

# Exhibit 5

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

CENTRAL STATES, )  
SOUTHEAST AND SOUTHWEST )  
AREAS PENSION FUND, )  
AND HOWARD McDOUGALL, )  
TRUSTEE, )  
 )  
Plaintiff, )  
 )  
vs. ) CASE NO. 07 C 773  
 )  
SYNERGY LOGISTICS, LLC, )  
an Indiana Limited )  
Liability Company, )  
et al., )  
 )  
Defendant. )

DEPOSITION OF CHARLES E. LARMAN

The deposition upon oral examination of CHARLES E. LARMAN, a witness produced and sworn before me, Karon A. Voloski, Court Reporter and Notary Public in and for the County of Marion, State of Indiana, taken on behalf of the Plaintiff, at the offices of Ice Miller, 3400 One American Square, Indianapolis, Indiana, Marion County, on June 27, 2008, at 9:00 a.m., pursuant to the Federal Rules of Civil Procedure with written notice as to time and place thereof.

CONNOR + ASSOCIATES, INC.  
1650 One American Square  
Indianapolis, IN 46282  
317.236.6022

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES:

FOR THE PLAINTIFF:

ANTHONY E. NAPOLI, ATTORNEY AT LAW  
CENTRAL STATES SOUTHEAST AND SOUTHWEST AREAS  
HEALTH AND WELFARE AND PENSION FUNDS  
9377 W. Higgins Road  
Rosemont, IL 60018  
Tnapoli@centralstates.org

FOR THE DEFENDANT:

MARC W. SCISCOE, ATTORNEY AT LAW  
ICE MILLER, LLP  
One American Square  
Suite 3100  
Indianapolis, IN 46282

---

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

INDEX OF EXAMINATION

DIRECT EXAMINATION

PAGE

Questions by Mr. Anthony E. Napoli..... 4

INDEX OF EXHIBITS

PAGE REFERRED

Exhibit Number 32 - Synergy assets..... 8  
Exhibit Number 7 - Agreement..... 10  
Exhibit Number 5 - '05 Larman return..... 11  
Exhibit Number 6 - Synergy balance sheet..... 16  
Exhibit Number 28 - '06 Synergy return..... 22  
Exhibit Number 3 - Schedule E..... 34  
Exhibit Number 8 - '06 AAA return..... 35  
Exhibit Number 29 - '06 Goodwood return..... 40  
Exhibit Number 22 - '06 Stout Field return..... 46  
Exhibit Number 23 - '05 Stout Field return..... 49  
Exhibit Number 24 - '04 Stout Field return..... 52  
Exhibit Number 10 - '05 C. Larman draw..... 53  
Exhibit Number 30 - '06 St. Clair return..... 57  
Exhibit Number 11 - '06 Larman Co. return..... 59  
Exhibit Number 12 - '05 Larman return..... 60  
Exhibit Number 17 - '06 St. Clair return..... 67

---

Charles Larman  
June 27, 2008

Page 4

1 CHARLES E. LARMAN,  
2 having been duly sworn to tell the truth, the whole  
3 truth, and nothing but the truth relating to said matter  
4 was examined and testified as follows:

5 DIRECT EXAMINATION,

6 QUESTIONS BY MR. ANTHONY E. NAPOLI:

7 Q. Mr. Larman, could you state your full name,  
8 address, and telephone number?

9 A. Charles. Charles E. Larman, 10682 Winterwood,  
10 Carmel, Indiana, 46032. Phone number is 317-846-9500.

11 Q. Thank you.

12 Appreciate you making yourself available this  
13 morning. As I'm sure you're aware, there's a judgment  
14 against various companies, and over the last few months  
15 we've been trying to figure out the status of those  
16 companies by the funds.

17 Have you ever sat for a deposition before?

18 A. Yes.

19 Q. So you're familiar with basically how things go?

20 A. Yes.

21 Q. I'll ask you some questions, just give me the  
22 answers to the best of your ability, and if you don't  
23 know, you don't know. If you don't understand, please  
24 let me know and I'll try to restate the question so that  
25 you know what I'm trying to ask. If you need to take a

Connor+Associates

www.connorreporting.com

(317)236-6022

1 break or anything, please feel free to let us know. You  
2 can stretch your legs for five or ten minutes, really at  
3 any point in time.

4 Are you on any medication or anything else that  
5 may affect your testimony today?

6 A. No.

7 Q. I'm sure you're aware there's a judgment, I'm  
8 going to show you a judgment order. We won't mark it  
9 for an exhibit. There's a judgment, various companies.  
10 And you're familiar with that judgment?

11 A. Yes. I've seen it.

12 Q. And that's, again, the judgment is entered  
13 against Synergy Logistics, AAA Warehouse Logistics,  
14 Goodwood & Stone, the L-Group, The Larman Company,  
15 Larman Properties, St. Clair Properties, Stout Field  
16 Properties and Synergy Freight Services; is that  
17 correct?

18 A. Well, this didn't say Larman Properties.

19 Q. I believe, if you take a look at the front page  
20 there, it's about the sixth company down.

21 MR. SCISCOE: Actually, the heading doesn't say  
22 that. It might be in the body.

23 MR. NAPOLI: Sorry. Then let's double-check.

24 Q. (Mr. Napoli) Refer you down three-fourths down  
25 the second page of the judgment it says Larman

1 Properties there, if you want to refer to right there.

2 A. Okay.

3 Q. If you need to take a moment to fully read the  
4 judgment, feel free.

5 A. I understand.

6 Q. So a judgment was entered against all those  
7 entities?

8 A. Yes.

9 Q. And then previously we had served what's called  
10 Citation and Supplemental Pleadings to Discover Assets  
11 against those; is that correct?

12 A. Yes.

13 Q. And you received copies, you were served with  
14 those citations; is that correct?

15 A. Yes.

16 Q. And it's your purpose here today to provide  
17 additional information with respect to the assets of all  
18 those companies?

19 A. Yes.

20 Q. Okay. Thank you.

21 Why don't we start with Synergy Logistics. What  
22 is your relationship with that company?

23 A. I was the president and owner of the company.

24 Q. When you mean owner did you own a hundred  
25 percent?

1 A. Yes, I believe so.

2 Q. And how long did you own all of that company?

3 A. From its inception. I'm not sure if it was 2005.  
4 I'm not sure what date we started.

5 Q. Wouldn't that have been back prior to 2005?

6 A. Whatever the date we started. I don't recall.

7 Q. And is that company currently operating?

8 A. No.

9 Q. When did it cease operations?

10 A. It was taken over by Progressive Logistics two  
11 years ago from this July.

12 Q. July 2006?

13 A. I believe so.

14 THE WITNESS: Is that correct, Mark? Would that  
15 be?

16 MR. SCISCOE: That sounds approximately right.

17 Q. (Mr. Napoli) And do you know who owns Progressive  
18 Logistics?

19 A. A group of people, James Donnelly, and I'm not  
20 sure who his partners are.

21 Q. You have no interest in Progressive?

22 A. No.

23 Q. I'm going to show you, pass this over to you, and  
24 you can refer to the documents. Show you what's been  
25 tabbed here Exhibit 32.



1           Do you know what this document is? Can you  
2 identify this document?

3           A. No.

4           Q. Well, this was introduced by Synergy Logistics in  
5 response to this citation to discover assets. Did you  
6 direct that this document be forwarded to us, the  
7 pension fund?

8           A. We tried to answer any questions that you had.

9           Q. Okay. So what would this document then be  
10 related to?

11          A. I guess -- I'm not trying to be evasive, it would  
12 be related to your questions. But our controller, or  
13 accountant, tried to satisfy whatever he needed, so I  
14 didn't necessarily see it, but what it was it was, so...

15          Q. Well, it says Synergy Logistics on it, correct?

16          A. Yes.

17          Q. It says, this position of \$70,000 dollar drop; is  
18 that correct?

19          A. Yes.

20          Q. Do you have any idea what that would relate to?

21          A. No.

22          Q. Do you know if this was any money that was paid  
23 to you or somebody else at Synergy Logistics?

24          A. It was not money that was paid to me, not to my  
25 knowledge.

1 I believe that, again, it's a guess, when it says  
2 vacations paid, this may have been -- this was money  
3 that we owed in members of the union. We paid the  
4 vacations. I made sure when the company shut down that  
5 all the members, the forklift drivers, everyone, I made  
6 sure everyone got paid the vacation time that was owed  
7 to them.

