

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF ORANGE, WEST JUSTICE CENTER  
DEPARTMENT W7

TRAVEL AMERICA, INC., A DELAWARE )  
CORPORATION, ET AL., )  
 )  
 PLAINTIFFS, )  
 )  
VS. ) CASE NO. 789743  
 )  
CAMP COAST TO COAST, INC., A DELAWARE )  
CORPORATION, ET AL., )  
 )  
 DEFENDANTS. )  
\_\_\_\_\_ )

THE HONORABLE JOHN H. SMITH, JR., JUDGE PRESIDING

REPORTER'S TRANSCRIPT

JUNE 5, 2000

APPEARANCES:

FOR THE PLAINTIFFS: GERALD M. SHAW  
ATTORNEY AT LAW

TERRY M. MOSHENKO  
ATTORNEY AT LAW

FOR THE DEFENDANTS: ALSCHULER, GROSSMAN, STEIN & KAHAN  
BY: MICHAEL A. SHERMAN, ESQ.  
CRAIG S. RUTENBERG, ESQ.

LINDA SIMPSON, C.S.R. #2266  
COURT REPORTER PRO TEM

INDEX

WITNESSES FOR THE PLAINTIFFS:

VOIR  
DIRECT CROSS REDIRECT RECROSS DIRE

JAMES MICHAEL RANDALL  
(776)

BY MR. MOSHENKO: 2572

I N D E X

EXHIBIT	IN EVIDENCE
EXHIBIT NO. 2142	2684
EXHIBIT NO. 245	2719
EXHIBIT NO. 1567	2722
EXHIBIT NO. 1559	2726
EXHIBIT NO. 1563	2733

1 WESTMINSTER, CALIFORNIA - MONDAY, JUNE 5, 2000

2 MORNING SESSION

3 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
4 COURT IN THE PRESENCE OF THE JURY:)

5 THE COURT: GOOD MORNING, LADIES AND GENTLEMEN.

6 THE JURY: GOOD MORNING.

7 THE COURT: MONDAY MORNING FROG.

8 A JUROR: DON'T WORRY. I'LL JOIN YOU IN A MINUTE.

9 THE COURT: COUNSEL, PROCEED.

10 MR. MOSHENKO: THANK YOU, YOUR HONOR.

11 NOW, ON THAT RIBBIT, YOUR HONOR, I HAVE TO  
12 TELL YOU, SOMEONE YESTERDAY WHO WAS TALKING ABOUT THE  
13 EFFECT OF TELEVISION ON CHILDREN, AND THE GUY SAID WHEN HIS  
14 FIVE-YEAR OLD WENT TO SCHOOL, THEY ASKED HIM WHAT -- WHAT A  
15 FROG -- WHAT SOUND A FROG MADE, AND HE SAID "BUD."

16 A JUROR: THAT'S GOOD.

17 THE COURT: THAT'S CUTE.

18 MR. MOSHENKO: JIM RANDALL -- I'M SORRY.

19 MR. RANDALL. WE CALL JIM RANDALL TO THE STAND.

20 JAMES MICHAEL RANDALL,  
21 CALLED AS A WITNESS ON BEHALF OF THE PLAINTIFFS UNDER  
22 EVIDENCE CODE 776, HAVING BEEN FIRST DULY SWORN, WAS  
23 EXAMINED AND TESTIFIED AS FOLLOWS:

24 THE WITNESS: I DO.

25 THE CLERK: TAKE A SEAT IN THE WITNESS STAND,  
26 PLEASE.

1 WILL YOU ADJUST THAT MICROPHONE THERE, AND  
2 THEN STATE YOUR FULL NAME FOR THE RECORD AND SPELL IT FOR  
3 THE COURT REPORTER, PLEASE.

4 THE WITNESS: JAMES MICHAEL RANDALL, R-A-N-D-A-L-L.

5 MR. MOSHENKO: YOUR HONOR, MAY THE RECORD REFLECT  
6 THAT WE'RE CALLING MR. RANDALL PURSUANT TO EVIDENCE CODE  
7 776 AS AN ADVERSE WITNESS.

8 THE COURT: THANK YOU.

9 HOW MANY YEARS DID YOU SPEND IN THE CORPS?

10 THE WITNESS: TWENTY-THREE, YOUR HONOR.

11 THE COURT: TWENTY-THREE.

12 MR. MOSHENKO: I WAS GOING TO GET THERE.

13 CROSS-EXAMINATION

14 BY MR. MOSHENKO: Q. MR. RANDALL, YOUR HISTORY  
15 WITH THE MARINE CORPS WAS WHEN?

16 A. 1967 TO 1990.

17 Q. AND YOUR RANK ON LEAVING WAS WHAT?

18 A. MASTER SERGEANT.

19 Q. AND YOU MET CORPORAL SMITH, HAVEN'T YOU?

20 A. YES, SIR, I HAVE.

21 Q. WHO HAS A HIGHER RANK? I'M NOT FAMILIAR  
22 WITH THAT. MASTER SERGEANT OR CORPORAL?

23 A. I HAD MORE TIME IN. SO I GOT AHEAD OF HIM.

24 Q. YOU KNOW THAT YOU ARE -- HAVE LESSER RANK IN  
25 THIS COURTROOM?

26 A. ABSOLUTELY.

1 Q. OKAY. YEAH.

2 YOUR CURRENT POSITION WITH COAST TO COAST IS

3 WHAT?

4 A. DIRECTOR OF OPERATIONS.

5 Q. AND HOW LONG HAVE YOU BEEN THE DIRECTOR OF

6 OPERATIONS?

7 A. IT WILL BE TEN YEARS IN JULY.

8 Q. JULY 1990 -- OR 1990 IS WHEN YOU STARTED;

9 RIGHT?

10 A. YES.

11 Q. AND WHAT -- WHAT DOES THE DIRECTOR OF COAST

12 TO COAST OPERATIONS DO?

13 A. I'M PRIMARILY RESPONSIBLE FOR THE BACK ROOM

14 OPERATIONS FOR THE COMPANY, THE ADMINISTRATION, THE LIAISON

15 WITH THE DIFFERENT DEPARTMENTS AMONG COAST TO COAST.

16 Q. OKAY. DOES THAT INVOLVE YOU WITH HANDLING

17 OF MEMBER RELATIONS OR MEMBER SITUATIONS?

18 A. YES, IT DOES.

19 Q. DOES IT INVOLVE YOU WITH HANDLING WITH NEW

20 AFFILIATED RESORTS?

21 A. MINIMALLY. BUT YES, IT DOES.

22 Q. OKAY. BASICALLY YOU'RE THE HANDS-ON

23 ADMINISTRATOR THAT CARRIES OUT THE INSTRUCTIONS FROM YOUR

24 SUPERIORS?

25 A. THAT WOULD BE CORRECT.

26 Q. AND YOU HAD THE ABILITY TO CONTROL AND

1 DIRECT ESSENTIALLY ALL OF THE COAST TO COAST EMPLOYEES, IF  
2 YOU CHOSE TO?

3 A. YES.

4 Q. AND BACK IN -- TODAY YOU REPORT TO THE  
5 PRESIDENT, GENE EVERETT; RIGHT?

6 A. THAT'S CORRECT.

7 Q. BACK IN 1997, YOU REPORTED TO MR. EVERETT  
8 AND -- AS A VICE PRESIDENT, AND MR. RYMAN AS THE PRESIDENT?

9 A. THAT'S CORRECT.

10 Q. YOU ARE FAMILIAR WITH THE CHAIN OF COMMAND  
11 WITHIN THE COMPANY BACK IN 1997; RIGHT?

12 A. YES, I AM.

13 Q. WHO WAS BELOW YOURSELF; WERE THERE DIRECT  
14 HEADS OF DEPARTMENTS?

15 A. YES.

16 Q. WHAT DEPARTMENTS DID YOU DIRECT -- DID  
17 THEY -- DID THE PEOPLE WHO YOU SUPERVISED DIRECT?

18 A. THIS WOULD BE A MATTER OF THE LIAISON THAT I  
19 HAD, BUT IT WAS THE I.T. DEPARTMENT WHICH IS THE  
20 INFORMATION TECHNOLOGY, THE MEMBER SERVICES DEPARTMENT,  
21 FINANCE, MARKETING, AND THEN OUR OWN RESORT SERVICES.

22 Q. WHAT ARE THE SUBSECTIONS OF THE RESORT  
23 SERVICES DEPARTMENT, IF ANY?

24 A. THERE REALLY AREN'T ANY.

25 Q. WHERE DOES -- OH, YOU DID SAY MEMBERSHIP;  
26 RIGHT?

1 A. MEMBER SERVICES, YES, SIR.

2 Q. MEMBER SERVICES.

3 IN WHAT DEPARTMENT DOES THE HANDLING OF NEW  
4 AFFILIATED RESORTS AND THE EXISTING AFFILIATED RESORTS  
5 MATTERS GET HANDLED?

6 A. THAT WOULD BE IN THE RESORT SERVICES  
7 DEPARTMENT.

8 Q. WHO WAS THE HEAD OF THE RESORT SERVICES  
9 DEPARTMENT?

10 A. AT WHAT TIME FRAME?

11 Q. IN 1997. THESE QUESTIONS WILL BE FOR 1997.

12 A. GENE EVERETT.

13 Q. SO MR. EVERETT WAS BOTH A VICE PRESIDENT,  
14 PRESIDENT, BUT ALSO HANDS-ON HEADING OF THE RESORT SERVICES  
15 DEPARTMENT?

16 A. CORRECT.

17 Q. AND WHO WAS THE HEAD OF THE MEMBER SERVICES  
18 DEPARTMENT?

19 A. FOR THE COAST TO COAST SIDE OF IT, IT WOULD  
20 HAVE BEEN BRIAN STONE.

21 Q. WHAT OTHER SIDE WAS THERE?

22 A. THE GOOD SAM CUSTOMER SERVICE OR MEMBER  
23 SERVICES, FOLKS WHO ARE IN THERE. I DON'T RECALL THE NAME  
24 OF THE PERSON WHO HEADED THAT UP.

25 AND GOLF --

26 Q. NOW, GOOD SAM CLUB IS ANOTHER OPERATING

1 DIVISION WITHIN THE AFFINITY UMBRELLA OF COMPANIES;

2 CORRECT?

3 A. YES.

4 Q. JUST AS COAST TO COAST IS AN OPERATING

5 DIVISION WITHIN THE AFFINITY GROUP OF COMPANIES; CORRECT?

6 A. YES.

7 Q. HOW MANY COMPANIES ARE THERE UNDER THAT

8 UMBRELLA OF COMPANIES?

9 A. SEVERAL.

10 Q. TWENTY-ONE RING A BELL?

11 A. NO.

12 Q. WHEN YOU REFERRED TO THE MARKETING

13 DEPARTMENT, WHAT DOES THE MARKETING DEPARTMENT MARKET?

14 A. THEY ARE PRIMARILY RESPONSIBLE FOR OUR

15 RENEWAL EFFORTS WITH THE COAST TO COAST MEMBERS.

16 Q. ALL RIGHT. NOW, MR. EVERETT REPORTED TO

17 MR. RYMAN, AND MR. RYMAN REPORTED TO AFFINITY VICE

18 PRESIDENT MR. SCHNEIDER; CORRECT?

19 A. I BELIEVE THAT HE REALLY REPORTED TO THE

20 CHIEF OPERATING OFFICER. 1997, I'M NOT SURE IF IT WAS

21 STILL MR. SCHNEIDER OR NOT.

22 Q. OKAY. AND WHO ELSE MIGHT IT HAVE BEEN?

23 A. DILLON SCHICKLY.

24 Q. SO MR. RYMAN REPORTED EITHER TO MR. SCHICKLY

25 OR MR. SCHNEIDER?

26 A. YES.

1 Q. WHAT WAS MR. BLOCK'S ROLE? WHO IS

2 MR. BLOCK?

3 A. I DON'T REALLY KNOW WHAT HIS ROLE WAS AT

4 THAT TIME.

5 Q. WHO IS -- WHAT IS HIS NAME? MR. BLOCK?

6 A. DAVID BLOCK?

7 Q. CORRECT.

8 AND WHO DID HE WORK FOR; DO YOU KNOW?

9 A. PROBABLY THE AFFINITY GROUP.

10 Q. AND MR. SCHNEIDER, DO YOU KNOW IF HE WAS

11 VICE PRESIDENT OF AFFINITY GROUP AT -- IN 1997?

12 A. I BELIEVE HE WAS A SENIOR VICE PRESIDENT;

13 BUT IN WHAT CAPACITY, I'M NOT SURE.

14 Q. AND WHAT POSITION WAS DILLON SCHICKLY IN

15 1997?

16 A. I'M NOT SURE THAT HE WAS THERE IN 1997.

17 Q. ALL RIGHT. NOW, TO YOUR KNOWLEDGE, THE VICE

18 PRESIDENTS OF AFFINITY REPORTED TO THE PRESIDENT OF

19 AFFINITY; RIGHT?

20 A. THAT WOULD BE MY UNDERSTANDING.

21 Q. AND THE PRESIDENT WAS MR. MC ADAMS?

22 A. OH, YES. JOE MC ADAMS, YES.

23 Q. AND HE, IN TURN, REPORTED TO STEVE ADAMS;

24 CORRECT?

25 A. THAT WOULD BE A LOGICAL ASSUMPTION, BUT I

26 DON'T KNOW THAT FOR -- FOR POSITIVE.

1 Q. ON THIS ISSUE OF WHAT OTHER COMPANIES ARE  
2 THERE, I'D LIKE TO ASK THAT THE -- YOU TAKE A LOOK AT  
3 EXHIBIT NUMBER 2045. WE'LL NEED THE WITNESS'S COPY UP  
4 THERE.

5 JERRY, IT'S IN VOLUME 25.

6 WHILE THEY ARE LOOKING FOR THAT, REGARDLESS,  
7 MR. RANDALL, EVERYONE IN THE COAST TO COAST AND AFFINITY  
8 OPERATIONS UNDERSTOOD THAT THE GROUP OF COMPANIES IS REALLY  
9 ESSENTIALLY ENTIRELY OWNED BY STEVE ADAMS; RIGHT?

10 A. I'M NOT SURE THAT THAT'S A -- AN  
11 UNDERSTANDING THAT IS PREDOMINANT AMONGST THE -- THE OTHER  
12 COMPANY EMPLOYEES. BUT I BELIEVE THAT WE ALL KNOW WHO  
13 MR. ADAMS IS.

14 Q. ISN'T MR. ADAMS -- WASN'T MR. ADAMS THE SOLE  
15 OWNER OF COAST TO COAST IN THE 1990'S?

16 A. I HONESTLY DON'T KNOW THAT FOR SURE.

17 Q. SO YOU WORK FOR A COMPANY FOR TEN YEARS, AND  
18 YOU DON'T KNOW WHO ITS OWNER WAS IS WHAT YOU'RE SAYING?

19 A. AS FAR AS THE SOLE OWNERSHIP, NO.

20 Q. ALL RIGHT. BUT YOU KNOW WHO THE CURRENT  
21 OWNER OF COAST, CAMP COAST TO COAST IS?

22 A. I'M OF THE OPINION THAT THE OWNERSHIP IS  
23 THROUGH THE AFFINITY GROUP.

24 Q. OKAY. DO YOU KNOW WHO THE OWNER OF THE  
25 AFFINITY GROUP IS?

26 A. FOR AN ABSOLUTE CERTAINTY, NO.

1 Q. ALL RIGHT. WHAT'S YOUR UNDERSTANDING OF WHO  
2 OWNS AFFINITY GROUP?

3 A. MY UNDERSTANDING WOULD BE THERE IS A  
4 COLLECTIVE GROUP OF PEOPLE WHO IS THE AFFINITY GROUP.  
5 MR. ADAMS IS ONE OF THOSE PEOPLE. BUT BEYOND THAT, I DON'T  
6 HAVE ANY DIRECT ACKNOWLEDGE OF IT.

7 MR. MOSHENKO: COULD MR. -- MR. SHAW, COULD YOU  
8 SHOW EXHIBIT 2045 TO THE WITNESS?

9 Q. HAVE YOU SEEN THIS DOCUMENT BEFORE?

10 A. NO, I HAVE NOT.

11 Q. DOES IT REFRESH YOUR MEMORY AS TO -- TO GIVE  
12 YOU MORE CERTAINTY AS TO THE NUMBER OF COMPANIES THAT ARE  
13 WITHIN THE AFFINITY GROUP?

14 A. IT WOULD, YES.

15 Q. ALL RIGHT. SINCE YOU'VE NOT SEEN IT BEFORE,  
16 I WON'T USE IT AT THIS TIME.

17 HAVE YOU EVER HEARD OF AFFINITY GROUP  
18 HOLDING CORP.?

19 A. NOT UNTIL THIS CASE CAME INTO LIGHT, I HAD  
20 NOT, NO.

21 Q. AND -- WELL, THAT WOULD BE -- THAT WOULD  
22 SUGGEST THAT YOU MAY HAVE HEARD OF IT SINCE 1998, JANUARY?

23 A. YES.

24 Q. OKAY. AND SO YOU KNOW THAT AFFINITY GROUP  
25 IS HELD BY A HOLDING COMPANY CALLED "AFFINITY GROUP HOLDING  
26 CORP."; IS THAT CORRECT?

1 A. I UNDERSTAND THAT NOW, YES.

2 Q. AND DO YOU KNOW WHAT AFFINITY GROUP HOLDING,  
3 INC., IS?

4 A. NO, SIR, I DO NOT.

5 Q. DON'T YOU UNDERSTAND THAT AFFINITY GROUP IS  
6 OWNED BY -- OR CONTROLLED BY AFFINITY GROUP HOLDING CORP.,  
7 AND AFFINITY GROUP HOLDING CORP. IS OWNED AND CONTROLLED BY  
8 AFFINITY GROUP HOLDING, INC.?

9 TONGUE TWISTER.

10 A. I DON'T HAVE ANY DIRECT KNOWLEDGE OF THAT,  
11 NO.

12 Q. ALL RIGHT. IN ANY EVENT, BACK TO CURRENT  
13 COAST TO COAST; DO YOU KNOW IF THAT'S A CORPORATION?

14 A. YES.

15 Q. DO YOU KNOW -- YOU DO KNOW THAT IS REFERRED  
16 TO BY PEOPLE OVER AT THE ADAMS COMPANIES AS AN OPERATING  
17 DIVISION OF AFFINITY GROUP; CORRECT?

18 MR. SHERMAN: OBJECTION. LACKS FOUNDATION WITH  
19 RESPECT TO THE ADAMS COMPANIES.

20 THE COURT: PERHAPS YOU CAN LAY SOME FOUNDATION ON  
21 IT

22 BY MR. MOSHENKO: Q. OKAY. YOU UNDERSTAND THAT  
23 THE COMPANIES UNDER THE AFFINITY GROUP UMBRELLA ARE  
24 ESSENTIALLY CONTROLLED BY STEVE ADAMS; CORRECT?

25 A. YES.

26 Q. IF MR. ADAMS WANTED TO REMOVE MR. EVERETT

1 AND REPLACE HIM WITH MR. RANDALL AS PRESIDENT OF CAMP COAST  
2 TO COAST, IT WOULD BE DONE WITHOUT ANY PROBLEMS, WOULDN'T  
3 IT?

4 A. I WOULD SAY THE CHANCES OF THAT HAPPENING  
5 WOULD BE GOOD, IF MR. ADAMS DIRECTED THAT; BUT I DO BELIEVE  
6 THAT HE WOULD CONSULT WITH OTHER PEOPLE BEFORE HE DID THAT.

7 Q. OKAY. AND, IN FACT, IN THE TEN YEARS THAT  
8 YOU'VE BEEN WITH COAST, MR. ADAMS HAS BEEN THE PERSON WHO  
9 NAMED THE OPERATING OFFICERS OF THE -- OF THE COMPANY CAMP  
10 COAST TO COAST; CORRECT?

11 MR. SHERMAN: OBJECTION. LACKS FOUNDATION.

12 THE COURT: OVERRULED.

13 YOU MAY ANSWER IF YOU KNOW.

14 THE WITNESS: I REALLY DON'T KNOW THE ANSWER.

15 BY MR. MOSHENKO: Q. ALL RIGHT. IF MR. ADAMS  
16 WANTED TO SHUT DOWN CAMP COAST TO COAST TOMORROW, IT WOULD  
17 BE SHUT DOWN; HE COULD DO THAT; COULDN'T HE?

18 MR. SHERMAN: OBJECTION. CALLS FOR SPECULATION.

19 THE COURT: OVERRULED.

20 THE WITNESS: I BELIEVE THAT HE PROBABLY COULD,  
21 BUT, AGAIN, I THINK THAT THAT WOULD BE WITH SOME SORT OF  
22 CONSULTING WITH OTHER PEOPLE.

23 BY MR. MOSHENKO: Q. IF MR. ADAMS APPROACHED YOU  
24 AND SAID, "THIS IS WHAT I WANT YOU TO DO; THE PRESIDENT OF  
25 CAMP COAST TO COAST DOESN'T AGREE WITH IT, BUT I'M  
26 INSTRUCTING YOU TO DO IT," YOU WOULD FOLLOW THE DIRECTIONS

1 OF MR. ADAMS?

2 A. YOU PUT ME IN A HARD SPOT HERE. I -- I  
3 BELIEVE THAT I WOULD STILL GO TO MY PRESIDENT AND ASK THAT  
4 IT BE WORKED OUT WITH HIM AND MR. ADAMS AND NOT PUT ME IN A  
5 POSITION LIKE THAT.

6 Q. IT'S A TOUGH POSITION BECAUSE YOU UNDERSTAND  
7 THAT IN THE END, STEVE ADAMS CONTROLS WHAT CAMP COAST TO  
8 COAST DOES AND DOES NOT DO?

9 A. IT WOULD BE A TOUGH POSITION BECAUSE MY  
10 BOSS, THE PRESIDENT OF COAST TO COAST, IS THE ONE WHO IN MY  
11 OPINION CONTROLS WHAT COAST TO COAST DOES -- COAST TO COAST  
12 DOES AND DOES NOT DO.

13 Q. WELL, DOESN'T THE SHAREHOLDERS THAT OWN THE  
14 COMPANY CONTROL WHAT YOUR BOSS, THE PRESIDENT, DOES?

15 MR. SHERMAN: OBJECTION. LACKS FOUNDATION.  
16 ASSUMES FACTS NOT IN EVIDENCE. AND CALLS FOR SPECULATION  
17 FROM THIS WITNESS.

18 THE COURT: SORT OF CALLS FOR A LEGAL CONCLUSION,  
19 COUNSEL.

20 BY MR. MOSHENKO: Q. OKAY. WELL, ISN'T IT YOUR  
21 UNDERSTANDING -- UNDERSTAND YOU'RE NOT A LAWYER,  
22 MR. RANDALL.

23 BUT ISN'T IT YOUR UNDERSTANDING THAT IN A  
24 CORPORATION SITUATION, THE SHAREHOLDERS CONTROL THE  
25 DIRECTORS AND THE DIRECTORS CONTROL THE OFFICERS?

26 MR. SHERMAN: OBJECTION. IT DOES CALL FOR A LEGAL

1 CONCLUSION, AND. IT CALLS FOR SPECULATION, AND IT'S  
2 COMPOUND.

3 THE COURT: SUSTAINED.

4 MR. MOSHENKO: CALLS FOR HIS UNDERSTANDING.

5 THE COURT: I'LL SUSTAIN IT.

6 MR. MOSHENKO: ALL RIGHT.

7 Q. IN TEN YEARS THAT YOU'VE BEEN WITH CAMP  
8 COAST TO COAST AS ITS OPERATING DIRECTOR -- IS THAT WHAT  
9 YOU --

10 A. YES.

11 Q. -- YOU ARE?

12 AS ITS OPERATING DIRECTOR, YOU'VE NEVER SEEN  
13 A BOARD OF DIRECTORS MEETING OF COAST TO COAST, HAVE YOU?

14 A. NO, I HAVE NOT.

15 Q. THAT'S BECAUSE THERE HAS NEVER BEEN A BOARD  
16 OF DIRECTORS MEETING OF COAST TO COAST, TO YOUR KNOWLEDGE,  
17 HELD?

18 A. THERE -- I REALLY DON'T KNOW IF THERE HAVE  
19 BEEN OR NOT.

20 Q. ALL RIGHT. MR. ADAMS IS THE BOARD OF  
21 DIRECTORS, ESSENTIALLY, ISN'T HE, TO YOUR KNOWLEDGE?

22 A. THAT'S WHAT I HAVE COME TO UNDERSTAND SINCE  
23 THIS CASE STARTED, YES.

24 Q. OKAY. ALL RIGHT. LET'S GO ON TO WHAT IS  
25 CAMP COAST TO COAST.

26 MR. RANDALL, WHAT IS CAMP COAST TO COAST?

1 A. CAMP COAST TO COAST IS THE FACILITATOR OF A  
2 RECIPROCAL USE SYSTEM FOR THE MEMBERSHIP CAMPGROUND  
3 INDUSTRY.

4 Q. OKAY. AND WE'VE HAD SOME EDUCATION OF WHAT  
5 RECIPROCAL USE IS.

6 BUT WHEN YOU SAY IT IS A FACILITATOR, YOU  
7 MEAN IT IS THE ENTITY THAT ORGANIZES THE RECIPROCAL  
8 EXCHANGE OF BENEFITS THAT PERSONS CAN TAKE ADVANTAGE OF?

9 A. CORRECT.

10 Q. ALL RIGHT. IT HAS NO RESORTS; CORRECT?

11 A. WE DO NOT OWN ANY RESORTS. THAT WOULD BE  
12 CORRECT, YES.

13 Q. THERE ARE NO COAST TO COAST RESORTS;  
14 CORRECT?

15 A. IN OWNERSHIP, THAT IS CORRECT.

16 Q. OKAY. IT DOES NOT SELL MEMBERSHIPS IN  
17 RESORTS, DOES IT?

18 A. NO, WE DO NOT.

19 Q. IT HAS NO PHYSICAL RESORT AMENITIES THAT IT  
20 PROVIDES TO THE PUBLIC THAT IT OWNS?

21 A. THAT'S CORRECT.

22 Q. IT HAS NO SWIMMING POOLS OR VOLLEYBALL  
23 COURTS OR LANDSCAPING OR THINGS OF THAT SORT; CORRECT?

24 A. CORRECT.

25 Q. IT HAS NO SITES OTHER THAN ITS OFFICE SITES;  
26 CORRECT?

1 A. THAT'S CORRECT.

2 Q. AND ITS OFFICE -- MAIN OFFICE SITE IS IN

3 DENVER, COLORADO?

4 A. CORRECT. IT'S ENGLEWOOD, COLORADO ACTUALLY.

5 Q. ENGLEWOOD, COLORADO.

6 AND IT EXISTS AT THE AFFINITY GROUP BUILDING

7 IN ENGLEWOOD, COLORADO; CORRECT

8 A. I DON'T KNOW WHAT THE OWNERSHIP OF THE

9 BUILDING IS.

10 Q. ALL RIGHT. BUT YOU KNOW THAT BUILDING TO BE

11 A BUILDING THAT HAS THE MARQUIS IN FRONT OF "AFFINITY

12 GROUP, INCORPORATED"; RIGHT?

13 A. THAT'S CORRECT.

14 Q. OKAY. AND THAT BUILDING HOUSES PEOPLE THAT

15 WORK FOR AFFINITY GROUP, INCORPORATED, DOESN'T IT?

16 A. YES.

17 Q. AND AFFINITY GROUP ALSO HAS AN OFFICE IN

18 VENTURA, CALIFORNIA?

19 A. YES.

20 Q. AND COAST TO COAST HAS EMPLOYEES IN BOTH THE

21 DENVER OFFICES AND THE CALIFORNIA OFFICES, DOESN'T IT?

22 A. CORRECT.

23 Q. NOW, YOU MENTIONED THE I.T. DEPARTMENT THAT

24 YOU HEAD UP A MOMENT AGO. THAT DEPARTMENT IS RUN BY PEOPLE

25 WHO ARE EMPLOYEES OF AFFINITY GROUP; ISN'T THAT CORRECT?

26 A. YES. AND I DON'T HEAD UP THAT DEPARTMENT.

1 Q. OKAY. I'M SORRY. I THOUGHT I HEARD YOU SAY  
2 IT'S AMONGST THE DEPARTMENTS THAT YOU ARE IN SOME MANNER  
3 DIRECTING.

4 HAVE I MISUNDERSTOOD THAT?

5 A. NO. I -- I AM RESPONSIBLE FOR DIRECTING THE  
6 ACTIONS THAT THEY TAKE. BUT NO ONE IN THAT DEPARTMENT  
7 REPORTS TO ME AS PART OF A CHAIN OF COMMAND.

8 Q. SO YOU AS AN EMPLOYEE OF COAST TO COAST  
9 DIRECT THE EMPLOYEES OF AFFINITY GROUP IN THE I.T.,  
10 INFORMATION TECHNOLOGY DEPARTMENT; RIGHT?

11 A. FOR COAST TO COAST BUSINESS, YES.

12 Q. IF YOU WERE TO GO TO THOSE AFFINITY GROUP  
13 EMPLOYEES AND SAY, "DO SOMETHING THAT I NEED -- I,  
14 JIM RANDALL -- NEED FOR COAST TO COAST BUSINESS," THEY  
15 WOULD FOLLOW YOUR DIRECTIONS, NO QUESTIONS ASKED?

16 A. YES.

17 Q. OKAY. AND THE MAIN FUNCTION OF THE  
18 I.T. DEPARTMENT IS TO MANAGE THE DATABASE THAT'S FOUND IN  
19 THE COMPUTERS THAT BELONG TO AFFINITY GROUP; CORRECT?

20 A. YES.

21 Q. OKAY. AND THAT DATABASE IS A DATABASE THAT  
22 BELONGS TO THE AFFINITY GROUP, CORRECT?

23 MR. SHERMAN: I'M GOING TO OBJECT TO THE QUESTION  
24 ON THE GROUNDS IT SEEKS A LEGAL CONCLUSION AS TO  
25 OWNERSHIP.

26 THE COURT: I'LL ALLOW THE QUESTION.

1 IF YOU KNOW THE ANSWER, YOU CAN ANSWER IT.

2 THE WITNESS: I -- I REALLY DON'T KNOW TO THE  
3 DETAIL WHO OWNS THE COMPUTER SYSTEM. I CONSIDER IT THE  
4 COAST TO COAST COMPUTER SYSTEM.

5 BY MR. MOSHENKO: Q. THAT DATABASE DEPARTMENT IS  
6 JUST DOWN THE HALL FROM YOUR OFFICES; RIGHT?

7 A. YES.

8 Q. ALL RIGHT. SO DO YOU KNOW WHETHER OR NOT  
9 CAMP COAST TO COAST RENTS SPACE FROM THE AFFINITY GROUP TO  
10 OCCUPY IN THAT OFFICE?

11 A. I HONESTLY DON'T KNOW WHAT THAT RELATIONSHIP  
12 IS.

13 Q. AFFINITY GROUP HAS NO EQUIPMENT OR MATERIALS  
14 THAT IT PROVIDES THE PUBLIC, SAY, LIKE A GYMNASIUM; IT  
15 OFFERS MEMBERSHIPS TO THE PUBLIC AND THEN GIVES THEM  
16 FACILITIES?

17 A. NOT THAT I'M AWARE OF.

18 Q. IT IS BASICALLY A DIRECTORY -- IT BASICALLY  
19 PROVIDES A DIRECTORY OF RESORTS, MEANING RESORTS THAT ARE  
20 OWNED BY OTHER PEOPLE THAN IT; CORRECT?

21 A. I'M NOT SURE I COMPLETELY UNDERSTAND YOUR  
22 QUESTIONS.

23 Q. WELL, WHAT DOES AFFINITY GROUP DO FOR THE  
24 PEOPLE THAT IT CALLS ITS MEMBERS?

25 ONE THING IS IT PUBLISHES A DIRECTORY;  
26 CORRECT?

1 A. YES. I'M NOT THAT CLOSELY INVOLVED WITH  
2 AFFINITY GROUP. I WORK FOR COAST TO COAST.

3 Q. WHAT DOES COAST TO COAST DO FOR THE PEOPLE  
4 IT CALLS ITS MEMBERS; IT BASICALLY PUBLISHES A DIRECTORY;  
5 CORRECT?

6 A. WE PUBLISH A DIRECTORY, YES.

7 Q. IT PROVIDES A MAGAZINE EIGHT TIMES A YEAR;  
8 CORRECT?

9 A. THAT'S CORRECT.

10 Q. WHICH IS PUBLISHED AT THE AFFINITY GROUP  
11 LOCATION IN CALIFORNIA; CORRECT?

12 A. I DON'T THINK SO, NO.

13 Q. WHICH -- BUT CALIFORNIA HOUSES THE -- WHAT'S  
14 HIS NAME? WHAT'S HE CALLED? THE PUBLISHER OR THE EDITOR  
15 THAT IS RESPONSIBLE FOR THE PUBLICATION OF THE COAST TO  
16 COAST MAGAZINE?

17 A. YES.

18 Q. DO YOU KNOW IF HE RENTS SPACE FROM AFFINITY  
19 GROUP IN CALIFORNIA?

20 A. NO. I DO NOT KNOW THAT.

21 Q. OKAY. AFFINITY GROUP -- I'M SORRY. COAST  
22 TO COAST'S -- BEYOND THE DIRECTORY IT PROVIDES AND THE  
23 MAGAZINES IT PROVIDES, IT ALSO PROVIDES A SERVICE WHICH  
24 BASICALLY GIVES PEOPLE ACCESS TO RESORTS OF OTHER -- THAT  
25 ARE OWNED BY OTHER PEOPLE?

26 A. YES.

1 Q. OKAY. AND FOR SOMEONE TO GET ACCESS TO  
2 THESE RESORTS, THAT PERSON NEEDS TO BECOME WHAT YOU AT  
3 COAST TO COAST CALL A COAST TO COAST MEMBER; RIGHT?

4 A. THEY FIRST HAVE TO BELONG TO A HOME RESORT  
5 THAT'S IN THE COAST TO COAST AFFILIATION, AND THEN THEY CAN  
6 JOIN COAST TO COAST.

7 Q. CORRECT.

8 AND WHEN THEY DO THAT, THEY ACQUIRE WHAT'S  
9 CALLED A COAST TO COAST MEMBERSHIP?

10 A. CORRECT.

11 Q. RIGHT?

12 THAT IS A MEMBERSHIP IN COAST TO COAST, BUT  
13 NOT A MEMBERSHIP IN ANY RESORTS; CORRECT?

14 A. THAT'S CORRECT. BUT THE MEMBERSHIP IN THE  
15 RESORT MUST COME FIRST.

16 Q. ALL RIGHT. AND THE MEMBERSHIP IN THE RESORT  
17 THAT YOU REFERRED TO IS WHAT'S CALLED A HOME PARK  
18 MEMBERSHIP; RIGHT?

19 A. YES.

20 Q. OKAY. SO THE -- THE WAY IT WORKS IS THAT  
21 RESORT OWNERS SELL MEMBERSHIPS IN THEIR PARKS TO MEMBERS OF  
22 THE PUBLIC; CORRECT?

23 A. YES.

24 Q. AND IN ORDER FOR A MEMBER TO GET A HOME PARK  
25 MEMBERSHIP, THAT PERSON GENERALLY HAS TO SIGN A CONTRACT TO  
26 BUY THAT; RIGHT?

1 A. I BELIEVE THAT'S THE NORMAL PROCESS, YES.

2 Q. OKAY. AND THE RESORT OWNERS THAT ARE ALSO  
3 REFERRED TO IN THIS CASE AS DEVELOPERS -- YOU UNDERSTAND  
4 THAT, THAT -- THAT OWNERS AND DEVELOPERS ARE USED  
5 INTERCHANGEABLY?

6 A. YES.

7 Q. OKAY. RESORT OWNERS, TO ENABLE THEMSELVES  
8 TO GET THESE MEMBERS NORMALLY HAVE TO SET UP A MARKETING  
9 PROGRAM AND SPEND MONEY MARKETING THEIR MEMBERSHIPS TO THE  
10 PUBLIC?

11 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

12 THE COURT: OVERRULED.

13 THE WITNESS: I BELIEVE THAT'S CORRECT, YES.

14 BY MR. MOSHENKO: Q. OKAY. AND THESE RESORT  
15 OWNERS, GENERALLY SPEAKING, IN THE -- IN YOUR EXPERIENCE,  
16 HAVE CREATED, MAINTAINED AND PAID FOR SALES FORCES TO SELL  
17 THEIR MEMBERSHIPS TO THE PUBLIC; RIGHT?

18 A. YES.

19 Q. OKAY. THE MEMBERSHIP THAT THE PUBLIC BUYS  
20 IS A MEMBERSHIP WITH A RESORT THAT IS DIFFERENT THAN A  
21 COAST TO COAST MEMBERSHIP; RIGHT?

22 A. GENERALLY, THAT'S CORRECT, YES.

23 Q. AND THE MEMBERSHIPS THAT ARE SOLD USUALLY  
24 ARE SOLD AS A RESULT OF EXPENSES INCURRED BY THE RESORT  
25 OWNERS WHO SELL MEMBERSHIPS TO THE PUBLIC?

26 A. I THINK THAT WOULD BE ACCURATE.

1 Q. AND, IN FACT, COAST TO COAST DOESN'T SPEND  
2 MONEY SELLING ITS MEMBERSHIPS TO THE PUBLIC; ISN'T THAT  
3 TRUE?

4 A. IN AN INDIRECT FASHION, I BELIEVE THAT WE DO  
5 SPEND MONEY IN AIDING THE RESORTS IN THEIR SALES  
6 PROCESSES.

7 Q. OKAY. WELL, COAST HAS NO SALES FORCE TO  
8 SELL ITS COAST TO COAST MEMBERSHIPS; RIGHT?

9 A. CORRECT.

10 Q. IT DEPENDS UPON A -- RESORT OWNERS WHO SET  
11 UP THEIR RESORT MEMBERSHIP MARKETING PROCESS TO SELL THE  
12 ENHANCED -- ENHANCEMENT OR THE ADDITIONAL MEMBERSHIP WHICH  
13 IS THE MEMBERSHIP IN COAST TO COAST, IF MEMBERS WANT IT?

14 A. YES. BUT PART OF THAT ARRANGEMENT IS, IN  
15 THE USE OF COAST TO COAST AS AN INDUCEMENT TO PURCHASE THAT  
16 HOME RESORT MEMBERSHIP, WE DO HAVE MATERIALS THAT WE  
17 PROVIDE TO THE RESORTS TO ASSIST IN THEIR SALES.

18 Q. DOESN'T -- DON'T YOU SELL THOSE MATERIALS TO  
19 THE RESORTS; THEY HAVE TO PAY FOR THEM?

20 A. FOR AN ONGOING PROCESS, YES, THERE ARE --  
21 THERE ARE SALES OF CERTAIN MATERIALS.

22 Q. OKAY. SO WHEN YOU SAY YOU PROVIDE THEM, YOU  
23 MEAN YOU SELL THEM?

24 A. THAT'S FAIR ENOUGH.

25 Q. OKAY. NOW, YOU -- AS YOU INDICATED -- WELL,  
26 LET'S JUST TAKE -- LET'S TAKE DELTA ISLE RESORT.

1           YOU KNOW THAT DELTA ISLE SOLD MEMBERSHIPS TO  
2 THE PUBLIC TO ITS RESORT; RIGHT?

3       A.   YES.

4       Q.   AND ONCE IT SOLD THOSE MEMBERSHIPS, IT  
5 COULD, IF IT WAS AFFILIATED WITH COAST TO COAST, GO ON AND  
6 OFFER OR ASSIST ITS MEMBERS IN OBTAINING A COAST TO COAST  
7 MEMBERSHIP; RIGHT?

8       A.   CORRECT.

9       Q.   BUT AS YOU'VE INDICATED, BEFORE SOMEONE CAN  
10 EVER GET A COAST TO COAST MEMBERSHIP, HE HAS TO FIRST HAVE  
11 A MEMBERSHIP IN A HOME RESORT?

12      A.   IN A COAST TO COAST AFFILIATED RESORT, YES.

13      Q.   OKAY. AND THE COAST TO COAST AFFILIATED  
14 RESORT, AS YOU USE THE TERM, IS A REFERENCE TO WHAT'S  
15 CALLED THE HOME RESORT FOR THAT MEMBER; RIGHT?

16      A.   FOR COAST TO COAST PURPOSES, YES.

17      Q.   OKAY. THE RESORT, HOME RESORT MEMBERSHIP,  
18 COMES FIRST, AND THE COAST TO COAST MEMBERSHIP COMES  
19 SECOND; CORRECT?

20      A.   CORRECT.

21      Q.   AND WE'VE HEARD THE TERM THE "PRIMARY  
22 PRODUCT." IS THAT ANOTHER WAY OF SAYING THAT MEMBERSHIP IN  
23 A HOME RESORT IS THE PRIMARY PRODUCT, AND COAST TO COAST  
24 MEMBERSHIPS ARE SECONDARY?

25      A.   YES. THE COAST TO COAST SALES MATERIALS,  
26 INFORMATION ABOUT COAST TO COAST, IS NOT TO BE CONFUSED AS

1 WHAT THE MEMBER WOULD BE PURCHASING ABOVE MEMBERSHIP IN THE  
2 HOME RESORT.

3 Q. I AGREE WITH THAT.

4 BUT THE POINT IS THAT THE PRIMARY PRODUCT  
5 THAT IS BEING SOLD TO THE MEMBER IS MEMBERSHIP IN THE HOME  
6 RESORT; A MEMBERSHIP IN COAST TO COAST IS A SECONDARY  
7 PRODUCT; CORRECT?

8 A. EXACTLY. THAT'S THE POINT WE WANT TO MAKE  
9 SURE IS CLEAR.

10 Q. AND THAT IS WRITTEN INTO THE CONTRACT THAT  
11 COAST TO COAST HAS BETWEEN IT AND ITS AFFILIATED RESORTS;  
12 CORRECT?

13 A. YES.

14 Q. IT IS ALSO WRITTEN ON THE -- EXCUSE ME A  
15 SECOND.

16 IT'S ALSO WRITTEN INTO THE COAST TO COAST  
17 APPLICATION THAT IT IS GIVEN TO MEMBERS OF RESORTS IF THEY  
18 WANT TO APPLY FOR A COAST TO COAST MEMBERSHIP; CORRECT?

19 A. YES, IT IS.

20 Q. IF I COULD HAVE EXHIBIT 2076 BROUGHT UP,  
21 PLEASE.

22 DO YOU RECOGNIZE -- DO YOU HAVE IT IN FRONT  
23 OF YOU, SIR?

24 A. YES, I DO.

25 Q. OKAY. IT'S AN AFFILIATION AGREEMENT, WHAT  
26 WE'VE BEEN CALLING AN AFFILIATION AGREEMENT, IS IT NOT?

1 A. YES, IT IS.

2 Q. ALL RIGHT. AND YOU'VE SEEN THAT CONTRACT  
3 BEFORE, HAVEN'T YOU?

4 A. OR SIMILAR ONES, YES.

5 Q. OKAY. AND THIS PARTICULAR ONE IS DATED JULY  
6 OF 1996, AND IT RELATES TO CERTAIN ALL SEASONS RESORTS --  
7 RESORTS; CORRECT?

8 A. YES.

9 MR. SHERMAN: KICK IT.

10 MR. MOSHENKO: APPARENTLY WE CAN'T GET THE MONITOR  
11 TO WORK, YOUR HONOR.

12 ALL RIGHT. WELL, I'LL WORK WITH IT ANYWAY  
13 WHILE WE WORRY ABOUT THAT.

14 BY MR. MOSHENKO: Q. COULD YOU TURN TO PAGE 2,  
15 PARAGRAPH D, LIKE DAVID?

16 A. BEGINS "OWNER ACKNOWLEDGES AND AGREES"?

17 Q. CORRECT.

18 THIS IS -- THIS CONTRACT DESCRIBES THE  
19 PRIMARY PRODUCT RULE THERE; RIGHT?

20 WHERE IT SAYS, "OWNER ACKNOWLEDGES AND  
21 AGREES THAT THE MEMBERSHIP IN THE RESORT IS THE PRIMARY  
22 PRODUCT, AND THE OPPORTUNITY TO USE COAST'S PROGRAM IS A  
23 SECONDARY PRIVILEGE"; CORRECT?

24 A. THAT'S CORRECT.

25 Q. OKAY. AND THE PRIMARY PRODUCT RULE IS A  
26 RULE THAT APPLIES BOTH TO THE RESORT OWNERS AND COAST TO

1 COAST?

2 A. SINCE WE'RE NOT IN THE DIRECT SALES, IT'S  
3 NOT NECESSARILY APPLICABLE IN THAT FASHION TO COAST TO  
4 COAST.

5 Q. WELL, COAST KNOWS THAT THE ENFORCEMENT OF  
6 THE PRIMARY PRODUCT RULE DEPENDS UPON COAST TELLING THE  
7 DEVELOPERS WHO ARE SELLING AND MARKETING COAST THAT THEY  
8 MUST SELL COAST MEMBERSHIPS AS A SECONDARY PRODUCT, AND THE  
9 RESORT MEMBERSHIP MUST BE THE PRIMARY PRODUCT; ISN'T THAT  
10 CORRECT?

