PRESENTATION TO NEW YORK REGIONAL EXPERT WITNESS ASSOCIATION

DATE: AUGUST 22, 2022

BY: JAMES A KYPRIOS- FINAL TRANSCRIPT

**EXPERT IN CORPORATE LENDING, CORPORATE BOND FINANCING AND CREDIT ANALYSIS**

1.This is James Kyprios of Kyprios International Services

2.My core area of expertise is corporate extensions of credit. This encompasses loans and bonds and includes structuring the loan or bond and making a thorough credit analysis of the company. If you have any situations which involve investments in corporate loans and bonds, please see me.

3. More specifically, I am an expert in putting together direct loans of various types to credit worthy corporations. I learned how to do this at Prudential Insurance Company's Commercial and Industrial Loan Department which specialized in making small and medium-sized term loans, usually unsecured, to various types of companies. This is a difficult type of lending because it required me to deal with companies that did not have public information available. They did not have a good deal of private information either as is the case with larger non-public companies that deal with various types of lenders.

So I had to do my own intensive due diligence. This is what I was trained to do from the very beginning.

Here is what I had to do at Prudential:

-Determine preliminarily the credit worthiness of the company

-Understand exactly what the financial needs of the company were

-Structure a loan package that would meet the needs of the company and the needs of Prudential

Insurance Company
-This structuring would include negotiating all the important terms and conditions of the loan
-I would then have to do an effective business analysis and financial analysis and present my financings by preparing a detailed memo which is similar to a Prospectus. This is the intensive due diligence part of the process.
-Then, I would work closely with the lawyers to come up with a loan agreement.

I did this for six years and this is the basis of my core expertise. For the rest of my career, I was labelled as a credit guy. This was not because I had all sorts of experience in the credit departments of institutions. It was because I was a trained lender from a major insurance company which specialized in making unsecured loans for 10 or 15 years. This training was in many ways superior to being credit trained at banks which in those days specialized in shorter loans.

4. After my six years at Prudential, I went into international banking. I worked for both domestic and foreign banks including a major British merchant bank, then M&T Bank, then various Scandinavian Banks and finally the second largest bank in Germany.

5. Commercial banks, to greatly simplify things, take deposits and make loans. They make loans to individuals but this is not my area of expertise. My area of expertise is corporate lending. I am a commercial banker to the extent that I am a commercial lender.

Most commercial banks make the overwhelming majority of their profits from making loans. The way to make money in lending is to make sure that you keep your loan losses to a minimum. To give you an example, I am quite sure if more than five out of 100 loans you make go bad you will not make a profit from lending. To be precise, one has to be right perhaps 98 out of 100 times in making commercial bank loans. This means that the job of a bank lender is to make sure he does not often make bad loans. The lender must be very risk averse. The lender must know what most or all of the risks are and mitigate these risks. This is what I have always been good at and this propelled my career in commercial banking.

6. I have a very clear methodology when it comes to making commercial loans. I need to understand exactly what the money is used for, I need to understand the business and industry and how the economy impinges on the business and I need to understand all financial risks involved. There are two major financial risks: one is having too much debt. The other risk is having the debt coming to maturity too soon. In other words, there are respectively leverage and liquidity considerations. I need to understand exactly how I expect to be paid back. It is beyond the scope of this discussion to go into further details.

7. There are also various red flags that I look for. A big one is to watch out for companies that are growing very rapidly. Another one is to understand that some industries are riskier than others. Real estate and retail come to mind. Another red flag is to try to lend money to companies in industries one does not understand. A further red flag is changes of management, especially MBA sons and daughters telling their father how to run a successful business. Another red flag is a cyclical industry which has a good deal of debt.

A really big red flag is having too much debt. My motto is very simple. If a company has a lot of debt that should basically be the only thing that is wrong with the company. That is a simple philosophy but it has worked for me.

I often told people that worked for me: it is not your job to fall in love with a company. That is what shareholders can do because they have all the upside. It is the job of the lender to understand what can go wrong and mitigate against these risks. If you are successful you will get your principal and interest back, that is all. There is generally low reward in lending. This implies that you should take little risk.

8. As a result of my expertise as a lender, I was able to get all sorts of experience including lending internationally; I was also able to help organize various banks, branches and

departments. I got involved in all sorts of syndicated lending proposals where larger banks sold off pieces of their loans to smaller banks. I developed an expertise in leveraged finance including junk bonds.

