THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Charles B. Simmons, Jr., Special Circuit Court Judge

Case No. 2013-000575

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SC Court of Appeals

Artemio Alvarez v. Quality HR Services, et.al.
W.C.C. File No.: X030301
William Brockman v. Quality HR Services, et.al.
W.C.C. File No.: X030600
Martha Burke v. Quality HR Services, et.al.
W.C.C. File No.: X030681
Lucille Dwight v. Quality HR Services, et.al.
W.C.C. File No.: 0326238
Robert Hunter v. Quality HR Services, et.al.
W.C.C. File No.: X040142
Tammy Miller v. Quality HR Services, et.al.
W.C.C. File No.: X040301
Patricia Wade-Portee v. Quality HR Services, et.al.
W.C.C. File No.: 0907616
Jessie Pringle v. Quality HR Services, et.al.
W.C.C. File No.: 0327062
Steven Cameron v. Quality HR Services, et.al.
W.C.C. File No.: 0316901
Ruth Harmon v. Spectrum HR, et.al
W.C.C. File No: 040613.....Respondents,

v.

South Carolina Property and Casualty
Insurance Guaranty Association.....Appellant.

RECORD ON APPEAL
(VOLUME II of V)

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A Okay. This one is in '02. Okay. This is before I met with Mr. Sioma.

Q When did you meet with Mr. Sioma, by the way?

A It was -- if I could, can I look at the letter --

Q Sure.

A -- where I wrote this as my exact date.

Q Absolutely.

A That way I won't have to keep saying --

Q Not a problem.

A -- I'm not sure.

Q I want to ask you about this and now is as good a time as any, both of those letters.

A Okay. July 22nd, 2003.

Q And that was at the AIM offices in Atlanta?

A Correct.

Q Okay. Now, that letter in -- well, let me back up a minute. Are you aware that there was a Stock Purchase Agreement entered into between Realm and AIM in March of 2003?

A Yes, I believe I was.

Q Okay. And obviously your meeting with Mr. Sioma was after that in July of '03?

A I believe so, yes.

Q Okay. Now, in reading your letter there, and by the way --

A Which one?

Q -- I wasn't clear on who you had directed that letter to. I'm sorry, the October 2003 letter.

A October? This is the -- obviously there were two different letters; I was mistaken. I wrote a separate letter to Judge Berman. This letter was kind of just -- after I had this conversation and talked to my attorneys it was good to put it on paper so that at some point in time if it ever came up I would know the day and the time and exactly what was said and that type of thing.

Q And here we are?

A And here we are.

Q Yeah. But that's why you did it to sort of kind of make a fresh statement, recollection of --

A Exactly.

Q -- your meeting with Mr. Sioma?

A Exactly. And there was just -- there was -- I was -- that was my mistake. There was a second letter, because I remember writing a letter to Judge Berman --

Q Okay.

A -- just kind of -- and this was kind of -- I believe this letter came about through Alston & Bird, one of the PEOs had kind of -- we were being lost in the shuffle. Everybody was forgetting that there were PEOs and people attached to this corporate dispute that was going on.

Q Right.

A And that was the intent, I believe of this letter.

Q I think we got on the letters here, we're trying to identify the point in time when you had the meeting with Mr. Sioma?

A Yes.

Q Okay.

A So it would have been July 22nd.

Q Okay. And then you generated the letter, the October 3 letter --

A Uh-huh.

Q -- with the specific intent of having a fresh recollection recorded of the meeting with Mr. Sioma; correct?

A Correct.

Q Okay. Now, did you understand, or did you have any knowledge that the -- that following

the execution of the Stock Purchase Agreement in March of 2003 that the sale, there would be a closing or the intent was for there to be a closing on the purchase of Realm National at some point?

A Back then I don't think I understood much of this. It's come out through --

Q Okay.

A -- all these hearings and depositions and made it a lot -- it makes it a lot more clear today. To tell you exactly what I thought back then --

Q Okay.

A -- I can't.

Q Well, now as we sit here today you understand -- do you understand that there was going to be a closing following the execution of the Stock Purchase Agreement in March of '03?

A Yes.

Q There would be a closing, a first closing where the transfer of sale would take place?

A Yes. I just figured that that would execute this Agreement that they had in place, and that coverage then, all these compliance questions would go away and this would be --

Q AIM and --

A -- behind us.

Q -- AIM and the PEOs --

MR. McCALL: Let her finish her answer.

MR. WOOD: I'm sorry, Duke. I apologize.

Q Please finish your answer.

A Yeah, that this would all -- this would take care of this dispute that I was being told for months was going to be corrected.

Q Right, and because AIM and the PEOs would own Realm?

A That AIM would be in charge of Realm.

Q Okay. And then even if there was a coverage dispute or a question about coverage AIM, as the new owner of Realm and the PEOs as the new owner of Realm with AIM could retroactively issue the coverage; correct?

A I don't know about that. I just knew that then our agreement with Realm would be honored.

Q Okay. Well, that -- that letter with your fresh recollection there --

A Okay.

Q -- I don't see anything in that letter about a statement that Mr. Sioma made that you had coverage.

A Well, he's -- I don't know -- I don't know if his exact words were ever you have coverage.

He said our files were fine and everything was moving forward.

Q And there was a process at that time going on toward an eventual closing pursuant to the Stock Purchase Agreement; correct?

A At that time I wasn't, again, I had no idea about all these different closings and different -- what went on. I mean, it was -- that was a very big issue for me.

Q Would you agree with me that the main thrust of your October 3, 2003 letter addressed "Dear Sirs" --

A Uh-huh.

Q -- was that you had met with Mr. Sioma and he had given you assurance that the sale, the transaction was going to be moving forward?

A Yes. And to me that meant that everything was fine. Coverage was fine, every -- because if the sale moved forward then the deal closed.

Q Everything would have been fine?

A And this would never have happened.

Q Right.

A Okay. But again, there's nothing in there about a statement that was made to you

or Mr. Evette about Mr. Sioma saying you've got coverage?

A My recollection with that was his interpretation, your files were fine, everything was in order, everything is moving forward. If you had a problem, if there was any problem that we found we would contact you. If you don't hear from us everything's good.

Q Okay. All right. And you now know that that closing never took place; at least until the Bankruptcy Court took action in August of '06?

A I know that now.

Q Do you believe that you continued to send money to AIM on through the summer of 2003?

A We started in 2002. I think it was -- it was -- all of our premiums were paid in by that point.

Q Okay. And all the premiums were paid to AIM?

A Yes.

Q And AIM was paying some of these claims on your behalf?

A Well, they -- they were paying these injured employees.

Q Right. Okay. And some --

A And honesty -- yeah. Let me finish that.

Q Sure.

A I wasn't ever aware of who was paying the claims. I just knew that our employees that were injured were being taken care of. You know, I -- back in 2003, 2004 that was all I was concerned about. Where the money came from I had no idea. Now, after hearing everybody's testimony I know that, but back then I did not know who was paying them. I just knew that I paid premiums and my employees' claims were being taken care of. And then there was this big -- bigger than life dispute going on somewhere in New York that seemed very corporate and out of the realm of what was actually happening here.

Q On the license renewal that took place in -- in 2003 --

A Okay.

Q -- as I understand the information from the Department of Consumer Affairs, and correct me if I'm wrong, but the policy deadline or excuse me, the licensing period would have ended on September 30th of '03; is that your understanding or is --

A I think so. That's when everything has to be submitted by --

Q Okay.

A -- on the odd years. I always just remember the odd years.

Q Okay. So really leading up to September 30th of '03 Quality HR was involved in some discussions and dealings with the Department of Consumer Affairs relevant to renewal of its license?

A No, those came up after. We -- there's like a standard set of paperwork that comes in to this day. We give those papers to your Broker, give it to our Broker that handles the insurance, give it to our Broker that handles comp. They give it to the right people, it gets signed, it gets brought back to me. I put my packet together, bind it and send it in to the Department of Consumer Affairs. So it wasn't until after that, it was after everything was submitted. I sent those forms off to AIM. AIM had them signed, AIM sent them back to me, I put them in my packet and sent them off to the Department of Consumer Affairs.

Q Well, wasn't there an initial denial of the license renewal from a period from September 30, '03 forward?

A That happened -- well, that happened after we submitted. After we submitted our renewal

I received a letter saying that there was a problem with our comp coverage. I'm not -- I can't tell you the letter verbatim, but there was a problem with the comp coverage and that Realm was saying we did not have coverage with comp. We did not have workers' compensation coverage.

Q Well, that time period is interesting to me because that's -- September of '03 is pretty close in time after your meeting with Sioma in July of '03. It's within two months or so; right?

A Yes.

Q Okay. And I think you had testified when I took your deposition back in August of '06, I think you indicated that when this thing really became a concern for you, the coverage question, was when you were processing the Department of Consumer Affairs paperwork for the license renewal?

A Well, again, I don't know if it was -- I had -- I guess I had different points of concern. I mean, I had points of concern kind of all the way through and they were being addressed. Now, --

Q Take a minute to review that if you want to.

A Okay. Honestly, Mr. Wood, I can't tell you what was a bigger concern first, because so much

has happened over all these years. I was concerned about both things. I kind of stated in there that -- I was unclear then. I don't know what I was concerned about first. Was it claims not being paid and then the Department of Consumer Affairs. It was kind of all happening I believe --

Q Well, what I'm --

A -- pretty close to the same time.

Q -- what I'm trying to get a fix on is --

A Okay.

Q -- was there any reliance for any extended period of time on what Mr. Sioma allegedly said to make you think you had coverage?

A Well, and it wasn't what Mr. Sioma said and what I believed, it was what was somebody going to convey to everybody else. I mean, with the Department of Consumer Affairs I don't believe they would have taken my recollection letter and said, well then okay, it's all good.

Q All right. What written instrument do you contend constitutes an Agreement by Realm National Insurance Company to pay Quality HR and its client companies liabilities under the South Carolina Workers' Compensation Act for this period of time, November 1, '02 through November 1 of '04?

A When we paid our premiums and our premium checks were cashed and Certs were being sent to us that -- that gave me a feeling that our coverage was bound.

Q Okay. And all that was coming from AIM?

A Again, that -- knowing that now was it coming from AIM, to me those things always come from a Carrier. I go to my Broker now to get a Cert so -- get a Certificate of Coverage, but they have to get that from -- from the actual Carrier. So that would have been -- I'm assuming, going back, that was my thought process then too, that AIM can't do a Cert, that always comes from a Carrier. They have to approve those. You know, they just don't produce them on their own.

Q It wouldn't be right for AIM to be sending out a bunch of Certificates; right?

A Well, in my mind those Certificates came from Realm, they didn't come from AIM. They may -- it was an instrument to get it to me, but who was producing them, it's always and still to today my contention that the Carrier issues them.

Q Well, who -- the Certificates themselves, where on any of the Certificates that you have or that you're relying on

indicates that Realm issued those Certificates?

A Well, if I can see a Certificate, from recollection isn't there Realm stated as the Carrier on those Certificates?

Q Well, Realm is listed as the Carrier, yeah, but --

A Okay, well that's what I -- that's what I rely on now. I rely on --

Q Okay.

A -- that my Carrier is stamped on the top of those Certificates. I get them from my Broker, but they come from the Carrier. So that's where I had reliance that even though it was going to my Broker these were Certificates from Realm National.

Q Well, they were issued obviously by AIM. AIM's the producer; correct? You agree with me on all of them?

A When you say "producer" explain to me what you mean by that?

Q Well, I mean, the top left hand corner there.

A Okay. Okay. They're -- so they'd be like a Broker or producer --

Q Yeah.

A -- or whatever your want to call that.

Q And who are they signed by?

A Bruce Holley.

Q Okay. Did you ever get a Certificate signed by anybody other than Bruce Holley or Brian Imperiale?

A Not that I'm seeing here, no. I could never say that I didn't have one come in that's not in evidence though.

Q Other than these Certificates, the various Certificates that you and the client companies received from AIM --

A Uh-huh.

Q -- do you have any other written document that you contend constitutes an agreement by Realm National to pay Quality HR and its client companies workers' compensation liabilities in South Carolina from November 1, '02 to November 1, '04?

A I do not.

Q Okay. You mentioned -- that was highlighted on my pad. You mentioned on your direct that certain clients could not rely on the Certificates.

A Not those -- those Certificates. There was -- and I can't give you a date, but there was a period where there was a letter that came out

from AIM. I think Brian Imperiale wrote it, which is right here, where this was kind of in place of a Cert like you're holding.

Q Right.

A Because it was my understanding that Realm stopped producing those. These are what came from AIM, and it was a letter to our client companies saying there's a dispute we know, but if your -- somebody is injured and your claim is filed properly it will be paid. You know if you -- some of our clients could not use that letter. They needed an actual Cert from the Carrier so they, at that point, you know, we could place them in the Pool, we could -- they could, you know, get the policy in their own name if they had another avenue to get comp. We could handle everything, we would just carve out that workers' comp piece.

Q Certain clients needed to have a Certificate from the Carrier?

A If you were working on a job, if you're doing -- if you're a residential framer or something in a construction line they would need an actual Cert to give to somebody. I don't --

Q I understand -- I understand those circumstances arise. I guess my question

is, but there were certain clients in your client base --

A Uh-huh.

Q -- that these AIM Certificates weren't -- weren't working for?

A Exactly.

Q And they -- and they never got any from Realm did they?

A Well, there was a period -- those are dated, you know, so if they were on a job they could have gotten a Cert. I'm not saying that a Cert like that did not come to them, and then they went on to another job and needed another Cert and by that time Realm was not producing those anymore and AIM started producing these letters.

Q Okay. All right. Thank you, ma'am. I appreciate your time.

THE COURT: Mr. Keller.

MR. KELLER: Thank you, ma'am.

CROSS EXAMINATION

BY MR. KELLER:

Q I really went over a great deal of this at length with your husband, so I'm going to be brief. But, as you know and as I explained earlier, I represent the UEF, Uninsured Employers' Fund and a

typical case we have is a small size company that's subject to the Act and they don't get insurance, somebody gets hurt and somebody's got to pay. So that's why the UEF was created. Is that you; are you a small company that was trying to evade the Comp Law?

A No, I was not.

Q Okay. In fact you did everything you could to get insurance, and thought you had; isn't that true?

A Until today. I mean, we still stand here trying to make sure our employees and clients aren't harmed as much as we can.

Q I understand. And the conversation that you had with Mr. Sioma in Atlanta in 2003, I understand you don't -- well, let me -- let me ask you the question this way. Do you know whether he ever used the word "coverage" or not?

A I can't tell you -- I cannot tell you for sure. In that letter which was kind of my recollection letter, it just says that everything was moving forward, that our --

Q When you came away from that meeting what did you believe you had been told by Mr. Sioma? What was your understanding and belief?

A That our coverage would be fine. That everything would be fine.

Q Okay. It appears now he was lying to you; would you agree with that?

A I would agree with that.

Q Okay. Would you agree that you had, by whoever -- whoever the party may be that did it, somebody defrauded you?

A Yes. Looking back -- I guess in my mind sight at the time, which is that the question you're asking?

Q Right.

A I figured we paid our claims -- I mean, I'm sorry. We paid our premiums, our claims were being paid. I -- I was given assurance the whole time that this was going to work out and everything was going to be fine, and we were not going to be impacted. I think at some point in time I just relied on it. I was a very small fish in a big pond. Somebody would say they were doing the right thing, they were a licensed Carrier, they walk like a duck and they quack like a duck, so we're going to make you be a duck. And they would step in and say you had coverage, Quality, because you did everything you were supposed to do. And that

was maybe a very naïve way to think way back then, but --

Q And in fact, the sheets that Mr. Wood showed you earlier, there was a Third Party Administrator --

A Uh-huh.

Q -- and somebody processing claims, that were setting reserves --

A Yeah.

Q -- and you were being sent these things once or twice a month?

A Yes.

Q Okay. And did you have any reason to believe that wasn't being done? I mean is that any different than the way it was done with Ace or the way it's done now?

A No. We go through a claims review every month. They tell us what claims are being paid, what claims are on reserve. I had talked to Gary Smith many times during this, you know, because I was at a loss, you know. And he had told me that claims, you know, there were claims being paid. So, I mean, I had that assurance at one point in time we had a conversation and you know, he did tell me that. And I think that's why -- claims being paid

was a big focus, because Mr. Smith was very nice and very helpful and always said, "Everything will be okay until the employees' claims stop being paid. Then this is going to evolve into a much bigger issue.

Q Thank you. That's all.

A Thank you.

THE COURT: Mr. Cook.

MR. COOK: I think Mr. Renfrow has typically been --

THE COURT: He has, but I'm trying to put y'all back together where you belong.

MR. COOK: Okay. That's fine. All right.

CROSS EXAMINATION

BY MR. COOK:

Q Ms. Evette, my name is Robert Cook. I also represent the Uninsured Employers Fund in a slightly different posture than Mr. Keller is. You -- I believe you testified on direct examination when Duke was asking you questions that the investment or capital contribution portion of the plan was really nothing to you; it was obtaining comp coverage for your company so that you could provide it to your clients; is that --

A Correct.

Q -- correct?

A Correct.

Q Okay. And while all this was going on nothing really changed that that was your main focus did it?

A Correct.

Q All right. Now, up until the point of July 22, 2003 when you met with Mr. Sioma you had never talked to him before then had you?

A No. He was -- I think he was in the room when I was talking to Mr. Lawless, but I never spoke directly to him.

Q I understand. But it was just sort of a serendipitous thing that he happened to be there at the time that you went to go talk to the folks -- I guess you went intending to talk to the folks at AIM; is that right?

A Exactly.

Q It was like a bonus that the President of your insurance company happened to be there?

A Well, I wanted to know -- we went there for the sole purpose of a meeting to say what is going on, and they said well, let's bring in Mr. Sioma because he's here reviewing files, your file and other people's files.

Q Okay. And Mr. Sioma represented to you when he met you that actually he had reviewed your file --

A Yes.

Q -- while he was there?

A Yes, that he did.

Q Okay. Now, here's the point. You didn't go to check on the status of your investment did you?

A No.

Q You didn't go to make a social call did you?

A No.

Q Your one focus was insurance coverage, was it not?

A Correct.

Q All right. Is there any reason for you to believe, and I know this conversation would have occurred almost, what five years ago?

A Yes.

Q Okay. Is there any reason for you to believe that the sole focus of your conversation with Mr. Sioma would have been anything other than this question? Mr. Sioma, does Realm provide insurance coverage to my business?

A Yeah, that was the -- what I was asking him. What -- is everything -- what is happening now?

Q Well -- but here's -- here's the thing. What is happening now is a broad question.

A Yeah.

Q Is there -- do you have any reason to believe that you did not specifically ask him about insurance coverage?

A No.

Q All right. And his response to that led you to believe that you had insurance coverage; is that right?

A Yes, it did.

Q Okay.

A I felt a lot better after I left that office.

Q All right. Now you said you have an accounting background; is that right?

A Yes, I do.

Q You've been involved in providing workers' comp coverage for a number of years before then; is that right?

A No.

Q For a few years before then?

A A few years.

Q Okay. You were -- more than the average person you're familiar with workers' comp; is that right?

A Yes.

Q And dealing with the public and dealing with sales and all of that you're probably not, at least you don't consider yourself to be a naïve person do you?

A No.

Q All right. Do you have any reason to believe that Mr. Sioma did not understand what you were -- what assurance you were seeking from him?

A No. I think he understood.

Q All right. And when you left did you have any doubt in your mind that what -- that what was being indicated to you was Realm National Insurance Company provides insurance coverage to your company?

A No, I had no doubt.

Q All right. Now, was anybody else present during that conversation?

A David Dennett-Smith was present, Brian Imperiale, David Evette was present and Bruce Holley, I believe was present.

Q Did any of the folks with AIM say anything to the effect of, Mark, you know, hold on, we haven't worked some of these issues out. Don't go saying anything like that?

A No.

Q Okay. You sent the letter subsequently to Mr. Sioma about your meeting on July the 22nd 2003; is that right?

A No, I don't -- I can't say that that went to him. That letter was really more of a recollection letter.

Q Okay.

A In talking to my attorneys --

Q All right.

A -- that was a suggestion. They said write it down; get it on paper, that way you're not going to second guess.

Q Well, do you know whether you sent it to him or not?

A I do not know.

Q Okay. Once you had that meeting on July 22nd, 2003 you -- for a while you continued on business as usual in terms of how you were dealing with AIM and assuming coverage with Realm National; correct?

A Yes.

Q If -- I want you to make an assumption. I'm specifically asking you to assume this; okay?

A Okay.

Q Assume during that conversation with Mr. Sioma that he had said, Pamela, I have no idea what you're talking about, you don't have coverage with Realm National Insurance Company. What would you have done?

A I would have immediately left there and tried to secure different coverage for my clients.

Q All right. Given now that you didn't do that did that work to your detriment?

A In hindsight, yeah. I mean, I -- I may not be here now to the extent I am had I -- had he have said that or had I assumed that. If I would have assumed that I wouldn't -- I wouldn't, depending on what claims happened at what times.

Q If you had been anything less than fully satisfied with his answer on July 22nd, what would you have done?

A I would have secured different coverage.

Q All right. Thank you.

THE COURT: Mr. Renfrow.

MR. RENFROW: Very, very briefly

here, Commissioner.

CROSS EXAMINATION

BY MR. RENFROW:

Q Ms. Evette, I want to ask you real quickly. As I understand it, it wasn't that big a deal to you that you had some type of investment in this PEO program; is that right?

A No, I never cared to own an insurance company.

Q Now, I'm looking at the AIM PEO Program recap here.

A Okay.

Q And if I read this correctly, and you tell me if I'm wrong, the premiums paid as of this time was -- by Quality HR was $150,762?

A See, I'm not 100 percent sure. I'm kind of interpreting this document with you. That's why I wasn't saying this is for sure and that's for sure. This number seems high to me.

Q Okay.

A And I think that's because that's like an estimated number when we came into the plan.

Q Right.

A You know, this looks like what we've paid, you know. I'm not sure what all these

classifications are. And this looks like -- I'm thinking you have to add these two together.

Q Okay.

A That's what I -- where I was coming up with my number.

Q Okay. It looks to me -- in the worst case scenario though you paid $117,000 into the investment portion of the program; is that right? And all the premiums that you paid of the $220,000, $117,000 of it was your ownership in this PEO program that David Dennett-Smith had created?

A I can't say for sure. I would be assuming just like you.

Q Okay. Do you have any idea, I mean, did you ever discuss with your husband how much money you were paying for premiums versus how much you were paying into the investment portion?

A We weren't married back then. And I'm sure -- when I sat down and looked at it, it was actually -- over -- over -- staying with the program, kind of like being in your 401K, the longer you stayed in it the better it produced, that would drop and we would be the more stable for it. So it was -- for lack of a better term, a calculated risk. You know, I was putting money -- we were putting

money into this, the company was, to hopefully secure a really good policy going forward.

Q Sure. Now, assuming these documents are correct and we -- I don't guess we have any reason to doubt them at this point, but assuming they're correct and your company did pay $117 out of $220,000 for capital contribution in your personal and your company's personal investment in this program, that's pretty -- pretty impressive investment wouldn't you say?

A Uh-huh.

Q Yet, you still -- you weren't excited about the possibilities that had to come from this type of investment? I mean, you were willing to pay $120,000 into something that you weren't really interested in?

A Because when you understand our business, to be a strong PEO you have to have a good strong compensation Carrier. That was always the driving focus. It wasn't that some day down the road there would be money to come from an investment into an insurance company. My excitement from the program came that I would have a solid Carrier moving forward.

Q But this investment was certainly

an added benefit; correct?

A If it -- if it ever panned out. In my mind at the time it wasn't something I was looking to get anything from, except a secure spot in a comp program.

Q Okay. I think you said earlier it was a far off dream that you were looking forward to, or something to that effect; is that right?

A Oh, I didn't -- I just thought it was something far off in a distance. I don't know if it was a dream.

Q Okay. Regardless of how they were paid or what they were attributed to, the monies that were paid as part of this AIM PEO Program, did you sign those checks?

A The checks that went to AIM?

Q Yes.

A Yes.

Q Okay. And were those checks made out to AIM or were they made out to Realm?

A I believe they were made out to AIM.

Q Okay. Was there any indication on the checks that they were for the Realm premiums?

A For our -- I think they were just for our workers' compensation policy. I couldn't

tell you for sure what I wrote on the --

Q When's the last time you've seen those checks?

A I remember seeing them with -- within all this stack of paperwork at some time, but I don't know.

Q Do you know where those checks are?

A To -- if I had to guess I would say they're with my attorney.

Q Okay. And did you know I had subpoenaed those checks several times, but the last time I think in February of '08?

A I think I know you were subpoenaing information. Exactly what information I'm not sure.

Q Okay.

A I know there's -- I know that everybody has been kind of looking for them and I -- the last recollection I had was that they were given to my attorney.

Q Okay. But they were on checks for Quality HR checks made payable, you think, to AIM?

A I know they would be -- I'm for sure they were made payable to AIM.

Q And they were signed by you?

A Yes.

Q Okay. And --

MR. RENFROW: Well, Commissioner, I'd just like to ask if those checks exist. Since they've been subpoenaed I guess I need to move -- make a Motion to Compel those checks be included in the record because I think they're certainly relevant.

THE WITNESS: Now, there were wire transfers made also. They're not -- you're not going to see that 100 percent of that premium done in checks.

MR. RENFROW: Okay. We'll add those to the Motion to Compel as well.

THE COURT: Anybody have the checks?

MR. McCALL: No, Your Honor, we do not.

THE WITNESS: I'm going to have to search then, because that would -- everything I had and pertained to this, years ago we turned over. Now, can I go back through and try and get a bank to produce those checks? I can try.

CROSS EXAMINATION RESUMES

BY MR. RENFROW:

Q Do you remember which bank they were written on?

A It would be Carolina First.

MR. RENFROW: No further questions.

THE COURT: Mr. Renfrow, if you want

the checks --

THE WITNESS: I will do my best --

THE COURT: -- it may be better if you subpoena the bank.

MR. RENFROW: Okay.

THE COURT: I mean I'll leave the record open.

MR. RENFROW: Okay.

THE COURT: I mean, obviously it's going to be open anyway, so.

MR. RENFROW: Okay.

THE WITNESS: If you want to give me a few weeks I'll try to do that so you don't have to go through the hassle.

THE COURT: Ms. Steadman.

MS. STEADMAN: Just a few quick ones.

CROSS EXAMINATION

BY MS. STEADMAN:

Q Hi, Ms. Evette.

A Hi.

Q How are you? Your attorney might have gone over this with you and I just missed it. These documents that he showed you earlier, when did -- did you receive these?

A Yeah, they were -- they were sent in email form. This was -- I can't tell you when --

when we received something like this because it's not dated and --

Q Right.

A Now these we received either once or twice a month, just talked about claim history that was happening within that month.

Q Okay. If you'll -- some more -- do you remember when --

A See, these I'm not as familiar with just because I think these were given to us later on in the program when everybody was like -- when we were getting ready to leave and get out and when we were getting this information. This wasn't something that I got regularly or -- when we were billed for premiums we simply got a bill saying that this premium amount was now due, just kind of like we do from any Carrier. But this was something that we received all the time. Bruce Holley kept us apprised of all claims and reserve reports.

Q Okay. These two documents right here, the American Insurance Managers PEO Program recap and the PEO breakdown, were these a one time thing that you got?

A That I'm not sure of.

Q Okay.

A I'm not sure if I received this in stages or if this was just the last one received and I got -- put to our attorney. I can't say for sure.

Q Okay. Do you have any idea when you would have gotten these?

A I --

Q An estimate of time?

A I don't. Without any dates, you know, it didn't come with a date on it so I'm not even going to try to speculate.

Q Okay. You said it was towards the end of things when you would --

A It could have been.

Q -- have gotten it?

A I said it could have been.

Q Okay.

A I'm not 100 percent sure.

Q Okay. And when would that be?

A When we stopped doing business would have been, was it April? Mr. Wood? April 2004?

MR. WOOD: I'm not sure.

THE WITNESS: You're the date guy.

A It would have been around the -- when we were pulling out of the AIM program.

Q Okay. Thank you.

THE COURT: Mr. McCall, any redirect?

MR. McCALL: Yes, just briefly.

REDIRECT EXAMINATION

BY MR. McCALL:

Q You said that -- you were asked the question about points of concern. You said you had points of concern all the way through. What were your points of concern and when did they start and when did they end?

A Well, I was concerned when, you know, when the letters went out from Mr. Sioma, that was one. And then in talking to AIM I kind of, you know, felt better that this was a problem that was being taken care of. And then when Certs stopped coming out, you know, in this -- from Realm and these letters happened. But then I always had assurance through that this -- this was going to have a resolution that, you know, the Courts were going to, you know, enforce the Agreement between the two of them. And then, you know, obviously after I talked to Mr. Sioma I felt better leaving the office. And then, you know, we were -- clients weren't getting paid, and that it kind of went back and forth. But in the end I kind of kept feeling, like I told Mr. Keller, that you know, we did what I

thought we -- we were supposed to do. We paid our premiums; we were watching to make sure that our claims were being paid. You know, we were trying to do the best -- the right thing, that I thought was the right thing and I just felt at some point that somebody would make Realm step up to the plate and say, you know, I don't know any other way to put it. If you walk like a duck and you quack like a duck, then you were a duck, and these people have coverage.

Q Is this -- I'm showing you a letter dated February 27th, 2004 from Bruce Holley.

MR. McCALL: I think it's APA 12 page 156.

A Okay. Yeah, this is the letter -- this is the letter that went out once Realm's Certs stopped being produced.

Q This was one of those letters that you --

A Yes.

Q -- were talking about that AIM started sending out in lieu of Certs?

A Correct.

Q And the Certs that went out, where did they -- what was your understanding of where they came from?

A It was my understanding that they

came from Realm, the Carrier.

Q And when you were with Ace and the Certs went out, where did they come from?

A The Carrier. They came from Ace.

Q When you were with your current Carrier when Certs go out, where do they come from?

A The Carrier.

Q Was there any point in time from November 2nd, 2002 through when you left Realm National in 2004 that you felt that you did not have coverage with Realm National?

A No.

Q Do you believe you had coverage with Realm National today --

A Yes.

Q -- from November 2nd, 2002 until you left in 2004?

A Yes.

Q Thank you.

THE COURT: Mr. Wood.

MR. WOOD: Yes, Ma'am.

RE-CROSS EXAMINATION

BY MR. WOOD:

Q I just have one question or one topic of questions. I shouldn't limit it to one.

This October 1, 2003 letter --

A Okay.

Q -- okay, and I know we talked about it a minute ago, and I'll be glad to show it to you again if you want to look at it.

A That's the one to Judge Berman?

Q No, ma'am, that's the one that's just "Dear Sirs".

A Oh. Okay.

Q And it's intended, I think, you indicated that after discussion with counsel you thought it would be a good idea to get a fresh recollection, get something down on paper as to the meeting with Mr. Sioma?

A Yes.

Q Would you --

MR. McCALL: Your Honor, is this proper re-cross? It's not something I asked her --

MR. WOOD: Mr. Cook asked extensive questions about the meeting with Mr. Sioma.

THE COURT: Yeah, it goes to all the other questions that were asked.

MR. McCALL: Okay.

RE-CROSS EXAMINATION RESUME

BY MR. WOOD:

Q Would you agree with me that the main thrust of that letter has to do with the finalization and the closing on the purchase of Realm National, not a conversation about coverage specifically?

A No, I think it was about coverage. I mean, I -- my intent -- if you look at it from my perspective, that's all I cared about. I didn't care about Realm and AIM and their dispute. All I cared about was my coverage. So in talking to him I would think he, you know, that's -- that's all I'm concerned about.

Q I understand your concern, but the term coverage isn't even in the letter is it?

A But that's the only thing I would care about.

Q Okay.

A I mean, I don't know why I would --

Q Is it not -- is it not true that -- that the coverage would have been a byproduct, retroactively, but it would have been a byproduct if the sale had gone through?

A At this point that -- that wasn't even in my mind. Now, you know, hearing again all these depositions, yes. What you're saying, that sale

happening would have made that happen, for me I just wanted to make sure that Realm was going to stop all the shenanigans they were doing and --

Q Sell the company?

A Well, not even sell the company, just acknowledge my coverage. Acknowledge that I had coverage, say this to somebody.

Q All right. The letter speaks for itself. Thank you, ma'am.

A Okay.

THE COURT: Mr. Keller, any redirect?

MR. KELLER: I don't have anything.

THE COURT: Mr. Cook?

MR. COOK: No, ma'am.

THE COURT: Mr. Renfrow?

MR. RENFROW: No, ma'am.

THE COURT: Ms. Steadman?

MS. STEADMAN: No questions.

THE COURT: Any objection to this witness being excused?

MR. McCALL: I'd like to excuse her if it please.

THE COURT: You're excused. We've got Gary left. Gary -- are you going to have a representative of the Guaranty Fund?

MR. WOOD: No, ma'am, I don't believe so. I don't -- I don't think it will be needed.

THE COURT: Y'all are probably tired. We'll --

MR. WOOD: Very tired.

THE COURT: We will start with Gary in the morning. Gary, can you be here at 8:30?

MR. SMITH: I can be here at 8:30.

(The hearing recessed at 7:06 p.m. June 26, 2008 and will resume at 8:30 a.m. June 27th, 2008)

HEARING RESUMES

(On the record at 8:30 a.m. June 27th, 2008)

THE COURT: All right. We'll go back on the record. Mr. Wood, if you would please call your witness.

MR. WOOD: Thank you, Commissioner, we'd call Mr. Gary Smith.

THE COURT: Please raise your right hand. Do you swear to tell the truth, the whole truth and nothing but the truth?

THE WITNESS: I do.

THE COURT: Please state your full name for the record.

THE WITNESS: Gary L. Smith.

THE COURT: Mr. Wood, your witness.

MR. WOOD: Thank you, Commissioner.

Gary L. Smith,

Having first been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WOOD:

Q Gary, would you -- well, you stated your full name. Would you state your position, please?

A I'm the Director of the Compliance Division South Carolina Workers' Compensation Commission.

Q And how long have you been in that position?

A Ten and a half years.

Q Okay. Can you describe in general your job responsibilities?

A In the event of a claim that comes in to the Commission if there is no insurance then I investigate to determine whether or not if there is insurance, and if there is none, to determine whether an Employer is subject to the South Carolina Workers' Compensation Act. And then I have enforcement duties, regulatory duties. I enforce compliance with the South Carolina Workers' Compensation Act.

Q With regard to coverage investigations, just in general terms can you describe the type of databases, information that you have access to here at the Commission's Coverage and Compliance Department?

A Yes, I can. I have online access with NCCI's database. Then the South Carolina Workers' Compensation Commission maintains the database of self-insured Employers. And then I also have access to the Employment Security Commission database.

Q Specifically with regard to the

NCCI database is NCCI, is it your understanding that NCCI is the reporting agent for coverage, non-renewal, cancellation of coverage for workers' comp policies after 1989?

A It is, counselor.

Q Okay. Now, I don't want to have -- I'll try to be as efficient as possible. We have before us today, I believe now, 11 cases with the settlement of the Mobley matter. There are 11 cases that are the subject of this hearing and I'm going to --

MR. WOOD: Commissioner, do you want me to read into the record the case names or is that sort of something you --

THE COURT: I mean, I did it at the beginning of the hearing.

MR. WOOD: Okay. Okay.

Q You're familiar with the various cases. Let me -- let me show you my roster here that's -- scratch the Mobley, but just --

A I'm familiar with these cases, yes, sir.

Q Okay. In your capacity as Director of Coverage and Compliance here at the Commission have you conducted a coverage investigation in connection with all these claims?

A Yes, sir, I have.

Q Okay. And your reports have been submitted under the Administrative Procedures Act?

A They have.

Q By various persons? Let's -- let's take it -- specifically have you conducted coverage investigations into two Staff Leasing Companies that are subject to this litigation; those being Spectrum HR and Quality HR?

A Yes, sir, I have.

Q Okay. Let's talk about Spectrum first for a minute.

A Okay.

Q What do the Commission's coverage records show with respect to Spectrum HR, and lets just sort of start from 2001 and kind of go through 2004.

A Sure. The records of the South Carolina Workers' Compensation Commission and in my investigation has shown that Spectrum HR was -- was insured by Liberty Mutual from August the 31st, 2002 to August -- to April the 1st, 2003. Then of course they entered this program with AIM after this period of time and then they came back into coverage.

Q Let's talk about what the coverage records reflect; NCCI's and the Commission's

database.

A Sure.

Q You had Liberty Mutual on the risk for Spectrum HR from October 31, 2002 to April 1, 2003?

A Yes, sir, that's correct.

Q And then when is the next recording of coverage at the Commission's database and NCCI's shows with respect to Spectrum HR?

A Spectrum obtained coverage with Property Casualty Insurance Company from -- on 5/1/04.

Q Okay. Let's talk about Quality HR and what the Commission's Coverage and Compliance -- or excuse me -- the Commission's database and NCCI's database show with respect to Quality HR, and again I want to focus on this 2001 to 2004 timeframe.

A Yes, sir. They -- just prior to going into the Realm program as was testified to yesterday, they were insured by Capital City. That coverage was cancelled 10/26/02 and Quality HR Services came back into compliance on 4/1/04 and they have obtained coverage with American Zurich.

Q Okay. Now, going back to Spectrum HR. Did the Commission's coverage records or NCCI's database, and I guess services of the Commission's reporting agencies that you have testified to, do

either of those databases reflect any reporting of coverage for Spectrum HR by Realm National Insurance Company?

A No, sir.

Q Okay. With regard to Quality HR does -- does the Commission's coverage database, or what does the Commission's coverage database and NCCI's database indicate with regard to any reporting of coverage by Realm National?

A None.

Q And since we've got 11 cases here as opposed to the prior proceedings you've testified to in connection with this issue I guess -- let me ask you when you did these coverage investigations, and obviously Spectrum and HR -- Spectrum HR and Quality HR as the involved Staff Leasing Companies were involved in all of them, that they were -- you've got the Spectrum cases, you've got the Quality HR cases?

A Yes, sir.

Q What did you do with respect to investigation of coverage on the various client companies in these cases?

A Yes, I in fact, had held those in abeyance as opposed to prosecuting uninsured

actions against them.

Q Okay.

A Let me -- let me back up. I did, in fact, prosecute an uninsured action against Quality HR. They, in fact, there was a hearing that was held here and Commissioner Funderburk signed an Order putting a Stay in effect on -- on -- essentially on all those cases until that was resolved and the issues were resolved at the Bankruptcy Court.

Q Okay. What I'm going to do, Gary, is I'm going just as quickly as possible, sort of run through various client companies that are involved in these various cases. And the question with respect to each client company is going to be whether your investigation -- or whether the Workers' Compensation Commission's coverage database and NCCI's database reflect any reporting of a policy with the entities that we're going to go through by Realm National Insurance Company? Are you clear on the question?

A Yes, sir, I am.

Q Okay. Now, Employment Solutions?

A No coverage.

Q Okay.

MR. KELLER: What dates are we talking about?

MR. WOOD: It's a general question of whether the Commission's database and the -- well, let's narrow it down from the period from December 4, '02 through March 22, '04. And I think that's inclusive of the various accidents dates, including the Mobley matter which has been settled.

MR. KELLER: Okay. Thank you.

BY MR. WOOD:

Q And the question is going to be with each of these entities whether there's any indication in the South Carolina Commission's -- South Carolina Workers' Compensation Commission's coverage database and NCCI's coverage database whether there was any reporting of coverage by Realm National in any of these entities during that -- for that period of time?

A Yes, sir, I understand.

Q All right. Employment Solutions?

A No coverage by Realm.

Q Okay. JR Construction Company, Inc.?

A No coverage by Realm.

Q Contract Environmental Services, Inc.?

A No coverage by Realm.

Q Okay. Keith's Welding?

A The same, no coverage by Realm.

Q Okay. Now, I believe, let me detour there for a minute. I believe with respect to Keith's Welding they did have a policy -- a policy with Capital City that would have been in effect at that time?

A They did, yes, sir.

Q All right. Fleet Source.

A No coverage by Realm.

Q ABC Investments?

A No coverage by Realm.

Q A Sleep Inn Motel d/b/a -- ABC Investments d/b/a A Sleep Inn Motel?

A No coverage by Realm.

Q Farmhouse Mornings ?

A No coverage by Realm.

Q I believe the rest are duplicative of -- Contract Environmental Services and the other cases that we've looked at. The first one is Employment Solutions.

A In synopsis, counselor, all these cases that I've investigated, there was no coverage by Realm.

Q Okay. Other than Keith's Welding in the Capital -- Keith's Welding in the Steve Cameron case

with the Capital City policy, and I'm going to break this down by category. Let's do it Spectrum -- Spectrum client companies for the period from February 3, 2004 through February 28, 2004; is that correct? Let me double check that before I ask the question. All right. February of 2004 was there any coverage in effect according to the Commission's coverage database and NCCI's database for Fleet Source?

A No, sir.

Q Okay. Same question with respect to ABC Investments or ABC Investments d/b/a The Sleep Inn Motel?

A No, sir, no coverage.

Q Okay. With respect to the time period from December 4, 2002 through March 22, 2004 does the Commission's coverage database and NCCI's database indicate any workers' -- valid Workers' Compensation Insurance in effect for Employment Solutions?

A No, sir.

Q Same question with respect to JR Construction Company, Inc.?

A No, sir.

Q Same question with respect to

Contract Environmental Services?

A No, sir.

Q Same question with respect to Farmhouse Mornings ?

A No, sir.

Q Okay. At some point you obviously became aware of this Realm-AIM coverage dispute that brings us all here today; is that --

A That's correct.

Q Approximately when would that have been?

A That would have been in late April, early May, 2003.

Q Okay.

MR. McCALL: When was that date?

A My recollection is that we became aware of this in -- on or about April or May of 2003.

Q And how did it first surface, Gary?

A Just claims coming into the Commission that -- that just didn't track with our database.

Q Okay. All right. And what do you typically do when that sort of situation surfaces?

A We open -- we open investigation files.

Q Okay. And can you describe the investigation you undertook?

A The investigation that I undertook was

I began calling principals within -- within AIM and also in Realm. And then of course client companies. I had a number of conversations with Pam Evette who is previously Pam Neesta. I talked to her on just a number of occasions about these issues; and also David Evette.

Q Okay. Did you have any contact with anybody from Spectrum HR?

A Yes, I did.

Q Okay. Do you recall who you spoke with at Spectrum HR?

A It was an individual by the name of -- Mark Smith was one individual that I spoke with.

Q Let's focus on the discussions with the Realm and AIM principals. Do you recall the specific individuals with AIM that you spoke with in connection with your investigation?

A We had, in fact Tammie Brasfield had spoken with Brian Imperiale and I had spoken with Kip Becker. I had lengthy conversations with Kip Becker and also had shared some emails back and forth with him.

Q Now, Kip Becker, what did you understand him to be in connection with AIM?

A He was Realm's -- excuse me, AIM's

legal counsel.

Q Is he deceased now?

A He's deceased.

Q And was that in -- was that one of the reasons that Commissioner Funderburk, your understanding of why Commissioner Funderburk postponed the Rule to Show Cause Hearing?

A Well, what had happened is all these cases had been -- there was a number of federal cases going on and they were all consolidated in the Bankruptcy Court of New York by what they referred to as a Mechanical Action, and Vernon Dunbar had -- had appeared on behalf of AIM before the Workers' Compensation Commission. Of course he's licensed in South Carolina. Kip Becker could not -- could not appear in his own -- as -- as legal counsel in South Carolina so -- so Vernon, in fact, appeared. And Vernon filed a Motion requesting a Stay until this -- all this is -- would be resolved at the Bankruptcy Court of New York and there would be a determination of whether or not there was coverage.

Q Okay. What -- what was the substance of your discussions with the AIM folks or your communications with the AIM folks or Mr. Becker on their behalf?

A Well, just a number of things. You know, what is this all about, how did it come to be, what's your position? Of course by then I had reviewed a number of letters that Mark Sioma had written to the Department of Insurance; had written a letter to myself.

Q May I ask you about the Department -- the letter to the Department of Insurance -- bear with me one second. Let me ask you, --

MR. WOOD: And this is pages 8 and 9 of our APAs. It's in the New York Liquidation Bureau folder, APA 1.

Q Is that the letter that you're referring to, to the Department of Insurance?

A Yes, I am. I am.

Q Okay. Who is that letter addressed to?

A It's directed to Director Cezar.

Q All right. That's Ernie --

A He's the Director of the -- was the Director of the South Carolina Department of Insurance?

Q He was in '02?

A That's correct.

Q Okay. All right. And what's the date of that letter?

A 12 -- December the 12th, 2002.

Q Okay. All right. I didn't mean to interrupt you but since you mentioned that letter I wanted to ask you about it. You were talking about the --

A And then, of course, I spoke to Mr. Becker about this and then of course my question is, well, you know, what's your side of the story and why do you think you have insurance? Mr. Becker told me that they had apparent authority to, in fact, do what they -- in fact to provide coverage, insurance coverage to these insured's.

Q He didn't say -- the AIM representatives at that time didn't make any contention with respect to Realm National actually binding the coverage themselves?

A No.

Q Their contention of the basis of their position at that point was apparent authority?

MR. McCALL: Excuse me, I'm going to object to counsel leading.

THE COURT: Just watch the leading.

MR. WOOD: Okay.

Q What was the basis?

A The basis was apparent authority is

what he, in fact, told me. And then he followed up with emails as to -- in which he attempted to substantiate his position as to why there was apparent authority.

Q Okay. As a backdrop to all this --

MR. KELLER: I'm not trying to jump in the cross, I'm confused. If I could ask you to clarify --

MR. WOOD: Sure. Sure.

MR. KELLER: -- I'm not sure what -- I'm just confused and if you could -- could get him to explain apparent authority to do what? I'm confused about what we're talking about. That would be a --

MR. WOOD: Yeah.

THE WITNESS: Apparent authority to bind coverage.

MR. KELLER: Okay. Thank you.

DIRECT EXAMINATION RESUMES

BY MR. WOOD:

Q And again, just so we're clear that was AIM's counsel's -- the basis of their position that there was coverage with Realm during what period of time?

A This would have been in -- in, of course in 2002 --

Q Okay.

A -- that they had apparent authority to do what they were doing.

Q But your conversations I think -- did you in -- your conversations with Mr. Becker would have been in 2003?

A Yes. My conversation with Mr. Becker would have been in -- on November the 6th, 2003.

Q Okay. Did you request for Mr. Becker or any of the folks with AIM, any kind of documentation with respect to the basis of that apparent authority or authority?

A I'm sure I did.

Q I guess my question is was there any discussion concerning any kind of formal Agency Agreement, Managing General Agency Agreement or anything along those lines?

A I don't recall. We're talking about five years ago and I know I clearly was on the lookout for those -- those kinds of things and I'm positive I did. But at the same time the conversation that I had was -- just a lot of water has gone under the bridge since then.

Q Okay. Has anybody, in the course of all the proceedings relative to the coverage issues in

these cases produced to your attention any type of fully executed Agency Agreement or Managing General Agency Agreement between Realm National and AIM, American Insurance Managers?

A No, they haven't.

Q Okay. And getting back to my conversation with Mr. Becker, I do remember I did, in fact, address that with him as to whether or not there was any sort of an Agreement that they had and the answer was no.

Q Okay. Well, let's -- let's shift to the discussions with -- your communications with the principals with Realm National. Who did you speak with at Realm?

A Mark Sioma and Jim Lawless.

Q Okay. And what was -- what was their position on the whole thing?

A Well, they were just adamant that they had not provided coverage to any of these folks.

Q Let me show you another correspondence item here that's part of our APA submissions --

MR. WOOD: Same Tab, APA No. 1 which is New York Liquidation Bureau's documents.

Q -- and show you this, Gary and ask you if you're familiar with that? It's page, just

for reference there, start on page 2 of that. Yes.

A Yes, I'm familiar with that --

MR. McCALL: What's the number?

MR. WOOD: It the New York Liquidation --

A This is a letter to me from --

Q Hold on, let us make sure Mr. McCall and Mr. Keller and any other counsel can take a look at that, make sure we're on the same page. Okay. I asked if you can -- if you're familiar with that document?

A Yes, I am.

Q Okay. What is that?

A This is a letter that was written to me by Mark Sioma who was the President of Realm National Insurance Company and the letter is dated December the 3rd, 2003.

Q And is that in response or in follow up to some verbal communications?

A It is.

Q Okay. Is the position outlined in that correspondence consistent with the position that was set forth in the letter to Director Cezar and in the verbal conversations you had?

A Yes, it was.

Q Okay. Did you find the folks at Realm

to be cooperative with your investigation?

A Yes.

Q Okay. At my request in advance of a hearing that was scheduled with the Jessie Pringle matter that did not proceed, but did you go to the Department of Insurance to review -- the South Carolina Department of Insurance to review records?

A I did.

Q And what records did you review over there firsthand at the Department of Insurance?

A I reviewed a database that contained lists of licensed agents in the State of South Carolina and lists of the licensed agencies in South Carolina.

Q Okay. And --

A And also in addition I looked at producers of Realm.

Q Okay. And is there any indication or was there any indication that any of the individuals that we know to be affiliated with AIM, David Dennett-Smith, Bruce Holley, Brian Imperiale, Steve Landon, Kip Becker, their counsel, AIM itself, any of the AIM Companies were licensed or authorized, appointed by Realm to be -- to write Property and Casualty Insurance, including Workers'

Compensation Insurance in the State of South Carolina?

A Bruce Holley in conjunction with AIM was licensed to write Property and Casualty Insurance from March 2004 up until I believe last year sometime when their authority -- in fact, their authority was suspended.

Q Okay. In general terms?

A General terms.

Q Okay. But specifically as an appointed agent of Realm to write insurance for Realm in the State of South Carolina; was anybody with American Insurance Managers licensed in South Carolina to do that or appointed in South Carolina to do that?

A No.

Q Okay.

A I had -- in fact, just as an aside here, I, in fact, testified once. The question was put to me at a hearing some time ago was AIM licensed in the State of South Carolina, was Bruce Holley licensed? And my response was no. And the reason I had said that was because when I was conducting my investigation they, in fact, were not. And then just prior to my Order and Rule to Show Cause Hearing which I facilitated the subpoenaing of

Quality HR just a few days before that, they had, in fact, applied as -- to be -- Bruce Holley applied to be an agent in South Carolina. So my response to my question was, in fact, related to what my understanding was at that time. I had not realized when I answered the question -- the question that was put to me; I think it was put to me by Mr. Keller, my response was no because I had not -- I was speaking as to what my investigation had been back in 2003.

Q Was it subsequent to that testimony in that prior proceeding that you, at my request, went to --

A Yes, that's correct.

Q -- conduct a further review at the Department of Insurance?

A That's correct.

Q And again, just so we're clear on what was discovered over there, you subsequently discovered that AIM and Mr. Holley had applied for him to be licensed in the State of South Carolina?

A Yes.

Q Okay. But specifically in terms of appointments by Realm National Insurance Company to write, bind Workers' Compensation Insurance in

South Carolina --

A They were not producers in the State of South Carolina for Realm.

Q Okay. What do you know about a company known as U.S. Insurance Group?

A Not much.

Q Okay.

A This is an agency up in the State of Tennessee, and we've gotten a lot of dubious insurance schemes out of that group of folks. We've had a lot of difficulty with them and just a number of things outside of this.

Q Okay. Is U.S. Insurance Group authorized as a producer of Property and Casualty Insurance, including Workers' Compensation Insurance in South Carolina?

A No.

Q Is U.S. Insurance -- was U.S. Insurance Group, has U.S. Insurance Group ever been appointed as an agent for Realm National to write Property and Casualty Insurance, including Workers' --

A No.

Q -- Compensation Insurance in the State of South Carolina?

A No, sir.

Q Okay. In connection with any -- with your investigation into these cases that are the subject of the hearing we're here on today, have any of the entities involved, including Quality HR Services, Employment Solutions, JR Construction Company, Inc., Contract Environmental Services, Keith's Welding, Fleet Source, Spectrum HR, ABC Investments, Farmhouse Mornings, have any of these entities been able to produce a policy of Workers' Compensation Insurance issued by Realm National?

A No, they were not.

Q Nobody brought in the policy and says here it is, here's the contract?

A No. No.

Q Okay. Have you seen any kind of documentation that would suggest or indicate coverage for any of those entities with Realm National other than these Certificates that are submitted by various parties that were produced by AIM or U.S. Insurance Group?

A No, sir.

Q Okay. Gary, you've looked at those Certificates --

A Yes, I have.

Q -- in all the cases?

A I have.

Q And there are policy numbers referenced on those Certificates?

A Yes.

Q Okay. I assume Realm -- Realm was an admitted Carrier in this state, was it not?

A It was.

Q Okay. How would you describe the policy numbers in connection with these cases we're here on today that were on the Certificates relative to what you know about Realm's standard policy numbers or policy numbers on other business?

A Counselor, I had -- we, in fact had -- I don't have a Realm policy to show you, but in fact, that's not my understanding of the way that policy numbers are, in fact, issued by Realm. They don't have the -- in most of these instances it was like Quality HR, the first couple of numbers was QHR and those aren't the way that policy numbers are issued -- were, in fact, issued by Realm.

Q Okay. When we talk about Coverage and Compliance, Workers' Compensation Commission's Coverage and Compliance Department's position on entities or employers' status whether they're insured or not, whether they were insured, I mean,

is that going to be your opinion? Are you the ultimate decision maker in terms of your department?

A In terms of the Compliance Division I am clearly -- have those -- have that responsibility, and of course, there's another individual within the Insurance and Medical Services Department, that's Tammie Brasfield, and she -- she's the Director of the Coverage Division and so as far as investigations I make those calls and then, of course, Tammie and I work hand in hand in many of these cases. At the, I believe as far as the timeline when all -- when this investigation first began that I was -- that the Coverage and Compliance was, in fact, one division and we've since broken into two divisions.

Q Tammie's here today?

A Yes, she is.

Q Okay. And of course ultimately everybody recognizes the Commissioner and her colleagues on the Full Commission are ultimate decision makers, but what I want to ask you is what is the South Carolina -- based on your investigation, the investigation of your Department, what is the position of the South Carolina Workers' Compensation Commission concerning the coverage status for

Spectrum HR during the period from February -- during February of 2004?

MR. McCALL: Commissioner, I'm going to have to object to that question. He's asking what the position of South Carolina Workers' Compensation Commission is. That's what we're here to determine is what the position of the Commission is, not -- the question was --

THE COURT: Rephrase your question.

MR. WOOD: I'll rephrase it. I'm sorry.

Q Gary, what is the position of the South Carolina Workers' Compensation Commission's Coverage and Compliance Department on the administrative bureaucratic level as to Spectrum HR's coverage status during February of 2004?

A The position is that Spectrum HR was subject to the South Carolina Workers' Compensation Act and uninsured during that period of time.

Q Okay. What is the position of the South Carolina Workers' Compensation Commission's Coverage and Compliance Department in an administrative level with respect to the coverage status of ABC Investments or ABC Investments d/b/a The Sleep Inn Motel at the time of Ruth Harmon's alleged injury by accident on February 28th, 2004?

A The position is the same, counselor, that this particular entity was subject to the South Carolina Workers' Compensation Act and uninsured.

Q You're familiar with the question?

A Yes, sir.

Q Okay. The same question with respect to Fleet Source on February -- at the time Joseph Coonce alleged injury by accident on February 3, 2004?

A The same response, subject to the South Carolina Workers' Compensation Act and uninsured.

Q Okay. Same question, except I'm going to change the time period. What is the Department's position with respect to the coverage status of Quality HR for the time period from December 4, 2002 through March 22, 2004?

A The same. Subject to the South Carolina Workers' Compensation Act and uninsured.

Q Okay. I'm going to ask you the same question with a specific accident date or a specific date, Employment Solutions at the time of Artemio Alvarez' alleged injury by accident on December 4, 2002?

A The same response. Subject to the South Carolina Workers' Compensation Act and uninsured.

Q JR Construction, Inc. at the time of William Brockman's alleged injury by accident on October 14, 2003?

A The same, same response. Subject to the South Carolina Workers' Compensation Act and uninsured.

Q Contract Environmental Services at the time of Martha Burke's alleged injury by accident on August 27, 2003?

A The same response. Subject to the South Carolina Workers' Compensation Act and uninsured.

Q Okay. Now with respect to Keith's Welding at the time of Stephen Cameron's alleged injury by accident on October 21, 2003, was that --

A Capital City, Keith's Welding did, in fact, have a minimum premium policy for that period of time with Capital City.

Q Okay. Contract Environmental Services at the time of Lucille Dwight's alleged injury by accident on April 4, 2003?

A Subject to the South Carolina Workers' Compensation Act and uninsured.

Q JR Construction at the time of Robert Hunter's alleged injury by accident on November 1, 2003?

A The same.

Q Farmhouse Mornings at the time of Tammy Miller's alleged injury by accident on December 18, 2003?

A The same.

Q I understand this case has settled, but if for some reason it's not consummated, Contract Environmental Services at the time of Arthur Mobley's alleged injury by accident on March 22, 2004?

A The same.

Q Contract Environmental Services at the time of Jessie Pringle's alleged injury by accident on October 22, 2003?

A Same response.

Q Contract Environmental Services at the time of Patricia Wade-Portee's alleged injury by accident on March 27, 2003?

A Same response.

MR. WOOD: Bear with me one second, Commissioner, and I'll wrap up.

Q Is part of your investigation into the Realm-AIM coverage situation that brings us all here today, were you -- did you have any knowledge of the pending sale transaction with respect to Realm

National Insurance Company as a backdrop to all of this?

A I did after late 2002, excuse me, in 2003.

Q Okay. To your knowledge was there any closing on that pending transaction prior to any action by the Bankruptcy Court in August of 2006?

A I haven't seen any evidence of that, no.

MR. WOOD: Commissioner, that's all I have. Thank you.

THE COURT: Okay. Mr. McCall.

CROSS EXAMINATION

BY MR. McCALL:

Q May I call you Gary?

A Of course.

Q Gary, you talked about a hearing before Commissioner Funderburk. When was that hearing?

A It was March the 10th, 2004.

Q And on March 10th, 2004 who appeared at that hearing?

A It was Kip Becker and yourself --

Q Mark Sioma and Jim Lawless were there?

A Yeah, Mark Sioma and Jim Lawless were here.

Q David Dennett-Smith and Bruce Holley?

A I don't recall if they were here or not.
Q David Evette and Pam Neesta?
A Yes, they were.
Q And was there, at that time, a lengthy discussion which you participated in?
A I participated in a number of discussions during that period of time.
Q But I mean in that -- at that hearing when it was convened?
A I was not a participant when you all were -- when the attorneys were in here I was not present, unfortunately.
Q But as a result of that hearing an Order was issued by Commissioner Funderburk to Stay any further action on behalf of the Coverage and Compliance Department until the Bankruptcy Court reached a decision in the case?
A That's correct.
Q Did you, at that time, formulate or had you at that time formulated the positions that you've just announced?
A Yes.
Q Okay. You have now sat through this hearing all day yesterday?
A Yes, sir.

Q Did you learn anything new?

A No.

Q Okay. Do you have in your file or are you aware of the emails from Roni Zinnert to American Insurance Marketing running from May of, I believe it's '03 to August of '03?

A Yes, sir.

Q Are you aware of those?

A Yes, sir, I am.

Q Do you have copies of those?

A Yes, I do.

Q And what does that -- what do these emails indicate to you?

A It indicates to me that that was part of the -- there was a federal case going on and there was a Federal Judge, Judge Bernstein had, in fact, attempted to get -- gain closure in this thing and get these parties to come to an Agreement and that, in fact, was part of that.

Q Okay. Well, let's take a look at this email on August of '03.

A Yes, sir.

Q And tell me where you see in there any reference to the Federal Court proceedings?

A I don't -- I don't see that anywhere

in there.

Q In fact do you see in that email the listing of various clients?

A Yes.

Q And of possible claims?

A That's correct. Clearly possible claims, yes.

Q So those emails are addressed from Roni Zinnert to AIM talking about clients' full coverage, are they not?

A Yes, they are.

Q And yet Mark Sioma wrote you a letter saying there was no coverage that Realm National had involving AIM and the PEOs that AIM was representing?

A Yes.

Q Isn't that a little bit inconsistent in your opinion -- in your mind?

A Well, in the backdrop of all this there was, in fact, a federal suit involving of course, a Federal Judge who put all these parties together and as Mr. Dennett-Smith said, related yesterday, it was like you guys are going to die here until you come to some sort of resolution on this thing.

Q Right. But now, before that you

were aware of the Letter of Intent that was signed back in October --

A Yes. Yes, sir, I was.

Q -- of '06? And you were aware of the fact that in January of '03 Realm National filed a suit against AIM --

A Yes.

Q -- in Federal Court? And that later in August of '03 dismissed that lawsuit?

A Yes.

Q And that later AIM brought a lawsuit for specific performance against Realm National in New York?

A I'm aware of that.

Q And that that lawsuit is the one that eventually evolved into the bankruptcy case in '04?

A Yes.

Q Okay. So -- and you were aware, I think, of the Stock Purchase Agreement in March of '03 that was signed by all the parties?

A Yes.

Q That was what you were referring to about Judge Bernstein making the parties come together?

A Yes, that's correct.

Q So you were aware that there was

ongoing conflict between Realm National and AIM over whether or not AIM had coverage -- AIM had authority to bind coverage with Realm National?

A I was.

Q And you had talked with Pam Evette and you talked with some of the other PEOs and their clients and you knew that their understanding was that they had coverage with Realm National?

A They were adamant that they did, yes.

Q They paid premiums for that?

A Clearly.

Q And they told you they had paid premiums --

A They told me that. Yes.

Q Did Realm National have any other insured's in South Carolina from January of '02 through the time of this liquidation?

A I, in fact, I just do not recall whether they did or not. I would say that they probably did, but --

Q You don't know?

A No. I believe I would have known that a couple of years back, but at this point in time I don't know.

Q Did Realm National have any claims

filed in its name in South Carolina from January of '02 until the time of its liquidation?

A At this point in time I don't know. There was -- I believe at one time I would have been able to answer the question. But I know at the time of the insolvency as one of my tasks here at the Workers' Compensation Commission when there is an insolvency is I take all the claims and I transport them to the South Carolina Guaranty Association. As to the cutoff on those particular dates as to when the last claim was on today, June the 27th, I just do not recall.

Q Well, certainly the Guaranty Association would know wouldn't it?

A They would.

Q Assuming that there were no claims by Realm National in South Carolina from January of '02 until the time of its liquidation except those that came through AIM, would that be unusual for a licensed company doing business in South Carolina?

A Yeah, I would think so.

Q Do you recall giving a seminar in 2001, maybe early 2002 to the PEOs or maybe it's the public in general about how important it was for them to check and see if the Carriers they're

dealing with were, in fact, qualified Carriers in South Carolina or licensed Carriers in South Carolina?

A I remember it well.

Q And in that seminar did you point out how important it was for those insured's to make sure that their claims were paid and paid promptly?

A I most certainly did.

Q Did you talk about the importance of Certificates of Insurance?

A Most definitely.

Q Aren't those Certificates of Insurance issued by the Carrier; authorized by the Carrier or maybe issued by an agent?

A Yes, that's correct. And getting back to your question about the specific presentation I was -- that was done at the -- in fact I've had a number of things I've done with the Consumer Affairs Department over the years, to include address PEOs and have various meetings with some of these folks. And as you're aware, I have known Pam Evette nee Neesta for just a number of years and I, in fact, had stressed to those folks, make sure you've got a licensed Carrier. If there's any question give me a call. Because at that particular time we had just a

number of insurance schemes that were going on in the State of South Carolina and, in fact, I get -- even today I get calls from PEOs, you know, hey is this Carrier -- is this a legitimate Carrier in the State of South Carolina?

Q And -- and Pam Evette, did she ever inquire about Realm National whether it was a licensed Carrier in South Carolina?

A I don't specifically recall whether she did or not, but undoubtedly she was -- she had sufficient knowledge to know that she needed to have a licensed Carrier in the State of South Carolina. That was important. I stressed that to her and to others.

Q And is it, particularly with PEOs and PEOs' customers, they quite frequently need a number of Certificates of Insurance from time to time to pass on to their principals or their general contractors?

A Yes, they do.

Q Do you retain custody of policies of Workers' Compensation Insurance as Director of the Department of Coverage and Compliance?

A The polices themselves, no, I don't maintain the policies themselves, except in the

course of investigations when I, in fact, will obtain a complete policy.

Q Right. But -- so normally policies are not filed with Coverage and Compliance?

A No, the policies are filed with the -- what we maintain, of course, is proof of coverage documents that are reflective of the policies.

Q And those basically are from NCCI?

A Yes, they are.

Q And if two companies are negotiating, one attempting to purchase the other with policies to be delivered at closing, that would not be unusual would it?

A Your question is, is it unusual? I would say that it's --

Q From your experience?

A -- yeah, I could say it would not specifically be unusual for coverage to be resolved if you've got two insured's who are, in fact, merging into one or whatever, that they would be -- part of the negotiations as to their insurance company coverage, yes.

Q Or one company is trying to buy the other?

A Exactly.

Q I believe you said it was early April or May of '03 that you became aware that there was a dispute of coverage between -- who was that between?

A I believe at that particular time we started getting claims.

Q Claims?

A That's right.

Q And were those claims being paid?

A Yes, they were.

Q In fact, at the hearing in '04 did you indicate at that time claims were being paid?

A Yes, I did.

Q If a PEO looked on the website and saw that they were dealing with a licensed Carrier, they had a Certificate of Insurance and their claims were being paid, in your opinion would that be a reasonable basis to rely upon the fact that they had coverage?

A Yes, but --

MR. WOOD: Objection to the question. That calls for pure speculation. He's asking what the PEOs --

MR. McCALL: It's a hypothetical --

MR. WOOD: He's asking not what he would think, what the PEOs may think.

MR. McCALL: No, I --

THE COURT: You need to -- you asked his opinion on whether or not it would be reasonable for a PEO to think that. You can ask him for his opinion whether or not he would think it would be reasonable.

A It is my opinion that when Pam Neesta, later Evette saw a Certificate of Insurance, it said Realm National Insurance or Realm National as the insurance Carrier and having talked to David Dennett-Smith and others, she is a person that is not necessarily a -- you know, she's not trained in insurance, that it would be very convincing to her and to others that there was insurance coverage for her business.

Q You had conversations with Mark Sioma and Jim Lawless -- I don't recall when those conversations were. Do you remember when they were?

A I've had several conversations with -- with Mark and Jim. Jim Lawless, we've talked to Jim Lawless just a number of times.

Q Is he the attorney for Realm National or --

A No, he was -- I think he was legal counsel for AlphaStar.

Q AlphaStar?

A I believe so. And then I've, in fact, spoken with Mark by phone on one specific occasion and then, of course, I spoke to him at the -- he and I had a lengthy conversation when he was here in Columbia.

Q He was down for that hearing --

A Yes, sir.

Q -- with Commissioner Funderburk?

A Right.

Q Did you speak with him after that hearing?

A Yes, I've, in fact, had a conversation with him, a telephone conversation with him after the hearing as well.

Q Okay. And basically the thing that he has always told you is basically the same thing as appears in that letter that he wrote you back in --

A He never deviated from that.

Q Right. And all this time this litigation was going on between Realm National and AlphaStar?

A Yes.

Q I'm sorry, between Realm National and AIM? AIM -- and the very first Realm suit against --

A Yes, I understand the question, yes, sir.

Q First Realm's suit against AIM and then AIM's suit against AlphaStar involving Realm National?

A That's correct.

Q And his comments were pretty consistent with the position he had taken in that litigation?

A He consistently stated to me that there was no coverage.

Q And at the same time did he tell you that he was in Realm National offices almost on a weekly basis binding coverage for Realm National?

A No, but I was aware that -- I was aware that, in fact, as part of these negotiations that were ongoing between AIM in an attempt to resolve this thing that they were, in fact, trying to come to a meeting of the minds where they could, in fact, take over the company.

Q Were you aware of your conversations with the AIM people that they anticipated that would take place almost any day?

A I heard that from the AIM people from day one.

Q So they expected it to close any day?

A They told me that they did.

Q Thank you, sir.

A Yes, sir.

THE COURT: Mr. Keller.

MR. KELLER: Thanks.

CROSS EXAMINATION

BY MR. KELLER:

Q Gary, just a little background. I want to make sure I'm clear on that. I believe you know -- I just want to get this straight. Right now we have Regulations 67-405 and 406 that deal with basically coverage being established and notified through NCCI; correct?

A Yes, sir, that's correct.

Q And my understanding is that came into effect in 1989; does that sound right?

A With NCCI it did in 1989. Prior to that period of time Carriers had to provide coverage -- report coverage to the South Carolina Workers' Compensation Commission. And afterwards in 1989 and subsequently it became our legal --

Q And I believe before 1989 they actually had to file a policy with the Commission which was a paperwork nightmare, I believe.

A Tammie -- Tammie Brasfield was responsible --

Q Okay.
A -- for that particular --
Q Okay. But in any event the filing changed and went to NCCI as the reporting agency?
A That's correct.
Q And that's what you rely on now, is their computer system?
A Yes.
Q Which, from another case we know is not perfect, but that's neither here nor there for any of these cases. And I know you're -- you're familiar with Stirling Cooke --
A Yes.
Q -- which became AlphaStar?
A Yes.
Q Okay. And all of these same people are involved in Stirling Cooke and AlphaStar?
A Yes, that's correct.
Q Okay. Are you familiar with Legion Insurance Company?
A Yes.
Q And what happened with Legion and the same folks?
A Legion is insolvent.
Q Do you know when that happened? It

was before this incident?

A It was before this incident.

Q What about Reliance?

A The same thing.

Q Same folks trashed another insurance company; right?

A Same thing.

Q Okay. What about Clarendon National?

A Clarendon -- you hit me with this cold because they kind of all run --

Q I know. Let me just --

A -- they kind of all run together and --

Q Okay. I'll make the question easier.

A Okay.

Q Isn't it true that Clarendon National, owned by these same folks, had to reorganize to keep from becoming insolvent?

A I recall that, yes.

Q Okay. And I think Clarendon is still operating. At least it was the last time -- it may not be in South Carolina. But anyway, so we've got AlphaStar -- we've got all these same folks, Sioma and all that gang, AlphaStar and they trashed two insurance companies and almost trashed the second one, I guess the third one if we count Realm?

Fair to say?

A I would say there were some machinations going on that appear to be, and I'm not sure as to what all they were, but --

Q Okay. Just -- just --

A -- it's been alleged there's been a common thread.

Q -- just on its face though, Stirling Cooke, AlphaStar and all these same principals were the owners of three insurance companies that became insolvent?

A I had -- I have, in fact, heard that. I don't know that for a fact, but --

Q Well you certainly know Realm -- Realm became insolvent?

A Yes, that's correct.

Q And by the way I want to point out something just so you'll understand. And I think you know I was in the Marines for a long time and we, you know, sometimes in the heat of battle things don't go as planned, and we do after action reports. So I'm not being critical of you, I'm just trying --

A I understand.

Q -- trying to piece together what happened, because I know we might do something

different. Now, so there's no -- I'm not mad at you at all, trust me on that. You've -- you've testified on a number of occasions in Uninsured Employers Fund claims?

A Yes.

Q In fact, that's probably the main reason I know you. There's -- you've -- there's never been an Uninsured Employers Fund claim that you can recall that's been anything like this has there?

A No. This is the most convoluted thing that I have ever dealt with in my position as Director of the Compliance Division.

Q And I know you were in here when I crossed Mr. and Mrs. Evette, but I mean basically UEF claims are usually small employers, five, six, seven, eight employees and they've been evading the Comp Act, they don't have insurance, somebody gets hurt and the UEF steps in?

A Yes.

Q Maybe do an investigation and you find out they were subject to the Act, and UEF pays and we get a lien and we try to go back against the employer. That's basically what happens; right?

A That's exactly right.

Q Absolutely nothing like that going on

in this case; correct?

A No.

Q Okay. In fact, I think you've already said that -- that Quality HR -- I know you specifically said Quality HR and I would presume as well that Spectrum HR, they did all the stuff they were supposed to do. They weren't trying to evade the Act, they were trying to do exactly the opposite?

A No, I've known -- I've known -- in fact, what made this so difficult is I would say that Pam Neesta was a friend of mine for -- so that's what made this thing doubly difficult.

Q Okay. Now, just for the future, Regulation 40 -- 67-406 that requires the filing of the Reports of Coverage with NCCI within 30 -- I think it's within 30 days; is that not correct?

A Yes, that's correct.

Q There are no exceptions to that?

A Well, that is the Commission Regulation that they're -- that they have to do that, that is correct. But --

Q Okay. And of course, and I know what happened in this case, we've already said. You started -- you had a Third Party Administrator, you

started getting claims in here and you had no -- no evidence of coverage and no policies.

A That's right.

Q And you had -- you actually had conversations with -- I know with Quality and did you have conversations with anyone at Spectrum about this situation?

A Yes, I've had a number of conversations with the Spectrum -- with the individuals from Spectrum.

Q Okay. And you -- I think you said you became aware of this in April of '03; is that correct?

A That's --

Q Somewhere in that timeframe?

A That's when we started to get claims, as I recall.

Q Is there some reason that -- that you didn't -- that you did not advise or you did advise -- I don't know what you told Quality and Spectrum. Did you tell them they should go out and get other insurance because these people weren't complying with the Act or what did you tell them? I'm just trying --

A Yeah, it was -- it was always my

position that there was no insurance.

Q Did you advise them that they ought to get other coverage?

A I don't recall what -- specifically what I said in that regard, but I had told Pam, you know, Pam, you've got some real serious problems here and as to -- as to the specific conversations that I had with Pam, I don't recall what they were.

Q Okay.

A But her question to me, of course was, wow, you know, do I have liability in this thing? And she stated it correctly yesterday, her conversation she had had with me was, you know, these things, in fact, need to be, you know, as long as these things are paid, you know, they need to pay as many of these as they can. Because, you know, eventually, you know, you could end up being liable for these things.

Q And I think she said that yesterday, and I'm sure you've heard her, that you had told her that she would know she had a major problem if they stopped paying the claims.

A She said that -- she related her conversations that she had with me correctly, yes.

Q Okay. In your opinion, and I'm

just asking for your opinion. Well, I'm asking for your opinion both as Director and personally. But in your opinion in retrospect, looking back on all of these things that occurred and what we now know, do you believe that Spectrum and Quality were defrauded by somebody? Do you think it was a fraudulent scheme going on to get money from them?

A Particularly Spectrum, because I don't know when Spectrum got into this thing.

Q Right.

A In fact, I had a lengthy conversation with Mark Sioma about this very thing. Mark adamantly said -- told me, said -- he said, you know, if there was ever any doubt about these folks like Quality HR and you know, that can maybe be, you know, they may have been colluded. But he said by the time it came along to Spectrum in 2003, he said clearly those folks should have been on notice, everybody should have been on notice that Realm was denying coverage and they should have known that. They knew or should have known that.

Q Okay. And I think you said you've known Ms. Evette for a while?

A Yes.

Q Do you find her personally to be

a straight forward and truthful individual?

MR. WOOD: Object to that question, Commissioner.

MR. KELLER: Asking for his personal opinion.

MR. WOOD: He's asking -- he's asking for an opinion on witness credibility, another witness in the case.

THE COURT: We get that a lot. I'm -- I'll allow the question.

A I have known Pam for a number of years, and as I said she's a -- I consider her to be a friend, and I have no doubt about her credibility or her integrity.

Q Assuming that what she testified to yesterday and her husband testified to about their meeting with Mark Sioma in Atlanta, what does that make you think about the conversations you had, in retrospect now, about the conversations you had with Mr. Sioma and his statements?

A Well, she -- and this, of course, is hearsay, because I'm relating what she -- what Pam told me about that.

Q I'm just asking you to assume for the sake of argument what she testified to yesterday was correct about her meeting, the testimony you heard.

A She clearly -- well, clearly she believes she had -- that there was coverage and that everything was going to work out okay.

Q And that's the direct opposite of all the conversations you ever had with Mr. Sioma?

A From what she said, yes.

Q Okay. I mean, what she said yesterday is the exact opposite of this -- the conversations you had with Mr. Sioma?

A Yes.

Q Okay. And we know that Mr. Sioma was a principal in a company that oversaw the bankruptcy and downfall of almost -- of three and the almost bankruptcy of four insurance companies?

A I had, in fact, have heard that these were intertwined in relationships, but I'm not prepared to testify as to what they were.

Q I understand, but just knowing that in retrospect do you think Mr. Sioma probably is not the most honest person in the world?

MR. WOOD: Object to that question, Commissioner.

MR. KELLER: I'll --

THE COURT: I'll sustain.

MR. KELLER: I'll withdraw the question.

Q Would you agree that -- let me rephrase that. Hang on a second.

MR. WOOD: All right. And let me -- let me object on another basis to that question. There has been no --

MR. KELLER: I withdrew the question.

MR. WOOD: Well, I'm going to make another objection. There has been absolutely no testimony from him that Mr. Sioma specifically has been involved in Legion, Reliance, Clarendon National. He's made reference to the fact that Stirling Cooke, there was some intertwining with Stirling Cooke and those Carriers, not Mr. Sioma personally. So I object to the entire line of questioning that it insinuates that Mr. Sioma is somehow affiliated with Reliance -- was affiliated with Reliance, Legion, Clarendon National unless there's some basis for that or foundation for that.

THE COURT: I think there was some testimony earlier --

MR. KELLER: There was.

THE COURT: -- from another witness that Mr. Sioma was involved with all of those companies.

MR. KELLER: There was from Mr. Dennett-Smith.

MR. WOOD: Okay. All right. Mr.

Dennett-Smith.

BY MR. KELLER:

Q And just a final question, Gary. I believe you've already answered this, but whatever recommendations you make or attempt to make, you don't have any personal enforcement power; correct? In other words, you say XYZ Company on -- what's today, June 27th, 2008 was subject to the South Carolina Workers' Comp, in my opinion subject to the South Carolina Workers' Compensation Act did not have coverage and their -- and had an employee who was injured on the job, that's your opinion? And then you say to the --

A Yeah, let me make it clear, counselor.

Q Absolutely.

A I'm a regulator and I do have opinions.

Q Right.

A But those opinions either have to be enforced at an administrative hearing or a Court.

Q That was my point. And then you go to the counsel, counsel sets a hearing and then --

A Yeah. The -- I --

Q -- either the Employer says yeah, you're right, and they sign a Capitulation Agreement or you have a hearing.

A Yeah. I, in fact, when I was talking about Quality HR that had, in fact, facilitated them being subpoenaed to come here to an Order and Rule To Show Cause Hearing. That was my opinion that they were subject to the Act and uninsured and the hearing did not go forward.

Q Right. All right. And for whatever reason Commissioner -- a Commissioner of the Workers' Compensation Commission who has that jurisdiction determined to hold everything in abeyance or put a Stay on it; correct?

A That's right. Yes, sir.

Q Contrary to your recommendation?

A Contrary to my recommendation.

Q Thank you. That's all. Thank you, sir, I appreciate it.

THE COURT: Mr. Cook.

CROSS EXAMINATION

BY MR. COOK:

Q Mr. Smith, I'm Robert Cook also representing the Uninsured Employers Fund. The only case that I'm involved in is the one involving Joseph Coonce --

A Yes, sir.

Q -- also involving Fleet Source

and Spectrum HR. You and I had a conversation a couple of days ago when I asked you to investigate the current corporate status of --

A Yes, sir.

Q -- Fleet Source, Inc.?

A That's correct.

Q That's a North Carolina corporation?

A It is.

Q The current styling of that corporation in terms of its name, has that changed --

A Yes, it has.

Q -- in the last year?

A It has.

Q What -- Fleet Source, Inc. is the entity captioned in these cases now; is that right?

A Yes.

Q All right. What did you find out in terms of what its current status is?

A It, in fact, is called --

Q Is it Fleet Trans --

A Fleet Trans, that's correct.

Q -- Inc.?

A Fleet Trans, Inc.

Q It was just a name change; is that right?

A It was a name change.

Q In other words the corporation that was known as Fleet Source, Inc. domiciled in North Carolina is now known as Fleet Trans, Inc. --

A Yes.

Q -- domiciled in North Carolina?

A Yes, sir, that's correct.

Q And you -- you researched the records of the North Carolina Secretary of State's Office?

A I did.

Q All right. You -- I believe you testified earlier this morning with regard to your research into the issue as to whether or not U.S. Insurance Group --

A Yes.

Q -- was registered in the State of South Carolina as an authorized agent for Realm National?

A That's correct.

Q Your determination was that it was not?

A It's not.

Q Okay. You've done a plethora of investigations into these matters, one of which also involved whether or not Liberty Mutual had some purported coverage; is that right?

A That's correct.

Q And you're aware now that all the

parties have let Liberty Mutual out aren't you?

A I'm aware of that.

Q Okay. On March 6th of this year you wrote a letter to Brad Easterling about that coverage situation to which was attached an Exhibit B which was a Certificate of Insurance dated April 17th, '03. Are you familiar with that?

A Let me look at it.

MR. COOK: May I approach the witness, Commissioner? Is that all right?

THE COURT: Uh-huh.

A Yes, I'm aware of this.

Q All right. The producer of that is -- of this is U.S. Insurance Group?

A Yes. That's correct. Yes.

Q Okay. You're also familiar with Regulation 415 regarding the documentation that the Commission uses --

A I am.

Q -- on a Certificate of Insurance transfer case?

A Yes, sir.

Q The Certificate that's Exhibit B would not be from an authorized representative of the insurance company in issue would it?

A It would not be from an authorized insurance company, that is correct.

Q Well, the insurance company is licensed; correct?

A It is licensed.

Q But the signature and the producer of the Certificate were not an authorized representative of the insurance company?

A Clearly.

Q Okay. Based upon your investigation?

A Yes.

Q Okay. Now, you know David mentioned it to you how he knows you through investigations and we -- the two of us have probably been involved in I bet close to 100 claims. In your experience as an investigator for the Coverage and Compliance Division of the Commission, do you not frequently run into the situation where you get statements from people in a claim and they can't possibly everybody be telling you the truth?

A Consistently.

Q In other words, you're lied to quite frequently aren't you?

A I am lied to frequently.

Q Okay. And in this particular case

with regard to the issues between AIM and Realm it would seem implausible, would it not, that you've been told the truth by everyone?

A I would say that's a plausible analysis.

Q Okay. And typically when folks are talking to a regulatory agency of a sovereign state they have an agenda many times; do they not?

A They often have an agenda.

Q Okay. And that's true for everybody dealing with you?

A I think so.

Q Okay. Now, there is -- to your knowledge you don't know of your own personal knowledge, do you, what Mark Sioma said to Pam Evette or anyone else?

A No.

Q Okay. You only know what he told you?

A I only know what he told me, and then of course, what Pam told me.

Q Okay. And in terms of the potential liability of Realm National Insurance Company what Mark Sioma was telling you would be consistent with a restriction or diminution of his potential liability; would it not?

A Restate your question.

Q All right. The position taken by Mark Sioma was that Realm National Insurance Company did not provide coverage to these various PEOs and their client companies?

A Yes, that's correct.

Q That would be a limitation of Realm's liability? The position that he took --

A Yes.

Q -- would have been consistent with that; would it not?

A Yes, it would have.

Q All right. Now, there's certainly nothing that would have prevented Mark Sioma from telling you one thing as an Agency Regulator and telling these other folks, such as Pam Evette, something entirely different would he?

A Yes, that's correct.

Q All right. Now, of your own knowledge you knew that Mark Sioma was the President of Realm National Insurance Company?

A Yes.

Q Okay. As President of Realm National Insurance Company he would certainly have authority to bind coverage himself; would he not?

A I would -- I would say in certain

circumstances he probably -- he probably would.

Q Okay. And your investigation into coverage with Realm, as a general rule -- let me back up a moment if I can. As a general rule coverage investigations as opposed to Subject to the Act investigations, okay, --

A Yes.

Q -- just coverage investigations are for the most part limited to accessing the NCCI records and determining whether or not coverage has been purported?

A In most of the cases it is, but there are clearly times that it's -- that it's not limited to that because a lot of times Carriers don't file with NCCI and then we've got to conduct an investigation to determine whether or not they have coverage and they should have filed with NCCI.

Q Sometimes they try to end coverage and they don't do that successfully?

A Well, there's all kinds of circumstances.

Q But my point is this, Mr. Smith. When you do an investigation in a case like this it is not within the purview of Coverage and Compliance to do an investigation as to legal reasons outside of purported coverage that an entity might have to

claim that it has coverage from a Carrier. In particular I'm talking -- do you know what Coverage by Estoppel is?

A I don't have my little -- I don't have my little Black's here and I'm not prepared to give you a definition, but yes, I'm familiar with the term.

Q And more or less what it means is that an insurance company through its actions may be bound to coverage even though --

A Yes.

Q -- there's no written policy issued or any reported coverage with NCCI?

A I've heard that definition a number of times over the years.

Q And would you agree that --

A Yes, I would.

Q -- that's Coverage by Estoppel?

A That's correct.

Q Okay. Your investigation didn't really look at that issue; did you?

A No.

Q Okay. And that's not what you're expected to do is it?

A No.

Q Okay. The hearing that Mr. McCall

asked you about on March 10th of '04 where the Stay was entered by Commissioner Funderburk --

A Yes.

Q -- as a result of that Stay did that just shut down your investigation?

A No, it didn't shut down my investigation. I mean, clearly I am -- you know, we're a receptacle for all kinds of information that come into the Commission, but as far as active prosecution of any of these Employers, then that put a stop to that.

Q It eliminated the possibility of going to a -- petitioning for a Show Cause Hearing or -- is that correct?

A That is correct.

Q All right. At that time did you also cease requesting Capitulation Agreements be signed?

A Yes, I did.

Q Okay. When do you think was the last time that you spoke with Mark Sioma?

A October the 21st, 2004.

Q Okay. Since that time have you updated or attempted to update your records concerning location information for Mr. Sioma?

A No, I have not. I wasn't asked to or I clearly would have been happy to have done that.

Q All right. And the context that we're here today is with regard to a number of 50-51 hearings?

A Yes.

Q And in light of Commissioner Funderburk's rulings, I sometimes refer to -- we're just going to push it forward to a 50-51 and not independently investigate the compliance aspect of it? That's where we are today; right?

A That's where we are today. We try to -- we've gone through a major change with the -- in particular with the advent of the Commissioners that have come on board.

Q Had the Stay not been issued and your division was still conducting a Compliance investigation into this matter, had there been a hearing on Compliance would you have attempted to procure the attendance of Mr. Sioma?

A Well, he did -- he did show up as a result of the hearing regarding Quality HR.

Q Right. And that's when as a result of that the Stay was issued wasn't it?

A Yes.

Q Okay. And what I'm saying is had that Stay not been issued and these other Compliance

issues came up would you have considered him a necessary -- would you have considered his testimony as a witness to have been integral to an understanding of what was going on?

A Most likely I would have gotten -- I would have gotten as much as possible clarified in an Order and then used that Order for subsequent hearings.

Q Based upon his testimony; correct?

A Yes.

Q Okay. Now, you indicated that you thought it was April or May of 2003 when the Coverage and Compliance Department became aware of some problems with Realm and --

A Problems with claims.

Q Right. Because you were getting claims in with Realm being listed as the Carrier --

A Yes.

Q -- and then when you investigated there was no record of coverage?

A That's right.

Q All right. Well, the fact that you were getting 50's filed listing Realm as the Carrier, would that not have been some indication that the folks filing those 50's at least themselves

believed Realm to have been the insurance company in issue?

MR. WOOD: I'm going to object to that question. There's no foundation out there that I'm aware of that indicates that Realm National was on the 50's.

THE COURT: Can you lay the foundation?

MR. COOK: Well, I can lay that foundation I believe.

Q Did you become concerned about Realm issues because you were getting 50's that listed Capital City as a Carrier?

A We had --

Q What was it that -

A Counselor, my recollection is, and again, you know, there's a lot of water under the bridge, several thousand cases that I've investigated since that time. But my recollection is that we were getting claims that just didn't track with what we, in fact, knew to be our coverage record to be.

Q Well, --

A And for example, like Quality HR or a client company would be on the Form 50 or on a letter claim. And then I'd call the Employer and the Employer would say, well, you know, I've leased

my employee. Oh, great, who do you have your insurance with? And then, you know, Quality HR. And then, of course, as we would get into it it wouldn't track as to what we knew what the coverage records were.

Q Well, okay. Let me ask it in a broader way then. Regardless of who was on the 50 is it accurate to say that you were getting 50's that required an investigation --

A Yes.

Q -- and as part of that investigation you became aware that people thought they had coverage --

A Oh, clearly.

Q -- from Realm National Insurance Company?

A Certainly.

Q Okay. Thank you.

MR. COOK: That's all that I have, Your Honor.

THE COURT: All right. Mr. Renfrow.

CROSS EXAMINATION

BY MR. RENFROW:

Q Gary, I have a few questions for you. Back on September 24th, 2007 you prepared a letter and a Report of Investigation regarding the Joseph Coonce case, regarding your Coverage and Compliance

investigation. That letter is included in my brief at FS02617 --

MR. RENFROW: And that's Tab 16, Commissioner.

Q -- you don't have that letter in front of you do you Gary?

