

1 Q. You're not aware of any instance in
2 which the TTO ever said that's not the right
3 amount, we won't accept that?
4 **A. Correct. That's more internal.**
5 Q. Well, let me show you what we marked
6 previously, sir, in this case as Connolly
7 Exhibit No. 3. I'm not going to ask you to go
8 through and read every page in this exhibit,
9 but you'll see here, sir, that the first
10 document is that February 29th, 2000, Beckwith
11 memo that we saw earlier that was presented to
12 the trustees in March of 2000, correct?
13 **A. It looks like the same one.**
14 Q. And then if you turn the page, sir,
15 there's a similar memorandum for 2001?
16 **A. Okay.**
17 Q. And if you turn the page again,
18 there's a similar memorandum for 2002. And
19 again if you keep going, for each subsequent
20 year there's a memorandum that lays out the
21 costs of District 204's business functions that
22 the TTO will bear under their agreement. Do
23 you see that?
24 **A. I do.**

1 Q. And have you seen these memoranda,
2 sir?
3 **A. Have I seen them?**
4 Q. Yes.
5 **A. No. Unless you sent them to me.**
6 Q. Okay. But at the time they were
7 issued, you don't remember getting these
8 contemporaneously?
9 **A. I don't recall.**
10 Q. Do you remember being told at the time
11 by Bob Healy about the information contained in
12 these memos?
13 **A. No.**
14 Q. Do you have any reason to believe that
15 the TTO ever rejected these statements of
16 expenses to be borne by the TTO?
17 **A. I don't remember one way or the other.**
18 **I doubt it.**
19 Q. You doubt --
20 **A. I don't know.**
21 Q. Very well, sir.
22 MR. HOFFMAN: Off the record.
23 (Discussion off the
24 record.)

1 MR. HOFFMAN: Let's mark 7/29/2019 2:07 PM
2 No. 3. DOROTHY BROWN
3 (WHEREUPON THE CIRCUIT CLERK
4 document was marked as
5 Hartigan Deposition 2013CH23386
6 Exhibit No. 3 for
7 Identification.) 5955804
8 BY MR. HOFFMAN:
9 Q. Sir, I marked as Hartigan Exhibit No.
10 3 the deposition transcript of Robert Healy
11 taken in this case on November 14th of 2016.
12 Because some of your recollection is a little
13 limited, I'm going to run through some of the
14 testimony that Mr. Healy gave, and I'm going to
15 ask you whether you agree with that testimony
16 or if you don't have a basis to agree with it,
17 I'm going to ask you whether you have any basis
18 to disagree with it. And we'll just kind of
19 run through this that way.
20 Then, along the way, if you have
21 any independent recollection of any of these
22 issues, please be kind enough to tell me that,
23 but I don't want to ask you a lot of
24 unnecessary questions.

1 **A. Sure.**
2 Q. It sounds like you were a higher level
3 on some of these issues.
4 On page nineteen, sir, of
5 Mr. Healy's deposition --
6 MR. KALTENBACH: The actual transcript
7 page, not the exhibit page, right?
8 MR. HOFFMAN: Right.
9 BY MR. HOFFMAN:
10 Q. Mr. Healy testified on lines 12
11 through 16:
12 "Question: So the
13 trustees paid for the
14 audits for not just LT
15 but the other school
16 districts?
17 Answer: Right."
18 Is that consistent with your
19 understanding of who paid for the --
20 **A. I think it is. I think we did pay for**
21 **the audits of others, as far as I recall.**
22 Q. On page 33, sir, when we were
23 discussing with Mr. Healy whether the TTO had
24 the capacity to take in-house the business

<p style="text-align: right;">Page 50</p> <p>1 functions that District 204 was performing for 2 itself, unlike the other districts, Mr. Healy 3 testified in line ten: 4 "It would have been 5 additional cost. 6 Question: You couldn't 7 have done the work with 8 the staff on hand? 9 Answer: Not if LT would 10 was to come back. I 11 would have had to higher 12 a few more people." 13 Is that consistent with your 14 recollection that the -- or do you simply not 15 recall? 16 A. I don't recall. 17 Q. And when it says on page 34 of the 18 transcript starting with line one, and this is 19 Healy's testimony: 20 "If 204 were to come 21 back full force, we 22 would have no choice but 23 to have to hire more 24 people to accommodate</p>	<p style="text-align: right;">Page 52</p> <p>1 that additional work, are you? 2 A. I assume that there might be 3 additional personnel needed. 4 Q. Fair enough. On page 44 of the 5 deposition testimony of Mr. Healy, sir, on line 6 six, I note a reference in a letter that Healy 7 wrote to 105 ILCS 5/8-4 regarding pro rata 8 share billing, which we talked about earlier in 9 the deposition. Do you recall that provision? 10 A. I recall you mentioning it in the 11 deposition, yes. 12 Q. And starting on line 13, Healy 13 testified: 14 "Question: And is it 15 correct that LT was 16 complying with this 17 provision for paying its 18 pro rata share because 19 it paid its pro rata 20 share but it simply 21 deducted the amount of 22 the business functions 23 that the trustees had 24 agreed to fund in a</p>
<p style="text-align: right;">Page 51</p> <p>1 the increase in 2 workload." 3 You have no reason to disagree 4 with that statement, do you? 5 A. Disagree or agree, I don't recall. 6 Q. Okay. Well, you do recall that 7 District 204 was by far the largest school? 8 A. That's correct. 9 Q. It was one of two high schools and it 10 was much bigger than Argo, right? 11 A. I believe so. 12 Q. And so LT accounted for about -- a pro 13 rata share about 25 percent of the TTO? 14 A. If you say so. 15 Q. Well, that's what the records 16 indicate. I don't think Barry is going to 17 disagree with that. 18 A. I agree that I think they're the 19 largest, as I recall. 20 Q. So if by far the largest school, if 21 all of their business and accounting functions 22 suddenly came into the TTO, you're not 23 suggesting that the TTO's current personnel 24 would have had enough capacity to deal with all</p>	<p style="text-align: right;">Page 53</p> <p>1 separate agreement? 2 Answer: Yes." 3 Do you see that? 4 A. I do. 5 Q. Do you have any reason to doubt the 6 accuracy of that testimony? 7 A. I don't recall, again, the intricacies 8 of the financial on that. 9 I assume that they did some of 10 it, yeah. Seems logical. 11 Q. Skipping ahead quite a bit here. 12 On page 116, sir, of Bob Healy's 13 deposition testimony -- let's make it 115 of 14 Bob Healy's testimony beginning on line 12, it 15 says? 16 "Question: Now, even if 17 there aren't specific 18 votes taken in the year 19 2001 and 2002 and 2003 20 and subsequent years, am 21 I correct that the 22 trustees were aware 23 during the 2001 to 2012 24 time period that the</p>

1 trustees were paying for
 2 LT's business functions
 3 during that time?"
 4 And there's an objection and
 5 colloquy. On line fifteen:
 6 "Answer: We told them.
 7 Question: You told who,
 8 the trustees?
 9 Answer: Trustees."
 10 And then it says on line 22:
 11 "That we were picking up
 12 some of the costs for
 13 204 to process the
 14 regular business
 15 functions of which we
 16 were paying a hundred
 17 percent for the other
 18 districts, so, yes."
 19 Do you recall -- is it true that Healy
 20 discussed with you and the other trustees in
 21 2001 and subsequent years the fact that the TTO
 22 was paying for certain business functions at
 23 District 204?
 24 MR. KALTENBACH: I'm going to object. I

1 think it's a compound question. I think you
 2 didn't read all of the transcript. And I think
 3 it was asked and answered.
 4 Subject to that, your Honor can
 5 answer.
 6 THE WITNESS: I don't recall. And some of
 7 these years I wasn't a trustee either.
 8 BY MR. HOFFMAN:
 9 Q. Right.
 10 **A. So I don't know if he had discussions**
 11 **with other trustees.**
 12 Q. On page 117 there's a discussion
 13 generally speaking about trustees and a broader
 14 time period than you served, so there's nothing
 15 specific to you, and it has to do with some
 16 complaints or questions some of the trustees
 17 might have raised with respect to District
 18 204's business function costs.
 19 Do you recall anything like that
 20 being discussed by you or the other trustees?
 21 **A. No.**
 22 Q. Okay. Let's set this document aside,
 23 sir.
 24 Now, am I correct that one of the

1 treasurer's jobs was to figure out how
 2 much -- well, strike that question.
 3 We talked earlier about the TTO
 4 holding a considerable amount of money for the
 5 school districts and investing that money
 6 pursuant to statute, correct?
 7 **A. Correct.**
 8 Q. And so the TTO held over \$200 million
 9 in funds during the time you were trustee; is
 10 that fair to say?
 11 **A. I know it was a large amount. I don't**
 12 **know 200 or not. But a very large amount.**
 13 Q. It doesn't sound out of proportion,
 14 does it?
 15 **A. I don't think so.**
 16 Q. And whose job was it to figure out --
 17 if you know, whose job was it at the TTO to
 18 figure out how much money the districts earned
 19 on their investments and how much money each
 20 district should be credited with for its
 21 investment income?
 22 **A. I think that was Healy and his office**
 23 **staff and the auditor and -- those are people**
 24 **we generally look to.**

1 Q. And you didn't get -- you and the
 2 other trustees didn't get personally involved
 3 in the specifics of that issue, did you?
 4 **A. Personally involved in what?**
 5 Q. In the specifics of that issue, did
 6 you, in terms of how much money was made and
 7 what each district would get?
 8 **A. Not at all.**
 9 Q. And if Bob Healy testified that the
 10 accurate statements of the amounts due to each
 11 district in investment income are set forth in
 12 the general ledger of the TTO, do you have any
 13 reason to doubt the accuracy of that testimony?
 14 **A. I wouldn't know one way or the other**
 15 **on that.**
 16 Q. Okay.
 17 MR. HOFFMAN: Let's mark this as Exhibit
 18 No. 4.
 19 (WHEREUPON, said
 20 document was marked as
 21 Hartigan Deposition
 22 Exhibit No. 4 for
 23 Identification.)
 24 BY MR. HOFFMAN:

1 Q. Sir, I'm handing you a document dated
2 November 1st, 2012, from the website of the
3 Better Governmental -- excuse me. The Better
4 Government Association which is also known as
5 BGA. Are you familiar with that organization?

6 **A. I've heard of them.**

7 Q. And at the time this document was
8 prepared, you were already no longer a trustee,
9 right?

10 **A. Right.**

11 Q. And are you familiar with the BGA
12 doing a report on the TTO?

13 **A. No.**

14 Q. Have you ever seen a copy of either
15 the letter or the reform suggestions that are
16 part of this exhibit?

17 **A. I have never.**

18 Q. On page three of this document, sir,
19 under solutions, it says, "The trustees should
20 consider the following reform proposals," then
21 it says, "The two trustees who were on the
22 board when the now former treasurer was
23 engaging in questionable conduct should resign,
24 and they should be replaced by people with

1 financial experience." Do you see that?

2 **A. I do.**

3 Q. Do you think that's a fair criticism
4 of the trustees that they should be people who
5 have financial experience?

6 **A. I don't know. I mean it's -- first of
7 all, that's a job that, you know, kind of a --
8 little bit of an archaic office. I'm not sure
9 people are even aware about how to run for it
10 or if they really want to engage in that type
11 of office.**

12 Q. Well, it's an --

13 **A. It would help, put it that way. It
14 would help. I don't think it's an absolute
15 requirement, but it would help.**

16 Q. One of the problems that the TTO ran
17 into was that Bob Healy stole over a million
18 dollars from the TTO in school district funds,
19 you're aware of that?

20 **A. Shocking, I'm aware. I know we did
21 have a surety bond. I do recall that.**

22 Q. And you had a -- do you recall it
23 being a million dollars?

24 **A. I do recall I think it was a million,**

1 **yeah.**

2 Q. And was it your understanding that the
3 surety bond that if the treasurer or anybody
4 else at the TTO engaged in any kind of
5 misconduct, that the losses to the district and
6 their funds would be covered by the surety bond
7 to the extent that they weren't in excess of a
8 million dollars?

9 **A. I'd have to look at the bond and
10 what's covered.**

11 **I would assume that's for
12 anything wrong that the treasurer did.**

13 Q. Would you be surprised to learn that
14 TTO recovered a million dollars on a surety
15 bond but did not distribute those funds to the
16 member districts that were affected by Healy's
17 fraud?

18 **A. I don't know one way or the other.**

19 Q. How was it that Bob Healy was able to
20 steal so much money from the TTO without being
21 detected for so many years?

22 In hindsight you had to have
23 asked yourself that question.

24 MR. KALTENBACH: Objection. Compound. You

1 can answer.

2 THE WITNESS: I wish I knew. We had an
3 auditor. We had an attorney. Appeared to be
4 reputable on the surface. I think everybody
5 was shocked.

6 BY MR. HOFFMAN:

7 Q. Okay. And you're aware that Bob Healy
8 currently is serving a nine-year sentence for a
9 class X felony of theft of school funds at the
10 Taylorville Correctional Center?

11 **A. I'm aware he is in jail, yes.**

12 Q. And you haven't had any contact or
13 communications with Bob Healy since you were a
14 trustee, have you?

15 **A. Not at all.**

16 Q. Is there anything else I haven't
17 covered with you, sir, that has to do with the
18 claims involved in this lawsuit or the issues
19 involving Gurrie's invoices or payment of
20 investment income or pro rata expenses or
21 payment by the TTO of District 204's business
22 functions that you can tell me about that I
23 haven't asked you?

24 **A. The only thing I can recall**

1 independently is that Bob had some issues with
2 204, specifically I don't recall what they
3 were.

4 I do recall him, Mr. Healy,
5 saying that all the nine or eleven school
6 districts, whatever it was, were very satisfied
7 with what he was doing. And he kept mentioning
8 that. That's all I recall. And that put maybe
9 our fear of anything -- you know, that anybody
10 was happy in 204. That's about it.

11 Q. Do you think it's fair to say in light
12 of what happened with Bob Healy and the
13 concerns over his stewardship of the TTO, that
14 some of the District 204's concerns about the
15 TTO ultimately proved to be justified?

16 A. I couldn't render an opinion one way
17 or the other.

18 MR. HOFFMAN: Let's take a short break. I
19 think I'm wrapped up. I want to take one last
20 look.

21 MR. KALTENBACH: I don't think I'm going to
22 have any questions, but I may want to talk with
23 the Judge for a minute or two.

24 (Recess.)

1 STATE OF ILLINOIS)

) SS:


2 COUNTY OF COOK)

3 I, MAUREEN A. WOODMAN, Certified Shorthand
4 Reporter and Notary Public in and for the
5 County of Cook and State of Illinois, do hereby
6 certify that RUSSELL HARTIGAN was first duly
7 sworn to testify the whole truth and that the
8 above deposition was recorded stenographically
9 by me, and was reduced to typewriting under my
10 personal direction.

11 I further certify that the said deposition
12 was taken at the time and place specified.

13 I further certify that I am not a relative
14 nor employee or attorney nor counsel of any of
15 the parties, nor a relative or employee of such
16 attorney nor counsel nor financially interested
17 directly nor indirectly in this action.

18 In witness whereof, I have hereunto set my
19 hand and affixed my seal of office at Chicago,
20 Illinois, this 7th day of December
21 A.D., 2016.

22 
23 MAUREEN A. WOODMAN, C.S.R.
24 License No. 084-002740

1 MR. HOFFMAN: We're done here. I would
2 like to get -- obviously, Judge, you have the
3 opportunity to review the transcript for
4 accuracy.

5 THE WITNESS: Yeah, I don't recalls.

6 MR. HOFFMAN: So you'll waive?

7 MR. KALTENBACH: He'll waive signature.

8 MR. HOFFMAN: I want an E-tran and a PDF.

9 MR. KALTENBACH: We'll just do a PDF.

10 MR. HOFFMAN: No exhibits. I'm going to
11 keep those.

12 (WHEREUPON, the deposition
13 was adjourned at 1:32 p.m.)
14
15
16
17
18
19
20
21
22
23
24

From: Joseph Murphy <jmurphy@argohs.net>
Date: Friday, July 11, 2014 at 11:18 AM
To: Kevin O'Mara <komara@argohs.net>
Subject: RE: A few updates from the Lyons Treasurer's Office

The response from Susan is she hasn't discussed this with her Board yet as they are not done pursuing collections.

However, she did mention it to the Business Managers a couple of months ago when we were talking about the high price of a new software system that we might all have

"credits" from pending litigation that we might be able to use to off-set the cost of the software purchase and installation.

We are looking at about 10% of the pie. So we have about \$100,000 to the good.

Joe

From: Kevin O'Mara
Sent: Thursday, July 10, 2014 6:27 PM
To: Joe Murphy
Subject: FW: A few updates from the Lyons Treasurer's Office

Will this settlement be prorated through the member districts?

Dr. Kevin J. O'Mara

Superintendent

Argo Community High School

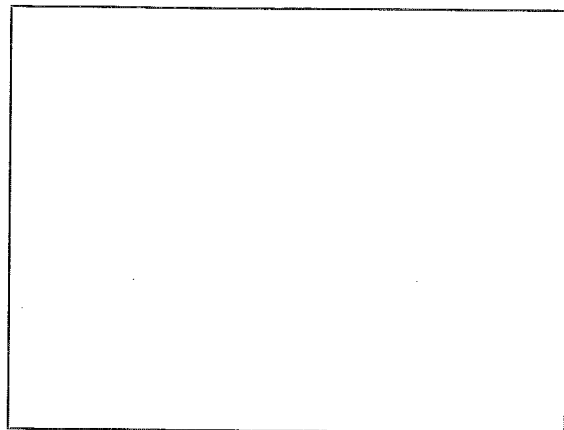
www.argohs.net

President

Illinois High School District Organization

www.ihsdo.org

EXHIBIT 14



From: Susan Birkenmaier <susan@lyonstto.k12.il.us>

Date: Thursday, July 10, 2014 at 2:49 PM

To: Brian Barnhart <bbarnhart@d101.org>, Brian Stachacz <bstachacz@lths.net>, Bruce Martin <bmartin@ladse.org>, Catherine Chang <cchang@d107.org>, Eric DePorter <edeporter@district106.net>, Frank Patrick <fpatrik@willowsschool.org>, Glenn Schlichting <gschlichting@d105.net>, Jim Gallagher <jgallagher@d105.net>, Jon Nebor <jnebor@isd109.org>, Joseph Murphy <jmurphy@argohs.net>, "mklaisner@west40.org" <mklaisner@west40.org>, Kevin O'Mara <komara@argohs.net>, Lauri Calabrese <calabresela@dist102.k12.il.us>, Linda Jeffers <ljeffers@isd109.org>, Linda Rogers <lrogers@west40.org>, Mark Fredisdorf <mfredisdorf@d107.org>, Mary Jo Vladika <vladikamj@sd103.com>, Patricia Sullivan-Viniard <pviniard@district106.net>, Sheryl Wernsing <swernsing@ladse.org>, Timothy Kilrea <tkilrea@lths.net>, Troy Whalen <twhalen@sd104.us>, Warren Shillingburg <shillingburgwa@dist102.k12.il.us>, "kslattery@sd103.com" <kslattery@sd103.com>

Subject: A few updates from the Lyons Treasurer's Office

Healy Civil Lawsuit

This week we received an \$875,000 settlement check from Hanover Insurance. In FY14 we recovered a total of \$1,040,000 in insurance settlements of the \$1.5 million illegally taken from the TTO/districts by Mr. Healy. We will continue to work with our attorneys on the next steps in the fund recovery process.

Healy Criminal Lawsuit

Though we have no direct connection to the criminal case against Mr. Healy, districts may request updated information on the case from the Cook County State's Attorney's office. The phone number for the CCSA communication department is (312) 603-3423. The attorney assigned to the case is Scott Golden in the Public Corruption division.

Financial Software

At last night's special meeting, the Trustees approved the purchase of financial software from Tyler Technologies (Infinite Vision). The software will be provided as a subscription service at an initial cost of \$331,000 plus travel expenses for trainers/software conversion consultants. An *estimate* of the cost per district based on the pro-rata cost formula is attached. The initial cost has been included in the preliminary FY15 TTO budget. Districts will begin to reimburse the TTO for the new software via the FY15 pro-rata bill due from districts in **FY16**.

Once the purchase agreement has been processed, we will hold a planning meeting so all districts can receive an overview and participate in the development of an implementation schedule. Further information will be sent when available.

2014-07-10 Birkenmaier School Districts Email.pdf

Pro-rata Billing for FY14

The FY14 pro-rata billing will be calculated and distributed following the TTO FY14 audit and collection of all district FY14 AFR's. (Target date is December, 2014). The pro-rata billing is expected to increase less than 2% over the FY13 *unadjusted* pro-rata bill. ***Effective this year, payment of the pro-rata bills will be expected within 60 days of the issuance of the pro-rata bill. After 60 days any unpaid bill will be processed and paid by the TTO on behalf of the district.*** If special circumstances warrant, payment arrangements can be discussed with me.

Please contact me if you have questions about any of the above issues.

Susan

Susan Birkenmaier, Ed.D.

Lyons Township School Treasurer

930 Barnsdale Rd

La Grange Park, IL 60526

708-352-1178 Ext. 106

susan@lyonstto.k12.il.us

Susan Birkenmaier <susan@lyonstto.k12.il.us>
To: Joe Murphy <jmurphy@argohs.net>

Fri, Jul 11, 2014 at 12:19 PM

There are no commitments at this point-my Board hasn't even discussed distribution from collections, lawsuit settlements, etc. It's way too early to know how this might be resolved. However, know that the TTO's goal is to maintain a zero balance each fiscal year. That's part of the reason for the 60 payment window on the pro-rata bill.

As we emerge from a negative fund balance position we will work toward the TTO zero fund balance.

From: Joe Murphy [mailto:jmurphy@argohs.net]
Sent: Friday, July 11, 2014 11:40 AM
To: Susan Birkenmaier (susan@lyonstto.k12.il.us)

[Quoted text hidden]

[Quoted text hidden]

EXHIBIT 15

1 APPEARANCES:

2 MILLER CANFIELD
 3 BY: MR. BARRY P. KALTENBACH
 4 225 West Washington Street
 5 Suite 2600
 6 Chicago, Illinois 60606
 7 312.460.4251
 8 Kaltенbach@millercanfield.com,

9 On behalf of the Plaintiff;

10 HOFFMAN LEGAL
 11 BY: MR. JAY HOFFMAN
 12 20 North Clark Street
 13 Suite 2500
 14 Chicago, Illinois 60602
 15 312.899.0899
 16 Jay@hoffmanlegal.com,

17 On behalf of the Defendant.
 18
 19
 20
 21
 22
 23
 24

1 (Witness was duly
 2 sworn.)

3 JAMES MARTIN,

4 called as a witness herein, after having been
 5 first duly sworn, was examined and testified as
 6 follows:

7 THE WITNESS: Yes.

8 EXAMINATION

9 BY MR. HOFFMAN:

10 Q. Good afternoon, Mr. Martin. My name
 11 is Jay Hoffman. I am the attorney for the
 12 defendant in this case. The defendant is Lyons
 13 Township High School, and if it's okay with
 14 you, I'll refer -- we'll refer to that client
 15 of mine as either LT or District 204. Fair
 16 enough?

17 A. Yes.

18 Q. You are the expert for the Plaintiff
 19 in this case, which has a very long name, which
 20 some people refer to as the TTO. Is that
 21 acceptable to you?

22 A. Yes, sir.

23 Q. Thank you. Tell me how many
 24

1 INDEX

2 WITNESS PAGE
 3 JAMES MARTIN
 4 Examination by Mr. Hoffman..... 4-180

5 -----

6 EXHIBITS

7 DEPOSITION EXHIBIT PAGE
 8 Exhibit 1 7
 9 Exhibit 2 7
 10 Exhibit 3 23
 11 Exhibit 4 29
 12 Exhibit 5 72
 13 Exhibit 6 95
 14 Exhibit 7 102
 15 Exhibit 8 103
 16 Exhibit 9 140
 17 Exhibit 10 145
 18 Exhibit 11 163

19 (NOT ATTACHED)

20 (Retained by Attorney Hoffman)
 21
 22
 23
 24

1 depositions you've given, please?

2 A. I'd say probably 10 or 12.

3 Q. You are an old pro.

4 I won't give you a lot of
 5 instructions here except to tell you that if I
 6 ask a question that you do not understand,
 7 please let me know that, so I can ask you a
 8 better question. Fair enough?

9 A. Yes.

10 Q. And you need to answer yes or no
 11 rather than uh-huh or uh-uh, because those
 12 latter two answers sound similar, and it's hard
 13 for our court reporter to get that information
 14 down. Okay?

15 A. Yes.

16 Q. Sir, where is your -- I see on your
 17 business card you have offices listed for
 18 Chicago and Bloomfield Hills, Michigan,
 19 correct?

20 A. Yes.

21 Q. What is your primary office?

22 A. My personal primary office?

23 Q. Yes, sir.

24 A. Detroit.

1 Q. Okay. And how frequently are you in
2 Chicago for business?

3 A. **Approximately 15 days a month.**

4 Q. And how was it that your firm came to
5 represent the TTO as an expert in this case?

6 A. **I don't know.**

7 Q. You don't know who at your firm has a
8 connection with somebody, either an attorney
9 for or somebody working at or with the TTO?

10 A. **Our firm does a lot of work with**
11 **Miller Canfield. I don't know specifically how**
12 **this case came in though.**

13 Q. Okay. Who would know that?

14 A. **Harry Cendrowski.**

15 Q. Is he the senior partner on this
16 matter? I see he billed time to this matter at
17 various points.

18 A. **He is another partner on the matter.**

19 Q. And how was it that you ended up with
20 the job of testifying?

21 A. **I do more of forensic accounting type**
22 **things, so sorting through the numbers and**
23 **grinding out the details and that, so that's**
24 **how I came to be the testifying expert on it.**

1 Q. Okay. And in order to answer
2 questions that I'm going to ask you here today,
3 you're familiar with the work that Cendrowski
4 and various other team members that you worked
5 with did on this case so you can answer in a
6 broad sense and not just as to what you saw and
7 did, correct?

8 A. **Yes.**

9 MR. HOFFMAN: Let's mark this as Exhibit
10 No. 1 and 2.

11 (WHEREUPON, said
12 documents were marked as
13 Martin Deposition
14 Exhibit Nos. 1 and 2 for
15 Identification.)

16 BY MR. HOFFMAN:

17 Q. Sir, I've shown you two documents.
18 One is Martin Exhibit No. 1. These are
19 invoices that the TTO's counsel provided to us
20 previously.

21 Martin Exhibit 2 is an updated
22 invoice.

23 Is my understanding correct that
24 Martin 1 plus Martin 2 set forth all the time

1 and billing that your firm has done on this
2 matter?

3 A. **I'd have to take a look at them first.**

4 Q. Please do.

5 A. **Sure looks like it is. I believe so.**

6 Q. Great. I took the liberty of adding
7 up the numbers for all of those invoices. I
8 came up with a total of \$121,139.79. Does that
9 sound about right to you? Let me show you my
10 notes which have the list --

11 A. **Sure, I see.**

12 Q. -- the amounts. I understand you
13 didn't do the math, but does that generally
14 look correct to you?

15 A. **It seems to be okay, yes.**

16 Q. Thank you.

17 I'd like to ask you a few
18 questions about some of the items set forth in
19 Martin Exhibit No. 1. If you turn to page two
20 of that exhibit, sir, I'd appreciate it. The
21 first date listed is July 14th of 2016. Do you
22 see that?

23 A. **Yes.**

24 Q. Stop. Put the pen down.

1 Let the record reflect it
2 happens, we understand, but you are not allowed
3 to write on the original exhibits. And one of
4 my witnesses did it.

5 You see how the first date listed
6 is July 14th, 2016?

7 A. **Yes, sir.**

8 Q. Was the firm -- your firm retained on
9 or about that date to perform services for
10 Miller Canfield and the TTO in this case?

11 A. **I assume so from this.**

12 Q. Without looking at that, when was your
13 firm hired?

14 A. **I don't know. I have to look.**

15 Q. Well, you got involved in it on July
16 18th of 2016, correct?

17 A. **Uh-huh.**

18 Q. Yes?

19 A. **Yes.**

20 Q. You did uh-huh.

21 A. **I know. You're right.**

22 Q. Is that the first time you worked on
23 this case, the July 18th, 2016, time entry for
24 you, JPM?

1 **A. Yes.**

2 Q. And do you know whether your firm had
3 just started work on this case or are there
4 earlier invoices than the one we're looking at?

5 **A. No, this would be the start of -- this**
6 **would be the start of work.**

7 Q. Okay. And I see that there's
8 investigatory services listed by a person named
9 Michael Maloziec, M-A-L-O-Z-I-E-C, and then
10 there's litigation support with listings for
11 both you and Michael. Do you see that?

12 **A. Yes.**

13 Q. What's the distinction there between
14 investigatory services and litigation support?

15 **A. It's really an internal -- really**
16 **internal code in the billing system.**
17 **Practically it really doesn't mean that much.**

18 Q. There's a reference to an on-site
19 meeting on July 21st of 2016 under Michael's
20 time entry. Were you at that meeting?

21 **A. Yes, I was.**

22 Q. And how many times did you or somebody
23 from your firm physically go to the TTO's
24 offices?

1 **A. I was physically there once. Mike was**
2 **physically there twice.**

3 Q. And you also met at Miller Canfield to
4 talk to the TTO's lawyers, correct?

5 **A. Yes.**

6 Q. How many times do you remember doing
7 that?

8 **A. I'd say two or three.**

9 Q. And there's a lot of references in the
10 next few invoices for documentation that you
11 and your colleagues reviewed. And if you look
12 on the first page of the January 18th, 2017,
13 invoice, there's a number of references to
14 investment statements. Do you see that?

15 **A. Yes.**

16 Q. What are those investment statements?

17 **A. The investment statements are**
18 **underlying actual statements from CD accounts,**
19 **from, you know, Merrill Lynch would be one.**
20 **Like investment companies. Actual companies**
21 **holding the investment -- or the funds in**
22 **investments.**

23 Q. Why did your firm look at those
24 documents?

1 **A. To get an overall understanding of how**
2 **the transactions flowed in the trustee's office**
3 **and to see how the funds were being accounted**
4 **for.**

5 Q. Did your firm analyze the investment
6 statements in order to try to figure out how
7 much interest the TTO actually earned on the
8 pooled investments for the years relevant to
9 the lawsuit?

10 **A. Yes.**

11 Q. And were you able to make that
12 determination?

13 **A. No.**

14 Q. Why not?

15 **A. The records weren't entirely complete.**
16 **There were some gaps in there, but that**
17 **was -- we did schedule that out like that,**
18 **so...**

19 Q. We did schedule that out like that
20 means what?

21 **A. We did try to determine the actual**
22 **interest income.**

23 Q. And how incomplete were the records,
24 either on a percentage basis or years or

1 months? Were there entire years in which there
2 were missing records?

3 **A. Not recently. There may have been in**
4 **the early years.**

5 Q. Remember, sir, we're concerned about
6 both the early years and the late years, right?

7 **A. Yes.**

8 Q. The claim is for the fiscal year 1995
9 that goes back to the calendar year 1994 and
10 then carries through to mid 2012, correct?

11 **A. Yes, sir Z.**

12 Q. When you say not so much the later
13 years, maybe some earlier years, I'm asking you
14 about the entire time period, because there is
15 a claim for approximately -- roughly 20 years
16 of interest being made against us. Do you get
17 that?

18 **A. Yes, sir.**

19 Q. So let's go back and have you tell me
20 how incomplete the records of investment
21 statements, meaning the actual earnings the TTO
22 made on the pooled investments were through
23 this entire relevant time period.

24 **A. Sure. Through the entire relevant**

1 **time period, there were more missing documents**
 2 **in the early years, in the last several years,**
 3 **ten, fifteen years, they were much more**
 4 **complete.**

5 Q. When you say much more complete, were
 6 the more current years entirely complete or
 7 were they mostly complete?

8 **A. They were mostly complete. I'd say**
 9 **probably 90 percent.**

10 Q. And on a percentage basis, how would
 11 you characterize the completeness of the
 12 records in the first few years that are
 13 relevant to our analysis? Were some of of them
 14 missing entirely?

15 **A. I don't recall if there were any years**
 16 **missing entirely, but they were certainly a lot**
 17 **more spotty.**

18 Q. Rough percentage basis?

19 **A. In the '90s, maybe 40, 50 percent.**

20 Q. 40, 50 percent missing or present?

21 **A. Present.**

22 Q. The 40 would be the only thing that
 23 would matter.

24 **A. We'll make it 50.**

1 Q. About half there and half missing for
 2 the earlier years?

3 **A. For the earlier years.**

4 Q. So is it fair to say it was impossible
 5 for you or anyone else to determine with any
 6 degree of reasonable certainty how much
 7 investment income the TTO earned on the
 8 District's pooled investment funds for the
 9 entire relevant period?

10 MR. KALTENBACH: I'll object to the form of
 11 the question. You can answer, Jim.

12 THE WITNESS: Really was -- we weren't able
 13 to complete it.

14 BY MR. HOFFMAN:

15 Q. What I'm asking is: You spent a great
 16 deal of time and money trying to complete that
 17 analysis and you were unable to do so.

18 Is it your belief that some other
 19 accounting firm could come in and do that
 20 analysis where you couldn't?

21 **A. Not if they were provided the same**
 22 **records that we were given.**

23 Q. So based on the records that you got,
 24 it wasn't through a lack of effort on your

1 firm's part, no accountant doing their job
 2 right based on the records that were given to
 3 you could determine the actual investment
 4 income earned by the TTO on the District's
 5 pooled funds for the relevant time period?

6 MR. KALTENBACH: I'll object.

7 BY MR. HOFFMAN:

8 Q. Correct?

9 MR. KALTENBACH: I'll object on form. It's
 10 vague. You can answer, Jim.

11 THE WITNESS: Based on my analysis of it,
 12 we looked at all the records we were provided
 13 and tried to determine that and weren't able to
 14 do so.

15 BY MR. HOFFMAN:

16 Q. Okay. How much approximately -- let
 17 me start over. In your invoices there are
 18 many, many references to investment statements,
 19 and attempts that your firm made to try to get
 20 a complete picture of how much interest the TTO
 21 actually earned on investment income.

22 Can you tell me about how much of
 23 your work was done in that area, meaning, you
 24 know, on a dollar or percentage of time basis

1 **A. No.**

2 Q. No idea? It was not the majority of
 3 the time you spent was trying to do that
 4 project?

5 **A. I don't know.**

6 Q. Okay. What's the -- I'm sorry. Turn
 7 to the March 23rd invoice, sir, please. Page
 8 one. Let's make that page two. There's a
 9 reference on page two of the March --

10 **A. Second page or the one that says two.**

11 Q. The one that says two at the bottom.
 12 There's a reference to an investment summary
 13 matrix about on the -- on Michael's entries on
 14 2/14/2017. Do you see that?

15 **A. Yes.**

16 Q. Is that the attempt to compile the
 17 investment money earned through reference to
 18 source documents?

19 **A. No.**

20 Q. What is that?

21 **A. This is trying to come up with the**
 22 **total fund balance.**

23 Q. What was the purpose of doing that?

24 **A. Well, again, it was to understand the**

1 **accounting that the trustee's office did.**
 2 Q. Were you able to come up with a total
 3 fund balance for the entire relevant time
 4 period?
 5 **A. No.**
 6 Q. Why not?
 7 **A. For the same reasons, it was the**
 8 **same -- the fund balance and the income --**
 9 **interest income is on the same statement.**
 10 Q. Is that because of a lack of
 11 documentation then?
 12 **A. Yes.**
 13 Q. And I see you have two entries on
 14 February 13th and February 14th for reviewing
 15 deposition transcripts.
 16 **A. Yes.**
 17 Q. And those total ten hours?
 18 **A. Yes.**
 19 Q. What deposition transcripts did you
 20 review, sir?
 21 **A. I reviewed -- in total I reviewed**
 22 **Kelly Bradshaw. I reviewed the one for**
 23 **Mr. Healy. I reviewed the one for Dr.**
 24 **Birkenmaier. And also for Mr. Thiessen.**

1 Q. And what was the purpose of your
 2 reviewing those deposition transcripts?
 3 **A. To try to understand how the**
 4 **accounting's function worked at the Trustee's**
 5 **Office.**
 6 Q. Was there anyone at the Trustee's
 7 Office during the time you were doing the work
 8 who was able to shed any light on that subject?
 9 **A. At the Trustee's Office?**
 10 Q. Let me ask you a better question.
 11 During your work in 2016 and
 12 2017, did you meet with any employee or
 13 representative of the TTO who had firsthand
 14 knowledge of how the investments worked or how
 15 interest was allocated to the districts during
 16 the relevant time period?
 17 **A. Yes.**
 18 Q. Who?
 19 **A. Kelly had an understanding at some**
 20 **level.**
 21 Q. Kelly who?
 22 **A. Kelly Bradford.**
 23 Q. Bradshaw?
 24 **A. Bradshaw.**

1 Q. She was the outside accountant -- when
 2 you say Kelly, it was a little confusing to me.
 3 There is a gentleman we deposed named Dennis
 4 Kelly. You meant Kelly Bradshaw, right?
 5 **A. Yes. I'm sorry.**
 6 Q. And is it your belief that Kelly
 7 Bradshaw had firsthand experience working with
 8 the TTO on the interest income issues?
 9 **A. I don't know. I think she made a**
 10 **summary of things.**
 11 Q. But her testimony, not to beat around
 12 the bush, was she said that Healy was the only
 13 person at the TTO who was involved in interest
 14 issues, and that she was not personally
 15 involved, and she just went back to the records
 16 and did her analysis.
 17 Do you have any reason to doubt
 18 that testimony?
 19 **A. I have no idea what her involvement**
 20 **was.**
 21 Q. Well, did you meet with her or speak
 22 with her?
 23 **A. Yes.**
 24 Q. When?

1 **A. She was at the meeting on July 21st.**
 2 Q. Did you ever talk or speak with her
 3 after July 21st?
 4 **A. She was on the phone at the last**
 5 **meeting, which was on March 1st. Actually, I**
 6 **was on the phone, she was probably there.**
 7 **March 1st.**
 8 Q. Did Kelly Bradshaw ever tell you that
 9 she had any firsthand personal involvement in
 10 any of the interest issues, putting aside doing
 11 an analysis after Healy left?
 12 **A. No.**
 13 Q. Okay. You also reviewed -- your firm
 14 also reviewed audit reports, correct?
 15 **A. Yes.**
 16 Q. What was the purpose of the review of
 17 audit reports?
 18 **A. Again, the audit reports included a**
 19 **fund balance total. And, again, that was**
 20 **another source of trying to understand the**
 21 **accounting that was done by the trustee's**
 22 **office.**
 23 Q. Were you able -- ultimately was that
 24 analysis of the audit report fruitful in any

1 way to help your understanding?

2 **A. Yes.**

3 Q. How so? What did you learn from

4 reviewing the audit reports?

5 **A. Well, they had detail in there. There**

6 **were notes and things about how the office**

7 **functioned, about the responsibilities for**

8 **accounting that were useful in there.**

9 Q. And what specifically?

10 **A. I don't recall specifically. It was**

11 **more of a general understanding of how things**

12 **worked.**

13 Q. So you never looked at the audit

14 reports in order to track or analyze the

15 distribution of investment funds to the

16 District in any particular year overall, did

17 you?

18 **A. No.**

19 Q. Why not?

20 **A. That didn't seem -- I don't know.**

21 **That didn't seem relevant to the analysis I was**

22 **performing.**

23 Q. What did the audit report say, if you

24 recall, as to whether the TTO regularly paid

1 out in each year the amount of money that it

2 earned or some different amount?

3 **A. I don't recall reading that in there.**

4 Q. Okay. We'll look at that later.

5 Let's take a look at this Exhibit

6 No. 3.

7 (WHEREUPON, said

8 document was marked as

9 Martin Deposition

10 Exhibit No. 3 for

11 Identification.)

12 Sir, Martin Exhibit 3 was

13 provided to us by the attorneys for the TTO

14 with a representation that this is the

15 inventory of documents you received from the

16 TTO with respect to this case; is that correct?

17 **A. Yes.**

18 Q. Great. So I just want to confirm a

19 couple of things. You received, based on what

20 it says toward the top of page one, all of the

21 Plaintiff's document productions in the course

22 of the case, correct?

23 **A. I don't know if this is all or not.**

24 **These were all that we were given.**

1 Q. Did anybody ever tell you, hey, I'm

2 only giving you some but not others or on the

3 other hand I'm giving you all of them?

4 **A. No.**

5 Q. Do you have any reason to believe that

6 you're only getting some of the document

7 production as opposed to all of them?

8 **A. No.**

9 Q. Did you go through all those

10 documents?

11 **A. Yes.**

12 Q. You personally or you and your staff?

13 **A. I reviewed almost all of them, but**

14 **between me and my staff we've been through them**

15 **all, yes.**

16 Q. You also received a whole lot of

17 meeting minutes, right?

18 **A. Yes.**

19 Q. And what was -- did you analyze those

20 meeting minutes for any purpose?

21 **A. No.**

22 Q. Okay. You also received -- and I'm on

23 page four now, the little tiny four. You

24 received what are called paper sheets on

1 quarterly distribution of interest. These are

2 Healy handwritten notes relating to interest,

3 correct?

4 **A. Yeah. It was like a green bar, the**

5 **old accounting ledger pads. The five-column**

6 **pads.**

7 Q. We'll just call those documents the

8 Healy notes, because you refer to them in the

9 disclosure in a variety of different ways. I

10 think it will be easier if we did it that way.

11 Is that good with you?

12 **A. Yes.**

13 Q. And then you received many, many, many

14 boxes of documents or groupings of documents

15 relating to companies to which the TTO made

16 investments, correct?

17 **A. Yes.**

18 Q. Those are all the investment

19 statements we talked about earlier, right?

20 **A. Yes.**

21 Q. Turn to page 47, please. In the

22 middle you have a listing of Dr. Birkenmaier

23 provided audits for fiscal year 2006 to 2012

24 for a number of the other districts. Do you

1 see that?
 2 **A. Yes.**
 3 Q. Do you know why you didn't get audit
 4 statements for earlier years prior to 2006?
 5 **A. No.**
 6 Q. In the next grouping you've got more
 7 statements, again these are starting in 2006.
 8 Do you know what these documents were?
 9 **A. Not offhand. I'd have to go back and**
 10 **open the files.**
 11 Q. Were the documents that had to do with
 12 other districts other than District 204, were
 13 some of those documents unavailable for
 14 years -- that were on the earlier end of the
 15 relevant time period for this case?
 16 **A. I don't understand the question.**
 17 Q. You were given a bunch of documents
 18 relating to other districts, right?
 19 **A. Yes.**
 20 Q. Were those other district documents
 21 complete or were they missing some years,
 22 particularly earlier years? Because that's
 23 what it looks like here.
 24 **A. In total?**

1 Q. Yes.
 2 **A. In total we had them all for the**
 3 **interest general ledger account.**
 4 Q. I'm not talking about just the general
 5 ledger accounts. I mean were -- you got other
 6 documents relating to districts like audit
 7 reports and other things, yes?
 8 **A. Yes.**
 9 Q. And were some of those documents
 10 relating to the other districts incomplete for
 11 the entire time period that is relevant to the
 12 case?
 13 **A. Yes.**
 14 Q. And describe the level of
 15 incompleteness of the records pertaining to the
 16 other districts.
 17 **A. Well, like, for example, here in the**
 18 **audits you can see they go back to 2006.**
 19 Q. Right. If you turn the page, you've
 20 got bank reconciliation packets, right?
 21 **A. Yes.**
 22 Q. And those go back only as far as 1999,
 23 correct?
 24 **A. Yes.**

1 Q. What impact did the lack of complete
 2 documents have on your analysis?
 3 **A. For these documents?**
 4 Q. Or any of the documents we just
 5 discussed, the documents relating to the other
 6 districts, the documents relating to
 7 reconciliations, other things.
 8 **A. Yes. The documents I had were**
 9 **sufficient to complete my analysis.**
 10 Q. So you just spot checked the other
 11 districts' years? How did you do it?
 12 **A. We totalled other districts' years**
 13 **from the -- it was the journal entry reports.**
 14 Q. The general ledger reports?
 15 **A. Yes.**
 16 Q. Who is Ken Getty?
 17 **A. I'm sorry?**
 18 Q. Ken Getty. GETTY.
 19 **A. I don't know.**
 20 MR. HOFFMAN: Does he work at your firm?
 21 MR. KALTENBACH: No.
 22 BY MR. HOFFMAN:
 23 Q. Sir, I'm marking Exhibit No. 4, this
 24 is Plaintiff's Rule 213(F)(3) Expert

1 Disclosure-James P. Martin.
 2 (WHEREUPON, said
 3 document was marked as
 4 Martin Deposition
 5 Exhibit No. 4 for
 6 Identification.)
 7 You've seen this document before?
 8 **A. Yes.**
 9 Q. And you worked with Barry Kaltenbach
 10 and/or people at his firm to prepare this?
 11 **A. Yes.**
 12 Q. And you read this document and it is
 13 correct and complete, yes?
 14 **A. Yes.**
 15 Q. Let's turn to page two, please. In
 16 the -- toward the middle of the page it reads,
 17 "Mr. Martin is expected to testify," and it
 18 goes on for the remainder of that paragraph,
 19 the last complete paragraph on page two. Where
 20 did you get that understanding of how the
 21 process at the Treasurer's Office worked?
 22 **A. From in terms of pooling investments**
 23 **and investing on behalf of the districts?**
 24 Q. Let's do this the hard way. It says

1 here -- it talks about revenues for the school
2 districts, right? And it makes a statement
3 here, "The treasurer maintained a summary of
4 the investments on a ledger and later an Excel
5 workbook." Do you see that?

6 **A. Yes.**

7 Q. What is the basis for your
8 understanding of that?

9 **A. Those were the documents we were
10 provided.**

11 Q. And then goes on to talk about, "The
12 treasurer maintained a general ledger for each
13 district. This tracked each district's fund
14 balances, e.g. education, transportation, et
15 cetera. This was used to calculate the
16 percentage of each district's ownership of the
17 fiduciary fund total. This percentage was used
18 to calculate the district's share of the
19 fiduciary fund as well as to allocate
20 investment income. Each quarter the treasurer
21 estimated a total investment income amount,
22 this amount was typically a round number."

23 What is your -- what is the basis
24 for that statement? Where did you get the

1 information to make that statement?

2 **A. That was -- that's the information on
3 the Healy notes.**

4 Q. When you say this amount was typically
5 a round number, wasn't it always a round
6 number?

7 **A. It was a round number, I think, almost
8 every single time. I can't remember if there
9 were two or two where it wasn't a round number.
10 Almost always a round number.**

11 Q. At least almost always, maybe always?

12 **A. Yes.**

13 Q. Then it says this calculation -- "The
14 treasurer applied the district's ownership
15 percentage to the estimated investment income
16 to determine the investment income to be
17 ascribed to each district." Do you see that
18 statement?

19 **A. Yes.**

20 Q. Is that what the treasurer did?

21 **A. That's what's on the Healy notes.**

22 Q. So you're looking at the Healy notes
23 and getting that information from the Healy
24 notes, correct?

1 **A. Yes.**

2 Q. Did you ever speak with Bob Healy?

3 **A. No.**

4 Q. Did anybody from your firm ever speak
5 to Bob Healy?

6 **A. No.**

7 Q. Why not?

8 **A. I don't know.**

9 Q. What do you mean you don't know?

10 Why wouldn't it be important for
11 somebody from your firm to at least try to
12 reach out to Bob Healy and ask him questions
13 about what he did with respect to investment
14 income?

15 **A. We had his deposition transcript and I
16 read that.**

17 Q. Did that answer all the questions that
18 you had?

19 **A. As well as I would expect from another
20 conversation with him would be.**

21 Q. So you thought because of the
22 deposition transcript you had for Bob Healy,
23 there was no need to ask Bob Healy any further
24 questions?

1 **A. Right. Yes.**

2 Q. And then it states in this disclosure,
3 "This calculation of investment income was used
4 to create a journal entry input into each
5 district general ledger. What is the source of
6 that statement?"

7 **A. That's from the 205 reports. Let me
8 get the right name of that, if I could, please.**

9 Q. I know what the general ledger is, but
10 that's not what this statement says. I know
11 what the general ledger is. You don't need to
12 tell me.

13 How did you know how the
14 information in Healy's notes were then made
15 part of the general ledger?

16 **A. Oh, because you can --**

17 Q. Who told you that?

18 **A. No one told me, but you can see the
19 entries on the Healy notes as a journal entry
20 on the general ledger sheets.**

21 Q. You also state in this disclosure, "No
22 formal reconciliation between the fiduciary
23 fund and the district general ledgers appears
24 to have been undertaken based on materials

1 Mr. Martin reviewed." Do you see that?
 2 **A. Yes.**
 3 Q. Do you have any understanding as to
 4 why there was no formal reconciliation?
 5 **A. No.**
 6 Q. What is the importance of a
 7 reconciliation between the fiduciary fund and
 8 the district general ledgers?
 9 **A. Well, just show that the amount in the**
 10 **general ledger actually tied to the investment**
 11 **fund balance.**
 12 Q. Okay. Would that have been good
 13 practice to -- for the TTO to use?
 14 MR. KALTENBACH: Objection. I object as
 15 beyond the scope. You can answer.
 16 THE WITNESS: I wasn't engaged to evaluate
 17 their internal control procedures.
 18 BY MR. HOFFMAN:
 19 Q. So you have no opinion even though
 20 you've been an accountant and an analyst
 21 for -- how many years, 20 years?
 22 **A. Long time. 30 years.**
 23 Q. 30 years. So you don't have any
 24 opinion whatsoever on whether it would have

1 been a good idea for the TTO to reconcile the
 2 fiduciary fund to the district general ledgers?
 3 MR. KALTENBACH: Same objection. Also
 4 argumentative.
 5 THE WITNESS: No, I wasn't engaged to look
 6 at their internal controls.
 7 BY MR. HOFFMAN:
 8 Q. Regardless of whether you were paid to
 9 do that or not, I'm asking right now whether
 10 you think that would have been something that
 11 would have been important and valuable in
 12 looking back on this?
 13 MR. KALTENBACH: Same objection.
 14 THE WITNESS: I have no opinion on that.
 15 BY MR. HOFFMAN:
 16 Q. Did you attempt to reconcile the
 17 fiduciary fund to the district general ledgers?
 18 **A. That would have been possible if we**
 19 **were able to complete the analysis of the fund**
 20 **balance summary, but...**
 21 Q. But because you couldn't complete the
 22 fund balance summary, it became impossible to
 23 do a reconciliation, right?
 24 **A. Yes.**

1 Q. Later on in the disclosure, you talk
 2 about the four quarters and how the treasurer
 3 calculated investment income amount for those
 4 four quarters, right?
 5 **A. You're referring to the --**
 6 Q. The photograph that starts on
 7 quarterly basis.
 8 **A. Yes.**
 9 Q. And there's 11 months listed there.
 10 Why is there a month missing?
 11 **A. The -- well, the fourth quarter of the**
 12 **fiscal year, so the second quarter of the year,**
 13 **April, May, June was only calculated on the**
 14 **April and May balance.**
 15 Q. What is the effect of that?
 16 **A. It was consistently applied, so as**
 17 **long as it was consistent, it really wouldn't**
 18 **have much effect.**
 19 Q. Well, did anybody -- was June
 20 considered in next year or was June ignored
 21 entirely?
 22 **A. June was really just not considered in**
 23 **the allocation calculations.**
 24 Q. And what impact would that have in

1 terms of whether the allocations were right?
 2 **A. Really wouldn't impact the allocations**
 3 **at all.**
 4 Q. Why not?
 5 **A. Because the allocations are just based**
 6 **on a percentage of the pool ownership. It was**
 7 **taking the average of those months to determine**
 8 **the average fund balance for that period.**
 9 Q. You state, "The manual calculation of
 10 investment income allocation was input into the
 11 general ledger books of each individual
 12 district as a journal entry." How do you know
 13 that?
 14 **A. Because you can trace the numbers from**
 15 **the Healy notes into the journal entry detail.**
 16 Q. You state that on page four, it says,
 17 "Based on his review analysis, as explained
 18 above, Mr. Martin is expected to opine that
 19 during the relevant time period, District 204
 20 was over allocated a total of \$1,427,442.04."
 21 Do you see that?
 22 **A. Yes.**
 23 Q. What is the -- that opinion does not
 24 have any relationship, does it, to whether

1 District 204 was actually paid its share of the
2 interest that was actually earned by the TTO
3 from the pooled investment fund?

4 **A. I'm sorry. Could you --**

5 Q. There is a difference between the
6 allocation of the amounts listed in Healy's
7 notes and the actual amounts of money that were
8 earned by the TTO, a share of which belonged to
9 District 204, correct?

10 **A. Yes.**

11 Q. So you don't have any opinion
12 whatsoever as to whether based on the money
13 that the TTO actually earned, District 204
14 received either too much or too little
15 investment income?

