

EXHIBIT 1

**YOSSEF KAHLON
SEC against KAHLON**

April 08, 2014
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Page 1

1
2 UNITED STATES DISTRICT COURT
3 THE EASTERN DISTRICT OF TEXAS
4 SHERMAN DIVISION
5 -----
6 UNITED STATES SECURITIES AND EXCHANGE
7 COMMISSION,
8 Plaintiff, Civil Action
9 -against- No. 4:12-CV-517
10 YOSSEF KAHLON, a.k.a JOSSEF KAHLON, ECF
11 and TJ MANAGEMENT GROUP, LLC,
12 Defendants.
13 -----
14 VIDEOTAPE DEPOSITION OF YOSSEF KAHLON, a
15 Defendant herein, taken by Plaintiff, pursuant to
16 Notice, at the offices of the Securities and Exchange
17 Commission, 3 World Financial Center, New York,
18 New York, on Tuesday, April 8, 2014, at 9:54 a.m.,
19 before Toni Freeman Greene, a Court Reporter and
20 Notary Public within and for the State of New York.
21
22
23
24 Reported by:
25 TONI FREEMAN GREENE
JOB NO. 116152

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1
2 A P P E A R A N C E S :
3
4 TIMOTHY S. LEIMAN, ESQ.
5 Attorneys for Plaintiff
6 175 W. Jackson Boulevard, Suite 900
7 Chicago, Illinois 60604
8
9 DAVID S. COALE, ESQ.
10 Attorneys for Defendant, Yossef Kahlon
11 2100 Ross Avenue, Suite 2700
12 Dallas, Texas 75201
13
14 ALSO PRESENT:
15 GREGORY HOLDERMAN, Videographer
16
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19
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21
22
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24
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1
2 P R O C E E D I N G S
3 THE VIDEOGRAPHER: Here begins videotape
4 number 1 from the deposition of Yossef Kahlon in the
5 matter of SEC v. Kahlon Yossef. Today's date is
6 April 8th, 2014, the time is 9:54 a.m.
7 This deposition is being taken at the
8 offices of SEC New York and was made at the request of
9 Timothy S. Leiman, Esquire. I'm Gregory Holderman,
10 the videographer, and our court reporter is
11 Toni Greene from Esquire Deposition Solutions,
12 New York, New York.
13 Counsel, please identify yourselves and
14 state who you represent, and please speak slowly for
15 our court reporter.
16 MR. LEIMAN: Tim Leiman, L-E-I-M-A-N, for
17 the Securities and Exchange Commission.
18 MR. COALE: David Coale, I represent the
19 Defendants this action.
20 THE INTERPRETER: Will the court reporter
21 please swear in the witness.
22 YOSSEF KAHLON,
23 after having been first duly sworn, was examined and
24 testified as follows:
25 EXAMINATION BY

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1
2 MR. LEIMAN:
3 Q. Good morning, Mr. Kahlon.
4 A. Good morning.
5 Q. Could you state your name and spell it for
6 the record.
7 A. Yossef Kahlon, Y-O-S-S-E-F, K-A-H-L-O-N.
8 Q. And you have heard, my name is Tim Leiman,
9 I represent the Securities and Exchange Commission,
10 we've met before.
11 I know you've been through this exercise a
12 few times, but I want to give you some ground rules
13 just to refamiliarize yourself with them. A lot of
14 these things you've heard before.
15 Since my questions and your answers are all
16 being transcribed, it's important that everything we
17 say be audible.
18 It's also important -- and I know we had
19 trouble with this the last time -- that we not speak
20 over each other. I'll do my best and if I notice that
21 we're starting to speak over each other, I'll point it
22 out.
23 If you don't understand a question that I'm
24 asking, please let me know, I'll rephrase it. If you
25 need a break at any time, please let me know. I'd



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1 Y. Kahlon
2 just ask that, if there's a pending question, that you
3 answer it before we take a break.
4 If you remember something you want to say,
5 let me know. We'll flag it and we'll get back to it.
6 Do you have any questions about the
7 process?
8 A. No.
9 Q. Have you moved since the last time we had a
10 deposition a year ago?
11 A. Yes.
12 Q. And what's your current address?
13 A. 9 Stream Court, Great Neck, New York 11023.
14 Q. And your previous address was also in
15 Great Neck; is that correct?
16 A. No.
17 Q. Oh. What was your address from 2008 to
18 2011?
19 A. 2008 was the same address, but I moved to
20 the City, to 65 East 66th, the last time I
21 deposition --
22 Q. Okay.
23 A. -- then I moved back. It's a divorce
24 issue.
25 Q. Got it.

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1 Y. Kahlon
2 A. Leave the house, going back to the house.
3 Q. Where we left off the last time we were
4 about to talk about T.J. Management. So, I don't want
5 to go through some of the background that we've
6 already been through, but I want to just pick out that
7 T.J. Management.
8 First of all, what is T.J. Management?
9 A. Private equity group.
10 Q. And was it a private equity group, also,
11 from 2008 through 2011?
12 A. It was actually -- yeah. Yes.
13 Q. And from 2008 through 2011, who owned
14 T.J. Management?
15 A. Me.
16 Q. And were there any other even partial
17 owners?
18 A. No.
19 Q. Is that true today that you're the sole
20 owner?
21 A. Yes.
22 Q. Do you have a title at T.J. Management?
23 A. Any title you want.
24 Q. Whatever you --
25 A. Whatever you want. I'm the president, I'm

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1 Y. Kahlon
2 the secretary.
3 Q. And it's just you at T.J. Management in
4 terms of employees, also; is that correct?
5 A. Yes.
6 Q. And was that true from 2008 through 2011,
7 as well?
8 A. Yes.
9 Q. And no other officers or partners at
10 T.J. Management, correct?
11 A. No.
12 Q. Did T.J. Management have brokerage accounts
13 between 2008 through 2011?
14 A. Yes.
15 Q. And who made the decisions on whether to
16 place trades in one of T.J. Management's brokerage
17 accounts?
18 A. Me.
19 Q. Anybody else?
20 A. No.
21 Q. Has T.J. Management ever had any employees
22 other than yourself?
23 A. No. Employees as employees, things like
24 that?
25 Q. Yes.

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1 Y. Kahlon
2 A. Not any employees.
3 Q. Right. Well, we'll get to independent
4 contractors in a moment.
5 A. Okay.
6 Q. And from 2008 through 2011, where did
7 T.J. Management have its offices?
8 A. I can't tell you exactly, but I know, like,
9 part -- like, I think it's from 2009 I had my office
10 in 210 5th Avenue, but I don't recall exactly the
11 dates. Before that it was, like, from home.
12 Q. And home was in?
13 A. 9 Stream Court.
14 Q. So, always in New York, correct?
15 A. Yes.
16 Q. And has T.J. Management ever had
17 independent contractors?
18 A. Yes.
19 Q. And where did those independent
20 contractors -- well, first of all, from 2008 through
21 2011, who were the independent contractors for
22 T.J. Management?
23 A. I know exactly what people are coming in
24 and out. And it was, like -- it was Zack Carmi --
25 Q. Could you spell that last name?

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1 Y. Kahlon
2 A. C-A-R-M-I. Ted Flomenhaft. I cannot spell
3 his last name.
4 Q. I'll take a crack at it, for the record.
5 F-L-O-M-E-N-H-A-F-T.
6 A. And there was -- I guess --
7 Q. Was there an Ed Garin?
8 A. Ed Garin and Anthony -- and --
9 THE WITNESS: What's the name of the guy
10 from -- we depose him so long ago.
11 MR. COALE: From Boston?
12 THE WITNESS: Yes.
13 MR. COALE: I forget.
14 THE WITNESS: You do?
15 MR. COALE: Yeah.
16 THE WITNESS: Sorry.
17 Q. Okay. But, that's what you remember right
18 now.
19 A. What was his name? Also Nathan Abadi.
20 Q. Nathan Abadi?
21 A. Yeah.
22 Q. Can you spell his last name?
23 A. A-B-A-D-I.
24 MR. COALE: Mr. Leiman, the name you were
25 looking for was Sanford Whitehouse.