A No, sir, I don't.

Q I'm going to give you a copy of it for you to look at. Is this, in fact, a report of an investigation that was completed by you?

A Yes. Yes, it was.

Q Okay. And in that letter, and it's a long letter and I'm not going to rehash it since it's in the record, but I've got a couple of things I need to ask you about.

A Sure.

Q Specifically in that letter you found that Fleet Source leased its drivers from Spectrum HR PAM, LLC --

A That's correct.

Q -- from June the 1st, 2002 to December 26th, 2004; is that correct?

A Yes, sir.

Q Okay. So that would have included the timeframe that Mr. Coonce alleged he was injured on February 3rd, 2004; correct?

A Yes, that's correct.

Q Is it still your opinion -- is that still your opinion today?

A Yes, it is.

Q Okay. In that letter you also found that Spectrum HR PAM, LLC and SHR Admin B or Admin 5, LLC were all incorporated franchises within an Umbrella Leasing framework called Spectrum HR; correct?

A Yes, that's correct.

Q And I think you essentially found that all these companies, regardless of what they called themselves were essentially Spectrum HR; is that correct?

A I'm going to say yes.

Q Okay. And as part of your investigation, and included in the file that you sent to me was a list of about 35 different names for Spectrum HR; correct?

A That's right. There were a total of, I think, a dozen franchises within the Spectrum organization; that's correct.

Q Okay. But there's no question the two that I'm concerned about, SHR Admin 5 and Spectrum -- let's see here, let's make real sure. Spectrum HR PAM, LLC were included in this Umbrella?

A I believe that's correct.

Q And that's still your opinion today?

A Yes.

Q Okay. And it's your opinion that all of these companies are effectively a part of the same business operation?

A Yes and no. They clearly all had FIN Numbers. They clearly are all legal entities within states in which they were incorporated, but there was definitely a relationship of some sort between Spectrum and all these different franchises, and I'm not exactly sure what that relationship was. I was -- I tried, really tried to find a principal in one of these organizations that I could interview and I was unsuccessful.

Q Okay. Now, as -- in addition to those opinions you also had an opportunity as you've testified to here today, to speak with folks from Spectrum; correct?

A Yes.

Q And Spectrum purports that they had coverage with Realm National Insurance Company; correct?

A They have.

Q And at all times you've talked to

them during the timeframe that we're concerned with they purported to have insurance coverage through Realm National Insurance Company?

A They did.

Q Okay. You prepared a letter as part of your investigation back on July 17th, 2006 with regards to James McDaniel versus Fleet Source, that Fleet Source was a client company of Spectrum HR between June 1, '02 and 12/26/04?

A Yes, that's correct.

Q Is that still your opinion today?

A Yes, sir.

Q Okay. Fairly early on in your investigation of this matter you did a Report of Investigation dated October 28th, 2005, and I'm going to show you that for your reference and we can look at it together. This is, I think, under Tab 16 in my brief, pages FS02643 through FS02649. Would you look at that for me, Gary?

A Yes, sir, I would.

Q All right. Is that, in fact, a copy of a Report of Investigation that you completed?

A Yes, it was.

Q Okay. Now, as part of that investigation, and it looks like you were

investigating several cases against Fleet Source, you found that Ms. Frankenstein who had a date of injury of 9/23/04 was actually -- her claim had been accepted and was being paid by Spectrum HR; is that correct?

A Yes, that's correct.

Q Okay. And is it -- as part of your investigation of all of these claims has it -- has it been fairly consistent that at least with some of them Spectrum HR had stepped up and paid for a while?

A Yes, they did.

Q Okay. You also spoke with Rene' who I think we --

A Lejare.

Q -- Lejare at some point who was a representative of Spectrum HR; is that correct?

A Yes.

Q And I think one of the things she told you back at the time you were doing your investigation was that she intended to honor and pay the claims that they were responsible for; is that correct?

A She did.

Q Okay. You've also talked to some

folks from Central Leasing Management who ultimately purchased and merged with Spectrum HR; is that correct?

A Yes, it is.

Q Clay Campbell and --

A Yes, sir, that is correct.

Q -- Angie McCline?

THE COURT: What was that last name? Angie what?

MR. RENFROW: McCline, M-C-C-L-I-N-E.

Q Now, as we sit here today is it your opinion that Spectrum HR is subject to the South Carolina Workers' Compensation Act?

A Most definitely.

Q Okay. Now, you previously indicated in some of your letters at various times during this investigation that Fleet Source was subject to the South Carolina Compensation --

A Yes.

Q -- correct? Now what evidence do you have that Fleet Source had four or more non-leased employees? Do you have any evidence of that?

A They were found at a hearing by Commissioner Funderburk to be subject to the South Carolina Workers' Compensation Act and, in fact,

uninsured. They had reported -- I don't think there was -- the principal in that particular company, Mr. Hart, as far as he was their Safety Officer admitted that they operated in the State of South Carolina with four or more employees.

Q Okay. Are you aware, other than that testimony at that hearing and we can get that transcript, but are you aware based on your investigation, just based on your recollection of what you have in your file of the names of four or more employees that were working as non-leased employees for Fleet Source?

A Yeah, I'd have to search my records. I'm going to say yes.

Q That you believe you have that information?

A I believe that I could, in fact, find that in a file, yes.

Q Okay.

A They, in fact, had an account at the Employment Security Commission going back for a number of years.

Q Okay.

A Clearly -- clearly they had four or more -- four or more individuals that were working in

South Carolina. And at one time Fleet Source had a -- had a terminal in South Carolina. They closed down the terminal but they were talking about drivers, long distance drivers and this sort of thing and they live in the State of South Carolina. But clearly the Employment Security Commission continued to report those folks or Fleet Source continued to report those folks to the Employment Security Commission.

Q Okay. And out of fairness to you, I know you can't remember everything you've done in these cases that have gone on for so long, but if you had the names of four or more employees would they be in one of the letters or Reports of Investigation that you've done or in the hearing transcripts from these hearings you're talking about?

A Yeah, I would think particularly the one with Deborah Frankenstein, I believe I did an extensive investigation. And that is not part of this, but I do recall that I did an extensive investigation as to whether or not Fleet Source was subject to the South Carolina Workers' Compensation Act. And in that particular specific case I believe it was.

Q Now, when giving that opinion would

you have included leased employees as employees of the client company or of Fleet Source?

A You mean as --

Q In determining if they had four or more?

A -- as far as leased, you're talking about if they, in fact, had leased from a leasing company --

Q Correct.

A -- is that what you're -- Yes, I would have.

Q Okay. So when you gave the opinion that they had four or more employees you could have been talking about employees that were also leased from the likes of a Spectrum HR?

A Could very well have done so.

Q Okay. Very good. Now, also as part of your investigation you did a synopsis of several interviews that were done in the Ruth Harmon case --

A Yes.

Q -- back on -- let's see, I think it was back in 2004. I want to show you a copy of this synopsis. This is Tab 44 in my brief. And that's FS03517. Is this, in fact, a synopsis of your investigation or the Coverage and Compliance Department's investigation of the Ruth Harmon case?

A Yes, it is.

Q Okay. Looks like you talked with someone from Barker Claims Services, the TPA who was paying benefits in that claim --

A Yes.

Q -- for Spectrum HR and you also spoke with someone from Ben Harrison's office; correct?

A That's correct.

Q Okay. And your investigation, at least based on this synopsis, was that ABC leased employees from SHR Admin 5, LLC; --

A Yes.

Q -- is that correct? Is that still your opinion today?

A That's still my opinion today.

Q All right. And based on this synopsis I think you also found that Spectrum alleges that they had had insurance with AIM?

A Yes.

Q And that AIM just quit paying this claim at some point?

A That's right.

Q Okay. Now, I asked you questions about four or more employees as they relate to Fleet Source. Do you have any evidence in front of you

today or any evidence in any of your files that ABC Investments and Management Company, Inc. had four or more non-leased employees on February 3, 2004 or were in that general timeframe when Ms. Harmon's alleged to have been injured?

A I'm unable to recall as to what the results of four or more employees -- I'm unable to make that determination at this specific hearing.

Q Okay.

A The reason being I'm just -- just was not prepared for that specific question.

Q Sure. If you had investigated that and made that determination and it was your opinion that they had four or more employees it would be included in your investigation reports; correct?

A Somewhere.

Q Now, is it your opinion that Spectrum HR was a Staff Leasing Company?

A It, in fact, was a Staff Leasing Company. It was not licensed in the State of South Carolina as -- was not licensed with the Consumer Affairs Division.

Q Okay.

MR. KELLER: Commissioner, I'm going to object to this -- the testimony here because my

understanding of what your -- what you ruled yesterday was that you're going to make the determination of who is ultimately responsible if no one else is responsible. And this issue goes to whether Mr. Wood or I down the road can go against another entity and we're, based on your ruling, not prepared to go forward on that. That's going to be an individual -- the individual hearing on Ruth Harmon and those other cases, so if this is going to have any binding effect on those cases then I'll have to object to any further testimony on this, because I'm not prepared to defend that issue today based on your ruling.

THE COURT: All right. Mr. Renfrow, do you want to speak to that?

MR. RENFROW: My response to that is simply the investigations are what they are, and my intention here is to just prove that Spectrum HR and Quality HR were these -- were Staff Leasing Companies who purported to have coverage with Realm National Insurance Company which is all we're here about the last two days.

MR. KELLER: I think we get a -- I don't think there's any question that Spectrum and Quality were subject to the Act. I don't believe that's

ever been an issue.

THE COURT: I'll think they'll stipulate to that.

MR. KELLER: Okay. I don't think there's any question.

MR. RENFROW: I wish you had stopped me sooner.

BY MR. RENFROW:

Q Gary, as part of your investigation have you -- when is the last time you spoke with Spectrum HR? Do you remember, just brief -- a best estimate?

A As a guesstimate, probably 2005.

Q Okay. Now, were you aware, and I think you and I talked about this, but were you aware that they are attempting to re-emerge ironically as Spectrum HR in the State of Michigan?

A As Spectrum HR?

Q Yes.

A I'm shocked.

Q I'm not sure why. I'm not sure who advised them of that, but were you aware of that?

A No, that's the first I've heard.

Q All right. Have you actually seen the articles that they've filed to -- I think Articles to Reconstitute Good Standing in the State

of Michigan?

A No, I have not.

Q Okay. Now, were you aware that Spectrum HR has filed a lawsuit against the U.S. Insurance Group in the State of Michigan?

A Yes, I'm aware of that.

Q Okay. You've been asked extensively today about who you believe, who you don't believe in this case. You've been asked questions about Mark Sioma and you've been asked questions about Pam Evette. Do you have any reason or have you been given any reason or reason of concern or to doubt or to not believe what David Dennett-Smith and the folks from AIM have been telling you during the course of your investigation?

A Yes.

Q And what's that?

A The fact is that I don't believe they, in fact, there was insurance in this particular case.

Q Okay.

MR. RENFROW: No further questions.

THE COURT: All right. Ms. Steadman.

CROSS EXAMINATION

BY MS. STEADMAN:

Q Mr. Smith, I just have a quick

clarification question. Mr. Renfrow asked you about your conversation with Linda Brown from Barker Claim Services as a part of the Harmon case?

A Yes.

Q And she indicated to you that Spectrum HR was paying --

A Yes.

Q -- or had then provided the service? Did you -- did she tell you as a part of that conversation that AIM had initially sent them the case?

A I don't recall. But I, in fact, am aware that AIM had sent cases to some of these independent adjusters, yes.

Q Do you have any specific recollection as to the Harmon case?

A No.

MS. STEADMAN: Commissioner, that's all the questions I have on the AIM-Realm issues. As to any extent that his testimony touched on Employer issues I would just reserve the right to call him at a later date to further get this --

THE COURT: All right.

MR. RENFROW: And I'm going to just -- along those lines, I didn't go into any other questions

because of the objection and your ruling on the objection, and I'm going to reserve that same right.

THE COURT: Okay. Mr. Wood.

MR. WOOD: Thank you, Commissioner.

REDIRECT EXAMINATION

BY MR. WOOD:

Q Gary, Mr. McCall asked you about your opinion in this -- on these coverage questions having been formulated back in '03?

A Yes, sir.

Q And I think he asked you whether there had been anything yesterday that -- that I guess changed your view or of any significance --

A There's only one thing that -- that I had a question about, was Mr. Smith -- Dennett-Smith indicated that Realm provided these coverage numbers and my understanding from the beginning was that Bruce Holley had, in fact, done that. And I recall reading in his deposition that he, in fact, was the one who had supplied those numbers.

Q Well, --

A So as far as that entire thing, obviously just like, you know, Joe DiMaggio said, "Déjà vu all over again" or whatever.

Q Yogi Berra.

A Or was that -- that's right.

Q Jolting Joe was a little more articulate I think.

A So basically it was just like pretty much what I had heard from all the principals at one time or another and so.

Q Well, that -- and that's a smaller component of a broader point I want to ask you about. And that is, you indicated that the compliance or the enforcement proceedings, Rule to Show Cause proceedings or Stay with Commissioner Funderburk's Order and that has been put on hold. Never has been reconstituted, but with respect to your ongoing investigation and review of documents, I mean, has that been ongoing all the way through the present?

A That's been ongoing all the way through the present.

Q Okay. And specifically with respect to information that you've been forwarded by me, you mentioned Bruce Holley's deposition testimony in the NES case?

A Yes.

Q Okay. I sent you all -- I sent you that information?

A Yes.

Q Okay. I sent you the transcripts of Mr. Dennett-Smith's depositions that we've -- that have been taken in the various cases --

A Yes.

Q -- including the NES litigation?

MR. McCALL: Commissioner, I don't mind him asking what information he considered in his investigation, but to ask him I sent you that, that's a leading question at this point.

THE COURT: You're on direct, Mr. Woods.

MR. WOODS: Okay.

Q What are the various documents that you have been forwarded by my office to review as this case or as these matters have been ongoing through the last several years?

A The depositions that you, in fact, have related of Mr. Dennett-Smith, of Brian Imperiale, of Bruce Holley, a lady by the name of Ms. Basemore up in New York and --

Q Let me ask you about -- do you know who Ms. Basemore is affiliated with or was at the time?

A Liquidation -- the Department of Liquidation up in New York.

Q Okay. Go ahead.

A And then Order, for example, you know, I got an Order from -- from the Liquidation -- New York Liquidation Bureau. I received all the correspondence when you obtained something you would forward it on to me.

Q Okay. How -- have you reviewed any of the Federal Court and Bankruptcy Court documents?

A Yes.

Q Have you received at any time or reviewed at any time Orders from the States of Texas and Missouri relative to American Insurance Managers?

A Yes.

Q And has any of that changed your opinion --

A No.

Q -- on these coverage questions?

A No.

Q Has any of that reinforced your opinions of the coverage questions?

A I would say as far -- reinforce, the answer to that question is -- would be yes. Clearly it was a piece of the evidence that I looked at and the evidence matched what I had determined in my investigation.

Q Okay. This document that's been

testified to --

MR. WOOD: I'm showing him the letter to David Evette from Mr. Sioma, December 10, '02. Everybody's familiar with that?

Q Take a look at that, Gary, and let me ask you if you've come across that in the course of your investigation?

A Yes, sir, I have.

Q Okay. And as I indicated is that a letter from Mark Sioma to David Evette --

A Yes, it is.

Q Okay. You're aware of the lawsuit that was filed by -- you've testified to it, I believe. It was filed by Realm in Federal District Court in January of 2003 against AIM?

A Yes.

Q Okay. You're also, I believe you testified, that you were aware of the Stock Purchase Agreement that was entered into between AlphaStar and AIM in March of 2003?

A Yes.

Q Okay. Now, these emails -- the emails that Mr. McCall asked you about for the time period from April or May of 2003 through August of '03, do you remember testifying about those a few

minutes ago?

A Yes, I do.

Q All that, or those emails were obviously subsequent to the Stock Purchase Agreement?

A Yes.

Q Okay. And were they also prior to any closing action by the Bankruptcy Court in August of 2006?

A Yes, clearly.

Q Okay. If the transaction -- if the transaction had gone through and AIM and the PEOs had become the owner of Realm National and could have issued policies and the coverage is retroactive; right?

A Yes.

Q Okay. And the fact of the matter is that closing, except for the Bankruptcy Court action in August of 2006, to your knowledge never took place?

A No.

Q Now, you were asked about these -- about this testimony yesterday from an alleged representation of coverage by Mr. Sioma in July 2003 at a meeting down at AIM's offices in Atlanta. Let me ask you if you've seen this document?

MR. WOOD: And this is page 154 of Mr.

McCall's APA submissions.

A Yes. This is -- this is Pam's letter that -- where she recapped her conversation that she and David Evette had with the officers of AIM.

Q And the letter obviously speaks for itself, but there's no statement in that letter that indicates that --

MR. KELLER: I'm going to object to him commenting on -- he can't comment on Pam's testimony or what Pam wrote.

MR. McCALL: Yeah. He's already said it speaks for itself.

THE COURT: Yeah, the letter does speak for itself.

MR. KELLER: And she's also testified to that.

BY MR. WOOD:

Q Okay. Now, Mr. Cook -- Mr. Cook asked you an interesting question. He brought up this term that I haven't seen on his pre-hearing brief, anybody's pre-hearing brief or position statement that he brought up this term, "Coverage by Estoppel", and he asked you whether you were familiar with that. Are you also familiar with the South Carolina Property and Casualty Insurance Guaranty Association Act to some extent?

A I am, indeed.

Q And are you aware as of whether the South Carolina Property and Casualty Insurance Guaranty Association Act sets forth specific criteria for what constitutes covered claims?

A Yes.

Q I'm just curious, but have you ever -- in all your years doing this have you ever seen anybody come in here and say, well, the insurance company told me I had coverage and that position was sustained?

MR. McCALL: Commissioner, that's not relevant.

MR. WOOD: It's not?

MR. McCALL: He's asking him going back in his experience, his entire experience.

MR. WOOD: All right. I'll withdraw the question.

MR. COOK: And I can supply you cases where that's been found, if you'd like --

THE COURT: No, I've seen them myself.

MR. COOK: -- to have them, so, you know.

BY MR. WOOD:

Q You understand all the premiums that were paid by Spectrum -- what is your understanding of

who Spectrum and Quality HR paid premiums for this purported coverage, who did they pay it to?

A They paid it to AIM. Mark Sioma specifically told me that AIM -- that Realm never received -- I think he, as I recall in my recollection of my conversations with him, that Realm never received one penny of premium.

Q Okay. And there were some questions about Form 50's and I guess my question is, did -- do Claimant's attorneys or pro se Claimants when they file a 50 and they want to serve the Carrier, is that available online through the Commission or through your office --

A Yes.

Q -- or by telephone contact?

A Yes, it is.

Q Okay. And in terms of what the Commission would have advised somebody calling up wanting to file a claim against Quality HR for this time period from December 1, '02 to February of '04, would the Commission have given them Realm National as the --

A Not --

Q -- Agent for Service?

A Not at all. In fact -- in fact that is

-- most likely is how we got involved in this thing is questions like that.

MR. WOOD: That's all I have, Commissioner. Thank you.

THE COURT: Mr. McCall.

RE-CROSS EXAMINATION

BY MR. McCALL:

Q Gary, if I may.

A Yes, sir.

Q You just indicated Mark Sioma told you that he had not received one penny of the monies paid in premiums?

A He, in fact, told me that on several occasions.

Q Did he tell you that there was money held in escrow for Realm National and that he was authorizing that money held in escrow for the payment of claims by AIM?

A No, he never related that to me.

Q Did he tell you that the monies held in escrow for the payment to AlphaStar for the stock of Realm National was being held in trust by AIM?

A We did not discuss that, no.

Q Pending the closing?

A No, sir.

Q Did he tell you that he authorized that those monies be paid by AIM for the claims of Realm National?

A No, sir, I'm not aware of the conversation that I had regarding that whatsoever.

Q If an agent issued, at the directions of a Carrier, a Certificate of Liability Insurance even though that agent was not licensed in South Carolina, would that keep the Certificate of Insurance from being invalid when the Carrier was a Registered Carrier in South Carolina?

A Well, it depends; clearly depends. It depends on, you know, from time to time we have agents that issue Certificates of Insurance and -- but the -- and the issue is were they, in fact, a producer. And just because they issue a Certificate does not necessarily abrogate coverage. You know, we've had -- we've had all kinds of strange things happen and it turns out that there, in fact, later on there is coverage.

Q If Realm National was authorizing or had the computer program and it was authorizing the issuance of Certificates of Liability Insurance by AIM, the fact that AIM was not a licensed agent does not keep those Certificates of Liability Insurance

from being valid and binding from Realm National does it?

A Counselor, if, in fact, subsequently that everything had worked out and Realm had gone back and, okay, we're going to cover all these people, that would have had little effect as to who issued those Certificates of Insurance. I mean, they would have been covered even though they may not have been licensed in our state. For example, you know, Spectrum as a specific example, you know, they issued Certificates of Insurance. Well, this U.S. Insurance Group is clearly not licensed in our state as an agent or a producer, but if, in fact, it was ever determined that Realm provided coverage then those policies would have, in fact, been covered. So the answer to your question is, I believe, is yes.

Q Okay. Thank you sir.

THE COURT: Mr. Keller.

MR. KELLER: Nothing further, thank you, ma'am.

THE COURT: Mr. Cook.

MR. COOK: No, ma'am.

THE COURT: Mr. Renfrow.

MR. RENFROW: No, ma'am.

THE COURT: Ms. Steadman.

MS. STEADMAN: No questions.

THE COURT: Any re-redirect?

MR. WOOD: No, ma'am.

THE COURT: All right. Any other witnesses for this hearing?

MR. WOOD: None from the Guaranty Association.

THE COURT: Mr. Keller?

MR. KELLER: No, ma'am.

THE COURT: Mr. McCall?

MR. McCALL: No, Your Honor.

THE COURT: Mr. Cook?

MR. COOK: No.

THE COURT: Mr. Renfrow?

MR. RENFROW: No, ma'am.

THE COURT: Ms. Steadman?

MS. STEADMAN: No.

THE COURT: All right. That concludes the hearing.

(The hearing concluded at 10:27 a.m., Friday, June 27, 2008)

STATE OF SOUTH CAROLINA)
) CERTIFICATE
COUNTY OF LEXINGTON)

BE IT KNOWN THAT I TOOK THE FOREGOING WORKERS' COMPENSATION HEARING;

THAT I WAS THEN AND THERE A NOTARY PUBLIC IN AND FOR THE STATE OF SOUTH CAROLINA-AT-LARGE;

THE FOREGOING TRANSCRIPT OF **491** TYPEWRITTEN PAGES REPRESENTS A TRUE, ACCURATE AND COMPLETE TRANSCRIPTION OF THE TESTIMONY SO GIVEN AT THE TIME AND PLACE AFORESAID TO THE BEST OF MY SKILL AND ABILITY;

THAT I AM NOT RELATED TO NOR AN EMPLOYEE OF ANY OF THE PARTIES HERETO, NOR A RELATIVE OR EMPLOYEE OF ANY ATTORNEY OR COUNSEL EMPLOYED BY THE PARTIES HERETO, NOR INTERESTED IN THE OUTCOME OF THIS ACTION.

WITNESS MY HAND AND SEAL THIS 17TH DAY OF JULY, 2008.

_____
CORA ELLIS BRUTON
NOTARY PUBLIC FOR SOUTH CAROLINA
MY COMMISSION EXPIRES JANUARY 18, 2015

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IN THE STATE COURT OF FULTON COUNTY
STATE OF GEORGIA

NATIONAL EMPLOYER SOLUTIONS, INC.,
Plaintiff,
v. CIVIL ACTION
FILE NO.: 04-VS-074668-A
REALM NATIONAL INSURANCE COMPANY,
AMERICAN INSURANCE MANAGERS, INC.,
AMERICAN INSURANCE MANAGERS GROUP, INC.,
ATLANTA INSURANCE MARKETING, INC.,
INSURANCE OFFICE OF AMERICA, INC.,
BRUCE EVERETT HOLLEY, and MARTIN JONES,
Defendants.

DEPOSITION OF

BRUCE E. HOLLEY

July 6, 2006
10:00 a.m.
3531-C Habersham At Northlake
Tucker, Georgia

Natalie Gail Sheckton, CCR-B-2294

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Deposition of Bruce E. Holley
July 6, 2006
MS. BROCKINGTON: This will be the deposition of Bruce Holley, taken individually and as the 30(b)(6) representative of American Insurance Management Group.
THE-WITNESS: No, Inc.
MR. COBURN: American Insurance.
MS. BROCKINGTON: American Insurance Marketing, Inc.?
MR. COBURN: Atlanta -- hold on, there is some errors in there. Atlanta Insurance Marketing, Inc., and American Insurance Managers, Inc.
MS. BROCKINGTON: Okay.
THE WITNESS: And then American Insurance Managers Group --
MS. BROCKINGTON: Okay. And you're here as the 30(b)(6) representative of which one of those companies, please?
THE WITNESS: Atlanta Insurance, Inc., and Atlanta Insurance Marketing.
MS. BROCKINGTON: Okay.
Would you please swear the witness?
///

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BRUCE E. HOLLEY, having been first duly sworn to tell the truth, testified as follows:
EXAMINATION:
BY-MS.BROCKINGTON:
Q. Mr. Holley, my name is Peggy Brockington, and I represent National Employer Solutions, the plaintiff, in a lawsuit brought against you and against three companies we have all referred to collectively as the AIM defendants. Do you know those companies that I'm talking about as the AIM defendants?
A. Yes.
Q. And I understand from the beginning that you're here as the corporate representative of two of the AIM entities, which you have identified. Were you provided with a copy of the deposition notice that lists the areas that you would be asked to testify about?
A. Yes.
Q. And are you fully prepared to testify about the areas of questioning?
A. Yes.
Q. And you have also produced certain

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documents to us in preparation for the deposition, correct?
A. Correct.
Q. And, as I understand it, you are still looking for additional documents and will provide those to us?
A. Yes, if located, yes, yes.
Q. And just for the record, so at the conclusion of this deposition, we may continue the deposition contingent on getting the additional documents?
MR. COBURN: That was our agreement, that is correct.
Q. (By Ms. Brockington) Your full name?
A. Bruce Holley, H-o-l-l-e-y.
Q. Do you have a middle initial?
A. E.
Q. What is the E for?
A. Everett, and I never use it.
Q. Okay. And what is your address, sir?
A. Mail, P O. Box 1207, Kennesaw, 30156.
Q. Say that again.

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A. 1207.
Q. What is your street address?
A. [redacted] also Kennesaw.
Q. And that is in Cobb County?
A. Yes.
Q. Your date of birth?
A. 6-2-46.
Q. Are you married?
A. I am.
Q. What is your wife's name before marriage?
A. Good God. Pagh, P-a-g-h.
Q. What is her first name?
A. Nancy.
Q. Do you have any adult relatives living in Fulton County where this lawsuit is pending?
A. No.
Q. Do you have children?
A. Uh-huh.
Q. How many?
A. Three.
Q. Tell me their names and where they reside, generally. You don't need to give me their street addresses.

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MR. COBURN: It's for jury, so if they're a possible juror.
A. My oldest son is Steven, middle son is Ryan, R-y-a-n, and my daughter is Lauren.
Q. And where do they reside?
A. Georgia.
Q. What cities in Georgia?
A. Marietta --
Q. Is that Steven?
A. -- Acworth and Acworth.
Q. Steven is in Marietta?
A. Yep.
Q. And the other two are in Acworth?
A. Yeah.
Q. If you can please describe your background for me.
A. I have a master's degree.
Q. In what?
A. Business Administration.
Q. Where from?
A. NYU.
Q. What year?
A. In '72.
Q. Where did you do your undergraduate?

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A. Virginia Commonwealth University, Richmond, Virginia.
Q. When did you graduate?
A. '67.
Q. What did you study at Virginia Commonwealth?
A. Sociology.
Q. Now, you said you were in Vietnam?
A. Uh-huh.
Q. What years was that?
A. What years was I in the service or what years was I in Nam?
Q. Answer both of those questions.
A. I entered the Marine Corp in '65, and I got out in '70.
Q. What years were you in Vietnam?
A. '69.
Q. One-year period of time?
A. Well, 13 months, standard tour.
Q. What type of discharge?
A. Honorable.
Q. That was in 1970?
A. Yes.
Q. When did you first get involved in the insurance business?

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A. Then, when I got out.
Q. In 1970?
A. Uh-huh.
Q. You need to say yes or no rather than uh-huh or huh-uh so that we can have a clear record?
A. I understand.
Q. Was that yes?
A. Yes.
Q. And tell me briefly just a history of your employment from then on, in general years and where you worked?
A. I started with Hartford Insurance Company from '69 -- I don't know the year. Let me see here -- '69 through '75 are 6, and then AIG in New York, and AIG transferred me here in '80, and I remained with AIG until '84, and then I got together with another gentleman, and we started an insurance company in '84.
Q. What was the name of that company?
A. Southeastern Security Insurance Company.
Q. Was that located in Atlanta?
A. It is.

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Q. Who was it that you went into business with at that time?
A. Ed Craze was his name, C-r-a-z-e. He is deceased.
MR. COBURN: Is he?
THE WITNESS: Uh-huh.
Q. (By Ms. Brockington) How long were you engaged in the insurance business with Southeastern Security?
A. Until '90, '91.
Q. Were you and Ed Craze the only shareholders of that company?
A. I was not a shareholder.
Q. You were not a shareholder?
A. No.
Q. Were there any other shareholders other than Mr. Craze?
A. I have no idea.
Q. What positions or offices did you hold in that company?
A. I was president.
Q. Is that company still operating?
A. Not under that name.
Q. What is its current name?
MR. COBURN: Everest Security.

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A. Everest Security.
Q. (By Ms. Brockington) What did you do after you left Southeastern Security?
A. I opened up a small independent agency.
Q. What was that entity called?
A. Accent, A-c-c-e-n-t.
Q. What was the location of Accent?
A. In Kennesaw.
Q. Were you in that business by yourself? Were you the sole owner of that company?
A. Yeah, I had 100 percent of the shares.
Q. And how long were you involved with Accent Insurance Agency?
A. Until I went -- I guess in late '02.
Q. So, that would have been from about 1991 until 2002?
A. Correct.
Q. Is Accent Insurance Agency still operating?
A. It is.
Q. Is it still operating under the

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name of Accent?
A. It is.
Q. Are you affiliated with that company in anyway?
A. I am an employee of it.
Q. Did you remain an employee after 2002?
A. Well, I didn't work there, but I still maintained it.
Q. Who else works there? Is it a big company, small company?
A. Two people.
Q. Who else works there?
A. Two other people.
Q. And are they related to you?
A. No.
Q. What is your status or title as an employee?
A. Agent.
Q. And were you employed at Accent during the time you were affiliated with AIM?
A. No.
Q. What was the business, Accent Insurance Agency?
A. Yes.

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Q. And after leaving Accent -- well, in 2000 you became affiliated with AIM?
A. Yes.
Q. And you remained affiliated with AIM how long?
A. I guess everything folded around September of '04, August '04, something like that.
Q. I'm going to come back and talk some more about AIM, but I want to ask you a little bit more about your background. You have been in the insurance business since 1969. I would assume that you have held licenses or certifications or authorizations in that business?
A. Correct.
Q. And can you tell me what states you have ever been licensed in?
A. In the old days, okay, the licenses were not required for agents, so it was a different story. When I was up north in New York and New Jersey and working up in that area, licensing was not even required. You just had -- you were an agent, and that was the end of it. Then each individual company

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would license you, but you were not licensed with an entity, i.e., a state.
Later on, the states became more involved in it and required licenses and education and, you know, continuing ed and all that kind of stuff. So, basically, when I opened the agency, I obtained the Georgia Insurance Agent's license.
Q. When you opened which agency?
A. Accent.
Q. Accent.
A. It was not required of a corporate office or of an insurance company, it was not even a requirement.
Q. So, you became licensed in the state of Georgia --
A. Correct.
Q. -- in 1991 or thereabouts?
A. Yeah, '90, '91, something like that.
Q. And what type of license did you hold?
A. Agent's.
Q. Was that license ever suspended?
A. Huh-uh.

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Q. Is that a no?
A. No.
Q. Was that license ever revoked?
A. No.
Q. Any other states that you were --
A. We filed for some non-resident licenses with AIM. I got some of them, and I'm going to sit here and I can probably give you maybe five or six that I actually remember getting, and then we ran out of money and we couldn't pay for any more licensing; so that just stopped, but they were never used. I did get a license from Tennessee, Alabama, Florida, North and South Carolina, and then there was a couple of weird ones like Arizona and Pennsylvania, and I think that is it; but they have all since expired because they were not renewed, and the only thing that is active right now is Georgia.
Q. And tell me -- you said these were all as non-resident licenses?
A. Correct.
Q. What type of licenses, as an agent?
A. Yeah, a non-resident agent.
Q. Just want to make sure that the

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record is clear.
A. I understand.
Q. Did any of those states ever suspend your license?
A. No.
Q. Did any of those states ever revoke your license?
A. No.
Q. Did any of those states, Tennessee, Alabama, Florida, North Carolina, South Carolina, Arizona, or Pennsylvania, ever conduct an investigation of you on any sort of charges --
A. No, I think they have to conduct an investigation before they issue it.
Q. -- after your license was issued?
A. No.
Q. Is there any state in which you -- let me strike that and go back.
Has the state of Georgia -- has the state of Georgia ever conducted an investigation of you since you first became licensed?
A. Not to my knowledge.
Q. Is there any state for which you

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applied for a license that you were denied a license?
A. Yes.
Q. How many times?
A. One.
Q. One state?
A. Yeah.
Q. And what state is that?
A. Missouri.
Q. When did you apply for a license in Missouri?
A. I have no idea. Probably in '03, '04, '03.
Q. Was it while you were with AIM?
A. Yes, they were all -- AIM non-resident license was a result of AIM.
Q. Was that a license as an agent that you applied for in Missouri?
A. Yeah, non-resident, yeah.
Q. And what was the basis for the denial?
A. Well, I never really did understand the whole thing. They were claiming because one of the PEOs had the same results that you guys had issued a complaint, and they held it

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up pending the investigation.
Q. And what PEO was it that filed a complaint in Missouri?
A. Quick Labor.
Q. And what was the nature of their complaint?
A. I have no idea.
Q. Were you provided a copy of that complaint?
A. No.
Q. Were you provided any paperwork relating to the denial?
A. No, they just said they're holding it up.
Q. You need to make sure I finish the question --
A. I'm sorry.
Q. -- because the court reporter can't get both of us talking at the same time.
A. I understand.
Q. Do you have any documentation relating to that denial of your license in Missouri?
A. Doubtful.
Q. And where would it have been

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located?
A. I'm not sure there was any.
Q. Well, did you submit a written application?
A. Yeah, and I guess that they -- I don't have any idea. I don't know whether Kip had that.
Q. How about your other licenses, the non-resident licenses that you described?
A. Uh-huh.
Q. Do you have copies of those?
A. I have some of them. The file that had my licenses in it was being held by Central Licensing Bureau in Oklahoma.
MR. COBURN: Uh-huh.
Q. (By Ms. Brockington) Where is Central Licensing Bureau?
MR. COBURN: Mississippi, Alabama, Arkansas?
A. Arkansas. It's a company you hire to get your licenses. You send them the information, and they proceed to file with the states you want to file in, and you have to pay them.
Q. Did you tell them, identify them

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all the states in which you wanted licenses?
A. Yes.
Q. And you submitted a fee to them?
A. Correct.
Q. And they submitted the applications?
A. Correct.
Q. And did they provide you with copies of the licenses?
A. Yeah, when they were approved, yeah.
Q. Where did you maintain those licenses?
A. Actually in my desk.
Q. In your desk at AIM?
A. Yeah.
Q. And what happened to that file?
A. They're in a box someplace, and I'm not sure where. All the stuff in our desk was packed up. It is probably in one of the storage bins.
Q. Okay. Talk to me a little bit about the storage. We spoke a little about it yesterday, just so we have record where documents could be located and where you have looked for documents relating to any NES in

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the claims in this case. Documents that you kept in your desk at AIM, who boxed those up and stored them?
A. Probably I boxed them up.
Q. Where were those taken?
A. We hired two storage bins on Roswell Road.
Q. And what is the name of the company?
A. I don't have a clue.
Q. Is it Shurguard Storage?
A. I have no idea.
Q. Do you know where it is on Roswell Road?
A. Huh-uh.
Q. Who has the records on that?
THE WITNESS: Ricky, you think Ricky does?
MR. COBURN: Richard.
Q. (By Ms. Brockington) You can just give me your answer the best you can.
A. It is Richard Haggerty.
Q. Who is Richard Haggerty?
A. He was acting as our personnel manager.

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Q. AIM's personnel manager?
A. Yeah.
Q. Was he affiliated with AIM throughout the time you were?
A. Yes.
Q. Tell me what all kinds of documents you kept in your desk at AIM.
A. The licensing stuff is the only thing, if any. The rest of the stuff would have been personal.
Q. Okay. So, the licensing --
A. I'm just trying to think what else. Just the daily in and out stuff that would have been on my desk, and that would have been it.
Q. What other types of records did AIM maintain during the time you were associated with them, just general categories?
A. I don't have any idea what you're asking me. I don't know what you mean by general categories.
Q. Well, did you keep financial records?
A. I did not, no.
Q. Did the company keep financial

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records?
A. I would assume so, yes.
Q. Who has information about the types of documents that the company kept?
A. Well, I can tell you I kept underwriting documents. I can tell you what I kept.
Q. Okay. Well, let's start there. Okay. Underwriting documents, okay. And what other documents did you personally keep?
A. Personally keep?
Q. No. Let me strike that question. It's a bad question.
A. Okay.
Q. What other kinds of documents did you keep --
A. That I had records of.
Q. -- personally or in relation to AIM?
A. The other thing would be the licensing of the, licensed copies of the agents around the country that we're submitting business. I had some hand in keeping the claim documents, i.e., the records, and the claims files were in a separate area, and then

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that would probably be about all I did. I had a copy of the agency agreement with Realm because Mark Sioma and I were continuing to negotiate the wording, and that was on my desk a lot. That would be it.
Q. And was there a signed agency agreement --
A. No, it never got negotiated. It was submitted to New York Insurance Department, and it was never negotiated.
Q. When you say it was never negotiated, do you mean you didn't negotiate, or you didn't sign it?
A. I didn't sign it.
Q. Why is that?
A. You will have to ask Mark.
Q. Did you ever sign it?
A. No.
Q. What happened to the agency agreement that you had the several versions of it?
A. It is in the stack.
Q. You have produced to us a copy --
A. Yes.
Q. -- a copy of it?

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A. Uh-huh.
Q. You need to say yes or no.
A. Yes.
Q. How about the claim documents, where are those located?
A. The documents that we have records of are the Excel spreadsheets, which I provided.
Q. Any other claims documents that you know of today?
A. No.
Q. And you provided some claim documents to NES?
A. The claim files.
Q. The claim files. Well, what is the distinction between claim documents and claim files?
A. One is the record of what was done, and the other one is the actual work product.
Q. So, when you say claim documents, you're talking about --
A. Excel spreadsheets showing --
Q. -- this Excel spreadsheet?
A. -- and the other one too. There

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is actually two separate documents showing what was paid and what was reserved, and then there is another document that shows, this one document shows the claimant's name and how much was paid and when it was paid, and the check number, and stuff like that.
Q. Let's start with this one. Did you bring me three of these documents or just one?
A. One, I gave you one, and we have one, so there is three here.
Q. Are the three documents the same thing?
A. Yes.
(Whereupon, Plaintiff's Exhibit-1 was marked for identification.)
Q. (By Ms. Brockington) Let me show you what has been marked Holley 1, and tell me the documents you're referring to.
A. One of the documents, yes.
Q. What is that document, Holley 1?
A. This document shows the -- it is a claim register which shows -- the, it categorized the payee, in other words, who received the draft or who the draft was made

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out to. The claimant in the case, the insured in the case, i.e., the individual client of the PEO. The next category is the PEO itself, and then there was the policy number, the amount of payment, the date the check was issued, and the check number.
Q. And is that entire document Holley 1 what you have just described?
A. Yeah, just page after page if there is anything.
Q. Now, the other documents that you described, what are those? You said there were other spreadsheets?
A. Yeah, the other one is a spreadsheet on 14-inch paper that shows the name -- let me see -- has the insured, the claimant, the PEO, and then there is three categories, and the first one is the amount paid, and the second one is the reserve, and the third one is the total of those two. This is it here.
Q. Okay. What you're referring to is a document that is marked as Exhibit B that is attached to --
A. Interrogatories.

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Q. -- AIM's responses to IOA's Interrogatories, correct?
A. Correct.
Q. That's the second set of claim documents that --
A. Claim documents.
Q. -- you have? Okay. That is a claim loss and a reserve report?
A. That is what it is titled.
MS. BROCKINGTON: Can we mark a copy of that as an exhibit, Stan?
MR. COBURN: Is it 2?
MS. BROCKINGTON: Holley 2 is what this document is.
(Whereupon, Plaintiff's Exhibit-2 was marked for identification.)
Q. (By Ms. Brockington) You described a third set of documents; what is that, please?
A. Well, the third thing I sent you, it had nothing to do with the claims. It had a listing of the names of the insureds for NES.
Q. When you're talking about claim documents, the only thing you have is Holley 1

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and Holley 2?
A. Correct.
Q. And each of these claimants on Holley 2, the reserve medical, who set those reserves?
A. I did, basically, and then we eventually had another person that came in to help us with claims because they were getting over the top, and then they set them too.
Q. Who was that person?
A. Sharon Whetherford.
Q. Sharon Wetherford, she was an AIM employee?
A. No, she was temp help.
Q. But she was paid by AIM?
A. She was paid as independent off the files. I don't know if that is being paid by AIM or not.
Q. Well, she was not a claimant, was she?
A. No.
Q. When she set the reserves on these, was that under AIM'S supervision?
A. Correct.
Q. I asked you before about your

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licenses, and I failed to ask you, but these seven states that you identified where you were issued licenses as non-resident licenses included Tennessee, Alabama, Florida, North Carolina, South Carolina, Arizona, and Pennsylvania. Did you ever do business in Tennessee before you were affiliated with AIM?
A. No.
Q. Did you ever do business on behalf of any, in any of these other states prior to your affiliation with AIM?
A. No.
Q. Okay. Other than the non-resident licenses in these states and the license in Georgia that you described, and the license that was denied in Missouri, have you ever held any other certifications, certificates, authorizations from any state to do any sort of business?
A. Oh, I'm a licensed adjuster, claims adjuster.
Q. And tell me where you are licensed as a claims adjuster?
A. Georgia.
Q. When did you become licensed as a

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claims adjuster?
A. In Georgia?
Q. Yes, sir.
A. Probably in the mid '80s.
Q. Any other state besides Georgia?
A. No.
Q. And that was while you were affiliated with Southeast Security?
A. It was before that.
Q. When you were with AIG in Atlanta?
A. Right, it was during that period of time. Georgia then changed the law. I was controlling 700-and-something adjusters, and they wanted me to have a license, so I got it at that time.
Q. And is that license still in effect?
A. Yes.
Q. And do you have to do anything to keep it current?
A. Yes.
Q. What is that?
A. Continuing ed.
Q. Any other certifications or certificates or authorizations other than those

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you have identified?
A. No.
Q. Have you ever applied for any other certificate or authorization and been denied?
A. No.
Q. Any certificate you have ever held or authorization you have ever held that has been revoked or suspended?
A. No.
Q. Have you ever personally applied for ENO coverage and been denied?
A. No.
Q. Has any company that you have -- well, has AIM, did AIM ever carry ENO coverage?
A. Not to my knowledge.
Q. Did AIM ever apply for ENO coverage?
MR. COBURN: Let's back up. I assume that you're interested during the time period he was involved with AIM, not what he may know about ten years ago, but I'm not sure either.
Q. (By Ms. Brockington) I'm asking you about the time that you were involved with

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AIM.
A. I honestly don't know if they had or not.
Q. When you first got involved with AIM, how long had the company been in existence there, to your knowledge?
A. AIM?
Q. Yes, sir.
A. I would imagine about 15 years or more. I don't know exactly.
Q. Is it correct, then, that neither AIM nor you had ENO coverage for the period from May 2000 through April 2004?
A. That is correct.
Q. Do you belong to any professional organizations?
A. I'm currently a member of the PIA.
Q. What is the PIA?
A. Professional Insurance Agents of America.
Q. How long have you been a member?
A. Let me see. Probably since '04, '03, '03.
Q. And what is required to be a member of the Professional Insurance Agents of

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America?
A. You need to be a licensed insurance agent and pay a fee. It is all about the money.
Q. Since you left AIM in September of 2004, have you been employed in any capacity with any company?
A. An agent for Accent Insurance.
Q. And are you still the sole shareholder of Accent Insurance?
A. I am.
Q. How many employees does that company have?
A. Two.
Q. You and who else?
A. An agent.
Q. What is the agent's name?
A. James Young.
Q. Where does Accent do business?
A. In Kennesaw.
Q. Does it do business in any states other than Georgia?
A. No.
Q. Is Mr. Young licensed, or authorized, or certificated anywhere?

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A. Yes.
Q. Where?
A. Georgia.
Q. And is there a particular kind of business that Accent focuses on?
A. It's a multi-line personal lines agency.
Q. Does Accent Insurance do any work with PEOs?
A. No.
Q. Since leaving AIM in August or September 2004, have you done any work with any PEOs?
A. No.
Q. I asked you about ENO coverage, and I want to make sure I'm correct on your answer. I understood that you said AIM did not carry any ENO coverage during the time you were affiliated with the company, correct?
A. Correct.
Q. You personally, do you carry any ENO coverage?
A. No.
Q. Have you ever carried any ENO coverage?

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A. Not personally, no.
Q. Does Accent carry ENO coverage?
A. Accent has a policy that covers Accent.
Q. Who is that policy with?
A. I don't know. It just gets renewed every year.
Q. And was -- did Accent have coverage during the period of 2003, 2004?
A. Off and on. Understanding from an independent agent's standpoint, you know, coverage is incredibly expensive, so there were vast periods of time that I went what I call bare because I just think the company could not afford it. Then I would get complaints from some of my carriers that they want a copy of your certificate, and I would have to go buy it again, and that kind of stuff. So, I have had coverage on and off for probably six or seven years, but mostly off.
Q. Have you ever been required to provide ENO insurance to any insurance commissioner or office of any state, is that required as part of lincensuring in any state?
A. It is not.

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Q. Is a company such as AIM required by any state to carry ENO coverage?
A. Not to my knowledge.
Q. Other than this lawsuit, have you personally ever been sued?
A. I didn't pay the phone bill that one time. BellSouth sued me.
MR. COBURN: Divorce.
A. Oh, yeah, divorce. I got a divorce. I guess that is a lawsuit.
Q. When did BellSouth sue you?
A. That would have been early '90. They actually didn't sue me, they sued Accent, but they named me.
Q. You said you were sued, and how many times in divorce action?
A. Hopefully just the one time that I got divorced.
Q. Who was the plaintiff in that case?
A. My ex-wife.
MR. COBURN: You were the Plaintiff. If it was filed in Georgia.
THE WITNESS: Oh, yeah, I was the plaintiff.
Q. What was her name?

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A. I forgot that one. I think I was the the plaintiff on that.
Q. Who was the defendant in that case?
A. Barbara.
Q. Barbara Holley?
A. Uh-huh.
Q. Where was that action?
THE WITNESS: Was that here or New Jersey?
MR. COBURN: New Jersey.
Q. (By Ms. Brockington) What year, approximately?
A. I have no idea. It was a long time ago. I would say it was in '79.
MR. COBURN: It was a long time ago.
A. In '78, '79, a long time ago.
Q. (By Ms. Brockington) Other than Accent, have you been involved in any other business or engaged in any other business since leaving AIM in 2004?
A. As an owner or just involved?
Q. In any capacity?
A. I gave you my CV.
Q. Since leaving AIM in 2004 --

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A. Oh, since leaving AIM. I'm sorry, I misunderstood you. Oh, no.
Q. Have you ever purchased an insurance company that was in existence?
A. No.
Q. Other than Realm, have you ever attempted to purchase any insurance agency?
A. Southeastern Security, when we started that, it was a scratch operation. We didn't purchase it from anybody else.
Q. And you also started Accent, as I understand it?
A. That is not an insurance company.
Q. Right, it is an agency.
A. Yeah, big difference.
Q. How did you first become affiliated in any way with AIM?
A. How did I become affiliated with AIM? I had known David, and he went over the program and asked me if I would be interested, and I told him I would. I started checking it out, and it looked like it was going to be a good program.
Q. What do you mean by the program was going to be good?

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A. The PEO program. He had designed a program that was unique to the industry, and as it being unique, it would have drawn a lot of interest, and it would have been very active.
Q. By David, you're referring to David Dennett-Smith?
A. Yes, correct.
Q. How did you know Mr. Smith?
A. He – one of the companies that I represented early on with Accent was a company called Georgia General, which was controlled by AIM, and I knew him through that.
Q. Okay. And Georgia General was a company, and what was your affiliation with them?
A. I represented them as an agent.
Q. What type of business was Georgia General?
A. Non-standard, personal, automobile.
Q. When was it that you represented Georgia General?
A. Mid '90s. I couldn't give you exact dates.
Q. When was it that Mr. Dennett-Smith

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approached you about AIM and the PEO program?
A. Fall of '02.
Q. Had, to your knowledge, had AIM been involved with any PEOs prior to that PEO program Mr. Dennett-Smith talked with you about?
A. To my knowledge, no.
Q. Tell me what he described to you about how the program was to work.
A. Boy, that is a lengthy question. Okay. Basically, when you were looking at a program – PEOs were having a difficult time finding coverage. The companies that were writing the business had for all intent purposes pulled out of it because of the colossal amount of problems with the premium, with the audits, with everything that was associated with it they couldn't get. Insurance companies were not getting the proper premium for the coverages that they were issuing and for the exposure that they had, and they were getting hammered very badly financially. And so a lot of them just pulled out of the market all together and left a couple of them there, and the ones that were left were

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charging an adsorbent amount of money to provide the coverage, and they were forcing them to have large deductibles, and things like that.
So, the program was designed so that the PEO could come into the program and become a shareholder in the actual carrier itself, provide the work comp coverage and provide a capital infusion on top of the premium in order to participate in the program and become a stockholder.
The program guaranteed continuation of coverage as a stockholder in the company unless their loss ratio reached a certain figure; and if the loss ration reached a certain figure, they were either invited out of the program or they had to proceed with the self-insured portion of it, which meant they would fund the balance of the loss ratio.
So, if a company had loss ratio above 7 percent, then their capital infusion would be at risk. To offset the cost of claims over and above the norm. The PEO industry as a whole was running about the mid 60s as far as loss ratio was concerned, so

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that 70 percent number seemed reasonable and, you know, I mean there is a lot more than that --
Q. That is it in a nutshell?
A. In a nutshell, yes.
Q. Had you ever represented any PEOs prior to that time?
A. I didn't know what a PEO was when I first started.
Q. Okay. Did you understand any work that AIM had done with PEOs prior to that time?
A. My understanding there was none, but I don't know that for a fact. I don't think they had any PEO programs prior to that.
Q. What was Mr. Dennett-Smith's capacity with AIM at the time he talked to you and approached you in 2002?
A. President, and I guess CEO too.
Q. And were all of the three AIM companies to be involved in this PEO program that you described?
A. Well, the group is just a holding company, so that would not have been directly involved.

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Q. Okay. Describe each of the three companies and what its role is in general.
A. Well, American Insurance Managers was the MGA, general agent that was going to be controlling the program. Atlanta Insurance Marketing was a named picked up, so they had the same initials because there were companies called American Insurance Managers in other states; and in those states where there was a company already called that, we went into it Atlanta Insurance Marketing.
Q. Okay. And, so what was Atlanta Insurance Marketing to do?
A. It was going to be the MGA in the states where the name has already been used.
Q. Okay. So, those two companies, basically, American Insurance Managers and Atlanta Insurance Marketing, were engaged in the same business but just in indifferent states?
A. Correct.
Q. And Group, what was the business of American Insurance Management Group?
A. It was a holding company.
Q. And you said that Mr. Dennett-Smith

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was president and CEO, and which company was that?
A. I would assume all of them.
Q. And which company did he approach you about getting involved with?
A. Well, I mean at the time it was just Georgia, and it was just American Insurance Managers.
Q. Where else other than Georgia is American Insurance Managers? Where did it do business?
A. At that time?
Q. Yes, at that time.
A. Zero.
Q. Was it in Georgia at that time?
A. I don't think it was doing business in Georgia at that time.
Q. Okay.
A. It had been pretty much shut down, and then we were trying to build it back up.
Q. Okay. When had it been shut down?
A. I don't know.
Q. Over the course of time that you were affiliated with AIM, where did it break out in terms of American Insurance Managers

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and the states it was involved and Atlanta Insurance Marketing and the states it was involved in?
A. I do not understand your question. I mean, break it up.
Q. Well, what states was American Insurance Managers in during the time you were with AIM?
A. In as far as what?
Q. Practice, work in.
A. Georgia.
Q. Is that the only state that it operated in?
A. Yeah, yeah.
Q. Atlanta Insurance Marketing, you said that company did the same business but in other states in which there was --
A. We were going to bring it in. I don't think we ever did, though. I mean, the reason it was set up is because it always had American Insurance Managers in it, so we set up the other company when we got in to those states, but I don't believe we ever got to. It never got to that stage.
Q. Which company were you employed by?

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understanding of what he did?
A. I mean, he went over underwriting, he went over claims, and he went over financial, and he went over contracts, but I'm not quite sure to what extent.
Q. Did you deal with him regularly as part of your job?
A. When he was there. He didn't come in very often, but when he was there, I did.
Q. Did you ever hold any other position at AIM other than vice president of underwriting?
A. No.
Q. Who did you report to?
A. Steve Landon and then David Dennett-Smith.
Q. Tell me briefly in a nutshell what does a managing general agent do?
A. A managing general agent is hired by insurance companies, company, companies to represent them in a particular area, and it is usually statewide but sometimes reduced down to countywide, it just depends on the company. And what they do is they do the marketing, the agency appointment, and the underwriting.

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A lot of times they will do the premium financing, and they do all financial. They will do the Bordereau to reinsurance companies, and they just basically become the carrier for that particular carrier in that particular area. Some companies do things direct. I mean, you see them on TV all the time, and other companies don't have the staffing or the expense factor to hire staffing to come into a state or to come into an area and to do it themselves, and so they will hire an MGA to do it for them, and for that they get a fee, and take a fee off the top of the premium that comes in.
Q. I believe you said that AIM was an MGA?
A. Correct.
Q. For which insurance companies during the time you were affiliated with the company?
A. Well, the only -- it was Realm, but with Realm we were acting as a general agent, not as an MGA.
Q. Okay. Tell me the distinction between a GA and an MGA.
A. Basically, the distinction is

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binding, and MGA is granted binding authority, and GA has to get binding from the carrier. That's the principal difference. There is also some financial differences.
Q. So, you were an MGA for Realm?
A. No, general agent.
Q. A general agent for Realm, okay, I misunderstood.
Were you GA for any other company?
A. Not while I was there.
Q. In your case, then, were you authorized to do binding for Realm?
A. No.
Q. And how did that process work, binding for Realm?
A. Files would be submitted to us from a PEO and review the underwriting files for each of the clients, and we would then compare that client with underwriting guidelines that were approved between us and Realm, and we would then determine which of the accounts that were submitted to us met the guidelines, and those that met the guidelines were then, in the case of Realm, were stacked up, and the Realm Personnel Underwriting Department

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came down to Atlanta on a regular basis and reviewed the files, and once they were approved we passed along the binder to the carrier to the individual companies.
Q. Okay. So, when you say you passed along the binder to the individual companies, the companies that NES submitted for coverage?
A. No, we just reported it back to NES or their broker, whichever the business came from. If it came from the broker, we would submit it back to the broker; and if it came from the company, we would submit it back to the company.
Q. So, in the case of NES, it would either be NES or Insurance Office of America?
A. That is correct.
Q. And is that the agency that was, was that the broker in this case?
A. Yes.
Q. Is the broker the same thing as a sub-producer?
A. Can be.
Q. In this case was it?
A. Probably.
Q. What is the distinction?

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A. That is a very difficult question. I'm not quite sure I was ever employed. I guess Managers, American Insurance Managers.
Q. Tell me what your positions, position was or positions were during the time you worked at --
A. Well, I was brought on as vice president of underwriting, I think was going to be my title.
Q. Was it, in fact, your title when you worked there?
A. Yeah, I guess.
Q. Did you have any other titles while you worked there?
A. No.
Q. What were your responsibilities?
A. Underwriting.
Q. Any other responsibilities?
A. (Shakes head.)
Q. Did you have any sales responsibilities?
A. (Shakes head.)
Q. Okay.
A. I helped with the claims. Only because I had a claim background.

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Q. What was Mr. Dennett-Smith's role with the company?
A. President and CEO.
Q. What did he do as far as responsibilities?
A. You would have to ask him that.
Q. Well, your observations?
A. My observations, he did contract negotiating and reinsurance.
Q. Was he involved at all in underwriting with you?
A. No.
Q. Was he involved at all in claims with you?
A. No, other than the fact, you know, we talked about big ones and stuff, but not involved, no.
Q. These three companies, were they privately held companies?
A. I don't know.
Q. Do you know who the shareholders were?
A. I do not.
Q. Do you know who the officers were other than yourself as vice president of

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underwriting and Mr. Dennett-Smith as president and CEO?
A. Bryan Imperial was the CFO.
Q. Was that throughout the time you were affiliated with --
A. Some of the time, not all of it.
Q. Any other CFO who was involved?
A. Not to my knowledge, no.
Q. And where is Mr. Imperial today?
A. No earthly idea.
Q. When did he leave the company?
A. I guess in early '04.
Q. Did he leave before the company stopped operating?
A. Yes.
Q. What did he leave to do?
A. I have no idea.
Q. Who took over as CFO when he left?
A. No one.
Q. Who did the work, the financial work after that time?
A. There wasn't any.
Q. Nobody kept track of the finances?
A. No.
Q. Who did tax returns?

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A. I don't know.
Q. During the time you were affiliated with AIM, who filed tax returns or took care of that part of the business?
A. Well, when Bryan was there, he did, but I don't know when it stopped. I don't know when the last time it was filed.
Q. How about other officers of the holding company, do you know other than Mr. Dennett-Smith?
A. No, I don't.
Q. And other officers of Atlanta Insurance Marketing, the officers of that company, if you know?
A. Well, the only other officer was Steve Landon, and he was the vice president.
Q. And he was the vice president of Atlanta Insurance Marketing?
A. Yeah, I guess of each one of them. I'm not positive of that.
Q. And he was vice president in a specific capacity or area?
A. I don't know. I guess, I guess he was just the number 2 guy for everything.
Q. What did he do, your knowledge or

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A. The business in what state it is from. It just depends on if it is in state, out of state, you know, how it came in, so that is why the individual who brought us the business had to be licensed in the states from the business he was bringing in.
Q. Okay. So, when you say, so, Mr. Jones or his agency would have to be licensed in whatever state bringing in the business?
A. Correct.
Q. So, if they brought in business for a PEO that was located in Georgia, did that mean they had to be licensed in Georgia?
A. If the business he was bringing in was in Georgia.
Q. Okay. If that PEO had customers and clients from other states --
A. -- he would have to be licensed in those states as well.
Q. Did AIM have to be licensed in those states as well?
A. No.
Q. No?
A. No.
Q. I assume, though, that Realm would

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have had to have been licensed in those states?
A. Correct.
Q. Did you individually have to be licensed in any of those states?
A. No. Underwriters didn't have to be licensed at all.
Q. You said that Realm personnel came in and went through the underwriting and went through an underwriting process themselves?
A. Uh-huh, yes.
Q. And that was after you had completed your process and done an assessment?
A. Correct.
Q. Okay. Who with Realm came to AIM and went over these files?
A. The two principal people that came down were Mark Sioma, and he was the president of Realm at the time, and his underwriting vice president, which was a female by the name of Ronnie Zinnard, Z-i-n-n-something, and occasionally they brought down some other people, but I have no idea, but there would be additional people sometimes.
Q. And during the period you were

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working for AIM, how frequently did someone from Realm underwriting come down and meet with you or somebody in your office?
A. The contract with Realm called for them to have somebody in our office all the time; however, the expense factor of them coming down from New York all the time was a little bit much, so it got down to once a week, and sometimes it was once every two weeks. It just depended. They would always call me, do you have anything for me to look at, and it would either be a yes or no, and then they would come down.
Q. So, did they always do their review personally by looking at files, or did you submit things to them in writing?
A. No, they always did it personally. They came down to the office and reviewed them.
Q. And you said the contract for Realm called for them to be in your office all the time?
A. Yeah.
Q. Is that the agency agreement you're talking about, or was there a different

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contract?
A. I'm not sure which contract that was in. You will have to ask Mr. Dennett-Smith that question. I'm not sure which contract had it, but it was in one of them.
Q. Well, was there more than one contract with Realm, between Realm and AIM?
A. Yeah, there were several agreements.
Q. And were they different agency agreements, or what?
A. They were just different sale and purchase agreements, stock purchase plan. I mean, there was a number of different agreements, and one of them required them to be in the office, but I don't remember off the top of my head which one it was.
Q. Other than Mr. Sioma and this person named Ronnie and whoever else may have come in, who else did you work with at Realm, that you can remember?
A. There wasn't anybody else.
Okay. The only other person that was involved in the whole thing was Steven Crane, who was the CEO, but I didn't deal

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with him on a direct basis?
Q. Did you ever communicate with him about any part of the business?
A. I mean, we chatted in the hallway, but no.
Q. Would he come down to Atlanta?
A. He had been down several times, yes.
Q. And what did he come down here for?
A. I have no idea. Not to talk to me.
Q. While you were affiliated with AIM, were you paid under a W-2 as an employee?
A. I wasn't paid period.
Q. During the entire time?
A. During the entire time.
Q. Did you receive any sort of compensation?
A. I was reimbursed for a very small portion of my expenses, very small.
Q. How long a period of time did you work there that you say you were not paid anything?
A. '02 to '04.

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Q. Why did you stay there for two or more years if you were not paid?
A. Because it was going to close any minute.
Q. What was going to close any minute?
A. The deal with Realm. It was on the verge of being perfected every Monday.
Q. How did you know that?
A. I was told that.
Q. By whom?
A. David.
Q. Anybody else?
A. Steve Landon, some of the attorneys.
Q. The attorneys for Realm?
A. No, our guys.
Q. Okay. And describe for me the deal with Realm in a nutshell, the deal with Realm that was going to close.
A. The one I just explained. I mean, I'm not sure I understand what you mean, the deal with Realm was going to close.
Q. You said you held out because the deal with Realm was going to close?
A. Yeah, the program that we had

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designed with Realm in there to purchase Realm and the whole bit was about to be closed.
Q. That deal was AIM was going to purchase Realm?
A. Correct.
Q. And what were you going to receive when that closed? I mean, what were you waiting for in terms of compensation?
A. Oh! Gosh, I don't remember. I honestly don't remember. I don't recall what was the agreed figure. There was an agreed figure, I just don't recall what it was.
Q. Did you have any agreement with AIM in writing?
A. No.
Q. Did you have any written agreement with Realm in writing?
A. No.
Q. Did you ever receive any commissions?
A. No.
Q. And is it your testimony that you have never received any sort of compensation at all?
A. Correct.

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Q. Were you receiving any sort of compensation during the period you were at AIM, were you receiving compensation through Accent Insurance Company?
A. No, there wasn't enough money to pay me.
Q. So, how were, how were you supporting yourself?
A. My wife.
Q. What does she do?
A. She is an office manager for a group of doctors.
Q. Did AIM provide any financial for insurance regulators during the time you were affiliated with the company?
A. I have no idea.
Q. And would that have been something Mr. Imperial did?
A. If it was done, he would have done it it, yes.
Q. In addition to Mr. Imperial, did the company have a bookkeeper?
A. I don't think so.
Q. Where were the company's offices located while you were affiliated with them?

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A. Tower Place. I don't remember the number.
MR. COBURN: Not Tower Place.
THE WITNESS: Not Tower Place? Where was it?
MR. COBURN: Tower Parkway?
THE WITNESS: Yeah.
A. Tower Parkway, something like that.
Q. Where is Tower Parkway?
A. Right at the intersection of 75 and 285.
Q. Did you ever have anything to do with Realm Insurance Company before you became affiliated with AIM?
A. Never even heard of them.
Q. Okay. And when did you first become appointed as an agent for Realm in Georgia?
A. Appointed or requested to be appointed, because that is entirely two different dates.
Q. Let's start with the first one.
A. I think that is important. I started sending what is called the GID122 A, which is a form signed by the insurance

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company to appoint an agent in the state, and I started sending them up in November of '02. They finally, after James Lawless -- who is the general counsel for Realm, and I guess that is his title, but I'm not sure -- kept telling me he couldn't find it, and I kept sending new ones, and I kept sending new ones and, finally, I sent another one in February '03, and that one was finally negotiated, i.e., signed, in March of '03.
Q. Before that was signed, had you issued any insurance for any companies through Realm prior to that time?
A. Yes.
Q. And for whom; how many companies?
A. Probably three or four by that time.
Q. Okay.
A. Three or four PEOs.
Q. Do you remember which ones you first started working with?
A. Corporate Solutions and Corporate Resource Managers were the first two, and then I think we did Emcore, E-m-c-o-r-e.
Q. Was that done before you had the

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signed appointment?
A. Well, we had submitted them to Realm, and Realm would approve them.
Q. What would you submit to Realm?
A. Underwriting.
Q. Okay.
A. It's not unusual for that stuff to start up before the licenses are finalized. That is not unusual at all. That happens quite often. A lot of times licenses are submitted after a book of business had been done.
Q. Now, you said that Realm would approve the underwriting or review the underwriting and give you approval?
A. Uh-huh.
Q. How did they indicate that approval?
A. Primarily with e-mails.
Q. E-mails with whom?
A. Steve Landon, a lot of them, some of them were sent to him.
Q. Were those e-mails printed in addition to being on your computer?
A. Some were, and some were not.

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Q. Was there a particular form that was used?
A. No, they did that. I mean, it was what they did.
Q. And, generally, what would one of these say?
A. ABC Construction Company needs to do loss control and engineering, confirm payroll, confirm class codes and follow for, you know, for revised mods, you know, just normal underwriting statements.
Q. Once it was approved, was there any magic language that they used?
A. No.
Q. Where were those hard copies of the e-mails kept? You said some of them were kept?
A. Some of them made it into the files.
Q. Into the underwriting files?
A. Into the underwriting files, yeah. What they did is they would send me one e-mail with 30 companies on it. So, it was either making 30 copies and put in each file or put one generally into the main

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underwriting file. That big green one I gave you, they would have been in there.
Q. At what point was a certificate of insurance issued?
A. At what point was it issued?
Q. In the process.
A. After it was done.
Q. After what was done?
A. The whole thing was through, through the procedure.
Q. After you got an e-mail confirming from underwriting --
A. Yes.
Q. -- that they had approved it?
A. Yes.
Q. That Realm had approved it?
A. Uh-huh.
Q. You need to say yes or no.
A. Yes.
Q. And who issued the certificates of insurance?
A. In the early periods, they came out of my office. Now, a lot were issued with an electronic signature on it, which I didn't know was going on, which it did, and Realm

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told us to stop doing that in, I want to say, in December.
Q. In December of what year?
A. '02 or may have been January '03, early January '03, but in that area. Realm said don't issue any more certificates, and we did not.
Q. Okay. How were certificates issued after Realm told you don't issue any more certificates?
A. I have no idea.
Q. Did you ever authorize any brokers or sub-producers to issue certificates of insurance?
A. Quite the contrary.
Q. Okay. Tell me.
A. Anybody that asked us, we told them we couldn't do it because of the controversy that was going on.
Q. Tell me what the controversy was.
A. Well, when Realm all of a sudden, unbeknownst to us, still unknown reasons, started to back out of the deal, and that was probably about the same time they told us to stop doing the certificates.

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Q. So, that would have been in December '02 or January '03?
A. '02, January '03, yeah.
Q. What did you do in December of '02 and January of '03 to communicate with brokers, sub-producers of whom you were working with?
A. It would have been later than that that I did anything about it because I didn't know anything was going on out there. No one had informed us that was what was happening. We found out about it much later --
Q. No one had informed you what was happening?
A. -- other certificates were being issued.
Q. And when did you find out certificates of insurance were being issued?
A. Actually, Realm found out about it because they got questioned, and a couple of states called them up, and they accused me of doing it, and I told them I had not, and he sent me down copies of them, and it was clearly not issued by us. When was that, the late spring '03. That is a guess. Yeah,

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somewhere in that area.
Q. So, how were these companies that were being brought to Realm -- I mean, to AIM, and AIM was taking them to Realm and going through the underwriting process, what evidence were they given, to be given of their insurance coverage?
Basically, nothing at that point. Like I said, the closing was going to be imminent, and it was all going to be perfect and everything was going to be fine, and everybody was going to shake hands, and all the certificates were going to be issued, and everything else on a weekly basis. It will close next Monday. It will close next Monday.
Q. Who was saying this?
A. Realm was saying this. Our attorneys were saying this. We were saying it.
Q. Was AIM collecting premiums during this period of time?
A. Premium and capital, yeah. Well, there was money -- well, the early accounts, some of them were paying, and some of them stopped paying when we stopped issuing

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certificates. Actually, they all stopped doing that. A couple of accounts continued to pay but most did not, and Realm refused to honor the coverage, and so they also refused to honor the cancellations for non-pay because if you cancel something for non-pay that admits you have coverage. So, they refused to do that as well. So, they just kind of sat out in limbo.
Q. Who were the early accounts? Tell me that.
A. The ones I mentioned, the ones that came on in '02.
Q. Corporate Solutions and Corporate Solution Manager and Emcore?
A. Yes.
Q. Did AIM continue signing up customers?
A. Yes.
Q. And AIM continued collecting money from those customers?
A. From some of them, yes.
Q. Was NES one of those customers that was brought to AIM and that you all signed up with Realm Insurance?

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A. Yes.
Q. And you collected premiums from NES?
A. Yes.
Q. Did you ever have any direct communication with NES yourself, with anyone at NES?
A. I spoke to Ron a couple of times, Ron Cates. It was Ron Cates.
Q. Tell me about that.
A. Oh, I don't know the subject. I just remember talking to him a couple of times.
Q. Were these telephone conversations or personal?
A. Yeah, telephone.
Q. Okay. So, in late December of '02 or January '03, Realm told AIM and/or you in your capacity with AIM to stop issuing certificates of insurance, correct?
A. Yes.
Q. And at that time, were you or AIM issuing all the certificates of insurance, or were brokers or sub-producers doing that?
A. We thought we were, but we found

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out that we were not – that answer was no too. I found that out much later, again, that I was not the only one issuing.
Q. Okay. Who else was issuing?
A. There were other brokers doing it too.
Q. Did you ever have any conversation with brokers about issuance of certificates of insurance?
A. Yeah, sure.
Q. All right. Who all did you talk with about that?
A. I don't -- I mean, I don't even remember. There was a broker in North Carolina. There was one in Texas. I don't remember their names. There was one, there was one in Nashville, Tennessee. It was actually a PEO that was issuing his own certificates, and we found out about that later.
Q. Who was that PEO?
A. That was issuing its own?
Q. Yes, sir.
A. Quick Labor, the one in Missouri, but the owner was a licensed agent. He was

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his own broker, so I don't know if he was doing it in the capacity as a PEO or in capacity as a broker. I don't know.
Q. How many brokers or sub-producers did you work with on PEO business –
A. Well, there were PEOs and each one had one, so it would have been that many.
Q. And who was the broker or sub-producer on NES?
A. IOA.
Q. Is that Marty Jones?
A. Yeah, Marty Jones worked for them, yes.
Q. Had you done any work with Marty or had --
A. Yeah, Marty brought us a PEO previously to that.
Q. Okay. What PEO had Marty brought you previously?
A. It started with an X, Xcelerate Solutions.
Q. Was Xcelerate one of the PEOs?
A. Correct.
Q. He actually brought you one of the 12 PEOs?

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A. Correct, yes.
Q. And did Marty issue certificates of insurance for Xcelerate?
A. I found out later -- oh, I have no idea. I have no knowledge.
Q. Did Marty issue certificates of insurance to NES and its customer, clients?
A. I heard later that he had, yes.
Q. When did you first learn that?
A. I don't remember.
Q. When you were notified in December '02 or January '03 that you were to stop issuing certificates, did you communicate with any of the brokers or sub-producers about that?
A. My understanding was that our attorneys did.
Q. Who, what attorney?
A. Kip Becker.
Q. And Mr. Becker is the former partner of Mr. Coburn?
A. No, not partner. They just work in the same office.
Q. He is now deceased?
A. Correct.

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Q. How did you find out, or how you were notified by Realm to stop issuing certificates? In writing, telephone, e-mail, how?
A. I was informed internally, so I don't know how the communication came down to us.
Q. Who informed you?
A. David Dennett-Smith.
Q. Tell me what he informed you.
A. To stop issuing certificates.
Q. Did he tell you to communicate that to anyone else?
A. No, we didn't know anyone else was doing them. It was not a matter of communicating a situation that didn't exist.
Q. Tell me if you need to take a break.
A. No, I'm fine. I just need to stand up every now and again.
MR. COBURN: I am going to need to at noon.
MS. BROCKINGTON: We can take a break now.
MR. COBURN: Let's break at noon.

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MS. BROCKINGTON: That is fine.
Q. (By Ms. Brockington) Had you ever dealt with Marty Jones prior to his bringing Xcelerate to you?
A. No.
Q. Do you know if he had ever had any prior dealings with AIM?
A. I don't know.
Q. How about with Realm, do you have direct knowledge?
A. I have no knowledge.
Q. Before the deal that you described as the PEO program and the purchase, your company's plan to purchase Realm, had you ever done any deals with Realm or had any dealings at all with Realm?
A. No.
Q. When you described the PEO program, you said that the PEOs that were going to be in this program would come in and become a shareholder? A shareholder of what?
A. The holding company that would own the insurance carrier and, at that time, at that time what we were dealing with was Realm, but we had plans to do other companies as

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well. So, it eventually was going to be more than one company.
Q. What type of -- and I'm not asking you for a legal conclusion, but I'm asking you based on your experience and the insurance industry -- what type of regulatory approval would have been required for PEOs to become shareholders in a company that owned an insurance company?
A. Well, the form A, which is a form that you have when you buy an insurance company and have to file with the state of its domicile. So, in the case of Realm, we would have had to have filed a form A with the state of New York, and if approved, it just goes on from there.
Q. Any other regulatory approval that would be required?
A. The form would then be transmitted to each of the states that the carrier was licensed in so they had an awareness of what was going on as well.
Q. What type of information would be disclosed on a form A?
A. It is -- I don't know -- 1,200

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pages.
Q. Does it identify all investors or shareholders in it?
A. Yeah.
Q. Were any steps taken towards that process?
A. I'm going to have to defer to Mr. Dennett-Smith on that because my understanding was Bryan was working on parts of it, but I do not know how far he got.
Q. Bryan Imperial?
A. Correct.
Q. Have you ever seen any documents relating to that?
A. I have not, no.
Q. Would there be any other regulatory authorizations that would be required, such as from the SEC or other agencies?
A. I am unfamiliar. I cannot answer that question.
Q. Now, this PEO program, other than PEOs investing, was AIM going to be an investor in Realm?
A. Correct.
Q. And what was going to be the

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investment of AIM?
A. I don't know the details of that.
Q. And were you to be an investor in Realm?
A. No.
Q. Any other individuals that you have knowledge of that were investors?
A. I have no knowledge of what was going to be set up.
Q. Tell me how the money was to be segregated when PEOs invested?
A. I have no idea.
Q. Did you have any involvement in any escrow agreements, any escrow accounts --
A. I was involved in making sure they were there.
Q. Wait until I finish.
A. Okay. I'm sorry.
Q. Did you have any involvement in negotiating escrow agreements with any PEOs?
A. You have to define negotiation, what do you mean by that?
Q. Discussing escrow agreements and coming to an agreement with any PEOs about the escrow agreement?

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A. My involvement was only regarding the premium. After the individual clients were approved, the premium was established, and that premium generated all the rest of it. It generated the amount of the investment. It generated the amount of fees. It generated everything. Everything was a percent of the premium. I was involved in calculating the premium. That premium became part of the escrow agreement.
Q. Did you see the written escrow agreements with the various, the PEOs who invested?
A. Yes.
Q. And every PEO which invested had a signed escrow agreement?
A. I thought so, yes, because in the absence of an escrow agreement they were not permitted in the program.
Q. Now, you are not aware of any signed escrow agreement by NES, are you?
A. No I found out later it was not.
Q. It never invested?
A. Apparently.
Q. And you never had any conversations

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-- did you ever have any conversations with anyone at NES about investing?
A. With NES, no.
Q. Did you ever have any conversations with Marty Jones about investing?
A. Yes, when I found out there was not a signed contract, I sent another one to Marty to get it done. I completed a whole new agreement form to get it done because he and I talked about it, and he was going to get it done for me because I couldn't believe it had gone a couple of months without me knowing there was not one in there, but there wasn't.
Q. Tell me what Marty Jones' role was in this PEO program, that you would send him a document and tell him that it needed to be signed.
A. That he was the broker for the account.
Q. And were you -- how did he find out about this PEO program?
A. I have no idea.
Q. He was the broker for the NES account?

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A. Correct.
Q. Now, he was also the broker for Xcelerate?
A. Correct.
Q. And Xcelerate did, in fact, join the PEO program?
A. Correct.
Q. And it signed an escrow agreement?
A. Correct.
Q. And it invested capital?
A. Yes.
Q. When was it that you communicated with Marty Jones, that you found out there was not a signed contract escrow agreement with NES?
A. It was about, I would say, two to three months after the program started with them, so it would have been May, June, July, somewhere in that area.
Q. So, you don't have any knowledge of whether Marty Jones had any communications with NES about the PEO program?
A. No, I just assumed he had.
Q. So, when you say May, June, or July, that would be 2003?

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A. '03, yes.
Q. And tell me about your conversation with Marty Jones at that time.
A. I have no recollection exactly other than the fact we discussed the fact that there was no escrow agreement and how come, and he didn't know why not either, and he thought there was one in there too. So, I sent him a brand new one. I said, well, you have to get this thing done because there is nothing on file, and it has got to be there.
Q. What was his response?
A. He said he would take care of it.
Q. And you never received a signed contract from --
A. Apparently not, no.
Q. Your first communication with anyone at NES came after Marty Jones brought them to you?
A. Correct.
Q. And that was a conversation that you had at some point with Ron Cates?
A. Yeah. I mean, it was -- I'm trying to think if they came into the office. You know, I don't remember. Most of the PEOs

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we had meetings with in our office. We brought them into Atlanta even no matter where they were from, but Ron was local. I don't recall whether he came in or not, but I think he did.
Q. Is it correct after you, after NES paid premiums and you bound coverage for NES's clients, you contacted Ron Cates to talk with him about becoming an investor?
A. No, that would have been done before.
Q. Is it correct that you met with him in September of 2003?
A. No, it would have been before. It would have been before the program started for them. I think we would have met with them.
Q. But you don't remember specifically ever meeting with him?
A. No, huh-uh, and I didn't bind the coverage by the way.
Q. Who did bind the coverage?
A. Realm.
Q. And that is the case for all of the coverage, the coverage for all the NES clients?

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A. Yes, and all other clients of every other PEO.
Q. And what written documentation is there of that?
A. Of what?
Q. That they bound the coverage?
A. The e-mails.
Q. Before Mr. Jones brought Xcelerate to you, had you had any relationship or done any business with him in any capacity?
A. No.
Q. I'm sorry if I have already asked you that.
A. You have, but it is the same answer, no.
Q. Other than Marty Jones, who else did you deal with at IOA Insurance?
A. He had one of his girls who I dealt with. Becky, I believe.
Q. Becky Duncan?
A. I have no idea what her last name is, but Becky, she and I probably communicated more than anybody else and primarily on phone and fax, and she would submit new clients for approval, and she would, you know, other

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right here.
A. No, that is not it.
Q. Oh, but it has policy numbers here? Is that the same?
A. No, this is the one that has the policies.
MS. BROCKINGTON: Let me mark that as Holley 3.
(Whereupon, Plaintiff's Exhibit-3 was marked for identification.)
Q. (By Ms. Brockington) Do you recognize that attachment to Exhibit A to your Interrogatory Responses?
A. Yes.
Ms. BROCKINGTON: Do you have that, Jo?
MS. MEEK: Yes.
MR. COBURN: Let me see.
MS. BROCKINGTON: It's Exhibit A to their Interrogatory Responses.
Q. (By Ms. Brockington) Okay. So, the policy numbers for NES all started with the letters N-E-S?
A. Correct.
Q. What is the rest of the scheme,

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how does it work?
A. We had to fill in -- we had an additional number of digits, letters we had to fill in because Realm wanted it that way, and they wanted to designate the primary state that the business was located in, which was the last part of it. So, we just filled in numbers and just did it in sequence.
Q. Who at Realm did you deal with about working out the way these policies were to be numbered?
A. Same people always, and always and always.
Q. They approved this number scheme?
A. Yes.
Q. Does the sequence of the numbers correspond in any way with the dates that these companies came on board?
A. No.
Q. Just whatever number you assigned first?
A. We did a series and just went down the row from the series, but each PEO had their on prefix to it.
Q. And that would be --

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A. -- the NES, correct.
Q. Now, when you assigned the policy numbers, how did you notify Realm of that?
A. I sent them that (indicating).
Q. You sent them Exhibit Holley 3?
A. Correct.
Q. When did you send them that?
A. Probably every two weeks, because it changes. You add somebody on or somebody cancels.
Q. So, there would be various versions of Holley 3?
A. Correct.
Q. Depending on the particular clients --
A. Correct.
Q. -- that are covered at that time?
A. (Nods head.)
Q. Did you send those to Mr. Sioma?
A. Or Ron. One of those would get it, yes. Most to Ronnie was claims, and most of underwriting was sent to Mr. Sioma.
Q. So, each of the clients listed on Holley 3 is a client that Realm bound coverage for, and they approved the issuance of policy

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for that particular company?
A. They approved the acceptance of them into the program, but because what was going on on the other side, they just never got the policy issuance. So, they didn't approve the issuance of policies, they just issued the agreement; they were part of the program.
Q. And that would be evidenced in the --
A. Correct.
A. -- e-mails that they sent you? When claim files came in from clients of NES or any other PEO, they came to your attention?
A. Well, they went to Crawford first.
Q. To Crawford & Company?
A. Correct.
Q. That was your TPA?
A. Yeah, Crawford had the 800 number that was 24/7, and everybody was advised on how to report a claim.
Q. And did Crawford then notify AIM of the claim?
A. Yes, they would then send us copies of what they had started with.

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clients would cancel and, you know, it was just back and forth.
Q. How frequently did you communicate with her?
A. Oh, God, I have no idea. I have no idea. I don't know how to answer that. Whenever it was necessary.
MS. BROCKINGTON: Let's stop and take a break now.
(Break taken.)
MS. BROCKINGTON: We're back on.
Q. (By Ms. Brockington) I want to clarify one thing. You have never been a shareholder in any of the AIM entities?
A. Correct.
Q. And you have never been a director in any of those entities?
A. Correct.
Q. And the only capacity you have had is vice president of underwriting?
A. Correct. An uncompensated employee.
Q. And you never had any contact with anybody at NES other than you said you may have spoken with Ron Cates a couple of times?
A. No, I was just reminded we played

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golf with one of Ron's partners.
Q. Do you remember his name?
A. No, I tried, and I couldn't.
Q. Okay.
A. And with Marty.
Q. When was that?
A. That would have been summer '03.
Q. Was this after NES procured insurance through you, summer of '03?
A. Right around that same time. It was right in the same area, yeah.
Q. You said Marty brought Xcelerate to you. That was before he brought NES to you, correct?
A. Yes.
Q. And it was several months before that?
A. Yes.
Q. And I notice on this list there are claims from back in February of 2003?
A. Yes, it was before, yes.
Q. Okay. You said that you had a certificate of authority to be the agent for for Realm, and that was issued in March of 2003?

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A. Correct, it was finally signed in March of 2003.
Q. And that would have been after Realm had told you not to issue certificates of insurance in December 2002 and January 2003?
A. Correct.
Q. But once they signed that certificate of authority, you had authority to sign certificates of insurance, correct, to issue them?
A. I'm not sure one is related to the other.
Q. Well, they didn't limit your authorization, did they?
A. No.
Q. They filled out a standard --
A. It was a standard form, yeah.
Q. They never canceled that authorization, did they?
A. My understanding from the state of Georgia, which is where I got that information, is that it expired because they did not renew it.
Q. Do you know when it expired?

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A. No, no. It was about, I figure, a year-and-a-half later.
Q. Part of the process of the underwriting process and then approval and the binding of insurance, at some point after Realm approved the binders, policy numbers were issued; is that correct?
A. Correct.
Q. And this is to any NES clients or customer business?
A. Correct.
Q. Who assigned the policy numbers?
A. I did.
Q. And tell me how that process worked. Is there a scheme that you use?
A. Well, we negotiate with Realm people what series of how many digits, et cetera, et cetera, that they could fit into their system that would match our system, and then they worked out that we were going to each use the same system. So, it was just back and forth how we were going to designate it. So, it ended up as it is.
Q. If I look at Holley 1, the policy number, and I think this is a copy of it

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up after they said to stop doing it.
Q. Let me clarify. I thought you had said you sent them certificates of insurance when you issued them?
A. No, I didn't say that. I said we sent them to them.
Q. But you didn't send any certificates of insurance to them until after they told you to stop issuing?
A. Correct.
Q. What was the normal practice of AIM when it issued a certificate of insurance? Did it ever provide that -- would it ever have provided that to Realm as part of the normal course?
A. Probably not.
Q. When a certificate was issued, who received copies of those certificates from AIM?
A. The requested party, requesting party.
Q. Which would be the insured client?
A. No, the party that was the certificate holder.
Q. When you learned that Realm had denied that there was coverage to NES and to

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the other PEOs, did you communicate with Realm yourself?
A. Nope.
Q. Did you ever have any conversation with David Sioma after that point when they denied coverage and sent out the letter?
A. Well, it was Mark Sioma.
Q. Mark.
A. And we had many conversations because he was still coming into our office , reviewing underwriting files.
Q. This was after they denied coverage?
A. Uh-huh.
Q. And did you talk with him about the fact that they had denied coverage?
A. Certainly.
Q. Yet, he was still coming to your office and reviewing underwriting files --
A. Correct.
Q. -- and approving, binding insurance?
A. Correct, because it was going to close any minute now.
Q. For how long a period of time did Realm continue to come to your office and

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review files and bind after Realm asserted that there was no coverage?
A. Six to eight months.
Q. What is the last time period that Realm came to your office and reviewed underwriting files and bound insurance?
A. I would have to say somewhere probably in the late summer of '03.
Q. Now, NES first purchased insurance through AIM in March of 2003, correct?
A. Yeah, is that the inception date? April.
Q. I'm sorry, April. And it would begin May 1, 2003?
A. Yeah, I mean that was -- we did all the stuff up to and it became effective of.
Q. And that was after Realm had denied that there was any coverage?
A. Correct.
Q. And they based that denial on what?
A. We don't know.
Q. Did they inform you why they were denying coverage?
A. No.

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Q. And you never asked them why they were denying coverage?
A. It was going to close any minute.
Q. Is it correct you never asked them why they were denying coverage?
A. I don't recall whether that conversation ever took place.
Q. But you kept on underwriting --
A. Absolutely --
Q. -- and covering clients?
A. -- and they kept on looking at claims, they kept on looking at the underwriting.
Q. Did you ever discuss with Marty Jones that they were denying coverage?
A. Oh, he knew about it, yeah.
Q. How did he know about it?
A. We talked about it a lot. I mean, it was going on with that and with Xcelerate too.
Q. Did he know about it before he brought Xcelerate to you?
A. Well, he brought Xcelerate to us before they did that.
Q. Did he know that they were denying

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Q. Did you notify Realm of the claims?
A. Yes.
Q. Each and every claim?
A. I reported it on that claim form.
Q. This claim form?
A. B, I would send them B once a week.
Q. Holley 2.
A. Holley 2, okay.
Q. Is that the right form?
A. Yes.
Q. You sent them that every week?
A. Yes.
Q. Did you send that to Mr. Sioma?
A. No, that went to Ronnie Zinnard. She was the one monitoring the claims.
Q. Did Realm communicate back with you about the handling of claims or the processing of the claims or ask questions?
A. They met with the Crawford people and got that straight first. They didn't want to – what do I want to call it micromanage them. They left that up to us. That was part of our function under the agreement that they wanted to be advised of

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everything, and then, of course, we had to send it off to the reinsurers as well.
Q. Who were the re-insurers; was there a large number of them?
A. There was -- I don't know. The first layer had probably 15.
Q. Who was procuring the insurance?
A. A broker in London.
Q. A broker in London, and was it issued to AIM?
A. No, no, Realm.
Q. Issued to Realm?
A. (Nods head.)
Q. What part in the process did you play or did AIM play in that process of reinsurance?
A. AIM procured it for Realm. We had the contacts in London, but not me.
Q. Not you?
A. Not me.
Q. And who was that?
A. David Dennett-Smith.
Q. I'm sorry, by the way you say his name, I'm clearly wrong. I have been saying it wrong the entire time, and I apologize.

