

EXHIBIT A

1 APPEARANCES:
 2
 3 On Behalf of the Securities and Exchange Commission
 4 JESSICA CHAN, ESQ.
 5 JEREMY E. PENDREY, ESQ.
 6 Division of Enforcement
 7 44 Montgomery Street, Suite 2800
 8 San Francisco, California 94104
 9 (415) 705-8109
 10 chanjes@sec.gov
 11
 12 On behalf of the Witness:
 13 RODERICK M. FORREST, ESQ.
 14 Wakefield Quin
 15 31 Victoria Street
 16 Hamilton, HM 10
 17 Bermuda
 18 (441) 494-4040
 19 rforrest@wq.com
 20
 21 Also Present:
 22 Tony Stearns, SEC Paralegal
 23
 24
 25

1 PROCEEDINGS
 2 MS. CHAN: This is the interview of Carsten
 3 Klein going on the record in Bermuda via WebEx to San
 4 Francisco, California, at 9:08 a.m. Pacific time on
 5 December 4th, 2015.
 6 Good afternoon, Mr. Klein, and thank you for
 7 speaking with us today.
 8 My name is Jessica Chan, just to introduce
 9 myself again. And with me today is Jeremy Pendrey, who
 10 is an Assistant Director in the San Francisco Regional
 11 Office. We also have with us Tony Stearns, who is a
 12 paralegal in our office.
 13 We are conducting an investigation in the
 14 matter of Felix Advisors, SFF-3938, to determine
 15 whether there have been any violations of the U.S.
 16 federal securities laws. We believe that you might
 17 have useful information.
 18 Also joining us in San Francisco is a court
 19 reporter, who will be transcribing this interview.
 20 Mr. Klein, do you consent to having this
 21 interview transcribed?
 22 THE WITNESS: I do.
 23 MS. CHAN: Mr. Klein, are you represented by
 24 counsel today?
 25 THE WITNESS: I am.

1 CONTENTS
 2
 3 WITNESS: EXAMINATION
 4 Carsten Klein 6
 5
 6 EXHIBITS: DESCRIPTION IDENTIFIED
 7 (No exhibits identified.)
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

1 MS. CHAN: And would counsel please identify
 2 themselves, and if you could please provide your firm
 3 name, address, and phone number as well.
 4 MR. FORREST: I'm Roderick Forrest. I'm a
 5 Bermuda barrister and attorney and director of
 6 Wakefield Quin, which is a law firm based in Bermuda.
 7 My telephone Number is 441-494-4040. And my office
 8 address is Victoria Place, 31 Victoria Street,
 9 Hamilton, Bermuda.
 10 MS. CHAN: Before we start I am required to
 11 provide you with certain information that we provide to
 12 everyone that we interview.
 13 First, your participation in this interview
 14 is voluntary. By agreeing to speak with us, however,
 15 we do ask that you tell the truth because we will be
 16 relying on your answers. And information given to us
 17 by the public is routinely used by the commission in
 18 its investigations and for other purposes and shared
 19 with other authorities.
 20 So I just want to get a little bit of
 21 background information from you, Mr. Klein.
 22 First, what is your home address?
 23 THE WITNESS: My home address is [REDACTED]
 24 [REDACTED] Zip code is FLO2 Bermuda.
 25 THE REPORTER: Can you spell the name of the

1 which you sold on behalf of Saddle River Advisors, what
2 was the percentage?

3 A I do. So, well, the percentage was the one
4 percent expense fee, two percent management fee, and
5 there was a five percent placement fee, which would add
6 up to eight percent on the front end.

7 Q And what portion of that -- of those fees
8 would go to Alexander Capital?

9 A So they would get the -- well, they would get
10 five percent.

11 Q And then how was that shared with you or
12 others at Alexander Capital who were selling on behalf
13 of Saddle River Advisors?

14 A So at the time I was on a 90 percent payout,
15 so I would get -- I'm not a hundred percent sure on it,
16 but I would get 90 percent of that, I think.