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1 Y. Kahlon
2 THE WITNESS: Sanford Whitehouse.
3 Q. Sure.
4 A. Sorry about that. And I think that's about
5 it.
6 Q. And did all those independent contractors
7 work from T.J. Management's New York office?
8 A. No.
9 Q. Let's start with Zack Carmi. Where did he
10 work from when he worked with T.J. Management?
11 A. He started working from Florida, then he
12 went to -- [REDACTED]
13 Q. Okay.
14 A. -- [REDACTED] He worked
15 from Florida, then Vegas. That's it.
16 Q. Did he ever work from Texas?
17 A. No.
18 Q. Ted Flomenhaft, where did he work from when
19 he worked with T.J. Management?
20 A. He worked at Nyack. Nyack and New York.
21 Q. Anywhere else?
22 A. That's about it. From home.
23 Q. You mentioned someone named Anthony?
24 A. Yes. He is from -- he work in Connecticut.
25 Q. Connecticut?

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1 Y. Kahlon
2 A. He came to the office, he did some of my
3 accounting, also, like, fix my accounting.
4 Q. Nathan Abadi, where did he work from?
5 A. He works mostly from New York, from my
6 office.
7 Q. And Sanford Whitehouse, where did he work
8 from?
9 A. From the office in New York.
10 Q. From T.J. Management's office in New York?
11 A. Yes.
12 Q. And Ed Garin, where did he work from?
13 A. From home, office.
14 Q. All in New York?
15 A. Yes.
16 Q. In 2008 to 2011, did you have independent
17 contractors based in Texas?
18 A. Working at T.J. Management or working in
19 Texas for my other stuff?
20 Q. Working in T.J. Management.
21 A. T.J. Management. You can say that.
22 Q. And who was that?
23 A. I had, like, a few -- the two contractors
24 that did the land over there. I forgot their name. I
25 can give you their name later if you want.

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1 Y. Kahlon
2 Q. And you're referring to a piece of real
3 estate that you had in Texas; is that correct?
4 A. A huge piece of real estate. Yes.
5 At Texas I had to clean the flood lands.
6 It was like a creek that we had to clear up, so we had
7 the first contractor --
8 Actually, before -- before T.J. Management
9 really, like, did what they did, we had this land and
10 those contractor was contracted to, like, clear the
11 flood lands. It was after the Louisiana thing
12 happened and all that forced us to open all this.
13 Q. Did T.J. Management ever have any
14 contractors who worked with the private equity
15 business that worked in Texas?
16 A. No.
17 Q. And what did Ed Garin do for
18 T.J. Management in 2008 to 2011?
19 A. He mostly summarized things for me,
20 advising me, consulting.
21 Q. Kind of whatever you needed?
22 A. Yes. Yes. Because, I have a problem with
23 spelling and, you know, grammar and stuff.
24 Q. So, is it fair to say, general consulting
25 on business matters?



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1 Y. Kahlon

2 A. Not business. Like, more of the English

3 language.

4 Q. Oh, okay. And then Ted Flomenhaft, what

5 did he do for T.J. Management from 2008 through 2011?

6 A. Actually, Ted Flomenhaft, when I met him he

7 was working at Source Capital and through a person

8 named John Forsyth I got into this venture of the

9 Texas land. And he introduced me to Todd Coffin and

10 Todd Coffin had to guide Ted to consulting him.

11 Q. Could you spell his last name?

12 A. Todd Coffin?

13 Q. Yeah.

14 A. I will guess. You want me to guess?

15 Q. Yeah.

16 A. C-O-F-F-E-N (sic). It's a good guess.

17 Q. Better than my guess.

18 A. And they introduce me to the land in Texas

19 and the company tell (unintelligible) to default --

20 it's public knowledge -- and then I inherited this

21 land in Texas.

22 And after that, like, we actually did the

23 operations, me and Ted, and -- to where, like, a

24 decoy, like, something that happened before that.

25 Like, Texas came up, I was, like -- actually,

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1 Y. Kahlon

2 something that I mentioned before, I think, that the

3 first time that she went to the SEC was like a company

4 that I lend money to and they didn't give me my stock.

5 And through all big ordeal -- I will save

6 you the story, because I said it before -- I got into

7 the 504 thing and spoke to Ted about it, he had more

8 knowledge than me in the stock market, and we start

9 from there.

10 Q. Just to make sure that I know the matter

11 you were talking about, that first matter, is that

12 Strategy X? Does that ring a bell?

13 A. Yes, yes.

14 Q. Okay.

15 A. You have a good memory. That's SRGX.

16 Q. Did Mr. Flomenhaft ever work on 504 deals

17 with you?

18 A. Yes.

19 Q. And just so we're speaking the same

20 language here, when you say, "504 deal," what do you

21 mean by that?

22 A. There's an exemption, like, 504, that a

23 company, pink sheet company, non-reporting, can raise

24 up to a million dollar a year.

25 Q. So, if we're talking about deals where

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1 Y. Kahlon

2 you're buying stock purportedly pursuant to the

3 Rule 504 exemption -- is it okay if I use that term,

4 "the 504 deal"? Is that an accurate way of putting

5 it?

6 A. Yes.

7 Q. And what did Ted do when he was working

8 with you on 504 deals?

9 A. He identified companies. You know, we like

10 to target certain companies, and he was actually

11 calling and if I ever offer them the --

12 Q. And so, he was helping select companies for

13 which T.J. Management would then buy stock under

14 Rule 504? Is that fair to say?

15 A. Yes.

16 Q. Did he ever participate financially in any

17 of these 504 deals with T.J. Management?

18 A. Participation -- participating is, like,

19 kind of -- I don't know how to define participation.

20 He put his own money into it?

21 Q. Did he ever put money into --

22 A. His own money into it?

23 Q. His own money.

24 A. No.

25 Q. Did he ever financially benefit from

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1 Y. Kahlon

2 Rule 504 deals that T.J. Management participated in?

3 A. Yes.

4 Q. And what was the form of that benefit?

5 A. What we did in the beginning, we start,

6 like, working and he got, like, an incentive from

7 every deal that he brought in.

8 After that, because we had more people

9 coming and, you know, like, do more of a calling, in

10 order for us to, like, move the senior from the

11 junior, so we -- like, what we did is, like, everyone

12 who wanted to have more of, like, an incentive had to

13 kind of invest money. Not really invest money,

14 participate in it.

15 So, Ted, like, every deal was like

16 participating, like around, like, 30 percent of every

17 deal. So, he participate 30 percent of every deal,

18 so, he get his -- he's getting his success fee and

19 then -- am I good? Okay. He get his success fee.

20 And then, like, we took the success fee and

21 put it in the deal, whatever left of the 30 percent,

22 we, like -- Ted to wire the money, which was the

23 money, already, like we gave him before, like from the

24 deal, the first, first deal.

25 And this way we separated without people



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1 Y. Kahlon
 2 getting, like, you know, kind of bitter about, like,
 3 you know.
 4 Q. So, 30 percent of every deal would be his
 5 money?
 6 A. Yes.
 7 Q. And then, if there were any profits --
 8 A. For the deal that he brought, though.
 9 Q. Only for the deals that he brought?
 10 A. Oh. Only for -- yeah. Yeah.
 11 Q. And then, if that particular deal was
 12 profitable, would Ted Flomenhaft then get 30 percent
 13 of any profits?
 14 A. Yes.
 15 MR. LEIMAN: I'd like to mark as Exhibit
 16 No. 7 a copy of documents that the SEC obtained from
 17 the Texas Secretary of State.
 18 (Exhibit No. 7, Texas Secretary of State
 19 Documents, marked for identification as of this
 20 date.)
 21 Q. I know there are going be some pages of
 22 this that you're not going to recognize, but, if you
 23 could turn to the part that starts, "Application for
 24 Certificate of Authority." It should be the third
 25 page.

