

1 UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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3 UNITED STATES OF AMERICA,

4 Plaintiff,

5 -against-

6 NANCY SALZMAN,

7 Defendant.

18-CR-204 (NGG)

United States Courthouse
Brooklyn, New York

March 13, 2019
3:00 p.m.

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9 TRANSCRIPT OF CRIMINAL CAUSE FOR PLEADING
10 BEFORE THE HONORABLE NICHOLAS G. GARAUFIS
UNITED STATES SENIOR DISTRICT JUDGE

11 APPEARANCES:

12 For the Government:

UNITED STATES ATTORNEY'S OFFICE
Eastern District of New York
271 Cadman Plaza East
Brooklyn, New York 11201
BY: MOIRA KIM PENZA, AUSA
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MARK LESKO, AUSA
KEVIN TROWEL, AUSA
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17 For the Defendant:

18 ROTHMAN, SCHNEIDER, SOLOWAY & STERN,
LLP
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BY: DAVID STERN, ESQ.
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24 Proceedings recorded by mechanical stenography. Transcript
25 produced by computer-aided transcription.

1 THE COURTROOM DEPUTY: All rise.

2 THE COURT: Please be seated in the back.

3 THE COURTROOM DEPUTY: Criminal cause for plea.
4 Counsel, please step forward.

5 MR. STERN: With our client, Your Honor?

6 THE COURT: Yes, please.

7 THE COURTROOM DEPUTY: Please state your appearances
8 for the record.

9 MS. PENZA: Good afternoon, Your Honor. Moira Penza
10 and Tanya Hajjar for the United States. Also at counsel table
11 are Mark Lesko, Kevin Trowel and Karin Orenstein.

12 THE COURT: Good afternoon.

13 MS. HAJJAR: Good afternoon.

14 MR. STERN: Good afternoon. David Stern and Robert
15 Soloway for Ms. Salzman.

16 THE COURT: Mr. Stern, I understand that your client
17 wishes to withdraw her previously entered plea of not guilty
18 to Count One of the superseding indictment, S-1 in 18-CR-204
19 and to enter a plea of guilty without an agreement.

20 MR. STERN: That is her wish.

21 THE COURT: All right. Ms. Salzman, your attorney
22 advises me that you wish to plead guilty to Count One of the
23 superseding indictment in which you are charged. This is a
24 serious decision and I must be certain that you make it with a
25 full understanding of your rights and the consequences of your

1 plea. I am going to explain certain rights to you and then
2 ask you questions. I want your answers to be under oath. The
3 deputy clerk will swear you in.

4 (The defendant was sworn/affirmed.)

5 THE DEFENDANT: I do.

6 THE COURTROOM DEPUTY: Thank you.

7 THE COURT: Ms. Salzman, you understand that having
8 been sworn to tell the truth you must do so. If you were to
9 deliberately lie in response to any question I ask you, you
10 could face further criminal charges for perjury.

11 Do you understand that?

12 THE DEFENDANT: Yes, I do, Your Honor.

13 THE COURT: If I say anything that you do not
14 understand or if you need me to repeat anything, just ask. It
15 is important that you understand everything that goes on in
16 these proceedings. Is that clear?

17 THE DEFENDANT: Yes, sir.

18 THE COURT: Also, if at any point you wish to
19 consult with your attorneys before we proceed further, just
20 let me know and we'll give you the opportunity to do so.
21 We're in no hurry here and I really do want to make sure that
22 you understand everything that's happening.

23 THE DEFENDANT: Thank you, Your Honor.

24 THE COURT: All right.

25 Ms. Salzman, how old are you?

1 THE DEFENDANT: Sixty-four years old.

2 THE COURT: And how far did you go in school?

3 THE DEFENDANT: I have an associates degree and I'm
4 a registered nurse. I went to nursing school.

5 THE COURT: I see. Where were you born?

6 THE DEFENDANT: Newark, New Jersey.

7 THE COURT: Oh, Newark. You're a U.S. citizen by
8 birth.

9 THE DEFENDANT: Yes, I am.

10 THE COURT: Is English your primary language?

11 THE DEFENDANT: Yes, it is, Your Honor.

12 THE COURT: Mr. Stern, have you had any difficulty
13 communicating with your client in English?

14 MR. STERN: None whatsoever.

15 THE COURT: Ms. Salzman, I must be certain that
16 whatever decision you make today you make with a clear head,
17 so I'm going to ask you some questions about your health.