11 A. YES.

12 Q. THERE'S NO WAY MR. NOVELLI AS A RESORT OWNER  
13 COULD POSSIBLY CONTROL MR. BALDELLI IN NORTH CAROLINA IF HE  
14 WAS DISREGARDING THE PRIMARY PRODUCT RULE; IT'S UP TO COAST  
15 TO DO THAT, ISN'T IT?

16 A. YES.

17 Q. OKAY.

18 NOW IF WE COULD SEE EXHIBIT 7 -- OH, WE  
19 CAN'T SEE EXHIBIT 72. ALL RIGHT. I'LL COME BACK TO THAT  
20 EXHIBIT AT ANOTHER TIME.

21 ALL RIGHT. SO I MENTIONED DELTA ISLE.

22 DELTA ISLE IS A HOME RESORT, RIGHT, IN --  
23 IT'S CONSIDERED BY COAST TO BE A HOME RESORT TO ITS MEMBERS  
24 WHO ARE COAST TO COAST MEMBERS?

25 MR. SHERMAN: I'M GOING TO OBJECT. IT'S VAGUE AS  
26 TO TIME, YOUR HONOR.

1 THE COURT: REPHRASE, PLEASE.

2 BY MR. MOSHENKO: Q. WHEN DELTA ISLE WAS AN  
3 AFFILIATED RESORT IN THE COAST TO COAST SYSTEM, DELTA ISLE  
4 WAS CONSIDERED BY COAST TO COAST TO BE A HOME RESORT FOR  
5 THE MEMBERS OF COAST TO COAST WHO HAD COAST TO COAST  
6 MEMBERSHIPS?

7 A. YES.

8 Q. OKAY. IT WAS THE HOME RESORT BECAUSE THAT  
9 WAS THE PLACE WHERE THESE MEMBERS FIRST PURCHASED COAST --  
10 THEIR HOME RESORT MEMBERSHIPS?

11 A. PRIMARILY, YES.

12 Q. AND ARE YOU FAMILIAR WITH THE MEMBERSHIP  
13 APPLICATION WHERE ITS -- THAT IS, FOR COAST TO COAST  
14 MEMBERSHIP, WHERE IT STATES, "YOUR HOME RESORT IS DEFINED  
15 AS THE RESORT WHERE YOU FIRST PURCHASED A COAST TO  
16 COAST" -- YOUR -- OR "WHERE YOU FIRST PURCHASED YOUR RESORT  
17 MEMBERSHIP"?

18 A. YES.

19 Q. SO MEMBERSHIP IN COAST TO COAST IS NOT A  
20 HOME RESORT MEMBERSHIP; RIGHT?

21 A. CORRECT.

22 Q. ALL RIGHT. AND WHEN COAST TO COAST SENT  
23 LETTERS IN SEPTEMBER AND OCTOBER OF 1997 TO OVER 34,000 OF  
24 THE PLAINTIFFS' MEMBERS AND IT REFERRED THEREIN TO "YOUR  
25 COAST TO COAST HOME RESORT MEMBERSHIP," YOU WROTE THOSE  
26 LETTERS; RIGHT?

1 MR. SHERMAN: I'M GOING TO OBJECT TO THE QUESTION.  
2 IT LACKS FOUNDATION THAT THE 34,000 LETTERS WERE SENT TO  
3 PLAINTIFFS' MEMBERS.

4 THE COURT: OVERRULED.

5 BY MR. MOSHENKO: Q. WEREN'T 34,000 LETTERS SENT?

6 A. YES, TO THE COAST TO COAST MEMBERS.

7 Q. WEREN'T THEY ALL TO MEMBERS OF PLAINTIFFS'  
8 RESORTS?

9 A. THEY WERE ALSO MEMBERS OF PLAINTIFFS'  
10 RESORTS AS WE HAD THEM RECORDED IN OUR RECORDS, YES.

11 Q. SO WHEN YOU WROTE OVER 34,000 LETTERS TO  
12 PEOPLE WHO WERE MEMBERS OF PLAINTIFFS' RESORTS IN  
13 OCTOBER -- SEPTEMBER AND OCTOBER OF 1997 AND REFERRED TO  
14 TRANSFERRING THEIR HOME RESORT MEMBERSHIP, YOU WERE TALKING  
15 ABOUT THEIR MEMBERSHIP IN THEIR HOME RESORT WITH THE  
16 PLAINTIFFS' RESORTS; RIGHT?

17 A. WELL, THERE'S A COUPLE OF POINTS THERE THAT  
18 YOU KIND OF LOST ME ON. BUT THE FIRST ONE IS, IS THAT THEY  
19 WERE COAST TO COAST MEMBERS. WE SHOWED ON OUR RECORDS THAT  
20 THEY WERE MEMBERS OF THOSE RESORTS THAT PLAINTIFF HAS  
21 CALLED, AND I -- I'VE FORGOTTEN THE THIRD POINT YOU HAD IN  
22 THERE.

23 Q. WELL, MY POINT WAS, JUST SINCE YOU'VE JUST  
24 INDICATED THAT A HOME RESORT IS A REFERENCE TO THE RESORT  
25 WHERE THE MEMBER HAS ITS RESORT MEMBERSHIP, YOU WERE  
26 TELLING THE MEMBERS YOU WERE TRANSFERRING THEIR -- WELL,

1 STRIKE THAT.

2           YOU TOLD THE MEMBERS THAT YOU WROTE THE  
3 LETTERS TO, YOU WERE TRANSFERRING THEIR COAST TO COAST HOME  
4 RESORT MEMBERSHIP; RIGHT?

5       A.   THEIR COAST TO COAST HOME RESORT MEMBERSHIP  
6 IS CORRECT.

7       Q.   LET'S LOOK AT THIS DIAGRAM THAT WE HAD FROM  
8 LAST WEEK -- REMEMBER WITH MR. RYMAN WHEN MR. SHERMAN DREW  
9 THE HOUSE -- AND TRY TO CLEAN IT UP SO I CAN WORK WITH IT.

10           DO YOU REMEMBER THAT MR. SHERMAN DREW A  
11 HOUSE, AND HE DREW A LINE DOWN THE MIDDLE OF THE HOUSE, AND  
12 HE PUT IN TWO SQUARES?

13       MR. SHERMAN: YOUR HONOR, I BELIEVE THE RECORD WILL  
14 REFLECT THAT WAS THE WITNESS, ROGER RYMAN.

15       MR. MOSHENKO: OH, I'M SORRY. I STAND CORRECTED.  
16 THANK YOU.

17       Q.   MR. RYMAN DREW A HOUSE, AND HE DREW A LINE  
18 DOWN ON IT, AND HE PUT TWO SQUARES IN. AND HE INDICATED  
19 THAT THE ONE ON THE LEFT WAS THE CONTRACT BETWEEN THE  
20 RESORT OWNER AND THE MEMBER FOR MEMBERSHIP IN THE HOME  
21 RESORT; CORRECT?

22       A.   YES.

23       Q.   AND THEN HE INDICATED THE OTHER ONE WAS THE  
24 CONTRACT BETWEEN THE HOME RESORT MEMBER AND COAST TO COAST  
25 FOR A COAST TO COAST MEMBERSHIP. REMEMBER THAT?

26       A.   YES.

1 Q. OKAY. WELL, ISN'T IT A FACT THAT --. THIS  
2 IS A BIG OFFICE BUILDING (INDICATING).

3 ISN'T IT A FACT THAT THIS CONTRACT THAT  
4 MR. RYMAN SUGGESTED RESIDES IN THE RESORT ISN'T IN THE  
5 RESORT AT ALL, IT RESIDES OVER HERE IN DENVER, COLORADO, AT  
6 CAMP COAST TO COAST'S OFFICES?

7 MR. SHERMAN: OBJECTION. LACKS FOUNDATION.

8 THE COURT: OVERRULED.

9 THE WITNESS: I'M NOT EXACTLY SURE THAT I  
10 UNDERSTAND WHAT YOU'RE GETTING AT. BUT THAT -- THAT'S  
11 PRETTY ACCURATE.

12 THE HOME RESORT OR TERM "HOME RESORT" IS A  
13 COAST TO COAST TERM WHERE THE PERSON BUYS THEIR MEMBERSHIP.  
14 I'M -- I DON'T KNOW WHAT THEY WOULD ACTUALLY CALL IT, BUT  
15 "HOME RESORT" IS A COAST TO COAST TERM.

16 BY MR. MOSHENKO: Q. WELL, IT'S MORE THAN A COAST  
17 TO COAST TERM; IT'S A RECIPROCAL USE SYSTEM TERM THAT'S  
18 USED THROUGHOUT THE INDUSTRY, ISN'T IT?

19 A. I WOULD IMAGINE SO. BUT I BELIEVE COAST TO  
20 COAST WAS THE INITIATOR. WE WERE THE FIRST ONES IN THIS  
21 BUSINESS.

22 Q. HUNDREDS OF RESORTS THAT USE RECIPROCAL  
23 SERVICES WHETHER THEY USE IT FROM COAST TO COAST OR R.P.I.  
24 OR A -- IS IT A.O.L.?

25 A. A.O.R.

26 Q. A.O.R.

1 ALL OF THOSE SYSTEMS REFER TO A HOME RESORT,  
2 DON'T THEY?

3 A. I WOULD IMAGINE THAT THEY DO.

4 Q. AND THE MEMBERSHIP IN THE HOME RESORT IS A  
5 REFERENCE TO THE MEMBERSHIP THAT'S CREATED BY THIS CONTRACT  
6 THAT RESIDES AT THE -- AT THE RESORT; RIGHT?

7 A. YES.

8 Q. AND THE MEMBERSHIP IN CAMP COAST TO COAST,  
9 YES, SOMEONE MAY FILL OUT A FORM HERE; BUT IT'S A CONDITION  
10 OF THE AFFILIATION AGREEMENT BETWEEN COAST TO COAST AND THE  
11 DEVELOPER THAT THAT CONTRACT MUST BE IMMEDIATELY SENT OVER  
12 HERE FOR SIGNATURE BY CAMP COAST TO COAST?

13 A. IT'S FOR PROCESSING BY COAST TO COAST, THE  
14 SIGNATURES ALREADY OBTAINED.

15 Q. COAST TO COAST HAS SOMEBODY ON THE SCENE  
16 THAT SIGNS THESE CONTRACTS?

17 A. NO. THE DEVELOPER AND THE MEMBER DO THE  
18 SIGNATURE AT THE RESORT. THEN THE CONTRACT IS FORWARDED TO  
19 COAST TO COAST FOR PROCESSING.

20 Q. OKAY. AND THEN THIS IS WHERE THE COAST TO  
21 COAST MEMBERSHIP IS HANDLED, PROCESSED, IS DENVER,  
22 COLORADO; RIGHT?

23 A. YES.

24 Q. OKAY. AND THAT IS UNDER THE UMBRELLA OF  
25 AFFINITY GROUP AND THE OTHER ADAMS COMPANIES; RIGHT?

26 A. YES.

1 Q. OKAY. NOW, SO IF YOU WANTED TO TRANSFER --

2 WELL, YOU COULDN'T TRANSFER THIS CONTRACT, COULD YOU?

3 A. NO.

4 Q. YOU HAVE NO RIGHT TO TRANSFER THE CONTRACT

5 THAT THE MEMBER HAS WITH THE RESORT; RIGHT?

6 A. NO, YOU DO NOT.

7 Q. NOW, IF YOU WANTED TO TRANSFER THIS

8 CONTRACT, WHERE WOULD YOU TRANSFER IT TO; WOULD YOU

9 TRANSFER IT TO R.P.I., ANOTHER RECIPROCAL USER?

10 A. CHANCES ARE REAL GOOD THAT WOULD NOT HAPPEN.

11 Q. THE FACT IS, THIS CONTRACT NEVER GETS

12 TRANSFERRED, DOES IT?

13 A. I THINK YOU'RE MINCING WORDS WITH ME. BUT

14 IN ESSENCE, NO, THE CONTRACT ITSELF IS NOT TRANSFERRED.

15 Q. WELL, THE COAST TO COAST MEMBERSHIP IS A

16 MEMBERSHIP WITH COAST TO COAST; IT DOESN'T GET TRANSFERRED

17 FROM ANYPLACE THAN COAST TO COAST; CORRECT?

18 A. I'M NOT SURE I UNDERSTAND THE QUESTION.

19 Q. OKAY. WELL, IF I JOINED COAST TO COAST, I

20 BECOME A COAST TO COAST MEMBER, MY MEMBERSHIP IS WITH COAST

21 TO COAST; RIGHT?

22 A. YES.

23 Q. OKAY. NOW, I KNOW I CAN BUY AN ENHANCED

24 MEMBERSHIP LIKE COAST DELUXE OR COAST C.C.R. WHAT'S THAT?

25 A. IT'S COAST TO COAST RESORTS.

26 Q. COAST TO COAST RESORTS.

1           THERE'S AT LEAST THREE TYPES OF COAST TO  
2 COAST MEMBERSHIPS I'M AWARE OF. ARE THERE MORE?

3       A.   NO. THAT'S PRETTY MUCH IT.

4       Q.   OKAY. AND BASIC MEMBERSHIP IS C.C.C., A  
5 COAST TO COAST BASIC MEMBERSHIP; IS THAT CORRECT?

6       A.   YES.

7       Q.   AND IF YOU WANT TO ENHANCE THAT, YOU CAN GET  
8 A C.C.R., WHICH IS A COAST TO COAST RESORTS MEMBERSHIP;  
9 RIGHT?

10      A.   YES.

11      Q.   AND IF YOU WANT TO ENHANCE THOSE, YOU CAN  
12 GET A COAST DELUXE; CORRECT?

13      A.   YES.

14      Q.   ALL RIGHT. REGARDLESS OF WHICH ONE OF THESE  
15 YOU HAVE, YOUR CONTRACT IS WITH COAST TO COAST; CORRECT?

16      A.   YES.

17      Q.   AND CAN A MEMBER SAY, "TRANSFER MY COAST  
18 MEMBERSHIP AWAY FROM COAST"?

19      A.   NO. THAT'S CALLED CANCELLING THE CONTRACT.

20      Q.   CORRECT.

21           SO THERE IS NO SUCH THING AS TRANSFERRING A  
22 COAST MEMBERSHIP, IS THERE?

23      A.   IN THE FASHION THAT YOU JUST DESCRIBED IT  
24 OUTSIDE OF THE COAST TO COAST SYSTEM, THAT WOULD BE  
25 CORRECT.

26      Q.   OKAY. NOW, A MEMBER CAN TRANSFER HIS HOME

1 RESORT MEMBERSHIP FROM THIS RESORT TO THAT RESORT IF HE  
2 WANTS TO; RIGHT?

3 A. AGAIN, THE TERM "HOME RESORT" IS A TERM FOR  
4 COAST TO COAST USE. I'M NOT SURE THAT A DEVELOPER WOULD  
5 SAY OR WOULD HAVE AN ARRANGEMENT WITH ANOTHER RESORT TO  
6 TRANSFER THE SAME MEMBERSHIP. I BELIEVE IT WOULD BECOME A  
7 COMPLETELY NEW MEMBERSHIP AT A DIFFERENT RESORT.

8 Q. ALL RIGHT. WELL, WHEN I ASKED MR. RYMAN  
9 THIS QUESTION, HIS ANSWER, IF I RECALL IT ACCURATELY, WAS  
10 "PROVIDED YOU COMPLY WITH THE TRANSFER RULES."

11 DID YOU HEAR HIM TESTIFY TO THAT?

12 A. YEAH. BUT THAT'S IN THE COAST TO COAST  
13 SYSTEM. THAT HAS NOTHING TO DO WITH THE DEVELOPERS  
14 THEMSELVES MAKING AN ARRANGEMENT FOR A MEMBER TO BE IN A --  
15 THE TRANSFER TO HIS RESORT MEMBERSHIP. I DON'T KNOW THAT  
16 THEY TRANSFER RESORT MEMBERSHIPS.

17 Q. YOU'VE HEARD IT SAID OVER AND OVER, AND --  
18 IN YOUR TEN YEARS OF EXPERIENCE -- THAT A RESORT DEVELOPER  
19 TRANSFERRED HIS MEMBERS FROM ONE RESORT TO ANOTHER, HAVEN'T  
20 YOU?

21 A. YES. THAT CAN BE DONE.

22 Q. AND YOU'VE HEARD IT SAID ABOUT MR. NOVELLI  
23 THAT HE TRANSFERRED MEMBERS FROM ONE OF HIS RESORTS TO  
24 ANOTHER ONE OF HIS RESORTS; RIGHT?

25 A. YES.

26 Q. AND, IN FACT, IN OPENING ARGUMENT, THE

1 DEFENSE SAID, "AND HE TRANSFERRED HIS MEMBERS FROM OHIO TO  
2 KENTUCKY WHICH IS RIGHT BELOW OHIO." DO YOU REMEMBER THAT?

3 A. YES.

4 Q. OKAY. SO ISN'T THIS TRANSFERRING A MEMBER'S  
5 HOME RESORT MEMBERSHIP FROM ONE RESORT TO ANOTHER RESORT?

6 A. YES. BUT, AGAIN, WITHIN THE FRAMEWORK OF  
7 THE COAST TO COAST SYSTEM? IT'S -- IT'S SOMETHING ENTIRELY  
8 DIFFERENT THAN WHAT I BELIEVE YOU'RE ALLUDING TO HERE.

9 Q. OKAY. WELL, COAST HAS SOMETHING CALLED  
10 "TRANSFER RULES"; RIGHT?

11 A. YES.

12 Q. AND THE TRANSFER RULES SAY IF A TRANSFER OF  
13 A MEMBER FROM ONE RESORT TO ANOTHER IS TO TAKE PLACE, THREE  
14 THINGS ARE REQUIRED; RIGHT?

15 A. YES.

16 Q. A LETTER FROM THE -- I'M GOING TO CALL IT  
17 TRANSFER, TF, TRANSFER-FROM RESORT; CORRECT?

18 A. OKAY.

19 Q. AND SOMETHING IN WRITING FROM THE TT, THE  
20 TRANSFER-TO RESORT; RIGHT?

21 A. YES.

22 Q. AND THEN SOMETHING IN WRITING FROM THE  
23 MEMBER. THOSE THREE THINGS; CORRECT?

24 A. YES.

25 Q. AND THOSE WERE IN THE RULES OF CAMP -- IN  
26 THE OPERATOR'S MANUAL, THE LICENSEE'S MANUAL --

1 A. YES.

2 Q. -- OF COAST TO COAST; RIGHT?

3 AND THOSE RULES ARE -- TENDED TO APPLY WHEN,  
4 FOR WHATEVER REASON, A DECISION IS MADE TO TRANSFER A  
5 MEMBER'S HOME RESORT MEMBERSHIP FROM ONE RESORT TO ANOTHER  
6 RESORT?

7 A. YES.

8 Q. OKAY. AND WHEN THESE THREE THINGS ARE THERE  
9 OR WHEN A TRANSFER OCCURS, COAST THEN CAN SAY, OKAY, WE  
10 SHOWED YOUR HOME RESORT AS DELTA ISLE BEFORE, AND NOW WE'LL  
11 ADJUST OUR RECORDS TO SHOW THAT YOUR RESORT IS NOW TWO  
12 SPRINGS; SOMETHING LIKE THAT HAPPENS; RIGHT?

13 A. YES.

14 Q. OKAY. NOW, THAT CHANGES THE HOME RESORT  
15 MEMBERSHIP, BUT IT DOESN'T AFFECT THE COAST TO COAST  
16 MEMBERSHIP, DOES IT?

17 A. IN WHAT FASHION? IT DOESN'T AFFECT OUR  
18 COAST MEMBERSHIP.

19 Q. THE MEMBER IS A MEMBER OF DELTA ISLE, AND HE  
20 GETS HIS -- DOESN'T COAST GIVE A CARD FOR ITS MEMBERSHIP, A  
21 COAST TO COAST MEMBERSHIP CARD?

22 A. YES.

23 Q. HE GETS HIS COAST TO COAST MEMBERSHIP CARD,  
24 AND HE RUNS AROUND THE COUNTRY AND HE SAYS, "I'M A MEMBER  
25 OF DELTA ISLE. AND HERE'S MY COAST TO COAST MEMBERSHIP  
26 CARD." NOW HE'S TRANSFERRED TO TWO SPRINGS. HE DOESN'T

1 GET A NEW CARD THAT SAYS THIS -- THIS IS YOUR TWO SPRINGS  
2 CARD. HE'S USES THE SAME CARD HE'S ALWAYS HAD; DOESN'T  
3 MATTER. HIS PRIVILEGES GO ON REGARDLESS OF HIS HOME RESORT  
4 AS LONG AS IT HAS A HOME RESORT; RIGHT?

5 A. HE WOULD GET A NEW CARD FROM TWO SPRINGS, I  
6 WOULD IMAGINE. BUT THAT'S THE WHOLE POINT OF IT, IS YES,  
7 HIS COAST TO COAST PRIVILEGES ARE NOT INTERRUPTED.

8 AND, AGAIN, YOU REALIZE THAT THAT TAKES  
9 PLACE WHEN THE RESORTS ARE AFFILIATED WITH COAST TO COAST.

10 Q. SURE.

11 A. OKAY.

12 Q. TRANSFERRED TO -- FROM AN AFFILIATED RESORT  
13 TO AN AFFILIATED RESORT.

14 MR. NOVELLI'S SYSTEM OF RESORTS HAD MANY,  
15 MANY RESORTS IN IT, ALL OF WHICH WERE AT ONE TIME  
16 AFFILIATED; RIGHT?

17 A. YES.

18 Q. AND MR. NOVELLI COULD TRANSFER MEMBERS FROM  
19 RESORT -- ONE RESORT TO ANOTHER WITHOUT HAVING TO HAVE HIS  
20 MEMBERS LEAVE HIS SYSTEM, AS FAR AS THEIR HOME RESORTS WERE  
21 CONCERNED; RIGHT?

22 MR. SHERMAN: OBJECTION. LACKS FOUNDATION AND  
23 CALLS FOR A LEGAL CONCLUSION FROM THIS WITNESS AS TO WHAT  
24 OTHER MEMBERS' CONTRACTS WITH NOVELLI MAY HAVE PROVIDED.

25 THE COURT: OVERRULED. I'LL ALLOW IT.

26 THE WITNESS: I WOULD AGREE WITH COUNSEL; THOUGH,

1 I -- I DON'T KNOW WHAT THAT WOULD INVOLVE.

2 BUT FOR THE BASIC PREMISE, YES, THAT WOULD

3 BE ABLE TO BE DONE, I BELIEVE, BY MR. NOVELLI.

4 BY MR. MOSHENKO: Q. AS A PART OF THE AFFILIATION

5 PROCESS, DOESN'T COAST TO COAST LOOK AT THE DOCUMENTS THAT

6 THE RESORT DEVELOPER HAS BETWEEN HIM AND A MEMBER, THIS

7 CONTRACT?

8 A. NOT AS A GENERAL PRACTICE, NO.

9 Q. IT'S NOT -- IT'S NOT CONSIDERED A

10 REQUIREMENT THAT THE LICENSEES WHO WANT TO AFFILIATE

11 PROVIDE EXEMPLARS OF THEIR CONTRACTS WITH COAST TO COAST --

12 OR I SAID IT WRONG -- EXEMPLARS OF THEIR CONTRACTS WITH

13 THEIR MEMBERS TO COAST TO COAST?

14 A. I BELIEVE THAT IN THE INITIAL PROCESS IT'S A

15 REQUIREMENT, BUT I DON'T KNOW THAT IT IS SPECIFICALLY SET

16 FORTH ANYWHERE.

17 Q. OKAY. AND SO AS A PART OF THAT INITIAL

18 PROCESS, COAST REVIEWS THE CONTRACTS THAT THE RESORT

19 DEVELOPERS HAVE WITH THE MEMBERS?

20 A. I DO NOT.

21 Q. COAST DOES?

22 A. IF IT'S A REQUIREMENT, THEN YES, I'M SURE

23 THAT IT WOULD BE REVIEWED.

24 Q. AND SO AREN'T YOU AWARE THAT MR. NOVELLI'S

25 CONTRACTS WITH HIS MEMBERS PROVIDES THAT HE MAY TRANSFER

26 HIS MEMBERS FROM ONE RESORT TO ANOTHER?

1 A. I'M NOT AWARE.

2 MR. SHERMAN: OBJECTION. CALLS FOR A LEGAL

3 CONCLUSION.

4 THE COURT: OVERRULED.

5 THE WITNESS: I'M NOT AWARE OF IT, NO.

6 BY MR. MOSHENKO: Q. OKAY. NOW, THIS TRANSFER

7 PROCESS CAN BE INITIATED BY THE -- THE ORIGINAL DEVELOPER;

8 RIGHT? THEY CAN DECIDE THEY NEED TO OR WANT TO TRANSFER

9 THE MEMBER?

10 A. PRESUMABLY, YES.

11 Q. IT CAN BE INITIATED BY THE MEMBER; THE

12 MEMBER CAN SAY, "I'D LIKE TO TRANSFER MY HOME RESORT"?

13 A. THOSE ARE THE ONES THAT WE DEAL WITH

14 PRIMARILY, YES.

15 Q. SELDOM INITIATED BY THE TRANSFERRED-TO

16 RESORT, IS IT?

17 A. THAT WOULD BE TRUE.

18 Q. AND IT'S NOT INITIATED BY COAST?

19 A. NO.

20 Q. THAT'S BECAUSE COAST HAS NO RIGHT TO COMPEL

21 A RESORT DEVELOPER TO TRANSFER HIS MEMBER TO A DIFFERENT

22 RESORT; RIGHT?

23 A. CORRECT.

24 Q. WHAT IS THE REASON FOR THE PRIMARY PRODUCT

25 RULE?

26 A. IN MY OPINION, IT'S -- THE PRIMARY REASON

1 FOR THE PRIMARY PRODUCT RULE IS SO THAT THE MEMBER  
2 UNDERSTANDS VERY CLEARLY WHAT IT IS THAT THEY ARE  
3 PURCHASING WHEN THEY FIRST ENTER INTO THIS MEMBERSHIP  
4 CAMPGROUND OR HOSPITALITY INDUSTRY.

5 Q. THEY ARE PURCHASING A MEMBERSHIP IN A  
6 CAMPGROUND; THAT'S WHAT YOU MEAN THAT THEY HAVE TO  
7 UNDERSTAND?

8 A. RIGHT. THAT THEY CLEARLY UNDERSTAND WHAT IT  
9 IS THAT THEY ARE PURCHASING.

10 Q. OKAY. DO YOU ALSO INCLUDE IN THAT -- IN THE  
11 UNDERSTANDING OF THAT RESPONSE THAT THEY SHOULD HAVE AN  
12 AWARENESS OF WHAT THEIR CAMPGROUND IS, WHAT IT CON- -- WHAT  
13 IT INCLUDES, WHAT AMENITIES IT PROVIDES?

14 A. YES.

15 Q. AND, IN FACT, ISN'T THERE A RULE THAT SAYS  
16 THAT MEMBERS HAVE TO VISIT THEIR CAMPGROUNDS AS A PART --  
17 IT'S A COAST TO COAST RULE; YOU MUST VISIT YOUR CAMPGROUND  
18 WHEN YOU ACQUIRE OR COAST -- YOUR RESORT MEMBERSHIP OR  
19 YOU'RE NOT -- OR YOU CAN'T JOIN COAST TO COAST?

20 A. THE REQUIREMENT IS THERE THAT THE MEMBER  
21 ACKNOWLEDGE THEY HAVE VISITED THEIR HOME OR THEIR -- THAT  
22 THEY HAVE VISITED THE -- THE RESORT IN WHICH THEY ARE  
23 PURCHASING THEIR MEMBERSHIP AT THE TIME THEY SIGN UP FOR  
24 COAST TO COAST.

25 Q. SAY THEY HAVE VISITED THEIR HOME RESORT;  
26 RIGHT?

1 A. RIGHT.

2 Q. OKAY. AND THAT'S SO COAST CAN HAVE SOME  
3 ASSURANCES THAT THESE PEOPLE ARE NOT BUYING A HUNK OF DIRT  
4 OUT IN NOWHERE'S-VILLE; THAT -- AND THEN COMPLAIN TO COAST  
5 THAT THEY DIDN'T KNOW WHAT THEY WERE BUYING; RIGHT?

6 A. THAT WOULD BE A REASONABLE STATEMENT, YES.

7 Q. THERE'S ANOTHER RULE THAT RELATES TO THIS  
8 CONCEPT OF VISITING YOUR RESORT; IT HAS TO DO WITH A COAST  
9 RULE THAT TELLS DEVELOPERS THAT YOU CAN'T SET UP SATELLITE  
10 MARKETING OFFICES ON THE OPPOSITE SIDES OF THE COUNTRY OR  
11 FAR AWAY AND MARKET YOUR RESORT TO MEMBERS OF THE PUBLIC  
12 BECAUSE IT WOULD BE IMPOSSIBLE FOR THOSE MEMBERS TO KNOW  
13 WHAT THEY ARE BUYING BECAUSE THEY CAN'T VISIT THEIR  
14 RESORTS, SOMETHING LIKE THAT?

15 A. THAT'S NOT COMPLETELY ACCURATE, NO.

16 Q. WELL, FIRST, WHAT'S THE RULE CALLED?

17 A. I BELIEVE THE RULE THAT YOU'RE REFERRING TO  
18 IS THE 500-MILE MARKETING RULE?

19 Q. AND IS THE 500-MILE MARKETING RULE EVER BEEN  
20 A 250-MILE MARKETING RULE?

21 A. YES. IT WAS AT ONE TIME.

22 Q. WHEN WAS IT CHANGED?

23 A. I WILL BE GUESSING THAT IT WAS PROBABLY IN  
24 1996, POSSIBLY 1997.

25 Q. OKAY. AND WHAT'S -- WHAT THAT RULE?  
26 WHAT'S IT SAY?

1 A. TO MARKET YOUR RESORT OR SALE -- MEMBERSHIP  
2 SALES IN YOUR RESORT -- THIS IS FROM THE TOP OF MY HEAD, I  
3 HOPE YOU UNDERSTAND.

4 WITH THE USE OF COAST TO COAST MATERIALS,  
5 YOU'RE RESTRICTED TO A 500-MILE RADIUS FROM YOUR RESORT,  
6 UNLESS YOU HAVE AN APPROVED OFF-SITE LOCATION.

7 Q. OKAY. AND AN APPROVED OFF-SITE LOCATION IS  
8 A REFERENCE TO WHAT I CALLED A SATELLITE MARKETING  
9 LOCATION; IS THAT CORRECT?

10 A. THAT WOULD BE FAIR.

11 Q. MEANS IF I HAVE A RESORT AT DELTA ISLE IN  
12 SACRAMENTO, AND I DECIDE I WANT TO GO AND SET UP A --  
13 OFFICES IN NEW YORK CITY TO SELL MY MEMBERSHIPS TO MY DELTA  
14 ISLE RESORT, THAT'S FURTHER THAN 500 MILES AWAY; RIGHT?

15 NEW YORK CITY IS FARTHER THAN 500 MILES  
16 FROM SACRAMENTO?

17 A. YEAH. BUT, AGAIN, COAST TO COAST CANNOT  
18 DICTATE TO DEVELOPERS WHERE OR HOW THEY CAN SELL THEIR  
19 MEMBERSHIPS UNLESS THEY ARE TRYING TO USE COAST TO COAST.  
20 SO FOR A DEVELOPER TO MARKET HIS RESORT IN NEW YORK FROM  
21 CALIFORNIA, THERE'S NOTHING WE COULD DO ABOUT THAT.

22 Q. SURE. BUT WHEN THAT DEVELOPER STARTS TO  
23 MARKET NOT ONLY HIS RESORT MEMBERSHIP BUT ALSO COAST TO  
24 COAST MEMBERSHIPS IN NEW YORK, COAST IS SUPPOSED TO SAY,  
25 "LOOK, THE CONTRACT BETWEEN THE DEVELOPERS AND COAST TO  
26 COAST SAYS YOU CAN'T DO THAT"?

1 A. ABSOLUTELY.

2 Q. OKAY. AND SO THAT'S CALLED VIOLATING THE  
3 500-MILE RULE, OR WORDS TO THAT EFFECT; RIGHT?

4 A. YES.

5 Q. OKAY. NOW, YOU SAID AN APPROVED OFF-SITE  
6 LOCATION.

7 CAN AN APPROVED OFF-SITE LOCATION BE GREATER  
8 THAN 500 MILES FROM THE ORIGINAL RESORT?

9 A. YOU KNOW, I'M NOT SURE.

10 Q. OKAY. SO REGARDLESS, AGAIN, THE POINT HERE  
11 OF THE 500-MILE RULE IS TO TRY TO INSURE THAT THE MEMBERS  
12 WHO BUY RESORT MEMBERSHIPS AND THEN ALSO BUY A MEMBERSHIP  
13 IN COAST TO COAST WILL NOT BE MARKETED IN A MANNER THAT  
14 COULD LEAD TO DISSATISFIED MEMBERS BECAUSE THEY'VE NEVER  
15 SEEN THEIR RESORT OR THEY DON'T KNOW ENOUGH ABOUT THEIR  
16 RESORT, SOMETHING LIKE THAT; RIGHT?

17 A. IT WAS PRETTY LENGTHY. IN THEORY, YES, I'LL  
18 AGREE WITH THAT.

19 Q. OKAY. AND SO -- ALL RIGHT. YOU HEARD THE  
20 TERM "GIVEAWAYS" USED IN THIS TRIAL?

21 A. I'VE HEARD IT USED IN THIS TRIAL YES.

22 Q. AND, IN FACT, WASN'T IT USED IN ONE OF THE  
23 REPORTS THAT WAS PUT UP ON THE SCREEN THAT COAST TO COAST  
24 COMMISSIONED; WAS IT BACK IN 1993 WHEN THEY ASKED SOMEBODY  
25 TO STUDY THE INDUSTRY AND TO REPORT BACK TO THEM WHAT WAS  
26 GOING ON IN THE INDUSTRY?

1 A. I THINK YOU PUT UP THREE DIFFERENT REPORTS.  
2 I DON'T KNOW WHAT YEAR THAT THE TERM WAS IN THERE, BUT I  
3 DID SEE THE WORD "GIVEAWAY" IN ONE OF THOSE, YES.

4 Q. OKAY. AND THE TERM "GIVEAWAY" IS A  
5 REFERENCE TO SOMEBODY WHO SELLS MEMBERSHIPS -- WELL,  
6 ACTUALLY I GUESS LITERALLY WOULD MEAN WHO GIVES MEMBERSHIPS  
7 IN A RESORT AWAY IN ORDER TO GET THE MEMBER AS A  
8 DUES-PAYING MEMBER IN THE RESORT; RIGHT?

9 A. I THINK THE TERM "GIVEAWAY" WAS A LITTLE BIT  
10 BROADER THAN THAT, AND IT WOULD INCLUDE, YOU KNOW, VERY LOW  
11 COST MEMBERSHIPS.

12 Q. OKAY. SO IN THE 1990'S YOU'RE AWARE THAT,  
13 GENERALLY SPEAKING, RESORT MEMBERSHIPS WERE SELLING FOR  
14 SOMETHING BETWEEN \$3- AND \$10,000?

15 A. GENERALLY, YES, I'M AWARE OF THAT.

16 Q. OKAY. AND IF A RESORT OWNER DECIDED --  
17 WELL, LET ME MENTION STEVE BALDELLI. WHO'S STEVE BALDELLI?

18 A. HE IS A DEVELOPER THAT HAS TWO RESORTS  
19 AFFILIATED IN THE COAST TO COAST SYSTEM.

20 Q. OKAY. AND ISN'T IT TRUE, TO YOUR KNOWLEDGE,  
21 MR. BALDELLI IS AN ADVOCATE OF THE MARKETING OF LOW COST  
22 RESORT MEMBERSHIPS -- LOW COST MEANS \$500, SOMETHING LIKE  
23 THAT -- THE IDEA BEING TO SIGN UP MANY MORE MEMBERS WHO  
24 WILL BE DUES PAYING MEMBERS?

25 A. I'M -- NO, I'M NOT REALLY AWARE THAT HE'S AN  
26 ADVOCATE OF THAT, NO.

1 Q. OKAY. WELL, HAS COAST EVER -- LET ME BACK  
2 UP ONE MORE TIME.

3 THE REASON WHY GIVEAWAYS AS YOU HAVE DEFINED  
4 IT ARE NOT GOOD FOR THE SYSTEM IS THAT IF A RESORT WERE TO  
5 SELL MEMBERSHIPS FOR 500 OR 250 JUST TO GET DUES MEMBERS,  
6 MEMBERS PAYING DUES, THAT WOULD IMPACT THEIR ABILITY TO  
7 FINANCE AND PAY FOR THE DEVELOPMENT OF A RESORT?

8 MR. SHERMAN: OBJECTION.

9 MR. MOSHENKO: WOULDN'T IT?

10 MR. SHERMAN: THAT ASSUMES FACTS NOT IN EVIDENCE,  
11 "IT'S NOT GOOD FOR THE SYSTEM," AND LACKS FOUNDATION.

12 THE COURT: I'M GOING TO SUSTAIN IT.

13 BY MR. MOSHENKO: Q. DO YOU REMEMBER MR. -- YOU  
14 WATCHED MR. MITCHELL'S TESTIMONY; RIGHT?

15 A. YES.

16 Q. YOU REMEMBER HE SAID IT TAKES -- I FORGET  
17 HOW MANY -- A MILLION DOLLARS TO DEVELOP A RESORT,  
18 GENERALLY SPEAKING, IN THE INDUSTRY; DO YOU REMEMBER  
19 SOMETHING LIKE THAT?

20 A. I REMEMBER HIM USING THAT AMOUNT OF MONEY,  
21 YES.

22 Q. ALL RIGHT.

23 A. I DON'T KNOW THAT THAT'S ACCURATE.

24 Q. OKAY. WHATEVER THE NUMBER WAS THAT -- DO  
25 YOU HAVE SOME UNDERSTANDING OF HOW MUCH MONEY IT TAKES TO  
26 SET UP AND DEVELOP A RESORT?

1 A. I KNOW THAT THERE ARE A NUMBER OF DIFFERENT  
2 WAYS BY WHICH A DEVELOPER GETS INTO THE BUSINESS.  
3 SOMETIMES THE PROPERTY IS ALREADY OUTRIGHT OWNED.  
4 SOMETIMES THEY ARE -- PURCHASE PROPERTY AND DEVELOP IT INTO  
5 A RESORT FROM THAT POSITION. SO I'M NOT -- I WOULDN'T HAVE  
6 ANY IDEA AT ALL HOW MUCH MONEY IS ACTUALLY INVOLVED IN  
7 THAT.

8 Q. BUT YOU WOULD AGREE WITH ME THAT IT TAKES A  
9 LOT OF MONEY TO DEVELOP A RESORT FROM SCRATCH?

10 A. I WOULD AGREE THAT THERE IS A COST INVOLVED,  
11 YES.

12 Q. AND IT ALSO TAKES A LOT OF MONEY TO RUN AND  
13 MAINTAIN A RESORT AT THE QUALITY LEVELS THAT COAST TO COAST  
14 SAYS IT INSISTS FROM ITS AFFILIATED RESORT OWNERS?

15 A. I AGREE WITH THAT.

16 Q. OKAY. AND IF -- ABSENT A RESORT OWNER WHO'S  
17 INDEPENDENTLY WEALTHY, IF HE'S DEPENDENT UPON THE INCOME  
18 FROM HIS MEMBERS TO DEVELOP AND MAINTAIN A RESORT, THEN A  
19 RESORT DEVELOPER WHO SELLS MEMBERSHIPS FOR \$500 A MEMBER  
20 WOULD HAVE LESS MONEY THAN A RESORT MEMBER -- RESORT  
21 DEVELOPER WHO SELLS MEMBERSHIPS FOR \$5,000 A MEMBER?

22 A. THAT -- THAT'S AN AREA THAT I REALLY DON'T  
23 FEEL QUALIFIED TO SPEAK TO. I MEAN, THERE'S JUST SO MANY  
24 DIFFERENT THINGS THAT COULD BE INVOLVED.

25 I ALSO HEARD MR. MITCHELL SAY THAT ALMOST  
26 HALF OF THE MONEY THAT HE GOT FROM THE SALE OF THE

1 MEMBERSHIP WAS SPENT ON THE MARKETING. SO I'M NOT SURE  
2 THAT HE WOULD REALLY HAVE THAT MUCH MORE MONEY THAN  
3 SOMEBODY ELSE WOULD.

4 THAT'S JUST NOT SOMETHING I'M QUALIFIED TO  
5 SPEAK ON.

6 Q. HAVE YOU EVER SEEN THE SITUATION WHERE A  
7 RESORT DEVELOPER SELLS MEMBERSHIPS TO A RESORT WITH THE  
8 PLAN OR EXPECTATION THAT HIS MEMBERS WILL PRIMARILY BE  
9 VISITING OTHER RESORTS THAN HIS RESORT?

10 A. I HAVE NOT SEEN THAT AS A PLAN, NO.

11 Q. WELL, ISN'T THE PRIMARY PRODUCT RULE A RULE  
12 THAT BASICALLY SAYS YOU SHOULD NOT SELL AS THE PRIMARY  
13 THING THE MEMBER IS BUYING THE RECIPROCAL SYSTEM, THOSE  
14 OTHER RESORTS OUT THERE; YOU HAVE TO SELL YOUR OWN RESORT  
15 PRIMARILY; RIGHT?

16 A. YES.

17 Q. OKAY. AND THAT'S BECAUSE IF DEVELOPERS SOLD  
18 OTHER RESORTS' USAGE AS THEIR PRIMARY PRODUCT, THEY, IN  
19 EFFECT, WOULD BE SELLING EVERYBODY'S RESORT BUT THEIR OWN;  
20 CORRECT?

21 A. YES.

22 Q. AND IF SOMEONE GAVE -- IN EFFECT, GAVE AWAY  
23 RESORT MEMBERSHIPS AS THE PRIMARY PRODUCT, THERE WOULD  
24 BE -- WELL, THERE WOULD BE NO MOTIVE OR REASON -- IF THEY  
25 SELL MEMBERSHIPS TO THE OTHER RESORTS PRIMARILY, THERE  
26 WOULD BE NO MOTIVE OR REASON FOR THEM TO WANT TO MAINTAIN

1 THEIR RESORTS?

2 MR. SHERMAN: OBJECTION. IT'S AN INCOMPLETE

3 HYPOTHETICAL.

4 THE COURT: SUSTAINED.

5 REPHRASE IT, PLEASE.

6 BY MR. MOSHENKO: Q. OKAY. DOESN'T THE PRIMARY

7 PRODUCT RULE PROTECT THE ENTIRE CITIZEN -- THE ENTIRE

8 SYSTEM OF RESORT OWNERS FROM OPPORTUNISTS WHO WANT TO SELL

9 ACCESS TO THE OTHER RESORTS AS OPPOSED TO THEIR RESORTS

10 PRIMARILY?

11 A. THAT'S A PRIMARY CONSIDERATION, YES.

12 Q. AND COAST TO COAST, AS WE INDICATED, HAS TO

13 BE THE PLACE THAT THIS RULE GETS ENFORCED BECAUSE THE OTHER

14 RESORT DEVELOPERS CAN'T -- OR AT LEAST CANNOT POLICE THE

15 INDUSTRY?

16 A. I LOST THE TRAIN ON THAT. THAT -- THAT IS

17 ACCURATE, YES. I BELIEVE THAT THE DEVELOPERS DEPEND ON US

18 TO PREVENT THAT FROM BEING A RAMPANT --

19 Q. OKAY.

20 A. -- WAY OF RUNNING THE SYSTEM.

21 Q. AND THE REASON THAT THE DEVELOPERS DEPEND ON

22 YOU IS BECAUSE COAST TELLS RESORT OWNERS WHO THEY ARE

23 TRYING TO HAVE AFFILIATE WITH THE COAST SYSTEM THAT IF YOU

24 COME INTO THE SYSTEM, THIS IS A RULE THAT WE HAVE, AND

25 WE'LL ENFORCE IT?

26 A. YES.

1 Q. OKAY. A VIOLATION OF THE -- THE PRIMARY  
2 PRODUCT RULE CAN RESULT IN THE SUSPENSION OF THE VIOLATOR  
3 FROM THE COAST TO COAST SYSTEM; RIGHT?

4 A. DO YOU KNOW WHAT "SUSPENSION" IS?

5 Q. I THINK I DO.

6 A. OKAY. BASICALLY IT MEANS THAT WE WITHDRAW  
7 FROM THE RESORT THEIR PRIVILEGE TO USE COAST TO COAST IN  
8 THE MARKETING OF SALES, MEMBERSHIP SALES, FOR THEIR  
9 RESORT.

10 Q. CORRECT.

11 SO IF SOMEONE VIOLATES THE PRIMARY PRODUCT  
12 RULE, COAST AS THE ENFORCING ENTITY SHOULD SAY, "DON'T DO  
13 THAT, OR WE'LL SUSPEND YOU"?