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1 Y. Kahlon
 2 A. (Complies.)
 3 Q. Are you familiar with the document that
 4 begins with that third page and ends on the following
 5 page?
 6 A. No. I mean, like, I don't recall this.
 7 Q. Could you turn to page 4, which is the next
 8 page.
 9 A. (Complies.)
 10 Q. Looking at the bottom of that -- I know
 11 it's been a long time. This is dated 2005. But, is
 12 that your signature at the bottom?
 13 A. Yes.
 14 Q. Going back to the third page now, the page
 15 before, down at the bottom there's item number 7,
 16 which is a principal office address for
 17 T.J. Management. It says, "8 Lawson Lane" --
 18 A. Yes.
 19 Q. -- "Great Neck, New York." Was that your
 20 home address?
 21 A. Yes.
 22 Q. And then, for number 8 it mentions, "United
 23 Corporate Services, Inc.," and on the following page
 24 it gives an address in Austin, Texas.
 25 Did T.J. Management secure a registered

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1 Y. Kahlon
 2 agent in Austin, Texas?
 3 A. I don't know what you mean.
 4 Q. What's United Corporate Services, Inc.?
 5 A. I don't recall. I don't really know.
 6 Maybe it's the agent that did the corporation at the
 7 office there? I don't know.
 8 Q. Did T.J. Management ever get, like, a
 9 mailbox or, you know, some sort of office presence in
 10 Texas?
 11 A. Yes.
 12 Q. And what was that?
 13 A. A mailbox or some kind of -- what you just
 14 said.
 15 Q. Okay. That's what it was? Was there
 16 any --
 17 A. It was an office that, you know, got all
 18 the mails over there regarding to, like, Texas,
 19 because I had a piece of land over there, plus
 20 T.J. Management did the 504.
 21 So, what I did, like, by the law you have
 22 to register in Texas to be able to do -- beside the
 23 land to have, to, like, register to do the 504.
 24 Q. Did you ever work at that office in Texas?
 25 A. No.

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1 Y. Kahlon
 2 Q. In 2008 through 2011 did you ever visit
 3 that office in Texas?
 4 A. No. I visit Texas many time, though. I
 5 visit Texas maybe ten times, twelve times. It was a
 6 nightmare, I went through there.
 7 Q. Ten to twelve in 2008 through 2011?
 8 A. I would -- it's a guess, but.
 9 Q. Would it be fair to say that most of those
 10 visits had to do with the real estate business in
 11 Texas?
 12 A. Yes.
 13 Q. Other than having a mailing address, were
 14 there any other operations of T.J. Management at that
 15 office in Texas?
 16 A. No.
 17 Q. The document that starts on page 3 is
 18 called an Application for Certificate of Authority for
 19 T.J. Management with the Secretary of State's office
 20 in Texas. Why did T.J. Management seek this
 21 certificate in Texas?
 22 A. In order for me to do the 504 in Texas,
 23 regardless of me having this big land over there, I
 24 had to have --
 25 Let's put it this way. The land itself, my

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1 Y. Kahlon
 2 business, my huge business over there doesn't have a
 3 mailbox to put the mail in. So, I had to put a place,
 4 like, not just a P.O. box, also a place to receive,
 5 like, real mail over there.
 6 And I didn't have an office over there, but
 7 I had this big operation and, instead of me, like,
 8 going to live there, that's what I did.
 9 Q. You wanted to have a place where you could
 10 receive mail in Texas?
 11 A. Receive mail. Yeah.
 12 Q. And is it fair to say that the reason why
 13 you did that is that you wanted to have available to
 14 you the Texas exemption under 504? Is that fair to
 15 say?
 16 A. Yes.
 17 Q. Were there any other reasons --
 18 A. I wanted to -- yeah. Sorry.
 19 Q. No, no. I interrupted you.
 20 A. I wanted to, like, comply with what the
 21 State of Texas asked for. So, when I had this land
 22 over there already from 2005, you know, because, it's
 23 a long time, so, what they need after that, they need
 24 a place to send this mail, to have, like, you know,
 25 this, like, representation over there.

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1 Y. Kahlon
 2 Q. Did T.J. Management pay any franchise taxes
 3 in Texas from 2008 through 2011?
 4 A. Until today. Yes.
 5 Q. Until today. Does it also pay taxes in
 6 New York?
 7 A. Yes.
 8 Q. Is it fair to say that the taxes in Texas
 9 generally pertain to T.J. Management's real estate
 10 operations in Texas?
 11 A. No. Taxes in Texas is -- that's what
 12 you're asking about?
 13 Q. Yeah.
 14 A. Is franchise taxes for T.J. Management for
 15 over there.
 16 Q. For the whole entity?
 17 A. Yeah. Plus we have taxes -- we pay for the
 18 land separate, water, all this stuff, so.
 19 Q. From 2008 through 2011 was T.J. Management
 20 your primary source of income?
 21 A. Yes. Only.
 22 Q. Only source?
 23 A. Yeah.
 24 Q. We talked about the property a little bit.
 25 Was this one piece of property that you're talking

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1 Y. Kahlon
 2 about?
 3 A. It's two piece of property.
 4 Q. Do they adjoin each other or are they next
 5 to each other?
 6 A. No. They're next to each other.
 7 THE WITNESS: How big is the property
 8 there?
 9 MR. COALE: A hundred-and-some acres.
 10 THE WITNESS: A hundred-and-something
 11 acres.
 12 MR. LEIMAN: Just to make sure we're
 13 talking about the same stuff here, I'd like to mark as
 14 Exhibit No. 8 a copy of a document entitled,
 15 "Capital T.T., LLC, owner of Flowerdale."
 16 (Exhibit No. 8, Capital T.T. Document,
 17 marked for identification as of this date.)
 18 Q. I'll give you a chance to look through it
 19 and then my first question will just be, are you
 20 familiar with the document?
 21 A. Yes.
 22 Q. And what is the document?
 23 A. It's describing a piece of land in Texas.
 24 Q. And this describes the piece of land that
 25 T.J. Management owned?

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1 Y. Kahlon
 2 A. Yes.
 3 Q. And does Exhibit No. 8 have to do with an
 4 attempt to develop the land that T.J. Management
 5 owned?
 6 A. Rephrase it again, please.
 7 Q. The document in Exhibit 8 looks like some
 8 sort of proposal. Do you have any understanding what
 9 was being proposed in Exhibit No. 8?
 10 A. Just describing that. I think -- because,
 11 my attention was never, like -- actually, I didn't buy
 12 the land, I inherited. So, it's like a law that they
 13 give to a company just to put as a guarantee. So, it
 14 just was like, well, they default on the loan, and so.
 15 Q. So, the property in Texas was collateral
 16 for a loan, and when the borrower defaulted, that
 17 property went to T.J. Management; is that fair to say?
 18 A. Yes.
 19 Q. And Exhibit No. 8, does that have to do
 20 with the two pieces of property that you've been
 21 talking about in Texas?
 22 A. Yes.
 23 Q. And in 2008 through 2011 was this property
 24 vacant?
 25 A. Yes.



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2 Q. You mentioned earlier about contractors

3 removing --

4 A. Debris.

5 Q. -- debris from the property. Could you

6 just generally describe what that was about?

7 A. Yes. When I took it as collateral, I

8 didn't really understand what I'm taking. It sound

9 like huge piece of land and, after I got this land, I

10 understand that before me the owner used to throw City

11 of Dallas debris into a creek.

12 Q. Just garbage?

13 A. Like, not really garbage, like, more of

14 concrete -- debris from the City of Dallas which they

15 paid him to do.

16 Q. Oh, like, construction debris?

17 A. Yes. And it clogged the whole -- it's like

18 a creek that go from New Orleans, you know. So, they

19 were like kind of clogging the water to go through it,

20 was clogging it to cause a flood.