18 Are you currently or have you recently been under
19 the care of a doctor or a psychiatrist for any reason?

20 THE DEFENDANT: A doctor but not a psychiatrist.

21 THE COURT: And is this in connection with an
22 illness that you've had over a period of time recently?

23 THE DEFENDANT: Yes, it is, Your Honor.

24 THE COURT: And in the past 24 hours, have you taken
25 any pills or drugs or medicine of any kind?

1 THE DEFENDANT: Yes, I have, Your Honor.

2 THE COURT: And does the medicine that you're
3 taking, does that affect your ability to think or reason or
4 understand what people are saying to you?

5 THE DEFENDANT: No, it doesn't, not in any way, Your
6 Honor.

7 THE COURT: In the past 24 hours, have you drunk any
8 alcoholic beverages?

9 THE DEFENDANT: I had a glass of wine last night.

10 THE COURT: One glass?

11 Okay, one glass. The defendant put up her finger
12 for one.

13 THE DEFENDANT: One glass.

14 THE COURT: You have to say.

15 THE DEFENDANT: One glass of wine, Your Honor.

16 THE COURT: All right. Thank you.

17 Have you ever been hospitalized or treated for any
18 drug-related problem?

19 THE DEFENDANT: No, Your Honor.

20 THE COURT: Is your mind clear as you stand here
21 today?

22 THE DEFENDANT: Yes, it is, Your Honor.

23 THE COURT: Do you understand everything being said
24 to you?

25 THE DEFENDANT: Yes, I do.

1 THE COURT: Mr. Stern, have you discussed the
2 question of a guilty plea with your client?

3 MR. STERN: I have.

4 THE COURT: In your view, does she understand the
5 rights she would be waiving by pleading guilty?

6 MR. STERN: I think she understands them very well.

7 THE COURT: Do you have any question as to your
8 client's competence to proceed today?

9 MR. STERN: None. She is fully competent.

10 THE COURT: Ms. Salzman, you have a right to be
11 represented by counsel at trial and at every other stage of
12 the proceedings in this case.

13 Do you understand that?

14 THE DEFENDANT: Yes, I do.

15 THE COURT: If at any time in the future it becomes
16 necessary to do so, the Court will appoint counsel for you.

17 Do you understand that?

18 THE DEFENDANT: Yes, I do, Your Honor.

19 THE COURT: Ms. Salzman, are you satisfied with the
20 assistance that your attorneys have given you thus far in this
21 matter?

22 THE DEFENDANT: I am, yes.

23 THE COURT: Do you feel you need any more time to
24 discuss with them the question of a guilty plea?

25 THE DEFENDANT: I don't think so.

1 THE COURT: Now you are charged in the superseding
2 indictment, have you read the superseding indictment?

3 THE DEFENDANT: Yes, I have, Your Honor.

4 THE COURT: Have you discussed it with your
5 attorneys?

6 THE DEFENDANT: Yes, I have.

7 THE COURT: Have they answered all your questions
8 about it?

9 THE DEFENDANT: Yes, they have.

10 THE COURT: Do you believe you understand the nature
11 of the charges in the indictment that relate to you?

12 THE DEFENDANT: Yes, I do.

13 THE COURT: Well, you are charged in this indictment
14 with participating in an enterprise, as a member of the
15 enterprise and the president of NXIVM.

16 Do you understand that?

17 THE DEFENDANT: Yes, I do, Your Honor.

18 THE COURT: Count One of the indictment in which you
19 are charged is -- it charges you with a racketeering
20 conspiracy in that you, along with others, being persons --
21 I'm going to read from paragraph 15 of the indictment, quote:

22 Being persons employed by and associated with the
23 enterprise, an enterprise that engaged in and the activities
24 of which affected interstate and foreign commerce, did
25 knowingly and intentionally conspire to violate Title 18

1 United States Code Section 1962(c), that is, to conduct and
2 participate directly and indirectly in the conduct of the
3 affairs of such enterprise through a pattern of racketeering
4 activity, as that term is defined in Title 18 United States
5 Code Section 961(1) and 961(5).