14 A. THAT IS ABSOLUTELY CORRECT.

15 Q. AND HAS COAST EVER SUSPENDED ANYBODY FOR  
16 VIOLATING THE PRIMARY PRODUCT RULE?

17 A. YES, WE HAVE.

18 Q. HAVE YOU EVER SUSPENDED STEVE BALDELLI?

19 A. YES, WE HAVE.

20 Q. AND THAT'S BECAUSE HE WAS VIOLATING THE  
21 PRIMARY PRODUCT RULE; RIGHT?

22 A. YES.

23 Q. AND HE WAS GIVING -- IN EFFECT, ENGAGING IN  
24 GIVEAWAYS?

25 A. IN THE SENSE OF MY DEFINITION OF IT, YES.

26 Q. OKAY. A COUPLE MORE THINGS ABOUT THE

1 REQUIREMENT THAT YOU'VE INDICATED THIS MORNING THAT YOU  
2 MUST HAVE A HOME RESORT MEMBERSHIP FIRST BEFORE YOU CAN GET  
3 A COAST TO COAST MEMBERSHIP.

4 YOU KNOW WHAT I'M TALKING ABOUT?

5 A. YES.

6 Q. OKAY. ONE OF THE REASONS FOR THAT IS  
7 BECAUSE COAST TELLS ITS POTENTIAL AFFILIATED RESORT, PEOPLE  
8 THEY ARE TALKING ABOUT AFFILIATING, THAT WE DO NOT ALLOW  
9 PEOPLE WHO DON'T HAVE A HOME RESORT TO USE THE COAST TO  
10 COAST SYSTEM, AFFILIATED HOME RESORT?

11 A. THEY ARE NOT ELIGIBLE FOR COAST TO COAST  
12 MEMBERSHIP WITHOUT A HOME RESORT MEMBERSHIP IN AN  
13 AFFILIATED RESORT.

14 Q. RIGHT.

15 AND THERE'S A VERY GOOD REASON FOR THAT RULE  
16 BECAUSE IF PEOPLE COULD USE A RECIPROCAL SYSTEM WITHOUT A  
17 MEMBERSHIP IN A HOME RESORT, NOBODY WOULD JOIN THE HOME  
18 RESORT?

19 A. AND THERE PROBABLY WOULD NOT BE ANY RESORTS  
20 IN THE SYSTEM FOR THEM TO USE.

21 Q. AND THAT'S BECAUSE IF NOBODY'S JOINED A HOME  
22 RESORT, IF THE HOME RESORTS COULDN'T EARN THE MONEY FROM  
23 THE MEMBERSHIPS, THEY COULDN'T MAINTAIN THEIR RESORTS; SO  
24 THAT THERE WOULD BE RESORTS TO USE; RIGHT?

25 MR. SHERMAN: OBJECTION. IT'S AN INCOMPLETE  
26 HYPOTHETICAL AND LACKS FOUNDATION.

1 THE COURT: DO YOU UNDERSTAND THE QUESTION?

2 THE WITNESS: NO, I REALLY DON'T.

3 THE COURT: REPHRASE.

4 THE WITNESS: PLEASE.

5 BY MR. MOSHENKO: Q. I HEARD YOU SAY, "AND THERE  
6 WOULDN'T BE ANY HOME RESORTS TO USE." WHAT DO YOU MEAN BY  
7 THAT?

8 A. IT DOESN'T MAKE SENSE TO ME THAT A DEVELOPER  
9 WOULD PARTICIPATE IN SOMETHING -- I DON'T WANT TO SAY THIS  
10 SO IT SOUNDS MEAN -- THERE WOULD BE NO MOTIVE FOR THE  
11 DEVELOPER TO PARTICIPATE IN THE SYSTEM IF HE WAS JUST  
12 LETTING EVERYBODY COME INTO HIS PARK WHILE SOMEBODY ELSE  
13 WAS GETTING THE DUES OR THE MONEY.

14 Q. OKAY. IF -- IF I WAS A DEVELOPER, AND I WAS  
15 READY TO LET MY MEMBERS -- SORRY -- AND I WANT TO LET MY  
16 MEMBERS USE HIS RESORT, I WOULD EXPECT THAT HE WOULD HAVE A  
17 RESORT TO LET -- I'M -- I'M VERY BADLY DOING THIS.

18 OKAY -- HAVING A MEMBERSHIP IN A HOME RESORT AS A CONDITION  
19 OF BEING A COAST TO COAST MEMBER BECAUSE COAST HAS TO  
20 CONVINCED RESORT OWNERS THEY ARE NOT GOING TO BE HOSTING  
21 PEOPLE WHO DON'T HAVE MEMBERSHIPS IN OTHER RESORTS; RIGHT?

22 A. IN A NUTSHELL, YES, THAT'S CORRECT.

23 Q. ALL RIGHT. WHY -- THE -- IF I AS A  
24 DEVELOPER WAS BEING ASKED TO CON -- TO HOST A LOT OF PEOPLE  
25 WHO WEREN'T BUYING MEMBERSHIPS, I'D BE CUTTING MY OWN  
26 THROAT; THERE WOULD BE NO MOTIVE FOR ANYBODY TO BUY A

1 MEMBERSHIP?

2 A. CORRECT. THAT WAS THE POINT I WAS TRYING TO  
3 MAKE EARLIER.

4 Q. AND, IN FACT, I MIGHT EVEN TALK MY OWN -- IT  
5 MIGHT EVEN BE TALKING MY OWN MEMBERS OUT OF BUYING  
6 MEMBERSHIPS OR PAYING FOR THEIR MEMBERSHIPS; RIGHT?

7 A. YES. I THINK WE'RE STATING THE OBVIOUS  
8 THERE. I'M SORRY. I'M -- THAT'S WHAT'S GOT ME CONFUSED.

9 Q. OKAY. SO IF COAST WERE TO ALLOW PEOPLE TO  
10 TRAVEL THE RECIPROCAL SYSTEM WITH A COAST CARD WHEN THEY  
11 DIDN'T HAVE A HOME RESORT THAT WAS AFFILIATED WITH COAST,  
12 THAT WOULD BE CHEATING ALL OF THEIR RESORTS WHO REQUIRE  
13 THAT THEIR MEMBERS HAVE A MEMBERSHIP IN THEIR RESORTS FIRST  
14 AS A CONDITION OF BEING IN COAST?

15 A. IF THAT WAS A PRINCIPLE OF DOING BUSINESS,  
16 THAT IS CORRECT, AND THE BUSINESS WOULD NOT LAST VERY LONG  
17 AT ALL.

18 Q. AND SIMILARLY, IT WOULD BE CHEATING ALL OF  
19 THE MEMBERS WHO BOUGHT MEMBERSHIPS BECAUSE THEY PAY FOR THE  
20 RIGHTS TO HAVE ACCESS TO THEIR HOME RESORT AND THROUGH IT A  
21 SECONDARY ACCESS TO THE RECIPROCAL USE SYSTEM; BUT THESE  
22 OTHER PEOPLE DIDN'T PAY A MEMBERSHIP FEE TO JOIN A HOME  
23 RESORT, THAT WOULD BE CHEATING THE ONES THAT DID PAY;  
24 RIGHT?

25 A. IF FROM THE INCEPTION THAT'S HOW IT STARTED  
26 OFF, I WOULD AGREE WITH THAT, YES.

1 Q. IN OTHER WORDS, IT'S NOT FAIR TO THE RESORT  
2 OWNERS TO PAY LARGE SUMS OF MONEY TO DEVELOP AND SELL  
3 MEMBERSHIPS IN THEIR RESORTS IF COAST ALLOWS PEOPLE WHO  
4 CHOOSE NOT TO JOIN A RESORT TO GET THE SAME DISCOUNTS THAT  
5 THEY COULD GET AS IF THEY HAD JOINED A MEMBERSHIP RESORT?

6 A. NOW YOU'RE TALKING ABOUT AVOIDING COMPLETELY  
7 PURCHASING A MEMBERSHIP IN A PARK? IS THAT WHAT YOU'RE  
8 ALLUDING TO?

9 Q. YES. A PERSON WHO -- ACTUALLY I'M TALKING  
10 ABOUT -- YOU MUST HAVE A HOME RESORT RULE. IF A PERSON  
11 DOES NOT HAVE A HOME RESORT, THAT IS, AN AFFILIATED RESORT,  
12 HE'S RIDING THE SYSTEM FOR FREE?

13 A. IF THAT WERE THE CASE, THEN, YES.

14 Q. IT WOULD BE LIKE THAT PERSON IS STEALING  
15 FROM THE -- THE SYSTEM; RIGHT?

16 A. I DON'T LIKE HAVING YOU PUT THOSE KINDS OF  
17 WORDS IN MY MOUTH.

18 Q. WELL, IT WOULD BE THE ULTIMATE GIVEAWAY,  
19 WOULDN'T IT, THOUGH? YOU'D HAVE THE RIGHT TO USE THE  
20 SYSTEM WITHOUT PAYING A PENNY FOR A MEMBERSHIP IN A HOME  
21 RESORT?

22 MR. SHERMAN: OBJECTION. INCOMPLETE HYPOTHETICAL.

23 THE COURT: OVERRULED.

24 THE WITNESS: COULD YOU SAY THE QUESTION AGAIN,  
25 PLEASE.

26 BY MR. MOSHENKO: Q. I SAID IT WOULD BE LIKE --

1 WELL, LET'S HAVE IT READ BACK FOR A POTENTIAL -- ANOTHER  
2 OBJECTION.

3 (WHEREUPON THE FOLLOWING WAS READ BACK BY  
4 THE REPORTER: "WELL, IT WOULD BE THE ULTIMATE GIVEAWAY,  
5 WOULDN'T IT, THOUGH? YOU'D HAVE THE RIGHT TO USE THE  
6 SYSTEM WITHOUT PAYING A PENNY FOR A MEMBERSHIP IN A HOME  
7 RESORT?"

8 THE WITNESS: IT WOULD BE THE ULTIMATE GIVEAWAY,  
9 AND IT WOULD NOT WORK.

10 BY MR. MOSHENKO: Q. BECAUSE EVENTUALLY THE WHOLE  
11 SYSTEM WOULD CRUMBLE BECAUSE PEOPLE COULDN'T AFFORD TO HOST  
12 THE CHEATERS WHO WERE USING THE SYSTEM WITHOUT A MEMBERSHIP  
13 IN ANOTHER HOME RESORT?

14 A. I BELIEVE THAT THE DEVELOPERS WOULD NOT WANT  
15 TO ENTER INTO SOMETHING WHERE THEY WERE PROVIDING A SERVICE  
16 AND RECEIVING NO REVENUE FOR THAT SERVICE.

17 BY MR. MOSHENKO: Q. ALL RIGHT. NOW, AN  
18 EXTENSION OF THIS, YOU MUST HAVE A HOME RESORT RULE IS, IF  
19 YOU HAVE ONE AND YOU LOSE YOUR MEMBERSHIP IN THAT RESORT,  
20 THEN YOU NO LONGER HAVE A HOME RESORT; AND YOU CAN'T BE A  
21 PART OF THE COAST SYSTEM; RIGHT?

22 A. THAT'S NOT COMPLETELY ACCURATE, NO.

23 Q. ALL RIGHT. WELL, IF COAST GETS A  
24 NOTIFICATION FROM A DEVELOPER THAT SAYS, "TERRY MOSHENKO  
25 HAS TOLD US HE IS NOT GOING TO BE A MEMBER OF OUR RESORT  
26 ANYMORE; HE REFUSES TO HAVE A MEMBERSHIP IN A HOME RESORT,

1 HE IS NO LONGER QUALIFIED AS A HOME RESORT MEMBER," COAST  
2 HAS TO SAY, "WELL, THEN HE CAN'T QUALIFY AS A COAST TO  
3 COAST MEMBER EITHER"?

4 A. THAT'S TRUE.

5 Q. OKAY. SO IF A MEMBER LOSES HIS HOME RESORT  
6 MEMBERSHIP, UNLESS IT'S REPLACED WITH A DIFFERENT HOME  
7 RESORT MEMBERSHIP, THEN COAST HAS TO SAY TO THAT MEMBER,  
8 "YOU CAN'T USE THE COAST TO COAST SYSTEM"?

9 A. WE DO DO THAT WHEN A DEVELOPER TELLS US THAT  
10 MEMBER IS NO LONGER A MEMBER OF THEIR HOME RESORT. WE SEND  
11 A LETTER TO THE MEMBER INFORMING THEM THAT THEIR COAST TO  
12 COAST PRIVILEGES ARE REVOKED.

13 Q. ALL RIGHT. AND ANOTHER VERSION OF THIS IS  
14 IF THE HOME RESORT WERE TO DISAPPEAR, GET HIT BY A TORNADO  
15 AND WIPED OFF THE FACE OF THE EARTH, SO THAT THERE WAS NO  
16 HOME RESORT IN OPERATION FOR THIS PERSON TO BE A MEMBER  
17 WITH, ALSO SO THERE WAS NO HOME RESORT TO HOST OTHER  
18 MEMBERS OF COAST TO COAST, THEN THE CONDITION OF HAVING A  
19 HOME RESORT THAT YOU WERE A MEMBER OF WOULD BE GONE AND  
20 THAT -- AND THE MEMBERS OF THAT DISAPPEARED RESORT COULD NO  
21 LONGER BE COAST TO COAST MEMBERS UNLESS AND UNTIL THEY GOT  
22 A NEW HOME RESORT?

23 A. IN ESSENCE, THAT IS TRUE. BUT AT THE SAME  
24 TIME, BECAUSE THAT'S THROUGH NO FAULT OF THE DEVELOPER, NOR  
25 IS IT THROUGH ANY FAULT OF THE MEMBER, I BELIEVE THAT WOULD  
26 BE A TIME TO MAKE EXCEPTIONS FOR THOSE MEMBERS AND FOR THE

1 DEVELOPER ALLOWING TIME. AND WE WOULD TAKE THE TIME TO LET  
2 THE REST OF THE SYSTEM KNOW WHAT HAD HAPPENED.

3 Q. OKAY. BUT IF THAT MEMBER WERE NOT -- WERE  
4 TO NOT GET A REPLACEMENT HOME RESORT, BUT YET DECIDE TO  
5 CONTINUE TO USE THE SYSTEM, THE RECIPROCAL USE SYSTEM  
6 WITHOUT THE RESORT, THAT WOULD BE CHEATING?

7 A. DEPENDING ON HOW LONG THAT CONDITION  
8 EXISTED. AT SOME POINT IN TIME, YES, I'D GUESS IT WOULD  
9 BE -- IT WOULD REACH THE POINT OF WHERE IT WAS CHEATING.  
10 BUT THERE IS A LITTLE BIT OF TIME IN THERE WHERE YOU HAVE  
11 TO ALLOW PEOPLE THE OPPORTUNITY TO ADJUST TO SOME SORT OF A  
12 DISASTER LIKE THAT.

13 Q. ALL RIGHT. AND IT IS COAST'S JOB TO STOP  
14 THESE KINDS OF CHEATERS FROM USING THE SYSTEM; RIGHT?

15 A. IN CONJUNCTION WITH THE RESORTS THEMSELVES,  
16 YES.

17 Q. OKAY. COAST TELLS RESORT OWNERS WHEN THE  
18 RESORT OWNERS JOINED A COAST TO COAST SYSTEM THAT THEY HAVE  
19 THIS RULE, AND THEY WILL ENFORCE THIS RULE, THIS RULE THAT  
20 SAYS YOU MUST HAVE A HOME RESORT. YOU CAN DEPEND ON US,  
21 RESORT OWNER. WE DON'T ALLOW PEOPLE WHO DON'T HAVE CURRENT  
22 AFFILIATION WITH AN ACTIVE AFFILIATED RESORT TO USE THE  
23 COAST TO COAST SYSTEM; RIGHT?

24 A. I DON'T THINK IT'S SET FORTH QUITE THAT  
25 BLACK AND WHITE. BUT THIS IS A PARTNERSHIP BETWEEN COAST  
26 TO COAST AND THE DEVELOPERS. THE REQUIREMENT EXISTS FOR A

1 MEMBER OF COAST TO COAST TO SHOW UP AT ANOTHER AFFILIATED  
2 RESORT AND PROVIDE DOCUMENTATION TO SHOW THAT HE IS CURRENT  
3 WITH COAST TO COAST, CURRENT WITH HIS HOME RESORT AND, IF  
4 THE DEVELOPER WANTED TO PUSH IT FAR ENOUGH, JUST EXACTLY  
5 WHERE DOES THAT PARTICULAR MEMBER LIVE.

6 Q. OKAY. AND BUT IT'S COAST TO COAST'S JOB TO  
7 MAKE SURE THAT THESE CHEATERS DON'T -- DON'T FLOAT IN THE  
8 SYSTEM?

9 A. AS THEY ARE IDENTIFIED TO US, YES.

10 Q. IN FACT, THERE IS A TERM IN THE SYSTEM, THE  
11 RECIPROCAL USE SYSTEM; IT'S CALLED "FLOATERS" TO REFER TO  
12 PEOPLE WHO FLOAT AROUND WITHOUT A HOME RESORT AND JUST USE  
13 THE SYSTEM FOR FREE? I MEAN, THEY MAY PAY COAST DUES, BUT  
14 BASICALLY THEY USE THE SYSTEM FOR FREE?

15 A. IT'S A TERM I'VE NEVER HEARD BEFORE IN THIS  
16 SYSTEM.

17 Q. BUT COAST KNOWS THAT IF RESORT DEVELOPERS  
18 COULDN'T DEPEND UPON COAST TO MAKE SURE THAT THERE WEREN'T  
19 THESE CHEATERS IN THE SYSTEM, THEN RESORT OWNERS WOULD JUST  
20 NOT GO ALONG WITH BECOMING AN AFFILIATED RESORT?

21 A. THAT'S WHERE THE DEVELOPER ALSO UNDERSTANDS  
22 THAT THEY HAVE A RESPONSIBILITY AS WELL TO IDENTIFY THOSE  
23 PEOPLE TO US.

24 Q. OKAY. SO THAT'S WHERE WE GET TO THE -- THE  
25 METHOD OF IDENTIFYING THESE PEOPLE.

26 THERE IS A METHOD, ISN'T THERE, OR THERE WAS

1 A METHOD AT ONE TIME?

2 A. THERE STILL IS A METHOD, YES.

3 Q. OKAY. DIDN'T COAST IN THE EARLY YEARS OF  
4 '90'S -- IN THE '90'S I GUESS THEY -- EVERYTHING IN THE  
5 '90'S IS EARLY, AS WE'RE IN 2000.

6 DIDN'T COAST IN THE '90'S HAVE A PRACTICE OF  
7 SENDING LISTS OF THE RESORTS' MEMBERS WHO WERE COAST TO  
8 COAST MEMBERS TO THE RESORT OWNERS AND SAY, "GO OVER THESE  
9 LISTS; THEN TELL US IF THERE ARE ANY OF THESE PEOPLE WHO  
10 ARE NOT CURRENT MEMBERS OF YOUR OWN RESORT"?

11 A. WE SENT LISTS OF COAST TO COAST MEMBERS THAT  
12 WERE IDENTIFIED AS BEING IN A PARTICULAR RESORT TO THAT  
13 RESORT AND ASKED THEM TO DO JUST WHAT YOU SAID, YES.

14 Q. OKAY. AND THE PURPOSE OF DOING THAT WAS TO  
15 IDENTIFY -- I MEAN, STRIKE -- LET ME BACK UP.

16 THOSE LISTS WERE MADE UP OF THE NAMES AND  
17 ADDRESSES OF THE PEOPLE WHO THE RESORT OWNERS HAD SENT TO  
18 COAST TO BECOME COAST MEMBERS; RIGHT?

19 A. IN MOST CASES, YES.

20 Q. OKAY. AND SO THIS IS WHERE A MEMBER JOINS A  
21 RESORT AND THEN CAN FILL OUT AN APPLICATION FOR COAST  
22 MEMBERSHIP, AND THAT APPLICATION GOES TO DENVER, COLORADO,  
23 AND IT GETS EVENTUALLY PUT INTO COAST'S FILE AS AN ACT- --  
24 THAT PERSON BECOMES A COAST MEMBER IN THE COAST FILE FOR  
25 THAT MEMBER; RIGHT?

26 A. YES.

1 Q. AND THAT INFORMATION THEN GETS PUT INTO THE  
2 I.T. DEPARTMENT DATABASE SHOWING THE NAME AND ADDRESS OF  
3 THAT PERSON AND THE IDENTITY OF THAT PERSON'S HOME RESORT;  
4 RIGHT?

5 A. CORRECT.

6 Q. OKAY. AND, SO, NOW FAST-FORWARD A YEAR OR  
7 TWO LATER. COAST WOULD PRINT OUT A LIST OF ALL THE PEOPLE  
8 WHO ARE SHOWN FROM THE I.T. DATABASE AS A MEMBER OF DELTA  
9 ISLE, FOR EXAMPLE, AND SEND THAT LIST TO DELTA ISLE AND  
10 SAY, "GO OVER THIS LIST. THIS IS WHO WE SHOW ARE  
11 CARD-CARRYING DELTA ISLE RESORT MEMBERS. CHECK IT OUT AND  
12 TELL US IF THEY ARE STILL GOOD"?

13 A. WE.

14 Q. LIKE THAT?

15 A. WE PROVIDED THAT LIST TO ASSIST THE  
16 DEVELOPERS IN MANAGING THEIR OWN RECORDS, AND THAT WAS A  
17 SIDE-BAR OR A RESULT OF THEM DOING THAT, WAS TO NOTIFY TO  
18 US -- OR TO NOTIFY US OF THOSE PERSONS WHO WERE NOT  
19 CONSIDERED TO BE IN GOOD STANDING AS FAR AS THE RESORT WAS  
20 CONCERNED, WHO THOSE PEOPLE WERE, SO THAT WE COULD THEN  
21 TAKE WHATEVER ACTION WAS NECESSARY TO EITHER SUSPEND THEIR  
22 COAST TO COAST PRIVILEGES OR TO CANCEL THEIR COAST TO COAST  
23 MEMBERSHIP.

24 Q. OKAY. SO THERE'S TWO CHOICES, SUSPEND OR  
25 CANCEL; RIGHT?

26 A. RIGHT. BUT IT WAS A PARTNERSHIP BETWEEN THE

1 RESORT AND COAST TO COAST. WE HAVE NO IDEA HOW THE MEMBER  
2 STANDS WITH THEIR HOME RESORT UNLESS THE RESORT TELLS US.

3 Q. OKAY. BUT THE REASON COAST DID THAT  
4 PROCESS, SENT THOSE LISTS AND SAID, "CHECK THEM OUT AND  
5 TELL US WHO'S NOT IN GOOD STANDING WITH YOUR RESORT," WAS  
6 TO ENFORCE THAT "YOU MUST HAVE A HOME RESORT" RULE?

7 A. I DON'T BELIEVE THAT THAT WAS -- WHEN I WAS  
8 INVOLVED IN IT, THAT WAS NOT MY PRIMARY INTENT. BUT THAT  
9 WAS A RESULT OF IT, YES.

10 Q. WELL, WHAT WAS YOUR PRIMARY INTENT?

11 A. TO HELP THE RESORT CLEAN UP THEIR LISTS TO  
12 MAKE SURE THAT THEY HAD A GOOD HANDLE, IF YOU WILL, ON THE  
13 COAST TO COAST MEMBERS THAT WOULD CONTRIBUTE TO THE  
14 WELL-BEING OF THAT RESORT.

15 Q. A GOOD HANDLE MEANS THAT THESE PEOPLE  
16 RE- -- WERE HOME -- WERE RESORT MEMBERS OF THEIR RESORTS;  
17 ISN'T THAT WHAT YOU MEAN?

18 A. YES.

19 Q. OKAY. TO MAKE SURE THAT THE PEOPLE THAT  
20 COAST WAS ALLOWING TO RIDE THE RECIPROCAL USE SYSTEM HAD A  
21 HOME RESORT MEMBERSHIP IN GOOD STANDING?

22 A. WE'RE TWISTING THIS AROUND HERE. UM, YES.

23 THE COURT: MR. MOSHENKO.

24 MR. MOSHENKO: YES.

25 THE COURT: TIME FOR OUR MORNING BREAK.

26 MR. MOSHENKO: THANK YOU.

1 (RECESS TAKEN.)

2 (THE FOLLOWING PROCEEDINGS WERE HELD IN

3 OPEN COURT IN THE PRESENCE OF THE JURY:)

4 THE COURT: EVERYBODY GET ENOUGH FRESH AIR TO WAKE  
5 YOU UP?

6 A JUROR: A LITTLE BIT.

7 THE COURT: OKAY. CONTINUE, COUNSEL.

8 MR. MOSHENKO: THANK YOU, YOUR HONOR.

9 Q. MR. RANDALL, BEFORE THE BREAK WE WERE  
10 TALKING ABOUT THE COAST PRACTICE OF SENDING PRINTOUTS OF  
11 RESORT MEMBER LISTS TO RESORTS SO THEY COULD GO OVER THEM  
12 TO DETERMINE IF THE NAMES ON THE LISTS THAT ARE SHOWN AS  
13 CURRENT MEMBERS IN THEIR MEMBERSHIP RESORTS ARE ACCURATE,  
14 THE STATUS IS ACCURATE.

15 DO YOU RECALL THAT?

16 A. YES.

17 Q. OKAY. NOW, COAST NOT ONLY DID THAT TO  
18 ENABLE THE RESORT OWNER WHO RECEIVED THE LIST TO VERIFY  
19 THAT THE MEMBERS THAT COAST WAS CARRYING AS QUALIFIED COAST  
20 MEMBERS WERE -- WERE CURRENT IN THEIR HOME RESORT STATUS,  
21 COAST ALSO DID THAT TO PROTECT THE OTHER RESORT OWNERS FROM  
22 THERE BEING A LOT OF PEOPLE WHO HAD NO CURRENT MEMBERSHIP  
23 STATUS IN A RESORT FROM -- FROM STAYING IN THE COAST  
24 SYSTEM?

25 A. THAT WOULD BE A BY-PRODUCT OF THAT PROCESS,  
26 YES.

1 Q. AND COAST ALSO DID THAT TO PROTECT THE  
2 RIGHTS OF THE MEMBERS WHO WERE PURCHASING THEIR MEMBERSHIPS  
3 AND WERE PAYING THEIR DUES SO THAT THEY WOULDN'T GET  
4 CHEATED BY THE ONES WHO WEREN'T?

5 A. THAT WOULD BE A FAIR STATEMENT, YES.

6 Q. OKAY. NOW, WHEN DID COAST DO THIS PRACTICE,  
7 FOLLOW THIS PRACTICE, SENDING THESE THINGS OUT?

8 A. WHEN?

9 Q. IT'S A "WHEN" QUESTION.

10 A. I'M NOT -- I'M NOT SURE THE TIME THAT YOU'RE  
11 ACTUALLY ASKING. THE -- IN THE '90'S.

12 Q. COAST -- I'M SORRY. I APOLOGIZE. WERE YOU  
13 FINISHED?

14 A. GO AHEAD.

15 Q. COAST DOESN'T DO THAT ANYMORE, DOES IT?

16 A. YES, WE STILL DO THAT.

17 Q. YOU AUTOMATICALLY SEND OUT THESE LISTS TO  
18 THE RESORT OWNERS?

19 A. IT'S NOT AN AUTOMATIC FEATURE ANYMORE. WE  
20 NEED TO HAVE THE RESORT ASK US FOR THAT LIST NOW.

21 Q. ALL RIGHT. SO COAST USED TO DO IT  
22 AUTOMATICALLY; RIGHT?

23 A. CORRECT.

24 Q. COAST STOPPED DOING IT AUTOMATICALLY, AND  
25 NOW THEY ONLY DO IT WHEN A RESORT OWNER ASKS THAT THEY GET  
26 A LIST?

1 A. YES. WE USED TO SEND IT OUT TWICE A YEAR TO  
2 THE RESORTS. THE RESPONSE, WEIGHED AGAINST THE  
3 ACCOMPLISHMENT OF IT, WAS PRETTY MUCH DETERMINED THAT THE  
4 RESORTS THAT WERE NOT HAVING PROBLEMS OR WERE NOT CONCERNED  
5 WITH KEEPING THAT CLOSE A TRACK OF THE COAST TO COAST  
6 MEMBERS IN THE RESORT WERE NOT RESPONDING. THE ONES WHO  
7 CARED, I GUESS, MORE, OR THE ONES THAT WERE -- WERE  
8 EXPERIENCING DIFFICULTIES WOULD THEN ASK US FOR THE LIST.

9 Q. THE ONES WHO CARED MORE WERE THE ONES WHO  
10 WERE CONCERNED ABOUT THE ENFORCEMENT OF THE RULE THAT SAYS  
11 EVERYBODY WHO'S A COAST TO COAST MEMBER MUST HAVE A CURRENT  
12 RESORT MEMBERSHIP; RIGHT?

13 A. I THINK YOU COULD SAY THAT. BUT, AGAIN,  
14 I -- I'M NOT SURE THAT THAT WAS THE -- THE PRIMARY INTENT.  
15 IT WAS MORE OF A TOOL FOR THE RESORT DEVELOPER TO USE TO  
16 CLEAN UP THEIR RECORDS.

17 Q. OKAY. NOW, EVERY NAME ON THE LIST THAT WENT  
18 TO THE RESORT OWNERS WAS A MEMBER OF COAST TO COAST THAT  
19 COAST WAS COLLECTING DUES FROM; RIGHT?

20 A. NOT IN EVERY CASE. BUT GENERALLY SPEAKING,  
21 YES.

22 Q. OKAY. AND SO IT WAS -- IF COAST HAD A  
23 CHOICE, THEY PROBABLY WOULDN'T MIND IF SOMEONE USED A  
24 RECIPROCAL SYSTEM WITHOUT A MEMBERSHIP IN THE HOME RESORT  
25 AS LONG AS THEY WERE PAYING COAST DUES; ISN'T THAT TRUE?

26 A. NO, THAT'S NOT TRUE AT ALL.

1 Q. WELL, ISN'T IT COAST'S TOP PRIORITY TO HAVE  
2 AS MANY DUES-PAYING MEMBERS AS IT CAN?

3 A. THAT'S A HARD QUESTION TO BALANCE. I DON'T  
4 THINK IT'S THE TOP PRIORITY NO. IT CERTAINLY IS NOT MY TOP  
5 PRIORITY.

6 Q. WELL, YOU'RE FAMILIAR WITH MANAGEMENT OF  
7 COAST AND THEIR TOP PRIORITY; ISN'T THERE A TOP PRIORITY TO  
8 MAKE A PROFIT?

9 A. ABSOLUTELY.

10 Q. AND ISN'T AFFINITY'S AND MR. ADAMS'S TOP  
11 PRIORITY TO MAKE PROFIT?

12 A. I CAN'T SPEAK FOR MR. ADAMS OR AFFINITY.  
13 BUT THE WAY TO -- FOR COAST TO COAST TO MAKE THAT PROFIT IS  
14 BY PROVIDING QUALITY SERVICE TO THE MEMBERS AND TO THE  
15 RESORTS.

16 Q. SO COAST FAILS TO SEND THOSE LISTS AND  
17 THEREFORE ENFORCE THE "YOU MUST HAVE A HOME RESORT" RULE  
18 AUTOMATICALLY, DOESN'T -- DOESN'T IT?

19 A. NO, WE DON'T FAIL TO SEND IT. IT WAS A  
20 CONSCIOUS DECISION, AND WE DID NOTIFY ALL OF THE DEVELOPERS  
21 IN THE SYSTEM THAT IT WAS NOT GOING TO BE DONE AS AN  
22 AUTOMATIC FEATURE ANY LONGER. BUT AT ANY TIME THROUGHOUT  
23 THE YEAR WHEN IT SUITED THE RESORTS' NEEDS BEST, THEY  
24 SIMPLY NEEDED TO REQUEST A LIST FROM US, AND IT WOULD BE  
25 PROVIDED.

26 Q. AND ISN'T IT A FACT THAT A MINORITY OF THE

1 RESORTS ACTUALLY EVER REQUEST THE LISTS, LESS THAN 50  
2 PERCENT?

3 A. IT'S -- I WOULD SAY YES. IT'S PROBABLY LESS  
4 THAN 50 PERCENT.

5 Q. OKAY. AND ISN'T IT ALSO A FACT -- DIDN'T  
6 YOU SAY IN YOUR DEPOSITION IT WAS ABOUT 40 PERCENT?

7 A. IN MY DEPOSITION I BELIEVE WHAT I SAID WAS  
8 THAT WHEN WE WERE SENDING IT OUT AUTOMATICALLY, WE WERE  
9 GETTING A RESPONSE FROM ABOUT 40 PERCENT OF THE DEVELOPERS  
10 THAT WE SENT THE LISTS TO.

11 Q. OKAY. AND SO NOW WHEN YOU SEND THE LISTS ON  
12 REQUEST, YOU'RE NOT GETTING ALL OF THEM BACK EITHER AT THIS  
13 TIME, ARE YOU?

14 A. I WOULD IMAGINE THAT WE ARE. THAT WOULD  
15 BE --

16 Q. YOU DON'T KNOW?

17 A. -- THE WHOLE PURPOSE. I CAN'T SAY THAT WE  
18 ACTUALLY GET 100-PERCENT RETURN ON THEM.

19 Q. OKAY. SO WHAT MECHANISM DOES COAST USE TO  
20 ENFORCE THE "YOU MUST HAVE A MEMBERSHIP IN A RESORT" RULE?

21 A. AS I SAID EARLIER, IT'S A -- IT'S A  
22 COOPERATIVE EFFORT BETWEEN COAST TO COAST AND THE  
23 DEVELOPERS. THERE ARE A NUMBER OF WAYS OR A NUMBER OF  
24 CHECKS, IF YOU WILL; THE FIRST ONE BEING THE DEVELOPER  
25 TELLS US IF A MEMBER IS NOT IN GOOD STANDING WITH THEIR  
26 RESORT, WE LET THE MEMBER KNOW. THEN THE MEMBER HAS THE

1 RESPONSIBILITY TO CLEAR THINGS UP WITH THEIR HOME RESORT.

2 PERIODICALLY A RESORT WILL CALL US OR A PARK  
3 MANAGER WILL CALL US AND MAKE A STATEMENT TO THE EFFECT  
4 THAT SOMEONE IS ATTEMPTING TO GET INTO A RESORT, AND THEIR  
5 HOME PARK CARD IS FROM A RESORT THAT'S NO LONGER  
6 AFFILIATED. AND THEN, FINALLY, AT SOME POINT IN TIME,  
7 THE -- WELL, NO, THAT -- IT'S THE SAME THING. THE RESORT  
8 THAT HAS THAT MEMBER AS A HOME RESORT MEMBER WOULD NOTIFY  
9 US THAT THAT PERSON IS NO LONGER IN GOOD STANDING AND WOULD  
10 ASK TO HAVE THEM CANCELLED.

11 Q. HAS IT EVER HAPPENED THAT COAST DISCOVERED  
12 THAT MEMBERS WERE CLAIMING TO HAVE A MEMBERSHIP IN A  
13 RESORT, AND THE RESORT DIDN'T EVEN KNOW THAT MEMBER WAS  
14 MAKING A CLAIM?

15 A. I SUPPOSE THAT THAT COULD HAPPEN. BUT,  
16 AGAIN, THAT'S A MATTER OF THE MEMBER WOULD NOT BE ABLE TO  
17 TO HAVE A HOME PARK CARD IN THEIR POSSESSION, IF THAT WERE  
18 THE CASE.

19 Q. UNLESS COAST ISSUED A HOME PARK CARD  
20 BELIEVING THAT MEMBER WAS AFFILIATED WITH THAT RESORT WHEN  
21 IT WASN'T?

22 A. NO, WE DON'T ISSUE HOME PARK CARDS.  
23 THOSE -- THOSE HAVE TO COME FROM THE HOME PARK TO  
24 DUES-PAYING MEMBERS.

25 Q. ALL RIGHT. WELL, IF THE RESORT DOESN'T EVEN  
26 KNOW THAT THE MEMBER IS CLAIMING TO BE A MEMBER OF ITS

1 RESORT, HOW CAN IT KNOW TO REPORT IT TO COAST THAT HE'S  
2 NOT?

3 A. IF THAT WERE TO HAPPEN AND A LIST WAS  
4 PROVIDED TO THE DEVELOPER, THE DEVELOPER WOULD SAY, "I  
5 DON'T HAVE ANY RECORD OF THIS MEMBER BEING A MEMBER HERE,"  
6 AND THEY WOULD CANCEL THEM FROM THAT LIST. AND WE WOULD  
7 SEND A LETTER TO THE MEMBER TELLING THEM "THE PARK HAS  
8 CANCELLED YOUR CONTRACT. THERE'S NO RECORD OF YOU BEING A  
9 MEMBER AT THAT PARK; THEREFORE, YOUR COAST TO COAST  
10 MEMBERSHIP IS FINISHED."

11 Q. MR. RANDALL, DIDN'T IT HAPPEN AFTER THE 1997  
12 LETTERS THAT YOU SENT TO THE 34,000 PLUS PEOPLE THAT THERE  
13 WERE A LARGE NUMBER OF PEOPLE WHO -- ALTHOUGH THEY WERE  
14 TOLD "WE HAVE TRANSFERRED YOU FROM RESORT A TO RESORT B" --  
15 THAT THOSE PEOPLE NEVER WENT TO RESORT B; THEY NEVER DID  
16 ANYTHING WITH RESORT B TO SIGN UP?

17 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION  
18 THAT THAT'S WHAT COAST TOLD PEOPLE. MISSTATES THE  
19 DOCUMENTS.

20 THE COURT: THE OBJECTION IS SUSTAINED.

21 BY MR. MOSHENKO: Q. DIDN'T IT EVER HAPPEN,  
22 MR. RANDALL, AFTER YOU WROTE THE LETTER WHICH SAID, QUOTE,  
23 WE HAVE TRANSFERRED YOUR COAST TO COAST HOME RESORT  
24 MEMBERSHIP FROM RESORT A TO RESORT B, THAT RESORT B NEVER  
25 RECEIVED -- NEVER SIGNED -- IN FACT SIGNED UP THAT MEMBER  
26 AS A MEMBER OF RESORT B?

1 A. YES.

2 Q. OKAY. AND DIDN'T IT HAPPEN THAT COAST  
3 TRANSFERRED ON THEIR RECORDS THE NAMES OF ALL OF THE  
4 MEMBERS THAT IT TRANSFERRED FROM RESORT A TO B REGARDLESS  
5 OF WHETHER THE MEMBER ACTUALLY SIGNED UP IN RESORT B?

6 A. THE ONE COMES BEFORE THE OTHER. THE  
7 TRANSFER WAS DONE, AND THE LIST PROVIDED TO THE DEVELOPER.

8 Q. OKAY. BUT COAST SHOWED THOSE PEOPLE THAT  
9 WERE TRANSFERRED AS HAVING BEEN TRANSFERRED REGARDLESS OF  
10 WHETHER THOSE PEOPLE WENT TO RESORT B AND SIGNED UP FOR A  
11 MEMBERSHIP?

12 MR. SHERMAN: OBJECTION. VAGUE AS TO TIME.

13 THE COURT: OVERRULED.

14 BY MR. MOSHENKO: Q. DIDN'T IT?

15 A. IN THE TIME FRAME WE'RE TALKING OF, YES, THE  
16 TRANSFER FOR COAST TO COAST PURPOSES TOOK PLACE FIRST.

17 Q. AND COAST CONTINUED -- ALLOWED THOSE PEOPLE  
18 THAT IT TRANSFERRED TO HAVE COAST TO COAST PRIVILEGES  
19 WITHOUT KNOWING WHETHER OR NOT THOSE PEOPLE SIGNED UP FOR A  
20 NEW HOME RESORT MEMBERSHIP WITH RESORT B?

21 A. YES.

22 Q. COAST HAD NO WAY OF KNOWING WHETHER THOSE  
23 PEOPLE HAD A HOME RESORT DURING THAT TIME PERIOD, DIDN'T  
24 IT -- DID IT?

25 A. UNTIL A RESORT DEVELOPER TELLS US THAT A  
26 MEMBER IS NOT IN GOOD STANDING AT THEIR RESORT, WE HAVE THE

1 POSITION THAT THEY ARE IN FACT A MEMBER IN GOOD STANDING AT  
2 THAT RESORT.

3 Q. BUT ISN'T IT A REQUIREMENT THAT THE  
4 DEVELOPER FIRST TELL YOU THAT THE MEMBER IS A MEMBER IN  
5 GOOD STANDING WITH THEIR RESORT BEFORE YOU CAN EXPECT THEM  
6 TO TELL YOU THEY ARE NO LONGER A MEMBER IN GOOD STANDING?

7 A. NOT IN THIS SITUATION, NO. THAT WOULD NOT  
8 BE CORRECT. THE RESORT HAS THOSE MEMBERS' NAMES SO THAT  
9 THEY CAN TRY TO GET THEM TO JOIN THAT PARTICULAR RESORT.

10 Q. AND COAST CONSIDERED THEM TO BE MEMBERS OF  
11 THAT HOME RESORT WHETHER OR NOT THEY GOT THEM FOR TWO  
12 YEARS, DIDN'T THEY?

13 A. I DON'T THINK TWO YEARS IS ACCURATE, BUT I  
14 KNOW THAT IT WAS BEYOND THAT PARTICULAR CALENDAR YEAR OF  
15 1997.

16 Q. ALL RIGHT. LET'S TALK ABOUT THE TIMING  
17 ISSUES, MR. RANDALL.

18 THE APPLICATION FOR RESORT MEMBERSHIP, WHICH  
19 IS EXHIBIT 72 -- AND I THINK I PUT IT IN FRONT OF YOU?

20 A. YES, I HAVE IT HERE.

21 Q. YOU HAVE IT THERE?

22 NOW, ON PAGE 2, UNDER "HOME RESORT,"  
23 PARAGRAPH 2, THAT SETS OUT THE RULE CONCERNING COAST'S  
24 OBLIGATION TO CANCEL A MEMBER'S MEMBERSHIP WHEN THAT MEMBER  
25 NO LONGER HAS AN AFFILIATED HOME RESORT; RIGHT?

26 A. COULD YOU RESTATE THAT, PLEASE? I -- I'M

1 NOT SURE I QUITE UNDERSTOOD.

2 Q. THE PARAGRAPH NUMBER 2 ON PAGE 2 OF EXHIBIT  
3 72 SETS OUT THE RULE AS TO WHEN COAST SHOULD CANCEL A  
4 MEMBER'S MEMBERSHIP IF THAT MEMBER LOSES THAT MEMBER'S HOME  
5 RESORT --

6 MR. SHERMAN: OBJECTION.

7 BY MR. MOSHENKO: Q. -- DOESN'T IT?

8 MR. SHERMAN: OBJECTION. PARAGRAPH 2 SAYS WHAT IT  
9 SAYS. THE DOCUMENT SPEAKS FOR ITSELF. PUT IT UP ON THE  
10 BOARD.

11 THE COURT: OVERRULED.

12 YOU MAY INQUIRE.

13 THE WITNESS: IT DOESN'T SAY THAT IT'S CANCELLED,  
14 BUT IT DOES SAY THAT WE WILL GIVE THEM A REASONABLE AMOUNT  
15 OF TIME TO FIND ANOTHER COAST TO COAST RESORT TO PREVENT  
16 THEIR COAST TO COAST BENEFITS FROM BEING INTERRUPTED.

17 BY MR. MOSHENKO: Q. OKAY. FIRST OF ALL, THIS IS  
18 THE APPLICATION BETWEEN THE MEMBER AND COAST FOR MEMBERSHIP  
19 IN COAST; RIGHT?

20 A. CORRECT.

21 Q. OKAY. THIS APPLICATION IS A PART OF THE  
22 CONTRACT, HOWEVER, BETWEEN CAMP COAST TO COAST AND THE  
23 DEVELOPERS, ISN'T IT?

24 A. AS A PART OF AFFILIATION, IT WOULD BE  
25 SOMETHING THAT, YES, THE RESORT WOULD BE AWARE OF THE TERMS  
26 AND CONDITIONS BETWEEN COAST TO COAST AND THE MEMBERS.

1 Q. WELL, NOT ONLY THAT; THE -- COAST AGREES  
2 WITH THE RESORT OWNERS THAT IT WILL APPLY THESE TERMS AND  
3 CONDITIONS TO THE PEOPLE THAT THE RESORT OWN- -- THAT THE  
4 RESORT REFERS FOR COAST TO COAST MEMBERSHIP; RIGHT?

5 A. THAT WOULD BE ACCURATE.

6 Q. AND YOU AGREE THAT COAST TELLS DEVELOPERS  
7 WHEN THEY AFFILIATE, IN EFFECT, THIS IS A PART OF THE RULES  
8 OF THE GAME, REGARDING COAST'S RECIPROCAL USE SYSTEM?

9 A. YES. IT WAS ENCOMPASSED IN THAT.

10 Q. AND RESORT OWNERS EXPECT COAST TO COAST TO  
11 COMPLY WITH ITS OWN RULES; CORRECT?

12 A. I WOULD THINK SO, YES.

13 Q. OKAY. NOW, BACK TO PARAGRAPH 2. WHAT I'M  
14 SAYING IS THAT'S WHERE YOU LOOK TO SEE THAT A MEMBER HAS  
15 THE RIGHT TO HAVE OR NOT HAVE A RIGHT TO HAVE IF A -- THEY  
16 LOSE THEIR HOME RESORT MEMBERSHIP; RIGHT?

17 A. YES.

18 Q. OKAY. AND IT SAYS, QUOTE, IF YOUR HOME  
19 RESORT CEASES TO BE A COAST-AFFILIATED RESORT FOR ANY  
20 REASON, YOUR COAST TO COAST MEMBERSHIP WILL REMAIN IN  
21 EFFECT FOR THE REMAINDER OF THAT CALENDAR YEAR, THEREBY  
22 ALLOWING YOU A REASONABLE TIME -- PERIOD OF TIME TO BECOME  
23 A MEMBER OF ANOTHER COAST TO COAST AFFILIATED RESORT  
24 WITHOUT INTERRUPTING YOUR BENEFITS.

