's my wife.
 16 Q Okay. And she's also on the board?
 17 A Yes.
 18 Q Okay. Does Kathy Brown have any
 19 involvement with the day-to-day operations of Summit
 20 Trust Company?
 21 A No.
 22 Q Okay. What is her role with the company,
 23 if at all, other than --
 24 A Just -- at one point, she -- she worked a
 25 little bit as customer service. You can't always

1 work with your husband so easily; so she doesn't work
 2 there anymore.
 3 Q Gotcha.
 4 All right. And nobody else currently with
 5 Summit Trust Company; is that correct?
 6 A No. You mean employees or board members,
 7 right, that's -- that's --
 8 Q Yeah, or contract workers, or --
 9 A No. I mentioned Revzon Consulting, you
 10 know. But other than that, no, that's it.
 11 Q Okay. I'll take that back from you.
 12 (The Witness passes Exhibit 49
 13 to Mr. Martin.)
 14 MR. MARTIN: Let's -- excuse me. Let's go
 15 off the record at 12:01.
 16 (Break from 12:01 p.m. to 12:07 p.m.)
 17 MR. MARTIN: Let's go on -- let's go on
 18 the record at 12:07.
 19 BY MR. MARTIN:
 20 Q While we were off the record, there were
 21 no substantive conversations between the staff and
 22 the witness or counsel, other than discussing
 23 upcoming flight arrangements for both; is that
 24 correct?
 25 A That is correct.

1 A He was paid a salary.
 2 Q How much?
 3 A I think it was around 60 or 65,000.
 4 Q Okay. And was there any, you know, extra
 5 fees or bonuses, or anything, associated with this
 6 work?
 7 A No, not with that work, no, hmm-mm.
 8 Q Okay. Were there for other work that he
 9 did?
 10 A Yeah. He has -- has, still, one client
 11 that's invested in some DFA mutual funds and some
 12 ETFs. So he currently gets two checks from me each
 13 month that total about \$50.
 14 Q Okay. He was fired?
 15 A Yes.
 16 Q Why?
 17 A Because he didn't -- he -- he -- because
 18 he really didn't bring in new business. He just was
 19 ineffective as a marketer.
 20 Q Okay. And this was in or about January of
 21 2012; does that sound right?
 22 A The -- I know it was in -- I think it was
 23 around January, so I guess it could have been 2012.
 24 Q Okay. All right. And was there any
 25 particular event or circumstance that led to his

1 MR. TYNDALL: Correct.
 2 BY MR. MARTIN:
 3 Q Okay. Who is Doug Scott?
 4 A Doug Scott is -- well, he is a former
 5 employee of Summit. And currently, I -- he's just a
 6 person I know.
 7 Q Okay. And how did you first meet Doug
 8 Scott?
 9 A I think the -- I think the first time I
 10 met Doug Scott was that he was a -- a tenant in the
 11 same building as I was. But it could -- it could --
 12 it could go further back than that. I don't
 13 remember. But he was a tenant in my building when we
 14 moved to the building we're in, in Colmar.
 15 Q Okay. At some point, Doug Scott started
 16 to work for --
 17 A -- for Summit.
 18 Q -- for Summit?
 19 What was his role?
 20 A He was a -- he was marketing. He was
 21 supposed to be marketing Summit's services.
 22 Q As a practical matter, what did that mean?
 23 A You know, that meant calling on attorneys
 24 and advisors to try and drum up trust business.
 25 Q Okay. And how was he compensated?

1 departure?
 2 A No. It was just that he had been
 3 ineffective in marketing our services for quite a
 4 while and -- you know, sometimes it's hard to pull
 5 the trigger, but eventually we just had to do it.
 6 Q Okay. What is The Cromarty Group?
 7 A That's an entity owned by Doug Scott, I
 8 believe.
 9 Q Okay. And did you have separate dealings
 10 with The Cromarty Group or was The Cromarty Group
 11 simply just a -- a d/b/a or another name for Doug
 12 Scott? I mean, what -- what was your perspective on
 13 The Cromarty Group?
 14 A My impression is that it was a d/b/a. I
 15 know it had a checking account --
 16 Q Mm-hmm.
 17 A -- but I don't know anything else, as to
 18 whether it was a d/b/a or if it was a -- something
 19 else.
 20 Q Okay. I mean, was there any difference in
 21 you interacting with The Cromarty Group versus Doug
 22 Scott?
 23 A No.
 24 Q Okay. It was one and the same?
 25 A Correct.

1 Q Okay.
 2 (SEC Exhibit 50 was marked
 3 for identification.)
 4 BY MR. MARTIN:
 5 Q Kevin, I'm going to hand you what's been
 6 identified as Exhibit 50. Exhibit 50 is a multi-page
 7 document from SEC-SUMMIT-E-5 through 10. At the top
 8 it's called "Independent Trust Consultant Agreement."
 9 Do you recognize this document?
 10 A Yes.
 11 Q What is it?
 12 A This is an -- an Independent Trust
 13 Consultant Agreement that we engaged -- that we
 14 provide to people who refer business to us.
 15 Q Okay. And this is between Summit Trust
 16 Company and Doug Scott; is that correct?
 17 A Yes.
 18 Q Okay. And what services were Doug Scott
 19 to provide to Summit related to this consultant
 20 agreement?
 21 A He could refer clients to Summit for any
 22 number of services that they might need, be -- be it
 23 trust services or -- or other services. I -- it's
 24 listed in Schedule B, I guess is some of this stuff.
 25 Q Mm-hmm.

1 He gets about -- like I said, about \$50 a month, I
 2 think.
 3 Q Okay. Was it Doug Scott through whom you
 4 first heard about Arete and Gary Snisky?
 5 A Yes.
 6 Q Okay. And was -- was that while Doug
 7 Scott was still employed at Summit Trust?
 8 A I don't remember if it was right before or
 9 right after, but it was probably close to that same
 10 time.
 11 Q Okay. Well, was the consulting agreement,
 12 Exhibit 50, contemplated in part because of Doug
 13 Scott's relationship with Arete and the possibility
 14 of bringing Arete clients to Summit?
 15 A No. No, that -- no, that wasn't -- I
 16 don't think that was part of this agreement that I
 17 can -- that I -- that I know of --
 18 Q Okay.
 19 A -- but --
 20 Q Was Doug Scott ever compensated for
 21 bringing in investors related to Arete to Summit?
 22 A Do you mean by Summit?
 23 (Mr. Scoggins returns to the room.)
 24 BY MR. MARTIN:
 25 Q By Summit, yes.

1 A But it's a fairly -- and it's a fairly
 2 typical consultant agreement that we have with
 3 people.
 4 Q Okay.
 5 A And Doug -- Doug is one of them.
 6 Q And how was Doug to be compensated related
 7 to this agreement?
 8 A If -- if he referred clients to us that
 9 invested in something, like a DFA mutual fund or an
 10 ETF, he would get 30 percent of the fee, and it --
 11 and other things that he could do that the -- the
 12 fees are laid out in there. But I don't see anything
 13 that he actually did that's listed here.
 14 Q Okay. Is this consulting agreement still
 15 in place with Doug Scott?
 16 A Yes.
 17 Q Okay. Is he acting on it in any way?
 18 A When you say "acting on it," you mean --
 19 Q Is -- is he providing clients to you? Is
 20 he --
 21 A No.
 22 Q Okay. Has he received any funds, pursuant
 23 to this agreement, any time recently?
 24 A Yes, he does receive those -- the -- the
 25 fees on the one client that I mentioned previously.

1 A No.
 2 Q Okay. And to your knowledge, was he ever
 3 compensated by anyone for those new investors?
 4 (Mr. Tyndall confers with the Witness.)
 5 A Okay. I -- my belief is that he was
 6 compensated by Arete.
 7 BY MR. MARTIN:
 8 Q Okay. Is -- and is that based on anything
 9 -- any particular information?
 10 A It's just what I heard.
 11 Q Okay. And where -- and where did you hear
 12 it?
 13 A I -- I believe Tomich -- Mike -- Mike
 14 Tomich told me that.
 15 Q Okay. But Scott received no compensation,
 16 no fees, or anything, from Summit Trust related to
 17 Arete; is that correct?
 18 A That's right, yeah, to the best of my
 19 knowledge.
 20 Q Okay. When -- when did you first learn
 21 about Arete through Doug Scott?
 22 I'll take that back.
 23 (The Witness passes Exhibit 50
 24 to Mr. Martin.)
 25 It was early in 2012, I believe.

1 Q Mm-hmm.

2 A I'm not a hundred percent sure, but it --
3 it could have been January or February. It could
4 have been December, but I'm not -- I don't remember
5 for sure, but it was sometime in that timeframe.

6 Q Okay. And what did he tell you at that
7 time?

8 A Doug?

9 Q Yeah.

10 A That there was -- there was this
11 investment program that may need a custodian and that
12 -- and that I should take a look at it.

13 Q Okay. And what did -- did you understand
14 the nature of the investment or any of the details
15 about it at that time?

16 A Not -- not prior to -- no, not prior to
17 that.

18 Q Okay.

19 A No, not prior to that.

20 Q Okay. And then at -- at some point, did
21 you learn more about the Arete program?

22 A I did learn a little bit more, yes.
23 Sometime after that -- that initial -- it was not --
24 it wasn't even really an introduction. But at some
25 point after Doug told me who they were, they --

1 A That's right.

2 Q And does the date match with your
3 recollection as -- January 5th of 2012 is when this
4 e-mail came in; is that --

5 A Yes, I -- that does -- yeah, that does
6 line up.

7 Q Okay. And that's when you had this
8 conference-call with Mr. Snisky?

9 A It was right around that time. It could
10 have been that -- that specific date, it could have
11 been.

12 Q Okay. And who was on that
13 conference-call?

14 A I believe it was Snisky. Doug Scott could
15 have been on that call as well; I -- I suspect he
16 was. And then -- yeah, Snisky, Doug and myself.

17 Q Okay.

18 A I don't know who -- I don't know who Steve
19 Tadd is; I see his name on here but I don't remember
20 him.

21 Q You don't remember him on the call?

22 A I don't.

23 Q Okay. And let's focus on the call for a
24 minute, separate and apart from the screen-shots.
25 What did Snisky discuss with you on that initial

1 Snisky did a conference-call with a PowerPoint
2 presentation that he e-mailed me, I -- that he
3 e-mailed me. It wasn't even a -- a go to -- you
4 know, it wasn't like a Web X or anything even. It
5 was just he sent me some -- some screen-shots --

6 Q Okay.

7 A -- and told me to look at them and went
8 over them with me.

9 (SEC Exhibit 51 was marked
10 for identification.)

11 BY MR. MARTIN:

12 Q Kevin, I'm going to hand you what's been
13 identified as Exhibit 51. Exhibit 51 is a multi-page
14 document, with a cover e-mail and then several --
15 what appear to be screen-shots off of a Bloomberg
16 Terminal that follow, and it's from Bates Range
17 SEC-SUMMIT-E-105 through 126. Do you recognize
18 Exhibit 51?

19 A Yes, I do.

20 Q And do the screen-shots that are attached
21 to 51 constitute the screen-shots that you just spoke
22 of in your testimony a second ago?

23 A Yes.

24 Q Okay. And so these were forwarded to you
25 from Mr. Snisky; is that correct?

1 conference-call?

2 And let me -- let me back up for a second.
3 Was this the first time that you ever communicated
4 with Snisky?

5 A You mean during this timeframe right here?

6 Q Yes.

7 A I believe so.

8 Q Okay.

9 A I don't remember talking to him ever
10 before that.

11 Q Okay. So on this initial conference call
12 on or about January 5th of 2012, what did Snisky
13 discuss with you?

14 A He talked about his -- this -- this
15 program, this -- you know, this Arete program.

16 Q Okay. And what details did he give you?

17 A He -- he basically just went over all
18 these screen-shots and -- and talked about, you know,
19 how he invested in these -- these bonds. I didn't
20 really -- at this point, I don't really remember a
21 whole lot about the specifics of the discussion.

22 Q Mm-hmm.

23 A I just remember he went over all this
24 stuff, trying to -- I guess trying to explain it to
25 me, to help me understand it for some reason.

1 Q Okay. Did he discuss the notion of an
2 annual return in the range of a 6 -- 6 percent, is
3 that one of the things that he highlighted for you?

4 A It was -- I think it was, yeah. I mean,
5 he -- yeah, something like that.

6 Q Okay. And did you understand that he was
7 purchasing or had purchased these Ginnie Mae or
8 government bonds?

9 A That was the -- yeah, that was the
10 impression that I had.

11 Q Okay. Did you understand, with these
12 screen-shots and the other materials that he sent you
13 that are in Exhibit 51, that he had already purchased
14 such bonds?

15 A I don't know if he stressed that or not.
16 That's -- that's the impression I would have had.

17 Q Okay. And that those -- did you
18 understand at that time that those bonds were the
19 underlying investment to the Arete program, that
20 that's how it was generating its --

21 A Correct.

22 Q -- its money?

23 Is that true?

24 A Yes, that's true.

25 Q Okay. At that particular time, in that

1 A (No audible response.)

2 Q I mean, why -- why need you as a custodian
3 instead of just taking in straight investor funds
4 into Arete?

5 A Well, part of it is so that -- is because
6 we could provide reporting to the client. I don't
7 know if they were equipped to report directly to a
8 client. I don't know if they were -- if they had the
9 ability to -- to do any kind of tax reporting if
10 there needed to be some, that kind of thing. I mean,
11 they needed a custodian for certain functions.

12 Q Okay. So walk me through, if you would,
13 what those functions were that you would provide the
14 Arete investors?

15 A What was provided was quarterly
16 statements.

17 Q Okay. Which -- which showed what?

18 A Which showed what their holdings were.
19 And I guess -- and my recollection is there was some
20 interest paid, so it would have showed interest
21 coming in. And then, you know, if the client was
22 taking it, it would have interest flowing out. Or if
23 not, it would be just sitting in a money market
24 account.

25 Q Okay. So --

1 conference-call with Mr. Snisky, did he provide any
2 other information or go into any other detail about
3 the program itself?

4 A No, not really.

5 Q Did he articulate what he wanted your role
6 or Summit Trust Company's role to be in the Arete
7 program?

8 A I believe that he did articulate that,
9 that we would just be the custodian for the --

10 Q Okay.

11 A -- you know, for the client accounts.

12 Q Okay. And what does that mean?

13 A Well, these accounts needed to have a
14 custodian in order to -- to do whatever they were
15 going to do. And so, you know, we're an RIA
16 custodian and -- and we have regular custodial and
17 trust accounts as well, so --

18 Q And -- and this is because -- and, you
19 know, I'm asking you to educate me for the purpose of
20 the record here.

21 A Sure.

22 Q This is because many of the investors had
23 IRA funds to either rollover or to cash out and
24 invest, and they needed a custodian to -- to
25 undertake that process; is that accurate?

1 A But that was -- that was the other thing
2 we had do, is -- was collect interest payments from
3 Arete and allocate it to the different client
4 accounts.

5 Q Okay. What else?

6 A We didn't have a chance to do anything
7 else at that point. There might have -- if there was
8 any tax reporting that would need to be done --

9 Q Mm-hmm.

10 A -- we could have done that.

11 If there was any, you know, IRA, you know,
12 minimum distributions that had to go out or if there
13 was any kind of tax reporting for the IRAs, we would
14 have had to have done that, too. But it -- I don't
15 think it ever got to that point.

16 Q So those were part of your contemplated
17 services?

18 A Correct.

19 Q Okay. And how were you to be compensated
20 related to Arete?

21 A We were to get custodial fees, and not --
22 not necessarily by Arete. Traditionally, it would be
23 paid by the client.

24 Q Okay. And what were those fees?

25 A Well, the total fees we were actually paid

1 were \$750 --
 2 Q Okay.
 3 A -- by -- by -- by Cromarty -- Cromarty
 4 Group, Doug Scott.
 5 Q Okay. And what were those fees paid to
 6 you for? What -- how did you earn those fees?
 7 A They were account opening fees for two
 8 clients from Texas, is why --
 9 Q Okay.
 10 A -- because they opened up new accounts.
 11 Q Okay. So they were -- they -- they
 12 previously had not been Summit Trust Company clients;
 13 is that correct?
 14 A That's correct.
 15 Q Okay. So those fees paid for their new
 16 accounts to be opened up?
 17 A Right.
 18 Q Okay. \$375 each?
 19 A I believe so. Because there were -- I
 20 believe there were two accounts.
 21 Q Okay. Any other fees or funds earned by
 22 Summit Trust Company related to Arete, other than the
 23 750 you just described?
 24 A No.
 25 Q Okay.

1 A Some of -- some of Tomich's clients had
 2 preexisting -- you know, preexisting accounts. And,
 3 you know, if there were any -- any account fees or
 4 anything to be generated, that -- you know, that was
 5 fine. But, you know, those -- since those accounts
 6 were already open, there was no account opening fees
 7 or anything like that.
 8 Q Okay. What fees or compensation was
 9 Summit Trust Company supposed to have earned related
 10 to Arete?
 11 A My recollection is it might have been
 12 something like a 50-basis-point fee, but we never got
 13 paid anything.
 14 Q And when you say "50-basis-point fee,"
 15 explain to me what you mean by that?
 16 A Well, based on whatever assets were in the
 17 accounts related to Arete, we would -- I think we
 18 would have gotten paid a -- a fee of something like
 19 50 basis points. I don't remember at -- you know, at
 20 this point --
 21 Q Okay.
 22 A -- since it never actually happened.
 23 Q And why didn't it happen?
 24 A We just -- we just never collected the
 25 fees. And then this -- you know, this didn't last

1 very long, frankly.
 2 Q Okay. Well, when -- when were you to have
 3 been paid these fees? How often?
 4 A Typically, something like this would be
 5 like an annual payment.
 6 Q Okay. And so --
 7 A And I just -- I don't remember what -- I
 8 don't remember what arrangements were made, if there
 9 were any. It was probably fairly fluid, I guess,
 10 but --
 11 Q Okay. In terms of the services that you
 12 provided for Arete accounts, there were client
 13 accounts at Summit Trust, correct?
 14 A Right.
 15 Q And some of those clients were investing
 16 in Arete; is that correct?
 17 A That's correct.
 18 Q Okay. Did you or your father introduce
 19 any of those clients to Arete?
 20 A No.
 21 Q Okay. To your knowledge, how were they
 22 introduced to Arete, the -- the clients that invested
 23 in Arete?
 24 A Okay. So, I believe that the chain of --
 25 the chain of command would have been Doug Scott

1 talked to either Tomich, or there was a gentleman --
 2 one or two gentlemen in Texas.
 3 Q Mm-hmm.
 4 A One of them was named Meissner --
 5 Q Mm-hmm.
 6 A -- I think. I think there was a second
 7 one, but I don't remember his name. But, you know, I
 8 think Doug talked to those guys, told them, you know,
 9 that -- that there was this offering --
 10 Q Mm-hmm.
 11 A -- and that those guys told their clients;
 12 I'm pretty sure that's how that went.
 13 Q Okay. And then, when those clients
 14 invested, where did Summit Trust Company come into
 15 play, how did -- how did -- mechanically, where did
 16 you fit into that picture?
 17 A Well, they would have opened up an account
 18 or they would have had an existing account. But
 19 let's say they -- they open up an account --
 20 Q Okay.
 21 A -- made a deposit, and said -- and -- and
 22 directed us to send their money to Arete.
 23 Q Okay. So it's passing through from the --
 24 from the investor to Summit Trust Company and then
 25 onto Arete; is that correct?

1 A That's -- yeah.

2 Q Okay. So, at any time, are you holding
3 investor funds, either for an individual investor or
4 for a collection of investors, on behalf of Arete at
5 Summit Trust?

6 A Not -- no. I wouldn't describe it that
7 way, because they make a deposit to Summit, and then
8 they tell us what to do with the money. Up until --
9 up until they say, "Send my money to Arete," it's --
10 and I wasn't doing it on behalf of Arete, I was doing
11 it on behalf of the clients.

12 Q Okay. And I just -- I just want to be
13 clear.

14 A Okay.

15 Q So the client puts money into the Summit
16 Trust account, and then from the Summit Trust
17 account, you're directed by the client to send it on
18 to Arete as their investment; is that correct?

19 A That's right.

20 Q Okay. Are those funds pooled in any way
21 before they're sent to Arete or are they sent from
22 the client account to Arete?

23 A No. They were sent directly to Arete.

24 Q Mm-hmm.

25 A When you say they were pooled, if money --

1 Q All right. And then from a bookkeeping
2 standpoint, did you keep track of that investment on
3 behalf of that Summit Trust client?

4 A Yes.

5 Q Okay. So there's an initial amount
6 invested, obviously?

7 A That's right.

8 Q And then how did you know what interest
9 was being earned by that client?

10 A Well, in the couple of -- I -- I think
11 there were a couple of interest payments made.

12 Q Mm-hmm.

13 A When it came back, you know, we could
14 figure out if there was \$10,000, and there were four
15 investors, and -- you know, for simplicity's sake, if
16 they each had an equal amount of money, that would be
17 easy. But, you know, we can -- we can track it by
18 the type of asset and figure it out.

19 Q Well, let me back up a second, because --
20 you're putting together quarterly statements for
21 these Summit Trust clients, correct?

22 A Right.

23 Q Okay. And they're involved in an
24 investment in Arete which was earning roughly 6 or
25 7 percent annually; is that correct?

1 if they deposited their money and it -- and took a
2 couple of weeks to -- you know, for them to fill out
3 the paperwork or do whatever, you know, it would sit
4 in a money market account, so --

5 Q Okay.

6 A But -- you know, but it was still
7 accounted for in their account.

8 Q But what -- there -- there wasn't any
9 interim movement of their money to some other
10 account, other than just this money market account
11 where it sat?

12 A Right. Right.

13 Q Okay. And there in that -- when the
14 investors put their money into their Summit Trust
15 account, it went into that omnibus money market
16 account that you've talked about before; is that
17 correct?

18 A Right.

19 Q And then when they directed it to be
20 passed onto Arete, did -- did you wire it to Arete;
21 is that --

22 A Yes. I believe it was always wired. I
23 don't recall ever sending a check.

24 Q Okay.

25 A I don't recall.

1 A That sounds right.

2 Q Okay. So are you accumulating the
3 interest for these quarterly statements on paper in
4 anticipation of what they're earning, or are you
5 waiting until you actually receive funds back from
6 Arete before you --

7 A The latter.

8 Q The latter?

9 A Correct.

10 Q So when the funds came back from Arete,
11 you're putting those funds into the clients'
12 accounts, and then calculating their quarterly
13 statements accordingly; is that correct?

14 A Yeah. That sounds right, yeah.
15 (Mr. Scoggins leaves the room.)

16 BY MR. MARTIN:

17 Q Okay. I mean, you understand the
18 distinction I'm making, right?

19 A Right. In other words, what you're saying
20 is we're not -- we're not -- we're not showing them
21 as getting interest credited to their account, we're
22 showing if and when we receive interest.

23 Q Right, and that's what I'm asking.

24 A That's the -- yeah. If that's the
25 distinction, then yes, as we actually receive the

1 interest, we credit it to the client accounts, that's
2 right.

3 Q Okay. And is that also true for any funds
4 that were paid to the investors as a -- essentially
5 as a bonus for having transferred funds from another
6 investment?

7 In other words, some investors in Arete
8 received a -- a 10 percent bonus or a one-time
9 payment because they had a penalty associated with
10 moving funds; did you ever account for any of those
11 payments or those funds?

12 A I -- if they would have received cash, we
13 would have.

14 I -- you know, I don't recall if -- and I
15 don't remember them reporting to us that -- you know,
16 that Mary Smith, you know, sent in a hundred-thousand
17 but Mary Smith's account is worth 110.

18 Q Right.

19 A I don't think we ever actually got any
20 kind of accounting like that --

21 Q Okay.

22 A -- so --

23 Q Now, you did receive some interest
24 payments from Arete, correct?

25 A That's right.

1 I'm sure there was no more than three payments, and
2 it could have been two, just based on the fact that,
3 you know, this didn't -- you know, it -- it was a
4 relatively compressed period of time.

5 Q Yeah.

6 A So I don't remember if it was two or three
7 payments.

8 Q Okay. And when -- at some point, I
9 imagine a situation where payments were expected and
10 they were not made; did that happen?

11 A I -- I don't remember. It could have
12 happened. It very well could have happened but I
13 just don't remember.

14 Q Well, at some point, did you become
15 concerned about the Arete investment and your
16 clients?

17 A Well, see, there's a distinction there,
18 because, you know, we didn't do due diligence on it,
19 we didn't recommend it. Our role was as custodian.

20 Q Okay. But yet, you're still getting
21 interest payments from Arete --

22 A Sure.

23 Q -- because you're holding that money on
24 behalf of your clients?

25 A Mm-hmm. So the -- well, somebody -- yeah,

1 Q Okay. Were they wired in?

2 A Yes.

3 Q All right. And approximately how much did
4 you receive from Arete?

5 A Do you want me to guess?

6 Q Well, I want -- I want an approximation.
7 I mean, are we talking about 10,000, a 100,000, a
8 million?

9 A No. My recollection is at least one
10 quarter we got something like 35,000. It was -- it
11 was in line with what we would have expected --

12 Q Okay.

13 A -- let's put it that way.

14 Q And -- and so at least one quarter went by
15 where you received the quarterly interest payments
16 that matched up with your expectations of what they
17 should be; is that fair?

18 A That's true.

19 Q Okay. Did that also happen for a second
20 quarter?

21 A I thought it did. I -- I don't remember
22 for sure but I thought so.

23 Q Okay. Past the second quarter, did you
24 receive any interest payments from Arete?

25 A I don't remember. There was no -- I'm --

1 the advisor would have been concerned or somebody
2 would have been concerned.

3 Q Yeah.

4 A Even -- I suppose even Doug Scott would
5 have been concerned, that's --

6 Q When did you become concerned?

7 A I don't know. Sometime after -- assuming
8 that the -- well, because there were -- there had to
9 have been late payments. Assuming that there were
10 late payments, sometime after the payment was overdue
11 and not received.

12 Q Okay. And at that point, did you then
13 contact Snisky or Scott, or anyone else, to try to
14 sort out what had happened?

15 A I did not contact Snisky. I -- you know,
16 I think Doug might have been in touch with me to say
17 payment would be forthcoming or something.

18 Q Okay.

19 A But, you know, I -- I don't -- I
20 don't recall having a whole lot contact with Snisky,
21 frankly.

22 Q Okay. But did you have contact with
23 someone after you became concerned about the lack of
24 interest payments or just the Arete investment
25 generally?

1 A Just my recollection is that at some point
2 Doug Scott, you know, was -- was telling me that the
3 interest payment was late and should be forthcoming,
4 but that's -- you know, that's all I can really
5 remember, and I don't want to --
6 Q Did you follow up at all?
7 A I don't remember. I don't remember what
8 the follow-up was.
9 Q Okay. Did you have any Summit Trust
10 clients reach out to you to inquire about Arete?
11 A No, I don't think so. I -- you know,
12 Tomich might have. And I'm -- and I'm -- at this
13 point now, I'm just conjecturing. Tomich might have.
14 Q Mm-hmm.
15 A And I -- I did talk to one of the Texas
16 clients at some point, but that was after -- you
17 know, that was after there were problems, I think,
18 and -- and -- you know, and the SEC was involved,
19 they called me. But that's -- that was it, that I
20 can recall.
21 Q Are those accounts still open today?
22 A Yeah, they're -- yeah, they're still open.
23 Q And are there Arete funds that -- interest
24 funds that belong to certain of these clients?
25 (Mr. Scoggins returns to the room.)

1 A I don't know that there's any interest
2 sitting in those accounts now. I know that a lot of
3 -- a lot of Tomich's clients transferred their assets
4 elsewhere that were sitting in those accounts.
5 Q Okay.
6 A And I -- you know, I -- otherwise, no, I
7 don't -- I don't really -- I mean, I don't know.
8 There could be some cash or money market sitting
9 there, but I don't know for sure.
10 Q Okay. But clearly, interest payments did
11 come in from Arete; is that correct?
12 A Yes.
13 Q And those, at least on paper, were
14 apportioned out to the different Arete investors?
15 A That's true.
16 Q That's true.
17 So, unless those Arete investors used
18 those funds or cashed out those funds for some
19 reason, there still may be funds at Summit Trust that
20 belong to Arete investors; is that correct?
21 A That could be true.
22 Q Okay.
23 A Yeah.
24 Q But as you sit here today, you don't have
25 a notion, investor-by-investor, of what funds --

1 A No.
2 Q -- what Arete funds belong to whom?
3 A Only because I didn't look at each account
4 to see if there were some people that had some cash,
5 you know, that were received. I mean, it's easy
6 enough to figure that part out, but I didn't --
7 Q All right.
8 A -- you know.
9 Q How many Arete investors are Summit Trust
10 clients?
11 A My recollection is it's somewhere between
12 ten and fifteen. It's -- it's more than ten,
13 probably around fifteen.
14 Q Okay. For a total investment amount of
15 approximately what?
16 A A million-and-a-half. That's -- that's a
17 recollection. I'm not sure but --
18 Q Okay.
19 A -- but something like that.
20 Q Were these also exclusively Tomich
21 clients?
22 A No. No.
23 Q Who --
24 A It was mostly Tomich, and then there were
25 the two gentlemen in Texas --

1 Q Okay.
2 A -- that might have had three or four
3 accounts, total, that I can recall.
4 Q Meissner?
5 A Meissner.
6 Q And Sparkman?
7 A I think so.
8 Q Okay. And that -- and that would be --
9 that would constitute the sales people or the
10 advisors who put -- who put people into Arete?
11 A That's correct.
12 Q At least from your understanding?
13 A That's from my understanding.
14 Q Okay. And --
15 (SEC Exhibit 52 was marked
16 for identification.)
17 BY MR. MARTIN:
18 Q Kevin, I'm going to hand you what's been
19 identified as Exhibit 52.
20 I'll take that one back.
21 (The Witness passes Exhibit 51
22 to Mr. Martin.)
23 Q Thank you. That's great.
24 Exhibit 52 is a multi-page document, it's
25 an e-mail chain, the Bates range on it is

Page 185

1 SEC-SUMMIT-E-87 through 89.
 2 And at the top -- the top, the latest
 3 e-mail is from D1Scott@comcast.net to Kevin Brown,
 4 dated February 9th, 2012. Do you recognize this
 5 exhibit?
 6 A I do.
 7 Q Okay. And what's the context in which
 8 you're getting this e-mail?
 9 A Mostly, it's Doug Scott keeping me updated
 10 as to what he was doing, for some reason.
 11 Q Okay. So this is --
 12 A Yeah.
 13 Q This is roughly a month after you've had
 14 that conference call with --
 15 A Yeah.
 16 Q -- Snisky, correct?
 17 A Yeah.
 18 Q Okay. And let me just -- just a -- a
 19 technical point here. The "D1Scott@comcast.net," is
 20 that Doug Scott's e-mail?
 21 A It is.
 22 Q Okay. All right. And so in the top
 23 e-mail here, he references a, quote, days training in
 24 Longmont, Colorado; did you understand what
 25 that was about?

Page 186

1 A I do. I -- I should point out, though,
 2 that this is -- this letter, even though he e-mailed
 3 it to me, this letter is actually to this guy Jeff.
 4 Q And I --
 5 A Okay. But anyway --
 6 Q I understand.
 7 A But, yeah, I think -- I think it was some
 8 kind of due diligence meeting.
 9 Q Okay. Did you ever go to Longmont?
 10 A No.
 11 Q Did you ever meet with Snisky other than
 12 talk to him on the phone?
 13 A No.
 14 Q Okay. And I realize that the e-mail,
 15 itself, is addressed to this guy Jeff.
 16 But if you look at the last sentence here,
 17 it says, "By the way, you mentioned that you had a
 18 couple of guys that you wanted to refer to Arete."
 19 Is that, in any way, directed at you?
 20 A I don't think so. I think it's directed
 21 at Lumkes --
 22 Q Okay.
 23 A -- at Jeffrey Lumkes.
 24 Q Did you have anyone that you wanted to
 25 refer to Arete?

Page 187

1 A No.
 2 Q And did you ever refer anyone to Arete?
 3 A No.
 4 Q Okay. Any of your Brown clients or anyone
 5 else?
 6 A No.
 7 Q Okay. All right. I'll take that back.
 8 (The Witness passes Exhibit 52
 9 to Mr. Martin.)
 10 Q Thank you.
 11 There are references throughout the
 12 different documentation for SMA to --
 13 THE REPORTER: I'm sorry. For S?
 14 MR. MARTIN: For -- I'm sorry. Let me
 15 start over again.
 16
 17 BY MR. MARTIN:
 18 Q There are references in the Arete
 19 investment to an SMA account at Summit Trust. What
 20 is an SMA account?
 21 A It stands for Separately Managed Account.
 22 Q Okay. And what does that mean?
 23 A It's really just a way for us to track a
 24 certain group of investors, mainly for accounting
 25 purposes. And if there's any kind of a -- a pooling,

Page 188

1 you know, of investors, that kind of thing. But it's
 2 -- it's really just a way to designate a group of
 3 investors or an investment.
 4 Q Okay. Is it a literal account, like a
 5 bank account or a securities account, that's separate
 6 in any fashion?
 7 A No, hmm-mm, it's not.
 8 Q Okay. So it's a -- it's purely a paper
 9 accounting function?
 10 A It's an internal accounting function,
 11 that's right.
 12 Q Okay. So there was no money market
 13 account or checking account or anything that
 14 constituted the SMA account where these Arete funds
 15 were put?
 16 A No.
 17 Q Okay. Instead, they were put into the
 18 omnibus market account, as you described before?
 19 A Just -- yes, just like everybody else.
 20 Q Okay. Did you receive at Summit Trust any
 21 documentation related to Arete directly from Snisky
 22 or anyone at Arete in Longmont?
 23 A I believe we did. I believe we got
 24 subscription documents.
 25 Q Okay.

1 A And also, obviously, the screen-shots that
2 I sent you as well.

3 But when you say "documents," I think you
4 mean something like a subscription agreement
5 probably.

6 Q Well, like a -- yeah, like a -- a PPM or a
7 Private Placement Memoranda or -- or some form of
8 agreement?

9 A Yeah. Right. Sure.

10 Q And you did receive things like that?

11 A We did, yeah.

12 Q Okay. Was -- what was the purpose of
13 sending them to Summit Trust?

14 A Well, if an investor was going to invest
15 in that, that would have to be completed by somebody.
16 And since we were the custodian, especially for the
17 IRA accounts, you know, we would sometimes fill those
18 out on behalf of advisors and clients.

19 Q Okay. Did you ever review any of that
20 documentation from Arete to provide any commentary or
21 criticism or any amendments, or anything, to any of
22 those documents?

23 A There was -- there was a point -- and they
24 -- because they -- they provided documents more than
25 one time. In other words, they had a version that

1 If you -- if you turn to the -- to the
2 very end of this document, there's an e-mail --
3 there's an e-mail exchange dated May 9th of 2012, and
4 it's from Doug Scott to you.

5 It says, "Please forward to Kevin. Would
6 you like me to rewrite? Thanks. Gary." What's --
7 what's -- what is that communication?

8 A My thinking is that this was e-mailed -- I
9 can't tell -- oh, there is -- yeah, there is an
10 attachment. So I'm -- I'm thinking that this was
11 e-mailed to me by Doug Scott, after it was produced
12 by Gary Snisky.

13 Q Okay. And so are you in communication
14 with Snisky about the -- the content of the
15 documents, the wording of the documents?

16 A I am not, no.

17 Q Okay. You mentioned before that your com-
18 -- you said your compliance person noticed some
19 language with the documents where your name was being
20 used. Can you --

21 A Well, sure. Particularly "Group Summit,
22 LLC," he had a problem with that.

23 Q Okay. And what was the problem?

24 A The problem was our name shouldn't appear
25 on there. It's -- it's an Arete offering, it's not

1 they used, and then they changed it for the next
2 quarter. I think it was, you know, like a quarterly
3 kind of thing. At one point, they had our name on
4 there --

5 Q Okay.

6 A -- which -- I didn't even really notice.
7 But my compliance officer noticed, and told Snisky to
8 have that removed because it looked like we were
9 sponsoring it or something. It just -- it didn't
10 look proper. And our name didn't belong on there,
11 so --

12 Q Okay. Let me -- well, let's look at this.
13 (SEC Exhibit 53 was marked
14 for identification.)

15 BY MR. MARTIN:

16 Q Kevin, I'm going to hand you what's been
17 identified as Exhibit 53. Exhibit 53 is a multi-page
18 document, from SEC-SUMMIT-E-37 through 49.

19 You'll note on the cover it says "Group
20 Summit," comma, "LLC, Contribution Agreement." Is
21 this the type of documentation you were talking about
22 that had your name on it? I'm trying to get at.

23 A This is -- yeah, this is the one.

24 Q Okay. And you'll see that -- just a
25 second here.

1 our offering.

2 Q Okay.

3 A And --

4 Q Is there an insinuation that somehow
5 Summit is more involved than just as a custodian?
6 What's the --

7 A Well, that was what he thought. And it --
8 it does make sense, that there is an implication
9 there.

10 Q Okay. And when was this -- was this --
11 when was this caught?

12 A I don't remember exactly. But it was
13 sometime -- obviously, sometime after they sent it to
14 us. And I don't know if we actually had to use this
15 a few times or not. But once -- once my compliance
16 officer saw it, he -- he told me to change it. I
17 just don't remember exactly when.

18 Q Did you get any pushback about changing it
19 or --

20 A From who? From --

21 Q From Snisky or anybody at Arete.

22 A No.

23 Q Okay. Did you discuss it directly with
24 Snisky?

25 A I -- I did not.

Page 193

1 Q Who did you discuss it with?

2 A Well, just my compliance officer. He's --

3 he told me he was going to tell them to remove Summit

4 from there, and -- and he would have communicated

5 with Doug and Snisky.

6 Q Okay. And do you know that he did that as

7 a fact?

8 A Do I know that he did that as a fact?

9 Q Well, did you -- did you direct him to do

10 that?

11 A Either I directed him or he did it on his

12 own. But I -- because I know that they removed it

13 eventually. I know that someone must have

14 communicated that with them.

15 Q Okay. So you didn't want any reference to

16 "Summit" or "Summit Trust" in any of the offering

17 documents put out by Arete; is that a fair --

18 A Well, no. Yeah, that's -- that's fair,

19 because it's -- it wouldn't be appropriate.

20 Q Okay. But there were some documents

21 executed by investors that did have a reference to

22 "Summit," that's true too, right?

23 A I -- I imagine that there are some of this

24 particular document.

25 Q Okay. Well, let's -- I mean, let's look

Page 194

1 at an example.

2 (SEC Exhibit 54 was marked

3 for identification.)

4 BY MR. MARTIN:

5 Q And hang onto that for a minute.

6 I'm going to hand you what's been admitted

7 as Exhibit 54. Exhibit 54 is a multi-page document,

8 it's kind of an investment packet here, from Bates

9 range SEC-SUMMIT-E-228 through 251.

10 And I'd like to turn your attention to --

11 let me see if the Bates number is there -- first, to

12 Bates No. 231, and you'll notice at the top of this

13 offering document there it says "Summit

14 Offering-12PO5I-LLC."

15 A I see it.

16 Q And do you recognize this offering

17 material with that caption on it?

18 A I do recognize it, yes.

19 Q And do you have an understanding of why it

20 was captioned that way or why it was named that way?

21 A That's what Snisky was calling it.

22 Q Okay. And is that what you objected to

23 through your compliance person?

24 A That's what my compliance officer ended up

25 objecting to, yes.

Page 195

1 Q Okay. And again, that was because it was

2 confusing or somehow insinuated that Summit was part

3 of this offering, is that the reasoning?

4 A That was -- that was his concern, yes.

5 Q Okay. Did you have any involvement at --

6 with Snisky in naming this offering "Summit Offering

7 12-PO5I-LLC"?

8 A No.

9 Q Okay. Did you have any knowledge that he

10 was going to do so?

11 A Not that he was going to do so, I don't

12 remember, that, no.

13 Q Okay. Now, you'll remember, in your -- in

14 your earlier testimony about the -- about the

15 offering with -- I'm sorry -- the EFTs (sic), that

16 there was a Summit Group -- it was named "Summit

17 Group" something; is that right? Do you remember?

18 A It was -- well, I think it was "Summit

19 Trust ETF Portfolio."

20 Q Yes, Summit Trust ETF Portfolio?

21 A Right.

22 Q So this -- this notion of "Summit" being

23 part of the name wasn't a new -- wasn't a new thing,

24 this had happened before in the ETF context, hadn't

25 it?

Page 196

1 A Right.

2 Q Okay. So, in this instance though, your

3 -- am I understanding your testimony correctly that

4 this is happening without your understanding or

5 awareness?

6 A Well, he didn't get my approval of it.

7 But, you know, part of my thinking was that, you

8 know, he may be working with other companies, I would

9 have assumed.

10 Q Okay.

11 A Right. So, you know, this would be -- you

12 know, I can't -- I couldn't figure out why else would

13 he be doing that.

14 Q Okay. But -- but you didn't approve of

15 that naming convention?

16 A No.

17 Q Okay. No, you did not approve?

18 A I'm sorry. No, I did not approve.

19 Q Okay. And then I'd also like you to look

20 at Bates No. 242 -- we're still in Exhibit 54 -- and

21 there you see that "Group Summit, LLC, Contribution

22 Agreement" again?

23 A I do.

24 Q Okay. So this is in actual practice,

25 because this is an investor named Edmund Kieras who

Page 197

1 used this form, with this name, to invest; is that
 2 correct?
 3 A That is correct.
 4 Q Okay. And is it also true that you did
 5 not give approval to Mr. Snisky to use this naming
 6 convention for this contribution agreement; is that
 7 true?
 8 A That's true. He did do it on his own.
 9 Q Okay.
 10 A I didn't think anything of it. Like I
 11 said, I thought he was working with other companies,
 12 and it --
 13 Q Mm-hmm.
 14 A -- you know, could be -- could be "Group
 15 ABC Company."
 16 Q Okay. But nevertheless, through your
 17 compliance person, you asked that he stop presenting
 18 materials to investors with that name on it; is that
 19 true?
 20 A That's -- yeah, that's true.
 21 Q Okay.
 22 I'll take that back. Thank you.
 23 A Just this one?
 24 Q Yeah. I'll take both.
 25 A Oh, both.

Page 199

1 Q Okay. Other than establishing that
 2 counsel and Mr. Scoggins were from North Carolina,
 3 which I know is an important distinction.
 4 MR. TYNDALL: Which is substantive.
 5 MR. MARTIN: Yes, there is some substance
 6 there.
 7 BY MR. MARTIN:
 8 Q Before, I'd asked you that -- if
 9 Mr. Snisky had sent you PPMs and other offering type
 10 documents, and you said that he had; is that correct?
 11 A I did say that, yes.
 12 Q Yeah. And did he send those by e-mail, or
 13 was that his --
 14 A I believe that they were sent by e-mail.
 15 Q Okay. And they were, as you understood
 16 it, for use for the different investors to fill out,
 17 execute, and so forth; is that right?
 18 A Well, yeah, mm-hmm.
 19 Q Okay. And he, from time-to-time, changed
 20 up the caption, which is how we got discussing the
 21 Summit Group, LLC documentation; is that right?
 22 A That's -- that's right. I believe that he
 23 changed them every quarter.
 24 Q Okay. Did you have an understanding of
 25 why he did that?

Page 198

1 BY MR. MARTIN:
 2 Q Actually, let me -- let me hand you
 3 Exhibit 54 again.
 4 A Mm-hmm.
 5 Q If you look at the last page --
 6 A Yeah.
 7 Q -- on that contribution agreement
 8 signature page, is that your signature in the middle
 9 there?
 10 A Indeed, it is.
 11 Q Okay. All right. Thank you.
 12 And I'll take the other exhibit, too.
 13 Thank you.
 14 (The Witness passes Exhibit 54
 15 to Mr. Martin.)
 16 MR. MARTIN: Let's go off the record at
 17 12:54.
 18 (Break from 12:54 p.m. to 12:58 p.m.)
 19 MR. MARTIN: Let's go on the record at
 20 12:58.
 21 BY MR. MARTIN:
 22 Q While we were off the record, there were
 23 no substantive conversations between the staff and
 24 the witness or his counsel; is that correct?
 25 A Yes. That is correct.

