

EXHIBIT 11

1 SUPERIOR COURT OF THE STATE OF CALIFORNIA
2 COUNTY OF MONTEREY

3 -----
4 MONTEREY BAY MILITARY
5 HOUSING LLC, and MONTEREY
6 BAY LAND LLC

7 Plaintiffs,

8 vs.

Case No.
15CV000599

9 AMBAC ASSURANCE CORPORATION,

10 Defendant.
11 -----

12
13 VIDEOTAPED DEPOSITION OF AMBAC
14 PMK CATHLEEN MATANLE, taken by
15 Plaintiffs, pursuant to Notice, at the
16 offices of Kirkland & Ellis, 601
17 Lexington Avenue New York, New York,
18 on Friday, September 23, 2016 at 9:35
19 a.m., before Debra Stevens, a
20 Registered Professional Reporter and
21 Notary Public within and for the State
22 of New York.
23
24

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A P P E A R A N C E S :

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BY: JEFFREY L. WILLIAN, ESQ.

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(Via Teleconference)

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BY: ALEC W. FARR, ESQ.

16

RACHEL A. BECK, ESQ.

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18

ALSO PRESENT:

19

David N. Abramowitz, Ambac

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Deverell Write, Videographer

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E X A M I N A T I O N S

Witness		Page
C. Matanle		
By Mr. Willian		6

E X H I B I T S

Plntff Ambac		
Exhibit	Description	Page
Exhibit No. 1	Court Order,	36
	August 22, 2016	
Exhibit No. 2	Grantor Trust Agreement	54
	Agreement for Monterey project	
Exhibit No. 3	Notice of Deposition	72
Exhibit No. 4	Rehabilitator's Notice	82
	of Motion and Motion to	
	Confirm and Declare the	
	Nature of These	
	Proceedings (Wisconsin)	
Exhibit No. 5	Privilege log	96
Exhibit No. 6	Emails, Bates AMBAC	108
	00270781 through '0784	
Exhibit No. 7	Indenture Supplement	117
	dated 2006	

MARKED FOR RULING

Page	Line
66	24
77	21
78	1

1 VIDEOGRAPHER: We are on the
2 record. Please note that the
3 microphones are sensitive and may pick
4 up whispering and private
5 conversations. My name is Deverell
6 Write, representing Veritext Legal
7 Solutions. Today's date is
8 September 23, 2016; the time on the
9 video monitor is approximately
10 9:35 a.m.

11 This deposition is being held at
12 the offices of Kirkland & Ellis,
13 located at 601 Lexington Avenue, New
14 York, New York, and is being taken by
15 counsel for the plaintiff.

16 The caption of this case:
17 Monterey Bay Military Housing LLC et
18 al., vs. Ambac Assurance Corporation.
19 This case is filed in the Superior
20 Court of the State of California,
21 County of Monterey, Case Number
22 15CV000599. The name of the witness
23 is Cathleen Matanle.

24 At this time, counsel will state

1 their appearances.

2 MR. FARR: Alec Farr, Bryan
3 Cave, on behalf of Defendant Ambac
4 Assurance Corporation and the witness.
5 Present with me is Rachel Beck and
6 David Abramowitz from Ambac.

7 MR. WILLIAN: Jeff Willian with
8 Kirkland & Ellis, representing
9 Plaintiffs.

10 MS. BECKERMAN: This is Erin
11 Beckerman of Riordan, Fincher, Munson
12 & Sinclair, on behalf of Riley
13 Communities LLC.

14 Whereupon,

15 C A T H L E E N M A T A N L E,
16 having been first duly sworn/affirmed,
17 was examined and testified as follows:

18 MR. WILLIAN: As a procedural
19 matter, this deposition has been
20 noticed up in all the pending MHPI
21 cases I think by agreement. Right?

22 MR. FARR: You sent out notices,
23 yes, and we have agreed that the
24 testimony is useable in all the cases

1 subject to the objections we lodged to
2 your notices, et cetera.

3 MR. WILLIAN: The only notice I
4 want to withdraw right now is the
5 Leavenworth notice as the Court does
6 not have jurisdiction over this
7 matter.

8 MR. FARR: Obviously we
9 disagree, but that's your choice.

10 EXAMINATION BY

11 MR. WILLIAN:

12 Q. State your name for the record,
13 please?

14 A. Cathleen Matanle.

15 Q. How long have you worked with
16 Ambac?

17 A. Fifteen years.

18 Q. What is your position at Ambac?

19 A. I am a senior managing director
20 and executive officer of the company and I
21 run the portfolio and credit risk
22 management area.

23 Q. Let me go through your history
24 at Ambac. When did you first join Ambac?

1 A. August of 2001.

2 Q. What role did you have then?

3 A. I came over as a vice president
4 at the -- I don't remember the title. I
5 didn't come in as a managing director. I
6 came into the risk management function to
7 head up the surveillance of a group of
8 exposures of the company. It included the
9 CDO's and the commercial asset-backed
10 securities, consumer asset-backed
11 securities, mortgage-backed securities, a
12 few other asset types.

13 Over the years my role expanded
14 to then cover increasingly large portions
15 of the insured portfolio.

16 Q. Let's try to understand your
17 role in lay terms so to speak. When you
18 say that you were in risk management, what
19 is risk management?

20 A. The term we use is surveillance,
21 which means that -- back then, of course,
22 we were writing new policies. So,
23 policies would be written by underwriters
24 through an underwriting process in the

1 company; and then once the transaction was
2 closed, the oversight for that transaction
3 shifted in most cases over to the
4 surveillance area so that people in my
5 area would look after each transaction and
6 monitor it for its performance relative to
7 expectations for how it was supposed to
8 perform, to identify any kind of stress or
9 need to take any kind of action.

10 Q. And you started out in a
11 particular surveillance area and you
12 identified a number of types of
13 transactions in that area. Right?

14 A. Yes.

15 Q. Can you just try to give me a
16 complete list of what areas you were in
17 charge of surveillance-wise when you first
18 started?

19 A. Well, the company had three main
20 surveillance areas at the time, and I was
21 responsible for one of them. So, it was
22 really the odd lot one of the three is
23 what I would characterize it as.

24 Another area, just to -- because

1 I think it would be helpful, one area was
2 public finance. So, anything that had to
3 do with public finance was handled by
4 someone else back then.

5 The second area was some
6 structured public finance types of
7 exposures like healthcare, for example.
8 And then my area was more of the, I guess,
9 private transactions or public --
10 corporate transactions. Not public
11 finance. Company did basically public
12 finance and structured finance. So, I
13 came in on the structured finance side of
14 the company.

15 Q. When you say structured finance,
16 we are talking about private financial
17 transactions?

18 A. I meant private as opposed to
19 public but not private in terms of --
20 many, many of them were SEC, you know,
21 transactions and 144A's and things of that
22 nature. But it was not public finance.
23 It wasn't not-for-profits and
24 municipalities, things of that nature.

1 Q. Just so we agree on terminology,
2 your area was called the structured
3 finance that you were in charge of, or
4 what should we call it?

5 A. Generically, yes, I think that's
6 good. Generically I would say that.

7 Q. How long were you in the
8 surveillance department for structured
9 finance?

10 A. In a sense I still am, but the
11 role kept expanding.

12 Q. Why don't you describe your
13 expanding role over the years?

14 A. I guess the next expansion would
15 have been -- I could be wrong, but the
16 next expansion, I believe, is when the
17 person who headed up the public finance
18 side left the company. We reorganized and
19 I was put in charge of public finance as
20 well as most of what I had before.

21 And then this third person was
22 still there, so we basically redrew the
23 lines so that he covered part of the
24 business and I covered the other part of

1 the business.

2 Q. Who was that person?

3 A. Peter Cain.

4 Q. When did you redraw the lines so
5 to speak as you just described,
6 approximately?

7 A. I don't -- I don't remember.
8 It's a -- it was a long time ago.

9 Q. What was the next evolution in
10 your job duties at Ambac?

11 A. I am trying to think technically
12 or functionally. I worked for the --
13 during this period of time I reported to
14 the vice chairman of the firm. He left
15 the firm, and someone else was brought in
16 to take his job. So, for that period of
17 time I had the same role.

18 Then -- we redrew the lines
19 again and someone else, a fellow by the
20 name of Steve Rofsky, came in and he took
21 part of the book. Peter Cain left to go
22 back over to the underwriting side, and
23 Steve Rofsky came in and took some or all
24 of what Peter Cain had. We may have

1 redrawn the lines again. I don't know.

2 That lasted until, I guess, kind
3 of leading into the mortgage crisis, when
4 things started to move pretty rapidly
5 then. David Wallace became the chief risk
6 officer of the company. They created a
7 new position for him.

8 Q. Was that in 2009? Sorry to
9 interrupt.

10 A. I didn't -- I didn't go back and
11 review all of that again. I don't want to
12 misspeak. It could have been 2008. I am
13 not sure.

14 Q. Around that time?

15 A. Yes, it was definitely around
16 that time. The mortgage crisis, from my
17 perspective, really began in early 2007 in
18 terms of what I was seeing with the
19 performance of deals and so on. So from
20 that point onward, it is very hard for me
21 to identify, you know, month by month when
22 things were happening.

23 Q. Fair enough. So you were
24 describing, when the crisis came, how your

1 role -- what your role was and how it
2 changed.

3 A. Right. So, he became the chief
4 risk officer. At some point after that
5 the CEO left, and we had -- the chairman
6 of our board stepped in to become the
7 interim CEO while we did a search.

8 And then at some point after
9 that, David Wallace was named the CEO.
10 When he was named the CEO, I was then
11 elevated to become head of surveillance.

12 Q. When was that approximately?

13 A. I could check that and get back
14 to you after a break if you'd like me to.
15 I don't want to misspeak.

16 Q. Just give me the general time
17 frame then?

18 A. 2009? 2008?

19 Q. All right. So you became chief
20 of surveillance in 2008, 2009, that time
21 frame. If you could, just describe your
22 job duties then as head of surveillance?

23 A. It's a large department so I ran
24 a group of analysts. At one point it was

1 about 60 or 70 people that were credit
2 analysts essentially, in addition to
3 another team that was handling the
4 reserving and modelling of our
5 transactions, and then a third team that
6 was responsible for more the operational
7 requirements of the insured portfolio.

8 Each of the latter two groups
9 had maybe five to ten people in it. So,
10 the bulk of my -- of my department was
11 comprised of these credit analysts, each
12 of whom was charged with the ownership of
13 an identified group of credits in the
14 insured portfolio. Of course, there was a
15 hierarchy. You had junior analysts and
16 mid-level analysts and senior analysts and
17 surveillance managers and so on.

18 Q. How did your role evolve from
19 that point in time?

20 A. In 2009 -- and I am sure of
21 this. In 2009 the firm hired a chief risk
22 officer from the outside, and I was named
23 the deputy chief risk officer. And that
24 was because David Wallace was elevated to

1 be the CEO of the firm.

2 Q. Who was the chief risk officer?

3 A. A person by the name of Greg
4 Raab, R-A-A-B. And he stayed with the
5 company until the rehabilitation in March
6 of 2010.

7 Q. All right. Why don't you
8 continue and tell me how your role evolved
9 at Ambac from that point?

10 A. In 2010 when Greg left, we
11 didn't do anything specifically
12 organizationally until the summer of 2010
13 when we were into the rehabilitation
14 period by several months. And at that
15 point we took two people from my area and
16 put them in charge of the exposures that
17 were in the so-called segregated account.

18 And I was then in charge of the
19 surveillance of the -- all of the general
20 account exposures and a few of the
21 segregated account exposures that I
22 happened to be -- me and my staff happened
23 to be quite familiar with.

24 Q. And that is as of the summer of

1 2010?

2 A. Yes.

3 Q. How did your responsibilities
4 evolve after that?

5 A. At some point I was named an
6 executive officer. I was promoted to
7 senior managing director. I don't --
8 frankly, I don't remember when that
9 happened because I was reporting to David
10 Wallace, you know, even before that point
11 and the job didn't change when that
12 promotion occurred. So, I don't recall
13 exactly when that happened but it was a
14 technical change in my role.

15 And it stayed pretty much like
16 that until last year. One of the two
17 segregated account people left the firm,
18 and that group was split up a bit in that
19 I took over the ownership of the credit
20 exposures that he was following, and the
21 ownership of the litigation that he was
22 controlling was moved over to the legal
23 department.

24 The exposures he was handling

1 were the mortgage-backed securities. I
2 was essentially covering a lot about those
3 exposures anyway because this reserving
4 group that I mentioned earlier was
5 reporting to me throughout, and that
6 reserving group has a real depth of
7 knowledge in mortgage-backed securities
8 and modelling and so on. So, I was very
9 familiar with the performance of those
10 deals because I was the one that was
11 getting them reserved for accounting
12 purposes.

13 Q. Does that bring us up to date?

14 A. It brings us up to date with
15 what my job is today, yes.

16 Q. In summary, you are head of the
17 surveillance department at Ambac?

18 A. Yes.

19 Q. And you report to the CEO?

20 A. Yes.

21 Q. How many people work in the
22 surveillance department these days?

23 A. Currently, we have run off
24 significantly. We are down to about 30

1 people I would say with, again, the bulk
2 of the people being on the surveillance
3 side. And this operational department
4 that I mentioned earlier is no longer
5 reporting to me. We decided to move them
6 to a more centralized administrative area
7 so that they could pick up other
8 administrative things beyond the insured
9 portfolio.

10 Q. In what month of 2010 did the
11 rehabilitation formally take place?

12 A. March.

13 Q. What role did you play in
14 assisting in the rehabilitation up to
15 March of 2010?

16 A. A very active role because it
17 was the insured -- it was the insured
18 portfolio that was essentially driving the
19 need for the rehabilitation in the eyes of
20 the regulator. So, there was a need to
21 conduct substantial due diligence on the
22 performance of the insured portfolio.

23 Q. As of March of 2010 how many
24 active policies were there in the

1 insurance portfolio?

2 A. Thousands. I mean, I
3 wouldn't -- more than 10,000, I believe.

4 Q. Is it more like 13,000 you
5 think? Does that sound about right?

6 A. Could be. I remember testifying
7 about it at the time -- not at the time.
8 In subsequent months.

9 Q. Is it the case that since March
10 of 2010 until today the number of active
11 insured policies in the portfolio you
12 surveil has been reduced dramatically?

13 MR. FARR: Objection to form.

14 Go ahead.

15 A. That's correct.

16 Q. And as we sit here today
17 approximately how many active insurance
18 policies are in the insured portfolio that
19 you surveilled?

20 A. I am estimating, but I would say
21 4,000. 3,000, 4,000. Thereabouts.

22 Q. 3- to 4,000?

23 A. Yes.

24 Q. So the number of insurance

1 policies has run down something like two
2 thirds since March of 2010?

3 A. Yes.

4 Q. And in general, what are the
5 reasons that the number of the insured
6 policies have been reduced from 13,000 to
7 closer to 3- to 4,000 as we sit here
8 today?

9 MR. FARR: Objection. This is
10 beyond the scope of the witness's
11 designation. You haven't gotten into
12 that at all yet, but I object that it
13 is beyond the scope.

14 You can answer, though, based on
15 personal knowledge.

16 A. Okay. First of all, we don't
17 write any new policies, so we are simply
18 running off. Policies mature. Policies
19 refund.

20 The municipal market, it has
21 been a very attractive time for any public
22 finance issuers to refund our bonds
23 because rates now are cheaper than when we
24 issued our bonds that we wrap. That has

1 been the largest driving force, the
2 refunding of our municipal portfolio.

3 In general, issuers tend to
4 reorganize their affairs, reorganize their
5 businesses, and they might need to raise
6 new money and they will refinance this
7 during the course of that activity. I
8 would say that's more of a normalized
9 run-off activity.

10 Q. Are there any particular types
11 of insurance policies that are run off
12 more than any other type?

13 MR. FARR: Same objection.

14 Beyond the scope, but I will give him
15 some more latitude. You can answer.

16 A. Public finance.

17 Q. For the reasons you stated?

18 A. Yes.

19 Q. If you had to put the remaining
20 policies in bucket types, could you give
21 me what you few as the major bucket types
22 of the remaining policies?

23 MR. FARR: Same objection.

24 A. Say 60, 70 percent -- I see

1 three different bucket types. One is what
2 I call municipal. That is the largest
3 bucket. I would say that is probably
4 60 percent of the portfolio approximately.
5 Those are bonds issued by cities, towns,
6 counties, roads. What I would call plain
7 vanilla municipal bonds.

8 The second category is what I
9 call structured public finance. So that
10 would include usually tax exempt bonds,
11 technically, but more heavily structured
12 tax exempt bonds because the issuer is
13 what looks to be an entity, like a
14 not-for-profit hospital or university or
15 military housing base for example. Those
16 transactions, because there is an entity
17 that we are facing, are much more
18 structured than general municipals, so
19 they have a different level of care.

20 Then the third category is what
21 I would broadly call structured finance,
22 which is the category we spoke about at
23 the beginning. So, a structured municipal
24 or structured public finance credit really

1 is a little bit more like a structured
2 finance transaction than it is like a
3 general municipal.

4 Q. Just to help me understand these
5 buckets a little bit better, an indenture
6 that Ambac was involved in and provides
7 some form of insurance, which bucket would
8 that fall into?

9 MR. FARR: Same objection.

10 Beyond the scope. You can continue
11 for a while.

12 A. There are indentures in all of
13 these deals. You know, it is a similar --
14 it really depends on how the issuer who is
15 accessing the market will wrap it.

16 Q. With respect to an indenture,
17 what is Ambac's general role as an insurer
18 just at a high level? Just describe it?

19 MR. FARR: Same objection. At a
20 high level, go ahead.

21 A. At the highest level, we
22 generally insure the bonds that usually
23 are in the senior-most position in the
24 capital structure in that indenture.

1 Usually, but not always, we tend to insure
2 the entire senior tranche, but not always.
3 We do some secondary deals, for example,
4 as well. And we may have parity debt that
5 sits side by side with us.

6 Q. With respect to the military
7 housing bonds, which bucket do those fall
8 into?

9 A. The middle bucket. Structured
10 public finance.

11 Q. Do you have an idea of the
12 number of policies within each of these
13 buckets that remains today?

14 MR. FARR: Same objection.

15 Beyond the scope. A little longer.

16 Go ahead.

17 A. No. I should make a distinction
18 at this point. You used the term
19 "policies." There is also a difference
20 between policies and what we call single
21 risks or credits.

22 You know, a credit might have
23 many underlying policies for a variety of
24 reasons. Either we did it at different

1 points in time or at the time we did it
2 there were different -- different
3 maturities each of which had a different
4 policy associated with it.

5 Q. So when we talked earlier, a few
6 minutes ago, about the number of policies
7 that remain in your surveillance area and
8 you estimated 3- to 4,000, you were
9 talking about policies, or were you
10 talking about credits?

11 A. I am generally -- when I speak I
12 am generally talking about credits because
13 we surveil credits; we don't surveil
14 policies per se. Under a policy there
15 could be any number of CUSIPs as well,
16 many, many underlying individual bonds.

17 Q. Just to make sure that your
18 testimony is clear, is it fair to say that
19 in general it is your belief that the
20 number of credits that were in your
21 surveillance department was reduced from
22 somewhere above 10,000 to currently around
23 3- to 4,000?

24 A. Yes --

1 MR. FARR: Objection to form and
2 beyond the scope. Go ahead.

3 A. Yes.

4 Q. I apologize. Just so I
5 understand what you mean by credit, can
6 you elaborate on what a credit is in your
7 mind?

8 MR. FARR: I will lodge a
9 running objection as beyond the scope,
10 this entire inquiry about the general
11 business of credits and definitions.
12 It is beyond the scope. I will allow
13 some latitude.

14 Go ahead.

15 A. I will give you a good example.
16 The City of Chicago. We wrote policies to
17 the City of Chicago on many, many, many
18 occasions. And each time we wrote a new
19 policy it would roll up to a credit that
20 we call the City of Chicago.

21 Q. Understood.

22 Have you ever been deposed
23 before?

24 A. Yes.

1 Q. On how many occasions?

2 A. Several occasions. Four, I
3 think.

4 Q. What were those occasions in
5 general?

6 A. All of them are mortgage-crisis
7 related.

8 Q. Did any of them relate to
9 whether or not Ambac had suffered any sort
10 of default or credit enhancer default?

11 A. No.

12 Q. Just so you and I are clear on
13 our terminology, when I use the phrase
14 "credit enhancer default," what do you
15 understand that to mean?

16 A. An insurer event of default.

17 Q. In the various policies, that
18 can be defined in many different ways.
19 Correct?

20 A. Yes.

21 Q. In referring to an insurer event
22 of default, what is the term we should use
23 to refer to that concept? Just that, or
24 is there some other phrase you are more

1 comfortable with?

2 A. I am fine with that term.

3 Q. Does Ambac, to your knowledge,
4 in any way keep a running tally of the
5 types of insurer events of default
6 provisions that are remaining on live
7 policies?

8 MR. FARR: Objection to form,
9 but go ahead.

10 A. A running? No, we do not.

11 Q. In other words, as you sit here
12 could you go to some sort of summary
13 record and determine "we have this number
14 of policies with this type of insurer
15 event of default language"?

16 A. No.

17 Q. So the only way that you or your
18 department could figure out what insurer
19 event of default provisions remained live
20 is to go look at each policy?

21 A. If that's what we wanted to do,
22 that's correct, yes.

23 Q. Again, I am just trying to make
24 sure. There is no summary chart that you

1 have or some sort of database where you
2 could determine that in a summary form;
3 you'd have to actually go look at the
4 policies?

5 A. Correct.

6 Q. This is a slightly different
7 question, but is there any sort of summary
8 that Ambac has done of the different types
9 of insurer event of default provisions
10 that are in the policies that are live?

11 A. Well, we have done analysis on
12 insurer events of default for sure. Could
13 you rephrase your question as to what you
14 are looking for?

15 Q. Sure. In other words, have you
16 in any way attempted to categorize, all
17 right, we have the following eight
18 different types of insurer event of
19 default provisions, and you categorize
20 them as type 1, 2, 3 or 4? Is there any
21 attempt to categorize the different types
22 of default language?

