

STATE OF SOUTH CAROLINA
In the Court of Appeals

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APPEAL FROM CHARLESTON COUNTY
Court of Common Pleas

APR 24 2014

SC Court of Appeals

The Honorable Roger M. Young
Case No. 2011-CP-10-400

Jacquelin S. Bennett, Genevieve S. Felder and Kathleen S. Turner, individually,
as Co-Trustees and beneficiaries of the Marital Trust and the Qualified
Terminable Interest Trust created by the Thomas Stevenson Will, and
Jacquelin S. Bennett, and Kathleen S. Turner, as Co-Personal Representatives
on behalf of the Estate of Jacquelin K. Stevenson,

Appellants,

v.

T. Heyward Carter, Jr.; Evans, Carter; Kunes & Bennett, P.A.; Douglas Capital
Management, Inc.; Dixon-Hughes f/k/a Pratt-Thomas Gumb & Co., P.A.; and
Lynne L. Kerrison.

Defendants,

Of Whom

Dixon-Hughes f/k/a Pratt-Thomas Gumb & Co., P.A.; and
Lynne L. Kerrison are

Respondents.

RECORD ON APPEAL
Volume 3, Pages 985-1485

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Index

VOLUME 1

Orders

Order Granting Defendants Dixon Hughes PLLC and Lynne Kerrison's
Motion for Summary Judgment, filed July 3, 2013 1

Order on Plaintiffs' Motion to Alter or Amend Pursuant to Rule 59(e),
SRCP, filed August 9, 2013 23

Amended Order on Plaintiffs' Motion to Alter or Amend Pursuant To Rule
59(e), SCRP, filed August 20, 2013 27

Pleadings

Complaint, filed April 24, 2009 31

Notice of Filing Expert Affidavit as Supplement to Complaint (Freeman),
filed May 11, 2009 40

Notice of Filing Expert Affidavit as Supplement to Complaint (Durant),
filed May 15, 2009 52

Answer of Defendants T. Heyward Carter, Jr. and Evans, Carter, Kunes &
Bennett, P.A., dated August 5, 2009 65

Answer of Defendants Lynne Kerrison and Dixon Hughes, dated September 8, 2009 77

Amended Complaint, dated May 29, 2012 88

Answer of Defendants Lynne Kerrison and Dixon Hughes to Amended Complaint,
filed June 13, 2012 97

Motions and Memoranda

Defendants' Lynne Kerrison and Dixon Hughes' Motion for Summary Judgment,
filed July 13, 2012, with Exhibits A-F 108

Brief in Support of Defendants Lynne L. Kerrison and Dixon Hughes' Motion
for Summary Judgment, dated April 26, 2013 296

Plaintiffs' Memorandum in Opposition to Dixon Hughes Defendants' Motion for Summary Judgment, dated April 28, 2013 (With Attachments)	330
Plaintiffs' Supplemental Memorandum in Opposition to Dixon Hughes Defendants' Motion for Summary Judgment, dated April 29, 2013	439
Plaintiffs' Objections to Proposed Order of Defendants Lynn Kerrison and Dixon Hughes, or in the Alternative, Motion to Amend a Response to a Request to Admit, dated June 19, 2013	453
Response to Plaintiffs' Objections to Proposed Order Of Defendants on Summary Judgment, and to Alternative Motion to Amend a Response to Request to Admit, dated June 24, 2013	464
Plaintiffs' Reply to the Response to Plaintiffs' Objections To Proposed Order, dated June 26, 2013	467
Plaintiffs' Motion to Alter or Amend Pursuant to Rule 59(e), SRCP, filed July 22, 2013	469
Defendants' Response to Plaintiffs' Motion to Alter or Amend Judgment, dated July 25, 2013	484

VOLUME 2

Transcripts

Depositions of Kathleen Turner (2011), filed April 29, 2013 and Exhibits 3, 5,6, and 22	489
Deposition of Lynn Kerrison (2011), filed April 29, 2013	883

VOLUME 3

Deposition of Lynn Kerrison (2011), filed April 29, 2013 (continued from Volume 2 of Record)	985
Kerrison Dep. Exhibit 3	1034
Deposition of Lynn Kerrison (2009), filed May 10, 2012	1035
Deposition of Heyward Carter (9-24-2008), filed May 10, 2012	1230
Carter Dep. Exhibit 3	1454

Carter Dep. Exhibit 33	1481
Carter Dep. Exhibit 40	1482
Carter Dep. Exhibit 42	1484

VOLUME 4

Deposition of Heyward Carter (2011), filed May 11, 2012	1486
Deposition of Thomas Stevenson, dated February 13, 2013	1576
Transcript of Hearing of April 29, 2013	1818

Exhibits

Exhibits A-E to Respondents' Requests to Admit to Plaintiff Kathleen S. Turner, Jacquelin S. Bennett, and Genevieve S. Felder	1875
Certificate of Counsel	1902

1 I do not remember doing this at all.

2 Q. All right. So looking at now what we've
3 marked as Exhibit Number 10, this is the 2005 tax
4 return for Tom Stevenson, and this tax return also
5 includes information on Fabtech, Commerce Circle,
6 Paloma Partners, Easy Tray. Is that correct? And
7 again, if you look, there's a Passthrough Recap -
8 Basic Information sheet halfway into the Exhibit
9 Number 10.

10 A. Uh-huh. I mean, it's all on there.

11 Q. And looking at toward the end, again, fifth
12 or sixth page from the end, Bates Number 29659, do
13 you see that it indicates as preparer's printed
14 name, it's your name, Lynne Kerrison? Is that
15 correct?

16 A. Yes.

17 Q. Now, in addition to you and your firm
18 preparing tax returns for Tom Stevenson with your
19 name of 2004 and 2005, were you aware that your
20 firms, the first being Pratt-Thomas, the last being
21 Dixon Hughes, prepared Tom Stevenson's individual
22 tax returns from the date 1999 through 2008?

23 A. That's for Tom?

24 Q. Yes, Tom.

25 A. I knew that we did Tom's work. I don't

1 know the dates.

2 Q. Now, turning our attention to another
3 Stevenson family member, and that is Kathleen. I
4 believe your earlier testimony was that you did
5 prepare tax returns for Kathleen, but you couldn't
6 remember the years?

7 A. Correct.

8 Q. Is there anything that we can look at to
9 refresh your recollection as to what years?

10 First of all, let me ask it this way. Let
11 me start over again. How many years? Was it more
12 than one year that you prepared Kathleen's tax
13 returns?

14 A. Yes.

15 Q. Was it more than three?

16 A. Probably, yes.

17 Q. Did you begin preparing Kathleen's tax
18 returns when you were with Pratt-Thomas Gumb?

19 A. Yes.

20 Q. Were you continuing to prepare Kathleen's
21 tax returns when you were with Dixon Hughes?

22 A. That may be the -- I would say probably.

23 Q. And we could find out --

24 A. Uh-huh.

25 Q. -- through computerized list --

1 A. Yes.

2 Q. -- that the firm holds, correct?

3 A. Uh-huh.

4 Q. All right. So we've talked about Tom;
5 we've talked about Kathleen. Let's turn our
6 attention now to Dan Stevenson. How many years
7 did -- do you recall that you prepared Dan
8 Stevenson's tax returns?

9 A. Probably -- I don't remember exactly when,
10 but I would say probably about the same time frame
11 that we prepared the trust. I don't remember when
12 we started preparing his return, but I would say
13 it's probably that same time frame. So 19 -- I
14 don't know if we prepared his 1997 return, but it
15 would probably be in that range. I don't remember.

16 Q. So in the late 1990s through until when?

17 A. I don't remember. Probably about the same.
18 Maybe 2006 or so, something like that. 2006/2007.

19 Q. I'm going to hand you what we will mark
20 next in order as Exhibit 11.

21 (Exhibit No. 11 was marked.)

22 BY MS. WALL:

23 Q. This is what appears to be a 2004 tax
24 return for Dan Stevenson. And if you'll turn to the
25 third to the last page, does this indicate that you

1 were the preparer, Lynne Kerrison --

2 A. Right.

3 Q. -- and, in fact, signed by you?

4 A. Yes. I knew I did these.

5 Q. And this particular one was signed on
6 October 15th, 2005, correct? And again, I'm looking
7 at the third to the last page. This is Bates Number
8 27868.

9 A. Yes.

10 Q. And did you have occasion to -- was Dan
11 Stevenson your client? In other words, you were the
12 one who for all of these years prepared -- usually
13 prepared his tax returns?

14 A. Yes.

15 Q. And Dan Stevenson's tax return, if we look
16 a few pages in, includes information on Carolina
17 Fresh Cuts and Easy Tray, correct?

18 A. Carolina Fresh Cuts is the same thing as
19 that Too Goo Doo Farms from earlier.

20 Q. So Carolina Fresh Cuts, same thing as Too
21 Goo Doo Farms; and then a few more pages in, there's
22 information on Easy Tray. I'm looking at Bates
23 27842. Is that correct?

24 A. Yes.

25 Q. And your firm also prepared the partnership

1 tax returns for Easy Tray. Do you recall that?

2 A. Yes, they did.

3 Q. Okay.

4 (Exhibit No. 12 was marked.)

5 BY MS. WALL:

6 Q. I'm going to hand you what we've marked as
7 Exhibit 12 and ask you if you recognize this as a
8 copy of the 2005 tax return prepared by your firm
9 for Easy Tray, LLC, a U.S. Return of Partnership
10 Income form?

11 A. Yes.

12 Q. And do you recall that, in fact, one of
13 your shareholders at Pratt-Thomas Gumb was on the
14 board of managers and an investor in Easy Tray, LLC?

15 A. Yes.

16 Q. And was that Harold Pratt-Thomas?

17 A. Yes, ma'am.

18 Q. Did your accounting firm also prepare tax
19 returns for Commerce Circle on behalf of Tom
20 Stevenson?

21 A. I think so. I don't know definitely, but I
22 would assume. Yes.

23 Q. Do you have any recollection that those tax
24 returns were prepared for Commerce Circle on behalf
25 of Tom Stevenson for the years 1999 through 2008?

1 A. I do not know that definitely.

2 Q. But you are familiar with the name Commerce
3 Circle and are familiar that your firm, Pratt-Thomas
4 and then your firm Dixon Hughes, did prepare tax
5 returns?

6 A. If it was one of Tom's companies, I would
7 assume, yes, we prepared it.

8 Q. Are you aware that Pratt-Thomas Gumb and
9 then Dixon Hughes prepared tax returns for Tom
10 Stevenson's company, Fabtech, F-A-B-T-E-C-H?

11 A. I am aware of that, yes.

12 Q. And are you aware that those returns were
13 prepared from 1999 through 2008?

14 A. And again, I don't know the dates, but I do
15 know that we did prepare them.

16 Q. Are you also aware that in 1999
17 Pratt-Thomas Gumb prepared an audit of Fabtech?

18 A. I knew that we did some attest services
19 for Fabtech, yes.

20 (Exhibit No. 13 marked.)

21 BY MS. WALL:

22 Q. I'm going to hand you what we've marked as
23 Exhibit 13 and ask if you can identify this as a
24 copy of the audit prepared by Pratt-Thomas Gumb as
25 to Fabtech, Inc., dated March 16th, 2000, with an

1 audited date of December 31st, 1999?

2 A. Yes, this would -- prepared by Pratt-Thomas
3 & Gumb.

4 Q. Did you have any role in the audit?

5 A. Not at all.

6 Q. Do you know who prepared this audit on
7 behalf of Pratt-Thomas, Gumb & Company, P.A.?

8 A. You mean who the audit partner was?

9 Q. Yes.

10 A. I'm assuming Barry was audit partner, Barry
11 Gumb.

12 Q. And why do you assume that?

13 A. Because Tom was his client. And his
14 entities.

15 Q. Did Barry Gumb discuss with you at any time
16 his findings in this audit that the information,
17 including negative cash flows from operating
18 activities, raised substantial doubt about its
19 ability to continue as a going concern?

20 A. No. Never.

21 Q. As a shareholder in Pratt-Thomas Gumb, did
22 the shareholders have occasion to meet together to
23 discuss their activities on their professional
24 services on behalf of clients when more than one
25 shareholder was servicing those clients?

1 A. We did not.

2 Q. When your firms were preparing estimated
3 taxes for the two trusts each year, to whom would
4 you give that information?

5 A. You mean as far as what kind of net income
6 the trusts were going to have?

7 Q. And what the tax liability might be so that
8 the taxes -- they would be prepared to pay the
9 taxes.

10 A. Tom or Dan -- usually the income would pass
11 through to Mrs. Stevenson, and so she would be the
12 one that would have the tax liability. So if there
13 was a large tax liability, you know, I would
14 communicate with Tom or Dan or both about, you know,
15 making sure they had the money to pay the tax.

16 And if it was anything other than that -- I
17 know one time I did speak -- you know, like I've
18 already said, I spoke to Heyward about some taxation
19 interest on the trust. And I don't remember if I
20 talked to Heyward about any other tax issues over
21 the years. I don't remember that.

22 Q. But if there were going to be taxes due,
23 you would let one or more of the trustees know so
24 they'd be prepared to pay the taxes, correct?

25 A. Yes.

1 (Exhibit No. 14 was marked.)

2 BY MS. WALL:

3 Q. I'm going to hand you a group of documents
4 that we've marked as Exhibit 14 and ask you if these
5 are examples of letters that you would write to Dan
6 Stevenson, as trustee, concerning taxable matters,
7 estimated taxes due --

8 A. Do you have --

9 Q. Except for the last one, which has to do
10 with the Q-Tip trust and is a remittance to the IRS.
11 Are these examples of the type of letters that you
12 would write to the trustee with regard to the trust?

13 A. Yes.

14 Q. Okay.

15 (Exhibit No. 15 was marked.)

16 BY MS. WALL:

17 Q. Handing you what we've marked as Exhibit
18 15, this appears to be a letter to you from Norman
19 Stevenson. And there's no date at the top, but it
20 references a copy of income tax returns and
21 estimated tax vouchers for the period ending
22 December 31st, 2000, and it references the Q-Tip
23 trust. Do you see that?

24 A. Yes.

25 Q. Mr. Norman Stevenson was not alive when

1 this letter was written, was it?

2 A. What this is right here is that was the
3 actual -- the true name on the trust. And so this
4 just came from our software because it was the
5 Norman S. Stevenson, et al. trust, and the name of
6 the trust was never changed. So that's just the
7 first line of the tax return. That's not who --
8 this is a copy of the letter that goes with the
9 actual tax return itself. That's just the name of
10 the trust. If the name of the company was ABC
11 Company, Inc., that would have said ABC Company,
12 Inc.

13 Q. So this actually is just a document that's
14 part of a tax return that goes to the IRS?

15 A. This is an internal copy for the client.
16 This doesn't go anywhere. It's just a copy of the
17 letter that goes with the tax return to the client.

18 Q. And so would this letter have gone to Dan
19 Stevenson as the trustee?

20 A. If he was the person that got a copy of the
21 tax return, it would have gone to him. Whoever got
22 a copy of the tax return.

23 Q. Well, who did get the copy of the tax
24 return on behalf of the Q-Tip trust?

25 A. Tom came in sometimes to sign the copy of

1 the tax returns.

2 Q. So it was either Tom or Dan?

3 A. Correct.

4 Q. I also note that this goes to P.O. Box 973,
5 and that actually is Pratt-Thomas Gumb's --

6 A. Right.

7 Q. -- P.O. Box --

8 A. Right.

9 Q. -- correct?

10 A. Right. But either Tom or Dan would come in
11 and sign the tax returns.

12 Q. Now, we've talked about Tom Stevenson, Dan
13 Stevenson, Kathleen Turner -- Kathleen Stevenson
14 Turner, Mrs. Stevenson, Fabtech, Commerce Circle,
15 and I believe we talked about Easy Tray. You were
16 aware that Pratt-Thomas Gumb prepared returns for
17 Easy Tray. Correct?

18 A. Yes.

19 Q. What about Con-Vel? What information do
20 you have on that? Were you aware that your firms
21 prepared returns for Con-Vel for a number of years
22 during its existence?

23 A. Again, if that's one of Tom's entities,
24 then I would assume we did.

25 Q. Did either of your firms prepare -- provide

1 accounting services to Jacquelin Stevenson Bennett?

2 A. To my knowledge, no.

3 Q. What about to her husband William Bennett?

4 A. To my knowledge, no.

5 Q. Same question with regard to Genevieve
6 Felder?

7 A. To Mrs. Felder, no.

8 Q. Mrs. Felder, Mrs. Genevieve Felder?

9 A. No.

10 Q. Any other Felder?

11 A. This has just come to my attention
12 recently, but Rudy Thomas may have prepared the tax
13 return for her -- I think her daughter. Maybe it's
14 her daughter's ex-husband. But there's somebody --
15 somebody there.

16 Q. Now, other than preparing tax returns for
17 Dan Stevenson, what other work, accounting work, was
18 provided to Dan Stevenson? Other than what we've
19 already talked about.

20 A. His individual tax return.

21 Q. And the Too Goo Doo Farms, Carolina Fresh
22 Cuts, Easy Tray would have been part of his
23 individual tax returns, correct?

24 A. Correct.

25 Q. That's where they'd be reflected?

1 A. Right.

2 Q. And those entities did not require -- let
3 me rephrase.

4 Too Goo Doo Farms, Carolina Fresh Cuts did
5 not require a separate tax return?

6 A. Correct.

7 Q. Easy Tray, however, did?

8 A. Correct.

9 Q. And your firms prepared that, correct?

10 A. Yes.

11 Q. Okay. Now, in your earlier testimony, you
12 stated that sometime in 2000 or 2001, you realized
13 that the trustees were obtaining loans from the
14 trusts, and you discussed this with Pat Neapolitan.
15 Tell us about that discussion, everything that you
16 can remember.

17 MR. SHARPLESS: Object to the form. Go
18 ahead.

19 A. Pat kept the books for Mrs. Stevenson and
20 for the trusts. And to my knowledge, she talked to
21 Mrs. Stevenson. I mean, she was the sole person
22 that I knew that had -- you know, spoke with
23 Mrs. Stevenson. And she kept all of the checkbooks,
24 wrote all of the checks for everything. And when
25 she would give me the ledger sheet and I looked at

1 it, you know, I called her to discuss, you know,
2 what the checks written to Dan were so I would know
3 how to handle it on the tax return.

4 BY MR. LEWIS:

5 Q. And what did she say to you?

6 A. She said that was money that was written to
7 Dan, and that's the part I cannot remember exactly
8 if she said that -- if she said -- I don't know if
9 she said Mrs. Stevenson knew about it or
10 Mrs. Stevenson said it was okay. I don't remember
11 that part.

12 Q. Well, when you had this conversation, even
13 though you don't remember the exact words that you
14 used, you didn't leave that conversation feeling
15 alarmed or unhappy, did you?

16 A. I -- no. I mean, but I did pick up the
17 phone and call Heyward about it. But it didn't --
18 it wasn't like -- I felt like -- I mean, I felt like
19 I needed to call Heyward about it, but I just can't
20 remember exactly what that conversation was with
21 Pat.

22 Q. Did Pat ever tell you, no, Mrs. Stevenson
23 doesn't know anything about it, this is a crisis,
24 this is awful?

25 A. Pat did not tell me anything like that.

1 Absolutely not.

2 Q. Did she tell you, oh, my goodness, I didn't
3 even realize what was going on?

4 A. Absolutely not.

5 Q. Did she tell you this was a terrible thing
6 and somebody need to do something about it?

7 A. Absolutely not. It was not that type of a
8 conversation.

9 Q. Did she indicate any concern to you when
10 you called her about the loans from the trust to
11 Dan?

12 A. No. There was -- it was just that they --
13 she had written these checks to Dan and that was
14 just a matter of fact. She had written --

15 Q. So she didn't --

16 A. She had written -- she had kept their books
17 for a long time, and I think she had written checks
18 to many people over the years. So it was just a
19 matter of fact.

20 Q. She indicated to you that in her keeping
21 the books over many years that in years gone by that
22 other checks had been written to Dan?

23 MR. LEWIS: Object to the form.

24 BY MS. WALL:

25 Q. Is that correct?

1 A. I can't say that she said that, but that
2 was kind of the -- I can't say that she said that.
3 But it was a matter-of-fact conversation.

4 Q. So she did not express concern to you?

5 A. She did not express concern; I know that.
6 And she, you know, talked to Mrs. -- I mean, she
7 took care of Mrs. Stevenson's records and had a
8 relationship with Mrs. Stevenson.

9 Q. And was it your understanding that she
10 talked to Mrs. Stevenson periodically about
11 financial matters?

12 MR. LEWIS: Object to the form.

13 A. It was my understanding that she had a
14 relationship with Mrs. Stevenson. She paid all of
15 her bills. I mean, she had the relationship with
16 her.

17 BY MS. WALL:

18 Q. How long had she had this relationship?

19 A. For a very long time. I don't know how
20 long, but for a very long time. She was employed by
21 Mrs. Stevenson.

22 Q. Did you go and meet with Pat Neapolitan?

23 A. I think when she brought stuff over to our
24 office, I may have sat down and met with her and
25 gone over what she brought. But as far as having me

1 going over to her office and meeting, no. But I
2 believe I did meet her when she came and brought the
3 information over.

4 Q. Did you ask her questions about the
5 information that she brought over?

6 A. Well, the questions that I asked were
7 things that I didn't understand, and that would have
8 been the checks that were written to Dan and if any
9 checks had been written to Tom.

10 Q. Did you meet with her to discuss those
11 checks?

12 A. I know I had a conversation with her. In
13 my mind, I believe the conversation was over the
14 telephone and not one on one in person. But I had
15 a -- you know, she called me and I -- you know, we
16 talked.

17 Q. How many times did you discuss with
18 Ms. Neapolitan the checks to Dan or Tom?

19 A. I can remember talking to her one time
20 about it. I can't say that I talked to her any
21 more.

22 Q. Were the checks from Mrs. Stevenson or the
23 trust?

24 A. If I remember correctly, there were some
25 checks from Mrs. Stevenson to Dan also, but I'd have

1 to go back and look.

2 Q. Did you raise a question to Ms. Neapolitan
3 with regard to the checks from Mrs. Stevenson to
4 Dan?

5 A. It would have been a general -- you know,
6 it wouldn't have been, You wrote this one for this
7 much, this much for that one. It would have been,
8 you know, here are these checks and what am I
9 supposed to do with them and that type of a
10 conversation.

11 Q. Well, when you began seeing these checks in
12 1999, did you ever call her?

13 A. And I don't remember exactly -- that's -- I
14 don't remember that. I just -- I don't think there
15 was as many checks then, and I don't know if we
16 discussed it then. I just primarily remember when I
17 received information for 2002 and there were more of
18 them that I asked her about it. I talked to her
19 fairly regularly about the income. I could have, I
20 just -- I don't know.

21 Q. Okay. So do you think that it was in 2002
22 when you had this conversation with her?

23 A. It would have been right before I called
24 Heyward about it, so it would have been -- she would
25 have brought in -- she brought in the information --

1 let me think back. This was in -- so she would have
2 brought in the information for the year 2000
3 sometime in 2001. It would -- we would have been
4 working on that late summer, early fall because it
5 wouldn't be due until October 15th.

6 So it would have been sometime in that time
7 frame when she brought everything in and she had it
8 written up that I would have looked at it. So it
9 would have been sometime towards the end -- closer
10 to October 15th in 2001 that I made the phone call
11 and we talked -- that I know we talked about it.

12 Q. The phone call to Ms. Neapolitan?

13 A. Correct.

14 Q. Did you keep any notes on that phone call?

15 A. No. You know, I know I told her I was
16 going to call Heyward to discuss them.

17 Q. Why do you know that?

18 A. Because I can remember telling her that I
19 was going to call Heyward.

20 Q. And what did she say?

21 A. And, see, that's where the part is I don't
22 know if she said they were gifts or what. I just --
23 I don't know that part. I just don't remember the
24 exact conversation.

25 Q. So she may have told you that these were

1 gifts?

2 MR. LEWIS: Object to the form.

3 A. I don't remember.

4 BY MS. WALL:

5 Q. Do you recall her using the word "gift"
6 or "loan"?

7 A. She definitely didn't use the word "loan."
8 I mean, she just -- I mean, I don't know -- I don't
9 know that she used any word. I just remember that
10 we discussed it, she wasn't alarmed about it, and I
11 told her that I was going to call Heyward because --
12 and in the past, you know, they had done gift tax
13 returns for some money, so that's probably where
14 that conversation was kind of going. But I don't
15 remember.

16 Q. But you presently have a recollection that
17 there was something about gifts or gift tax returns
18 that --

19 A. They would have --

20 MR. LEWIS: Object to the form.

21 MS. WALL: You can object all you want.

22 MR. LEWIS: I am.

23 BY MS. WALL:

24 Q. -- is triggering your memory as you're here
25 today. Is that correct?

1 MR. SHARPLESS: Object to the form.

2 A. I just know that I made the phone
3 conversation, I talked to Pat, we talked about it.
4 Like you said, she was not alarmed or anything.
5 And, you know, I told her I was going to call
6 Heyward.

7 (Discussion off the record.)

8 BY MS. WALL:

9 Q. You testified earlier that you had
10 communication with and meetings with Howell
11 Morrison. Is that correct?

12 A. Yes.

13 Q. And did you have communications with and
14 meet with not only Howell Morrison but other lawyers
15 in his firm?

16 A. Yes.

17 Q. And did Mr. Morrison and/or the other
18 lawyers in his firm ask you for extensive financial
19 information?

20 A. Yes.

21 Q. And what was the time frame on this? Do
22 you recall this time frame?

23 A. That would have -- I want to say would have
24 been the beginning of the summer of 2002 or the
25 beginning of the summer of 2003. It was one of

1 those years.

2 Q. Do you recall having contact with Howell
3 Morrison's law firm, that being Moore & Van Allen,
4 in very early 2003?

5 A. I mean, I know that we met with them; I
6 just don't know the date off the top of my head.
7 Because they were in our office for a long time. I
8 mean the process took a long time. And I want to
9 say it was more in the late summer, early fall.

10 Q. All right. Let me hand you -- and perhaps
11 to refresh your recollection -- I'm defacing a
12 document. It has a note in the corner. I'm going
13 to hand you this defaced document that we've marked
14 as Exhibit 16.

15 (Exhibit No. 16 was marked.)

16 BY MS. WALL:

17 Q. And ignoring the little squiggly line that
18 I put in the top right corner, does this appear to
19 be an e-mail chain between you and an attorney
20 named -- excuse me --

21 A. Jenny.

22 Q. Jenny Miley at the Moore & Van Allen law
23 firm?

24 A. Yes.

25 Q. And this is dated February 2003, correct?

1 A. Yes.

2 Q. Does that help to refresh your
3 recollection --

4 A. I --

5 Q. -- that this was going on in early 2003?

6 A. And I just don't know if this was at that
7 the end of it or the beginning of it. That's the
8 part I don't know.

9 Q. All right. That's fine. I'm handing you
10 what we'll mark as 17.

11 (Exhibit No. 17 was marked.)

12 BY MS. WALL:

13 Q. A letter from Moore & Van Allen, Jenny
14 Miley to you; March 27, 2003; enclosing notes;
15 copying Howell Morrison, Dan Stevenson, and Tom
16 Stevenson. Does that perhaps indicate that this, in
17 March 2003, this is the end of the process as
18 opposed to the beginning?

19 A. That's what I would think. Yes.

20 Q. Were your firms, first Pratt-Thomas Gumb
21 and then Dixon Hughes, receiving directly from the
22 banks and brokerage houses statements and account
23 information with regard to Mrs. Stevenson and the
24 two trusts?

25 A. We were receiving statements from Douglas

1 Capital, and I believe we did receive those starting
2 back at the beginning -- right after Henry Buist
3 passed, we started receiving that then. The bank
4 statements and stuff, we wouldn't have received
5 until later. I'm sure later in the time frame we
6 would have gotten the bank statements directly from
7 the bank.

8 Q. Did you also receive information directly
9 from Merrill Lynch and Fidelity?

10 A. I don't know that we would have. Because
11 Merrill Lynch wasn't the big asset holder, so I
12 don't know that we would have. If that was
13 something we would have to request from Dan, I don't
14 know.

15 Q. So you don't know?

16 A. I don't know.

17 Q. You were asked earlier with regard to when
18 you received a copy of the power of attorney
19 document. The document was given to you by
20 Mr. Lewis, and it was marked as Exhibit 8. Do you
21 recall that?

22 A. Yes.

23 Q. And I believe you were asked whether you
24 recall when you received it. Is that right?

25 A. Correct.

1 Q. And you could not recall?

2 A. Right.

3 Q. I'm going to hand you Exhibit 18.

4 (Exhibit No. 18 was marked.)

5 BY MS. WALL:

6 Q. And does that refresh your recollection
7 that it was sent to you by Mr. Carter on October
8 12th, 2001. It references on the cover sheet "Copy
9 of Durable Power of Attorney" with nine pages.

10 A. Yes.

11 Q. Does that look correct?

12 A. Yes.

13 Q. Thank you.

14 Both Pratt-Thomas Gumb and Dixon Hughes are
15 members of the AICPA. Is that correct?

16 A. Yes, ma'am.

17 Q. And they're individual shareholders,
18 members, accountants are as well, correct?

19 A. Yes, ma'am.

20 Q. As a part of the AICPA Code of Professional
21 Conduct, there's a section known as Conflicts of
22 Interest. Are you familiar with that section?

23 A. Not off the top of my head, no.

24 Q. There's a Code Section 102.2 that gives
25 examples of situations that should cause a member to

1 consider whether or not the client or other
2 appropriate parties could view the relationship as
3 impairing the member's objectivity. It goes to the
4 member's objectivity. And one of the examples under
5 the following examples is where a member provides
6 tax or PFP services for several members of a family
7 who may have opposing interests.

8 Did you or anyone at Pratt-Thomas Gumb or
9 Dixon Hughes discuss Section 102.2 at any time with
10 regard to the Stevenson matters?

11 A. No.

12 Q. As an accountant with your knowledge of the
13 various Stevenson matters, did you at any time
14 conclude that various family members may have
15 opposing interests?

16 MR. SHARPLESS: Object to the form.

17 A. I mean, that didn't really come into my
18 mind.

19 BY MS. WALL:

20 Q. Did you or, to your knowledge, any member
21 of your firms, Pratt-Thomas Gumb or Dixon Hughes --
22 strike that.

23 Once you began working with Howell
24 Morrison or his associate, his law firm -- and we've
25 established that was either late 2002 or early

1 2003 -- did you have any more contact with Heyward
2 Carter until the spring of 2006 with regard to the
3 Stevenson matter?

4 A. Yes. He was aware of what was going on
5 with Howell Morrison when they were in the office.

6 Q. And how was he aware of that?

7 A. I mean, that's what I -- I mean, I --
8 Howell -- Howell Morrison would have told me. I
9 knew there were some letters. I knew they were
10 communicating back and forth.

11 Q. All right. My question to you was did you
12 have any further contact with Mr. Carter with regard
13 to the Stevenson matters after late 2002 until --

14 A. I --

15 Q. -- the spring of 2006?

16 A. I know I did. I mean, I know we talked
17 about the notes because they drew up promissory
18 notes. I know we talked about the information -- I
19 think I even sent Heyward over a notebook of
20 information that we compiled together that we were
21 going to give to -- that they were supposed to use
22 at that family meeting.

23 Q. So that was in late 2002 --

24 A. It would have been in 2003, because that
25 was when the -- where is that note from Jenny?

1 There was -- it would have probably been sometime in
2 the first part of 2003.

3 Q. All right. After the early part of 2003,
4 did you have any further contact with Mr. Carter
5 with regard to the Stevenson matters until the
6 spring of 2006?

7 A. That, I can't answer -- after this was all
8 settled and they drew up the promissory notes and we
9 were going to track it and we were going to put the
10 interest rate on it and Howell and everybody
11 discussed kind of what was going to happen, I can't
12 answer that. I don't think I did.

13 Q. All right. So your answer is you have no
14 recollection of having any contact with Mr. Carter
15 after early 2003 until the spring of 2006 with
16 regard to the Stevenson matters, correct?

17 MR. LEWIS: Object to the form.

18 MR. SHARPLESS: Objection.

19 BY MR. LEWIS:

20 Q. Is that right or wrong?

21 A. I do not specifically recall having any
22 conversations with Heyward.

23 Q. Do you have any documents that show you had
24 any conversations or any writings with him --

25 A. If --

1 Q. -- during that three-year period?

2 A. If I did, y'all would have it.

3 Q. Do you have any recollection whether there
4 are any?

5 A. I don't remember. I don't -- not to my
6 knowledge.

7 Q. You were asked with regard to the Statutory
8 Section 62-7-303, did any beneficiary of either of
9 the trusts ever ask you for an accounting?

10 A. No.

11 Q. Between March of 2003 and the spring of
12 2006, were you aware that Tom and Dan continued to
13 take loans from the trust?

14 A. Yes.

15 Q. Did you discuss those continued loans with
16 Howell Morrison?

17 A. I was waiting for the family meeting to
18 take place. So -- we were told they were going to
19 have the meeting. I can't remember the last time I
20 spoke with Howell Morrison or Jenny, but they were
21 supposed to have a meeting.

22 Q. You weren't given any information that they
23 didn't have a meeting, did you?

24 A. I was not given any information that they
25 did not have a meeting. Because I specifically

1 asked if they wanted me in attendance at the
2 meeting. And they said, no, I did not need to be in
3 attendance at the meeting. That was like our very
4 last conversation.

5 Q. And when you say "them," you're talking
6 about Howell Morrison and his associate?

7 A. Yes.

8 Q. Did you meet with Kathleen Turner in the
9 spring of 2006?

10 A. Yes. At Heyward's office.

11 Q. Did you tell anyone at any time that Dan
12 was effectively insolvent?

13 A. Not to my knowledge. I don't remember. I
14 wasn't asked that question so . . . I don't know
15 that I could speak to someone about Dan's personal
16 situation unless I was specifically asked. And at
17 that point in time, I don't know how -- I don't know
18 what my -- my -- because Dan's one client and
19 everyone else is another client. But that's -- no
20 one specifically asked me that question.

21 Q. Is it your position that the rules of
22 accountancy do not allow you to reveal information
23 about another client?

24 A. Yes.

25 Q. So if you had been asked, you wouldn't have

1 given the information?

2 A. I was not asked, so I can't answer what I
3 would have said if I had been asked. But I know I
4 can't go voluntarily disclose something.

5 Q. Is it your position that the rules
6 applicable to accountants and as earlier cited by
7 your counsel here do not allow you to reveal
8 information about another client?

9 MR. SHARPLESS: Object to the form. Go
10 ahead.

11 A. My understanding is that with
12 confidentiality that I cannot.

13 BY MS. WALL:

14 Q. When you met Kathleen in 2006, did you
15 reveal information about Dan or Tom?

16 A. Individually?

17 Q. Yes.

18 A. I believe the meeting was purely about the
19 loans.

20 Q. So is the answer no?

21 A. The answer is no. I believe Tom and Dan
22 were at the meeting also.

23 Q. But I'm asking about what you did or did
24 not reveal.

25 A. Not -- to my knowledge, no.

1 Q. Did you reveal any information that you had
2 with regard to Tom and Dan's various companies?

3 A. I know one of the schedules that I had
4 had -- I believe -- you know, we knew that some of
5 the checks were written to those companies. Now,
6 whether those -- the wherewithal of those companies,
7 you know, I wouldn't have -- I don't know anything
8 about whether -- I mean that part. I don't think I
9 was asked -- I don't know why anybody would ask me
10 specifically that. But I know that we knew which
11 checks -- like if certain checks went to Easy Tray
12 or certain checks went to this, we knew that and
13 that was probably on a schedule.

14 Q. Right.

15 A. But --

16 Q. But did you reveal any information about
17 Easy Tray or Fabtech or Too Goo Doo Farms or any of
18 the other entities?

19 A. I would not have been in a position to say
20 anything. I mean, I wouldn't have any knowledge of
21 Fabtech.

22 Q. Well, your -- and we've seen it, your
23 accounting firm, both of them, prepared returns for
24 Fabtech, the information was in Tom Stevenson's
25 personal tax returns, and, in fact, there was an

1 audit done on Fabtech. Correct?

2 A. But I was not part of that audit engagement
3 and so -- I don't -- to my knowledge, no, I did not
4 say anything at that meeting about their businesses.

5 Q. Were you ultimately asked for information
6 on the various businesses by one attorney or another
7 after Kathleen and/or her siblings hired various
8 counsel?

9 A. Not that I can remember. I know Bobby
10 Pearlman was involved at one time and he was talking
11 to Dan and Tom, and they were discussing whether the
12 notes should be written off as uncollectible -- as
13 bad debts in the businesses since I coded everything
14 to Dan and Tom individually, because that's how I
15 was tracking it. They were going back to see if
16 possibly it would make better tax sense to go back
17 and have it be in the business's name. And Bobby
18 Pearlman was leading that discussion.

19 Q. And did Bobby Pearlman then obtain
20 information from you with regard to the various
21 companies?

22 A. He obtained the -- the stuff that we had on
23 the trust. I don't know if he obtained anything
24 from the other companies -- about the other
25 companies or not. I don't know that. He would have

1 gotten anything he had from Dan and Tom because they
2 were meeting -- and Kathleen were meeting with him.

3 MS. WALL: Let's just take a quick break.

4 (A brief break transpired.)

5 MS. WALL: All right. The last thing is a
6 matter of housekeeping. I've put in Exhibits 9, 10,
7 11 and 12, which are tax returns. As I recall, the
8 parties in this case do have a protective order with
9 regard to certain documents, financial documents.
10 And so I just want to put back on the record these
11 would, I assume, fall under that. We may even want
12 the court reporter to redact Social Security numbers
13 on them. If everybody needs that. If not, then
14 we'll go with what it is.

15 MS. LEWIS: I think just go with what it
16 is. And I think we're all kind of aware --

17 MS. WALL: Okay, that's fine.

18 MS. LEWIS: Check before we --

19 MS. WALL: And we'll know not to have these
20 types of documents floating around. But they are
21 part of the record.

22 MS. LEWIS: Right.

23 MS. WALL: I mean, they're in the case.

24 MR. SHARPLESS: It looks like they all came
25 out of the other litigation.

1 MS. LEWIS: Yeah.

2 MS. WALL: That's right. Yeah.

3 That's all I have. Thank you.

4 MR. SHARPLESS: I don't have any questions.

5 MR. LEWIS: Okay. I just have a few.

6 FURTHER EXAMINATION

7 BY MR. LEWIS:

8 Q. You said that when Mr. Morrison was over
9 there in January of 2003, you gave him extensive
10 financial information.

11 A. Yes, sir.

12 Q. Well, earlier you told me that all you did
13 was do the tax returns and you didn't look at
14 financial information with reference the trusts and
15 estate. So how -- those don't comport.

16 A. I explained to you what I did.

17 Q. Yes.

18 A. When he came in, we went back and we keyed
19 into Quickbooks all of the pieces of paper that Ms.
20 Pat Neapolitan had written, and we came up with a
21 general ledger for each year for the trust -- for
22 each trust and for Mrs. Stevenson.

23 Q. So what you're telling me is you had the
24 means to get all the financial information you
25 wanted, but prior to Mr. Morrison, you just didn't

1 look?

2 MR. SHARPLESS: Object to the form.

3 A. No. Because we had what we needed to
4 prepare the tax returns.

5 BY MR. LEWIS:

6 Q. I understand that.

7 A. Right.

8 Q. I'm talking about when you said you gave
9 him extensive financial information. I wrote it
10 down.

11 A. Okay. And I'm not so sure that I used the
12 word extensive. I gave them the --

13 Q. Oh, I know you used it.

14 A. We produced a general ledger, a balance
15 sheet, and an income statement for Mrs. Stevenson
16 and for each of the trusts from the beginning when
17 we had the information from Pat up until that point
18 in time.

19 Q. And you had balance sheets for all three?

20 A. For the two trusts and for Mrs. Stevenson.

21 Q. And you --

22 A. No, but not a complete balance sheet from
23 Mrs. Stevenson, only from the information that I
24 had --

25 Q. But at least --

1 A. -- information that --

2 Q. -- you had some kind of balance sheet?

3 A. For the two trusts and for --

4 Q. And what about --

5 A. And for --

6 Q. -- Mrs. Stevenson?

7 A. For the transactions that I had.

8 Q. Okay. And we now know -- which you told me
9 something different -- you knew about the power of
10 attorney from October 12th, 2001 forward?

11 A. Because Susan had facts there. I said I
12 didn't remember when I knew about it.

13 Q. You told me that you didn't know that you
14 knew about it?

15 A. I said I didn't remember if --

16 Q. All right. Now you know you had it. Do
17 you want to see it?

18 A. Yes, sir.

19 Q. It's Exhibit Number 18.

20 A. Yes, sir.

21 Q. Now that you know you had that power of
22 attorney --

23 A. Yes, sir.

24 Q. -- you know that you had an obligation to
25 Kathleen, don't you?

1 MR. SHARPLESS: Objection.

2 A. And I called Heyward.

3 BY MR. LEWIS:

4 Q. And -- but you didn't call Kathleen?

5 A. No, sir. I called Heyward.

6 Q. And that was -- you called Heyward because
7 of your obligation to Kathleen?

8 MR. SHARPLESS: Objection.

9 BY MR. LEWIS:

10 Q. That's okay if that's what you did.

11 A. That's what I did.

12 Q. Okay. Would you look at Exhibit Number 17?

13 A. Yes, sir.

14 Q. You see that? You knew -- you called
15 Heyward because of your obligation to Kathleen. Do
16 you see Kathleen's name on there anywhere?

17 A. This came from Moore Van Allen.

18 Q. I know that. But do you see Kathleen's
19 name on there anywhere?

20 A. No, sir.

21 Q. Do you see Heyward Carter's name on there
22 anywhere?

23 A. I do not see Heyward Carter on this, but he
24 was --

25 Q. Did you --

1 A. -- aware of --

2 Q. Did you send him a copy of Exhibit Number
3 17?

4 A. Not that specific one, but he was aware of
5 the notes -- I 100 percent know that he was aware of
6 these notes that Moore Van Allen drew up.

7 Q. I know. But this is a --

8 A. But this is one piece of information of a
9 lot of information that was passed back and forth at
10 that time.

11 Q. Okay. This meeting that was --
12 Mr. Morrison was supposed to have?

13 A. Yes.

14 Q. Mr. Morrison represented Tom and Dan,
15 didn't he?

16 A. I know that now. But at the time, he
17 was -- my understanding was that he was -- that he
18 was helping -- well, he was getting Tom and Dan --
19 everything together so they could talk to the
20 family. And he was working with Tom and Dan because
21 Heyward --

22 Q. Okay. You had the family on one hand and
23 you have Dan and Tom on the other. Their interests
24 are divergent, aren't they?

25 A. And I understand that.

1 Q. All right. So who -- and then Kathleen is
2 the family. She's the power of attorney, right?

3 MR. SHARPLESS: Objection.

4 A. Yes.

5 BY MR. LEWIS:

6 Q. Huh?

7 A. Yes.

8 Q. And then you have Dan and Tom. Who
9 represented Kathleen?

10 A. I was under the assumption that because
11 Heyward Carter knew about everything that was going
12 on that he was making sure that the right parties
13 knew.

14 Q. Okay. Well, who -- so you don't know who
15 represented Kathleen?

16 A. I'm -- at that point in time, no, sir.

17 Q. But you know that Howell Morrison
18 represented Dan and Tom?

19 A. I know that now.

20 Q. Okay. Now, let's talk about you. Who was
21 your loyalties to? Dan and Tom or Kathleen?

22 MR. SHARPLESS: Object to the form.

23 A. I didn't have a loyalty to anyone, I was
24 just --

25 BY MR. LEWIS:

1 Q. You had no loyalty to anyone? Is that your
2 testimony? That's fine if it is.

3 A. I was the factual person. I was not loyal
4 to anyone.

5 Q. You were not loyal to anyone?

6 A. I wouldn't --

7 Q. Is that what accountants do, just not loyal
8 to anyone?

9 MR. SHARPLESS: Object to the form.

10 MR. LEWIS: That's okay. I withdraw it.

11 BY MR. LEWIS:

12 Q. Okay. Why did you leave Dixon Hughes?

13 A. Because I have two children, and it's
14 difficult for me to work the hours and take care of
15 my children.

16 Q. Were you asked to leave?

17 A. No.

18 Q. You mentioned there was a notebook that you
19 put together for the meeting between --

20 A. Yes, sir.

21 Q. -- Dan and Tom and Kathleen?

22 A. Yes, sir.

23 Q. Where is that notebook?

24 A. Y'all have copies of all the notebooks.
25 Everybody's seen the notebooks.

1 Q. We have?

2 A. When Mr. Bennett was in my office, he
3 definitely saw it. And it's somewhere in all the
4 documents.

5 Q. So you think that that notebook still
6 exists?

7 A. There has been so many people that have
8 been through the stuff in my office, I cannot tell
9 you if it still exists in the same form.

10 Q. What did it look like? Was it in a
11 three-ring binder?

12 A. It was in a binder, and it had all of the
13 general ledgers from each one over the years.

14 Q. Okay.

15 A. And it had whatever kind of legal documents
16 and stuff we had at that time.

17 (Discussion off the record.)

18 BY MR. LEWIS:

19 Q. That notebook, do you still have an office
20 at Dixon Hughes?

21 A. Yes, sir.

22 Q. Same office?

23 A. Yes, sir.

24 Q. Is that notebook in your office?

25 A. There's a bunch of boxes that have been

1 back and forth to storage for people to look at.

2 And it's -- if it's in those -- if people haven't
3 taken it apart, it's still in those boxes.

4 Q. Would you mind looking in those boxes and
5 telling your attorney, and maybe he'll send it to
6 me?

7 A. Yes, sir.

8 MR. SHARPLESS: Mr. Lewis, do you want it
9 in hard copy form? Is that what you're asking for?

10 MR. LEWIS: Yes. Yes. I want it to look
11 just like it is. Whatever --

12 MR. SHARPLESS: Okay. Well --

13 MS. LEWIS: We may well have all the
14 things --

15 MR. SHARPLESS: I think you have it --

16 MS. LEWIS: -- in the --

17 MR. SHARPLESS: -- but you may not know
18 that you have it.

19 MS. LEWIS: -- but I don't think that I
20 have it in the form that she's described.

21 MR. SHARPLESS: Okay. All right.

22 MR. LEWIS: I like the old-timey stuff.

23 BY MR. LEWIS:

24 Q. Do you remember that you said you had a
25 meeting with Mr. Carter and the co-trustees on

1 October 23rd, 2001? That would have been Dan and
2 Tom, you and Mr. Carter. Do you remember that?

3 A. Yes, sir.

4 Q. Do you remember Mr. Carter informing you
5 and the co-trustees of the impropriety of the
6 distributions that were being made out of the trusts
7 and the --

8 A. That's the -- I don't remember specifically
9 what was said at that meeting.

10 Q. You don't?

11 A. No, sir.

12 Q. Do you remember Mr. Carter saying that what
13 the trustees were doing was something the trustees
14 were not supposed to do, at least without the
15 consent of the beneficiaries?

16 A. I don't remember what was said at that
17 meeting.

18 Q. So you can't deny what was said at that
19 meeting?

20 A. I cannot deny what was said at that
21 meeting.

22 Q. Okay.

23 MR. LEWIS: Does anybody have any
24 questions?

25 I want to make sure because before I quit I

1 want to find out if anybody has any questions.

2 BY MR. LEWIS:

3 Q. Let me ask you. The Quickbooks you
4 provided us, were those Quickbooks or were those
5 Pat's Quickbooks?

6 A. Those were Quickbooks prepared at our
7 office. Some of the paperwork is from Pat that we
8 went back and rekeyed, and some of it is from when
9 we kept the checks.

10 Q. Are Pat's Quickbooks somewhere? Do you
11 know?

12 A. She never kept Quickbooks.

13 Q. Oh, she did it by hand?

14 A. Yes. That's what I'm saying. She would
15 give us ledger sheets. We keyed it in.

16 MR. LEWIS: I'm finished.

17 MS. WALL: No questions here.

18 MR. SHARPLESS: No questions here. Thank
19 you.

(The deposition was concluded at 2:48 p.m.)

21 - - -

22

23

24

25

1 DEPONENT CORRECTION SHEET

2 In Re: Jacquelin S. Bennett, et al. vs. T. Heyward

3 Carter, et al.

4 Case No: 2011-CP-10-400

5 Deposition of: Lynne L. Kerrison

6 Date Taken: July 13, 2011

7 Taken Before: Heather Curlin

8

9 Having read my deposition, no changes are necessary.

10 Signed:

11

12 Having read my deposition, I make these corrections:

13 Page Line Correction

14 Page Line Correction

15 Page Line Correction

16 Page Line Correction

17 Page Line Correction

18 Page Line Correction

19 Page Line Correction

20 Page Line Correction

21 Page Line Correction

22 Page Line Correction

23 Page Line Correction

24 Page Line Correction

25 Signed:

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CERTIFICATE OF REPORTER

I, Heather M. Curlin, Professional Court Reporter and Notary Public for the State of South Carolina at Large, do hereby certify:

That the foregoing deposition was taken before me on the date and at the time and location stated on page 1 of this transcript; that the deponent was duly sworn to testify to the truth, the whole truth and nothing but the truth; that the testimony of the deponent and all objections made at the time of the examination were recorded stenographically by me and were thereafter transcribed; that the foregoing deposition as typed is a true, accurate, and complete record of the testimony of the deponent and of all objections made at the time of the examination to the best of my ability.

I further certify that I am neither related to nor counsel for any party to the cause pending or interested in the events thereof.

Witness my hand, I have hereunto affixed my official seal this 26th day of July, 2011, at Charleston, Charleston County, South Carolina.

Heather M. Curlin
Professional Court Reporter
Notary Public
State of South Carolina at Large
My Commission expires:
May 27, 2021

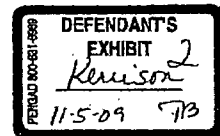
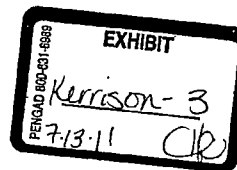
1	I N D E X	
2	EXAMINATION	Page
3	BY MR. LEWIS	3, 137
4	BY MS. WALL	95
5	Signature of Deponent	148
6	Certificate of Reporter	149
7		
8		
9	E X H I B I T S	
10	Marked for Identification:	
11	1. Answers of Defendant Dixon Hughes	9
12	to Plaintiffs' First Set of	
	Interrogatories	
13	2. Supplemental Answers of Defendant	14
14	Dixon Hughes To Plaintiff's First	
	Set of Interrogatories	
15	3. Loans to Dan Stevenson	46
16	4. Detail Transaction File List	57
17	5. PTG Invoice 14876	62
18	6. 3/23/06 E-mail from T. Heyward	77
19	Carter to Lynne Kerrison with	
	Attachment	
20	7. 11/29/01 Letter from T. Heyward	79
21	Carter to Dan And Tom Stevenson	
22	8. Durable Power of Attorney	85
23	9. Thomas C. Stevenson 2004 Tax	99
	Return	
24	10. Tom Stevenson 2005 Tax Return	101
25	11. Daniel R. Stevenson 2004 Tax	105

1	E X H I B I T S	
2	Marked for Identification:	Page
3	12. 2005 Easy Tray, LLC, U.S. Return	107
4	of Partnership Income	
5	13. 3/16/00 Letter from Pratt-Thomas,	108
6	Gumb & Co., P.A. to the	
7	Stockholders of Fabtech, with	
8	Attachments	
9	14. 7/8/99, 9/29/99, 1/3/00, 6/13/00,	111
10	9/20/00 Letters from Lynne	
11	Kerrison to Dan Stevenson	
12	15. Letter from Lynne Kerrison to	111
13	Client	
14	16. 2/13/03 E-mail from Lynne	124
15	Kerrison to Susan Studebaker	
16	17. 3/20/03 Letter from Jenny	125
17	Miley to Lynne Kerrison	
18	18. 10/12/01 Copy of Durable Power	127
19	of Attorney from T. Heyward	
20	Carter to Lynne Kerrison	
21		
22		
23		
24		
25		

Loans to Dan Stevenson

Q-Tip Trust		
1998	30-Aug	25,000.00
	30-Sep	25,000.00
	14-Oct	10,000.00
	09-Dec	10,000.00
		<u>70,000.00</u>
2000	05-Jan	7,500.00
	23-Feb	15,000.00
	29-Mar	15,000.00
	05-May	17,500.00
	20-Apr	20,000.00
	19-Jul	15,000.00
	19-Jul	15,000.00
	13-Sep	20,000.00
	12-Sep	25,000.00
	25-Oct	12,500.00
	29-Nov	25,000.00
	27-Dec	5,000.00
		<u>192,500.00</u>
		<u>262,500.00</u>

Marital Trust	
09-Nov	10,000.00
	<u>10,000.00</u>
05-Jan	7,500.00
23-Feb	10,000.00
29-Mar	15,000.00
05-May	17,500.00
20-Jun	20,000.00
19-Jul	15,000.00
19-Jul	15,000.00
13-Sep	20,000.00
12-Sep	25,000.00
25-Oct	12,500.00
29-Nov	25,000.00
27-Dec	7,500.00
	<u>190,000.00</u>
	<u>200,000.00</u>



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THE STATE OF SOUTH CAROLINA

COURT OF COMMON PLEAS
NINTH JUDICIAL CIRCUIT

COUNTY OF CHARLESTON

JACQUELIN S. BENNETT, GENEVIEVE S. FELDER AND
KATHLEEN S. TURNER, INDIVIDUALLY, AS CO-TRUSTEES
AND BENEFICIARIES, AND JACQUELIN S. BENNETT AND
KATHLEEN S. TURNER, AS CO-PERSONAL REPRESENTATIVES
OF THE ESTATE OF JACQUELIN K. STEVENSON,

Plaintiffs,

vs.

CASE NO. 2008-CP-10-0806

THOMAS C. STEVENSON, III, DANIEL R. STEVENSON, II,
FABTECH, INC., LAURENTIDE, INC., EASY TRAY, LLC,
CAROLINA FRESH CUTS, LLC, D/B/A TOOGOODOO FARMS
AND TOOGOODOO FARMS OF THE CAROLINAS,

Defendants.

DEPOSITION OF: LYNNE L. KERRISON

DATE: November 6, 2009

TIME: 10:10 AM

LOCATION: Law Offices of Nelson, Mullins,
Riley & Scarborough, LLP
151 Meeting Street, Suite 500
Charleston, SC

TAKEN BY: Counsel for the Defendant
Thomas C. Stevenson, III

REPORTED BY: TERRI L. BRUSSEAU,
Registered Professional
Reporter, CP, CRR

A. WILLIAM ROBERTS, JR., & ASSOCIATES
Fast, Accurate & Friendly

Charleston, SC	Hilton Head, SC	Myrtle Beach, SC
(843) 722-8414	(843) 785-3263	(843) 839-3376

Columbia, SC	Greenville, SC	Charlotte, NC
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6 BENEFICIARIES, AND JACQUELIN S. BENNETT
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25

1 ALSO PRESENT:
2 Jacquelin S. Bennett
 William A. Bennett
3 Genevieve S. Felder
 Kathleen S. Turner
4 William R. Turner, Jr.
5 (INDEX AT REAR OF TRANSCRIPT)

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1 STIPULATION

2 It is stipulated by and among Counsel
3 that this deposition is being taken in accordance
4 with the South Carolina Rules of Civil Procedure,
5 Rule 30; that all objections as to Notice of this
6 deposition are hereby waived; that all objections
7 except as to form are reserved until the time of
8 trial; and that the deponent does not waive reading
9 and signing of this deposition.

10 * * * * *

11 LYNNE L. KERRISON

12 being first duly sworn, testified as follows:

13 EXAMINATION

14 BY MR. BRUNSON:

15 Q. Good morning, Miss Kerrison. I'm
16 Robert Brunson. I represent Tom Stevenson and
17 Laurentide and FabTech in this litigation I think
18 you're aware of. I'm required to tell you two
19 things. First, now that we've started, you're not
20 entitled to have any private off-the-record
21 conferences with your counsel during breaks and you
22 understand that, right?

23 A. Yes, sir.

24 Q. And if you do, I'm entitled to ask you
25 about that and there's no privilege for those,

1 okay?

2 A. Yes, sir.

3 Q. Also, if you need a clarification of
4 any question I ask you, you have to ask me for the
5 clarification, you can't ask any other person, you
6 understand that?

7 A. Okay. Yes, sir.

8 Q. Can you just tell me what your
9 educational background is, please.

10 A. I graduated from the College of
11 Charleston in 1982, I took some courses at the
12 University of South Carolina in the Master's
13 program so I was eligible to sit for the CPA exam
14 and I took the CPA exam and passed the CPA exam and
15 became certified in 1988.

16 Q. And what's your employment history from
17 that point forward?

18 A. My first job when I was working on my
19 Master's was with a CPA firm in Columbia -- when I
20 first graduated I worked for about a month as a
21 receptionist at a law firm and then I went back to
22 school, worked on my Master's. And I worked for a
23 CPA firm called Rogers, Briggman, Peterson and I
24 worked there until I finished taking the courses
25 that made me eligible for the CPA exam and then I

1 went to work for J. W. Hunt and Company in Columbia
2 and I worked there until 1989. And I moved to
3 Charleston in 1989 and I worked for McKnight
4 Frampton for about three months and then I moved
5 and went to work for Harold Pratt-Thomas, it was
6 called Pratt-Thomas and Welch, and that was
7 probably in June or July of '89.

8 Q. And have you been with that firm
9 continuously?

10 A. Right. It was Pratt-Thomas and Welch
11 and then it was Pratt-Thomas Gumb and now I'm
12 employed by Dixon Hughes.

13 Q. Do you have -- within that firm do you
14 have a title, partner or shareholder or something
15 like that?

16 A. I was a partner but I'm a director now.

17 Q. What's the difference?

18 A. Well, I wanted to step down from being
19 a partner because I have children and I need to
20 spend more time with my children at this point in
21 my life.

22 Q. What ages are your kids?

23 A. My children are 12 and 13.

24 Q. So do you work a reduced schedule?

25 A. Yes.

1 Q. Do you still have an ownership share?

2 A. No.

3 Q. So it's nonequity?

4 A. (Witness moved head up and down.)

5 Q. Correct?

6 A. Correct, yes.

7 Q. But when you were a partner, were you
8 an owner?

9 A. Yes.

10 Q. During what time period were you a
11 partner?

12 A. I terminated my member as effective May
13 31st, 2009.

14 Q. And there was no reason for you to do
15 that other than your family reasons?

16 A. 100 percent family.

17 Q. In your time with -- I'll just say
18 Dixon Hughes to encompass all the time you've been
19 with Pratt-Thomas forward -- have you specialized
20 in any particular area?

21 A. About the only special area that I've
22 had another certification is medical practice
23 management, I have a certification that's called a
24 certified medical practice executive.

25 Q. Any other specialties?

1 A. I primarily work in tax but I do not
2 have any tax designations.

3 Q. Do you ever do any litigation support
4 work?

5 A. Very sparsely. I've testified -- I
6 mean, I've had a deposition before but it's been
7 primarily when a client that I've worked with
8 has needed me as a witness.

9 Q. Okay. But you don't routinely testify
10 as an expert witness?

11 A. Not at all, no, sir.

12 Q. And you don't support others who do?

13 A. No, sir.

14 Q. How much work do you do directly with
15 Barry Gumb?

16 A. Very little.

17 Q. How about with Harold Pratt-Thomas?

18 A. I used to do more work with Harold, now
19 I do very little work with Harold because of my
20 reduced schedule.

21 Q. Did you work a lot with him from 1989
22 all the way through this year?

23 A. On various things, yes.

24 Q. What would determine whether you would
25 work with him on something?

1 A. You know, his relationship with the
2 client.

3 Q. Okay. When did you first become
4 involved with the Stevenson family as an
5 accountant?

6 A. They -- Henry Buist was the accountant
7 prior and he became ill and he had Pratt-Thomas and
8 Welch. It was like right at the time when
9 Pratt-Thomas and Welch, when Harold left Pat Welch
10 and went with Barry Gumb. During that time frame
11 Harold was assisting Henry Buist in getting his
12 work done because Henry Buist was sick.

13 Q. Do you recall what time frame that was?

14 A. Well, the first tax return that I did
15 for the Stevensons was the 1997 tax return, which
16 would have been in the year of 1998 because you're
17 always doing tax work, you know, a year later.

18 Q. What did you do -- when that matter
19 came in, did you completely take it over for Henry
20 Buist or were you just helping him out?

21 A. Just helping him out at first and then
22 we completely took it over from him.

23 Q. Did you take it over from him when he
24 died or was he incapacitated for some period of
25 time?

1 A. I believe -- I'm not -- I don't know
2 exactly, you know, Henry Buist's life but he was
3 alive the very first year we did the tax returns.
4 I don't know what his mental state is, was or
5 anything but he was alive then.

6 Q. What about Norman Stevenson, was he
7 still alive?

8 A. I don't know anything about Norman
9 Stevenson.

10 Q. You never interacted with him as a
11 trustee?

12 A. None whatsoever.

13 Q. One other rule of taking a deposition I
14 need to tell you about is that you need to make
15 sure I finish my question.

16 A. Okay.

17 Q. You have a tendency to know what I'm
18 going to ask.

19 A. Okay.

20 Q. I understand that's normal but if we
21 can just -- it will help the Court Reporter.

22 A. Okay.

23 Q. Now, when this came in, did you meet
24 with any of the trustees of the trusts involved
25 here?

1 A. I do not remember the first meeting at
2 all.

3 Q. Do you remember gaining any
4 understanding about the nature of these trusts in
5 any way from anybody?

6 A. No, sir.

7 Q. You just remember doing the tax
8 returns?

9 A. Yes, sir.

10 Q. Did you go back and review the records
11 before the deposition today to sort of refresh your
12 recollection?

13 A. No, sir.

14 Q. What was the nature of the engagement
15 of your accounting firm by these trusts?

16 A. To prepare the tax returns.

17 Q. It was just taxes, nothing else?

18 A. Just taxes, that was it.

19 Q. You didn't write any checks?

20 A. Did not write any checks.

21 Q. Did you discuss with the trustees or
22 their representatives any type of reporting to
23 beneficiaries?

24 A. No, sir.

25 Q. No? Have you done work for other

1 trusts in the past or since then?