Page 200

1 A No, except that each quarter it -- it
 2 appeared as though they had dates that corresponded
 3 to each quarter. But no, I didn't have really any
 4 understanding as to why he did that, no.
 5 Q Okay. I mean, from -- from your
 6 understanding, consistent through the Arete period,
 7 was it the same offering, regardless of what the
 8 caption or title was?
 9 A Yeah, that -- yes, that was my impression.
 10 Q All right. It's still based on the
 11 investment in the government or Ginnie Mae bonds, for
 12 example, 6 or 7 percent annual interest; is that --
 13 A Yeah. I think so, yes.
 14 Q All right. And that was consistent all
 15 the way through the Arete period?
 16 A Right.
 17 Q Did Summit Trust Company ever operate as
 18 the custodian for Arete as an entity or Arete's
 19 funds?
 20 A No.
 21 Q Okay. Never served that role for --
 22 A No.
 23 Q Okay. What about for Mr. Snisky
 24 individually or anybody else associated with Arete?
 25 A No.

1 Q Okay. So only as a custodian for
2 individual clients who had invested in Arete; is that
3 a -

4 A That's -- that's an accurate statement.

5 Q Accurate statement, okay.

6 When funds were wired from Summit Trust
7 investor accounts to Arete, how did you know to do
8 that and how was it that you made that transaction?

9 A Well, once all the paperwork was executed
10 and there was a -- an Asset Purchase Form completed,
11 you know, my recollection is that -- that Doug Scott
12 would -- you know, would indicate that -- you know,
13 to -- to send so-and-so's funds to Arete. I mean,
14 you know, we -- we could have known to do that just
15 by someone filling out the paperwork and sending it
16 to us.

17 Q Okay. Were you contacted by the people at
18 Arete in that process?

19 A I don't recall somebody from Arete. And
20 -- and the only person that I'd ever -- that I
21 remember having any kind of contact with was Snisky,
22 and -- and we talked about that. But I don't
23 remember anyone from Arete asking me to -- to send
24 any funds.

25 Q But Doug Scott did?

1 A Several times, I believe.

2 Q All right. And did you understand how he
3 understood that it was appropriate to send those
4 funds on?

5 A Well, I -- you know, he was working
6 closely with Arete, and he was talking to the
7 advisors. So, you know, if -- if -- if Jane Doe, who
8 might be Tomich's client, was ready to invest, Tomich
9 would know. And therefore, he and Doug would talk
10 about that, and you know. I mean, Doug was -- I
11 believe he was kind of the quarterback.

12 Q Okay. Sort of over Tomich and Meissner
13 and -- and others?

14 A Right.

15 Q Okay.

16 A He was kind of like a liaison or a -- I
17 don't -- I don't want to say a "go-between," but
18 something like that.

19 Q Okay.

20 (SEC Exhibit 55 was marked
21 for identification.)

22 BY MR. MARTIN:

23 Q Kevin, let me hand you what's been
24 identified as Exhibit 55. Exhibit 55 is an e-mail
25 chain, a one-page document, Bates No.

1 SEC-SUMMIT-E-103; if you wouldn't -- if you wouldn't
2 mind just taking a look at that. Do you recognize
3 Exhibit 55?

4 A I do. Yeah, I do recognize this.

5 Q And does Exhibit 55 help refresh your
6 recollection regarding the quarterly interest
7 payments and when those --

8 A It does, actually.

9 Q Okay.

10 A Yeah.

11 Q Well, help me out with that a little bit.

12 This e-mail was sent -- the one from you to Mr. Scott
13 was sent on January 22nd, 2013; is that correct?

14 A Yes.

15 Q And in there you say, "Is Arete supposed
16 to be paying Summit fees on a quarterly basis? I
17 don't remember seeing any fee" -- "fees payments for
18 at least the last two quarters."

19 What -- what prompted that, or what's your
20 concern there?

21 A Well, I think, at this point, I had
22 wondered why the only fees I'd collected, you know,
23 for doing all this custodial work was \$750.

24 Q Okay.

25 A And, you know, I -- you know, apparently I

1 did not remember what the arrangements were.

2 Q But it looks like your -- your
3 expectation is some fee payment on a quarterly basis?

4 A Yeah. That makes sense, yes.

5 Q And what would those quarterly fees be
6 based on, the total amount of assets under management
7 or --

8 A Well, according to this e-mail, yeah, it
9 would have been.

10 Q Okay. But you hadn't -- you hadn't
11 received those from Summit?

12 A Well, it wasn't me, personally. Summit
13 hadn't received them, is what I mean.

14 Q Right.

15 A But, yeah, that's -- no, that's true.

16 Q Okay. And I note that you say, "I don't
17 remember" -- in this e-mail you say, "I don't
18 remember seeing any fee" -- "fees payments for at
19 least the last two quarters."

20 Had you received fee payments from Arete
21 -- or had Summit received fee payments from Arete in
22 prior quarters.

23 A No. The only -- the only fees we
24 collected was that check for \$750.

25 Q Okay.

1 A You know, I -- it -- you know, and at this
2 point, I didn't -- you know, I didn't remember how we
3 were being compensated, frankly.

4 Q Okay.

5 A And I do know that we haven't been -- or
6 had not been. We still have not been, but whatever.

7 Q All right. And then I'd like you to look
8 up at Doug Scott's response to you, particularly the
9 second paragraph, that starts with "Unfortunately."

10 See where it says, "Unfortunately, for
11 some reason, Gary has not sent anything out in
12 October or January. That was the reason for my call
13 to you last Thursday, to see if you had a record of
14 receiving the interest payout. I would like to call
15 you tomorrow to discuss why the lack of quarterly
16 payouts."

17 So does this -- this help refresh your
18 recollection in terms of the actual interest payments
19 received from Arete?

20 A Yes, it does.

21 THE REPORTER: From Arete?

22 MR. MARTIN: From Arete, yes.

23 BY MR. MARTIN:

24 Q And when was the last interest payment you
25 had received from Arete then?

1 A Based on this e-mail, I -- it should have
2 been -- so it would have been for the second quarter,
3 because an October payment would have been for the
4 third quarter of 2012.

5 Q Okay. Which you did not receive?

6 A Apparently not.

7 Q Okay. Nor did you receive a fourth
8 quarter payment; is that correct?

9 A I -- based on this e-mail, I guess not. I
10 can't -- you know, it -- at that point, I don't -- I
11 imagine no.

12 Q Okay.

13 A Yeah.

14 Q Did you have any procedure or a policy in
15 place regarding your clients at Summit if investment
16 funds were supposed to be coming into their accounts,
17 interest or otherwise, but they didn't, and -- and
18 the follow-up that you would undertake accordingly?

19 In other words, this is maybe six months
20 after you'd received any interest payments from
21 Arete, and you've got, as you testified earlier, at
22 least 15 different clients who've invested in Arete.
23 Did you have any policies or procedures in place to
24 follow up on what amounts to missed payments to your
25 clients?

1 A Nothing formal. If someone would have
2 missed a payment back in October, you know, clients
3 would normally be aware of that, and somebody would
4 end up calling to say, you know, I didn't get a
5 payment. And I don't know if that happened in this
6 case or not.

7 Q Except, how would they be aware, because
8 you're sending out the quarterly statement, right?
9 So, how can they know about a missed payment if
10 they're not getting the -- the statement?

11 A Well, they'd still -- they'd get a
12 quarterly statement even if there was no activity.

13 Q Okay.

14 A I mean, it's --

15 Q So, at the end of the third quarter in
16 2012, you still sent a quarterly statement out to the
17 Arete investors; is that correct?

18 A We should have, yeah. I -- I expect we
19 did.

20 Q Okay. But it wouldn't have reflected any
21 interest earnings?

22 A No, not if -- no. Only if it was
23 received.

24 Q Okay. And you testified earlier, that if
25 there were any interest earnings, it would have been

1 only received interest earnings, not projected or
2 anticipated earnings, right?

3 A Yeah, that's -- yeah. Yes.

4 Q Okay. But if I'm understanding your
5 testimony correctly today, you didn't have any
6 policies or procedures in place to help you catch if
7 payments were not made into investor accounts that
8 should have been made and kind of the related
9 follow-up to that or -- or work on your part?

10 A Correct.

11 Q Okay.

12 A I -- you know, we were -- we had a
13 custodial role, and it was really just to -- you
14 know, to hold and to report. But I don't -- I don't
15 think we had a duty to -- to -- you know, to pursue
16 somebody like this if they missed a payment.

17 Q Okay. All right. I'll take that back.
18 Thank you.

19 (The Witness passes Exhibit 55
20 to Mr. Martin.)

21 BY MR. MARTIN:

22 Q In March of 2013, you were interviewed by
23 an IRS special agent named Ron Loecker; is that
24 correct?

25 A Yes, mm-hmm.

1 Q Okay. And that happened in Pennsylvania?
 2 A It did.
 3 Q Okay. At that time, you told Agent
 4 Loecker that Summit Trust was to be paid a
 5 half-a-percent commission by Snisky for all invested
 6 funds moved through the SMA account for Arete?
 7 A Based -- yeah, that's consistent with that
 8 e-mail, yeah. But it was -- yeah, mm-hmm.
 9 Q And is that accurate?
 10 A I -- yeah. I guess you could look at it
 11 that way, yes.
 12 Q But I -- and it's also my understanding
 13 that you told Agent Loecker that you never did
 14 collect these funds, that .5 percent?
 15 A I was -- yeah, I didn't remember seeing
 16 them.
 17 Q Okay. And were there any other fees or
 18 commissions or payments that were expected, related
 19 to Arete, to Summit Trust?
 20 A No.
 21 Q Other than the --
 22 A No.
 23 Q -- the .5 percent commission for all
 24 invested funds total?
 25 A Well, the -- yeah, the account fee, that's

1 a memo document, and the Bates number is
 2 SEC-SUMMIT-E-99 to 100.
 3 Do you recognize Exhibit 56 and the
 4 attachment to it?
 5 A I do -- well, I recognize it, yeah.
 6 Q The -- the memo that's the second page,
 7 who drafted that memo?
 8 A My belief is that it was Doug Scott.
 9 Q Okay. But not you?
 10 A Oh, no, not me.
 11 Q Okay. Does it accurately -- accurately
 12 reflect the fees associated with the Arete investment
 13 associated with Summit Trust?
 14 A Yeah, I -- this is probably correct.
 15 Q Well, why is it just probably?
 16 A Well, yeah, I guess it is correct. I --
 17 you know -- yeah, I guess it is correct.
 18 Q Okay. And this is -- these fees that are
 19 identified in Exhibit 56 are separate and apart from
 20 any .5 percent commission to be paid by Snisky or
 21 Arete for the invested funds that moved through the
 22 SMA account; is that correct?
 23 A Well, this says "the total fees." I'm not
 24 even sure why -- why -- why this was done this way,
 25 but -- I'm not sure if this was in addition to

1 right.
 2 Q Yeah.
 3 A Mm-hmm.
 4 Q No other maintenance fees or ongoing fees
 5 of any kind?
 6 A You mean owed by Arete or anything like
 7 that?
 8 Q No. Owed by Arete or to be paid by
 9 Snisky.
 10 A I don't think so.
 11 Q Okay. But there were maintenance fees or
 12 -- or fees associated with your particular clients;
 13 is that correct?
 14 A How do you -- you mean account opening
 15 fees or -- or custodial fees for somebody that had
 16 other investments, is that what you mean?
 17 Q Exactly, yes.
 18 A Well, that's true, yes.
 19 Q Okay.
 20 (SEC Exhibit 56 was marked
 21 for identification.)
 22 BY MR. MARTIN:
 23 Q Kevin, I hand you what's been identified
 24 as Exhibit 56. Exhibit 56 is a -- it's a two-page
 25 document. It's a cover e-mail and then a -- kind of

1 something or in place of something.
 2 Q Well, let's -- let's back up for a second.
 3 Look at Exhibit -- look at Exhibit 56 and
 4 the attachment. These fees in this memo are paid by
 5 whom?
 6 A Well, it says it's -- it says it's to be
 7 charged by the client -- I'm sorry -- charged to the
 8 client's account.
 9 Q Okay. So these are fees paid by the
 10 individual Summit client, correct?
 11 A It would be, yes.
 12 Q Okay.
 13 A That's correct.
 14 Q All right. So these fees are separate and
 15 apart from any commission to be paid by Snisky or
 16 Arete, even if that commission was never paid to
 17 Summit; is that correct?
 18 A This would be different from that, yes.
 19 Q Okay. All right. If you take the fees --
 20 or payments in Exhibit 56 and that .5 percent
 21 commission to be paid by Snisky or Arete, are there
 22 any other fees or payments or commissions that Summit
 23 Trust was supposed to earn or did earn associated
 24 with the Arete business?
 25 A I don't think so.

1 Q Okay. Are you confident of that?
 2 A Well, I didn't remember this either,
 3 so --
 4 Q Yeah. But this -- this looks -- if
 5 you look at Exhibit 56, that looks pretty standard to
 6 me, right?
 7 I mean, you have clients, they have their
 8 accounts with you, and they have certain fees that
 9 they pay for you operating as the custodian of those
 10 accounts; am I --
 11 A I would agree with you on that.
 12 Q Okay. So there doesn't seem to be
 13 anything completely crazy about Exhibit 56 or the
 14 numbers that are represented there; is that fair?
 15 A That is fair.
 16 Q Okay. So I -- I look at that as -- that
 17 ought to be the meat and potatoes of your business,
 18 right?
 19 A Correct.
 20 Q Okay. And then separate and apart from
 21 that, as you explained to Agent Loecker, Snisky or
 22 Arete was going to pay a commission on the Arete
 23 investments; now, is that correct?
 24 A Well, yeah, it -- I wouldn't call it a
 25 commission, but that's -- it was -- you know, it was

1 a fee for, you know, handling the SMA business.
 2 Q Okay. It never happened?
 3 A No.
 4 Q You never received those funds; that's
 5 correct, too, right?
 6 A That's correct.
 7 Q Okay. So fees, commissions or other
 8 payments, other than what's in 56 and that .5
 9 percent, there were no additional fees or commissions
 10 related to the Arete business; is that --
 11 A Not for Summit.
 12 Q Not for Summit?
 13 (The Witness nods head.)
 14 Q Okay. Not to be paid to Summit or
 15 contemplated to be paid to Summit; is that correct?
 16 A Yeah, that's correct.
 17 Q Okay. Fair enough.
 18 I'll take that. Thank you.
 19 (The Witness passes Exhibit 56
 20 to Mr. Martin.)
 21 BY MR. SCOGGINS:
 22 Q Mr. Brown, did Summit have an agreement
 23 with any other investment provider or investment fund
 24 similar to what it had with Arete, where it would be
 25 paid a percentage of the assets under management?

1 A "Do" actually, not "did," right?
 2 Q Do or did. It just seems like it's an
 3 unusual agreement?
 4 A Sure. Well, we do have an arrangement
 5 with -- with a group where we get an SMA fee -- or we
 6 will be getting an SMA fee, similar to -- actually,
 7 50 basis points.
 8 Q What's the name of that group?
 9 A It's called The Dominion Group.
 10 Q And so just briefly, again, describe that
 11 agreement you have with regard to payments on the
 12 assets under management?
 13 A It -- well, related to -- you know, to
 14 recordkeeping, and reporting functions, and -- and
 15 custodial services, and all that stuff, we're to get
 16 50 basis points on the assets that are in those
 17 investments.
 18 Q And who's your contact at The Dominion
 19 Group?
 20 A Daryl, D-a-r-y-l, Bank, B-a-n-k.
 21 Q Where is he located?
 22 A Florida.
 23 Q Do you recall what city?
 24 A Oh, I -- I knew you were going to ask me
 25 that.

1 You know, he had an office in Virginia
 2 Beach, too, but he's -- he's out of Florida now. I
 3 -- Port St. Lucie is my guess. We can get that
 4 information for you, but I just don't remember off
 5 the top of my head.
 6 Q And how long have you been doing business
 7 with Daryl or Dominion Group?
 8 A Probably a little over a year, I guess.
 9 Q And approximately how many assets under
 10 management do you have related to Dominion Group?
 11 A I think Dominion might have 2 million.
 12 Q What type of investment is The Dominion
 13 Group?
 14 A They have -- they have a couple of private
 15 placements. I don't know a lot about them though.
 16 Q Have you put any investors in The Dominion
 17 Group?
 18 A No. No. We're just -- we're just
 19 providing custodial and -- and that sort of service.
 20 Q Do you have SMA-type agreements with other
 21 entities or funds in which you do not receive any
 22 sort of commission or fee related to assets under
 23 management?
 24 A I don't think so. I'm not -- I'm not
 25 remembering any.

1 BY MR. MARTIN:
 2 Q Did Summit Trust undertake any steps to
 3 determine whether Arete investors were accredited
 4 investors?
 5 A No. It was -- they had to attest to that
 6 on the -- on the subscription documents, I know that.
 7 Q Okay. But did Summit Trust undertake any
 8 steps to validate that information or to verify the
 9 information in any way?
 10 A No.
 11 Q Why not?
 12 A We -- well, we didn't call -- well,
 13 because we -- I didn't think we had a fiduciary duty
 14 to do that.
 15 Q Okay.
 16 A We were the custodian.
 17 Q Okay.
 18 A I just didn't think that that fell -- that
 19 that fell under, you know, our duties.
 20 Q Did you provide the paperwork and which
 21 the investors filled out regarding accredited status,
 22 did you provide that paperwork to Snisky and the
 23 Arete people?
 24 A I believe we did.
 25 Q Okay. And was that the standard process?

1 A Yeah. They would need copies of that
 2 information.
 3 Q Okay. And do you have an understanding of
 4 whether Snisky or the Arete people undertook any
 5 steps to validate or verify the information regarding
 6 accredited status for the investors?
 7 A I don't know what they did.
 8 Q Okay. It -- it didn't concern you?
 9 A Again, it didn't fall within our -- our --
 10 you know, our duties.
 11 Q Okay. Did any -- any information about
 12 any of the investors, regarding their sophistication,
 13 accredited status, qualified purchaser status, any
 14 aspect of the qualifications or criteria of these
 15 investors concern Summit Trust or you, in the
 16 slightest?
 17 A No. It -- they attested to it, and I
 18 think their advisor also -- I thought the advisor
 19 also tested -- attested to that, but --
 20 Q Okay. That's not information you
 21 attempted to verify or validate in any way?
 22 A No.
 23 Q Okay. Did Snisky or anyone at Arete ever
 24 discuss the notion of connecting Arete and Summit
 25 Trust together on a website or somehow putting Arete

1 on the Summit website?
 2 A I don't recall that, no.
 3 Q Okay. Well, or the other way around,
 4 putting some link to Summit on the Arete website, was
 5 there any --
 6 A I don't remember that either.
 7 Q Okay.
 8 (SEC Exhibit 57 was marked
 9 for identification.)
 10 BY MR. MARTIN:
 11 Q Kevin, I'm going to hand you what's been
 12 identified as Exhibit 57. Exhibit 57 is a one-page
 13 e-mail from Doug Scott to you, and the "Subject" line
 14 is "Arete." The Bates number is SEC-SUMMIT-E-97. Do
 15 you recognize Exhibit 57?
 16 A I do.
 17 Q Okay. And what -- what's the context in
 18 which Mr. Scott's sending you this e-mail?
 19 A I suppose he owed -- he felt like he
 20 needed to keep me updated as to what he was doing
 21 with Arete.
 22 Q Okay. And so it appears, through the
 23 e-mail, that Snisky has some new relationship with
 24 U.S. Bank; is that correct?
 25 A I see that, yes.

1 Q Yes. And did you have any understanding
 2 of how that would impact Arete's relationship with
 3 Summit Trust?
 4 A Well, I'm reading through the e-mail to
 5 make sure.
 6 Q Sure; take your time.
 7 (The Witness reviews Exhibit 57.)
 8 A Okay. I've read through it.
 9 BY MR. MARTIN:
 10 Q Well, what did you understand this would
 11 do to the relationship between Summit and Arete?
 12 A Well, I would have thought that the only
 13 impact would be where do client funds have to go and
 14 where would the interest payments be coming from.
 15 Q And that would be U.S. Bank; is that --
 16 A It would have been. Yeah, according to
 17 this e-mail, it would have been.
 18 Q Okay. I want to direct your attention to
 19 -- to the middle paragraph in Exhibit 57. It says,
 20 "Gary has already explained." Do you do you see that
 21 sentence?
 22 A I do.
 23 Q Okay. And then let me finish it.
 24 It says, "Gary has already explained that
 25 he will not accept any funds from U.S. Bank directly

1 and that he uses a trust company (Summit) to act as
2 custodian and aggregator of funds."

3 What's meant by "aggregator of funds"?

4 A As we talked about before, basically just
5 keeping track of how many clients are in there. When
6 they send a large -- you know, when they said one
7 interest payment, we have to allocate who gets what
8 interest payment, that kind of thing.

9 Q Okay. And then the next sentence says,
10 "The bank was delighted that he has this type" --
11 "that type of relationship in place and says using
12 Summit would take some responsibility off their
13 shoulders."

14 Why do you understand or think that some
15 responsibility would be taken off the bank's
16 shoulders by using Summit.

17 A Well, they wouldn't have any kind of
18 recordkeeping to do as far as individual investors or
19 anything like that, that's -- that would be my guess.

20 Q Okay.

21 A I can't think of anything else. I don't
22 know even know what other responsibilities the bank
23 would have had.

24 Q Okay. Did you ever communicate with
25 anyone at U.S. Bank regarding Arete?

1 MR. TYNDALL: Correct.

2 MR. MARTIN: Okay.

3 BY MR. MARTIN:

4 Q Kevin, before, I was asking you about
5 accredited investor status, and so forth, with the
6 different Arete investors?

7 I also want to ask you, in regard to the
8 Rampart investors, did you ever make any
9 determinations as to whether any of those investors
10 were accredited or sophisticated or qualified
11 purchasers or really anything in regard to their
12 status as investors or purchasers?

13 A Well, we told the advisors that they were
14 supposed to be. I -- I don't know -- I don't know
15 what we did to determine whether they were or were
16 not.

17 Q Okay. Was there any paperwork associated
18 with it?

19 A I don't remember any.

20 Q Okay. And you say you discussed the issue
21 with the various advisors. What about with the
22 investors that you and George Brown brought into
23 Rampart; did you ever determine their accredited
24 status or their qualified purchaser status?

25 A Yeah. I think we knew them to be

1 A Boy, I don't -- I don't remember actually
2 talking to anybody at U.S. Bank. I -- you know, I
3 don't think I did. I'm not saying I didn't for sure,
4 but I don't think so.

5 Q Okay. The contact there apparently was
6 named Doug Priest?

7 A Yeah.

8 Q Did you ever communicate with Mr. Priest?

9 A I don't remember. It's -- it's possible
10 but I don't remember.

11 Q I'll take 57 back. Thank you.
12 (The Witness passes Exhibit 57
13 to Mr. Martin.)

14 MR. MARTIN: Let's go off the record at
15 1:30.

16 (Break from 1:30 p.m. to 1:35 p.m.)

17 MR. MARTIN: Let's go on the record at
18 1:35 p.m.

19 BY MR. MARTIN:

20 Q While we were off the record, there were
21 no substantive conversations between the staff and
22 the witness, other than counsel asking about how to
23 secure a transcript of today's testimony; is that
24 correct?

25 A Is that correct.

1 accredited.

2 Q Okay. So is it your testimony today that
3 each of the investors that you brought into Rampart
4 directly, you and your -- you and your father brought
5 in directly to Rampart, without another investment
6 advisor of any type, that each and every one of those
7 investors was accredited?

8 A I believe so.

9 Q Okay. Were they each qualified
10 purchasers?

11 A Define what that is.

12 Q Well, a "qualified purchaser" is
13 essentially a -- an accredited investor on steroids,
14 with -- I think it's a --

15 MR. MARTIN: Is it a million?

16 MR. SCOGGINS: I don't recall.

17 BY MR. MARTIN:

18 Q I don't have it in front of me.

19 But let me ask the question this way. Do
20 you know what a qualified purchaser is according to
21 the securities laws?

22 A No.

23 Q Okay. And did --

24 MR. TYNDALL: The definition you're
25 talking about is the definition of an "accredited

1 investor."
 2 MR. MARTIN: Actually, I'm talking about
 3 particularly a qualified purchaser, it's -- it's an
 4 Investment Company Act definition, I think.
 5 BY MR. MARTIN:
 6 Q So -- but did -- did you make -- did you
 7 make a qualified purchaser inquiry of any of the
 8 investors in Rampart?
 9 A No. Not a qualified purchaser, no.
 10 Q Okay. And in relation to the accredited
 11 investor inquiry, did you make any inquiries of these
 12 -- of Rampart investors regarding their
 13 sophistication, their level of sophistication with
 14 that type of investment?
 15 A No. Only in -- only in -- in that I knew
 16 who they were and I was somewhat familiar with some
 17 of the investments they had made, that kind of thing.
 18 Q Okay. And I have the same questions for
 19 the ETF fund investors that were brought in by you
 20 and your father; did you ever make any determinations
 21 regarding their accredited status?
 22 A No. But for an ETF fund, I don't think
 23 you have to be an accredited investor.
 24 Q Well --
 25 A But anyway. -

1 Q Okay. Anything else with Mr. Tomich?
 2 A Not at all.
 3 Q And other than counsel, have you spoken
 4 with anyone regarding your appearance here today --
 5 and besides Mr. Tomich?
 6 A No.
 7 Q Okay. Have you discussed with anyone what
 8 your testimony would be today?
 9 A No.
 10 Q Have you discussed with anyone what your
 11 testimony should be today?
 12 A No.
 13 Q Has anyone suggested to you what your
 14 testimony should be today?
 15 A No.
 16 Q Have you seen a transcript or a digest or
 17 a summary of the testimony of anyone else who has
 18 testified in this investigation?
 19 A I have not.
 20 Q Do you know anyone else who's been
 21 subpoenaed or testified in this investigation?
 22 A For sure, right? No. No, I don't.
 23 Q Okay. Have you discussed with anyone else
 24 what their testimony would be or should be in front
 25 of the SEC?

1 Q -- be that as it may --
 2 A Yeah.
 3 Q -- you didn't make any such inquiry; is
 4 that correct?
 5 A Yeah, that's correct.
 6 Q Okay. And did you make any inquiries of
 7 those investors regarding their level of
 8 sophistication particularly related to that type of
 9 investment?
 10 A No.
 11 Q Okay. Did you require of them any
 12 paperwork or any other written documentation
 13 regarding their accredited status or their level of
 14 sophistication?
 15 A No.
 16 Q Okay.
 17 Other than counsel, have you spoken with
 18 anyone regarding this investigation?
 19 A Yes.
 20 Q Who?
 21 A Tomich.
 22 Q And what did you discuss with Mr. Tomich
 23 regarding the investigation?
 24 A Purely that I was coming out here to see
 25 you.

1 A No. No.
 2 Q Okay. Have you discussed your testimony
 3 or past or proposed testimony of another witness with
 4 any intermediary?
 5 A No.
 6 MR. MARTIN: Okay. Mr. Brown, at this
 7 time, we're going to adjourn testimony to a date
 8 uncertain. Although testimony is adjourned, you
 9 remain under subpoena.
 10 And, Counsel, I want to ask you if
 11 you wish to make any clarifying question -- or
 12 ask any clarifying questions or otherwise invoke any
 13 testimony from your witness, now is the time to do
 14 so.
 15 MR. TYNDALL: I don't. Although, we may
 16 submit a written statement when I get the transcript.
 17 MR. MARTIN: All right. Let's go off the
 18 record at 1:42 p.m., on December 4th, 2013.
 19 (Whereupon, at 1:42 p.m., the examination
 20 was adjourned.)
 21 * * * * *
 22
 23
 24
 25

PROOFREADER'S CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

In the Matter of: ARETE, LLC
Witness: Kevin Charles Brown
File Number: D-03321-A
Date: Wednesday, December 4, 2013
Location: Denver, CO

This is to certify that I, Donna S. Raya,
(the undersigned), do hereby swear and affirm
that the attached proceedings before the U.S.
Securities and Exchange Commission were held
according to the record and that this is the
original, complete, true and accurate transcript
that has been compared to the reporting or recording
accomplished at the hearing.

(Proofreader's Name) (Date)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

REPORTER'S CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, Denise Truax, Registered Merit Reporter,
hereby certify that the foregoing transcript
consisting of 228 pages is a complete, true, and
accurate transcript of the testimony indicated, held
December 4, 2013, in the matter of Arete, LLC. I
further certify that this proceeding was recorded by
me, and the foregoing transcript has been prepared
under my direction.

DATE: December 16, 2013

Official Reporter: _____

Denise Truax

ARETE, LLC
A PRIVATE COMPANY

GOVERNMENT
EXHIBIT
20
D-03321

ARETE, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Value Model consisting of a variety of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.* Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative. However, such Agency Bonds are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read this Memorandum.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non Qualified Value, and may also being an "Accredited Persons" per the Securities and Exchange Commission (SEC). As an Accredited Contributor under Regulation D of the SEC, "qualified clients" are defined in Rule 205-3(d) under the Investment Advisors Act of 1940 and as amended per the "Advisors Act". All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by Arete.

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the Company with the permission of Arete, or any portion of such Contributor's Contribution as of the last business day of any quarter by: If Approved: Please note lock up period of five years is to be determined first - THEN

- Delivering written notice to Arete at least 120 days prior to such date.
- Stating in writing which portion of the Contributor's Interest is requested to be redeemed.
- Acceptance by ARETE, LLC is deemed fair and reasonable.
- A surrender charge in year six is 5% and then 1% lower each year thereafter
- Surrender of Vested Bonus if within ten years

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of The Private Opportunity. Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million in total contribution capital from The Private Opportunity and Contributors in the Company; The Private Opportunity may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Contribution Company Act of 1940 (as amended the "1940 Act"). The Private Opportunity (The Private Opportunity) is responsible for the management of the Company. The Private Opportunity will receive a Management Fee equal to 1% (one percent) NAV (Net Asset Value) per year and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. The disbursements must begin after the year the policyholder would have turned seventy and a half (70 1/2).

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

DISCLOSURES

1. The Securities offered have not been and will not be registered under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Placement Memorandum will be made in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated hereunder, for offers and sales of Securities which do not involve any public Offering and analogous exemptions under state Securities laws.
2. This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering including the merits and risks involved. These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. The Securities offered may not be transferred without the prior written consent of the Company and The Private Opportunity. In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. This Company will not be registered as a Contribution Company under the Contribution Company Act of 1940, as amended.
7. The Company will not be registered as a Commodity Pool under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. The Interests offered have not been registered under the Florida Securities Act. Each Offered who is a Florida resident should be aware that section 517.061 (i 1)(a)(5) of the Florida Securities and Contributor Protection Act provide, in relevant part as follows:

"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.061 (11) is violable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered. Each person entitled to exercise the privilege to void sales granted by section 517.061(11)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial 

3

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to The Private Opportunity LLC via email at info@theprivateopportunityllc.co or fax to 303-459-2723.

Thank you!

1) Description

- | | |
|--|---|
| <input checked="" type="checkbox"/> Individual Contributor | <input type="checkbox"/> Service Provider |
| <input type="checkbox"/> Institutional Contributor | <input type="checkbox"/> Academic |
| <input type="checkbox"/> Contribution Manager | <input type="checkbox"/> Other |

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 1% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other *STOCKS*

e) Years of contribution experience

- Less than 1
- Less than 5
- 5-10
- 10-15
- More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D, in that...(please select all that apply) Definition of Contributions:

The contributor is a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document to Sender immediately.

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Contribution Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Funds* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

5

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The contributor is a family company *not formed for the specific purpose of buying an interest in the Funds* whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.

The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Funds) *all of whose securities and other ownership interests are beneficially owned by qualified purchasers.*

5) How did you find out about The Private Opportunity?

THROUGH MY ADVISOR

6) What are the origins of the funds being provided?

CHECK ACCOUNT / SECURITY SAVINGS

7) Contact Information (Asterisks indicate required fields)

First Name* JACK F. CHADWICK Last Name* CHADWICK

SSN* [REDACTED] 8225

Occupation RETIRED Title _____

Organization* _____ Website _____

Address* [REDACTED]

City* [REDACTED] State / Province [REDACTED]

Country (Where you currently live)* USA

Phone* [REDACTED]

8) Beneficiary Contact Information (Asterisks indicate required fields)

First [REDACTED] Last Name* DUNA!

SSN* [REDACTED]

Address [REDACTED]

City [REDACTED] State / Province* TX Zip / Postal Code* 78209

Country (Where you currently live)* USA

[REDACTED]

I represent and certify that the foregoing information is true and accurate and that I will promptly notify The Private Opportunity of any material changes in the information submitted.

READ AND APPROVED: [Signature] NAME [Signature] DATE 04-04-2012

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

PRIVATE OPPORTUNITY OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, The Private Opportunity will build a value model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in our Subsequent Trading Environment, in order to facilitate a value of return that is both Principle Protected and typically Produces Higher Yields than stand-alone Annuities. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase, Trade, Create Spreads and Markets within the purchase or sale of these specific types of Bonds that are protected by the Full Faith Credit of The United States – Both in Coupon Payment and Re-Sale ability. Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn an additional interest return of value. Others include US Treasury Notes/Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

The Private Opportunity, and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. The Private Opportunity only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the Committee on Uniform Security Identification Procedures and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

7

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Our Proprietary Protection – Planning For The Future

Our Proprietary Value Model is a like-kind annuity but is not an annuity. Our model uses the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model mimics an annuity, thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as money contract between a person and the insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our value model provides the concerned person with an assurance to reduce longevity risk. Our value model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our value model is assured certain results. Principal protection in our value model can be categorized in three simple ways:

1. The value model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible premium (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States

Our purchase of agency bonds and their protection provides our value model and its contributor's safety and security of principal with a fixed guarantee. In the world of fixed-income securities, agency bonds represent one of the safes products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Value Model

The Table below shows the income available for a contributor who places \$100,000 in our proprietary model. Some Income annuities offer bonuses ranging from 0% to 10%. The calculation shown below reflects a 10% vested opening bonus (one of the highest currently being offered) along with a 7.0% return on the Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps, higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

8

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 7.0% is one of the highest returns currently available. In this example, the Income Account Value is growing at a compounding rate. The Income Account Value grows by \$193,493.47 in 15 years when you include the immediate \$10,000 bonus we provide to the contributor.

The Withdrawal Percentage is used to calculate the income you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. An annual increase within the first five years provides a significant income advantage to the contributor of our proprietary model as shown below.

Taking a closer look at the Table below, you can see that the longer a contributor waits before utilizing the Withdrawal Percentage, the account grows significantly. If a contributor decides to receive the Withdrawal Percentage after year five the value is \$10,799.65. However, if the contributor waits to receive income until year fifteen, that same Withdrawal value is \$21,244.54 – a fifty one percent increase.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary value model such as the one below.*

End of Year	Income Account Value	Value @ 7%
	\$100,000 Plus 10% Vested Bonus	0.07
Issue	\$ 110,000.00	\$ 7,700.00
1	\$ 117,700.00	\$ 8,239.00
2	\$ 125,939.00	\$ 8,815.73
3	\$ 134,754.73	\$ 9,432.83
4	\$ 144,187.56	\$ 10,093.13
5	\$ 154,280.69	\$ 10,799.65
6	\$ 165,080.34	\$ 11,555.62
7	\$ 176,635.96	\$ 12,364.52
8	\$ 189,000.48	\$ 13,230.03
9	\$ 202,230.51	\$ 14,156.14
10	\$ 216,386.65	\$ 15,147.07

End of Year	Income Account Value	Value @ 7%	Withdrawal Percentage	Year Five Start Distribution
	\$100,000 Plus 10% Vested Bonus	0.07		
Issue	\$ 110,000.00	\$ 7,700.00	0	0
1	\$ 117,700.00	\$ 8,239.00	0	0
2	\$ 125,939.00	\$ 8,815.73	0	0
3	\$ 134,754.73	\$ 9,432.83	0	0
4	\$ 144,187.56	\$ 10,093.13	0	0
5	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
6	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
7	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
8	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
9	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
10	\$ 154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65

Example shows the distribution starting at the end of year five and taking the withdrawal percentage over the remaining time frame.

9

This Document is Intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Disclaiming Notes:

1. Calculations assume an agency bond interest rate of 6.0% plus a 1% on the Accumulation Period Addition which is the pre-paid principal applied in the overnight bank lending rate sweeps. Withdrawal Payment Base begins after the first five years.
2. Any additional withdrawals taken may reduce the Annual Withdrawal Payment.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and only shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years. While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take income at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different payout amounts you might see for different annuities:

- Annuity A – Payout % = 5% at 60, 6% at 70, 7% at 80 and above
- Annuity B – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above
- Annuity C – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout begins after year five and provides you with 7% regardless of age!

Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor’s lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about 10% to 12% per year¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

10
This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The Dow Jones Industrial Average actually has an average annual price appreciation return of ONLY 4.80% during the 110+ years of its existence².

During some years, the returns will be higher and during other years, the returns will be much lower. As you have learned, you may experience periods of 15 years or longer in which you make NO money at all in the stock market. Thus, you cannot anticipate or expect to receive any consistent return on a regular basis due to the fact that the stock market experiences large fluctuations in value from year to year.

In fact, huge plunges in stock market value seem to be occurring with increasing frequency, as we saw during 2000-2002, again in 2008 and in the May, 2010 "flash crash" that wiped out nearly \$1 trillion in market value in less than one day³. Stock markets around the world are becoming more volatile and more intertwined. A debt crisis in the relatively small country of Greece, which does relatively little trade with the United States, helped precipitate the nearly \$1 trillion flash crash of May, 2010.

Over the past ten years, the Dow Jones Industrial Average has averaged a slightly negative return of -0.69% on its compound annual growth rate⁴. Our proprietary model has no hidden fees.

We are a private company and carry no additional fees for representatives, or advertisement. In fact, if you have reached us or are reading this information without being introduced to us through an existing relationship - Please stop immediately and contact us ASAP.

A Quick Re-Cap

From day one, you can see our "like kind annuity" credits your Account Value at a higher rate than does other annuities and that it also gives you a higher Withdrawal Percentage than does the other annuity products. *Our proprietary value model will provide more than other annuity products virtually every single year* on these two crucial factors: the Income Account Value increase and the Withdrawal Percentage that is guaranteed to you. In addition, our proprietary value model offers you a 10% bonus whereas the other annuity offers no bonus.

There are no hidden fees like 12B1's, or high pay to representatives, or expensive advertisements. Most people have to work many, many years to be able to save a certain value they need for retirement after paying income taxes and after paying their living expenses.

Getting the most out of your money is always an important goal to keep in mind. As you have seen from our case study, our proprietary value model shown above can potentially help you reach your income and retirement goals while consuming much less money than other like kind annuities.

By contributing in our proprietary value model, you have the opportunity to receive one of the highest value streams currently available from any "like kind annuity" product. This is true regardless of the amount of value you place in our proprietary value model beyond the minimum. Our Model offers you the possibility of significantly increasing your value stream for each dollar deposited.

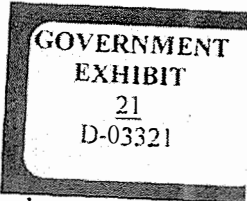
1,2,4 <http://observationsandnotes.blogspot.com/2009/03/average-annual-stock-market-return.html>
& <http://www.itullip.com/realdow.htm>

3 Bloomberg Institutional Trade Platform News

11

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

ARETE, LLC
A PRIVATE COMPANY



ARETE, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Value Model consisting of a variety of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.* Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative. However, such Agency Bonds are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read this Memorandum.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non Qualified Value, and may also being an "Accredited Persons" per the Securities and Exchange Commission (SEC). As an Accredited Contributor under Regulation D of the SEC, "qualified clients" are defined in Rule 205-3(d) under the Investment Advisors Act of 1940 and as amended per the "Advisors Act". All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by Arete.

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the Company with the permission of Arete, or any portion of such Contributor's Contribution as of the last business day of any quarter by: Approved: Please note lock up period of five years is to be determined first - THEN

- Delivering written notice to Arete at least 120 days prior to such date.
- Stating in writing which portion of the Contributor's Interest is requested to be redeemed.
- Acceptance by ARETE, LLC is deemed fair and reasonable.
- A surrender charge in year six is 5% and then 1% lower each year thereafter
- Surrender of Vested Bonus if within ten years

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of The Private Opportunity. Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million in total contribution capital from The Private Opportunity and Contributors in the Company; The Private Opportunity may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Contribution Company Act of 1940 (as amended the "1940 Act"). The Private Opportunity (The Private Opportunity) is responsible for the management of the Company. The Private Opportunity will receive a Management Fee equal to 1% (one percent) NAV (Net Asset Value) per year and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. The disbursements must begin after the year the policyholder would have turned seventy and a half (70 1/2).

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

2

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

DISCLOSURES

1. The Securities offered have not been and will not be registered under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Placement Memorandum will be made in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated hereunder, for offers and sales of Securities which do not involve any public Offering and analogous exemptions under state Securities laws.
2. This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering including the merits and risks involved. These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. The Securities offered may not be transferred without the prior written consent of the Company and The Private Opportunity. In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. This Company will not be registered as a Contribution Company under the Contribution Company Act of 1940, as amended.
7. The Company will not be registered as a Commodity Pool under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. The Interests offered have not been registered under the Florida Securities Act. Each Offered who is a Florida resident should be aware that section 517.061 (1)(a)(5) of the Florida Securities and Contributor Protection Act provide, in relevant part as follows:

"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.061 (1) is violable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered. Each person entitled to exercise the privilege to void sales granted by section 517.061(1)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial EW

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to The Private Opportunity LLC via email at [info@the Private Opportunityllc.co](mailto:info@theprivateopportunityllc.co) or fax to 303-459-2723.

Thank you!

1) Description

- Individual Contributor
- Institutional Contributor
- Contribution Manager
- Service Provider
- Academic
- Other

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 1% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other *STOCKS / BONDS*

e) Years of contribution experience

- Less than 1
- Less than 5
- 5-10
- 10-15
- More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D, in that... (please select all that apply) Definition of Contributions:

The contributor is a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Contribution Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Funds* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

5

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.**

The contributor is a family company not formed for the specific purpose of buying an interest in the Funds whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.

The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Funds) all of whose securities and other ownership interests are beneficially owned by qualified purchasers.

5) How did you find out about The Private Opportunity?

THROUGH MY INVESTMENT ADVISOR OF 20 YEARS

6) What are the origins of the funds being provided?

CHECKING ACCOUNT

7) Contact Information (Asterisks indicate required fields)

First Name* ELEANOR L. Last Name* WEEMS

SSN* [REDACTED]

Occupation RETIRED Title NA

Organization* NA Website None

Address* [REDACTED]

City* [REDACTED] State / Province* TX Zip / Postal Code* 78217

Country (Where you currently live)* USA

Phone* [REDACTED] Fax: None Email: None

8) Beneficiary Contact Information (Asterisks indicate required fields)
THE MONARD D. WEEMS AND ELEANOR L. WEEMS IRREVOCABLE FAMILY TRUST DATED MAY 13 1995 MUMBLD, TRUSTEE

First Name* BARBARA ANN Last Name* None

Tax ID #* [REDACTED] 455 Country (Where they live)* USA

Address* [REDACTED]

City* [REDACTED] State / Province* OR Zip / Postal Code* [REDACTED]

Country (Where you currently live)* USA

Phone [REDACTED] Email: [REDACTED]

I represent and certify that the foregoing information is true and accurate and that there is no Opportunity of any material changes in the information submitted.