21 So, after I took this land, a few months

22 after that I start getting, like, calls from the City

23 of Dallas I have to do something about it, so, just

24 to, like, to open it so the water can go through, so

25 it's not going to be, like, any more danger of a

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1 Y. Kahlon

2 flood.

3 Q. And those were the contractors that

4 T.J. Management hired in Texas, was to clear that

5 debris?

6 A. We -- yes. We hire an engineer, lawyer,

7 contractor, another contractor, another engineer,

8 another lawyer.

9 Q. And when did T.J. Management obtain the

10 property?

11 A. Obtain it, meaning what?

12 Q. Oh. When did that property get transferred

13 to T.J. Management?

14 A. T.J. Management actually really having it

15 from the time they will default, like, controlling

16 Flowerdale and then controlling Capital T.T. But,

17 when it change completely to T.J. Management,

18 name-wise, it was like -- I don't really remember.

19 Q. So, first it went into the name of

20 Capital T.T. and --

21 A. No. It was Flowerdale.

22 Q. Oh. Into the name of Flowerdale?

23 A. Flowerdale was the company, itself, that

24 owned the land. Flowerdale is the one -- Flowerdale

25 is the one -- Flowerdale put in the guarantee. And

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1 Y. Kahlon

2 Flowerdale, like, was holding this land.

3 Q. And did you have an ownership interest in

4 Flowerdale?

5 A. No. Flowerdale was, like, probably made,

6 like, 20 years ago, 30 years ago.

7 Q. Then you mentioned Capital T.T. What was

8 Capital T.T.'s --

9 A. Capital T.T. was supposed to be the entity

10 who take over Flowerdale.

11 Q. Once the default happened?

12 A. Yes. Yes, of course.

13 Q. And who owned Capital T.T.?

14 A. Ted Flomenhaft.

15 Q. And did you have an ownership interest in

16 Capital T.T.?

17 A. Yes. We have some kind of -- after this

18 default happened we have some kind of a transfer of,

19 like, control. Something like that. I don't really

20 remember.

21 Q. So, it's in Capital T.T.'s name, but

22 T.J. Management had an interest of some kind in --

23 A. Capital T.T. -- T.J. Management pay all the

24 bills and everything. Everything that was paid

25 through the Flowerdale expenses was paid through

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1 Y. Kahlon

2 T.J. Management.

3 Q. And then, at some point did the land

4 transfer in name from Capital T.T. to T.J. Management?

5 A. Yes.

6 Q. And I know you don't remember specifically,

7 but, can you give a general ballpark as to when that

8 happened?

9 A. You see, after the last three years I have

10 no recall of times anymore. I don't even know, like,

11 you know -- I didn't even, like, notice that stop

12 working three years ago. When said 2005, it was like,

13 wow.

14 MR. COALE: Times flies.

15 Q. Does T.J. Management still own the

16 property?

17 A. Some of it.

18 Q. Did it sell some of it?

19 A. Yeah. The big portion was given for, like,

20 100,000, 200,000.

21 Q. And more or less, when did that sale

22 happen?

23 A. Two, three years ago.

24 Q. After 2011, fair to say?

25 A. I don't know. I think so. Yeah. I



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1 Y. Kahlon
2 believe so.
3 Q. And who did T.J. Management sell that part
4 of the land to?
5 A. To -- I forgot the name of the company. It
6 was somebody that I knew, but I forgot the name of
7 this company.
8 Q. Was the property vacant when you sold it?
9 A. Yeah. It's a wild life over there,
10 literally wild life.
11 Q. And the property that you maintained, is
12 that still vacant?
13 A. Yes. Property I maintained -- do you mind?
14 Q. No. No. Of course.
15 MR. LEIMAN: Just for the record,
16 Mr. Kahlon is looking at Exhibit No. 8.
17 Q. Okay. So, the property that's to the north
18 of Road 12 is what you still own?
19 A. Yes.
20 Q. The property that's south of Road 12 is the
21 property that was sold; is that fair to say?
22 A. Yes.
23 MR. COALE: Can I see Exhibit 8 if you're
24 done with it?
25 MR. LEIMAN: Oh, of course.

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1 Y. Kahlon
2 THE REPORTER: Are you saying "Route 12" or
3 "Road 12"?
4 MR. COALE: Off the record. It's actually
5 Loop 12.
6 MR. LEIMAN: Loop 12. I'm glad that we've
7 got an actual Texas resident here.
8 MR. COALE: No offense taken. Exhibit 8
9 does say Loop 12.
10 MR. LEIMAN: The exhibit will reflect
11 Mr. Leiman's lack of reading skills for Exhibit 8.
12 THE WITNESS: We don't have loops in
13 New York. The only loop is the loopholes we have
14 here.
15 Q. Do you have plans to sell the property in
16 Texas that T.J. Management still owns?
17 A. Yes.
18 Q. Is it under contract or do you just
19 generally plan to sell it?
20 A. Trying to sell it. There's no contract,
21 there's no -- there's no interest.
22 Q. From 2008 through 2011 did T.J. Management
23 have any bank accounts in Texas?
24 A. If escrow accounts count, yes.
25 Q. Other than -- is that a real estate escrow

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1 Y. Kahlon
2 account?
3 A. Yes. It's an escrow account,
4 (unintelligible).
5 Q. Other than an escrow account, did
6 T.J. Management have any bank accounts in Texas from
7 2008 through 2011?
8 A. No.
9 Q. Same time period, did T.J. Management have
10 any brokerage accounts in Texas?
11 A. Brokerage account doesn't have the -- there
12 is a E-Trade in Texas, too, so.
13 Q. In that E-Trade is a national company
14 and --
15 A. All the companies are national. All of
16 them are -- E-Trades are in Texas, same thing
17 Goldman Sachs, same thing with all of those companies.
18 Q. Did T.J. Management have a relationship
19 with E-Trade's branch in Texas?
20 A. No.
21 Q. From 2008 through 2011, what brokerage
22 accounts did T.J. Management have? You mentioned
23 E-Trade to begin with.
24 A. I had E-Trade, I had Goldman Sachs, I
25 had (phonetic) -- I had -- don't -- don't hold me

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1 Y. Kahlon
2 exactly for eight or eleven, all those accounts I had.
3 I had --
4 THE WITNESS: How many, five?
5 MR. COALE: Yeah.
6 THE WITNESS: Five? I think I had, like,
7 two more. Two more, but I don't know the name.
8 Q. And you were the only one at
9 T.J. Management who would place orders to sell
10 securities through T.J. Management's --
11 A. Yes.
12 Q. -- brokerage accounts, correct?
13 A. Yes.
14 Q. And when you did that you were generally
15 located in New York; is that fair to say?
16 A. Actually, I gave some orders from Texas,
17 too, when I was visiting there.
18 Q. When you were visiting?
19 A. Yeah, from Texas, too. Sometimes from
20 Florida, sometimes from Israel.
21 Q. Is it fair to say that most of the time you
22 were in New York?
23 A. Yes.
24 Q. And generally did you place these trades
25 over the phone or by Internet?

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1 Y. Kahlon

2 A. I usually called my -- one of -- Nathan,

3 actually, I tell him what to put, because my spelling

4 is very bad. So, I tell him what to put and he put it

5 in.

6 Q. So, you would tell Nathan about what to put

7 in for the order --

8 A. Yes.

9 Q. -- and he would place the order?

10 A. Yes. Nathan or Anthony, whoever was in

11 front of the computer.

12 Q. So, you would call --

13 A. Or I'd call.

14 Q. Okay.

15 A. I did, like -- so, it was, like, various.

16 Depends.

17 Q. And you mentioned that you sometimes place

18 trades from Texas. Do you remember about how often

19 you placed trades from Texas?

20 A. If I was there 11 times, then I probably

21 did it 11 times.

22 Q. Sorry. What?

23 A. If I was -- I was in Texas 11 times,

24 because I was trading over there. And usually I go to

25 Texas just the weekdays, so it was, like, working

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1 Y. Kahlon

2 days.