23 A. Currently, or in the past?

24 Q. Let's start currently.

1 A. No.

2 Q. In the past was there any such
3 effort?

4 A. There was work done similar to
5 what you just discussed.

6 Q. When was that work done?

7 A. Leading up to the
8 rehabilitation.

9 Q. So pre-March of 2010?

10 A. Correct.

11 Q. Just describe at a high level
12 that type of work that was done?

13 MR. FARR: Ms. Matanle, I will
14 just say now, I will not object
15 because he asked you to describe it at
16 a high level. But be sure in
17 providing your answer not to reveal
18 any attorney-client communications.

19 THE WITNESS: Okay.

20 A. When the company started to
21 deteriorate, when we lost our ratings and
22 so on and the regulator became more
23 involved in our -- in the oversight of our
24 company, we, as a business matter, looked

1 into insurer events of default so that we
2 would understand the point at which we
3 would cross a line and have incurred an
4 insurer event of default and what that
5 really meant.

6 It had never -- in all my years
7 in the company and, I am sure, in the
8 years preceding my time in the company, it
9 had never come up before because we were a
10 triple A company, as was the industry in
11 general. So, it was a new issue, and we
12 looked at it starting as a business
13 matter, to become more familiar with
14 exactly what you asked about: Are there
15 different categories of these things?

16 Q. Who did that examination?

17 A. It started as a -- it started
18 working with our internal lawyers, of
19 course. But it started as being a -- what
20 I would call grassroots, with our people
21 that are credit analysts, who know their
22 deals. And they fanned out and looked at
23 their individual deals and very, very
24 early on started then asking for legal

1 advice about their lay person's
2 interpretation of a legal document.

3 Q. Was there some takeaway you took
4 from that analysis that is not privileged
5 in nature that you can share with us?

6 MR. FARR: Objection to the
7 form. Any takeaway?

8 MR. WILLIAN: Yes.

9 A. I can describe in general terms
10 how the insurer event of default works.
11 And that is, in some deals you would find
12 there was no such thing as an insurer
13 event of default; it had never even been
14 contemplated.

15 In other transactions -- and
16 this is very general. There are lots of
17 different -- they're all very different.
18 There seems to be three different what I
19 would call buckets.

20 So, there was no treatment of
21 it. Another category would be it would be
22 a payment default. You know, so
23 something, again, very, very tangible. A
24 payment default on our part in non-payment

1 of a policy.

2 Another would be a payment
3 default or the equivalent of a
4 rehabilitation or bankruptcy proceeding.

5 Then another category is the
6 category of all of the above plus the
7 transfer of a large amount of the assets
8 of the company, expressed in various
9 different ways but it was essentially the
10 same.

11 Q. I wrote down four buckets. Does
12 that sound about right?

13 A. Yes.

14 Q. As we sit here today are there
15 live policies that fall within those four
16 buckets?

17 A. Yes.

18 Q. How many policies fall within
19 that fourth bucket, which is a transfer of
20 assets?

21 MR. FARR: Objection.

22 Technically this is beyond the scope,

23 but I will allow you some latitude.

24 Go ahead.

1 A. I don't know.

2 Q. Do you have an estimate?

3 A. No.

4 Q. Did you review the Monterey
5 insurance default provision that applies
6 to Ambac before your deposition?

7 A. Today? This deposition, you
8 mean?

9 Q. Yes.

10 A. Did I review?

11 Q. I will ask the question again.
12 Are you familiar with the specific default
13 provision in the Monterey project
14 documents?

15 A. Yes, I am.

16 Q. How would you describe that
17 default provision relative to the buckets
18 you gave?

19 A. It's in that, the fourth
20 category.

21 Q. Let's pause from substantive
22 testimony for a minute and just go over a
23 few ground rules today. You're doing a
24 great job; thank you.

1 Obviously, wait until my
2 questions are finished before you answer,
3 and I will try to do the same for your
4 answers. If I ever accidentally interrupt
5 you, just tell me so and we'll let you
6 finish your answer. Will you do that for
7 me?

8 A. Okay.

9 Q. If you don't understand a
10 question, please ask. I will clarify to
11 the best I can. You have been doing that;
12 thank you. Please continue with that.

13 If you need a break, let us know
14 we'll get you a break promptly. I may
15 have to finish a question, but just let me
16 know if you need a break.

17 Obviously, you are here to tell
18 the truth and nothing but the truth. You
19 understand that. Correct?

20 A. Yes.

21 Q. You are not to shade the truth
22 in any way. You understand that?

23 A. Yes.

24 Q. Obviously, you understand you

1 are testifying as if you were before a
2 judge or jury?

3 A. Yes.

4 (So marked for identification as
5 Plaintiff's Ambac Exhibit 1.)

6 Q. I will hand you Ambac Deposition
7 Exhibit number 1. This document contains
8 the Order entered by the Monterey Court
9 regarding this deposition and the
10 production of related documents.

11 Have you read this Order before?

12 A. Yes.

13 Q. Let me ask you to turn to the
14 numbered paragraphs of the Order,
15 specifically paragraph 1, which states,
16 "Ambac shall produce for oral deposition a
17 person most knowledgeable to testify
18 regarding whether Ambac is aware of any
19 policies or contracts with substantially
20 similar default trigger language to that
21 found in the Monterey project documents."

22 Do you see that?

23 A. Yes.

24 Q. And do you believe you are the

1 person most knowledgeable on that
2 testimony at Ambac?

3 A. Yes.

4 Q. Why do you believe you are the
5 person most knowledgeable?

6 A. Because I played a very active
7 role in this specific issue during the
8 period leading up to the rehabilitation.

9 Q. And you have direct
10 responsibility, as I understand it, for
11 the policies that contain, if they do,
12 substantially similar default trigger
13 language?

14 A. Correct.

15 Q. Paragraph 2 states, "Ambac shall
16 produce any such policies or contracts
17 that Ambac is aware of or documents
18 sufficient to show the existence and the
19 extent of such policies or contracts and
20 samples of such policies or contracts."

21 Do you see that?

22 A. Yes.

23 Q. Did you play any role in Ambac's
24 document production pursuant to this

1 Order?

2 A. Very minor.

3 Q. Tell me what role you played?

4 MR. FARR: Ms. Matanle, if you
5 can reveal that without going into
6 attorney-client communications, please
7 do so. Otherwise, protect the
8 privilege.

9 MR. WILLIAN: I don't understand
10 that.

11 Q. I just want to know what role
12 you played.

13 A. When this request came in, I
14 tried to help with where we might look in
15 order to find the policies that could
16 comply with this request. As I mentioned
17 earlier, we don't keep a log. There was
18 no easy place to go to find this.

19 Q. To your knowledge, has Ambac
20 produced all such policies or contracts
21 that it's aware of that have substantially
22 similar trigger provisions?

23 A. I didn't look at the specific
24 list of deals that came over.

1 Q. So you are not sure either way?

2 A. I am not sure either way.

3 Q. Did you assign anyone from Ambac
4 to that role where they would help assure
5 that Ambac was producing all responsive
6 documents?

7 MR. FARR: I object to the form
8 of the question. We weren't required
9 to produce all responsive documents.
10 We were required to produce examples,
11 as you know, but go ahead.

12 MR. WILLIAN: Misstating the
13 Court's Order. If that's what you
14 think we'll be back in front of the
15 Court pretty quickly.

16 Q. But go ahead and answer the
17 question.

18 A. The discovery here was largely
19 doing electronic searches with lawyers
20 rather than business people.

21 Q. Have you reviewed any of the
22 documents that Ambac produced in response
23 to this Order?

24 A. Yes.

1 Q. And tell me about that review
2 process. How many such documents did you
3 look at approximately?

4 A. I really only looked at a few.
5 A couple, a few.

6 Q. And for what purpose were you
7 looking at these documents?

8 A. I looked at them to review the
9 insurer event of default provisions and to
10 see how they looked and to refresh my
11 memory on the bucketing that we had done a
12 long time ago.

13 Q. Do you remember which specific
14 policies or documents you looked at?

15 A. I looked at -- I looked at -- I
16 believe I looked at Sonic, I looked at
17 Duncan. I don't recall the names of the
18 others.

19 Q. Can you testify that Ambac has
20 produced all such policies or contracts
21 that Ambac believes has a substantially
22 similar default trigger language or
23 documents sufficient to show the existence
24 and the extent of such policies or

1 contracts?

2 MR. FARR: Objection to the
3 form. You are reading from the
4 document production requests. She is
5 not here to testify on that issue.
6 But go ahead.

7 A. Can you break it out into
8 smaller pieces so I can answer it better?

9 Q. Sure. So, you've read paragraph
10 2 of the Court's Order, right?

11 A. Mm-hmm.

12 Q. And you are here to testify
13 about 1. Correct?

14 A. Yes.

15 Q. With respect to the production
16 of documents, can you testify that Ambac
17 has produced all policies or contracts
18 that it's aware of that have substantially
19 similar default trigger language or, in
20 lieu of all, as paragraph 2 says, document
21 that is show the existence and the extent
22 of such policies?

23 MR. FARR: Same objection.

24 A. I don't really know how to

1 answer that.

2 Q. You don't have knowledge on
3 that?

4 A. No. I didn't review all of the
5 documents that were pulled. My
6 understanding is that we found examples
7 that complied with this request, and we
8 sent over the examples that were compliant
9 with this request. That's the extent of
10 my knowledge of this number 2.

11 Q. Did Ambac produce any documents
12 reflecting the extent of such policies so
13 that, while we can look at examples, we
14 understand how many other such policies
15 there are that are similar in nature?

16 A. I can't answer that. That
17 assumes that we have a list that would say
18 we have sent over this and there are ten
19 times more than -- we don't know the
20 universe. You'd have to look at each
21 individual deal to know, to be able to
22 compute the extent.

23 Q. So there is no such document
24 that Ambac could produce that you are

1 aware of, that exists, that shows the
2 extent of the policies that have
3 substantially similar trigger language?

4 A. Correct.

5 Q. And that's just something we
6 don't know as we sit here today?

7 A. That's correct.

8 MR. FARR: Objection to form.
9 Go ahead.

10 Q. And what you understood was
11 produced were just examples that were
12 pulled?

13 A. Yes.

14 Q. How did Ambac go about
15 identifying the examples that it produced?

16 MR. FARR: Objection to form.
17 Beyond the scope. You may testify
18 based on personal knowledge.

19 A. My -- my role and the role of
20 the people that worked for me was very,
21 very limited. It was largely done by
22 lawyers, who are also very familiar with
23 the portfolio, doing searches.

24 Q. So let's focus on that word,

1 "searches." How were the searches done to
2 identify policies or contracts with
3 substantially similar trigger language?

4 MR. FARR: Same objection.

5 A. Once we started looking at this
6 issue again -- it's been many years since
7 we looked at it -- I think we realized
8 that -- where to look in order to find
9 this substantially similar -- these
10 policies with substantially similar
11 language.

12 So, I believe -- I believe they
13 started by pulling some policies that
14 might have the language. And then I don't
15 know what sort of electronic work was done
16 to -- in addition to that. It might have
17 been just pulling the documents. I don't
18 know. I didn't do it.

19 Q. Is it fair to say that Ambac has
20 electronic versions of all its policies
21 and contracts?

22 A. Not -- no, no. That may not be
23 true. I know we still have hard copy --
24 we tried to scan many of our documents but

1 I have found instances when we do not have
2 copies of documents when we have needed
3 them.

4 Q. Is it fair, though, that as a
5 substantial matter, that most of Ambac's
6 policies and contracts in your
7 surveillance area have been scanned and
8 therefore are searchable electronically?

9 MR. FARR: Objection to the
10 form.

11 A. I hope so. As I said, I found
12 examples where that's not true, but in
13 most cases we do find what we are looking
14 for.

15 Q. I take it there was some effort
16 to scan all such policies and contracts so
17 you had them electronically at some point?

18 MR. FARR: Objection to form.
19 Beyond the scope. Go ahead.

20 A. You mean we had them
21 electronically because we scanned them;
22 right?

23 Q. Yes.

24 A. Yes. We did try to scan our

1 documents, yes.

2 Q. When did that occur
3 approximately?

4 A. 2009, 2008. Thereabouts.

5 Q. And if you were given the task
6 as head of surveillance to identify all of
7 the policies that had substantially
8 similar trigger language, would you start
9 by engaging in electronic search of all
10 the policies that have been scanned?

11 MR. FARR: Same objection.

12 Beyond the scope. The witness isn't
13 here forth this. I will give you a
14 little more latitude.

15 Go ahead, if you can answer.

16 A. I don't -- I don't think -- I
17 don't know. If I wanted to find all of
18 them? I would probably go down two roads,
19 electronic road and using some people.
20 You know, in some cases the language is
21 not as plain as it should be so it takes
22 human interpretation.

23 Q. Let me ask it this way. You
24 indicated that the Monterey default

1 language fell into bucket 4. Correct?

2 A. Yes.

3 Q. And is there a way to identify
4 all of the policies and contracts with
5 bucket 4 type language in your department?

6 A. Is it possible? I suppose it's
7 possible.

8 Q. Let me ask it this way. Back in
9 2009 or 2010 when your group looked at all
10 the different types of default language,
11 did you categorize all of the policies and
12 contracts that fell into buckets 1, 2, 3
13 and 4?

14 A. Yes. In essence, we did that,
15 yes.

16 Q. So it is possible that you could
17 go back and look at that list for bucket 4
18 and figure out which contracts are still
19 alive and identify those and pull those?

20 MR. FARR: Objection to the
21 form. Mischaracterizes the testimony.

22 Q. Is that fair?

23 MR. FARR: Go ahead.

24 A. Go back and crosscheck against

1 what we did in the past? Is that what you
2 are asking?

3 Q. Yes. So you could go back --
4 wouldn't it be a fair task that you could
5 do, go back and look at all the contracts
6 in bucket 4 that you identified back in
7 2009 or 2010 and determine which policies
8 are still alive, pull those, and those
9 would be the ones that might have
10 substantially similar language to the
11 Monterey documents?

12 MR. FARR: Objection to the
13 form. Calls for speculation. Go
14 ahead.

15 Q. You could do that, right?

16 A. I suppose you could do that.

17 Q. Was that done here, do you know?

18 MR. FARR: Beyond the scope.
19 Objection. Go ahead.

20 A. No -- I don't know. I
21 personally did not do it. I do not know.

22 Q. With respect to the policies and
23 contracts that you reviewed to prepare for
24 today's deposition, did you determine if

1 the ones that you looked at were still
2 alive, in other words hadn't been expired
3 or in some way terminated?

4 A. I didn't specifically
5 crosscheck. You know, I have some
6 knowledge but I didn't -- I didn't
7 specifically go off to do that.

8 Q. Are you aware that Ambac, in
9 response to this Court Order, has produced
10 a majority of the policies that are no
11 longer alive? In other words, they have
12 expired or just aren't legally operative?

13 A. No.

14 Q. Do you know if anyone attempted
15 to check that fact, whether Ambac was
16 producing documents that were still
17 operative?

18 A. No.

19 Q. It is not hard to determine if a
20 particular Ambac policy or contract is
21 operative, is it?

22 MR. FARR: Objection to form.

23 A. No.

24 MR. FARR: We weren't asked to

1 do that.

2 Q. How would you do it?

3 A. We -- actually, on our website
4 we publish all of our policies.

5 Q. So it's possible -- for example,
6 we could look at the policies you
7 produced, go on your website and pretty
8 much figure out which ones are alive and
9 which ones aren't; right?

10 A. Yes.

11 Q. In producing documents in this
12 case, has Ambac attempted to do that in
13 any way?

14 A. Attempted to do what?
15 Crosscheck it?

16 Q. Yes, so that it produced
17 contracts that were actually still alive.

18 A. I don't know.

19 Q. When you reviewed the contracts,
20 the policies in preparation for today's
21 deposition, did you ask anybody if those
22 were policies that still were relevant or
23 alive?

24 A. No.

1 MR. FARR: As with everything,
2 that's fine. Just don't reveal
3 attorney-client communications.

4 Q. So, we actually did go and
5 analyze all the documents you produced
6 relative to the website and I want to
7 share our conclusions with you. Tell me
8 if you have any reason to dispute this.

9 Again, we have only had these
10 documents for three days so it may not be
11 perfect numbers, but by our count Ambac
12 produced approximately 144 insurance
13 policies. Does that sound about right?

14 A. I don't know.

15 Q. Do you know what different
16 buckets those insurance policies fall
17 into?

18 A. The ones that they produced?

19 Q. Yes.

20 A. I believe they -- if what you
21 are --

22 MR. FARR: Don't speculate. He
23 is giving you his analysis.

24 MR. WILLIAN: Please don't

1 coach.

2 MR. FARR: I am not.

3 Q. I can ask the question again if
4 you don't understand.

5 Of the example policies and
6 contracts that Ambac produced, we talked
7 about buckets of the types of risks. Can
8 you tell me what buckets the examples fall
9 into that you produced?

10 A. My understanding is that our job
11 was to comply with this request in this
12 document and that they were, therefore,
13 seeking to provide transactions with
14 substantially similar language in the
15 fourth bucket.

16 Q. And of those policies and/or
17 contracts that were produced, which
18 buckets did they fall into with respect to
19 the types of risk? Public finance, et
20 cetera, that we had gone through before?

21 MR. FARR: Objection. Beyond
22 the scope. If you know, answer.

23 A. I don't know.

24 Q. You didn't look at it that way?

1 A. No, I didn't.

2 Q. According to our analysis, 98,
3 so nearly 100 of the 144 policies of the
4 policies that Ambac produced are expired.
5 Does that surprise you?

6 A. No.

7 Q. Of the remaining ones that
8 aren't expired, do you know that Ambac
9 produced some policies that were in the
10 segregated account?

11 A. Did I know that? No, but...

12 Q. Doesn't surprise you?

13 A. Doesn't surprise me.

14 Q. Now, policies that are in the
15 segregated account, those policies cannot
16 have a default trigger by Court Order. Is
17 that right?

18 MR. FARR: Objection to the form
19 to the extent it calls for a legal
20 conclusion and beyond the scope. But
21 go ahead.

22 A. Well, I am not a lawyer, but my
23 business understanding is that there is a
24 stay; yes.

1 Q. So by our analysis, that left
2 about 39 policies or contracts that
3 either -- that had either what we are
4 calling a (c)(i) or (c)(ii) default
5 provision. Do you know what those are?

6 A. No.

7 (So marked for identification as
8 Plaintiff's Ambac Exhibit 2.)

9 Q. Let me hand to you Ambac
10 Exhibit 2. This is the Grantor Trust
11 Agreement for the Monterey project. Have
12 you seen this document before?

13 A. Yes, I believe I have seen this
14 one.

15 Q. If you would turn to page 2,
16 there is a definition of Ambac default.
17 Do you see that?

18 A. Yes.

19 Q. And you have read this Ambac
20 default provision before?

21 A. Yes.

22 Q. And this is the default
23 provision you put into bucket 4?

24 A. Yes.

1 Q. If you would look at (c), do you
2 see that little "c"?

3 A. Yes.

4 Q. You see there is a (c)(i) and
5 (c)(ii) below it?

6 A. Yes.

7 Q. Could you just read to yourself
8 that default clause (c), including (c)(i)
9 and (c)(ii) before I ask the next
10 question.

11 (Pause.)

12 A. Okay.

13 Q. (C)(ii) refers to "authorizing
14 the taking of possession by a custodian,
15 trustee, agent or receiver of Ambac or
16 taking of possession of all or any
17 material portion of Ambac's property."

18 Do you see that?

19 A. Yes.

20 Q. Is there some particular phrase
21 that you call that particular language,
22 the "authorized taking" language in
23 (c)(ii)?

24 MR. FARR: Objection to the

1 form. Go ahead.

2 A. No.

3 Q. Can we call that (c)(ii) default
4 language?

5 A. Oh, sure. Okay.

6 Q. With respect to the (c)(ii)
7 default language, do you know whether that
8 language is relatively common or uncommon
9 in the remaining live Ambac insurance
10 policies or contracts?

11 A. I don't know.

12 Q. With respect to the (c)(i)
13 language, "appointing a custodian,
14 trustee, agent or receiver for Ambac or
15 for all or any material portion of its
16 property," do you know whether that
17 language is common or uncommon with
18 respect to the remaining live Ambac
19 insurance policies or contracts?

20 MR. FARR: Objection to form.

21 Go ahead.

22 A. I don't know.

23 Q. Of the remaining live Ambac
24 policies and contracts that were produced,

1 we categorized them as falling into
2 essentially three buckets: Indentures,
3 investment agreements and, I will call it,
4 miscellaneous. I asked you about
5 indentures. I didn't ask you about
6 investment agreements.

7 How would you define an
8 investment agreement?

9 A. I would have to look at the
10 transaction and know a whole lot more
11 about that.

12 Q. Let me describe the transaction
13 in general and then you and I can try and
14 agree on the terminology if it sounds
15 familiar. It's a situation where Ambac
16 guarantees the investment of a client that
17 goes into Ambac Finance. And if Ambac
18 Finance -- if there is some sort of
19 default, Ambac Finance has to pay back the
20 money. If they don't, Ambac Assurance
21 then has to make good on its guaranty.

22 Does that sound familiar?

23 MR. FARR: Objection to the
24 form.

1 A. I don't know the term "Ambac
2 Finance."

3 Q. Who is the parent company of
4 Ambac Assurance?

5 A. Ambac Financial Group, AFG.

6 Q. All right. So Ambac Financial
7 Group is who I was referring to when I
8 said Ambac Finance.

9 With that understanding, do you
10 understand the nature of the transaction I
11 described to you? Does that sound
12 familiar?

13 A. No.

14 Q. Are there any contracts that you
15 are aware of where Ambac Assurance is
16 guarantying the return of funds and the
17 return of an investment return by the
18 Ambac Financial -- sorry. What is the
19 parent?

20 A. The parent is AFG.

21 Q. AFG?

22 A. Yes. Ambac Financial Group.

23 Am I aware of?

24 Q. Sure. Is there a bucket of

1 contracts out there that are live where
2 Ambac Assurance, the company that you work
3 for, has guaranteed the return of funds by
4 AFG?