READ AND APPROVED: Eleanor L. Weems
NAME

04-09-2012
DATE

6
This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

PRIVATE OPPORTUNITY OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, The Private Opportunity will build a value model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in our Subsequent Trading Environment, in order to facilitate a value of return that is both Principle Protected and typically Produces Higher Yields than stand-alone Annuities. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase, Trade, Create Spreads and Markets within the purchase or sale of these specific types of Bonds that are protected by the Full Faith Credit of The United States – Both in Coupon Payment and Re-Sale ability. Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn an additional interest return of value. Others include US Treasury Notes/Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

The Private Opportunity, and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. The Private Opportunity only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the Committee on Uniform Security Identification Procedures and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

7
This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Our Proprietary Protection – Planning For The Future

Our Proprietary Value Model is a like-kind annuity but is not an annuity. Our model uses the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model mimics an annuity, thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as money contract between a person and the insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our value model provides the concerned person with an assurance to reduce longevity risk. Our value model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our value model is assured certain results. Principal protection in our value model can be categorized in three simple ways:

1. The value model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible premium (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States

Our purchase of agency bonds and their protection provides our value model and its contributor's safety and security of principal with a fixed guarantee. In the world of fixed-income securities, agency bonds represent one of the safes products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Value Model

The Table below shows the income available for a contributor who places \$100,000 in our proprietary model. Some Income annuities offer bonuses ranging from 0% to 10%. The calculation shown below reflects a 10% vested opening bonus (one of the highest currently being offered) along with a 7.0% return on the Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps, higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

8

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 7.0% is one of the highest returns currently available. In this example, the Income Account Value is growing at a compounding rate. The Income Account Value grows by \$193,493.47 in 15 years when you include the immediate \$10,000 bonus we provide to the contributor.

The Withdrawal Percentage is used to calculate the income you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. An annual increase within the first five years provides a significant income advantage to the contributor of our proprietary model as shown below.

Taking a closer look at the Table below, you can see that the longer a contributor waits before utilizing the Withdrawal Percentage, the account grows significantly. If a contributor decides to receive the Withdrawal Percentage after year five the value is \$10,799.65. However, if the contributor waits to receive income until year fifteen, that same Withdrawal value is \$21,244.54 – a fifty one percent increase.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary value model such as the one below.*

End of Year	Income Account Value		Value @ 7%
	\$100,000 Plus 10% Vested Bonus		0.07
Issue	\$	110,000.00	\$ 7,700.00
1	\$	117,700.00	\$ 8,239.00
2	\$	125,939.00	\$ 8,815.73
3	\$	134,754.73	\$ 9,432.83
4	\$	144,187.56	\$ 10,093.13
5	\$	154,280.69	\$ 10,799.65
6	\$	165,080.34	\$ 11,555.62
7	\$	176,635.96	\$ 12,364.52
8	\$	189,000.48	\$ 13,230.03
9	\$	202,230.51	\$ 14,156.14
10	\$	216,386.65	\$ 15,147.07

End of Year	Income Account Value		Value @ 7%	Withdrawal Percentage	Year Five Start Distribution
	\$100,000 Plus 10% Vested Bonus		0.07		
Issue	\$	110,000.00	\$ 7,700.00	0	0
1	\$	117,700.00	\$ 8,239.00	0	0
2	\$	125,939.00	\$ 8,815.73	0	0
3	\$	134,754.73	\$ 9,432.83	0	0
4	\$	144,187.56	\$ 10,093.13	0	0
5	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
6	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
7	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
8	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
9	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
10	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65

Example shows the distribution starting at the end of year five and taking the withdrawal percentage over the remaining time frame.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons. PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Disclaiming Notes:

1. Calculations assume an agency bond interest rate of 6.0% plus a 1% on the Accumulation Period Addition which is the pre-paid principal applied in the overnight bank lending rate sweeps. Withdrawal Payment Base begins after the first five years.
2. Any additional withdrawals taken may reduce the Annual Withdrawal Payment.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and only shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years.

While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take income at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different payout amounts you might see for different annuities:

- Annuity A** – Payout % = 5% at 60, 6% at 70, 7% at 80 and above
- Annuity B** – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above
- Annuity C** – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout begins after year five and provides you with 7% regardless of age!

Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor’s lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about 10% to 12% per year¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

The Dow Jones Industrial Average actually has an average annual price appreciation return of ONLY 4.80% during the 110+ years of its existence².

During some years, the returns will be higher and during other years, the returns will be much lower. As you have learned, you may experience periods of 15 years or longer in which you make NO money at all in the stock market. Thus, you cannot anticipate or expect to receive any consistent return on a regular basis due to the fact that the stock market experiences large fluctuations in value from year to year.

In fact, huge plunges in stock market value seem to be occurring with increasing frequency, as we saw during 2000-2002, again in 2008 and in the May, 2010 "flash crash" that wiped out nearly \$1 trillion in market value in less than one day³. Stock markets around the world are becoming more volatile and more intertwined. A debt crisis in the relatively small country of Greece, which does relatively little trade with the United States, helped precipitate the nearly \$1 trillion flash crash of May, 2010.

Over the past ten years, the Dow Jones Industrial Average has averaged a slightly negative return of -0.69% on its compound annual growth rate⁴. Our proprietary model has no hidden fees.

We are a private company and carry no additional fees for representatives, or advertisement. In fact, if you have reached us or are reading this information without being introduced to us through an existing relationship - Please stop immediately and contact us ASAP.

A Quick Re-Cap

From day one, you can see our "like kind annuity" credits your Account Value at a higher rate than does other annuities and that it also gives you a higher Withdrawal Percentage than does the other annuity products. *Our proprietary value model will provide more than other annuity products virtually every single year* on these two crucial factors: the Income Account Value increase and the Withdrawal Percentage that is guaranteed to you. In addition, our proprietary value model offers you a 10% bonus whereas the other annuity offers no bonus.

There are no hidden fees like 12B1's, or high pay to representatives, or expensive advertisements. Most people have to work many, many years to be able to save a certain value they need for retirement after paying income taxes and after paying their living expenses.

Getting the most out of your money is always an important goal to keep in mind. As you have seen from our case study, our proprietary value model shown above can potentially help you reach your income and retirement goals while consuming much less money than other like kind annuities.

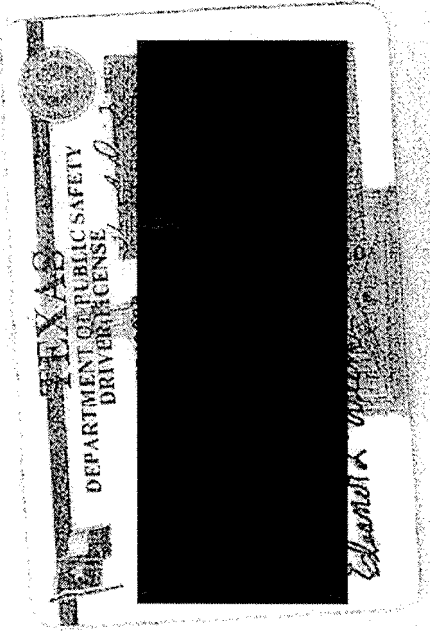
By contributing in our proprietary value model, you have the opportunity to receive one of the highest value streams currently available from any "like kind annuity" product. This is true regardless of the amount of value you place in our proprietary value model beyond the minimum. Our Model offers you the possibility of significantly increasing your value stream for each dollar deposited.

1,2,4 <http://observationsandnotes.blogspot.com/2009/03/average-annual-stock-market-return.html>
& <http://www.itulip.com/realdow.htm>
3 Bloomberg Institutional Trade Platform News

This Document is Intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: The Private Opportunity is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender Immediately.

11

REDACTED



DIVISION EXH. 6

SEC-MEISSNER-P-0000295

REDACTED

GOVERNMENT
EXHIBIT
22
D-03321

Summit Offering – 12PO10i, LLC

Offering Year 2012: Quarter 2
April 2, 2012 Thru June 30, 2012

Please contact your consultant in which you have a pre-existing relationship.... Thank you

THE PRIVATE OPPORTUNITY

Summit Offering – 12PO10i, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Working Model consisting of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.*Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative in lieu of the fact, such Principal Insured Products, or Agency Bonds, are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non-Qualified Value, and may also be an "Accredited Person(s)" per the Securities and Exchange Commission (SEC). Accredited Person(s) are defined in Rule 501(a) under Regulation D of the SEC. Further definition of Accredited Person(s) can also be found in section 2(a)(15) of the Securities Act of 1933. All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by The "Private Company".

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the contribution with the permission of The "Private Company", or any portion of such Contributor's Contribution as of the last business day of any quarter by: If Approved: Please note lock up period of five years is to be determined first – THEN

- Delivering written notice to The "Private Company" at least 120 days prior to such date.
- Stating in writing which Contributor's Interest is requested to be redeemed.
- Acceptance by the "Private Company" is deemed fair and reasonable and a replacement is available.
- A Redemption charge in year one is 5% and then 1% lower each year thereafter
- Surrender of Vested Bonus if within ten years

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons. PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. Rev 12PO10i

The Company may, in its sole discretion, approve purchases and redemption's on other dates and/or waives such notice period.

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of The "Private Company". Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million USD in total contribution capital from The "Private Company" and Contributors in the Company; The "Private Company" may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Investment Company Act of 1940 (as amended the "1940 Act The "Private Company" is responsible for the management of the Company. The "Private Company" will receive a Fee up to 2.5% (two and a half percent) NAV (Net Asset Value) during the first year and 1% per year after and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. On qualified funds the distributions must begin after the year the policyholder would have turned seventy and a half (70½).

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. 2

Rev 12PO101

DISCLOSURES

1. The Securities offered have not been and will not be registered under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Opportunity will be made in reliance upon an exemption from registration pursuant to Section 3(2), 4(2) and 4(6) of the Securities Act of 1933, as amended, and Regulation D Rule 505 or 506 promulgated hereunder, for offers and sales of Securities which do not involve any public Offering and securities which are issued or guaranteed by the United States and analogous exemptions under state Securities laws.
2. This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering including the merits and risks involved. These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. The Securities offered may not be transferred without the prior written consent of the Company. In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. This Company will not be registered as a Investment Company under the Investment Company Act of 1940, as amended.
7. The Company will not be registered as a Commodity Pool under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. The Interests offered have not been registered under the Florida Securities Act. Each Offered who is a Florida resident should be aware that section 517.061 (i 1)(a)(5) of the Florida Securities and Contributor Protection Act provide, in relevant part as follows:

"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.06 1 (11) is violable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered. Each person entitled to exercise the privilege to void sales granted by section 517.061(11)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial MSX

3

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. Rev 12PO101

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to your consultant.

Thank you!

1) Description

- Individual Contributor
- Institutional Contributor
- Contribution Manager

- Service Provider
- Academic
- Other (ex. 5013C, Church, etc.) _____

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 0% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other **STOCKS - BONDS - ANNUITIES**
CDs - MANAGED ACCTS.

e) Years of contribution experience

- Less than 1
- Less than 5
- 5-10
- 10-15
- More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D, in that... (please select all that apply) Definition of Contributions:

The contributor is a natural person whose individual net worth or joint net worth with that person's spouse, at the time of this contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Rev 12PO101

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Investment Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Offering* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

5

Rev 12PO101

The contributor is a family company not formed for the specific purpose of buying an interest in the Offering whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.

The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Offering) all of whose securities and other ownership interests are beneficially owned by qualified purchasers.

5) How did you find out about The Private Opportunity?

FRIENDS - 5 YEARS LIVE IN THE SAME NEIGHBORHOOD
INQUIRED ABOUT INVESTMENTS BY A SOCIAL FUNCTION.

6) What are the origins of the funds being provided?

QUALIFIED FUNDS / IRA

7) Contact Information (Asterisks indicate required fields)

First Name* MARY G. Last Name* HALL

SSN* [REDACTED] 0279

Occupation RETIRED TEACHER Title TEACHER

Organization* NA. [REDACTED]

Address* [REDACTED]

City* [REDACTED]

Country (Where you currently live) USA

Phone* [REDACTED]

8) Beneficiary Contact Information (Asterisks indicate required fields)

First Name* GARY L. Last Name* HALL

SSN* [REDACTED] 2904 Country (Where they live)* [REDACTED]

Address* [REDACTED]

[REDACTED] State [REDACTED]

[REDACTED]

[REDACTED]

I represent and certify that the foregoing information is true and accurate and that I will promptly notify The Private Opportunity of any material changes in the information submitted.

READ AND APPROVED: Mary L. Hall
NAME

6/26/12
DATE

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. 6

Rev 12PO101

PRIVATE OPPORTUNITY OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, The "Private Company" will build a working model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in a Subsequent Trade Environment, in order to facilitate a value of return that is both Principle Protected and typically produces Higher Yields than stand-alone Annuity or Fixed Type Products. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase these specific types of Bonds that are protected by the Full Faith Credit of The United States – i.e.; The Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within HUD, guarantees the timely payment of principle and interest on the Bond (taken directly from GM SMBS Trust 01). Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn additional interest ensuring the 6% coupon. This can also lend itself to the federal funds rate, or fed funds rate, is the target interest rate for overnight lending and borrowing transactions between banks. Other types of Bonds include US Treasury Notes/Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

The "Private Company", and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general, the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. The Private Opportunity only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the Committee on Uniform Security Identification Procedures and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. 7
Rev 12PO101

Our Proprietary Protection – Planning For The Future

Our Proprietary Working Model is a like-kind annuity but IS NOT an annuity. Our model uses one of the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value to the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model parallels an annuity - without being an annuity - thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as a money contract between a person and an insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death or maturity. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our working model provides the concerned person with an assurance to reduce longevity risk. Our working model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our working model is assured certain results. Principal protection in our working model can be categorized in three simple ways:

1. The working model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. Your principal and interest is protected by the Full Faith and Credit of the United States. The interest is consistent as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible considerations (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States.

Our purchase of agency bonds and their protection provides our working model and its contributor's safety and security of principal with a fixed coupon. In the world of fixed-income securities, agency bonds represent one of the safest products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Working model

The Table below shows the income available for a contributor who places \$100,000 in our proprietary model. Some Income annuities offer bonuses ranging from 0% to 10%. The calculation shown below reflects a 10% vested opening bonus (one of the highest currently being offered) along with a 7.0% return on the Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps, higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

8

Rev 12PO101

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 7.0% is one of the highest returns currently available. In this example, the Income Account Value is growing at a compounding rate. The Income Account Value grows by \$193,493.47 in 15 years when you include the immediate \$10,000 bonus we provide to the contributor.

The Withdrawal Percentage is used to calculate the income you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. An annual increase within the first five years provides a significant income advantage to the contributor of our proprietary model as shown below.

Taking a closer look at the Table below, you can see that the longer a contributor waits before utilizing the Withdrawal Percentage, the account grows significantly. If a contributor decides to receive the Withdrawal Percentage after year five the value is \$10,799.65. However, if the contributor waits to receive income until year fifteen, that same Withdrawal value is \$21,244.54 – a fifty one percent increase.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary value model such as the one below.*

End of Year	Income Account Value		Value @ 7%
	\$100,000 Plus 10% Vested Bonus		0.07
Issue	\$	110,000.00	\$ 7,700.00
1	\$	117,700.00	\$ 8,239.00
2	\$	125,939.00	\$ 8,815.73
3	\$	134,754.73	\$ 9,432.83
4	\$	144,187.56	\$ 10,093.13
5	\$	154,280.69	\$ 10,799.65
6	\$	165,080.34	\$ 11,555.62
7	\$	176,635.96	\$ 12,364.52
8	\$	189,000.48	\$ 13,230.03
9	\$	202,230.51	\$ 14,156.14
10	\$	216,386.65	\$ 15,147.07

End of Year	Income Account Value		Value @ 7%	Withdrawal Percentage	Year Five Start Distribution
	\$100,000 Plus 10% Vested Bonus		0.07		
Issue	\$	110,000.00	\$ 7,700.00	0	0
1	\$	117,700.00	\$ 8,239.00	0	0
2	\$	125,939.00	\$ 8,815.73	0	0
3	\$	134,754.73	\$ 9,432.83	0	0
4	\$	144,187.56	\$ 10,093.13	0	0
5	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
6	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
7	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
8	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
9	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65
10	\$	154,280.69	\$ 10,799.65	7.00%	\$ 10,799.65

Example shows the distribution starting at the end of year five and taking the withdrawal percentage over the remaining time frame.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Disclaiming Notes:

1. Calculations assume an agency bond interest rate of 6.0% plus a 1% on the Accumulation Period Addition which is the pre-paid principal applied in the overnight bank lending rate sweeps. Withdrawal Payment Base begins after the first five years.
2. Any additional withdrawals taken may reduce the Annual Withdrawal Payment.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and only shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years. While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take income at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different payout amounts you might see for different annuities:

Annuity A – Payout % = 5% at 60, 6% at 70, 7% at 80 and above

Annuity B – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above

Annuity C – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout begins after year five and provides you with 7% regardless of age!

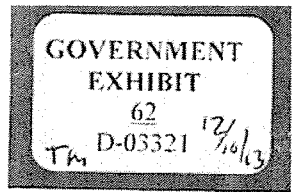
Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor's lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about 10% to 12% per year¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

The Dow Jones Industrial Average actually has an average annual price appreciation return of ONLY 4.80% during the 110+ years of its existence².

10

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** This Offering is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately. Rev 12PO101



BACKGROUND QUESTIONNAIRE

Please respond to the following questions in the space provided. If you need additional space for any response, you may attach additional pieces of paper.

Today's date: 11/25/13

1. What is your full name: JAMES DOUGLAS SCOTT

2. Have you ever been known by any other name: Yes No
If yes, list each such name and the period(s) in which you were known by that name.

3. Social Security Number:

4. Date and Place of Birth:

5. Country of Citizenship: UNITED STATES OF AMERICA

6. Foreign ID#: N/A

7. Passport (Country & #): EXPIRED - CAN'T LOCATE

8. Driver's License:

9. Automobile License Plate: _____

10. Boat/Plane Registration #: N/A

11. Marital Status? Married Divorced Single

Background Questionnaire
Page 2

12. If you have ever been married, state for each marriage: (i) the date(s) of the marriage; (ii) the name of your spouse; (iii) your spouse's maiden name, if any; and (iv) your spouse's occupation.



13. List the names, ages and occupations of your children, if any.



14. List all residences you occupied at any time during the last five years (5), including vacation homes, beginning with your current residence. For each residence, state the address, dates of residence, and all telephone numbers (including facsimile numbers) listed at that address.

[Redacted] PERKASIE PA [Redacted] [Redacted]
[Redacted] PERKASIE PA [Redacted] [Redacted]

15. List all telephone numbers and telephone credit card numbers that were in your name or that you regularly used at any time during the last five (5) years. Include all residential, business, car, credit card and cellular telephone numbers, including those listed in your response to question 14. For each telephone number, state the name(s) of the corresponding local/cellular provider and long distance carrier(s) (e.g., Sprint, MCI, AT&T) if any.



Background Questionnaire
Page 3

16. List salary and bonuses and stock options for the last 3 years:

Salary:	
\$ 65,000	2011
amount	year
- 0 -	2012 UNEMPLOYED
amount	year
- 0 -	2013 UNEMPLOYED
amount	year

Bonuses:	
\$ 250.00	12/23/2011
amount	date received
amount	date received
amount	date received

Options:	N/A					
amount	date granted	dates vested	date exercised	quantity sold	date stock sold	sale price
amount	date granted	dates vested	date exercised	quantity sold	date stock sold	sale price
amount	date granted	dates vested	date exercised	quantity sold	date stock sold	sale price

PUBLICLY-HELD COMPANIES

17. Are you now, or have you ever been, an officer or director of any publicly-held company?

Yes No

If yes, identify each such company and state your positions and the dates you held each position.

Background Questionnaire
Page 4

18. Are you now, or have you ever been, a beneficial owner, directly or indirectly, of five percent or more of any class of equity securities of any publicly held company?
Yes No

If yes, identify each such company, and state the amount, percentage, and dates of your ownership.

SECURITIES ACCOUNTS

19. List all securities or brokerage accounts that you have held in your name, individually or jointly, at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the brokerage firm; (ii) the location of the branch where your account is or was held; (iii) your broker; (iv) the type of account (i.e., cash, margin or IRA); and (v) whether any person has ever held discretionary authority or power of attorney over the account; if so, name such person(s).

Roth IRA - at Summit Trust - value \$110.00

20. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 19, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 19.

NONE

Background Questionnaire
Page 5

21. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 19 or 20, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 19.

NONE

22. Identify all trading in securities of the issuer identified in the captions of the formal order of investigations, including:

Securities purchased:

NONE

Date	Type	Quantity	Cost

Securities sold:

NONE

Date	Type	Quantity	Price

BANK ACCOUNTS

23. List all accounts you have held in your name at any financial institution (i.e., bank, thrift, or credit union) at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the financial institution; (ii) the address of the branch at which your account is or was held; (iii) the type of account (i.e., checking, savings, money market or IRA); and (iv) whether any person has ever had discretionary authority or power of attorney over the account; if so, name such person(s).

NATIONAL PENN BANK - Souderton, PA [REDACTED] 964 - Checking
SANTONER BANK - HICKTOWN, PA - Checking
FIRSTSTATE BANK - DOYLESTOWN, PA

No one else has authority

24. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 23, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 23.

THE CHORINANT GROUP - WELLS FARGO BANK - PERKINS BRANCH, PERKINS PA
THE ESTATE OF [REDACTED] SCOTT - (EXECUTOR) - FIRSTSTATE BANK, DOYLESTOWN PA

25. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 23 or 24, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 23.

PRIOR PROCEEDINGS

26. Have you ever testified in any proceeding conducted by the staff of the Securities and Exchange Commission, a federal or state agency, a federal or state court, a stock exchange, the National Association of Securities Dealers ("NASD") or any other self-regulatory organization ("SRO"), or in any arbitration proceeding related to securities transactions? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the organization or agency; and (iii) the date(s) on which you testified.

27. Have you ever been deposed in connection with any court proceeding? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding, and (ii) the date(s) on which you were deposed.

Blyness vs Scott - 2002?

28. Have you ever been named as a defendant or respondent in any action or proceeding brought by the SEC, any other federal agency, a state securities agency, the NASD or any stock exchange? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the agency or tribunal; (iii) the substance of the allegations; (iv) the outcome of the proceeding; and (v) the date of the outcome.

^{? Don't remember}
PA SECURITIES Commission
SOLD PROMISSORY NOTES to CLIENTS
Agreed to not apply for SECURITIES LICENSE
2004 or 2005

Background Questionnaire

Page 8

29. Have you ever been a defendant in any action (other than those listed in response to question 28) alleging violations of the federal securities laws? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

30. Have you ever been a defendant in any criminal proceeding other than one involving a minor traffic offense? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

Background Questionnaire
Page 9

EDUCATIONAL HISTORY

31. Provide the requested information about each educational institution that you have attended beyond junior high school, beginning with the most recent and working backward to the date that you completed high school.

Temple University
 Name of School
Philadelphia Pa
 City State Country Zip Code
9/65-1/74 Education Bachelor's 1972
 Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree
PHYSICAL EDUCATION

Northeast High School
 Name of School
Philadelphia Pa
 City State Country Zip Code
9/65-6/68
 Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree
 19111

Name of School
 City State Country Zip Code
 Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

Name of School
 City State Country Zip Code
 Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

32. Other than courses taken in connection with institutions listed in response to question 31, list any securities, accounting or business related courses taken since high school. For each such course, identify the date that the course was completed and the name of the institution or organization that offered the course.

None

PROFESSIONAL LICENSES/CLUBS

33. Do you hold, or have you ever held, any professional license? Yes No

If yes, for each such license, identify: (i) the license; (ii) the licensing organization; (iii) the date the license was awarded; (iv) the date such license terminated, if applicable; (v) the date(s) of any disciplinary proceeding(s) against you; and (vi) the outcome of any such disciplinary proceeding (e.g., reprimand, suspension, revocation).

LIFE, HEALTH INSURANCE & ANNUITIES - PA Dept of Ins
1978 - PRESENT
NONE

34. For CPA licenses held please provide the license number, dates license was in an active status (i.e. licensed to practice public accounting) and the dates license was not active.

N/A

35. Are you, or have you ever been, a member of any professional or business club or organization? Yes No

If yes, list for each: (i) the name of the club or organization; (ii) its address; and (iii) the date(s) of your membership.

EMPLOYMENT HISTORY

36. State your employment activities, beginning with the present and working backward to the date that you completed high school.

a. Round Table Investment Advisors

[Redacted]	[Redacted]	[Redacted]	[Redacted]
City	Dates of Employment	Country	Zip Code
[Redacted]	2005 - 2012		15
Title	Dates of Employment	Supervisor	Kevin Brown
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

b. SELF EMPLOYED - ALSO SUCCESSFUL RETIREMENT STRATEGIST

Employer's Name Self-Employment	Telephone Number	
[Redacted]	215-997-3364	
Employer's Street Address	Zip Code	
[Redacted]	[Redacted]	
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor

c. Delaware School District

[Redacted]	[Redacted]	[Redacted]
[Redacted]	9/72 - 81	[Redacted]
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor

Background Questionnaire
Page 12

d. *VTC Budd Company*

[Redacted]		?
Employer's Street Address		Telephone Number
[Redacted]		
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor
Title	Dates of Employment	Supervisor

e.

Employer's Name/Self-Employment			
Employer's Street Address		Telephone Number	
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

f.

Employer's Name/Self-Employment			
Employer's Street Address		Telephone Number	
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

CONTINUE ON ADDITIONAL SHEETS IF NECESSARY



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA SECURITIES COMMISSION

October 19, 1999

Money Concepts
P.O. Box 280
Colesburg, PA 16915

IN THE MATTER OF: Money Concepts
J. Douglas Scott
Respondents
Docket No. 9910-06

Gentlemen:

Enclosed is the Commission's Summary Order to Cease and Desist, issued and entered. This date, in the above-captioned matter.

Also enclosed are copies of the following documents:

1. Notice and Call Sheet of the Pennsylvania Securities Commission Concerning the Continuance of Hearings by Hearing Officers.
2. Commission Interpretive Opinion entitled Filings of Copies -- By Facsimile or Otherwise -- of Substantials, Pleadings and Other Nonoriginal Documents.

If you have any questions regarding this matter, please make direct contact with Kathleen Mueller, Counsel, Division of Enforcement and Litigation, who is located in the Commission's Pittsburgh Office at (412)-550-2088.

Very truly yours,

M. Joanna Cummings
M. Joanna Cummings
Secretary

Enclosed
Enclosures

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED (CMR # Z 165 759 115)

Transfer Office Building, Two Floor, 611 North Seventh Street, Harrisburg, PA 17102-1410
Telephone 717-757-5261 ♦ Fax 717-753-3122 ♦ TDD/AAAT Relay Center 1-800-654-5784



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA SECURITIES COMMISSION

Robert M. Lark, Chairman
4 Richard Galtier, Co. Commissioner
John A. Kibler, Commissioner
M. Joanna Cummings, Secretary
Robert Kohn, Chief Counsel
6 Public Reading, Deputy Chief Counsel

October 19, 1999

J. Douglas Scott
144 Behlers Pike
Cortez, PA 15017

IN THE MATTER OF: Money Concepts
J. Douglas Scott
Respondents
Docket No. 9910-06

Dear Mr. Scott:

Enclosed is the Commission's Summary Order to Cease and Desist, issued and entered, this date, in the above-captioned matter.

Also enclosed are copies of the following documents:

1. Amended Subpoena of the Pennsylvania Securities Commission Concerning the Continuing Activities of Respondent
2. Commission Inexpensive Opinion entitled Filings of Copies -- by Respondent or Otherwise -- of Subpoena, Filings and Other Nonjudicial Documents

If you have any questions regarding this matter, please make direct contact with Kathleen Haveler, Counsel, Division of Enforcement and Litigation, who is located in the Commission's Pittsburgh Office at (412) 540-2988.

Very truly yours,

M. Joanna Cummings
Secretary

MJC:nc
Enclosures

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED (CNR # Z 265 759 116)

Enlight Office Building, 2nd Floor, 1010 North Seventh Street, Harrisburg, PA 17102-1410
Telephone: 717-787-8251 ♦ Fax: 717-783-5122 ♦ TDD/AFAT Relay Center: 1-800-651-2984

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA SECURITIES COMMISSION

IN THE MATTER OF	:
Money Concepts	:
J. Douglas Scott	:
Respondents	:

ADMINISTRATIVE PROCEEDING
Docket No. 9910-06

SUMMARY ORDER TO CEASE AND DESIST

Based upon a preliminary investigation conducted by the staff of the Pennsylvania Securities Commission (Commission), the Commission has determined that evidence exists to support the following findings and conclusions:

1. Money Concepts (Respondent Money Concepts) was at all times material herein an entity operating in the Commonwealth of Pennsylvania under a fictitious name, with a principal place of business at P.O. Box 250, Colmar, Pennsylvania 18915, and was purportedly in the business of rendering investment advice and selling nine-month promissory notes;
2. J. Douglas Scott (Respondent Scott) was at all times material herein an individual with a place of business at 190 Bethlehem Pike, Colmar, Pennsylvania 18915, and was the President of Respondent Money Concepts;
3. On April 30, 1998, in the Commonwealth of Pennsylvania, Respondent Money Concepts, by and through its President Respondent Scott, offered and sold to at least two (2) Pennsylvania residents (P.A. Residents) a nine-month promissory note issued by Sun Broadcasting Systems, Inc. of Palm Springs, California in the amount of \$66,250 (SB Note).

4. On August 19, 1996, Respondent Money Concepts, through its President Respondent Scott, offered and sold to the PA Residents a second SB Note in the amount of \$27,534.50;

5. On March 12, 1999, the PA Residents rolled over the SB Note originally purchased on August 19, 1998 for another nine-month term;

6. Quarterly statements sent to the PA Residents by the trustee of their self-directed IRA account into which the SB Notes were placed, identify Respondent Scott as the account representative;

WHEREAS, the SB Notes described above are "securities" within the meaning of Section 102(f) of the Pennsylvania Securities Act of 1972 (1972 Act), 70 P.S. §1-102(f), and

WHEREAS, Respondent Money Concepts was engaged in the business of offering and selling SB Notes, and was therefore a "broker-dealer" within the meaning of Section 102(e) of the 1972 Act, 70 P.S. §1-102(e), and

WHEREAS, at all times material herein, Respondent Scott acted as an "affiliate" of Respondent Money Concepts within the meaning of Section 102(b) of the 1972 Act, 70 P.S. §1-102(b), and

WHEREAS, by reason of the foregoing, Respondent Scott caused Respondent Money Concepts to commit the herein alleged acts and practices which violated and are about to violate the 1972 Act, 70 P.S. §1-101 et seq; and

WHEREAS, the records of the Commission disclose that the SB Notes were neither registered nor exempt pursuant to Section 201 of the 1972 Act, nor were the securities transactions relating to the SB Notes exempt from Section 201 of the 1972 Act, 70 P.S. §1-201; and

WHEREAS, based on the foregoing, the Commission finds that Respondents Money Concepts and Scott have engaged and are about to engage in acts or practices which violate Section 201 of the 1972 Act, 70 P.S. §1-201; and

WHEREAS, the records of the Commission disclose that Respondent Money Concepts was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301 nor exempt from registration as a broker-dealer, and

WHEREAS, based on the foregoing, the Commission finds that Respondents Money Concepts and Scott have engaged and are about to engage in acts or practices which violate Section 301 of the 1972 Act, 70 P.S. §1-301(a); and

WHEREAS, after due deliberation, the Commission finds that it is necessary and appropriate, in the public interest, for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue the following Order:

NOW, THEREFORE, by the authority of Section 604(c.1) of the 1972 Act, 70 P.S. §1-604(c.1):

IT IS ORDERED that Respondents Money Concepts and J. Douglas Scott, and each of them, and each successor, affiliate, control person, agent, servant, and employee of each of them, and every entity owned, operated, or indirectly or directly controlled or hereinafter organized by or on behalf of them, shall immediately CEASE AND DESIST from offering and selling the SB Notes in the Commonwealth of Pennsylvania and from otherwise violating the 1972 Act, and in particular Sections 201 and 301 thereof.

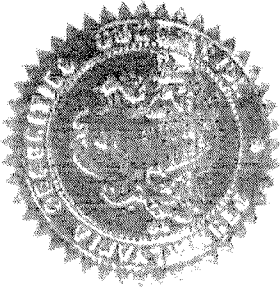
Within thirty (30) days after receipt of written notification that this Order has been issued, Respondents desiring to engage in the said acts or practices may file a written request with the Secretary of the Commission at the Commission's Harrisburg office that a hearing be held to consider rescinding the Order.

The written request for a hearing should include, at a minimum, a statement of specific reasons (including facts and provisions of the 1972 Act upon which the Respondent is relying) that support the request for a hearing to consider rescinding the Order.

Upon receipt of such written request for a hearing, the matter will be set down for a hearing to commence within thirty (30) days after receipt unless the person making the request consents to a later date.

FAILURE TO COMPLY WITH THIS ORDER MAY RESULT IN CRIMINAL PROSECUTION, INJUNCTIVE PROCEEDINGS, CIVIL CONTEMPT PROCEEDINGS, (INCLUDING CIVIL MONETARY PENALTIES) AND, SUBJECT TO THE RIGHT OF HEARING AFFORDED RESPONDENT UNDER THE 1972 ACT, THE IMPOSITION OF ADMINISTRATIVE MONETARY ASSESSMENTS AND STATUTORY BARS.

So ORDERED this 19th day of October, 1999.

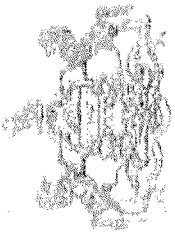


BY ORDER OF THE COMMISSION:

M. Joana Cummings
M. Joana Cummings, Secretary

Date issued & entered: October 19, 1999

KAC:lsrz



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA SECURITIES COMMISSION

A. Richard Zepher, Esq., Chairman
Robert M. Lam, Commissioner
Thomas A. McAnulty, Commissioner
Jeanne S. Parsons, Secretary
Michael J. Pomy, Chief Counsel

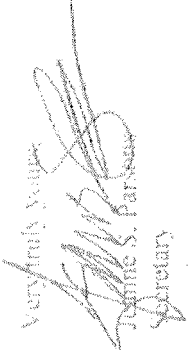
October 11, 2005

J. Douglas Scott
100 North 7th Street
Columb, PA 19022

IN THE MATTER OF: J. Douglas Scott
Docket No. 0102-36

Dear Mr. Scott:

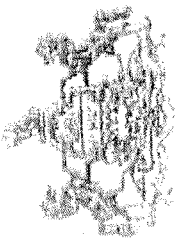
Enclosed is the Commission's Findings of Fact, Conclusions of Law and Order, issued and entered, this date, in the above-captioned matter.

Very truly yours,

Thomas S. Parsons
Secretary

JSP:amp
Enclosure

CERTIFIED MAIL - RETURN RECEIPT REQUESTED (7005 0390 0002 9073 0643)

Parsons Office Building, 6th Floor, 1010 North Seventh Street, Harrisburg, PA 17102-1410
Telephone: 717-750-8000 • Fax: 717-750-5122 • TDD/AT&T Relay Center: 1-800-654-5884



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA SECURITIES COMMISSION

Robert M. Linn, Commissioner
Thomas A. Michone, Commissioner
Jeanne B. Parsons, Secretary
Nicholas J. Syrod, Chief Counsel

October 11, 2005

J. Douglas Scott
100 Bethlehem Pike
Colmar, PA 18915

IN THE MATTER OF:
J. Douglas Scott
Docket No. 0102-36

Dear Mr. Scott:

Enclosed is the Commission's Findings of Fact, Conclusions of Law and Order, issued and entered, this date, in the above-captioned matter.

Very truly yours,
[Signature]
Thomas S. Parsons
Secretary

JSP:amp
LDC:GSM:6

CERTIFIED MAIL - RETURN RECEIPT REQUESTED (7005 0390 0002 9073 0645)

SENDER COMPANY: PENNSYLVANIA SECURITIES COMMISSION		POST OFFICE: COLMAR, PA 18915	
<input checked="" type="checkbox"/> Complete name, address and zip code <input checked="" type="checkbox"/> Item # if Restricted Delivery is desired. <input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.		<input checked="" type="checkbox"/> Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee <input checked="" type="checkbox"/> Date of Delivery	
<input type="checkbox"/> Registered Mail <input type="checkbox"/> Registered Mail with Signature Confirmation <input type="checkbox"/> Registered Mail with Restricted Delivery		<input type="checkbox"/> Return to sender if undeliverable <input type="checkbox"/> Return to sender if Restricted Delivery <input type="checkbox"/> Return to sender if Restricted Delivery with Signature Confirmation	
<input type="checkbox"/> Return to sender if undeliverable <input type="checkbox"/> Return to sender if Restricted Delivery <input type="checkbox"/> Return to sender if Restricted Delivery with Signature Confirmation		<input type="checkbox"/> Yes <input type="checkbox"/> No	
1. Article Acquisition Fee 2. Insurance Fee 3. Signature Confirmation Fee 4. Restricted Delivery Fee 5. Return Receipt Fee 6. Postage and Fees		7005 0390 0002 9073 0645	

J. Douglas Scott
190 Bethlehem Pike
Colmar, PA 18915

RECEIVED
PENNSYLVANIA SECURITIES COMMISSION

4 February 2006
Commerce/Regulatory Services

DIVISION EXH. 9

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA SECURITIES COMMISSION

IN THE MATTER OF:

J. Douglas Scott

ADMINISTRATIVE PROCEEDING
Docket No. 0102-36

RESPONDENT

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

WHEREAS, on March 7, 2004, the Pennsylvania Securities Commission (Commission) issued an Amended Order to Show Cause, alleging that J. Douglas Scott (Respondent Scott) violated certain provisions of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101, et seq., (1972 Act) in connection with the offer and sale of securities in Pennsylvania;

WHEREAS, on June 25, 2005, Respondent Scott filed an Answer to the Amended Order to Show Cause;

WHEREAS, Respondent Scott, who admits the Findings of Fact set forth herein, has submitted the attached Offer of Settlement to the Commission for the purpose of settling this proceeding and consents to the Commission's making findings and conclusions and imposing sanctions; and

WHEREAS, based on the investigation conducted by the staff of the Commission, the Commission finds that evidence exists to support the following facts and conclusions of law:

RESPONDENT

1. Respondent Scott, was, at all times material herein, an individual with an address at 190 Bethlehem Pike, Colmar, Pennsylvania 18915.

FINDINGS OF FACT

2. Paragraph 1 is incorporated herein by reference as if set forth in its entirety.
3. Sales of the Canko Environmental Technologies, Inc. Notes
 3. Canko Environmental Technologies, Inc. (Canko) was, at all times material herein, a Canadian entity with an address at Suite 208, 10772 106th Avenue, Edmonton, Alberta, Canada. Canko was purposedly in the business of the development of a system for the processing, sterilizing, and recycling of infectious waste.
 4. Canko issued nine-month promissory notes (Canko Notes) for a minimum purchase price of \$25,000, offering an investor (Canko Investor) 10% APR interest.
 5. The initial term of the Canko Notes was for nine months, but Canko Investors had the option to reinvest for one or more additional nine-month terms.
 6. The Canko Notes provided that New England International Surety Co., Inc., a Belgian entity (New England-Belgium), was the guarantor of the principal amount of the Canko Notes.
 7. The Canko Notes described above are "securities" within the meaning of Section 102(f) of the 1972 Act, 70 P.S. § 1-102(f).
 8. Canko is the "issuer" of the Canko Notes described above within the meaning of Section 102(i) of the 1972 Act, 70 P.S. § 1-102(i).
 9. The Canko Notes were (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and further, the securities

transactions relating to the Canko Notes were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.

10. Respondent Scott represented Canko in effecting and/or attempting to effect purchases or sales of the Canko Notes in Pennsylvania.
11. On or about April 28, 1998, Respondent Scott offered and sold Canko Notes to at least one (1) Pennsylvania resident for an aggregate amount of at least \$10,500.
12. Respondent Scott received compensation for selling the Canko Notes.
13. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration as an agent for Canko.

Sales of the Sun Broadcasting Systems, Inc. Notes

14. Sun Broadcasting Systems, Inc. (Sun) was, at all times material herein, a Florida entity with an address 1000 E. Tahquitz Canyon Way, Palm Springs, Florida 29262. Sun was purportedly in the business of producing videos and television programs.
15. Sun issued nine-month promissory notes (Sun Notes) for a minimum purchase price of \$25,000, offering an investor (Sun Investor) 10.9% APR interest.
16. The initial term of the Sun Notes was for nine months, but Sun Investors had the option to reinvest for one or more additional nine-month terms.
17. The principal amount of the Sun Notes was purportedly guaranteed by Global Insurance Company, Ltd. (Global), a Costa Rican entity.
18. The Sun Notes are "securities" within the meaning of Section 102(f) of the 1972 Act, 70 P.S. § 1-102(f).

19. Sun is the "Issuer" of the Sun Notes described above within the meaning of Section 102(j) of the 1972 Act, 70 P.S. § 1-102(j).
20. The Sun Notes were (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and further, the securities transactions relating to the Sun Notes were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.
21. Respondent Scott represented Sun in effecting and/or attempting to effect purchases or sales of the Sun Notes in Pennsylvania.
22. In or about December 1998, Respondent Scott offered and sold Sun Notes to at least one (1) Pennsylvania resident for an aggregate amount of at least \$39,000.
23. Respondent Scott received compensation for selling the Sun Notes.
24. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration as an agent for Sun.

Sales of the South Mountain Resort & Spa, Inc. Notes

25. South Mountain Resort & Spa, Inc. (South) was, at all times material herein, a North Carolina entity with an address at 930 Queens Road, Charlotte, North Carolina, 28207. South was purportedly in the business of the redevelopment of the Pine Mountain Lakes Resort.
26. South issued nine-month promissory notes (South Notes) for a minimum purchase price of \$25,000, offering an investor (South Investor) 10.9% APR interest.

27. The initial term of the South Notes was for nine months, but South Investors had the option to reinvest for one or more additional nine-month terms.
28. The principal amount of the South Notes was purportedly guaranteed by New England International Surety Co., Inc., a Panamanian entity (New England--Panama).
29. The South Notes are "securities" within the meaning of Section 102(f) of the 1972 Act, 70 P.S. § 1-102(f).
30. South is the "issuer" of the South Notes described above within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).
31. The South Notes were (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and further, the securities transactions relating to the South Notes were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.
32. Respondent Scott represented South in effecting and/or attempting to effect purchases or sales of the South Notes in Pennsylvania.
33. In or about July 1998, Respondent Scott offered and sold South Notes to at least one (1) Pennsylvania resident for an aggregate amount of at least \$20,000.
34. Respondent Scott received compensation for selling the South Notes.
35. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration as an agent for South.

Sales of the World Cash Network Notes

36. World Cash Network, LLC (WorldNet) was, at all times material herein, a California entity with an address at 3849 W. Beechwood, Suite 103, Fresno, California 93711. WorldNet was purportedly in the business of purchasing, installing, and maintaining automated teller machines (ATM's).
37. WorldNet issued nine-month promissory notes (WorldNet Notes) for a minimum purchase price of \$25,000, offering an investor (WorldNet Investor) 13.35% APR interest.
38. The initial term of the WorldNet Notes was for nine months, but WorldNet Investors had the option to reinvest for one or more additional nine-month terms.
39. The WorldNet Notes described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).
40. WorldNet is the "issuer" of the WorldNet Notes described above within the meaning of Section 102(i) of the 1972 Act, 70 P.S. § 1-102(i).
41. The WorldNet Notes were (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and further, the securities transactions relating to the WorldNet Notes were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.
42. From in or about November 1997 to June 1998, Respondent Scott offered and sold WorldNet Notes to at least eleven (11) Pennsylvania residents for an aggregate amount of at least \$515,592.68.

43. Respondent Scott represented WorldNet in effecting and/or attempting to effect purchases or sales of the WorldNet Notes in Pennsylvania.
44. Respondent Scott received compensation for selling the WorldNet Notes.
45. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301, nor exempt from registration as an agent for WorldNet.

Sales of the 21st Century Programs

46. 21st Century Pay Communications (Century) was, at all times material herein, a California entity with an address at 3649 W. Beechwood, Suite 103, Fresno, California 93711. Century was purportedly in the business of providing public pay telephone equipment (Century Equipment).
47. First Call Telephone Co., Inc. (FirstCall) was, at all times material herein, a California entity with an address at 3649 W. Beechwood, Suite 103, Fresno, California 93711. FirstCall was purportedly in the business of providing Century Equipment maintenance services.
48. By and through sales representatives, Century offered and sold public pay telephone programs (Century Programs) to investors (Century Investors), which Century Programs consisted of the sale of the Century Equipment and telephone service agreements (FirstCall Service Agreements) between FirstCall and Century Investors.
49. Under the Century Program, FirstCall purportedly maintained and monitored all Century Equipment on behalf of the Century Investor.

