

**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

	X	
BRIAN HUNTER,	:	
	:	
Plaintiff,	:	
	:	07 Civ. 1307 (RJL)
v.	:	
	:	
	:	
FEDERAL ENERGY REGULATORY	:	DECLARATION OF
COMMISSION,	:	SHONDELL SABAD IN
	:	SUPPORT OF PLAINTIFF’S
	:	MOTION FOR A
	:	PRELIMINARY
	:	INJUNCTION AND
	:	<u>DECLARATORY RELIEF</u>
	:	
Defendant.	:	
	X	

**DECLARATION OF SHONDELL SABAD IN SUPPORT OF PLAINTIFF’S MOTION
FOR A PRELIMINARY INJUNCTION AND DECLARATORY RELIEF**

I, Shondell Sabad, declare as follows:

1. I am the Chief Operating Officer of Solengo Capital Advisors, ULC, a company registered under the laws of the Province of Alberta, Canada (“Alberta”).
2. I have spent over 10 years in the energy derivatives industry, most recently at TD Securities, where I was a Vice President and Director. I have also been employed by a number of other leading firms, including Shell Canada, TransCanada Energy, and Sempra Energy Trading. I hold a Bachelor’s of Commerce degree in Finance, and I am a Chartered Financial Analyst (“CFA”) charter holder. I am also a past president of the Calgary CFA society.

3. Solengo Capital Advisors currently has 11 employees, and maintains offices in Calgary, Alberta (“Calgary”), and Greenwich, Connecticut (“Greenwich”). In addition to myself and Brian Hunter, Solengo Capital Advisors currently employs three Portfolio Managers, a Head of Systems Engineering, a Director of Operations, a Director of Tax and Accounting, a Quantitative Analyst, a Director of Marketing and an individual in charge of Information Technology.
4. The employees of Solengo Capital Advisors have extensive educational and professional experience. Over five employees have undergraduate degrees specifically in quantitative fields, at least two employees have done advanced graduate work in quantitative fields, and six employees have at least 10 or more years of experience in the commodity derivatives trading industry. All of its employees have extensive professional experience in this field.
5. All of us have made a significant, long-term financial and personal investment in Solengo Capital Advisors over the past several months. I personally have chosen to forego the higher immediate salary I would be earning with my previous employers in favor of the longer-dated, but higher return I anticipate earning from Solengo. I believe the other employees have made similar short-term sacrifices in anticipation of long-term gains.
6. In Calgary, Solengo Capital Advisors leases approximately 2,500 square feet of office space, where eight to ten employees currently work. Solengo Capital Advisors has a five-year lease with monthly rent of \$13,255.00 (Canadian Dollars).

7. The main part of the office is set up as a traditional trading floor, with 10 workstations. Each workstation is equipped with a state-of-the-art computer and 4 monitors.
8. In addition, the trading floor is equipped with 4 television screens, in order for the employees of Solengo Capital Advisors to be able to monitor financial news developments in real-time. Solengo Capital Advisors also subscribes to various internet news feeds, including Bloomberg and Reuters at a cost of approximately US \$7,000 per month.
9. The Calgary office of Solengo Capital Advisors also has a conference room, a client seating area with 4 sofa chairs and small tables, and a fully functional kitchen. The Calgary office also houses the server of Solengo Capital Advisors.
10. In Greenwich, Connecticut, Solengo Capital Advisors through an affiliated entity leases three desk spaces at a cost of US \$2,300 per month per desk.
11. Even apart from its investment advisory business that is being developed, Solengo Capital Advisors has and continues to conduct various valuable business projects.
12. One significant project within Solengo Capital Advisors has been research and analysis of investment opportunities. In the commodity derivatives trading business, the process of identifying investment opportunities and developing proprietary trading strategies is an important responsibility of specific traders who can execute particular, unique investment strategies.
13. Our business model is based on our ability to attract and retain the best possible traders for each of the trading strategies that we plan to pursue, including trading in natural gas derivatives, liquid natural gas, metals, crude oil, and private equity.

14. Solengo Capital Advisors has already hired several portfolio managers who are considered to be “best in class.” We are currently negotiating with a number of other prospective portfolio managers.
15. The process of recruiting such traders has been and is very time-intensive.
16. I would estimate that over 20% of my time is spent recruiting prospective portfolio managers.
17. As part of our efforts to attract and retain “best in class” prospective portfolio managers, I and others have worked to design a unique compensation structure that is specially designed to permit each portfolio manager maximum flexibility and represents a significant hiring advantage for Solengo Capital Advisors.
18. Another significant asset of Solengo Capital Advisors is its proprietary trading system, which consists of specialized and customized computer hardware and software for use in commodity derivative trading operations. Over the past six months, Solengo Capital Advisors and, in particular, our Head of Systems Engineering, has developed a number of proprietary trading and risk management systems.
19. Each type of commodity derivative that Solengo Capital Advisors intends to trade has unique and specific features, both in terms of the types of instruments developed to trade in that derivative and in terms of the unique rules that govern trading in that derivative. Due to the complexity of commodity markets, trade systems are difficult and complex. As a result there are very few good trade capture systems publicly available. Solengo Capital Advisors has incurred considerable time and expense to

develop our own trade capture system designed specifically for commodity trading.

We believe this provides Solengo Capital Advisors with a competitive advantage.

20. As a result, because of the complex nature of the trading that is the focus of Solengo Capital Advisors, these proprietary trading systems may not be purchased “off-the-shelf,” and therefore have been developed from the ground up by Solengo Capital Advisors to suit the specific needs of commodity derivatives trading by the specific individuals at Solengo Capital Advisors.
21. Solengo Capital Advisors’ Head of Systems Engineering, assisted by our Director of Operations, has been working on programming code for our proprietary trading systems since the beginning of the year, typically working over 12 hours per day, totaling numerous hours of effort by two highly qualified professionals and costing more than US \$600,000 thus far to design and implement. If Solengo Capital Advisors were to disintegrate, these unique systems would lose their primary value.
22. As a baseline comparison figure, a standard “off-the-shelf” trading system costs between US \$5-10 million to purchase and another US \$4-5 million to alter appropriately, plus yearly upkeep costs of over \$1 million.
23. This proprietary trading system will allow the portfolio managers of Solengo Capital Advisors to record their trades (often totaling in the thousands per day per trader) and then to break them down by type of instrument traded, the exchange used for trading, the settlement period for the underlying futures product and the future delivery point of that product.

24. The system is designed to provide reports to the portfolio managers and risk management personnel of Solengo Capital Advisors in order to analyze and re-calibrate their trading.
25. If Solengo Capital Advisors were to disintegrate at this time, literally hundreds of hours of man-hours spent creating unique, highly specialized proprietary systems, as well as many hundreds more man-hours spent recruiting and amassing uniquely talented professionals would be wasted along with valuable intellectual property, as would the lost opportunity of these professionals who could have devoted efforts toward other endeavors but chose to invest their time and efforts in Solengo Capital Advisors.
26. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and accurate to the best of my knowledge and belief.



Shondell Sabad

Dated: Calgary, Alberta, Canada
August 3, 2007