2 A. I've done some work for trusts since
3 then, yes.

4 Q. Same kind of thing?

5 A. Tax returns, yes.

6 Q. Tax returns. Do you know if Dixon
7 Hughes had the trusts' checkbooks?

8 A. Later, yes.

9 Q. When did that happen?

10 A. In -- after -- there was a lady, her
11 name was Pat Neapolitan, and she kept all of the
12 records. I believe she passed away towards the end
13 of 2002, the first -- beginning of 2003 and it was
14 towards mid to fall of 2003 that we had the
15 checkbooks.

16 Q. And what did you do with the
17 checkbooks?

18 A. We kept the records. We never signed
19 any checks but we would write the checks and keep
20 the records in QuickBooks.

21 Q. So all transactions after around mid
22 fall of 2003, is that right?

23 A. Um-hum.

24 Q. Did I get that date right? All right.
25 Were run through your office?

1 A. Yes, sir.

2 Q. Now, prior to that time how did you get
3 an accounting of the information that you needed in
4 order to do the tax returns?

5 A. Pat, she would give us ledger sheets
6 with all the checks that were written and the bank
7 statements.

8 Q. And her ledger sheets were handwritten?

9 A. Yes, sir.

10 Q. Did you start also receiving the bank
11 statements directly after Pat Neapolitan died?

12 A. I'd have to look at that. I don't know
13 the answer to that off the top of my head. There
14 was a P.O. Box but I'd have to look, I don't know
15 the answer to that.

16 Q. Before Miss Neapolitan died, did you
17 have any electronic records there at your office?

18 A. I keyed them from her work.

19 Q. Okay. So when she -- when you got her
20 checkbook when she died, you went back and keyed
21 all of it in, is that what you're saying?

22 A. No, we keyed -- I couldn't tell you
23 specifically year by year when we keyed everything
24 because, you know, computer technology has become
25 more sophisticated through the years so I couldn't

1 tell you that in 2002 if that's the point where I
2 went back and keyed Pat's work but I did key Pat's
3 work.

4 Q. How far back did you go?

5 A. From when she started giving us the
6 records. I'm sure it started in 1997.

7 Q. And you keyed all that in QuickBooks?

8 A. Yes, sir.

9 Q. And you still have those?

10 A. Um-hum, yes, sir.

11 Q. Who had permission to sign the trust
12 checking accounts?

13 A. To my knowledge, when Pat was alive,
14 Pat signed, yes, and Tom and Dan.

15 Q. Do you know if Tom ever actually signed
16 any checks?

17 A. I do not know that.

18 Q. The checkbooks were physically at your
19 office after Pat Neapolitan died?

20 A. Yes, sir.

21 Q. So for a check to be written out of the
22 trust, it had to be signed by Tom or Dan. How did
23 that work logistically?

24 A. Well, our bookkeeping department kept
25 the checkbooks locked and Dan or Tom or whoever was

1 requesting the check would come by and bring the
2 documentation for us to write the check and then we
3 would be in touch with the person that was signing
4 the checks so there was a time -- I don't know the
5 specifics of exactly but we would get everything
6 and make sure they were approved primarily by Dan
7 and then we would give the checks to Dan and he
8 would take them and sign them and mail them.

9 Q. Is this a normal function of your
10 accounting firm to handle a checkbook for a trust?

11 A. We do that for some clients, yes.

12 Q. And why?

13 A. For the accounting, you know, so that
14 we have good recordkeeping.

15 Q. Why would you do that instead of just
16 getting, you know, a ledger at the end of the year
17 or an on-line download?

18 A. It's -- if the client, you know, asks
19 us to do that, it's a service. It's a bookkeeping
20 service. We have a bookkeeping department.

21 Q. Did you receive bills for the trusts?

22 A. You mean like electricity bills and
23 things?

24 Q. Yeah, bills that needed to be paid.

25 A. Some things were mailed directly to our

1 office, they would go to the bookkeeping
2 department. I'm not certain which ones came
3 directly to our office, which ones went to a P.O.
4 Box, I don't know the answer to that.

5 Q. And when you said, you know, for a
6 check to be written off the trust checking
7 accounts, Tom or whoever was requesting the check
8 would come by and bring the documentation for us to
9 write the check --

10 A. Right.

11 Q. -- what documentation do you mean
12 there?

13 A. Whatever support there was to justify
14 writing the check. If it was a cable bill or
15 whatever it was, you know, we had the electricity
16 bill, we would get a copy of the bill --

17 Q. Right.

18 A. -- for our records.

19 Q. Okay. What if Tom or Dan came by and
20 didn't have any documentation and they said, I just
21 want you to write a check to whoever, you would
22 write the check?

23 A. Yes.

24 Q. Yes?

25 A. (Witness moved head up and down.)

1 Q. I need you to say yes.

2 A. Yes, sir.

3 Q. Okay. Did that same check-writing
4 arrangement remain in place through the entirety of
5 the time Tom and Dan were trustees?

6 A. Yes, sir, until probably sometime
7 during 2006 or 2007, Kathleen Turner became
8 involved.

9 Q. Okay. And did you also handle the
10 check writing for Mrs. Stevenson's personal
11 accounts?

12 A. Yes, sir.

13 Q. And was that in place from when you
14 first got involved?

15 A. The three -- the two trusts and
16 Mrs. Stevenson's account were all handled the same
17 way and came to us at the same time.

18 Q. After Pat Neapolitan died?

19 A. Yes, sir.

20 Q. And was your procedure for writing
21 checks off of Mrs. Stevenson's personal account or
22 accounts, was it the same as it was for the trusts?

23 A. Yes, sir.

24 Q. So Dan typically would come in, give
25 you documentation or his authorization, you would

1 write the check and he would sign it?

2 A. But Dan wasn't the person that always
3 came in, sometimes other people came in.

4 Q. Like who else would come in?

5 A. Well, if people different, being some
6 of the siblings would come in and bring stuff that
7 they needed to be reimbursed for things.

8 Q. Do you specifically recall other
9 siblings coming in?

10 A. My bookkeeping department would be able
11 to answer that question.

12 Q. But you specifically, do you recall any
13 of the other siblings coming in?

14 A. I did not meet with any of them when
15 they came in, no, sir.

16 Q. But you seem to know that they did come
17 in.

18 A. I know that through my bookkeeping
19 department secondhand.

20 Q. And what did they tell you, your
21 bookkeeping department?

22 A. That this person came in and brought a
23 receipt and wanted to be reimbursed.

24 Q. But Dan would still have to sign that
25 check, right?

1 A. Yes, sir.

2 Q. Do you recall any of the other siblings
3 ever coming in and asking for any information about
4 the trusts or Mrs. Stevenson's personal account?

5 A. No, sir.

6 Q. Did you receive bank statements for the
7 trust accounts and for Mrs. Stevenson's personal
8 checking account?

9 A. I'm not a hundred percent certain if
10 they went to a P.O. Box and then they were brought
11 to us or if they came straight to our office.

12 Q. Did you receive any statements from
13 Douglas Capital?

14 A. Yes, sir.

15 Q. What statements?

16 A. Their brokerage statements.

17 Q. Monthly, quarterly, annual?

18 A. Monthly.

19 Q. Did you receive those in hard copy or
20 electronically?

21 A. Hard copy.

22 Q. What did you do with them?

23 A. We would use those to reconcile the
24 ledgers.

25 Q. And you maintained a general ledger for

1 each of the trusts?

2 A. Yes, sir.

3 Q. And for Mrs. Stevenson's?

4 A. Yes, sir.

5 Q. So the information contained in those
6 general ledgers, it would accurately reflect all of
7 the Douglas Capital transactions from the time that
8 you became involved?

9 A. To the best of my knowledge, yes, sir.

10 Q. And did you prepare tax returns for the
11 trusts from 1997, fiscal year 1997 through the
12 present?

13 A. I did not prepare anything for the
14 trusts for 2008 so I believe 2007 would have been
15 the last returns I prepared.

16 Q. Do you know who's doing the accounting
17 now?

18 A. I'm not a hundred percent certain, no,
19 sir.

20 Q. Has any other accountant requested
21 information from you?

22 A. I know that Herb Maguire was helping
23 with the estate work.

24 Q. And did you also do the tax returns for
25 Mrs. Stevenson?

1 A. Yes, sir.

2 Q. Who signed off on the tax returns for
3 the trusts and for Mrs. Stevenson?

4 A. Either Tom or Dan or Kathleen.

5 Q. Did Kathleen -- do you recall Kathleen
6 specifically ever being involved in approving the
7 tax returns?

8 A. For Mrs. Stevenson I remember, yes, I
9 do not remember about the trust.

10 Q. And was she personally involved in
11 approving Mrs. Stevenson's tax returns routinely or
12 would that have been sort of a one-shot deal?

13 A. I would say after 2006 and 2007, yes,
14 she was involved with Mrs. Stevenson routinely.

15 Q. But not before that time?

16 A. Not to my knowledge.

17 Q. Did Kathleen Turner ever contact you
18 let's say before 2006?

19 A. No, sir.

20 Q. No contact at all?

21 A. Not about the trust or Mrs. Stevenson.

22 Q. You knew she was Mrs. Stevenson's
23 power-of-attorney at some point?

24 A. Yes, sir.

25 Q. Did you know when she was originally

1 made power-of-attorney back in 2001?

2 A. Not -- probably not at that time. I
3 mean, I didn't -- I didn't have any reason to know
4 that.

5 Q. Who was your primary contact regarding
6 Mrs. Stevenson's financial issues?

7 A. I didn't -- I mean, I didn't really
8 ever talk to anybody about her financial -- I was
9 mainly just a recorder of facts so if I had a
10 question about something depending on what the
11 question was would be the person who I would go to.

12 Q. Who were the options?

13 A. Well, I don't -- we never really had
14 any questions about how to code things so probably
15 didn't talk to Dan. And the only other person I
16 would have talked to if I had a question about
17 something tax related or something else would have
18 been Heyward Carter. And we would call Douglas
19 Capital if we didn't understand, we needed a basis
20 for a trade or something. Then I also asked Pat
21 when Pat had her work and that's probably the only
22 people I talked to.

23 Q. How often did you have communications
24 with Douglas Capital?

25 A. Only when I had a question of them.

1 Q. Do you recall in the fall of 2001, I'll
2 call it November -- I'm sorry, I got the wrong
3 year, let me start over.

4 Do you recall beginning some
5 conversations or correspondence with Heyward Carter
6 around November 2000 about trust issues with these
7 trusts?

8 A. In November of 2000?

9 Q. Yes.

10 A. In November of 2000, I would have been
11 working the 1999 tax returns. There was one year I
12 spoke with him about handling some things for tax
13 issues on the trusts.

14 Q. Okay. He sent a long letter about
15 estate planning to some of the contingent
16 beneficiaries at the end of the year 2000 or
17 beginning of the year 2001. Did you have any
18 involvement in that?

19 A. Not to my knowledge. Not that I can
20 remember.

21 Q. He also had a meeting with some of the
22 contingent beneficiaries, some of the siblings in
23 that same time frame about trust planning issues.
24 Do you recall being involved in that meeting?

25 A. No, sir.

1 Q. You said you got involved with him
2 about a tax issue at some point. What issue was
3 that?

4 A. It had to do with how to treat the
5 short-term capital gains. Henry Buist was treating
6 the short-term capital gains as more or less
7 dividend income because that was their investment
8 strategy. That made the income flow to
9 Mrs. Stevenson instead of staying inside the trust
10 and I wanted to make sure that that was appropriate
11 for tax returns.

12 Q. And was it?

13 A. Heyward was in agreement with what
14 Henry Buist had done and we continued that same
15 philosophy.

16 Q. At some point do you recall becoming
17 aware that Dan had guaranteed a loan -- I'm sorry,
18 that Dan had obtained a loan from the Bank of South
19 Carolina which was guaranteed by Mrs. Stevenson's
20 mother?

21 A. Not off of the top of my head.

22 Q. And you don't recall that that loan for
23 nearly 500,000 dollars was called by the bank and
24 money had to be removed from one of the trusts to
25 cover that?

1 A. I wasn't involved in, you know, how
2 they moved money around so...

3 Q. Do you recall at some point having
4 conversations with Heyward Carter in 2001 about the
5 existence of loans from the trusts to Tom and Dan?

6 A. Yes, sir.

7 Q. Tell me how that came about.

8 A. Well, you know, I would get the
9 information from Pat when she had everything
10 finished and so -- that was 2001. That would have
11 been the 2000 tax -- you know, her records for the
12 year of 2000, so I would have gotten those sometime
13 during the summer or early fall of 2001 because tax
14 returns aren't due until October 15th. So when I
15 received everything from Pat, I noticed the one
16 that they were -- there was money to Tom and to
17 Dan, primarily Dan at that time, and so I spoke
18 with Pat about it and I decided that I needed to
19 call Heyward and discuss it with Heyward.

20 Q. Tell me about your conversation with
21 Pat.

22 A. I asked her if, you know, those --
23 well, it was her information so I just wanted to
24 make sure that I understood how the transaction was
25 supposed to be handled and if those were, you know,

1 loans for Dan that I needed to put on the balance
2 sheet or if it was something different. And there
3 could have been something for Tom in there also but
4 I believe it was primarily Dan.

5 Q. Did she provide any information at all
6 about the loans?

7 A. I do not remember our conversation but
8 I do know that she was -- she was okay that I
9 called Heyward Carter.

10 Q. Had you had prior conversations with
11 Heyward Carter about these trusts or
12 Mrs. Stevenson's estate?

13 A. Only in relationship to the preparation
14 of the tax returns..

15 Q. Nothing about these loans prior to
16 spring, summer 2001?

17 A. Not that I can remember.

18 MR. BRUNSON: Let's mark this Exhibit
19 1.

20 (DFT. EXH. 1, Detail Transaction File
21 List, was marked for identification.)

22 BY MR. BRUNSON:

23 Q. Exhibit 1 is a -- it's a document I
24 doubt you've seen before. It's a detail
25 transaction file list it says at the top. What it

1 is is billing records prepared by Heyward Carter.
2 And if you look on the first page down to November
3 21st, 2000, you see the dates are chronological,
4 there's a telephone conference with Lynne Kerrison
5 regarding trust issues and then December 4th,
6 another conversation with you, then December 26th,
7 another conversation with you and the 29th, another
8 conversation with you. Looking at that, does that
9 refresh your recollection about having any
10 conversations in this time frame?

11 A. I think that was primarily in
12 association with the tax treatment of the trust.

13 Q. The issue -- the capital gains issue
14 you referred to earlier?

15 A. Right. And now more than likely
16 sending copies of the tax returns to look at
17 because -- so that would have been the 1999 tax
18 returns because they're always a year behind.

19 Q. Right.

20 A. So I do not specifically remember -- I
21 remember sending in the trusts, I remember getting
22 his blessings on the way it was being treated
23 and --

24 Q. The way the taxes were being treated?

25 A. Correct.

1 Q. Now moving forward again to this issue
2 about your first learning of the loans. You spoke
3 with Pat Neapolitan and then you contacted Heyward
4 Carter, right?

5 A. Yes, sir.

6 Q. Why were you contacting Heyward Carter?

7 A. Because he was my contact with the
8 Stevensons. He was an attorney.

9 Q. Whose attorney was he?

10 A. Mrs. Stevenson's and the trust
11 attorney.

12 Q. You understood that he was
13 Mrs. Jacquelin Stevenson's personal attorney?

14 A. Yes, sir.

15 Q. Did you know that he had prepared her
16 Will?

17 A. I cannot answer that. I don't know.

18 Q. Did you ever have any direct contact
19 with Mrs. Jacquelin Stevenson?

20 A. No, sir.

21 Q. Did you at this time when you first
22 found out about the loans and you talked with
23 Heyward Carter, do you happen to know what her
24 health condition was?

25 A. No, sir.

1 Q. Did that issue ever come up?

2 A. I don't remember.

3 Q. Whether she was incapacitated or not?

4 A. I do not remember at all.

5 Q. Tell me about your conversations with
6 Mr. Carter.

7 A. The main thing I can remember is
8 having, you know, to call him and tell him that
9 they had been borrowing some money and, you know,
10 what should we do. And I think -- I don't really
11 remember much more. I probably sent him some
12 information.

13 Q. Were you -- who were you working for at
14 that point?

15 A. I was preparing the tax returns for the
16 trust and Mrs. Stevenson. I guess I was working
17 for Tom and Dan and Mrs. Stevenson.

18 Q. So you were serving as an accountant
19 for the Q-Tip trust, correct?

20 A. Yes, sir.

21 Q. And the marital trust?

22 A. Yes, sir.

23 Q. Mrs. Stevenson personally?

24 A. Yes, sir.

25 Q. Were you acting personally as an

1 accountant for Tom or Dan?

2 A. Never for Tom but I did prepare Dan's
3 tax return at some point and I do not know if I
4 prepared his tax return at that point whatsoever.

5 Q. What was it that caused you to contact
6 Heyward Carter about these loans whereas you hadn't
7 previously contacted him about any other
8 transactions?

9 A. Just felt like I should tell him.

10 Q. Why?

11 A. I don't know, I just did.

12 Q. Why didn't you tell him when a check
13 was written to the cable company or the electric
14 bill was paid? What was it that was different
15 about these transactions?

16 A. Probably the amount of the
17 transactions.

18 Q. What follow-up took place after your
19 first communication with Mr. Carter about these?

20 A. He had a meeting, you know, called Tom
21 and Dan and we had a meeting at my office.

22 Q. Do you remember the date of that?

23 A. October 2001.

24 (DFT. EXH. 2, Document entitled Loans
25 to Dan Stevenson, was marked for identification.)

1 BY MR. BRUNSON:

2 Q. Showing you Exhibit Number 2, which is
3 a document you produced. Can you identify what
4 this is?

5 A. This is just a record of the loans that
6 Dan had taken at that time.

7 Q. So Dan had made 70,000 dollars of loans
8 from the Q-Tip trust in 1999?

9 A. Yes, sir.

10 Q. And in 2000 he had made 192,000 so the
11 total at the end of 2000 was 262,000, is that
12 right?

13 A. Yes, sir.

14 Q. And you had not -- prior to when you
15 contacted Heyward Carter in the spring, summer
16 2001, you had not previously been concerned about
17 the amounts of these transactions?

18 A. I can't answer that a hundred percent.
19 I mean, I know that I was concerned when I made the
20 phone call to Heyward. I don't know -- I can't
21 answer a hundred percent prior to that.

22 Q. Did you contact Dan or Tom prior to
23 contacting Heyward?

24 A. No. No, sir.

25 Q. Didn't call him and say, what is all

1 this about?

2 A. No, sir.

3 Q. And the marital trust by the way, just
4 on this same page, indicates that it had -- that
5 Dan had taken 200,000 dollars in loans as of the
6 end of 2000 from the marital trust, correct?

7 A. Yes, sir.

8 Q. In doing the taxes for fiscal year
9 1999, which you would have done in 2000, would you
10 have seen records of these transactions?

11 A. Yes, sir.

12 Q. Would they have created any sort of tax
13 consequences or issues?

14 A. Not a tax consequence, no, sir.

15 Q. And would the same be true for the
16 loans in the year 2000?

17 A. Correct, not a tax consequence.

18 Q. When you contacted Heyward Carter about
19 the loans and prior to setting up or during the
20 time that you were setting up the meeting at your
21 office with Tom and Dan about the loans, did
22 Mr. Carter say anything to you about the loans?

23 A. I don't remember.

24 Q. Now, did you at that time know who the
25 powers-of-attorney were for Mrs. Stevenson?

1 A. I don't know if I knew that either.

2 Q. Why did you choose to contact first Pat
3 Neapolitan and Heyward Carter instead of Tom and
4 Dan?

5 A. Well, I received my information from
6 Pat so that's why I would have contacted Pat and I
7 would have contacted Heyward because he was an
8 attorney.

9 Q. Okay.

10 A. He was my go-to person when I had a
11 question.

12 Q. So was your contact initially with Pat
13 just to verify that this was correct?

14 A. Yeah, just to make sure -- because she
15 kept the records, to make sure that I was
16 understanding the transactions properly.

17 Q. Okay. Did you have an understanding as
18 to why you and Mr. Carter scheduled this meeting
19 with Tom and Dan at your office?

20 A. I'm sure I thought that Heyward Carter
21 wanted to speak to him about it. I know I knew
22 that.

23 Q. But did you have any idea as to why
24 Mr. Carter and you needed to speak with Tom and Dan
25 about these loans?

1 A. No, just to make sure -- make sure
2 everything -- I mean, I just wanted to make sure
3 Heyward knew about it from them, I was putting it
4 in Heyward's hands. So I don't know -- I can't
5 answer for Hewyard.

6 Q. Did you consider Mr. Carter to be an
7 authorized representative of Mrs. Stevenson?

8 A. I considered him to be my person that
9 if I had a question regarding this that I was going
10 to ask the question to.

11 Q. How did you gain that understanding?

12 A. I just -- that was just something that
13 I thought.

14 Q. Why did you contact him instead of
15 contacting Mrs. Stevenson herself?

16 A. I didn't -- I never met Mrs. Stevenson.
17 I didn't have a relationship with Mrs. Stevenson.

18 Q. Did Mr. Carter have any role in
19 retaining your firm to replace Henry Buist?

20 A. I do not know.

21 Q. Do you recall how you were first
22 directed to Heyward Carter to even know that he was
23 Mrs. Stevenson's lawyer?

24 A. Probably when Henry Buist sent
25 information over, we knew that Heyward Carter was

1 involved.

2 Q. Is it normal for you when you're an
3 accountant for an individual to deal with that
4 individual's lawyer instead of dealing with that
5 individual personally?

6 A. It depends on the relationship.

7 Q. What was it about this relationship
8 that made that your course of practice?

9 A. Well, because Pat was primarily the
10 person that gathered all the recordkeeping and
11 brought it to us and not Mrs. Stevenson so the
12 relationship was with Pat and then -- first, and
13 then Heyward because he was an attorney. If
14 Mrs. Stevenson would have been the person that
15 gathered information, I would have had a
16 relationship with her.

17 Q. When you contacted Mr. Carter about
18 this, did he say anything to you to the effect of,
19 I'm not the right person to talk to about this?

20 A. No, sir.

21 Q. Did he seem to accept responsibility
22 for dealing with this issue on behalf of
23 Mrs. Stevenson?

24 A. In my mind, yes, sir.

25 Q. He didn't do anything to lead you to

1 think otherwise?

2 A. Correct, yes, sir.

3 Q. Do you recall the date, I think you may
4 have said earlier, of the meeting at your office in
5 2001 with Tom and Dan with Heyward Carter?

6 A. It was in October sometime.

7 (DFT. EXH. 3, Letter dated 11/29/01 to
8 Fresh Cuts, LLC, c/o Mr. Daniel R. Stevenson, and
9 Mr. Thomas C. Stevenson, III from T. Heyward
10 Carter, Jr., was marked for identification.)

11 BY MR. BRUNSON:

12 Q. Exhibit Number 3 is a letter from
13 Heyward Carter, a copy to you. The letter is to
14 Fresh Cuts, LLC, care of Daniel Stevenson, and also
15 Thomas Stevenson, it's dated 11/29/01, correct?

16 A. Yes, sir.

17 Q. And the first line of the letter refers
18 to a meeting at your office on October 23rd?

19 A. Yes, sir.

20 Q. Is that the meeting that you're
21 referring to?

22 A. Yes, sir.

23 Q. Tell me what you recall about that
24 meeting.

25 A. I really don't remember anything.

1 Q. Do you remember if anyone attended
2 other than you, Mr. Carter, Tom and Dan?

3 A. I really do not remember anything about
4 the meeting.

5 Q. Okay. In this letter Mr. Carter says:
6 I understand that each of you is drafting
7 promissory notes to your mother's trusts for the
8 current loan balances to those trusts and that you
9 will send drafts of those notes to Lynne and to me
10 for our review and recommendations on your mother's
11 behalf.

12 Does that refresh your recollection
13 about anything?

14 A. That's what we were meeting about. I
15 mean...

16 Q. What were you meeting about?

17 A. To draw up the notes and what we were
18 going to do to go forward.

19 Q. Do you recall any discussion in the
20 October 23rd, 2001 meeting with Tom and Dan in
21 which either you or Mr. Carter said to Tom and Dan,
22 these loans you are taking from these trusts are
23 improper and you should stop immediately?

24 A. I do not remember that at all.

25 Q. Do you recall that either you or

1 Mr. Carter communicated to them that the loans
2 needed to be documented?

3 A. Through letters, yes, sir.

4 Q. When you say through letters, I'm not
5 sure.

6 A. The letters say that it needs to be
7 documented so this discusses what went on at the
8 meeting, so yes.

9 Q. Right. And there's nothing in this
10 letter following that meeting that confirms an
11 instruction from Mr. Carter or you to Tom and Dan
12 that these loans were improper?

13 A. There is nothing in this letter that
14 states that.

15 Q. Did you have an understanding as to
16 whether these -- referring to them as loans, let's
17 just say these transactions in which Dan and Tom
18 were removing money from the trusts, whether they
19 were loans or investments or early withdrawals or
20 what the nature of the withdrawals were?

21 A. The nature of the withdrawals were
22 never discussed except for that it was a loan and
23 they signed a promissory note.

24 Q. So what you understood was they were
25 all loans, right?

1 A. Personal loans, yes, sir.

2 Q. And did you have any understanding as
3 to what was being done with the money?

4 A. No, sir.

5 Q. Do you recall receiving drafts of notes
6 referred to in this letter for your review and
7 recommendation on Mrs. Stevenson's behalf?

8 A. I remember seeing drafts, I don't
9 exactly know what you mean by on Mrs. Stevenson's
10 behalf.

11 Q. In this letter, the last couple lines
12 of the first paragraph, it says: You will send
13 drafts of those notes to Lynne and to me for our
14 review and recommendations on your mother's behalf.
15 I'm asking if you did that.

16 A. We received copies of loans, yes.

17 Q. Did you review them on Mrs. Stevenson's
18 behalf?

19 A. I did not.

20 Q. Do you know if Mr. Carter did?

21 A. I do not know that.

22 Q. Was Mr. Carter in your mind acting on
23 Mrs. Stevenson's behalf at this time?

24 A. Yes, sir. I mean...

25 Q. The next paragraph refers to a

1 certificate of deposit at the Bank of South
2 Carolina to secure a loan to Dan or Fresh Cuts and
3 acquired with a 487,000 dollar loan to Dan from one
4 of your mother's trusts. Do you recall that
5 particular transaction?

6 A. No, sir.

7 Q. You don't remember any discussion
8 whatsoever about this loan guarantee at all ever,
9 is that true?

10 A. I know that there were loan promissory
11 notes that were drawn and that they were signed.
12 The specifics and the exact words that were said in
13 this meeting I do not know. I know the outcome of
14 the meeting was that promissory notes were drawn up
15 and that other attorneys became involved later but
16 I did not know the specifics of that -- I do not
17 remember the specifics of this meeting.

18 Q. The last paragraph of this letter says:
19 Finally, the two of you are discussing a strategy
20 for meeting with your siblings in relation to these
21 loans and will let Lynne and me know if you would
22 like us to be present at the meeting.

23 Do you recall any discussion about that
24 issue?

25 A. I remember later discussions about that

1 but at this time I do not remember that.

2 Q. Is there anything else about this
3 meeting that you recall?

4 A. No, sir.

5 Q. Did you do anything to document the
6 meeting, a memo to file or anything like that?

7 A. No, sir.

8 (DFT. EXH. 4, Facsimile Transmittal
9 dated 10/8/01 to Heyward Carter from Lynne
10 Kerrison, with attachments, was marked for
11 identification.)

12 BY MR. BRUNSON:

13 Q. Do you recognize Exhibit 4?

14 A. That is a fax from me, yes, sir.

15 Q. So you are sending a fax on October
16 8th, 2001, which would have been before your
17 meeting --

18 A. Right.

19 Q. -- to Heyward Carter?

20 A. Okay.

21 Q. And you are attaching a fax from
22 Douglas Capital, right?

23 A. Yes, sir.

24 Q. And the Douglas Capital fax to your
25 accounting firm is dated October the 8th, right?

1 A. Yes, sir.

2 Q. It has attached to it some promissory
3 notes, correct?

4 A. Yes, sir.

5 Q. Does this refresh your recollection?

6 A. Well, these were the loans that Tom
7 took out directly with Douglas Capital. I was not
8 involved in these notes being taken out.

9 Q. What was it about the fact that he took
10 the loans out directly from Douglas Capital that
11 would have meant you weren't aware of the loans?
12 I'm just trying --

13 A. I wasn't involved in -- I would have
14 known about this after the fact when we received
15 the statement from Douglas Capital that said that
16 there was an asset now of a loan to Tom Stevenson
17 replacing, you know, stock invested in something
18 else. That's how I would have become aware of it.
19 I did not take part in any of this. This would
20 have all been after the fact.

21 Q. At this point you were aware of all the
22 loans after the fact, right?

23 A. Correct.

24 Q. Was it your understanding that the
25 loans Tom had taken out at this point had all been

1 documented with notes or were some not documented?

2 A. I cannot answer that without seeing the
3 schedule. There could have been some -- there
4 could have been some that was not documented
5 through this note, I don't know the answer to that.

6 Q. Did you have an understanding that Tom
7 had made other loans since these notes on November
8 1st, 1999, that these were not the only ones that
9 he had taken out?

10 A. If when I summarized Pat's work it
11 showed up, then yes.

12 Q. Do you know who prepared these notes,
13 Tom's notes?

14 A. I would assume that Douglas Capital
15 did.. I did not.

16 Q. If you would flip back to Exhibit
17 Number 1. That's the Heyward Carter printout, his
18 billing entries. Go to October 8th.

19 A. I see October 17th, 1996. What year
20 are you looking at?

21 Q. I'm sorry, 2001. It's on the second
22 page, about a third of the way down. There are two
23 entries on October the 8th.

24 A. Okay.

25 Q. Now, that is the same date as this fax,

1 right?

2 A. Okay.

3 Q. And his first entry is for .2 hours and
4 it says interoffice conference regarding fiduciary
5 duties and then the second entry is for two hours
6 and he says conference with Miss Kerrison.

7 A. Okay.

8 Q. Do you recall having a two-hour
9 conference with Heyward Carter before your meeting
10 with Tom and Dan?

11 A. No, sir.

12 Q. Do you recall discussing these loans of
13 Tom and/or Dan with Heyward Carter at length prior
14 to your meeting with Tom and Dan?

15 A. I mean, I probably was showing him
16 everything that I had but that doesn't stick out in
17 my mind.

18 Q. When you disclosed to Heyward Carter
19 the existence of these loans to Tom and to Dan in
20 October 2001, did you fully disclose all the
21 records that you had? Was there anything you held
22 back?

23 A. If he would have asked me for something
24 I would have not held anything back.

25 Q. There wouldn't have been any reason for

1 you to hold back documentation of any loans that
2 they had made?

3 A. No, sir.

4 Q. And do you recall Mr. Carter asking for
5 any information that you declined to provide to him
6 for any reason?

7 A. I would have provided to Heyward
8 anything that he asked for.

9 Q. And if you see on October 11th there is
10 another conference with you and I assume you don't
11 recall that one either?

12 A. That was just a long time ago.

13 Q. Sure, I understand. Do you keep these
14 kinds of billing records?

15 A. I've never seen this.

16 Q. I know these are Mr. Carter's but I'm
17 asking do you bill by the hour?

18 A. Yes, sir, we bill by the hour.

19 Q. And would you have billed for this
20 activity yourself?

21 A. I would have billed for my time, yes,
22 sir.

23 Q. So the meeting you had with Heyward
24 Carter and Tom and Dan on the 23rd, you billed for
25 that, right?

1 A. I'm sure I did.

2 Q. Would you be able to go back and pull
3 out your records?

4 A. We do not have these records anymore,
5 detailed records. I have the bill itself but I do
6 not have any detailed records.

7 Q. I may have asked you this, but going
8 back to Exhibit Number 4, do you know who wrote
9 these notes, these FabTech notes?

10 A. I do not have any idea.

11 MR. BRUNSON: I'm going to take a short
12 break.

13 (A recess transpired.)

14 (DFT. EXH. 5, Pratt-Thomas, Gumb & Co.,
15 P.A. Invoice dated 2/7/01, was marked for
16 identification.)

17 BY MR. BRUNSON:

18 Q. Miss Kerrison, I've shown you Exhibit
19 Number 5. Do you recognize this?

20 A. It's one of our bills.

21 Q. Did you send separate bills to the
22 marital trust and the Q-Tip trust?

23 A. Yes, sir.

24 Q. So this one would have been to the
25 marital trust?

1 A. Yes, sir.

2 Q. And it's for professional services
3 through January 31st, 2001 and it says analysis of
4 withdrawals from Douglas Capital from 1997 to tie
5 down loans, et cetera, correct?

6 A. Yes, sir.

7 Q. Is that the work we've been talking
8 about that you did with Heyward Carter to get the
9 loans done for the notes that Tom and Dan had made?

10 A. Probably not because this was prior
11 to --

12 Q. Oh, gosh, yeah. I missed that.

13 A. So this is probably when we were trying
14 to balance something within the Douglas Capital
15 statements to get it to reconcile to our books.

16 Q. Does it refresh -- previously you had
17 testified when this first came up like in spring
18 and summer of 2001. This looks like in January of
19 2001 you were working on this?

20 A. I don't know exactly what that would
21 tie down to. I guess it was -- at that time must
22 have somehow figured out that Tom had borrowed this
23 money because his loans were in '99 so it's
24 probably trying to tie down this.

25 Q. Is it true that all of these loans were

1 made -- were accounted for?

2 A. To my knowledge we accounted for all
3 the loans.

4 Q. There was never any money that was
5 removed from these trusts without there being an
6 accounting that the money had been removed that you
7 know of?

8 A. To my knowledge, because everything has
9 to balance out.

10 Q. Right.

11 A. So yes.

12 Q. And that's your job?

13 A. Yes, sir.

14 (DFT. EXH. 6, Douglas Capital
15 Management, Inc. Transaction Summary, was marked
16 for identification.)

17 BY MR. BRUNSON:

18 Q. Can you tell me what Exhibit Number 6
19 is?

20 A. This is a statement from Douglas
21 Capital where we were trying to tie the
22 money coming from Douglas Capital into whatever,
23 either the trust or Mrs. Stevenson.

24 Q. And this is during -- in the January
25 2001 time frame, right?

1 A. That's the statement. I don't know
2 when I was working on this but that's -- the
3 statement date is from 1/1 to 12/31/01 so that
4 would have been during 2001. Because it's for the
5 period 1/1/01 to 12/31/01, so I imagine I would
6 have been working on that sometime during 2002.

7 Q. Did you get a statement like this
8 routinely?

9 A. This would have been something we would
10 have had to ask specifically for from Douglas
11 Capital.

12 Q. Do you recall asking for this statement
13 from the year 2001?

14 A. I must have since I have it.

15 Q. But you don't recall?

16 A. Well, we were trying to make sure we
17 tied everything down so I'm certain we asked for
18 it.

19 Q. These transactions are for the marital
20 trust?

21 A. Yes, sir.

22 Q. You would have probably gotten one for
23 the Q-Tip trust as well?

24 A. I imagine.

25 (DFT. EXH. 7, Letter dated 1/7/02 to

1 Lynne L. Kerrison, CPA, from T. Heyward Carter,
2 Jr., with attachments, was marked for
3 identification.)

4 BY MR. BRUNSON:

5 Q. I'm showing you Exhibit 7. It's a
6 letter from Heyward Carter to you dated January 7,
7 2002 and he attaches to it two Dan Stevenson notes,
8 correct?

9 A. Yes, sir.

10 Q. Okay. And he also has -- after the
11 first note he has a listing of marital trust loans?

12 A. Yes, sir.

13 Q. And it's your understanding that
14 those -- that was the current state of the loans at
15 the time that he executed these first notes or the
16 first note for the marital trust?

17 A. Yes, because this is the last -- let's
18 see, 4/19/2001, and then the front of this letter
19 it says the balance was 417,500 so at that time.

20 Q. Who prepared this list of the marital
21 trust?

22 A. This would have come from my office.

23 Q. From your office?

24 A. Yes, sir.

25 Q. When these notes were executed in

1 conjunction with the meeting that you and Heyward
2 Carter had with Tom and Dan, did you have any
3 understanding about whether Tom and Dan were going
4 to continue making loans to themselves or their
5 businesses from these trusts?

6 A. I did not have any idea.

7 Q. Did you have any reason to think they
8 would or would not?

9 A. Did not.

10 Q. That issue didn't come up?

11 A. No, sir.

12 Q. Was there any discussion about now if
13 you make loans in the future, you need to make sure
14 that you create a note to document the loan or some
15 kind of a system set up to ensure that the loans
16 were documented with notes?

17 A. I cannot remember any conversation like
18 that existed. I know that I have always kept track
19 of the loans and calculated the interest, I mean of
20 the balances and calculated the interests but I
21 don't remember if conversation like that existed.

22 Q. Had you met Tom and Dan before this
23 issue with the loans came up?

24 A. Not that I remember.

25 Q. Do you recall in the meeting on October

1 23rd, 2001 or any subsequent communication you had
2 with Tom and Dan in this same time period, 2001,
3 early 2002, about documenting the loans, do you
4 recall Tom and Dan ever being uncooperative in that
5 effort?

6 A. I never remember them being
7 uncooperative at all.

8 Q. When you asked or when Heyward Carter
9 asked them to sign notes, they said sure?

10 A. From what I remember, correct.

11 Q. Do you recall Tom or Dan ever
12 affirmatively instructing you or Heyward Carter to
13 keep these transactions confidential?

14 A. We never spoke about anything like
15 that.

16 (DFT. EXH. 8, Letter dated 5/24/02 to
17 Evans, Carter, Kunes & Bennett, PA from Susan
18 Studebaker, was marked for identification.)

19 BY MR. BRUNSON:

20 Q. All right, Exhibit 8 is a letter from
21 Susan Studebaker to Heyward Carter's firm dated May
22 24, 2002, correct?

23 A. Yes, sir.

24 Q. Who's Susan Studebaker?

25 A. She worked with me during that time

1 period.

2 Q. Now, she is forwarding to Mr. Carter,
3 she says, the drafted copies of the notes from the
4 Stevenson trusts to Dan and Tom Stevenson. We have
5 updated the accrued interest on these notes through
6 May 8, 2002. Then she says: Please review the
7 enclosed documents. If everything is satisfactory,
8 call our office and we will issue the notes for
9 signature. Do you recall this?

10 A. Yes, sir. It came from my office.

11 Q. Do you know who drafted these notes?

12 A. They may have been typed at our office.
13 I mean, we might have typed them at our office.

14 Q. The next document is related so I'm
15 going to go ahead and mark it too.

16 (DFT. EXH. 9, Letter dated 8/20/02 to
17 Ms. Susan Studebaker from T. Heyward Carter, Jr.,
18 was marked for identification.)

19 BY MR. BRUNSON:

20 Q. Exhibit 9 is a letter back to
21 Miss Studebaker from your office from Heyward
22 Carter dated August 20, 2002, right?

23 A. Yes, sir.

24 Q. And he says that he has reviewed the
25 draft promissory notes which you sent to me with

1 your letter of May 24, 2002. Assuming that the
2 amounts of principal and interest due by each,
3 Mr. Thomas C. Stevenson, Jr. and Mr. Daniel
4 Stevenson, are correct, as to which I have no
5 knowledge, the notes should be presented to Mr. Tom
6 Stevenson and Mr. Dan Stevenson for their
7 signature, correct?

8 A. Yes, sir.

9 Q. So your office sent him the notes on
10 May 24th. Three months later in August he sends
11 you a letter back saying the notes are fine
12 assuming you could verify the amounts are correct,
13 right?

14 A. Yes, sir.

15 Q. And then did you have Tom and Dan --
16 did your office have Tom and Dan sign the notes?

17 A. We would have done exactly what the
18 letter directed us to do.

19 Q. And again, at this time you don't
20 recall Tom or Dan refusing or being uncooperative,
21 do you?

22 A. No, sir.

23 Q. And at any time prior to this or during
24 the discussions about creating these notes did
25 Heyward Carter say anything to the effect of tell

1 Tom and Dan they can't make these loans --

2 A. No, sir.

3 Q. -- to your knowledge? Okay.

4 (DFT. EXH. 10, Letter dated 9/24/02 to
5 Ms. Susan Studebaker from T. Heyward Carter, Jr.,
6 was marked for identification.)

7 BY MR. BRUNSON:

8 Q. Exhibit 10 is a letter to Susan
9 Studebaker from Heyward Carter dated September 24,
10 2002. In it he says: Please let me know whether
11 or not you have received the signed promissory
12 notes from Tom Stevenson and Dan Stevenson
13 discussed in my letter to you of August 20, 2002.
14 If you have not received those signed promissory
15 notes, I will call Dan and Tom.

16 Do you recall any of these issues
17 referenced here?

18 A. I mean, we were just following up so it
19 was just a follow-up letter.

20 Q. But you don't recall that there was any
21 problem with him agreeing to sign the notes?

22 A. I do not remember any problems with him
23 agreeing to sign the notes. Following up and
24 making sure we had the notes signed may have
25 dragged out, I don't remember.

1 Q. I already asked you this but Susan
2 Studebaker, is she an accountant?

3 A. Yes, sir.

4 Q. And does she work for you?

5 A. Yes, sir.

6 Q. He says in the last paragraph: As we
7 have discussed previously, I also believe that Dan
8 and Tom should have a meeting with their siblings
9 to inform them of the status of the loans from
10 their mother and their father's trust.

11 I don't know if he's referring to a
12 conversation he had with you or Susan Studebaker
13 but does this refresh your recollection about any
14 conversation to this nature?

15 A. Yes, sir, there was a lot of legal
16 activity surrounding going through the
17 documentation and making sure that Dan and Tom told
18 their siblings.

19 Q. Now, earlier, a year earlier I think
20 you didn't recall that there was any discussion
21 about telling their siblings.

22 A. But this is in 2002.

23 Q. So you recall that in 2002 there was
24 conversation of that?

25 A. Right.

1 Q. What do you recall about the
2 conversation?

3 A. Well, another set of attorneys became
4 involved from Moore & Van Allen.

5 Q. Howell Morrison?

6 A. Um-hum.

7 (DFT. EXH. 11, Letter dated 11/25/02 to
8 Mr. Thomas C. Stevenson, III and Mr. Daniel R.
9 Stevenson from T. Heyward Carter, Jr., was marked
10 for identification.)

11 BY MR. BRUNSON:

12 Q. Now, Exhibit 11 is a letter from
13 Heyward Carter to Tom and Dan dated November 25th
14 about the loans. Do you know if you got a copy of
15 this?

16 A. I did not receive a copy of this
17 letter.

18 Q. Have you read this letter?

19 A. I just did, yes, sir.

20 Q. Does this accurately describe your
21 recollection of Mr. Carter's view?

22 A. Yes, sir.

23 Q. And again in this letter he does not
24 say these loans are improper and you should not be
25 making them, does he?

1 A. Not that I read, no, sir.

2 Q. And in this time frame do you recall
3 him telling them that these loans were improper and
4 not to be done?

5 A. No, sir.

6 Q. And were you involved in any
7 conversations again in this time frame, late 2002,
8 about discussing the loans with the siblings, the
9 other siblings?

10 A. I was involved, yes, because they were
11 supposed to have a meeting and I was helping
12 prepare all the paperwork and everything for the
13 meeting with the other set of attorneys.

14 Q. That's Howell Morrison again?

15 A. Yes.

16 (DFT. EXH. 12, Letter dated 1/14/03 to
17 William Howell Morrison, Esq., from T. Heyward
18 Carter, Jr., was marked for identification.)

19 BY MR. BRUNSON:

20 Q. Exhibit 12 is a letter dated January
21 14, 2003. This one is to Howell Morrison from
22 Heyward Carter. Do you recall if you got a copy of
23 this letter?

24 A. I don't think I received a copy of this
25 letter.

1 Q. In the letter he says, second sentence
2 of the first paragraph: I have informed Tom and
3 Dan that among other things trustees have a duty to
4 keep trust beneficiaries reasonably informed of the
5 trust and its administration. In addition, upon
6 reasonable request, a beneficiary is entitled to
7 receive a statement of the accounts of the trusts
8 annually.

9 Do you recall Mr. Carter providing that
10 information to Tom and Dan?

11 A. An annual accounting of the trust?

12 Q. Do you recall Mr. Carter telling Tom
13 and Dan their duties as trustees were to upon
14 reasonable request provide a beneficiary with a
15 statement?

16 A. I wasn't involved in any of those
17 meetings. I mean, I wasn't --

18 Q. But independent of this letter do you
19 recall Mr. Carter saying anything to that effect?

20 A. No, sir.

21 Q. And as the accountant for the trust,
22 you were not generating routinely an annual
23 statement of these trusts for distribution to any
24 beneficiaries or contingent beneficiaries?

25 A. I was not engaged to prepare anything

1 like that.

2 Q. Did you ever raise that as an issue?

3 A. No, sir.

4 Q. The next paragraph he says: As we
5 discussed, Tom and Dan as trustees would have a
6 duty to inform their mother as beneficiary of their
7 actions regarding the trusts. As their mother may
8 no longer be competent to receive that information,
9 their sister Kathleen as attorney-in-fact for
10 Mrs. Stevenson should receive it in her place. In
11 addition, it is possible that the statute should be
12 interpreted to include the residuary beneficiaries.

13 Do you recall him providing that nature
14 of advice independent of this letter?

15 A. I didn't receive this letter and that
16 was not any of the discussions I was involved in.
17 I was purely providing factual data.

18 Q. Okay.

19 (DFT. EXH. 13, Letter dated 1/22/03 to
20 T. Heyward Carter, Jr., Esquire, from Wm. Howell
21 Morrison, was marked for identification.)

22 BY MR. BRUNSON:

23 Q. Now, Exhibit 13 is a letter to Heyward
24 Carter from Howell Morrison. Do you know if you
25 got a copy of this letter?

1 A. I did not.

2 Q. Did not?

3 (DFT. EXH. 14, Letter dated 3/20/03 to
4 Lynne L. Kerrison, CPA, from Jenny K. Miley, with
5 attachments, was marked for identification.)

6 BY MR. BRUNSON:

7 Q. Now, Exhibit 14 is a letter to you from
8 Jenny Miley who is with Howell Morrison's firm,
9 Moore & Van Allen, and it's dated March 20, 2003,
10 correct?

11 A. Correct.

12 Q. And she is providing you with records
13 copies of the notes of Dan Stevenson and FabTech
14 and copies of the guarantee agreements of Tom
15 Stevenson for the loans from these trusts, correct?

16 A. Yes, sir.

17 Q. Do you recall this event?

18 A. Yes.

19 Q. Do you know what prompted it?

20 A. Probably because Moore Van Allen became
21 involved and they were drawing up the notes. I
22 mean, I don't know exactly what prompted it.

23 Q. Okay.

24 A. Because they were trying to memorialize
25 the notes.

1 Q. And the -- did you have any role in
2 preparing either the notes or the statements of
3 loans that are attached to the notes?

4 A. Not that I remember. Now, I probably
5 helped come up with the numbers. This would have
6 come from my office but the note itself I don't --
7 would not have come from my office.

8 Q. When you say this would have come from
9 my office, you're talking about?

10 A. The schedule of the loans. They would
11 have received this information from me.

12 Q. And those are attached to the notes?

13 A. Yes.

14 Q. As Exhibit A, correct?

15 A. Correct.

16 Q. The last page of Exhibit Number 14 is
17 the guarantee agreement executed by Tom Stevenson.
18 Do you have any knowledge as to why a separate
19 guarantee agreement was entered into at this time?

20 A. No, sir.

21 Q. Now, when I was asking you about a 2002
22 letter earlier, you said your role was to pull
23 together documents for a meeting to disclose the
24 loans to someone, one or more of the siblings I
25 think?

1 A. Yes, sir.

2 Q. Now, you know there was -- there was a
3 meeting in 2006?

4 A. Yes, sir.

5 Q. Were you referring to that meeting
6 or did you prepare --

7 A. There was supposed to be a meeting that
8 Howell Morrison is alluding to or Heyward or
9 somebody alluded to in one of these letters.

10 Q. Right, in 2003.

11 A. Right.

12 Q. Did you actually prepare documents for
13 such a meeting?

14 A. I prepared these schedules and -- I
15 prepared a lot of -- I pulled a lot of information
16 and compiled a lot of information for Moore Van
17 Allen's firm to go through and I prepared these
18 schedules.

19 Q. When you say these schedules, what
20 you're referring to are the list of loans that are
21 attached to the notes in Exhibit Number --

22 A. Exhibit Number 7 and Exhibit Number 14.

23 Q. Now, when you testified earlier about
24 preparing materials to use in the meeting with the
25 siblings or some of the siblings, are you referring

1 to something different from those schedules?

2 A. Well, we -- this is what we prepared.
3 Everything else we gave to Moore Van Allen. They
4 had a copy of I guess Mr. Stevenson's Will, maybe
5 the trust documents. Factual information that we
6 had that we pulled together for Howell Morrison,
7 that they pulled everything together, yes. They
8 pulled together -- they looked at what our balance
9 sheet income statement -- I mean, we pulled, you
10 know, balance sheet and income statement. I'm sure
11 they had copies of the tax returns. They had
12 copies of every single thing that we had in our
13 office.

14 Q. Did you have any direct communications
15 with Howell Morrison or anybody at his firm?

16 A. Yes, they were in my office pulling all
17 that information together, yes.

18 Q. Did you have any conversations with
19 them?

20 A. Yes. About the information, yes.

21 Q. I mean, just generally what was the
22 nature of those conversations?

23 A. That we were preparing information for
24 them to have a meeting with their siblings so they
25 could tell them and that, you know, we were going

1 to draw up these notes to memorialize the amount of
2 the loans and if they had any questions about
3 anything.

4 Q. Do you have any information about a
5 meeting between Tom and Dan and Kathleen that took
6 place in springtime 2003?

7 A. I don't know anything about -- I mean,
8 I know that I was not going to be part of the
9 meeting so...

10 Q. And why is it you have such a clear
11 recollection of that?

12 A. Because I can remember asking if they
13 wanted me to attend the meeting so I could make
14 sure that whenever they were going to have the
15 meeting that I made sure that my schedule was free.
16 And I was told that I did not need to be part of
17 the meeting so that was that.

18 Q. Just from your recollection, what is
19 the next time any event took place in relation to
20 this other than routine tax return preparation?

21 A. When I called Heyward again because at
22 that point in time I knew that the meeting was not
23 going to take place.

24 Q. When was that?

25 A. Sometime first part of 2006.

1 Q. And how is it that you came to the
2 belief in 2006 that a meeting had not or was not
3 going to take place?

4 A. Because the pattern was continuing.

5 Q. And when you say the pattern, what are
6 you referring to?

7 A. Of borrowing money from the trust.

8 Q. And what was it about that that
9 indicated to you that they had not met with the
10 siblings?

11 A. I just wanted to make sure Heyward
12 knew. Just felt like I needed to make another
13 phone call to Heyward.

14 Q. Okay.

15 (DFT. EXH. 15, E-mail dated 3/23/06 to
16 Linda Newton from T. Heyward Carter, was marked for
17 identification.)

18 BY MR. BRUNSON:

19 Q. How is it that this had not -- you had
20 not noticed in 2004 or 2005 that these loans were
21 continuing but that you did notice it in 2006?

22 A. Well, because my -- I felt my job was
23 to keep track of the loans and accrue the interest
24 on it because that was an asset of the trust and
25 that's what I continued to do because that was -- I

1 was recordkeeper.

2 Q. And they continued to take loans out in
3 2003, 2004 and 2005?

4 A. Well, 2003 we were still involved with
5 Moore Van Allen.

6 Q. But even after that they continued to
7 take out loans?

8 A. Yes, sir.

9 Q. My question is, you know, why was it
10 that you didn't feel the need to contact Heyward
11 Carter again until 2006?

12 A. Well, because it was my understanding
13 that for some reason it was going to take them a
14 long time to get the family together and I, you
15 know, don't know that I knew that I was ever given
16 a time line exactly when they were going to get the
17 family together. And by 2006 I knew that -- I
18 mean, in my mind, I just felt like I needed to call
19 Heyward again and I meticulously documented the
20 borrowings over the time period.

21 Q. You were paying particular attention to
22 make sure those loans were all accurately accounted
23 for?

24 A. To my knowledge, yes, sir.

25 Q. And why is that?

1 A. Because I thought that was very
2 important that if they owed money to their siblings
3 that I had a record of what they owed and that
4 their siblings were paid back.

5 Q. By the way, did you know at that time
6 who the then actual existing beneficiaries of this
7 trust was?

8 A. No, sir. I've never -- I never knew
9 what Mrs. Stevenson's Will said. I had no idea.

10 Q. Did you understand that Mrs. Stevenson
11 prior to her death was the sole beneficiary of both
12 of these trusts?

13 A. I'm not an attorney so I don't know the
14 legalese language but it was my understanding that
15 these were for the benefit of Mrs. Stevenson during
16 her lifetime, yes.

17 Q. And that none of her children had any
18 immediate right to any of the trust funds at that
19 time, did you know that?

20 A. I'm not an attorney. I mean, no, sir.

21 Q. No, you didn't know that?

22 A. No, sir, I did not know that.

23 Q. Let's look at Exhibit 15. It's an
24 e-mail from Heyward Carter to Linda Newton. Is
25 that somebody in your office?

1 A. Yes, sir.

2 Q. Is she an accountant?

3 A. No, sir. She's a secretary.

4 Q. And he says: Linda, I left you a voice
5 mail this afternoon but after looking at
6 Mr. Stevenson's Will and estate tax return believe
7 that I have answered one of my questions.

8 And then down the last sentence of his
9 e-mail he says: I would like to know if there are
10 to your or Lynn's knowledge promissory notes
11 evidencing all of the amounts owed by Dan and Tom.

12 Do you recall him raising that
13 question?

14 A. Probably. I mean, at that time we may
15 have drawn up new notes. I'm not certain. This
16 was in 2006.

17 Q. Did you and Mr. Carter and/or Tom and
18 Dan or their lawyer, Mr. Morrison, did you all have
19 any understanding as to who was supposed to draft
20 notes whenever the loans were taken out, if anyone?

21 A. No one said any specific person was
22 supposed to draft notes. I mean, I didn't know
23 that that was my duty or not but I did -- I knew my
24 duty was to keep the records.

25 Q. There was not -- was there any kind of

1 agreement that you understood that Tom or Dan were
2 supposed to be creating a new note every time they
3 took out additional loans?

4 A. To my knowledge, that was never
5 discussed.

6 Q. Prior to March of 2006 when this issue
7 came back up again, do you recall Heyward Carter or
8 anyone on behalf of Mrs. Stevenson, the sole
9 beneficiary, tell Tom or Dan that these loans were
10 improper?

11 A. I do not remember that.

12 (DFT. EXH. 16, E-mail dated 3/23/06 to
13 Lynne Kerrison from T. Heyward Carter, with
14 attachments, was marked for identification.)
15 BY MR. BRUNSON:

16 Q. Now, Exhibit 16 is an e-mail from
17 Heyward Carter to you, it's the same date as
18 Exhibit 15, March 23rd, 2006, and it has attached
19 to it a draft letter from you and Mr. Carter to
20 Kathleen and Dan and the draft letter is dated
21 March 27, 2006, correct?

22 A. Yes, sir, um-hum.

23 Q. And Mr. Carter in his e-mail asked you
24 if the letter looks okay to you. And he says he
25 had a conversation with Howell Morrison, who

1 counseled Tom and Dan three years ago about the
2 loans outstanding at that time. He said that he
3 did not know if they told their sisters of these
4 loans but it was his understanding they were going
5 to. He doesn't reference why he's attaching this
6 letter other than to ask you if it's okay. Do you
7 recall the conversations that led up to this
8 e-mail?

9 A. That's probably after I called Heyward
10 again.

11 Q. In the draft letter it says in the
12 bottom of the second paragraph: The balances due
13 on the promissory notes held by the marital trust
14 totalled \$2,124,140.77 at December 31st, 2005 and
15 the balances due on the promissory notes held by
16 the Q-Tip trust totalled 2,494,135 dollars on that
17 date. Did you provide those numbers?

18 A. I'm sure I did.

19 Q. So you can testify today that as of
20 this time those numbers were accurate?

21 A. I'm sure they came from our records,
22 yes, sir.

23 Q. Did you include in the loan balances
24 any amounts that were not documented by notes?

25 A. I would have included what would have

1 been on my schedules.

2 Q. Without regard to the notes?

3 A. Correct.

4 Q. It was understood that whether these
5 loans were documented or not, they were loans?

6 A. That's the way that I recorded them,
7 yes, sir.

8 Q. And you did sign this?

9 A. Yes, sir.

10 Q. But that letter was never sent, is that
11 accurate?

12 A. I don't know the answer to that. I
13 would have sent it back to Heyward.

14 Q. Did you ever disclose these loans to
15 anyone other than Pat Neapolitan, Heyward Carter,
16 Howell Morrison and his office, Tom and Dan prior
17 to 2006?

18 A. The people in my office that worked on
19 it, yes.

20 Q. Anybody else, any third parties --
21 third parties is not a good word. Anybody other
22 than those I've just listed and you just
23 referenced?

24 A. I wouldn't have gone out of my way. I
25 mean, I have privacy rules, confidentiality.

1 There's not any -- I wouldn't have spoken to anyone
2 about it.

3 Q. If any of the -- we keep referring to
4 it as the sisters of the siblings, the -- Genevieve
5 Felder, Kathleen Turner, Jacquelin Bennett. If any
6 of them had come to you in this time frame and
7 asked you for an accounting of the trusts, what
8 would you have done?

9 A. I would have told them they needed to
10 call Heyward Carter.

11 Q. Heyward Carter? And why is that?

12 A. Because he's the attorney.

13 Q. For the sole beneficiary?

14 A. Yes, sir.

15 Q. Were these loans reflected in any way
16 on the trust tax returns?

17 A. No, sir, the trust tax returns don't
18 have a balance sheet.

19 (DFT. EXH. 17, Carolina First Q-Tip
20 Trust documents, was marked for identification.)

21 BY MR. BRUNSON:

22 Q. Do you recognize Exhibit 17?

23 A. Yes, sir, those are checking accounts,
24 bank statements.

25 Q. And you kept copies of these in your

1. records?

2. A. I'm sure we have them, yes, sir.

3. Q. You kept these in the ordinary course
4. of your services in accounting for the trust?

5. A. Yes, sir..

6. Q. And if you'll flip over to the third
7. page of this exhibit, it has copies of checks that
8. look like this is for July 2003?

9. A. Yes, sir.

10. Q. And the -- on the bottom of the page
11. there are two checks to Toogoodoo, one for 5,000,
12. one for 15,000 dollars?

13. A. Yes, sir.

14. Q. So it does appear that Dan was
15. continuing to write checks to his companies --

16. A. Yes, sir.

17. Q. -- in this time frame? Now, these
18. checks, it looks like -- doesn't look like Dan's
19. handwriting on the check. Would he just come in
20. and sign the check and somebody in your office
21. actually filled it out or did he actually write the
22. check itself?

23. A. Most of the time we would probably have
24. filled it out. Sometimes he could have gotten a
25. blank check, you know, filled it out himself.

1 Q. And if you would flip over to the page
2 with the Bates Number Dixon Hughes 3049.

3 A. Which one?

4 Q. 3049. It's the bottom right-hand
5 corner there's a number.

6 A. Okay, 3049, got it.

7 Q. These appear to be checks for the month
8 of May 2003?

9 A. Yes, sir.

10 Q. And you'll see that there's a check
11 there also from Dan to Toogoodoo Farms?

12 A. Yes, sir.

13 Q. From the Q-Tip trust?

14 A. Um-hum.

15 Q. For 15,000 dollars? Yes?

16 A. Yes, sir.

17 (DFT. EXH. 18, E-mail chain dated
18 3/24/06, was marked for identification.)

19 BY MR. BRUNSON:

20 Q. Exhibit 18 looks like it's two
21 different e-mails clipped together?

22 A. Yes, sir.

23 Q. If we could flip over to the oldest
24 one, the one from May 23rd, 2006.

25 A. Okay.

1 Q. At the bottom there's an e-mail, and
2 I'm on Page 6868, there's an e-mail from Heyward
3 Carter to you dated March 22nd, 2006 and he is
4 asking you to give the assets of Mrs. Stevenson's
5 trust and the amounts of the notes to Tom and Dan
6 and you recall that request?

7 A. Yes, sir.

8 Q. And it says he needs it for the letter
9 that he was going to draft for both of your
10 signatures, right?

11 A. Yes, sir.

12 Q. Do you know why he wanted your
13 signature on that letter in addition to his own?

14 A. No, sir.

15 Q. And the accounting is attached, is that
16 correct, to your e-mail?

17 A. Yes, that would have come from my
18 office.

19 (DFT. EXH. 19, Letter dated 3/28/06 to
20 Mr. Daniel R. Stevenson, III and Mr. Thomas C.
21 Stevenson, III from T. Heyward Carter, Jr., was
22 marked for identification.)

23 BY MR. BRUNSON:

24 Q. Exhibit 19 is a letter from Heyward
25 Carter to Tom and Dan dated March 28th, 2006,

1 correct?

2 A. Yes, sir.

3 Q. And it refers to a meeting that took
4 place on the same date as this letter, correct, in
5 the first sentence?

6 A. Yes.

7 Q. Were you at this meeting on March 28th,
8 2006?

9 A. I'm sure I guess I was. I remember a
10 meeting with us and Kathleen. I don't specifically
11 remember this meeting so I don't know if he had met
12 with him by himself or if I was at the meeting or
13 not.

14 Q. Do you have -- do you recall having a
15 meeting with them discussing the eventuality that
16 you and Mr. Carter might send that letter to
17 Kathleen?

18 A. I don't specifically remember that.

19 (DFT. EXH. 20, Letter dated 4/19/06 to
20 Mr. Thomas C. Stevenson, III from T. Heyward
21 Carter, Jr., was marked for identification.)