50. The Century Program also included an option, pursuant to the FirstCall Service Agreement, whereby a Century Investor, at the end of the five-year term (Century Term) of the FirstCall Service Agreement, could sell the Century Equipment to FirstCall, who would purportedly purchase the Century Equipment at the price paid by the Century Investor for the Century Program.
51. Pursuant to the Century Program, FirstCall was to submit to the Century Investors a monthly payment (FirstCall Payment) purportedly determined by the net revenues generated by the Century Equipment (Century Revenues).
52. FirstCall guaranteed the Century Investors that the FirstCall Payment would not fall below a specific amount per month for the duration of the Term, regardless of the Century Revenues.
53. The Century Program described above is a "security" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. §1-102(t).
54. Century is the "issuer" of the Century Program described above within the meaning of Section 102(i) of the 1972 Act, 70 P.S. §1-102(i).
55. The Century Program was (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not a federally covered security; and further, the securities transactions relating to the Century Programs were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.
56. From in or about October 1997 to December 1998, Respondent Scott offered and sold Century Programs to at least eleven (11) Pennsylvania residents for an aggregate amount of at least \$134,500.

57. Respondent Scott represented Century in effecting and/or attempting to effect purchases or sales of the Century Programs in Pennsylvania.
58. Respondent Scott received compensation for selling the Century Programs.
59. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. §1-301, nor exempt from registration as an agent for Century.

Sales of the Innovative Business Solutions Notes

60. Innovative Business Solutions, LLC (IBS) was, at all times material herein, a California entity with an address at 3649 W. Beechwood, Suite 103, Fresno, California 93711. IBS was purportedly in the business of purchasing, installing, and maintaining automated teller machines (ATM's).
61. IBS issued nine-month promissory notes (IBS Notes) for a minimum purchase price of \$25,000, offering an investor (IBS Investor) 13.35% APR interest.
62. The initial term of the IBS Notes was for nine months, but IBS Investors had the option to reinvest for one or more additional nine-month terms.
63. The IBS Notes described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. §1-102(t).
64. IBS is the "issuer" of the IBS Notes described above within the meaning of Section 102(j) of the 1972 Act, 70 P.S. §1-102(j).
65. The IBS Notes were (a) not registered under Section 201 of the 1972 Act, 70 P.S. §1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. §1-202; and (c) not federally covered securities; and further, the securities

transactions relating to the IBS Notes were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.

66. From in or about August 1997 to October 1997, Respondent Scott offered and sold IBS Notes to at least eight (8) Pennsylvania residents for an aggregate amount of at least \$257,173.23.
67. Respondent Scott represented IBS in effecting and/or attempting to effect purchases or sales of the IBS Notes in Pennsylvania.
68. Respondent Scott received compensation for selling the IBS Notes.
69. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, nor exempt from registration as an agent for IBS.

Sales of the World Cash Providers Programs

70. World Cash Providers, LLC (World LLC) was, at all times material herein, a California entity with an address at 3649 W. Beechwood, Suite 103, Fresno, California 93711. World LLC was purportedly in the business of selling automated teller machines (ATM's) and cash ticket machines (CTM's). (The ATM's and CTM's are hereinafter collectively referred to as the "World Equipment.")
71. World Cash Providers, Inc. (World Inc.) was, at all times material herein, a California entity with an address at 3649 W. Beechwood, Suite 103, Fresno, California 93711. World Inc. was purportedly in the business of providing various maintenance services for the World Equipment.
72. By and through sales representatives, World LLC offered and sold ATM and CTM programs (World Programs) to investors (World Investors), which World Programs

consisted of the sale of the World Equipment and service agreements (World Service Agreements) between World Inc. and the World Investors.

73. Under the World Program, World Inc. purportedly installed the World Equipment at a location provided by World LLC, maintained and monitored all World Equipment, managed all transactions conducted by the World Equipment, and provided cash for ATM's on behalf of the World Investor.

74. The World Program also included an option, pursuant to the World Service Agreement, whereby a World Investor, at the end of the five-year term (World Term) of the World Service Agreement, could sell the World Equipment to World Inc., who would purportedly purchase the World Equipment at the price paid by the World Investor for the World Program.

75. Pursuant to the World Program, World Inc. was to submit to the World Investors a monthly payment (World Payment) purportedly determined by the net revenues generated by the World Equipment (World Revenues).

76. World Inc. guaranteed the World Investors that the World Payment would not fall below a specific amount per month for the duration of the World Term, regardless of the World Revenues.

77. The World Program described above is a "security" within the meaning of Section 102(f) of the 1972 Act, 70 P.S. §1-102(f).

78. World LLC is the "issuer" of the World Program described above within the meaning of Section 102(f) of the 1972 Act, 70 P.S. § 1-102(f).

79. The World Programs were (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act,

70 P.S. § 1-202; and (c) not federally covered securities; and further, the securities transactions relating to the World Programs were not exempt from registration under Section 203 of the 1972 Act, 70 P.S. § 1-203.

80. In or about November 1997, Respondent Scott offered and sold World Programs to at least two (2) Pennsylvania residents for an aggregate amount of at least \$55,000.

81. Respondent Scott received compensation for selling the World Programs.

82. Respondent Scott represented World LLC in effecting and/or attempting to effect purchases or sales of the World Programs in Pennsylvania.

83. Respondent Scott was neither registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-501, nor exempt from registration as an agent for World LLC.

CONCLUSIONS OF LAW

1. By engaging in the acts and conduct set forth in paragraphs 1 through 83 of the Findings of Fact, Respondent Scott offered and sold Canko Notes, Sun Notes, South Notes, WorldNet Notes, Century Programs, IBS Notes, and World Programs in Pennsylvania in wilful violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.
2. By engaging in the acts and conduct set forth in paragraphs 1 through 83 of the Findings of Fact, Respondent Scott effected transactions in securities in Pennsylvania as an agent while neither registered nor exempt from registration in wilful violation of Section 301(a) of the 1972 Act, 70 P.S. § 1-301(a).

ORDER

NOW, THEREFORE, the Commission finds that it is necessary and appropriate, in the public interest, for the protection of the investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act, to issue the following:

AND NOW, this 11 day of October 2005, the

Commission ORDERS that:

1. The Offer of Settlement submitted by Respondent J. Douglas Scott is ACCEPTED;
2. Pursuant to Sections 512(a)(1),(2),(3),(4), and (5) of the 1972 Act, 70 P.S. §§ 1-512(a)(1),(2),(3),(4) and (5), Respondent J. Douglas Scott is permanently BARRED from the date of this Order, from
 - a. representing an issuer offering or selling securities in Pennsylvania;
 - b. acting as promoter, officer, director, or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in Pennsylvania or of a person who controls or is controlled by such issuer;
 - c. being registered as a broker-dealer, agent, investment adviser, or investment adviser representative under Section 301 of the 1972 Act, 70 P.S. § 1-301;
 - d. being an affiliate of any person registered under Section 301 of the 1972 Act, 70 P.S. § 1-301; and/or
 - e. relying upon an exemption from registration contained in Sections 202, 203, or 302 of the 1972 Act, 70 P.S. §§ 1-202, 203, and 302;

3. Respondent J. Douglas Scott is ORDERED to comply with the 1972 Act and with the regulations adopted by the Commission and in particular Sections 201 and 301, thereof; and

4. Should Respondent J. Douglas Scott fail to comply with any and all provisions of this Order, the Commission may impose additional sanctions and costs and seek other appropriate relief subject to Respondent's right to a hearing pursuant to the 1972 Act; and further, should Respondent fail to comply with the bars imposed pursuant to Section 512 of the 1972 Act, 70 P.S. § 1-512, such failure may result in initiation of civil contempt proceedings under Section 509(c) of the 1972 Act, 70 P.S. § 1-509(c) and imposition of civil monetary penalties.



BY ORDER OF THE COMMISSION:



Jeanne S. Parsons, Secretary

Date issued & entered: October 11, 2005

COMMONWEALTH OF PENNSYLVANIA

BEFORE THE

PENNSYLVANIA SECURITIES COMMISSION

IN THE MATTER OF:

J. Douglas Scott

ADMINISTRATIVE PROCEEDING

Docket No. 0102-36

RESPONDENT

OFFER OF SETTLEMENT

SECTION I

J. Douglas Scott (Respondent) submits this Offer of Settlement (Offer) to the Pennsylvania Securities Commission (Commission) for the purpose of settling allegations of the staff of the Commission that Respondent violated certain provisions of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101, et seq. (1972 Act) in connection with the offer and sale of securities in the Commonwealth of Pennsylvania.

SECTION II

- A. Respondent admits the jurisdiction of the Commission over his person and over the subject matter of this Offer.
- B. Respondent waives hearing and rehearing, including that provided by Section 607 of the 1972 Act, 70 P.S. § 1-607.
- C. Respondent waives any and all review by a court of law, including that provided by Section 607(d) of the 1972 Act; 70 P.S. § 1-607(d).
- D. Respondent admits to the Findings of Fact set forth in the appended Findings of Fact, Conclusions of Law, and Order. Respondent consents to the issuance of and

ACKNOWLEDGEMENT

Before me, the undersigned authority, personally appeared J. Douglas Scott, well known or proved to me to be the person who executed the foregoing Offer of Settlement, and acknowledged that he executed the same freely and voluntarily and for the purposes stated therein.

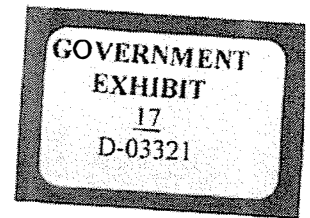

Notary Public

My commission expires: 12-22-2008

COMMONWEALTH OF PENNSYLVANIA
Notario Público
Veracruz Mexico, Notary Public
New Britain Twp., Bucks County
My Commission Expires Dec. 22, 2008
Member, Pennsylvania Association of Notaries

RECEIVED TIME SEP 25 10 40AM

REDACTED



BACKGROUND QUESTIONNAIRE

Please respond to the following questions in the space provided. If you need additional space for any response, you may attach additional pieces of paper.

Today's date: 10/24/2013

1. What is your full name: KENNETH CHARLES MEISSNER

2. Have you ever been known by any other name: Yes No

If yes, list each such name and the period(s) in which you were known by that name.

NA.

3. Social Security Number: [REDACTED] 4560

4. Date and Place of Birth: [REDACTED] -1940 [REDACTED] TEXAS

5. Country of Citizenship: UNITED STATES

6. Foreign ID#: NA.

7. Passport (Country & #): [REDACTED] [REDACTED] 4407 USA.

8. Driver's License: TEXAS LICENSE # [REDACTED] 3633

9. Automobile License Plate: NKG [REDACTED]

10. Boat/Plane Registration #: NA.

11. Marital Status? Married Divorced Single

12. If you have ever been married, state for each marriage: (i) the date(s) of the marriage; (ii) the name of your spouse; (iii) your spouse's maiden name, if any; and (iv) your spouse's occupation.

_____ [REDACTED] _____
_____ [REDACTED] _____
_____ [REDACTED] _____
_____ [REDACTED] _____

13. List the names, ages and occupations of your children, if any.

[REDACTED]

14. List all residences you occupied at any time during the last five years (5), including vacation homes, beginning with your current residence. For each residence, state the address, dates of residence, and all telephone numbers (including facsimile numbers) listed at that address.

[REDACTED]

RES (210) 698-8880 (210) 687-1776
FAX (210) 698-8881

15. List all telephone numbers and telephone credit card numbers that were in your name or that you regularly used at any time during the last five (5) years. Include all residential, business, car, credit card and cellular telephone numbers, including those listed in your response to question 14. For each telephone number, state the name(s) of the corresponding local/cellular provider and long distance carrier(s) (e.g., Sprint, MCI, AT&T), if any.

RES (210) 698-8880
CELL (210) 687-1776
OLD CELL (210) 532-3457

Background Questionnaire
Page 3

16. List salary and bonuses and stock options for the last 3 years:

Salary:
 AGI \$49,381 2010 Commissions
 amount year
 AGI 42,140 2011 "
 amount year
 AGI 24,810 2012 "
 amount year

Bonuses:
NONE
 amount date received
 amount date received
 amount date received

Options:
NONE
 amount date granted dates vested date exercised quantity sold date stock sold sale price
 amount date granted dates vested date exercised quantity sold date stock sold sale price
 amount date granted dates vested date exercised quantity sold date stock sold sale price

PUBLICLY-HELD COMPANIES

17. Are you now, or have you ever been, an officer or director of any publicly-held company?
 Yes No

If yes, identify each such company and state your positions and the dates you held each position.

NA.

18. Are you now, or have you ever been, a beneficial owner, directly or indirectly, of five percent or more of any class of equity securities of any publicly held company?
Yes No

If yes, identify each such company, and state the amount, percentage, and dates of your ownership.

NA.

SECURITIES ACCOUNTS

19. List all securities or brokerage accounts that you have held in your name, individually or jointly, at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the brokerage firm; (ii) the location of the branch where your account is or was held; (iii) your broker; (iv) the type of account (i.e., cash, margin or IRA); and (v) whether any person has ever held discretionary authority or power of attorney over the account; if so, name such person(s).

AMERITRADE ACCOUNT E-TRADE
CASH ACCOUNT
NO BROKER

20. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 19, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 19.

NONE

Background Questionnaire
Page 5

21. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 19 or 20, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 19.

NONE

22. Identify all trading in securities of the issuer identified in the captions of the formal order of investigations, including:

Securities purchased:

NONE.

Date	Type	Quantity	Cost

Securities sold:

Date	Type	Quantity	Price

BANK ACCOUNTS

23. List all accounts you have held in your name at any financial institution (i.e., bank, thrift, or credit union) at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the financial institution; (ii) the address of the branch at which your account is or was held; (iii) the type of account (i.e., checking, savings, money market or IRA); and (iv) whether any person has ever had discretionary authority or power of attorney over the account; if so, name such person(s).

FROST NATIONAL BANK
FAIR OAKS PARKWAY
FAIR OAKS RANCH, TX 78015
CHECKING NO POWER OF ATTY OVER ACCT.
CHASE - CHECKING "
5258 DEZAYLA - SAN ANTONIO, TX

24. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 23, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 23.

NONE

25. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 23 or 24, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 23.

NONE

PRIOR PROCEEDINGS

26. Have you ever testified in any proceeding conducted by the staff of the Securities and Exchange Commission, a federal or state agency, a federal or state court, a stock exchange, the National Association of Securities Dealers ("NASD") or any other self-regulatory organization ("SRO"), or in any arbitration proceeding related to securities transactions? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the organization or agency; and (iii) the date(s) on which you testified.

27. Have you ever been deposed in connection with any court proceeding? Yes No

CIVIL JUDGEMENT ENTERED 11/09/2006
If yes, for each such proceeding, identify: (i) the title of the proceeding, and (ii) the date(s) on which you were deposed. PAID 02/20/2007

~~REXAR COUNTY~~ ~~BE~~ ~~BE~~ DISTRICT COURT
~~SAW ANTONIO, TEXAS~~
DOCKET NO. ~~07-07982~~ 0705-CI-07982
PLAINTIFF CAROL & STEVE KONETZKE

28. Have you ever been named as a defendant or respondent in any action or proceeding brought by the SEC, any other federal agency, a state securities agency, the NASD or any stock exchange? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the agency or tribunal; (iii) the substance of the allegations; (iv) the outcome of the proceeding; and (v) the date of the outcome. CIVIL SUIT - CIVIL JUDGEMENT

DOCKET NO 9962921
PLAINTIFF - MARTHA JANE ALDRED
ENTERED 06/2000
AMOUNT \$100,000
PAID / SETTLED 06/2002

HARRIS DISTRICT COURT
301 FANNIN ST.
HOUSTON, TEXAS 77002

Background Questionnaire
Page 8

29. Have you ever been a defendant in any action (other than those listed in response to question 28) alleging violations of the federal securities laws? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

30. Have you ever been a defendant in any criminal proceeding other than one involving a minor traffic offense? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

EDUCATIONAL HISTORY

31. Provide the requested information about each educational institution that you have attended beyond junior high school, beginning with the most recent and working backward to the date that you completed high school.

ST JOSEPH HIGH
Name of School
VICTORIA, TEXAS USA
City State Country Zip Code
1954 - 1958 DIPLOMA 1958
Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

ST MARY'S UNIVERSITY
Name of School
SAN ANTONIO, TX USA
City State Country Zip Code
BBA 1968
Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

VICTORIA JR COLLEGE
Name of School
VICTORIA, TEXAS USA
City State Country Zip Code
1959 - 1960 SOCIAL ARTS 1960
Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

Name of School

City State Country Zip Code

Dates of Attendance: Month/Year to Month/Year Degree/Major Month/Year of Degree

32. Other than courses taken in connection with institutions listed in response to question 31, list any securities, accounting or business related courses taken since high school. For each such course, identify the date that the course was completed and the name of the institution or organization that offered the course.

NONE

PROFESSIONAL LICENSES/CLUBS

33. Do you hold, or have you ever held, any professional license? Yes_ No

If yes, for each such license, identify: (i) the license; (ii) the licensing organization; (iii) the date the license was awarded; (iv) the date such license terminated, if applicable; (v) the date(s) of any disciplinary proceeding(s) against you: and (vi) the outcome of any such disciplinary proceeding (e.g., reprimand, suspension, revocation).

34. For CPA licenses held please provide the license number, dates license was in an active status (i.e. licensed to practice public accounting) and the dates license was not active.

NONE

35. Are you, or have you ever been, a member of any professional or business club or organization? Yes _ No

If yes, list for each: (i) the name of the club or organization; (ii) its address; and (iii) the date(s) of your membership.

EMPLOYMENT HISTORY

36. State your employment activities, beginning with the present and working backward to the date that you completed high school.

a. SELF-EMPLOYED 25 YEARS +
Employer's Name Self-Employment

Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

b. _____
Employer's Name Self-Employment

Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

c. _____
Employer's Name Self-Employment

Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

Background Questionnaire

Page 12

d. SELF-EMPLOYED 25+ YEARS
Employer's Name/Self-Employment

Employer's Street Address		Telephone Number	
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

e.

Employer's Name/Self-Employment			
Employer's Street Address		Telephone Number	
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

f.

Employer's Name Self-Employment			
Employer's Street Address		Telephone Number	
City	State	Country	Zip Code
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	
Title	Dates of Employment	Supervisor	

CONTINUE ON ADDITIONAL SHEETS IF NECESSARY

Notices to Members

August 2000

Notices

- 00-50** Withdrawal Of Proposed Rule And Reminder Of Restrictions On Use Of Unregistered Persons 351
- 00-51** SEC Approves Proposed Rule Change Relating To Margin For Exempted Borrowers, Good Faith Accounts, Joint Back Office Arrangements, Control And Restricted Securities, And Options Transactions; **Effective Date: August 21, 2000** 355
- 00-52** NASD And Exchanges Submit Decimalization Plan To The SEC 365
- 00-53** NASD Adopts Exemption From The Corporate Financing Rule For Interval Funds; **Effective June 20, 2000** 367
- 00-54** NASD Reminds Members Of Methods For Determining Ex-Dividend Dates 371
- 00-55** NASD Dispute Resolution Will Require Firms To Certify In Writing That They Have Complied With Arbitration Awards Within 30 Days Of Receipt; **Effective Date: September 18, 2000** 373
- 00-56** SEC Approves Changes To Rule Regarding The Code Of Procedure 375
- 00-57** Fixed Income Pricing System Additions, Changes, And Deletions As Of July 20, 2000 413
- 00-58** Labor Day: Trade Date—Settlement Date Schedule 415

Disciplinary Actions

- Disciplinary Actions Reported For August 417

For Your Information

- Nasdaq Postpones SuperSoes Until Fourth Quarter 2000 433
- Detail Data Reports Available For Firm Quote Compliance Report Card 433
- Annual Audit Filings – Address Change 434
- NASAA Implements Waiting Periods Between Failed Exams 434
- Correction To *Notice to Members 00-45* 434

Special Notice

- 00-59** Labor Day: Trade Date—Settlement Date Schedule 437

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

NASD and NASD MediaSource are registered service marks of the National Association of Securities Dealers, Inc. Central Registration Depository (CRD) is a service mark of the NASD and the North American Securities Administrators Association, Inc. (NASAA). NASD Regulation is a service mark of NASD Regulation, Inc. Nasdaq, Nasdaq National Market, OTC Bulletin Board, and The Nasdaq Stock Market are registered service marks of The Nasdaq Stock Market, Inc. Automated Confirmation Transaction (ACT) Service, Fixed Income Pricing System (FIPS), The Nasdaq SmallCap Market, and Small Order Execution System (SOES) are service marks of The Nasdaq Stock Market, Inc.

NASD Notices to Members is published monthly by NASD Corporate Communications, Kim D'Alessandris, Editor, NASD Regulatory Communication Services, 1735 K Street, NW, Washington, DC 20006-1500, (202) 728-8370. No portion of this publication may be copied, photocopied, or duplicated in any form or by any means, except as described below, without prior written consent of the NASD. Members of the NASD are authorized to photocopy or otherwise duplicate any part of this publication without charge only for internal use by the member and its associated persons. Nonmembers of the NASD may obtain permission to photocopy for internal use through the Copyright Clearance Center (CCC) for a \$3-per-page fee to be paid directly to CCC, 222 Rosewood Drive, Danvers, MA 01923.

Each member firm's Executive Representative is entitled to one annual subscription to *Notices to Members* at cost (\$15 per year). Additional annual subscriptions are available for \$225; single issues cost \$25. To order, send a check or money order (payable to the National Association of Securities Dealers, Inc.) to NASD MediaSource, P.O. Box 9403, Gaithersburg, MD 20898-9403; to order with a credit card (American Express, MasterCard, or Visa), call (301) 590-6142, Monday to Friday, 9 a.m. to 5 p.m., Eastern Time. Back issues may be ordered by calling MediaSource at (301) 590-6142.

Notices to Members (December 1996 to current) are also available on the Internet at www.nasdr.com.

Without admitting or denying the allegations, Lombert consented to the described sanction and to the entry of findings that he completed a Form U-4 for his member firm and failed to disclose a felony charge.

Lombert's suspension began July 17, 2000, and will conclude at the close of business on August 16, 2000. **(NASD Case #C02000038)**

Thomas Salvatore Marinovich, Jr. (CRD #2112801, Registered Representative, Greenlawn, New York) was fined \$2,500, suspended from association with any NASD member in any capacity for 20 business days for failing to register, and barred from association with any NASD member in any capacity for misrepresentations. The fine is due and payable prior to reentry in the securities industry. The sanctions are based on findings that Marinovich facilitated and assisted in implementing a boiler room scheme at his member firm by training the firm's brokers to use high pressure sales tactics and misleading sales scripts to solicit investments in the firm's house stocks. Marinovich also promoted "second trading" in which customers were aggressively solicited to purchase a house stock whether or not it was suitable in light of the customer's financial objectives, needs, and risk profile. The findings also stated that Marinovich acted in the capacity of a principal without being registered with the NASD as a principal.

Marinovich's suspension began August 7, 2000, and will conclude at the close of business on September 1, 2000. **(NASD Case #CAF990049)**

John Christopher McAfee (CRD #722940, Registered Representative, Missoula, Montana) submitted an Offer of

Settlement in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. The fine shall be due and payable prior to reassociation with a member firm following the suspension. Without admitting or denying the allegations, McAfee consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm.

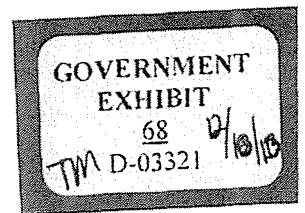
McAfee's suspension began August 7, 2000, and will conclude at the close of business on August 6, 2002. **(NASD Case #C3A000014)**

Kenneth Charles Meissner (CRD #601189, Registered Representative, Fair Oaks Ranch, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Meissner consented to the described sanction and to the entry of findings that he participated in a private securities transaction and failed to provide written notice to his member firm describing this proposed transaction and his role in it, and whether he had received or might receive selling compensation in connection with this transaction. **(NASD Case #C06000010)**

Christopher Lee Miano (CRD #2847056, Registered Representative, Deerfield Beach, Florida) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and ordered to pay \$53,704.85, plus interest, in restitution to public customers. Proof of restitution with interest shall be a prerequisite to any application or request for relief

from any statutory disqualification. Without admitting or denying the allegations, Miano consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in the accounts of public customers. The findings also stated that Miano falsely represented to a customer that he had effected the purchase and sale of certain warrants in the customer's accounts at a profit, sent false confirmations of those transactions, and sent a false confirmation for a transaction that had not been effected. Miano also failed to appear for an on-the-record interview. **(NASD Case #C07000025)**

Jeffrey Kenneth Neuman (CRD #1424613, Registered Representative, Old Bridge, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$12,500, suspended from association with any NASD member in any capacity for 60 days, and ordered to requalify by exam as a general securities representative prior to acting again in any capacity requiring qualification. The fine shall be due and payable prior to reassociation with a member firm following the suspension or prior to any request for relief from any statutory disqualification. Without admitting or denying the allegations, Neuman consented to the described sanctions and to the entry of findings that he executed the signatures of public customers without their authorization on to both: a form to accommodate a customer's request to transfer funds; and a Letter of Authorization to accommodate a customer's request to redeem shares. The NASD also found that Neuman reimbursed a customer \$2,000 for surrender fees assessed on the customer's account out of his personal checking account without



I first spoke with Gary Snisky late in the summer of 2011 while working for Summit Trust Company, marketing trust services to Life Insurance agents and financial advisors. Steve Tabb (an insurance agent that I met approximately 18 months before) called me to say he knew Gary and that Gary was putting together a program that would resemble an annuity in some ways but would pay a higher interest rate if clients would be willing to leave their money with him for 5 or 10 years. I participated in several phone calls where Gary showed how he used Ginnie Mae bonds and other similar notes to produce yields that were strong enough to pay investors between 6-7%. I saw "screen shots" of bonds that were for sale with yields of that size. Gary also showed how he could structure the bond payouts so that the principal was accelerated to a period of 7-10 years rather than the remaining 20-25 years. I asked Kevin Brown, President of Summit Trust Company to participate in one or two of the webinars that Gary hosted, so that Kevin would be comfortable with how the Gary's program worked. Summit's role was to aggregate the funds of investors into one "separately managed account" and to distribute the quarterly interest proportionately.

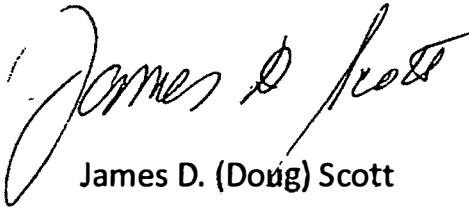
I introduced a couple of agents (Mike Tomich and Don Rasmussen) to Gary via the phone in late December 2011. These agents had previously referred clients to Summit Trust over the years for various trust services and were familiar with the forms that Summit used to open and maintain custodial and IRA accounts.

When I was "laid off" at Summit Trust (technically George P. Brown Investment Advisors) in January 2012, I believed that Gary's program had value and so I continued to introduce a few more advisors I knew from Summit Trust to Gary. It was agreed that in February a meeting would be held in Gary's office in Longmont, CO to personally show a few advisors how his program worked. I had not personally seen Gary before that meeting. Don Rasmussen, Mike Tomich and Bill Sparkman were also in attendance at the two day meeting.

The first person to invest in Gary's program through Summit Trust was in April 2012. I believe it was a client of Mike Tomich. It was at the end of April 2012 that Gary wired the first referral fees to me.

I never personally met Dave Sorrells or anyone associated with him or his clients. I did make a phone call to Dave, at Gary's request, to explain Summit Trust's role and how a "separately managed account" worked. I believe an associate of David Sorrells was on the call as well but I do not recall his name. To the best of my knowledge, no money was sent to Summit Trust from David Sorrells or his associates.

Respectfully,

A handwritten signature in cursive script that reads "James D. Scott". The signature is written in black ink and is positioned above the printed name.

James D. (Doug) Scott

STEVE TABBS / GRAY SWISKY C "Private Equity"
 UNLV → PACE UNIT BUS/Finances → AS A RESULT OF INVESTMENT HERE
 (77777) Bonds/Placements → TO STAKE INTO INVESTMENT HERE
 FORMED a company = UN BLUMBERG → AS A RESULT OF INVESTMENT HERE
 INSTRUMENTAL - TRADES - DEER → DEER
 COLONY CAPITAL, LLC
 ARETE

STRUCTURE A PRODUCT (TAKING THE MONEY OVER
 AGENCY BONDS, TREASURIES (COMP. BONDS))

INSTEAD OF INI TO BUYING BONDS + PAYING LEFT TO
 CLIENT (PAYS 67% 3.4% TO AGENCY OWNER)

- 1. Buy BONDS - provide int. Agency Bonds
 pool of investors who buy it!
 Agency Bonds - buy @ 6% - pay back to
 people 7% for 10 yrs (keep 12.5% in
 there)

(If Brown keep bonds -
 (New American))

"Proprietary Trade"
 Not Regulated

"Like kind" primary product, but not an annuity

"High water mark"

if willing to hold for 10 yrs.

@ 17% bonds will be added to original
 amount

USUALLY \$1.5M - MIN SIZE

@ \$3M amount if Ready Stage!

Dr Jonathan Laker, Dr Boaz A. Joffe
MEDICAL PEOPLE IN IRLAND, CA

U California - IRVINE

Placement (COOBS IRIS)

Client received statement (showing dividend disburse
with 9% or higher interest @ 50 or 5000000
IN THE HAND ^{Share} (Share value = 0.3 million \$/share)

SEAR - DIRECTED IRIS

ENTRUST - HAS BEEN DOING IT FOR YEARS IN EYES
- DOES 1031 EXCHANGES WITH EASY
"LIKE KIND EXCHANGE"

Thomson-Robb - New York, Wall Street

Gray - Coys - Private Equity Group

"institutional" - Bloomberg.net
TRADER

Facilitate Trades - (on behalf of -)
Agency bonds, Corporate bonds & Treasuries
Annuities are largely made up of:

1. Buy New Agency Bond - Coupon Rate = 7%
- 10 yrs tenor 6.44%

1st 5% - 7% draws down (plus interest coupon)

6-10 - 5% remainder cost

(New-Refunding - new-market)

Bonus of 10% (pre-paid premium)

As long as kept for full 10yrs!

Ex. 10y, 7% + 10% = 8/10s OR AS ACCOUNT
5yrs/10y - Bonus can earn ^{value} _{of bonds}

"pre-paid" principal to institutional (Trade)

6 bonds - + 1% = 7% / yr over 10yrs

1. College + Annuities can pull down 7% interest

- AAA - business/paper - US Bonds



Don Rasmussen

From: d1scott@comcast.net
Sent: Friday, January 27, 2012 4:41 PM
To: don@wecareadvisor.com
Subject: Fwd: 5 yr idea
Attachments: 5 Year Memorandum Jan 25 2012.pdf; _Certification_.htm

Don,

Please find the 5 year program. If you have any questions please call me.

God bless,
Doug

From: "Steve Tabb" <stabb@aretelco.co>
To: "Doug Scott" <d1scott@comcast.net>
Sent: Thursday, January 26, 2012 4:51:36 PM
Subject: Fwd: 5 yr idea

----- Forwarded Message -----

From: "Gary C. Snisky" <gsnisky@aretelco.co>
To: "Steve Tabb" <stabb@aretelco.co>, "Rick Greeott" <rgreeott@aretelco.co>, "Annie Tabb" <atabb@veritasco.net>, "Michelle Greeott" <mgreeott@aretelco.co>, "kmonn" <kmonn@veritasco.net>
Sent: Wednesday, January 25, 2012 8:45:43 AM
Subject: 5 yr idea

Good morning,
I have attached a file for your reading pleasure!

Thank you,

Gary

ARETE, LLC
A PRIVATE COMPANY

ARETE, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Working Model consisting of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.* Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative. However, such Principal Insured Products, or Agency Bonds, are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read this Memorandum.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non Qualified Value, and may also being an "Accredited Persons" per the Securities and Exchange Commission (SEC). As an Accredited Contributor under Regulation D of the SEC, "qualified clients" are defined in Rule 205-3(d) under the Investment Advisors Act of 1940 and as amended per the "Advisors Act". All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by Arete.

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the contribution with the permission of Arete, or any portion of such Contributor's Contribution as of the last business day of any quarter by: If Approved: Please note lock up period of five years is to be determined first – THEN

- Delivering written notice to Arete at least 120 days prior to such date.
- Stating in writing which Contributor's Interest is requested to be redeemed.
- Acceptance by ARETE, LLC is deemed fair and reasonable.
- A Redemption charge in year one is 5% and then 1% lower each year thereafter

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of Arete. Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million in total contribution capital from Arete and Contributors in the Company; Arete may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Contribution Company Act of 1940 (as amended the "1940 Act"). Arete (Arete, LLC) is responsible for the management of the Company. Arete will receive a Management Fee equal to 1% (one percent) NAV (Net Asset Value) per year and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. On qualified funds the distributions must begin after the year the policyholder would have turned seventy and a half (70½).

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

2

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

DISCLOSURES

1. **The Securities offered have not been and will not be registered** under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Placement Memorandum will be made in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated hereunder, for offers and sales of Securities which do not involve any public Offering and analogous exemptions under state Securities laws.
2. **This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy**, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. **In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering including the merits and risks involved.** These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. **The Securities offered may not be transferred without the prior written consent of the Company and Arate.** In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. **This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution** in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. **This Company will not be registered as a Contribution Company under the Contribution Company Act of 1940, as amended.**
7. **The Company will not be registered as a Commodity Pool under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.**

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. **The Interests offered have not been registered under the Florida Securities Act.** Each Offered who is a Florida resident should be aware that section 517.061 (i 1)(a)(5) of the Florida Securities and Contributor Protection Act provide, in relevant part as follows:

"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.061 (11) is violable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. **The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered.** Each person entitled to exercise the privilege to void sales granted by section 517.061(11)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial _____

3

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arate, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to Arete LLC via email at info@aretellc.co or fax to 303-459-2723.

Thank you!

1) Description

- | | |
|--|---|
| <input type="checkbox"/> Individual Contributor | <input type="checkbox"/> Service Provider |
| <input type="checkbox"/> Institutional Contributor | <input type="checkbox"/> Academic |
| <input type="checkbox"/> Contribution Manager | <input type="checkbox"/> Other |

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 1% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other

e) Years of contribution experience

- Less than 1 Less than 5 5-10 10-15 More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D, in that... (please select all that apply) Definition of Contributions:

The contributor is a natural person whose individual net worth or joint net worth with that person's spouse, at the time of contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

4

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Contribution Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Funds* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

5

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The contributor is a family company *not formed for the specific purpose of buying an interest in the Funds* whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.

The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Funds) *all of whose securities and other ownership interests are beneficially owned by qualified purchasers.*

5) How did you find out about Arete?

6) What are the origins of the funds being provided?

7) Contact Information (Asterisks indicate required fields)

First Name* _____ Last Name* _____
SSN* _____
Occupation _____ Title _____
Organization* _____ Website _____
Address* _____
City* _____ State / Province* _____ Zip / Postal Code* _____
Country (Where you currently live)* _____
Phone* _____ Fax: _____ Email: _____

8) Beneficiary Contact Information (Asterisks indicate required fields)

First Name* _____ Last Name* _____
SSN* _____ Country (Where they live)* _____
Address* _____
City* _____ State / Province* _____ Zip / Postal Code* _____
Country (Where you currently live)* _____
Phone* _____ Fax: _____ Email: _____

I represent and certify that the foregoing information is true and accurate and that I will promptly notify Arete of any material changes in the information submitted.

READ AND APPROVED: _____
NAME DATE

6

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

CONTRIBUTION OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, Arete will build a working model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in a Subsequent Trading Environment, in order to facilitate a value of return that is both Principle Protected and typically Produces Higher Yields than stand-alone Annuities. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase, Trade, Create Spreads and Markets within the purchase or sale of these specific types of Bonds that are protected by the Full Faith Credit of The United States – Both in Coupon Payment and Re-Sale ability. Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn an additional interest return of value. This is also referred to as the federal funds rate, or fed funds rate, is the target interest rate for overnight lending and borrowing transactions between banks. Other types of Bonds include US Treasury Notes/Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

Arete, LLC, and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general, the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. Arete only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the Committee on Uniform Security Identification Procedures and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

7

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Our Proprietary Protection – Planning For The Future

Our Proprietary Working Model is a like-kind annuity but is not an annuity. Our model uses one of the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value to the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model mimics an annuity, thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as money contract between a person and the insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our working model provides the concerned person with an assurance to reduce longevity risk. Our working model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our working model is assured certain results. Principal protection in our working model can be categorized in three simple ways:

1. The working model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible premium (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States.

Our purchase of agency bonds and their protection provides our working model and its contributor's safety and security of principal with a fixed coupon. In the world of fixed-income securities, agency bonds represent one of the safe products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Working model

The Table below shows the example of income available for a contributor who places \$100,000 in the proprietary working model. Some Income annuities offer income distribution opportunity after year five. The calculation shown below reflects the possibility of a Quarterly Distribution equal to the coupon rate of six percent (6%) of the outstanding principal balance - calculated monthly (one of the highest currently being offered), or roll forward the 6.0% coupon creating a higher Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps,

8

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 6.0% Coupon Payment Rate (CPR) is one of the highest returns currently available. In this example, the Distribution of the CPR is provided on a Quarterly Basis. The CPR Value is calculated on a monthly basis.

The Annuity Withdrawal Percentage is used to calculate the income value you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. The Working Model Quarterly Distribution within the first five years provides a significant value advantage to the contributor of our proprietary model as shown below.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary working model such as the one below.*

Distribution		Quarterly			
End of Year	Contribution Value	Yr Value @ 6%	Percentage	Distribution	
Issue	\$ 100,000.00				
1	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
2	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
3	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
4	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
5	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
	Total	\$ 30,000.00	30.00%		

Example shows the distribution beginning in year one and taking the withdrawal percentage over the remaining time frame. Each distribution is provided on a Calendar Quarter Basis and begins in the Quarter following the original contribution. I.E. if the contribution is made in February of 2012 then the first distribution occurs after the first full Quarter has been experienced. Thus the distribution would be provided after June 30th, 2012.

Disclaiming Notes:

1. Calculations presume an agency bond interest rate of 6.0% on the outstanding principal balance.
2. All distribution withdrawals will occur after the first full quarter has been experienced.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years.

While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take value at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different payout amounts you might see for different annuities:

- Annuity A** – Payout % = 5% at 60, 6% at 70, 7% at 80 and above
- Annuity B** – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above
- Annuity C** – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout may begin now or accumulate thru year five and provides you with 6% regardless of age!

Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor’s lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about 10% to 12% per year¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

The Dow Jones Industrial Average actually has an average annual price appreciation return of ONLY 4.80% during the 110+ years of its existence².

During some years, the returns will be higher and during other years, the returns will be much lower. As you have learned, you may experience periods of 15 years or longer in which you make NO money at all in the stock market. Thus, you cannot anticipate or expect to receive any consistent return on a regular basis due to the fact that the stock market experiences large fluctuations in value from year to year.

10

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

In fact, huge plunges in stock market value seem to be occurring with increasing frequency, as we saw during 2000-2002, again in 2008 and in the May, 2010 "flash crash" that wiped out nearly \$1 trillion in market value in less than one day³. Stock markets around the world are becoming more volatile and more intertwined. A debt crisis in the relatively small country of Greece, which does relatively little trade with the United States, helped precipitate the nearly \$1 trillion flash crash of May, 2010.

Over the past ten years, the Dow Jones Industrial Average has averaged a slightly negative return of -0.69% on its compound annual growth rate⁴. Our proprietary model has no hidden fees.

We are a private company and carry no additional fees for representatives, or advertisement. In fact, if you have reached us or are reading this information without being introduced to us through an existing relationship - Please stop immediately and contact us ASAP.

A Quick Re-Cap

From day one, you can see our "like kind annuity" provides a Distribution Value at a higher rate than does other annuities and that it also gives you a higher Withdrawal Percentage than does the other annuity products. *Our proprietary working model will provide more than other annuity products virtually every single year* on these two crucial factors: the Account Value increase and the Withdrawal Percentage that is provided to you. In addition, our proprietary working model offers you the safety you deserve from being backed by the full faith credit of the United States.

There are no hidden fees like 12B1's, or high pay to representatives, or expensive advertisements. Most people have to work many, many years to be able to save a certain value they need for retirement after paying income taxes and after paying their living expenses.

Getting the most out of your money is always an important goal to keep in mind. As you have seen from our case study, our proprietary working model shown above can potentially help you reach your income and retirement goals while consuming much less money than other like kind annuities.

By contributing in our proprietary working model, you have the opportunity to receive one of the highest value streams currently available from any "like kind annuity" product. This is true regardless of the amount of value you place in our proprietary working model beyond the minimum. Our Model offers you the possibility of significantly increasing your value stream for each dollar deposited.

1, 2, 4 <http://observationsandnotes.blogspot.com/2009/03/average-annual-stock-market-return.html>

& <http://www.ftullip.com/rcaldow.htm>

3 Bloomberg Institutional Trade Platform News

ARETE, LLC
A PRIVATE COMPANY

ARETE, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Working Model consisting of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.* Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative. However, such Agency Bonds are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read this Memorandum.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non Qualified Value, and may also being an "Accredited Persons" per the Securities and Exchange Commission (SEC). As an Accredited Contributor under Regulation D of the SEC, "qualified clients" are defined in Rule 205-3(d) under the Investment Advisors Act of 1940 and as amended per the "Advisors Act". All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by Arete.

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the Company with the permission of Arete, or any portion of such Contributor's Contribution as of the last business day of any quarter by: If Approved: Please note lock up period of five years is to be determined first - THEN

- Delivering written notice to Arete at least 120 days prior to such date.
- Stating in writing which Contributor's Interest is requested to be redeemed.
- Acceptance by ARETE, LLC is deemed fair and reasonable.
- A surrender charge in year one is 5% and then 1% lower each year thereafter

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately

REDACTED

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of Arete. Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million in total contribution capital from Arete and Contributors in the Company; Arete may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Contribution Company Act of 1940 (as amended the "1940 Act"). Arete (Arete, LLC) is responsible for the management of the Company. Arete will receive a Management Fee equal to 1% (one percent) NAV (Net Asset Value) per year and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. On qualified funds the distributions must begin after the year the policyholder would have turned 70 and a half.

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

REDACTED

DISCLOSURES

1. **The Securities offered have not been and will not be registered** under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Placement Memorandum will be made in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated hereunder, for offers and sales of Securities which do not involve any public offering and analogous exemptions under state Securities laws.
2. **This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy**, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. **In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering** including the merits and risks involved. These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. **The Securities offered may not be transferred without the prior written consent of the Company and Arete**. In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. **This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution** in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. **This Company will not be registered as a Contribution Company** under the Contribution Company Act of 1940, as amended.
7. **The Company will not be registered as a Commodity Pool** under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. **The Interests offered have not been registered under the Florida Securities Act**. Each Offered who is a Florida resident should be aware that section 517.061 (1)(b)(5) of the Florida Securities and Contributor Protection Act provides, in relevant part as follows:
"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.061(1)(a)(5) is voidable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. **The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered**. Each person entitled to exercise the privilege to void sales granted by section 517.061(1)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial _____

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor**. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

- The contributor is a family company *not formed for the specific purpose of buying an interest in the Funds* whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.
- The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Funds) *all of whose securities and other ownership interests are beneficially owned by qualified purchasers.*

5) How did you find out about Arete?

6) What are the origins of the funds being provided?

7) Contact Information (Asterisks indicate required fields)

First Name* KEVIN Last Name* MEISSNER
 SSN* [REDACTED]
 Occupation FINANCIAL SERVICES Title _____
 Organization* _____ Website _____
 Address* 8114 PIEDMONT LANE
 City* FAIR OAKS RANCH State / Province* TX Zip / Postal Code* 78015
 Country (Where you currently live)* USA
 Phone* 210-687-1776 Fax: 210-698-8881 Email: GRBM1@FLASH.NET

8) Beneficiary Contact Information (Asterisks indicate required fields)

First Name* _____ Last Name* _____
 SSN* _____ Country (Where they live)* _____
 Address* _____
 City* _____ State / Province* _____ Zip / Postal Code* _____
 Country (Where you currently live)* _____
 Phone* _____ Fax: _____ Email: _____

I represent and certify that the foregoing information is true and accurate and that I will promptly notify Arete of any material changes in the information submitted.