8 Q. Well, normally a draw isn't respective monies  
9 paid to underlying employees.

10 A. Yes, sir, I understand that. But I didn't take a  
11 vacation, and I wouldn't have been paid for a vacation.

12 Q. Do you know if there's any other documents  
13 related to the amounts and the dates on this exhibit?

14 A. I have no idea.

15 Q. If there are will they be made available?

16 A. Sure. We would have no problem with that.

17 Q. Do you know if anybody else in the company would  
18 have anymore information with respect to this exhibit?

19 A. I would think that Jim Richardson, who was the  
20 controller at the time, might. He would know what it  
21 was.

22 Q. Do you know his current address and telephone  
23 number?

24 A. No, but we can get it for you.

25 Q. Okay. Were the final tax returns for Synergy

1 Logistics, were they prepared in 2005?

2 A. I have no idea.

3 Q. Did you have the Synergy Logistic tax returns,  
4 were they prepared as part of your personal financial  
5 statement?

6 A. I don't understand.

7 Q. Excuse me. Synergy Logistics, were their tax  
8 returns incorporated into your personal tax returns?

9 A. I know they have separate tax returns. Our  
10 accountant, who does all the tax returns, prepared  
11 Synergy.

12 Q. Synergy had separate tax returns?

13 A. I would think so. I don't know. I would think  
14 so.

15 Q. Can you turn your attention to Exhibit 7 in the  
16 front?

17 A. Where?

18 Q. Exhibit 7 would be there in the front of the  
19 book, tab 7.

20 A. Okay.

21 Q. Do you know what this document is?

22 A. Yes.

23 Q. What is it?

24 A. It's agreement for purchasing sale of the assets.

25 Q. That's the sale of the assets of Synergy

1 Logistics to Progressive Logistics?

2 A. Yes.

3 Q. That's when you sold all the company and ceased  
4 operations?

5 A. Yes.

6 Q. If you could turn to page -- do you recall how  
7 much, what was the sales price?

8 A. I think it was like \$25,000 dollars, \$20,000  
9 dollars, I think, for the personal property, the  
10 furniture, whatever. There was no value to the company,  
11 because accounts are 30-day accounts can be cancellable  
12 at any time. So there was no -- there was no, you know,  
13 to buy the accounts there was no value because all of  
14 our -- all of our clients could cancel on 30 days'  
15 notice.

16 Q. If you could direct your attention to Exhibit 5  
17 there, just turn the tab.

18 A. Okay.

19 Q. Do you know what Exhibit 5 is?

20 A. Obviously, it's part of a tax form.

21 Q. Is that part of Schedule C, you Charles Larman's  
22 2005 tax return?

23 A. Yes, I guess.

24 Q. And this has -- it says Schedule C at the top?

25 A. Yes.

1 Q. And it's the Synergy Logistics is the business  
2 name represented there on the Schedule C?

3 A. Yes.

4 Q. Do you know if that's the 2005 tax information  
5 for Synergy Logistics?

6 A. I would assume so, yes.

7 Q. Have you ever seen this document before?

8 A. I see I signed it. But I generally don't, trust  
9 my accountant to prepare everything.

10 Q. You generally trust your accountant.

11 A. I do. Right.

12 Q. I'm not saying, of course, whether you should  
13 trust them. Just want to make sure we're clear.

14 A. Sure.

15 Q. Where did Synergy Logistics operate?

16 A. Synergy Logistics operated in Indianapolis.

17 Q. What was the exact address?

18 A. We had several locations, 801 South Emerson, and  
19 we were 1908 Stout Field West Drive.

20 Q. That was Stout Field West?

21 A. Drive.

22 Q. And that was both of those were in Indianapolis?

23 A. Yes. They lease space from both entities.

24 Q. Who owned those properties?

25 A. Emerson was owned by Lexington Properties.

1 Q. And the 1908 Stout Field?

2 A. Was owned by Stout Field Properties.

3 Q. And do you know who owned Lexington Properties?

4 A. Yes. Tom Coble and his family owned 50 percent,  
5 and I owned 50 percent.

6 Q. Do you still own 50 percent of Lexington?

7 A. Do I, no. He purchased it from me.

8 Q. And when was that?

9 A. Approximately a year and a half ago.

10 Q. How much was the sale for?

11 A. I received \$470,000 dollars for my half.

12 Q. And I'm sorry. That was Tom Coble, right? Is  
13 there any relationship between you and Mr. Coble?

14 A. No.

15 Q. Just a business partner?

16 A. Well, kind of, yeah, more adversarial than not.

17 Q. Did Lexington Properties, did they own any other  
18 real estate other than the Emerson property?

19 A. No.

20 Q. When was Lexington Properties formed?

21 A. Probably, just a guess, probably 20 years ago.

22 Q. When did Synergy begin leasing the property from  
23 Lexington?

24 A. When AAA Warehouse ceased to operate, Synergy  
25 began and Synergy went on a month-to-month lease

1 basically with Lexington.

2 Q. And AAA that's ceased to operate, they were in  
3 bankruptcy, right?

4 A. Yes.

5 Q. Do you recall what year that occurred?

6 A. I think it was just -- I don't remember. It was  
7 just before Synergy started, we formed Synergy. It was  
8 like the end of the year. It may have been, I don't  
9 know.

10 Q. 2001 or 2?

11 A. Maybe 2000. Somewhere in there.

12 Q. And you said it was a month-to-month lease. Was  
13 there any written lease or anything?

14 A. It started out no, and then they asked for a year  
15 lease, because the bank required a lease. But I think  
16 it was able to terminate on a month-to-month basis.

17 Q. Okay. And what was the rent?

18 A. I don't recall, but it was very cheap. It was  
19 below market. It was like two dollars a foot, and  
20 market rate was like 2.50.

21 Q. Okay. Did Synergy, did they operate out of an  
22 address on DePauw Boulevard?

23 A. Yes, it was an office. That was my office. That  
24 was not a warehouse.

25 Q. Then we'll get to that in a second.

1           The 1908 Stout Field address, how long had  
2 Synergy operated there?

3           A. The same thing when AAA Warehouse ceased to  
4 operate, Synergy was the same time. Synergy operated  
5 out of Stout Field the same time that they started  
6 operating out of Emerson.

7           Q. Was there a written lease or anything?

8           A. Yes. I don't recall. I'm not sure if there was  
9 or not. I'm trying to be as honest as I can. I don't  
10 remember.

11          Q. And, well, if there is a written lease, could we  
12 get a copy of that?

13          A. Absolutely. I don't know that there was, but  
14 we'll do our best if there was, to find one.

15          Q. And you don't recall the amounts offhand?

16          A. I think the rent was 2.75 a foot per year.

17          Q. And was that at or below market?

18          A. Probably a little below market. That's just a  
19 guess.

20          Q. And how long had Stout Field owned that property?

21          A. Stout Field had owned property for approximately  
22 -- do you want me to guess?

23          Q. Approximate. If it's, you know, five years, ten  
24 years?

25          A. Between five and ten years.



1 Q. The other one say approximately 20. If you can't  
2 remember that exact date, that's certainly reasonable.  
3 I'm not 59 and sometimes last week is tough, so...

4 And do you know who Stout Field bought that  
5 property from?

6 A. Yeah, the property was bought from National Life  
7 of Vermont.

8 Q. Okay. Let's get to -- you had an office there on  
9 DePauw Boulevard?

10 A. Yes.

11 Q. And did you rent that?

12 A. Yes.

13 Q. And who did you rent that from?

14 A. Pyramids. It was office building.

15 Q. I want to direct your attention to Exhibit 6.  
16 If you could turn to that. Are you familiar with these  
17 documents?

18 A. Yes.

19 Q. And what are these?

20 A. They are basically -- they are -- looks like they  
21 are income statements or balance sheets.

22 Q. For Synergy?

23 A. Right.

24 Q. If you could turn to the fourth page.

25 A. Okay.

1 MR. SCISCOE: Is this the year to date, 5/12?

2 MR. NAPOLI: Year to date, it's got Synergy  
3 Logistics on the top, and year to date 5/12, 5/31/05.

4 MR. SCISCOE: Yes.

5 MR. NAPOLI: And the second column has 11/30/05.

6 MR. SCISCOE: Wanted to make sure we were looking  
7 at the same date, since they're not numbered.

8 Q. (Mr. Napoli) If you could go down about halfway  
9 down in the Accounts Receivable, right below Accounts  
10 Receivable, there's Advances to Officers. Do you see  
11 that?

12 If you go down you've got Total Cash on Deposit,  
13 and there's a couple of Accounts Receivable lines and  
14 then there's an Advance to Officers.

15 A. I'm on a different page.

16 Q. May I? Maybe I can --

17 Why don't we go off the record for a second.

18 (A discussion was held off the record.)

19 Q. (Mr. Napoli) Apologize for that. That page is  
20 missing from the exhibit. I'll show you this copy of  
21 Exhibit 6, and probably make it a little easier.  
22 There's a highlighted amount there that corresponds to  
23 Advances to Officer, 21,000 amount approximately.