16 **A. I'm sorry?**

17 MR. HOFFMAN: You can repeat that back.

18 (Said question was read
19 back.)

20 MR. KALTENBACH: I'll object. I don't
21 think the witness took it as and I don't think
22 it was a question, I think it was a statement
23 that you're looking for a response to.

24 BY MR. HOFFMAN:

1 **A. That's correct.**

2 Q. Okay. So it is theoretically
3 possible, isn't it, that if Healy's
4 distribution numbers in each quarter were too
5 low in relation to the amount of money the TTO
6 actually earned on the investments, that
7 District 204 could have been underpaid through
8 this time period; isn't that true?

9 **A. No.**

10 Q. Why not?

11 **A. Because of the -- the Healy notes
12 included an estimate of the interest that was
13 actually earned on investments.**

14 **The actual investments once they
15 were earned, if they were underdistributed, it
16 would have flowed into the pool balance anyway,
17 and they would be -- they would become part of
18 the pool.**

19 Q. Well, you don't know how much interest
20 District 204 should have gotten from the fiscal
21 years 1995 through 2012, do you?

22 **A. You got to repeat the question,
23 please.**

24 Q. You don't know how much investment

1 Q. It's a question.

2 **A. Could you repeat the question.**

3 (Said question was read
4 back.)

5 THE WITNESS: Can you break that down.

6 BY MR. HOFFMAN:

7 Q. Sure. You've agreed that the amount
8 of money -- the TTO earned money on the pooled
9 investments, right?

10 **A. Yes, it did.**

11 Q. And District 204 was entitled to a
12 share of the investment income earned, correct?

13 **A. Yes, absolutely.**

14 Q. And you were not able to analyze how
15 much investment income the TTO made and
16 therefore what share of that money District 204
17 was entitled to get during the relevant time
18 period; am I right?

19 **A. Yes.**

20 Q. So what you analyzed was the
21 difference between Healy's handwritten notes
22 relating to distributions and the general
23 ledger entries relating to amounts credited to
24 District 204, right?

1 income District 204 should have received based
2 on money actually earned for the 1995 to 2012
3 time period, do you?

4 **A. How much they should have received
5 based on the actual earnings?**

6 Q. Yes.

7 **A. I didn't have any analysis what the
8 actual earning -- what the actual interest
9 income or investment income was.**

10 Q. It's okay to agree with a question I
11 ask you.

12 **A. I'm trying to be clear.**

13 Q. I know you're clear.

14 I know what the predicate is.

15 You can go ahead and then make the logical
16 connection that because you don't know how much
17 interest was earned, you don't have any opinion
18 as to how much District 204 should have
19 received from -- during that time period in
20 investment income?

21 **A. Well, no, I would know that they
22 should receive their proper share of what
23 Mr. Healy had been calculated based on the
24 estimate, which may be --**

1 Q. You don't know --

2 MR. KALTENBACH: Hold on. Let him finish.

3 THE WITNESS: Which may be different than
4 that same percentage applied to the actual
5 interest income during that period.

6 BY MR. HOFFMAN:

7 Q. But you have no way of knowing whether
8 the numbers in Healy's notes bore any
9 relationship whatsoever to the interest
10 actually earned?

11 MR. KALTENBACH: Objection. Form.

12 BY MR. HOFFMAN:

13 Q. Answer.

14 **A. What was the question?**

15 Q. Isn't it true that you have no way to
16 know whether the numbers in the Healy notes as
17 to investment interest to be distributed have
18 any relationship to the amount of money that
19 the TTO actually earned?

20 MR. KALTENBACH: Same objection. Go ahead.

21 THE WITNESS: That's true, yes, I agree
22 with that.

23 BY MR. HOFFMAN:

24 Q. It says here -- now, you go through

1 and you talk about the three adjustments you
2 made, and basically if I understand this
3 correctly, at the end of the day, you went back
4 to Bradshaw's analysis, you made three
5 adjustments to particular entries. You
6 eliminated one of the columns and then that
7 became the basis for your opinion; is that fair
8 enough?

9 **A. No.**

10 Q. Okay. We'll get to that. It looks
11 like exactly what you did. We'll talk about
12 that.

13 And then it says at the bottom of
14 feigning four, "In forming his opinions on this
15 matter, Mr. Martin did not assume the workbooks
16 to be either accurate or inaccurate." What
17 does that mean? When you say workbooks, are
18 you talking about the Healy notes, general
19 ledger or both?

20 **A. That's the Healy notes.**

21 Q. So you did not assume the Healy notes
22 to be either accurate or inaccurate. What do
23 you mean by that?

24 **A. Well, because they were based on an**

1 **estimate of what the interest income was for**
2 **the quarter.**

3 Q. Okay. What impact in the real world
4 would Healy's notes being inaccurate have?

5 **A. That the amount of interest earned by**
6 **the districts would flow into the fund balance**
7 **or come out of the fund balance.**

8 Q. What do you mean by that?

9 **A. Well, the fund balance was really all**
10 **the investment, the pooled investments that**
11 **would fluctuate over time, earn interest and**
12 **things like that.**

13 **If Healy were to estimate what**
14 **the actual interest on that would be for a**
15 **quarter and then ascribe that in the proper**
16 **percentages to the districts, if the amount he**
17 **was ascribing in total was too high, it was**
18 **more than the actual interest, he would be**
19 **pulling principal out of that and ascribing**
20 **principal amounts.**

21 **If the amount was too low,**
22 **interest that was earned who flow and become**
23 **part of the fund balance, the actual principal**
24 **balance.**

1 Q. Was all of the interest that the
2 TTO -- let's see. Let me ask you a better
3 question. Are you aware that in 2013 the TTO
4 communicated with the districts to tell them
5 that they had located a fund that they
6 described as undistributed investment income?

7 **A. No.**

8 Q. I'm showing you Thiessen
9 exhibits -- let's look at Thiessen Exhibit 8.
10 And it says, I'll just read it, in the third
11 paragraph, "However, in reviewing" -- Thiessen
12 Exhibit 8 is -- you know who Michael Thiessen
13 is?

14 **A. Yes.**

15 Q. It's something that Michael Thiessen
16 and Dr. Bradley who preceded Dr. Birkenmaier as
17 the treasurer wrote to all member districts.
18 It says, "In reviewing prior year financial
19 statements, there appears to be some
20 undistributed funds. We have been actively
21 communicating with our new auditors regarding
22 the possibility of distributing these funds to
23 the school districts. We want a better
24 understanding and sign-off on the issue before

1 distributing these funds."

2 Have you ever seen this document
3 before, sir?

4 **A. No.**

5 Q. And Thiessen Exhibit No. 9 is a
6 November 7th, 2013, letter from Dr. Birkenmaier
7 to the districts. It says, "It has been
8 determined that this interest income should be
9 distributed to the township districts and
10 agencies. We are therefore distributing
11 \$500,000 in interest income from previous
12 years. The calculation of revenue distribution
13 will be based on," blah, blah, blah.

14 Have you ever seen this document
15 before, sir, this communication on
16 undistributed investment income? Yes, no, I
17 don't remember.

18 **A. Not that I recall now.**

19 Q. Okay. Both of Thiessen Exhibit 8 and
20 9 were the subject of questions that I asked
21 Mr. Thiessen and Dr. Birkenmaier in their
22 depositions.

23 Do you remember the testimony
24 they gave on that subject?

1 **A. Vaguely, I think.**

2 Q. And do you remember that Dr.
3 Birkenmaier testified -- and I got her
4 deposition, we can dig it out if I have to. Do
5 you remember she testified that in 2013 they
6 distributed \$500,000, but the actual amount in
7 the fund was more like 1.2, 1.3 million, do you
8 remember that testimony?

9 **A. No.**

10 Q. Does the fact that there is a -- and
11 do you remember her testifying that she wasn't
12 sure how much that fund amounts to now, but she
13 believes it's about 1.7 million?

14 **A. No.**

15 Q. Does the fact that there is a
16 significant amount of undistributed interest
17 the TTO was holding based on the testimony of
18 Dr. Birkenmaier have any impact on your
19 opinions or analysis?

20 **A. No.**

21 Q. Why not?

22 **A. Because, again, the fund, whether it's**
23 **an undistributed income fund or in the**
24 **investment principal fund, it still is owned in**

1 **the proportionate shares by all the underlying**
2 **districts.**

3 Q. Well, wouldn't that concern you if
4 there was money that should have been
5 distributed to District 204 and the other
6 districts but the TTO didn't distribute it?

7 MR. KALTENBACH: Objection. Form. You can
8 answer.

9 BY MR. HOFFMAN:

10 Q. Would it concern you?

11 **A. No.**

12 Q. Why not?

13 **A. That would just be a timing difference**
14 **at that point in time.**

15 Q. Is it your understanding that the TTO
16 can choose to distribute interest or not
17 distribute interest at any time as it chooses?

18 MR. KALTENBACH: Objection. Form and
19 beyond the scope of his engagement. You can
20 answer.

21 THE WITNESS: That's really isn't within
22 the scope of what I was looking at.

23 BY MR. HOFFMAN:

24 Q. You don't know whether the TTO has to

1 distribute investment income or not to the
2 districts, true?

3 MR. KALTENBACH: Same objections, plus
4 argumentative.

5 BY MR. HOFFMAN:

6 Q. You are shaking your head.

7 **A. True.**

8 Q. Okay. Let me show you a document that
9 was previously marked as Thiessen Exhibit 10.
10 It includes a document that was in TTO's
11 document production in this case, which you
12 received. This was an exhibit to the Thiessen
13 deposition as well as the Dr. Birkenmaier
14 deposition, and I asked him questions
15 extensively about this document. Have you seen
16 it before?

17 **A. Not that I recall, no.**

18 Q. Are you sure you read the depositions
19 of Thiessen and Birkenmaier?

20 **A. Yes.**

21 Q. And you don't remember any discussion
22 about -- in the transcript, if you look to the
23 second page of Thiessen Exhibit 2 -- let me
24 start over.

<p style="text-align: right;">Page 50</p> <p>1 Look at the second page of</p> <p>2 Thiessen Exhibit 2, you'll see a one-sided</p> <p>3 request for posting entry for an audit</p> <p>4 adjustment-interest in June of 2011 in the</p> <p>5 amount of \$1,512,451.00. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. Do you know what that transaction was?</p> <p>8 A. Nope, I don't.</p> <p>9 Q. Did anyone in the TTO ask you to</p> <p>10 consider this document, or even if they didn't</p> <p>11 ask you to consider this document, possibly</p> <p>12 looking into the transaction that's described</p> <p>13 in this document to see how it affected</p> <p>14 interest?</p> <p>15 A. No, they did not.</p> <p>16 Q. Is it fair to say that this appears to</p> <p>17 be a request for an entry to the general ledger</p> <p>18 of the TTO -- by the way, you know who -- you</p> <p>19 recognize this as a TTO document on page two,</p> <p>20 don't you? It says Lyons Township School</p> <p>21 Treasurer and --</p> <p>22 A. Yes.</p> <p>23 Q. You see down at the bottom there's</p> <p>24 Laura Lee Conway's signature?</p>	<p style="text-align: right;">Page 52</p> <p>1 Q. Sir, I didn't ask you to make an</p> <p>2 objection as to scope.</p> <p>3 MR. KALTENBACH: Hold on. Jay, let him</p> <p>4 finish his answer.</p> <p>5 At the start of the deposition,</p> <p>6 you usually ask a witness can we not talk over</p> <p>7 each other and now you're doing it.</p> <p>8 MR. HOFFMAN: He is not a junior attorney.</p> <p>9 He is an accounting professional. He has no</p> <p>10 business adopting your objections as to scope.</p> <p>11 He's been an accountant for 30 years. He can</p> <p>12 tell me what a one-sided transaction is. You</p> <p>13 had your objection. It is on the record.</p> <p>14 BY MR. HOFFMAN:</p> <p>15 Q. Sir, I would respectfully ask you not</p> <p>16 to parrot your lawyer's objections. Simply</p> <p>17 answer the questions based on your knowledge</p> <p>18 and experience.</p> <p>19 If you can't tell me what a</p> <p>20 one-sided transaction is, then tell me that.</p> <p>21 If you can, tell me that as well. Thank you.</p> <p>22 MR. KALTENBACH: I'm going to object. I</p> <p>23 don't think that there's an actual question</p> <p>24 that's now pending. I also think it's</p>
<p style="text-align: right;">Page 51</p> <p>1 A. I don't know if that's hers.</p> <p>2 Q. Dr. Birkenmaier said it was. Do you</p> <p>3 agree with that? Do you have any reason to</p> <p>4 doubt it?</p> <p>5 A. I don't doubt it.</p> <p>6 Q. So what's a one-sided transaction?</p> <p>7 A. Well, a one-sided transaction would be</p> <p>8 made to one side of the general ledger, in this</p> <p>9 case, at least I believe that's what this form</p> <p>10 would do.</p> <p>11 Q. Tell me a little -- you're defining it</p> <p>12 using the term as somebody who's not in your</p> <p>13 field. If I was good with numbers, I wouldn't</p> <p>14 have gone to law school, right?</p> <p>15 A. Got you.</p> <p>16 Q. Tell me the significance of the</p> <p>17 transaction being one-sided, please.</p> <p>18 MR. KALTENBACH: I'm going to object as to</p> <p>19 being vague, and as the witness testified,</p> <p>20 beyond the scope. With that being said, you</p> <p>21 can answer.</p> <p>22 THE WITNESS: Yeah, it really is beyond the</p> <p>23 scope in sort of an academic --</p> <p>24 BY MR. HOFFMAN:</p>	<p style="text-align: right;">Page 53</p> <p>1 argumentative.</p> <p>2 BY MR. HOFFMAN:</p> <p>3 Q. Great. It says here.</p> <p>4 MR. KALTENBACH: Jay, knock off the</p> <p>5 commentary.</p> <p>6 MR. HOFFMAN: There is a question pending.</p> <p>7 MR. KALTENBACH: Knock off the commentary.</p> <p>8 MR. HOFFMAN: You are obstructing the</p> <p>9 deposition.</p> <p>10 MR. KALTENBACH: Knock off the commentary.</p> <p>11 BY MR. HOFFMAN:</p> <p>12 Q. Sir, this document at the very top</p> <p>13 says one-sided.</p> <p>14 Based on your vast experience in</p> <p>15 the accounting field, what is a one-sided</p> <p>16 transaction and what is the significance of it?</p> <p>17 A. Well, again, it's an</p> <p>18 academic -- you're asking a very academic</p> <p>19 accounting question, and there's a couple of</p> <p>20 ways that could be. One is that the</p> <p>21 accounting, just pure GAAP accounting, like</p> <p>22 generally accrual account is based on two</p> <p>23 entries that are always in balance, there's a</p> <p>24 debit and credit amount.</p>

1 A one-sided entry would be an
2 entry that would affect just one side of that,
3 one debit or one credit, without the
4 corresponding -- without the corresponding
5 opposite side of that, that has the unfortunate
6 effect of making the general ledger not
7 balance, so the trial balance doesn't come out
8 if you make a one-sided entry; however, that is
9 still done in certain circumstances where there
10 would be a correction needed or some other
11 thing that you are trying record. For example,
12 a lot of general ledger systems require a
13 one-sided entry at the end of the period, at
14 the end of the year, in order to close out the
15 income statement into the balance sheet at the
16 end of the year. That would be a one-sided
17 entry to do so.

18 Another example of a one-sided
19 entry would be, for example, making an entry
20 where it's -- depends on the context, and I
21 don't know the context of this particular form
22 or what they use this form for, but it could be
23 a subledger only entry without affecting the
24 general ledger balance as well, because that's

1 sometimes referred in certain accounting
2 circles as being a one-sided entry, too,
3 because you are affecting the subledger without
4 affecting the control total of the general
5 ledger.

6 Q. Great. I knew you knew the answer and
7 that's what I wanted from you. Thank you.

8 Tell me whether you're aware of
9 audit adjustments for interest amounts being
10 made to District 204's accounts in 2011 or any
11 other year?

12 A. Not specifically, no.

13 Q. And am I correct that this is a
14 reduction in the District 204's fund balance of
15 approximately \$1.5 million?

16 MR. KALTENBACH: Same objection as before.

17 BY MR. HOFFMAN:

18 Q. Am I correct?

19 A. I have no idea what this entry would
20 be doing.

21 Q. Would it help you to see the general
22 ledger, which is Thiessen Exhibit No. 11? It
23 may help, it may not help. You tell me.
24 You'll see at the very top listed as page 24,

1 you see there's -- it says Jay J/E, journal
2 entry, audit adjustment interest negative
3 \$1,512,451.

4 A. No, I don't see that.

5 Q. Right here. It says page 24 at the
6 top here. I'm sorry about that. You got it?

7 A. Oh, yes.

8 Q. Do you know what that journal entry
9 means?

10 A. No, I don't.

11 Q. Do you see on the second page of this
12 document, which is listed as page 22, about
13 two-thirds of the way down there's a similar
14 listing of journal entry audit adjustment
15 interest in a negative amount of \$1,512,451?

16 A. Yes.

17 Q. Do you know what that -- this is for
18 District 204's account. Do you know what
19 that -- what that entry is for?

20 A. No, I don't.

21 Q. Now, when you read the Thiessen and
22 Birkenmaier deposition transcripts, did that
23 cause you to have any questions about this one
24 and a half million dollar debit for an audit

1 adjustment on interest that was discussed in
2 the deposition transcripts?

3 A. No.

4 Q. Why not?

5 A. Because I was really talking about the
6 fund balance, not about the allocation of
7 interest.

8 Q. Look on page one of Thiessen Exhibit
9 No. -- Thiessen Exhibit 10, please. And you
10 see that there's a -- it has the \$1,512,451
11 adjustment for 204, right?

12 A. Yes.

13 Q. And then it has a positive number of
14 \$1,742,417. Did you see that?

15 A. Oh, up here, uh-huh.

16 Q. Yes?

17 A. Yes.

18 Q. And you see it's got a hundred next to
19 it. And that's the TTO's account, right?

20 A. Yes.

21 Q. And so didn't you have any questions
22 about why there was a gain to the TTO and a
23 reduction in District 204's funds relating to
24 interest of about a million and a half dollars

1 in June of 2011?

2 MR. KALTENBACH: Same objection as before.

3 THE WITNESS: No.

4 BY MR. HOFFMAN:

5 Q. Why not?

6 **A. I don't know what the -- I don't know**

7 **what the context of these entries are.**

8 Q. Well, how would you find out?

9 **A. Well, I mean I'd have to research it**

10 **further.**

11 **The note here says it's a 2010**

12 **adjustment but self corrected in -- I don't**

13 **know what that is. 2011.**

14 Q. Whose handwriting is that based on

15 your review of the documents?

16 **A. I don't know.**

17 Q. What does that note mean, do you know?

18 **A. Well, that would mean these are just**

19 **an accrual. That it was to make the 2010**

20 **ledger correct. I'm assuming anyway. It would**

21 **be to adjust it per what the auditors had found**

22 **during the conduct of their audit, that they**

23 **felt it should have been recorded one way or**

24 **another.**

1 MR. HOFFMAN: Move to strike the last

2 answer containing an assumption, lack of

3 foundation.

4 BY MR. HOFFMAN:

5 Q. Sir, I'd like to caution you not to

6 make assumptions or guesses, because they are

7 not evidence.

8 So bottom line is, you don't know

9 what this document Thiessen Exhibit No. 10 or

10 11, what these entries represent, do you?

11 **A. That's correct.**

12 Q. And if this is a reduction of a

13 million a half dollars as an adjustment for

14 interest based on audits done in 2011, this

15 number is big enough to wipe out the entire

16 damage claim of the TTO on interest, which is

17 about 1.4 million, correct?

18 **A. Well --**

19 MR. KALTENBACH: Same objection as before.

20 You can answer.

21 THE WITNESS: I don't know what the reason

22 that that sheet represents, so I don't really

23 know what their -- what they were suggesting

24 that should be made for.

1 BY MR. HOFFMAN:

2 Q. Isn't it important to know that?

3 **A. It doesn't affect the analysis that I**

4 **perform, no.**

5 Q. Isn't the analysis you performed to

6 try to figure out if District 204 got too much

7 or too little interest?

8 **A. Yes, versus what the other districts**

9 **received, yes.**

10 Q. This journal entry, Thiessen Exhibit

11 No. 10, is not uniform as to all the other

12 districts, it specifically affects District

13 204, doesn't it?

14 MR. KALTENBACH: Same objection as before.

15 THE WITNESS: The one line on there is

16 affecting District 204, yes.

17 BY MR. HOFFMAN:

18 Q. As reflected in the first page, it

19 lists other districts, but the amount's very

20 small, right?

21 **A. Yes.**

22 Q. And your testimony is that this is

23 unimportant to your analysis?

24 **A. That's correct.**

1 MR. KALTENBACH: It's been about an hour.

2 Do you want to --

3 MR. HOFFMAN: I WANT to ask him another

4 question.

5 BY MR. HOFFMAN:

6 Q. When I deposed Mike Thiessen, I asked

7 him about the same figure, and he looked on

8 Thiessen Exhibit No. 11, and he found a number

9 that was roughly similar in size, and so his

10 testimony was that that the general entry for

11 audit adjustment for interest could somehow

12 offset this \$1,587,295.84 entry for July 2010

13 expenses. Do you see that?

14 **A. Yes, I see it.**

15 Q. Based on your understanding of the

16 documents and the general ledger, do you have

17 any reason to believe that that negative entry

18 for District 204 expenses for that month has

19 any relationship to the negative \$1.5 million

20 number for an audit adjustment for interest?

21 MR. KALTENBACH: Same objection.

22 THE WITNESS: I have no idea.

23 BY MR. HOFFMAN:

24 Q. Does it seem logical those two numbers

1 would be connected given that -- does it seem
 2 logical that those two numbers would be
 3 connected given that the numbers are different
 4 and that one relates to interest and one
 5 relates to expenses?
 6 MR. KALTENBACH: Hold on a minute, Jim.
 7 Same objection.
 8 MR. HOFFMAN: Settle down.
 9 MR. KALTENBACH: Jay, don't tell me to
 10 settle down.
 11 MR. HOFFMAN: Don't interrupt people when I
 12 am asking a question. You are objecting before
 13 a question is out of my mouth.
 14 MR. KALTENBACH: Your voice was trailing
 15 off, and I wanted to get the objection out
 16 before the witness answered, which I, generally
 17 speaking, try to do.
 18 BY MR. HOFFMAN:
 19 Q. May I get an answer to my question,
 20 please?
 21 THE WITNESS: Could you read the question,
 22 please.
 23 (Said question was read
 24 back.)

1 THE WITNESS: I have no idea.
 2 MR. HOFFMAN: Okay. Take a break.
 3 (Recess.)
 4 BY MR. HOFFMAN:
 5 Q. On page four we talked about your
 6 opinion as to an overallocation of
 7 \$1,427,442.04.
 8 A. Okay.
 9 Q. Right?
 10 A. Yes.
 11 Q. And that differs from the amount that
 12 was in Bradshaw's analysis, correct?
 13 A. Yes, it does.
 14 Q. And so I just want it clear on the
 15 record that your -- and -- Barry, you can fill
 16 us in on this, that this amount stated in the
 17 disclosure is the TTO position on damages for
 18 its interest claim in this case?
 19 MR. KALTENBACH: That's correct, and I sent
 20 you an e-mail to that earlier this week
 21 confirming that.
 22 THE WITNESS: Actually, reading this, if I
 23 can make a correction to a prior answer.
 24 BY MR. HOFFMAN:

1 Q. Sure.
 2 A. **Just this last sentence here at the**
 3 **bottom, I think I misread that the first time**
 4 **where it said the workbooks. I think I said it**
 5 **was the Healy notes, but it actually is the**
 6 **Kelly Bradshaw workbooks.**
 7 Q. So your reference was actually to
 8 Bradshaw's workbooks?
 9 A. **Right.**
 10 Q. So Bradshaw's workbooks captured
 11 information from Healy's notes as well as the
 12 general ledger, right?
 13 A. **From Healy's notes and the general**
 14 **ledger, yes.**
 15 Q. And so you didn't go back and trace
 16 the numbers in Bradshaw's report to see whether
 17 she had correctly pulled the numbers from
 18 Healy's notes or the general ledger, right?
 19 A. **Oh, no. That's not right. I did**
 20 **both.**
 21 Q. Did you?
 22 A. **Yes. Absolutely.**
 23 Q. For \$120,000, I would hope you did.
 24 A. **Yes.**

1 Q. So why are you saying that you did not
 2 assume that Bradshaw's workbooks were accurate
 3 or inaccurate, what does that mean?
 4 A. **Well, I mean she wrote numbers down,**
 5 **but I would never assume them to be correct or**
 6 **incorrect. I had to verify -- I did my own**
 7 **work on that.**
 8 Q. You went back and tick and traced it
 9 as they say?
 10 A. **Oh, yes. I created a separate sheet**
 11 **where it actually balanced out the -- all the**
 12 **interest entries on the general ledgers.**
 13 Q. And had Bradshaw made any mistakes
 14 that you found?
 15 A. **Well, I don't know if it was mistakes.**
 16 **She misinterpreted -- she interpreted some of**
 17 **the entries differently than I did.**
 18 Q. And did you speak with Ms. Bradshaw
 19 about that?
 20 A. **Yes.**
 21 Q. And did she persuade you at any of her
 22 interpretations, or did you decide that your
 23 interpretations which differed from Ms.
 24 Bradshaw's were correct?

1 **A. Well, it wasn't intended to be a**
 2 **persuasive thing. I was asking her why she**
 3 **didn't pick up a couple of the entries that**
 4 **were in there.**

5 **She interpreted them differently**
 6 **than I did, and I didn't change my opinion on**
 7 **that.**

8 Q. And these are the three changes that
 9 you describe in the middle of page four of the
 10 disclosure, yes?

11 **A. Exactly.**

12 Q. Did you make any assumption as to the
 13 correctness or incorrectness of the Healy
 14 notes?

15 **A. No. Treated those as a business**
 16 **record that were correct at that time.**

17 Q. And why would you treat Mr. Healy's
 18 notes as being correct given that he's a class
 19 X felony who stole more than a million and a
 20 half dollars from the districts?

21 **A. They were the records that were**
 22 **available from that time.**

23 Q. Do you feel that Healy was a
 24 trustworthy and reliable professional in light

1 allocated to each district?

2 **A. Yes.**

3 Q. So whatever amount Healy put in his
 4 handwritten notes as to the allocation to each
 5 district, is the amount that you believe should
 6 have been paid to each district in that
 7 quarter?

8 **A. Not exactly. It really is the**
 9 **proportion of the entries. It's the proportion**
 10 **of the amounts.**

11 **Again, as we talked about**
 12 **earlier, it's not that the amounts that are in**
 13 **there equal the actual interest. It's the**
 14 **proportion of the amounts by district.**

15 Q. So fair enough.

16 What I'm saying is: In each of
 17 Healy's handwritten notes there was -- I
 18 understand they weren't all exactly the same,
 19 but generally what they have is they have a
 20 statement of the fund balances of each
 21 district, the amount that he's going to
 22 distribute as a total of all of the allocations
 23 that he makes amongst the districts, correct?

24 **A. Yes.**

1 of his criminal record and history of theft?

2 MR. KALTENBACH: Same objection as before,
 3 scope and form.

4 THE WITNESS: I wasn't really engaged to
 5 opine on Mr. Healy's conduct.

6 BY MR. HOFFMAN:

7 Q. Let's dispense with the it's not
 8 within the scope. I'm asking you a question as
 9 an accountant and a professional.

10 And the question is: Do you have
 11 any concerns relying on Healy's handwritten
 12 notes as being what should have been
 13 distributed given Healy's history of theft from
 14 the funds that the TTO held for the districts?

15 **A. No.**

16 Q. Doesn't concern you at all?

17 **A. No, not relying on the Healy's notes,**
 18 **no.**

19 Q. You are relying on the Healy's notes
 20 as for what distributions should have been
 21 made, right?

22 **A. That's correct.**

23 Q. Okay. Are you relying on the Healy
 24 notes as to what amounts they state should be

1 Q. And in one quarter it may be that he's
 2 going to -- he writes down \$10 million for the
 3 distribution and then he writes down a specific
 4 number for each of the districts in his notes,
 5 correct?

6 **A. Well, \$10 million would be**
 7 **extraordinarily large. I don't recall any that**
 8 **were quite that large, but that's the way it**
 9 **would work though.**

10 Q. Would you feel more comfortable with a
 11 number of one million?

12 **A. Yes.**

13 Q. Terrific.

14 So in any given quarter, if he
 15 intended to distribute a million dollars total
 16 in interest, he also had specific numbers as to
 17 the amount that two go to each district,
 18 correct?

19 **A. Yes.**

20 Q. And did you rely on the specific
 21 numbers that Healy set forth in his notes as to
 22 the amount that each district should have been
 23 allocated in that quarter?

24 **A. Yes.**

1 Q. So it wasn't just taking the total of
2 a million dollars for that particular quarter,
3 figuring out a percentage allocation and using
4 that number, you actually used the number that
5 Healy came up with on his sheet, right?

6 **A. Yes.**

7 Q. Okay. Now, in some of the sheets
8 there were little side calculations where, for
9 one or more of the districts, he did an
10 additional analysis as to interest income. Do
11 you remember seeing those?

12 **A. Not specifically, no.**

13 Q. I don't need to ask you what you did
14 in that circumstance, do I?

15 MR. KALTENBACH: Objection. Argumentative
16 and form.

17 BY MR. HOFFMAN:

18 Q. You say you don't remember seeing any
19 Healy handwritten notes in which there was a
20 little sidebar or adjacent analysis on finances
21 for one or more of the districts in addition to
22 the straight allocation of a distribution,
23 right?

24 **A. Not offhand, no.**

1 Q. So if I ask you what you did when
2 there was a little sidebar like that, what are
3 you going to tell me?

4 MR. KALTENBACH: I'm going to object. I
5 think that -- form of the question.

6 BY MR. HOFFMAN:

7 Q. So you don't remember there being any
8 separate calculation in Healy's notes in any
9 given quarter, therefore you don't remember
10 having to deal with the problem of what do I do
11 when there's a little side calculation set
12 forth?

13 **A. Yeah, I'm not familiar with those
14 notes you're describing, so...**

15 Q. Did you personally go through all of
16 Healy's notes?

17 **A. Yes.**

18 Q. And you don't remember seeing in any
19 of them a side calculation relating to one or
20 more districts in addition to the total
21 distribution across the districts that they all
22 have?

23 **A. Not as I sit here today, no.**

24 Q. Sir, this is one of the documents we

1 received from your counsel.

2 It's an Excel spreadsheet that we
3 printed out on paper and the title is Other
4 Districts' Comparison, right?

5 **A. Yes.**

6 **(WHEREUPON, said
7 document was marked as
8 Martin Deposition
9 Exhibit No. 5 for
10 Identification.)**

11 BY MR. HOFFMAN:

12 Q. Is there a document you created?

13 **A. This was created by actually Mike
14 Maloziec, but I'm familiar with what this is
15 and what he did on it.**

16 Q. What is it and what did he do?

17 **A. He took the general ledger journal
18 entries for interest ascribed to other
19 districts, other than 204, and compared that to
20 the Healy notes.**

21 Q. For what periods of time did he
22 perform this analysis?

23 **A. Well, he didn't get all the way
24 through with this. As you can see, there's**

1 **some that are the -- where they're blank.
2 Basically it is the ones that show the big
3 difference on the right he didn't get to yet.
4 The ones that don't have the full fund balance
5 filled in. But it was really from 2005 through
6 2012.**

7 Q. So why wasn't there any comparison
8 done prior to 2005?

9 **A. Well, I mean, again, this was
10 to -- this was just to show that the districts
11 weren't also getting ascribed additional funds,
12 but we just started it with 2005 to 2012, just
13 a starting point.**

14 Q. Why did you pick 2005?

15 **A. 2005 was a breaking point it seemed
16 from the district that looked like there was
17 like a system that was implemented or something
18 because there were two sets of reports, there
19 was a set prior to that and then a set after
20 that.**

21 Q. Did you not have this data for 2004
22 and earlier years?

23 **A. Yes, we did.**

24 Q. So when you say it is a break point,

<p style="text-align: right;">Page 74</p> <p>1 what do you mean by that?</p> <p>2 A. There was one set of reports would go</p> <p>3 through 2005 and then 2005 was another set of</p> <p>4 reports. Either stored in different archive or</p> <p>5 from a different system or something.</p> <p>6 Q. And so you for districts -- the very</p> <p>7 top is an analysis of one particular quarter</p> <p>8 for all the districts, October 31st, 2011,</p> <p>9 right?</p> <p>10 A. Yes.</p> <p>11 Q. And then you go through and for</p> <p>12 Districts 101, 102 you run from late 2005</p> <p>13 through mid 2012, correct?</p> <p>14 A. Yes.</p> <p>15 Q. And then for all of the other</p> <p>16 districts, you do late 2005 through early 2008,</p> <p>17 correct?</p> <p>18 A. I'm not following where you are.</p> <p>19 Q. Turn to the second page, middle.</p> <p>20 Starting with District 103, that runs -- you</p> <p>21 got data that runs from 10/1/05 through</p> <p>22 1/31/08. Do you see that?</p> <p>23 A. Yes, sir.</p> <p>24 Q. And then all of the remaining</p>	<p style="text-align: right;">Page 76</p> <p>1 Q. Well, are districts supposed to be</p> <p>2 getting extra interest?</p> <p>3 A. They're not supposed to get interest</p> <p>4 out of proportion with what the other districts</p> <p>5 receive.</p> <p>6 Q. What did you interpret the extra in</p> <p>7 the general ledger to mean?</p> <p>8 A. I didn't interpret it. We noted it</p> <p>9 for follow up.</p> <p>10 Q. Did you follow up on that?</p> <p>11 A. Certainly will at the correct time,</p> <p>12 yes.</p> <p>13 Q. You're being deposed now, and your</p> <p>14 expert report was due March 15th. When would</p> <p>15 the correct time be?</p> <p>16 A. Well, this would be -- again, the</p> <p>17 purpose of this analysis was to show that the</p> <p>18 other districts weren't also getting interest</p> <p>19 out -- weren't getting additional interest at</p> <p>20 the time that 204 was.</p> <p>21 Q. You just told me in the tenth line, or</p> <p>22 thereabouts, about the tenth row, there's extra</p> <p>23 interest, according to the general ledger, paid</p> <p>24 to District 109, right?</p>
<p style="text-align: right;">Page 75</p> <p>1 districts only go through that same time</p> <p>2 period, just late 2005 through the first month</p> <p>3 of 2008.</p> <p>4 A. Yes.</p> <p>5 Q. And it was your opinion that this was</p> <p>6 a sufficient sample to prove your point?</p> <p>7 A. Yes.</p> <p>8 Q. And let me ask you, why are some of</p> <p>9 the cells highlighted in yellow?</p> <p>10 A. Those were things that were on there</p> <p>11 that we had a question for follow-up on. So,</p> <p>12 for example, there's an entry, you can see the</p> <p>13 note over there, you know, just, for example,</p> <p>14 the first one for District 109, if you look at</p> <p>15 the GL, there's an entry that says extra. Some</p> <p>16 of these other ones say interest without being</p> <p>17 quarterly interest.</p> <p>18 Q. Let's start with that one. When you</p> <p>19 say there's something that says extra, what is</p> <p>20 that?</p> <p>21 A. If you look at the GL for District 109</p> <p>22 for 2011, again, each one of those is a 15-page</p> <p>23 report, but in all the detail in there, there</p> <p>24 is one entry that says extra.</p>	<p style="text-align: right;">Page 77</p> <p>1 A. Well, no, I don't know if that's extra</p> <p>2 interest paid to them. There's an entry that</p> <p>3 says extra that I didn't know what it was.</p> <p>4 Q. Did you attempt to find out?</p> <p>5 A. Not yet, no.</p> <p>6 Q. When are you planning on doing that?</p> <p>7 A. At some point we'll report that to the</p> <p>8 trustee's office.</p> <p>9 Q. Why didn't you do it before today so</p> <p>10 that we could talk about it?</p> <p>11 A. I don't know.</p> <p>12 Q. You spent \$120,000 in fees on this.</p> <p>13 How come there's work that still has to be</p> <p>14 done?</p> <p>15 MR. KALTENBACH: I object as argumentative.</p> <p>16 BY MR. HOFFMAN:</p> <p>17 Q. You can answer.</p> <p>18 A. Well, I guess we'd have to report that</p> <p>19 to the trustee's office.</p> <p>20 Q. How much extra did -- how much is the</p> <p>21 amount described as extra, whatever that means,</p> <p>22 for 109 and -- for District 109 on the</p> <p>23 10/31/2011 quarter, what's the extra amount?</p> <p>24 A. I don't know. I'd have to pull that</p>

1 **sheet to see.**

2 Q. Was it a large amount of money? This
3 is highlighted, it's noted as a problem, you
4 say you're going to follow up with it, yet at
5 the same time you're testifying that none of
6 the other districts got more than they
7 deserved.

8 **A. Well --**

9 Q. I want to know. I want to know how
10 much. How much money are we talking about
11 approximately?

12 MR. KALTENBACH: I'm objecting as a series
13 of compound questions.

14 BY MR. HOFFMAN:

15 Q. How much money are we talking about in
16 this quarter for District 109 as an extra
17 payment, roughly?

18 **A. Roughly it would be the 57,000.**

19 Q. And you have no understanding why
20 there would be an entry in the general ledger
21 for District 109 for this quarter stating there
22 was an extra 57,000, you don't know?

23 **A. That's correct.**

24 Q. And let's say you follow up on this,

1 for a quarter in 2007 for District 101. What's
2 the significance of that?

3 **A. Well, that's again the difference**
4 **between the total, according to the GL we were**
5 **provided, and the Robert Healy sheet.**

6 Q. Does that indicate that for this
7 quarter, District 101 received \$49,000 too
8 little?

9 **A. That could be one possible thing for**
10 **this.**

11 Q. Well, what's your -- having looked at
12 all these records and investigated this as
13 thoroughly as you did, what's your belief and
14 opinion as to what this \$49,000 figure
15 represents?

16 **A. Well, I didn't investigate this that**
17 **thoroughly.**

18 **Again, this sheet was prepared**
19 **because in those periods where District 204 was**
20 **being ascribed interest out of formula against**
21 **the other districts, I was trying to determine**
22 **that there wasn't just some other mass interest**
23 **payment that was properly ascribed to all the**
24 **other districts.**

1 as you say you will, how are you going to do
2 that? Whom are you going to ask? What are you
3 going to do?

4 **A. I would ask the trustee's office to**
5 **say here is an entry that we came across during**
6 **our analysis of the 204 misallocations, that**
7 **possibly is another misallocation as well, and**
8 **they can resolve that accordingly.**

9 Q. But whom would you speak with to get
10 more information given that Healy's in jail,
11 and he was the only one involved in the
12 interest determinations in 2011?

13 **A. Well, I wouldn't really investigate**
14 **that. I would point that out as another**
15 **anomaly to the -- it was something we noted in**
16 **our analysis that's, again, not related to the**
17 **scope of the 204 analysis, but we noted it, and**
18 **I just noted it on our summary here.**

19 Q. How many other similar sort of
20 anomalies did you find?

21 **A. There's a few.**

22 Q. Okay. And further down on page one of
23 Martin Exhibit 5, there's another highlighted
24 cell, and it has a negative 49,383.38. This is

1 Q. How could District 101 in the quarter
2 ending 4/31/2007 get about \$49,000 too little
3 when, say, District 103 in the same quarter got
4 what you regard as the right amount of
5 interest? In other words, the general ledger
6 and Healy's notes match up for District 103 for
7 that quarter but not for District 101. How do
8 you explain that?

9 **A. I don't have an explanation.**

10 Q. Doesn't that suggest for some quarters
11 and some districts, the allocation did not go
12 according to the -- the notes -- the amounts in
13 the Healy notes, the actual general ledger
14 entries don't match up for districts other than
15 District 204?

16 **A. No, I wouldn't conclude that.**

17 Q. Well, isn't that exactly what this
18 line says for this quarter for District 101?
19 And it doesn't -- it's not shown up in other
20 districts for that quarter, right?

21 **A. I didn't see it in any other quarter.**

22 Q. Take a look. The 4/31/07 quarter
23 where you note an underpayment to District 101
24 of 49,000. You don't note underpayments to any

1 other districts in that quarter, do you?
 2 **A. Nope, I don't see any.**
 3 Q. How do you explain that then?
 4 **A. I don't explain that.**
 5 Q. Did you read in Bob Healy's deposition
 6 transcript the statement he made that
 7 he -- strike that. We'll get to his deposition
 8 later.
 9 Let's go to page -- these pages
 10 aren't numbered, but -- the numbers are very
 11 small and I'm old. Go to page four. For
 12 District 106.5 on the far column, you see that
 13 \$200,000 number?
 14 **A. Yes.**
 15 Q. What is that?
 16 **A. I think that's just a typo or**
 17 **something, because it should be the difference**
 18 **between those two things. It's just a stray**
 19 **number, I think.**
 20 Q. It's a stray number. Okay.
 21 And then on page six for District
 22 109, the very first quarter, why is there a
 23 highlighted -- why is there a highlighted cell
 24 for 67,878, and then it says interest on

1 reserve 10,806? What is that?
 2 **A. On the general ledger sheet there's a**
 3 **line that says interest on reserve.**
 4 Q. Yes.
 5 **A. For that amount.**
 6 Q. Was that amount something you included
 7 or didn't include?
 8 **A. That amount -- that amount is not**
 9 **included here.**
 10 Q. Why is that amount not included?
 11 Because for District 204 you included things
 12 that just said interest even if it didn't say
 13 quarterly interest, didn't you?
 14 **A. No, I think in 204 it was all items**
 15 **that said quarterly interest or -- quarterly**
 16 **interest or additional interests that were**
 17 **noted as being in the quarterly columns.**
 18 Q. You understand the districts got
 19 interest from a variety of different sources,
 20 right?
 21 **A. Yes.**
 22 Q. If something just said interest for
 23 District 204, or one of the other districts in
 24 the general ledge, you would not include that,

1 right?
 2 **A. It would depend on the context of what**
 3 **the line actually said.**
 4 Q. What if it just said interest?
 5 **A. Again, I would have to look at**
 6 **specific cases.**
 7 Q. I'm asking you about your methodology,
 8 and I'd like a straight answer. What did you
 9 include in your methodology? I know you
 10 included quarterly interest. Did you include
 11 some line item in the general ledger where it
 12 just said interest?
 13 MR. KALTENBACH: I object as argumentative
 14 and compound. You can answer.
 15 THE WITNESS: I'd have to look at specific
 16 cases or not. It would depend on going through
 17 the general ledger detail and seeing what the
 18 line entry said.
 19 BY MR. HOFFMAN:
 20 Q. Let's say it says interest transfer.
 21 What did you do with a line entry that says
 22 that and only that?
 23 **A. Interest transfer, I would see if**
 24 **there was offset somewhere else in the document**

1 **in that month.**
 2 Q. Would you regard a positive number for
 3 interest transfer as being quarterly interest
 4 from the investment income?
 5 **A. Again, if it wasn't offset somewhere,**
 6 **it should have -- if an interest transfer**
 7 **should have been offset within those periods.**
 8 Q. That wasn't my question. My question
 9 is: As a general ledger entry for an interest
 10 transfer, is that included in your quarterly
 11 interest analysis or excluded?
 12 **A. I can't answer in general on that. It**
 13 **would depend on -- would depend on the actual**
 14 **entry within the general ledger.**
 15 Q. What if it only say interest transfer
 16 and nothing else? How would you know that was
 17 quarterly interest?
 18 **A. Well, again, it would be looking at**
 19 **the -- it would be looking at the entries there**
 20 **and seeing the context of the entries.**
 21 Q. Okay. There's two more highlighted
 22 cells on page six for District 109. One talks
 23 about an additional interest of 9,566. What's
 24 that what about?

1 **A. That, again, was a line in there that**
2 **said additional interest.**

3 Q. How come you didn't include it and add
4 it to the 73,110 figure that's highlighted?

5 **A. Well, because it's noted in the**
6 **right-hand column.**

7 Q. But if there was an additional
8 interest -- you certainly had no problem adding
9 it to District 204's total when you thought
10 there was additional interest paid to them.
11 Why didn't you do it for 109?

12 **A. I'm not calculating an amount of**
13 **differential for District 109.**

14 Q. So how can you come up with 73,110 as
15 the sum of Healy's note -- as the sum of the
16 general ledger entries when, in fact, it's
17 9,566 higher?

18 Why did you make the numbers
19 match when, in fact, they don't match?

20 **A. Again, it's noted in the right-hand**
21 **column that that is an amount that's shown on**
22 **that ledger sheet for that quarter.**

23 Q. Why didn't you add the additional
24 interest to the general ledger total?

1 **A. Because it's in this column on the**
2 **right as an entry.**

3 Q. With a question mark? Why does it
4 have a question mark?

5 It says additional -- if it's
6 additional interest, it's additional interest,
7 right? Why is there a question mark?

8 MR. KALTENBACH: Hold on. Objection.
9 Compound.

10 BY MR. HOFFMAN:

11 Q. Why is there a question mark next to
12 the 9,566 in additional interest for District
13 109?

14 **A. Because those are items to be followed**
15 **up. Those are questions that were -- came to**
16 **our attention during the analysis.**

17 Q. But you never actually did follow up
18 on that, did you?

19 **A. Not yet, no.**

20 Q. And then additional interest of 35,534
21 for District 109 and the quarter ending October
22 31st, 2007, do you see that?

23 **A. Yes.**

24 Q. Is that another instance in which

1 there was additional interest paid to District
2 109 in a particular quarter based on the
3 general ledger entries and your analysis
4 comparing it to Healy's notes?

5 **A. I don't know.**

6 Q. How come you don't know for District
7 109, but you have no doubt about District 204's
8 overpayments?

9 **A. Again, I wasn't looking at calculating**
10 **the sum differential for District 109.**

11 Q. I'm looking at that one particular
12 quarter entry. The amounts in the general
13 ledger are \$35,534 larger than the amount in
14 Healy's notes, correct? That's what this
15 means, yes?

16 MR. KALTENBACH: Objection. Compound.
17 BY MR. HOFFMAN:

18 Q. Correct?

19 MR. KALTENBACH: Objection. Compound.

20 MR. HOFFMAN: It is not compound.

21 MR. KALTENBACH: Don't argue with me.

22 MR. HOFFMAN: You are interrupting. You're
23 trying to obstruct this deposition. I'm sick
24 of it. It is not a compound question. Knock

1 it off.

2 BY MR. HOFFMAN:

3 Q. Answer the question.

4 MR. KALTENBACH: Hold on. Jay, do not
5 yell. Do not raise your voice and yell.

6 MR. HOFFMAN: Barry, you are constantly
7 objecting. They are meritless objections.
8 Knock it off.

9 MR. KALTENBACH: Jay, I'll assert an
10 objection if I believe it is appropriate. And
11 if you think I'm doing that, take it to Judge
12 Hall.

13 Ask your question. Don't raise
14 your voice and yell.

15 BY MR. HOFFMAN:

16 Q. Sir, am I correct that the general
17 ledger entries for District 109 for the quarter
18 10/31/2007 total \$35,534 more than the \$92,123
19 reflected in Healy's notes?

20 **A. No.**

21 Q. So where is the \$34,534 in additional
22 interest coming from?

23 **A. The general ledgers have a whole lot**
24 **of other transactions in there, as well.**

1 **This was just showing that**
 2 **there's one line in there that says additional**
 3 **interest 35,534. And marked for follow-up as**
 4 **something that came to our attention during**
 5 **this analysis.**

6 Q. Based on your review of a small subset
 7 of the records -- so you looked at less than
 8 two and a half years of the 1995 through 2012
 9 period for District 109, right?

10 A. Well, we looked at '5, '6 and -- yeah,
 11 half of '5, '6 and '7.

12 Q. You didn't look at half of '5, did
 13 you? You looked at one quarter?

14 A. One quarter of '5.

15 Q. That's not half, is it?

16 A. No, it's a quarter.

17 Q. And then you didn't look at half of
 18 2008 either, you looked at one quarter, right?

19 A. Yes.

20 Q. So you looked at 2006, 2007 and one
 21 quarter in 2005 and 2008, correct?

22 A. Yes.

23 Q. So that would be ten quarters, if my
 24 math is right, right?

1 A. Yes, sir.

2 Q. And in three of those ten quarters for
 3 District 109 that you looked at, you found
 4 additional interest payments ranging from \$9500
 5 to \$35,000, correct?

6 A. We found transactions that were marked
 7 in the ledger with those descriptions there in
 8 those amounts.

9 Q. Did you -- that didn't answer my
 10 question. That evaded my question.

11 Isn't it true that for three of
 12 the ten quarters you looked at for District
 13 109, you found interest payments that exceeded
 14 the numbers in Bob Healy's notes as reflected
 15 in the general ledger payments?

16 A. The general ledger has a lot of other
 17 interest that's not just interest of those,
 18 there's interest on other funds, on cash
 19 balances and everything else and every period.

20 Q. That's not what I asked you. I'd
 21 appreciate a straight answer to a straight
 22 question.

23 MR. KALTENBACH: I object to the
 24 commentary.

1 BY MR. HOFFMAN:

2 Q. Isn't it true, sir -- I know there are
 3 a lot of interest statements. This is your
 4 analysis. You went through the general ledger,
 5 and you felt you were able for District 204 to
 6 determine which interest payments were
 7 quarterly interest payments from the investment
 8 pool and which were something else, right?

9 A. Yes.

10 Q. So you were able to do -- to make that
 11 same judgment and distinction for the other
 12 districts and their general ledger entries,
 13 too?

14 A. I didn't do that for the 109 entries,
 15 no.

16 Q. Somebody did this for the 109 entries,
 17 and three of the ten quarters they found
 18 additional interest payments that exceeded Bob
 19 Healy's notes, didn't they?

20 MR. KALTENBACH: Objection. Asked and
 21 answered.

22 MR. HOFFMAN: It wasn't answered.

23 MR. KALTENBACH: I don't need the
 24 commentary, Jay.

1 THE WITNESS: No. We noted them as this is
 2 an entry that's in there with this description
 3 and this amount.

4 BY MR. HOFFMAN:

5 Q. I can read, but I'm asking you what it
 6 means.

7 Isn't it true, sir, that in three
 8 of the ten quarters that your firm looked at,
 9 there were additional interest payments beyond
 10 the amounts in Healy's notes reflected in the
 11 general ledger for District 109? Answer that
 12 question.

13 MR. KALTENBACH: Hold on. Objection. Asked
 14 and answered. Objection. Form of the
 15 question.

16 BY MR. HOFFMAN:

17 Q. You can answer.

18 A. These are three transactions that we
 19 noted as this description and this amount in
 20 there. I didn't investigate the basis for them
 21 or come to any conclusion.

22 Q. How would you investigate the basis
 23 for them?

24 A. I would need to look at the other

1 **entries in there. Look at the context of it.**
2 Q. Well, did District 109, yes, no, or I
3 don't know, receive an overallocation of
4 interest during the period that you looked at?
5 **A. I don't know.**
6 Q. So doesn't that necessarily mean, sir,
7 that you do not have an opinion as to whether
8 the other districts were under or overallocated
9 interest during the period relevant to this
10 lawsuit?
11 **A. No.**
12 Q. How can you have an opinion that all
13 of the other districts were underallocated
14 interest if you don't know whether, for
15 example, District 109 was overallocated
16 interest during the ten quarters you studied?
17 **A. I didn't form a conclusion on District**
18 **109's entries.**
19 Q. But yet you're voicing an opinion that
20 all of the other districts were underallocated
21 money on interest because District 204 was
22 overallocated, aren't you?
23 **A. Yes.**
24 Q. How can you possibly reach that

1 conclusion if you have no opinion as to whether
2 during the time period you studied District 109
3 they were under or overallocated interest?
4 **A. Those are really two completely**
5 **unrelated things.**
6 MR. HOFFMAN: Okay. Let's take a couple of
7 minutes.
8 (Recess.)
9 MR. HOFFMAN: Back on the record.
10 Mark this as Exhibit No. 6.
11 (WHEREUPON, said
12 document was marked as
13 Martin Deposition
14 Exhibit No. 6 for
15 Identification.)
16 BY MR. HOFFMAN:
17 Q. We marked as Martin Exhibit No. 6 a
18 spreadsheet that we obtained from your Counsel.
19 It says Summary Interest Income in the name of
20 the Excel spreadsheet. Can you tell me what
21 this document is, please?
22 **A. Yes. This is the summary of the**
23 **interest allocations from the general ledger**
24 **for District 204 by year.**

1 Q. Okay. And how did you -- there's one
2 highlighted row on the second page. Why is
3 that row highlighted?
4 **A. Is that highlighted in the sheet?**
5 Q. This is exactly as I received it, sir.
6 Question is: Why is that highlighted?
7 **A. I think that was one of the rows that**
8 **had a question that was a difference from -- I**
9 **don't know. I don't know why that's**
10 **highlighted, actually.**
11 Q. Okay. I appreciate your candor.
12 Now, who prepared this?
13 **A. I did.**
14 Q. And tell me how you pulled
15 these -- where did you get these numbers from?
16 **A. Those are from the -- I don't remember**
17 **the name of that form.**
18 Q. The general ledger?
19 **A. General ledger 205 reports. I can't**
20 **remember what they're called.**
21 Q. I'll help you. Are they called the C5
22 Reports?
23 **A. Yes. Exactly.**
24 Q. It's Bradshaw Exhibit No. 7. They're

1 also C5-1510?
2 **A. Yes.**
3 Q. These were the reports you used to get
4 that?
5 **A. Yes.**
6 Q. And so tell me the -- in going through
7 the general ledger, and we talked about this in
8 general before, in going through the general
9 ledger, there's a number of entries in the
10 general ledger that are related to interest,
11 correct?
12 **A. Yes.**
13 Q. And some of them were pertinent to
14 your analysis and some of them were not, right?
15 **A. Yes.**
16 Q. Tell me by description which ones were
17 pertinent to your analysis and which ones were
18 not?
19 **A. Sure. That's mostly related to the**
20 **education fund, because the other funds it's**
21 **pretty much just the allocated interest in most**
22 **cases.**
23 **But the education fund gets a lot**
24 **of other interest things coming in or things**

1 that are marked interest and things. And I was
2 looking for the ones that said quarterly
3 interest on there. And then evaluating for
4 other large items on there, if there was
5 another large entry, seeing if it was like a
6 transfer, sometimes interest transfer from one
7 fund to another, those would not be included if
8 it was moving it from, oh, I don't know, just
9 for example, working cash education, they would
10 cancel each other out.

