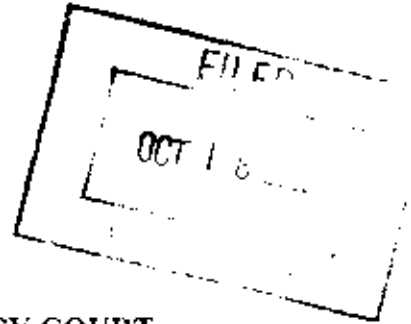


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6 Attorneys for Defendants  
7 William W. Hutchins and Anne Hutchins



8 UNITED STATES BANKRUPTCY COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 NORTHERN DIVISION

11 In re

12 REED E. SLATKIN,

13 Debtor.

14 R. TODD NEILSON, Trustee Of The Chapter  
15 11 Bankruptcy Estate Of Reed E. Slatkin,

16 Plaintiff,

17 vs.

18 WILLIAM W. and ANNE HUTCHINS,  
19 individually, and Does 1 - 10,

20 Defendants.

) Case No. ND-01-11549-RR

) Chapter 11

) A.P. No. AD-02-01164-RR

) Judge: Hon. Robin L. Riblet

) DECLARATION OF JAMES M.  
) CROSSER IN SUPPORT OF  
) OPPOSITION TO APPLICATION FOR  
) RIGHT TO ATTACH ORDER AND  
) ORDER FOR ISSUANCE OF WRIT OF  
) ATTACHMENT

) Date: October 25, 2002

) Time: 10:00 a.m.

) Place: 1415 State Street

) Courtroom 201

) Santa Barbara, California

1 I, James M. Crosser, declare and state as follows:

2 1. I have personal knowledge of the facts stated herein and, if called as a witness, I  
3 could and would testify to those facts under oath.

4 2. I hold a Bachelor of Business Administration degree from the University of  
5 Wisconsin and a Master of Business Administration degree from the University of Wisconsin.

6 3. I hold a Certified Public Accountant license (Retired, not currently practicing as a  
7 Certified Public Accountant) issued by the State of California.

8 4. I am a retired senior partner of the firm Deloitte & Touche, Certified Public  
9 Accountants.

10 5. I have worked as a consultant to Deloitte & Touche in the areas of litigation  
11 services, forensic accounting and staff training following retirement. The last consulting period was  
12 early 2000.

13 6. I am related by marriage to William Hutchins. I am currently married to William  
14 Hutchins' aunt.

15 7. Exhibit 1 to this declaration is a compilation showing summary of net deposits and  
16 withdrawals taken from the creditors' claim forms. It does not include creditors' claims for  
17 operating or personal expenses of Slatkin. It does include cash loans. Where investment portfolios  
18 were transferred to Slatkin these are included as cash equivalent. Claims for partnership calls were  
19 not included since there would be a comparable asset. Claims that only included a statement  
20 amount from Slatkin were not included, if there was no supporting listing of cash transactions.

21 8. Exhibit 2 to this declaration is a tabulation of the number of shares of Earthlink  
22 stock owned by Slatkin at various times from June 1994 through March 2001. This information  
23 was obtained from a review of Securities and Exchange Commission filings.

24 9. Exhibit 3 to this declaration is a month by month tabulation of the cumulative total  
25 value of the investor claims against Slatkin as compared to the value of Slatkin's holdings of  
26 Earthlink stock during the time period from December 1996 through June 2001. In December  
27 1998 the value of Earthlink stock exceeded the amount of the scheduled claims against Slatkin by  
28 \$34,843,844, indicating that this asset value was greater than the unliquidated claims listed.

1 10. Exhibit 3 does not contain the value of any other assets some of which are detailed  
2 in other exhibits attached hereto that were owned by Slatkin during that time period and, therefore,  
3 is not a complete analysis and therefore may understate his net worth.

4 11. Exhibit 4 is a graphic depiction of the summary described in 10 above, again  
5 showing an excess of asset value over the unliquidated claims scheduled.

6 12. Exhibit 5 attached to this declaration is a partial list of investments made by Mr.  
7 Slatkin, as listed in the Trustee's First Interim Report (Interim Report) on Page 32. The value of  
8 these assets can not be determined at times relevant herein without access to Slatkin's records. I  
9 have not had any access to Mr. Slatkin's records to evaluate the accuracy or completeness of the  
10 information. These values should be determined at all relevant periods of to accurately assess the  
11 net position of Mr. Slatkin.

