

10:15AM 1 MEANT THAT I WAS ON THE INVESTIGATING SIDE. SO I WOULD
10:15AM 2 INVESTIGATE INFORMATION THAT CAME IN TO THE COMMISSION, DEVELOP
10:15AM 3 LEADS, SPEAK TO WITNESSES, INVESTORS, ANYONE THAT MIGHT HAVE
10:15AM 4 KNOWLEDGE OF RELEVANT FACTS ABOUT SOMETHING PERTAINING TO AN
10:15AM 5 INVESTIGATION, WHICH RAN A VARIETY OF SUBJECT MATTERS THAT
10:15AM 6 WOULD COME BEFORE THE COMMISSION RELATING TO SECURITIES FRAUD
10:15AM 7 AND OTHER SECURITIES-RELATED ISSUES.

10:15AM 8 Q. FROM YOUR EXPERIENCE WITH THE SEC, ARE YOU FAMILIAR
10:15AM 9 WITH THE MANNER IN WHICH THE SEC MAINTAINS AND KEEP ITS
10:15AM 10 BUSINESS RECORDS?

10:15AM 11 A. YES, I AM.

10:15AM 12 Q. BASED ON A REQUEST FROM THE U.S. ATTORNEY'S OFFICE,
10:15AM 13 DID YOU CHECK THE REGISTRATION STATUS OF THE LANCORP FUND?

10:15AM 14 A. YES, I DID.

10:16AM 15 Q. WHAT DID YOU FIND?

10:16AM 16 A. THE LANCORP FUND WAS NOT AND NEVER WAS REGISTERED WITH
10:16AM 17 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. IT DID
10:16AM 18 NOT EVER REGISTER ANY OFFERING OF SECURITIES THAT IT OFFERED OR
10:16AM 19 SOLD TO THE PUBLIC.

10:16AM 20 Q. IN SOME OF THE DOCUMENTATION IT CLAIMED THAT IT WAS
10:16AM 21 EXEMPT FROM REGISTRATION. BASED ON YOUR ANALYSIS, WAS IT
10:16AM 22 EXEMPT FROM REGISTRATION?

10:16AM 23 A. BASED ON THE COMMISSION'S ANALYSIS AND ITS ALLEGATIONS
10:16AM 24 IN THE LAWSUIT THAT IT LATER FILED AGAINST INDIVIDUALS
10:16AM 25 ASSOCIATED WITH THE LANCORP FUND, THE COMMISSION DETERMINED

10:17AM 1 Q. AND DID YOU ALSO DETERMINE THAT THE LANCORP FUND WAS
10:17AM 2 MAKING A GENERAL SOLICITATION FOR INVESTMENT AS OPPOSED TO A
10:17AM 3 TARGETED SOLICITATION?

10:17AM 4 A. YES, SIR. IN TERMS OF A GENERAL SOLICITATION, ONE OF
10:17AM 5 THE THINGS THE COMMISSION LOOKS AT IS ADVERTISING. THAT'S A
10:18AM 6 WAY THAT YOU CAN GENERALLY SOURCE IT. AND, YES, WE DID FIND
10:18AM 7 THAT IN THE COURSE OF INVESTIGATION, AND ALLEGED IT AS WELL.

10:18AM 8 Q. SO, IN PLAIN ENGLISH, THE LANCORP FUND SHOULD HAVE BEEN
10:18AM 9 SUBJECT TO SEC SCRUTINY, BUT IT WAS NOT?

10:18AM 10 A. CORRECT.

10:18AM 11 Q. BASED ALSO ON A REQUEST FROM THE U.S. ATTORNEY'S
10:18AM 12 OFFICE, DID YOU CHECK INTO ANY REGISTRATION STATUS FOR GARY
10:18AM 13 MCDUFF?

10:18AM 14 A. YES, WE DID.

10:18AM 15 Q. DID YOU DETERMINE WHETHER MR. MCDUFF WAS REGISTERED
10:18AM 16 WITH THE COMMISSION?

10:18AM 17 A. WE DID MAKE THAT DETERMINATION, AND HE WAS NOT AND IS
10:18AM 18 NOT.

10:18AM 19 Q. DID YOU MAKE THE SAME DETERMINATION FOR A GENTLEMAN
10:18AM 20 NAMED ROBERT REESE?

10:18AM 21 A. YES, SIR.

10:18AM 22 Q. AND WHAT DID YOU FIND?

10:18AM 23 A. NOT REGISTERED.

10:18AM 24 Q. DID YOU MAKE THE SAME DETERMINATION FOR A GENTLEMAN
10:18AM 25 NAMED GARY LANCASTER?

10:18AM 1 A. YES, SIR; NOT REGISTERED.

10:18AM 2 Q. SO, IN THE CASE OF NOT REGISTERED, THAT MEANS THEY
10:18AM 3 ARE NOT REGISTERED TO SELL SECURITIES ON BEHALF--OR WITH THE
10:18AM 4 SCRUTINY OF THE SECURITIES AND EXCHANGE COMMISSION, IS THAT
10:18AM 5 CORRECT?

10:18AM 6 A. IF THE ENTITY IS NOT REGISTERED AND DOES NOT SATISFY
10:18AM 7 AN EXEMPTION, WHICH IT DID NOT, THEN IT IS NOT PERMITTED TO
10:18AM 8 CONDUCT THE BUSINESS OF OFFERING AND SELLING SECURITIES. IF
10:18AM 9 THE PERSON IS NOT REGISTERED, THEN THEY ARE NOT PERMITTED TO
10:19AM 10 CONDUCT THEMSELVES AS A PERSON WHO IS BY GIVING INVESTMENT
10:19AM 11 ADVICE OR ACTING AS A BROKER-DEALER.

10:19AM 12 MR. SHIPCHANDLER: THANK YOU, MA'AM.

10:19AM 13 NO FURTHER QUESTIONS.

10:19AM 14 THE COURT: ANY QUESTIONS, MR. MCDUFF?

10:19AM 15 MR. MCDUFF: RESPECTFULLY DECLINE TO PARTICIPATE,
10:19AM 16 YOUR HONOR.

10:19AM 17 THE COURT: ALL RIGHT.

10:19AM 18 MS. MAGEE, THANK YOU VERY MUCH.

10:19AM 19 THE WITNESS: THANK YOU.

10:19AM 20 THE COURT: MS. LOPEZ.

10:19AM 21 MS. LOPEZ: THE GOVERNMENT CALLS MARIA MCCOY.

10:19AM 22 THE COURT: OKAY.

10:19AM 23 MS. MCCOY, COME DOWN FRONT, PLEASE, MA'AM. IF YOU
10:19AM 24 WILL JUST COME OVER AND HAVE A SEAT IN THE WITNESS STAND,
10:19AM 25 PLEASE.