6 Do you understand -- have you discussed with your
7 attorneys what that means?

8 THE DEFENDANT: Yes, I have.

9 THE COURT: And do you have a basic understanding of
10 what you're charged with that I just read?

11 THE DEFENDANT: I think I have a basic
12 understanding.

13 THE COURT: Now in paragraph 16 of the indictment
14 the pattern of racketeering activity through which you and
15 others are alleged to have agreed in connection with that
16 conspiracy the indictment states, quote:

17 Each defendant agreed that a conspirator would
18 commit at least two acts of racketeering in the conduct of the
19 affairs of the enterprise, end quote.

20 So you are charged specifically with two
21 racketeering acts; isn't that right?

22 MS. PENZA: She is named in two racketeering acts,
23 Your Honor.

24 THE COURT: She's named.

25 MS. PENZA: Yes.

1 THE COURT: Named.

2 MS. PENZA: Yes, Your Honor.

3 THE COURT: As a co-conspirator in two racketeering
4 acts?

5 MS. PENZA: That's correct.

6 THE COURT: You understand that?

7 THE DEFENDANT: Yes, your Honor.

8 THE COURT: They are Racketeering Act 2, a
9 conspiracy to commit identity theft, and Racketeering Act 3, a
10 conspiracy to alter records for use in an official proceeding.

11 Do you understand that as well?

12 THE DEFENDANT: Yes, your Honor.

13 THE COURT: I'm going to ask the government to add
14 anything it wishes to add about the actual charges and also to
15 set forth the elements of the crimes that the government would
16 have to prove beyond a reasonable doubt and unanimously to a
17 jury in order to find the defendant guilty of Count One, the
18 conspiracy count.

19 MS. PENZA: Yes, Your Honor. So if we were to
20 proceed to trial we would -- the government would prove beyond
21 a reasonable doubt that, in or about and between 2003 and
22 March 2018, in the Eastern District and elsewhere, including
23 within Queens and Brooklyn, that an enterprise existed, and
24 here just to provide a factual proffer, that enterprise was a
25 group of individuals associated in fact and was an ongoing

1 organization that operated in the Eastern District of New York
2 and elsewhere, whose members functioned as a continuing unit
3 for the common purpose of achieving the objectives of the
4 enterprise, which included obtaining financial and personal
5 benefits for members of the enterprise by promoting Keith
6 Raniere and recruiting others into pyramid organizations he
7 created --

8 THE COURT: Slowly.

9 MS. PENZA: -- he created as alleged in the
10 indictment.

11 Second, we would prove that the enterprise or its
12 activities affected interstate or foreign commerce. Here, the
13 enterprise engaged in various types of conduct that affected
14 interstate and foreign commerce, including selling classes to
15 individuals in Brooklyn, Queens and other states, and outside
16 the United States that promoted Raniere's teachings, and
17 recruiting individuals who traveled in interstate commerce
18 from other states and countries to reach Albany, New York,
19 including through John F. Kennedy International Airport in
20 Queens to join the pyramid organizations as described in the
21 indictment.

22 Third, we would prove that the defendant was
23 associated with or employed by the enterprise.

24 And, finally, that the defendant agreed to
25 participate in the enterprise through a pattern of

1 racketeering activity with the knowledge and intent that she
2 or other co-conspirators would commit at least two predicate
3 acts in furtherance of the enterprise.

4 Among other things, the government would prove at
5 trial that Ms. Salzman agreed to commit Racketeering Acts 2-A
6 and 3, listed in the superseding indictment, specifically
7 conspiracy to commit identity theft as alleged in Racketeering
8 Act 2-A, and conspiracy to alter records for use in an
9 official proceeding as alleged in Racketeering Act 3.

10 Would you like me to discuss the specific
11 racketeering acts?

12 As to Racketeering Act 2-A, conspiracy to commit
13 identity theft, the government would prove at trial that in or
14 about and between August 2005 and November 2008, in the
15 Northern District of New York and elsewhere, the defendant
16 agreed with one or more persons to possess and use, without
17 lawful authority, and in and affecting interstate and foreign
18 commerce, one or more means of identification of one or more
19 persons by which -- and here, that she agreed to obtain the
20 user names and passwords for email accounts of various people
21 who were perceived to be enemies of the enterprise or NXIVM
22 using the Internet. And, second, that the defendant did so
23 with the intent to commit and to aid and abet and in
24 connection with the activity that constituted one or more
25 violations of federal law and there that she intended to use

1 the user names and passwords to unlawfully surveil the email
2 accounts of those enemies in violation of Title 18 United
3 States Code Section 2511 and Title 18 United States Code
4 Section 2701.