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MR. DENNETT-SMITH: It is okay.
Q. (By Ms. Brockington) What is the first date that AIM informed any PEO that there was no Realm coverage or that Realm was denying coverage?
A. I'm not sure we did. Realm did.
Q. Well, is there a possibility that you did?
A. I mean, we were getting a lot of phone calls from them, what is going on, why am I getting this letter from Realm and stuff, so I would have discussed it based upon that.
Q. Now, you said that there was a Realm letter, and I know you mentioned when we met at your lawyer's office that there was a letter from Realm; do you have a copy of that letter from Realm?
A. I don't think they even sent us copies. I think they took the information we gave and sent them out.
Q. And they sent them out to the PEOs?
A. And the clients.
Q. Clients?
A. From what my understanding was,

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apparently a lot of the information they took on that was certificates that they had received copies of, too, from various states.
Q. Now, at the point in time that you were issuing certificates of insurance, AIM was issuing certificates of insurance, did you provide Realm with copies of those certificates?
A. Yes.
Q. Did you do that immediately when --
A. No, what I did was --
Q. -- when the certificates were --
A. -- actually, I did not –
Q. Please wait until I finish. We're driving her crazy.
MR. COBURN: She doesn't have a dog in this fight, so just slow down a little.
Q. (By Ms. Brockington) Did you provide those to Realm immediately when the certificates were issued?
A. No.
Q. When did you provide them?
A. When they asked for them.
Q. And was that on a regular basis?
A. No, we just sent the stack of them

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coverage before he brought NES to you?
A. Yes.
Q. And you had discussed that with him before he brought NES to you?
A. Yes.
Q. Did you discuss that with Mr. Jones in person, or by telephone, or how?
A. Probably both.
Q. Did you and Mr. Jones ever discuss whether you should be issuing insurance policies for NES?
A. Well, again, I hate to keep repeating this, but it was on the verge of closing any moment, and everything was going to be wonderful.
Q. Did any of you ever discuss whether or not you should continue bringing customers?
A. No, I didn't discuss it with him, no.
Q. Now, I understand that you collected premiums from NES -- AIM collected premiums, correct?
A. That would have been Bryan, yeah.
Q. And when those premiums came in from NES, where were they deposited?

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A. I have no idea.
Q. Do you know how many bank accounts the company had?
A. Just hearsay.
Q. Tell me what you know.
A. I mean, I have no direct knowledge of it. We set up a bunch of accounts, and money was put into them for different and various reasons; but that is a financial thing, and I had nothing to do with it.
Q. Tell me what you know about the accounts that were set up. How many of them?
A. I know nothing.
Q. You said they were set up for various purposes?
A. Uh-huh.
Q. Tell me what purposes you have heard, even if you don't have personal knowledge.
A. It is difficult to say. I mean, there were going to be accounts for each PEO; but when everybody stopped paying, I don't think they were ever funded, so the account sat out there with a zero balance.
Q. Was there an account set up for

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NES?
A. I would assume so, but I have no direct knowledge of it.
Q. And was there a general account for AIM?
A. I assume so because we paid claims.
Q. And you paid claims out of one particular account?
A. Out of one account, yes.
Q. And where was that account?
A. The bank.
Q. Which bank?
A. Wachovia, and I don't even know which branch.
Q. The accounts set up for each PEO, where were they set up, what bank?
A. I assume the same bank, but I have -- I don't know.
Q. Were the funds from the various PEOs commingled in one account rather than being segregated into individual accounts?
A. I don't know.
Q. Is Bryan the person who would know that?
A. Yes.

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Q. Am I correct you never saw a general ledger?
A. You are correct.
Q. Am I correct you never saw any bank statements?
A. Physically reviewed or actually physically saw in a file cabinet? I saw bank statements in a file cabinet.
Q. When is the last time you saw bank statements?
A. Before we left the last office.
Q. That office was where?
A. On Roswell Road, 1170, 1190 Roswell Road.
Q. And when was it that you left 1190 Roswell Road?
A. Late '04. I don't know. That is when everything got put in boxes.
Q. Do you know who put those records in boxes?
A. No.
Q. How did AIM spend the NES premiums that it received?
A. How did they spend the NES premiums? All of it went to claims.

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Q. Did all of the monies NES paid in premiums go out to pay claims of NES's client businesses?
A. I couldn't answer that.
Q. Who would have information about that?
A. I guess Bryan. I mean, he is the one who had to deal with the money.
Q. Would the records on whatever claims have been paid but were paid on NES client businesses be in the client files, claim files?
A. Yes, and the record of it would be in the information I just gave you.
Q. The information being Holley 1?
A. Holley 1 and Holley 2.
Q. And are these two documents, Holley 1 and 2, based on information in the file that was kept on each individual claimant?
A. Correct.
Q. And where are those files?
A. They were returned to NES.
Q. And when was that done?
A. Probably just at the end there, so it would have been middle of '04, '03. Yeah,

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'04.
Q. Did AIM turn over any premiums to Realm?
A. We initially did.
Q. What does that mean, "initially"?
A. Before NES became part of it.
Q. So, am I correct that none of the NES premiums were paid, were turned over to Realm?
A. Correct.
Q. How long a period of time did AIM turn over premiums or portions of the premiums to Realm?
A. The premium that goes to the insurance company from an MGA is basically done Bordereau system, i.e., we received X number of dollars, and we paid X number of dollars in claims, and there is X number of dollars in commission, and there is X number of dollars in this, that, and the other thing, and here is the balance. Okay. Generally speaking, they pay either on a 90- or 120-day contingent, so that the first payment due to them would have been probably in February '03, and it would have been based upon the business

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we did in October of '02; do you follow me?
Q. Yes.
A. In other words, it tails off, and by that time then is when we made that first payment to them, and they turned around and sent it back.
Q. They turned around and sent it back to AIM?
A. Correct.
Q. Did that come to your attention?
A. Correct.
Q. What did you find out about it?
A. They sent it back.
Q. Why did they return it?
A. I don't know. You would have to ask –
Q. Who did they communicate with?
A. I don't know. I assume Bryan.
Q. Who did you learn about it from?
A. I don't know who told me.
Q. Did you ever see anything in writing about that?
A. (Shakes head.)
Q. Did you ever submit any future Bordereau? Am I saying that correctly?

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A. You are. That is a Bryan question, but my understanding was it was we were not supposed to do that anymore until the deal closed, so I think they kept records on how much was due, but they didn't actually send anything.
Q. Was it your office that submitted the Bordereau?
A. Yes.
Q. From Bryan's office?
A. Correct.
Q. From Bryan Imperial?
A. Correct.
Q. Now, I'm correct -- it is correct, isn't it, that AIM did not collect any capital from NES?
A. I don't know.
Q. Okay.
A. My understanding was they did, but I don't know that for a fact. I don't know how Bryan booked it.
Q. Even if he booked it as capital, that didn't necessarily mean it was capital, but that was his internal way of dealing with it, correct?

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A. I guess, yeah.
Q. Did -- AIM paid some of the claims submitted by client businesses of NES, correct?
A. Correct.
Q. Is it normally the function of a general agent to pay the claims for an insurance carrier?
A. Yes.
Q. And are there other carriers that AIM paid claims for, any other?
A. Well, not when I was there. That was the only carrier they represented at that time.
Q. How much in premiums did AIM collect from NES?
A. I don't know.
Q. Okay. Do you have a general idea?
A. It is $600,000 or $700,000.
Q. How about from other PEOs, what amounts of money were collected? And we'll go over these documents later. I'm just trying to find out if you have a general idea.
A. It was three-and-a-half, four million dollars, I don't know. No, I don't.
Q. Three-and-a-half, four million

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dollars from all of the PEOs?
A. Yes.
Q. Did AIM ever represent to any PEOs that it owned Realm?
A. No, just that we had a sales and purchase agreement. That is the only thing we would have represented.
Q. That sales and purchase agreement, did that come about before or after you became affiliated with AIM?
A. Before.
(Whereupon, Plaintiff's Exhibit-4 was marked for identification.)
Q. (By Ms. Brockington) Let me hand you a document marked Holley 4, the next exhibit, and I only brought one extra copy, so maybe you can look over his shoulder.
Okay. This is the agency agreement that you talked about between AIM and Realm?
A. Correct.
Q. And this is the document that you said went back and forth several times in several different versions?
A. Correct.
Q. And was this ever signed?

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A. I was informed on our break that it was. I didn't have a signed copy.
Q. Do you know who signed it?
A. David Dennett-Smith signed it, and I don't know who signed for Realm, or whether Realm signed it or not; but it was negotiated by us.
Q. Were you involved in the discussions and negotiations about this agency agreement?
A. I was.
Q. And what things were changed? Were there issues in it?
A. Yeah, just normal contract negotiations. You know, but I mean, there were little words here, you know, little words, big words, you know, just minor stuff that we went through.
Q. The document on page .1 in Article 1 indicates that this is just for workers' compensation insurance, correct?
A. Correct.
Q. And it references underwriting guidelines attached as Exhibit A, and I don't see any attached as an exhibit. Are those in

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existence anywhere?
A. You have it.
Q. They are the ones that say --
A. -- underwriting guidelines. Yeah, that is it.
(Whereupon, Plaintiff's Exhibit-5 was marked for identification.)
Q. (By Ms. Brockington) I'm going to hand you Exhibit Holley 5.
A. (Witness perusing document.)
Q. Is that -- who prepared these underwriting guidelines that are --
A. Steve Landon.
Q. Steve Landon with Realm?
A. No, with AIM.
Q. With AIM?
A. Yeah.
Q. And are these the underwriting guidelines that are referenced in this agency agreement that is Holley 4?
A. Yes.
Q. If Mr. Landon prepared these, who approved them, did somebody with Realm?
A. Yes. I mean, he brought forth the original document from another insurance

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company that had one that seemed to be what people liked. So we took that official thing and changed it around a bunch to meet what we were doing, and then created, we created the whole document; but it started off with some other insurance company's underwriting guidelines, and then we altered it to fit our program.
Q. Do you know what other insurance --
A. Not a clue.
Q. -- these came from?
A. Not a clue.
Q. Paragraph 5 calls for a sub-producer. Is that IOA in the case of NES?
A. Yes.
Q. You said that Mr. Dennett-Smith said that this document was signed by him?
A. Uh-huh.
Q. Do you know when it was signed?
A. No.
Q. Pages .3 of Holley 4 refers to agreements between agent and sub-producer, and that would indicate that there was an agreement between AIM and IOA?
A. Yes.

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Q. And are you aware of such an agreement?
A. Yes.
Q. Was there a written, signed agreement?
A. Yes.
Q. Have you seen that before?
A. No. I maybe have seen it, but I have no idea where it is, but Marty should have a copy. And then we took Marty's information and submitted it to Realm for them to approve it as well.
Q. And are you aware of whether Realm approved them as a sub-producer?
A. I am aware they did not.
Q. So, they never really specifically rejected them?
A. No, they never got to it. We submitted probably 150 sub-producers to them.
Q. And they never approved any of them?
A. Never approved any of them.
Q. Did you keep sending the forms in and asking them to approve them?
A. Uh-huh.

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Q. You have to say yes or no.
A. Yes.
Q. Paragraph 3 on page .3 says that the agreement between the agent and sub-producer shall specify that the sub-producer shall have no authority to issue insurance on behalf of the company to any person under any circumstance; did the agreement between AIM and IOA have such a provision?
A. Lord I don't know. I haven't seen that agreement in so long, I don't recall if it's in there or not. I don't know.
Q. Look at page .4 that talks about the Bordereau reports -- and I apologize earlier if I have already asked you this -- where were those reports kept, in the office of the CFO or in your office?
A. No, they would not have been in mine. If anybody would have had them, it would have been in Bryan's office.
Q. Page .5 of this document refers to a financial audit and requires AIM to provide a financial audit for the agent. Did you ever provide that document that you are aware

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of?
A. I didn't.
Q. Do you know if one was provided?
A. No, that had nothing to do with my job.
Q. This lawsuit that we're here about, have you reported that to any insurance carrier for yourself or for AIM?
A. No.
Q. Page .8 of Exhibit Holley 4 describes records that the agent is required to maintain. Were these records, in fact, maintained for a period of six years?
A. Well, they were maintained, but, I mean, clearly not for six years because it is not six years yet.
Q. Is it correct that the only documents that you are aware of at this time are documents that are in some storage facilities?
A. Well, the ones that we have we have provided you, and if there is anything else it would be in those storage facilities, yeah.
Q. And is it correct that you don't

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have access to those storage facilities?
A. That is correct.
Q. Why is that?
A. Because they charged money, and we couldn't pay the bills.
Q. Have you ever been to any of the two storage facilities?
A. I have not.
Q. Schedule A attached to Holley 4 lists, states the agent, which would be AIM, has underwriting authority. This document, sir, the agency agreement.
A. I'm sorry. I thought you said Schedule A.
Q. Schedule A attached to that document. It is page No.: AIM 0320 --
A. I have got it.
Q. -- if you look at the bottom of that document. Under authorized states, there are a number of states listed. Does this mean that AIM was authorized to issue workers' compensation insurance in those states on behalf of Realm?
A. Let me word that a different way. We were authorized to accept business from

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those states and submit to Realm for binder.
Q. Who gave you that authority?
A. To do what?
Q. To do what you just said, accept bids for business in those states, authorized by whom?
A. Realm.
Q. Yeah. That is what I was trying to find out.
A. I didn't know where you were going with that one.
Q. Each of those states -- did, in fact, AIM accept business in each of those states on behalf of Realm?
A. Most. I don't think we had any business in Iowa, and I know we didn't do anything in South Dakota, and I don't know about New Mexico, whether we did or did not.
Q. Are there any states that are not listed in here that you were authorized to accept business on behalf of Realm?
A. I think that is it. The only one I think is missing is Pennsylvania, and I'm not sure about Pennsylvania, and I'm not sure if we had any business there either.

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Q. How about North Carolina?
A. North Carolina, yeah, you're right, North Carolina we did.
Q. You accepted business?
A. We did, yeah, because AIM said they were licensed in North Carolina.
Q. Who did?
A. Realm.
Q. Realm said that Realm was licensed in North Carolina?
A. Yeah, we had a license, or something, in North Carolina.
Q. What did you have in North Carolina?
A. I don't know. I don't remember how that took place. There was business in North Carolina.
Q. You said that Realm said they were licensed in North Carolina; who at Realm?
A. Mark Sioma, but I don't remember how all that went down.
Q. As an agent and general agent for Realm, did you check the authorization or licensure of Realm in each of these states?
A. Did I? No.

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Q. Did anybody in your office, anybody at AIM?
A. I don't know if that was Bryan's job or not, I don't know.
Q. Did you ever inform or discuss with Marty Jones whether or not Realm was licensed in North Carolina?
A. I have no recollection.
Q. Exhibit H, Holley 5, which is the underwriting guidelines, these are the guidelines that were applied by you in reviewing the underwriting, doing the underwriting on each of the clients brought to you from NES?
A. Correct.
Q. Was NES ever provided with a copy of these underwriting guidelines?
A. Yes.
Q. Who provided it to them?
A. I did.
Q. How did you provide it to them?
A. Probably I e-mailed it to them because I had this on e-mail.
Q. Did you provide a copy to Marty Jones at IOA?

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A. I'm sure I did, yes.
Q. Are these underwriting guidelines specifically for PEOs?
A. Yes.
Q. And throughout this document where it refers to insurance providers, does that refer to Realm?
A. Yes, at this point, it did, yeah.
Q. Did it ever refer to anybody else?
A. No, it never got to the point where it could refer to anyone else.
MS. BROCKINGTON: Let's take a break.
(Break taken.)
MS. BROCKINGTON) Let's go back on the record.
Q. Let's start with Holley 6.
(Whereupon, Plaintiff's Exhibit-6 was marked for identification.)
A. (Witness perusing document.) Agency appointment.
Q. Have you ever seen this letter before?
A. I don't know if I have or not.
Q. Were you involved in completing the

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questionnaire so that you could be submitted or approved as their agency, the agency for Realm?
A. Okay. Be a little more specific who you're talking about now. Are you talking about the sub-producers or AIM?
Q. Well, this has to do with an agency appointment questionnaire so that AIM could be appointed the agent for Realm, correct?
A. Okay. Yes.
Q. Were you involved in that process --
A. Yeah, I did this.
Q. -- or was that handled by Mr. Dennett-Smith?
A. No, I did this.
MS. MEEKS: Would you identify that please, Peggy.
MS. BROCKINGTON: No. 528.
Q. (By Ms. Brockington) Did you provide this information to Realm or did somebody else?
A. No, somebody else would have sent the whole thing up to Realm, but it involved

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my stuff, my agent's license, and that kind of stuff.
Q. And at that time did you have a Georgia resident agent license?
A. Yes.
Q. And that was -- let me hand you Holley 9. Is that what that is?
A. No, this is a GID22.
(Whereupon, Plaintiff's Exhibit-8 was marked for identification.)
MS. MEEKS: What was 7, Peggy?
MS. BROCKINGTON: I have not done 7. I jumped out of order just to keep you awake.
MR. COBURN: What is that?
THE WITNESS: My license.
Q. (By Ms. Brockington) Any other documents on here that were your documents particularly?
A. Well, that is part of it, a copy of each individual license, social security number, et cetera, that is part of it.
Q. Okay.
A. The non-resident licenses, there were not any at this time.

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Q. This was before you got any --
A. Correct. We sent resumes up. I had to submit my resume --
Q. Okay.
A. -- along with everybody else's, and that is all that would have done.
Q. And on that listing, on this letter Holley 6, the last item says, "A copy of declarations page from Arizona's Submission Policy and Fidelity Bond." Do you see that?
A. Yes.
Q. Was that provided to Realm?
A. No, there was not any.
Q. Was there any information given to Realm informing them that there was no Arizona Submission Policy for AIM?
A. I don't know.
Q. How about fidelity bond, was there ever a fidelity bond?
A. No.
(Whereupon, Plaintiff's Exhibit-7 was marked for identification.)
Q. Take a look at Holley 7. This is another letter requesting follow-up information. Are you familiar with that document, or was

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that something that was handled by Mr. Dennett-Smith?
A. I have never seen this. But this is dated after they did everything, so I don't understand it.
Q. After they did everything, what do you mean?
A. After they appointed me as an agent --
Q. Okay.
A. -- he writes a letter saying we haven't gotten any information. That is normal for Mark. I'm sorry.
Q. I think I handed you this document before out of order.
A. Yes.
Q. And, I'm sorry, what is the number on that, sir?
A. It is 9.
(Whereupon, Plaintiff's Exhibit-9 was marked for identification.)
Q. (By Ms. Brockington) That is, in fact, the document that they authorized you as an agent?
A. Correct.

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Q. And that was submitted to the Georgia commissioner of insurance on -- when was this submitted to the Georgia commissioner of insurance?
A. It would have been submitted by them.
Q. They signed it on 3-19-03?
A. That is the way I read it.
Q. And Steven Crane was the president of Realm?
A. No, he was the CEO, and he was the president and CEO of the holding company, which is Alpha, Star, Sterling, Cook and all kind of stuff.
(Whereupon, Plaintiff's Exhibit-6 was marked for identification.)
(Whereupon, Plaintiff's Exhibit-10 was marked for identification.)
Q. (By Ms. Brockington) This is Holley 10, if you will take a look at that. Are you familiar with this document?
A. Yeah, I printed it for you.
Q. What is this document?
A. This is just a copy that is on-line with the Georgia insurance department.

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Q. What date is the information, this information was on-line with the Georgia insurance department?
A. I do not understand your question.
Q. When was this printed, if you can tell?
A. Probably -- well, let's see -- probably early '05, somewhere in that area.
Q. Okay. It shows a fax line at the top of 11-17-2004.
A. Okay. So, it would have been a couple of days before then that I faxed it to somebody apparently.
Q. Greenebaum, Doll that is not your company, is it?
A. No, I don't know who that is.
Q. That was the lawyers that represented NES.
A. Oh, was it?
Q. Did you copy this at some point in time?
A. I've submitted this to 30 people.
Q. What category of people have you submitted this to?
A. Whoever asked me for it.

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Q. Did you ever submit this to IOA?
A. No. Well, I mean, I don't know if he asked me for it or not. This was readily accessed on the computer. This was part of the package, and I know we sent it to New York for litigation up there because they did not have access to it, but anybody can get on-line and look at this.
Q. What did this document indicate as far as the insurance coverage, insurance agencies, companies that are licensed to do business in a state?
A. It had nothing to do with that.
Q. What would you look at this document for?
A. If they wanted to check on me.
Q. On you?
A. Yes.
Q. If you look at this document on the second page, does it show the companies you are appointed agent for?
A. It does.
Q. So, as of the date this was filed that you were an authorized agent for --
A. Correct.

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Q. And it indicates whether that company is active or your agency is active, or what?
A. No, it had nothing to do with the agency. This is just me personally whether it is active or inactive, yes.
Q. Okay. What is meant by the column status?
A. Whether it's active or inactive.
Q. Whether what's active or inactive?
A. For my appointment with that company.
Q. So, if you look at page .305, Realm National Insurance Company is listed?
A. Correct.
Q. And the second column states inactive?
A. Correct.
Q. What does that mean?
A. It means that it's inactive.
Q. As of the date of this, you were not an agent for them?
A. No, it gives the inactive date. It has nothing to do with print date. After appointment status there is issue date and

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cancel date, and the third date is the date that it is stopped, or the last date is the date that it is stopped.
Q. This indicates from March 25, 2003, that is when you first became an authorized agent?
A. Yes, that must have been the day you were asking before, and apparently they got it and approved it on 3-25.
Q. Okay. And the last column is 5-1-2004 --
A. Correct.
Q. -- and that is when you were no longer active as agent for Realm?
A. Correct, they failed to issue the renewal.
Q. And does this document indicate that between March 25, 2003, and May 2004, that you were authorized as an agent for Realm?
A. Correct.
Q. If you look at page .4, next to the last box, "Limited sub-agent sponsor." There are two individuals with the last name of Holley, and are those individuals related

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to you?
A. Yes.
Q. And who are they?
A. One is my wife, and one is my daughter.
Q. Let me hand you Holley 11.
(Whereupon, Plaintiff's Exhibit-11 was marked for identification.)
Q. (By Ms. Brockington) I'll ask you to take a look at that. Have you seen this document before?
A. Yes.
Q. And can you just describe what it is?
A. It's an e-mail from Mark Sioma, president of Realm, to the central licensing bureau that we were discussing earlier that did the non-resident license for everybody, and he copied me on it.
Q. And that is to let you know the status of your --
A. Well, actually he was just letting me know that they were in the process of continuing to do other stuff.
Q. Okay.

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A. As part of this, the reason I printed this is because it is Mark admitting that he had already appointed me as a resident license, you know, to go along with the rest of the documents here.
Q. Okay.
A. It's the first E-mail from him directly that admitted it.
Q. Okay. So, this backs up the document authorization for it?
A. Yes, that is why I printed it.
Q. June 10, 2003, he is recognizing you in writing that you are an agent for Realm?
A. June 10, 2003, yeah.
(Whereupon, Plaintiff's Exhibit-12 was marked for identification.)
Q. (By Ms. Brockington) Please take a look at Holley 12.
A. Okay.
Q. And this is another e-mail from Mr. Sioma?
A. Correct.
Q. What is the purpose, in general, of this document?

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A. He is telling us that he is licensing me in the other states as well, and he took Ohio off the list for whatever reason; oh, because it is monopolistic.
Q. What does that mean, monopolistic?
A. The work comp in Ohio and West Virginia, they were monopolistic, which means that the state controlled work comp, not an insurance company, so you could not write work comp business in the state because the state controlled it. The only place you could by work comp coverage is from the state.
Q. Now, I note in section No. 1 it says you and AIM would be licensed as non-residents, correct?
A. Yes.
Q. The state of North Carolina is listed there, correct?
A. Correct.
Q. You were never licensed as a non-resident in North Carolina?
A. Yeah, I said North and South Carolina.
Q. That you were licensed?
A. Yeah, as a non-resident, but it was

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-- what is the date on this -- probably right during this period of time.
Q. Paragraph 3 refers to Realm needing information to appoint AIM as a resident agent in Georgia in addition to you being a resident agent in Georgia for Realm, correct?
A. That is what it says.
Q. Was that ever done?
A. No, it is not necessary.
Q. Why is that?
A. Because you don't have to license the MGA, and they were told that.
Q. They being Realm was told that?
A. Yes.
Q. Was there a response to this e-mail explaining that, or do you know?
A. I don't know.
Q. Let me hand you a stack of documents, and you don't need to go through each and every page. I am not that cruel. Holley 13 is how I marked it. What is that stack of documents?
(Whereupon, Plaintiff's Exhibit-13 was marked for identification.)
A. It is a copy of the underwriting

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files that were submitted to us which consist of workers' compensation applications for the clients of NES.
Q. (By Ms. Brockington) And these are signed by Marty Jones as the producer of this business?
A. Yes.
Q. And these were submitted as part of the underwriting process that you described earlier?
A. Correct.
Q. And copies of these would be in the underwriting files on each of these on NES?
A. Correct.
Q. Is that application, is that the first thing that was submitted to you, would have been the first thing?
A. Part. Well, part of the package.
Q. Okay.
(Whereupon, Exhibit-14 was marked for identification.)
Q. (By Ms. Brockington) If you would, please, take a look at Holley 14?
A. (Witness perusing document.)

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Q. This is an e-mail you sent to Marty Jones at IOA on June 2, 2003?
A. Okay.
Q. What does that mean at the beginning, "Here are the final numbers to date on NES"?
A. Well, it's referring to the two attachments.
Q. And what is attached as pages 2 and 3 to this document? Are those copies to the attachments to the e-mail, or do you know?
A. They probably are through the date of June 2.
Q. And this document also indicates that these are approved policyholders for NES's businesses, business clients?
A. Yes.
Q. This also indicates that NES had a $70,000 credit as of June 2, 2003 --
A. Okay.
Q. -- and would that have been the first initial payment they made?
A. I have no idea. I would have gotten this documentation from Bryan, and he would have said X and Y, and I would have

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just relayed it over.
Q. The total amount due today, the amount, where does that come from, that number?
A. The pro rata premium at that point was 942 and change.
Q. Where is that on page .2 of this exhibit?
A. Yeah, which would have been the pro rata amount, and that goes back, and it says, last page where it says the 942 and the investment requirement of 942 and 659 and change, and the fee requirement was 47 and change, and so the escrow agreement would have required a down payment of 25 percent of the premium, which was 235,000 and change. Are you following this on the form?
Q. Uh-huh.
A. The investment requirement would have been 131 and change, and the fee was paid in full at the inception for a total of 414 and change, and apparently he had a $70,000 credit, so I subtracted that off, and it left 344.
Q. Now, this was a document that would

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have applied if NES was in the escrow program?
A. Well, if NES was in the escrow program, they were not supposed to have coverage.
Q. But they were supposed to have coverage?
A. That is what I hear.
Q. This document is called a non-binding indication?
A. Correct.
Q. And that indicates if they were going to participate in the program that is what would apply?
A. Correct.
Q. This e-mail, Holley 14, was sent to Marty Jones but not to anyone at NES, correct?
A. Correct.
Q. And the Becky Duncan that is identified on there is also with IOA?
A. Yes, that is the Becky I was talking about.
(Whereupon, Plaintiff's Exhibit-15 was marked for identification.)
Q. (By Ms. Brockington) If you would, please take a look at Holley 15?

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A. (Witness perusing document.)
Q. Is that a document that was sent to you from Becky Duncan at IOA?
A. Yeah, I guess.
Q. Tell me very briefly what an experienced mod work sheet is.
A. A mod work sheet and NCCI, which controls work comp for every state, and let's just use Georgia, for example. They probably get a mod for each individual account that is written or comp business for to establish their loss history, and if, in fact, there is a bad -- like in the normal, like if you were a brand new account and never had coverage before, you would go in as a 1.0 mod, which means everything is even. So, if your premium is $1,000, it's $1,000.
Okay, if you had two or three losses, and it promulgates out, and they paid more than a $1,000 premium out in claims than they brought in in premium, then you would get an experienced mod that would generate a higher number, so that the following year you may have a mod of 1.2. And so instead of your premium being $1,000, if nothing else

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changes, your payroll is the same, and everything, your premium will be $1,200. So, it is a multiplicator times the premium, and then some people have really good experience for a number of years, and then they may get a mod of 0.9 or a 0.8, or whatever, you know, it may go down.
Q. Okay. So, a number below 1.0 means a lower risk based on that company's claims history?
A. Correct, yeah. It means that the records that the NCCI has indicate that the risk is better than normal.
Q. And this is an experienced mod work sheet for NES?
A. Yes.
Q. And so the mod for NES was 0.93 at this time, based on your assessment?
A. No, this is showing a 1.29.
Q. Okay. Read the note, if you would, please on page .1 of Holley 15. What does the note indicate?
A. The year '98 is credited for 60 points in this mod. I have no idea what she means by that. Attentive mod for '03 is

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Holley 3?
A. There it is, okay.
Q. Okay. That means the coverage was issued for them and a premium was collected?
A. Yeah, I submitted it.
Q. And what authority did you have for that coverage?
A. I may have a difficult time answering that question. He was going to North Carolina to get it straight, and we were going to continue to keep all his business, he being Mark Sioma and -- I mean, the account met the underwriting guidelines. It was a licensing problem that they had that he was going to fix, and that is the best answer I can give you.
Q. Did he tell you he was going to North Carolina to get that problem fixed?
A. Yes.
Q. Okay. And this was as of June 20, 2003, he had indicated that you were to decline North Carolina. Was there something subsequent to this that authorized it on behalf of Realm?
A. You mean North Carolina?

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Q. North Carolina, that authorized Cardinal Forest?
A. No, this would have been it. This would have been -- no.
Q. And what documentation did you get from Mr. Sioma later that they met the North Carolina guidelines?
A. I don't know whether they ever finished it up, to be perfectly honest with you.
Q. There were other North Carolina businesses for which insurance was written after June 20, weren't there?
A. After June 20?
Q. After June 20, 2003.
A. I don't think so. We had other North Carolina business, but it was all written previously.
Q. There had been some North Carolina businesses for which coverage had been written prior to June 30?
A. Correct.
Q. And those businesses were not canceled, were they?
A. No.

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Q. Whose office would have taken care of that?
A. Taken care of what?
Q. If a business was going to be canceled, who would do that?
A. Well, in a perfect world it would have come from us, you know, because under the agreement it was part of the underwriting process that we would take care of it.
Q. And as far as you know, no North Carolina businesses were ever canceled?
A. That's correct.
(Whereupon, Plaintiff's Exhibit-17 was marked for identification.)
Q. (By Ms. Brockington) If you would take a look at Holley 17.
A. (Witness perusing document.)
Q. Do you recognize this document?
A. Uh-huh.
Q. She needs you to say yes or no.
A. Yes.
Q. What is this, please?
A. This would have been a recap sheet just indicating the premium rating and premium only based upon the rates for class codes that

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Realm provided me with for whatever states they were filed in.
Q. So the information attached, the pages that are numbered at the bottom 5, 6, and 7, that information came from Realm?
A. No.
Q. Oh, I misunderstood you.
A. No, this information came from the account. This is the underwriting files.
Q. Okay.
A. Each individual one listing class code, payroll, the Realm rate for that class code in that particular state, and every state is different, and then total, how much premium that would generate. It's a multiplication problem.
Q. Okay. And this is a note from Becky Duncan at IOA --
A. It's to her.
Q. I'm sorry, from you to her.
A. Yes.
Q. And what was your reason for sending this?
A. She must have asked me for it, but it was submitted previously.

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0.93, and I don't know where she would have gotten that either unless she contacted NCCI and asked them that question, but this does not reflect that.
Q. Okay. Is that something that the broker would do as part of the process in checking on the mod?
A. It was helpful if they did. It was not a requirement.
Q. But this was something that you wanted IOA to do?
A. If they didn't, we would have run it.
Q. Did you actually run the mods for NES?
A. We ran mods for the clients of NES.
Q. Okay.
A. The only time the client would receive the mod of a PEO would be if the client had been with the PEO for an excessive years.
Q. Okay.
A. Because at that point in time NCCI stops their records and goes into the records

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of the PEO.
(Whereupon, Plaintiff's Exhibit-16 was marked for identification.)
Q. (By Ms. Brockington) If you would, take a look at Exhibit 16.
A. (Witness perusing document.)
Q. (By Ms. Brockington) Can you tell me what this is, please?
A. This is an underwriting review done by Mark Sioma on the files that we submitted on NES.
Q. And this was effective when?
A. June 20.
Q. And so each one of these listed is an NES client?
A. Correct.
Q. And the underwriting analysis done by Realm on those clients?
A. Correct.
Q. And what does it mean midway down the first page that says, "Expense Constant Rate is incorrect in those states"?
A. If you go back to -- let me see if I can find it -- Holley 3, you will see it because they have got copies of this as

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well, and you will see an expense constant here.
Q. All right.
A. And in some states they only allow a certain dollar amount, and it's restricted and it is what he is talking about, this is $200 constant, and in that state it was only allowed to be $150, and he was just informing me of that, and we made the necessary corrections.
Q. Exhibit 16 part way, well toward the end, Cardinal Forest products. This document, and it's on the first page, is what I'm referring to.
A. Oh, first page.
Q. I'm sorry.
A. Okay.
Q. If you will look at 1020 Cardinal Forest Products, that company was in North Carolina, a lumber yard?
A. I guess so, that is what it says.
Q. At the end of the entry on this it says, "Decline North Carolina," and what does that mean?
A. I mean, this is when we found out

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that the license in North Carolina -- I mean we had already done a bunch of that -- and he went, he being Mark Sioma, went to the insurance department in North Carolina to try and get this all straight because we were all informed that North Carolina was a valid state, and then we found out their license had not been valid even though we had a copy of it.
Q. Who informed you that North Carolina was a valid state?
A. Realm.
Q. And is the reason that they're declining North Carolina is that they're not a valid state?
A. It was found out later that their license in North Carolina was under suspension.
Q. That Realm's license was?
A. Correct, or some sort of administrative hold. I never got a clear answer on what happened.
Q. But Cardinal Forest Products was written for them, correct?
A. I don't know.
Q. If you would, take a look at

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Q. Had it been submitted previously to Becky Duncan at IOA?
A. No, that would have gone to Marty because that would have been an evaluation of the accounts that he sent me, and I would have put them down on this sheet to show what the pure premium would be. Now, this is based upon a 1.0 mod and it's based upon no, you know, no underwriting up or downs.
Q. The last paragraph of this fax says, "Bryan sent to you a full list and billing on 7-1 of '04," and is that the same thing that we have seen before that was sent?
A. Yes.
Q. The date on the page that is No. 5, the second page of this Exhibit 17, says, "Effective date 5-1-03." At the top. Flip back one page. What does that date refer to?
A. Oh, okay, I was on the wrong page. That was the projected effective date of the account.
Q. Of the NES account?
A. Correct.
Q. So, is it correct, then, that all NES, all of these documents prepared for NES

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should have the same date up there, should all say effective date 5-1-03?
A. I don't know your question.
Q. Well, my question is: This doesn't relate to when it was prepared?
A. No, it has nothing to do with this preparation, no.
Q. That was a long way to get to --
A. That really was.
Q. -- that simple answer.
A. Yes, it was.
(Whereupon, Plaintiff's Exhibit-18 was marked for identification.)
Q. (By Ms. Brockington) Okay. Exhibit 18.
A. (Witness perusing document.)
Q. This reflects monthly reports sent to you from Becky Duncan at IOA on August 6, 2003, correct?
A. That is what it says, yes.
Q. What are these, what are the monthly reports?
A. I have no idea.
Q. You are not familiar with what she would have meant by a monthly report?

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A. Not a clue.
Q. The handwriting --
A. I know it's a copy of what I sent over, but I don't know what the circles mean. I have no idea what this is about. This would have gone to Bryan.
Q. But it is directed to your attention?
A. If it got to me, it would have gone immediately to Bryan. I would not have known what to do with it.
Q. The handwriting on the second page, original and then Realm .7422?
A. It's not my handwriting.
Q. Do you recognize whose it is?
A. Nope.
Q. Would you turn back in that document to the page that is numbered AIM20723?
A. Okay.
Q. This shows premiums due for each of the NES clients, correct?
A. Assumption, yes.
Q. Okay. You don't know anything about this document?

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A. No, and, you know, I would have to individually remember each one client to see if that was actually a client, but I assume that is correct.
Q. Are you familiar with this type of document?
A. No.
Q. Did you ever see these documents relating to premiums?
A. No.
(Whereupon, Plaintiff's Exhibit-19 was marked for identification.)
Q. (By Ms. Brockington) Exhibit 19.
A. (Witness perusing document.)
Q. Are you familiar with these documents?
A. No.
Q. Have you ever seen them before today?
A. (Shakes head.)
Q. Okay. This is the form for certificates of insurance --
A. That is correct.
Q. -- that were issued?
A. Yep.

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Q. And so a certificate of insurance is not issued until insurance has been bound, correct?
A. Not supposed to be, yes.
(Whereupon, Plaintiff's Exhibit-20 was marked for identification.)
Q. (By Ms. Brockington) Exhibit 19, those all appear to have been signed by Marty Jones?
A. Yes.
Q. Did your office have anything to do with the signing of these documents?
A. No.
Q. Did you authorize him to sign these documents?
A. No.
Q. Here is another stack of certificates of insurance; have you ever seen those before today? That is Exhibit 20 by the way. We have several stacks of certificates of insurance, and I'm just trying to find out what the various stacks are. If you would look at Exhibit 21, please.
(Whereupon, Plaintiff's Exhibit-21 was marked for identification.)

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Q. That appears to be certificates of insurance issued to NES clients based on the policy numbers, correct?
A. Yes.
Q. Those would have been policy numbers, if they are issued by Mr. Jones, those would have been the policy numbers prepared by your office?
A. I don't know.
Q. And by you personally?
A. He has four digits on the end of the policy number, and I don't know what that means. That may be an internal thing for him, but I don't know.
Q. Did you have anything to do with the receipt of premiums from NES?
A. No.
(Whereupon, Plaintiff's Exhibit-22 was marked for identification.)
Q. (By Ms. Brockington) I'm just going to hand you one of these, and I think you have already answered this question, because it's in a different form document, Exhibit Holley 22, do you recognize that as, is that premium calculation documents?

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A. That is what it says.
Q. Who would have handled that in your office?
Q. Bryan Imperial?
A. Yes.
MS. MEEKS: That was 22.
MS. BROCKINGTON: Yeah, I'm going to pass you one.
MS. MEEKS: Thank you.
Q. (By Ms. Brockington) So, then I take it you didn't have access to the wire transfers or any of the banking information coming from NES?
A. That is correct.
Q. Okay. Let me take a minute and mark these all together, so that I don't waste your time.
This is a series of documents that are very similar, and tell me if you can make distinctions between them or if they're various dates off a document you prepared on a weekly basis. Let's start with the first one which is 23.
A. Okay.
(Whereupon, Plaintiff's Exhibit-23

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was marked for identification.)
MS. MEEKS: What is the document? Just describe it.
MS. BROCKINGTON: National Employment Solutions, and it's a list of named insured.
MR. COBURN: This is the list that you prepared.
THE WITNESS: Yes, it is.
Q. (By Ms. Brockington) This is a document -- you have told me about this category of documents before, but I want to make sure that I understand because there are many, many different iterations of it.
A. Very simple.
Q. Okay.
A. The document was a floating document, and it was liquid. It changed daily, changed weekly, and changed monthly. Whenever a new client was to be submitted, we would add them on, and whenever a client left, I had to go in and do the pro rata cancellation on it, whatever it was; if there was one little individual change, it changed the whole document.

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Q. Okay. And so every company listed on this is a company for which insurance was bound?
A. By Realm.
Q. By Realm?
A. For NES
Q. For NES. Every one has a policy number, correct?
A. Correct.
Q. You prepared these documents?
A. I did.
Q. Okay. I have a whole number of them. Is there any way to tell the different dates or when these were prepared?
A. Well, the only way you can tell -- if there was a cancellation in the middle, you would not be able to tell, but if there was a new addition to it, it would be an additional one at the bottom, at the bottom, at the bottom, at the bottom, at the bottom.
Q. So, is this in chronological order when they were added?
A. The originals were. About three-quarters a ways down the page, that

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would have been the individual group, and then the dates start changing, and then you just go by that date.
Q. Well, I have about --- the numbers of these go through, and I will provide you with copies of them, but I'm not going to go through them and ask you about each one, and they go through Holley 32, and they're just various of the same documents.
(Whereupon, Plaintiff's Exhibit-23, Plaintiff's Exhibit-24, Plaintiff's Exhibit-25, Plaintiff's Exhibit-26, Plaintiff's Exhibit-27, Plaintiff's Exhibit-28, Plaintiff's Exhibit-29, Plaintiff's Exhibit-30, Plaintiff's Exhibit-31, and Plaintiff's Exhibit-32 were marked for identification.)
MS. MEEKS: Are you going to ask him which one he believes --
MS. BROCKINGTON: I'm going to ask him.
Q. (By Ms. Brockington) Do you have any way to tell which was the last document of this nature that you prepared?
A. Well, if you get back into those underwriting files, those green files I showed

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you, it would have been the top one.
Q. The top one in any of the underwriting files?
A. No.
Q. Or the NES?
A. The NES underwriting file, the top one on the left-hand side inside the paper clip would have been the last one issued. Not by the paper clip --
Q. Okay. So we can figure that out by looking in the underwriting?
A. Yeah, and then you can just find it in there, and you're fine. I just kept adding them on top.
Q. All right. Well, there are a couple of these that have handwriting on them, and I want to make sure that is not your handwriting.
A. No, it's not my handwriting. This is my handwriting.
Q. Which document number --
A. Can you believe it? It's not listed.
Q. That's one I didn't. That is Holley 31?

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A. Okay.
Q. Tell me what --
A. This would have been done after a period of time when we had some problems with some of the insured for multi-losses, and what I have on here -- I wrote the words -- kill losses, kill losses, kill losses, which meant that they were going to be non-renewed, or it was my recommendation that they be non-renewed.
Q. And I assume that never happened at any point?
A. That never happened. We started having frequency problems, and I would make sure it was noted.
Q. What is a frequency problem?
A. Claims.
Q. Okay. Just so the record is clear.
A. I understand.
Q. Number 32, that had some markings on it, and I wanted to make sure it had no significance.
A. It does not.
Q. Okay. I'll put that over there. That is the last one that has any markings on

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it.
(Whereupon, Plaintiff's Exhibit-34 was marked for identification.)
Q. (By Ms. Brockington) Holley 34 is the next document; do you remember this document at all?
A. I do not remember it, no.
Q. Do you know what it is?
A. Yeah, it's a five-year, five-year work comp loss, apparently from their previous carriers. If, in fact, it was attached, attached to it, it would have been attached to the original submission.
Q. The original submission that NES made?
A. Correct.
Q. Why would that be provided?
A. It would be asked for. I mean, we needed to have this information in order to properly evaluate a client, and this goes along with the mod thing.
Q. Okay. Is this something the IOA provided to AIM?
A. Yeah, it would have been part of the original submission --

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Q. Okay.
A. -- and that came from IOA, so, I mean, I have to assume that. I'm not sure if we got this later or if it came with the original packet, I don't remember.
Q. I'm just trying to check who submitted it to you.
A. Well, I'm assuming, and that is not good.
(Whereupon, Plaintiff's Exhibit-35, Plaintiff's Exhibit-36, and Plaintiff's Exhibit-37 were marked for identification.)
Q. Okay. Here are 35, 36, and 37, and they're a very similar document, and I want to ask you about all three of those.
A. (Witness perusing document.)
Q. Do you recognize those three documents?
A. I do.
Q. And those are the non-binding indications, documents, and you had looked at one of those before and identified it for us, correct?
A. Correct.
Q. There are three different ones of

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these made out and that contain the name of NES, in different versions up in the left-hand corner?
A. Correct.
Q. Why would there be three different non-binding indications?
A. Well, clearly Holley 35 had a different premium amount on it. It may have been a submission. They submitted actually twice to us because they took out some states, and so we had to redo it, and it came up with a lower number.
Q. And so is 35 the one with the higher number?
A. Correct.
Q. Earlier in time?
A. Correct.
Q. And based on the submission that came to you from IOA?
A. Correct.
(Whereupon, Plaintiff's Exhibit-38 was marked for identification.)
Q. Okay. Exhibit 38.
A. (Witness perusing document.)
Q. (By Ms. Brockington) This is a

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draft of an escrow agreement that was for AIM prepared by AIM, but this was never signed by NES, correct?
A. Well, I'm not --
Q. I mean, you're not aware of a signed copy?
A. -- no, I'm not aware of it.
Q. Who prepared this document, this 38?
A. Our attorneys are the ones who developed it.
Q. Who modified it? I assume that there was a document, and I know there was a document like this for the PEOs, a signed document like this for the PEOs who did sign up for the PEO program, correct?
A. Correct.
Q. Who modified it each time for a PEO?
A. It either would have been me or Bryan.
Q. In this document, it makes reference to calculations of capital contributions. How were those numbers calculated?

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A. Well, if you go back to indicator, non-binding indication, and it showed the total premium that was relevant for that period of time when, you know, before he adds the subtractions, or whatever, and it showed the percent of the investment requirement, and it showed the percent of the fee requirement.
Q. You're referring to what exhibit, what number?
A. In this case, 37.
Q. Who did those calculations, Bryan?
A. I did the calculation on the premium.
Q. Okay.
A. I designed this form, so all I had to do was put the premium in and it filled the form out. It was one of those spreadsheets they taught me how to do.
Q. Now, this document refers to an escrowed amount, page .1 at the bottom of the paragraph; NES never placed any amount in escrow, did it?
A. They were supposed to have.
Q. But you're not aware of any?
A. No, I just assumed that they did.

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Q. Well, this is a document, the signed escrow agreement was one of the ones that were signed by PEOs that participated in the PEO program; those were contained in their underwriting files, correct?
A. Yes.
Q. And so if NES had signed one, they should have been in NES's underwriting file?
A. It would have been, yes.
Q. You're not aware of any one of these, Exhibit 38 signed by AIM, are you, for NES.
A. No, I'm not aware.
(Whereupon, Plaintiff's Exhibit-39 was marked for identification.)
Q. Holley 39.
A. (Witness perusing document.)
Q. This is an escrow agreement between Essix Holdings and Spectrum HR, LLC. Are you familiar with either one of those companies?
A. Uh-huh, yes.
Q. And which of those companies are you familiar with?
A. Both.
Q. Tell me what is Essix Holdings?

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A. It was a company that we started to replace AIM to try and do the program with a different insurance company besides Realm.
Q. Okay. Who started this new company Essix holdings?
A. David Dennett-Smith.
Q. Who else other than Mr. Dennett-Smith?
A. Who else, what do you mean? You mean like stockholders? I don't know what you're asking me.
Q. Let's start with the stockholders.
A. I don't know. I couldn't answer you.
Q. Who were the directors of this --
A. Directors?
Q. Yeah.
A. I have no idea.
Q. Who were the officers of this company?
A. The same group that were officers that were officers of AIM.
Q. Tell me who that is, everybody that you know are officers.
A. Everybody I named before. Me,

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Steve Landon, David Dennett-Smith, Bryan Imperial, and I guess that is it.
Q. What position did you hold or do you hold in Essix Holdings?
A. Vice president of underwriting.
Q. And what position does Mr. Landon hold?
A. Whatever I said before. I don't remember. Executive vice president, executive vice president, or something like that.
Q. Mr. Imperial?
A. CFO.
Q. And Mr. Dennett-Smith?
A. President and CEO.
Q. You said this company was started to replace AIM; when was this company started?
A. I do not remember.
Q. Where was this company incorporated?
A. I guess Georgia.
Q. Who did the incorporation?
A. I have no idea.
Q. Did you invest money in this company?
A. No.
Q. How many employees does the company

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have in addition to the four officers you identified?
A. We didn't have any employees. Well, -- no, we didn't have any employees. Everybody that came on there was a temp.
Q. Where did you hire the temp from?
A. Some temp agency.
Q. And how many temp employees were there?
A. Varied.
Q. Give me the range.
A. One to three, four.
Q. In addition to incorporating, what other work did Essix Holdings do to move itself down the path of replacing AIM and coming up with another deal with a different insurance company?
A. I don't know what you're asking me.
Q. Okay. Fair enough. What did you all do once you incorporated the business, then what happened?
A. What happened?
Q. Yeah, what did you do to start another deal, another PEO deal?
A. We were in negotiation with another

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insurance company.
Q. What insurance company was that?
A. The one that is listed in here, Guarantee Insurance Company.
Q. And Guarantee Insurance Company was a company you told me about earlier that -- did you have a prior relationship with Guarantee, you personally?
A. No.
Q. How about Mr. Dennett-Smith?
A. I don't know.
Q. How about Marty Jones; do you know?
A. No. How would I? I have no idea.
Q. Do you know who all has invested in Guarantee Insurance Company --
A. No.
Q. -- who its stockholders are?
A. No, no idea.
Q. Have you ever had any dealings or has AIM ever had any dealings with Guarantee Insurance Company before this business?
A. Not to my knowledge.
Q. And was this deal to be a purchase of Guarantee Insurance Company by Essix

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Holdings?
A. That I could not answer. There was a different deal, but I'm not sure exactly how different it was because I was not involved in that.
Q. You were not involved at all in this deal?
A. I was not involved at all in the negotiation or what all they were and what was going to happen.
Q. Did it ever come about that Essix Holdings purchased Guarantee Insurance Company?
A. No.
Q. Now, this is dated the 14th day of April 2004, and I thought that Mr. Imperial was gone by that time?
A. Must have been right around there. I don't know exactly when he left, but it was like summer of '04, spring of '04. I don't remember exactly when he left.
Q. Did -- Essix Holdings, was it licensed in any state?
A. No.
Q. And was it, was it registered in any state or resident or licensed as a

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non-resident?
A. No.
Q. What about Spectrum HR, LLC?
A. It's another PEO.
Q. Was that another business that did business with AIM?
A. Yes.
Q. And that is a company in Michigan?
A. Yeah, Detroit, just outside of Detroit.
Q. Who is the broker or sub-producer who brought Spectrum --
A. It was a broker out of Nashville, Tennessee, and I cannot remember their name.
Q. Were there any other -- did Spectrum invest in the venture?
A. Spectrum was a PEO in the program, yes.
Q. Did Spectrum pay money to Essix Holdings?
A. No.
Q. Did Spectrum pay any money, make any capital contributions at all?
A. Yes.
Q. To whom did it make capital

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contributions?
A. It would have gone directly -- their money went to Guarantee, or did it come through us? Forget that. It came through us.
Q. And through you being Essix Holdings; is that what you mean?
A. Came through our office, not me.
Q. And where does Essix Holdings, where did it do its banking?
A. Not a clue. Probably the same bank, but I have no knowledge of that whatsoever.
Q. Did AIM transfer its assets to Essix Holdings?
A. I don't know.
Q. How many other PEOs other than Spectrum were involved in this deal?
A. In the new deal, we submitted -- let me see, the only ones that were done, Spectrum; CRM, Corporate Resource Management; EPI, and I can't think what that stands for.
Q. EPI?
A. Yeah, wait, and let me look, and I can tell you in two seconds. No, it is not

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there.
Q. It may be on this.
A. Exceptional Personnel, Inc., thank you.
Q. Any other companies that have been PEOs who signed up with AIM, that these three were all signed up with AIM?
A. Yes.
Q. EPI, CRM, and Spectrum?
A. Yes.
Q. Are there any others that joined this new deal?
A. This is what I'm giving you now.
Q. I know.
A. Three, but I don't think it was ever approved. We submitted -- I can't think of it. Yes, it is Quality, yes. Yes, it is Quality, Quality HR, we submitted them.
Q. Quality HR?
A. We submitted it and Quality declined it, not Guarantee.
Q. And what was the basis for Quality declining it?
A. They didn't like it, didn't like the money. Guarantee's rates were extremely

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higher than Realm's rates.
Q. Did CRM invest capital?
A. Well, they would have had to. The program requires it. I mean, there is no way around it.
Q. EPI?
A. They would have had to.
Q. Do you collect a salary from Essix Holdings, Inc.?
A. No, never have.
Q. Collect payments of any sort?
A. Nope.
Q. Distributions?
A. Nope.
Q. No 1099s issued to you?
A. Nope.
Q. What is the status of the purchase of Guarantee Insurance Company by Essix Holding?
A. I don't think there was ever a purchase agreement involved in that one. It was a different investment. You will have to talk to David Dennett-Smith about that because I'm not sure how that contract went around.
Q. What was your understanding?

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A. I have no understanding.
Q. Has Marty Jones brought you any clients or customers to this new venture with Essix Holdings?
A. No, he was not involved in any of these three.
Q. Has he been involved with anyone else who wasn't one of these three?
A. That went with Essix or ever involved?
Q. Yes, with Essix.
A. No.
Q. And are these three the only companies, at all, that have invested in this Essix, Guarantee --
A. Yes, because the program was short lived.
Q. When did that program end?
A. I don't know the date. It would have been within two months May, June '04.
Q. How did it end?
A. They wrote us a letter, and said, "We're no longer doing business with you."
Q. Who wrote you a letter?
A. Guarantee.

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Q. Who dealt with Guarantee on a regular basis during the period of time that this was going on; who with your company?
A. Dealt with in what area?
Q. Communicated with them regularly.
A. Everybody.
Q. Everybody being the four of you, Holley, Landon, and Imperial?
A. Uh-huh, and occasionally some of the temps.
Q. Were you an authorized agent for Guarantee?
A. No, they may not have done that. No, I don't think that I was. They did not send that through because it ended before they got to that point.
Q. Did you complete an application to be an authorized agent for them?
A. Uh-huh.
Q. When did you do that?
A. Spring of '04. I don't know.
Q. Did you have an agency agreement with guarantee at any time?
A. Yes.
Q. When was that?

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A. I don't remember. Somewhere right in that area. Everything was right in that area.
Q. Where are the offices of Essix Holdings, Inc?
A. They were with AIM, and it no longer exists.
Q. So, they were in existence at the same time AIM was in existence?
A. Yes.
Q. So, EPI was contributing to AIM, the AIM/Realm deal at the same time it was contributing to Essix Holdings?
A. No, it was the next, the next policy.
Q. So, these two companies were not operating at the same time, Essix Holdings Inc. and AIM?
A. Yes, they were operating at the same time.
Q. Okay. And they were doing the same business but with different insurance companies?
A. Correct.
Q. Tell me the individuals you are

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familiar with at Guarantee Insurance Company.
A. President was Steve Marino. No, he was CEO. He was not president. The president was some female. I can't remember her name. I have no idea what her name is. She was worthless.
MR. COBURN: He is not suggesting females are worthless, certainly not in this room.
THE WITNESS: This one was.
MR. COBURN: But that this particular individual regardless of her sex was worthless.
A. What was his name? Paul, Paul, Paul, Paul -- I can't remember his last name.
Q. (By Ms. Brockington) Anybody else that you were familiar with?
A. No. I mean, there was a whole staff over there, but I was not familiar with any of them.
Q. Were any premiums paid by EPI, CRM, or Spectrum?
A. To?
Q. To Essix Holdings, Inc.?
A. It went through us.

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Q. And went through you to whom?
A. Guarantee.
Q. What is the, an approximate amount --
A. I couldn't come within $100,000.
Q. -- of capital contributions?
A. I have no idea.
Q. Were policies issued by Guarantee?
A. Yeah.
Q. Approximately how many policies were issued to EPI?
A. I have no idea.
Q. Did you do the underwriting?
A. (Shakes head.)
Q. I thought I understood you to say that you were the vice president of underwriting?
A. That's correct.
Q. Who did the underwriting?
A. Guarantee.
Q. Was that Mr. Marino who did the underwriting, or was it someone else?
A. His people. I mean, he would not look at a file.
Q. Was this Paul individual the one

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who did the underwriting?
A. He did some, and his people.
Q. And are there any other companies that you are involved with, or have been involved with, other than Essix Holdings, Inc. and AIM, any of the AIM companies that have been involved in escrow agreements with PEOs?
A. Are you talking about me personally?
Q. You personally, yes, sir.
A. No, I never even heard of a PEO until AIM.
Q. Are there other companies that have been started to replace AIM to deal with other insurance companies besides Realm?
A. No.
Q. Who brought EPI to Essix, what sub-producer or broker?
A. Some guy in Dalton, Georgia. I have no idea what his name is.
Q. How about CRM?
A. CRM came to us from a broker in Missouri, and I don't know. I would be guessing. I have no idea.
Q. Who brought Spectrum?

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A. The guy in Nashville.
Q. And Essix Holdings, Inc., what is the status of that corporation today?
A. Same status as AIM.
Q. And what is that?
A. Zero.
Q. Is it still active in any way?
A. Is it doing business?
Q. Yes. Is it active in any way?
A. No.
Q. Does it still have an office?
A. No.
Q. Where was its last office?
A. I guess the last one would be that Roswell Road address.
Q. Did Spectrum sign this escrow agreement?
A. Yeah.
Q. The one you had in front of you?
A. Yes, thanks.
Q. And when was that signed, sir?
A. May 14, '04.
Q. Was Mr. Coburn the attorney for Essix Holdings, Inc., also?
A. I have no idea.

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Q. He is listed in here for notices.
A. Maybe, I'm not sure.
Q. The money that was paid to Essix Holdings by these PEOs, where is it today?
A. Guarantee has them.
Q. Did Essix Holdings receive a premium?
A. Did not.
Q. Any portion of a premium?
A. Did not.
Q. Commission?
A. Did not.
Q. Did they receive any money at all?
A. No.
Q. Was the money that was sent to Guarantee, was it submitted by Essix to Guarantee --
A. I don't know.
Q. -- rather than directly to the company?
A. I don't know. I think it went directly to them. I don't know what came through us at all, but I remember sending wiring instructions to the PEOs to Guarantee's bank.

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Q. That is money being held for Essix Holdings?
A. I have no idea.
Q. Is it being held for --
A. No, I doubt that very much. It is not being held for us.
Q. Does Essix handle claims?
A. No.
Q. Were there ever any claims that arose?
A. I don't know. We were not informed.
Q. Does Guarantee Insurance Company owe AIM any money?
A. God, we think so.
Q. What do you think they owe you?
A. I have not a clue.
Q. What do you think? What do they owe you money for?
A. Well, we were entitled commission for bringing the business to them, and they reneged on all of that.
Q. What would have been the commission on that business?
A. I don't know. That would have

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been in the contract.
Q. Is there a written contract?
A. Yes.
Q. Where is that written contract?
A. I have no idea. I don't know.
Q. What is your general understanding of the commission?
A. I don't have a general understanding at all. Not my bailiwick.
Q. Did you have any idea what percentage that would be?
A. No, not something I dealt with.
Q. Did AIM receive any commission from Realm at any time?
A. No.
Q. What is -- strike that.
(Whereupon, Exhibit-40 was marked for identification.)
Q. (By Ms. Brockington) Holley 40 --
A. Okay.
Q. -- can you identify this document?
A. I know what it is.
Q. What is it?
A. It is not something that I did, but it is something Bryan created to show

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spread of money, when it was due, and all that kind of stuff, everything that he sent out to the individual PEOs.
Q. How do you know that he sent it to the individual PEOs?
A. Okay. I don't know.
Q. Well, did he tell you he was sending it to the PEOs?
A. No, I just made the assumption that he sent it.
Q. So, you didn't have anything to do with the calculations of these numbers?
A. Well, this is all based upon the premium. The premium I calculated. Everything else generated from the premium.
Q. I notice -- if you will, please look to the page numbered up in the top left-hand corner, AIM0332.
A. I have got it.
Q. At the top of the page this indicates that this is a sheet or some sort of sheet of that same type that was prepared and shows the name, National Employer Solutions, Inc., NES, correct?
A. Correct.

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Q. But this document shows the name Marty Jones at IOA, correct?
A. Yes, it does.
Q. Next to Mr. Jones' name and e-mail address is a create date --
A. Okay.
Q. What is that date?
A. I have no idea.
Q. Did you ever review these documents --
A. No.
Q. -- or participate in them?
A. No, the only reason I even have them is because after he left people kept asking me some of the stuff about billing, so I went over to his computer and e-mailed to myself from his computer what I purported to be the last or the most recent billing gone through, so I had some idea who did what to who, but I never dealt with this form ever.
Q. Well, then I will ask you about a different one.
(Whereupon, Plaintiff's Exhibit-41 was marked for identification.)
Q. (By Ms. Brockington) Are you

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familiar with this document?
A. I am now, yeah.
Q. Well, prior to now --
A. I did not create this form.
Q. Did you ever see it before?
A. Yeah, I did see it before because I printed it out for you guys.
Q. So, basically, the first time you saw it was when you were printing it off?
A. I know what it means.
Q. How do you know what it means?
A. Self-explanatory.
Q. Okay. Other than reading it --
A. Correct.
Q. -- that is the only thing that you would know?
A. Correct.
Q. Who prepared this document?
A. I got to believe Bryan did it.
Q. But you don't know for sure?
A. No.
Q. And you don't have any idea if any of the numbers in here are accurate numbers?
A. I'm assuming accurate as of May 31, '04.

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Q. But you don't know that for a fact, do you?
A. No, of course not.
Q. Now, there is a column on here that shows claims paid; were you familiar with that information?
A. Yeah, that pretty much matches the other form.
Q. I note that under CRM it shows that claims were paid in the amount of $636,905?
A. Correct.
Q. And if you follow that line, zero was paid in premiums by CRM?
A. Uh-huh.
Q. She needs a yes or no?
A. Yes.
Q. Why would claims be paid for a company that had paid zero in premiums?
A. We were told to get the claims going because it was going to close at any moment.
Q. Who told you that?
A. Realm.
Q. Who at Realm?

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A. I didn't talk to them, but I was told that the people at Realm told us to --
Q. Who told you?
A. -- but apparently it came from Steven Crane.
Q. Who told you that?
A. David Dennett-Smith.
Q. It looks to me that if this document is accurate that zero premiums were also paid by Corporate Solutions, correct?
A. Correct.
Q. But there were zero --
A. Zero.
Q. -- premiums, but $1,146,059 was paid in claims?
A. Correct.
Q. Do you know why those claims were paid?
A. Same reason.
Q. That you were told to keep the claims --
A. Uh-huh.
Q. -- keep the claims coming, keep the claims paid?
A. Yep.

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Q. And that was, again, a message that you say was from Realm?
A. Yes.
(Whereupon, Plaintiff's Exhibit-42 was marked for identification.)
Q. (By Ms. Brockington) Holley 42.
A. (Witness perusing document.)
Q. Have you seen this document before?
A. No.
Q. Let me just ask you a couple of questions about some statements in here. On the first page on the bottom paragraph it talks about a cloak of apparent authority from Realm National to AIM; do you know what that would be referring to?
A. Not a clue.
Q. It also refers to Realm's public disavowal for unauthorized certificates of insurance; do you know what that is referring to?
A. I can only make an assumption.
Q. On page .2, the paragraph number that is numbered 2, refers to an e-mail sent by the author of this letter, James Lawless, to Mr. Dennett-Smith, and telling Mr.

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Dennett-Smith to take whatever further steps necessary to eliminate the obvious misconception in the ranks that AIM has authority to bind coverage for Realm; do you see that?
A. Yes.
Q. Have you ever seen an e-mail to Mr. Dennett-Smith or to anyone else from AIM at Realm, ever seen a message like this?
A. No.
Q. Did Mr. Dennett-Smith ever inform you that he had been told by Mr. Lawless that AIM did not have any authority to issue certificates of insurance or bind coverage on behalf of Realm?
A. Well, we never had authority to bind coverage on behalf of Realm.
Q. Pardon me?
A. We never had the authority to bind coverage on behalf of Realm, only Realm had the authority to bind coverage.
Q. And is it your position that Realm did bind coverage?
A. Yes.
Q. Paragraph No. 5-A says that, "The

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policy numbers referenced on the unauthorized certificates were in a format wholly foreign to any utilized by Realm."
A. No.
Q. Is that a true statement?
A. No.
Q. Why not?
A. Because the format was discussed with them and approved. It may have been foreign to them, but it was something that they agreed to.
MR. COBURN: How about a two, three-minute break.
MS. BROCKINGTON: Sure, okay.
(Break taken.)
MS. BROCKINGTON: Let's go back on, and I will put the stipulation on that I should have done at the beginning.
This is the deposition of Bruce Holley and the 30(b)(6) deposition of AIM, American Insurance Managers, and Atlanta Insurance Marketing, Inc., 30(b)(6) deposition of those two entities for which Mr. Holley is the corporate representative.
They are being taken by the

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plaintiff on cross-examination of a party opponent and they are being taken subject to cross-examination for purposes of discovery and all other purposes allowed under the Georgia Civil Practice Act.
All objections except those going to the form of the question and responsiveness of the answer are reserved until the time of trial or other use of deposition, if that is okay?
MS. MEEKS: Agreed.
MR. COBURN: That is fine.
MS. BROCKINGTON: Will the witness reserve signature?
MR. COBURN: We'll reserve signature.
EXAMINATION:
BY-MS.MEEKS:
Q. Mr. Holley, my name is Jo Meeks, and I represent the defendants IOA and Martin Jones in this case, and I have a few follow-up questions on the heels of Ms. Brockington's questions, but I don't intend to replow it. I'm just asking follow-up, and hopefully new material, if any.
I want to ask you a little bit

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more about your experience in the insurance industry prior to your joining AIM or Atlanta Insurance Marketing or American Insurance Managers and American Insurance Management Group, et al. What types of products were you licensed to sell before 2002, insurance products?
A. The licenses for property and casualty.
Q. And what types of products does that cover?
A. It is an overly broad question. You're looking at, like, 5,000 or 6,000 different things.
Q. Let me ask it this way. Were you licensed to sell life insurance?
A. No.
Q. Were you licensed to sell workers' comp insurance?
A. That is property and casualty, yes.
Q. Were you licensed to sell any variable products?
A. No.
Q. Were you licensed to sell any other types of insurance such as automobile?

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A. Yeah, all property and casualty would have been in the purview of my licenses, yes.
Q. Okay. Were you licensed to sell any other types of policy other than property and casualty?
A. No, property and casualty license.
Q. And was that generally the products that you sold from 1969 until 2002?
A. Well, I never sold a policy in my life until the agency.
Q. Until what agency?
A. Accent, when I started Accent.
Q. In 1991?
A. Yeah, and prior to that I was an employee, and I was working on the claim side, working on the underwriting side, and there was no requirement of a license, and I never sold anything.
Q. So, between 1991 and 2002 --
A. Uh-huh.
Q. -- you sold property and casualty policies?
A. As an independent agent, yes.
Q. People would come to you and ask

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you to go procure them a policy?
A. Correct.
Q. What carriers did you represent, if any, during that period of time?
A. Let me look at Holley whatever it was that lists that thing with the state.
MS. BROCKINGTON: It's towards the beginning.
THE WITNESS: Oh, way down?
MS. BROCKINGTON: Uh-huh.
A. Here it is, Holley 10.
Q. (By Ms. Meeks) Okay. Does Holley 10 reflect the companies that you represented as an agent during the time of 1991 to 2002?
A. I don't know if it goes back that far, to be perfectly honest with you. Oh, no, it says it goes back to '88, yeah, goes back to '88.
Q. So is that a yes?
A. Yeah.
Q. Did you sell workers' comp insurance?
A. Individual.
Q. Explain your answer. When you say

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individual workers' comp insurance, what do you mean?
A. A guy would come to me and say I own this company with three employees and I need work comp.
Q. And when you sold those workers' comp policies, would you then issue your client a certificate of insurance?
A. The company would allow me or either not allow me, and each one was different.
Q. At times when you were allowed, would you issue certificates of insurance?
A. Absolutely.
Q. And that is typical in the industry?
A. That is correct.
Q. Did you issue certificates of insurance on other types of property and casualty coverages?
A. Certainly, yeah.
Q. Is it typical, from your 35 years of experience in the industry, to see certificates of insurance?
A. Yes, it is probably the most common

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document out there.
Q. There is a standard form --
A. Correct.
Q. -- for the purpose?
A. It is an Acord form, which is the company that licenses all the forms.
Q. And those certificates of insurance are typically issued after coverage has been bound?
A. Correct.
Q. Now, during or before -- well, between 1991 and 2002, did you say you had any non-resident licenses?
A. No, not until after AIM started.
Q. Now, beginning in 2002, were you licensed to sell any other type of insurance products other than property and casualty?
A. No.
Q. Do you currently hold licenses to sell any other --
A. Other than P & C, no.
Q. -- currently?
A. Currently, no.
Q. And did you ever hold non-resident licenses to sell any other types of policies?

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A. No, all the non-residents that were issued were P & C.
Q. I want to ask you about your role in the AIM entities very briefly. Let me -- and maybe this will speed it up -- let me show you a copy of Defendant's American Insurance Managers, Inc. et al Answers to IOA's Interrogatories that we recently received --
A. Uh-huh.
Q. -- and would you take a look, please, at the first answer, and it is No. 1 at the bottom of the first page.
A. Okay.
Q. Are those sentences there, are those true statements? I will break it up for you. The first sentence, is that a true statement that, "American Insurance Managers, Inc., was a general agency in the insurance business"?
A. That is correct.
Q. Secondly, "Defendant, Atlanta Insurance Marketing, Inc., was handling the investment portion of the PEO program." Is that a true statement?

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A. Yeah, yeah.
Q. Okay. You testified previously that Atlanta Insurance Marketing was either a general agency or managing general agency?
A. Yes, but in this program it was doing that function. It could be both.
Q. Do you know if Atlanta Insurance Marketing, Inc., was a licensed general agency?
A. I don't know about the licensed part. I'm not sure it needed to be licensed.
Q. American Insurance Managers was a licensed managing general agency, correct?
A. Again, I'm having trouble with the licensing part. I don't know that it was required to be licensed. Was it licensed? I don't know. I don't know if it was licensed or not.
Q. Okay.
A. It may have been.
Q. Okay. Is sentence 3 correct?
A. Holding company, yes.
Q. It is correct?
A. Yes.
Q. Would you turn, please, to your responses under No. 16, and the first sentence

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reads, "American Insurance Managers, Inc., and Atlanta Insurance Marketing, Inc. ,officers and directors during the coverage period were David Dennett-Smith, Bruce E. Holley, Bryan Imperial, Steve Landon, Chuck Osborne, and Mark Littell, and their sole stockholder was American Insurance Management Group, Inc.; is that true?
MR. COBURN: Hold on. I don't think we wrote down -- I don't know where you're going. I don't think the response was meant to suggest that every one of those individuals was both an officer and a director. Bruce can clarify that.
MS. MEEKS: Okay.
MR. COBURN: The way I put it together, you want officers and directors, here they are, and I didn't mean to suggest every individual there was both an officer and director. They may be, but I don't think they are, but Bruce is better able to tell you. I just wanted to clarify because I was helping draft the answers.
MS. MEEKS: Okay. Thank you.
Q. Mr. Holley, who were the officers of Atlanta Insurance Managers, Inc., during

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the time period of May 1, 2003 through April 30, 2004?
A. Officers?
Q. Yes, sir.
A. It would have been Bryan Imperial and Steve Landon.
Q. And who were the directors of those entities during that same period of time?
A. To the best of my knowledge, which is limited, it was David Dennett-Smith, Chuck Osborne and Mark Littell, L-i-t-t-e-l-l.
Q. And then is it true that American Insurance Managers, Inc., and Atlanta Insurance Marketing, Inc., were both wholly owned by American Insurance Management Group, Inc.?
A. Correct.
Q. Now, the next sentence reads, "Currently said company's officers and directors consist of the persons listed above, except for Landon and Imperial, and the stockholders are the same." Is the information that you just have told me, is that true today?
MR. COBURN: You may want her to read 16 to you or present it to you if

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you're having trouble. I don't have trouble, but if you are --
MS. MEEKS: I'm just reading --
MR. COBURN: He doesn't know the question he is responding to.
Q. (By Ms. Meeks) The question is, who are those company's officers today, and who are those company's directors today?
A. The company doesn't exist. I don't know. I mean, I guess, we're just kind of hanging around, but I guess the only ones that are left is David Dennett-Smith and Bruce E. Holley as officers --
Q. Do you know if you're still an officer?
A. No, I really don't know. I guess I am.
Q. Are you a stockholder --
A. No.
Q. -- in American Insurance Management Group, Inc.?
A. No.
Q. Okay. It says in the third sentence, "Regarding American Insurance Management Group, Inc., the officers,

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directors, and stockholders during the policy period were Dennett-Smith, Holley, Littell and Osborne, and the same is presently true."
A. Okay.
Q. So, are you currently an officer of American Insurance Management Group?
A. Sure, yes.
Q. What office is that?
A. I guess I'm still vice president of underwriting.
Q. Does Management Group do any underwriting?
A. Just the group?
Q. This is the holding company.
A. I don't believe I'm an officer of the holding company, but I'm not sure.
Q. Are you currently a director of the holding company?
A. No.
Q. Are you currently a shareholder of the holding company?
A. No.
Q. Were you a shareholder of the holding company in May 2003 through April 2004?

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A. No.
Q. Were you a director of the holding company during that time period?
A. No.
Q. Were you an officer of the holding company during that time period?
A. I think so. I would have to go back and look. I don't remember.
Q. So, the bottom line is you think you were the vice president of underwriting for the holding company in May 2003 through April 2004, and that is it?
A. I'm going to defer to David Dennett-Smith on that. I'm not sure if we ever named me an officer of the holding company. I do not recall. I know I was of American Managers Insurance, Inc., and I know I was of Atlanta Insurance Marketing, Inc., but I'm not positive about the holding company. I don't remember whether they named me as an officer or not.
Q. But you were not a shareholder?
A. Correct.
Q. You have never been a shareholder?
A. That is correct.

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Q. Ms. Brockington asked you about your role in an organization called Essix Holdings, Inc.; is that right?
A. Yes.
Q. And you were an officer of that company, correct?
A. Correct.
Q. Your office was what?
A. Vice president of underwriting.
Q. Do you still hold that office?
A. I don't think so because I don't think the company exists anymore. Oh, yes.
Q. You still hold it?
A. Yes.
Q. But that is the only one?
A. Yes.
(Whereupon, Plaintiff's Exhibit-43 was marked for identification.)
Q. (By Ms. Meeks) Let me show you what has been marked as Holley 43, and it is a printout of Georgia Secretary of State's records and it shows you are the CFO of Essix Holdings, Inc.?
A. Yes, it does.
Q. Does that surprise you?

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A. Yes, it does.
Q. Have you performed any duties as the CFO of Essix Holdings, Inc.?
A. No.
Q. Did you permit anyone to list you as the CFO?
A. I'm not aware of. I don't know if anyone would have needed my permission or not, but I'm not aware of it.
Q. Did you authorize anyone to name you as CFO of Essix Holdings, Inc.?
A. The question never came up.
Q. Have you functioned as the CFO of Essix Holdings, Inc.?
A. No.
Q. And if you did, you would be familiar with Essix Holdings, Inc.'s financials --
A. I would assume so, yes.
Q. -- and premiums paid --
A. Yes.
Q. -- and allocation and where those assets are, correct?
A. Uh-huh, yes, I imagine the CFO would know those things, yes.

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Q. Is it your testimony today that you don't have any knowledge of that information with respect to Essix?
A. That is my testimony.
Q. Before you became affiliated with AIM, did you have any dealings as an insurance agent or broker with general agencies or managing general agencies?
A. Yes.
Q. Now, in your dealings with managing general agencies, is it true that the broker or the agent does not deal with the carrier?
A. Correct.
Q. The broker or the agent is dealing with the general agent or managing general agents, correct?
A. Correct.
Q. And, in fact, the broker cannot go directly to the carrier, is that right, if the carrier has a managing general agent?
A. No, that is not true.
Q. Under what circumstances could the broker go directly to the carrier if the broker was dealing with --
A. Underwriting reasons, claim reasons,

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you often go directly to the carrier.
Q. Now, in this case of NES, did Marty Jones or anyone with IOA go directly to Realm for any reason?
A. I have no way of knowing that.
Q. To your knowledge, did they?
A. No, I have no knowledge of that at all.
Q. To your knowledge, IOA and Marty Jones dealt with you or Mr. Imperial?
A. Yes, or Mr. Landon or David Dennett-Smith or whoever, yeah.
Q. But they dealt with folks from AIM?
A. Certainly.
Q. And that was true at all phases of the procurement, correct?
A. Yes.
Q. When you first met Mr. Jones or anyone with IOA, I believe you said it was in early 2003, late 2002?
A. Yeah, it was somewhere in that area.
Q. And did you participate in an initial meeting with Mr. Jones?
A. Probably not.

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Q. Okay. Who do you believe he met with initially?
A. Probably David Dennett-Smith, and possibly Steve Landon, and possibly Bryan Imperial.
Q. Okay. In that connection, AIM held itself out to Mr. Jones as the managing general agent, correct?
A. We would have held ourselves out as a general agent because that is what we were negotiating to do.
Q. And at that point in time was -- strike that.
As part of a managing general agency, does the managing general agent have a contract with the carrier?
A. Yes.
Q. And is that called an agency agreement?
A. It can be.
Q. And in this case was the agency agreement that has been identified as Holley 4 --
A. If that is the number, yes.
Q. -- the agreement between -- let me

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see -- between Realm and Atlanta Insurance Marketing Inc. --
A. Correct.
Q. -- for Atlanta Insurance Marketing, Inc. to act as ground's managing general agent in this region?
A. General agent, not managing general agent.
Q. And the difference you say is the ability to bind coverage?
A. The principal difference, and there are other differences, but the principal difference.
Q. Okay. If you would, look at Holley Exhibit 4, please.
A. Okay.
Q. On page .3 of that document, does that document at -- let me see, well, you have to start back on page .2, part C, underwriting authority; does part C give Atlanta Insurance Marketing, Inc., any underwriting authority, to your knowledge?
A. Let me see how it reads. Yes.
Q. So, the agency agreement does give AIM underwriting authority on behalf of Realm,

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correct?
A. Yes.
Q. Did you exercise that underwriting authority?
A. Exercise that underwriting authority? I think you need to be more specific.
Q. Did you, did you operate within the terms of this agency agreement?
A. Yes.
Q. Okay. And that would have included your ability to bind coverage on behalf of Realm?
A. No.
Q. Okay. What is the scope of the underwriting authority that you had --
A. To review the files --
Q. -- that you had under this agency agreement, to your knowledge?
A. -- to review the files and determine whether or not they fit the underwriting guidelines as agreed to.
Q. If in your judgment they did, did you have the authority to bind the coverage?
A. No.

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Q. What did you have to do if you found that a risk presented to you and fell within the underwriting guidelines?
A. It would then be submitted to the carrier for approval.
Q. For approval of the, your approval to behind coverage if they accepted it?
A. Yes, yes.
Q. And I think we have gone over that you would communicate with AIM via e-mail; is that right?
A. With AIM?
Q. I'm sorry, with Realm.
A. They communicated back to me in the e-mail. They physically sat there with a stack of all this stuff and reviewed it. I didn't communicate with them by e-mail. They came in and looked at the files.
Q. Did you send to Realm your assessment of the proposal of the applications sent to you and whether or not they met underwriting guidelines?
A. I didn't send them anything. I handed it to them.
Q. These were hard copies --

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A. Hard copies --
Q. -- that you physically --
A. -- correct --
Q. -- that you physically handed to them?
A. Correct.
Q. So, you didn't communicate any kind of underwriting information to Realm via e-mail?
A. Correct, I did not.
Q. Now, Realm appeared to have communicated with you via e-mail; is that right?
A. Correct, I said correct.
Q. They would do so even though they were physically sitting in AIM'S offices?
A. Yes.
Q. Why?
A. They did it on my computer. They e-mailed me from my computer, and you would have to ask them why because I never could figure it out either.
Q. Would they also authorize you to bind coverage verbally while they were in the offices of AIM?

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A. It was an approval of the account that authorized that, and it was both via e-mail and occasionally verbally, and occasionally we would have a problem with one of the files for whatever reason, or they wanted different information, and we would go scope that stuff out and bring it back to them, and stuff like that. I mean, it was just a normal routine business function.
Q. Did you ever tell Mr. Jones that you had to have a sub-producer agreement with him or with IOA?
A. Yes.
Q. And did you ever tell him you could not proceed with the procurement, with the coverage, until you got that agreement?
A. I don't remember whether that was ever discussed.
Q. You testified you did get a sub-producer agreement?
A. Yeah, I'm pretty sure I did.
Q. But you don't have a copy of it?
A. Yeah, I think Marty has got the copy, but we had a whole folder with that stuff in it, and I have no idea where the

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folder is; but we submitted all his stuff and IOA's stuff all to New York, Marty's license, everything.
Q. And did Realm approve --
A. Realm approved none of them.
Q. Did you tell Mr. Jones that Realm had to approve him before you could write any coverages or he could write any coverages?
A. I don't recall that that conversation ever took place.
Q. Did you ever tell Mr. Jones that he didn't have any authority to issue certificates of insurance?
A. Yes.
Q. When did you tell him?
A. After we found out that they were issuing them.
Q. When?
A. I don't know. I mean, it would have been fall of '03, somewhere in there. I really don't recall when.
Q. Was it a surprise to you that certificates of insurance had been issued?
A. It was a surprise to me then.
Q. Why?

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A. Well, because I found out that others were issuing them as well too. They were all a surprise to me. I didn't know anybody was doing them.
Q. Well, AIM had asked for and received premiums, correct?
A. Yes.
Q. Coverage had been bound, correct?
A. Uh-huh.
Q. So, why was it a surprise to you that certificates of insurance had been issued?
A. Because we were told not to issue them.
Q. Who was told?
A. AIM.
Q. But you never told -- you told Marty he could not issue certificates of insurance in October?
A. I don't know that I told him or didn't tell him earlier on or whatever because I didn't know that they were being done.
Q. Well, did you tell him at the time you bound coverage and at the time you were soliciting his premium that no certificates could be issued?

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A. I don't know. I don't know whether that conversation came up or not.
Q. Based on your experience in the insurance industry, would that be a normal procedure?
A. Marty was aware of the problems, NES was aware of the problems that we were having with Realm. They knew the stuff was under question, and we were just going forward because the closing was going to be at any time, and I'm not sure what -- it was outside the norm. This whole thing was outside the norm.
Q. Let me ask you about your communication with NES as the discussion for the PEO program was going forward. You said you may have had meetings with Mr. Cates; is that right?
A. Yes, I believe we did.
Q. And these were meetings at AIM's offices?
A. I believe so.
Q. What was discussed at those meetings?
A. Well, we would have gone over the

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entire program to see. This would have been prior to the submission coming in, and gone over the program with them and explained how it worked, and then they had to make a decision whether they wanted to make a submission.
Q. Do you recall who else was at these meetings other than Mr. Cates?
A. No, because I don't even remember the meeting with him. I know we had many of those meetings.
Q. With NES?
A. No, with a whole bunch of people. The meetings that we had, I mean what we called the horse-and-pony show that we put on for visiting PEOs, and I was pretty confident that NES was one of the ones that came in. I mean, at times there were 30 people in the room, and at times there were three.
Q. Did you meet with any NES when Mr. Jones attended too? In other words, was Mr. Jones at the meetings with NES?
A. I understand the question. I don't know. I don't remember. I do not recall.
Q. Do you remember meeting with Mr.

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Cates and someone named Judy Poag?
A. It is possible, yeah.
Q. Do you remember one way or the other?
A. No, I don't.
Q. What documents were furnished to prospective PEOs that described the PEO program offered by AIM?
A. Documents? I don't know that there were any. They would come in, and we would explain everything on the chalkboard, or, I guess, the marker board, or whatever you call it, and I mean, you could see people taking copious notes, but we didn't have any -- are you looking for, like, solicitation-type stuff?
Q. I'm asking did you have a --
A. Brochure or something?
Q. -- sheet --
A. No.
Q. -- or something that described your PEO program?
A. No.
Q. What did you tell prospective PEOs about the cost of the program before any

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submissions or any applications were submitted?
A. I mean, well, the cost was the biggest factor. I mean, that is what we talked about the most and explained how it was the premium plus the capital and the fees and how that related to year one, year two, year three, what the down payment requirements were, and that was the principal focus of it.
Q. Did you understand, at the time, that NES had been non-renewed under their workers' comp by their prior workers' comp carrier?
A. I would have had no knowledge of that at that point in time, no.
Q. Did you understand why, or why NES was interested in AIM'S PEO program?
A. Well, everybody that came to us came to us for a different reason. They either -- they had been non-renewed or they either had been totally saturated by some company, you know, that had taken them to the cleaners. Like I said, there was a lot of stuff going on. There were companies that were writing business that were not even

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licensed to write the business, and people were coming to us for all different reasons.
Q. Did you ever have any discussion with NES about workers' comp coverage from any carrier other than Realm?
A. Only if it was part of their submission.
Q. Explain your answer.
A. I mean, if they had submitted prior lost records from other carriers, I would have known about that.
Q. My question is: did you ever discuss with NES coverage through AIM from a carrier other than Realm?
A. I don't know whether we discussed the Guarantee program with NES or with Marty or not, I just don't recall, but that would have been the only other person. You know, that would have been the only other carrier.
Q. You were asked -- were you the point person at the time that if AIM submitted applications -- I'm sorry, NES submitted applications to AIM?
A. I'm not sure what you mean by point person because I was in underwriting.

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Q. Okay. The next step after AIM had initial meetings with NES and IOA, the next step was if they were interested to submit applications, correct?
A. Correct, yes.
Q. And loss runs?
A. Yes, and mods, and whatever is part of a necessary normal underwriting file, yes.
Q. Were you the person to whom those submissions were made?
A. That would have come to me, yes.
Q. And what did you do with that information?
A. I evaluated it. I mean, I'm not sure what you're asking me.
Q. I mean, you have got a stack of information, right?
A. Right, uh-huh.
Q. And that information told you the states that these claim companies operated in, correct?
A. Correct, yes.
Q. Would you -- and you then, in turn, the goal was to prepare a quote; is that right?

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A. Yes, in other words, I mean, I would take the information, and I would put it off onto another sheet with the class codes and rating for that particular state for that particular class code and then try and generate out what a premium dollar would be on those accounts that met with the underwriting guidelines, and that would give us an original preliminary non-binding indication, which is what that form was, and that is where that information came from.
Q. Let me show you, and this may already be in the record, and so I apologize, but I don't have time to go back and find it.
MS. BROCKINGTON: That is fine.
Q. (By Ms. Meeks) Let me show you what has been marked as a three-page document, and I only have one copy, and it's AIM20375, and 76 and 77.
MS. MEEKS: We will mark this as Holley 44.
(Whereupon, Plaintiff's Exhibit-44 was marked for identification.)
Q. (By Ms. Meeks) Is that the type of

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documents you would prepare --
A. Yes, that is exactly what I was just talking about, yeah.
Q. Is that, in fact, the document you prepared in anticipation of preparing a quote to NES for workers' comp coverage?
A. Yes, there may have been some minor modifications to it at a later time, but, yes.
Q. Now, how did you use the information and the totals that were shown on Holley 44 in preparing your quote?
A. It was a grand total at the end, and then that would be the total manual premium, and I would then convert that over to the other form and then calculated out the investment portion, the fee portion, and it projected out for three years.
Q. Those are the non-binding indication forms?
A. Yes.
Q. Is that the same as a quote?
A. It is a preliminary estimate, and the reason I say that is because pure premium is one thing, actual is something different, can be something different.

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Q. Yes.
A. So, there was a bunch of back and forth on the originals, and that is why I said there is so many modification because, I mean, it is showing a million-seven, and it may have come back at a million-two, or, you know, something like that; and I know it is not here, but there is some Georgia on here, and they pulled out all the Georgia business, so those would have been eliminated too. So, there would have been some play in this, dependent upon, and I would have sent this back to them and said, "Here it is." And I would have said, okay, well, we're going to take this out. We are going to do this one. We want to do this one. This one the payroll is a little bit different and, you know, things would change. They're fluid documents.
Q. Okay. In terms of the quote or the proposal to NES for their workers' comp coverage, you have previously identified Holley 36 and 37 in your stack of documents.
A. Okay.
Q. My question is, were those

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documents the final quote before you bound coverage?
A. No.
Q. Okay. What was the final quote before binding coverage?
A. It would have gone down to the original. It would have been Holley 3, it would have been the original of that, the one that was way back deep in the policy in the file.
Q. Holley 3 is the quote that you presented?
A. The original of that, not that exact form --
Q. Yes.
A. -- but the one that was done, the first one done, and --
Q. Okay.
A. -- we listed, before we put policy numbers on everything else, we listed the clients, listed the dates, we listed the premiums, we listed the mod, we listed the factors and reduced it by whatever it was and come up with a number.
Q. Now, Holley 3, it appears that it

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was prepared at some time after coverage was bound, correct?
A. Considerably after.
Q. Yes. So, my question is: what was your or AIM'S quote to IOA for NES's coverage prior to binding coverage effective May 1, 2000?
A. It would be in the file. I don't remember what it was.
Q. Can you point it out to me, please?
MS. MEEKS: Just for the record, Mr. Holley is referring to the green underwriting files of AIM.
A. I don't know where the original one is. It is not in here. There doesn't appear to be originals in here. Wait, wait, wait. No, that is a different one too. It probably was this original indication here of the total premium of $942,755, because the original underwriting for that came out at a million-four, so considering, you know, in pure premium, you know, in pure, and considering -- let me see -- this one goes all the way to June, so this one is afterwards. It was

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probably the $942,755 number.
Q. Okay. Tell me what the number of the document is that you just referred to. There is a Bates number on there.
A. Oh, I have got you, got you, got you. AIM20391.
Q. Document says non-binding indication?
A. Correct.
Q. AIM20391. That is the document you would have sent to IOA, correct?
A. Correct. Actually, if memory serves me, I handed it to them, but I'm not positive of that.
Q. Okay.
A. But it would have been directed to IOA, yes.
Q. And what communication did you receive back after delivering that non-binding indication to IOA with a premium of, you said, $942,000?
A. Yeah, and I'm not sure I received anything back. The next step would have been if they wanted, the money would have flowed, and that would have gone to Bryan.