11 But it was trying to see which
12 ones would relate back to the Healy report.

13 Q. So you included -- and you never spoke
14 to any of the individuals at the TTO who
15 actually made these journal entries, did you?

16 A. No.

17 Q. So on the very first one here on
18 Bradshaw Exhibit No. 7, we can see there's a
19 quarter and -- there's a series of entries on
20 this first page for the general ledger report.
21 And so tell me which of these you used to put
22 into your summary interest income?

23 A. It should be the quarterly interest,
24 quarterly distribution of interest, quarterly

1 distribution and the quarterly distribution
2 here.

3 Q. So the four quarterly distributions?

4 A. Yes.

5 Q. So if there are other records of
6 interest that's paid, you did not include that,
7 except you said if it was a large number and
8 you couldn't track it back to something else.
9 What do you mean by that?

10 A. I mean that in some periods if you
11 look at the detail there's a -- you know,
12 there's an interest says interest transfer.
13 Sometimes it was -- and there was also some
14 posting entries and corrections where things
15 would be reversed out that were all washed out.
16 So something washed out against another entry,
17 it was offset by another entry, I guess, it
18 wasn't included.

19 Q. When there is a correction made in one
20 quarter that applied to a prior quarter, did
21 you ever see any instances of that happening in
22 the general ledger?

23 A. I don't recall offhand actually.

24 Q. Well, in keeping with your approach,

1 what would you have done with an entry in
2 quarter number two that corrected an interest
3 payment attributable to quarter number one?
4 How would that work?

5 A. Well, theoretically it would be on
6 this sheet, if I -- if I picked it up.

7 Q. I don't know what this sheet is.

8 A. If I -- when I was typing the entries
9 on to Martin Exhibit 6, that would just create
10 an out-of-balance between period to period. It
11 would reverse from one period to another.

12 Q. I didn't follow any of that.

13 Let me ask you this question a
14 better way.

15 A. Sure.

16 Q. According to your methodology, and
17 there are instances of this occurring by the
18 way, in quarter number two, if there's a
19 general ledger journal entry that has a
20 correction for quarterly interest paid
21 attributable to quarter number one, did you
22 attribute the correction to quarter number one
23 or quarter number two?

24 A. I don't recall.

1 Q. In keeping with how this would make
2 sense, would that go to quarter one or quarter
3 two or really doesn't matter in your opinion?

4 A. It really wouldn't matter. If it were
5 not picked up correctly, you would see a
6 difference between -- like the comparison to
7 the Healy number, it would be offset by the
8 opposite number the following quarter.

9 Q. Didn't you try to come up with an
10 accurate record for each quarter?

11 A. Yes.

12 Q. So if there was an entry that was
13 correcting quarter number one that was written
14 in quarter number two, wouldn't it make more
15 sense to put the corrected journal entry,
16 attribute that to quarter number one for
17 purposes of your summary in Martin Exhibit 6?

18 A. Yes.

19 Q. In how many instances in producing
20 Martin Exhibit 6 did you find differences
21 between your numbers and the numbers in Ms.
22 Bradshaw's calculations?

23 A. Right, that be would the column on the
24 right on page two, that would be -- appears

1 **there, so it was in 2005 and 2006.**

2 Q. And they were minor differences in
3 2007 and 2008, as well?

4 **A. Yes, that's true.**

5 Q. Are those the differences you describe
6 in your disclosure statement that we looked at
7 earlier?

8 **A. Yes.**

9 MR. HOFFMAN: Mark this as Exhibit No. 7.
10 (WHEREUPON, said
11 document was marked as
12 Martin Deposition
13 Exhibit No. 7 for
14 Identification.)

15 BY MR. HOFFMAN:

16 Q. Sir, can you tell me what Martin
17 Exhibit No. 7 is? We received this from your
18 Counsel as a series of spreadsheets containing
19 a workbook that was entitled Interest to
20 Allocation Analysis II.

21 **A. Yes.**

22 Q. Was there an Interest to Allocation
23 Analysis I?

24 **A. I'm assuming --**

1 Q. Is this a more current version?

2 **A. I'm assuming it was. I named it that**
3 **because that was the one that was being**
4 **referred to in prior depositions.**

5 Q. I see. So Ms. Bradshaw had an
6 analysis number one, analysis number two, and
7 number two corrected number one, so you just
8 worked off of her number two?

9 **A. Right, rather than come up with a**
10 **wildly different format.**

11 Q. I understand. That makes sense.

12 So in looking at Bob Healy's
13 notes, were there any -- were there ever any
14 quarters during the relevant time period in
15 which Bob Healy's notes for given quarter were
16 missing?

17 **A. I don't recall that. I think we had**
18 **the paper sheets for all of them.**

19 Q. Were there ever any quarters in which
20 the general ledger information was missing?

21 **A. No.**

22 Q. The summary page contains your summary
23 for each fiscal year of what you claim to be
24 the overallocation to District 204, right?

1 **A. Yes.**

2 Q. And do you have any knowledge as to
3 how or why District 204 received any of these
4 alleged overallocations?

5 **A. How or why?**

6 Q. Yes, how and why.

7 **A. I don't know why. I wouldn't be -- I**
8 **could talk about how.**

9 Q. Well, tell me how.

10 **A. Well, the Healy notes describe the**
11 **percentage ownership that each district owns of**
12 **the fund balance, and that was traced to the**
13 **analysis here to show, yes, here's the thing**
14 **there.**

15 **Except for those periods where**
16 **the amounts that they were ascribed for**
17 **interest don't match what was on those sheets.**

18 Q. But I guess maybe I can ask a better
19 question.

20 You are of the opinion that
21 Healy's notes state how much interest District
22 204 should have received and that the general
23 ledger states how much District 204 did
24 receive, right?

1 **A. Yes.**

2 Q. And my question is:
3 Somewhere -- you're saying that somewhere
4 between Healy's handwritten notes and the
5 general ledger entries, District 204's numbers
6 in certain years increased and in some years
7 decreased, right?

8 **A. Yes, there were other entries, for**
9 **example.**

10 Q. Right. So my question is: Do you
11 know -- and some of those years go back to 1995
12 and 1997 and 1998 and 2000, correct?

13 **A. Yes.**

14 Q. And I guess what I'm saying is: Do
15 you know as a factual matter how it came to
16 occur that these alleged overallocations or in
17 some instances underallocations were made?

18 **A. That would be the person making the**
19 **journal entries. I don't know why they would**
20 **have made those entries when they did that.**

21 Q. Do you understand my question? I
22 thought it was pretty understandable.

23 **A. Not exactly.**

24 Q. The documents show what you claim to

1 be an over or an underallocation in about half
 2 of the years that you looked at, right?
 3 **A. Yes.**
 4 Q. My question is: For example, do you
 5 have any idea why in 1995 District 204 was
 6 allegedly overallocated a little over \$5,000?
 7 **A. No, I don't know why that was done,**
 8 **no.**
 9 Q. And would your answer be the same for
 10 each year in which you see an over or an
 11 underallocation?
 12 **A. Yes, I have no idea why those entries**
 13 **were made.**
 14 Q. Okay. And isn't that something that
 15 you thought was important to ask either Bob
 16 Healy or somebody else who might have knowledge
 17 about this?
 18 **A. No.**
 19 Q. Did you ever speak with a woman named
 20 Cheryl Sudd, S-U-D-D?
 21 **A. Not that I recall.**
 22 Q. Do you know who she is?
 23 **A. No.**
 24 Q. She was Kelly Bradshaw's predecessor

1 as an outside accountant for --
 2 **A. Oh.**
 3 Q. You don't remember Bob Healy talking
 4 about Sheryl Sudd in his deposition testimony?
 5 **A. Not specifically, no.**
 6 Q. Okay. Did you ever try to contact any
 7 of the auditors at Baker Tilly?
 8 **A. No.**
 9 Q. Why not?
 10 **A. Well, that wouldn't be something that**
 11 **would typically be done.**
 12 Q. Why not?
 13 **A. Because we wouldn't have any -- I**
 14 **wouldn't have as an expert in this litigation**
 15 **any standing to contact the auditors about**
 16 **their work product or their engagement with the**
 17 **Trustee's Office.**
 18 Q. Would you ever ask your client to get
 19 information from Baker Tilly in a situation
 20 like this?
 21 **A. No.**
 22 Q. Why not?
 23 **A. I just wouldn't be -- wouldn't be a**
 24 **typical procedure.**

1 Q. Okay. Fair enough.
 2 In the Bradshaw analysis number
 3 two, which was marked at her deposition as
 4 Bradshaw Exhibit No. 3, let me have you look at
 5 at that. You're familiar with that document?
 6 **A. Yes.**
 7 Q. So you see like -- your format follows
 8 hers and has a column for RH calculation versus
 9 general ledger plus or minus a thousand dollars
 10 per quarter, right?
 11 **A. Yes.**
 12 Q. And why did you continue to use the
 13 cutoff of a thousand dollars per quarter as
 14 significant?
 15 **A. It's -- anything less than that would**
 16 **be kind of a nominal amount, just for**
 17 **simplicity sake.**
 18 Q. You were capable of calculating it,
 19 weren't you?
 20 **A. Oh, yes.**
 21 Q. Why didn't you?
 22 **A. Just for a summary analysis that would**
 23 **be -- just for the sake of brevity really.**
 24 Q. This isn't a summary analysis, this is

1 the exact amount of money in Martin Exhibit 7
 2 that the TTO is demanding that LT pay to it,
 3 right?
 4 **A. Yes.**
 5 Q. Why didn't you -- as long as you had
 6 all the data input, why didn't you go through
 7 for each quarter and determine precisely what
 8 the claimed over or underallocation was so you
 9 could come up with an exact amount? Why didn't
 10 you do that?
 11 **A. Just --**
 12 MR. KALTENBACH: Objection. Asked and
 13 answered.
 14 BY MR. HOFFMAN:
 15 Q. Why didn't you do that?
 16 MR. KALTENBACH: Same.
 17 THE WITNESS: Just below a thousand dollars
 18 is -- you know, I guess we certainly could
 19 have, but just below a thousand dollars would
 20 be, you know, smaller entries and things like
 21 that.
 22 BY MR. HOFFMAN:
 23 Q. Well, weren't you trying to come up
 24 with the most accurate number possible?

1 I mean you spent \$120,000 to come
2 up with something, and yet you have a concern
3 about brevity. I don't understand why.

4 MR. KALTENBACH: Objection. Argumentative.
5 BY MR. HOFFMAN:

6 Q. You can answer.

7 A. I didn't --

8 Q. You spent \$120,000 in fees and months
9 and months working on this, yet you said you
10 ignored quarters that had anything less than a
11 thousand dollar difference for purposes of
12 brevity.

13 So my question is: Why is
14 brevity important?

15 A. There could be things related to
16 posting, posting entry errors, you know, small
17 transaction, things like that, just to cut it
18 down to the larger material transactions.

19 Q. Well, some of those entries could have
20 been negative amounts that would have lowered
21 this \$1.4 million figure, correct?

22 A. It's possible, I suppose.

23 Q. Okay. In Bradshaw's analysis, there's
24 an additional column for additional differences

1 -- what she tried to do was she tried to
2 correct Healy's handwritten notes with
3 additional documents relating to fund balances,
4 right?

5 A. Yes, that's my understanding anyway.

6 Q. And those documents were, in fact,
7 documents I am about to put in front of you,
8 which are Bradshaw Exhibit No. 8, which you've
9 seen before, right?

10 A. Yes.

11 Q. Okay. So earlier when you said you
12 weren't sure what documents she used to get
13 this additional column, these documents,
14 Bradshaw 8, these were the additional --

15 A. I believe so.

16 Q. You believe so or yes?

17 Is there any uncertainty?
18 Because you did read her deposition transcript,
19 right?

20 A. Oh, yes, sir.

21 Q. So your conclusion was that we can
22 rely on Healy's -- we can rely on the figures
23 in Healy's notes relating to fund balance
24 amounts, right?

1 relating to system reports versus RH figures
2 used, and that totals out to \$97,070.12. Do
3 you see that?

4 A. Yes.

5 Q. And that column is not part of your
6 analysis, correct?

7 A. That's correct.

8 Q. Why did you eliminate that part of
9 Bradshaw's analysis?

10 A. Because I didn't agree with the
11 approach on that.

12 Q. Explain to me why.

13 A. Okay. Well, this, as it says, is
14 differences related to a system report versus
15 the figures that he used on the Healy notes.

16 Q. Right.

17 A. Those systems were just, I don't know
18 why they were -- why they were different or
19 what the source of the difference in that was,
20 but since they were applied in the Healy notes
21 in the same proportion to all the districts,
22 the error would be really meaningless to the
23 allocation of funds.

24 Q. Well, her analysis claimed that

1 A. That's right.

2 Q. And why did you feel that those
3 amounts were amounts you could rely on when Ms.
4 Bradshaw felt that they needed to be adjusted
5 as she did?

6 A. Right. Well, I wasn't opining whether
7 or not they needed to believe adjusted or not.
8 What I was saying, and the reason I excluded
9 this was, if there is a difference between
10 Healy's sheets or the Healy notes and some
11 other report, that under the methodology by
12 which they allocated interest, the error would
13 be attributed in the correct proportion to all
14 the districts and it wouldn't be a damage
15 amount.

16 Q. So how did she come up with a \$97,000
17 figure with those adjustments if -- so the
18 \$97,000 was too much you're saying? It was
19 unjustified?

20 A. Right. I don't believe -- in my
21 opinion, it shouldn't have been treated as a
22 damage. It might have been an error, but it
23 would have been an error applied evenly to all
24 the districts.

1 Q. And then if you turn to page two of
2 Martin Exhibit No. 7, you have a two-page
3 spreadsheet entitled Interest Allocation
4 Compare System Reports to GL and RH
5 Calculations. Do you see that?

6 A. Yes.

7 Q. And this is a spreadsheet you created,
8 correct?

9 A. Um, well this is based on the Bradshaw
10 Exhibit 2.

11 Q. Okay. So you used her spreadsheet,
12 but you made changes to it, correct?

13 A. Yes.

14 Q. I just want to know who -- because
15 there are different spreadsheets in this
16 workbook as we're noting, and I'm just looking
17 at this particular one, and this is something
18 you took from Bradshaw's work, made adjustments
19 do it, and it now is your work, correct?

20 A. Yes.

21 Q. Okay. So the column that's listed as
22 A, or there is an A on top of it -- so I'm on
23 the second page of Martin Exhibit No. 7, and
24 there's a column entitled 204 FB Per RH and

1 that's E, so the column that says E, times the
2 rate, the percentage, that's the 8 percent B
3 column. The first interest column here, the
4 big gray one.

5 Q. Then you come up with a total,
6 calculated interest allocation, and that's what
7 you say is the interest allocation per Healy's
8 notes?

9 A. Yeah, the one that has the G at the
10 top.

11 Q. And does that number in all instances
12 match the calculation that Healy, himself, made
13 in taking the percentages, applying it to the
14 total distribution and getting the number for
15 204?

16 A. Yes.

17 Q. And you didn't use the calculated
18 interest allocation per reports column, right?

19 A. The H, no, that was that report one
20 again.

21 Q. And column F was the allocation per
22 TTO general ledger, correct?

23 A. Yes.

24 Q. And that was the -- and then column I

1 that's fund balance, right?

2 A. Per Robert Healy, right.

3 Q. And then you get a percentage A times
4 B, and that's the percent of the fund balance
5 that belongs to District 204, correct?

6 A. Yes.

7 Q. And then there's a second set of fund
8 balances. It says Fund Balance Per Reports --
9 Total Average Fund Balance Per Reports. That's
10 the additional column that Bradshaw used that
11 you did not use?

12 A. Yes.

13 Q. So you didn't use C or D or the
14 product of C times D, right, the percentage?

15 A. Those ones there are the ones I did
16 not use.

17 Q. Got it. And then the income column is
18 the amount of money that was written in Healy's
19 notes for distribution, correct?

20 A. Total income on the Healy notes, yes.

21 Q. Okay. And what is the calculated
22 interest allocation, is that the -- what is
23 that?

24 A. So that is -- that's at the top,

1 is the difference between Healy's notes and the
2 general ledger, correct?

3 A. Yes.

4 Q. And that became -- is that the number
5 that then became the basis for your summary
6 amounts on page one?

7 A. Well, somewhat. It's the same logic,
8 but I use this page in the back, not this
9 actual schedule.

10 In the electronic one it's the
11 third tab, not the second tab.

12 Q. So the third worksheet is called
13 Interest Allocation Compare RH Calculation to
14 General Ledger Selected Quarters with plus or
15 minus 1,000 difference, right?

16 A. Yes.

17 Q. This is a document you prepared?

18 A. Yes.

19 Q. And this --

20 MR. KALTENBACH: You guys are not looking
21 at the same page.

22 THE WITNESS: I'm sorry. This one here.

23 BY MR. HOFFMAN:

24 Q. Sorry. Let's start over.

<p style="text-align: right;">Page 118</p> <p>1 So the second tab was -- let's go</p> <p>2 back.</p> <p>3 The first page of Martin 7 is a</p> <p>4 summary page, right?</p> <p>5 A. Yes.</p> <p>6 Q. And then the second and third pages</p> <p>7 are -- we were just talking about, they are the</p> <p>8 ones where you took Bradshaw's numbers, you</p> <p>9 adjusted them and checked them, and you used</p> <p>10 some of the information on this worksheet but</p> <p>11 not all of it?</p> <p>12 A. I didn't use this at all. Some were</p> <p>13 redundant. This is a shortened version of this</p> <p>14 one actually.</p> <p>15 Q. Let's get to that.</p> <p>16 So the two pages -- the next two</p> <p>17 pages, two and three of this document, we</p> <p>18 already talked about.</p> <p>19 Page four of this document is</p> <p>20 what, where it says compare RH calculation to</p> <p>21 general ledger?</p> <p>22 A. This is, I think, her comparing it to</p> <p>23 the report.</p> <p>24 Q. Okay. This is not a document you</p>	<p style="text-align: right;">Page 120</p> <p>1 correct?</p> <p>2 A. Yes.</p> <p>3 Q. What is it?</p> <p>4 A. This is the by quarter interest --</p> <p>5 comparison interest allocated to 204 versus</p> <p>6 what was on the Healy notes.</p> <p>7 Q. Okay. And this is a document that you</p> <p>8 created, correct?</p> <p>9 A. Yes. I modified the one I was given,</p> <p>10 but, yes, this is my thing now.</p> <p>11 Q. And the three red boxes are the</p> <p>12 box -- are the quarters for which you made</p> <p>13 changes to Bradshaw's numbers?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. And there are some of these</p> <p>16 rows in which there's no data, and what does</p> <p>17 that mean in those rows?</p> <p>18 A. That means there was an entry in</p> <p>19 the -- in the ledger that wasn't supported by</p> <p>20 an amount that's in the Healy sheets. Or Healy</p> <p>21 notes. Sorry.</p> <p>22 Q. What is the spreadsheet that is the</p> <p>23 next spreadsheet where it is a quarterly</p> <p>24 interest allocation analysis School District</p>
<p style="text-align: right;">Page 119</p> <p>1 created?</p> <p>2 A. No.</p> <p>3 Q. Do you know what the if then number</p> <p>4 one and if then number two columns mean on the</p> <p>5 right-hand side?</p> <p>6 A. I think she was creating a filter, but</p> <p>7 I'm not sure.</p> <p>8 Q. Isn't -- it seems obvious to me that</p> <p>9 they are to track overpayments or</p> <p>10 underpayments, yes?</p> <p>11 A. Was that a question?</p> <p>12 Q. Yes.</p> <p>13 A. I don't know. I don't know what she</p> <p>14 was trying to set up with that.</p> <p>15 Q. Fine. Then the next worksheet is two</p> <p>16 pages long, and it says Compare System Reports</p> <p>17 to GL and RH Calculations, and it's got a</p> <p>18 couple of red boxes in it. Is this a</p> <p>19 simplified version of the second spreadsheet</p> <p>20 that we looked at previously? What is this?</p> <p>21 A. This spreadsheet or this one here?</p> <p>22 Q. We're looking at a spreadsheet that</p> <p>23 has three red boxes in the middle in Martin</p> <p>24 Exhibit No. 7, and it's two pages long,</p>	<p style="text-align: right;">Page 121</p> <p>1 No. 204, and it's a two-page -- strike that.</p> <p>2 Three pages, and it's the last three pages of</p> <p>3 Martin Exhibit No. 7?</p> <p>4 A. This is, I believe, her calculating</p> <p>5 the difference between the reports and the</p> <p>6 Healy notes, which again I didn't use in</p> <p>7 damages.</p> <p>8 Q. So this last spreadsheet is a Bradshaw</p> <p>9 spreadsheet, the one with the two yellow rows,</p> <p>10 and you didn't create this and you didn't use</p> <p>11 it?</p> <p>12 A. Correct.</p> <p>13 Q. Thank you. And on the first page of</p> <p>14 Exhibit No. 7 there's two numbers in red. Is</p> <p>15 that because these are the two years in which</p> <p>16 you made changes to Bradshaw's column in her</p> <p>17 spreadsheet or her summary?</p> <p>18 A. Yes, exactly.</p> <p>19 Q. Okay. Thank you, sir.</p> <p>20 Did you personally look at the</p> <p>21 audit reports for the TTO during the relevant</p> <p>22 time period?</p> <p>23 A. Well, I looked at some years. I</p> <p>24 didn't look at all the years.</p>

1 Q. What was the purpose at looking at the
2 audit reports?
3 You testified earlier it was to
4 get background information about how the system
5 worked; is that right?

6 **A. Exactly right. How they did**
7 **accounting, what their procedures were, things**
8 **like that.**

9 Q. Did you see in some of the years, in
10 particular in '95 through 2007, that there were
11 statements in the TTO audit reports for the
12 amount of money they took in for interest on
13 the pooled investments and the amount of money
14 they distributed out or at least the net of
15 those two numbers?

16 **A. No.**

17 Q. But you read these but you didn't
18 notice those entries?

19 **A. I didn't read those -- I did not read**
20 **the audit reports that far back.**

21 Q. How far back did you go?

22 **A. 2008.**

23 Q. It's funny, that's exactly the year
24 where that information ceases to be on the

1 the same page.

2 **A. Yes, this one.**

3 Q. You see under receipts, the very first
4 line has earnings on investments and then a
5 negative number for earnings on investments
6 distributed to school districts and then a line
7 for net earnings on investments?

8 **A. Yes, I see that.**

9 Q. Okay. And you see that there's a
10 comparison in this statement for the numbers
11 for 2007 fiscal year to the numbers for 2006
12 fiscal year, correct?

13 **A. Yes, that's the column over here.**

14 Q. In each year the TTO retained a little
15 over a million dollars in each of those years
16 in net earnings on investments, correct?

17 **A. That's what it shows on here, yes.**

18 Q. Okay. And do you know of any reason
19 why the -- did anybody from -- do you remember
20 reading in the deposition of Dr. Birkenmaier a
21 discussion about these net earnings on
22 investment figures in the audit reports?

23 **A. Vaguely.**

24 Q. I mean did reading that make you

1 audit reports.

2 **A. Really?**

3 Q. Yes. Is that coincidence or did
4 somebody tell you to start looking at them in
5 2008?

6 **A. No, I think I looked at the ones that**
7 **were on the website.**

8 Q. Okay. Let's take a -- let's take a
9 look at 2007. I'll hand that to you. I can
10 get you the right page. It's pretty easy.

11 MR. KALTENBACH: Is there an exhibit number
12 on it?

13 MR. HOFFMAN: Yes. So this is TTO
14 Deposition Exhibit No. 19. That's from Susan
15 Birkenmaier's deposition.

16 BY MR. HOFFMAN:

17 Q. Let me get to the page. We're looking
18 at the 2007 audit report, page 13. And
19 statement of revenue expenditures and changes
20 in fund balance for the governmental fund in
21 the TTO audit, right? We're looking at the
22 same page?

23 **A. Oh, yeah.**

24 Q. I want to make sure you're looking at

1 interested in going back and looking at the
2 audit reports and seeing what they had to say
3 about investment earnings?

4 **A. No.**

5 Q. Why not?

6 **A. Well, again, this is related to the**
7 **amount that was -- the difference between the**
8 **actual earnings and the distribution earnings.**

9 Q. Right. And so what you're saying, if
10 the TTO over this two-year fiscal period held
11 on to over \$2 million in investment income
12 earned, it doesn't affect your analysis because
13 it would just be money that would be payable to
14 all of the districts proportionately?

15 **A. In their proper proportion, yes. Same**
16 **proportion by all the districts, according to**
17 **their proportions, yes.**

18 Q. So I guess my question is: If this \$2
19 million, for example, is still sitting in an
20 account at the TTO, would that be money that
21 District 204 would be entitled to receive and
22 should be offset against the \$1.4 million
23 damage claim that you came up with?

24 **A. I have no idea.**

1 Q. Well, is there money at the TTO today
2 that's attributable to past investment income
3 funds that belong to the districts?

4 **A. I don't know.**

5 Q. Would that be important to your
6 analysis? Because wouldn't that be an offset
7 as to money you claim was overallocated to
8 District 204?

9 **A. No.**

10 Q. Why not?

11 Are you assuming that the TTO
12 some day eventually will distribute this money
13 it's holding to District 204, is that the basis
14 of your assumption?

15 **A. I have no idea if they are going to
16 distribute it or not.**

17 Q. Don't you think based on everything
18 you know about the TTO, isn't it true that when
19 they make money on their investments, that are
20 the districts' pool fund, that they have an
21 obligation to pay that money in proportionate
22 shares to the district?

23 MR. KALTENBACH: I object to the extent
24 it's asking the witness to offer a legal

1 opinion, but you can answer.

2 BY MR. HOFFMAN:

3 Q. If you don't know the answer, and you
4 don't understand how the TTO works, you can
5 tell me that, but I'd like an answer to my
6 question. Read it back.

7 (Said question was read
8 back.)

9 Q. Don't you think
10 based on everything you
11 know about the TTO,
12 isn't it true that when
13 they make money on their
14 investments, that are
15 the districts' pool
16 fund, that they have an
17 obligation to pay that
18 money in proportionate
19 shares to the district?

20 THE WITNESS: I have no idea about the
21 obligations of the Trustee's Office to
22 pay -- to pay the interest when earned.

23 BY MR. HOFFMAN:

24 Q. And your analysis doesn't account for

1 any money at the TTO or any money that the TTO
2 might have today that is undistributed
3 investment income, correct?

4 **A. That's correct.**

5 Q. And you do remember a discussion in
6 Dr. Birkenmaier's deposition about a fund
7 totalling approximately \$1.7 million that
8 relates back to those 2013 memos we looked at
9 where there's money that may be unallocated
10 interest income, do you remember that
11 testimony?

12 **A. I remember the testimony.**

13 Q. And did you do anything to follow up
14 on those amounts to see if there's credits that
15 District 204 might be entitled to that would
16 impact upon your analysis?

17 **A. No.**

18 Q. Why not?

19 **A. Because that would not impact my
20 analysis.**

21 Q. Because your analysis is strictly
22 limited to comparing these two sets of
23 documents during the 1995 to 2012 time period,
24 right?

1 **A. Not exactly, no.**

2 Q. Okay. Why not? Why do you say not
3 exactly?

4 **A. My analysis is about the income that
5 was ascribed to 204 that was out of proportion
6 with the other districts.**

7 Q. If the TTO still owes money to
8 District 204 relating to interest income,
9 wouldn't that be relevant to your analysis?

10 **A. No.**

11 Q. Do you recall in Healy's testimony
12 that he said that he prepared conservative and
13 preliminary figures in his notes, and he handed
14 all the information over to Cheryl Sudd and to
15 the auditors to come up with final interest
16 allocations to the districts?

17 **A. Yes, I remember him saying that.**

18 Q. And that's different than the
19 procedure that you described in your
20 disclosure, isn't it?

21 **A. I don't know.**

22 Q. What do you mean you don't know?

23 In your disclosure you describe a
24 procedure where somebody simply takes Healy's

1 notes and manually enters them in without any
 2 further changes or analysis or anything in the
 3 general ledger, right?
 4 **A. Again, I can only see the entries that**
 5 **actually end up in the general ledger.**
 6 Q. That's not the question I asked. And,
 7 frankly, you didn't answer the question.
 8 In the disclosure you describe a
 9 procedure at the Treasurer's Office during the
 10 relevant time period where somebody, whom by
 11 the way you don't name, and we'll get to that
 12 in a second, somebody takes Healy's notes and
 13 simply inputs that in the general ledger,
 14 right?
 15 **A. Yes.**
 16 Q. And who is the person who did that?
 17 **A. Does the entry?**
 18 Q. Yes.
 19 **A. I don't know. I didn't note that.**
 20 Q. Okay. So your understanding is that
 21 the Healy notes are the final statement of what
 22 each district should get, and then it's just
 23 simply a matter of mechanically taking those
 24 numbers putting them into the general ledger,

1 right?
 2 **A. Yes, it should be.**
 3 Q. But that's not what Healy said in his
 4 deposition, was it?
 5 **A. No, he said there was a true-up at the**
 6 **end of the year.**
 7 Q. What Healy said in his deposition was
 8 that the accurate -- that his numbers were
 9 conservative and preliminary in his notes, and
 10 that the exact and accurate figures were what's
 11 stated in the general ledger; isn't that what
 12 Healy said?
 13 **A. That's what he said in his deposition.**
 14 Q. Why didn't you pick that up as how you
 15 described the procedure in your disclosure?
 16 **A. Because I picked up the entries that**
 17 **were in the general ledger.**
 18 Q. That's not my question. My question
 19 is: How come Healy's testimony about this
 20 process and how it worked, which is the only
 21 factual information you have, is different from
 22 how you described the procedure in the
 23 disclosure?
 24 MR. KALTENBACH: Objection as to the form

1 of the question.
 2 BY MR. HOFFMAN:
 3 Q. Why is it different?
 4 MR. KALTENBACH: Same.
 5 THE WITNESS: Because my analysis is based
 6 on the review of the general ledger records,
 7 which show the four entries for interest, one
 8 quarterly entry for the interest four times a
 9 year.
 10 BY MR. HOFFMAN:
 11 Q. Didn't Healy testify that his
 12 handwritten notes were preliminary and
 13 conservative estimates, and that they were
 14 subject to later development by Sudd and the
 15 auditors?
 16 **A. Yes, he did.**
 17 Q. Why would you accept his numbers as
 18 the numbers that absolutely should have been
 19 paid to the districts in each quarter?
 20 **A. Because that showed the allocation of**
 21 **the interest and the proper proportions to all**
 22 **the underlying districts.**
 23 Q. You also saw Healy's testimony that he
 24 never overallocated interest to any district at

1 any time, right?
 2 **A. Yes, I think he said that.**
 3 Q. And are you saying that is incorrect,
 4 that testimony is incorrect?
 5 **A. I'm saying that the numbers he had in**
 6 **his notes are not the numbers that are**
 7 **reflected in the end general ledger numbers.**
 8 MR. KALTENBACH: Let's take a two-minute
 9 break.
 10 MR. HOFFMAN: Sure. No problem.
 11 (Recess.)
 12 BY MR. HOFFMAN:
 13 Q. Sir, I've got a couple of more
 14 detail-oriented questions for you about your
 15 analysis. And in the event you do need to
 16 reference to any of the general ledger reports,
 17 which is Bradshaw No. 7, it's right in front of
 18 you, in the event you need to refer to any of
 19 the Healy handwritten notes, there's Bradshaw
 20 Exhibit No. 5 and 6, and those are right in
 21 front of you as well.
 22 Mark this as Exhibit No. 8.
 23 (WHEREUPON, said
 24 document was marked as

1 Martin Deposition
2 Exhibit No. 8 for
3 Identification.)

4 BY MR. HOFFMAN:

5 Q. So, we have Martin Exhibit No. 8,
6 right?

7 A. Yes.

8 Q. And this is a general ledger for the
9 period that includes first half of 1995. And
10 as I read your report, the TTO alleges that
11 District 204 was overpaid by \$5,000 for
12 quarterly interest.

13 When we look at the general
14 ledger, what I found was an interest transfer
15 on page 12 in the amount of \$5,000.

16 So my question to you is: Am I
17 looking at the right general ledger entry that
18 is the basis for your opinion? And then if
19 yes, how did you determine that that \$5,000 was
20 quarterly interest?

21 That's actually one question I
22 asked you that is compound.

23 And why don't we start with, is
24 this the right journal entry that you found an

1 somewhere?

2 Q. Right here.

3 A. Thank you.

4 Q. So you're looking for the second
5 quarter of 1995, correct?

6 A. Yes, this line here that's the --

7 Q. We're looking at --

8 A. 260,567.

9 Q. 265 -- 260,567, is what?

10 A. That's the amount of -- that's the
11 amount of the general ledger total. And on
12 here we can see --

13 Q. Let me ask you this: In looking at
14 Martin Exhibit No. 8, which is the general
15 ledger for that time period, so the only
16 interest payments that went into that were the
17 general ledger entries described as quarterly
18 distribution of interest, correct?

19 A. Yeah, it would be -- so you can see
20 here --

21 Q. No, I'm asking you -- pay attention to
22 my question, please.

23 On Martin Exhibit No. 8, there's
24 all kinds of --

1 extra \$5,000 payment, or is it some other
2 general ledger for this year?

3 A. Sure. Could I see the exhibit --

4 Q. You can look at any other exhibit you
5 want to look at.

6 MR. KALTENBACH: Martin 6?

7 THE WITNESS: Oh, yeah, Martin 6.

8 BY MR. HOFFMAN:

9 Q. And I'll look at that with you.

10 A. No, that's not -- I don't pick that
11 one up.

12 Q. Where does that \$5,000 come from?

13 MR. KALTENBACH: Objection to form.

14 THE WITNESS: Where does it come from?

15 BY MR. HOFFMAN:

16 Q. Well, here you got \$5,000 for that
17 year.

18 A. I understand.

19 Q. So which quarter of fiscal year 1995
20 does the alleged \$5,000 overpayment occur, how
21 about that?

22 A. Oh, that's in quarter -- let's see.

23 So it looks like the second quarter 4/30.

24 -- let's see, are the Healy notes here

1 MR. KALTENBACH: Don't reprimand him.

2 BY MR. HOFFMAN:

3 Q. Here's my question: On Martin Exhibit
4 No. 8, there's lots of journal entries related
5 to interest, correct?

6 A. Yes.

7 Q. And so the only ones that you pulled
8 were the ones -- and then put on your
9 spreadsheet Martin Exhibit No. 6, were the
10 quarterly distribution of interest entries,
11 correct?

12 A. Pulled the ones on Martin Exhibit 6,
13 are the ones that are on there. They're the
14 ones from this sheet here.

15 Q. Which ones? That's what I'm trying to
16 ask you. You're not paying attention to the
17 question, with all due respect, sir.

18 Is it the ones that say quarterly
19 distribution of interest, is that the ones you
20 picked?

21 A. Well, let's see.

22 Q. You don't know without checking the
23 math?

24 I mean in terms of the theory of

1 it, I want to know -- how you went about doing
2 this. And so if you're going to go through and
3 add them all up, that implies to me you're not
4 sure whether you did this right or not.

5 So my question is, sir: What was
6 the theory you used in going back and checking
7 the general ledger entries looking for
8 quarterly distributions of interest?

9 MR. KALTENBACH: Objection. Asked and
10 answered. You can answer again.

11 MR. HOFFMAN: I don't know that I got a
12 clear answer.

13 THE WITNESS: Yes, I picked up the ones
14 that say quarterly distribution of interest.

15 BY MR. HOFFMAN:

16 Q. So the one like on page 12, interest
17 transfer, that was not included?

18 **A. Specifically I can -- we can see.**

19 Q. I'm not saying it was. And then the
20 ones that say interest earned 1993 or interest
21 earned '94, interest earned is also another
22 general description that we got -- general
23 ledger description, none of those were part of
24 your capture, correct?

1 **A. Specifically on this page, none of**
2 **those are captured on Martin Exhibit 6.**

3 Q. That's not what I asked you. I'm
4 asking the methodology you used, not just this
5 one page or series of pages for this short
6 period of time.

7 Do you understand my question?
8 I'm asking you how you went back and what
9 numbers you went to in the general ledger, and
10 you're going to do a little math problem. I'm
11 not asking you a math problem. I'm asking you
12 based on the descriptions in the general ledger
13 that you've got in front of you, Martin Exhibit
14 No. 8, which of these general ledger
15 descriptions were in on your analysis and which
16 were out in?

17 MR. KALTENBACH: Objection. Compound. You
18 can answer if you understand.

19 THE WITNESS: I don't understand, because
20 you're asking a general-approach question and
21 then detailed questions about specific
22 transactions. And --

23 BY MR. HOFFMAN:

24 Q. Let me ask you, looking at Martin

1 Exhibit No. 8, tell me on page one which of the
2 journal entries you would collect as a
3 quarterly distribution of interest?

4 **A. There's the quarterly distribution of**
5 **interest for 171. Quarterly distribution of**
6 **interest for 172. Quarterly distribution for**
7 **177 and quarterly distribution of interest for**
8 **297.**

9 Q. So where there was a description that
10 talked about interest but it didn't
11 specifically reference a quarterly interest,
12 you left it alone?

13 **A. That's right.**

14 Q. And we looked at one page, but there
15 are many pages like this. Does that theory
16 apply to the other pages as well?

17 **A. Yes.**

18 Q. That's all I'm asking you.

19 **A. Okay.**

20 MR. HOFFMAN: Mark this as Exhibit No. 9.
21 (WHEREUPON, said
22 document was marked as
23 Martin Deposition
24 Exhibit No. 9 for

1 Identification.)

2 BY MR. HOFFMAN:

3 Q. This is another general ledger entry.
4 You'll see on page 11 there's an entry for
5 quarterly interest attributable to October,
6 November and December of 1997 in the amount of
7 \$4,675?

8 **A. Yes.**

9 Q. And then this entry is actually made
10 on 3/31 of 1998, correct?

11 **A. Yes.**

12 Q. So this is one of the ones that has an
13 entry in one quarter relating to a prior
14 quarter? Remember we talked about that?

15 **A. Yes.**

16 Q. So to which quarter did you attribute
17 this \$4,657 in interest?

18 **A. All right. Actually I don't pick up**
19 **that number.**

20 Q. Do you pick it up in any other
21 quarter?

22 **A. I don't think so.**

23 Q. So as far as you know, this quarterly
24 interest entry 10, 11, 12 and 1997 for \$4,675,

1 this is one that you didn't pick up, correct?

2 **A. This is not picked up.**

3 Q. Do you know why? I thought you were

4 picking up the quarterly interest numbers.

5 **A. This was from a different quarter.**

6 **And at the time I would say it shouldn't have**

7 **been in there, so let me check. I don't think**

8 **I do pick that up.**

9 Q. Well, let's turn to Martin Exhibit No.

10 7, page two.

11 **A. Okay.**

12 Q. And if you go to the row for

13 4/30/1998, and you scroll across the column I,

14 as in India, you have an amount of alleged

15 overpayment to District 204 of \$4,674.68, don't

16 you?

17 **A. Which --**

18 Q. 4/30/1998. Across the column I. You

19 claim an overpayment to District 204 of

20 \$4,674.68. Isn't that within 32 cents of this

21 entry that I'm asking you about? Is that

22 coincidence?

23 MR. KALTENBACH: Objection. Compound

24 question.

1 MR. HOFFMAN: Please.

2 MR. KALTENBACH: Jay, don't make commentary

3 on a very succinct objection.

4 MR. HOFFMAN: Please.

5 BY MR. HOFFMAN:

6 Q. Do you understand my question?

7 **A. Oh, yeah. I'm just checking into it.**

8 Q. Okay.

9 Sir, let the record reflect we

10 have been sitting here for several minutes.

11 Are you able to answer my question after

12 looking through these materials or not?

13 **A. Oh, yes.**

14 Q. I don't have an unlimited amount of

15 time.

16 **A. I'm just trying to see, because...**

17 Q. So what are you finding there?

18 **A. Well, if I didn't pick it up on this**

19 **sheet, it would actually be -- it's actually**

20 **the wrong way. So it's not a similar number.**

21 **It's actually an inverse of the number. Not**

22 **the same number.**

23 Q. You're saying it doesn't matter if you

24 didn't pick it up. I'm asking whether you

1 picked it up or not based on your review?

2 **A. No, I did not.**

3 Q. So that journal entry where you

4 thought you missed that one, you missed that

5 one?

6 **A. I didn't miss it, I didn't pick it up.**

7 Q. What's the difference between

8 missing -- not missing something and not

9 picking it up?

10 **A. I didn't overlook it, so...**

11 Q. You didn't include it in your

12 analysis, then under your theory it should have

13 been included in your analysis, so you did

14 overlook it, didn't you?

15 **A. No. Again, I was picking up the**

16 **quarterly interest numbers. It was something**

17 **from a prior period. At the time I chose not**

18 **to pick that one up.**

19 Q. So that was a conscious decision you

20 made to ignore that journal entry?

21 **A. Yes.**

22 Q. Why did you decide to ignore that

23 journal entry?

24 **A. Because in that case it wasn't clear**

1 **what that was.**

2 Q. Okay. Great. Now I'd like to show

3 you something else so you can kind of clean up

4 your work space here, please.

5 Let's mark this as Exhibit No.

6 10.

7 (WHEREUPON, said

8 document was marked as

9 Martin Deposition

10 Exhibit No. 10 for

11 Identification.)

12 BY MR. HOFFMAN:

13 Q. Martin Exhibit No. 10 is one of the

14 handwritten sheets from Bob Healy's notes,

15 right?

16 **A. Yes.**

17 Q. Great. In which quarter does this

18 apply to?

19 **A. This is the quarter -- it says it's**

20 **December 1997.**

21 Q. In the upper-right-hand corner

22 somebody hand wrote that in, but I'm pretty

23 sure that was Gretchen Kubasiak. I don't want

24 you to rely on that. But I want you to look at

1 it and figure it out on your own.
 2 Do you see -- do you know what
 3 quarter this was for?
 4 **A. Yes, December 1997.**
 5 Q. See the last page of this document,
 6 it's a fax from William F. Gurrie Bob Healy,
 7 right?
 8 **A. Yes.**
 9 Q. Do you know who Bob H was who sent it?
 10 **A. No.**
 11 Q. Went from Bob H to Bob H obviously,
 12 but he was -- William F. Gurrie was Baker
 13 Tilly -- what became part of Baker Tilly.
 14 **A. I understand that was a predecessor**
 15 **firm.**
 16 Q. Look to the third page of this
 17 document, and there is an interest reallocation
 18 dated June 30th, 1997.
 19 Tell me what this is and what
 20 significance it had for your analysis?
 21 You told me you went through all
 22 of Healy's handwritten notes and this was in
 23 the handwritten notes.
 24 **A. Yeah, I don't know what he's**

1 **suggesting here.**
 2 Q. Why was the auditor suggesting
 3 interest reallocations where there's an actual
 4 amount for each district for each of these
 5 three quarters, and then an adjusted amount and
 6 then a total difference?
 7 **A. I have no idea why he is suggesting**
 8 **that.**
 9 Q. Do you see that the auditor had 204
 10 during this year getting 101 -- over \$101,000
 11 less based on proposed adjustment?
 12 **A. I have no idea if that's what he's**
 13 **saying here.**
 14 Q. Isn't the number on the right that
 15 says total difference and amount that exceeds
 16 \$101,000, isn't it apparent?
 17 **A. Column on the right has \$101,000.**
 18 Q. And if you look on page one, Healy's
 19 handwritten notes, you see there's -- the usual
 20 column for the districts on the left side,
 21 right, correct?
 22 **A. Yes, the district numbers here.**
 23 Q. And then there's an average fund
 24 balance column?

1 **A. Yes.**
 2 Q. And then there is a quarterly interest
 3 column, right?
 4 **A. Yes.**
 5 Q. And you see some of those numbers have
 6 been whited out and restated, right? Like in
 7 district 104 and 106.
 8 **A. I have no idea.**
 9 Q. Some of the lines are gone. You don't
 10 think that's a white-out issue?
 11 **A. I have no idea.**
 12 Q. You see there is additional column
 13 that says W.F. Gurrie adjustment, ADJ?
 14 **A. Yes.**
 15 Q. That's ADJ would mean adjustment,
 16 right, in context?
 17 **A. Assume so.**
 18 Q. And you see how two of the districts
 19 have negative adjustments, including 204, which
 20 is a very big one and 109, which is a small
 21 one, and then all the others have an increase
 22 in that year. Do you see that?
 23 **A. Yes.**
 24 Q. Do you know why William F. Gurrie

1 suggested that adjustment?
 2 **A. I have no idea.**
 3 Q. You see that for District 204, William
 4 F. Gurrie suggested interest adjustment
 5 according to Healy's handwritten notes would
 6 take the quarterly interest from \$618,182 down
 7 to \$516,752, right?
 8 **A. That's what it appears to represent,**
 9 **yes.**
 10 Q. That's what the numbers say?
 11 **A. That's what the numbers say, yes.**
 12 Q. So my question is: In looking at
 13 Healy's handwritten notes, how did you deal
 14 with this William F. Gurrie adjustment to
 15 Healy's figure?
 16 **A. Let's take a look.**
 17 Q. Okay. What document do you need to
 18 look at in order to figure that out? Are you
 19 looking at Martin 7?
 20 **A. Yes.**
 21 Q. And which page?
 22 **A. The one with the red -- that one**
 23 **there.**
 24 Q. The fifth page, right?

<p style="text-align: right;">Page 150</p> <p>1 A. Yes, sir. 2 Q. Thank you. 3 A. So I pick up the 618,181, the 4 unadjusted number. 5 Q. And where is -- what is the date for 6 that quarter? 7 A. That's 1 -- the date on here is 8 1/31/98, so that would be end of the second 9 quarter. 10 Q. So in looking at Martin Exhibit No. 11 10, why did you choose to use the \$618,000 and 12 not the \$516,000 number? 13 A. Well, just for consistency, because 14 not all the forms had that one. 15 Q. Wherever there was a column for an 16 adjustment by William Gurrie, or anyone else, 17 you ignored that and went with the first line 18 calculation Mr. Healy did, right? 19 A. In this case I used the unadjusted 20 number. 21 Q. Not just this case. I'm saying 22 whenever -- you're saying that sometimes these 23 adjustments occurred. And when there was 24 adjustment you ignored it and went with the</p>	<p style="text-align: right;">Page 152</p> <p>1 Q. Well, we looked at an earlier 2 adjustment from the auditor of one and a half 3 million dollars. Do you remember looking at 4 that? 5 Remember there was an audit 6 adjustment-interest for over one and a half 7 million dollars that we looked at? 8 A. That was the fax from Bob to Bob. 9 Q. It was -- it was a document that was 10 used in Thiessen's deposition and Dr. 11 Birkenmaier's deposition, do you remember that? 12 A. Yes, we looked at that. 13 Q. So that was another instance where an 14 auditor is making an adjustment to the interest 15 events, right? 16 A. Well, purportedly, yes. I don't know 17 if that's what he was suggesting or not, but... 18 Q. Well, isn't it important to know 19 whether Healy adopted his auditor's suggestion 20 as to changing the amount of interest? 21 A. Not for purposes of this analysis, no. 22 Q. Why not? 23 A. Because any adjust -- if he had 24 adopted these in the general ledger, they'd be</p>
<p style="text-align: right;">Page 151</p> <p>1 first calculation by Healy, right? 2 A. Well, in this case I did. I have to 3 look at the other ones. 4 Q. I'm not just asking about this case. 5 My question was very clear. You can say I 6 don't know. I don't expect you to know the 7 answer to everything. You told me a second ago 8 that there were other instances than the one 9 we're looking at where there were adjustments 10 in Healy's notes, right? 11 Is this the only example of an 12 adjustment in the entire set of Healy's notes? 13 And if it is, tell me that. 14 A. I don't know. I have to look. 15 Q. So what was your -- so your practice, 16 though, it was to ignore any adjustments and 17 just simply go with the straight calculation of 18 quarterly interest that Healy did, even if 19 there were subsequent adjustments, right? 20 A. That's right. 21 Q. Okay. And my question is: Wouldn't 22 it be important for you to understand why these 23 adjustments were included here? 24 A. Not necessarily, no.</p>	<p style="text-align: right;">Page 153</p> <p>1 in the general ledger. 2 Q. But how do you know -- for example, 3 you see in District 109, do you see that 4 there's a double asterisk next to 109 on Martin 5 Exhibit 10, and you go down to the bottom and 6 it says 2 million? 7 A. Yes. 8 Q. What does that 2 million represent? 9 A. I have no idea. 10 Q. Well, isn't it possible that Healy was 11 paying more interest in some quarters and less 12 interest in other quarters based on an 13 understanding he had with District 109? 14 A. I have no idea. 15 Q. Do you see there's a single asterisk 16 next to District 106 where there is a negative 17 number of \$693,063.51? 18 A. Yes. 19 Q. What does that figure represent? 20 A. I have no idea. 21 Q. Well, is it important? 22 A. It's not important for this analysis, 23 no. 24 Q. Well, you made the opinion that all</p>

1 the other districts got uniformly underpaid
2 interest for this relevant time period because
3 District 204 was overpaid, right?

4 **A. I made the opinion that District 204**
5 **received interest out of formula with the**
6 **percentages that were -- should have been**
7 **ascribed to them versus what the other**
8 **districts should have gotten.**

9 Q. That's not my question. That wasn't
10 what I asked you.

11 What I asked you was: You
12 earlier articulated in this deposition an
13 opinion that the other districts got shorted in
14 an equal and proportionate amount because
15 District 204 got too much for the entirety of
16 this period, right?

17 **A. That's what the effect of that would**
18 **be, yes.**

19 Q. But that's not the effect of it if the
20 other districts were not getting paid in a
21 proportionate amount or way; isn't that true?
22 If the other districts got paid
23 disproportionately, like you claim 204 did,
24 then your opinion would be incorrect as to the

1 other districts?

2 **A. Well, no. Those districts would need**
3 **to be adjusted as well theoretically. But for**
4 **those periods where I have identified a**
5 **misallocation in 204, the other districts got**
6 **exactly the percentage that's detailed on the**
7 **Healy notes.**

8 Q. Well, they certainly don't -- that's
9 not what's indicated on this document Martin
10 Exhibit No. 10, is it, based on the Gurrie
11 adjustments?

12 **A. I have no idea what's indicated by the**
13 **Gurrie adjustments.**

14 Q. So you have no idea whether Healy
15 intended to follow these Gurrie adjustments or
16 not, do you?

17 **A. I have no idea if he implemented**
18 **those.**

19 Q. And you have no idea why Gurrie was
20 recommending these adjustments, do you?

21 **A. No, I don't.**

22 Q. Okay. Let's take a look at the
23 disclosure again.

24 MR. KALTENBACH: I think we're over three

1 hours, but I won't object to you going a little
2 longer.

3 BY MR. HOFFMAN:

4 Q. Page four. On page four, sir, you
5 talk about corrections that you made, right?

6 **A. You mean here in the middle paragraph?**

7 Q. First large paragraph.

8 **A. Yes.**

9 Q. You talk about the entry for 6/30/04
10 should be \$147,979,000?

11 **A. Yes.**

12 Q. But you see that further down in the
13 paragraph you don't make an adjustment to
14 fiscal year 2004. Can you explain why not?