5 A. The parent company?

6 Q. Yes.

7 A. No.

8 Q. Or one of its affiliates.

9 A. Or one of its affiliates? I
10 mean, we have a swap business. We have a
11 GIC business.

12 Q. This sounds like a GIC to me.

13 A. Yes.

14 Q. Where Ambac would have
15 guaranteed the GIC; right?

16 A. That's not the parent.

17 Q. The GIC contracts, do you call
18 those investment contracts, or what do you
19 call those?

20 A. We call them GICs. And those
21 are not in my area.

22 Q. Why are GICs not in your area?

23 MR. FARR: Objection. Beyond
24 the scope. Go ahead.

1 A. We handle those in the
2 investment portfolio.

3 Q. Let's go back to Exhibit 1,
4 which is the Court Order. Referring to
5 paragraph 3, which references "any
6 analysis of whether the rehabilitation
7 proceedings would result in a default
8 under such trigger language," referring to
9 the substantially similar default trigger
10 language, do you see that?

11 A. You are in numbered paragraph 3?

12 Q. Yes.

13 A. Yes.

14 Q. Was there any analysis done that
15 you are aware of of whether the
16 rehabilitation proceedings would trigger
17 either a (c)(i) or (c)(ii) default, the
18 type of language in the Monterey project
19 document?

20 MR. FARR: By (c)(i), (c)(ii),
21 you are talking about what is in
22 Exhibit 2?

23 MR. WILLIAN: Yes.

24 A. Yes. I'm a business person, not

1 a lawyer. So there was -- there were
2 business analyses done in order to look at
3 insurer events of default triggers across
4 the entire portfolio.

5 Q. Including with respect to a
6 (c)(ii) trigger, for example, that we
7 looked at specifically in Exhibit 2?

8 A. We, the business people, were
9 looking for insurer events of default and
10 finding different kinds of insurer events
11 of default and then categorizing them. So
12 the answer is yes, we were finding these
13 kind of (c)(i) default.

14 Q. (C)(i) and C --

15 A. (C)(i) and (c)(ii), yes.

16 Q. My question, though, is with
17 respect to the next step. Once you found
18 these substantially similar default
19 provisions, did Ambac analyze whether the
20 rehabilitation proceeding would trigger
21 such default provisions, specifically
22 (c)(i) or (c)(ii)?

23 A. At what -- can you clarify the
24 point in time at which we are?

1 Q. During the rehabilitation
2 proceeding time. Either leading up to or
3 shortly around the rehabilitation.

4 A. There were -- there were
5 different formulations of how the
6 rehabilitation might be structured. So --
7 and yes, there was a business analysis
8 done around the form of the rehabilitation
9 and how it would work or not work in order
10 to address insurer events of default.

11 Q. Who was in charge of that
12 business analysis?

13 A. It would have been in my
14 department. I would have been instructing
15 analysts to be doing the -- what I would
16 call legwork, the business legwork.

17 Q. Just so I understand your
18 testimony, does that mean there was an
19 analysis done by your business folks as to
20 whether or not the rehabilitation would
21 have triggered a (c)(i) or (c)(ii)
22 default?

23 A. The business analysis was to
24 serve up places, places or contracts or

1 transactions that would then pretty
2 immediately be handed over to lawyers for
3 legal interpretation because the language
4 was -- you can look at it as a business
5 person and think you understand what it
6 means, but the proper thing to do then is
7 to have a lawyer step in and confirm what
8 you are doing and analyze it further.

9 Q. Before the lawyers stepped in,
10 did your business group reach any
11 preliminary conclusions about whether the
12 rehabilitation would trigger a (c)(i) or
13 (c)(ii) default?

14 MR. FARR: Objection to the
15 form. What rehabilitation are we
16 talking about?

17 MR. WILLIAN: The one that was
18 executed.

19 MR. FARR: Segregated account
20 rehabilitation, for the record. Okay.

21 A. We really were not charged with
22 coming up with, you know, conclusions.

23 Q. Let's take it a step further,
24 then. So as I understand it, your group

1 would identify the default language, you'd
2 pass those on to the lawyers, and Ambac's
3 lawyers then engaged in an analysis as to
4 whether the rehabilitation -- when I use
5 that phrase I am talking about the one
6 that was executed, the segregated account
7 one -- whether that triggered a (c)(i) or
8 (c)(ii) default? That was looked at by
9 the lawyers?

10 A. Yes.

11 Q. Did you ever see the work
12 product of their analysis or their
13 conclusion?

14 A. Yes.

15 Q. And who provided you --
16 withdrawn.

17 Who were the lawyers that did
18 that analysis?

19 A. It started, if I recall
20 correctly, with our own internal lawyers
21 looking, and in turn we worked largely --
22 I think the main attorney we used outside
23 the firm was Barbara Goodstein.

24 Q. Give me the name again?

1 A. Barbara Goodstein.

2 Q. What firm was she with?

3 A. She was with Dewey at the time.
4 I am sure there were others, but she was
5 the primary contact.

6 Q. And just so I am clear, so Dewey
7 Ballantine analyzed whether the
8 rehabilitation, in their opinion, would
9 cause a (c)(i) and/or (c)(ii) default and
10 those conclusions were communicated to
11 you?

12 A. Correct.

13 Q. Was that communicated to you in
14 writing?

15 A. No.

16 Q. This was verbal, obviously?

17 A. Yes.

18 Q. And was this communicated to you
19 back in 2010?

20 A. Yes.

21 Q. Did you ever see the analysis or
22 the report that supported this verbal
23 advice to you?

24 A. Yes.

1 Q. Tell me what form the writing
2 took?

3 A. Similar to your work there. It
4 would be a spreadsheet listing deals and
5 inserting the language and so on.

6 MR. WILLIAN: I assume that you
7 are asserting a privilege as to the
8 legal advice that was provided.

9 MR. FARR: Correct.

10 MR. WILLIAN: So if I ask her
11 what was the advice or conclusion
12 reported to her by Dewey --

13 MR. FARR: I will assert the
14 privilege. If you ask her what was
15 Ambac's conclusion as to whether these
16 default triggers were pulled by a
17 segregated account rehabilitation, she
18 can answer based on other sources. I
19 might permit that depending on how you
20 ask the question.

21 But in terms of the actual
22 advice that was given, yes, we'll
23 assert the privilege.

24 Q. What did Dewey tell you about

1 whether there would or could be a (c)(i)
2 or (c)(ii) default with respect to the
3 rehabilitation?

4 MR. FARR: Objection. I
5 instruct you not to answer the
6 question. Don't answer.

7 Q. Did you form a conclusion about
8 whether there could be or would be a
9 (c)(i) or (c)(ii) default based on any
10 other analysis other than what your legal
11 counsel told you?

12 MR. FARR: Objection to the
13 form. You can answer that provided
14 you don't reveal what your counsel
15 told you, and he's asked to you
16 exclude that.

17 A. Okay. I mean, as a business
18 person, what we were looking for was --

19 Q. Can you just answer yes or no
20 or --

21 MR. FARR: No. You don't have
22 to answer yes or no.

23 Q. I am just asking if you formed
24 such a conclusion. Otherwise, I'll move

1 to strike.

2 A. Can you ask the question again,
3 and I'll try?

4 Q. Sure. We established you got
5 legal advice about whether the
6 rehabilitation could or would trigger a
7 (c)(i) or (c)(ii) default. Is that fair?

8 A. Yes.

9 Q. And you saw that analysis in
10 writing and it was told to you verbally.
11 Correct?

12 A. Yes.

13 Q. And you testified already that
14 your business folks and you did not engage
15 in such analysis; you identified the
16 provisions and handed those over to the
17 lawyers to make that determination.
18 Right?

19 A. Correct.

20 Q. Your group didn't make any sort
21 of separate analysis about whether there
22 would be a (c)(i) or (c)(ii) default apart
23 from the lawyers, did you?

24 A. No.

1 Q. In reviewing documents in
2 preparation for your deposition, did you
3 review any documents that reflected any
4 consideration or analysis of whether there
5 would be a (c)(i) or (c)(ii) default in
6 light of the rehabilitation?

7 A. It is a very general question.

8 Q. Well, I can clarify if it would
9 help.

10 A. Yes.

11 Q. So the Court Order, paragraph 4
12 says "Ambac shall produce documents
13 reflecting any such consideration or
14 analysis." Do you see that?

15 A. Yes.

16 Q. So I am asking you, in
17 preparation for your deposition did you
18 review any documents that reflected a
19 consideration or analysis of whether there
20 would be a (c)(i) or (c)(ii) default in
21 light of the rehabilitation?

22 MR. FARR: Objection. By
23 anyone, or by Ambac?

24 Q. You can answer.

1 A. I reviewed default language.
2 There wasn't a lot of written work product
3 that had a lot of conclusions or -- so I
4 don't know how to answer that question.

5 Q. As I understand it, you just
6 looked at contracts; you didn't look at
7 anything that engaged in an analysis of
8 whether it would be a (c)(i) or (c)(ii)
9 default in light of the rehabilitation.
10 Is that fair?

11 MR. FARR: Again, in the context
12 of her preparing for her deposition?

13 MR. WILLIAN: That is the
14 question.

15 A. I think that's right.

16 Q. Are you aware of any such
17 analysis or written consideration of
18 whether the rehabilitation triggered a
19 (c)(i) -- could or would trigger a (c)(i)
20 or (c)(ii) default other than writings by
21 your lawyers?

22 A. I did not look at any.

23 Q. Are you aware of any --

24 MR. FARR: In preparation for

1 her deposition? I want to make sure
2 it's clear.

3 MR. WILLIAN: Please stop.

4 Q. I am asking at any point in time
5 are you aware of any such consideration or
6 analysis of whether there could be or
7 would be a (c)(i) or (c)(ii) default in
8 light of the rehabilitation?

9 MR. FARR: Objection to form.

10 Q. Other than written analysis by
11 your lawyers.

12 MR. FARR: Objection to the
13 form.

14 A. I don't know.

15 Q. You have never seen such
16 document before?

17 A. No.

18 Q. No, you have never seen such a
19 document before? Correct?

20 A. That's correct, no, I have never
21 seen such a document before.

22 MR. FARR: Can we take a break,
23 Counsel? We've been going about --

24 MR. WILLIAN: Give me one

1 minute. I will let you know.

2 MR. FARR: There is no question
3 pending so can we take a break?

4 MR. WILLIAN: Please, let me
5 determine whether it is an appropriate
6 time for a break. I understand you
7 want one. Let me take a minute to see
8 if it makes sense.

9 (Pause.)

10 MR. WILLIAN: Okay. Your
11 counsel has asked for a break. Why
12 don't we take a short five-minute
13 break.

14 THE VIDEOGRAPHER: Time on the
15 video monitor is 10:49 a.m. We are
16 off the record at this time. End of
17 media 1.

18 (Recess.)

19 THE VIDEOGRAPHER: We are back
20 on the record. The time on the video
21 monitor is 11:03 a.m. This starts
22 media 2.

23 (So marked for identification as
24 Plaintiff's Ambac Exhibit 3.)

1 BY MR. WILLIAN:

2 Q. I am handing to you Ambac
3 Deposition Exhibit 3, which is the Notice
4 of Deposition for this deposition. I take
5 it you have read this notice before?

6 A. Yes.

7 Q. With respect to the topics on
8 which you are here to testify, would you
9 tell me everything you did to prepare for
10 your deposition?

11 A. I met with my attorneys on
12 Wednesday and Thursday and reviewed
13 materials that they thought would be
14 helpful to refresh my memory on the
15 background here since it happened a while
16 ago.

17 Q. Anything else?

18 A. No.

19 Q. How long were your meetings with
20 the attorneys approximately?

21 A. A few hours on Wednesday and
22 then a few hours yesterday.

23 Q. Two to three hours each day?

24 A. Wednesday was four hours.

1 Yesterday was probably six hours.

2 Q. Other than your attorneys, did
3 you speak to anyone else to help prepare
4 for today's deposition?

5 A. No.

6 Q. You indicated you reviewed
7 materials to help refresh you regarding
8 relevant events. What materials did you
9 review?

10 MR. FARR: Objection. I
11 instruct you not to answer.

12 THE WITNESS: Did you say I can
13 answer?

14 MR. FARR: No. Exactly what
15 materials were reviewed?

16 MR. WILLIAN: Yes. Absolutely.

17 Q. These are materials that helped
18 refresh you to testify today?

19 MR. FARR: If you can recall
20 them, go ahead.

21 A. I can recall some of them. I am
22 not going to be able to recall all of
23 them.

24 Q. Do your best.

1 A. For example, I reviewed this,
2 the two exhibits you put in front of me so
3 far. I looked at parts of those. I
4 looked at my testimony in the
5 rehabilitation hearing to refresh my
6 memory.

7 Q. What else did you look at?

8 A. As I mentioned earlier, a few
9 other default provisions in some of the
10 other transactions.

11 Q. Anything else?

12 A. Other material that was on the
13 table that was prepared by my counsel.

14 Q. And what is that material?

15 MR. FARR: Objection. I
16 instruct you not to answer about the
17 substance of it.

18 Q. Well, I have a right to know
19 since it helped refresh you to testify
20 today.

21 MR. FARR: I instruct you not to
22 answer about the substance of it.

23 Q. Describe it in general so that
24 we can identify and bring it to the

1 Court's attention.

2 A. It was a spreadsheet.

3 Q. What was the general subject
4 matter of the spreadsheet?

5 A. I think the intent of it was
6 to -- was to identify the default triggers
7 and summary information.

8 Q. What else did you look at?

9 A. That's -- those are the main
10 things that I recall looking at. We did
11 not look at a substantial amount of
12 material.

13 Q. Okay. I understand. And using
14 words like "the main things," I am
15 entitled to know, I believe, everything
16 you looked at to help you testify today.

17 Your counsel is claiming
18 privilege over the spreadsheet. Is there
19 any other document you looked at that
20 counsel prepared for you? Again, just
21 describe it as a high level for me.

22 A. That counsel prepared for me?

23 Q. Or prepared, that you looked at.

24 A. When you say prepared, you mean

1 they wrote, or that they served -- they
2 photocopied and had me look at?

3 Q. Either. Both.

4 A. Those are the main things I
5 looked at.

6 Q. I know. Were there other
7 things, though, that you looked at?

8 A. Nothing that I recall reading,
9 because I can't even remember it.

10 Q. So as far as something that
11 counsel prepared that you read to prepare
12 for today's deposition, the spreadsheet is
13 the only thing that comes to mind?

14 A. That counsel prepared, yes,
15 other than the other things I already
16 mentioned.

17 Q. And you considered those to be
18 photocopied things that were given to you
19 to review?

20 A. Correct.

21 MR. WILLIAN: Just so the record
22 is clear, you are claiming privilege
23 over the spreadsheet?

24 MR. FARR: Yes.

1 MR. WILLIAN: And you are
2 claiming privilege over her
3 description of the spreadsheet in any
4 further detail?

5 MR. FARR: Yes.

6 Q. Did you go back and look at the
7 Court's Order in connection with
8 confirming the plan of rehabilitation?

9 A. I don't think so.

10 Q. But you did go back and look at
11 your testimony?

12 A. I did go back and look at my
13 testimony. I mentioned that, right?

14 Q. You did mention that.

15 A. Yes. And my affidavit.

16 Q. Referring to Exhibit 3, Ambac
17 Exhibit 3, paragraph 2, I had asked you
18 about any analyses regarding whether the
19 rehabilitation could have or would have
20 triggered a (c)(i) or (c)(ii) default.
21 You identified the Dewey analysis back in
22 the 2010 time frame or 2009.

23 Were there any other counsel
24 analyses other than Dewey that you are

1 aware of on that topic?

2 A. When you ask "analysis," do you
3 mean written work product, or...

4 Q. Well, where you were seeking
5 legal advice on whether or not there was a
6 (c)(i) or (c)(ii) default in light of the
7 rehabilitation.

8 A. We sought legal advice from our
9 counsel, but there were other counsels
10 involved in this.

11 Q. And who was your counsel, just
12 for the record?

13 A. Dewey.

14 Q. So my question is, at any time
15 up until today and putting aside your
16 trial counsel, have you -- "you" being
17 Ambac -- engaged counsel to analyze
18 whether the rehabilitation could have or
19 would have triggered a (c)(i) or (c)(ii)
20 default?

21 MR. FARR: Again, Ms. Matanle, I
22 will just caution you not to reveal
23 the substance of that advice. I also
24 want to lodge an objection for the

1 record that the topics number 2 and 3
2 go beyond and are different than the
3 scope of the topics in the Court's
4 Order. We believe the depositions
5 have been improperly extended beyond
6 what the Court ordered us to produce.

7 I won't instruct you not to
8 answer. Answer the question if you
9 can.

10 A. Please ask the question again?

11 Q. Sure. It's a simple question,
12 and that is: Has Ambac engaged counsel
13 other than Dewey and other than your trial
14 counsel at any time to analyze whether
15 there may have been or could have been a
16 (c)(i) or (c)(ii) default as a result of
17 the rehabilitation?

18 MR. FARR: Objection to the
19 form. Go ahead.

20 A. This -- after the fact, no. I
21 mean, we were very comfortable heading
22 into the creation of the segregated
23 account that it would not -- that it would
24 not and could not produce a (c)(i) or

1 (c)(ii) event of default.

2 Q. I move to strike your testimony
3 because I didn't ask about that. I asked
4 if you engaged counsel.

5 MR. FARR: And she answered you.

6 Objection to the motion to strike.

7 Q. I notice that you injected that
8 after your break. Please just answer the
9 question.

10 I move to strike.

11 MR. FARR: And I move to strike
12 your comment. Go ahead.

13 Q. My question is very simple to
14 you. Did you engage counsel other than
15 Dewey to engage in an analysis of whether
16 there was a (c)(i) or (c)(ii) default as a
17 result of the rehabilitation proceeding?

18 MR. FARR: And other than trial
19 counsel?

20 MR. WILLIAN: And other than
21 trial counsel.

22 A. We did not engage counsel to
23 determine whether there was an event of
24 default caused by the segregated account

1 creation.

2 (So marked for identification as
3 Plaintiff's Ambac Exhibit 4.)

4 Q. I will hand to you Ambac
5 Exhibit 4. Ambac Exhibit 4 is a motion
6 that was filed that is pending in
7 Wisconsin, and there is a number of
8 attachments to it. I want to ask you
9 about one of the attachments, which is the
10 Order confirming the plan.

11 Have you seen this motion?

12 A. I am aware of it but I don't --
13 I never read it.

14 Q. Let me ask you to turn to the
15 attachment which is the Court's Order
16 affirming the plan, which is Exhibit B.
17 The start of the document looks like this.
18 It is about ten pages in or so.

19 There you go. So you have in
20 front of you the Decision and Final Order
21 Confirming the Rehabilitator's Plan of
22 Rehabilitation with Findings of Fact and
23 Conclusions of Law. Correct?

24 A. Yes.

1 Q. You have seen that document
2 before, I take it?

3 A. Yes.

4 Q. In fact, your testimony is cited
5 in here. Is that right?

6 A. I believe so.

7 Q. Let me ask you to turn to
8 paragraph 52 on page 19. The first
9 sentence of paragraph 52 states, "Each of
10 Ambac's policies and sets of policies
11 contain different covenants and triggers
12 and it may not have been possible to
13 effectively enjoin the exercise of all
14 such triggers."

15 Do you see that?

16 A. Yes.

17 Q. Do you have an understanding of
18 what triggers Mr. Dilweg was testifying to
19 where it may not have been possible to
20 effectively enjoin the exercise of all
21 such triggers?

22 MR. FARR: It is beyond the
23 scope; objection. But go ahead if you
24 know.

1 A. I'd prefer to read the entire
2 paragraph first.

3 Q. Of course.

4 (Pause.)

5 A. Can you ask the question again
6 please?

7 Q. Do you know what Mr. Dilweg had
8 in mind when he said it may not have been
9 possible to effectively enjoin the
10 exercise of all such triggers?

11 MR. FARR: Same objection, and
12 foundation. Go ahead.

13 A. My recollection -- but I don't
14 know if this is what he meant -- is that
15 swaps have particularly gnarly provisions
16 because of the ISDA, I-S-D-A.

17 Q. Was it your understanding too,
18 at the time, that the rehabilitation may
19 not have effectively prevented the trigger
20 of a default under one of these ISDA
21 swaps?

22 MR. FARR: Objection to form and
23 same objection. Go ahead.

24 A. I don't -- I don't know. I

1 don't recall.

2 Q. Why is it you believe that
3 Mr. Dilweg may have been referring to an
4 ISDA swap default provision?

5 A. I really don't know. I think
6 his comment is a very general one.

7 Q. Do you know -- withdrawn.

8 When you say an ISDA swap
9 default trigger is particularly gnarly,
10 what do you mean by that?

11 A. Swaps have their own set of
12 rules and they are very complicated, and
13 it isn't always clear how they are going
14 to operate. So when you analyze a swap,
15 it's quite different from the analysis
16 that you do of a loan agreement or an
17 indenture. There are, you know, legions
18 of attorneys that do nothing other than
19 swap contracts. Very specialized field.

20 Q. With respect to ISDA, that's a
21 form that specified a particular form
22 default provision. Is that right?

23 A. Yes.

24 Q. Going back to the analysis that

1 Dewey did of the default triggers, do you
2 know whether Dewey -- just yes or no --
3 whether Dewey actually reviewed any
4 military contract default provision in
5 their analysis?

6 A. Yes.

7 Q. The answer is they did?

8 A. They did.

9 Q. Which base or project?

10 MR. FARR: If you can answer
11 that without revealing attorney-client
12 communications, go ahead. We're at a
13 high level here.

14 THE WITNESS: Yeah.

15 A. I can't. I can't tell you which
16 one. I don't know.

17 Q. Did Dewey share its analysis of
18 the default triggers with the
19 rehabilitator?

20 A. Yes.

21 Q. Let's go to the paragraph above
22 paragraph 51 -- I am sorry. That is a bad
23 question. That's go to paragraph 51.
24 Paragraph 51 states, "As OCI investigated

1 Ambac's book of business it became aware
2 of various default triggers in a large
3 number of its contracts. A general or
4 full rehabilitation of Ambac could have
5 triggered costly defaults across many of
6 those contracts and crystallized
7 substantial losses from a variety of
8 different contractual obligations which
9 was sometimes referred to in the testimony
10 as 'collateral damage'."

11 Do you see that?

12 A. Yes.

13 Q. Do you understand collateral
14 damage, that phrase, to mean if there was
15 a trigger of a default Ambac would incur,
16 as this says, substantial losses?