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Q. You're saying the next step would have been for NES to pay money or to pay the premium or a portion of the premium or a deposit?
A. Yeah, once it had been approved, yeah.
Q. Approved by whom?
A. It met the underwriting guidelines, and it was in a box waiting for Realm to approve it.
Q. Did Realm approve it?
A. It did later on, yes.
Q. What do you mean later on?
A. Well, whatever the date of that e-mail is.
Q. They didn't approve it before May 1, 2003?
A. They didn't see it before then.
Q. Was coverage bound May 1, 2003?
A. It was pending review and binding by Realm.
Q. When did Realm approve it?
A. Whatever date that e-mail was.
Q. June 20, 2003?
A. If you have got it, that is what

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it is.
Q. Did NES have coverage in May and until the middle of June 2003?
A. Coverage would have been backdated to original inception dates.
Q. Did you hold monies from NES? Did AIM hold money from NES pending the coverage?
A. I would assume so, yes.
Q. So, in the insurance industry, was coverage bound during that period --
A. If there had been a --
Q. -- in normal industry circumstances?
A. If there had been a dispute, yes.
Q. So, the answer is yes?
A. If there had been a dispute, yes.
Q. A dispute --
A. In other words, if something would have happened, they would have backdated it back to then, yes.
Q. So, from your perspective, coverage was bound during that period?
A. Not officially, but I understand what you're saying. We were waiting for Realm to approve it.

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Q. From NES's standpoint, was coverage bound? Did they have coverage beginning May 1, 2003?
A. Yes, they did, yeah, yeah.
Q. Now, in the applications, the Acord aps that, I believe, Ms. Brockington showed you, those aps for each client's company for NES, it disclosed the states in which the plant company operated, correct?
A. Yes.
Q. And you prepared quotes based on each, that information for each client company?
A. Correct, we did not have a chance to do any, any loss control or engineering on it at all; we just believed what was on there and went forward with that, and all that stuff was going to happen later.
Q. Now, did you quote coverage on any, for any client in any state that you knew Realm was not licensed in?
A. That I knew Realm was not licensed in, no.
Q. So, if you knew Realm was not licensed in the state, you would not quote the

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coverage?
A. That is correct.
Q. And you would inform IOA?
A. Absolutely.
Q. And that is the normal operating procedure?
A. Absolutely.
Q. Now, Ms. Brockington asked you about North Carolina; did Realm tell you they were licensed in North Carolina?
A. Yeah, and submitted their rates for North Carolina.
Q. And did you go back or did anyone go back and verify that?
A. I did not.
Q. Do you know if anyone did?
A. It never occurred to me.
Q. You were licensed in North Carolina?
A. I was later.
Q. Now, are you familiar with the efforts that were made by Realm to correct or to work with North Carolina licensing personnel?
A. All of my information regarding

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that came directly from Mark Sioma, and whether that was true or not, I have no way of knowing.
Q. Are you aware of correspondence back and forth to Realm to the North Carolina officials about their licensing status?
A. No, no.
Q. On the quote, the proposal that you have identified in Holley 36 and 37, you have stated -- well, what would be the payment for year one under that proposal? They were three components, right?
A. Yeah, there would have been a total of the three.
Q. Was it a proposal for three years as opposed to one year?
A. It projected it out for three years making the assumption -- everybody was told this – that there was no change. In other words, if every one of your clients remained the way they were, year one was here, year two was here, year three was here; but, of course, none were ever going to be the same the following year, and we all knew that.

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But we were just giving them a projection to show how the percentages worked, projected out, because percentages changed in each year.
Q. Okay. So, if you refer to Holley 36, please --
A. Go ahead.
Q. -- then the proposal was for a premium of $942,755?
A. Correct.
Q. And with the investment components and the fees, the total for year one was -- is that the $1,885,510?
A. Correct, yes.
Q. And then for year two the total is what?
A. 1.319.
Q. And year three?
A. It didn't add it. It would have been -- oh, it is the same -- okay, year three would have been the same, which would have been 1.319.
Q. To your knowledge, all PEO clients had to either take it or leave this proposal, correct?

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A. Correct.
Q. To your knowledge, however, you have no signed agreement from NES or escrow agreement, correct?
A. That is apparently correct, yes.
Q. Did Mr. Jones or Mr. Cates discuss with you the waiver of the investment portion?
A. No.
Q. Do you know if they discussed it with anyone from AIM?
A. I mean, there would have been no waiver.
Q. How do you know that?
A. Because if you didn't go through the program, the program was not available to you. There was only one program. It was an all or nothing. You were either in the investment portion of it or you were not in the program at all, and there was no coverage at all.
Q. So, to your knowledge, you couldn't segregate out the coverage or the premium --
A. That's correct, there was no segregation.
Q. -- from the program?

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A. No.
Q. If it could be waived, who would have had to have approved it?
A. No one, because it couldn't be. With the carrier and reinsurance involved, it was a single effort program. That is it. You were either in it or you were not.
Q. Did AIM, to your knowledge, bill NES for the investment portion?
A. Yeah, it's all on that billing form, which includes the investment portion.
Q. Did you ever discuss with Mr. Dennett-Smith or Mr. Imperial whether or not AIM had met its financial obligations. In other words, either the premium or the investment portion of the fees?
A. No, I would not have discussed it with him.
Q. I'm sorry. Did I say that wrong?
A. Yeah.
Q. Whether NES had paid prerequisite fees or investment portion?
A. Bryan did the billing and Bryan did the collection, and I have no idea how he booked it or how he put it through. I just

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have no knowledge.
Q. And you don't recall internal meetings at AIM discussing whether or not NES had made the correct payments or made an investment payment?
A. When I realized it, it was brought to my attention that there was not one in there, and then I immediately wrote to Marty, and I sent him a brand new contract for him to go and get signed, and he said he would take care of it.
Q. Did you follow up with him?
A. I must have.
Q. And what was the result?
A. Apparently we didn't get one.
Q. Did that, in your view or in AIM'S view, affect any of the prior coverages or existences of prior coverages?
A. Well, I don't know how to answer that because it was during that period of time that everything exploded, and it was, you know, with the Realm deal, and that is when litigation was going on and everything else, and we were concentrating on trying to bring a deal back in line, and I'm not sure

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that I followed up on it or whether I had time to follow up on it, or whether I should have and didn't. I don't know how to answer that because I'm not sure.
Q. This time frame you're referring to is the September 2003 time frame?
A. Yeah, probably early fall.
Q. Between March '03 and September '03, what was AIM'S relationship with Realm?
A. I mean, I absolutely do not know how to answer that question. They were in our office, and we were talking, and we were in litigation in New York, and we had gone to the closing table, and we went in front of Judge Berman in New York, and Judge Berman said there is a deal here, let's complete the deal, put everybody in the back to complete the deal. They noticed the closing, and everybody was wonderful, kissing, making up, and everything was fine.
Q. This was in March?
A. No, later than that. I'm not sure about the exact dates on that, but during that period of time.
Q. Was it in that context that Realm

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signed off on the certificate of authorization for you to represent them in Georgia?
A. That was in March, yeah, but this was much later than that.
MR. COBURN: The blackout.
A. It was when -- yeah, whenever the blackout in New York was, that's the date, whatever date it was.
MR. COBURN: August, but I don't remember.
A. Anyway, early fall of '03.
Q. (By Ms. Meeks) As of May 1, May 1 of 2003, were AIM and Realm at odds with each other over this deal or the purchase deal?
A. I don't know how to describe it. I wouldn't say at odds. They were waiting for financial reviews. We were waiting for financial reviews, and the purchase price was based upon a financial formula based upon the audited financials. Everybody kept telling us the financials will be out this week, duh, duh, duh, duh, went to court, the judge said it was a deal, and we noticed the closing, and they didn't show up.
Q. Do you recall when the closing was

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supposed to take place?
A. No, you would have to ask David Dennett-Smith. I was not involved in it. I was sitting in Atlanta. Everyone else was in New York.
Q. Did you tell the PEOs with whom you had done business the status of --
A. Yes.
Q. -- of the transaction, AIM's transaction --
A. Yes.
Q. -- with Realm?
A. I sent out monthly status reports to all the PEOs.
Q. Did you advise Mr. Cates or someone from NES from the beginning as to what the relationship was between AIM and Realm?
A. I don't know if I told him specifically or not, but I know Marty knew.
Q. Did you advise NES that there was a pending purchase agreement?
A. Yes. It wasn't pending, it was a signed purchase agreement.
Q. Okay. And was that the context of explaining the PEO program?

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A. Yes.
Q. In the sequence of NES obtaining coverage after you submitted the Exhibits 36 or 37 -- it is the same document -- to them and AIM received money from NES, what happened after that in terms of getting Realm's permission to bind coverage?
A. Like I said, the underwriting files were sitting under the desk waiting for them to review.
Q. And they came, and they reviewed it, and they approved coverage in the e-mail that has been previously identified?
A. Correct.
Q. Now, with respect to the contents of that e-mail, Holley 16 --
A. Okay. I have got it.
Q. -- you didn't send this e-mail to Marty Jones, did you?
A. No.
Q. Okay. Did you tell Marty Jones that Realm had declined coverage on any of these, any of these NES entities?
A. No.
Q. Why not?

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A. Because it was going to be corrected, which would have made the memo moot.
Q. Explain your answer about it was going to be corrected.
A. Sioma said he was going to go to North Carolina and get the problem resolved.
Q. That was to address their comments on North Carolina entities, correct?
A. Correct.
Q. What about other issues that are raised in this memo?
A. All the issues that are raised in the memo are just simple underwriting issues that would be resolved either with an audit, or with engineering, loss control work, or document chasing into the NCCI; I mean, they were not problems that would deny an account. They were just things that needed to be done on the account.
Q. You were not concerned about it?
A. Not at all.
Q. So, you didn't feel the need to share contents with Marty Jones?
A. That is correct, I did not feel a

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need to.
Q. And so all of these entities that are listed here in this memo had coverage through NES's policy and with Realm?
A. Yes.
Q. After May 1 or after, let's say after this e-mail, after June 20, 2003, from time to time you would get inquiries, e-mails, communications from IOA about adding other NES client companies to the coverage?
A. Correct, correct.
Q. You would review the risks and you would fax back an answer; is that right?
A. Correct, yes.
Q. And did you have the authority to bind that coverage?
A. The account had be bound. Any additions or subtractions to the account were within our purview.
Q. So, you, Mr. Holley, had the authority to bind additional companies?
A. The account had been bound. Additional clients was not a binder, it was just adding the client to an account that had already been bound, and the only questions

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were the dates. It is not binding additional coverage, you're just adding an additional account.
Q. Okay. And client companies were being added and subtracted to the NES account --
A. Correct.
Q. -- as late as March of 2004? Okay. Does that sound --
A. I have no way of knowing that date, but I don't disagree, but I don't know.
(Whereupon, Plaintiff's Exhibit-45 was marked for identification.)
Q. (By Ms. Meeks) Let me show you Holley 45, which is AIM document 2191 through 2500; is that an example of the communication between IOA and you, Mr. Holley --
A. Yes.
Q. -- to add another entity?
A. Yes, that is an example of it, yes.
Q. That is dated March 2004?
A. No, February of 2004.
Q. February of what date?

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A. The 12th.
Q. February 12, 2004, and in that one you were approving a client company that does business in North Carolina?
A. Yes.
Q. And by February of 2004, were you convinced that Realm was authorized to issue or provide workers' comp in North Carolina?
A. Was I convinced? Things were still going on. It was still probably in the process of being resolved. I don't think he was, if he did anything, if he was very successful, I don't know.
Q. Certainly if you knew --
A. I would have stopped it --
Q. -- they were not licensed --
A. I would have stopped it immediately.
Q. -- you would not have quoted it, would you?
A. Correct.
Q. Now, with all of the companies that were added and subtracted to the NES binder, what was the bottom line total amount of premiums due prorated for the policy period

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May 1, 2003 through April 30, 2004?
A. I'll make an assumption that Holley 23 is the last one produced, and the total --
Q. Or the most current one?
A. Or the most current, yeah. There is stuff on here from February, so it is probably right. The total pro rata after cancellations and add-ons was $1,047,741.
Q. Okay. Would you verify that by looking in the green folder? I think you said the most recent one --
A. -- should be the one on top, yes.
Q. Yes. What is the document, the Bates number on that?
A. Holley 23.
Q. No, the Bates number, and it should have AIM --
A. AIM20373.
Q. And that has a total premium of $1,047,000 approximately?
A. Yes.
Q. How much premium did AIM receive from NES?
A. It said it earlier, somewhere between $600,000, $700,000 somewhere in there.

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Q. Is that on one of the documents you have already identified?
A. The document that Bryan --
Q. Exhibit 40?
A. It is inside of that one, yeah.
Q. AIM10332?
A. Yeah, this one is showing --
MS. BROCKINGTON: Are you talking about what was actually paid?
MS. MEEKS: Yes.
MS. BROCKINGTON: He testified he had no idea.
THE WITNESS: No, I'm just saying --
MS. MEEKS: I'm saying is it shown on a document?
MS. BROCKINGTON: He told me he didn't know, and so I didn't go through those documents.
THE WITNESS: I didn't know.
MS. RIVES: He was looking on a list of every month how it was based on actual payrolls. He said he had never seen that list before. Those are based on preliminary

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numbers --
THE WITNESS: Oh, okay.
MS. RIVES: -- when the account was bound and modified just through the year.
MS. MEEKS: I'm asking a question based on business records, if he knows.
MS. BROCKINGTON: Just for the record, I'm going to object to the question because it lacks foundation.
THE WITNESS: Okay. That is fine.
Q. (By Ms. Meeks) You can answer.
MR. COBURN: It's just for the record. You can answer.
A. Bryan's form says we collected $585,422, and this is allegedly as of January 30 of '04.
Q. So, if there were payments after that --
A. It wouldn't be on here.
Q. -- it wouldn't be on there?
A. Right.
Q. To your knowledge, did AIM pay any commission to IOA?
A. I do have knowledge of that, and we did not.

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Q. Did AIM pay any commission to Marty Jones?
A. No.
Q. Let me ask you about the claims as they came up after May 1, 2003. Were you the point person to handle the claims on behalf of AIM?
A. We had a couple of temps in handling claims. I just kind of monitored it. I could not get into the day-to-day because there was just not enough time.
Q. And those people at AIM who handled the claims were who?
A. Their names?
Q. Yes.
A. Sharon Whetherford was one, and then there was some guy that came in, I don't remember his name who came in.
Q. You mentioned Crawford & Company was the TPA?
A. Crawford & Company was hired by Realm to handle the claims by all claims adjusters. They were not a TPA.
Q. Did AIM have any contracts with Crawford & Company to handle the claims,

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adjust the claim, or do anything in relation to the claims?
A. I don't think so, no.
Q. Did AIM ever hire any company to adjust the claims, handle the claims, or otherwise play any role in claim adjustment?
A. Hire any company, no. You mean as an adjustment-type operation?
Q. At any time, did you hire any company to do anything with respect to claims, workers' compensation claims, that were being made in connection with the PEO program?
A. No.
Q. What were the fees that were charged to NES and the other PEO companies incurred in connection with, what were they incurred for?
A. Legal, administrative, normal routine, but at that point it was all primarily legal.
Q. Is that how the PEO program had been planned to work, that the fees, the component that was paid by the PEOs, would go to legal?
A. No, it wasn't proposed to go to

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A. -- you would still be paying today. Or if you were assigned or kept NES's money for NES's claims, you would still be paying their claims, correct?
A. If it had been segregated to that extent, yes.
Q. Ms. Brockington asked you about insurance policies. Did Accent have ENO coverage in 2003?
A. Probably not.
Q. Okay. Did Accent have ENO coverage in 2004?
A. I don't know, probably a portion of it, but it would not have insured me.
Q. Were you an employee of Accent?
A. I wasn't then.
Q. You were not in 2004?
A. (Shakes head.)
Q. Who were the employees at Accent in 2004?
A. The people I mentioned earlier.
Q. Your wife?
A. No, my wife never worked. My wife is a limited subagent. She got her license in case it was ever needed. She had never

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been employed. I've never paid her a dime.
My daughter was working there then, Lauren, some, and James Young and Lauren would have been the only ones insured under that policy.
Q. Did AIM have a policy in 2005?
A. I'm sure they did.
Q. Were you an employee in 2005?
A. Part of it.
Q. What part?
A. I don't know. I mean, I ran in and out of there. I maybe took three paychecks in 2005 at the end.
Q. Towards the end of the year, you were an employee?
A. Yeah.
Q. Did Accent have coverage at that point in time in 2005?
A. I think so.
Q. Have you submitted this claim to your carrier?
A. Absolutely not.
Q. Why not?
A. Because it has nothing to do with them, and I'm not going to allow them to be

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having a claim on my record for something that is absolutely not involved. Do you know what that would do to my premium, which is already outrageous?
Q. Do you know if that is a claim-made policy?
A. No, it is not.
Q. Do you know?
A. No, but I'm pretty sure it is in occurrence.
Q. Can you produce a copy of that policy? Will you produce a copy of that policy?
A. I would prefer not. I don't want anything. It has nothing to do with AIM.
Q. It doesn't matter.
A. It has absolutely nothing to do with it.
MS. MEEKS: We would request a copy of that insurance policy, and if you want to talk to your lawyer about whether or not to produce it, but we are requesting a copy of that policy.
MS. BROCKINGTON: And we're joining that request for that policy.

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MS. MEEKS: We have requested a copy of that ENO policy.
MS. BROCKINGTON: And we're joining in renewing our request for that policy.
THE WITNESS: See, I told you.
MR. COBURN: I'm not sure if it is contained in your request, but we can take it up at another time.
MS. MEEKS: It is.
MR. COBURN: I said, let's take it up at another time. It's 5:20, after a seven-hour deposition.
MS. MEEKS: So, you will let me know, or we'll figure that out next week?
MR. COBURN: If I'm not on trial.
Q. (By Ms. Meeks) Other litigation -- Mr. Holley, I know there has been pending litigation in the New York Bankruptcy Court. To your knowledge, has any court or administrative body issued a ruling on whether or not AIM had the authority to bind Realm to coverage of these 13 PEOs clients?
A. I don't think it has ever come up yet. I don't think -- nothing has been finalized in any of them yet, to my knowledge.

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it, that is just what happened. I mean, they're just routine fees. There is fees on every program, and it was just routine fees, legal is one of it, administrative cost, you know the whole nine yards; I mean, normal routine fees, expenses that are associated with putting a program together.
Q. Would that include any fees for adjustments of claims?
A. No, absolutely not. That was built into the premium side.
Q. For NES claims, or claims, workers' comp claims, that were asserted by employees, NES's client companies, did those claims come to AIM for processing?
A. They came to AIM through Crawford.
Q. Okay. How long did Crawford have a role in adjusting or otherwise participating in those?
A. When there was no more funds available to pay claims, there was also no more to pay expenses, and they stopped, and I don't remember when that was. It would have been in late '04.
Q. So, to your recollection, Crawford

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participated in --
A. Absolutely.
Q. -- NES claims, adjustment process through '04?
A. Yes, and I believe they're still handling them; the PEOs are paying them.
Q. Did Realm ever pay any claims that were raised by NES insureds?
A. I don't know.
Q. Who would know that?
A. Realm.
Q. Who at AIM would know that?
A. No one. I mean, I have to assume they did not, but I have no knowledge whether they did or didn't.
Q. Who at AIM decided whether or not to pay claims or to pay an invoice that came in or a medical statement that came in on a claim, claimant from one of NES's client companies?
A. Well, I mean it would have been, would have been in the entire group, whether it was an NES client or an XYZ client. Crawford would have submitted a report with a request for a draft.

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Q. What did the Crawford reports to AIM look like?
A. What?
Q. What did they look like? Were they hard copies; were they e-mails?
A. They were just a written report on a piece of paper.
Q. Who did those go to at AIM?
A. At the end, there, Sharon.
Q. And who made the decision what to pay and when to pay?
A. Sharon would then get a draft ready. I made the decision. If a bill, it came in for $300, she would issue a check for $300.
Q. Was there someone at AIM who had to approve that, other than Sharon?
A. Only if it was over a certain dollar amount.
Q. Who was that person?
A. That would be me.
Q. And what dollar amount?
A. I said I wanted to see everything over $2,000.
Q. So, under $2,000, Sharon had the

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authority to cut the check?
Q. Over $2,000, you had to approve it?
A. She cut the check and then brought it to my attention. I just wanted to make sure that I agreed to it, that is all.
Q. So, what criteria did you use in deciding whether to pay a claim or not, or to pay an invoice or not?
A. Common sense criteria. I mean, I'm not quite sure what you're asking.
Q. Did you pay everything that came in?
A. Yeah, whatever was next in line, yeah.
Q. Did you pay everything on all of the workers' comp claims that was submitted to AIM through Crawford for the NES claims?
A. I mean, we ran out of money, so then we stopped.
Q. And that was the reason you stopped paying, because there was no more money, correct?
A. Correct.
Q. If you had not run out of money --
Q. We would still be paying today.

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I don't think so.
Q. So, to your knowledge, no court, judge, or administrative body has made a finding on that issue one way or the other?
A. I heard that there was a case --
MR. COBURN: It was a comp case.
A. -- just a simple little ma-and-pa case in Tennessee where they found coverage for Realm, and Realm appealed it, and that is the last I heard.
Q. What case was that?
A. I have no idea.
Q. Was that a -- when you say a simple ma-and-pa case, what do you mean?
A. Fell down and broke his knee.
MR. COBURN: Or a comp case where they're making a claim on their comp as opposed to a PEO, so as best I understand. I am not testifying. I'm trying to give you an idea. Joe Blow got hurt in North Carolina, and he made a comp claim because no one is paying them. Who is going to pay them? Is Realm going to pay them? Who is going to pay them. I think there were several of those possibly that Realm was held

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responsible.
Q. Was AIM also named in that case?
A. No.
Q. Was the PEO named in that case?
A. I don't have any idea, but I doubt it.
Q. Was the PEO client named in that case?
A. That's the way it would have gone through, yes.
Q. Okay. So, it would have been the worker's comp claim --
A. Versus the individual employer.
Q. -- versus the individual employer and Realm?
A. Yes, that was my understanding.
Q. And, to your knowledge, the administrative judge or whoever ruled on it found that Realm was liable for the workers' comp coverage?
A. Correct.
Q. To your knowledge, did Realm pay?
A. No, I don't know. That is why I answered that question before that way. I have no idea whether they did or did not.

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Q. And, to the best of your recollection, that was in Tennessee?
A. Tennessee or Kentucky. Was it Tennessee? Tennessee, yeah.
Q. Do you remember the name of that case?
A. No.
Q. Has that been a recent finding, to your recollection?
A. No, it would have been in the middle of '04.
Q. Have there been any cases where a judgment or an administrative body has found that AIM is liable to pay workers' comp benefits?
A. Not to my knowledge.
Q. Do you know what the status of the -- do you know the status of the lawsuit brought by the attorney general in Missouri?
A. They're waiting to see what New York does, the last I heard.
Q. Did that case have any -- was that case the reason you did not get licensed in Missouri?
A. Correct.

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Q. Is there pending in the New York Bankruptcy Court, to your knowledge, any issue as to whether or not Realm is liable for coverage on these PEO cases?
A. Yes, it is being separated, yes, but it is part of that case.
Q. So, to your knowledge, how is that question pending in the New York Bankruptcy Court?
A. I couldn't answer that.
Q. But it is your understanding it is?
A. It is part of it. I have no idea what they're currently doing with it.
Q. Even after the dismissal of these claims --
A. My understanding is they're going to move it to state court.
Q. To the supreme court, the New York Supreme Court?
A. Right.
Q. And is it your understanding that AIM is still a party to that proceeding?
A. It is my understanding that we will not be.
Q. Why not?

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A. Because we're not looking for coverage. We're not an entity seeking coverage.
Q. And what is your understanding of who is a party to that proceeding?
A. I would assume the PEOs and their clients, or they may have to refile. I'm not sure. I don't have a clue what they're going to do.
Q. I'm just asking from your understanding.
A. I don't know. You're asking the wrong person. I know they were going to move it to state court, but I think each of the PEOs, if they want coverage, they're going to have to sue under a deck action in New York. Whether or not that is accurate, I don't know.
Q. Other than today, have you given a deposition in any case or proceeding?
A. Sure, yes.
Q. In what case or cases have you testified?
MR. COBURN: Ever or in relation to the PEO program?

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Q. (By Ms. Meeks) I'm not asking about your divorce.
MR. COBURN: I mean, Bruce was in claims for years, big claims, catastrophic claims.
A. I have been in court hundreds of times.
Q. (By Ms. Meeks) So, you've given, you're experienced in giving depositions?
A. In certain courts, I'm a qualified expert.
Q. So, you have given depositions before and you have testified?
A. Yes.
Q. Have you given a deposition in any proceeding related to Realm or any of the coverages?
A. No, this is the first one.
Q. Have you testified at all for any administrative board, insurance department, or otherwise given a sworn statement to any regulatory --
MR. COBURN: I'm not sure if that is a simple answerable, so I'm going to just make a general objection on the compound

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question. Because I think you asked him three different things. If the answer is no to everything, I don't know. Do you want her to break it down, or do you understand it? If you can answer it, answer it.
Can you read back the question?
(Whereupon, the court reporter read back the question.)
Q. (By Ms. Meeks) So, have you testified?
A. I'm having trouble with the word testified. I have been in meetings with these people. I don't know whether that is considered testifying. They have never had a court reporter, or anything, if that is what you're asking.
Q. When I say testify, I really mean under oath?
A. The answer to all of that is no.
Q. Okay. Nothing under oath?
A. No.
Q. But you have been in meetings with regulators?
A. Sure.
Q. And boards?

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A. Yes, many, many, many times.
Q. About the issues relating to Realm?
A. The only one we met with issues relating to Realm was Georgia, and we just had a casual meeting, and they wanted a status update, and we went down and talked to them.
Q. When did that occur?
A. I have no idea. It would have been in -- good Lord, I'm not sure what year -- some time in '03.
Q. Did you meet with any other state regulators, insurance regulators, or any other state officials in any other state other than Georgia?
A. We went to Missouri, and I met with the Missouri people.
Q. Did you meet with the Texas people?
A. No.
Q. Did you, did you participate in discovery at all in connection with the Texas action that was brought by them?
A. I don't think so. I don't know what you mean.
Q. The one that was brought by the insurance department and the regulators out in

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DESCRIPTION OF EXHIBITS

Exhibit Description

30 NES, PEO's Client Information.
31 NES, PEO's Client Information.
32 NES, PEO's Client Information.
33 NES, PEO's Client Information.
34 NES, Five-year Workers' Comp Loss.
35 Non-Binding Indication.
36 Non-Binding Indication.
37 Non-Binding Indication.
38 Escrow Agreement - April 30, 2003.
39 Escrow Agreement - April 14, 2004.
40 AIM - Account Billing, December 1, 2003.
41 AIM - Billing Receipts/Disbursements and Summary, May 31, 2004.
42 Letter - November 6, 2003, from Realm National, Insurance Comp to Ms. Kirby.
43 Secretary of State Cathy Cox's, File Documents, Annual Registration History.
44 NES, PEO's Client Information.
45 Fax - February 12, 2004 from AIM, Inc. to Becky Duncan.
46 Amended Notices of Depositions to Stanley A. Coburn, Esquire.

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STATE OF GEORGIA:
COUNTY OF FULTON:

I hereby certify that the foregoing transcript was reported, as stated in the caption, and the questions and answers thereto were reduced to typewriting under my direction; that the foregoing pages represent a true, complete, and correct transcript of the evidence given upon said hearing, and I further certify that I am not of kin or counsel to the parties in the case; am not in the employ of counsel for any of said parties; nor am I in any way interested in the result of said case.

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Disclosure Pursuant to Article 8(B) of the Rules and Regulations of the Board of Court Reporting of the Judicial Council of Georgia, I make the following disclosure:

I am a Georgia Certified Court Reporter, here as a representative of Alexander Gallo & Associates, Inc., to report the foregoing matter. Alexander Gallo & Associates, Inc., is not taking this deposition under any contract that is prohibited by O.C.G.A. 5-14-37 (a) and (b).

Alexander Gallo & Associates, Inc., will be charging its usual and customary rates for this transcript.

N. GAIL STUDSTILL, CCR-B-2294

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CAPTION

The Deposition of Bruce E. Holley, taken in the matter, on the date, and at the time and place set out on the title page hereof.

It was requested that the deposition be taken by the reporter and that same be reduced to typewritten form.

It was agreed by and between counsel and the parties that the Deponent will read and sign the transcript of said deposition.

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Texas.
A. No, I don't have any knowledge of that.
MS. MEEKS: Okay. I don't have anything else. I have no further questions at this time.
MS. BROCKINGTON: I want to continue the deposition for a later time because I have got to go through the documents we got out at the office yesterday.
MS. MEEKS: Oh, I have this one.
MS. BROCKINGTON: We can ask about that because we got a couple of boxes.
MR. COBURN: That was our agreement.
MS. MEEKS: That was our agreement.
MR. COBURN: Are you going to finish his before you start David's?
MS. BROCKINGTON: The same day would be great.
MS. MEEKS: If that is not going to get it done, we're accommodate y'all.
MR. COBURN: But for this trial that is floating on a two-week trial calendar, I could be more specific.

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MS. BROCKINGTON: Let's talk about when we can do it.
We're continuing this deposition.
MS. MEEKS: Both Peggy and I are continuing the deposition for a later date to be scheduled mutually at an agreeable time.
(Deposition was concluded.)

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DESCRIPTION OF EXHIBITS

Defendant's Exhibit Description

1 Workers' Compensation Claims Paid, AIM Claim File Register.
2 Claim Loss and Reserve Report.
3 National Employment Solutions, Master Policy.
4 Agency Agreement.
5 Underwriting Guidelines and Client Selection Process.
6 Letter - March 27, 2003, to David Dennett-Smith from Mark Sioma.
7 Letter - April 21, 2003, to David Dennett-Smith from Mark Sioma.
8 Georgia Insurance License for Bruce Holley.
9 Request for New and Terminated Certificate of Authority.
10 Agency Search Page for Agent Information, Bruce Holley.
11 E-mail from Mark Sioma.
12 Letter - June 11, 2003.
13 Workers' Comp Application.

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DESCRIPTION OF EXHIBITS

Exhibit Description

14 Letter from Bruce Holley to Marty Jones, NES Rating.
15 Letter - June 17, 2003 from Becky Duncan to Bruce Holley.
16 Letter - June 20, 2003 from Mark Sioma to Bruce Holley.
17 Fax - August 6, 2003 from Bruce Holley to Becky Duncan, subject NES.
18 Memo from Becky Duncan to Bruce Holley.
19 Certificate of Liability Insurance, date faxed November 11, 2004.
20 Certificate of Liability Insurance, date faxed November 18, 2004.
21 Certificate of Liability Insurance, date faxed November 11, 2004.
22 Realm Workers' Comp May 2003 Payroll.
23 NES Insured Master Policy.
24 NES Insured Master Policy.
25 NES Insured Master Policy.
26 Claim Loss and Reserve Report, NES.
27 NES, PEO's Client Information.
28 NES, PEO's Client Information.
29 NES, PEO's Client Information.

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CERTIFICATE

STATE OF :

COUNTY/CITY OF :

Before me, this day, personally appeared, Bruce E. Holley, who, being duly sworn, states that the foregoing transcript of his/her Deposition, taken in the matter, on the date, and at the time and place set out on the title page hereof, constitutes a true and accurate transcript of said deposition.

Bruce E. Holley

SUBSCRIBED and SWORN to before me this day of , 2006 in the jurisdiction aforesaid.

My Commission Expires Notary Public

No changes made to the Errata Sheet; therefore, I am returning only this signed, notarized certificate.

I am returning this signed, notarized certificate and Errata Sheet with changes noted.

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DEPOSITION ERRATA SHEET

RE: Alexander Gallo & Associates
File No. 14569
Case Caption: National Employer Solutions, Inc., Vs. Realm National Ins Co, et al.

Deponent: Bruce E. Holley
Deposition Date: July 6, 2006

To the Reporter:
I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated. I have signed my name to the Errata Sheet and the appropriate Certificate and authorize you to attach both to the original transcript.

Page No. Line No. Change to:

Reason for change:
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Deposition of Bruce E. Holley

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Reason for change:

SIGNATURE:_____DATE:_____

Bruce E. Holley

CONDENSED TRANSCRIPT

IN THE STATE COURT OF FULTON COUNTY
STATE OF GEORGIA

NATIONAL EMPLOYER SOLUTIONS, INC.,

Plaintiff,

vs.

Civil Action File
No. 04-VS-074668-A

REALM NATIONAL INSURANCE COMPANY, AMERICAN INSURANCE MANAGERS, INC., AMERICAN INSURANCE MANAGERS GROUP, INC., INSURANCE OFFICE OF AMERICA, INC., BRUCE EVERETT HOLLEY, and MARTIN JONES,

Defendants.

DEPOSITION OF

BRUCE E. HOLLEY

VOLUME II

August 3, 2006
11:15 a.m.

3531-C Habersham at Northlake
Tucker, Georgia

Marsi Koehl, CCR, CCR-B-2424

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IN THE STATE COURT OF FULTON COUNTY
STATE OF GEORGIA

NATIONAL EMPLOYER SOLUTIONS, INC.,

Plaintiff,

vs. Civil Action File No. 04-VS-074668-A

REALM NATIONAL INSURANCE COMPANY, AMERICAN INSURANCE MANAGERS, INC., AMERICAN INSURANCE MANAGERS GROUP, INC., INSURANCE OFFICE OF AMERICA, INC., BRUCE EVERETT HOLLEY, and MARTIN JONES,

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3531-C Habersham at Northlake
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Marsi Koehl, CCR, CCR-B-2424

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Also present:
Robin L. Karp, Corporate Counsel
Lori Rives Kinney, CPA, CFO

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Deposition of Bruce E. Holley
Volume II
August 3, 2006

BRUCE E. HOLLEY, having been first duly sworn, was examined and testified as follows:

MS. BROCKINGTON: This will be the continuation of the deposition of Bruce E. Holley, both in his individual capacity and in his representative capacity under the 30(b)(6) Notice that was sent. And Mr. Holley, you are still under oath.

THE WITNESS: Okay.

MS. BROCKINGTON: Do you recognize and acknowledge that or do you want to have the oath administered again?

THE WITNESS: No. I recognize and acknowledge that.

MS. MEEKS: Same stipulations?

MS. BROCKINGTON: Same stipulations as the first session of the deposition.

EXAMINATION

BY-MS.BROCKINGTON:

Q. I'm going to try to not plow any ground that was already plowed in the first session of your

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deposition, but I apologize in advance if I ask some questions that appear to be -- already have been asked. I will try to do that as little as possible.

First of all, you testified in the last deposition about the names of the three AIM companies. And when I went back and looked at the transcript of your deposition I'm not clear which two of those companies you are here as the corporate representative of. And I want to make sure that I am correct.

A. Okay. Because I'm not clear either.

Q. Am I correct that you are here as the corporate representative of Atlanta Insurance Marketing, Incorporated?

A. What's David here as?

Q. Well --

THE WITNESS: Which one are you here as? Because I don't know the answer to that. What are you here as? What's David's --

MR. COBURN: I think you-all are both officers of the all three of them, but I think you were surprised that you were the officer of, I assume, of Atlanta -- I've both them all in any office.

THE WITNESS: I don't know which one I'm here as.

MR. COBURN: It's American Insurance Managers,

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Inc. Clearly you're here on their behalf.

MS. BROCKINGTON: American --

MR. COBURN: American Insurance Managers, Inc.

THE WITNESS: Okay.

MR. COBURN: American Insurance Management Group, Inc., which is the holding company --

THE WITNESS: Right.

MR. COBURN: -- and Atlanta Insurance Marketing --

THE WITNESS: -- Marketing --

MR. COBURN: -- I think, that's an --

MS. BROCKINGTON: Yes.

MR. COBURN: So you're both officers of all three.

Q. (By Ms. Brockington) Let me ask you the question to clarify. As I understand it, you are not here representing and did not work for the holding company; is that correct?

A. That's correct.

Q. So you are not here as the representative of American Insurance Managers Group, Inc. --

MR. COBURN: Management --

MS. BROCKINGTON: Management group.

MR. COBURN: -- group.

THE WITNESS: That's correct.

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Q. (By Ms. Brockington) The other two AIM entities, Atlanta Insurance Marketing, Inc. and American Insurance Managers, Inc., you are here representing both of those corporations; correct?

A. Yes.

Q. Okay.

A. I guess that's right, yes.

Q. And for clarification am I correct that the business of Atlanta Insurance Marketing, Inc., and American Insurance Managers, Inc., is the same business; the distinction is between the states in which those two companies do business?

A. I believe that's correct.

Q. You testified that you also have worked with and owned a company called Accent Insurance Agency; correct?

A. Correct.

Q. And what was your affiliation with Accent Insurance Company at the time that you were affiliated with the AIM entities?

A. I own the company, but I was not employed by them.

Q. The other employees of Accent, there were two other employees; correct?

A. Well, when?

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Q. At the time that you were working with AIM.

A. Three others.

Q. Three others. Who are those three individuals?

A. James Young, Paula Young and Lauren Holley.

Q. And Lauren Holley is your --

A. Daughter.

Q. -- daughter? Are James Young and Paula Young related to each other?

A. Yes.

Q. Are they related to you in anyway?

A. No.

Q. Do you have they connection with any of the AIM companies?

A. Absolutely none.

Q. Do any of these three individuals, did they at the time that you were working with AIM, did they have any connection with Realm?

A. No.

Q. And are you aware of any connection any of them has ever had with Realm?

A. No. I can promise you none of them had ever had any relationship with Realm.

Q. Have any of the three employees of Accent ever had any relationship with IOA?

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A. No. Nor Marty Jones.
Q. Okay.
A. Before you ask.
Q. You testified in the first portion of your deposition about having a regular agent's license and a nonresident license. Can you explain the distinction between those two types of licenses?
A. Well, the resident license is that which you obtain in the state where you reside and it gives you the authority to write business for companies that license you in that state in that state. A nonresident license allows you to write business in another state for a company that you're licensed for.
Q. In the first portion of your deposition you talked about -- I asked you several questions about the location of documents. Have you been able to locate any additional documents --
A. No.
Q. -- since then? Have you had any contact with Richard Haggerty who you identified as the person who assisted you in putting documents in storage?
A. Since the last dep?
Q. At any time have you attempted to get documents from him?
A. The documents we got, he helped get.

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Q. Okay. And have you spoken with him since your last session of your deposition?
A. No.
Q. When you were employed by AIM, am I correct that your only responsibility was underwriting?
A. Correct.
Q. You had no sales responsibility?
A. None.
Q. And you had no financial responsibilities at all?
A. None, no.
Q. As part of your underwriting responsibilities you calculated premiums; correct?
A. Correct.
Q. And what was the basis for your calculation of premiums?
A. The basis?
Q. Yes. What did you base that on?
A. The information that each of the clients would send in as to what their payroll was and the class codes and what they did for a living and what state they were in and etc., etc. .
Q. And were the amounts of premiums determined solely by you?
A. Yes. Obviously, all subject to audit, but we

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always have to put that in there. Because what we rated the premium on to start with was what the insured sent which may or may not have been real. So if an insured said that this particular payroll was a hundred thousand it was subject to audit because it may have been 400,000. It may have been 50,000.
Q. And how frequently were audits performed?
A. Well, a hundred percent.
Q. A hundred percent. At what time periods?
A. That various. But sometime during the policy year.
Q. Did you participate in the audit process?
A. Oh, absolutely not, no.
Q. And were you apprised of the results of any of the audits?
A. Yeah. If they were conducted, they, of course, reported back to us. We're the ones who would order them.
Q. Who conducted the audits?
A. Well, we had a company hired to do that. Karen De La Carti and her company was hired to do that. However, we never got to the situation where that was done because things went south, so no audits were ordered. Actually, that's not true. She did a couple of them but just a couple. I mean, normally speaking,

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if the business had gone perfectly well every single client would have been audited.
Q. Ms. De La Carti, what was the name of her company?
A. You'll have to as David. She's got a company name. I just don't know what it is.
Q. The NES businesses for which you-all procured insurance or underwrote and participated in procuring insurance, were there audits performed on any of those companies?
A. No.
Q. And did AIM maintain records on the audits that were performed, the two or three audits?
A. They would be in the underwriting files which you have.
Q. So if there were no audits in an underwriting file --
A. There was none done.
Q. In addition to underwriting and determining the premiums, though, you also assisted with the processing of claims; correct?
A. Mm-hmm, yes.
Q. And as part of that did you authorize the payment of claims?
A. The claims were being handled by Crawford &

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Company. Crawford & Company sent us reports indicating what needed to be paid and checks were issued accordingly.
Q. Checks were issued by whom?
A. AIM.
Q. And who signed off on those checks?
A. Dependent upon who was in the office. It was either David Dennett-Smith, myself, Brian -- whatever his last name is -- and who else had authority to sign? Steve Landin had authority to sign and I think that's it.
Q. And by Brian you're speaking of Brian Imperiale?
A. Yeah, Imperiale, yeah. I couldn't think of his last name.
Q. And you had authority to sign checks?
A. Yes.
Q. Was your authority limited to just checks related to the payment of claims or did you have authority to sign other checks for AIM?
A. I had signature authority. I don't know if that extended out. I never signed anything but claim checks, so I have no idea whether I had the authority or not.
Q. Whose responsibility was it to transmit

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premium payments to Realm?
A. That would have been Brian Imperiale.
Q. And at no time did you have responsibility --
A. No. At no time.
Q. Now, you testified previously that you were not paid throughout the time that you were affiliated with AIM?
A. Correct.
Q. You did say though that you were reimbursed for certain expenses during that period of time?
A. A very small percent of expenses, yes.
Q. Tell me the categories of expenses for which you were reimbursed.
A. Entertainment, travel, hotels, meals; standard stuff.
Q. Meals when you were traveling or meals in general?
A. Meals when I was traveling.
Q. And do you have any records on those reimbursements?
A. Well, they're in -- do I personally have them? No. They are in the box someplace. I have no idea where the box is.
Q. Would that be part of the documents that were stored in your desk that you were moved to storage?

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A. It could very well be, yes. No, actually those were not in my desk. The only ones that were on my desk were the unreimbursed ones. The ones that I was reimbursed for would have been -- Brian would have had them and they would have been in some box that Brian packed up.
Q. Give me an estimate of the amount of reimbursements you received per year?
A. Pure guess, somewhere between 10 and 12,000. Pure guess. It might be a lot less than that. I don't remember.
Q. Did you report any of these reimbursements on your tax returns during those years that you were affiliated with AIM?
A. No. Of course, not.
Q. Did you file tax returns during those years?
A. I mean, my wife and I filed a joint return based on the her income.
Q. Did you do that, file tax returns for the year 2003?
A. I've always filed tax returns.
Q. And what's the last year that you filed tax returns for?
A. Last year.
Q. Last year being 2005?

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A. Yeah.
Q. During the first portion of your deposition I asked you about an exhibit that is -- was -- Exhibit No. 22. And I brought copies of all of the exhibits. They are in these notebook. If your kind lawyer will assist you in finding 22 -- I think it's in the second book.
A. I'm going to definitely need my glasses for this.
Q. Do you have Exhibit 22 in front of you?
A. Yes.
Q. When I asked you if you recognized that you said you did not recognize it. If that is the premium calculation for NES for May of 2003, does that help you recall what that is?
A. I still don't know what it is. I mean, that's what you're telling me it is. That's what it says it is. I still don't know what this report is.
Q. When Ms. Meeks was asking you questions during the first portion of your deposition, you indicated -- you gave some testimony about the payment of premiums. And I'm trying to clarify what your knowledge was about the payment of premiums by NES.
A. Okay.
Q. Do you have any knowledge about that?

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A. None whatsoever.
Q. Do you have any reason to question Plaintiff's Exhibit 22 as an accurate representation of the calculation of premiums and the payment of premiums?
A. I have no way of knowing that. Because I don't know who calculated this, so I don't know who put it together and I don't know who reviewed it. So I couldn't answer that question one way or the other.
Q. And if I have exhibits -- and I'm -- representing each of the additional months, June of 2003 through February of 2004, representing premium payments by NES, do you have any information as to the accuracy of those documents whether those payments were submitted, whether those were the correct premium payments that you had calculated?
A. No.
Q. When you calculated the premium payments you communicated that to Marty Jones at IOA?
A. The original quote was communicated back with them and that would be my last involvement with it.
Q. And the original quote was the document entitled, "Nonbinding Indication"?
A. Correct.
MS. BROCKINGTON: And, if you could please, look at the other book of exhibits, Stan.

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MR. COBURN: Mm-hmm.
MS. BROCKINGTON: If you could look at exhibit -- it's right at the beginning -- I believe it may be Exhibit 4 and tell me which one of those documents it is. Plaintiff's Exhibit 4.
MR. COBURN: Agency agreement?
MS. BROCKINGTON: I think it's four.
MR. COBURN: It says, "Agency Agreement."
MS. BROCKINGTON: Okay. That's not it then.
MS. MEEKS: I think it's 36 or 37. I don't know if there's any difference.
MS. BROCKINGTON: Okay.
THE WITNESS: So are we in the wrong book?
MS. BROCKINGTON: We may be in the wrong book, yes.
THE WITNESS: The story of my life.
MS. BROCKINGTON: Thirty-six and 37. Actually, it's 35, 36 and 37.
THE WITNESS: What do you want me to look at first?
MS. BROCKINGTON: Look at 35 if you would, please.
THE WITNESS: Got it.
Q. (By Ms. Brockington) And on that document,

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Exhibit 35, where is your calculation of the premium?
A. In the block that says "premium."
Q. And what is the correct number; what is the number?
A. On 35?
Q. Yes, sir.
A. Four million eighteen two o three.
Q. And that is for what period of time? That premium would be for --
A. A year. That's an annual premium, an annualized premium.
Q. And is there anything on Plaintiff's Exhibit 35 that indicates to you the date of this nonbinding indication?
A. Yeah. Proposed effective date, 4/30/03.
Q. What does that mean "proposed effective date"?
A. It means what it means. I don't know how to answer that.
Q. Well, is this a document that you prepared?
A. Yes.
Q. Okay. What --
A. It's a proposed effective date.
Q. Okay.
A. That's what it means. It means what it says.
Q. What's your understanding of the meaning of

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that?
A. Proposed effective date.
Q. Proposed to whom by whom?
A. I don't have a clue of what you're asking me. Proposed by who?
Q. Who's making the proposal in Plaintiff's Exhibit 35?
A. Making the proposal? In this case Realm.
Q. Is Realm making this proposal --
A. Yeah.
Q. -- or is this a proposal that you have prepared?
A. I prepared it.
Q. And you prepared it on behalf of Realm?
A. Of course.
Q. If you would, please, look at Plaintiff's Exhibit 36 --
A. Okay.
Q. -- and tell me what the proposed premium was on that --
A. Nine hundred forty-two thousand seven fifty-five.
Q. And what is the date of that proposal?
A. Same date. 4/30/03.
Q. Is it calculated on the same date or is it

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calculated on a different date?
A. I don't have a clue.
Q. So even though it says, "Proposed premium effective 4/30/2003" you don't know whether -- it's not the same date, obviously, the preparation of these two --
A. The preparation date?
Q. Yes, sir.
A. No. The preparation date is not on here at all. These could have been weeks apart. They could have been a month apart.
Q. And if you look at Plaintiff's Exhibit 37, what was the premium proposed in Plaintiff's Exhibit 37?
A. Same. Nine forty-two seven fifty-five.
Q. And, again, you don't know when that premium was calculated or proposed?
A. No. Not a clue.
Q. Those three documents, Plaintiff's Exhibit 35, 36 and 37, when you prepared them where did you send them?
A. They would have gone to Marty Jones.
Q. Did you ever have any conversations with anyone at NES regarding those three documents?
A. I would assume so, but I do not recall.

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Q. At the first portion of your deposition Lori Kinney was here. Were you familiar with her before today -- I mean, before that date, I'm sorry?
A. No. I was not.
Q. So that's the first time you saw her or spoke with her?
A. Yes.
Q. Other than Ms. Kinney, who else at NES are you familiar with at all?
A. Ronald -- what's his -- Cates. Is it Cates.
MR. COBURN: Cates.
Q. (By Ms. Brockington) Anyone else?
A. No. I don't believe so that I can recall.
Q. And how are you familiar with Ronald Cates?
A. Well, we met several times I would think.
Q. And, again, but you're just assuming that you met; you don't know for sure?
A. Yeah. I'm assuming we met. I don't know for sure. That's a correct statement.
Q. Exhibits 35, 36 and 37 you did not send those to NES yourself; correct?
A. I do not recall, but I may have. I did it both ways. I did it with two brokers and I did it direct. I just don't remember what I did with NES.
Q. Okay. In the first portion of your deposition

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you testified about the PEO program and the portion of that program that had to do with capital contributions. Do you recall that?
A. Yes.
Q. Now, as I understand it, you are not aware of the receipt of any capital contributions of NES; correct?
A. It would not have been my function, so the answer is no. I am not aware of anything.
Q. I believe your previous testimony was that you contacted Marty Jones about the fact that there was no signed escrow agreement by NES?
A. Correct.
Q. And that you had never received a signed escrow agreement?
A. Well, that's when I find out we hadn't received one. I sent another copy to Marty and asked him and he told me he'd get it taken care of.
Q. And you never did get one?
A. That's the last I heard.
Q. But you still quoted accounts for NES?
A. Yes. Based upon them being part of the program including the capital.
Q. And you continued quoting accounts for NES --
A. Correct.

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Q. -- even for the next 11 months; correct?
A. Correct. Well, I don't know how long it went, but yes.
Q. Until the last account got --
A. Until we stopped, yeah.
Q. When were you licensed in Tennessee?
A. Well, either 2002 or 2003. I just don't remember.
Q. If the Tennessee Insurance Department indicates that you were first licensed there on June 17th of 2003 does that --
A. It could be. I'm sure their records are correct.
Q. Did you bind coverage for NES, for customers of NES in Tennessee before you were licensed in Tennessee?
A. I didn't bind coverage for anybody, so the answer is no.
Q. You participated in the binding of coverage for NES customers?
A. I reported the binding of coverage.
Q. And who did you report that to?
A. NES.
Q. How did you report it to NES?
A. Well, no, actually it went to Marty. They

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would submit a new piece of business. I would submit it back whether it was approved or not under their guidelines.
Q. And did you do that before you were licensed in Tennessee?
A. I have no idea.
Q. You testified previously about the policy numbers on the accounts -- I'm sorry -- the workers' compensation policies that NES customers -- that were issued to NES' customers. Where did those policy numbers come from?
A. We just worked up a series for each PEO the way the heading was going to be. And then we followed it with a five- or six-digit number.
Q. Who worked that up?
A. Actually, it was Brian and I.
Q. Brian Imperiale?
A. Mm-hmm.
Q. She needs to have an answer that's a yes or no.
A. Yes.
Q. You testified earlier that you kept NES informed monthly about the Realm situation. Who were you communicating with at NES?
A. Ron Cates. He would have been on the E-mail

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recipient list.
Q. Tell me when you first started communicating monthly about the Realm situation in these E-mails?
A. It would have been, I don't know, the middle -- the middle of '03.
Q. And what was the status of the Realm situation at that time?
A. I have no recollection. I have no idea.
Q. Who all was on the E-mail list that you said Mr. Cates was on?
A. Well, the PEOs. Well, actually, the owners of all of the PEOs, all the brokers, all the insurance departments throughout the country that were involved. That would have been it.
Q. What all insurance companies were involved around the country?
A. Insurance departments --
Q. I'm sorry --
A. -- around the country.
Q. -- I misheard you.
A. Okay.
Q. Other than the fact that it's your recollection that Mr. Cates' name was on E-mail list, were there any other communications you had with Mr. Cates informing him about the Realm situation?

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A. I mean, I do not recall. If he had asked any questions, he would have been responded to. I don't remember whether he did or didn't.
Q. Were you aware of the NES client companies receiving proofs of claim in the bankruptcy of Stirling Cooke?
A. They should have.
Q. And explain for me why they would receive proofs of claim in that bankruptcy? Just your understanding of that; I'm not asking --
A. My understanding was that the bankruptcy judge started a class action and made all the clients of all of the PEOs and all the PEOs, themselves, as part of a class. And as part of that class they should have received stuff.
Q. Do you know when that happened?
A. No.
Q. I forgot to ask you a question about the calculation of the premiums that you talked about earlier. You said that that's based on information that is sent to you by the particular business?
A. Correct.
Q. Are the mods part of that information?
A. Supposed to be. However, we found that to be a little bit lax on some of the people submitting to

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us. And in that case we had to chase NCCI down for their mods. But mod is supposed to be part of that initial submission.
Q. And why is it essential for you to have the mods in order to calculate the premium?
A. Because it's a multiplier of the premium.
Q. Am I correct that you calculated premiums in some cases without mods then?
A. Well, in the absent of a mod -- and that happened often -- you just put it in as a 1.0, which means that the premium rate is at a hundred percent.
Q. So if you received mods from NES after you had calculated the premiums, that would be because you had calculated it with a mod of 1.0?
A. Yeah. In the absence of a mod we'd put it in as 1.0. And if it changed, it changed. Just as if the payroll was incorrect, it would change it. If the class code wasn't correct, it would change it.
Q. You testified earlier, I believe, that AIM was out of money by -- about the end of 2003. Do you recall that?
A. It's probably correct, yes.
Q. Explain for me, if you can, why if AIM was out of money by the end of 2003, AIM entered into an arrangement with Guarantee and other PEOs?

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A. That's not an accurate statement. Entered into an agreement with Guarantee to try to and continue the business with the current PEOs. There weren't additional PEOs.
Q. These were some of the PEOs that had been involved with the Realm deal?
A. Yes.
Q. At the time that that arrangement was entered into in, I believe, you said – that was April of 2004, or thereabouts; correct?
A. It was somewhat later than that but somewhere around that area.
Q. Later than April of 2004?
A. '04? I mean, I don't know. The contracts are around some place.
Q. So it would whatever the date of the contracts?
A. Whatever dates the contracts are, is what the dates are, yeah.
Q. And that was after the time that AIM was out of money; correct?
A. Correct.
Q. Explain for me how that worked if AIM was out of money that it was entering into an arrangement with Guarantee and certain PEOs?

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A. I'm not -- the question -- I mean, what does money have to do with – one has nothing to do with the other. How's that for an answer? I just don't know how to answer that. The fact that we did or did not have money has absolutely nothing to do with whether we did or did not come to a contract.
Q. So you weren't required to have any financial stability or to demonstrate financial stability to enter into the deal with Guarantee?
A. That would be Guarantee's issue.
Q. And did Guarantee ask you about your financial stability at that time?
A. I'm sure that they did.
Q. And what information did you provide to Guarantee?
A. I have no idea.
Q. Whose responsibility was that?
A. That would have been either David or Brian's.
Q. Am I correct that in that arrangement with Guarantee that the PEOs in that arrangement were to pay Guarantee directly?
A. Correct.
Q. And am I correct that AIM would receive a commission, its commission from Guarantee?
A. Yeah. That's the way it was set up, yes.

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Q. What would be the reason for there to be an agreement then between or among the PEO and AIM and Guarantee if the funds, the monies, the premiums were going to go directly from the PEO and the Guarantee and AIM was just going to receive a commission?
A. I have no idea what you're asking me.
Q. Do you not understand question or you don't understand the --
A. Not even remotely understand it.
Q. Okay. Am I correct that you were just going to get a commission like in any other insurance transaction where you placed insurance for an insurance company; correct?
A. Yes.
Q. Under those circumstances do you ordinarily sign a written agreement with all three parties, the insurance carrier --
A. Yes.
Q. -- AIM and the customer?
A. It was -- it took a life of its own. Things changed. There were contracts drawn; things changed. Other contracts were drawn; things changed. It ended up to be working only as a general agent for them. Didn't start out that way.
Q. How did it start out?

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A. Similar to the Realm deal.
Q. And when did it start out?
A. I have no idea. The contracts will speak for themselves. I just don't remember.
Q. Well, the contracts that we went over in the first portion of your deposition, those were the final contracts. Were there other versions of that before?
A. Oh, I'm confident that there were, yes.
Q. How did the deal originally start out if you weren't only going to be a general agent?
A. Originally, it was just going to be -- it was a similar deal other than the fact that it was not going to be the ownership of it. Instead of having the ownership of it, the PEOs were going to own surplus agreements where they were going to contribute through the capitalization to the surplus of Guarantee in the form of surplus notes.
Q. What is a surplus note?
A. It's a -- you put money into their capital and surplus and they give you a note saying that we've got this much money in there. It's like a -- I don't know. It's a form of a loan, for lack of a better term. I, again -- the correct – again, ask David that question because he can explain it a whole lot better than I can.

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Q. Well, just your understanding of what's the difference between that arrangement and the PEO program that you described earlier with Realm?
A. With Realm arrangement was for ownership. The PEOs were going to participate in ownership of the insurance company.
Q. And in the Guarantee transaction or that agreement, the surplus agreement, there is no ownership?
A. Correct.
Q. So other than lending money to Guarantee, what does the PEO get out of a surplus agreement?
A. Interest.
Q. What type of interest? Set at particular rates?
A. Yeah. I have no idea. You have to ask somebody who's into the financial side of that stuff. I don't keep up with it.
Q. The Realm PEO program, what type of regulatory authority was required for that type of program through insurance agents -- insurance commissioners' offices and insurance departments of various states?
A. I don't know if this is the answer to your question. But the New York Insurance Department approved the program.

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Q. When did the New York Insurance Department approve that program?
A. I don't know. It was in '02 sometime.
Q. How do you know that? Was that in a written communication?
A. I was told it. I saw nothing.
Q. Who told you that?
A. David.
Q. David Dennett-Smith?
A. Yes. And I think some of the attorneys, too.
Q. And what was required in order to get that approval from the New York Insurance Department?
A. I don't know.
Q. Do you know if approval was sought for that program from any other insurance department other than New York?
A. It would not be necessary. It's a New York domicile company. They control it.
Q. And how long did, your understanding, how long did that approval last?
A. I mean, it was approved.
Q. Was that approval ever withdrawn?
A. Not to my knowledge.
Q. I believe you testified earlier that when NES and other PEOs came to AIM through their brokers to get

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workers' compensation insurance there were various situations that caused them to come to you while seeking insurance. And some of those might be that they had not been nonrenewed or that they were just looking for a less expensive alternative. Is that accurate?
A. It's simplistic but accurate.
Q. Well, what's a better way to state it then if that's simplistic?
A. There's probably five dozen reasons why they came.
Q. What reasons would there be other than the two that I identified?
A. Most of the people came because they wanted to own an insurance company or participate in the ownership of an insurance company; let's put it that way.
Q. How would they know about that possibility?
A. I don't know. Each one came to us because of a different reason.
Q. Was there advertising of this particular program?
A. No. It's a very large industry and very small at the top. And word of mouth is incredibly fast. We were getting phone calls from people in states that we

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weren't even in. And they knew we weren't there and they still wanted to see what they could do to get involved.
MR. COBURN: Including the state of confusion.
THE WITNESS: Including the state of confusion, yeah.
Q. (By Ms. Brockington) Do you have any personal knowledge about the reasons that NES, what its coverage options were at the time that Marty Jones brought that company --
A. No. I have no idea where they heard about it and I have no idea why they came to us, no.
Q. Now, you said you had regular communications with the PEOs in these E-mails about the status of Realm deal. Did you inform PEOs that you were -- that AIM was using premiums and claim monies to pay administrative fees of AIM and other expenses, legal expenses?
A. The program included premium capital and fees as on the original indication.
Q. And -- go ahead, I didn't mean to cut you off?
A. That's the end of it fees were included.
Q. And each of these were broken out as separate categories?
A. Absolutely.

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Q. And that was on these nonbinding indications?
A. They are in all of the monthly bills that went out and everything else.
Q. Tell me about the monthly bills.
A. I'd have to ask Brian. He did that. I just know that he broke it all out there.
Q. How were the fees calculated?
A. It was a percent of the premium.
Q. And what multiplier was used?
A. Got a calculator? I think it's five, but I'm not positive. Anybody got a calculator?
MS. BROCKINGTON: No sorry.
THE WITNESS: Hang on. I can figure it out in my head. It's five percent.
Q. (By Ms. Brockington) Were those amounts segregated when payments were made by PEOs?
A. I don't know.
Q. Were premiums submitted by AIM to Realm?
A. We did, yes. I didn't; Brian, yes.
Q. And how do you know that that happened?
A. Because he told me, verbally.
Q. When was it that premiums were submitted to Realm?
A. It would have been at the 90-day level, so that would have been either January or February of '03.

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Q. And was there a point at which AIM stopped submitting premiums to --
A. Yeah. They only did it once and Realm told us not to send it anymore.
Q. Who did Realm tell not to send it anymore?
A. I don't know. I assume Brian, maybe David, maybe Steve; I don't know.
Q. And your understanding of why they said not to do it anymore?
A. I have no understanding. I didn't know what was going on back then.
Q. And are you aware of anything in writing that directs you not to --
A. No.
Q. -- pay those premiums? What money was AIM planning to acquire Realm with as part of the deal that it signed with Realm?
A. The capital.
Q. The capital that came from the PEOs?
A. Correct.
Q. And is that the sole source of funding for the -- for AIM's purchase of Realm?
A. I don't know.
Q. Who would know that?
A. David Dennett-Smith. Brian Imperiale. I think Brian would know. I don't know.
Q. After Realm said to stop paying -- submitting premiums to Realm, what did AIM do with the premiums?
A. I don't know.
Q. And who would know that?
MR. COBURN: I'm sorry, what was the -- could you -- we can go off the record and you can tell me what the question was.
(Discussion ensued off the record.)
THE REPORTER: Did you answer her question when she asked "And who would know that"?
THE WITNESS: Was there a second question?
MS. BROCKINGTON: A follow-up question.
THE WITNESS: Who would know that? David Dennett-Smith or Brian Imperiale --
MS. BROCKINGTON: Okay.
THE WITNESS: -- I guess.
(Plaintiff's Exhibit-60 was marked for identification.)
MS. BROCKINGTON: Let me hand you a document which is paper-clipped together. It's marked Plaintiff's Exhibit 60. Jo, it's the September 21, 2005 letter to --
MS. MEEKS: Okay. I know what you're talking about. Are you marking that as an exhibit, Peggy?

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MS. BROCKINGTON: Yes. Exhibit 60.
MS. MEEKS: We're up to 60?
MS. BROCKINGTON: No, we're not because I've got with a stack of things that I'm going to give to him in a clump.
MS. MEEKS: Okay. You're good.
MS. BROCKINGTON: No. We're not up there. I do this just to keep you on your toes. I did it last time.
MS. MEEKS: You're winning. I'm losing.
MS. BROCKINGTON: Not really with any intent, no.
Q. (By Ms. Brockington) Can you tell me about that memo, Exhibit 60?
A. What do you want to know about it?
Q. Well, tell me who wrote it and what the source was and the purpose of it.
A. I think this was written by -- it could have been -- I don't remember. It's under my signature, but I didn't write it. I think it came from one of the attorneys.
Q. What was the purpose of your sending this memo?
A. Probably just as a status update.
Q. Was this the only letter such as this that you

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sent to the PEOs?
A. Did this go off as letter or as an E-mail? I don't remember.
Q. Did it go off as an E-mail or a letter?
A. I don't know.
Q. Is this one of the monthly E-mails that you sent --
A. It is similar to what I would have done on a monthly bill, but it's a lot more involved than most of them.
Q. The ones that you sent on a monthly basis were they also written by lawyers?
A. It depended upon where we were. Because situations change, so sometimes they wrote it and I send it out. And sometimes I wrote it and send it out.
Q. If you would, please, I've mark with a highlighter the second full paragraph. It starts off with your class action suit against Realm and their parent. Can you tell me your understanding of that was?
A. The judge appointed the PEOs and their clients as a class and then brought them into the New York bankruptcy court for coverage. So they took the dec action that they would normally have and brought into the bankruptcy court and that's what that is.

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Q. In the first paragraph of Exhibit 60 you talk about AIM continuing the fight with Realm's parent. Is that -- tell me what that litigation was or is?
A. Realm --
Q. The fight.
A. Realm's parent was AlphaStar and Scanna. And we had filed suit against them and it continued.
MR. COBURN: It became an adversarial action within the bankruptcy.
THE WITNESS: Yeah. I mean that's -- I don't know how much detail you want.
Q. (By Ms. Brockington) In the third paragraph of Exhibit 60 you talk about having standing with the New York Department of Insurance.
A. Mm-hmm.
Q. Have there been any results with the New York Department of Insurance?
A. No. Actually, after this went out they ruled that we still did not have standing. So this was premature on that one.
Q. And who --
A. We were told that we were going to have standing and then they turned around and said we didn't.
Q. When did that happen?

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A. Well, whenever. It was sometime after this.
Q. In the fourth paragraph of Exhibit 60 there is advise to the PEOs of -- that they should do three things. Do you see that?
A. Mm-hmm.
Q. She needs to have a verbal response again.
A. Yes.
Q. And the third of the items that you ask the PEOs to do was to place their funds in a segregated escrow account with their attorneys until a final decision could be reached. What does that mean to you?
A. The PEOs had stopped making payments to us. Some of them hadn't even started. But what we had told them to do was that when the decision came down that we actually did own the company, the coverage was issued and everything was wonderful, which was what we expected. The New York Insurance Department was going to demand payment in full up to that time for all the monies that they were due to pay us for both capital fees and premium. We told them don't send it to us, put this in a segregated account with your attorneys, so that when we ask you for the money, it's all there and you just send us a check.
Q. Now, some of the PEOs as I understand it had submitted capital to AIM; correct?

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A. Correct.
Q. And had AIM placed those funds in a segregated escrow account?
A. No. This is way after that. This is after they stopped paying.
Q. I understand that. I'm asking --
A. I don't know where the money went.
Q. -- prior to that.
A. I have no idea.
Q. The next paragraph on Exhibit 60 says that the New York Department of Insurance wants to be able to see the escrow accounts and the monies that are contained within.
A. Mm-hmm.
Q. Where did that information come from about what the New York department --
A. That's what we were told; that the bankruptcy court told us.
Q. And that's information that came from who within your company?
A. I don't understand your question.
Q. Well, who told you that within your company? Who within the company?
A. The attorneys told us that.
Q. Okay. I'm sorry if I --

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A. It wasn't anybody within the company, that's why I didn't understand what you were talking about.
Q. I understand.
Did you see monthly reports on the actual payroll of the NES customer businesses --
A. No.
Q. -- and the premiums that they paid?
A. No.
Q. Whose responsibility was it to prepare those monthly reports?
A. I'm not sure what reports you're talking about. I don't know of any monthly reports.
(Plaintiff's Exhibit-61 was marked for identification.)
MS. BROCKINGTON: Let me hand you what's been marked Plaintiff's Exhibit 61. And, Joe, it's a document that's Bates stamp AIM 20717 through 20738. And, I'm sorry, I don't have another copy of it.
MS. MEEKS: Can you describe it in the record, the dates?
MS. BROCKINGTON: Yes. It's a fax cover sheet. The front page of the fax cover sheet, "To Becky Duncan at IOA from Bruce Holley" regarding NES. It's dated 8/6/03.

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Can you take a moment, Mr. Holley, and look at that document; familiarize yourself with it?
(Witness reviews document.)
THE WITNESS: Okay.
Q. (By Ms. Brockington) This is a memo that you sent to IOA that includes an attachment which is monthly reports on NES; correct?
A. No.
Q. No?
A. No.
Q. Tell me what it is then, please, and I was referring to page AIM 20722.
A. This is a copy of the original sheet that I calculated out the premium on -- and the only thing I've ever seen before is through -- she had asked me -- she had asked me for copies of what I had and this is just the original. That's all this is.
Q. Which pages are the original of what you had?
A. Well, one, two and then the policy listing which would have been AIM 20719, 20720, 20721.
Q. And you've never seen what's marked --
A. No. The rest -- if, in fact -- and it's addressed to me, if, in fact, this had come in to me it, it would have been given immediately to Brian.
Q. So you don't know whether or not this came to

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you?
A. It may have. I would have immediately given it to Brian.
Q. You wouldn't even read it?
A. No. It had nothing to do with me. She had asked me where I got the original – something about she had asked me where original premium came from. And I sent her -- all I did was send her that, which is what the original thing was. I'm not sure – I'm not sure my memo to her has anything to do with her memo to me.
Q. So it may be that the document that starts at AIM 20722 is a separate document?
A. Yeah. One has nothing to do with the other.
Q. And that document beginning at 20722 is a copy of the monthly reports; correct?
A. It looks like something that IOA either manufactured or NES manufactured. It was nothing that AIM manufactured.
Q. Well, it's on IOA letterhead.
A. Okay.
Q. And Becky Duncan is the person who dealt with at --
A. Right. I don't know whether IOA produced it or whether it was a pass on that she just passed on

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what NES produced to her. I don't know.
Q. But this was directed to you, personally; correct?
A. Yeah, yes.
MS. BROCKINGTON: Let me just take a second and find an exhibit.
(Discussion ensued off the record.)
Q. (By Ms. Brockington) Now, as I understand it Exhibit 38 is the -- a copy of an escrow agreement that was prepared by you or someone at AIM?
A. Correct.
Q. And this is the escrow agreement that was never signed by NES that you don't have a signed copy of; correct?
A. Correct.
Q. If you would please flip to the attachments, Exhibit A, which is at 20867. Do you have any knowledge of these eligibility, the PEO qualification requirements, whether or not NES met any or all of these eligibility requirements?
A. No. I did not participate in that at all. Well, I participated in some of them.
Q. What did you participate in?
A. The applications.
Q. The applications listed at where, A, B, C?

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Can you –
A. A.
Q. A? Okay. And they submitted an Accord application form –
A. Mm-hmm.
Q. – NES did?
A. Mm-hmm.
Q. She needs a verbal response.
A. Yes.
Q. Anything else in here that you participated in?
A. G.
Q. Complete client list and payroll class code for each direct insurance company? What does that mean, "for each direct insurance company"?
A. Where they were previously insured.
Q. Anything else in Exhibit A?
A. I'm looking. I.
Q. Three years workers' comp insurance –
A. Yeah. This would have all been part of the submissions. So all the stuff that I'm giving you it would be part of the original insurance submission.
J, K. That would have been it.
Q. That would be it?
A. Mm-hmm.

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Q. She need you to give a verbal response, please?
A. Yes. I thought I did.
Q. So other than the ones that you've just identified you don't have any knowledge about the other items on Exhibit A?
A. I have no knowledge as to whether they did or did not do them.
(Plaintiff's Exhibit-62 was marked for identification.)
MS. BROCKINGTON: Let me hand you an exhibit marked Plaintiff's Exhibit 62, which is a fax cover sheet. First page is a fax cover sheet to Becky Duncan from Bruce Holley, dated 2/12/04. It's AIM numbers 20491 through 20500. Can you take a look at that please and then hand it back to me after your finished.
MS. MEEKS: What's the date?
MS. BROCKINGTON: 2/12/04.
MS. MEEKS: Thank you.
(Witness reviews document.)
MS. MEEKS: Isn't it already in the record?
MS. BROCKINGTON: It may be already in the record and I'm sorry if it is.
Q. (By Ms. Brockington) This document,

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Exhibit 62, indicates that these are new accounts that were -- coverage was bound on for NES customers; correct?
A. Yeah. Add-ons, yeah.
Q. And in each of the states listed on the first page as of 2/12/04?
A. Correct.
Q. And one of the states listed is North Carolina; correct?
A. Yes.
Q. When did you learn that you didn't have the ability to sell insurance in North Carolina?
A. I don't know. It was considerably after that, though.
Q. And how did you learn that? Let me strike that.
A. I don't recall how we learned. It was probably something from either Sioma or somebody in our office told me. I don't recall.
Q. Had you checked prior to 2/12/04 to determine that you were licensed or authorized to sell Realm in North Carolina?
A. Realm gave us a list of states that they were licensed in. North Carolina was on the list. Nobody every stopped it until considerably later.

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Q. And that would have been Mr. Sioma?
A. Well, I don't know who told me, but it would have definitely come down from him originally, yeah. We learned that there was a problem in North Carolina and we learned about it from inside, not from North Carolina itself.
THE WITNESS: This pain medication is not working.
MS. BROCKINGTON: If you need to take a break –
(Discussion ensued off the record.)
Q. (By Ms. Brockington) Your drugs aren't affecting your ability to testify?
A. Let me put it this way, I am heavily medicated.
Q. That's my question. Are you –
A. I have no idea how good I am.
Q. Are you having difficulty testifying truthfully as a result of the medications that you're taking today?
A. Probably not, no.
Q. Are you able to testify even with having taken the drugs that you've taken?
A. Yeah. I'm doing all right. It just hurts.
Q. If you would please take a look at Plaintiff's

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Exhibit 35.
A. That's 34. That's 35.
Q. This document has a column that's headed at the top "Remit with escrow agreement." Do you see that?
A. Mm-hmm, yes.
Q. If you go down into the third -- fourth block below that, you see total deposit?
A. Mm-hmm, yes.
Q. And given that amount $1,768,009 --
A. Correct.
Q. -- do you see that? NES did not make a deposit of $1,768,009; did it?
A. No.
Q. And NES deposited somewhere in the neighborhood of $70,000?
A. I have no knowledge.
Q. Why is the number different though? Why is it -- you said this number of one million --
A. The original submission by NES to us included all states with their writing business. The total premium for everybody was going to be four million and change. We sent this over to them. They decided not to do all the states. They only decided to do a select group of states. So, therefore, we went to submission

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number two, which was the 36, and the premium was only $947 -- $942,000. And that's what it was. So then you go back to their total deposit with the escrow agreement should have been only 414,000 not a million seven.
Q. But they didn't deposit 414,000?
A. I don't know what they deposited.
Q. And who would know that?
A. Finance department. Brian.
(Plaintiff's Exhibit-63 was marked for identification.)
MS. BROCKINGTON: If you would, please, take a look at Plaintiff's Exhibit 63, which is a fax from you to Becky Duncan dated 4/2/04. I believe it's probably already an exhibit, but I just couldn't flip to it. If you would, please, take a look at that.
(Witness reviews document.)
Q. (By Ms. Brockington) There's a name/number at the bottom.
A. That's an IOA number.
Q. IOA number?
A. There's no AIM number on the bottom of this.
Q. You're correct. It's an IOA number, 7270. Am I correct, Mr. Holley, that you are still adding new

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accounts to NES as late as April 4th, 2004?
A. Correct.
Q. During the course of your years in the insurance business you're familiar generally with the responsibilities of a broker?
A. Yes.
Q. And am I correct that it is a broker's responsibility to make sure that the broker has authority to sign certificates of insurance before he or she does so?
A. Yes.
Q. And you would agree that it is reasonable for a customer to rely on a broker's certificate of insurance?
A. It is reasonable, yes.
Q. It is also the responsibility of a broker to verify that an insurance company is authorized to issue insurance in a state before binding coverage; correct?
A. Correct.
Q. And that is true of an agent also, that it is their responsibility?
A. I don't know. I don't have an answer to that question. It's -- generally speaking, a local agent would just rely upon what he's been told. It's not their responsibility to check behind them.

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Q. You would agree that it is reasonable for a customer to rely on a broker to verify that an insurance carrier is authorized to do business in a state where they are seeking coverage; correct?
A. I mean, I guess theoretically that's correct. Yeah. Reality is a little bit different but theoretically.
MS. BROCKINGTON: I don't have anymore questions at this time.
EXAMINATION
BY-MS.MEEKS:
Q. Mr. Holley, I'm Jo Meeks. I represent IOA and Marty Jones. And I have a few follow-up questions with a few follow-up documents that I'm going to try to move through as quickly as I can.
A. Do you want me to come down there?
MS. MEEKS: No. You're fine. The court reporter needs --
MR. COBURN: It's more important that you speak up.
MS. MEEKS: -- for you and I to speak up.
Q. (By Ms. Meeks) You mentioned that Crawford & Company had been hired as a claim's administrator; is that correct?
A. They were hired by Realm as claims adjustors.

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I'm not sure what you mean by administrators.
Q. Did AIM have any role in hiring Crawford & Company as claims adjustor at any point in time?
A. We recommended them.
Q. Did AIM enter into a contract with Crawford & Company to be a claims adjustor on the workers' compensation coverage issued through Realm?
A. Yeah. There was a contract with AIM and Crawford, yes.
MR. COBURN: Was Realm a part of them?
THE WITNESS: Yeah.
MR. COBURN: A signed party?
THE WITNESS: I don't know.
Q. (By Ms. Brockington) So the contract between Crawford & Company -- so the contract with Crawford & Company was between AIM and Crawford & Company?
A. Yeah. At the direction of Realm, yes.
Q. So AIM was obligated to pay Crawford & Company fees that it charged for adjusting the workers' compensation claims?
A. I'm not sure if that's in the contract or not. I don't recall whether that aspect was in the contract. It probably was, but I don't recall.
MS. MEEKS: Let me ask you to look at what we will mark as Exhibit 62?

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THE REPORTER: 64.
MS. MEEKS: I'm sorry, 64.
(Defendant's Exhibit-was marked for identification.)
(Witness reviews document.)
Q. (By Ms. Meeks) Can you identify that as a copy of the contract between Crawford & Company and AIM?
A. No.
Q. Who would be able to identify that contract?
A. I mean, it's addressed to Brian. I've never seen that before.
Q. At your first session of your deposition you identified the agency agreement between Realm and Atlanta Insurance Marketing, Inc.; is that correct?
A. Yes.
Q. And that's shown as Exhibit 4 to your deposition?
A. I'm assuming you're correct. Let me look. Yes.
MS. MEEKS: Let me show you what I'll ask the court reporter to mark as Exhibit 65.
(Defendant's Exhibit-65 was marked for identification.)
(Witness reviews document.)
Q. (By Ms. Meeks) For the record, this is AIM

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document 00295 through 00311. It's a document that's entitled, "Managing general agency agreement," dated August 1, 2002 between Realm and American Insurance Managers, Inc. Have you seen this document before, Mr. Holley?
A. No. I've heard that there was such a document, but I've never seen it.
Q. Do you know if this agreement that's shown in Exhibit 65 was ever signed by either Realm or American Insurance Managers, Inc.?
A. My understanding, hearsay, is that it was not.
Q. And where did you get your understanding?
A. Because they decided not to do a managing general agency agreement. They decided to do an agency agreement. And so this one was mute and then we started this one.
Q. Now, this is dated August 1, 2002.
A. Okay.
Q. You came onto AIM in --
A. Like October.
Q. Okay, in October 2002. Was AIM's business conducted in accordance with this agreement at the time you joined AIM?
A. No. Because this didn't go into effect.
Q. Did you or were you in August -- in October of

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2002, were you authorized to receive premiums due to the company for policies and contracts written for insurance?
A. Yes. But it didn't have anything to do with this agreement.
Q. That is one of the -- one of the things that the agent is authorized to do under this agreement in Subpart C on page 2; correct?
A. I'm sure. It's also in every agreement.
Q. Was that the agreement in the agency agreement that's shown in --
A. I mean, I'd have to go back and look.
Q. -- Exhibit 4? Or should I ask: Do you know if it is?
A. I mean, I would have to read the whole thing over again. I have not read it in a long, long, long time, so I do not recall if it's in there or not.
Q. Is it fair to say that as of May the 1st, 2003, that premiums were being paid to and AIM was accepting premium payments for coverage to be issued by Realm?
A. Financial question; you'll have to get with Brian on that one. I don't have any way of knowing whether that was taken as premium, taken as capital, taken as fees, taken as claims fees. I mean, I just

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don't know.
Q. My question is: To your knowledge as the person that calculated the premium on the underwriting side of the business, to your knowledge did your business accept premium payments from the insured to be remitted to the carrier?
A. Again, you'd have to ask Brian. I'm not sure what they were accepting premiums as or whether they were accepting fees, capital, claims fees at that point in time.
Q. I'm not asking you --
A. No, I understand. I don't know.
Q. You don't know if your company was accepting premiums, premium payments?
A. I don't know whether they were accepting money and I don't know how they were booking that money.
Q. Your testimony is you don't know if the clients to whom you quoted or prepared a quote ever paid any premium pursuant to that quote to AIM?
A. No.
Q. Would you have inquired as to the status of an insured's payment of premiums before adding additional insureds under a PEO workers' compensation policy?
A. No.
Q. You would not?

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A. No.
MR. COBURN: Can you just hold for a second?
MS. MEEKS: Sure.
(Discussion ensued off the record.)
(Whereupon, a break was taken from 12:54 p.m. to 1:10 p.m.)
Q. (By Ms. Meeks) Mr. Holley, we were discussing Exhibit 65, which is an unsigned managing general agency agreement dated August 1st, 2002. Did you ever have any discussions with Marty Jones about NES about AIM being a managing general agent for any carrier?
A. I do not recall.
Q. When did you first meet Marty Jones?
A. It would have been -- he brought us that other account, Accelerate, and it would have been then. I don't remember when that was. I don't remember what dates that would have been.
Q. Your recollection is that Marty Jones brought Accelerate to AIM?
A. Correct.
Q. And what's your recollection as to when you first met Marty Jones?
(Knock on door.)
MR. COBURN: Come in.
(Discussion ensued off the record.)

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THE WITNESS: I don't remember when. It would have been late '02, early '03.
Q. (By Ms. Meeks) And did you have any discussions with him about AIM's ability to bind coverage for Realm?
A. No. I don't think so.
Q. Were you in any meeting in which that topic was discussed with Mr. Jones?
A. I honestly don't recall. There were lots of meetings. They were lots of people, lots of meetings, and I don't remember subject matters or when any of that took place.
Q. So you cannot recall one way or the other?
A. No. I cannot.
MS. MEEKS: Let me show you a document we'll mark Exhibit 66.
(Defendant's Exhibit-66 was marked for identification.)
Q. (By Ms. Meeks) For the record, this is a document that was prepared in a lawsuit, Realm versus AIM. It's the affidavit of Bruce Holley. It appears to be dated on or about January 9, 2003.
Is that your signature on the last page of Exhibit 66?
A. Yes.

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Q. To your knowledge are the facts that are recited in Exhibit 66 true to the best of your knowledge as of January 9, 2003?
A. Yes.
Q. On page -- the last page AIM 004115, or the last two pages, actually, Mr. Holley, you are describing a meeting that you were present at on or about November 22nd, 2002; is that correct?
A. Yes.
Q. And if I could direct you to the last sentence of the paragraph, is it true that Mr. Sioma stated in your presence that AIM was an agent of Realm with the authority to bind business on Realm's behalf?
A. Yes.
Q. And is it true that --
A. Well, it's true that he bound it.
Q. Okay. My question is: Is it true that Mr. Sioma stated to reinsurers in your presence that AIM was an agent of Realm with authority to bind business on Realm's behalf?
A. Correct.
Q. And is it true that Mr. Sioma affirmed or stated in your presence that that agreement would remain in place both prior to and subsequent to AIM's purchase of Realm?

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A. Where are you reading from?
Q. I'm reading the last sentence on the last page of your affidavit?
A. Yes, okay. That is true, yes.
(Defendant's Exhibit-67 was marked for identification.)
Q. (By Ms. Meeks) Would you review Exhibit 67 please? This is an E-mail addressed to you from Brian Imperiale, February 4, 2003?
A. Yes.
Q. In this E-mail Mr. Imperiale is telling you and others that under no circumstances can Realm issue certificates of insurance -- that Realm's certificates of insurance can be issued by AIM or any sub-agent under the PEO program?
A. That's what it says, yes.
Q. Do you recall receiving this E-mail?
A. I mean, this was a heavy item of discussion. I don't know whether I recall seeing the E-mail or just that it was --
Q. You recall it being a topic of discussion --
A. Yes.
Q. -- about this point in time?
A. Yes.
Q. Why was Mr. Imperiale, the CFO, concerned

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about the issuance of certificates of insurance?
A. I can't answer that. I don't know.
Q. Was that subject matter within his area of responsibility as CFO?
A. Not really. He may have taken it upon himself to do that.
Q. He goes on to state that this ban will be lifted when the acquisition and agency agreements are executed, hopefully this week. Was the ban lifted?
A. Not to my knowledge, no.
Q. What steps did you take, if any, to communicate the substance of this E-mail to the broker's with whom AIM did business?
A. I don't know what steps were taken. I don't recall.
Q. Did you take any steps?
A. I don't recall.
Q. Did you take any steps to communicate the substance of this E-mail to Marty Jones?
A. It was discussed with Marty. I don't remember when.
Q. Was it discussed in February of 2003?
A. I'll repeat it: It was discussed with Marty. I do not recall when.
Q. So it could have been after that point in

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time?
A. Or it could have been before that point in time.
Q. You just don't know one way or the other?
A. We stopped issuing certificates from our office like in January maybe late December, early January. And I don't recall when it was discussed with Marty, but it was at some point in time. I just don't know when it was.
Q. So you don't know if it was discussed with Marty before May the 10th, 2003, or not?
A. No. I don't remember when.
Q. Okay. In your experience with the PEO program, is it your experience that the client companies of the PEOs need certificates in order to be hired for jobs or projects?
A. That's fairly standard, yes.
Q. So in your view wouldn't this be an important piece of information to communicate to a sub-producer?
A. Yes.
Q. You say you discussed this with Marty Jones at some point, but you don't know when. Do you know if anyone at AIM took steps to communicate this, the substance of this E-mail, with Marty Jones or anyone at IOA?

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A. No. I don't know.
MS. MEEKS: I'll show you what we'll mark as Exhibit 68, please.
(Defendant's Exhibit-68 was marked for identification.)
Q. (By Ms. Meeks) For the record this is an E-mail with an attachment, AIM 010099 through 010102. And the E-mail is from Roni Zinnert to Bruce Holley and others.
Mr. Holley, I think you had previously testified that Roni Zinnert was on staff at Realm?
A. Correct.
Q. Isn't that right? Now, the substance of this -- this E-mail was sent April 29th, 2003. After reviewing this E-mail, what is your recollection as to the status of the relationship between AIM and Realm as of April 29th, 2003?
A. Probably the same status it was there before that and after that, too. I mean, it was literally going to close at any moment and everybody was waiting for the final agreements and the closing date.
Q. This E-mail has attached with it a proposed agenda for a meeting; is that right?
A. Yes.
Q. Now, is this a meeting that has already taken

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place or a meeting that is to take place?
A. The meeting was May 1, not April 1.
Q. Okay.
A. And we laughed about that when she sent this out.
Q. Was that a meeting in Atlanta?
A. Yes.
Q. Did you attend that meeting?
A. I did part of it. I was there for the part that involved me.
Q. What was the purpose of the meeting so far as you know?
A. Realm was getting together with all of the people that we had recommended to do various part of the program, i.e., they met with Karen De La Carti to talk about the audits, they met with loss control and engineering people, they met with Crawford, they met with computer people, they met with whoever. That was purpose of the meeting, was to gather the Realm people together with all the people that were going to be involved in the program.
Q. And was all of these steps in furtherance of the closing on the stock purchase agreement?
A. Yes.
Q. At that point in time did you personally have

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any reservations as to whether or not the stop purchase agreement would close?
A. No. I had no reservations whatsoever.
Q. You had no reservations --
A. I was positive it was going to close.
Q. And did this meeting confirm your --
A. It further enhanced that feeling, yes.
Q. Was -- strike that.
Did you tell Marty Jones that you were meeting with the Realm people in May 1?
A. I don't know.
Q. Let me direct your attention in Exhibit 68 to page 3 of that exhibit, which is AIM 010101. About in the middle of the page there is a bolded paragraph that says, states, where Realm not licensed or authorized. Do you see that?
A. Mm-hmm.
Q. And underneath it lists North Carolina, Pennsylvania and other states' issues. Do you see that?
A. Mm-hmm, yes.
Q. Under the North Carolina it says, "What is the plan." Do you remember discussing the issue of Realm's licensing on May 1, 2003, with the representatives of Realm?