15 **A. No, I don't. That's odd.**

16 Q. And this is one of the three
17 corrections you made to Bradshaw, and you're
18 unable to verify -- why don't you tell me what
19 you're finding, sir. You understand the
20 question, right?

21 **A. Oh, yes.**

22 Q. Go ahead and tell me what you're
23 finding and what you're looking at.

24 **A. Well, tracing from Martin 4 to**

1 **calculations on Martin 7 to see how that would**
2 **be, so...**

3 Q. Okay. We're looking at your
4 correction for the entry for 6/30/04 which you
5 say should be \$147,979, right?

6 **A. Yes.**

7 Q. Yet, you don't make an adjustment to
8 fiscal year 2004 later on in the disclosure.
9 And the question is why?

10 **A. I think it was just omitted from**
11 **the -- this paragraph here.**

12 Q. Is that what you think or -- is that
13 what you know?

14 **A. That's what I know.**

15 Q. I don't want you to guess.

16 **A. There should be a line in here that**
17 **says the new amount.**

18 Q. So --

19 **A. It was just an oversight.**

20 Q. So tell me how this disclosure should
21 read in order to be correct based on your
22 analysis of the records you just looked at?

23 **A. Right. The disclosure in terms of the**
24 **total, the total damage amount, for lack of a**

1 **better thing, is correct, the 1,427,442,**
 2 **because that's the correct total from here. It**
 3 **just should say -- again, this was showing the**
 4 **corrections made to the prior version of this,**
 5 **so it should show -- it should be the total of**
 6 **those four.**

7 Q. You're talking -- as you're looking at
 8 the documents, you're uttering words, and I
 9 don't mean that in an unkind way, but the court
 10 reporter isn't writing down what you are saying
 11 because it sounds like you're thinking out loud
 12 and so that's fine with me.

13 Let the record reflect that I am
 14 sitting here patiently waiting for the witness
 15 to review his documentation, and I've asked him
 16 about one of the three changes that he's made
 17 to Bradshaw's analysis and whether it's right
 18 or not.

19 **A. Oh, no, it's right.**

20 Q. It is?

21 **A. Yes.**

22 Q. How do you know that?

23 **A. Because the entry for 6/30/04 went**
 24 **into fiscal year 2005.**

1 Q. Say that again.

2 **A. Entry for 6/30/04 is included in the**
 3 **fiscal year 2005.**

4 Q. And, in fact, is it correct, though,
 5 that the entry for 6/30/2004 should be 147,979,
 6 or is that 6/30/04 date wrong?

7 **A. Repeat the question.**

8 Q. Is the 6/30/2004 date in the entry
 9 that you corrected correct or incorrect?

10 **A. 6/30/04?**

11 Q. Yes, on page four of the disclosures
 12 that you helped prepare. And you made three
 13 changes. You and your firm worked on this
 14 project for a number of months and incurred
 15 \$120,000.

16 MR. KALTENBACH: Just ask your question.
 17 BY MR. HOFFMAN:

18 Q. And ultimately at the end of the day
 19 you made three corrections to an existing
 20 analysis.

21 Sir, with all due respect, I'm
 22 asking you whether you can tell me about the
 23 third correction whether it's accurate? If
 24 it's accurate, tell me that. If it's

1 inaccurate, tell me how it should be changed.

2 **A. It is accurate.**

3 Q. Thank you. And you're confident about
 4 the other two changes you made as well?

5 **A. Yes.**

6 Q. Thank you. You're still looking at
 7 the document. Do you want me to wait?

8 **A. No, I'm good.**

9 MR. KALTENBACH: Well, I typed -- I mean
 10 obviously the witness -- it's a disclosure
 11 counsel drafted, so I actually want to take a
 12 break and confer with the witness if there is
 13 not a question pending.

14 MR. HOFFMAN: No, this is ridiculous.
 15 BY MR. HOFFMAN:

16 Q. What is the statement -- look, if this
 17 is a typo, then you can tell by looking at the
 18 underlying documents whether it's an error or
 19 not, can't you?

20 **A. The numbers are correct.**

21 Q. Okay.

22 **A. Just looking at the dates and that.**

23 Q. All right. Look away.

24 **A. I believe the dates are correct**

1 **though.**

2 Q. Great. Then do you feel the need to
 3 talk to your lawyer at this point?

4 MR. KALTENBACH: You can ask him the
 5 question. I can ask to take a break and talk
 6 to my witness.

7 MR. HOFFMAN: Of course you can. Do you
 8 want to do that?

9 MR. KALTENBACH: Yes. I want to make sure
 10 there is not a question pending.

11 MR. HOFFMAN: Take a break. Talk to your
 12 witness.

13 (Recess.)

14 MR. HOFFMAN: The floor is yours, Barry.

15 MR. KALTENBACH: I think Mr. Martin will
 16 testify to what the typo is.

17 BY MR. HOFFMAN:

18 Q. Go ahead.

19 **A. Let's see, in the paragraph starting,**
 20 **Based upon his review and analysis explained to**
 21 **Bob" in Martin 4, on the seventh line it says**
 22 **number three, the differences are number three,**
 23 **the entry for 6/30/04 should say the entry for**
 24 **10/31/04. And why it's not addressed in the**

1 **changes below because that's in the fiscal year**
2 **2005.**

3 Q. And you said you went through Martin
4 Exhibit No. 4, your disclosures, and apparently
5 you just missed that, right?

6 **A. Right, I just missed that date.**

7 Q. How confident are you about the
8 correctness of the other two changes that are
9 described in here?

10 **A. Yeah, the numbers are absolutely**
11 **correct. That was just a mistyped date.**

12 Q. Okay. Got it. Two out of three ain't
13 bad as they say, right?

14 Let's take a look at the -- when
15 you say the entry for 6/30/06 should be
16 \$569,952, the number one of the three changes
17 described on page four of Martin Exhibit No. 4.

18 **A. Yes.**

19 Q. Okay. So with reference to the
20 general ledger, what -- describe that change to
21 me and tell me whether -- let's mark
22 this -- why is that -- why did you make that
23 change?

24 **A. Oh, again, those changes go back**

1 **to -- these changes go back to what's described**
2 **in Martin Exhibit 6, which is the difference**
3 **between the general ledger -- there's a column**
4 **on the right that shows the difference between**
5 **the Healy notes and the general ledger.**

6 Q. My specific question is: As for that
7 entry for 6/30/06, what did Bradshaw miss
8 specifically?

9 **A. Oh, that was a -- she interpreted a**
10 **journal entry differently.**

11 Q. Which one?

12 **A. On 6/30/06?**

13 Q. Yes, which one?

14 **A. It was a general entry for 31503, that**
15 **would have been in the 2006 second quarter, so**
16 **6/30/06.**

17 **Right, it was the transferred**
18 **interest entry. There's a transferred interest**
19 **entry. You can see it here and then in the**
20 **back.**

21 MR. HOFFMAN: Let's mark this as 11.

22 (WHEREUPON, said
23 document was marked as
24 Martin Deposition

1 Exhibit No. 11 for
2 Identification.)

3 BY MR. HOFFMAN:

4 Q. So we got the general ledger for the
5 6/30/2006 quarter, right?

6 **A. Yes.**

7 Q. So you're making reference on page one
8 to the journal entry transfer
9 interest -- specify which page?

10 **A. I'm sorry. On page one, there's a**
11 **journal entry booked twice 31 -- this actually**
12 **was a big correction. There's 315 and 315,**
13 **those would cancel.**

14 Q. So those cancel out.

15 **A. On page one. Then in the back it's**
16 **then rebooked. Okay.**

17 **Then on page number ten of this**
18 **report, I think those are ten. You can see it**
19 **comes in -- comes in again.**

20 Q. It says transfer interest retro on
21 BDRES, right?

22 **A. Yes.**

23 Q. You take that to mean board resolution
24 or what? What do you take that to mean?

1 **A. I'm not sure.**

2 Q. That would be my guess, but you have
3 no idea?

4 **A. I don't know. I was just following**
5 **the entries that transferred this.**

6 Q. What does transfer interest mean?
7 Well, you see on this page ten, you see the --
8 the entries on page two cancel out. But on
9 page ten there's an interest --

10 **A. There's three on that page.**

11 Q. Right. There's a journal entry
12 interest reversed of negative 31,500, right?

13 **A. Reversing one of these, I'm assuming.**

14 Q. And then there's one that stays
15 interest 31,500, and there is another one that
16 says transfer interest retro on BDRES 31,500,
17 right?

18 **A. Yes.**

19 Q. So you don't know which one the final
20 journal entry reversed of those two 31,500
21 entries, do you?

22 **A. No.**

23 Q. Do you know what transfer interest
24 retro on BDRES means?

1 **A. No, not specifically.**
2 Q. Do you know where it says the entry
3 for the same number it just says interest, how
4 do you know that the entry that just says
5 interest is quarterly interest?
6 **A. Um, I don't know. At the time that's**
7 **what I determined that to be.**
8 Q. I'm asking you as of today.
9 How do you know that the \$31,500
10 in ledger entry that says interest and nothing
11 else is a quarterly interest payment?
12 Let the record reflect that we're
13 waiting while the witness reviews Martin
14 Exhibit No. 11 and other documents in this
15 case.
16 **A. I picked that one up because it**
17 **started in page one of Martin Exhibit 11 and**
18 **then it was reversed to and it ended up in the**
19 **other -- in that last fund there.**
20 Q. But the entry on page one of Martin
21 Exhibit 11 says transfer interest retro on
22 board res, right?
23 **A. Yes.**
24 Q. But it doesn't say anything about

1 quarterly interest, does it?
2 **A. Not on that entry specifically.**
3 Q. So my question is: Why did you
4 include the \$31,500 amount which in Martin
5 Exhibit No. 11 is described as transfer
6 interest retro on BDRES?
7 **A. It was actually the --**
8 Q. Or variously at another point just
9 simply interest. Why is that included in your
10 quarterly interest analysis? That's my
11 question. I asked it to you ten minutes ago,
12 and I'm asking you again now.
13 **A. Sure. It's actually -- actually**
14 **that's the transfer that moves that to the**
15 **other fund. I picked it up because it started**
16 **off in this fund under the --**
17 Q. Started off in which fund?
18 **A. Started off in -- the title here is**
19 **zero fund.**
20 Q. Started off in the zero fund?
21 **A. The fund name is the -- here this one**
22 **has a zero. Typically the fund name.**
23 Q. Page one, the zero fund on page one of
24 Martin 11?

1 **A. Yes.**
2 Q. Do you know what fund zero is for?
3 **A. No.**
4 Q. I'm not about to tell you. I'm asking
5 you if you know. It doesn't matter what I
6 know.
7 **A. I don't know.**
8 **This here is the first time which**
9 **is why I picked it up as interest.**
10 Q. My question is: You testified earlier
11 that you picked up interest entries on the
12 general ledger that said quarterly interest
13 payment. Now we're looking at one that says
14 interest transfer on BDRES and another place it
15 just says interest and it has this amount which
16 you picked up. Why are you picking up that
17 amount? You still haven't answered my
18 question.
19 **A. Because I determined it was quarterly**
20 **interest.**
21 Q. How?
22 **A. By the description and the context in**
23 **the files.**
24 Q. What is the description and the

1 context of the files that tell you it's
2 quarterly interest? I want to know. Tell me.
3 **A. Well, again, because it was**
4 **transferred from here, the first page, is why I**
5 **determined it was quarterly interest.**
6 Q. The transfer from the first page in
7 the zero account, which you don't know what it
8 stands for, why would that suggest that it's
9 quarterly interest? Why?
10 **A. Because originally it came in as an**
11 **entry for interest.**
12 Q. Where? Show me.
13 **A. Right here. And then --**
14 Q. It says interest, but it doesn't say
15 anything about quarterly interest. There's lot
16 of entries that say interest. We already
17 determined that, right?
18 **A. Yes, we did.**
19 Q. So this 31,500, are you willing to
20 admit you made a mistake, and that the 31,500
21 should not have been included in your analysis,
22 because none of these entries that have that
23 number say anything about quarterly interest?
24 **A. I would have to go back and review the**

1 **documentation.**

2 Q. What documentation? It's all right in
3 front of you. What other documentation is
4 there? You relied on the general ledger
5 reports, which are sitting right in front of
6 you, and you relied on Healy's interest sheets,
7 which are sitting right in front of you, too.

8 I've shown you a portion of the
9 general ledger statements. You can look at the
10 corresponding entire thing. It is right in
11 front of you.

12 Are you, sir, willing to admit
13 you made a mistake in adding the 31,500 that we
14 just looked at as quarterly interest because
15 none of the descriptions in Martin Exhibit 11,
16 the general ledger, make any reference to that
17 amount of money being quarterly interest?

18 **A. Not without reviewing the documents**
19 **further.**

20 Q. Review them. I'm going sit here and
21 wait again while you do that, because I am
22 entitled an answer. And my expert is entitled
23 to an answer, too.

24 **A. Yes.**

1 Q. So take your time and look at whatever
2 you want to look at to make that determination.
3 You've already looked at that document about
4 eight times.

5 MR. KALTENBACH: Hold on. Jay, ask a
6 question. If you're going to --

7 MR. HOFFMAN: Fine, I asked a question.

8 MR. KALTENBACH: Stop lecturing on the
9 record.

10 MR. HOFFMAN: Fine. Look at it and then
11 let me know.

12 THE WITNESS: It's my opinion it should be
13 in there.

14 BY MR. HOFFMAN:

15 Q. Why?

16 **A. Because that's my opinion.**

17 Q. I know it's your opinion, but I'm
18 entitled to ask you why it's your opinion.

19 **A. Because the description on the**
20 **entries.**

21 Q. But the description on the entries
22 don't say anything about quarterly interest, do
23 they?

24 **A. They don't say quarterly specifically,**

1 **no.**

2 Q. And there's lots of entries that say
3 interest, but you didn't pick those up either,
4 right?

5 **A. No.**

6 Q. So my question is: Why did you -- you
7 made three changes to Bradshaw's analysis and
8 one of them was you added in this \$31,500 in
9 interest, which is described as an interest
10 transfer retro on BDRES, which you don't even
11 know what that means. And why is that
12 quarterly interest. And the answer can't be
13 just because.

14 MR. KALTENBACH: Hold on. Jay, you are
15 arguing with the witness.

16 What is the question you're
17 asking him?

18 THE WITNESS: Can I ask a question? Do you
19 have this for 2005?

20 Thank you.

21 MR. HOFFMAN: Let the record reflect that
22 the witness is looking at Bradshaw Exhibit No.
23 7, which is the entire collection of general
24 ledger reports.

1 BY MR. HOFFMAN:

2 Q. For the record, Mr. Martin, why don't
3 you tell us what documents you're looking at?

4 **A. I was looking at the C5 report for**
5 **fiscal year 2005, the year prior to this.**

6 Q. C5 is the general ledger?

7 **A. Yes. The general ledger for fiscal**
8 **year for 2005, the year prior to.**

9 Q. Just want it on the record what you're
10 looking.

11 **A. Year prior to Martin Exhibit 11. I**
12 **was seeing if this was a transfer from the**
13 **prior year.**

14 Q. Take your time. Take as much time as
15 you want. I don't want to rush you.

16 **A. Yeah, it's this entry here. The one**
17 **that says interest.**

18 Q. So you're looking at what exactly?

19 **A. I'm sorry. I should go back to the**
20 **other one.**

21 Q. Martin Exhibit 11?

22 **A. I'm sorry.**

23 Q. Hold on a second. So you're looking
24 at the --

1 **A. I was looking at the same thing**
2 **from --**

3 Q. Bradshaw Exhibit No. 7, all of the
4 general ledgers?

5 **A. Right.**

6 Q. So you don't need to look at anything
7 else in Bradshaw Exhibit 11.

8 Put these two back in order so we
9 don't mess up Bradshaw 7, because otherwise
10 that would be bad. Thank you.

11 Okay. I'll take that back. And
12 go ahead in look -- now that you've had time,
13 you're back on Martin Exhibit No. 11.

14 **A. Martin Exhibit 11, page number 10,**
15 **this entry that says interest 31,500, appears**
16 **to me to be an additional interest payment that**
17 **should be included as a damage.**

18 Q. Why does something that says transfer
19 interest retro on BD RES, why do you take that
20 as a quarterly interest payment?

21 **A. I don't. That is not -- that's**
22 **cancelling the negative here. That's the**
23 **reversal. It's this interest here.**

24 Q. The one that says only --

1 BDRES. Now we know it is the one that just
2 says interest, right?

3 **A. Yes.**

4 Q. So my question to you is very direct,
5 which is, why would you assume that an amount
6 of money described in the general ledger only
7 as interest without any other description would
8 be a quarterly interest payment, given that
9 previously you testified that you ignored
10 general ledger entries that didn't specifically
11 say quarterly interest?

12 MR. KALTENBACH: Objection. Asked and
13 answered. You can answer again.

14 THE WITNESS: Well, it's picking up the
15 initial interest amounts that were described in
16 204, the ones that were out of formula.

17 BY MR. HOFFMAN:

18 Q. You didn't answer my question, sir,
19 with all due relevance.

20 MR. KALTENBACH: Jay, don't argue with the
21 witness.

22 Mr. HOFFMAN: I'm not arguing with the
23 witness. I can say what I want to say. Stop
24 it.

1 **A. Just the word interest, yes. I take**
2 **that as add -- I assume that as additional**
3 **interest payment that was prescribed to them.**

4 Q. Why would you assume that 31,500
5 general ledger described as interest would be a
6 quarterly interest payment?

7 MR. KALTENBACH: Objection. Asked and
8 answered.

9 THE WITNESS: Well, it could be an extra
10 interest payment, too, on interest amount.

11 BY MR. HOFFMAN:

12 Q. You are not answering my question.
13 I'm not asking you to speculate. I'm not
14 asking you to say what it could be.

15 I'm asking you a very specific
16 question which you have not answered to this
17 point.

18 **A. I believe it is an additional --**

19 MR. KALTENBACH: Hold on.

20 BY MR. HOFFMAN:

21 Q. Here's my question: Why -- and before
22 you weren't sure whether you were picking up
23 the line item that said interest or the line
24 item that said transfer interest BDRES, retro

1 MR. KALTENBACH: Stop raising your voice.

2 MR. HOFFMAN: You know as well as I do that
3 he is not answering this question.

4 MR. KALTENBACH: He actually has answered
5 the question. You are not understanding his
6 answer is the problem.

7 BY MR. HOFFMAN:

8 Q. Maybe I don't understand your answer.
9 If I don't understand it, do you think the jury
10 is going to be able to understand it?

11 I mean let me ask you this
12 question: How many times have you testified in
13 front of a jury? You can answer that.

14 **A. None.**

15 MR. KALTENBACH: I think it's funny, Jay.
16 I have been generous --

17 MR. HOFFMAN: Just a second. I'm going to
18 get an answer to this question before we leave.

19 MR. KALTENBACH: You got an answer.

20 BY MR. HOFFMAN:

21 Q. A jury is composed of a group of
22 people who are not experts.

23 **A. Yes.**

24 Q. And you're an expert. So if you want

1 them to understand what you did, you have to
 2 explain it in a way that's understandable to a
 3 normal layperson.
 4 MR. KALTENBACH: Don't comment.
 5 MR. HOFFMAN: I'm a layperson.
 6 MR. KALTENBACH: He is lecturing you.
 7 MR. HOFFMAN: No, I'm not.
 8 BY MR. HOFFMAN:
 9 Q. You testified earlier that in going
 10 through the general ledger, you picked up
 11 general ledger entries that say quality
 12 interest payments, and that's what you put in
 13 your report. And now we find an instance where
 14 you have a general ledger entry that says only
 15 the word interest, and you put that in your
 16 report.
 17 So my question is: Why did you
 18 put that general ledger entry into your report
 19 given it says only the word interest?
 20 How did you determine it was a
 21 quarterly interest payment?
 22 I've asked the question numerous
 23 times, and you haven't given me a straight
 24 answer.

1 MR. KALTENBACH: Hold on. My objection is
 2 that is beyond a normal compound question. It
 3 is significantly compound. I'm not -- Jim, you
 4 can answer the question.
 5 BY MR. HOFFMAN:
 6 Q. Go ahead.
 7 **A. The amounts that's the damage are the**
 8 **amounts that were ascribed during the quarterly**
 9 **interest process and then also additional**
 10 **interest payments that were ascribed to 204**
 11 **that were out of percentage formula with the**
 12 **other districts.**
 13 **I believe that is one of the**
 14 **additional interest payments that should be**
 15 **included as an overpayment to 204.**
 16 Q. Is that because of the size, the
 17 amount? Is it the amount, the 31,500 looks
 18 large to you so you think that it's a quarterly
 19 interest payment?
 20 MR. KALTENBACH: Objection.
 21 BY MR. HOFFMAN:
 22 Q. Or an investment income payment?
 23 Maybe I should ask you a better
 24 question.

1 How do you know that the \$31,000
 2 described only as interest in the general
 3 ledger is interest from the investment pool and
 4 not some other source, given that there's
 5 interest payments that come in from multiple
 6 sources, not just the investment pool.
 7 **A. It is a typical for size, the other**
 8 **invest -- the other pools other than**
 9 **investments aren't typically that large. But**
 10 **that, I believe, is one of the additional**
 11 **interest payments that was ascribed to 204.**
 12 Q. And that's based on the size of the
 13 number, the 31,500?
 14 **A. And my analysis of all the account**
 15 **statements, yes.**
 16 MR. HOFFMAN: We're done. That's it. Do
 17 you have any questions?
 18 MR. KALTENBACH: No.
 19 THE COURT REPORTER: Do you want a copy?
 20 MR. KALTENBACH: Yes, thanks.
 21 THE COURT REPORTER: Do you know what
 22 format you want?
 23 MR. KALTENBACH: Just a PDF is fine.
 24 (WHEREUPON, the deposition

1 was adjourned at 4:54 p.m.)
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1 STATE OF ILLINOIS)
) SS:
 2 COUNTY OF C O O K)
 3 IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
 COUNTY DEPARTMENT - CHANCERY DIVISION

4 TOWNSHIP TRUSTEES OF)
 5 SCHOOLS TOWNSHIP 38)
 NORTH, RANGE 12 EAST,)
 6)

Plaintiff,)

7)
 -vs-) No. 13 CH 23386

8)
 9 LYONS TOWNSHIP HIGH)
 SCHOOL DISTRICT 204,)

Defendant.)

10 I hereby certify that I have read the
 11 foregoing transcript of my deposition given at
 the time and place aforesaid, and I do again
 12 subscribe and make oath that the same is a
 true, correct and complete transcript of my
 13 deposition given as aforesaid, with
 14 corrections, if any, appearing on the attached
 correction sheet(s).

15 Please check one:

16 ☐ I made no corrections
 Number of Correction
 17 sheets attached
 18

JAMES MARTIN


19 SUBSCRIBED AND SWORN TO
 20 before me this day
 21 of A.D., 2017
 22
 23 Notary Public
 24

1 STATE OF ILLINOIS)
) SS:
 2 COUNTY OF C O O K)
 3 I, MAUREEN A. WOODMAN, Certified Shorthand
 4 Reporter and Notary Public in and for the
 5 County of Cook and State of Illinois, do hereby
 6 certify that JAMES MARTIN was first duly sworn
 7 to testify the whole truth and that the above
 8 deposition was recorded stenographically by me,
 9 and was reduced to typewriting under my
 10 personal direction.

11 I further certify that the said deposition
 12 was taken at the time and place specified.

13 I further certify that I am not a relative
 14 nor employee or attorney nor counsel of any of
 15 the parties, nor a relative or employee of such
 16 attorney nor counsel nor financially interested
 17 directly nor indirectly in this action.

18 In witness whereof, I have hereunto set my
 19 hand and affixed my seal of office at Chicago,
 20 Illinois, this 4th day of April
 21 A.D., 2017.

22 
 23 MAUREEN A. WOODMAN, C.S.R.
 24 License No. 084-002740

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Township Trustees of Schools

TOWNSHIP 38 NORTH, RANGE 12 EAST

P.O. BOX #1246
930 BARNSDALE ROAD
LA GRANGE PARK, ILLINOIS 60526-9346

BOARD OF SCHOOL TRUSTEES
Joseph Nekola, President
Donna A. Milich, Trustee
Russell W. Hartigan, Trustee

ROBERT G. HEALY
TOWNSHIP SCHOOL TREASURER
Telephone: Area 708-352-4480
Fax: 708-352-4417

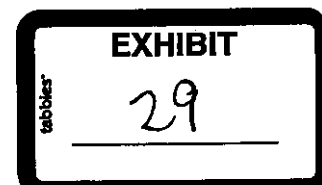
NOTICE

THE RESCHEDULED REGULAR MEETING OF THE BOARD OF THE LYONS TOWNSHIP TRUSTEES OF SCHOOLS HAS BEEN RESCHEDULED FOR TUESDAY, MARCH 21, 2000 AT 11:00 A.M. AT THE TOWNSHIP SCHOOL TREASURER'S OFFICE, 930 BARNSDALE ROAD, LA GRANGE PARK, ILLINOIS.

AGENDA

1. ROLL CALL
2. PUBLIC COMMENTS
3. APPROVAL OF MINUTES FROM THE REGULAR QUARTERLY MEETING OF DECEMBER 9, 1999, AND THE OFFICIAL POST ELECTION ORGANIZATIONAL MEETING FOR THE LYONS TOWNSHIP SCHOOL TRUSTEES, DECEMBER 9, 1999.
4. APPROVAL OF REPORTS FOR SEPTEMBER, OCTOBER, AND NOVEMBER 1999
 - A. DISTRICT OPERATIONS
 - B. DISTRIBUTIVE FUND
 - C. INVESTMENT REPORTS
5. APPROVAL OF TREASURER'S OFFICE EXPENSES FOR THE QUARTER.
6. PROPERTY TRANSFERS
7.
 - A. DISTRICT #101
 - B. DISTRICT #102
 - C. DISTRICT #204
8. DISTRICT 204 BUSINESS OFFICE
9. SCHOLARSHIP FUND UPDATE
10. TRUSTEE SEMINAR
11. APPROVAL OF \$405,000.00 WORKING CASH BOND FOR DISTRICT #217
12. COOK COUNTY TREASURER
13. OTHER BUSINESS
14. ADJOURNMENT

EXHIBIT 16



Memorandum

To: Robert Healy

From: Lisa Beckwith

Date: February 29, 2000

Re: Treasurer's Office Responsibilities

Following is a list of responsibilities that District 204 proposes become the direct cost and responsibility of the Township Treasurer's office:

- Payroll and accounts payable bank reconciliation.
- Balance monthly totals between Treasurer and LTHS.
- Provide printing costs for checks and envelopes for accounts payable, payroll, imprest and student activities.
- Annual salary and benefit costs for 3 employees as listed below:

	Salary	OASDI		Insurance	Insurance	
	<u>99-00</u>	<u>Medicare</u>	<u>IMRF</u>	<u>Medical</u>	<u>Life</u>	<u>Total</u>
Programmer Analyst	\$41,205	\$3,152	\$3,045		\$48	\$47,450
Accounts Payable Bkkeeper	\$23,192	\$1,774	\$1,714	\$7,028	\$48	\$33,756
Payroll Bookkeeper	\$21,861	\$1,672	\$1,616		\$48	\$25,197
Total	\$86,258	\$6,598	\$6,375	\$7,028	\$144	\$106,403

An invoice will be sent to the Township Treasurer in May with receipt of funds expected prior to the close of the fiscal year.

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF LYONS TOWNSHIP TRUSTEES OF SCHOOLS
TUESDAY, MARCH 21, 2000

The meeting of the Lyons Township Trustees of Schools was held in the office of the Township School Treasurer, 930 Barnsdale Road, La Grange Park, Illinois, Tuesday, March 21, 2000 at 11:00 A.M.

President, Joseph Nekola called the meeting to order at 11:00 A.M.

ROLL CALL: Present - Russell Hartigan, Joseph Nekola.
Absent - Donna Milich

Also present was Treasurer and Ex-Officio, Clerk, Robert G. Healy,.

A motion was made by Russell Hartigan seconded by Joseph Nekola to approve the minutes from the regular quarterly meeting of December 9, 1999 and the official post election organizational meeting for the Lyons Township School Trustees of December 9, 1999.

ROLL CALL: Ayes - Russell Hartigan, Joseph Nekola
Nays - None

A motion was made by Russell Hartigan seconded by Joseph Nekola to approve the monthly reports for September, October, and November 1999.

ROLL CALL: Ayes - Russell Hartigan, Joseph Nekola
Nays - None.

The trustees instructed Healy to get approval on any legal bill in excess of \$1,000.00 prior to the check being issued.

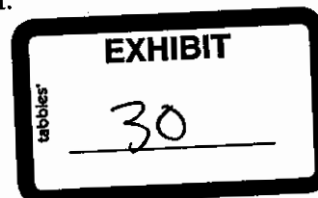
A motion was made by Joseph Nekola seconded by Russell Hartigan to approve the Treasurer's office quarterly expenses.

ROLL CALL: Ayes - Russell Hartigan, Joseph Nekola
Nays - None

Healy notified the board that there are upcoming property transfers in the works for three different districts. The board advised Healy to obtain authorization/resolution at a subsequent meeting.

Healy submitted to the Trustees the proposal from District 204 stating this office absorb certain payroll, accounts payable and computer processing expenditures by District 204. As these costs would be incurred by the Treasurer's office if Lyons Township High School were to totally utilize the facilities of the Treasurer's office. These costs would certainly be incurred. A point to be clarified is to make sure that workman's compensation is covered. A further recommendation by Trustee Hartigan is that the trustees be given an evaluation of the employee's performance for those aforementioned personnel employed at the high school.

EXHIBIT 17



A motion was made by Russell Hartigan seconded by Joseph Nekola to accept the proposal given to the Lyons Township Trustees of Schools by Cook County High School District #204.

ROLL CALL: Ayes - Joseph Nekola, Russell Hartigan
Nays - None

Treasurer Healy updated the Trustees regarding the Scholarship Fund. The Trustees reviewed correspondence from Michael E. Olsen, P. C. and articles of incorporation of the LTST Scholarship Fund Corporation. Treasurer Healy will be in further contact with Mr. Olsen regarding a time line and review of the corporation status.

Treasurer Healy advised the board of the Trustees Seminar to be held May 19 - 21, 2000 at Pheasant Run in St. Charles, Illinois. Will need to know who will be attending the seminar in the near future.


A motion was made by Russell Hartigan seconded by Joseph Nekola to approve the \$405,000.00 Working Cash bond for High School District #217.

ROLL CALL: Ayes - Joseph Nekola, Russell Hartigan
Nays - None

Treasurer Healy informed the Trustees that the office of the Cook County Treasurer has continued to deviate from prior years distribution patterns. Repeated discussions by the Cook County Treasurer's association with Treasurer Pappas and her staff seem to be of no avail. Multiple unanswered questions about procedures and financial back up seem to have taken a back burner with the Cook County Treasurer.

A motion was made by Russell Hartigan seconded by Joseph Nekola to adjourn.
All trustees signified acceptance by saying "aye". Motion carried.

The meeting adjourned at 12:15 P.M.


Clerk


President

Founded in 1852
by Sidney Davy Miller

MILLER CANFIELD

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MEXICO: Monterrey

POLAND: Gdynia
Warsaw • Wrocław

October 26, 2017

Jay R. Hoffman
Hoffman Legal
20 N. Clark St., Suite 2500
Chicago, IL 60602

Re: Township Trustees of Schools v. District 204

Dear Jay:

Our client has consulted with us regarding several inquiries authored by Timothy Kilrea and directed to Susan Birkenmaier seeking certain information. Our client believes that most, if not all, of the information requested by your client has been previously provided. However, to eliminate any question we, in consultation with our client, will again address the relevant issues particularly in light of the recently closed fiscal year and the resulting audit. Although the requests are somewhat lengthy, it appears that the request focuses on 4 issues: (1) the application of the bond recovery proceeds; (2) the purported issue of "borrowed funds" by the TTO; (3) the "undistributed income and (4) an alleged lack of information from the TTO regarding staffing and investments.

We will address first the issue of the bond recovery proceeds. As everyone has been advised, the bond recovery proceeds were \$1,040,000. As will be pointed out, the recovery funds have been applied to the benefit of the districts. This has been done by the reduction in expenses otherwise billable to the districts (such as legal fees) and by a reduction in the deficit by the application expenses not previously billed. In a document provided previously to your client, a copy of which is attached as Exhibit A, it was clearly shown where \$658,728.95 was used to reduce the pro-rata share expenses allocated to each district for the years 2012 - 2015. In reviewing the attached schedule you will note the reductions in pro-rata as follows:

FY 2012	\$147,729.07
FY 2013	\$328,055.38
FY 2014	\$129,881.70
FY 2015 (two entries)	\$53,062.80

EXHIBIT 18

In addition, the pro-rata billings for FY 2009 – 2011 were understated by the Treasurer by \$353,000. The pro-rata expenses incurred and the amount billed for each year is as follows:

<u>Fiscal year</u>	<u>Expenses</u>	<u>Amount Billed</u>	<u>Difference</u>
2009	\$1,318,693.06	\$1,315,693.06	\$3,000
2010	\$1,186,421.16	\$986,421.16	\$200,000
2011	\$1,172,639.70	\$1,022,639.70	\$150,000

The supporting documents for the above are attached as Exhibit B. Because the expenses were incurred but not billed, this increased the deficit. By applying the bond recovery against the unbilled expenses, the deficit was decreased. As such, these additional expenses will not be billed in the future and the districts will have less of a deficit to absorb. The result was that the reduction of an additional \$353,000 which would have otherwise been billed to the districts. The application of the bond recovery proceeds against the pro-rata share of expense which would have otherwise been billed is a direct benefit to all of the districts. The remaining \$28,271.05 (\$1,040,000 less \$1,011,728.95) will be applied and shown as a reduction in the pro-rata share allocation in the next billing. This again is summarized as follows:

Amount applied against 2012 – 2015:	\$ 658,728.95
Amount applied against under billing 2009 – 2011:	\$ 353,000.00
Amount to be applied against next pro-rata billing:	<u>\$ 28,271.05</u>
Total	\$1,040,000.00

Next there were several related questions which deal with how the TTO accounts for the cash needed to meet its ongoing obligations. The questions appear to be framed with the impression that the TTO is “borrowing” funds to pay expenses.

First it should be understood that the TTO is not a taxing body and has no money of its own. Instead, as dictated by the School Code at Section 8-4, the districts pay the expenses of the TTO through their pro-rata share. The Treasurer does not bill the districts for its expenses until after the expenses have already been paid. The School Code thereby creates the scenario whereby the TTO has to pay its bills prior to receipt of the pro-rata share from the districts.

As provided in Section 8-7 of the School Code, the Treasurer is the “only lawful custodian of all school funds....” The funds in the Treasurer’s custody are described by the auditors on page 4 of the June 30, 2016 audit report (see www.lyonstto.net/agendas---minutes.html for the audit reports). There it provides that “[t]he funds of the Lyons Treasurer can be divided into two categories: a governmental fund and a fiduciary fund (the Lyons Treasurer maintains no proprietary funds).” The governmental fund is used for near term activities as opposed to long term investments.

In order to pay for its expenses prior to the collection of the pro-rata payment, the Treasurer uses the funds in her custody to meet those obligations. For accounting purposes, these

expenses are charged to the governmental fund. Shortfalls can occur in the governmental fund as bills are paid prior to the payment of the pro-rata share. There are journal entries to account for all Treasurer activity. There is no "borrowing" of funds; instead there are accounting entries which reclassify moneys in the Treasurer's custody between the funds she maintains. The Treasurer remains the sole custodian of monies in both funds and this money does not become proprietary to the Treasurer. In addition, the June 30, 2016 audit report at pages 8, 10 and 14 show that the advances to the Governmental Fund are listed as an asset of the Fiduciary Fund. There is full disclosure.

Your client also had questions regarding "undistributed investment income." Page 14 of the June 30, 2016 audit report, describes the assets of the fiduciary fund held by the TTO. The fiduciary fund accounts for cash and investments held by the Treasurer for the benefit of the districts. Of the \$201,765,999 held as of that date, \$2,216,744 was categorized as "undistributed investment income", the rest of the value of the fiduciary fund having been allocated among the districts. This \$2,216,744 remains as part of the \$201,765,999 total of the fiduciary fund - it has not been transferred to another fund.

The amount recorded as undistributed income includes appreciation in securities which does not generate distributable cash until the securities are sold. See "Note C" on page 23 of the referenced audit report - "the amount of the unrealized gain is not available to be distributed to each participating district." If you will review the Quarterly Investment Review (which is also posted on the TTO website) for the same period ending June 30, 2016 you will note that there was approximately \$3 million in appreciation over the cost of the investments. This represents "undistributed investment income" for audit purposes. The fact that the audit report shows only \$2.2 million of undistributed income means that the Treasurer has allocated a reasonable portion of the anticipated but currently unrealized gain. However because of market conditions, the "undistributed income" will change daily. Markets go up and markets go down. You should note that the just released audit report for the fiscal year ending June 30, 2017 shows an over-allocation of income by \$549,266. This is noted on pages 15 and 24. The statements are listed on the TTO website and so they are available for public viewing. There is no cash "hording" by the Treasurer.

Your client asked specifically: how much undistributed interest was held in 2013; was \$500,000 distributed to the districts in 2013; how much did each district get; and how much is undistributed today? The amount categorized as "undistributed investment income" in the fiduciary fund is reported in the annual audits. If you look at the following annual audit reports (posted on the TTO's website) on the cited pages, you will note the following amounts listed as undistributed investment interest for the past six years.

Audit Report	Page in Report	Undistributed Interest
June 30, 2011	15	\$821,440
June 30, 2012	9	\$783,968
June 30, 2013	10	\$690,522
June 30, 2014	14	\$300,367
June 30, 2015	15	\$281,857
June 30, 2016	14	\$2,216,744
June 30, 2017	15	(\$549,266)

For fiscal years 2011 – 2013, an average of .3% of the fiduciary fund was categorized as undistributed; the remaining 99.7% of the fund was allocated among the districts. Your client referred to letters from our client dated September 5, 2013 and November 7, 2013 (both fiscal year 2014) which spoke about reducing the amount of undistributed interest income. You will note that between fiscal years 2013 and 2014, the amount categorized as such was reduced so that the amount categorized as undistributed in fiscal year 2014 was reduced to .1% with the remaining 99.9% of the fund being allocated among the districts. If you look at page 14 of the June 30, 2014 audit report you will see how much was allocated to each district after this reduction. Please see page 14 of the June 30, 2016 audit report which categorizes \$2,216,744 as undistributed investment interest. The amount of the fund categorized as undistributed increased to 1.1% of the fund due to a change in accounting standards (see page 7 of the June 30, 2016 audit report). Prior to fiscal year 2016, the investments were recorded at “cost.” Starting with fiscal year 2016, investments were accounted for at their fair market value. This accounts for the increase in the number between 2015 and 2016. As to the current situation, please refer to page 15 of the June 30, 2017 audit report (which is on-line) which shows the undistributed activity of (\$549,266) which represents 0.3% of the of the fiduciary fund.

Again in reviewing the published audit reports, the “undistributed” amounts are shown on the financial statements as an asset in the fiduciary fund as amounts due to the districts. The amount was simply not allocated specifically to the districts as of the date of the financial statements. As such, any “income” not distributed has simply not been allocated and continues to be held by the Treasurer in those appreciated securities as part of the total school funds.

The last points raised by your client deal with a demand for information regarding investments, questions regarding staffing and a resulting unwillingness to pay for certain of the services performed by the TTO. With respect to the services performed, our client has provided extensive information to all districts regarding its operation. It has given all districts the opportunity to provide input into such things as the selection of computer software. Our client has a job to do as set forth under the School Code. It has only engaged personnel needed to complete that mission. It has exercised its best business judgment in making those decisions. Your client’s insistence that it is performing services in duplicate and as a result it should not pay its pro-rata share is not a unique argument. For years, people who sent their children to private schools have had the same argument regarding their property tax bill. It should also be pointed

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

Jay R. Hoffman

-5-

October 26, 2017

out that other districts employ the same type support staff employed by 204. However, no other district is attempting to off-set that cost against the statute mandated pro-rata share.

With respect to the need for more information regarding investments, here again, it does not appear that your client is taking advantage of information which is available to the public. On the TTO website under "Agendas & Public Info," your client will find "quarterly reviews" beginning with the quarter ending September 2014. If they open the report for the most recent quarter ending June 2017, they will find a listing of each investment along with the amount invested, the interest rate and the term. The report also lists the cost and fair market value of each investment type. With respect to the distribution of income and the process, our client spent time with the 204 business manager on December 14, 2016 giving him a complete explanation. It is uncertain what, if anything remains to be discussed.

We believe that the above stated information should sufficiently answer your client's questions regarding the "use" of the bond recovery proceeds, the purported "loans" from the districts, the "undistributed income" the expenses of the office as well as availability of financial information. We hope that this information is helpful to your client.

Very truly yours,

Miller, Canfield, Paddock and Stone, P.L.C.

By: _____

Gerald E. Kubasiak

GEK/ir

Enclosures

cc: Lyons TTO Member District Superintendents (w/encs.)
Lyons Township School Trustees (w/encs.)
Dr. Susan Birkenmaier (w/encs.)

EXHIBIT A

Lyons Township Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

		Informational only-do not use for final payment																			
District	FY15 Revenues	% by District	% by District	FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	Prior Year FY13 Pro Rata (Adjusted)	% Change FY13 to FY14	Prior Year FY12 Pro Rata (Adjusted)	% Change FY12 to FY13	Prior Year FY11 Pro Rata (Adjusted)	% Change FY11 to FY12	Prior Year FY10 Pro Rata (Adjusted)	% Change FY10 to FY11	Prior Year FY09 Pro Rata (Adjusted)	% Change FY09 to FY10	Prior Year FY08 Pro Rata (Adjusted)	% Change FY08 to FY09	Prior Year FY07 Pro Rata (Adjusted)	% Change FY07 to FY08
101	17,075,289	4.9842%	4.98%	90,413.82	55.50%	57,880.26	6.13%	54,628.10	6.00%	51,681.97	5.81%	48,737.22	5.62%	45,792.57	5.43%	42,847.92	5.24%	39,903.27	5.05%	36,958.62	4.86%
102	35,114,144	10.2866%	10.28%	186,585.37	55.70%	119,552.81	-0.16%	119,637.90	-0.07%	119,723.00	-0.07%	119,808.09	-0.07%	119,893.18	-0.07%	119,978.27	-0.07%	120,063.36	-0.07%	120,148.45	-0.07%
103	31,574,273	9.2489%	9.25%	167,775.62	56.16%	107,590.56	6.92%	102,581.74	4.97%	97,572.92	5.02%	92,564.10	5.07%	87,555.28	5.12%	82,546.46	5.17%	77,537.64	5.22%	72,528.82	5.27%
104	22,798,546	6.6782%	6.68%	121,144.21	42.58%	77,586.93	-8.56%	84,952.99	-8.56%	92,319.05	-8.56%	99,685.11	-8.56%	107,047.17	-8.56%	114,409.23	-8.56%	121,771.29	-8.56%	129,133.35	-8.56%
105	28,485,728	7.4654%	7.47%	135,423.04	70.59%	88,843.61	9.39%	79,987.20	11.07%	71,130.81	12.74%	62,274.32	14.41%	53,417.83	16.08%	44,561.34	17.75%	35,704.85	19.40%	26,848.36	21.05%
106	13,008,689	3.8106%	3.81%	69,124.03	55.04%	44,327.81	-0.58%	44,584.73	-0.58%	44,841.65	-0.58%	45,098.57	-0.58%	45,355.49	-0.58%	45,612.41	-0.58%	45,869.33	-0.58%	46,126.25	-0.58%
106.5	5,438,513	1.5931%	1.59%	28,888.82	48.95%	18,551.94	4.48%	19,401.09	-4.63%	20,250.24	-4.37%	21,099.39	-4.11%	21,948.54	-3.85%	22,797.69	-3.59%	23,646.84	-3.33%	24,495.99	-3.07%
106.7	1,739	0.0005%	0.00%	9.24	-98.96%	6.93	-98.33%	87.77	-98.33%	176.00	-98.33%	363.00	-98.33%	550.00	-98.33%	737.00	-98.33%	924.00	-98.33%	1,111.00	-98.33%
107	13,078,282	3.8309%	3.83%	69,483.82	42.44%	44,564.75	-8.56%	48,789.51	-9.44%	52,994.27	-10.32%	57,209.03	-11.20%	61,423.79	-12.08%	65,638.55	-12.96%	69,853.31	-13.84%	74,068.07	-14.72%
108	5,814,918	1.7033%	1.70%	30,888.82	66.94%	19,814.56	7.05%	18,508.94	6.46%	17,203.32	6.99%	15,897.90	7.58%	14,592.48	8.17%	13,287.06	8.76%	11,981.64	9.35%	10,676.22	9.94%
109	32,070,127	9.3941%	9.39%	170,410.43	56.54%	109,280.20	0.45%	108,789.43	0.46%	108,298.66	0.46%	107,807.89	0.46%	107,317.12	0.46%	106,826.35	0.46%	106,335.58	0.46%	105,844.81	0.46%
204	74,354,233	21.7802%	21.78%	395,084.89	58.04%	253,564.93	1.35%	248,998.51	1.85%	244,432.09	1.85%	239,865.67	1.85%	235,298.25	1.85%	230,730.83	1.85%	226,163.41	1.85%	221,595.99	1.85%
204.5	21,044,471	6.1844%	6.18%	111,823.84	58.13%	71,708.87	2.05%	70,276.59	2.05%	68,844.31	2.05%	67,411.83	2.05%	65,979.35	2.05%	64,546.87	2.05%	63,114.39	2.05%	61,681.91	2.05%
217	35,447,129	10.3833%	10.38%	188,354.75	84.15%	120,781.47	6.27%	114,565.20	5.27%	108,349.93	5.27%	102,134.66	5.27%	95,919.39	5.27%	89,704.12	5.27%	83,488.85	5.27%	77,273.58	5.27%
995	423,047	0.1239%	0.12%	2,247.94	100.00%	1,441.65	-7.40%	1,156.56	-19.96%	871.47	-24.51%	586.38	-33.02%	291.19	-40.53%	0.00	-100.00%	0.00	-100.00%	0.00	-100.00%
999	8,716,193	2.5532%	2.55%	46,314.91	75.48%	29,700.66	12.53%	28,392.96	4.40%	27,085.76	4.61%	25,778.56	4.82%	24,471.36	5.03%	23,164.16	5.24%	21,850.96	5.45%	20,541.76	5.66%
Total Revenues	341,385,298	100.00%	100.00%	1,814,012.66	55.94%	1,163,283.65	1.66%	1,144,319.88	1.66%	1,125,357.11	1.66%	1,106,393.34	1.66%	1,087,429.57	1.66%	1,068,465.80	1.66%	1,049,502.03	1.66%	1,030,538.26	1.66%

Total TTD Expenses		FY15 Pro Rata Operational Expenditures less Litigation Costs		FY14 Pro Rata Operational Expenditures less Litigation Costs		FY13 Pro Rata Operational Expenditures less Litigation Costs		FY12 Pro Rata Operational Expenditures less Litigation Costs													
Heavy Maintenance Expenses		(93,989,229)		(129,981,709)		(132,035,838)		(147,729,077)													
Remaining Heavy Insurance Settlement		(19,073,511)																			
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,144,319.88		1,125,357.11													

The FY15 Pro Rata Billing was calculated on the revenues reported in each district's annual AFR report less any transfers and bond proceeds. For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 Billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township, Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY16, FY14, FY13 and FY12

		Informational only-do not use for final payment																			
District	FY15 Revenues	% by District	% by District	FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rata Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rata Operational Expenditures less FY12 to FY11	% Change FY12 to FY11	FY11 Pro Rata Operational Expenditures less FY11 to FY10	% Change FY11 to FY10	FY10 Pro Rata Operational Expenditures less FY10 to FY09	% Change FY10 to FY09	FY09 Pro Rata Operational Expenditures less FY09 to FY08	% Change FY09 to FY08	FY08 Pro Rata Operational Expenditures less FY08 to FY07	% Change FY08 to FY07
101	17,015,289	4.9842%	4.98%	90,413.82	55.50%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%	57,880.26	6.13%
102	35,114,144	10.2866%	10.28%	165,585.37	55.70%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81	-0.15%
103	31,574,273	9.2489%	9.25%	167,773.62	65.16%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%	107,590.56	5.92%
104	22,798,546	6.6792%	6.68%	121,144.21	42.59%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%	77,688.93	-8.69%
105	25,485,728	7.454%	7.47%	135,423.04	70.59%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%	86,443.61	9.39%
106	13,008,689	3.8106%	3.81%	69,124.03	55.04%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%	44,327.61	-0.58%
1065	5,438,513	1.5511%	1.55%	28,886.52	48.95%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%	18,531.94	-4.48%
1067	1,739	0.0005%	0.00%	9.24	-98.96%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%	5.93	-98.33%
107	13,078,282	3.8309%	3.83%	69,483.82	42.44%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%	44,554.75	-0.65%
108	5,814,918	1.7033%	1.70%	30,898.62	66.94%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%	19,814.56	7.05%
109	32,070,127	9.3841%	9.39%	170,410.43	56.64%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%	109,280.20	0.45%
204	74,354,233	21.7802%	21.78%	385,094.69	58.04%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%	263,564.93	1.35%
2045	21,044,477	6.1644%	6.16%	111,823.54	59.13%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%	71,709.87	2.05%
217	35,447,129	10.3833%	10.38%	188,354.75	64.15%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%	120,787.47	5.27%
935	423,047	0.1239%	0.12%	2,247.94	100.00%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%	1,441.55	-7.40%
939	8,716,153	2.5532%	2.55%	46,314.91	75.48%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%	29,700.66	12.53%
Total Revenues	341,395,298	100.00%	100.00%	1,514,012.66	55.94%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%	1,163,283.65	1.65%

Total TTD Expenses		FY15 Pro Rata Operational Expenditures less Litigation Costs		FY14 Pro Rata Operational Expenditures less Litigation Costs		FY13 Pro Rata Operational Expenditures less Litigation Costs		FY12 Pro Rata Operational Expenditures less Litigation Costs		FY11 Pro Rata Operational Expenditures less Litigation Costs		FY10 Pro Rata Operational Expenditures less Litigation Costs		FY09 Pro Rata Operational Expenditures less Litigation Costs		FY08 Pro Rata Operational Expenditures less Litigation Costs		FY07 Pro Rata Operational Expenditures less Litigation Costs		FY06 Pro Rata Operational Expenditures less Litigation Costs	
Remaining Hoely Insurance Settlement		1,887,075.48		1,293,165.35		1,293,165.35		1,472,375.26		1,472,375.26		1,472,375.26		1,472,375.26		1,472,375.26		1,472,375.26		1,472,375.26	
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,163,283.65		1,144,319.89		1,144,319.89		1,144,319.89		1,144,319.89		1,144,319.89		1,144,319.89		1,144,319.89	

The FY15 Pro Rata Billing has been calculated on the revenues reported in each district's annual AFR report less any transfers and bond proceeds. For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 Billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Vision's software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rate Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

Informational only-do not use for final payment										
District	FY15 Revenues	% by District	FY15 Pro Rate Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rate Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rate Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rate Operational Expenditures less FY12 to FY11	% Change FY12 to FY11
101	17,015,289	4.9842%	90,413.82	65.50%	57,880.26	6.13%	54,029.50	-6.60%	58,016.72	1.88%
102	35,114,144	10.2858%	186,585.37	55.70%	119,552.81	-0.15%	119,552.81	0.00%	119,552.81	0.00%
103	31,574,273	9.2489%	167,775.62	55.19%	107,580.65	5.92%	103,831.91	-3.53%	103,831.91	0.00%
104	22,739,546	6.6782%	121,144.21	42.58%	77,886.93	-8.55%	84,957.39	9.50%	77,429.91	-8.55%
105	26,485,728	7.476%	135,423.04	70.59%	86,845.61	9.39%	79,337.20	-8.55%	88,907.72	12.61%
106	13,008,659	3.8106%	69,124.03	55.04%	44,327.61	-0.58%	44,584.73	0.58%	48,167.93	8.14%
106S	5,438,513	1.5931%	28,899.52	48.95%	18,531.94	-4.48%	19,241.09	3.83%	20,307.95	5.69%
1067	1,739	0.0005%	8.24	-98.69%	5.83	-99.33%	18,777.77	311.14%	4,152.84	11.83%
107	13,078,282	3.8309%	69,483.92	42.44%	44,564.75	-8.65%	46,789.51	4.98%	43,951.85	-5.96%
108	6,614,918	1.7033%	30,898.62	66.94%	19,814.55	7.05%	18,508.94	-6.60%	19,814.55	7.05%
109	32,070,127	9.3941%	170,410.43	56.64%	109,280.20	0.45%	108,789.43	-0.45%	108,789.43	0.00%
204	74,354,233	21.7802%	395,064.89	58.04%	253,364.93	1.35%	249,999.63	-1.35%	249,999.63	0.00%
204S	21,044,477	6.1644%	111,823.64	59.13%	71,709.87	2.05%	70,744.50	-1.35%	70,744.50	0.00%
217	36,447,129	10.3833%	168,364.75	64.15%	120,787.47	5.27%	114,459.20	-5.27%	114,459.20	0.00%
99S	423,047	0.1239%	2,247.94	100.00%	1,441.65	-7.40%	1,456.75	1.00%	1,456.75	0.00%
999	8,716,163	2.5532%	46,314.91	75.45%	29,700.66	12.53%	28,392.95	-4.40%	28,392.95	0.00%
Total Revenues	341,385,298	100.00%	1,874,012.66	55.94%	1,163,283.65	1.66%	1,144,319.90	-2.07%	1,144,319.90	0.00%

Total TTD Expenses			FY15 Pro Rate Operational Expenditures less Litigation Costs				FY14 Pro Rate Operational Expenditures less Litigation Costs				FY13 Pro Rate Operational Expenditures less Litigation Costs				FY12 Pro Rate Operational Expenditures less Litigation Costs
Remaining Healy Insurance Settlement			1,867,075.46				1,293,165.35				1,472,375.26				1,355,788.95
Regular Operational Expenses			(93,989,229)				(72,981,700)				(62,055,393)				(47,728,071)
			1,814,012.66				1,163,283.65				1,144,319.88				1,208,059.88

The FY15 District will have been calculated on the revenues reported in each district's annual report less any transfers and bond proceeds. For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Rata Billing Fiscal Year Ending June 30, 2015
ative Information for FY15, FY14, FY13 and FY12

				Informational only-do not use for final payment				
District	FY15 Revenues	% by District	FY15 Pro Rate Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rate Operational Expenditures less Litigation Costs	% Change FY14 to FY13	FY13 Pro Rate Operational Expenditures less Litigation Costs	% Change FY13 to FY12
101	17,015,289	4.9642%	90,413.82	66.50%	57,980.28	6.13%	54,823.04	5.60%
102	36,114,144	10.2856%	186,595.37	55.70%	119,652.81	-0.15%	119,837.20	-0.15%
103	31,574,273	9.2489%	161,775.62	65.16%	107,680.56	5.92%	101,958.61	5.65%
104	22,790,546	6.6182%	121,144.21	42.59%	77,666.32	-8.66%	84,557.65	8.06%
105	26,488,728	7.4654%	135,423.04	70.59%	86,643.81	9.39%	79,582.20	8.92%
106	13,008,689	3.8106%	68,124.03	55.04%	44,327.81	-0.68%	44,864.43	1.21%
106S	5,438,613	1.5931%	28,898.52	48.85%	18,631.94	-4.49%	19,401.09	4.07%
106T	1,739	0.0005%	9.24	-98.96%	6.53	-99.33%	63.77	911.41%
107	13,078,482	3.8309%	69,493.82	42.44%	44,564.75	-8.66%	48,789.57	9.41%
108	5,814,918	1.7033%	30,896.62	66.94%	19,814.56	7.05%	18,503.84	-6.60%
109	32,070,127	9.3941%	170,410.43	56.64%	109,280.20	-4.45%	114,883.43	5.13%
204	74,354,233	21.7802%	395,094.68	56.04%	253,384.83	1.35%	249,050.51	-1.93%
204S	21,044,477	6.1644%	111,823.64	59.13%	71,709.87	2.05%	70,174.59	-2.17%
217	35,447,129	10.3833%	188,364.75	54.15%	120,787.47	5.27%	114,924.90	4.24%
995	423,047	0.1239%	2,247.94	100.00%	1,441.55	-7.40%	1,556.57	7.60%
999	8,716,163	2.5552%	46,314.91	75.48%	29,700.66	-12.55%	33,982.26	14.00%
Total Revenues	341,383,298	100.00%	1,814,012.66	55.94%	1,153,283.55	1.65%	1,144,831.59	-0.87%

Key factors that have impacted changes in the FY16 billing

Total expenditures increased by 55.94%, in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infranta Visions software, and lastly, unexpected legal fees related to the #102 Steward transition.