22 BY MR. BRUNSON:

23 Q. Exhibit 20 is a letter from Heyward
24 Carter to Tom Stevenson. Do you know if you got a
25 copy of this letter?

1 A. No, sir.

2 Q. No, you don't know or --

3 A. I do not know if I received a copy of
4 this letter.

5 Q. It says: Tom, this is to confirm that
6 at the meeting you had with Edward Bennett and me
7 on Tuesday afternoon, April 18, 2006, we agreed
8 that you and Dan, Kathleen, Lynne Kerrison and I
9 would meet as soon as possible so that Lynne and I
10 could inform Kathleen, as co-holder of her mother's
11 durable power-of-attorney, of the current status of
12 loans from the trusts under your father's Will to
13 you and Dan.

14 Do you recall if -- do you know if you
15 were at the meeting referenced here with Edward
16 Bennett, Heyward Carter and Tom?

17 A. I do not remember.

18 Q. And again, in the second paragraph of
19 this letter he says if they haven't made this
20 disclosure that he'll send a letter that you and he
21 would sign, right?

22 A. Yes, sir.

23 Q. Were you aware of a meeting that Tom
24 had personally with his sister Kathleen at his
25 company, FabTech, before the meeting with Heyward

1 Carter?

2 A. No, sir.

3 Q. You don't know anything about that?

4 How did the -- how were the disbursements or loans
5 to Tom accounted for, as loans to his company,
6 FabTech, or disbursements to him personally or --

7 A. I treated everything to either a loan
8 to Tom or a loan to Dan regardless if the check was
9 written to their company or not.

10 Q. And you did not treat them as
11 disbursements like it wouldn't be paid back?

12 A. No, I treated them -- I had a loan
13 account and I coded them all there.

14 Q. And that was accounted for in the same
15 way from the very beginning?

16 A. Except for those loans from Douglas
17 Capital, I'm not a hundred -- I'm fairly certain
18 those were put in as loans from Tom. I know they
19 weren't put on there FabTech. There was a time
20 period where it dropped off of the Douglas Capital
21 investment statements and I didn't know if Tom had
22 paid those back.

23 Q. What are you referring to when you said
24 there was a period where it dropped off?

25 A. See, Douglas Capital had it listed as

1 an asset on their statements and there was a time
2 where it just disappeared off of their statements
3 so I didn't know if they paid it back and so it
4 took a little bit to figure out. Later we found
5 out that Douglas Capital had just written it off as
6 bad and that's why it didn't show up on their
7 statements anymore.

8 Q. Do you know why Douglas Capital wrote
9 it off as bad?

10 A. No idea.

11 Q. Was it subsequently reinstated?

12 A. I don't know anything about -- you
13 know, I just received Douglas Capital statements.

14 Q. Do you know what time frame that was?

15 A. Maybe in 2005 or 2006, I'm not certain.

16 Q. Was there any documentation concerning
17 that issue?

18 A. It was just on their statement one time
19 and then it wasn't on their statement.

20 Q. Did you do anything about that?

21 A. I would have kept it on my books as,
22 you know, a loan to Tom but I do know that there
23 was a time frame in there where I wasn't a hundred
24 percent certain what my loans to Tom were because
25 of that. I knew that there was that discrepancy.

1 Q. Did you have any conversations with Tom
2 or Dan or Heyward Carter or Douglas Capital about
3 that issue?

4 A. I did call Douglas Capital to find out
5 why it was dropped off the investment schedule and
6 that's -- they did some research on there and they
7 found out that I guess it was dormant or I don't
8 know what their terminology is. And then I always
9 told Tom that I wasn't a hundred percent certain
10 about his loan balance because of that, that I felt
11 like it was accurate but that I'd have to go back
12 and do some research before I knew that it was a
13 hundred percent accurate.

14 Q. Notwithstanding how Douglas Capital
15 accounted for it, though, you continually accounted
16 for all of Tom's loans as loans and you never took
17 any of them off the books?

18 A. Correct. I never took anything off the
19 books.

20 (DFT. EXH. 21, Document entitled RTTR:
21 3137393, with attachments, was marked for
22 identification.)

23 BY MR. BRUNSON:

24 Q. Can you identify Exhibit 21?

25 A. Yes, this is -- looks like some

1 paperwork that I prepared for the meeting at
2 Heyward Carter's office.

3 Q. Are you referring to the meeting at
4 Heyward Carter's office on April the 27th, 2006?

5 A. Yes, sir.

6 Q. And that was a meeting attended by you,
7 Mr. Carter, Dan, Tom and Edward Bennett?

8 A. I have Kathleen on here because I have
9 listed on here present at meeting and I don't list
10 Edward Bennett's name.

11 Q. Where are you referring to there,
12 sorry, so I can see it? It's on the second page.

13 A. Right here.

14 Q. Oh, okay. So on the second page you
15 indicate Heyward Carter, Lynne Kerrison, Tom
16 Stevenson, Dan Stevenson, Kathleen Turner were at
17 the meeting?

18 A. Yes, sir.

19 Q. And this is the meeting to do the full
20 disclosure to Kathleen?

21 A. Yes, sir.

22 Q. And is Exhibit 21 --

23 MR. HOOD: Note my objection to the
24 last question, please, the form of the question.

25 BY MR. BRUNSON:

1 Q. Is Exhibit 21 a compilation of
2 materials for that meeting or what is it?

3 A. It's information I put together.

4 Q. For the meeting?

5 A. Yes, sir.

6 Q. Did you make copies for everybody
7 attending the meeting?

8 A. I do not remember that. Usually I
9 would do that. I do not remember if I did that or
10 not.

11 Q. Would you have put this in some kind of
12 a binder or notebook or what?

13 A. I would not have put it in a binder or
14 notebook. I probably would have just -- I don't
15 remember the presentation. It probably would have
16 been just these papers like this photocopied.

17 Q. Is this grouping of materials something
18 that you created in the course of your duties as an
19 accountant for the marital and Q-Tip trusts?

20 A. This would have been in preparation of
21 that meeting.

22 Q. In the course and scope of your duties
23 as an accountant for the trust?

24 A. No, because I didn't keep things at
25 fair market value and these are listed at fair

1 market value.

2 Q. Where are you referring to?

3 A. On the real estate, the Rockville, Lake
4 Summit. That's listed at fair market value. I
5 didn't have -- my financial statements were
6 historical cost, they did not show the net worth of
7 anything.

8 Q. So this second page that says Stevenson
9 family assets, that would be a page of this that
10 you did not create, is that true?

11 A. I would have gathered the information
12 to make this page, yes, but I -- this is not
13 something that I kept month to month for the
14 Stevensons, this would have been only prepared for
15 this meeting.

16 Q. And this grouping of documents here,
17 Exhibit Number 21, what I'm trying to understand is
18 without respect to whether you created each of the
19 pages of it, did you compile these together in the
20 course and scope of your duties as an accountant
21 for the trusts?

22 A. For that meeting, yes.

23 Q. And did you keep and maintain these in
24 your business records?

25 A. I don't understand your question.

1 Q. Did you keep these documents in your
2 files?

3 A. Yes.

4 Q. That's all I'm asking.

5 A. Okay.

6 Q. How did you choose to include these
7 particular documents in this package?

8 A. I'm sure I was given some kind of
9 information from Heyward as to what I needed to
10 bring to the meeting.

11 Q. Was the intention in pulling this
12 documentation together to fully disclose to
13 Kathleen Turner all of the assets, including the
14 marital and Q-Tip trust loans?

15 MR. HOOD: Object to the form of the
16 question.

17 BY MR. BRUNSON:

18 Q. Go ahead.

19 MR. COOKE: You can still answer
20 subject to the objection.

21 THE WITNESS: It would have been what I
22 knew of, I mean, to make sure -- to give Kathleen
23 an idea of what I knew was there.

24 BY MR. BRUNSON:

25 Q. Okay.

1 A. That doesn't mean --

2 Q. Okay.

3 A. -- not to be all inclusive.

4 Q. Did you intentionally withhold anything
5 material?

6 A. No, sir.

7 Q. Tell me everything you remember about
8 this meeting.

9 A. I was nervous. That we sat at the
10 table in Heyward's conference room and, you know,
11 kind of went over everything with Kathleen.

12 Q. When you say we went over everything,
13 what did you go over?

14 A. More than likely the paperwork right
15 here.

16 Q. All of the documentation in Exhibit 21?

17 A. Yes, sir.

18 Q. Correct?

19 MR. HOOD: Again, a leading question, I
20 object to it.

21 THE WITNESS: I cannot say that more
22 was said or anything, I don't -- I don't remember
23 specifically every single word that was said in
24 this meeting.

25 BY MR. BRUNSON:

1 Q. Do you recall if -- do you recall any
2 conversation that took place in the meeting?

3 A. Not specifically, no, sir.

4 Q. Did Kathleen Turner have any reaction
5 to receiving these materials and/or the information
6 that you conveyed to her at the meeting?

7 A. Not any -- I mean, she didn't cry, she
8 didn't jump up and down and yell so I'm sure she
9 handled it like a mature adult, nothing stands out
10 in my mind.

11 Q. At this time did you all have an
12 understanding that these loans were in danger of
13 not being repaid?

14 MR. HOOD: Object to the form of the
15 question.

16 BY MR. BRUNSON:

17 Q. Go ahead.

18 A. That was never discussed.

19 Q. So what you were disclosing was that
20 these loans had been made?

21 A. Yes, sir.

22 Q. And in exactly what amount?

23 A. Yes, sir.

24 Q. Was there any discussion about --

25 MR. HOOD: Object to the form of the

1 question.

2 BY MR. BRUNSON:

3 Q. -- the propriety or legality of these
4 loans?

5 A. That was not discussed.

6 Q. Did Kathleen Turner ask any questions
7 that you can recall?

8 A. I do not remember.

9 Q. Did she ask any questions that you or
10 anyone else in the meeting declined to answer?

11 A. I do not remember at all. I mean, I --
12 and I think that would stand out in my mind so I do
13 not remember that.

14 Q. How long did the meeting last?

15 A. I don't know. I mean, can you look at
16 Heyward's billing records? He would probably be
17 able to tell you. I don't know. I mean, it lasted
18 more than five minutes but it did not last a whole
19 day.

20 Q. Based on your personal knowledge from
21 attending that meeting, was sufficient information
22 conveyed to apprise Miss Turner individually and as
23 power-of-attorney for her mother of the existence
24 of these loans that Tom and Dan had made to
25 themselves or their companies?

1 MR. HOOD: Object to the form of the
2 question.

3 THE WITNESS: Yes. Yes, sir.

4 BY MR. BRUNSON:

5 Q. Can you think of any reason why she
6 would not have understood the scope and amounts of
7 these loans?

8 MR. HOOD: Object to the form of the
9 question.

10 THE WITNESS: No, sir.

11 BY MR. BRUNSON:

12 Q. What involvement, if any, did you have
13 in follow-up to this meeting?

14 A. Now, I'm not sure who got Bobby
15 Pearlman involved, if it was Kathleen or if it was
16 Dan and Tom but the follow-up to the meeting was a
17 meeting with Bobby Pearlman.

18 Q. Going back to Exhibit 21, this second
19 page where it says Stevenson family assets we
20 talked about earlier, do you know who prepared
21 that?

22 A. I don't know a hundred percent who
23 prepared it, probably something that I prepared, me
24 and my office prepared. No, you know, I don't know
25 because I wouldn't have ever put on there loan to

1 Easy Tray so I don't know who prepared that.

2 Q. Well, under marital trust at the top it
3 says, Easy Tray, 60,000 shares equals 500,000
4 dollars. Do you know what that refers to?

5 A. Yeah, see, so I don't -- now that I'm
6 looking at the information, I don't think this is
7 something that I would have prepared because I
8 would have not -- that doesn't -- that's nothing
9 that I would have ever kept, I don't know anything
10 about Easy Tray, I didn't work with Easy Tray, so I
11 don't know where -- let me -- I think actually this
12 piece of paper either came from Dan or Tom, just
13 that this has -- my handwritten notes are all over
14 it so this must have been prepared by either Dan or
15 Tom. And I must have been given it -- they must
16 have given it to me at the meeting and that's why
17 my handwritten notes are all over it because this
18 is my handwriting. But that assets on here, I
19 wouldn't have had any way of obtaining that
20 information as if I could have looked up the G-Tech
21 stock. I could have looked up the stocks to see
22 what the ownership was and what the value was on
23 that but other things on here I would have not
24 known to put what the value of the real estate is
25 or anything without that information coming

1 straight from Dan or Tom so one of them had to have
2 prepared this.

3 Q. It indicates at the top that there's --
4 the marital trust, under it it says, Easy Tray,
5 60,000 shares, and then under Q-Tip trust, it says
6 Easy Tray, 60,000 shares. Do you know what that
7 refers to?

8 A. No, because I didn't have any -- I
9 mean, Easy Tray was a company and it was an LLC but
10 I didn't -- if money was advanced to Easy Tray, I
11 never treated it as equity in Easy Tray, I treated
12 it as a loan to Dan.

13 Q. And did you convey or did Mr. Carter
14 perhaps convey in this meeting with Kathleen that
15 all of these transactions, whether they were used
16 for investments in Easy Tray or Toogoodoo Farms or
17 FabTech or whoever, they were all treated as loans
18 individually to Tom and Dan?

19 A. I don't know if that conversation was
20 specific but if anyone would have asked me that,
21 that's the position -- that's how I treated
22 everything so that's how I would have answered that
23 question. I made that perfectly clear that's how I
24 treated everything.

25 Q. You mentioned that you didn't have any

1 involvement with Easy Tray?

2 A. I did not have any involvement with
3 Easy Tray.

4 Q. Your firm had involvement with it?

5 A. My firm had involvement with it but I
6 did not have any involvement with it.

7 (DFT. EXH. 22, Letter dated 6/19/06 to
8 Ms. Lynne Kerrison, C.P.A., from Robert B.
9 Pearlman, was marked for identification.)

10 BY MR. BRUNSON:

11 Q. Exhibit 22 is a letter to you from
12 Bobby Pearlman dated June 19, 2006 and he's asking
13 you for information about the trust that he
14 indicates he's now representing Tom and Dan,
15 correct?

16 A. Yes, sir.

17 Q. Did you provide him with the
18 information that he requested?

19 A. I would have provided him anything that
20 he requested.

21 Q. Did you have any meetings or
22 discussions with Bobby Pearlman personally?

23 A. I think I attended one meeting at his
24 office I remember so...

25 Q. Who was at that meeting?

1 A. I imagine it was Dan and Tom and
2 Kathleen. Bobby, I do -- I remember being at one
3 meeting.

4 Q. Do you remember the date of that
5 meeting?

6 A. Hum-um. I just remember, I mean...

7 Q. What transpired at that meeting?

8 A. We would have just gone over the loans.
9 And I think Bobby was working with them to explore
10 the idea of if the loan should be in Easy Tray's
11 name or in the company's name versus the way that I
12 had recorded everything being in their names
13 personally.

14 Q. Do you have any understanding as to why
15 this disclosure was made to Kathleen in April 2006
16 but not also made to Jacquelin Bennett, Genevieve
17 Felder or Jim King?

18 A. You would have to ask Heyward that.

19 Q. You don't have any recollection about
20 the discussion of who would receive --

21 A. I was not part of any discussions in
22 who was going to be present in any meetings.

23 Q. Do you remember any of the substance of
24 the meeting with Bobby Pearlman that you just
25 referred to?

1 A. I just -- he was just asked, you know,
2 looking at it from a tax standpoint as of who --
3 you know, any kind of tax strategies and benefits
4 there could be to the trust if it was in the names
5 of the businesses versus if it was in their
6 personal names. That was -- he was entertaining
7 that idea.

8 Q. Did you have any thoughts on that?

9 A. To me it was more of a legal question.
10 I pretty much was just the person that recorded
11 everything and I just, you know, recorded as all
12 either to Dan or Tom regardless of what entity it
13 was.

14 Q. Did you fully disclose all of the loans
15 to Bobby Pearlman too?

16 A. I would have given him everything I
17 had, yes, sir.

18 Q. And you were further discussing those
19 in Kathleen's presence in this meeting that you
20 just referred to?

21 MR. HOOD: Object to the form.

22 THE WITNESS: If Kathleen was at the
23 meeting, we were discussing loans, I wouldn't have
24 had any reason to hold back any information.

25 BY MR. BRUNSON:

1 Q. Was it your understanding that even
2 after meeting and disclosing these loans to
3 Kathleen in April of 2006 that Dan continued to
4 make withdrawals from the trusts -- loans from the
5 trusts for his companies?

6 A. If he -- you know, business was usual
7 so if Dan came in and requested a check, I mean, he
8 was trustee.

9 Q. So in this meeting with Heyward Carter
10 and you and Tom and Dan and Kathleen in April, do
11 you recall Heyward Carter or Kathleen saying to Tom
12 and Dan, these loans are improper and you are not
13 to make any more loans like this?

14 A. No, sir.

15 Q. Was there any characterization of the
16 loans as being good or bad?

17 A. There wasn't any characterization of
18 the loans at all. This is a factual. These are
19 the loans, this is what has taken place and this is
20 what the balance is.

21 Q. And when you say it was business as
22 usual, after that meeting nobody instructed you not
23 to allow or to make any special reporting about any
24 future loans after the April 2006 meeting?

25 A. That is correct, nobody instructed me

1 to do anything differently.

2 (DFT. EXH. 23, The Bank of South
3 Carolina banking statements for Jacquelin K.
4 Stevenson, was marked for identification.)

5 BY MR. BRUNSON:

6 Q. Exhibit 23, do you recognize this as a
7 Bank of South Carolina statement dated November 15,
8 2006?

9 A. Yes, sir.

10 Q. And this is Mrs. Jacquelin Stevenson's
11 personal bank statement?

12 A. Yes, sir.

13 Q. And there's also one from December 15,
14 2006?

15 A. Yes, sir.

16 Q. In the December statement towards the
17 back, do you see there is a check at the top left
18 to Easy Tray in the amount of 20,000 dollars?

19 A. Yes, sir.

20 Q. So does it appear that Dan made an
21 additional -- at least this additional loan for
22 Mrs. Stevenson's personal account in the amount of
23 20,000 dollars at this time?

24 A. Yes, sir.

25 Q. After the April meeting with Heyward

1 Carter's office with Kathleen Turner, did Miss
2 Turner provide you with any new or different
3 instructions about what type of reporting she
4 should receive going forward?

5 A. There was -- and I don't know what the
6 date of it was. There was a letter that she sent
7 that, you know, she said she was power-of-attorney
8 but I don't know what the date of it was. But it
9 would have followed the letter so it would have
10 been after this.

11 (DFT. EXH. 24, Letter dated 2/20/07 to
12 Ms. Lynne Kerrison, C.P.A., and Ms. Angela
13 Heissenbottle, C.P.A., from Robert B. Pearlman, was
14 marked for identification.)

15 BY MR. BRUNSON:

16 Q. Exhibit 24 is a letter from Bobby
17 Pearlman to you and Angela Heissenbottle?

18 A. Heissenbottle, um-hum.

19 Q. And she's an accountant at your firm?

20 A. She's a bookkeeper, yes, sir.

21 Q. In it he says: Lynne and Angela,
22 regarding the loans made by Mrs. Stevenson's trust
23 to Easy Tray, et cetera, I am trying to figure out
24 whether we could gather a better tax benefit from
25 treating those as a capital investment, resulting

1 in a possible Section 1244 loss, or whether we
2 would be better treating those as a bad debt.

3 Do you recall that discussion?

4 A. Yes, sir.

5 Q. Is this different from what you
6 referred to earlier?

7 A. This is what Bobby Pearlman was trying
8 to figure out.

9 Q. Okay. And do you recall how this was
10 resolved?

11 A. To my knowledge, everything was left as
12 loans like I originally categorized everything.

13 Q. Did you do any other work with
14 Mr. Pearlman on this issue?

15 A. No, sir.

16 MR. BRUNSON: Let's go ahead and take a
17 lunch break.

18 (A luncheon recess transpired.)

19 (Kathleen S. Turner joined the
20 proceedings.)

21 (DFT. EXH. 25, Letter dated 6/28/07 to
22 Lynne L. Kerrison, CPA, from T. Heyward Carter,
23 Jr., was marked for identification.)

24 BY MR. BRUNSON:

25 Q. Miss Kerrison, I've shown you Exhibit

1 Number 25.

2 A. Yes, sir.

3 Q. This is a letter from Heyward Carter to
4 you dated June 28, 2007, correct?

5 A. Yes, sir.

6 Q. And it refers to a meeting that has
7 been scheduled for July the 25th. Do you see that?

8 A. Yes, sir.

9 Q. And it asks you to attend the meeting?

10 A. Yes, sir.

11 Q. Did you attend the meeting?

12 A. Yes, sir.

13 Q. Did you -- prior to this time did you
14 prepare what have become known as the white
15 notebooks?

16 A. Yes, sir.

17 Q. What was in the white notebooks?

18 A. I don't remember everything that was in
19 the notebooks but it was my general ledgers from
20 both of the trusts and Mrs. Stevenson's accounts.
21 I don't know what else was in there.

22 Q. And how did you come to prepare those?

23 A. Printed it off of my computer system.

24 Q. I mean, why did you print -- did
25 somebody ask you to do that?

1 A. I don't know the answer to that. I
2 probably would have been asked to bring something,
3 yes.

4 Q. To this meeting?

5 A. Yes. Does it say in here? It says: I
6 have requested that your office gather what
7 information it can concerning the loans or other
8 disbursements from the trusts to Mrs. Stevenson's
9 sons, Tom Stevenson, III and Dan Stevenson,
10 individually or as trustees.

11 So that's where I would have -- what I
12 would have read that said to bring something.

13 Q. Tell me what you can recall about this
14 meeting on July 25th.

15 A. There was pretty much every party
16 that's present and every party was represented by
17 an attorney. I'm not so sure that the Bennetts
18 were there but I think they were being represented
19 by Genevieve.

20 Q. Did you attend the whole meeting?

21 A. To my knowledge I did, yes.

22 Q. Did you say anything in the meeting?

23 A. If I was asked a question, I answered
24 it, yes, sir.

25 Q. Would your role have been limited to

1 answering questions as opposed to making a
2 presentation?

3 A. I do not remember making any
4 presentation. It seemed to me Mr. McCutchen was
5 pretty much the person running the meeting.

6 Q. In that meeting do you recall Tom or
7 Dan or anybody on their behalf ever making any
8 statements to the effect of, you don't need to
9 bring a lawsuit?

10 A. There was lots of discussions by
11 attorneys. They all kind of blend together.

12 Q. Did Tom and Dan make an agreement in
13 that meeting that they would immediately repay all
14 the loans?

15 A. To my knowledge I do not remember a
16 statement like that being made. I know there was
17 discussion of the loans. I do not remember.

18 Q. Subsequent to this meeting did you
19 attend any other meetings with this group or some
20 subset?

21 A. We may have had -- we may have had a
22 second meeting to that. I can't remember if at
23 that meeting it was determined that Mr. Bennett
24 would come to my office and look through the
25 records or if there was a meeting after that that

1 that was determined. Part of my memory makes me
2 think that there was a second meeting but I
3 couldn't be certain about that. But at a meeting
4 with all parties present -- I guess it had to be a
5 second meeting because Mr. Bennett had to be back
6 in town, that there's another meeting and he was
7 going to come over and look through my records and
8 everyone agreed that that was going to take place.

9 Q. And did Mr. Bennett come look through
10 your records?

11 A. Yes, sir.

12 Q. And did he spend some period of days?

13 A. Yes, sir.

14 Q. How long did he spend down there?

15 A. I don't know the exact number of days.

16 My mind, a month. I mean, he had free access to
17 the conference room and I kept everything in there.
18 Maybe a month, maybe six weeks. I don't remember
19 the exact time frame. He wasn't in there every
20 single day, every single minute so...

21 Q. Did you have any understanding as to
22 why he was in the conference room going through all
23 the documents?

24 A. That he was going through the documents
25 and looking at what I had and looking at

1 everything.

2 Q. For what purpose?

3 A. For the purpose of understanding what
4 took place.

5 Q. In the end did you see any report or
6 spreadsheets or anything from Mr. Bennett as a
7 result of his review of the financials, of the
8 documents?

9 A. I haven't seen anything that
10 Mr. Bennett put together, no, sir.

11 Q. Are you aware if he came up with any
12 new numbers that differed from what you had in
13 terms of the loans?

14 A. I read and I guess it was in the
15 paperwork that was given to me that he has the
16 numbers but I don't know what comprised those
17 numbers.

18 Q. And what paperwork are you referring?

19 A. I guess what's the interrogatory or
20 whatever the -- something that was passed to me
21 from the legal proceedings that --

22 MS. PITTMAN: I believe she's referring
23 to the discovery that we received. I believe it
24 was responses from Heyward Carter's discovery in
25 the ongoing litigation between the trustees and the

1 professionals. I believe she's referring to a
2 response from one of the interrogatories in that.

3 MR. BRUNSON: Okay.

4 BY MR. BRUNSON:

5 Q. At any point from 2000 -- well, no, at
6 any point at all in your involvement in this, did
7 you ever hear or learn about Tom or Dan making any
8 statement to their siblings that there was no need
9 to bring a lawsuit because they would resolve this
10 to their complete satisfaction without the
11 necessity of a lawsuit?

12 A. I cannot remember those exact words
13 being said.

14 Q. Well, I don't mean those exact words
15 but I mean anything to that effect. In any
16 negotiation did the parties say I think we can
17 reach an agreement, but what I mean is an
18 affirmative representation that Tom and/or Dan
19 would do whatever it took to avoid a lawsuit.

20 A. I'm just trying to think back to that
21 meeting. I don't -- in my mind I don't think those
22 words -- that was ever said, there were too many
23 attorneys in the room I'm certain for somebody to
24 say something like that. Things were discussed
25 about the loans but I'm certain -- I mean, I would

1 imagine with so many attorneys in the room those
2 words wouldn't have been said.

3 Q. What about any time prior to that?

4 A. Well, it was always my understanding in
5 my mind since Dan and Tom signed the notes and were
6 full party to the notes and what the amounts were
7 that they had all intentions to paying it back. If
8 I never thought they weren't going to pay it back,
9 you know, that would have been a different subject
10 but nothing ever came to my attention to make me
11 think that they didn't have all the intentions in
12 the world of paying back the money.

13 Q. Right. But did you ever hear them make
14 an affirmative representation to their siblings
15 that you don't need to bring a lawsuit because
16 we're going to pay all this back and whatever else
17 you demand from us?

18 A. Not that I can remember.

19 Q. You made a reference to a second
20 meeting with the attorneys involved after the
21 Bennetts got back. Can you tell me what you recall
22 about that meeting?

23 A. You know, I don't have anything in
24 front of me about that meeting so I'm certain if
25 there was another meeting when I met with

1 Mr. Bennett and we talked about things and it was
2 decided that he was going to come over to my
3 office. I don't remember a lot about the meeting.
4 I remember the first meeting. I'm sure there had
5 to be another meeting where I met him, I just don't
6 remember the details of it. It would have been a
7 carryover of the first meeting.

8 (DFT. EXH. 26, Letter dated 8/6/07 to
9 Thomas C. Stevenson, III from Lynne L. Kerrison,
10 CPA, CMPE, was marked for identification.)

11 BY MR. BRUNSON:

12 Q. Exhibit 26 is a letter from you to Tom
13 Stevenson, correct?

14 A. Yes, sir.

15 Q. And the -- you were forwarding him
16 information that was requested at the July 25th
17 meeting, is that right?

18 A. Yes, sir.

19 Q. So this is in addition to the white
20 notebooks?

21 A. Yes, sir, would have been.

22 Q. Was Tom resistant in any way to
23 obtaining this information from you as requested?

24 A. Not to my knowledge.

25 Q. And he gave his signature and approval

1 for you to distribute to the list of lawyers
2 identified here?

3 A. Yes, sir.

4 Q. What's the -- on the first page, the
5 bullet points at the top, the fourth one says:
6 Determination of the intent and purpose of checks
7 made payable to Edward Rourck. What's that about?

8 A. There's something in the general
9 ledger, I guess -- I can't remember, it seems like
10 they wanted to know -- seems like it had to do with
11 work done to Mrs. Stevenson's house prior to it
12 being sold.

13 (DFT. EXH. 27, Letter dated 8/9/07 to
14 T. Heyward Carter, Jr. from Thomas E. McCutchen,
15 was marked for identification.)

16 BY MR. BRUNSON:

17 Q. Now, Miss Kerrison, Exhibit 27 is a
18 letter from Tom McCutchen to Heyward Carter dated
19 August 9, 2007, correct?

20 A. Yes, sir.

21 Q. And you're copied on it, right?

22 A. Yes, sir.

23 Q. And he's referring here in the first
24 paragraph, second sentence, he says: I requested
25 additional data from Lynne Kerrison and she stated

1 she could not give it to me. She apparently wants
2 the consent of the trustees. I will not comment on
3 that response at this time but I have asked her to
4 bring the information to the meeting on August 15,
5 2007.

6 So do you recall him asking you to do
7 that, does this refresh your recollection of that?

8 A. Yeah, and I would have wanted the
9 trustees to say it was okay for me to provide
10 anything.

11 Q. Okay. And then there's a list of items
12 1 through 7 and the second -- the bottom of the
13 first and second pages of the letter. Did you
14 assist in providing information to answer these
15 questions?

16 A. This may have been when it was
17 determined that Bill Bennett was going to come in
18 and go through everything because I think he wanted
19 me to a hundred percent say that I did
20 everything -- let's see. Okay, see, some of this I
21 didn't have the information to. I gave him what I
22 had information to because I don't -- I don't know
23 which things -- like this says utilize the benefit
24 of Dan or his companies or family. I mean, I just
25 had a list of what money Dan took. I didn't know

1 exactly what Dan did with all the money when he got
2 the money.

3 Q. Would you say at this point as of
4 August 9, 2007 that the parties understood exactly
5 what the amount of money was that the beneficiaries
6 wanted to get from Dan and Tom?

7 A. From my notebooks I had the records of
8 everything that I had categorized as a loan from
9 Tom or Dan at that time, yes, the way I categorized
10 it.

11 Q. But what about other items? Were they
12 still looking around into other things such as the
13 Edward Rourck issue and --

14 A. They were looking at that, yes.

15 Q. And there were other issues they were
16 also looking into, right?

17 A. Yes, sir.

18 Q. So they didn't have the dollar
19 amount -- they knew what you had accounted for --

20 A. Right.

21 Q. -- but they were looking for other
22 things too, right?

23 A. Yes, sir.

24 (DFT. EXH. 28, Letter dated 8/31/07 to
25 Ms. Lynne Kerrison, C.P.A. from Robert B. Pearlman,

1 was marked for identification.)

2 BY MR. BRUNSON:

3 Q. All right, Exhibit 28 is a letter to
4 you from Bobby Pearlman dated August 31st, 2007,
5 correct?

6 A. Yes, sir.

7 Q. And in the first paragraph he says:
8 When you get back from the Labor Day weekend, may I
9 please impose upon you to give me a schedule of the
10 amount and date of each of Dan Stevenson's loans
11 from the trusts to Easy Tray, Inc.? A discussion
12 has arisen as to what is the proper method of
13 determining what would properly compensate the
14 three Stevenson ladies and one method of
15 calculation involves taking the amount due and
16 inflating it by the percentage of growth in the
17 Standard & Poor's 500 Index or some other method of
18 determining what it might have been worth had it
19 stayed in the trust and been invested. Do you
20 recall that?

21 A. I mean, I received the letter, yes.

22 Q. Did you provide this information to
23 Mr. Pearlman?

24 A. There could be a schedule somewhere
25 that says --

1 Q. That's pretty standard stuff?

2 A. Yeah. I mean, since I didn't keep
3 everything like how much of it went to Easy Tray
4 and how much of it went to this and I coded
5 everything as, you know, that Dan had it himself, I
6 don't know that I ever went back and said, this is
7 how much of the loans were for Easy Tray. And I
8 never did anything like calculated any amounts
9 other than using the AFR rates, if that's what
10 you're saying, going and doing the calculation of
11 the Standard & Poor index, I never did anything
12 like that.

13 Q. Do you recall that there was ongoing
14 discussion about how to calculate what Dan owed?

15 A. Yeah, there was discussions on
16 amount -- on how -- what kind of rate of interest
17 or rate of return, yes.

18 Q. And do you recall Dan or Tom saying,
19 well, we'll pay these loans any kind of way you
20 want to calculate it? Did they ever say anything
21 like that?

22 A. Not to my knowledge.

23 Q. Now, in the third paragraph of the
24 letter it says: Secondly, may I also impose upon
25 you to get in touch with Bill Bennett, who has

1 discovered that some amounts that were used to
2 purchase Force Protection, Inc. stock in the name
3 of Mrs. Stevenson actually derived from a transfer
4 of monies from the trusts. I would like you to be
5 aware of this and he can explain it to you best.

6 Do you recall that issue?

7 A. I don't know if this was the issue but
8 there was one time that Douglas Capital -- like,
9 say if the stock was held in the marital trust,
10 they sold the stock in the marital trust name and
11 the proceeds went into the Q-Tip trust so I had to
12 do typically from between the Q-Tip trust and the
13 marital trust on my books. Now, I don't know if
14 that's what they're talking about there or --
15 derived from a transfer of monies from the trusts.

16 So if money came from the trust and the
17 asset was purchased to Mrs. Stevenson's name, I
18 would have treated that as a distribution from the
19 trust to Mrs. Stevenson and then over on
20 Mrs. Stevenson, I would have had her purchase the
21 assets if that's what the question is.

22 (DFT. EXH. 29, E-mail chain dated
23 9/7/07, was marked for identification.)

24 BY MR. BRUNSON:

25 Q. Exhibit 29 is a chain of e-mails and on

1 the bottom of the first page is an e-mail from you
2 to Bobby Pearlman, you're replying to the one from
3 him, and you say: I spoke to Douglas Capital and
4 they can move the stocks back to the trust, back to
5 the date the distribution came out of the trust,
6 redo 1099-B's for 2006 and et cetera. Question,
7 let's make 100 percent this is the best outcome
8 before we go changing things around. What if they
9 make Dan pay out of the estate distribution, it is
10 not a bad debt, and there is not any loss to offset
11 any gains. I think some real decisions need to be
12 made before any changes take place; as always, time
13 is of the essence in this case. Also, Douglas
14 Capital needs to have a memo addressing what
15 changes need to be made.

16 Does that refresh your recollection
17 about what's going on?

18 A. Well, I think that was when Bobby
19 Pearlman was trying to figure out what the best --
20 the best tax structure would be and there was a
21 big -- I'd have to have the tax returns in front of
22 me. There was a big capital gain in
23 Mrs. Stevenson's 1040, that's what it was. There
24 was a big capital gain in Mrs. Stevenson's 1040 and
25 I want to say it was when the G-Tech stock

1 liquidated and there was a lot of taxes that needed
2 to be paid and they were going back looking at to
3 see if -- because it was all reported in
4 Mrs. Stevenson and what I did was properly
5 reflected what the 1099's and everything.

6 So what I think Bobby Pearlman was
7 looking at was if we put that gain into the trust
8 and took a loss on these loans, that those two
9 would net each other out and it wouldn't be this
10 large tax bill that needed to be paid. He was
11 looking at it from the tax angle for this large
12 capital gain. And those tax returns needed to be
13 filed by October the 15th because they were
14 extended.

15 Q. Did there turn out to be any tax
16 advantage from doing that?

17 A. Well, the 1099's were not corrected so
18 I wasn't going to go back and change
19 Mrs. Stevenson's return unless the 1099's were
20 corrected.

21 Q. Okay. I'm just not following you. I
22 don't understand.

23 A. Okay. There was a large capital gain
24 that was in Mrs. Stevenson's name.

25 Q. 300,000 dollars?

1 A. I can't even remember how much it was.
2 And I think they were exploring the idea that
3 possibly that Dan's shouldn't have been in
4 Mrs. Stevenson's name, it should have been in one
5 of the trusts. The trusts should have been the
6 ones to pay the taxes. And if the trusts had a
7 capital gone and all was lost, then the two would
8 net out in that trust, therefore you wouldn't have
9 to pay all that tax in that gain.

10 Q. It was G-Tech stock?

11 A. I think it was called G-Tech.

12 Q. And formerly that was Interlott and
13 they had to sell it?

14 A. It was a forced liquidation, yes.

15 Q. And that was in 2006?

16 A. 2006 tax return, right, which we would
17 have been working on in 2007.

18 Q. And they had to recognize the 300,000
19 dollar capital gain on that transaction, right?

20 A. I don't remember if it was 300,000 but
21 if you say it was 300,000, okay.

22 Q. Let's just work with that number. The
23 transaction was Mrs. Stevenson personally on the
24 stock, not on the trusts?

25 A. That is correct, that's how it was

1 reported.

2 Q. What I'm trying to figure out is in
3 September of 2007 or August 2007 you're just doing
4 the tax returns for 2006?

5 A. They had a lot of -- they owed a lot of
6 taxes and they couldn't pay the taxes. They were
7 trying to figure out how they were going to pay the
8 taxes and the tax returns had not been filed
9 because they were extended until October 15th.

10 Q. So the 1099 is the form that reports
11 the 300,000 dollar gain?

12 A. Yes, sir.

13 Q. And that reported it on Mrs. Stevenson
14 individually?

15 A. Yes, sir.

16 Q. And they wanted to change -- they
17 wanted to move the ownership of that stock from
18 Mrs. Stevenson to the Q-Tip trust?

19 A. Whatever, one of the trusts, correct.

20 Q. And if they had done that, they
21 wouldn't -- you couldn't get the 1099 changed?

22 A. If Douglas Capital would have gone back
23 and changed the 1099's, then I would have amended
24 the returns because that would have showed that it
25 was -- that they had made an improper investment --

1 the investment was in the wrong place to begin
2 with.

3 Q. Now, did anybody make an effort to do
4 that, to get Douglas Capital to go change the
5 1099's?

6 A. I just spoke with them. I don't know
7 what Bobby Pearlman talked with them about.

8 Q. But that was not done, the 1099?

9 A. That was not done.

10 Q. Do you know why the 1099's would not be
11 amended?

12 A. That would be a legal thing because to
13 me it's a legal issue on who owned the stock, what
14 entity owned the stock.

15 Q. Okay. Now, back to the practical tax
16 issue. If you had been able to amend the 1099 and
17 if you did move that gain into the Q-Tip trust, I'm
18 not following how you get a tax advantage out of
19 that.

20 A. Well, because I think the idea that
21 they were exploring was then they would take the
22 position some of the money that Dan owed back to
23 the trust was bad, therefore uncollectible, and
24 then you have a bad debt which would be a capital
25 loss which would offset that capital gain.

1 Q. Okay. That makes sense. But Dan
2 borrowed money from both the Q-Tip and the marital
3 trust, right?

4 A. Correct.

5 Q. So if his loans were from the marital
6 trust, would it make a difference?

7 A. It could only be whichever loans were
8 inside that trust. This was a legal thing, I'm
9 just a reporter of it.

10 Q. Right. I understand. But what I'm
11 trying to figure out is the gain was in -- for
12 Mrs. Stevenson individually?

13 A. Correct.

14 Q. Would it have made a difference if the
15 gain should have been in the marital versus the
16 Q-Tip trust?

17 A. It wouldn't have mattered for tax
18 purposes and unless Dan's -- there wouldn't have
19 been any offset to it. If it would have been in
20 the marital trust to begin with and nothing was
21 deemed to be bad, it would have the same tax
22 effect. You would still be paying tax on that
23 gain.

24 Q. Unless you could offset it against bad
25 loans?

1 A. Exactly. Because each trust is a
2 separate reporting entity, pays its own taxes based
3 on the flow of the income, capital gains and
4 capital losses stay inside the trust.

5 Q. And that's the same for both trusts?

6 A. Exactly. They're called complex
7 trusts.

8 Q. I appreciate your patience.

9 (DFT. EXH. 30, Letter dated 9/13/07 to
10 Mr. Chris Douglas from William A. Bennett, was
11 marked for identification.)

12 BY MR. BRUNSON:

13 Q. Are you familiar with Exhibit 30?

14 A. I do not know that I've ever seen this.

15 Q. Are you aware of a transaction that
16 Bill Bennett authorized on September 17th, not
17 13th, which was the same day that Mrs. Stevenson
18 died, transferring ownership of certain shares of
19 Force Protection stock from Mrs. Stevenson's
20 individual account to the trust in some
21 percentages?

22 A. I wasn't part of any of these
23 discussions.

24 Q. Have you read this letter?

25 A. I need to read it.

1 Q. Yeah, let me let you read it just to
2 make sure it doesn't ring any bells with you.

3 A. The only thing I know between the two
4 trusts, which is very easy to trace, where they had
5 sold it in one trust and the money went into the
6 other trust and I had to do the to and from between
7 the two trusts. And that had been sitting there
8 for awhile. And Douglas Capital did that.

9 Q. Well, I want to ask you about that.
10 Let me let you read the letter.

11 A. Okay.

12 (DFT. EXH. 31, Facsimile Transmittal
13 dated 10/5/07 to Heyward from Lynne, with
14 attachments, was marked for identification.)

15 (DFT. EXH. 32, E-mail chain dated
16 10/26/07, was marked for identification.)

17 BY MR. BRUNSON:

18 Q. I'm showing you now Exhibits 30, 31 and
19 32. And you've had a chance to look at those,
20 right?

21 A. Um-hum.

22 Q. We've identified 30 already. 31 is a
23 fax from you to Heyward Harvey dated October 2nd,
24 2007, right?

25 A. Um-hum. Yes, sir.

1 Q. And then Exhibit 32 is an e-mail chain
2 and the one at the top is from Robert Pearlman to
3 you and copied to Bill Bennett and Heyward Harvey
4 dated October 26, 2007, correct?

5 A. Yes, sir.

6 Q. Now, having reviewed all these
7 documents, does that refresh your recollection?

8 A. Well, it's the same event and, you
9 know, like on this one to Heyward Harvey, I mean, I
10 just sent him what Douglas Capital had a record as
11 of what's owed, what's under the portfolio.

12 Q. Right.

13 A. So --

14 Q. And is that what you sent to him? Does
15 that reflect any reallocation as requested by Bill
16 Bennett in Exhibit 30?

17 A. I'd have to sit down and go through the
18 records and tell you because, you know, Bill
19 Bennett's the one that requested this information
20 and he's the one that would have made sure that
21 whatever he wanted to happen took place in Douglas
22 Capital.

23 Q. And Exhibit Number 32, these are the
24 e-mails back and forth. If you go to the back of
25 the document, get the earliest e-mail, there's one

1 from you to Linda at Douglas Capital.

2 A. Right.

3 Q. And it's dated October 25th. And you
4 ask her to follow up with the brokerage houses and
5 get the 2006 1099's for the G-Tech sale corrected
6 to be reflected in the proper entities so that I
7 can amend the appropriate tax returns, right?

8 A. Correct.

9 Q. And when you talk about reflected in
10 the proper entities, does she know what you're
11 talking about, I mean how to reallocate it?

12 A. I wasn't asking her that. I mean, all
13 I was -- she knew what the transaction was and I
14 wasn't going to amend any returns until she gave me
15 correct 1099's. That was my -- I was doing the tax
16 returns and they come from 1099's. I don't know
17 anything about how anything was transferred back
18 and forth or any of that.

19 Q. That's what I'm getting at.

20 A. Right. I don't know anything about
21 that.

22 Q. You were just going by what somebody
23 else was telling you?

24 A. Exactly.

25 Q. In how it should be reallocated?

1 A. Yes.

2 Q. You're not saying the reallocation was
3 correct?

4 A. Not at all.

5 MR. HOOD: Object to the form of the
6 question.

7 BY MR. BRUNSON:

8 Q. Are you saying that any of the
9 allocations were correct -- reallocations?

10 A. I have not studied that.

11 Q. And did you study that at the time?

12 A. Not to my knowledge. I mean, no. I
13 mean, I did not go through Bill Bennett's letter
14 and trace everything on this letter and make sure I
15 agreed with it.

16 Q. Okay.

17 A. I don't even know if I saw -- I may
18 have seen the letter but I didn't check any of
19 that.

20 Q. Still on Exhibit 32, if you would flip
21 to the second page, the middle of the page, there's
22 an e-mail from Linda Folladori at Douglas Capital
23 to you and you see that e-mail?

24 A. Um-hum.

25 Q. She says: Any official documentation

1 supporting the changes or corrections you would
2 like to see, just presenting your case to make the
3 changes and the specific entries to be changed.
4 Then it is in the hands of the legal or audit
5 compliance team at Fidelity.

6 A. Right. Okay.

7 Q. And then your response to her is on the
8 front page. It's actually not a response to her,
9 you e-mailed Bobby Pearlman sending him her
10 response, correct?

11 A. (Witness moved head up and down.)

12 Q. Is that correct?

13 A. Yes, sir.

14 Q. And you say to him, if you would look
15 at the -- your last sentence of the first paragraph
16 of this e-mail from you. You say: I have the
17 letter Bill Bennett wrote to Douglas Capital to
18 request the transfer back to the trust from
19 Mrs. Stevenson's name but I think they need
20 something more official. I could send you the
21 original 1099's as reported on 2006 tax returns if
22 you want them. And you say: I do not know what
23 the implications would be.

24 And then Pearlman's response to you is
25 at the top?

1 A. Right.

2 Q. Is that right? And he says: One,
3 there is no legal documentation, there's merely
4 tracing the source of the funds invested. And then
5 he says, two, just forget it, we've reported it as
6 we think is proper and required and paid the taxes
7 accordingly. If the government wants to look into
8 it further, we'll show them Bill's tracing work and
9 demonstrate why we reported it the way we did.

10 Do you know what he means by that?

11 A. No. I mean, I reported everything
12 according to the 1099's.

13 Q. Right. The 1099's show that the G-Tech
14 stock, sale of the stock that was owned by the
15 trust -- by the marital estate --

16 A. By Mrs. Stevenson. She was alive then.

17 Q. Right. And not by either of the two
18 trusts?

19 A. Correct.

20 Q. And he's saying here: We've reported
21 it as we think is proper and required and paid the
22 taxes accordingly.

23 Given that, would it have been proper
24 to move those proceeds from Mrs. Stevenson back
25 into the trust at this point without amending the

1 1099's?

2 A. As preparer of the tax return, I was
3 not going to change the tax returns and amend it
4 without having an amended 1099.

5 Q. Would you have had to -- if you simply
6 transferred the proceeds of the sale of the G-Tech
7 stock from Mrs. Stevenson's individual account into
8 the trusts, would that have required any amendment
9 of any tax returns?

10 A. You mean just the proceeds from?

11 Q. From the G-Tech sale.

12 A. And then reported the capital gain?

13 Q. Yeah.

14 A. Well, that would have just been a
15 contribution from her to the trust. That wouldn't
16 show up on the tax return.

17 Q. Unless you took some tax advantage from
18 that by offsetting --

19 A. Right.

20 Q. -- bad loans, which you didn't do?

21 A. Right.

22 Q. So any motivation of a tax advantage
23 from that transfer didn't exist because that never
24 happened?

25 A. That is correct.

1 Q. Are you aware of any other reason why
2 those proceeds would have been transferred from
3 Mrs. Stevenson's individual account into the other
4 trusts?

5 A. My only knowledge was that they were
6 trying to figure out how not to pay those capital
7 gains taxes on the individual or how to, you know,
8 lessen the tax burden.

9 Q. Now, you said earlier that tracing
10 would be easy to do and you said something about an
11 in/out or something?

12 A. And I'd have to go back and look at
13 everything but there was a time when Douglas
14 Capital sold a stock, let's just say it was held by
15 the marital trust.. And when the proceeds came in,
16 the proceeds went into the Q-Tip trust. So what I
17 do is I set up a to/to to/from between the trusts
18 because the cash came into the Q-Tip but the stock
19 was sold over here in the marital so I said that,
20 you know, the Q-Tip owed the marital that money
21 back.

22 Q. And you did do that?

23 A. I did do that, yes.

24 Q. That's very straightforward?

25 A. Exactly.

1 Q. There's no question about one owed it?

2 A. Right. And the proceeds ended up in
3 the other account.

4 Q. Do you recall being involved in tracing
5 the proceeds of the sale of the G-Tech stock into
6 the purchase of Force Protection stock and then
7 transferring the ownership of the Force Protection
8 stock from Mrs. Stevenson into the trust?

9 A. That would not have been anything that
10 would have -- I would have needed to do for any
11 purpose that I served for them. I mean, that
12 doesn't have anything to do with taxes and that
13 doesn't have anything to do with the actual
14 accounting for the trust so...

15 Q. Okay. Did you ever do any tracing
16 yourself of the proceeds of the G-Tech stock sale
17 to indicate that those should have been accounted
18 for differently?

19 A. If I did any kind of tracing of any
20 kind of funds that came in, it was just to make
21 sure that I accounted for it properly.

22 Q. Well, if Mrs. Stevenson owned the
23 G-Tech stock individually and she sold it, as far
24 as you're concerned that money is properly hers and
25 not the trust's?

1 A. Right. Exactly.

2 MR. HOOD: Object to the form of the
3 question.

4 BY MR. BRUNSON:

5 Q. As far as you're concerned who would
6 have been the proper entity or person to receive
7 those proceeds?

8 A. It would have been Mrs. Stevenson's
9 cash.

10 Q. And did you ever do any tracing of that
11 transaction that would have indicated that the cash
12 really belonged to one of the trusts and not
13 Mrs. Stevenson?

14 A. There wouldn't have been any reason
15 that I can remember that I would have done that.

16 Q. And you don't remember doing it?

17 A. Don't remember doing that.

18 Q. You probably would have remembered it
19 if you had done that?

20 A. I don't remember doing that, I mean...

21 Q. Okay. Fair enough.

22 (DFT. EXH. 33, The Bank of South
23 Carolina banking records for Jacquelin K.
24 Stevenson, was marked for identification.)

25 BY MR. BRUNSON:

1 Q. Exhibit 33 are records from the Bank of
2 South Carolina dated February 1st, 2001. I had
3 asked you earlier about a loan that Dan Stevenson
4 took from the Bank of South Carolina in the amount
5 of 487,000 dollars. I think that was secured by a
6 CD with funds from one of the trusts, both of them,
7 do you recall that question?

8 A. Yes, sir.

9 Q. You didn't really know anything about
10 that?

11 A. No, sir.

12 Q. Do these records jar your recollection
13 on that?

14 A. Well, see, this wouldn't really be
15 anything that I would have -- I would have
16 requested information like this to prepare the tax
17 return to see if there was any kind of interest
18 expense on Schedule A.

19 Q. Right.

20 A. And as far as if there wasn't any --
21 for Mrs. Stevenson, our books were cash in and cash
22 out so I didn't have a balance sheet of any money
23 that she owed unless she made a payment so I
24 necessarily wouldn't know anything about this.

25 (DFT. EXH. 34, Telecopier message dated

1 10/12/01 to Ms. Lynne Kerrison from T. Heyward
2 Carter, Jr., with attached Durable Power of
3 Attorney, was marked for identification.)

4 BY MR. BRUNSON:

5 Q. This is Exhibit 34. Miss Kerrison,
6 this is a fax to you dated October 12th, 2001 from
7 Heyward Carter and it says it's attaching -- well,
8 it says copy of durable power-of-attorney and with
9 this is a durable power-of-attorney for Jacquelin
10 Stevenson appointing Kathleen Turner and Dan
11 Stevenson and dated January 4th, 2001. Do you
12 recall receiving this?

13 A. I'm sure I did.

14 Q. So you were aware who the
15 powers-of-attorneys were?

16 A. Yes, sir.

17 Q. All the way back into October of 2001?

18 A. Um-hum.

19 Q. Yes?

20 A. Yes, sir.

21 Q. Were you aware of donations that
22 Mrs. Stevenson made to Christ School and Ashley
23 Hall in 2004?

24 A. I was aware of it because we kept the
25 records.

1 (DFT. EXH. 35, Bank of America records,
2 was marked for identification.)

3 BY MR. BRUNSON:

4 Q. Showing you Exhibit Number 35. Do you
5 recognize this as Mrs. Stevenson's personal bank
6 statement from Bank of America?

7 A. Yes, sir.

8 Q. Do you see a date on there? I'm
9 drawing a blank on the date.

10 A. 4/8/04 through 5/5/04.

11 Q. April '04 through May 2004. And if you
12 would flip over to the page with the Bates Number
13 6058.

14 A. What page are you looking at?

15 Q. 6058, the Bates stamp on the bottom.

16 A. I was looking for a check number.

17 Okay, got it.

18 Q. And this is a list of her checking
19 transactions for this statement period, the second
20 one dated April 15th, 2004 to Christ School in the
21 amount of 50,000 dollars, correct?

22 A. Yes, um-hum.

23 Q. And is there any significance to the
24 fact that that check was written on April the 15th?

25 A. There shouldn't be.

1 Q. Wouldn't matter from a tax standpoint?

2 A. No, because that's December 31st.

3 Q. Did you have -- other than being made
4 aware of it and that it should be a tax deduction
5 for Mrs. Stevenson, did you have any other
6 awareness of this donation?

7 A. No, sir.

8 Q. And clearly the donation to Christ
9 School was from Mrs. Stevenson's personal account
10 and not from the trust?

11 A. That is correct.

12 MR. HOOD: Objection to the form of the
13 question.

14 BY MR. BRUNSON:

15 Q. Let me rephrase the question. From
16 what account was the donation to Ashley -- I'm
17 sorry, to Christ School?

18 A. It was written out of Mrs. Stevenson's
19 personal account.

20 Q. Okay.

21 (DFT. EXH. 36, 1040 U.S. Individual
22 Income Tax Return 2004, was marked for
23 identification.)

24 BY MR. BRUNSON:

25 Q. Exhibit 36 is Mrs. Jacquelin

1 Stevenson's 1040 U.S. Individual Income Tax Return
2 for the fiscal year 2004 and you prepared this,
3 correct?

4 A. Yes, sir.

5 Q. Flip over to the page with Bates Number
6 64 on it, Schedule A.

7 A. Okay.

8 Q. It shows for 2004 contributions of a
9 hundred thousand dollars?

10 A. Yes, sir.

11 Q. Do you know what that comes from?

12 A. I'm sure it was the 50,000 right here
13 from Christ School.

14 Q. Do you recall another 50,000 that was
15 to Ashley Hall?

16 A. I can tell you in a second. Right
17 there is another check to Ashley Hall for 50,000 if
18 you look at Statement A.

19 Q. What number?

20 A. 105.

21 Q. Okay. That indicates there was a
22 charitable contribution that year to Christ School
23 and Ashley Hall for 50,000 dollars each or a total
24 of 100,000 dollars?

25 A. Yes, sir.

1 Q. And was that -- how was that treated?
2 Do they get a hundred percent deduction for those
3 or did Mrs. Stevenson get a hundred percent
4 deduction?

5 A. Well, they get an itemized deduction
6 for it which comes from your adjusted gross income
7 to arrive at your taxable income.

8 Q. And she did get the individual benefit
9 of that?

10 A. Well, it was carried over because of
11 her income but it would have carried over five
12 years. I'm certain in the next five years she
13 would have used it so it wouldn't have been lost.

14 Q. If her estate was reimbursed for that
15 hundred thousand dollars today by Tom, let's just
16 say individually, if he gave a hundred thousand
17 dollars to her estate, how would that be treated
18 from a tax standpoint? Would this deduction have
19 to be undone somehow?

20 A. Well, no, because this money was
21 already given to the school so there's no way that
22 that deduction can be undone so I don't know the
23 answer to that.

24 Q. She would just treat it as ordinary
25 income, I guess?

1 MR. HOOD: I didn't hear your question.

2 BY MR. BRUNSON:

3 Q. It would be treated as ordinary income?

4 MR. HOOD: Okay.

5 THE WITNESS: Probably. I don't know
6 the answer to that. I think it would be -- depend
7 on the characteristics of how the language was
8 worded when he paid the money back.

9 BY MR. BRUNSON:

10 Q. From a tax standpoint do you know if he
11 would be able to, properly wording it, give a
12 hundred thousand dollars to the estate and then
13 himself claim?

14 A. Because it's all based on the year of
15 when the check was written and those deductions
16 were written -- the checks were written in 2004 so
17 the 2004 deduction.

18 Q. It can't be undone?

19 A. I think you would have a very difficult
20 time getting it undone but I'm not an attorney.
21 You could talk to -- I don't know. You'd probably
22 have to talk to the attorneys of Christ School and
23 Ashley Hall because they would have to undo their
24 records also.

25 Q. Is there a way for you to know without

1 spending a whole lot of time on it what the actual
2 tax benefit was to Mrs. Stevenson from that
3 donation, how much less taxes did she pay as a
4 result of it?

5 A. I'd have to go into 2005 and 2006 and
6 see what her tax rates were those years because she
7 would have had an 80 some thousand dollar
8 carryover. Of the 23,000 -- I'd have to look at
9 the next year's return because, see, it carried
10 forward. She was at the lowest tax rate in 2004
11 because she didn't end up having any taxable
12 income. I don't remember what her tax --

13 Q. If you make the assumption that she had
14 the same rate in 2005, would you be able to do it
15 or you'd have to --

16 A. I'd have to see the return to know what
17 kind of income she had. The highest benefit she
18 would have received would probably be about 34
19 percent combined federal and state, 28 percent
20 federal, you know, 5, 6 percent state would be the
21 highest.

22 Q. Okay.

23 (DFT. EXH. 37, Letter dated 6/14/07 to
24 Ms. Lynne Kerrison from Kathleen S. Turner, was
25 marked for identification.)

1 BY MR. BRUNSON:

2 Q. Exhibit 37 is a letter to you from
3 Kathleen Turner dated June 14, 2007. In the letter
4 she says: Dear Lynne, this is to advise you that
5 my brother, Daniel R. Stevenson, and I have
6 copower-of-attorney for our mother, Jacquelin K.
7 Stevenson. We must act jointly so please do not
8 permit any transactions involving her personal
9 accounts which do not involve both of us. Thank
10 you so much for your time and attention.

11 A. Yes, sir.

12 Q. Do you recall this letter?

13 A. Yes, sir.

14 Q. What was the circumstances under which
15 you got this letter?

16 A. Well, from that point on, Kathleen was
17 involved in making every single decision.

18 Q. And if she had sent you this letter in
19 2001, would she have been jointly involved in all
20 decisions?

21 A. Yes.

22 Q. Did you ever do anything to keep
23 Kathleen Turner from fulfilling her obligations as
24 power-of-attorney?

25 A. Not to my knowledge.

1 Q. Are you aware of anybody who did?

2 A. Not to my knowledge.

3 Q. And prior to this time you knew she was
4 a power-of-attorney, you'd known that since October
5 2001?

6 A. The power-of-attorney that I received
7 came from Heyward Carter, that's why I went to
8 Heyward Carter from the very beginning.

9 MR. BRUNSON: Let's take a break. I
10 think I'm done.

11 (A recess transpired.)

12 BY MR. BRUNSON:

13 Q. Back on the record, Miss Kerrison. Do
14 you recall having a conversation with Tom Stevenson
15 about wherein he asked you your advice about when
16 to sell the Force Protection stock after the stock
17 had appreciated significantly?

18 A. I never had a conversation with Tom
19 about selling stock.

20 Q. Do you recall telling Tom that it would
21 be wise to hold the stock until after
22 Mrs. Stevenson passed away because you could get a
23 stepped-up basis?

24 A. We were -- the only time I talked to
25 Tom about selling stock and we were talking about

1 how to pay those taxes with the estate on that tax
2 return and they were going to have to liquidate the
3 stock to come up with the taxes so we spoke about
4 different alternatives to selling stock. And one
5 of them was to see if they could borrow in the
6 margin because if they borrowed the money to pay
7 the tax, then they could hold, you know, you would
8 get the step-up at death but that was pretty much
9 for tax planning, not for any kind of investment
10 planning.

11 Q. From a tax-planning standpoint, did it
12 make sense to hold the Force Protection stock after
13 it had gone up ten-fold?

14 A. Certainly if you're going to step up
15 but Mrs. Stevenson was alive then, it always makes
16 sense to hold on to all your assets until the date
17 of death to get the step-up.

18 MR. BRUNSON: Okay. That's all I have.

19 EXAMINATION

20 BY MR. HOOD:

21 Q. Miss Kerrison, I have a few questions.

22 A. Yes, sir.

23 Q. Did Tom and Dan act jointly in the
24 handling of the trust affairs when they worked with
25 you?

1 A. I considered them to be one and the
2 same. They didn't -- you know, both of them did
3 not come into the office every single day and work
4 together but in my mind they were both trustees of
5 the trust.

6 Q. And in your professional opinion as a
7 CPA did they breach their duties of loyalty owed to
8 the trust and the beneficiaries of the trust?

9 MR. BRUNSON: Object to the form, lack
10 of foundation.

11 THE WITNESS: I don't know that I can
12 answer that. I mean --

13 BY MR. HOOD:

14 Q. As a CPA?

15 A. As a CPA.

16 Q. They took 5 million dollars out of the
17 trust for their own businesses and personal use.
18 Was that a breach of trust?

19 MR. BRUNSON: Same objection.

20 THE WITNESS: I counted them as loans
21 on the trust books so in my accounting they're
22 assets of the trust.

23 BY MR. HOOD:

24 Q. Okay.

25 A. So...

1 Q. Let's talk about them being loans. The
2 money was taken out and it went into their
3 businesses whether it was Easy Trade that they were
4 in together or whether it was FabTech or whatever
5 business it was, correct?

6 A. But I didn't treat it that way, I
7 treated it as their personal loans.

8 MR. BRUNSON: Object to the form.

9 BY MR. HOOD:

10 Q. But the actual checks were written to
11 their businesses, correct?

12 A. Some of them were, maybe not all of
13 them. I don't know that.

14 Q. I don't know of any that weren't.

15 A. I don't know.

16 Q. In any event, at the end of the day
17 they added up to about 5 million dollars?

18 A. If that's the number, yes, sir.

19 Q. And when you have a true arm's length
20 transaction of a loan, the lender sets the terms of
21 the loan, correct?

22 A. Well, there needs to be -- for tax
23 purposes there needs to be a stated rate of
24 interest and the promissory notes had a stated rate
25 of interest in it.

1 Q. And a lender sets the terms based on
2 what interest rate they want, what collateral they
3 want, security for the loan, payment terms and so
4 forth, that's the normal transaction?

5 A. Right. That's more of a legal thing,
6 that's why the attorneys were involved in blessing
7 those notes, promissory notes.