9. Based on my experience, I can state that the following are my areas of expertise:
-As noted before, I am an expert lender and credit person and this is the core skill that has led me to the following areas of expertise as spelled out in the front page of my resume:
**(1)-Extensive Direct Lending Experience**
**(2)-Credit Analysis and Due Diligence**
**(3)-Wide Ranging International Banking Experience-Offhore and domestic.** For example, I have lent money directly to companies in Mexico, Israel and the Ivory Coast with no credit losses
**(4)-Investment Banking Experience-** when I started out doing leveraged finance, this was mostly done by banks. Expertise in Leveraged Finance- Senior secured leveraged loans are still very often done by major banks but now these are sold off not only to other banks but to various funds. Senior secured loans are now considered an investment banking product
**(5)-Career working for Foreign Banks and Regional Banks in their NY Subs and branches in various positions-helped organize banks, branches and departments**
**(6)-Senior Bank Executive-** I have been the head of an International Department, the Head of a Corporate banking department, Chief Credit officer of banks, member of management and credit committees of banks

10. As yet, I have not been retained for a case but I have worked with Bill Purcell on three cases:
-A Letter of Credit Case
-A Commitment Letter Case
-A large REIT case in which management, individual board members and the underwriters were sued by investors. The key issue was misleading accounting information. I read over 3000 pages of depositions and summarized them for Bill

11. I have written 17 articles on topics in banking, economics and finance- 15 of these were for the LA Progressive and two of these were for the Securities Experts Roundtable. Craig and I are putting together another article now on the inflation and the effects of Fed tightening on the financial markets. We will state that that rising interest rates will create more risk in the credit markets in which I and Craig are experts. My expertise is more on conventional corporate lending including corporate bonds and Leveraged Finance; while Craig's expertise is in Securitization products and credit-type derivatives which he will explain in November.

12. These are the types of cases, I could be involved in

-Corporate lending situations (either direct or syndicated lending) in which either plaintiffs or defendants in law suits are involved in disputes with one or more of the following issues: inadequate due diligence, adequacy or misrepresentation of information supplied and/or securities fraud issues (e.g., failure to disclose all material information).

Remember, I am dealing with loans which are not considered as securities and also corporate bonds which are. In fact, in many cases, they are very similar and the issues are similar.

In addition to inadequate due diligence, adequacy of information and securities fraud, here are some other areas of dispute which could come up among the parties in loans and bonds:

-Libor-related Cases

-Covenant-lite Cases

-Leveraged Finance Cases including CLOs which are the major investor in leveraged loans

-Situations in which investors relied on credit ratings

-Situations in which leveraged finance have not been sufficiently taken into consideration

Also, other areas relating to my expertise include:

-International banking matters where credit considerations are an issue. This could relate to offshore suits or even US situations relating to trade finance

-Situations relating to the operations of foreign banks in the US. I have spent much of my career working for foreign banks in the US and I understand the strategies and management issues involved; I also understand the inter relationships between head offices and US offices.

-Issues regarding strategies and management including lending policies and procedures at wholesale banks in the US. Wholesale banks lend to companies not individuals. I am a wholesale banker.

13. To summarize, I am an expert in corporate loan and corporate bond financings. I am an expert in areas related to credit extensions in both domestic and international banking. I am an expert in strategic and management issues related to commercial banking. I am an expert in leveraged finance, which includes leveraged loans and junk bonds.

I am an expert in financing companies through loan and bond financings and I am an expert in the due diligence process of making such extensions of credit.

**Case Possibilities**

(1)Case Study-Gaming Industry

-Poor diligence by Agent Bank

-Misleading and incomplete presentation by Agent Bank

-Financing poorly structured

-Decisions made by investors based on reputation/optics, not facts

(2)Foreign Banks in US

-Treatment of US employees vs. the treatment of home employees (this is also true of regional banks with offices in New York)

-Lack of understanding or disregard of US customs, rules and regulations

-Over reliance on credit ratings

(3)International Banking

-Understanding and knowledge of particular countries and regions including Scandinavian countries, Greece, Latin America, etc.

-Understanding of basic elements of trade finance and trade finance instruments

(4) Overall banking knowledge

-Knowledge of how to organize and run a bank and various departments including lending and credit departments