24 Do you see that?

25 A. Okay.

1 Q. Do you know who that advance was to?

2 A. No.

3 Q. And what they were for?

4 A. No.

5 Q. Do you know if you have any documents related to  
6 any advances to officers?

7 A. I have no idea.

8 Q. Okay.

9 MR. SCISCOE: Excuse me. May I just copy down a  
10 note here?

11 MR. NAPOLI: Sure.

12 MR. SCISCOE: Just so we can tell from the  
13 record, it shows a \$21,403.95 advance to officer.

14 MR. NAPOLI: I was going to read through that.  
15 That's fine. I don't mind that at all.

16 Q. (Mr. Napoli) I want to direct your attention  
17 again to Exhibit 6. There's an Officer Loans section.

18 A. Okay.

19 Q. Do you see that?

20 A. Yes.

21 Q. And as of the date, 12/31/05, the officer loan  
22 amount is 771,318.01; is that correct?

23 A. That's what it says, yes.

24 Q. Were those loans made by you to Synergy?

25 A. Is it saying -- is there loans to the company?

1 Q. It appears, yes, that it's loans to the company.

2 A. Yes.

3 Q. And those were loans made by you to the company?

4 A. Yes.

5 Q. Do you have any documents, loan documents or  
6 anything else, that would show the loans and the terms  
7 or anything like that?

8 A. I think our attorneys do. I borrowed money from  
9 my mother, from one of her corporations, Nathanson,  
10 borrowed money to put into the company. And there's  
11 notes that they have.

12 Q. Well, can we get a copy of those documents?  
13 We previously requested those and they haven't been  
14 provided. So if there is some --

15 A. We'll be happy to give you anything. If you  
16 didn't get a document, it's not because we didn't want  
17 to give it to you. We'll be happy to give you whatever  
18 you need.

19 THE WITNESS: Correct?

20 MR. SCISCOE: Anything that exists, sure.

21 Q. (Mr. Napoli) Your counsel's letter of January 4  
22 said that the -- as far as he knew, that there were no  
23 loan documents.

24 A. I'm guessing -- I know that our legal counsel  
25 had, there was notes written made up for a lot of the

1 monies that were borrowed, that I had to put into the  
2 company and AAA.

3 Q. Were any of those loans repaid?

4 A. Not yet.

5 Q. Was the company paying you interest back prior to  
6 ceasing operations?

7 A. No.

8 Q. You said you borrowed that money from Nathanson  
9 Investments?

10 A. And my mother.

11 Q. Was any repayments being made to your mother and  
12 Nathanson?

13 A. No, we were accruing the interest I owed her.

14 Q. Is there any documents related to those loans?

15 A. I think so.

16 Q. We can get a copy of those?

17 A. Absolutely.

18 Q. What's Nathanson Investments?

19 A. Nathanson Investments is my mother's corporation.  
20 It's basically all I know about it.

21 Q. Do you know what it does?

22 A. I don't think it does anything. It was  
23 designed -- it was a vehicle to loan money to these  
24 entities to try and make them work.

25 Q. And your mother, that's Audrey Larman?

Charles Larman  
June 27, 2008

Page 21

1 A. Yes, sir.

2 Q. A-U-D-R-E-Y, correct?

3 A. (Indicating yes.)

4 Q. Do you know what other companies she may have  
5 lent money to that you were involved in?

6 A. She loaned money to Stout Field. She loaned  
7 money to AAA Warehouse, she loaned money to Synergy.  
8 And I'm not sure if there's any other.

9 Q. Do you recall how much she lent out of the  
10 amounts to Synergy that she loaned to the other two  
11 companies?

12 A. Millions. Through she or Nathanson, in the  
13 millions.

14 Q. Do you have documents related to those?

15 A. Yes.

16 Q. Can we get a copy of those?

17 A. Sure.

18 Q. Were those loans, have they ever been repaid?

19 A. No, but hopefully they will be one day.

20 Q. Were any of those companies still operating?

21 A. No.

22 Q. Do you know how they would be able to repay those  
23 loans?

24 A. If we get some business or, you know, miracle  
25 happened we got some business, and we were able to do

1 it, it would be our intention to repay those.

2 My mother owns the gold in my teeth.

3 Q. I'm sorry? What?

4 A. My mother owns the gold, she has a lock on the  
5 gold in my teeth.

6 Q. I think all mothers do.

7 A. No, but she really does.

8 Q. Do you recall how much of the amounts to Synergy  
9 that were loaned came from Nathanson, the company and  
10 your mother directly, or were you kind of lumping it all  
11 into one?

12 A. I don't know. I can't -- I don't know.

13 Q. But the loan documents should identify it?

14 A. Yes.

15 Q. Let's direct your attention to Exhibit 28, the  
16 first page, Synergy Logistics tax return, 12/31/06 on  
17 the top; is that correct?

18 A. That's what it says, yes.

19 Q. And then it's got trial balance under that?

20 A. Okay.

21 Q. Are you familiar with this document?

22 A. No.

23 (Interruption - cell phone.)

24 (A discussion was held off the record.)

25 Q. (Mr. Napoli) We were taking a look at Exhibit 28.

1 And let me find the exact page so I can have you refer  
2 to.

3 Page number, handwritten page number 4 there.

4 Is that the page you're looking at?

5 A. Okay.

6 Q. It says, "Note per Jim at Synergy Logistics  
7 instead of Chuck."

8 Would that be you?

9 A. Yeah.

10 Q. "Getting a check against his advanced account at  
11 Synergy. He has started giving Jim his personal bills  
12 to pay. Jim pays the bills and debits the advance to  
13 CEL (I'm guessing that's you) account."

14 A. Okay.

15 Q. "Therefore, there are many personal charges  
16 against this account instead of straight advances to  
17 Chuck."

18 Is that -- to your knowledge, was that accurate  
19 how things worked?

20 A. I have no idea.

21 Q. Did you give personal bills that Synergy ended up  
22 paying?

23 A. I don't know. I mean I'm not being evasive. I  
24 don't know.

25 Q. Did you ever draw on the account?



1           A. I had to take some sort of a draw or salary or  
2 something from Synergy. I couldn't have health  
3 insurance otherwise. I had to live, so the money was  
4 being put in so I could get a salary or take a draw to  
5 live.

6           Q. That draw, that draw was part of your salary?

7           A. I -- I guess. I don't know. I couldn't tell  
8 you.

9           Q. Do you know if there's any documents related to  
10 the draw account, or would these be the only documents?

11          A. I have no idea.

12                 Well, I can give you an example. I'm looking at  
13 this statement. It says enter CEL Five Seasons Health  
14 Club. That's not me. That was my -- that was one of  
15 the employees in the company, but the membership was in  
16 my name.

17          Q. How come the --

18          A. That was Steven Wasser. If there was a dinner or  
19 something, Ruth Chris's, that was a business dinner. So  
20 I don't see -- I don't see personal expenses.

21          Q. Well, if you look down the second to the last  
22 category, it starts with item number, I guess, 1292, and  
23 then you go across, it's December 31st, '04, and the  
24 description is CEL Audrey, Cingular --

25          A. Right.

1 Q. -- for \$169 dollars. Would that be a payment for  
2 cell phone for Audrey your mother?

3 A. I'm guessing it may have been she was in Florida.  
4 It may have been her long-distance charges. It may have  
5 been -- we gave her a phone so that we paid her phone  
6 bill, because we were talking to her constantly, all the  
7 time.

8 You know, I look over here and I see, you know,  
9 paid gas. You know, it was for the employees, you know  
10 what I'm saying, gas for me going back and forth to the  
11 warehouses or whatever.

12 Q. Well, the top list has got like 12/12 going  
13 across, and it says CEL Ann/kids Verizon?

14 A. Right. It was charged back to me.

15 Q. Who's Ann?

16 A. Ann's my wife.

17 Q. That would have been your kids?

18 A. And charged back to me. Against me. In other  
19 words, because our bill was all in one. You know what  
20 I'm saying, like your family, you know, your wife, your  
21 kids whatever, and then they charge that back against  
22 me.

23 Q. But you don't know if there's any other account  
24 that deals with the draw --

25 A. No.

1 Q. -- and documents?

2 A. Not to my knowledge.

3 Q. -- and what these were?

4 A. No, not to my knowledge.

5 Q. Let's turn, if you could, to exhibit, turn to  
6 Exhibit 1.

7 Is that your -- you and your wife Ann's personal  
8 tax returns for 2006?

9 A. Yes.

10 Q. Has your 2004 -- excuse me. Has your 2007 return  
11 been prepared yet?

12 A. No, not to my knowledge.

13 Q. Would it be possible to get a copy when it is?

14 A. Sure.

15 Q. If you could turn to the first page there.  
16 It lists two children, Alexandra and Joshua. How old  
17 are they?

18 A. Josh just turned 22, and Alex just turned 24, my  
19 daughter.

20 Q. On the exhibit -- or excuse me, Schedule B of  
21 that 2006 return, if you could turn, it's about the  
22 fifth page, I think. Yeah, page number 5 on the bottom.