3 So, whenever I was there, I would put --

4 wherever I was, I place orders. So, even if I was in

5 Israel, Barcelona or like, you know, Long Island,

6 Chicago.

7 Q. Right. If you happened to be in Texas that

8 day --

9 A. Yes. Yes.

10 Q. -- it was likely you traded that day?

11 A. Yes.

12 Q. Did you have a primary person that you

13 would talk to at E-Trade about T.J. Management's

14 account at E-Trade?

15 A. Like, with E-Trade I had, like, two

16 accounts. Not like -- I had, like, account and it

17 was, like, stop working with them and then start

18 again. So, it was, like, depend. They change the

19 trader, they changed the guy that was handling the

20 account, like, all kind of changing of stuff over

21 there.

22 Q. Was Jason Young one of the people that you

23 dealt with at E-Trade?

24 A. The latest one was Jason Young. Yes.

25 Q. And where was he based at the time? When

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1 Y. Kahlon

2 you got in touch with Jason Young, where was he?

3 A. I would never get in touch with Jason

4 Young. Jason Young was, like, given to me by somebody

5 else. I mean, like, I did not get in touch with him

6 talking account, he was just a trader. Well, he is in

7 Chicago.

8 Q. Did you ever talk to him over the phone?

9 A. Yes. Many times.

10 Q. I'd like to show you what's previously been

11 marked in your earlier deposition as Exhibit No. 3.

12 MR. COALE: You good?

13 THE WITNESS: I'm great. You?

14 MR. COALE: I'm fine. Thank you.

15 Mr. Leiman, you well?

16 MR. LEIMAN: I'm good.

17 Q. I'll give you a chance to page through it

18 and I'd just ask if you recognize the document.

19 A. Generally, yes.

20 Q. And just in general, what is this document,

21 Exhibit No. 3?

22 A. Securities Subscription Agreement.

23 Q. And then, what was the transaction

24 reflected in this agreement?

25 A. Buying stock from My Vintage Baby.

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1 Y. Kahlon

2 Q. Is this one of the 504 deals that you were

3 talking about earlier?

4 A. Yes, that we talking about earlier.

5 Q. That we were talking about earlier?

6 A. Yeah.

7 Q. Looking at page 5, just the last page, is

8 that your signature at the top?

9 A. Yes.

10 Q. And looking at page 2, Item G says, "The

11 Purchaser is registered with the State of Texas to do

12 business in Texas and has substantial assets and

13 operations in Texas and invest a decision to involve

14 its presence in Texas."

15 When this document talks about the

16 substantial assets in Texas, what is that referring

17 to?

18 A. Succession of assets, whatever we talked to

19 before.

20 Q. And so, we talked about the property in

21 Texas. Are there any other assets of T.J. Management

22 in Texas that that is referring to?

23 A. No.

24 Q. And then it talks about substantial

25 operations in Texas. Is that related to the property,

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1 Y. Kahlon
2 as well?
3 A. Yes. But, if you really read the
4 requirement of the 504, you would know that it's
5 enough for me to have, like, an office or presentation
6 over there to call it substantial.
7 Q. So, this refers to the real estate and then
8 to having the mailbox in Texas?
9 A. Yes.
10 Q. Is that --
11 A. Yes. It's not a mailbox, it's an office.
12 This wasn't a P.O. box, it's an office with people
13 there. They weren't for working for me, but, like, I
14 was, like, you know.
15 Q. Right. They don't work for
16 T.J. Management, correct?
17 A. No. But, they were like -- it's an office
18 with people that -- it just doesn't matter. It can
19 also have a P.O. box, just giving you inside what was
20 needed. If you read, really, what was needed to do
21 the business of 504 in Texas, you see this is what I
22 did over there when they have, like, a lot of people
23 over there and they have, like, this have huge
24 property, the huge operation over there. It's almost
25 overkill.

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1 Y. Kahlon
2 Q. So, it's property and the registered agent
3 who runs the mailbox?
4 A. Let's put it this way. For the 504, just
5 for me to have a mailbox and to have a place to
6 receive mail was enough.
7 Q. I know that that's, you know, that's your
8 testimony that that was enough. I'm just asking about
9 what you had.
10 So, we had the property, we've got the
11 mailbox. Was there anything else that was part of a
12 substantial operation?
13 A. Yes. I had a girlfriend over there. I'm
14 joking. This is substantial, too, no?
15 Q. Of course. All right. Is there anything
16 that we haven't talked about yet that was part of the
17 substantial assets or substantial operations in Texas
18 for T.J. Management?
19 A. No.
20 Q. All right. The 504 deals that we have been
21 talking about, in 2008 through 2011, just generally,
22 how many 504 offerings did T.J. Management participate
23 in?
24 A. I have no -- no idea. Like, I would be,
25 like, really be a guess. You have all this

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1 Y. Kahlon
2 information. Actually, I gave you all this
3 information.
4 Q. Is it fair to say it was dozens of
5 offerings?
6 A. Dozens means, like, 12?
7 Q. No. Sorry. More than a hundred. Would it
8 be more than a hundred?
9 A. For three years?
10 Q. Yes.
11 A. Yes.
12 Q. And roughly, how many companies did
13 T.J. Management engage in 504 deals with?
14 A. I don't know. You have, like -- I don't
15 know, exactly. I don't want to --
16 Q. Well, let's take a look at what's been
17 previously marked as Exhibit No. 1, which is the
18 Complaint in this case. And I'm going to direct you
19 to page number 7 there.
20 And there's a chart that lists a bunch of
21 companies there off on the left. These companies in
22 this chart, are those companies that T.J. Management
23 engaged in 504 offerings with?
24 A. Yes. Is the year before -- between, like,
25 2005, 2010?

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1 Y. Kahlon
2 Q. 2008 through --
3 A. No. It says here, 2005, 2010.
4 Q. Yes. That's what the paragraph says. If
5 you look at the date of the first offering in that
6 first column there, we're looking at --
7 A. Okay.
8 Q. -- 2008. Yeah. Just to make sure we're
9 talking the same, same companies here. So, you
10 recognize these companies in this chart on page 7,
11 correct?
12 A. Yes.
13 Q. And these are all companies that
14 T.J. Management financed and then received shares
15 under Rule 504 --
16 A. Yes.
17 Q. I just want to talk generally about the 504
18 business at T.J. Management from 2008 through 2011.
19 About what percent of T.J. Management's deals,
20 financing deals during that time period, involved
21 Rule 504?
22 A. I answered all of this last time I was
23 there, it was just one year.
24 Q. Just because that was in a different case,
25 if you can give your best recollection.



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1 Y. Kahlon
2 A. I have no -- because of the time that's
3 passed, I don't really know. I don't recall the
4 percentage. I think, actually, I gave specific
5 numbers at the time.
6 Q. Is it fair to say it was the majority of
7 T.J. Management's deals were 504 deals during that
8 time period?
9 A. Majority, yes.
10 Q. And you talked a little bit about how you
11 could find companies for 504 deals and you talked
12 about how Mr. Flomenhaft would help you find
13 companies.
14 What were the factors that you looked at in
15 selecting a company for a Rule 504 deal?
16 A. I hate to do this to you, but, it's all in
17 my testimony. I gave it to you already, like, three
18 times. The time I gave it to you the first time I
19 gave my testimony, the second time I gave you my
20 paperwork and you were answering the same question
21 again. And you promised you're not going to.
22 Q. For this case, for this deposition, just
23 because the last time we deposed you, you took the
24 Fifth in response to these questions --
25 A. No. Because, I referred everything to my