17 MR. FARR: Objection to the
18 form. Go ahead.

19 A. Yes.

20 Q. As you sit here are you aware of
21 any live Ambac policies or contracts
22 where, if there was a (c)(i) or (c)(ii)
23 trigger, there would be collateral damage;
24 in other words, Ambac would incur

1 substantial losses?

2 MR. FARR: Objection to form and
3 beyond the scope. Go ahead.

4 A. I don't understand the -- I
5 don't really understand the question.

6 Q. Okay. I will try to ask it
7 again.

8 As you sit here today, if there
9 is a (c)(i) or (c)(ii) default finding,
10 are you aware of any Ambac contracts or
11 policies that are live, that are in
12 existence, where if there is such a
13 default it will trigger collateral damage
14 defined as substantial losses?

15 MR. FARR: Objection to the
16 form.

17 A. If -- if this trigger were to be
18 tripped today --

19 Q. Yes.

20 A. -- for some new event occurring
21 today --

22 Q. Or some event.

23 A. -- would we still incur
24 collateral damage on some of our policies?

1 The answer is yes.

2 Q. Have you quantified the amount
3 of such collateral damage?

4 MR. FARR: Objection. All
5 beyond the scope.

6 A. No.

7 Q. And you are confident that there
8 would be substantial losses or losses if a
9 (c)(i) or (c)(ii) default is triggered on
10 such live policies?

11 MR. FARR: Also beyond the
12 scope. Go ahead.

13 A. Yes, there could be.

14 Q. Could be, or you are not sure?

15 MR. FARR: Objection to the
16 form.

17 A. It depends on -- it depends on
18 the consequence -- it depends on what
19 happens when we lose the rights that we
20 have as an insurer.

21 Q. So there may or may not be
22 substantial losses if there is a (c)(i) or
23 (c)(ii) default; you are just not sure?

24 MR. FARR: Objection to the

1 form. Mischaracterizes the witness's
2 testimony. Go ahead.

3 A. There could be substantial
4 damage.

5 Q. Do you know there would be, or
6 you are just not sure?

7 MR. FARR: Same objections.

8 A. It is very fact-based. It
9 depends on the facts that occur.

10 Q. Have you or anyone at your
11 direction performed any analysis of
12 whether a (c)(i) or (c)(ii) default today
13 would cause substantial losses to Ambac?

14 MR. FARR: You mean beyond trial
15 counsel, beyond anything that is
16 happening in this case? Is that
17 right?

18 MR. WILLIAN: I am asking --

19 MR. FARR: I may have to
20 instruct her then. I just want that
21 clarification.

22 MR. WILLIAN: I am not asking
23 for what trial counsel did.

24 Q. You or anyone at your direction?

1 MR. FARR: Objection to form.

2 Beyond the scope. Go ahead.

3 A. As a business matter I would
4 certainly recommend and demand that the
5 company conduct an analysis before they do
6 anything that would trigger this kind of
7 default.

8 Q. Have you done such an analysis
9 to determine, if there was a (c)(i) or
10 (c)(ii) default, what the losses to Ambac
11 likely would be if any?

12 MR. FARR: Objection. The whole
13 line is beyond the scope. You can
14 answer if you can.

15 A. Much of it is non-quantitative.
16 You can set out what would happen, and any
17 reader would know that it would be
18 impossible to actually quantify it. But a
19 reader would get the point that there is a
20 lot at risk here.

21 Q. Have you engaged any such
22 analysis, have you authored an analysis or
23 seen such an analysis of whether today, if
24 there is a (c)(i) or (c)(ii) default

1 trigger, what would be the consequences to
2 Ambac?

3 MR. FARR: Same analysis -- same
4 objection.

5 Q. Have you done that analysis?

6 A. Today?

7 Q. Yes.

8 A. No, I have not done it today.

9 Q. Well, not today today, but in
10 the recent past?

11 MR. FARR: Same objections.

12 A. What is the recent past?

13 Q. The last year.

14 A. No.

15 Q. When was the last time you did
16 such an analysis?

17 A. Over a year ago. We routinely
18 did an analysis along these lines, with
19 counsel and for the regulator, that would
20 discuss the implications if there needed
21 to be a full company rehabilitation of
22 Ambac. So, it wasn't specifically this
23 trigger.

24 Q. So you haven't --

1 A. It was a collateral --
2 collateral damage analysis.

3 Q. If there was a full
4 rehabilitation of Ambac; right?

5 A. Yes. Yes.

6 Q. My question is a little bit
7 different. Have you ever done an analysis
8 of the damage to Ambac potentially if
9 there was a (c)(i) or (c)(ii) default?

10 A. No.

11 MR. FARR: Objection. Asked and
12 answered.

13 A. No.

14 MR. FARR: Vague on time, but go
15 ahead.

16 Q. Going back to the Order --

17 MR. FARR: Exhibit 1?

18 MR. WILLIAN: Exhibit 1.

19 Q. Paragraph 5 states, "Ambac shall
20 produce for oral deposition a person most
21 knowledgeable to testify regarding any
22 communication between Ambac and the
23 rehabilitator regarding the issues
24 identified at paragraph 3 above." And

1 paragraph 3 is set forth in the Order. I
2 don't need to repeat it here.

3 Are you the person who is
4 prepared to testify on that topic as
5 encapsulated here in paragraph 5 of the
6 Order?

7 A. Yes.

8 Q. And are you aware of any
9 communications with the rehabilitator by
10 Ambac regarding topic 3 or paragraph 3?

11 A. Am I aware of conversations?
12 Contact?

13 Q. Well, communications, not
14 conversations.

15 A. Yes.

16 Q. Conversations and written --

17 A. Yes. Yes, I am.

18 Q. And without getting into the
19 content of the communications, what
20 communications are you aware of with the
21 rehabilitator that touch upon or relate to
22 paragraph 3 of the Order?

23 MR. FARR: I will just make an
24 instruction, Ms. Matanle. Don't

1 reveal the substance of those
2 communications because, as you may
3 know, there is a privilege under
4 Wisconsin law concerning
5 communications between Ambac and its
6 rehabilitator.

7 If he is asking at a very high
8 level, dates, times, places -- I am
9 not sure what he wants -- but you can
10 answer.

11 A. As I have -- as I stated
12 earlier, we were -- we, the company, were
13 doing a business analysis of this. Side
14 by side we -- I know that the regulator
15 was also doing a similar business analysis
16 and also a legal analysis in order to do
17 assessments, arrive at conclusions,
18 discuss attorneys.

19 I can tell you that there was
20 very, very little business contact,
21 business person to business person,
22 because of the sensitivity of all of these
23 events leading up to the rehabilitation.

24 Q. Okay. So we might be able to

1 short circuit this.

2 Are you all claiming privilege
3 as to all the communications between Ambac
4 and the rehabilitator?

5 MR. FARR: At that level of
6 generality, yes.

7 MR. WILLIAN: Specifically as to
8 communications regarding the topic of
9 paragraph 3, you are claiming
10 privilege as to those topics?

11 MR. FARR: Counsel, it is a
12 little hard for me, without you asking
13 questions, to know. If you were to
14 try to lay some kind of foundation
15 about who else might have been there.
16 But as a very general matter, if you
17 are just going to ask her, "Tell me
18 what was said in those very general
19 conversations," yes, on that basis I
20 would have to assert privilege. It is
21 not my privilege to waive.

22 MR. WILLIAN: Fair enough.

23 (So marked for identification as
24 Plaintiff's Ambac Exhibit 5.)

1 Q. I am handing to you what we call
2 in this business a privilege log. It was
3 prepared by your counsel and given to us
4 last night. This purports to reflect all
5 of the privileged communications or
6 communications on which Ambac is claiming
7 privilege regarding the topics of your
8 deposition and the document requests.

9 I am not going to ask you,
10 obviously, to plow through this. But I do
11 want to ask you about the first page.
12 There is an entry, privilege ID of 5 and 6
13 which indicates "9/9/2016, 8:44, attorney
14 client work product, internal client
15 communication discussing legal advice."
16 But there is no "from" or "to."

17 Do you know what that is about?

18 MR. FARR: Objection. Beyond
19 the scope. You can answer if you
20 know.

21 A. I don't know.

22 Q. We'll also note -- and I am not
23 going to ask you to confirm this, but if
24 you have contrary knowledge let me know --

1 that there are no communications on here
2 for 2011, 2012, 2013, 2014, 2015, and that
3 I have shown you the only two entries for
4 2016.

5 Is that consistent with your
6 recollection that legal counsel has not
7 analyzed whether a (c)(i) or (c)(ii)
8 default trigger may have happened because
9 of the rehabilitation in those years after
10 2010?

11 A. That's correct.

12 MR. FARR: Objection to form and
13 beyond the scope, but go ahead.

14 A. That's correct.

15 MR. WILLIAN: I am going to
16 suggest this. I think I can short
17 circuit your dep and get you out
18 earlier. To do that I need some time
19 to look at my notes. I will suggest
20 an early lunch, come back in
21 45 minutes or an hour, and I should be
22 able to get you out in an hour or two
23 after that.

24 MR. FARR: Okay.

1 THE WITNESS: Good. Thank you.

2 THE VIDEOGRAPHER: Time on the
3 video monitor is 11:33 a.m. We are
4 off the record.

5 (Recess.)

6 THE VIDEOGRAPHER: We are back
7 on the record. Time on the video
8 monitor is 12:34 p.m.

9 BY MR. WILLIAN:

10 Q. You have Exhibit 4 in front of
11 you. Previously we were looking at
12 Exhibit B, which is the decision of the
13 Court. If I could ask you to turn back to
14 paragraph 52 of that decision, page 19?

15 The first sentence of paragraph
16 52 states, "Each of Ambac's policies and
17 sets of policies contain different
18 covenants and triggers and it may not have
19 been possible to effectively enjoin the
20 exercise of all such triggers," citing the
21 Dilweg testimony.

22 Did you ever have a conversation
23 with Mr. Dilweg about what he meant by "it
24 may not have been possible to effectively

1 enjoin the exercise of all such triggers"?

2 Just yes or no.

3 MR. FARR: Objection -- yes or
4 no? Conversations with the
5 commissioner are privileged.

6 You can answer that question yes
7 or no, but don't reveal what was
8 discussed.

9 A. No.

10 Q. Did you ever have any sort of
11 communication with the commissioner about
12 what he may have meant by his testimony
13 that it may not have been possible to
14 effectively enjoin the exercise of all
15 such triggers? Again, just a yes or no.

16 A. No.

17 Q. Do you know or at least have an
18 idea of what analysis Mr. Dilweg may have
19 been looking at when he testified -- or
20 been relying on when he testified it may
21 not have been possible to effectively
22 enjoin the exercise of all such triggers?

23 MR. FARR: Objection. Beyond
24 the scope. Lacks foundation. Go

1 ahead.

2 A. No.

3 Q. Paragraph 52 continues,
4 "Specifically, OCI found that numerous
5 Ambac policies and transactions included
6 triggers that could be pulled upon being
7 subject to a rehabilitation or liquidation
8 proceeding. These obligations include
9 collateralized loan obligations and
10 commercial asset-backed securities, which
11 are often negotiated on an individualized
12 basis resulting in each transaction having
13 its own unique structures and triggers."

14 Let me stop there. The Monterey
15 bonds and Ambac's guaranty of those bonds,
16 does that fall into either of these
17 buckets, collateralized loan obligation or
18 a commercial asset-backed security?

19 A. No, they do not fit squarely
20 into these terms, defined terms here.

21 Q. What is a collateralized loan
22 obligation?

23 A. During the mortgage crisis the
24 term CDO came into common parlance, so

1 that is a collateralized debt obligation.
2 A CLO is a collateralized loan obligation.
3 So, it's a liability that we would wrap
4 that was in turn backed by a whole pool of
5 underlying loan obligations.

6 So, it is a securitized
7 transaction with the securities backing
8 the transaction being in this case -- CLO
9 is corporate loans.

10 Q. What is a commercial
11 asset-backed security?

12 A. This would be a transaction
13 where we would wrap liabilities that in
14 turn would be paid down from revenues
15 coming off commercial assets of some sort.
16 For example, the Duncan transaction and
17 the Sonic transaction were commercial
18 asset-backed transactions.

19 Q. Paragraph 52 continues, "These
20 categories of transactions also posed a
21 risk of mark to market damages." Why was
22 that?

23 MR. FARR: Objection. This is
24 all beyond the scope. I will just

1 lodge a running objection to questions
2 about the Order, which is not part of
3 the designation. But go ahead.

4 A. Mark to market damages, what he
5 is referring to is transactions where if
6 it's determined that we owe money because
7 there has been an event that has triggered
8 or purports to trigger an obligation on
9 the company's part to pay, rather than
10 waiting until there are actual damages
11 incurred by the non-performance of the
12 assets that I just mentioned that usually
13 generate revenues that pay down the
14 liabilities we wrap, a mark to market
15 transaction is one where if the person we
16 guaranty is successful in saying that such
17 an event has happened, we would be
18 obligated to pay the mark on the value of
19 those assets at that point in time
20 irregardless of what they would ultimately
21 deliver in real cash to pay off the
22 underlying obligations.

23 Q. The next sentence states, "In
24 addition, Ambac's swap surety policies

1 also often had contractual triggers
2 associated with them."

3 You had mentioned swap earlier.
4 What is a swap, just in lay terms?

5 A. In lay terms -- we are almost
6 always here speaking about interest rate
7 swaps. So a swap in this sense is that
8 one party pays the other party one
9 interest rate, either fixed or floating,
10 and then in turn they receive the opposite
11 of that either fixed or floating. And it
12 is the -- the contract specifies the
13 formula around which you specify who owes
14 whom what.

15 Q. Now, just as a factual matter,
16 were all of these types of contracts,
17 CLO's and the commercial ABS and the
18 swaps, put into the segregated account, or
19 only some of them?

20 A. Only some of them.

21 Q. Some for each class?

22 A. Yes.

23 Q. So some CLO's and commercial ABS
24 transactions remained in the general

1 account?

2 A. Yes.

3 Q. If you go to paragraph 54, it
4 reads, "OCI sought an approach that would
5 address up to 40 years of potential policy
6 liabilities in a manner that would not
7 trigger covenants and cause defaults in
8 the thousands of Ambac policies or throw
9 policyholders back into the uncertain
10 insurance market."

11 What was meant, as you
12 understood it, by "throwing policyholders
13 back into the uncertain insurance market"?

14 MR. FARR: Objection. Beyond
15 scope and the foundation. But answer
16 if you know.

17 A. Throw policyholders -- I don't
18 know. I could guess.

19 Q. If you have a reasoned basis to
20 testify, go ahead. If it is a pure guess,
21 I don't want to hear it.

22 A. I think what he meant was that
23 it would maybe force people to have to
24 refinance into a bad market where they

1 wouldn't want to refinance away from us.

2 But, I mean, I don't know.

3 Q. Fair enough. Let's go back to
4 the Order, which is Exhibit 1.

5 MR. FARR: You mean the Order
6 from the California court?

7 MR. WILLIAN: Yes.

8 MR. FARR: Okay.

9 Q. Let's go to paragraph 3. So,
10 the last clause of paragraph 3 indicates
11 that you will be testifying about any
12 analysis of whether the rehabilitation
13 proceedings would result in a default
14 under such a trigger language, being a
15 substantially similar trigger. Do you see
16 that?

17 A. Yes.

18 Q. I just want to make sure that to
19 date you have identified all such
20 analyses, principally the Dewey one, and
21 there aren't any other analyses out there
22 that I am missing or we haven't talked
23 about.

24 MR. FARR: Object to the form of

1 the question because it relates back
2 to what was happening before lunch.
3 But answer that if you can.

4 A. Yes, I think we have referenced
5 all of the analyses that I am aware of.

6 Q. And that is actually just the
7 Dewey analyses?

8 MR. FARR: Are you asking
9 analyses by Ambac, or by anyone?

10 MR. WILLIAN: Ambac or anyone it
11 is responsible for, including its
12 counsel.

13 MR. FARR: So Ambac and its
14 counsel?

15 MR. WILLIAN: Yes.

16 A. Not the regular -- not moving on
17 into analysis that the regulator
18 performed; correct?

19 Q. Well, are you aware of a
20 separate analysis done by the regulator?

21 A. I never saw the analysis. I
22 only saw the results of the analysis and
23 the actions that they took.

24 Q. Okay. And the analysis -- you

1 think the regulator did a similar analysis
2 but you never saw it?

3 A. Correct.

4 MR. WILLIAN: And communications
5 between Ambac and the regulator are
6 privileged. Is that right?

7 MR. FARR: Correct.

8 Q. I don't want to know the content
9 of what you saw or heard about that.

10 MR. FARR: Communications are.
11 There are other ways you could ask the
12 question, but the communications are
13 privileged.

14 Q. So, do you believe that the
15 regulator or the rehabilitator did a
16 separate written analysis of the default
17 triggers other than what was done by
18 Dewey?

19 A. I don't know what they might
20 have put in writing.

21 (So marked for identification as
22 Plaintiff's Ambac Exhibit 6.)

23 Q. I am going to hand to you Ambac
24 Deposition Exhibit 6. I am interested in

1 the email on the second page of this
2 exhibit, so go ahead and familiarize
3 yourself with that email and I will ask
4 you some high level questions about it.
5 Just tell me when you are done.

6 (Pause.)

7 A. Okay.

8 Q. The email on the second page is
9 from a Davis Polk attorney. What role did
10 Davis Polk play in connection with
11 analyzing default triggers if any?

12 A. Davis Polk represented the bank
13 group.

14 Q. And Ambac was adverse to the
15 bank group; right?

16 A. Yes.

17 Q. Just to get the context, as I
18 understand it Ambac then eventually had
19 discussions with the bank group and
20 settled with the bank group?

21 A. Yes.

22 Q. That settlement was in the 2010
23 time frame?

24 A. Yes.

1 Q. In connection with the bank
2 group discussions, did Ambac ever discuss
3 with the bank group or its counsel whether
4 or not the rehabilitation would cause a
5 (c)(i) or (c)(ii) type default?

6 MR. FARR: Objection to the
7 form. What kind of rehabilitation?

8 MR. WILLIAN: The kind that was
9 entered. Any time I say it, it is
10 what happened.

11 MR. FARR: That is a good
12 clarification. Okay.

13 A. Yes. The discussion with the
14 bank group was that the type of
15 rehabilitation that was done would not
16 have triggered a (c)(i) or a (c)(ii) event
17 of default.

18 Q. And there was a specific
19 discussion with the bank group on (c)(i)
20 and (c)(ii)?

21 A. Those types of triggers, that
22 basket that we spoke about.

23 Q. But I am a little more focused.
24 So did you speak with the bank group --

1 "you" being Ambac -- about whether, for
2 example, a (c)(ii) trigger would be
3 triggered by the rehabilitation?

4 MR. FARR: Objection to the
5 form. Do you remember what he means
6 by (c)(ii) trigger? It's their term.

7 A. It's the (c)(i), (c)(ii) or
8 different types of conveying of
9 substantially all of your property.

10 Q. Feel free to take a look, but
11 it's the authorized taking of all or
12 substantially all of the property.

13 MR. FARR: Objection to the
14 form. That is not what (c)(i) and
15 (c)(ii) says exactly.

16 MR. WILLIAN: If you want to
17 disrupt, that's fine.

18 MR. FARR: I am not disrupting.

19 Q. If you are uncomfortable knowing
20 what (c)(i) and (c)(ii) is after we went
21 through it in the morning, it's right
22 there in front of you. Take a look.

23 MR. FARR: I'm just protecting
24 the record when you use imprecise

1 language, Counsel. That's all I am
2 doing.

3 A. I am comfortable with the terms
4 generically. An important benefit of the
5 rehabilitation that we entered into was
6 that --

7 Q. What's the question on the
8 table?

9 MR. FARR: She can answer you,
10 Counsel.

11 A. Whether there was a specific --
12 I was not involved in any specific
13 discussions about those (c)(i) and
14 (c)(ii).

15 Q. So the question on the table is,
16 did you, Ambac, have a specific discussion
17 with the bank about whether there was a
18 (c)(ii) default with respect to the
19 rehabilitation. (C)(ii).

20 A. Whether there was? Was --

21 Q. Was or wasn't.

22 A. Was or would be?

23 Q. I will state it again. Ready?

24 A. Yes.

1 Q. Did you have any discussions
2 with the bank group about whether there
3 could be or would be a (c)(ii) default as
4 a result of the rehabilitation?

5 MR. FARR: Objection to the
6 form. Go ahead.

7 A. I did not personally have those
8 discussions.

9 Q. Do you know if those (c)(ii)
10 default discussions actually took place?
11 And I am talking about (c)(ii), regarding
12 an authorized taking.

13 A. Not by business people.

14 Q. And do you know whether Ambac
15 had a discussion with the bank group about
16 whether there was a -- was or could have
17 been a (c)(i) default as a result of the
18 rehabilitation?

19 A. Same -- same set of facts.

20 Q. So if there was such a
21 discussion, it happened between lawyers?

22 A. Yes.

23 Q. And you weren't present for
24 those conversations?

1 A. Not that I can recall.

2 Q. Did the bank group ever take the
3 position with Ambac that you know of or
4 heard about that there was either a (c)(i)
5 or (c)(ii) default as a result of the
6 rehabilitation?

7 A. Not that I am aware of.

8 Q. Do you know whether the bank
9 group contracts had a (c)(ii) default
10 provision in them with respect to all or
11 any of them?

12 A. I am not sure. I don't know.

13 Q. Do you know whether the bank
14 group contracts, all or any of them, had a
15 (c)(i) default provision in them?

16 A. I don't know.

17 Q. To your knowledge, has Ambac
18 ever had a discussion with any outside
19 counterparty or their representatives
20 whether or not the rehabilitation caused a
21 (c)(ii) default?

22 MR. FARR: Objection. Beyond
23 the scope. You can answer if you
24 know.

1 A. That's a very specific question,
2 so I don't know that there was ever a
3 specific question. We had many questions
4 from many policyholders after the creation
5 of the segregated account about what's
6 going on. And I don't recall any specific
7 question that was about (c)(ii), your --

8 Q. What about (c)(i)? Any such
9 communications with counterparties about
10 whether there was or could have been a
11 (c)(i) default as a result of the
12 rehabilitation?

13 A. I believe that there was a lot
14 of -- there was a flurry -- no one knew
15 that this was happening until it happened,
16 other than the people that were involved.
17 So, for the vast majority of our
18 policyholders it was brand new news and it
19 was very complex.