17 Q So you would receive 90 percent of the five
18 percent fee, placement fee charged to investors?

19 A It was either that or I got 90 percent of two
20 and a half percent.

21 Q Okay. And so you're saying that it might be
22 that Alexander Capital received 50 percent of the
23 placement fee?

24 A What I'm -- yeah. Again, I don't recall.
25 I'm not a hundred percent sure because I know that

1 sometimes, too, those fees weren't always charged
2 exactly like that. So sometimes clients would get, you
3 know, would pay four percent, or sometimes they would
4 pay six percent. It wouldn't always be, you know,
5 standard eight percent.

6 Q And is that because those fees were
7 negotiable?

8 A Well, were they negotiable? I mean, it
9 depended on the transaction and depended on the person
10 sometimes, yes.

11 Q And who was negotiating those fees with the
12 clients? Did you have authority to negotiate on those
13 fees?

14 A Umm, well, I could negotiate on those fees
15 and come to an agreement with the client, but that
16 doesn't mean that Saddle River or Felix would agree to
17 those fees. So, in other words, I would -- if the
18 client wasn't willing or didn't want to pay eight
19 percent, and they wanted to pay something less, and I
20 thought that was reasonable, what I would do is I would
21 get -- come to a number with the investor, and then I
22 would approach either Felix or Saddle River and say,
23 hey, listen, this guy wants to do this. He's willing
24 to pay that. And then they would say yes or no.

25 Q And so who at Felix or Saddle River Advisors

1 would be making that decision?

2 A That was usually done by Frank Mazzola.

3 Q Okay. So now I want to just turn to the
4 Silver Back funds.

5 A Sure.

6 Q So what are the Silver Back funds?

7 A So basically we are an SPC, which is a
8 segregated portfolio company. What that means is that
9 all of our investments are segregated from one another
10 based on the underlying company. So if the underlying
11 company is Palantir, it's segregated from, for example,
12 Practice Fusion.

13 What we do is we -- we acquire the shares
14 from either investors, or we acquire the shares from
15 current or former employee, and then we turn around to
16 individual people the opportunity to invest in pre-IPO
17 companies.

18 Q How many funds have been launched so far
19 under the Silver Back -- that have been managed by
20 Silver Back Management?

21 A Three.

22 Q Three. Can you name those funds?

23 A Sure. Silver Back I, Silver Back II, and
24 then Silver Back European Opportunities Fund.

25 Q Is there a different focus for each fund?

1 A I beg your pardon?

2 Q Is there a different investment focus for
3 each fund?

4 A No, they're the same. The only difference is
5 Silver Back I is for non-U.S. investors. Silver Back
6 II is for U.S. investors. And then Silver Back III is
7 through a partnership that I have with a broker out of
8 the UK. And, you know, ultimately the strategy for all
9 three funds are the same.

10 Q And what is that strategy?

11 A Well, giving people the chance to invest in
12 pre-IPO's. So that's all we do. That's the only thing
13 the funds do.

14 Q And when we're talking about the pre-IPO
15 companies, are we talking about U.S. pre-IPO companies,
16 or have your funds been looking elsewhere as well?

17 A We have been looking elsewhere. We have
18 opportunities in foreign companies, absolutely. But
19 I'm trying to think of the companies we have in there,
20 and I think they are all American.

21 Q When were the funds launched?

22 A Umm, they were launched 2013, right?

23 MR. FORREST: 2013 sounds about right.

24 THE WITNESS: 2013. Not all at the same
25 time, though. So first Silver Back I, and a few months

Page 26

1 later we did Silver Back II. And then about six months
2 ago we did Silver Back -- I call it Silver Back III,
3 Silver Back European Opportunity Funds, the third one.

4 BY MS. CHAN:

5 **Q Why did you decide to launch these funds?**

6 A Umm, well, the reason for launching the funds
7 was -- the reason I'm in Bermuda is because at the time
8 Frank Mazzola approached me and said, listen, I'm
9 looking to set up an offshore group of companies, an
10 offshore fund that basically does what we do here in
11 the U.S. And he asked me if I was interested in that,
12 and I said yes. Voila, here I am.