23 A. It's got a listing there, Schedule B, interest in  
24 ordinary dividends for Richfield Apartments of West  
25 Lafayette. Uh-huh.

1 Q. What is that?

2 A. It's a unit of apartment complex that my folks  
3 bought us 25 years ago.

4 Q. You own that Richfield apartment?

5 A. My wife and I, yeah. It's not an apartment.  
6 It's like a share of a complex. It's not like a condo  
7 or an apartment or whatever, it's just -- I'm not  
8 exactly sure how it worked. It was almost 30 years ago.  
9 Built a complex, and then he sold shares to finance it,  
10 or was going to build it to finance it and people bought  
11 it and it was a tax, you know, to save money in taxes.

12 Q. You didn't own the whole complex?

13 A. No.

14 Q. Just a few shares?

15 A. No, one unit, one piece of it.

16 Q. Is it then like a town-home complex?

17 A. I've never even seen it.

18 Q. If you could turn to page 11 of that same Exhibit  
19 1.

20 A. Okay.

21 Q. It's got a pass of income of about 35,000 there.  
22 Do you know what that is referring to?

23 A. No.

24 Q. How about if you turn to page 34, then.

25 It's got income from Lexington Properties of

1 about \$31,737 dollars; is that correct?

2 A. Okay. Yes.

3 Q. What was that income for?

4 A. That may have been my share of what we got when I  
5 owned 50 percent of Lexington Properties.

6 Q. Your share of what you got?

7 A. Rent, after the expenses in rent. You know,  
8 after expenses. That was the property I owned 50  
9 percent of.

10 Q. Right. And that was the 801 Emerson property?

11 A. Right.

12 Q. Was that rented or leased to anyone else after  
13 Synergy stopped operations?

14 A. Yes.

15 Q. To whom?

16 A. I don't know. He started leasing it out. It  
17 took a year and a half to.

18 Well, I'm sorry. I need to correct, go back.

19 When Synergy stopped and Progressive took over  
20 Synergy, Progressive stayed there and leased that  
21 property for probably eight, nine, ten months at the  
22 same rate.

23 Q. Okay.

24 A. And then as Progressive got behind in their rent  
25 and Progressive didn't want to pay market rent, Coble,

1 the managing partner, basically evicted him.

2 Q. And then somebody else came in after Progressive?

3 A. And then I sold it when he evicted them.

4 Q. That's when you and Coble -- you sold your  
5 interest to Coble and you'd been done. So the only  
6 lessor of the Emerson property was Progressive there for  
7 a short time?

8 A. And they were only paying for part of the space.  
9 They weren't filling it all up.

10 Q. Okay. There's also a notation here, if you could  
11 turn back to page 11.

12 It's got a Jack Larman, QSST. Is that a trust?

13 A. Yes.

14 Q. Jack would be your father?

15 A. He was deceased.

16 Q. Were you receiving any interest in that?

17 A. Pardon me?

18 Q. Were you receiving any interest or dividends or  
19 payments from the trust?

20 A. No.

21 Q. In 2006, was the St. Clair Properties, were they  
22 still operating?

23 A. No.

24 Q. And Stout Field Properties, they weren't  
25 operating, correct?

1 A. No.

2 Q. If you could turn your attention to page 30 there  
3 still of the Exhibit 1.

4 A. Okay.

5 Q. It's got the top of the page there it's got  
6 Miscellaneous Income Statement One.

7 A. Uh-huh.

8 Q. Barry Kaye & Associates. What's Barry Kaye &  
9 Associates?

10 A. Life insurance brokerage firm.

11 Q. And you had an interest in that firm?

12 A. No. I -- I'm a real estate -- or life insurance  
13 license for Charles E. Larman, and I worked trying to  
14 sell policies in, you know, life insurance policies.  
15 And he had some books is probably what that was from  
16 that I paid for.

17 Q. I'm sorry "he"?

18 A. He publishes books talking about the different  
19 policies. You know what I'm saying. It's called the  
20 life settlement industry. It's like, die now, be rich,  
21 or something, you know what I'm saying. And he has  
22 books published. So I bought a bunch of books to show  
23 the clients, potential clients.

24 Q. "He" being Barry Kaye?

25 A. His office.

1 Q. But it's basically 1.1 million dollar loss there  
2 that's noted. Do you know what that's from?

3 A. Nothing with Barry Kaye. It's got to be an  
4 error. Nothing with Barry Kaye.

5 Q. Barry Kaye & Associates got \$185,000 policy  
6 amount. Do you know what that's from?

7 A. That was a policy of commission that I made  
8 personally.

9 Q. So that was income?

10 A. To me.

11 Q. Okay. For other businesses?

12 A. No, I sold a life insurance policy. The only one  
13 I've ever sold. And that was my commission, Charles E.  
14 Larman.

15 Q. And this 1.1 million that's not related to Barry  
16 Kaye?

17 A. No.

18 Q. Do you know what that's related to?

19 A. That's a carryover of losses from the companies.

20 Q. Why don't we go through Exhibit 2, if you could  
21 turn to the next tab. That's a copy of your 2005  
22 return?

23 A. Okay.

24 Q. Is that correct?

25 A. Yes. Apparently.



1 Q. Let me direct your attention to -- probably be  
2 easier if I find it.

3 This page here of your 2005 return, it's got 2000  
4 on the top, 2005 income, and then it's got Stout Field  
5 Properties; is that correct?

6 A. Okay.

7 Q. And the total activity/income at the bottom is  
8 about 720,000; is that correct?

9 A. Okay.

10 Q. Is that -- if you could answer "yes" or "no."

11 A. Yes.

12 Q. Thanks.

13 Was that from the income or slash gain from the  
14 sale of the Stout Field Properties?

15 A. I have no idea.

16 Q. All right. Let's direct your attention to page  
17 15.

18 A. Okay.

19 Q. This is the Schedule E of your 2005 return; is  
20 that correct?

21 A. Okay. Yes.

22 Q. And it has a total line there in line 32,  
23 \$310,919 dollars, that's from the non-passive income  
24 from Schedule K1; is that correct?

25 A. I have no idea. I see the number. I don't know

1 what it's from.

2 Q. Well, do you know what K1 statements are?

3 A. Income statements from properties.

4 Q. From the companies you own?

5 A. Okay.

6 Q. And it shows then a cumulative distribution to  
7 you in 2005?

8 A. Yes.

9 Q. Is that correct?

10 A. Yes.

11 Q. Do you recall the breakdown of what you received  
12 from the various companies?

13 A. No.

14 Q. Could I direct your attention then to page 33 of  
15 the 2005 return?

16 That's got a Schedule E, Statement 10 there at  
17 the top, and it provides a breakdown of various losses  
18 and income from the various companies that was reflected  
19 on the Schedule E; is that correct?

20 A. Yes.

21 Q. So it appears that you had an income, passive  
22 income from the Lexington Properties there of about  
23 22,000?

24 A. Okay. Yes.

25 Q. And then the big amount there is from Stout Field

1 Properties approximately 4 -- excuse me, approximately  
2 \$549,000 dollars?

3 A. Yes.

4 Q. And that was from the sale of those properties?

5 A. Yes.

6 Q. And that was the gain of the sale, your share?

7 A. I think so. I'm not sure, but I think.

8 Q. If you could turn to the next exhibit there,  
9 Exhibit 3.

10 A. Okay.

11 Q. And if you could turn to page -- I'll find it.

12 Exhibit 3 in the Schedule E. It's got there  
13 listed on the line 32 about halfway down, Total Net  
14 Income from Schedules K1s of 141,000 approximately; is  
15 that correct?

16 A. Yes.

17 Q. Why don't we direct your attention to Exhibit 31  
18 there.

19 A. 31 here?

20 Q. Yeah. The first document. I'm going to  
21 apologize, it slipped my mind that you had produced some  
22 of these documents by my request earlier.

23 First document is a promissory note from you to  
24 Nathanson Investments; is that correct?

25 A. Yes.

1 Q. And then there's a series of other documents that  
2 come through there. But, basically, are these the  
3 documents that you were referring to earlier?

4 A. Yes.

5 Q. That for the loans that you took out and  
6 guaranteed for Synergy?

7 A. Yes. I'm not sure if these are all of them, but  
8 these are the documents we were talking about.

9 Q. But these are the intent of these documents,  
10 wasn't it?

11 A. Yes.

12 Q. And I think you previously said that there are no  
13 repayments of these loans by you to Nathanson because  
14 Synergy couldn't repay you; is that correct?

15 A. Correct.

16 (Interruption.)

17 (A brief recess was taken.)