READ AND APPROVED: _____ NAME _____ DATE _____

6

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to Arete LLC via email at info@aretelle.co or fax to 303-459-2723.

Thank you!

1) Description

- Individual Contributor
- Institutional Contributor
- Contribution Manager
- Service Provider
- Academic
- Other

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 1% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other

e) Years of contribution experience

- Less than 1
- Less than 5
- 5-10
- 10-15
- More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D. in that... (please select all that apply) **Definition of Contributions:**

The contributor is a natural person whose individual net worth or joint net worth with that person's spouse, at the time of contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately

REDACTED

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Contribution Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Funds* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

REDACTED

CONTRIBUTION OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, Arete will build a working model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in a Subsequent Trading Environment, in order to facilitate a value of return that is both Principle Protected and typically Produces Higher Yields than stand-alone Annuities. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase, Trade, Create Spreads and Markets within the purchase or sale of these specific types of Bonds that are protected by the Full Faith Credit of The United States — Both in Coupon Payment and Re-Sale ability. Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn an additional interest return of value. This is also referred to as the federal funds rate, or fed funds rate, is the target interest rate for overnight lending and borrowing transactions between banks. Other types of Bonds include U.S Treasury Notes, Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

Arete, LLC, and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general, the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. Arete only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the *Committee on Uniform Security Identification Procedures* and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Our Proprietary Protection – Planning For The Future

★ Our Proprietary Working Model is a like-kind annuity but is not an annuity. Our model uses one of the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value to the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model mimics an annuity, thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as money contract between a person and the insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our working model provides the concerned person with an assurance to reduce longevity risk. Our working model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our working model is assured certain results. Principal protection in our working model can be categorized in three simple ways:

1. The working model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible premium (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States.

★ Our purchase of agency bonds and their protection provides our working model and its contributor's safety and security of principal with a fixed coupon. In the world of fixed-income securities, agency bonds represent one of the safe products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Working model

The Table below shows the example of income available for a contributor who places \$100,000 in the proprietary working model. Some income annuities offer income distribution opportunity after year five. The calculation shown below reflects the possibility of a Quarterly Distribution equal to the coupon rate of six percent (6%) of the outstanding principal balance - calculated monthly (one of the highest currently being offered), or roll forward the 6.0% coupon creating a higher Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps,

REDACTED

higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 6.0% Coupon Payment Rate (CPR) is one of the highest returns currently available. In this example, the Distribution of the CPR is provided on a Quarterly Basis. The CPR Value is calculated on a monthly basis.

The Annuity Withdrawal Percentage is used to calculate the income value you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. The Working Model Quarterly Distribution within the first five years provides a significant value advantage to the contributor of our proprietary model as shown below.

However, taking a closer look at the Table 2 below, you can see that the longer a contributor waits before utilizing the Withdrawal Percentage, the account grows by over three and a half additional percent (3.5%). If a contributor decides to receive the Withdrawal Percentage Distribution the yearly value is \$6,000.00 or \$30,000.00 at the end of year five. However, if the contributor waits to receive income until the end of year five, that same Withdrawal value is \$33,822.56-- a three and a half percent additional increase.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary working model such as the one below.*

Distribution

End of Year	Contribution Value	Yr Value @ 6%	Percentage	Distribution
Issue	\$ 100,000.00			
1	\$ 100,000.00	\$ 6,000.00	6%	\$ 1,500.00
2	\$ 100,000.00	\$ 6,000.00	6%	\$ 1,500.00
3	\$ 100,000.00	\$ 6,000.00	6%	\$ 1,500.00
4	\$ 100,000.00	\$ 6,000.00	6%	\$ 1,500.00
5	\$ 100,000.00	\$ 6,000.00	6%	\$ 1,500.00
	<u>Total</u>	<u>\$ 30,000.00</u>	<u>30.00%</u>	

Accumulated

End of Year	Contribution Value	Yr Value @ 6%	Withdrawal Percentage	Year Five Accumulated Value
Issue	\$ 100,000.00			
1	\$ 106,000.00	\$ 6,000.00	0%	\$ 6,000.00
2	\$ 112,360.00	\$ 6,360.00	0%	\$ 12,360.00
3	\$ 119,101.60	\$ 6,741.60	0%	\$ 19,101.60
4	\$ 126,247.70	\$ 7,146.10	0%	\$ 26,247.70
5	\$ 133,822.56	\$ 7,574.86	0%	\$ 33,822.56
	<u>Total</u>	<u>\$ 33,822.56</u>	<u>33.82%</u>	

Example shows the distribution starting at the end of year five and taking the withdrawal percentage over the remaining time frame.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

Disclaiming Notes:

1. Calculations presume an **agency bond interest rate of 6.0% on the outstanding principal balance.**
2. Any distribution withdrawals taken will reduce the possible Accumulated Withdrawal Value.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and only shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years.

While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take value at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different **payout amounts** you might see for different annuities:

- **Annuity A** – Payout % = 5% at 60, 6% at 70, 7% at 80 and above
- **Annuity B** – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above
- **Annuity C** – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout may begin now or accumulate thru year five and provides you with 6% regardless of age!

Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor’s lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about **10% to 12% per year**¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

The Dow Jones Industrial Average actually has an **average annual price appreciation return of ONLY 4.80%** during the **110+ years** of its existence².

10

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

REDACTED

During some years, the returns will be higher and during other years, the returns will be much lower. As you have learned, you may experience periods of 15 years or longer in which you make NO money at all in the stock market. Thus, you cannot anticipate or expect to receive any consistent return on a regular basis due to the fact that the stock market experiences large fluctuations in value from year to year.

In fact, **huge plunges in stock market value** seem to be occurring with **increasing frequency**, as we saw during 2000-2002, again in 2008 and in the May, 2010 "**flash crash**" that wiped out nearly \$1 trillion in market value in less than one day³. Stock markets around the world are becoming more volatile and more intertwined. A debt crisis in the relatively small country of Greece, which does relatively little trade with the United States, helped precipitate the nearly \$1 trillion flash crash of May, 2010.

Over the **past ten years**, the **Dow Jones Industrial Average** has averaged a slightly **negative return** of -0.69% on its compound annual growth rate⁴. ● Our proprietary model has no hidden fees.

We are a private company and carry no additional fees for representatives, or advertisement. In fact, if you have reached us or are reading this information without being introduced to us through an existing relationship - Please stop immediately and contact us ASAP.

A Quick Re-Cap

From day one, you can see our "like kind annuity" provides a Distribution Value at a higher rate than does other annuities and that it also gives you a higher Withdrawal Percentage than does the other annuity products. ***Our proprietary working model will provide more than other annuity products virtually every single year*** on these two crucial factors: the Account Value increase and the Withdrawal Percentage that is provided to you. In addition, our proprietary working model offers you the safety you deserve from being backed by the full faith credit of the United States.

There are no hidden fees like 12B1's, or high pay to representatives, or expensive advertisements. Most people have to work many, many years to be able to save a certain value they need for retirement after paying income taxes and after paying their living expenses.

Getting the most out of your money is always an important goal to keep in mind. As you have seen from our case study, our proprietary working model shown above can potentially help you reach your income and retirement goals while consuming much less money than other like kind annuities.

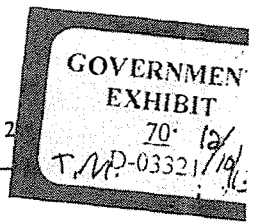
By contributing in our proprietary working model, you have the opportunity to receive one of the highest value streams currently available from any "like kind annuity" product. This is true regardless of the amount of value you place in our proprietary working model beyond the minimum. Our Model offers you the possibility of significantly increasing your value stream for each dollar deposited.

1,2,4 <http://observationsandnotes.blogspot.com/2009/03/average-annual-stock-market-return.html>
& <http://www.itulip.com/realdow.htm>

3 Bloomberg Institutional Trade Platform News

11

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.



ARETE, LLC
A PRIVATE COMPANY

ARETE, LLC (THE "PRIVATE COMPANY") is a Colorado Limited Liability Corporation whose objective is contributing within Principal Insured Products, or Agency Bonds. Utilizing these Agency Bonds allows us to achieve attractive absolute returns rather than relative returns (versus a benchmark index). To maximize the return on contribution and best protect principal, the Company will build its own Proprietary Working Model consisting of such Agency Bonds that are Principle Protected.

Agency Bonds issued by Federal Government agencies—Bonds issued or guaranteed by Federal Government agencies such as the Small Business Administration, the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae) are backed by the "full faith and credit of the U.S. government", just like U.S. Treasury bonds.* Full faith and credit means that the U.S. government is committed to pay interest and principal back to the contributor at maturity. Agency bonds are usually exempt from state and local taxes, but not federal tax.

ADVISEMENT The Company's contribution program(s) may involve risks and some elements of the program may be considered speculative. However, such Principal Insured Products, or Agency Bonds, are backed by the Full Faith & Credit of the United States Government. The contents of this Memorandum should not be considered to be legal, tax, or financial advice and each prospective Contributor should consult with his or her own counsel and advisers as to all matters concerning investing in the Company. Prospective Contributors ("Contributors") should carefully read this Memorandum.

CONTRIBUTOR'S "Contributions" in the Company are available for purchase by, Qualified Value, Non Qualified Value, and may also being an "Accredited Persons" per the Securities and Exchange Commission (SEC). As an Accredited Contributor under Regulation D of the SEC, "qualified clients" are defined in Rule 205-3(d) under the Investment Advisors Act of 1940 and as amended per the "Advisors Act". All contributors must have executed a Contribution Agreement (attached hereto as the "Contribution Agreement") and have been notified of admittance by Arete.

CONTRIBUTIONS IN COMPANY Contributions may be considered in qualified, non-qualified & cash and directed to the Company as of, or up to, the last business day of any month and are held in the form of "Book Capital Accounts". Contributors may arrange for an initial purchase of Contributions by submitting a completed Subscription Agreement and a payment to the Company in accordance with the instructions set forth in the Subscription Agreement and this Memorandum.

REDEMPTION OF CONTRIBUTIONS Members may redeem the contribution with the permission of Arete, or any portion of such Contributor's Contribution as of the last business day of any quarter by: If Approved: Please note lock up period of five years is to be determined first – THEN

- Delivering written notice to Arete at least 120 days prior to such date.
- Stating in writing which Contributor's Interest is requested to be redeemed.
- Acceptance by ARETE, LLC is deemed fair and reasonable.
- A Redemption charge in year one is 5% and then 1% lower each year thereafter

The Company may, in its sole discretion, approve purchases and redemptions on other dates and/or waive such notice period.

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

TRANSFER OF INTERESTS Contributors may not transfer their Interests to third parties without the prior written consent of Arete. Subject to certain exceptions, the Company is seeking to raise a maximum of \$500 million in total contribution capital from Arete and Contributors in the Company; Arete may choose not to accept any contribution for any or no reason.

COMPANY MANAGEMENT The Company is not required to register, and has not registered, as an investment company under the Contribution Company Act of 1940 (as amended the "1940 Act"). Arete (Arete, LLC) is responsible for the management of the Company. Arete will receive a Management Fee equal to 1% (one percent) NAV (Net Asset Value) per year and distributed at the beginning of the first calendar quarter.

BENEFICIARIES Following any unfortunate death of the account contributor, disbursements must continue at the same time frame and rate as they were before the account contributor's death. Beneficiaries must receive the same disbursements for up to the time frame remaining in the schedule of the Bond Holding. If no distributions were made before the death of the account holder, distributions must be made to the beneficiaries over the Bond Holding Time Frame. On qualified funds the distributions must begin after the year the policyholder would have turned seventy and a half (70½).

Beneficiaries are Primary and/or Contingent Beneficiaries of my contribution. In the event of this unfortunate situation as to the death of the contributor, the balance in the account shall be paid to the primary beneficiaries who survive the contributor in equal shares (or as in the specified shares indicated). If none of the primary beneficiaries survive me, the balance in the account shall be paid to the Contingent beneficiaries who survive me in equal shares (or in the specified shares indicated). A beneficiary must be identified and proper information gathered within the provided beneficiary information fields.

2

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

DISCLOSURES

1. The Securities offered have not been and will not be registered under the Securities Act of 1933 or the Securities laws of any of the states of the United States. The Offering contemplated by this Private Placement Memorandum will be made in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated hereunder, for offers and sales of Securities which do not involve any public offering and analogous exemptions under state Securities laws.
2. This Private Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy, nor will there be any sale of Securities of the Contributor-ship in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale. No person has been authorized to make any representations concerning the Company, which are inconsistent with those contained in this Private Placement Memorandum. Prospective Contributors should not rely on any information not contained in this Private Placement Memorandum or the exhibits hereto.
3. In making a contribution decision, Contributors must rely on their own examination of the Issuer and the terms of the Offering including the merits and risks involved. These Securities have not been recommended by any federal or state Securities commissions or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. Prospective Contributors should not construe the contents of this Private Placement Memorandum as legal, tax or financial advice. Each prospective Contributor should consult their own professional advisors as to legal, tax, financial or other matters relevant to the suitability of an contribution in the Company for such Contributor.
4. The Securities offered may not be transferred without the prior written consent of the Company and Areta. In addition, these Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State Securities Laws, pursuant to registration or exemption there from and may not be sold or otherwise transferred except in accordance with the requirements and conditions set forth in this Private Placement Memorandum.
5. This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible contribution in the Securities described herein, and is not to be produced or distributed to any other persons (other than Professional Advisors of the Prospective Contributor receiving this document).
6. This Company will not be registered as a Contribution Company under the Contribution Company Act of 1940, as amended.
7. The Company will not be registered as a Commodity Pool under the Commodity Exchange Act; and the Adviser is not registered as a Commodity Trading Adviser under the Commodity Exchange Act.

FURTHER DISCLOSURES FOR FLORIDA CONTRIBUTORS ONLY

1. The Interests offered have not been registered under the Florida Securities Act. Each Offered who is a Florida resident should be aware that section 517.061 (i 1)(a)(5) of the Florida Securities and Contributor Protection Act provide, in relevant part as follows:

"When sales are made to five or more persons in Florida, any sale in Florida made pursuant to section 517.06 1 (11) is violable by the purchaser in such sale either within three days after the first tender of consideration is made by the purchaser to the Issuer, an agent of the Issuer or an escrow agent or within three days after the availability of that privilege is communicated to such purchaser, whichever occurs later."
2. The availability of the privilege to void sales pursuant to section 517.061 of the Florida Act is hereby communicated to each Florida Offered. Each person entitled to exercise the privilege to void sales granted by section 517.061(11)(a)(5) and who wishes to exercise such right must, within three days after the tender of the first installment of his capital contribution to the Company or to any agent of the Company, cause a written notice or telegram to be sent to the Company at the address provided in this subscription agreement. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he should ask for written confirmation that his request has been received.

Please Initial _____

3

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Areta, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Potential Contributor(s):

Please complete the following information so that we may verify your Contributor Status. Please return the completed form to Arete LLC via email at info@aretelc.co or fax to 303-459-2723.

Thank you!

1) Description

- | | |
|--|---|
| <input type="checkbox"/> Individual Contributor | <input type="checkbox"/> Service Provider |
| <input type="checkbox"/> Institutional Contributor | <input type="checkbox"/> Academic |
| <input type="checkbox"/> Contribution Manager | <input type="checkbox"/> Other |

2) Contributor Information

a) Contributor class

- Individual
- Family Office
- Plan Sponsor
- Fund of Funds
- Endowment / Foundation
- Non-US Person
- Individual Retirement Account or Keogh

b) Portfolio size

- Under \$1 million
- \$1 - 5 million
- \$5 - 50 million
- \$50 million - \$100 million
- \$100 million - \$1 billion
- Over \$1 billion

c) Percentage allocated to alternative contributions

- 1% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- Above 50%

d) Which of the following contributions do you currently own?

- Hedge Funds
- Managed Futures
- Private Equity
- Venture Capital
- Real Estate
- Other

e) Years of contribution experience

- Less than 1 Less than 5 5-10 10-15 More than 15

3) I hereby certify that I am an accredited contributor in accordance with rule 501(a) of Regulation D, in that... (please select all that apply) Definition of Contributions:

The contributor is a natural person whose individual net worth or joint net worth with that person's spouse, at the time of contribution exceeds \$1,000,000.

The contributor is a natural person who had an individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person's spouse, in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in this calendar year.

4

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The contributor is an entity with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and which is one of the following: (a) a corporation; (b) partnership; (c) a limited liability company; or (d) a business trust; or a tax-exempt organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code").

The contributor is a personal (non-business) trust with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in any of the Funds and whose decisions to invest in the Funds will be directed by a person who has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of an contribution in the Funds.

The contributor is an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974 (including an Individual Retirement Plan and KEOGH) which satisfies at least one of the following conditions:

- it has total assets in excess of \$5,000,000; or
- the contribution decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered contribution adviser; or
- it is a self-directed plan (i.e., a tax-qualified defined contribution plan in which a participant may exercise control over the contribution of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited contributor.

The contributor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.

The contributor is licensed, or subject to supervision, by U.S. Federal or state examining authorities as a "bank," "savings and loan association," "insurance company," or "small business contribution company" [as such terms are used and defined in 17 CFR §230.501 (a)] or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity and over which such fiduciary exercises contribution discretion.

The contributor is registered with the United States Securities and Exchange Commission as a broker or dealer or an contribution company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a) (48) of the Contribution Company Act of 1940 or Section 202(a) (22) of the Contribution Advisers Act of 1940).

4) (If applicable) I am also a "qualified purchaser" within the meaning of Section 2(a) (51) of the Contribution Company Act of 1940, in that (select all that apply):

The contributor is a natural person who's "contributions," including "contributions" owned jointly or as community property with contributor's spouse, has a value, net of acquisition indebtedness, of at least \$5 million.

The contributor is a trust *not formed for the specific purpose of buying an interest in the Funds* that was established and funded by persons who meet one of the definitions of "qualified purchaser" in this Part and for which contribution decisions are made by persons who meet one of such definitions. This includes IRAs, Keoghs, and similar retirement planning vehicles, owned and directed by qualified purchasers, as well as contributions by participant-directed employee benefit plans where the participant is a qualified purchaser.

5

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor.** This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

The contributor is a family company *not formed for the specific purpose of buying an interest in the Funds* whose "contributions" have a value, after subtracting the deductions described below, of at least \$5 million.

The contributor is a corporation or partnership (whether or not formed for the specific purpose of buying an interest in the Funds) *all of whose securities and other ownership interests are beneficially owned by qualified purchasers.*

5) How did you find out about Arete?

6) What are the origins of the funds being provided?

7) Contact Information (Asterisks indicate required fields)

First Name* _____ Last Name* _____
SSN* _____
Occupation _____ Title _____
Organization* _____ Website _____
Address* _____
City* _____ State / Province* _____ Zip / Postal Code* _____
Country (Where you currently live)* _____
Phone* _____ Fax: _____ Email: _____

8) Beneficiary Contact Information (Asterisks indicate required fields)

First Name* _____ Last Name* _____
SSN* _____ Country (Where they live)* _____
Address* _____
City* _____ State / Province* _____ Zip / Postal Code* _____
Country (Where you currently live)* _____
Phone* _____ Fax: _____ Email: _____

I represent and certify that the foregoing information is true and accurate and that I will promptly notify Arete of any material changes in the information submitted.

READ AND APPROVED: _____
NAME DATE

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

CONTRIBUTION OBJECTIVE

The contribution objective of the Company is to achieve attractive consistent absolute returns by contributing in Agency Bonds that are Principle Protected. To this end, Arete will build a working model that applies the purchase of an Agency Bond and, utilize the Pre-paid Principle of the Agency Bond in a Subsequent Trading Environment, in order to facilitate a value of return that is both Principle Protected and typically Produces Higher Yields than stand-alone Annuities. Agency bonds are issued in a variety of structures, coupon rates and maturities.

This is our ability to Purchase, Trade, Create Spreads and Markets within the purchase or sale of these specific types of Bonds that are protected by the Full Faith Credit of The United States – Both in Coupon Payment and Re-Sale ability. Also utilizing the Pre-Paid Principle in overnight banking sweeps to earn an additional interest return of value. This is also referred to as the federal funds rate, or fed funds rate, is the target interest rate for overnight lending and borrowing transactions between banks. Other types of Bonds include US Treasury Notes/Bills, US Government Agency Bonds, Ginnie Mae, and Unit Contribution Trusts, just to identify a few.

Arete, LLC, and "Manager", believes that the application of our Trading Environment utilizing opportunistic agency bond products and pricing primarily applied will produce attractive contribution returns, regardless of the direction of the overall performance of the markets. The Company will be actively managed with a focus on "high probability purchase situations" or best pricing spreads with good liquidity. These situations are believed to offer limited downside with timely upside potential. Limiting exposure to the markets when these situations are not present could result in extended periods when Company liquidity is high.

Additionally, the Manager believes that the combination of a diversified Company consisting of a sound Business Project with the Company's prescribed contribution (the Company's own value) offers a further unique opportunity to its contributors in that it will serve to provide a positive hedge component to the Company. These Assets will be utilized to further provide protection of Contributor Contribution.

In general, the agency bond market is considered a liquid market, in which contributions can quickly and easily be bought and sold. However, as explained below, some agency bond issues have features that make the bond issues more "structured" and complex, which can reduce liquidity of these Products. Arete only works with Triple A or AAA type of bonds assuring liquidity. These bonds also have a specific identifier or a CUSIP number.

The acronym CUSIP typically refers to both the Committee on Uniform Security Identification Procedures and the 9-character alphanumeric security identifiers that they distribute for all North American securities for the purposes of facilitating clearing and settlement of trades. The CUSIP distribution system is owned by the American Bankers Association and is operated by Standard & Poor's.

The CUSIP Services Bureau acts as the National Numbering Association (NNA) for North America, and the CUSIP serves as the National Securities Identification Number for products issued from both the United States and Canada.

7

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Our Proprietary Protection – Planning For The Future

Our Proprietary Working Model is a like-kind annuity but is not an annuity. Our model uses one of the same components that make up an annuity from an insurance company. We utilize the same Agency (Government) Bonds that annuities use to provide the security and consistent value to the contributor. Our Model does not have the same costs and advertisement fees as a typical annuity. Thus we provide our model with a straight forward return to the contributor. Our model mimics an annuity, thus, we will use the annuity example for our discussion purpose here within.

An Annuity can be defined as money contract between a person and the insurance company. It provides a guaranteed regular income to the policyholder for life, or for a specified period. The annuity is typically bought with a single lump-sum contribution. The most important benefit is the stream of regular monthly or yearly income payable at a specified age until death. It is a suitable instrument for consumers wishing to hedge and address the risk of living beyond their means. In fact, some financial experts believe that everyone, especially retirees, who has just adequate savings, should buy an annuity or similar product. This ensures that the savings can meet living expenses and last for a lifetime.

The annuity premiums (the funds the insurance companies collect from clients) are invested in government bonds, highest-grade corporate bonds and "A" rated real estate to deliver income that is considered to be safe and relatively consistent. These more conservative products keep the principal safe because it is not affected by stock market volatility. On maturity, our working model provides the concerned person with an assurance to reduce longevity risk. Our working model contributes in a product plan from an insurance company, banks, financial institutions, or firms. Therefore, our working model is assured certain results. Principal protection in our working model can be categorized in three simple ways:

1. The working model applies a plan with a fixed rate same as an Annuity Fixed Guaranteed Rate.
2. You cannot lose your principal when you deposit money in our proprietary model as long as you do not withdraw your capital early.
3. Our proprietary model's asset allocation allows for a flexible premium (additional value that can be added at a later date) and is backed by the Full Faith and Credit of the United States.

Our purchase of agency bonds and their protection provides our working model and its contributor's safety and security of principal with a fixed coupon. In the world of fixed-income securities, agency bonds represent one of the safe products, and are often compared to Treasury bonds (T-bonds) for their low risk and high liquidity.

An Exciting New Proprietary Working model

The Table below shows the example of income available for a contributor who places \$100,000 in the proprietary working model. Some Income annuities offer income distribution opportunity after year five. The calculation shown below reflects the possibility of a Quarterly Distribution equal to the coupon rate of six percent (6%) of the outstanding principal balance - calculated monthly (one of the highest currently being offered), or roll forward the 6.0% coupon creating a higher Accumulation Value before income is taken.

Please note that bonus annuities may include changes to the elements used to determine interest credits that are not included in similar annuities without a bonus. These changes may include lower current interest rates, higher surrender charges, longer surrender charge periods, lower participation rates or caps,

8

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. DISCLAIMER: Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

higher spreads, or other changes. The amount of charges or reduction of interest credits may exceed the amount of the bonus.

Just like bonuses, there is a range on the returns different annuities pay on their accumulation values. This 6.0% Coupon Payment Rate (CPR) is one of the highest returns currently available. In this example, the Distribution of the CPR is provided on a Quarterly Basis. The CPR Value is calculated on a monthly basis.

The Annuity Withdrawal Percentage is used to calculate the income value you can withdraw. Some annuities increase the Withdrawal Percentage every year and other annuities increase the Withdrawal Percentage only once in 5 years or once in 10 years. The Working Model Quarterly Distribution within the first five years provides a significant value advantage to the contributor of our proprietary model as shown below.

Some other annuities will make this contributor wait until age 75 or even 80 before increasing the payout percentage. This annual increase in the Withdrawal Percentage is important because not everyone can wait an extra couple of years for increased income. *If you want to receive increases in your income at any age, you may want to seriously consider our proprietary working model such as the one below.*

<u>Distribution</u>					<u>Quarterly</u>
<u>End of Year</u>	<u>Contribution Value</u>	<u>Yr Value @ 6%</u>	<u>Percentage</u>	<u>Distribution</u>	
Issue	\$ 100,000.00				
1	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
2	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
3	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
4	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
5	\$ 100,000.00	\$ 6,000.00	6%	\$	1,500.00
	<u>Total</u>	<u>\$ 30,000.00</u>	<u>30.00%</u>		

Example shows the distribution beginning in year one and taking the withdrawal percentage over the remaining time frame. Each distribution is provided on a Calendar Quarter Basis and begins in the Quarter following the original contribution. I.E. if the contribution is made in February of 2012 then the first distribution occurs after the first full Quarter has been experienced. Thus the distribution would be provided after June 30th, 2012.

Disclaiming Notes:

1. Calculations presume an **agency bond interest rate of 6.0% on the outstanding principal balance.**
2. All distribution withdrawals will occur after the first full quarter has been experienced.
3. We calculate no changes to the model and are before fees.
4. This is not a contract and shows withdrawal benefits.
5. Tax implications are not reflected in the illustration. Please consult a professional tax advisor for information on taxes.

9

This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Areta, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

So why wait an unnecessary amount of time to increase your withdrawal percentage?

Consider an example where the product features for two annuities are exactly the same with the exception of how often withdrawal percentages increase. One annuity increases the withdrawal percentage annually and the other annuity increases the withdrawal percentage once every 10 years.

While the payout amounts are the same for certain ages such as 60 and 70, the income amounts are higher for the other years on the annuity that increases withdrawal percentages annually. Therefore, as a smart consumer, you want to select the annuity that increases withdrawal percentages annually—if the annuity has the other features and benefits you want.

For a contributor who wants to take value at a “step-up age,” there is no difference. For example, if two contributors each wanted to start their income at age 70, it would not matter if they purchased Annuity A, Annuity B or Annuity C. In each of these three cases, the payout starting at age 70 would be 6% per year. However, there might be other differences between these three annuities that would lead you to select one annuity instead of the other two annuities.

If the contributors wanted to turn on their income at different ages, there could be a big difference between the three annuities shown below. Annuity C shown below increases the payout amount annually. All else being equal, if a contributor wanted to turn on his or her income at a younger age, he or she would benefit by selecting Annuity C, if you did not own Annuity C, you could miss out on thousands of dollars of income.

Below is an example of the different payout amounts you might see for different annuities:

- Annuity A** – Payout % = 5% at 60, 6% at 70, 7% at 80 and above
- Annuity B** – Payout % = 5% at 60, 5.5% at 65, 6% at 70, 6.5% at 75, 7% at 80, 7.5% at 85 and above
- Annuity C** – Payout % = 5% at 60, 5.1% at 61, 5.2% at 62...up to 8% at 90

Our proprietary model payout may begin now or accumulate thru year five and provides you with 6% regardless of age!

Our Proprietary Model Has No Hidden Fees

Various fees and mutual fund fees consumed almost 7.80% of a contributor’s lifetime contributions during the first decade of their retirement. The fees are used for but may not be limited to compensation for representatives and advertisement. Many financial people like to say that historically, “on average,” the stock market rises about 10% to 12% per year¹, if you include dividends. However, as you now know, these historical averages can be deceiving.

The Dow Jones Industrial Average actually has an average annual price appreciation return of ONLY 4.80% during the 110+ years of its existence². During some years, the returns will be higher and during other years, the returns will be much lower. As you have learned, you may experience periods of 15 years or longer in which you make NO money at all in the stock market. Thus, you cannot anticipate or expect to receive any consistent return on a regular basis due to the fact that the stock market experiences large fluctuations in value from year to year.

10
This Document is intended solely for the use of the person to whom it has been delivered for the purpose of discussing a possible contribution in the Agency Bonds described herein, and is not to be produced or distributed to any other persons PERIOD. **DISCLAIMER:** Arete, LLC is NOT a United States Securities Dealer or Broker or US Advisor. This document is never to be considered a solicitation for any purpose in any form or content. Upon receipt of this document you, as Recipient, hereby acknowledge this warning and disclaimer. If acknowledgment is not accepted please return document copy to Sender immediately.

Kevin Brown

From: [REDACTED]
Sent: Tuesday, January 22, 2013 4:57 PM
To: Kevin Brown
Subject: Re: Arete fees

Yes, on the 5 year model there is supposed to be a 1.5% quarterly payout with Summit withholding 1/4 of their annual fees. As far as the 10 year model is concerned, I have been paying Summit their annual fees "upfront" once the money is placed, so there are no more fees due Summit until the end of 5th quarter that the money was originally placed with Summit.

Unfortunately, for some reason Gary has not sent anything out in October or January. That was the reason for my call to you last Thursday to see if you had a record of receiving the interest payout. I would like to call you tomorrow to discuss why the lack of quarterly payouts.

Doug

From: "Kevin Brown" <[REDACTED]>
To: [REDACTED]
Sent: Tuesday, January 22, 2013 2:55:31 PM
Subject: Arete fees

Doug,

Is Arete supposed to be paying Summit fees on a quarterly basis? I don't remember seeing any fees payments for at least the last two quarters.

C. Brown, President
Summit Trust Company

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

Don Rasmussen

From: [REDACTED]
Sent: Monday, May 07, 2012 11:52 AM
To: J. Douglas Scott
Subject: "Reg D" filings
Attachments: Summit12PO5i-form_D_released.pdf; Summit12PO10i-form_D_released.pdf; _Certification_.htm

Gentlemen:

Please find a copy of the Reg D filings for the 2 offerings, as well as an answer to my question about Texas.

Please call me if you have any questions.

Regards,
Doug

From: "Gary C Snisky" [REDACTED]
To: [REDACTED]
Sent: Monday, May 7, 2012 11:17:05 AM
Subject: Re: "Reg D" filings

Good morning... In response.. The requirement for reg d and filing is fifteen days is set by SEC; Texas just reiterates but nothing specific with the state plus we are not domiciled in Texas... Thx gary

Sent from GCS

On May 7, 2012, at 8:56 AM, [REDACTED] wrote:

Gary,

Thanks for uploading these Reg D documents to my Arete briefcase.

A question:

Are you/did you file anything specific to the state of Texas? (I don't know if this is necessary.)

Thanks,
Doug

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2013.0.3345 / Virus Database: 3199/6429 - Release Date: 06/21/13

You may not send a completed printout of this form to the SEC to satisfy a filing obligation. You can only satisfy an SEC filing obligation by submitting the information required by this form to the SEC in electronic format online at <https://www.onlineforms.edgarfiling.sec.gov>.

FORM D

U.S. Securities and Exchange Commission

Washington, DC 20549

Notice of Exempt Offering of Securities

(See instructions beginning on page 5)

OMB APPROVAL

OMB Number: 3235-0076

Expires: June 30, 2012

Estimated average burden hours per response: 4.00

Intentional misstatements or omissions of fact constitute federal criminal violations. See 18 U.S.C. 1001.

Item 1. Issuer's Identity

Name of Issuer

Summit Offering - 12PO5i, LLC

Jurisdiction of Incorporation/Organization

COLORADO

Year of Incorporation/Organization (Select one)

Over Five Years Ago Within Last Five Years (specify year) 2012 Yet to Be Formed

Previous Name(s)

None

Entity Type (Select one)

- Corporation
- Limited Partnership
- Limited Liability Company
- General Partnership
- Business Trust
- Other (Specify)

(If more than one issuer is filing this notice, check this box and identify additional issuer(s) by attaching Items 1 and 2 Continuation Page(s).)

Item 2. Principal Place of Business and Contact Information

Street Address 1

Street Address 2

City

State/Province/Country

ZIP/Postal Code

Phone No.

Item 3. Related Persons

Last Name

Snisky

First Name

Gary

Middle Name

C

Street Address 1

Street Address 2

City

State/Province/Country

COLORADO

ZIP/Postal Code

Relationship(s): Executive Officer Director Promoter

Clarification of Response (if Necessary) President of the manager of the issuer

(Identify additional related persons by checking this box and attaching Item 3 Continuation Page(s).)

Item 4. Industry Group (Select one)

- Agriculture
 - Banking and Financial Services
 - Commercial Banking
 - Insurance
 - Investing
 - Investment Banking
 - Pooled Investment Fund

If selecting this industry group, also select one fund type below and answer the question below:

 - Hedge Fund
 - Private Equity Fund
 - Venture Capital Fund
 - Other Investment Fund

Is the issuer registered as an investment company under the Investment Company Act of 1940? Yes No

 - Other Banking & Financial Services
- Business Services
 - Energy
 - Electric Utilities
 - Energy Conservation
 - Coal Mining
 - Environmental Services
 - Oil & Gas
 - Other Energy
 - Health Care
 - Biotechnology
 - Health Insurance
 - Hospitals & Physicians
 - Pharmaceuticals
 - Other Health Care
 - Manufacturing
 - Real Estate
 - Commercial
- Construction
 - REITS & Finance
 - Residential
 - Other Real Estate
 - Retailing
 - Restaurants
 - Technology
 - Computers
 - Telecommunications
 - Other Technology
 - Travel
 - Airlines & Airports
 - Lodging & Conventions
 - Tourism & Travel Services
 - Other Travel
 - Other

Item 5. Issuer Size (Select one)

Revenue Range (for issuer not specifying "hedge" or "other investment" fund in Item 4 above)

- No Revenues
- \$1 - \$1,000,000
- \$1,000,001 - \$5,000,000
- \$5,000,001 - \$25,000,000
- \$25,000,001 - \$100,000,000
- Over \$100,000,000
- Decline to Disclose
- Not Applicable

OR

Aggregate Net Asset Value Range (for issuer specifying "hedge" or "other investment" fund in Item 4 above)

- No Aggregate Net Asset Value
- \$1 - \$5,000,000
- \$5,000,001 - \$25,000,000
- \$25,000,001 - \$50,000,000
- \$50,000,001 - \$100,000,000
- Over \$100,000,000
- Decline to Disclose
- Not Applicable

Item 6. Federal Exemptions and Exclusions Claimed (Select all that apply)

- | | | |
|--|--|---|
| <input type="checkbox"/> Rule 504(b)(1) (not (i), (ii) or (iii)) | Investment Company Act Section 3(c) | |
| <input type="checkbox"/> Rule 504(b)(1)(i) | <input type="checkbox"/> Section 3(c)(1) | <input type="checkbox"/> Section 3(c)(9) |
| <input type="checkbox"/> Rule 504(b)(1)(ii) | <input type="checkbox"/> Section 3(c)(2) | <input type="checkbox"/> Section 3(c)(10) |
| <input type="checkbox"/> Rule 504(b)(1)(iii) | <input type="checkbox"/> Section 3(c)(3) | <input type="checkbox"/> Section 3(c)(11) |
| <input type="checkbox"/> Rule 505 | <input type="checkbox"/> Section 3(c)(4) | <input type="checkbox"/> Section 3(c)(12) |
| <input checked="" type="checkbox"/> Rule 506 | <input type="checkbox"/> Section 3(c)(5) | <input type="checkbox"/> Section 3(c)(13) |
| <input checked="" type="checkbox"/> Securities Act Section 4(6) | <input type="checkbox"/> Section 3(c)(6) | <input type="checkbox"/> Section 3(c)(14) |
| | <input type="checkbox"/> Section 3(c)(7) | |

Item 7. Type of Filing

- New Notice OR Amendment

Date of First Sale in this Offering: OR First Sale Yet to Occur

Item 8. Duration of Offering

Does the issuer intend this offering to last more than one year? Yes No

Item 9. Type(s) of Securities Offered (Select all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Equity | <input type="checkbox"/> Pooled Investment Fund Interests |
| <input checked="" type="checkbox"/> Debt | <input type="checkbox"/> Tenant-in-Common Securities |
| <input type="checkbox"/> Option, Warrant or Other Right to Acquire Another Security | <input type="checkbox"/> Mineral Property Securities |
| <input type="checkbox"/> Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security | <input checked="" type="checkbox"/> Other (Describe) |

Item 10. Business Combination Transaction

Is this offering being made in connection with a business combination transaction, such as a merger, acquisition or exchange offer? Yes No

Clarification of Response (if Necessary)

Item 11. Minimum Investment

Minimum investment accepted from any outside investor \$ 50,000

Item 12. Sales Compensation

Recipient Recipient CRD Number
(Associated) Broker or Dealer (Associated) Broker or Dealer CRD Number

Street Address 1 Street Address 2
City State/Province/Country ZIP/Postal Code

States of Solicitation All States

- Grid of state checkboxes: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY, PR

(Identify additional person(s) being paid compensation by checking this box and attaching Item 12 Continuation Page(s).)

Item 13. Offering and Sales Amounts

(a) Total Offering Amount \$ 5,000,000 OR Indefinite
(b) Total Amount Sold \$ 750,000
(c) Total Remaining to be Sold \$ 4,250,000 OR Indefinite
(Subtract (a) from (b))

Clarification of Response (if Necessary)
The manager may close the offering before reaching \$5,000,000

Item 14. Investors

Check this box if securities in the offering have been or may be sold to persons who do not qualify as accredited investors, and enter the number of such non-accredited investors who already have invested in the offering:

Enter the total number of investors who already have invested in the offering: 1

Item 15. Sales Commissions and Finders' Fees Expenses

Provide separately the amounts of sales commissions and finders' fees expenses, if any. If an amount is not known, provide an estimate and check the box next to the amount.

Sales Commissions \$ Estimate

Finders' Fees \$ Estimate

Clarification of Response (if Necessary)

Item 16. Use of Proceeds

Provide the amount of the gross proceeds of the offering that has been or is proposed to be used for payments to any of the persons required to be named as executive officers, directors or promoters in response to Item 3 above. If the amount is unknown, provide an estimate and check the box next to the amount. \$ Estimate

Clarification of Response (if Necessary)

The issuer will pay the manager of the issuer fees up to 2.5% of the proceeds of the offering, which is intended to cover the offering and organizational expenses incurred by the manager on behalf of the issuer, and is estimated to be \$

Signature and Submission

Please verify the information you have entered and review the Terms of Submission below before signing and submitting this notice.

Terms of Submission. In Submitting this notice, each identified issuer is:

Notifying the SEC and/or each State in which this notice is filed of the offering of securities described and undertaking to furnish them, upon written request, in accordance with applicable law, the information furnished to offerees.*

Irrevocably appointing each of the Secretary of the SEC and the Securities Administrator or other legally designated officer of the State in which the issuer maintains its principal place of business and any State in which this notice is filed, as its agents for service of process, and agreeing that these persons may accept service on its behalf, of any notice, process or pleading, and further agreeing that such service may be made by registered or certified mail, in any Federal or state action, administrative proceeding, or arbitration brought against the issuer in any place subject to the jurisdiction of the United States, if the action, proceeding or arbitration (a) arises out of any activity in connection with the offering of securities that is the subject of this notice, and (b) is founded, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these statutes; or (ii) the laws of the State in which the issuer maintains its principal place of business or any State in which this notice is filed.

Certifying that, if the issuer is claiming a Rule 505 exemption, the issuer is not disqualified from relying on Rule 505 for one of the reasons stated in Rule 505(b)(2)(iii).

* This undertaking does not affect any limits Section 102(a) of the National Securities Markets Improvement Act of 1996 ("NSMIA") [Pub. L. No. 104-290, 110 Stat. 3416 (Oct. 11, 1996)] imposes on the ability of States to require information. As a result, if the securities that are the subject of this Form D are "covered securities" for purposes of NSMIA, whether in all instances or due to the nature of the offering that is the subject of this Form D, States cannot routinely require offering materials under this undertaking or otherwise and can require offering materials only to the extent NSMIA permits them to do so under NSMIA's preservation of their anti-fraud authority.

Each identified issuer has read this notice, knows the contents to be true, and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person. (Check this box and attach Signature Continuation Pages for signatures of issuers identified in Item 1 above but not represented by signer below.)

Issuer(s)

Name of Signer

Signature

Title

Number of continuation pages attached:

Date

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Item 3 Continuation Page

Item 3. Related Persons (Continued)

Last Name: Greott First Name: Richard Middle Name: W

Street Address 1: [Redacted] Street Address 2: [Redacted]

City: [Redacted] State/Province/Country: COLORADO ZIP/Postal Code: [Redacted]

Relationship(s): Executive Officer Director Promoter

Clarification of Response (if Necessary): [Redacted]

Last Name: [Redacted] First Name: [Redacted] Middle Name: [Redacted]

Street Address 1: [Redacted] Street Address 2: [Redacted]

City: [Redacted] State/Province/Country: [Redacted] ZIP/Postal Code: [Redacted]

Relationship(s): Executive Officer Director Promoter

Clarification of Response (if Necessary): [Redacted]

Last Name: [Redacted] First Name: [Redacted] Middle Name: [Redacted]

Street Address 1: [Redacted] Street Address 2: [Redacted]

City: [Redacted] State/Province/Country: [Redacted] ZIP/Postal Code: [Redacted]

Relationship(s): Executive Officer Director Promoter

Clarification of Response (if Necessary): [Redacted]

Last Name: [Redacted] First Name: [Redacted] Middle Name: [Redacted]

Street Address 1: [Redacted] Street Address 2: [Redacted]

City: [Redacted] State/Province/Country: [Redacted] ZIP/Postal Code: [Redacted]

Relationship(s): Executive Officer Director Promoter

Clarification of Response (if Necessary): [Redacted]

(Copy and use additional copies of this page as necessary.)

Signature Continuation Page

Signature and Submission

The undersigned is the duly authorized representative of the issuer(s), identified in the field beside the individual's name below.

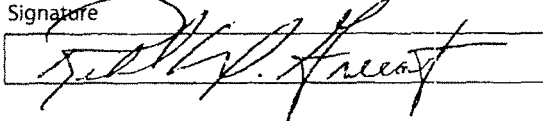
Issuer

Summit Offering - 12POSi, LLC

Name of Signer

Richard W. Greott

Signature



Title

Director

Date

4/26/2012

Issuer

Name of Signer

Signature

Title

Date

Issuer

Name of Signer

Signature

Title

Date

Issuer

Name of Signer

Signature

Title

Date

(Copy and use additional copies of this page as necessary.)

Kevin Brown

From: [REDACTED]
Sent: Friday, February 03, 2012 4:18 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Arete

Terry,
I hope that you are having a great start to 2012.

I wanted to inform you of a new SMA (Separately Managed Account) that Summit Trust will be providing and for which "business" could start flowing within the next week.

The name of the program is Arete, LLC and involves investments in agency bonds, Ginnie Mae, specifically. The advisors will be sending the checks, (along with the proper Summit forms for Self-Directed IRA or Custodial accounts) to you and awaiting word that an account has been opened in the client's name.

Each of the checks will be in the excess of \$50k.

It would be great (since this is a new program for Summit) if the client could receive a confirmation letter stating that \$ _____ was received and would be invested into the Arete, LLC Separately Managed Account (SMA) as per the client's instructions.