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1 Y. Kahlon
2 testimony. So, it was the Fifth for you, but, for me,
3 like I said, I already answered all these questions.
4 Q. All right. Are you not willing to answer
5 the questions for your deposition here?
6 A. I don't remember it. It's like, whatever I
7 said in my testimony, it stands. It's not that I'm
8 not willing. The thing is, like, it's already, like,
9 five, six, seven years, eight years, nine years. And
10 my testimony, the first testimony may be, like, four
11 years ago; four, the first time?
12 Q. Um-hum.
13 A. And it's like being a long time and I'm not
14 doing this for the last three years and I don't want to
15 say something that's not going to be correct. You see
16 all my testimony, it would be, like, either exact or
17 nothing. I would not guess.
18 Q. Okay. I'm just asking for your best
19 recollection, sitting here today, as to what the
20 factors were that you looked at when you decided to
21 invest in these 504 deals.
22 A. Just for general answer would be volume.
23 Q. And you mean trading volume, right?
24 A. Yes.
25 Q. You wanted to make sure that the stock was

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1 Y. Kahlon
2 actually trading?
3 A. Yes.
4 Q. And is it fair to say that the reason why
5 you wanted to see volume is because you wanted to make
6 sure that you could sell the shares that you obtained
7 in the 504 deal?
8 A. A hundred percent.
9 THE WITNESS: You like that, huh?
10 MR. COALE: That's good.
11 THE WITNESS: That's my answer. A hundred
12 percent.
13 Q. So, is it fair to say that the two main
14 things that you were interested in in selecting
15 companies, one, they're willing to take your money
16 and, two, that there's enough volumes that, once you
17 get the shares, you can sell them into the market?
18 A. It was bad to say, "willing to take my
19 money." That they are worthy of taking my money.
20 Q. Right. Okay.
21 A. Of having my money.
22 Q. Is it fair to say that most of these
23 companies that you engaged in 504 deals could not
24 obtain financing through more traditional methods?
25 A. All of them could not get finance through

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1 Y. Kahlon
2 traditional.
3 Q. In 2008 through 2011, were you generally
4 familiar with what a penny stock was?
5 A. Yes.
6 Q. Were the companies that you engaged in 504
7 deals with, were they generally penny stocks?
8 A. The only company that you could be engaged
9 in 504 D Texas would be non-reporting companies, which
10 would be penny stocks. Couldn't get any other -- none
11 of the others would be qualified for that.
12 Q. And for all the companies and all the
13 offerings that are in this chart in Exhibit 1, these
14 were not registered offerings, correct?
15 A. Yes. They could not be registered, because
16 it's non-reporting companies.
17 Q. And one of the reasons why they weren't
18 registered is that these were supposed to be 504
19 exempt offerings; is that --
20 A. The company itself is not registered. It's
21 a non-reporting company.
22 Q. Right. So, it's not --
23 A. If it's a non-reporting company, it cannot
24 register. It's non-reporting. Like, by definition --
25 this was the main thing of me trying to explain it



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1 Y. Kahlon
2 when you said, like, how could it be not registered,
3 the offering.
4 Even if I register, it would be rejected,
5 because it's a non-reporting company. So, I go to the
6 SEC, okay, I want to register. Sure enough, it's a
7 non-reporting company. Take it back.
8 So, when you said I never registered at the
9 end of the complaint, it was like --
10 Q. Right. If they could register, they'd sell
11 the stock themselves, correct?
12 A. This too. But, if I could have registered
13 the transaction, I would do it. But, if I want to
14 register, the SEC would throw it -- not the SEC,
15 the -- how you call it? The people who like to
16 register stock.
17 How you call it? Not the SEC. Where
18 you're registering stock, you know. Like, when you
19 go, you register your offering, and you're
20 non-reporting. And non-reporting, there's nothing to
21 report. You want to report, okay, report. They throw
22 it in the garbage.
23 Q. And for these offerings on page 7 of the
24 Complaint, you negotiated a discount when you
25 purchased the shares from these companies, correct?

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1 Y. Kahlon
2 A. Yes.
3 Q. Generally what type of discount were you
4 looking for?
5 A. It's -- volume.
6 Q. Higher volume, lower discount; is that fair
7 to say?
8 A. Very good. Yes. I'm proud of you.
9 Q. In most cases was the discount between
10 30 to 50 percent from the market price?
11 A. Yes.
12 Q. And then, did you have a -- for these
13 offerings on page 7 of Exhibit 1, did you have a goal
14 for how soon you wanted to resell the shares to
15 generate a profit?
16 A. Yes.
17 Q. And what was that goal?
18 A. As soon as I can.
19 Q. And in most cases was that within a month
20 or two?
21 A. Yes.
22 Q. And if you held onto the stock for longer,
23 was it mainly because you couldn't sell it into the
24 market?
25 A. No. The only reason I would sell a stock

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1 Y. Kahlon
2 would be -- I explained this before, but, after you
3 got, you know, got more into it, so, I appreciate it,
4 So, I will tell you exactly what I did.
5 All this company, the reason I gave it
6 \$25,000, 20,000, 50,000, not because I wanted to give
7 25,000 -- the only thing is they probably had is the
8 ten percent issue. You cannot go and give them more
9 than ten percent.
10 Now, if I give them more than ten percent,
11 I would hold it, but they would go to other companies.
12 They go to another company, they would be, like,
13 20 people try to go out faster, so, the stock would
14 be, like, a disaster.
15 Now, in order for me to keep up with
16 them -- you know they will never, like -- they all
17 give me 25,000, would ask for a million dollars first
18 try. But, I couldn't give to them because of the ten
19 percent issue.
20 Now, I had pressure from them to give them
21 the next transfer (unintelligible), as you see, like,
22 my stock agreement go up to a million dollars.
23 Now, if I wouldn't give it to them,
24 somebody else would give it to them, it would be under
25 10 percent.

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1 Y. Kahlon
2 What it would be, it would be, like,
3 chaotic, because, like, everybody -- like, let's say
4 somebody started, it would be, like, an avalanche.
5 You know, like, it would break out and the water goes
6 through and everything, like --
7 So, I had to keep up with them and sell the
8 stock in order for me to be not in charge with hurting
9 the stock the least I could. The least I could.
10 What happened here is, if, let's say, it
11 was two people that was racing to the -- and it
12 happens, like, with a few companies. I can probably
13 show you. Two people are racing. If somebody not --
14 like, you know, nervous about this money and, like,
15 you know, like, doesn't know his business --
16 Like, I had five brokers, six brokers for a
17 good reason, to have, like, a better look at the
18 market. Other people don't really look at it this
19 way. I brought something into the market that was,
20 like, a little bit different than anybody else.
21 So, I had to look so I would know, like,
22 what to give them and, like, nurture them all the way
23 to the end. I'm the only one actually give them
24 whatever I promise them I would give them. Because,
25 there are five thousand, wait to make the money, and

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1 Y. Kahlon
2 then I give it.
3 So, I had to sell it responsibly, so, I
4 did, like, in a good matter of time so I could give
5 them the next – so, (unintelligible) ten percent.
6 The ten percent is enough to be restricted. I cannot
7 sell anymore.
8 So, some of them would stop taking money,
9 because they would go to somebody else to do it, and
10 then it's really going to be chaotic.
11 So, I try to keep them as my customer,
12 happy and be responsible, actually protecting them
13 from having those issue, you know, like, having more
14 than ten percent, less than ten percent.
15 Also, I was the one who tracking. You
16 know, when somebody's hungry like those companies, the
17 penny stock, today you see like almost 40, 50 percent
18 of them, like, out of business.
19 Whatever somebody's telling you, they don't
20 get it past a million dollar. They wouldn't care.
21 They don't know, they – "I don't care." They don't
22 even have an accountant.
23 So, actually I kept them under the million
24 dollar for the whole year. When the year over I said,
25 now, this is the time, now we can start again.