12 13. Exhibit 6 is Exhibit 8 of the Interim Report listing numerous accounts with brokers  
13 and financial institutions without amounts and real property holdings of Mr. Slatkin without detail  
14 necessary to evaluate the timing and amount of transactions related thereto. These accounts and  
15 activity should be determined at all relevant periods of time to accurately assess the net position of  
16 Mr. Slatkin.

17 14. Exhibit 7 attached to this declaration is the list of assets including real property,  
18 securities, partnership interests and other assets owned by Slatkin at the time of his bankruptcy  
19 filing as listed in schedules A and B of Mr. Slatkin's official bankruptcy filing case ND01-11549-  
20 RR. The value of these assets at all times relevant herein cannot be determined without access to  
21 Slatkin's records. These values should be determined at all relevant periods of to accurately assess  
22 the net position of Mr. Slatkin.

23 15. Exhibit 8 is a letter from Brandon Fradd, MD, Managing General Partner of Apollo  
24 Medical, stating that Apollo Medical (the Apollo Medical Investment shown on Page 32 (Item 13  
25 above) as an investment of \$850,000, with unknown value) paid \$2,246,244.27 to the Estate in  
26 2002. This asset was listed as having an estimated loss of \$850,000 value in the First Trustee's  
27 Interim report (see Exhibit 5 line 3) when, in fact it generated a recovery of \$ 2,246,244.27. This  
28 would indicate that all estimated values listed on Exhibit 5 need to be reexamined.

1 16. Exhibit 9 is Exhibit 18 to the Interim Report, prepared by Neilson & Elggren LLP,  
2 listing bank accounts of Reed Slatkin for various periods.

3 17. Exhibit 10 is copy of attachment to claim 173 showing deposit of \$250,000 to  
4 Union Bank of Switzerland, 8 rue de Rhone Geneva 2 Switzerland documenting offshore banking  
5 transactions. This account does not appear on Exhibit 18 to the Interim Report. Additional  
6 investigation of other possible offshore accounts is necessary to determine if additional assets are  
7 held offshore.

8 18. Exhibit 11 is Exhibit 19 to the Interim Report, listing brokerage accounts identified  
9 by the trustee. Activity in the accounts is necessary to evaluate Slatkin's investment activity and  
10 net worth at all times relevant herein.

11 19. Exhibit 12 is a copy of the Exhibit 51 to the Interim Report which seems to indicate  
12 substantial increase from investment performance of Orno Partners. It is not possible to determine  
13 the total increase since some information appears to have been redacted.

14 20. Exhibit 13 is a spreadsheet compiling claims 1-529 filed in the Bankruptcy of Reed  
15 Slatkin. The copies were provided to me and in some cases did not include all supporting  
16 documents that may have been filed with the court. I did not have access to Slatkin's records to  
17 have a compilation of investor activity. Analysis of all records would be necessary to complete  
18 investor positions at all relevant times.

19 21. In summary, the analysis I was able to perform indicates, in my opinion, that there is  
20 reason to believe that there was extensive investment activity throughout all periods raising  
21 substantial doubt that Slatkin conducted a Ponzi scheme from the beginning of his activity. It is  
22 probable that my conducting an extensive review would demonstrate that at various periods of  
23 time, Reed Slatkin had sufficient assets to cover unliquidated deposits from investors. Attached is  
24 Exhibit 14 listing information believed necessary to complete my analysis.

25 22. In reviewing the information available to me, Mr. Slatkin made several investments  
26 that resulted in a profit.

27 23. Mr. Slatkin made a number of investments for the benefit of certain individuals that  
28 were not part of the Debtor's general pool of investors, and, several of these investments resulted

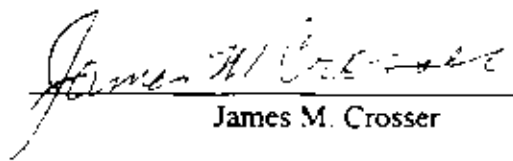
1 in actual profit to the investors, which profits were accurately reflected on financial statements that  
2 Mr. Slatkin provided to them.

3 24. Mr. Slatkin engaged in legitimate investment activities, engaged in due diligence  
4 concerning potential investments, and took actual positions in legitimate investments

5 25 Other than Earthlink, Mr. Slatkin had other profitable investments that could have  
6 been liquidated to pay creditors' claims.

7 I declare under penalty of perjury under the laws of the State of California and the United  
8 States of America that the foregoing is true and correct.

9 Executed on this 15<sup>th</sup> day of October, 2002, at Ventura, California.

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13 James M. Crosser  
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