13 **Q So was the idea for the fund, for the launch
14 of the funds, Frank Mazzola's idea?**

15 A Yes, it was.

16 **Q Was anyone else involved besides yourself and
17 Frank Mazzola?**

18 A In what?

19 **Q In launching the Silver Back funds.**

20 A I was involved -- I don't know -- there must
21 have been at least four or five different -- maybe not
22 that. There were at least two or three law firms that
23 were involved in the decision-making process of where
24 to -- where would be the best place to launch the
25 offshore funds.

Page 28

1 be able to work in an offshore capacity. He said
2 basically he had gotten approval to open up a fund like
3 Silver Back.

4 **Q Did he provide you with any documents showing
5 that the SEC had given him approval to work in an
6 offshore entity?**

7 A No.

8 **Q So why did you pick the Cayman Islands first?**

9 A Umm, because what happened was -- this is
10 what I think happened. The lawyer in the U.S.
11 originally recommended Cayman. So Silver Back I is
12 actually a Cayman fund. And then that guy said -- that
13 guy recommended Bermuda, so that's what happened.

14 **Q And where is Silver Back fund's office
15 located?**

16 A Right across the street, 26 Victoria Street
17 in Hamilton, Bermuda.

18 **Q How are the funds structured? You mentioned
19 that it's a segregated portfolio company. Are all
20 three of the funds structured the same way?**

21 A They are.

22 **Q And are all the series single-stock series,
23 or are there some series that involve multiple
24 companies' stock?**

25 A Like you mean multiple purchases?

Page 27

1 **Q Okay. So you said there was yourself, Frank
2 Mazzola, and two different law firms. Was anyone else
3 involved in launching the funds?**

4 A Well, trying to think. I mean, John Bivona
5 was involved. Once we figured out that we were going
6 to do it in Bermuda, we were actually introduced to Rod
7 from one of those law firms. And that's how we got in
8 touch with Rod. And then -- yeah, I think that's it.

9 **Q Why did you decide to launch the funds in
10 Bermuda?**

11 A Because at the time -- Rod, who was the
12 lawyer that referred you?

13 MR. FORREST: He was in the Cayman Island.

14 THE WITNESS: The Cayman Island -- I can get
15 you the name. I can get you the name. I don't know
16 off the top of my head who the referring lawyer was,
17 but it was a Cayman -- a lawyer out of Cayman said and
18 recommended Bermuda. And so we took his advice, and
19 then he referred us to Rod.

20 BY MS. CHAN:

21 **Q Why did Frank Mazzola want to launch funds
22 outside of the United States?**

23 A Because he told me that he was being
24 suspended from the business, and that he had made an
25 arrangement with the SEC where they had approved him to

Page 29

1 **Q Or multiple, you know, whether it's a fund
2 with, you know, stock in maybe five pre-IPO companies?**

3 A We don't have anything like a fund -- we
4 don't have -- whatever you want to call it -- we don't
5 have one investment that has five different companies
6 underneath it, if that's what you're asking.

7 So when an investor invests with us, they
8 invest on a per company basis. We even have the
9 banking that's separate. So, in other words, if you
10 wanted to invest in two companies with me, you'd
11 actually have to do two wires, even if you were doing
12 them at the same time, one for each investment. That's
13 what makes it segregated.

14 **Q And what is your role at the funds?**

15 A I basically do everything.

16 **Q Do you have a position or a title?**

17 A Director.

18 **Q Are you a director of Silver Back Management
19 or just of the Silver Back funds?**

20 A I am the director of everything. I'm a
21 hundred percent -- well, Silver Back I, Rod, what's
22 Silver Back I? Let him explain Silver Back I.

23 MR. FORREST: Do you want me to explain this?

24 MS. CHAN: I think I would rather have Mr.
25 Klein explain to the best of his understanding.

Page 30

1 MR. FORREST: Carsten, if you don't know --

2 THE WITNESS: Yeah, no, so Silver Back I is

3 organized like a trust and, yeah. -- So, but I am in

4 control of the trust as part of bank management.

5 BY MS. CHAN:

6 **Q So are you the trustee?**

7 A That, no. The trustee would be, to my best

8 legal understanding here, would be Silver Back

9 Management.

10 **Q Silver Back Management. And what is your**

11 **role or position at Silver Back Management?**

12 A So actually I was just told that's not

13 correct.