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1 Y. Kahlon
2 So, like, when I dragged a little bit
3 more – it's like a kid, you know. "Okay, you get
4 candy, but in three days from now."
5 So, you know you're going to get candy
6 three days from now, so, you know, so, I pushed three
7 more days, pushed three more days. I was actually
8 babysitting them.
9 Q. And just for the record, the million
10 dollars you're referring to is the million-dollar
11 total offering cap for Rule 504, correct?
12 A. Yes.
13 Q. And then the ten percent that you're
14 talking about is the –
15 A. The interest in the company.
16 Q. If you're ten percent, you're an affiliate
17 and you can't buy anymore shares?
18 A. Right. Yes.
19 Q. Okay.
20 A. Thank you for understanding this. This is
21 like – was the big problem the first testimony.
22 Sorry. Can I have a break? I need, like,
23 just some water.
24 Q. Oh, of course.
25 MR. COALE: We've been going about an hour,

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1 Y. Kahlon
2 so it's a good idea.
3 THE VIDEOGRAPHER: Thus ends tape number 1
4 in the deposition of Yossef Kahlon. The time is
5 10:53 a.m.
6 (Recess taken.)
7 THE VIDEOGRAPHER: Thus is the beginning of
8 tape number 2. The time is 11:08 a.m.
9 BY MR. LEIMAN:
10 Q. We were looking at the chart on page 7 of
11 the Complaint, Exhibit No. 1 and these companies. And
12 again, their sale of stock to you – we talked about
13 this – that was not registered, correct?
14 A. Correct.
15 Q. And I think you mentioned that your
16 subsequent resale of the stock wasn't registered, as
17 well, correct? So, when you resold the stock –
18 A. Everything is registered. What I did,
19 everything is registered by those houses, trading
20 houses.
21 Q. But, you didn't fill out a separate
22 registration statement every time you sold stock into
23 market, correct?
24 A. You never have to.
25 Q. Okay. And the – and I think you mentioned

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1 Y. Kahlon
2 this. Correct me if I'm wrong, but, was it your
3 testimony that, if you had tried to register it, this
4 504 deal, it would have been, I think you said,
5 bounced back or it wouldn't have been successful? Is
6 that –
7 A. No. I said, because they're non-reporting
8 companies. Not registering, but. Because they're
9 non-reporting companies, they cannot report this.
10 Because, they cannot send a reporter, because they're
11 non-reporting companies.
12 In order to be a reporting company is a
13 totally different ball game. And the minute they
14 become to be a reporting company, they're not
15 qualified under 504. 504 D, as we know it, has come
16 to be free trading shares. There's other 504s, but,
17 registered, you know.
18 But, this specific 504 deal we're talking
19 about, they have to be non-reporting companies.
20 Q. A few times you've talked about the
21 requirements of Rule 504. Where did you get your
22 understanding of what the requirements were for
23 Rule 504?
24 A. From your books.
25 Q. So, from reading SEC materials?



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1 Y. Kahlon
2 A. SEC materials.
3 Q. Do you remember which materials?
4 A. Everything that you published, plus, I
5 actually contact a few SEC agents when I went to
6 Washington, Boston, Texas. And all those -- all the
7 published -- that you publish -- actually, I had,
8 like, that's what Edward did, like, you know, was
9 reading all the publishment (sic), you know, whatever
10 he published regarding the 504s.
11 Q. Do you remember the names of anybody at the
12 SEC you talked to?
13 A. That I spoke to?
14 Q. Yes.
15 A. I have e-mails back and forth from the girl
16 in Texas. I forgot her name. And that was actually a
17 few. I don't remember the name, though. I have -- I
18 can probably dig it up. I think you have it, also, in
19 my -- the material I gave you with all the e-mails and
20 everything.
21 Q. These were e-mails that you're talking
22 about?
23 A. They're e-mails. Yeah. I would never pick
24 up the phone.
25 Q. I think you mentioned this in your prior

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1 Y. Kahlon
2 testimony, as a general matter, you don't like talking
3 to people you don't know over the phone. Is that fair
4 to say?
5 A. Fair to say. I not speak to any of
6 those -- even those public company I deal with, I
7 never spoke to any of those owners, so.
8 Q. Generally, either Ed Garin or
9 Ted Flomenhaft --
10 A. Whoever like that. Yeah. It was, like,
11 other people that call and deal with the companies.
12 Q. For these offerings on page 7 of
13 Exhibit No. 1 of the SEC's Complaint, when you resold
14 those shares, that was in the open market, correct?
15 A. Correct.
16 Q. So, you weren't picking out individuals to
17 resell to, is that fair to say?
18 A. A hundred percent.
19 Q. And so, also fair to say you have no idea
20 who the people are who are buying the shares that you
21 resold?
22 A. No idea.
23 Q. When you provided financing to the
24 companies in this chart on page 7 of Exhibit 1, did
25 you provide any other services to those companies?

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1 Y. Kahlon
2 A. No.
3 Q. And just to be clear, by "other services" I
4 mean anything; consulting services, business
5 expertise, anything.
6 A. The only thing I provide them is, like I
7 told you before, to keep them intact, to keep them
8 under ten percent and not to go over the million.
9 Q. And for the money that you provided to the
10 companies in the chart on page 7 of Exhibit 1, do you
11 have any knowledge as to how your money was used by
12 those companies?
13 A. What they said they going to use for,
14 maybe. But, how they use it for real, no.
15 Q. Do you remember specific instances of them
16 telling you how they were going to use your money?
17 A. Most of them was for the day-to-day
18 operation or -- that's about it. I never spoke to
19 them for real, so, I mean, like, I would, like, turn
20 the head. It didn't matter to me.
21 As long as the money go directly to the
22 company itself, to the account that, you know, we sell
23 in the company's name, that's it.
24 Q. On the companies listed on the chart on
25 page 7 of Exhibit 1, do you know which of these

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1 Y. Kahlon
2 companies, if any, were based in Texas?
3 A. I have no idea.
4 Q. Are there -- and just so that I make sure
5 this chart's correct, do you see any companies on that
6 list that you do not believe engaged in a 504 deal
7 with T.J. Management?
8 A. I don't recall. I don't really recall
9 that. I have to call over there to see the paperwork.
10 Q. But, sitting here today, these company
11 names look familiar?
12 A. Yes.
13 Q. As part of the 504 transaction, would you
14 generally refer the company, the issuer of the stock
15 to an attorney for a 504 opinion?
16 A. When I started working, most of these
17 companies didn't have a lawyer. Actually, I work with
18 a few companies in the beginning that said that they
19 have a lawyer and gave me, like, bad opinion, meaning
20 that not really a lawyer signed them.
21 So, I had to, like, really look and see who
22 is a real, like, lawyer and not real lawyer. Like I
23 told you before, it's a hungry company that, like, on
24 the verge of, like, you know, going bankruptcy, a lot
25 of them.



YOSSEF KAHLON
SEC against KAHLON

April 08, 2014
57-60

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1 Y. Kahlon
2 So, in order for me to be -- to know that
3 it's that really coming from a lawyer that, you know,
4 really, like, registered lawyer, I, like, either I
5 check them or --
6 Like, I'm talking about 40 percent of them
7 had their own lawyer, in-house lawyer that's qualified
8 and the rest I refer to lawyers. And they have the
9 choice of using the lawyer or not using the lawyer.
10 Q. And one of the lawyers that you referred to
11 issuers, was that William O'Neal?
12 A. No.
13 Q. Do you recognize the name William O'Neal?
14 A. Yes.
15 Q. And who is he?
16 A. William O'Neal was the first lawyer --
17 actually, this is the first one that even introduced
18 me to the 504. This was through Strategy X. He was
19 the lawyer for Strategy X.
20 Q. Okay.
21 A. After I do the deal with Strategy X, I gave
22 him -- actually, there was a hundred thousand dollars,
23 promised to give me stock for it. I was like a
24 rookie. I sent him the hundred thousand and the stock
25 never came.