	FY15 Pro Rate Operational	FY14 Pro Rate Operational	FY13 Pro Rate Operational	FY12 Pro Rate Operational
Expenditures less Litigation Costs	1,867,075.46	Expenditures less Litigation Costs	Expenditures less Litigation Costs	Expenditures less Litigation Costs
	(353,934.29)	1,293,165.35	1,472,315.26	1,355,788.65
	(13,073.51)	(17,251.70)	(32,615.32)	0.00
Total TTD Expenses	1,814,012.66	1,163,283.65	1,144,319.68	(147,723.07)
Remaining Healy Insurance Settlement				1,208,039.86
Regular Operational Expenses				

Lyons Township Trustees of Schools
Rata Billing Fiscal Year Ending June 30
ative Information for FY15, FY14, FY13

				Informational only-do not use for final payment					
District	FY15 Revenues	% by District	% by District	FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY13 to FY14	FY13 Pro Rata Operational Expenditures less FY13 to FY12	% Change FY12 to FY13
101	17,076,289	4.9842%	4.98%	90,413.82	65.50%	57,980.26	6.13%	5,496,925.61	-8.05%
102	36,114,144	10.2858%	10.29%	186,595.37	55.70%	119,662.81	-0.15%	1,936,337.90	-6.91%
103	31,574,273	9.2488%	9.25%	167,775.62	65.16%	107,590.66	8.92%	3,015,913.43	-3.96%
104	22,799,546	6.6782%	6.68%	121,144.21	42.59%	77,898.53	-8.65%	8,849,572.91	3.85%
105	26,485,728	7.4654%	7.47%	133,423.04	70.59%	85,943.81	9.39%	5,919,972.01	-10.72%
106	13,008,696	3.8106%	3.81%	69,124.03	55.04%	44,327.61	-0.58%	4,584,552.47	-3.14%
106S	5,438,513	1.5931%	1.59%	28,898.52	48.95%	18,631.94	-4.48%	9,401,089.1	6.69%
106T	1,739	0.0005%	0.00%	9.24	-98.96%	5.33	-99.33%	9,401,089.1	57.11%
107	13,078,282	3.8309%	3.83%	69,448.75	47.44%	44,564.76	-8.65%	3,205,636.61	-3.13%
108	5,814,918	1.7033%	1.70%	30,888.62	65.94%	19,814.56	7.05%	1,860,994.24	-10.06%
109	32,070,127	9.3941%	9.39%	170,470.43	56.64%	109,280.20	0.45%	1,067,892.43	-4.74%
204	74,364,233	21.7802%	21.78%	395,094.60	58.04%	263,364.93	1.35%	2,499,959.91	-15.3%
204S	21,044,477	6.1644%	6.16%	111,833.64	59.13%	71,709.87	2.05%	7,932,159.1	-2.01%
217	35,447,129	10.3833%	10.38%	188,364.75	64.15%	120,787.47	6.27%	1,447,459.20	-3.16%
99S	423,047	0.1236%	0.12%	2,247.94	100.00%	1,441.45	-7.40%	1,447,459.20	-100.00%
999	8,716,163	2.5522%	2.55%	46,314.91	75.48%	29,700.66	12.53%	2,089,296.1	6.72%
Total Revenues	341,356,296	100.00%	100.00%	1,814,012.66	65.94%	1,163,283.65	1.66%	11,434,919.01	-5.527%
FY15 Pro Rata Operational Expenditures less Litigation Costs									
Total TTD Expenses									
Health Insurance Settlement									
Remaining Health Insurance Settlement									
Regular Operations Expenses									
FY14 Pro Rata Operational Expenditures less Litigation Costs									
FY13 Pro Rata Operational Expenditures less Litigation Costs									
FY12 Pro Rata Operational Expenditures less Litigation Costs									
Pro Rata FY12 Projection									
Pro Rata FY13 Projection									
Pro Rata FY14 Projection									
Pro Rata FY15 Projection									
Pro Rata FY16 Projection									
Pro Rata FY17 Projection									
Pro Rata FY18 Projection									
Pro Rata FY19 Projection									
Pro Rata FY20 Projection									
Pro Rata FY21 Projection									

The FY15 DCR rate bill has been calculated on the revenues reported in each district's ~~Scenario A~~ AFR, road fees, and transfers and bond proceeds. For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

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		FY15 Pro Rata Operational Expenditures less Costs		FY14 Pro Rata Operational Expenditures less Costs		FY13 Pro Rata Operational Expenditures less Costs		FY12 Pro Rata Operational Expenditures less Costs	
Total TTD Expenses		1,867,075.46		1,293,165.35		1,472,375.26		1,355,768.95	
REMAINING HEAVY INSURANCE SETTLEMENT		(93,989,292)		(129,384,702)		(102,056,693)		0.00	
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,144,319.88		1,208,039.88	

THE FY16 PRO RATA BILL HAS BEEN CALCULATED ON THE REVENUES REPORTED IN EACH DISTRICT'S AGENCY AFR REPORT LESS TRANSFERS AND BOND PROCEEDS. FOR ENTITIES THAT DO NOT HAVE AN AFR FOR THE YEAR 2015, REVENUES POSTED IN THE AFR YEAR AND REPORT WAS USED FOR THE PRO-RATA CALCULATION.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

District	FY16 Revenues	% by District	% by District	Informational only-do not use for final payment		FY14 Pro Rata	% Change FY14 to FY13	FY13 Pro Rata	% Change FY13 to FY12	FY12 Pro Rata
				FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures	Operational Expenditures less Litigation Costs		Operational Expenditures less Litigation Costs		Operational Expenditures less Litigation Costs
101	17,015,289	4.9842%	4.98%	90,413.82	65.50%	119,552.81	-0.15%	119,552.81	-0.15%	119,552.81
102	36,114,144	10.2866%	10.28%	186,585.37	55.70%	107,590.66	8.92%	107,590.66	8.92%	107,590.66
103	31,574,223	8.2489%	9.25%	187,775.62	55.16%	107,590.66	8.92%	107,590.66	8.92%	107,590.66
104	22,739,506	6.6782%	6.68%	121,144.21	42.59%	77,686.93	-8.66%	84,957.99	9.65%	77,686.93
105	28,485,728	7.4654%	7.47%	135,423.04	70.59%	86,843.61	9.39%	79,382.90	9.07%	86,843.61
106	13,008,689	3.8106%	3.81%	69,124.03	55.04%	44,327.61	-0.59%	44,534.73	0.46%	44,327.61
1065	5,438,513	1.5931%	1.59%	28,898.52	48.95%	18,531.94	-4.48%	19,401.60	4.78%	18,531.94
1067	1,739	0.0005%	0.00%	9.24	-99.96%	6.93	-99.33%	18,767.72	3310%	6.93
107	13,078,282	3.8309%	3.83%	69,493.82	42.42%	44,564.76	-8.66%	48,789.51	9.17%	44,564.76
108	5,814,918	1.7033%	1.70%	30,898.92	56.94%	19,514.56	7.05%	18,508.94	5.40%	19,514.56
109	32,070,127	9.3941%	9.39%	170,410.43	56.64%	109,280.20	0.45%	108,789.43	-0.45%	109,280.20
204	74,354,233	21.7802%	21.78%	385,094.69	58.04%	253,584.93	1.35%	249,999.54	1.35%	253,584.93
2045	21,044,477	6.1644%	6.16%	111,823.64	59.13%	71,708.87	2.06%	70,274.59	2.06%	71,708.87
217	35,447,129	10.3833%	10.38%	188,384.76	64.13%	120,787.47	6.27%	112,459.01	7.20%	120,787.47
999	423,047	0.1239%	0.12%	2,247.94	100.00%	1,441.55	-7.40%	1,556.73	7.95%	1,441.55
999	8,716,163	2.5532%	2.55%	46,314.91	75.48%	29,700.66	12.53%	28,992.96	2.42%	29,700.66
Total Revenues	341,385,298	100.00%	100.00%	1,814,012.66	55.94%	1,183,283.65	1.65%	1,144,319.88	3.45%	1,208,039.88

FY15 Pro Rata Operational Expenditures less Litigation Costs		FY14 Pro Rata Operational Expenditures less Litigation Costs		FY13 Pro Rata Operational Expenditures less Litigation Costs		FY12 Pro Rata Operational Expenditures less Litigation Costs	
Total TTD Expenses	1,867,075.46	Operational Expenditures less Litigation Costs	1,293,165.35	Operational Expenditures less Litigation Costs	1,472,375.26	Operational Expenditures less Litigation Costs	1,355,788.95
Remaining Healy Insurance Settlement	(19,073.51)		(129,991.02)		(328,955.98)		0.00
Regular Operational Expenses	1,814,012.66		1,163,283.65		1,144,319.88		1,208,039.88

The FY15 Pro Rata Billing has been calculated on the revenues reported in each district's agency AFR report less any transfers and bond proceeds. For entities that do not have an AFR, the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infranta Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

Informational only-do not use for final payment.										
District	FY15 Revenues	% by District	FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rata Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rata Operational Expenditures less FY12 to FY11	% Change FY12 to FY11
101	17,016,289	4.9842%	90,413.82	65.50%	67,880.26	6.13%	54,923.50	60.03%	58,416.72	5.08%
102	35,114,144	10.2856%	166,585.37	55.70%	119,552.81	-0.16%	103,937.50	-9.15%	102,453.67	-1.05%
103	31,574,273	9.2549%	167,775.82	65.16%	107,590.56	6.92%	103,941.24	-3.65%	108,840.08	1.23%
104	22,798,566	6.6792%	121,144.21	42.58%	77,586.93	-8.65%	82,957.39	9.65%	77,437.63	-6.57%
105	28,485,728	7.474%	135,423.04	70.59%	86,843.61	9.39%	79,937.20	-10.02%	89,807.21	12.35%
106	13,008,609	3.8106%	69,124.03	55.04%	44,327.61	-0.58%	44,584.23	0.58%	46,867.93	5.13%
1065	5,438,513	1.5931%	28,898.52	49.95%	18,531.94	-4.48%	19,404.09	5.15%	20,723.56	6.50%
1067	1,739	0.0005%	9.24	-98.96%	5.93	-98.33%	1,877.77	5311.5%	1,828.94	-2.61%
107	13,078,282	3.8309%	69,483.82	42.44%	44,564.75	-8.66%	48,789.15	9.41%	49,078.94	0.57%
108	5,814,918	1.7033%	30,896.82	66.94%	19,814.56	7.05%	18,508.94	-6.08%	19,207.83	2.64%
109	32,070,127	9.3941%	170,410.43	56.64%	109,280.20	0.45%	108,287.31	-0.92%	113,189.31	4.58%
204	74,354,233	21.7802%	385,094.89	58.04%	253,364.93	1.35%	249,991.51	-1.25%	259,929.67	4.03%
2045	21,044,477	6.1844%	111,823.64	59.13%	71,709.87	2.05%	70,244.50	-2.04%	76,851.44	9.13%
217	35,447,129	10.3833%	188,364.75	64.15%	120,387.47	6.27%	112,482.01	-6.54%	119,512.73	-2.53%
985	423,047	0.1239%	2,247.94	100.00%	1,441.55	-7.40%	1,156.27	-19.00%	1,156.27	0.00%
999	8,716,163	2.5532%	46,314.91	75.49%	29,700.56	12.53%	28,922.99	-2.62%	32,950.74	17.44%
Total Revenues	341,385,298	100.00%	1,814,012.66	55.94%	1,163,283.65	1.65%	1,144,319.88	-1.74%	1,208,038.88	4.71%

		FY15 Pro Rata Operational Expenditures less Litigation Costs		FY14 Pro Rata Operational Expenditures less Litigation Costs		FY13 Pro Rata Operational Expenditures less Litigation Costs		FY12 Pro Rata Operational Expenditures less Litigation Costs	
Total TTO Expenses		1,867,075.46		1,863,165.35		1,472,375.26		1,355,768.95	
Remaining Heavy Insurance Settlement		(93,389,229)		(92,581,720)		(92,055,387)		0.00	
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,144,319.88		1,208,038.88	

THE FY15 PRO RATA BILL HAS BEEN CALCULATED ON THE REVENUES REPORTED IN EACH DISTRICT'S ANNUAL AFR REPORT LESS ANY TRANSFERS AND BOND PROCEEDS.
For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year and report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 Billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rate Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

		Informational only-do not use for final payment									
District	FY15 Revenues	% by District	FY15 Pro Rate Operational Expenditures-All	% Increase All FY15	FY14 Pro Rate Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rate Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rate Operational Expenditures less FY12 to FY11	% Change FY12 to FY11	FY11 Pro Rate Operational Expenditures less FY11 to FY10
101	17,015,289	4.9842%	90,413.82	65.50%	57,880.26	8.13%	54,628.41	5.06%	53,108.72	2.71%	51,089.72
102	35,114,144	10.2868%	168,585.37	55.70%	119,652.81	-0.16%	119,937.90	-0.24%	132,405.47	10.42%	132,405.47
103	31,574,273	9.258%	167,775.82	65.16%	107,590.58	6.82%	101,531.49	-5.55%	108,347.03	6.64%	116,347.03
104	22,739,568	6.5782%	121,144.21	42.89%	77,885.93	-8.69%	89,957.89	15.65%	77,435.96	-15.65%	90,307.72
105	28,485,728	7.4654%	135,423.04	70.59%	88,845.61	9.39%	79,387.20	-10.72%	88,307.72	-0.58%	96,827.93
106	13,008,689	3.8106%	69,124.03	55.04%	44,327.61	-0.68%	43,984.78	-0.77%	46,627.93	6.14%	49,827.93
1065	5,438,513	1.5931%	28,898.52	48.95%	18,531.94	-4.48%	19,740.09	6.53%	22,073.56	11.84%	23,073.56
1067	1,739	0.0005%	8.24	-98.96%	5.93	-89.33%	68.7272	4314.1%	162.84	162.84%	162.84
107	13,078,282	3.8309%	69,483.82	42.44%	44,554.75	-8.65%	46,789.51	4.97%	43,851.85	-1.87%	43,851.85
108	6,814,918	1.7053%	30,898.52	66.94%	19,514.56	7.05%	18,508.94	-5.12%	19,207.83	3.23%	19,207.83
109	32,070,127	9.3941%	170,410.43	56.64%	105,280.20	0.45%	108,739.43	3.23%	128,131.93	22.81%	156,929.93
204	74,354,233	21.7802%	395,084.89	58.04%	253,354.93	1.35%	249,989.56	-1.35%	253,929.96	1.35%	253,929.96
2045	21,044,477	6.1844%	111,823.64	59.13%	71,709.87	2.05%	70,724.59	-1.37%	71,935.73	3.14%	74,935.73
217	35,447,129	10.3833%	188,354.75	64.15%	120,187.47	5.27%	114,745.90	-4.51%	118,935.73	-1.51%	124,935.73
995	423,047	0.1239%	2,247.94	100.00%	1,441.55	-7.40%	1,557.23	8.32%	1,000.00	-35.32%	1,557.23
999	8,716,163	2.5522%	46,314.91	75.48%	29,700.66	-12.53%	26,392.96	-11.14%	28,909.74	9.51%	31,909.74
Total Revenues	341,385,298	100.00%	1,814,012.66	55.94%	1,163,283.65	1.66%	1,144,319.88	-2.27%	1,208,039.88	5.62%	1,269,039.88

		FY15 Pro Rate Operational Expenditures less Costs	FY14 Pro Rate Operational Expenditures less Costs	FY13 Pro Rate Operational Expenditures less Costs	FY12 Pro Rate Operational Expenditures less Costs
Total TTD Expenses		1,867,075.46	1,293,165.35	1,472,375.26	1,355,768.95
Remaining Heavy Insurance Settlement		(19,073.51)	(72,981.70)	(226,055.35)	0.00
Regular Operational Expenses		1,814,012.66	1,163,283.65	1,144,319.88	1,208,039.88

THE FY15 PRO-RATE BILL HAS BEEN CALCULATED ON THE REVENUES REPORTED IN EACH DISTRICT'S AFR REPORT LESS ANY TRANSFERS AND DONOR CONTRIBUTIONS.
For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Vision software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rata Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

Informational only-do not use for final payment				
District	FY15 Revenues	% by District	FY15 Pro Rata Operational Expenditures-All	% Increase All FY15 Expenditures
101	17,015,289	4.9842%	90,413.82	65.50%
102	35,114,144	10.2858%	186,585.37	55.70%
103	31,574,273	9.2489%	167,775.62	66.18%
104	22,798,546	6.6782%	121,144.21	42.88%
105	25,486,728	7.474%	135,423.04	70.59%
106	13,008,689	3.8106%	69,124.03	55.04%
1065	5,438,513	1.5931%	28,898.52	48.95%
1067	1,739	0.0005%	9.24	-89.96%
107	13,078,282	3.8309%	69,483.92	42.44%
108	5,814,918	1.7035%	30,898.62	86.94%
109	32,070,127	9.3941%	170,410.43	56.64%
204	74,354,233	21.7802%	395,094.69	59.04%
2045	21,044,477	6.1644%	111,923.64	59.13%
217	35,447,129	10.3833%	188,354.75	64.15%
995	423,047	0.1239%	2,267.94	100.00%
999	8,716,163	2.5532%	46,314.91	75.48%
Total Revenues	341,395,298	100.00%	1,814,012.66	65.94%

FY14 Pro Rata Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rata Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rata Operational Expenditures less FY12 to FY11	% Change FY12 to FY11
57,880.25	6.13%	54,928.60	-5.00%	58,006.72	1.85%
119,552.81	-0.15%	119,882.50	-0.28%	132,601.72	10.74%
107,580.56	8.92%	109,531.49	1.86%	109,954.00	0.39%
77,886.93	-8.65%	82,950.39	6.55%	77,439.65	-6.44%
86,843.61	9.39%	79,937.20	-7.62%	88,807.62	2.36%
44,327.61	-0.58%	44,584.73	0.58%	46,867.63	5.13%
18,531.94	-4.48%	18,400.09	-0.65%	23,073.57	28.34%
5.83	-98.33%	367.77	5314.0%	132,816.1	132,816.1
44,564.75	-8.65%	48,889.75	9.64%	49,851.85	2.02%
19,814.56	7.05%	18,518.94	-6.57%	19,027.63	2.74%
109,280.20	0.45%	108,768.43	-0.47%	138,139.93	26.14%
283,384.93	1.35%	249,998.53	-11.59%	253,629.06	1.49%
71,709.87	2.05%	70,274.63	-2.01%	79,957.04	13.35%
120,674.7	6.27%	116,424.39	-3.54%	119,812.73	3.03%
1,441.55	-7.40%	1,556.73	7.65%	1,981.27	27.64%
29,700.56	12.53%	28,922.95	-2.62%	32,850.57	13.31%
1,163,283.65	1.66%	1,144,319.83	-1.72%	1,208,039.83	5.67%

		FY15 Pro Rata Operational Expenditures less Litigation Costs		FY14 Pro Rata Operational Expenditures less Litigation Costs		FY13 Pro Rata Operational Expenditures less Litigation Costs		FY12 Pro Rata Operational Expenditures less Litigation Costs	
Total TTO Expenses		1,867,075.46		1,283,165.35		1,472,375.28		1,355,768.95	
Remaining Heavily Insurance Settlement		(19,079.29)		(129,381.70)		(628,055.34)		0.00	
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,144,319.83		1,208,039.83	

The FY15 Pro-Rata Bill has been calculated on the revenues reported in each district's AFR report less any transfers and bond proceeds. For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year and report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infrate Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rate Billing Fiscal Year Ending June 30 2015
Comparative Information for FY16, FY14, FY13 and FY12

		Informational only-do not use for final payment															
District	FY16 Revenues	% by District	% by District	FY15 Pro Rate Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rate Operational Expenditures less Litigation Costs	% Change FY14 to FY13	FY13 Pro Rate Operational Expenditures less Litigation Costs	% Change FY13 to FY12	FY12 Pro Rate Operational Expenditures less Litigation Costs	% Change FY12 to FY11	FY11 Pro Rate Operational Expenditures less Litigation Costs	% Change FY11 to FY10	FY10 Pro Rate Operational Expenditures less Litigation Costs	% Change FY10 to FY09	FY09 Pro Rate Operational Expenditures less Litigation Costs	% Change FY09 to FY08
101	17,015,289	4.9842%	4.98%	90,413.82	65.50%	57,880.28	6.13%	54,928.00	-5.06%	58,189.92	4.59%	55,200.00	-4.78%	58,240.00	4.53%	55,200.00	-4.78%
102	35,114,144	10.2858%	10.28%	186,585.37	55.70%	119,562.81	-0.15%	119,562.81	-0.15%	119,562.81	-0.15%	119,562.81	-0.15%	119,562.81	-0.15%	119,562.81	-0.15%
103	31,574,273	9.2489%	9.25%	167,775.82	63.18%	107,590.66	6.92%	101,581.24	-5.95%	108,947.08	2.30%	103,947.08	-4.54%	108,947.08	4.80%	103,947.08	-4.54%
104	22,798,546	6.6792%	6.68%	121,144.21	42.59%	77,886.93	-8.66%	84,957.39	9.39%	77,886.93	-8.66%	84,957.39	9.39%	77,886.93	-8.66%	84,957.39	9.39%
105	25,485,728	7.4654%	7.47%	135,423.04	70.59%	86,842.61	-0.69%	87,397.20	0.63%	86,842.61	-0.69%	87,397.20	0.63%	86,842.61	-0.69%	87,397.20	0.63%
106	13,008,689	3.8106%	3.81%	69,124.03	55.04%	44,327.61	-4.48%	46,464.73	4.89%	44,327.61	-4.48%	46,464.73	4.89%	44,327.61	-4.48%	46,464.73	4.89%
1065	5,438,513	1.5931%	1.59%	28,898.52	-89.96%	18,531.94	-99.33%	19,404.09	-4.53%	18,531.94	-4.48%	19,404.09	-4.80%	18,531.94	-4.48%	19,404.09	-4.80%
1067	1,739	0.0005%	0.00%	9.24	-89.96%	5.83	-99.33%	6.07	-4.48%	5.83	-4.48%	6.07	-4.48%	5.83	-4.48%	6.07	-4.48%
107	13,078,282	3.8309%	3.83%	69,493.82	42.44%	44,564.75	-8.66%	46,789.15	4.98%	44,564.75	-8.66%	46,789.15	4.98%	44,564.75	-8.66%	46,789.15	4.98%
108	8,814,978	1.7035%	1.70%	30,898.62	86.94%	19,814.56	7.05%	18,508.94	-6.61%	19,814.56	7.05%	18,508.94	-6.61%	19,814.56	7.05%	18,508.94	-6.61%
109	32,070,127	9.3941%	9.39%	170,410.43	56.64%	109,380.20	0.45%	109,380.20	0.45%	109,380.20	0.45%	109,380.20	0.45%	109,380.20	0.45%	109,380.20	0.45%
204	74,354,233	21.7802%	21.78%	395,094.69	59.13%	253,384.93	1.35%	249,989.53	-1.25%	253,384.93	1.35%	249,989.53	-1.25%	253,384.93	1.35%	249,989.53	-1.25%
2045	21,044,477	6.1644%	6.16%	111,823.64	59.13%	71,709.87	2.05%	70,724.50	-1.35%	71,709.87	2.05%	70,724.50	-1.35%	71,709.87	2.05%	70,724.50	-1.35%
217	35,447,129	10.3833%	10.38%	188,354.75	64.15%	120,87.47	6.27%	114,746.78	-5.04%	120,87.47	6.27%	114,746.78	-5.04%	120,87.47	6.27%	114,746.78	-5.04%
995	423,047	0.1239%	0.12%	2,247.94	100.00%	1,441.55	-7.40%	1,556.25	8.32%	1,441.55	-7.40%	1,556.25	8.32%	1,441.55	-7.40%	1,556.25	8.32%
999	8,716,163	2.5532%	2.55%	46,314.91	75.48%	29,700.56	12.53%	26,992.69	-9.44%	29,700.56	12.53%	26,992.69	-9.44%	29,700.56	12.53%	26,992.69	-9.44%
Total Revenues	341,385,298	100.00%	100.00%	1,814,012.66	55.94%	1,163,283.65	1.65%	1,144,319.88	-1.74%	1,163,283.65	1.65%	1,144,319.88	-1.74%	1,163,283.65	1.65%	1,144,319.88	-1.74%

Total TTO Expenses		FY15 Pro Rate Operational Expenditures less Litigation Costs		FY14 Pro Rate Operational Expenditures less Litigation Costs		FY13 Pro Rate Operational Expenditures less Litigation Costs		FY12 Pro Rate Operational Expenditures less Litigation Costs									
Remainder Healy Insurance Settlement		1,867,073.46		1,293,165.35		1,472,375.26		1,355,768.95									
Regular Operational Expenses		(19,073.51)		(729,981.70)		(628,155.93)		(147,728.07)									
		1,814,012.66		1,163,283.65		1,144,319.88		1,208,038.88									

THE FY16 BUDGET WILL BE BASED ON THE REVENUES REPORTED IN BUDGET REQUEST AND OPERATIONAL REPORT LESS ANY TRANSFERS AND BOND PROCEEDS.
For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year and report was used for the pro-rata calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infrate Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

Lyons Township Trustees of Schools
Pro Rate Billing Fiscal Year Ending June 30, 2015
Comparative Information for FY15, FY14, FY13 and FY12

				Informational only-do not use for final payment						
District	FY15 Revenues	% by District	FY15 Pro Rate Operational Expenditures-All	% Increase All FY15 Expenditures	FY14 Pro Rate Operational Expenditures less FY14 to FY13	% Change FY14 to FY13	FY13 Pro Rate Operational Expenditures less FY13 to FY12	% Change FY13 to FY12	FY12 Pro Rate Operational Expenditures less FY12 to FY11	% Change FY12 to FY11
101	17,015,289	4.8842%	90,413.82	65.50%	57,880.26	6.13%	54,628.14	5.60%	58,016.72	5.84%
102	36,114,144	10.2856%	186,585.37	55.70%	119,852.81	-0.16%	119,852.81	-0.16%	132,043.72	10.18%
103	31,674,273	9.2489%	167,775.62	65.18%	107,590.68	6.92%	107,590.68	6.92%	108,947.08	1.25%
104	22,738,546	6.6792%	121,144.21	42.59%	77,886.93	-8.66%	84,957.89	9.15%	77,433.85	-8.78%
105	28,485,728	7.8654%	135,423.04	70.59%	85,843.61	9.39%	79,397.20	-7.64%	88,907.72	11.21%
106	13,008,689	3.8106%	69,124.03	55.04%	44,327.61	-0.68%	44,158.47	-0.38%	45,627.93	3.35%
1065	5,438,513	1.5931%	28,888.92	48.85%	18,531.94	-4.48%	19,404.09	4.75%	23,073.56	17.73%
1067	1,739	0.0005%	9.24	-98.96%	6.93	-99.39%	6.93	-98.81%	6.93	-98.81%
107	13,078,282	3.8309%	69,483.82	42.44%	44,564.75	-8.65%	48,789.13	9.44%	43,851.85	-1.45%
108	6,814,918	1.7033%	30,898.62	66.94%	19,514.56	7.05%	18,508.94	-5.12%	19,207.88	3.77%
109	32,070,127	9.3941%	170,410.43	58.64%	109,280.20	0.45%	109,280.20	0.45%	134,181.94	22.74%
204	74,354,233	21.7802%	395,094.59	59.04%	263,564.93	1.35%	263,564.93	1.35%	253,929.95	-3.61%
2045	21,044,477	6.1644%	111,823.84	59.13%	71,709.87	2.05%	70,702.45	-1.40%	72,070.82	0.51%
217	36,447,129	10.3833%	188,354.75	64.15%	120,787.47	5.27%	117,452.07	-2.74%	119,512.78	1.82%
935	423,047	0.1239%	2,247.94	100.00%	1,441.55	-7.40%	1,556.73	8.04%	1,591.26	2.22%
939	8,716,163	2.5532%	46,314.91	75.48%	29,700.68	12.63%	28,392.98	-4.39%	28,599.74	0.11%
Total Revenues	341,385,298	100.00%	1,814,012.66	65.94%	1,163,283.65	1.65%	1,144,318.90	-1.72%	1,208,039.88	5.54%

		FY15 Pro Rate Operational Expenditures less Litigation Costs		FY14 Pro Rate Operational Expenditures less Litigation Costs		FY13 Pro Rate Operational Expenditures less Litigation Costs		FY12 Pro Rate Operational Expenditures less Litigation Costs	
Total TFO Expenses		1,867,075.46		1,283,165.35		1,472,375.26		1,355,768.95	
Remaining Healy Insurance Settlement		(93,889.29)		(72,981.70)		(226,059.88)		0.00	
Regular Operational Expenses		1,814,012.66		1,163,283.65		1,144,318.88		1,208,039.88	

THE FY13 BUDGET WILL HAVE BEEN BASED ON THE REVENUES REPORTED IN EACH DISTRICT'S AFR REPORT LESS ANY TRANSFERS AND BOND PROCEEDS.
For entities that do not have an AFR the June 30, 2015 revenues posted in the DCR year end report was used for the pro-rate calculation.

Key factors that have impacted changes in the FY15 billing

Total expenditures increased by 55.94% in FY15. Factors that contributed to the rise in costs include the following: #204 litigation fees, unexpected moving costs, implementation of Infinite Visions software, and lastly, unexpected legal fees related to the #102 Skyward transition.

EXHIBIT B

< < STATEMENT OF EXPENDITURES > >

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/09

SCHOOL DISTRICT 100 FUND 1 EDUCATION

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FUND ACCOUNT NUMBER AND DESCRIPTION			BUDGET AMOUNT	EXPENDED MYD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
1	2520	110	SALARIES	.00	32,680.45	425,095.00	425,095.00-	.00
1	2520	212	IMRF	.00	5,075.56	68,821.30	68,821.30-	.00
1	2520	213	FICA	.00	2,054.93	21,982.73	21,982.73-	.00
1	2520	214	MEDICARE	.00	623.27	8,631.37	8,631.37-	.00
1	2520	221	LIFE INS	.00	85.31	1,023.72	1,023.72-	.00
1	2520	222	MEDICAL INS	.00	8,603.25	101,918.82	101,918.82-	.00
1	2520	223	DENTAL INS	.00	694.22	9,030.20	9,030.20-	.00
1	2520	224	PRESCRIPTION	.00	764.34	9,172.08	9,172.08-	.00
1	2520	225	PREMIUM	.00	.00	.00	.00	.00
1	2520	315	PRO RATA	.00	.00	.00	.00	.00
1	2520	316	PROGRAMMING	.00	4,667.50	72,763.00	72,763.00-	.00
1	2520	317	ANNUAL AUDIT	.00	.00	195,586.49	195,586.49-	.00
1	2520	318	LEGAL SERV	.00	570.00	16,440.00	16,440.00-	.00
1	2520	319	BONDING EXP	.00	.00	5,443.00	5,443.00-	.00
1	2520	321	HEALTH INS	.00	.00	.00	.00	.00
1	2520	323	MAINT. SERV/ SUPPLIES	.00	5,180.00	29,864.66	29,864.66-	.00
1	2520	324	AT&T PROJECT NEW LINES	.00	.00	5,250.07	5,250.07-	.00
1	2520	325	EQUIP RENTAL & MAINT.	.00	499.09	6,324.85	6,324.85-	.00
1	2520	326	RENT	.00	3,060.66	36,727.92	36,727.92-	.00
1	2520	329	PROPERTY APPRAISAL	.00	.00	105.00	105.00-	.00
1	2520	332	CONVENTIONS & TRAVEL	.00	.00	.00	.00	.00
1	2520	333	AUTO EXPENSE	.00	550.00	6,600.00	6,600.00-	.00
1	2520	340	TELEPHONE	.00	31,123.76	197,728.64	197,728.64-	.00
1	2520	350	SECURITY	.00	36.99	443.88	443.88-	.00
1	2520	360	PUBLICATIONS & FINANCIAL	.00	239.40	28,851.56	28,851.56-	.00
1	2520	370	WATER	.00	.00	157.10	157.10-	.00
1	2520	380	UNEMPLY COMP	.00	.00	.00	.00	.00
1	2520	381	PROPERTY INS	.00	.00	.00	.00	.00
1	2520	410	OFFICE EXP, FORMS/POSTAG	.00	2,999.75	60,403.29	60,403.29-	.00
1	2520	440	SUBSCRIPTION & PERIODICAL	.00	97.95	1,770.11	1,770.11-	.00
1	2520	464	SNOW REMOVAL	.00	.00	.00	.00	.00
1	2520	465	NATURAL GAS	.00	.00	2,791.13	2,791.13-	.00
1	2520	466	ELECTRICITY	.00	.00	21.99	21.99-	.00
1	2520	467	SCAVENGER	.00	.00	400.84	400.84-	.00
1	2520	468		.00	.00	.00	.00	.00
1	2520	500	CONSTRUCTION	.00	.00	.00	.00	.00
1	2520	640	DUES & FEES	.00	2,190.82	5,344.31	5,344.31-	.00
1	2520	690	CONTINGENCY	.00	.00	.00	.00	.00
1	2520	700		.00	.00	.00	.00	.00
FUNCTION	SUB-TOTAL	2520 BUSINESS SER		.00	101,797.25	1,318,693.06	1,318,693.06-	.00
EDUCATION	FUND TOTAL	1		.00	101,797.25	1,318,693.06	1,318,693.06-	.00

< < STATEMENT OF EXPENDITURES > > >

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/09

SCHOOL DISTRICT 100 FUND ALL FUNDS

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FUND ACCOUNT NUMBER AND DESCRIPTION	BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
GRAND TOTAL EXPENDITURES	.00	101,797.25	1,318,693.06	1,318,693.06-	.00	0

ROBERT G HEALY
TOWNSHIP SCHOOL TREASURER

Lyons Township School Treasurer
Pro Rata Billing
Fiscal Year Ending June 30, ~~2009~~

2009

DISTRICT	PERCENTAGE	AMOUNT	PAID	DATE
101	5.09	\$67,023.12	43,023.12 ✓	6-29-10
102	11.29	\$148,502.62	148,502.62 ✓	6-29-10
103	8.64	\$113,656.19	113,656.19 ✓	6-28-10
104	7.23	\$95,081.30	23770.33 ✓ 23770.33 ✓ 23770.33 ✓ 23770.33 ✓	6-15-10 6-15-10 6-15-10 6-15-10
105	6.74	\$88,709.72	88,709.72 ✓	6-28-10
106	4.03	\$53,878.58	53,878.58 ✓	6-15-10
106.5	1.57	\$19,788.90	19,788.90 ✓	6-29-10
107	3.87	\$50,889.32	50,889.32 ✓	6-16-10
108	1.88	\$22,043.71	22,043.71 ✓	6-11-10 ✓
109	9.19	\$120,959.57	30239.89 ✓ 30239.89 ✓ 30239.89 ✓ 30239.90 ✓	4-28-11 ✓ 1-10-11 ✓ 10-19-10 ✓ 7-22-10 ✓
204	22.01	\$289,560.14		
LADSE	5.91	\$77,728.26	77,728.26 ✓	5/28/10 ✓
217	10.13	\$133,228.29	33307.07 ✓ 33307.07 ✓ 33307.07 ✓ 33307.07 ✓	33,306.32 ✓ 7-14-10 ✓ 33,306.32 ✓ 10-13-10 ✓ 33,306.32 ✓ 1-11-11 ✓ 33,306.32 ✓ 4-28-11 ✓
999	2.63	\$34,546.34	34,546.34 ✓	6-11-10 ✓
TOTAL	100.00%	\$1,315,596.06		

< < STATEMENT OF EXPENDITURES > >

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/10

SCHOOL DISTRICT 100 FUND 1 EDUCATION

PAGE 3

	FUND ACCOUNT NUMBER AND DESCRIPTION	BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
1	2520 110 SALARIES	.00	34,773.39	439,541.98	439,541.98-	.00	0
1	2520 212 IMRF	.00	5,244.89	71,084.67	71,084.67-	.00	0
1	2520 213 FICA	.00	2,188.06	23,184.64	23,184.64-	.00	0
1	2520 214 MEDICARE	.00	1,007.34	9,282.95	9,282.95-	.00	0
1	2520 221 LIFE INS	.00	85.31	1,023.72	1,023.72-	.00	0
1	2520 222 MEDICAL INS	.00	7,138.70	93,056.16	93,056.16-	.00	0
1	2520 223 DENTAL INS	.00	.00	7,636.42	7,636.42-	.00	0
1	2520 224 PRESCRIPTION INS	.00	577.63	7,882.61	7,882.61-	.00	0
1	2520 225 VISION INS	.00	92.52	987.22	987.22-	.00	0
1	2520 315 PRO RATA	.00	.00	.00	.00	.00	0
1	2520 316 PROGRAMMING TTO	.00	2,439.50	53,550.24	53,550.24-	.00	0
1	2520 316 101 PROGRAMMING 101	.00	.00	.00	.00	.00	0
1	2520 316 102 PROGRAMMING 102	.00	.00	315.50	315.50-	.00	0
1	2520 316 103 PROGRAMMING 103	.00	845.00	1,657.50	1,657.50-	.00	0
1	2520 316 104 PROGRAMMING 104	.00	.00	.00	.00	.00	0
1	2520 316 105 PROGRAMMING 105	.00	.00	1,079.85	1,079.85-	.00	0
1	2520 316 106 PROGRAMMING 106	.00	.00	.00	.00	.00	0
1	2520 316 106 5 PROGRAMMING WEST 40	.00	.00	.00	.00	.00	0
1	2520 316 107 PROGRAMMING 107	.00	.00	.00	.00	.00	0
1	2520 316 108 PROGRAMMING 108	.00	.00	.00	.00	.00	0
1	2520 316 109 PROGRAMMING 109	.00	.00	58.50	58.50-	.00	0
1	2520 316 204 PROGRAMMING 204	.00	.00	.00	.00	.00	0
1	2520 316 204 5 PROGRAMMING LADSE	.00	.00	.00	.00	.00	0
1	2520 316 217 PROGRAMMING 217	.00	455.00	1,079.85	1,079.85-	.00	0
1	2520 317 AUDIT WORK TTO	.00	5,730.00-	118,770.00	118,770.00-	.00	0
1	2520 317 101 AUDIT WORK 101	.00	.00	.00	.00	.00	0
1	2520 317 102 AUDIT WORK 102	.00	.00	.00	.00	.00	0
1	2520 317 103 AUDIT WORK 103	.00	.00	.00	.00	.00	0
1	2520 317 104 AUDIT WORK 104	.00	.00	.00	.00	.00	0
1	2520 317 105 AUDIT WORK 105	.00	.00	.00	.00	.00	0
1	2520 317 106 AUDIT WORK 106	.00	.00	.00	.00	.00	0
1	2520 317 107 AUDIT WORK 107	.00	.00	23.40	23.40-	.00	0
1	2520 317 108 AUDIT WORK 108	.00	.00	.00	.00	.00	0
1	2520 317 109 AUDIT WORK 109	.00	.00	.00	.00	.00	0
1	2520 317 204 AUDIT WORK 204	.00	8,500.00	8,500.00	8,500.00-	.00	0
1	2520 317 204 5 AUDIT WORK 2 2045	.00	.00	.00	.00	.00	0
1	2520 317 217 AUDIT WORK 217	.00	.00	.00	.00	.00	0
1	2520 318 LEGAL SERV	.00	3,467.50	26,410.00	26,410.00-	.00	0
1	2520 319 BONDING EXP	.00	308.00-	8,757.00	8,757.00-	.00	0
1	2520 320 CLEANING SUPPLIES	.00	.00	.00	.00	.00	0
1	2520 323 CLEANING SERVICE	.00	374.00-	2,150.00	2,150.00-	.00	0
1	2520 324 AT&T PROJECT NEW LINES	.00	.00	.00	.00	.00	0
1	2520 325 EQUIP RENTAL & MAINT.	.00	.00	6,659.67	6,659.67-	.00	0
1	2520 326 RENT 102	.00	3,152.48	37,829.76	37,829.76-	.00	0
1	2520 327 HVAC CONTRAC AIR COMFORT	.00	.00	850.00	850.00-	.00	0
1	2520 328 PRINTER WARRENTIES	.00	.00	1,069.00	1,069.00-	.00	0
1	2520 329 PROPERTY APPRAISAL	.00	.00	110.00	110.00-	.00	0
1	2520 330 LEASE COPIER	.00	381.95	381.95	381.95-	.00	0
1	2520 331 HPSRVR RP247 CONTRACT	.00	4,963.82	4,963.82	4,963.82-	.00	0

< < STATEMENT OF EXPENDITURES > >

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/10

SCHOOL DISTRICT 100 FUND 1 EDUCATION

PAGE 4

FUND ACCOUNT NUMBER AND DESCRIPTION				BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
1	2520	332	CONVENTIONS & TRAVEL	.00	.00	.00	.00	.00	0
1	2520	333	AUTO EXPENSE	.00	550.00	6,600.00	6,600.00-	.00	0
1	2520	334	LEASE EQUIP NEOPOST	.00	1,248.00	9,237.69	9,237.69-	.00	0
1	2520	335	POSTAGE	.00	2,704.00	2,704.00	2,704.00-	.00	0
1	2520	336	FED EX	.00	776.41	898.90	898.90-	.00	0
1	2520	337	HPSRVR RP247 REPAIR	.00	.00	.00	.00	.00	0
1	2520	340	TELEPHONE	.00	8,731.98	142,461.97	142,461.97-	.00	0
1	2520	341	ROUTER MAINT ADIVI	.00	539.00	819.50	819.50-	.00	0
1	2520	350	SECURITY	.00	36.99	443.88	443.88-	.00	0
1	2520	360	PUBLICATIONS AFR	.00	239.40	29,614.98	29,614.98-	.00	0
1	2520	361	PUBLICATIONS	.00	239.40	239.40	239.40-	.00	0
1	2520	370	WATER	.00	94.49	1,578.50	1,578.50-	.00	0
1	2520	380	UNEMPLY COMP	.00	.00	.00	.00	.00	0
1	2520	381	PROPERTY INS	.00	.00	.00	.00	.00	0
1	2520	400	ENVELOPES 204	.00	1,292.35	1,292.35	1,292.35-	.00	0
1	2520	401	ENVELOPES	.00	2,446.50	2,446.50	2,446.50-	.00	0
1	2520	402	LTHS CKS	.00	1,749.35	1,749.35	1,749.35-	.00	0
1	2520	403	COPIER PAPER	.00	1,947.40	1,947.40	1,947.40-	.00	0
1	2520	404	FNBLG CKS	.00	5,477.58	5,477.58	5,477.58-	.00	0
1	2520	405	WSNB CKS	.00	1,678.90	1,678.90	1,678.90-	.00	0
1	2520	406	CHASE CKS	.00	3,055.85	3,055.85	3,055.85-	.00	0
1	2520	407	HARRIS CKS	.00	3,055.85	3,055.85	3,055.85-	.00	0
1	2520	408	SBOC CKS	.00	1,678.90	1,678.90	1,678.90-	.00	0
1	2520	409	BVB CKS	.00	1,678.90	1,678.90	1,678.90-	.00	0
1	2520	410	OFFICE EXP, FORMS/POSTAG	.00	39,447.29-	10,850.82	10,850.82-	.00	0
1	2520	411	PETTY CASH	.00	1,835.37	1,835.37	1,835.37-	.00	0
1	2520	440	SUBSCRIPTION & PERIODICAL	.00	.00	1,303.64	1,303.64-	.00	0
1	2520	464	SNOW REMOVAL	.00	.00	.00	.00	.00	0
1	2520	465	NATURAL GAS	.00	.00	2,187.72	2,187.72-	.00	0
1	2520	466	ELECTRICITY	.00	.00	24.48	24.48-	.00	0
1	2520	467	SCAVENGER	.00	325.00	832.83	832.83-	.00	0
1	2520	468	LOCK & SAFE	.00	.00	.00	.00	.00	0
1	2520	470	SOFTWARE	.00	336.10	336.10	336.10-	.00	0
1	2520	500	CONSTRUCTION	.00	.00	.00	.00	.00	0
1	2520	540	NEW EQUIPMNT COMPUTER	.00	3,523.32	3,523.32	3,523.32-	.00	0
1	2520	541	REPLACEMENT COMPUTER	.00	5,682.50	5,882.45	5,882.45-	.00	0
1	2520	640	DUES & FEES	.00	2,000.00	13,087.62	13,087.62-	.00	0
1	2520	690	CONTINGENCY	.00	.00	.00	.00	.00	0
1	2520	700		.00	.00	.00	.00	.00	0
FUNCTION	SUB-TOTAL	2520 BUSINESS SER		.00	82,377.34	1,186,421.16	1,186,421.16-	.00	0
EDUCATION	FUND TOTAL	1		.00	82,377.34	1,186,421.16	1,186,421.16-	.00	0

< < STATEMENT OF EXPENDITURES > > >

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/10

SCHOOL DISTRICT 100 FUND ALL FUNDS

PAGE 5

FUND ACCOUNT NUMBER AND DESCRIPTION	BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
GRAND TOTAL EXPENDITURES	.00	82,377.34	1,186,421.16	1,186,421.16-	.00	0

ROBERT G HEALY
TOWNSHIP SCHOOL TREASURER

Lyons Township School Treasurer
Pro Rata Billing
Fiscal Year Ending June 30, 2010

DISTRICT	PERCENTAGE	AMOUNT
101	3.61	\$35,600.63
102	11.08	\$109,331.37
103	8.52	\$84,068.68
104	7.82	\$77,123.41
105	7.02	\$69,254.09
106	5.58	\$55,058.31
107	4.21	\$41,511.62
108	1.67	\$16,501.96
109	9.25	\$91,288.68
204	21.89	\$215,973.48
LADSE	7.2	\$70,977.78
217	10.08	\$99,438.48
999	2.06	\$20,292.67
TOTAL	100.0	\$986,421.16

RESPONSIBILITY CODE INPUT -

DATE 6/30/11

SCHOOL DISTRICT 100 FUND 1 EDUCATION

PAGE 2

FUND ACCOUNT NUMBER AND DESCRIPTION	BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
1-2520-110-0-0 SALARIES	.00	55,706.45	453,570.64	453,570.64-	.00	0
1-2520-212-0-0 IMRF	.00	9,597.72	76,189.13	76,189.13-	.00	0
1-2520-213-0-0 FICA	.00	3,564.16	25,429.68	25,429.68-	.00	0
1-2520-214-0-0 MEDICARE	.00	1,211.78	9,380.75	9,380.75-	.00	0
1-2520-221-0-0 LIFE INS	.00	170.62	1,109.03	1,109.03-	.00	0
1-2520-222-0-0 MEDICAL INS	.00	7,277.46	95,776.46	95,776.46-	.00	0
1-2520-223-0-0 DENTAL INS	.00	738.46	8,503.54	8,503.54-	.00	0
1-2520-224-0-0 PRESCRIPTION INS	.00	.00	.00	.00	.00	0
1-2520-225-0-0 VISION INS	.00	85.06	1,056.09	1,056.09-	.00	0
1-2520-315-0-0 PRO RATA	.00	.00	.00	.00	.00	0
1-2520-316-0-0 PROGRAMMING TTO	.00	1,999.40	42,800.32	42,800.32-	.00	0
1-2520-316-100-0 ANNUAL MAINT DCR	.00	.00	884.00	884.00-	.00	0
1-2520-316-101-0 PROGRAMMING 101	.00	.00	.00	.00	.00	0
1-2520-316-102-0 PROGRAMMING 102	.00	.00	70.00	70.00-	.00	0
1-2520-316-103-0 PROGRAMMING 103	.00	.00	585.00	585.00-	.00	0
1-2520-316-104-0 PROGRAMMING 104	.00	.00	.00	.00	.00	0
1-2520-316-105-0 PROGRAMMING 105	.00	.00	260.00	260.00-	.00	0
1-2520-316-106-0 PROGRAMMING 106	.00	.00	.00	.00	.00	0
1-2520-316-106-5 PROGRAMMING WEST 40	.00	.00	.00	.00	.00	0
1-2520-316-107-0 PROGRAMMING 107	.00	.00	.00	.00	.00	0
1-2520-316-108-0 PROGRAMMING 108	.00	.00	.00	.00	.00	0
1-2520-316-109-0 PROGRAMMING 109	.00	.00	.00	.00	.00	0
1-2520-316-204-0 PROGRAMMING 204	.00	.00	.00	.00	.00	0
1-2520-316-204-5 PROGRAMMING LADSE	.00	.00	.00	.00	.00	0
1-2520-316-217-0 PROGRAMMING 217	.00	.00	65.00	65.00-	.00	0
1-2520-317-0-0 AUDIT WORK TTO	.00	720.00	68,860.00	68,860.00-	.00	0
1-2520-317-101-0 AUDIT WORK 101	.00	.00	.00	.00	.00	0
1-2520-317-102-0 AUDIT WORK 102	.00	.00	.00	.00	.00	0
1-2520-317-103-0 AUDIT WORK 103	.00	.00	.00	.00	.00	0
1-2520-317-104-0 AUDIT WORK 104	.00	.00	.00	.00	.00	0
1-2520-317-105-0 AUDIT WORK 105	.00	.00	.00	.00	.00	0
1-2520-317-106-0 AUDIT WORK 106	.00	.00	.00	.00	.00	0
1-2520-317-107-0 AUDIT WORK 107	.00	.00	.00	.00	.00	0
1-2520-317-108-0 AUDIT WORK 108	.00	.00	.00	.00	.00	0
1-2520-317-109-0 AUDIT WORK 109	.00	.00	.00	.00	.00	0
1-2520-317-204-0 AUDIT WORK 204	.00	.00	35,270.56	35,270.56-	.00	0
1-2520-317-204-5 AUDIT WORK 2 2045	.00	.00	.00	.00	.00	0
1-2520-317-217-0 AUDIT WORK 217	.00	.00	.00	.00	.00	0
1-2520-318-0-0 LEGAL SERV	.00	1,995.00	37,905.00	37,905.00-	.00	0
1-2520-319-0-0 BONDING EXP	.00	14,445.00	41,520.00	41,520.00-	.00	0
1-2520-320-0-0 CLEANING SUPPLIES	.00	.00	.00	.00	.00	0
1-2520-323-0-0 CLEANING SERVICE	.00	1,095.20	1,095.20	1,095.20-	.00	0
1-2520-324-0-0 AT&T PROJECT NEW LINE	.00	.00	.00	.00	.00	0
1-2520-325-0-0 EQUIP RENTAL & MAINT.	.00	.00	.00	.00	.00	0
1-2520-326-0-0 RENT 102	.00	3,294.37	39,532.44	39,532.44-	.00	0
1-2520-327-0-0 HVAC CONTRAC AIR COMF	.00	.00	.00	.00	.00	0