14 **Q That's okay. I just wanted to understand**

15 **what your understanding is of your role. So you said**

16 **you -- do you control all three entities, Silver Back**

17 **Management, Silver Back I, Silver Back II, and I guess**

18 **there's also the Silver Back European?**

19 A Silver Back III I am 50 -- I own 50 percent

20 of that. I control 50 percent of that. The other 50

21 percent of that is controlled by my UK partner, and but

22 we haven't done any transactions in that fund yet.

23 **Q Who is the --**

24 A That fund has only been set up like maybe

25 five months, four months.

Page 31

1 **Q Who is the UK partner for European?**

2 A Gary Wayne. Last name is Wayne, like Bruce

3 Wayne.

4 **Q But you control Silver Back Management and**

5 **Silver Back I and Silver Back II?**

6 A Correct.

7 **Q Is anyone else working with you at Silver**

8 **Back Management and at the two funds?**

9 A No.

10 **Q So what do you do for the two funds? Are you**

11 **involved, for instance, are you involved in the**

12 **operations of the funds?**

13 A I'm the only employee, so you name it, I do

14 it. So I, you know, I'd like to say most of my day is

15 spent doing sales, but obviously there's a lot of other

16 stuff that has to happen to get to the sales part. So,

17 yes, I do a lot of stuff.

18 **Q Okay. So are you involved in, for instance,**

19 **picking the companies whose stock are going to be in**

20 **the funds?**

21 A I do do that.

22 **Q So you do research into the companies?**

23 A Umm, I do do that, yes. Obviously, I

24 research all the companies, but I have quite a few

25 people in the financial space that, you know, they'll

Page 32

1 come to me with companies that they're interested in.

2 And then I'll go out there and try to get those

3 companies for them if I think it's something that's

4 going to work out.

5 **Q And are you the one who goes then and locates**

6 **the sellers of the shares, whether they're employees or**

7 **other investors?**

8 A I do not -- the actual employees you mean?

9 **Q Yes. Are you the one who goes to --**

10 **A I get the shares?**

11 **Q That's right.**

12 **A No.**

13 **Q Who does that for you?**

14 A Umm, there's different groups of people that

15 I purchase shares from.

16 **Q Okay. And what groups are those?**

17 A So Paul McCabe. And then through Paul -- I'm

18 trying to think off the top of my head -- I forget --

19 his whole name is Larry Auerbach from EPA Exchange.

20 There's a few different ones, but it all kind of goes

21 through Paul McCabe.

22 **Q Paul McCabe or Larry -- I don't know what his**

23 **last name is -- but are they the ones who negotiate**

24 **with the sellers of the shares as well or --**

25 **A To the best of my knowledge.**

Page 33

1 **Q To the best of your knowledge?**

2 A Yeah. They come to me with a contract and

3 price, so I assume they did the negotiation, but I

4 don't know that.

5 **Q And then you're the one who signs the**

6 **agreement with the sellers?**

7 A Correct.

8 **Q When you're purchasing shares, are the Silver**

9 **Back funds on the cap table of these companies or which**

10 **entities?**

11 A No, they're not.

12 **Q So which entities are entering these**

13 **agreements?**

14 A EAC, which stands for Equity Acquisition

15 Company.

16 **Q And what is that company?**

17 A That is a Bermudian company that purchases

18 the shares, a holding company.

19 **Q Is this a company that you've set up?**

20 A I have.

21 **Q So who owns the equity allocation company?**

22 A I do a hundred percent.

23 **Q You own the company. So how is it that the**

24 **Silver Back funds then -- how are they allocated, the**

25 **shares that are owned by Equity Allocation Company?**

Page 34

1 A They get -- Equity Acquisition Company.
 2 **Q I'm sorry, Equity Acquisition Company.**
 3 A I call it EAC for short. Much easier. They
 4 have joinder agreements with EAC.
 5 **Q Joinder agreements. Are they members or do**
 6 **they somehow have ownership of the firm?**
 7 A Who?
 8 **Q The Silver Back funds.**
 9 MR. PENDREY: Do they own an interest in EAC?
 10 THE WITNESS: No, they do not. Well, they
 11 own -- the company itself, no, but obviously they own
 12 the part of the share allocation that they've been
 13 given.
 14 BY MS. CHAN:
 15 **Q Okay. So just bring me through the process**
 16 **of how shares are acquired. So you said Paul McCabe or**
 17 **someone else will go and will find a seller who is**
 18 **interested in selling shares, and then what happens?**
 19 A Right. Or if -- or if I -- you know, if I
 20 have someone that wants Palantir shares, so in that
 21 scenario I would ask Paul to go get those shares for me
 22 or -- and then he would say those shares are available.
 23 Then he would send over a contract, a
 24 one-page -- in the case of Palantir a one-page sheet,
 25 which is done by the law firm of Palantir, which is