5 As to Racketeering Act 3, conspiracy to alter
6 records for use in an official proceeding. The government
7 would prove at trial that in or about and between
8 February 2008 and March 2015, in the District of New Jersey
9 and elsewhere, the defendant agreed with one or more persons
10 to corruptly alter, destroy, mutilate and conceal one or more
11 records, documents and other objects. Here, video recordings
12 of Nancy Salzman teaching NXIVM classes and that the defendant
13 did so with the intent to impair such object's integrity and
14 availability for use in an official proceeding, here so that
15 it would alter the tapes for use that were to be provided in
16 discovery in the NXIVM Corp. versus Ross Institute case.

17 THE COURT: Okay, Ms. Salzman, do you understand the
18 charge against you in Count One of the superseding indictment?

19 THE DEFENDANT: Yes, I do, Your Honor.

20 THE COURT: Do you understand the elements of the
21 crimes -- of the crime that the government would be required
22 to prove to a jury beyond a reasonable doubt and unanimously
23 in order to convict you if you decided to go to trial?

24 THE DEFENDANT: Yes, I do, Your Honor.

25 THE COURT: All right. Any questions so far?

1 THE DEFENDANT: No, thank you.

2 THE COURT: All right. You have the right to plead
3 not guilty to this charge. No one can be forced to plead
4 guilty.

5 Do you understand that?

6 THE DEFENDANT: Yes, your Honor.

7 THE COURT: If you did plead not guilty to the
8 charge or if in your case you persist in a plea of not guilty,
9 you have a right under the Constitution and the laws of the
10 United States to a speedy and public trial before a jury with
11 the assistance of your attorneys.

12 Do you understand that?

13 THE DEFENDANT: Yes.

14 THE COURT: At any trial you would be presumed to be
15 innocent. You would not have to prove that you were innocent.
16 This is because under our system of law it is the government
17 that must come forward with proof that establishes beyond a
18 reasonable doubt that you are guilty of the crime charged. If
19 the government failed to meet this burden of proof, the jury
20 would have the duty to find you not guilty.

21 Do you understand that?

22 THE DEFENDANT: Yes, I do.

23 THE COURT: In the course of a trial, witnesses for
24 the government would have to come here to Court and testify in
25 your presence. Your attorneys would have the right to cross

1 examine these witnesses. They could raise legal objections to
2 the evidence the government sought to offer against you, they
3 could offer evidence in your behalf and compel witnesses to
4 come to Court and testify if you or your attorneys thought
5 there was evidence that might help you in this case.

6 Do you understand that?

7 THE DEFENDANT: Yes.

8 THE COURT: At trial you would have the right to
9 testify in your own behalf if you wished to do so. On the
10 other hand, you could not be forced to be a witness at your
11 trial. This is because under the Constitution and the laws of
12 the United States no person can be compelled to be a witness
13 against herself. If you wish to go to trial but chose not to
14 testify, I would instruct the jury that they could not hold
15 that against you.

16 Do you understand that?

17 THE DEFENDANT: Yes.

18 THE COURT: Instead of going to trial you plead
19 guilty to the crime charged and if I accept your guilty plea,
20 you will be giving up your right to a trial and all the other
21 rights I've just discussed. There will be no trial in this
22 case as far as you are concerned. There will be no appeal on
23 the question of whether you did or did not commit this crime.
24 The only reason that you could appeal would be if you thought
25 I did not properly follow the law in sentencing you.

1 Otherwise, I will simply enter a judgment of guilty based upon
2 your plea of guilty.

3 Do you understand that?

4 THE DEFENDANT: Yes, I do.

5 THE COURT: If you do plead guilty, I will have to
6 ask you certain questions about what you did in order to
7 satisfy myself that you are guilty of the charge. You will
8 have to answer my questions and acknowledge your guilt. If
9 you do this, you will be giving up your right not to
10 incriminate yourself.

11 Do you understand that?

12 THE DEFENDANT: Yes, I do.

13 THE COURT: All right, Ms. Salzman, are you willing
14 to give up your right to a trial and all the other rights I
15 have just discussed with you?

16 THE DEFENDANT: I am, Your Honor.

17 THE COURT: In as much as there's no agreement
18 pursuant to which this plea is being offered, I'm going to go
19 over the sentencing issues in connection with this plea.