25 THAT'S WHAT IT SAYS, ISN'T IT?

26 A. YES, IT DOES.

1 Q. IT TELLS THE MEMBER, BUT IT ALSO TELLS THE  
2 RESORT OWNERS THAT WHEN A MEMBER CEASES TO HAVE A HOME  
3 RESORT WITH AN AFFILIATED RESORT, THAT MEMBER WILL HAVE  
4 UNTIL THE END OF THE YEAR TO FIND A NEW HOME RESORT; RIGHT?

5 A. THAT IS CORRECT. BUT IT ALSO SAYS, "THEREBY  
6 ALLOWING A REASONABLE PERIOD OF TIME TO BECOME A MEMBER OF  
7 ANOTHER COAST TO COAST RESORT."

8 Q. OKAY. IN FACT, IT SAYS -- AND I'M PICKING  
9 UP THE PHRASE THAT YOU JUST PICKED UP AND THE FEW WORDS  
10 BEFORE IT, "YOUR COAST TO COAST MEMBERSHIP WILL REMAIN IN  
11 EFFECT FOR THE REMAINDER OF THAT CALENDAR YEAR, THEREBY  
12 ALLOWING YOU A REASONABLE PERIOD OF TIME TO BECOME A MEMBER  
13 OF ANOTHER RESORT"; RIGHT?

14 A. YES.

15 Q. SO THE DEFINITION OF A REASONABLE TIME IS  
16 THE REMAINDER OF THE CALENDAR YEAR, ISN'T IT?

17 A. NOT IN MY OPINION, NO. THE END OF THE  
18 CALENDAR YEAR IS MODIFIED BY A REASONABLE PERIOD OF TIME.

19 Q. OKAY. WHAT YOU'RE SAYING IS COAST DOES NOT  
20 STRICTLY ENFORCE THE END OF THE CALENDAR YEAR LIMITATION,  
21 DOES IT?

22 MR. SHERMAN: OBJECTION. THAT MISSTATES THE  
23 WITNESS'S TESTIMONY.

24 THE COURT: SUSTAINED.

25 BY MR. MOSHENKO: Q. DOES COAST STRICTLY ENFORCE  
26 THE END-OF-THE-CALENDAR-YEAR LIMITATION?

1 A. IT IS NOT STRICTLY APPLIED IN THE FASHION  
2 THAT YOU ARE SETTING FORTH. IF A MEMBER LOSES THEIR RESORT  
3 IN DECEMBER, EVEN NOVEMBER, THE END OF THE CALENDAR YEAR IS  
4 NOT IN MY OPINION A REASONABLE PERIOD OF TIME FOR THAT  
5 MEMBER TO FIND ANOTHER AFFILIATED RESORT.

6 Q. OKAY. BUT IF A MEMBER LOSES HIS HOME RESORT  
7 IN, SAY, JUNE OR MAY, IS THE END OF THE CALENDAR YEAR BY  
8 YOUR PERSONAL STANDARDS A REASONABLE TIME?

9 A. DEPENDING UPON THE -- THE CONDITIONS THAT --  
10 THAT EXIST, THE REASON FOR THE RESORT LEAVING THE TIME,  
11 NORMALLY THAT WOULD BE CONSIDERED A REASONABLE AMOUNT OF  
12 TIME, YES.

13 Q. OKAY. WHAT DOES COAST DO OR WHAT HAS COAST  
14 EVER DONE IN ANY SITUATION TO DETERMINE WHETHER OR NOT THE  
15 MEMBER WHO LOST HIS RESORT, SAY, IN MARCH OR APRIL OR MAY  
16 HAS A NEW HOME RESORT BY DECEMBER 31?

17 A. I DON'T SEE A QUESTION THERE. I'M SORRY.

18 Q. IT WAS A -- WHAT DOES COAST DO TO DETERMINE  
19 WHETHER OR NOT A MEMBER WHO HAS LOST HIS HOME RESORT, SAY,  
20 IN MARCH OR APRIL OR MAY HAS A NEW HOME RESORT BY DECEMBER  
21 31?

22 A. PROACTIVELY? I --

23 Q. PROACTIVELY.

24 A. I DON'T BELIEVE THAT WE HAVE ANY METHOD IN  
25 PLACE WHERE WE WOULD CONTACT EACH -- EACH MEMBER AND SAY,  
26 "WHAT'S YOUR NEW HOME RESORT?"

1 Q. WELL, IN FACT, WHAT COAST DOES IS COAST JUST  
2 SENDS A -- JUST SENDS THE MEMBER WHO LOST HIS HOME RESORT  
3 A RE- -- WHAT'S THE WORD?

4 A. RENEWAL.

5 Q. A RENEWAL FORM FOR THE FOLLOWING YEAR,  
6 REGARDLESS OF WHETHER IT KNOWS WHETHER OR NOT THERE IS A  
7 NEW HOME RESORT BY DECEMBER 31, DOESN'T IT?

8 A. FOR YOU TO SAY "REGARDLESS OF WHETHER OR NOT  
9 WE KNOW" IS NOT ACCURATE. IF WE HAVE NOT BEEN INFORMED TO  
10 CANCEL -- THAT THAT PERSON'S MEMBERSHIP HAS BEEN CANCELLED,  
11 THEN, YES, WE WOULD PRESUME THAT THAT MEMBER IS IN GOOD  
12 STANDING WITH THE HOME RESORT THAT THEY ARE ASSIGNED TO.

13 Q. AREN'T WE TALKING ABOUT SOMEBODY WHO YOU'VE  
14 BEEN TOLD IN MAY -- THIS PERSON, HYPOTHETICALLY, IN MAY --  
15 THIS PERSON HAS LOST THEIR HOME RESORT STATUS, COAST JUST  
16 SENDS THEM A -- RENEWAL APPLICATIONS IN SEPTEMBER OR  
17 OCTOBER, DOESN'T IT?

18 MR. SHERMAN: I'M GOING TO OBJECT. AGAIN, IT IS  
19 AN INCOMPLETE HYPOTHETICAL. IT ALSO IS CONTRARY TO WHAT  
20 THE DOCUMENT SAYS ABOUT DISAFFILIATED.

21 THE COURT: SUSTAINED.

22 BY MR. MOSHENKO: Q. IF WE'RE TALKING ABOUT  
23 SOMEBODY WHO LOST THEIR MEMBERSHIP IN, SAY, MAY OR JUNE,  
24 COAST MAKES NO EFFORT TO DETERMINE WHETHER OR NOT THAT  
25 PERSON HAS A NEW HOME RESORT BEFORE THEY ASK THEM TO RENEW  
26 THEIR MEMBERSHIP FOR THE FOLLOWING CALENDAR YEAR, DOES IT?

1 A. IF YOU'RE TALKING ABOUT GOING OUT AND  
2 CORRESPONDING WITH THAT MEMBER OR EVEN MAKING A PHONE CALL,  
3 THAT'S A CORRECT STATEMENT.

4 Q. OKAY. AND SO UNDER YOUR COAST APPROACH, A  
5 HYPOTHETICAL MEMBER WHO LOST HIS RESORT STATUS IN MAY WOULD  
6 GET HIS RENEWAL APPLICATION IN OCTOBER?

7 MR. SHERMAN: OBJECTION.

8 BY MR. MOSHENKO: Q. WHEN?

9 MR. SHERMAN: OBJECTION. IT STILL IS CONTRARY TO  
10 THE DOCUMENT. DOESN'T SPEAK ABOUT LOSING A HOME RESORT.

11 THE COURT: OVERRULED.

12 THE WITNESS: DEPENDING ON THE SITUATION, THE  
13 CHANCES ARE EXTREMELY GOOD THAT, YES, THEY WOULD BE  
14 SOLICITED FOR RENEWAL IN -- IT'S USUALLY SEPTEMBER IS WHEN  
15 THE FIRST NOTICE GOES OUT.

16 BY MR. MOSHENKO: Q. OKAY. AND SO NOW WE'RE  
17 TALKING ABOUT DEFINITION, SOMEBODY WHO LOST THEIR HOME  
18 RESORT MEMBERSHIP; RIGHT? IT'S NOT -- IT'S A QUESTION,  
19 ASSUMING THEY LOST THEIR HOME RESORT MEMBERSHIP IN MAY --  
20 GOT THAT PART?

21 A. YES. BUT HAVING LOST THEIR HOME RESORT  
22 MEMBERSHIP, THE CHANCES ARE THAT THE RESORT WOULD TELL US.  
23 IF THE RESORT DISAFFILIATED AND WE MADE A TRANSFER FOR  
24 RECORD PURPOSES OF THAT MEMBER'S HOME RESORT ASSIGNMENT,  
25 THERE ARE TWO COMPLETELY DIFFERENT ISSUES.

26 Q. ALL RIGHT. WELL, MY QUESTION SAYS: THEY

1 LOST THEIR HOME RESORT MEMBERSHIP. THAT'S THE QUESTION.  
2 YOU -- THEN WE'VE ESTABLISHED COAST, THEN, NEVERTHELESS  
3 SENDS THEM A RE- -- A RENEWAL FORM IN SEPTEMBER OR OCTOBER  
4 OF THAT YEAR; RIGHT?

5 A. IF WE HAVE NOT BEEN NOTIFIED BY THE MEMBER  
6 OR THE DEVELOPER THAT THEY LOST THEIR HOME RESORT  
7 MEMBERSHIP, WE WOULD SEND THEM A RENEWAL SOLICITATION.

8 Q. OKAY. I SEE THE DISTINCTION.

9 I'M GOING TO SAY TO YOU, YOU ARE NOTIFIED  
10 THAT THEY'VE LOST THEIR HOME RESORT MEMBERSHIP. YOU'VE  
11 NOTIFIED -- YOU ARE NOTIFIED THEY DID THAT IN JUNE. YOU  
12 STILL SEND THEM A RENEWAL IN OCTOBER, DON'T YOU?

13 A. NO, SIR.

14 Q. WHY? DON'T THEY HAVE UNTIL DECEMBER 31 TO  
15 RENEW THEIR MEMBERSHIP?

16 A. IF THEY LOST THEIR HOME RESORT AFFILIATION  
17 AND THE DEVELOPER TOLD US THEY HAVE LOST THEIR HOME RESORT  
18 AFFILIATION, WE WOULD CANCEL THEIR COAST TO COAST  
19 MEMBERSHIP.

20 Q. YOU WOULDN'T TRY TO GIVE THEM A REASONABLE  
21 PERIOD OF TIME TO FIND A NEW COAST TO COAST HOME RESORT  
22 MEMBERSHIP?

23 A. NOT IN THE INSTANCE THAT YOU'RE DESCRIBING,  
24 AS I UNDERSTAND IT, NO.

25 MR. SHERMAN: YOUR HONOR, MAY WE APPROACH FOR A  
26 MOMENT?

1 THE COURT: YOU MAY.

2 (DISCUSSION HELD OFF THE RECORD.)

3 BY MR. MOSHENKO: Q. MR. RANDALL, I GUESS I'M  
4 CONFUSED.

5 THIS EXHIBIT 72 SAYS, "IF YOUR HOME RESORT  
6 CEASES TO BE A COAST TO COAST AFFILIATED RESORT FOR ANY  
7 REASON" -- OKAY. I JUST CLARIFIED THE CONFUSION IN MY  
8 MIND. ALL RIGHT.

9 A. THANK YOU.

10 Q. IN MY HYPOTHETICAL, LET'S ASSUME THAT THE --  
11 THIS MEMBER'S HOME RESORT CEASES TO BE AN AFFILIATED  
12 RESORT, FOR SOME REASON, IN MAY OR JUNE. WHEN THAT  
13 HAPPENS, THAT MEMBER LOSES ITS HOME RESORT -- ITS STATUS AS  
14 BEING A MEMBER OF AN AFFILIATED HOME RESORT, DOESN'T IT?

15 A. YES.

16 Q. OKAY. AND NOW UNDER THAT CIRCUMSTANCE,  
17 COAST NEVERTHELESS SENDS OUT THE PAPERWORK TO HAVE THEM  
18 RENEW THEIR MEMBERSHIPS FOR THE FOLLOWING CALENDAR YEAR IN  
19 SEPTEMBER OR OCTOBER; RIGHT?

20 A. WE WOULD NORMALLY SEND SOME SORT OF  
21 NOTIFICATION TO THE MEMBER, AGAIN, LETTING THEM KNOW THAT  
22 WE HAVE EITHER ASSIGNED THEIR HOME RESORT STATUS TO A  
23 DIFFERENT RESORT OR, AS SOME OF THE OTHER CASES IN THE  
24 PAST, GIVE THEM A SELECTION OF RESORTS CLOSE BY.

25 BUT, YES, WE WOULD SEND A RENEWAL  
26 SOLICITATION TO THAT MEMBER, UNDERSTANDING, MR. MOSHENKO,

1 THAT PERIOD OF TIME, IF IT WAS IN JUNE, THE MEMBER'S COAST  
2 TO COAST MEMBERSHIP WOULD NOT EXPIRE UNTIL THAT DECEMBER  
3 ANYWAY. THE RENEWAL SOLICITATION IS FOR THE FOLLOWING  
4 YEAR, THE FOLLOWING CALENDAR YEAR.

5 Q. OKAY. AND SO WHEN YOU SEND OUT THE RENEWAL  
6 FORMS IN OCTOBER FOR THE FOLLOWING CALENDAR YEAR, YOU DO  
7 THAT WHETHER OR NOT THE PERSON HAS SIGNED UP WITH A NEW  
8 HOME RESORT?

9 A. IN THAT INSTANCE, AGAIN, BARRING ANY  
10 NOTIFICATION FROM THE DEVELOPER OR THE MEMBER, YES, WE  
11 WOULD DO THAT.

12 Q. OKAY. AND SO ISN'T IT -- THIS AN INSTANCE  
13 WHERE YOU'RE LETTING PEOPLE BE MEMBERS FOR AN ENTIRE  
14 ADDITIONAL CALENDAR YEAR WITHOUT ANY KNOWLEDGE THAT THEY  
15 HAVE A HOME RESORT?

16 A. YES. AND IT'S A VERY FINE LINE THAT WE WALK  
17 BECAUSE THE RESORT DEVELOPERS ARE UNDER NO OBLIGATION TO  
18 ACCEPT THAT MEMBER IF THEY DO NOT PRODUCE A VALID HOME PARK  
19 CARD AND COAST TO COAST I.D. CARD.

20 Q. AND ISN'T LETTING THAT PERSON RIDE THE COAST  
21 TO COAST SYSTEM WITHOUT A HOME PARK CHEATING THE RESORT  
22 OWNERS?

23 A. NO. THAT'S WHERE WE NEED TO HAVE THE RESORT  
24 DEVELOPER'S ASSISTANCE IN MONITORING THAT KIND OF A  
25 SITUATION.

26 Q. SO THIS PERSON'S RESORT CEASED TO BE AN

1 AFFILIATED RESORT; AND WITHOUT KNOWING IT HAS A NEW RESORT,  
2 YOU SEND OUT A RENEWAL FORM. HOW IS THE RESORT OWNER GOING  
3 TO KNOW TO TELL YOU THAT THEY HAVEN'T RENEWED -- OR THAT  
4 THEY HAVEN'T RE- -- JOINED A NEW RESORT?

5 A. I'M UNCLEAR AS TO THE QUESTION.

6 Q. YOU'RE TELLING US THAT THE POLICING HAS TO  
7 COME FROM THE RESORT OWNERS TELLING YOU WHETHER OR NOT THIS  
8 PERSON IS A MEMBER OF THE NEW RESORT; CORRECT?

9 A. CORRECT.

10 Q. OKAY. HOW DOES -- HOW DO I KNOW IF  
11 JOE DOAKS JOINED MY RESORT, OR -- SORRY -- JOINED A NEW  
12 RESORT OR -- NOT TO TELL YOU HE DID OR HE DIDN'T?

13 MR. SHERMAN: OBJECTION. IT'S AN INCOMPLETE  
14 HYPOTHETICAL AS TO WHO "I" IS.

15 THE COURT: SUSTAINED.

16 BY MR. MOSHENKO: Q. HOW DOES A RESORT DEVELOPER  
17 KNOW TO TELL YOU THAT THIS PERSON DIDN'T JOIN HIS RESORT?

18 A. IF -- I CAN'T SAY THIS -- I HAVE TO BE KIND  
19 OF BLUNT WITH THIS.

20 IF I OWE YOU MONEY THAT YOU'RE GOING TO GIVE  
21 ME A SERVICE FOR, I THINK THAT YOU WOULD MAKE SOME ATTEMPTS  
22 AND EFFORTS TO FIND OUT IF I STILL OWED YOU THAT MONEY OR  
23 NOT. AND IF I DIDN'T PAY YOU WHAT I WAS SUPPOSED TO, THEN  
24 YOU WOULD STOP THAT SERVICE.

25 IN THIS CASE, WHERE THERE IS AN ADDITIONAL  
26 SERVICE TO THE RECIPROCAL SYSTEM, I BELIEVE IT'S INCUMBENT

1 UPON YOU TO TELL THAT OTHER SERVICE "DON'T PROVIDE IT ANY  
2 MORE; THIS PERSON OWES MONEY."

3 Q. OKAY. MR. RANDALL, LET'S TAKE WHAT ACTUALLY  
4 HAPPENED.

5 IN SEPTEMBER OR OCTOBER OF 1997, COAST SENT  
6 LETTERS TO 34,000 PLUS PEOPLE SAYING "WE'VE TRANSFERRED  
7 YOUR HOME RESORTS"; RIGHT?

8 A. YES.

9 Q. OKAY. AND COAST ALSO GAVE LISTS OF THE  
10 NAMES OF THOSE MEMBERS TO THE RESORTS TO WHOM COAST HAD  
11 TRANSFERRED THE MEMBERS; RIGHT?

12 A. YES.

13 Q. OKAY. AND WE ALREADY KNOW THAT 40  
14 PERCENT -- ONLY ABOUT 40 PERCENT OF THE RESORT OWNERS IN  
15 THE PAST THAT GOT LISTS AND WERE ASKED TO RETURN THE NAMES  
16 OF THOSE PERSONS WHO WERE AND WERE NOT ACTIVE MEMBERS IN  
17 THEIR RESORTS -- ONLY ABOUT 40 PERCENT OF THEM DID IT; 60  
18 PERCENT FAILED TO DO IT; RIGHT?

19 A. THAT WAS OF THE ENTIRE RESORT AFFILIATION  
20 BASE.

21 Q. CORRECT?

22 A. NOT OF THE 40 PERCENT.

23 Q. SO DIDN'T IT HAPPEN IN THIS CASE THAT RESORT  
24 OWNERS THAT GOT LISTS BUT DIDN'T GET THE MEMBERS SIGNED UP  
25 NEVERTHELESS DIDN'T TELL COAST "YOU SENT ME A THOUSAND  
26 NAMES AND ONLY A HUNDRED OF THEM SIGNED UP"?

1       A.  I -- I SUPPOSE THAT'S POSSIBLE.  BUT IT  
2 DOESN'T MAKE SENSE.  THAT'S WHY THOSE NAMES WERE PROVIDED  
3 WERE SO THAT THEY COULD DO THAT FOLLOW-UP TO GET THOSE  
4 PERSONS TO JOIN THEIR LIST.  HOWEVER LONG THE RESORT WOULD  
5 WANT TO WORK THAT LIST?  NOT BEING ABLE TO CONTACT THOSE  
6 MEMBERS BECAUSE THEY WERE TRAVELING OR THEY WEREN'T HOME  
7 DURING THOSE TIME FRAMES, IT MIGHT TAKE A WHILE FOR THE  
8 RESORT DEVELOPER TO COME BACK TO US AND SAY, "CANCEL THESE  
9 MEMBERS FROM OUR RESORT; THEY ARE NOT IN GOOD STANDING."

10      Q.  OKAY.  COAST NEVER TOOK IT UPON THEMSELVES  
11 TO FOLLOW UP ON THE TRANSFERS THAT THEY DID IN SEPTEMBER OR  
12 OCTOBER TO SEE HOW MANY OF THOSE PEOPLE ACTUALLY SIGNED IT,  
13 DID IT?

14      A.  NO.  THAT WOULD BE A PRETTY MONUMENTAL TASK.  
15 AND, AGAIN, THERE IS SHARED RESPONSIBILITY THERE.

16      Q.  COAST WAS CONTENT TO JUST COLLECT THE DUES  
17 FROM THOSE PEOPLE AS THOUGH THEY SIGNED UP, WHETHER OR NOT  
18 THEY SIGNED UP, WASN'T IT?

19      A.  IN MOST CASES THEY HAD PROBABLY ALREADY PAID  
20 THEIR DUES.  IF THEY WERE NOT GETTING THE SERVICE FROM  
21 ANYBODY, I WOULD IMAGINE THAT THEY WOULD DROP OUT OF THE  
22 SYSTEM AND NOT PAY THEIR DUES WITH COAST TO COAST EITHER.

23      Q.  BUT THAT'S SPECULATION, ISN'T IT?  SOME OF  
24 THEM WOULD HAVE STAYED IN COAST TO COAST, WHETHER OR NOT  
25 THEY PAID THEIR DUES IN A RESORT, BECAUSE THEY COULD USE  
26 THE SYSTEM WITHOUT HAVING A MEMBERSHIP; ISN'T THAT TRUE?

1 A. FOR A CERTAIN PERIOD OF TIME THAT WOULD BE  
2 TRUE. BUT AT THE END OF THAT PERIOD OF TIME, NO, THEY  
3 CAN'T USE THE SYSTEM.

4 Q. WELL, THE END OF THAT TIME, IN FACT, IN THIS  
5 CASE WAS FEBRUARY OF 2000, WASN'T IT?

6 A. I DON'T KNOW WHERE FEBRUARY CAME FROM, BUT  
7 IT WOULD PROBABLY HAVE BEEN BEFORE THAT. YOU HAVE TO HAVE  
8 A HOME PARK CARD WITH YOUR COAST TO COAST CARD. REGARDLESS  
9 OF WHETHER THEY PAID THEIR DUES TO COAST TO COAST OR NOT,  
10 THEY STILL WOULD NOT BE ABLE TO USE THE SYSTEM AT SOME  
11 POINT IN TIME.

12 Q. DO YOU RECALL THAT YOU GAVE THE -- "YOU"  
13 MEANS COAST TO COAST, BUT YOU SPECIFICALLY BECAUSE YOU WERE  
14 IN CHARGE OF HANDLING THAT ASPECT OF IT -- GAVE THE  
15 PLAINTIFFS A LIST IN DECEMBER OF 1999 OF THE MEMBERS TO  
16 WHOM COAST SENT THE 34,000 PLUS LETTERS?

17 A. YES.

18 Q. OKAY. AND YOU REMEMBER THAT THOSE LISTS  
19 CARRIED A -- SOME NUMBER OF PEOPLE AS CURRENT COAST TO  
20 COAST MEMBERS; CORRECT?

21 A. I BELIEVE THAT -- IT -- IT IDENTIFIED THE  
22 YEAR THROUGH WHICH THOSE COAST MEMBERS HAD PAID THEIR COAST  
23 DUES, YES.

24 Q. OKAY. AND, THEREFORE, THEY WERE CONSIDERED  
25 TO BE CURRENT COAST TO COAST MEMBERS; CORRECT?

26 A. THEY WERE ON OUR ACTIVE FILE, YES.

1 Q. AND YOU RECALL THAT AS OF THAT TIME,  
2 DECEMBER OF 1999, COAST HAD ESSENTIALLY NO METHOD OF  
3 KNOWING WHETHER OR NOT THOSE PERSONS HAD JOINED A NEW  
4 RESORT OTHER THAN THE PLAINTIFF'S RESORT?

5 A. THAT IS CORRECT.

6 Q. OKAY. AND THEN DO YOU RECALL THAT IN  
7 FEBRUARY YOU GAVE THE PLAINTIFFS ANOTHER LIST, AND A  
8 SIGNIFICANT NUMBER OF THE NAMES FROM THE PREVIOUS CURRENT  
9 LIST HAD BEEN REMOVED FROM THE CURRENT STATUS AS OF THE  
10 YEAR 2000; RIGHT?

11 A. YES.

12 Q. OKAY. AND THE REASON THOSE PERSONS HAD BEEN  
13 REMOVED IS BECAUSE THEY HAD FAILED TO RENEW THEIR COAST TO  
14 COAST MEMBERSHIP FOR TWO YEARS, TWO CYCLES?

15 A. NOT IN EVERY CASE. BUT THAT WAS PROBABLY A  
16 LOT OF THEM FOR THAT REASON, YES.

17 Q. AND SO COAST CARRIED ALL OF THOSE PEOPLE AS  
18 CURRENT IN THE COAST TO COAST SYSTEM, WHETHER OR NOT THEY  
19 WERE MEMBERS OF A NEW RESORT, UNTIL DECEMBER OF 2000,  
20 DIDN'T THEY?

21 A. TILL DECEMBER OF '99.

22 Q. I'M SORRY. JANUARY OF 2000.

23 A. JANUARY -- WELL, YES.

24 Q. AND YOU DON'T THINK THAT SOME OF THOSE  
25 PEOPLE WERE FLOATING AROUND THE SYSTEM, USING THE SYSTEM  
26 WITHOUT HAVING A MEMBERSHIP IN A RESORT?

1 A. I SUPPOSE IT WOULD BE NAIVE TO SUSPECT THAT  
2 THERE WEREN'T PEOPLE WHO WERE DOING THAT. BUT, AGAIN, IF  
3 THEY DID NOT HAVE A VALID HOME PARK I.D. CARD, THE  
4 DEVELOPERS WERE UNDER NO OBLIGATION TO LET THEM USE THEIR  
5 RESORT.

6 Q. ALL RIGHT. THERE'S A -- THERE IS A RIGHT  
7 TO -- BETWEEN COAST AND THE RESORT OWNER TO TERMINATE THE  
8 AFFILIATION, ISN'T THERE?

9 A. YES.

10 Q. OKAY. AND THE LICENSE AGREEMENT, OR THE  
11 AFFILIATION AGREEMENT, IS A ONE-YEAR AGREEMENT, IS IT NOT?

12 A. THERE'S DIFFERENT AFFILIATION AGREEMENTS.  
13 IF YOU'RE REFERRING TO A SPECIFIC ONE, I WOULD NEED TO SEE  
14 THAT ONE.

15 Q. WELL, LET'S TAKE EXHIBIT 245, WHICH I THINK  
16 I HAVE LEFT UP HERE FOR YOU. TAKE A LOOK AT IT.

17 IS THAT 245? YEAH?

18 A. YES.

19 Q. MR. RANDALL, REGARDLESS OF WHICH AGREEMENT  
20 YOU USE, ISN'T IT TRUE THAT THE COAST RESORT DEVELOPERS  
21 AGREEMENT IS A ONE-YEAR AUTOMATICALLY RENEWABLE AGREEMENT  
22 UNLESS SOMEBODY TERMINATES?

23 A. I THINK THAT THERE ARE SOME OF THE  
24 AGREEMENTS THAT WERE FOR FIVE YEARS, AND THEN THEY WERE  
25 ONE-YEAR RENEWABLE AFTER THAT. THAT'S --

26 Q. OKAY.

1 A. -- WHY I HESITATE TO SAY JUST ONE YEAR FLAT  
2 OUT.

3 Q. ALL RIGHT. HOW LONG AGO WAS THIS THERE WERE  
4 SOME FIVE-YEAR AGREEMENTS?

5 A. I DON'T KNOW. I JUST KNOW THAT I HAVE COME  
6 ACROSS SOME IN MY DEALINGS WITH THE RESORT FILES.

7 Q. AS FAR AS YOU KNOW, THE NORM IS IT'S A  
8 ONE-YEAR AUTOMATICALLY RENEWABLE AGREEMENT UNLESS  
9 TERMINATED?

10 A. YES.

11 Q. AND IT IS ALSO THE NORM THAT A DEVELOPER CAN  
12 PRETTY MUCH TERMINATE AT WILL WITHOUT HAVING TO GIVE A  
13 REASON; RIGHT?

14 A. PRETTY MUCH SO, YES.

15 Q. ALL HE HAS TO DO IS GIVE COAST TO COAST A  
16 FORMAL WRITTEN NOTICE THAT SAYS, "I" -- "I'M OUT"; RIGHT?

17 A. YES.

18 Q. OKAY. AND THE RIGHT OF A DEVELOPER TO  
19 TERMINATE HIS RESORT'S RELATIONSHIP WITH COAST TO COAST WAS  
20 AGREED UPON BETWEEN THE DEVELOPERS AND COAST WHEN COAST GOT  
21 THE DEVELOPER TO AFFILIATE; ISN'T THAT SO?

22 A. YES.

23 Q. OKAY. AND COAST IS BOUND TO HONOR THE  
24 DEVELOPER'S RIGHT TO TERMINATE WITHOUT PUNISHING OR  
25 PENALIZING THE RESORT DEVELOPER FOR DOING SO, ISN'T IT?

26 MR. SHERMAN: OBJECTION. CALLS FOR A LEGAL

1 CONCLUSION FROM THE WITNESS.

2 THE COURT: SUSTAINED.

3 BY MR. MOSHENKO: Q. DO YOU KNOW WHETHER OR NOT  
4 RESORT OWNERS ARE TOLD WHEN THEY SIGN UP FOR COAST TO COAST  
5 AFFILIATION, "WHEN YOU LEAVE, WE'RE GOING TO TRANSFER YOUR  
6 MEMBERS FROM YOUR RESORT TO ANOTHER RESORT"?

7 A. PART OF MY RESPONSIBILITIES IS NOT TO  
8 BE -- LET ME REPHRASE THAT.

9 I'M NOT PRESENT AT THE AFFILIATIONS OF THE  
10 RESORTS; THAT'S NOT WITHIN THE PURVIEW OF MY  
11 RESPONSIBILITIES.

12 I WOULD THINK THAT THE DISCUSSION BETWEEN  
13 THE REGIONAL DIRECTOR AND A PROSPECTIVE DEVELOPER WANTING  
14 TO AFFILIATE WOULD ENCOMPASS THEM BEING INFORMED OF  
15 EVERYTHING THEY HAD QUESTIONS ABOUT.

16 Q. MR. RANDALL, YOU KNOW AS A MATTER OF POLICY  
17 COAST DOESN'T TELL RESORT DEVELOPERS "WHEN YOU LEAVE, WE'RE  
18 GOING TO TRANSFER YOUR MEMBERS," DOES IT?

19 A. DOESN'T MAKE MUCH SENSE THAT IT WOULD BE  
20 PRESENTED THAT WAY.

21 Q. IF THEY DID, NOBODY WOULD JOIN UP; RIGHT?

22 A. NO. I DON'T THINK THAT'S TRUE.

23 Q. THE MEMBERS BECOME -- SORRY.

24 THE RESORTS AFFILIATE WITH THE UNDERSTANDING  
25 THEY CAN LEAVE, AND COAST WILL NOT TRANSFER THEIR MEMBERS;  
26 ISN'T THAT CORRECT?

1 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

2 ASSUMES FACTS THAT ARE NOT IN EVIDENCE.

3 THE COURT: SUSTAINED.

4 BY MR. MOSHENKO: Q. ALL RIGHT. WITH RESPECT TO

5 TERMINATION OF THE RELATIONSHIP, THE ISSUE IS NOT WHETHER

6 THE RESORT CAN TERMINATE; IT'S WHEN AND HOW THE TERMINATION

7 WILL TAKE EFFECT; RIGHT?

8 A. OKAY.

9 Q. OKAY?

10 AND WHEN IT'S EFFECTIVE DEPENDS ON WHEN THE

11 NOTICE IS GIVEN; CORRECT?

12 A. THAT'S -- AGAIN, THAT'S A CASE-BY-CASE KIND

13 OF THING. SOMETIMES THE DEVELOPER WILL TELL US A DATE THAT

14 THEY WANT THE TERMINATION TO BE EFFECTIVE. SOMETIMES THEY

15 SAY, "RIGHT NOW."

16 Q. WELL, DIDN'T YOU SEE THE CONTRACT PROVISION

17 THAT MR. RYMAN WAS QUESTIONED ABOUT BY MR. SHERMAN WHERE HE

18 SAID, "LOOK, THE NOTICE HAS TO BE BEFORE AUGUST 1 FOR IT TO

19 BE EFFECTIVE" OR WORDS TO THAT EFFECT?

20 A. I -- I KNOW WHAT PROVISION YOU'RE TALKING

21 ABOUT. I DON'T KNOW THE SPECIFIC LANGUAGE OF IT OFF THE

22 TOP OF MY HEAD.

23 Q. AND, IN FACT, SOMETIMES A CONTRACT SAID,

24 NOTICE MUST BE GIVEN 90 DAYS BEFORE THE END OF THE YEAR;

25 SOMETIMES IT SAID MUST BE GIVEN BEFORE AUGUST 1; SOMETIMES

26 IT EVEN SAID OCTOBER 1; ISN'T THAT TRUE?

1 A. YES.

2 Q. OKAY. AND SINCE THE CONTRACT IS  
3 AUTOMATICALLY RENEWED, UNLESS EFFECTIVE NOTICE IS GIVEN,  
4 TIMELY NOTICE IS GIVEN, A LATE NOTICE DOES NOT TERMINATE  
5 THE CONTRACT?

6 A. I'M SORRY. WHAT KIND OF NOTICE?

7 MR. SHERMAN: OBJECTION. OBJECTION. THAT CALLS  
8 FOR A LEGAL CONCLUSION AS TO THE TERMINATION OF CONTRACTS.

9 THE COURT: SUSTAINED.

10 BY MR. MOSHENKO: Q. MR. RANDALL, IN ANY EVENT,  
11 NOTICE IS NOT EFFECTIVE IMMEDIATELY; IT HAD TO BE GIVEN SO  
12 MUCH TIME WITHIN THE TERMS OF THE CONTRACT BEFORE THE END  
13 OF THE YEAR; RIGHT?

14 A. THAT WOULD BE WHAT WE WOULD WANT TO HAVE  
15 HAPPEN, AGAIN, FOR THE CONVENIENCE OF THE MEMBER INVOLVING  
16 NOT LISTING THAT PARTICULAR RESORT IN OUR DIRECTORY.

17 Q. AND, IN FACT, IT'S A REASONABLE -- IT'S A  
18 MATTER OF REASONABLE NOTICE TO BE FAIR TO COAST TO COAST  
19 WHO'S PRINTING ITS DIRECTORY THAT IT SHOULD GET IT FAR  
20 ENOUGH IN ADVANCE SO THAT COAST DOESN'T INCLUDE THE RESORT  
21 IN THE DIRECTORY; RIGHT? THAT'S WHAT YOU'RE SAYING?

22 A. NO. WHAT I'M SAYING IS IT'S IN FAIRNESS TO  
23 THE MEMBERS. IT'S NOT IN FAIRNESS TO COAST TO COAST. BUT  
24 IT'S IN FAIRNESS TO THE MEMBERS.

25 Q. IT'S ALSO IN FAIRNESS TO THE RESORT OWNERS  
26 THAT THERE IS A REASONABLE TIME FOR THEM TO MAKE

1 ADJUSTMENTS IF THEY TERMINATE, THAT THEY CAN LET YOU KNOW  
2 90 DAYS OR DO SOMETHING IN 90 DAYS TO ADJUST THEMSELVES;  
3 RIGHT?

4 A. DEPENDING ON WHAT ADJUSTMENTS THEY WERE  
5 GOING TO MAKE, YES, I SUPPOSE THAT WOULD BE TRUE.

6 Q. SO WHEN ON AUGUST 27TH, IN OUR CASE, THE  
7 NOTICES CAME IN THAT THE PLAINTIFFS WERE WITHDRAWING  
8 RESORTS FROM THE COAST TO COAST SYSTEM, EVERYBODY KNEW THAT  
9 THE MEMBERS AND THE RESORTS HAD THREE TO FOUR MONTHS BEFORE  
10 THE MEMBERSHIPS WERE NO LONGER EFFECTIVE; RIGHT?

11 MR. SHERMAN: OBJECTION. THAT CALLS FOR  
12 SPECULATION AS FAR AS EVERYBODY KNOWING.

13 THE COURT: SUSTAINED.

14 BY MR. MOSHENKO: Q. WELL, COAST KNEW THAT IT WAS  
15 A MATTER OF THREE TO FOUR MONTHS BEFORE THOSE MEMBERS WOULD  
16 LOSE THEIR MEMBERSHIP PRIVILEGES; RIGHT?

17 A. I -- I DON'T FOLLOW THAT QUESTION AT ALL,  
18 MR. MOSHENKO. I'M SORRY.

19 Q. MR. NOVELLI AND THOUSAND ADVENTURES SENT  
20 LETTERS TO COAST ON AUGUST 27, 1997, SAYING, "WE'RE  
21 DISAFFILIATING OUR RESORTS"; RIGHT?

22 A. CORRECT.

23 Q. THAT, THEREFORE -- AND THAT NOTICE WAS A  
24 NOTICE THAT SHOULD HAVE PUT COAST ON NOTICE THAT THESE  
25 MEMBERS ARE GOING TO LOSE THEIR COAST AFFILIATION RIGHTS  
26 EFFECTIVE DECEMBER 31, UNLESS THEY FIND NEW RESORTS; RIGHT?

1 A. I'M NOT SURE WHAT YOU'RE TRYING TO SET UP.  
2 IF -- IF -- IF YOU'RE SAYING THAT THE TERMINATION WOULD  
3 HAVE TAKEN PLACE IN THE APPROPRIATE FASHION BY THE  
4 AFFILIATION AGREEMENT, IT WOULD HAVE REQUIRED THEM TO KEEP  
5 THEIR RESORTS IN THE SYSTEM UNTIL THE FOLLOWING YEAR, IN  
6 AUGUST, I BELIEVE. SO I'M NOT -- I'M NOT SURE I -- I  
7 UNDERSTAND WHERE YOU'RE GOING WITH THAT.

8 Q. MR. RANDALL, I'M FOCUSSING ON THIS --  
9 MEMBERS WHOSE RESORTS CEASE TO BE MEMBERS OF COAST HAVE  
10 UNTIL DECEMBER 31, A REASONABLE PERIOD OF TIME, TO FIND A  
11 NEW RESORT? ISN'T --

12 MR. SHERMAN: OBJECTION. THAT MISSTATES THE TERMS  
13 OF EXHIBIT 72. THAT'S NOT WHAT IT SAYS.

14 THE COURT: SUSTAINED.

15 BY MR. MOSHENKO: Q. QUOTE, "IF YOUR HOME RESORT  
16 CEASES TO BE A COAST TO COAST AFFILIATED RESORT FOR ANY  
17 REASON, YOUR MEMBERSHIP WILL REMAIN" --

18 THE COURT: SLOWER PLEASE.

19 MR. MOSHENKO: OH, APOLOGIZE. WE GET EXCITED.

20 Q. "YOUR MEMBERSHIP WILL REMAIN IN EFFECT FOR  
21 THAT CALENDAR YEAR."

22 THAT'S UNTIL DECEMBER 31; RIGHT?

23 A. YES.

24 Q. OKAY. SO ON AUGUST 27 YOU KNEW THE MEMBERS'  
25 MEMBERSHIPS WOULD REMAIN IN EFFECT UNTIL DECEMBER 31 AT A  
26 MINIMUM; RIGHT?

1 MR. SHERMAN: OBJECTION. THAT SEEKS A LEGAL  
2 CONCLUSION COMPARING TWO DIFFERENT CONTRACTS.

3 THE COURT: OVERRULED.

4 THE WITNESS: THAT WOULD BE MY UNDERSTANDING.

5 NOW, YOU KIND OF LEFT ME IN THE DUST HERE.

6 I'M -- I WAS STILL TRYING TO RELATE THIS TO THE TERM FROM  
7 THE AFFILIATION AGREEMENT. HAVE YOU GONE AWAY FROM THAT?

8 BY MR. MOSHENKO: Q. OH, NO, BECAUSE THIS IS A  
9 TERM OF THE AFFILIATION AGREEMENT BY INCORPORATION, ISN'T  
10 IT?

11 A. BUT THERE ARE TWO DIFFERENT THINGS THAT  
12 WE'RE TALKING ABOUT, THE RESORTS' AFFILIATION AS A MEMBER  
13 RESORT VERSUS THE MEMBERS' MEMBERSHIP IN COAST TO COAST.

14 Q. I'M NOW TALKING ABOUT THE MEMBERS'  
15 MEMBERSHIP. IT GOES ON UNTIL DECEMBER 31, NO PROBLEM;  
16 RIGHT?

17 A. THAT IS CORRECT.

18 Q. AND COAST'S POLICY MAKES IT GO ON FOR  
19 ANOTHER 12 MONTHS, NO PROBLEM; RIGHT?

20 A. THAT TOO IS CORRECT.

21 Q. AND BASED ON THE FACT THAT COAST WAITED  
22 UNTIL JANUARY OF 2000 TO CANCEL MEMBERS WHO HADN'T RENEWED  
23 FOR TWO YEARS, IT WENT ON FOR 26 MONTHS, NO PROBLEM; RIGHT?

24 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

25 THE COURT: OVERRULED.

26 THE WITNESS: WHAT I'M TRYING TO ZERO IN ON IS THAT

1 IN THAT SAME BINDING OF THESE CONTRACTS --

2 BY MR. MOSHENKO: Q. EXCUSE ME. I'D LIKE TO ASK

3 YOU TO ANSWER MY QUESTION.

4 A. I BELIEVE I DID. I'M SORRY.

5 Q. WENT ON FOR 26 PLUS MONTHS, DIDN'T IT?

6 A. NOT 26 MONTHS, NO.

7 Q. TWENTY-SEVEN?

8 A. NO. I THINK IT WAS CLOSER TO 15 OR 18.

9 Q. OKAY. NOW, LET'S GO BACK TO THE RESORT

10 AFFILIATION AGREEMENT.

11 A. OKAY.

12 Q. THE ONE THAT SAYS, "NOTICED US BY 90 DAYS  
13 BEFORE THE END OF THE YEAR"; RIGHT? OR BY AUGUST 1.

14 YOU KNOW WHAT I'M REFERRING TO?

15 A. IT'S ON PAGE 2. IT'S SUBPARAGRAPH 2 THAT  
16 SAYS, "TERM. THE TERM OF THIS AGREEMENT SHALL COMMENCE ON  
17 THE DATE HEREOF AND CONTINUE FOR A PERIOD OF ONE YEAR. AND  
18 UNLESS WRITTEN NOTICE OF NONRENEWAL SHALL HAVE BEEN GIVEN  
19 BY EITHER PARTY TO THE OTHER PRIOR TO AUGUST 1ST OF ANY  
20 CALENDAR YEAR, THEREAFTER FOR SUCCESSIVE ONE-YEAR PERIODS."

21 Q. YES. THAT'S THE AUTOMATICALLY RENEWAL --  
22 AUTOMATICALLY RENEWABLE PROVISION; RIGHT?

23 A. CORRECT.

24 Q. AND THE WRITTEN NOTICE OF NONRENEWAL IS A  
25 90-DAY NOTICE?

26 A. I DON'T SEE THE 90 DAYS REFERRED TO IN HERE.

1 MR. MOSHENKO: YOUR HONOR, THE EXHIBITS THAT WERE  
2 PROVIDED BY THE DEFENDANTS APPARENTLY WERE COPIED WITHOUT  
3 COPYING THE BACK PAGE. SO I'VE GOT ONE PAGE, AND THEN IT  
4 SKIPS A PAGE. THEN I'VE GOT ANOTHER PAGE. IT SKIPS. I  
5 NEED TO TAKE A MOMENT TO FIND THE MISSING PAGE, OR MAYBE I  
6 CAN GO UP AND LOOK AT THE WITNESS'S COPY.

7 ALL RIGHT. THAT'S UNDER --

8 MR. SHERMAN: MAY I INQUIRE?

9 THE COPY THAT THE WITNESS HAS IS FRONT AND  
10 BACK; IS THAT RIGHT?

11 MR. MOSHENKO: YEAH. IT'S FRONT AND BACK.

12 MR. SHERMAN: OH, OKAY. AND THE COPY WE HAVE IS  
13 FRONT AND BACK AS WELL.

14 MR. MOSHENKO: MY COPY IS NOT FRONT AND BACK.

15 ALL RIGHT. PROVIDED BY YOU IS WHAT I'M  
16 TALKING ABOUT.

17 MR. SHERMAN: I THINK IT WAS COPIED BY A COPYING  
18 SERVICE, YOUR HONOR. SO I DIDN'T DO THE COPYING MYSELF.

19 MR. MOSHENKO: I'M SURE IT WASN'T INTENTIONAL.

20 Q. OKAY. HERE WE GO. PARAGRAPH IV,  
21 SUBPARAGRAPH 2, "TERMINATION MAY BE" -- "THIS AGREEMENT MAY  
22 BE TERMINATED IN ITS ENTIRETY AS TO ANY RESORT AS FOLLOWS,"  
23 AND THEN SUBPARAGRAPH 2 SAYS, "BY OWNER UPON 90 DAYS' PRIOR  
24 WRITTEN NOTICE."