8 Q. And here what we have is no security
9 for any of these loans, 5 million dollars, zero
10 security, correct?

11 A. I believe that's -- I'm not sure if
12 that note said they were unsecured, I'd have to go
13 read the exact language in it.

14 Q. And your accounting reports show that
15 they are unsecured?

16 A. If it says they're unsecured, they're
17 unsecured.

18 Q. So to do that as trustees, as a CPA
19 looking back at this situation, did they breach
20 their duties to these trusts?

21 MR. BRUNSON: Objection to form, lack
22 of foundation.

23 THE WITNESS: That's why I went to
24 these attorneys.

25 BY MR. HOOD:

1 Q. You were concerned that they were
2 breaching their duties?

3 A. I was concerned that somebody else
4 needed to look at the transactions besides me.

5 Q. And as a CPA, did you consider the
6 loans to be improper, self-dealing?

7 A. That's why I went to the attorneys.

8 Q. Did they breach their administrative
9 duties of good faith to the beneficiaries of the
10 trust?

11 MR. BRUNSON: Objection, lack of --

12 BY MR. HOOD:

13 Q. To you as a CPA?

14 MR. BRUNSON: Objection, calls for a
15 legal conclusion.

16 THE WITNESS: You know, I was just
17 recording things. I went to the attorneys to make
18 sure that they kept -- made sure that the
19 transactions were accurate. I just recorded the
20 transactions.

21 BY MR. HOOD:

22 Q. But you worked with a lot of trusts
23 over the years and the work that you did with this
24 trust, did Dan and Tom Stevenson breach their duty
25 to act solely in the interest of the beneficiaries

1 of the trusts?

2 MR. BRUNSON: Object to the form.

3 THE WITNESS: I don't know that I can
4 answer that. I'm not an attorney.

5 BY MR. HOOD:

6 Q. As a CPA. I'm not asking you as an
7 attorney.

8 MR. BRUNSON: Same objection.

9 THE WITNESS: But I don't think that's
10 anything that I would ever even think about. I was
11 preparing tax returns and the tax returns world had
12 to do with tax returns.

13 BY MR. HOOD:

14 Q. And when all of this came out and
15 became known in the light of day, you were asked to
16 put together a detailed audit or analysis?

17 A. It wasn't an audit, it was just --

18 Q. A financial analysis, I guess?

19 A. It was just the QuickBooks -- the
20 history that I have of the checks that were written
21 and the deposits that were made.

22 Q. And those became known as the white
23 books, they were three volumes?

24 A. That's what everybody calls them, yes,
25 sir.

1 Q. And that was at what time that those
2 books came out?

3 A. When we had that meeting down at
4 Heyward Carter's office with Mr. -- is it -- not
5 MacIntosh.

6 Q. McCutchen?

7 A. McCutchen, yes, sir.

8 Q. And that was the first time that there
9 was ever any detailed accounting given to the
10 beneficiaries to your knowledge?

11 A. Except for to Kathleen.

12 Q. I'm sorry?

13 A. Except for to Kathleen when we had that
14 meeting at Heyward Carter's office.

15 Q. We'll get to that. That was not a
16 detailed accounting report to her at that time, was
17 it?

18 MR. BRUNSON: Object to the form.

19 BY MR. HOOD:

20 Q. A piece of paper that the two boys put
21 together?

22 A. No, we had all the general ledgers and
23 the loans in the amount.

24 Q. Do you remember her basically just
25 being totally flabbergasted that her brothers were

1 thieves and dealing with that on top of trying to
2 understand what happened at that meeting?

3 A. I just remember it was more of a
4 factual meeting.

5 Q. Well, and her reaction and how she took
6 it, you don't know, that's her personality?

7 A. Correct.

8 Q. And you would defer to her personality
9 in explanation of it?

10 MR. BRUNSON: Objection.

11 THE WITNESS: She didn't jump up and
12 down and scream and she didn't cry.

13 BY MR. HOOD:

14 Q. Right. And she didn't take a gun and
15 kill her brothers?

16 A. Exactly.

17 Q. That's why we have lawsuits. But she
18 did try to cooperate with them and work with them
19 for a year to try to put this to rest because they
20 said they were -- she thought they were honorable
21 and they said they'd do the right thing, correct?

22 MR. BRUNSON: Objection, lack of
23 foundation.

24 THE WITNESS: I would say from what I
25 observed that's a true statement.

1 BY MR. HOOD:

2 Q. And when Dan told her, you don't need
3 to sue us, you don't need to get a lawyer, did you
4 hear that conversation?

5 A. I didn't hear that conversation.

6 Q. So whether it happened or not, you
7 don't know?

8 A. I don't know.

9 Q. And whether or not she believed her
10 brothers and tried to hope things would work out
11 for the family and went along with this for about a
12 year, you don't know that either?

13 A. I never had any personal consultations
14 just with Kathleen alone.

15 Q. How about throughout this whole time
16 starting in '01, we got a bunch of different
17 lawyers representing Tom and Dan. Did anyone ever
18 say to you or to them in your presence, there are
19 statutes of limitations here, you all can pull this
20 stuff off if you really follow it right and don't
21 let anybody do anything for a year on this one
22 claim for breach of trust, don't do anything for a
23 couple years on this other one and maybe three
24 years on this other, did they ever talk like that,
25 these lawyers?

1 A. Not in my presence. I never heard
2 anything like that.

3 Q. And if you look back at this history of
4 all of the efforts to get these two men to tell
5 their sisters what they had done, it starts with a
6 letter from Mr. Carter in November of '01 and still
7 up until '06, five years, they hadn't done
8 anything. As you observed it just as a human being
9 watching it unfold, did it appear to be an
10 intentional delay by them to avoid the ultimate
11 responsibility if they could get away with avoiding
12 it?

13 MR. BRUNSON: Object to the form.

14 THE WITNESS: You know, I don't -- in
15 my mind, I don't -- I think that they were -- in my
16 mind I thought they had all intentions of paying it
17 back, whether it was at the date of death --

18 BY MR. HOOD:

19 Q. So they convinced you like they did
20 Kathleen?

21 A. Nobody convinced me of anything.

22 Q. You thought they were going to pay it
23 back, so did she.

24 A. Well, they signed the notes.

25 Q. Which were unsecured.

1 A. Well, I'm not an attorney.

2 Q. Yeah.

3 A. They signed the notes.

4 Q. The bank ever lent you or your husband
5 any money without some security on anything?

6 A. Well, they were attorneys that reviewed
7 those notes.

8 Q. I'm not saying you should have reviewed
9 them, I'm saying that the trust didn't have
10 anything but a piece of paper.

11 MR. BRUNSON: Object to form.

12 THE WITNESS: And I had attorneys that
13 looked at it and in my mind those were assets of
14 the trust and that's how I treated them.

15 BY MR. HOOD:

16 Q. And to this day Tom hadn't paid a penny
17 in interest back and he owes 250,000 dollars in
18 principal, correct?

19 A. I'm not sure of the numbers but if you
20 say so, then that's correct.

21 Q. And Dan owes 3 million dollars plus
22 interest, correct?

23 A. If that's what the number is, yes, sir.

24 Q. Now, seeing this as a CPA, do you think
25 they ought to be punished for what they did, I mean

1 severely punished?

2 MR. BRUNSON: Object to the form.

3 THE WITNESS: I think they need to pay
4 the money back.

5 BY MR. HOOD:

6 Q. And is it unreasonable for their
7 sisters to demand that they pay it back and bring a
8 suit against them to get them to pay it back since
9 they haven't?

10 MR. BRUNSON: Object to the form.

11 THE WITNESS: You know, I don't know
12 that I can answer that. I mean, if I borrow a
13 dollar, I pay a dollar back. I think everybody
14 should live by the same standard. That's my
15 standards.

16 BY MR. HOOD:

17 Q. I agree with you. And that hasn't
18 happened here, has it?

19 A. Not to my knowledge at this time.

20 Q. And all those checks that you were
21 asked about that came out of Mrs. Stevenson's
22 personal accounts, those were checks that were
23 written by Dan out of her account while she had
24 Alzheimer's and was in the Alzheimer's unit over at
25 Bishop Gadsden. She didn't know what was going on,

1 did she?

2 MR. BRUNSON: Object to the form.

3 THE WITNESS: I've never known
4 Mrs. Stevenson. I only know about her capacity
5 based on information that I've read.

6 BY MR. HOOD:

7 Q. So what we've got is two sons stealing
8 5 million dollars from a mother with Alzheimer's
9 and we're still trying to get repaid and then they
10 threaten these three ladies that they're going to
11 get sued by the two thieves for not suing you and
12 your employer for breach of trust. What do you
13 think of that?

14 MR. BRUNSON: Object to the form.

15 BY MR. HOOD:

16 Q. That's why you got sued. I'm telling
17 you, I was here and I heard it. It was scary what
18 they were threatening.

19 A. Well, I wish I wasn't here.

20 MR. BRUNSON: I object if that's a
21 question.

22 BY MR. HOOD:

23 Q. As a CPA, in your opinion did Tom and
24 Dan in loaning their businesses money act as
25 prudent investors of the trust funds?

1 MR. BRUNSON: Objection, lack of
2 foundation.

3 THE WITNESS: And I don't know that I
4 can answer that because no -- there was a rate of
5 interest of the loans.

6 BY MR. HOOD:

7 Q. Well, for example, Howard Pratt-Thomas
8 did a prospectus for Easy Tray, they put 3 million
9 dollars of trust money in Easy Tray, they both had
10 a managing interest in it, it was a start-up
11 company and it went kapoof and they lost the 3
12 million dollars. You know that story?

13 A. Yes, sir.

14 MR. BRUNSON: Object to the form.

15 BY MR. HOOD:

16 Q. I'm sorry?

17 MR. BRUNSON: Misstates the record.

18 THE WITNESS: Yes, sir.

19 BY MR. HOOD:

20 Q. And as to FabTech, during the years it
21 was getting its money, it never made a profit?

22 A. I don't know anything about that.

23 Q. You never saw their numbers?

24 A. No, sir.

25 Q. Your office did those numbers, you know

1 that?

2 A. Yes, sir, but I never looked at it.

3 Q. You never looked at it?

4 A. No, sir.

5 Q. But whatever they are, they are?

6 A. Yeah.

7 Q. And you wouldn't dispute your own
8 firm's numbers, they never had a profit during the
9 years the money went out?

10 A. No, sir.

11 Q. Were you ever asked about whether it
12 was a prudent place to put money, start up
13 companies that had no profit?

14 A. I was never asked, no, sir.

15 Q. Have you seen in dealing with
16 Charleston families how it's just sort of a truism
17 that the men handle the money and the women stay
18 out of the handling of the money?

19 A. I mean, that's -- I wouldn't know.

20 Q. But have you seen that with other
21 families and other estates, particularly older
22 people, not young ones, older people, people who
23 have been living for 50, 60 years?

24 MR. BRUNSON: Object to the form.

25 MR. COOKE: That's not old.

1 BY MR. HOOD:

2 Q. As old as Mr. Cooke.

3 A. I deal with men and women.

4 Q. Right.

5 A. You know, I deal with some very
6 sophisticated women.

7 Q. But what Kathleen Turner says here is
8 in the Stevenson family, it was rude to ask men
9 about the money. It was a patriarch family coming
10 down from Daddy and the ladies never asked about
11 money. Money was always there and the men handled
12 the money. And when Daddy died, the two men in the
13 family handled the money. You've seen that in
14 other estates, haven't you, in this town?

15 A. Honestly, the big estates I worked on,
16 the females are the ones that are handling the
17 money.

18 Q. Well, now they are in this one too.

19 A. Yeah.

20 Q. The exhibit that you were asked about,
21 this thing here, this was summarized and prepared
22 after the day of the meeting, it's got a day at the
23 bottom.

24 A. Where I wrote my notes and everything?

25 Q. Yes.

1 A. Yes, sir.

2 Q. And you didn't give a copy of this to
3 Kathleen Turner, she doesn't have a copy of it?

4 A. I don't know. I would have brought
5 copies there, I don't know --

6 MR. BRUNSON: Can you just identify the
7 exhibit you're talking about?

8 MR. HOOD: 21, thank you.

9 BY MR. HOOD:

10 Q. It's not your testimony that you gave
11 her a copy of Exhibit 21, correct?

12 A. I don't remember if I gave her one or
13 not.

14 Q. So you just don't know one way or the
15 other and you wouldn't say she's wrong if she says
16 I didn't get a copy?

17 A. I can't say that. I don't remember.

18 Q. And you know you didn't prepare it
19 because it's got things in here about Easy Tray and
20 shares and Easy Tray and things that you weren't
21 involved in?

22 A. Correct.

23 MR. BRUNSON: Object to the form.

24 BY MR. HOOD:

25 Q. And it's also got things in here about

1 life insurance and other stuff that have nothing to
2 do?

3 A. Well, I brought that information about
4 the life insurance to the meeting because that was
5 out of my files from paying the premiums.,

6 Q. I see. And there the life insurance
7 was to pay estate taxes on the death of
8 Miss Stevenson?

9 A. That's the way it was set up, yes, sir.

10 Q. You know Tom took the money and kept
11 it, that's what this whole litigation -- not Tom,
12 Dan.

13 A. I don't know that.

14 Q. 400,000 dollars. We're still trying to
15 get that back.

16 A. I didn't know that until it came out..

17 Q. Did that ever enter anybody's mind that
18 that money was for life insurance?

19 A. That's what I understood.

20 Q. And the beneficiaries all understood
21 that as far as you know?

22 A. As far as I knew that's what I
23 understood.

24 Q. Do you think that they hid, Dan and
25 Tom, intentionally their conduct from their three

1 sisters as you watched this unfold and live through
2 it?

3 MR. BRUNSON: Object to the form, lack
4 of foundation.

5 BY MR. HOOD:

6 Q. We started 11/29/01 with a letter from
7 Carter to them saying, tell your siblings. We get
8 down to finally a meeting in April of '06 and
9 finally there's some disclosure. Don't you think
10 that that five years was -- during that five years
11 they intentionally did not tell their siblings?

12 MR. BRUNSON: Same objection.

13 BY MR. HOOD:

14 Q. As you observed it?

15 A. I can't say that they intentionally
16 didn't but we know that they did not.

17 Q. Don't you think that that kind of
18 conduct is willful, wanton and reckless?

19 MR. BRUNSON: Object to the form, lack
20 of foundation.

21 BY MR. HOOD:

22 Q. And that's why we ask juries for
23 spanking money.

24 MR. BRUNSON: Same objection.

25 THE WITNESS: I mean, I think they

1 should have followed through with what they said
2 they were going to do.

3 BY MR. HOOD:

4 Q. Now, the very first loan, November of
5 '99, that's not in your records. Is that because
6 Tom told you he had paid it off? It's a 200,000
7 dollar --

8 A. Is that the one that came through
9 Douglas Capital?

10 Q. Yes.

11 A. That was because it came through
12 Douglas Capital and I didn't write a check for it
13 and so it was included in the assets of Douglas
14 Capital. So when we received the statement from
15 Douglas Capital, it would say this is the fair
16 market value. It was included in that fair market
17 value.

18 Q. Okay.

19 A. But then it dropped off so that's the
20 thing, and I'd have to go back and look at
21 everything to see exactly what --

22 Q. But no one's blaming you for anything
23 on this subject.

24 A. Right.

25 Q. I'm trying to find out what Tom was

1 doing with it. Basically he got 200,000 dollars,
2 100 from each trust, and it never got put on the
3 books.

4 MR. BRUNSON: Object to the form.

5 THE WITNESS: And if it was not put on
6 the books, it was an over -- I mean, it was
7 something that I didn't put on the books because it
8 was on Douglas Capital. Nobody told me not to put
9 anything anywhere.

10 BY MR. HOOD:

11 Q. What I'm trying to figure out, did he
12 ever tell you, Tom, I paid that off?

13 A. No.

14 Q. Do you know that he's never told the
15 bank that he's currently dealing with, just
16 borrowed 6 million dollars, under oath that he has
17 no lawsuit against him just recently?

18 A. I mean, I wouldn't have any idea.

19 MR. BRUNSON: Mr. Hood, do you have any
20 documentation of that?

21 MR. HOOD: Yes, I do.

22 MR. BRUNSON: I want to see it.

23 MR. HOOD: I'm not here under oath
24 myself, actually.

25 MR. BRUNSON: You have to have a good

1 faith basis for your question.

2 MR. HOOD: That's true. And I think
3 we've got a loan document that says that, Bank of
4 America.

5 MR. BRUNSON: I just want to see it,
6 that's all.

7 MR. BENNETT: Ask your client, he's got
8 a copy of the loan covenants.

9 MS. BENNETT: It's bank of NBSC.

10 BY MR. HOOD:

11 Q. If you go to a national bank, you
12 borrow 5 million dollars and you say I have no
13 litigation against me and you've got a case the
14 magnitude of this case against you, is that a
15 violation of federal law that you know about as a
16 CPA?

17 MR. BRUNSON: Object to the form.

18 THE WITNESS: I would say that's
19 improper if he didn't disclose what he was supposed
20 to disclose on that form.

21 BY MR. HOOD:

22 Q. And financial statements to his bank
23 and friends at the Bank of South Carolina, he puts
24 down the value of FabTech where he puts over a
25 million dollars of his family's money at a hundred

1 dollars, is that being honest?

2 A. You know, I wouldn't have -- I mean, it
3 would be what the value is of his company, which I
4 wouldn't know because I don't know anything about
5 his company. I mean, that's between him and his
6 personal financial statement.

7 Q. Were there any times where you asked
8 Tom to do something and he didn't do it or he
9 intentionally delayed doing it?

10 A. I can't ever say that he intentionally
11 delayed anything.

12 Q. Whether he did or didn't, you don't
13 know, in other words?

14 A. That's correct.

15 Q. You never called him out on it?

16 A. No, sir.

17 Q. And the white books are about three or
18 four inches at three volumes?

19 A. Yes, sir.

20 Q. One for each trust and one for
21 Miss Stevenson's estate?

22 A. Yes, sir.

23 Q. And they're in a detailed accounting of
24 what we're talking about here?

25 A. Yes, sir.

1 Q. When did you first learn they were
2 using trust money for their own businesses?

3 A. Well, you know, when they wrote the
4 checks to whatever, I mean, I surmised that it went
5 into the business. But as far as tracing that
6 money into the businesses, I didn't do anything
7 like that. So on my end, since I didn't know
8 exactly where the money went, I just charged -- I
9 mean, I just treated it all as to them so it didn't
10 matter on my end what they did with the money on
11 how I treated it.

12 Q. Did you ever go to any of the
13 principals in your CPA firm, the various firms
14 you've been in, successors leading up to Dixon
15 Hughes and say, we got a problem here, look at
16 this, look at the checks going into the businesses
17 of these trustees?

18 A. Well, I'm sure anyone that would have
19 asked when we had Howell Morrison and them in our
20 office looking at everything, they would have known
21 what was going on.

22 Q. Did he mention anything about the
23 statute of limitations and a way to avoid being
24 responsible for paying this back?

25 A. Not to -- not in any kind of

1 conversations that I heard.

2 Q. Have you ever had something like this
3 happen to any other clients?

4 A. No, sir.

5 Q. Do you feel like Bobby Pearlman was
6 trying to get everybody together to try to work
7 this thing out so they would avoid having a lawsuit
8 and a fight?

9 A. My dealings with Bobby Pearlman were
10 primarily from the tax perspective. He was looking
11 at tax angles.

12 Q. Did you ever tell Dan or Tom, either
13 one or both, what they ought to do about this money
14 they had taken?

15 A. No, we never discussed it.

16 Q. Did you consider their use of the word
17 loan or loans to be untrue, just absolutely not
18 true, they were just taking the money for their own
19 use?

20 A. I mean, like I said, I treated them as
21 loans, put interest on there and, you know, assumed
22 that every penny of it was going to be paid back at
23 some point in time.

24 Q. But it hadn't been?

25 A. (Witness moved head back and forth.)

1 Q. Did anyone ever tell them to quit
2 drawing money out of the trusts and
3 Miss Stevenson's account for their own personal use
4 and businesses?

5 A. Not that I heard. I would have had a
6 reason to say no.

7 Q. Were you present when Heyward Carter
8 told them you got to tell your siblings?

9 A. Probably through those letters. I
10 mean, I knew that Howell Morrison -- that was the
11 reason that Howell Morrison was involved, so they
12 could tell the siblings. I knew they were supposed
13 to have a meeting, yes.

14 Q. Now, all of the loans don't have -- if
15 they really are loans, they don't have notes, do
16 they, there are only several of them have notes?

17 A. And I'm not certain about at the end
18 because those first ones had notes and then I kept
19 calculating it and putting interest on it and then
20 I'm not sure when those notes were drawn up or
21 anything.

22 Q. What would be a reasonable interest
23 rate for the estate to charge them for these funds
24 they took?

25 A. Well, we take their principal and

1 federal interest rate just because that's a
2 published rate that we use whenever we draw up
3 notes and I know the IRS uses that as a rate and
4 that's what Heyward Carter and Howell Morrison's
5 office --

6 Q. What would that be today?

7 A. I don't even know, I'd have to pull it
8 up.

9 Q. 6 percent, 7? Just give me a rough
10 number. 7 percent, 8 percent?

11 A. Usually about what prime is, maybe a
12 little less. It's published every year.

13 Q. Well, the first one that Tom signs is
14 10 percent.

15 A. Okay. Well, that was from --

16 Q. Douglas Capital?

17 A. Douglas Capital.

18 Q. Would that be a reasonable amount to
19 charge on this money, 10 percent interest
20 compounded annually?

21 A. It depends on what the rates fluctuated
22 over the years, you know.

23 Q. Well, but if they had a true arm's
24 length situation and signed a note, it would have
25 been like the original notes that said, if you

1 don't pay, you pay costs and attorney's fees?

2 MR. BRUNSON: Object to the form.

3 BY MR. HOOD:

4 Q. That's all in those original letters.

5 A. Okay. And I don't -- you know, I don't
6 know why when the other notes were drawn up, you
7 know, the attorneys didn't speak to the rate of
8 interest or anything.

9 Q. Yeah. Okay. And of course I guess you
10 know if you get a judgment in South Carolina, the
11 interest rate on the judgment is 12 percent?

12 A. I wouldn't have any reason to know
13 that.

14 Q. And it fluctuates but it's currently
15 around 12 percent? You don't know that?

16 A. I wouldn't have any reason to know
17 that.

18 Q. Do you know besides the one you think
19 Douglas Capital did who drafted any of the other
20 notes?

21 A. See, I don't know if our office
22 actually typed them and sent them over to Heyward
23 to review. I know that those notes that came from
24 Howell Morrison's office, they would have drafted
25 those, so I'm not certain who actually drafted the

1 notes but I know that they were sent to the
2 attorneys for approval.

3 Q. Did you or anyone in your office,
4 various offices at different times over the course
5 of these events starting in '99, ever tell Dan
6 and/or Tom to stop taking funds from the trusts or
7 their mother?

8 A. Inadvertently through the meetings with
9 the attorneys and everything but -- because
10 otherwise I would have never called the attorneys,
11 but face-to-face conversation, no.

12 Q. And even after the meetings with the
13 attorneys, they continued to take money?

14 A. Yes, sir.

15 Q. If the notes were legitimate, should
16 they have been contemporaneous with the taking of
17 the money, in other words, they take the money on X
18 date, they write a note on that date, they don't
19 wait ten years or five years to take a note?

20 A. I was never instructed to do that.

21 Q. No, I'm saying in a normal situation
22 that you see as a CPA, if someone is going to have
23 a note that's going to apply to a loan or money,
24 it's done at the same time you get the money,
25 correct?

1 MR. BRUNSON: Object to the form.

2 THE WITNESS: If you were working with
3 a bank, yes, but probably not in all circumstances.

4 BY MR. HOOD:

5 Q. Okay. And until the lawyers started
6 complaining, were there any notes at all?

7 A. Probably not because that's what, you
8 know, when I spoke to Heyward.

9 Q. And until Mr. McCutchen got involved,
10 was anybody paying anything back?

11 A. No, not to my knowledge.

12 Q. Were you at the meeting when he said to
13 Tom, you have been caught with your hands in the
14 cookie jar, you're going to pay these ladies back?
15 Were you there for that meeting?

16 A. I believe that was one of the meetings
17 at Heyward Carter's office?

18 Q. Yes.

19 A. When everyone had an attorney there?

20 Q. Yes.

21 A. I kind of remember there was a lot of
22 heavy discussions.

23 Q. And what Mr. McCutchen was trying to
24 convince Tom that he needed immediately do was to
25 stand down and he refused to do so, didn't he?

1 A. You mean as trustee of the trust?

2 Q. Yes.

3 A. There was some discussion on that also.

4 Q. Have you ever been involved in any
5 thefts of funds that resulted in criminal
6 prosecution?

7 A. No, sir.

8 Q. So you've never qualified as an expert
9 on these subjects in front of a jury in a civil or
10 criminal trial?

11 A. No, sir.

12 Q. But you are a CPA?

13 A. Yes, sir.

14 Q. If you go borrow money -- if anybody
15 goes and borrows money, does the borrower set the
16 terms of the loan and the interest rate or does the
17 lender set it?

18 A. The bank sets it, the lender sets it.

19 Q. And here the bank was the trust?

20 A. But the notes were approved by
21 attorneys so I don't see where anything with me
22 having to do with those notes that I did anything
23 incorrect.

24 Q. I'm not talking about you.

25 A. Okay.

1 Q. But here the bank was the trust?

2 A. Exactly.

3 Q. And are you aware that Tom had some of
4 the funds that he got from the trust that didn't
5 actually go to FabTech, they went in his personal
6 account?

7 A. That's what I don't have any idea where
8 the money went.

9 Q. Well, he drives a Porsche.

10 A. See, I don't even know that.

11 Q. He's renovated his house. You've never
12 see him driving his Porsche? Did he come in a
13 Honda or a Porsche when he came to meet with you?

14 A. He parked downstairs, I don't have any
15 idea.

16 Q. How long did it take you to put
17 together those white books?

18 A. Well, since I had everything on the
19 computer, it was just a matter of printing
20 everything out so I don't know, maybe a day. I
21 don't know.

22 Q. Well, there's a lot of documents there.

23 A. Right.

24 Q. And then you had to copy them for
25 everybody, make multiple copies?

1 A. Maybe a day. I don't know but we had
2 everything in the computer, so print it and make
3 sure all the binders had the same information in
4 it.

5 Q. Do you feel like you had all of the
6 proper documentation for each of the amounts of
7 money that were taken out of the trust and from
8 Miss Stevenson's account by Tom and Dan?

9 A. Well, I have copies of the checks.

10 Q. Were you present when Heyward Carter
11 told Dan and Tom, if you're going to take money out
12 of the trust, you have to do a contemporaneous
13 note?

14 A. I don't know if that was in any of our
15 meetings and that's why the notes came down. I
16 don't remember that conversation.

17 Q. Well, and they didn't do that, did
18 they? They didn't have contemporaneous notes?

19 A. Not a note every time they took.

20 Q. And is it fair to say based on your
21 observations, no different than if you're standing
22 on a corner and see an automobile accident, as a
23 witness observing this event, that what Tom and Dan
24 did was purposely to put off informing their
25 siblings starting in November of '01 until the

1 white books came out?

2 MR. BRUNSON: Object to the form.

3 THE WITNESS: I can't say that they
4 purposely did but they never did. I don't know
5 their reasons.

6 BY MR. HOOD:

7 Q. When did you become aware of
8 Miss Stevenson's diagnosis with Alzheimer's
9 disease?

10 A. I don't know, it could have been --
11 well, I know certainly when they sold her house. I
12 knew at that time that she was at Bishop Gadsden --
13 and when she moved over there to Bishop Gadsden, I
14 don't know I knew that she was mentally
15 incapacitated because some people move to Bishop
16 Gadsden when they're capable of memory but I know
17 about the time when the house was sold and all
18 that, that's probably about when. I don't know how
19 long she was in Bishop Gadsden before that, you
20 know, it's like nobody ever called me and told me
21 that she was over there because she had Alzheimer's
22 but that because we were paying the bills to Bishop
23 Gadsden, I knew that's where she was living, you
24 know.

25 Q. Did you know that her longtime domestic

1 help, Geneva Smalls, wasn't needed when she went
2 into the Alzheimer's unit and then started working
3 at Tom Stevenson's house?

4 A. I didn't know that until all of this
5 came out.

6 Q. And did you know that the estate or
7 Mrs. Stevenson's account was paying for Tom
8 Stevenson to have a personal servant?

9 MR. BRUNSON: Object to form.

10 THE WITNESS: I knew that
11 Mrs. Stevenson was paying for Geneva Smalls but I
12 didn't know what she was doing.

13 BY MR. HOOD:

14 Q. And how much came out of
15 Miss Stevenson's account to pay Miss Smalls to work
16 for Tom Stevenson, about 20, 30,000 dollars?

17 MR. BRUNSON: Object to the form.

18 THE WITNESS: I don't know. There were
19 payroll forms filed each quarter, it would be easy
20 to add it up.

21 BY MR. HOOD:

22 Q. Now, the fact that you were asked about
23 Ashley Hall deduction and Christ School deduction,
24 were you aware that Tom Stevenson took the credit
25 from both schools for 50,000 dollars and ultimately

1 got himself on the board I think of Ashley Hall and
2 maybe Christ School because of that?

3 MR. BRUNSON: Object to the form,
4 misstates the record.

5 THE WITNESS: My dealings was that the
6 check was written out of here and I took it as a
7 deduction on this tax return.

8 BY MR. HOOD:

9 Q. And you know that the money wasn't his,
10 it was his momma's?

11 A. Well, the money -- I mean, it came out
12 of her account and I took the deduction on her tax
13 return so that's how I treated it, that it was her
14 money.

15 Q. Do you know that Kathleen told Dan,
16 don't write those checks, I don't agree with that?

17 A. I did not know that then. I know that
18 now.

19 Q. And he wrote the checks?

20 A. I didn't know anything about that then.

21 Q. Okay. And then Tom got thanked for the
22 checks by the schools and credit for it?

23 MR. BRUNSON: Object to the form.

24 THE WITNESS: And I'd have to look at
25 the letters from the school to see.

1 BY MR. HOOD:

2 Q. Have they not showed them to you
3 before?

4 A. I probably have them in my -- I
5 probably have them in my tax documentation.

6 Q. Do you realize that Tom's defense to
7 this lawsuit is that you knew what was going on and
8 didn't stop him?

9 MR. BRUNSON: Object to the form.

10 THE WITNESS: He's a mature adult. I
11 mean, I can't handcuff him, I don't know.

12 BY MR. HOOD:

13 Q. Did you ever talk to anybody that was
14 employed by FabTech other than Tom?

15 A. I've -- I don't even know where FabTech
16 is located.

17 Q. It's on a street in Hanahan called
18 Commerce Circle and they do metal fabrication and
19 one of their biggest customers is Force Protection.
20 Does that help?

21 A. I don't know anything about FabTech.

22 Q. And how FabTech recorded the money from
23 the trust and Miss Stevenson on its books, do you
24 know?

25 A. I've never looked at their books.

1 Q. Over 900,000 dollars was not recorded
2 as loans yet the checks were written to FabTech and
3 Tom tells his family he was doing a great
4 investment for his family in a start-up business
5 that he owned. Do you find that a little unusual
6 as a CPA?

7 MR. BRUNSON: Object to the form.

8 THE WITNESS: I don't know anything
9 about FabTech so...

10 BY MR. HOOD:

11 Q. How about Easy Tray? Your firm was
12 involved with that because you all did the
13 prospectus and the offering and probably some of
14 your partners. Did you invest in it?

15 A. No, sir.

16 Q. Good thing. Any other partners invest
17 in it?

18 A. I believe so, yes, sir.

19 Q. And they lost whatever they invested?

20 A. I believe. I don't know for sure.

21 Q. Is Dan a pretty good salesman?

22 A. You know, my work with them was purely,
23 you know, factual, he never had -- there wasn't
24 anything to sell me on so I can't really answer
25 that question.

1 Q. Did you ever have any conversations
2 with either Dan or Tom about Easy Tray?

3 A. I never had anything to do with Easy
4 Tray.

5 Q. Did Tom ever explain to you why he was
6 withdrawing funds from the trust?

7 A. No, sir.

8 Q. Did Dan?

9 A. No, sir.

10 Q. Did Tom ever discuss his FabTech
11 strategy to you?

12 A. I've never talked with Tom about
13 FabTech.

14 Q. That FabTech was going to be a good,
15 safe place to put the family's money?

16 A. I've never talked to Tom about FabTech.

17 Q. And you've never looked at the FabTech
18 financials? You know your office does them?

19 A. I know, but I had no reason to.

20 MR. HOOD: Let's take a few minute
21 break and let me look at my notes, wrap it up here.

22 (A recess transpired.)

23 BY MR. HOOD:

24 Q. This exhibit you were shown, 30, to
25 make this transfer at Douglas Capital, they were

1 required to have a signature from Tom Stevenson as
2 the trustee of the marital and Q-Tip trust, is that
3 correct?

4 MR. BRUNSON: Object to the form.

5 THE WITNESS: Wait a minute. Which one
6 are you talking about?

7 BY MR. HOOD:

8 Q. This is the transfer from Douglas
9 Capital with trying to move these funds back to
10 where they came from. Do you remember talking
11 about that?

12 A. Yeah, I'm just trying to find the one.

13 Q. It's 30. I've got a copy right here if
14 that will help you.

15 A. Okay. Right. Okay, did they say? I
16 mean, I don't know who said that Tom had to sign
17 it.

18 Q. Well, he's a trustee, it's trust money,
19 isn't it?

20 MR. BRUNSON: Object to the form.

21 THE WITNESS: I'm sure Douglas Capital
22 would make him do that but I didn't write this
23 letter.

24 BY MR. HOOD:

25 Q. I'm just asking about Tom and his

1 signature down there and the need for it as
2 trustee.

3 A. I assume Douglas Capital would have
4 made him sign off on it, yes, sir.

5 Q. You never sought any advice from any
6 attorneys about how Douglas Capital was investing
7 the trust money?

8 A. No, sir.

9 Q. Why did you go to an attorney about how
10 the trust was investing money with Dan and Tom?

11 A. I went to Heyward because I felt like
12 he should know what's going on.

13 Q. So why was it you felt like he needed
14 to know what was going on?

15 A. Well, because it involved the trustees.

16 Q. Did it involve self-dealing by
17 trustees?

18 A. I mean, you could probably call it that
19 but, I mean, that's -- I just called it because
20 they were the trustees and they were writing checks
21 to themselves and I wanted to make sure that
22 Heyward knew that. No one ever called it
23 self-dealing, used that exact words.

24 Q. Well, early on in this same trust Tom
25 Stevenson wanted to get the trust to buy something

1 and his uncle at that time, Norman Stevenson, who
2 started Dawes' law firm with a couple other
3 fellows, said no and wrote him a letter, said
4 that's self-dealing, you can't do that, if you want
5 to, you got to step down as a trustee. You've seen
6 that in other trusts, hadn't you, where trustees
7 can't do what they want to with trust funds as if
8 it's their own, can they?

9 MR. BRUNSON: Objection, foundation.

10 THE WITNESS: That's why I called
11 Heyward Carter.

12 BY MR. HOOD:

13 Q. Now I understand. Because they were
14 doing things with trust funds that you didn't think
15 was correct and you wanted a lawyer to know about
16 it?

17 A. I wanted a lawyer to know about it,
18 yes, sir.

19 Q. And those things continued and they got
20 up to 5 million bucks, correct?

21 A. Yes, sir.

22 Q. And what they were doing, not one time
23 did one check get secured by any kind of
24 collateral, correct?

25 A. Except for the fact that I had them

1 listed as loans on the balance sheet of those
2 trusts.

3 Q. Well, other than you listing them as a
4 loan but there was no real property, no security,
5 no stock, no anything pledged to stand good for
6 that money if they didn't pay it?

7 A. Not in that loan document, no, sir.

8 Q. And that was true for all five million
9 dollars that went out?

10 A. It was all treated the same way, yes.

11 Q. Now, you did the tax returns for Tom?

12 A. I did not do any tax returns for Tom.

13 Q. Your office did?

14 A. My office does, yes.

15 Q. And do you know that his business,
16 FabTech, was not making any money during these
17 years?

18 A. See, I never -- I've never looked at
19 FabTech's tax returns, financial statements or
20 anything.

21 Q. Did you do the tax return for Dan?

22 A. I did his individual tax return, yes.

23 Q. And you knew he was never making any
24 money?

25 A. I knew that his Toogoodoo Farms was not

1 making any money, yes, sir.

2 Q. It went straight down the tubes?

3 A. I mean, I knew it wasn't making any
4 money.

5 Q. And the other tax returns you did for
6 him for his personal tax returns --

7 A. It was all included in one tax return.

8 Q. He never made any money that you saw
9 where you report adjusted gross income on a tax
10 return, did he?

11 A. He had what's called a net operating
12 loss, yes, sir.

13 Q. Every year?

14 A. Yes, sir.

15 Q. So you knew that for the trust to be
16 putting 3 million dollars into this business that
17 he and Tom were starting called Easy Tray needed to
18 be brought to the attention of an attorney?

19 A. Well, I was treating it as Dan and Tom
20 personally, not their businesses, but I just -- you
21 know, I brought it to attorneys' attentions, yes.

22 Q. And because you were uneasy and
23 concerned 3 million dollars of trust money was
24 going to a business being started by a man that
25 never made a nickel?

1 A. Well, I don't know if that was my exact
2 thoughts but I thought an attorney should make sure
3 that they knew what was going on.

4 Q. And it was up and up and okay?

5 A. That the attorney looked at it and
6 not -- you know, and I was following the directions
7 of an attorney.

8 Q. Was there any other way you could book
9 these funds that were withdrawn other than as
10 loans?

11 A. Well, I mean, if I would have treated
12 them as a distribution, then they would have
13 disappeared; so if I kept them as a loan, then they
14 stayed there historically on the books.

15 Q. Is that why you did it that way?

16 A. Yes, sir.

17 Q. So that ultimately somebody would put
18 this all back together and say this amount of money
19 that I've been calling loans came out of these
20 trusts?

21 A. Exactly, yes, sir.

22 Q. And whether or not legally they're
23 loans or just thievery, you're not saying, you're
24 not a lawyer?

25 A. Exactly.

1 Q. But at the end of the day the trust had
2 not been made whole?

3 A. To my knowledge, that is correct.

4 Q. And none of the checks that were
5 written out of the trust or from Miss Stevenson's
6 accounts were payable to the individuals Dan and
7 Tom?

8 A. And I'd have to go through and look at
9 those checks and see if that's an accurate
10 statement or not because I didn't really pay
11 attention to who the checks were written to. I
12 knew that if they had anything to do associated
13 with Dan or Tom that I coded it to their loan
14 account or if I didn't know exactly what it was, I
15 knew it originated from them, I coded it to them.

16 Q. And for these two trustees, Dan and
17 Tom, to be making distributions to themselves was
18 not proper?

19 MR. BRUNSON: Objection, lack of
20 foundation.

21 THE WITNESS: In my world in my
22 thinking, no, sir.

23 BY MR. HOOD:

24 Q. And that's your opinion as a CPA to a
25 reasonable degree of certainty?

1 MR. BRUNSON: Objection.

2 THE WITNESS: Well, I knew if I kept it
3 as a loan that there's a historical record of it
4 there and it was on the balance sheet and it was
5 never going to disappear and it would be there and
6 that's the way I presented it to both sets of
7 attorneys and nobody told me to do anything
8 differently.

9 MR. HOOD: Okay. Unless anybody has
10 anything else, I'm going to stop. Okay. That's
11 all I've got. Thank you, ma'am.

12 THE WITNESS: You're welcome.

13 MR. BRUNSON: Do you guys have
14 anything?

15 MR. COOKE: No.

16 EXAMINATION

17 BY MR. BRUNSON:

18 Q. I've just got a couple of quick
19 follow-ups. Mr. Hood asked you about preparation
20 of notes for loans and he said something to the
21 effect of there were no notes prepared until the
22 lawyers got involved, do you recall that question?

23 A. Yes, sir.

24 Q. Are you aware that Tom's original
25 loan --

1 A. Well, FabTech, those were prepared via
2 FabTech with Douglas Capital.

3 Q. And that was even before the lawyer for
4 the sole beneficiary, Heyward Carter, was involved?

5 A. Correct. Yes, sir.

6 MR. BRUNSON: Okay. That's all I have.

7 MR. HOOD: Thank you, ma'am. I may
8 have one more question.

9 EXAMINATION

10 BY MR. HOOD:

11 Q. As a CPA, can you record payments to
12 trustees as distributions to the beneficiaries and
13 still be in accord with generally accepted
14 accounting principals?

15 A. Well, the generally accepted accounting
16 principals come into play with anything so we
17 haven't discussed that at all and I don't know the
18 answer to that.

19 Q. Okay. Well, just as a matter of common
20 sense can that be done?

21 MR. BRUNSON: Object to the form.

22 THE WITNESS: I don't know the answer
23 to that. I really don't. I mean, and I'm not -- I
24 didn't prepare -- the only thing I did prepare in
25 accordance with CPA would be those corporations

1 which were income tax basis and we prepared that
2 once, you know, at the end and --

3 BY MR. HOOD:

4 Q. When you did the white books?

5 A. Right. The note of compilations, we
6 said their income tax basis which represents
7 exactly how we represented everything on the income
8 tax return and that we were not independent, you
9 know, so I don't know the answer to that generally
10 accepted accounting principals because I didn't
11 prepare anything in that. I mean, to me, I
12 wouldn't have treated anything as a distribution
13 because the distribution is money that
14 Mrs. Stevenson -- that would have gone to
15 Mrs. Stevenson's checking account in my mind and
16 since that money did not go into Mrs. Stevenson's
17 checking account, I wouldn't have treated it as a
18 distribution.

19 Q. And in fact, during the last four years
20 of her life, Dan treated her checking account as
21 his own, didn't he?

22 A. You know, I don't know who -- I mean, I
23 don't -- those checks were used to provide for
24 Mrs. Stevenson. I don't know anything more than
25 that. Anything that I thought Dan -- was for Dan's

1 benefit, I would have cut it to his loan accounts.

2 Q. How else other than loans would you
3 show these in the records of this trust other than
4 loans?

5 A. That's where I would have put it. I
6 mean, it went from Mrs. Stevenson to pay Bishop
7 Gadsden, that was a medical expense.

8 Q. Okay. The withdrawals of monies that
9 were going to FabTech, Easy Tray?

10 A. I treated those as loans.

11 Q. Is there any other way you could have
12 treated them other than as loans?

13 A. In my mind, no.

14 Q. All right. In anyone else's mind?

15 A. You know, accounting is not black and
16 white, there's a lot of gray there and somebody
17 could say something different, I don't know that
18 hundred percent answer to that, but in my mind
19 those were loans to Dan and Tom, they were not
20 distributions to Mrs. Stevenson.

21 Q. In discussing this case, have you
22 learned that others may have shown those as
23 something else besides loans?

24 A. No one has asked me anything about
25 that, I don't -- I'd have to -- I'd have to talk to

1 somebody and think what their theory would be as to
2 what they would have called it.

3 MR. HOOD: Thank you.

4 MR. BRUNSON: You may go.

5 (The deposition concluded at 4:15 PM.)
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1 SIGNATURE OF DEPONENT

2 I, the undersigned, LYNNE L. KERRISON,
3 do hereby certify that I have read the foregoing
4 deposition and find it to be a true and accurate
5 transcription of my testimony, with the following
6 corrections, if any:

7

8 PAGE LINE CHANGE REASON

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LYNNE L. KERRISON

Date

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1 CERTIFICATE OF REPORTER

2 I, Terri L. Brusseau, Registered
3 Professional Reporter and Notary Public for the
4 State of South Carolina at Large, do hereby certify
5 that the foregoing transcript was a true, accurate,
6 and complete record.

7 I further certify that I am neither
8 related to nor counsel for any party to the cause
9 pending or interested in the events thereof.

10 Witness my hand, I have hereunto
11 affixed my official seal this 18th day of November,
12 2009 at Charleston, Charleston County, South
13 Carolina.

14

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16

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Terri L. Brusseau, RPR, CRR

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My Commission expires

March 24, 2016.

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1	I N D E X		
2		Page	Line
	LYNNE L. KERRISON	4	11
3	EXAMINATION	4	13
	BY MR. BRUNSON		
4	EXAMINATION	140	19
	BY MR. HOOD		
5	EXAMINATION	186	16
	BY MR. BRUNSON		
6	EXAMINATION	187	9
	BY MR. HOOD		
7	SIGNATURE OF DEPONENT	191	1
8	E X H I B I T S		
9	DFT. EXH. 1, Detail	26	20
	Transaction File List		
10	DFT. EXH. 2, Document entitled	30	24
	Loans to Dan Stevenson		
11	DFT. EXH. 3, Letter dated	36	7
	11/29/01 to Fresh Cuts, LLC,		
12	c/o Mr. Daniel R. Stevenson,		
	and Mr. Thomas C. Stevenson,		
13	III from T. Heyward Carter,		
	Jr.		
14	DFT. EXH. 4, Facsimile	41	8
	Transmittal dated 10/8/01 to		
15	Heyward Carter from Lynne		
	Kerrison, with attachments		
16	DFT. EXH. 5, Pratt-Thomas,	46	14
	Gumb & Co., P.A. Invoice dated		
17	2/7/01		
	DFT. EXH. 6, Douglas Capital	48	14
18	Management, Inc. Transaction		
	Summary		
19	DFT. EXH. 7, Letter dated	49	25
	1/7/02 to Lynne L. Kerrison,		
20	CPA, from T. Heyward Carter,		
	Jr., with attachments		
21	DFT. EXH. 8, Letter dated	52	16
	5/24/02 to Evans, Carter,		
22	Kunes & Bennett, PA from Susan		
	Studebaker		
23	DFT. EXH. 9, Letter dated	53	16
	8/20/02 to Ms. Susan		
24	Studebaker from T. Heyward		
	Carter, Jr.		
25	DFT. EXH. 10, Letter dated	55	4

1	9/24/02 to Ms. Susan		
2	Studebaker from T. Heyward		
3	Carter, Jr.		
4	DFT. EXH. 11, Letter dated	57	7
5	11/25/02 to Mr. Thomas C.		
6	Stevenson, III and Mr. Daniel		
7	R. Stevenson from T. Heyward		
8	Carter, Jr.		
9	DFT. EXH. 12, Letter dated	58	16
10	1/14/03 to William Howell		
11	Morrison, Esq., from T.		
12	Heyward Carter, Jr.		
13	DFT. EXH. 13, Letter dated	60	19
14	1/22/03 to T. Heyward Carter,		
15	Jr., Esquire, from Wm. Howell		
16	Morrison		
17	DFT. EXH. 14, Letter dated	61	3
18	3/20/03 to Lynne L. Kerrison,		
19	CPA, from Jenny K. Miley, with		
20	attachments		
21	DFT. EXH. 15, E-mail dated	66	15
22	3/23/06 to Linda Newton from		
23	T. Heyward Carter		
24	DFT. EXH. 16, E-mail dated	70	12
25	3/23/06 to Lynne Kerrison from		
26	T. Heyward Carter, with		
27	attachments		
28	DFT. EXH. 17, Carolina First	73	19
29	Q-Tip Trust documents		
30	DFT. EXH. 18, E-mail chain	75	17
31	dated 3/24/06		
32	DFT. EXH. 19, Letter dated	76	19
33	3/28/06 to Mr. Daniel R.		
34	Stevenson, III and Mr. Thomas		
35	C. Stevenson, III from T.		
36	Heyward Carter, Jr.		
37	DFT. EXH. 20, Letter dated	77	19
38	4/19/06 to Mr. Thomas C.		
39	Stevenson, III from T. Heyward		
40	Carter, Jr.		
41	DFT. EXH. 21, Document	81	20
42	entitled RTTR: 3137393, with		
43	attachments		
44	DFT. EXH. 22, Letter dated	92	7
45	6/19/06 to Ms. Lynne Kerrison,		
46	C.P.A., from Robert B.		
47	Pearlman		
48	DFT. EXH. 23, The Bank of	96	2
49	South Carolina banking		

1	Statements for Jacquelin K. Stevenson		
2	DFT. EXH. 24, Letter dated 2/20/07 to Ms. Lynne Kerrison, C.P.A., and Ms. Angela Heissenbuttle, C.P.A., from Robert B. Pearlman	97	11
3			
4	DFT. EXH. 25, Letter dated 6/28/07 to Lynne L. Kerrison, CPA, from T. Heyward Carter, Jr.	98	21
5			
6	DFT. EXH. 26, Letter dated 8/6/07 to Thomas C. Stevenson, III from Lynne L. Kerrison, CPA, CMPE	106	8
7			
8	DFT. EXH. 27, Letter dated 8/9/07 to T. Heyward Carter, Jr. From Thomas E. McCutchen	107	13
9			
10	DFT. EXH. 28, Letter dated 8/31/07 to Ms. Lynne Kerrison, C.P.A. from Robert B. Pearlman	109	24
11			
12	DFT. EXH. 29, E-mail chain dated 9/7/07	112	22
13	DFT. EXH. 30, Letter dated 9/13/07 to Mr. Chris Douglas from William A. Bennett	119	9
14	DFT. EXH. 31, Facsimile Transmittal dated 10/5/07 to Heyward from Lynne, with attachments	120	12
15			
16	DFT. EXH. 32, E-mail chain dated 10/26/07	120	15
17	DFT. EXH. 33, The Bank of South Carolina banking records for Jacquelin K. Stevenson	129	22
18			
19	DFT. EXH. 34, Telecopier message dated 10/12/01 to Ms. Lynne Kerrison from T. Heyward Carter, Jr., with attached Durable Power of Attorney	130	25
20			
21	DFT. EXH. 35, Bank of America records	132	1
22	DFT. EXH. 36, 1040 U.S. Individual Income Tax Return 2004	133	21
23			
24	DFT. EXH. 37, Letter dated 6/14/07 to Ms. Lynne Kerrison from Kathleen S. Turner	137	23
25			

IN THE COURT OF COMMON PLEAS

NINTH JUDICIAL CIRCUIT

COUNTY OF CHARLESTON

JACQUELIN S. BENNETT, GENEVIEVE S. FELDER AND
KATHLEEN S. TURNER, INDIVIDUALLY, AS CO-TRUSTEES
AND BENEFICIARIES, AND JACQUELIN S. BENNETT AND
KATHLEEN S. TURNER, AS CO-PERSONAL REPRESENTATIVES
OF THE ESTATE OF JACQUELIN K. STEVENSON,
Plaintiffs,

vs.

CASE NO. 2008-CP-10-0806

THOMAS C. STEVENSON, III, DANIEL R. STEVENSON, II,
FABTECH, INC., LAURENTIDE, INC., EASY TRAY, LLC,
CAROLINA FRESH CUT, LLC, D/B/A TOOGOODOO FARMS
AND TOOGOODOO FARMS OF THE CAROLINAS,

Defendants.

DEPOSITION OF: T. HEYWARD CARTER, JR.

DATE: September 24, 2008

TIME: 9:57 AM

LOCATION: Law Offices of
Nelson, Mullins,
Riley & Scarborough
151 Meeting Street
Charleston, SC

TAKEN BY: Counsel for the Defendant
Thomas C. Stevenson, III

REPORTED BY: TERRI L. BRUSSEAU,
Registered Professional
Reporter, CP, CRR

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5 ALSO PRESENT:

6 Jacquelin S. Bennett

7 William A. Bennett

Genevieve S. Felder

8 Kathleen S. Turner

William R. Turner, Jr.

9 (INDEX AT REAR OF TRANSCRIPT)

1 STIPULATION

2 It is stipulated by and among Counsel
3 that this deposition is being taken in accordance
4 with the South Carolina Rules of Civil Procedure,
5 Rule 30; that all objections as to Notice of this
6 deposition are hereby waived; that all objections
7 except as to form are reserved until the time of
8 trial; and that the deponent does not waive reading
9 and signing of this deposition.

10 * * * * * * * * * * *

11 T. HEYWARD CARTER, JR.

12 being first duly sworn, testified as follows:

13 EXAMINATION

14 BY MR. BRUNSON:

15 Q. Good morning, Mr. Carter. My name is
16 Robert Brunson. I'm representing Tom Stevenson in
17 litigation with respect to some trusts in the
18 estate of his mother. I'm required by the South
19 Carolina rules to tell you two things before we
20 start the deposition even though I know you're a
21 lawyer, number one, that now that the deposition
22 has started you're not allowed to have any private
23 off-the-record conferences so any conferences you
24 have even with your own lawyer during the break, I
25 would be entitled to ask you about those and you

1 would be required to tell me that you had that
2 conference, do you understand that?

3 A. I do.

4 Q. Secondly, any time I ask you a question
5 if you don't understand it, you're required to ask
6 me to clarify the question, you can't ask anybody
7 else for a clarification of the question I have
8 posed to you, do you understand that?

9 A. Yes.

10 Q. And you've had your deposition taken
11 before?

12 A. Yes.

13 Q. So you understand the process?

14 A. Yes.

15 Q. Mr. Carter, if you would, please, just
16 give me --

17 MR. HOOD: Did you tell him about his
18 right to read and sign the transcript? He may want
19 to read it.

20 MR. BRUNSON: That's up to him.

21 BY MR. BRUNSON:

22 Q. You can tell the Court Reporter if
23 you'd like to read and sign your transcript, that's
24 your right, otherwise you can waive that right, you
25 don't have to do that.

1 A. I'd like to read it.

2 Q. Okay. If you could, please, give me an
3 overview of your educational and professional
4 background.

5 A. Starting with college, I went to
6 Davidson College, graduated in 1968, graduated from
7 the University of Virginia Law School in 1971, came
8 back to Charleston in the spring of 1973 and
9 started practicing with Young, Clement -- then
10 Young, Clement, Rivers & Tisdale, left that firm
11 temporarily in 1976 to get an LLM in taxation from
12 the University of Florida graduate tax program,
13 came back to Young, Clement, Rivers & Tisdale in
14 1977, practiced there until late 1979 at which time
15 two other lawyers, George Evans and James Boyd, and
16 I formed a tax-only law firm in Charleston and have
17 been practicing in Charleston since then. And the
18 firm I'm with is a successor to that Evans, Boyd &
19 Carter firm.

20 Q. The current name of your firm?

21 A. Is Evans, Carter, Kunes, K-U-N-E-S, &
22 Bennett, PA.

23 Q. Other than your LLM in taxation, do you
24 have any other special certifications or degrees?

25 A. I'm certified as a specialist in

1 taxation law and also in estate planning and
2 probate for -- by the South Carolina Supreme Court.

3 Q. In your role as a tax and estate
4 lawyer, you came to represent Mrs. Jacquelin
5 Stevenson, is that correct?

6 A. Excuse me, I'm going to -- that glare,
7 no sun, but the glare is in my eyes. Thanks.
8 That's fine. You don't need to do the other one.

9 Q. Actually helps me a little bit too.

10 A. Would you repeat the question?

11 Q. Yes, sir. As the -- in your role as a
12 tax and estate lawyer, you came to represent
13 Mrs. Jacquelin Stevenson in connection with
14 preparation of her Will and estate planning, is
15 that correct?

16 A. That's correct.

17 Q. When did you first begin to represent
18 Mrs. Stevenson?

19 A. It was in the early '90s, I think it
20 may have been 1991, her accountant, Henry Buist,
21 asked me to get involved looking at some things
22 having to do with Mrs. Stevenson's finances and
23 estate.

24 (DFT. EXH. 1, Letter dated 5/10/91 to
25 Mrs. Jacquelin K. Stevenson from T. Heyward Carter,

1 Jr., was marked for identification.)

2 BY MR. BRUNSON:

3 Q. Mr. Carter, I'm showing you Exhibit
4 Number 1. Now, you have produced documents in this
5 case pursuant to a subpoena, correct?

6 A. Yes.

7 Q. Okay. And this is one of the documents
8 that you produced and it's a letter dated May 10th,
9 1991 from you to Jacquelin Stevenson. Does this
10 seem to be when you began your representation of
11 Mrs. Stevenson?

12 A. This letter's dated May 10, 1991. That
13 would have been around the time that I first met
14 and began working with Mrs. Stevenson.

15 Q. Okay. And at that point her husband
16 had died a few years earlier?

17 A. I believe that's correct. I don't
18 recall the year that he died, but I think that's
19 right, that he -- that he was already deceased at
20 that time.

21 Q. Okay. And did Mrs. Stevenson already
22 have a Will in place?

23 A. I don't recall. I assume that she did,
24 but I can't tell you that for a fact.

25 Q. Okay. And this letter indicates that

1 you were initially trying to determine the amount
2 and nature of the assets of Mr. Stevenson's estate
3 and then you would prepare a Will in accordance
4 with how she would like to distribute those? I'm
5 looking at the second paragraph, second sentence.

6 A. Yeah, this letter indicates that we
7 were working on what I call an interim Will, which
8 was to put something in place on a -- I assume a
9 temporary basis until we had more information, both
10 about the assets in Mr. Stevenson's estate and
11 about her own assets.

12 Q. Okay. On the second page, paragraph in
13 the middle of the page, you say: Please call me
14 after you have had a chance to review, et cetera.
15 The second sentence says: I understand that you
16 are going to think who you would want to serve as
17 coexecutor with Kathleen and may discuss that with
18 Henry Buist and Kathleen, is that correct?

19 A. Is what correct?

20 Q. Did I read that correctly?

21 A. Yes.

22 Q. Okay. Does that refresh your
23 recollection as to discussions you had with her
24 about selection of two coexecutors?

25 A. No, not really, this was, what, 17

1 years ago.

2 Q. Yeah.

3 A. No.

4 Q. Well, is it fair to say that that would
5 be an accurate representation of what was going on
6 at the time?

7 A. I'm sure that it is.

8 Q. Okay. Had you done any estate work for
9 Mrs. Stevenson's husband prior to his death?

10 A. No, I had not. I had not.

11 (DFT. EXH. 2, Memorandum dated 7/8/91
12 to Edward from Heyward, was marked for
13 identification.)

14 BY MR. BRUNSON:

15 Q. I'm showing you Exhibit Number 2 which
16 is a memo to Edward from Heyward dated July 8, 1991
17 regarding Jacquelin Stevenson. Now, you had a
18 partner or have a partner named Edward Bennett, is
19 that correct?

20 A. That's correct.

21 Q. And is this a memo from you to him?

22 A. That's right.

23 Q. It makes a reference to a meeting that
24 you had had in the first paragraph there on
25 Tuesday, July 2nd with Henry Buist. Do you recall

1 having meetings with Mr. Buist and conferring with
2 him about the estate planning for Mrs. Stevenson?

3 A. Yes, I had several meetings with Henry.
4 I don't remember that particular meeting on July
5 the 2nd, 1991, but I did have several meetings with
6 Henry.

7 Q. Okay. What was the nature of his
8 involvement?

9 A. Well, I know that for one thing Henry
10 was helping with the administration of
11 Mr. Stevenson's estate. I think Henry may have
12 been named a cotrustee under Mr. Stevenson's Will
13 and -- and I assume that he was -- well, I know
14 that at the time I met with him, he was also
15 Mrs. Stevenson's CPA.

16 Q. Okay. At the bottom half of this page
17 you indicate: Her taxable estate can be expected
18 to consist of approximately the following, then you
19 have a list of assets. The first is
20 Mr. Stevenson's QTIP trust which you indicate is
21 valued at 3.75 million dollars and the second is a
22 marital trust valued at 2.5 million dollars. What
23 is the difference between the QTIP trust and the
24 marital trust?

25 A. You mean legally, tax-wise?

1 Q. Yes, sir.

2 A. Under Mr. Stevenson's -- and the only
3 way I could remember this is I went back and looked
4 at it. Under Mr. Stevenson's Will, the plan of
5 distribution was roughly this: He left certain
6 assets directly to Mrs. Stevenson, I think the
7 house and some other assets. He left cash bequests
8 to five children and then he left a marital trust
9 to Mrs. Stevenson which was a trust described as
10 one-half of his estate less the assets that had
11 passed to her directly, in other words, it was a
12 net of -- a total of one-half of his estate. Then
13 there was a provision where -- at that time there
14 was a -- there was an amount that was exempt from
15 estate taxes no matter who it was left to and he
16 left that remaining amount to the children. What
17 he had already left them, the cash bequests,
18 consumed some of that amount and the balance,
19 whatever it might have been, was left directly to
20 the children. Then he said everything else goes
21 into another trust for Miss Stevenson. So there
22 were both trusts for Miss Stevenson. A difference
23 between the two is that the marital trust
24 automatically qualified for the marital deduction
25 because it gave Mrs. Stevenson what's called a

1 general power of appointment. She could say in her
2 Will where she wanted it to go after her death.
3 The residuary trust for Mrs. Stevenson, which has
4 been called the QTIP trust ever since, was
5 basically the same sort of trust for her, but it
6 didn't automatically qualify for the marital
7 deduction. The executors had to make an election
8 on the estate tax return for it to qualify for the
9 marital deduction.

10 And in addition, whereas -- I think
11 this is correct, whereas the -- after
12 Mrs. Stevenson's death, the assets of the marital
13 trust just went to the children, the QTIP trust or
14 the residual trust said that after Mrs. Stevenson's
15 death, if there were certain stock in a certain
16 company in that trust at that time, then as I
17 recall, the stock would go to Dan and Tom Stevenson
18 and everything else would be divided up among the
19 children equally with Dan and Tom's -- the value of
20 stock that went to Dan and Tom deducted from their
21 shares. So those are the differences between the
22 two trusts as I recall them.

23 Q: You said one difference was that under
24 the marital trust after Mrs. Stevenson 's death,
25 the assets went directly to the children.

1 A. Do you have a copy of the Will?

2 Q. That's a good question.

3 (A recess transpired.)

4 (DFT. EXH. 3, First Codicil To Last
5 Will and Testament of Thomas C. Stevenson, was
6 marked for identification.)

7 BY MR. BRUNSON:

8 Q. Do you want a minute to look that over?

9 A. Yeah, thank you. And the question was?

10 Q. You said one difference was that under
11 the marital trust after Mrs. Stevenson's death, the
12 assets went directly to the children and I would
13 like to ask you about that statement and you asked
14 for the Will. I'll say this, I don't think the
15 question I'm going to ask you requires much
16 examination of the Will.