20 Have you received a copy of the plea penalty sheet?

21 MR. STERN: We have one, yes, Your Honor.

22 THE COURT: Have you gone over it --

23 MR. STERN: Yes, we have.

24 THE COURT: You have, Ms. Salzman? All right,
25 Mr. Stern.

1 Ms. Salzman, have you reviewed the plea penalty
2 sheet with your attorneys?

3 THE DEFENDANT: Yes, I have, Your Honor.

4 THE COURT: This was provided by the government --

5 MS. PENZA: Yes, Your Honor.

6 THE COURT: -- was it not?

7 So let me mark the plea penalty sheet as Court's
8 Exhibit Number 1. And go over with you the penalties that are
9 set forth on the sheet.

10 (Court Exhibit 1, was received in evidence.)

11 THE COURT: First of all, let me say that as the
12 sheet indicates, neither the government nor the Court is bound
13 by anything that's set forth and this is simply in the penalty
14 sheet, but this provides some guidance as to the general range
15 of penalties that may be imposed. And, of course, the Court
16 will be the final decision maker as to the actual penalties
17 after considering the Probation Department's submission to the
18 Court and the presentence investigation report. Your
19 attorneys will have the opportunity to file a presentencing
20 document as will the government and then the Court will make a
21 final decision as to the actual sentence.

22 THE DEFENDANT: Yes, I understand.

23 THE COURT: If you disagree with the Court, you'll
24 have a right to appeal the Court's decision as to the
25 sentence.

1 Do you understand that?

2 THE DEFENDANT: Yes. I do.

3 THE COURT: Let me go over the statutory penalties
4 that are associated with pleading guilty to 18 United States
5 Code Section 1962(d). The maximum term of imprisonment -- and
6 it's set forth, all this is in the penalty sheet, the maximum
7 term of imprisonment is 20 years, there is no minimum term of
8 imprisonment.

9 The maximum supervised release term is three years
10 and that would follow any term of imprisonment. If the
11 condition of release is violated, you could be sentenced up to
12 two years in jail without credit for the time you previously
13 served in jail or the time you previously served on supervised
14 release.

15 There's a maximum fine of greater of \$250,000 or
16 twice the gross profits or other proceeds of the enterprise.

17 Restitution is mandatory in the full amount of each
18 victims' losses as determined by the Court.

19 There's a 100-dollar special assessment, which is
20 also mandatory, and criminal forfeiture will be as determined
21 by the Court after a hearing.

22 The estimate that has been provided on this document
23 in terms of the sentencing guidelines, is that the base
24 offense level is a 19, there is a four-level enhancement for
25 aggravating role that the government is indicating and that's

1 of course -- all this is subject to the Court's review and
2 you'll have the opportunity to argue whether these numbers are
3 right or not before the Court makes any decision.

4 Do you understand that?

5 THE DEFENDANT: Yes.

6 THE COURT: So the base offense level is a 19,
7 there's a four-level enhancement for aggregating role and
8 there is a three-level reduction for timely acceptance of
9 responsibility and, therefore, the total offense level is a 20
10 and assuming you are in Criminal History Category I with no
11 prior felony convictions, the range of incarceration under the
12 guidelines is 33 to 41 months in the custody of the attorney
13 general.

14 That's the estimate that the government has made in
15 connection with this submission, correct?

16 MS. PENZA: That's correct, Your Honor.

17 THE COURT: You understand the government's
18 estimate?

19 THE DEFENDANT: I do, Your Honor.

20 THE COURT: All right.

21 Now, Mr. Stern, have you had the opportunity to
22 discuss the sentencing process with your client?

23 MR. STERN: We have, yes.

24 THE COURT: And have you answered Ms. Salzman's --
25 all of Ms. Salzman's questions about sentencing?

1 MR. STERN: As far as I know I've answered all your
2 questions?

3 THE DEFENDANT: Yes.

4 THE COURT: Has he answered all your questions?

5 THE DEFENDANT: All that I could think of. Thank
6 you.

7 THE COURT: If you have more you can always ask him
8 any time.

9 THE DEFENDANT: Yes.

10 THE COURT: So now I'm going to discuss sentencing
11 with you. Sentencing is somewhat complex but I'm going to try
12 to provide you with some of my insights on how sentencing
13 works. If you have any questions about sentencing you can
14 start by asking Mr. Soloway and Mr. Stern and at any time just
15 ask me to stop.

