

1 A. Basically, she would give us a summary of income,
2 categorizing that income, whether it was from the rice income
3 or oil and gas royalties, and expenses associated with that
4 income that had been paid by the Trust during the year.

5 Q. Okay. And, you took those items and reported them on the
6 federal income tax returns?

7 A. Yes, sir.

8 Q. Over the course of the years, did you ever have any
9 conversations with Sue about what the Trust did and what its
10 sources of income were?

11 A. Yes, sir.

12 Q. All right. Can you describe how frequently you had
13 conversations with her about Trust matters?

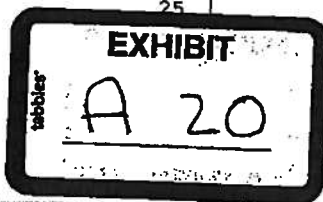
14 A. Normally, we would be in contact at least yearly. I guess
15 twice a year, you would say, because normally we would talk
16 before, when she would drop the information off, if she had any
17 questions, and then if she picked it up, if she had any
18 questions about the way anything was on there, she would call.

19 So, probably about twice a year.

20 Q. At the inception of the relationship, do you recall Sue
21 ever asking you any questions about what sort of expenses would
22 be appropriate and allowable for her to incur, as Trustee of
23 the Trust?

24 A. Yes, sir.

25 MR. ACKERMANN: Your Honor, let me just lodge an



1 objection.

2 Are you asking from a tax or accounting standpoint,
3 or a Trust standpoint?

4 MR. DURAND: I don't know that there's a difference.

5 MR. ACKERMANN: I think there is. This Witness has
6 been qualified as an expert in accounting. She certainly can
7 testified as to what would be a proper expense, from an
8 accounting standpoint, but I don't understand her to be
9 qualified to testify as to what a proper expense incurred by a
10 Trustee would be.

11 MR. DURAND: Well, I mean it from a tax and
12 accounting standpoint.

13 THE COURT: All right. Proceed.

14 THE WITNESS: I'm sorry, could you start over with
15 the question?

16 BY MR. DURAND:

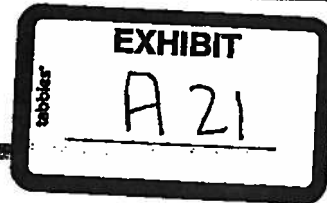
17 Q. Yes. Do you recall having any conversation with Sue,
18 inquiring from you as to what type of expenses would be
19 appropriate, from an accounting and tax standpoint, for her to
20 incur and deduct as Trustee of a Trust?

21 A. Yes, sir.

22 Q. All right. Did she inquire as to whether the Trust could
23 lease a vehicle for her and deduct that expense?

24 A. Yes, sir.

25 Q. And, what did you advise her?



1 A. I told her that businesses frequently did, in fact,
2 lease autos for business owners and/or managers, if it was a
3 necessary and ordinary business expense. In my firm, we do the
4 same thing.

5 Q. And, how about telephone, cell phone, that sort of thing,
6 did she ask your advice about that?

7 A. Yes, sir.

8 Q. And, what did you tell her?

9 A. I told her those would be legitimate deductions, as long
10 as they were business related.

11 Q. All right. And, did she ever ask you specifically about
12 taking her father out for meals and deducting the cost of those
13 meals?

14 A. Yes, sir.

15 Q. And, what did you advise her?

16 A. If she's taking her father out -- my understanding, at
17 that time, is they were running the rice farm operations. They
18 were also re-negotiating those leases with Amerada Hess and
19 some of the other companies.

20 Many times, business owners or business people will take a
21 client out or a business associate for lunch, if it's business,
22 and so my discussions with her revolved around the fact that
23 those meetings should have a business basis or a business
24 subject, you know.

25 She assured me that, when she took her father out for

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1 lunch, that, in fact, that's what they were doing was
2 planning either the rice farm or the leases and the things that
3 had to do with running the operation of those assets.

4 Q. If there was any litigation going on, which potentially
5 endangered the assets of the Trust and his cooperation was
6 necessary in regard to that kind of litigation, would it also
7 be an appropriate expense for her to, at those type of meals,
8 to discuss that litigation with him, from the standpoint of the
9 Trust?

10 A. Well, if it's business related to the protection of the
11 Trust or the assets, or the operation of those assets, I would
12 consider it to be a legitimate business expense, yes, sir.

13 THE COURT: Did you pass on these expenses or you
14 just gave her general parameters for deductibility?

15 THE WITNESS: I'm not understanding "pass." I mean,
16 when she's asking me --

17 THE COURT: No. Did you and she discuss specific
18 expenses and did she ask you for approval --

19 THE WITNESS: No.

20 THE COURT: -- or you just gave her general
21 parameters, and then accepted what she brought you?

22 THE WITNESS: No. She would ask me about meals. She
23 wouldn't give me specifics, you know, "I brought him to this
24 restaurant," or did this. We talked about, you know, can you
25 deduct a phone? Can you deduct business meals?