17 A. No, and that's why I shouldn't rely on
18 memory. It says that if Mrs. Stevenson doesn't
19 exercise her power of appointment or if it's
20 ineffective, whatever remains unappointed of said
21 Jacquelin K. Stevenson Marital Trust, whether
22 principal or income, not heretofore disposed of as
23 hereinabove provided shall upon the death of my
24 wife be distributed in accordance with Item 9.

25 Q. Explain what a power of appointment

1 means.

2 A. A power of appointment is the -- is
3 giving someone the ability to direct where assets
4 go -- it's testamentary power of appointment to
5 direct where assets go after the death of the
6 person who is given the power of appointment.

7 Q. So with respect to Mrs. Stevenson's
8 estate and the trusts that were involved, if you
9 look at Exhibit Number 2 where you have that list
10 of assets on the bottom of the page, Mrs. Stevenson
11 had the power through her Will to distribute all of
12 the assets with the exception of the QTIP trust at
13 the top of that page, is that correct?

14 A. Yep. The language of the power of
15 appointment in Article 7 of Mr. Stevenson's Will
16 says: My wife is empowered hereby if she shall so
17 desire to appoint any part or the whole of the
18 principal of the Jacquelin K. Stevenson Marital
19 Trust and any income in the hands of my trustee at
20 the time of her death by Will in favor of her
21 estate or any other person or corporation in whole
22 or in part and such power of appointment shall be
23 exercisable by her alone and in all events, which
24 means that any assets that were put into the
25 marital trust were subject to her testamentary

1 general power of appointment. She could appoint
2 them wherever she wanted to.

3 Q. The only assets in her estate that she
4 could not distribute as she wished under her estate
5 was the assets of the QTIP trust -- were the assets
6 of the QTIP trust?

7 A. Those were the only assets in
8 Mr. Stevenson's estate she couldn't distribute the
9 way she wished.

10 Q. Exactly. So with respect to the
11 two-and-a-half million dollars reflected here in
12 Exhibit Number 2 as being in the marital trust,
13 Mrs. Stevenson could have left that entire amount
14 to Tom Stevenson?

15 A. Yes.

16 Q. Or Dan Stevenson?

17 A. She had -- she had the general power
18 over that trust.

19 Q. She could have left it to anybody in
20 the world or any company in the world or any
21 charity in the world that she wanted to, correct?

22 A. She could have left it to her estate or
23 any other person or corporation in whole or in part
24 and such power of appointment shall be exercisable
25 by her alone and in all events.

1 Q. And you're just reading there from the
2 Will, correct?

3 A. Correct.

4 Q. So that verifies that what I said was
5 accurate?

6 A. Yes.

7 Q. And in fact, during the decade or more
8 in which you represented Mrs. Stevenson, she
9 exercised that right from time to time changing her
10 Will in one degree or another?

11 A. She did change her Will several times.
12 I can't remember offhand whether she changed the
13 exercise of her power of appointment.

14 Q. Now, with respect to any people in the
15 world that she may choose to leave the remaining
16 assets of the marital trust to, what rights, if
17 any, did those people have prior to her death?

18 A. None that I know of. None whatsoever
19 as far as I know.

20 (DFT. EXH. 4, Memorandum dated 7/30/91
21 to Henry Buist from Heyward Carter and Edward
22 Bennett, was marked for identification.)

23 (Off-the-record conference.)

24 BY MR. BRUNSON:

25 Q. I'm showing you Exhibit Number 4 to

1 your deposition which is a memorandum from you and
2 Edward Bennett to Henry Buist dated July 30th, 1991
3 regarding Mrs. Thomas C. Stevenson, correct?

4 A. Correct.

5 Q. And do you recall why you were sending
6 a memo to Mr. Buist in this time frame? I realize
7 it's a long time ago.

8 A. This appears to be the memorandum that
9 I asked Edward Bennett to draft in my July 8, 1991
10 memorandum to him which is Exhibit 2 and it says in
11 it: This memorandum has been prepared to give you
12 and Mrs. Stevenson our initial recommendations
13 based on the information which we have concerning
14 the composition, ownership and valuation of her
15 assets.

16 Q. Okay. If you would, flip over to Page
17 5 of 9, which is Carter 2091. Does this indicate
18 that in the memorandum, you and Mr. Bennett
19 provided some recommendations for Mrs. Stevenson's
20 estate planning?

21 A. Tell me where I'm supposed to be again,
22 please.

23 Q. Page 5 of 9, which is Bates Number
24 Carter 2091. It's a page that has the word
25 recommendations in the --

1 A. Yeah. And what was the question,
2 please?

3 Q. The question was: Does this indicate
4 that you and Mr. Bennett at this point were
5 undertaking to provide some recommendations for
6 estate planning to Mrs. Stevenson and Mr. Buist?

7 A. Correct.

8 Q. And one of those, the first one here,
9 is: Establish a grantor retained income trust for
10 two houses?

11 A. That's right.

12 Q. Do you happen to recall whether that
13 was done or not?

14 A. No, I don't. I know it was discussed,
15 I can't recall whether it was implemented.

16 Q. Okay. On the next page there's a
17 heading that's entitled remainder interest purchase
18 and it says: As we have discussed -- do you see
19 that?

20 A. Yes.

21 Q. As we have discussed, one of the most
22 intriguing possibilities which we see in this
23 estate is the possibility of a remainder interest
24 purchase. Under the terms of both the QTIP and the
25 marital trusts, the assets in those trusts will

1 clearly be taxed in Mrs. Stevenson's estate. As
2 such, the only way to reduce this tax burden is to
3 reduce or eliminate the assets in these trusts.

4 The next sentence says: As you know,
5 the children have a vested remainder interest in
6 the QTIP trust in that they have a right to the
7 remaining trust assets after Mrs. Stevenson's
8 death, subject, of course, to their not having been
9 consumed prior to.

10 And of course you don't state there
11 that they had any vested interest in the marital
12 trust because at that point in time they did not,
13 correct?

14 A. Correct.

15 Q. At the last paragraph, last sentence of
16 the paragraph I was just reading from, it says:
17 The value of the remainder interest in this trust,
18 referring to the QTIP remainder trust, therefore
19 would be slightly over 1,500,000 dollars, is that
20 correct?

21 A. That's what it says.

22 Q. Okay. So is it accurate to say that as
23 of July 1991, the present value of the QTIP trust
24 was -- well, strike that.

25 As of 1991, the value of the remainder

1 interest of the QTIP trust, if it were to be
2 transferred at that time, was 1,500,000 dollars?

3 A. If this sentence is accurate, that's
4 correct.

5 Q. And you don't have any reason to think
6 that sentence is not accurate?

7 A. No, I don't.

8 Q. Explain how that -- the purchase of the
9 contingent interest in the QTIP trust would work.

10 A. Give me a minute to refresh my memory
11 because you can't do it anymore so I haven't looked
12 at that in some time.

13 Q. Okay.

14 A. It was good -- good too while it
15 lasted.

16 (DFT. EXH. 5, Probate Court First and
17 Final Accounting, was marked for identification.)

18 THE WITNESS: As I recall and by partly
19 refreshing my memory from looking at this
20 memorandum, what was done in the purchase of a
21 remainder interest is that as regards the QTIP
22 trust, Mrs. Stevenson had a life interest, in other
23 words, she was the beneficiary for her life. She
24 had the right to income and distributions. The
25 children as you said were the remainder

1 beneficiaries on her death, they would take what
2 was left. Once the value of the -- their remainder
3 interest was determined, which this says was a
4 million and a half dollars approximately, the idea
5 is that Mrs. Stevenson would purchase their
6 remainder interest, in other words, she would pay
7 them what it was worth, a million and a half
8 dollars or whatever it was worth. They would no
9 longer have any rights in the trust and at that
10 time because she was both the life income
11 beneficiary, she had the life interest and she had
12 bought the remainder interest, she had the whole
13 thing. She had the trust assets to do with what
14 she wanted. But the point is that she had paid
15 them -- she had gotten the million and a half
16 dollars out of her estate by paying them for their
17 remainder interest and therefore that million and a
18 half dollars was no longer in her estate -- would
19 no longer be in her estate at the time of her death
20 to be taxed.

21 BY MR. BRUNSON:

22 Q. Okay. Did she do that?

23 A. I don't believe so.

24 Q. Do you know why?

25 A. No, I don't know why.

1 Q. The next document I'm showing you here
2 is Exhibit Number 5 to your deposition. This
3 appears to be an inventory or a closing statement
4 for the Estate of Thomas C. Stevenson, says it's
5 the first and final accounting dated -- with the
6 date of death reflected as June 17, 1988. This
7 document is dated June 27, 1995, is that correct?

8 A. Date of death, June 17, 1988, and --

9 Q. On the top right-hand corner of the
10 first page.

11 A. June 27, 1995 is the date at the upper
12 right-hand corner, correct.

13 Q. And this is the first and final
14 accounting of Mr. Stevenson's estate?

15 A. That -- that's what it says it is.

16 Q. Okay. If you would flip over to page
17 marked Carter 01171. Earlier and I believe it was
18 Exhibit Number 2 you had a listing of the value of
19 various assets in Mrs. Stevenson's estate and/or
20 Mr. Stevenson's estate. This would indicate, I
21 believe, on the bottom of the page that the marital
22 trust value was \$2,907,460.79?

23 A. Right, that's what it says, total
24 distributions, marital trust, \$2,907,460.79.

25 Q. Okay. What does it reflect the value

1 of the QTIP trust was?

2 A. Three million -- it says total
3 distributions, QTIP trust, \$3,905,249.22.

4 (DFT. EXH. 6, Memorandum dated 8/7/91
5 to Henry Buist from Heyward Carter, with attached
6 Promissory Note, was marked for identification.)

7 BY MR. BRUNSON:

8 Q. Do you recall from time to time over
9 the course of the decade of the 1990s advising
10 Mrs. Stevenson with respect to certain loans that
11 were -- that she made to her sons Tom and Dan?

12 A. I recall in the early 1990s talking
13 first with Henry Buist or Henry Buist talking with
14 me about some loans that Mrs. Stevenson had made to
15 Tom and I'm not sure whether there were any loans
16 discussed to Dan, I just don't remember, but yes, I
17 do recall talking with Henry and then the two of us
18 talking with Mrs. Stevenson about loans that she
19 had made to Tom.

20 Q. And what was -- why were you being
21 consulted about that?

22 A. Henry had -- and I think that -- I'm
23 not absolutely sure, but I think that this was the
24 reason that Henry Buist first contacted me, was
25 that Henry was concerned about the income and/or

1 the estate tax treatment of these loans that
2 Mrs. Stevenson had made to Tom over some period of
3 time. If nothing were done about them and Henry
4 wanted to consult about how best to handle these
5 loans that were out there with as I recall no real
6 documentation.

7 Q. Okay. Did you gain an understanding of
8 why Mrs. Stevenson was loaning these amounts to
9 Tom?

10 A. No, I don't recall that I really ever
11 had much of an understanding why they had been -- I
12 mean, they had been loaned at that time as I
13 recall.

14 Q. The loans had already been made?

15 A. And I don't know what the purposes were
16 because that really wasn't my concern, that's not
17 what Henry and I were working on.

18 Q. Is it fair to say that Mrs. Stevenson
19 had made a number of different loans to Tom over a
20 period of time?

21 A. That apparently was the case.

22 Q. This document, Exhibit Number 6, is a
23 memo from you to Mr. Buist dated August 7, 1991 and
24 it encloses a draft of a promissory note for
25 \$325,180.90 from Tom Stevenson to his mother,

1 correct?

2 A. Yes.

3 Q. And would you -- do you recall anything
4 about this particular promissory note?

5 A. As best I recall, the purpose of the
6 note was, first of all, to document that this
7 amount had been loaned up to that time by
8 Mrs. Stevenson to Tom and as I recall what was
9 decided should be done about these loans for tax or
10 other purposes and -- and what Mrs. Stevenson
11 decided to do was to forgive the loan, in other
12 words, the note was signed so the loan was
13 documented and then Mrs. Stevenson forgave the loan
14 so it was wiped out.

15 (DFT. EXH. 7, Handwritten document
16 dated 11/12/91, was marked for identification.)

17 BY MR. BRUNSON:

18 Q. Showing you Exhibit Number 7, which is
19 a two-page document that is handwritten. Is this
20 your handwriting?

21 A. Yeah, I'm afraid it is. Or most of it
22 at least maybe. Yeah, I would assume that the
23 whole thing is.

24 Q. Okay. And does it appear that these
25 notes were made on November 12th, 1991?

1 A. That's when I dated it.

2 Q. And does it appear that these notes
3 document a conference you had with Henry Buist in
4 that time frame?

5 A. Yes.

6 Q. Under Item Number 1, third sort of
7 paragraph down, it says: How to get extra 10,000
8 dollars to Dan Stevenson, question mark.

9 Do you know what that refers to?

10 A. Yeah, I think so. And I need to
11 explain a little bit about what this was. As I
12 recall, Henry and Norman Stevenson had been talking
13 to some life insurance people about buying life
14 insurance on Mrs. Stevenson's life with the idea
15 that it would be available to pay -- to help pay
16 estate taxes at her death and as I recall, shaky
17 business going on memory, it came down to that
18 there were going to be a couple of different
19 policies or actually maybe more than that, but I
20 think there were some policies that added up to
21 something like a million or a million two owned by
22 the children individually -- like 200,000 dollars
23 each and then there was a larger policy for like a
24 million dollars maybe that was owned jointly, I
25 don't remember the details.

1 But to try to answer your question, I
2 think that the -- the total premium that had to be
3 paid by each child -- because the children owned
4 these policies. They needed to own the policies so
5 that the death benefit wouldn't -- when it was paid
6 wouldn't be in Mrs. Stevenson's estate and the plan
7 was for Mrs. Stevenson to make gifts within the
8 annual gift exemption amounts to each child so the
9 children could turn around and use that money
10 annually to pay the policy premiums which totalled
11 I think -- I think it was a total around 20,000
12 dollars.

13 Well, at that time the annual gift
14 exclusion per donee was 10,000 dollars. Dan, I
15 think, and I -- I didn't remember this until now,
16 but I think it -- I think it's correct, I don't
17 think at that time Dan was married. With everybody
18 else, with the other children, Miss Stevenson could
19 give her child 10,000 dollars and her child's
20 spouse 10,000 dollars so now there's 20,000 dollars
21 for that child to pay the premiums with. I don't
22 think Dan was married at that time so, you know,
23 she'd give Dan 10,000 dollars, but who else was
24 there to give the other 10,000 dollars to for Dan?
25 And this -- this -- these notes indicate that Dan

1 could be given some funds as custodian for -- I
2 assume Dan, III, is his son under the Gifts to
3 Minors Act.

4 Q. Okay. On the second --

5 A. Whether that was done or not, I don't
6 know.

7 Q. On the second page of these notes, Item
8 5, it seems to say: Gifts to Tom, do you see that?
9 And Item Number 1 under that I think says: Have
10 note from Tom for repurchase of his stock from her.

11 A. Yeah, I think that's what it says.
12 It's kind of -- the copying is kind of light, but I
13 think that's what it says.

14 Q. Do you know what that refers to?

15 A. What stock it refers to, I just don't
16 remember.

17 Q. And the next item says: Henry and I
18 need to look at earlier gifts to Tom, Irven and
19 children and --

20 A. Decide, I think.

21 Q. -- okay, if are gifts, et cetera.

22 Does that refer to the issue that you
23 mentioned earlier about Mr. Buist concerned about
24 tax treatment of those loans?

25 A. Well, I'm not sure because this earlier

1 memo with the draft of the note for
2 325,000-some-odd dollars is August 7, 1991. This
3 meeting with Henry was November the 12th, '91 so
4 I'm not sure exactly what gifts to Tom and Irven
5 and the children it's talking about, whether that's
6 talking about these -- this 325 or other gifts, I
7 just don't remember.

8 Q. Okay.

9 (DFT. EXH. 8, Letter dated 12/11/91 to
10 Norman W. Stevenson from T. Heyward Carter, Jr.,
11 was marked for identification.)

12 BY MR. BRUNSON:

13 Q. Showing you Exhibit Number 8. This
14 appears to be a letter to Norman Stevenson dated
15 December 11th, 1991 from you and you are here
16 enclosing eight promissory notes from Tom to his
17 mother and one note from Irven to Mrs. Stevenson
18 documenting loans that she had made to them on the
19 date stated on each note, correct?

20 A. That's right.

21 Q. Does this refresh your recollection
22 about the timing or how these notes and loans
23 played out?

24 A. I think -- and again, I don't know how
25 these amounts, whatever they were, relate to that

1 325-some-odd thousand, I assume they're separate,
2 but I believe that the purpose of drawing these
3 separate notes was that the plan was Mrs. Stevenson
4 would forgive them on an annual basis, in other
5 words, over a period of time they would all be
6 forgiven. They were, I think, maybe an amount that
7 was within the annual exemption that she could give
8 to Tom and her forgiveness of the note -- for
9 example, if it were a 10,000 dollar note, she could
10 forgive that note in a year and there wouldn't be
11 any gift tax effect and then the next year she
12 could forgive another 10,000 dollar note. I think
13 in broad view that was the plan.

14 Q. Is that what was done?

15 A. I'm not -- I think that it was. I
16 mean, I -- I wouldn't have followed it from that
17 point forward, Henry Buist would have, but as far
18 as I know that's what was done.

19 Q. And you prepared the notes?

20 A. I think so.

21 Q. Do you have copies of the notes?

22 A. I think so. Yeah, I think I would have
23 prepared the notes, my office would have.

24 Q. I don't have them on me, let me put it
25 that way.

1 (DFT. EXH. 9, Letter dated 6/8/93 to
2 Mr. Norman Stevenson from Henry Buist, was marked
3 for identification.)

4 BY MR. BRUNSON:

5 Q. I'm showing you Exhibit Number 9 and
6 this appears to be a letter from Henry Buist to
7 Norman Stevenson with a copy to you. It is
8 relating to notes from Tom to Mrs. Stevenson for
9 certain loans, correct?

10 A. That's right.

11 Q. Does this refresh your recollection
12 about how the loans to Tom in this time frame were
13 handled?

14 A. No, it really doesn't. I mean, Henry
15 says in here: If they were executed, I believe
16 that they are all in default as to interest and
17 some in default as to principal. Whether they were
18 executed or whether they were -- what happened to
19 them, I just don't know.

20 Q. He raises a concern about the tax
21 implications of these loans?

22 A. Yeah, it says: The potential -- the
23 problem is not whether they're paid or not but
24 potential income, gift and estate tax implications
25 of these notes (sic) which I believe have not been

1 paid. And the estate -- there is the potential
2 imputed income to Jacquelin, imputed gifts of the
3 unpaid interest and the estate tax liability of the
4 unpaid principal and accrued interest to consider.

5 Q. And he says: The main problem is not
6 whether they are paid or not but the potential
7 income, gift and estate tax implications, et
8 cetera, so it appears his concern was not with
9 collection of the notes but with how to handle them
10 from a tax standpoint?

11 A. Correct, that's what it says.

12 Q. And you don't recall how they were
13 handled?

14 A. No.

15 Q. What was done?

16 A. No.

17 Q. Looking at this letter, does that
18 change any of your testimony thus far about the
19 loans from Tom, time frames or anything?

20 A. No, I don't think so.

21 (DFT. EXH. 10, Handwritten document
22 dated 7/13/95, was marked for identification.)

23 BY MR. BRUNSON:

24 Q. Showing you Exhibit 10, this again
25 appears to be your handwritten notes, correct?

1 A. Is that a question?

2 Q. Yes.

3 A. They do appear to be my handwritten
4 notes.

5 Q. And they appear to be from a conference
6 with Mrs. Jacquelin Stevenson on July 13th, 1995 or
7 3?

8 A. '93, I believe.

9 Q. Okay. And Item Number 1 says: PRT for
10 Jacquelin and Kathleen, I think, with --

11 A. With.

12 Q. -- with Rockville house. Do you know
13 what that refers to?

14 A. Yes. We had discussed -- as I recall,
15 Miss Stevenson wanted the house at Rockville to go
16 to daughters Jacquelin and Kathleen and we had
17 discussed putting that house in what's called a
18 personal residence trust, which is -- in effect is
19 an efficient way of passing it on, efficient for
20 transfer tax purposes.

21 Q. Were you in the process at this point
22 of consulting Mrs. Stevenson about revising her
23 Will?

24 A. I'm sure we were talking about
25 revising -- the possibility of revising her Will

1 and maybe some other estate planning ideas.

2 Q. And Item Number 2 on this page says
3 Will and under that: Rockville to two girls, Lake
4 Summit to Dan, first 400,000 dollars to Genevieve.

5 That would reflect the way she would
6 want those assets to be handled in her Will?

7 A. That's what we would have discussed at
8 that meeting.

9 Q. Okay. Skipping the next part and going
10 down to where it says: 75,000 dollar interest note
11 from Tom, do you see that?

12 A. Yes.

13 Q. It says: Make payable simultaneous
14 with Sunox note to Tom. Does that ring any bells
15 for you?

16 A. Sort of, yes. As I recall, there was a
17 separate note signed by Tom for somewhere around
18 75,000 dollars. I don't remember what the
19 75,000 -- some previous loan by Mrs. Stevenson to
20 Tom and I don't remember why that was separate from
21 the 325,000 dollar-some-odd note that came up in I
22 think it was '91. But I think whatever that 75,000
23 dollar note was, I think that the reference made
24 payable simultaneous with Sunox note to Tom, as --
25 as I recall, there was some note from Sunox to Tom

1 and the idea was that when that note -- when Tom
2 had been paid under that note, he'd have the cash
3 to pay the 75,000 dollar note to his mother.

4 (DFT. EXH. 11, Promissory Note, was
5 marked for identification.)

6 BY MR. BRUNSON:

7 Q. Do you recognize Exhibit Number 11 as a
8 promissory note in the amount of \$79,601.38 from
9 Tom to his mother dated November 1st, 1993?

10 A. That's what it is.

11 Q. And do you believe this is the note
12 that covers that 75 -- what was referred to as a
13 75,000 dollar note in your handwritten notes we
14 just looked at?

15 A. I do think this is the note that was --
16 that was a result of what was referred to.

17 Q. And the terms of this note in the first
18 paragraph call for simple interest on the
19 outstanding principal balance at an annual rate of
20 5.84 percent, is that correct?

21 A. Yes.

22 Q. Do you know where that interest rate
23 came from?

24 A. Well, I mean, I don't remember where it
25 came from, but my assumption is it would have come

1 from the IRS tables as to interest that should be
2 charged without imputing income -- taxable income
3 to Miss Stevenson. There was a different system
4 back then as I recall but the same -- the same
5 purpose as the system now is, that the IRS says
6 that if you loan money to somebody and you charge
7 too low a rate of interest, you're going to be
8 treated as receiving income based on a certain
9 minimum rate that the IRS sets whether you get it
10 or not. So I'm sure this 8 -- this 5.84 would have
11 had to do with whatever rate the IRS was mandating
12 at the time.

13 Q. Is that also known as an AFR rate?

14 A. I'm not sure whether it was AFR back
15 then or not, may have been.

16 Q. Would it be equivalent to what is today
17 considered the AFR?

18 A. Yeah, yeah, which is the minimum rate
19 you can charge without getting hit with this extra
20 tax.

21 Q. Did you consult with Mrs. Stevenson
22 about what interest rate to charge Tom?

23 A. I'm sure that either Henry Buist or I
24 would have talked to her about it. I mean, this --
25 this was a note to her so she had to know what the

1 terms of the note were going to be.

2 Q. Right. I'm just -- you know, she could
3 have charged 10 percent or 20 percent, she didn't
4 have to charge the lowest allowable rate. I'm just
5 curious as to whether you spoke with her about what
6 kind of interest rate she thought was appropriate.

7 A. Gosh, I really don't remember.

8 Q. Okay. She could also have charged
9 compounded interest if she had wanted to?

10 A. Sure. I mean, she could have had --
11 she could have directed that the note be drawn any
12 way she wanted to.

13 Q. And it's --

14 A. Not saying it would have been signed
15 but drawn any way she wanted it to, but sure, that
16 was up to her, she made the loan.

17 (DFT. EXH. 12, Document entitled Notes
18 to Jacquelin Stevenson, with attached Fax
19 Transmittal dated 11/9/93 to T. Heyward Carter from
20 Henry Buist, was marked for identification.)

21 BY MR. BRUNSON:

22 Q. I'm showing you Exhibit 12, which
23 appears to be a listing of notes to Jacquelin
24 Stevenson and it is attached to a fax cover sheet
25 from Henry Buist to you dated November 9th, 1993.

1 Is that an accurate description of this document?

2 A. Excuse me, it appears to be what?

3 Q. It says at the top left: Notes to
4 Jacquelin Stevenson.

5 A. Right.

6 Q. So does that appear that this is a
7 documentation of notes -- well, I'm not sure what
8 it is. What does it appear to you to be?

9 A. It looks like an interest schedule --
10 and I think this would have been prepared by
11 Henry's office, looks like it was -- an interest
12 schedule on that 325,000 dollar note that we talked
13 about earlier --

14 Q. Right.

15 A. -- the 1991 note, interest accruing on
16 that note.

17 Q. And at the bottom by total, it has the
18 amount of \$400,342.73, is that correct?

19 A. That's right, that one total.

20 Q. Do you know what that total represents?

21 A. It looks like it was a principal amount
22 of 325 with -- and I'm not sure whether these are
23 additional loans or whether this is interest being
24 added. It looks like it's interest being added to
25 the original principal amount.

1 Q. And my -- I guess my question was:
2 What is the 400,342 dollars total, what does that
3 total up, do you happen to know?

4 A. Well, again, it looks like it was -- it
5 was the original principal amount of
6 325,000-some-odd dollars plus accrued interest.

7 Q. Now --

8 A. Appears to be.

9 Q. -- if you look at the top of the page,
10 it has the date of note and then it has a series of
11 dates and then it has an amount and a series of
12 amounts and then it has rate -- a listing of rates
13 and then interest which seems to be some sort of
14 computation of interest and then another column
15 that doesn't have a label over it. And at the
16 bottom of the interest column is the amount
17 \$79,601.38 with a handwritten note next to it.
18 Does it appear that that is the accumulation of
19 interest from the notes?

20 A. You know, if you look at this, if you
21 start at the bottom, the earlier dates are down at
22 the bottom. When we're talking about -- leave out
23 what's at the very bottom which apparently involved
24 a loan to Irven Stevenson, but if you start at the
25 bottom of what's above that, it starts out with

1 under amount \$7,354.23, it's got the rate and then
2 it's got -- I can't read the number but something
3 16 cents. If you add that interest to the -- what
4 I assume is the principal, 700 -- \$7,354.23, then
5 over in the far right-hand column you've got the
6 total, which is 7,434.39 and it does the same all
7 the way up. So what this might have been -- might
8 have been was Henry going back and finding when
9 these initial amounts were -- loan given, whatever
10 to Tom figuring the interest rate on them from that
11 date and then totaling it all up. I know it's -- I
12 mean, that appears to be what it is if you start at
13 the bottom and go up.

14 Q. And it also without taking out a
15 calculator and doing the math -- let's look back at
16 that note, the prior exhibit. Let me see the
17 325,000 dollar note. Does the notation forgiven
18 1993 with a line and a circle pointing to the
19 \$400,342.73, does that indicate to you that the
20 loans totaling that amount were forgiven in 1993?

21 A. Yes, it does, and I think that would
22 probably be borne out by Mrs. Stevenson's 1993 gift
23 tax return.

24 Q. And then to the right of that, the
25 79,000 dollar loan or amount indicates note 11/1/93

1 from Tom, correct?

2 A. Yeah, and again, I think that was the
3 75,000 dollar note referred to in the previous
4 memo.

5 Q. Okay. Based on your recollection is
6 the only unforgiven note to Tom that you're aware
7 of that 79,000 dollar note?

8 A. Yeah, I don't know whether that note
9 was forgiven or not.

10 Q. Well, regardless of whether it was
11 forgiven or not, are you aware of any other loans
12 from Mrs. Stevenson to Tom that were not forgiven?

13 A. I don't think so because I think the
14 later notes related to Mr. Stevenson's trusts. I
15 can't recall offhand any other loans directly from
16 Mrs. Stevenson to Tom that we dealt with.

17 Q. Okay.

18 (DFT. EXH. 13, Memorandum dated 12/1/93
19 to Heyward Carter from Henry Buist, with
20 attachment, was marked for identification.)

21 BY MR. BRUNSON:

22 Q. Exhibit Number 13 is a memo prepared
23 by -- apparently by Henry Buist to you dated
24 December 1st, 1993, correct?

25 A. That's what it says, yeah.

1 Q. And it has a listing under it -- under
2 the heading estimated values, various sources. Do
3 you know what that listing refers to?

4 A. Well, it appears to refer to the
5 numbers that Henry put down to the right of the
6 different assets that he describes.

7 Q. And to the right of that listing are a
8 couple of notes. One says: Excluded are TCS and
9 IS notes. Do you know what that refers to?

10 A. Well, again this is an assumption, but
11 it appears that -- that that refers to the notes
12 from Tom Stevenson and Irven Stevenson to
13 Mrs. Stevenson that we were just talking about.

14 Q. And then below that it says: Excluded
15 note of Dan S. for 100,000 and at least one smaller
16 note and the offset a margin account of 100,000 at
17 Interstate/J. Lane. Do you know what that refers
18 to?

19 A. No, I really don't remember anything
20 about that.

21 (DFT. EXH. 14, Letter dated 12/22/93 to
22 Mr. Thomas C. Stevenson, III from Jacquelin K.
23 Stevenson, was marked for identification.)

24 BY MR. BRUNSON:

25 Q. Do you recognize Exhibit 14 as being

1 Mrs. Stevenson's forgiveness of loans at the time
2 in the amount of \$400,342.73?

3 A. That's right.

4 Q. And it indicates that this is the
5 principal amount of loans made, it says -- well,
6 let me just read it. It says: Forgiving the
7 principal amount of \$400,342.73 due by you to me on
8 account of various loans and advances made by me to
9 you.

10 MR. HOOD: It goes on to say merry
11 Christmas.

12 THE WITNESS: That's correct.

13 BY MR. BRUNSON:

14 Q. Okay. So this -- in thinking back to
15 the document earlier with a listing of various
16 notes, it would appear that this 400,000 is an
17 accumulation of various principal amounts?

18 A. It would appear.

19 (DFT. EXH. 15, Handwritten document
20 dated 7/24/96, was marked for identification.)

21 BY MR. BRUNSON:

22 Q. Showing you Defendant Number 15. Does
23 this again appear to be some handwritten notes of a
24 meeting you had with either Jacquelin Stevenson or
25 Henry Buist or both of them?

1 A. It appears to be Henry -- notes of a
2 telephone conversation I had with Henry Buist on
3 July the 24th, '96.

4 Q. And what was the -- what was that
5 telephone conversation about?

6 A. Well, I mean, it looks like it was
7 about the amounts in the QTIP and the marital trust
8 and apparently some discussion about life insurance
9 and the value of the house. I mean, in the broader
10 context, I don't know.

11 Q. At the bottom of the page there's an
12 asterisk and it says: Check on cases regarding
13 whether investment manager fee for trust is subject
14 to a 2 percent floor.

15 Do you know what that refers to?

16 A. Yeah. It's an income tax question as
17 to whether to -- for the trust to deduct expenses,
18 there's a 2 percent floor and investment management
19 fees, there was a question at that time as to
20 whether they were -- could be taken off the top, in
21 other words, or whether that was -- they had to be
22 part of the 2 percent below which you didn't get to
23 deduct individual expenses. It was sort of a
24 technical tax question.

25 Q. All right. The second page of this

1 exhibit is a diagram -- appears to be a diagram of
2 how Mrs. Stevenson wished to distribute the assets
3 of her estate at that point, is that fair?

4 A. It's pretty crude, but that's what it
5 is.

6 Q. And looks like at this point she was
7 going to leave Lake Summit to Dan, Rockville to
8 Jacquelin and Kathleen, 400,000 dollars to
9 Genevieve and 500,000 dollars to James King,
10 correct?

11 A. That's what it indicates, yeah.

12 Q. Those would have been the specific
13 devises?

14 A. Right.

15 Q. And then the residue it appears equally
16 to Jacquelin, Kathleen, Tom, Dan and Genevieve,
17 right?

18 A. Right.

19 Q. And James King was not a beneficiary of
20 the residual estate at this point?

21 A. Doesn't appear so.

22 (DFT. EXH. 16, Handwritten document
23 dated 10/17/96, was marked for identification.)

24 (DFT. EXH. 17, Last Will and Testament
25 of Jacquelin K. Stevenson, was marked for

1 identification.)

2 BY MR. BRUNSON:

3 Q. Now showing you Exhibits 16 and 17.

4 Exhibit 17 is the Last Will and Testament of
5 Jacquelin K. Stevenson and what is the date of that
6 Will?

7 A. October 21, 1996.

8 Q. And Exhibit 16 are handwritten notes
9 entitled conference with Mrs. Stevenson. Again,
10 these are your handwritten notes?

11 A. That's correct.

12 Q. The first item -- and do you recall
13 having some conferences with Mrs. Stevenson prior
14 to having this 1996 Will executed?

15 A. Well, I recall having various
16 conferences with Mrs. Stevenson. I don't recall
17 this particular one but...

18 Q. Okay. But this -- these notes would
19 appear to be a meeting you had with her prior to
20 the execution of that Will?

21 A. That's right.

22 Q. And the first item says: Ask Henry
23 Buist about hundred thousand dollar loan to Dan.

24 Does that ring any bells for you today?

25 A. Not really except that I assume we

1 talked about how to handle any outstanding loan --
2 in Mrs. Stevenson's Will how to handle any
3 outstanding loans that had not been paid back by
4 the time of her death by Dan or Tom.

5 Q. Okay. And did you have detailed
6 conversations with her and her accountant Henry
7 Buist about what loans that she had made to Tom and
8 Dan as of that time, which amounts were forgiven by
9 her and which amounts were to be deducted from
10 their share at her death?

11 A. Yes, we would have talked about that.
12 Henry -- Henry was very good in keeping up with
13 that sort of thing.

14 Q. And is it fair to say there would have
15 been no loans that she made to Tom or Dan that were
16 not accounted for either by being forgiven or
17 included in her Will as unforgiven?

18 A. As far as I know that's correct.

19 Q. And I can't remember what you said
20 about the hundred thousand dollar loan in Item
21 Number 1 there to Dan.

22 A. I think that was to find out from Henry
23 what loans were still outstanding from Dan and Item
24 Number 2 refers to amount of current loan to Tom so
25 what loans were outstanding by Dan and by Tom to be

1 taken account of in Mrs. Stevenson's Will.

2 Q. Okay. And the second item says:
3 Amount of current loan to Tom, deduct both from
4 their share?

5 A. Correct.

6 Q. And that's just simply saying what we
7 just discussed about how to handle their loans?

8 A. Right.

9 Q. And then the next item with an asterisk
10 says: Add Jim Kelly to residue. Do you know what
11 that refers to?

12 A. Well, I think it's a plus rather than
13 an asterisk but anyway. It appears to be a note to
14 add Jim Kelly to the residue of Mrs. Stevenson's --
15 under Mrs. Stevenson's Will.

16 Q. Okay. Can you read what the next item
17 there says?

18 A. Reduce Jim Kelly -- Jim Kelly to
19 400,000 dollars cash.

20 Q. Okay. And then the final item says:
21 Add Tom to Lake Summit?

22 A. Correct.

23 Q. And do you recall if those things were
24 done or if any of them were not done for any
25 particular reason?

1 A. Not offhand, but I can take a look at
2 Exhibit 17, the Will, and see --

3 MR. HOOD: Wasn't there a Will before
4 this one, a '94 Will?

5 MR. BRUNSON: Yeah, I think there was.

6 MR. HOOD: That would help explain what
7 you're asking about.

8 THE WITNESS: Let's see, the Will says,
9 Article 4.1, Jim Kelly gets 400,000 dollars. That
10 would appear to coincide with the reduce Jim Kelly
11 to 400,000 dollars cash. 4.3 is I give, devise and
12 bequeath Lake Summit to Dan and Tom. And then
13 Article 5 which is a residuary says: I have
14 previously loaned to my said son Dan the amount of
15 a hundred thousand dollars on a stock margin
16 account and my son Tom the amount of 75 --
17 \$79,601.38 as evidenced by a promissory note from
18 Tom dated as of November 1, 1993 and directs that
19 any amount in those notes that hasn't been repaid
20 shall be deducted from their respective shares
21 hereunder and redistributed equally among the said
22 beneficiaries of my residuary estate, including Dan
23 and Tom. So it appears that the things that are
24 referenced in this October 17, 1996 memo were
25 reflected in the October 21, 1996 Will.

1 (DFT. EXH. 18, Letter dated 10/21/96 to
2 Mrs. Jacquelin K. Stevenson from T. Heyward Carter,
3 Jr., was marked for identification.)

4 BY MR. BRUNSON:

5 Q. Exhibit 18, that's just a letter from
6 you to Mrs. Stevenson dated October 21st, 1996 and
7 that's again just documenting the same changes to
8 her Will that we just discussed, correct?

9 A. Correct.

10 Q. And this is changing the disposition of
11 not only Mrs. Stevenson's personal assets but also
12 the assets of the marital trust that were going to
13 pass through her estate, correct?

14 A. Let me look back at her Will. Yeah, it
15 appears so because in Article 5 of Mrs. Stevenson's
16 Will which is the residuary disposition of her
17 estate, she exercises power of appointment under
18 the marital trust to include Jim Kelly.

19 Q. And do you understand Jim Kelly to be
20 Jim King?

21 A. Excuse me, Jim King, yeah, James Kelly
22 King.

23 (DFT. EXH. 19, Memorandum dated 8/3/98
24 to Dan Stevenson and Tom Stevenson from Heyward
25 Carter, with attachments, was marked for

1 identification.)

2 BY MR. BRUNSON:

3 Q. Exhibit Number 19 is a letter from you
4 or a memorandum from you to Dan and Tom Stevenson
5 dated August 3rd, 1998, correct?

6 A. That's right.

7 Q. And it is discussing a hypothetical
8 charitable remainder trust for Mrs. Stevenson,
9 correct?

10 A. That's right.

11 Q. Do you recall the context of why you
12 were sending this letter, what was going on?

13 A. No, I really don't.

14 Q. Does it indicate -- does it appear that
15 you were having some conversations with Tom and Dan
16 about estate planning for Mrs. Stevenson's estate
17 at this time?

18 A. It appears that -- yeah, it appears
19 that there would have been some conversation or
20 conversations with one or both of them, I just
21 don't remember, but it looks possibly like I was
22 asked to run some numbers on possibly setting up a
23 charitable remainder unitrust for Mrs. Stevenson.

24 Q. And you don't recall whether that would
25 have been an idea initiated by you or

1 Mrs. Stevenson or Tom or Dan?

2 A. No, I don't.

3 (DFT. EXH. 20, Inter-Office Memorandum
4 dated 5/4/99 to File from THC, Jr., was marked for
5 identification.)

6 BY MR. BRUNSON:

7 Q. I'm showing you Exhibit Number 20,
8 which is a memorandum apparently from you to the
9 file dated May 4th, 1999, correct?

10 A. Correct.

11 Q. I'm going to give you a minute to read
12 that while I take a quick break.

13 (A recess transpired.)

14 BY MR. BRUNSON:

15 Q. Mr. Stevenson, I'm showing you Exhibit
16 Number 20, which is a memorandum --

17 A. Mr. Carter.

18 Q. -- I'm sorry, Mr. Carter, dated May
19 4th, 1999 from you to the file. You've had a
20 chance to look that over?

21 A. Yes, I have.

22 Q. Do you recall having a meeting in this
23 time frame with Dan Stevenson and his mother,
24 Mrs. Stevenson?

25 A. Vaguely.

1 Q. Okay. It indicates that you took a
2 look at Mrs. Stevenson's assets, including the
3 marital trust and the QTIP trust under
4 Mr. Stevenson's Will, and estimated the current
5 values, correct? It's in the first sentence --
6 second sentence.

7 A. Right.

8 Q. Third paragraph on this first page, it
9 says: Dan pointed out that an issue was using
10 funds which would go to all five or six of the
11 children to pay gift taxes on gifts that were going
12 to a smaller number of the children.

13 Do you recall discussing that issue
14 with Mrs. Stevenson?

15 A. No, not specifically.

16 Q. It appears in the next paragraph,
17 however, that you went through the October 1996
18 Will with Mrs. Stevenson and Dan, correct?

19 A. That's right.

20 Q. And that you specifically discussed
21 with them the fact that about 80,000 dollars in
22 loans for Tom were not being forgiven and about a
23 hundred thousand dollars in loans to Dan were not
24 being forgiven, correct?

25 A. I think what that fourth paragraph

1 refers to is that in going through the Will that
2 she had signed in October 1996, we got to the
3 residuary clause that points out that the loan to
4 Dan and the loan to Tom were being deducted from
5 their share..

6 Q. Okay. And it indicates: Dan's
7 reaction was that if he's going to be penalized by
8 the 100,000 dollars she has loaned him and Tom is
9 going to be penalized by approximately 80,000
10 dollars she has loaned him, all gifts to children
11 over the years should be totaled and the total
12 should be counted against each child's equal
13 distribution.

14 Is that an accurate summary of what
15 Dan's reaction was?

16 A. I assume that it is. I mean, I don't
17 remember the meeting specifically.

18 Q. But there's no reason to doubt that
19 that was Dan's reaction?

20 A. No reason for me to doubt it.

21 Q. Where it says: Tom referred obliquely
22 but clearly to the larger sum, approximately
23 400,000 dollars in 1993, which had been given to
24 Tom by forgiveness of that gift by Mrs. Stevenson
25 at that time, do you think there's a typo there

1 that maybe this was Dan that referred obliquely
2 rather than Tom?

3 A. I think that it should have been Dan
4 referred obliquely instead of Tom referred
5 obliquely because I don't believe that Tom was in
6 the meeting.

7 Q. And do you know what you're referring
8 to about this oblique reference that Dan made to
9 the larger forgiveness?

10 A. Well, from reading this, what I
11 concluded is that Dan made a reference -- as we
12 were talking about what amounts were to be deducted
13 from each child's distributive share under the
14 residuary of Miss Stevenson's Will that Dan made a
15 reference to the 400,000 dollars more or less that
16 Tom had borrowed -- that had been forgiven, in
17 effect given to him, previously as to whether that
18 ought to be included in what was deducted from his
19 share or not.

20 Q. And do you recall what Mrs. Stevenson's
21 conclusion was about whether that 400,000 dollars
22 should be deducted from Tom's share?

23 A. No, I don't.

24 Q. She did not change her Will?

25 A. To the best of my -- she didn't change

1 it with me. Best of my knowledge, she didn't
2 change it. Well, the October 1996 Will was what
3 was probated.

4 Q. Right. So after having discussion with
5 Dan about the fact that Mrs. Stevenson had forgiven
6 Tom the 400,000 dollar loan and considering whether
7 to deduct that amount from his inheritance,
8 Mrs. Stevenson chose not to do that, correct?

9 A. At least at this time she chose not to
10 do that.

11 Q. She never changed her Will because the
12 October 1996 Will was probated, right?

13 A. That's correct.

14 Q. On the next page, about halfway down it
15 says: We decided to do the following, and then
16 Item 1 says: I am to call Harold Pratt-Thomas and
17 ask him to have someone go through Mrs. Stevenson's
18 checks for the last several years and try to total
19 up what amount she has given to each child. We
20 will not discuss this with the children either
21 separately or in a group but merely try to make an
22 effort to determine the approximate amount which
23 has been given to each child over the years and
24 credit that amount against the distribution they
25 are to receive at their death, which I assume

1 should say at her death, right?

2 A. That's right.

3 Q. And do you recall if this was done?

4 A. No, I don't. It may have been, I just
5 don't recall.

6 Q. Would you agree this memorandum was
7 created at or about the time that you had the
8 meeting with Mrs. Stevenson and Dan?

9 A. Yes, I would. It says: I met this
10 morning with Mrs. Stevenson and her son Dan.

11 Q. And this was maintained as a business
12 record in your office and produced pursuant to the
13 subpoena?

14 A. That's right, it was in my file.

15 Q. Okay.

16 (DFT. EXH. 21, Detail Transaction File
17 List, was marked for identification.)

18 BY MR. BRUNSON:

19 Q. Mr. Carter, do you recognize Exhibit 21
20 as being a printout of your billing records for
21 work you did as the attorney for Mrs. Jacquelin
22 Stevenson between July 13th, 1993 and the present?

23 A. Yeah, it appears to be.

24 Q. And did you bill Mrs. Stevenson for
25 this work and did she pay your bills or did someone

1 pay her bills on your behalf?

2 A. As far as I know she was billed for
3 this work and the bills were all paid.

4 Q. Did you have a written engagement
5 agreement with Mrs. Stevenson, do you recall?

6 A. No, I really don't recall.

7 Q. The last document we just looked at,
8 Exhibit Number 20, was related to the meeting with
9 Mrs. Stevenson and Dan on May the 4th, 1999?

10 A. Right.

11 Q. And your billing entry indicates that
12 you met with them for 1.6 hours on that day?
13 Actually, there are two entries on that day for 1.6
14 hours each, correct?

15 A. Correct.

16 Q. And are those -- was somebody else in
17 the meeting with you as well, another attorney in
18 your office? I'm just trying to figure out if
19 there were two meetings or if there were two of you
20 in that meeting.

21 A. It looks like -- it looks as if there
22 was somebody else in the meeting, but who that was,
23 I don't -- I don't know.

24 Q. Okay. Would you keep this document out
25 because we'll be coming back to it from time to

1 time to sort of get the time line straight.

2 (DFT. EXH. 22, Handwritten document
3 dated 11/9/00, was marked for identification.)

4 BY MR. BRUNSON:

5 Q. Do you recognize Exhibit 22 as more of
6 your handwritten notes, these dated on November
7 9th, 2000?

8 A. That's correct.

9 Q. Can you tell who you met with or had a
10 telephone conference with as reflected in these
11 notes?

12 A. I'll need to refer to this billing
13 summary.

14 Q. You're referring to Exhibit Number 21?

15 A. Correct. It appears that this was a
16 result of a conference with Dan Stevenson
17 concerning estate planning for his mother.

18 Q. Based on your handwritten notes of that
19 meeting, which are Exhibit Number 22, can you
20 recall the substance of your conversation with Dan
21 at that time?

22 A. It looks like this was primarily a
23 gathering of information of what different assets
24 were, estimated values at that time.

25 Q. At the bottom of the first page it

1 indicates: Mrs. Stevenson has guaranteed 300,000
2 dollars to Bank of South Carolina for Carolina
3 Fresh Cuts and she has --

4 A. I think that's loaned.

5 Q. -- loaned 300,000 and I can't --

6 A. Plus or minus.

7 Q. Plus or minus, okay. Do you recall
8 what that refers to?

9 A. I think there must have been some
10 discussion about monies loaned, I'm not sure by
11 Mrs. Stevenson or by trust, to Dan in connection
12 with a business venture.

13 Q. Okay. Do you recall having any
14 discussions with Dan about that loan?

15 A. No, not specifically. I mean,
16 apparently there was some discussion according to
17 this -- according to this memo. Must have been
18 mentioned.

19 Q. Do you recall why you were meeting with
20 Dan about these matters at this point?

21 A. No, not specifically. I would assume
22 that his -- that either Dan wanted to meet on his
23 own initiative or his mother had asked me to meet
24 with him, which I don't know.

25 Q. Okay. But it's clear from these notes

1 that Dan did tell you about the loan his -- or the
2 guarantee of a loan at least that his mother had
3 provided in the amount of 300,000 dollars?

4 A. Well, this doesn't say that Dan told me
5 about it, but I guess he did as the meeting -- it
6 doesn't say anybody else told me, but the meeting
7 was with Dan so I concluded that Dan told me about
8 it.

9 Q. Okay. Do you recall having any
10 consideration about documenting that loan with a
11 note or knowing whether it was documented in any
12 way?

13 A. No, I don't recall much conversation or
14 much about that -- or knowing much about that loan
15 at all.

16 Q. On the next page it says Interlott
17 Technologies at the top and below that it says:
18 40,000 shares at Interlott Technologies at 15
19 dollars. Maybe you could read me the
20 parenthetical.

21 A. It looks like it says: Paren, has
22 45,000 shares but has some margin debt, end paren,
23 and then there's a figure, looks like 600,000
24 dollars in parens under that.

25 Q. Do you know what that is a reference

1 to?

2 A. No.

3 Q. Below that Item Number 5, can you
4 interpret that note?

5 A. I think I can read it, I'm not sure
6 whether I can explain it. It says: 8700 Inter --
7 Intertech Technologies in one, a Norman Stevenson
8 trusts for her.

9 Q. Do you have any idea what that refers
10 to?

11 A. No, I mean, unless it means that one of
12 the trusts of which Norman Stevenson was the
13 trustee held stock in Intertech Technologies, but,
14 no, I really don't recall.

15 Q. And the word Lynne is written out in
16 the margin to the left of that. Does that have any
17 significance?

18 A. That would have referred to Lynne
19 Kerrison, who is a CPA for Mrs. Stevenson, and, you
20 know, why it's written there I just don't recall.
21 Apparently that's Interlott Technologies instead of
22 Intertech Technologies.

23 Q. Item 6, can you read those notes or
24 interpret them?

25 A. It says: Nine million plus or minus in

1 two trusts, get copies from, include 70,000 shares
2 Interlott Technologies. And it says: 142,000
3 dollar premium annually. What all that refers to
4 other than looks like a summary of what was in the
5 two trusts, I don't know.

6 Q. Down at the bottom of the page it says
7 trust and below that it says: Tom and Dan only.
8 Can you read the rest of that?

9 A. It says plus reread the trusts under
10 that.

11 Q. Okay. Do you know what Tom and Dan
12 only refers to?

13 A. No.

14 Q. Do you recall that Henry Buist and
15 Norman Stevenson were cotrustees at some point
16 along with Dan and Tom? 

17 A. Yes. Yes. It may -- it may -- I don't
18 know, but it may refer -- it may mean that at this
19 time, Tom and -- Tom and Dan were the only trustees
20 left.

21 Q. Okay. And below that it says: Douglas
22 Capital Management, Ponte Vedra, Florida, ask Lynne
23 for statements?

24 A. Correct.

25 Q. Okay. And do you know what ask Lynne

1 for statements, what that would refer to?

2 A. No, I'm not sure what -- what
3 statements are referred to.

4 (DFT. EXH. 23, Handwritten document
5 dated 12/20/00, was marked for identification.)

6 BY MR. BRUNSON:

7 Q. Now, Exhibit 23 are more handwritten
8 notes. These are dated December 20th, 2000 and if
9 you look at your billing statement, does it
10 indicate that you had a meeting on that date or
11 telephone conference, rather, with Dan Stevenson
12 reviewing file information?

13 A. It does.

14 Q. And do you recall what this meeting was
15 about?

16 A. Well, it looks like a telephone -- if
17 these notes were made in connection with a
18 telephone call with Dan Stevenson, it looks like he
19 was giving me asset information on his mother's
20 assets.

21 Q. If you look at your billing statement,
22 go back to May 3rd of 1999, it appears you had a
23 telephone conference with Dan Stevenson on May 3rd,
24 1999, is that correct?

25 A. That's -- yeah, that's what it says.

1 Q. That would have been in relation to
2 your client, his mother, correct?

3 A. Correct.

4 Q. And then it appears on May 4th, we
5 already discussed this, but you had the meeting
6 with Mrs. Stevenson and Dan?

7 A. Right.

8 Q. And it was regarding revising her Will,
9 correct?

10 A. Correct.

11 Q. And then on May 20th, 1999 it indicates
12 you had a telephone conference with Dan Stevenson
13 and correspondence to Ashley Hall and Christ
14 School, correct?

15 A. Correct.

16 Q. Do you recall what that was about?

17 A. Vaguely I recall that there was some
18 discussion about the possibility of Mrs. Stevenson
19 making a contribution to one or both of those
20 schools.

21 Q. What do you recall about that
22 conversation or consideration of that issue?

23 A. Well, I don't recall anything about
24 that conversation other than what it says on here,
25 but I do recall that at some point I drafted a

1 brief letter or instructions or something of that
2 nature for Mrs. Stevenson and her children or at
3 least some of them to sign asking -- or making --
4 stating it was making a contribution and I think
5 the amounts were blank and it was either to Ashley
6 Hall or Christ School. As far as I know it was
7 never signed.

8 Q. Do you know if Mrs. Stevenson herself
9 was aware of that contribution or the consideration
10 being given to making that contribution?

11 A. I don't know whether there was ever a
12 contribution made. I mean, I can't remember
13 whether that was ever discussed with her, but after
14 drafting that, I don't know whether it was her
15 request or Dan's request or Tom's request, that's
16 the last I heard about it. As far as I know the
17 draft was never put in a final form and signed. If
18 it was, I didn't get a copy of it.

19 Q. And it would have been a draft of what
20 again?

21 A. As I recall, it was a letter -- a brief
22 letter to be signed by Mrs. Stevenson and her
23 children saying that they were making a
24 contribution of blank amount to, and I can't
25 remember whether it was Ashley Hall or Christ

1 School. Somebody, whether it was Dan Stevenson, I
2 don't know, asked me to do that and that was sort
3 of the last I heard of it.

4 Q. And what was the purpose of preparing
5 that document other than they asked you to do it?
6 Trying to get why.

7 A. I assume that there was some sort of
8 discussion about making a gift to one or the other
9 or both of those schools and this was the -- this
10 was the evidence -- to be the evidence that the
11 family was making this gift.

12 Q. Then on June 16th, 1999 it appears you
13 had another telephone conference with Mr. Dan
14 Stevenson regarding trust distribution. Do you
15 recall what that conversation was about?

16 A. No.

17 Q. Was there a reason why you were dealing
18 with Dan as opposed to Tom or Jacquelin or Kathleen
19 or any of the other children or Mrs. Stevenson?

20 A. Well, see, Dan was calling me and as I
21 recall, he had an interest in getting his mother's
22 sort of estate planning straight. Now, whether she
23 had directed him directly to do that or whether he
24 was sort of taking the initiative on his own, I
25 don't know.

1 Q. And you don't recall discussing with
2 Dan in these conversations -- well, let me ask that
3 differently.

4 This billing entry from June 16th, 1999
5 indicates you had a conversation with Dan about a
6 trust distribution and I just want to make clear my
7 understanding that you don't recall what kind of
8 trust distribution you would have discussed with
9 Dan in this time frame.

10 A. No. No, I don't remember any
11 particulars of that telephone call.

12 Q. It appears on June 30th there's another
13 entry for an hour of reviewing prior gift
14 information, computations for personal residences,
15 trusts for Rockville and Lake Summit. Do you
16 recall what that was about?

17 A. Well, and again, I don't recall the
18 activity, but what it was about obviously was in
19 connection with estate planning ideas or proposals
20 for Mrs. Stevenson, the kind of thing we talked
21 about before.

22 Q. It appears you then had another
23 conference with Dan on November 9th, 2000 regarding
24 planning methods?

25 A. Right.

1 Q. And what would planning methods refer
2 to?

3 A. Estate planning.

4 Q. The next conference you had was on
5 November 21st, 2000 and there's a telephone
6 conference with Lynne Kerrison regarding trust
7 issues. Do you recall what that was about?

8 A. I think that that would have been in
9 connection with Lynne's informing me of monies that
10 had been distributed from the trust to Dan and/or
11 Tom.

12 Q. So is it your recollection that Lynne
13 Kerrison called you on November 21st, 2000 and
14 informed you that Dan and/or Tom had made loans to
15 themselves or to their companies from the trusts?

16 A. You know, I know that Lynne Kerrison
17 called me at some point and informed me of that.
18 Whether it was that telephone conversation on
19 November 21st, 2000 or not, I just don't know.

20 Q. Well, what do you recall about the
21 conversation you had with Lynne Kerrison?

22 A. About this conversation?

23 Q. I'm sorry, the conversation in which
24 she disclosed to you the existence of the loans to
25 Tom and/or Dan.

1 A. I think that was a later conversation.
2 I'm not sure exactly about this one in November of
3 2000. As I recall, the first conversation I had
4 with Lynne about loans to Dan and Tom or
5 distributions from the trusts to Dan and Tom, I
6 don't know how to classify them, was in the fall of
7 2001 and as I recall, she called me and said that
8 she was contacting me because she knew I had done
9 work for Mrs. Stevenson and there were funds that
10 had been distributed from the trust or trusts to
11 Dan and Tom and thought I ought to know about it.
12 That was sort of the general tenor of the first
13 conversation I had with Lynne Kerrison about that.

14 Q. You think that was in the fall of 2001?

15 A. I think so.

16 Q. Looking at the bill here, the next
17 entry you have is another one on December 4th,
18 2000, a telephone conference with Miss Kerrison. I
19 assume you don't know what that was about
20 specifically?

21 A. No, I don't -- don't remember.

22 Q. There was a conversation on December
23 18th with Dan Stevenson and Mr. Hamrick. Do you
24 know who Mr. Hamrick is?

25 A. No, I don't know who that would refer

1 to.

2 Q. Then the next day there's another
3 conversation with Dan Stevenson?

4 A. December 19th, yeah.

5 Q. And then another one on December 20th
6 and Exhibit 23 would appear to be your notes from
7 that conversation with Dan, correct?

8 A. Yes. Listing of assets and values.

9 Q. And then after that on December 26th
10 there appears to be some research about planning
11 methods and then a telephone conference with
12 Miss Kerrison, a telephone conference with Dan
13 Stevenson and research regarding QTIP sales. Do
14 you recall what that activity was on the day after
15 Christmas in the year 2000?

16 A. No, it looks like some more work
17 connected with estate planning for Miss Stevenson.

18 Q. Okay. The next entry is on December
19 the 27th. It says: Researching and conference
20 with Mrs. Stevenson's children. Do you recall what
21 conference you had with Mrs. Stevenson's children
22 on that date?

23 A. No, I really don't.

24 Q. Do you know what children were included
25 in that conference?

1 A. No, I don't recall the conference.

2 Q. And then there's another one on
3 December the 29th, a telephone conference with
4 Miss Kerrison and then -- and then I assume you
5 don't recall what that one was about either?

6 A. No.

7 Q. It's quite a bit of conversation with
8 Dan and Miss Kerrison and possibly other children
9 of Mrs. Stevenson between May of 1999 and the end
10 of the year 2000 which resulted in no changes to
11 Mrs. Stevenson's Will and I can understand your not
12 recalling what any of these specific conferences
13 were without notes, but now that we've walked
14 through this and you've looked at your notes, do
15 you have a general recollection about any specific
16 issues that were being discussed or considered?

17 A. Well, I think the conversations with
18 Dan Stevenson were again about estate planning,
19 about getting information on what Mrs. Stevenson's
20 assets were at that time, what they were valued at,
21 requests as I recall to come up with some ideas as
22 to what Mrs. Stevenson might do for estate planning
23 to try to minimize estate taxes which I think
24 resulted in a letter which is referred to here,
25 perhaps this June -- excuse me, January 3rd, 2001

1 correspondence to Stevensons. At some point and
2 perhaps that's it as I recall there was a letter
3 written to the children or some of the children
4 saying here's some things that you might be able to
5 do from an estate planning perspective.

6 Q. Do you recall what Mrs. Stevenson's
7 capacity -- health condition was at this time, the
8 end of the year 2000?

9 A. I can't recall whether she had moved
10 from Meeting Street to Bishop Gadsden at that time,
11 but I think -- you know, as far as I know she was
12 okay. I mean, I was -- I assume she was somewhat
13 removed from it since I seemed to be dealing with
14 or giving information to the children at this time,
15 but I don't know that she was completely removed
16 from it.

17 Q. Was there a sudden event where
18 Mrs. Stevenson was no longer involved in her
19 affairs or did she gradually become less involved
20 as her dementia increased?

21 A. Well, I think that -- that at some
22 point, and maybe it was around -- somewhere in
23 2000, Dan started contacting me I guess thinking
24 that this was the time to start looking at what
25 estate planning might be a good idea for his

1 mother. You know, what part Mrs. Stevenson played
2 in that at that time, I just don't know. I mean,
3 I -- I didn't have much, if any, direct contact
4 with her and, you know, why she would have been
5 more distanced from it as you put it, I just don't
6 know.

7 Q. When you said you didn't have much
8 contact with her, you mean in this time frame --

9 A. Yeah.

10 Q. -- the end of 2000?

11 (DFT. EXH. 24, Christ School/Ashley
12 Hall document, was marked for identification.)

13 BY MR. BRUNSON:

14 Q. Showing you Exhibit Number 24, which is
15 a document dated May 1999 and it -- I'm wondering
16 if this is the document that you referred to in
17 regard to Christ School and Ashley Hall?

18 A. Yeah, I think it is, yeah. Yeah, and I
19 noticed that the time entry is May 20, 1999. It
20 says telephone conference with Mr. Dan Stevenson,
21 correspondence to Ashley Hall/Christ School and I
22 think this is what that refers to.

23 Q. And you prepared this document?

24 A. I think so. I think so. To be signed
25 by Mrs. Stevenson and five children.

1 Q. As Mrs. Stevenson's lawyer, did you
2 have any concern that any of her children were
3 unduly influencing her to make a contribution to
4 these schools at this time?

5 A. No, I don't think so, I just didn't
6 have any information about that. And as I said, I
7 didn't know whether this was ever signed by
8 Mrs. Stevenson and the children or whether the --
9 whether the -- talks about a check or a pledge,
10 whether that was ever followed through on.

11 (DFT. EXH. 25, Handwritten document
12 dated 12/26/00, was marked for identification.)

13 BY MR. BRUNSON:

14 Q. I'm showing you Exhibit 25. This
15 appears to be your notes from the meeting you held
16 on December the 26th, 2000 that we've already
17 referred to regarding Mrs. Stevenson's estate,
18 correct?

19 A. Yeah. It doesn't appear that there was
20 a meeting on December 26th, it appears that there
21 was one or more telephone conversations.

22 Q. Okay. And does this seem to -- appear
23 to indicate that estate planning issues were being
24 discussed at that time?