18 Q. (Mr. Napoli) If you could turn to Exhibit 8,  
19 please.

20 A. 8?

21 Q. Yes.

22 A. Back here?

23 Q. Yeah. This is a copy of the AAA Warehouse tax  
24 return for 2006?

25 A. Yes.

1 Q. Is this the last return, tax return, that AAA  
2 will have?

3 A. I don't understand the question.

4 Q. AAA is no longer operating, right?

5 A. It still exists, but it's no longer operating.

6 Q. There won't be a 2007 return?

7 A. Yes, there will.

8 Q. There will be? Did it conduct any business?

9 A. No.

10 Q. In 2007?

11 A. No.

12 Q. Like 2006 its business income will be zero?

13 A. Zero.

14 Q. Does AAA currently have any assets?

15 A. No, not to my knowledge.

16 Q. Well, if you could turn to the Schedule L there,  
17 the fourth page.

18 A. Okay.

19 Q. It lists a net of accounts receivable of about  
20 52,000; is that correct?

21 A. Okay. Yes.

22 Q. Has it collected any of those net accounts  
23 receivable?

24 A. No, not to my knowledge.

25 Q. Do you know who those accounts receivables would

1 be from?

2 A. No.

3 MR. SCISCOE: Excuse me. What line is the  
4 Accounts Receivable line?

5 MR. NAPOLI: 2A and B. And if you go all the way  
6 down to D, it's got basically the Accounts Receivable  
7 and then minus the allowance for the bad debts.

8 MR. SCISCOE: Okay.

9 Q. (Mr. Napoli) The total there, five million for  
10 Accounts Receivable or notes, trade notes, however you  
11 determine is about five million dollars. Do you recall  
12 what company or companies, or who that's to?

13 A. I don't recall.

14 Q. Do you know when those debts were written off?

15 A. I don't recall.

16 Q. Would it be possible to get any documents with  
17 respect to those accounts receivable?

18 A. Absolutely.

19 Q. Then if you could turn to the next page, page 5.

20 A. Okay.

21 Q. It's got the top there, it's Other Current Assets  
22 Statement One.

23 A. Okay.

24 Q. It lists the various amounts, they total about  
25 721,000; is that correct --

1 A. Yes.

2 Q. -- of basically notes receivable --

3 A. Right.

4 Q. -- or current assets?

5 What is -- one of them is for C & L Transport,  
6 about \$5700 dollars. What's C & L Transport?

7 A. That was years ago, trucking company, AAA  
8 Warehouse had.

9 Q. Oh, so it was a different company and that ceased  
10 operating? Do you recall when?

11 A. Fifteen years ago, ten years ago.

12 Q. But they were still keeping that amount on its  
13 books?

14 A. I don't know why.

15 Q. Even though it was obviously uncollectable?

16 And then the other amounts there were -- I'm not  
17 going to go through the amounts. But to the companies,  
18 Larman Company, St. Clair Properties, and then Goodwood  
19 & Stone, those were all companies obviously that you  
20 owned?

21 A. I don't -- I'm a minority owner of St. Clair  
22 Properties. I only own 20 -- I think 22 or 23 percent  
23 of St. Clair Properties.

24 Q. But none of these amounts are going to be repaid?

25 A. No.

1 Q. What is your interest in AAA Warehouse?

2 A. I don't know the exact proportion. The Jack  
3 Larman Trust owns part of it and I own the other part of  
4 it.

5 Q. Are you a beneficiary of The Jack Larman Trust?

6 A. Yes.

7 Q. Who are the other beneficiaries of The Jack  
8 Larman Trust?

9 A. Just me.

10 Q. Just you?

11 A. I think just me. I'm not sure.

12 Q. Are you the trustee?

13 A. No.

14 Q. Who's the trustee?

15 A. I'm not sure. I think it's my mother. There's  
16 nothing in it, that I know of.

17 Q. Well, other than the ownership interest in AAA  
18 and --

19 A. Right. I mean, there's no money that I know of.

20 Q. Is it possible to get a copy of the trust  
21 documents so we can confirm?

22 A. Sure.

23 Q. Goodwood & Stone, another company that you had an  
24 interest in; is that correct?

25 A. Yes.



1 Q. And what was your ownership interest in that?

2 A. Hundred percent.

3 Q. Is this company currently operating?

4 A. No.

5 Q. I direct your attention to Exhibit 29, tab 29  
6 there, please.

7 A. Okay.

8 Q. That's a copy of the Goodwood & Stone's 2006 tax  
9 return; is that correct?

10 A. Yes.

11 Q. Will there be a 2007 return?

12 A. Yes.

13 Q. There will be?

14 A. Yes.

15 Q. Even though it's ceased operating?

16 A. Yes.

17 Q. Does it have any -- Goodwood have any assets?

18 A. No, not to my knowledge.

19 Q. What was the last years you recall that it  
20 operated?

21 A. I don't recall, could be early 2000.

22 Q. The company, The L-Group, what was your ownership  
23 interest in that company?

24 A. I'm not sure. I may have been a hundred percent.

25 Q. And that company didn't file separate tax

1 returns?

2 A. I have no idea.

3 Q. And is it still operating?

4 A. No.

5 Q. Do you recall when it ceased operating?

6 A. I don't think it ever really operated, except for  
7 did a pass-through of rent. It leased a facility,  
8 temporary facility for a few months and for X amount of  
9 dollars, and then the rents equaled that. I'm guessing.  
10 It was just an entity we created and never went forward,  
11 created with the intention of moving forward to do  
12 things and it just never happened.

13 Q. Did it lease one of the locations?

14 A. Not one of these buildings, no.

15 Q. Okay. All right.

16 Now, Stout Field Properties, we've gone through  
17 that a bit.

18 What was your ownership interest in that company?

19 A. I owned majority of it, and my kids each owned a  
20 part of it.

21 Q. When did your children get their interest in the  
22 company, do you recall?

23 A. When I purchased the property.

24 Q. And when did you purchase the properties?

25 A. I'm not sure, over probably 15 years ago.

1 Q. So they got their interest when they were young  
2 kids?

3 A. Yes.

4 Q. But together the three of you owned a hundred  
5 percent of the company?

6 A. Yes.

7 Q. And what properties did that Stout Field  
8 Properties own?

9 A. Two properties. Building 1908 and then building  
10 next to it, small building 1922, I think. I'm not sure  
11 of the address.

12 Q. Would that be 1950?

13 A. 1950.

14 Q. Was there a third property just called Stout  
15 Field WD, or was that part of one of the other two?

16 A. Never heard of that.

17 Q. And does Stout Field property, they sold those  
18 two properties?

19 A. Yes.

20 Q. Was that around June of 2005 for about 2.2  
21 million, for 18 -- 1908 Stout Field?

22 A. I'm not sure of the numbers.

23 Q. These companies, they are no longer operating --  
24 excuse me. Stout Field Properties is no longer  
25 operating?

1 A. No.

2 Q. Will there be an '07 return?

3 A. I doubt it. I wouldn't think so.

4 Q. Can you turn to tab number 21, please.

5 A. Okay.

6 Q. The first page of that has got Stout Field  
7 Properties, LLC, interest regarding the sale of the  
8 properties; is that correct?

9 A. Uh-huh.

10 Q. And on that first page it's got a gain on the  
11 sale of the properties of about 766,000.

12 A. Okay.

13 Q. Is that correct?

14 A. Yes.

15 Q. And then if you turn to page 2.

16 A. Okay.

17 Q. It's got documents reflecting the net proceeds of  
18 505,000?

19 A. Uh-huh.

20 Q. Do you know where that money went?

21 A. The children, Nathanson, my mother, etc., had  
22 made loans to the property and they were paid back, and  
23 they were on the books. We sent you -- we sent you a  
24 printout of -- computer printout showing they had made  
25 loans to the company.

1 Q. Well, if you look below that there's -- you've  
2 got a check number and then a payee, and it lists  
3 various individuals.

4 A. Right. Correct. You've got my son and my  
5 daughter.

6 Q. And that would be, the 505,000, all these amounts  
7 that's where they went to, the payments?

8 A. Yes.

9 Q. And there is -- you got here the payment, then  
10 the Josh Larman. There's two payments total of  
11 approximately about 137,000?

12 A. Yes.

13 Q. And you say those were loans that Josh made to  
14 the company?

15 A. Yes.

16 Q. When did Josh make those loans?

17 A. I don't recall. But they were documented.  
18 These were taken off of the balance sheet. When you  
19 guys -- when The Fund asked for what happened, we went  
20 to our controller and he was able to get into the  
21 computer and print that off, and we sent that  
22 information to you. That was off the balance sheet, I  
23 guess.

24 Q. Well, do you have any loan documents, promissory  
25 notes, anything like that?

1 A. I have no idea.

2 Q. And you have no idea when these loans were made  
3 by Josh?

4 A. No.

5 Q. Well, he's 22 now, correct?

6 A. Yes.

7 Q. Do you know where he would have gotten the money  
8 to make those loans?

9 A. Out of trust that his grandparents provided for  
10 him, same with my daughter Alex.

11 Q. And theirs, then, equals loans of approximately  
12 177,000?

13 A. Yes.

14 Q. That's the same with Nathanson, your mother's  
15 company?

16 A. Yes.

17 Q. And about 60,000 in loans were made?

18 A. Yes.

19 Q. Do you know if Stout Field was making payments on  
20 interest, or anything else, during -- for these loans  
21 after they were made?