You may want to check with Kevin as to whether he is ok with my request.
If you want to ask me any questions, I am available on my cell phone [REDACTED]

Thanks,
Doug

Don Rasmussen

From: [REDACTED]
Sent: Monday, January 23, 2012 4:40 PM
To: Don Rasmussen
Subject: Re: attachment

Don,
I spoke with Steve, this morning. He said that there would be more information tomorrow.
By the way, Bill Sparkman did some checking on Gary as a business man in the Longmont area and found positive comments on his previous real estate business and Colony Capital, where Gary was a principal.
Move to follow.
Doug

From: [REDACTED]
To: [REDACTED]
Sent: Monday, January 23, 2012 2:46:21 PM
Subject: RE: attachment

Doug,

Hope you had a great weekend! I was just checking on whether any new info on Gary. I ran a paid research and it looked ok, but I would be interested in more in depth info he may provide. Doug, I am ready to write \$5-7 million but I just need this due diligence peace of mind.

Thanks!

Don Rasmussen
President/CEO
We-CARE Wealth & Tax Management, LLC.

"Creating Tax-FREE and Worry-FREE Retirements."™

This message is Proprietary & Confidential. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, retransmission, dissemination, or other use of, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer.

Note: Advisory Services offered through Renown Wealth Advisors, LLC. This is not a solicitation of any order to buy or sell. The information contained herein is deemed to be reliable but is in no way warranted by us as to accuracy or completeness. Messages are monitored and retained by the Company, but the company cannot guarantee the security of this message. The company, and its associates, may not accept orders to affect purchase or sale transactions, accept funds, securities, or similar instructions via email. If you are not the intended recipient of this message promptly delete

Don Rasmussen

From: [REDACTED]
Sent: Thursday, [REDACTED]
To: [REDACTED]
Subject: Conference call and attachments
Attachments: Contribution Non Qualified Jan 27 2012.pdf; Contribution Qualified Feb 1 2012.pdf; _Certification_.htm

Gentlemen:

Just a reminder that we have a conference call with Gary Snisky and Steve Tabb tomorrow at 11AM EST (10 CST and 9 AM MST)

The call in number is: [REDACTED]

I have attached the other 2 documents that were missing from yesterday's email.

Have your questions ready for Gary and our team.

All the best,
Doug

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2013.0.3345 / Virus Database: 3204/6452 - Release Date: 06/30/13

Douglas Mussen

From: [REDACTED]
Sent: [REDACTED] 2:45 PM
To: [REDACTED]
Cc: Gary Snisky
Subject: Arete
Attachments: Highlights of 5 and 10 Year Programs 2-11-2012.doc; _Certification_.htm

Gentlemen:

I am forwarding the highlights from the 5 and 10 year program for your use. Please note that these came from Gary to me and it would be helpful for everyone if we stayed "close to home" with these highlights.

Also, I have not heard from everyone about their anticipated contribution for the 1st quarter, which ends on February 29th. If you have not done so, please give me your number so that Gary can begin to lock in positions and also be able to closely predict for the state of Texas (Reg D Offering) what we will be doing in this first quarter of 2012.

Thank you for your cooperation. If you have any questions, please contact me.

All the best,
Doug

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2013.0.3345 / Virus Database: 3204/6452 - Release Date: 06/30/13

Don Rasmussen

From: [REDACTED]
Sent: Monday, February 20, 2012 5:16 PM
To: [REDACTED]
Subject: Fwd: screens
Attachments: Annuity 1a.gif; GN.gif; Annuity 1.gif; CFT Feb 8 2012.gif; DES Feb 8 2012.gif; _Certification_.htm

From: "Gary C. Snisky" [REDACTED]
To: "Doug Scott" [REDACTED]
Sent: Monday, February 20, 2012 4:56:33 PM
Subject: screens

Screenshots if needed...

GCS
Arete, LLC | Longmont, CO 80504
[REDACTED]

This transmission, including any attachments, is for the sole use of the intended recipients and contains information from Arete, LLC and/or its parent or holdings companies that may be privileged and confidential. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this transmission or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation.

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2013.0.3345 / Virus Database: 3199/6429 - Release Date: 06/21/13

Hughes, Leslie J.

From: GWYNN MEISSNER [REDACTED]
Sent: Friday, November 15, 2013 8:10 AM
To: Martin, John C.
Subject: Fw: Screens
Attachments: Annuity 1a.gif; GN.gif; Annuity 1.gif; CFT Feb 8 2012.gif; DES Feb 8 2012.gif

Mr. Martin, attached you will find the screens from Gary Snisky that were reviewed during the teleconference. Please confirm receiving this e-mail. Kenneth C. Meissner, [REDACTED]

----- Forwarded Message -----

From: Gary C. Snisky [REDACTED] **To:** [REDACTED]
Sent: Thursday, March 1, 2012 10:06 AM
Subject: Screens

Here we go...

GCS
Arete, LLC | Longmont, CO 80504
[REDACTED]

This transmission, including any attachments, is for the sole use of the intended recipients and contains information from Arete, LLC and/or its parent or holdings companies that may be privileged and confidential. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this transmission or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation

<HELP> for explanation.
Enter all values and hit <GO>.

EquitySAS

\$AVE AND \$PEND	
SAVE AS AN ANNUITY TO SPEND AS A LUMP SUM AT A FUTURE DATE	
1. TIME :	SAVE FROM 8/17/11 TO / / OR NUMBER OF <input type="checkbox"/> YEARS AND <input type="checkbox"/> MONTHS
2. ANNUAL RATE :	<input type="checkbox"/> % (COMPOUND EQUIVALENT RATE: <input type="checkbox"/> %)
3. FREQUENCY OF AND AMOUNT PER INVESTMENT :	<input type="checkbox"/> WEEKLY <input checked="" type="checkbox"/> MONTHLY <input type="checkbox"/> SEMI-ANNUAL <input type="checkbox"/> ANNUAL <input type="checkbox"/>
4. UP FRONT 1 TIME INVESTMENT :	<input type="checkbox"/>
5. VALUE AT END OF INVESTMENT :	<input type="checkbox"/>
TOTAL PAYMENTS MADE INTEREST EARNED FINAL PLAN VALUE	

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2011 Bloomberg Finance L.P.
SN 346402 EDT GMT-4:00 6385-1795-0 17-Aug-2011 11:31:46

DES

Corp DES

STRUCTURED NOTE DESCRIPTION Page 1/1

JP MORGAN STRUCT JPM 10 09/23/14 NOT PRICED

ISSUER INFORMATION		IDENTIFIERS		1) Additional Sec Info
Name JP MORGAN STRUCTURED PRO		Common	064696459	2) STN Description
Type Finance-Invest Bnkr/Brkr		ISIN	XS0646964592	3) ALLQ
Market of Issue Euro MTN		BB Number	EI7586023	4) Corporate Actions
SECURITY INFORMATION		RATINGS		5) Cds Spreads/RED Info
Country NL	Currency USD	Moody's	NA	6) Ratings
Collateral Type Bank Guaranteed		S&P	NA	7) Custom Notes
Calc Typ(13)ODD CPN METHOD		Fitch	NA	8) Identifiers
Maturity 9/23/2014	Series EMTN	DBRS	NA	9) Fees/Restrictions
NORMAL		ISSUE SIZE		10) Disclaimer Page
Coupon 10	Fixed	Amt Issued/Outstanding		11) Sec. Specific News
S/A	ISMA-30/360	USD	31,500.00 (M)/	12) Involved Parties
Announcement Dt 7/21/11		USD	31,500.00 (M)	13) Underlying Info
1st Accrual Dt 7/26/11		Min Piece/Increment		14) Issuer Information
1st Settle Date 7/26/11		31,500,000/31,500,000		15) Pricing Sources
1st Coupon Date 1/26/12		Max Amount 31,500,000		16) Related Securities
Iss Pr 101.6000		BOOK RUNNER/EXCHANGE		17) Issuer Web Page
NO PROSPECTUS		JPM		66) Send as Attachment
		NOT LISTED		

CREDIT LIMITED TO SPREPACT ENTITIES.

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
 SN 346402 EST GMT-5:00 6814-1357-1 05-Jan-2012 11:31:58

<HELP> for explanation, <MENU> for similar functions. P143 Mtge **ANNU**
Enter any three of the following four values.

ANNUITY PAYOUT PLAN ANALYZER

ENTER ANY THREE OF THE FOLLOWING FOUR VALUES-BLANK OUT FOURTH TO DETERMINE	
1- TIME: START DATE	/// to END DATE / /
OR NUMBER OF YEARS: & MONTHS	
2- ANNUAL INVESTMENT RATE :	% [Compound equivalent rate = %]
3- PERIODIC ANNUITY PAYOUT :	
& PAYOUT FREQUENCY:	WEEKLY MONTHLY SEMI-ANNUAL ANNUAL
4- INITIAL PRINCIPAL AMOUNT:	

TOTAL PAYMENTS MADE
INTEREST EARNED

FINAL PLAN BALANCE

* * * * *

DESCRIPTION:

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
SN 346402 EST GMT-5:00 6814-1357-0 05-Jan-2012 11:25:38

GRAB

Mtge CFT

PROJECTED CASH FLOWS

PAGE 3 OF 25

DownLoad: 22/03/12

G2SF POOL 6.00%

Show Cashflow

Settle 2/21/12

Ballloon or Lockout?

Delay 49(19)

Net 6 Gross 6.493

Prepayment 23.0 CPR

Orig Balance 9,659,646.60 Feb12

Curr Balance 5,000,000.00 0.51761728

Term 29: 2 Rem MAM 22: 8 IO : 0 Plan LevelPay

Note: Cashflows are "as if" and do not use actual factors.

MONTH	Date	Principal		Interest	Regular Principal	Prepaid Principal	Net Flow
		Balance	Principal				
1	3/20/12	4,884,348.90	8,101.05	25,000.00	8,101.05	107,550.05	140,651.10
2	4/20/12	4,771,318.31	7,969.40	24,421.74	7,969.40	105,061.19	137,452.34
3	5/20/12n	4,660,849.67	7,839.90	23,856.59	7,839.90	102,628.75	134,325.23
4	6/20/12	4,552,885.72	7,712.49	23,304.25	7,712.49	100,251.45	131,268.19
5	7/20/12	4,447,370.48	7,587.16	22,764.43	7,587.16	97,928.08	128,279.67
6	8/20/12	4,344,249.20	7,463.86	22,236.85	7,463.86	95,657.42	125,358.13
7	9/20/12	4,243,468.34	7,342.57	21,721.25	7,342.57	93,438.29	122,502.11
8	10/20/12n	4,144,975.54	7,223.25	21,217.34	7,223.25	91,269.55	119,710.14
9	11/20/12	4,048,719.62	7,105.87	20,724.88	7,105.87	89,150.06	116,980.80
10	12/20/12	3,954,650.51	6,990.39	20,243.60	6,990.39	87,078.72	114,312.71
11	1/20/13n	3,862,719.26	6,876.79	19,773.25	6,876.79	85,054.46	111,704.50
12	2/20/13	3,772,878.01	6,765.04	19,313.60	6,765.04	83,076.21	109,154.85

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
SN 346402 H191-1599-0 08-Feb-12 11:17:27 EST GMT-5:00

GRAB

Mtge DES

66<<GD>> Send Pool

		Security Description	
Agency	G2	Issue Date	07/01/09
Pool	4-1-1	Mty Date	07/20/39
CUSIP	337022717	Originator	Multiple Issuer
Type	(SF) Level pay		
Traits	30/360	Coupon	6.000
Generic	G2SF 6 2005		
Information as of	Feb12		

	WAC	6.493	Orig WAC*	6.484	Factor	0.51761728
WARM	272	Orig WAM	287	Orig Amt	171,873,101	
WALA	78			Curr Amt	88,964,487	
Curtailed	-16	WAOLT	358	AOLS	106,227	
		WAOCS	660	WAOLS*	153,991	
# Loans	965	WAOLTV	95	MAX LS	490,842	
		WAOLTV (HPI)	102.79			

Delay 49 (19)

TRACE Eligible

1) Month GPP 2) 21) More Historical Data

Month	Jan12	Feb12	Jan11	Nov11	Oct11	Sep11	Aug11	Jul11	Jun11	May11	Apr11	Mar11
23.1	20.1	24.1	24.1	22.2	19.3	18.8	24.9	13.4	9.0	23.1	14.5	12.3

1) Summary 2) Generic 3) Prepay 4) Geo/IOV 5) History 6) Col Comp

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2012 Bloomberg Finance L.P.
 SN 346402 H191-1599-0 08-Feb-12 11:14:53 EST GNT-S-00

Prepayments		GPR	PSA
1 Mon		23.1	385
3 Mon		22.4	374
6 Mon		21.3	355
1 Year		18.9	315
Life		21.1	352
Geographics (Top 3)			
State		%UPB	
TX			24
FL			11
GA			6



[No Subject]

Tuesday, February 28, 2012 3:33 PM

From: "dliscott@comcast.net"

To: [Redacted] "Gary Snisky" [Redacted]

★

THURSDAY

Ken the Conf call number for Friday's call at 10 AM. CST is: 2188621300, pin is 854579.

Thanks, Doug

Sent via BlackBerry from T-Mobile

*HEDGE TIME VALUE
EQUITY IN FOOT TRADING
GROUP NO LIQUIDITY
IN FOR DEFINITE PERIOD*

*BLOOMBERG INSTITUTIONAL
TRADING PL*

data breach



Protect your identity

Try this new att.net 950 | Mark as Read | Print

News | Try us for Free | **Delete** | **Reply** | **Forward** | **Spam** | **Move**

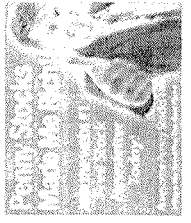
Folders | **Inbox (187)** | **Drafts (40)** | **Sent** | **Spam (0)** | **Trash** | **My Places** | **My Attachments**

Summit Trust/Arete Procedures
 From: "ghstett@comcast.net" <ghstett@comcast.net>
 To: "bcg@kmsandignasi.com, clients@att.net, bheda57@gnail.com, darrbyw@earthlink.net"

Gentlemen,
 I think it is a good idea to review the procedures that are followed when a client submits paperwork for either the 5 year or the 10 year program
 Once the client's paperwork is filled out
 1. Scan and email to me a copy of the custodial page where the clients name, amount of the investment and the type (5 year or 20 year) is indicated. If I don't get this I will not be able to follow up on steps 2-4
 2. Overnight to the Las Vegas office of Summit Trust (6661 West Sahara Ave, Suite 215, Las Vegas, NV 89117) the original paperwork "including the check", the Summit custodial form (or the Self Directed IRA form) and the Arete Placement paperwork.
 3. Summit will mail an acknowledgement letter to the client with the amount of the investment and the program they chose for their investment. ie **Arete SMA 5 year or 10 year program**. I am trying to get **Terry Lee at Summit** to copy the advisor on this letter.
 4. Once the check has cleared and the properly filled out paperwork Summit Trust is at Summit Trust, the funds will be wired to Arete (Summit will also complete the "Contributor's Agreement and send that to Gary)
 if all the necessary forms are included with paperwork, the funds should be in the hands of Arete within 3-4 days of receipt at Summit Trust's Las Vegas office

Warmest regards,
 Doug

- Barcolona Trip
- Carnival Cruise
- Europe
- Days Out on the Bay
- Honolulu
- Kona and Tolu
- Kurt Christmas
- Kurt Photos
- Mimi J Apples
- Mimi Movie
- Michelle Camp
- New Years Eve
- Prisons Photo
- Reunion Photos
- Trailer School



Kevin Brown

From: [REDACTED]
Sent: Thursday, February 09, 2012 4:09 PM
To: Kevin Brown
Subject: Re: Follow Up to Initial Meeting Pertaining to Treasury Bond Programs

Jeff,
Great letter. I hope that you receive a favorable response.

If the opportunity is increasing that World Challenge might "put their toe in the water" and place some funds with Arete, it is the opinion of Gary and me that you should attend a "day's training" in Longmont, CO to be able to facilitate the Arete program and maintain the type of consistency that we feel is important "to do things right".

We have tentatively scheduled the next training dates for the 12th and 13th of March. We start with an informal dinner that Gary hosts at a local restaurant on Monday night and meet the next day for a full day of training that lasts about 5 hours.

Please let me know if this would work with your schedule.

By the way, you mentioned that you had a couple of guys that you wanted to refer to Arete. If that is still true, we should schedule a conference call with Gary, Steve, you and the advisors.

All the best,
Doug

From: Kevin Brown" [REDACTED]
To: [REDACTED]
Sent: Thursday, February 9, 2012 2:56:53 PM
Subject: FW: Follow Up to Initial Meeting Pertaining to Treasury Bond Programs

From: Jeffery Lumkes [mailto:[REDACTED]]
Sent: Thursday, February 09, 2012 2:50 PM
To: Jeff Sandifer
Cc: [REDACTED] [REDACTED] [REDACTED]
Subj Initial Meeting Pertaining to Treasury Bond Programs

9 February 2012

Good Afternoon Jeff,

Based upon our initial discussion in our first meeting and the high degree of probability the financial challenges experienced over the past several years are going to persist, I want to

ask you if there is a next step in the way of further discussion, another meeting, perhaps an appointment with both you and Roger, that World Challenge believes would be in their best interest.

I am quite confident that between the bond programs we offer, our commitment to becoming a true partner through transparency, and our willingness to invest time into learning how we can maximize the value of our relationship to better support World Challenge and their ministry partners, we have created a unique and highly valuable package. A package to be quite honest, not offered by most investment banks.

As it is policy to confine our initial meetings to one or at the most two topics to prevent confusion and misunderstanding, I was unable to discuss any of our additional resources which may be of interest to World Challenge.

Although I assume one exists, I have yet to be made aware of another organization which specializes in consistently elevating exceptional value and values while instilling confidence and comfort in those they serve.

We are what you may consider obsessed with attention to detail, particularly those details such as significantly greater return on investment, unheard of transparency and access, comfort and confidence.

What the industry defines as mutually exclusive and incompatible, we believe to be inclusive and an absolute necessity.

As I mentioned, if our initial discussion was of interest and value, perhaps we could arrange an appointment with Roger when he is in town, to discuss how we would best be able to help World Challenge exceed their expectations for 2012 and beyond.

Warmest Regards,

Jeff Lumkes

Centerpoint Capital & Equity Partners LLC
EResource Technology LLC

800-594-3076 Off
214-824-2465 Fax

"Whatever You Do, Make It a Masterpiece!"

IRS Circular 230 Notice: Pursuant to relevant U.S. Treasury regulations, we inform you that any tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

Don Rasmussen

From: [REDACTED]
Sent: Wednesday, June 20, 2012 1:17 PM
To: Don Rasmussen
Subject: Re: Gary Snisky

Don,
Gary will call you on Friday after 10AM. I suppose he will try the office.
I will not be on the call as I am traveling with my family across PA!

God bless you my brother.
Doug

From: "Don Rasmussen" [REDACTED]
To: [REDACTED]
Sent: Tuesday, June 19, 2012 4:03:25 PM
Subject: RE: Gary Snisky

How about Friday after 10 central?

From: d1scott@comcast.net [REDACTED]
Sent: Monday, June 18, 2012 11:25 AM
To: Don Rasmussen
Subject: Gary Snisky

Don,
I hope you and Joanne enjoyed your trip to Lancaster, PA. That part of PA is almost as scenic as Mooresville, NC.
Has anything happened on the sale of your home?

I spent parts of 3 days with Gary Snisky last week and he asked if I could coordinate a conference call with you to discuss your intentions regarding the loan he made to you in late March. I feel awkward about this topic but it was my call to Gary that got him involved.
What time looks good for you this week?

Thanks Brother,
Doug

No virus found in this message.
Checked by AVG - www.avg.com
Version: 2012.0.2180 / Virus Database: 2433/5071 - Release Date: 06/15/12

No virus found in this message.
Checked by AVG - www.avg.com
Version: 2013.0.3345 / Virus Database: 3199/6429 - Release Date: 06/21/13

No virus found in this message.
Checked by AVG - www.avg.com
Version: 2012.0.2180 / Virus Database: 2437/5081 - Release Date: 06/20/12

Kevin Brown

From: [REDACTED]
Sent: Thursday, May 31, 2012 8:33 PM
To: Kevin Brown
Subject: Arete

Kevin,
I hope you will enjoy the few days off. (If that is what you are doing.)

I wanted to update you on some exciting developments at Arete.

You may recall that Gary recently moved his banking relationship to US Bank because he believed they would give more attention to his accounts and expedite wires and such that he would be doing in the future. Frankly, Key Bank wasn't giving him VIP treatment.

As he was moving his accounts over the US Bank account executive naturally asked him some details about his business. (Know your customer stuff)

After he was finished a VP of business development (or something like that) asked if they could talk some more about his business and expressed an interest in the "Bloomberg" side of things. It so happens that US Bank is also licensed to be on Bloomberg (the Institutional side)

It seems that the returns that they are able to generate for their high net worth clients is considerably less than what Gary is doing. One thing led to another and before long US Bank was asking if they could use Gary to manage a portion of their clients' money. Over the last two weeks US Bank has been doing their due diligence on Gary and yesterday they announced that they want to proceed with their plan to use Gary. Since Gary's system is "proprietary" he will only reveal so much to them but apparently it was enough for them to make a decision to move forward.

I will be meeting with Douglas Priest, the executive at US Bank when I am in Longmont the 11th and 12th of June.

Gary has already explained that he will not accept any funds from US Bank directly and that he uses a trust company (Summit) to act as custodian and aggregator of funds. The bank was delighted that he has that type of relationship in place and said using Summit would take some responsibility off their shoulders.

Because the money would flow from US Bank to Summit Trust it cannot go from Summit back into an account that Gary has with US Bank, as it would appear to be a conflict of interest. As a result, Gary will have to take certain of his bank accounts back to Key Bank. Key Bank will once again become the banking relationship that he will be using for any business coming through Summit Trust.

Gary wanted to tell you this himself and asked if I would arrange a call for tomorrow. His in-house accountant also thought that since tomorrow is the 1st of June it would be best if any wires coming from Summit would be sent to the account Gary is establishing at Key Bank. (He was driving to Key Bank today when he called me and asked for the call with you.)

So while I could not for-see you having any issue with him using Key Bank again, he wanted to answer any questions you might have before any more wire transfers went out.

If you are OK with this, I will call Jennifer at Les' office and ask her to hold up any future wire transfers to Arete until you authorize them and she gets the new account information. If you don't want me to do this, that's fine, as long as no more wires are sent to US Bank.

Sorry for the long email but it takes so much longer to type it than say it.

We can certainly talk about this when you are back in the office but Gary thought the sooner you had a "heads up" on the banking change the better.

Doug

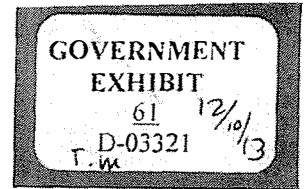
Kevin Brown

From: [REDACTED]
Sent: Tuesday, October 09, 2012 2:39 PM
To: Kevin Brown
Cc: Gary Snisky
Subject: Call with Les

Kevin,
Gary and I spoke with Les today so that we could address his concerns about the paperwork. It was agreed that going forward the offering will not contain the name Summit in any way. The new name will be Salmon Trust and will appear on all paperwork going forward. (Gary's lawyer is preparing the new paperwork this week.) Les also suggested that we include an Asset Purchase form in the Client Information kit. While it was always in the Self-Directed IRA kit it was not used with Non- IRA money. I believe we have satisfied all the concerns Les had.

I will be heading to Colorado in two weeks and among other things expect to meet with someone representing one of the school districts there. The plan is for teachers to invest a portion of their 403(b) money with Gary. All of these funds would go through Summit. I don't know how quickly things will progress after my visit but hopefully a group of teachers will start off and the rest will follow. I will certainly keep you updated on that. There may be a reason to create a link to the Summit website that is for this group of teachers in the future. We can discuss that if necessary.
Doug

RECEIVED
2013 JUL 17 AM 11:45
DIVISION OF ENFORCEMENT



July 13, 2013

Cromarty Group was founded in February, 2012. There are no records prior to that date nor are there any bank accounts that existed prior to that date that have any relationship to The Cromarty Group.

I have been the only member. There are no officers, directors, employees or representatives of any kind. There are no subsidiaries, parent companies or affiliated entities.

James D. (Doug) Scott is my husband.

I have never met Gary Snisky or any of his employees nor do I know if he has any employees, representatives or agents. I heard Doug Scott mention his name and I know that Doug has visited with him in Colorado several times during the spring and summer of 2012.

I never heard of David Sorrells and know nothing about any employees, representatives or agents of his.

I have never heard of Arete, LLC.

I have never heard of CMG Offering 5, CMG Offering, or 12PO5i, LLC.

I have never heard of CMG Offering 10, CMG Offering-12PO10i, LLC.

I have never heard of Cornerstone or Cornerstone Marketing Group, LLC.

I have never heard of New Direction or New Direction IRA Inc.

My husband worked with Summit Trust and Kevin Brown from 2006 until January 2012 I know nothing about any members, clients, officers, directors, employees, representatives, agents, predecessors or anything about their operations.

I have no documents relating to any of these entities.

Background

1. The Cromarty Group is not nor ever has been registered in any capacity with the Security and Exchange Commission, any broker dealer or investment advisor.
2. I am the only member of the Cromarty Group and there are no directors, principals or employees.
3. To the best of my knowledge, The Cromarty Group maintained no email account or website.

Business Activities and Relationships:

4. To the best of my knowledge, there are no documents of any relationship regarding Cromarty Group and Arete, CMG Offering 5, CMG Offering 10, Cornerstone, New Direction, Summit Trust, Snisky and Sorrels.
5. To the best of my there are no documents related to any transaction or business dealings regarding Cromarty Group and Arete, CMG Offering 5, CMG Offering 10, Cornerstone, New Direction, Summit Trust, Snisky, and Sorrells.
6. I have no records of any communications regarding any communications with Arete, CMG Offering 5, CMG Offering 10, Cornerstone, New Direction, Summit Trust, Snisky and Sorrells.
7. I am including with this information a copy of the bank account that Cromarty Group maintained at Wells Fargo showing the incoming wire transfers from Arete/Snisky and the paid amounts to Summit Trust. Otherwise, there was no compensation paid, received transferred, loaned or transmitted to CMG Offering 5, CMG Offering 10, Cornerstone, New Direction and Sorrells.

Respectively,



Linda F. Close

Kevin Brown

From: [REDACTED]
Sent: Monday, April 02, 2012 6:21 PM
To: Kevin Brown
Subject: Arete
Attachments: 20120402161605496.pdf

Kevin, Mike Tomich has attached a copy of application and Arete paperwork(he 2 days to Summit) for our records. He will only do the 5 year model but just so there is no question, I thought I would mention it to you.
Doug
Sent via BlackBerry from T-Mobile

From: "Mike" [REDACTED]
Date: Mon, 2 Apr 2012 17:02:01 -0400
To: [REDACTED]
Subject:

Doug,

Look this over and call me, in 25 minutes. I am going to the post office to next day mail this order.

Mike Tomich

From: Kevin Brown
Sent: Thu Mar 22 11:44:40 2012
To: [REDACTED]
Subject: Re: Ken Meissner
Importance: Normal

I remember those commercials
On Mar 22, 2012 11:43 AM, [REDACTED] wrote:

> Thanks. I have a few of the old brochures lying around but I would prefer
> the new ones.

>
> Thanks for your support. (Bartles and James)

>
>
>
>
>
>
> -----

>
> *From: *"Kevin Brown" [REDACTED]
> *To: * [REDACTED]
> *Sent: *Thursday, March 22, 2012 11:38:12 AM
> *Subject: *RE: Ken Meissner

>
> Jutta took care of it this morning.

>
> -----
> *From: * [REDACTED] [REDACTED]
> *Sent: * Thursday, March 22, 2012 11:30 AM
> *To: * Kevin Brown
> *Subject: * Re: Ken Meissner

>
> Yes; I was in a hurry and forgot to complete my thought.

>
> -----
> *From: *"Kevin Brown" [REDACTED]
> *To: * [REDACTED]
> *Sent: *Thursday, March 22, 2012 7:13:41 AM
> *Subject: *RE: Ken Meissner

>
> I am guessing you mean Summit brochures, right?

>
> -----
> *From: * [REDACTED] [mailto:[REDACTED]]
> *Sent: * Wednesday, March 21, 2012 4:35 PM
> *To: * [REDACTED]
> *Subject: * Ken Meissner

>
> Kevin,
>
>
>

> Ken Meissner has several clients that are ready to invest in the Arete
> program. He is asking for some brochures.

>

>

>

> Can Jutta send him 5 or 6 brochures? It would be very helpful.

>

>

>

>

>

> His address is :

>

>

>

> [REDACTED]

>

> [REDACTED]

>

>

>

> Thanks

>

>

>

> Doug

>

>

>

>

>

>

>

> _____

>

> "This message may contain confidential and/or privileged information. If you are not the
> addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or
> take any action based on this message or any information herein. If you have received this
> message in error, please advise the sender immediately by reply e-mail and delete this
> message. Thank you for your cooperation."

>

>

>

> _____

>

> "This message may contain confidential and/or privileged information. If you are not the
> addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or
> take any action based on this message or any information herein. If you have received this
> message in error, please advise the sender immediately by reply e-mail and delete this
> message. Thank you for your cooperation."

>

>

>

Kevin Brown

From: [REDACTED]
Sent: Wednesday, March 28, 2012 5:15 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Arete and Mike Tomich

Terry,

I believe you should have received one or two packages with business for the Arete SMA. Mike Tomich and/or Ken Meissner are sending in business. I did not know if you were familiar with this type of business so I wanted to give you a "heads up". If there are questions or issues with the way the forms are filled out, please call me so I can get the advisor on the phone to correct.

You and I spoke about this investment 2-3 weeks ago while I was driving to Los Angeles. You agreed to send a letter to the client welcoming them to Summit and acknowledging the amount of the investment.

Thanks Terry,

Doug

Kevin Brown

From: [REDACTED]
Sent: Tuesday, April 10, 2012 11:21 AM
To: kevinbrown@summittrust.com
Subject: Arete Business

Kevin,

I hope that you had a nice Easter with your family.

I wanted to review the Arete business that is in different stages of the process and to see if Contribution Agreements have been completed for those that have been in Las Vegas for awhile.

Marcia Schutte...\$50,000 in the 5year plan (Mike Tomich)
Jack Chadwick...\$50,000 in the 10 year plan (Ken Meissner)

You did send me a confirmation of the Contribution Agreement for Duane and Gloria Voorman for \$200,000.

If it is not too much trouble, I would like to know when the Contributions Agreements are completed for each person.

The advisors are calling me to check. (In this case, Ken Meissner and Mike Tomich have called!)

There are several other cases that have been recently sent in but I doubt their checks would have arrived in Las Vegas before today:

Anne Savage, \$164,840...5year plan
Eleanor Weems, \$100,000...10 year plan

Thanks,
Doug

From: Kevin Brown
Sent: Tue Jul 10 13:16:50 2012
To: [REDACTED]
Cc: Gary Snisky
Subject: FW: Mary G. Hart IRA [REDACTED]
Importance: Normal

FYI.

Kevin C. Brown, President

Summit Trust Company

[REDACTED]

[REDACTED]

[REDACTED]

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

From: Theresa Le [REDACTED]
Sent: Tuesday, July 10, 2012 12:49 PM
To: Kevin Brown
Subject: Mary G. Hart IRA [REDACTED]

Hi Kevin,

We just opened this IRA account (Ken Meissner is the advisor) and the client wants to purchase a "10 year Summit Offering - 12PO10i LLC Private Offering with Arete". The investment amount is \$56,000.00 and the documents are in the secure folder in case you will need them to complete

DIVISION EXH. 36

FOIA Confidential Treatment Requested

STC-0074538

the Contribution Form.

Name of client: Mary G. Hall

Address: [REDACTED]

Thank you!

Theresa Le

Summit Trust Company

[REDACTED]

[REDACTED]

[REDACTED]

www.summittrust.com

PLEASE NOTE: Effective August 1, 2011, Summit Trust Company's Las Vegas office has moved. Please direct all correspondence (including account documents) intended for this office to: Summit Trust Company, 8861 West Sahara Ave., Suite 215, Las Vegas, NV 89117.

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

DIVISION EXH. 36

FOIA Confidential Treatment Requested

STC-0074539

XFINITY Connect

d1scott@comcast.net

± Font Size -

Ginnie Mae 10 yr. contract, Qualified funds - IRA

From : GWYNN MEISSNER [REDACTED]
Subject : Ginnie Mae 10 yr. contract, Qualified funds - IRA
To : Doug Scott [REDACTED]

Mon, Jun 25, 2012 11:47 AM

Investers name is Mark E. Hart. The approximate amount is \$149,500 sitting in cash in a CLA Investments account to be transferred to Summit via cash transfer authorization. Ken

From: Tom Porro
Sent: Tue Apr 10 12:16:46 2012
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: Arete
Importance: Normal

Hi Doug,

We sent a \$250,000 wire (the Voorman & Schutte funds) on April 4 to the US Bank account listed in the investment agreement (ending in 0996). Please let me know if you didn't receive it and we'll have our bank start a trace. I will also hold off on the Chadwick wire until I hear back from you.

Tom

From: [REDACTED]
Sent: Tuesday, April 10, 2012 11:55 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Arete

Gentlemen:

I am trying to track the flow of money from the client to Summit Trust (SMA) to Arete, LLC if possible.

Kevin told me that he completed Contributions Agreements for the following clients and emailed them to Terry:

Duane and Gloria Voorman ...\$200,000.

Marcia Schutte..... \$50,000

Jack Chadwick..... \$50,000.

I don't think that any money has been wire to Arete, LLC.

I assume that Tom executes the actual wiring of the funds to Arete.

DIVISION EXH. 38

Can you tell me when the funds (\$300,000) will be wired to Arete and can I receive a confirmation of those transactions in the future?

Any questions, please call me. [REDACTED]

Thanks,

Doug

Kevin Brown

From: [REDACTED]
Sent: Thursday, April 19, 2012 2:43 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: Arete

Terry,

I hope all is well with you. I sent you a email earlier this week in which I asked that advisors be sent a copy of the welcome letter their client receives when investing in Arete SMA.

I don't know if you saw that correspondence or not.

It can be embarrassing when a client receives a letter from Summit Trust and subsequently asks the advisor about a detail of the letter and the advisor has no idea what he is being asked.

The purpose of the "copy" would be to allieviate this potential problem.

Can you please let me know if that is something we can do on all business having to do with Arete?

Also, you previously sent me a list of 3 clients who had money wired to Arete; is there another group of clients who have funds ready t to be wired this week?

(Tom Porro indicated that he was ready to do another wire.)

Are all the necessary forms ready to be electronically sent to Arete?

Thanks so much,

Doug

From: Kevin Brown
Sent: Mon Apr 30 17:39:50 2012
To: Terry Lee
Subject: RE: Arete
Importance: Normal

Terry,

Jutta scanned this to the secure folder today. Did you see it?

Kevin

From: Terry Lee [mailto: [REDACTED]]
Sent: Tuesday, April 24, 2012 6:35 PM
To: [REDACTED]
Cc: Kevin Brown
Subject: RE: Arete

Not yet.

Best Regards,

Terry Lee

Summit Trust Company

[REDACTED]

[REDACTED]

[REDACTED]

www.summittrust.com

PLEASE NOTE: Effective August 1, 2011, Summit Trust Company's Las Vegas office has moved. Please direct all correspondence (including account documents) intended for this office to: Summit Trust Company, 8861 West Sahara Ave., Suite 215, Las Vegas, NV 89117.

From: [REDACTED]
Sent: Tuesday, April 24, 2012 11:25 AM
To: Terry Lee
Subject: Fw: Arete

DIVISION EXH. 40

FOIA Confidential Treatment Requested

STC-0073049

Terry, do you have all the necessary paperwork from kevin for anne savage?
Doug

Sent via BlackBerry from T-Mobile

*From: [REDACTED]
*Date: *Tue, 24 Apr 2012 17:37:48 +0000
*To: *Tom [REDACTED]
*ReplyTo: [REDACTED]
*Subject: *Re: Arete

Tom, (I assume this is for Anne Savage.) Arete cannot take \$.35. Other than that you can send the \$166,498. Thanks for the update. Doug

Sent via BlackBerry from T-Mobile

*From: *"Tom Porro" [REDACTED]
*Date: *Tue, 24 Apr 2012 13:17:40 -0400
*To: [REDACTED]
*Subject: *RE: Arete

Hi Doug,

I have some more funds to send you. Do you want/need certain round numbers, or should I send you everything (\$166,498.35)? Thanks

Tom

*From: [REDACTED]
*Sent: * Thursday, April 19, 2012 5:59 PM
*To: * Tom Porro
*Subject: * Re: Arete

DIVISION EXH. 40

Thank you.

Sent via BlackBerry from T-Mobile

*From: *"Tom Porro" [REDACTED]

*Date: *Thu, 19 Apr 2012 17:25:26 -0400

*To: [REDACTED]

*Cc: [REDACTED]

*Subject: *RE: Arete

Hi Doug,

The wire went out this afternoon. It was for \$365,750, broken down as follows:

Jerome Beland IRA – 5 year interest - \$215,750

Eleanor Weems – 10 year interest - \$100,000

Jack Chadwick – 10 year interest - \$50,000

Thanks

Tom

From: [REDACTED]

Sent: Thursday, April 19, 2012 11:22 AM

To: Tom Porro

Subject: Re: Arete

DIVISION EXH. 40

Tom,

Can you let me know when and how much the wire would be?

Thanks,

Doug

*From: *"Tom Porro" [REDACTED]
[REDACTED]
*Sent: *Thursday, April 19, 2012 11:16:30 AM
*Subject: *RE: Arete

Hi Doug,

Any update on this? We have a couple of accounts with funds to invest now. Thanks

Tom

From: [REDACTED]
Sent: Tuesday, April 10, 2012 12:23 PM
To: Tom Porro
Subject: Re: Arete

Thanks for your quick reply; I will check on that immediately and update you.

*From: *"Tom Porro" [REDACTED]
*To: [REDACTED]
*Cc: [REDACTED]
*Sent: *Tuesday, April 10, 2012 12:16:46 PM
*Subject: *RE: Arete

Hi Doug,

We sent a \$250,000 wire (the Voorman & Schutte funds) on April 4 to the US Bank account listed in the investment agreement (ending in 0996). Please let me know if you didn't receive it and we'll have our bank start a trace. I will also hold off on the Chadwick wire until I hear back from you.

DIVISION EXH. 40

Tom

From: [REDACTED]
Sent: Tuesday, April 10, 2012 11:55 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Arete

Gentlemen:

I am trying to track the flow of money from the client to Summit Trust (SMA) to Arete, LLC if possible.

Kevin told me that he completed Contributions Agreements for the following clients and emailed them to Terry:

Duane and Gloria Voorman ...\$200,000.

Marcia Schutte..... \$50,000

Jack Chadwick..... \$50,000.

I don't think that any money has been wire to Arete, LLC.

I assume that Tom executes the actual wiring of the funds to Arete.

Can you tell me when the funds (\$300,000) will be wired to Arete and can I receive a confirmation of those transactions in the future?

Any questions, please call me. [REDACTED]

Thanks,

Doug

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

DIVISION EXH. 40

FOIA Confidential Treatment Requested

STC-0073054

Kevin Brown

From: [REDACTED]
Sent: Friday, May 04, 2012 12:05 PM
To: Kevin Brown
Cc: Gary Snisky
Subject: Arete

Kevin, Gary has some new banking info and forms for anything going to him after today. (Something about the new "Jobs Bill" and clause in Dodd-Frank. I will get that to you by Monday. Don't wire anything until you have this info. All is good. Have a great weekend. Doug Sent via BlackBerry from T-Mobile

Kevin Brown

From: Jennifer Revzon
Sent: Tuesday, June 05, 2012 4:40 PM
To: 'Kevin Brown'
Subject: FW: Key

Hi Kevin,

Do you know anything about this? I know last month you gave me updated wire info for Arete. Also, do you know anything about the \$214,000 that he's talking about? I don't think I have any outstanding purchases waiting.

Thank you.

Jen

From: [REDACTED]
Sent: Tuesday, June 05, 2012 3:54 PM
To: Les Revzon
Subject: Fw: Key

Jennifer, Here is the new bank info for wires to Arete, in Longmont, CO. The name of the account is "Group Summit LLC". There should be approx \$214K ready to wire. Please check with Kevin Brown to make sure he is ok with new wiring instructions. Would you be kind enough to acknowledge receipt of my email? Thanks,
Doug
Sent via BlackBerry from T-Mobile

From: "Gary C. Snisky" [REDACTED]
Date: Tue, 5 Jun 2012 12:23:40 -0600
To: Douglas Scott [REDACTED]
Subject: Key

Doug here is the Key information,

Stacey Niles
Key Bank

GCS
Arete, LLC | Longmont, CO 80504
[REDACTED]

This transmission, including any attachments, is for the sole use of the intended recipients and contains information from Arete, LLC and/or its parent or holdings companies that may be privileged and confidential. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this transmission or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation.

From: [REDACTED]
Sent: Tue Jul 10 10:15:30 2012
To: Kevin Brown
Subject: Re: Arete paperwork for 3Q2012
Importance: Normal
Attachments: Group Summit Contribution Agreement July2012.pdf

Kevin,

Here is the new (3rd quarter) form. I will have Rick Gerrott (Gary's partne=) contact you and set up the "briefcase".

Hope you had a nice vacation.

Doug

----- Original Message -----

From: "Kevin Brown" [REDACTED]
To: [REDACTED]
Sent: Tuesday, July 10, 2012 9:51:12 AM
Subject: RE: Arete paperwork for 3Q2012

Doug,

I don't have the forms (what is the briefcase?). Would you fo=ward , or let me know where I can find the briefcase?

Kevin C. Brown, President

Summit Trust Company

[REDACTED]

[REDACTED]

[REDACTED]

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

From: [REDACTED]
Sent: Tuesday, July 10, 2012 9:48 AM
To: Kevin Brown
Subject: Re: Arete paperwork for 3Q2012

Yes. I think you have an Arete Briefcase that was updated last week. But if not I can forward to you.

Sent via BlackBerry from T-Mobile

From: Kevin Brown <[REDACTED]>
Date: Tue, 10 Jul 2012 09:17:24 -0400
To: <[REDACTED]>
Subject: Arete paperwork for 3Q2012

Doug,

Does Arete have new forms for the period from July through September? We have a new account for Mark Hart IRA -- \$149K -- for the 10 year program. Ken Meissner is the rep.

DIVISION EXH. 43

Kevin C. Brown, President

Summit Trust Company

[REDACTED]

[REDACTED]

[REDACTED]

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

"This message may contain confidential and/or privileged information. If you are not the addressee or authorized to receive this for the addressee, you must not use, copy, disclose, or take any action based on this message or any information herein. If you have received this message in error, please advise the sender immediately by reply e-mail and delete this message. Thank you for your cooperation."

DIVISION EXH. 43

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 13-cv-00567-REB-KLM

UNITED STATES OF AMERICA,

Plaintiff,

v.