25 MR. SHERMAN: YOUR HONOR, MAY I INQUIRE WHAT  
26 EXHIBIT?

1 MR. MOSHENKO: SAME EXHIBIT AS WE'VE BEEN WORKING  
2 WITH, SIR.

3 MR. SHERMAN: 245?

4 MR. MOSHENKO: YES.

5 MR. SHERMAN: I HAVE -- I DON'T HAVE A IV, SUB 2.

6 THE WITNESS: IT'S VI.

7 MR. MOSHENKO: VI. I MISREAD IT.

8 MR. SHERMAN: OH.

9 MR. MOSHENKO: DIDN'T KNOW I HAD DYSLEXIA. I  
10 REVERSED THE "V" AND THE "I."

11 Q. OKAY. PARAGRAPH 6, "TERMINATION, THIS  
12 AGREEMENT MAY BE TERMINATED IN ITS ENTIRETY AS TO ANY  
13 RESORT AS FOLLOWS," AND THEN 2 SAYS, "BY OWNER UPON 90  
14 DAYS' PRIOR WRITTEN NOTICE"; RIGHT?

15 A. OKAY.

16 Q. THE OWNER MAY NOT TERMINATE IT EXCEPT BY  
17 GIVING PRIOR -- 90 DAYS' PRIOR WRITTEN NOTICE; ISN'T THAT  
18 WHAT IT MEANS?

19 MR. SHERMAN: OBJECTION. SEEKS A LEGAL CONCLUSION  
20 OF THE WITNESS.

21 THE COURT: OVERRULED. I'LL ALLOW IT.

22 THE WITNESS: COULD YOU SAY THE QUESTION AGAIN,  
23 PLEASE?

24 BY MR. MOSHENKO: Q. SINCE THE OWNER MUST GIVE 90  
25 DAYS' PRIOR WRITTEN NOTICE, IT'S LOGICAL THAT IF -- THAT  
26 THE NOTICE IS NOT EFFECTIVE UNTIL 90 DAYS LATER.

1 A. OKAY.

2 Q. OKAY. SO WHEN MR. NOVELLI AND THOUSAND  
3 ADVENTURES TOLD COAST TO COAST ON AUGUST 27TH, "WE ARE  
4 TERMINATING," YOU AT COAST KNEW THAT THAT TERMINATION WAS  
5 NOT EFFECTIVE FOR 90 DAYS?

6 A. I DISAGREE WITH THAT. BUT THE WAY YOU'RE  
7 READING IT FROM THERE, THAT WOULD BE SOMETHING THAT YOU  
8 COULD INTERPRET.

9 Q. YOU DISAGREE WITH THE CONTRACT?

10 A. I DISAGREE WITH YOUR STATEMENT.

11 Q. BUT, YET, COAST TOLD THE MEMBERS IN THE  
12 LETTER THAT YOU WROTE THAT THE TERMINATIONS WERE EFFECTIVE  
13 IMMEDIATELY, IN ESSENCE, DIDN'T YOU?

14 A. IN ESSENCE, YES.

15 Q. AND YOU DID THAT TO FRIGHTEN THE MEMBERS  
16 INTO BELIEVING THAT THEY COULD NOT PARTICIPATE IN A  
17 RECIPROCAL USE SYSTEM UNLESS THEY ACTED QUICKLY TO ACCEPT  
18 YOUR TRANSFERS TO ANOTHER RESORT, DIDN'T YOU?

19 A. NO.

20 Q. MR. RANDALL, WHEN YOU RECEIVED THE NOTICES,  
21 YOU WERE ALREADY AWARE THAT MR. NOVELLI WAS PLANNING TO  
22 MAKE ARRANGEMENTS TO HAVE THE MEMBERS PARTICIPATE IN A  
23 DIFFERENT RECIPROCAL USE SYSTEM KNOWN AS R.P.I.; ISN'T THAT  
24 CORRECT?

25 A. I'M NOT EXACTLY SURE OF THE TIMING, BUT IT  
26 WAS A CLOSE PROXIMITY THAT THAT BECAME -- I BECAME AWARE OF

1 THAT.

2 Q. OKAY. AND SO REGARDLESS -- THERE WERE  
3 MEETINGS THAT WERE HELD AFTER THE NOTICES WERE RECEIVED  
4 BETWEEN YOU AND MR. EVERETT AND MR. RYMAN AND THE REGIONAL  
5 DIRECTORS, THE IMPORTANT PEOPLE, THAT HAD TO FIGURE OUT  
6 WHAT TO DO?

7 A. YES, I'D -- I BELIEVE SO.

8 Q. OKAY. AND IT WAS A FOREGONE CONCLUSION,  
9 WASN'T IT, IN YOUR MIND AND, FRANKLY, AS A RESULT OF THE  
10 MEETING, THAT MR. NOVELLI WASN'T GOING TO JUST KEEP PEOPLE  
11 OUT OF THE RECIPROCAL SYSTEM ENTIRELY, WASN'T IT?

12 A. I DON'T KNOW THAT THAT WAS A CONCERN OR A  
13 TOPIC OF DISCUSSION.

14 Q. WELL, YOU KNEW THAT MR. NOVELLI AND HIS  
15 RESORTS -- AND HIS MEMBERS HAD BEEN USING RECIPROCAL  
16 SERVICES FOR OVER A DECADE. DID YOU THINK THAT HE WAS  
17 GOING TO STOP USING RECIPROCAL ENTIRELY?

18 A. I DON'T BELIEVE THAT THAT WAS A THOUGHT THAT  
19 EVER CROSSED MY MIND, AS TO WHETHER HE WOULD OR WOULD NOT.

20 Q. WELL, WHAT ABOUT TODAY? WHAT DO YOU THINK?  
21 YOU THINK BACK THEN HE WAS GOING TO STOP USING RECIPROCAL  
22 ENTIRELY?

23 MR. SHERMAN: OBJECTION. WHAT MR. RANDALL THINKS  
24 TODAY ABOUT THREE YEARS AGO IS NOT RELEVANT.

25 THE COURT: SUSTAINED.

26 BY MR. MOSHENKO: Q. REGARDLESS, AS SOON AS YOU

1 FOUND OUT IN CLOSE PROXIMITY OF TIME THAT YOU TESTIFIED  
2 THAT HE WAS GOING TO GO TO R.P.I., YOU KNEW THAT HE WASN'T  
3 GOING TO HAVE HIS MEMBERS STOP USING THE RECIPROCAL  
4 ENTIRELY; RIGHT?

5 A. THAT'S A FAIR STATEMENT.

6 Q. YOU KNEW THAT HE WAS MAKING OTHER  
7 ARRANGEMENTS SO THESE PEOPLE COULD CONTINUE TO USE THE --  
8 THE NATIONWIDE COLLECTION OF RESORTS THAT R.P.I. HAD AS  
9 AFFILIATED RESORTS; RIGHT?

10 A. I WILL SAY THAT I KNEW THAT HE WAS NOT GOING  
11 TO MAKE USE OF THE COAST TO COAST RECIPROCAL SYSTEM FOR HIS  
12 MEMBERS THAT WERE IN COAST TO COAST.

13 Q. YES.

14 BUT KNOWING AS YOU -- I THINK YOU SAID YOU  
15 DID -- THAT HE WAS GOING TO USE R.P.I., YOU ALSO KNEW HE  
16 WAS GOING TO HAVE HIS MEMBERS USE R.P.I., DIDN'T YOU?

17 A. I'M NOT SURE I LIKE THE WAY THAT THAT'S  
18 BEING PRESENTED. I KNEW THAT THEY WERE NOT GOING TO BE  
19 GIVEN THE COAST TO COAST RECIPROCAL USE SYSTEM.

20 Q. DID YOU NOTICE HE WAS GOING TO OFFER THEM  
21 R.P.I.?

22 A. AGAIN, DEPENDING ON WHEN THAT HAPPENED, I  
23 THINK THAT'S APPARENT THAT, YEAH, IT WAS GOING TO HAPPEN  
24 THAT WAY. BUT THAT WASN'T THE THOUGHT PROCESS THAT I GO  
25 THROUGH.

26 Q. IF SOMEONE SAYS TO YOU, "NOVELLI'S PULLING

1 HIS RESORTS OUT; HE'S PUTTING THEM IN R.P.I.," WHY ISN'T  
2 THAT A THOUGHT PROCESS, THAT HE'S GOING TO PUT THEM IN  
3 R.P.I. TO YOU?

4 A. MY --

5 MR. SHERMAN: OBJECTION. LACKS FOUNDATION.  
6 ASSUMES FACTS NOT IN EVIDENCE. IT'S ALSO A HYPE.

7 THE COURT: SUSTAINED.

8 BY MR. MOSHENKO: Q. OKAY. WHEN YOU KNEW THAT HE  
9 WAS GOING TO PUT THE MEMBERS IN R.P.I., MR. RANDALL, YOU  
10 ALSO KNEW THAT R.P.I. WAS COAST'S MAIN COMPETITOR?

11 A. YES, I DID.

12 Q. AND YOU KNEW THAT R.P.I. WOULD PROVIDE TO  
13 ITS MEMBERS SEVERAL HUNDRED RESORTS THAT WERE AFFILIATED  
14 WITH R.P.I. ALL ACROSS THE NATION?

15 MR. SHERMAN: OBJECTION. IT LACKS FOUNDATION AS TO  
16 R.P.I.'S MEMBERS.

17 THE COURT: OVERRULED.

18 THE WITNESS: SAY THE QUESTION AGAIN, PLEASE.

19 MR. MOSHENKO: CAN YOU READ BACK THE QUESTION,  
20 PLEASE.

21 (WHEREUPON THE FOLLOWING WAS READ BY THE  
22 REPORTER: "AND YOU KNEW THAT R.P.I. WOULD PROVIDE TO ITS  
23 MEMBERS SEVERAL HUNDRED RESORTS THAT WERE AFFILIATED WITH  
24 R.P.I. ALL ACROSS THE NATION?"

25 THE WITNESS: YES.

26 BY MR. MOSHENKO: Q. AND YOU ALSO KNEW THAT

1 APPROXIMATELY 75 PERCENT OF THE RESORTS IN R.P.I. ARE THE  
2 SAME RESORTS THAT ARE IN COAST TO COAST?

3 A. YES.

4 Q. SO MR. NOVELLI'S MEMBERS WHO WERE GOING TO  
5 R.P.I. WOULD BASICALLY BE ABLE TO CONTINUE USE OF AN  
6 ENTER -- INTERNATIONAL, ISN'T IT? -- INTERNATIONAL USE  
7 SYSTEM THAT COVERED 75 PERCENT OF EVERYTHING THEY HAD IN  
8 COAST TO COAST AND THEN OTHER RESORTS AS WELL; RIGHT?

9 A. YES.

10 Q. SO THE DISAFFILIATIONS, WHILE THEY WOULD  
11 RESULT IN THE RESORT MEMBERS NO LONGER HAVING A COAST TO  
12 COAST AFFILIATED RESORT, DID NOT PRESENT A PROBLEM FOR  
13 THOSE RESORT MEMBERS IF WHAT THEY WANTED TO DO WAS TRAVEL  
14 THROUGHOUT THE NATION ON A RECIPROCAL USE SYSTEM; DID IT?

15 A. I BELIEVE THAT IT DID PRESENT A PROBLEM.  
16 THEY WERE, IN MY OPINION, INDUCED INTO PURCHASING THE  
17 RESORT MEMBERSHIP WITH THE CONDITION OF COAST TO COAST  
18 MEMBERSHIP, NOT R.P.I. MEMBERSHIP.

19 COAST TO COAST IS, AGAIN, MY OPINION, THE  
20 BETTER RECIPROCAL USE SYSTEM AS OPPOSED TO R.P.I. AND TO  
21 ME IT JUST MADE SENSE THAT THEY IN -- THE MAJORITY OF THEM  
22 WOULD WANT TO STAY WITH THE COAST TO COAST RECIPROCAL USE  
23 SYSTEM.

24 Q. YOU SAY THEY WERE INDUCED TO PURCHASE.  
25 GOING INTO THE COAST TO COAST SYSTEM, ARE YOU SAYING THAT  
26 THESE PEOPLE ARE ALL -- ALL PURCHASED IN VIOLATION OF THE

1 PRIMARY PRODUCT RULE?

2 A. I'M NOT SURE HOW YOU MAKE THAT STRETCH  
3 THERE. BUT AS IS PRETTY WELL KNOWN, I BELIEVE, IN THE  
4 INDUSTRY, THE COAST TO COAST RECIPROCAL USE SYSTEM MAKES  
5 THE HOME RESORT SYSTEM THAT MUCH MORE VALUABLE.

6 Q. DOESN'T --

7 A. AND THAT'S WHY I USED THE WORD  
8 "INDUCEMENT."

9 Q. DOESN'T THE R.P.I. RECIPROCAL USE SYSTEM  
10 MAKE THE HOME RESORT SYSTEM MORE VALUABLE?

11 A. IN MY OPINION? NOT AS VALUABLE AS COAST TO  
12 COAST.

13 Q. WELL, IF I WANTED TO GO TO ONE OF THE 75  
14 PERCENT OF THE SEVERAL HUNDRED RESORTS THAT WERE IN BOTH  
15 SYSTEMS, IT WOULD MATTER NOT TO ME AT ALL WHICH RESORT I  
16 WENT THROUGH -- WHICH SYSTEM I WENT THROUGH; RIGHT?

17 MR. SHERMAN: OBJECTION. THAT CALLS FOR  
18 SPECULATION AS TO WHAT'S IN ANY PARTICULAR MEMBER'S MIND.

19 THE COURT: SUSTAINED.

20 LET'S TAKE THIS UP AT 1:30.

21 MR. MOSHENKO: THANK YOU, YOUR HONOR.

22 (WHEREUPON THE COURT WAS IN RECESS UNTIL  
23 1:30 P.M. OF THE SAME DAY.)

24

25

26

1 WESTMINSTER, CALIFORNIA - MONDAY, JUNE 5, 2000

2 AFTERNOON SESSION

3 THE COURT: GOOD AFTERNOON, LADIES AND GENTLEMEN.

4 THE JURY: GOOD AFTERNOON, YOUR HONOR.

5 THE COURT: PROCEED, COUNSEL.

6 MR. MOSHENKO: THANK YOU, YOUR HONOR.

7 CROSS-EXAMINATION (CONTINUED)

8 BY MR. MOSHENKO: Q. I DON'T HAVE AN OPENER TO

9 MATCH THIS MORNING'S.

10 ALL RIGHT. MR. RANDALL, I WANT TO TALK

11 ABOUT WHAT'S CALLED ANTI-RAIDING RULE. R-A-I-D-I-N-G, NOT

12 RATING. THERE IS A COAST TO COAST RULE THAT SAYS RESORT

13 OWNERS CANNOT RAID OTHER RESORT OWNERS' MEMBERS; RIGHT?

14 A. YES.

15 Q. AS A PART OF THE -- THE MANUAL, THE LICENSEE

16 MANUAL; RIGHT?

17 A. YES.

18 Q. AND, THEREFORE, INCORPORATED INTO THE

19 CONTRACT BETWEEN THE RESORT DEVELOPER AND THE -- AND COAST

20 TO COAST; RIGHT?

21 A. CORRECT.

22 Q. IT IS EXHIBIT 570. I'VE EVEN GOT IT SET UP

23 HERE FOR YOU.

24 TURN TO 570, PLEASE. CAN YOU FIND 570,

25 PLEASE? I'D ASK YOU TO LOOK AT PAGE 5.

26 AND, COUNSEL, IT'S EXHIBIT 570, BATES

1 STAMPED 01966. IT'S IN EVIDENCE, SO CAN WE PUT IT UP?

2 PAGE 5 OF THE DOCUMENT.

3 RIGHT THERE. AND THERE IS THE ANTI-RAIDING

4 RULE, PARAGRAPH 14. SEE IT, MR. RANDALL?

5 A. YES, I DO.

6 Q. IT'S CALLED ANTI-RAIDING. AND IT SAYS, "ALL

7 LICENSEES MUST RESPECT THE RELATIONS OF VISITORS AND THEIR

8 HOME RESORTS."

9 THERE IS A REFERENCE TO THE VISITORS HOME

10 RESORTS?

11 A. THE VISITORS HOME RESORTS, YES.

12 Q. OKAY. "ALL LICENSEES MUST RESPECT THE

13 RELATIONS OF VISITORS AND THEIR HOME RESORTS AND MUST NEVER

14 UNLAWFULLY INTERFERE WITH SUCH BUSINESS RELATIONS."

15 NOW, THAT RULE HAS BEEN INTERPRETED BY COAST

16 TO COAST TO MEAN THAT THE OWNER OF RESORT B CANNOT SEEK TO

17 INTERFERE WITH THE RELATIONS OF THE VISITORS TO RESORT B

18 THAT THE VISITORS HAVE WITH THEIR HOME RESORTS, RESORT A?

19 A. CORRECT.

20 Q. GOT THAT?

21 NOW, LET'S SEE. BACK TO THIS BOARD.

22 IF THIS RESORT IS A, AND THIS ONE IS B, WHEN

23 MEMBERS OF A VISIT B, B CAN'T TRY TO CONVINCING THEM TO LEAVE

24 A AND COME TO B, CAN THEY? THAT WOULD BE A VIOLATION OF

25 THE RULE?

26 A. IT -- ASKING ABOUT UNLAWFULLY INTERFERE, I

1 WOULD -- I WOULD AGREE WITH THAT, YES.

2 Q. AND WHEN B'S MEMBERS COME TO A, A SHOULD  
3 RECIPROCATATE AND NOT TRY TO CONVINC B'S MEMBERS TO TRANSFER  
4 OVER TO A; RIGHT?

5 A. I THINK WHAT IS ACTUALLY BEING SAID IS THAT  
6 AT -- BY TRANSFERRING TO A, YOU WOULD NOT CAUSE THEM TO  
7 LEAVE THEIR CONTRACT WITH B. BUT THERE IS SUCH A THING AS  
8 MEMBERS BEING ABLE TO PURCHASE MEMBERSHIPS IN MORE THAN  
9 JUST ONE RESORT.

10 Q. YOU'RE NOT SAYING THAT A CAN SAY TO B'S  
11 MEMBERS, "COME ON OVER HERE; YOU CAN PURCHASE TWO -- TWO  
12 RESORT MEMBERSHIPS, AND WE'LL GIVE YOU A SPECIAL DEAL  
13 HERE," ARE YOU?

14 A. THAT'S EXACTLY WHAT I'M SAYING, YES, BUT NOT  
15 AT THE RISK -- OR NOT AT THE SAKE OF SAYING, "YOU DON'T  
16 HAVE TO DO ANYTHING WITH YOUR CONTRACT IN RESORT B."

17 Q. OH, BUT COAST CAN'T CONTROL -- IF A SAYS,  
18 "CANCEL THAT CONTRACT; DON'T PAY ON IT. COME OVER HERE,"  
19 COAST CAN'T CONTROL THAT, CAN THEY?

20 A. WE CAN'T CONTROL IT, NO.

21 Q. BUT THE ANTI-RAIDING RULE SAYS YOU SHOULDN'T  
22 DO ANYTHING TO INTERFERE WITH THE MEMBERSHIP THAT B HAS  
23 BETWEEN HIS MEMBERS AND HIS RESORT?

24 A. THE CONTRACTUAL RELATIONSHIP. IF -- IF  
25 RESORT B -- I LOST IT -- WAS A MEMBER OF WHO? IF RESORT B  
26 IS IN FLORIDA AND RESORT A IS IN NEW YORK, AND THE MEMBER

1 LIKES TO GO TO FLORIDA TO ESCAPE THE NEW YORK WINTER, HE  
2 WOULD POSSIBLY WANT TO STAY LONGER IN THE FLORIDA RESORT.  
3 SO IT WOULD BE TO HIS BENEFIT TO PURCHASE A MEMBERSHIP,  
4 ANOTHER MEMBERSHIP, IN THAT RESORT IN FLORIDA. BUT IT  
5 WOULD NOT BE NECESSARY FOR HIM TO HAVE COAST TO COAST AT  
6 HIS FLORIDA RESORT BECAUSE THE PRIVILEGES ARE THE SAME FROM  
7 EITHER ONE.

8 Q. TO BE SURE, IF A MEMBER SAYS, "HEY, I BELONG  
9 TO A CALIFORNIA RESORT, BUT I WANT TO BELONG TO A FLORIDA  
10 RESORT," HE CAN BUY TWO TIME-SHARES OR TWO MEMBERSHIPS;  
11 RIGHT?

12 A. ABSOLUTELY.

13 Q. OKAY. BUT THE ANTI-RAIDING RULE IS INTENDED  
14 TO PREVENT THE OTHER RESORT OWNERS WHO RECEIVE YOUR GUESTS  
15 IN HIS RESORT FROM AFFIRMATIVELY SEEKING TO CONVINCING THAT  
16 MEMBER TO TRANSFER HIS COAST TO COAST HOME RESORT  
17 MEMBERSHIP FROM RESORT A TO RESORT B; ISN'T THAT TRUE?

18 A. AT THE RISK OF INTERFERING WITH THE  
19 CONTRACTUAL RELATIONSHIP WITH THE OTHER HOME RESORT? THAT  
20 IS TRUE.

21 Q. AND THERE IS A RISK THAT IF A -- IF A RESORT  
22 OWNER TRIES TO CONVINCING A MEMBER TO TRANSFER HIS RESORT  
23 OWNERSHIP FROM A TO B, THAT THAT MEMBER MIGHT STOP MAKING  
24 PAYMENTS TO RESORT A?

25 A. I THINK THAT THAT'S A RISK, YES.

26 Q. COAST KNOWS THAT'S A RISK?

1 A. YES.

2 Q. THE FACT IS, HAS COAST EVER DONE ANY STUDIES  
3 TO DETERMINE WHAT PERCENTAGE OF THE TIME -- STRIKE THAT.  
4 HAS RAIDING OF MEMBERS BEEN SOMETHING THAT'S  
5 COMMONLY OCCURRED IN THE COAST TO COAST SYSTEM?

6 A. I DON'T THINK IT'S COMMON, NO. THERE HAVE  
7 BEEN INSTANCES OF IT.

8 Q. BUT THE REASON FOR THE RULE IS BECAUSE IF  
9 RESORT DEVELOPERS KNEW WHEN THEY TURNED OVER THEIR MEMBERS,  
10 IN EFFECT, TO ANOTHER GUY'S RESORTS, IF HE WAS GOING TO  
11 RAID THOSE MEMBERS, THAT IT COULD DAMAGE HIS RELATIONSHIPS  
12 WITH HIS MEMBERS; RIGHT?

13 A. IT COULD. I WOULD THINK THAT IT WOULD BE  
14 MORE OF AN INDUCEMENT TO THE DEVELOPER TO DO MORE THINGS AT  
15 HIS HOME RESORT SO THAT HE WOULDN'T HAVE TO WORRY ABOUT HIS  
16 MEMBERS BEING TEMPTED THAT WAY.

17 Q. SURE.

18 BUT WHEN COAST IS TRYING TO GET A RESORT  
19 OWNER TO AFFILIATE, COAST TELLS THAT RESORT OWNER THROUGH  
20 THE DOCUMENTATION, "WE HAVE AN ANTI-RAIDING RULE THAT WILL  
21 PROTECT YOUR MEMBERS FROM BEING TAKEN AWAY BY OTHER RESORTS  
22 WHEN THEY VISIT THERE"; RIGHT?

23 A. YES. BUT, AGAIN, I'M THINKING THAT THE RULE  
24 WOULD BE MADE -- THE DEVELOPER WOULD BE MADE AWARE OF THE  
25 RULE TO PREVENT HIM FROM DOING SOMETHING THAT HE SHOULDN'T  
26 DO TO OTHER PEOPLE'S MEMBERS.

1 Q. CORRECT.

2 AND COAST -- SO COAST TELLS THE DEVELOPERS  
3 WHO AFFILIATE, "ANTI-RAIDING RULE WORKS IN BOTH DIRECTIONS;  
4 YOU CANNOT RAID THEIR MEMBERS, AND THEY WILL NOT TRY TO  
5 RAID YOUR MEMBERS"; RIGHT?

6 A. CORRECT.

7 Q. THIS IS A KIND OF A KEY PROVISION OF THIS,  
8 THIS AFFILIATION RELATIONSHIP, BECAUSE IF A RESORT OWNER  
9 KNEW THAT HE WAS PUTTING HIS MEMBERS AT RISK OF BEING  
10 RAIDED BY JOINING CAMP COAST TO COAST, HE WOULDN'T WANT TO  
11 JOIN, WOULD HE?

12 {REPORTER'S NOTE: LAST QUESTION (

13 A. I DON'T THINK HE'D PROBABLY WANT TO GET INTO  
14 THE BUSINESS AT ALL.

15 Q. AND COAST IS OBLIGATED TO ENFORCE THIS RULE  
16 TO PROTECT THE RESORTS WHO ARE AFFILIATED WITH IT; RIGHT?

17 A. YES.

18 Q. NOW, THIS MORNING WE TALKED ABOUT THE RIGHT  
19 TO WITHDRAW OR TERMINATE YOUR RELATIONSHIP WITH COAST THAT  
20 AN OWNER HAS.

21 WHEN YOU LOOK AT THE RIGHT TO WITHDRAW AND  
22 THE ANTI-RAIDING RULE, DOESN'T COAST COMMUNICATE TO THE  
23 RESORT OWNERS THAT IT IS WITHIN HIS AGREEMENT THAT IF HE  
24 CHOOSES TO WITHDRAW, HE CAN DO THAT WITHOUT A CONCERN; THAT  
25 WHEN HE DOES, SOMEONE WILL RAID HIS MEMBERS?

26 A. I'M NOT SURE THAT THE TERM "RAIDING" WOULD

1 APPLY THEN.

2 Q. WHAT IS IT ABOUT THE CONDUCT OF RAIDING A  
3 MEMBER THAT APPLIES BEFORE A WITHDRAWAL THAT MAKES THE  
4 MEMBERS FAIR GAME FOR RAIDING AFTER A WITHDRAWAL?

5 A. OUR LICENSEE MANUAL AND THE AFFILIATION  
6 AGREEMENT APPLY TO AFFILIATES. I COULDN'T EVEN BEGIN TO  
7 EXERT ANY KIND OF CONTROL OVER SOMEBODY WHO WAS NOT  
8 AFFILIATED WITH COAST TO COAST.

9 Q. IS IT COAST'S POSITION THAT IT ENTERS INTO  
10 AGREEMENTS WITH RESORT OWNERS THAT ALLOW RESORT OWNERS TO  
11 TERMINATE AT WILL; BUT IF THEY DO, COAST HAS NO FURTHER  
12 OBLIGATION TO COMPLY WITH THEIR AGREEMENTS TOWARD THAT  
13 MEMBER THAT WITHDREW?

14 A. IN A CUT AND TRIED -- CUT-AND-DRIED WORLD,  
15 YEAH, I DON'T SEE THAT AN OBLIGATION WOULD EXIST. A  
16 COURTESY PERHAPS.

17 Q. SO IF COAST KEEPS ITS PROMISES AND PERFORMS  
18 ITS AGREEMENTS, AS LONG AS YOU -- THE OTHER RESORT  
19 OWNER, CHOOSE NOT TO EXERCISE YOUR CONTRACTUAL RIGHT TO  
20 TERMINATE; IS THAT WHAT YOU'RE SAYING?

21 A. NO. WHAT I'M SAYING IS THAT WHILE A RESORT  
22 IS AFFILIATED WITH COAST TO COAST, THE TERMS AND CONDITIONS  
23 OF THE CONTRACTS -- JUST AS THEY ARE WITH THE MEMBERS --  
24 APPLY. I DON'T SEE HOW THEY COULD BE MADE TO APPLY IF THAT  
25 RELATIONSHIP DOES NOT EXIST.

26 Q. WELL, YOU TOLD MEMBERS IN THEIR -- IN YOUR

1 LETTERS TO THE MEMBERS, YOU CAN -- "WE'RE GOING TO TRANSFER  
2 YOUR COAST TO COAST HOME RESORT MEMBERSHIP, BUT YOU SHOULD  
3 UNDERSTAND THAT YOUR CONTRACT MAY CONTINUE, EVEN THOUGH YOU  
4 HAVE CHOSEN TO LEAVE RESORT A AND GO TO RESORT B"; WHY  
5 DOESN'T THE SAME KIND OF APPLICATION OF OBLIGATION APPLY TO  
6 COAST WHEN THERE'S NO MORE CONTRACT, WHEN THE MEMBER --  
7 WHEN THE RESORT DISAFFILIATES?

8 MR. SHERMAN: I'M GOING TO OBJECT TO THE QUESTION.  
9 IT'S VAGUE AND AMBIGUOUS AS TO WHICH CONTRACT COUNSEL'S  
10 REFERRING TO, THE COAST CONTRACT OR THE HOME RESORT  
11 CONTRACT.

12 MR. MOSHENKO: I'M REFERRING TO THE AFFILIATION  
13 AGREEMENT.

14 MR. SHERMAN: I THOUGHT IT WAS THE OTHER.

15 THE COURT: ASK THE QUESTION.

16 BY MR. MOSHENKO: Q. IF IT'S YOUR UNDERSTANDING  
17 THAT CONTRACTUAL OBLIGATIONS CONTINUE FOR MEMBERS EVEN IF  
18 THEY DECIDE NOT TO STAY A MEMBER OF A RESORT, WHY  
19 DOESN'T -- WHY -- WHY DOESN'T THE CONTRACTUAL OBLIGATIONS  
20 OF COAST CONTINUE FOR RESORTS EVEN WHEN RESORTS CHOOSE TO  
21 EXERCISE THEIR RIGHT TO TERMINATE?

22 MR. SHERMAN: OBJECTION. SEEKS A LEGAL CONCLUSION  
23 OF THE WITNESS.

24 THE COURT: SUSTAINED.

25 BY MR. MOSHENKO: Q. OKAY. YOU WOULD AGREE THAT  
26 MR. NOVELLI AND THOUSAND ADVENTURES HAD THE RIGHT TO CHOOSE

1 TO CHANGE RECIPROCAL; RIGHT?

2 A. YES.

3 Q. OKAY. AND IT'S JUST GOOD-OLD AMERICAN

4 COMPETITION; IF ONE RECIPROCAL ISN'T SATISFYING A CUSTOMER,

5 THAT CUSTOMER HAS THE RIGHT TO TAKE HIS BUSINESS SOMEWHERE

6 ELSE; RIGHT?

7 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

8 ASSUMES FACTS NOT IN EVIDENCE THAT ONE RECIPROCAL WAS NOT

9 SATISFYING THE OTHER.

10 THE COURT: I'LL ALLOW THE QUESTION. OVERRULED.

11 THE WITNESS: I THINK I WAS GOING TO SAY YES, BUT

12 I -- COULD YOU PLEASE ASK THE QUESTION AGAIN.

13 BY MR. MOSHENKO: Q. I SAID, IT'S GOOD

14 OLD-FASHIONED, ALL-AMERICAN COMPETITION IF ONE RECIPROCAL

15 IS NOT SATISFYING ITS CUSTOMERS, THAT CUSTOMER HAS THE

16 RIGHT TO CHOOSE TO GO TO ANOTHER RECIPROCAL?

17 A. YES.

18 Q. AND HE SHOULD BE ABLE TO DO THAT WITHOUT

19 HAVING HIS MEMBERS TAKEN AWAY FROM HIM; DON'T YOU AGREE?

20 A. I'M SORRY. I THOUGHT YOU WERE TALKING ABOUT

21 THE MEMBERS HAVING THE RIGHT TO CHOOSE THEIR RECIPROCAL

22 SYSTEM.

23 Q. NO. I'M TALKING ABOUT THE RESORT OWNER

24 HAVING THE RIGHT TO CHANGE RECIPROCAL; IF THE RESORT OWNER

25 CHOOSES TO.

26 A. YES.

1 Q. AND HE SHOULD BE ABLE TO DO THAT WITHOUT  
2 HAVING HIS MEMBERS TAKEN AWAY FROM HIM, SHOULDN'T HE?

3 A. CERTAINLY.

4 Q. BUT COAST ATTEMPTED TO CAUSE THE TRANSFER OF  
5 34,000 OF THE PLAINTIFFS' MEMBERS FROM THE PLAINTIFFS  
6 RESORTS TO OTHER COMPETITOR RESORTS, DIDN'T IT?

7 A. THE MEMBERS ALSO HAVING THE RIGHT TO SELECT  
8 THE RECIPROCAL USE SYSTEM THAT THEY THOUGHT WAS GOOD WOULD  
9 HAVE THE OPPORTUNITY TO CHOOSE TO JOIN ANOTHER COAST TO  
10 COAST RESORT OR NOT TO, AND THAT WAS WHAT WE PROVIDED THOSE  
11 MEMBERS.

12 Q. WELL, YOU KNOW, IF I ASKED YOU A QUESTION  
13 ABOUT THE MEMBERS' RIGHTS, I WOULD SAY YOU ANSWERED MY  
14 QUESTION. BUT MY QUESTION WAS ABOUT THE RESORT OWNERS'  
15 RIGHTS.

16 MR. SHERMAN: OBJECTION. THAT'S ARGUMENTATIVE.

17 THE COURT: OVERRULED.

18 BY MR. MOSHENKO: Q. SO COULD YOU ANSWER MY  
19 QUESTION ABOUT THE RESORT OWNER?

20 A. THE RESORT OWNERS' RIGHTS TO --

21 Q. RIGHTS --

22 A. TO DO WHAT?

23 MR. MOSHENKO: COULD I ASK THAT THE QUESTION BE  
24 READ BACK, YOUR HONOR?

25 (RECORD READ.)

26 BY MR. MOSHENKO: Q. MY QUESTION WAS, BUT COAST

1 ATTEMPTED TO TRANSFER 34,000 PLUS OF THE PLAINTIFFS'  
2 MEMBERS TO OTHER RESORTS WHEN THE PLAINTIFFS ELECTED TO  
3 CHANGE RECIPROCALLS, DIDN'T IT?

4 A. NO, THAT'S NOT THE CASE AT ALL.

5 Q. THE LETTERS WERE NOT AN ATTEMPT TO TRANSFER  
6 THE HOME RESORTS OF THE 34,000 PEOPLE WHO COAST SENT THE  
7 LETTERS TO. IS THAT WHAT YOU'RE SAYING?

8 A. THAT'S WHAT I'M SAYING. NO, WE DID NOT.

9 Q. IS THAT BECAUSE COAST HAD ALREADY DONE THE  
10 TRANSFER; SO IT WASN'T AN ATTEMPT TO DO IT PROSPECTIVELY?

11 A. NO. WE -- WE CAN'T TRANSFER A MEMBER'S  
12 RESORT, PER SE. WE HAVE THE HOME RESORT FOR COAST TO COAST  
13 PURPOSES THAT WE CAN TRANSFER.

14 Q. OKAY. I'LL COME BACK TO THAT ISSUE.

15 MR. RANDALL, LET'S LOOK AT WHAT COAST DID.  
16 IN FACT, COAST CALLS WHAT THEY DID A MASS TRANSFER, DOESN'T  
17 IT, IN ITS RECORDS? CALLS WHAT IT DID A MASS TRANSFER OF  
18 MEMBERS?

19 A. I NEED TO EXPOUND ON THAT A LITTLE BIT IF  
20 YOU WILL ALLOW IT.

21 Q. WELL, FIRST JUST TELL ME. DOES COAST USE  
22 THE TERM "MASS TRANSFER" TO REFER TO WHAT IT DID IN  
23 SEPTEMBER OF -- OCTOBER OF 1997?

24 A. NOT IN EVERY INSTANCE, NO.

25 MR. MOSHENKO: OKAY. I'D LIKE TO LOOK AT AN  
26 EXHIBIT. CAN YOU FIND THE URIOSTE EXHIBIT?

1           SORRY FOR THE DELAY, YOUR HONOR. THE BOOK  
2 WAS IN THE BACK. HE HAD TO GO GET IT. WHAT'S THE BINDER,  
3 MR. SHAW? COULD YOU FIND THE BINDER? BINDER 30.

4           MR. DURAN: VOLUME 30.

5           MR. MOSHENKO: WHILE YOU GO AHEAD AND LOOK FOR IT,  
6 I'LL GO ON AND ASK A COUPLE OTHER QUESTIONS.

7           Q.    AT THE TIME -- IN SEPTEMBER OF 1997, HOW  
8 MANY RESORTS WERE THERE AFFILIATED WITH CAMP COAST TO COAST  
9 IF YOU EXCLUDE THE PLAINTIFFS AND THOUSAND ADVENTURES  
10 RESORTS?

11          A.    AT WHAT TIME IN '97?

12          Q.    IN SEPTEMBER OF 1997.

13          A.    HOW MANY TOTAL RESORTS WERE AFFILIATED WITH  
14 COAST TO COAST?

15          Q.    YES. EXCLUDING THOUSAND ADVENTURES AND ALL  
16 SEASONS AND FIRST NATIONWIDE. BEST ESTIMATE.

17          A.    BETWEEN 376 AND 400.

18          Q.    OKAY. AND COAST -- MR. NOVELLI'S RESORTS  
19 AND THE THOUSAND ADVENTURES RESORTS REPRESENTED 72 RESORTS  
20 THAT WERE AFFILIATED WITH COAST AT THE TIME; RIGHT?

21          A.    I DON'T KNOW THE EXACT COUNT.

22          Q.    ABOUT 70, DOES THAT SOUND ABOUT RIGHT?

23          A.    SOUNDS PRETTY HIGH TO ME.

24          Q.    OKAY. IN ANY EVENT -- OKAY. HERE'S THE  
25 URIOSTE DOCUMENT.

26                OKAY. WE NEED TO ASSIST --

1           HOW MANY MEMBERS WERE COAST TO COAST MEMBERS  
2 AT THAT TIME?

3       MR. SHERMAN: EXCUSE ME, YOUR HONOR. CAN I JUST  
4 HAVE A MOMENT TO FIND THE DOCUMENT?

5       THE COURT: YEAH.

6       MR. MOSHENKO: VERY WELL.

7       THE CLERK: AND NUMBER?

8       THE COURT: IS THERE A NUMBER ON THIS EXHIBIT?

9       MR. DURAN: THEY ARE BEING STAMPED.

10      THE CLERK: IS THERE A NUMBER ON THE EXHIBIT?

11      MR. MOSHENKO: YES.

12      MR. DURAN: 2149.

13      THE CLERK: 9941.

14      MR. DURAN: 2149. BATES STAMPED A.G.I. 1282.

15      THE CLERK: THANK YOU.

16      MR. MOSHENKO: AND I'LL PUT THIS EXHIBIT IN FRONT  
17 OF THE WITNESS.

18      Q.   NOW, WOULD YOU LOOK AT THAT EXHIBIT,  
19 MR. RANDALL, PLEASE?

20           YOU KNOW WHAT THAT DOCUMENT IS?

21      A.   IT'S A FAX SHEET.

22      Q.   IT'S A COAST TO COAST FAX FORM DATED  
23 DECEMBER 18, 1997; RIGHT?

24      A.   YES.

25      Q.   AND THE NAME AT THE BOTTOM IS MARY URIOSTE?

26      A.   URIOSTE.

1 Q. URIOSTE? WHO IS THAT?

2 A. SHE WAS THE TRANSFER DEPARTMENT COORDINATOR.

3 Q. AND SHE WAS UNDER YOUR DIRECT SUPERVISION;

4 RIGHT?

5 A. YES.

6 Q. OKAY. AND THIS IS A -- A FAX MESSAGE, IT'S

7 CALLED, FROM MARY URIOSTE TO SOMEONE AT GOLDEN POND R.V.

8 PARK; RIGHT?

9 A. YES.

10 Q. OKAY. MARY URIOSTE'S JOB INCLUDED THE

11 OBLIGATION TO COMMUNICATE WITH PEOPLE AT R.V. PARKS

12 REGARDING TRANSFERS?

13 A. RIGHT. SHE WAS IN THE MEMBER SERVICES

14 DEPARTMENT. SO SHE HAD THE OBLIGATION TO COMMUNICATE WITH

15 THE MEMBERS AS WELL.

16 MR. MOSHENKO: ALL RIGHT. YOUR HONOR, I'D LIKE TO

17 OFFER EXHIBIT 2142, BATES STAMP A.G.I. 1282. 2149. BATES

18 STAMP A.G.I. 1282 INTO EVIDENCE.

19 MR. SHERMAN: WELL, WHILE NO FOUNDATION HAS BEEN

20 LAID FOR THIS DOCUMENT, YOUR HONOR, SINCE IT'S NOT TO OR

21 FROM OR CONCERNING MR. RANDALL, WE HAVE NO OBJECTION.

22

23 MR. MOSHENKO: IT'S TO AND FROM MR. RANDALL. IT'S

24 A BUSINESS RECORD, YOUR HONOR.

25 THE COURT: HE SAID THERE'S NO OBJECTION.

26 MR. SHERMAN: YES. WE HAVE NO OBJECTION.

1 THE COURT: BE RECEIVED.

2 (WHEREUPON EXHIBIT NO. 2142 WAS RECEIVED IN  
3 EVIDENCE.)

4 MR. MOSHENKO: VERY GOOD. COULD WE HAVE IT PUT UP  
5 ON THE SCREEN.

6 OKAY. NOW, DECEMBER 18 WAS APPROXIMATELY --  
7 WHAT -- TWO, THREE MONTHS AFTER -- THREE MONTHS, SEPTEMBER,  
8 OCTOBER, NOVEMBER. TWO AND A HALF -- THREE AND A HALF  
9 MONTHS FOLLOWING THE RECEIPT OF NOTIFICATION THAT  
10 MR. NOVELLI AND THOUSAND ADVENTURES WERE CHOOSING TO  
11 CHANGE RECIPROCAL PROGRAMS FROM COAST TO R.P.I.; RIGHT?

12 A. YES.

13 MR. MOSHENKO: OKAY. MR. DURAN, COULD YOU PLEASE  
14 BLOW UP THE BOTTOM PARAGRAPH.

15 Q. AND YOU TESTIFIED A MOMENT AGO THAT COAST  
16 WAS NOT IN THE PROCESS OF TRANSFERRING MEMBERS FROM ONE  
17 PARK TO ANOTHER; MISS URIOSTE WAS IN CHARGE OF THAT  
18 TRANSFER PROCESS, WASN'T SHE?

19 A. I'M -- YOU SAID I SAID THAT WE WERE NOT IN  
20 THE PROCESS OF TRANSFERRING MEMBERS? I DON'T BELIEVE I  
21 SAID THAT.

22 Q. OKAY. COAST TRANSFERRED 35,000 MEMBERS FROM  
23 THOUSAND ADVENTURES AND MR. NOVELLI'S PARKS TO OTHER PARKS  
24 IN THE FALL OF 1997?

25 A. WE TRANSFERRED THE COAST TO COAST HOME  
26 RESORT MEMBERSHIP TO AN AFFILIATED RESORT IN THE COAST TO

1 COAST SYSTEM.

2 Q. THE COAST TO COAST HOME RESORT HAS A  
3 MEMBERSHIP IN -- IN THE CASE OF THOUSAND ADVENTURES, A  
4 MEMBERSHIP IN THOUSAND ADVENTURES, ISN'T IT?

5 A. NOT THE COAST TO COAST MEMBERSHIP, NO.

6 Q. NOT THE COAST TO COAST MEMBERSHIP.

7 THE COAST TO COAST HOME RESORT MEMBERSHIP IS  
8 A MEMBERSHIP IN -- IN A HOME RESORT, ISN'T IT?

9 A. THE COAST TO COAST HOME RESORT STATUS COMES  
10 FROM THE RESORT AT WHICH THEY FIRST PURCHASED THEIR  
11 MEMBERSHIP, YES.

12 Q. OKAY. SO MISS URIOSTE SAYS, "I APOLOGIZE.  
13 I DO APOLOGIZE THAT YOU WERE NOT NOTIFIED; HOWEVER, FOR THE  
14 LAST MONTH AND A HALF, I HAVE BEEN TRANSFERRING" -- SAYS --  
15 YOU HAVE A COPY THERE SO YOU CAN --

16 A. YES.

17 Q. -- CHECK IT. "I HAVE BEEN TRANSFERRING MORE  
18 THAN 35,000 ADVENTURES AND ALL SEASON MEMBERS TO VARIOUS  
19 PARKS."

20 NOW, MISS URIOSTE WAS MISREPRESENTING WHAT  
21 SHE WAS DOING OR WAS SHE TRANSFERRING MORE THAN 35,000  
22 MEMBERS TO VARIOUS PARKS?

23 A. I THINK MRS. URIOSTE WAS SIMPLIFYING THE  
24 STATEMENT OF WHAT SHE WAS DOING.

25 Q. YEAH. SHE DIDN'T NAME THE PARKS TO WHOM SHE  
26 WAS TRANSFERRING, AND SHE DIDN'T REFER TO FIRST NATIONWIDE

1 PARKS AND NOVELLI PARKS; SHE JUST SIMPLIFIED IT TO THOUSAND  
2 ADVENTURES AND ALL SEASONS. IS THAT WHAT YOU MEAN?

3 A. NO. WHAT I MEAN IS, INSTEAD OF GOING  
4 THROUGH THE LONG, DRAWN-OUT LANGUAGE OF WE WERE  
5 TRANSFERRING YOUR COAST TO COAST HOME RESORT MEMBERSHIP TO  
6 ANOTHER RESORT, SHE JUST SAYS, "I'M TRANSFERRING THE  
7 MEMBERS TO VARIOUS PARKS." I THINK SHE OVER-SIMPLIFIED  
8 IT.