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A. Yeah, definitely. We spoke with Mark Sioma about it and he was going to go to North Carolina and get it straight.
Q. Do you know if he took steps to do that?
A. According to his E-mails he did, but I don't know what the end result was at all.
Q. Did you hold up underwriting any PEO clients in North Carolina after May -- after the May 1, 2003 meeting?
A. I do not recall.
Q. You, in fact, continued to transmit quotes on that business -- on business in North Carolina after May 1, 2003?
A. We already had business in North Carolina.
Q. Before May 1, 2003, you had quoted coverage in North Carolina --
A. Correct.
Q. -- on behalf of Realm; right?
A. Correct.
Q. Did you at any time advise Marty Jones or Becky Duncan that Realm was not authorized to issue workers' comp coverage in North Carolina but was working on it?
A. I don't recall whether I did or did not.
MS. MEEKS: Let me show you Exhibit 69,

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please.
(Defendant's Exhibit-69 was marked for identification.)
Q. (By Ms. Meeks) That is letter from the North Carolina Department of Insurance to Mark Sioma dated December 29, 2003. Have you ever seen this letter before --
A. No.
Q. -- Mr. Holley? You have not?
A. No.
Q. Do you know if North Carolina ever refused to cooperate with Realm in authorizing or in allowing Realm to be authorized in North Carolina?
A. I never had a conversation with North Carolina Department of Insurance.
Q. Did you ever discuss it with Mark Sioma?
A. He discussed it with me, yes.
Q. And what did he tell you about --
A. He said he was going to North Carolina and he was going to get it straight.
Q. Did you discuss it with Mr. Sioma after May 1, 2003?
A. I don't know.
Q. You don't know one way or the other?
A. No. I don't remember what dates I discussed

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it with him. I have no recollection about when that was.
Q. I guess, I'm trying to focus in on after Mr. Sioma says he would go to North Carolina and get it straight, straighten it out. Did you have discussions with him after then to find out if he had gotten it straightened out?
A. I got E-mails from him that he was talking to them. And that's probably the end of it. I don't remember actually carrying on a conversation about that after that.
Q. Did you produce those E-mails in this litigation?
A. I hope so.
Q. If there are no E-mails does that mean -- if there are no hard copies of E-mails, does this mean that those E-mails have not been recovered?
A. I thought they were part of this. I mean, I can -- I don't know where they would be.
Q. Based on your recollection of those E-mails was Mr. Sioma taking steps at accomplishing his goal in North Carolina?
A. He seemed to be very positive about it, yes. But I don't remember if that was before or after May 1. That's what I'm trying -- I don't know exactly when all

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that was.
Q. I would assume it was not enough to raise your concern such that you would absolutely stop quoting --
A. Correct.
Q. -- in North Carolina?
A. Correct.
Q. Because if you had had the concern that it was not going to be straightened out you would not have quoted --
A. That is correct.
Q. -- or transmitted quotes on North Carolina coverage; correct?
A. That's correct.
MS. MEEKS: We'll mark this Exhibit 70, please.
(Defendant's Exhibit-70 was marked for identification.)
Q. (By Ms. Meeks) Exhibit 70 is a document with the caption National Employment Solutions at the top and it's an AIM document 20738. Mr. Holley, is this a form of document that you prepared?
A. Yes.
Q. What does this document purport to show?
A. It's a listing of the clients that were approved for NES, their manual premium, mod, if any,

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discounts, credits, total premium.
Q. Now, can you tell based on a review of the document whether or not this was prepared before any underwriting was done on the files?
A. No, it would have been done after.
Q. If you would, would you please refer to Exhibit 36 and 37 in the books, please. Does the amount of the premium that's shown on Exhibit 70 tie to the amount of the premium that's shown on the nonbinding indication in Exhibits 36 and 37?
A. Yes. And it should, yes.
Q. Was Exhibit 70 prepared by you in furtherance of preparing a quotation for NES' coverage by Realm?
A. Yeah. It's a moving document. It's a liquid document. It continually changes.
Q. But is this the document that formed the basis of the initial quote?
A. No.
Q. Is this the document that formed the basis of the quote for NES' clients in those states that they wished or desired to have coverage?
A. There's another document that this was made from and that's the one that we primarily used for the total premium. And then it was just regurgitated on this form just so that they had a listing.

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Q. But certainly Exhibit 70 was part of the process of preparing the quote?
A. Certainly.
(Defendant's Exhibit-71 was marked for identification.)
Q. (By Ms. Meeks) Exhibit 71, an E-mail from you to Roni Zinnert dated May 22nd, 2003, AIM document 01009495. Was Roni Zinnert one of the Realm representatives that reviewed underwriting files?
A. Yes.
Q. And at this point in time, May 22nd, 2003, was the purpose of this E-mail to coordinate with you about her or the Realm team coming to Atlanta to review underwriting files?
A. One of them, yes.
Q. Now, based on a review of this E-mail do you know or can you tell me if she was referring to reviewing underwriting information for NES at this point in time?
A. I don't see her mention it, no.
Q. Would NES have been included for one of the existing PEOs that she makes reference to?
A. No. NES was not.
Q. How do you know that?
A. Because I know who the original eight were and

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NES was not included.
Q. So do you know if NES' underwriting had been – or NES' applications and loss reports and underwriting information been reviewed by Realm as of May 22nd, 2003?
A. Again, I do not know the dates, but the date that they reviewed them is in an E-mail somewhere, so if you just compare those two dates. I don't remember exactly when they'd did NES, but it was somewhere in this area.
Q. Now, if NES had paid you a premium before the date of that E-mail NES would have expected to be covered in the interim period between the date they paid their premium and the date that AIM accepted their premium and the time that Realm reviewed the underwriting files; correct?
A. Correct.
MS. MEEKS: I'm not going to make these exhibits because they are too bulky. I just want to show them to you and I'll describe them for the record. These are – appear to be fax transmittal sheets dated September 16, 2003; September 18, 2003; September 23rd, 2003; addressed to all PEOs from Bruce Holley. And they bear Bates stamps of IOA 0219, IOA 0212 and 334, which is an NES

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number.
THE WITNESS: Okay.
MS. BROCKINGTON: What's the date on the first one of those?
MS. MEEKS: September 16, 2003.
THE WITNESS: September 16, September 18 and the third one is September 23rd.
MS. BROCKINGTON: Okay.
Q. (By Ms. Meeks) Mr. Holley, what was your point in sending -- or what were you trying to do? Why did you send these faxes to the PEOs?
A. Just like it says on the subject line, an update on the AIM transaction with Realm.
Q. And what were you updating them on? What development was occurring --
A. Whatever was attached in this – in the first one was a copy of the complaint filed in Delaware.
Q. By --
A. AIM.
Q. Against Realm?
A. Against Stirling Cooke. Anything else before I put it down?
Q. And this is September 18th.
A. This is September 18th. And this is attaching notice of dismissal on one of the cases. This is

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dismissing their case against us, Realm's case against AIM. And the September 23rd, it's just more information on the Delaware case when we were filing for strict performance and for our stock.
Q. Why did you think it was important that the PEOs have that information?
A. To keep them up to date on what was going on because they all knew there was problems, so I tried to keep them up to date on what was happening.
Q. Did you receive any calls from any of the PEOs after sending those faxes out?
A. Did I? Probably not.
Q. Do you recall if you received any kind of communication from Mr. Cates at NES?
A. Probably not. A lot of them – I mean, there were when calls -- when Kip Becker was alive he was receiving phone calls as a result of this. But I didn't that I can recall, anyway.
Q. Was he alive in 2003 and 2004? It's just the best of your recollection.
MR. COBURN: Why don't we go off the record for a second?
(Discussion ensued off the record.)
Q. (By Ms. Meeks) So, Mr. Holley, do you have any recollection as to how long Mr. Becker was alive?

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A. Well, apparently he passed away in April of '04, so it would have been -- I mean, he was working on this up to virtually the day he died.
MS. MEEKS: Can I get this marked, please?
(Defendant's Exhibit-72 was marked for identification.)
Q. (By Ms. Meeks) Who is Becky Dennett-Smith?
A. She was a temporary help that we had --
Q. Did she work for you?
A. No.
Q. Did she work for anyone in particular --
A. No.
Q. -- at AIM?
A. We had four or five temps that came in and she was just one of them. And they did various things. Some worked in claims. Some works in --
Q. I presume she was related to Mr. David Dennett-Smith?
A. I believe she is.
Q. Do you know how?
A. I believe it's his wife.
Q. Now, this is an E-mail from her to Marty Jones dated August 11, 2003; correct?
A. Correct.
Q. And in this E-mail she appears to be asking

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for signed copies of the escrow agreement, the confidentiality agreement and other agreements. Do you recall discussing that with her?
A. No. But I do believe that this is when I first was told that there wasn't one.
Q. And what did you do in response to that information?
A. That's when I sent the E-mail to Marty with another copy, but apparently she had done it, as well.
Q. You sent an E-mail to Marty?
A. Certainly.
Q. And did you follow up with that?
A. It was -- that's when -- well, yeah, Marty and I talked about it. I didn't write again to him. We had discussed it. And he was -- you know, in the process he was going to have a meeting with them and yada, yada, yada. So it just was a matter I was trusting him to comply with it. And that's when everything really broke bad and it really never came back up again.
Q. When you say that's when everything broke bad what do you mean?
A. With Realm. The agreements with Realm and everything and the bankruptcy and all of the additional litigation stuff and so it took a lot of my

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concentration away from it.
Q. So you never went back to Marty Jones to follow up a second time?
A. That was probably the third time. But as far as after that time, the one where, you know, that I had the E-mail to him, it was all verbal.
Q. At the time you were discussing with Marty Jones the status of the escrow agreement did you have discussions with him about whether or not NES was continuing to pay their monthly premium?
A. No. I would not have had conversation with him.
Q. Who in AIM was assigned to contact the PEOs, if any, when a PEO discontinued paying their monthly or did not make a monthly premium?
A. I mean, that would have been in the finance department which would have been Brian Imperiale.
Q. And were you aware of any additional steps or any steps AIM was taking in the event that a PEO did not make a monthly premium payment to either encourage the PEO to make the monthly premium payment or to discontinue coverage?
A. I mean, at that point they were told to put their money with their attorneys because -- until we could figure out what was going to happen. And, again,

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that was all his. And I don't know.
Q. And that period of time was AIM -- was AIM representing to the PEOs that if they escrow their money with their attorneys that their coverage would continue?
A. They were all aware that there was a coverage issue. The coverage was in dispute. And the reason that we told them to do what they did is because coverage was in dispute. And if, in fact, the closing went down and it went down correctly, coverage was going to be issued backdated to the original date and their monies was going to be due immediately so their capital their premiums and their fees.
Q. Do you recall ever having any discussions with Ron Cates of NES about that?
A. I don't recall it, no.
(Defendant's Exhibit-73 was marked for identification.)
Q. (By Ms. Meeks) 73 is an E-mail from Bruce Holley to Becky Duncan, dated August 28th, 2003, and it's an AIM document 20753 and 754.
Mr. Holley, this E-mail discusses coverage on four accounts; is that right?
A. Okay, yes.
Q. And these are four NES client accounts?

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A. So it says, yes.
Q. In your E-mail to Becky Duncan which starts at the bottom of page 1 of the exhibit, you state that coverage had been denied on the four client accounts due to loss ratios. When you say coverage had been denied, who had denied the coverage?
A. Well, it did not meet the underwriting guidelines, so this would not even have been submitted to Realm for approval.
Q. So you denied it?
A. Correct.
Q. Because you had the authority to do a front-line review --
A. It did not meet the guidelines.
Q. Now, your E-mail goes on to say, "I have decided to accept these accounts with an inception date of 4/30/03." Do you see that?
A. Mm-hmm.
Q. What does that mean?
A. You know, I don't recall. Apparently it was something to do with a claim.
Q. Were you backdating the coverage?
A. Were they on the original list? I don't even know.
Q. Otherwise, what is the explanation for the

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sentence, "I have decided to accept these accounts with an inception date of 4/30/03"?
A. To accept the five known claims. No. I do not recall this at all, so I really have no -- other than what it says.
Q. Is it fair to say that a plain reading of this E-mail would suggest that you had agreed to cover those four entities from 4/30/03 until the expiration date that you listed in the E-mail?
A. That's what it says. I don't recall what generated this, but, obviously, something did. It's not on the original list. Don't know.
(Defendant's Exhibit-74 was marked for identification.)
Q. (By Ms. Meeks) Exhibit 74 is a four-page document bearing Bates numbers AIM 21141321144. Have you seen these pages before, Mr. Holley, or did you prepare these pages?
A. I did not prepare it. And I don't believe I've ever seen this. I've seen similar stuff but not exactly these.
Q. Do you know what ITD stands for that precedes May 31, 2004?
A. No. I have no idea. No, I don't know.
Q. You have previously identified in Holley

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Exhibit 60, which is the first exhibit Ms. Brockington showed you today --
A. 60?
Q. 60. Yes, sir. A letter dated September 21, 2005?
A. Oh, okay.
Q. What was your affiliation with AIM as of September 21, 2005?
A. Probably the same it is now. I'm just there.
Q. And what is that?
A. I don't know what my affiliation is.
Q. Who asked you to sign this letter?
A. Probably one of the attorneys.
Q. Who?
A. I don't know. We had so many attorneys working on so many things.
Q. Is there a reason you signed this letter instead of Mr. Dennett-Smith?
A. I don't recall what the reasoning was except that most of them knew me. I was a familiar name to them.
Q. Now, did you have any input in preparing proposed orders that went out after this letter to the PEOs?
A. I sent a memo out to everybody that attached

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proposed orders from the attorneys. Is that what you're talking about? Because I don't know what you're talking about.
MS. MEEKS: Well, let me show you -- and I only have one copy of this. I apologize. Can we mark this, please, exhibit 75.
(Defendant's Exhibit-75 was marked for identification.)
Q. (By Ms. Meeks) Would you describe for the record and for Ms. Brockington what that document is, Mr. Holley?
A. This was an order that we were supposedly sending to the Court for each PEO --
Q. That was in the adversary proceeding in the New York bankruptcy action?
A. I believe so. And it was showing the amounts paid and billed and how much was still owed, if any, on each of the various PEOs that were involved in the program.
Q. And does --
A. Do you want this back?
Q. No.
Does Exhibit 75 specifically address amounts billed and paid by NES?
A. That's what it says, yes.

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Q. Did you have any input in preparing the numbers or in furnishing information that went into that proposed order?
A. I took the information from the building records that Brian had prepared because he was no longer around, so I just took his stuff and filled it in.
Q. And what records did you use in preparing Exhibit No. 75?
A. The billing records that has previously been given to you.
Q. I want to make sure I know what those -- what exhibit -- has it been made an exhibit in your prior deposition?
A. Probably, yes. We talked about it five times, maybe more.
MS. BROCKINGTON: Well, it would be in those books.
THE WITNESS: Yeah.
Q. (By Ms. Meeks) So you had to familiarize yourself with the billing records in order to prepare Exhibit 75?
A. Yes. I would have reviewed what he had done, yes.
Q. Would you look at Exhibit 40, please? And

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it's page AIM 0332.
A. Yes. That's what I'm referring to.
Q. That is the document you used --
A. It's one of these, yeah, but it's this format.
Q. How about Exhibit 41?
A. No. I didn't use that one. I used the other one.
Q. How did you reconcile the difference in information on the amount of the premium and the amount of the capital payments shown for NES between Exhibits 40 and 41?
A. I'm not sure I did. First, you've got find NES. Here is it. Are they the same numbers? Did you look?
Q. I think not.
A. Hopefully, I did it right. There's probably a later NES billing record that I may have had.
Q. Later that than --
A. This one is dated January of '04.
Q. That's Exhibit 40?
A. Correct.
MS. BROCKINGTON: Could you clarify what page he's looking at when he says --
THE WITNESS: I'm in section 40.
MS. MEEKS: And what's the Bates label number

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on the --
THE WITNESS: AIM 0332. And I'm reading upside down.
MS. MEEKS: Yeah. That's what I -- I think I previously said that.
MS. BROCKINGTON: Thank you.
Q. (By Ms. Meeks) So your recollection, Mr. Holley, is that you may have had access to a document that was in a similar form to Exhibit 40, this page in Exhibit 40, but that was dated later than January 30, 2004?
A. Yeah. Because the numbers are different. So I obviously had something else that I referred to to create this other document.
Q. Do you have in your possession the document that you used to derive the numbers in Exhibit 75?
A. No.
MS. MEEKS: Just bear with me and I'll wrap it up.
Q. (By Ms. Meeks) Is it your testimony that in or about February or March 2003 that Realm refused to accept premium payments from --
A. It was somewhere in that area, yeah. It would have been 90 days after we wrote our first policy.
Q. Did you tell Marty Jones that Realm had

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refused to accept your premium payments?
A. Probably.
Q. When did you tell him that?
A. Well, it would have been on the original case, which would have been the Accelerate. We would have had a discussion about that, yeah.
Q. Why did you continue to write coverage if you knew Realm was not going to accept the premium payments?
A. Because we were going to close at any moment and everything was going to be wonderful. I hate to keep saying that, but you have to understand that's exactly what the situation was. We excepted it to close every single week.
Q. And that's what you were telling Mr. Jones?
A. Absolutely.
Q. And that's what you were telling the PEOs?
A. Absolutely.
MS. MEEKS: I don't have any further questions. Thank you.
MS. BROCKINGTON: I have one quick question.
FURTHER EXAMINATION
BY-MS.BROCKINGTON:
Q. Exhibit 75, when did you provide the information that is indicated in here about premiums

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billed, paid and owed?
A. When did this go out?
Q. When was that document prepared?
A. Is it dated?
Q. If you would look at it and see if you can tell me when it was prepared.
A. Excuse me, for a second.
MR. COBURN: I'm sorry, what was the question?
THE WITNESS: When was this done?
MR. COBURN: I couldn't tell you.
Q. (By Ms. Brockington) You don't know when that document was prepared?
A. The given date on here is blank day of blank 2005.
Q. So does that indicate --
MR. COBURN: We had so much fun I can't remember.
THE WITNESS: I know it.
Q. (By Ms. Brockington) Does that indicate to you the approximate time that that document was prepared?
A. No. Sometime in 2005. I just don't remember.
MS. BROCKINGTON: Give me just a minute and I may be finished.
MR. COBURN: Sure.
(Discussion ensued off the record.)

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MS. BROCKINGTON: I don't have anything.
(Whereupon, the deposition concluded at 2:15 p.m.)

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DESCRIPTION OF EXHIBITS
EXHIBIT IDENTIFICATION
60 Letter to PEOs from Mr. Holley, 9/21/05
61 Fax to Ms. Duncan from Mr. Holley, 8/6/03
62 Fax to Ms. Duncan from Mr. Holley, 2/12/04
63 Fax to Ms. Duncan from Mr. Holley, 4/2/04

PLAINTIFF'S EXHIBITS
64 AIM/Crawford & Co. WC Program
65 AIM/Realm MGA Agreements
66 Affidavit of Bruce E. Holley
67 Memo to Mr. Holley and others from Mr. Imperiale, 2/4/03
68 E-mail to Mr. Holley and others from Mr. Zinnert, 4/29/03
69 Letter to Mr. Sioma from Mr. Powell, 9 /29/03
70 National Employment Solutions
71 E-mail to Mr. Holley from Mr. Zinnert, 5/22/03
72 E-mail to Mr. Jones from Mr. Dennett-Smith, 8/11/03

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DESCRIPTION OF EXHIBITS (Continued)
PLAINTIFF'S EXHIBITS
EXHIBIT IDENTIFICATION
73 E-mail to Mr. Holley from Ms. Duncan, 8/28/03
74 AIM/PEO Cash Disbursement Summary ITD 5/31/04
75 Order Recognizing Coverage and To Pay Premium, Fees and Capital

(Original exhibits attached to original transcript.)

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STATE OF GEORGIA:
COUNTY OF FULTON:

I hereby certify that the foregoing transcript was reported, as stated in the caption, and the questions and answers thereto were reduced to typewriting under my direction; that the foregoing pages represent a true, complete, and correct transcript of the evidence given upon said hearing, and I further certify that I am not of kin or counsel to the parties in the case; am not in the employ of counsel for any of said parties; nor am I in any way interested in the result of said case.

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Disclosure Pursuant to Article 8(B) of the Rules and Regulations of the Board of Court Reporting of the Judicial Council of Georgia, I make the following disclosure:

I am a Georgia Certified Court Reporter, here as a representative of Alexander Gallo & Associates, L.L.C., to report the foregoing matter. Alexander Gallo & Associates, L.L.C., is not taking this deposition under any contract that is prohibited by O.C.G.A. 5-14-37 (a) and (b).

Alexander Gallo & Associates, L.L.C., will be charging its usual and customary rates for this transcript.

MARSI KOEHL, CCR-B-2424

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CAPTION

The Deposition of BRUCE E. HOLLEY, taken in the matter, on the date, and at the time and place set out on the title page hereof.

It was requested that the deposition be taken by the reporter and that same be reduced to typewritten form.

It was agreed by and between counsel and the parties that the Deponent will read and sign the transcript of said deposition.

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CERTIFICATE

STATE OF :

COUNTY/CITY OF :

Before me, this day, personally appeared, BRUCE E. HOLLEY, who, being duly sworn, states that the foregoing transcript of his/her Deposition, taken in the matter, on the date, and at the time and place set out on the title page hereof, constitutes a true and accurate transcript of said deposition.

_____

BRUCE E. HOLLEY

SUBSCRIBED and SWORN to before me this _____day of_____, 2006 in the jurisdiction aforesaid.

_____ _____

My Commission Expires Notary Public

If no changes need to be made on the following two pages, place a check here ____, and return only this signed page.

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DEPOSITION ERRATA SHEET

RE: Alexander Gallo & Associates, L.L.C.

File No. 14569

Case Caption: NATIONAL EMPLOYER SOLUTIONS, INC. vs. REALM NATIONAL INSURANCE COMPANY, et al.

Deponent: BRUCE E. HOLLEY

Deposition Date: August 3, 2006

To the Reporter:

I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated I have signed my name to the Errata Sheet and the appropriate Certificate and authorize you to attach both to the original transcript.

Page No.____Line No.____Change to:_____

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Reason for change:_____

Page No.____Line No.____Change to:_____

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Reason for change:_____

Page No.____Line No.____Change to:_____

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Reason for change:_____

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Deposition of BRUCE E. HOLLEY

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Reason for change:_____

SIGNATURE:_____DATE:_____

BRUCE E. HOLLEY

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IN THE STATE COURT OF FULTON COUNTY
STATE OF GEORGIA

NATIONAL EMPLOYER SOLUTIONS, INC.,
Plaintiff,
vs. CIVIL ACTION FILE NO. 04VS074668A

REALM NATIONAL INSURANCE COMPANY, AMERICAN INSURANCE MANAGERS, INC., AMERICAN INSURANCE MANAGEMENT GROUP, INC., ATLANTA INSURANCE MARKETING, INC., INSURANCE OFFICE OF AMERICA, INC., BRUCE EVERETT HOLLEY, and MARTIN JONES,
Defendants.

DEPOSITION OF

BRIAN WILLIAM IMPERIALE

November 9, 2006
10:17 a.m.

2000 The Proscenium
1170 Peachtree Street, N.E.
Atlanta, Georgia

Anthony D. Lorenz, RMR-RDR, CRR; CCR-B-2022

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Also Present:
Robin L. Karp, Attorney At Law
Lori Rives Kinney, CPA

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Deposition of Brian William Imperiale
November 9, 2006

MS. BROCKINGTON: Would you please swear the witness?

BRIAN WILLIAM IMPERIALE, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY-MS.BROCKINGTON:

Q. Could you please state your full name for the record?

A. Brian William Imperiale.

MS. BROCKINGTON: I guess I need to do the stipulations.

This will be the deposition of Brian William Imperiale, taken by the plaintiff on cross-examination, for purposes of discovery and all other purposes allowed under the Georgia Civil Practice Act.

All objections, except those going to the form of the question and the responsiveness of the answer are reserved until the time of the trial or other use of this deposition.

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Is that agreeable with everyone?
MR. COBURN: That's fine.
MS. BROCKINGTON: Is that okay with you, Stan?
MS. MEEKS: It is for me.
MR. COBURN: I said it's fine.
MS. BROCKINGTON: Okay.
Q. (By Ms. Brockington) Mr. Imperiale, my name is Peggy Brockington, and I represent NES, the plaintiff in a lawsuit that has been brought against the three AIM companies. We've referred to them throughout this litigation as "the AIM entities," or "AIM companies"; and against Insurance Office of America, and Marty Jones. And I'm here to ask you questions about information you might have --
A. Uh-huh.
Q. -- that relates to that lawsuit.
If I ask you a question and it's not clear, can I ask that you tell me that it's not clear, so that I can correct the question, or clarify it in some way, so that the record is clear when you answer the question?
A. Okay.

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Q. Okay. And it's also important for purposes of the court reporting that you give a verbal response to a question rather than a nod of the head, or a shake of the head --
A. Yes, ma'am.
Q. -- or "uh-huh" or "uh-uh," okay?
A. Uh-huh. Uh-huh. Uh-huh.
Q. Okay?
A. Yes, ma'am.
Q. Okay. And where do you live? -- your address?
A. I live in Alpharetta, Georgia.
Q. And what's your address?
A. [redacted]
Q. Okay. And who else lives there with you?
A. My wife, Susan, and my two children.
Q. And are your children over the age of 18, or under 18?
A. Under 18.
Q. Okay. Are you in Fulton County?
A. Yes, ma'am.
Q. Okay. Your wife's name -- I'm sorry. I know you said it, and I missed it.
A. Susan.

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Q. Susan? And what was her name before marriage?
A. Jetter.
Q. Jetter? Do you have -- other than your wife Susan, do you have any adult relatives in Fulton County, where this case is pending, other than --
A. No, ma'am.
Q. Okay. Can you describe for me, please, your educational background?
A. College, four-year degree, Penn State University.
Q. And when did you finish?
A. 1980.
Q. And what was your degree in?
A. Accounting.
Q. Any education beyond the -- was it a bachelor's degree in accounting?
A. Yes, ma'am. Bachelor of Science in accounting.
Q. Okay. Any education beyond that?
A. Some graduate school, at Seton Hall University.
Q. And what did you study at Seton Hall?

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A. It was going towards an M.B.A.
Q. Did you ever finish the M.B.A.?
A. No, ma'am.
Q. Okay. Any other schools that you have attended, other than -- higher education schools --
A. No, ma'am.
Q. -- other than Penn State and Seton Hall?
A. No, ma'am.
Q. Okay. Do you hold any licenses in any states?
A. No, ma'am.
Q. Are you a certified public accountant?
A. No, ma'am.
Q. Have you ever sat for that exam?
A. Yes, ma'am.
Q. And how many times have you sat for it?
A. Two times.
Q. And did you pass the exam?
A. No, ma'am.
Q. Okay. Where did you take that exam? Was it here in Atlanta?

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A. I'm going to say -- no, it's New Jersey. It was New Jersey.
Q. How long ago was it that you took the CPA exam?
A. That's a challenge. Let's see. Oh. Ninety- -- '90, '91. Somewhere in that vicinity.
Q. Okay. Any other -- any certifications, even if you don't hold a license in anything?
A. No, ma'am.
Q. Okay. Any postgraduate education, or continuing education that you've had since you left Seton Hall?
A. Not that I can think of, no.
Q. Okay. Have you ever held a license -- any sort of a license, other than a driver's license? -- a professional license, in any state?
A. No, ma'am.
Q. Where did you grow up?
A. New Jersey.
Q. Okay. And how long have you been in the Atlanta area?
A. I moved here in June of 1994.

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Q. What did you do between the time you finished at Penn State and 1994? -- your employment?
A. Okay, my employment history? Let's see. I'm looking at my résumé right now and trying to think of the order.
Financial services background; banking, from 1980 to '86, '87 -- somewhere in that vicinity. Then I went into the retail industry for a few years, and then back to financial services in 1989. And then from 1989 till 1994, insurance and financial services, as a -- various financial accounting professional spots.
Q. Okay. Where did you work in financial services and banking between '80 and '86? -- what companies?
A. The Trust Company of New Jersey, in Jersey City, and a company called J. Henry Schroeder Bank & Trust in New York City.
Q. What was your position at the Trust Company of New Jersey?
A. Staff, and then senior auditor.
Q. How about at Schroeder Bank & Trust?
A. Senior auditor.

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Q. And you said you went into the retail area.
A. Uh-huh. Job change.
Q. Okay. Where did you work in retail?
A. Lane Bryant division of the Limited Stores, in New York City.
Q. And what did you do there?
A. I was a senior store accountant.
Q. How long did you do that, approximately?
A. Two years.
Q. Would that be about '86 to '88, or '89?
A. Oh, I'm going to say '85, '86, or '86, '87. I'm not sure of the exact --
Q. Okay. How about after Lane Bryant?
A. Lane Bryant, worked for a company called Carrefour, it's a French -- C-A-R-R-E-F-O-U-R. They're a French -- you know, French parent, in the U.S. operation here in the retail industry.
Q. Is it an apparel --
A. Oh, I'm sorry. I'd liken it to a WalMart super store.
Q. Okay. And what years --

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A. Hypermarket, I believe was the acronym for it. It's like a huge store. Big store.
Q. And what was your position there?
A. I was a -- let's see. I started there as accounting manager, and I believe I made assistant treasurer and controller.
Q. What years did you work there?
A. That's going to be '87, '88.
Q. And how about after 1988?
A. I was hired by Crumb & Foster, in Basking Ridge, New Jersey. They're in the insurance financial services business.
Q. And what was your position with Crumb & Foster?
A. I was an accounting supervisor.
Q. How long were you there?
A. Let's see. 1989 till I moved down here in 1994, and then I worked for a division of Crumb & Foster down here until late 2001, early 2002.
Q. And were you an accounting supervisor for Crumb & Foster when you were in Atlanta?
A. I was promoted to accounting manager

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when I transferred down here.
Q. And did you –
A. It was a job transfer.
Q. Okay. And where did you go after you left Crumb & Foster in 1990- -- I'm sorry, in 2001 or 2002?
A. That's when I joined AIM -- I'm going to say I joined AIM in -- I can't recall. It was September or October of 2002.
Q. Okay. Which of the AIM companies were you employed by?
A. I guess it's -- American Insurance Managers Inc., I guess was the employing concern, I believe.
Q. Was that the only AIM company that you worked for?
A. As far as I know.
Q. Okay. And you began in September 2002. How long did you continue your employment with AIM?
A. Till July of 2004, I believe, was my formal resignation.
Q. What positions did you hold at AIM during the time you were employed there?
A. I was the financial director

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controller, under – the gentleman's name was Michael Gough, and then I believe when he left, they were to install me as the chief financial officer.
Q. How do you spell Mr. Gough's last name?
A. G-O-U-G-H, I believe.
Q. When did Mr. Gough leave?
A. I do not recall. I'm going to say the end of 2002, maybe early 2003.
Q. Who hired you to work at AIM?
A. Michael and David Dennett-Smith were the folks that I met with.
Q. And how did you -- did you know either of them previously?
A. No, ma'am. It was through a recruiting service.
Q. And what were you -- tell me what you were told about the position when you were recruited.
A. I was recruited to do – set up the financial accounting department, control the procedures in the accounting arena, and finance arena.
Q. And what were you told about what

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the company did? -- what its business was?
A. Insurance.
Q. Okay. We'll come back and talk more about AIM.
A. Sure. Uh-huh. Uh-huh.
Q. But I want to go back and touch base on a couple of other things --
A. Sure.
Q. -- and more background.
Have you ever given a deposition before today?
A. Yes, ma'am.
Q. And how many times?
A. I'm going to say four, my recollection. I'm trying to think. Probably three or four.
Q. Okay. Tell me what the nature of each of those cases was.
A. They had to do with insurance matters, with the Crumb & Foster organization.
Q. Okay. Were you – did you ever give a deposition in a case that involved AIM, in any way?
A. No. I don't believe so.
Q. Okay. Did you ever give sworn

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testimony to any authority regarding AIM, or have you ever given any sort of sworn testimony about AIM?
A. Not that I can recall.
Q. Okay.
A. I'm trying to think if I – no. I don't believe so.
Q. Okay. Did you review any documents to prepare for your deposition today?
A. I did not.
Q. Did you review any of the other depositions that have been taken in this case, in order to prepare for the deposition?
A. I did not.
Q. Have you ever been asked if you have any documents in your possession relating to AIM or to Realm National Insurance Company, or to NES?
And I mean since you left the company.
A. Since -- have I been asked? I was -- I received a letter from a law firm a while back, asking that question. And I -- you know, I told them I had left, you know, the company, and that I do not have access to

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the -- you know, the books and records of the company any longer, so -- and I think they used that as a basis for -- well, then, I guess I can't help too much what they're looking for.

Q. Okay.

A. So that was probably as close to a -- I guess as close to a deposition, I guess, as I was coming --

Q. Okay.

A. -- as far as AIM was concerned.

Q. Do you today have any access to any documents pertaining to AIM, or Realm, or NES?

A. Not that I know of.

Q. Okay. Do you know anything about -- well, was the company still operating when you left in September -- I'm sorry -- July of 2004?

A. Can you clarify "operating," I guess?

Q. Well, was it still accepting -- doing business at all? -- receiving money, paying money?

A. Yes.

Q. Okay. What was the business that

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was going on in July of 2004?

A. Pretty much I would say claims handling, would be the primary, that I can think of.

Q. Was insurance still being written, or bound, in July of 2004?

A. I don't think any new business was being bound. I think we were handling the existing, that had already taken place, as far as I recall. I don't believe we put anything new on, because of, you know, obviously the circumstances.

Q. And what would those circumstances be?

A. The Realm National -- the lawsuits; you know, the -- and the tie-ups that are going on with the various -- you know, I guess the lawsuits in New York, and -- et cetera, et cetera.

Q. Were you involved at all in the claims-handling process?

A. I typically reviewed the checks and, you know, was the second signature before they were mailed out. That was about the extent of my involvement. And then the accounting

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behind that.

Q. When you left the company in July 2004, where were the offices of AIM located?

A. We had moved to the second floor of an office building off of Roswell Road. I don't recall the address. 33,000 series address. I don't recall the exact number of the building.

Q. Prior to that, when you were affiliated with AIM --

A. Uh-huh.

Q. -- where else were your offices located?

A. The 3,000 series of -- Tower Creek Parkway, was the address.

Q. When was it that the company moved from Tower Creek to the Roswell Road?

A. Springtime, so I guess -- let's see. I would back up to say April/May of '04.

Q. Was everything that was on the premises at Tower Creek, moved to the new office on Roswell Road?

A. I do not know the answer to that. I would say some stuff, yes, and some stuff, no.

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Q. Well, what would have happened to the stuff that wasn't moved?

A. I was not involved in that part of the move, so I wouldn't -- I'm assuming it went to storage somewhere.

Q. Okay. Where did the company have storage?

A. The only place I'm aware of is Iron Mountain, was a storage facility.

Q. At what time period was there a storage facility at Iron Mountain?

A. I think that was in existence before I joined AIM, and -- I'm going to say when I left AIM it was still there, as far as I know.

Q. When you left there, had the fees been paid to Iron Mountain to keep up the storage?

A. I'd have to say I believe so.

Q. Okay.

A. Probably with some expenses there, I imagine.

Q. When the company moved from Tower Creek over to Roswell Road, did they move the -- all of the computers?

A. Just a few of them.

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Q. And what happened to the computers that were not moved to the new office?
A. I had heard that -- I guess David Dennett-Smith had taken them and put them in his home, or in his own personal storage, I guess. That's what I had heard, but I don't know for sure.
Q. And where did you hear that?
A. From -- I guess Bruce Holley, and the folks who were still at the Roswell Road address.
Q. What computers were moved to the new office, and which computers were not moved?
And that's a very vague question, so let me go back and clarify.
A. Yeah. I'm trying to think of what you mean by --
Q. Were there different kinds of records kept on different computers at AIM, or did each computer have basically the same information?
A. It was a -- it was a small network of computers, so the -- the server was moved, and then the four or five of the desktops were moved. So I guess the server would be

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construed as the primary record database.
Q. About how many computers did the company have at the time of the move?
A. Between 20 and 25 desktops, would be my guess.
Q. So am I correct, then, that about 15 of those desktops were moved somewhere else, and never went to the new offices?
A. Correct.
Q. And what knowledge of you -- do you have about what happened to any of those computers, after they were taken to Mr. Dennett-Smith's home?
A. Absolutely nothing.
Q. Have you kept up with any of the former employees of AIM, since your departure in July of 2004?
A. No, ma'am.
Q. Now, you said that you heard from Bruce Holley that computers were taken to David's home. Was that while you were still employed there?
A. Still -- still at the offices, yes.
Q. Okay.
A. Uh-huh. Yes.

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Q. When you were involved -- worked at Crumb & Foster, what areas did you manage the accounting for? What types of activities?
A. Capital fixed assets; payroll; insurance; reporting on several of the insurance companies that were part of that organization; reporting to state regulators.
It's commonly referred to as the Yellow Book, the annual statement, on a quarterly and annual basis.
Q. Okay. And did you do -- well, strike that.
Other than Crumb & Foster, did you ever work with any other insurance-related company, prior to coming to AIM?
A. No, ma'am.
Q. Now, when you left AIM in July 2004, what did you do after that?
A. I did consulting work.
Q. What type of consulting work?
A. Insurance-type. Helping insurance companies with their, you know, financial accounting. Kind of like on a -- looking for temp-to-perm work, obviously.
Q. How long did you do consulting work

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for insurance --
A. I was -- let's see. I guess that would be July and August, and I was -- I was hired by ING in April of 2005. So -- is that six months? seven months?
Q. What insurance companies did you do consulting work for between July of 2004 and April of 2005?
A. The company was called Cap Partners Inc. They're an insurance holding company startup. I was helping them start up their same type operation there -- a new company trying to start up a business, so I was helping them with their accounting.
Q. What type of insurance was Cap Partners trying to set up?
A. They were going to be partnering with a warranty company to do warranty services. You know, auto warrantees, appliance warrantees, and the insurance behind them.
Q. Was Cap Partners to be involved at all in workers' comp insurance, or any of the companies that were under Cap Partners?
A. They were looking at that as an

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opportunity too, from what I recall, yeah.
Uh-huh.
Q. Was Cap Partners going to be doing any work with any PEOs? -- providing insurance to PEOs?
A. If they were going to go into the arena, that's one of the arenas they would go into, sure.
Q. And what were the companies that were under Cap Partners?
A. I guess the sole company at that point was -- literally a startup from -- from the get-go.
Q. Okay. And did it ever form any companies under it, or did it ever establish any insurance business, to your knowledge?
A. To my knowledge, I don't recall there being any other companies, no.
Q. Did you --
A. I think it was just a single company.
Huh?
Q. What type of consulting did you do for them? What kind of advice did you provide for them?

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A. I was advising them on how the accounting for insurance should work; that you have both regulatory requirements, and then, you know, you have requirements -- you know, management requirements, and the accounting records that are needed to, you know, be in compliance with both of those.
Q. And the experience you had with accounting for insurance companies, was that based on your experience with Crumb & Foster and your experience at AIM?
A. More so Crumb & Foster I would say. But yes.
Q. When you were working for Crumb & Foster, did you do any work in the workers' compensation arena?
A. No, ma'am.
Q. Did you do any type of work with PEOs?
A. No, ma'am.
Q. Other than your work with AIM, did you ever do any work with PEOs?
A. No, ma'am.
Q. Tell me what your position -- what you were hired at by Ing, in April 2005?

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A. I was the interim director for SEC reporting.
It's I-N-G, not "Ing." They don't like "Ing."
Q. I'm reading it as I just -- I'm sorry. I know that. I think it's because I say that when I'm watching their commercials.
A. That's -- when you see the commercial, right. Exactly.
Q. Sorry about that.
A. That's okay. That's okay.
Q. And is that the same job you have today?
A. I am the director in statutory reporting now.
Q. What other reporting does that involve, other than SEC reporting?
A. It involves reporting to the state regulators, the NEIC, insurance reporting.
Q. When you were working at AIM, did you have any regulatory reporting responsibilities?
A. We did not have any reporting to do, at that point in time.
Q. Were you an officer of AIM at any

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point in time?
A. I was to become the chief financial officer. As far as I know, I was never installed or voted by the board to be such.
Q. Did you file corporate papers for AIM -- any of the AIM entities at any point with the Secretary of State?
A. No. I'm almost -- I did not.
Q. Do you know who did that?
A. That would be David Dennett-Smith.
Q. Were you a director when you were at AIM?
A. I do not believe I was ever installed as a director. I don't remember ever seeing that as -- there was never an attendance at any board meetings, so I'd have to say no, I would say not a director.
Q. Were you a shareholder in any of the AIM entities?
A. No, ma'am.
Q. Were you employed as an employee by AIM? And by that I mean an employee -- a regular employee, rather than an independent contractor.
A. I would say I was an employee.

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Q. And were you paid under a W2?
A. I was not paid.
Q. You were not paid, at what points?
A. Pretty much at any point. I mean, it was -- when I was originally hired through the agency that I had come through, I thought it was a -- you know, a job -- you know, a paying job, but it turned out to be a -- a startup, if you will, with no compensation for a while.
Q. What were you told about the compensation, when you were recruited for the job?
A. I was told that I would be hired at a specific salary.
Q. And what was that salary?
A. Somewhere between 100- and 150,000 -- somewhere there, annually.
Q. And who told you that?
A. David Dennett-Smith.
Q. Was there -- go ahead. I'm sorry.
A. I'm just trying to think of the HR guy's name, if I can just remember it.
Ricky -- Ricky Haggard. Ricky Haggard.

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Q. And what did Mr. Haggard tell you?
A. The same thing.
Q. The same thing?
A. Uh-huh.
Q. He needs you to say "yes" or "no" so he can --
A. Yes, ma'am. Sorry.
Q. Thanks.
A. Sorry. Sorry.
Q. That's okay.
A. Yes. You've reminded me of that.
Q. I'll try to help you remember it.
A. Uh-huh.
Q. Once you started the job, were you ever informed of something different? -- that in fact it wasn't a paying job that would pay you between 100,000 and 150,000 a year?
A. Was I informed? I was told that it would be coming, at some point, once we got the business started.
Q. Who told you that?
A. David --
Q. And when did he --
A. -- Dennett-Smith.
Probably about a month in, when I

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was asking, "How are we going to do payroll?"
Q. Tell me everything he told you about that, how you're going to do payroll.
A. Basically said when we get the business started up, and that our -- you know, our fees started coming in, we would start paying folks, in a nutshell.
Q. Other than the 100- to $150,000 you thought you were to be paid before you took the job, was there to be any other compensation?
A. There would probably be a bonus at some point, sure.
Q. And what were you told about a bonus?
A. Somewhere in the vicinity of 25, or 25 percent of that base pay.
Q. Any other compensation or benefits that you were told you would have?
A. Benefits would be, you know, basic medical -- medical/dental-type benefits, I guess, kind of standard there. Other than that, no. Nothing I recall.
Q. Were you ever given any bonus --
A. No, ma'am.

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Q. -- while you were there?
How about medical/dental benefits? Did you ever receive medical or dental benefits?
A. Yes, ma'am.
Q. And how did that work?
A. It was through Aetna. And they were -- I guess funded by the company.
Q. How many employees did the company have during the time you were working there?
A. I would say at one point there were probably nine people there, maybe? -- maybe 10?
Q. Tell me who all those employees were.
A. Let's see. Obviously David Dennett-Smith, myself, Bruce Holley, Ricky Haggard. And I don't recall Tom's last name. He was like the IT guy.
Let's see. I'm trying to go down the hall to see who else was there.
A gentleman by the name of George Kennedy, who was kind of our security and background guy.
Let's see. A gentleman by the name

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of Steve Landin. He was like an underwriter -- him and Bruce were the underwriters, is my recollection. David's assistant -- I think her name was Diane, but I'm trying to remember -- forgive me. It's been, you know, two years, so -- I'm not an expert on names. David's assistant, Diane. And then there was a woman by the name of Sharon, who helped on the claims area.

I think that's about it. I'm trying to think if there was anybody else.

Q. Okay. Of these nine or 10 employees --

A. Uh-huh.

Q. -- were any of them paid compensation of any sort during the time you were employed there?

A. I don't think there was any compensation exchanged, that I recall.

Q. Mr. Dennett-Smith was not paid any sort of compensation?

A. There was probably expense reimbursements, I imagine, but I don't think that's considered compensation, as far as I know.

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Q. And did you receive expense reimbursements?

A. Yes.

Q. And Mr. Holley, was he -- did he receive any compensation? Pay, bonuses, commission? -- any sort of monies paid to him.

A. I think, you know, similar to me. I think it was -- we were given expense monies, yeah, as far as I know.

Q. Was Mr. Holley already employed there when you went to work at the company?

A. I think he started right around the same time. He might have been there a few weeks before me.

Q. Mr. Haggard --

A. Uh-huh.

Q. -- was he paid a salary, or any other sort of compensation, during the time you were employed there?

A. He received similar expense monies like myself.

Q. Tom, the IT person, did he receive any sort of compensation?

A. He received a couple of checks, but I -- I don't remember if it was compensation,

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or expenses, from what I can recall.

Q. How about George Kennedy?

A. Probably the same thing. I would imagine he got a couple of checks that were probably expense related, I imagine. As far as I can tell.

I'm trying -- trying to remember. You know, it's a while.

Q. How about Mr. Landin? Did he receive any sort of compensation?

A. Well, I know we wrote checks to everybody, so yeah, he probably got some checks. Whether they were -- I'm going to say they were probably expenses also, as far as I know.

Q. How about Diane, Mr. Dennett-Smith's assistant?

A. As far as I know, yeah, same -- same thing. I think everybody was -- received some type of expense reimbursement.

Q. And how about Sharon?

A. Yeah. Sharon received claims -- claim-handling fees, or something -- something like that. I --

Q. What's a claim-handling fee?

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A. When you -- when you -- I guess when you pay a claim, there's expenses that are loaded with that, for a total, you know, payout on a claim, and I believe she was part of that -- you know, expense -- so that was her way of being -- of receiving expense reimbursement, I guess.

Would that be considered compensation? I'm probably not the one to --

Q. Tell me everything that the company considered expense reimbursement.

A. I guess, you know, the typical travel, meals and entertainment. You know, a car allowance, I guess. That may be considered compensation in this world, probably. That's about it.

Q. What did you receive as a car allowance each month?

A. Well, first, I didn't receive something every month. I received sporadic -- let's see. I'm trying to think of my tax return from 2000- -- '03, I guess it was? I don't know how much I ended up claiming on that. Somewhere in the -- maybe $20,000, maybe?

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Q. $20,000 as car allowance?
A. As what I would have construed to -- you know, maybe I need to back up.
I judged some of my money as compensation, so I put it on my tax return, in my judgment.
Q. And what did you consider to be compensation, when you did your 2003 personal tax return?
A. Some of the monies that AIM, you know, paid to me.
Q. And how did you calculate that?
A. I would get it -- the check and I would say, okay, was -- do I have an expense report for this, or not. And if I didn't have an expense report for it, I would -- I viewed it as compensation.
Q. Okay. What was the total amount of meals and entertainment you were reimbursed for each year that you worked at AIM?
A. I don't think I know that number.
Q. Well, give me an estimate of what it would be.
A. Fifteen.
Q. Fifteen --

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A. 15,000?
Q. 15,000 a year?
A. Total? Maybe 15,000 total, I would guess? That's --
Q. Total from when to when?
A. Probably the whole time I was there.
Q. How about travel reimbursement?
A. I'd say the 15,000 was all-inclusive.
Q. The $20,000 that you said you think you reported on your 2003 tax return, did you report any -- was the $15,000 included in that 20,000?
A. Probably not.
Q. Did you receive any distributions from the company?
A. No, ma'am.
Q. Did you receive any profits from the company?
A. No, ma'am.
Q. Did you take any cash from the company?
A. No, ma'am.
Q. How about any of these employees? -- Dennett-Smith, Mr. Holley, Mr. Haggard, Tom

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the IT guy, George Kennedy, Steve Landin, Diane -- did they take any cash out of the company?
A. Other than the checks that I'm aware of being issued, I don't know.
Q. And tell me what the expense reimbursements Mr. Dennett-Smith received during the time you were employed there. What was the amount of those?
A. He had classic travel and expense reimbursements. You know, the -- what's referred to as T&E, or travel and entertainment-type expenses, you know, meal allowances on travel, you know, mileage.
Q. What amount did he receive, approximately, in the years 2003 and 2004?
A. Just guessing -- just guessing, you know, 15-, 20,000, maybe? Maybe.
Q. How about car allowances? What was the car allowance Mr. Dennett-Smith received?
A. I'm going to say that -- that number probably is all-inclusive.
Q. So the 15- to $20,000 --
A. Probably all-inclusive for everything, yeah. It's not like we were -- we

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were not giving folks monthly checks. We were giving folks at -- you know, I'm going to call it sporadic intervals, for lack of a better way of putting it.
Q. What kind of a car did Mr. Dennett-Smith drive during that period of time?
A. It was a late model Mercedes.
MR. COBURN: Late model?
THE WITNESS: Isn't it a late model? I have no idea. What year is it? It's probably a 10-year-old Mercedes, I guess. I don't know.
MR. COBURN: Well, vintage, as opposed to late --
THE WITNESS: Vintage? Okay. That's fine.
MR. COBURN: But, you know, you tell her whatever you remember.
THE WITNESS: Yeah, late model might be an overstatement. It's earlier than late model, then, I would say --
Q. (By Ms. Brockington) And what kind of car did you drive during that period of time?

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A. A Toyota Highlander.
Q. And how about Mr. Holley? Did he receive a car expense? -- car allowance?
A. As part of his expense, yeah, I would say so.
Q. And what was the amount of his expense reimbursement during the years you were employed at AIM?
A. Probably the same as -- close to mine: somewhere in the 10- to 15,000 range, all-inclusive.
Q. And what kind of a car did he drive?
A. He has a -- older Mercedes. I just remember it being black.
Q. And Mr. Haggard, did he have a car allowance?
A. Not that I'm aware of.
Q. How about Tom the IT person?
A. No.
Q. And what amount of expense reimbursement did he receive during the time you were employed there, approximately?
A. Tom, or Rick?
Q. Tom first.
A. I'm sorry. Tom first?

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Q. Tell me Tom.
A. Okay.
Q. Yes.
A. $2,000, maybe?
Q. Total.
A. Total, right. Again, it's probably a guess, but -- probably about $2,000 would be a guess, uh-huh.
Q. And is that the total amount of money that he was ever paid by the company during the time you were employed there?
A. As far as I know.
Q. How long did he work there?
A. My understanding is he was one of the remaining folks from AIM, the company that existed, you know, prior to my arriving. So he worked there for several years, from what I understand.
Q. And so he worked there the whole time you were there, and the total amount of money that he received during that period of time was about $2,000?
A. Yes, ma'am.
Q. And how about Mr. Haggard? Did he have a car allowance?

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A. I'm trying to think if he did or not. He probably was -- he was given around 5,000 in expenses, total, so -- I'm going to guess, but I would say he received probably between five- and 7,000, would be a range for him. And whether that included a car allowance, I don't recall.
Q. During the time you were employed at AIM, what other sources of income did you have, other than the expense reimbursements --
A. Uh-huh.
Q. -- you have told me about?
A. Basically, my savings.
Q. And did you have a large amount of savings?
A. Yes, ma'am.
Q. Approximately how much?
A. Probably more than $200,000.
Q. Were you married at the time?
A. Yes, ma'am.
Q. And was your wife working?
A. She's a part-time schoolteacher. Substitute teacher.
Q. Why did you continue working at a company that you weren't getting paid any

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money?
A. When you're challenged with a startup, you want to do the right things and try to get it to work, in hopes of being successful, both from a business standpoint, and obviously financially, should the thing be a good go. It's a risk/reward situation.
Q. Were you given a written job proposal or offer when you were initially recruited and you spoke with Mr. Dennett-Smith about what the job consisted of and what you were going to get paid?
A. When you say "an offer," like an offer letter --
Q. A letter that set forth the terms of what the job -- what you would be paid, what benefits you would receive, et cetera.
A. Did not receive a formal letter, no. I have a one-page document, probably when I redid a mortgage refinance that, you know -- employment verification, if you will. That's probably the only document I have.
Q. Okay. Can you provide a copy of that to --
A. Sure.

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Q. -- your lawyer? And --
MR. COBURN: I'm not Mr. Imperiale's lawyer, but --
Q. (By Ms. Brockington) Well, to the lawyer -- or to us. To me. Would you provide that to me?
MR. COBURN: If he wants to provide them to me to provide to you, I'll certainly accommodate everybody.
MS. BROCKINGTON: Okay.
THE WITNESS: I'll see if I still have it.
Q. (By Ms. Brockington) And when was that, that you applied for the mortgage?
A. Probably shortly after I started there. Probably when I found out I wasn't going to get paid, so, you know, I guess I started September/October, so by the first of January the following year, would be a -- would be a guess.
Copy of -- I'll see if I have it.
Q. Is it --
A. Because it's probably -- I'm trying to think if it's in my mortgage documents or not.

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Q. Where was your -- where did you get this mortgage? -- from what lender?
A. I'm trying to remember the name of the -- the mortgage company that did it. I think the mortgage has obviously been sold a hundred times through the financial arrangements. But I'm trying to remember the mortgage broker's name.
Entrust, was the mortgage company that I used, I think.
Q. Entrust?
A. E-N, and trust. Entrust. Their offices are over on Interstate 75.
Q. What were you told you would receive, once the startup got going, in terms of salary, commissions, bonus, draws -- anything?
A. My salary was going to be 150,000, and I believe it was, you know, 20 or 25 percent bonus. Draws, commissions -- I'm not an agent, or licensed to be an agent, so I don't -- I'm not entitled to any commission draw-type situation.
Q. Have you ever received any money from AIM since you left?

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A. No, ma'am.
Q. And how much money does AIM owe you today?
A. In estimates, I would say they owe me two years' salary, two years' bonus, probably some expense money. Do I want to put a price tag on it? I would say they probably owe me close to $400,000.
Q. Have you ever made a demand for that money?
A. No, ma'am.
Q. Mr. Dennett-Smith, how did he support himself while he was -- while you were employed at AIM?
A. I do not know.
Q. Well, do you know if he's independently wealthy?
A. I know his background is probably fairly affluent, but -- but that's all I know. I do not know very much about his personal finances.
Q. How about you -- were your children in private schools?
A. No, ma'am.
Q. How about Mr. Dennett-Smith?

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A. My understanding that they're in private school.
Q. Were they in private school at the time that you were working at AIM?
A. As far as I know.
Q. And how was he paying for that?
A. Again, I have no idea.
Q. Was the company paying for that?
A. I was not aware of the company paying that, no.
Q. How about Mr. Holley? How did he support himself while he was employed at AIM, and his family?
A. Uh-huh. Yeah. And he -- he's -- I believe he's either principal, or part owner in an insurance agency.
Q. And what's the name of that agency? Is it Accent?
A. That sounds familiar, yeah. I knew it was an "A." I was going to say Advent or something, but -- maybe Accent. Uh-huh.
Q. How about Mr. Haggard? How did he support himself and his family during the time that you were employed at AIM?
A. I do not know anything about Ricky's

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personal finances.
Q. And Tom the IT guy?
A. Do not know anything about his personal finances.
Q. And how about George Kennedy, security and background?
A. I believe he did some, you know, contract consulting work, like private investigation-type work. On the side, if you will. That's my recollection.
Q. How about Mr. Landin?
A. I believe he had several business ventures in Florida that he owns, or is part owner in. That's all I knew.
Q. Approximately how much did Sharon receive in claim-handling fees during the time you were at AIM?
A. I'm going to say most checks were $500, so -- I don't know. $30,000, a guess? Somewhere in that vicinity.
Q. And that's the only compensation she received?
A. As far as I know.
Q. And did she have any other means of support during that time?

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A. I do not know of her personal financial situation.
Q. And how about Diane, Mr. Dennett-Smith's assistant? How did she support herself?
A. I believe her husband worked, but again, I don't know specifics of her personal situation.
Q. Were you the person who was responsible for doing the tax returns for AIM?
A. During the time I was there, or --
Q. Yes.
A. During the time I was there? No tax returns were prepared.
Q. Why not?
A. I guess I don't really know why not.
Q. Was it your responsibility?
A. Would it be my responsibility to file tax returns? I would have -- probably would have asked our accounting firm to assist in the filing of them, but would it have been my responsibility to complete and file them? I probably should contribute to it, sure.
Q. Who was the company's accounting firm?

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A. Gross Collins, I believe. It's three or four names, but Gross Collins, are the two that I recall.
Q. And where are they located?
A. In Marietta. East Cobb somewhere.
Q. What services did they provide to the company?
A. Pretty much accounting, consulting-type services. They were going to, you know, assist in obviously the -- you know, the setup of the -- the operation, and then they would do the audit of the operation, tax returns, et cetera, et cetera.
Q. Who engaged the firm of Gross Collins?
A. David Dennett-Smith did.
Q. And was that while you were employed there?
A. I believe they were before I was --
Q. Did you work with them at all during the time that you were employed at AIM?
A. I met with them several times, uh-huh.
Q. Who did you deal with there?
A. The gentleman's name was Steve

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Gross.
Q. Anyone else?
A. Probably a couple of accounting managers, but I don't recall their names.
Q. Is Gross Collins still in operation, or business today?
A. As far as I know, uh-huh.
Q. And what was the relationship, if any, between AIM and Gross Collins?
A. Strictly in a -- you know, an accounting firm/client relationship, I guess. Yeah.
Q. Who did the bookkeeping for AIM?
A. The bookkeeping?
Q. Kept the general books --
A. Oh.
Q. -- for the company, yes.
A. I kept an accounting ledger -- a fairly simplistic accounting ledger, since we did not have a formalized system yet.
Q. What was kept track of in this simple accounting ledger?
A. Banking transactions -- you know, bank statements, bank reconciliations. You know, money in, disbursements out -- you know,

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kind of like a long check register. And you'd do a monthly reconciliation of those numbers.
Q. Did anybody but you work on the monthly reconciliation of those numbers?
A. Diane typically helped me with it.
Q. And where was the -- this ledger kept?
A. On the company's computer. Probably the server, I guess, that we referred to before.
Q. Did the company have a computer consultant outside the company?
A. A computer consultant. I'm going to say the firm -- I guess the firm that they got the server from -- I'm trying to remember the name of it -- probably helped them set it all -- you know, Tom -- I'm sorry I can't remember his last name -- was our IT guy, and he was okay in the IT area, but we needed the help of this -- I can't remember the name of the company that we bought the server from, but they helped, you know, set it up.
Q. Did the company have the same server the entire time you were employed there?
A. As far as I know.

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Q. Okay. And that server was moved to the new location --
A. Yes, ma'am.
Q. -- on Roswell Road?
And it was there when you left the company?
A. As far as I know, yeah.
Q. Who all had access to the ledger on the computer?
A. Anyone who had access to the server.
Q. And who all was that?
A. Probably anyone who I probably named there -- in the list there.
Q. All nine of the employees?
A. Yes, ma'am.
Q. And did their access permit them to put in information, to change information?
A. It was not a secure ledger.
Q. Were hard copies made of any of the information on the accounting ledger?
A. We would typically print it off and put it in the file cabinet outside my -- my desk area.
Q. And where were those documents when you left the company in July of 2004?

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A. They would have been in the file cabinet, directly across from my desk -- the Roswell Road address.
Q. Were audited financials ever prepared for the company?
A. No, ma'am. Not during my tenure.
Q. Were any sort of financials ever prepared for the company during your tenure, other than this simple accounting ledger?
A. Nope.. I don't think so.
Q. Were any discs ever made with this information? The information from the accounting ledger, was it ever stored on a disc?
A. A disc. I'm going to say the server backup process, would be my -- my guess. That would be my guess, yeah.
Q. And was that maintained through the time that you left the company? -- the backup system?
A. As far as I know, yes.
Q. And who had responsibility for that?
A. Let's see. Tom was gone -- Tom had left, when we moved, so he was no longer there. I'm not sure who -- I guess they had

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engaged one of the people at that computer company. Forgive me -- I forget the name of the company.
Q. That's okay. If you think of it later, you can tell me.
A. Yeah. Yeah. But I would say that they were brought in, from time to time, to just kind of do maintenance on it, make sure it was running and running properly.
Q. Who set up the computers in the new offices?
A. This accounting -- this computer firm.
Q. Okay. Who all had check-writing authority for the company while you were employed there?
A. Check signers would have been David, myself, Bruce, Steve, and I guess Ricky. That would be my -- that would -- yeah. I think that's who would be on the signature cards.
Q. And did each of those individuals have sole check-writing authority, or were double signatures required?
A. I required double signatures, but could they --

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Q. Was that --
A. -- but could they write a check themselves? I'd have to say yes, they probably could.
Q. And whose responsibility was keeping track of the checkbook and the check ledger?
A. That was my responsibility, during my time there.
Q. And did you keep a separate check register, separate from the simple accounting ledger you described earlier?
A. One and the same.
Q. Okay. So basically, the simple account ledger that you had, was your bank ledger.
A. Banking process. The bank ledger was the basis. Sure.
Q. Were all of the payments that were made for expense reimbursements, or any other monies, paid to any of the employees -- were they all reflected on the account ledger?
A. As far as I'm aware. Anything that I was aware of should have gotten there, uh-huh. Yes.
Q. And who would have made those

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entries?
A. More than likely myself, or Diane.
Q. And you supervised Diane?
A. I did during that process, yes. Uh-huh.
Q. Now, in addition to your responsibilities for the accounting and the financial area, what other -- what were your responsibilities? How would you describe your total responsibilities, while you were at AIM?
A. I would view my responsibilities as -- during that time period, as a highly skilled bookkeeper. I would say that we were looking to develop an internal operating and control process, when the business was to obviously -- you know, start up and get going; to evaluate both an operating system from the underwriting side and its integration to the accounting and reporting process.
You know, primary interaction with the Gross Collins firm would fall under my responsibility, at that point. And obviously looking at outsourcing things, like the tax preparation process. Not being an expert in taxes, that would be better suited to have

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someone who is an expert do that. So one of my contact -- one of my charges, if you will, or one of my beliefs, was to look to outsourcing to do those sort of things.
Q. And that never did happen, though?
A. Never happened.
Q. And did you provide the Gross Collins firms with -- firm, with copies of your accounting ledger?
A. I believe so.
Q. And was that done on a regular basis, or at certain times during the year?
A. I would say it only happened certain times during the year. It's not a regular basis-type thing.
Q. And the items that you've told me were your responsibilities --
A. Uh-huh.
Q. -- have you given me the exhaustive list of what your responsibilities were with the company, while you were employed there?
A. Is that an exhaustive list? That would be a -- my opinion only, yeah.
Q. Well, was that something that you would --

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A. Yes. I would say that was -- that was my -- those were my primary responsibilities.
Q. So you weren't involved in underwriting?
A. No, ma'am.
Q. You weren't involved in the marketing of insurance?
A. No, ma'am.
Q. You weren't involved in the PEO program, in terms of selling that program --
A. I was --
Q. -- or signing people up?
A. -- not to be part of the sales process at all.
Q. Okay. So you didn't meet with any of the PEO people, before they signed up for the program.
A. I was in some of the meetings, yes. But was I involved in the sales process and marketing and all that? No, not at all.
Q. Were you involved in -- which companies -- which PEOs were you involved in meetings with?
A. I'm trying to think of the

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company -- the company Spectrum comes to mind. They're out in -- from the Midwest somewhere. There's a company up in Alpharetta -- Accelerate, I think was the company?

Q. Okay.

A. I vaguely remember that name. I think they were in Alpharetta, actually -- somewhere near there.

Probably a couple of others where I was actually in the meetings, but I can -- for the most part, that's -- I'll leave that it.

Q. Were you in -- did you attend any of the meetings, or were you involved in any meetings with anyone from NES?

A. I remember meeting Marty Jones once or twice, but I don't recall ever actually being in meetings with them.

Q. Okay. And Marty Jones was with Insurance Office of America, correct?

A. That's my understanding.

Q. And he was a broker?

A. That's my understanding.

Q. Okay. He wasn't a PEO. He wasn't with --

A. That's my understanding, uh-huh.

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Q. Okay. Were you involved in any meetings -- you met Mr. Jones?

A. In our offices, once or twice. You know, probably twice, I would say.

Q. Okay.

A. Just more of a -- "How's it going" type thing, yeah.

Q. Okay. Did you ever have any discussions with him about the PEO insurance program?

A. Not that I'm aware of, no. I mean, just general conversation, but not the PEO program specific.

Q. Did you ever meet -- so you never met with Laurie Rives Kinney, at any time before today.

A. I do not recognize her at all.

Q. Okay. And you never met with Ron Cates of NES, correct?

A. I don't recall that name, or meeting him.

Q. And you said you were involved in the company's -- you handled the company's bank statements and bank ledger and --

A. Yes, ma'am.

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Q. -- general ledger.

What banks did the company do business with while you were there?

A. I'm going to say it was First Horizon, I guess, which I guess is Wachovia now.

Q. Any other banks other than First Horizon, or Wachovia?

A. Not that I'm aware of.

Q. Did the company have other accounts that you didn't handle? -- bank accounts that you didn't have anything to do with?

A. I don't know the answer to that.

Q. None that you were aware of.

A. None that I was aware of.

Q. Okay. How many accounts did the bank -- I mean, did the company have with First Horizon, or Wachovia?

A. Five or six, I guess. Five or six. Yeah, I would say there were about five or six checking accounts, yeah. Uh-huh.

Q. And what was the purpose of each of those checking accounts?

A. Well, I think four of them sat dormant, waiting for the company to start up,

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so they basically were not to be used until, you know, the business grew quite a bit. I think two accounts -- one was -- one was used for the receipt of funds, and the disbursement of funds came from the second account. That's my recollection.

Q. I'm sorry, I didn't -- I misunderstood you.

A. I'm sorry. I was going to say -- say there were six accounts, total. I'm going to say four of them sat dormant, basically doing, you know, nothing, meaning they were -- they were established before I was there. And then you had two accounts -- I think one was used to receive funds in, and I believe the second account then in turn was used to disburse funds.

Q. And other than you and -- well, strike that.

Were both of these accounts that were active, interesting-bearing accounts?

A. I'm going to say the depository was, but I don't believe that the disbursement checking was an interest-bearing account.

Q. Were you involved in the receipt and

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collection of premiums? -- insurance premiums?
A. Funds come -- the monies coming into the bank account, I was involved in accounting for them, uh-huh.
Q. Okay. And what was your involvement in accounting for those funds that came in to the bank account?
A. Obviously depositing the funds is important, and then basically dividing the receipt into its component pieces of, you know, premium claims fund, and the -- I guess -- I'm trying to think of the right word to use. Kind of like the -- you know, the premium claim fund, and then you have the capital -- I'll use the word capital fund, I guess, for a second; and then the third piece would be if there was any expense, you know, load on that dollar amount.
MR. COBURN: I need to take a quick break.
MS. BROCKINGTON: Certainly.
(Thereupon a short recess was taken, after which the following proceedings were had:)
MS. BROCKINGTON: Okay, we're going

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to go back on.
Q. (By Ms. Brockington) Mr. Imperiale, you said that you got a letter requesting -- asking you if you had any documents. You got a letter from a lawyer? Who was that lawyer?
A. I do not recall.
Q. Was it Mr. Coburn?
A. No.
Q. Ms. Meeks?
A. No, ma'am. It was --
Q. Mr. Kaufmann, perhaps?
A. No, ma'am. I don't recall.
Q. When was that?
A. More than a year ago.
Q. Okay. And did you talk with the lawyer?
A. I believe -- I called him and said that I was no longer employed there, and that -- you know, what they were asking me for, I mean, I don't believe I could help them with, and said, "I don't have access to the books and records, so I'm not sure what -- what you need from me." And they said they'll see what they could do about it, and they never -- they never issued me a subpoena or

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anything to come in to testify.
Q. Was the lawyer a male, or a female?
A. I'm going to say it was a male.
Q. You said you resigned from AIM in July of 2004.
A. Yes, ma'am.
Q. Did you give the company a formal written resignation?
A. I sent an e-mail to David, Ricky. I gave them a letter, and I mailed them a letter.
Q. And do you have copies of the letter that you sent, or you gave, or the e-mail you sent?
A. Probably.
Q. And could you provide me with a copy of that?
A. If I can find it, I will.
Q. Okay.
A. Copy of resignation letter. I'll see what I've got on that.
Q. What were your reasons for resigning?
A. Pretty much money. My savings account was exhausted, and I saw that it would

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not be in my or my family's best interest to continue down this road without any money coming in.
Q. Any other reasons?
A. I basically, you know, lost faith in the -- in the product that was trying to be produced. I -- you know, the primary reason for me was money. I had to go find a -- a paying job.
Q. And what was the product that was going to be produced that you lost faith in?
A. The sale of the -- the workers' compensation insurance product, you know, to the PEO industry.
Q. Did you communicate regularly with Mr. Dennett-Smith, or "Dennett-Smith," or Mr. Holley, subsequent to your resignation?
A. No, ma'am.
Q. And have you ever talked with either of them since you left?
A. I had breakfast with them this morning.
Q. Oh, you did. And what did y'all talk about?
A. Kind of caught up, I guess, and they

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told me about, you know, this NES thing a little bit. Just, you know, what was going on, so that I could understand what I was, you know -- you know, walking into to, so I could, you know, at least try and answer the questions intelligently.

Q. And what did they tell you about the NES situation?

A. They said that there was a lawsuit, you know, filed; that the -- you know, they named, you know, Marty, and -- I'm sorry. Ron Cates? I'm pretty sure I never met Ron, but his name was mentioned. And then, you know, they said there -- I guess there was some question regarding the program and the funds of the program.

Q. And what was that question? What did they tell you was the question?

A. Basically said that there was an issue regarding, you know, obviously the collection of money, and then, you know, what the money was to be used for.

Q. And what was that issue?

A. Well, I haven't read the lawsuit, so I don't really know the specifics, other than

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to say that it sounded like -- something to do with dollar one coverage, which I believe is premium, versus -- I think you heard me explain before, the money came in, and we put it into the premium claim fund bucket, the capital budget, and the potential expense budget -- or bucket.

I believe that there was probably -- it sounds like there was some issues regarding when the money's coming in, what would be earmarked as premium claim, what would be earmarked as capital. That sounds like the genesis of the NES situation.

That's pretty much what they told me.

Q. And did they tell you what their belief was about that issue regarding what the monies would be earmarked for?

A. What do you mean by "their belief."

Q. Well, what did they say about how the monies were to be earmarked?

A. That they -- they said like any other PEO, you know, a hundred dollars comes in, and it's supposed to be broken up into the -- into the buckets, based on the program.

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I mean, it was -- you know, in a nutshell, you know, I guess -- I think Bruce said something like, you know, NES would be like any of the other, you know, PEOs in the program. There's no -- well, I guess -- maybe I'm paraphrasing here -- "There's no special treatment."

Q. Did Mr. Holley and Mr. Dennett-Smith tell you about -- tell you that the other PEOs had signed escrow agreements?

The other PEOs, other than NES.

MR. COBURN: You're talking about a conversation this morning --

MS. BROCKINGTON: Yes.

MR. COBURN: -- or at any time?

THE WITNESS: Yeah. I mean, this morning, no escrow agreement was part of the conversation.

Q. (By Ms. Brockington) Okay. At any time, did they tell you that?

A. At any time. I would say each PEO should have signed an escrow agreement, is my understanding of how the program was to work.

Q. But you weren't involved directly with the PEOs in negotiating those escrow agreements, were you?

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A. No, ma'am.

Q. And so you don't have any personal knowledge of whether NES signed an escrow agreement or not, correct?

A. That's correct.

Q. And you've never seen an escrow agreement signed by NES, correct?

A. That's correct.

Q. And you don't have any personal knowledge about whether they agreed to make capital contributions or not.

A. Having not been involved in conversations, no. No.

Q. Okay. Other than the breakfast you had with Mr. Holley and Mr. Dennett-Smith this morning, have you had any other communications with either of them since you left the company in July of 2004?

A. No, ma'am.

Q. Were there any other issues that you discussed at your breakfast this morning?

A. Well, David was telling me a little bit about what's going on with the -- the Realm lawsuit up in New York.

Q. And what did he tell you was going

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on with the Realm lawsuit?
A. You know, where it's in some type of bankruptcy review, and -- change of ownership. You know, he was rambling a little bit, but that's about the gist of the conversation there.
He mentioned lawyers' names that I did not recognize, so -- I remember Alston & Bird, obviously, because I think they're involved, you know, still. That's about it.
Q. Alston & Bird was involved, representing AIM?
A. As far as I know, uh-huh. Yes, ma'am.
Q. And is it your understanding they're still involved representing AIM?
A. That's what David said this morning, uh-huh.
Q. Did you, during the time you were employed there, pay attorneys' fees to Alston & Bird on behalf of AIM?
A. I don't recall if they were ever -- I don't recall if we ever issued them any funds.
Q. Did you ever receive any invoices

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from them?
A. Yes, ma'am.
Q. And where were those invoices maintained?
A. In the accounts payable file, under Alston & Bird.
Q. And who would have been responsible for paying those, if they were paid?
A. I would have had primary responsibility. I just don't recall if we ever paid them, or were just basically, you know, Alston & Bird was billing us, you know, for, you know, future reference, I guess. I don't know.
Q. How about the firm of Gross Collins? Were any fees paid to Gross Collins, during the time you were employed at AIM?
A. I vaguely remember one invoice being paid for like -- I don't know, $15,000, as a retainer? That's -- again, that's vague, but I think the answer to that would be yes.
Q. When was it that a retainer was paid? When during your tenure with the company?
A. Oh, sometime in 2003, I would say.

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Early part of 2003.
Q. At your breakfast this morning, did Mr. Holley or Mr. Dennett-Smith talk with you about the fact that certificates of insurance were issued to NES?
A. Not at all.
Q. You said earlier that the company had 20 or 25 computers --
A. Yes, ma'am.
Q. -- when you were employed there.
A. Desktops. Uh-huh.
Q. Desktops. Were there additional computers that were laptops?
A. I'm trying to remember if there were any laptops. I don't remember ever seeing laptops, but maybe -- maybe -- maybe Steve and David might have had them, but I don't specifically remember seeing them.
Q. Who used the 20 to 25 computers -- desktop computers?
A. The eight or -- you know, the nine or 10 people that were at the offices at Tower Creek, at the time, and the rest were being set up, you know, for new hires, as we started the business. They would be operational

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people -- you know, underwriters. You know, basically when you start a business, you start hiring folks.
Q. Did the company start off with any capital? How did the company start, at the time -- the phase of the company that you were involved in it, when they were trying to get it off the ground?
A. As explained to me, it was the restart of a company, not a brand new company. David Dennett-Smith had regained control of the company from -- I guess his other two principal owner/partners of the business for how -- it's gray to me, and I was really not focused on the past. I was focusing on going forward with the organization. So as far as capital was concerned, there wasn't any.
Q. Well, how did they pay for all of this equipment?
A. It was ordered, invoiced, and to my knowledge, has not been paid to this day.
Q. Where were the computers purchased from?
A. This firm that I'm trying to -- I was thinking at -- I was thinking at the

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break, something like Interdeck, or Intertech, or -- I'm sorry. It doesn't come to me. But something along those lines.

It was a small computer software/hardware vendor of the company that we, you know, purchased the computers, and their computer consulting services, I guess is the -- or I should say a contract with.

Q. Out of the employees that you identified earlier -- the nine to 10 employees, were all of them full-time employees?

A. Tom was probably part-time. Everybody else was probably full-time, as far as I know.

Q. George Kennedy?

A. Yeah. He was typically there most of the time, but when he was doing his -- obviously he'd say, "I'll be out of the office three days, because I'm going to" -- such-and-such -- "to earn a paycheck." Yeah, he did probably --

MR. COBURN: His name's actually George Kenny, K-E-N-N-Y.

THE WITNESS: Kenny -- sorry. Thank

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you. Thank you.

MR. COBURN: He's a former FBI agent that was doing their security work.

THE WITNESS: Thanks, Dan. I -- like I said, I'm not --

MR. COBURN: Old-timer stuff. I understand.

Q. (By Ms. Brockington) Were you involved at all -- and I want to come back later about the receipt of monies --

A. Uh-huh. Sure.

Q. -- and the allocation of those funds. We'll talk about that later. But were you involved in the submission of premiums to Realm Insurance Company?

A. My recollection is we wired funds one time to them directly. And after that, there were no other submissions to them, in premium dollars.

Q. And were there other submissions to them?

A. Not to Realm directly.

Q. To whom, then?

A. To the -- the AlphaStar parent company, as part of the sale agreement.

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Q. When was that done?

A. We were -- my recollection was there was a -- like a $500,000 payment, and then a million dollar payment. I'm guessing on dates. Probably late 2002, and then first quarter of 2003, and then maybe third quarter of 2003. It depended on how the agreements and arrangements were, but I don't specifically remember the dates.

Q. Where did this $1.5 million that was transferred to AlphaStar -- where did it come from?

A. The capital portion of the funds submitted by, you know, the PEOs.

Q. The funds that were wired to Realm -- the premiums that were wired to Realm, when did that take place?

A. The first or second quarter, '03. It's a guess. I'm going to say -- yeah, probably that middle -- middle part of 2003, probably.

Q. And how much in premiums was sent to Realm?

A. Net of claims -- I remember the number to be around $10,000 after the claims

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dollars were deducted.

Q. Was Realm to pay a commission to AIM?

A. Yes, ma'am. I believe so.

Q. And what was that commission arrangement?

A. I'm going to say it was about a 20 or 25 percent number, of the premium base.

Q. Was -- were the funds that were wired to Realm, as premium, $10,000 net of claims --

A. Yes, ma'am.

Q. -- was that also net of commissions?

A. Yes, ma'am.

Q. And approximately how much in commissions was deducted before the $10,000 was sent to Realm?

A. I'd have to take a guess, again, at -- between 75- and 100,000, maybe? Seventy-five-, $100,000? Somewhere in that -- again, I'm just --

Q. 75,000 to 100,000 --

A. Uh-huh. 100,000 somewhere? I'm going to say that's a -- I'll give that as a range, but again, that's a -- a guess.

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Q. Okay. So the $10,000 that was sent to Realm, was what was left after payments of claims were deducted --
A. Uh-huh.
Q. -- and after 75,000 to 100,000 -- somewhere in that neighborhood, of the commission to AIM was subtracted.
A. That sounds right.
Q. What was done with that money? -- the commissions that were retained by AIM?
A. Like I said, the commission fees were then distributed, I guess. That would be expense reimbursements that we talked about earlier.
Q. And who were those retained -- premiums, commissions -- who were they distributed to?
A. Well, commissions were paid to AIM proper, the company --
Q. Yes.
A. -- as agent. Then AIM then, you know, distributed expense dollars to, you know, the various folks that we talked -- you know, David, myself, Bruce, Steve -- I guess Tom. You know, just -- Ricky. You know, the

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names I believe that I mentioned earlier.
Q. Was the entire amount of those commissions distributed?
A. I'm going to say we probably paid some other bills with it: the phone bill; you know, the -- medical benefits bill from Aetna. You know, operating expense-type things. The --
Q. What other things were operating expenses, other than the --
A. Uh-huh.
Q. -- medical benefits and -- you said that you were paying, at some point, a retainer to Gross Collins.
A. Phone bill, you know -- you know, electrical bill. You know, utility-type things. I'm trying to think of some of -- I'm going to say we probably paid some money to the Iron Mountain folks. I think I mentioned them earlier. How much -- I wouldn't say it would be a lot. A couple thousand dollars on a fairly large outstanding balance.
Q. That's an Iron Mountain outstanding balance?
A. Yes. Yeah, uh-huh. I'm trying to

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think of what other bills we would have gotten in.
I can't think of what other bills we would have gotten. Sorry. I'm -- I'm going to say there were probably some attorney bills paid -- you know, the bill was "X," and we paid them, you know, 5,000 on it -- you know, 50,000 outstanding or something. Just basically. You know, we owed a lot of money, so we were trying to at least --
Q. What's the total amount of money that you were aware of that was owed to Alston & Bird?
A. Three -- 300,000, is a guess, that I'm aware of.
Q. Were any of the commissions that AIM kept, or took, or retained, or reserved, or however you describe it --
A. Uh-huh.
Q. -- were any of those funds invested in any other company?
A. Not that I'm aware of.
Q. What other funds were distributed, in addition to this initial -- this distribution --

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A. Uh-huh.
Q. -- of between 75,000 and 100,000?
A. Vast majority of the money was to pay the claims -- claims handling.
Q. Well, you told me before, I thought, that the 75,000 --
A. I'm sorry.
Q. -- to 100,000 --
A. Yeah. Uh-huh.
Q. -- was the commission --
A. Uh-huh.
Q. -- to AIM.
A. Right.
Q. And out of that money --
A. Oh, I'm sorry. I'm sorry.
Q. Was any of that money invested in any other company?
A. The 75- to 100,000? I'm not aware of that happening, no.
Q. And you said that this was wired -- these funds were wired to Realm. Did Realm keep the premiums that were submitted by AIM?
A. They returned them.
Q. When did they return them?
A. Probably a week later.

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Q. Why?
A. My recollection was they said, "Received in error."
Q. And who --
A. That was it.
Q. Did you follow up on that?
A. We called the Realm folks and asked them, "What's going on, what do we need to do?"
Q. Who did you call around to?
A. Oh. I spoke with their accounting guy. His name was Tony -- it's Italian. I'm trying to picture his name.
Q. Sioma?
A. Tony Deflor -- no, not Deflor.
MR. COBURN: Deltufo.
THE WITNESS: Deltufo, thank you.
Tony Deltufo.
Thank you.
Q. (By Ms. Brockington) And he was with Realm?
A. Yes.
Q. Do you know how to spell Mr. Deltufo's last name?
A. D-E-L, and then -- I guess T-A-F-U,

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I guess? Deltufo?
Maybe I got that backwards.
Q. And what was his position with Realm?
A. I recall him being like the chief financial officer, treasurer -- something to that -- fairly high up.
Q. Was this the first time that any premiums had ever been sent to Realm?
A. Yes, ma'am.
Q. And what did Mr. -- were you personally the person who talked with Mr. Deltufo?
A. I talked to Tony, and he said that they were returned because they weren't ready to receive them yet. That's pretty much --
Q. What did that mean? -- that they returned --
A. I --
Q. -- them because they weren't ready to receive them?
A. They were -- they basically said they were not set up to receive the premium yet. And I said, "Well, then we'll hold it for you. You let me know when."

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Q. Did they tell you that's because they were not providing coverage?
A. There was -- I know there was disputes about whether coverage was there or not. And I think that was part of the whole, you know, Realm/AIM/AlphaStar lawsuit up in New York.
Q. When did you first learn about the dispute about coverage?
A. I guess I first learned of it when they returned the premium. But there was -- the lawsuits were filed -- I don't know when they were originally filed. 2003, 2004 or some combination?
Q. What did you do after you spoke with Mr. Deltufo?
A. I mean -- what did I do?
Q. Yes. How did you follow up on that phone conversation?
A. I went to David and said, "They returned the money, and what are the next steps?"
Q. And what did David say?
A. He said he would handle it. Something to that effect.

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Q. And did he tell you how he planned to handle it?
A. Not specifically.
Q. Well, in general, what did he tell you?
A. He said that he would -- he would phone -- Steven Crane, was the gentleman's name that he -- the president of the company, or chairman, and talk to him about it, and see what needed to be done to move this thing forward.
Q. And what was the result of his communication?
A. The lawsuits, I guess.
Q. Was it your understanding, at that point in time when the premiums were returned, that Realm was denying coverage?
A. I would say I don't believe deny coverage was my understanding.
Q. Well, what was your understanding about coverage, at that point in time?
A. That we were acting as the agent for Realm; had -- I guess bound or sold coverage, and coverage existed.
MS. MEEKS: I'm sorry. I can't hear

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you. What did you say?
THE WITNESS: I'm sorry. My understanding was that AIM, as -- acting as agent for Realm, had sold, bound coverage, and that was basically the start of it.
The dispute started from there, I guess, as to whether there was or wasn't coverage, and the lawsuits ensued.
Q. (By Ms. Brockington) Did you inform any of the PEOs that Realm had returned premiums?
A. Yes.
Q. Pardon me?
A. Yes, ma'am.
Q. You did personally?
A. Right -- right away, I would say no. But I talked to a few of them, you know, after the fact. But I would say Bruce probably talked to them, David probably talked to them. Everyone probably -- we basically got the word out that there was a problem.
Q. You didn't talk to anybody at NES, did you?
A. Not that I can recall. I don't

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think I've -- no.
Q. And you didn't send NES any written information about the fact that Realm had returned premiums, did you?
A. Not that I can think of.
Q. Okay.
A. That would probably be more of an underwriting function than a financial function.
Q. So you don't have any personal knowledge --
A. No.
Q. -- about whether they knew that or not.
A. I --
Q. Is that correct?
A. My recollection was is everyone involved in the -- you know, the PEOs were notified in some way --
Q. But you don't have --
A. -- shape or form.
Me personal knowledge? No.
Q. Were you involved in the insurance regulatory process with AIM, dealing with the insurance regulators in the various

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jurisdictions?
A. Yeah. I think I had some -- I'm trying to remember -- some correspondence with a couple of the insurance departments. I'm trying to -- I specifically remember Oklahoma, you know, making inquiries about the program; the State of New York, obviously with Realm. But generally speaking, that's probably the extent of my involvement.
Q. Okay. Did you contact the State of Oklahoma, or did the State of Oklahoma contact you?
A. I'm trying to remember the circumstances. My recollection is that there was some type of a press release that came out, and that I was asked to call -- so I'm going to say I probably called Oklahoma first because of some -- a press release that came out, you know, saying something about, you know, AIM, you know, stealing millions and millions of dollars, and blah blah blah -- you know, that -- I'm not really sure of the -- that's my recollection. But yeah, I would have probably called Oklahoma first, to talk with them and see what -- what was

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transpiring, and what was going on.
Q. Well, where was the -- who made the press release? -- Oklahoma?
A. It came out of Oklahoma somewhere, yeah.
Q. And what was the nature of the stealing by AIM that was related in this press release?
A. How we collected a bunch of money and -- you know, collected a bunch of money.
Q. And you did collect a bunch of money, correct?
A. Well, I don't remember the specific -- they said basically we took a bunch of money and kept it for ourselves, I guess is a way of paraphrasing it.
Q. Other than the $10,000 that you sent to Realm in the first or second quarter of 2003, did you ever send any other money to Realm?
A. No, ma'am.
Q. After Realm returned the money to AIM in the first or second quarter of 2003 --
A. Uh-huh.
Q. -- did AIM keep on issuing coverage

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for Realm?
A. As far as I know.
Q. And you continued doing that for, what? -- another -- until you left the company?
A. I'd say pretty much, yeah, give or take, yeah.
Q. Okay. And you kept on collecting premiums?
A. Funds kept coming in, uh-huh.
Q. And none of those funds were ever turned over to Realm, correct?
A. That's correct.
Q. Were additional distributions, commissions taken out by AIM, after the first --
A. Yeah, I think -- yeah.
Q. -- commission?
A. Probably some. Not a lot, but probably another -- let's see. Into 2003. Probably by the middle of the year, we kind of put everything into the -- into the claims bucket, all-inclusive.
Q. And when were additional commissions retained by, or pulled out, or segregated, or

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distributed --
A. Probably --
Q. -- to AIM?
A. -- that first half of '03, would be a --
Q. All right. And how much money in addition to what you've already told me about --
A. Uh-huh.
Q. -- the 75,000 to $100,000, how much in additional commissions were taken out, or retained, or kept, or held?
A. Thirty-, 40,000, would be a guess.
Q. And what happened with that money?
A. They were used to pay expenses.
Q. And were those expenses to you, Mr. Dennett-Smith, Mr. Holley?
A. In part.
Q. And what else were they used for?
A. The operating expenses that we talked about before: the benefits bill, the phone bill.
Q. Now, the company had medical insurance. Who all was covered under that policy?

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A. Pretty much the -- the list of names there, I would say for the most part. I'm trying to think. And families, probably.
Q. Were there any other insurance policies? -- disability policies, accident --
A. I was not aware of any of that.
Q. Let's go back to the Oklahoma contact.
A. Yeah.
Q. Who told you to contact Oklahoma? And by "Oklahoma" --
A. Uh-huh.
Q. -- I assume you're talking about the Oklahoma Insurance Department?
A. Yes, ma'am. Probably David. I would have probably taken it upon myself, if he didn't -- if he had not said something, I probably would have taken it upon myself anyway, because you want to find out what's going on.
Q. How did you learn about the press release in Oklahoma?
A. I think Bruce got an e-mail from someone.
Q. And what time period was that?