1. \$62,232.97 SEIZED FROM VECTRA BANK ACCOUNT [REDACTED],
2. \$6,528.63 SEIZED FROM VECTRA BANK ACCOUNT [REDACTED]
3. \$702.37 SEIZED FROM US BANK ACCOUNT [REDACTED]
4. \$24,242.52 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
\$1,004,786.66 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
\$831,786.86 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
\$19,275.96 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
8. \$15,249.67 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
9. \$2,198.38 SEIZED FROM ELEVATIONS CREDIT UNION ACCOUNT [REDACTED]
1. \$600.00 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED],
1. \$100.00 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED],
12. \$490.15 SEIZED FROM COMPASS BANK ACCOUNT [REDACTED]
13. \$340.76 SEIZED FROM WELLS FARGO BANK ACCOUNT [REDACTED]
14. \$796.60 SEIZED FROM WELLS FARGO BANK ACCOUNT [REDACTED],
15. \$5.12 SEIZED FROM NATIONAL BANK OF ARIZONA ACCOUNT [REDACTED]
16. 1 TOYOTA TACOMA, VIN [REDACTED],
17. TRIUMPH THUNDERBIRD ABS, VIN [REDACTED]



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Meissner penalty on \$7,500

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$7,500.00
05/01/2012-06/30/2012	3%	0.5%	\$37.50	\$7,537.50
07/01/2012-09/30/2012	3%	0.75%	\$56.84	\$7,594.34
10/01/2012-12/31/2012	3%	0.75%	\$57.27	\$7,651.61
01/01/2013-03/31/2013	3%	0.74%	\$56.60	\$7,708.21
04/01/2013-06/30/2013	3%	0.75%	\$57.65	\$7,765.86
07/01/2013-09/30/2013	3%	0.76%	\$58.72	\$7,824.58
10/01/2013-12/31/2013	3%	0.76%	\$59.17	\$7,883.75
01/01/2014-03/31/2014	3%	0.74%	\$58.32	\$7,942.07
04/01/2014-06/30/2014	3%	0.75%	\$59.40	\$8,001.47
07/01/2014-09/30/2014	3%	0.76%	\$60.50	\$8,061.97
10/01/2014-12/31/2014	3%	0.76%	\$60.96	\$8,122.93
01/01/2015-	3%	0.74%	\$60.09	\$8,183.02

**Prejudgment
Violation Range**

**Quarter
Interest
Total**

**Prejudgment
Total**

**08/01/2012-
03/31/2015**

\$848.68

\$11,085.68



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$6,030

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$6,030.00
05/01/2012-06/30/2012	3%	0.5%	\$30.15	\$6,060.15
07/01/2012-09/30/2012	3%	0.75%	\$45.70	\$6,105.85
10/01/2012-12/31/2012	3%	0.75%	\$46.04	\$6,151.89
01/01/2013-03/31/2013	3%	0.74%	\$45.51	\$6,197.40
04/01/2013-06/30/2013	3%	0.75%	\$46.35	\$6,243.75
07/01/2013-09/30/2013	3%	0.76%	\$47.21	\$6,290.96
10/01/2013-12/31/2013	3%	0.76%	\$47.57	\$6,338.53
01/01/2014-03/31/2014	3%	0.74%	\$46.89	\$6,385.42
04/01/2014-06/30/2014	3%	0.75%	\$47.76	\$6,433.18
07/01/2014-09/30/2014	3%	0.76%	\$48.65	\$6,481.83
10/01/2014-12/31/2014	3%	0.76%	\$49.01	\$6,530.84
01/01/2015-	3%	0.74%	\$48.31	\$6,579.15

03/31/2015

Prejudgment Violation Range	Quarter Interest Total	Prejudgment Total
05/01/2012- 03/31/2015	\$549.15	\$6,579.15



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$12,043.60

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$12,043.60
06/01/2012-06/30/2012	3%	0.25%	\$29.62	\$12,073.22
07/01/2012-09/30/2012	3%	0.75%	\$91.04	\$12,164.26
10/01/2012-12/31/2012	3%	0.75%	\$91.73	\$12,255.99
01/01/2013-03/31/2013	3%	0.74%	\$90.66	\$12,346.65
04/01/2013-06/30/2013	3%	0.75%	\$92.35	\$12,439.00
07/01/2013-09/30/2013	3%	0.76%	\$94.06	\$12,533.06
10/01/2013-12/31/2013	3%	0.76%	\$94.77	\$12,627.83
01/01/2014-03/31/2014	3%	0.74%	\$93.41	\$12,721.24
04/01/2014-06/30/2014	3%	0.75%	\$95.15	\$12,816.39
07/01/2014-09/30/2014	3%	0.76%	\$96.91	\$12,913.30
10/01/2014-12/31/2014	3%	0.76%	\$97.65	\$13,010.95
01/01/2015-	3%	0.74%	\$96.25	\$13,107.20

03/31/2015

Prejudgment Violation Range	Quarter Interest Total	Prejudgment Total
06/01/2012- 03/31/2015	\$1,063.60	\$13,107.20



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$2,322.50

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$2,322.50
07/01/2012-09/30/2012	3%	0.75%	\$17.51	\$2,340.01
10/01/2012-12/31/2012	3%	0.75%	\$17.65	\$2,357.66
01/01/2013-03/31/2013	3%	0.74%	\$17.44	\$2,375.10
04/01/2013-06/30/2013	3%	0.75%	\$17.76	\$2,392.86
07/01/2013-09/30/2013	3%	0.76%	\$18.09	\$2,410.95
10/01/2013-12/31/2013	3%	0.76%	\$18.23	\$2,429.18
01/01/2014-03/31/2014	3%	0.74%	\$17.97	\$2,447.15
04/01/2014-06/30/2014	3%	0.75%	\$18.30	\$2,465.45
07/01/2014-09/30/2014	3%	0.76%	\$18.64	\$2,484.09
10/01/2014-12/31/2014	3%	0.76%	\$18.78	\$2,502.87
01/01/2015-03/31/2015	3%	0.74%	\$18.51	\$2,521.38

**Prejudgment
Violation Range**

**Quarter
Interest
Total**

**Prejudgment
Total**

**07/01/2012-
03/31/2015**

\$198.88

\$2,521.38



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$4423.74

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$4,423.74
08/01/2012-09/30/2012	3%	0.5%	\$22.12	\$4,445.86
10/01/2012-12/31/2012	3%	0.75%	\$33.53	\$4,479.39
01/01/2013-03/31/2013	3%	0.74%	\$33.14	\$4,512.53
04/01/2013-06/30/2013	3%	0.75%	\$33.75	\$4,546.28
07/01/2013-09/30/2013	3%	0.76%	\$34.38	\$4,580.66
10/01/2013-12/31/2013	3%	0.76%	\$34.64	\$4,615.30
01/01/2014-03/31/2014	3%	0.74%	\$34.14	\$4,649.44
04/01/2014-06/30/2014	3%	0.75%	\$34.78	\$4,684.22
07/01/2014-09/30/2014	3%	0.76%	\$35.42	\$4,719.64
10/01/2014-12/31/2014	3%	0.76%	\$35.69	\$4,755.33
01/01/2015-03/31/2015	3%	0.74%	\$35.18	\$4,790.51

**Prejudgment
Violation Range**

**Quarter
Interest
Total**

**Prejudgment
Total**

**08/01/2012-
03/31/2015**

\$366.77

\$4,790.51



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$909.00

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$909.00
09/01/2012- 09/30/2012	3%	0.25%	\$2.24	\$911.24
10/01/2012- 12/31/2012	3%	0.75%	\$6.87	\$918.11
01/01/2013- 03/31/2013	3%	0.74%	\$6.79	\$924.90
04/01/2013- 06/30/2013	3%	0.75%	\$6.92	\$931.82
07/01/2013- 09/30/2013	3%	0.76%	\$7.05	\$938.87
10/01/2013- 12/31/2013	3%	0.76%	\$7.10	\$945.97
01/01/2014- 03/31/2014	3%	0.74%	\$7.00	\$952.97
04/01/2014- 06/30/2014	3%	0.75%	\$7.13	\$960.10
07/01/2014- 09/30/2014	3%	0.76%	\$7.26	\$967.36
10/01/2014- 12/31/2014	3%	0.76%	\$7.31	\$974.67
01/01/2015- 03/31/2015	3%	0.74%	\$7.21	\$981.88

**Prejudgment
Violation Range**

**Quarter
Interest
Total**

**Prejudgment
Total**

**09/01/2012-
03/31/2015**

\$72.88

\$981.88



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$145.00

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$145.00
10/01/2012-12/31/2012	3%	0.75%	\$1.09	\$146.09
01/01/2013-03/31/2013	3%	0.74%	\$1.08	\$147.17
04/01/2013-06/30/2013	3%	0.75%	\$1.10	\$148.27
07/01/2013-09/30/2013	3%	0.76%	\$1.12	\$149.39
10/01/2013-12/31/2013	3%	0.76%	\$1.13	\$150.52
01/01/2014-03/31/2014	3%	0.74%	\$1.11	\$151.63
04/01/2014-06/30/2014	3%	0.75%	\$1.13	\$152.76
07/01/2014-09/30/2014	3%	0.76%	\$1.16	\$153.92
10/01/2014-12/31/2014	3%	0.76%	\$1.16	\$155.08
01/01/2015-03/31/2015	3%	0.74%	\$1.15	\$156.23
Prejudgment Violation Range			Quarter Interest Total	Prejudgment Total
10/01/2012-03/31/2015			\$11.23	\$156.23



U.S. Securities and Exchange Commission

Division of Enforcement

Prejudgment Interest Report

Doug Scott Prejudgment Interest Calculation:\$424.00

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$424.00
11/01/2012-12/31/2012	3%	0.5%	\$2.12	\$426.12
01/01/2013-03/31/2013	3%	0.74%	\$3.15	\$429.27
04/01/2013-06/30/2013	3%	0.75%	\$3.21	\$432.48
07/01/2013-09/30/2013	3%	0.76%	\$3.27	\$435.75
10/01/2013-12/31/2013	3%	0.76%	\$3.29	\$439.04
01/01/2014-03/31/2014	3%	0.74%	\$3.25	\$442.29
04/01/2014-06/30/2014	3%	0.75%	\$3.31	\$445.60
07/01/2014-09/30/2014	3%	0.76%	\$3.37	\$448.97
10/01/2014-12/31/2014	3%	0.76%	\$3.39	\$452.36
01/01/2015-03/31/2015	3%	0.74%	\$3.35	\$455.71
Prejudgment Violation Range			Quarter Interest Total	Prejudgment Total
11/01/2012-03/31/2015			\$31.71	\$455.71

Arete, LLC						
US Bank Account No, xxxxxx0996						
08/22/2011 - 05/10/2012						
Date	Transaction Type	Source / Payee	Category	Credits	Withdrawals	Balance
8/22/2011	balance					\$ -
8/22/2011	deposit	Maria Aria and Glafira Benites	Maria Aria and Glafira Benites	\$ 102,000.00		
8/22/2011	deposit	Refund Overdraft Charge	miscellaneous	\$ 5.00		
8/29/2011	check card	Staples	office supplies		\$ 185.44	
8/29/2011	Withdrawal	Check Printing Charge	miscellaneous		\$ 5.00	
8/30/2011	check card	PNCO	miscellaneous		\$ 36.10	
8/31/2011	1002	David Sorrells	David Sorrells		\$ 8,240.00	
8/31/2011	check card	Irvine Self Storage	miscellaneous		\$ 1,795.80	
8/31/2011	check card	Sun Rose Café	restaurant		\$ 42.81	
9/1/2011	balance					\$ 91,699.85
9/2/2011	check card	Sun Rose Café	restaurant		\$ 32.37	
9/2/2011	deposit	Maria Aria and Glafira Benites	Maria Aria and Glafira Benites	\$ 520,000.00		
9/2/2011	deposit	Sharyn Smith	Sharyn Smith	\$ 50,500.00		
9/6/2011	check card	Safeway	groceries		\$ 85.11	
9/6/2011	check card	Sun Rose Café	restaurant		\$ 21.31	
9/6/2011	check card	Sun Rose Café	restaurant		\$ 27.91	
9/6/2011	deposit	Reverse Charge	mmi	\$ 33.00		
9/6/2011	Withdrawal	Overdraft Charge	miscellaneous		\$ 33.00	
9/7/2011	check card	Purchase with PIN	miscellaneous		\$ 26.65	
9/9/2011	check card	Sun Rose Café	restaurant		\$ 34.21	
9/12/2011	1006	no detail	no detail		\$ 89.00	
9/12/2011	check card	Sun Rose Café	restaurant		\$ 30.53	
9/12/2011	check card	Sun Rose Café	restaurant		\$ 34.27	
9/13/2011	deposit	James G Mini	James G Mini	\$ 85,000.00		
9/13/2011	wire	The Entrust	The Entrust	\$ 32,500.00		
9/14/2011	1003	Steve Tabb	Steve Tabb		\$ 6,230.00	
9/14/2011	1005	no detail	no detail		\$ 291.00	
9/14/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 48,400.00	
9/15/2011	check card	Mike Oshays	restaurant		\$ 142.49	
9/15/2011	check card	Sun Rose Café	restaurant		\$ 32.37	
9/15/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 20,000.00	
9/16/2011	1004	Pressey and Power	Pressey and Power		\$ 2,500.00	
9/16/2011	1007	Fox Hill	Fox Hill		\$ 500.00	
9/16/2011	check card	Mike Oshays	restaurant		\$ 67.01	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 10.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 10.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 10.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 10.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 500.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 500.00	
9/16/2011	check card	ZeekRewards	Zeekler.com		\$ 500.00	
9/21/2011	check card	Sun Rose Café	restaurant		\$ 83.94	
9/22/2011	check card	Sun Rose Café	restaurant		\$ 23.31	
9/23/2011	check card	Americas Best	miscellaneous		\$ 124.12	
9/23/2011	check card	Kwik Shop	miscellaneous		\$ 47.80	
9/23/2011	check card	Sun Rose Café	restaurant		\$ 36.38	
9/26/2011	check card	Ports to Plains	miscellaneous		\$ 22.79	
9/26/2011	check card	Sun Rose Café	restaurant		\$ 30.35	
9/28/2011	check card	Pinocchio's	miscellaneous		\$ 29.77	
9/28/2011	check card	Sun Rose Café	restaurant		\$ 12.96	
9/29/2011	check card	Sun Rose Café	restaurant		\$ 12.96	
9/30/2011	check card	Sun Rose Café	restaurant		\$ 11.06	
10/3/2011	balance					\$ 698,883.18
10/3/2011	check card	Irvine Self Storage	miscellaneous		\$ 378.81	
10/3/2011	check card	Sun Rose Café	restaurant		\$ 33.18	
10/3/2011	check card	USAirways	travel		\$ 453.80	
10/5/2011	check card	PNCO	miscellaneous		\$ 36.79	
10/5/2011	check card	Sun Rose Café	restaurant		\$ 50.09	
10/5/2011	check card	Sun Rose Café	restaurant		\$ 86.40	
10/6/2011	check card	Sun Rose Café	restaurant		\$ 77.07	
10/11/2011	check card	Holiday Inn	travel		\$ 126.71	

10/11/2011	check card	Holiday Inn	travel		\$ 506.84	
10/11/2011	check card	IHOP	restaurant		\$ 49.68	
10/12/2011	1008	Habanero Holdings, LLC	Habanero Holdings, LLC		\$ 1,900.00	
10/12/2011	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
10/12/2011	check card	Sun Rose Café	restaurant		\$ 10.06	
10/12/2011	check card	Sun Rose Café	restaurant		\$ 20.15	
10/12/2011	deposit	James G Mini	James G Mini	\$ 110,000.00		
10/13/2011	check card	Sun Rose Café	restaurant		\$ 10.88	
10/13/2011	check card	Sun Rose Café	restaurant		\$ 44.27	
10/13/2011	check card	Ziggis Coffee	restaurant		\$ 4.54	
10/14/2011	check card	Sun Rose Café	restaurant		\$ 25.40	
10/14/2011	check card	Westin	travel		\$ 347.32	
10/17/2011	check card	Vonage	miscellaneous		\$ 75.57	
10/17/2011	Withdrawal	Service Charge	miscellaneous		\$ 17.50	
10/18/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
10/18/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
10/18/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
10/19/2011	check card	Sun Rose Café	restaurant		\$ 11.06	
10/19/2011	check card	Sun Rose Café	restaurant		\$ 41.03	
10/20/2011	check card	Janies Café	restaurant		\$ 34.16	
10/24/2011	1009	Stylus Consulting	Stylus Consulting		\$ 717.00	
10/24/2011	check card	Sun Rose Café	restaurant		\$ 28.86	
10/24/2011	check card	Sun Rose Café	restaurant		\$ 31.08	
10/24/2011	check card	WWW.1and1.com	miscellaneous		\$ 66.95	
10/25/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 8,800.00	
10/25/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 13,000.00	
10/26/2011	check card	Sun Rose Café	restaurant		\$ 30.32	
10/27/2011	check card	Irvine Self Storage	miscellaneous		\$ 335.60	
10/27/2011	check card	Irvine Self Storage	miscellaneous		\$ 379.81	
10/31/2011	check card	Sun Rose Café	restaurant		\$ 15.36	
10/31/2011	check card	Sun Rose Café	restaurant		\$ 25.45	
11/1/2011	balance					\$ 780,764.44
11/2/2011	check card	Sun Rose Café	restaurant		\$ 56.82	
11/3/2011	check card	Sun Rose Café	restaurant		\$ 18.04	
11/3/2011	check card	Vonage	miscellaneous		\$ 59.93	
11/3/2011	deposit	Mark R Messelt	Mark R Messelt	\$ 266,295.20		
11/3/2011	wire	Oak Investment, LLC	Oak Investment, LLC		\$ 390,000.00	
11/4/2011	wire	The Entrust	The Entrust	\$ 46,242.24		
11/4/2011	wire	The Entrust	The Entrust	\$ 113,964.03		
11/7/2011	check card	Sun Rose Café	restaurant		\$ 24.91	
11/7/2011	check card	Sun Rose Café	restaurant		\$ 33.02	
11/8/2011	check card	Entrust	Entrust		\$ 590.00	
11/8/2011	Withdrawal	Deposited Item Return	Deposited Item Return		\$ 266,295.20	
11/9/2011	1010	Greeott Enterprises	Greeott Enterprises		\$ 500.00	
11/9/2011	check card	Mike Oshays	restaurant		\$ 51.99	
11/9/2011	check card	Sun Rose Café	restaurant		\$ 32.91	
11/14/2011	check card	Best Buy	household		\$ 64.64	
11/14/2011	check card	Chevron	automotive		\$ 26.01	
11/14/2011	check card	McDonalds	restaurant		\$ 6.71	
11/14/2011	check card	McDonalds	restaurant		\$ 11.42	
11/14/2011	check card	Shell Service	automotive		\$ 17.37	
11/14/2011	check card	Shell Service	automotive		\$ 25.00	
11/14/2011	check card	Shell Service	automotive		\$ 49.77	
11/14/2011	check card	WWW.1and1.com	miscellaneous		\$ 199.99	
11/14/2011	wire	Mark R Messelt	Mark R Messelt	\$ 266,295.20		
11/15/2011	check card	Ayres Hotel	travel		\$ 543.66	
11/15/2011	check card	Shell Service	automotive		\$ 41.08	
11/16/2011	check card	Circle K	automotive		\$ 13.11	
11/16/2011	check card	Pueblo Gas	automotive		\$ 31.10	
11/16/2011	check card	Shell Service	automotive		\$ 50.58	
11/17/2011	check card	Casino Arizona	entertainment		\$ 21.68	
11/17/2011	check card	Enterprise Rent-A-Car	travel		\$ 651.20	
11/17/2011	check card	Sec of State TRA	Sec of State TRA		\$ 25.00	
11/17/2011	check card	Sec of State TRA	Sec of State TRA		\$ 25.00	
11/17/2011	check card	Sec of State TRA	Sec of State TRA		\$ 25.00	
11/17/2011	check card	Sec of State TRA	Sec of State TRA		\$ 125.00	
11/17/2011	check card	Shell Service	automotive		\$ 24.00	
11/17/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 35,426.00	
11/17/2011	deposit	Vittoria Giovannucci	Vittoria Giovannucci	\$ 16,325.01		
11/18/2011	check card	Casino Arizona	entertainment		\$ 290.92	

11/18/2011	check card	Casino Arizona	entertainment		\$ 311.22	
11/18/2011	check card	Safeway	groceries		\$ 27.01	
11/18/2011	check card	Sun Rose Café	restaurant		\$ 27.72	
11/18/2011	check card	ZeekRewards	Zeekler.com		\$ 10.00	
11/18/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
11/18/2011	check card	ZeekRewards	Zeekler.com		\$ 200.00	
11/21/2011	check card	Lowes	household		\$ 69.20	
11/21/2011	check card	Lowes	household		\$ 126.22	
11/21/2011	check card	Lowes	household		\$ 162.21	
11/21/2011	check card	Lowes	household		\$ 630.81	
11/21/2011	check card	Safeway	groceries		\$ 50.00	
11/22/2011	check card	The Home Depot	household		\$ 168.45	
11/22/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
11/22/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
11/22/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
11/22/2011	customer withdrawals	Cheryl Paxton	Cheryl Paxton		\$ 5,000.00	
11/22/2011	deposit	Kelvin and Arla Menzel	Kelvin and Arla Menzel	\$ 160,000.00		
11/23/2011	check card	Sun Rose Café	restaurant		\$ 34.81	
11/25/2011	check card	Sun Rose Café	restaurant		\$ 24.86	
11/25/2011	check card	Sun Rose Café	restaurant		\$ 33.64	
11/28/2011	1013	Greeott Enterprises	Greeott Enterprises		\$ 40,000.00	
11/28/2011	wire	The Entrust	The Entrust	\$ 74,393.48		
11/29/2011	1014	G.L. Custom Builders	G.L. Custom Builders		\$ 10,000.00	
11/29/2011	check card	Westin	travel		\$ 432.28	
	1012	Habanero Holdings, LLC			\$ 883.40	
	check	Big Daddy Bagels			\$ 7.03	
12/1/2011	balance					\$ 970,327.68
12/2/2011	1011	Fox Hill	Fox Hill		\$ 1,200.00	
12/2/2011	check card	Target	household		\$ 213.33	
12/5/2011	check card	Office Depot	office supplies		\$ 269.59	
12/5/2011	check card	Vonage	miscellaneous		\$ 59.93	
12/5/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 7,500.00	
12/5/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 12,800.00	
12/7/2011	check card	SecureHQ-Swords	miscellaneous		\$ 803.50	
12/9/2011	1015	Steve Tabb	Steve Tabb		\$ 10,000.00	
12/9/2011	check card	Two Dog Diner	restaurant		\$ 15.30	
12/9/2011	check card	Two Dog Diner	restaurant		\$ 32.53	
12/12/2011	1016	Artisan Shop	Artisan Shop		\$ 15,800.00	
12/14/2011	check card	Two Dog Diner	restaurant		\$ 8.97	
12/14/2011	customer withdrawals	no detail	no detail		\$ 107.50	
12/15/2011	check card	Two Dog Diner	restaurant		\$ 30.42	
12/15/2011	check card	WWW.1and1.com	miscellaneous		\$ 199.99	
12/16/2011	1018	no detail	no detail		\$ 200.00	
12/16/2011	check card	Two Dog Diner	restaurant		\$ 29.88	
12/19/2011	1021	G.L. Custom Builders	G.L. Custom Builders		\$ 10,000.00	
12/19/2011	check card	Boulder Parking	automotive		\$ 3.75	
12/19/2011	check card	SecureHQ-Swords	miscellaneous		\$ 124.20	
12/19/2011	check card	WWW.1and1.com	miscellaneous		\$ 49.87	
12/19/2011	wire	David S Levine	David S Levine		\$ 80,000.00	
12/20/2011	check card	Two Dog Diner	restaurant		\$ 16.17	
12/20/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
12/20/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
12/20/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
12/20/2011	check card	ZeekRewards	Zeekler.com		\$ 99.00	
12/21/2011	check card	Target	household		\$ 21.62	
12/22/2011	check card	Target	household		\$ 164.40	
12/22/2011	check card	Two Dog Diner	restaurant		\$ 16.52	
12/22/2011	check card	USPS	miscellaneous		\$ 40.00	
12/23/2011	check card	Safeway	groceries		\$ 67.50	
12/23/2011	check card	Sun Rose Café	restaurant		\$ 15.50	
12/23/2011	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00	
12/23/2011	customer withdrawals		Withdrawal		\$ 7,586.00	
12/27/2011	check card	ATM	miscellaneous		\$ 503.14	
12/27/2011	check card	Diamond	miscellaneous		\$ 64.00	
12/27/2011	check card	Prime Time Shutt	household		\$ 82.00	
12/27/2011	check card	WWW.1and1.com	miscellaneous		\$ 38.97	
12/28/2011	1019	Cherpax, LLC	Cherpax, LLC		\$ 5,000.00	
1/2/2012	balance					\$ 811,867.10
1/3/2012	check card	DIA Parking	automotive		\$ 147.00	
1/3/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 2,500.00	

DIVISION EXH. 47

1/3/2012	deposit	Ann Gorham and Mattt Lacoss	Ann Gorham and Mattt Lacoss	\$ 35,000.00	
1/3/2012	deposit	The Larry Ryan Family Trust	The Larry Ryan Family Trust	\$ 50,000.00	
1/4/2012	check card	Vonage	miscellaneous		\$ 59.93
1/6/2012	1022	G.L. Custom Builders	G.L. Custom Builders		\$ 10,000.00
1/6/2012	check card	IHOP	restaurant		\$ 27.03
1/6/2012	check card	Two Dog Diner	restaurant		\$ 22.03
1/6/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		1,000.00
1/9/2012	1020	no detail	no detail		450.46
1/9/2012	check card	Two Dog Diner	restaurant		\$ 24.14
1/9/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 6,800.00
1/10/2012	1023	Gary Snisky	Gary Snisky		\$ 15,000.00
1/10/2012	check card	Two Dog Diner	restaurant		\$ 38.38
1/10/2012	deposit	The Entrust	The Entrust	\$ 52,424.93	
1/11 20 2	check card	PNCO	miscellaneous		\$ 37.39
1/11 20 2	check card	Two Dog Diner	restaurant		\$ 44.02
1/12/2012	1024	Bloomberg Finance, L.P.	Bloomberg Finance, L.P.		\$ 5,700.00
1/12/2012	check card	Ken Pratt	miscellaneous		\$ 64.90
1/12/2012	wire	New Direction IRA	New Direction IRA	\$ 35,695.75	
1/13/2012	check card	WWW.1and1.com	miscellaneous		\$ 199.99
1/13/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 3,600.00
1/17/2012	check card	City of Longmont	City of Longmont		\$ 62.44
1/17/2012	check card	City of Longmont	City of Longmont		\$ 110.07
1/17/2012	check card	Comcast Cable	miscellaneous		\$ 431.22
1/17/2012	check card	Office Depot	office supplies		\$ 74.53
1/17/2012	check card	Two Dog Diner	restaurant		\$ 40.24
1/17/2012	check card	Village Inn	restaurant		\$ 28.51
1/17/2012	check card	Xcel Energy	miscellaneous		\$ 404.85
1/17/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
1/17/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
1/17/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
1/17/2012	customer withdrawals	no detail	no detail		\$ 30.50
1/17/2012	wire	New Direction IRA	New Direction IRA	\$ 20,899.36	
1/18/2012	check card	Colterra	miscellaneous		\$ 321.28
1/18/2012	check card	Office Depot	office supplies		\$ 136.56
1/19/2012	check card	TGI Friday's	restaurant		\$ 142.15
1/19/2012	check card	Two Dog Diner	restaurant		\$ 12.01
1/19/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 1,000.00
1/20/2012	1025	no detail	no detail		\$ 50.00
1/20/2012	check card	Background Infor	miscellaneous		\$ 97.00
1/20/2012	check card	Two Dog Diner	restaurant		\$ 30.10
1/20/2012	check card	Two Dog Diner	restaurant		\$ 38.94
1/20/2012	wire	New Direction IRA	New Direction IRA	\$ 260,587.08	
1/23/2012	check card	american Furniture	household		\$ 946.14
1/23/2012	check card	Lowes	household		\$ 646.20
1/23/2012	check card	Sun Rose Café	restaurant		\$ 17.85
1/23/2012	check card	Two Dog Diner	restaurant		\$ 29.75
1/23/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 3,500.00
1/23/2012	wire	New Direction IRA	New Direction IRA	\$ 30,240.04	
1/24/2012	1026	Artisan Shop	Artisan Shop		\$ 18,759.00
1/24/2012	1027	Artisan Shop	Artisan Shop		\$ 841.00
1/24/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
1/24/2012	wire	New Direction IRA	New Direction IRA	\$ 53,067.93	
1/25/2012	1033	Cherpax, LLC	Cherpax, LLC		\$ 5,000.00
1/25/2012	check card	Best Buy	household		\$ 142.58
1/25/2012	check card	Two Dog Diner	restaurant		\$ 29.97
1/26/2012	check card	Staples	office supplies		\$ 381.78
1/26/2012	check card	Sun Rose Café	restaurant		\$ 33.46
1/27/2012	1031	Fox Hill	Fox Hill		\$ 500.00
1/27/2012	1034	G.L. Custom Builders	G.L. Custom Builders		\$ 20,412.00
1/27/2012	check card	Office Depot	office supplies		\$ 263.46
1/27/2012	check card	Sun Rose Café	restaurant		\$ 10.06
1/30/2012	check card	american Furniture	household	\$ 946.14	
1/30/2012	check card	Sun Rose Café	restaurant		\$ 37.51
1/30/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 10,000.00
1/31/2012	check card	Office Depot	office supplies		\$ 103.13
1/31/2012	check card	Office Depot	office supplies		\$ 907.68
1/31/2012	check card	Two Dog Diner	restaurant		\$ 14.21
1/31/2012	wire	New Direction IRA	New Direction IRA	\$ 22,500.67	
1/31/2012	wire	New Direction IRA	New Direction IRA	\$ 41,100.42	
2/1/2012	balance				\$ 1,302,631.97

DIVISION EXH. 47

2/1/2012	check card	Two Dog Diner	restaurant		\$ 14.21
2/1/2012	check card	ZeekRewards	Zeekler.com		\$ 9.99
2/1/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 4,000.00
2/1/2012	wire	New Direction IRA	New Direction IRA	\$ 17,650.80	
2/1/2012	wire	New Direction IRA	New Direction IRA	\$ 19,066.59	
2/2/2012	check card	Two Dog Diner	restaurant		\$ 14.21
2/2/2012	check card	Two Dog Diner	restaurant		\$ 37.85
2/2/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 33,776.00
2/3/2012	check card	Two Dog Diner	restaurant		\$ 25.42
2/3/2012	check card	Vonage	miscellaneous		\$ 61.74
2/6/2012	1035	Gary Snisky	Gary Snisky		\$ 15,000.00
2/6/2012	check card	Staples	office supplies		\$ 138.64
2/6/2012	check card	Target	miscellaneous		\$ 103.66
2/7/2012	check card	Entrust	Entrust		\$ 370.00
2/7/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00
2/7/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00
2/7/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00
2/7/2012	check card	Two Dog Diner	restaurant		\$ 35.43
2/7/2012	wire	New Direction IRA	New Direction IRA	\$ 50,700.27	
2/9/2012	check card	Sun Rose Café	restaurant		\$ 37.51
2/9/2012	check card	Two Dog Diner	restaurant		\$ 48.36
2/10/2012	check card	ZeekRewards	Zeekler.com		\$ 9.99
2/10/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
2/10/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00
2/10/2012	wire	ASQUARED, LLC	ASQUARED, LLC		\$ 10,000.00
2/10/2012	wire	BSQUARED, LLC	BSQUARED, LLC		\$ 10,000.00
2/10/2012	wire	CSQUARED, LLC	CSQUARED, LLC		\$ 10,000.00
2/10/2012	wire	ESQUARED, LLC	ESQUARED, LLC		\$ 10,000.00
2/13/2012	1037	HW Home	HW Home		\$ 5,787.37
2/13/2012	check card	Cinzetti's	restaurant		\$ 97.67
2/13/2012	check card	Diamond	miscellaneous		\$ 33.11
2/14/2012	check card	Staples	office supplies		\$ 87.05
2/14/2012	check card	Two Dog Diner	restaurant		\$ 27.91
2/14/2012	customer withdrawals	Analysis Service Charge	miscellaneous		\$ 140.00
2/14/2012	wire	New Direction IRA	New Direction IRA	\$ 64.84	
2/15/2012	check card	1and1.com	1and1.com		\$ 199.99
2/15/2012	check card	Amazon Mktplace	miscellaneous		\$ 29.96
2/15/2012	check card	Amazon Mktplace	miscellaneous		\$ 396.94
2/15/2012	check card	Comcast Cable	miscellaneous		\$ 191.15
2/15/2012	check card	Staples	office supplies		\$ 12.42
2/15/2012	check card	ZeekRewards	Zeekler.com		\$ 9.99
2/16/2012	1040	no detail	no detail		\$ 150.00
2/16/2012	check card	City of Longmont	City of Longmont		\$ 29.24
2/16/2012	check card	City of Longmont	City of Longmont		\$ 80.91
2/16/2012	check card	DMI*Dell Bus On	DMI*Dell Bus On		\$ 30.86
2/16/2012	check card	Xcel Energy	miscellaneous		\$ 299.73
2/16/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00
2/17/2012	1038	Sun Ease	Sun Ease		\$ 1,900.00
2/17/2012	check card	Two Dog Diner	restaurant		\$ 51.88
2/17/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00
2/21/2012	check card	DMI*Dell Bus On	DMI*Dell Bus On		\$ 853.05
2/21/2012	check card	DMI*Dell Bus On	DMI*Dell Bus On		\$ 1,306.80
2/21/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
2/21/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
2/21/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
2/21/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00
2/22/2012	check card	Two Dog Diner	restaurant		\$ 37.37
2/22/2012	wire	New Direction IRA	New Direction IRA	\$ 145,085.59	
2/23/2012	1042	Greeott Enterprises	Greeott Enterprises		\$ 5,000.00
2/23/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00
2/23/2012	check card	Two Dog Diner	restaurant		\$ 39.18
2/24/2012	1044	Arts 4 Architecture	Arts 4 Architecture		\$ 3,662.75
2/24/2012	1046	Cherpax, LLC	Cherpax, LLC		\$ 5,000.00
2/27/2012	1041	no detail	no detail		\$ 455.00
2/27/2012	1043	no detail	no detail		\$ 146.04
2/27/2012	check card	Two Dog Diner	restaurant		\$ 45.29
2/27/2012	customer withdrawals	Imelda Snisky	Imelda Snisky		\$ 1,000.00
2/27/2012	customer withdrawals	Kim Levine	Kim Levine		\$ 550.00
2/27/2012	customer withdrawals	Rex Venture Group, LLC	Rex Venture Group, LLC		\$ 600.00
2/27/2012	customer withdrawals	Lsquared, LLC	Lsquared, LLC		\$ 10,000.00

2/28/2012	check card	Two Dog Diner	restaurant		\$ 21.72	
2/28/2012	check card	Two Dog Diner	restaurant		\$ 44.23	
2/29/2012	1047	no detail	no detail		\$ 84.00	
2/29/2012	check card	Background Infor	miscellaneous		\$ 60.50	
2/29/2012	check card	Safeway	groceries		\$ 39.15	
2/29/2012	check card	Two Dog Diner	restaurant		\$ 27.91	
3/1/2012	balance					\$ 1,387,292.88
3/1/2012	check card	Office Depot	office supplies		\$ 180.48	
3/1/2012	check card	Two Dog Diner	restaurant		\$ 42.45	
3/2/2012	check card	Comcast Cable	miscellaneous		\$ 191.15	
3/2/2012	check card	Sun Rose Café	restaurant		\$ 41.49	
3/2/2012	check card	Two Dog Diner	restaurant		\$ 41.91	
3/2/2012	check card	Two Dog Diner	restaurant		\$ 48.21	
3/2/2012	deposit	New Direction IRA	New Direction IRA	\$ 22,500.67		
3/5/2012	1049	no detail	no detail		\$ 218.81	
3/5/2012	check card	City of Longmont	City of Longmont		\$ 42.00	
3/5/2012	check card	City of Longmont	City of Longmont		\$ 62.47	
3/5/2012	check card	Two Dog Diner	restaurant		\$ 50.58	
3/5/2012	check card	Vonage	miscellaneous		\$ 61.74	
3/5/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00	
3/5/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 1,000.00	
3/5/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 6,000.00	
3/5/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 23,318.52	
3/5/2012	customer withdrawals	Excel Energy	miscellaneous		\$ 220.01	
3/5/2012	deposit	Gus Baile	Gus Baile	\$ 20,000.00		
3/6/2012	check card	Lowe's	household		\$ 128.07	
3/7/2012	1048	no detail	no detail		\$ 300.00	
3/7/2012	1050	Gary Snisky	Gary Snisky		\$ 10,000.00	
3/7/2012	check card	ATM	miscellaneous		\$ 515.31	
3/7/2012	check card	Entrust	Entrust		\$ 61.52	
3/7/2012	check card	Two Dog Diner	restaurant		\$ 13.21	
3/9/2012	1051	no detail	no detail		\$ 400.00	
3/12/2012	check card	Two Dog Diner	restaurant		\$ 34.72	
3/12/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00	
3/12/2012	deposit	Kathryn Kingery	Kathryn Kingery	\$ 20,000.00		
3/13/2012	check card	Two Dog Diner	restaurant		\$ 40.75	
3/13/2012	check card	Two Dog Diner	restaurant		\$ 90.08	
3/13/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00	
3/14/2012	1052	no detail	no detail		\$ 100.00	
3/14/2012	check card	Colterra	miscellaneous		\$ 521.06	
3/14/2012	check card	Two Dog Diner	restaurant		\$ 17.24	
3/14/2012	customer withdrawals	no detail	no detail		\$ 192.00	
3/15/2012	check card	1and1.com	1and1.com		\$ 199.99	
3/15/2012	check card	DIA Parking	automotive		\$ 15.00	
3/16/2012	check card	Control Service	miscellaneous		\$ 303.57	
3/16/2012	check card	Holiday Inn	travel		\$ 143.22	
3/19/2012	1057	Gary Snisky	Gary Snisky		\$ 5,000.00	
3/19/2012	check card	Café DE France	restaurant		\$ 28.07	
3/19/2012	check card	Lowe's	household		\$ 12.23	
3/19/2012	check card	Safeway	groceries		\$ 56.31	
3/19/2012	check card	Two Dog Diner	restaurant		\$ 10.05	
3/19/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 3,000.00	
3/20/2012	1055	Boulder County Treasurer	Boulder County Treasurer		\$ 13,590.16	
3/20/2012	check card	PNCO	miscellaneous		\$ 38.79	
3/20/2012	check card	Sec of State TRA	Sec of State TRA		\$ 20.00	
3/20/2012	check card	Sec of State TRA	Sec of State TRA		\$ 20.00	
3/21/2012	1053	no detail	no detail		\$ 155.00	
3/21/2012	1054	no detail	no detail		\$ 155.00	
3/21/2012	1056	Bloomberg Finance, L.P.	Bloomberg Finance, L.P.		\$ 5,123.21	
3/21/2012	1058	Greeott Enterprises	Greeott Enterprises		\$ 1,000.00	
3/22/2012	1028	no detail	no detail		\$ 356.00	
3/22/2012	check card	Shell Service	miscellaneous		\$ 65.21	
3/22/2012	check card	Two Dog Diner	restaurant		\$ 4.78	
3/22/2012	check card	Two Dog Diner	restaurant		\$ 12.13	
3/22/2012	check card	Two Dog Diner	restaurant		\$ 59.07	
3/22/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 9,500.00	
3/23/2012	check card	Pilot	miscellaneous		\$ 36.52	
3/26/2012	check card	1and1.com	1and1.com		\$ 38.97	
3/26/2012	check card	Acqua Pazza	miscellaneous		\$ 90.75	
3/26/2012	check card	Chevron	miscellaneous		\$ 28.01	

3/26/2012	check card	Marriott	travel		\$ 249.61	
3/26/2012	check card	Shell Service	miscellaneous		\$ 41.75	
3/26/2012	check card	Shell Service	miscellaneous		\$ 57.50	
3/26/2012	check card	Texaco	miscellaneous		\$ 27.50	
3/27/2012	check card	AFS	miscellaneous		\$ 62.51	
3/27/2012	check card	K&G Petroleum	miscellaneous		\$ 46.31	
3/27/2012	check card	Marriott	travel		\$ 750.32	
3/27/2012	check card	Yucca Valley AMP	miscellaneous		\$ 71.00	
3/28/2012	1091	no detail	no detail		\$ 40.00	
3/28/2012	check card	Holiday Inn	travel		\$ 120.44	
3/28/2012	check card	PNCO	miscellaneous		\$ 38.79	
3/28/2012	check card	Two Dog Diner	restaurant		\$ 50.17	
3/29/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 3,500.00	
3/29/2012	customer withdrawals	We-Care Wealth and Tax	We-Care Wealth and Tax		\$ 45,000.00	
3/30/2012	check card	Two Dog Diner	restaurant		\$ 18.45	
3/30/2012	check card	Village Inn	restaurant		\$ 32.07	
4/1/2012	balance					\$ 1,311,493.31
4/2/2012	check card	CCBill.com Zeek	Zeekler.com		\$ 99.00	
4/2/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/2/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/2/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/2/2012	check card	Two Dog Diner	restaurant		\$ 40.62	
4/3/2012	1092	no detail	no detail		\$ 200.00	
4/3/2012	1094	PML	PML		\$ 1,000.00	
4/3/2012	1095	Greeott Enterprises	Greeott Enterprises		\$ 5,000.00	
4/3/2012	check card	Braggd's	miscellaneous		\$ 150.00	
4/3/2012	check card	Two Dog Diner	restaurant		\$ 36.89	
4/3/2012	check card	Vonage	miscellaneous		\$ 61.74	
4/3/2012	check card	Zeekler.com	Zeekler.com		\$ 99.00	
4/3/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00	
4/3/2012	deposit	Estate of Maxine King Desaussure	Estate of Maxine King Desaussure	\$ 200,000.00		
4/4/2012	1096	Gary Snisky	Gary Snisky		\$ 15,000.00	
4/4/2012	1097	no detail	no detail		\$ 100.00	
4/4/2012	1099	no detail	no detail		\$ 100.00	
4/4/2012	1101	no detail	no detail		\$ 100.00	
4/4/2012	check card	Two Dog Diner	restaurant		\$ 38.91	
4/4/2012	wire	New Direction IRA	New Direction IRA	\$ 61,727.24		
4/4/2012	wire	Summit Trust Company	Summit Trust Company	\$ 250,000.00		
4/5/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 7,500.00	
4/5/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 30,000.00	
4/6/2012	check card	ATM	miscellaneous		\$ 269.41	
4/6/2012	check card	Office Depot	office supplies		\$ 162.10	
4/9/2012	check card	City of Longmont	City of Longmont		\$ 49.23	
4/9/2012	check card	City of Longmont	City of Longmont		\$ 61.35	
4/9/2012	Electronic Withdrawal	Excel Energy	miscellaneous		\$ 175.89	
4/10/2012	1102	no detail	no detail		\$ 191.15	
4/10/2012	1103	no detail	no detail		\$ 150.00	
4/10/2012	check card	ZeekRewards	Zeekler.com		\$ 99.00	
4/13/2012	check card	WWW.1and1.com	miscellaneous		\$ 199.99	
4/13/2012	customer withdrawals	no detail	no detail		\$ 48.00	
4/16/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 20,800.00	
4/16/2012	wire	Cromarty Group LLC	Cromarty Group LLC		\$ 21,000.00	
4/19/2012	wire	Summit Trust Company	Summit Trust Company	\$ 365,750.00		
4/20/2012	1105	Greeott Enterprises	Greeott Enterprises		\$ 1,000.00	
4/23/2012	check card	Office Depot	office supplies		\$ 119.32	
4/23/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 10,000.00	
4/23/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 10,000.00	
4/24/2012	check card	Sec of State TRA	Sec of State TRA		\$ 25.00	
4/24/2012	check card	Sec of State TRA	Sec of State TRA		\$ 25.00	
4/24/2012	wire	Summit Trust Company	Summit Trust Company	\$ 166,498.00		
4/25/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/25/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/25/2012	check card	WWW.1and1.com	miscellaneous		\$ 29.97	
4/26/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/26/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/26/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/26/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
4/27/2012	check card	Newsfile Corp	miscellaneous		\$ 630.00	
4/27/2012	check card	Newsfile Corp	miscellaneous		\$ 12.60	
4/27/2012	check card	Regd 4UC	miscellaneous		\$ 197.00	

4/27/2012	check card	Sec of State TRA	Sec of State TRA		\$ 20.00	
4/27/2012	check card	Sec of State TRA	Sec of State TRA		\$ 20.00	
4/27/2012	customer withdrawals	Joyce's Virture Trust	Joyce's Virture Trust		\$ 25,000.00	
4/27/2012	customer withdrawals	Gary Snisky	Gary Snisky		\$ 30,000.00	
4/27/2012	customer withdrawals	Group CMG LLC Acct. No. 6296	Group CMG LLC Acct. No. 6296		\$ 882,250.00	
4/27/2012	customer withdrawals	Group Summit, LLC Acct. No. 6304	Group Summit, LLC Acct. No. 6304		\$ 1,185,079.62	
4/30/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 5,000.00	
5/1/2012	balance					\$ 97,877.76
5/2/2012	check card	Sec of State TRA	Sec of State TRA		\$ 50.00	
5/2/2012	wire	Summit Trust Company	Summit Trust Company	\$ 50,000.00		
5/3/2012	check card	Vonage	miscellaneous		\$ 61.74	
5/3/2012	customer withdrawals	Counter Withdrawal	Counter Withdrawal		\$ 20,100.00	
5/3/2012	customer withdrawals	Group CMG LLC Acct. No. 6296	Group CMG LLC Acct. No. 6296		\$ 50,000.00	
5/9/2012	account closed	account closed	miscellaneous		\$ -	
5/10/2012	customer withdrawals	Group CMG LLC Acct. No. 6296	Group CMG LLC Acct. No. 6296		\$ 77,666.02	
	Totals			\$ 3,045,021.48	\$ 3,835,059.48	