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1 THE COURT: And, you gave her the general
2 parameters --

3 THE WITNESS: Correct.

4 THE COURT: -- of the tax law, --

5 THE WITNESS: Correct.

6 THE COURT: Saying, "If it's used for this purpose,
7 you can"?

8 THE WITNESS: Correct.

9 THE COURT: And, then at some point in time, she
10 would bring you the summary of income and expenses, and you --

11 THE WITNESS: That's correct.

12 THE COURT: -- didn't go into each item to verify
13 whether you believe it was an appropriate deduction?

14 THE WITNESS: No, sir, I would never get finished, if
15 I were to do that with all my clients.

16 THE COURT: All right. I just wanted to make sure of
17 the extent of your advice to her.

18 THE WITNESS: Yes; that's correct.

19 THE COURT: Okay.

20 BY MR. DURAND:

21 Q. To follow up on the Judge's question: With your knowledge
22 of what the Trust did, when Sue would present you with list of
23 expenses every year, do you ever recall, as you sit here today,
24 seeing an expense on there either because of the amount or of
25 the category that you had some question that it might not be

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1 deductible?

2 A. No, sir, not that I recall.

3 Q. Would it be fair to say that, based on what you knew of

4 the list of expenses she presented each year and that you

5 subsequently put on the tax return, it appeared to you to be

6 appropriate, both as to type of expenses and amount?

7 A. Yes, sir.

8 Q. Now, at some point during your undertaking, do you recall

9 getting a phone call from Ms. Ruby Bell, requesting certain

10 financial information?

11 A. Yes, sir.

12 Q. Tell us what you remember about that call, please.

13 A. Ms. Ruby Bell did call the office, asking if -- I don't

14 remember exactly what she was asking for. It might have been

15 financial statements or maybe copies of tax returns, and what I

16 replied to her was that our firm and myself were engaged by

17 Ms. Sue Bell, who was the Trustee, and my engagement was with

18 her, and I was not at liberty to release that information to

19 anybody but her, and that Ms. Bell should contact Ms. Sue Bell

20 to gather the information, whatever information it was that she

21 was missing or needed.

22 Q. You directed her inquiry to Sue Bell?

23 A. Yes, sir.

24 Q. All right. Did you, at any point, tell her that Sue Bell

25 had forbidden you to give any information to any of the

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tabbies

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1 even have been minimum wage, is that correct?

2 A. It probably would not have.

3 Q. In the bench book before you, please turn to tab Number 48

4 -- I'm sorry; maybe 49.

5 A. I don't think I have a 49. No, there's not a 49 in this
6 one.

7 THE COURT: Which book are you looking at?

8 MR. DURAND: Plaintiff's.

9 THE WITNESS: Plaintiff's exhibits? Mine ends on 48,
10 unless -- let me see; let me look again.

11 MR. DURAND: Go to 48.

12 THE COURT: Number 48 is Dr. Friedberg, I believe.

13 THE WITNESS: Dr. Fredrick?

14 Oh, I'm sorry, I do have a 49. Okay.

15 MR. DURAND: It's 50.

16 THE WITNESS: Okay.

17 BY MR. DURAND:

18 Q. I'm going to ask you about that. I apologize. That
19 single sheet marked "Bell Family Trust, Expenses not Related to
20 Trust Activities."

21 A. Okay.

22 Q. With regard to the first item, the cell phone bill, do you
23 recall whether, at any point, you refused to -- or your firm
24 refused to deduct any of the cell phone bills, that were
25 submitted, on the federal income tax return?

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tabbies

1 A. No, our assumption was that if Ms. Bell was giving us
2 business expenses they were business related. So, no, we would
3 not have refused to deduct a phone expense.

4 Q. All right. And the same for the long distance?

5 A. Correct.

6 Q. Now, you were aware, also, that there was a vehicle leased
7 in connection with her Trust duties?

8 A. That's correct.

9 Q. And, were you also aware that there was also a use of fuel
10 at the farm in connection --

11 A. Probably so. I don't recall, but I would suppose so.

12 Q. All right. I'm going to ask you to look at this list and
13 tell me if you can recall ever disallowing any of those
14 expenses and failing to include any of those expenses on any of
15 the federal income tax returns your firm prepared for any of
16 those years?

17 A. No, sir, I don't recall excluding any.

18 THE COURT: But, again, you didn't go down, item-by-
19 item. You assumed that, based upon your prior instructions,
20 whatever Ms. Bell turned over to you, she believed to be
21 business related?

22 THE WITNESS: Yes, sir.

23 THE COURT: Okay.

24 BY MR. DURAND:

25 Q. For any of the five years that you prepared and filed

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tabular

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1 returns, as of this date, has the IRS ever disallowed any of
2 the deductions that were taken?

3 A. As far as I know, the returns have never been picked for
4 examination by the IRS. No, nothing has been disallowed.

5 Q. , That means they've never disallowed any, is that correct?

6 A. Right.

7 Q. Is it true to say that what is a useful or necessary
8 business expense in one case might not be a useful and
9 necessary -- the same expense might not be deductible in
10 another case, is that correct?

11 A. That's correct. The IRS Code -- it might be 163; I don't
12 remember code numbers that well, but there is a code relating
13 to deductible business expenses, and the term the IRS uses is
14 "ordinary and necessary."

15 So, something that's "ordinary" in one industry may not be
16 as ordinary in another.

17 Q. All right. And, the Treasury regulations published by the
18 IRS under Code Section 162 state that the determination of
19 "ordinary and necessary" is a fact-by-fact, case-by-case
20 determination, is that correct?

21 A. That's correct.

22 Q. It's dependent on the circumstances of each particular
23 case?

24 A. That's correct.

25 Q. Do you recall when Sue brought you the information each

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tabular

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