20 So, there were many, many
21 questions that came in about "What does
22 this mean?" "Is there an insurer event of
23 default perhaps?"

24 I don't specifically remember

1 taking any of those calls. But I do
2 recall that it was important for us an a
3 business matter to be able to go out to
4 our policyholders and say, "If you were in
5 the general account, relax; you will have
6 the benefit of our policy, you will be
7 paid, we are not going to lose our control
8 rights" and so on.

9 Q. Is there some log that Ambac
10 kept of those communications, the
11 questions and the responses?

12 A. A log? No.

13 Q. Is there some record of the
14 responses that Ambac made to these
15 counterparties?

16 A. I can tell you the protocol was
17 that the calls would probably come in on
18 the business side because that is where we
19 had more people and we were facing the
20 clients. And what we would do is we would
21 then have lawyers respond to the
22 questions.

23 Q. And were these typically written
24 responses?

1 A. I don't -- I don't -- I don't
2 know. I don't know. I think there was --
3 there was enough of them so that there was
4 an interest in having a more formal and a
5 quicker ability to turn it around. But I
6 didn't ever see any kind of formal letter
7 that we used.

8 Q. I was going to ask that. Did
9 Ambac ever put out any sort of generic
10 position statement about its views on
11 triggers, whether they happened or not in
12 the general account policies?

13 A. Not that I can recall, no.
14 (So marked for identification as
15 Plaintiff's Ambac Exhibit 7.)

16 Q. Let me hand to you Ambac
17 Exhibit 7. This was a document produced
18 to us three days ago by Ambac. Did you
19 happen to look at this in preparation for
20 your deposition?

21 A. No, I did not.

22 Q. This document is an Indenture
23 Supplement dated 2006. Is this a risk
24 that is under your supervision?

1 A. Yes.

2 Q. Are you familiar with this risk
3 in general?

4 A. In general, yes.

5 Q. Can you just describe in general
6 the role that Ambac is playing -- and I am
7 not asking for legal opinions and it is
8 all subject to what the documents actually
9 say. But just in general, as risk
10 manager, what is the role Ambac is playing
11 in connection with this indenture?

12 A. The issuer here, Garanti, is a
13 Turkish bank. They issued debt and the
14 debt is backed by receivables from
15 offshore credit card payments. We
16 insured, wrote a policy for the debt that
17 Garanti raised. And the debt is paid down
18 from the proceeds of these offshore
19 receivables.

20 And when I say offshore, I mean
21 offshore to Turkey.

22 Q. I will tell you, our analysis
23 showed this was actually a live indenture.
24 Is that your understanding as well?

1 A. It's very possible, yes, if
2 that's what you found.

3 Q. Let me ask you to turn to page 7
4 of this indenture. On that page there is
5 the definition of enhancer event. Do you
6 see that?

7 A. Yes.

8 Q. If you look at C and if you
9 would read C to yourself and tell me when
10 you are finished? Then I will ask you a
11 question about it.

12 (Pause.)

13 A. Okay.

14 Q. In general, what are the
15 implications to Ambac if an enhancer event
16 of default is found as we sit here today?
17 Is it just a loss of control right, or is
18 there some other implication to Ambac?

19 A. Loss of control rights is a
20 very -- is a broad term. It covers a lot
21 of ground in and of itself. But there is
22 that.

23 There is also, in the case of an
24 offshore deal, there is the possibility

1 that the counterparty might decide, "Well,
2 since Ambac is in a full company
3 rehabilitation, perhaps I don't need to
4 pay my premiums anymore and they will have
5 to come find me and sue to collect."

6 Q. I mean, that is a business risk.
7 But as far as what would happen if there
8 is a default, is it loss of control
9 rights?

10 MR. FARR: Objection to the
11 form. Go ahead.

12 A. Yes, with all that comes along
13 with that.

14 Q. In the context of an indenture
15 of this nature, what are Ambac's control
16 rights in general?

17 A. This is a heavily structured
18 deal so I would think that there would be
19 very strong rights around if this
20 transaction were to hit any of its
21 financial covenants, that we would have
22 the right to go in and the waterfall might
23 change automatically to divert cash from
24 one place to another place.

1 We might either require that to
2 happen as contracted or we might prefer to
3 do something different if we could get a
4 better ultimate outcome by stopping the
5 reallocation of cash. It would be things
6 like that.

7 We might be able to replace
8 parties to the transaction, like servicers
9 or other -- in this transaction there
10 might be different kinds of parties in
11 different locations -- so as to assure
12 that the flow of funds comes through
13 uninterrupted.

14 There could be amendments,
15 waivers and consents that come up that
16 they might need in order to -- I can't
17 imagine because I don't remember one ever
18 coming through on this deal. This deal
19 has performed well. But I think that
20 gives you a good flavor for what control
21 rights means.

22 Q. I think it does.

23 So with respect to C3, which
24 states -- sorry. (C)(ii). I will ask the

1 question again.

2 With respect to (c)(ii), this
3 states, as far as an enhancer event,
4 "Authorizing the taking of possession by a
5 custodian, trustee, agent or receiver of
6 the Series 2006-C enhancer or the taking
7 of possession of all of any material
8 portion of its property."

9 Do you see that?

10 A. Yes.

11 Q. Would you agree that is
12 substantially similar to what we are
13 calling a (c)(ii) default, authorized
14 taking?

15 A. Yes. They are both in here
16 so --

17 Q. (C)(i) and (c)(ii)?

18 A. Yes. Exactly.

19 Q. I will tell you that based on
20 our review, we found approximately five
21 indentures that had (c)(ii) type language.
22 This is one of them. But no other
23 policies that you produced had (c)(ii)
24 type language that we could find.

1 I am not asking you to take this
2 on faith, but are you aware of -- and they
3 were all indentures by the way.

4 Are you aware of any other
5 contracts other than indentures that
6 contained (c)(ii) type default language
7 that are alive at Ambac?

8 MR. FARR: Objection to form.

9 A. I don't have that knowledge.
10 No.

11 Q. Are you aware of any indentures,
12 other than what was produced in this case
13 in the last three days, that has (c)(ii)
14 default type language?

15 A. I never looked at it with that
16 kind of detail. No, I don't.

17 MR. WILLIAN: I actually think
18 that is probably all I have. Why
19 don't we take a short break. I will
20 think about it for a little bit.

21 THE WITNESS: Okay.

22 MR. WILLIAN: Let's get back
23 together in ten minutes and we can
24 decide whether we ask more or we let

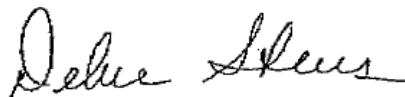
CERTIFICATION

1
2
3 I, DEBRA STEVENS, a Notary Public for
4 and within the State of New York, do
5 hereby certify:

6 That the witness whose testimony as
7 herein set forth, was duly sworn by me;
8 and that the within transcript is a true
9 record of the testimony given by said
10 witness.

11 I further certify that I am not
12 related to any of the parties to this
13 action by blood or marriage, and that I am
14 in no way interested in the outcome of
15 this matter.

16 IN WITNESS WHEREOF, I have hereunto
17 set my hand this 26th day of September,
18 2016.

19 

20
21 DEBRA STEVENS, RPR-CRR

22
23 * * *

Veritext Legal Solutions
1 North Franklin Street - Suite 3000
Chicago, Illinois 60606
Phone: 312-442-9087

September 27, 2016.

To: Alec W. Farr

Case Name: Monterey Bay Military Housing LLC, et al. v. Ambac
Assurance Corporation

Veritext Reference Number: 2446811

Witness: PMK Cathleen Matanle Deposition Date: 9/23/2016

Dear Sir/Madam:

Enclosed please find a deposition transcript. Please have the witness review the transcript and note any changes or corrections on the included errata sheet, indicating the page, line number, change, and the reason for the change. Have the witness' signature at the bottom of the sheet notarized and forward errata sheet back to us at the address shown above, or email to production-midwest@veritext.com.

If the errata is not returned within thirty days of your receipt of this letter, the reading and signing will be deemed waived.

Sincerely,

Production Department

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DEPOSITION REVIEW
CERTIFICATION OF WITNESS

ASSIGNMENT NO: 2446811

CASE NAME: Monterey Bay Military Housing LLC, et al. v. Ambac Assurance Corporation

DATE OF DEPOSITION: 9/23/2016

WITNESS' NAME: PMK Cathleen Matanle

In accordance with the Rules of Civil Procedure, I have read the entire transcript of my testimony or it has been read to me.

I have made no changes to the testimony as transcribed by the court reporter.

Date PMK Cathleen Matanle
Sworn to and subscribed before me, a Notary Public in and for the State and County, the referenced witness did personally appear and acknowledge that:

They have read the transcript;
They signed the foregoing Sworn Statement; and
Their execution of this Statement is of their free act and deed.

I have affixed my name and official seal
this _____ day of _____, 20____.

Notary Public

Commission Expiration Date

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DEPOSITION REVIEW
CERTIFICATION OF WITNESS

ASSIGNMENT NO: 2446811

CASE NAME: Monterey Bay Military Housing LLC, et al. v. Ambac Assurance Corporation

DATE OF DEPOSITION: 9/23/2016

WITNESS' NAME: PMK Cathleen Matanle

In accordance with the Rules of Civil Procedure, I have read the entire transcript of my testimony or it has been read to me.

I have listed my changes on the attached Errata Sheet, listing page and line numbers as well as the reason(s) for the change(s).

I request that these changes be entered as part of the record of my testimony.

I have executed the Errata Sheet, as well as this Certificate, and request and authorize that both be appended to the transcript of my testimony and be incorporated therein.

_____ Date

_____ PMK Cathleen Matanle

Sworn to and subscribed before me, a Notary Public in and for the State and County, the referenced witness did personally appear and acknowledge that:

- They have read the transcript;
- They have listed all of their corrections in the appended Errata Sheet;
- They signed the foregoing Sworn Statement; and
- Their execution of this Statement is of their free act and deed.

I have affixed my name and official seal this _____ day of _____, 20____.

_____ Notary Public

_____ Commission Expiration Date

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ERRATA SHEET
VERITEXT LEGAL SOLUTIONS MIDWEST
ASSIGNMENT NO: 2446811

PAGE/LINE(S) /	CHANGE	/REASON

_____ PMK Cathleen Matanle
Date
SUBSCRIBED AND SWORN TO BEFORE ME THIS _____
DAY OF _____, 20_____ .

Notary Public

Commission Expiration Date

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00270781 3:17 0784 3:17	2010 15:6,10,12 16:1 18:10,15,23 19:10 20:2 30:9 47:9 48:7 65:19 78:22 98:10 109:22	4 3:12 29:20 47:1 47:5,13,17 48:6 54:23 69:11 82:3 82:5,5 99:10 4,000 19:21,21,22 20:7 25:8,23 40 105:5 45 98:21	96 3:15 98 53:2
1	2011 98:2 2012 98:2 2013 98:2 2014 98:2 2015 98:2 2016 1:18 3:9 4:8 98:4 124:18 125:4	5	a
1 3:8,23 29:20 36:5,7,15 41:13 47:12 60:3 72:17 93:17,18 106:4 125:1 10,000 19:3 25:22 100 53:3 108 3:16 10:49 72:15 1155 2:14 117 3:18 11:03 72:21 11:33 99:3 12:34 99:8 13,000 19:4 20:6 144 51:12 53:3 144a's 9:21 15cv000599 1:7 4:22 19 83:8 99:14	21 3:23 22 3:9 23 1:18 4:8 24 3:22 2446811 125:8 126:2 127:2 128:2 26th 124:17 27 125:4	5 3:15 93:19 94:5 96:24 97:12 51 86:22,23,24 52 83:8,9 99:14,16 101:3 102:19 54 3:10 105:3	a.m. 1:19 4:10 72:15,21 99:3 ability 117:5 able 42:21 74:22 95:24 98:22 116:3 121:7 abramowitz 2:19 5:6 abs 104:17,23 absolutely 74:16 accessing 23:15 accidentally 35:4 account 15:17,20 15:21 16:17 53:10 53:15 63:19 64:6 66:17 80:23 81:24 104:18 105:1 115:5 116:5 117:12 accounting 17:11 acknowledge 126:11 127:16 act 126:14 127:20 action 8:9 124:13 actions 107:23 active 18:16,24 19:10,17 37:6 activity 21:7,9 actual 66:21 103:10 addition 14:2 44:16 103:24
2	3	6	
2 3:10 29:20 37:15 41:10,20 42:10 47:12 54:8,10,15 60:22 61:7 72:22 78:17 80:1 20 126:16 127:22 128:22 20004-1357 2:14 2001 7:1 2006 3:18 117:23 122:6	3 3:11 19:22 20:7 25:8,23 29:20 47:12 60:5,11 72:24 73:3 78:16 78:17 80:1 93:24 94:1,10,10,22 96:9 106:9,10 3,000 19:21 30 17:24 300 2:4 3000 125:1 312-442-9087 125:2	6	
	3	7	
		6 3:4,16 97:12 108:22,24 60 14:1 21:24 22:4 601 1:16 4:13 60606 125:2 60654 2:4 66 3:22 66610 2:9	
		8	
		7 3:18 117:15,17 119:3 70 14:1 21:24 72 3:11 77 3:23 78 3:23	
		82 3:12 8:44 97:13	

address 62:10 105:5 125:16 administrative 18:6,8 adverse 109:14 advice 32:1 65:23 66:8,11,22 68:5 79:5,8,23 97:15 affairs 21:4 affidavit 78:15 affiliates 59:8,9 affirmed 5:16 affirming 82:16 affixed 126:15 127:21 afg 58:5,20,21 59:4 agent 55:15 56:14 122:5 ago 11:8 25:6 40:12 73:16 92:17 117:18 agree 10:1 57:14 122:11 agreed 5:23 agreement 3:10,10 5:21 54:11 57:8 85:16 agreements 57:3,6 ahead 19:14 23:20 24:16 26:2,14 28:9 33:24 39:11 39:16 41:6 43:9 45:19 46:15 47:23 48:14,19 53:21 56:1,21 59:24 74:20 80:19 81:12 83:23 84:12,23 86:12 87:18 88:3 89:12 90:2 91:2 93:15 98:13 101:1	103:3 105:20 109:2 113:6 120:11 al 4:18 125:6 126:3 127:3 alec 2:15 5:2 125:5 alive 47:19 48:8 49:2,11 50:8,17,23 123:7 allow 26:12 33:23 ambac 1:8,13 2:19 3:7,16 4:18 5:3,6 6:16,18,24,24 11:10 15:9 17:17 23:6 27:9 28:3 29:8 34:6 36:5,6 36:16,18 37:2,15 37:17 38:19 39:3 39:5,22 40:19,21 41:16 42:11,24 43:14 44:19 49:8 49:15,20 50:12 51:11 52:6 53:4,8 54:8,9,16,19 55:15 56:9,14,18,23 57:15,17,17,19,20 58:1,4,5,6,8,15,18 58:22 59:2,14 61:19 69:12,23 72:24 73:2 78:16 79:17 80:12 82:3 82:4,5 87:4,15,21 87:24 88:10 90:13 91:10 92:2,22 93:4,8,19,22 94:10 95:5 96:3,24 97:6 101:5 105:8 107:9 107:10,13 108:5 108:22,23 109:14 109:18 110:2 111:1 112:16	113:14 114:3,17 116:9,14 117:9,15 117:16,18 118:6 118:10 119:15,18 120:2 123:7 125:6 126:3 127:3 ambac's 23:17 37:23 45:5 55:17 64:2 66:15 83:10 87:1 99:16 101:15 103:24 120:15 amendments 121:14 amount 33:7 76:11 89:2 analyses 61:2 78:18,24 106:20 106:21 107:5,7,9 analysis 29:11 32:4 51:23 53:2 54:1 60:6,14 62:7 62:12,19,23 64:3 64:12,18 65:21 67:10 68:9,15,21 69:4,14,19 70:7,17 71:6,10 78:21 79:2 81:15 85:15 85:24 86:5,17 90:11 91:5,8,22,22 91:23 92:3,5,16,18 93:2,7 95:13,15,16 100:18 106:12 107:17,20,21,22 107:24 108:1,16 118:22 analysts 13:24 14:2,11,15,16,16 31:21 62:15 analyze 51:5 61:19 63:8 79:17 80:14 85:14	analyzed 65:7 98:7 analyzing 109:11 answer 20:14 21:15 30:17 35:2 35:6 39:16 41:8 42:1,16 46:15 52:22 61:12 66:18 67:5,6,13,19,22 69:24 70:4 74:11 74:13 75:16,22 80:8,8 81:8 86:7 86:10 89:1 91:14 95:10 97:19 100:6 105:15 107:3 112:9 114:23 answered 81:5 93:12 answers 35:4 anybody 50:21 anymore 120:4 anyway 17:3 apart 68:22 apologize 26:4 appear 126:11 127:15 appearances 5:1 appended 127:11 127:18 applies 34:5 appointing 56:13 approach 105:4 appropriate 72:5 approximately 4:9 11:6 13:12 19:17 22:4 40:3 46:3 51:12 73:20 122:20 area 6:22 8:4,5,11 8:13,24 9:1,5,8 10:2 15:15 18:6
---	--	---	--

<p>25:7 45:7 59:21 59:22 areas 8:16,20 arrive 95:17 aside 79:15 asked 30:15 31:14 49:24 57:4 67:15 72:11 78:17 81:3 93:11 asking 31:24 48:2 67:23 69:16 71:4 90:18,22 95:7 96:12 107:8 118:7 123:1 assert 66:13,23 96:20 asserting 66:7 assessments 95:17 asset 7:9,10,12 101:10,18 102:11 102:18 assets 33:7,20 102:15 103:12,19 assign 39:3 assignment 126:2 127:2 128:2 assisting 18:14 associated 25:4 104:2 assume 66:6 assumes 42:17 assurance 1:8 4:18 5:4 57:20 58:4,15 59:2 125:7 126:3 127:3 assure 39:4 121:11 attached 127:7 attachment 82:15 attachments 82:8 82:9</p>	<p>attempt 29:21 attempted 29:16 49:14 50:12,14 attention 76:1 attorney 30:18 38:6 51:3 64:22 86:11 97:13 109:9 attorneys 2:3,8,13 73:11,20 74:2 85:18 95:18 attractive 20:21 august 3:9 7:1 authored 91:22 authorize 127:11 authorized 55:22 111:11 113:12 122:13 authorizing 55:13 122:4 automatically 120:23 avenue 1:17 4:13 aware 36:18 37:17 38:21 41:18 43:1 49:8 58:15,23 60:15 70:16,23 71:5 79:1 82:12 87:1,20 88:10 94:8,11,20 107:5 107:19 114:7 123:2,4,11</p>	<p>99:6,13 105:9,13 106:3 107:1 123:22 125:15 backed 7:9,10,11 17:1,7 101:10,18 102:4,11,18 118:14 background 73:15 backing 102:7 bad 86:22 105:24 ballantine 65:7 bank 109:12,15,19 109:20 110:1,3,14 110:19,24 112:17 113:2,15 114:2,8 114:13 118:13 bankruptcy 33:4 barbara 64:23 65:1 base 22:15 86:9 based 20:14 43:18 66:18 67:9 90:8 122:19 basically 9:11 10:22 basis 96:19 101:12 105:19 basket 110:22 bates 3:16 bay 1:4,5 4:17 125:6 126:3 127:3 beck 2:16 5:5 beckerman 2:11 5:10,11 began 12:17 beginning 22:23 behalf 5:3,12 belief 25:19 believe 10:16 19:3 36:24 37:4 40:16 44:12,12 51:20</p>	<p>54:13 76:15 80:4 83:6 85:2 108:14 115:13 believes 40:21 benefit 112:4 116:6 best 35:11 74:24 better 23:5 41:8 121:4 beyond 18:8 20:10 20:13 21:14 23:10 24:15 26:2,9,12 33:22 43:17 45:19 46:12 48:18 52:21 53:20 59:23 80:2 80:5 83:22 88:3 89:5,11 90:14,15 91:2,13 97:18 98:13 100:23 102:24 105:14 114:22 bit 16:18 23:1,5 93:6 123:20 blood 124:13 board 13:6 bonds 20:22,24 22:5,7,10,12 23:22 24:7 25:16 101:15 101:15 book 11:21 87:1 bottom 125:14 brand 115:18 break 13:14 35:13 35:14,16 41:7 71:22 72:3,6,11,13 81:8 123:19 bring 17:13 75:24 brings 17:14 broad 119:20 broadly 22:21</p>
	<p>b</p>		
	<p>b 3:6 15:4 82:16 99:12 back 7:21 9:4 11:22 12:10 13:13 39:14 47:8,17,24 48:3,5,6 57:19 60:3 65:19 72:19 78:6,10,12,21 85:24 93:16 98:20</p>		