Page 35

1 Gunderson. So it would have the share allocation. It
 2 would have, whether it's a stock certificate or an
 3 option grant for the employee, it would have a share
 4 price.
 5 I would sign that and send that back to Paul,
 6 and then that would go to the attorneys of Palantir.
 7 Then those shares would go through the ROFR process,
 8 which is the right of first refusal process, which
 9 takes about, you know, 45 days, let's say.
 10 At that time, if the transaction got approved
 11 by Palantir, we would send Gunderson their fee, and
 12 then we would send the moneys that we would owe the
 13 seller. We would send him the money to his bank
 14 account. And then the seller would provide Gunderson
 15 with a screenshot proving that we had paid for the
 16 transaction. And then Gunderson would send us an e-mail
 17 confirming that the transaction is closed and that
 18 those shares are now, you know, in EAC's name. And
 19 then obviously from there we would do whatever we want
 20 with the shares.
 21 **Q Okay. So do you receive a share certificate**
 22 **at the end of this transaction for the shares?**
 23 A In some instances I do, and in some instances
 24 I do not. In the case of Palantir, I do not. Some of
 25 the other companies I do.

Page 36

1 **Q So in the case where you don't receive a**
 2 **certificate, why is that?**
 3 A Well, in the case of Palantir, they don't do
 4 it anymore. They do everything electronically. They
 5 don't issue a stock.
 6 **Q I'm sorry?**
 7 A So they don't issue a stock certificate.
 8 **Q But does the company record on its**
 9 **capitalization table that EAC is now a shareholder?**
 10 A 100 percent. That's why the law firm of
 11 Gunderson is involved. I forgot to mention that
 12 there's also -- the whole time in the case of Palantir
 13 this transaction is overseen by the Palantir transfer
 14 department. They have a division in Palantir that only
 15 oversees transactions, and they're cc'd on everything.
 16 **Q So you were just running -- walking us**
 17 **through the process of acquiring shares from an**
 18 **employee of Palantir. Does that same process hold**
 19 **across all the companies for which you acquire shares**
 20 **-- from which you acquire shares?**
 21 A Not always. In some instances we -- yeah, I
 22 mean, in some instances it would be a forward contract,
 23 which would be different.
 24 **Q So -- sorry. Walk me through that process**
 25 **then if it's a forward contract.**

Page 37

1 A So, I mean, the first part is the same. You
 2 know, I would reach out to whoever has access to the
 3 shares. And then basically instead of the process --
 4 it depends on if the forward contract -- sometimes the
 5 forward contracts and sometimes even not the forward
 6 contracts are done through entities.
 7 So sometimes it would be done through an
 8 entity where the document would be a forward contract
 9 document, which I would sign, and then we would send
 10 the money, and then that would be it.
 11 **Q And what happens in a forward contract**
 12 **transaction, what are you paying for?**
 13 A Well, there's different forward contracts.
 14 You know, they're all -- some of them we're buying the
 15 ability to go to the company once the IPO event has
 16 happened to carry out the forward contract, where we
 17 end up actually buying the shares. And in some
 18 instances we're buying the appreciation of the shares
 19 from current valuation that we're paying for them. But
 20 we try to stay away from forwards. Most of the
 21 transactions we do are not forwards.
 22 **Q Okay. And so why would you enter into a**
 23 **forward contract transaction? What are the reasons for**
 24 **doing that?**
 25 A Well, I mean, the main reason, I guess, is in

1 some -- for some of these companies the cap table
2 hasn't opened up, and so the company isn't overseeing
3 these transactions.