RESPONSIBILITY CODE INPUT -

DATE 6/30/11

SCHOOL DISTRICT 100 FUND 1 EDUCATION

PAGE 3

FUND ACCOUNT NUMBER AND DESCRIPTION	BUDGET AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT USED
1-2520-328-0-0 PRINTER WARRENTI	.00	.00	343.20	343.20-	.00	0
1-2520-329-0-0 PROPERTY APPRAISA	.00	.00	115.00	115.00-	.00	0
1-2520-330-0-0 LEASE COPIER	.00	399.33	5,482.83	5,482.83-	.00	0
1-2520-331-0-0 HPSRVR RP247 CONTRACT	.00	.00	2,634.96	2,634.96-	.00	0
1-2520-332-0-0 CONVENTIONS & TRAVEL	.00	.00	.00	.00	.00	0
1-2520-333-0-0 AUTO EXPENSE	.00	550.00	6,600.00	6,600.00-	.00	0
1-2520-334-0-0 LEASE EQUIP NEOPOST	.00	250.00	7,117.75	7,117.75-	.00	0
1-2520-335-0-0 POSTAGE	.00	544.00	3,248.00	3,248.00-	.00	0
1-2520-336-0-0 FED EX	.00	300.18	1,292.06	1,292.06-	.00	0
1-2520-337-0-0 HPSRVR RP247 REPAIR	.00	.00	.00	.00	.00	0
1-2520-340-0-0 TELEPHONE	.00	9,699.07	112,787.19	112,787.19-	.00	0
1-2520-341-0-0 ROUTER MAINT ADIVI	.00	.00	38.50	38.50-	.00	0
1-2520-350-0-0 SECURITY	.00	36.99	443.88	443.88-	.00	0
1-2520-360-0-0 PUBLICATIONS AFR	.00	478.80	24,860.62	24,860.62-	.00	0
1-2520-361-0-0 PUBLICATIONS	.00	.00	.00	.00	.00	0
1-2520-370-0-0 WATER	.00	111.31	1,518.47	1,518.47-	.00	0
1-2520-380-0-0 UNEMPLY COMP	.00	.00	2,803.40	2,803.40-	.00	0
1-2520-381-0-0 PROPERTY INS	.00	.00	.00	.00	.00	0
1-2520-400-0-0 ENVELOPES 204	.00	.00	3,049.85	3,049.85-	.00	0
1-2520-401-0-0 ENVELOPES	.00	1,520.65	3,117.40	3,117.40-	.00	0
1-2520-402-0-0 LTHS CKS	.00	.00	.00	.00	.00	0
1-2520-403-0-0 COPIER PAPER	.00	968.75	3,510.75	3,510.75-	.00	0
1-2520-404-0-0 FNBLG CKS	.00	1,718.90	5,378.85	5,378.85-	.00	0
1-2520-405-0-0 WSNB CKS	.00	.00	.00	.00	.00	0
1-2520-406-0-0 CHASE CKS	.00	.00	.00	.00	.00	0
1-2520-407-0-0 HARRIS CKS	.00	.00	.00	.00	.00	0
1-2520-408-0-0 SBOC CKS	.00	.00	1,678.90	1,678.90-	.00	0
1-2520-409-0-0 BVB CKS	.00	.00	1,679.20	1,679.20-	.00	0
1-2520-410-0-0 OFFICE EXP, FORMS/PO	.00	3,508.35	31,135.88	31,135.88-	.00	0
1-2520-411-0-0 PETTY CASH	.00	193.86	1,889.82	1,889.82-	.00	0
1-2520-440-0-0 SUBSCRIPTION & PERIOD	.00	.00	1,729.55	1,729.55-	.00	0
1-2520-464-0-0 SNOW REMOVAL	.00	.00	.00	.00	.00	0
1-2520-465-0-0 NATURAL GAS	.00	.00	1,791.60	1,791.60-	.00	0
1-2520-466-0-0 ELECTRICITY	.00	.00	33.71	33.71-	.00	0
1-2520-467-0-0 SCAVENGER	.00	.00	566.67	566.67-	.00	0
1-2520-468-0-0 LOCK & SAFE	.00	.00	68.00	68.00-	.00	0
1-2520-470-0-0 SOFTWARE	.00	.00	681.57	681.57-	.00	0
1-2520-500-0-0 CONSTRUCTION	.00	.00	.00	.00	.00	0
1-2520-540-0-0 NEW EQUIPMNT COMPUTER	.00	.00	6,244.25	6,244.25-	.00	0
1-2520-541-0-0 REPLACEMENT COMPUTER	.00	.00	.00	.00	.00	0
1-2520-640-0-0 DUES & FEES	.00	.00	935.00	935.00-	.00	0
1-2520-690-0-0 CONTINGENCY	.00	.00	.00	.00	.00	0
1-2520-700-0-0	.00	.00	.00	.00	.00	0
FUNCTION SUB-TOTAL 2520 'S	.00	352,227.96	2,027,544.12	2,027,544.12-	.00	0

< < STATEMENT OF EXPENDITURES > >

GUI BUDGETARY REPORTER

RESPONSIBILITY CODE INPUT - ALL

DATE 6/30/11

SCHOOL DISTRICT 100 FUND 1 EDUCATION

PAGE 4

FUND ACCOUNT NUMBER AND DESCRIPTION			BUDGET	AMOUNT	EXPENDED MTD	EXPENDED YTD	UNEXPENDED	ENCUMBRANCES	PCT
									USED
EDUCATION	FUND TOTAL	1	.00	122,180.87	1,172,639.70	1,172,639.70	1,172,639.70-	.00	0
GRAND TOTAL EXPENDITURES			.00	122,180.87	1,172,639.70	1,172,639.70	1,172,639.70-	.00	0

FILED DATE: 7/29/2019 2:07 PM 2013CH23386

Lyons Township School Treasurer
Pro Rata Billing
Fiscal Year Ending June 30, 2011

DISTRICT	PERCENTAGE	AMOUNT
101	4.88	\$49,912.18
102	11.02	\$112,697.21
103	9.15	\$93,559.30
104	6.4	\$65,431.39
105	6.71	\$68,660.32
106	5.61	\$57,348.02
107	4.17	\$42,656.34
108	1.63	\$16,629.40
109	9.95	\$101,716.42
204	21.16	\$216,348.13
LADSE	6.84	\$69,901.14
217	10.19	\$104,214.92
999	2.3	\$23,564.93
TOTAL	100.0	\$1,022,639.70

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

TOWNSHIP TRUSTEES OF SCHOOLS)	
TOWNSHIP 38 NORTH, RANGE 12)	
EAST,)	
)	
Plaintiff,)	
)	
v.)	No. 13 CH 23386
)	
LYONS TOWNSHIP HIGH SCHOOL)	
DISTRICT 204,)	
)	
Defendant.)	

The deposition of MICHAEL THEISSEN taken before Loretta A. Tyska, Certified Shorthand Reporter, taken pursuant to the provisions of the Illinois Code of Civil Procedure and the Rules of the Supreme Court thereof pertaining to the taking of depositions for the purpose of discovery at 20 North Clark Street, Suite 2500, Chicago, Illinois, commencing at 1:04 p.m. on the 16th day of February, 2017.

EXHIBIT 19

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21		
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24		

1 MICHAEL THEISSEN,
2 a witness, having been first administered an oath,
3 was examined and testified as follows:

4 EXAMINATION

5 BY MR. HOFFMAN:

6 Q. Sir, can you provide me with your highest
7 legal of education?

8 A. I have a master's in management with an
9 emphasis on finance and marketing.

10 Q. Where did you get that from?

11 A. Willamette University in Salem, Oregon.

12 Q. I am very familiar with that area. My
13 best friends lived in Salem for many years.

14 A. That, of course, means you know how to
15 pronounce wine.

16 Q. Pinot noir.

17 A. Exactly.

18 Q. I think I like the craft beers better.

19 (Discussion off the record.)

20 BY MR. HOFFMAN:

21 Q. What, sir, is your professional
22 background?

23 A. How far back do you want to go? From my
24 paperboy days or lawn mowing?

1 Q. Let's work backwards from now.
2 A. Okay. So right now I'm an independent
3 consultant and investor in a number of businesses.
4 Prior to that -- that's been about 18 years. At
5 that point before I left I was at Mesirow Financial.
6 I was an investment banker.
7 Q. How long were you at Mesirow for?
8 A. Well, I was at Mesirow and Mesirow Stein,
9 so I was at Stein & Company doing financial
10 structuring and program management for sports
11 facilities and large public-private partnerships.
12 Q. Did you have a hand in Toyota Park?
13 A. I did not have a hand in Toyota Park, no.
14 I worked on Toyota Park as an independent consultant
15 related to a possible naming rights deal, but not in
16 the structuring and development of it.
17 Q. Okay. And then when did you become an
18 independent consultant, approximately?
19 A. Probably 18 years ago, 20 years ago. When
20 I was at Mesirow, I had both a Series 7 and 63,
21 which would allow me to buy, sell, and trade stocks,
22 bonds, provide investment advice for my clients, as
23 we would do financial structuring both on the debt
24 and equity side.

1 Q. Did you ever do any audit work in your
2 career?

3 A. **Not audit work, no.**

4 Q. All right. Let's talk about the claims --
5 is it okay if you call your -- you're a trustee of
6 the TTO, correct?

7 A. **Yes, I am an elected board member of the
8 TTO.**

9 Q. Are the elected board members of the TTO
10 sometimes referred to as trustees?

11 A. **Yes.**

12 Q. When did you first become an elected board
13 member of the TTO?

14 A. **It was probably five years ago, maybe five
15 and a half years ago. I fulfilled the term of a
16 gentleman that resigned, I believe, to become a
17 judge; then I was elected in the next municipal
18 election.**

19 Q. Was that Russell Hartigan?

20 A. **I believe so.**

21 Q. What year do you believe the switch from
22 Judge Hartigan to you took place? When did you take
23 over as a board member from Judge Hartigan?

24 A. **I'd say it's maybe '12 or '13. It was**

1 **which we manage on their behalf. You know, for a
2 nonaccounting people, we may be our -- not one of
3 those, but for me, those would be like rainy day
4 funds or surplus funds. And we have operational
5 funds. So I don't know. If you want to ask me that
6 again, I'll try to answer it.**

7 Q. The TTO doesn't have any revenue sources
8 of its own, does it, other than its billings from
9 the other districts? Where does the TTO get its
10 money?

11 A. **We bill the other districts, correct. We
12 don't have tax --**

13 Q. You don't get tax money, right?

14 A. **No, we do not. We get tax money
15 indirectly via what we bill the other districts.**

16 Q. Okay. So the money that the TTO has is
17 money that it holds in trust for other districts,
18 and sometimes it uses that money for the operation
19 of the TTO, correct?

20 A. **Well, that's a function of -- the money
21 that comes in is a delay because of cash flow and
22 billing, so, again, I'm not --**

23 Q. Let me ask you a better question.

24 A. **Okay.**

1 **roughly June of one of those two years, if I
2 remember correctly.**

3 Q. Was it before or after Bob Healy resigned
4 as treasurer?

5 A. **It was before, probably six weeks before,
6 six to seven weeks before. Bob Healy resigned on
7 Labor Day weekend. I remember that.**

8 Q. If I tell you that Bob Healy resigned in
9 2012, does that mean he started in the middle of
10 2012 as a board member?

11 A. **Yes, that would be correct.**

12 Q. You're aware that Bob Healy stole from --
13 Well, you're aware that Bob Healy stole in excess of
14 a million dollars in his position as treasurer,
15 correct?

16 A. **Yes.**

17 Q. And were the funds that he stole funds
18 that TTO held for the districts that are members of
19 the TTO?

20 A. **I'm not really sure what you're asking
21 because we have operational funds and then we have
22 funds that we manage on their behalf, so are you
23 asking me to make a differentiation or are you going
24 to make a differentiation? We have agency funds**

1 Q. The million dollars plus that Bob Healy
2 stole that we know of, did he steal that from the
3 TTO's funds or did he steal that from funds of the
4 districts? And I mean whether it's held directly or
5 indirectly for the districts.

6 A. **The money that I believe Bob stole, from
7 what we can tell on the wire transfers, were
8 transferred out of our operating account. They were
9 not transferred out of any of the trust or surplus
10 accounts.**

11 Q. Where does the money from the TTO's
12 operating account come from?

13 A. **It comes from the districts, as we talked
14 about previously.**

15 Q. Okay. So you helped the TTO make a claim
16 against bonds that the TTO had for the malfeasance
17 of the treasurer or others, correct?

18 A. **Uh-huh.**

19 Q. Yes?

20 A. **Yes.**

21 Q. Okay. You have to answer yes or no.
22 Uh-huh or uh-huh is hard for the court reporter to
23 understand what you mean.

24 I'm going to show you three documents that

1 will -- just to have you confirm what they are. I
 2 don't want you to look at them in any detail. All
 3 right?
 4 (Exhibits 1 - 3 were marked.)
 5 BY MR. HOFFMAN:
 6 Q. The document Theissen Exhibit Number 1, am
 7 I correct that this is a release that you signed
 8 whereby the TTO received \$165,000 for its claim on a
 9 bond issued by Liberty Mutual Insurance Company?
 10 **A. That looks correct, yes.**
 11 Q. And that's your signature on the release,
 12 sir?
 13 **A. Yes, it is.**
 14 Q. And I'm showing you Theissen Exhibit
 15 Number 2. Am I correct?
 16 THE WITNESS: Do I get to keep these and take
 17 these home? Are these mine?
 18 MR. KALTENBACH: Those are official. I can
 19 give you copies of everything afterwards.
 20 BY MR. HOFFMAN:
 21 Q. Is it correct that Theissen Exhibit
 22 Number 2 is a document you signed whereby the TTO
 23 entered into a settlement and received \$875,000 for
 24 its claim on a bond issued by the Hanover Insurance

1 Company?
 2 **A. That looks correct, yes.**
 3 Q. And the TTO actually received both of
 4 those payments called for in Exhibits 1 and 2,
 5 correct?
 6 **A. Yes.**
 7 Q. And, sir, is Theissen Exhibit Number 3 a
 8 copy of the proof of claim that the TTO submitted
 9 to -- in connection with this loss to the Hanover
 10 Insurance Group as you see on page 2?
 11 **A. Yes, that looks correct.**
 12 Q. Is it correct that the claims that the TTO
 13 made on these two bonds arose out of wire transfers
 14 that Bob Healy had that were improper and vacation
 15 sick pay that Bob Healy caused to be paid that were
 16 also improper? Is that the basis of the claim?
 17 **A. I know the basis is -- I do not know about**
 18 **the sick -- I don't remember the details with the**
 19 **sick and the overpayment. I do remember that they**
 20 **were related to the wire transfers.**
 21 Q. Take a look at -- let's see if I can
 22 refresh your memory -- on the first page in the
 23 middle on Theissen Exhibit Number 2 where it says --
 24 **A. Oh, okay. I see it, yeah. If that was**

1 **the case, then that was the case. Yes. They were**
 2 **for sick and vacation days, yes.**
 3 Q. As well as wire transfers?
 4 **A. Yes.**
 5 Q. Okay. I understand that the TTO has
 6 different accounts that it manages, both operating
 7 accounts for the TTO and investment accounts of
 8 money held in trust for the other districts, but I'm
 9 asking a more fundamental question here. Whose
 10 money did Healy steal that formed the basis of these
 11 claims on the bonds?
 12 **A. Well, this would be the TTO's money.**
 13 Q. And is it your position that all of the
 14 money that the TTO recovered on its bond claims
 15 belongs to the TTO and not the districts?
 16 **A. I did not say that.**
 17 Q. Well, what is your position? Who
 18 rightfully is entitled to receive the proceeds of
 19 the \$1,040,000 that the TTO recovered on the two
 20 bond claims?
 21 MR. KALTENBACH: I'm going to object to the
 22 extent that it's asking the witness to make a legal
 23 opinion. But you can answer.
 24

1 BY MR. HOFFMAN:
 2 Q. From your understanding, whose money does
 3 that belong to?
 4 **A. Well, we were in a structural deficit**
 5 **that's been primarily caused by the fact that school**
 6 **districts have not paid the amount of money they're**
 7 **required to by school code. So within the**
 8 **structural deficit, each school district has a**
 9 **pro-rata allocation or pro-rata liability to that**
 10 **structural deficit. So as it relates to this**
 11 **million dollars in question, I think first and**
 12 **foremost we would probably apply it to the**
 13 **structural deficit, which would then cause each**
 14 **school district to then have lesser of a liability**
 15 **to the structural deficit.**
 16 **The structural deficit started about**
 17 **15 years ago. Primarily, as I mentioned, we have**
 18 **issues related to cash flow. And 204 chose to not**
 19 **pay, even though they're mandated by school code to**
 20 **do that. So the million dollars, that I think is**
 21 **what you're asking in the question, will be applied**
 22 **to that structural deficit first so that it would**
 23 **help reduce the liability of each school district**
 24 **that's a member of the TTO.**

1 Q. So your position is because the TTO is
2 short on cash, that it's entitled to keep the \$1
3 million recovery on the bonds and apply it to its
4 deficit, yes?

5 **A. When you say "short on cash," I don't know**
6 **what you -- we're short on cash because people don't**
7 **pay. We're not short on cash because we've**
8 **overspent.**

9 Q. So your position is that the \$1 million
10 that the TTO recovered on the bonds, the TTO can
11 apply that to its structural deficit which you
12 attribute to District 204's nonpayment of pro-rata
13 funds, right? Am I correctly summarizing what you
14 said? Yes or no?

15 MR. KALTENBACH: I'll object in that it does
16 mischaracterize. But you can answer the question,
17 Mike.

18 THE WITNESS: Okay. So give me the question
19 one more time.

20 BY MR. HOFFMAN:

21 Q. As I understand your testimony -- correct
22 me if I'm wrong -- the TTO can apply the \$1 million
23 that it received in bond payments to its structural
24 deficit, correct? Regardless of the source of the

1 structural deficit, it has the ability and can and
2 should do that; is what you're saying?

3 **A. I think the key word there is we have the**
4 **ability to. I mean, as an elected board, we**
5 **obviously have to act in what's best fiduciary for**
6 **the other districts, yes.**

7 Q. Has the TTO made a decision as to what to
8 do with this \$1,040,000 recovery?

9 **A. No.**

10 Q. Where is it sitting?

11 **A. From an accounting perspective, I would**
12 **not know that. It's not in a separate account, if**
13 **that's what you're asking.**

14 Q. In Kelly Bradshaw's testimony, which I'll
15 refer to -- here's a copy of it -- do you know who
16 Kelly Bradshaw is?

17 **A. Yes.**

18 Q. Kelly Bradshaw on page 14 of her testimony
19 in this case testified as follows:

20 "And this \$1 million discrepancy" -- and
21 we'd been talking about a million dollars missing
22 due to Healy's misconduct.

23 "And this \$1 million discrepancy, was it
24 your belief that that was \$1 million approximately

1 of money that Healy had taken from the funds that
2 the TTO was holding for the various school
3 districts?"

4 Answer: "That's what it appeared to be."

5 Do you disagree with Ms. Bradshaw's
6 testimony in that regard?

7 MR. KALTENBACH: Do you want him to read?

8 BY THE WITNESS:

9 **A. Can I see it?**

10 Q. You're welcome to. Sure.

11 **A. The circle?**

12 Q. Yes, sir.

13 **A. Okay.**

14 **(Peruses document.)**

15 **I wouldn't necessarily agree with that.**

16 Q. What does that mean? It sounds a little
17 vague. Do you disagree with it? When someone
18 doesn't necessarily agree with something, I don't
19 really know what that means.

20 **A. Well, I guess, define to me what you**
21 **mean -- what she means by "holding" there. I mean,**
22 **we hold everybody's money. Is it being held in the**
23 **surplus fund? Is it being held in the agency fund?**
24 **Is it being held in the administrative fund? Tell**

1 **me where that's being held, and I can make a**
2 **better --**

3 Q. Sir, you see the testimony. Do you agree
4 or disagree with --

5 **A. Okay. Then I do not agree with it.**

6 Q. You do not agree with it?

7 **A. I don't agree with it, but I don't**
8 **disagree with it. I think her interpretation and my**
9 **interpretation would be different.**

10 MR. HOFFMAN: Can you mark this as Theissen 4,
11 please.

12 **(Exhibit 4 was marked.)**

13 BY MR. HOFFMAN:

14 Q. You're aware that the TTO sued Bob Healy
15 in a lawsuit in 2012, correct?

16 **A. Yes.**

17 MR. HOFFMAN: Mark this.

18 **(Exhibits 5 - 6 were marked.)**

19 BY MR. HOFFMAN:

20 Q. Theissen Exhibit Number 5, would you
21 confirm that this is an order on a summary judgment
22 motion by which the TTO received a judgment against
23 Healy in excess of \$904,000?

24 THE WITNESS: Is it a summary judgment?

1 MR. KALTENBACH: I can stipulate to it.
 2 MR. HOFFMAN: I mean, it seems obvious.
 3 MR. KALTENBACH: I'll stipulate that this is
 4 laid -- and I don't know if there was any other
 5 document. But this certainly is what I think is the
 6 -- I wasn't involved in the case, but -- it's a
 7 judgment, yeah.
 8 MR. HOFFMAN: It's the judgment.
 9 MR. KALTENBACH: The judgment, yeah.
 10 THE WITNESS: My name is spelled
 11 T-h-i-e-s-s-e-n.
 12 MR. HOFFMAN: As anyone who speaks German
 13 should know.
 14 BY MR. HOFFMAN:
 15 Q. Also, how much did the TTO collect on this
 16 judgment?
 17 **A. It was insignificant.**
 18 Q. How much?
 19 **A. \$33,000, if my memory serves me.**
 20 MR. HOFFMAN: If you want to correct that, you
 21 can.
 22 MR. KALTENBACH: I'm not here to correct or not
 23 correct his testimony. I don't think that's
 24 appropriate.

1 MR. HOFFMAN: I don't care. I want to get to
 2 the truth, so help yourself.
 3 BY MR. HOFFMAN:
 4 Q. So \$33,000. And where did the \$33,000
 5 come from? Do you know?
 6 **A. I believe it came from a series of bank**
 7 **accounts and maybe a brokerage account.**
 8 Q. And how much did the TTO spend in
 9 attorneys' fees and other costs in connection with
 10 this case against Healy?
 11 **A. I do not know.**
 12 Q. Was it several hundred thousand dollars?
 13 **A. I do not know.**
 14 Q. You have no idea?
 15 **A. It could be a dollar. It could be a**
 16 **million. I do not know.**
 17 Q. Do you think it was a dollar?
 18 **A. It was probably more than a dollar. It**
 19 **was probably less than a million.**
 20 Q. So somewhere between a dollar and a
 21 million; you're not sure?
 22 **A. I would give you that, yeah. Those**
 23 **parameters are probably correct.**
 24 Q. What's your best estimate?

1 **A. I literally have no idea --**
 2 Q. Okay. Fine.
 3 **A. -- on this particular piece of the case.**
 4 Q. Now, Theissen Exhibit Number 6, this is an
 5 article in the Pioneer Press. And at the very last
 6 paragraph on the page 2 is all I'm going to ask you
 7 about. You're quoted as saying: "We haven't been
 8 able to find any assets." And this is as of
 9 March 19th of 2015. Do you see that?
 10 **A. Uh-huh.**
 11 Q. Yes?
 12 **A. Yes.**
 13 Q. Okay. Did the \$33,000 you said you found,
 14 did that come after March 19th of 2015?
 15 **A. I would not remember the timing.**
 16 Q. Okay. What did the TTO do with the
 17 \$33,000 it recovered from bank accounts belonging to
 18 Healy?
 19 **A. I do not know specifically.**
 20 Q. What is your belief as to the proposition
 21 of that? Is that money that belongs and should be
 22 given to the districts, or is that money that
 23 belongs to the TTO?
 24 MR. KALTENBACH: I'll object to the extent it

1 calls for the witness to make a legal opinion. But
 2 you can answer, Mike.
 3 BY MR. HOFFMAN:
 4 Q. I'm asking for your view.
 5 **A. I guess my view would be --**
 6 MR. KALTENBACH: And I'm going to object on the
 7 basis of relevance. Sorry. You can answer.
 8 MR. HOFFMAN: To your view. And it is
 9 relevant.
 10 Go ahead.
 11 THE WITNESS: Ask me the question again.
 12 BY MR. HOFFMAN:
 13 Q. What is your understanding as to who the
 14 \$33,000 the TTO recovered from Healy belongs to?
 15 Does it belong to the TTO or does it belong to the
 16 districts?
 17 MR. KALTENBACH: Same objections.
 18 BY THE WITNESS:
 19 **A. I'm not sure -- when you ask me "does it**
 20 **belong to the TTO," I don't understand what you mean**
 21 **by that.**
 22 Q. Well, what happened to the \$33,000? You
 23 say you don't know. Is that an amount that should
 24 be distributed to the districts?

1 **A. I don't know what you mean by "distributed**
 2 **to the districts." Like, me handing them a check?**
 3 **I don't know what you mean when you say "distributed**
 4 **to the districts."**

5 Q. Well, you don't know what it means to have
 6 the TTO apply money to the accounts of the member
 7 districts in the TTO?

8 **A. I do know that, yes.**

9 Q. So that's what I mean when I say --

10 **A. So when you ask me is it the TTO's money**
 11 **or the districts' money --**

12 Q. I'm talking about you don't need to cut a
 13 check because you hold all the districts' funds,
 14 correct?

15 **A. Correct.**

16 Q. So it's done via line items or journal
 17 entries in the general ledger, correct?

18 **A. Yes.**

19 Q. Right. So what I'm saying --

20 **A. Except for -- well, let's -- that's**
 21 **not entirely true. School districts have taken the**
 22 **position to write us checks. We have, for the sake**
 23 **of efficiency, taken the position to give them a**
 24 **journal entry or do it via accounting records versus**

1 **a physical check. So we don't typically cut them a**
 2 **check for their distribution. They typically do cut**
 3 **us a check for a program payment.**

4 Q. Why hasn't the TTO credited each of the
 5 various districts on the pro-rata basis with the
 6 \$33,000 recovery?

7 **A. Well, again, the TTO runs at a structural**
 8 **deficit, so it would probably be in our best sense**
 9 **to get the structural deficit down to zero before we**
 10 **would continue to have a bigger structural deficit,**
 11 **which then ultimately shifts to the school districts**
 12 **at some point. So our goal would be -- and I speak**
 13 **on behalf of the board -- would be to get our**
 14 **structural deficit to zero so if there were**
 15 **additional funds that came in, we would then**
 16 **distribute those to the school districts, as you**
 17 **asked.**

18 Q. I'm showing you Hartigan Exhibit 4. I
 19 don't have a third copy of it. I'm not going to ask
 20 you a lot of questions about it. But do you
 21 remember this Better Government Association report
 22 on the TTO which contained its reform suggestions?

23 **A. Well, I guess I do remember this now,**
 24 **yeah.**

1 Q. Okay. Do you have any disagreements with
 2 any of the criticisms that the BGA made in this
 3 document?

4 **A. Let me take a look.**

5 **So you're talking about the criticisms or**
 6 **you're talking about the suggestions?**

7 Q. Both.

8 MR. KALTENBACH: I'm going to object. I don't
 9 think it's relevant.

10 BY THE WITNESS:

11 **A. As it relates to the solution, two**
 12 **trustees are on the board -- "now former**
 13 **treasurer" -- questionable -- "should resign" -- I**
 14 **don't think that's appropriate.**

15 Q. Okay. Anything else?

16 **A. "Trustee should consider" --**

17 THE REPORTER: I'm not looking at it.

18 MR. HOFFMAN: She needs to write it down.

19 BY THE WITNESS:

20 **A. (As read): "Trustee should consider**
 21 **replacing and all legal financial consultants who**
 22 **were the agency's payroll during the now former**
 23 **trustee was there."**

24 **That's probably good business. Yes, I**

1 **would agree with that. And that's been done.**

2 Q. Is there anything to disagree with?

3 **A. I'm not there yet. Oh, disagreement.**

4 Q. Disagreement. So the first two points are
 5 points you agree with; yes?

6 **A. Yes.**

7 Q. That you gave me?

8 **A. Yes.**

9 Q. Okay. My point is, is there anything in
 10 here you disagree with?

11 MR. KALTENBACH: I'll again object on
 12 relevance, to the extent I need to renew that
 13 objection. But you can answer, Mike.

14 BY THE WITNESS:

15 **A. I don't disagree with any of this.**

16 Q. Okay. Thank you.

17 Who is Steven Landek?

18 **A. I believe he's a state senator.**

19 Q. What's your relationship with Mr. Landek?

20 MR. KALTENBACH: I'm going to object on the
 21 basis of relevance.

22 MR. HOFFMAN: You can have a standing relevance
 23 objection the whole deposition.

24 MR. KALTENBACH: I'd rather not. I'm assuming

1 at some point you're going to ask what I consider to
 2 be relevant, but --
 3 MR. HOFFMAN: Yeah. You can have a standing
 4 objection as to any relevance. You can later object
 5 to any question I ask based on relevance.
 6 MR. KALTENBACH: If you want to agree to that,
 7 that's fine.
 8 MR. HOFFMAN: I do.
 9 MR. KALTENBACH: Then I won't have to say it
 10 each time.
 11 MR. HOFFMAN: Exactly. So standing.
 12 BY MR. HOFFMAN:
 13 Q. Sir, what is your relationship to Senator
 14 Landek?
 15 A. **He's a client of mine.**
 16 Q. Okay. And you have made campaign
 17 contributions to him individually and through your
 18 company, correct?
 19 A. **Yeah, no doubt I have.**
 20 Q. Any idea as to how much?
 21 A. **Let's see. I made campaign contributions**
 22 **on a pretty regular basis. Maybe \$3,000, \$3,500.**
 23 Q. And have you spoken with Mr. Landek about
 24 this case?

1 A. **About this case?**
 2 Q. Yes.
 3 A. **Yes, I've spoken to him about this case.**
 4 Q. And just describe to me the timeframe in
 5 which you've talked to him and the nature of your
 6 communications with him about the case.
 7 A. **A lot of the conversations we've had have**
 8 **been related to legislation that's being looked at**
 9 **in Springfield. He was asking me questions related**
 10 **to the timing of the case, related to the amounts**
 11 **outstanding of the case, related to where we were in**
 12 **the process; ideally, either with settlement or**
 13 **court hearings. So mostly that's been the gist of**
 14 **our conversations.**
 15 Q. Okay. Let's talk about your claim in this
 16 case -- or strike that.
 17 Let's talk about the TTO's claims made in
 18 this case that relevant to the TTO's payment of
 19 annual audit costs for LT.
 20 A. **Okay.**
 21 Q. And you understand when I say "LT," I'm
 22 talking about Lyons Township High School District
 23 204, yes?
 24 A. **Yes.**

1 Q. And when I say District 204, I'm referring
 2 to the same thing, right?
 3 A. **I understand.**
 4 Q. Okay. So did -- do you know whether the
 5 TTO paid for the annual audit costs of any district
 6 other than LT at any point before 2012?
 7 A. **I do not know that.**
 8 Q. Are you -- did you ever speak with anybody
 9 at the TTO on that subject?
 10 A. **Prior to 2012?**
 11 Q. At any time. Have you ever asked anybody
 12 from the old days who was at the TTO or had retired
 13 from the TTO or otherwise was associated with the
 14 TTO whether they knew about the TTO paying for other
 15 districts' audits at any point before 2012?
 16 A. **No, I have not spoken to anybody about**
 17 **that.**
 18 Q. Did you ever ask Judge Hartigan that
 19 question?
 20 A. **No. I don't think I've ever met Judge**
 21 **Hartigan.**
 22 Q. Did you ever talk to Bob Healy about that
 23 subject?
 24 A. **No.**

1 Q. Have you ever spoken with Bob Healy?
 2 A. **Yes.**
 3 Q. Other than -- I'm sorry. Let me strike
 4 that.
 5 Have you ever spoken with Bob Healy after
 6 the date on which he resigned from the TTO?
 7 A. **Yes. I spoke with him twice in the**
 8 **courtroom at 26th and California.**
 9 Q. What were the nature of those --
 10 A. **Pleasantries.**
 11 Q. Nothing specific?
 12 A. **Nothing specific. It's not really a place**
 13 **where you have deep conversations.**
 14 Q. The TTO has claimed in this case that it
 15 paid the annual audit costs of LT but not for the
 16 other districts, correct?
 17 A. **Correct.**
 18 Q. And how do you know that's true?
 19 A. **Because as we went back and looked within**
 20 **the books and our records, we can see that we paid**
 21 **the audit costs related to 204 out of our**
 22 **operational budget, which is not typically how bills**
 23 **are paid within our system. So it came out of the**
 24 **TTO's bank account versus 204's bank account.**

1 Q. And what was the situation with respect to
2 the other districts that you found?

3 **A. Well, we processed their checks, and the**
4 **money comes out of their bank accounts.**

5 Q. Did you actually go look at those records?
6 And if not, who did?

7 **A. I think I was exposed to those records.**
8 **They were probably done within our staff. I don't**
9 **know if I could say directly. Could have been**
10 **Kelly. Could have been Lauralee. It could have**
11 **been our accounting firm. It could have been Baker**
12 **Tilly at the time. It could have been Miller**
13 **Cooper, who is our current auditor. I couldn't say**
14 **this particular person found that.**

15 Q. So when you say you were exposed to them,
16 I'm not sure what that means. Does that mean that
17 you personally reviewed them?

18 **A. Yes.**

19 Q. Are you aware that the TTO repeatedly
20 represented to LT in years prior to 2012 that the
21 TTO was paying for the audit costs of all districts?

22 **A. I was not aware of that.**

23 Q. Are you now aware of that today, given the
24 information that's been learned through the course

1 that's a proper question, Jay. You're asking the
2 witness what he discussed with his attorneys.

3 MR. HOFFMAN: No. I'm able to find out --
4 You're wrong. I'm able to find out --

5 MR. KALTENBACH: Thank you for the commentary.

6 MR. HOFFMAN: -- if he learned facts through
7 anybody as to what people have said in their
8 depositions.

9 BY MR. HOFFMAN:

10 Q. You didn't read the depositions, right?

11 **A. No, I do not.**

12 Q. Okay. Did anyone tell you what was
13 testified to in the depositions? Yes or no?

14 MR. HOFFMAN: If you want to instruct him not
15 to answer, that's fine; we'll deal with it later.
16 Let's get this show on the road, though, please.
17 Make a short objection and then instruct him not to
18 answer. Or object. Let's go.

19 MR. KALTENBACH: We're delving into privileged
20 matters, so I don't mind pausing a minute. You just
21 spent time showing the man BGA recommendations that
22 have nothing to do with the case.

23 So if -- you can answer the question "Has
24 anyone told you what depositions have been set."

1 of this lawsuit?

2 **A. I don't know the question, but I think I**
3 **disagree with it.**

4 Q. What I mean is, sitting here today, are
5 you aware that the TTO -- let me ask you a question
6 before this.

7 Have you read any of the deposition
8 transcripts of depositions taken in this case?

9 **A. No.**

10 Q. Have you spoken with your attorneys about
11 the content of any depositions, the factual content
12 of the depositions of witnesses who testified in
13 this case?

14 MR. KALTENBACH: I'm going to -- Mike, I'm just
15 going to instruct you -- you can answer that. When
16 we start getting into questions relating to
17 discussions with attorneys, I want you to be very
18 careful to just answer the question asked and not
19 kind of anticipate where he's going, because that's
20 going to give me a chance to see if it's
21 objectionable.

22 The question "Have you spoken with your
23 attorneys about" -- I'm sorry, think it was the
24 factual content of depositions. I don't think

1 That's an acceptable question, so you can answer
2 that.

3 THE WITNESS: What depositions have taken place
4 or -- I don't know what was said in them.

5 BY MR. HOFFMAN:

6 Q. Has anybody related to you the content of
7 the deposition transcripts taken in this case, or
8 any of them? That's the question. Very specific.

9 **A. Has anybody related to me transcripts --**

10 Q. The content of the transcripts of
11 testimony taken in this case, what people said in
12 their depositions?

13 **A. Oh, I think I'm aware of some items, yes.**

14 Q. Great. Terrific. Are you aware that Bob
15 Healy testified in his deposition that during the
16 relevant time period, the TTO paid for the audits of
17 all of its member districts?

18 **A. I was not aware of that.**

19 Q. I'll show it to you.

20 **A. Okay.**

21 Q. This is Hartigan Exhibit 3 already marked.
22 Turn to page 19, sir, please.

23 MR. KALTENBACH: Page 19 on the transcript?

24 MR. HOFFMAN: Yes, page 19 of the testimony.

1 BY MR. HOFFMAN:
 2 Q. Do you see on line 12 it says:
 3 "And so the trustees paid for the audits
 4 for not just LT but the other school districts?"
 5 Answer: "Right"?
 6 **A. I see that.**
 7 Q. Okay. And you're saying that that
 8 testimony of Mr. Healy is incorrect?
 9 **A. To my knowledge, that's incorrect.**
 10 Q. And why is that?
 11 **A. We don't have a record of that. We have**
 12 **processed payments for school districts for audit**
 13 **fees. I am not aware that we have paid for audit**
 14 **fees out of the TTO funds.**
 15 Q. Do you have any understanding as to why
 16 Healy testified the way he did?
 17 **A. I have no understanding, no.**
 18 Q. You're aware that Judge Hartigan was
 19 deposed in this case?
 20 **A. Yes.**
 21 **(Exhibit 7 was marked.)**
 22 BY MR. HOFFMAN:
 23 Q. Theissen Exhibit Number 7 is Judge
 24 Hartigan's testimony taken in this case. On

1 Q. Are you aware that Bob Healy wrote letters
 2 to LT both in 1999 and 2001 in which he represented
 3 to LT, writing that the TTO was paying for the audit
 4 costs of all of the districts?
 5 **A. I'm not aware of the content of the**
 6 **letter. I'm aware that there was numerous**
 7 **correspondence between Bob and LT. So if you**
 8 **have --**
 9 Q. Would you like me to show you those
 10 letters?
 11 **A. I'd be happy to look at them.**
 12 Q. Let me -- I'm going to represent to you,
 13 because I have the letters -- I mean, if you want to
 14 see them, that's fine. I'll show them to you.
 15 MR. HOFFMAN: I'm showing Healy 1 to the
 16 witness.
 17 Q. This is the April 29, 1999 letter that
 18 Mr. Healy wrote to Lisa Beckwith at LT. Let me show
 19 you the section -- it's a long letter. I'll show
 20 you what I'm referring to.
 21 It says on page 6 of the letter:
 22 "The trustees hire and pay for the audits
 23 of the school districts and the treasurer's office
 24 in Lyons Township."

1 page 25 --
 2 **A. Page 25 or little page 25?**
 3 Q. Little page 25.
 4 **A. Okay.**
 5 Q. You see starting on line 20, there's a
 6 reference to a letter that Bob Healy wrote on
 7 April 29, 1999 to LT? Do you see that?
 8 **A. Does it start "And it says this letter"?**
 9 Q. Yeah.
 10 **A. Okay.**
 11 Q. It says, "The trustees hire and pay for
 12 the audit of the school districts and the
 13 treasurer's office of Lyons Township." That's a
 14 quote from an April 29, 1999 Healy letter to LT. Do
 15 you know why -- Have you ever seen that letter?
 16 **A. No. No.**
 17 Q. Fine. And then the question to Judge
 18 Hartigan is:
 19 "Is that consistent with your
 20 understanding of what the trustees did?"
 21 Answer: "I believe so."
 22 Is it your testimony that Judge Hartigan
 23 is incorrect?
 24 **A. Yes, it is. To my knowledge, yes.**

1 Do you see that?
 2 **A. Uh-huh.**
 3 Q. Yes?
 4 **A. Yes, I do.**
 5 Q. And you disagree with Mr. Healy's
 6 statement there, right? You think that's factually
 7 inaccurate, right?
 8 **A. I think I'm confused by this.**
 9 Q. It says --
 10 **A. I can read. Let me look at this.**
 11 **(Reading document.)**
 12 **Well, that would not be -- I disagree with**
 13 **this.**
 14 Q. Okay. And I'm going to show you an
 15 additional letter where Healy says the same thing in
 16 2001. There's a January 1, 2001 letter to Dennis
 17 Kelly of LT from Mr. Healy.
 18 As shown on the last page. And there is a
 19 section again -- because it's the same letter, in
 20 essence -- in which it says under Annual Audit:
 21 "The trustees hire and pay for the audit
 22 of these school districts and the treasurer's office
 23 in Lyons Township."
 24 Do you see that?

1 **A. Yes.**

2 Q. And you're saying that those written
3 representations to LT in 1999 and 2001 are
4 incorrect?

5 **A. I am saying that. To my knowledge, I'm**
6 **saying those are incorrect.**

7 Q. Do you know why Healy made those
8 representations to LT?

9 **A. I have no idea.**

10 Q. Do you have any concerns about LT being
11 misled by those statements of Mr. Healy?

12 **A. Do I have any concerns?**

13 Q. Yes. That's the question.

14 **A. No. I think I probably have more concerns**
15 **that those were done to mask the fact that LT didn't**
16 **pay their own audits.**

17 Q. So you think the reason that Mr. Healy
18 wrote that is to hide the fact that it was paying
19 audit costs only for LT?

20 **A. Yes.**

21 Q. You want to explain to me what you mean by
22 that, how you get to that point?

23 **A. Well, we've got a number of emails and**
24 **meetings and different memos that we have kind of**

1 **unfortunately come across where it appears that LT**
2 **was, I would say, exerting influence or pressure on**
3 **Bob within the office for interest allocations;**
4 **probably, I would say, special treatment.**

5 Q. Okay. Describe those for me as best you
6 can. Give me your full knowledge of those
7 documents.

8 **A. Well, I know there was a follow-up email**
9 **or a memo talking about a "pleasant lunch we had,"**
10 **and Bob, in fact, then did find more interest**
11 **allocation that he was going to contribute to --**

12 Q. Was this in 2006?

13 **A. I don't know the date.**

14 Q. Okay. And how much was involved in the
15 document you're talking about?

16 **A. I don't know the document that you're**
17 **talking about. I think I would approximate over the**
18 **years, I would believe it's about \$1.5 to**
19 **\$1.8 million that was over-allocated or contributed**
20 **to LT's fund that they were not entitled to.**

21 Q. Okay. And the complaint says that there
22 was a \$1.5 million over-allocation of interest. How
23 do you come up with the \$1.8 million figure?

24 **A. I said "approximately."**

1 Q. Okay. What does that claim that you have
2 about overpayment of interest have to do with
3 Mr. Healy's representations to LT in writing about
4 the payments of annual audits of the other
5 districts?

6 **A. I think that he was justifying -- This is**
7 **my opinion. I think that he was justifying to LT in**
8 **writing that he would do that, even though he knew**
9 **that that's not the process that took place in the**
10 **office.**

11 Q. Do you have any reason to believe that LT
12 before this lawsuit was ever aware that Mr. Healy's
13 representations in the letters we just looked at
14 were wrong?

15 **A. Do I have reason to believe?**

16 Q. Yeah.

17 **A. Yes, I do.**

18 Q. On what basis do you believe that?

19 **A. I believe that, number one, their auditor**
20 **should have known the code, that we had a shared**
21 **auditor. I believe that their legal counsel should**
22 **have known the code and whose allocations were what.**
23 **And I think that if the other districts knew that LT**
24 **was being -- their audit fees were being paid for,**

1 **that they would have been besides themselves as**
2 **well.**

3 Q. That wasn't my question.

4 **A. They would have gotten LT's --**

5 Q. That wasn't my question. It's not that
6 they should have -- I'm not asking whether they
7 should have known; I was asking a very specific
8 question which is: Do you have any facts or are you
9 aware of any facts to indicate that LT actually knew
10 that Healy's written letters we just looked at were
11 lies and that the TTO wasn't paying for the annual
12 audit costs of the other districts? That's my
13 question.

14 **A. Can you ask it to me one time?**

15 MR. HOFFMAN: Repeat it.

16 THE WITNESS: Do I have any facts?

17 MR. HOFFMAN: Yes.

18 You can read it back.

19 (Record read as: "Do you have
20 any facts" --)

21 MR. HOFFMAN: Stop. You wrote it down wrong.
22 I'm not asking whether they should have knowledge.

23 Let me just restate the question because
24 you didn't get it down.

1 MR. KALTENBACH: I think she may have got the
2 one before that correct.

3 MR. HOFFMAN: Well -- well, let me just
4 restate.

5 BY MR. HOFFMAN:

6 Q. Sir, I'm not asking whether you think LT
7 should have known that the TTO was not paying for
8 the annual audits of the other districts. I'm
9 asking you whether you have any facts showing that
10 LT had actual knowledge that Healy's representations
11 on payment for all the districts' audits was untrue.
12 That's my question.

13 **A. I don't know if this is a fact or not.**
14 **But a business manager at one of the other districts**
15 **made us aware that we were paying for Lyons Township**
16 **High School's audit. When he asked Bob how come**
17 **we're not paying for their audit, and he said that's**
18 **an arrangement that I have with LT.**

19 Q. Who is that business manager?

20 THE WITNESS: Do I have to say that?

21 MR. HOFFMAN: In what district? Yes, you do.

22 MR. KALTENBACH: Yeah, I don't know. If you
23 think -- if you think it might -- I don't know
24 what -- I can't imagine why it would be privileged.

1 MR. HOFFMAN: Please don't coach. You have to
2 say it.

3 MR. KALTENBACH: I'm not. I'm trying to
4 explain why --

5 BY THE WITNESS:

6 **A. It was the business manager of the LADSE**
7 **School District.**

8 Q. Who was that?

9 **A. I'm going to say it was Don -- I don't**
10 **remember his last name. He's since retired. I**
11 **can --**

12 Q. Don?

13 **A. I think so. I can get that name for you.**

14 Q. So Don complained to who about?

15 **A. He brought it aware to me that -- he had**
16 **asked --**

17 Q. He had asked Healy?

18 **A. No, he had asked me, "You're aware that**
19 **you're paying for Lyons Township High School's**
20 **audit; how come you won't pay for our audit?"**
21 **That's what I --**

22 Q. When did this conversation take place?

23 **A. It would have sometime probably in the**
24 **summer of '12 or early '13 after Bob had left.**

1 Q. And how did that conversation with Don
2 lead you to believe that LT knew?

3 **A. I don't know what LT knew. I don't know**
4 **what they didn't know.**

5 Q. You don't know what they knew?

6 **A. Right.**

7 Q. That was my question. Thank you. You've
8 answered it. Do you know --

9 **A. I do know -- I do know, having met with**
10 **LT, that it's a board of extremely intelligent,**
11 **well-qualified, highly intellectual members that is**
12 **composed of doctors, lawyers, and CPAs, of which I**
13 **can't believe over a period of time that this was an**
14 **oversight.**

15 Q. Now, you agree that Baker Tilly and its
16 predecessor firms did a wide range of professional
17 accounting work for the TTO and all the member
18 districts, correct?

19 Do I need to clarify that?

20 **A. Yeah, yeah.**

21 Q. So Baker Tilly and its predecessors, I'm
22 just going to call Baker Tilly and make it easier.

23 **A. Yeah, I'm with you.**

24 Q. So Baker Tilly did work for the districts

1 beyond the annual audits, correct?

2 **A. Multiple districts.**

3 Q. Right. Okay.

4 **A. So you're talking about multiple districts**
5 **within the township proper?**

6 Q. Here is my point. Are you aware -- you
7 may or may not be -- that the -- that Baker Tilly
8 did work in addition to its work on the annual
9 audits for the various member districts? If you
10 don't know, then tell me you don't know.

11 **A. Yeah, I don't know. I think this is what**
12 **you're asking me -- I'll see if I can help you with**
13 **this -- is I do know that Baker Tilly and previous**
14 **firms or firms prior to being Baker Tilly did a lot**
15 **of accounting and financial work for a vast majority**
16 **of the districts within the township. You know,**
17 **Lyons Township.**

18 Q. That is not what I was asking you, so
19 you're incorrect. Let me ask you a better question.

20 Are you aware of the need for the
21 performance of reconciliation or balancing work as
22 between the books of LT and the TTO?

23 **A. Yeah.**

24 Q. And the reconciliation or balancing work,

1 that's a responsibility of the TTO, correct?

2 **A. It's the responsibility of both parties.**

3 **Both parties have to report that on their audit or**

4 **their financial statement. So if one doesn't agree**

5 **with the other one, it's the responsibility of both**

6 **parties to come to the number that they agree with.**

7 Q. So if -- does your claim in this case

8 for -- in the payment or for recovery -- Let me

9 start over.

10 Do you know whether the TTO's claim in

11 this case relating to annual audit payments for LT's

12 annual audits, does that include work that Baker

13 Tilly did on reconciliation and balancing?

14 **A. Ask me that again.**

15 Q. You've made a claim in this case for the

16 repayment of about a half million dollars --

17 **A. I think it's 511,000.**

18 Q. -- of the money that the TTO paid over

19 many years to --

20 **A. I think it was three years, wasn't it?**

21 Q. No. It was from 1995 through 2012.

22 **A. Not related to the audits, no. It's a**

23 **much tighter window than that.**

24 Q. You're wrong. I'll show you --

1 **A. I have the letter that I wrote to them.**

2 **Do you have the letter that I wrote to them?**

3 Q. I saw the letter. It's 2006 to '12. But

4 you want me to show you a copy of the complaint in

5 this case?

6 **A. No. I want to see the letter that I wrote**

7 **because those are the facts that I can state to.**

8 Q. Okay. Well, the letter that you wrote,

9 which we'll look at, starts in 2006. Right?

10 **A. Okay.**

11 Q. Here is my question. Are you just trying

12 to get back invoices of Baker Tilly that related to

13 annual audit work or are you trying to get back

14 invoices that TTO paid to Baker Tilly for any work

15 that Baker Tilly performed with respect to LT?

16 That's my question. Or you don't know. You can

17 tell me you don't know too.

18 **A. Well, I don't know if I understand your**

19 **question. I can give you an answer if I think I**

20 **understand the question. I'm looking to get back**

21 **the money that we paid, the TTO paid on behalf of**

22 **the audit fees for Lyons Township.**

23 Q. So if Baker Tilly did any work relating to

24 reconciliation and balancing, that's not one of the

1 invoices that you're trying to recover on, correct?

2 **A. On behalf of which side?**

3 Q. Well --

4 **A. And I'm not entitled to bill my audit fees**

5 **to Lyons Township. That's part of our pro-rata**

6 **billing. So it would not be in addition to that.**

7 Q. We've been provided with general ledger

8 statements, and we've been provided with invoices

9 that don't have a tremendous amount of detail on

10 them.

11 **A. From who? From who? From Baker Tilly?**

12 Q. You. You've got invoices from Baker Tilly

13 going back some years, and then you sent the whole

14 package to us.

15 **A. Okay.**

16 Q. Okay? So my question is if there's an

17 invoice that -- There are a number of invoices that

18 relate to annual audit work. There are also some

19 invoices that relate to unspecified services or that

20 relate to balancing work or something of the like.

21 So I'm trying to figure out from you if you can tell

22 me how broad your net is with respect to the Baker

23 Tilly invoices.

24 **A. I think my net, as I stated before, is**

1 **related just to the audit work.**

2 Q. Okay.

3 **A. And I'd have to see those invoices and who**

4 **they were made out to, and there's a job code on it.**

5 **Is it specific to 204? Is it just related to the**

6 **TTO? There's 13 different entities that we have to**

7 **try to balance and get accounts right for, so I'd**

8 **have to see the detail before I could give you more**

9 **detail.**

10 Q. You're aware that the TTO itself is

11 missing many of the invoices of Baker Tilly for

12 which they're seeking repayment, correct?