9 Q. THEN IT GOES ON TO SAY, "AS YOU CAN  
10 IMAGINE" -- I KNOW THE JURY CAN'T SEE ALL THESE WORDS.

11 "AS YOU CAN IMAGINE, THAT ALONE IS VERY  
12 TIME-CONSUMING, NOT TO MENTION THE 500 PLUS PHONE CALLS I  
13 GET A WEEK."

14 DID COAST TO COAST GET 500 PLUS PHONE CALLS  
15 A WEEK REGARDING THE TRANSFER LETTERS?

16 A. I DON'T KNOW THAT WE GOT 500 A WEEK. IT MAY  
17 HAVE BEEN MORE. IT MAY HAVE BEEN LESS.

18 Q. ALL RIGHT. THEN FURTHER ON DOWN IT SAYS  
19 ALSO -- WELL, I'LL JUST READ THE WHOLE THING. I'M NOT  
20 MAKING EXCUSES. JUST FOR -- JUST ASKING FOR SOME  
21 UNDERSTANDING, PERIOD. ALSO WHEN WE STILL NEED A LETTER  
22 LIKE THE REQUEST RELEASE OR ACCEPTANCE, I DO SEND THE  
23 MEMBER A LETTER ADVISING THEM OF WHAT IS NEEDED TO COMPLETE  
24 THE TRANSFER.

25 OKAY? MR. RANDALL, YOU UNDERSTAND THE  
26 REFERENCE TO REQUEST RELEASE OR ACCEPTANCE IS A REFERENCE

1 TO THE TRANSFER DOCUMENTS THAT COAST TO COAST RULES SAY  
2 HAVE TO BE IN PLACE BEFORE A TRANSFER CAN OCCUR FROM ONE  
3 RESORT TO ANOTHER; RIGHT?

4 A. YES.

5 Q. OKAY. AND SO THE TRANSFERS THAT  
6 MISS URIOSTE WAS -- WERE -- WAS DOING, TRANSFERS SHE WAS  
7 DOING, DID NOT OCCUR WITH THE NECESSARY TRANSFER LETTERS IN  
8 PLACE, DID THEY?

9 A. WHICH ONES?

10 Q. THEY DIDN'T GET LETTERS FROM THE  
11 TRANSFERRED-FROM RESORT APPROVING THE TRANSFERRED-FROM;  
12 THEY DIDN'T GET --

13 THE REPORTER: WAIT, WAIT, WAIT. I LOST IT.

14 BY MR. MOSHENKO: Q. THEY DIDN'T GET LETTERS FROM  
15 THE TRANSFERRED-FROM RESORTS APPROVING THE TRANSFERS FROM.  
16 THEY DIDN'T GET LETTERS FROM THE TRANSFERRED-TO RESORTS  
17 APPROVING THE TRANSFERRED-TO RESORTS. AND THEY DIDN'T GET  
18 LETTERS FROM THE MEMBERS IN MOST INSTANCES APPROVING THE  
19 TRANSFERS.

20 MR. SHERMAN: OBJECTION.

21 MR. MOSHENKO: DID THEY?

22 MR. SHERMAN: QUESTION IS VAGUE AND AMBIGUOUS  
23 BECAUSE THE DOCUMENT REFERS TO TWO DISCRETE TRANSFERS.

24 THE COURT: SUSTAINED.

25 MR. MOSHENKO: BEG PARDON?

26 THE COURT: SUSTAINED.

1 BY MR. MOSHENKO: Q. ALL RIGHT. IT SAYS, "I DO  
2 SEND THE MEMBER A LETTER ADVISING THEM OF WHAT IS STILL  
3 NEEDED TO COMPLETE THE TRANSFER."

4 AND, AGAIN, WE'RE TALKING ABOUT THE TRANSFER  
5 OF THE COAST TO COAST HOME RESORT MEMBERSHIP?

6 MR. SHERMAN: OBJECTION. LACKS FOUNDATION. IT'S  
7 ALSO VAGUE AND AMBIGUOUS FOR THE SAME REASON AS I  
8 PREVIOUSLY MENTIONED.

9 THE COURT: SUSTAINED.

10 BY MR. MOSHENKO: Q. ALL RIGHT. I HAD ASKED YOU  
11 HOW MANY RESORTS COAST TO COAST HAD NOT INCLUDING THE  
12 PLAINTIFFS, AND THOUSAND ADVENTURES YOU INDICATED AROUND  
13 376?

14 A. I THINK THAT WAS WHAT I SAID. AGAIN, I'M  
15 NOT SURE WHAT TIME FRAME THAT YOU WERE SPEAKING OF.

16 Q. FALL OF 1997, SIR?

17 A. THAT WAS NOT INCLUDING --

18 Q. NOT INCLUDING. WASN'T THE 376 INCLUDING THE  
19 PLAINTIFFS' RESORTS?

20 A. I -- I DON'T BELIEVE THAT IT WAS. I THINK  
21 THAT THAT TOOK US TO THAT MARK.

22 Q. DID YOU DO A CALCULATION IN SEPTEMBER WHEN  
23 YOU RECEIVED THE NOTIFICATIONS FROM MR. NOVELLI AS TO WHAT  
24 PERCENTAGE OF THEIR RESORTS THAT WERE AFFILIATED WITH COAST  
25 TO COAST THE LETTERS COULD POTENTIALLY REMOVE FROM THE  
26 COAST TO COAST SYSTEM?

1 A. I PERSONALLY DID NOT, BUT I THINK WE  
2 PROBABLY WOULD HAVE COUNTED THE RESORTS.

3 Q. IN FACT, WASN'T IT ABOUT 15 TO 20 PERCENT OF  
4 THE RESORTS COULD BE GOING AWAY?

5 A. OF THE TOTAL COAST TO COAST RESORTS?

6 Q. YES.

7 A. NO, I DON'T THINK SO.

8 Q. HOW MANY MEMBERS DID COAST TO COAST HAVE  
9 TOTAL IN THE FALL OF 1997?

10 A. IT WOULD HAVE BEEN CLOSE TO 300,000.

11 Q. AND WE KNOW THAT APPROXIMATELY 35,000 WERE  
12 PLAINTIFFS' MEMBERS?

13 MR. SHERMAN: OBJECTION.

14 BY MR. MOSHENKO: Q. WERE MEMBERS OF COAST TO  
15 COAST; RIGHT?

16 MR. SHERMAN: OBJECTION. THAT DOES ASSUME FACTS  
17 NOT IN EVIDENCE, THAT WE KNOW THAT.

18 THE COURT: OBJECTION SUSTAINED.

19 BY MR. MOSHENKO: Q. OKAY, WHY DID MARY URIOSTE  
20 DEAL WITH 35,000 PEOPLE; IS THAT BECAUSE THEY WERE MEMBERS  
21 OF THE PLAINTIFFS' RESORTS?

22 A. FROM -- FROM THE LETTER THAT'S ON HERE, I  
23 WOULD SAY YES.

24 Q. OKAY. SO THE 35,000 PEOPLE REPRESENTED,  
25 300 -- WELL, IS THAT ABOUT 15 PERCENT OF COAST'S  
26 MEMBERSHIP?

1 A. I DON'T DO MATH WELL IN MY HEAD.

2 Q. I'LL LET THE JURY DO THE MATH.

3 BUT WHATEVER THE NUMBER IS, WASN'T THAT RISK  
4 OF LOSING THOSE MEMBERS SOMETHING THAT THREATENED COAST TO  
5 COAST'S INCOME?

6 A. OKAY. YES.

7 Q. AND HOW MUCH DOES COAST CHARGE ITS MEMBERS  
8 FOR DUES TODAY?

9 A. TODAY, IT'S 69.95.

10 Q. OKAY. I'M GOING TO --

11 A. \$69.95. EXCUSE ME.

12 Q. I'M GOING TO CALL THAT \$70.

13 WHAT DID IT CHARGE IN '97? 60, WASN'T IT?

14 A. EITHER THE SAME OR \$59.95.

15 Q. OKAY. AND I'VE DONE THE MATH ON THIS ONE.

16 60 TIMES 35,000 COMES OUT TO SOMETHING OVER \$2 MILLION A  
17 YEAR. IS THAT WHAT COAST STOOD TO LOSE IF ALL 35,000 WERE  
18 TO LEAVE?

19 A. DEPENDING ON YOUR MATH. OKAY.

20 Q. OKAY. AND YOU WOULD AGREE THAT THAT WAS A  
21 SIGNIFICANT AMOUNT OF MONEY FOR COAST TO HAVE TO EXPERIENCE  
22 A LOSS OF IF IT OCCURRED; RIGHT?

23 A. I THINK IT WOULD -- IT'S CERTAINLY  
24 SIGNIFICANT TO ME.

25 Q. COAST KNEW THAT THOUSAND ADVENTURES AND  
26 RAYMOND NOVELLI'S RESORTS TOGETHER HAD NEARLY 200,000

1 MEMBERS, NOT COAST MEMBERS, BUT TOTAL, NEARLY 200,000  
2 MEMBERS IN RESORTS; ISN'T THAT TRUE?

3 MR. SHERMAN: OBJECTION. LACKS FOUNDATION, WHAT  
4 HE DOES OR DOES NOT KNOW. IT ASSUMES FACTS NOT IN  
5 EVIDENCE.

6 THE COURT: I'LL ALLOW HIM TO ANSWER IF HE HAS --  
7 KNOWS THE ANSWER.

8 THE WITNESS: I DON'T KNOW IT FOR A FACT.

9 BY MR. MOSHENKO: Q. OKAY. DID COAST CONSIDER THE  
10 POSSIBILITY THAT IF IT WERE GOING TO POTENTIALLY LOSE OVER  
11 2 MILLION A YEAR, THAT THAT INCOME WOULD END UP GOING TO  
12 ITS MAJOR COMPETITOR, R.P.I.?

13 A. I'M SURE THAT THAT WOULD HAVE BEEN THE  
14 CONSIDERATION.

15 Q. AND, OF COURSE, THAT'S SOMETHING THAT COAST  
16 CERTAINLY WOULD NOT HAVE WANTED TO HAPPEN IF IT COULD AVOID  
17 IT; RIGHT?

18 A. THAT MAKES SENSE, YES.

19 Q. SO I WOULD VENTURE TO SAY THAT YOU  
20 CONSIDERED WHAT WAS HAPPENING A POTENTIAL DISASTER OF MAJOR  
21 PROPORTIONS WHEN YOU WERE PRESENTED WITH IT; RIGHT?

22 A. I DON'T THINK DISASTER OF MAJOR PROPORTIONS  
23 IS ACCURATE. BUT IT CERTAINLY WAS SOMETHING OUT OF THE  
24 ORDINARY FOR THE TIME THAT I HAD BEEN IN COAST TO COAST OF  
25 THAT MAGNITUDE, YES.

26 MR. MOSHENKO: WELL, I GUESS WE NEED HIS DEPOSITION

1 BOOKLET. I'LL USE THIS ONE.

2 MR. SHAW: WHAT VOLUME, TERRY?

3 MR. MOSHENKO: PAGE 384.

4 MR. SHAW: VOLUME II?

5 MR. MOSHENKO: THIS IS VOLUME III.

6 MR. SHAW: VOLUME III.

7 MR. MOSHENKO: ALL RIGHT. YOUR HONOR, I'D LIKE TO

8 READ FROM THE WITNESS'S DEPOSITION, VOLUME III DATED APRIL

9 21, 2000. PAGE 384, WHICH IS THE QUESTION, THROUGH PAGE

10 385, LINE 17.

11 PROCEED?

12 MR. SHERMAN: YOUR HONOR, TO PUT IT IN CONTEXT WHEN

13 WE HAVE IT READ, UNTIL LINE 24, PAGE 385.

14 THE COURT: ALL RIGHT. PROCEED.

15 MR. MOSHENKO: TO LINE 24, YOUR HONOR?

16 THE COURT: YEAH.

17 MR. MOSHENKO: ALL RIGHT. OKAY. THE QUESTIONS ARE

18 BY ME, MR. RANDALL. ANSWERS ARE BY YOU. ALL RIGHT?

19 "QUESTION, SO CAN YOU BE MORE SPECIFIC ABOUT

20 WHAT YOU MEANT WHEN YOU WERE CONCERNED ABOUT THE POTENTIAL

21 OF A NEGATIVE IMPACT ON MEMBERS?

22 "ANSWER, FROM EXPERIENCE, WHEN A RESORT

23 PULLS OUT OF THE COAST TO COAST SYSTEM, THE MEMBERS HAVE A

24 GREAT DEAL OF CONCERN -- THE COAST TO COAST MEMBERS HAVE A

25 GREAT DEAL OF CONCERN AS TO HOW ARE THEY GOING TO BE ABLE

26 TO CONTINUE TO USE THE COAST TO COAST SYSTEM.

1           "THE MEMBERS WANT TO KNOW WHY DID THE RESORT  
2 LEAVE. THE MEMBERS WANT TO KNOW WHAT COAST TO COAST CAN DO  
3 TO ASSIST THEM SO THAT THEY DON'T LOSE THEIR COAST TO COAST  
4 MEMBERSHIP PRIVILEGES.

5           "WHEN A RESORT EVEN OF 2000 MEMBERS PULLS  
6 OUT, THAT RESULTS IN, NUMBER ONE, A LOSS OF THE INVENTORY  
7 THAT THE RESORT IS LEAVING THE SYSTEM. THOSE R.V. SITES  
8 ARE NO LONGER AVAILABLE FOR ALL OF THE COAST TO COAST  
9 MEMBERS TO USE. BUT IT ALSO DISRUPTS THE MEMBERSHIP BASE  
10 BECAUSE THOSE MEMBERS WANT TO KNOW WHAT THEY CAN DO TO  
11 PRESERVE THEIR COAST TO COAST MEMBERSHIPS.

12           "IT RESULTS IN A LOT OF PHONE CALLS TO OUR  
13 CUSTOMER SERVICE DEPARTMENT. IT RESULTS IN LETTERS BEING  
14 WRITTEN TO NOT JUST TO COAST TO COAST BUT TO ATTORNEY  
15 GENERAL OFFICES, BETTER BUSINESS BUREAU, ATTORNEYS  
16 REPRESENTING INDIVIDUAL PEOPLE.

17           "AND WHEN YOU MULTIPLY THAT TIMES 15 TO GET  
18 UP TO THE NUMBERS OF 30,000, THE POTENTIAL FOR A MAJOR  
19 DISASTER IN MY OPINION WAS JUST LOOMING RIGHT THERE ON THE  
20 HORIZON. WE WANTED TO COMMUNICATE WITH THE MEMBERS AS  
21 QUICKLY AS WE POSSIBLY COULD.

22           "QUESTION, DID YOU DISCUSS THE POTENTIAL FOR  
23 A MAJOR DISASTER WITH MR. RYMAN?

24           "I WOULD SAY YES.

25           "QUESTION, DID YOU DISCUSS IT WITH  
26 MR. EVERETT?

1 "ANSWER, VERY PROBABLY, YES.

2 "QUESTION, DID YOU DISCUSS IT WITH

3 MR. BLOCK?

4 "ANSWER, NO.

5 "QUESTION, DID YOU DISCUSS IT WITH

6 MR. SCHNEIDER?

7 "ANSWER, NO.

8 "QUESTION, DID YOU DISCUSS IT WITH ANYBODY

9 WHO YOU UNDERSTOOD WAS EMPLOYED BY AFFINITY GROUP,

10 INCORPORATED?

11 "ANSWER, ABSOLUTELY NOT."

12 Q. SO BACK THEN YOU CONCLUDED, DID YOU NOT,

13 THAT WHAT YOU AND THE OTHERS AT COAST TO COAST WERE FACING

14 WAS A POTENTIAL FOR A MAJOR DISASTER THAT WAS LOOMING RIGHT

15 THERE ON THE HORIZON IN FRONT OF YOU; RIGHT?

16 A. FOR THE MEMBERS, YES.

17 Q. WELL, WASN'T IT ALSO A POTENTIAL FOR A MAJOR

18 DISASTER TO COAST TO COAST?

19 A. HAD WE IGNORED THE SITUATION, YEAH, I THINK

20 IT COULD HAVE BEEN.

21 Q. AND -- AND, IN FACT, THIS WAS A WITHDRAWAL

22 OF RESORTS AND MEMBERS THAT YOU WERE FACING THAT WAS

23 UNPRECEDENTED IN COAST'S EXPERIENCE IN THE PAST; RIGHT?

24 A. IT WAS UNPRECEDENTED IN MY PAST WITH COAST

25 TO COAST. I WAS AWARE THAT THERE HAD BEEN A LARGE PULL-OUT

26 OF RESORTS THAT HAD TAKEN PLACE BEFORE I WAS EMPLOYED AT

1 COAST TO COAST.

2 Q. WELL, THE LARGEST PULL-OUT YOU HAD EVER  
3 EXPERIENCED REGARDING MEMBERS WAS ABOUT 4,000 MEMBERS AS  
4 COMPARED TO 35,000 HERE; RIGHT?

5 A. I THINK SO, YES.

6 Q. SO THIS IS NEARLY TEN TIMES GREATER THAN  
7 ANYTHING THAT YOU HAD EVER EXPERIENCED?

8 A. YES.

9 Q. DO YOU THINK THAT IF COAST HAD LOST 2  
10 MILLION PLUS A YEAR OF ITS ANNUAL INCOME, THAT WOULD HAVE  
11 BEEN SIGNIFICANT TO ITS BOTTOM-LINE PROFITS?

12 A. YES, I THINK IT COULD HAVE BEEN.

13 Q. YOU THINK THAT IF R.P.I. GOT 35,000 OF  
14 COAST'S MEMBERS AND AN ANNUAL INCREASE IN ITS INCOME OF 2  
15 MILLION PLUS, THAT WOULD HAVE BEEN SIGNIFICANT TO R.P.I. AS  
16 COAST'S MAJORS -- COAST'S MAJOR COMPETITOR?

17 A. I'M SURE THEY WOULD HAVE THOUGHT THAT WAY, YES.

18 Q. DO YOU THINK THAT MR. ADAMS WOULD HAVE BEEN  
19 UNHAPPY IF COAST LOST \$2 MILLION ANNUAL INCOME PER YEAR?

20 A. I THINK THAT HE WOULD BE DISAPPOINTED IN --  
21 IN US, YES.

22 Q. SO, OF COURSE, WHEN YOU AND THE OTHERS  
23 UNDERSTOOD THE POTENTIAL DISASTER THAT YOU WERE FACING, YOU  
24 CONTACTED ALL OF YOUR SUPERIORS WHO WOULD HAVE AN INTEREST  
25 TO KNOW WHAT HAPPENED, DIDN'T YOU?

26 A. I'M NOT SURE THAT I UNDERSTAND THE QUESTION,

1 ALL MY SUPERIORS.

2 Q. WELL, I'M SUGGESTING THAT YOU OR MR. EVERETT  
3 OR MR. RYMAN WENT TO THE PEOPLE AT THE AFFINITY GROUP AND  
4 SAID, "FOLKS, WE'VE GOT A SITUATION HERE. IT'S A POTENTIAL  
5 DISASTER. WHAT SHOULD WE DO"?

6 MR. SHERMAN: OBJECTION.

7 BY MR. MOSHENKO: Q. DID THAT HAPPEN?

8 MR. SHERMAN: OBJECTION. IT'S BEEN ASKED AND  
9 ANSWERED.

10 THE COURT: SUSTAINED.

11 BY MR. MOSHENKO: Q. DID YOU GO TO THE PEOPLE THE  
12 ADAMS GROUP OF COMPANIES AND TELL THEM WHAT YOU WERE GOING  
13 TO BE DOING?

14 A. NO, I DID NOT.

15 Q. DIDN'T MR. RYMAN OR MR. EVERETT DO THAT TO  
16 YOUR KNOWLEDGE?

17 A. TO MY KNOWLEDGE, NO.

18 Q. DID YOU AND THE OTHERS EVALUATE THE  
19 POTENTIAL EFFECT THAT THE LOSSES COULD HAVE ON AFFINITY  
20 GROUP AND ITS FINANCIAL INTERESTS?

21 A. OH, NO. NOT ME, NO.

22 Q. WELL, WE'VE HEARD MR. RYMAN TESTIFY THAT  
23 COAST'S INCOME IS RECEIVED AND TRANSFERRED TO AFFINITY  
24 GROUP, WHICH RECEIVES AND SPENDS THE MONEY AND THEN CHARGES  
25 OR CREDITS COAST. DO YOU RECALL THAT TESTIMONY?

26 A. I RECALL HEARING THAT, YES.

1 Q. WASN'T IT OF CONCERN TO YOU TO LET THEM KNOW  
2 THAT THERE WAS A POTENTIAL THAT 2 MILLION PLUS PER YEAR  
3 WOULD GO AWAY?

4 A. NOT TO ME. IT WAS NOT A CONCERN, NO.

5 Q. WHAT ABOUT THE POTENTIAL FOR LITIGATION; DID  
6 YOU EVALUATE THAT?

7 A. I BELIEVE SO, YES.

8 Q. ALL RIGHT. AND YOU KNEW THAT IF YOU WENT  
9 AHEAD WITH THE PLAN TO TRANSFER THESE MEMBERS, THAT IN ALL  
10 LIKELIHOOD, COAST TO COAST WOULD BE SUED?

11 A. I'M NOT SURE THAT IT WAS THAT -- THAT FIRM  
12 THAT IN ALL LIKELIHOOD, THIS WAS NOT A PRACTICE THAT HAD  
13 NEVER BEEN DONE BEFORE BY COAST TO COAST. SO I DIDN'T -- I  
14 WASN'T -- I WASN'T OVERLY CONCERNED THAT A LAWSUIT WOULD IN  
15 FACT OCCUR FROM IT, NO.

16 Q. YOU YOURSELF SAID THAT YOU KNEW MR. NOVELLI  
17 TO BE IN SUCH -- IN EFFECT, WORDS OF -- A DIFFICULT PERSON  
18 TO WORK WITH?

19 ISN'T THAT YOUR -- ISN'T THAT YOUR PERSONAL  
20 IMPRESSION OF HIM?

21 A. IF I SAID THAT, I PROBABLY WAS MISTAKEN. I  
22 WOULD HAVE BEEN REFERRING TO SOME OF THE EMPLOYEES OR  
23 PERHAPS THE ORGANIZATION AS BEING DIFFICULT TO WORK WITH,  
24 BUT I'VE NEVER HAD A PERSONAL WORKING RELATIONSHIP WITH  
25 MR. NOVELLI.

26 Q. WELL, DIDN'T MR. NOVELLI WARN EVERYBODY IN

1 THE LETTER THAT HE SENT, "DON'T TRANSFER OUR MEMBERS. IF  
2 YOU DO, YOU WILL CAUSE DAMAGE TO OUR RESORT SYSTEM" OR  
3 WORDS TO THAT EFFECT?

4 A. YES, WORDS TO THAT EFFECT.

5 Q. AND DIDN'T YOU INTERPRET THAT AS A WARNING  
6 THAT IF YOU ELECTED TO GO AHEAD AND TRANSFER HIS MEMBERS,  
7 THAT HE WASN'T GOING TO STAND QUIETLY?

8 A. THAT WOULD BE A FAIR ASSUMPTION, YES.

9 Q. AND DIDN'T YOU CONSIDER THE POSSIBILITY THAT  
10 IF HE DIDN'T STAND BY QUIETLY, YOU COULD BY TRANSFERRING  
11 MEMBERS BE EXPOSING COAST AND AFFINITY TO LITIGATION AND  
12 DEMANDS OF TENS AND TENS OF MILLIONS OF DOLLARS?

13 MR. SHERMAN: OBJECTION. IT LACKS FOUNDATION THAT  
14 COAST TRANSFERRED MR. NOVELLI'S MEMBERS. THERE'S BEEN NO  
15 TESTIMONY TO THAT EFFECT.

16 MR. MOSHENKO: IT'S SO CLEAR FROM THE RECORD, YOUR  
17 HONOR, THAT THEY SENT LETTERS.

18 THE COURT: IT'S OVERRULED.

19 THE WITNESS: I HAVE A HARD TIME REMEMBERING WHERE  
20 WE LEFT OFF WITH THOSE. COULD YOU STATE THE QUESTION  
21 AGAIN, PLEASE.

22 BY MR. MOSHENKO: Q. BASICALLY THE QUESTION WAS,  
23 DIDN'T YOU KNOW IF YOU WENT AHEAD WITH YOUR PLAN THAT YOU  
24 WERE POTENTIALLY EXPOSING COAST AND AFFINITY TO LITIGATION  
25 SEEKING A HUNDRED MILLION DOLLARS?

26 MR. SHERMAN: OBJECTION. LACKS FOUNDATION WITH

1 RESPECT TO \$100 MILLION.

2 THE COURT: SUSTAINED.

3 BY MR. MOSHENKO: Q. OKAY. YOU UNDERSTOOD THAT IF  
4 34,000 MEMBERS WENT AWAY, THAT COULD RESULT IN SIGNIFICANT  
5 DAMAGE TO THE PLAINTIFFS' RESORTS; RIGHT?

6 A. TO WHOSE RESORTS?

7 Q. THE PLAINTIFFS' RESORTS.

8 A. THE POTENTIAL IS THERE FOR THAT TO HAPPEN, YES.

9 Q. AND IF THAT HAD OCCURRED AND COAST WAS SUED  
10 FOR IT, POTENTIALLY WE'D ALL BE HERE AS WE ARE TODAY; YOU  
11 KNEW THAT BACK THEN, DIDN'T YOU?

12 MR. SHERMAN: OBJECTION. THIS IS AN INCOMPLETE  
13 HYPOTHETICAL.

14 THE COURT: SUSTAINED.

15 MR. SHERMAN: SEEKS A LEGAL CONCLUSION.

16 BY MR. MOSHENKO: Q. WHAT WAS SAID, MR. --  
17 MR. RANDALL, ABOUT THE POTENTIAL FOR DAMAGING THE  
18 PLAINTIFFS' RESORTS WHEN THE DECISION WAS MADE TO SEND OUT  
19 THE TRANSFER LETTERS?

20 A. I DON'T RECALL CONCERNS ABOUT -- EXCUSE ME.  
21 I DON'T RECALL QUESTIONS ABOUT THE DAMAGES BEING INCURRED  
22 TO COAST TO COAST OR TO THE PLAINTIFFS' RESORTS. OUR  
23 CONVERSATIONS WERE PRIMARILY ON WHAT WE FELT WAS OUR  
24 OBLIGATION TO THE MEMBERS TO MAKE SURE THAT THEY WEREN'T  
25 THE ONES WHO ENDED UP BEING DAMAGED.

26 Q. WHAT ABOUT THE CONTRACTS THAT COAST HAD WITH

1 ITS AFFILIATES; WERE THEY DISCUSSED?

2 A. WITH ITS AFFILIATES?

3 Q. YES. WITH MR. NOVELLI'S RESORTS. DID

4 ANYBODY TALK ABOUT THE CONTRACTUAL RIGHT TO DIS- -- TO

5 TERMINATE THE RELATIONSHIP?

6 MR. SHERMAN: OBJECTION. LACKS FOUNDATION THAT

7 COAST WAS GOING TO TERMINATE THE RELATIONSHIP. ASSUMES

8 FACTS NOT IN EVIDENCE.

9 THE COURT: SUSTAINED.

10 BY MR. MOSHENKO: Q. DID ANYONE TALK ABOUT THE

11 RESORT OWNERS' CONTRACTUAL RIGHT TO SEND A 90-DAY LETTER OF

12 TERMINATION AND SAY, "WE WANT OUT"?

13 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

14 THERE WAS NO SUCH 90-DAY STATEMENT IN THE LETTER.

15 THE COURT: SUSTAINED.

16 BY MR. MOSHENKO: Q. DID ANYONE TALK ABOUT THE

17 RESORTS HAVING A RIGHT -- HAVING THE RIGHT TO TERMINATE

18 THEIR RELATIONSHIP AS PROVIDED FOR IN THE CONTRACT,

19 MR. RANDALL?

20 A. I BELIEVE THAT THE CONVERSATION CAME UP. I

21 THINK IT WAS BETWEEN ROGER AND ME. AND I'M NOT -- I'M NOT

22 SURE IF ANYBODY ELSE WAS A PARTY TO THE CONVERSATION OR IF

23 IT WAS JUST A -- A COMMENT TO THE EFFECT THAT BECAUSE THIS

24 WERE -- THERE WERE SO MANY PEOPLE INVOLVED AND SO MANY

25 RESORTS INVOLVED, THAT PERHAPS WE SHOULD TRY TO HOLD TO THE

26 LETTER OF THE LAW WITH REQUIRING IT TO EXTEND BEYOND THE

1 DIRECT REPUBLICATION DATE, MEANING WE WOULD HAVE BEEN GOING  
2 BACK TO MR. NOVELLI AND TO MR. VOPNFORD TOO AND TELLING  
3 HIM, "HEY, YOU'VE GOT TO STAY AFFILIATED, OPEN, AND HOSTING  
4 TO ALL THE TRAVELING COAST TO COAST MEMBERS FOR ANOTHER  
5 YEAR BEYOND THIS -- THIS DATE BECAUSE YOU DIDN'T NOTIFY US  
6 PRIOR TO THE ONE AUGUST DATE. AND IT REALLY DID NOT MAKE  
7 ANY SENSE TO TRY AND DO THAT.

8           AGAIN, WE DON'T HAVE CONTROL OVER THE  
9 RESORTS. IF A RESORT IS NOT GOING TO HOST TRAVELING  
10 MEMBERS, THEY ARE NOT GOING TO HOST THOSE TRAVELING  
11 MEMBERS.

12           AND OUR CONCERN WAS TO TAKE CARE OF THE  
13 MEMBERS FIRST AND FOREMOST.

14       Q.   WASN'T YOUR CONCERN TO TRY TO SAVE THE DUES  
15 INCOME THAT COAST WAS DEALING WITH?

16       A.   NO, THAT'S NOT MY CONCERN.

17       Q.   WAS IT MANAGEMENT'S CONCERN TO TRY AND SAVE  
18 THE INCOME THAT COAST WOULD LOSE IF THEY LOST 34,000  
19 MEMBERS?

20       A.   I'M SURE THERE WAS CONCERN ABOUT THE LOSS OF  
21 REVENUE, YES, BUT THAT'S NEVER BEEN THE PRIMARY CONCERN OF  
22 TAKING CARE OF THE MEMBERS SINCE I'VE BEEN WORKING THERE.

23       Q.   AND WASN'T MANAGEMENT CONCERNED ABOUT  
24 PREVENTING R.P.I. FROM HAVING THIS TERRIFIC INJECTION OF  
25 INCOME AND MEMBERSHIP THAT WOULD MAKE THEM AN EVEN STRONGER  
26 COMPETITOR?

1 A. I DON'T THINK SO.

2 Q. AND WASN'T MANAGEMENT CONCERNED ABOUT THE  
3 FACT THAT IN ORDER TO TRANSFER THESE MEMBERS, THEY WOULD  
4 HAVE TO GO TO THE MEMBERSHIP LISTS THAT MR. RYMAN'S  
5 PUBLICATIONS HAD TOLD RESORT OWNERS WERE PROPRIETARY AND  
6 CONFIDENTIAL AND WOULD NEVER BE USED TO -- WOULD NEVER BE  
7 SOLD -- I THINK THE PHRASE IS SOLD, LENT OR GIVEN TO OTHER  
8 PERSONS?

9 CAN WE HAVE THAT EXHIBIT BROUGHT UP?

10 MR. SHERMAN: OBJECTION. COMPOUND.

11 MR. MOSHENKO: LET ME BRING UP THE EXHIBIT.

12 I'LL WITHDRAW THE EXHIBIT, YOUR HONOR.

13 THE COURT: THANK YOU.

14 MR. MOSHENKO: THIS IS EXHIBIT 285. I THINK IT'S  
15 UP THERE.

16 Q. YOU REMEMBER THE MEMBERSHIP LIST PROTECTION  
17 PUBLICATION THAT MR. RYMAN DISTRIBUTED TO EVERYBODY IN  
18 JANUARY OF 1990?

19 MR. SHERMAN: OBJECTION. LACKS FOUNDATION. THE  
20 WITNESS DIDN'T JOIN THE COMPANY UNTIL JULY OF 1990.

21 MR. MOSHENKO: I'M NOT ASKING HIM IF HE REMEMBERS  
22 IT BEING DISTRIBUTED. I'M ASKING IF HE REMEMBERS THE  
23 DOCUMENT AND IDENTIFIED IT AS A DOCUMENT.

24 MR. SHERMAN: STIPULATE HE SAW IT IN THE  
25 COURTROOM. HE SAW IT.

26 BY MR. MOSHENKO: Q. DO YOU RECALL THAT DOCUMENT, SIR?

1 A. I RECALL THE DOCUMENT, YES.

2 Q. OKAY. AND IT'S UP THERE ON THE SCREEN. AND  
3 IT SAYS, "MEMBERSHIP LIST PROTECTION." AND THEN IT SAYS,  
4 "IN EARLY JANUARY, THE SEMIANNUAL RESORT MEMBERSHIP REPORT  
5 WILL BE GENERATED AND FORWARDED TO ALL RESORTS. THIS  
6 REPORT PROVIDES YOU A LIST OF YOUR MEMBERS WHO ARE  
7 CURRENTLY CARRIED AS MEMBERS OF COAST TO COAST. IT  
8 PROVIDES YOU WITH AN OPPORTUNITY TO MAKE ANY MODIFICATIONS  
9 THAT YOU FEEL ARE NECESSARY AND TO USE IT AS A MANAGEMENT  
10 TOOL."

11 NOW THIS IS A REFERENCE TO THE DOCUMENTS  
12 YOU SAID YOU CIRCULATED TWICE A YEAR; RIGHT?

13 A. WE DIDN'T CIRCULATE THEM. WE MAILED TO THE  
14 INDIVIDUAL RESORTS THAT LIST, YES.

15 Q. CORRECT. THAT'S -- FINE. THAT'S A GOOD  
16 WORD.

17 THE COVER LETTER WILL INCLUDE A DEADLINE FOR  
18 RETURNING IT TO COAST TO COAST APPROXIMATELY SIX WEEKS  
19 AFTER ISSUANCE.

20 THEN IT SAYS, QUOTE, THE CONFIDENTIALITY OF  
21 THIS LIST CANNOT BE EMPHASIZED ENOUGH. THE MEMBERSHIP LIST  
22 IS A PRIMARY ASSET OF EVERY RESORT.

23 SEE THAT, SIR?

24 A. YES.

25 Q. SO MY QUESTION IS, IN 1997, DID ANYBODY TALK  
26 ABOUT WHETHER THE MEMBERSHIP LIST WAS A PRIMARY ASSET OF

1 THE RESORT AND ITS CONFIDENTIALITY SHOULD BE HONORED?

2 A. SPECIFICALLY RELATED TO MR. NOVELLI,

3 MR. VOPNFORD'S RESORTS.

4 Q. I'M NOT SURE WHAT I -- WHAT DATE I PUT IN

5 THE QUESTION. MY QUESTION IS IN --

6 A. '97.

7 Q. -- THE FALL OF '97; RIGHT?

8 A. YES.

9 Q. DID ANYBODY TALK ABOUT WHETHER THE

10 MEMBERSHIP LIST WAS THE PRIMARY ASSET OF MR. NOVELLI'S

11 RESORTS, AND ITS CONFIDENTIALITY SHOULD BE HONORED?

12 A. I DON'T HAVE A SPECIFIC RECOLLECTION OF THE

13 CONVERSATION LIKE THAT, NO.

14 Q. WHEN YOU WERE ALL TALKING ABOUT USING THE

15 LISTS TO TRANSFER THE MEMBERS; CORRECT?

16 A. WE WERE TALKING ABOUT USING COAST TO COAST'S

17 LIST, YES.

18 Q. WELL, ISN'T THIS AN IDENTICAL TYPE OF LIST

19 TO THAT WHICH WAS SENT TO THE MEMBERS ON AN ANNUAL -- TO

20 THE RESORT OWNERS ON A BIENNIAL BASIS, SEMIENNIAL BASIS?

21 A. THE SAME BASIC LIST, YES.

22 Q. OKAY. SO WHEN YOU SEND IT TO THE RESORT

23 OWNERS, IT'S A RESORT OWNERS' LIST; THAT'S WHAT IT SAYS.

24 THIS IS A LIST OF YOUR MEMBERS. AND WHEN YOU SENT IT TO A

25 COMPETITION, IT'S NOT THE RESORT OWNERS' LIST. IS THAT

26 WHAT YOU'RE SAYING?

1 A. IT'S ALWAYS COAST TO COAST'S LIST. AND AT  
2 THE TIME WE USED THE COAST TO COAST LIST, MR. NOVELLI AND  
3 MR. VOPNFORD'S RESORTS WERE NO LONGER AFFILIATES OF COAST  
4 TO COAST.

5 Q. THIS DOESN'T SAY THE MEMBERSHIP LIST IS A  
6 PRIMARY ASSET OF COAST TO COAST, DOES IT?

7 A. NO, IT DOESN'T.

8 Q. OKAY. "THE CONFIDENTIALITY OF THIS LIST  
9 CANNOT BE EMPHASIZED ENOUGH."

10 IT DOESN'T SAY, "UNLESS COAST TO COAST WANTS  
11 TO GIVE IT AWAY TO YOUR COMPETITORS, THE CONFIDENTIALITY  
12 CANNOT BE EMPHASIZED ENOUGH," DOES IT?

13 A. NO.

14 Q. AND THEN -- COULD YOU COME DOWN A PARAGRAPH,  
15 MR. DURAN.

16 IT SAYS, "OUR POLICY IS QUITE CLEAR IN THAT  
17 WE DO NOT LEND, RENT, SELL, OR SHARE ANY OF THE NAMES ON  
18 YOUR RESORT'S LIST."

19 BUT THAT'S EXACTLY WHAT COAST DID IN THE  
20 FALL OF '97; THEY SHARED THE NAMES ON THE PLAINTIFFS'  
21 RESORTS LISTS WITH ITS COMPETITORS, DIDN'T IT?

22 A. I GUESS THIS IS SORT OF LIKE BEATING A DEAD  
23 HORSE.

24 THESE ARE COAST TO COAST MEMBERS WHO HAVE --  
25 ARE IN THE PROCESS OF BEING DEPRIVED OF THEIR COAST TO  
26 COAST BENEFITS. THESE ARE COAST TO COAST MEMBERS. THIS IS

1 NOT TALKING ABOUT THE SAME SITUATION THAT EXISTED FOR THIS  
2 ARTICLE AS EXISTED IN 1997. SO I'M HAVING A HARD TIME  
3 STAYING WITH YOU ON THE -- THE CORRELATION.

4 Q. OKAY. THE SITUATION IS DIFFERENT BECAUSE  
5 COAST NOW WANTED TO TAKE THE MEMBERS AWAY; ISN'T THAT  
6 WHAT'S DIFFERENT ABOUT THE SITUATION?

7 A. NO. THEY WERE ALREADY OUR MEMBERS.

8 Q. TALKING ABOUT THE HOME RESORT MEMBERSHIPS,  
9 COAST WAS SEEKING TO TRANSFER THE HOME RESORT MEMBERSHIPS.

10 A. WE WERE SEEKING TO INSURE THAT THOSE MEMBERS  
11 WHO WANTED TO CONTINUE THEIR COAST TO COAST PRIVILEGES HAD  
12 THE OPPORTUNITY TO DO SO. THIS ARTICLE IS NOT REFERRING TO  
13 ANY KIND OF A SITUATION THAT EXISTED IN 1997.

14 Q. LET'S LOOK AT EXHIBIT 1719, WHICH IS THE  
15 FEBRUARY 7, 1992, LETTER FROM ROGER RYMAN TO  
16 RICHARD DIAMOND.

17 YOU SAW THAT LETTER HERE IN COURT, DIDN'T  
18 YOU?

19 A. YES, I HAVE SEEN THIS LETTER.

20 MR. MOSHENKO: AND, NOW, THAT'S THE WRONG EXHIBIT,  
21 MR. DURAN. THAT'S THE LETTER FROM DIAMOND TO RYMAN.  
22 THERE.

23 Q. OKAY. WE'VE ALL SEEN THIS. THIS IS  
24 REFERENCING A SITUATION JUST LIKE OUR SITUATION, ISN'T IT?

25 A. I DON'T THINK SO, NO.

26 Q. WELL, ALL RIGHT. MAYBE WE DO NEED TO GO

1 BACK TO THE PRIOR LETTER, IF YOU'LL FLIP BACK ONE EXHIBIT.

2 A. OKAY. LETTER DATED JANUARY 30, 1992, TO

3 MR. J. PATRICK BUTLER?

4 Q. YES.

5 OKAY. JERRY, I DON'T HAVE THAT LETTER.

6 MR. SHERMAN: YOUR HONOR -- EXCUSE ME, YOUR HONOR.

7 COULD WE GET A FOUNDATION LAID THAT THIS WITNESS WAS EVEN

8 INVOLVED IN THIS TRANSACTION? HE'S NOT REFERENCED IN THE

9 LETTER. HE'S NOT CC.'D ON THE LETTER. AND I DON'T THINK

10 HIS OPINION TODAY IS --

11 THE COURT: LAY SOME FOUNDATION.

12 MR. MOSHENKO: ALL RIGHT. THIS LETTER IS IN

13 EVIDENCE, I BELIEVE, YOUR HONOR.

14 Q. AND, MR. RANDALL, YOU ARE FAMILIAR WITH THIS

15 LETTER BY VIRTUE OF HAVING SEEN IT IN THIS LITIGATION;

16 RIGHT?

17 A. YES.

18 Q. OKAY. AND YOU'RE ALSO FAMILIAR WITH THE

19 CIRCUMSTANCES THAT EXISTED IN 1997 WHERE BECAUSE OF

20 INFORMATION THAT MR. JOSEPH SAID HE -- HE CAME IN -- INTO

21 POSSESSION OF, HE BELIEVED THAT COAST WAS TAKING MEMBERSHIP

22 LISTS OF ALL SEASONS RESORTS MEMBERS, AND THOSE LISTS WERE

23 BEING GIVEN OUT TO OTHER PEOPLE?

24 A. THIS WAS IN --

25 MR. SHERMAN: OBJECTION. THE QUESTION IS RELATED

26 TO THE 1997 TIME FRAME. THAT MISSTATES MR. JOSEPH'S

1 TESTIMONY.

2 MR. MOSHENKO: I DID USE THE WRONG DATE, YOUR

3 HONOR. I'LL RESTATE.

4 THE COURT: ALL RIGHT.

5 BY MR. MOSHENKO: Q. THIS LETTER REFERS TO A 1992

6 SITUATION WHERE MR. JOSEPH BELIEVED THAT COAST WAS

7 RELEASING COPIES OF THE MEMBERSHIP LISTS OF THE ALL SEASON

8 RESORTS MEMBERS WHO WERE COAST TO COAST MEMBERS TO OTHER

9 PERSONS; ISN'T THAT TRUE?

10 MR. SHERMAN: OBJECTION. OBJECTION. THE DOCUMENT

11 SPEAKS FOR ITSELF.

12 THE COURT: I'M GOING TO ALLOW THE ANSWER.

13 GO AHEAD.

14 BY MR. MOSHENKO: Q. ISN'T THAT TRUE?

15 A. THAT WAS WHAT HE BELIEVED WAS HAPPENING, AND

16 HE BELIEVED THAT IT WAS HAPPENING TO RESORTS THAT WERE

17 AFFILIATED WITH COAST TO COAST.

18 Q. HE BELIEVED IT WAS HAPPENING TO ALL SEASONS

19 RESORTS?

20 A. WHO WERE COAST TO COAST AFFILIATES.

21 Q. OKAY. AND HE WENT TO COAST TO COAST AND

22 SAID, "YOU CAN'T DO THAT. YOU CAN'T GIVE THOSE LISTS TO

23 ANYBODY ELSE. THOSE ARE ALL SEASONS CONFIDENTIAL AND

24 PROPRIETARY BUSINESS INFORMATION"?

25 MR. SHERMAN: AGAIN, OBJECTION. THE WITNESS

26 PARTICIPATED IN THE CONVERSATION, FINE. OTHERWISE, IT

1 LACKS FOUNDATION. IF ALL COUNSEL IS DOING IS PARAPHRASING  
2 FROM A LETTER, THE DOCUMENT SPEAKS FOR ITSELF.

3 THE COURT: SUSTAINED.

4 BY MR. MOSHENKO: Q. ALL RIGHT. MR. RANDALL,  
5 THIS GOES TO THE COMPARISON OF YOUR SAYING THAT '97 IS A  
6 DIFFERENT SITUATION THAN THAT WHICH IS REFERRED TO IN THE  
7 1990 RYMAN INSIDE NEWS MEMORANDUM.

8 ISN'T IT A FACT THAT IN 1992, MR. RYMAN  
9 QUOTES HIS 1990 MEMORANDUM AS APPLYING TO A SITUATION  
10 THAT'S JUST LIKE THE 1997 SITUATION?

11 A. I DON'T THINK SO, NO.

12 MR. SHERMAN: OBJECTION. THERE IS NO REFERENCE IN  
13 THE LETTER FROM MR. RYMAN TO MR. DIAMOND. IT'S IN THE  
14 JANUARY 1990 INSIDE NEWS STATEMENT.