16 THE DEFENDANT: Okay.

17 THE COURT: Okay. In sentencing you I am required
18 to take into consideration a number of things about you and
19 about the crime to which you are pleading guilty. When I do
20 that I will be directed to a guideline that will provide a
21 sentencing range. I'm not required to sentence you within the
22 range provided by the guideline but I am required to carefully
23 consider the guideline recommendation, among other things, in
24 deciding what would constitute a reasonable sentence in your
25 case.

1 As I said previously, under the statute that we're
2 dealing with here, there's a maximum term of imprisonment of
3 20 years but there is no minimum term of imprisonment. It is
4 my experience that a sentence within the guideline range is
5 often reasonable and appropriate but this is not always the
6 case.

7 In determining an appropriate sentence for your
8 case, I will consider possible departures from that range
9 under the sentencing guidelines as well as other statutory
10 sentencing factors. I may ultimately decide to impose a
11 sentence that is more lenient or more severe than the one
12 recommended by the guidelines. If I do so, I will explain the
13 reasons for the sentence that I have selected.

14 Do you understand that?

15 THE DEFENDANT: Yes, I do.

16 THE COURT: Before I impose sentence I will receive
17 a report prepared by the Probation Department which will
18 calculate a particular guideline range. You and your
19 attorneys will have the opportunity to see that report. If
20 you think it is mistaken or incomplete in any way, you'll have
21 the opportunity to bring that to my attention.

22 You must understand that no one can make any promise
23 to you as to the sentence I will impose. Your attorneys or
24 the prosecutors may have made predictions to you and may make
25 recommendations to the Court concerning the sentence I should

1 impose and I will listen carefully to whatever they say, but
2 you must clearly understand that the final responsibility for
3 sentencing you is mine alone. While I may view this case
4 identically to the attorneys, I may also view the case
5 differently. If so, I may not impose the sentence that they
6 have predicted or recommended. Even if I sentence you
7 differently from what the attorneys or anyone else has
8 estimated or predicted, you would still be bound by your
9 guilty plea and you will not be allowed to withdraw it.

10 Do you understand that?

11 THE DEFENDANT: Yes, I do, Your Honor.

12 THE COURT: If after I impose sentence you or your
13 attorneys think that I have not properly followed the law in
14 sentencing you, you can appeal your sentence to the United
15 States Court of Appeals for the Second Circuit.

16 Do you understand that?

17 THE DEFENDANT: Yes, sir.

18 THE COURT: Do you have any questions you would like
19 to ask me about the charge, your rights, or anything else
20 related to this matter that may not be clear to you?

21 THE DEFENDANT: No, Your Honor.

22 THE COURT: Mr. Stern, is there anything you would
23 like me to discuss with your client in further detail before I
24 proceed to formal allocution?

25 MR. STERN: There is not. The only thing I would

1 like to add, if I may.

2 THE COURT: Sure.

3 MR. STERN: Is that we stipulate that the enterprise
4 you're going to hear Ms. Salzman talk about is the same as the
5 enterprise talked about in the indictment.

6 THE COURT: All right. Without going into any
7 detail about the enterprise, is that it?

8 MR. STERN: Well, she will talk about her role in
9 the enterprise, but I just want it to be clear when she says,
10 I was involved in this enterprise --

11 THE COURT: It's this enterprise.

12 MR. STERN: -- the enterprise she refers to is the
13 enterprise in the indictment.

14 THE COURT: Is that right?

15 THE DEFENDANT: Yes.

16 THE COURT: And if the government has any further
17 questions at the end of the allocution, I'll take the
18 questions. If I think they're appropriate, I'll ask your
19 client the questions.

20 MR. STERN: Of course.

21 THE COURT: Okay. Understood?

22 THE DEFENDANT: Yes.

23 THE COURT: So, Mr. Stern, do you know of any reason
24 why your client should not enter a plea of guilty to this
25 charge?

1 MR. STERN: None.

2 THE COURT: Are you aware of any viable legal
3 defense to the charge?

4 MR. STERN: I think we've thought this case through
5 and discussed it amongst ourselves and I think on balance
6 we've decided there is not a viable legal defense.