25 A. Yes, including -- I remember that

1 somewhere at some point, this was perhaps it, there
2 was discussion about selling 58 Meeting Street and
3 what was the best way to do that from a tax
4 perspective. I was asked for some recommendations
5 on that.

6 Q. And it also indicates at the bottom of
7 that page that there was a conversation about
8 having a power-of-attorney appointed?

9 A. Apparently so. It says, Item Number 4,
10 durable power-of-attorney.

11 Q. Do you recall having any discussions on
12 that point?

13 A. No, not specifically.

14 (DFT. EXH. 26, Handwritten document
15 dated 1/5/01, was marked for identification.)

16 BY MR. BRUNSON:

17 Q. Now, looking back at Exhibit Number 21,
18 the list of your billing entries, and picking up in
19 the year 2001, it appears you had on the 3rd of
20 January a telephone conference with Dan Stevenson
21 about drafting a power-of-attorney, correct?

22 A. What was the date, excuse me?

23 Q. January 3rd. It's on the bottom of the
24 first page.

25 A. Yes.

1 Q. And then on January 3rd there's an
2 entry for -- of an hour for correspondence to the
3 Stevensons. Do you know what that would have been?

4 A. I believe that was the letter setting
5 out some planning -- estate planning
6 recommendations.

7 Q. Okay. Just so we can get all this in
8 context.

9 (DFT. EXH. 27, was marked for
10 identification.)

11 BY MR. BRUNSON:

12 Q. Do you recognize Exhibit Number 27 as
13 your letter to the -- to four of the Stevenson
14 children dated January 9th, 2001?

15 A. No.

16 Q. You don't?

17 A. No, this is not that.

18 Q. Maybe I gave you the wrong thing.

19 A. It's this one.

20 (DFT. EXH. 27, Letter dated 1/9/01 to
21 Mrs. Kathleen S. Turner, Mrs. William A. Bennett,
22 Mr. Thomas C. Stevenson, III and Mr. Daniel R.
23 Stevenson from T. Heyward Carter, Jr., was REMARKED
24 for identification.)

25 BY MR. BRUNSON:

1 Q. Now, I think we've substituted the
2 right document as Exhibit Number 27 and I ask if
3 you recognize this as the letter from you to four
4 of the Stevenson children dated January 9th, 2001.

5 A. It is.

6 Q. And this is the letter that you've made
7 a few references to about doing some estate
8 planning?

9 A. Yeah, I think this is the letter that
10 apparently was originally drafted on January the
11 3rd, 2001 and then there's another reference on
12 January the 9th, which is the date of this letter,
13 says, revising correspondence. I guess that's when
14 it was sent out.

15 Q. So you drafted the letter initially on
16 January 3rd, revised it and sent it out on January
17 9th, correct?

18 A. Apparently so, yeah.

19 Q. And between those two dates it appears
20 from your billing records that you had a telephone
21 conference with Mr. Stevenson on January 4th, 2001
22 regarding execution of power-of-attorney, correct?

23 A. Well, it says -- on January the 4th,
24 2001, it says: Telephone conference with
25 Mr. Stevenson; execution of power-of-attorney.

1 Whether the telephone conference was about the
2 execution of the power-of-attorney or whether the
3 power-of-attorney was actually executed that date,
4 I just -- I don't know.

5 Q. Okay. But at any rate, you had a
6 conversation with Dan Stevenson on January 4th,
7 2001?

8 A. Apparently so, yes.

9 Q. And then on --

10 A. I don't know whether it was Dan
11 Stevenson, it says Mr. Stevenson.

12 Q. Okay. Well, doesn't it appear that
13 you've had no entries about Tom Stevenson anywhere,
14 are there?

15 A. I don't see any, but again, it just
16 says Mr. Stevenson and I don't recall the telephone
17 conversation so I can't tell you for sure whether
18 it was Dan or Tom.

19 Q. Okay. And then on January 5th, 2001,
20 there is an entry for correspondence to Mrs. Turner
21 and Mr. Dan Stevenson and there's a telephone
22 conference with Mr. Pratt-Thomas and a telephone
23 conference with Lynne Kerrison and then drafting of
24 correspondence, correct?

25 A. Correct.

1 Q. Now, if we go back to Exhibit Number
2 26, it's the handwritten notes, these handwritten
3 notes are dated January 5th, 2001, right?

4 A. Right.

5 Q. These are notes from a telephone
6 conference you held that day with Dan Stevenson?

7 A. Correct.

8 Q. Now, a minute ago -- strike that.

9 And does it appear in the top line of
10 these handwritten notes that there is a reference
11 to a 200,000 dollar loan to Tom?

12 A. That's what it says, yeah.

13 Q. Okay. Off to the right of that there's
14 a little notation that says: From Mr. Stevenson
15 individually and a question mark, right?

16 A. Correct.

17 Q. Do you recall what the 200,000 dollar
18 loans referenced in that note refer to?

19 A. This is supposition because I don't
20 really recall, but I assume it's talking about
21 money that came out of one of -- or both of the
22 trusts to Tom. I know that sometime previously,
23 excuse me, I think it was in 1999, there were two
24 100,000 dollar notes, I think one to each trust,
25 that either Tom or his company had signed and

1 whether that's the 200,000 dollars that's
2 referenced here or not, I don't know.

3 Q. Do you recall Dan informing you of the
4 Tom loans, Dan being the person who told you about
5 those?

6 A. I think that -- no, I don't -- I don't
7 recall who informed me, whether it was Tom or Dan
8 or Lynne Kerrison. I know that some point later
9 Lynne Kerrison and I discussed them, but at this
10 date I just don't know.

11 Q. Certainly there is an indication that
12 in a telephone conference with Dan Stevenson on
13 January 5th, 2001, you became aware of those loans?

14 A. Of some loans. Whether it was those
15 particular loans or not, I don't know, but, yeah,
16 there's 200,000 dollars of loans that I apparently
17 became aware of then.

18 Q. Okay. And you're not aware of any
19 other 200,000 dollar loans to Tom that would have
20 come up in that conversation?

21 A. No.

22 Q. And below that there's a reference to a
23 500,000 dollar loan to Dan from trusts, correct?

24 A. Right.

25 Q. And do you know what that refers to?

1 A. No.

2 Q. Does it appear that Dan told you in
3 that telephone call that he had borrowed 500,000
4 dollars from the trust?

5 A. That may have been the case, I just
6 can't say.

7 Q. And below that there are values
8 assigned to the QTIP trust and the marital trust,
9 correct?

10 A. Right.

11 Q. At the bottom, not at the very bottom
12 but a little closer to the bottom, there is a
13 reference to 18,000 shares of Interlott at
14 Interstate/Johnson Lane, Wachovia -- I can't tell
15 what the notation is below that, can you?

16 A. It says: At six dollars equals 108,000
17 dollars.

18 Q. Do you know what that refers to?

19 A. Other than what it says, no.

20 Q. Okay. Does it appear those -- those
21 are assets of the trusts?

22 A. I couldn't say. I mean, it's separate
23 from the listings of the trust assets above so it
24 may be that -- it may be that those were something
25 that were owned by Mrs. Stevenson individually.

1 Q. Well, there's a note below this. It
2 says: She owns 105,000 shares of Interlott at six
3 dollars a share equals 630,000 dollars less margin
4 debt, correct?

5 A. That's right.

6 Q. So it would appear that Mrs. Stevenson
7 had shares of Interlott individually of 630,000
8 dollars less 200,000 dollars in margin debt at that
9 point, correct?

10 A. That's what it indicates, that's right.

11 Q. All right. And so the 18,000 shares
12 above that you would think would have been owned by
13 the trust and the bracket off to the right of that
14 would seem to indicate they were a part of the
15 trust at that time, correct?

16 A. Possibly so because there is a bracket
17 around all of that.

18 Q. And the reference in there to
19 Corp. Realty Krupp, 600,000 dollars, do you know
20 what that is?

21 A. I think those were assets that were in
22 Mr. Stevenson's estate and whether they were
23 left -- I guess they went in the trust either --
24 they would have gone either to Mrs. Stevenson
25 directly or into one of the trusts.

1 Q. Okay. Do you know what asset that is,
2 is that real estate or stock or --

3 A. No, I just don't remember. I remember
4 the name Krupp, but I don't remember what it was.

5 Q. Do you recall doing anything after
6 having this conversation with Dan on January the
7 5th, 2001?

8 A. I don't recall.

9 Q. Do you -- as you think back on it, can
10 you recall why it was Dan was specifically talking
11 to you about the Interlott stock?

12 A. No, I don't remember.

13 Q. In your billing records on January 5th,
14 2001, there is an entry of two-and-a-half hours for
15 a telephone conference with Mr. Pratt-Thomas and a
16 telephone conference with Lynne Kerrison and then
17 drafting correspondence. Do you recall talking to
18 Mr. Pratt-Thomas and Lynne Kerrison and drafting
19 the letter?

20 A. No, I don't recall the conversations
21 with them. I think that the drafting
22 correspondence is another reference to this letter
23 that went out on June the 9th, 2001.

24 Q. Okay. Now, in the letter that you sent
25 to the Stevenson children or four of the Stevenson

1 children on January the 9th, you were -- you were
2 acting as the attorney for Mrs. Stevenson still at
3 that point, correct?

4 A. That's correct.

5 Q. And throughout this time frame you are
6 the lawyer -- you are Mrs. Jacquelin Stevenson's
7 lawyer?

8 A. That's right.

9 Q. And in the letter to Jacquelin,
10 Kathleen -- the letter is to Kathleen, Mrs. Bill
11 Bennett, which is Jacquelin, Tom Stevenson and Dan
12 Stevenson, right?

13 A. Correct.

14 Q. Do you have any recollection as to why
15 you didn't include Genevieve or Jimmy King in this
16 letter?

17 A. Well, the first sentence of the letter
18 says: I am addressing this to the four of you as
19 it was with you that I met recently to discuss
20 estate planning for your mother.

21 Q. Okay. So would that refresh perhaps
22 your recollection about the billing entry on
23 December -- it's December 27th where it references
24 a conference with Mrs. Stevenson's children?

25 A. No, I mean, I just don't remember that

1 meeting.

2 Q. Okay. Would it seem logical to you
3 that when you're referring back to a meeting with
4 the four of Mrs. Stevenson's children in a letter
5 dated January 9th and there's a billing entry about
6 meeting with her children on December 27th that
7 most probably that's the -- that's the meeting
8 you're referring back to?

9 A. That would seem logical, yes.

10 Q. Now, was there any conversation that
11 you can recall about Genevieve and Jimmy King and
12 their inclusion or exclusion from this process?

13 A. No, I don't recall any one way or the
14 other.

15 Q. And when you sent this letter to
16 Kathleen, Jacquelin, Tom and Dan, you did not make
17 any reference to the loans that apparently Dan had
18 disclosed to you on January the 5th, 2001, correct?

19 A. No, that would have been included in
20 the -- in the total estimated value of the QTIP and
21 marital trusts because they would have been due-tos
22 for those trusts.

23 Q. They would have been included in the
24 assets of the trusts which you have quantified on
25 the second page of this letter, correct?

1 A. Correct.

2 Q. Any idea why you had the 105,000 shares
3 of Interlott stock subject to margin specifically
4 identified in these values?

5 A. Because that was a separate asset of
6 Mrs. Stevenson I assume.

7 Q. Okay. And while I understand that you
8 included the loans as assets on the second page of
9 this letter, you did not make a specific reference
10 to loans that had been made by Tom and Dan and to
11 Tom and Dan, correct?

12 A. No, apparently not.

13 Q. Do you recall giving any consideration
14 to providing that information in this letter?

15 A. I don't recall.

16 Q. Do you recall having any concerns in
17 this time frame about the propriety of Tom and Dan
18 making loans to themselves or to their companies
19 from the trusts when they were serving as trustees
20 of the trusts?

21 A. You know, at some point I do recall
22 being concerned about that. When that concern
23 arose, whether it was at this time or later, I just
24 don't recall.

25 Q. Okay. And it appears that on the --

1 okay.

2 (DFT.. EXH. 28, Message Confirmation
3 dated 10/12/01, with attachments, was marked for
4 identification.)

5 BY MR. BRUNSON:

6 Q. Showing you Exhibit Number 28 now.
7 It's a fax. The first page is a fax cover sheet
8 dated October 12th, 2001 from you to Lynne Kerrison
9 and then it has attached to it the durable
10 power-of-attorney for Jacquelin Stevenson dated
11 January 4th, 2001, correct?

12 A. Correct.

13 Q. So the conversation you had with Dan
14 about Tom's loans and Dan's loans apparently on
15 January the 5th was one day after the execution of
16 the power -- of the power-of-attorney in which
17 Mrs. Stevenson granted Dan power-of-attorney,
18 correct?

19 A. Apparently so, yeah.

20 Q. Okay.

21 A. Dan -- granted Dan and Kathleen the
22 power-of-attorney.

23 Q. Now, you were -- you were
24 Mrs. Stevenson's lawyer as you already indicated
25 and you would agree with me that as her lawyer you

1 were her agent?

2 A. I'm not sure that's correct.

3 Q. Would you agree that as her lawyer you
4 were her representative?

5 A. In some matters perhaps so.

6 (DFT. EXH. 29, Westlaw document, was
7 marked for identification.)

8 BY MR. BRUNSON:

9 Q. Exhibit 29 is a decision of the South
10 Carolina Court of Appeals in Arnold versus
11 Yarborough dated 1984 and if you would turn over to
12 the second page of this document under Head Note 1
13 and 2, the second sentence states: Acts of an
14 attorney are directly attributable to and binding
15 upon the client.

16 MR. HOOD: You missed out -- you're
17 reading absent fraud or mistake?

18 MR. BRUNSON: I'm not missing anything,
19 Mr. Hood, I'm asking a question.

20 BY MR. BRUNSON:

21 Q. Could you answer the --

22 MR. HOOD: No, I'm looking at what you
23 just referenced and there's the word fraud right
24 there.

25 MR. BRUNSON: No, what you're talking

1 about is the next sentence and you can ask your
2 questions whenever you -- whenever I finish, but
3 I'd appreciate not being interrupted.

4 MR. HOOD: I just want you to read it
5 correctly. Where are you reading? I thought you
6 misread it.

7 MR. BRUNSON: No, I didn't misread it.
8 It's the second sentence of that paragraph.

9 MR. HOOD: Absent fraud or mistake?

10 MR. BRUNSON: No.

11 MR. HOOD: What paragraph are you on
12 then?

13 MR. BRUNSON: Above the Clark versus
14 Clark citation.

15 MR. HOOD: Acts of an attorney?

16 MR. BRUNSON: Yes.

17 BY MR. BRUNSON:

18 Q. Acts of an attorney are directly
19 attributable to and binding upon the client. Would
20 you agree that that's a valid proposition of South
21 Carolina law?

22 A. You know, I don't know whether -- what
23 context this is in or -- no, I wouldn't be able to
24 agree to that without at least putting this
25 particular thing in context.

1 MR. HOOD: I'd like to know also in
2 taking the deposition of Mr. Carter today have you
3 agreed to pay him as an expert for rendering
4 opinions because otherwise it's not fair to ask him
5 legal opinions as a lawyer.

6 MR. BRUNSON: Well, it's none of your
7 concern what I've done, Mr. Hood, in that respect.
8 If Mr. Carter wants to send me a bill, he can
9 certainly do that.

10 BY MR. BRUNSON:

11 Q. At any rate, Mr. Carter, just to be
12 clear, is it your testimony that you don't know
13 whether you as a lawyer for your client are an
14 agent of your client?

15 A. If you're asking me in this particular
16 situation was I an agent for Mrs. Stevenson at any
17 particular time, my answer would be no.

18 Q. Okay. You were -- did you have that
19 understanding with Mrs. Stevenson, that even though
20 you were her lawyer, you were not her agent?

21 A. I doubt that we ever discussed that.

22 Q. Okay. Do you agree that as
23 Mrs. Stevenson's lawyer you owed her certain
24 duties?

25 A. As -- yes, as Mrs. Stevenson's lawyer

1 on those things that I was employed to represent
2 her on, I would have owed her certain duties.

3 Q. Okay. You would have owed her a duty
4 of loyalty?

5 A. Absolutely.

6 Q. You would have owed her a duty to keep
7 her fully informed?

8 A. Right.

9 Q. And you would have owed her a duty to
10 act on her behalf and in her best interest?

11 A. Would have certainly owed her a duty to
12 act in her best interests.

13 Q. And you fulfilled those duties?

14 A. Yes.

15 Q. After January 5th when Dan had this
16 conversation with you about loans that had been
17 taken from the trusts, did you inform
18 Mrs. Stevenson about that, Dan's mother?

19 A. I don't recall. I really don't recall
20 what conversations we would have had about that.

21 Q. When you say what conversations we
22 would have had, do you refer to Mrs. Stevenson and
23 you?

24 A. Yes.

25 Q. So you don't know whether you told her

1 about the loans or not?

2 A. No, I just don't recall. I know that I
3 did have conversations with the people having her
4 power-of-attorney.

5 Q. Okay. So you did have conversations at
6 that time with Kathleen?

7 A. I had conversations later with
8 Kathleen.

9 Q. In 2001?

10 A. No, I don't think it was 2001.

11 Q. 2002?

12 A. It would have been either 2002 or 2003,
13 I believe.

14 Q. Okay. And did you have an opinion when
15 you learned about the loans that Dan and perhaps
16 Tom had taken in January 2001 as to whether it was
17 proper for them as trustees to loan themselves or
18 to loan their companies money from these trusts?

19 A. You know, I really don't know that I
20 had enough information at that time about what
21 those loans were about. I think it was later in
22 2001 that I found out -- that I was told more about
23 those loans when it was brought to my attention by
24 Lynne Kerrison.

25 Q. Okay. If you look at your billing

1 entries again, that's Exhibit Number 21, you
2 stopped at December -- I'm sorry, January the 6th,
3 I think, where you worked on the correspondence to
4 the Stevensons and then we agreed that you had --
5 the letter to them was dated January 9th. You see
6 there's an entry on January 9th of revising
7 correspondence, correct?

8 A. Correct.

9 Q. Then January 11th you had a
10 conversation with Lynne Kerrison, right?

11 A. Yes.

12 Q. You had a conversation on January 23rd
13 with Dan Stevenson?

14 A. Right.

15 Q. You had a conversation on the 25th with
16 Dan Stevenson?

17 A. Right.

18 Q. You had a telephone conference with
19 Mr. Stevenson, Dan Stevenson, and Miss Kerrison
20 about life insurance on February the 16th?

21 A. Correct.

22 Q. And March, the 9th you had a telephone
23 conference with Dan Stevenson?

24 A. Correct.

25 Q. On March the 11th you had a telephone

1 conference with Tom Stevenson?

2 A. Yes.

3 Q. Do you recall what that was about?

4 A. No.

5 Q. Do you recall what any of these that
6 I've just referred to between January 9th and March
7 11th were specifically about other than the one
8 that was about life insurance?

9 A. No.

10 Q. You had a conversation on March the
11 12th where your entry indicates you reviewed
12 Mrs. Stevenson's Will and had a telephone
13 conference with Dan Stevenson, correct?

14 A. What was the date?

15 Q. I'm sorry, that's March the 12th.

16 A. Correct.

17 Q. And do you recall what that was about?

18 A. No.

19 Q. On March the 22nd you had a telephone
20 conference with Tom Stevenson. Do you recall what
21 that was about?

22 A. No.

23 Q. On September the 17th you had a
24 telephone conference with Dan Stevenson. Do you
25 recall what that was about?

1 A. No.

2 Q. On that same day you had an interoffice
3 conference. Do you know what that refers to?

4 A. No.

5 Q. And then on October the 8th there's an
6 entry that says: Interoffice conference regarding
7 fiduciary duties. Do you know what that refers to?

8 A. Well, I see that on that same date,
9 October the 8th, there's an entry for conference
10 with Mrs. -- Miss Kerrison. Whether that was
11 telephone or office, I don't know.

12 Q. Let me show you --

13 A. But I assume that -- that that's when
14 Miss Kerrison brought to my attention loans that
15 had been made or distributions that had been made
16 to Dan and Tom Stevenson from the trusts and that
17 that's what that's in connection with.

18 (DFT. EXH. 30, Facsimile Transmittal
19 dated 10/8/01 to Heyward Carter from Lynne
20 Kerrison, with attachments, was marked for
21 identification.)

22 BY MR. BRUNSON:

23 Q. I've shown you Exhibit Number 30 and
24 this is a fax cover sheet from Lynne Kerrison to
25 you dated October 8th, '01 with attached documents

1 from Douglas Capital Management, correct?

2 A. Correct.

3 Q. And does it appear that the documents
4 from Douglas Capital Management include two
5 promissory notes dated November 1st, 1999, one each
6 from the marital trust and the QTIP trust in the
7 amount of 100,000 dollars being paid to Fabtech,
8 which is Tom Stevenson's company?

9 A. No, these are notes from Fabtech to the
10 marital trust and the QTIP trust, not from the
11 marital -- from the marital trust and the QTIP
12 trust.

13 Q. Right. Thank you. And these document
14 loans that were being made from these two trusts to
15 Tom's company in November of 1999?

16 A. Apparently so, yeah.

17 Q. Okay.

18 MR. BRUNSON: Let's go ahead and take a
19 lunch break.

20 MR. HOOD: What was that exhibit
21 number?

22 MR. BRUNSON: 30.

23 (A luncheon recess transpired.)

24 BY MR. BRUNSON:

25 Q. Mr. Carter, prior to the lunch break we

1 had looked at Exhibit Number 30. You said this
2 appears to be the notes that Tom Stevenson had
3 executed to document loans from the two trusts to
4 his company in the amount of 100,000 dollars each
5 back in 1999, correct?

6 A. Correct.

7 Q. Do you recall the circumstances under
8 which you received the facts of these notes from
9 Lynne Kerrison?

10 A. Just in general that Lynne had called
11 me and told me there had been some distributions
12 made from the trusts to Dan and Tom and I don't
13 remember whether she mentioned these particular
14 notes at that time, but I think she sent me these
15 notes in connection with that conversation.

16 Q. Okay. What was the purpose of -- as
17 you understood it of her providing that information
18 to you on October 8th, 2001?

19 A. You know, you'd have to ask her. I
20 assume she just wanted to let me know the
21 information that she had.

22 Q. Okay. Your billing entry on October
23 8th, 2001 on Exhibit Number 21 indicates there's an
24 interoffice conference regarding fiduciary duties.
25 Do you recall what that was?

1 A. Not specifically, but I assume it
2 had -- it was connected with my conversation with
3 Lynne....

4 Q. Okay. And the next entry of that day
5 says conference with Miss Kerrison and then there's
6 another entry on October the 10th where you have a
7 telephone conference with Tom Stevenson and on the
8 11th a telephone conference with Dan Stevenson and
9 Miss Kerrison. Do you recall those conversations
10 going back and forth in that time frame?

11 A. No, I don't recall specifically what
12 they were about at the time, she doesn't say.

13 Q. Then on October the 23rd, you're
14 preparing for a conference, you have an office
15 conference with Messrs. Stevenson. That would
16 indicate both Dan and Tom Stevenson?

17 A. That's right.

18 Q. And Miss Kerrison, correct?

19 A. Right.

20 Q. Do you recall having a meeting with the
21 three of them?

22 A. Yes, I believe it was at
23 Miss Kerrison's office.

24 Q. Okay. Tell me what you can recall
25 about that meeting.

1 A. Miss Kerrison as I recall produced some
2 information on distributions that had been made
3 from the trusts to Dan and to Tom and we discussed
4 it.

5 Q. What distributions were you discussing?

6 A. Well, I don't remember the numbers at
7 this time but whatever Miss Kerrison had the
8 information on.

9 Q. Were these the loans to Fabtech and to
10 Dan's companies?

11 A. No, I don't think so, I think they were
12 subsequent distributions.

13 Q. Of what nature?

14 A. I don't understand the question.

15 Q. I'm not -- I don't understand why
16 you're meeting at Lynne Kerrison's office with Tom
17 and Dan about distributions. I'm trying to
18 understand what the distributions are, why you
19 would convene a conference to discuss it.

20 A. Well, I think the meeting was to find
21 out more about what had been distributed from these
22 trusts to them and why, specifically why they were
23 distributing monies to themselves out of the trusts
24 when they were the trustees and who had they
25 informed of these distributions.

1 Q. And what did you find out?

2 A. Found out that they indeed had
3 distributed monies to themselves out of these
4 trusts and at that time they had not been repaid.

5 Q. Did you understand those distributions
6 to be loans or outright distributions?

7 A. I think they were -- they were -- they
8 were described by Dan and Tom as either loans or
9 investments.

10 Q. And did you say anything to Tom and Dan
11 and Miss Kerrison in this meeting about the
12 propriety of that?

13 A. Yes, we did discuss the propriety of
14 that and the -- the fact that it was not something
15 the trustees were supposed to be doing, at least
16 without the consent of beneficiaries.

17 Q. What was their reaction when you
18 provided them with that information?

19 A. Well, I advised them that they needed
20 to tell their siblings and they said that they
21 would do so.

22 Q. At this point are you the attorney for
23 Tom and/or Dan?

24 A. No.

25 Q. You're the attorney for their mother?

1 A. That's correct.

2 Q. And she's the sole beneficiary of the
3 marital trust?

4 A. She is the life income beneficiary of
5 the marital trust.

6 Q. With a full power of appointment?

7 A. Correct.

8 Q. What was their reaction when you
9 suggested to them a disclosure?

10 A. They said that they would do it.

11 Q. Is that how the meeting ended?

12 A. Yes.

13 Q. Were you satisfied with the ending of
14 the meeting?

15 A. They told me that they would do it, I
16 took their word for it.

17 Q. Okay. Now, the entry on the next day,
18 the 24th, indicates notes to file. The -- do you
19 recall what the nature of those notes to the file
20 was?

21 A. No. I assume that that's notes
22 concerning the meeting.

23 Q. Okay. And then on November the 24th
24 there is an entry indicating that you reviewed
25 meeting notes and then had correspondence to Dan

1 and Tom Stevenson, correct?

2 A. That's what it says, yes.

3 (DFT. EXH. 31, Letter dated 11/29/01 to
4 Mr. Daniel R. Stevenson Mr. Thomas C. Stevenson
5 from T. Heyward Carter, Jr., III, was marked for
6 identification.)

7 BY MR. BRUNSON:

8 Q. I'm showing you Exhibit Number 31 which
9 is a letter dated November 29th, 2001 from you to
10 Dan and Tom Stevenson, correct?

11 A. That's right.

12 Q. And do you believe this to be the
13 letter that is referenced in the billing entry of
14 the 24th?

15 A. Probably so. I probably dictated it on
16 the 24th and it went out the 29th.

17 Q. Okay. And in the first paragraph of
18 this letter, you indicate that each of them, Tom
19 and Dan, is drafting promissory notes to the trusts
20 for current loan balances to the trusts, correct?

21 A. That's right.

22 Q. And did you --

23 A. It says: I understand that each of you
24 is drafting promissory notes to your mother's
25 trusts for current loan balances to those trusts.

1 Q. Do you recall discussing with Tom and
2 Dan the importance of drafting notes to reflect the
3 dates and amounts of the loans?

4 A. No. Don't recall whether we discussed
5 that or not.

6 Q. It would appear, however, that you did
7 since you're referencing that in this paragraph?

8 A. Referencing what?

9 Q. You say: I understand that each of you
10 is drafting promissory notes to your mother's
11 trusts for current loan balances to those trusts
12 and that you will send drafts of those notes to
13 Lynne and to me for our review and recommendations
14 on your mother's behalf.

15 When I read that, it makes me think you
16 had a conversation with them about drafting notes
17 to reflect the dates and amounts of the loans.

18 A. Well, I don't know whether dates and
19 amounts specifically were mentioned and enumerated.
20 They may have been, but it doesn't say anything
21 about that in there.

22 Q. Okay. Well, let's take out that
23 qualification that the notes would include the
24 dates and amounts of the loans. Do you recall
25 discussing with them the importance of documenting

1 the existence of the loans?

2 A. Yes.

3 Q. Okay. And what did you tell them in
4 that respect?

5 A. I told them they needed -- they needed
6 to sign notes for the amounts that had been
7 distributed.

8 Q. And why did you tell them that?

9 A. Because there was no documentation at
10 that time as far as I could tell.

11 Q. And why did you believe there should be
12 documentation?

13 A. So that there would be proof that these
14 monies were owed to the trusts until whatever
15 disposition was made of it.

16 Q. Did you instruct Tom or Dan not to make
17 any further loans from the trusts?

18 A. We had a discussion about the
19 impropriety of making loans. They were going to
20 then discuss these with their siblings to see --
21 one, to inform them of what they had done and I
22 assume to ask them if it were permissible to
23 continue doing that. The next step was to -- for
24 them to meet with their siblings.

25 Q. But as the attorney for Mrs. Stevenson,

1 you did not upon learning of the existence of these
2 loans instruct Tom and Dan not to make further
3 loans?

4 A. You know, I don't remember whether
5 those exact words were used. It was certainly
6 clear to them that this was not proper conduct for
7 a trustee.

8 Q. Well, I'm not really asking if those
9 exact words were used and I understand that you
10 instructed them that it was not proper for a
11 trustee to make loans to himself or to his company
12 from the trust. What I am asking is if you as the
13 attorney for Mrs. Stevenson, the lifetime
14 beneficiary of the marital trust, instructed them
15 not to make any further loans?

16 A. I don't recall saying that
17 specifically. I think one of the avenues that they
18 had was to get approval from their siblings for
19 future loans, which is one of the reasons they were
20 going to meet with their siblings, which they
21 didn't do, at least at this time.

22 Q. Why did you inform them that they
23 needed to make these disclosures to their siblings
24 in light of the fact at least with respect to the
25 marital trust that the only beneficiary at that

1 time was their mother?

2 A. Well, they were default beneficiaries,
3 they were potential beneficiaries and they were
4 also obviously beneficiaries of the QTIP trust and
5 if someone has -- one of the siblings being
6 Kathleen which was the other -- the coholder of the
7 power-of-attorney and if the beneficiaries all have
8 notice of information and consent, then I would
9 imagine that these sorts of things could be done
10 but only with everyone's notice and consent.

11 Q. And did you tell that to Tom and Dan?

12 A. That was part of the discussion.
13 That's why -- as I say, that's one of the reasons
14 they were going to meet with their siblings.

15 Q. Okay. In the next paragraph of Exhibit
16 Number 31 you state: I also understand that Dan
17 will determine whether the certificate of deposit
18 at the Bank of South Carolina to secure a loan to
19 Dan or to Fresh Cuts and acquired with a 487,000
20 dollar loan to Dan from one of your mother's trusts
21 is in Dan's name or your mother's name, the exact
22 amounts loaned and dates.

23 Do you recall discussions about that
24 certificate of deposit?

25 A. I remember some discussion about that,

1 yes.

2 Q. What do you recall?

3 A. Well, Dan had mentioned that there was
4 a certificate of deposit and he -- as I recall he
5 wasn't sure or said he wasn't sure how it was held,
6 whether it was in his mother's name with money from
7 his mother or from one of the trusts whether it was
8 in his mother's name or his name. He was very --
9 he was very vague as to any details.

10 Q. And do you recall what the information
11 was that he provided?

12 A. No. Not offhand, no.

13 Q. The last paragraph says finally, the
14 two of you are discussing a strategy for meeting
15 with your siblings in relation to these loans and
16 will let Lynne and me know if you would like us to
17 be present at that meeting.

18 Did you follow up to find out if they
19 wanted you or Lynne to be present?

20 A. That's the next to the last paragraph.
21 As I recall, they did not ask us to be present. As
22 I recall, there wasn't any meeting, we found out
23 later.

24 Q. Did you do anything to verify whether
25 or not they did schedule that meeting at that time?

1 A. You know, I don't recall. They told us
2 they were going to meet with their siblings. I
3 don't recall whether we -- what conversations we
4 might have had about it later.

5 Q. And when you say you're discussing a
6 strategy for a meeting with your siblings, what
7 would be strategic about scheduling that meeting?

8 A. You'd have to ask Dan and Tom, they
9 seemed to have some nervousness about that meeting
10 and wanted to talk about how best to hold it.

11 Q. And what did they tell you about that?

12 A. I don't recall specifically. They just
13 were obviously somewhat uncomfortable about having
14 such a meeting.

15 Q. But they didn't tell you why they were
16 uncomfortable?

17 A. I don't think so.

18 Q. Now, on your billing records, the next
19 entry you have is December 6th, 2001 and that entry
20 states: Telephone conference with Mrs. Bennett.
21 Do you recall having a telephone conversation with
22 Mrs. Bennett on December 6, 2001?

23 A. No, I don't.

24 Q. That would have been a couple weeks
25 after your meeting with Lynne Kerrison and Tom and

1 Dan, correct?

2 A. Right.

3 Q. And at that point you understood that
4 Mrs. Bennett was one of the at that point
5 beneficiaries designated pursuant to her mother's
6 power of appointment?

7 A. I did know that.

8 Q. You did know that?

9 A. Yes.

10 Q. Okay. When you spoke with
11 Mrs. Bennett, did you tell her about the loans that
12 Dan and Tom had taken from the trusts as of that
13 date?

14 A. I don't recall.

15 Q. And you don't recall why you had that
16 conversation with her?

17 A. No, I don't.

18 Q. I believe this is the first and maybe
19 the only entry in here relating to a conversation
20 with Mrs. Bennett. Do you recall having more than
21 this one conversation with her?

22 A. You mean up to that time?

23 Q. Yes, sir.

24 A. The only one I could recall offhand is
25 when I met with -- as you referred to earlier I met

1 with four of the siblings including Mrs. Bennett.
2 I can't offhand recall any single conversation so
3 to speak.

4 Q. Would you think that -- in having a
5 conversation with Mrs. Bennett about two weeks
6 after you had this meeting with Tom and Dan where
7 they were to disclose these loans to their siblings
8 that you would have mentioned that to Mrs. Bennett?

9 A. You know, I'm not going to speculate on
10 that because I just don't remember what the
11 conversation was about.

12 Q. Is there any reason why you would not
13 have told her about the loans in this conversation?

14 A. I don't know of any.

15 Q. Okay. Had Tom or Dan asked you not to
16 tell their siblings anything?

17 A. I don't recall them asking me. I mean,
18 I just know that they were going to tell their
19 siblings. I don't recall them asking me not to say
20 anything to anybody.

21 Q. Now, if Mrs. Bennett had requested
22 documentation of the assets of the trusts or her
23 mother's estate, would you have provided that to
24 her at that point?

25 A. As a coholder of her mother's

1 power-of-attorney, yes, I believe I would have.

2 Q. I don't think Mrs. Bennett was a
3 coholder, I believe that was Mrs. Turner.

4 A. Excuse me, excuse me, yeah, I misspoke,
5 you're right. If she had -- it depended on what
6 she asked for. For example, if she asked for a
7 copy of her mother's Will, I'd have to get her
8 mother's permission to get her a copy of that Will.
9 Generally -- certainly as to information that I had
10 that I had obtained from Henry Buist or Dan or Tom
11 Stevenson about the trust or the assets of the
12 trust, I think she'd have a perfect right to know
13 about that because she was a potential beneficiary.
14 Other information that might be private with
15 Mrs. Stevenson, I think I'd have to get
16 Mrs. Stevenson's permission.

17 Q. Your billing entries indicate that the
18 next activity was on December the 7th when you had
19 an office conference, but it doesn't indicate who
20 you had these conferences with. Do you happen to
21 recall?

22 A. No.

23 Q. And the next entry is December 16th and
24 it says you had correspondence to and from
25 Mr. Grant. Do you know why you would have had

1 that?

2 A. I think that Dan and/or Tom Stevenson
3 had gone to Mike Grant to advise them as to what
4 course of action they should take as I recall.

5 Q. Now, at that point Mike Grant was no
6 longer with your firm?

7 A. No.

8 Q. He was with your firm at one point?

9 A. He was not with my firm.

10 Q. At one point he was with your firm?

11 A. Yeah.

12 Q. But as of this date he was not?

13 A. Correct.

14 Q. And then the next entry you have is
15 Oct -- I'm sorry, January the 2nd, 2000 -- you know
16 what, I've gotten out of order here, I've jumped a
17 whole year by accident. That Grant conversation is
18 in 2002.

19 A. Yeah. Let me say in looking at this
20 that may have been a -- an error in naming. I may
21 have meant Mike Jones because in thinking about it,
22 I believe that it was Mike Jones that they saw
23 first. And after I had given him some information
24 that he requested, he decided that for some reason
25 he had a potential conflict so I think when I wrote

1 Mike Grant I might have been meaning to write Mike
2 Jones.

3 Q. Okay. If I could get back into the
4 correct order of this, your billing entries,
5 though, an amount, January 4th, 2002 -- actually,
6 December 29th, 2001 it says: Correspondence to
7 Miss Kerrison regarding promissory notes. Do you
8 recall what that was about?

9 A. I think there's a letter which I'm sure
10 you have from me to Lynne Kerrison concerning the
11 notes concerning our meeting, but, no, I don't
12 recall exactly what it was about without a document
13 in front of me.

14 Q. Okay. There is a letter, it's just a
15 good bit later than that. I'll go ahead and show
16 you that.

17 (DFT. EXH. 32, Letter dated 5/24/02 to
18 Evans, Carter, Kunes & Bennett, PA from Susan
19 Studebaker, was marked for identification.)

20 (DFT. EXH. 33, Letter dated 8/20/02 to
21 Ms. Susan Studebaker fro T. Heyward Carter, Jr.,
22 was marked for identification.)

23 (DFT. EXH. 34, Letter dated 9/24/02 to
24 Ms. Susan Studebaker from T. Heyward Carter, Jr.,
25 was marked for identification.)

1 (Off-the-record conference.)

2 BY MR. BRUNSON:

3 Q. Do you recognize Exhibit 32 as a May
4 24th letter from Susan Studebaker to you enclosing
5 drafted copies of notes from the Stevenson trust to
6 Tom -- Dan and Tom Stevenson?

7 A. That's correct.

8 Q. And it says that they have updated the
9 accrued interest on those notes through May 8th,
10 2002, correct?

11 A. Right.

12 Q. Okay. And she asks you to review the
13 enclosed documents and if everything is
14 satisfactory to call her office and they would
15 issue the notes for signature, correct?

16 A. Correct.

17 Q. And do you recall reviewing those notes
18 and approving them?

19 A. Not specifically, but I -- but I
20 imagine that I did.

21 Q. Okay. And Susan Studebaker is who?

22 A. She's an employee at Pratt-Thomas, Gumb
23 & Company, accountants.

24 Q. And then Exhibit 33 is a letter from
25 you to Miss Studebaker dated August 20th,

1 indicating you'd reviewed the promissory notes that
2 she sent you on May 24th and that assuming the
3 amounts were correct, the notes should be presented
4 to Tom and Dan for their signature, right?

5 A. Right.

6 Q. Any idea why it took so long for you to
7 get back to her, three months?

8 A. Well, you're a lawyer. You know how
9 lawyers do when it's not pressing. I -- I don't
10 think there's any particular reason.

11 Q. Okay. And then Exhibit Number 34 is a
12 letter from you to Miss Studebaker dated September
13 24th, 2002 in which you are asking her to let you
14 know whether or not she had received the signed
15 notes from Tom and Dan, correct?

16 A. Correct.

17 Q. And do you recall if she indicated
18 whether or not she had received the signed notes?

19 A. No. I know that I had some original
20 signed notes in my file. Whether those are these
21 notes or not, I just don't recall.

22 Q. You have an entry in your billing
23 records for October the 21st, 2002 in which you had
24 a telephone conference with Miss Kerrison. Do you
25 happen to recall what that's about?

1 A. No.

2 Q. Then on November the 12th you had a
3 telephone conference with Tom Stevenson. Do you
4 know what that related to?

5 A. Well, it says re loans from trusts,
6 but, you know, exactly the wording of that call,
7 no, I don't.

8 (DFT. EXH. 35, Letter dated 11/25/02 to
9 Mr. Thomas C. Stevenson, III and Mr. Daniel R.
10 Stevenson from T. Heyward Carter, Jr., was marked
11 for identification.)

12 BY MR. BRUNSON:

13 Q. The next billing entry you have is the
14 day after your telephone conversation with Tom,
15 November 13th, and you on that day researched
16 considerations of disclosure of loans. Do you
17 recall what that research involved?

18 A. Which date was that?

19 Q. November 13th, 2002.

20 A. Specifically, no.

21 Q. Do you recall if Tom Stevenson on the
22 day before had said anything or asked you any
23 questions that would cause you to do some legal
24 research about disclosure of the loans?

25 A. And again, I don't -- don't recall

1 these individual conversations.

2 Q. Do you recall the results of your
3 research?

4 A. No, I'm not sure what research it's
5 referring to. I just don't remember.

6 Q. All right. Under the timekeeper column
7 here, the timekeeper for this research on the 13th
8 and 14th is Number 14 and it appears that Number 3
9 is you. Do you happen to know who's who by number
10 or who that would have been?

11 A. No, I -- I assume that 14 was a -- an
12 associate, but I don't know who that --
13 specifically who that was.

14 Q. Okay. And it appears that on the 14th
15 the associate or whoever 14 is prepared a memo?

16 A. It appears so, yeah.

17 Q. Now, would you have included that memo
18 in the production of documents that you made in
19 this case?

20 A. I turned my whole file over to be
21 copied.

22 Q. Okay. If -- is it possible that the
23 memo would have been stored on a computer and not
24 in the hard copies?

25 A. I don't think so. I tend to like to

1 hold paper in my hand.

2 Q. You and Erin would get along. Would
3 you -- I'll double-check to see if I have that
4 memo, but if you wouldn't mind double-checking to
5 see if you have it. I don't recall seeing that in
6 your documents.

7 A. Okay.

8 MR. HOOD: Anything you informed him
9 about you'll need to inform everybody or the Court
10 Reporter, one of the two.

11 BY MR. BRUNSON:

12 Q. Under -- the next entry is November the
13 23rd, 2002. It says: Correspondence to
14 Messrs. Stevenson. And I've shown you Exhibit
15 Number 35, which is a letter to them dated November
16 the 25th, 2002. Does it appear that that is the
17 letter you sent them?

18 A. Yes.

19 Q. In this letter you indicate you had
20 previously recommended to you -- you say: I have
21 previously recommended to you that you meet with
22 your sisters to inform them of the loans which have
23 been made to you from your father's trust and/or
24 your mother's estate. I understand from Tom that
25 you have not had such a meeting with your sisters

1 and have not revealed these loans to them. Because
2 I have occasionally represented your mother in
3 drawing and making changes in her Will, I feel
4 responsibility to ensure that all of her children
5 be aware of these loans as I believe that she would
6 want that to be the case if she were able to act
7 for herself in this regard.

8 Do you recall providing that
9 information to them?

10 A. To the children?

11 Q. No, to Tom and Dan, this letter.

12 A. Well, I sent it to them.

13 Q. Okay. And in the next paragraph you
14 say: Accordingly, I again urge you to discuss this
15 matter with your sisters at the earliest convenient
16 time. I suggest that you may wish to discuss it
17 first with Kathleen as she along with Dan holds
18 your mother's power-of-attorney and thus represents
19 your mother when your mother is unable to act. If
20 I have not heard from you by January 1st, 2003 to
21 the effect that you have discussed this with
22 Kathleen, I feel responsible to contact her at that
23 time to inform her of these loans and recommend
24 that she discuss them with you.

25 And why was it that you felt that

1 responsibility?

2 A. Well, I didn't feel it was a legal
3 responsibility, but -- but I did feel that Kathleen
4 and the other siblings should know of these monies
5 that Dan and Tom were taking from their trusts. I
6 was -- at this point I was getting somewhat
7 exasperated with Dan and Tom because they had told
8 me on more than one occasion they were going to do
9 something which they didn't do. I trusted them, I
10 thought they were people of their word, but -- but
11 that wasn't proven to be the case.

12 Q. So did you think it was or was not your
13 responsibility to disclose these loans if Tom and
14 Dan did not?

15 A. I thought that I did have a
16 responsibility to Mrs. Stevenson to disclose these
17 loans at least to Kathleen who acted on her behalf
18 along with Dan, but of course Dan was -- had a
19 conflict.

20 Q. Now, in this time frame did you have
21 any conversations with Mrs. Stevenson about these
22 loans or your concerns in that regard?

23 A. I don't believe so.

24 Q. Did you have an understanding at any
25 particular point in time that your duty to fully

1 inform your client ran to the powers-of-attorney as
2 opposed to Mrs. Stevenson?

3 A. Well, they could -- whoever held the
4 power-of-attorney could act for her.

5 Q. Right. What I'm asking you though is
6 at some point did you feel that your primary
7 communication responsibility to your client changed
8 from being a responsibility to Mrs. Stevenson
9 herself to responsibility to Kathleen?

10 A. Well, I think either -- talking to
11 either would have been appropriate, again because
12 she had given them her -- her power-of-attorney to
13 act on her behalf.

14 Q. Do you recall shortly after sending --
15 you sent this letter that Tom and Dan hired a
16 lawyer?

17 A. This letter being the November the --
18 what was the date of the letter?

19 Q. 25th, I think.

20 A. Right, November 25, 2002. There is an
21 entry on here, a telephone conference with
22 Mr. Howell Morrison on January the 2nd, which I
23 think was when Mr. Morrison called me and said that
24 Dan and Tom had come to see him and that he was
25 representing them, so I think that was a result --

1 or that was subsequent to this letter.

2 Q. Do you recall advising Tom and/or Dan
3 that they needed to retain counsel in referring
4 them to Mike Jones?

5 A. Yes, I told them that I thought that
6 they needed to retain counsel.

7 Q. Okay. And did you give them a reason
8 as to why they needed to retain counsel?

9 A. Because I thought -- yeah, I told them
10 I thought they had been acting in an inappropriate
11 manner as fiduciaries.

12 (DFT. EXH. 36, Letter dated 1/14/03 to
13 William Howell Morrison from T. Heyward Carter,
14 Jr., was marked for identification.)

15 BY MR. BRUNSON:

16 Q. Exhibit 36 appears to be a letter from
17 you to Howell Morrison dated January 14th, 2003 and
18 I believe it indicates that you had learned that
19 Mr. Morrison was representing Tom and Dan as
20 trustees of the trusts, correct?

21 A. Correct.

22 Q. And you indicate that you have informed
23 Tom and Dan that among other things, trustees have
24 a duty to keep trust beneficiaries reasonably
25 informed of the trust and its administration,

1 correct?

2 A. Correct.

3 Q. You state further: In addition, upon
4 reasonable request, a beneficiary is entitled to a
5 statement of the accounts of the trusts annually,
6 correct?

7 A. Um-hum, that's right.

8 Q. Why were you providing that information
9 to Mr. Morrison?

10 A. I thought he had a right to know what I
11 discussed with his clients relative to what he was
12 representing them on.

13 Q. Okay. And then the first sentence of
14 the next paragraph says: As we discussed, Tom and
15 Dan as trustees would have a duty to inform their
16 mother as beneficiary of their actions regarding
17 the trusts.

18 And it's -- they had, in fact,
19 fulfilled that duty, correct?

20 A. What is your question again?

21 Q. Let me ask a different question. You
22 were fully informed of the actions of Tom and Dan
23 in terms of making loans from the trusts as of the
24 date of this letter, correct?

25 A. As far as I know I was.

1 Q. Okay.. In the next sentence you state:
2 As their mother may no longer be competent to
3 receive that information, their sister Kathleen as
4 attorney-in-fact for Mrs. Stevenson should receive
5 it in her place. In addition, it is possible that
6 the statute should be interpreted to include the
7 residuary beneficiaries.

8 Did Mr. Morrison respond to you in
9 regard to that suggestion?

10 A. I don't know that he did. I don't
11 recall one way or the other. I know that I did get
12 a subsequent letter at some point from
13 Mr. Morrison.

14 (DFT. EXH. 37, Letter dated 1/22/03 to
15 T. Heyward Carter, Jr. From Wm. Howell Morrison,
16 was marked for identification.)

17 BY MR. BRUNSON:

18 Q. Before we go to Exhibit 37, looking
19 back at Exhibit Number 36 when you say their mother
20 may no longer be competent to receive that
21 information, did you know whether Mrs. Stevenson as
22 of January 14th, 2003 was or was not --

23 A. No.

24 Q. -- competent?

25 A. No. I just know that I had not talked

1 to her for awhile and that most of the
2 communication as we've talked about earlier as far
3 as her estate planning and that sort of thing had
4 been with or through Dan.

5 Q. Who were you sending your bills to at
6 this point?

7 A. You know, I'd have to look at the
8 bills, but I would assume that they were addressed
9 to Mrs. Stevenson. I don't know that's the case,
10 but I will -- I don't know the answer without
11 looking at the bills.

12 Q. Okay. And do you recognize Exhibit 37
13 as Mr. Morrison's letter to you responding to your
14 letter, January 14th?

15 A. Yes. Well, responding to my letter and
16 our meeting.

17 Q. In the third paragraph of the letter he
18 says: We have spoken with the trustees concerning
19 the relative urgency of speaking to Kathleen as
20 coholder of the power-of-attorney and about the
21 need to set the meeting with the beneficiaries.
22 There are several matters pending that affect the
23 timing, however. I believe you are aware that
24 Jacquelin and Bill Bennett's son William is to be
25 married in early March. Dan and Tom have real

1 concerns that the timing of the family meeting take
2 place after the predictably stressful time to
3 Jacquelin that will accompany the weeks before the
4 family wedding. As you are also aware, not long
5 ago Jacquelin and Kathleen had some difficult
6 exchanges regarding the renovations performed by
7 Kathleen to the Rockville house. The trustees are
8 aware that their report to the beneficiaries will
9 be controversial and will give rise to discussions
10 regarding the trustees, the recent performance of
11 the trusts during the bear market and the
12 investment strategies of the trusts going forward.
13 Without unduly delaying their report, they are
14 aiming for a propitious timing to hold the meeting.

15 Do you recall what he is referring to
16 here in terms of the timing be affect -- being
17 affected by William Bennett's wedding and by the
18 spat between Jacquelin and Kathleen over the
19 decorations at the Rockville house?

20 A. Tom and/or Dan had mentioned that
21 Jacquelin and Bill's son was going to get married
22 and that they didn't think that it was a propitious
23 time to bring all this up. I don't know that they
24 mentioned the Rockville house dispute at that time,
25 but I know that there had been some disagreement

1 about the Rockville house earlier. To me this was
2 just evidence that they were afraid to sit down
3 with their siblings.

4 Q. Okay. So you didn't -- you didn't
5 accept these reasons for delaying --

6 A. Well --

7 Q. -- as valid?

8 A. -- I accepted that these were -- that
9 these were events or occurrences in the family. I
10 didn't think that they had really anything to do
11 with why Dan and Tom didn't want to meet with their
12 siblings.

13 Q. Why did you think they didn't want to
14 meet with them?

15 A. Because they knew what they had done --
16 they'd been told repeatedly that what they had done
17 was inappropriate for fiduciaries.

18 Q. At this point have you as the attorney
19 for Mrs. Stevenson instructed Tom and Dan not to
20 make any further loans from the trusts?

21 A. You know, again, I can't -- at this
22 point they have their own lawyer. I wasn't
23 instructing them to do anything, but I can't
24 imagine they would not understand that that was
25 totally inappropriate.

1 Q. Now, I understand that they had their
2 own lawyer and that you were not at any point their
3 lawyer, but you were the lawyer for the sole
4 beneficiary, the lifetime beneficiary at least, of
5 the marital trust and I'm wondering in that
6 capacity did you instruct Tom and Dan to stop
7 making loans to themselves and their businesses
8 from these trusts?

9 A. I can't say. I can't recall whether I
10 did or did not use those specific words, make that
11 specific instruction.

12 Q. At this point you had been aware of the
13 loans for over two years?

14 A. I had been aware of the loans since, I
15 guess, October of '81.

16 Q. Think back to the January --

17 A. Excuse me, 2001.

18 Q. I'm thinking back to the telephone
19 conversation that you had where you documented in
20 your handwritten notes that Dan had told you about
21 his loans and Tom's loans on January 5th, 2001.

22 A. Yeah. I mean, I don't remember --
23 apparently Dan did tell me about loans that he had
24 taken, but as to the -- I think the magnitude of
25 the loans and exactly what had been done, I don't

1 think I really knew that until I was contacted by
2 Lynne Kerrison in October of '01.

3 Q. Okay. And at no point after receiving
4 either of those disclosures did you in writing or
5 otherwise instruct Tom and Dan to stop making the
6 loans?

7 A. No. I mean, after they had a lawyer,
8 for one thing, I wasn't authorized to instruct them
9 to do anything.

10 Q. Well, as --

11 A. I could have -- I would have had
12 conversations with their lawyer and I did have
13 conversations and meet with Howell Morrison and he
14 understood perfectly well that they were not to
15 take any more loans. You'll have to ask Howell if
16 they'll waive privilege whether he told them that
17 or not because I don't know.

18 Q. You were the attorney for
19 Mrs. Stevenson, correct?

20 A. That's right.

21 Q. And the marital trust was to provide
22 her with support during the remainder of her
23 lifetime, correct?

24 A. That's correct.

25 Q. And she was to be -- receive support

1 from the QTIP trust as well?

2 A. That's right.

3 Q. Did you have concerns that those --
4 that the corpus of those trusts may be depleted and
5 that your client might not have adequate support?

6 A. No, at that time I thought that there
7 was adequate -- between her own assets and the
8 assets of the trusts that there wasn't a question
9 of her running out of income.

10 Q. Okay.

11 (A recess transpired.)

12 (DFT. EXH. 38, Memo re conference with
13 Mrs. Jacquelin Bennett 2/18/0e from THC, Jr., was
14 marked for identification.)

15 BY MR. BRUNSON:

16 Q. Going back to billing entries for a
17 minute. We have an entry on January 22nd, 2003
18 where you spoke to Howell Morrison on the telephone
19 and you had an entry on January 8th where you had
20 another conference with Mr. Morrison and another
21 conference with Mr. Morrison on January 13th, 2003,
22 correct?

23 A. Correct.

24 Q. Then on the 13th you -- I'm sorry, the
25 16th you have a telephone conference with

1 Miss Kerrison. Do you have any idea what that was
2 about?

3 A. No, you give me a lot more credit for
4 my memory than you should.

5 Q. Well, I have to ask.

6 A. The answer's no.

7 Q. And then the last entry is -- in 2003
8 is on February 18th and that's an entry for
9 recording fees, correct?

10 A. That's right.

11 Q. And do you recall doing a new
12 power-of-attorney for Mrs. Stevenson?

13 A. I did.

14 MR. BRUNSON: Let me go ahead and mark
15 that as an exhibit.

16 (DFT. EXH. 39, Durable Power of
17 Attorney, was marked for identification.)

18 BY MR. BRUNSON:

19 Q. Do you recognize Exhibit 39 as the
20 February 19th, 2003 durable power-of-attorney for
21 Mrs. Jacquelin Stevenson?

22 A. Actually, it was a February 18th, 2003
23 power-of-attorney. It was recorded on February the
24 19th.

25 Q. Okay, thank you. But this is it?

1 A. This is it.

2 Q. And I'm showing you also Exhibit 38 and
3 this is a memorandum documenting a conference that
4 you had with Mrs. Stevenson on February 18th,
5 correct?

6 A. Correct.

7 Q. And it says you met with her at her
8 apartment at Bishop Gadsden at 3:30 in the
9 afternoon along with Dan Stevenson, right?

10 A. Correct.

11 Q. And that's when she signed her new
12 durable power-of-attorney?

13 A. That's right.

14 Q. And when you met with her that day, she
15 appeared very alert and well groomed, is that
16 correct?

17 A. That's what it says.

18 Q. And she indicated that she had not seen
19 you in a long time, is that right?

20 A. That's right.

21 Q. And that was accurate, she hadn't seen
22 you --

23 A. Yeah, I believe it was.

24 Q. And you explained to her that the
25 power-of-attorney that she had given to Kathleen

1 and Dan some time ago needed some changes and so
2 that you had prepared a new one for her signature,
3 right?

4 A. Right..

5 Q. She said that she understood that?

6 A. Right.

7 Q. She asked you -- and you asked her if
8 she was ready to sign it, she said she was, right?

9 A. Correct.

10 Q. Did you believe when you had
11 Mrs. Stevenson execute this power-of-attorney that
12 she was competent to do so?

13 A. I did and that's why I asked her a
14 number of questions and that's why I wrote this
15 contemporaneous memorandum to document the fact
16 that I -- that it was my belief at that time that
17 she was competent to execute a power-of-attorney.

18 Q. Okay. And two paragraphs below you
19 indicate: Mrs. Stevenson signed on her signature
20 line, then noticed that she had left the small S
21 out of Stevenson and she corrected that and handed
22 the power-of-attorney back to you, correct?

23 A. Correct.

24 Q. Why were you having another durable
25 power-of-attorney executed because one had already

1 been done a couple years earlier?

2 A. The change in this one is there was a
3 specific provision put into this one that this
4 would -- it stated specifically that this
5 power-of-attorney would continue to be active if
6 she were -- if she became incompetent, disabled or
7 incompetent, just to remove any doubt that that
8 might be the case. Other than that, I think it was
9 the same as the one she had previously.

10 Q. Okay. And do you recall why that
11 change was important at that point in time?

12 A. Well, I think there was some question
13 as -- maybe there wasn't a question, that she was
14 headed towards -- I don't know whether clinically
15 it would be Alzheimer's, but she was headed towards
16 incompetence. I didn't believe at the time she
17 signed this that she was, but I think that it was
18 sort of a -- it may have been a specific medical
19 diagnosis, I'm not sure.

20 Q. While you were there with Dan, you
21 know, before or after your meeting with
22 Mrs. Stevenson, do you recall having any
23 conversations with Dan about the loans from the
24 trusts?

25 A. No.

1 Q. Did you inform your client,
2 Mrs. Stevenson, when you had her sign this document
3 or during that visit about the loans that Tom and
4 Dan had made from the trusts?

5 A. No, I don't think that I did. I don't
6 think we had any conversation about that.

7 Q. And why not?

8 A. Well, that wasn't the purpose of the
9 meeting.

10 Q. The next billing entry for you in
11 regard to your representation of Mrs. Stevenson is
12 not until March the 22nd of 2006, correct?

13 A. Right, there's nothing from February
14 18, 2003 till March 22nd, 2006.

15 Q. And I assume that nothing relevant to
16 the Stevenson estate or the trusts or Tom and Dan
17 transpired between those dates?

18 A. I assume the same thing.

19 (DFT. EXH. 40, E-mail dated 3/23/06 to
20 Lynne Kerrison from T. Heyward Carter, with
21 attachment, was marked for identification.)

22 BY MR. BRUNSON:

23 Q. I've shown you Exhibit Number 40 and
24 this is an e-mail from you to Lynne Kerrison
25 regarding Jacquelin Stevenson and is dated March

1 23rd, 2006, correct?

2 A. Correct.

3 Q. And your billing entry of March -- the
4 day before, March 22nd, 2006, indicates you had a
5 telephone conference with Mr. Morrison and then you
6 drafted correspondence to Mrs. Turner and
7 Mr. Stevenson and correspondence to Miss Kerrison,
8 correct?

9 A. Right.

10 Q. Do you recall what transpired in the
11 telephone conference you had with Mr. Morrison on
12 March the 22nd?

13 A. No, I can't recall who called who and I
14 don't remember the conversation specifically, but I
15 assume it was in connection with these loans and
16 the fact that Dan and Tom had not met with their
17 siblings or with Kathleen as -- or perhaps they had
18 met with Kathleen, I'm not sure, but hadn't met
19 with their siblings. I just don't recall the
20 specific conversation.

21 Q. Do you believe that your e-mail to
22 Mrs. Kerrison of the 23rd and your preparation of
23 the letter dated March the 24th which is attached
24 is that e-mail arose as a result of that
25 conversation?

1 A. I would -- I would think so, but again,
2 I don't remember specifically the conversation.

3 Q. Okay. And the letter attached to this
4 e-mail -- well, before we get to the letter, in the
5 e-mail to Miss Kerrison forwarding the letter, you
6 tell her that you had a conversation yesterday with
7 Howell Morrison who counseled Dan and Tom three
8 years ago about the loans outstanding at that time.
9 He said that he did not know if they told their
10 sisters of these loans, but it was his
11 understanding that they were going to, correct?

12 A. Right.

13 Q. And you're asking her if the letter
14 looks okay for both of you to sign, correct?

15 A. Yeah.

16 Q. In the second paragraph of the draft
17 letter after you describe the value of the two
18 trusts, you write a sentence that says: However,
19 it has come to our attention that each of the
20 trusts had sold (sic) unsecured promissory notes
21 which in the aggregate comprise relatively large
22 proportions of the trusts.

23 How did that come to your attention?

24 A. Actually, what it says is: However, it
25 has come to our attention that each of the trusts

1 hold unsecured promissory notes which in the
2 aggregate comprise relatively large portions --
3 proportions of the trusts. And the question is:
4 How did that come to our attention?

5 Q. Yeah, I'm just trying to figure out why
6 three years later this is coming up.

7 A. Tell you the truth, I don't know what
8 brought this up again. It may have been a call
9 from Lynne Kerrison, but I don't know that for
10 sure. I mean, at that -- until that point, I was
11 under the understanding that Dan and Tom had spoken
12 with their -- and had met with their siblings but
13 learned at this time that that had not been the
14 case.

15 (DFT. EXH. 41, E-mail dated 3/23/06 to
16 Linda Newton from T. Heyward Carter, was marked for
17 identification.)

18 BY MR. BRUNSON:

19 Q. I'm showing you now Exhibit Number 41
20 and this -- this is an e-mail from you to Linda
21 Newton and it's dated March the 23rd, 2006,
22 correct?

23 A. Correct.

24 Q. You state: Linda, I left you a voice
25 mail this afternoon, but after looking at

1 Mr. Stevenson's Will and estate tax return, I
2 believe that I've answered one of my questions.
3 The marital trust appears to be the trust under
4 Article 7 of Mr. Stevenson's Will and the QTIP
5 trust appears to be the Article 9 trust. Please
6 let me know if your information is to the contrary.
7 I would like to know if there are to your or
8 Lynne's knowledge promissory notes evidencing all
9 of the amounts owed by Dan and Tom.

10 Do you recall why it is you were
11 concerned about which provisions of the Will
12 created the marital trust and the QTIP trust?