<p>brought 11:15 bryan 2:13 5:2 bucket 21:20,21 22:1,3 23:7 24:7,9 33:19 47:1,5,17 48:6 52:15 54:23 58:24 bucketing 40:11 buckets 23:5 24:13 32:19 33:11 33:16 34:17 47:12 51:16 52:7,8,18 57:2 101:17 bulk 14:10 18:1 business 10:24 11:1 26:11 30:24 31:12 39:20 53:23 59:10,11 60:24 61:2,8 62:7,12,16 62:19,23 63:4,10 67:17 68:14 87:1 91:3 95:13,15,20 95:21,21 97:2 113:13 116:3,18 120:6 businesses 21:5</p>	<p>81:16 87:22,22 88:9,9 89:9,9,22 89:23 90:12,12 91:9,10,24,24 93:9 93:9 98:7,7 110:5 110:5,16,16,19,20 111:2,6,7,7,14,15 111:20,20 112:13 112:14,18,19 113:3,9,11,17 114:4,5,9,15,21 115:7,8,11 119:8,9 121:24 122:2,6,13 122:17,17,21,23 123:6,13 c3 121:23 cain 11:3,21,24 california 1:1 4:20 106:6 call 10:4 22:2,6,9 22:21 24:20 26:20 31:20 32:19 55:21 56:3 57:3 59:17 59:19,20 62:16 97:1 called 10:2 15:17 calling 54:4 122:13 calls 48:13 53:19 116:1,17 capital 23:24 caption 4:16 card 118:15 care 22:19 case 1:7 4:16,19 4:21 19:9 50:12 90:16 102:8 119:23 123:12 125:6 126:3 127:3 cases 5:21,24 8:3 45:13 46:20</p>	<p>cash 103:21 120:23 121:5 categories 31:15 102:20 categorize 29:16 29:19,21 47:11 categorized 57:1 categorizing 61:11 category 22:8,20 22:22 32:21 33:5 33:6 34:20 cathleen 1:14 4:23 6:14 125:9 126:4 126:9 127:4,13 128:20 cause 65:9 90:13 105:7 110:4 caused 81:24 114:20 caution 79:22 cave 2:13 5:3 cdo 101:24 cdo's 7:9 centralized 18:6 ceo 13:5,7,9,10 15:1 17:19 certainly 91:4 certificate 127:11 certification 124:1 126:1 127:1 certify 124:5,11 cetera 6:2 52:20 chairman 11:14 13:5 change 16:11,14 120:23 125:13,14 127:8 128:3 changed 13:2 changes 125:12 126:7 127:7,9</p>	<p>characterize 8:23 charge 8:17 10:3 10:19 15:16,18 62:11 charged 14:12 63:21 chart 28:24 cheaper 20:23 check 13:13 49:15 chicago 2:4 26:16 26:17,20 125:2 chief 12:5 13:3,19 14:21,23 15:2 choice 6:9 circuit 96:1 98:17 cited 83:4 cities 22:5 citing 99:20 city 26:16,17,20 civil 126:5 127:5 claiming 76:17 77:22 78:2 96:2,9 97:6 clarification 90:21 110:12 clarify 35:10 61:23 69:8 class 104:21 clause 55:8 106:10 clear 25:18 27:12 65:6 71:2 77:22 85:13 client 30:18 38:6 51:3 57:16 86:11 97:14,14 clients 116:20 clo 102:2,8 clo's 104:17,23 closed 8:2 closer 20:7</p>
<p>c</p>			
<p>c 2:1 3:4 5:15 54:4 54:4 55:1,2,4,5,8,8 55:9,13,23 56:3,6 56:12 60:17,17,20 60:20 61:6,13,14 61:14,15,15,22,22 62:21,21 63:12,13 64:7,8 65:9,9 67:1 67:2,9,9 68:7,7,22 68:22 69:5,5,20,20 70:8,8,19,19,20 71:7,7 78:20,20 79:6,6,19,19 80:16 80:16,24 81:1,16</p>			

coach 52:1 collateral 87:10,13 87:23 88:13,24 89:3 93:1,2 collateralized 101:9,17,21 102:1 102:2 collect 120:5 come 7:5 31:9 98:20 116:17 120:5 121:15 comes 77:13 120:12 121:12 comfortable 28:1 80:21 112:3 coming 63:22 102:15 121:18 comment 81:12 85:6 commercial 7:9 101:10,18 102:10 102:15,17 104:17 104:23 commission 126:19 127:25 128:25 commissioner 100:5,11 common 56:8,17 101:24 communicated 65:10,13,18 communication 93:22 97:15 100:11 communications 30:18 38:6 51:3 86:12 94:9,13,19 94:20 95:2,5 96:3 96:8 97:5,6 98:1 108:4,10,12 115:9	116:10 communities 2:8 5:13 company 6:20 7:8 8:1,19 9:11,14 10:18 12:6 15:5 30:20,24 31:7,8,10 33:8 58:3 59:2,5 91:5 92:21 95:12 120:2 company's 103:9 complete 8:16 complex 115:19 compliant 42:8 complicated 85:12 complied 42:7 comply 38:16 52:11 comprised 14:11 compute 42:22 concept 27:23 concerning 95:4 conclusion 53:20 64:13 66:11,15 67:7,24 conclusions 51:7 63:11,22 65:10 70:3 82:23 95:17 conduct 18:21 91:5 confident 89:7 confirm 3:13 63:7 97:23 confirming 78:8 82:10,21 connection 78:7 109:10 110:1 118:11 consents 121:15 consequence 89:18	consequences 92:1 consideration 69:4 69:13,19 70:17 71:5 considered 77:17 consistent 98:5 consumer 7:10 contact 65:5 94:12 95:20 contain 37:11 83:11 99:17 contained 123:6 contains 36:7 contemplated 32:14 content 94:19 108:8 context 70:11 109:17 120:14 continue 15:8 23:10 35:12 continues 101:3 102:19 contract 49:20 86:4 104:12 contracted 121:2 contracts 36:19 37:16,19,20 38:20 40:20 41:1,17 44:2,21 45:6,16 47:4,12,18 48:5,23 50:17,19 52:6,17 54:2 56:10,19,24 58:14 59:1,17,18 62:24 70:6 85:19 87:3,6,21 88:10 104:16 114:9,14 123:5 contractual 87:8 104:1	contrary 97:24 control 116:7 119:17,19 120:8 120:15 121:20 controlling 16:22 conversation 99:22 conversations 4:5 94:11,14,16 96:19 100:4 113:24 conveying 111:8 copies 45:2 copy 44:23 corporate 9:10 102:9 corporation 1:8 4:18 5:4 125:7 126:3 127:3 correct 19:15 27:19 28:22 29:5 30:10 35:19 37:14 41:13 43:4,7 47:1 65:12 66:9 68:11 68:19 71:19,20 77:20 82:23 98:11 98:14 107:18 108:3,7 corrections 125:12 127:17 correctly 64:20 costly 87:5 counsel 4:15,24 67:11,14 71:23 72:11 75:13 76:17 76:20,22 77:11,14 78:23 79:9,11,16 79:17 80:12,14 81:4,14,19,21,22 90:15,23 92:19 96:11 97:3 98:6 107:12,14 110:3
--	---	---	---

<p>112:1,10 counsels 79:9 count 51:11 counterparties 115:9 116:15 counterparty 114:19 120:1 counties 22:6 county 1:2 4:21 126:10 127:15 couple 40:5 course 7:21 14:14 21:7 31:19 84:3 court 1:1 3:8 4:20 6:5 36:8 39:15 49:9 53:16 60:4 69:11 80:6 99:13 106:6 126:7 court's 39:13 41:10 76:1 78:7 80:3 82:15 covenants 83:11 99:18 105:7 120:21 cover 7:14 covered 10:23,24 covering 17:2 covers 119:20 created 12:6 creation 80:22 82:1 115:4 credit 6:21 14:1,11 16:19 22:24 24:22 26:5,6,19 27:10,14 31:21 118:15 credits 14:13 24:21 25:10,12,13 25:20 26:11 crisis 12:3,16,24 27:6 101:23</p>	<p>cross 31:3 crosscheck 47:24 49:5 50:15 crr 124:21 crystallized 87:6 currently 17:23 25:22 29:23,24 cusips 25:15 custodian 55:14 56:13 122:5</p> <hr/> <p style="text-align: center;">d</p> <hr/> <p>d 84:16 damage 87:10,14 87:23 88:13,24 89:3 90:4 93:2,8 damages 102:21 103:4,10 database 29:1 date 4:7 17:13,14 106:19 125:9 126:3,9,19 127:3 127:13,25 128:20 128:25 dated 3:18 117:23 dates 95:8 david 2:19 5:6 12:5 13:9 14:24 16:9 davis 109:9,10,12 day 73:23 124:17 126:16 127:22 128:22 days 17:22 51:10 117:18 123:13 125:18 dc 2:14 deal 42:21 119:24 120:18 121:18,18 deals 12:19 17:10 23:13 24:3 31:22 31:23 32:11 38:24</p>	<p>66:4 dear 125:10 debra 1:19 124:3 124:21 debt 24:4 102:1 118:13,14,16,17 decide 120:1 123:24 decided 18:5 decision 82:20 99:12,14 declare 3:13 deed 126:14 127:20 deemed 125:19 default 27:10,10 27:14,16,22 28:5 28:15,19 29:9,12 29:19,22 31:1,4 32:10,13,22,24 33:3 34:5,12,17 36:20 37:12 40:9 40:22 41:19 46:24 47:10 53:16 54:4 54:16,20,22 55:8 56:3,7 57:19 60:7 60:9,17 61:3,9,11 61:13,18,21 62:10 62:22 63:13 64:1 64:8 65:9 66:16 67:2,9 68:7,22 69:5,20 70:1,9,20 71:7 75:9 76:6 78:20 79:6,20 80:16 81:1,16,24 84:20 85:4,9,22 86:1,4,18 87:2,15 88:9,13 89:9,23 90:12 91:7,10,24 93:9 98:8 106:13 108:16 109:11</p>	<p>110:5,17 112:18 113:3,10,17 114:5 114:9,15,21 115:11,23 119:16 120:8 122:13 123:6,14 defaults 87:5 105:7 defendant 1:9 2:13 5:3 define 57:7 defined 27:18 88:14 101:20 definitely 12:15 definition 54:16 119:5 definitions 26:11 deliver 103:21 demand 91:4 dep 98:17 department 10:8 13:23 14:10 16:23 17:17,22 18:3 25:21 28:18 47:5 62:14 125:24 depending 66:19 depends 23:14 89:17,17,18 90:9 deposed 26:22 deposition 1:13 3:11 4:11 5:19 34:6,7 36:6,9,16 48:24 50:21 69:2 69:17 70:12 71:1 73:3,4,4,10 74:4 77:12 93:20 97:8 108:24 117:20 125:9,11 126:1,3 127:1,3 depositions 80:4</p>
--	---	---	--

<p>depth 17:6 deputy 14:23 describe 10:12 13:21 23:18 30:11 30:15 32:9 34:16 57:12 75:23 76:21 118:5 described 11:5 58:11 describing 12:24 description 3:7 78:3 designation 20:11 103:3 detail 78:4 123:16 deteriorate 30:21 determination 68:17 determine 28:13 29:2 48:7,24 49:19 72:5 81:23 91:9 determined 103:6 deverell 2:20 4:5 dewey 65:3,6 66:12,24 78:21,24 79:13 80:13 81:15 86:1,2,3,17 106:20 107:7 108:18 difference 24:19 different 22:1,19 24:24 25:2,2,3 27:18 29:6,8,18,21 31:15 32:17,17,18 33:9 47:10 51:15 61:10 62:5 80:2 83:11 85:15 87:8 93:7 99:17 111:8 121:3,10,11 diligence 18:21</p>	<p>dilweg 83:18 84:7 85:3 99:21,23 100:18 direct 37:9 direction 90:11,24 director 6:19 7:5 16:7 disagree 6:9 discovery 39:18 discuss 92:20 95:18 110:2 discussed 30:5 100:8 discussing 97:15 discussion 110:13 110:19 112:16 113:15,21 114:18 discussions 109:19 110:2 112:13 113:1,8,10 dispute 51:8 disrupt 111:17 disrupting 111:18 distinction 24:17 divert 120:23 document 32:2 36:7 37:24 41:4 41:20 42:23 52:12 54:12 60:19 71:16 71:19,21 76:19 82:17 83:1 97:8 117:17,22 documents 34:14 36:10,21 37:17 39:6,9,22 40:2,7 40:14,23 41:16 42:5,11 44:17,24 45:2 46:1 48:11 49:16 50:11 51:5 51:10 69:1,3,12,18 118:8</p>	<p>doing 34:23 35:11 39:19 43:23 62:15 63:8 95:13,15 112:2 dramatically 19:12 driving 18:18 21:1 due 18:21 duly 5:16 124:7 duncan 40:17 102:16 duties 11:10 13:22</p> <p style="text-align: center;">e</p> <p>e 2:1,1 3:2,6 5:15 5:15,15 earlier 17:4 18:4 25:5 38:17 75:8 95:12 98:18 104:3 early 12:17 31:24 98:20 easy 38:18 effectively 83:13 83:20 84:9,19 99:19,24 100:14 100:21 effort 30:3 45:15 eight 29:17 either 24:24 39:1,2 54:3,3 60:17 62:2 77:3 101:16 104:9 104:11 114:4 121:1 elaborate 26:6 electronic 39:19 44:15,20 46:9,19 electronically 45:8 45:17,21 elevated 13:11 14:24 ellis 1:16 2:3 4:12 5:8</p>	<p>email 109:1,3,8 125:16 emails 3:16 encapsulated 94:5 enclosed 125:11 engage 68:14 81:14,15,22 engaged 64:3 70:7 79:17 80:12 81:4 91:21 engaging 46:9 enhancer 27:10,14 119:5,15 122:3,6 enjoin 83:13,20 84:9 99:19 100:1 100:14,22 entered 36:8 110:9 112:5 127:9 entire 24:2 26:10 61:4 84:1 126:5 127:5 entitled 76:15 entity 22:13,16 entries 98:3 entry 97:12 equivalent 33:3 erin 2:11 5:10 errata 125:13,15 125:18 127:7,10 127:18 128:1 esq 2:5,11,15,16 essence 47:14 essentially 14:2 17:2 18:18 33:9 57:2 established 68:4 estimate 34:2 estimated 25:8 estimating 19:20 et 4:17 6:2 52:19 125:6 126:3 127:3</p>
---	---	---	---

<p>event 27:16,21 28:15,19 29:9,18 31:4 32:10,13 40:9 81:1,23 88:20,22 103:7,17 110:16 115:22 119:5,15 122:3 events 28:5 29:12 31:1 61:3,9,10 62:10 74:8 95:23 eventually 109:18 evolution 11:9 evolve 14:18 16:4 evolved 15:8 exactly 16:13 31:14 74:14 111:15 122:18 examination 6:10 31:16 examined 5:17 example 9:7 22:15 24:3 26:15 50:5 52:5 61:6 75:1 102:16 111:2 examples 39:10 42:6,8,13 43:11,15 45:12 52:8 exclude 67:16 executed 63:18 64:6 127:10 execution 126:14 127:19 executive 6:20 16:6 exempt 22:10,12 exercise 83:13,20 84:10 99:20 100:1 100:14,22 exhibit 3:7,8,10,11 3:12,15,16,18 36:5 36:7 54:8,10 60:3</p>	<p>60:22 61:7 72:24 73:3 78:16,17 82:3,5,5,16 93:17 93:18 96:24 99:10 99:12 106:4 108:22,24 109:2 117:15,17 exhibits 75:2 existence 37:18 40:23 41:21 88:12 exists 43:1 expanded 7:13 expanding 10:11 10:13 expansion 10:14 10:16 expectations 8:7 expiration 126:19 127:25 128:25 expired 49:2,12 53:4,8 exposures 7:8 9:7 15:16,20,21 16:20 16:24 17:3 expressed 33:8 extended 80:5 extent 37:19 40:24 41:21 42:9,12,22 43:2 53:19 eyes 18:19</p> <hr/> <p style="text-align: center;">f</p> <hr/> <p>f 2:14 facing 22:17 116:19 fact 49:15 80:20 82:22 83:4 90:8 facts 90:9 113:19 factual 104:15 fair 12:23 25:18 44:19 45:4 47:22 48:4 68:7 70:10</p>	<p>96:22 106:3 faith 123:2 fall 23:8 24:7 33:15,18 51:16 52:8,18 101:16 falling 57:1 familiar 15:23 17:9 31:13 34:12 43:22 57:15,22 58:12 118:2 familiarize 109:2 fanned 31:22 far 75:3 77:10 120:7 122:3 farr 2:15 5:2,2,22 6:8 19:13 20:9 21:13,23 23:9,19 24:14 26:1,8 28:8 30:13 32:6 33:21 38:4 39:7 41:2,23 43:8,16 44:4 45:9 45:18 46:11 47:20 47:23 48:12,18 49:22,24 51:1,22 52:2,21 53:18 55:24 56:20 57:23 59:23 60:20 63:14 63:19 66:9,13 67:4,12,21 69:22 70:11,24 71:9,12 71:22 72:2 74:10 74:14,19 75:15,21 77:24 78:5 79:21 80:18 81:5,11,18 83:22 84:11,22 86:10 87:17 88:2 88:15 89:4,11,15 89:24 90:7,14,19 91:1,12 92:3,11 93:11,14,17 94:23 96:5,11 97:18</p>	<p>98:12,24 100:3,23 102:23 105:14 106:5,8,24 107:8 107:13 108:7,10 110:6,11 111:4,13 111:18,23 112:9 113:5 114:22 120:10 123:8 125:5 feel 111:10 fell 47:1,12 fellow 11:19 field 85:19 fifteen 6:17 figure 28:18 47:18 50:8 filed 4:19 82:6 final 82:20 finance 9:2,3,6,11 9:12,12,13,15,22 10:3,9,17,19 20:22 21:16 22:9,21,24 23:2 24:10 52:19 57:17,18,19 58:2,8 financial 9:16 58:5 58:6,18,22 120:21 fincher 2:8 5:11 find 32:11 38:15 38:18 44:8 45:13 46:17 120:5 122:24 125:11 finding 61:10,12 88:9 findings 82:22 fine 28:2 51:2 111:17 finish 35:6,15 finished 35:2 119:10 firm 11:14,15 14:21 15:1 16:17</p>
--	---	--	---

<p>64:23 65:2 first 5:16 6:24 8:17 20:16 83:8 84:2 97:11 99:15 fit 101:19 five 14:9 72:12 122:20 fixed 104:9,11 flavor 121:20 floating 104:9,11 flow 121:12 flurry 115:14 focus 43:24 focused 110:23 folks 62:19 68:14 following 16:20 29:17 follows 5:17 force 21:1 105:23 foregoing 126:13 127:18 form 19:13 23:7 26:1 28:8 29:2 32:7 39:7 41:3 43:8,16 45:10,18 47:21 48:13 49:22 53:18 56:1,20 57:24 62:8 63:15 66:1 67:7,13 71:9 71:13 80:19 84:22 85:21,21 87:18 88:2,16 89:16 90:1 91:1 98:12 106:24 110:7 111:5,14 113:6 120:11 123:8 formal 117:4,6 formally 18:11 formed 67:23 formula 104:13</p>	<p>formulations 62:5 forth 46:13 94:1 124:7 forward 125:15 found 36:21 42:6 45:1,11 61:17 101:4 119:2,16 122:20 foundation 84:12 96:14 100:24 105:15 four 27:2 33:11,15 73:24 fourth 33:19 34:19 52:15 frame 13:17,21 78:22 109:23 franklin 125:1 frankly 16:8 free 111:10 126:14 127:20 friday 1:18 front 39:14 75:2 82:20 99:10 111:22 full 87:4 92:21 93:3 120:2 function 7:6 functionally 11:12 funds 58:16 59:3 121:12 further 63:8,23 78:4 124:11</p>	<p>76:3 85:6 87:3 96:16,18 104:24 116:5 117:12 118:3,4,5,9 119:14 120:16 generality 96:6 generally 23:22 25:11,12 generate 103:13 generic 117:9 generically 10:5,6 112:4 getting 17:11 94:18 gic 59:11,12,15,17 gics 59:20,22 give 8:15 13:16 21:14,20 26:15 46:13 64:24 71:24 given 46:5 66:22 77:18 97:3 124:9 gives 121:20 giving 51:23 gnarly 84:15 85:9 go 6:23 11:21 12:10 19:14 23:20 24:16 26:2,14 28:9,12,20 29:3 33:24 34:22 38:18 39:11,16 41:6 43:9,14 45:19 46:15,18 47:17,23 47:24 48:3,5,13,19 49:7 50:7 51:4 53:21 56:1,21 59:24 60:3 74:20 78:6,10,12 80:2,19 81:12 82:19 83:23 84:12,23 86:12,21 86:23 87:18 88:3 89:12 90:2 91:2</p>	<p>93:14 98:13 100:24 103:3 105:3,20 106:3,9 109:2 113:6 116:3 120:11,22 goes 57:17 going 38:5 71:23 74:22 85:13,24 93:16 96:17 97:9 97:23 98:15 108:23 115:6 116:7 117:8 good 10:6 26:15 57:21 99:1 110:11 121:20 goodstein 64:23 65:1 gotten 20:11 grantor 3:10 54:10 grassroots 31:20 great 34:24 greg 15:3,10 ground 34:23 119:21 group 7:7 13:24 14:13 16:18 17:4 17:6 47:9 58:5,7 58:22 63:10,24 68:20 109:13,15 109:19,20 110:2,3 110:14,19,24 113:2,15 114:2,9 114:14 groups 14:8 guaranteed 59:3 59:15 guarantees 57:16 guaranty 57:21 101:15 103:16</p>
<p style="text-align: center;">g</p> <p>garanti 118:12,17 general 13:16 15:19 20:4 21:3 22:18 23:3,17 25:19 26:10 27:5 31:11 32:9,16 57:13 69:7 75:23</p>			