4 **Q And so in those instances they don't want the**
5 **employee to be transferring shares?**

6 A I mean, that's not necessarily the case.
7 It's just -- it depends on if -- sometimes it makes a
8 difference if the employee is still an employee. If he
9 was a former employee, the rules and regulations for
10 all the different companies changes based on the
11 position that the -- the position that the employee
12 has.

13 So sometimes there's restrictions if he is an
14 employee. But once he leaves, the restrictions get
15 lifted so it's all different. But, again, we don't do
16 very many of those.

17 **Q Okay. So you've acquired the shares. So now**
18 **run through the process of then going out and**
19 **soliciting investors for the funds.**

20 A Umm, so the solicitation -- well, if it's
21 clients, I obviously I keep them up-to-date on their
22 positions, things that are going on, and the positions
23 they have. I keep them up-to-date in the new positions
24 that we acquire.

25 If it's prospective clients, one thing I make

1 not like picking up the phone and going through the
2 Yellow Pages out of London and starting at the top of
3 the list and working my way down.

4 But I really haven't done too much of that
5 recently just because I can get most of my business
6 through referrals. I would say 80 to 90 percent of the
7 business I do now is through referrals.

8 **Q Are there still instances -- when I said cold**
9 **call, I didn't mean that you picked them out of the**
10 **phone call. I just meant that you may not know them**
11 **previously, but you pick up the phone, you know who**
12 **they are, and you just give them a call?**

13 A I mean, I know who they are based on, you
14 know, their position in the company. So if the guy is
15 a partner at the Big Four, I've done a lot of business
16 with those guys. I know what kind of investor that guy
17 is.

18 **Q But you may not know them either**
19 **professionally through work or personally previous to**
20 **calling them?**

21 A No.

22 MR. PENDREY: You mentioned that the Silver
23 Back II fund has U.S. investors?

24 THE WITNESS: Right.

25 MR. PENDREY: But you said you don't solicit

1 sure is I don't solicit any business in the U.S. So I
2 have clients -- I have like a client base -- potential
3 client base list that I use and that I use and I send
4 out e-mails. And then obviously I have a list of leads
5 as well that I call different people I've spoken to
6 over the last couple of years that I bring the ideas
7 to.

8 **Q Okay. So how did you get to know these**
9 **clients? Is this from your work at Alexander Capital?**

10 A No. No. Umm, it's been a long time. So, I
11 mean, I've been talking to people at some of these
12 firms for over five years. So that's a large chunk.

13 There was also -- I remember one time I paid
14 a company out of the UK to do an advertising campaign.
15 I got some leads from there. Then I -- it's as simple
16 as sometimes just going online, finding a company and,
17 you know, looking up somebody and picking up the phone
18 and calling them.

19 **Q So there are times when you might just cold**
20 **call some firms or contacts to see if they're**
21 **interested?**

22 A Well, I mean, I'm not like -- well, the thing
23 is this. I know the companies that I'm calling. I
24 know the positions of the people. And so I do have a
25 very good gauge of the type of person I'm calling. I'm

1 in the U.S. How did you end up with investors in
2 Silver Back II?

3 THE WITNESS: Good question. So I got those
4 people because -- I'm trying to think -- those people
5 are all Americans that don't live in the States. So
6 there's people out of the UK. A couple of referrals I
7 recently got are in Ireland. I'm actually personally
8 not one as well.

9 So if I talk to someone and they're
10 interested, and they want to send me out documentation,
11 I obviously need to know if they're a U.S. taxpayer.
12 And if they are a U.S. taxpayer, then they have to go
13 into Silver Back II.

14 MR. FORREST: The funds --

15 THE WITNESS: Both of the funds, all three of
16 them are FACTA, F-A-C-T-A, compliant.

17 BY MS. CHAN:

18 **Q So you don't solicit investors who live in**
19 **the U.S.?**

20 A Nope.

21 **Q And why is that?**

22 A Because in order for me to do that I would
23 have to be registered and with a FINRA broker, and I'm
24 not, so I don't.

25 **Q Is there another reason for not soliciting**

Page 42

1 **U.S. investors besides needing to be registered with**
2 **FINRA?**

3 A Umm -- I'm trying to think if there's a
4 reason. It's just -- yeah, I mean, it's against the
5 rules. That's why I don't do it.

