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CURRICULUM VITAE

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Stuart H. Harden, CPA/CFF, CFE

Profile

Stuart ("Stu") Harden is a partner in the Forensic and Financial Consulting Services Group. He maintains offices in San Francisco and Fresno.

Stu was an auditor for more than 30 years providing services to clients in, among others, the advertising, agricultural, banking, construction, franchising, gaming, governmental, health-care, leasing, manufacturing, not-for-profit, real estate, retail sales, and wholesale industries. Beginning in the mid -1980s, and full time since joining Hemming Morse in 2001, he has been involved in litigation and forensic services regarding a broad range of issues including accountants' professional liability, business valuations, class actions, contract disputes, derivatives and hedging, employment claims, environmental claims, fraud investigations, insurance claims, revenue recognition, securitizations and taxes.

Stu has served as the chief investigator for State Boards of Accountancy in California (County of Orange) and Texas (Enron). He has also assisted the Internal Revenue Service in major investigations, and has provided testimony before the Tax Court. He has been qualified to testify in numerous venues including state and circuit courts in California, Oregon and Nevada, and federal courts in California and Nevada. He has also testified in numerous arbitrations including an ICC arbitration in Vienna, Austria.

He has provided extensive services to the accounting and auditing profession including an active role in standard setting. He was a continuous member of the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board from 2001-2014, which establishes accounting standards in the U.S. He has also been a member of the Auditing Standards Board, which establishes auditing standards, and the Financial Reporting Executive Committee of the AICPA (formerly AcSEC), which establishes accounting guidance.

Stu and his wife Diana reside in Clovis, Alameda and Shaver Lake and have two adult sons. His activities include golfing, sailing, swimming, and watching his grandchildren grow up.



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Stuart H. Harden, CPA/CFF, CFE

Employment & Education

- | | |
|----------------|--|
| 2001 – Present | <p>Hemming Morse, LLP
<i>Certified Public Accountants,
Forensic and Financial Consultants</i>
Partner, Forensic and Financial Consulting Services Group</p> |
| 1985 – 2001 | <p>Silva Harden & Adolph, AC
Co-Founder and Director</p> |
| 1969 – 1985 | <p>Fox & Company
Partner</p> |
| 1971 | <p>Wichita State University, Kansas
Bachelor of Business Administration</p> |

Professional & Service Affiliations

- **Certified Public Accountant, State of California**
- **Certified Public Accountant, State of New York**
- **Financial Accounting Standards Board**
Emerging Issues Task Force, 2001-2014
- **American Institute of Certified Public Accountants**
Member – Forensic and Valuation Services Section
Certified in Financial Forensics
Financial Accounting and Reporting Subcommittee,
Examinations Division, 1997-2000

Technical Issues Committee, 1995-1998
– Chair, Zone on Financial Reporting Standards

Accounting Standards Executive Committee,
1987-1988; 1991-1995
– Chair, Limited Liability Companies Task Force
– Member, Planning Subcommittee

Auditing Standards Board, 1988-1991
– Member, Planning Committee
– Member, Task Force on Litigation Services
– Member, Task Force on Consideration of
Internal Audit
- Member, Task Force on Relations with Accounting
Standard Setters
- Member, Task Force on GAAP Hierarchy

AICPA Trial Board (Region I - California), 1988
- **California Society of Certified Public Accountants**
Accounting Principles and Assurance Services
Committee
– Member, 1981-present
– Chair, 1985-1987

Forensic and Valuation Services Section
– Steering Committee, 1995-1997
– Economic Damages and Fraud Sections, member

Editorial Advisory Board for California CPA publication

Accounting Principles and Assurance Services
Committee, local chapter
– Chair, 1999-2001, 1982-1984

Forensic Services Committee, local chapter
– Chair, 1995-1997

Ethics Committee, local chapter
– Chair, 1984-1986



Stuart H. Harden, CPA/CFF, CFE

Professional & Service Affiliations continued

- **Association of Certified Fraud Examiners**
Certified Fraud Examiner
- **Beta Gamma Sigma**, honorary member

Presentations & Seminars

- **AICPA Forensic & Valuation Services Conference**,
Speaker
- **Association of Business Trial Lawyers
Annual Seminar**, Panel Member
- **State Association of County Auditors 103rd
Conference**, Speaker
- **Barristers Club of San Francisco**
Presenter
- **Fox & Company**
Instructor, National Audit Training Program,
1979-1983
Course Manager, 1980-1983
- **California State University, Fresno**
 - Instructor, Certificate Award in Nonprofit Leadership
and Management, 1999-2001
 - Lecturer, Forensic accounting classes
- **National Accounting and Auditing Advanced
Technical Symposium**, Speaker
- **State Bar of California** - Litigation Section Speaker,
Annual Trial Symposium & Retreat
- **National Governmental Accounting and Auditing
Conference**, Speaker
- **National Industry Conference**, Speaker
- **AICPA Annual Meeting**, Speaker
- **American Bar Association Annual Meeting**,
Speaker
- **University of Southern California / SEC**
Participant, Roundtable Discussion on The Report of
the AICPA Special Committee on Financial Reporting



Stuart H. Harden, CPA/CFP, CFE

Selected engagement experience

Regulatory

Mr. Harden testified in a series of cases for the State of California wherein he provided to the courts a description of the nature of and accounting for various financial instruments including futures and forward contracts and repurchase agreements. He also testified regarding the nature of and accounting for hedging activities using financial instruments. His testimony was used by the courts in interpreting how certain transactions impact state income tax apportionment.