<p>guarantying 58:16</p> <p>guess 9:8 10:14 12:2 105:18,20</p>	<p>76:16</p> <p>helped 74:17 75:19</p> <p>helpful 9:1 73:14</p> <p>hereunto 124:16</p> <p>hierarchy 14:15</p> <p>high 23:18,20 30:11,16 76:21 86:13 95:7 109:4</p> <p>highest 23:21</p> <p>hired 14:21</p> <p>history 6:23</p> <p>hit 120:20</p> <p>hmm 41:11</p> <p>hope 45:11</p> <p>hospital 22:14</p> <p>hour 98:21,22</p> <p>hours 73:21,22,23 73:24 74:1</p> <p>housing 1:4 4:17 22:15 24:7 125:6 126:3 127:3</p> <p>human 46:22</p>	<p>64:8 65:9 67:2,9 68:7,22 69:5,20 70:8,20 71:7 78:20 79:6,19 80:16 81:1,16 87:22 88:9 89:9 89:23 90:12 91:10 91:24 93:9 98:7 110:5,16,20 111:2 111:6,7,15,20 112:14,18,19 113:3,9,11 114:5,9 114:21 115:7 121:24 122:2,13 122:17,21,23 123:6,13</p> <p>il 2:4</p> <p>illinois 125:2</p> <p>imagine 121:17</p> <p>immediately 63:2</p> <p>implication 119:18</p> <p>implications 92:20 119:15</p> <p>important 112:4 116:2</p> <p>impossible 91:18</p> <p>imprecise 111:24</p> <p>improperly 80:5</p> <p>include 22:10 101:8</p> <p>included 7:8 101:5 125:13</p> <p>including 55:8 61:5 107:11</p> <p>incorporated 127:12</p> <p>increasingly 7:14</p> <p>incur 87:15,24 88:23</p>	<p>incurred 31:3 103:11</p> <p>indenture 3:18 23:5,16,24 85:17 117:22 118:11,23 119:4 120:14</p> <p>indentures 23:12 57:2,5 122:21 123:3,5,11</p> <p>indicated 46:24 74:6</p> <p>indicates 97:13 106:10</p> <p>indicating 125:13</p> <p>individual 25:16 31:23 42:21</p> <p>individualized 101:11</p> <p>industry 31:10</p> <p>information 76:7</p> <p>injected 81:7</p> <p>inquiry 26:10</p> <p>inserting 66:5</p> <p>instances 45:1</p> <p>instruct 67:5 74:11 75:16,21 80:7 90:20</p> <p>instructing 62:14</p> <p>instruction 94:24</p> <p>insurance 19:1,17 19:24 21:11 23:7 34:5 51:12,16 56:9,19 105:10,13</p> <p>insure 23:22 24:1</p> <p>insured 7:15 14:7 14:14 18:8,17,17 18:22 19:11,18 20:5 118:16</p> <p>insurer 23:17 27:16,21 28:5,14 28:18 29:9,12,18</p>
<p>h</p> <p>h 3:6 5:15</p> <p>hand 36:6 54:9 82:4 108:23 117:16 124:17</p> <p>handed 63:2 68:16</p> <p>handing 73:2 97:1</p> <p>handle 60:1</p> <p>handled 9:3</p> <p>handling 14:3 16:24</p> <p>happen 91:16 117:19 120:7 121:2</p> <p>happened 15:22 15:22 16:9,13 73:15 98:8 103:17 110:10 113:21 115:15 117:11</p> <p>happening 12:22 90:16 107:2 115:15</p> <p>happens 89:19</p> <p>hard 12:20 44:23 49:19 96:12</p> <p>head 7:7 13:11,22 17:16 46:6</p> <p>headed 10:17</p> <p>heading 80:21</p> <p>healthcare 9:7</p> <p>hear 105:21</p> <p>heard 108:9 114:4</p> <p>hearing 75:5</p> <p>heavily 22:11 120:17</p> <p>held 4:11</p> <p>help 23:4 38:14 39:4 69:9 74:3,7</p>	<p>i</p> <p>idea 24:11 100:18</p> <p>identification 36:4 54:7 72:23 82:2 96:23 108:21 117:14</p> <p>identified 8:12 14:13 48:6 68:15 78:21 93:24 106:19</p> <p>identify 8:8 12:21 44:2 46:6 47:3,19 64:1 75:24 76:6</p> <p>identifying 43:15</p> <p>ii 54:4 55:5,9,13 55:23 56:3,6 60:17,20 61:6,15 61:22 62:21 63:13</p>		

<p>31:1,4 32:10,12 40:9 61:3,9,10 62:10 89:20 115:22 intent 76:5 interest 104:6,9 117:4 interested 108:24 124:14 interim 13:7 internal 31:18 64:20 97:14 interpretation 32:2 46:22 63:3 interrupt 12:9 35:4 investigated 86:24 investment 57:3,6 57:8,16 58:17 59:18 60:2 involved 23:6 30:23 79:10 112:12 115:16 irregardless 103:20 isda 84:16,20 85:4 85:8,20 issue 31:11 37:7 41:5 44:6 issued 20:24 22:5 118:13 issuer 22:12 23:14 118:12 issuers 20:22 21:3 issues 93:23</p>	<p>join 6:24 judge 36:2 junior 14:15 jurisdiction 6:6 jury 36:2</p>	<p>114:12,13,16,24 115:2 117:2,2 knowing 111:19 knowledge 17:7 20:15 28:3 38:19 42:2,10 43:18 49:6 97:24 114:17 123:9 knowledgeable 36:17 37:1,5 93:21</p>	<p>63:9 64:2,3,9,17 64:20 68:17,23 70:21 71:11 113:21 116:21 lay 7:17 32:1 96:14 104:4,5 leading 12:3 30:7 37:8 62:2 95:23 leavenworth 6:5 left 10:18 11:14,21 13:5 15:10 16:17 54:1 legal 4:6 16:22 31:24 32:2 53:19 63:3 66:8 67:10 68:5 79:5,8 95:16 97:15 98:6 118:7 125:1 128:1 legally 49:12 legions 85:17 legwork 62:16,16 letter 117:6 125:19 level 14:16 22:19 23:18,20,21 30:11 30:16 76:21 86:13 95:8 96:5 109:4 lexington 1:17 4:13 liabilities 102:13 103:14 105:6 liability 102:3 lieu 41:20 light 69:6,21 70:9 71:8 79:6 limited 43:21 line 3:21 31:3 91:13 125:13 127:7 128:3 lines 10:23 11:4,18 12:1 92:18</p>
<p>j</p>	<p>k kansas 2:9 keep 28:4 38:17 kept 10:11 116:10 kind 8:8,9 12:2 61:13 91:6 96:14 110:7,8 117:6 123:16 kinds 61:10 121:10 kirkland 1:16 2:3 4:12 5:8 knew 115:14 know 9:20 12:1,21 16:10 23:13 24:22 31:21 32:22 34:1 35:13,16 38:11 39:11 41:24 42:19 42:21 43:6 44:15 44:18,23 46:17,20 48:17,20,21 49:5 49:14 50:18 51:14 51:15 52:22,23 53:8,11 54:5 56:7 56:11,16,22 57:10 58:1 63:22 70:4 71:14 72:1 75:18 76:15 77:6 83:24 84:7,14,24 85:5,7 85:17 86:2,16 90:5 91:17 95:3 95:14 96:13 97:17 97:20,21,24 100:17 105:16,18 106:2 108:8,19 113:9,14 114:3,8</p>	<p>l l 2:5 5:15,15 lacks 100:24 land 1:5 language 28:15 29:22 36:20 37:13 40:22 41:19 43:3 44:3,11,14 46:8,20 47:1,5,10 48:10 52:14 55:21,22 56:4,7,8,13,17 60:8,10,18 63:3 64:1 66:5 70:1 106:14 112:1 122:21,24 123:6 123:14 large 7:14 13:23 33:7 87:2 largely 39:18 43:21 64:21 largest 21:1 22:2 lasalle 2:4 lasted 12:2 latitude 21:15 26:13 33:23 46:14 law 82:23 95:4 lawyer 53:22 61:1 63:7 lawyers 31:18 39:19 43:22 63:2</p>	

liquidation 101:7 list 8:16 38:24 42:17 47:17 listed 127:7,17 listing 66:4 127:7 litigation 16:21 little 23:1,5 24:15 46:14 55:2 93:6 95:20 96:12 110:23 123:20 live 28:6,19 29:10 33:15 56:9,18,23 59:1 87:21 88:11 89:10 118:23 llc 1:4,5 4:17 5:13 125:6 126:3 127:3 llp 2:3,13 loan 85:16 101:9 101:17,21 102:2,5 loans 102:9 located 4:13 locations 121:11 lodge 26:8 79:24 103:1 lodged 6:1 log 3:15 38:17 97:2 116:9,12 long 6:15 10:7 11:8 40:12 73:19 longer 18:4 24:15 49:11 look 8:5 28:20 29:3 38:14,23 40:3 42:13,20 44:8 47:17 48:5 50:6 52:24 55:1 57:9 61:2 63:4 70:6,22 75:7 76:8 76:11 77:2 78:6 78:10,12 98:19 111:10,22 117:19	119:8 looked 30:24 31:12,22 40:4,8,10 40:14,15,15,16,16 44:7 47:9 49:1 61:7 64:8 70:6 75:3,4 76:16,19,23 77:5,7 123:15 looking 29:14 40:7 44:5 45:13 61:9 64:21 67:18 76:10 99:11 100:19 looks 22:13 82:17 lose 89:19 116:7 loss 119:17,19 120:8 losses 87:7,16 88:1 88:14 89:8,8,22 90:13 91:10 lost 30:21 lot 8:22 17:2 57:10 70:2,3 91:20 115:13 119:20 lots 32:16 lunch 98:20 107:2	march 15:5 18:12 18:15,23 19:9 20:2 30:9 mark 102:21 103:4,14,18 marked 3:20 36:4 54:7 72:23 82:2 96:23 108:21 117:14 market 20:20 23:15 102:21 103:4,14 105:10 105:13,24 marriage 124:13 matanle 1:14 3:4 4:23 6:14 30:13 38:4 79:21 94:24 125:9 126:4,9 127:4,13 128:20 material 55:17 56:15 75:12,14 76:12 122:7 materials 73:13 74:7,8,15,17 matter 5:19 6:7 30:24 31:13 45:5 76:4 91:3 96:16 104:15 116:3 124:15 mature 20:18 maturities 25:3 mean 19:2 26:5 27:15 34:8 45:20 59:10 62:18 67:17 76:24 79:3 80:21 85:10 87:14 90:14 106:2,5 115:22 118:20 120:6 means 7:21 63:6 111:5 121:21	meant 9:18 31:5 84:14 99:23 100:12 105:11,22 media 72:17,22 meetings 73:19 memory 40:11 73:14 75:6 mention 78:14 mentioned 17:4 18:4 38:16 75:8 77:16 78:13 103:12 104:3 met 73:11 mhpi 5:20 microphones 4:3 mid 14:16 middle 24:9 midwest 125:16 128:1 military 1:4 4:17 22:15 24:6 86:4 125:6 126:3 127:3 mind 26:7 77:13 84:8 minor 38:2 minute 34:22 72:1 72:7,12 minutes 25:6 98:21 123:23 miscellaneous 57:4 mischaracterizes 47:21 90:1 missing 106:22 misspeak 12:12 13:15 misstating 39:12 mm 41:11 modelling 14:4 17:8
	m		
	m 3:2 5:15 madam 125:10 main 8:19 64:22 76:9,14 77:4 major 21:21 majority 49:10 115:17 management 6:22 7:6,18,19 manager 118:10 managers 14:17 managing 6:19 7:5 16:7 manner 105:6		

<p>money 21:6 57:20 103:6 monitor 4:9 8:6 72:15,21 99:3,8 monterey 1:2,4,4 3:10 4:17,21 34:4 34:13 36:8,21 46:24 48:11 54:11 60:18 101:14 125:6 126:3 127:3 month 12:21,21 18:10 months 15:14 19:8 morning 111:21 mortgage 7:11 12:3,16 17:1,7 27:6 101:23 motion 3:13,13 81:6 82:5,11 move 12:4 18:5 67:24 81:2,10,11 moved 16:22 moving 107:16 municipal 20:20 21:2 22:2,7,23 23:3 municipalities 9:24 municipals 22:18 munson 2:8 5:11</p>	<p>nature 3:14 9:22 9:24 32:5 42:15 58:10 120:15 nearly 53:3 need 8:9 18:19,20 21:5 35:13,16 94:2 98:18 120:3 121:16 needed 45:2 92:20 negotiated 101:11 never 31:6,9 32:13 71:15,18,20 82:13 107:21 108:2 123:15 new 1:17,17,22 4:13,14 7:22 12:7 20:17 21:6 26:18 31:11 88:20 115:18 124:4 news 115:18 night 97:4 non 32:24 91:15 103:11 normalized 21:8 north 2:4 125:1 notarized 125:15 notary 1:21 124:3 126:10,18 127:15 127:23 128:23 note 4:2 97:22 125:12 notes 98:19 notice 1:15 3:11 3:12 6:3,5 73:3,5 81:7 noticed 5:20 notices 5:22 6:2 number 4:21 8:12 19:10,24 20:5 24:12 25:6,15,20 28:13 36:7 42:10</p>	<p>80:1 82:7 87:3 125:8,13 numbered 36:14 60:11 numbers 51:11 127:7 numerous 101:4 nw 2:14</p>	<p>obligations 87:8 101:8,9 102:5 103:22 obviously 6:8 35:1 35:17,24 65:16 97:10 occasions 26:18 27:1,2,4</p>
<p>n</p>	<p>o</p>	<p>o 3:2 object 20:12 30:14 39:7 106:24 objection 19:13 20:9 21:13,23 23:9,19 24:14 26:1,9 28:8 32:6 33:21 41:2,23 43:8,16 44:4 45:9 45:18 46:11 47:20 48:12,19 49:22 52:21 53:18 55:24 56:20 57:23 59:23 63:14 67:4,12 69:22 71:9,12 74:10 75:15 79:24 80:18 81:6 83:23 84:11,22,23 87:17 88:2,15 89:4,15,24 91:1,12 92:4 93:11 97:18 98:12 100:3,23 102:23 103:1 105:14 110:6 111:4,13 113:5 114:22 120:10 123:8 objections 6:1 90:7 92:11 obligated 103:18 obligation 101:17 101:22 102:1,2 103:8</p>	<p>occur 46:2 90:9 occurred 16:12 occurring 88:20 oci 86:24 101:4 105:4 odd 8:22 officer 6:20 12:6 13:4 14:22,23 15:2 16:6 offices 1:16 4:12 official 126:15 127:21 offshore 118:15,18 118:20,21 119:24 oh 56:5 okay 20:16 30:19 35:8 55:12 56:5 63:20 67:17 72:10 76:13 88:6 95:24 98:24 106:8 107:24 109:7 110:12 119:13 123:21 once 8:1 44:5 61:17 ones 48:9 49:1 50:8,9 51:18 53:7 onward 12:20 operate 85:14 operational 14:6 18:3 operative 49:12,17 49:21</p>

<p>opinion 65:8 opinions 118:7 opposed 9:18 opposite 104:10 oral 36:16 93:20 order 3:8 36:8,11 36:14 38:1,15 39:13,23 41:10 44:8 49:9 53:16 60:4 61:2 62:9 69:11 78:7 80:4 82:10,15,20 93:16 94:1,6,22 95:16 103:2 106:4,5 121:16 ordered 80:6 organizationally 15:12 outcome 121:4 124:14 outside 14:22 64:22 114:18 oversight 8:2 30:23 owe 103:6 owes 104:13 ownership 14:12 16:19,21</p>	<p>paragraph 36:15 37:15 41:9,20 60:5,11 69:11 78:17 83:8,9 84:2 86:21,22,23,24 93:19,24 94:1,5,10 94:22 96:9 99:14 99:15 101:3 102:19 105:3 106:9,10 paragraphs 36:14 parent 58:3,19,20 59:5,16 parity 24:4 parlance 101:24 part 10:23,24 11:21 32:24 103:2 103:9 127:9 particular 8:11 21:10 49:20 55:20 55:21 85:21 particularly 84:15 85:9 parties 121:8,10 124:12 parts 75:3 party 104:8,8 pass 64:2 pause 34:21 55:11 72:9 84:4 109:6 119:12 pay 57:19 103:9 103:13,18,21 120:4 payment 32:22,24 32:24 33:2 payments 118:15 pays 104:8 pending 5:20 72:3 82:6</p>	<p>people 8:4 14:1,9 15:15 16:17 17:21 18:1,2 31:20 39:20 43:20 46:19 61:8 105:23 113:13 115:16 116:19 percent 21:24 22:4 perfect 51:11 perform 8:8 performance 8:6 12:19 17:9 18:22 103:11 performed 90:11 107:18 121:19 period 11:13,16 15:14 37:8 permit 66:19 person 10:17,21 11:2 15:3 36:17 37:1,5 60:24 63:5 67:18 93:20 94:3 95:21,21 103:15 person's 32:1 personal 20:15 43:18 personally 48:21 113:7 126:11 127:15 perspective 12:17 peter 11:3,21,24 phone 125:2 photocopied 77:2 77:18 phrase 27:13,24 55:20 64:5 87:14 pick 4:3 18:7 pieces 41:8 place 18:11 38:18 113:10 120:24,24</p>	<p>places 62:24,24 95:8 plain 22:6 46:21 plaintiff 4:15 plaintiff's 36:5 54:8 72:24 82:3 96:24 108:22 117:15 plaintiffs 1:6,15 2:3 5:9 plan 78:8 82:10,16 82:21 play 18:13 37:23 109:10 played 37:6 38:3 38:12 playing 118:6,10 please 4:2 6:13 35:10,12 38:6 51:24 71:3 72:4 80:10 81:8 84:6 125:11,11 plntff 3:7 plow 97:10 plus 33:6 pmk 1:14 125:9 126:4,9 127:4,13 128:20 point 12:20 13:4,8 13:24 14:19 15:9 15:15 16:5,10 24:18 31:2 45:17 61:24 71:4 91:19 103:19 points 25:1 policies 7:22,23 18:24 19:11,18 20:1,6,17,18,18 21:11,20,22 24:12 24:19,20,23 25:6,9 25:14 26:16 27:17</p>
<p style="text-align: center;">p</p> <p>p 2:1,1 p.m. 99:8 pa 2:8 page 3:3,7,21 54:15 83:8 97:11 99:14 109:1,8 119:3,4 125:13 127:7 128:3 pages 82:18 paid 102:14 116:7 118:17</p>			

<p>28:7,14 29:4,10 33:15,18 36:19 37:11,16,19,20 38:15,20 40:14,20 40:24 41:17,22 42:12,14 43:2 44:2,10,13,20 45:6 45:16 46:7,10 47:4,11 48:7,22 49:10 50:4,6,20,22 51:13,16 52:5,16 53:3,4,9,14,15 54:2 56:10,19,24 83:10,10 87:21 88:11,24 89:10 99:16,17 101:5 103:24 105:8 117:12 122:23</p> <p>policy 25:4,14 26:19 28:20 33:1 49:20 105:5 116:6 118:16</p> <p>policyholders 105:9,12,17 115:4 115:18 116:4</p> <p>polk 109:9,10,12</p> <p>pool 102:4</p> <p>portfolio 6:21 7:15 14:7,14 18:9,18,22 19:1,11,18 21:2 22:4 43:23 60:2 61:4</p> <p>portion 55:17 56:15 122:8</p> <p>portions 7:14</p> <p>posed 102:20</p> <p>position 6:18 12:7 23:23 114:3 117:10</p> <p>possession 55:14 55:16 122:4,7</p>	<p>possibility 119:24</p> <p>possible 47:6,7,16 50:5 83:12,19 84:9 99:19,24 100:13,21 119:1</p> <p>potential 105:5</p> <p>potentially 93:8</p> <p>pre 30:9</p> <p>preceding 31:8</p> <p>prefer 84:1 121:2</p> <p>preliminary 63:11</p> <p>premiums 120:4</p> <p>preparation 50:20 69:2,17 70:24 117:19</p> <p>prepare 48:23 73:9 74:3 77:11</p> <p>prepared 75:13 76:20,22,23,24 77:11,14 94:4 97:3</p> <p>preparing 70:12</p> <p>present 2:18 5:5 113:23</p> <p>president 7:3</p> <p>pretty 12:4 16:15 39:15 50:7 63:1</p> <p>prevented 84:19</p> <p>previously 99:11</p> <p>primary 65:5</p> <p>principally 106:20</p> <p>private 4:4 9:9,16 9:18,19</p> <p>privilege 3:15 38:8 66:7,14,23 76:18 77:22 78:2 95:3 96:2,10,20,21 97:2 97:7,12</p> <p>privileged 32:4 97:5 100:5 108:6 108:13</p>	<p>probably 22:3 46:18 74:1 116:17 123:18</p> <p>procedural 5:18</p> <p>procedure 126:5 127:5</p> <p>proceeding 33:4 61:20 62:2 81:17 101:8</p> <p>proceedings 3:14 60:7,16 106:13</p> <p>proceeds 118:18</p> <p>process 7:24 40:2</p> <p>produce 36:16 37:16 39:9,10 42:11,24 69:12 80:6,24 93:20</p> <p>produced 38:20 39:22 40:20 41:17 43:11,15 49:9 50:7,16 51:5,12,18 52:6,9,17 53:4,9 56:24 117:17 122:23 123:12</p> <p>producing 39:5 49:16 50:11</p> <p>product 64:12 70:2 79:3 97:14</p> <p>production 36:10 37:24 41:4,15 125:16,24</p> <p>professional 1:20</p> <p>profit 22:14</p> <p>profits 9:23</p> <p>project 3:10 34:13 36:21 54:11 60:18 86:9</p> <p>promoted 16:6</p> <p>promotion 16:12</p> <p>promptly 35:14</p>	<p>proper 63:6</p> <p>property 55:17 56:16 111:9,12 122:8</p> <p>protect 38:7</p> <p>protecting 111:23</p> <p>protocol 116:16</p> <p>provide 52:13</p> <p>provided 64:15 66:8 67:13</p> <p>provides 23:6</p> <p>providing 30:17</p> <p>provision 34:5,13 34:17 54:5,20,23 85:4,22 86:4 114:10,15</p> <p>provisions 28:6,19 29:9,19 38:22 40:9 61:19,21 68:16 75:9 84:15</p> <p>public 1:21 9:2,3,6 9:9,10,11,19,22 10:17,19 20:21 21:16 22:9,24 24:10 52:19 124:3 126:10,18 127:15 127:23 128:23</p> <p>publish 50:4</p> <p>pull 47:19 48:8</p> <p>pulled 42:5 43:12 66:16 101:6</p> <p>pulling 44:13,17</p> <p>pure 105:20</p> <p>purports 97:4 103:8</p> <p>purpose 40:6</p> <p>purposes 17:12</p> <p>pursuant 1:15 37:24</p> <p>put 10:19 15:16 21:19 54:23 75:2</p>
--	---	---	---