22 A. I don't know.

23 Q. Well, if there's any loan documents, could we get  
24 a copy of those?

25 A. Sure.

1 Q. And then to complete that, Audrey, also, in  
2 addition to making loans with the Nathanson Investments,  
3 made loans in the amount of 46,000 directly?

4 A. Yes.

5 Q. And then there was repayment to you of \$70,000  
6 dollars, that's not for loan repayment, but that's a  
7 repayment of your draw, is that how --

8 A. I don't know.

9 Q. If you could turn to Tab 22.

10 A. Okay.

11 Q. Is that a copy of the 2006 return for Stout Field  
12 Properties?

13 A. Yes.

14 Q. If you could turn to page 4.

15 A. Okay.

16 Q. It's got -- this is the Schedule L. And we'll go  
17 down to the line 2A and B again. It's got Note/Trades  
18 Receivable of about 597,000.

19 A. Okay.

20 Q. Do you know who that's to, or who that's from, I  
21 should say?

22 A. I think that was the balance of the money for the  
23 sale of the property.

24 Q. Well, that's a trade of a note receivable, not  
25 proceeds from the sale.

1 A. Okay. I don't know what that is.

2 Q. But that was written off? Excuse me. That was  
3 accounts receivable written off?

4 A. I would guess so. I don't know.

5 Q. Could we get copies with respect to who those  
6 were from?

7 A. Sure, if they -- I'll give you copies of  
8 everything, to the best of our ability.

9 MR. SCISCOE: Is statement 1 attached as an  
10 exhibit?

11 MR. NAPOLI: Pardon?

12 MR. SCISCOE: Is statement one included with  
13 Exhibit 6?

14 MR. NAPOLI: One is Accounts Receivable, which I  
15 would assume is from trade creditors or someone else,  
16 and they are both approximately the same amount. And  
17 then we have line 6, which is another 597,000, and that  
18 appears to be a note receivable, which would be my next  
19 question.

20 Q. (Mr. Napoli) Do you know who that was from?

21 A. That was what I was talking about when I said I  
22 thought that was from the rest of the proceeds of the  
23 sale.

24 Q. Well, when the properties were sold did somebody  
25 give -- you didn't sell and get all in cash?



1 A. No.

2 Q. Who would that be from?

3 A. That was from the owners, the people that were  
4 purchasing it paid part of it in cash, part of it when  
5 we dispersed it, like a year later they moved the other  
6 balance of the payment, the 597.

7 Q. Did they make that payment?

8 A. Yes.

9 Q. What happened to the proceeds of that?

10 A. Went into my account.

11 Q. So you received that?

12 A. Yes.

13 Q. You received that in '06 or '07?

14 A. I don't recall. I think it was '06. I'm not  
15 sure.

16 Q. Okay. Could we have documents relating to your  
17 getting the payment on that?

18 A. Yes.

19 Q. And then let's see. There's some -- well, if  
20 that money was paid in '07 to Stout Field, shouldn't  
21 there be an '07 return, because it still had some access  
22 and some activity?

23 A. It was paid in '06.

24 Q. If it was in '07, it probably should reflect at  
25 least the closing out the rest of the assets?

1 A. Yes, I don't think the '07 returns are done yet.

2 Q. If we could get a copy of those when they are.

3 A. Sure.

4 Q. So if we can go down to line 21 there on the  
5 Schedule L, still it's got Partners Capital Accounts,  
6 and it's got a positive of about 746,000? Line 21.

7 A. I see that.

8 Q. So most of that is reflected from the still  
9 outstanding payable of the purchaser of 597?

10 A. I would assume so.

11 Q. Do you know what the other positive amount there  
12 would be of about 150,000?

13 A. No.

14 Q. Could you turn to Exhibit, then, 23, the next tab  
15 there.

16 A. This (indicating)?

17 Q. Uh-huh. It's the 2005 return for Stout Field; is  
18 that correct?

19 A. Yes.

20 Q. If you could direct your attention to page 3,  
21 please.

22 A. Okay.

23 Q. It's line 19 down near the bottom.

24 A. Okay.

25 Q. It's got Distribution of Cash, about 246,000?

1 A. Okay.

2 Q. Is that correct?

3 A. That's what it says.

4 Q. That would have been distributions to you, Alex  
5 and Josh as owners?

6 A. I have no idea.

7 Q. Why don't you turn to page -- page 19. That's  
8 the K1 statement for 2005 for you?

9 A. Okay.

10 Q. Is that correct?

11 A. Yes.

12 Q. And it's got a line 19 there, A, distributions of  
13 about 246,000; is that correct?

14 A. Yes.

15 Q. So you received in 2005 a distribution from Stout  
16 Field of about 246,000?

17 A. I have no idea.

18 Q. But you're not saying that this is inaccurate?

19 A. No, but I'm saying it may have been the money  
20 back to the kids.

21 Q. Well, this is to you. It doesn't say the kids.

22 A. Well, the kids are on my taxes. I don't know.

23 Q. Well, let's turn to page 15. That's got a K1  
24 statement for Alexandra.

25 A. Okay.

1 Q. It doesn't list any distributions to her on the  
2 K1, does it?

3 A. I don't see any.

4 Q. Okay. If you could turn, then, to page 17. And  
5 that's the K1 statement for 2005 for Joshua, correct?

6 A. Correct.

7 Q. And that doesn't have any distributions to him?

8 A. Okay.

9 Q. So you return back to page 19, and it's got a  
10 distribution to you of 246,000.

11 A. I have no idea what that is.

12 Q. But that would have been different than the  
13 payment of the loans, correct?

14 A. I would assume so, but I have no idea what that  
15 is.

16 Q. Okay. If you could turn your attention to  
17 Exhibit 24.

18 A. Could we stop for a minute?

19 Q. Sure.

20 Do you want to go off the record?

21 MR. SCISCOE: Yeah, let's go off the record.

22 (A discussion was held off the record.)

23 Q. (Mr. Napoli) Exhibit 24, please, if you could  
24 turn to the next one.

25 A. Okay.

1 Q. That's the Stout Field Properties 2004 tax  
2 return, correct?

3 A. Correct.

4 Q. If you could turn to -- these aren't numbered.  
5 Let me find it for you.

6 A. Could we take a break for a second?

7 Q. Oh. Anytime.

8 (RECESS.)

9 Q. Okay. We're still on Exhibit 24. And I turned  
10 to the page there that I'd like you to take a look at.  
11 That's the K1 statement for 2004 for you; is that  
12 correct?

13 A. Yes.

14 Q. And on top there in line 2 it's got Net Rental  
15 Income of about \$224,000; is that correct?

16 A. Yes.

17 Q. And that would be the income that Stout Field  
18 received from -- for the rent of the two properties?

19 A. Yes.

20 Q. And I think you went over this before. But both  
21 of those properties were leased to Synergy, right?

22 A. No, just one.

23 Q. Oh, one, okay. Where was the other one leased  
24 to?

25 A. Heritage Environmental. The 1950 Building was

1 leased to Heritage Environmental Company.

2 Q. And you had no interest in that company or  
3 anything like that?

4 A. No.

5 Q. And then, if you could turn to line number 19.

6 It's got distributions of \$163,000 dollars  
7 approximately; is that correct?

8 A. Yes.

9 Q. So that would have been a distribution to you in  
10 2004?

11 A. I don't know. I mean it's here. I can't say  
12 yes, no. It's what's on the document.

13 Q. And you don't recall?

14 A. No. I'm not trying to be evasive. I really  
15 don't.

16 Q. I understand. There's a lot here, so if you just  
17 don't know, you don't know.

18 Can you turn to the tab number 10.

19 A. Okay.

20 Q. This is -- Exhibit 10 is listed Stout Field  
21 Properties, and it's got Charles Larman draw; is that  
22 correct?

23 A. Okay.

24 Q. That's for the year basically 2005, the whole  
25 year?

1 A. Okay.

2 Q. Are you familiar with this document at all?

3 A. No.

4 Q. You testified earlier that your draw, that was  
5 your salary basically, and payment of expenses?

6 A. No. I'm not sure what -- I'm not sure what it  
7 was.

8 Q. Well, throughout the -- you have no recollection  
9 of what these entities would outline?

10 A. No. The only thing I can guess, the one Mueller  
11 Automotive was a -- I wouldn't imagine it was paid out  
12 of here, but if it was it was charged back against me,  
13 the \$1300. It would have been charged back against me.

14 Q. Okay. Let's just take the first page. It looks  
15 like there's just a series of net withdrawals through  
16 2005. And the total there on December 15th, 2005 was  
17 total withdrawals of about 246,000; is that correct?