Mr. Harden served as the chief investigator for the California Board of Accountancy in the Board's investigation of Orange County following bankruptcy. The investigation spanned five years during which Mr. Harden and his staff reviewed thousands of documents, conducted numerous public hearings, and wrote a comprehensive report. Based upon his report the Board sought sanctions against several individual respondents and the audit firm. After a regulatory hearing, during which Mr. Harden testified for over twenty days, sanctions were brought against certain of the respondents.

Mr. Harden served as the chief investigator for the Texas State Board of Accountancy in the Board's investigation of Enron. Mr. Harden was specifically asked to review documents and testimony regarding the "Chewbacca" transactions and provide to the court his views on the accounting and auditing issues. After a regulatory hearing, during which Mr. Harden testified, sanctions were brought against certain of the respondents.

At the request of the California Board of Accountancy, Mr. Harden monitored a major accounting firm's compliance with certain sanctions. Monitoring activities included extensive interviews of persons in the firm responsible for quality control and a comprehensive review of numerous quality control policies and procedures. Mr. Harden

ultimately prepared a comprehensive report to the Board regarding the firm's compliance with sanctions and other agreed-upon conditions of settlement.

Mr. Harden testified in Tax Court for the IRS regarding the nature of and accounting for the sale by a corporate taxpayer of a major subsidiary. In his testimony he explained how the complex transactions are described in the taxpayer's financial statements. Following the trial, the court found in its published decision (*Tribune Company v. Commissioner*) that the taxpayer had inappropriately characterized the transaction as a tax-free reorganization and determined a tax deficiency of over \$550 million.

Mr. Harden served as a consultant to the IRS in its investigation of the transfer pricing practices of a major pharmaceutical company. During the investigation, he and his staff reviewed thousands of documents and prepared numerous analyses of inventory transfers and other inter-company transactions. The IRS ultimately settled with the taxpayer for a payment of approximately \$3.4 billion.

Economic Damages

Mr. Harden testified regarding damages in a class action trial (*Massoyan, et al. v. HL Leasing, Inc., et al.*) that resulted in a directed verdict for \$114.5 million against three corporate defendants, and a jury verdict of \$47.22 million against two former corporate officers. The case involved an alleged Ponzi scheme operated by the leasing company.

Mr. Harden testified regarding damages in a breach of lease action. His analysis included a quantification of unpaid rents, and quantification of the impacts of mitigation efforts. The trial resulted in a jury verdict of \$3.7 million based on Mr. Harden's testimony.



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Selected engagement experience continued

Mr. Harden testified regarding damages in a breach of contract action. His analysis included the determination of EBITDA (earnings before income taxes, depreciation and amortization) of a sold enterprise and the resulting additional compensation due the seller as a result. In calculating EBITDA Mr. Harden reversed several adjustments made by the buyer that had resulted in a reduction in earnings but that were not in accordance with GAAP (generally accepted accounting principles). At the arbitration the seller was awarded several million dollars in additional compensation.

Mr. Harden was requested to determine damages relating to the alleged violations of a patented process to improve the use of dental implants. His evaluation included an assessment of both loss of income and reasonable royalty approaches. His report served as a basis in settlement of claims.

Mr. Harden was requested to determine damages relating to the alleged violation of a trademark used in stone fruit marketing. His evaluation included an assessment of both loss of income and ill-gotten gains.

Employment Law

Mr. Harden served as a consultant and expert witness for a major insurance company that had been sued by a former independent contractor claiming that he should have been treated as an employee. Mr. Harden and his staff prepared extensive analyses of the former independent contractor's time records, expense documents and other financial records. He also prepared a detailed analysis of the various factors considered by the courts in making decisions regarding employment status. The trial, at which both Mr. Harden and one of his partners testified, resulted in a verdict in favor of the company.

Alter Ego

Mr. Harden testified regarding the accounting aspects of various alter ego factors considered by the courts. In his testimony he discussed the need for capital by a commodity broker and the nature of and accounting for forward contracts. At the conclusion of the trial, the court found that the commodity broker was separate and apart from its owners. In its decision, the court referred to Mr. Harden's testimony regarding the nature of forward contracts and the sufficiency of capital.

