

1 Q Okay. And with regard to the federal taxes, they were  
2 current taxes that hadn't been paid?

3 A Well, 941's, he said, for three -- about three weeks.

4 Of course, 941's are the payroll taxes.

5 Q Okay. Were you comfortable with that or did you --

6 A No.

7 Q Okay. What did you ask him to do?

8 A I told him that the bank had to know exactly what his  
9 tax liability was.

10 We had filed with IRS Form 8821, which is the  
11 form that the bank's customers authorize IRS to notify us  
12 if there are any discrepancies --

13 Q Uh-huh.

14 A -- or, really, about anything with taxes, even  
15 overpayments, whatever.

16 We had not received any response from IRS on that,  
17 so I was very baffled when I learned that taxes were in  
18 arrears.

19 Q Okay.

20 A So I told him I had to know the exact amount.

21 Q Is that something Mr. Agnew would have had to sign on  
22 behalf of the bank for you to get that information?

23 A Yes, he -- the customer has to sign it in order for IRS  
24 to be authorized to release that information to us.

25 Q Okay. So how did you leave it with him -- and I'll get

1 back to the meeting again later -- but how did you leave it  
2 with him about getting a better handle on the taxes?

3 A That he was going to call me later that afternoon to give  
4 me the exact amount.

5 Again, this was a Friday and they needed to have  
6 funding for payroll, and I told him that we could not fund  
7 anything without knowing what the tax situation was.

8 Q Okay. And did he call you back as promised?

9 A Yes, he did.

10 Q And what did he tell you?

11 A He told me that he had been a little mistaken about the  
12 tax liability, that it was more in the two hundred and fifty  
13 to three hundred thousand-dollar range in federal taxes.  
14 He again stated that the state taxes were paid current.

15 Q Okay. Did you question him why there was such a  
16 discrepancy about what he told you that morning and what he  
17 was telling you that afternoon?

18 A Yes.

19 Q What did he say?

20 A He really had just a vague response. It was --

21 Q Now, later on, sometime in the latter part of July,  
22 you learned of a pending IRS lien?

23 A That's correct.

24 Q And what did you learn that amount was?

25 A Seven hundred thousand -- I think it was like 725,000.

1 It was over \$700,000.00.

2 Q And was it for current taxes or back taxes?

3 A Back taxes.

4 Q Why didn't you receive anything from the IRS on your  
5 8821 that you had filed?

6 A That's a question that we asked immediately. We learned  
7 from IRS and also from --

8 MR. BROCCOLETTI: Objection, if they learned  
9 something from IRS.

10 THE COURT: Sustained.

11 BY MR. HAYNIE:

12 Q Is it fair to say you never received anything from the  
13 IRS in response to your filing of the 8821?

14 A That's correct.

15 Q Okay. Going back to the meeting now, I assume the tax  
16 provisions or tax warranties were removed from the document?

17 A Yes. Mr. Williams asked if we would remove that from  
18 the document before Mr. Agnew signed, which we did.

19 Q I show you -- could you look at 20V.

20 A Defense or prosecution?

21 Q Prosecution.

22 A I have defense here, so --

23 Q Okay. Now, was that the original title of the document?

24 A Would you tell me the number again, please?

25 Q 20V.

Tuesday, May 28, 2002, 11:41am

REQUESTOR: 24976804  
ARCHIVE TRANSCRIPT HISTORY

SE TIN: 54-1386349

CASE NAME: AGM DEVELOPMENT CORP

ACT DT: 06/29/1999 SYS DT: 06/29/1999 CONTACT: PHONE CREATE ID: 54011203  
GENERAL HISTORY TP/POA CONTACT

## TP/POA CONTACT

RESULTS: TC from Mr. Agnew. Requested appt to come to office this morning. He will come in at 9:30 a.m. Will advise him again of NFTL and his appeal rights. Will also issue L1058 and recommend monthly filing. Acct is L coded on IDRS.

ACTION DATE: 06/29/1999 CREATE ID: 54011203  
SYSTEMIC HISTORY: FORMS/CORRESPONDENCE

LETTER 1058 GENERATED TO:  
AGM DEVELOPMENT CORP  
5596 GREENWICH RD  
VIRGINIA BEACH, VA 23462-6543960  
INCLUDED MODS: 01/199809 01/199812

L937 SENT TO:  
RESOURCE BANK

DT: 06/29/1999 SYS DT: 06/29/1999 CONTACT: OFFICE CREATE ID: 54011203  
GENERAL HISTORY TP/POA CONTACT DEADLINE GIVEN

## TP/POA CONTACT

RESULTS: Mr. Agnew in office. DFP of ftds for May and June. Mr. Agnew said he was unable to make the ftds. Stated he has been trying to collect accts rec in order to catch up on ftds. Reminded him that he promised to catch up on ftds by 6/25 and failed to do so.

He said he can pay appx \$170K this week towards May's ftds and can pay June's ftds by 7/15. Stated he expects to average \$1.2M to \$1.3M in each of the next three months and should net appx 1/4 to 1/2 of this amt. He requested agreement to pay \$60K per month in July and August and then \$125 per month thereafter until the tax is paid in full. Questioned him why only \$60K to IRS and he said he doesn't want to cut the cash flow too short.

Provided L1058, Pub 594, Pub 1660 and F12153 and explained appeal rights. Also provided letter advising that beginning in July 1999 corp must file F941Ms. Advised of prompt assmt of 941Ms if ftds not made as required. Offered to meet with his bookkeeper and explain to her the 941M requirements.

Advised Mr. Agnew since the corp has pyramided, the lien will be filed. He

## M E M O R A N D U M

TO: Mike Agnew, President, AGM Development Corporation

FROM: M. E. Smith, SVP *MS*

DATE: July 14, 1999

SUBJECT: Discussion Items

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I am sorry that we have had to play "telephone tag" today. And now I assume you are meeting with Don Britt. Therefore, I decided to send this memo concerning some items we need to discuss.

1. What is status of collection of retainage and CFM payments. Understood that payments this week would be significant. Prompt collection this week is of utmost importance.
2. Please contact Chris at Face International and request that she provide Face's 12/31/98 audited financial statement and the latest interim statement she has available. Also, we never received the prospectus for the last private offering (350M shares @ \$9/share), so ask that she send you that with the statements. In addition, ask her about availability of list of shareholders interested in purchasing stock. In the various newsletters, it is indicated that this information is available to shareholders. And if you have any newsletters which have not been sent to the Bank, please get those to us.
3. Possible contact with Bob Lewis.
4. Delivery of the items required in the Loan Agreement.
5. Status of IRS unpaid taxes. We received the enclosed notice from the IRS. Is this the amount now owing from the original \$300M or is this different situation?
6. Status of talks with prospective investors.

Please let me hear from you ASAP.

*Face 7/14/99 @ 3:30 p.m. apx.*

D 30014