Group Summit, LLC				
US Bank Acct. No. xxxxxx6304				
04/27/2012 - 6/14/2012				
Date	Transaction Type	Source / Payee	Credits	Withdrawals
4/27/2012	deposit	Arete, LLC Acct. No. 0996	\$ 1,185,079.62	
4/30/2012	withdrawal	The Cromarty Group, LLC		\$ 35,000.00
5/14/2012	deposit	Summit Trust Company	\$ 141,902.12	
5/4/2012	withdrawal	Customer Withdrawal		\$ 200.00
5/14/2012	withdrawal	Analysis service Charge		\$ 30.50
5/23/2012	withdrawal	The Cromarty Group, LLC		\$ 5,096.00
6/1/2012	withdrawal	Group Summit, LLC Key Bank Acct. No. 4256		\$ 1,279,125.24
6/14/2012	withdrawal	Account Closed		\$ 30.00
	Totals		\$ 1,326,981.74	\$ 1,319,481.74

Group Summit, LLC				
KeyBank Account No. xxxxxx4256				
April 30, 2012 - September 28, 2012				
Date	Type	Description	Credits	Withdrawals
4/24/2012	deposit		\$ 100.00	
4/30/2012	withdrawal	paper statement fee		\$ 3.00
4/30/2012	withdrawal	refund paperstatement fee	\$ 3.00	
5/31/2012	withdrawal	paper statement fee		\$ 3.00
5/31/2012	withdrawal	service charge		\$ 5.00
6/1/2012	wire	Group Summit, LLC 6304	\$ 1,279,125.24	
6/7/2012	wire	Summit Trust Company 7309	\$ 150,000.00	
6/14/2012	wire	Summit Trust Company 7309	\$ 64,500.00	
6/4/2012	check	996		\$ 5,500.00
6/5/2012	check	997		\$ 5,000.00
6/12/2012	check	99990		\$ 5,925.00
6/15/2012	check	99990		\$ 12,500.00
6/8/2012	wire	Cromarty Group 4987		\$ 10,500.00
6/20/2012	withdrawal	Branch 0562 Colorado		\$ 20,000.00
6/1/2012	withdrawal	Fedwire Service Charge		\$ 20.00
6/7/2012	withdrawal	Fedwire Service Charge		\$ 20.00
6/8/2012	withdrawal	Fedwire Service Charge		\$ 30.00
6/14/2012	withdrawal	Fedwire Service Charge		\$ 20.00
6/29/2012	withdrawal	paper statement fee		\$ 30.00
7/11/2012	wire	Summit Trust Company 7309	\$ 205,242.00	
7/9/2012	check	99990		\$ 14,745.00
7/19/2012	check	99990		\$ 550.00
7/23/2012	check	99990		\$ 5,000.00
7/6/2012	check	99991		\$ 5,000.00
7/31/2012	check	99991		\$ 750.00
7/12/2009	check	99992		\$ 8,750.00
7/12/2012	check	99993		\$ 12,500.00
7/2/2012	withdrawal	Branch 0562 Colorado		\$ 25,000.00
7/3/2012	withdrawal	Cromarty Group 4987		\$ 4,515.00
7/5/2012	withdrawal	Branch 0562 Colorado		\$ 100.00
7/13/2012	withdrawal	Cromarty Group 4987		\$ 14,366.94
7/13/2012	withdrawal	Summit Trust Company 7309		\$ 13,990.26
7/18/2012	withdrawal	Check/Supply Purchase		\$ 7.50
7/27/2012	transfer	DDA 0000765621004165		\$ 3,000.00
7/3/2012	withdrawal	Fedwire Service Charge		\$ 30.00
7/11/2012	withdrawal	Fedwire Service Charge		\$ 20.00
7/13/2012	withdrawal	Fedwire Service Charge		\$ 30.00
7/13/2012	withdrawal	Fedwire Service Charge		\$ 30.00
7/31/2012	withdrawal	paper statement fee		\$ 3.00
8/2/2012	wire	Summit Trust Company 7309	\$ 44,700.00	
8/9/2012	wire	Summit Trust Company 7309	\$ 7,200.00	

8/8/2012	check	1002		\$	10,000.00
8/14/2012	check	1003		\$	474.00
8/14/2012	check	1004		\$	515.00
8/2/2012	check	99990		\$	5,000.00
8/2/2012	check	99991		\$	5,000.00
8/6/2012	check	99992		\$	2,515.00
8/2/2012	wire	Brenton Financial 6779		\$	10,000.00
8/2/2012	withdrawal	Branch 0562 Colorado		\$	17,950.00
8/8/2012	withdrawal	Jewel Properties 4431		\$	5,160.00
8/8/2012	withdrawal	Cromarty Group 4987		\$	3,129.00
8/8/2012	withdrawal	branch 0562 Colorado		\$	160,000.00
8/2/2012	withdrawal	Fedwire Service Charge		\$	20.00
8/2/2012	withdrawal	Fedwire Service Charge		\$	30.00
8/8/2012	withdrawal	Fedwire Service Charge		\$	30.00
8/8/2012	withdrawal	Fedwire Service Charge		\$	30.00
8/9/2012	withdrawal	Fedwire Service Charge		\$	20.00
8/31/2012	withdrawal	paper statement fee		\$	3.00
9/4/2012	wire	Cromarty Group 4987		\$	505.00
9/11/2012	withdrawal	Branch 0562 Colorado		\$	4,500.00
9/13/2012	wire	Group Summit, LLC 7573		\$	1,058,042.52
9/13/2012	withdrawal	Branch 0562 Colorado		\$	175,000.00
9/13/2012	withdrawal	Branch 0562 Colorado		\$	125,000.00
9/4/2012	withdrawal	Fedwire Service Charge		\$	30.00
9/13/2012	withdrawal	Fedwire Service Charge		\$	30.00
9/19/2012	withdrawal	Overdraft Service Charge		\$	28.50
9/28/2012	withdrawal	paper statement fee		\$	3.00
	Totals			\$	1,750,770.24
				\$	1,750,958.72

Investor Proceeds Deposited With Summit Trust Company							
Investor	Date Invested	Amount	Bank	Detail Bate No.	Bank Statement Bate No.	Asset Holders Report Bate No.	Broker
Duane R. Voorman	4/2/2012	\$ 200,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000314	SEC-USBANK-E-0000005	STC-0072670	Mike Tomich
G. Schutte & M. Schutte	4/4/2012	\$ 50,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000213	SEC-USBANK-E-0000005	STC-0079708	Mike Tomich
Jack F. Chadwick	4/4/2012	\$ 50,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000373	SEC-USBANK-E-0000005	STC-0079706	Kenneth Meissner
Weems Family Living Trust	4/9/2012	\$ 100,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000476	SEC-USBANK-E-0000005	STC-0079706	Kenneth Meissner
Anne C. Savage IRA	4/13/2012	\$ 166,498.35	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000193	SEC-USBANK-E-0000005	STC-0079707	Mike Tomich
Jerome L. Beland	4/19/2012	\$ 215,750.00	USBANK Acct. No. 0996	TOMICH 000453	SEC-USBANK-E-0000006	STC-0079707	Mike Tomich
The Legrand Revocable Trust	5/14/2012	\$ 106,000.00	USBANK Acct. No. 6304	SEC-KeyBank-P-0000425	SEC-USBANK-P-0000291	STC-0079706	Bill Sparkman
Dolores A. Legrand IRA	5/14/2012	\$ 35,902.12	USBANK Acct. No. 6304	SEC-SPARKMAN-P-0000036	SEC-USBANK-P-0000291	STC-0079708	Bill Sparkman
Edmund Kieras	6/7/2012	\$ 100,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000525	STC-0079707	Mike Tomich
Marcia Fortuna	6/7/2012	\$ 50,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000525	STC-0079707	Mike Tomich
Marcia Fortuna	5/2/2012	\$ 50,000.00	USBANK Acct. No. 0996	TOMICH 00466	SEC-USBANK-E-0000001	STC-0079708	Mike Tomich
Carol Hasty Wiers	6/14/2012	\$ 64,500.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000526	STC-0079707	Mike Tomich
Mark E. Hart IRA	7/11/2012	\$ 149,242.09	KeyBank Acct. No. 4256	SEC-SUMMIT-E-0000358	SEC-KeyBank-P-0000513	STC-0079706	Kenneth Meissner
Mary G. Hall IRA	7/11/2012	\$ 56,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000526	SEC-KeyBank-P-0000513	STC-0079706	Kenneth Meissner
Anne Savage Roth IRA	8/2/2012	\$ 44,700.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000516	SEC-KeyBank-P-0000527	STC-0079707	Mike Tomich
Edmund Kieras	8/9/2012	\$ 7,200.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000516	SEC-KeyBank-P-0000529	STC-0079707	Mike Tomich
Carol Hasty Wiers	9/27/2012	\$ 21,200.00	KeyBank Acct. No. 4256	SEC-BBVA-P-0000204	SEC-KeyBank-P-0000530	STC-0079707	Mike Tomich
Total Invested		\$ 1,466,992.56					

Summary of The Cromarty Group LLC checking account x4987 at Wells Fargo - Declaration is SEC-WF-P-000001; opened 2/17/12; average gross income \$75,000							
Date	Check No.	Description	Deposits	Withdrawals	Balance	Statement Bate No.	Item Bate No.
2/17/2012		Account opened			\$0.00		
2/17/2012		Deposit	\$100.00		\$100.00	SEC-WF-P-0000177	
3/5/2012		Deposit	\$700.00		\$800.00	SEC-WF-P-0000178	SEC-WF-P-0000254
3/12/2012	1050	Georgeia R. Levy		\$551.65	\$248.35	SEC-WF-P-0000178	SEC-WF-P-0000288
3/30/2012		Deposit	\$700.00		\$948.35	SEC-WF-P-0000178	SEC-WF-P-0000257
4/5/2012	1052	Check		\$237.00	\$711.35	SEC-WF-P-0000182	
4/9/2012	1051	Check		\$300.00	\$411.35	SEC-WF-P-0000182	
4/16/2012		ATM fee		\$2.00	\$409.35	SEC-WF-P-0000183	
4/16/2012		Arete LLC wire	\$21,000.00		\$21,409.35	SEC-WF-P-0000183	USBANK-E-000008
4/16/2012		Wire charge		\$15.00	\$21,394.35	SEC-WF-P-0000183	
4/17/2012	1053	Check		\$75.00	\$21,319.35	SEC-WF-P-0000183	
4/18/2012		ATM fee		\$1.00	\$21,318.35	SEC-WF-P-0000183	
4/18/2012		Wire charge		\$30.00	\$21,288.35	SEC-WF-P-0000183	
4/18/2012		Best Buy		\$264.97	\$21,023.38	SEC-WF-P-0000183	
4/18/2012		Strategic Planning Services		\$12,470.00	\$8,553.38	SEC-WF-P-0000183	
4/19/2012		Office Max		\$66.33	\$8,487.05	SEC-WF-P-0000183	
4/19/2012	1055	International Strategies		\$1,161.61	\$7,325.44	SEC-WF-P-0000183	SEC-WF-P-0000289
4/20/2012		Pandora		\$36.00	\$7,289.44	SEC-WF-P-0000183	
4/23/2012		Wawa		\$58.01	\$7,231.43	SEC-WF-P-0000183	
4/23/2012	1056	Brown Investment Advisers		\$1,297.00	\$5,934.43	SEC-WF-P-0000183	SEC-WF-P-0000290
4/24/2012		Arco		\$53.35	\$5,881.08	SEC-WF-P-0000183	
4/24/2012	1054	Kenneth Meissner		\$2,500.00	\$3,381.08	SEC-WF-P-0000183	SEC-WF-P-0000291
4/26/2012		USA Petroleum		\$53.14	\$3,327.94	SEC-WF-P-0000183	
4/27/2012		ATM fee		\$1.00	\$3,326.94	SEC-WF-P-0000183	
4/27/2012		Hess		\$20.00	\$3,306.94	SEC-WF-P-0000183	
4/30/2012		ATM fee		\$1.00	\$3,305.94	SEC-WF-P-0000183	
4/30/2012		ATM fee		\$1.00	\$3,304.94	SEC-WF-P-0000183	
4/30/2012		Group Summit LLC	\$35,000.00		\$38,304.94	SEC-WF-P-0000183	SEC-USBank-P-000295
4/30/2012		Wire charge		\$15.00	\$38,289.94	SEC-WF-P-0000183	
4/30/2012		Preflight		\$40.00	\$38,249.94	SEC-WF-P-0000183	
4/30/2012		US Airway Inflight Arizona		\$8.00	\$38,241.94	SEC-WF-P-0000183	
4/30/2012		Salsas		\$25.18	\$38,216.76	SEC-WF-P-0000183	
4/30/2012		Wawa		\$61.35	\$38,155.41	SEC-WF-P-0000183	
5/1/2012		Wire charge		\$30.00	\$38,125.41	SEC-WF-P-0000187	
5/1/2012	1057	Linda Close		\$1,500.00	\$36,625.41	SEC-WF-P-0000187	SEC-WF-P-0000293
5/1/2012		Strategic Planning Services		\$19,082.40	\$17,543.01	SEC-WF-P-0000187	
5/1/2012	1060	International Strategies		\$1,464.50	\$16,078.51	SEC-WF-P-0000187	SEC-WF-P-0000292
5/4/2012		Giant		\$48.82	\$16,029.69	SEC-WF-P-0000187	
5/4/2012	1064	Kenneth Meissner		\$5,000.00	\$11,029.69	SEC-WF-P-0000187	SEC-WF-P-0000294
5/7/2012	1063	Bill Sparkman		\$750.00	\$10,279.69	SEC-WF-P-0000187	SEC-WF-P-0000295
5/8/2012		Chalfont Family Re		\$20.80	\$10,258.89	SEC-WF-P-0000187	
5/18/2012		Walmart		\$62.69	\$10,196.20	SEC-WF-P-0000187	
5/1/2012	1058	Check		\$300.00	\$9,896.20	SEC-WF-P-0000187	
5/9/2012		Gas Star		\$62.00	\$9,834.20	SEC-WF-P-0000187	
5/11/2012	1065	Linda Close		\$1,500.00	\$8,334.20	SEC-WF-P-0000187	SEC-WF-P-0000296
5/11/2012	1068	Linda Close		\$1,500.00	\$6,834.20	SEC-WF-P-0000187	SEC-WF-P-0000297
5/11/2012	1066	Check		\$22.00	\$6,812.20	SEC-WF-P-0000187	
5/14/2012		Walmart		\$88.89	\$6,723.31	SEC-WF-P-0000187	
5/15/2012		T-Mobile		\$257.30	\$6,466.01	SEC-WF-P-0000187	
5/16/2012		US Airway Inflight Arizona		\$170.80	\$6,295.21	SEC-WF-P-0000187	
5/17/2012		Salsas		\$19.14	\$6,276.07	SEC-WF-P-0000187	

DIVISION EXH. 51

5/21/2012		US Airway Inflight Arizona		\$271.80	\$6,004.27	SEC-WF-P-0000187	
5/21/2012		US Airway Inflight Arizona		\$69.00	\$5,935.27	SEC-WF-P-0000187	
5/21/2012	1070	J. Douglas Scott		\$1,293.38	\$4,641.89	SEC-WF-P-0000187	SEC-WF-P-0000298
5/22/2012	1069	Brown Investment Advisers		\$1,297.00	\$3,344.89	SEC-WF-P-0000187	SEC-WF-P-0000300
5/22/2012	1062	Summit Trust Company		\$750.00	\$2,594.89	SEC-WF-P-0000187	SEC-WF-P-0000299
5/23/2012		Group Summit LLC	\$5,096.00		\$7,690.89	SEC-WF-P-0000187	SEC-USBank-P-000291
5/23/2012		Wire charge		\$15.00	\$7,675.89	SEC-WF-P-0000187	
5/23/2012		United Air		\$121.80	\$7,554.09	SEC-WF-P-0000187	
5/23/2012		Vistaprint		\$50.03	\$7,504.06	SEC-WF-P-0000187	
5/24/2012		Wire charge		\$30.00	\$7,474.06	SEC-WF-P-0000187	
5/24/2012		Strategic Planning Services		\$2,470.00	\$5,004.06	SEC-WF-P-0000187	
5/29/2012		Shore Stop		\$57.30	\$4,946.76	SEC-WF-P-0000187	
5/29/2012		Savings account x9227		\$100.00	\$4,846.76	SEC-WF-P-0000187	
6/5/2012	1073			\$22.00	\$4,824.76	SEC-WF-P-0000190	
6/6/2012	1072	Check		\$300.00	\$4,524.76	SEC-WF-P-0000190	
6/8/2012		Group Summit LLC	\$10,500.00		\$15,024.76	SEC-WF-P-0000191	SEC-KeyBank-P-000506
6/11/2012		Wire charge		\$15.00	\$15,009.76	SEC-WF-P-0000191	
6/11/2012		Wire charge		\$30.00	\$14,979.76	SEC-WF-P-0000191	
6/11/2012		C&C Café		\$21.49	\$14,958.27	SEC-WF-P-0000191	
6/11/2012		Strategic Planning Services		\$7,470.00	\$7,488.27	SEC-WF-P-0000191	
6/11/2012	1077	Linda Close		\$1,500.00	\$5,988.27	SEC-WF-P-0000191	SEC-WF-P-0000302
6/11/2012	1074	Linda Close		\$1,500.00	\$4,488.27	SEC-WF-P-0000191	SEC-WF-P-0000301
6/12/2012	1076	Summit Trust Company		\$707.50	\$3,780.77	SEC-WF-P-0000191	SEC-WF-P-0000303
6/13/2012		Circle K		\$30.61	\$3,750.16	SEC-WF-P-0000191	
6/18/2012		United Air		\$44.00	\$3,706.16	SEC-WF-P-0000191	
6/19/2012		Wawa		\$50.00	\$3,656.16	SEC-WF-P-0000191	
6/20/2012	1079	International Strategies		\$630.61	\$3,025.55	SEC-WF-P-0000191	SEC-WF-P-0000304
6/22/2012	1083	Brown Investment Advisers		\$1,297.00	\$1,728.55	SEC-WF-P-0000191	SEC-WF-P-0000305
6/25/2012		Wawa		\$50.00	\$1,678.55	SEC-WF-P-0000191	
6/28/2012		Savings account x9227		\$100.00	\$1,578.55	SEC-WF-P-0000191	
7/3/2012		Group Summit LLC	\$4,515.00		\$6,093.55	SEC-WF-P-0000194	SEC-KeyBank-P-000511
7/3/2012		Wire charge		\$15.00	\$6,078.55	SEC-WF-P-0000194	
7/5/2012		Wire charge		\$30.00	\$6,048.55	SEC-WF-P-0000194	
7/5/2012		Hess		\$40.78	\$6,007.77	SEC-WF-P-0000194	
7/5/2012		Strategic Planning Services		\$3,195.00	\$2,812.77	SEC-WF-P-0000194	
7/9/2012		T-Mobile		\$181.74	\$2,631.03	SEC-WF-P-0000194	
7/11/2012		Hess		\$52.00	\$2,579.03	SEC-WF-P-0000194	
7/11/2012	1080	Check		\$300.00	\$2,279.03	SEC-WF-P-0000194	
7/11/2012	1081	Check		\$22.00	\$2,257.03	SEC-WF-P-0000194	
7/13/2012		Group Summit LLC	\$14,366.94		\$16,623.99	SEC-WF-P-0000194	SEC-KeyBank-P-000511
7/13/2012		Wire charge		\$15.00	\$16,608.99	SEC-WF-P-0000194	
7/13/2012		Lee's Hoagie House		\$23.27	\$16,585.72	SEC-WF-P-0000194	
7/13/2012	1084	Linda Close		\$1,500.00	\$15,085.72	SEC-WF-P-0000194	SEC-WF-P-0000306
7/16/2012		Hotels.com		\$121.98	\$14,963.74	SEC-WF-P-0000194	
7/17/2012		James Scott		\$132.00	\$14,831.74	SEC-WF-P-0000194	
7/18/2012		Staples		\$23.89	\$14,807.85	SEC-WF-P-0000194	
7/18/2012		Staples		\$8.03	\$14,799.82	SEC-WF-P-0000194	
7/19/2012		Gas Star		\$47.00	\$14,752.82	SEC-WF-P-0000194	
7/19/2012	1087	Brown Investment Advisers		\$1,297.00	\$13,455.82	SEC-WF-P-0000194	SEC-WF-P-0000307
7/20/2012	1086	Kenneth Meissner		\$10,237.00	\$3,218.82	SEC-WF-P-0000194	SEC-WF-P-0000308
7/23/2012		Uncle Harry's NY B Fresno CA		\$9.70	\$3,209.12	SEC-WF-P-0000194	
7/23/2012		Arco		\$45.60	\$3,163.52	SEC-WF-P-0000194	
7/24/2012	12	USA Petroleum		\$16.10	\$3,147.42	SEC-WF-P-0000194	

DIVISION EXH. 51

7/24/2012		Circle K		\$3.06	\$3,144.36	SEC-WF-P-0000194	
7/25/2012		Shell Service		\$16.10	\$3,128.26	SEC-WF-P-0000194	
7/26/2012		Longhorn Steak		\$69.75	\$3,058.51	SEC-WF-P-0000194	
7/27/2012		Preflight		\$70.00	\$2,988.51	SEC-WF-P-0000194	
7/30/2012		Savings account x9227		\$100.00	\$2,888.51	SEC-WF-P-0000194	
7/30/2012		Wegman's		\$14.61	\$2,873.90	SEC-WF-P-0000194	
8/1/2012		Penn 80 Million		\$30.00	\$2,843.90	SEC-WF-P-0000198	
8/3/2012		Wawa		\$57.35	\$2,786.55	SEC-WF-P-0000198	
8/6/2012		Giant		\$38.15	\$2,748.40	SEC-WF-P-0000198	
8/6/2012		Check		\$300.00	\$2,448.40	SEC-WF-P-0000198	
8/7/2012	1089	Bill Sparkman		\$1,026.20	\$1,422.18	SEC-WF-P-0000198	SEC-WF-P-0000309
8/8/2012		Group Summit LLC	\$3,129.00		\$4,551.18	SEC-WF-P-0000198	SEC-KeyBank-P-000515
8/8/2012		Wire charge		\$15.00	\$4,536.18	SEC-WF-P-0000198	
8/8/2012		James Scott		\$200.00	\$4,336.18	SEC-WF-P-0000198	
8/14/2012		Wire charge		\$30.00	\$4,306.18	SEC-WF-P-0000198	
8/14/2012		Strategic Planning Services		\$2,220.00	\$2,086.18	SEC-WF-P-0000198	
8/15/2012		Hess		\$51.55	\$2,034.63	SEC-WF-P-0000198	
8/15/2012	1092	Check		\$465.55	\$1,569.08	SEC-WF-P-0000198	
8/16/2012	1091	Check		\$22.00	\$1,547.08	SEC-WF-P-0000198	
8/25/2012		Transfer from Savings 9227	\$490.00		\$2,037.08	SEC-WF-P-0000198	
8/28/2012		Savings account x9227		\$100.00	\$1,937.08	SEC-WF-P-0000198	
8/30/2012	1093	Brown Investment Advisers		\$1,898.00	\$39.08	SEC-WF-P-0000198	SEC-WF-P-0000310
9/4/2012		Group Summit LLC	\$505.00		\$544.08	SEC-WF-P-0000202	SEC-KeyBank-P-000519
9/4/2012		Wire charge		\$15.00	\$529.08	SEC-WF-P-0000202	
9/11/2012	1095	Check		\$22.00	\$507.08	SEC-WF-P-0000202	
9/12/2012		Deposit	\$250.00		\$757.08	SEC-WF-P-0000202	
9/12/2014	1094	Check		\$300.00	\$457.08	SEC-WF-P-0000202	
9/18/2014	1096	Strategic Planning Services		\$360.00	\$97.08	SEC-WF-P-0000202	SEC-Comarty-P-000004
9/26/2012		Deposit	\$2,155.00		\$2,252.08	SEC-WF-P-0000202	SEC-WF-P-0000259
9/28/2012		Savings account x9227		\$100.00	\$2,152.08	SEC-WF-P-0000202	
10/1/2012		Transfer from Savings 9227	\$100.00		\$2,252.08	SEC-WF-P-0000204	
10/4/2012	1097	Aetna Health Plans		\$2,151.00	\$101.08	SEC-WF-P-0000204	SEC-WF-P-0000311
10/9/2012		Deposit	\$300.00		\$401.08	SEC-WF-P-0000204	
10/10/2012		Gas Star		\$30.00	\$371.08	SEC-WF-P-0000204	
10/10/2012		ATM withdrawal		\$20.00	\$351.08	SEC-WF-P-0000204	
10/10/2012		ATM fee		\$2.50	\$348.58	SEC-WF-P-0000204	
10/12/2012		Gary C. Snisky	\$1,484.00		\$1,832.58	SEC-WF-P-0000206	
10/12/2014		Wire charge		\$15.00	\$1,817.58	SEC-WF-P-0000204	
10/16/2012	1098	Check		\$22.00	\$1,795.58	SEC-WF-P-0000204	
10/17/2012		Wawa		\$31.20	\$1,764.38	SEC-WF-P-0000204	
10/17/2012	1100	Strategic Planning Services		\$1,060.00	\$704.38	SEC-WF-P-0000206	SEC-WF-P-0000312
10/17/2012	1099	Check		\$300.00	\$404.38	SEC-WF-P-0000204	
10/18/2012		Sunco		\$40.25	\$364.13	SEC-WF-P-0000204	
10/19/2012		Zolo's Diner		\$43.37	\$320.76	SEC-WF-P-0000204	
10/23/2012		Wawa		\$20.01	\$300.75	SEC-WF-P-0000204	
10/29/2012		Transfer from Savings 9227	\$100.00		\$400.75	SEC-WF-P-0000204	
10/29/2012		Savings account x9227		\$100.00	\$300.75	SEC-WF-P-0000204	
11/1/2012		Deposit	\$925.00		\$1,225.75	SEC-WF-P-0000209	SEC-WF-P-0000261
11/2/2012		Deposit	\$500.00		\$1,725.75	SEC-WF-P-0000209	SEC-WF-P-0000263
11/5/2012		Deposit	\$60.00		\$2,325.75	SEC-WF-P-0000209	SEC-WF-P-0000265
11/5/2012	1104	Aetna Health Plans		\$2,151.00	\$174.75	SEC-WF-P-0000209	SEC-WF-P-0000313
11/5/2012	1102	Check		\$300.00	-\$125.25	SEC-WF-P-0000209	
11/5/2012		Overdraft protection	\$10.10		-\$115.15	SEC-WF-P-0000209	

11/6/2012		Overdraft protection		\$35.00	-\$150.15	SEC-WF-P-0000209	
11/7/2012		Deposit	\$300.00		\$149.85	SEC-WF-P-0000209	
11/13/2012		Wawa		\$30.02	\$119.83	SEC-WF-P-0000209	
11/14/2012		Chalfont Family Re		\$20.13	\$99.70	SEC-WF-P-0000209	
11/16/2012		Staples		\$58.28	\$41.42	SEC-WF-P-0000209	
11/19/2012	1103	Check		\$22.00	\$19.42	SEC-WF-P-0000209	
11/30/2012		Deposit	\$300.00		\$319.42	SEC-WF-P-0000209	
12/5/2012	1105	Check		\$300.00	\$19.42	SEC-WF-P-0000212	
12/12/2012		Deposit	\$925.00		\$944.42	SEC-WF-P-0000212	SEC-WF-P-0000267
12/13/2012		Custom Management	\$1,300.00		\$2,244.42	SEC-WF-P-0000212	
12/14/2012	1108	Aetna Health Plans		\$2,151.00	\$93.42	SEC-WF-P-0000212	SEC-WF-P-0000314
12/27/2012		Google		\$14.99	\$78.43	SEC-WF-P-0000212	
12/28/2012	1106	Check		\$22.00	\$56.43	SEC-WF-P-0000212	
12/31/2012		Service fee		\$10.00	\$46.43	SEC-WF-P-0000212	
1/3/2013		Custom Management	\$300.00		\$346.43	SEC-WF-P-0000215	
1/4/2013		Deposit	\$925.00		\$1,271.43	SEC-WF-P-0000215	SEC-WF-P-0000269
1/4/2013		The Cromarty Group	\$8.07		\$1,279.50	SEC-WF-P-0000215	
1/8/2013		The UPS Store		\$180.00	\$1,099.50	SEC-WF-P-0000215	
1/9/2013		T-Mobile		\$186.19	\$913.31	SEC-WF-P-0000215	
1/9/2013		Check		\$300.00	\$613.31	SEC-WF-P-0000215	
1/14/2013	1111	Aetna Health Plans		\$2,151.00	-\$1,537.69	SEC-WF-P-0000215	SEC-WF-P-0000315
1/15/2013		Reverse check	\$2,151.00		\$613.31	SEC-WF-P-0000215	
1/15/2013		NSF fee		\$35.00	\$578.31	SEC-WF-P-0000215	
1/15/2013		Custom Management	\$1,000.00		\$1,578.31	SEC-WF-P-0000215	
1/16/2013		Deposit	\$580.00		\$2,158.31	SEC-WF-P-0000215	SEC-WF-P-0000272
1/17/2013		Custom Management	\$50.00		\$2,208.31	SEC-WF-P-0000215	
1/17/2013	1111	Aetna Health Plans		\$2,151.00	\$57.31	SEC-WF-P-0000215	SEC-WF-P-0000271
1/31/2013		Custom Management	\$300.00		\$357.31	SEC-WF-P-0000215	
1/31/2013		Service fee		\$10.00	\$347.31	SEC-WF-P-0000215	
2/7/2013	1114	Check		\$300.00	\$47.31	SEC-WF-P-0000219	
2/21/2013		Deposit	\$925.00		\$972.31	SEC-WF-P-0000219	SEC-WF-P-0000274
2/25/2013		Custom Management	\$1,300.00		\$2,272.31	SEC-WF-P-0000219	
2/27/2012	1112	Aetna Health Plans		\$2,151.00	\$121.31	SEC-WF-P-0000219	SEC-WF-P-0000316
2/28/2013		Service fee		\$10.00	\$111.31	SEC-WF-P-0000219	
3/1/2013	1110	Check		\$22.00	\$89.31	SEC-WF-P-0000223	
3/5/2013		The Cromarty Group	\$37.38		\$126.69	SEC-WF-P-0000223	
3/6/2013		Custom Management	\$250.00		\$376.69	SEC-WF-P-0000223	
3/13/2013		The Cromarty Group	\$32.00		\$408.69	SEC-WF-P-0000223	
3/13/2013	1124	Check		\$300.00	\$108.69	SEC-WF-P-0000223	
3/18/2013	1125	Check		\$44.00	\$64.69	SEC-WF-P-0000223	
3/26/2013		Deposit	\$1,005.00		\$1,069.69	SEC-WF-P-0000223	SEC-WF-P-0000276
3/27/2013		Custom Management	\$1,300.00		\$2,369.69	SEC-WF-P-0000223	
3/27/2012		The Cromarty Group	\$80.00		\$2,289.69	SEC-WF-P-0000223	
3/28/2013	1128	Aetna Health Plans		\$2,151.00	\$138.69	SEC-WF-P-0000223	SEC-WF-P-0000317
3/29/2013		Service fee		\$10.00	\$128.69	SEC-WF-P-0000223	
4/5/2013		Custom Management	\$250.00		\$378.69	SEC-WF-P-0000227	
4/10/2012	1126	Check		\$318.00	\$60.69	SEC-WF-P-0000227	
4/12/2013		The Cromarty Group	\$32.00		\$92.69	SEC-WF-P-0000227	
4/26/2013		Deposit	\$925.00		\$1,017.69	SEC-WF-P-0000227	SEC-WF-P-0000279
4/29/2013	1115	Aetna Health Plans		\$2,151.00	-\$1,133.31	SEC-WF-P-0000227	SEC-WF-P-0000281
4/29/2013	1127	Check		\$22.00	-\$1,155.31	SEC-WF-P-0000227	
4/30/2013		Reverse check	\$2,151.00		\$995.69	SEC-WF-P-0000227	
4/30/2013		NSF fee		\$35.00	\$960.69	SEC-WF-P-0000227	

4/30/2013		Pandora		\$38.16	\$922.53	SEC-WF-P-0000227	
4/30/2013		Service fee		\$10.00	\$912.53	SEC-WF-P-0000227	
5/2/2013		Custom Management	\$1,300.00		\$2,212.53	SEC-WF-P-0000231	
5/2/2013	1115	Aetna Health Plans		\$2,151.00	\$61.53	SEC-WF-P-0000231	SEC-WF-P-0000318
5/6/2013		The Cromarty Group	\$5.98		\$67.51	SEC-WF-P-0000231	
5/7/2013		L. Close Way2 Save	\$260.00		\$327.51	SEC-WF-P-0000231	
5/9/2013		Deposit	\$247.00		\$574.51	SEC-WF-P-0000231	
5/10/2013		Erie Insurance		\$247.00	\$327.51	SEC-WF-P-0000231	
5/16/2013		The Cromarty Group	\$32.00		\$359.51	SEC-WF-P-0000231	
5/20/2013	1117	Check		\$309.00	\$50.51	SEC-WF-P-0000231	
5/29/2013		Deposit	\$925.00		\$975.51	SEC-WF-P-0000231	SEC-WF-P-0000282
5/31/2013		Service fee		\$10.00	\$965.51	SEC-WF-P-0000231	
6/3/2013		Custom Management	\$1,400.00		\$2,365.51	SEC-WF-P-0000235	
6/3/2013	1119	Aetna Health Plans		\$2,150.00	\$215.51	SEC-WF-P-0000235	SEC-WF-P-0000321
6/7/2013		L. Close Way2 Save	\$100.00		\$315.51	SEC-WF-P-0000235	
6/12/2013		L. Close Way2 Save	\$18.00		\$333.51	SEC-WF-P-0000235	
6/12/2013	1120	Check		\$309.00	\$24.51	SEC-WF-P-0000235	
6/13/2013		The Cromarty Group	\$5.98		\$30.49	SEC-WF-P-0000235	
6/13/2013		The Cromarty Group	\$50.00		\$80.49	SEC-WF-P-0000235	
6/13/2013	1121	Check		\$22.00	\$58.49	SEC-WF-P-0000235	
6/13/2013	1116	Check		\$22.00	\$36.49	SEC-WF-P-0000235	
6/27/2013		Deposit	\$1,085.00		\$1,121.49	SEC-WF-P-0000235	SEC-WF-P-0000284
6/28/2013		Service fee		\$10.00	\$1,111.49	SEC-WF-P-0000235	
7/1/2013		L. Close Way2 Save	\$1,350.00		\$2,461.49	SEC-WF-P-0000238	
7/1/2013	1122	Aetna Health Plans		\$2,151.00	\$310.49	SEC-WF-P-0000238	SEC-WF-P-0000322
7/5/2013		The Cromarty Group	\$40.72		\$351.21	SEC-WF-P-0000238	
7/8/2013	1123	Check		\$309.00	\$42.21	SEC-WF-P-0000238	
7/16/2013	1129	Check		\$22.00	\$20.21	SEC-WF-P-0000238	
7/31/2013		Service fee		\$10.00	\$10.21	SEC-WF-P-0000238	
8/2/2013		Deposit	\$155.00		\$165.21	SEC-WF-P-0000241	
8/5/2013		The Cromarty Group	\$8.72		\$173.93	SEC-WF-P-0000241	
8/6/2013		L. Close Way2 Save	\$200.00		\$373.93	SEC-WF-P-0000241	
8/14/2013	1131	Check		\$309.00	\$64.93	SEC-WF-P-0000241	
8/19/2013	1132	Check		\$22.00	\$42.93	SEC-WF-P-0000241	
8/20/2013		ATM		\$40.00	\$2.93	SEC-WF-P-0000241	
8/30/2013		Service fee		\$10.00	-\$7.07	SEC-WF-P-0000241	
9/25/2013		The Cromarty Group	\$25.00		\$17.93	SEC-WF-P-0000245	
9/30/2013		Service fee		\$10.00	\$7.93	SEC-WF-P-0000245	
10/01/2013		Service fee		\$10.00	-\$2.07	SEC-WF-P-0000248	
		L. Close Way2 Save	\$15.00		\$12.93	SEC-WF-P-0000252	
		Service fee		\$10.00	\$2.93	SEC-WF-P-0000252	
		TOTAL	\$126,095.89	\$126,092.96			
			\$21,000.00				
		Commit LLC	\$73,111.94				
		Risky	\$1,484.00				
				\$95,595.94			
		Planning Services	\$48,327.40				
		Wiesner	\$17,737.00				
			\$1,776.20				

Payments to Cromarty Group, LLC					
Date	Payor	Amount	Bank	Bate 1	Bate 2
4/16/2012	Arete, LLC	\$ 21,000.00	USBANK 0996	SEC-USBANK-E-0000008	SEC-WF-P-0000182
4/30/2012	Group Summit LLC	\$ 35,000.00	USBANK 6304	SEC-USBANK-P-0000295	SEC-WF-P-0000182
5/23/2012	Group Summit LLC	\$ 5,096.00	USBANK 6304	SEC-USBANK-P-0000291	SEC-WF-P-0000187
6/8/2012	Group Summit LLC	\$ 10,500.00	KeyBank 4256	SEC-KeyBank-P-0000508	SEC-WF-P-0000191
7/3/2012	Group Summit LLC	\$ 4,515.00	KeyBank 4256	SEC-KeyBank-P-0000513	SEC-WF-P-0000194
7/13/2012	Group Summit LLC	\$ 14,366.94	KeyBank 4256	SEC-KeyBank-P-0000513	SEC-WF-P-0000194
8/8/2012	Group Summit LLC	\$ 3,129.00	KeyBank 4256	SEC-KeyBank-P-0000516	SEC-WF-P-0000198
9/4/2012	Group Summit LLC	\$ 505.00	KeyBank 4256	SEC-KeyBank-P-0000520	SEC-WF-P-0000202
10/12/2012	Gary C. Snisky	\$ 1,484.00	Vectra Bank		SEC-WF-P-0000206
Total to Cromarty Group, LLC		\$ 95,595.94			
Payments to Mike Tomich and Kenneth Meissner From Cromarty Group, LLC - Wells Fargo Bank Acct. No.					
Date	Name	Amount	WF Acct. No. 4987 Statement Bates No.	Detail Bate No.	
4/18/2012	Mike Tomich (SPS)	\$ 12,470.00	SEC-WF-P-0000183	SEC-LMCU-P-0000097	
5/1/2012	Mike Tomich (SPS)	\$ 19,082.40	SEC-WF-P-0000187	SEC-LMCU-P-0000091	
5/24/2012	Mike Tomich (SPS)	\$ 2,470.00	SEC-WF-P-0000187	SEC-LMCU-P-0000093	
6/11/2012	Mike Tomich (SPS)	\$ 7,470.00	SEC-WF-P-0000191	SEC-LMCU-P-0000069	
7/5/2012	Mike Tomich (SPS)	\$ 3,195.00	SEC-WF-P-0000194	SEC-LMCU-P-0000085	
8/14/2012	Mike Tomich (SPS)	\$ 2,220.00	SEC-WF-P-0000198	SEC-LMCU-P-0000083	
9/18/2012	Mike Tomich (SPS)	\$ 360.00	SEC-WF-P-0000202	SEC-Cromarty-P-0000004	
10/17/2012	Mike Tomich (SPS)	\$ 1,060.00	SEC-WF-P-0000206	SEC-WF-P-0000312	
Total To Tomich		\$ 48,327.40			
4/23/2012	Kenneth C Meissner	\$ 2,500.00	SEC-WF-P-0000183	SEC-WF-P-0000291	
5/3/2012	Kenneth C Meissner	\$ 5,000.00	SEC-WF-P-0000187	SEC-WF-P-0000294	
7/19/2012	Kenneth C Meissner	\$ 10,237.00	SEC-WF-P-0000194	SEC-WF-P-0000308	
Total To Meissner		\$ 17,737.00			
5/7/2012	Sparkman	\$ 750.00	SEC-WF-P-0000187		
8/7/2012	Sparkman	\$ 1,026.20	SEC-WF-P-0000198		
Total To Sparkman		\$ 1,776.20			
5/22/2012	Summit Trust Company	\$ 750.00	SEC-WF-P-0000187		
6/12/2012	Summit Trust Company	\$ 707.50	SEC-WF-P-0000191		
Total To Summit Trust Company		\$ 1,457.50			
Grand Total to Tomich and Meissner		\$ 69,298.10			
Total Amount Retained By Cromarty Group, LLC and Scott		\$ 26,297.84			

Investor Proceeds Deposited With Summit Trust Company							
Investor	Date Invested	Amount	Bank	Detail Bate No.	Bank Statement Bate No.	Asset Holders Report Bate No.	Broker
Duane R. Voorman	4/2/2012	\$ 200,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000314	SEC-USBANK-E-0000005	STC-0072670	Mike Tomich
G. Schutte & M. Schutte	4/4/2012	\$ 50,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000213	SEC-USBANK-E-0000005	STC-0079708	Mike Tomich
Jack F. Chadwick	4/4/2012	\$ 50,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000373	SEC-USBANK-E-0000005	STC-0079706	Kenneth Meissner
Weems Family Living Trust	4/9/2012	\$ 100,000.00	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000476	SEC-USBANK-E-0000005	STC-0079706	Kenneth Meissner
Anne C. Savage IRA	4/13/2012	\$ 166,498.35	USBANK Acct. No. 0996	SEC-SUMMIT-E-0000193	SEC-USBANK-E-0000005	STC-0079707	Mike Tomich
Jerome L. Beland	4/19/2012	\$ 215,750.00	USBANK Acct. No. 0996	TOMICH 000453	SEC-USBANK-E-0000006	STC-0079707	Mike Tomich
The Legrand Revocable Trust	5/14/2012	\$ 106,000.00	USBANK Acct. No. 6304	SEC-KeyBank-P-0000425	SEC-USBANK-P-0000291	STC-0079706	Bill Sparkman
Dolores A. Legrand IRA	5/14/2012	\$ 35,902.12	USBANK Acct. No. 6304	SEC-SPARKMAN-P-0000036	SEC-USBANK-P-0000291	STC-0079708	Bill Sparkman
Edmund Kieras	6/7/2012	\$ 100,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000525	STC-0079707	Mike Tomich
Marcia Fortuna	6/7/2012	\$ 50,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000525	STC-0079707	Mike Tomich
Marcia Fortuna	5/2/2012	\$ 50,000.00	USBANK Acct. No. 0996	TOMICH 00466	SEC-USBANK-E-0000001	STC-0079708	Mike Tomich
Carol Hasty Wiers	6/14/2012	\$ 64,500.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000507	SEC-KeyBank-P-0000526	STC-0079707	Mike Tomich
Mark E. Hart IRA	7/11/2012	\$ 149,242.09	KeyBank Acct. No. 4256	SEC-SUMMIT-E-0000358	SEC-KeyBank-P-0000513	STC-0079706	Kenneth Meissner
Mary G. Hall IRA	7/11/2012	\$ 56,000.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000526	SEC-KeyBank-P-0000513	STC-0079706	Kenneth Meissner
Anne Savage Roth IRA	8/2/2012	\$ 44,700.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000516	SEC-KeyBank-P-0000527	STC-0079707	Mike Tomich
Edmund Kieras	8/9/2012	\$ 7,200.00	KeyBank Acct. No. 4256	SEC-KeyBank-P-0000516	SEC-KeyBank-P-0000529	STC-0079707	Mike Tomich
Carol Hasty Wiers	9/27/2012	\$ 21,200.00	KeyBank Acct. No. 4256	SEC-BBVA-P-0000204	SEC-KeyBank-P-0000530	STC-0079707	Mike Tomich
Total Invested		\$ 1,466,992.56					