6 **Q Does anybody help you in soliciting investors**
7 **for the funds?**

8 A Umm, they do. I have -- like I said, I have
9 a lot of people give me referrals.

10 **Q Who gives you those referrals?**

11 A Clients. So it's just, you know, guys in the
12 fund that refer me to someone, and that's how I'll get
13 more people.

14 **Q Talking about client referrals?**

15 A Correct.

16 **Q Do you have any agreements with any other**
17 **broker firms that help to find clients for you?**

18 A I do have agreements in place, yes, I do. I
19 think you have some of them. They gave you all of
20 them.

21 **Q You mentioned previously John Bivona and**
22 **Frank Mazzola are involved in the launching of the**
23 **funds. Are they still involved in the funds?**

24 A No. I mean -- no, they don't do anything, if
25 that's what you're asking.

Page 44

1 A Yeah, I mean -- well, we -- umm, we tried to,
2 you know, he was trying to raise some money for the
3 fund, bring some business in. Then that was really it.

4 **Q So when you say that he was trying to bring**
5 **in -- bring business into the funds, what was he doing?**
6 **He was soliciting investors for the funds?**

7 A He was.

8 **Q How was he doing that?**

9 A Umm, he was doing that via e-mail, and he may
10 -- I don't know if he was doing phone calls or not.

11 **Q Who was he soliciting? Who was -- I mean,**
12 **who was -- did he have like an investor list or how did**
13 **he identify --**

14 A Yeah, I know initially he was trying to get
15 the foreign investors that were in Saddle River to move
16 over to Silver Back.

17 **Q Okay. So he was -- he was targeting some of**
18 **the investors who had invested in SRA funds who were**
19 **foreign investors?**

20 A Right.

21 **Q To invest in the Silver Back funds?**

22 A Right.

23 **Q Did he have an e-mail list that he was using?**

24 A Does he have an e-mail list?

25 **Q Yes.**

Page 43

1 **Q So when you say that they were involved with**
2 **the launching, how did they help with launching the**
3 **funds?**

4 A Well, when basically the launch of the funds
5 came to Bermuda, Frank and myself, we met Rod and then
6 basically explained what we were looking to do. If I'm
7 not mistaken, at the time we gave Rod a copy of the
8 Saddle River PPM and basically told him we want to be
9 able to do business in Bermuda in an offshore capacity.
10 And then that's when Rod came in.

11 **Q When you say you gave Rod the Saddle River**
12 **PPM, are you talking about the SRA funds?**

13 A Correct.

14 **Q The subscription booklet for the SRA funds?**

15 A Yes, so that we could show him how we do it
16 in the States.

17 **Q Okay. And then what was Frank Mazzola's role**
18 **after that meeting?**

19 A Well, it was not that much. It was, you
20 know, we picked out an office. We went and looked at
21 houses for me to live. I mean, that was kind of it
22 initially.

23 **Q Okay. So that was it initially, and then did**
24 **he do anything else for the Silver Back funds, after**
25 **that?**

Page 45

1 A I'm not a hundred percent sure, but I would
2 think so. I mean, he has an e-mail list of clients.

3 **Q And was Felix Investments or Saddle River**
4 **Advisors aware that he was using an e-mail list**
5 **comprised of investors from their funds?**

6 A I have no idea.

7 **Q Were you aware of whether Mr. Mazzola was**
8 **soliciting investors who lived in the U.S.?**

9 A He wasn't doing that because he didn't have
10 the capacity to have American investors at that time.

11 **Q Okay. So you're saying that he wasn't doing**
12 **that because he couldn't accept U.S. investors?**

13 A Correct.

14 **Q Do you know whether he was or not?**

15 A I don't know that. I don't think so. I
16 don't think that would make sense for him to do that if
17 he can't do it. You know, the point is even if he
18 wanted to, he couldn't do it because that's what we
19 were told.