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A. I don't recall. It's got to be sometime in 2003, I guess, when -- summer/fall, maybe? I'm guessing.
Q. What did David tell you to talk with the insurance commissioner/insurance department about?
A. Explain the -- you know, explain our circumstances of what had transpired so far, and that -- you know, where things, you know, currently stood. We explained the program to the -- it wasn't the insurance commissioner proper. I don't recall the gentleman's name that I spoke with.
Q. And what did you explain? What did you tell him or her?
A. Well, we basically told him about the PEO program; about the -- that we were launching the involvement of Realm; that lawsuits were either pending or had already been filed; that we would provide them with, you know, written documentation so that they could see our side of what seemed to have been a one-sided story until that point.
Q. What was your side?
A. That's kind of a vague question. My

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side of the story?
Q. Well, you said you wanted to provide them documentation to give them your side of the story.
A. Right. I gotcha. We provided them with the documents that we were relying on, that a business transaction was taking place.
Q. And what documents were those?
A. The Realm sale agreement; the agent agreement. You know, basically the -- I guess the -- probably copies of, you know, documents specific to the State of Oklahoma, folks who were -- if you will, insured under the program; the monies received under the program. You know, the monies disbursed under the program -- you know, basic -- you know, to show them that we were trying to do the right thing, I guess, by showing them our -- if you will, our side of the story, by providing the documents that we were living by.
Q. What did you tell them was your explanation of what was going on?
A. I guess I said something to the effect that obviously we have a huge misunderstanding going on here that needs to

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be rectified.
Q. What documents did you produce to them to -- documentation of monies received and disbursed?
A. I think I provided them some type of summary of the accounting ledgers that we talked to earlier.
Q. What was -- how did you prepare a summary of the accounting ledger?
A. Using the Excel worksheet.
Q. And what did it show?
A. Not remembering specifically, but it probably showed, you know, obviously money in and money out, by PEO -- something along that line, would be my -- my conclusion.
Q. And where did those figures come from?
A. From the accounting ledger, from AIM's books.
Q. What other documents did you provide them specifically, that related to receipts and disbursements of monies?
A. Probably the bank statements to go with it. You know, identifying the deposit, and here's -- here it is, here it is, type

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thing.
Q. Did you give them bank statements and summaries of the accounting ledger for the entire company, or did you give it just with respect to entities that had some relation to the State of Oklahoma?
A. My recollection was the entire AIM entity. The whole company.
Q. Okay. In your summary, what were the categories of receipts included in that?
A. Probably the premium claim, capital, and expense category. And then the -- on the disbursement side, you would have had the capital paid to AlphaStar; the claims, you know, paid out to the policyholders; and then the -- then I guess our commission, or expense number would be the third disbursement category.
Q. Is the commission or expense number, the same number, or are those different items?
A. It -- well, at the time I provided it, probably would be lower, but it would be that same -- yes, if I had provided them, you know, information in July of 2004, obviously the dollar amount would be higher than when I

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did respond to them. I was responding to them at that point in time, whenever that was, so -- you know, I just don't remember when in 2003 it was.
Q. At that point in time, what is your recollection of the amount of receipts that you reported to them?
A. Oh, I'm going to say -- $3 million, maybe, would be a guess? Maybe more? But that's -- again, that's just a -- it will depend entirely upon when. I just don't remember when, the specific point in time. Because -- you know, recognize that more money would have been coming in after the reporting of this. But that would be a guess.
Q. What was the amount of the disbursements you reported to them on this summary of the accounting ledger?
A. Including the claims? Almost all of it.
Q. What was the amount of commissions that you reported on this summary of the accounting ledger that you gave to the Oklahoma Department of Insurance?
A. The expense category would have been

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some -- I guess somewhere in that $75,000 range. Probably less.
Q. And what happened after you provided this information to the Department of Insurance?
A. As it relates to what the insurance department did with it, or --
Q. Yes, what --
A. I'm trying to find the --
Q. What was the followup.
A. Followup was -- you know, they were appreciative of the forthcoming of documents. They found it to be very useful and helpful. My understanding is that they were in communication, and we were not privileged to these conversations, where they were talking with -- I guess the State of New York insurance commissioner, where Realm is domiciled, and they were made fully aware of, you know, what was taking place, and they would monitor the situation. And that would -- the policyholders of the State of Oklahoma, you know -- and we said we will continue to service the claims.
Q. And did you agree to continue

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servicing claims?
A. Yes, ma'am.
Q. And did you do that in writing?
A. I did not do it in writing.
Q. Who did?
A. Bruce, or David, or -- don't know.
Q. Well, other than these documents you identified for me, did anybody submit a letter, or a statement, or something under oath, or anything in writing --
A. I'll tell you what: I --
Q. -- to the Oklahoma Insurance Department?
A. -- I do not recall there being any formal proceedings in Oklahoma, at all. I vaguely remember David going out there one time to meet with them. I was not part of that trip, so I do not know what transpired, other than basically he was, you know, reiterating what had already been provided to the State of Oklahoma.
Q. Was there an additional investigation of this matter by the Oklahoma Department of Insurance?
A. It sounded like it kind of died

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down, and it was going to be handled by the State of New York, is the way -- I don't believe Oklahoma did any real push followup after that.
Q. Did you ever receive anything in writing? Did AIM ever receive anything in writing from the Oklahoma Insurance Department?
A. Probably general correspondence to the effect of, you know, thank you for the information. We'll contact you with further followup-type things.
Q. Do you have any personal knowledge about AIM's status in Oklahoma, with respect to its authority to issue insurance in that state?
A. No. AIM would not be the issuer of insurance. That would be Realm. But AIM --
Q. Okay. Do you have any knowledge about Realm's status in the State of Oklahoma, at that time?
A. I'm trying to remember my -- when we did the due diligence on Realm, what states they were -- either suspended in, or -- but I don't believe Oklahoma was on that list. I

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think -- my understanding is they were licensed to write insurance in the State of Oklahoma.
Q. And what is that understanding based on?
A. Certificates of authority that I had retrieved many months ago.
Q. When did you do that?
A. During our due diligence with the signing of the sale/purchase agreement.
Q. And when was that?
A. I'm going to say the sale/purchase agreement was formally signed in March, so it had to have been before that. March of '03.
Q. Did you keep a copy of that list of the states Realm was licensed in?
A. There was a folder that had all of the certificates of authority, and the list. And I'm going to say I probably had it on the computer there too.
Q. Did you keep a personal copy of that?
A. I would have no reason to.
Q. And how about the documents that you sent to the State of Oklahoma? Did you keep

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copies of any of that?
A. Personal copies? I would have no reason to. We would keep them in a folder, and probably marked "Oklahoma."
Q. Okay. And the documents relating to Realm's license, what would that have been labeled?
A. "Certificates of Authority," would be a guess, where they would be the actual documents signed by -- you know, a photocopy, mind you -- by the state specific.
Q. What role did you play in the due diligence process with respect to Realm?
A. Review of their financial records; their standing; certificates of authority to do business, both on a financial statement, and an operating system basis.
Q. Anything else?
A. We hired a firm, that I cannot recall the name, in New York, to assist in the process. So I communicated with them quite often.
Q. And what was that firm?
A. I do not recall the name.
Q. A law firm, or --

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A. Accounting firm.
Q. Accounting firm.
A. Uh-huh. I don't know the name of it. I'm sorry.
Q. You said that you communicated with the State of New York about the Realm matter at some point.
A. We went --
Q. Did you personally communicate with New York?
A. We went to New York at some point in time. We were -- we visited the State of New York Insurance Department. I would say it was myself, David -- I'm going to say Bruce was there, but I don't remember for sure. I don't believe Stan was there, but I believe a gentleman by the name of Tom Player --
Q. Tom Player?
A. Tom Player, who was an attorney from -- here in Atlanta. What's the law firm. He's an insurance compliance attorney.
And then our -- another attorney. His name was Kip Becker. I remember Kip.
So we met with the State of New York to discuss the situation and what was going

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on.
Q. Was this a meeting that was requested by --
A. State of New York.
Q. -- called by the State of New York?
A. Yes, ma'am.
Q. And what was -- what did they do or say at this meeting?
A. They wanted to understand the program, how it had gotten where it was, and where we wanted to get it to. They wanted to see, you know, the -- the financial wherewithal to do this, and then they also met with the Realm/AlphaStar folks, to discuss, you know, their -- if you will, what their side of the story was, if you will, to see if we can't come to a logical and reasonable, you know, resolution.
Q. And what was the outcome of that meeting?
A. You know, paraphrasing in a nutshell would be to -- you know, to work this thing out, or the New York department would step in, as they are allowed to do, and seize control of Realm.

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Q. Was AIM issuing insurance at that time on behalf of Realm, at the time that this meeting took place?
A. I don't believe we were issuing anything new. We were carrying what had already been, if you will, bound and in force.
Q. What time period was this meeting with the New York Insurance Department?
A. The fall of '03, would be my recollection.
Q. Did you provide any financial statements or financial records to the State of New York?
A. I did not.
Q. Did the company -- did AIM, provide any financial statements or financial records?
A. Probably a pro forma of the program, to show them, you know, how the program worked.
Q. What do you mean by "a pro forma of the program"?
A. Pro forma statement of -- of an income statement that said here -- you know, if we were to take in X dollars -- we'll use $1 million as the example. We'll take

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$1 million of premium, we would take in -- I'm going to say 600,000 of capital, and here's how the funds would be then accounted for.
Q. So the pro forma was a hypothetical --
A. Hypothetical. It was a plan, a budget, a pro forma, yeah.
Q. But you didn't provide any actual documents --
A. Actual dollars? They did not ask for actual dollars at that time.
Q. Had there been complaints in the State of New York, prior to that time? Did they tell you that?
A. I don't remember them talking about that. I have a feeling that that was not in our meeting. That might have been just with the Realm folks. That would be my guess.
Q. What other states did you have any discussions with their insurance regulatory authorities, or other regulatory authorities?
A. I'm trying to think of if there were any other states that we had to deal with. I don't remember me being involved with conversations with Texas. I was not involved

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in those conversations, from what I can recall. But it was -- you know, basically we had created, you know, a package that we then mailed out to all regulators, at that point. So we mailed out to, you know, all 50 states, at that point.
Q. And what was in that package?
A. I guess a -- pretty much the same documents, I believe, that we provided Oklahoma: the sale agreement, you know, the various documents that we were, if you will, living by.
Q. And did you keep a copy of those documents that were sent to all 50 states?
A. I'm trying to remember how we tracked that.
We ended up tracking -- because I'm going to say they got overnighted, if I'm not mistaken, or second-day aired. We wanted a tracking mechanism to make sure that all states received it. So we would -- the AIM records would show, you know, something to that effect. We would have had a list.
We would have probably had, you know, the cover letter, and it was probably

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signed by -- I believe David signed some type of a one-page cover letter, and it would have been -- I don't know if we would have kept every single pile of paper. We probably would have kept a -- you know, a single set of the documents, and then each cover letter that went to each of the states.
Q. Where would that have been kept?
A. That would have kept -- probably been kept in Diane's file cabinet. She was responsible for the -- like the correspondence file.
Q. And was that kept on the computer, a copy of that?
A. In blank, probably. But with each state's name on it? I don't know. Don't know.
Q. Did you ever meet with anybody from the State of Texas?
A. I did not.
Q. Do you know if anybody from the company ever met with anybody in Texas?
A. I recall -- I recall David going to Texas on a trip, at one point in time, for similar conversations.

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Q. And what did you understand about that meeting with Texas authorities?
A. David came back and basically said he explained our position, and again, you know, similar: that they would monitor the situation, and be in contact with the State of New York, who, you know, has jurisdiction over Realm.
Q. How about the State of Georgia? Did you ever meet with or talk with anybody in the Georgia Insurance Commissioner's Office?
A. I never went there. I think David and Bruce did once or twice.
Q. And why was that?
A. I guess because obviously just like a lot of other states, they had gotten wind of what was going on, and wanted to find out what the heck was going on.
Q. And what did they tell you about those meetings or communications?
A. Very similar. They said that -- you know, we provided them with documentation; that they wanted to monitor the situation. I do recall, you know, vaguely, them, you know, reminding and warning David and Bruce that,

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you know, the severity of what was going on, and that we all understood that, and that they would be in contact with the State of New York, accordingly.
Q. Did they ever send the company anything in writing?
A. I don't recall if Georgia ever did or not. But I would say probably.
Q. And where --
A. Because they're very -- because they're -- having dealt with them in prior lives before, they are very thorough.
Q. Where was that kept?
A. That would have been kept in the correspondence file.
Q. The correspondence file from --
A. I'm sorry. Diane -- I'm sorry. I can't remember the last name. Diane was the administrative executive assistant for the department -- or -- "department." The company.
Q. And did she keep a file for each state?
A. Yes.
Q. Any other states that you had

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communications with, or you know that you -- you are aware that anybody else with AIM had communications with? -- any other state regulatory agencies?
A. Not that I can think of. I mean -- not that I can think of offhand.
Q. While you were employed at AIM, were you ever involved with any other companies, other than AIM, either as a consultant, as an employee, as a -- perform any services on their behalf?
A. No, ma'am.
Q. Were you ever an officer or director of any other company, other than AIM? And I think you told me with AIM, you understood you were to be a CFO, but --
A. I was -- right.
When you say -- in my entire career, or just more recently?
Q. While you were at AIM.
A. While I was at AIM? No, I was not an officer or director of any company.
Q. Okay. Were you affiliated in any way with a company called Essex Holdings?
A. Essex Holdings. That was the new

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company that David started. David --
Q. And did you say that was a --
A. I'm sorry.
Q. -- new company that David started?
A. Yeah. David Dennett-Smith and other folks who I don't recall names, started that company right around the time, or right before the time, I think, that I left.
Q. Were you involved at all in the process of start setting up that new company?
A. Not at all.
Q. Did you ever undertake any work on their behalf? -- prepare any documents for that company?
A. Not that I can recall.
Q. While you were at AIM, did the company have any errors and omissions insurance coverage?
A. I'm aware of a policy, yes.
Q. And who was that with?
A. I'm trying to picture -- I don't recall who that was with.
Q. Who would know about that?
A. More than likely, David.
Q. Tell me what insurance companies you

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remember dealing with, while you were at AIM --
A. Uh-huh.
Q. -- other than Realm, and the Aetna, with respect to medical insurance.
A. Insurance companies proper? Is that --
Q. Yes, sir. Any names --
A. Yeah.
Q. -- of insurance companies of any sort that you can recall, whether general liability, E&O --
A. Uh-huh. Uh-huh. I don't recall specifically, no.
Q. Did the company procure insurance through Bruce Holley, as a broker, for any type of coverage for AIM?
A. Not that I'm aware of, no. I don't think he's allowed to do that, by law.
Q. How about through Accent Insurance Company?
A. As far as I know, no.
Q. Tell me what you can remember about the E&O policy that AIM had while you were employed there.

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A. I know that we had coverage of, you know, some standard amount. You know, one-, two-, 3 million -- whatever a standard policy was. I'm trying to remember. I'm sorry, I'm not -- I'm having trouble remembering a lot of specifics on that.

That was handled, you know, exclusively by David. He pretty much handled that whole --

Q. Do you ever remember seeing a copy of the policy?

A. I remember seeing the dec page, yes.

Q. And tell me what you remember seeing on the dec page about the types of coverage on that policy.

A. Pretty standard language on -- on coverage limits, deductible. I'm trying to picture it and see if I can remember the company name, but I can't.

Q. Was it --

A. That's about the extent of it, yeah.

Q. Was it a company that you were familiar with?

A. Very -- yeah. It's -- I want to say St. Paul Fire Marine, but I do not know.

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Q. Okay.

A. I do not know. But yes, it's a very recognizable insurance company -- a nationally recognized company. I'm trying to remember the name of the broker agent it was placed through too, and I can't.

Q. Was any other insurance placed through this broker or agent?

A. Not that I'm aware of.

Q. Where was the broker/agent located?

A. I'm going to say he was in Colorado. That's a guess. Because I remember a long distance phone number.

Q. Okay.

A. It was not local.

Q. Is this somebody that you communicated with?

A. By telephone a few times, yeah.

Q. Okay.

A. That's why I remember the phone -- I don't remember the number, but I remember it being a long distance call.

Q. Did you communicate with him about this case, or about the NES claim, or claims by any of the other PEOs?

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A. Just paying the bill, was my job.

Q. And is that something that you actually personally handled, was paying the bill for that coverage?

A. Yeah. I guess -- receiving the invoice and issuing the check. Yeah, I guess that would be.

Q. Was it your job to report claims, and tender claims to the insurance carrier?

A. When you say "the insurance carrier" --

Q. The E&O carrier --

A. Oh, I'm sorry -- the E&O carrier?

Q. Yes.

A. It was not my responsibility.

Q. Are you aware of any claims ever being reported to the E&O carrier?

A. I'm not aware of them being reported, no.

Q. Okay. Do you know if AIM ever applied for E&O coverage, and was denied?

A. I'm going to say I know of application, but I do not know whether application and denial were in tandem.

Q. And who made that application?

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A. That would have been David. David Dennett-Smith would have handled all that, uh-huh.

Q. And who was that application sent -- submitted to?

A. I would not know.

Q. Did you ever talk with David Dennett-Smith about reporting any of the claims --

A. Clearly, he said that we need -- you know, meaning you, meaning David, "You need -- if you're going to handle this, you need to talk to the folks about this situation." And I believe he did.

Q. Okay. And is this the gentleman in Colorado that he spoke with?

A. I'm going to say yes.

Q. And by the -- the claims that you told him he really needed to report to them and that you believe he reported to the gentleman in Colorado -- the claims made by the PEOs, including NES, correct?

A. I would not know what encompassed the claim being made.

Q. But that's what you were talking

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with him about.
A. Generally speaking, I would say I -- I would think NES would be involved in that. I would think so. I mean, if the -- maybe PEO was used as a generic term, meaning anyone -- meaning the PEOs who were involved in the program, and if the claim was made -- you know, once NES had entered into the program, then I would have to say yes.
Q. When did you first become acquainted with Realm in any way?
A. Probably right after I started with -- with AIM, back in --
Q. You hadn't had any dealings with them in the past?
A. Nope.
Q. Had you ever heard of that company before you came to AIM?
A. I probably had heard of it in passing somewhere along the way, but not specifically.
Q. When you first became aware of Realm after you came to work at AIM, what was your understanding of the relationship? -- your first understanding of that?

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A. That we were proceeding with due diligence to buy the company.
Q. And AIM was buying the company?
A. Yeah. I would say AIM is a -- when you use "AIM," I think you said earlier it's three companies together?
Q. Yes.
A. Yeah, there was a -- yes.
Q. And do you know which of those companies --
A. Probably the holding company, would be my guess.
Q. And that -- which one was the holding company?
A. Like AIM Holdings Inc., I guess would be the holding company structure.
Q. And what funds were being -- to be used for AIM to purchase Realm?
A. The capital monies coming in under the PEO program.
Q. Had the due diligence process already started when you went to work at AIM?
A. To -- I'm going to say probably, but to my satisfaction, no.
Q. Okay. And so that's when you became

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involved?
A. That's when I was brought on board, yes.
Q. Okay. And you reviewed financials. Anything else that you did in the due diligence process?
A. Financials, contracts, contingencies, compensation. Basically anything that would lead to both, you know, past, current and future financial impact to the organization, to help establish purchase price, and then any contingency that we would need once the company was acquired.
Q. How long did that due diligence process last?
MS. MEEKS: May I take a short break?
MS. BROCKINGTON: Yes. Of course. Take it, please.
(Thereupon a short recess was taken, after which the following proceedings were had:)
(Whereupon, at the hour of 12:54 p.m. a luncheon recess was taken, the proceedings to be resumed at

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1:30 p.m.)
(At the hour of 2:05 p.m., the following proceedings were had at the same place with the same persons being present.)
MS. BROCKINGTON: Let's go back on.
Q. (By Ms. Brockington) You said that when monies were received at AIM, that there were two accounts. One was an account for receipts, and one was an account for disbursements, correct?
A. Uh-huh. Yes, ma'am.
Q. Who transferred the money from the receipts account to the disbursements account?
A. I did that.
Q. When bills were paid, or monies were paid out of the disbursements account, who made the decisions on what was to be paid to whom, and how much?
A. The disbursements -- expenses, disbursements, claims -- well, you kind of have to split that.
The claims process was handled by Bruce Holley, by Sharon, and -- I'm going to say a temp, for a while, and then the temp was

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gone. But primarily Bruce and Sharon handled the claims process.

They -- we used the Crawford & Crawford people for claims for a while, so that was kind of at arm, and then we would -- once that whole process was completed and a claim had been approved, I guess is the way to look at it, a disbursement was requested and a check was cut, and that would be one disbursement type.

The second disbursement type would be the expense side of things -- you know, we talked about the phone bill, the electrical bill -- that kind of stuff, and then the expense reimbursements to the individuals.

The primary decision for operating expenses was my responsibility. Distributing, you know, the expenses would be -- you know, we would discuss it with David, Bruce, Steve and myself, as to what to be distributed when, and whether we could afford to do it or not.

Q. Okay. And were the claims and these operating expenses that you described, they were all paid out of the same disbursement account?

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A. Yes, ma'am.

Q. And all of the monies that were received from any of the PEOs, were deposited into the same account of receipts.

A. As far as I'm aware, yes.

Q. And I think you said that when you submitted the documents to the Texas Department of Insurance, that you went back to your ledger and --

A. Oklahoma?

Q. Oklahoma -- I'm sorry.

A. Uh-huh.

Q. They're close --

A. Yeah, they're right there.

Q. That's what I --

A. Understood.

Q. That's what I --

A. Understood.

Q. That you went into your account ledger --

A. Uh-huh.

Q. -- and you reworked it into -- you did a summary on Excel --

A. Uh-huh.

Q. -- correct?

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A. I did -- that was kind of a monthly exercise I was going through anyway, to keep track of the buckets of funds. You have to keep track of the premium claim fund; you have to keep track of the capital fund; you have to keep track of the expense fund, at all times. So that was really a monthly exercise. Not a specific exercise for Oklahoma.

Q. Okay. So did you just send a copy of your Excel spreadsheet --

A. Yes, ma'am.

Q. -- your regular monthly Excel?

A. Yeah. We just -- I updated it through the date they had requested and sent it off to them, yes.

Q. Who actually prepared every month the Excel spreadsheet?

A. That would be me.

Q. And that was broken down into -- tell me the categories --

A. The categories would be a premium claim fund, your capital fund, and your expense fund, uh-huh. Yes.

Q. But all of those amounts -- the premiums, capital and expense funds, those

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were all kept in the same bank account, correct?

A. Yeah. They resided in the deposit account, and then when we were making disbursements, basically at what's called a zero balance checking account, the bank has, you know, $25 presented. We would fund -- they -- you know, the bank does it automatically for you. They fund across with a transfer of funds.

Q. What was included in the premium fund, in your Excel monthly sheet?

A. The premium dollars collected from the PEO.

Q. And what was included in the capital fund --

A. That would be --

Q. -- on the Excel?

A. -- the capital funds that were in addition to premium.

Q. And what was included in the expense fund?

A. Of the funds that came in?

Q. Yes.

A. I'm going to say that there was a --

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I'm going to pick a percentage. You know, seven percent number, depending on -- what would be fitting in the expense fund. In other words, we'd have the three buckets. There would be $100 in the account. I'm going to say $50 was premium, you know, $45 was capital, and $5 was expense fund. So that would be like the fee commission that we talked about earlier..

Q. That is the commission to --

A. AIM.

Q. -- AIM?

A. Sorry. Right.

Q. And that commission was governed by what agreement?

A. The combination of the agent agreement, and relationship with Realm, and then I guess the relationship -- PEO relationship with AIM. Kind of like -- if you will, a dual relationship there.

Q. And was the commission to be seven percent of what?

A. I don't know if it was -- I just used that as an arbitrary number. It would be based on the premium dollars that came in the

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door. There would be some -- some number. I don't remember the percentage. I just used seven as an example. You would take, you know, $100 premium, and some percentage of that would be construed as -- in insurance terms, you call that expense load, or commission load. Whether that was seven percent, or 10 percent, I'm -- I don't recall exact percentages that --

And then you have obviously the Realm relationship, where I believe the percentage was 25 percent. So maybe we should use 25 as the number, just so that we can --

Q. Okay.

A. We'll use that as the number, I guess.

Q. So you think the commission rate was closer to 25 percent.

A. I would say somewhere in the 20, 25 range probably, yeah.

Q. Okay.

A. Now that I'm thinking about it more, yeah.

Q. Where were these Excel -- monthly Excel spreadsheets kept?

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A. On the company's computer. And we would do a printout and put it in the monthly folder.

Q. So -- and that would have been available to -- across the network?

A. Yes, ma'am.

Q. And that was the case throughout the time you worked there?

A. Yes, ma'am.

Q. And were those figures, or those Excel spreadsheets, up to date, at the date that you left the company in July of '04?

A. As far as I'm aware, yes.

Q. And you yourself physically prepared those?

A. Yes, ma'am.

Q. Were hard copies made of the Excel monthly spreadsheets?

A. They were distributed to David, Bruce, Steve, and then file copy. As we talked about, how much money was still in the till to pay claims every month.

Q. Now, the file copy, I believe the files -- was this a file that was kept by --

A. It would be --

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Q. -- the secretary for --

A. No. That file probably was the one that was across from my desk. So it was a distrib- -- you know, it was kind of like a distribution, and then that would be the -- you know, if someone wanted a quick reference, you go -- instead of trying to type into your computer, you can go pull the folder out real quick and look at something.

Q. I think you said earlier that there was an -- that Mr. Dennett-Smith had an executive secretary?

A. Diane?

Q. Diane?

A. Uh-huh.

Q. And what was her last name?

A. I do not remember. I'm trying to remember it. Diane. I want to say Soprano, but it's not Soprano.

MR. COBURN: I knew it was Diane, but I can't remember who it was, so I can't help you.

Q. (By Ms. Brockington) Well, if you think of it, you can --

MR. COBURN: Christina. Christina,

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wasn't it?
Q. (By Ms. Brockington) It's okay if you don't remember it. If you do think of it, you can tell me later on in the deposition.
A. That's -- yeah.
Q. I understood from some previous deposition testimony that Mr. Dennett-Smith's wife worked for the company. Did she work for the company at any time while you were employed there?
A. She was in the office. I'm not sure if she was ever employed by the company. That I wouldn't know.
Q. Work any --
A. I guess maybe to clarify -- you know, employed by -- she was listed as an employee?
Q. Was she listed as an employee?
A. I'm not aware of her being listed as an employee.
Q. Did she ever receive any distributions, or expense reimbursements or payments of any sort from the company?
A. I'm not aware of any being paid to her.

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Q. The auto allowance that you talked about --
A. Uh-huh.
Q. -- earlier, were 1099s issued to employees for those monies?
A. They were not.
Q. And why not?
A. Don't have an answer for that, other than they weren't.
Q. Were 1099s of any sort issued by the company to anyone?
A. Not during my time, no.
Q. And why was that?
A. Do not know.
Q. Were any W2s ever issued?
A. I'm not aware of any W2s being issued.
Q. Did the company keep files on each employee? -- a personnel file on the employee with information such as their I9s, or their employment information?
A. I would believe so, yeah.
Q. Well, did you ever see those files?
A. I did not see those files. When I was hired, I handed in -- you know, the

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standard I9, I guess, a copy of your driver's license to Ricky Haggard, who was personnel, so I would assume he would be the one that would maintain those files.
Q. Where is Mr. Haggard today? -- do you know?
A. I haven't the foggiest idea.
Q. Was he still there when you left?
A. Yes.
Q. How many employees were still there when you left the company in July of 2004?
A. I'm going to say there were five people at the Roswell location.
Q. Were there five people, or more, when you moved from Tower Creek to Roswell Road?
A. Tom had already left, Diane had already left -- I'm trying to think of -- Bruce was -- Bruce -- Steve Landin actually was gone, so he did not come. So the -- I would say there were -- when we moved, there were -- it was less than the original nine.
Q. Okay. Were the five computers --
A. Uh-huh.
Q. -- that were kept --

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A. Sure.
Q. -- did each employee have a computer, or were there some employees that didn't have a computer, when you were at the new -- moved to the new office?
A. Well, I know I brought my computer with me, because I moved it myself. What -- how the other computers got there -- I have to assume each individual brought their own computer.
Q. And when you left the company, you left that computer there?
A. Left it there, yes.
Q. And you didn't download anything from it? -- no information of any sort?
A. No, ma'am.
Q. Now, I believe you said that the computers -- those were purchased while you were there?
A. Yes.
Q. This was at the same time that no one was getting paid any money.
A. Correct.
Q. But you were spending money on more computers than you had employees?

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A. In anticipation of business growth, yes.
Q. Well, did you ever question that to Mr. Dennett-Smith? -- why you were buying equipment at a time when you weren't even getting paid?
A. I was told that business was ready to launch, prepare to take it on. One of the things you need is people and resources, meaning people and computers. The first thing you need is the computers, and then the hiring process for the underwriting would fall under Steve and Bruce's responsibility. I would probably hire a couple of accounting people, you'd have to hire a couple of claims people, and you have to have the computers when they come in the office. We had started interviewing people. That's how close apparently we were.
Q. When did you start --
A. At least that's what I believed.
Q. When did you start interviewing people?
A. First of the year. Early 2003.
Q. And what positions were you

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interviewing for?
A. I think primarily they were doing the underwriting and the claims, were the first.
Q. Were you interviewing for employees to work under you doing accounting?
A. I had not started yet.
Q. Was anybody hired in early 2003?
A. A guy by the name of Bob -- Bob Bauer, or Bob Bauer -- B-A-U-E-R. Bob Bauer, I believe his name was.
Q. What was Mr. Bauer hired for?
A. Underwriting.
Q. And did he actually come to work at the company?
A. He traveled a little bit, but he was in and out of the office, on a regular basis. So yeah.
Q. Well, was he an employee of the company?
A. I believe so, yeah.
Q. And was he paid a salary?
A. No. He was not.
Q. Was he given a draw?
A. No, he was not.

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Q. Was anybody else ever given a draw?
A. No one was paid salaries during the -- my tenure there, as far as I remember.
Q. When was Mr. Bauer hired?
A. Early 2003. I couldn't say exactly when.
Q. How long did he stay there?
A. Oh, six months, maybe.
Q. When he was hired, was he told that he would be paid a salary?
A. I did not hire him, so -- he was just as surprised as I was, I guess.
Q. Did he ever talk to you about that?
A. He wondered when we were going to start getting paid, yeah, and I said, "Well, you have to bring the business on before anybody can get paid." That's pretty much all I could tell him because that's all I was being told.
Q. And what was his reaction to that?
A. He wasn't happy, let's just put it that way. Imagine that.
Q. Was there anybody else there that was not happy about not being paid?
A. Well, everybody was anxious, sure.

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Q. But was there anybody who complained about it?
A. Well, complain versus, you know, trying to get it to go. Everybody understood we were trying to start a business, as best we could. And different folks, I guess, have different, you know, financial situations, that allow them to try and stick it out, or -- or not.
Q. Did the company seek financing from any lenders at any time when you were there?
A. I remember a -- a Bank One loan somewhere in the -- yeah, there was -- I think it was -- no, not Bank One. Sorry. It was E-Bank. Isn't it E-Bank? Yeah.
Q. Was it an electronic bank called E-Bank?
A. There is a branch office in -- you know, Marietta there somewhere, that we actually went to. David signed some paperwork for a $100,000 loan of some sort.
Q. When was that?
A. That was in late '02 or early '03. That's my recollection, now that I think about it.

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Q. Was that in the name of the company, or in Mr. Dennett-Smith's name personally?
A. I think it was company name. And I believe he guaranteed it, was my recollection.
Q. And what was done with the funds received in that loan?
A. They were put into the general expense fund of AIM.
Q. Were they disbursed?
A. Yeah. Yes. They had to have been, yeah.
Q. And what were they disbursed for?
A. Specifically -- I don't think I would have earmarked them as going to a specific purpose. We -- it would have gone -- we probably used some of the funds to pay claims, and some of the funds to pay expenses.
Q. And was there an accounting kept of what those funds were used for?
A. Not the $100,000 amount, no. We just basically disbursed the funds in.
Q. Now, you filed your own income tax returns in 2003 and 2004, personally?
A. Yes, ma'am.
Q. And how much income did you report

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in 2003?
A. Well, maybe -- I'm going to say 90-, maybe 100,000, maybe? Would be a guess.
Q. And what was the source of the 90- to $100,000 in income in 2003?
A. Twenty or so would have been the AIM money we talked about earlier; and the rest would have been withdrawals from my 401(k) savings plan.
Q. Did you pay a penalty for withdrawing that?
A. Yes, ma'am.
Q. And how much in penalty did you pay?
A. I believe it's normal tax, and 10 percent on top of that.
Q. Did you have an agreement with AIM that it would reimburse you for that?
A. No, ma'am.
Q. 2004, what income did you report, on your personal income taxes?
A. Probably a little more. I'm going to say one- -- 100 and -- maybe 10, would be a gross number. Maybe 115. Somewhere in that vicinity.
Q. And what was that based on?

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A. That was based almost exclusively from my savings. And then my wife made seven- or $8,000 in substitute teaching.
Q. And she didn't work in 2003?
A. Yeah, she probably worked a little bit, yeah. A couple thousand dollars worth, maybe.
Q. You testified that you sent Realm money, premiums.
A. Uh-huh.
Q. And --
A. About $10,000, yep.
Q. And that was in early 2003, or late 2002, or --
A. I'd say early -- early part -- first --
Q. And you said --
A. I'd say first part of 2003, I believe, yeah.
Q. Okay. When they returned that money to you, you said you told them you would hold it. What did you do with that money when it came back in?
A. That goes back into the premium claim fund.

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Q. You didn't segregate that money?
A. Only on the accounting sheets that I carried.
Q. And that would be the monthly Excel sheets?
A. Yes. Yes.
Q. And how was it accounted for on those sheets?
A. Just as money -- money back into the premium claim fund.
Q. Was it booked as money that was owed to Realm?
A. Realm, yes. When you say "premium claim fund," that basically translates to money that should be going to Realm.
Q. And that would be all of the money that was paid in as premiums?
A. As premium. Yes, ma'am.
Q. Was that money ever paid to Realm?
A. Not that I'm aware of. Other than that $10,000 amount that came back.
Q. Well, was it ever paid after they returned it to you, is my question.
A. Never to Realm. We used it to pay claims.

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Q. And did Realm authorize you to do that?
A. Authorize -- they were participating in the claims review process, at that point.
Q. And when did they start participating in the claims review process?
A. 2003. The woman's name escapes me -- I'm sorry. I was down in her office many times. A Mark Sioma was the other senior executive who was down in our office quite often.
Q. And it was your understanding of their role, that they were involved in claims review?
A. Claims review process, and then underwriting review process behind that. That was my understanding.
Q. How frequently were they in the office, in 2003 and 2004?
A. I would say they were probably in the office five or six times total. Probably more so in 2003, than in 2004.
Q. So they weren't there on a daily or weekly --
A. Oh, no, no. No, we basically --

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Q. -- or monthly basis.
A. The -- I guess the -- my understanding was that the claims underwriting communication process was handled by Bruce Holley, electronically with folks up in New York. Realm folks. And that they came down periodically to review hard-copy files of both claims and --
Q. And were they satisfied with everything they saw?
A. Not all the time. They -- you know, they wanted further information, or they, you know, would have preferred to -- or at that point you're looking at a underwriting file, I guess. We should not underwrite this account, or we should write -- you know, they were given their underwriting expertise on that side.
On the claims side, I think they were more satisfied that we were -- since we were using Crawford & Crawford, that they were more satisfied that the claims process was being handled properly.
Q. Did Crawford have anybody on the premises?

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A. No, ma'am.
Q. When was the last time that you saw anybody from Realm at the office of AIM?
A. Probably before the end of 2003, and I don't recall anyone being there in 2004. They may have been. But I'm -- I'm guessing on the last time I saw them.
Q. But coverage was still being bound after they quit coming.
A. We were still carrying the -- you know, the book of business that had been placed, yeah.
Q. And the -- that book of business --
A. Uh-huh.
Q. -- had new accounts added to it.
A. Yes. Yes.
Q. Now, I believe I understood you to say you were not involved at all in the underwriting process.
A. No, ma'am. I'm not an underwriter. I wouldn't know how to do that.
Q. And you were not involved at all in the claims review process.
A. No, ma'am. I was strictly -- when we had the stamped approval on the -- pay the

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claim and the check was signed by the first party, whether it was David, Bruce, and then I would just be -- review it before we would disburse the funds.
Q. Were all claim checks that were sent out, signed by David or Bruce, and then additionally by you?
A. All claims were supposed to have two signatures on them. As far as I know, that would be yes.
Q. You said that the company had accounts at -- I believe you said First Horizon, and Wachovia?
A. First Union --
Q. First Union. Is that --
A. First Union was acquired by Wachovia.
Q. Okay. That's what I wanted to clarify.
A. There was a name change at some point in time there.
Q. So it was actually First Union --
A. Uh-huh.
Q. -- that you were describing earlier --

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A. Yes.
Q. -- not First Horizon.
A. Yes. First Union was the name of the bank, uh-huh. That was it. And then I think right in the middle of that is when Wachovia acquired them. I remember the name change, at some point.
Q. When you left AIM in July of 2004, was AIM owed money for their receivables for the company?
A. Yeah. I would -- part of the accounting is we would have premium claim fund due -- you know, kind of like due and accrued, if you will, and different PEOs owed monies against that, which had not been, you know, remitted to us. So they would -- you know, there was a -- there was probably a good million-dollar balance or better, of funds that had not been paid in yet.
Q. Who were the PEOs that owed money in premiums when you left in July 2004?
A. I'm trying to -- at the break I was trying to think of some of the other names. There was a company called CRM. I forget what it stands -- the acronym stands for.

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Something like Credit Resource Management, or Corporate Resource Management, or something like that. That was one.
There was a PEO in Texas that the name escapes me. I would say that most of the PEOs probably owed money -- of some balance. Whether it was considered what I would say as a current balance, meaning the current month, or the preceding month, or if it was like real old, where it was three, six, nine months old, it would depend on the PEO.
Q. Were there other amounts owed to AIM by anyone when you left the company? By anyone other than PEOs.
A. I had heard from its prior life, AIM had monies due it from various sources. But I was never involved in those discussions and/or, you know, process. I think that had to do with David Dennett-Smith and his partners from, you know, pre- -- I'll use the generic term, pre-PEO business.
Q. Was it the same business entity?
A. As far as I know, yes.
Q. And did you ever review the financials or the -- any of the financial

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documents relating to the company from before you joined the firm?
A. I had a -- I'm going to say there was an audited financial statement from -- I'm going to say 2000? 1999? And as explained to me by Michael Gough, he said that there -- you know, nothing was done subsequent to those, because of the -- basically the AIM organization was, for all intents and purposes, dormant.
Q. Have you communicated at all with Mr. Gough since you joined AIM and he left?
A. No, ma'am.
Q. Do you know anything about where he is today?
A. I have no idea where he is, nope.
Q. You described earlier a letter that you received from an attorney that you couldn't remember who sent it to you.
A. Uh-huh.
Q. Do you have a copy of that letter, still?
A. I think so. I'd have to go look.
Q. Can you look for that letter, and if you have it, will you produce a copy to us?

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A. Yes.
Q. Okay.
A. I will look for it, and if I have it -- a question back, I guess, would be should I send this direct to you, or do I need to --
MR. COBURN: You can give it to me.
THE WITNESS: Give it to Stan, and then Stan will in turn --
Q. (By Ms. Brockington) You can give it to Stan. That's fine.
A. Okay. That's fine. Okay, so -- I'm sorry. A copy of that letter. If I have one, it would be in the -- okay.
Q. AIM's purchase of Realm, you said earlier that it was to be financed by money received from PEOs, correct?
A. Correct.
Q. Were you putting up any money?
A. No, ma'am.
Q. Was Mr. Dennett-Smith putting up any money?
A. Not that I'm aware of.
Q. Was there any money left in the possession of AIM, from the prior existence of

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the company?
A. Not that I'm aware of.
Q. How about Bruce Holley? Was he putting up any money?
A. Not that I'm aware of.
Q. How about Mr. Landin?
A. Not that I'm aware of.
Q. Any other persons who you know of who were putting up any money to finance or pay for the purchase of Realm?
A. I'm not aware of any other funds coming in.
Q. Okay. Any other companies that anybody was affiliated with, that was going to --
A. Not that I'm aware of.
Q. And you didn't have any involvement in the binding of coverage.
A. I'm not an underwriter. I only understand what the word "bind" means, but I'm not -- would not bind the coverage, no.
Q. Okay. Did you have any involvement in the assigning of policy numbers?
A. Assigning of policy -- we talked about an operating system that would number

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the policies, yes. So --
Q. Was that implemented?
A. To some extent, I'm going to say yes. I'm going to say that I -- my recollection is we typically would use an alpha numeric, where the alpha would have been some kind of acronym to tie it to the PEO, and we would have used -- in the numbering sequence, lots of times you'll want to put some kind of a date identifier in there, and then -- then each individual policyholder would get a number -- you know, one, two, three, four, five, six, seven, eight, nine, 10, after that. Something along those lines, was my recollection.
Q. Was that --
A. Did I get involved in that process? That was my recommendation. That's what I was asked to, you know, help design, and I thought that would be the most effective way to put it in place.
Q. And did you help design software that would do that?
A. No. I just --
Q. What do you mean by "operating

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system"?
A. That would be software that would track all the underwriting processes.
Q. And was that actually designed and implemented?
A. No. We had started in April, right after the sale/purchase agreement was signed, which I believe was March. And April was when we met with the software developers, to start --
Q. Was that April 2003, or 2004?
A. '03, I believe.
Q. Okay.
A. We met with the software developers and we kind of talked, we kind of had like our, if you will, kickoff meetings to discuss, okay, how are we going to -- how are we going to roll this thing out to make it a fully operational system. So we were -- if you will, we were precursor to ramping up. You know, we bought the computers, we were interviewing with the software vendors, so that we can be ready to start, you know, rolling with the business.
Q. And was the software developer the

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same company that you talked about earlier?
A. No. It was a different company.
Q. Who was that?
A. I do not remember the name.
Q. Okay. And if you think of that, you can tell me later.
A. Yes. Uh-huh.
Q. Were you involved in the issuance of certificates of insurance, personally?
A. Yes. I believe so.
Q. And what was your role?
A. Validating that the -- I guess the insured was on the PEO's list for coverage, and then the -- the certificate -- I guess the certificate of coverage, or the -- was I guess the document the PEO needed to provide their clients, I guess, is how that worked.
Q. And how did that process work? -- your involvement in it? How did you go about validating that the insured was on the PEO's list of -- for coverage?
A. When the PEO remitted funds to us, they provided a detailed list of who they were paying for. Their clients, or if you will, the insureds.

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Q. And so that was done on a monthly basis?
A. Yes, ma'am.
Q. And that document was how premiums were calculated?
A. Yes.
Q. And so what did you do physically when those documents came in from the PEOs listing their -- all of their clients?
A. Physically, I would give a copy to Bruce, so that he could look at his underwriting file. I guess he validated in that fashion.
I would then look at the calculations of what the premium was supposed to be, and match it against what was deposited in the bank. If there were any discrepancies, I would either e-mail or call, you know, the -- I guess their -- my peer at the respective organization and say, "You know, Peggy, you know, I'm calculating $10,000 more," and then she would say -- oh, so-and-so and so-and-so and so-and-so were taken off the list late and -- you know, we would reconcile to the amount deposited.

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Q. And did you serve in this role and perform this function with respect to NES and its premiums?
A. I think so, yeah. Probably. I don't specifically remember it, because I know they came in fairly late. They were not one of the early PEOs. But I would say if they had remitted funds, I should have seen it.
Q. Okay. The certificates of insurance, did you physically see the certificates of insurance, or --
A. Yes, ma'am. Uh-huh.
Q. And where and how did you see them? Did the broker send those to you? -- a copy of them?
A. Certificates of insurance were issued either from the broker's office, or from our office, is my recollection, depending on which PEO, I guess is my recollection.
Q. If NES's certificates of insurance were issued by the broker, would you have been provided with copies of those?
A. They were supposed to provide us with all copies, yes.
Q. Okay. And did you review the

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certificates of insurance that came in from the brokers?
A. I would not see one come in from the broker, no.
Q. Okay. You never saw those?
A. Not that I'm aware of, no.
Q. Who did they go to?
A. They would have gone to Bruce in all likelihood. And if he -- you know, quite frankly, if he would have remembered to show me to validate the billing process, then that would have been -- so that was one of our classic accountant versus operations person doing battle.
Yeah, I would have no knowledge of if a broker specifically issued a certificate, I would not be involved in that end of the business at all, if the broker did it himself or herself.
Q. Okay. The policy numbers on the certificates of insurance, how -- did your office handle those, even on the ones that were submitted by the brokers?
A. I would say the policy number has to appear on that certificate.

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Q. Right.
A. I believe, and that would have come from us somehow, yes. So, you know, in my generic example, you know, NES would be, you know, NES 2004, and then one two three four five, one two three four six, one two three four seven, depending on circumstance.
Q. Let's talk about the NES premiums.
A. Uh-huh.
Q. Was it your responsibility to collect the premiums from NES and take care of them once they arrived?
A. I'm going to say, my understanding is in the NES situation, the broker was -- if you will, called a generic middleman who would have the funds, and then deliver them to us. So for me to say I'm directly responsible for the billing and collecting, to some extent, yeah, I'd say I would be responsible for collecting it.
Q. And you referred earlier to the receipts --
A. Uh-huh.
Q. -- being put into the accounts. Did you provide those numbers of the accounts so

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that PEOs could wire their --
A. Yes, ma'am.
Q. -- premium payments in?
A. If it was a wire, they would have -- there was instructions with bank information. If it was a check, I would have received the check and deposited, uh-huh.
Q. Okay. And so funds that were wired in would not go through the broker. They would just come from --
A. No, it would -- I would think that would -- you know, it would say NES into, you know, Wachovia Bank and I would see them, the deposit amount, yes.
Q. How did your office communicate to NES the wiring information for the account?
A. I wouldn't recall who would specifically, but we would have given them probably either by e-mail, or some kind of communication that lists bank, ABA routing and account number to deposit.
Q. Okay.
A. Uh-huh.
Q. Now, the money that came in and that you -- that came in as premiums, was it -- it

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all came into the same account, correct?
A. Yes, ma'am.
Q. And there weren't any separate accounts set up for the individual PEOs, were there? Separate bank accounts is what I'm referring to.
A. No. Separate bank accounts? No.
Q. Okay. And once you received notice that a PEO had made a payment --
A. Uh-huh.
Q. -- of premiums, what did you do from that -- that point on?
A. Identify it for what time period and for what collection of insureds it was supposed to be paying for.
Q. Okay.
A. Either whether they would submit a -- a remittance advice that listed it all out, or if they just said here's, you know, April's premium payment, and then I'd have to obviously go back and say, well, what does April's premium payment consistent of.
Q. Okay. And what did you do when a PEO did not submit premium payments, or failed to submit a premium payment?

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A. I would go back to Bruce and David and say, you know, XYZ PEO hasn't paid their -- you know, this month's premium, last month's premium. Here's the report -- you know, the monthly report that I prepared showing, you know, an aging saying that, you know, some of the PEOs were several months behind.
Q. Now, was it the -- was the agreement with the broker, such as Marty Jones --
A. Uh-huh.
Q. -- to pay a commission? -- that AIM would pay a commission to the broker?
A. I believe so. I think he was -- I thought the broker was involved in the -- like one percent or two percent of our commission would go to the broker, I believe. That's my recollection.
Q. And how did that process work?
A. I don't remember ever paying Marty, so I don't know how he was paid.
Q. Did you pay other brokers?
A. I do not recall ever issuing any money to a broker.
Q. Did you ever talk with Marty about

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his commissions?
A. Maybe in passing, but not specifically. He was handled probably almost exclusively by Bruce Holley on that relationship. Again, that's -- you know, when you look in terms of the broker underwriting relationship, that's where that relationship is supposed to be. The accounting person should not be involved in it.
Q. So is it fair to say that you never had any substantive conversations with Marty?
A. That's a fair statement.
Q. Okay. I'm going to have you look at some documents that are in these notebooks. And the first one is going to be Exhibit 40, which -- take a look in there.
A. I'm sorry?
Q. Forty. Four-zero --
A. Four-zero? All right.
Q. -- is the number.
A. Uh-huh.
MR. COBURN: Before you do that, I'm going to excuse myself for a second.
MS. BROCKINGTON: All right. We'll hold.

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(Pause in proceedings.)
Q. (By Ms. Brockington) Mr. Imperiale, have you had a chance to take a look at Exhibit 40?
A. The book you handed me? Yes.
Q. Yes. Can you tell me what those pages represent?
A. It represents my memory's come back on company names involved, the PEOs.
Q. Okay.
A. These pages represent the outstanding receipts and billing, in summary fashion that we've been discussing today, that I have in all likelihood prepared.
Q. Did you say you in all likelihood prepared?
A. It looks – it looks like what I had designed, way back when. I don't necessarily have the numbers memorized, but –
Q. Looking at these documents today, do you have any specific recollection of whether or not you prepared these documents?
A. Oh, yeah. I would -- it's my recollection is I prepared this over the course of time. I would say, you know, more

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than likely, that these are my documents, yeah.
Q. And would – if we just look at the first page of this exhibit –
A. Uh-huh.
Q. – this is the one that's "Quick Labor"?
A. Yes, ma'am. Uh-huh.
Q. At the top of the page, the first block, is that – that first block, is that amounts received by the company? – by AIM, from Quick Labor?
A. The "Receipts" section is down at the bottom –
Q. Okay.
A. – half of the – there's a little box at the very bottom. Just above that, there's a section that says "Remittance by Month," and then you see received dates –
Q. Okay.
A. – that would be the monthly receipts coming in from Quick Labor –
Q. Okay.
A. – on this schedule, yes.
Q. And so that would be the same for

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each of the pages in Exhibit 40?
A. Should be, yes. Certainly looks to be the case. Yes.
Q. And if you would, please, look at the – I believe it's the sixth page of Exhibit 40, but it's the page that has, in the bottom corner, AIM 0332.
Do you see that page?
A. AIM 0332. Yeah, I think – I believe I see it. It has National Employer Solutions as the PEO, I guess, at the top.
Q. Now, looking at this document –
A. Uh-huh.
Q. – at the top of the page, it says, "National Employer Solutions." And it has a date on the left side of January 30, 2004.
A. Okay.
Q. Is that the date that this reflects –
A. That might be the -- as of billing date, maybe? That would be a guess. I'm trying to see if the – yeah. If you look – yeah. That would be the as of billing, would be January of 2004.
Q. Okay. So –

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A. The reason I know that is, if you look in the column there – the column marked at the very top there, 1/30/2004 –
Q. Yes?
A. – and if you come all the way down to the bottom, there's a little box – a box around a single number, of 1,521,273.
Q. Yes?
A. That's how I know that this is January's billing, and NES's outstanding balance would be that 1 million five number.
Q. And where did you get that number from?
A. That's a calculation of all of the dollar amounts that appear up above. There's four sections. One is labeled "Escrow," one is labeled "90-day," one is labeled "Setup," and one is labeled "Capital Investments."
If you add all the numbers from April 2003 through January of 2004, that whole grid of numbers, and then subtract out what has been – down below, what we have marked as received, it's a simple arithmetic should get you to that 1 million five number.
Q. Is this page, AIM 332 – is this an

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internal accounting paper that you kept within AIM?
A. This would have been internal to AIM. This would be basically what we were referring to before as my monthly accounting records.
Q. Okay. So this is something that you just prepared --
A. Yes, ma'am.
Q. -- and you referred to --
A. Yes, ma'am.
Q. -- on a regular basis --
A. Yes, ma'am.
Q. -- internally.
A. Uh-huh.
Q. There's a date on this document up in the upper right-hand corner, create date, it looks like 6/29/2006?
A. I -- yep, I see it now, okay.
Q. And what does that date reflect, if you know?
A. That -- this is an -- if this is Excel, which I believe it is, in Excel, when you write what's called a formula, that formula would have probably said today, front

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bracket, back bracket, and the computer knows automatically to put the current date there.
Q. Okay. So this would be the date that it was pulled?
A. So that -- this would have been the date that it was physically pulled or printed, yeah. Uh-huh.
Q. And that means that it would have been printed on this date off of an AIM computer.
A. As far as I know, yeah. Unless -- obviously, if someone had this information, they could have printed it from somewhere else. Because when you open -- in Excel, when you open a document, that date should pop. So someone -- you know, I'm not saying, but you could open it on your home computer, Peggy, and it would pop with that date.
Q. So basically, as of 6/29/2006, this document still had to have been in existence on someone's computer.
A. Yes.
Q. Okay. And if I look at the fifth section down, "Remittance by Month" --
A. Uh-huh.

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Q. -- if I look at the first one, "Received 5/16/03," is that an entry that you put into this document?
A. I should have. That would have been a -- the date received. That should be the date that the bank shows the recorded transaction, and then the $70,000.
Q. Okay. And so that would indicate that NES made a payment of $70,000?
A. Yes.
Q. That was received by AIM on 5/16/03, correct?
A. Yes.
Q. And if we go down to the next line, what was received on 6/12/2003?
A. That would be the 83,341.
Q. And what about on 7/10/2003?
A. That would be 76,473.
Q. And what about on 8/27/03?
A. That would be the bank deposit of 83,247.
Q. And what about 9/26/03?
A. Without the lines here -- I guess that's the -- I'm sorry, the 9/26?
Q. Yes, sir.

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A. We should have had grid lines on this, right? 97,034.
Q. Okay. And 10/29/03?
A. That would be 83,739.
Q. And 12/2/03?
A. That would be 91,589.
Q. Okay. And so this document was -- indicates payments that were received from NES by AIM, between May 16th, 2003, and December 2nd, 2003?
A. That's what that should represent, yes.
Q. And anything paid after the date of January 30th, 2004, would be on a different --
A. Would be on a --
Q. -- one of these sheets.
A. There should -- there would be a -- the next sheet would have been prepared in February with -- if there were any remittances. Otherwise we would just add -- if you were to look at the February column, you would just add that down, yeah.
Q. Okay.
A. Uh-huh.
Q. So this document shows all of the

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payments made by NES through the date --
A. Through January -- through -- payments received from NES through December 2nd, '03, yes.
Q. Okay.
A. Uh-huh.
Q. And so any payments that they made after that would be reflected on a --
A. On a later version --
Q. On a later version.
A. -- of this schedule, yes.
Q. Okay. If you could, please, in that notebook, look first at exhibit -- wait a second and I'll tell you the number -- Exhibit 22. And you can take moment to look at all of the pages of Exhibit 22.
Do you recognize this document?
A. As my document? Not my document.
Q. Do you recognize this document as a document received by AIM? If you look at the last page, that might help you.
A. I'm thinking that this is a -- this is -- from what I can see this is a billing statement for a specific month. What month, I'm trying to catch, but -- I don't think this

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was prepared by AIM.
Q. No. This is -- is this the document that NES submitted with its calculation of premiums that you were describing earlier that you went through and checked when a wire transfer --
A. Oh, I'm sorry.
Q. -- was received?
A. I'm sorry. I'm sorry.
Q. That's okay.
A. I misunderstood the question. This, or something very similar would have the insureds, their -- I guess their -- that wage basis, I believe is payroll dollars, and then you have a rate. So this is like a billing statement that NES would have prepared that they would have sent with a remittance. And if it's the same number, which it looks like it is -- the 83,000 amount -- this is what would have been received by our office, yes.
Q. And so does this indicate that NES made a premium payment totaling $83,340.78 to AIM, for May --
A. There would have to be -- obviously our banking records would have to validate

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this.
Q. And what banking records would there be to validate that?
A. Well, we were just looking at that spreadsheet. That would then go back to the actual bank statement proper and then the bank statement --
Q. Okay. But if you looked at the sheet --
A. Uh-huh.
Q. -- that we just looked at, Exhibit 40 --
A. Yeah. If I went back to 40, if I see that same number on here, then I would --
Q. It's Page 6 --
A. Uh-huh.
Q. -- of Exhibit 40.
A. Yeah. Then I can answer that pretty quickly, probably. 332. Sorry.
Yeah, so the dollar amount that they're talking about -- 83,340.78, is probably the amount received on June 12th on Exhibit 40, Page 6.
Q. And so that's --
A. That's 83,341. So that would tell

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me that we -- that this sheet is supporting the wire of 83,000, yes.
Q. And "this sheet" being Exhibit 22?
A. Exhibit 22 looks like it supports the 83,000 on Exhibit 40, yes.
Q. And so that indicates to you that NES made a payment for $83,340.78 to AIM, that was received by wire on June 12, 2003?
A. The combination of documents, yeah. If this -- understand that this is prepared by the PEO. This is prepared by AIM (indicating). I would be more inclined to -- this document. But they look like they jibe, yes.
Q. Okay. And when you're saying, "This document was prepared by the PEO," you're referring to Exhibit 22, correct?
A. Yes. Correct.
Q. And the document that was prepared by AIM --
A. AIM.
Q. -- is Exhibit 40.
A. Forty, correct.
Q. And am I correct that those two documents, when you refer to them together,

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they match –
A. For the $83,000 amount? Yes.
Q. And the worksheets that are included in Exhibit 22 –
A. Uh-huh.
Q. – indicate the calculation of premiums, correct?
A. Correct.
Q. And the total amount paid on June 12th, 2003 – $83,340.78, then was a payment of the premium for NES, for May 2003, correct?
A. That looks correct.
Q. Okay. If you would, I see you're looking at Exhibit 40 –
A. Well, yeah, I'm going back to Exhibit 40 –
Q. Yes, sir.
A. – to look at – obviously their outstanding position. And then I would look – what I'm basically looking at is the month of the 83,000 that we're talking about.
Q. Yes, sir.
A. It looks like it's pretty close to that – if you look at the May 30th column of

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Exhibit 40 – I'm sorry – the very top section there is three numbers. There's a 72885, there's a 7209 and a 5973. We have that described as escrow fund. That's your – you know, premium claim fund, so –
Q. So that's your premiums, correct?
A. That's pretty much your premium fund. So that looks like it's pretty close to the 83,000 number. So now I'm comfortable that that was a premium-only payment.
Q. Okay. And on Exhibit 40 –
A. Uh-huh.
Q. – the first column, and the first line under that next – that last section that says "Remittance by Month" –
A. Uh-huh.
Q. – indicates a receipt, on 5/16/03, of $70,000.
A. Yes.
Q. That was their first payment, wasn't it?
A. That was probably their very, very first deposit payment, yes. Uh-huh.
Q. Okay. If you would, please, look now at Exhibit 47. And it's probably in the

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next book. But hang onto that one –
A. Okay.
Q. – because you're going to have to –
A. Look back? Okay.
Q. – look back at 40, I'm sure.
A. Okay.
Q. Forty-seven's going to be in this book.
Can you take a look at Exhibit 47, please, sir?
A. Yes.
Q. And can you also – does this appear to be –
A. Another monthly premium billing.
Q. And this is a –
A. From NES as well, uh-huh.
Q. – premium billing from NES and a premium payment from NES received by AIM, correct?
A. It looks like the payment received on July the 10th from Exhibit 40. It looks like that number agrees. 76,472.
Q. And so that indicates to you and confirms to you that NES made a premium of

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$76,472.56 by wire to AIM on July 10th, 2003, correct?
A. That's what these documents are telling me, yes.
Q. Well, and you –
A. Uh-huh.
Q. They're correct, aren't they? I mean, according to your own document, Exhibit 40.
A. According to my understanding of how these documents were prepared when I was with AIM, yes.
Q. Okay. If you would, please, take a look at Exhibit 48.
A. Okay.
Q. And is Exhibit 48 a premium payment by NES for July 2003 premiums that was received by AIM on 8/27/03 –
A. It looks like –
Q. – in the amount of $83,247.02?
A. Yes, ma'am.
Q. Okay. And that corresponds with AIM's own records that that money was received on that date, correct?
A. That looks correct, yep.

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Q. Okay. If you would, please, take a look at Exhibit 49.
A. Okay.
Q. And Exhibit 49 reflects a premium payment by NES that was received on September 26th, 2003?
A. Is that 9/26 --
Q. Let's start over again.
A. Uh-huh.
Q. That Exhibit 49 is a premium payment by NES, correct?
A. Yes.
Q. And it's in the amount of $97,033.88?
A. Yes.
Q. And when was that amount received by NES?
A. It was received --
Q. I mean -- I'm sorry -- by AIM.
A. Yeah. That's fine. You're allowed to slip once in a while too.
Received 9/26, according to the AIM document.
Q. 9/26/03?
A. '03 -- sorry. Yes.

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Q. And that is an accurate record of the premium payment by NES for that month?
A. Yes.
Q. Okay. If you would, please, take a look at Exhibit 50. You can take a moment and look at that and compare it to your own record from Exhibit 40.
A. Okay.
Q. And what is that, sir?
A. I guess Exhibit 50 is the premium billing statement from NES, and then a payment of 83,739.47, which agrees to the AIM schedule, so that would be considered a receipt on -- it looks like 10/29/03.
Q. And that's a receipt by AIM of a premium in the amount of 83,739.47 from NES, correct?
A. That's what it looks like, yes.
Q. Okay. If you would, please, take a look at Exhibit 51.
A. Okay.
Q. Okay. Exhibit 51 reflects a premium payment by NES in the amount of $91,588.70, correct?
A. That looks correct.

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Q. And that payment was received by AIM by wire on 12/2/03?
A. This doc doesn't say it was a wire or not, but yeah, it was received by AIM. This is -- again, this is only NES's request for wire. I don't have AIM's wire document in this -- this doesn't indicate by wire, so --
Q. Okay.
A. -- I would say it's just a deposit -- AIM received a deposit of 91,588.70 on December the 2nd, 2003.
Q. Okay.
A. Whether it was a check --
Q. So you --
A. Whether it was a check or wire, I can't tell from these documents.
Q. Okay. But you agree that it was paid and received.
A. Yes.
Q. Okay. If you would, please, take a look at Exhibit 52.
A. Okay.
Q. And this is another premium calculation, and --
A. Uh-huh.

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Q. -- NES's request for a wire transfer to AIM of a premium payment in the amount of $73,905.84 on February 27th, 2004?
A. Yes.
Q. And did AIM receive that money?
A. I do not know, from this document.
Q. And that's just because the Exhibit 40 that was pulled and provided by AIM goes --
A. Stops in January.
Q. Okay. So it just doesn't go far enough.
A. Uh-huh. If it --
Q. He needs you to say --
A. Yes. It's -- this document -- the document -- Exhibit 40 stops at January 30, 2004, so it would be -- not be reflective of a February 2004 payment.
Q. This document that stops is what you're referring to as Exhibit 40.
A. Exhibit 40, yes.
Q. But there should be an AIM document from after January 2004, correct?
A. Provided the money was sent, yeah, correct. Correct.

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Q. And so if a current version of Exhibit 40 was pulled, it should reflect --
A. Yes.
Q. -- this payment.
A. Yes, it should.
Q. Okay. And you don't have any reason to doubt that this payment was received by AIM, do you?
A. I have no reason to believe it shouldn't have been received.
Q. Okay. If you would, please, take a look at Exhibit 53.
A. Okay.
Q. And this is the same documentation submitted by AIM for its December 2003 premium payment to -- I'm sorry. A document submitted by NES to AIM for NES's December 2003 premium payment, correct?
A. This looks like NES's document similar to the others, yes.
Q. Okay. And that reflects a premium payment of $72,008.74, correct?
A. That's what it says, yes.
Q. And it shows a wire transfer to AIM's account at Wachovia Bank, correct?

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A. That's what it says, yes.
Q. And tell me, the account number on Exhibit 53, is that the correct account number for the Wachovia account, of AIM?
A. I don't have that account memorized anymore. It looks like the same account from Exhibit 52. Let me go back to one of the ones --
Q. Certainly.
A. -- that I -- we actually received.
If we were to look at Exhibit 50, that is the -- Exhibit 50 and 53, do have the same banking information.
Q. And so that indicates to you that it was the correct --
A. Correct banking wiring instructions. NES had the correct wiring instructions to remit payments, yes.
Q. Okay. And this reflects then a premium payment of $72,008.74 on March the 30th, 2004, to AIM from NES, correct?
A. That would be NES's records, yes. Uh-huh.
Q. Yes.
A. Uh-huh.

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Q. And you don't have any records --
A. I don't have -- I don't have that document. If we had a later version of this, I would assume you'd see it there, yes. Uh-huh.
Q. And you don't have any reason to dispute that AIM received this premium payment --
A. I do not have any reason to dispute it, no.
Q. Okay. And if you would, please, take a look at Exhibit 54. Can you tell me what that is?
This appears to be a calculation of NES's premium for January 2004?
A. That's what it looks like, yeah. I guess the inconsistency here is I don't see that wire --
Q. Okay.
A. -- request for transfer sheet that I -- I would say that this -- and this does not seem to indicate NES anywhere. So I wouldn't know the answer to that question, on this particular -- this Exhibit 54 doesn't seem to have any identifier that would say NES

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on it. I see a -- IOA.
Q. IOA was their broker?
A. Their broker.
Q. And do you see the same customers that -- many of the same customers they had previously?
A. That's not a good idea. Let me look at that.
Comparing, I guess, 53 and -- Exhibit 53 and 54, the first page looks like it's a lot of the same clients or customers, so I guess I would draw the conclusion that it's probably NES's document.
Q. Okay. And this appears -- reflects the premium calculation --
A. Yes.
Q. -- for January 2004.
A. That seems to be a premium -- premium calculation for January 2004.
Q. And again, your document, Exhibit 40, doesn't go far enough to determine --
A. Doesn't go far enough out to see whether this money was received or not, uh-huh.

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Q. Okay. Can you take a look at Exhibit 55, please?
A. Okay.
Q. And this appears to be a calculation by NES of its premiums for February 2004; is that correct?
A. Yes.
Q. Okay.
A. Appears to be that.
Q. And again, your document, Exhibit 40, doesn't go far enough in time to indicate whether or not that was received by AIM.
A. Was received or not, correct.
Q. Okay.
A. The only difference, I think there's an e-mail document in the back talking to a specific claim, or something. But I don't see --
Q. Okay.
A. -- a relationship.
Q. All right. If you would, please, take a look at -- it's going to be in the --
A. Uh-huh.
Q. -- first book: Exhibit 18.

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A. I'm sorry -- one-eight?
Q. Yes, sir.
A. Uh-huh.
Q. Do you recognize this document, Exhibit 18?
A. It looks like an underwriting document of some sort, that reflects client names; some coding, obviously, and coming up with what would be a premium amount.
Q. And does this look like the type of information --
A. Looks like -- yeah, it looks like the type of information that -- I guess it's -- I guess it's similar to the documents we were looking at earlier, only at a different level of detail.
Q. So this is how premiums would have been calculated --
A. Yes.
Q. -- this document shows?
A. Yes. This would -- this would go at a different level of detail for a monthly premium amount, yes. Uh-huh.
Q. Okay. Now, the premium payments that were made by NES to AIM, those were for

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the benefit of AIM, correct?
A. They were --
Q. Received by AIM.
A. The premium payments are not for the benefit of AIM. They are for the benefit of Realm, as the insurance carrier.
Q. Were these premiums forwarded to Realm, as the insurance carrier? The premiums that NES paid, as reflected in the exhibits that we've just gone through.
A. They would not have gotten to Realm, no.
Q. Okay. And that's because AIM never submitted them to Realm?
A. That's because if you recall earlier, we sent one to them and they sent it back saying an error, so they weren't going to receive, so we were going to hold the premium.
Q. And so you never submitted the premiums after that.
A. Never submitted it to Realm, yes. Uh-huh.
Q. Okay. When you sent that premium to AIM and they returned it to you, that was in early 2003, correct? The first quarter of --

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A. The first quarter of 2003, from AIM to Realm, yes. Uh-huh.
Q. So that would have been before NES became an insured of Realm, correct?
A. Yeah. My recollection is NES, like I, you know, generically said, they joined the process much later I believe; yeah. Uh-huh.
Q. Okay. So --
A. And then these documents, they must have been April/May of '03, yes.
Q. So these documents -- the premium payments that were paid by NES were never paid to Realm.
A. Correct.
Q. They were retained by AIM and used by AIM, correct?
A. They were placed in the claim fund and used to pay claims.
Q. And the claim fund was not segregated by employer, or by PEO, was it? It was one fund where everything was put in together.
A. The bank account was one fund. The documents you see where the monthly preparation, where we could say that dollar

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amount should reconcile and would reconcile to what's in the bank.
Q. If you totaled those all together.
A. If you total -- if you total up all -- I'm going to pick a number -- all 12 PEOs that we looked at in Exhibit 40, I believe, there's about -- it looked like there was about 12 sheets there. If you tallied that all up and looked at the dollar amounts received, and then you go and get my disbursements journal that showed all the disbursements for claims, for capital, for expense, and do a plus-minus, the balance would be within the bank account.
Q. And your disbursements journal, is that a separate document that was prepared by you, or is that the accounting ledger --
A. That's that accounting ledger that we referred to. Basically, you know, for lack of a better word, it's -- look at it as a check register.
Q. Okay. And you don't know where that document is today.
A. Do not.
Q. Now, AIM never rejected any premium

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payments from NES, did it?
A. Not that I'm aware of, no.
Q. And it never returned any premium payments to NES, did it?
A. Not that I'm aware of.
Q. And AIM never sent NES a cancelation notice, did it?
A. Not that I'm aware of.
Q. And you're not aware of Realm ever sending NES a cancelation notice, are you?
A. Nope. Not aware of that.
Q. Am I correct that the premiums paid, then, by all of the PEOs were commingled into -- in the same bank account, by AIM? They were kept in one account.
A. They were kept in one account, and accounted for -- through the accounting ledger process that we've talked about, uh-huh.
Q. Now, you said that after the funds were received into the bank account, that you did an Excel spreadsheet in which you allocated monies to premium fund, capital fund, and expense fund.
Who told you which fund to allocate it to on your Excel monthly spreadsheet?

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A. The Exhibit 40 pretty much defines that for you.
Q. Okay. So that your Excel documents would reflect, then, that the payments that NES sent in, were for the -- would be allocated to the premium fund.
A. That's what it looks like, yes.
Q. Okay. And there were no capital payments ever paid by NES.
A. I'll have to go back to that document to see that. Going back to Exhibit 40 for a moment, while I look at their sheet based on this --
Q. Sure.
A. -- I might be able to answer your question.
Looking at Exhibit 40, this page earmarked AIM 0332 that we've been talking about.
Q. Yes, sir.
A. The little table at the very bottom that's boxed out -- it's kind of like called "Account Summary," the numbers there tell me that AIM accounted for all NES receipts. You know, the May 16th, the June 12th, the

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July 10, August 27, September 26, October 29, and December 2nd, if the spreadsheet is correct, looking at that little grid down at the bottom, total receipts would be $585,422. AIM would have accounted for them as set up inspection fees of 65,148, and capital of 520,274. So to answer your question based on these documents, none of the funds received from NES were recorded on AIM's books as premium.
Q. And --
A. Based on this schedule.
Q. Who told you to book it in that manner?
A. That would come from the underwriter, Bruce Holley and David Dennett-Smith.
Q. So that wasn't a decision that you made.
A. No.
Q. And based on the documentation that we just went through, the amounts that were received were submitted as premium payments by NES, correct?
A. That's what it would appear to be,

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yeah.
Q. At what point would Mr. Dennett-Smith and Mr. Holley tell you how to allocate payments?
A. When we'd go through our monthly review of the accounting receipts, and bank -- the banking, and -- if you will, the accounting ledger.
Q. Did you go over the documents, Exhibits 22, 47, 48, 49, 50 -- all of the NES premium calculation and wire transfer documents with Mr. Dennett-Smith and Mr. Holley?
A. I would think I might have, but I don't know for sure.
Q. But regardless of that --
A. Yeah.
Q. -- they told you to book it as capital -- right? -- the premium --
A. They show it as capital receipts. That's what it looks like, yeah.
Q. You weren't aware of any documents from NES indicating that they submitted capital payments, correct?
A. I'm not aware of any. This would be

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the only document that I have that would say it's capital.
Q. And that's just an entry that's at the bottom in the box.
A. Exhibit 40, that three -- Page 332, it's got accounting -- account summary there, yes.
Q. Okay. And that was something basically that you were doing what Mr. Dennett-Smith told you.
A. Based on the program, what I would -- what I should be doing, yeah. That's what it looks like.
Q. Now, claims -- some claims were paid for NES's customers, their businesses -- correct? -- that were insured through AIM, through Realm.
A. I believe so, yeah.
Q. All right. At what point did AIM stop paying claims?
A. They were paying claims up until the day I left, in July of 2004. When they stopped, I don't know.
Q. You would agree that the payment of claims is what's done when insurance is in

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effect.
A. Yes.
Q. And so insofar as an insured would understand, if their claims -- if claims were being paid, they would -- it would be reasonable for them to understand that they had insurance coverage, correct?
A. Yes.
Q. And that would be true of NES in this case, correct?
A. Yes. I mean, it is possible, Peggy, that we moved funds into the -- I'll call it the premium claim fund, you know, subsequent to this sheet. That's a possibility. I don't know.
Q. Okay. So there could be a later document --
A. Absolutely.
Q. -- that corrected --
A. Absolutely. It may -- we may have taken some portion of the -- particularly of the capital number, that 520,274, and said we need more money to pay claims. If the PEOs all owe us a bunch of money, and we still need to service and pay the claims, where do we get

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the funds from, and that may be -- so there may be a subsequent document to this date that -- Exhibit 40 date, that may show that. I don't know the answer to that.
Q. If you would, please, take a look at Exhibit 42 in the notebook -- I'm sorry, 41.
A. Okay.
Q. Are you familiar with this document?
A. It looks like a -- this looks like a summary of receipts and disbursements for each of the PEOs.
Q. And who prepared this document?
A. Judging by style and format, it could have been me, yeah. I would think so.
Q. Do you have any recollection of preparing this document?
A. It looks vaguely familiar. Recognizing it's a long time ago.
Q. If you would look under the "NES" line --
A. Uh-huh.
Q. -- on this page, this represents that it's through May 31st, 2004?
A. Yes.
Q. The numbers for NES don't match the

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numbers that we just went through, do they? -- on any of the premium payment summaries, or on Exhibit 40?
A. The primary reason they don't match is you got -- Exhibit 40 is transactions through January 30, 2004, and if this is a May 31, 2004 document, obviously you have February, March, April and May transactions. That would obviously change the makeup between what's on this document and what's on Exhibit 40.
Q. The first number there under "All Captions Premium" --
A. Uh-huh.
Q. -- for NES, on Exhibit 41, that number should be larger based on the numbers on Exhibit 40, correct?
A. If you are -- I'm sorry. Wrong page. 332.
If you are to compare Exhibit 40, the number that should appear on Exhibit 41 in the column you're referring to, the "All Captions Premium" column for NES should be zero.
Q. Which would indicate no premium was

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paid.
A. No premium had been paid, at that point in time.
Q. And --
A. But this document would say that as of May 31, we are -- this document is saying that we've received 351,547 of premium.
Q. But we previously went through all the premium documents --
A. Correct. Uh-huh.
Q. -- that show that premiums were paid by NES in excess of this number, 351.
A. NES's documents, you know, said that their, you know, total remittances were for premium.
Q. And that was supported by the premium calculation documents, correct?
A. The NES premium calculation documents, yes. Uh-huh. Seem to be, yes.
Q. If you would, please, take a look at the line just above "NES" --
A. Uh-huh.
Q. -- is "Corporate Solutions." Are you familiar with that PEO?
A. Yeah, that's one of the names I do

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remember now, as I'm reading them, yes.
Q. And what do you remember about Corporate Solutions?
A. That is the -- one of the Texas PEOs, I believe. And I do recall in, you know, looking at this schedule where the premium number is zero --
Q. And that indicates they paid zero premiums --
A. Correct.
Q. -- for insurance coverage, correct?
A. That's correct.
Q. And yet, if you look at the right side of Exhibit 41, if you follow the line for Corporate Solutions, it indicates that AIM paid claims totaling $1,146,059 for Corporate Solutions and its clients, correct?
A. That's what it says.
Q. So Corporate Solutions paid nothing in premiums, but yet it had more than a million dollars in claims paid, correct?
A. Yes. That's what it --
Q. And these claims were paid out of the general claim fund -- premium fund, correct?

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A. That's correct.
Q. And that would be -- mean that these claims were paid -- the Corporate Solutions claims were paid, by monies paid in as premiums by NES, correct?
A. You could make that correlation, sure.
Q. Well, the line under NES --
A. Yes. I --
Q. -- doesn't show payment of claims totaling 351,547 --
A. No. I see where you're -- I see where your question is. The Corporate Solution claims of $1.1 million, yeah. That was paid out of the premium claim fund.
Q. And so it was paid out of premiums --
A. And --
Q. -- contributed by other PEOs --
A. Other PEOs. Not Corporate Solutions. That's a --
Q. And not one penny of Corporate Solutions' claims were paid out of moneys that Corporate Solutions paid in as premiums.
A. That's correct.

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Q. The other PEOs financed the payment of those claims.
A. Basically, in effect, they financed the claims, yes.
Q. Look at the line above that, is "CRM." Do you recall that PEO?
A. Yes. I think that was one of the ones I did remember earlier today, yes.
Q. And what do you remember about CRM? Anything in particular?
A. The only thing I remember from CRM was, is they had made an initial payment, and I can probably refresh my memory by going back to Exhibit 40 better. And in similar fashion to Corporate Solutions, they're showing zero premium, and somewhere north of 600,000 in claims.
Q. Okay. So they paid nothing in premiums, but had $636,905 paid in claims?
A. Uh-huh.
Q. You need to answer him verbally.
A. Yes. I understand I have to say the --
Q. Was there a reason that CRM and Corporate Solutions got favored treatment from

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AIM?
A. Let me try and answer one question at a time, if you would, please.
Q. I'm sorry.
A. Yeah. That is my rec- -- CRM, Corporate Resource Management -- just getting my memory here -- made their initial payment, and no other payments, according to Exhibit 40, Tab 337.
Now, I can come back to your 41 question.
Q. And I'll be happy to repeat it.
A. Yeah. I'm just going to look at the numbers. What -- special treatment? I wouldn't call it special treatment. I would call it that AIM was doing the diligent thing in servicing claims, and in the meantime, trying to collect the funds from the various PEOs, given the problem -- given the litigation and the issues in the acquisition of Realm, AIM was continuing to service the business.
When you put money into a premium claim fund, you use it to pay all claims. And that's basically what we were doing. We were

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acting, if you will, as the claim administrator for the Realm business that we had placed.
Q. Did you tell NES, or any of the other PEOs that the premiums they paid in would be used to pay claims on companies that were not required to pay a penny of premiums?
A. Did I -- I'm going to say I -- I was pretty sure we shared this -- a version of this document with everyone, at some point. So they would know.
Q. How did you share that with everyone?
A. We would have distributed this -- I guess by e-mail, or by mail. I don't know.
Q. You don't have any personal recollection or specific recollection?
A. Personal recollection of it? If it was -- if it was shared, it would have been using, you know, either e-mail, or regular mail, would be my guess.
Q. Okay.
A. And again, I'm giving my, you know, thoughts on what we would have done to try and show folks, because this -- judging by the

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date of this, because things were moving so slowly with Realm, we had to provide a full accounting, and this -- that's what this is doing.
Q. And this would be -- well, you don't have any knowledge --
A. Uh-huh.
Q. -- of whether in fact this was ever shared with anybody at NES, do you?
A. I have no knowledge whether they received this or not.
Q. And in fact, even if they did receive this --
A. Uh-huh.
Q. -- they would have received it after May 31st, 2004, correct?
A. That would be a good guess, yeah.
Q. Well, and that would be after their policy period was ended, wouldn't it?
A. When did their policy period end, I guess is the question. I don't know when their policy would have ended.
Q. Assuming that the policy period was May 1st, 2003, through April 30th, 2004, this document --

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A. I'm following you. I'm following, okay. If their policy period was those dates, then this document was prepared after their policy period, sure.
Q. So this wouldn't have -- even if they had ever received this --
A. Uh-huh.
Q. -- that wouldn't have given them notice during their policy period that their premiums were being used to pay other claims for companies that didn't even pay any premiums.
A. Not in writing, no.
Q. And there aren't any other oral communications, that you're aware of, are you, with NES?
A. I did not have any. Again, recognizing the relationship of underwriting.
Q. Are you aware of whether Corporate Solutions was on the creditors committee in the bankruptcy of AlphaStar? -- that they were in charge of the creditors committee?
A. I was not aware of that.
Q. What would be the reason to put them in charge of the creditors committee, if you

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know?
A. I wouldn't have the foggiest idea. Thought would be, during the Realm lawsuit business up in New York, Corporate Solutions' attorney -- name escapes me -- was present at several of the proceedings.
Q. He was present at several of the proceedings with respect to --
A. The Realm/AlphaStar/AIM litigation.
Q. It appears to me that Corporate Solutions -- nearly one half of the total amount of claims paid, were Corporate Solutions' claims, correct? If I look at Exhibit 41.
A. I'm sorry. On 41?
Q. Yes, sir.
A. Claims of 1 million one, versus I guess total claims of 3 million three. So I would say a third.
Q. But yet, they paid zero out of the nearly two and a half million dollars in premiums that were paid in?
A. Uh-huh. Right. We did receive -- okay, in just looking at Corporate Solutions line, it looks like we did receive 420,565 of

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capital, and 40- -- I'm sorry. 43,000 -- new glasses. 43,668 in inspection setup fees. So they remitted to us 464,233. But this document -- and if I look back to 40 for a second, if you will. Exhibit 40, there's a page that shows Corporate Solutions -- I was looking at the -- yeah, Corporate Solutions -- yeah, there's no premium payment reflected.
This is Exhibit 40, it's Page 338. This document has "Corporate Solutions" at the top, and there's no premiums received reflected here. It's all -- setup inspection fee and capital. So this document looks like it agrees with 41, for total receipts from Corporate Solutions of 464- -- I'm sorry. 464,233.
Q. And that's out of a total receipts --
A. Uh-huh.
Q. -- by AIM of $5,475,068.
A. That would be the total receipts all categories, as of this date, yes.
Q. So they -- their total contribution was less than 10 percent?
A. Was nominal, yes.

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Q. When I look at Exhibit 41 --
A. Uh-huh.
Q. -- it indicates to me, am I correct, that AIM took in a total of $5,475,000.68?
A. Uh-huh.
Q. Through the PEO program --
A. Yes.
Q. -- correct?
A. Correct.
Q. And it only disbursed, how much, total, in claims?
A. Paid claims, cash, it looks like 3 million -- is that 299,517? And there's some reconciling items, but -- so --
Q. So out of that --
A. So just in round numbers, I'd say, you know, three point -- you know, $3 million, in paid claims, and there's -- it looks like there's a couple of reconciling items that I don't recall what they would be.
Q. So about three -- but they paid out about $3 million --
A. Uh-huh.
Q. -- out of that 5.475 million received --

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A. Uh-huh.
Q. -- AIM paid out a total of a little over $3 million in claims, correct?
A. That's what this document says, yes.
Q. This document shows -- and none of that was paid for insurance to Realm, correct?
A. Correct.
Q. The second column on the right side, "Capital-related Disbursements," $2,382,516, correct?
A. Uh-huh.
Q. Who were those disbursements made to?
A. The million five would have been made to AlphaStar, as part of the acquisition. So, you know, 800- -- 900,000 --
Q. Who was it disbursed to, that 800,000 --
A. Yeah.
Q. -- or 900,000?
A. I'm trying to think of who else -- if we made another payment to them? Did we pay some of our attorneys? Did we -- I don't -- I don't know. I don't know.
Q. Did you pay --

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A. From this document, I don't know where eight- or $900,000 specifically went to.
Q. Were commissions paid to AIM out of that money?
A. No, ma'am.
Q. Were distributions made to --
A. No, ma'am.
Q. -- you, or any of the other employees --
A. No, ma'am.
Q. -- of AIM?
And how do you know that?
A. Because the "Fee" column is where disbursements for AIM come from.
Q. But you don't know what this eight- or 900,000 was disbursed --
A. Not from this document.
Q. -- to where it was disbursed.
A. I'd have to see the accounting on -- there should be a capital disbursement worksheet somewhere that will pretty much tell you how you arrive at the 2 million 382 number.
Q. What categories are listed on the capital disbursement worksheet?

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A. Any acquisition-related costs, including the monies paid to AlphaStar.
Q. Okay. And that's $1.5 million.
A. Uh-huh.
Q. What else would it show, and what other categories?
A. I can't tell from this document what they are. I would be venturing a guess.
Q. Did you prepare the capital disbursement worksheets?
A. Yes, sir.
Q. And where were they kept?
A. They would have been kept with these documents on the accounting records of AIM.
Q. On the computer --
A. Yes, sir.
Q. -- accounting records?
A. Yes, ma'am.
Q. Would they also -- would there have been hard copies made of these documents?
A. You've got them right here, so yeah, there should be.
Q. And who would have those documents?
A. I would not know, at this point.
Q. None of the capital-related

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disbursement was paid to Realm for insurance, was it?
A. As far as I know, no.
Q. Now, fees used for AIM reflected on Exhibit 41 is $664,674, correct?
A. That's the number, yes.
Q. And that indicates money that was used by the company itself, for its own purposes, correct?
A. Yes, ma'am.
Q. And what were those funds used for?
A. Those would -- those are the fees to the operating expenses we talked to before. Anything from, you know, utility bills, to the expense reimbursements we talked about, to, you know, legal fees, accounting fees.
Q. Was there an operating expense disbursement worksheet prepared by you, like you prepared the capital --
A. That's -- that's where this "Summary" column would come from, yes.
Q. So yes, you did prepare --
A. Yes, ma'am.
Q. -- an operating expense disbursement worksheet?

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A. Uh-huh.
Q. And how periodically did you prepare that?
A. At least quarterly.
Q. And that was kept on the computer?
A. Yes, ma'am.
Q. And it was also kept on -- in hard copies?
A. It should be, yeah. Yeah, I would have printed it off and put it into the file cabinet.
Q. Would those have been in the file cabinet outside your office?
A. Yes, ma'am.
Q. And so were those all in existence on the day that you left the company?
A. As far as I know. As far as I know.
Q. The company -- I asked you previously about a company called Essex Holdings, and I believe you said you had heard of it, but you didn't have any connection with it; is that correct?
A. That's correct, as far as I know. It was started by David sometime right before I left.

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Q. Now, you say that at one point -- that you had met with a company called Spectrum. Was that a company -- was Spectrum a company that also participated in the Realm PEO program?
A. Yeah, they are one -- they should be one of the -- yeah, they're actually -- if you look at -- just one reference, Exhibit 41, they're the last listed PEO on Exhibit 41.
Q. Did you ever meet with Spectrum about getting involved in the Essex Holding?
A. No, ma'am.
Q. Was it your understanding that with Essex Holding, that this was to replace the AIM program with Realm, basically?
A. That's what I had -- was hearing, yes.
Q. And was that a program that was set up with Guarantee Insurance Company?
A. Guarantee Insurance Company. I'm trying to remember Guarantee Insurance Company. Sorry.
I do not know.
Q. Do you know who the principals of Guarantee are?

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A. I vaguely remember -- yeah, I'm trying to remember. Someone within our office. I can picture him. He was introduced to me as someone from -- but it wasn't Guarantee Insurance Company.
Q. Have you ever heard of a company called Tar Hill Insurance Company?
A. I've heard that name, yes.
Q. And do you know who the principals are in that company?
A. I do not know, no.
Q. Were funds transferred from AIM to Essex Holdings?
A. I do not know.
Q. Did anyone ever talk to you about whether or not funds would be or should be or could be transferred from AIM to Essex Holdings company?
A. That's probably when I left.
Q. Does that mean somebody talked about it and you left?
A. It was possibly talked about, but I don't know.
Q. Well, is that something you heard --
A. Yeah, did I hear that they were

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transferring funds? No. I heard that they were potentially going to deposit new funds there.
Q. And where were the new funds going to come from?
A. I do not know.
Q. Is that part of where the capital-related disbursements indicated on Exhibit 41 were going to be spent, or going to be invested?
A. I would not think so. Because we would have accounted for those funds -- if this is my document, which I believe it is, that had not transpired yet.
Q. Did you ever talk with Mr. Dennett-Smith about -- did he ever talk with you about transferring any assets to -- from AIM to Essex?
A. It was never mentioned to me from David, no.
Q. Okay. How about from Bruce Holley?
A. Maybe in passing, but not specifically.
Q. Well, tell me everything you remember Bruce Holley saying.

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A. That they were going to -- I guess -- I guess -- since this document kind of bears it out, is that we were out of claims money, so that they were going to continue to service claims by PEO, and that Bruce actually then took over, you know, keeping track of PEO No. 1 has $7,000 worth of claims, PEO No. 1 would then I guess remit $7,000 to pay those claims, so that we could continue servicing the claims while the Realm litigation carried on.
Q. And did he --
A. Was that done through Essex? I don't know the answer to that.
Q. Was there any hint or discussion or mention of doing that through Essex?
A. There would be a hint of it, sure.
Q. And was that -- did that come from Mr. Holley?
A. I don't recall specifically who would have -- whether that would have been Bruce, or David. That would have probably --
Q. It could have been both of them?
A. It could have been both of them, sure.