13 A. I think that there was a question about
14 that the terms marital trust and QTIP trust were
15 used and when this all came up again apparently in
16 March of 2006 I was uncertain as to exactly what
17 those were. I went back and after looking at
18 Mr. Stevenson's Will and estate tax return
19 determined that the marital trust was what it says
20 here, was a trust under a particular article of the
21 Will. I don't think the term QTIP trust is used
22 anywhere in Mr. Stevenson's Will, but -- but there
23 was -- this Article 9 trust is a trust that was a
24 QTIP trust so I think that was -- it was really a
25 residuary trust, but everybody called it a QTIP

1 trust from day one apparently. But I think I
2 was -- I was confused and really needed to be
3 refreshed on what the -- what the nomenclature
4 referred to and so I think that's all this refers
5 to.

6 Q. Okay. I may have asked you this, but
7 Linda Newton, she was Lynne Kerrison's assistant?

8 A. She was an employee -- and I think you
9 asked me about Susan Studebaker. She was an
10 employee of Pratt-Thomas, Gumb & Company, the
11 accountants.

12 Q. Okay. And when you asked her if
13 they're aware of whether there are promissory notes
14 evidencing all of the amounts owed by Dan and Tom,
15 do you recall getting a response to that question?

16 A. I don't remember what the response was
17 if there was one.

18 (DFT. EXH. 42, Letter dated 3/28/06 to
19 Mr. Daniel R. Stevenson, II and Mr. Thomas C.
20 Stevenson, III from T. Heyward Carter, Jr., was
21 marked for identification.)

22 BY MR. BRUNSON:

23 Q. Mr. Carter, looking back at your time
24 entries in this time frame and after looking at
25 those documents, the last couple of exhibits, there

1 doesn't appear to be any documentation pertaining
2 to your correspondence or your communications I
3 should say with Mr. Morrison on March the 22nd, but
4 that does appear to be the triggering event for
5 your communications with Miss Kerrison. As we have
6 now gone through this and thinking about it, do you
7 have any clear recollection of what your
8 conversation with Mr. Morrison was about?

9 A. On -- on the 23rd of March?

10 Q. 22nd of March.

11 A. No, I assume it's -- that it at least
12 was in part about Dan and Tom not having met with
13 their siblings and revealed these loans, their
14 actions to their siblings, but again, I don't
15 remember specific conversation.

16 Q. Well, Exhibit 42 is a letter from you
17 to Dan and Tom dated March 28th pertaining to their
18 failure to -- their apparent failure to disclose
19 the loans as of this date, correct?

20 A. Right.

21 (At which time, Mark W. McKnight
22 entered the deposition room.)

23 (Off-the-record conference.)

24 BY MR. BRUNSON:

25 Q. Now, you've spoken -- on the 28th

1 you're sending a letter to Tom and Dan. You had
2 spoken with Howell Morrison on the 22nd and 23rd.
3 Can I assume from the fact that you're sending this
4 letter directly to Dan and Tom that it was your
5 understanding that Mr. Morrison was no longer
6 representing them?

7 A. No, I don't think you can. I don't
8 know whether I told him that I would like to send
9 him a letter and he said fine or -- I just don't
10 remember, but I don't think you can make that
11 assumption. You can see that I sent him a copy of
12 the letter.

13 Q. Right. So setting aside my
14 assumptions, do you recall whether Mr. Morrison was
15 representing them at this time or either of them?

16 A. Well, I know that he had represented
17 them and I guess -- I don't recall, but I think my
18 understanding at the time was that he was
19 representing them. He may have terminated his
20 representation, I just don't know.

21 Q. Well, in the first sentence of the
22 letter you say: I want to confirm my statement to
23 you at our meeting yesterday afternoon that I would
24 delay sending the letter which Lynne Kerrison and I
25 have signed and which is dated March 27, 2006

1 addressed to Dan and your sister Kathleen for a
2 reasonable time until you and Dan have a chance to
3 talk to Kathleen or we have met again with Lynne
4 and Howell Morrison present.

5 I take it from this that you had a
6 meeting with Tom and Dan on March the 27th?

7 A. Apparently so.

8 Q. And on your billing sheet it indicates
9 on March the 27th: Preparation for meeting and
10 conference with Messrs., in the plural, Stevenson,
11 telephone conference with Mr. Morrison, correct?

12 A. Right.

13 Q. All right. And were to your
14 recollection Tom and Dan the only people that
15 attended that meeting with you on the 27th?

16 A. I don't remember specifically, but
17 that's what this billing sheet indicates because it
18 doesn't show anyone else's time on that date.

19 Q. Why didn't you just go ahead and send a
20 letter to Kathleen at this point?

21 A. Well, because once again, Dan and Tom
22 told me they were going to have that meeting with
23 their siblings, now was going to tell Kathleen.

24 Q. It's been about five years now since
25 you first learned of the loans and they still

1 hadn't met with Kathleen or the other siblings,
2 correct?

3 A. Correct. They kept telling me that
4 they were going to and indicating that that was
5 going to happen imminently and by this time I felt
6 that they had been lying to me for all of that time
7 on purpose.

8 Q. In the meeting you had with Tom and Dan
9 on the 27th of March, 2006, did -- was there any
10 conversation about a meeting that Tom and Dan had
11 with Kathleen back in 2003?

12 A. I don't recall whether there was or
13 not.

14 Q. Okay. You -- I'm sorry, go ahead.

15 A. I mean, this letter would indicate that
16 there wasn't.

17 Q. In the last paragraph beginning at the
18 last line of the first page, you make the
19 statement: Because of the occasional legal work
20 I've done in the past for your mother, I believe
21 that after receiving information on the current
22 status of your father's trusts for your mother and
23 the unsecured loans made to the two of you by those
24 trusts, I am obligated in your mother's best
25 interests to formally inform Dan and Kathleen as

1 holders of your mother's power-of-attorney of that
2 situation.

3 I take it that you did feel that you
4 had that obligation?

5 A. Yes, I felt that Kathleen -- and Dan
6 obviously already knew some extent of the
7 situation, I don't know if he knew everything that
8 Tom had taken -- but felt at least Kathleen
9 needed -- standing in her mother's shoes needed to
10 be aware of what they had done.

11 (DFT. EXH. 43, Letter dated 4/19/06 to
12 Mr. Thomas C. Stevenson, III from T. Heyward
13 Carter, Jr., was marked for identification.)

14 BY MR. BRUNSON:

15 Q. I'm having a little trouble matching
16 your billing entries up with this letter, but
17 Exhibit 43 is a letter dated April 19th, 2006 and
18 it's from you to Tom Stevenson, correct?

19 A. That's right.

20 Q. And -- okay, I see now. You confirm in
21 this letter that you and Edward Bennett had met
22 with Tom on April the 18th and in that meeting you
23 agreed that Tom, Dan, Kathleen, Lynne Kerrison and
24 you would all meet as soon as possible so that you
25 and Lynne can inform Kathleen as coholders -- as

1 coholder of her mother's durable power-of-attorney
2 of the current status of the loans from the trusts
3 to Tom and Dan, correct?

4 A. Correct.

5 Q. And you established a deadline that if
6 the meeting has not taken place by April 28th that
7 you would mail or deliver to Kathleen the letter
8 that you and Lynne had previously signed?

9 A. Correct.

10 Q. Now, why is this letter just to Tom and
11 not also to Dan?

12 A. As I recall, Tom had come in to our
13 office or called me and said that he wanted to
14 meet, I guess, to talk about why he hadn't done
15 what he said he was going to do which is talk to
16 Kathleen and/or meet with his siblings. So he had
17 come in by himself and that's why the letter is to
18 him. Dan was not at that meeting.

19 Q. And what did Tom say when he met with
20 you on April the 18th, 2006?

21 A. I really don't remember specifically.
22 I think it was more why he didn't want to meet with
23 them, why this was not a propitious time and hadn't
24 been for the last several years, but I don't recall
25 the particulars of that discussion.

1 Q. But in the meeting he did agree to go
2 ahead and schedule a meeting on or before April 28,
3 2006?

4 A. Yeah.

5 Q. Do you recall if he gave any reasons as
6 to why he did not want the meeting to take place?

7 A. The meeting on --

8 Q. The meeting with Kathleen.

9 A. I don't think there was any discussion
10 about he didn't want -- that he didn't want the
11 meeting to take place.

12 Q. I'm sorry, I understood you to say that
13 he met -- came to see you and that the substance of
14 the meeting was that he didn't want the meeting to
15 take place.

16 A. Oh, not this particular meeting, I
17 think just that he wanted to explain to me again as
18 I recall for some reason that it wasn't a good time
19 to have this conversation with --

20 Q. And that's what I'm asking.

21 A. -- to bring it before the family.

22 Q. Do you recall why he said it?

23 A. Particularly, no. No.

24 Q. And from your billing entries it
25 appears that this meeting took place on April the

1 27th, is that correct, you had a conference then
2 with Mrs. Turner and Messrs., plural, Stevenson and
3 Miss Kerrison?

4 A. Right.

5 Q. And I believe that -- was Edward
6 Bennett in that meeting too?

7 A. This doesn't indicate that he was. I
8 don't remember one way or the other, but there's no
9 time for him down here.

10 Q. And what transpired in that meeting?
11 What can you recall about it?

12 A. You know, all I can recall about it is
13 what this indicates, is that it would have been a
14 discussion with Kathleen as to these funds that had
15 been taken out over a period of time by Dan and Tom
16 out of the two trusts.

17 Q. Would you characterize that as a full
18 disclosure of the trusts -- of the loans from the
19 trusts?

20 A. I think it would have been, at least as
21 far as I had any information on them and I think as
22 far as Lynne Kerrison would have had any
23 information on them as far -- which as far as I
24 know was complete.

25 Q. What was Kathleen's reaction?

1 A. I don't remember Kathleen's reaction.
2 Specifically, I mean, there was no yelling or
3 shouting or histrionics. Kathleen's a pretty calm
4 person, I think she took in the information.

5 Q. Okay. Did she seem surprised?

6 A. I don't recall.

7 Q. Your billing entry for the next day,
8 April the 28th, says: Reviewing memorandum. Any
9 idea what that refers to?

10 A. Well, probably to reviewing a
11 memorandum but specifically no.

12 Q. And then on May the 3rd, you had a
13 telephone conversation with Mrs. Turner and also
14 with Dan Stevenson, correct?

15 A. Right.

16 Q. And then on -- well, that was the last
17 one for awhile. Do you recall what that
18 conversation was about?

19 A. No.

20 Q. Do you recall Kathleen wanting you to
21 be the attorney for the trusts?

22 A. No.

23 (DFT. EXH. 44, E-mail chain dated
24 1/28/08, was marked for identification.)

25 BY MR. BRUNSON:

1 Q. 44 is an e-mail from you to Kathleen
2 Turner dated May 12th, 2006 and you indicate that
3 after giving it some thought, you'd come to the
4 conclusion that it would not be proper for you to
5 be the lawyer for the trusts. You indicate: I
6 should keep my independence as your mother's
7 attorney in certain matters, the trusts are
8 separate entities which should be represented
9 separately. And then you make some
10 recommendations, correct?

11 A. Apparently she did ask -- according to
12 this, apparently she did ask me about representing
13 the trusts and this was my response.

14 Q. And what was it -- in what capacity did
15 she want you to represent the trusts at that point?

16 A. Well, I mean, I don't remember that
17 conversation that we obviously had from this so I
18 really don't -- can't give you any specifics on
19 that.

20 Q. Okay. Do you recall referring Tom and
21 Dan to Bobby Pearlman in this time frame?

22 A. I think that they consulted with Bobby
23 Pearlman at some point. Whether I referred them to
24 Bobby Pearlman or he was one of a number of names I
25 gave them, I just don't remember.

1 Q. Okay.

2 (DFT. EXH. 45, E-mail chain dated
3 6/2/06 to Andrew W. Chandler from Rae Williams, was
4 marked for identification.)

5 BY MR. BRUNSON:

6 Q. And Exhibit 45 is an e-mail chain
7 between Rae Williams and Andrew Chandler and
8 Kathleen Turner. Who is Rae Williams?

9 A. She was my secretary at the time and a
10 darn good one.

11 Q. And who is Andrew Chandler?

12 A. He's -- he was an associate at the
13 time, now he's a partner of mine.

14 Q. And a damn good one?

15 A. Absolutely.

16 Q. In the e-mail at the bottom it
17 indicates: I received an automatic reply. This is
18 an e-mail from Kathleen Turner from Heyward Carter.
19 She says in her e-mail that she had asked you if
20 you had a copy of the trust instrument and she
21 further indicated that she and Dan and Tom had an
22 appointment to see Bobby Pearlman about the trust.
23 And then there's a handwritten note up on the top
24 that says: Reviewed with Mr. Bennett. He okayed
25 documents to send.

1 Do you know what that refers to?

2 A. I think I was -- I think that was
3 probably my secretary, Rae Williams, because the
4 handwriting looks too good to be Andrew Chandler's
5 and I think I was probably -- it's supposition, I
6 think it's correct, I think I was probably out of
7 the office at that time so my secretary before
8 sending what Kathleen asked for had checked with
9 somebody in the office, apparently Edward Bennett,
10 to make sure it was okay to send this requested
11 document.

12 (DFT. EXH. 46, E-mail dated 11/17/06 to
13 T. Heyward Carter from T. Heyward Carter, was
14 marked for identification.)

15 BY MR. BRUNSON:

16 Q. And I'm showing you Carter -- I'm
17 sorry, Exhibit Number 46.

18 A. Um-hum.

19 Q. And this is a series of e-mails around
20 November 17th, 2006. Without walking through this
21 line by line, do you -- can you just tell me what's
22 going on here? Appears to be a problem with the
23 power-of-attorney.

24 A. Okay, let's see, e-mail from Dan
25 Stevenson to Bobby Pearlman and me, copy to

1 Kathleen at 2:09 PM on November 17: Perhaps
2 Heyward can call Douglas Capital, ask for Linda and
3 cure the issue with her. It is Fidelity to have --
4 which has -- who has a problem with the
5 power-of-attorney construct. We are on a short
6 time lease (sic). Then -- and then an e-mail about
7 50 minutes later from me to Dan Stevenson, Bobby
8 Pearlman, copy to Kathleen and I got the message
9 from Bobby that they would not accept the
10 power-of-attorney, was under the impression I was
11 to wait for go-ahead from Dan or Kathleen, out of
12 the office today, will call Douglas Capital Monday
13 morning to get this resolved.

14 I think that Dan was trying to -- to
15 have something done by Douglas Capital where some
16 of the trust funds were invested and needed a
17 power-of-attorney -- needed -- perhaps this was --
18 I think maybe this -- let me correct myself. I
19 think perhaps this was an account in
20 Miss Stevenson's name at Douglas Capital so they
21 needed her power-of-attorney to effect whatever Dan
22 wanted them to effect and they had some problem, I
23 don't know what it was, or their custodian,
24 Fidelity, had some problem with it. And I vaguely
25 remember that, but I don't know how it got

1 resolved.

2 Q. In your meeting back in April with
3 Kathleen, Tom, Dan and Lynne Kerrison where the
4 full disclosure of the loans was made, did you
5 advise Kathleen in any respect about whether she
6 should advise the other siblings about the loans?

7 A. I think we did have a discussion about
8 that.

9 Q. And what do you recall that discussion?

10 A. Just that that needed to be done and it
11 needed to be done for some time.

12 Q. Do you know when she did disclose the
13 loans to the other siblings?

14 A. No, I don't.

15 (DFT. EXH. 47, Letter dated 5/1/07 to
16 Beneficiaries from John B. Hagerty, with
17 attachment, was marked for identification.)

18 BY MR. BRUNSON:

19 Q. Do you recall or did you have any
20 dealings other than the power-of-attorney e-mail
21 that we just talked about with Tom, Dan, Kathleen
22 or Bobby Pearlman over the course of the next --
23 the rest of -- remainder of 2006?

24 A. Let me see if this will refresh my
25 memory. Let's see, we stopped after what?

1 Q. April the 28th, then May 3rd.

2 A. It is a June -- it's a June e-mail.
3 Then there's November 17 -- Friday, November 17,
4 2006 e-mail we were just talking about and then
5 there's an entry on November the 20th, 2006 which
6 must have been the Monday when I was back in the
7 office, telephone conference with Dan Stevenson,
8 telephone conference with Linda at Douglas Capital
9 and then there isn't anything further in 2006.

10 Q. Did you have any conversations that you
11 can recall that maybe aren't reflected in your
12 bills with Bobby Pearlman about his activities with
13 respect to these issues during that time frame?

14 A. No. You know, I'm pretty diligent
15 about writing down that kind of thing, keeping
16 time. If I don't keep time, don't get paid. So
17 no, don't recall any unrecorded conversations.

18 Q. Do you recall when the disclosure of
19 the trust loans was made to the other beneficiaries
20 or some of the other beneficiaries?

21 A. No.

22 Q. Okay. I'm showing you Exhibit 47.
23 It's a letter from John Hagerty, damn good lawyer,
24 to Dan and Tom and Kathleen.

25 A. I hope you noticed when I was making

1 recommendations to Kathleen as to -- to trust
2 lawyers. I recommended John von Lehe.

3 Q. Of course I noticed.

4 A. Excellent lawyer with a mediocre firm.

5 Q. The Hagerty letter is dated May the
6 1st, 2007. Do you recall John becoming involved in
7 this matter?

8 A. Yes, as I recall, Tom went to John to
9 represent him. Exactly when I don't know, but I
10 suppose it was shortly before this May 1st, 2007
11 letter.

12 Q. Okay. And you had some telephone
13 conversations with John, I think, as are reflected
14 on your billing records?

15 A. I think so, yeah.

16 Q. Do you recall the nature of those?

17 A. I think John was just talking to me
18 about my recollections as to what had gone on
19 before, what kind of meetings and discussions I had
20 had with Dan and Tom. The best of my recollection
21 that would have been the tenor of those
22 conversations.

23 Q. There were some meetings after May 1st,
24 2007 through the summer involving Tom McCutchen,
25 Mark McKnight, John Hagerty, Tom and Dan and other

1 involved parties. Did you participate in any of
2 those meetings?

3 A. I -- one or -- one or two of those
4 meetings -- maybe two or three of those meetings
5 were held at my office and I participated I think
6 in a couple of them, but at some point I figured I
7 wasn't needed anymore, I wasn't adding anything,
8 and I think at that point -- I'm not sure who Bobby
9 Pearlman was representing, but at some point he
10 represented the estate. So, yes, to answer your
11 question I did participate for awhile but then
12 pretty much quit participating.

13 Q. Okay. And your billing entries don't
14 seem to indicate any dates for any meetings that
15 you attended in that time frame.

16 A. Yeah, I don't know that I was billing
17 because I would have -- Mrs. Stevenson had passed
18 away somewhere in there or maybe shortly after
19 these first meetings. I didn't know that I had a
20 client anymore.

21 Q. She actually died on September the
22 17th, 2007.

23 A. Which is somewhat after.

24 Q. And I note just out of curiosity that
25 that is the same date as is on this detailed

1 transaction file list and I was going to ask you
2 why that date was on here.

3 A. What is that?

4 Q. The top left corner --

5 A. Oh, the thing -- date this was run?

6 Q. Yes, sir.

7 A. I don't know.

8 Q. You don't recall the circumstances
9 under which you --

10 A. And I -- I usually don't see these,
11 tell you the truth, so, no, I don't recall why this
12 happened -- happened to have been run on September
13 the 17th.

14 (DFT. EXH. 48, Letter dated 7/26/07 to
15 Mark W. McKnight from T. Heyward Carter, Jr., was
16 marked for identification.)

17 BY MR. BRUNSON:

18 Q. Exhibit 48 is a letter from you to Mark
19 McKnight dated July 26, 2007, correct?

20 A. Right.

21 Q. And you refer to a meeting that took
22 place at your office on the prior day and that you
23 were asked to relay to Mark and Dan certain
24 information which is contained in this letter,
25 correct?

1 A. Right.

2 Q. The first item in here is: It was
3 decided that 50 percent of the Force Protection
4 stock held by Mrs. Stevenson should be sold at this
5 time, not in one lot but over a relatively short
6 period of time. I'm attempting to contact
7 Mr. Douglas at Douglas Capital Management for his
8 recommendation as to the period of time over which
9 this stock ideally should be sold. As Dan is still
10 joint attorney-in-fact for his mother along with
11 Kathleen, it is necessary that Dan join Kathleen in
12 instructing Douglas Capital on this stock sale.

13 Do you remember that item of
14 discussion?

15 A. Yes.

16 Q. And what follow-up work did you do in
17 that respect?

18 A. As I recall, I talked with one of the
19 Douglasses, I think there was a father and a couple
20 of brothers or maybe a father and a brother,
21 something like that, but I called and talked with
22 one of those folks to see what information they had
23 on Force Protection just to see if there had been
24 other sales and what advice he may have as to the
25 market and to see whether he -- as it says, for his

1 recommendation as to the period of time in which
2 this stock ideally should -- should be sold.

3 As I recall, the discussion was about
4 the fact that Mrs. Stevenson and/or these trusts
5 had a fairly large amount of Force Protection stock
6 and when it had been decided that 50 percent of the
7 stock would be sold, the thought was that it
8 probably wouldn't be a good idea just to put it all
9 on the market at once, it might depress -- depress
10 it so -- so possibly it should be sold over a
11 period of time. I don't know what happened to the
12 Force Protection stock, but I think that's what
13 this discussion was about.

14 Q. Do you recall what Mr. Douglas'
15 recommendation was?

16 A. No. I want to say that he said that it
17 ought to be sold not all at one time, but I'm not
18 sure that's correct. I recall talking to him, I
19 don't recall specifically what he said.

20 Q. Did you encounter any resistance from
21 Dan in agreeing to sign off along with Kathleen for
22 the sale of this 50 percent of that investment?

23 A. I don't know that I ever talked to Dan
24 about it.

25 Q. Okay.

1 A. He was represented by Mark at this
2 point.

3 Q. Well, any resistance from Mark?

4 A. No, I don't recall any resistance from
5 Mark. Don't really recall a conversation with Mark
6 about it.

7 Q. So whose court was the ball in at this
8 point in terms of getting the Force Protection
9 stock sold?

10 A. It would have been in the court of the
11 executors.

12 Q. Well, Mrs. -- Mrs. Stevenson was still
13 alive at this point?

14 A. When did she die, August?

15 Q. She died September 17.

16 A. September. Well, I guess it would have
17 been -- yeah, in that case it would have been in
18 the court of her -- her people holding her
19 power-of-attorney.

20 Q. And that's Kathleen and Dan at this
21 point?

22 A. Right.

23 Q. And do you happen to know if they did
24 follow through and sell that 50 percent of the
25 Force Protection stock?

1 A. I really don't know because as I say at
2 one point I just -- I was out of the -- out of the
3 picture of it.

4 (DFT. EXH. 49, Letter dated 7/27/07 to
5 Thomas E. McCutchen from T. Heyward Carter, Jr.,
6 was marked for identification.)

7 BY MR. BRUNSON:

8 Q. Exhibit 49 is a letter from you to Tom
9 McCutchen dated July 27th, 2007 and you are
10 forwarding to him a variety of materials that you
11 list in this letter, correct?

12 A. Right.

13 Q. Do you recall why it is you were
14 sending this information to Mr. McCutchen and
15 copying it to these others at this time?

16 A. Well, Tom McCutchen had asked me to
17 provide this information to him or copies of these
18 documents and as I recall, at that time he was
19 representing Genevieve Felder. I'm not sure if he
20 was representing anybody else at that time.

21 Q. Okay. Did you -- and this is some of
22 the documents from your file but not your entire
23 file. Any particular reason why you picked these
24 documents, is this just what he asked for or what?

25 A. You know, I'd have to see the letter or

1 e-mail or -- Tom McCutchen doesn't e-mail but
2 whenever his request was because I don't remember
3 whether he asked for these specific documents. I
4 think he did, but I'm not sure about that. But he
5 didn't ask for the entire file.

6 (DFT. EXH. 50, Letter dated 1/7/02 to
7 Lynne L. Kerrison from T. Heyward Carter, Jr., with
8 attachments, was marked for identification.)

9 BY MR. BRUNSON:

10 Q. Now, Exhibit 50 is a little bit out of
11 order. We're going back now to January 7th, 2002.
12 This is a letter from you to Lynne Kerrison,
13 correct?

14 A. That's right.

15 Q. And it indicates that you're enclosing
16 copies of two promissory notes that were delivered
17 to your office on December the 28th, 2001, both
18 signed by Dan Stevenson, correct?

19 A. Correct.

20 Q. And attached to your -- I only have one
21 note. Does this appear to be one of the notes?

22 A. Yes, it does.

23 Q. Okay. And this note is the principal
24 amount of 417,500 dollars with interest of 22,000
25 accrued as of April 19th, 2001, correct?

1 A. That's right.

2 Q. And is it your understanding that this
3 note was executed as of April the 1st, 2001 -- I'm
4 sorry, April the 19th, '01?

5 A. That's -- that's my understanding.

6 Q. Okay. And the interest rate here is
7 the AFR rate on the note?

8 A. You know, to confirm that to you, I'd
9 have to go back and look at the IRS tables, but
10 that's what the -- that's what the attachment says.
11 It says AFR interest rate and it has different
12 rates for different dates.

13 Q. And the note itself says the AFR rate
14 applies, correct, in the first paragraph about
15 midway through?

16 A. It does. It says at the AFR long-term
17 rate.

18 Q. And it doesn't -- was it your
19 understanding that this interest was to be simple
20 or compounded?

21 A. I don't recall.

22 Q. Would it be fair to say that
23 Mrs. Stevenson's dealings with Tom and Dan when she
24 made loans to them, that she used the lowest
25 possible rate for tax purposes, the equivalent of

1 the AFR, and that she had simple interest rather
2 than compound?

3 A. You know, I don't know that
4 Miss Stevenson had any kind of discussions -- they
5 may have, but I'm not aware of them -- with Dan and
6 Tom specifically about rates and whether they were
7 to be compounded or simple interest. I think the
8 rates -- I know that the rates on the notes that
9 Henry -- that Henry Buist was concerned about were,
10 I think, suggested by Henry as the lowest rates and
11 agreed to by Mrs. Stevenson. That was -- that was
12 agreeable to her.

13 Q. Do you recall verifying -- I know there
14 were a couple of references to getting the notes
15 and to requesting that Miss Kerrison verify that
16 there were notes documenting all of the loans to
17 Tom and Dan. Do you recall verifying to your
18 satisfaction that these loans were ultimately
19 properly documented?

20 A. Up to some point, yeah, according to
21 the numbers that I was given which came from Lynne
22 Kerrison that I think we're -- that I think were
23 complete. And I can't give you the date of what
24 that -- I know that Tom, perhaps Dan signed notes
25 later. Tom signed a couple of notes for fairly

1 large amounts I think. I don't know that all -- to
2 answer your question, I don't know that all of the
3 loans were properly documented.

4 Q. Okay. Now, this one that we have
5 attached to your letter of January 7th, 2002, do
6 you know who drafted that note?

7 A. No. I didn't draft it. I don't know
8 whether Dan drafted this or whether it was drafted
9 by Pratt-Thomas, Gumb.

10 Q. Did you draft any of the notes?

11 A. I don't think so. I don't think I
12 drafted any of them. I certainly would have
13 reviewed -- I would have reviewed all of the notes
14 that were signed after I came into the picture at
15 least that I have copies of, but I don't think I
16 ever drafted a note. Well, let me take that back,
17 I may have drafted -- I think I may have drafted
18 the early notes, and I'm talking about back in '91
19 or '93 when I was working with Henry Buist, that
20 was the two notes that were signed by Tom, the one
21 for 325,000-some-odd dollars and the other one for
22 79,000-and-some-odd dollars and then there was one
23 for -- actually, there was a third one, a note from
24 Irven Stevenson for, I think, 7,000-some-odd
25 dollars. I think I did draft those two. I don't

1 think I drafted any after that -- or those three.

2 MR. BRUNSON: Okay, let's take a break.

3 I think I'm just about finished. Okay. I am
4 finished.

5 (A recess transpired.)

6 MR. BRUNSON: I've just got one more
7 question and then I'm done.

8 (Off-the-record conference.)

9 BY MR. BRUNSON:

10 Q. At all times that I have asked you
11 about today have you been acting within what you
12 understood to be the scope of your authority as the
13 attorney for Mrs. Jacquelin Stevenson?

14 A. That's correct.

15 MR. BRUNSON: That's all I have. Who's
16 next?

17 EXAMINATION

18 BY MR. HOOD:

19 Q. I've got a few questions. Mr. Carter,
20 at the time throughout what you've been asked about
21 here today, your client was Mrs. Stevenson and you
22 never were the attorney for Tom or Dan Stevenson,
23 correct?

24 A. That is correct.

25 Q. How did it come to your attention that

1 Tom and Dan had been making loans to their
2 companies from their father's trusts?

3 A. Well, as I said, it really first came
4 to my attention as to the scope of what had been
5 going on when Lynne Kerrison contacted me in
6 October of 2001.

7 Q. Okay. And then we've been through in
8 detail everything that occurred as far as you were
9 involved right down to each entry in your bills and
10 your correspondence and from the moment you learned
11 that in 2001 until there was an actual meeting with
12 the entire family, did you do everything you
13 thought was reasonable and appropriate to get Dan
14 and Tom to tell their siblings what they had done?

15 A. From my first meeting with them and
16 Lynne Kerrison shortly after I was first contacted
17 by Lynne Kerrison, yes, that's correct, and was
18 ensured a number of times that they were going to
19 meet with their siblings.

20 Q. And what turned out to be the truth is
21 that they didn't do anything until there was a
22 meeting with Kathleen present April the 27th,
23 '06 --

24 MR. BRUNSON: Object to the form.

25 BY MR. HOOD:

1 Q. -- is that correct?

2 A. Well, I mean, it was discussed at that
3 meeting with Kathleen in April of '06. I -- I'm
4 not sure whether they had met previously to discuss
5 it or not.

6 Q. They kept telling you they had --

7 A. Or were going to.

8 Q. -- or they were going to, but you were
9 there for that meeting with her and she was
10 appropriately surprised at what had occurred at
11 that time?

12 A. You'll have to ask her as to her
13 reaction.

14 Q. Well, I mean -- okay. But whether she
15 had any knowledge of any misappropriation of trust
16 funds prior to that date, do you have any knowledge
17 prior to the meeting April the 27th, '06?

18 A. No, I -- I really don't.

19 Q. Okay. And what you did was continually
20 ask Dan and Tom or their lawyer, whoever their
21 lawyer was at different times, to make full
22 disclosure to the siblings?

23 A. Yes.

24 Q. And the first time you explained to Dan
25 and Tom their duty and responsibility as trustees

1 was when you found out on October the 24th, '01 of
2 their improper loans, is that correct?

3 A. Would you ask the question again?

4 Q. The first time you explained to Dan and
5 Tom their duties and responsibilities as trustees
6 by making improper loans to themselves or their
7 companies was on October the 24th, '01, is that
8 correct? You said earlier today it was clear to
9 them from that meeting that it was improper conduct
10 for the trustees to be doing what -- meaning Dan
11 and Tom --

12 A. Yeah, I think it was October 23, '01.

13 Q. Okay. Did you use the term
14 self-dealing? Did you explain to them that they
15 couldn't self-deal as trustees?

16 A. In that particular meeting?

17 Q. Yes.

18 A. I don't recall. I'm sure that at some
19 point in our conversations along the way that term
20 was used. Whether it was used at that initial
21 meeting or not, I just don't recall.

22 Q. Anything confusing about the word
23 self-dealing for Tom or Dan to not understand what
24 it meant?

25 A. Well, I -- I can't speak for their

1 ability to understand.

2 Q. Okay. But you made it clear to them in
3 October of '01 that they should not be making loans
4 to themselves or to their companies from the trust,
5 is that right?

6 A. In the absence of everybody's -- by
7 everybody I mean all the beneficiaries' or
8 potential beneficiaries' knowledge and consent,
9 that's correct.

10 Q. In one of your letters you cite two
11 provisions of the South Carolina Probate Court
12 about duties and responsibilities of trustees. Did
13 you explain those same duties and responsibilities
14 to Dan and Tom?

15 A. Yes.

16 Q. Any confusion by either one of them
17 about those duties and responsibilities?

18 A. Not that I was aware of.

19 Q. These loans that we've been talking
20 about here today, were they made contemporaneous
21 with the money that was received by Dan and Tom?

22 A. You mean notes?

23 Q. The notes.

24 A. No, they weren't.

25 Q. And was it you that insisted on the

1 notes being written?

2 A. Well, both Lynne Kerrison and I told
3 them that they needed -- that these monies that
4 were taken needed to be documented.

5 Q. And was Tom aware of Dan's loans back
6 in 1999? I think that's when it all started.

7 A. Well, there were -- there were hundred
8 thousand dollar loans to Fabtech, to Tom's company,
9 in 1999. I'm not sure what Dan's were in 1999.

10 Q. Okay. So as far as you knew, were they
11 both aware of loans to each other when it started
12 in 1999?

13 A. I'm certain that they both knew that
14 the other was taking funds. Whether they knew
15 every time it happened or the total amount, I don't
16 know.

17 Q. And why is it that in seven different
18 writings you are insisting that Dan and Tom tell
19 their siblings that they've taken money from these
20 trusts, why were you doing that?

21 A. Well, again, aside from any moral
22 responsibility, there was a legal obligation under
23 the South Carolina Probate Court, not to mention
24 North Carolina case law, that the beneficiaries of
25 trusts have to be kept reasonably informed of the

1 activities and the accounting of the trust which
2 they apparently were not doing. And I kept along
3 with Lynne Kerrison telling them that they needed
4 to do that and they kept telling me that they were
5 going to do that, but unfortunately that did not
6 prove to be the truth.

7 Q. And why didn't they tell their
8 siblings? Why did they refuse to do it for so many
9 years?

10 A. You know, all I have is conjecture.

11 Q. They wanted to get away with it?

12 MR. BRUNSON: Object to the form.

13 BY MR. HOOD:

14 Q. I mean, basically it was thievery.

15 MR. BRUNSON: Same objection.

16 THE WITNESS: Well, I mean, I don't
17 know whether -- again, they never said here's why
18 we're not telling our siblings but my understanding
19 was that they -- they did not want to tell their
20 siblings because they were afraid of the reaction
21 that their siblings would have. I remember telling
22 them specifically at one point if they didn't -- if
23 they didn't handle it with their siblings, if they
24 didn't disclose it to their siblings at that point,
25 whether it was '01 or '02 or '03, whenever it was,

1 I don't remember, and try to get it straightened
2 out then that it would be -- I think I used the
3 term a train wreck after their mother died.

4 BY MR. HOOD:

5 Q. Which is what happened?

6 A. Apparently it is.

7 Q. And did they finally make a disclosure
8 first to Kathleen because of your insistence?

9 A. Well, I can't say -- I assume so. I
10 had given them an ultimatum along with Lynne
11 Kerrison. We had given them an ultimatum and they
12 sat down with Kathleen and discussed it with them.

13 Q. And did Kathleen spend about a year
14 trying to get her two brothers to do what was
15 right?

16 A. Now, I can't answer that.

17 Q. You weren't involved in that?

18 A. I wasn't involved in that.

19 Q. Okay. Do you feel that they were
20 intentionally hiding their transactions, the money
21 they were taking from these trusts, from their
22 sisters?

23 MR. BRUNSON: Objection, lack of
24 foundation.

25 THE WITNESS: Well, I think that they

1 were intentionally avoiding disclosing the
2 transactions to their sisters.

3 BY MR. HOOD:

4 Q. And if Kathleen had been told as early
5 as 2003 about the improper loans to Dan and Tom
6 from the trusts, why would you have kept insisting
7 that they inform her and write the letters you
8 wrote and then had the meeting you held in '07?

9 A. Well, I mean, unless I -- if they had
10 that meeting and I wasn't made aware of it, then I
11 would have kept insisting.

12 Q. Okay. You were never present for any
13 disclosure to Kathleen as early as 2003 of these
14 improper loans?

15 A. I don't recall being so present.

16 Q. Okay. And you did write letters after
17 '03, some five or six letters saying you need to
18 disclose this to your siblings and particularly
19 Kathleen because of her power-of-attorney?

20 A. Correct.

21 Q. So you must have thought she did not
22 have any idea about what they had done at all?

23 A. That would have been my thinking.

24 Q. What conversation did you have with
25 Howell Morrison regarding Tom and Dan's loans? He

1 must have been surprised himself.

2 MR. BRUNSON: Object to the form.

3 THE WITNESS: Well, I had conversations
4 with him before and after they first met with him
5 in -- if you'll give me a minute, let me check the
6 dates. I guess in early '02. Whenever his -- no,
7 early '03. Yeah, early '03. Whenever their first
8 meeting with him was.

9 BY MR. HOOD:

10 Q. Okay. Did he disclose to you that he
11 told both of them that they had breached their
12 trust duties?

13 A. Well, I don't know that he used that
14 specific language, but -- and I -- you know, he --
15 he didn't discuss with me what specifically he told
16 his clients, but I think the letter from Howell,
17 what, January of '03 indicated that he told them
18 the same thing I told them, that they needed to
19 meet with their siblings and try to get the matter
20 resolved.

21 Q. And as far as you know, they didn't do
22 that until you and Lynne insisted on it in April of
23 '06?

24 A. I don't know what -- I don't know the
25 first date they met with their siblings.

1 Q. Right.

2 A. It was much later than that.

3 Q. Right. Did Tom and his wife Irven
4 understand the importance of making contemporaneous
5 notes when they received loans?

6 A. Yeah, I never had any conversations
7 with Irven, I don't know whether she was ever
8 included in any meetings, certainly not in any
9 meetings with me. So I don't know what Irven's
10 understanding was, but it was -- certainly Lynne
11 Kerrison and I made it clear that Dan and Tom --
12 that these loans needed to be documented
13 contemporaneously after we first met with them.

14 Q. Okay. Explain to Jim King's lawyer
15 here that he was not in the Will in '94 at all of
16 Miss Stevens, isn't that correct -- Stevenson?

17 A. I haven't looked at that Will, I just
18 don't -- can't keep -- he may have been.

19 Q. All right. I don't think he was.

20 A. Okay. I don't know, I'd have to have a
21 copy of it.

22 Q. He was brought in in '96, I think, but
23 do you know if the three other -- if the three
24 daughters ever even knew about anything other than
25 the '94 Will where he wasn't included? He was not

1 a beneficiary of the marital trust in the '94 Will.

2 A. What was the question again?

3 Q. Do you know that as the author of the
4 Will in '94 that Jim King was not a beneficiary of
5 the marital trust?

6 A. I'd have to look at that -- a copy of
7 that document which I don't have offhand.

8 Q. Okay. I think I've got it right here
9 if you want to look at it.

10 A. Yeah, I would.

11 Q. Jim King is not a marital trust
12 beneficiary is the note. I hope it's right.

13 A. No, I need to look myself. Okay, I'm
14 looking at a photocopy of a February 31, 1994 Will
15 signed by Miss Stevenson and Jim King got a
16 specific request -- pecuniary request of 500,000
17 dollars. He was not a beneficiary of
18 Mrs. Stevenson's exercise of her general
19 appointment over the marital trust.

20 Q. Thank you. In your professional
21 opinion as an attorney --

22 (Off-the-record conference.)

23 BY MR. HOOD:

24 Q. -- did Tom and Dan both breach their
25 duties of loyalty owed to the trust as trustees?

1 MR. McKNIGHT: Object to the form.

2 MR. BRUNSON: Objection for one,
3 objection for all?

4 MR. McKNIGHT: Correct.

5 THE WITNESS: In my opinion is that
6 a -- are you asking me for an expert opinion or a
7 legal opinion or --

8 BY MR. HOOD:

9 Q. I'm asking -- yeah, I'm asking you as
10 an expert, did these two guys breach their duties
11 of loyalty owed to the trust?

12 MR. McKNIGHT: Object.

13 THE WITNESS: I believe they did.

14 BY MR. HOOD:

15 Q. And as cotrustees, were Tom and Dan
16 required to act jointly?

17 A. There was -- I'm not aware of anything
18 in the documents that allowed them to act
19 independently so my answer to that would be yes.

20 Q. So if Tom testified that he did not
21 review any statements or accounting records of
22 either trust while he and Dan were the sole
23 trustees, in your professional opinion, do you
24 believe that shows a lack of reasonable care in
25 preventing a breach of trust by Tom?

1 A. Was the question --

2 Q. It's a hypothetical question to you.
3 If this is true that Tom did not review any
4 statements or accounts of records of either trust
5 while he and Dan were the sole trustees, in your
6 professional opinion, do you believe that show --
7 that shows a lack of reasonable care in preventing
8 a breach of trust?

9 A. I believe that Tom and Dan as a
10 cotrustee was responsible for keeping current on --
11 on transactions by each trustee with the trust so
12 my answer would be yes.

13 Q. In your professional opinion, did Tom
14 and Dan both breach their duties to administer the
15 trusts in good faith?

16 MR. BRUNSON: Lack of foundation.

17 THE WITNESS: I'll have to say that --
18 that I do not think that they met their fiduciary
19 duties in regards to the trusts and trust
20 beneficiaries.

21 BY MR. HOOD:

22 Q. Did they both breach their duties to
23 act solely in the best interests of the
24 beneficiaries?

25 MR. McKNIGHT: Object to the form.

1 THE WITNESS: Again, I don't think they
2 acted as a fiduciary is obliged to act so I think
3 my answer would be yes to that also.

4 BY MR. HOOD:

5 Q. So their conduct as fiduciaries was
6 improper in your view?

7 MR. McKNIGHT: Same objection.

8 THE WITNESS: I think so.

9 BY MR. HOOD:

10 Q. Do you consider Tom and Dan's loans as
11 they call them to their companies from the trusts
12 of which they were cotrustees to be self-dealing?

13 A. Without approval by the other
14 interested parties I do.

15 Q. In your professional opinion, do you
16 believe that Tom and Dan by loaning their own
17 businesses money from these trusts acted as prudent
18 investors?

19 MR. McKNIGHT: Object to the form.

20 THE WITNESS: Because of the eventual
21 scope of the sums, loans disbursed, taken, however
22 you want to classify it, no, I don't think they --
23 I don't think they did act as prudent investors.

24 BY MR. HOOD:

25 Q. In your professional opinion, did Tom

1 and Dan breach their duties to keep the
2 beneficiaries reasonably informed as to the matters
3 of the trusts by not informing them of the
4 so-called loans to their companies that had been
5 made over the course of several years?

6 A. Yes.

7 Q. Were you involved in any conversations
8 about Force Protection?

9 A. Yes, in the later -- I guess, 2007,
10 there have been some references in the -- in
11 Mr. Brunson's questions about Force Protection
12 because that came up at the meeting in the summer
13 of 2007 with Tom McCutchen and other parties.

14 Q. And what were Tom and Dan's opinion
15 about whether Force Protection stock should be kept
16 or sold?

17 A. My recollection to the extent that I
18 was informed about it was that they thought it
19 ought to be kept.

20 Q. In your professional opinion, was it
21 beneficial to the trusts that Dan and Tom loaned
22 their businesses such a substantial amount of
23 money?

24 MR. McKNIGHT: Object to the form.

25 THE WITNESS: No.

1 BY MR. HOOD:

2 Q. Was there any provision in the Will of
3 Mr. Stevenson that permitted the trustees to loan
4 themselves money from the trust?

5 THE WITNESS: Again, I'd have to go
6 through the enumerated powers in -- in the Will,
7 but I do not believe that there was any such
8 provision.

9 BY MR. HOOD:

10 Q. Under the trust code when Tom first
11 learned that Dan had obtained loans from the trust,
12 what should Tom have done?

13 A. I would have to do a little research on
14 that to see what the trust code provides
15 specifically.

16 Q. Just as a matter of common sense,
17 should he have compelled Dan to immediately redress
18 the breach of trust?

19 MR. BRUNSON: Object to the form.

20 MR. McKNIGHT: Object to the form.

21 THE WITNESS: I don't know that I'm an
22 expert on common sense.

23 BY MR. HOOD:

24 Q. Should he, Tom, have allowed Dan to
25 obtain even more money from the trust in the hope

1 that Dan would make enough money with his new
2 business venture to repay the trust?

3 A. I would think that would be imprudent.

4 Q. If Tom obtained a loan to Fabtech, why
5 would he have deposited the money into his personal
6 banking account?

7 A. I can't answer that question.

8 MR. BRUNSON: Object to the form.

9 BY MR. HOOD:

10 Q. Do you consider Dan and Tom's obtaining
11 loans from the trust to be a breach of trust?

12 MR. McKNIGHT: Object to the form.

13 THE WITNESS: In the manner that they
14 were handled, yes.

15 BY MR. HOOD:

16 Q. Do you believe that Tom and Dan
17 intentionally hid their actions from their three
18 sisters, Jacquelin, Kathleen and Genevieve?

19 MR. McKNIGHT: Object to the form.

20 THE WITNESS: I believe that they
21 avoided disclosing their actions to their siblings
22 for as long as they could.

23 BY MR. HOOD:

24 Q. In your professional opinion, was it
25 beneficial to the trust that Tom and Dan loaned

1 their businesses such substantial amounts of money?

2 MR. McKNIGHT: Object to the form.

3 THE WITNESS: Was it beneficial? I do
4 not believe it was beneficial.

5 BY MR. HOOD:

6 Q. Did you tell them that their
7 self-dealing would put them behind bars?

8 MR. McKNIGHT: Object to the form.

9 THE WITNESS: No, I don't think I ever
10 told them that.

11 BY MR. HOOD:

12 Q. From our analysis of the accounting, we
13 think that the trust owned 61 percent of Fabtech.
14 If you take money from a trust and you put it into
15 a business and that money is either grown or
16 increases in value, does the improperly-taken money
17 that goes into the business create a right by the
18 trust against the business for either the profits
19 or the losses from the money improperly taken?

20 MR. BRUNSON: Object to the form, lack
21 of foundation.

22 THE WITNESS: Well, I mean, I -- I
23 don't claim to be a business legal expert and I
24 think it would depend on how it was -- how it's
25 determined that the funds were used, that is,

1 whether they were loans, whether they were equity
2 injected into the business, whether they became a
3 shareholder or -- or just a creditor.

4 BY MR. HOOD:

5 Q. Do you know why some of the loans were
6 documented with notes and some aren't?

7 A. As far as I know, up until at least a
8 certain point, the loans were all documented by
9 notes not contemporaneously but from time to time
10 when the information was developed.

11 Q. If our number about Fabtech is right,
12 61 percent, do you feel like that the
13 beneficiaries, the three siblings here that are
14 suing Tom for breach of trust, should have a right
15 to have a receiver appointed to run Fabtech rather
16 than Tom and his son who have taken substantial
17 salaries out of Fabtech?

18 MR. BRUNSON: Object to the form.

19 THE WITNESS: You know, I have no
20 expertise to answer that question.

21 BY MR. HOOD:

22 Q. Let's ask this -- there was a donation
23 to Ashley Hall and one to Christ School. The form
24 that needs to be filled out was to be signed so
25 that recognition would be given to the

1 beneficiaries by the -- by Mrs. Stevenson and her
2 children, Genevieve, Kathleen, Jacquelin, Tom and
3 Dan, and you wrote a letter so that each of them
4 would get credit for it, but it never went to
5 Ashley Hall. Do you know why?

6 MR. BRUNSON: Object to the form.

7 THE WITNESS: No, I don't have any
8 idea. I think one of the purposes in -- in
9 preparing that form and writing the letter was that
10 when -- was so that when the contribution or the
11 pledge was made, if it ever was and I don't know
12 whether it was or not --

13 BY MR. HOOD:

14 Q. It was.

15 A. -- was so everybody would have to know
16 about it because they had to sign the letter.

17 Q. All right. And if they didn't sign it,
18 of course they didn't know about it?

19 MR. McKNIGHT: Object to the form.

20 THE WITNESS: Well, I don't know
21 whether they did or not.

22 BY MR. HOOD:

23 Q. Well, what happened is Dan requested
24 the money, Tom -- and it went to the school and Tom
25 got credit for it --

1 MR. McKNIGHT: Object to the form.

2 BY MR. HOOD:

3 Q. -- in a thank you note.

4 MR. BRUNSON: Object to the form.

5 BY MR. HOOD:

6 Q. Do you know what was going on? I mean,
7 was Tom trying to get on the board of Ashley Hall,
8 is that what it was about?

9 A. I don't have any idea.

10 Q. And what about Jim King, should he have
11 been a part of this, this money? Should he have
12 gotten a tax deduction since he's got a lawyer now?

13 A. Well, I don't know where the money came
14 from. I mean, I've just been informed that there
15 was a contribution made. I don't know whose money
16 that was, whether it was Miss Stevenson or came out
17 of the trusts or Dan and Tom's pocket, I don't
18 know.

19 Q. And how about Jim King, did he get a
20 tax deduction for the \$50,000 to Christ School to
21 put Tom on the board there, do you know?

22 A. No, I don't have any idea.

23 Q. Pretty basic question, if you go borrow
24 money, who sets the terms, the borrower or the
25 lender?

1 A. Well, normally it's the lender.

2 Q. Do you think Mrs. Stevenson knowingly
3 loaning money to Dan and Tom is the same thing as
4 Dan and Tom loaning themselves money from the trust
5 of which they were trustees?

6 A. No.

7 Q. Just because she was generous with
8 loans does not mean she would have approved what
9 they did to the trusts --

10 MR. McKNIGHT: Object to the form.

11 BY MR. HOOD:

12 Q. -- do you agree?

13 A. I suppose that is correct, but I can't
14 say what her thinking would have been.

15 Q. Do you think she would have approved
16 her two sons taking out of these trusts millions of
17 dollars --

18 MR. McKNIGHT: Object to the form.

19 BY MR. HOOD:

20 Q. -- without telling the other siblings
21 what they were doing?

22 MR. McKNIGHT: Same objection.

23 THE WITNESS: You know, I can't
24 speculate as to what Mrs. Stevenson would have
25 approved.

1 BY MR. HOOD:

2 Q. Okay. You had a telephone call with
3 Jacquelin -- it says Miss Bennett so I assume it's
4 Jacquelin Bennett -- 12/6/01 I guess it was. If
5 you had told her about Dan and Tom's loans at that
6 time, would you have expected the call to have
7 lasted longer than 12 minutes or .2?

8 A. It might have lasted considerably
9 shorter than 12 minutes.

10 Q. In any event as far as you know, she
11 didn't know anything about what was going on here
12 until this meeting of -- in April of '06, correct?
13 Actually, hers was later. It was in '07.

14 A. As far as I know, that's correct.

15 Q. Okay. Did you know that Dan and Tom
16 repeatedly told Kathleen after this April '06
17 meeting that they would hold a meeting with the
18 other siblings, but they kept coming up with
19 excuses as to why the meeting should not be --
20 why -- as to why the meeting should be put off?

21 MR. McKNIGHT: Object to the form.

22 THE WITNESS: No, I didn't know that.

23 BY MR. HOOD:

24 Q. It was the same thing they did with you
25 for a couple years actually.

1 MR. McKNIGHT: Object to the form.

2 BY MR. HOOD:

3 Q. At the April '06 meeting with Kathleen,
4 did she receive a full accounting of the trust?
5 Did she receive any paperwork?

6 A. I don't believe so. I may be wrong on
7 that, but I don't think there was a detailed
8 accounting. I think there was just a discussion of
9 what had transpired over the last couple of years
10 or so as far as when Lynne Kerrison and I were
11 aware.

12 Q. Are you aware that Dan and Tom
13 repeatedly told Kathleen that they would make it
14 right, but they of course never did?

15 MR. McKNIGHT: Object to the form.

16 THE WITNESS: I wasn't aware.

17 BY MR. HOOD:

18 Q. The interest rates on the loans, the
19 ones to Tom and Irven were mostly at 7 or 8
20 percent. Is there any reason given the large
21 amount of money that was going to them that came
22 out of the trust should be reduced to a lower rate?

23 MR. BRUNSON: Object to the form.

24 THE WITNESS: I think as I recall from
25 the schedule we looked at earlier today that those

1 were the applicable federal rates set by the IRS.

2 BY MR. HOOD:

3 Q. Okay. And they got up to about 7 or 8
4 percent?

5 A. Well, the rate that's set on a loan is
6 the rate that's set for that month by the IRS and
7 they change from month to month.

8 Q. Okay.

9 MR. HOOD: Maybe I'll need to regroup
10 for three minutes. Why don't we just take a break.

11 (A recess transpired.)

12 MR. HOOD: Those are all the questions
13 I have. Thank you.

14 EXAMINATION

15 BY MR. WILKERSON:

16 Q. Mr. Carter, I just have a very few
17 questions. Did you represent Miss Stevenson until
18 her death?

19 A. Yes, I think I would have, sort of the
20 things I do, which would have been Will, trust and
21 estate-type matters.

22 Q. And by my count during your
23 representation, you started representation in 1991,
24 you prepared the 1996 Will, is that right?

25 A. Yes, among others.

1 Q. Okay. I'm backing up.

2 A. Okay.

3 Q. 1996 was the last Will and Testament to
4 your knowledge?

5 A. Yes.

6 Q. Prior to that you prepared a 1994 Will?

7 A. Correct.

8 Q. Prior to that you prepared -- the only
9 other one I know about is the 1991 interim Will?

10 A. I think those are the only three that I
11 prepared.

12 Q. And your typical practice in your
13 office when you prepare a Will for a client, what
14 do you do with the original Will?

15 A. Well, it depends on what the client
16 wants to do. If the client -- what I suggest is if
17 the client has a safe -- bank safe deposit box,
18 they take the Will and put the original Will in
19 their bank safe deposit box. If they don't have a
20 bank safe deposit box or if for any other reason
21 they would want the original Will to be kept by my
22 firm, we put it in their -- in my firm -- in one of
23 my firm's bank safe deposit boxes so it depends on
24 the client's wishes.

25 Q. How about Miss Stevenson's wishes, how

1 was her original Will handled?

2 A. I don't recall. I imagine I would have
3 some evidence in my file, but I just don't recall
4 offhand.

5 Q. Well, looking at the document that
6 you've been shown earlier, the 1994 Will, it has
7 written at the top: The original of this document
8 was taken by Miss Jacquelin K. Stevenson on
9 February 3, 1994. So I guess that would indicate
10 that -- is that --

11 A. It would indicate she had it.

12 Q. That she had it. And I can't recall
13 what the '96 Will said, I don't have that in front
14 of me. But if she didn't take an original, she
15 would have at least taken a copy, is that right?

16 A. Oh, yes, if we kept -- at her request
17 if we kept the original, I would have given and/or
18 sent her a copy.

19 Q. Okay. Now, you've mentioned in several
20 contexts in your testimony today about discussion
21 with the various beneficiaries of the terms of
22 Miss Stevenson's Will. I believe you started out
23 by talking about a meeting that you had with
24 Miss Stevenson and Dan and then you had a
25 memorandum in the file, I believe I can find it

1 again, but you discussed some terms of the Will
2 with Dan in Miss Stevenson's presence, is that
3 right?

4 A. That's correct.

5 Q. There was also another reference in the
6 file with regard to -- another reference that was
7 provided to you in some of the documentation today
8 with regard to providing copies of the Will or
9 providing information from the Will to the
10 beneficiaries and I believe you said you had to
11 have her consent, is that right?

12 A. That's right.

13 Q. Do you have any recollection one way or
14 the other today as to whether or not you ever
15 provided a copy of the Will to any of the
16 beneficiaries of Miss Stevenson, particularly the
17 1996 Will?

18 A. No, I don't have any recollection of
19 providing that to any of the beneficiaries or her
20 giving me permission to do so. May have been, I
21 don't -- but I don't recall it.

22 Q. Okay. Now, you've described your
23 duties with regard to the confidentiality of your
24 clients' Will as you've set it out earlier. In the
25 event that a client for whom you have prepared a

1 Will has a valid attorney-in-fact by a
2 power-of-attorney, either durable or otherwise,
3 would you consider the durable power-of-attorney or
4 the attorney-in-fact entitled to view the Will?

5 A. Yes.

6 Q. Do you recall the power-of-attorney in
7 this case ever asking for the opportunity to review
8 Miss Stevenson's Will, any power-of-attorney?

9 A. I don't recall that, no.

10 Q. Okay. And at the -- at
11 Miss Stevenson's death I believe in September of
12 last year, do you have any recollection of your
13 office being contacted about her Will or about
14 getting her Will probated or getting a copy of the
15 Will or anything of that nature? Is that --

16 A. As I recall, we were asked for some
17 fairly short period of time to be involved or to
18 handle the probate of her estate, but that was -- I
19 think that pretty early on Bobby Pearlman was asked
20 to do that so -- so I don't specifically recall,
21 but I'm sure at some point we would have been asked
22 to provide a copy of the Will.

23 Q. Okay. Do you have any recollection of
24 that, having been asked to provide a copy of the
25 original Will?

1 A. After Miss Stevenson's death?

2 Q. Yes, sir.

3 A. No specific -- no specific recollection
4 of that.

5 Q. Okay. And you don't know whether you
6 would have had her original or a copy of the '96
7 Will, you just don't recall?

8 A. I don't recall.

9 Q. Because I have looked at the '96 Will
10 now and it does not say on the face -- it doesn't
11 have the same designation, the same statement on
12 the face as the '94 Will did so you don't know
13 whether or not she had the original?

14 A. No, I don't. Not offhand.

15 Q. And it would not be unusual for a
16 family to come to you to get a copy of the original
17 Will if you prepared one, is that right?

18 A. Would not be.

19 Q. But you don't have a recollection of
20 whether that happened here or not?

21 A. No, I don't.

22 Q. You may have already been asked about
23 this and I may have just missed it, but I apologize
24 if you have. In your letter of November 25, 2002,
25 I'll hand it to you if you like but I just want to

1 read a portion of it, it's a letter to Dan and Tom
2 where you encourage them to notify their siblings
3 of their withdrawals from the trust and you state
4 in that letter: If I have not heard from you by
5 January 1, 2003 to the effect that you have
6 discussed this with Kathleen, I feel responsible to
7 contact her at that time to inform her of these
8 loans and recommend that she discuss them with you.

9 Based upon your testimony, I'm assuming
10 that you did not contact Kathleen as of January 1?

11 A. Not at that time. I think that dragged
12 out for a period of time because of assurances that
13 Kathleen was going to be contacted and she was --
14 she was contacted later but not at that time.

15 Q. Several years later? That was in '02.

16 A. Yeah, probably would have been.

17 Q. Okay. So -- but I did want to pin down
18 that you did not carry out your representation that
19 you planned to let her know by January 1st?

20 A. That was January 1st, '03?

21 Q. '03, yes, sir.

22 A. That's correct. I believe that's
23 correct.

24 Q. Okay.

25 MR. WILKERSON: That's all I have for

1 you. Thank you very much.

2 MR. HOOD: Looks like I have a
3 question.

4 MR. BRUNSON: I've got one too. Mark,
5 are you going to ask anything?

6 MR. McKNIGHT: No.

7 EXAMINATION

8 BY MR. BRUNSON:

9 Q. Mr. Carter, Mr. Hood asked you a
10 question about Tom's knowledge of Dan's loans and
11 Dan's knowledge of Tom's loans. You don't have any
12 knowledge, do you, about whether Tom knew about
13 loans that Dan made to himself or his companies
14 prior to February of 2001, do you?

15 A. No, I don't. I know that at times Tom
16 knew about some loans, but I can't say that I know
17 of any knowledge he had of Dan's loans prior to
18 February of 2001.

19 Q. And do you recall -- I asked you some
20 questions about the CD at the Bank of South
21 Carolina that was securing a loan for Dan. Do you
22 recall that loan being called and there having to
23 be arrangements made to pay off that loan?

24 A. No. No. I don't know what the
25 disposition of that was.

1 Q. Okay. Mr. Hood also asked you about
2 the claim of the Plaintiffs in this case to having
3 some ownership in Tom's company Fabtech and you
4 made a distinction between whether it was an equity
5 or a loan transaction, do you recall that?

6 A. Yes.

7 Q. And based upon what you know in this
8 case, all of the money that Tom received from the
9 trusts and invested in Fabtech were in the form of
10 loans, correct?

11 A. Well, all the monies I know about were
12 represented by notes, promissory notes, which would
13 indicate that they were loans.

14 Q. Okay. And there was never any
15 indication to you that these were intended to be
16 investments which would provide an equity interest
17 in Tom's company on behalf of anyone else?

18 MR. HOOD: That's a leading question.

19 THE WITNESS: Well, I think in various
20 conversations Tom used the term investments.
21 Whether he was using that term loosely or whether
22 he actually meant that these were investments in --
23 in his company I don't know, but I do remember him
24 using the term investments.

25 BY MR. BRUNSON:

1 Q. And are you aware that Tom has
2 substantially paid the principal amounts of the
3 loans that he took?

4 A. I know that -- I do know that I think
5 it was in '07, maybe summer or fall of '07, he did
6 make a substantial principal payment.

7 Q. Are you aware that he's paid all but
8 50,000 dollars of the principal amounts?

9 A. No.

10 Q. And are you aware that he has been and
11 remains willing to pay a full 10 percent interest
12 on the loans that he took for Fabtech?

13 A. No.

14 MR. BRUNSON: Okay. That's all I have.

15 MR. HOOD: We're waiting for the
16 payment.

17 EXAMINATION

18 BY MR. HOOD:

19 Q. Let me ask you this. This is a letter
20 dated August 31, '07. The reason I'm handing that
21 to you from Bobby Pearlman to you is I just want to
22 explain to Mr. Wilkerson over there that this
23 letter is proof positive that these three ladies
24 had no access to the Will until after their
25 mother's death because the Will was in a lockbox,

1 they couldn't get in according to the lawyer
2 Pearlman, is that right?

3 MR. HOOD: Are you listening,
4 Mr. Wilkerson?

5 MR. WILKERSON: I'm looking at what's
6 in the letter, yes, sir.

7 THE WITNESS: Does this letter need to
8 be marked as an exhibit or --

9 BY MR. HOOD:

10 Q. Yeah, let's do that, let's mark it as
11 an exhibit. It's from Bobby Pearlman. It shows
12 that two weeks before her death that the three
13 sisters had no idea what's in that Will, meaning
14 whether Mr. King's in there or not they have no
15 knowledge.