13 **A. I'm not aware of that.**

14 Q. So in your understanding, the TTO's claim

15 for repayment of Baker Tilly invoices for annual

16 audit work is supported by an invoice for every

17 charge, correct? Yes or no?

18 **A. No, I'm not stating that.**

19 Q. Are there missing invoices of the TTO?

20 **A. I don't know.**

21 Q. You don't know one way or the other?

22 **A. I don't know.**

23 Q. Okay. And are you aware of the TTO asking

24 Baker Tilly for invoices?

1 **A. I would have assumed we did; I have not**
2 **asked for them personally.**

3 Q. I'm asking whether you know that Bradshaw
4 requested them from --

5 **A. I don't know that.**

6 Q. Okay. That's fine. And you shouldn't
7 make any assumptions; you should only tell me what
8 it is you know.

9 **A. Okay.**

10 Q. Unless you asked her to and assumed she
11 did what you asked her to.

12 What is it that you believe was either
13 improper or illegal about the TTO's payment for LT's
14 annual audits?

15 MR. KALTENBACH: I'll object to the extent it
16 calls the witness to formulate a legal opinion. But
17 you can answer.

18 BY THE WITNESS:

19 **A. We did not do that for other school**
20 **districts, and it's not within our purview. I'm**
21 **also concerned that it also breaks the normal checks**
22 **and balances between audit. And as a fiduciary and**
23 **a manager of their money, I would be concerned that**
24 **if we paid for an audit, it might cause -- the**

1 **chance it could come into question that we were**
2 **paying for somebody that could not be objective on**
3 **the other side of an audit versus our auditor on one**
4 **side. I would have some concerns about that. Those**
5 **are my concerns.**

6 Q. Well, you aware that Bob Healy asked LT to
7 use the Baker Tilly firm and its predecessors,
8 aren't you?

9 **A. I'm not aware of that.**

10 Q. How do you think it came to be that all
11 the districts and the TTO used the same auditor?

12 **A. I have no idea.**

13 Q. Is it your position that there's any --
14 and again, I know you're not a lawyer, but I'm
15 asking for your understanding. If you don't have
16 one, tell me you don't have one. Are you aware of
17 any legal bar to the TTO agreeing for all of those
18 20 years to pay for the annual audit costs of LT?

19 **A. Can you ask me that question again?**

20 Q. Are you aware of any legal bar to the TTO
21 for the 20-year period we're discussing, agreeing to
22 pay the audit costs of LT?

23 **A. I'm not aware of any legal bar. I'm aware**
24 **of a financial bar, for which I do have a background**

1 **in, and I believe would break down the independence**
2 **of having one entity pay for the audit of another**
3 **entity.**

4 Q. And that's the basis upon which you
5 believe that these payments were wrongful, correct?

6 **A. Well, there's two things. They're**
7 **wrongful in the payment that we didn't approve them**
8 **or that they shouldn't have been approved; and**
9 **they're wrongful in the payment that it did not --**
10 **it broke, in my mind, the independence of the audit**
11 **on both sides.**

12 Q. Why do you say that the TTO didn't approve
13 the payments?

14 **A. Because we would have approved it for all**
15 **the districts. We try to be very fair.**

16 Q. Well, are you saying that the TTO paid the
17 audit costs of LT for 20 years by accident?

18 **A. Again, I'm not agreeing that we paid the**
19 **audit costs for 20 years, number one.**

20 Q. Or however money years it was.

21 **A. No. I said that earlier that I think that**
22 **they paid for them because LT was pressuring Bob to**
23 **do things on their behalf.**

24 Q. Okay. But you do agree that in the years

1 that the TTO paid for the annual audit costs for LT,
2 the TTO did so knowingly and voluntarily, yes?

3 **A. The TTO as an entity, the TTO as it**
4 **relates to Bob specifically?**

5 Q. Either one.

6 **A. I would not say that I think the board was**
7 **aware of that. I will say that I think Bob was**
8 **aware that he was paying those fees.**

9 Q. But I showed you testimony from Judge
10 Hartigan who said that he believed that --

11 **A. And I think I told you that I think he was**
12 **incorrect.**

13 Q. Okay. Have you talked to any of the other
14 board members who were on the board of trustees of
15 the TTO from 2012 and before about this issue?

16 **A. 2012 and before. About the issues of**
17 **audit fees?**

18 Q. Or really anything. Have you ever talked
19 to Donna Milich about anything?

20 **A. No. I don't even know who Donna Milich**
21 **is.**

22 MR. HOFFMAN: Let's take a break.

23 (Break from 2:03 p.m. to 2:13 p.m.)
24

1 BY MR. HOFFMAN:

2 Q. Sir, I want to ask you some questions
3 about the interest issues that we started to
4 discuss.

5 MR. HOFFMAN: Let's mark two more, please.
6 (Exhibits 8 - 9 were marked.)

7 BY MR. HOFFMAN:

8 Q. Why don't you take a look at Theissen
9 Exhibit Number 8, which is a September 5, 2013 memo
10 that you sent to all member districts, as well as
11 Theissen Exhibit Number 9, which is a November 7,
12 2013 letter from Dr. Birkenmaier that I believe was
13 sent to all of the districts as well.

14 **A. Okay. Number 8. You want me to look at**
15 **these both or one at a time?**

16 Q. Well, I just don't want to hide the ball
17 from you. Why don't you take a look at Exhibit
18 Number 9 because that may help you to testify
19 better. You only have to read the -- I'm only going
20 to ask you about the first section on Exhibit 9, the
21 Previously Distributed Interest section.

22 **A. Uh-uh. Okay.**

23 Q. All right, sir. Is Theissen Exhibit
24 Number 8 a memo that you sent to the member

1 **A. Not 20.**

2 Q. Okay. Approximately?

3 **A. I would guess five.**

4 Q. Okay. And what was the purpose of the
5 review and who conducted the review?

6 **A. We conduct the review in-house initially,**
7 **and then as per the memo, we sought counsel with**
8 **Miller Cooper. We brought on a new audit firm.**

9 Q. And what were the undistributed funds and
10 how did you find them in the financial statements?

11 **A. Well, I think there was a line item that**
12 **said "undistributed funds" or "unallocated funds."**

13 Q. And what was the total amount of
14 unallocated funds?

15 **A. I don't know that.**

16 Q. Was it -- Let's take a look at Theissen
17 Exhibit Number 9.

18 **A. Uh-huh.**

19 Q. You've seen this Dr. Birkenmaier letter
20 from November 7, 2013 before, correct?

21 **A. Yes.**

22 Q. And you saw it on or about the date it
23 bears?

24 **A. Yes.**

1 districts on or about the date it bears, please?

2 **A. Yes.**

3 Q. And tell me what happened with respect to
4 undistributed funds.

5 **A. Based on this memo?**

6 Q. Your memo makes a reference to a review
7 prior to your financial statements and you saying
8 that there appears to be some undistributed funds.
9 Do you see that?

10 **A. Yes.**

11 Q. Okay. What's that all about? Tell me
12 about it. What happened?

13 **A. Well, as we reviewed the financial**
14 **statements, it looked like there were some interest**
15 **earnings that had not been distributed to the school**
16 **districts.**

17 Q. Are we talking about the financial
18 statements of the TTO?

19 **A. Yes.**

20 Q. And which financial statements,
21 approximately? For how many years back are we
22 talking?

23 **A. Oh, I don't remember that.**

24 Q. A few or 20 or what?

1 Q. And it says: "We are, therefore,
2 distributing \$500,000 in interest income from
3 previous years."

4 Do you see that?

5 **A. Yes.**

6 Q. How was the \$500,000 figure arrived at?

7 **A. I think in consultation with Miller Cooper**
8 **and discussion on the board, I know that that was**
9 **not the total amount.**

10 Q. What was the total amount?

11 **A. I do not know the total amount. I know**
12 **that it was not the total amount for the simple --**

13 Q. For -- Go ahead.

14 **A. Let me finish. -- for the simple reason**
15 **that we were unsure of what the market was going to**
16 **bear, and we usually hold back full allocation of**
17 **interest in the event that the market goes up or**
18 **down. We don't want to assume that the quarterly**
19 **payments are going to be equal. So I think this**
20 **\$500,000 was a number that we determined was as**
21 **large as we felt comfortable with the net line item**
22 **in the event that we had market conditions that**
23 **would cause that to go down.**

24 **So hypothetically, it could have been**

1 **\$700,000, and instead of doing all \$700,000, we only**
2 **did \$500,000.**

3 Q. And that's your best recollection in terms
4 of what the total --

5 **A. No. I said hypothetically. It could have**
6 **been 10 billion.**

7 Q. Okay. So you have no idea what the total
8 amount of undistributed interest was?

9 **A. I have no idea the exact number of**
10 **undistributed income, correct.**

11 Q. Well, I'm asking you an approximate
12 number, not an exact number, sir.

13 **A. And I don't know that.**

14 Q. You have no idea?

15 **A. No.**

16 Q. It could have been \$1 million; it could
17 have been \$10 million --

18 **A. It could not have been \$10 million.**

19 Q. Why is that?

20 **A. Because that would represent a piece of**
21 **our portfolio that was so large that that it would**
22 **-- that would have not been able to hide on a**
23 **financial statement.**

24 Q. Could it have been in excess of

1 for one little thing.

2 MR. HOFFMAN: Let the record reflect that I
3 provided the witness with a folder containing the
4 TTO's annual audits from 1995 through 2013.

5 THE WITNESS: So I would assume it is going to
6 be on note 4, Unassigned Income.

7 MR. HOFFMAN: Let's see if it is.

8 THE WITNESS: Nobody else would just change
9 this.

10 BY MR. HOFFMAN:

11 Q. Take your time, sir.

12 **A. I don't see it on this most recent one**
13 **that you have here.**

14 Q. It's the 2013?

15 **A. Fiscal year 2013.**

16 Q. As produced to us. All right? And you
17 don't see in that audit report any statement of
18 unpaid investment interest, correct?

19 **A. You mean undistributed --**

20 Q. Undistributed.

21 **A. -- income?**

22 Q. Yes. Undistrib- -- well, let's start
23 over.

24 Is it correct that the 2013 TTO fiscal

1 \$1 million?

2 **A. It could have been. It could have been**
3 **less than \$1 million.**

4 Q. You just don't know?

5 **A. I do not know.**

6 Q. Who would know that: Dr. Birkenmaier?

7 **A. She may know that. I mean, I think we**
8 **could go back and look at the statements. If you**
9 **need to know the exact number, we can find it for**
10 **you. I mean, you have the audits, right? You can**
11 **probably look on your own audits and answer the**
12 **question.**

13 **Do you have all of our audits? Do you**
14 **need them?**

15 Q. Yeah. They're in this folder.

16 **A. Well, give me one and I'll take a look.**

17 Q. Sure.

18 MR. KALTENBACH: If he's going to read off a
19 specific document, I want to make sure the record at
20 least reflects what that is.

21 MR. HOFFMAN: Let's see how it goes. I'll be
22 happy to mark them all, frankly.

23 MR. KALTENBACH: If you want to, go ahead. I'm
24 comfortable not, if he's just going to reference it

1 year audit report does not contain any statement of
2 the undistributed investment income for that fiscal
3 year?

4 **A. No, I don't -- I don't think I would say**
5 **that.**

6 Q. Okay. Where is it? Take a look at the
7 2013 audit, please.

8 **A. No. I guess what I'm wondering is this**
9 **could be in another line item.**

10 Q. This is the entire -- You're the financial
11 man. So this is your area of expertise. You tell
12 me where that figure is, because you just testified
13 earlier that this was in the financial statement.

14 **A. Oh, I think the money is in the financial**
15 **statement.**

16 Q. So in what --

17 **A. So I will testify that that \$500,000 is in**
18 **this financial statement.**

19 Q. Well, what you said earlier, as I
20 understood it, is that the financial statements you
21 and Miller Cooper reviewed stated that there was
22 undistributed investment income in the financial
23 statements, and I haven't seen it. So I want you to
24 be kind enough to show me where in the financial

1 statements there is a line item for undistributed
2 investment income.

3 **A. I don't know if it would be on here.**

4 Q. Well, you testified earlier that it was.

5 So if you want to correct that testimony?

6 **A. Read back what I said.**

7 Q. That was hours ago, and we don't have the
8 time to do that.

9 **A. Well, I need -- we need to be very sure.**
10 **We need to be very clear because there's two things.**
11 **Accounting language and what you're asking me are**
12 **not necessarily the same thing. I would never**
13 **say -- I would never use legal language. You have**
14 **legal language; I do not have legal language.**

15 Undistributed income may or may not have a
16 line item. It may be interest earned income or
17 interest earned revenue that was undistributed, so
18 it may be under the general fund of the interest
19 earnings. It would not say "undistributed." We may
20 have gone back and found out over time or over this
21 issue was, if there was \$1 that was earned, we only
22 distributed 80 cents. That would leave 20 cents of
23 undistributed income. That would not come up on
24 this.

1 Q. Sir, based on my review of the financial
2 statements, what I saw was that the financial
3 statements for the TTO from 1995 through 2007 had
4 either a net statement as to the interest
5 distributed, either positive or negative, and that
6 in certain years around 2007 and years before that,
7 there was actually a three-line stated: the amount
8 distributed, the amount earned, and then the net of
9 that.

10 And then in 2008 through 2013, there are
11 no statements as to the amount distributed or the
12 amount earned or the net of those two numbers. And
13 my question is --

14 **A. Well, do you know why that is?**

15 Q. That is my question, sir. Why don't you
16 tell me.

17 **A. Well, do you know why it is?**

18 Q. I do not know.

19 **A. Okay. Does your client know why?**

20 Q. My client -- I don't know everything my
21 client knows, so why don't you tell me while you're
22 under oath.

23 **A. Okay. Well, I was not on the board at**
24 **that time. But there was a major change in the**

1 **accounting laws, and that's why those things were**
2 **changed; the language was changed, and the reporting**
3 **mechanisms were changed. That's why there's a stark**
4 **difference on that demarcation point.**

5 Q. And what in the accounting laws -- because
6 that's your area, not mine --

7 **A. No, I'm not a CPA.**

8 Q. Okay. But you know more about this,
9 obviously, because you just told me that. What is
10 your understanding of how the laws changed that
11 caused that reporting to be removed from the
12 financial statements?

13 **A. I don't know. I don't know the logic. I**
14 **know that when you -- when I looked at the financial**
15 **statements, I asked that same question, what caused**
16 **this. And our auditor said there was a change in**
17 **the way that we accounted for -- or the TTO**
18 **accounted for distribution and earnings within that**
19 **period of time.**

20 Q. Are you aware from your review of past
21 financial statements that the TTO did not distribute
22 to the districts in each of the years from 1995
23 through 2007 the same amount of money that it earned
24 in investment income; and then in some years it was

1 more and some years it was less and sometimes by a
2 very significant amount. Are you aware of that?

3 **A. Yeah, I'm aware of that. That's the**
4 **normal market conditions. I mean, we're not in**
5 **the -- this is not in a fixed return environment.**
6 **So I would expect that that could vary wildly,**
7 **materially. That could vary from quarter to**
8 **quarter. I mean, if you had money in the stock**
9 **market in August of '08 versus money that you had in**
10 **the stock market in June of '08, you saw a**
11 **tremendous change. You went from possibly a**
12 **positive gain to a completely negative gain. So it**
13 **does not surprise me that there was a difference in**
14 **what was distributed or that they held some back. I**
15 **think I stated earlier that as a whole, our board**
16 **would hold back money to see if the market condition**
17 **changed over a 12-month period before we distributed**
18 **all of it.**

19 Q. Do you know why in some years the TTO paid
20 significantly more to the districts in investment
21 income than the TTO actually earned on their pooled
22 investments?

23 **A. I have a belief, and the majority of the**
24 **belief is because the treasurer was not following**

1 **the state-mandated investment policy statement.**

2 Q. And are you aware that in many years there
3 was a very significant payment by TTO to the
4 districts that was well in excess of the amount of
5 earnings on those pooled funds?

6 **A. I'm not -- You'd have to give me an
7 example. You'd have to show me an example.**

8 Q. Sure.

9 **A. Was it a distribution of principal?**

10 Q. This is your company, sir.

11 **A. Well, but you're asking me the question,
12 so I can't answer your question unless I know what
13 you're asking me.**

14 Q. Well, I get the difficulty of answering
15 questions that go back in the past, but you have
16 claims that go back in the past as well, and so I
17 have to ask these questions. So bear with me.

18 **A. Yep.**

19 MR. KALTENBACH: For the record, Mike isn't
20 asserting any claims in this lawsuit. My client is
21 asserting claims in this lawsuit. My client is a
22 body politic.

23 MR. HOFFMAN: Yeah, I think we get that.

24 MR. KALTENBACH: Thank you for the commentary.

1 BY MR. HOFFMAN:

2 Q. So we're looking, sir, at the TTO
3 financial statement for the year ending June 30,
4 2004. Okay?

5 **A. Okay.**

6 Q. And you see there's statement of revenues,
7 expenditures, and changes in the fund balance for
8 that year, and there's a statement of earnings on
9 investments of about 3.7 million, and then earnings
10 on investments paid out to school districts of just
11 over 6 million. Do you have any understanding of
12 why that happened?

13 **A. No, no understanding. That makes no sense
14 to me at all.**

15 Q. If I asked you the same question about all
16 of the other years for which that information
17 appears, meaning '95 to 2007, would you give me the
18 same answer, that you don't know why it was done
19 that way?

20 **A. Yes.**

21 Q. Is it your belief that other than a
22 holdback to account for market conditions, that the
23 TTO should have paid to its member districts the
24 money that the TTO earned on their pooled funds?

1 **A. I'm not following. Ask me again.**

2 Q. Sure. Is it your belief that the TTO in
3 the years that we're talking about here should have
4 paid to the districts, distributed to the districts
5 the money that the TTO earned on their pooled funds
6 except for perhaps a holdback to account for market
7 conditions?

8 **A. Yeah, that's what our board does. I can't
9 speak to other boards, but that's what our board
10 would do.**

11 Q. Right. But what I'm saying is, do you
12 know whether or not that's what the TTO did from
13 1995 to 2012?

14 **A. I don't know that. I don't know that --
15 I'm concerned that there's a negative distribution,
16 so I'd have to understand, was it a return of
17 principal? Were there bond funds in there that were
18 in the agency fund for a period of time that were
19 for capital expenses which could cause that
20 discrepancy?**

21 Q. Well, let me show you --

22 **A. Because lots of times if we have long-term
23 money that comes in from a bond issue and it's not
24 going to be spent in a year or less, we may put it**

1 **in the agency funds so that it can get a greater
2 return, which is literally our single job as a TTO,
3 to get the highest return possible for the school
4 districts. If there was bond money in there that
5 was drawn out, which in essence would have been
6 principal, that could account for whether there was
7 a difference like that.**

8 Q. Is that, in fact, what occurred or --

9 **A. I don't know.**

10 Q. -- are you speculating?

11 **A. I don't know. That's total speculation.
12 But that would be an opinion that I might have on
13 why there would be a material difference between
14 interest earned and distribution.**

15 Q. Well, let me show you the 2003 June 30
16 audit report. And this shows that interest on
17 investments net of distributions to school districts
18 exceeds \$3 million. Do you see that?

19 **A. Uh-huh.**

20 Q. Yes?

21 **A. Yes.**

22 Q. You have to say yes or no, not uh-uh.

23 **A. Yes, I see that.**

24 Q. And do you know why that happened in 2003?

1 A. No.

2 Q. Do you have any opinion as to why the TTO
3 would have paid \$3 million less to the districts
4 than they earned?

5 A. **I have no idea why they would do that.**

6 Q. Does that give you any concerns in terms
7 of you making a claim against LT alleging that LT
8 was paid in excess of \$1.5 million in interest that
9 it didn't deserve during the '95 through 2012 time
10 period?

11 A. No.

12 Q. Why not? Why doesn't that have any impact
13 in terms of how the TTO actually distributed
14 investment income?

15 A. **Because if the TTO was going to distribute**
16 **investment income during that period of time, it**
17 **would have done it to all of its members, and it did**
18 **not. What we're claiming is they did it**
19 **specifically and singularly to 204. So of that**
20 **\$3 million, if we're going to use that as an**
21 **example, let's say 1.5 of that went to 204, the**
22 **other 1.5, if they were entitled to that much,**
23 **should have been distributed to the other school**
24 **districts, which clearly it wasn't. That's what**

1 we're claiming.

2 Q. I didn't follow that, so say that again.

3 A. **So we have \$1.**

4 Q. Yes. There's a net amount --

5 A. **You have \$1.**

6 Q. -- on the financial statement?

7 A. **Yes. We have \$1. And let's say it's**
8 **undistributed income. That dollar would be split up**
9 **with all of the school districts. We're claiming**
10 **that LT took 50 cents of that dollar; the other 50**
11 **cents was not distributed to the other school**
12 **districts.**

13 Q. And what is the basis of that claim, sir:
14 the analysis that Ms. Bradshaw did?

15 A. **The analysis that our staff did, yes.**

16 Q. And that analysis did not look at all at
17 the financial statements and what they said about
18 distributions of investment earnings, correct?

19 A. **I do not know that.**

20 Q. You don't know?

21 A. **I do not know that. I know that we looked**
22 **at --**

23 Q. Well, you were the one that gave Kelly
24 Bradshaw the assignment, right?

1 MR. KALTENBACH: Hold on. Just make sure --
2 let him finish answering if he's answering.

3 BY MR. HOFFMAN:

4 Q. You're the one who gave Kelly Bradshaw
5 this assignment to look at the interest earnings,
6 correct? That's what she said.

7 A. **Yes.**

8 Q. And did you ask her in the course of doing
9 that assignment to look at TTO's annual audit
10 statements?

11 A. **No, I did not ask her to look at them**
12 **specifically and say "Please look at the audit**
13 **statements." I asked her to look at them related to**
14 **our in-house accounting and any journal entries or**
15 **transfers into anybody's fiduciary account, which I**
16 **believe is what she did.**

17 Q. Why didn't you have Kelly Bradshaw look at
18 the annual audit statements of the TTO with respect
19 to the payment of interest?

20 A. **I didn't think it was relevant.**

21 Q. Why is it not relevant?

22 A. **Because that would not show a**
23 **disproportion of payment in our overall agency fund**
24 **that has 13 members. I wanted to see specifically**

1 **what was related to 204. So nothing in that -- I**
2 **don't believe that those audit statements would show**
3 **this was paid to 101, this was paid to 102, this was**
4 **paid to 103, this was paid to 104. I think it said,**
5 **This is paid to the district, funds to the district.**
6 **I wanted to know what was paid, if anything was**
7 **paid, to 204 or any other school districts during**
8 **that period of time that was not then equally**
9 **distributed to other school districts.**

10 Q. Isn't it true that when you first gave
11 Ms. Bradshaw that assignment, you asked her to look
12 only at District 204?

13 A. **I don't remember that.**

14 Q. That's what she testified. Do you have
15 any reason to disagree with that testimony?

16 A. **I don't have any reason to disagree; I**
17 **just don't know if that's what I said. I know that**
18 **when it came to light, what I mentioned before was**
19 **that we believe that there was undue influence by**
20 **TTO administrators and elected officials on Bob**
21 **Healy, but I was more concerned that we were seeing**
22 **a pattern that 204 was taken advantage of that**
23 **office at the detriment of the other school**
24 **districts, which is why we have a \$4.6 million**

1 lawsuit.

2 So if I specifically said, Please look at
3 204, my basis was that I had enough belief that
4 there were things there related to 204 that did not
5 apply to 109, 217, LADSE or anything else.

6 Q. Specifically, who are the administrators and
7 elected officials of District 204 that you believe
8 exerted undue influence on Healy?

9 A. I think that there was conversations with
10 our office that Dennis Kelly on numerous occasions
11 had come into Mr. Healy's office and browbeat him,
12 yelled at him, demoralized him, screamed at him. I
13 believe that David Sellers, per the email --

14 Q. Let me go one by one. Who said that?

15 A. Staff members in our office.

16 Q. Which ones?

17 A. I can't remember. It was conversations we
18 had around the lunch table. You'd have to ask
19 Mr. Kelly on those dates.

20 Q. Okay. Next?

21 A. I believe that when I saw the emails
22 between David Sellers and Bob Healy, and there was
23 the, we'll call it, miraculously found \$1.5 million,
24 I had concerns about that.

1 Q. Tell me about the miraculously found
2 \$1.5 million.

3 A. Well, I mean, we live in a world of
4 accounting and numbers. So if there was a
5 distribution that was going to be made to school
6 districts, it would be made to all school districts.

7 Q. What is the \$1.5 million that you're
8 talking about? You don't have to tell me about the
9 world; just tell me about the \$1.5 million.

10 MR. KALTENBACH: Hold on a second. Jay, you're
11 cutting the witness off. And I understand the
12 desire to get through the deposition, but I think
13 it's improper. You're asking him a question; he
14 should be allowed to finish his answer, just like he
15 should let you finish your question.

16 BY THE WITNESS:

17 A. So I think what we had mentioned before
18 was you don't find undistributed income. You don't
19 find undistributed income specific to a single
20 school district. We pool investments for the
21 economic efficiencies of that. We pool investments
22 so that we can drive down administrative costs. We
23 pool investments to give us a greater diversity and
24 give us a higher return for our districts. So 204's

1 money is not invested independent or in a silo to
2 109 or anything else.

3 Q. I know that. So tell me --

4 A. So when I said I -- miraculous issue --

5 Q. -- what's the -- Stop.

6 What's the 1.5 million that you refer to?

7 What does it relate to and what are the details of
8 the 1.5 million? Is that the total amount of the
9 claim?

10 A. Yes. Yes. On several different
11 occasions --

12 Q. Okay. And how does that relate to Sellers
13 specifically, given that Sellers was only there for
14 some of the years?

15 A. Because I think there's an email or a memo
16 that talks about how Bob found interest that he
17 distributed to 204 after a recent meeting, lunch, or
18 meal together.

19 Q. Okay.

20 A. If that was the case --

21 Q. That's fine. You testified to that
22 earlier.

23 A. Yeah. You're not letting me finish.

24 Q. Go ahead.

1 A. So if that was the case, there would be
2 income that would be distributed to the other school
3 districts as well. So I know that, based on going
4 through the books, as Ms. Bradshaw's analysis is,
5 there was not other income that was distributed to
6 the other school districts during that same period
7 of time. So 204 was allocated money improperly,
8 illegally -- I don't know what the right word would
9 be, but it was not rightfully theirs. If there was
10 an interest -- money that was left, it should have
11 been divided amongst all the accounts, not a single
12 school district.

13 Q. Okay. You mentioned Kelly and Sellers.
14 Anyone else?

15 A. I think we're okay with that right now.

16 Q. We have to know for all times, so I have
17 to --

18 A. Those are the two that I know. Those are
19 the two that I know.

20 Q. To the best of your knowledge, you're not
21 aware of any other individuals yourself? Yes?

22 A. No. I'm not aware of any individuals
23 myself, no.

24 Q. Okay. Terrific. Thank you.

1 MR. HOFFMAN: Let's mark this, please.
 2 (Exhibit 10 was marked.)
 3 BY MR. HOFFMAN:
 4 Q. Mr. Theissen, I am handing you a document
 5 that comes from the TTO's files that were produced
 6 to us in this case. And this is the document
 7 exactly as we received it. It was a PDF file, and I
 8 printed it out for our convenience.
 9 I would like you to look through the pages
 10 of this and tell me whether you have ever seen this
 11 document before, sir.
 12 **A. I don't think I've ever seen this document**
 13 **in totality.**
 14 Q. Okay. What parts of it have you seen?
 15 **A. I don't know if I could factually tell you**
 16 **I've seen any of it.**
 17 Q. So you've never seen this document before
 18 or any part of it before, correct?
 19 **A. I don't believe so.**
 20 Q. Okay. Now, page 1, there's a reference to
 21 Lo, L-o. Is that Lauralee Conway or is that someone
 22 else?
 23 **A. I believe that would be Lauralee.**
 24 Q. And you see on the second -- on the first

1 page and the second page, there is a one-sided entry
 2 for what's described as Audit Adjustment Interest in
 3 Excess of \$1.5 million. Do you see that?
 4 **A. Yes.**
 5 Q. Do you have any understanding as to why
 6 the TTO reduced a fund balance for District 204 in
 7 an amount just over \$1.5 million in or around June
 8 of 2011?
 9 **A. No, I do not know why.**
 10 Q. Would it help you at all to see the
 11 general ledger that comes from the TTO's files for
 12 District 204's accounts for the years 2011 and 2012?
 13 Because I have that here, and I'd be happy to show
 14 that to you.
 15 **A. I'll be happy to take a look at it.**
 16 Q. All right, sir.
 17 MR. HOFFMAN: Let's mark this as 11, please.
 18 (Exhibit 11 was marked.)
 19 BY MR. HOFFMAN:
 20 Q. All right, sir. I'm handing you the TTO
 21 general ledger printout for District 204's funds for
 22 2011 and 2012. And you'll see that in 2011, there's
 23 a journal entry for the adjustment of interest from
 24 the audit on page 2 about two-thirds of the way down

1 of \$1,512,451. Do you see that?
 2 **A. Yes, I do.**
 3 Q. And then that account is not -- that
 4 1-999999 account is not present in the 2012 year.
 5 Do you see that as well?
 6 **A. I don't know. I don't see what you're**
 7 **asking.**
 8 Q. Okay. All right. Well, let me ask you
 9 this because you're the financial guy. Does
 10 Theissen Exhibit Number 11 which has the general
 11 ledger for District 204 as maintained at the TTO for
 12 2011-2012, does this document in any way help you to
 13 answer why the TTO made a cash deduction of just
 14 over \$1.5 million to District 204's account in June
 15 of 2011?
 16 **A. No, it doesn't help me. And I guess I'm**
 17 **looking at a couple different things. There's a**
 18 **similar that would bring my attention in July of**
 19 **2010 for approximately 1.5 for expenses.**
 20 Q. It's a different number, isn't it?
 21 **A. Yeah. But it's similar enough -- it would**
 22 **be similar enough it would cause me to look twice at**
 23 **it.**
 24 Q. Do you know what that's for?

1 **A. I do not know what that's for.**
 2 Q. How would you find out what that's for?
 3 **A. I would probably have to ask someone.**
 4 Q. Who would you ask?
 5 **A. I would probably ask what fund that it**
 6 **came out of, what the check went to, and do we have**
 7 **backup for it.**
 8 Q. And what person in the TTO would you
 9 ask --
 10 **A. This was before me, so I don't know.**
 11 Q. I know it's before you, sir, but we're
 12 dealing with lots of stuff before you. So my
 13 question is -- you said you'd have to ask someone.
 14 My question is: Who specifically would you ask to
 15 find out more about that journal entry?
 16 **A. I probably would have started with Lo,**
 17 **then I probably would have started with Kelly. I**
 18 **probably would have first started with Susan. If**
 19 **they were to ask me this today, I would ask the**
 20 **treasurer.**
 21 Q. Okay. I'll ask her when I see her. How
 22 about that?
 23 **A. Perfect. So you're telling me this is**
 24 **the -- What is this for, now?**

1 Q. It's the TTO general ledger for District
2 204 contained in TTO's files.

3 **A. So money that we put into 204's account.**
4 **Correct? So if I see a negative here -- I'm asking**
5 **you because you're asking me to make a judgment.**

6 Q. This is a TTO document. I am not
7 testifying about the TTO's document. If you don't
8 know how to read the TTO's general ledger, you can
9 say that. I'm not making any representations at all
10 about what this document means. I'm an attorney and
11 not an accountant.

12 **A. Yeah. I think this proves our point, that**
13 **this money was allocated inappropriately.**

14 Q. When you say the money allocated --

15 **A. I think these --**

16 Q. You understand that's deducting -- I'm
17 sorry. Theissen Exhibit Number 10 is what we're
18 talking about, yes?

19 **A. I think you're saying -- if you're telling**
20 **me that's our general ledger, any moneys would be**
21 **transferred into the 204 account, out of our account**
22 **into the 204 account.**

23 Q. Could you take a look at Deposition
24 Exhibit 10, please. You see that this is an

1 adjustment of interest that reduces the cash of
2 District 204 in the amount of 1.5 million and
3 change, yes? You do understand that, correct?

4 **A. I don't know if I do understand that.**

5 Q. So you think that this document, Theissen
6 Exhibit Number 10, suggests that the TTO was paying
7 to District 204 \$1.5 million, or you don't know?

8 **A. I don't know without looking at it in**
9 **totality.**

10 Q. I'm taking that.

11 **A. No, there's another page I want to look**
12 **at.**

13 Q. That's fine.

14 **A. I mean, part of this is I would need to**
15 **know what the account 99999 was, how that was coded,**
16 **what it was for.**

17 Q. Would LT have any way of knowing that?

18 **A. Sure. Because this --**

19 Q. How would they know that?

20 **A. This should show up. If we have the LT,**
21 **we should have a corresponding transaction on the**
22 **other side. So for every debit, there's got to be a**
23 **credit; for every credit, there's got to be a debit.**
24 **Well, this has got --**

1 Q. Let me ask you -- let me interrupt you
2 there. Given that we're dealing with an
3 organization which a man was able to steal
4 \$1 million, do all the debits and credits have to
5 line up perfectly?

6 **A. This would have to show up on 204's, which**
7 **either means they would need to say, I was screwed**
8 **out of 1.5 million or I just got 1.5 million that I**
9 **wasn't entitled to.**

10 Q. And that's your speculation on what this
11 document means, correct?

12 **A. It's not speculation. I'm just saying**
13 **there should be a corresponding accounting on the**
14 **other side. That was the whole conversation we had**
15 **earlier on the checks and balances across --**

16 Q. Even though it says on the top
17 "one-sided"? Why does it say "one-sided" at the
18 top? What's your interpretation of that?

19 **A. I don't know. I don't know who wrote**
20 **that.**

21 Q. I don't either. It's from your file, sir.
22 So you don't know what this is, Theissen Exhibit
23 Number 10, correct?

24 **A. I do not know what that is.**

1 Q. Great. Thank you.

2 Let's talk about the assignment that you
3 gave to Kelly Bradshaw with respect to interest
4 payments to District 204. All right?

5 **A. Yes.**

6 MR. KALTENBACH: I'll get a little more water.
7 You continue.

8 MR. HOFFMAN: We'll wait a few.
9 BY MR. HOFFMAN:

10 Q. During the 1995 to 2012 period, does the
11 TTO have records showing all of the interest that it
12 earned on the pooled investments of districts?

13 **A. I don't know that. That was before my**
14 **time. I do not know that.**

15 Q. Do you have any understanding whether the
16 TTO can correlate the amount of money that it says
17 it earned on investments to specific bank statements
18 or financial institution statements that would show
19 or verify those earnings?

20 **A. I would hope that they do, but again, that**
21 **was before my time.**

22 Q. So you don't know whether they do or do
23 not?

24 **A. No, not during that period of time.**

1 Q. Okay. You asked -- did you ever -- Strike
2 that.

3 You agree that after Healy resigned, the
4 TTO was unable to determine where all of the
5 investments were among other banks and financial
6 institutions; that's what Bradshaw testified to. Is
7 that correct?

8 **A. No, I don't agree with that.**

9 Q. Okay. So your understanding is at the
10 time Healy resigned, the TTO knew exactly what
11 investments it had and exactly where those
12 investments were for the districts' funds?

13 **A. You're talking about the day he resigned
14 or are you talking about the period of time where he
15 found all the investments?**

16 Q. The day that he resigned. So Bradshaw
17 described a period of time in which the TTO could
18 not determine its investments and had to call around
19 to banks and wait for statements to come and
20 scramble around and figure out where all the money
21 was. So my point is what do you know about whether
22 the TTO was aware of where all the investments were
23 at the time Healy resigned?

24 **A. I know that we went through an exhaustive**

1 search to find and to identify our investments,
2 where our investments were, who had them, how they
3 were being managed, and how much they were earning,
4 and whether they were in compliance with the
5 investment policy statement.

6 Q. And you had to call -- somebody had to
7 physically call around to banks to see if they had
8 TTO money, right?

9 **A. I don't know that. I mean, we checked
10 with everything. We just found out that there was a
11 potential theft, so we called anybody that we did
12 business with or had done business with to see if we
13 had open accounts.**

14 Q. You asked Kelly Bradshaw to compare the
15 handwritten notes that Bob Healy had in his files
16 regarding payment to the districts to the general
17 ledger statements of interest credited to the
18 districts for District 204, right? That's what --

19 **A. There's a couple questions there.**

20 Q. What did you ask Bradshaw --

21 **A. I think I asked Kelly to look at the
22 allocation of interest across all the districts
23 compared against Bob's notes and see if it was done
24 in compliance with how the normal allocation should**

1 **have been done.**

2 Q. Well, that's not what Bradshaw testified
3 to. She said you asked her to focus initially on
4 204. Do you disagree with that?

5 **A. No, I don't disagree with that.**

6 Q. And let's talk about what exactly you
7 asked her to do. Is it true that you asked her to
8 compare Bob Healy's handwritten notes relating to
9 distribution of interest in each quarter to District
10 204 and compare that to the general ledger and the
11 quarterly interest payments actually made or
12 credited to District 204?

13 **A. I could have asked her that, yes.**

14 Q. Well, I didn't ask you if you could have
15 or if it is possible. I'm asking if you did.

16 **A. I don't recall a conversation I had over
17 five years ago.**

18 Q. What did you ask --

19 **A. I told you what I asked her to do.**

20 Q. Okay. Did you see the -- What do you
21 understand she compared -- What documents do you
22 understand she compared in order to complete her
23 analysis?

24 **A. I think she looked at everything she had**

1 at her disposal. So I think she looked at any of
2 the journal entries, probably the notes we had
3 access to, any of the bank statements to make sure
4 that there was a corresponding transaction on the
5 other side. And she might have looked at any of the
6 audit or work papers that we had access to within
7 the office.

8 Q. You're speculating about what it is that
9 she did, and you really don't remember, do you?

10 **A. No, I do remember.**

11 Q. You say you might have. You think she
12 looked at all of those things?

13 **A. I'm quite confident she did. She's
14 thorough. She's a qualified professional. She's
15 fantastic. She's a CPA. She's smart. She's one of
16 the smartest persons I've worked with.**

17 Q. Let's take a look at --

18 **A. If there was a rat hole, she found it.**

19 Q. Let's take a look at her testimony, shall
20 we?

21 **A. Okay.**

22 Q. Go to page 64, please. And the question
23 to Ms. Bradshaw in the deposition is -- The question
24 was, starting in line 14:

1 "Why don't you tell me who asked you to do
2 what in connection with interest paid to District
3 204 by the TTO for a period of years?"

4 Answer: "Mr. Theissen asked me to compare
5 the interest earnings that were received" --

6 **A. Hold on. Hold on. I'm not following.**
7 **Starting on line 14?**

8 Q. Right.

9 **A. So before we --**

10 MR. KALTENBACH: Right here (indicating).

11 BY MR. HOFFMAN:

12 Q. "Why don't you tell me who asked you to do
13 what in connection with interest paid to District
14 204 by the TTO for a period of years?"

15 Answer: "Mr. Theissen asked me to compare
16 the interest earnings that were received by District
17 204 in comparison to Mr. Healy's calculations and
18 what was actually reported in the general ledger."

19 Question: "Did he explain why he wanted
20 you to perform this analysis?"

21 Answer: "No."

22 Question, next page: "Did he tell you
23 what he thought might be the problem and why a
24 comparison might be necessary?"

1 Answer: "No."

2 Question: "When did this conversation you
3 had with Mr. Theissen about this project occur?"

4 Answer: "Somewhere between probably
5 around September of 2013."

6 Do you see that testimony?

7 **A. Yes.**

8 Q. Do you disagree in any respect with that
9 testimony?

10 **A. I don't disagree with that.**

11 Q. So what she provided to us, sir, was --
12 and you're welcome to see it, this analysis -- This
13 is Bradshaw Exhibit Number 3, the second version of
14 it with its supporting documentation. You paid for
15 this and have seen it before, right?

16 **A. I've seen it.**

17 Q. And she provided to us as well copies of
18 the supporting documentation that she looked at. On
19 the left-hand column, there were Healy Quarterly
20 Interest sheets that she found in Healy's files.

21 MR. KALTENBACH: I'm sorry. Are you asking him
22 to look at something specific?

23 BY MR. HOFFMAN:

24 Q. Correct?

1 **A. You're talking about this table?**

2 Q. Do you know what this table represents?

3 Do you know what she compared?

4 **A. This looks to me like -- I'm assuming RH**
5 **is Robert Healy.**

6 MR. KALTENBACH: For the record, we're looking
7 at the first page of Bradshaw Number 3.

8 BY THE WITNESS:

9 **A. Calculations versus general ledger.**

10 Q. Yes. So what she told us -- and counsel
11 will correct me if I'm wrong. What she told us is
12 she compared these Healy Quarterly Interest sheets
13 in Bradshaw Number 5 --

14 **A. I'm looking at Bradshaw Number 3.**

15 Q. These Quarterly Interest sheets, Bradshaw
16 Number 5, in my left-hand, not in front of you, and
17 these general ledger reports, Bradshaw Exhibit
18 Number 7?

19 **A. Okay.**

20 Q. And then she also did an additional
21 calculation with respect to pro-rata percentages
22 that came out later. So this first column, which is
23 supported by the backup behind it, compared Bob
24 Healy's notes to the general ledger. Is that

1 consistent with your understanding of what you asked
2 her to do and what she did?

3 **A. Yes, I believe it is consistent with what**
4 **I asked her to do.**

5 Q. So I want to ask you -- and what she
6 testified to was that Bob Healy's notes, in her view
7 or as she understood it, reflected what Healy
8 intended to distribute to the districts for each
9 quarter. Is that consistent with your understanding
10 as to what those documents represent?

11 **A. No, I don't think -- I don't think we**
12 **would use the word "intend."**

13 Q. Okay. That's the word she used. What
14 word would you use?

15 **A. I do not know. I do not know what**
16 **conversation you had with her.**

17 Q. Okay. What is your understanding as to
18 what the documents called Healy Quarterly Interest
19 sheets, which is Bradshaw Exhibit Number 5,
20 represent?

21 **A. I would assume these are --**

22 Q. Don't assume anything.

23 **A. Then I don't know. Do you want me to look**
24 **at these? Because I probably need a day or two.**

1 **We'll have to come back.**

2 Q. Oh, no, no, no. Let's not be --

3 **A. It's six inches of paper, and you don't**
4 **want me to assume? Truthfully?**

5 MR. HOFFMAN: Let's go off the record.

6 (Discussion off the record.)

7 MR. HOFFMAN: Back on the record. You want to
8 do it the hard way? We'll do it the hard way.

9 MR. KALTENBACH: I'm not doing it the hard way,
10 Jay. Hold on. I'm going to say something so the
11 record is clear on this. It's our record; it's not
12 your record. I have no problem with you talking to
13 the witness off the record in my presence. I think
14 if you're going to start asking the witness about
15 specific documents, that should be on the record.

16 MR. HOFFMAN: Fine. That's perfectly
17 acceptable to me. I was trying to short-circuit
18 things and was trying to make sure the witness
19 wasn't confused, but we'll do it all on the record.
20 No problem.

21 BY MR. HOFFMAN:

22 Q. Sir, these are documents that Kelly
23 Bradshaw relied on in calculating the approximately
24 \$1.5 million interest claim that you've made. What

1 Do you see that?

2 **A. Yes, sir. So what is your understanding**
3 **of what that column represents?**

4 **A. It looks like it's the difference between**
5 **Bob's calculation and what was entered into the**
6 **general ledger.**

7 Q. And why is that difference, to your
8 understanding, significant?

9 **A. Because it shows me that what Bob**
10 **calculated and what was entered into the general**
11 **ledger do not match.**

12 Q. Why is the assumption in this analysis --

13 **A. This analysis? The one that I'm holding?**

14 Q. Correct. Why is the assumption in that
15 analysis that Bob Healey's calculations as to
16 interest were the amounts that should have been paid
17 to District 204, and that any difference between
18 that and the general ledger amounts constituted an
19 overpayment?

20 **A. Because the code is very clear on the**
21 **distribution of earned income, so it really**
22 **shouldn't take a calculation or an interpretation.**
23 **It's -- if you have 10 percent of the pro-rata,**
24 **you're allowed 10 percent of the calculation. So**

1 these are, according to her, are Healy's files
2 relating to quarterly interest payments. Are you
3 familiar with these documents at all? And I'm not
4 asking you to look at every page. There's obviously
5 quite a number of pages, but they're all for
6 successive quarters in the relevant years.

7 Do you know what these documents are?
8 Have you seen them before?

9 **A. No.**

10 Q. Are you aware, even if you haven't seen
11 these documents in Bradshaw Exhibit Number 5, that
12 Healy maintained records relating to interest
13 payments?

14 **A. I would assume that, yes.**

15 Q. And you're obviously aware that the TTO
16 has a general ledger that has journal entries
17 relating to interest payments as well, correct?

18 **A. Yes.**

19 Q. So what is your -- So we look back to
20 Bradshaw Exhibit Number 3, the first column -- I
21 don't want you to have to read it out loud and waste
22 your voice. The very first column says Fiscal Year,
23 and the second column says RH Calculation Versus
24 General Ledger, plus or minus \$1,000 per quarter.

1 **there really shouldn't be a difference. This**
2 **spreadsheet should say \$1 million in interest**
3 **earnings, the pro-rata percentage, the journal entry**
4 **that takes place.**

5 Q. Is it your understanding that Bob Healey's
6 calculations were always based solely on a pro-rata
7 percentage distribution?

8 **A. No. I would say this is proof they're not**
9 **based on a pro-rata distribution. And I can say**
10 **that in regard to another school district. The**
11 **school district in which I live, Elementary School**
12 **100, 101 asked about the interest calculations in a**
13 **similar meeting that Bob had with either Dennis**
14 **Kelly or David Sellers, and he said I did go by and**
15 **look and did find that you have some additional**
16 **interest earnings. That should never happen in this**
17 **environment.**

18 Q. So my point is why -- as I understand that
19 analysis, Bradshaw Exhibit Number 3, the person who
20 conducted that analysis, Ms. Bradshaw, found
21 approximately a \$1.4 or \$1.5 million difference
22 between Bob Healey's handwritten calculations
23 relating to interest and the interest as reflected
24 on the general ledger for District 204, correct?

1 **A. I think that's correct.**

2 Q. Okay. So why is the assumption that Bob
3 Healey's handwritten notes are the amounts that
4 should have been paid?

5 **A. I'm not following you.**

6 Q. Okay. Do you understand what Kelly
7 Bradshaw was doing when she did this report?

8 **A. Yes.**

9 Q. So she was -- she was comparing -- and she
10 explained it to us -- the Healy handwritten notes
11 and said that that's the amount that District 204
12 should have gotten.

13 **A. No, no, no, no, no, no. She was asked to**
14 **compare what 204 received versus what the law said**
15 **they should have received. If Bob Healey's notes**
16 **were in there, that's not -- she may have used that**
17 **as a check or as a benchmark, but our distribution**
18 **of income is very clear. You're entitled to see**
19 **this much income based on our pooled earnings. It**
20 **doesn't matter whether I want to make it a different**
21 **number, you want to make it a different, Barry wants**
22 **to make it a different number. If you're entitled**
23 **to 11.468 percent, you get 11.468 percent. I don't**
24 **give you 12 percent. I don't give you 9 percent. I**

1 **give you what your pro-rata share is.**

2 Q. I get that. So here is my question. You
3 said that Kelly was asked to compare what 204
4 received versus what the law said they should have
5 received?

6 **A. That's correct.**

7 Q. So are the documents in terms of what 204
8 received the general ledger entries? Is that
9 correct?

10 **A. I think that's the basis after what she**
11 **saw was transferred to 204. She went back and did**
12 **the math and said based on the amount --**

13 Q. You're straying from my question. I'd
14 appreciate it if you could focus my question?

15 **A. Okay. I don't understand your question.**
16 **It's unclear. I'm not sure you even know what**
17 **you're asking me.**

18 Q. I do.

19 **A. No, you don't. You don't because I'm very**
20 **clear. If there's a dollar, and they're entitled to**
21 **32 cents, they get 32 cents. They don't get 36**
22 **because Bob wrote a memo. They don't get 31 cents**
23 **because 204 gets 32 cents.**

24 Q. I get it. Here is my question, and it's a

1 very simple. What documents did Bradshaw look at to
2 determine the amount that 204 actually received?

3 **A. Probably the general ledger.**

4 Q. Great. What documents did Bradshaw look
5 at to determine what the law said District 204
6 should have received?

7 **A. Probably their fund balance.**

8 Q. Do you know what she looked at?

9 **A. Yeah, it would have been their fund**
10 **balance at that time. That's the only way you can**
11 **determine what they would have been able to be**
12 **allocated.**

13 Q. How did you -- What number did Bradshaw
14 use to determine the amount of interest that should
15 have been paid to all the districts in total?

16 **A. It would have been the interest earnings**
17 **divided by your pro-rata share.**

18 Q. How did she find out what the interest
19 earnings were?

20 **A. I'm assuming that she looked at the**
21 **statements related to the interest earnings.**

22 Q. I'm not asking you to assume. I'm saying
23 where did she get the money -- where did she get the
24 data on how much interest in total -- Let me finish

1 my question. Where did Bradshaw get the data on how
2 much total interest the TTO earned in each quarter
3 on the pooled investments of the districts?

4 **A. I'm assuming that would have been**
5 **reflected in each of the funds and the investment**
6 **statements.**

7 Q. What investment statements?

8 **A. Well, we get an investment statement by**
9 **everybody who has it, holds an investment in our**
10 **behalf.**

11 Q. You do know. Did you get them back then?

12 **A. Well, I wasn't there back then.**

13 Q. Well, your claim relates to back then, not
14 now. So my point is where did Bradshaw get the data
15 on the amount --

16 **A. I couldn't answer that for you. I**
17 **couldn't answer that for you. I will say that we do**
18 **have interest earnings, and whether that was taken**
19 **off of statements, whether that was taken off of**
20 **bank deposits, whether that taken off of wire**
21 **transfers, or whether that was taken off of old**
22 **bonds which we clipped coupons and received \$50 and**
23 **deposited it, there is a net amount that would have**
24 **been determined what would have been distributed to**

1 **each school district.**

2 Q. Would you be concerned to learn that Kelly
3 Bradshaw testified that where she got the amount
4 that should have been distributed to all the
5 districts was from Healey's own handwritten notes
6 that I just showed you in this file, Bradshaw
7 Exhibit Number 5?

8 **A. Would I be concerned --**

9 Q. Yes.

10 **A. -- if Kelly Bradshaw used that information**
11 **in her analysis?**

12 Q. Would you be concerned if the source of
13 information about how much interest was earned by
14 the TTO on the district funds in every quarter came
15 from Healey's handwritten notes and, by the way on
16 top of that, in every single quarter was a round
17 number every time?

18 **A. That's the soul source, you're saying she**
19 **used?**

20 Q. Yes.

21 **A. The absolutely sole source?**

22 Q. Yes, sir. That's what she testified to.

23 **A. And was it equally applied to all school**
24 **districts?**

1 Q. She looked at District 204 because that's
2 what you told her to do.

3 **A. So what's your question to me?**

4 Q. My question, again, is: Would you be
5 concerned that Bradshaw's sole source of information
6 about how much interest was earned on the pooled
7 investments in each quarter was from Healey's
8 handwritten notes, and she never checked them
9 against bank statements, investment records, or
10 anything like that?

11 **A. I would have some concern for that.**

12 Q. And why would that be a concern for you?

13 **A. Because I think there would be other**
14 **information she could gather from.**

15 Q. And do you think that other information
16 would be more accurate?

17 MR. KALTENBACH: Objection to form.
18 BY THE WITNESS:

19 **A. I don't know that.**

20 Q. Do you have any concerns about the
21 accuracy of Bob Healey's handwritten notes with
22 respect to interest earned?

23 **A. I don't know. I would not know how to**
24 **answer that question.**

1 Q. Why can't you answer that question?

2 **A. Would I personally have some concern?**

3 **Yes, I would have some personal concern. My bigger**
4 **concern would be was the interest allocation done**
5 **fairly as per the school code. That's where my**
6 **bigger concern is.**

7 **I'll tell you that Bob Healy was a crook.**

8 **I have no problem admitting that. So if there was**
9 **\$1 million and it was not allocated properly to the**
10 **school districts, that's my bigger concern.**

11 Q. So isn't that a problem if Bradshaw's
12 analysis is based solely on Healey's handwritten
13 notes to determine how much interest should have
14 been paid to the districts?