7 THE COURT: You agree with all that, Mr. Soloway?

8 MR. SOLOWAY: Yes, sir.

9 THE COURT: Since you're standing here.

10 MR. SOLOWAY: I do, Judge.

11 THE COURT: You're not a potted plant.

12 MR. SOLOWAY: Thank you, Judge, no.

13 THE COURT: Okay. Never a potted plant.

14 MR. SOLOWAY: I try not to be, Judge.

15 THE COURT: All right, very good.

16 All right. So now, Ms. Salzman, are you ready to
17 plead at this time?

18 THE DEFENDANT: I am.

19 THE COURT: How do you plead to the charge contained
20 in Count One of the superseding indictment in 18-CR-204,
21 guilty or not guilty?

22 THE DEFENDANT: Guilty, Your Honor.

23 THE COURT: Are you making this plea of guilty
24 voluntarily and of your own free will?

25 THE DEFENDANT: I am.

1 THE COURT: Has anyone threatened or forced you to
2 plead guilty?

3 THE DEFENDANT: No.

4 THE COURT: Has anyone made you any promise about
5 the sentence you will receive?

6 THE DEFENDANT: No.

7 THE COURT: Has anyone made you any promise that
8 caused you to plead guilty?

9 THE DEFENDANT: No.

10 THE COURT: All right. What I'd like you to do now
11 is to briefly discuss in your own words what you did to commit
12 the crime charged in Count One of the superseding indictment.
13 And if you're reading from your allocution, please read it
14 slowly.

15 I assume that you've gone over your allocution with
16 your attorneys?

17 THE DEFENDANT: I have.

18 THE COURT: And that the allocution was reviewed by
19 your attorneys --

20 THE DEFENDANT: Yes.

21 THE COURT: -- and by you and these are -- but these
22 are your statements --

23 THE DEFENDANT: Yes.

24 THE COURT: -- correct?

25 THE DEFENDANT: Yes.

1 THE COURT: You have to say yes or no.

2 THE DEFENDANT: Yes.

3 THE COURT: Go ahead, slowly.

4 THE DEFENDANT: Judge Garaufis, want you to know
5 that I am pleading guilty because I am, in fact, guilty. It
6 has taken me some time and some soul searching to come to this
7 place.

8 When I began working with NXIVM I believed that we
9 would be helping people. I still believe that some of what we
10 did was good. The problem began when I compromised my
11 principles and did things which I knew or should have known
12 were wrong. I justified them to myself by saying that what we
13 were doing was for the greater good.

14 Now, having had time to step back from the community
15 I was immersed in for nearly 20 years, I accept that some of
16 things I did were not just wrong but criminal.

17 I am deeply sorry for the trouble that I've brought
18 to my daughter, the pain I've caused my parents and the things
19 I've done that have hurt others. If I could go back and do it
20 all over I would, but I cannot. By my plea of guilty I hope
21 to at least begin atoning for my actions and to start the next
22 part of my life.

23 Between 2005 and 2018, I agreed to join an
24 enterprise comprised of people close to Keith Raniere and
25 agreed to participate in its affairs through a pattern of

1 racketeering activity. While doing so, I was aware of and
2 participated in some of the criminal objectives of the
3 enterprise which were jointly undertaken by its members,
4 including me, and I agreed that a conspirator would commit at
5 least two acts of racketeering in furtherance of the
6 objectives of the enterprise. Such objectives included
7 agreeing that others would commit improper and, at times,
8 illegal invasions of privacy against perceived critics of
9 NXIVM, the company of which I was president. Including
10 computer hacking in their email accounts and other acts of
11 improper prying for the purpose of either trying to achieve
12 success in court litigation against those individuals, or
13 trying to stop them from continuing to publicly criticize the
14 organization.

15 Such objectives also included agreeing during
16 discovery proceedings in a District of New Jersey civil case
17 to which NXIVM and I personally were parties, to have others
18 alter videotapes memorializing NXIVM classroom proceedings
19 that we were required to turn over to our adversaries. We
20 agreed together that the recordings would be edited to remove
21 certain sections we did not want to turn over and to do so
22 without revealing our editing plans to such adversaries in
23 knowing violation of the Court's rules.

24 I recognize that what I did was illegal and wrong
25 and I deeply regret my participation in these acts.

1 THE COURT: Anything else?

2 MS. PENZA: Your Honor, I believe it may have been
3 covered by the stipulation just at the beginning, but just so
4 that the record is clear, we would ask that the defendant
5 stipulate that the enterprise affected interstate and foreign
6 commerce and that it involved -- that the enterprise operated
7 within the Eastern District of New York.