15 MR. MOSHENKO: YES.

16 MR. SHERMAN: COUNSEL IS SIMPLY MISSTATING WHAT THE  
17 DOCUMENT SAYS.

18 MR. MOSHENKO: NO. BUT, YOUR HONOR, YOU HAVE TO  
19 LOOK AT IT, AND IT'S VERY OBVIOUS. COULD WE HAVE IT PUT  
20 UP?

21 MR. SHERMAN: YOUR HONOR, THIS IS MY POINT. THE  
22 DOCUMENT SPEAKS FOR ITSELF. IT SAYS WHAT IT SAYS.

23 THE COURT: OBJECTION'S OVERRULED.

24 BY MR. MOSHENKO: Q. ALL RIGHT. "HERE AS A MATTER  
25 OF POLICY WE HAVE ALWAYS CONSIDERED THE"

26 THE REPORTER: YOU HAVE TO SLOW DOWN.

1 BY MR. MOSHENKO: Q. "AS A MATTER OF POLICY, WE  
2 HAVE ALWAYS CONSIDERED RESORT MEMBERSHIP LISTS TO BE  
3 PROPRIETARY AND, IN FACT, A PRIMARY ASSET OF ANY RESORT."

4 WELL, ISN'T THAT A QUOTE FROM MR. RYMAN'S  
5 1990 MEMORANDA?

6 A. I WON'T SAY IT'S A QUOTE, BUT IT'S THE SAME  
7 IDEA THAT IS BEING CONVEYED. THE WORDS LOOK TO BE ABOUT  
8 THE SAME.

9 Q. YES.

10 MR. RYMAN SAYS, "THE CONFIDENTIALITY OF THIS  
11 LIST CANNOT BE EMPHASIZED ENOUGH. THE MEMBERSHIP LIST IS A  
12 PRIMARY ASSET OF EVERY RESORT."

13 SO THE SIMILARITIES OF 1992 AND 1997 WERE  
14 COAST WAS ACCUSED OF RELEASING LISTS OF RESORTS' MEMBERS  
15 WHO WERE COAST TO COAST MEMBERS TO COMPETITOR RESORTS;  
16 ISN'T THAT TRUE?

17 A. THE ALLEGATION IN THERE WOULD MAKE YOU THINK  
18 THAT.

19 Q. SO ROGER RYMAN WRITES BACK AND SAYS, "NO, WE  
20 DON'T DO THAT"?

21 A. EXACTLY.

22 Q. OKAY. BUT YET IN 1997, COAST DID THAT?

23 A. MR. MOSHENKO, AGAIN, I -- 1992, ALL SEASONS  
24 RESORTS WERE AFFILIATES OF COAST TO COAST. IN 1997, THEY  
25 WERE NOT.

26 Q. SO WE'RE BACK TO THAT COAST CONSIDERS ITS

1 CONTRACTS -- ITSELF BOUND TO THE CONTRACT ONLY AS LONG AS  
2 THERE IS AN AFFILIATION RELATIONSHIP?

3 A. AS LONG AS THERE'S A CONTRACT, YES.

4 Q. WELL, DOES -- IS THERE SOMETHING ABOUT THE  
5 DISAFFILIATION THAT MAKES THE CONTRACT DISAPPEAR?

6 MR. SHERMAN: OBJECTION. CALLS FOR A LEGAL  
7 CONCLUSION.

8 THE COURT: SUSTAINED.

9 MR. SHERMAN: YOUR HONOR, MAY WE APPROACH?

10 THE COURT: YOU MAY.

11 (DISCUSSION HELD OFF THE RECORD.)

12 BY MR. MOSHENKO: Q. MR. RANDALL, YOU AS DIRECTOR  
13 OF OPERATIONS IN THE 1990'S HAD TO BE AWARE OF THE  
14 PROPRIETARY RIGHT OF THESE MEMBERSHIP LISTS WHEN THEY WERE  
15 BEING RELEASED OR SENT THROUGH THE MAILES TO THE POTENTIAL  
16 RECIPIENTS; RIGHT?

17 A. YES.

18 Q. AND IT WAS FOR THAT REASON THAT COAST TO  
19 COAST SENT THEM -- ALWAYS SENT THEM REGISTERED MAIL?

20 A. CORRECT.

21 Q. OKAY. AND IT IS ALSO FOR THAT REASON THAT  
22 COAST DID NOT ALLOW IF THEY FOUND OUT THAT IT WAS  
23 HAPPENING, A COMPETITOR RESORT TO MAKE USE OF ANOTHER  
24 RESORT'S MEMBERSHIP LISTS?

25 A. I -- I DON'T KNOW THAT -- I COULD SAY, YEAH,  
26 WE -- WE DIDN'T ALLOW IT. I MEAN, THERE'S -- IF THEY

1 OBTAINED THAT LIST, THERE REALLY WAS NOT MUCH WE COULD DO  
2 ABOUT IT OTHER THAN TO PREVENT THOSE PEOPLE FROM BECOMING  
3 COAST TO COAST MEMBERS AT THE OTHER RESORT.

4 Q. LET ME GIVE YOU THIS HYPOTHETICAL.

5 IF IT CAME TO YOUR ATTENTION IN 1997 THAT  
6 MR. NOVELLI SOMEHOW GOT AHOLD OF A COMPETITOR'S RESORTS  
7 MEMBERSHIP LIST BY GETTING SOMEONE IN COAST TO COAST TO GO  
8 TO THE I.T. DATA BANK AND PRINT HIM A COPY, AND IF YOU  
9 LEARNED THAT MR. NOVELLI STARTED WRITING THE MEMBERS ON  
10 THAT LIST TELLING THEM THAT THEIR MEMBERSHIPS HAD BEEN  
11 TRANSFERRED TO HIM, COAST WOULD HAVE STEPPED RIGHT UP AND  
12 STOPPED IT; RIGHT?

13 A. STARTING WITH THE EMPLOYEE WHO DID THAT, AND  
14 THEN, YES, WE WOULD HAVE MADE MR. NOVELLI AWARE THAT THAT  
15 WAS NOT APPROPRIATE AND THAT IT WAS ENGAGING IN THE  
16 ANTI-RAIDING RULES.

17 Q. SO DIDN'T IT COME TO YOUR ATTENTION IN 1997  
18 THAT OTHER COMPETITOR RESORT OWNERS HAD GOTTEN AHOLD OF  
19 MR. NOVELLI'S MEMBERS LISTS AND WERE WRITING HIS MEMBERS,  
20 TELLING THEM THAT COAST TO COAST HAD TRANSFERRED THEM TO  
21 THEIR RESORTS, DIDN'T THAT COME TO YOUR ATTENTION?

22 A. I'M THE ONE WHO WAS RESPONSIBLE FOR DOING  
23 IT.

24 Q. YES.

25 AND SO IT -- ARE YOU SAYING THE  
26 CONFIDENTIALITY RUNS IN ONLY ONE DIRECTION?

1 A. I'M SAYING THAT THE LISTS OF COAST TO COAST  
2 MEMBERS WERE PROVIDED TO COAST TO COAST AFFILIATED RESORTS  
3 IN THE HOPES THAT THOSE MEMBERS OF COAST TO COAST WHO  
4 WANTED TO CONTINUE TO ENJOY THEIR COAST TO COAST BENEFITS  
5 AND PRIVILEGES WOULD HAVE THE OPPORTUNITY TO DO SO.

6 Q. WELL, WHAT IF MR. NOVELLI SAID, "I PROVIDED  
7 THE OPPORTUNITY TO THOSE MEMBERS USING MY COMPETITORS'  
8 LISTS TO BE IN MY RESORTS IF THEY WANTED TO DO SO"; WOULD  
9 THAT HAVE MADE IT RIGHT?

10 A. NO.

11 MR. SHERMAN: OBJECTION.

12 THE WITNESS: IT WAS --

13 MR. SHERMAN: EXCUSE ME. IT CALLS FOR A LEGAL  
14 CONCLUSION.

15 THE COURT: SUSTAINED.

16 MR. SHERMAN: IT'S AN INCOMPLETE HYPOTHETICAL, AND  
17 IT LACKS FOUNDATION.

18 THE COURT: SUSTAINED.

19 BY MR. MOSHENKO: Q. WAS RIGHT OR WRONG A CONCERN  
20 OF COAST TO COAST WHEN IT DECIDED TO TRANSFER THESE MEMBERS?

21 A. I BELIEVE IT WAS, YES.

22 Q. OKAY. WAS THE WISH TO AVOID DAMAGING  
23 MR. NOVELLI OF ANY CONCERN?

24 MR. SHERMAN: OBJECTION. LACKS FOUNDATION THAT  
25 THERE WAS ANY BASIS ON WHICH MR. NOVELLI COULD HAVE BEEN  
26 DAMAGED.

1 THE COURT: SUSTAINED.

2 BY MR. MOSHENKO: Q. WELL, MR. NOVELLI TOLD YOU IF  
3 YOU DID THAT, HE WOULD BE DAMAGED, IN THE LETTER; RIGHT?

4 A. YES.

5 Q. SO WAS IT OF ANY CONCERN TO COAST THAT THEY  
6 MIGHT BE DAMAGING MR. NOVELLI'S RESORTS?

7 A. I -- IN THAT FLIPPANT KIND OF WAY, I -- I  
8 WOULD HATE TO SAY NO, THAT WAS NOT A CONCERN. BUT IT WAS  
9 NOT THE PRIMARY CONCERN. THE PRIMARY CONCERN, AGAIN, WAS  
10 TO MAKE SURE THAT THE MEMBERS HAD THE OPPORTUNITY TO  
11 CONTINUE WITH COAST TO COAST.

12 Q. DID ANYBODY GO TO MR. NOVELLI AND SAY, "HEY,  
13 RAY, WE'RE TRYING TO AVOID A SITUATION HERE. LET'S WORK  
14 THIS OUT"?

15 A. I AM NOT AWARE THAT THAT TOOK PLACE.

16 Q. DID ANYBODY CARE ABOUT THE MEMBERS OF DEER  
17 RUN THAT MR. NOVELLI WANTED TO LEAVE IN THE SYSTEM AND  
18 COAST TO COAST SAID, "NO, YOU CAN'T BE IN THE SYSTEM"?

19 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION  
20 THAT THAT'S WHAT MR. NOVELLI'S INTENT WAS. THE LETTER  
21 SPEAKS FOR ITSELF.

22 MR. MOSHENKO: THE LETTER DOES SPEAK FOR ITSELF.  
23 IT SAYS THAT HE WANTS TO LEAVE DEER RUN IN.

24 MR. SHERMAN: PUT THE LETTER UP ON THE BOARD.

25 THE COURT: LET'S PUT THE LETTER UP.

26 MR. MOSHENKO: BEG YOUR PARDON?

1 THE COURT: LET'S PUT THE LETTER UP.

2 MR. MOSHENKO: LET'S PUT THE LETTER UP, THE DEER

3 RUN LETTER. OKAY.

4 IS IT UP THERE, MR. SHAW?

5 MR. SHAW: PARDON ME, MR. RANDALL. WE'RE LOOKING.

6 THE COURT: THIS IS AN EXHIBIT, ISN'T IT?

7 MR. MOSHENKO: IT IS.

8 THE COURT: WHAT'S THE NUMBER?

9 MR. MOSHENKO: IT'S 1575.

10 Q. ALL RIGHT. MR. RANDALL, MR. NOVELLI SAYS,

11 "IN ORDER TO ACCOMMODATE THOSE MEMBERS WHO PURCHASED COAST

12 DELUXE, DEER RUN NEEDS TO REMAIN IN YOUR SYSTEM, BOTH FOR

13 THE ACCEPTANCE OF GENERAL COAST TO COAST MEMBERS AND COAST

14 DELUXE MEMBERS.

15 "ALL OF OUR COAST DELUXE MEMBERS ARE BEING

16 TRANSFERRED TO DEER RUN. YOUR RECORDS SHOULD BE ADJUSTED

17 TO REFLECT THE SAME."

18 DO YOU SEE THAT?

19 A. YES.

20 Q. SO COAST KNEW THAT MR. NOVELLI WANTED TO

21 LEAVE HIS DEER RUN MEMBERS AND ALL OF HIS COAST DELUXE

22 MEMBERS WITH ACCESS TO THE COAST TO COAST SYSTEM; ISN'T

23 THAT TRUE?

24 A. IT CAME AS AN AFTERTHOUGHT, IN MY OPINION.

25 Q. REGARDLESS OF WHETHER IT WAS AN

26 AFTERTHOUGHT, MR. NOVELLI -- COAST KNEW THAT MR. NOVELLI

1 WANTED TO PROTECT THE RIGHTS OF HIS COAST MEMBERS WHO WERE  
2 DEER RUN MEMBERS AND ALL OF THE COAST DELUXE MEMBERS TO USE  
3 THE COAST SYSTEM; CORRECT?

4 A. THAT'S NOT HOW I PERCEIVED IT.

5 Q. WELL, WHAT DO YOU UNDERSTAND IT MEANS WHEN  
6 IT SAYS, "DEER RUN NEEDS TO REMAIN IN THE SYSTEM FOR THE  
7 ACCEPTANCE OF GENERAL COAST MEMBERS"; THAT MEANS TO HOST  
8 COAST MEMBERS?

9 A. NO.

10 Q. WELL, DEER RUN ACCEPTS COAST MEMBERS AS  
11 MEMBERS IT HOSTS, DOESN'T IT?

12 WHEN IT WAS IN COAST, IT ACCEPTED COAST  
13 MEMBERS AND HOSTED THEM; RIGHT?

14 A. YES.

15 Q. OKAY. IT DOESN'T SAY HE'S GOING TO TRANSFER  
16 ALL OF HIS COAST MEMBERS INTO DEER RUN; IT SAYS, "I'VE  
17 TRANSFERRED MY COAST DELUXE MEMBERS," DOESN'T IT?

18 A. IT SAYS, "ALL OF OUR COAST DELUXE MEMBERS  
19 ARE BEING TRANSFERRED TO DEER RUN."

20 Q. RIGHT.

21 COAST DELUXE MEMBERS PAID EXTRA MONEY AS  
22 COMPARED TO OTHER MEMBERS; CORRECT?

23 A. I'M SORRY. SAY THAT AGAIN.

24 Q. COAST DELUXE MEMBERS PAID EXTRA MONEY FOR  
25 THE ENHANCED MEMBERSHIP OF COAST DELUXE; RIGHT?

26 A. YES.

1 Q. AND SO CONCEIVABLY, REASONABLY, MR. NOVELLI  
2 WOULD HAVE WANTED TO GIVE THEM SPECIAL CONSIDERATION; DON'T  
3 YOU AGREE?

4 MR. SHERMAN: OBJECTION. THAT CALLS FOR  
5 SPECULATION.

6 THE COURT: SUSTAINED.

7 BY MR. MOSHENKO: Q. WELL, DID YOU THINK THAT  
8 COAST DELUXE MEMBERS SHOULD REMAIN WITH ACCESS TO THE COAST  
9 SYSTEM, EVEN THOUGH MR. NOVELLI'S RESORTS LEFT?

10 A. ALL COAST MEMBERS SHOULD REMAIN WITH COAST  
11 TO COAST, IF THAT'S WHAT THEY WANTED TO DO, YES.

12 Q. OKAY. SO MR. NOVELLI WAS TRYING TO GET  
13 COAST DELUXE MEMBERS INTO DEER RUN AND LEAVE DEER RUN IN  
14 THE SYSTEM; IS THAT WHAT YOU READ THERE?

15 A. YES.

16 Q. SO BACK TO THE QUESTION: DID COAST DECIDE  
17 TO ALLOW THOSE DEER RUN -- I'M SORRY -- THOSE COAST DELUXE  
18 MEMBERS TO CONTINUE TO HAVE ACCESS TO THE SYSTEM THROUGH  
19 DEER RUN, OR DID IT SAY NO?

20 A. WE SAID NO.

21 THE COURT: LET'S TAKE OUR AFTERNOON BREAK.

22 (RECESS TAKEN.)

23 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
24 COURT IN THE PRESENCE OF THE JURY:)

25 THE COURT: PROCEED, COUNSEL.

26 MR. MOSHENKO: THANK YOU, YOUR HONOR.

1 Q. ALL RIGHT. COULD YOU LOOK AT EXHIBIT 245,  
2 MR. RANDALL.

3 A. I HAVE IT.

4 Q. YOU RECALL EXHIBIT 245 WAS A DOCUMENT I HAD  
5 TROUBLE WITH THIS MORNING BECAUSE I ONLY HAVE ONE SIDE OF  
6 THE PAGES?

7 A. I THOUGHT IT WAS A DIFFERENT -- I'M SORRY.  
8 GO AHEAD.

9 Q. OKAY. WHAT IS EXHIBIT 245?

10 A. THIS IS THE AFFILIATION AGREEMENT. LOOKS  
11 LIKE IT'S THE 2 FEB- -- OR I'M SORRY. FEBRUARY 1990  
12 EDITION. "ALABAMA QUEEN" IS WRITTEN AT THE TOP IN VERY  
13 NEAT PENMANSHIP.

14 Q. OKAY. IS THIS DOCUMENT SIGNED BY SOMEONE  
15 FROM COAST TO COAST?

16 A. YES, IT IS.

17 Q. WHOSE SIGNATURE IS THAT?

18 A. BECAUSE I RECOGNIZE A COUPLE OF THE CAPITAL  
19 LETTERS, I BELIEVE IT TO BE GENE EVERETT'S SIGNATURE.

20 Q. VERY WELL. WE CAN ASK HIM LATER.

21 CAN WE HAVE THIS ADMITTED INTO EVIDENCE YOUR  
22 HONOR?

23 THE COURT: NO OBJECTION.

24 MR. SHERMAN: NO OBJECTION.

25 MR. MOSHENKO: CAN I HAVE IT PUT UP ON THE SCREEN?

26 THE COURT: BE RECEIVED.

1 (WHEREUPON EXHIBIT NO. 245 WAS RECEIVED IN  
2 EVIDENCE.)

3 BY MR. MOSHENKO: Q. I HEARD YOU SAY THAT -- IS  
4 THIS A FEBRUARY 1990 AGREEMENT? VERSION MAYBE YOU SAID?

5 A. VERSION, YES.

6 Q. OKAY. IT'S SIGNED IN 1993; RIGHT?

7 A. THAT APPEARS TO BE THE DATE, YES.

8 Q. OKAY. ON THE SIGNATURE PAGE. ARE YOU  
9 THERE?

10 A. YES.

11 Q. AT THE BOTTOM IT SAYS, "FORM NUMBER 7." YOU  
12 SEE THAT?

13 A. YES.

14 Q. IS THAT INDICATIVE THAT THERE WERE AT  
15 LEAST -- AT LEAST TO 1993 SEVEN DIFFERENT FORMS OF  
16 AFFILIATION AGREEMENTS?

17 A. I'M NOT EXACTLY SURE WHAT THAT MEANS.

18 MR. MOSHENKO: DOWN HERE AT THE BOTTOM, MR. DURAN,  
19 PAGE 9, WOULD YOU BLOW THIS UP. DOWN HERE. YOU CAN GO  
20 DOWN. THERE. FORM NUMBER 7.

21 ALL RIGHT. NOW, YOU SAID IT -- IT -- NOW,  
22 LET'S GO BACK TO PAGE 2, PLEASE.

23 ALL RIGHT. AND COULD YOU BLOW THIS UP DOWN  
24 HERE.

25 Q. WHEN YOU SAID IT'S THE FEBRUARY 1990  
26 VERSION, THAT'S WHAT CAUSED YOU TO SAY THAT, ISN'T IT?

1 A. YES.

2 Q. ALL RIGHT. SO AS OF JANUARY 1990, THERE WAS  
3 A DIFFERENT VERSION; IS THAT CORRECT?

4 A. I WOULD AGREE TO THAT, YES.

5 MR. MOSHENKO: ALL RIGHT. COULD WE NOW GO TO PAGE  
6 3.

7 AND COULD YOU BLOW UP THE -- THIS PORTION  
8 RIGHT HERE. NO. I'M SORRY. THE WHOLE PARAGRAPH.

9 Q. OKAY. "OWNER WILL" -- "WILL PROVIDE OR  
10 CAUSE TO BE PROVIDED TO EACH PURCHASER OF A MEMBERSHIP A  
11 COAST TO COAST PROVIDED FORM OF APPLICATION FOR MEMBERSHIP  
12 IN COAST'S APPROPRIATE MEMBERSHIP PROGRAM AND WILL CAUSE  
13 EXECUTED APPLICATIONS TO BE PROMPTLY FORWARDED TO COAST  
14 WITH THE APPLICATION ENROLLMENT FEE" -- "APPLICABLE  
15 ENROLLMENT FEE."

16 OKAY. AND THIS IS THE LANGUAGE RIGHT HERE I  
17 WANT TO FOCUS ON.

18 "LIST OF MEMBERS OF COAST COMPILED BY COAST  
19 FROM SUCH APPLICATIONS MAY BE USED BY COAST IN ITS  
20 DISCRETION FOR ENHANCEMENT OF THE COAST MEMBERSHIP."

21 WHAT DID THAT PARAGRAPH, SPECIFICALLY THAT  
22 SENTENCE, READ BEFORE FEBRUARY OF 1990?

23 A. IF YOU HAVE A SAMPLE, I COULD READ FROM IT.

24 Q. OKAY. OKAY. I THINK WE WANT EXHIBIT 1500.

25 THE COURT: 1500 AND 3 ARE BOTH THE SAME; RIGHT?

26 MR. SHERMAN: YES.

1 MR. MOSHENKO: ALL RIGHT. NUMBER 3.

2 THE COURT: I DIDN'T KNOW THAT. MY CLERK TOLD ME.

3 MR. MOSHENKO: I'M IMPRESSED, YOUR HONOR.

4 STARTS AT 4. DID YOU SAY 3?

5 THE COURT: THREE. THAT'S WHAT SHE SAID.

6 MR. MOSHENKO: IT'S NOT IN HERE. THREE ISN'T IN  
7 HERE.

8 Q. OKAY. WELL, LET'S GO TO 1. I KNOW TO MAKE  
9 A POINT. EXHIBIT 1567. AND IS IT 1567 IN YOUR BINDER, THE  
10 ONE YOU'RE WORKING WITH?

11 NO. THAT'S --

12 A. I HAVE THE 200 SERIES.

13 Q. HERE WE GO.

14 A. THIS -- THIS OTHER BINDER HAS 1500'S IN IT.

15 Q. THIS IS 1567 RIGHT HERE. WOULD YOU LOOK AT  
16 THAT CONTRACT, PLEASE.

17 A. STILL THE SAME. 3(E)?

18 Q. YES.

19 NOW THIS IS A PRE-19 -- JANUARY 1990  
20 CONTRACT, ISN'T IT?

21 A. I -- I DON'T KNOW.

22 Q. WELL, COULD YOU LOOK AT THE SIGNATURE PAGE  
23 ON PAGE 10?

24 A. IT'S SIGNED IN 1988.

25 Q. YOU RECOGNIZE ROGER RYMAN'S SIGNATURE?

26 A. YES, I DO.

1 MR. MOSHENKO: OKAY. I'D LIKE TO OFFER THIS INTO  
2 EVIDENCE, YOUR HONOR.

3 MR. SHERMAN: NO OBJECTION.

4 THE COURT: THANK YOU.

5 (WHEREUPON EXHIBIT NO. 1567 WAS RECEIVED IN  
6 EVIDENCE.)

7 MR. MOSHENKO: OKAY. CAN WE NOW PUT IT UP ON THE  
8 SCREEN AND PUT PAGE 3. AND BLOW UP PARAGRAPH D. I'M  
9 SORRY. E.

10 Q. THIS IS THE LANGUAGE I'M REFERRING TO,

11 MR. RANDALL: "LISTS OF MEMBERS" -- "LISTS OF MEMBER" --  
12 I'VE GOT TO GO BACK TO MY ORIGINAL.

13 "LISTS OF MEMBERS OF COAST COMPILED BY COAST  
14 FROM SUCH APPLICATIONS ARE THE SOLE PROPERTY OF COAST AND  
15 MAY BE USED BY COAST, OR BY OTHERS WITH COAST'S PERMISSION,  
16 FOR ANY PURPOSES."

17 SEE THAT?

18 A. YES.

19 Q. SO NOW WE KNOW WHAT THE CHANGE WAS IN  
20 JANUARY, 1990; IT WENT FROM "MAY BE USED" --

21 MR. SHERMAN: EXCUSE ME. OBJECTION. THERE'S BEEN  
22 NO EVIDENCE THAT THERE WAS A CHANGE IN 1990. LACKS  
23 FOUNDATION.

24 MR. MOSHENKO: THERE HAS. HE SAID IT WAS CHANGED  
25 IN JANUARY OF 1990, YOUR HONOR.

26 MR. SHERMAN: THE TESTIMONY WAS THAT THERE WAS A

1 FORM. IT'S 2-90. FEBRUARY, '90.

2 MR. MOSHENKO: THAT'S THE DATE OF THE CHANGE.

3 MR. SHERMAN: REFERENCE WAS JANUARY, 1990.

4 MR. MOSHENKO: THEY WROTE IT IN JANUARY. IT WAS  
5 EFFECTIVE IN FEBRUARY, 1990.

6 MR. SHERMAN: WE DON'T NEED MR. MOSHENKO TO BE  
7 TESTIFYING TO FACTS.

8 THE COURT: OBJECTION IS OVERRULED.

9 GO AHEAD.

10 BY MR. MOSHENKO: Q. THE FORM 7 WAS EFFECTIVE  
11 FEBRUARY 1, 1990; RIGHT?

12 A. THAT WAS THE FORM THAT WAS USED ON THAT ONE,  
13 YES.

14 Q. CORRECT.

15 AND IT WOULD BE A REASONABLE CONCLUSION THAT  
16 FOR IT TO BE EFFECTIVE FEBRUARY 1, IT WAS MADE SOMETIME  
17 BEFORE FEBRUARY 1; RIGHT?

18 A. YES.

19 Q. OKAY. SO THAT WE'RE GOING -- I'M GOING TO  
20 CALL IT A CHANGE IN JANUARY. MAYBE IT WAS MADE IN  
21 DECEMBER. BUT I'M JUST GOING TO CALL IT A CHANGE IN  
22 JANUARY.

23 THAT CHANGE, WHENEVER IT HAPPENED, CHANGED  
24 THE LANGUAGE FROM "LISTS OF MEMBERS ARE THE SOLE PROPERTY  
25 OF COAST" -- AND I'M PARAPHRASING -- "AND MAY BE USED BY  
26 COAST OR BY OTHERS WITH COAST'S PERMISSION FOR ANY

1 PURPOSES." IT CHANGES FROM "FOR ANY PURPOSES" TO, QUOTE,  
2 "LISTS OF MEMBERS OF COAST COMPILED BY COAST FROM SUCH  
3 APPLICATIONS MAY BE USED BY COAST IN ITS DISCRETION FOR THE  
4 ENHANCEMENT OF COAST MEMBERSHIPS."

5 DO YOU SEE THAT?

6 A. YES, I DO.

7 Q. "FOR ANY PURPOSES" -- IT WENT AWAY -- AND IT  
8 WAS REPLACED BY THE "ENHANCEMENT OF COAST MEMBERSHIP"?

9 A. I THINK IT WAS REPLACED BY "IN ITS  
10 DISCRETION" INSTEAD.

11 Q. FOR THE ENHANCEMENT OF COAST MEMBERSHIP?

12 A. RIGHT. "FOR ANY PURPOSES" WAS REPLACED BY  
13 "FOR ENHANCEMENT OF THE COAST MEMBERSHIP."

14 Q. WELL, LET'S PUT IT BOTH, PUT THEM BOTH UP.  
15 LET'S THE JURY SEE.

16 "LISTS OF MEMBERS ARE THE SOLE PROPERTY OF  
17 COAST, AND MAY BE USED BY COAST OR OTHERS FOR ANY PURPOSES"  
18 WAS REPLACED WITH "LISTS OF MEMBERS MAY BE USED BY COAST IN  
19 ITS DISCRETION FOR ENHANCEMENT OF COAST MEMBERSHIP"?

20 A. OKAY.

21 Q. OKAY?

22 NOW, THE TERM "ENHANCEMENT OF COAST  
23 MEMBERSHIP" IS A WORD OF ART IN THE INDUSTRY, ISN'T IT?

24 A. I'M SORRY. A WORD OF WHAT?

25 Q. WORD OF ART, MEANING ITS A SPECIAL -- IT HAS  
26 SPECIAL MEANING IN THE MEMBERSHIP RESORT INDUSTRY, DOESN'T

1 IT?

2 A. SPECIAL AS OPPOSED TO WHAT, MR. MOSHENKO?

3 I'M SORRY. I DON'T UNDERSTAND.

4 Q. WELL, IT HAS A KNOWN, RECOGNIZED MEANING IN  
5 THE INDUSTRY.

6 A. OKAY.

7 Q. LET'S LOOK AT EXHIBIT 559.

8 MR. SHAW: SORRY. EXCUSE ME.

9 THE WITNESS: DOESN'T BOTHER ME.

10 BY MR. MOSHENKO: Q. MR. RANDALL, DOESN'T IT MEAN  
11 AN IMPROVEMENT IN MEMBER BENEFITS?

12 A. YES.

13 Q. OKAY. SO WE'VE TALKED ABOUT THIS THIS  
14 MORNING WHEN WE SAID THERE ARE COAST TO COAST'S GENERAL  
15 MEMBERSHIP OR WHAT -- BASIC MEMBERSHIP?

16 A. BASIC, UH-HUH.

17 Q. AND THERE WAS AN ENHANCEMENT FOR COAST TO  
18 COAST RESORTS' MEMBERSHIPS?

19 A. OKAY.

20 Q. AND THEN THERE WAS ANOTHER ENHANCEMENT FOR  
21 COAST DELUXE MEMBERSHIPS; RIGHT?

22 A. YES.

23 Q. AND, NOW, DO YOU RECOGNIZE EXHIBIT 1559?

24 MR. SHERMAN: EXCUSE ME. YOU HAD CALLED OUT 559.  
25 LET ME JUST GET 1559, PLEASE.

26 BY MR. MOSHENKO: Q. DO YOU RECOGNIZE THAT?

1 OH, I'LL WAIT FOR MR. SHERMAN. I'M SORRY.

2 OKAY. DO YOU RECOGNIZE THAT?

3 A. I RECOGNIZE IT AS THE COVER PAGE FOR THE  
4 INSIDE NEWS.

5 Q. AND ROGER RYMAN SIGNED WHAT AMOUNTS TO AS AN  
6 ANNOUNCEMENT TO THE MEMBERSHIP OF A NEW ENHANCED  
7 MEMBERSHIP; RIGHT?

8 A. YES.

9 MR. MOSHENKO: OKAY. LIKE THAT ADMITTED INTO  
10 EVIDENCE, YOUR HONOR, AND PUT UP ON THE SCREEN.

11 MR. SHERMAN: NO OBJECTION.

12 THE COURT: BE SO RECEIVED. WHAT WAS THE NUMBER?

13 MR. MOSHENKO: EXHIBIT 1559.

14 (WHEREUPON EXHIBIT NO. 1559 WAS RECEIVED IN  
15 EVIDENCE.)

16 BY MR. MOSHENKO: Q. OKAY. AND LET'S JUST BLOW  
17 IT UP, THAT PART RIGHT THERE.

18 "THE NEW YEAR BRINGS NEW ENHANCED  
19 MEMBERSHIP. IN EARLY 1995, COAST WILL LAUNCH AN EXCITING  
20 NEW MEMBERSHIP FOR" -- "FOR YOU." IS THAT WHAT IT SAYS?  
21 "FOR YOU TO" -- "TO USE TO BOOST SALES."

22 OKAY. THIS IS GOING TO THE RESORT OWNERS.  
23 THEY ARE TELLING RESORT OWNERS, "YOU CAN USE COAST'S DELUXE  
24 TO BOOST YOUR SALES." RIGHT?

25 A. YES.

26 Q. OKAY. AND WE'VE HEARD SOME TESTIMONY ABOUT

1 WHAT EXTRA BENEFITS THE COAST DELUXE MEMBERSHIP BROUGHT TO  
2 THE MEMBERS. THAT CAME IN THROUGH MR. RYMAN. DID YOU HEAR  
3 THAT?

4 A. DID -- THE TESTIMONY THAT CAME IN THROUGH  
5 MR. --

6 Q. YES.

7 A. MR. RYMAN? YES, I HEARD IT.

8 Q. OKAY. SO SOMEBODY COULD HAVE A  
9 GARDEN-VARIETY REGULAR MEMBERSHIP, OR THEY COULD HAVE THE  
10 IMPROVED COAST RESORT MEMBERSHIP, OR THEY COULD HAVE THE  
11 DELUXE COAST MEMBERSHIP; AND THEY WERE ALL ENHANCEMENTS; IS  
12 THAT RIGHT?

13 A. TO THE BASIC MEMBERSHIP, YES.

14 Q. SO WHEN THE CONTRACTS BETWEEN THE RESORT  
15 DEVELOPERS AND COAST WERE MODIFIED AROUND FEBRUARY, 1990,  
16 TO PROVIDE THAT THE LISTS COULD BE USED BY COAST AT ITS  
17 DISCRETION FOR ENHANCEMENT OF MEMBERSHIPS, IT WAS TALKING  
18 ABOUT SOMETHING LIKE THIS; RIGHT?

19 A. I --

20 MR. SHERMAN: EXCUSE ME. OBJECTION. IT LACKS  
21 FOUNDATION THE CONTRACTS BETWEEN ONE RESORT OWNER AND COAST  
22 WERE MODIFIED, AS OPPOSED TO THERE BEING A NEW FORM OF  
23 AGREEMENT WITH OTHER RESORT DEVELOPERS.

24 MR. MOSHENKO: I'LL TAKE THE NEW FORM.

25 THE COURT: ALL RIGHT.

26 BY MR. MOSHENKO: Q. WHEN THE NEW FORM OF

1 AGREEMENT CAME OUT AND WAS BEING USED BY COAST STARTING IN  
2 FEBRUARY OF 1990, AND IT REFERRED TO "THE LISTS MAY BE USED  
3 FOR ENHANCEMENT OF MEMBERSHIPS," IT WAS TALKING ABOUT  
4 IMPROVEMENTS TO MEMBERSHIP BENEFITS TO MEMBERS; RIGHT?

5 A. NOT IN MY OPINION IT DID NOT, NO, SIR.

6 Q. DO YOU HAVE AN OPINION THAT ENHANCEMENT OF  
7 MEMBERSHIP BENEFITS IS OTHER THAN WHAT WE'VE TALKED ABOUT?

8 A. NO. BUT THE AFFILIATION AGREEMENT SAYS,  
9 "ENHANCEMENT OF THE COAST MEMBERSHIP," WHICH TO ME WAS ON A  
10 VERY GRAND SCALE OF THE ENTIRE COAST MEMBERSHIP BASE.

11 MR. MOSHENKO: I'D LIKE TO READ FROM THE WITNESS'S  
12 DEPOSITION, PAGE 146, LINE 3.

13 THE COURT: WHAT VOLUME?

14 MR. MOSHENKO: VOLUME I, YOUR HONOR.

15 VOLUME I, PAGE 146, LINE 3, TO 147, LINE

16 17.

17 MR. SHERMAN: NO OBJECTION.

18 MR. MOSHENKO: STARTS OFF "QUESTION" --

19 THE COURT: PROCEED.

20 BY MR. MOSHENKO: Q. "HAVE YOU EVER HEARD THE TERM  
21 'ENHANCED MEMBERSHIPS' USED BEFORE?

22 "ANSWER, YES.

23 "QUESTION, OKAY. NOW, ARE THERE ANY OTHER  
24 ENHANCEMENTS TO COAST TO COAST MEMBERSHIPS THAT YOU WERE  
25 AWARE OF THAT HAVE EXISTED DURING YOUR TENURE THAN WHAT  
26 YOU'VE ALREADY DESCRIBED?

1 "ANSWER, COAST DELUXE.

2 "QUESTION, OKAY. AND WHAT'S THAT INCLUDE

3 THAT THE OTHERS DON'T?

4 "MR. HEIMBOLD, LACKS FOUNDATION.

5 "ANSWER, LONGER STAYS AT PARTICIPATING

6 RESORTS. THERE'S A FAMILY BENEFIT CERTIFICATE THAT I'M NOT

7 FAMILIAR WITH, THE EXACT PRIVILEGES IT'S GRANTED TO, BUT IT

8 IS FOR USE BY THE DELUXE MEMBER'S FAMILY. THOSE ARE THE

9 ONLY ONES THAT I'M SURE OF OFF THE TOP OF MY HEAD.

10 QUESTION BY MR. MOSHENKO, "OKAY. SINCE YOU

11 FIRST CAME TO COAST, HAVE YOU AND OTHERS HERE AT COAST TO

12 COAST FROM TIME TO TIME DISCUSSED THE CONCEPT OF DEVELOPING

13 ENHANCED OR DIFFERENT MEMBERSHIPS FROM THOSE WHICH WERE IN

14 EXISTENCE AT THE TIME THAT THE DISCUSSIONS MAY HAVE BEEN

15 HELD?

16 "ANSWER, YES.

17 IS THIS -- "QUESTION, IS THAT SOMETHING THAT

18 HAS OCCURRED ON MORE THAN ONE OCCASION, IN YOUR

19 EXPERIENCE?

20 "ANSWER, YES.

21 "IS IT SOMETHING THAT OCCURS MORE OR LESS ON

22 AND OFF GENERALLY ALL THE TIME?

23 "ANSWER, NO.

24 "QUESTION, OKAY. HOW MANY TIMES

25 APPROXIMATELY, TO YOUR BEST ESTIMATE, HAS COAST TO COAST

26 AND OTHERS WITHIN IT MET, CONFERRED, FOR THE PURPOSES OF

1 DETERMINING WHETHER OR NOT THEY SHOULD DEVELOP AN ENHANCED  
2 MEMBERSHIP FROM THOSE MEMBERSHIPS WITH" -- "WHICH ALREADY  
3 EXISTED?"

4 AND THERE ARE OBJECTIONS BY MR. HEIMBOLD.

5 "ANSWER, AND I DON'T KNOW."

6 ALL RIGHT. SO WE'RE DONE WITH THAT

7 MR. DURAN.

8 I WANT TO NOW GO ONTO THE LETTERS THAT WERE

9 SENT OUT IN SEPTEMBER, OCTOBER.

10 COULD I HAVE -- WHAT'S THE EXHIBIT NUMBER,

11 JERRY?

12 MR. SHAW: 1563.

13 MR. MOSHENKO: 1563, PLEASE.

14 YOUR HONOR, EXHIBIT 1563, THESE PAGES ARE

15 NUMBERED FROM 1 THROUGH 61, AND THEN I WANT THE VERY NEXT

16 ONE, WHICH DOESN'T HAVE A NUMBER ON IT OTHER THAN 68. NEXT

17 ONE AFTER 61.

18 Q. MR. RANDALL, WOULD YOU JUST KIND OF PERUSE

19 THROUGH THAT EXHIBIT, AND I'M GOING TO REFER TO ALL OF THE

20 LETTERS THAT ARE DATED OCTOBER OF 1997, WHICH I THINK IS

21 THE GREATEST PORTION OF THE EXHIBIT, BUT NOT THE ENTIRE

22 EXHIBIT.

23 THE COURT: HOLD JUST A MINUTE, PLEASE,

24 MR. MOSHENKO.

25 MR. MOSHENKO: BEG YOUR PARDON?

26 MR. SHAW: HOLD OFF JUST FOR A SECOND.

1 MR. MOSHENKO: SURE.

2 (DISCUSSION HELD OFF THE RECORD.)

3 THE COURT: COULD YOU APPROACH, PLEASE, GENTLEMEN,  
4 JUST TO THE CLERK'S DESK?

5 ONE THING, IS THE AIR GETTING A LITTLE STALE  
6 AGAIN?

7 A JUROR: YES.

8 THE BAILIFF: DID YOU GUYS SAY THE AIR WAS GETTING  
9 STALE OR THE BAILIFF'S JOKES WERE GETTING STALE? OH,  
10 WHEW.

11 (DISCUSSION HELD OFF THE RECORD.)

12 MR. MOSHENKO: MAY I?

13 THESE DON'T HAVE THE NUMBERS.

14 THERE. THAT'S THE ONE WE'RE LOOKING FOR.  
15 RIGHT THERE.

16 Q. MR. RANDALL, YOU WROTE THE LETTER WHICH IS  
17 EXHIBIT 1563 AND DATED OCTOBER, 1997; CORRECT?

18 MR. SHERMAN: YOUR HONOR, COULD WE GET  
19 CONFIRMATION THAT IT IS PAGE 68 OF EXHIBIT 1563? MOST OF  
20 THESE LETTERS ARE OCTOBER '97, AND MOST ARE SIGNED BY  
21 MR. RANDALL.

22 MR. MOSHENKO: OKAY. I WILL GIVE THAT.

23 THE COURT: WHICH LETTER?

24 MR. MOSHENKO: PAGE BATES STAMPED 68, DATED  
25 OCTOBER, 1997.

26 THE WITNESS: MINE HAS 68 ON IT, OCTOBER, '97. I

1 PERUSED ALL OF THESE LETTERS. THEY ARE ALL OCTOBER '97,  
2 AND I SIGNED THEM.

3 BY MR. MOSHENKO: Q. OKAY. AT THE VERY END OF  
4 THEM, THERE ARE SOME NOVEMBER, DECEMBERS, ARE THERE NOT?

5 A. NOT ON MY UNDERSTANDING OF WHAT YOU TOLD ME  
6 TO PERUSE, NO.

7 Q. OKAY. UNDERSTAND.

8 BUT, I MEAN, AT THE VERY END OF THIS  
9 EXHIBIT -- I'M ONLY GOING TO LIMIT MY CONVERSATION RIGHT  
10 NOW TO OCTOBER, '97.

11 TO YOUR KNOWLEDGE THERE WAS ONLY ONE OCTOBER  
12 1997 LETTER; RIGHT?

13 MR. SHERMAN: OBJECTION, THAT LACKS FOUNDATION.  
14 ASSUMES FACTS NOT IN EVIDENCE. IT'S CONTRARY TO THE  
15 PLAINTIFFS' TRIAL EXHIBIT LIST.

16 THE COURT: SUSTAINED.

17 BY MR. MOSHENKO: Q. HOW MANY DIFFERENT OCTOBER  
18 1997 LETTERS DID YOU DRAFT TO GO TO DEAR COAST TO COAST  
19 MEMBER REGARDING TRANSFERS IN MEMBERSHIPS?

20 A. I BELIEVE I ONLY DRAFTED ONE.

21 Q. OKAY. SO LET'S LOOK AT EXHIBIT 68. THAT IS  
22 ONE OF THEM; RIGHT? EXHIBIT 1563, PAGE 68?

23 A. IT IS ONE OF THE ONES, YES.

24 MR. MOSHENKO: OKAY. AND I'LL OFFER IT INTO  
25 EVIDENCE.

26 MR. SHERMAN: NO OBJECTION.

1 THE COURT: THANK YOU. PROCEED.

2 (WHEREUPON EXHIBIT NO. 1563, PAGE 68 WAS  
3 RECEIVED IN EVIDENCE.)

4 MR. MOSHENKO: WE'LL PUT IT ON THE SCREEN, PLEASE.

5 Q. WERE YOU CAREFUL IN THE LANGUAGE THAT YOU  
6 USED, MR. RANDALL?

7 A. I TRIED TO BE CAREFUL IN THE LANGUAGE, YES,  
8 SIR.

9 MR. MOSHENKO: ALL RIGHT. WILL YOU BLOW UP THE  
10 FIRST PARAGRAPH.

11 Q. WERE YOU TRUTHFUL IN THE LANGUAGE THAT YOU  
12 USED?

13 A. TO THE BEST OF MY ABILITY, YES.

14 Q. HOW DID YOU -- WHAT CAUSED YOU TO BELIEVE  
15 THAT THE COAST TO COAST MEMBERS -- EXCUSE ME. LET ME BACK  
16 UP ONE MORE.

17 AND THIS IS THE LETTER OR A VERSION OF IT  
18 WITH DIFFERENT RESORT NAMES THAT WENT TO ALL OF THE  
19 PLAINTIFFS' MEMBERS WHO WERE COAST TO COAST MEMBERS?

20 A. IT WENT TO ALL OF THE COAST TO COAST MEMBERS,  
21 YES.

22 Q. ALL RIGHT. AND WHAT IS IT THAT CAUSED YOU  
23 TO BELIEVE THAT AS OF OCTOBER 1997, ALL OF THOSE PEOPLE  
24 WERE AWARE OR PROBABLY AWARE THAT COAST TO COAST RECEIVED  
25 THE NOTICE FROM RAY NOVELLI?

26 A. I'M NOT SURE OF ALL OF THE TIMING. WE

1 WERE -- I WAS AWARE THAT THE MEMBERS KNEW THAT THE RESORTS  
2 WERE LEAVING THE SYSTEM.

3 Q. WHY? WHAT MADE YOU AWARE OF IT?

4 A. NUMEROUS PHONE CALLS THAT HAD BEEN COMING  
5 IN, QUESTIONS REGARDING THE ACTUAL STATUS THAT THE MEMBERS  
6 SAID THEY HAD BEEN HEARING. AND TRYING TO CLEAR UP THOSE  
7 KINDS OF QUESTIONS GAVE ME THE IMPRESSION THAT THE MEMBERS  
8 WERE PROBABLY AWARE THAT THE RESORT WAS NO LONGER WITH  
9 COAST TO COAST.