18 A. That's what it shows, yes.

19 Q. We previously reviewed that your 2005 K1  
20 statement lists distributions to you of approximately  
21 246,000; is that correct?

22 A. Yes.

23 Q. Could this be the summary then of the  
24 distributions to you?

25 A. It could be.

1 Q. Let's turn to the second page. It's got loan  
2 payable from Alex.

3 A. Uh-huh.

4 Q. And that's as a longer date from basically end of  
5 2004 through the end of 2005? Is that correct?

6 A. Would you repeat that, please?

7 Q. The loan payable has transaction or outlines  
8 period from the end of 2004 through basically end of  
9 2005?

10 A. Okay.

11 Q. Right? And then at the end there's the -- if you  
12 add it's about 177,000, and then there's the decrease of  
13 corresponding 177,000. Does that equal -- that's with  
14 the repayment of her loan when the Synergy Properties  
15 were sold?

16 A. I'm assuming so, yes.

17 Q. So you couldn't recall when Alex had these loans  
18 made, but they at least went back to December of 2004  
19 when you see a balance of 73,000?

20 A. Yes. Yes. I see that there's a check or  
21 decrease of the Delta Beta. That was her sorority, they  
22 must have paid it and credited her, decreased her loan.

23 Q. And then we'll turn to the next page, that's the  
24 loan payable to Josh.

25 A. Okay.



1 Q. Correct?

2 A. Yes.

3 Q. And that starts, at least in January of '05, and  
4 had an amount of about 86,000?

5 A. I don't --

6 Q. At the top there?

7 A. I see what it says, but I can't tell you.

8 Q. But it appears, at least his loan, with that  
9 prior to 2005?

10 A. Yes.

11 Q. And then there was the two payments there at the  
12 end total of about 137,000, and that's reflective of the  
13 repayments?

14 A. Yes.

15 Q. And then turn to the last page. That's the loan  
16 payable to Audrey?

17 A. Yes.

18 Q. And it's got here an amount still outstanding due  
19 of about 387,000 as of --

20 A. Yes.

21 Q. -- end of June '05?

22 A. Yes.

23 Q. And that hasn't been repaid since?

24 A. No.

25 MR. NAPOLI: Just go off the record for a second.

1 (A discussion was held off the record.)

2 Q. (Mr. Napoli) If you could turn to the exhibit tab  
3 30, please.

4 A. Okay.

5 Q. It's a 2006 tax return for St. Clair Warehouse;  
6 is that correct?

7 A. Yes.

8 Q. What is St. Clair Warehouse?

9 A. St. Clair Warehouse was another warehouse company  
10 that was formed about 20 years ago.

11 Q. Is it currently operating?

12 A. No.

13 Q. And who owned that?

14 A. My mother and father owned 52 percent. I owned  
15 -- I owned 23 percent. Tom Coble owned 23 percent. And  
16 St. Clair Properties owned 4 percent.

17 Q. Do you know when it last operated?

18 A. Probably ten years ago, or 12 years ago.

19 Q. If it hadn't operated for such a long period of  
20 time, how come it was making tax returns?

21 A. I don't think that the -- I really don't know.  
22 All would be speculation. I was a minority partner in  
23 the thing. I didn't have much control, so I couldn't  
24 tell you.

25 Q. Who was the one who was really in control then?

1 Was it Coble?

2 A. My father.

3 Q. Well, I know.

4 A. Coble was the president of the company.

5 Q. Yeah, but since your father -- how long ago was  
6 your father --

7 A. Eight years ago.

8 Q. Since your father passed away it wasn't active  
9 for so long?

10 A. I think they just kept it.

11 Q. Kept it active but not operating?

12 A. Right.

13 Q. Why don't we go through exhibit -- The Larman  
14 Company. What's your relationship with The Larman  
15 Company?

16 A. I own The Larman Company.

17 Q. A hundred percent?

18 A. Yes.

19 Q. Is it currently operating?

20 A. Yes.

21 Q. Okay. What does it do?

22 A. Well, it's not doing anything, would do  
23 commercial real estate.

24 Q. Does it have any assets?

25 A. No.

1 Q. Was it own or lease, operate or manage commercial  
2 real estate?

3 A. It didn't own any real estate. It used to do  
4 property management. It consisted of basically me, and  
5 one time I had brokers working for me. We tried to do  
6 the commercial brokerage, you know, leasing and things.  
7 And then they left. I'm -- just me.

8 Q. When was the last time you conducted any  
9 operations?

10 A. A while ago. It doesn't do anything.

11 Q. All right. Let's direct your attention --  
12 apologize for some of the skipping around. It's just  
13 the nature of the documents. Back to 11. Tab 11.

14 Doing that so we can try to go through them as  
15 quickly as we can here.

16 A. Okay.

17 Q. That's The Larman Company 2006 tax return?

18 A. Yes.

19 Q. And, once again, there confirms it hasn't been  
20 operating. It's got zero income?

21 A. Right.

22 Q. It lists tab 7 -- excuse me. Let's go back, page  
23 4, Schedule L.

24 A. Okay.

25 Q. And that is -- you go down to line 7, Loans to

1 Shareholders.

2 A. Yes.

3 Q. \$66,000 dollars approximately?

4 A. Yes.

5 Q. Have you repaid that?

6 A. I don't recall getting it. I know I sent the tax  
7 return, but I have no idea what that is.

8 Q. Well, did Larman Company make a loan to you?

9 A. I have no idea.

10 Q. And you have no idea if you repaid it?

11 A. I wouldn't have -- I don't know if I repaid it.  
12 I don't even know what it is.

13 Q. Do you have any documents that may reflect the  
14 loan that you received from Larman?

15 A. No, not that I know of. When I saw this I got  
16 chastised by my attorneys for how do you sign a tax  
17 return that you haven't looked at, dummy.

18 Q. Well, you trust your accountant.

19 A. Because I think this was a mistake.

20 Q. All right. If you could turn to Exhibit 12, tab  
21 12 there.

22 A. Okay.

23 Q. And that's the 2005 tax return --

24 A. Okay.

25 Q. -- for Larman?

1 A. Uh-huh.

2 Q. There it had some -- noted some income and  
3 everything on the tax return, so at least in 2005 it was  
4 operating?

5 A. Didn't do anything.

6 Q. Well --

7 A. I don't know what that income is.

8 Q. Okay. If we can turn your -- direct your  
9 attention again to page 4, the Schedule L, and then line  
10 7, Loans to Shareholders?

11 A. Okay.

12 Q. And then in 2005 there, it appeared that  
13 beginning the loan the shareholder was about 43,000 and  
14 then it went up to 66,000 throughout the year?

15 A. I see that, but I have no idea what it was.

16 Q. Right. Your recollection is consistent, but  
17 that's what it appears to indicate by the tax return?

18 A. Yes.

19 Q. If you could turn to page 5.

20 A. Okay.

21 Q. It's got on the top there it's got Other Income  
22 Statement One, Forgiveness of Debt --

23 A. Okay.

24 Q. -- of 336,000. That's correct?

25 A. Yes.

1 Q. Do you recall whose debt that was and why it was  
2 forgiven?

3 A. No. I think this was reversed. I think the  
4 forgiveness of debt was reversed. I think this was --  
5 again, I'm not sure when AAA was in the bankruptcy deal  
6 The Larman Company owed AAA Warehouse money from years  
7 ago. And I think -- but I think this was reversed. I  
8 think -- I couldn't afford to pay the income, the gain,  
9 you know what I'm saying, on this. So I think that  
10 that's still on the books. There was an amended --  
11 there may have been an amended tax return. I'm not  
12 sure.

13 Q. Well, if there is, can I get a copy of that?

14 A. Yes.

15 Q. But, otherwise, from your recollection, this was  
16 a debt owed to AAA from Larman Company?

17 A. I think. I'm not sure.

18 Q. And, regardless, it may have been forgiven, but  
19 it may not have been. But has it ever been repaid?

20 A. No.

21 Q. So regardless whether it was forgiven or not?

22 A. Right.

23 Q. With respect to the Larman Properties, is that  
24 currently an active company?

25 A. Is that the property in Chicago? You talking

1 about the Larman property?

2 Q. The company, the Larman Properties.

3 A. There is no -- that's a condominium in Chicago.  
4 And when you got a judgment against -- when I read your  
5 judgment, I was confused. I thought that was the d/b/a  
6 for Larman Company. I only own 22 percent of that  
7 company.

8 Q. Of the?

9 A. Of Larman Properties. That was set up by my  
10 parents for my kids in Chicago, for their condo, for  
11 estate planning. And when my parents moved, they were  
12 always in charge of that. I didn't even know about it.  
13 And when they moved to Florida, without telling me, no  
14 one told me, they made me the agent or the trustee or  
15 whatever. I had no idea what it was. So, in other  
16 words, you've got a lien on that, that I only own 22  
17 percent of. It was done by error.