15 **A. No.**

16 MR. KALTENBACH: Objection to form.

17 BY MR. HOFFMAN:

18 Q. And why is that okay?

19 **A. Because if the basis of the analysis was**
20 **applied to all school districts, I'm comfortable**
21 **with that. What I'm not comfortable with -- if**
22 **that's the only number she had to go for, what I**
23 **would not be comfortable with is that school**
24 **districts got what they were not entitled to. So if**

1 **everybody was applied the same amount, if the pool**
2 **was the same for all school districts, at that**
3 **particular time I guess I cannot say I would have a**
4 **problem with it. What I would have a problem with**
5 **is if it was not distributed equally or properly.**

6 Q. The analysis that Kelly Bradshaw did, is
7 it your understanding that that same analysis and
8 the documents that she looked at as applied to the
9 other school districts other than District 204 would
10 show that the other districts got the amount of
11 money that they were supposed to get or that they
12 got less?

13 **A. Some of both. Some got more and some got**
14 **less.**

15 Q. And what is the basis for that claim?

16 **A. The calculations that she showed me.**

17 Q. Well, we haven't seen them, so you
18 describe them to me. As it relates to other
19 districts, I've never seen them and they've never
20 been produced. So why don't you tell me about them.
21 What do they say?

22 **A. I don't remember at this point.**

23 Q. Well, what districts got more and what
24 districts --

1 **A. I don't know. There are 13 school**
2 **districts. I don't know them all.**
3 Q. I understand that. But they're all
4 important, aren't they?
5 **A. They're all important, every single one.**
6 Q. So how many of the districts other than
7 District 204 got more investment income than they
8 should have received during the relative period?
9 **A. I don't know that.**
10 Q. More than one?
11 **A. More than one.**
12 Q. And do you remember which ones there were?
13 **A. No.**
14 Q. And what has the TTO done about that
15 alleged overpayment of interest with respect to the
16 districts other than District 204?
17 **A. I don't think we've done anything with it**
18 **at this point.**
19 Q. Why not?
20 **A. Because there are some that are over and**
21 **there are some that are under, and as it relates to**
22 **the amounts, some of them were immaterial. They**
23 **could have been rounding errors based on the**
24 **accounting information that we had. There could**

1 **have been when it was booked, if it went over fiscal**
2 **year.**
3 Q. Well, you're speculating and you're saying
4 that some of the amounts are immaterial. Does that
5 mean some of the amounts were material?
6 **A. No. They didn't give me an amount. So if**
7 **it's \$5 over, that's a rounding error or an interest**
8 **miscalculation.**
9 Q. Well, you have a detail --
10 **A. If it's \$5 under --**
11 Q. We received a detailed analysis of your
12 claim for interest with respect to District 204.
13 And now you're telling me that there are other
14 districts that you believe got overpaid interest --
15 **A. I also said underpaid interest too.**
16 Q. I heard that.
17 **A. Okay.**
18 Q. So I'm talking about the ones that were
19 overpaid.
20 **A. Uh-huh.**
21 Q. Have you made any effort to recover that
22 money; and if not, why not?
23 **A. We have not proceeded down that path.**
24 Q. Why not?

1 **A. I think it's immaterial based on their**
2 **total fund balance.**
3 Q. How much money are we talking about that
4 was overpaid to the other districts? Give me a
5 ballpark.
6 **A. I don't remember.**
7 Q. You have no idea?
8 **A. No idea.**
9 Q. It was less than \$1,000?
10 **A. Yes, some were less than \$1,000.**
11 Q. Not some, all. All of them were less than
12 \$1,000, all of the differences?
13 **A. No.**
14 Q. Okay. Were some big?
15 **A. Well, what's big?**
16 Q. Well, any of them. You tell me. How
17 much --
18 **A. I think I just told you that I don't think**
19 **any of them were material. So if you're talking**
20 **about \$1,000 on a \$100 million portfolio, that's an**
21 **insignificant amount of money. If you're talking**
22 **about \$500 on a \$600 portfolio, that's material in**
23 **my mind.**
24 Q. You're saying that --

1 **A. So the fact -- I'm telling you the ones**
2 **that were under or over were immaterial. And if we**
3 **needed to switch -- correct those up at a future**
4 **date, we would probably try to do that.**
5 MR. KALTENBACH: You want to take a break?
6 MR. HOFFMAN: Sure. That would be great.
7 (Break from 3:18 p.m. to 3:29 p.m.)
8 BY MR. HOFFMAN:
9 Q. Sir, I'm going to show you what previously
10 was marked as Healy Exhibit 4 in this case. And I
11 believe this is the memo that you made reference to
12 involving David Sellers and Bob Healy. Am I
13 correct?
14 **A. I don't know if it was this specific one,**
15 **but if you say so.**
16 Q. This is the one that your attorney showed
17 to Bob Healy, so --
18 **A. Okay.**
19 Q. That's what I'm guessing. Why don't you
20 tell me. This is, for the record, Healy Exhibit
21 Number 4 is an August 1, 2006 email from David
22 Sellers to --
23 **A. Yes, okay.**
24 Q. -- Bob Healy, and a further August 2nd --

1 **A. Follow-up.**
 2 Q. -- 2006 email from David Sellers to Bob
 3 Healy.
 4 **A. Yep.**
 5 Q. Do you see these?
 6 **A. Uh-huh.**
 7 Q. Are these the emails you were talking
 8 about earlier in your testimony?
 9 **A. Yes.**
 10 Q. Have you ever spoken with either Bob Healy
 11 or David Sellers about the subject matters set forth
 12 in this email?
 13 **A. No.**
 14 Q. Do you know of any other person who has
 15 direct personal knowledge of the circumstances being
 16 discussed in these emails?
 17 **A. No.**
 18 Q. What is your understanding as to what
 19 these emails say with respect to any alleged
 20 overpayment of interest?
 21 **A. Okay. Ask me that question again.**
 22 Q. Okay. Do these -- you've testified
 23 earlier that, in your mind, these emails show that
 24 LT got too much interest from the TTO at this time,

1 correct?
 2 **A. Yes.**
 3 Q. And based on these emails, what was the
 4 amount of money that LT got that was over and above
 5 what it should have gotten?
 6 **A. Well, if you asked me based on this email,**
 7 **it looks like an allocation of approximately**
 8 **\$280,000. And interest was initially 1.451 million.**
 9 **You indicated that there was an additional -- you**
 10 **indicated there was 280,000 more to be added. The**
 11 **total interest for fiscal year '06 would then be**
 12 **approximately 1.7 million. The higher number gives**
 13 **us a good rate of return, while the lower number was**
 14 **the one I said amounted to just under 3.5 percent,**
 15 **which is low. Please confirm the amount for LT that**
 16 **we can count on for fiscal year '07.**
 17 **That's not arbitration. This is --**
 18 Q. I just asked -- I didn't ask you to read
 19 the document, I asked you a very specific question.
 20 In your mind, what is the amount of money, based on
 21 this, that was overpaid to LT, and your answer is
 22 280,000, correct?
 23 **A. Related to this email, there was another**
 24 **allocation of 280,000. I don't know if that's the**

1 **total amount because I can't take one paragraph --**
 2 Q. Why?
 3 **A. -- and look at it --**
 4 Q. What I'm saying is what -- based on these
 5 two emails --
 6 **A. I would have concern based on this email.**
 7 **This email would lead me to believe that there was a**
 8 **conversation that they thought that this rate of**
 9 **return was low, but the 280,000 brought in a rate of**
 10 **return which 204 thought was acceptable. That's not**
 11 **how you determine a rate of return. If I'm going to**
 12 **talk to my financial advisor and tell him I want an**
 13 **8 percent rate of return, and he tells I'm only**
 14 **going to get a 6, and I find it unacceptable, he**
 15 **can't make up 8 percent rate of return. The rate of**
 16 **return is what the rate of return is.**
 17 Q. You need to listen carefully to my
 18 question, sir, please. Because what I'm asking you
 19 to do is quantify what your position is with respect
 20 to these emails as to the amount of overpayment. Am
 21 I correct your view, your reading of these emails is
 22 that LT got \$280,000 more than they should have
 23 gotten based on this back and forth? At least?
 24 Maybe there was other emails more.

1 **A. Yes. I would agree to that at least**
 2 **\$280,000 more.**
 3 Q. And then what is your, to your
 4 understanding, the statement in the email on the top
 5 where it says, "I understand that 280,000 was
 6 already included and appreciate the increase of
 7 \$172,165 that we talked through," what is your
 8 understanding as to that?
 9 **A. I do not know. If I read this, I would**
 10 **say that it was 280 and an increase of 174, which**
 11 **would give me 350 -- 452,000 and then how he wanted**
 12 **it distributed in the various funds.**
 13 Q. Do you say 452,000?
 14 **A. It was already included.**
 15 Q. Approximately, yes? Is that the sum?
 16 You're better at math than I am.
 17 **A. So 447, it looks like.**
 18 Q. 447,000. And that's approximately the sum
 19 of 280,000 plus 172,000. Yes?
 20 **A. Yeah.**
 21 Q. Okay. And can you explain then why in
 22 Bradshaw's analysis that -- let's see. Hold on.
 23 So do you have any understanding as to why
 24 Bradshaw concluded in her analysis that the amount

1 of overpayment for fiscal year '06 to LT was
2 \$391,000 plus change?

3 **A. Nope. I do not know how she would get to**
4 **that.**

5 Q. Is it possible that there was no real
6 rhyme or reason as to how Bob Healy actually
7 distributed interest as opposed to considering the
8 interest that was earned and the interest that was
9 paid?

10 **A. Is it possible?**

11 Q. Yeah.

12 **A. It's possible.**

13 Q. And is it possible that his lack of
14 precision, if you will, wasn't solely focused on
15 District 204, but actually affected all the
16 districts?

17 **A. Of course, because if it affected one, it**
18 **affects all.**

19 Q. What I'm saying is --

20 **A. As a pooled investment, if in the event**
21 **they were overpaid or underpaid, that affects all**
22 **school districts.**

23 Q. If Bob Healy was making arbitrary payments
24 of interest, are you saying that his arbitrary

1 **A. Memo.**

2 MR. KALTENBACH: No, you said email.

3 MR. HOFFMAN: Memo. You're right it's not an
4 email. I remember there used to be such thing as
5 memos at one time.

6 BY MR. HOFFMAN:

7 Q. So you see the minutes of the March 21,
8 2000 meeting, right?

9 **A. Yes.**

10 Q. And you're very familiar with these
11 minutes and you've talked to the press and other
12 people about these minutes, right?

13 **A. Yes.**

14 Q. Okay. When was the first time that you
15 personally saw the minutes of this meeting?

16 **A. Gee, I don't know. Four years ago.**

17 Q. Did you see the minutes of this meeting
18 prior to the board authorizing the TTO's attorneys
19 to file the lawsuit in this case?

20 **A. I believe we did, yes. I believe I did.**

21 Q. All right. Terrific. Have you ever
22 spoken with Russell Hartigan about what occurred at
23 this meeting on March 21st of 2000?

24 **A. No. Like I said, I don't think I've ever**

1 payments of interest would have always favored
2 District 204?

3 **A. I'm not saying that. I'm not saying that**
4 **at all. What I'm saying is if any school was**
5 **overpaid or underpaid, it affects all school**
6 **districts because it takes out of the collective**
7 **investment pool. So if the collective investment**
8 **pool, if somebody is paid more or less, then it**
9 **affects the overall interest of the pool, which then**
10 **affects the other school districts when it's time**
11 **for their distribution.**

12 Q. All right.

13 Let me show you a document that we've
14 previously marked as Conway -- we're going to switch
15 gears and we're going to talk about this claim that
16 the TTO made for alleged underpayments of pro-rata
17 expenses. Okay?

18 **A. Okay.**

19 Q. I'm going to show you the minutes of a
20 meeting that the Board of Trustees held on March 21,
21 2000, that's Conway Deposition Exhibit Number 5.
22 It's two pages of minutes as well as an attachment
23 of a February 29, 2000 email from Lisa Beckwith at
24 LT to Bob Healy.

1 **met Russell Hartigan.**

2 Q. Have you ever spoken to -- Okay. And fair
3 enough that you've never spoken with Bob Healy about
4 that subject either, have you?

5 **A. No, I have not.**

6 Q. And Joseph Nicola is unavailable because
7 he's deceased, right?

8 **A. Yes.**

9 Q. And Donna Millage was not present at this
10 meeting, correct?

11 **A. According to the minutes, no. I don't**
12 **know Donna. So if she was marked as absent, that's**
13 **what I have to go on.**

14 Q. You have no reason to doubt that, right?

15 **A. No.**

16 Q. Okay. So the three people who were at
17 this meeting were Russell Hartigan, Joseph Nicola,
18 and Bob Healy, correct?

19 **A. Yes. At least those three.**

20 Q. Okay. And the two people amongst them who
21 are living, Russell Hartigan and Bob Healy, were
22 deposed in this case. Do you know that?

23 **A. Yes.**

24 Q. And do you know what they said about this

1 meeting?

2 **A. No.**

3 Q. Are you interested to know what they said
4 about this meeting?

5 **A. Sure.**

6 Q. Okay. Why is it that three years into
7 this lawsuit -- well, strike that.

8 Let me ask you to take a look at the
9 bottom of page 1, please.

10 **A. Okay.**

11 Q. And it talks about Healy submitting to the
12 trustees proposals from 204 saying "this office
13 absorbed certain payroll, accounts payable, and
14 computer processing expenditures by District 204."
15 Do you see that?

16 **A. Yes.**

17 Q. And is your understanding of the proposal
18 the attached February 29, 2000 memo that was
19 attached to the minutes? Is that what the proposal
20 is that they're talking about in the minutes?

21 **A. Well, this looks like it's a job
22 description or a cost allocation.**

23 Q. Have you ever seen the February 29, 2000
24 memo from Lisa Beckwith to Bob Healy?

1 **A. Yes. I think that's what they're stating,
2 yes.**

3 Q. And so how is it that you've never seen
4 this document before if it's so critical to the
5 case?

6 **A. Well, this constitutes a memo to me; this
7 is not a contract.**

8 Q. So unless it's signed by both parties --

9 **A. So any agreement -- any agreement that we
10 would have with 204 would have to be governed by
11 interlocal governmental agreement. So I have never
12 seen anything in our board minutes --**

13 Q. Let me ask you this question.

14 **A. Wait a second. I'm not done.**

15 **So to me this does not constitute a
16 contract. And I don't know whether it legally
17 constitutes a contract, I just know that the board
18 president of the Lyons Township School and trustees,
19 when we approve a contract, we approve it. We take
20 a formal vote. We ask our attorney for counsel. Is
21 this a proper form? Is this a proper statute? And
22 we have a signed agreement between parties. So I
23 don't think that this rises, in my opinion, as a
24 level of a contract. I don't see any response -- I**

1 **A. No, I don't think I have.**

2 Q. You've never seen this?

3 **A. I don't think so.**

4 Q. Do you have any understanding of what this
5 February 29, 2000 memorandum is?

6 **A. It looks like to me a cost allocation of
7 their staff.**

8 Q. And it says: "Following is a list of
9 responsibilities that District 204 proposes become
10 the direct cost and responsibility of the Township
11 Treasure's Office." Do you see that?

12 **A. Yes.**

13 Q. And then there's a number of amounts. And
14 then at the bottom, it says: "An invoice will be
15 sent to the township treasurer in May with receipt
16 of funds expected prior to the close of the fiscal
17 year." Do you see that as well?

18 **A. Yes.**

19 Q. And whether or not you've seen this
20 particular memorandum before, isn't this correct
21 that this is what LT has said in this case reflects
22 the agreement between the parties by which the TTO
23 agreed to pay the costs of LT's business functions
24 that the TTO would otherwise have to perform?

1 **don't see any response for us.**

2 Q. Let me ask you about the intergovernmental
3 agreement part of it. Why is it your belief that
4 this type of agreement would have required an
5 intergovernmental agreement?

6 **A. Because these are two independently
7 elected boards. These are two governmental
8 entities. It's just like two corporations doing a
9 deal would be governed by a contract. We're elected
10 township-wide; 204 is elected by a subset of the
11 township. So these are two political subdivisions
12 that I think would have to agree via contract if
13 they're going to share costs, do anything else.**

14 **I know we have contracts with our copy
15 machines. We have contracts with our accounting
16 firms. I know with my homework that LT has
17 contracts with bus companies, with football coaches,
18 with superintendents that are all signed,
19 documented, and board approved.**

20 Q. So in your view, there should have been an
21 intergovernmental agreement or contract between LT
22 and the TTO with respect to this issue?

23 **A. Yes.**

24 Q. Would any of the other districts, in your

1 view, have had to have been signatories to that
2 intergovernmental agreement for it to be effective
3 on this particular subject matter?

4 **A. In my opinion, no.**

5 Q. And why is that?

6 **A. Because we're an independently elected
7 board.**

8 Q. Now, you see on page 2 it says: "A motion
9 was made by Russell Hartigan, seconded by Joe
10 Nicola, to accept the proposal given to the Lyons
11 Township Trustees of Schools by Cook County High
12 School District Number 204." And there are two
13 "aye" votes and zero "nay" votes. Do you see that?

14 **A. Yes.**

15 Q. And what is your position as to what it
16 was that the board accepted as reflected in these
17 minutes?

18 **A. Well, I would assume it's this
19 correspondence. They received this memo to review.**

20 Q. Right. So what is it are you -- are you
21 taking the position that the acceptance by the board
22 of this LT proposal was ineffective because of the
23 lack of intergovernmental agreement?

24 **A. No. I think you asked me what the term**

1 **"accepted" means. I mean just like this.
2 (Indicating.) You just accepted that from me.**

3 Q. So you're saying "accepting" means
4 recognizing the receipt of, but not agreeing to it?

5 **A. Exactly.**

6 MR. KALTENBACH: Let the record reflect -- you
7 don't have to laugh if you don't like any of his
8 answers, Jay. It's so unprofessional -- the
9 witness, as he was speaking, handed the exhibit in
10 front of him to Mr. Hoffman, who has now given it
11 back.

12 BY THE WITNESS:

13 **A. I would assume if this was a contract,
14 they would have sent an approved proposal.**

15 Q. So you are aware, sir, that there was a
16 12-year course of dealing between the parties from
17 2000 to 2012 by which LT received the pro-rata
18 expense billing from the TTO, offset the cost of its
19 business functions, and if there was a net payment,
20 sent that net payment to the TTO, which the TTO
21 accepted. You're aware of that, right?

22 **A. Yes, I'm aware of -- I don't think it's
23 exactly as you stated. But I'm aware that they
24 think that --**

1 Q. I don't want to put words in your mouth.
2 Why don't you state it?

3 **A. I think there was a belief between Bob
4 Healy and District 204 related to this so-called
5 agreement that you claim.**

6 Q. Are you saying that the trustees were
7 unaware of this course of dealing?

8 **A. Yes.**

9 Q. So there's no question pending. I'll ask
10 you a question in just a moment.

11 Sir, I'm going to show you a portion of
12 Bob Healey's deposition testimony taken in this
13 case. Let me see if I can find a clean copy of it.

14 MR. HOFFMAN: Do you have Healey's?

15 MR. KALTENBACH: Yeah.

16 MR. HOFFMAN: Thanks. Appreciate it.

17 BY MR. HOFFMAN:

18 Q. Sir, I'd like to direct your attention to
19 the testimony that Bob Healy gave in this case at
20 pages 116 through 117 and ask you to read that to
21 yourself, please.

22 **A. 116 through 117?**

23 Q. 116 through 117, yes, sir.

24 **A. Okay.**

1 Q. Actually, through 118, please.
2 Have you read that testimony, sir?

3 **A. Nope.**

4 **Okay. I'm through.**

5 Q. You see that Bob Healy testified in his
6 deposition that he informed the trustees that the
7 TTO was paying for the cost of LT's business
8 functions during the relevant years and then
9 discussed those costs with the trustees during that
10 time period. Correct?

11 **A. Yes, I see where he's saying that.**

12 Q. Do you have any reason to doubt that
13 testimony?

14 **A. 100 percent.**

15 Q. What is your reason to doubt that
16 testimony, sir? Why are you claiming that the
17 trustees were not aware of this course of dealing?

18 **A. I think Bob was less than forthright and
19 honest with the trustees. And as I said before, I
20 think because 204 continued to pressure, cajole, and
21 force him, he did that to appease them. He did not
22 let the trustees know the full extent of whatever
23 was going on between 204 and the TTO office.**

24 Q. You've never spoken with any of the

1 trustees, though, have you?

2 **A. No, I have not.**

3 Q. Has anybody -- did anybody associated with
4 TTO ever interview the trustees before the filing of
5 this suit and report to you on that?

6 **A. No.**

7 Q. So your disbelief of what Healy says he
8 told and discussed with the trustees is based on no
9 actual evidence?

10 **A. It's mine and my own.**

11 Q. It's your belief?

12 **A. My belief, mine and mine alone.**

13 Q. And you have no knowledge as to what
14 exactly the trustees were told with respect to this
15 issue?

16 **A. I have as much knowledge as you or Barry
17 or anybody else. We weren't there.**

18 Q. Well, I wasn't there, but Bob Healy was.
19 Yeah?

20 **A. I don't accept Mr. Healy as an honest and
21 forthright man.**

22 Q. Okay. Now, Mr. Healy said that the
23 trustees were aware of and approved the expenditures
24 the trustees made to LT for LT's business functions

1 additional staffing?

2 **A. Yes, I am.**

3 Q. And what is the basis for that claim?

4 **A. Because right now we handle it with less
5 people than what was in that office now with bigger
6 numbers within our staff at the TTO office. So we
7 handle for 13 school districts with roughly eight
8 and a half people. We had more people than that, I
9 believe, at that time. So we handle more
10 transactions, larger numbers, more checks, more
11 payables, more payrolls at the current time than
12 they did then with less people. So I do not believe
13 that there would have to be an addition to staff.
14 And there clearly would not be an addition to staff
15 based on that memo you just showed me where they're
16 trying to allocate three people to it. That's just
17 absurd. Completely absurd. That totally goes
18 against the whole notion of why the TTO exists as a
19 consolidation of government.**

20 Q. Why does the TTO exist?

21 **A. As a consolidation of government.**

22 Q. It doesn't exist in any county other than
23 Cook, right? It doesn't exist in any county other
24 than Cook, does it?

1 when they approved the expenditures of the
2 treasure's office as a whole?

3 **A. And that's just not even a factual
4 statement. Because we never made expenditures to
5 204. We never made expenditures to 204. So that
6 alone is not even a factual statement. That would
7 indicate that we paid 204 to do work for us.**

8 Q. Isn't that what you essentially did,
9 outsourced the work to 204 that the TTO would
10 otherwise have to do in-house --

11 **A. They didn't do any different. There was
12 no change in workload.**

13 Q. But this -- isn't it correct that the TTO
14 would have had to hire additional people?

15 **A. No, that's not correct.**

16 Q. Really?

17 **A. No, that's not correct. We don't know
18 that. I don't think the workload changed. I don't
19 know that.**

20 Q. So you're saying that the personnel at the
21 TTO from 2000 to 2012 that were handling the
22 workload of all of the districts other than 204 for
23 things like accounts payable and payroll could have
24 also handled District 204's work without any

1 **A. I don't believe so.**

2 Q. It doesn't. And so why is the TTO so
3 important if every county other than suburban Cook
4 County is able to do without it?

5 MR. KALTENBACH: Aside from my standing
6 objection of relevance, I'm going to argue this line
7 of questioning is argumentative.

8 MR. HOFFMAN: He brought it up.
9 BY THE WITNESS:

10 **A. Well, I think it exists because when done
11 correctly, it lowers costs, it yields a higher
12 return, and it creates an additional checks and
13 balances related to school districts and the money
14 that they manage from a safety net perspective.**

15 Q. And how did that work under Bob Healey's
16 stewardship?

17 **A. It did not work well.**

18 Q. And who is the check and balance on Bob
19 Healy?

20 **A. Well, in theory, it should have also been
21 the school districts, their accountants and their
22 law firms. Because anything that was -- it's
23 incomprehensible to me that a school district and a
24 school district board and their auditor can get a**

1 **rate of return that exceeded the market from the TTO**
2 **without asking a follow-up question.**

3 Q. You understand, don't you, that from 1995
4 through 2012, the TTO provided very little, if any,
5 information to LT with respect to the interest
6 payments that they received?

7 **A. No.**

8 Q. You claim otherwise?

9 **A. I guess I don't claim one way or the**
10 **other. I know that based on the memo you just**
11 **showed me that 204 thought that 3.5 percent return**
12 **was more in line with what they thought that they**
13 **wanted, so they were clearly monitoring the return**
14 **they were getting from the TTO.**

15 Q. Is it your understanding that in the time
16 period, the entire time period which you have a
17 claim claiming interest, that LT was just as able to
18 determine the amount of the interest that should
19 have been paid to LT as the TTO was?

20 **A. No. No.**

21 Q. Why is that?

22 **A. Because they would not have access to the**
23 **overall portfolio, and they would not know the**
24 **expenses associated to it. And I do not know what**

1 **that portfolio was at that time, but right now that**
2 **portfolio is anywhere between \$240- to \$600 million**
3 **depending on tax collections.**

4 Q. I'm listening.

5 **A. So for 204 to determine what they thought**
6 **their allocation is, they might be able to get**
7 **close, but they would not know the interest**
8 **expenses, they would not know the administrative**
9 **fees, they would not know some things like that**
10 **within the portfolio.**

11 Q. I know you haven't read Judge Hardigan's
12 deposition transcript taken in this case. I'd like
13 to direct your attention -- well, this is it. It
14 just has some handwriting on it.

15 On page 42 of Hardigan's deposition --

16 MR. HOFFMAN: You don't have it there, do you?

17 MR. KALTENBACH: Hardigan's?

18 MR. HOFFMAN: Yeah.

19 MR. KALTENBACH: No, I didn't bring it.

20 MR. HOFFMAN: No, from today.

21 MR. KALTENBACH: No.

22 MR. HOFFMAN: Okay. Fine.

23 BY MR. HOFFMAN:

24 Q. So Russell Hartigan was asked this

1 question on page 42 of his deposition.

2 Question: "And you were aware, sir,
3 that from the year 2000 to the remainder of your
4 term as trustee, that the TTO was paying for certain
5 business functions performed at District 204,
6 correct?"

7 Answer: "I think so."

8 Do you see that?

9 **A. Yes.**

10 Q. And doesn't that indicate that Judge
11 Hartigan believed that he was aware as a trustee of
12 the arrangement that the TTO had with District 204?

13 MR. KALTENBACH: Objection as to the lack of
14 foundation.

15 BY THE WITNESS:

16 **A. Yeah, I don't know what the judge was**
17 **thinking at that time.**

18 Q. Well, he's answered that he believes -- he
19 thinks so. So that means no?

20 **A. It could be he's unsure.**

21 Q. You think "I think so" could be the same
22 as "no"?

23 **A. He could be unsure.**

24 Q. But you never actually bothered to speak

1 with him and find out what he knows or doesn't know,
2 right?

3 **A. No, I have not.**

4 Q. And is that important to you or not
5 important?

6 MR. KALTENBACH: I'm going to object as I
7 think --

8 BY MR. HOFFMAN:

9 Q. With respect to this issue, do you view
10 Judge Hardigan's recollections as a trustee as to
11 what he knew about this payment for business
12 functions issue as significant or not?

13 MR. KALTENBACH: I'm going to object. Although
14 there's a standing relevance objection, I'm going to
15 object that it's as argumentative.

16 MR. HOFFMAN: Fine. You can answer.

17 BY THE WITNESS:

18 **A. Do I think it's relevant to this**
19 **conversation?**

20 Q. Yes.

21 **A. I think it's relevant. I don't think it's**
22 **appropriate.**

23 Q. Why do you think it's not appropriate?

24 **A. Because I don't think he had full**

1 **knowledge of the relationship between Bob Healy and**
2 **204. I don't think he was given full information.**

3 Q. Okay. And that's based on your
4 speculation, correct?

5 **A. That's based on my speculation. That's**
6 **based on, I believe, the actions of parties. I**
7 **think it's based on the response that we got from**
8 **204 when we brought this to light. I think it's**
9 **based on their continued response that they feel**
10 **that they're being painted in an unfair manner. So,**
11 **yeah, no, I don't think that the judge, who I'm sure**
12 **is a fine man, knew the full extent of what was**
13 **going on between 204 and Bob Healy.**

14 MR. HOFFMAN: Let's mark this as the next
15 exhibit.

16 (Exhibit 12 was marked.)

17 BY MR. HOFFMAN:

18 Q. Sir, I'm handing you Theissen Exhibit
19 Number 12. Theissen Exhibit Number 12, have you
20 seen this before? This is a letter from Bob Healy
21 to Lisa Beckwith at LT with a carbon copy to the
22 trustees of the TTO.

23 **A. Yes.**

24 Q. Have you seen this letter before?

1 **anything. I don't see the word "recommend." If you**
2 **show me the word "recommend" --**

3 Q. You can't glean that from reading this
4 letter? In the first option, which is a deviation
5 from pro-rata billing, am I correct that Healy says
6 it is extremely -- simply put, it is highly unlikely
7 that the boards of those other 11 tax bodies would
8 ever agree --

9 **A. I see that.**

10 Q. And then he goes on to the second proposal
11 and he says, "As to the funding of some district
12 functions, I would expect that when the trustees of
13 schools takes into consideration these necessary
14 increases, they would logically conclude...that this
15 is reasonable." You don't think that is --

16 **A. I don't see "recommendation." I would**
17 **expect -- you said recommendation. You said did he**
18 **recommend --**

19 Q. You do not think that that's what he was
20 recommending? I will concede to you that that exact
21 word is not stated in there. You're saying that you
22 can't tell from this letter which course of proposal
23 he was recommending?

24 **A. Well, let me finish reading the rest of**

1 **A. I believe that I have, yes.**

2 Q. Okay. And this contains ultimately five
3 proposals that were possible between the TTO and LT,
4 correct?

5 **A. Yes. It appears that way, yes.**

6 Q. And is it your understanding that the
7 proposal that, at least in your view, Bob Healy
8 pursued with respect to LT was the second proposal,
9 which is the funding by Township School Treasure of
10 some district functions, which is at the top of the
11 second page of this document?

12 **A. I don't -- ask me that again. Which**
13 **proposal funding?**

14 Q. There's five proposals here, right?

15 **A. Right. We're looking at number 2?**

16 Q. Right. And you read the letter. You're
17 familiar with it. You recognize that Bob Healy was
18 recommending proposal number 2, which was the
19 funding by Township School Treasurer of some
20 district specific functions. You see that, right,
21 that was one of the five that he was recommending in
22 this letter? If you want to read the letter again
23 to confirm what I just told you.

24 **A. I don't see where he says he recommended**

1 **it.**

2 Q. Fine. I would encourage you to notice
3 that he rules out the feasibility of all four other
4 proposals.

5 **A. Okay. I'm back on number 2.**

6 Q. Isn't it obvious that that is the proposal
7 that Healy expects the parties to proceed with,
8 number 2?

9 MR. KALTENBACH: I'm going to object.

10 BY MR. HOFFMAN:

11 Q. Or do you read this in some other way?

12 MR. KALTENBACH: I'm going to object to the
13 form of --

14 MR. HOFFMAN: Fine. Your objection is noted.

15 MR. KALTENBACH: You know, let me finish my
16 objection.

17 MR. HOFFMAN: I want to -- it's very clear what
18 I'm asking this witness. I wish he would just
19 answer the question.

20 MR. KALTENBACH: Hold on a minute. Jay,
21 please, let's cut the commentary. All right? Ask
22 the question; he'll answer it. My objection is form
23 of the question, lack of foundation.

24 MR. HOFFMAN: Fine.

1 THE WITNESS: So ask me again.
 2 BY MR. HOFFMAN:
 3 Q. There's five options laid out there,
 4 right?
 5 A. Yes.
 6 Q. You've seen this letter before. Do you
 7 have any understanding as to which option Healy was
 8 proposing the parties proceed with, at least for the
 9 basis of further discussion?
 10 A. I think what he -- how I read this letter
 11 is maybe the most reasonable chance that might be
 12 approved would be number 2.
 13 Q. Fine. Terrific. You see that this
 14 document reflects a copy to the trustees of the TTO
 15 at the end, yes?
 16 A. Yes.
 17 Q. And you have no reason to believe that
 18 they did not receive a copy of this letter, do you?
 19 A. I have no reason to believe, no.
 20 Q. And isn't it a fact that by receiving a
 21 copy of this letter, the trustees were aware, at
 22 least at this stage of the negotiation, of the
 23 different options and possibilities that were being
 24 discussed between the two parties?

1 A. Okay. Ask me that again.
 2 Q. Isn't it a fact that by receipt of this
 3 August 18, 1999 letter, the trustees of the TTO were
 4 aware of the various options being discussed by the
 5 parties at this time?
 6 A. Yes, I would agree with that. I guess the
 7 thing I would add is probably I look at the second
 8 to the last paragraph, given all of these issues,
 9 it's hard to see what advantages a changeover would
 10 be to the operation of the treasure's office in all
 11 13 other districts.
 12 So I read this as, well, he though maybe 2
 13 was the most reasonable. There was no reason to do
 14 this. It's not advantageous for the TTO to do this.
 15 It's 100 percent of how I read this. What advantage
 16 a changeover would be to the operation of the
 17 treasurer's office in the 13 other districts I
 18 serve.
 19 Q. So in your mind, Healy didn't want to
 20 proceed with any of these options, as you read this?
 21 A. That's how I would read this.
 22 Q. Okay. Terrific.
 23 A. I'm assuming maybe the other board members
 24 when they read this too would say, yeah, what's the

1 benefit to doing this?
 2 MR. HOFFMAN: I move to strike --
 3 BY MR. HOFFMAN:
 4 Q. That's an assumption, isn't it?
 5 A. That's my opinion.
 6 Q. That's your assumption, isn't it?
 7 A. It's my opinion.
 8 Q. You just said, "I assume." You made an
 9 assumption that --
 10 A. My opinion --
 11 MR. KALTENBACH: Hold on. Hold on a minute.
 12 THE WITNESS: It's my opinion.
 13 MR. KALTENBACH: Hold on a minute.
 14 BY MR. HOFFMAN:
 15 Q. You're speculating as to what might have
 16 happened based on no personal knowledge. I want to
 17 stick to the facts, sir.
 18 MR. KALTENBACH: You know what, Jay --
 19 BY THE WITNESS:
 20 A. I'm reading this in context as a board
 21 member.
 22 MR. KALTENBACH: Jay, please, enough with the
 23 commentary. Okay? And I object to the last several
 24 questions. It's just exceptionally argumentative.

1 BY MR. HOFFMAN:
 2 Q. Here is the thing, sir.
 3 A. Me?
 4 Q. Yeah, Mr. Theissen. You are not allowed
 5 to make assumptions. You're not allowed to guess
 6 and you're not allowed to suppose. You're here to
 7 testify about the facts known to you. So I would
 8 respectfully ask you to restrict your testimony to
 9 what you actually know.
 10 A. Okay.
 11 Q. Thank you.
 12 A. So then I want to rephrase that. I don't
 13 know anything about that memo based on what I read.
 14 I don't know what the other people thought about it.
 15 And I don't know what 204 thought about it. And I
 16 don't know what Bob Healy thought about it.
 17 Q. Okay. Thank you.
 18 You asked Kelly Bradshaw to compile the
 19 numbers on the claim for pro-rata expense payments
 20 that the TTO was making, correct?
 21 A. Yes.
 22 Q. And you asked her to do that without
 23 respect to the memos like the February 29, 2000
 24 memos setting forth offset amounts that came from

1 LT, correct?

2 **A. Correct.**

3 Q. And you're familiar with those memos,

4 right? There's a whole series of them, yes?

5 **A. Yes.**

6 Q. I mean, this is Exhibit Number 3. Are

7 these the memos in the TTO's records -- well, are

8 these the memos that set forth the alleged offset

9 amounts for each year from 2000 to 2012 that you've

10 seen before?

11 **A. Oh, I don't know if I've seen all of them,**

12 **but I'm sure there are memos that have that.**

13 Q. You're familiar with these?

14 **A. Yeah.**

15 Q. Okay. Terrific.

16 **A. In theory, yes.**

17 Q. And you told Bradshaw that there was no

18 agreement with the TTO based on your review of the

19 minutes of the TTO, correct?

20 **A. My minutes of the TTO and minutes of 204**

21 **as well.**

22 Q. Let's take a look at the 204 minutes,

23 Healy Exhibit Number 1.

24 MR. KALTENBACH: Which page?

1 MR. HOFFMAN: I didn't give one. Be patient.

2 MR. KALTENBACH: No. For the record I laughed

3 when I said that.

4 MR. HOFFMAN: For the record I know you meant

5 it lightheartedly.

6 BY MR. HOFFMAN:

7 Q. Let's start with the agenda for a June 19,

8 2000 meeting of the board for LT. And these go in

9 chronological order, so use your numbers, please.

10 Have you seen -- there's an agenda and

11 then there are minutes. And following the minutes,

12 there is an attachment to the agenda and the

13 minutes, which is Attachment T as in Tom. And that

14 is a June 14, 2000 memorandum from Lisa Beckwith to

15 the Board of Education. That Exhibit T is

16 referenced in the agenda and minutes.

17 **A. Okay.**

18 Q. So wait.

19 MR. KALTENBACH: I'll keep it in order.

20 MR. HOFFMAN: No, no, stop. You take that

21 back. You take yours back, please. And I'm going

22 to show you -- yeah, I don't want it to get them

23 mixed up.

24 THE WITNESS: They're the same thing, aren't

1 they?

2 MR. HOFFMAN: Why don't you let me show this to

3 you. Okay? Because this is the one that was

4 actually marked as an exhibit in Healy Exhibit 1.

5 BY MR. HOFFMAN:

6 Q. So have you seen this agenda, the minutes,

7 and Attachment T to them before? And take your

8 time.

9 **A. I don't know if I have seen this**

10 **particular one before.**

11 Q. Well, take a moment and take a look at it,

12 please. The portion of the minutes that's relevant

13 is page 10, by the way, to save you some time. And

14 if you turn to page 10, there's a reference to the

15 TTO, Exhibit T, and then there's a vote on the

16 consent agenda by the board.

17 **A. Okay. I see that.**

18 Q. Okay. So in testimony in this case, Lisa

19 Beckwith, who is the business manager of LT, and

20 Dr. Dennis Kelly, who is the superintendent of LT,

21 said that the agreement with the TTO on the payment

22 of the costs of LT's business functions was

23 presented to the board at this meeting through the

24 submission of the memorandum from Dr. Beckwith and

1 was voted on and approved in the consent agenda, as

2 shown on page 10 of the minutes. That's their

3 testimony.

4 **A. Okay. So I just want to make sure.**

5 **You're telling me all that would have been -- should**

6 **have been -- there's no discussion about this**

7 **exhibit? There was not one word that was read into**

8 **the record?**

9 Q. This is part of the consent agenda, that's

10 correct. Because according to their testimony, they

11 previously discussed and addressed it at the finance

12 meeting that preceded it.

13 **A. Okay.**

14 Q. There are other documents after that

15 document that are not part of the Healy Exhibit 1.

16 **A. I just trying to -- okay. There it is.**

17 Q. And you'll see the Exhibit T, which is --

18 Wait. Stop. You're getting these out of the order.

19 **A. No, I'm not. I can keep -- I know what**

20 **I'm doing. It goes right here.**

21 Q. Okay.

22 **A. I'm not an idiot.**

23 Q. Thank you.

24 **A. You have a question on this?**

<p style="text-align: right;">Page 146</p> <p>1 Q. Yes.</p> <p>2 A. Okay.</p> <p>3 Q. You want to take a look at Exhibit T?</p> <p>4 A. I'm looking at Exhibit T. I've got it</p> <p>5 right here.</p> <p>6 Q. You see that Exhibit T has attachments to</p> <p>7 it?</p> <p>8 A. Yeah. They're behind.</p> <p>9 Q. My question to you, sir, is in their</p> <p>10 testimony in this case, Dr. Kelly and Lisa Beckwith</p> <p>11 stated -- whether you agree with it or not we're</p> <p>12 about to find out -- that the agreement with the TTO</p> <p>13 on the payment for the cost of LT's business</p> <p>14 functions was presented to the board and approved</p> <p>15 through their consent agenda without specific</p> <p>16 discussions, as reflected on page 10 of the minutes</p> <p>17 of the board meeting on June 19, 2000. That is</p> <p>18 their testimony. And my question to you, sir, is</p> <p>19 very simple. Do you have any basis to disagree with</p> <p>20 that testimony; and if so, please tell me what that</p> <p>21 basis is.</p> <p>22 A. I guess I'd like to read the testimony, if</p> <p>23 that's the case. And I do disagree with the basis</p> <p>24 of it.</p>	<p style="text-align: right;">Page 148</p> <p>1 agreement with the TTO was approved by LT's board on</p> <p>2 this date as part of the consent agenda?</p> <p>3 A. Yes, I have a disagreement with that.</p> <p>4 Q. Tell me where you disagree with that.</p> <p>5 A. I don't see the agreement. I see a memo</p> <p>6 that really talks about one year, '99 to 2000.</p> <p>7 That's a single year.</p> <p>8 Q. Right.</p> <p>9 A. At the very least, it may be for that.</p> <p>10 But I don't see an agreement. I mean, if you want</p> <p>11 to show me an agreement.</p> <p>12 Q. Excuse me, sir. Let's follow up on that</p> <p>13 testimony you just gave.</p> <p>14 A. Okay.</p> <p>15 Q. If we look solely at this fiscal year and</p> <p>16 don't talk about any other fiscal years --</p> <p>17 A. Okay. Hypothetically, we're saying?</p> <p>18 Q. Correct. Exactly. Do you have any basis</p> <p>19 to disagree that LT's board approved this agreement</p> <p>20 for that fiscal year based on the minutes of the</p> <p>21 June 19, 2000 meeting and the vote taken on the</p> <p>22 consent agenda?</p> <p>23 A. Ask me the question again.</p> <p>24 MR. HOFFMAN: Read it back.</p>
<p style="text-align: right;">Page 147</p> <p>1 Q. Why?</p> <p>2 A. Because this to me looks like it's a bill,</p> <p>3 Township Treasurer expenditures. Attached is the</p> <p>4 copy of the agreement. So is this a signed</p> <p>5 agreement? Is this a contract? What is this?</p> <p>6 Q. Agreement is the February 29, 2000</p> <p>7 memorandum which is not signed, according to those</p> <p>8 witnesses.</p> <p>9 A. February 29th. Where is the February 29th</p> <p>10 memo?</p> <p>11 MR. KALTENBACH: It's a couple pages back, so</p> <p>12 keep flipping.</p> <p>13 BY MR. HOFFMAN:</p> <p>14 Q. It's specifically referenced in that</p> <p>15 memo --</p> <p>16 A. Now I'm getting into business forms. Oh,</p> <p>17 here it is. Okay.</p> <p>18 You're asking me does it constitute a</p> <p>19 contract?</p> <p>20 Q. We already discussed that.</p> <p>21 A. So what are you asking me?</p> <p>22 Q. What I'm asking you is if you have any</p> <p>23 basis to disagree with the LT witnesses who said</p> <p>24 that this agreement that they viewed to be an</p>	<p style="text-align: right;">Page 149</p> <p>1 (Record read as requested.)</p> <p>2 BY THE WITNESS:</p> <p>3 A. Yes, I do have disagreement.</p> <p>4 Q. Based on what?</p> <p>5 A. Well, based on the fact that right here it</p> <p>6 says Township Treasurer invoice. It doesn't even</p> <p>7 list it as a formal agreement. I mean, every place</p> <p>8 else you've got resolution of prevailing wage,</p> <p>9 appointments. It's very clear what the action is.</p> <p>10 This looks like, to me, it's simply an approval of</p> <p>11 an invoice. Q talks about interlocal governmental</p> <p>12 agreement cooperative to establish Illinois gas</p> <p>13 cooperative. If this said Township Treasure</p> <p>14 interlocal governmental agreement, then I wouldn't</p> <p>15 have a question.</p> <p>16 Yeah, I think this is thin at best. This</p> <p>17 would not be in our minutes. We would have had a</p> <p>18 contract and a vote. A vote vote: 3-0, 2-0, 1-0,</p> <p>19 0-3. This is payment of an invoice.</p> <p>20 Q. You mean your minutes currently during</p> <p>21 this time now that we're talking about?</p> <p>22 A. Yes.</p> <p>23 Q. Okay. Very well. Thank you.</p> <p>24 MR. KALTENBACH: Well, I'm not going to put a</p>

1 stopwatch on you ever in a deposition, but do you
 2 have a sense of --
 3 MR. HOFFMAN: I only have a few more minutes.
 4 MR. KALTENBACH: That's fine.
 5 MR. HOFFMAN: We're doing well. I'm still --
 6 THE WITNESS: Right in the middle of traffic.
 7 (Discussion off the record.)
 8 (Exhibit 13 was marked.)
 9 BY MR. HOFFMAN:
 10 Q. All right. Sir, I'm showing you Theissen
 11 Exhibit Number 13. Will you be kind enough to
 12 confirm this is a letter that you sent to Mike Pera
 13 at LT on March 8th of 2013?
 14 A. Yes.
 15 Q. All right. And you have -- is this letter
 16 you were talking about where you listed the Baker
 17 Tilly audit charges?
 18 A. **This was the first set of them, yes.**
 19 Q. And this goes back to 2006, correct?
 20 A. Yes.
 21 Q. Can you explain why the time range for
 22 this letter was 2006 through 2012?
 23 A. **I believe that's all we had uncovered at**
 24 **that point.**

1 Q. And explain why that was.
 2 A. **It's a long period of time and a lot of**
 3 **paperwork. We just didn't get through all the**
 4 **paperwork.**
 5 Q. Okay. Fair enough.
 6 In the second page, you talk about the
 7 lack of an agreement between the parties, in your
 8 view, as to payment for LT's business functions,
 9 correct?
 10 A. Yes.
 11 Q. And tell me what investigation you had
 12 done and the TTO had done prior to you sending this
 13 letter, sir.
 14 A. **We had a meeting. I think I had met with**
 15 **Mark, the superintendent. He had one other board**
 16 **member there. I had our treasure there. Had asked**
 17 **for us to produce the so-called agreement at the**
 18 **meeting with Mr. Pera and -- and Dr. Kilrea asked**
 19 **for the agreement, the document that would have**
 20 **governed this over this 20-year period of time, to**
 21 **which I still have not received. And then I asked**
 22 **internally if we had such an agreement, being the**
 23 **TTO.**
 24 Q. Can parties have a written agreement, to

1 the best of your understanding? I know you're not a
 2 lawyer, but it's important in this case to ask you
 3 this.
 4 Is it your understanding that parties can
 5 or cannot have an agreement that's written if the
 6 parties don't sign it? Does that question make
 7 sense?
 8 A. **Can the parties have an agreement if they**
 9 **don't sign it?**
 10 Q. I guess let me ask you a better question
 11 because that wasn't very good.
 12 Can the parties have a written agreement
 13 if the writing that sets forth the terms of the
 14 agreement is not signed by both parties, to the best
 15 of your understanding? I guess it's a legal
 16 question, but I'm asking what you think because your
 17 view is important here.
 18 A. **I think they can until that document can**
 19 **be finalized.**
 20 Q. I'm not sure I understand that. Explain
 21 to me what you mean by that.
 22 A. **I think if there was a draft agreement**
 23 **between two parties and it was using the basis of**
 24 **that for a period of time, that would be -- my**

1 **opinion -- would be a short window. I don't think**
 2 **that an unsigned agreement survives a 20-year**
 3 **window.**
 4 Q. I'm not sure I follow you. I guess what
 5 I'm trying to figure out is can the parties have a
 6 written agreement, even though they don't intend to
 7 and never actually signed the agreement, put pen to
 8 paper with their John Hancock?
 9 A. **Legally I don't believe that they can or**
 10 **they should. That's my opinion.**
 11 Q. Well, which one is it? Is it legally that
 12 they can't do it or they shouldn't do it? I'm not
 13 asking what they should do and what's prudent
 14 practice, I'm asking your understanding what they
 15 can do. So I need to ask you to clarify that
 16 testimony.
 17 THE WITNESS: Read back what I said so I can be
 18 clear.
 19 MR. KALTENBACH: Can you read back his prior
 20 answer?
 21 (Record read as requested.)
 22 BY MR. HOFFMAN:
 23 Q. So let me clarify that, sir. I'm asking
 24 you not what the parties should do in terms of best

1 business practices or what you would recommend or
2 what you would expect a lawyer to recommend to you,
3 what I'm asking is your understanding as to whether
4 it is possible -- the can part -- for parties to
5 have a written agreement that sets forth the terms
6 of an understanding if the parties don't actually
7 sign that agreement? Does that make sense?

8 **A. Is that a proposal?**

9 MR. HOFFMAN: Can you read the question back
10 please, that I just asked if see if I --

11 BY THE WITNESS:

12 **A. Well, I'm trying to answer.**

13 Q. No, I'm not --

14 **A. I mean, if two -- if we have different**
15 **written agreements -- if we have different written**
16 **agreements, so we have an agreement that's not**
17 **signed, that means we don't have a meeting of the**
18 **minds, correct? Isn't that just a proposal between**
19 **the parties?**

20 Q. Here is the deal. You can't ask me
21 questions at the deposition. It doesn't work that
22 way. So I'm asking for your understanding.

23 If you're saying you view a written
24 agreement that is unsigned as a proposal until it is

1 signed, that's your view, and that's what I'm asking
2 for. I'm not asking for legal opinion; I'm asking
3 for your understanding as a very capable and
4 experienced professional in a nonlegal field.

5 So my question to you, once again, is in
6 your understanding, is it possible or not possible
7 for two parties to have a written agreement if the
8 parties do not sign that agreement and do not intend
9 to actually sign it?

10 MR. KALTENBACH: I'm going to object. You can
11 answer in a minute, Mike. I'm going to object. I
12 think it is argumentative and it is a waste of time
13 to ask the witness these types of question. Judge
14 Hall's opinion on that is the only one that matters.

15 That being said, Mike, I'm not instructing
16 you not to answer, so feel free.

17 MR. HOFFMAN: Go ahead. You can answer.

18 BY THE WITNESS:

19 **A. I don't think it's an agreement if there's**
20 **never an intent to sign it. I think it can be an**
21 **agreement if there was a period of time they were**
22 **working it out; but as you said, if there was never**
23 **an intent to sign it, then I don't think it's an**
24 **agreement.**

1 Q. No, no, no. You misunderstood my
2 question, maybe because my question was unclear.
3 I'm talking about a document -- I'm not saying they
4 intended to leave it unsigned, like there were lines
5 for the signature line and they never filled them
6 in. I'm just saying can there be a -- to the best
7 of your understanding, does every written contract
8 between two parties have to be signed or not?
9 That's my question. And I don't -- with respect, I
10 don't think I've gotten an answer to that.

11 **A. I think in the order of magnitude, yes,**
12 **they do need to be signed. In the order of this**
13 **magnitude, they need to be signed.**

14 MR. HOFFMAN: That's all I want to know.

15 All right. I am done asking questions. I
16 want to thank you for your time.

17 Are there any questions, Barry, that you
18 want to ask?

19 MR. KALTENBACH: There are not.

20 MR. HOFFMAN: Thank you very much. We are
21 done.

22 (Deposition concluded at 4:27 p.m.)
23
24

1 I, MICHAEL THEISSEN, have read the foregoing
2 transcript of my deposition taken on 02/16/2017 and

3 _____ is a true and correct transcript of my
4 deposition given on the day and date aforesaid, (OR)
5 _____ I wish to make the following changes
6 to my deposition:

7 PAGE LINE CHANGE and REASON FOR CHANGE

8 _____
9 _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____
17 _____
18 _____
19 _____

20 If you wish to make more changes than space allows for,
21 please attach additional sheets.

22 _____
23 Print name Signature

24 _____
Date

1 STATE OF ILLINOIS)

) SS:

2 COUNTY OF COOK)

3 I, LORETTA A. TYSKA, Certified Shorthand
4 Reporter, do hereby certify that MICHAEL THEISSEN was by
5 me first duly sworn to testify to the truth, the whole
6 truth, and nothing but the truth, and that the above
7 deposition was recorded stenographically by me and was
8 reduced to typewriting under my personal direction.

9 I FURTHER CERTIFY that the foregoing
10 transcript of the said deposition is a true, correct,
11 and complete transcript of the testimony given by the
12 said witness at the time and place specified
13 hereinbefore.

14 I FURTHER CERTIFY that I am not a relative or
15 employee or attorney or counsel of any of the parties,
16 nor a relative or employee of such attorney or counsel,
17 or financially interested directly or indirectly in this
18 action.

19 IN WITNESS WHEREOF, I have hereunto set my
20 official signature on this 16th day of February, 2017.

21

22

23

24



LORETTA A. TYSKA, CSR, RPR
CSR No. 084-004294

CERTIFICATE OF SERVICE

Jay R. Hoffman, an attorney, certifies that on July 29, 2019, he caused the foregoing pleading to be served by email on the following attorneys:

Barry P. Kaltenbach
kaltenbach@millercanfield.com

Gerald E. Kubasiak
gekubasiak@quinlanfirm.com

s/Jay R. Hoffman