20 **Q And when --**

21 A Silver Back only was for foreign investors.

22 **Q And when did he stop raising money for the**
23 **funds?**

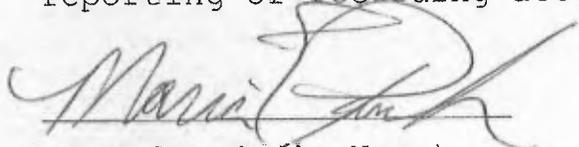
24 A It's been a long time. Off the top of my
25 head, I don't know. But I do not recall him taking an

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

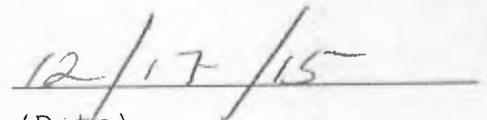
PROOFREADER'S CERTIFICATE

In The Matter of: FELIX ADVISORS, LLC
Witness: Carsten Klein
File Number: SF-03939-A
Date: Friday, December 4, 2015
Location: San Francisco, CA

This is to certify that I, Maria E. Paulsen, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.



(Proofreader's Name)



(Date)

1 STATE OF CALIFORNIA)

2) ss

3 COUNTY OF PLACER)

4 I hereby certify that the foregoing interview
5 of CARSTEN KLEIN, was taken at the time and place herein
6 named; that the interview is a true record of the
7 witness' testimony as reported by me, a duly certified
8 shorthand reporter and a disinterested person, and was
9 thereafter transcribed into typewriting by computer.

10 I further certify that I am not interested in
11 the outcome of the said action, nor connected with, nor
12 related to any of the parties in said action, nor to
13 their respective counsel.

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 11th day of December, 2015.

16
17
18
19
20
21
22
23
24
25



MARY BARDELLINI, CSR No. 2976

STATE OF CALIFORNIA

1 JINA L. CHOI (N.Y. Bar No. 2699718)
JOHN S. YUN (Cal. Bar No. 112260)
2 yunj@sec.gov
MARC D. KATZ (Cal. Bar No. 189534)
3 katzma@sec.gov
JESSICA W. CHAN (Cal. Bar No. 247669)
4 chanjes@sec.gov

5 Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
6 44 Montgomery Street, Suite 2800
San Francisco, CA 94104
7 Telephone: (415) 705-2500
Facsimile: (415) 705-2501
8

9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

12 SECURITIES AND EXCHANGE COMMISSION,

13 Plaintiff,

14 v.

15 JOHN V. BIVONA; SADDLE RIVER
ADVISORS, LLC; SRA MANAGEMENT
16 ASSOCIATES, LLC; FRANK GREGORY
MAZZOLA,

17 Defendants, and

18 SRA I LLC; SRA II LLC; SRA III LLC;
19 FELIX INVESTMENTS, LLC; MICHELE
J. MAZZOLA; ANNE BIVONA; CLEAR
20 SAILING GROUP IV LLC; CLEAR
SAILING GROUP V LLC,

21 Relief Defendants.
22
23
24
25
26
27
28

Case No. 3:16-cv-01386-EMC

**DECLARATION OF TONY STEARNS IN
SUPPORT OF PLAINTIFF'S MOTION
ESTABLISHING SHORTFALLS**

Date: July 16, 2018
Time: 1:30 pm
Courtroom: 5
Judge: Edward M. Chen

1 I, Tony Stearns, declare:

2 1. I have personal knowledge of the facts set forth below and, if called as a witness, I
3 could and would competently testify to the facts stated herein.

4 2. I am employed as a Paralegal Specialist by the Securities and Exchange Commission
5 (“SEC” or “Commission”), Division of Enforcement, in the San Francisco Regional Office. On
6 December 4, 2015, I participated in a telephonic conference call interview of Mr. Carsten Klein,
7 along with SEC staff attorney Jessica Chan and SEC assistant director Jeremy Pendrey. Also present
8 was a court reporter to transcribe the interview with Mr. Klein’s permission. The SEC received a
9 transcript of Mr. Klein’s interview from the court reporting service. Attached to my Declaration as
10 Exhibit A are true and correct copies of pages from that interview transcript.

11 I declare under penalty of perjury under the laws of the United States of America that the
12 foregoing is true and correct.

13 Executed in San Francisco, California on June 28, 2018.

14 
15 Tony Stearns

16
17
18
19
20
21
22
23
24
25
26
27
28