18 Q. Let's take a step back.

19 Do you know who the owners are of The Larman  
20 Properties?

21 A. My kids.

22 Q. Do you know everybody's percent, percentage  
23 ownership?

24 A. I think Alex owns -- I don't know the exact.  
25 I've never even seen the documents. But we can



1 provide -- they can provide that to you.

2 Q. Okay.

3 A. But I own 22 percent.

4 Q. And it would be Alex and Josh own all the rest?

5 A. No, I don't think so. I don't know. I know that  
6 they own, and I don't know who owns the rest.

7 MR. SCISCOE: Tony, I don't want to interrupt  
8 your questioning at an inappropriate time. We can go  
9 off the record and I can give you some background on  
10 this.

11 Q. (Mr. Napoli) Why don't we finish my question and  
12 see if it will address it and take it from there.

13 The properties, the real estate it owns is Palm  
14 Beach, Florida?

15 A. No.

16 Q. It's still in Chicago?

17 A. Yes. Condominium.

18 Q. Do you know the address?

19 A. 175 East Delaware, Apartment 5014.

20 Q. And --

21 A. The property in Palm Beach that you mentioned was  
22 a condominium my parents owned, but I didn't own any of  
23 it and they don't even have it anymore. That was my  
24 mother and father.

25 Q. That's they lived there when they retired?

Charles Larman  
June 27, 2008

Page 65

1 A. Basically. My mom. They come back and forth.

2 But the point is, we never owned any of that.

3 Q. It may have come up because --

4 A. Seeing it, sure.

5 Q. No, because them as owners, the company, and  
6 that's their address that was the property in it. But  
7 that's where they lived basically the winter months --

8 A. Yes.

9 Q. -- down in Florida?

10 A. Yes. I've never owned any property in Florida.  
11 I wish.

12 Q. Regardless, they've sold that property?

13 A. The one in Florida?

14 Q. Yeah.

15 A. I think so, yes.

16 Q. So this company never did any business, it just  
17 owned the condo on Delaware Street?

18 A. Yes. I think it was set up for estate planning.  
19 They can tell you that.

20 Q. Do you know if they ever leased that condo out?  
21 Because the kids weren't living in there, obviously.

22 A. No, it sat empty. That was for family use. But,  
23 again, I only owned 22 percent of it, not --

24 Q. Okay. But, as you mentioned, you're aware  
25 there's a judgment against The Larman Properties?

1           A. And we have to try, trying to do something about  
2 that. That's not fair to my children. It was done by  
3 accident.

4           Q. All right. The St. Clair Properties, what's --  
5 the ownership interest in that, you have in your name  
6 alone about 23 percent?

7           A. Yeah. If you'd like it, we'll give it to you.

8           Q. I've got the St. Clair --

9           A. No, we'll give you the property if you'd like to  
10 have it.

11          Q. That gets to one of my questions later.

12          A. There's nothing in there. We'll give you the  
13 drums of paint. No, there's nothing in there.

14          Q. Well, I can use it on my house maybe.

15          A. I don't think so.

16          Q. Never mind.

17                 I don't think The Funds would appreciate if I  
18 used it anyway.

19                 You own this company with your mother, right?  
20 And then Thomas Coble has a small ownership?

21          A. Yeah, and then St. Clair Warehouse was the  
22 general partner of it. There's about \$800,000 dollars  
23 in back taxes owed on it.

24                 And the bank won't take it. City doesn't want  
25 it. We'll give it to you guys.

- 1 Q. It still has a property?
- 2 A. It's still there. The locals are stripping it  
3 every day.
- 4 Q. Where is that property located?
- 5 A. 21st and Mount Calm.
- 6 Q. I'm sorry?
- 7 A. Mount Calm. Mount Calm, in Indianapolis.
- 8 Q. And the ZIP code?
- 9 A. I have no idea.
- 10 Q. Is there an appraised value?
- 11 A. They can't give it away.
- 12 Q. And how much was the back taxes, \$800,000  
13 dollars?
- 14 A. Close to \$800,000 dollars.
- 15 Q. And that's the only property it ever owned?
- 16 A. Yes.
- 17 Q. What companies were operating out of that?
- 18 A. AAA Warehouse leased it. International -- not  
19 AAA. International Starch leased that facility.
- 20 Q. When was that?
- 21 A. They've been gone probably ten years.
- 22 Q. So you've been trying to sell it that long?
- 23 A. Yeah, it's been empty. They abandoned it.
- 24 Q. Let's turn to Exhibit 17, if you could.
- 25 A. Okay.

1 Q. That's the 2006 return for St. Clair?

2 A. Yes.

3 Q. And that confirms, I guess, while it's still  
4 active it's not operating having a zero income and loss  
5 or anything?

6 A. Yes.

7 Q. On the Schedule L there on page 4 --

8 A. Okay.

9 Q. -- it's got on the asset level still a net value  
10 of the property of say in the range of 400,000. But  
11 that's book value, not any realistic market value?

12 A. I would assume, yes. There is no market value.

13 Q. I think if you could turn to page 9.

14 The Statement One it's got under current  
15 liabilities, that lists a litany of loans outstanding  
16 and payable to the various companies?

17 A. Right.

18 Q. Obviously those haven't been repaid.

19 A. No.

20 Q. And aren't being repaid.

21 A. No.

22 Q. Why don't we take five minutes I'll get organized  
23 here and hopefully we're coming near the end.

24 (A brief recess was taken.)

25 Q. Few more questions to go over here, but I think

1 we're about done.

2 Synergy Freight Systems, you owned a hundred  
3 percent of that?

4 A. No -- uh, yes.

5 Q. And that company is no longer operating?

6 A. No.

7 Q. The last tax return or last time you did any -- I  
8 should say last time it had any active operation, is  
9 that about 2004?

10 A. Probably. It was not a company that really made  
11 money. It was to provide a vehicle for our customers,  
12 in-house customers to do trucking. It was convenience  
13 for our clients.

14 Q. I know we touched upon the Lexington Properties  
15 previously, and that you had said you owned a 50 percent  
16 interest with Thomas Coble?

17 A. Yes.

18 Q. But that you sold your interest in 2006 or early  
19 2007.

20 A. Yes.

21 Q. And out of that sale you gained about 470,000?

22 A. Yes.

23 Q. And if I didn't ask, we can get documents  
24 regarding your sale of your interest in that?

25 A. Yes.

1 Q. I think we already went over AAA Warehouse. You  
2 owned 30 percent interest in that?

3 A. Yes.

4 Q. And your dad's trust had the other 70 percent,  
5 right?

6 A. Yes.

7 Q. And that hasn't been actively operating for  
8 years?

9 A. No, years.

10 Q. I think that really covers it. Thank you again  
11 for your time. I do appreciate you going through  
12 everything with me today.

13 A. I'm just sorry this happened.

14 MR. SCISCOE: I'm going to have a couple of  
15 follow-up questions. I expect Zeff to be here  
16 momentarily.

17 (Off the record.)

18 (Deposition concluded.)

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

AND FURTHER DEPONENT SAITH NOT.

---

CHARLES E. LARMAN



Charles Larman  
June 27, 2008

Page 72

1 STATE OF INDIANA )

2 ) SS:

3 COUNTY OF MARION )

4

5 I, Karon A. Voloski, a Notary Public in and for the  
6 County of Marion, State of Indiana, at large, do hereby  
7 certify that CHARLES E. LARMAN, the deponent herein, was  
8 by me first duly sworn to tell the truth, the whole  
9 truth, and nothing but the truth in the aforementioned  
10 matter;

11 That the foregoing deposition was taken on behalf of  
12 the Plaintiff, at the offices of Ice Miller, 3400 One  
13 American Square, Indianapolis, Marion County, Indiana,  
14 on the 27th day of June, 2008, at 9:00 a.m., pursuant to  
15 the Indiana Rules of Trial Procedure;

16 That said deposition was taken down in stenograph  
17 notes and afterwards reduced to typewriting under my  
18 direction, and that the typewritten transcript is a true  
19 record of the testimony given by the said deponent; and  
20 that the signature by said deponent to his deposition  
21 was not waived;

22 That the parties were represented by their counsel as  
23 aforementioned.

24 I do further certify that I am a disinterested person  
25 in this cause of action, that I am not a relative or

Connor+Associates

www.connorreporting.com

(317)236-6022

1 attorney of either party or otherwise interested in the  
2 event of this action, and that I am not in the employ of  
3 the attorneys for any party.

4 IN WITNESS WHEREOF, I have hereunto set my hand and  
5 affixed my notarial seal on this 8th day of July, 2008.

6

7

8

---

NOTARY PUBLIC

9

10

11 My Commission Expires:

12 August 9, 2014

13 County of Residence:

14 Boone County

15

16

17

18

19

20

21

22

23

24

25