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Q. Is that why you left the company in July of 2004?
A. Yeah. I think -- when I said earlier it was money related, because I had to earn a paycheck, but I think the Essex Holdings thing started to concern me, so I decided that I had had enough, yeah.
Q. And what concerned you about it?
A. Obviously the -- a new company, and continued doing what they were doing.
Q. Did it also --
A. Trying to --
Q. -- concern you that --
MR. COBURN: Let him finish his answer.
Q. (By Ms. Brockington) Go ahead and finish your answer. I'm sorry.
A. Yeah. No, the concern you have is that we were in litigation to acquire Realm. That's down this avenue. Now you're going off in a different direction, and trying to continue to operate the PEO program, you know, totally outside of the Realm arena. And that's what concerned me.
Q. Did you think that that was perhaps

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something that was not proper?
A. I considered it inappropriate.
Q. And did you also consider that it would be inappropriate to use, or transfer any assets from AIM to Essex, or use any assets of AIM for purposes of Essex?
A. I would consider that inappropriate.
Q. And was that --
MR. COBURN: I'm going to object to the question in that it asks him to assume facts which are not in evidence.
THE WITNESS: Yeah. I don't know.
MR. COBURN: Stuff that he certainly has not testified to today, but rather simply -- you're asking him to make an assumption on an assumption, or give an opinion on a assumption.
THE WITNESS: Uh-huh. Strictly my opinion.
Q. (By Ms. Brockington) And was that something that just contributed to your decision to leave?
A. Yes, ma'am.
Q. Did you follow up, or hear anything about Essex after your departure?

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A. No, ma'am.
Q. Have you ever seen any documents relating to Essex Holdings?
A. Not that I can think of, no.
Q. Have you ever asked Mr. Dennett-Smith about Essex Holdings --
A. I've not talked to David in two years until this morning.
Q. Did you talk about that this morning?
A. No. Not at all.
Q. Did you talk with Mr. Coburn at your meeting this morning?
A. Yeah. He was there.
Q. And what did you talk with him about?
A. Pretty much the same thing. Catching up on personal stuff, and then we talked about, you know, the NES litigation, and what -- what to expect, I guess, from a standpoint of people who were going to be here, and the books I see in front of me.
Q. Okay. And did you talk about the -- what did he tell you about the NES case, the claims?

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A. Very little, other than there's a dispute on whether premium and/or capital was paid. That's what the basis -- I guess the basis of the suit. I mean, one of the -- that was basically it, in a nutshell.
Q. And did he tell you what his position was?
A. No, ma'am.
Q. Did he tell you what the position of AIM was?
A. No.
Q. Do you have any idea where the financial records relating to Essex Holdings are located today?
A. I would have no idea.
MS. BROCKINGTON: I think that's all I have.
(Thereupon a short recess was taken, after which the following proceedings were had:)
(Exhibits 132 and 133 were marked for identification.)

EXAMINATION
BY-MS.MEEKS:

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Q. Mr. Imperiale, my name is Jo Meeks, and I represent Insurance Office of America and Martin Jones in this lawsuit. I'm going to ask you just a few questions, and I will try not to repeat anything that Ms. Brockington has already asked you.
I'm asking the court reporter to hand you two exhibits -- one that has been marked as Exhibit No. 132, and another document that has been marked as Exhibit 133.
Now, if you look at Exhibit 132, please, sir, is that the same form, called the "Claims Funding Review Form," that you prepared while you were the CFO of AIM?
A. It looks very similar to the exhibit I was looking at earlier, yeah. Yeah. Uh-huh.
Q. Okay. This document is dated May 31, 2004?
A. My -- yes, it is.
Q. And you were the CFO of AIM, as of that date, correct?
A. I was not installed as CFO as of that date.
Q. I'm sorry?

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A. I was not installed by the board of directors as of that date.
Q. But you held yourself out as CFO, correct?
A. I was acting as CFO, correct.
Q. And you signed documents as CFO, correct?
A. I believe I did, yes.
Q. You used that title regularly, correct?
A. Yes, ma'am.
Q. Okay. So was this document, Exhibit 132, prepared by you, or under your supervision?
A. I would certainly think so, yes.
Q. All right. Now, if you would compare Exhibit 132 with Exhibit 41. The amounts that are shown in Exhibit 132 pertaining to NES, are different in Exhibit 142 than the amounts shown in --
A. Yes, ma'am.
Q. -- Exhibit 41, are they not?
A. Yes, they are. There's a clear difference in the numbers.
Q. In Exhibit 142, with regard to NES,

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it shows that NES paid premiums totaling $668,837?
A. 132, yes. Uh-huh. Correct.
Q. And that NES received cash receipts from NES of $10,000 for the capital contribution?
A. That's what this document says, yes. Uh-huh.
Q. And the document shows receipts from NES that were allocated to the fees in the amount of $52,500.
A. That's correct.
Q. And Exhibit 132 shows the total amount of cash received by AIM from NES at $731,337 --
A. That's correct.
Q. -- correct?
Now, how do you, as the CFO of AIM, reconcile the figures shown in Exhibit 132 -- the allocation shown in Exhibit 132, with the allocation shown in Exhibit 41?
A. How would I reconcile the two?
Q. Yes, sir.
A. I'd be venturing that the Exhibit 132 may be a later-prepared document

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that we -- that I would have -- or had been given all of NES's documents to show the premium, versus the capital, versus the fees. And obviously, more money was received on one -- Exhibit 132 than on Exhibit 41, so I must have had more current information on NES when that -- this document was prepared.

Q. Do you --

A. The fact that it's May 31st, on -- 2004 on both documents, that's probably not the date this was prepared. That's the accounting-as-of date. When it was prepared, I do not see a create date on this worksheet, so --

Q. And there are no create dates on either Exhibit --

A. Either --

Q. -- 132 or 41?

A. Either 41 or 132 do not appear to have a -- I'm looking, but I do not see a created date.

Q. It's your belief, however, that the allocations shown on Exhibit 132, are more recent, or more recently prepared than allocations shown on Exhibit 41.

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A. That would be my belief, based on the fact that it's showing a lot more money coming in. Total of what -- 731,337 is total funds received from NES, as compared to Exhibit 41, that had 649,328, so, you know, just doing round numbers, $100,000 more had come in.

Q. Do you recall any discussions with Mr. Dennett-Smith or Mr. Holley about the allocations pertaining to NES?

A. The worksheets, I guess, were handed in more complete detail to me? I don't recall specifically how this document would have changed and reconciled.

Q. Do you recall any discussions where Mr. Holley or Mr. Dennett-Smith asked you to change the allocations pertaining to NES?

A. Obviously I had some conversation with them, since these two documents are different, with Bruce and David, or -- specifically Bruce had provided me a different level of detail to come up with this document, 132. That was probably how this document came about. Yeah. So specific conversations to change the allocation, I don't recall, but I

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must have received the documents to have me revise this document.

Q. To your knowledge, is the information shown on Exhibit 132 correct as it pertains to NES?

A. As a standalone document, it -- it should be correct, based -- if that's the total amount received in for NES, I would think so. To my knowledge, the documents I've seen today, it's probably a fairly correct depiction of their numbers.

Q. All right, sir. Now, in the "Disbursements" section pertaining to NES, does Exhibit 132 reflect that AIM had paid NES workers' compensation claims in the total amount of $175,055, as of May 31, 2004?

A. Yes.

Q. And with respect to the capital disbursement of $10,000, do you know how that amount was spent?

A. I do not know that.

Q. With respect to the fee amount of $52,500, do you have any knowledge as to how that amount was spent by AIM?

A. Specifically, no. But the caption

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that it sits in, the fees used for AIM would be operating-related expenses, yeah.

Q. Would that be the subject of a more detailed schedule that you had prepared relative to all of the fee disbursements?

A. Yes, ma'am.

Q. Okay. Now, the number in the last column pertaining to AIM, $493,782 --

A. Uh-huh.

Q. -- what does that number represent?

A. That would represent the remaining balance attributable to NES, to -- let's see, how would I have that -- basically to pay claims, is the way I'm reading that.

Yeah, that's -- basically what that last column is, is what we're trying to do there is ascertain how much money we have left to, you know, service the outstanding claims, at this particular point in time.

Q. Okay. So --

A. So this would say that in total, you know, we were -- the document says "Funds Remaining, zero," way down in the bottom right-hand corner. But it would say that -- in arriving at that number, you know, NES's

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contribution to the claim fund would be 493,782.
Q. So AIM held about half a million dollars of NES's money that had not been paid in claims?
A. It -- this document would say that it had been used to pay claims for some of the other PEOs, because we were out of funds.
Q. But that was the amount of money --
A. Uh-huh. Yeah. Well --
Q. -- that NES --
A. Uh-huh.
Q. -- had contributed --
A. Contributed, yes.
Q. -- to --
A. To the program, yes.
Q. -- the payment of other PEO claims --
A. That would be -- that would be a good way of looking at it, yeah. Yeah. Uh-huh.
Q. Okay. And that was for the benefit of AIM?
A. Not for the benefit of AIM. That was for the benefit of the -- the collective

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pool of policy holders and claims that were out there. AIM --
Q. Well, otherwise AIM would have been liable to pay that amount; is that correct?
A. Realm would be liable. They're the insurance company.
Q. Okay. Realm would be -- so that payment was for the benefit of Realm.
A. That's what it would be for. Remembering we're paying claims on Realm's behalf, as the insurance company.
Q. Because AIM was the agent of Realm.
A. Yes, ma'am.
Q. Now, if you would look at Exhibit 133, please.
A. Okay.
Q. Identify this document, or this collection of pages labeled AIM 21141 through 21144.
A. This looks like some of the supporting schedules that lead up to this lead schedule, to some extent.
Q. Does Exhibit 133 show supporting schedules that tie to Exhibit 132?
A. The one that I specifically

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recognize would be the expense one -- I'm sorry. The one that's labeled Page AA -- I'm sorry. AIM21143. But the third page of 133, I specifically recollect that as being my -- you know, the expenses -- you know, it's titled obviously "Disbursement From Fees by AIM," and it kind of gives you some of the categories of expenses that were paid.
Q. With respect to that page, sir --
A. Uh-huh.
Q. -- the first item that's listed as being made from the "Fee" category --
A. Uh-huh.
Q. -- is an item that's listed as capital expenditures, in the amount of $86,500.
A. Uh-huh.
Q. What is that amount?
A. My recollection is that would have been to purchase some of the computer equipment. Specifically, I wouldn't be able to say. I remember two very large operations. Printers that were like $10,000 apiece. Obviously the -- the computer equipment that we were ramping up to do business, that

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would -- probably would have been paid in tranches. I doubt it was a single payment.
Q. Were those -- was the computer equipment purchased outright, or was it rented, or under some lease agreement?
A. It was to be purchased outright, and I'm going to say we paid some of the bill, but not all of it.
Q. So that's distinct from --
A. Uh-huh.
Q. -- the line item that says "Rent and Equipment Rent"?
A. Yes, rent, and equipment rent would be exactly that. That's where you have leases and -- et cetera, et cetera.
Q. Now, the next item says "Legal Expenses." To whom would those expenses have been paid?
A. I guess various attorneys. Specifically, I -- names do not come directly to me. Alston & Bird, possibly. The name -- the Wilson Elser folks, possibly, in New York. Just names that I'm, you know, trying to recall from two years ago, and more, so -- various legal law firms would be my

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guess, yeah.
Q. The next line item is "Phones and IT." Does that stand for computer equipment, "IT"?
A. That would be the phone system proper, and that would be the phones, that would basically be your BellSouth bills, your land line bills, the --
Q. What's the IT component?
A. That would be like your communication links to the outside -- with a phone system, you have -- I'm not technically literate, but -- forgive me. But with a phone system, you have fairly sophisticated tie line links that are in the building. It's equipment, and you have to basically either rent or buy that, and I believe we had a lot of rental on that.
Q. So that line item would not include any of the computers, desktops --
A. Shouldn't. Should not. I would not -- the computer stuff, I'm going to say is in that capital expenditure line.
Q. Look with me at the line item that says "EE advances/loans" in the amount of

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$84,600.
A. I see it.
Q. What is --
A. I think that's the --
Q. -- EE advances/loans?
A. That's the -- that's the employee expense and -- you know, those are the expense numbers that people were paid.
Q. Those were the expense reimbursements?
A. Yeah, expense reimbursements, yes. That would be the expense reimbursements that were paid to the various people.
Q. Now, what part of those were characterized as loans? To whom, and how much?
A. Specific -- I don't specifically remember. I don't -- I'm going to say David had maybe a $5,000 one. I don't know if -- I don't recall if Steve had a $5,000 one or not, but there weren't -- there weren't very many. It was mostly the expense advances.
Q. Do you know if those loans got repaid while you were with the company?
A. They were not repaid when I was with

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the company.
Q. This line item includes your -- the --
A. The monies that I --
Q. -- payments that were made to --
A. The monies I received? I think it was around -- I think I said my tax returns was like $20,000, and I had expenses of some other amount, yeah. Yes.
Q. Okay.
A. Uh-huh.
Q. If you would look at the page before that, please, sir.
A. Uh-huh.
Q. It's labeled "PEO Claims Funding Disbursements Schedule."
A. Okay.
Q. When you say the claims funding from PEO, which is the line item -- the first line item, was there a specific bank account that was set up for claims funding?
A. No. It's all coming out of the same bank account.
Q. It's all coming out of the disbursements bank account?

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A. Disburse- -- I'm sorry -- the disbursement bank account. Yes, ma'am.
Q. How was it determined -- how did you determine the amount that went into the claims funding account?
A. Basically would be the -- isn't that the premium? Hold on a second. I would think that -- that 21142 -- that claims funding from PEO -- I'm going to say that would be your premium claim fund amount. And --
Q. That's the amount of the premium receipts from all PEOs?
A. Yeah. If you go to Exhibit 132 for a second, that is the same number that's on -- if you look at that -- Exhibit 132, the very first column, it says "All Captioned Premium," and the dollar amount down at the bottom, those two numbers are the same number. So that would tell me that the number in your Exhibit 133, 2,745,168, is the total premiums received from all PEOs that was put into the claims fund, yes.
Q. The next line item is "Claims Funding from Capital Advances."
A. Uh-huh.

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Q. What was the source of that funding?
A. We were transferring funds from the capital caption to the claims paying function, to continue paying claims.
Q. Who authorized that transfer?
A. David Dennett-Smith.
Q. Who determined --
A. We had to continue paying claims.
Q. And who determined the amount?
A. I would determine the amount based on the outstanding checks that were out there to be paid and funded for. So at this point in time, there must have been outstanding drafts of 341,698.
Q. In the claims payment process, who determined whether or not to pay a claim or a medical expense, or an indemnity related to a workers' comp claim?
A. Claims were handled by -- I guess Crawford & Crawford, initially. And Bruce Holley pretty much kind of oversaw that. There was review by a couple of the Realm folks that were in our office from time to time.
Who determined how much? You know,

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claims experts of some sort would say, you know, the medical bills are X, the reimbursement is Y, total claim to be paid, $3,000. You'd have all the documentation in a claim file and you would write a check.
Q. Okay. And --
A. Who did that? Some sort of -- you know, physically who'd do that? At Crawford and Crawford, I wouldn't know. Did Bruce Holley do some? Yeah, probably. Did --
Q. My question is for --
A. Uh-huh.
Q. -- those payments made by AIM --
A. Okay.
Q. -- to the workers' comp claimants, or their vendors.
A. Okay.
Q. Who in AIM made the decision as to whether and how much to pay the claim?
A. Through AIM? That would probably -- more than likely would be Bruce Holley. I mean, he handled the claim process.
Q. You didn't make that decision.
A. No, ma'am. Again, I'm not a claims person, I'm not an underwriter.

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Q. Would you look at the last page, please, of Exhibit 133?
A. Okay.
Q. Does this schedule detail the categories of spending in the capital funding of roughly $2.15 million?
A. Yeah, this is the support exhibit for -- this number should match -- if you go to Exhibit 132, the second part of the -- where it says "Cash Disbursements," you have capital-related disbursements, the total down at the bottom, 2,146,433, matches the total on the page that we're referring to on one -- Exhibit 133.
Q. Okay. Look with me at the --
A. Uh-huh.
Q. -- two line items that are "Legal" line items. The first one says "PEO supported," in the amount of $218,586?
A. Uh-huh.
Q. What is the difference between the PEO supported legal expenditures and all other?
A. We -- I guess we -- I shouldn't say I guess. We engaged an attorney in New York

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as part of the Realm acquisition. The firm escapes me. When we made the initial payments, we had not communicated to the PEOs that we were going into the capital fund to start the proceedings for the acquisition of Realm.
We then communicated to the PEOs, and I had these two amounts separated, so that folks could see that we -- yes, we did spend $64,000 in capital funding for the acquisition of Realm, without all parties acknowledging or approving. The $218,000 amount, all parties acknowledged and approved expenditures.
Q. Were any of the legal fees that are shown on this page, legal fees incurred in connection with litigation between Realm and AIM?
A. They could be. That's certainly possible. Certainly possibly. Because when you get into the acquisition of Realm, litigation was part of the equation.
Q. So it included nonlitigation fees for Realm's acquisition, and litigation fees.
A. It certainly could have, yeah. Yeah.

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Q. Well, do you know one way or the other?
A. I can't tell from this. I'm going to have to go back to the bills that were paid and read through the bills. But I would say it probably is a combination, yeah.
Q. Let me ask you just a few general followup questions.
What is your business address?
A. I'm sorry?
Q. What is your business address?
A. Ing. It's 5728 Powers Ferry Road. And that's Atlanta, Georgia, and the ZIP code is 30328.
Q. How old are you?
A. I'm not sure I have to answer that, do I?
I'm 48 years old.
Q. Did you play any role in -- or working up to the stock-purchase agreement for Realm, other than due diligence?
A. Basically, the development, review and final execution of the sale document, sure. The sale and purchase agreement document, that was, you know, finally signed

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in -- I'm going to say March of 2003. I was involved in the drafting and wording of several passages in that document pertaining to the financial arrangements.
Q. Okay. And what lawyer did you work with for that purpose?
A. That was primarily the Alston & Bird folks.
THE WITNESS: Stan, what's Joe's last name? I can't remember.
MR. COBURN: Taylor.
THE WITNESS: Thank you.
MR. COBURN: Steven Irkin.
THE WITNESS: Steven Irkin and Joe Taylor, particularly -- basically, I had a lot of conversations with Joe Taylor pertaining to that document. Uh-huh.
Q. (By Ms. Meeks) And what was -- or did you have certain responsibilities after the stock-purchase agreement was signed with respect to the implementation of the agreement?
A. The continued due diligence and monitoring of Realm. When they -- and I think we talked earlier today about the certificates

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of authority. We learned that in several states, their license had been suspended, and they had not told us. There were several -- you know, continue to do due diligence until we had a stock certificate in hand, was my primary charge.
Q. Okay. And that was part of your job --
A. That was probably --
Q. -- to follow up on that?
A. Basically constantly follow up on any financial dealings that would impact the company Realm National, when we took over control and ownership.
Q. Okay. Let me show you what I'll ask the court reporter to mark as Exhibit 134, please.
(Exhibit-134 was marked for identification.)
Q. (By Ms. Meeks) Do you have Exhibit 134?
THE WITNESS: Do you want to see it, Stan, for a second?
MS. MEEKS: Yes. Let Stan see it.
Q. (By Ms. Meeks) This is an e-mail

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from a Mr. Lawless to a number of folks --
A. Uh-huh.
Q. -- that appear to include you, Mr. Imperiale. Is that your e-mail address at AIM?
A. Yes.
Q. It's dated June 20, 2003. And it appears to recite the status of certain events with regard to the stock-purchase agreement; is that correct?
A. It looks like several bullet points of followup from Mr. Lawless, yes.
Q. Now, Mr. Lawless, in the portion labeled "Underwriting," he raises a question that some PEOs and/or clients may be under the erroneous impression that coverage has been, quote, "Bound," close quote.
Do you see that?
A. I see that.
Q. At this point in time, as of June 20, 2003, NES's coverage had been bound by AIM, had it not?
A. I believe that was their policy period, yeah. Uh-huh.
Q. Okay. Now, Mr. Lawless' e-mail

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would seem to indicate that he was concerned, or that Realm was taking issue with AIM having bound coverage; is that right?
A. That's what this e-mail is saying, sure.
Q. What did you do to address Mr. Lawless' concern, after you --
A. Uh-huh.
Q. -- received this e-mail?
A. I'm going to say at this point in time, we were in litigation over the matter, and I was instructed to handle all matters through -- I see Kip Becker's e-mail address down in the cc. I see Joe Taylor's e-mail address in the "To." All dealings were to be through our attorneys, at this point, when -- since litigation was underway.
Q. Did you --
A. About whether or not coverage was bound.
Q. Did you notify Marty Jones, or anyone with IOA that Realm was questioning the binding of coverage by AIM?
A. I did not.
Q. Do you know if anyone at AIM

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notified Mr. Jones or anyone at IOA?
A. My understanding is that all PEOs were notified in some way, shape or form, yes; that we obviously were in litigation over this whole matter. Whether --
Q. You were in litigation as of June the 20th, 2003?
A. As far as I can remember, yeah.
Q. Okay. And how do you know -- sitting here today, how do you know that all PEOs were notified?
A. I don't know, then, if that's the way you want to lead the question. I do not know that. I am assuming that it took place.
Q. About midway down on Exhibit 134, there is a bullet point of "DOI Approval of GAA/RBC Plan."
Do you see that?
A. I see it.
Q. Do you know what the GAA/RBC plan is, or was?
A. I can't remember what the acronym for "GAA" is, but "RBC" is risk base capital.
My recollection is that as part of the sale purchase agreement, the State of New

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York, which is referenced here as DOI approval, at the very beginning of that, I would say that that's probably the State of New York, since that's where Realm is domiciled; that the State of New York had to approve the sale/purchase agreement, and in approving that, certain documents probably had to be submitted, and it's basically probably a business plan, a pro forma, financial statements and business plan of this program, would have been submitted as part of the documents going to the State of New York, and that verbiage would tell me is that the document, as submitted, was awaiting approval by the State of New York. That's the way I read that.
Q. Okay. Do you know if the State of New York Department of Insurance ever approved the business plan?
A. I do not know if that was ever approved.
Q. Was it -- to your knowledge, was it a requirement that the State of New York approve the business plan, in order for the PEO program to be effective?

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A. No. No, New York would not have to approve an underwriting program for an insurance carrier, as far as I know.
Q. Okay. Then why was -- were the parties awaiting the approval of the New York Department of Insurance GAA/RBC plan?
A. Uh-huh. If it was part of the documents submitted with the sale/purchase agreement -- this is one of the documents that the State of New York has to approve, as part of the sale/purchase agreement, not specific to an underwriting program for an insurance company.
I'm trying to recall -- or we had meetings with the State of New York, you know, quite a while back. And given Realm's tenuous financial condition, this was one of the requirements of New York, probably.
Q. And was that requirement a prerequisite to the PEO program that AIM had put together with Realm?
Did you have to have that before that whole PEO program could become effective?
A. I don't believe so.
Q. Why was it important to Realm that

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there be the approval --
A. I see. Okay.
Q. -- of the New York --
A. I'm trying --
Q. -- Department of Insurance.
A. I'm sorry. I'm trying to understand your question a little better.
My understanding was that at this point in time in the litigation, it was, you know, discovered, or otherwise -- something to the effect of -- that the State of New York was doing some type of monitoring of Realm, because of its financial tenuous situation, and that they were required to submit this information in to the State of New York. And I -- and dare I say, part of our -- our complaint -- my recollection is that we even used -- you know, as far as this, used the word "fraud" in our complaint, and it may -- this may be one of the points of contention.
Q. What was the point of contention?
A. The point of contention being the sale/purchase agreement required this RBC plan, which was the business plan, be approved, unbeknownst to us.

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So is it required? Obviously based on this, it's awaiting New York's approval. By the --
Q. Well, could Realm issue policies for workers' compensation --
A. Yes.
Q. -- insurance --
A. Yes.
Q. -- without the approval of the -- without this approval?
A. To my knowledge, yes.
Q. Now, there's another bullet point here that says "Resolution of North Carolina Coverage Issue." What was that issue, that you recall?
A. We learned -- my recollection is that was one of the states where Realm was suspended from doing business.
Q. Okay. And did AIM nonetheless write coverage in those states -- in North Carolina?
A. We discovered that after the fact. We discovered that they were suspended in North Carolina, after the program had launched.
Q. Okay. AIM received premium payments

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for coverage in North Carolina, when in fact Realm was not licensed to do business there?
A. I believe so, yes.
Q. Okay. Now, what was the resolution of this point, if you know, or what progress had been made up to this point on resolving the issue?
A. I believe there was attempts with New York's assistance to try and place the coverage with other concerns, but I do not know the resolution.
Q. Was that one of the points that you were to follow?
A. I was not involved in that point, no.
Q. You weren't involved in following this particular issue to a conclusion?
A. I'm sorry. Replacing the coverage, no. Following -- following the fact that they were suspended in the state of North Carolina, my job was complete. I discovered that they were suspended in North Carolina.
Q. Okay. And isn't it true that Realm was attempting to get approved in North Carolina, and that's what this bullet point

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was about?
A. I don't remember them going after approval, but maybe things changed, yeah. I don't recall getting -- having them approved again in North Carolina as what was going on.
Q. But you do know that AIM accepted premiums for companies in North Carolina -- for writing coverage -- workers' compensation coverage for companies in North Carolina.
A. Yes.
Q. What steps did you take to follow this issue through?
A. Handled by the lawyers. I -- you know, I -- I am not a legal expert in such matters, because it -- it's one of the items that, you know, created, you know, the litigation process.
Q. And do you know if Realm was approved in North Carolina?
A. I do not know if they were ever approved.
Q. Do you know if they settled their issues with regulators?
A. I do not -- I do not know that.
Q. I believe you testified that you

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don't recall ever making any payments to Insurance Office of America; is that right?
A. That's correct.
Q. And you don't recall ever making any payments to Martin Jones for commissions on the NES procurement; is that correct?
A. I do not recall paying Martin.
Q. Let me get you to identify one more set of documents, sir, if you would.
A. Sure.
MS. MEEKS: Mark this, Mr. Court Reporter, as Exhibit 135.
(Exhibit-135 was marked for identification.)
Q. (By Ms. Meeks) Mr. Imperiale, Exhibit 135 is a multipage exhibit that contains copies of checks written on the checking account of American Insurance Managers Inc., at various dates and to various persons.
My question is, is that your signature that's on the checks that are shown in Exhibit 135?
A. It appears to be my signature, yes.
Q. Were these checks made payable to

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certain workers' compensation claimants that had been insured through the NES policy?
A. Let me look at the reference line at the bottom. But it certainly appears to be various claim payments to both the insureds proper and/or their service providers.
Let me actually -- my memory has come back. Obviously the last one -- the very last page is -- that's our claims handler. That's Sharon, who I referred to earlier -- Sharon Weatherford, who was paying claims expense, and I do recall the amount, and that was -- a little bit of a memory, it was $500.
Q. And that payment was made to Ms. Weatherford because she reviewed or performed services in --
A. She was -- she was a --
Q. -- connection with the Wilson versus NES claim?
A. That's correct. That's correct. She would have done the claims-handling services for that specific claim. That's the way that's -- that's the way I'm reading that, yes.
Q. And is it your understanding that

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these checks were written, or payments made, because AIM was responsible for the claims that had been presented by the claimants?
A. We were acting as a third party to pay the claims during the Realm litigation, yes.
Q. And Mr. Holley made the determination on behalf of AIM that AIM was liable for these various payments that were made?
A. Yes. A combination of Bruce and Sharon Weatherford. That combination would have made those determinations. Looking at the date -- I guess I'm looking at the dates of the drafts. The earlier ones -- possibly the ones dated -- it looks like in July.
Q. Of 2003?
A. I'm sorry -- July of 2003, probably the Page 1 and Page 2 of this document, look like they're -- I'm sorry, Page 3 is also a July one.
I do believe Crawford & Crawford was still the claims TPA that would have, if you will, adjudicated the claims, and then sent the file to us for payment. But then after

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that, I believe the process would have switched. But yes, overall Bruce Holley and Sharon Weatherford would have been the ones determining to make a claim payment.
Q. Did you ever have any conversations with Ronald Cates about a capital contribution?
A. No, ma'am.
Q. Did you ever sit in on a meeting where a capital contribution by NES was discussed?
A. I never met Ron Cates, I don't believe. So I would say no.
Q. Okay. Did you ever have any --
MR. COBURN: Excuse me. I'm going to suggest that response, if I understood your question right, was not responsive to your question. Because I thought you asked him if he had ever sat in on any meetings, whether Cates was there or not, and he said, well, I've never been in a meeting with -- do you see where I'm going?
MS. MEEKS: I think so.
THE WITNESS: I'm sorry -- did you

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mean meetings with NES about capital contributions? I did not sit in that type meeting.
Q. (By Ms. Meeks) Okay. Did you take part, or overhear any discussion about any meeting -- any -- with anyone, about NES's capital contribution?
A. Our conversations would be generic to all PEOs, that capital contributions was part of the formula to the program. So NES would be no different than any of the other companies.
Q. Okay. And my question is, did you participate in any discussion about NES making a capital contribution.
A. With the AIM folks, sure. With Bruce and David, we would talk about, you know, NES's part of the program there to pay capital contributions, sure.
Q. Okay. Before this morning at breakfast, did you --
A. Sure. We -- you know, the --
Q. -- did you have any --
A. The Exhibit 40 or 41, I forget which one of those, kind of, you know, bears out the

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conversation that capital contributions are part of the program, yeah. So I would talk with David and Bruce with that in mind, sure.
Q. Okay. And my question is --
A. Uh-huh.
Q. -- specific to NES, and NES's capital contribution.
A. I would give Bruce NES's worksheet, and he would handle conversations with -- I guess with Marty Jones. Did I do it myself? No.
Q. And to your knowledge, were any assets transferred from AIM to Essex Holdings?
A. I do not -- I'm not aware of any assets being transferred.
MS. MEEKS: I don't have any further questions. Thank you.

FURTHER EXAMINATION
BY-MS.BROCKINGTON:
Q. I have just a couple questions. Very short.
If you would look at Exhibit 67, which is going to be in this book.
A. I'm sorry -- the number again,

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Peggy?
Q. Sixty-seven. That would be 6-7.
A. Okay.
Q. This is an e-mail that you sent on February the 4th, 2003?
A. Yes.
Q. And it went to Mr. Holley, Steve Landin?
A. Uh-huh. Yes.
Q. Becky Dennett-Smith.
A. That's David's wife. Uh-huh.
Q. And was she on here because she was an employee of the company?
A. At -- at that time, I think she was working there, yeah. Whether she was an employee, I don't think she was -- I think she was just kind of helping out, yeah. I would think that each name on here would be involved in -- because I'm reading the contents of the e-mail. These folks would be involved in the underwriting process, in some way, shape or form.
Q. Robert Bauer, was he the employee you described being hired --
A. Hired, for a short period --

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Q. -- in underwriting?
A. Yes, ma'am.
Q. Who's Robert Berman?
A. I'm going to say he was a broker/agent relationship with AIM. That's my recollection there, uh-huh.
Q. And how about Christine --
A. Oh.
Q. -- Samios?
A. It's not Diane.
MR. COBURN: I told you it was Christine, and you didn't listen to me, so --
Q. (By Ms. Brockington) Who is Christine --
A. Christine Samios is the executive assistant that I've been referring -- I apologize to everyone.
Q. This is the executive assistant --
A. Assistant to David -- David Dennett-Smith's assistant. Her name was Christina Samios.
Q. The subject of this e-mail --
THE WITNESS: Thanks, Stan, by the way.

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Q. (By Ms. Meeks) The subject of this e-mail is, "Do not issue any COAs," correct?
A. COAs. Yes, that would be --
Q. What does that mean?
A. -- certificates of insurance, I guess.
Q. Okay.
A. I'm not sure what the "A" means. I'm trying to remember what "A" --
Q. What prompted this e-mail? What prompted you to send this e-mail?
A. I think something happened with Bruce Holley's signature. I'm trying to remember -- I'm trying to remember. He had put his signature out electronically to someone, is my recollection, and by doing that, obviously would cause a problem. So when I learned of the electronic signature, I thought it best to let folks know we better stop until we corral --
Q. You better stop what? -- issuing certificates of insurance?
A. Issuing the certificates, because if Bruce's signature is out there electronically, anyone and anybody could, you know, slap his

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signature on a piece of paper. That's what I'm recalling from this fairly, you know, brief e-mail.
Q. The second paragraph of this --
A. Uh-huh.
Q. -- e-mail says, "This ban will be lifted when the acquisition and agency agreements are executed."
A. Uh-huh.
Q. "Hopefully this week." What --
A. I think that was a -- yeah, I do believe that was a condition of the sale and purchase agreement from Realm, now that I'm reading this sentence.
Q. Was this because Realm had informed you that you were not supposed to be issuing certificates of insurance? That Realm --
A. They had learned that we were -- they had learned that we were issuing them. They asked that we discontinue until we got these documents, you know, firmly in place. That was -- I believe that was a condition of the sale/purchase agreement, yes.
Q. And so --
A. Recognizing that AIM was acting as

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agent for Realm, you know, up until and including this point.
Q. And the first paragraph --
A. Yeah.
Q. -- indicates that no certificates -- Realm certificates of insurance could be issued by AIM, or any subagent for the PEO workers' compensation program, correct?
A. Yes. That would be the responsibility of these folks to then disseminate out to their contacts that we had to stop until we got these acquisition and agency agreements firmly in place, yes.
Q. And the acquisition and agency agreements were the acquisition and agency agreements between AIM and Realm?
A. The acquisition would be more of the acquisition from Realm's parent, AlphaStar. The agency agreements would probably be with Realm. That would be my interpretation there.
Q. And so when you sent this e-mail, you understood that AIM was not supposed to be binding insurance for Realm.
A. It was not supposed to be binding, that we were acting as agent of Realm, and

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that -- again, refreshing my memory on the second sentence there, the agreements needed to be put in place formally, and that was a condition to the sale/purchase agreement.
Q. So you weren't authorized to sell Realm insurance, and to place Realm insurance -- workers' comp insurance to the PEOs, as of February 4th, 2003, correct?
A. I don't know if I'm specifically qualified to answer that, other than to say authorized versus agreeing to, you know, manage the book of business. But to sell new? To issue certificates, yeah, I would say that we -- I wouldn't -- I think "authorized" may be too strong a word. We had agreed not to do that until we had the sale agreement in place.
Q. So you --
A. Uh-huh.
Q. -- weren't supposed to be selling new insurance through Realm. Signing up new customers or clients to the PEO workers' comp --
A. That's probably my understanding, yeah.
Q. Okay.

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A. We agreed to -- to, you know, hold up until we got this thing firmly in place, yeah.
Q. Now, this thing didn't get firmly in place within the next week, did it?
A. I don't remember the -- no. Documents weren't signed between February 4th and, you know, a week later, no. I'm going to say the documents were signed in March sometime.
Q. Yet all of the documents that -- acquisition and agency agreements were all executed in March of 2003?
A. That's my recollection.
Q. The sale was complete?
A. The sale/purchase agreement was signed. The sale was not complete.
Q. But you did accept premiums and signed you new insureds for Realm insurance, after February 2003, correct?
A. Yes. Under this agent authority understanding.
Q. Even though this document --
A. Uh-huh.
Q. -- you indicated you were not

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supposed to be doing that.
A. To issue certificates.
Q. Okay.
A. To issue certificates of insurance.
Q. So was it your understanding that you were authorized to sign up new business, and to accept premiums, but you just couldn't issue certificates of insurance?
A. I would -- I would say that we were not authorized to do any further business until these documents were executed. That's how I would read this, yeah.
Q. Was this ban ever lifted?
A. I would have to say yes, from meetings that took place subsequent. I do recall a specific meeting involving one of the PEOs, and Mark Sioma was in our office, and he very specifically said that their coverage was bound. But I don't know if I have any very, very specific recollections or documents to that effect.
Q. When was that meeting with respect to the PEO?
A. Probably the middle part of '03.
Q. Say when?

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A. Probably part of the -- I would say in the middle part of '03, probably.
Q. Now, this PEO wasn't NES, was it?
A. No. I'm going to say it was -- I saw the name, actually, earlier today that -- Quality HR was the PEO. I remember that meeting, because we were talking about claims and claims handling.
Q. And so in that meeting, did Mr. Sioma authorize you to issue certificates of insurance, and to sign up --
A. When he says --
Q. -- Quality HR?
A. When he says, "The policies are bound," that's the same thing.
Q. Did he lift the ban as to anyone other than Quality HR, in this meeting?
A. Not that I can recall.
Q. Okay. And is that the only meeting or communication you had that indicated --
A. That I'm aware of, yeah. That's the only one that I was involved in or aware -- I am aware of, yes.
Q. Okay. And you don't have anything in writing that indicates that the ban was

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ever lifted.
A. No. I do not.
Q. But you continued writing business for Realm until --
A. The underwriting -- the underwriting folks continued to write business, yes, ma'am.
Q. And that continued until just about the time you left the company, AIM, in July of '04?
A. Yes, ma'am.
MS. BROCKINGTON: That's all I have.
MS. MEEKS: Nothing else.

(Thereupon, the deposition was concluded at 5:30 p.m.)

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DESCRIPTION OF EXHIBITS

Exhibit Identification

132 AIM billing receipts/disbursement summary as of May 31, 2004.

133 AIM/PEO cash disbursement summary, ITD May 31, 2004, with attachments.

134 6/20/2003 Lawless e-mail to Crane, et al.

135 Multipage exhibit containing copies of checks written on the checking account of American Insurance Managers Inc., at various dates and to various persons.

(Original exhibits attached to original deposition.)

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STATE OF GEORGIA:
COUNTY OF FULTON:

I hereby certify that the foregoing transcript was reported, as stated in the caption, and the questions and answers thereto were reduced to typewriting under my direction; that the foregoing pages represent a true, complete, and correct transcript of the evidence given upon said hearing, and I further certify that I am not of kin or counsel to the parties in the case; am not in the employ of counsel for any of said parties; nor am I in any way interested in the result of said case.

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Disclosure Pursuant to Article 8(B) of the Rules and Regulations of the Board of Court Reporting of the Judicial Council of Georgia, I make the following disclosure:

I am a Georgia Certified Court Reporter, here as a representative of Alexander Gallo & Associates, L.L.C., to report the foregoing matter. Alexander Gallo & Associates, L.L.C., is not taking this deposition under any contract that is prohibited by O.C.G.A. 5-14-37 (a) and (b).

Alexander Gallo & Associates, L.L.C., will be charging its usual and customary rates for this transcript.

ANTHONY D. LORENZ, CCR-B-2022

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CAPTION

The Deposition of Brian William Imperiale, taken in the matter, on the date, and at the time and place set out on the title page hereof.

It was requested that the deposition be taken by the reporter and that same be reduced to typewritten form.

It was agreed by and between counsel and the parties that the Deponent will read and sign the transcript of said deposition.

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CERTIFICATE

STATE OF :
COUNTY/CITY OF :

Before me, this day, personally appeared, Brian William Imperiale, who, being duly sworn, states that the foregoing transcript of his/her Deposition, taken in the matter, on the date, and at the time and place set out on the title page hereof, constitutes a true and accurate transcript of said deposition.

_____
Brian William Imperiale

SUBSCRIBED and SWORN to before me this _____day of_____, 2006 in the jurisdiction aforesaid.

_____ _____
My Commission Expires Notary Public

If no changes need to be made on the following two pages, place a check here ____, and return only this signed page.

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DEPOSITION ERRATA SHEET

RE: Alexander Gallo & Associates, L.L.C.
File No. 14569
Case Caption: NATIONAL EMPLOYER SOLUTIONS, INC.
vs. REALM NATIONAL INSURANCE COMPANY, ET AL.
Deponent: Brian William Imperiale
Deposition Date: November 9, 2006
To the Reporter:
I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated. I have signed my name to the Errata Sheet and the appropriate Certificate and authorize you to attach both to the original transcript.

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Deposition of Brian William Imperiale

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SIGNATURE:_____DATE:_____
Brian William Imperiale

CLAIMS FUNDING REVIEW

AIM
Billing Receipts/Disbursements Summary
As of: May 31, 2004

PEO	Cash Receipts: All Captions Premium	All Captions Capital	All Captions Fees	All Captions Totals	Cash Disbursements: Claims Paid	Capital Related Disbursement	Fees Used for AIM	Available Claims Credit or additional funds needed (Debit)
Exceptional Personnel	75,000	100,000	25,000	200,000	100,320	100,000	25,000	(25,320)
Quick Labor	789,265	261,370	36,689	1,087,324	262,308	261,370	36,689	526,957
Emcore	124,835	109,010	44,265	278,110	116,187	109,010	44,265	8,648
Select Services	193,112	102,823	18,035	313,970	96,439	102,823	18,035	96,673
Xcelerate	46,591	0	39,124	85,715	55,209	0	39,124	(8,618)
Galactic	17,245	34,288	16,627	68,160	9,177	34,288	16,627	8,068
Quality H/R	62,047	70,098	12,225	144,370	78,325	70,098	12,225	(16,278)
Equity Concepts (Prime Source)	0	199,306	43,694	243,000	0	199,306	43,694	0
Meritas Group (EBBS)	27,704	43,379	30,399	101,482	65,203	43,379	30,399	(37,499)
CRM	0	258,625	39,308	297,933	636,905	258,625	39,308	(636,905)
Corporate Solutions	0	420,565	43,668	464,233	1,146,059	420,565	43,668	(1,146,059)
NES	668,837	10,000	52,500	731,337	175,055	10,000	52,500	493,782
Spectrum H/R	740,532	536,969	263,942	1,541,443	558,330	536,969	263,942	182,202
Totals	2,745,168	2,146,433	665,476	5,557,077	3,299,517	2,146,433	665,476	(554,349)

Funds used to pay claims	2,745,168	341,698		3,086,866
Funds used capital related activities		1,804,735		1,804,735
Funds used for AIM operating (note AIM has taken no commission from premiums)			665,476	665,476
Funds Remaining	0	0	0	0

Less Crawford float	(111,717)	111,717
Less check requests on hold due to funding shortfall	(100,934)	100,934
Capital to pay claims		341,698
Paid claims cash	3,086,866	
Funds remaining		0

Exhibit 132

Alexander Gallo & Associates, LLC

AIM21149

810

818

AIM/PEO
Cash Disbursement Summary
ITD May 31, 2004

Claims	3,086,866
Capital	1,804,735
Fees	665,476
Total Disbursements	5,557,077
Total Receipts	5,557,077
Funds Remaining	(0)

Exhibit
133

Alexander Gallo & Associates, LLC

AIM21141

PEO Claims Funding
Disbursements Schedule
ITD May 31, 2004

Claims funding from PEO	2,745,168
Claims funding from capital advances	341,698
total Claims funding	3,086,866
Total claims paid	3,086,866
Funds remaining	0

AIM21142

AIM
Disbursements from Fees
ITD May 31, 2004

	$US
Capital expenditures	86,500
Legal Exp	12,322
Phones, IT	84,835
Postage/Freight	4,797
Temp Help	17,079
EE Advances/loans	84,600
Health benefits	65,078
Office Supplies	7,462
Corp Insurance	9,010
T&E	77,485
Rent & equipment rent	243,736
Taxes licenses fees	22,635
Bank fees	2,867
Other sources of cash	
Franklin Life commissions	(8,053)
Misc refunds/rebates	(22,877)
Other funding sources	(22,000)
Total disbursements	665,476
AIM fees collected	665,476
Funds remaining	0

AIM21143

PEO Capital Funding
Disbursements Schedule
ITD May 31, 2004

Loan advances to AlphaStar	1,500,000
Legal (PEO supported)	218,586
Legal (all other)	64,070
Banking fees/interest	8,798
Audit/due diligence	13,000
Licensing	280
Advances to claims funding	341,698
Total capital disbursements	2,146,433
Total capital contributions	2,146,433
Funds remaining	(0)

AIM21144

Becker, Howard

From: James_Lawless.BDACOS@bdacos.bm
Sent: Friday, June 20, 2003 5:18 PM
To: stephen_crane@bdacos.bm; dds@aimmanagement.com; bimperiale@aimmanagement.com; Len_Quick.BDACOS@bdacos.bm; Mark_Sioma.BDACOS@bdacos.bm; jtaylor@alston.com; msheehan@alston.com
Cc: beckerpc@bellsouth.net; mcsherrw@arentfox.com; felge@arentfox.com
Subject: Status

Underwriting: Sioma's estimate of "cleared" (my term) business is somewhat less than the $30MM cited by Joe this morning, but he seems to agree that the process is going forward without major hangups. He and Roni have sought clarification regarding some indications in files (and verbally) that some PEOs and/or clients may be under the erroneous impression that coverage has been "bound."

Licenses: Realm understands from AIM's licensing agent that some have been applied for. Additional licenses have been or will be applied for (status unclear). Realm is due some appointment documentation for New York and New Mexico and a response from AIM as to certain countersignature and subagent designations. No licenses received by Realm, to my knowledge. Sioma did confirm agreement with Holley that where licenses are not in Realm's hands at the First Closing, Realm would proceed to bind where sub-producers had been appointed. Accordingly, AIM will need to identify the sub-producers where applicable. I am informed that premium payments on accounts handled in this manner must come from the sub-producer, not AIM, which may require further action on AIM's part.

Surplus Notes: Realm awaiting approval from AIM on form of notes and note agreement. JT indicates will be done on Monday

Final Balance Sheet: KPMG continues to review.

DOI Approval of GAA/RBC Plan: JL has circulated revised GAA, reflecting AIM comments and one additional Realm comment. Awaiting approval.

PEO Releases: AIM is to report on the status of the releases at some point.

Resolution of No. Carolina Coverage Issue: Written request for approval/meeting has been sent to No. Carolina. No response as yet.

Resolution of Pennsylvania Coverage Issue: Realm is pursuing membership in the PA. Compensation Rating Bureau.

Reinsurance Terms/Payment of Reinsurance Premiums: No outstanding issues

Reinsurance Form Issues: No outstanding issues

Written Representation from DDS that no Coverage has been Bound in 2003: Not yet received.

NYSID Request for Submission of AIM Financial Statements: To our knowledge, this request remains open. DDS indicates that it will be done on Monday.

Accounts Receivable Ageing: Sent to AIM. Becker indicated that materials sent were incomplete, but delTufo believes they are complete, except for agent's balances receivable summary, which is still in process.

AIM012244
Docs Rec'd 12/16/04

BEFORE THE SOUTH CAROLINA
COMPENSATION COMMISSION
WCC File No.: 0327062

----------x

JESSIE M. PRINGLE,
Employee/Claimant Claimant,

-vs-

CES/QUALITY HR/EDISTO CON/LAUREL BAYE HEALTHCARE OF ORANGEBURG, LLC, et al,
Defendants.

----------x

April 10, 2007
12:53 p.m.

DEPOSITION of a non-party witness, JACQUELINE BAZEMORE, taken by the Parties Present, pursuant to the provisions of Section 42-3-160 of the Code of Laws of South Carolina, 1976, and the Circuit Court Rules, held at the offices of New York Liquidation Bureau, 123 Williams Street, Room 23 New York, New York, before Abner D. Berzon, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public of the State of New York.

A P P E A R A N C E S :

WOOD, PORTER & WARDER, LLC
P.O. BOX 20550
Charleston, South Carolina 29413
Attorneys for SCPCIGA
BY: J. HUBERT WOOD, III, ESQ.

LEATHERWOOD WALKER TODD & MANN, P.C.
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P.O. Box 87
Attorneys for Defendant
Quality HR Services, Inc.
BY: DUKE K. McCALL, ESQ.

NEW YORK LIQUIDATION BUREAU
123 Williams Street
New York, New York 10038
Attorney for Witness
BY: JACK FRANCESCHETTI, ESQ.

A L S O P R E S E N T:

DAVID BOONE, ESQ.

* * *

MR. WOOD: I'm Hubie Wood and I represent South Carolina Property and Casualty Insurance Guaranty Association. This is a deposition that's been noticed by me of Ms. Jacqueline Bazemore in connection with the Jessie Pringle vs. Quality HR and numerous other defendants' Worker's Compensation case pending in South Carolina.

This deposition of Ms. Bazemore was scheduled in a series of depositions that Ms. Bazemore has given here today in connection with similarly situated cases, two of which involve claimants by the name of Steven Cameron -- and Mr. Cameron's WCC File No. on his case, I don't have that, but Steven Cameron vs. Quality HR Services and Keiths Welding. Also, similarly situated case, Vivian Boggs vs. Spectrum HR and U.S. Autoseat Covers. Mr. McCall has participated in both of those depositions of Mr. -- of Ms. Bazemore earlier this morning, and for the sake of expediency and because we anticipate

covering the same ground with Ms. Bazemore that she has offered in connection with the Boggs and Cameron cases, we have agreed to admit a couple of exhibits with exception to this deposition, and those will include the document which is a letter from Ms. Bazemore's assistant, Jeff Naimoli, dated November 10, 2006, with attachments --

MR. McCALL: We do not admit the truth thereof of it, but agreed that it would come in.

MR. WOOD: I understand. You're admitting to the authenticity and to the admissibility; is that correct? I understand you are not admitting to any -- the truth of any assertions made therein.

-- the November 10, 2006 correspondence issued by Jeff Naimoli at the direction and supervision of Ms. Bazemore.

MR. McCALL: I'm trying to get my hands on it. As soon as I get my hand on it, I'll answer your question.

MR. WOOD: Here, I'll give you another copy.

MR. McCALL: Thank you.

MR. WOOD: Mr. McCall, are we okay now with Mr. Naimoli's correspondence to my attention, dated November 10, 2006, along with the attachments, being admissible as an exhibit to this deposition and authentic-- I understand you're not stipulating to any assertions made therein; is that fair.

MR. McCALL: We're not admitting the truth of the contents of those documents, but we are acknowledging that these documents are -- at least the document from Jeff Naimoli from New York Liquidation Bureau -- is in fact a letter from Mr. Naimoli from the New York Liquidation Bureau.

MR. WOOD: And that it's admissible as an exhibit at this deposition?

MR. McCALL: Yes, that if Ms. Bazemore would identify it as such and

that she would, through her testimony, it would be admissible.

MR. WOOD: Okay. And we also -- again, making reference to the depositions of Ms. Bazemore taken in connection with the Boggs case, and the Cameron case, the Cameron case, particularly in -- particularly in view of Mr. McCall's representation of Quality HR Services, is basically identical as it relates to a claimant having a claim against Quality HR Services for Worker's Compensation benefits in South Carolina.

The primary distinction between the two cases is that the client company involved in the Cameron case was a company known as Keiths Welding which had a policy of insurance with Capital City Insurance Company.

In this particular instance, the client company, in Jessie Pringle's case, is Contract Environmental Services.

So, for the sake of expediency, we would like to incorporate by reference

Ms. Bazemore's testimony in connection with the Boggs case and the Cameron case to constitute her deposition testimony in this case. And specifically with regard to reference to the Cameron case, any reference to Keiths Welding will be substituted with Contract Environmental Services for purposes of her testimony in this case; is that correct, Mr. McCall?

MR. McCALL: That is correct.

MR. WOOD: Okay.

MR. McCALL: The WCC File No. in South Carolina for the Steve Cameron case is 0316901.

MR. WOOD: Okay. And also we had an issue on the Boggs case with respect to an objection that I made to Mr. McCall's Exhibit 8, which is a memorandum from, I believe, Bruce Holley, to Ann Winn. The basis of my objection to that being made an exhibit to the Vivian Boggs -- the deposition testimony of Ms. Bazemore in connection with the Vivian Boggs case, was that the memorandum did

not apply to any of the alleged employers in Ms. Boggs's case. It only applied to Contract Environmental Services. It was not a named employer defendant, not an employer or defendant in the Boggs case.

And with respect to this deposition, I am -- of Ms. Bazemore, and this exhibit being referenced, or incorporated by reference -- I am withdrawing my objection since, in this case, Contract Environmental Services is a named employer/defendant.

MR. McCALL: And that's Exhibit No. --

MR. WOOD: Exhibit 8 from the Boggs case will be included, incorporated by reference for Ms. Bazemore's testimony in this case, notwithstanding my objection, which still remains on the Boggs case.

MR. McCALL: In fact, all of the exhibits in the Boggs and the Cameron case will be incorporated as exhibits in this case.

MR. WOOD: Subject to any objections that were made. But I want to clarify that in this particular case I don't have an objection to this document coming in --

MR. McCALL: Okay. Thank you.

MR. WOOD: -- because Contract Environmental Services is a party.

MR. McCALL: Right.

J A C Q U E L I N E B A Z E M O R E , having first been duly sworn by Abner D. Berzon, a Notary Public of the State of New York, was examined and testified as follows:

EXAMINATION BY MR. WOOD:

Q. Ms. Bazemore, you've heard the agreement that I've recited between Mr. McCall and ourself to avoid the need for you having to testify once again in connection with the matters related to Realm National Insurance Company and pending Worker's Compensation claims in South Carolina, and you've previously offered testimony in connection with the

BAZEMORE

Vivian Boggs and Steven Cameron cases here this morning; is that correct?

A. That is correct. And I thank you both for that.

MR. WOOD: Duke, anything you want to add?

MR. McCALL: Are you done?

MR. WOOD: I'm done.

EXAMINATION BY MR. McCALL:

Q. I want to wanted to add a document here, which I don't believe has been put into evidence at all. This is a certificate of insurance to Contract Services, Inc. from Realm National?

MR. WOOD: I don't see where it's from Realm National. I think the producer is American Insurance Managers, Inc. is the producer.

MR. McCALL: But the insurer is --

MR. WOOD: That's who the producer lists as the insurance?

MR. McCALL: Is Realm National Insurance. I'd like to mark that as

BAZEMORE

Exhibit 21 and ask Ms. Bazemore if that document is apart of the record of Realm National with the New York Liquidation Bureau.

(Quality HR Exhibit 21, copy of certificate of insurance to Contract Services, Inc. from Realm National, marked for identification, this date.)

Q. Ms. Bazemore, I was asking if what has been marked as Exhibit 21 is in fact part of the records of New York Liquidation Bureau as it pertains to Realm National Insurance Company?

A. I do not know.

Q. Okay. And this form, is there a policy number shown in the column marked policy number?

A. There is a number there.

Q. And that period of coverage is from what period to what period?

A. 11/1/02 to 11/1/03.

Q. And if I ask you each of the questions that I've asked in the Boggs case and the Steve Cameron case, identical

BAZEMORE

questions, your answers would be the same to those questions?

A. Yes.

MR. McCALL: Thank you

REEXAMINATION BY MR. WOOD:

Q. And I would assume the same would apply to my questions that I asked you in the Cameron and Boggs case, except for the fact that we would be substituting Contract Environmental Services in place of U.S. Autoseat covers in the Boggs case, and Contract Environmental Services in the place of -- in the place of Keiths Welding in the Steven Cameron case?

A. Yes.

Q. All right.

MR. WOOD: Now, the certificate of insurance that's been marked here as --

THE WITNESS: No.

MR. McCALL: 21.

THE WITNESS: Wrong one.

MR. FRANCESCHETTI: This over here.

MR. McCALL: No, that's it.

BAZEMORE

MR. FRANCESCHETTI: Yeah, that's it.

MR. WOOD: It's got U.S. Auto 21. You want to change it to Quality HR 21?

MR. McCALL: It doesn't matter.

MR. WOOD: It's been marked.

MR. McCALL: It's Exhibit 21.

MR. WOOD: Well, I understand, but it's going to be attached to this transcript and you're now --

MR. McCALL: All of the exhibits are going to be attached to each of the transcripts.

MR. WOOD: No, they're going to be handed together. They'll be attached to the one they were marked in, but submitted together.

MR. WOOD: I just think it ought to be Quality HR, but it's up to you. I don't care.

MR. McCALL: It will be fine.

MR. WOOD: Exhibit 21, does that document that Mr. McCall has showed you

have any bearing on the question of whether AIM, American Insurance Managers, or American Insurance Marketers, had authorization to be binding Worker's Compensation coverage or issuing certificates of Worker's Compensation coverage or issuing policies of Worker's Compensation insurance coverage on behalf of Realm National Insurance Company?

A. It does not.

Q. Thank you.

MR. WOOD: Duke?

REEXAMINATION BY MR. McCALL:

Q. Again if I ask you the same questions in the cross-examination or redirect, or recross, your answer is going to be the same whether it pertains to this exhibit or it pertains to a similar exhibit? You basically just looked at the documents that you have from Realm National and formulated your opinions based on those documents?

A. That was the basis of the determination, evaluation, investigation

BAZEMORE

of Realm records.

MR. McCALL: All right. Thank you.

REEXAMINATION BY MR. WOOD:

Q. You would agree that your testimony and your opinion is just one facet of the case, along with the testimony of Gary Smith, of the Worker's Compensation Commission's coverage and compliance, the documents that are made a part of the record pursuant to these depositions, as well as the Administrative Procedures Act, that all of those are all pieces to the puzzle and your opinion is just one piece to the puzzle; is that fair to say?

MR. McCALL: Excuse me, Mr. Wood. That question wasn't raised under direct. I know we took short-cuts, but you're asking her something that you haven't asked in any of the other questions before.

MR. WOOD: No, your -- it's in response to your question. You were

suggesting that, through your question, that her testimony concerning the documents that she has reviewed in connection with issuing her opinion, that that's the end all/be all, and that's not the end all/be all. All the evidence in the record ultimately is going to have to serve as evidence of whether the ultimate issue -- and that is whether Realm National Insurance Company ever authorized American Insurance Managers to be issuing these certificate of insurance or binding coverage --

MR. McCALL: I think the lawyers know that that's the issue, certainly one of the issues in the case, but I think it's unfair to ask Ms. Bazemore to comment on something outside what's directly within the scope of her knowledge, which is the records before of Realm National.

MR. WOOD: What's unfair, Mr. McCall, is to ignore what you know exists, and that is voluminous documents from the bankruptcy court that lawyers on

the New York Liquidation Bureau, for the New York Liquidation Bureau, have generated attached as exhibits, that all formulate into that issue. That's what's unfair.

MR. McCALL: No, no. If those were germane documents, they'd be here today and they'd be in this record.

MR. WOOD: They are in the record.

MR. McCALL: And if they're not in the record --

MR. WOOD: They are in the record. They've been submitted pursuant to the Administrative Procedures Act and they're in the record in the Boggs case, as you know.

MR. McCALL: But I think it's unfair to ask this witness that question.

MR. WOOD: Well, she can answer it, or she can indicate she doesn't have an answer to it.

Q. Ms. Bazemore?

A. I don't even remember the

question.

Q. That's fine. Thank you so much.

A. I'm sorry.

MR. BOONE: That solves that.

(Discussion held off the record.)

MR. WOOD: Now, add something for testimony. One thing we neglected to mention when we were reciting the terms of our agreement relative to Ms. Bazemore's deposition in this case is the fact that David Hill Keller, representative of South Carolina Uninsured Employers Fund, had participated earlier in some of the earlier depositions of Ms. Bazemore on other cases, he indicated that he was departing at 10:30, and this deposition, on this case, commenced around 1:00. He had to go to a hearing. He indicated it was fine to proceed, but to -- he wanted a copy of the deposition transcript.

Michael Burkette, who is an attorney for Key Risk Insurance, as well

as Laurel Baye Health Care, a named defendants in this case, we were advised by his partner, Ben Renfrow, the same law firm, that Mr. Burkette would not be participating in this deposition.

The claimant's counsel, Bob Tracy, was noticed, was provided notice of the deposition, was given an opportunity to conference in, and I don't think that the claimant really has a dog in the fight for the issue we're dealing with, so I'm assuming he elected not to appear.

Does that cover all the participants, Duke?

MR. McCALL: I think so.

(Time noted: 1:08 p.m.)

_____

JACQUELINE BAZEMORE

Subscribed and sworn to before me this ____ day of _____ , 2007

_____.

C E R T I F I C A T I O N

I, ABNER D. BERZON, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public, do hereby certify that the foregoing witness, JACQUELINE BAZEMORE, was duly sworn on the date indicated, and that the foregoing is a true and accurate transcription of my stenographic notes.

I further certify that I am not employed by nor related to any party to this action.

ABNER D. BERZON, RPR, CRR

E X H I B I T S

Quality HR

NO.	DESCRIPTION	PAGE
21	copy of certificate of insurance to Contract Services, Inc. from Realm National	11

EXAMINATION INDEX

WITNESS:

JACQUELINE BAZEMORE

BY	PAGES
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MR. McCALL:	10, 14

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BEFORE THE SOUTH CAROLINA
COMPENSATION COMMISSION
WCC File No.: 0316901

----------x

STEVEN CAMERON,

Employee/Claimant Claimant,

-vs-

QUALITY HR, SERVICES/KEITHS WELDING, et al,

Defendants.

----------x

April 10, 2007
11:19 a.m.

DEPOSITION of a non-party witness, JACQUELINE BAZEMORE, taken by the Parties Present, pursuant to the provisions of Section 42-3-160 of the Code of Laws of South Carolina, 1976, and the Circuit Court Rules, held at the offices of New York Liquidation Bureau, 123 Williams Street, Room 23 New York, New York, before Abner D. Berzon, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public of the State of New York.

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(Via Telephone)

A L S O P R E S E N T:
DAVID BOONE, ESQ.

MR. McCALL: In South Carolina she has the right to read and sign the deposition, and only she can waive that right. Most witnesses do that, and she may want to state on the record what her preference is.

MR. FRANCESCHETTI: You want to read the transcript before you sign it?

MS. BAZEMORE: I do.

J A C Q U E L I N E B A Z E M O R E , having first been duly sworn by Abner D. Berzon, a Notary Public of the State of New York, was examined and testified as follows:

MR. WOOD: Ms. Bazemore, I'm Hubie Wood. As you know, I represent South Carolina Property and Casualty Insurance Guaranty Association in connection with the case of Steven Cameron vs. Quality HR Services and numerous other defendants, including Keiths Welding. You've met Mr. McCall. He represents Quality HR Services. We have attorney Benjamin Renfrow on the telephone, who

represents Keiths Welding and its carrier, Capital City Insurance.

MR. WOOD: We've had no appearance here, despite notice, by the claimant's attorney, and we have previously spoken with Mr. Keller, David Hill Keller, who represents the South Carolina Uninsured Employers Fund and he has indicated a request for a copy of the transcript, but that he was going to a hearing at 10:30 a.m. It's now 11:20 a.m. So we're proceeding without Mr. Keller or the claimant's attorney.

We also have an agreement between myself, Mr. McCall, and Mr. Renfrow that there's going to be some questioning of Ms. Bazemore with regard to specific documents generated in connection with this case, the Steven Cameron case, for purposes of authentication and some background related to that.

Mr. McCall may have some questions related to his client, Quality HR Services; Mr. Renfrow may also have

some questions; but we have reached an agreement that we will incorporate by reference the testimony offered by Ms. Jacqueline Bazemore in connection with the Vivian Boggs case, WCC File No. 0405508. That deposition just concluded. And the purpose of that is to streamline matters and allow Ms. Bazemore's testimony, which would be expected, along with the examination of the lawyers, to be repetitive in nature, to serve in connection with the general issues relating to the relationship between American Insurance Marketers or Managers, Realm National Insurance Company, and the general coverage issue, as to whether Realm National gave American Insurance Marketers authority to write and bind coverage. That general testimony offered by Ms. Bazemore on the Boggs case, we've all agreed will be incorporated by reference into this deposition transcript.

Duke, anything you want to add on that or have I stated the agreement

fairly?

MR. McCALL: I think that's correct.

MR. WOOD: All right. Ben --

MR. RENFROW: Unless I missed it, we've also agreed that any questioning that was presented prior to my attendance or any follow-up questions which I might not have been acutely aware of what was going on, is subject to objection.

MR. WOOD: That was given on the Boggs case. You have a right to reconvene this deposition of Ms. Bazemore or another representative of the New York Liquidation Bureau --

MR. RENFROW: Yes.

MR. McCALL: Within 30 days.

MR. WOOD: -- within 30 days.

MR. RENFROW: Right.

EXAMINATION BY MR. WOOD:

Q. If you could state your full name for the record, please.

A. Jacqueline Bazemore.

Q. And where do you work?

A. New York Liquidation Bureau.

Q. And what's your position here?

A. Director of reinsurance in the estate management division.

Q. Can you tell us just briefly what you do in your job as a director of estate management.

A. Primary focus of my responsibilities would be with respect to an insolvent insurance company, collect all liabilities, marshal -- collect the liabilities on the estate and collect reinsurance recoverables on the estate for ultimate distribution to creditors.

Q. What is the New York Liquidation Bureau?

A. The New York Liquidation Bureau is an agency that is responsible for the overseeing insolvent, domestic insolvent insurance companies.

Q. And has the New York Liquidation Bureau been involved in any way with Realm National Insurance Company?

A. The New York Liquidation Bureau

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is responsible for overseeing the runoff of that liquidation.

Q. And you mentioned -- I assume Realm National Insurance Company was liquidated at some point?

A. On June 15th, 2005.

Q. And that was by order of Supreme Court here in New York; is that correct?

A. Yes, it was.

Q. You're aware that I represent South Carolina Property and Casualty Insurance Guaranty Association; correct?

A. Yes.

MR. WOOD: I'm going to hand up this exhibit, which has been provided to counsel, to have it marked as South Carolina Property and Casualty Insurance Exhibit 1.

(SCPCIGA Exhibit 1, response letter regarding coverage, dated June 2, 2006, marked for identification, this date.)

MR. McCALL: May we have an agreement that the exhibits put in for the

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Boggs case may also be incorporated in this case as well?

MR. WOOD: Well, that's true with the supporting documentation, but not -- there's a cover letter. The opinion letter is germane to each particular case, so the supporting documentation, but not the cover letter are identical.

MR. McCALL: You're talking about the letter from Jeffrey Naimoli.

MR. WOOD: No. This one is from Ms. Bazemore, and it's it was provided to you with the deposition notice and it pertains to the Cameron as well as the Dawkins case, which has been settled, as you know. It says the same thing, as Mr. Naimoli will tell you.

MR. McCALL: I'd like to note an objection to Exhibit No. 1, since this letter is a letter from the witness who's here. I would submit that the best evidence is her testimony.

MR. WOOD: That's the reason

we're here, is because you objected to the letter in the other case. Okay.

MR. McCALL: You want to be consistent, Mr. Wood.

MR. WOOD: I understand. I understand, Mr. McCall. I appreciate that, but we're just trying to get through it as quickly as possible.

Q. Okay, Ms. Bazemore, did you receive an inquiry from me as the attorney for the South Carolina Property and Casualty Insurance Guaranty Association concerning whether Realm National Insurance Company had provided Worker's Compensation insurance to Quality HR Services or Keiths Welding in connection with Mr. Cameron's case?

A. Yes.

Q. And in response to that inquiry, what is this document here that's been marked as SCPCIGA's Exhibit 1?

A. The document is a letter dated June 2nd that was written by me in response to your inquiry regarding

coverage.

Q. And in response to my inquiry, was an investigation conducted by your department?

A. Yes, it was.

Q. Following the liquidation of Realm National Insurance Company, what happens to Realm National Insurance Company's documents, records, and so forth?

A. Well, all documents, records, of the defunct company are, actually taken over and controlled by the Liquidation Bureau.

Q. And in response to -- this response to my inquiry of June 2, 2006, or your response, dated June 2, 2006 to my inquiry on behalf of the South Carolina Guaranty Association concerning this coverage issue, was an investigation conducted that included a review of Realm's records?

A. Yes, it was.

Q. And what conclusion did you come

to in connection with whether the issue of whether Realm National Insurance Company provided a Worker's Compensation insurance coverage to Quality HR Services or Keiths Welding in connection with Mr. Cameron's case?

A. Subsequent to our research and investigation, the determination was that Realm did not issue a policy of insurance.

Q. Did your investigation into this question reveal any evidence or indication that there was ever any executed agency agreement between Realm National Insurance Company and American Insurance Managers or American Insurance Marketers, also known as AIM?

A. No executed document. No evidence of any executed document was found.

Q. Did your investigation reveal or indicate any evidence that a policy of insurance was ever issued by Realm National Insurance Company to Quality HR Services, Keiths Welding, that would have

provided Worker's Compensation insurance for Mr. Cameron's case?

A. None.

Q. Did your investigation reveal any indication that Realm National Insurance Company ever reported any policy of Worker's Compensation insurance for Quality HR Services or Keiths Welding with the National Council on Compensation Insurance?

A. None.

Q. Now, I think your letter to me of June 2, 2006 essentially states those same positions or opinions of the New York Liquidation Bureau; is that correct?

A. Yes.

Q. On the coverage issue?

A. Yes, it does.

Q. With respect to the issue of whether -- in the event South Carolina Property and Casualty Insurance Guaranty Association were to be ordered by the South Carolina Commission, Worker's Compensation Commission, to pay benefits

to or on behalf of Mr. Cameron in connection with his case, what is the New York Liquidation Bureau's position in connection with regard to reimbursement of the South Carolina Property and Casualty Insurance Guaranty Association in that event?

A. As indicated in my letter of June, the receiver of Realm would not reimburse the South Carolina Property Guaranty Association for any benefits paid.

MR. WOOD: Now, I think I'm going to rely on the general testimony offered by Ms. Bazemore that I questioned her on the Boggs case for further support of the Guaranty Association's position on the coverage issue in this case. And with that, Mr. McCall, I'll turn it over to you.

EXAMINATION BY MR. McCALL:

Q. May I see Exhibit 1, please.

Ms. Bazemore, do you have another copy of your letter of June 2nd,

2006?

A. I'm certain I do.

Q. If you need to refer to it, if you just let me know.

In your testimony, you indicated that there was a review of Realm National's records. That review was not done personally by you, was it?

A. Oh, yes.

Q. All of the records --

A. I participated in that review as well.

Q. Not only did you participate, but did you conduct the review by yourself or did you rely upon work of others in your office or your staff?

A. Both.

Q. Both. Okay.

A. Both.

Q. So you did some of the review and you also relied in part upon your staff for their review as well?

A. Correct.

Q. Now, I have given you in the

Boggs deposition a number of records which have already been introduced into evidence under the South Carolina Administrative Procedures Act, but I want to show you the document which I did not introduce and ask if you have a copy of this document in your office relating to Quality HR Services. And I apologize for the delay, but I am looking for the document and out of a number of.

It is page 63 under the Administrative Procedures Act, and I apologize for the quality of it, but I do have a certificate of liability insurance, which I'm going to mark as Exhibit 14.

(U.S. Autoseat Exhibit 14, certificate of insurance dated 11/1/2002 through 11/1/2003, marked for identification, this date.)

Q. Let me hand you Exhibit 14, which is the certificate of insurance dated 11/1/2002 through 11/1/2003, and it appears to be signed by Bruce Holley. Do you have a copy that document in your

records?

A. I'm not certain.

Q. Do you recognize that as a valid certificate of insurance coverage?

A. I have no idea. I would have to review that in conjunction with other documents to make such a determination.

Q. Maybe let me ask the question a different way. Do you recognize this accord form for a certificate of insurance coverage?

A. Please repeat that.

Q. Do you recognize this form as an accord form, which is a standard form for a certificate of coverage?

A. Yes.

Q. And on the face of that document, it reflects that there is coverage from, I believe, November 1st, 2002 through November 1st, 2003; is that correct?

A. Those are the dates on the document.

Q. And it was issued to Quality HR

Services; is that correct?

A. That is the name on the document.

Q. And it shows over here on the document that the carrier was Realm National Insurance Company.

A. That is also indicated on the document.

Q. I want to hand you another document, Exhibit No. 15, and ask you if this is part of the New York Liquidation Bureau records for Realm National insurance. And this is No. 15, page 32, under the APA filings.

(U.S. Autoseat Exhibit 15, copy of page 32, under the APA filings, marked for identification, this date.)

Q. Do you know whether that document is a part of the records of New York Liquidation Bureau?

A. I don't.

(U.S. Autoseat Exhibit 16, copy of page 153 of the APA filings, marked for identification, this date.)

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Q. I want to hand you a document, Exhibit No. 16 and ask you if this document is a part of the Realm National records with the New York Liquidation Bureau. This is Exhibit No. 16, which is page 153 of the APA filings.

A. I don't know.

Q. Do you recognize that as a letter from Pam Nesta dated March 3rd, 2003, addressed to United States District Court Breman, B-r-e-m-a-n?

A. That is what the document indicates.

Q. But you don't know whether that's part of your records?

A. No, I don't.

(U.S. Autoseat Exhibit 17, copy of page 154 of the APA filings, marked for identification, this date.)

Q. I'm going to hand you what is being marked Exhibit No. 17, which is page 154 of the APA filings, a letter from Pamela Nesta, dated October 1st, 2003, and ask if this document is a part of the

records of the New York Liquidation Bureau.

A. I can't say for certain that it is. I don't know.

(U.S. Autoseat Exhibit 18, copy of page 155 of the APA filings, marked for identification, this date.)

Q. I want to hand you a document, which is APA page 155, of the APA documents being a memorandum addressed to David Evette from American Insurance Marketers, dated February 24th, 2003, and ask you if this document is a part of the records of New York Liquidation Bureau? And this is being marked Exhibit No. 18.

A. I don't know.

Q. Exhibit 18 references reinsurance for Realm National, does it not?

A. I believe so.

Q. And that's dated February 24th, 2003?

A. It is.

Q. And the reinsurance levels are

four, five million, and forty million dollars?

A. I don't know. I actually haven't read the document in detail. I just am looking. I have no -- I'm not...

Q. Okay. Now, an agency agreement, does that always have to be writing, Ms. Bazemore, in your opinion, as the Director of Reinsurance, Estate Management Division, of the New York Liquidation Bureau?

A. Repeat that, please.

Q. In your opinion, as Director of Reinsurance, Estate Management Division, for the New York Liquidation Bureau, does an agency agreement between an insurance company and its agent always have to be in writing?

A. That's what I would look for, a written document, written, executed document.

Q. But if -- does it always have to be writing, in your opinion?

A. I would say yes. I mean, it

would avoid controversy such as the one we're dealing with, if it is in writing.

Q. Going back to Exhibit No. 14, let me show you this document again and ask you if it doesn't reference a policy number in the second column down here at the bottom, being Q HR, etcetera?

A. Mr. McCall, the document has a number on it. Can I say this is a policy number? No, I cannot. The document is illegible.

Q. You need another copy of it?

A. Well, it's an illegible document.

(U.S. Autoseat Exhibit 19, copy of page 101 under the APA filings, marked for identification, this date.)

Q. I'm going to hand you what is marked as page 101 under the APA filings. I'm going to put this in as Exhibit No. 19 and ask if you're able to read this so as to determine whether there is a policy number reflected on this document. If you want to look at Exhibit 14 side by side.

BAZEMORE

A. Sir, again my response to you is, there is a number that is reflected on the document. There is nothing on the document that says to me that this is a policy number.

Q. Okay.

A. The comments here are illegible. Up here, what is that? It says something --

MR. BOONE: Policy number.

Q. Does it not say "policy number" at the top of that column?

A. I cannot read that.

Q. Okay. Are you not familiar with this form at all?

A. I am familiar with the form.

Q. But in the accord form, doesn't this column always contain a policy number?

A. It usually is, but the document that you're showing me is just a document that's not legible. It appears to be, but I can't tell you this for certain.

Q. But if that is a policy number,

shown on Exhibit 14 or 19, if that is a policy number, you have not been able to locate that policy; is that your testimony?

A. No, it is not. I have even said I haven't even looked for that policy.

Q. You have not looked for this policy?

A. I don't know that I can sit here today and say to you that I have actually conducted research for this specific policy number.

Q. Thank you. And I believe in the prior case you said there were nine categories of creditors, or classes of creditors, and the Guaranty Fund, if it qualified, would be in Class 2?

MR. WOOD: Objection. That testimony in that case speaks for itself, and I understood that we had an agreement on this subject.

MR. McCALL: I understand. I'm asking specifically --

MR. WOOD: Well, you're --

BAZEMORE

MR. McCALL: I'm asking specifically as it relates to Quality HR Services.

MR. WOOD: I think her testimony that she offered in connection with the Guaranty Fund status as a creditor, and whether they would qualify as a Class 2 creditor --

MR. McCALL: I'm not asking whether they would qualify. I'm saying if they qualified, would they be a Class 2 creditor.

MR. WOOD: And whether they qualify was fully addressed in the other deposition, and we had an agreement that we weren't going to cover the same ground. At least that's what I understood our agreement to be.

Q. I believe Mr. Wood asked you a question when we started this deposition as to your opinion as to whether Realm issued a policy of insurance, and I understand that from your examination of Exhibits 14 and 19 you have not looked for

the specific policy enumerated on those documents; is that correct?

A. I don't know waht policy numbers are indicated on these documents, so I cannot answer your question.

Q. Okay. Assuming that this is a policy number here, looking at Exhibit 19, or the same number looking at Exhibit 14, you're not able to determine whether that's a policy number?

A. On Realm's records, no.

Q. Okay.

A. I am telling you that I cannot tell you, sitting here today, whether or not the number that appears on a document that I've never seen before, I'm not certain that I've ever seen today, whether or not that -- you know, I've actually looked at.

I received an inquiry from Mr. Wood, and if Mr. Wood's document -- whatever detail was in his document was the basis for that research and investigation. Can I tell you that that's

the same? I do not know that.

Q. So Mr. Wood did not provide you the certificate of insurance that you're looking at, at Exhibit 14 or 19?

A. I do not remember whether or not that was an attachment to his inquiry.

Q. Okay. And if it were not, then you certainly were not able to -- you did not focus any kind of research along that line?

A. Unless he specifically referenced a number in his document.

Q. Okay.

A. Which is quite possible. Sitting here at this moment, I cannot tell you that. I do not have his letter in front of me.

Q. Let me show you an accord form, certificate of insurance, in another case.

MR. WOOD: Objection to the relevance.

Q. And what I'm going to ask you to do is ask you if you can look at the

column headings, compare it with Exhibit 14 and 19, and to determine, looking at this form, whether the two are similar to Exhibits 14 and 19 and whether or not there is a column shown for policy number?

MR. WOOD: Let me try to short-circuit this. I'll be glad to stipulate that that says "policy number." But the question is, is whether it's an authorized policy, whether AIM had authority from Realm to issue the certificates. That's the issue. I will stipulate that this document references a policy number, it has a policy number heading.

Whether it is a valid, authorized policy and certificate of insurance is the issue.

MR. McCALL: Okay. Thank you.

MR. WOOD: Yes.

Q. Ms. Bazemore, when you are looking to determine -- let me back up a second and ask the question a different

way.

What weight does the New York Liquidation Bureau give a certificate of insurance such as Exhibit 14 and 19 when it is determining whether or not coverage exists for a particular company under liquidation?

A. You look to make sure that whomever issued it was authorized to do so.

Q. Okay. And you look for a written agreement in that regard?

A. We look for documentation that would authorize the entity who issued the certificate to do so.

MR. McCALL: Thank you, ma'am. I have nothing further.

MR. WOOD: Ben?

MR. RENFROW: I have a few questions.

EXAMINATION BY MR. RENFROW:

Q. Again, my name is Ben Renfrow and I represent Keith Welding and Capital Insurance Company.

BAZEMORE

MR. RENFROW: And, Hubie, before I get started, I filed a motion back on October 6, 2006 and have one document from that motion that I'd like to question Ms. Bazemore about. Would either one of you happen to have that with you to keep me from having to fax it up there?

MR. WOOD: No. Just tell us what it is. We might.

MR. RENFROW: It's a certificate of liability with the date 9/16/2003, signed by, looks like, Bruce Holley.

MR. WOOD: We'll --

MR. RENFROW: It would be Exhibit 2 for my motion of October 6, 2006.

MR. WOOD: That's part of the case record, isn't it? You filed a motion with the Commission attaching that, and let's just reference it that way.

MR. RENFROW: Okay, very good. I'd actually, if either of you happen to have it, I'd like for her to look at it and compare it to the questions that Duke

BAZEMORE

McCall just asked her about the one dated December 11th, 2002.

MR. McCALL: I do not have it.

MR. WOOD: I don't have it. He brought enough papers with him.

MR. McCALL: It's hard enough getting through security.

MR. RENFROW: I will reserve the right to fax it after we gotten done. But I'll see if we can get started. All right, let's get started.

Q. Ms. Bazemore, let me start my questioning this way. One of the problems we've all had -- or I guess I can't speak for everybody, but one of the problems my office has had in this case and other cases that we're involved in with involving AIM and Realm is finding people to serve documents with for AIM and on behalf of Realm. Have you had any conversations with any person or attorney who would represent AIM?

A. No, I have not.

Q. So you don't have any contact

information with regards to any representative, whether a legal representative or an employee or an owner of the company we have referred to today as AIM?

MR. BOONE: You can call me.

MR. WOOD: Ben, David Boone --

MR. BOONE: I'm sitting here.

MR. WOOD: -- is in Atlanta.

MR. RENFROW: And he's here today?

MR. WOOD: He's sitting in. He's acting as a consultant for Mr. McCall and -- but he has corresponded with the Commission, the state guaranty association.

MR. BOONE: I think that letter --

MR. WOOD: -- the New York Liquidation Bureau.

MR. BOONE: That's one of the bureaus.

MR. RENFROW: I see. And I didn't realize. He's been awfully quiet.

I didn't realize he was a part of this deposition.

MR. WOOD: He's not a party, not participating, just sitting in as a consultant to Mr. McCall.

MR. RENFROW: So --

MR. McCALL: We're off the record.

MR. WOOD: No, we're on the record.

MR. RENFROW: For the record, your address, Mr. Boone, is Boone & Stomp, 3166 Mathiason Drive, Atlanta, Georgia --

MR. McCALL: I understand that is correct.

MR. RENFROW: -- 30305?

MR. McCALL: I understand that is correct.

MR. WOOD: He's not the witness.

MR. RENFROW: I understand. I think you initiated that, though, Hubie.

MR. WOOD: I'm just trying to help you out to save time here.

BAZEMORE

MR. RENFROW: I appreciate that. That's all I needed.

Let's go on to the next set of folks I need some information for.

Q. Do you have addresses or names of representatives of Realm, Ms. Bazemore?

A. I am sure -- certain that they're in Realm's records.

Q. Right.

A. There are -- names and addresses of officers, directors of the Realm estate, I can't -- I don't know what they are, sitting here today.

Q. Okay. So I guess if someone from my office wanted to serve them with a document, what address has your office been using to correspond with Realm National Insurance Company or its representative?

MR. FRANCESCHETTI: We haven't been.

MR. BOONE: She testified --

A. We haven't --

BAZEMORE

MR. McCALL: Ben, before you came in, the Vivian Boggs case, Ms. Bazemore testified that, upon the receipt of the order of liquidation, Realm National, as far as the New York Liquidation Bureau is concerned, no longer exists?

A. No longer exists.

MR. RENFROW: Okay.

MR. WOOD: It's been liquidated.

MR. McCALL: So they don't have -- they have not made -- I understand from her testimony, they have not made any contact, because the company doesn't exist.

MR. RENFROW: Okay.

A. It is dissolved, gone, caput.

MR. FRANCESCHETTI: The books and records of the company.

MR. RENFROW: I was making the point that regardless of whether the company has dissolved, their representatives or former representatives, unless somebody will tell me otherwise,

are still living, and so that would be conceivable to think that there would be some communication between the Liquidation Bureau and someone who at least formerly represented Realm National Insurance Company.

MR. FRANCESCHETTI: Jacky, have you tried to make contact with any former employee, officer, director of Realm?

THE WITNESS: I have not.

MR. RENFROW: Very good. Okay.

Q. Alright, included in this packet of information, which I think is Exhibit 1 introduced by Mr. Wood, is the letter that you sent to Mr. Wood that is June 2nd, 2006; correct?

A. Yes.

Q. Would you look at that letter for me.

A. Yes.

Q. Okay. And I want some clarity on this particular letter. And, again, I apologize if this question has already been asked, but I wasn't a party

necessarily to the first deposition, so let me ask my questions, and subject to any objections anybody might have.

The first sentence of that letter says that "Please be advised, a review of the records obtained from Realm Insurance Company indicated that Realm did not issue work comp policies to quality HR."

Ms. Bazemore, in light of that sentence, is it a fair assumption that you only relied on records that you obtained from Realm Insurance Company to offer this opinion?

A. Yes. It's a fair statement.

Q. So your investigation didn't take you elsewhere? You didn't investigate records or seek records from AIM or from other parties involved in this litigation?

A. I relied upon the Realm's books and records.

Q. Okay. And when you referred to Realm Insurance Company, I'm assuming then

that you're referring to what we've all known as Realm National Insurance Company; is that correct?

A. Yes.

Q. Okay. There's no difference in those two entities, that you're aware of?

A. None, that I'm aware of.

Q. So in addition to that, you also relied on records that you received from Mr. Wood's office; is that correct?

A. I did not.

Q. Okay. I thought you stated, when you answered a question to Mr. McCall earlier, that you, when you offered the opinion that's in this letter, that you were relying on records from Mr. Hubie Wood's office, who represents the South Carolina Property and Casualty Insurance Guaranty Association.

A. I did not rely upon -- what I stated was that his inquiry and request was the basis for the research and investigation.

Q. Okay. All right. Let's move on

to the second page of his Exhibit 1. It's a letter dated December 10th, 2002. You see that letter, Ms. Bazemore?

A. I do.

Q. And appears to be a letter to Mr. David Evette with Quality HR from Mark Siamo, who is the president of Realm National Insurance Company, or former president; correct?

A. Yes.

Q. And when I read that letter, I read it to essentially say that, as of December 10th, 2002, or the day that it was received by Quality HR, which appears to have been around December 13th, 2002, that Quality HR was receiving instruction from Realm to essentially cease and desist from spending anymore certificate of insurance and to no longer rely on anything that they currently have. Is that your interpretation of that letter as well?

A. I read it to just -- Realm is advising Quality HR that you are not

authorized to issue these certificates, to cease.

Q. Okay. Now, with that said, in your file, are you aware of any correspondence subsequent to that letter that would change Realm's position with Quality HR? Essentially, is there any correspondence in your file, that you're aware of, where this letter or the substance of this letter was rescinded such that Mr. David Evette and Quality HR would then assume that they could begin again or continue relying on certificates of insurance that would bind Realm or purport to bind Realm National Insurance Company?

A. I'm not certain. No. Nothing that I've seen, to the best of my knowledge, that changed Realm's position.

Q. During your investigation, have you had any correspondence with anyone who has led you to believe that that was -- that that would be the case, that after December 2nd, 2002, sometime thereafter,

Quality HR could once again rely upon certificates of insurance issued to it by AIM binding Realm National Insurance Company?

A. Mr. Renfrow, the end result of my research and investigation, the determination was that there's no evidence that there was -- Realm authorized AIM to issue certificates in its name, at all. That was the end result of the research and investigation.

Q. Very good. Thank you.

Are you aware of any reorganization of the company Realm National Insurance Company?

A. No.

Q. You follow my question?

A. No.

Q. When Realm National Insurance Company dissolved or was declared to be bankrupt, are you aware of those -- the individuals who created or were essentially Realm National Insurance Company created another company in another

name?

A. I'm not familiar with it. I have no knowledge.

Q. Same question with regard to AIM. Are you aware of AIM, whether it has ever reestablished under a different name?

A. I have no knowledge.

Q. I think you testified a little earlier today that, based on your investigation, Realm National Insurance Company never received any premiums or monies from AIM with regards to insurance policies; is that correct?

A. To the best of my knowledge, based on our reviewing the records, no.

Q. And essentially, you reviewed just the records that Realm National Insurance Company provided to you or that you went in and were able to find; is that correct?

A. My determination was made based upon review of Realm's books and records.

Q. In your position, would your authority and your investigation allow you

to search books and records from, let's say, AIM or from Spectrum HR or from Quality HR?

A. Would not, unless those -- unless records existed in and abouts Realm's books and records.

Q. And I think this question was asked specifically with regards to the Boggs case. I'm going to have to -- specifically, with regards to Steve Cameron, are you aware of Realm or AIM, to the extent that you have any knowledge of what AIM has done, making any payments towards a Worker's Compensation claim filed by Steve Cameron in South Carolina?

A. No, I'm not aware of any claims being made.

Q. My last line of questioning, at least at this point, is with regards to the certificate of liability insurance that Mr. McCall asked you about. It's dated December 11th, 2002, and I think it may be Exhibit 14.

MR. WOOD: It's 14 and 19.

BAZEMORE

MR. RENFROW: 14 and 19, so it's the exact same exhibit.

MR. McCALL: Correct.

MR. FRANCESCHETTI: Correct.

Q. When I reviewed that exhibit, Ms. Bazemore, it looks like the policy number for that particular exhibit is QHR 14000SC-3. Can you see the documents part of Exhibit 14 and 19 well enough to disagree with me or disagree with me?

A. Yes.

Q. So you would agree that the policy number is what?

A. As you stated.

Q. Could you just state it again for me.

A. The number on the document is QHR 14005C-3.

Q. Could you repeat it one more time, Ms. Bazemore.

A. QHR 140005 C-3. Got it?

Q. I think I said SC-3. But your interpretation is that's a 5, mine's an S?

A. Yes.

BAZEMORE

Q. Okay. And that's not necessarily important. I have in front of me a certificate of liability insurance dated September 16th, 2003. Have you ever seen a certificate of liability insurance with that date on the top right-hand corner --

A. I don't know.

Q. -- Ms. Bazemore?

And the document that I'm looking at, that's a part of the overall record in this case at this point, has a different policy number on it. And the policy number on this particular certificate of insurance is QHR 14030-SC3. Now, in light of Mr. McCall's questioning to you, have you ever investigated a policy, whether one existed or not, with that particular policy number?

A. I don't know.

MR. WOOD: Ben, can I ask you a point of clarification on that document you're asking her about. Who's the

producer of that document that you're referring to.

MR. RENFROW: The producer of this document is AIM Insurance Managers.

MR. WOOD: Okay. All right.