16 A. And your question again, please?

17 Q. Am I right, does that letter confirm to
18 you as it does to me that the three sisters did not
19 have access to the Will of Miss Stevenson, the Will
20 that was ultimately probated, the '96 Will?

21 MR. WILKERSON: And I haven't seen this
22 letter, I have to object to the form. I suppose he
23 can only testify that it says what it says.

24 THE WITNESS: Well, to me it doesn't
25 exactly say that, Mr. Hood. It says: It would

1 not -- accordingly, it would not be inappropriate
2 in my view for you to go to the bank, give them a
3 copy of the power-of-attorney to put in their file
4 and enter your mother's safety deposit box for the
5 purpose of determining whether or not there is a
6 Will or other estate planning documents contained
7 therein. That doesn't say necessarily that
8 somebody didn't have a copy of that Will otherwise.
9 BY MR. HOOD:

10 Q. But if the only copy of the Will was in
11 the safety deposit box, does that say that the
12 three girls don't have it?

13 MR. WILKERSON: Object to the form.

14 THE WITNESS: No, it says that they --
15 he suggests they go to the safety deposit box to
16 determine whether there's a Will in there or not so
17 there might not have been a Will in there and
18 somebody else might have had it.

19 MR. HOOD: Okay. I don't have a copy
20 for you, but we'll show you a copy before we leave.
21 Why don't we stop and let somebody else go.

22 MR. WILKERSON: Can I see the letter?

23 MR. HOOD: Yeah.

24 (PLF. EXH. 1, Letter dated 8/31/07 to
25 Kathleen Turner from Robert B. Pearlman, was marked

1 for identification.)

2 EXAMINATION

3 BY MR. WILKERSON:

4 Q. Mr. -- bear with me just a minute.

5 Mr. Carter, you've read the Last Will and Testament
6 of Thomas Stevenson which was probated at his
7 death, correct?

8 A. I have.

9 Q. I believe you read portions of it
10 earlier on in your deposition?

11 A. I did.

12 Q. And I believe you identified in that
13 earlier portion of your deposition who were the
14 beneficiaries of the so-called QTIP trust, of
15 the -- the remainder beneficiaries of the QTIP
16 trust, is that right?

17 A. That's right.

18 Q. And it was very clear as of that time
19 that Jim King was not a beneficiary of the QTIP
20 trust, was it not?

21 A. I'd have to go back and look at the
22 document.

23 Q. Here it is. You can look at it right
24 here.

25 A. Thank you. Yeah, it says that after

1 Miss Stevenson's death the assets then remaining in
2 the QTIP trust are to be paid to my children,
3 Mr. Stevenson's children, in equal shares per
4 stirpes, which would not include Mr. King.

5 Q. Okay. And that was -- they were vested
6 beneficiaries as of the death of Mr. King --
7 Mr. Stevenson, were they not?

8 A. Correct.

9 Q. Nothing that Miss Stevenson could have
10 done or not done in her Will could have changed
11 that fact?

12 A. She had no power of appointment over
13 the QTIP trust.

14 MR. WILKERSON: Thank you.

15 MR. HOOD: Just so the record's clear,
16 Mr. Brunson said that his client had paid all but
17 50,000 dollars. Actually, our records show that
18 Tom owes 242,500 dollars in principal as of today,
19 just so that's clear.

20 MR. McKNIGHT: Is that a question?

21 MR. HOOD: And over a million in
22 interest. No, that's a statement to get the record
23 straight. Okay..

24 MR. BRUNSON: No, I'm not quite done
25 yet.

1. EXAMINATION

2 BY MR. BRUNSON:

3 Q. Mr. Carter, you're familiar with the
4 duties of a person holding a power-of-attorney?

5 A. In general, yeah. They can vary as to
6 the specifics of the particular power-of-attorney.

7 Q. Would it -- bear with me just a second.
8 When a person -- testator I guess is the right
9 term, a person has prepared their Will and they're
10 no longer -- and they're incapacitated as
11 Mrs. Stevenson was towards the end of her life and
12 they have a power-of-attorney in place, is it
13 proper for that power-of-attorney to change the
14 disposition of the assets under the Will?

15 A. An agent under a power-of-attorney
16 cannot change a Will.

17 Q. Okay. Well, in this case if Mr. King
18 was a beneficiary under the marital trust but was
19 not under the QTIP trust and the power-of-attorney
20 took money out of the marital trust, a million
21 dollars, let's say, whatever amount, and moved it
22 into the QTIP trust, thereby disinheriting
23 Mr. King, would that be in keeping with the duties
24 of a person holding the power-of-attorney?

25 MR. HOOD: Are you asking about your

1 client that signed off on that?

2 THE WITNESS: Are you specifically
3 asking about the power -- Mrs. --

4 BY MR. BRUNSON:

5 Q. My client wasn't the power-of-attorney.

6 A. -- under Mrs. Stevenson's
7 power-of-attorney? Mrs. Stevenson would -- would
8 not have had any ability to move assets from one
9 trust to another so anyone holding her
10 power-of-attorney would not have that ability.

11 MR. HOOD: So only Tom could do it.

12 BY MR. BRUNSON:

13 Q. From the marital estate into the QTIP
14 trust, moving assets from the marital estate into
15 the QTIP trust, thereby disinheriting Mr. King of
16 those assets.

17 MR. BRUNSON: Mr. Hood, would you
18 please stop interrupting me while I'm asking a
19 question.

20 MR. HOOD: I'm not interrupting you, I
21 appreciate your asking the question, it's a good
22 one. I'd love the answer.

23 THE WITNESS: If I understand the
24 question, my response was those two trusts were
25 trusts under Mr. Stevenson's Will. Mrs. Stevenson

1 would not have the authority to move assets from
2 one to the other, therefore whoever held her
3 power-of-attorney would not have that authority.

4 BY MR. BRUNSON:

5 Q. And I misspoke. I'm not talking about
6 removal of trust from the -- I'm sorry, the removal
7 of assets from the marital trust. I'm talking
8 about removal of assets from Mrs. Stevenson's
9 personal estate assets. So if Mrs. --

10 A. And doing what with them?

11 Q. And moving them into the QTIP trust so
12 that the beneficiaries of the QTIP trust would get
13 more and Mr. King would get less.

14 A. Well, I'm just trying to think. I
15 mean, I've never seen that happen. What the
16 consequences of that would be, if Mrs. Stevenson
17 had taken her assets and put them into the QTIP
18 trust, she would be making an irrevocable gift at
19 that time. I mean, I guess she could have done
20 that. That would have been a pretty peculiar thing
21 to do, but if she could have done that, rightly or
22 wrongly, I guess her -- her agent,
23 power-of-attorney, would have the ability to do
24 that. Now, I think your question was more than
25 that, though.

1 Q. Yeah, my question was: If the effect
2 of doing that is to enrich the person holding the
3 power-of-attorney at the expense of another
4 beneficiary when a testator is incapacitated, is
5 that in keeping with the duties of the person
6 holding the power-of-attorney?

7 A. I think I would have to know the
8 particular circumstances, but it would be highly
9 unusual.

10 Q. Okay.

11 EXAMINATION

12 BY MR. HOOD:

13 Q. What about the trustee, Tom Stevenson,
14 doing that?

15 A. I don't know what authority Tom
16 Stevenson as trustee under his father's trust would
17 have to move assets from his mother's account if
18 that's -- if that's what the question is.

19 MR. HOOD: Okay.

20 MR. BRUNSON: I don't have anything
21 else.

22 BY MR. HOOD:

23 Q. Under the terms of the trust, did the
24 trustees have the authority to invade the corpus of
25 the trust to pay off a brokerage margin account in

1 Mrs. Stevenson's name if the money is not for the
2 care and support of Miss Stevenson?

3 A. Could I see the Will again, please?

4 MR. BRUNSON: Sure. Which one?

5 THE WITNESS: Tom Stevenson's Will.

6 Okay, I've got a copy here, thank you.

7 MR. BRUNSON: Look at Number 13.

8 THE WITNESS: What was the question
9 again, please?

10 BY MR. HOOD:

11 Q. Under the terms of the trust, did the
12 trustees have the authority to invade the corpus?

13 A. Which trust, the marital trust or the
14 QTIP?

15 Q. I think the QTIP, but let's ask the
16 question as posed, to pay off a brokerage margin
17 account in Miss Stevenson's name if the money is
18 not for the care and support of Miss Stevenson?

19 MR. BRUNSON: Object to the form.

20 THE WITNESS: Well, possibly. Section
21 7B of the marital trust says: In the event that
22 from time to time during the continuation of this
23 trust my trustee shall determine that the income to
24 my wife from all sources known to my trustee is not
25 sufficient for her proper and reasonable support

1 and comfort or in the event that from time to time
2 during the continuation of this trust my trustee
3 shall deem it necessary because of emergency,
4 sickness or other need of which my trustee shall be
5 the sole judge, my trustee shall have the authority
6 and the same is given to it in its absolute
7 discretion to pay my wife or to such person as may
8 be legally entitled to act for her so much of the
9 principal of said trust as my trustee shall deem
10 necessary and proper under the conditions and/or
11 circumstances then existing. That's pretty broad
12 authority.

13 C, 7C says: In addition to the
14 provisions with respect to encroachment set forth
15 upon Paragraph B above pursuant to the
16 ascertainable standards set forth in Paragraph B, I
17 authorize my trustee to pay to my wife during her
18 life such portion of the -- of the marital trust as
19 she may request in writing, not to exceed the
20 greater of 25,000 dollars or 5 percent.

21 I don't know what the amount of the
22 margin account was, but I think that there are
23 pretty broad powers to the trustee to make
24 principal payments out of the marital trust to or
25 on the behalf of Mrs. Stevenson. Now, let me look

1 at the other trust.

2 The other trust, the QTIP trust, says
3 Item 9A(ii), in the event that from time to time
4 during the continuation of this trust my trustee
5 shall determine that the income of my wife from all
6 sources known to my trustee is not sufficient for
7 her proper and reasonable comfort and support or --
8 or in the event that from time to time during the
9 continuation of this trust my trustee shall deem it
10 necessary because of emergency, sickness or other
11 need of which my trustee shall be the sole judge,
12 my trustee shall have the authority and the same is
13 given to it in its absolute discretion to pay to my
14 wife Jacquelin or to such person as may be legally
15 entitled to act for her so much of the principal of
16 said trust as my trustee shall deem necessary and
17 proper under the conditions and/or circumstances
18 then existing.

19 So both trusts have fairly -- give
20 fairly broad discretion for principal payments to
21 the trustee. So it's possible that payment of a
22 margin account in Miss Stevenson's name might be
23 permitted.

24 MR. HOOD: Okay.

25 MR. BRUNSON: Does -- can I ask a

1 question while you're thinking? Under Section B --

2 THE WITNESS: Let's let one of them get
3 through and then -- you guys -- you guys are going
4 to have to buy me lunch or dinner or something if
5 this goes on much longer.

6 BY MR. HOOD:

7 Q. A follow-up question -- follow-up
8 question after reading those two provisions, is
9 paying a brokerage account contributing to her care
10 and support?

11 A. Yeah, I think --

12 MR. WILKERSON: Object to the form.

13 THE WITNESS: -- it could be
14 depending -- depending on what the circumstances is
15 and the exact terms of the -- of the document might
16 be interpreted to be -- to encompass that.

17 MR. HOOD: Okay, thank you.

18 EXAMINATION

19 BY MR. BRUNSON:

20 Q. Under Section B of Mr. Stevenson's Will
21 where he establishes the powers of the executors
22 and trustees, enumerated Power Number 4, it's on
23 Page 16, does that power relate to the issue of
24 whether the trustees had the power to pay off a
25 margin account?

1 A. Well, I mean, this is -- I'm not sure
2 that it does because this to me speaks to what the
3 trustees could do with trust assets for the trust,
4 not for beneficiaries as such.

5 Q. Okay. Does this particular provision
6 empower a trustee to invest in notes?

7 MR. HOOD: What kind of notes?

8 THE WITNESS: Would you ask the
9 question again?

10 BY MR. BRUNSON:

11 Q. Does this power, Number 4 that you're
12 looking at there, does it empower the trustees to
13 invest in, among other things, notes?

14 A. Yes, specifically says: Among other
15 things, notes. That's obviously subject to the
16 general law and fiduciary duty.

17 Q. Right.

18 MR. BRUNSON: Okay.

19 EXAMINATION

20 BY MR. HOOD:

21 Q. Which in this case were breached by Dan
22 and Tom, correct?

23 MR. McKNIGHT: Object to the form.

24 BY MR. HOOD:

25 Q. Correct?

1 A. I think in the matters we've been
2 talking about that they did not properly carry out
3 their fiduciary duty.

4 MR. HOOD: Thank you. Okay. That
5 concludes the deposition. Thank you very much.

6 MR. McKNIGHT: I've got a couple
7 questions, saved it for the very end.

8 EXAMINATION

9 BY MR. McKNIGHT:

10 Q. Heyward, in your letter of July 26 to
11 me --

12 MR. HOOD: I didn't think he had any.

13 THE WITNESS: I didn't think he had any
14 either.

15 BY MR. McKNIGHT:

16 Q. In your letter of July 26 --

17 MR. McKNIGHT: I think I have standing
18 here today.

19 BY MR. McKNIGHT:

20 Q. In your letter of July 26, 2007 which
21 is an exhibit to this deposition, I don't know
22 which it is, but there are three things that you
23 requested of Dan through me. One was that Dan
24 provide a list for all bank accounts, brokerage
25 accounts and any other accounts or liquid or

1 semiliquid funds or other assets of his mother of
2 which he was aware. To your knowledge was that
3 complied with, Item Number 2?

4 A. I don't know whether it was complied
5 with or not. I was really acting as sort of an
6 intermediary of the other people at that meeting,
7 which as I recall you had left.

8 Q. And Number 3, Kathleen and Genevieve
9 request that Dan resign as joint attorney-in-fact
10 for his mother, was that complied with?

11 A. I believe it was. I believe that Dan
12 did soon after that resign.

13 MR. McKNIGHT: Thank you.

14 MR. HOOD: Okay, we conclude the
15 deposition.

16 (WHEREUPON, the proceedings concluded
17 at 5:30 PM.)
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1 SIGNATURE OF DEPONENT

2 I, the undersigned, T. HEYWARD CARTER,
3 JR., do hereby certify that I have read the
4 foregoing deposition and find it to be a true and
5 accurate transcription of my testimony, with the
6 following corrections, if any:

7
8 PAGE LINE CHANGE REASON

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T. HEYWARD CARTER, JR.

Date

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1 CERTIFICATE OF REPORTER

2 I, Terri L. Brusseau, Registered
3 Professional Reporter and Notary Public for the
4 State of South Carolina at Large, do hereby certify
5 that the foregoing transcript, Pages 1 through 224,
6 is a true, accurate, and complete record.

7 I further certify that I am neither
8 related to nor counsel for any party to the cause
9 pending or interested in the events thereof.

10 Witness my hand, I have hereunto
11 affixed my official seal this 16th day of October,
12 2008 at Charleston, Charleston County, South
13 Carolina.

14

15

16

17

18 Terri L. Brusseau,
Registered Professional Reporter,
Certified Realtime Reporter
19 My Commission expires
March 24, 2016.

20

21

22

23

24

25

1	I N D E X		
		Page	Line
2	T. HEYWARD CARTER, JR.	4	11
	EXAMINATION	4	13
3	BY MR. BRUNSON		
	EXAMINATION	169	17
4	BY MR. HOOD		
	EXAMINATION	194	14
5	BY MR. WILKERSON		
	EXAMINATION	201	7
6	BY MR. BRUNSON		
	EXAMINATION	203	17
7	BY MR. HOOD		
	EXAMINATION	206	2
8	BY MR. WILKERSON		
	EXAMINATION	208	1
9	BY MR. BRUNSON		
	EXAMINATION	211	11
10	BY MR. HOOD		
	EXAMINATION	215	18
11	BY MR. BRUNSON		
	EXAMINATION	216	19
12	BY MR. HOOD		
	EXAMINATION	217	8
13	BY MR. MCKNIGHT		
	CERTIFICATE OF REPORTER	220	1
14	E X H I B I T S		
15	DFT. EXH. 1, Letter dated	7	24
16	5/10/91 to Mrs. Jacquelin K.		
	Stevenson from T. Heyward		
17	Carter, Jr.		
	DFT. EXH. 2, Memorandum dated	10	11
18	7/8/91 to Edward from Heyward		
	DFT. EXH. 3, First Codicil To	14	4
19	Last Will and Testament of		
	Thomas C. Stevenson		
20	DFT. EXH. 4, Memorandum dated	17	20
	7/30/91 to Henry Buist from		
21	Heyward Carter and Edward		
	Bennett		
22	DFT. EXH. 5, Probate Court	21	16
	First and Final Accounting		
23	DFT. EXH. 6, Memorandum dated	24	4
	8/7/91 to Henry Buist from		
24	Heyward Carter, with attached		
	Promissory Note		
25	DFT. EXH. 7, Handwritten	26	15

1	document dated 11/12/91		
2	DFT. EXH. 8, Letter dated 12/11/91 to Norman W. Stevenson from T. Heyward Carter, Jr.	30	9
3	DFT. EXH. 9, Letter dated 6/8/93 to Mr. Norman Stevenson from Henry Buist	32	1
4	DFT. EXH. 10, Handwritten document dated 7/13/95	33	21
5	DFT. EXH. 11, Promissory Note	36	4
6	DFT. EXH. 12, Document entitled Notes to Jacquelin Stevenson, with attached Fax Transmittal dated 11/9/93 to T. Heyward Carter from Henry Buist	38	17
7	DFT. EXH. 13, Memorandum dated 12/1/93 to Heyward Carter from Henry Buist, with attachment	42	18
8	DFT. EXH. 14, Letter dated 12/22/93 to Mr. Thomas C. Stevenson, III from Jacquelin K. Stevenson	43	21
9	DFT. EXH. 15, Handwritten document dated 7/24/96	44	19
10	DFT. EXH. 16, Handwritten document dated 10/17/96	46	22
11	DFT. EXH. 17, Last Will and Testament of Jacquelin K. Stevenson	46	24
12	DFT. EXH. 18, Letter dated 10/21/96 to Mrs. Jacquelin K. Stevenson from T. Heyward Carter, Jr.	51	1
13	DFT. EXH. 19, Memorandum dated 8/3/98 to Dan Stevenson and Tom Stevenson from Heyward Carter, with attachments	51	23
14	DFT. EXH. 20, Inter-Office Memorandum dated 5/4/99 to File from THC, Jr.	53	3
15	DFT. EXH. 21, Detail Transaction File List	58	16
16	DFT. EXH. 22, Handwritten document dated 11/9/00	60	2
17	DFT. EXH. 23, Handwritten document dated 12/20/00	65	4
18	DFT. EXH. 24, Christ	75	11

1	School/Ashley Hall document		
	DFT. EXH. 25, Handwritten	76	11
2	document dated 12/26/00		
	DFT. EXH. 26, Handwritten	77	14
3	document dated 1/5/01		
	DFT. EXH. 27	78	9
4	DFT. EXH. 27 (REMARKED),	78	20
	Letter dated 1/9/01 to Mrs.		
5	Kathleen S. Turner, Mrs.		
	William A. Bennett, Mr. Thomas		
6	C. Stevenson, III and Mr.		
	Daniel R. Stevenson from T.		
7	Heyward Carter, Jr.		
	DFT. EXH. 28, Message	89	2
8	Confirmation dated 10/12/01,		
	with attachments		
9	DFT. EXH. 29, Westlaw document	90	6
	DFT. EXH. 30, Facsimile	97	18
10	Transmittal dated 10/8/01 to		
	Heyward Carter from Lynne		
11	Kerrison, with attachments		
	DFT. EXH. 31, Letter dated	104	3
12	11/29/01 to Mr. Daniel R.		
	Stevenson Mr. Thomas C.		
13	Stevenson from T. Heyward		
	Carter, Jr., III		
14	DFT. EXH. 32, Letter dated	115	17
	5/24/02 to Evans, Carter,		
15	Kunes & Bennett, PA from Susan		
	Studebaker		
16	DFT. EXH. 33, Letter dated	115	20
	8/20/02 to Ms. Susan		
17	Studebaker fro T. Heyward		
	Carter, Jr.		
18	DFT. EXH. 34, Letter dated	115	23
	9/24/02 to Ms. Susan		
19	Studebaker from T. Heyward		
	Carter, Jr.		
20	DFT. EXH. 35, Letter dated	118	8
	11/25/02 to Mr. Thomas C.		
21	Stevenson, III and Mr. Daniel		
	R. Stevenson from T. Heyward		
22	Carter, Jr.		
	DFT. EXH. 36, Letter dated	124	12
23	1/14/03 to William Howell		
	Morrison from T. Heyward		
24	Carter, Jr.		
	DFT. EXH. 37, Letter dated	126	14
25	1/22/03 to T. Heyward Carter,		

1	Jr. from Wm. Howell Morrison		
2	DFT. EXH. 38, Memo re	132	12
3	conference with Mrs. Jacquelin		
4	Bennett 2/18/06 from THC, Jr.		
5	DFT. EXH. 39, Durable Power of	133	16
6	Attorney		
7	DFT. EXH. 40, E-mail dated	137	19
8	3/23/06 to Lynne Kerrison from		
9	T. Heyward Carter, with		
10	attachment		
11	DFT. EXH. 41, E-mail dated	140	15
12	3/23/06 to Linda Newton from		
13	T. Heyward Carter		
14	DFT. EXH. 42, Letter dated	142	18
15	3/28/06 to Mr. Daniel R.		
16	Stevenson, II and Mr. Thomas		
17	C. Stevenson, III from T.		
18	Heyward Carter, Jr.		
19	DFT. EXH. 43, Letter dated	147	11
20	4/19/06 to Mr. Thomas C.		
21	Stevenson, III from T. Heyward		
22	Carter, Jr.		
23	DFT. EXH. 44, E-mail chain	151	23
24	dated 1/28/08		
25	DFT. EXH. 45, E-mail chain	153	2
26	dated 6/2/06 to Andrew W.		
27	Chandler from Rae Williams		
28	DFT. EXH. 46, E-mail dated	154	12
29	11/17/06 to T. Heyward Carter		
30	from T. Heyward Carter		
31	DFT. EXH. 47, Letter dated	156	15
32	5/1/07 to Beneficiaries from		
33	John B. Hagerty, with		
34	attachment		
35	DFT. EXH. 48, Letter dated	160	14
36	7/26/07 to Mark W. McKnight		
37	from T. Heyward Carter, Jr.		
38	DFT. EXH. 49, Letter dated	164	4
39	7/27/07 to Thomas E. McCutchen		
40	from T. Heyward Carter, Jr.		
41	DFT. EXH. 50, Letter dated	165	6
42	1/7/02 to Lynne L. Kerrison		
43	from T. Heyward Carter, Jr.,		
44	with attachments		
45	PLF. EXH. 1, Letter dated	205	24
46	8/31/07 to Kathleen Turner		
47	from Robert B. Pearlman		
48			
49			

FIRST CODICIL
TO
Last Will and Testament

OF
THOMAS C. STEVENSON

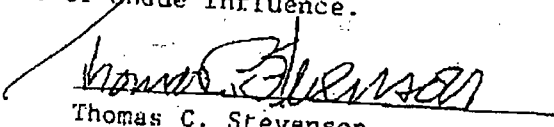
I, THOMAS C. STEVENSON, a resident of the City of Charleston, State of South Carolina, being of sound and disposing mind, do hereby make, publish and declare this instrument to be the first Codicil to my Last Will and Testament dated February 5, 1985, hereby ratifying and confirming and republishing my aforesaid Will:

I amend Article IV of my Will by adding sub-paragraph f.

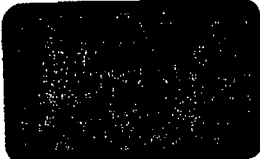
f. To my stepson, JAMES KELLEY KING, if he shall survive me, the sum of \$50,000.00 to be paid as soon as practical during the administration of my estate.

I amend Article XI by removing JAMES C. BOYD, ESQUIRE, as a trustee.

I, THOMAS C. STEVENSON, the testator, sign my name to this instrument this 14th day of April, 1988, and being first duly sworn, do hereby declare to the undersigned authority that I sign and execute this instrument as my last Will and that I sign it willingly (or willingly direct another to sign for me), that I execute it as my free and voluntary act for the purposes therein expressed, and that I am eighteen years of age or older, of sound mind, and under no constraint or undue influence.


Thomas C. Stevenson

Page One of Two



We, Landra C. Boothe and Norman W. Stevenson, the witnesses, sign our names to this instrument, being first duly sworn, and do hereby declare to the undersigned authority that the testator signs and executes this instrument as his last Will and that he signs it willingly (or willingly directs another to sign for him), and that each of us, in the presence and hearing of the testator, hereby signs this Will as witness to the testator's signing, and that to the best of our knowledge the testator is eighteen years of age or older, of sound mind, and under no constraint or undue influence.

Landra C. Boothe
Witness
Norman W. Stevenson
Witness

The State of South Carolina
County of Charleston

Subscribed, sworn to, and acknowledged before me by THOMAS C. STEVENSON, the testator, and subscribed and sworn to before me by Landra C. Boothe and Norman W. Stevenson: witnesses, this 14th day of April, 1988.

Tharion J. Compton
Notary Public
My commission expires:

Notary Public, South Carolina State at Large
My Commission Expires May 20, 1991

Page Two of Two

STATE OF SOUTH CAROLINA)
COUNTY OF CHARLESTON)

LAST WILL AND TESTAMENT OF
THOMAS C. STEVENSON

I, Thomas C. Stevenson, a resident and domiciliary of Charleston County, State of South Carolina, do make, publish and declare this to be my Last Will and Testament, hereby revoking all other wills and codicils by me at any time heretofore made.

ITEM I: I direct that all of my debts due and owing, expenses incurred in the administration of my Estate, and funeral expenses, including the costs of a suitable memorial, be paid as a cost of administration of my Estate, as soon as practicable after my death, out of, and shall be a charge against, the assets allocated or to be allocated to that Trust established under the provisions of ITEM IX hereinbelow.

ITEM II: I direct that all estate taxes, if applicable, that shall be payable by reason of my death, whether or not the property passes under this Will or otherwise, shall be paid out of, and shall be a charge against, the assets distributed pursuant to ITEM IV, first, ITEM III, second, and thereafter, if appropriate, to my residuary estate disposed of under the provisions of ITEM IX.

ITEM III: I give and bequeath to my wife, Jacquelin K. Stevenson, (and wherever hereinafter I mention my wife, or "Jacquelin", I mean her) if she shall survive me, all of the

articles of tangible personal property, as distinguished from cash and securities, that I may own at the time of my death, including without limitation by the reference thereto all books, paintings, clothing, automobile or automobiles and similar property, and all insurance policies thereon, and should she have died before me then to my children, in shares of substantially equal value to be divided as they shall agree, or if they shall fail to agree within six (6) months after the date of my death as my Executor shall determine.

ITEM IV: I give and bequeath:

- 1-25
- A. To my daughter, Jacquelin S. Bennett, if she shall survive me, the sum of One Hundred Thousand (\$100,000.00) Dollars to be paid Fifty Thousand (\$50,000.00) Dollars as soon as practicable during the administration of my estate and Fifty Thousand (\$50,000.00) Dollars upon final distribution or at the date of funding of the trusts provided for herein.
 - B. To my daughter, Genevieve S. Felder, if she shall survive me, the sum of One Hundred Thousand (\$100,000.00) Dollars to be paid Fifty Thousand (\$50,000.00) Dollars as soon as practicable during the administration of my estate and Fifty Thousand (\$50,000.00) Dollars upon final distribution or at the date of funding of the trusts provided for herein.
 - C. To my son, Daniel R. Stevenson, if he shall survive me, the sum of One Hundred Thousand (\$100,000.00) Dollars

to be paid Fifty Thousand (\$50,000.00) Dollars as soon as practicable during the administration of my estate and Fifty Thousand (\$50,000.00) Dollars upon final distribution or at the date of funding of the trusts provided for herein.

- 163
- D. To my son, Thomas C. Stevenson, III, if he shall survive me, the sum of One Hundred Thousand (\$100,000.00) Dollars to be paid Fifty Thousand (\$50,000.00) Dollars as soon as practicable during the administration of my estate and Fifty Thousand (\$50,000.00) Dollars upon final distribution or at the date of the funding of the trusts provided for herein.
- E. To my daughter, Kathleen S. Turner, if she shall survive me, the sum of One Hundred Thousand (\$100,000.00) Dollars to be paid Fifty Thousand (\$50,000.00) Dollars as soon as practicable during the administration of my estate and Fifty Thousand (\$50,000.00) Dollars upon final distribution or at the date of funding of the trusts provided for herein.

I direct that the above cash bequests shall be paid without interest.

ITEM V: I give and devise to my wife, Jacquelin, any interest which I may own in the premises occupied by us as our principal place of residence at the time of my death, whether

those premises be at Meeting Street, Charleston, South Carolina, or a home to which we later move. In the event that the property passing to my wife; pursuant to this ITEM V, shall be subject to a mortgage or other encumbrance at the time of my death, I direct my Executor to discharge any mortgage or other encumbrance, together with accrued installments of principal and interest, out of my residuary estate disposed of under ITEM IX hereunder so that such property shall pass to my wife, Jacquelin, free and clear of any such mortgage or other encumbrance. I do not make any reference to household furniture and furnishings in that such tangible personal property is owned by my wife, Jacquelin.

165
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ITEM VI: I give, devise and bequeath all right, title and interest which I may have in and to any and all oil, gas and other mineral properties and interests therein which may belong to me or be subject to my disposal at the time of my death, together with all physical or tangible personal property used in connection with the operation of such property and interests, including but not being limited to the following such interests in oil, gas or any other mineral properties: leases, leasehold interests, royalties, overriding royalties, term royalties, payments, payments out of production, options, net profit interests, rentals, delay rentals, bonuses, joint ventures, syndicates, co-owners' groups, partnerships, and all other oil, gas and mineral properties and interests of whatsoever kind

whether the same shall be considered as real property or personal property under the applicable law of any state or country (but excluding shares of stock, bonds, notes, debentures or other securities issued by any corporation which I direct shall be disposed of as a part of my general estate) to my wife, Jacquelin, or if she shall predecease me to my children, as tenants-in-common, or to the survivor thereof, if me surviving.

ITEM VII: If my wife, Jacquelin, survives me, I give, devise and bequeath to my Trustee hereinafter named an amount equal to one-half of my adjusted gross estate as finally determined for Federal estate tax purposes, undiminished by any estate, inheritance, transfer, legacy or succession taxes or death duties, either state or federal, but reduced by the aggregate value, as finally determined for Federal estate tax purposes, of any interests and property, if any, which pass to my said wife under ITEMS III, V and VI of this Will, or which shall pass to my said wife or for her benefit other than under this Will, by operation of law, through life insurance policies, or otherwise, but only to the extent that such interests and property are allowable as a marital deduction for Federal estate tax purposes.

This bequest shall be referred to in this Will as the "Marital Bequest" and the "Jacquelin K. Stevenson Marital Trust". If my wife does not survive me, the property otherwise included under this ITEM shall be added to my residuary estate.

My Executor may make distributions to my Trustee of the Marital Bequest in cash or in kind, or partly in cash and partly in kind. If distribution is made in kind, assets shall be selected which my Executor deems advisable and appropriate, but only assets which qualify for the Federal Estate Tax marital deduction shall be selected for distribution to the Marital Bequest; and the assets so selected shall be valued, for the purpose of determining the extent to which this Marital Bequest shall have been satisfied, at their values as finally determined for Federal Estate Tax purposes, provided, however, that my Executor shall apportion to the Marital Bequest assets, including cash, fairly representative of appreciation or depreciation in the value of all property thus available for distribution.

145
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This Will shall be construed in a manner which shall permit the provisions of this ITEM and the property given under this ITEM to qualify for the full marital deduction specified above for Federal Estate Tax purposes, and my Fiduciaries shall exercise the powers conferred with respect to the selection and distribution of assets under this ITEM and all other powers given my Fiduciaries in a manner consistent with that construction.

My wife may disclaim her interest in the Marital Bequest in whole or in part not later than nine (9) months, or such shorter period of time permitted by law, viz., Section 2518(b) of the Code, following the date of my death. If my wife disclaims in

whole or in part, such disclaimer shall result in the property in which she disclaims her interest being added to and held as part of the residuary trust created under ITEM IX.

My Trustee shall hold, administer, and distribute the Jacquelin K. Stevenson Marital Trust upon the following trusts, limitations, and conditions, that is to say:

(a) To invest, reinvest and keep invested the same and to pay the net income arising from such investments or reinvestments to or for the benefit of my wife for the term of her natural life, such income to be paid in monthly or quarterly installments or at such other times as my wife and my Trustee shall agree upon, but not less frequently than annually.

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(b) In the event that from time to time during the continuation of this trust my Trustee shall determine that the income of my wife from all sources known to my Trustee, is not sufficient for her proper and reasonable support and comfort, or in the event that from time to time during the continuation of this trust my Trustee shall deem it necessary because of emergency, sickness or other need, of which my Trustee shall be the sole judge, my Trustee shall have the authority and the same is given to it in its absolute discretion, to pay to my wife, or to such person as may be legally entitled to act for her so much of the principal of said trust as my Trustee shall deem necessary

and proper under the conditions and/or circumstances then existing.

(c) In addition to the provisions with respect to encroachment set forth under paragraph (b) above pursuant to the ascertainable standards set forth in paragraph (b) above, I hereby authorize and direct my Trustee to pay to my wife during her life such portion of the Jacquelin K. Stevenson Marital Trust as she may from time to time or at any time request in writing, such amount not to exceed in any calendar year the greater of (i) Twenty-Five Thousand (\$25,000) Dollars or (ii) five (5%) percent of the value of the principal of the Jacquelin K. Stevenson Marital Trust determined as at the end of the year.

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(d) Upon the death of my wife, Jacquelin, my Trustee shall pay over what remains of the principal of the Jacquelin K. Stevenson Marital Trust, together with all income from said trust at that time in its hands and undistributed, to such person or corporation and to the estate of my wife in such proportions and for such estate or estates, legal or equitable, as may be specified in my wife's last will, whether executed before or after my death, free and clear of this trust.

My wife is empowered hereby, if she shall so desire, to appoint any part or the whole of the principal of the Jacquelin K. Stevenson Marital Trust, and any income in the hands of my

Trustee at the time of her death, by will in favor of her estate or any other person or corporation in whole or in part and such power of appointment shall be exercisable by her alone and in all events. In the event that she fails to exercise the foregoing general power of appointment or exercises only partially, or to the extent that any attempted appointment shall be ineffective, whatever remains unappointed of said Jacquelin K. Stevenson Marital Trust, whether principal or income not heretofore disposed of as hereinabove provided, shall, upon the death of my wife, be distributed in accordance with ITEM IX.

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ITEM VIII: I give, devise and bequeath unto my Children, in equal shares, per stirpes, an amount equal to the largest amount, if any, that can pass free of Federal estate taxes under this Will by reason of the Unified Federal Estate and Gift Tax Credit but no other credit available for Federal Estate and Gift Tax purposes, reduced by (i) the amount as finally determined for Federal estate tax purposes of property passing pursuant to previous Items of this, my Will, regardless of the beneficiary thereof, but only to the extent such property is includable in my taxable estate for Federal estate tax purposes, specific reference thereto being the bequests made in ITEM IV; and (ii) the amount as finally determined for Federal estate tax purposes of all property passing outside of this, my Will, by operation of law, through life insurance policies or otherwise, regardless of the beneficiary thereof, but only to the extent such property is

includable in my taxable estate for Federal estate tax purposes; such amount to be reduced by all state estate taxes which may be owed by reason of my death. For the purpose of establishing such amount, the values finally fixed in the Federal Estate Tax proceeding relating to my Estate shall be used.

ITEM IX: All the rest, residue and remainder of my estate of whatsoever nature or description, whether real, personal or mixed, of which I may die seized or possessed, or of, in or to which I may at the time of my death have any right, title, claim, interest, demand or estate, whether legal or equitable, or over which I may have any power of appointment, after the payment therefrom of all taxes and expenses as hereinabove mentioned in ITEMS I and II hereof, which rest, residue and remainder will include, should my wife, Jacquelin, have died before me, the assets referred to in ITEMS V, VI and VII above, all of which property and estate is referred to as my residuary estate, I dispose of as follows:

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(a) If my wife, Jacquelin, survives me, to my Trustee, hereinafter named, to be held, administered and disposed of by my said Trustee, upon the following trusts, limitations and conditions, that is to say:

(i) To invest, reinvest and keep invested the same and to pay the net income arising from such investments or

reinvestments to or for the benefit of my wife, Jacquelin, for the term of her natural life, such income to be paid in monthly or quarterly installments or at such other times as my wife, Jacquelin, and my Trustee shall agree upon, but not less frequently than annually.

(ii) In the event that from time to time during the continuation of this trust my Trustee shall determine that the income of my wife from all sources known to my Trustee, is not sufficient for her proper and reasonable support and comfort, or in the event that from time to time during the continuation of this trust my Trustee shall deem it necessary because of emergency, sickness or other need, of which my Trustee shall be the sole judge, my Trustee shall have the authority and the same is given to it in its absolute discretion, to pay to my wife, Jacquelin, or to such person as may be legally entitled to act for her so much of the principal of said trust as my Trustee shall deem necessary and proper under the conditions and/or circumstances then existing.

(iii) Upon the death of my wife, Jacquelin, the Trust shall be distributed as follows:

(A) In the event that there shall exist as of the date of distribution, two or more classes of capital

stock of Industrial Welding Supplies, Inc., or any successor entity thereto whether by reason of reorganization or otherwise ("IWS") consisting of both common shares, being of one or more classes ("Common Shares"), and preferred shares, being of one or more classes ("Preferred Shares"), the Common Shares shall be distributed to my sons, Daniel R. Stevenson and Thomas C. Stevenson, III, in equal shares, or the survivor thereof; provided, in the event that neither shall be alive as of the date of distribution hereunder, then to my children, in equal shares, per stirpes.

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- (B) My Trustee shall pay over what remains of the principal of the Trust, together with all income from said Trust at that time in its hands and undistributed, including the Preferred Shares, if any, to my children, in equal shares, per stirpes, subject to the following:

I direct that my Trustee shall, in order to provide for as nearly an equal distribution to my children as possible, per stirpes, take into account the value of the distributions to my sons, Daniel R. Stevenson and Thomas C. Stevenson, III,

or the survivor thereof, of the Common Shares under (A) above, viz., my Trustee shall aggregate the value of the distributions to be made under (A) and (B) and shall charge my sons', or the survivor's, distributive share under (B) by the value of the distribution under (A), and if the value of the distribution to my sons, Daniel R. Stevenson and Thomas C. Stevenson, III, or the survivor thereof, under (A) exceeds their proportionate share of the distributions to be made to them under (B), then they shall not be entitled to any further distribution under (B) and shall be specifically excluded from the distributions thereunder.

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- (C) In the event that as of the date of distribution there shall exist with respect to IWS only Common Shares outstanding, there shall be distributed to my sons, Daniel R. Stevenson and Thomas C. Stevenson, III, or the survivor thereof, an amount of stock of IWS, if applicable, when taking into account stock of IWS owned outright by them in the aggregate, as would give to them, or the survivor thereof, voting control of IWS. For purposes hereof, voting control shall be deemed to be at least fifty-one (51%) percent of the issued and

outstanding voting shares of IWS, or at least fifty-one (51%) percent of the issued and outstanding shares owned by the Thomas C. Stevenson family (the "Stevenson Family") as determined in accordance with the attribution rules of Section 318 of the Internal Revenue Code of 1954, as amended, or any successor provision, in the event IWS shall have been reorganized and the Stevenson Family shall control less than one hundred (100%) percent of IWS. My Trustee shall pay over what remains of the principal of the Trust, together with all income from said Trust at that time in its hands and undistributed, in accordance with paragraph (B) above.

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(b) In the event that my wife, Jacquelin, shall have predeceased me, my residuary estate shall be distributed to my children in equal shares, per stirpes, subject to the provisions of (a)(iii)(A), (B) and (C) above.

ITEM X: I nominate, constitute and appoint as Executor of this my Will and my estate, my wife, Jacquelin K. Stevenson, and my brother, Norman W. Stevenson, to serve without bond. In the event that my wife shall have predeceased me or for any reason shall not qualify or having qualified fail to conclude the

administration of my estate, then I nominate, constitute and appoint as sole Executor my brother, Norman W. Stevenson, to serve without bond.

ITEM XI: I nominate, constitute and appoint as Trustees of the trusts created pursuant to ITEM VII and ITEM IX my brother, Norman W. Stevenson, my sons, Daniel R. Stevenson and Thomas C. Stevenson, III, Henry Buist and James G. Boyd, Esquire, to serve without bond.

SECTION B, ADMINISTRATIVE PROVISIONS

ITEM B-I. I give to my Executors and to my Trustees the fullest and most complete powers that may be exercised by such fiduciaries under the laws of the State of South Carolina from time to time in effect, and without limiting the generality of the foregoing and by way of illustration and not of limitation, and the powers hereinafter specifically set forth. Wherever in the enumeration of the following powers, or elsewhere herein, the singular neuter is used, it shall be deemed to embrace the masculine, feminine and plural where appropriate and the masculine shall be deemed to embrace the feminine and the feminine the masculine. These powers shall be exercisable by any surviving or substituted or successor fiduciary.

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(1) To retain any such property without regard to the proportion such property or similar property held may bear to the entire amount held;

(2) To sell any such property upon such terms and conditions as may be deemed proper, at public or private sale, on credit for such period of time as may be deemed proper or for cash, or partly on credit and partly for cash, and the purchaser of such property shall have no obligation to see to the use or application of the proceeds of sale; to exchange, mortgage, pledge or otherwise encumber any such property upon such terms and conditions as may be deemed advisable; to grant options for any of the foregoing;

(3) To make any lease or sublease of any such property for such period of time and to include therein any covenants or options for renewal as may be deemed proper;

(4) To invest and reinvest in and to acquire by exchange property of any character, foreign or domestic, or interest or participations therein, including by way of illustration but not of limitation, real property, mortgages, bonds, notes, debentures, certificates of deposit, capital, common and preferred stocks, and shares or interest in investment trusts and mutual funds;

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(5) To retain and in addition to invest and reinvest in and to acquire by exchange interest in oil, gas or mineral properties of any character, real or personal, including by way of illustration but not of limitation, oil, gas or mineral royalties, leases or leasehold interests, working interests, production payments, contracts, net profits interests, interests in any joint ventures, syndicates, partnerships or co-owners' groups, and any other interest in oil, gas or minerals whether or not of the same kind as the foregoing;

(6) To enter into pooling, unitization, repressurization and any other type of agreement relating to the exploitation, development, operation and conservation of any oil, gas or other mineral properties or interests therein to expend from principal such amounts as may be deemed advisable for the exploitation, development, operation and conservation of any oil, gas or other mineral properties or interest therein and in connection therewith or otherwise to join with others and in joint ventures.

syndicates, coowners' groups and partnership for the exploitation, development, operation and conservation thereof, and in making such repairs, alterations, improvements and replacements as may be deemed advisable; and to join with the other owners in the selection of an operation and the delegation to such operator of any and all of the authority, rights, powers and duties which any individual owner can delegate to such operator, and to designate one or more persons, or a bank or trust company or any corporation as attorney-in-fact in any state or states, and to grant such attorney-in-fact such authorities, rights, powers and duties as may be deemed advisable;

(7) To act in any jurisdiction where permitted by law to do so, or to designate one or more persons, or a bank or trust company to be ancillary executors or trustees, as the case may be, in any jurisdiction in which ancillary administration may be necessary; and to negotiate and determine the compensation to be paid to any such ancillary executor or ancillary trustee whether or not any compensation would otherwise be authorized by law; and I hereby nominate, constitute and appoint the ancillary trustee or trustees so designated and direct that they shall not be required to furnish bond or security for the faithful performance of their duties in such state; and I hereby grant to my ancillary executors and trustees with respect to any and all property subject to administration by them all of the powers, authorities and discretions granted in this Item of my Will, provided, however, that such action as may require the investment of additional funds or the assumption of additional obligations shall not be undertaken without the written consent of my domiciliary fiduciary or fiduciaries;

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(8) To participate in and consent to any plan of reorganization, consolidation, merger, combination, dissolution, recapitalization, liquidation or similar plan and any action thereunder, including without limitation by the specification thereof, the deposit of any property with any protective, reorganization or similar committee, the delegation of discretionary powers thereto, the sharing in the payment of its expenses and compensation and the payment of any assessments levied with respect to such property; and to receive and retain property under any such plan;

(9) To exercise all conversions, subscriptions, voting and other rights of whatsoever nature pertaining to any such property, and to grant proxies, discretionary or otherwise, with respect thereto;

(10) To borrow at any time and from time to time from any person or corporation (including any fiduciary acting hereunder, provided, however, that such borrowing does not constitute selfdealing) for such periods of time and upon such terms and conditions as may be deemed proper such sums of money as may be deemed necessary or advisable, and to secure such loans by the pledge or hypothecation of any property held hereunder and the decision with respect thereto shall be conclusive on all persons interested hereunder;

(11) To register and hold any property of any kind, whether real or personal, at any time held hereunder in the name of a nominee or nominees and to hold any such personal property in any State and to take and keep any stocks, bonds, or other securities unregistered or in such condition as to pass by delivery;

(12) To extend the time for payment of any claim or obligation; and to abandon, settle, compromise, renew, modify, release, adjust or submit to arbitration in whole or in part and without the order or decree of any court any and all claims or obligations whether the same shall increase or decrease the value or aggregate of the property held hereunder;

(13) In distributing any property held hereunder, in the exercise of absolute discretion to transfer and pay over the same in kind (at market value unless otherwise directed herein) or in cash, or partly in kind and partly in cash, and as to any property transferred and paid over to any beneficiary without any obligation to make proportionate distributions and without regard to whether or not all beneficiaries receive property having an equivalent basis for Federal income tax purposes;

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(14) To decide with absolute discretion whether executors' commissions, attorneys' fees and other administration expenses in my estate shall be taken as estate tax or income tax deductions, and the determination in this respect shall be final and conclusive upon all persons interested hereunder whether or not the amount of their respective interests or shares is thereby affected; provided, however, that adjustments between principal and income may, in the exercise of absolute discretion, be made if deemed advisable;

(15) To convey or exchange upon such terms and conditions as may be deemed proper any real property or interest therein held hereunder to any corporation or partnership, whether general or limited, or to any real estate investment trust formed or to be formed, and to receive in payment therefor stocks, bonds and other securities whether or not of the same kind of such corporation or any interest in such partnership or real estate investment trust;

(16) To manage any real property or interest therein held hereunder in such manner as shall be deemed advisable; to vacate and abandon the same; to adjust boundaries thereon; to demolish any buildings or improvements thereon; to grant easements thereon; to subdivide and sell or lease the same subject to any covenants; to partition and to pay any sums necessary for equality of partition; to perfect the title thereof; from time to time to expend from principal or income or both such amounts as shall be deemed advisable for the maintenance or repair of any such real property or interest therein, or any buildings or improvements thereon, and to expend from principal such amounts as shall be deemed advisable for the development, alteration or improvement of the same or for the erection of any buildings or improvements thereon; and to determine whether or not to establish any reserves for depreciation of any buildings or improvements thereon;

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(17) To renew, extend, subordinate or replace or to participate in the renewal, extension, subordination or replacement of any mortgage or any lease upon such terms as may be deemed advisable; to release from the lien of a mortgage a portion of the property subject thereto; to release a portion of any mortgage lien; to accept surrender, cancellation or assignment of any lease and to pay a consideration therefor to such extent as may be deemed advisable; to agree to a reduction in the rate of interest on any mortgage or rental payments due under any lease or to any other modification or change in the terms of any mortgage, or of any guarantee securing any mortgage or of any lease, in any manner and to any extent as may be deemed advisable; to waive and forbear to sue on any default in the performance of any covenant or condition of or payment due under any mortgage or lease or in the performance of any guarantee or to enforce any such default in such manner and to such extent as may be deemed advisable; to exercise and enforce any action, suit or proceeding at law or in equity, any rights or remedies in respect of any mortgage or of any guarantee or of any lease held hereunder; to exercise and

enforce any and all rights of foreclosure of any mortgage, and at any foreclosure to purchase the real property covered by any mortgage; to take a deed in lieu of foreclosure and to pay a consideration therefor; and to retain any such real property received on any foreclosure;

(18) To determine whether or not to amortize the premium on any investment, or to allocate to income all or any part of any discount on any investment, and the decision with respect thereto shall be conclusive upon all persons interested hereunder;

(19) To allocate to principal (unless otherwise directed herein) all dividends and distributions payable in stocks, bonds or other securities whether of the disbursing company or another company;

(20) To exercise all the rights, powers and privileges herein conferred after the termination of any trust hereunder and until the complete distribution of the property held hereunder;

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(21) To employ in the exercise of absolute discretion investment counsel, accountants, depositaries, custodians, brokers, attorneys, and agents, irrespective of whether any person so employed shall be a fiduciary hereunder or a firm or corporation in which a fiduciary hereunder shall be a partner or shall have an interest and to pay him or them the usual compensation for his or their services out of the principal or income of the property held hereunder; provided, however, that in the exercise of this discretion my trustee, it is to be perfectly clear that my Trustee shall employ any of the foregoing only in those instances where my Trustee cannot or should not reasonably be expected to perform and exercise its fiduciary obligations hereunder; and such compensation may be paid without diminution of or charging the same against the commissions or compensation of any fiduciary hereunder; and any fiduciary who shall nevertheless be entitled to receive his share as partner of the compensation paid to such firm;

(22) To exercise any and all of the powers, authorities and discretions conferred hereunder in respect of any securities of any corporate fiduciary acting hereunder, or in respect of any securities of any holding company or corporation owning securities of any corporate fiduciary acting hereunder.

(23) My Executors shall, in their absolute discretion, determine whether to elect under Code Section 2056(b)(7) to qualify any specific portion or all of one or both of the Trusts established under ITEM IX hereinabove for the Federal and/or State Estate tax marital deduction. Generally, I anticipate that my Executors will elect to minimize the Federal Estate tax payable by my estate. However, I would expect that some consideration be given to the effects of South Carolina Estate Tax and to the estate taxes payable in my said wife's estate upon her death, especially if she should die prior to the time the election is made. The determination of my Executrix with respect to the exercise of the election shall be conclusive upon all affected persons.

ITEM B-II. For all purposes of this Will, a legally adopted child (other than a descendant of my blood) shall have the same status and benefits in all relationships to or through him shall be determined in the same manner, as if such child were a child of the blood of his adoptive parent or parents rather than of his natural parents.

ITEM B-III. As they may be used in this Will, the term "minor" shall be interpreted as referring to a person under twenty-one (21) years of age, and the term "minority" shall be interpreted as referring to the first twenty-one (21) years of a person's life, irrespective of the legal age of emancipation in any jurisdiction.

ITEM B-IV. If my wife and I should die as a result of a common accident or calamity or otherwise under such circumstances as would render it doubtful whether she or I died first, then it shall be conclusively presumed for the purposes of this

Will that my wife survived me. I direct further that the provisions of this Will shall be construed upon that assumption, irrespective of any provisions of law establishing a contrary presumption of requiring survivorship of a fixed period as a condition of taking property by inheritance. If any other beneficiary and I should die as a result of a common accident or calamity or otherwise under such circumstances as would render it doubtful whether the beneficiary or I died first, then it shall be conclusively presumed for the purposes of this Will that said beneficiary predeceased me.

ITEM B-V. All payments of principal and income payable or to become payable, to the beneficiary of any trust created hereunder shall not be subject to anticipation, assignment, pledge, sale or transfer in any manner, nor shall any beneficiary have the power to anticipate or encumber such interest nor shall such interest while in the possession of any Trustee be liable for, or subject to, the debts, contracts, obligations, liabilities or torts of any beneficiary.

ITEM B-VI: If any share hereunder becomes distributable to a beneficiary who has not attained the age of twenty-one (21) years, then such share shall immediately vest in such person, but my Trustee shall retain possession of such share in trust for such person until he becomes twenty-one (21), using

so much of the net income and principal of such share as my Trustee deems necessary to provide for the proper support, medical care, and education of such person, taking into consideration to the extent my Trustee deems advisable any other income or resources of such person or his or her parents known to my Trustee. Such person's share shall be paid over and distributed to such person upon his attaining age twenty-one (21), or if he shall sooner die, then to his estate. My Trustee shall have with respect to each share so retained all the powers and discretions had with respect to the trust created herein generally.

ITEM B-VII: Notwithstanding anything herein to the contrary, the trusts created under this my Will shall terminate not later than twenty-one (21) years after the death of the last survivor of my issue living on the date of my death, when my Trustee shall distribute each remaining trust hereunder to the beneficiary or beneficiaries of the current income thereof, and if there are more than one beneficiary, in the proportion in which they are beneficiaries.

ITEM B-VIII: If my executor joins with my wife on my behalf in filing income tax returns, or consents for gift tax purposes to having gifts made by either of us during my life considered as made onehalf (1/2) by each of us, any resulting

163
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liability shall be borne by my estate as an administration expense thereof, except such portion as my executor and my wife agree should be borne by my wife, and my estate shall exonerate my executor from personal liability therefor.

IN WITNESS WHEREOF, I have hereunto set my Hand and Seal at Charleston, South Carolina, this 5th day of February, 1985.

Thomas C. Stevenson
THOMAS C. STEVENSON

SIGNED, SEALED, PUBLISHED AND DECLARED by the Testator, THOMAS C. STEVENSON, as and for his Last Will and Testament in the presence of us, who in his presence, at his request, and in the presence of each other, have hereunto set our hands as witnesses.

James E. Davis

Charleston, SC

Laura A. Horta

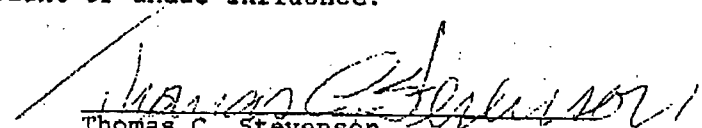
Charleston, SC

Charlotte Crosby

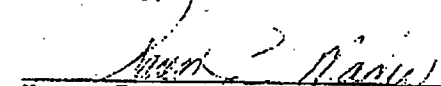
Charleston, S.C.

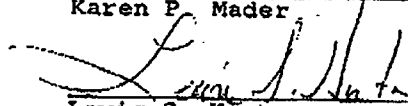
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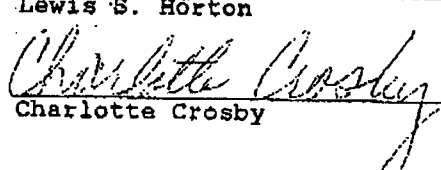
I, Thomas C. Stevenson, the Testator, sign my name to this instrument this 5th day of February, 1985, and being first duly sworn, do hereby declare to the undersigned authority that I sign and execute this instrument as my last will and that I sign it willingly (or willingly direct another to sign for me), that I execute it as my free and voluntary act for the purposes therein expressed, and that I am eighteen years of age or older, of sound mind, and under no constraint or undue influence.


Thomas C. Stevenson

We, Karen P. Mader, Lewis S. Horton and Charlotte Crosby, the witnesses, sign our names to this instrument, being first duly sworn, and do hereby declare to the undersigned authority that the Testator signs and executes this instrument as his last will and that he signs it willingly (or willingly directs another to sign for him), and that each of us, in the presence and hearing of the Testator, hereby signs this will as witness to the Testator's signing, and that to the best of our knowledge the Testator is eighteen years of age or older, of sound mind, and under no constraint or undue influence.

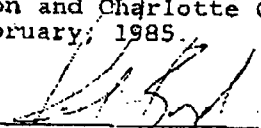

Karen P. Mader


Lewis S. Horton


Charlotte Crosby

THE STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON

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SUBSCRIBED, sworn to and acknowledged before me by Thomas C. Stevenson, the Testator and subscribed and sworn to before me by Karen P. Mader, Lewis S. Horton and Charlotte Crosby, witnesses, this 5th day of February, 1985.


Notary Public for South Carolina

My Commission expires: 5/12/93

FILE COPY

EVANS, CARTER, KUNES & BENNETT, P. A.

ATTORNEYS AT LAW

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GEORGE C. EVANS (RETIRED)

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ROBERT M. KUNES†

EDWARD G. R. BENNETT**

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August 20, 2002

*CERTIFIED SPECIALIST IN TAXATION LAW

†CERTIFIED SPECIALIST IN ESTATE PLANNING AND PROBATE LAW

**LICENSED IN SC AND NY

Ms. Susan Studebaker

Pratt-Thomas Gumb & Co., P.A.

P. O. Box 973

One Cordes Street

Charleston, SC 29402

Re: Estate of Thomas C. Stevenson

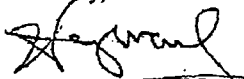
Dear Susan:

I have reviewed the draft Promissory Notes which you sent to me with your letter of May 24, 2002. Assuming that the amounts of principal and interest due by each Mr. Thomas C. Stevenson, Jr., and Mr. Daniel Stevenson are correct (as to which I have no knowledge), the notes should be presented to Mr. Tom Stevenson and Mr. Dan Stevenson for their signature.

Please have the original signed and witness Promissory Notes returned to me.

The notes should be dated by Mr. Tom Stevenson and by Mr. Dan Stevenson when they sign the notes.

Sincerely,



T. Heyward Carter, Jr.

Enclosure

THC, jr/ten
0802002



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T Heyward Carter

From: T Heyward Carter
Sent: Thursday, March 23, 2006 5:34 PM
To: 'Lynne Kerrison'
Subject: Jacquelin Stevenson

Lynne,

Please let me know if this letter looks OK to you for both of us to sign.

I had a conversation yesterday with Howell Morrison, who counseled Dan and Tom three years ago about the loans outstanding at that time. He said that he did not know if they told their sisters of these loans, but it was his understanding that they were going to.

Heyward



JKSltt.doc (28 KB)

*T. Heyward Carter, Jr.
Evans, Carter, Kunes & Bennett, P.A.
115 Church Street
P. O. Box 369
Charleston, SC 29402-0369
Telephone: (843) 577-2300
Facsimile: (843) 577-2055
E-Mail: Carter@eckh.com*

IRS Circular 230 Notice:

To ensure compliance with requirements imposed by the IRS, please note that any Federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Confidentially Notice:

This message is being sent by or on behalf of an attorney. It is intended exclusively for the individual or entity to which it is addressed. This communication may contain information that is proprietary, privileged or confidential or otherwise legally exempt from disclosure. If you are not the named addressee, you are not authorized to read, print, retain, copy or disseminate this message or any part of it. If you have received this message in error, please notify the sender immediately by e-mail and delete all copies of the message.



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March 24, 2006

Mrs. Kathleen S. Turner
Post Office Box 496
Folly Beach, South Carolina 29439

Mr. Daniel R. Stevenson
899 Kushiwah Creek Court
Charleston, South Carolina 29412

Re: Jacquelin K. Stevenson

Dear Kathleen and Dan:

We are writing to you as the co-attorneys-in-fact under your mother's Durable Power of Attorney dated February 18, 2003 in order to apprise you, on behalf of your mother, of a matter which may affect her financial situation.

As you are undoubtedly aware, your father left two trusts for your mother, the "Marital" (Article VII) Trust and the "QTIP" (Article IX) Trust. The book values of those two trusts as of December 31, 2005 were \$ 2,227,851.25 and \$3,201,303.59, respectively. However, it has come to our attention that each of the trusts hold unsecured promissory notes which in the aggregate comprise relatively large proportions of the trusts. The balances due on the promissory notes held by the Marital Trust totaled \$2,124,140.77 at December 31, 2005, and the balances due on the promissory notes held by the QTIP Trust totaled \$2,494,135 on that date.

Our purpose in contacting you in this regard is to suggest that it may be in your mother's best interests to have these promissory notes secured by sufficient assets of the makers in order to better secure your mother's financial well-being.

If we can be of further assistance to you or your mother in regard to this matter, please so inform us.

Sincerely,

Lynne L. Kerrison, CPA

T. Heyward Carter, Jr.

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March 28, 2006

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Mr. Daniel R. Stevenson, II
899 Kushiwah Creek Court
Charleston, SC 29412

Mr. Thomas C. Stevenson, III
173 Tradd Street
Charleston, SC 29401

RE: Trusts under Will of Thomas C. Stevenson, Jr., FBO Jacquelin K. Stevenson

Dear Dan and Tom:

I want to confirm my statement to you at our meeting yesterday afternoon that I would delay sending the letter which Lynne Kerrison and I have signed and which is dated March 27, 2006, addressed to Dan and your sister, Kathleen, for a reasonable time until you and Dan have a chance to talk to Kathleen or we have met again with Lynne and Howell Morrison present. I understand from a message left by Tom this morning that you plan to talk to Kathleen as soon as you can arrange it, and may like to meet again with me and with Lynne Kerrison.

I have told Tom that I am willing to wait for a time before sending the letter from Lynne and me, but that I must put a limit on that waiting period. Therefore, if I have not received confirmation in writing from Kathleen by Friday, April 21, 2006, that you have conferred with her and that she is aware of the amounts of outstanding unsecured loans from the trusts for your mother, I feel obliged to send the letter from Lynne and me on that date.

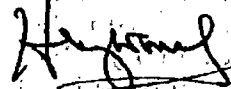
As I conveyed to you at our meeting yesterday afternoon, I believe that you have placed me in a very awkward position by not following through on what I clearly understood to be your commitment given three years ago to meet with all of the beneficiaries of your father's trusts, as was conveyed to me in a letter from Howell dated January 22, 2003. Because of the occasional legal

STEVENSON ESTATE
0942

Mr. Daniel R. Stevenson, II
Mr. Thomas C. Stevenson, III
March 28, 2006
Page 2

work I have done in the past for your mother I believe that after receiving information on the current status of your father's trusts for your mother and the unsecured loans made to the two of you by those trusts I am obligated in your mother's best interests to formally inform Dan and Kathleen, as holders of your mother's Power of Attorney, of that situation.

Sincerely,



T. Heyward Carter, Jr.

THCjr:rsw

c: Lynne L. Kerrison, CPA
William Howell Morrison, Esq.

STEVENSON ESTATE
0943