Professional Liability

Mr. Harden testified regarding the standard of care for auditors of a financial institution that was involved primarily in holding deposits and issuing credit cards. Mr. Harden and his staff reviewed thousands of documents and pages of audit working papers, in addition to testimony, in an effort to determine whether the auditor had failed in its responsibilities to comply with generally accepted auditing standards (GAAS). Ultimately the arbitration panel concluded that the auditor failed in its responsibilities consistent with Mr. Harden's opinions.

Mr. Harden testified regarding the standard of care for auditors of a hospital which had alleged that a fraud had gone undiscovered by its auditors. At the trial, Mr. Harden explained the nature of an audit and the alleged fraud and how the auditor had met its responsibilities. Ultimately the jury found that a fraud had not occurred and the auditors had met their professional responsibilities consistent with Mr. Harden's opinions.



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Selected engagement experience continued

Mr. Harden consulted with counsel for a major investor in mortgage debt and issuer of mortgage-backed securities in their action against its former auditor. Consultation included an assessment of the adequacy of accounting principles developed by the company and approved by the auditor for hedging activities. In addition, he and his staff evaluated the adequacy of the auditor's compliance to GAAS, which included the culling and review of documents from a data base consisting of millions of documents. Mr. Harden was also asked to evaluate the company's estimates of damages, which were in billions of dollars.

Mr. Harden testified in a matter against a major accounting firm that had conducted review procedures on an entity prior to its merger with another entity. His work included an evaluation of review working papers and other documents to determine whether or not facts had come to the attention of the accountant that should have impacted their report. As a result of his testimony the jury concluded that the accounting firm had not met its professional responsibilities.

Agribusiness Related

Mr. Harden was requested by the Saudi Royal Family to assist in developing accounting systems for tree fruit operations in Tabuk, Saudi Arabia. Using accounting principles applied in the United States he wrote procedure manuals to be utilized in financial accounting and reporting. The operations were massive in scope including citrus and stone fruit. He was also consulted in the development of internal controls over financial reporting.

Mr. Harden has assisted in loss determinations for a variety of crop and harvested inventory losses due to negligence, breach of contract, weather, flooding and fire. Many of these determinations were made under the provisions of insurance contracts. Crops include citrus, stone fruit,

grapes, apples, kiwi, vegetables, cotton and nuts. In evaluating such losses he and his staff have developed proven techniques for evaluating historical crop data and industry research.

Mr. Harden consulted with counsel regarding loss of income to a dairy resulting from alleged construction defects. His analysis considered disruption to the lactation cycle of the herd and relied on an extensive evaluation of production and marketing records.

Mr. Harden has been involved in numerous matters regarding alleged fraud and misappropriation of assets claims among co-owners of agricultural properties, including production farms, dairies, packing houses and raw land developments. These engagements generally have involved a variety of services including asset tracing, comparison of production results to industry statistics and standards, review of intercompany and shareholder/partner transactions for economic substance, consistency of reporting to all relevant parties and other analytical and investigative procedures.

Business Valuation

Mr. Harden was requested to value a major Yellow Pages operation. His assignment included a detailed evaluation of both print and on-line operations and trends in business.

Mr. Harden has consulted in a series of cases involving the determination of real and present harm to automobile dealers and ethanol producers resulting from enacted greenhouse gas regulations. Such consultation included measurement of impairment in business value resulting from the enactment of such regulations and the filing of reports with the courts regarding his findings.



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Selected engagement experience continued

Mr. Harden has consulted with counsel regarding the contract value of various allegedly breached contracts including an exclusive arrangement for construction of school buildings, an exclusive agreement to supply material to a recycler, an exclusive right to provide machinery enhancements, the exclusive right of a physicians group to provide services and others.

Fraud and Other Criminal Matters

Mr. Harden testified on behalf of the U.S. Attorney in an action against a chemical company that was an alleged manufacturer of methamphetamine. In his testimony he provided an analysis of cash transactions to purchase certain chemicals and an analysis of the inconsistency between the reported earnings of the business and assets controlled by its stockholder. The jury found the company guilty of violation of federal laws.

Mr. Harden assisted the District Attorney in an investigation into the misuse of public funds by a youth services company and its owners. After a jury trial, in which Mr. Harden explained the nature of the allegedly fraudulent activity, the jury found the defendants guilty.

Internal Investigations

Mr. Harden assisted counsel for management of a world-wide automobile manufacturer with an internal investigation prompted by inquiries from the U.S. Securities and Exchange Commission (SEC). The inquiries dealt with accounting for a corporate spin-off and related issues such as allocation of accrued warranty and other liabilities. Based on responses by management developed from the investigation no regulatory action was initiated by the SEC.

Mr. Harden assisted management of a solar power plant manufacturer with responses to SEC inquiries regarding the complex accounting for variable interest entities (VIEs). Based on responses by management developed with Mr. Harden's assistance the company's accounting for transactions involving VIEs was not challenged.