MR. RENFROW: Insured as Keith Welding Services, care of Quality HR Services.

MR. WOOD: So AIM was the producer of that document you're referring to?

MR. RENFROW: That's what the document says, correct. Signed by Bruce Holley, or appears to have been signed by Bruce Holley. Okay.

Q. So, are you aware if you have this certificate in your file materials, Ms. Bazemore?

A. I don't know.

MR. RENFROW: And, again, Hubie, you nor Duke have that document in front of you?

MR. WOOD: No.

MR. RENFROW: And I don't think

that's necessary.

Q. In your investigation, have you ever uncovered whether, executed or not, any contracts or agreements between Quality HR and -- I'm sorry, between Realm National Insurance Company and AIM or Quality HR --

MR. McCALL: Other than those that have already been introduced into evidence in the --

MR. WOOD: Introduced in as exhibits, in the other case? In this case, or in the other case, Ben, were an unsigned agency agreement, unexecuted, that Mr. McCall has provided in the Boggs case, as well as the stock purchase agreement, dated March 21, 2003, between Realm and AIM.

MR. McCALL: Plus the letter of intent, which has --

MR. WOOD: And the letter of intent.

MR. McCALL: -- which is signed by both parties.

BAZEMORE

MR. McCALL: Right. It's a letter of intent. It's not a contract.

Q. With the exception of those three documents, Ms. Bazemore, that were just indicated, are you aware of any -- during your investigation, have you uncovered any contracts or policy between Realm National Insurance Company and/or AIM and Quality HR?

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

MR. RENFROW: I think that's all the questions I have for you. Let me just make sure.

(Pause.)

MR. RENFROW: I have no further questions at this time.

MR. WOOD: I'm going to be brief on redirect here.

REEXAMINATION BY MR. WOOD:

Q. The documents Exhibit 14 through 19 that Mr. McCall showed to you, do all of those documents appear to have been produced by either American Insurance

Managers or Quality HR?

A. They were.

Q. Okay. Did any of them appear to have been produced by Realm?

A. No.

Q. Okay. All right. Now, these policy numbers that you've been asked about that are on these certificates, do the policy numbers and the certificates in any way establish one way or the other to you or the bureau as to whether American Insurance Managers was authorized to bind coverage and issue these certificates on behalf of Realm National Insurance Company?

A. They do not.

Q. Now, Mr. Renfrow asked you about the records that you've looked at, and you've indicated, I think repeatedly, that you reviewed the records and books of Realm National Insurance Company that the bureau came into its custody of following the liquidation; correct?

A. Yes.

BAZEMORE

Q. Now, have you also had attorneys for the New York Liquidation Bureau involved in the bankruptcy proceedings relative to Realm National Insurance Company, before it was dismissed from the bankruptcy proceedings in May of 2006 as well as the bankruptcy proceedings of the parent -- former parents companies of Realm National, that being Alpha Star and Stirling Cooke, North America?

A. Yes.

Q. And your attorneys for the New York Liquidation Bureau, in fact, filed a motion with the U.S. Bankruptcy Court to have Realm National Insurance Company dismissed from those bankruptcy court proceedings?

MR. McCALL: I'm going to object to the question, because he's asking her what someone else did, and I think the best evidence would be hearing from the attorneys themselves and to review the motion that he's referencing.

MR. WOOD: I agree with that.

BAZEMORE

MR. McCALL: And so I therefore would object to this witness responding to the question.

MR. WOOD: Well, she's a representative of the bureau and she can respond. I would agree with you, however, that the best evidence is the motion. That's going to be part of the documentary evidence in the case.

Q. Ms. Bazemore, have your attorneys been involved in that process?

A. Yes, they have.

MR. WOOD: Okay.

Q. And in terms of what records, with respect to AIM, Quality HR, the filings with the federal district court, the filings with the bankruptcy court, the filings with the Delaware Chancellory Court, do you know whether your attorneys have been involved in looking at all of those documents?

A. I don't know.

Q. Okay. All right. The motion is in the record. Thank you?

BAZEMORE

MR. WOOD: Duke?

REEXAMINATION BY MR. McCALL:

Q. How many attorneys do you have here with the New York Liquidation Bureau?

A. I don't know. There are several. We have a legal division.

Q. Right. And that's a different division entirely from your division?

A. Yes.

Q. And as I understand your testimony, Ms. Bazemore, your sole focus is simply to review the documents that Realm National Insurance Company delivered to you, and you have done that and you have drawn your conclusions and opinions based upon those documents that were presented to you or delivered to you by Realm National, or its stockholders or its officers and agents?

A. No.

MR. FRANCESCHETTI: We don't -- when the company is put into liquidation, we physically go on premises and secure whatever they have on premises.

BAZEMORE

MR. McCALL: Okay.

MR. FRANCESCHETTI: So if they contain a record, a piece of paper, what have you, we secure all that and return it to the Liquidation Bureau or our warehouse.

Q. Whatever has been delivered to you by Realm National that came from their offices has formulated the basis of your opinions that you've expressed here today?

A. Yes.

Q. And you have not made any effort to look beyond those records and books to either what's in the American Insurance Marketing records or what's in Quality HR Services's records, have you?

A. Did not find it necessary.

Q. Because you're just looking at Realm National Insurance?

A. Because I found sufficient information to address the question that was posed to me by the South Carolina Property and Casualty Guaranty Association.

Q. Right. But my question is, you have not considered any other records, such as the records of American Insurance Marketers or Quality HR Services?

A. Unless they were among the records that we retrieved from Realm Insurance Company.

Q. Unless they were a part of those records?

A. A part of those records.

Q. But if they weren't a part of those records, you haven't made any effort to look beyond the records that were delivered to you?

A. That's a fair statement, and didn't find it necessary. Found my answers within the books and records.

Q. And it wasn't necessary, because your primary focus is to collect whatever assets you can find of Realm, pay off the creditors in the nine classes of categories; isn't that it?

A. That's a simplistic overview.

Q. Yeah. And your primary focus is

uhartman

not to determine whether somebody is an agent of somebody else?

A. Unless -- unless it becomes necessary, by virtue of request, from a guaranty association or any other creditor to determine whether or not there's coverage.

Q. Right.

A. Then it becomes a primary focus.

Q. But in order for that focus to be not -- in order for that focus to be complete, wouldn't you have to look at the records of others outside the Realm records?

A. Only if I believed that there were ambiguity in the existing -- in the records that were in my care, custody and control. And if I found that there was not, no, I would not find it necessary to go elsewhere.

Q. But today you've looked at e-mails from Mark Sioma, who was the CEO and president of Realm National Insurance Company, have you not?

A. I have viewed documents that you've presented in front of me.

Q. Right.

A. I have not read nor evaluated those documents.

Q. Right. And those documents,, because you haven't seen and evaluated them, could lead you to a different opinion than those you've expressed today?

A. I doubt very seriously.

Q. But they could?

A. I don't know.

Q. Okay. Thank you.

MR. WOOD: Ben?

REEXAMINATION BY MR. RENFROW:

Q. What is the last exhibit that was marked? I want to go ahead and have faxed to your office a copy of this certificate of insurance dated September 16th, 2003, and I want to ask you a specific question about this, in light of Mr. McCall's questioning to you.

Is it fair to say, then, Ms. Bazemore that the investigation, with

regards to these issues that we have asked you questions about today, and the questions that were presented to you by the Guaranty Association from South Carolina, the case is not closed; it's an ongoing investigation?

A. No, it's not. It's closed. It's done. It's a done deal, as far as its receivership is concerned.

Q. But as far as the investigation as to whether or not Realm -- there were -- was an actual -- some of the issues regarding the actual authority and the actual ability by Realm to be bound by insurance policies, is that still an ongoing investigation? Would you agree with that?

A. Again, it is not an issue as far as the liquidator of Realm is concerned. That is precisely the reason why we advised the South Carolina Guaranty Association that there was no coverage.

Q. Okay.

A. And that if they are obligated

BAZEMORE

to pay a claim, they will not be reimbursed by this liquidator. It is not an open issue.

Q. Okay.

MR. RENFROW: All right, I'm going to fax to your office a copy of a certificate of liability insurance dated September 16th, 2003 to mark as Exhibit 20 in light of the fact that I've asked you numerous questions about this today.

All right?

MR. WOOD: All right. Are you done.

MR. RENFROW: I'm done.

MR. WOOD: Let's move on. Move straight into Ruth Harmon.

MR. McCALL: Do you want to let this deposition we've just completed on Steve Cameron also apply in the Jessie Pringle case or are there attorneys in the Jessie Pringle case that did not participate in this case?

MR. WOOD: The same thing. I've got to authenticate the documents relative

to not only Quality HR, Contract Environmental Services. I can go -- if we can -- if we can simply have the court reporter -- or have a stipulation on the Pringle case -- let's finish Harmon first and we'll decide on that.

MR. RENFROW: Is Duke hanging around for Pringle?

MR. WOOD: Yeah. He's hanging around for Pringle, but I'm doing Harmon right now.

(U.S. Autoseat Exhibit 20, fax copy of certificate of liability insurance dated September 16th, 2003, marked for identification, this date.)

(Time noted: 12:22 p.m.)

_____

JACQUELINE BAZEMORE

Subscribed and sworn to before me this ____ day of _____, 2007.

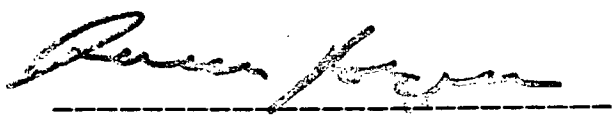
_____

NOTARY PUBLIC

C E R T I F I C A T I O N

I, ABNER D. BERZON, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public, do hereby certify that the foregoing witness, JACQUELINE BAZEMORE, was duly sworn on the date indicated, and that the foregoing is a true and accurate transcription of my stenographic notes.

I further certify that I am not employed by nor related to any party to this action.



ABNER D. BERZON, RPR, CRR

E X H I B I T S

SCPCIGA

NO.	DESCRIPTION	PAGE
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U.S. Autoseat

NO.	DESCRIPTION	PAGE
14	certificate of insurance dated 11/1/2002 through 11/1/2003	16
15	copy of pg. 32 of APA filings	18
16	copy of pg. 153 of APA filings	18
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INFORMATION TO BE FURNISHED

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BEFORE THE SOUTH CAROLINA
COMPENSATION COMMISSION
WCC File No.: 0406103

----------x

RUTH HARMON,

Employee/Claimant Claimant,

-vs-

SPECTRUM HR/ABC INVESTMENTS AND MANAGEMENT CO., et al,

Defendants.

----------x

April 10, 2007
12:23 p.m.

DEPOSITION of a non-party witness, JACQUELINE BAZEMORE, taken by the Parties Present, pursuant to the provisions of Section 42-3-160 of the Code of Laws of South Carolina, 1976, and the Circuit Court Rules, held at the offices of New York Liquidation Bureau, 123 Williams Street, Room 23 New York, New York, before Abner D. Berzon, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public of the State of New York.

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* * *

JACQUELINE BAZEMORE, having first been duly sworn by Abner D. Berzon, a Notary Public of the State of New York, was examined and testified as follows:

EXAMINATION BY MR. WOOD:

Q. Ms. Bazemore, I'm Hubie Wood, representing the South Carolina Property and Casualty Guaranty Insurance Association in connection with the case of Ruth Harmon. On the telephone here, who you've met in connection with the deposition on another case, is Mr. Ben Renfrow.

MR. WOOD: And, Ben, in this case, you represent who?

MR. RENFROW: I represent ABC Investments and Management Company.

MR. WOOD: Okay. Not participating, who was with us earlier on another deposition on another case, is Mr. David Hill Keller who represents the South Carolina Uninsured Employers Fund. He left to go to a hearing at 10:30. Now

it's 12:25 or thereabouts. He's requested that the court reporter forward him.

Also not participating is Mr. Ben Harris, and we gave him notice of the deposition, opportunity to conference in, and apparently he elected not to participate. You're not on the line, Mr. Harris? No response from Mr. Harris.

Q. State your full name for the record please.

A. My name is Jacqueline Bazemore.

Q. And where do you work, Ms. Bazemore?

A. For the New York Liquidation Bureau.

Q. And what's your position with the New York Liquidation Bureau?

A. I'm a director of the division called -- titled Reinsurance and Estate Management.

Q. Okay. And what do you do in that job?

A. Part of that job -- included in the job is the assessment of liabilities

claims filed by creditors and collection of assets on the estates.

Q. Okay. And what is the New York Liquidation Bureau?

A. It's an agency that is responsible for the oversight of all domestic insolvencies.

Q. And what dealings has your agency and you in your capacity as estate manager, director of estate management, had in connection with Realm National Insurance Company?

A. Once the liquidation order of Realm was entered, employees, including myself of the Liquidation Bureau, were tasked with taking possession of all of the Realm books and records, identifying the creditors who had potential claims.

Q. And the liquidation order occurred on June 15, 2005 by the court here in New York; is that correct?

A. That is correct.

Q. Now, did you subsequently receive from me on behalf of the South

Carolina Guaranty Association an inquiry dated November 21, 2006 concerning whether Realm National Insurance Company had ever issued a policy of Worker's Compensation insurance that would have covered Spectrum HR or ABC Investments and Management in connection with Ms. Ruth Harmon's Worker's Compensation case pending in South Carolina?

A. Yes, I did.

(SCPCIGA Exhibit 1, NY Liquidation Bureau's response to SCPCIGA's inquiry, marked for identification, this date.)

Q. Now, I've handed to the court reporter South Carolina Property and Casualty Insurance Guaranty Association Exhibit 1, marked as Exhibit 1. You got that, it was with the deposition notice?

A. Okay.

Q. What is that document mark as Exhibit 1, Ms. Bazemore?

A. This is the Liquidation Bureau's response to your inquiry.

BAZEMORE

Q. And what was your response with regard to the specific inquiry concerning whether Realm National Insurance Company issued a policy of insurance providing Worker's Compensation insurance to Spectrum HR or ABC Investments and Management in connection with Ms. Harmon's pending Worker's Compensation case?

A. That any certificate issued by AIM was unauthorized, they were not authorized to issue that certificate, and -- on behalf of Realm -- and, as a result, Realm issued no insurance policy covering Spectrum; thus, there was no coverage for any claims presented against Realm to the --

Q. And your response of November 21 2006 was issued by your assistant, Jeff Naimoli; is that correct?

A. It was.

Q. And was that done at your direction and under your supervision?

A. It absolutely was.

Q. In the course of your

investigation in response to my inquiry to respond to my inquiry of November 21, 2006, did your investigation reveal any indication of a signed agency agreement between AIM and Realm National Insurance Company that would have authorized AIM to issue certificates of insurance and bind coverage on behalf of Realm?

A. Did not. It did not.

Q. Did your investigation indicate any evidence of any policy of insurance issued by Realm National Insurance Company providing coverage to Spectrum HR or ABC Investments and Management in connection with Ms. Harmon's pending Worker's Compensation claim in South Carolina?

A. We didn't.

Q. Okay.

A. We did not find any evidence of that.

Q. Did your investigation indicate -- reveal any indication whatsoever that Realm National Insurance Company or anybody reacting on Realm's

behalf had reported to the National Council on Compensation Insurance the issuance of any policy of Workers' Compensation insurance by Realm National Insurance Company for Spectrum HR or ABC Investments and Management?

A. Did not.

Q. What is the New York Liquidation Bureau's position with regard to reimbursement to the South Carolina Property and Casualty Guaranty Insurance Association in the event the State of South Carolina orders the South Carolina Property and Casualty Guaranty Insurance Association to pay Worker's Compensation benefits to Ruth Harmon?

A. Our position is that the South Carolina Property and Casualty Insurance Guaranty Association will not be reimbursed by the Realm liquidator.

Q. In terms of appointment of the individual by the name of Bruce Holley as an agent to bind coverage on behalf of Realm National Insurance Company and the

provisions of a stock purchase agreement between AIM and Realm dated March 21, 2003, do you have any knowledge of what terms and conditions were necessary to be satisfied before Mr. Holley and AIM could act as authorized agent on behalf of Realm?

A. No, I do not.

Q. Does the fact that AIM -- American Insurance Managers -- pursuant to an order of the bankruptcy court approving a settlement between AIM and the bankruptcy trustee processing the bankruptcy of Realm's former parent companies, Alpha Star and Stirling Cooke Holdings, North America, whereby the trustee transferred ownership of Realm stock to AIM, does that have any bearing whatsoever on -- on whether Realm National Insurance Company had ever authorized AIM to issue a Worker's Compensation insurance or bind Worker's Compensation insurance on its behalf?

A. It has no bearing whatsoever.

BAZEMORE

It merely allows them to sit in the proceeding as a lowest class creditor.

Q. So they get paid last, if there's anything left over from the Realm estate; is that correct?

A. Yes. And that is a big if.

Q. Realm does not exist; is that correct?

A. It is -- it does not exist.

Q. Has it been liquidated?

A. It has been liquidated. It has -- the corporation has been dissolved.

MR. FRANCESCHETTI: It is being liquidated.

Q. So any shareholder of AIM -- any shareholder of Realm National Insurance Company cannot at this point go back and retroactively create any type of coverage or authorization to bind coverage that did not exist previously; is that fair to say?

A. That is absolutely fair to say.

MR. WOOD: Ben, your questions.

MR. RENFROW: Alright.

BAZEMORE

EXAMINATION BY MR. RENFROW:

Q. Ms. Bazemore, first few questions I want to learn a little more about you real quickly. It's my understanding that you are set to retire your position in the next nine -- eight to nine days; is that correct?

A. Yes.

Q. Who else in your office would you say is most knowledgeable about the facts and circumstances of the investigation of the issues that we're talking about, or that we're here about today?

A. Jeffrey Naimoli.

Q. Is there anyone else?

A. Marianne Donnelly.

Q. Is that it?

A. Yes.

Q. Jeff Naimoli probably, with the exception of you, is the person you would say who has the next most knowledge about this particular file, this claim?

A. Yes.

BAZEMORE

Q. And just so the record's clear, this has been asked in previous depositions, but the results of your investigation, which you summarized in a letter to Mr. Hubie Wood on November 21st, 2006, your investigation was solely based off of records you obtained from Realm Insurance Company; is that correct?

A. Yes.

Q. And pardon my ignorance, but I want to make sure I'm clear on this issue. You've testified today that if a commissioner or the courts of South Carolina determine that the South Carolina Property and Casualty Insurance Guaranty Association are responsible for paying the claim of Ruth Harmon vs. Spectrum HR and others, that the Guaranty Association of South Carolina will not be reimbursed from the estate; is that correct?

A. That is correct.

Q. In light of that, explain to me just very briefly, in your letter of November 21, 2006, it says "any

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administrative expenses insured by the South Carolina Property and Casualty Insurance Guaranty Association to defend the receiver's no coverage posture will be considered for reimbursement as the assets of the estate permit." Can you please explain that to me?

A. The difference is we will not honor any payment of indemnity -- medical indemnity payment that would have allegedly been covered under a policy, because there was no policy; however, the Guaranty Fund, like the receiver, incurs administrative expenses in handling the claims of its agent, which, in this case, would be the Guaranty Association, and we would reimburse them for those expenses, but we would not reimburse them for any payments made pursuant to any alleged policy coverage.

Q. So win or lose, the administrative expenses will be taken into consideration for reimbursement?

A. Those will absolutely be

evaluated for reimbursement.

Q. Okay. And will those expenses -- would the Guaranty Association be -- still be a Tier 2 creditor for purposes of these administrative expenses as well?

A. Yes.

Q. All right. In this set of documents that Mr. Wood has marked as Exhibit 1, I believe, is a letter dated October 10th, 2003 to Mr. Gary Wetstein from what appears to be Mark Siamo. Do you have that letter in front of you that you can look at? This letter is not signed. Do you, in your file, and during the course of your investigation, did you uncover a letter of October 10th, 2003, just like this, that was in fact signed?

A. I do not remember offhand.

Q. Now, attached -- right behind that letter is a certificate of certified mail, return receipt requested, that was dated, it looks like, October 14th of some year, but I'm assume that was October

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14th, 2003. Do you have any indication in your file, based on your remembrance of this letter and your file materials as to whether this was actually attached to this particular letter or was this just something that was free-standing in the file?

A. I don't know.

Q. So you can't -- you can't answer that question one way or the other; you just don't remember?

A. I would have to go back to the file. I do not know.

Q. Okay. Now, in light of your investigation with regards to the issues that we're here about today, did you uncover any information about a company called 02HR?

A. Not that I can remember, no.

Q. All right. I'm now looking at a letter from Realm to Mr. Gary Wetstein and Mr. Lessa, Mr. or Mrs. Lessa, dated February 20th, 2004. On this particular letter, it is signed, but I don't see a

certificate of certified mail return receipt requested. Do you recall or do you know why that wasn't attached to this letter when it was -- I'm assuming this was all presented to Mr. Wood in light of your response dated November 21st, 2006?

A. I'm assuming -- can you just verify for me that that letter is part of the exhibit.

Q. Yes, it is exhibit -- it totally starts on the second page of the exhibit.

A. Okay, and it is dated, again, what date?

Q. February 20th, 2004.

A. All right, I have it. And your question?

Q. There's a certificate showing that was sent certified mail?

A. Do I have?

Q. In the file.

A. I do not know.

Q. Now, were you aware that this letter was sent just eight days prior to what Ms. Ruth Harmon is alleging her date

of injury in her Workers' Compensation claim?

A. That would be self-evident knowing the date of loss, but -- you know...

Q. In this particular case, are you aware of any premium or monies received by Realm from Spectrum HR?

A. To the best of my knowledge, there was none.

Q. Does the bureau have a position with regards to releasing records, with regards to your liquidation files?

MR. FRANCESCHETTI: We are not subject to Freedom of Information Act.

MR. WOOD: That's Mr. Franceschetti advising that they're subject to the Freedom --

MR. FRANCESCHETTI: We are not.

MR. WOOD: "We are not"?

MR. FRANCESCHETTI: We are not.

MR. RENFROW: Not subject to the Freedom of Information Act?

MR. FRANCESCHETTI: No.

BAZEMORE

Q. As the director of that bureau, Ms. Bazemore, would you, if you were to receive a subpoena from my office in South Carolina, would that be something that the New York Liquidation Bureau would honor with regards to release of the records involving this liquidation?

A. Just as a point of clarification, I'm not the director of the bureau. I am the director of a division within the bureau.

Q. Okay. Thank you. In that position, are you qualified to testify or to answer that question?

A. What was the question?

Q. The question was, if you were to receive a subpoena from my office in South Carolina, would the New York Liquidation Bureau allow release of the entire file regarding the liquidation of Realm National Insurance Company?

MR. FRANCESCHETTI: It would be referred to the legal division, which will in turn review the subpoena for its

contents to see if it's sufficient and proper and an evaluation would be made on process as to when or we would or not respond. Either way, we would direct the letter informing you of how we would respond after receipt.

Q. With that said, have you received a subpoena from any of the parties that are involved in any of this litigation in South Carolina? Have you received a subpoena and responded to that subpoena?

A. I haven't received any.

Q. Excuse me?

A. I haven't received any subpoenas.

Q. Okay. I think that's all the questions I have for you. Thank you.

MR. WOOD: Ms. Bazemore, just real quick on redirect.

REEXAMINATION BY MR. WOOD:

Q. Your testimony and your opinion, and your investigation are but one bit of the evidence in the case. We also have a

report from Gary Smith, Worker's Compensation Commission's coverage and compliance director. Mr. Smith will also likely appear at the hearing when one is eventually held in connection with this case and testify. We also have voluminous records from the United States Bankruptcy Court relative to proceedings with respect to Realm National and its former parent company, Stirling Cooke Holdings North America, as well as Alpha Star.

Now, Mr. Renfrow has asked you about the extent of your investigation being limited to books and records of Realm National Insurance Company; is that correct?

A. That is correct.

Q. Okay. In connection with the bankruptcy court proceedings, has the New York Liquidation Bureau been involved as a party to the proceedings in the bankruptcy court relative to Realm National Insurance Company?

A. It has.

BAZEMORE

Q. And, in fact, Realm National Insurance Company, in matters related to claims between it and AIM, were dismissed pursuant to a motion of your attorneys by the bankruptcy court judge in May of 2006; is that correct?

A. That is correct.

Q. All right. And in terms of the various documents, these AIM documents that we have -- that you have been provided in connection with depositions on other cases here this morning by counsel for other parties in the other cases, do you know whether your attorneys have looked at and considered all of those documents apart from your investigation in your reply to my inquiry?

MR. RENFROW: Object to the form.

MR. WOOD: She can answer.

A. I don't know.

Q. You don't know?

A. I don't know.

Q. Would you believe that the

documents that have been prepared and filed by your attorneys in the bankruptcy court would address whether those documents have been reviewed and considered by the New York Liquidation Bureau?

A. Yes.

MR. WOOD: Thank you very much. Ben, I don't have anything else.

MR. RENFROW: Just a final question.

EXAMINATION BY MR. RENFROW:

Q. I know you're tired of having to deal with this today and you've got only eight or nine days left in your position.

A. Six.

Q. When you wrote the letter to Mr. Wood, you specifically said, "in review of the records obtained from Realm Insurance Company." Actually, I'm referring to the wrong letter. Let me get to the letter you wrote Harmon, because it's very similar. It says -- it says,

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"Please be advised, the review of the records obtained from Realm Insurance Company indicated..." So you limited your particular opinion with regards to these issues to the records that you received or obtained from Realm Insurance Company; is that correct?

A. I relied upon the records that were available from Realm.

Q. From Realm?

A. Yes.

Q. That you received from Realm?

A. Realm National. That we took possession of from Realm National.

Q. So you didn't rely on anything that the bankruptcy courts have decided or any of these motions that Hubie and other attorneys have referred to? You relied on the records that you obtained from Realm Insurance Company; correct?

A. If those records were included in the Realm books and records, and I came across them during my research and investigation, I would have relied upon

them.

Q. But if they weren't in those records, you wouldn't have relied on them?

A. Obviously not.

Q. With that said, do you have a date that you concluded your investigation with regards to this particular issue?

A. I don't know -- I don't have a specific date, but I'd venture to say that it was somewhere in the area of the date of the letter.

Q. But sometime around November 21st, 2006?

A. I would -- I would think so.

Q. Is it just coincidence that you would write this letter to Mr. Wood around the time that you were closing the investigation or is that -- had you gotten a request from him prior and he just held out until you completed your investigation, or is it possible that you completed your investigation much sooner than November 21st, 2006?

MR. WOOD: Ben, just so you're

clear, on each of these cases I have made a written inquiry. Obviously, the response to all the written inquiries is the same. Just so you know what's going on in other cases. Some of them you are involved in, some of them you aren't.

MR. RENFROW: Okay.

MR. WOOD: But I had a reply -- I requested a reply in connection with each and every case, and I will be glad to provide to you my inquiry letter on each and every case, including the ones you're not involved in.

MR. RENFROW: That would be great. That would be great, Hubie. I'll send you a letter for that information.

Q. What I'm asking you is, specifically, Ms. Bazemore, the letter that was sent to Mr. Wood for the Steve Cameron and Thomas Dawkins file, dated June 2nd, 2006. The letter of November 21st, 2006, signed by Jeff Naimoli, is obviously four or five or six months later. So is it fair to say then that

BAZEMORE

assuming you had the authority to write the letter of June 2nd, 2006, that you had concluded your investigation at least prior to that date?

A. The investigation with respect to the inquiry that resulted in the June letter had obviously been concluded by the time we issued the June letter. But, again, that is in response to a specific inquiry that came from Mr. Wood.

Q. Gotcha.

A. As is each of the responses --

Q. Okay.

A. -- to a specific inquiry.

MR. RENFROW: All right, no further questions from me. Thank you very much.

MR. WOOD: I'm going to ask her one final thing

REEXAMINATION BY MR. WOOD:

Q. Ms. Bazemore, if anybody, whether it be any of these purported insureds, American Insurance Manager, if anybody, any aggrieved party or allegedly

aggrieved party disagrees with your administrative determination, they are free to pursue a claim up here in the liquidation court; is that correct?

A. Absolutely.

Q. And has anybody done that? Has AIM done that yet?

A. I -- no one has pursued it in terms of --

Q. Okay.

A. -- taking a claim through to a hearing.

Whether or not AIM is an actual creditor, it sits at Class 9, so ultimately, the bottom line, we're not going to do anything with it.

Q. But nobody has brought a claim in this liquidation court challenging or attempting to disprove or have your administrative determination on the coverage issue reversed or challenged in any fashion?

A. No, not at all.

MR. WOOD: Okay. All right.

Anything else, Ben?

MR. RENFROW: None for me.

MR. WOOD: None. Good, that wraps up that one.

(Time noted: 12:47 p.m.)

_____

JACQUELINE BAZEMORE

Subscribed and sworn to before me

this ____ day of _____ , 2007

_____.

C E R T I F I C A T I O N

I, ABNER D. BERZON, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public, do hereby certify that the foregoing witness, JACQUELINE BAZEMORE, was duly sworn on the date indicated, and that the foregoing is a true and accurate transcription of my stenographic notes.

I further certify that I am not employed by nor related to any party to this action.

ABNER D. BERZON, RPR, CRR

E X H I B I T S

SCPCIGA

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November 21, 2006

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.51 Ruth Harmon Vs Spectrum HR/ABC Investments and Management

Dear Mr. Wood,

Regarding your letter of November 21, 2006 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Spectrum HR/ABC Investments and Management

Enclosed please find a copy of communications from Realm to Spectrum HR/ABC Investments and Management , Inc. and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Spectrum HR/ABC Investments and Management. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Reinsurance & Estate Management

JB:ic
Realm/QualityHRServices

EXHIBIT
SCPGA 1
4-10-07

REALM NATIONAL INSURANCE COMPANY

Via facsimile (248-616-2130)
and Certified Mail (Return Receipt Requested)

Mr. Gary Wetstein
Ms. Lessa Kamen
SpectrumHR, LLC
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

February 20, 2004

Re: Realm National Insurance Company ("Realm National")

Dear Mr. Wetstein and Ms. Kamen:

This is further to my letter to Mr. Wetstein dated October 10, 2003 (additional copy attached), in which Realm National informed you: (a) that American Insurance Marketing, Inc. and its affiliates and subproducers (collectively, "AIM") has never been authorized to bind insurance coverage on behalf of Realm National: (b) that no coverage purportedly "bound" by AIM will be recognized as valid by Realm National and (c) that all such coverage should be considered void *ab initio*. My letter followed a telephone conversation on September 22, 2003 between Stephen A. Crane, Realm National's Chairman, and Mr. Wetstein, in which Mr. Wetstein was informed directly of these same facts.

It has recently come to Realm National's attention that, despite these communications, SpectrumHR, LLC ("SpectrumHR") has continued to make representations to various third parties, notably including the State of New York Workers Compensation Board, that Realm National is the insurer on one or more policies of workers compensation insurance issued to SpectrumHR. For example, Realm National understands that SpectrumHR has represented recently that it has coverage under a policy allegedly issued to it by Realm National covering the period from April 1, 2003 through April 1, 2004, and bearing policy number "SHR112001-IN2".

Please be advised that Realm National has never issued any policies of insurance covering SpectrumHR or its clients. If you are in possession of any document purporting to represent such a policy, we demand that you provide us with a copy immediately.

Over and above Realm National's repeated statements to you that no coverage exists, you should also be aware of certain additional facts that, among many others, confirm that AIM could not even have validly issued certificates of insurance, much less actual insurance policies. Indeed, as of April 1, 2003, the date on which the purported "coverage" referred to above allegedly incepted:

- AIM had executed an agreement with Realm National (and others) in which it acknowledged that: "WHEREAS, the parties hereto agree and acknowledge that **this Agreement does not permit the binding of**

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coverage or issuance of Certificates of Insurance until the First Closing. The First Closing is subject to the satisfaction of various conditions as set forth in this Agreement." (emphasis supplied)

The "First Closing" referred to in this Agreement not only had *not* occurred by April 1, 2003 but, in fact, *never* occurred. There was no other agreement in effect between AIM and Realm National that related to the possible binding of coverage by Realm.

- In that same agreement, AIM agreed that it: "**[AIM] shall not issue**, and shall use its (i) best efforts to prevent any Affiliates, and (ii) commercially reasonable efforts to prevent any PEO clients of Buyer from issuing, any **Certificates of Insurance between the date of this Agreement** [March 23, 2003] **and the First Closing Date without the prior written consent of Realm.**" Indeed, AIM committed itself to: "deliver at the First Closing an **affidavit** certifying that **no employee of Buyer or its Affiliates has executed or authorized the issuance of any Certificate of Insurance prior to the First Closing Date**" (emphasis supplied).

No written consent to issue certificates ever was granted by Realm and, as noted above, the "First Closing Date" never occurred.

- On February 12, 2003, Bruce Holley, a Vice President of AIM, represented to Realm National (copy attached) that: "the authority under [his] license **will not be exercised to bind insurance or issue certificates** prior to the [sic] express written permission from Realm National Insurance Company." (emphasis supplied)

Realm National understands that Mr. Holley was the *only* AIM employee who *ever* had any form of license to broker insurance (though only in the State of Georgia). Realm National never granted written consent to Mr. Holley to bind insurance or issue certificates.

In view of the foregoing, Realm National demands that SpectrumHR its officers, directors, employees, affiliates and agents, cease and desist immediately from making any representations to any third parties purporting to confirm the existence or validity of any coverage purportedly issued to it by Realm National.

Realm further demands that SpectrumHR:

(i) Provide it immediately with a listing of all claims of which it is aware that have been noticed or submitted for payment by SpectrumHR, its clients or employees under coverage purportedly issued by Realm National;

(ii) Provide it immediately with copies of all documents supplied to (or received from) any third parties which purport to reflect Realm National's responsibility for any such claim, or its status as the insurer on any coverage produced or brokered by AIM (or by others pursuant to AIM's supposed authority); and,

(iii) Contact all persons to whom SpectrumHR has made any representations concerning Realm National's purported responsibility for any claim, or its status as the insurer on any coverage produced or brokered by AIM (or by others pursuant to AIM's supposed authority), and inform them in writing (with a copy to Realm National) of Realm National's position:

- That AIM is not now, nor has it ever been, authorized by Realm National to bind or issue coverage on its behalf;

- That no policies of insurance have ever been issued by Realm National on AIM-related business; and,
- That Realm National does not acknowledge either the validity of any such coverage, or responsibility for any claims asserted thereunder.

Realm takes a very serious view of the continuing misrepresentations noted above, especially those subsequent to the oral and written communications from us that put SpectrumHR on actual notice of the non-existence of coverage. These misrepresentations have already caused economic harm to Realm and will create substantial additional harm unless they are stopped immediately, and effective steps taken to rectify the harm already done. We earnestly hope that SpectrumHR's prompt and comprehensive response to this letter will prove sufficient to eliminate any need for future action. Nonetheless, as you will understand, Realm reserves all of its rights to seek appropriate redress for SpectrumHR's actions.

Sincerely,

Mark S. Sloma
President

mss/

attachment(s)

961

REALM NATIONAL INSURANCE COMPANY

December 3, 2003

Mr. Gary Smith
Director of Coverage
South Carolina Workers Compensation Commission
P.O. Box 1715
Columbia, South Carolina 29202-1715

RE: Realm National Insurance Company – NAIC Company Code 15466

Dear Mr. Smith:

Per your request in a telephone conversation of November 19, 2003, with James Lawless, Realm National Insurance Company ("Realm National") provides the following information regarding the facts underlying the current status of our relationship with American Insurance Managers, Inc. of Atlanta, Georgia, and its affiliates ("AIM").

In a letter addressed to the Honorable Ernst Csiszar, Director of Insurance, dated December 12, 2002, Realm National reported the existence of unauthorized certificates of insurance issued to various "insureds" in South Carolina. A copy is attached. We believe that the certificates were issued commencing on or after October 1, 2002. The producer listed on the certificates was shown as American Insurance Managers, Inc. of Atlanta, Georgia ("AIM"), or one of AIM's subproducers. In all cases, the certificates purport to provide workers compensation coverage for professional employer organizations ("PEO's") and /or their clients.

An overview of the facts concerning the issuance of the unauthorized certificates is as follows.

1. The issuance of unauthorized certificates was first brought to Realm National's attention by regulators in Texas and Florida on November 19 and 20, 2002, respectively.

2. On November 20, 2002 at 6:08 p.m., the General Counsel of our Holding Company sent an e-mail to Mr.David Dennett-Smith, the CEO of AIM, discussing these two certificates and closing, as follows: "Finally, we encourage you to take whatever further steps you deem necessary in order to eliminate the obvious misperception in the ranks that AIM has authority to bind cover for Realm";

3. After various denials and facile explanations by AIM, AIM's direct responsibility for the issuance of these and other unauthorized certificates was confirmed by copies of AIM's own e-mails, which were forwarded to the General Counsel by a third party late in the evening of Thursday, November 21, 2002;

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4. Realm National (and its ultimate parent, AlphaStar Insurance Group) again informed Mr. Dennett-Smith by telephone on the morning of Friday, November 22, 2002, that AIM did not have any authority to issue certificates of insurance or to bind coverage on behalf of Realm National.

5. At all times during the period before AIM was specifically told that it lacked any authority to act on behalf of Realm National:

   (a) No employees or officers of Realm National (or its affiliates) had any substantive contact with any putative "insureds", including any located in South Carolina, or with any PEOs, including PEOs purporting to represent "insureds" located in South Carolina.[1] No certificates of insurance were ever generated by Realm National or at its direction, nor were binders or insurance policies ever issued by Realm National, whether for South Carolina-based risks or otherwise, and the "policy numbers" referenced on the unauthorized certificates were in a format wholly foreign to any ever utilized by Realm National;

   (b) The only written agreement between *any* affiliate of Realm National and AIM prior to March 21, 2003 that related in any way to the subject of Realm National issuing insurance coverage was a letter of intent, dated October 2, 2002 ("Letter of Intent"), between AIM and Stirling Cooke North American Holdings Ltd. ("SCNAH" - Realm National's immediate parent). The Letter of Intent (a complete copy of which is attached) stated only the following with respect to the issue of AIM's possible authority to act as an agent of Realm National:

> SCNAH shall use its best efforts to cause Realm, *subject to any necessary regulatory approvals*, to enter into a general agency agreement with AIM, pursuant to which Realm *would agree to consider* in good faith the writing of business *introduced by AIM* to the extent that it *meets Realm's underwriting criteria*. SCNAH further shall use its best efforts to cause Realm, subject to any necessary regulatory approvals, to enter into a claims service agreement between and among Realm, the TPA's and the insureds. (at page 3, penultimate paragraph – emphasis supplied)

As of November 22, 2002, no forms of general agency agreement or claims service agreement had been agreed by the parties, nor had regulatory approval of such agreements (the former clearly required under New York law) been sought or obtained;

[1] The only justification that AIM has ever offered for its having issued certificates of insurance is the self-serving contention that the undersigned, as Realm National's President, orally agreed to AIM's binding of workers compensation risks at meetings with AIM on November 8 and 22, 2002 at which (not coincidentally) I was the only representative of Realm (or its affiliates) present. The latter meeting was, of course, after the e-mail and oral advice to AIM that no authority existed, as referred to in items 2 and 4, above. Moreover, AIM has not explained how this purported oral representation could have superceded the terms of *every* contemporaneous written document that expressly governed the insurance program (*see* points 5(b) and 6), including agreements to which Realm National was *not a party*. Nor has anyone alleged that I ever made similar comments to any PEO or putative "insured."

Realm National had been given no underwriting materials whatsoever by AIM, and thus had not had the opportunity to determine whether *any* risks met Realm National's underwriting criteria[2]. While not expressly required under the Letter of Intent, it also bears mention that, as both Realm National and AIM were fully aware on November 22 that: AIM had no agency appointments from Realm National; no systems were in place to issue policies, process claims or handle required statistical reporting; and there was no reinsurance in place (without which Realm National could not have written the coverage). AIM also knew (as Realm National then did not) that AIM was not licensed as a broker in any state except perhaps Georgia

In short, Realm knew prior to November 22 that *none* of the conditions precedent in the Letter of Intent had been met and that other vital elements of the program were missing and took no action that might have conveyed the impression that the binding of coverage was authorized. Neither AIM nor, most importantly, the PEOs or "insureds" could have had any cause – based on Realm National's conduct – for an understanding that AIM was Realm National's "agent."

6. At all times prior to November 22, 2002, the PEOs themselves also had to have been aware that the issuance of coverage was subject to various conditions precedent, none of which had been fulfilled by that time. For example:

   (a) A document entitled "PEO Qualification Requirements", which was distributed by AIM to prospective PEO clients, stated in bold large-point type, as follows: "**PLEASE NOTE: No coverage shall be bound until a completed underwriting application and information has been received, reviewed, and accepted by the issuing insurance company. Written confirmation of coverage will be provided and coverage will become effective upon receipt of the required deposit premium amount.**"

   (b) A document entitled "Subscription Statement", also apparently distributed to the PEOs by AIM, stated in bold large-point type, as follows: "**Requirement for Enrollment – (Total of Four Pages – Please read carefully) – Enrollment and Compliance with this application is not confirmation of coverage and no coverage will be provided until all risks have been reviewed and accepted by the insurance company. After review and acceptance of completed underwriting application, then written confirmation of coverage will be provided to you by the insurance company and your coverage will become effective upon your premium payments.**"

   (c) A document entitled "Escrow Agreement", also apparently distributed by AIM to the PEOs, provided in relevant part, that: "This Agreement does not constitute...a binding obligation of [AIM] to make the [insurance] program available to PEO or assure the issuance of any insurance policy,

[2] Realm National can show that the underwriting materials for Quality HR were not provided to it until December 3 at the *earliest*. I do not address at all the consistent failure of the underwriting data submitted by AIM thereafter to satisfy Realm National's underwriting criteria.

which in any case will be subject to underwriting approval. Following the execution of this Agreement, [AIM] will cause the Final Contracts to be developed and will commence the underwriting process, and if the carrier or carriers are willing to issue the insurance policies, the Final Contracts will be executed and will be binding, and the contemplated insurance policies will be issued."

As of November 22, 2002, Realm had not received, reviewed or accepted **any** "completed underwriting application and information" from any PEO or "insured"; Realm never issued any "written confirmation of coverage" to any PEOs or "insureds"; and no "Final Contracts" had been drafted, much less executed. Realm National did nothing to suggest to AIM or to the PEOs or "insureds" that these conditions precedent to the issuance of coverage might have been fulfilled. Thus, neither AIM nor the PEOs or "insureds" could reasonably have been under any misimpression – again, based on any conduct or representations of Realm National, as opposed to AIM - that the coverage being "bound" was valid.

7. Realm National immediately and publicly repudiated the "coverage" after November 22, 2002. As you are undoubtedly aware, in the days and weeks following Realm National's realization that unauthorized certificates had been issued, Realm National sent, among many others, the following notices:

   - On December 12, 2002, to the Honorable Ernst Csisznar, Director of Insurance of South Carolina;
   - On December 10, 2002, and January 3, 2003, to Mr. David Evette of Quality HR in Travelers Rest, South Carolina;
   - On or about December 13, 2002, to every holder of an unauthorized certificate known to Realm National to be located in the State of South Carolina;
   - On or about December 18, 2002, to every "insured" shown on an unauthorized certificate known to Realm National to be located in the State of South Carolina.

Copies of these letters (not including attachments) are self-explanatory and are attached. Similar letters were sent to analogous recipients in every state known to have been affected. All (except the certificate holder letters) also were copied to Mr. Dennett-Smith of AIM. Realm National has further and subsequent correspondence with officials in South Carolina which it is prepared to make available upon request.

8. As you also probably are aware, Realm National (and certain affiliates) filed a lawsuit in the Federal District Court for the Southern District of New York on December 27, 2002 seeking, among other relief, a declaration that AIM was not authorized to represent itself as an agent of Realm National. While the merits of that claim were never reached, it bears noting that AIM represented to the Court at pages 1-2 of their memorandum of law in opposition to the motion for a temporary restraining order, dated January 10, 2003, that:

   [Defendants do not admit any of the allegations.] "Nevertheless, Defendants are otherwise prepared to agree not to market or sell insurance on behalf of or use the name Realm [,] not to hold themselves out as an agent of Realm, unless they are allowed to do so pursuant to

the terms of the Loan Agreement and/or the Pledge Agreement. **Defendants have already ceased engaging in any of the actions described in the first two requests"** (emphasis supplied).

The "first two requests" (as set out in AIM's own papers) read: "(1) marketing or selling insurance on behalf of or using the name of Plaintiff Realm National Insurance Company ('Realm'), (2) holding themselves out as any type of representative of Realm or as owner of Realm..." It is worth noting that unauthorized certificates continued to be issued after the date of this representation.

9. On February 12, 2003, Mr. Holley of AIM (to Realm's knowledge the only employee of AIM with an insurance agency license) wrote at the General Counsel's request that "[t]his is to advise, and to confirm, that the authority under my license will not be exercised to bind insurance or issue certificates prior to the [sic] express written permission from Realm National Insurance Company." No such written permission has ever been granted.

10. At the instigation of the Judge in the New York action, the parties attempted for many weeks in early 2003 to negotiate agreements that would permit the sale of Realm National to AIM. Those negotiations resulted in a Purchase and Sale Agreement, dated as of March 21, 2003, which provided, in pertinent part: "WHEREAS, the parties hereto agree and acknowledge that this Agreement does not permit the binding of coverage or issuance of Certificates of Insurance until the First Closing. The First Closing is subject to the satisfaction of various conditions as set forth in this Agreement." The conditions precedent to the occurrence of the First Closing have never occurred, although we now understand that unauthorized certificates of insurance continued to be issued by AIM after the date of the Agreement.

11. After it became evident in the late summer of 2003 that the sale of Realm National to AIM was unlikely to occur for numerous reasons, AIM commenced a lawsuit in the Delaware Chancery Court, in which it has sought to compel the re-registration of the stock of SCNAH (which owns 100% of Realm National's stock). That action, which is being vigorously contested, remains pending.

It must be noted that, throughout this entire process, Realm National never received a single penny of premium in respect of any of the "coverage" represented by the unauthorized certificates. Moreover, Realm National has never paid any claims arising under this "coverage" nor ever been requested to do so by AIM. Indeed, Realm understands that AIM has been paying all such claims directly, which Realm National submits is a clear acknowledgment by AIM of its ultimate responsibility for the liabilities generated by its conduct in issuing the certificates in the first instance.

We would be pleased to provide you with any further information that would be helpful to your consideration of this matter, including sworn statements attesting to the facts set forth above.

For further information, please feel free to contact the undersigned or, in my absence, the General Counsel of Realm National's holding company, James Lawless IV (212-422-0770).

Sincerely,

Mark S. Sioma, President
Realm National Insurance Company
(212-269-6700, ext. 118)

mss/

attachment(s)

967

REALM NATIONAL INSURANCE COMPANY

October 10, 2003

Mr. Gary Welstein, C.E.O
Spectrum HR
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

Re: Unauthorized Workers Compensation Coverage – Realm National Insurance Company

Dear Mr. Welstein,

Most recently, Realm National Insurance Company ("Realm National") received notice of workers compensation claims under a policy purportedly bound between you, or your clients, and Realm National. It is our understanding that the representations of coverage were made by American Insurance Marketing, Inc. or its affiliates ("AIM").

We write to advise that no such coverage was ever authorized, and will not be recognized by Realm National. If you are relying upon coverage allegedly bound by AIM with Realm National, we strongly encourage you to immediately seek coverage from insurance company. We understand that certificates of insurance may have been issued which purport existence of coverage. Any such certificates of insurance should be consider void *ab initio* ("from the beginning") and should not be relied upon as evidence of actual workers compensation insurance from Realm National. Any certificate holders known to you should be immediately notified.

We have been advised that you are already aware of this situation by virtue of a telephone conversation that you had with Realm National's Chairman, Mr. Stephen Crane on September 22, 2003. In addition, after meeting with Ms. Lessa Kamen from your staff on or about June 18, 2003, we notified AIM in order to ensure that no misunderstanding would occur with regard to AIM's absence of standing to bind coverage. See attached correspondence.

If you have any questions, please feel free to contact me or, in my absence, the General Counsel of our holding company, James Lawless (212-422-0770).

Sincerely,

Mark S. Sioma
President

CC: Mr. David Dennett Smith, President,
American Insurance Marketing, Inc.

125 MAIDEN LANE FIFTH FLOOR NEW YORK, NY 10038 PHONE (212) 269-6700 FAX (212)269-6758

968

Mark Sioma 06/20/2003 12:25

To: slandin@aimmanagment.com
cc: Roni Zinnert/REALMNY/SCB@BDACOS, bholley@aimmanagement.com, dds@aimmanagement.com
Fax to:
Subject: Re: Spectrum

Steve, Just a short note to follow up on our discussion from yesterday.

In our Wednesday meeting with Lessa Kamen of Spectrum and Russ Huston of USIG, Lessa made a comment that suggested she might believe that her clients are currently bound with Realm. In an effort to avoid any possible misunderstandings you indicated that you would confirm to me in writing that coverage is not bound on this risk. I would appreciate receiving the letter ASAP.

Obviously, once we complete the first closing, finalize licensing and appointments and determine the risk is acceptable under the underwriting guidelines the risk could be bound.

Thanks.

mss/

969

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Gary Wentstein, C.E.O
Spectrum HR
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addre

B. Received by (Printed Name) [signature] C. Date of Del 10/14/

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchand
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? *(Extra Fee)* ☐ Yes

2. Article Number
(Transfer from service label) 7002 2410 0005 7058 7806

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-

7002 2410 0005 7058 7806

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Mr. Gary Wentstein, C.E.O
Street, Apt. No.; or PO Box No. Spectrum HR
550 Stephenson Highway, Suite 203
City, State, ZIP+4 Troy, Michigan 48083

PS Form 3800, June 2002 See Reverse for Instructions

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 - 6755
Facsimile (212) 608 - 3398

Eric R. Dinallo
Acting Superintendent

Francesca G. Bliss
Assistant Special Deputy Superintendent

January 24, 2007

VIA FACSIMILE AND
CERTIFIED MAIL/RRR

David W. Boone, Esq.
Boone & Stone
3166 Mathieson Drive
Atlanta, Georgia 30305

Re: In the Matter of Realm National Insurance Company in Liquidation

Dear Mr. Boone:

This office carries out the duties of the Superintendent of Insurance of the State of New York as Liquidator of Realm National Insurance Company ("Realm"). By order entered on June 15, 2005, Justice Faviola Soto of the New York Supreme Court of New York County, entered an order placing Realm into liquidation and appointed the then Superintendent of Insurance as Liquidator. A copy of the Liquidation Order is attached. This letter responds to your letter to Ms. Bliss dated January 4, 2007.

The Liquidation Order provides as follows:

> The Superintendent, and his successors in office as Superintendent, are appointed liquidator of REALM, authorized and directed to immediately take possession of its property, are vested with title to its property, contracts and rights of action and directed to liquidate its business and affairs in accordance with Article 74 of the Insurance Law. The Superintendent as Liquidator may deal with the property and business of REALM in its name or in the name of the Superintendent, as Liquidator;
>
> The officers, directors, shareholders, trustees, agents, servants, employees, attorneys, and managers of REALM, and all other persons are permanently enjoined and restrained from the transaction of REALM's business, the waste or disposition of its property, interfering with the Superintendent, as Liquidator, in the possession, control and management of the property of REALM or in the discharge of his duties;

Pursuant to New York Insurance Law Section 7419, the Liquidation Order permanently enjoins all parties from the commencement or further prosecution of actions or proceedings against Realm and interference with the Liquidator in the possession, control and management of Realm's property or discharge of his duties as Liquidator of the insolvent insurer. The Order further permanently enjoins all persons from obtaining preference, judgments, etc. against Realm.

The Liquidation Order entered on June 15, 2005 (attached) which, as mentioned, enjoins all parties from the commencement of any actions or proceeding, remains the "law of the case" and may not be contravened by a Court of Coordinate Jurisdiction. (See, Lillian Powell v. All City Insurance Company, 74 A.D.2d 92 (3rd Dept. 1980)). Any order that will contravene the intent and purpose of Article 74 of the Insurance Law is in violation of the Liquidation Order (Matter of Allcity Ins. Co., [Kodak], 66 A.D.2d 531). Therefore, no judgment or order granting relief against Realm or the Superintendent as Liquidator can be given any consideration in the liquidation proceeding of the insolvent insurer.

In Levy v. Lewis, 635 F.2d 960 (2nd Cir. 1980) the Second Circuit cogently and succinctly stated:

> In the McCarran-Ferguson Act, 15 U.S.C. §§1011-105, Congress mandated that regulation of the insurance industry be left to the individual states. Thus the administrative and judicial scheme erected by New York to regulate insurance companies, including that part enabling the institution and implementation of liquidation proceedings, operates pursuant to an express federal policy of noninterference in insurance matters.

See Levy, 635 F.2d at 963. See also, United Underwriters National Assurance Company v. North Carolina Life and Accident and Health Insurance Guaranty Association 455 U.S. 691, 102 S. Ct. 1357 (1981).

The Supreme Court supervising Realm's liquidation has established a procedure to adjudicate any claim against Realm. In the Matter of Knickerbockers Agency, Inc., 4 N.Y.2d 245 (1958), the Court of Appeals held that the provisions of the New York Insurance Law with reference to the liquidation of an insurance company are exclusive in their operation and furnish a complete procedure for the protection of the rights of all parties interested. Accordingly, the supervising Supreme Court Justice has exclusive jurisdiction of claims both for and against Realm in liquidation.

If your clients are shareholders to Realm, they are considered Class Nine creditors in the liquidation proceeding pursuant to Section 7434 of the New York Insurance Law. As noted above, the Superintendent is vested with title to all of Realm's property. As such, any shareholder interest you may have or may have had is subordinate to the Liquidator and is not a controlling interest but rather an interest that is statutorily assigned to you as a creditor.

I hope this adequately addresses your concerns.

Thank you.

Very truly yours,

Jack A. Franceschetti

JAF/lv

For further information, please feel free to contact the undersigned or, in my absence, the General Counsel of Realm National's holding company, James Lawless IV (212-422-0770).

Sincerely,

Mark S. Sioma, President
Realm National Insurance Company
(212-269-6700, ext. 118)

mss/

attachment(s)

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

August 21, 2007

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.53 Arthur Mobley V Quality HR/Contract Environmental Services

Dear Mr. Wood,

Regarding your letter of August 17, 2007 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) CES/Quality HR Services, and/or Contract Environmental Services, Inc.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Contract Environmental Services, Inc. and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Contract Environmental Services. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Reinsurance & Estate Management

JB:ic
Realm/QualityHRServices

We are sending this notice in order:

(a) to alert you to this situation in the event that your office receives any inquiries concerning such certificates;

(b) to request that you advise Realm National if there are any specific items that your office will require (or would prefer be contained) in the notice to the "insureds";

(c) to solicit your thoughts and advice as to how we might most effectively reach the "insureds" located in your state; and

(d) to offer whatever further information and assistance we can to your office in connection with this regrettable situation.

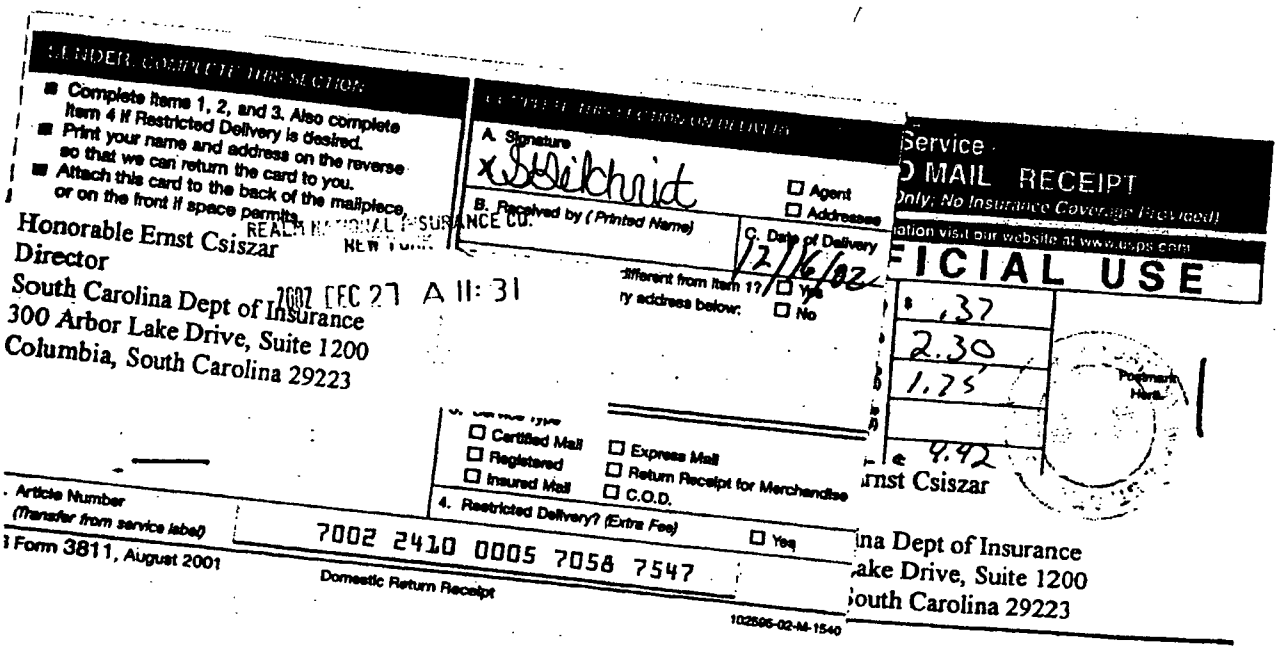
For further information, please feel free to contact the undersigned or, in my absence, the General Counsel of Realm National's holding company, James Lawless IV (212-422-0770).

Sincerely,

Mark S. Sioma, President
Realm National Insurance Company
(212-269-6700, ext. 118)

CC: Mr. David Dennett Smith, President,
American Insurance Marketing, Inc

Mr. Kenneth Gingrass, Principal Insurance Examiner
New York Department of Insurance



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NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6224
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Jody S. Hall
Special Deputy Superintendent

June 2, 2006

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Co in Liquidation
Your File No.: 45.44; Steven Cameron v. Quality HR Services, Keith's Welding
Your File No.: 45.45; Thomas Dawkins v. Quality HR Services, Contract Environmental Services

Dear Mr. Wood,

Regarding your letter of May 18, 2006 and in furtherance to our discussion yesterday, please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Workers' Compensation policy (ies) to Quality HR Services.

Enclosed please find a copy of communications from Realm to Quality HR Services, the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing, Inc (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any more questions please feel free to contact me.

Sincerely,

Jacqueline Bazemore, Director
Reinsurance & Estate Management

12

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

November 10, 2006

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.50 Jessie M. Pringle Vs CES/Quality HR/Edisto Con/Laurel Baye Healthcare of Orangeburg, LLC

Dear Mr. Wood,

Regarding your letter of November 7, 2006 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) CES/Quality HR Services, and/or Contract Environmental Services, Inc.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Contract Environmental Services, Inc. and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Contract Environmental Services. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Reinsurance & Estate Management

JB:ic
Realm/QualityHRServices

13

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

April 21, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.62 Artemio Alvarez Vs Quality HR Services /Employments Solutions

Dear Mr. Wood,

Regarding your letter of April 16, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Quality HR Services, and/or Employment Solutions.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Employment Solutions, and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Employment Solutions As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/ Artemio Alvarez

14

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341– 6400
Facsimile (212) 341– 6263

Eric R. Dinallo
Superintendent as Receiver

Mark G. Peters
Special Deputy Superintendent in Charge

May 5, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.65
William Brockman Vs Quality HR Services /J-R Construction Co. Inc.

Dear Mr. Wood,

Regarding your letter of April 29, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Quality HR Services, and/or J-R Construction Co. Inc.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or J-R Construction Co. Inc., and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or J-R Construction Co. Inc. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/ William Brockman

15

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

April 21, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.60 Martha G. Burke Vs Quality HR/Contract Environmental Services

Dear Mr. Wood,

Regarding your letter of April 16, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) CES/Quality HR Services, and/or Contract Environmental Services, Inc.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Contract Environmental Services, Inc. and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Contract Environmental Services. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/Martha G. Burke

16

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341– 6400
Facsimile (212) 341– 6263

Eric R. Dinallo
Superintendent as Receiver

Mark G. Peters
Special Deputy Superintendent in Charge

May 5, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.65
Lucille Dwight Vs Quality HR Services /Contract Environmental Service /Calhoun Convalescent Ctr.

Dear Mr. Wood,

Regarding your letter of April 29, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Quality HR Services, and/or Contract Environmental Service /Calhoun Convalescent Ctr.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Contract Environmental Services /Calhoun Convalescent Ctr., and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Contract Environmental Services /Calhoun Convalescent Ctr. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/ William Brockman

17

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

April 22, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.61 Robert Hunter Vs Quality HR/ J-R Construction Co., Inc.

Dear Mr. Wood,

Regarding your letter of April 16, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) to Quality HR Services, and/or J-R Construction Co., Inc.

Enclosed please find a copy of communications from Realm to Quality HR Services and /J-R Construction Co., Inc., and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or J-R Construction Co., Inc. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/Robert Hunter

18

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

April 21, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.59 Tammy Miller Vs Quality HR Services /Farmhouse Mornings

Dear Mr. Wood,

Regarding your letter of April 16, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Quality HR Services, and/or Farmhouse Mornings.

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Farmhouse Mornings, and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Farmhouse Mornings. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/Tammy Miller

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341– 6400
Facsimile (212) 341– 6263

Eric R. Dinallo
Superintendent as Receiver

Mark G. Peters
Special Deputy Superintendent in Charge

May 5, 2008

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.63
Patricia Wade-Portee Vs Quality HR Services /Contract Environment Services

Dear Mr. Wood,

Regarding your letter of April 29, 2008 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Quality HR Services, and/or Contract Environmental Services

Enclosed please find a copy of communications from Realm to Quality HR Services, and/or Contract Environmental Services, and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Quality HR Services and/or Contract Environmental Services. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Estate Management

JN:ic
Realm/QualityHRServices/ Patricia Wade-Portee

20

NEW YORK
LIQUIDATION BUREAU

123 William Street
New York, NY 10038 - 3889
(212) 341 – 6400
Facsimile (212) 341 - 6263

Howard Mills
Superintendent as Receiver

Francesca G. Bliss
Assistant Special Deputy Superintendent

November 21, 2006

Mr. J. Hubert Wood, III
Wood, Porter & Warder, LLC
Attorneys At Law
One Wesley Drive
Charleston, South Carolina 29407

Re: Realm National Insurance Company in Liquidation
Your File No. 45.51 Ruth Harmon Vs Spectrum HR/ABC Investments and Management

Dear Mr. Wood,

Regarding your letter of November 21, 2006 please be advised a review of the records obtained from Realm Insurance Company indicated that Realm did not issue Worker's Compensation policy (ies) Spectrum HR/ABC Investments and Management

Enclosed please find a copy of communications from Realm to Spectrum HR/ABC Investments and Management , Inc. and the South Carolina Workers' Compensation Commission and the South Carolina Department of Insurance. As indicated, American Insurance Marketing (AIM) issued unauthorized certificates of insurance identifying Realm as the insurance carrier.

Based on the above, Realm did not afford workers' compensation coverage to Spectrum HR/ABC Investments and Management. As such, the Receiver will not honor any indemnity or medical payments made under the policy (ies) at issue. However, any administrative expenses incurred by the South Carolina Property & Casualty Insurance Guaranty Association to defend the Receivers' "no coverage" posture will be considered for reimbursement, as the assets of the Estate permit.

If you have any questions please feel free to contact me.

Sincerely,

Jeffrey Naimoli, Assistant Director
Reinsurance & Estate Management

JB:ic
Realm/QualityHRServices

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REALM NATIONAL INSURANCE COMPANY

Via facsimile (248-616-2130)
and Certified Mail (Return Receipt Requested)

Mr. Gary Wetstein
Ms. Lessa Kamen
SpectrumHR, LLC
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

February 20, 2004

Re: Realm National Insurance Company ("Realm National")

Dear Mr. Wetstein and Ms. Kamen:

This is further to my letter to Mr. Wetstein dated October 10, 2003 (additional copy attached), in which Realm National informed you: (a) that American Insurance Marketing, Inc. and its affiliates and subproducers (collectively, "AIM") has never been authorized to bind insurance coverage on behalf of Realm National: (b) that no coverage purportedly "bound" by AIM will be recognized as valid by Realm National and (c) that all such coverage should be considered void *ab initio*. My letter followed a telephone conversation on September 22, 2003 between Stephen A. Crane, Realm National's Chairman, and Mr. Wetstein, in which Mr. Wetstein was informed directly of these same facts.

It has recently come to Realm National's attention that, despite these communications, SpectrumHR, LLC ("SpectrumHR") has continued to make representations to various third parties, notably including the State of New York Workers Compensation Board, that Realm National is the insurer on one or more policies of workers compensation insurance issued to SpectrumHR. For example, Realm National understands that SpectrumHR has represented recently that it has coverage under a policy allegedly issued to it by Realm National covering the period from April 1, 2003 through April 1, 2004, and bearing policy number "SHR112001-IN2".

Please be advised that Realm National has never issued any policies of insurance covering SpectrumHR or its clients. If you are in possession of any document purporting to represent such a policy, we demand that you provide us with a copy immediately.

Over and above Realm National's repeated statements to you that no coverage exists, you should also be aware of certain additional facts that, among many others, confirm that AIM could not even have validly issued certificates of insurance, much less actual insurance policies. Indeed, as of April 1, 2003, the date on which the purported "coverage" referred to above allegedly incepted:

- AIM had executed an agreement with Realm National (and others) in which it acknowledged that: "WHEREAS, the parties hereto agree and acknowledge that **this Agreement does not permit the binding of**

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coverage or issuance of Certificates of Insurance until the First Closing. The First Closing is subject to the satisfaction of various conditions as set forth in this Agreement." (emphasis supplied)

The "First Closing" referred to in this Agreement not only had *not* occurred by April 1, 2003 but, in fact, *never* occurred. There was no other agreement in effect between AIM and Realm National that related to the possible binding of coverage by Realm.

- In that same agreement, AIM agreed that it: "**[AIM] shall not issue**, and shall use its (i) best efforts to prevent any Affiliates, and (ii) commercially reasonable efforts to prevent any PEO clients of Buyer from issuing, **any Certificates of Insurance between the date of this Agreement** [March 23, 2003] **and the First Closing Date without the prior written consent of Realm.**" Indeed, AIM committed itself to: "deliver at the First Closing an **affidavit** certifying that **no employee of Buyer or its Affiliates has executed or authorized the issuance of any Certificate of Insurance prior to the First Closing Date**" (emphasis supplied).

No written consent to issue certificates ever was granted by Realm and, as noted above, the "First Closing Date" never occurred.

- On February 12, 2003, Bruce Holley, a Vice President of AIM, represented to Realm National (copy attached) that: "the authority under [his] license **will not be exercised to bind insurance or issue certificates** prior to the [sic] express written permission from Realm National Insurance Company." (emphasis supplied)

Realm National understands that Mr. Holley was the *only* AIM employee who *ever* had any form of license to broker insurance (though only in the State of Georgia). Realm National never granted written consent to Mr. Holley to bind insurance or issue certificates.

In view of the foregoing, Realm National demands that SpectrumHR its officers, directors, employees, affiliates and agents, cease and desist immediately from making any representations to any third parties purporting to confirm the existence or validity of any coverage purportedly issued to it by Realm National.

Realm further demands that SpectrumHR:

(i) Provide it immediately with a listing of all claims of which it is aware that have been noticed or submitted for payment by SpectrumHR, its clients or employees under coverage purportedly issued by Realm National;

(ii) Provide it immediately with copies of all documents supplied to (or received from) any third parties which purport to reflect Realm National's responsibility for any such claim, or its status as the insurer on any coverage produced or brokered by AIM (or by others pursuant to AIM's supposed authority); and,

(iii) Contact all persons to whom SpectrumHR has made any representations concerning Realm National's purported responsibility for any claim, or its status as the insurer on any coverage produced or brokered by AIM (or by others pursuant to AIM's supposed authority), and inform them in writing (with a copy to Realm National) of Realm National's position:

- That AIM is not now, nor has it ever been, authorized by Realm National to bind or issue coverage on its behalf;

- That no policies of insurance have ever been issued by Realm National on AIM-related business; and,
- That Realm National does not acknowledge either the validity of any such coverage, or responsibility for any claims asserted thereunder.

Realm takes a very serious view of the continuing misrepresentations noted above, especially those subsequent to the oral and written communications from us that put SpectrumHR on actual notice of the non-existence of coverage. These misrepresentations have already caused economic harm to Realm and will create substantial additional harm unless they are stopped immediately, and effective steps taken to rectify the harm already done. We earnestly hope that SpectrumHR's prompt and comprehensive response to this letter will prove sufficient to eliminate any need for future action. Nonetheless, as you will understand, Realm reserves all of its rights to seek appropriate redress for SpectrumHR's actions.

Sincerely,

Mark S. Sioma
President

mss/

attachment(s)

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REALM NATIONAL INSURANCE COMPANY

December 3, 2003

Mr. Gary Smith
Director of Coverage
South Carolina Workers Compensation Commission
P.O. Box 1715
Columbia, South Carolina 29202-1715

RE: Realm National Insurance Company – NAIC Company Code 15466

Dear Mr. Smith:

Per your request in a telephone conversation of November 19, 2003, with James Lawless, Realm National Insurance Company ("Realm National") provides the following information regarding the facts underlying the current status of our relationship with American Insurance Managers, Inc. of Atlanta, Georgia, and its affiliates ("AIM").

In a letter addressed to the Honorable Ernst Csiszar, Director of Insurance, dated December 12, 2002, Realm National reported the existence of unauthorized certificates of insurance issued to various "insureds" in South Carolina. A copy is attached. We believe that the certificates were issued commencing on or after October 1, 2002. The producer listed on the certificates was shown as American Insurance Managers, Inc. of Atlanta, Georgia ("AIM"), or one of AIM's subproducers. In all cases, the certificates purport to provide workers compensation coverage for professional employer organizations ("PEO's") and /or their clients.

An overview of the facts concerning the issuance of the unauthorized certificates is as follows.

1. The issuance of unauthorized certificates was first brought to Realm National's attention by regulators in Texas and Florida on November 19 and 20, 2002, respectively.

2. On November 20, 2002 at 6:08 p.m., the General Counsel of our Holding Company sent an e-mail to Mr.David Dennett-Smith, the CEO of AIM, discussing these two certificates and closing, as follows: "Finally, we encourage you to take whatever further steps you deem necessary in order to eliminate the obvious misperception in the ranks that AIM has authority to bind cover for Realm";

3. After various denials and facile explanations by AIM, AIM's direct responsibility for the issuance of these and other unauthorized certificates was confirmed by copies of AIM's own e-mails, which were forwarded to the General Counsel by a third party late in the evening of Thursday, November 21, 2002;

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4. Realm National (and its ultimate parent, AlphaStar Insurance Group) again informed Mr. Dennett-Smith by telephone on the morning of Friday, November 22, 2002, that AIM did not have any authority to issue certificates of insurance or to bind coverage on behalf of Realm National.

5. At all times during the period before AIM was specifically told that it lacked any authority to act on behalf of Realm National:

   (a) No employees or officers of Realm National (or its affiliates) had any substantive contact with any putative "insureds", including any located in South Carolina, or with any PEOs, including PEOs purporting to represent "insureds" located in South Carolina.[1] No certificates of insurance were ever generated by Realm National or at its direction, nor were binders or insurance policies ever issued by Realm National, whether for South Carolina-based risks or otherwise, and the "policy numbers" referenced on the unauthorized certificates were in a format wholly foreign to any ever utilized by Realm National;

   (b) The only written agreement between *any* affiliate of Realm National and AIM prior to March 21, 2003 that related in any way to the subject of Realm National issuing insurance coverage was a letter of intent, dated October 2, 2002 ("Letter of Intent"), between AIM and Stirling Cooke North American Holdings Ltd. ("SCNAH" - Realm National's immediate parent). The Letter of Intent (a complete copy of which is attached) stated only the following with respect to the issue of AIM's possible authority to act as an agent of Realm National:

> SCNAH shall use its best efforts to cause Realm, *subject to any necessary regulatory approvals*, to enter into a general agency agreement with AIM, pursuant to which Realm *would agree to consider* in good faith the writing of business *introduced by AIM* to the extent that it *meets Realm's underwriting criteria*. SCNAH further shall use its best efforts to cause Realm, subject to any necessary regulatory approvals, to enter into a claims service agreement between and among Realm, the TPA's and the insureds. (at page 3, penultimate paragraph – emphasis supplied)

As of November 22, 2002, no forms of general agency agreement or claims service agreement had been agreed by the parties, nor had regulatory approval of such agreements (the former clearly required under New York law) been sought or obtained;

[1] The only justification that AIM has ever offered for its having issued certificates of insurance is the self-serving contention that the undersigned, as Realm National's President, orally agreed to AIM's binding of workers compensation risks at meetings with AIM on November 8 and 22, 2002 at which (not coincidentally) I was the only representative of Realm (or its affiliates) present. The latter meeting was, of course, after the e-mail and oral advice to AIM that no authority existed, as referred to in items 2 and 4, above. Moreover, AIM has not explained how this purported oral representation could have superceded the terms of *every* contemporaneous written document that expressly governed the insurance program (*see* points 5(b) and 6), including agreements to which Realm National was *not a party*. Nor has anyone alleged that I ever made similar comments to any PEO or putative "insured."

Realm National had been given no underwriting materials whatsoever by AIM, and thus had not had the opportunity to determine whether *any* risks met Realm National's underwriting criteria[2]. While not expressly required under the Letter of Intent, it also bears mention that, as both Realm National and AIM were fully aware on November 22 that: AIM had no agency appointments from Realm National; no systems were in place to issue policies, process claims or handle required statistical reporting; and there was no reinsurance in place (without which Realm National could not have written the coverage). AIM also knew (as Realm National then did not) that AIM was not licensed as a broker in any state except perhaps Georgia

In short, Realm knew prior to November 22 that *none* of the conditions precedent in the Letter of Intent had been met and that other vital elements of the program were missing and took no action that might have conveyed the impression that the binding of coverage was authorized. Neither AIM nor, most importantly, the PEOs or "insureds" could have had any cause – based on Realm National's conduct – for an understanding that AIM was Realm National's "agent."

6. At all times prior to November 22, 2002, the PEOs themselves also had to have been aware that the issuance of coverage was subject to various conditions precedent, none of which had been fulfilled by that time. For example:

   (a) A document entitled "PEO Qualification Requirements", which was distributed by AIM to prospective PEO clients, stated in bold large-point type, as follows: "**PLEASE NOTE: No coverage shall be bound until a completed underwriting application and information has been received, reviewed, and accepted by the issuing insurance company. Written confirmation of coverage will be provided and coverage will become effective upon receipt of the required deposit premium amount.**"

   (b) A document entitled "Subscription Statement", also apparently distributed to the PEOs by AIM, stated in bold large-point type, as follows: "**Requirement for Enrollment – (Total of Four Pages – Please read carefully) – Enrollment and Compliance with this application is not confirmation of coverage and no coverage will be provided until all risks have been reviewed and accepted by the insurance company. After review and acceptance of completed underwriting application, then written confirmation of coverage will be provided to you by the insurance company and your coverage will become effective upon your premium payments.**"

   (c) A document entitled "Escrow Agreement", also apparently distributed by AIM to the PEOs, provided in relevant part, that: "This Agreement does not constitute...a binding obligation of [AIM] to make the [insurance] program available to PEO or assure the issuance of any insurance policy,

[2] Realm National can show that the underwriting materials for Quality HR were not provided to it until December 3 at the *earliest*. I do not address at all the consistent failure of the underwriting data submitted by AIM thereafter to satisfy Realm National's underwriting criteria.

which in any case will be subject to underwriting approval. Following the execution of this Agreement, [AIM] will cause the Final Contracts to be developed and will commence the underwriting process, and if the carrier or carriers are willing to issue the insurance policies, the Final Contracts will be executed and will be binding, and the contemplated insurance policies will be issued."

As of November 22, 2002, Realm had not received, reviewed or accepted any "completed underwriting application and information" from any PEO or "insured"; Realm never issued any "written confirmation of coverage" to any PEOs or "insureds"; and no "Final Contracts" had been drafted, much less executed. Realm National did nothing to suggest to AIM or to the PEOs or "insureds" that these conditions precedent to the issuance of coverage might have been fulfilled. Thus, neither AIM nor the PEOs or "insureds" could reasonably have been under any misimpression – again, based on any conduct or representations of Realm National, as opposed to AIM - that the coverage being "bound" was valid.

7. Realm National immediately and publicly repudiated the "coverage" after November 22, 2002. As you are undoubtedly aware, in the days and weeks following Realm National's realization that unauthorized certificates had been issued, Realm National sent, among many others, the following notices:

   - On December 12, 2002, to the Honorable Ernst Csisznar, Director of Insurance of South Carolina;
   - On December 10, 2002, and January 3, 2003, to Mr. David Evette of Quality HR in Travelers Rest, South Carolina;
   - On or about December 13, 2002, to every holder of an unauthorized certificate known to Realm National to be located in the State of South Carolina;
   - On or about December 18, 2002, to every "insured" shown on an unauthorized certificate known to Realm National to be located in the State of South Carolina.

Copies of these letters (not including attachments) are self-explanatory and are attached. Similar letters were sent to analogous recipients in every state known to have been affected. All (except the certificate holder letters) also were copied to Mr. Dennett-Smith of AIM. Realm National has further and subsequent correspondence with officials in South Carolina which it is prepared to make available upon request.

8. As you also probably are aware, Realm National (and certain affiliates) filed a lawsuit in the Federal District Court for the Southern District of New York on December 27, 2002 seeking, among other relief, a declaration that AIM was not authorized to represent itself as an agent of Realm National. While the merits of that claim were never reached, it bears noting that AIM represented to the Court at pages 1-2 of their memorandum of law in opposition to the motion for a temporary restraining order, dated January 10, 2003, that:

   [Defendants do not admit any of the allegations.] "Nevertheless, Defendants are otherwise prepared to agree not to market or sell insurance on behalf of or use the name Realm [,] not to hold themselves out as an agent of Realm, unless they are allowed to do so pursuant to

the terms of the Loan Agreement and/or the Pledge Agreement. **Defendants have already ceased engaging in any of the actions described in the first two requests"** (emphasis supplied).

The "first two requests" (as set out in AIM's own papers) read: "(1) marketing or selling insurance on behalf of or using the name of Plaintiff Realm National Insurance Company ('Realm'), (2) holding themselves out as any type of representative of Realm or as owner of Realm..." It is worth noting that unauthorized certificates continued to be issued after the date of this representation.

9. On February 12, 2003, Mr. Holley of AIM (to Realm's knowledge the only employee of AIM with an insurance agency license) wrote at the General Counsel's request that "[t]his is to advise, and to confirm, that the authority under my license will not be exercised to bind insurance or issue certificates prior to the [sic] express written permission from Realm National Insurance Company." No such written permission has ever been granted.

10. At the instigation of the Judge in the New York action, the parties attempted for many weeks in early 2003 to negotiate agreements that would permit the sale of Realm National to AIM. Those negotiations resulted in a Purchase and Sale Agreement, dated as of March 21, 2003, which provided, in pertinent part: "WHEREAS, the parties hereto agree and acknowledge that this Agreement does not permit the binding of coverage or issuance of Certificates of Insurance until the First Closing. The First Closing is subject to the satisfaction of various conditions as set forth in this Agreement." The conditions precedent to the occurrence of the First Closing have never occurred, although we now understand that unauthorized certificates of insurance continued to be issued by AIM after the date of the Agreement.

11. After it became evident in the late summer of 2003 that the sale of Realm National to AIM was unlikely to occur for numerous reasons, AIM commenced a lawsuit in the Delaware Chancery Court, in which it has sought to compel the re-registration of the stock of SCNAH (which owns 100% of Realm National's stock). That action, which is being vigorously contested, remains pending.

It must be noted that, throughout this entire process, Realm National never received a single penny of premium in respect of any of the "coverage" represented by the unauthorized certificates. Moreover, Realm National has never paid any claims arising under this "coverage" nor ever been requested to do so by AIM. Indeed, Realm understands that AIM has been paying all such claims directly, which Realm National submits is a clear acknowledgment by AIM of its ultimate responsibility for the liabilities generated by its conduct in issuing the certificates in the first instance.

We would be pleased to provide you with any further information that would be helpful to your consideration of this matter, including sworn statements attesting to the facts set forth above.

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For further information, please feel free to contact the undersigned or, in my absence, the General Counsel of Realm National's holding company, James Lawless IV (212-422-0770).

Sincerely,

Mark S. Sioma, President
Realm National Insurance Company
(212-269-6700, ext. 118)

mss/

attachment(s)

995

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Mr. Gary Wentstein, C.E.O
Spectrum HR
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) [signature] C. Date of Delivery 10/14/03

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7002 2410 0005 7058 7806

PS Form 3811, August 2001 Domestic Return Receipt 2ACPRI-03-Z-098

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CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	$ .37
Certified Fee	2.38
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 4.42

Postmark Here

Sent To
Mr. Gary Wentstein, C.E.O
Street, Apt. No.; or PO Box No. Spectrum HR
550 Stephenson Highway, Suite 203
City, State, ZIP+4 Troy, Michigan 48083

PS Form 3800, June 2002 See Reverse for Instructions

7002 2410 0005 7058 7806

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REALM NATIONAL INSURANCE COMPANY

October 10, 2003

Mr. Gary Wetstein, C.E.O
Spectrum HR
550 Stephenson Highway, Suite 203
Troy, Michigan 48083

Re: Unauthorized Workers Compensation Coverage – Realm National Insurance Company

Dear Mr. Wetstein,

Most recently, Realm National Insurance Company ("Realm National") received notice of workers compensation claims under a policy purportedly bound between you, or your clients, and Realm National. It is our understanding that the representations of coverage were made by American Insurance Marketing, Inc. or its affiliates ("AIM").

We write to advise that no such coverage was ever authorized, and will not be recognized by Realm National. If you are relying upon coverage allegedly bound by AIM with Realm National, we strongly encourage you to immediately seek coverage from insurance company. We understand that certificates of insurance may have been issued which purport existence of coverage. Any such certificates of insurance should be consider void *ab initio* ("from the beginning") and should not be relied upon as evidence of actual workers compensation insurance from Realm National. Any certificate holders known to you should be immediately notified.

We have been advised that you are already aware of this situation by virtue of a telephone conversation that you had with Realm National's Chairman, Mr. Stephen Crane on September 22, 2003. In addition, after meeting with Ms. Lessa Kamen from your staff on or about June 18, 2003, we notified AIM in order to ensure that no misunderstanding would occur with regard to AIM's absence of standing to bind coverage. See attached correspondence.

If you have any questions, please feel free to contact me or, in my absence, the General Counsel of our holding company, James Lawless (212-422-0770).

Sincerely,

Mark S. Sioma
President

CC: Mr. David Dennett Smith, President,
American Insurance Marketing, Inc.

125 MAIDEN LANE FIFTH FLOOR NEW YORK, NY 10038 PHONE (212) 269-6700 FAX (212)269-6758

Mark Sioma 06/20/2003 12:25

To: slandin@aimmanagment.com
cc: Roni Zinnert/REALMNY/SCB@BDACOS, bholley@aimmanagement.com, dds@aimmanagement.com
Fax to:
Subject: Re: Spectrum

Steve, Just a short note to follow up on our discussion from yesterday.

In our Wednesday meeting with Lessa Kamen of Spectrum and Russ Huston of USIG, Lessa made a comment that suggested she might believe that her clients are currently bound with Realm. In an effort to avoid any possible misunderstandings you indicated that you would confirm to me in writing that coverage is not bound on this risk. I would appreciate receiving the letter ASAP.

Obviously, once we complete the first closing, finalize licensing and appointments and determine the risk is acceptable under the underwriting guidelines the risk could be bound.

Thanks.

mss/

REALM NATIONAL INSURANCE COMPANY

December 12, 2002

Honorable Ernst Csiszar
Director
South Carolina Dept. of Insurance
300 Arbor Lake Drive
Suite 1200
Columbia, South Carolina 29223

RE: Realm National Insurance Company – NAIC Company Code 15466

Dear Director Csiszar,

Over the last few weeks, Realm National Insurance Company ("Realm National") has discovered that certain ACORD Certificates of Liability Insurance may have been issued to various "insureds" in South Carolina, which purport to reflect the existence of coverage from Realm National. We believe that the certificates were issued commencing on or after October 1, 2002. The producer listed on these certificates will be shown either as American Insurance Managers, Inc. of Atlanta, Georgia ("AIM"), or one of AIM's sub producers. In all cases, the certificates purport to provide workers compensation coverage for professional employer organizations ("PEO's") and/or their individual clients.

We feel it is important to note that Realm National's parent has been involved in negotiations with AIM which contemplated that AIM would be authorized at some point to represent Realm for workers compensation. However, at the time the certificates were issued (and indeed up to the present) AIM was not so authorized.

We are currently in the process of trying to identify every certificate that was issued to an insured in South Carolina and are undertaking to notify every such "insured" and certificate holder that **the certificate was not authorized by Realm, does not reflect the existence of actual coverage, and should be considered void *ab initio*.**

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We are sending this notice in order:

(a) to alert you to this situation in the event that your office receives any inquiries concerning such certificates;

(b) to request that you advise Realm National if there are any specific items that your office will require (or would prefer be contained) in the notice to the "insureds";

(c) to solicit your thoughts and advice as to how we might most effectively reach the "insureds" located in your state; and

(d) to offer whatever further information and assistance we can to your office in connection with this regrettable situation.

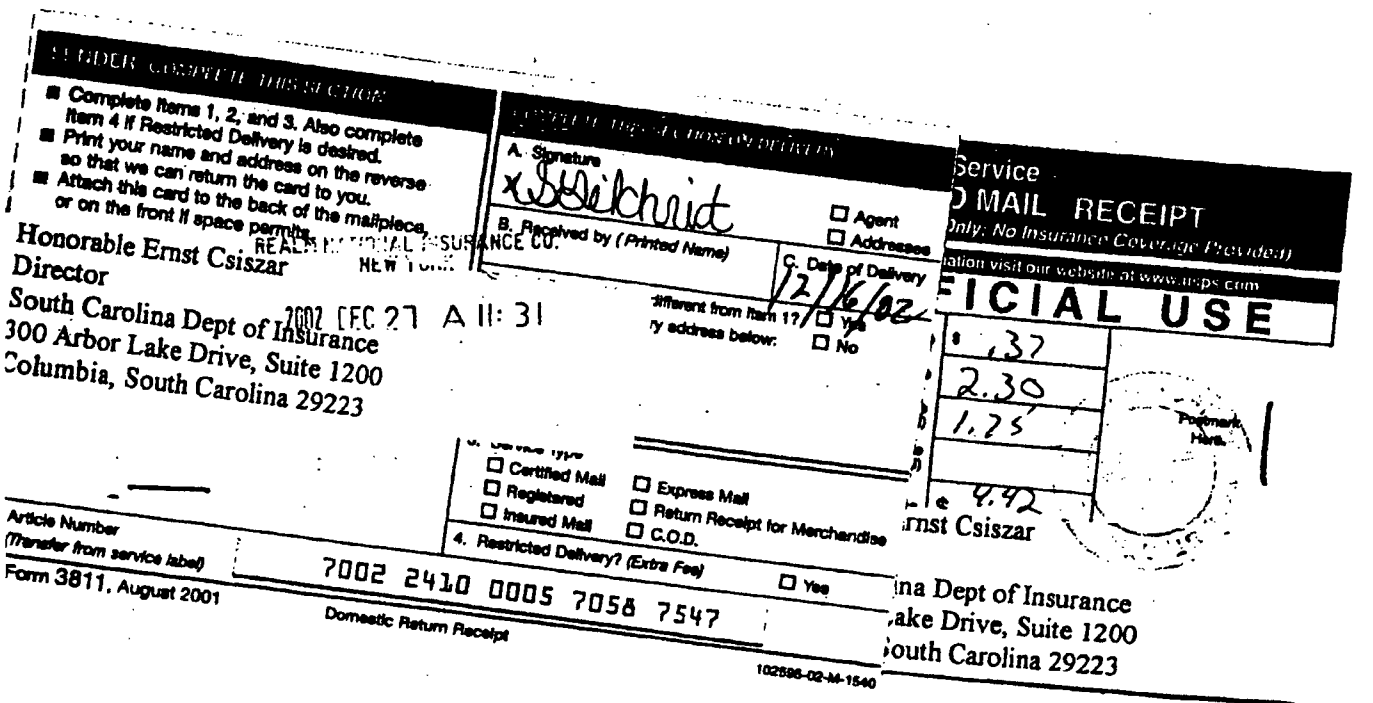
For further information, please feel free to contact the undersigned or, in my absence, the General Counsel of Realm National's holding company, James Lawless IV (212-422-0770).

Sincerely,

Mark S. Sioma, President
Realm National Insurance Company
(212-269-6700, ext. 118)

CC: Mr. David Dennett Smith, President,
American Insurance Marketing, Inc

Mr. Kenneth Gingrass, Principal Insurance Examiner
New York Department of Insurance



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