104:18 108:20 117:9 putting 79:15	read 36:11 41:9 54:19 55:7 73:5 77:11 82:13 84:1 119:9 126:5,6,12 127:5,6,17 reader 91:17,19 reading 41:3 77:8 125:19 reads 105:4 ready 112:23 real 17:6 103:21 realized 44:7 reallocation 121:5 really 8:22 12:17 22:24 23:14 31:5 40:4 41:24 63:21 85:5 88:5 reason 51:8 125:14 127:8 128:3 reasoned 105:19 reasons 20:5 21:17 24:24 recall 16:12 40:17 64:19 74:19,21,22 76:10 77:8 85:1 114:1 115:6 116:2 117:13 receipt 125:18 receivables 118:14 118:19 receive 104:10 receiver 55:15 56:14 122:5 recess 72:18 99:5 recollection 84:13 98:6 recommend 91:4 record 4:2 6:12 28:13 63:20 72:16 72:20 77:21 79:12	80:1 99:4,7 111:24 116:13 124:9 127:9 redraw 11:4 redrawn 12:1 redrew 10:22 11:18 reduced 19:12 20:6 25:21 refer 27:23 reference 125:8 referenced 107:4 126:11 127:15 references 60:5 referred 87:9 referring 27:21 58:7 60:4,8 78:16 85:3 103:5 refers 55:13 refinance 21:6 105:24 106:1 reflect 97:4 reflected 69:3,18 reflecting 42:12 69:13 refresh 40:10 73:14 74:7,18 75:5,19 refund 20:19,22 refunding 21:2 regarding 36:9,18 74:7 78:18 93:21 93:23 94:10 96:8 97:7 113:11 registered 1:20 regular 107:16 regulator 18:20 30:22 92:19 95:14 107:17,20 108:1,5 108:15	rehabilitation 15:5,13 18:11,14 18:19 30:8 33:4 37:8 60:6,16 61:20 62:1,3,6,8 62:20 63:12,15,20 64:4 65:8 66:17 67:3 68:6 69:6,21 70:9,18 71:8 75:5 78:8,19 79:7,18 80:17 81:17 82:22 84:18 87:4 92:21 93:4 95:23 98:9 101:7 106:12 110:4,7,15 111:3 112:5,19 113:4,18 114:6,20 115:12 120:3 rehabilitator 86:19 93:23 94:9 94:21 95:6 96:4 108:15 rehabilitator's 3:12 82:21 relate 27:8 94:21 related 27:7 36:10 124:12 relates 107:1 relative 8:6 34:17 51:6 relatively 56:8 relax 116:5 relevant 50:22 74:8 relying 100:20 remain 25:7 remained 28:19 104:24 remaining 21:19 21:22 28:6 53:7 56:9,18,23
q			
quantified 89:2 quantify 91:18 quantitative 91:15 question 29:7,13 34:11 35:10,15 39:8,17 52:3 55:10 61:16 66:20 67:6 68:2 69:7 70:4,14 72:2 79:14 80:8,10,11 81:9,13 84:5 86:23 88:5 93:6 100:6 107:1 108:12 112:7,15 115:1,3,7 119:11 122:1 questions 35:2 96:13 103:1 109:4 115:3,21 116:11 116:22 quicker 117:5 quickly 39:15 quite 15:23 85:15			
r			
r 2:1 15:4 raab 15:4 rachel 2:16 5:5 raise 21:5 raised 118:17 ran 13:23 rapidly 12:4 rate 104:6,9 rates 20:23 ratings 30:21 reach 63:10			

<p>remains 24:13 remember 7:4 11:7 16:8 19:6 40:13 77:9 111:5 115:24 121:17 reorganize 21:4,4 reorganized 10:18 repeat 94:2 rephrase 29:13 replace 121:7 report 17:19 65:22 reported 11:13 66:12 reporter 1:20 126:7 reporting 16:9 17:5 18:5 representatives 114:19 represented 109:12 representing 4:6 5:8 request 38:13,16 42:7,9 52:11 127:9,11 requests 41:4 97:8 require 121:1 required 39:8,10 requirements 14:7 reserved 17:11 reserving 14:4 17:3,6 respect 23:16 24:6 41:15 48:22 52:18 56:6,12,18 61:5,17 67:2 73:7 85:20 112:18 114:10 121:23 122:2 respond 116:21</p>	<p>response 39:22 49:9 responses 116:11 116:14,24 responsibilities 16:3 responsibility 37:10 responsible 8:21 14:6 107:11 responsive 39:5,9 result 60:7 80:16 81:17 106:13 113:4,17 114:5 115:11 resulting 101:12 results 107:22 return 58:16,17,17 59:3 returned 125:18 reveal 30:17 38:5 51:2 67:14 79:22 95:1 100:7 revealing 86:11 revenues 102:14 103:13 review 12:11 34:4 34:10 40:1,8 42:4 69:3,18 74:9 77:19 122:20 125:12 126:1 127:1 reviewed 39:21 48:23 50:19 70:1 73:12 74:6,15 75:1 86:3 reviewing 69:1 right 5:21 6:4 8:13 13:3,19 15:7 19:5 29:17 33:12 41:10 45:22 48:15 50:9</p>	<p>51:13 53:17 58:6 59:15 68:18 70:15 75:18 78:13 83:5 85:22 90:17 93:4 108:6 109:15 111:21 119:17 120:22 rights 89:19 116:8 119:19 120:9,16 120:19 121:21 riley 2:8 5:12 riordan 2:8 5:11 risk 6:21 7:6,18,19 12:5 13:4 14:21 14:23 15:2 52:19 91:20 102:21 117:23 118:2,9 120:6 risks 24:21 52:7 road 2:9 46:19 roads 22:6 46:18 rofsky 11:20,23 role 7:2,13,17 10:11,13 11:17 13:1,1 14:18 15:8 16:14 18:13,16 23:17 37:7,23 38:3,11 39:4 43:19,19 109:9 118:6,10 roll 26:19 routinely 92:17 rpr 124:21 rules 34:23 85:12 126:5 127:5 ruling 3:20 run 6:21 17:23 20:1 21:9,11 running 20:18 26:9 28:4,10 103:1</p>	<p style="text-align: center;">s</p> <p>s 2:1 3:2,6 84:16 127:8,8 128:3 samples 37:20 saw 68:9 107:21 107:22 108:2,9 saying 103:16 says 41:20 69:12 87:16 111:15 scan 44:24 45:16 45:24 scanned 45:7,21 46:10 scope 20:10,13 21:14 23:10 24:15 26:2,9,12 33:22 43:17 45:19 46:12 48:18 52:22 53:20 59:24 80:3 83:23 88:3 89:5,12 91:2 91:13 97:19 98:13 100:24 102:24 105:15 114:23 se 25:14 seal 126:15 127:21 search 13:7 46:9 searchable 45:8 searches 39:19 43:23 44:1,1 sec 9:20 second 9:5 22:8 109:1,8 secondary 24:3 securities 7:10,11 7:11 17:1,7 101:10 102:7 securitized 102:6 security 101:18 102:11 see 21:24 36:22 37:21 40:10 54:17</p>
--	--	---	---

<p>55:2,4,18 60:10 64:11 65:21 69:14 72:7 83:15 87:11 106:15 117:6 119:6 122:9 seeing 12:18 seeking 52:13 79:4 seen 54:12,13 71:15,18,21 82:11 83:1 91:23 segregated 15:17 15:21 16:17 53:10 53:15 63:19 64:6 66:17 80:22 81:24 104:18 115:5 senior 6:19 14:16 16:7 23:23 24:2 sense 10:10 72:8 104:7 sensitive 4:3 sensitivity 95:22 sent 5:22 42:8,18 sentence 83:9 99:15 103:23 separate 68:21 107:20 108:16 september 1:18 4:8 124:17 125:4 series 122:6 serve 62:24 served 77:1 servicers 121:8 set 85:11 91:16 94:1 113:19 124:7 124:17 sets 83:10 99:17 settled 109:20 settlement 109:22 shade 35:21 share 32:5 51:7 86:17</p>	<p>sheet 125:13,15,15 127:7,10,18 128:1 shifted 8:3 short 72:12 96:1 98:16 123:19 shortly 62:3 show 37:18 40:23 41:21 showed 118:23 shown 98:3 125:16 shows 43:1 side 9:13 10:18 11:22 18:3 24:5,5 95:13,14 116:18 signature 124:20 125:14 signed 126:13 127:18 significantly 17:24 signing 125:19 similar 23:13 30:4 36:20 37:12 38:22 40:22 41:19 42:15 43:3 44:3,9,10 46:8 48:10 52:14 60:9 61:18 66:3 95:15 106:15 108:1 122:12 simple 80:11 81:13 simply 20:17 sincerely 125:22 sinclair 2:8 5:12 single 24:20 sir 125:10 sit 19:16 20:7 28:11 33:14 43:6 87:20 88:8 119:16 sits 24:5 situation 57:15</p>	<p>six 74:1 slightly 29:6 smaller 41:8 solutions 4:7 125:1 128:1 sonic 40:16 102:17 sorry 12:8 58:18 86:22 121:24 sort 27:9 28:12 29:1,7 44:15 57:18 68:20 100:10 102:15 117:9 sought 79:8 105:4 sound 19:5 33:12 51:13 57:22 58:11 sounds 57:14 59:12 sources 66:18 speak 7:17 11:5 25:11 74:3 110:24 speaking 104:6 specialized 85:19 specific 34:12 37:7 38:23 40:13 110:18 112:11,12 112:16 115:1,3,6 specifically 15:11 36:15 49:4,7 61:7 61:21 92:22 96:7 101:4 115:24 specified 85:21 specifies 104:12 specify 104:13 speculate 51:22 speculation 48:13 split 16:18 spoke 22:22 110:22 spreadsheet 66:4 76:2,4,18 77:12,23</p>	<p>78:3 squarely 101:19 staff 15:22 start 29:24 46:8 82:17 started 8:10,18 12:4 30:20 31:17 31:17,19,24 44:5 44:13 64:19 starting 31:12 starts 72:21 state 1:1,21 4:20 4:24 6:12 112:23 124:4 126:10 127:15 stated 21:17 95:11 statement 117:10 126:13,14 127:19 127:19 states 36:15 37:15 83:9 86:24 93:19 99:16 103:23 121:24 122:3 stay 53:24 stayed 15:4 16:15 step 61:17 63:7,23 stepped 13:6 63:9 steve 11:20,23 stevens 1:19 124:3 124:21 stop 71:3 101:14 stopping 121:4 street 2:4,14 125:1 stress 8:8 strike 68:1 81:2,6 81:10,11 strong 120:19 structure 23:24 structured 9:6,12 9:13,15 10:2,8 22:9,11,18,21,23</p>
---	---	---	---

<p>22:24 23:1 24:9 62:6 120:17 structures 101:13 subject 6:1 76:3 101:7 118:8 subscribed 126:10 127:14 128:21 subsequent 19:8 substance 75:17 75:22 79:23 95:1 substantial 18:21 45:5 76:11 87:7 87:16 88:1,14 89:8,22 90:3,13 substantially 36:19 37:12 38:21 40:21 41:18 43:3 44:3,9,10 46:7 48:10 52:14 60:9 61:18 106:15 111:9,12 122:12 substantive 34:21 successful 103:16 sue 120:5 suffered 27:9 sufficient 37:18 40:23 suggest 98:16,19 suite 2:9 125:1 summary 17:16 28:12,24 29:2,7 76:7 summer 15:12,24 superior 1:1 4:19 supervision 117:24 supplement 3:18 117:23 supported 65:22 suppose 47:6 48:16</p>	<p>supposed 8:7 sure 12:13 14:20 25:17 28:24 29:12 29:15 30:16 31:7 39:1,2 41:9 56:5 58:24 65:4 68:4 71:1 80:11 89:14 89:23 90:6 95:9 106:18 114:12 surety 103:24 surprise 53:5,12 53:13 surveil 19:12 25:13,13 surveillance 7:7 7:20 8:4,11,17,20 10:8 13:11,20,22 14:17 15:19 17:17 17:22 18:2 25:7 25:21 45:7 46:6 surveilled 19:19 sw 2:9 swap 59:10 85:4,8 85:14,19 103:24 104:3,4,7 swaps 84:15,21 85:11 104:7,18 sworn 5:16 124:7 126:10,13 127:14 127:18 128:21</p>	<p>takeaway 32:3,7 taken 1:14 4:14 takes 46:21 talked 25:5 52:6 106:22 talking 9:16 25:9 25:10,12 60:21 63:16 64:5 113:11 tally 28:4 tangible 32:23 task 46:5 48:4 tax 22:10,12 team 14:3,5 technical 16:14 technically 11:11 22:11 33:22 teleconference 2:10 tell 15:8 35:5,17 38:3 40:1 51:7 52:8 66:1,24 73:9 86:15 95:19 96:17 109:5 116:16 118:22 119:9 122:19 ten 14:9 42:18 82:18 123:23 tend 21:3 24:1 term 7:20 24:18 27:22 28:2 58:1 101:24 111:6 119:20 terminated 49:3 terminology 10:1 27:13 57:14 terms 7:17 9:19 12:18 32:9 66:21 101:20,20 104:4,5 112:3 testified 5:17 68:13 100:19,20</p>	<p>testify 36:17 40:19 41:5,12,16 43:17 73:8 74:18 75:19 76:16 93:21 94:4 105:20 testifying 19:6 36:1 83:18 106:11 testimony 5:24 25:18 34:22 37:2 47:21 62:18 75:4 78:11,13 81:2 83:4 87:9 90:2 99:21 100:12 124:6,9 126:6,7 127:6,9,12 thank 34:24 35:12 99:1 thereabouts 19:21 46:4 thing 32:12 63:6 77:13 things 9:21,24 12:4,22 18:8 31:15 76:10,14 77:4,7,15,18 121:5 think 5:21 9:1 10:5 11:11 19:5 27:3 39:14 44:7 46:16 63:5 64:22 70:15 76:5 78:9 85:5 98:16 105:22 107:4 108:1 117:2 120:18 121:19,22 123:17,20 third 10:21 14:5 22:20 thirds 20:2 thirty 125:18 thought 73:13 thousands 19:2 105:8</p>
	t		
	<p>t 3:2,6 5:15,15 table 75:13 112:8 112:15 take 8:9 11:16 18:11 45:15 63:23 71:22 72:3,7,12 73:4 83:2 111:10 111:22 114:2 123:1,19</p>		

<p>three 8:19,22 22:1 32:18 51:10 57:2 73:23 117:18 123:13 throw 105:8,17 throwing 105:12 thursday 73:12 time 4:8,24 8:20 11:8,13,17 12:14 12:16 13:16,20 14:19 19:7,7 20:21 25:1,1 26:18 31:8 40:12 61:24 62:2 65:3 71:4 72:6,14,16,20 78:22 79:14 80:14 84:18 92:15 93:14 98:18 99:2,7 103:19 109:23 110:9 times 42:19 95:8 title 7:4 today 17:15 19:10 19:16 20:8 24:13 33:14 34:7,23 43:6 74:18 75:20 76:16 79:15 88:8 88:18,21 90:12 91:23 92:6,8,9,9 119:16 today's 4:7 48:24 50:20 74:4 77:12 told 67:11,15 68:10 topeka 2:9 topic 79:1 94:4,10 96:8 topics 73:7 80:1,3 96:10 97:7 touch 94:21</p>	<p>towns 22:5 tranche 24:2 transaction 8:1,2 8:5 23:2 57:10,12 58:10 101:12 102:7,8,12,16,17 103:15 120:20 121:8,9 transactions 8:13 9:9,10,17,21 14:5 22:16 32:15 52:13 63:1 75:10 101:5 102:18,20 103:5 104:24 transcribed 126:7 transcript 124:8 125:11,12 126:5 126:12 127:5,11 127:17 transfer 33:7,19 treatment 32:20 trial 79:16 80:13 81:18,21 90:14,23 tried 38:14 44:24 trigger 36:20 37:12 38:22 40:22 41:19 43:3 44:3 46:8 53:16 60:8,9 60:16 61:6,20 63:12 68:6 70:19 84:19 85:9 87:15 87:23 88:13,17 91:6 92:1,23 98:8 103:8 105:7 106:14,15 111:2,6 triggered 62:21 64:7 70:18 78:20 79:19 87:5 89:9 103:7 110:16 111:3</p>	<p>triggers 61:3 66:16 76:6 83:11 83:14,18,21 84:10 86:1,18 87:2 99:18,20 100:1,15 100:22 101:6,13 104:1 108:17 109:11 110:21 117:11 triple 31:10 tripped 88:18 true 44:23 45:12 124:8 trust 3:10 54:10 trustee 55:15 56:14 122:5 truth 35:18,18,21 try 7:16 8:15 35:3 45:24 57:13 68:3 88:6 96:14 trying 11:11 28:23 turkey 118:21 turkish 118:13 turn 36:13 54:15 64:21 82:14 83:7 99:13 102:4,14 104:10 117:5 119:3 two 14:8 15:15 16:16 20:1 46:18 73:23 75:2 98:3 98:22 type 21:12 28:14 29:20 30:12 47:5 60:18 110:5,14 122:21,24 123:6 123:14 types 7:12 8:12 9:6 21:10,20,21 22:1 28:5 29:8,18 29:21 47:10 52:7</p>	<p>52:19 104:16 110:21 111:8 typically 116:23</p> <hr/> <p style="text-align: center;">u</p> <hr/> <p>ultimate 121:4 ultimately 103:20 uncertain 105:9 105:13 uncomfortable 111:19 uncommon 56:8 56:17 underlying 24:23 25:16 102:5 103:22 understand 7:16 23:4 26:5 27:15 31:2 35:9,19,22,24 37:10 38:9 42:14 52:4 58:10 62:17 63:5,24 70:5 72:6 76:13 87:13 88:4 88:5 109:18 understanding 42:6 52:10 53:23 58:9 83:17 84:17 118:24 understood 26:21 43:10 105:12 underwriters 7:23 underwriting 7:24 11:22 uninterrupted 121:13 unique 101:13 universe 42:20 university 22:14 use 7:20 27:13,22 64:4 111:24 useable 5:24</p>
---	--	--	--

usually 22:10 23:22 24:1 103:12	71:1 72:7 79:24 82:8 90:20 97:11 105:21 106:1,18 108:8 111:16	withdraw 6:4 withdrawn 64:16 85:7	x x 3:2,6
v	wanted 28:21 46:17 wants 95:9 washington 2:14 waterfall 120:22 way 28:4,17 29:16 35:22 39:1,2 46:23 47:3,8 49:3 50:13 52:24 123:3 124:14 ways 27:18 33:9 108:11 we've 71:23 website 50:3,7 51:6 wednesday 73:12 73:21,24 went 111:20 whereof 124:16 whispering 4:4 willian 2:5 3:4 5:7 5:7,18 6:3,11 32:8 38:9 39:12 51:24 60:23 63:17 66:6 66:10 70:13 71:3 71:24 72:4,10 73:1 74:16 77:21 78:1 81:20 90:18 90:22 93:18 96:7 96:22 98:15 99:9 106:7 107:10,15 108:4 110:8 111:16 123:17,22 wisconsin 3:14 82:7 95:4 wise 8:17	witness 3:3 4:22 5:4 30:19 46:12 74:12 86:14 99:1 123:21 124:6,10 124:16 125:9,11 126:1,4,11 127:1,4 127:15 witness's 20:10 90:1 witness' 125:14 word 43:24 words 28:11 29:15 49:2,11 76:14 87:24 work 17:21 30:4,6 30:12 44:15 59:2 62:9,9 64:11 66:3 70:2 79:3 97:14 worked 6:15 11:12 43:20 64:21 working 31:18 works 32:10 wrap 20:24 23:15 102:3,13 103:14 write 2:20 4:6 20:17 writing 7:22 65:14 66:1 68:10 108:20 writings 70:20 written 7:23 70:2 70:17 71:10 79:3 94:16 108:16 116:23 wrong 10:15 wrote 26:16,18 33:11 77:1 118:16	y
v 125:6 126:3 127:3 vague 93:14 value 103:18 vanilla 22:7 variety 24:23 87:7 various 27:17 33:8 87:2 vast 115:17 verbal 65:16,22 verbally 68:10 veritext 4:6 125:1 125:8 128:1 veritext.com. 125:16 versions 44:20 vice 7:3 11:14 video 4:9 72:15,20 99:3,7 videographer 2:20 4:1 72:14,19 99:2 99:6 videotaped 1:13 views 117:10 vs 1:7 4:18			yeah 86:14 year 16:16 92:13 92:17 years 6:17 7:13 10:13 31:6,8 44:6 98:9 105:5 yesterday 73:22 74:1 york 1:17,17,22 4:14,14 124:4
w			
w 2:15 125:5 wait 35:1 waiting 103:10 waive 96:21 waived 125:19 waivers 121:15 wallace 12:5 13:9 14:24 16:10 wanamaker 2:9 want 6:4 12:11 13:15 38:11 51:6			

California Code of Civil Procedure

Article 5. Transcript or Recording

Section 2025.520

(a) If the deposition testimony is stenographically recorded, the deposition officer shall send written notice to the deponent and to all parties attending the deposition when the Original transcript of the testimony for each session of the deposition is available for reading, correcting, and signing, unless the deponent and the attending parties agree on the record that the reading, correcting, and signing of the transcript of the testimony will be waived or that the reading, correcting, and signing of a transcript of the testimony will take place after the entire deposition has been concluded or at some other specific time.

(b) For 30 days following each notice under subdivision (a), unless the attending parties and the deponent agree on the record or otherwise in writing to a longer or shorter time period, the deponent may change the form or the substance of the answer to a question, and may either approve the transcript of the deposition by signing it, or

refuse to approve the transcript by not signing it.

(c) Alternatively, within this same period, the deponent may change the form or the substance of the answer to any question and may approve or refuse to approve the transcript by means of a letter to the deposition officer signed by the deponent which is mailed by certified or registered mail with return receipt requested. A copy of that letter shall be sent by first-class mail to all parties attending the deposition.

(d) For good cause shown, the court may shorten the 30-day period for making changes, approving, or refusing to approve the transcript.

(e) The deposition officer shall indicate on the original of the transcript, if the deponent has not already done so at the office of the deposition officer, any action taken by the deponent and indicate on the original of the transcript, the deponent's approval of, or failure or refusal to approve, the transcript. The deposition officer shall also notify in writing the parties attending the deposition of any changes which the deponent timely made in person.

(f) If the deponent fails or refuses to approve the transcript within the allotted period, the

deposition shall be given the same effect as though it had been approved, subject to any changes timely made by the deponent.

(g) Notwithstanding subdivision (f), on a reasonable motion to suppress the deposition, accompanied by a meet and confer declaration under Section 2016.040, the court may determine that the reasons given for the failure or refusal to approve the transcript require rejection of the deposition in whole or in part.

(h) The court shall impose a monetary sanction under Chapter 7 (commencing with Section 2023.010) against any party, person, or attorney who unsuccessfully makes or opposes a motion to suppress a deposition under this section, unless the court finds that the one subject to the sanction acted with substantial justification or that other circumstances make the imposition of the sanction unjust.

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COMPANY CERTIFICATE AND DISCLOSURE STATEMENT

Veritext Legal Solutions represents that the foregoing transcript is a true, correct and complete transcript of the colloquies, questions and answers as submitted by the court reporter. Veritext Legal Solutions further represents that the attached exhibits, if any, are true, correct and complete documents as submitted by the court reporter and/or attorneys in relation to this deposition and that the documents were processed in accordance with our litigation support and production standards.

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