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1 Y. Kahlon
2 It wasn't under 504, it was, like, shelf
3 stock, registered shelf stock, supposed to be.
4 Supposed to be. And it never came. Like, you know, I
5 started, like, hunting the guy until my lawyer here,
6 Stuart Newman --
7 Q. I'm sorry. What was the name?
8 A. Stuart Newman.
9 Q. Stuart Newman?
10 A. At the time, that contact him and then,
11 when we got his -- we got him and then went through
12 the registry, actually, we got the lawyer was William
13 O'Neal.
14 And he actually introduced me to the 504.
15 He said, "Do you have a place in Texas?" And then I
16 said, okay, let me check into this. Then I checked
17 into this, then I did the whole procedure, like the
18 504.
19 Q. And did Mr. O'Neal work with you on other
20 504 deals that T.J. Management was involved in?
21 A. I think it was, like, very -- if you're
22 talking about 2000 -- if now I see, like, the land is
23 at 2005 -- from 2008 to 2011 I think he did it. I
24 don't think he ever did -- because, he was disbarred
25 after that. Like, he had some kind of a problem that

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1 Y. Kahlon
2 he was disbarred after that.
3 Q. So, maybe before 2008, but you're not sure
4 about after 2008?
5 A. Yeah. I don't know -- like, I don't think
6 I every refer anybody to him. Because, in a way it
7 was kind of, for me, through chaos, you know. I'm not
8 exactly sure, but, you know.
9 Q. Did you refer companies to David Kahn?
10 A. Yes.
11 Q. And during the 2008 to 2011 time period?
12 A. Yes.
13 Q. Do you know if Mr. Kahn was licensed to
14 practice law in Texas?
15 A. In Texas?
16 Q. Yes.
17 A. No idea. I didn't know it was the
18 requirement, also. It doesn't matter. I have no
19 idea. I wouldn't know. Just for the record,
20 David Kahn was never my lawyer.
21 Q. He would be the lawyer for the issuers who
22 sold you stock, correct?
23 A. Yes. But, he was never, like, hired by me
24 to be my lawyer. So, he was never, like, my lawyer,
25 hired by me.

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1 Y. Kahlon
2 Q. Who paid David Kahn during these 504 deals?
3 A. The issuer. The other companies.
4 Q. The issuer companies. For the 504 deals on
5 page 7 of Exhibit 1 -- just for the record, you've
6 already testified about this, but, I just want to
7 clarify.
8 When you bought shares from these
9 companies, it was your intent to resell those shares
10 into the open market as fast as you could, correct?
11 A. As fast as I needed to.
12 MR. LEIMAN: I'd like to mark as Exhibit
13 No. -- 8?
14 THE REPORTER: 9.
15 MR. LEIMAN: 9. That's what I meant. A
16 copy of what appears to be an E-Trade brokerage
17 statement.
18 (Exhibit No. 9, E-Trade Brokerage
19 statement, marked for identification as of this
20 date.)
21 Q. I'll give you a chance to page through it
22 and then my first question will just be if you
23 recognize the account for the statement.
24 A. Right now the names, the account,
25 paperwork, I don't know if I ever saw this before.



YOSSEF KAHLON
SEC against KAHLON

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Page 61

1 Y. Kahlon
2 Q. Did you generally receive account
3 statements for T.J. Management's accounts?
4 A. Yes.
5 Q. So, is it fair to say that you likely
6 received Exhibit 9, you just don't recall the specific
7 exhibit, sitting here today?
8 A. Yes.
9 Q. And you had more than one account, or, I
10 should say, T.J. Management had more than one account
11 at E-Trade, correct?
12 A. No.
13 Q. It just had one?
14 A. It had one account at a given time. It had
15 an account, closed, then --
16 Q. Sorry. I should have been more specific.
17 It has held more than one account, just not at the
18 same time, correct?
19 A. It had one account, closed, and then it was
20 another account open.
21 Q. Okay.
22 A. But, the second account was actually a
23 continuation of the first account, so.
24 Q. Looking at the trading activity, which
25 starts on page 6 of 14. And just for the record, this

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1 Y. Kahlon
2 is an E-Trade statement from March of 2010.
3 A. What page?
4 Q. On page 6 of 14.
5 A. Um-hum.
6 Q. There are a lot of sales transactions. Did
7 you ever buy shares of public companies out of T.J.
8 Management's accounts?
9 A. I don't know why you're looking at this on
10 this page specifically, but, all of them sold. All
11 the pages that you see on this statement is all sell.
12 Q. Right. It goes on for pages, right?
13 A. All the way, it's all sell. Because, the
14 purchase was never done on -- the purchase was done
15 from the company directly and the minute we got the
16 stock clear there, so, it's never, like, really a buy.
17 Q. You weren't buying and selling on the open
18 market, you would buy privately from the company and
19 then sell it on the open market; is that fair?
20 A. Yes.
21 Q. And starting on page 6, we see all the
22 sales, right?
23 A. Yeah.
24 Q. Turning to page 10 it shows stock coming
25 in, which I think is the other side of the transaction

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1 Y. Kahlon
2 that we were just talking about.
3 A. Okay.
4 Q. Page 10 of 14.
5 A. Yeah.
6 Q. It talks about other activity?
7 A. Okay.
8 Q. Are these the shares coming in through your
9 504 deals into your E-Trade account?
10 A. Yeah. It says, "Received." Yeah.
11 Q. Was it fairly common, when you received
12 shares from the companies on page 7 of Exhibit 1, to
13 start reselling those shares within a day or two?
14 A. Yes.
15 Q. And rather than go through each company on
16 this chart on page 7 of Exhibit 1, do you know
17 anything about the business details of any of these
18 companies?
19 A. I used to.
20 Q. Is it fair to say, in general you weren't
21 really concerned about what type of business they
22 were, though?
23 A. I was, like, not concerned about it, but, I
24 was, like, curious about it. Not really concerned
25 about, like, oh, just because you're in pharmaceutical

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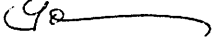
1 Y. Kahlon
2 and want to invest or you're in oil and want to invest
3 or you're in clothing and want to invest, but, curious
4 about it.
5 Q. Of the deals that are identified in this
6 chart on Exhibit 1, which of -- and just your best
7 recollection now. Which of these companies were
8 brought to you by Ted Flomenhaft?
9 A. I have to see it. I have to look.
10 Q. If it would help you --
11 A. I don't remember.
12 Q. You don't remember any of them?
13 A. Which -- I know that My Vintage Baby was
14 brought by Flomenhaft, because this was the highlight,
15 and the rest is, like, kind of -- I would, like, have
16 to see why paid for.
17 Q. You talked earlier about e-mails sent to
18 the SEC. Do you remember either speaking to or
19 communicating with anyone from the Texas State
20 Securities Commission about Rule 504?
21 A. Yes. Two e-mails. Yeah.
22 Q. And --
23 A. Actually, who really did the communication
24 was David, David Kahn.
25 Q. Okay.



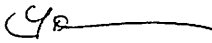
YOSSEF KAHLON
SEC against KAHLON

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1
2 UNITED STATES
3 SECURITIES AND EXCHANGE COMMISSION
4 REPORTER'S CERTIFICATE
5
6 I, TONI FREEMAN GREENE, reporter, hereby
7 certify that the foregoing transcript of 74 pages is
8 a complete, true and accurate transcript of the
9 testimony indicated, held on April 8, 2014, at
10 3 World Financial Center, New York, New York, in the
11 matter of Yossef Kahlon.
12 I further certify that this proceeding was
13 reported by me and that the foregoing transcript was
14 prepared under my direction.
15
16
17
18  4/11/2014
19 _____ DATE
20 TONI FREEMAN GREENE
21
22
23
24
25

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1
2 PROOFREADER'S CERTIFICATE
3
4 In the Matter of: Yossef Kahlon
5 Witness: Yossef Kahlon
6 Date: April 8, 2014
7 Location: 3 World Financial Center
8 New York, New York
9
10
11 This is to certify that I, Toni Freeman
12 Greene, the undersigned, do hereby swear and affirm
13 that the attached proceedings before the United States
14 Securities and Exchange Commission were held according
15 to the record and that this is the original, complete,
16 true and accurate transcript that has been compared to
17 the reporting or recording accomplished at the
18 hearing.
19
20
21
22  4/11/2014
23 _____ DATE
24 TONI FREEMAN GREENE
25