8 THE COURT: You agree with that?

9 THE DEFENDANT: Yes, your Honor.

10 THE COURT: You allocute to that?

11 THE DEFENDANT: Yes, your Honor.

12 MS. PENZA: Thank you, Your Honor.

13 THE COURT: Okay.

14 Do you want some water?

15 THE DEFENDANT: Thank you.

16 THE COURTROOM DEPUTY: Here you go.

17 THE DEFENDANT: Thank you very much.

18 THE COURT: All right, Ms. Salzman, based on the
19 information you have given to me I find that you're acting
20 voluntarily, that you fully understand the charges -- the
21 charge, your rights and the consequences of your plea. There
22 is, moreover, a factual basis for your plea and I therefore
23 accept your plea of guilty to Count One of the superseding
24 indictment in 18-CR-204.

25 I'm going to set a sentencing date of Friday -- can

1 I see the calendar, please? And if we need to adjourn it we
2 will, but this is a way of getting the procedure going for a
3 presentence report. I'm going to set a sentencing date of
4 Wednesday, July 10th, 2019 at 11 a.m.

5 Now, you will be contacted by the probation officer
6 for a presentence interview. Your attorneys will want to be
7 present for the interview. Please cooperate with the
8 probation officer who will take down information about your
9 background, your education, your financial situation, and
10 other issues, and will prepare a presentence investigation
11 report. The report will be in writing and it will be provided
12 to you, your attorneys, the government, and to the Court. You
13 will have an opportunity to go over the report with your
14 attorneys. If there is anything in the report that's mistaken
15 or erroneous bring that to your attorneys' attention. If you
16 think there is anything I should know about you that isn't
17 covered by the report, also tell your attorneys and they will
18 provide that information to me, to the government and to the
19 probation officer and the Probation Department will write an
20 addendum to the report.

21 When you come to court to be sentenced I will have
22 read all of the submissions, your attorneys' submissions to
23 the Court, the Probation Department, the government's
24 submissions to the Court and the Probation Department and
25 anything else you think would be useful for me to know about

1 you, any letters of reference or support about your good works
2 over the years, whatever they may be, certainly everything is
3 important to me.

4 THE DEFENDANT: Thank you.

5 THE COURT: Just bear that in mind.

6 You know, I know this is very difficult for you and
7 I appreciate that, but I'm sure you've done many good things
8 during your life and obviously your attorneys will want to
9 highlight those acts and certainly you should -- you know, you
10 are encouraged to do so.

11 THE DEFENDANT: Thank you.

12 THE COURT: Okay.

13 THE DEFENDANT: Yes.

14 THE COURT: Now, is there anything else for today?
15 The defendant is on bail. I assume bail will continue as
16 before?

17 MS. PENZA: Yes, Your Honor.

18 THE COURT: Just follow all the requirements of your
19 bail until the sentencing date.

20 MR. STERN: Your Honor, we're hoping, not with you,
21 we are going to meet with the government about the possibility
22 of modifying the bail conditions --

23 THE COURT: Let me know.

24 MR. STERN: -- and if they agree we'll write you a
25 letter seeking your approval.

1 THE COURT: That's fine. If you all agree, just
2 write me a letter --

3 MS. PENZA: Thank you.

4 THE COURT: -- if you don't agree I'll see you
5 again.

6 You live the Albany area?

7 THE DEFENDANT: Yes, I do. I live in Waterford, New
8 York.

9 THE COURT: Is there anything else from the
10 government for today?

11 MS. PENZA: No, Your Honor, thank you.

12 THE COURT: Have I missed anything, Mr. Stern?

13 MR. STERN: Not that I'm aware of, no.

14 MR. SOLOWAY: No, thank you, Judge.

15 THE COURT: All right, have a good day.

16 MS. PENZA: Thank you, Your Honor.

17 MS. HAJJAR: Thank you, Your Honor.

18 MR. STERN: Thank you, Judge.

19 (Matter concluded.)

20 * * * * *

21 I certify that the foregoing is a correct transcript from the
22 record of proceedings in the above-entitled matter.

23 s/ Georgette K. Betts

March 14, 2019

24 GEORGETTE K. BETTS

DATE

25