10 Q. THAT DOESN'T SAY THAT. THIS SAYS -- AWARE.

11 WE, COAST, HAVE RECEIVED A NOTICE.

12 WHAT MADE YOU BELIEVE THE MEMBERS WERE AWARE  
13 THAT COAST HAD RECEIVED THE NOTICE?

14 MR. SHERMAN: OBJECTION. THAT'S ARGUMENTATIVE.

15 THE COURT: SUSTAINED.

16 BY MR. MOSHENKO: Q. WHAT DID YOU BASE THE  
17 STATEMENT THAT YOU ARE PROBABLY AWARE THAT WE HAVE RECEIVED  
18 A NOTICE FROM MR. NOVELLI ON?

19 MR. SHERMAN: OBJECTION. THAT'S NOW ASKED AND  
20 ANSWERED.

21 THE COURT: SUSTAINED.

22 BY MR. MOSHENKO: Q. WAS THERE ANYTHING OTHER THAN  
23 WHAT YOU'VE TOLD US THAT CAUSED YOU TO BELIEVE THAT THE  
24 34,000 MEMBERS WERE AWARE THAT COAST RECEIVED A NOTICE FROM  
25 MR. NOVELLI?

26 A. NO.

1 Q. LET ME GO TO THE NEXT PARAGRAPH, MR. DURAN.

2 NOW, YOU TESTIFIED EARLIER TODAY THAT BY  
3 SOMETIME IN -- WELL, BY ABOUT THE TIME THAT COAST RECEIVED  
4 THE NOTICES, YOU LEARNED THAT MR. NOVELLI WAS PLANNING TO  
5 GO TO R.P.I., WORDS TO THAT EFFECT?

6 A. I'M SORRY. I MISSED THE FIRST PART OF  
7 YOUR --

8 Q. YOU TESTIFIED EARLIER TODAY THAT AT ABOUT  
9 THE TIME THAT YOU LEARNED FROM MR. NOVELLI THAT -- THAT HE  
10 WAS MAKING THE CHANGE, THAT HE HAD A PLAN TO MOVE HIS  
11 MEMBERS TO THE R.P.I. RECIPROCAL USE SYSTEM, OR WORDS TO  
12 THAT EFFECT?

13 A. YES.

14 Q. ALL RIGHT.

15 A. I'M SORRY, MR. -- CAN I INTERRUPT REAL  
16 QUICKLY? THIS IS BOTHERING ME IN MY MIND.

17 I -- I SPEAK -- THAT'S -- IN THAT LETTER,  
18 AS YOU ARE PROBABLY AWARE, IF YOU TAKE OUT THE PART IN  
19 THERE THAT'S IN THE COMMAS, IT WOULD READ "AS YOU ARE  
20 PROBABLY AWARE, DELTA ISLE HAS BEEN TAKEN OUT OF THE COAST  
21 TO COAST SYSTEM." I'M JUST TRYING TO CLARIFY MY POINT THAT  
22 I'M -- I THINK THAT IT'S BEING MISREAD. "AS YOU ARE  
23 PROBABLY AWARE, WE HAVE RECEIVED NOTICE," AND THAT -- THAT  
24 REALLY WAS NOT WHAT I WAS TRYING TO SAY. I WASN'T SAYING  
25 AS YOU ARE PROBABLY AWARE, THEY BEING AWARE THAT WE HAD  
26 RECEIVED NOTICE. THEY ARE AWARE THAT DELTA ISLE HAS BEEN

1 TAKEN OUT OF THE COAST TO COAST SYSTEM. AND IF THAT'S  
2 GRAMMATICALLY INCORRECT, I APOLOGIZE. BUT I -- THAT'S WHAT  
3 I WAS TRYING TO SAY WITH THAT SENTENCE.

4 Q. OKAY. NOW, "WHILE WE CANNOT UNDO THE ACTION  
5 OF OTHERS, WE ARE PREPARED TO TAKE ACTION TO PRESERVE AND  
6 PROTECT THE MEMBERS OF THE COAST TO COAST FAMILY."

7 YOU KNEW THAT MR. NOVELLI WAS GOING TO BE  
8 MOVING HIS MEMBERS TO THE R.P.I. RECIPROCAL SYSTEM; RIGHT?

9 A. I BELIEVE THAT WE DID KNOW IT IN THAT TIME  
10 FRAME, YES.

11 Q. OKAY. AND SO WHAT IS IT YOU WERE TRYING TO  
12 PROTECT THE MEMBERS FROM?

13 A. TRYING TO PROTECT THE MEMBERS FROM THE LOSS  
14 OF THEIR COAST TO COAST PRIVILEGES AND BENEFITS.

15 Q. WHICH WAS ESSENTIALLY -- SUBSTANTIALLY THE  
16 SAME AS WHAT HE WAS GOING TO PROVIDE THEM BY GOING TO  
17 R.P.I., WASN'T IT?

18 A. I DISAGREE WITH THAT.

19 Q. WELL, IN FACT, SOME PEOPLE WOULD SAY THAT  
20 THE -- THE BENEFITS IN R.P.I. ARE BETTER THAN THE BENEFITS  
21 OF COAST TO COAST; RIGHT?

22 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

23 THE COURT: SUSTAINED.

24 BY MR. MOSHENKO: Q. WELL, DO YOU HAVE PERSONAL  
25 KNOWLEDGE OF ANYONE THAT'S EVER TOLD YOU THAT HE BELIEVED  
26 THE BENEFITS OF R.P.I. WERE BETTER THAN THE BENEFITS OF

1 COAST TO COAST BACK IN 1997?

2 A. NO.

3 Q. HAVE YOU EVER TALKED TO MR. DAWSON? HE RUNS

4 R.P.I.

5 A. NO, I HAVE NOT.

6 Q. NOW, "WE ARE PREPARED TO TAKE ACTION TO

7 PRESERVE" -- OKAY. WHAT ACTIONS WAS -- WAS IT YOU WERE

8 TRYING TO TELL THE MEMBERS YOU WERE PREPARED TO TAKE? ANY

9 ACTION?

10 A. IT WOULD BE WHATEVER ACTION DEEMED

11 APPROPRIATE TO PROTECT -- LET'S SEE. HOW DOES THAT -- TO

12 PRESERVE AND PROTECT THE MEMBERS OF THE COAST TO COAST

13 FAMILY, WHATEVER ACTIONS WOULD BE APPROPRIATE.

14 Q. LIKE LEAVING THE DELTA ISLE MEMBERS IN -- I

15 MEAN -- SORRY -- THE -- THE -- EXCUSE ME -- THE DEER RUN

16 MEMBERS IN, THAT WOULD PRESERVE AND PROTECT THEIR RIGHT TO

17 USE COAST TO COAST; YOU WERE PREPARED TO DO THAT?

18 A. NO. I DIDN'T THINK THAT WAS AN APPROPRIATE

19 ACTION.

20 Q. OKAY. NOW, SO THE ACTION THAT YOU WERE

21 PREPARED TO TAKE WAS MAKING ARRANGEMENTS TO HAVE YOUR COAST

22 TO COAST HOME RESORT MEMBERSHIP TRANSFERRED TO RANCHO EL

23 DORADO IN MEXICO?

24 A. YES.

25 Q. IS THAT WHAT YOU WERE PREPARED TO DO?

26 A. YES. THAT WAS --

1 Q. DID YOU TALK TO ANY OF THE MEMBERS BEFORE  
2 YOU SENT THEM THESE LETTERS TO SEE IF THEY WANTED TO BE  
3 TRANSFERRED FROM SACRAMENTO TO MEXICO?

4 A. I SPOKE TO MEMBERS, NOT NECESSARILY ABOUT  
5 THEM WANTING TO TRANSFER TO MEXICO, BUT ASKING FOR THE  
6 OPPORTUNITY TO TRANSFER SOMEWHERE.

7 Q. DID YOU DETERMINE WHETHER THE BOAT DOCKS IN  
8 SAN FELIPE, MEXICO WERE BETTER THAN THE BOAT DOCKS IN  
9 SACRAMENTO?

10 A. NO, SIR, I DID NOT.

11 Q. ON THIS ISSUE 6, WHAT YOU TRANSFERRED, THIS  
12 SAYS, "YOUR COAST TO COAST HOME RESORT, DELTA ISLE, HAS  
13 BEEN TAKEN OUT." DO YOU SEE THAT?

14 A. YES.

15 Q. AND YOU KNEW THAT THE DELTA ISLE PEOPLE THAT  
16 RECEIVED THIS LETTER HAD MEMBERSHIPS IN DELTA ISLE; RIGHT?

17 A. YES.

18 Q. THAT'S WHY YOU CHOSE TO PUT "DELTA ISLE" IN  
19 THEIR LETTERS; RIGHT?

20 A. YES.

21 Q. OKAY. AND SO WHEN YOU SAY, "YOUR COAST TO  
22 COAST HOME RESORT, DELTA ISLE," THERE, AND YOU SAY, "YOUR  
23 COAST TO COAST HOME RESORT MEMBERSHIP" HERE, YOU'RE TALKING  
24 ABOUT TRANSFERRING THE MEMBERSHIP IN DELTA ISLE; RIGHT?

25 A. NO. IT'S THE COAST TO COAST MEMBERSHIP.

26 Q. WE DISCUSSED THIS THIS MORNING, RIGHT HERE

1 ON THIS BOARD. THE HOME RESORT MEMBERSHIP RESTS IN THE  
2 HOME RESORT; REMEMBER?

3 A. AT THE TIME OF PURCHASE OF THAT MEMBERSHIP, YES.

4 Q. OKAY. THE COAST MEMBERSHIP RESTS HERE;  
5 RIGHT?

6 A. OKAY.

7 Q. AND IT'S NOT CALLED A COAST RESORT  
8 MEMBERSHIP. IT'S CALLED A COAST MEMBERSHIP?

9 A. IT'S THE COAST TO COAST MEMBERSHIP, YES.

10 Q. ALL RIGHT. SO WHAT WERE YOU TRANSFER -- HOW  
11 WERE YOU TRANSFERRING THE COAST MEMBERSHIP TO EL DORADO,  
12 MEXICO?

13 A. BY ELECTRONIC -- IT WAS AN ADMINISTRATIVE  
14 MOVE.

15 Q. OKAY. AND YOU DIDN'T EXPECT ANYBODY TO  
16 BELIEVE THAT THEY ACTUALLY HAD IN THEIR HOME RESORT  
17 MEMBERSHIPS TRANSFERRED FROM DELTA ISLE TO RANCHO EL DORADO  
18 IN SAN FELIPE, MEXICO?

19 A. NO MORE THAN I WOULD HAVE THOUGHT THEY  
20 THOUGHT WE WERE PHYSICALLY TRANSPORTING THEIR PERSON TO SAN  
21 FELIPE MEXICO, NO.

22 Q. WHAT HAPPENED TO THE TRANSFER RULES THAT  
23 BEFORE YOU COULD ARRANGE TO TRANSFER SOMEBODY, YOU HAD TO  
24 HAVE LETTERS FROM THE TRANSFERRED-FROM RESORT AND THE  
25 TRANSFERRED-TO RESORT?

26 A. THOSE RULES APPLIED TO MEMBERS TRANSFERRING

1 FROM ONE AFFILIATED RESORT TO ANOTHER AFFILIATED RESORT.

2 THIS IS, TO USE THE VERNACULAR, AN ORPHAN SITUATION.

3 Q. WASN'T MR. -- WASN'T DELTA ISLE AN

4 AFFILIATED RESORT UNTIL 90 DAYS AFTER THE NOTICE?

5 A. NOT IN MY OPINION, NO.

6 Q. DIDN'T YOU RECEIVE A 90-DAY NOTICE FROM

7 MR. NOVELLI THAT HIS RESORT WAS GOING TO BE MOVING OUT OF

8 THE COAST TO COAST SYSTEM?

9 MR. SHERMAN: OBJECTION. MISSTATES THE EVIDENCE.

10 THE DOCUMENT SPEAKS FOR ITSELF.

11 THE COURT: SUSTAINED.

12 BY MR. MOSHENKO: Q. THE TRANSFER RULES ONLY APPLY

13 UNLESS A RESORT AFFILIATE DECIDES TO EXERCISE HIS RIGHT TO

14 TERMINATE THE CONTRACT?

15 A. COULD YOU SAY THAT AGAIN, PLEASE. I DON'T

16 UNDERSTAND CLEARLY.

17 Q. ARE YOU SAYING THE TRANSFER RULES ONLY APPLY

18 UNTIL AND UNLESS A RESORT DEVELOPER DECIDES TO CHANGE HIS

19 RECIPROCAL USE ORGANIZATION TO ANOTHER RESORT, TO ANOTHER

20 RECIPROCAL USE PROVIDER, I MEAN?

21 A. I'M -- HONESTLY, I'M NOT MAKING ANY SENSE

22 OUT OF THAT QUESTION, MR. MOSHENKO.

23 Q. AREN'T THE TRANSFER RULES THERE TO PROTECT

24 THE MEMBERS?

25 A. THE TRANSFER RULES ARE THERE TO GIVE THE

26 MEMBERS THE OPPORTUNITY TO SWITCH THEIR ACTUAL HOME RESORT

1 IF THEY DESIRE TO.

2 Q. BUT ISN'T THE REASON WHY YOU REQUIRE THE  
3 MEMBER STATEMENT "I WANT TO TRANSFER" SO THAT YOU WILL KNOW  
4 IN ADVANCE BEFORE YOU TRY TO TRANSFER THE MEMBER THE MEMBER  
5 WANTS A TRANSFER?

6 A. THAT, PLUS WE WOULD PREFER THAT THE RESORTS  
7 DON'T JUST TRANSFER MEMBERS AMONGST THEMSELVES WITHOUT US  
8 KNOWING ABOUT IT.

9 Q. SO THE MEMBERS -- THE MEMBERS' RIGHT TO BE  
10 CONSULTED AND TO GIVE CONSENT TO A TRANSFER ONLY APPLIES IF  
11 THEY BELONG TO A RESORT THAT DOESN'T WITHDRAW FROM COAST TO  
12 COAST?

13 A. I -- I THINK THE WAY YOU SAID THAT IS  
14 CORRECT, YES.

15 Q. OKAY. WHAT IS IT ABOUT MR. NOVELLI'S  
16 DECISION TO CHANGE THE RECIPROCAL THAT CAUSED YOU TO  
17 BELIEVE IT'S JUSTIFIED TO NOT COMMUNICATE WITH MEMBERS  
18 BEFORE YOU TRANSFERRED THEM?

19 A. DIDN'T HAVE ANYTHING TO DO WITH MR. NOVELLI  
20 CHANGING RECIPROCAL. IT HAD TO DO WITH THE MEMBERS, THE  
21 COAST TO COAST MEMBERS NOT HAVING ACCESS TO THEIR COAST TO  
22 COAST BENEFITS AND PRIVILEGES BECAUSE MR. NOVELLI HAD  
23 PULLED HIS RESORTS OUT OF THE COAST TO COAST SYSTEM.

24 Q. WELL, DON'T -- DIDN'T THOSE MEMBERS HAVE  
25 ACCESS TO THE SAME RESORTS TO THE EXTENT THAT THERE WERE AT  
26 LEAST 75 PERCENT OF THE COAST TO COAST RESORTS AS A PART OF

1 R.P.I. SYSTEM?

2 A. I'M NOT SURE THAT THE 75 PERCENT IS  
3 ACCURATE. BUT NOT -- NOTWITHSTANDING ALL OF THOSE RESORTS  
4 WERE NOT AVAILABLE TO THE MEMBERS THROUGH THE R.P.I.  
5 SYSTEM. AND, IN SOME CASES, MEMBERS WERE, IN FACT, DENIED  
6 THE ABILITY TO USE RESORTS AS A PART OF THEIR NORMAL TRAVEL  
7 PATTERNS.

8 Q. YOU KNOW HOW MANY RESORTS WERE IN  
9 MR. NOVELLI AND MR. VOPNFORD'S SYSTEM, THE THOUSAND  
10 ADVENTURES AND NOVELLI RESORTS, THAT WERE COMBINING INTO  
11 TRAVEL AMERICA AS OF SEPTEMBER OF 1997?

12 A. NO. I -- I REALLY DON'T.

13 Q. IT WAS MORE RESORTS THAN THE ONE RESORT --  
14 AFFILIATED RESORT THAT -- THAT COAST'S FORMER PRESIDENT  
15 HAD -- PATRICK BUTLER HAD BACK DOWN IN MEXICO, WASN'T IT?

16 A. SORRY. YOU LOST ME AGAIN.

17 Q. HOW MANY RESORTS WERE THERE, AFFILIATED  
18 RESORTS, IN RANCHO EL DORADO RESORT, AT RANCHO -- STRIKE  
19 THAT.

20 WASN'T RANCHO EL DORADO RESORT A GOOD  
21 NEIGHBOR PARK AS OF THAT -- 1997 SEPTEMBER?

22 A. I HAVE TO GO BACK TO TESTIMONY THAT'S  
23 ALREADY BEEN GIVEN. YES, IT WAS A GOOD NEIGHBOR PARK. AND  
24 YES, IT WAS A COAST TO COAST PRIVATE MEMBERSHIP AFFILIATED  
25 RESORT AS WELL.

26 Q. WELL, THERE WAS ANOTHER RESORT DOWN THERE

1 CALLED LA CACHANILLA, I BELIEVE?

2 A. I'LL GO WITH THAT.

3 Q. OKAY. AND THAT WAS AN AFFILIATED RESORT,  
4 COAST TO COAST AFFILIATE?

5 A. YES.

6 Q. SO WE HAVE ONE AFFILIATE AND ONE GOOD  
7 NEIGHBOR PARK?

8 A. YES.

9 Q. AND ISN'T IT TRUE THAT TRAVEL AMERICA WAS  
10 GOING TO OFFER TO THESE MEMBERS BASICALLY UNLIMITED USE IN  
11 50, 60 TRAVEL AMERICA RESORTS?

12 MR. SHERMAN: OBJECTION. LACKS FOUNDATION.  
13 ASSUMES FACTS NOT IN EVIDENCE.

14 THE COURT: OVERRULED.

15 YOU MAY ANSWER THE QUESTION IF YOU KNOW IT.

16 THE WITNESS: I DON'T KNOW THAT TO BE ACTUAL AND  
17 FACTUAL, NO.

18 BY MR. MOSHENKO: Q. WELL, YOU KNEW THAT TRAVEL  
19 AMERICA WAS GOING TO OFFER MEMBERSHIPS -- OR MEMBERS USE OF  
20 RESORTS IN THE UNITED STATES VERSUS MEXICO; RIGHT?

21 MR. SHERMAN: OBJECTION. RENEW THE SAME OBJECTION.  
22 IT'S ALSO VAGUE AS TO TIME AS TO WHEN HE KNEW ABOUT TRAVEL  
23 AMERICA.

24 THE COURT: OVERRULED.

25 MR. MOSHENKO: HE'S TOLD US --

26 THE WITNESS: COULD YOU SAY THE QUESTION AGAIN

1 PLEASE.

2 BY MR. MOSHENKO: Q. YOU KNEW THAT MR. NOVELLI WAS  
3 GOING TO BE OFFERING HIS MEMBERS THE USE OF MULTIPLE  
4 RESORTS IN A MULTIPLE RESORT SYSTEM IN THE UNITED STATES,  
5 BOTH EAST, CENTRAL AND WESTERN UNITED STATES?

6 A. YES, I KNEW THAT.

7 Q. OKAY. AND YOU FELT IT WAS IN THE MEMBERS'  
8 BEST INTERESTS FOR THEM TO LEAVE THIS MULTIPLE RESORT  
9 SYSTEM AND GO TO A SINGLE AFFILIATED RESORT AND A GOOD  
10 NEIGHBOR PARK IN SAN FELIPE, MEXICO AS THEIR HOME RESORT?

11 A. NO. I FELT THAT THE MEMBERS WERE HAVING  
12 ACCESS TO THE 400 OR CLOSE TO 400 REMAINING COAST TO COAST  
13 AFFILIATED RESORTS.

14 Q. ISN'T THAT A DIRECT VIOLATION OF THE PRIMARY  
15 PRODUCT RULE; YOU ARE SELLING COAST TO COAST RATHER THAN  
16 THE RESORT?

17 A. NO, I DON'T BELIEVE THAT TO BE THE CASE.

18 Q. WELL, WHEN YOU JUST SAID, "I BELIEVE THAT  
19 WHAT I WAS DOING WAS GIVING THEM ACCESS TO COAST TO COAST,"  
20 THAT WAS WITHOUT REGARD TO WHAT THEY WERE GOING TO END UP  
21 IN SAN FELIPE MEXICO, ISN'T IT?

22 A. NO. THEY WOULD HAVE A HOME RESORT IN SAN  
23 FELIPE, MEXICO.

24 Q. HAVE YOU EVER BEEN THERE?

25 A. I HAVE NOT, NO.

26 Q. HAVE YOU EVER SEEN WHAT THEY'VE GOT?

1 A. NO, I HAVE NOT.

2 Q. YOU KNOW THEY DON'T HAVE MULTIPLE RESORTS IN  
3 THE UNITED STATES ON THE EAST, CENTRAL, AND WEST COAST, DO  
4 YOU, DON'T YOU?

5 A. I DON'T KNOW THAT FOR A FACT, NO.

6 Q. WHERE DO YOU THINK MR. BUTLER'S RESORTS ARE  
7 IF THEY ARE NOT IN SAN FELIPE, MEXICO?

8 A. HE MAY HAVE PURCHASED OTHER RESORTS. I JUST  
9 REALLY DON'T KNOW WHAT THE EXTENT OF HIS OWNERSHIP IS  
10 ACROSS THE COUNTRY. I BELIEVE WHAT YOU'RE SAYING TO BE  
11 TRUE, BUT I DON'T KNOW THE OPPOSITE TO BE A FACT.

12 Q. AND YOU DIDN'T BOTHER TO FIND OUT BEFORE YOU  
13 TRANSFERRED ALL OF THE DELTA ISLE MEMBERS FROM SACRAMENTO  
14 TO MEXICO; CORRECT?

15 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.

16 THE COURT: SUSTAINED

17 BY MR. MOSHENKO: Q. DID YOU BOTHER TO FIND OUT  
18 BEFORE YOU TRANSFERRED ALL OF THE DELTA ISLE RESORT MEMBERS  
19 TO MEXICO?

20 MR. SHERMAN: OBJECTION. STILL LACKS FOUNDATION.

21 THE COURT: SUSTAINED.

22 BY MR. MOSHENKO: Q. OKAY. DID YOU TRANSFER ALL  
23 OF THE MEMBERS FROM DELTA ISLE TO MEXICO?

24 A. NO.

25 Q. OH. HOW MANY MEMBERS DID YOU TRANSFER?

26 A. I DON'T KNOW EXACTLY HOW MANY MEMBERS WERE

1 TRANSFERRED OFF THE TOP OF MY HEAD. I HAVE HEARD IT  
2 TESTIFIED TO IN THIS COURTROOM THAT IT WAS A THOUSAND.

3 Q. 1100 IS I THINK WHAT MR. SHAW ASKED ABOUT.

4 DOES THAT REFRESH YOUR MEMORY?

5 A. OKAY.

6 Q. SO HAVE YOU DONE A COUNT BEFORE YOU SAT DOWN  
7 HERE TODAY?

8 A. NO, SIR.

9 Q. OKAY. YOU DID PROVIDE US WITH A LIST IN  
10 DECEMBER OF 1999 SHOWING THE -- THE NAMES OF THE MEMBERS  
11 WHO WERE TRANSFERRED AND THE TRANSFERRED-FROM AND THE  
12 TRANSFERRED-TO RESORTS; RIGHT?

13 A. YES.

14 Q. OKAY. I'M -- SUGGEST TO YOU THAT WE'VE DONE  
15 A COUNT, AND IT SHOWS ABOUT -- IN EXCESS OF A THOUSAND  
16 DELTA ISLE MEMBERS WERE MOVED TO MEXICO.

17 A. OKAY.

18 Q. OKAY?

19 NOW, WHAT IS IT THAT CAUSED YOU TO SAY ALL  
20 OF THE COAST TO COAST MEMBERS OF DELTA ISLE WERE NOT  
21 TRANSFERRED TO MEXICO?

22 A. BECAUSE I BELIEVE WE TRANSFERRED OTHER  
23 MEMBERS TO SOME OTHER RESORTS.

24 Q. HOW MANY?

25 A. I DON'T KNOW.

26 Q. OKAY. MAYBE WE CAN DEAL WITH THAT

1 TOMORROW.

2 BUT WASN'T IT -- WELL, HOW DID YOU DECIDE

3 WHERE TO TRANSFER THESE PEOPLE?

4 A. I DID NOT DECIDE WHERE TO TRANSFER THESE  
5 PEOPLE.

6 Q. WHO DID?

7 A. THE REGIONAL DIRECTOR IN CONJUNCTION WITH  
8 THE DIRECTOR OF RESORT SERVICES, VICE PRESIDENT.

9 Q. YOU GAVE THE DIRECTION TO THE I.T. EMPLOYEES  
10 OF AFFINITY IN DENVER, OR ENGLEWOOD, COLORADO OF WHAT NAMES  
11 TO PUT ON THE LISTS THAT YOU PROVIDED TO THE RESORT OWNERS;  
12 RIGHT?

13 A. I'M NOT SURE IN WHAT FORMAT THE NAMES WERE  
14 PROVIDED. BUT, IN ESSENCE, IF THERE WAS SPECIFIC  
15 DIRECTION, YEAH, IT WOULD HAVE COME FROM ME.

16 Q. OKAY. HOW DID YOU DECIDE WHICH NAMES TO  
17 TELL THEM TO INCLUDE ON THE MATERIAL THEY PROVIDED TO THE  
18 RESORT OWNERS?

19 A. THAT WOULD HAVE BEEN BASED ON THE DIRECTION  
20 I RECEIVED FROM THE DIRECTOR, VICE PRESIDENT, RESORT  
21 SERVICES.

22 Q. WASN'T THE DIRECTION TO INCLUDE ALL OF THE  
23 NAMES OF ALL OF THE DELTA ISLE MEMBERS WHO WERE COAST TO  
24 COAST MEMBERS ON THOSE LISTS?

25 A. I DON'T THINK SO.

26 Q. AND -- LET'S SEE.

1           WHAT HAPPENED TO THE "YOU MUST VISIT YOUR  
2 RESORT" RULE THAT COAST IS SUPPOSED TO ENFORCE WHEN THEY  
3 SENT ALL THESE PEOPLE TO MEXICO?

4       A.    THAT RULE IS FOR NEW MEMBERSHIPS. THESE ARE  
5 NOT NEW MEMBERSHIPS.

6       Q.    OKAY. SO IF MR. BALDELLI WERE TO SELL  
7 SOMEBODY A RESORT WITHOUT EVER LOOKING AT IT, AND THAT  
8 PERSON WAS A PRIOR COAST TO COAST MEMBER, YOU WOULDN'T CARE  
9 IF THEY HAD VISITED THE RESORT?

10      MR. SHERMAN: OBJECTION. THAT'S AN INCOMPLETE  
11 HYPOTHETICAL.

12      THE COURT: SUSTAINED.

13            REPHRASE, PLEASE.

14      BY MR. MOSHENKO: Q. OKAY. I GUESS, IS YOUR POINT  
15 THAT IF SOMEONE IS ALREADY A COAST TO COAST MEMBER, THEY  
16 DON'T HAVE TO VISIT THEIR RESORT BEFORE THEY BUY?

17      A.    YES.

18      Q.    OKAY. AND, NOW, WHY DIDN'T COAST TRANSFER  
19 THE DELTA ISLE MEMBERS TO THE RESORT THAT WAS ACROSS THE  
20 FENCE ON THE DELTA CALLED "QUALITY RESORTS" THAT WAS AN  
21 AFFILIATED RESORT OF A COAST TO COAST RESORT?

22      A.    YOU'RE TESTING MY MEMORY, BUT THAT'S WHY I'M  
23 PRETTY SURE THAT WE DIDN'T TRANSFER ALL OF THE MEMBERS TO  
24 RANCHO EL DORADO. I BELIEVE THAT WE DID SEND SOME MEMBERS  
25 TO QUALITY RESORTS AND -- AND MAYBE ONE OR TWO OTHER  
26 RESORTS IN THAT AREA. I JUST -- WITHOUT SEEING THE

1 DOCUMENTS, I CAN'T SPEAK CERTAINLY.

2 Q. TWO QUESTIONS.

3 IS IT THAT YOU -- SOME OF THE MEMBERS

4 COMPLAINED THEY DIDN'T WANT TO GO TO MEXICO AND, THEREFORE,

5 ENDED UP AT QUALITY?

6 A. ONLY IF THEY WENT TO QUALITY RESORTS AT THAT

7 POINT IN TIME AND -- AND ACTUALLY JOINED THERE AND TOLD US

8 THAT NOW THEIR NEW HOME RESORT WAS QUALITY RESORTS OF

9 AMERICA.

10 Q. AND THE OTHER QUESTION IS, YOU AGREE WITH ME

11 THAT THE HUGE MAJORITY OF DELTA ISLE MEMBERS WENT TO MEXICO

12 AS OPPOSED TO ANOTHER RESORT IN THE SACRAMENTO DELTA?

13 A. BASED ON WHAT YOU'VE BEEN TELLING ME, YES, I

14 DO.

15 Q. WELL, DID SOMEBODY CONSIDER THE CONVENIENCE

16 OF THE MEMBER IN THEIR HAVING A HOME RESORT NEAR THEIR HOME

17 WHEN THEY MADE THE DECISION TO TRANSFER THEM TO MEXICO?

18 A. I HONESTLY CAN'T SAY.

19 Q. WHAT'S THE 150-MILE RULE?

20 A. NO EARTHLY IDEA.

21 Q. BEG PARDON?

22 A. NO EARTHLY IDEA.

23 Q. OKAY. THE RESORT OWNERS THAT WERE --

24 RECEIVED -- THE RESORT OWNERS THAT RECEIVED THE

25 TRANSFERRED-TO MEMBERS WERE TOLD BY COAST TO COAST THEY HAD

26 TO GIVE THE MEMBERS SPECIAL DEALS; RIGHT? LIKE THEY

1 COULDN'T CHARGE MEMBERSHIP FEES?

2 A. I UNDERSTAND THAT TO BE WHAT TOOK PLACE, YES.

3 Q. WASN'T THAT A GIVEAWAY OF MEMBERSHIPS?

4 A. I DON'T KNOW.

5 Q. WASN'T THAT A BREACH OF THE PRIMARY PRODUCT  
6 RULE BECAUSE YOU REALLY DIDN'T CARE IF ANYBODY USED SAN  
7 FELIPE, MEXICO; IN FACT, YOU PROBABLY KNEW THEY WOULDN'T;  
8 ALL YOU CARED ABOUT IS THAT THEY WERE BEING ABLE TO USE THE  
9 RESORTS IN THE COAST SYSTEM; RIGHT?

10 A. I DON'T BELIEVE THAT WAS THE DRIVING FORCE,  
11 NO.

12 Q. WASN'T THE TRANSFER TO SAN FELIPE, MEXICO  
13 DONE IN TOTAL DISREGARD OF WHAT THE -- OF THE MEMBERS WOULD  
14 HAVE TOLD YOU IF YOU SAID, "WOULD YOU GUYS LIKE TO GO TO  
15 SAN FELIPE, MEXICO RATHER THAN STAY AT DELTA ISLE"?

16 A. I DON'T KNOW THAT TO BE TRUE.

17 Q. AND YOU NEVER BOTHERED TO ASK ANYBODY;  
18 RIGHT?

19 A. NO, I DID NOT.

20 Q. ALL RIGHT. NOW YOU GAVE LISTS TO THE RESORT  
21 OWNERS, AND YOU TOLD THEM TO CONTACT THE MEMBERS; RIGHT?

22 THAT'S WHY IT SAYS, "YOU WILL SOON BE  
23 HEARING" -- "YOU'LL BE HEARING SOON FROM A REPRESENTATIVE  
24 OF THIS RESORT TO ACTIVATE YOUR MEMBERSHIP."

25 A. AT THE RISK OF SOUNDING LIKE I'M TRYING TO  
26 SIDESTEP YOUR QUESTION, I DID NOT DO THAT, NO. THAT WAS

1 DONE WITH THE REGIONAL DIRECTOR AND WHATEVER CONVERSATION  
2 HE HAD WITH THOSE RESORTS WHO WANTED TO PARTICIPATE IN THIS  
3 ORPHAN PROGRAM.

4 Q. OKAY. NOW, ALL THE PEOPLE HAD COAST TO  
5 COAST MEMBERSHIPS; RIGHT? THE PEOPLE THAT RECEIVED THESE  
6 LETTERS?

7 A. YES.

8 Q. THEY WERE ACTIVE MEMBERSHIPS; RIGHT?

9 A. DEPENDING ON YOUR DEFINITION OF "ACTIVE."  
10 THEY HAD A CURRENT COAST TO COAST MEMBERSHIP, YES.

11 Q. AND THERE WAS NO REASON FOR THEM TO TALK TO  
12 THEIR REPRESENTATIVE OF THE RESORT TO ACTIVATE THEIR COAST  
13 TO COAST MEMBERSHIP; RIGHT?

14 A. THAT'S CORRECT.

15 Q. SO THE MEMBERSHIP THEY WERE ACTIVATING WAS A  
16 HOME RESORT MEMBERSHIP IN MEXICO; RIGHT?

17 A. YES.

18 Q. WHICH IS THE MEMBERSHIP THING THAT YOU WERE  
19 TRANSFERRING?

20 MR. SHERMAN: OBJECTION. THAT IS VAGUE AND  
21 AMBIGUOUS AND LACKS FOUNDATION. THEY WERE TRANSFERRING  
22 FROM SAN FELIPE INTO SAN FELIPE?

23 THE COURT: OVERRULED.

24 BY MR. MOSHENKO: Q. AND NOW IT ALSO TALKED ABOUT  
25 HERE "YOU ARE NOT OBLIGATED TO ACCEPT THIS TRANSFER, NOR  
26 DOES THIS TRANSFER RELIEVE YOU OF ANY CONTRACTUAL

1 OBLIGATIONS. YOU MAY HAVE" -- AND THERE YOU'RE TALKING  
2 ABOUT CONTRACTUAL OBLIGATIONS WITH DELTA ISLE, AREN'T YOU?

3 A. YES.

4 Q. WHAT IS IT ABOUT -- ASSUMING YOUR STATEMENT  
5 THAT YOU WERE NOT TRANSFERRING THE RESORT MEMBERSHIP, BUT  
6 YOU WERE TRANSFERRING THE COAST TO COAST MEMBERSHIP, WHAT  
7 IS IT ABOUT A TRANSFER OF A COAST TO COAST MEMBERSHIP THAT  
8 WOULD CAUSE MEMBERS TO BELIEVE THAT THAT WOULD EXCUSE THEM  
9 FROM SOME CONTRACT THEY HAD WITH A RESORT OWNER?

10 MR. SHERMAN: OBJECTION. THAT LACKS FOUNDATION.  
11 ALSO CALLS FOR SPECULATION.

12 THE COURT: SUSTAINED

13 BY MR. MOSHENKO: Q. ALL RIGHT. AND HERE IT  
14 SAYS, "WE ASK THAT YOU NOTIFY COAST TO COAST AS SOON AS  
15 POSSIBLE SO THAT WE MAY TRANSFER YOUR COAST TO COAST  
16 MEMBERSHIP TO THAT RESORT."

17 THAT RESORT IS MEXICO; RIGHT?

18 A. NO. THAT RESORT IS IF THEY SELECTED  
19 SOMETHING ELSE.

20 Q. OH, YOU'RE RIGHT.

21 SO SOME RESORT OTHER THAN MEXICO?

22 A. AND IF THEY WANTED THAT DELTA ISLE, THAT  
23 WOULD BE FINE AS WELL, IF THE MEMBERS NOTIFIED US. I CAN'T  
24 SEE THE FAR END OF THAT.

25 THE COURT: IT'S BEEN A LONG DAY. LET'S PICK UP  
26 HERE TOMORROW.

1 MR. MOSHENKO: THANK YOU, YOUR HONOR.

2 THE COURT: SEE YOU ALL AT 9:30, LADIES AND

3 GENTLEMEN.

4 A JUROR: 9:30?

5 THE COURT: ALL RIGHT. NINE O'CLOCK.

6 MR. MOSHENKO: YOUR HONOR, MAY WE HAVE A MINUTE

7 WHEN THE JURY LEAVES?

8 THE COURT: YEAH.

9 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
10 COURT OUTSIDE THE PRESENCE OF THE JURY:)

11 MR. MOSHENKO: YOUR HONOR, I PROPOSE TOMORROW TO  
12 INTRODUCE ALL OF THE OCTOBER 1997 LETTERS THAT ARE A PART  
13 OF THE EXHIBIT WE'RE USING INTO EVIDENCE. AND I WOULD ASK  
14 IF COUNSEL TAKE A LOOK AT THEM, SO THAT WE DON'T HAVE TO  
15 TAKE THE TIME IN THE MORNING TO SEE IF WE CAN AGREE THAT  
16 THE OCTOBER LETTERS CAN GO IN WITHOUT HAVING THE WITNESS  
17 STUDY ALL OF THEM TO MAKE SURE THAT -- THAT HE IS THE  
18 WRITER OF THEM, AND THAT THE SIGNATURES ON THERE ARE IN  
19 FACT HIS SIGNATURES.

20 MR. SHERMAN: YOUR HONOR, HERE'S THE ISSUE: AND  
21 THERE ARE SOME -- THERE ARE SOME PORTIONS OF EXHIBIT 1563  
22 THAT ARE -- APPEAR TO BE HANDWRITTEN NOTES.

23 IT'S UNCLEAR WHERE THESE LETTERS WITH  
24 HANDWRITTEN NOTES CAME FROM. AND SO IF THE ISSUE IS, IS  
25 JIM RANDALL'S SIGNATURE IN 1563 IN FACT THE SIGNATURE OF  
26 JIM RANDALL, AND ARE THE TYPEWRITTEN LETTERS ON COAST TO

1 COAST LETTERHEAD, COAST TO COAST LETTERS, WE GOT NO PROBLEM  
2 WITH THAT. WE CAN MOVE THOSE INTO EVIDENCE. NO OBJECTION.

3 BUT I'M JUST LOOKING AT ONE, FOR EXAMPLE,  
4 THAT'S GOT ALL SORTS OF HANDWRITTEN SCRIBBLED NOTES ON IT,  
5 YOU KNOW, ATTENTION SUSIE, DEER RUN, DROP COAST TO COAST.  
6 I DON'T KNOW WHO SUSIE IS. THERE'S NO LAYING OF FOUNDATION  
7 THAT THIS IS A LETTER THAT COAST RECEIVED THROUGH ITS  
8 MEMBER SERVICES DEPARTMENT LIKE MR. RYMAN TESTIFIED TO, ET  
9 CETERA.

10 SO I DON'T NEED TO DO A HOMEWORK ASSIGNMENT  
11 TONIGHT. I KNOW THE ANSWER TO THE -- TO THE QUESTION NOW.

12 MR. MOSHENKO: I'LL TAKE A LOOK AT ANY EXHIBITS  
13 THAT HAVE HANDWRITING ON THEM, YOUR HONOR. AND WE CAN DEAL  
14 WITH THOSE IN THE MORNING. I DON'T THINK THERE ARE A GREAT  
15 NUMBER OF THEM.

16 THE COURT: HOW MUCH LONGER ARE YOU GOING TO BE  
17 WITH THIS WITNESS?

18 MR. MOSHENKO: MAYBE AN HOUR, YOUR HONOR.

19 MR. SHERMAN: HE'LL BE OFF EITHER BEFORE NOON OR A  
20 LITTLE AFTER.

21 MR. MOSHENKO: BUT YOU KNOW THE RULE IF YOU GIVE  
22 THE LAWYER OVERNIGHT.

23 THE COURT: WHO'S YOUR NEXT WITNESS?

24 MR. SHERMAN: I PROBABLY HAVE ABOUT TWO HOURS.

25 SO, YOU KNOW, PROBABLY TO BE --

26 MR. MOSHENKO: YOUR HONOR, WE ARE -- I'VE TOLD

1 COUNSEL THAT WE'RE EITHER GOING TO BRING IN CHRIS DAVIS OR  
2 WE'RE TALKING ABOUT BRINGING BACK A RESORT MANAGER THAT WAS  
3 HERE AND DIDN'T GET PUT ON.

4 MR. SHERMAN: YOUR HONOR, THIS IS --

5 MR. MOSHENKO: AND THEN AFTER THAT, I'VE TOLD THEM  
6 WE'RE GOING ON TO ED MALPASS.

7 MR. SHERMAN: THIS IS THE ISSUE THAT WE'D TAKEN UP  
8 IN CHAMBERS A COUPLE OF WEEKS AGO, WHETHER -- WHETHER YOUR  
9 HONOR CONSIDERED -- CONSIDERS THIS AN EFFICIENCY ISSUE OR  
10 SIMPLY A COUNSEL COURTESY ISSUE. HERE'S THE -- HERE'S THE  
11 CHALLENGE: I HAVE A LETTER FROM MR. RIVIN, BY THE WAY, ON  
12 THIS POINT. WE WERE TOLD ON FRIDAY -- FRIDAY MR. RIVIN GOT  
13 A PHONE CALL FROM MR. MOSHENKO -- THAT MR. MOSHENKO THOUGHT  
14 THAT RAY NOVELLI WAS GOING TO BE TAKING THE WITNESS STAND  
15 THIS MORNING AT 9:00 A.M. AND I'M SURE YOUR HONOR CAN --  
16 CAN RESPECT THE FACT THAT MR. NOVELLI IS A FAIRLY  
17 SIGNIFICANT FIGURE IN THIS CASE. SO I, OF COURSE, DROPPED  
18 EVERYTHING. I HAD EVERY LAWYER -- YOU KNOW, AND EVERY ONE  
19 OF MY STAFF DROPPED EVERYTHING, BECAUSE WE WERE GETTING  
20 READY FOR RAYMOND NOVELLI.

21 THE COURT: ALL RIGHT. MR. NOVELLI WILL BE OUR  
22 NEXT WITNESS?

23 MR. SHERMAN: NO.

24 MR. MOSHENKO: MAY I RESPOND?

25 MR. SHERMAN: MAY I FINISH THIS SMALL POINT? I'LL  
26 SPEED IT UP.

1 ANYWAY, THE POINT IS THIS: THEN IF I MAY --  
2 IF I MAY SHOW THIS TO -- TO YOUR HONOR, MR. RIVIN POINTS  
3 OUT YESTERDAY AFTERNOON AT -- YESTERDAY AFTERNOON AT 2:00  
4 P.M., MR. NOVELLI'S NOT GOING ON. OKAY. SO I DROP  
5 EVERYTHING. AND SO WE'RE TOLD IT'S GOING TO BE JIM RANDALL  
6 AND THEN ED MALPASS, NOW CHRIS DAVIS. I'VE HEARD THE NAME  
7 CHRIS DAVIS, BUT, I MEAN, WHAT HAPPENED TO -- WHAT HAPPENED  
8 TO 24 HOURS, MUCH LESS 72 HOURS?

9 MR. MOSHENKO: OKAY.

10 MR. SHERMAN: THIS IS A JOKE.

11 MR. MOSHENKO: MAY I RESPOND?

12 THE COURT: YEAH.

13 MR. MOSHENKO: NUMBER ONE --

14 MR. SHERMAN: I'D LIKE YOUR HONOR TO SEE THE LETTER  
15 FROM MR. RIVIN THAT WAS SENT ON THIS SUBJECT. AND REALLY  
16 THE ISSUE IS JUST ONE OF REASONABLE NOTICE. 72 HOURS I  
17 THINK IS REASONABLE. BUT WHAT ABOUT 24 HOURS, 48 HOURS?

18 THE COURT: GOING TO HAVE TO DO BETTER THAN THIS,  
19 MR. MOSHENKO.

20 MR. MOSHENKO: YOUR HONOR, MAY I EXPLAIN?

21 THE COURT: YEAH.

22 MR. MOSHENKO: LAST WEEK, I WAS INFORMED BY  
23 MR. SHAW THAT -- AT A SIDE-BAR YOUR HONOR RULED BECAUSE  
24 CERTAIN FOUNDATIONAL INFORMATION WAS NOT ON THE RECORD YET,  
25 MR. RYMAN COULDN'T BE QUESTIONED ABOUT TWO SPECIFIC  
26 QUESTIONS. THAT WAS -- THOSE TWO SPECIFIC AREAS OR

1 QUESTIONS HAD TO DO WITH THE CALCULATION OR THE POSSIBLE  
2 CALCULATION OF WHAT 34,000 MEMBERS TIMES X DOLLARS OF DUES  
3 WOULD COME UP WITH. YOU REMEMBER THE 190 MILLION, 170  
4 MILLION. OKAY. SO IT WAS A LACK OF FOUNDATION ISSUE.

5           AND SO I CONSIDERED -- FRANKLY, I -- I'M  
6 SURPRISED THAT COUNSEL FEELS HE'S INCONVENIENCED BECAUSE I  
7 TRIED TO GIVE HIM WHATEVER POSSIBLE NOTICE I COULD OF WHAT  
8 POTENTIALLY WAS COMING DOWN THE ROAD. I TOLD HIM I WAS  
9 PLANNING -- I TOLD MR. RIVIN I WAS PLANNING TO PUT  
10 MR. NOVELLI ON -- OR POSSIBLY WOULD PUT MR. NOVELLI ON TO  
11 COVER TWO FOUNDATIONAL SUBJECTS SO THAT I COULD QUESTION  
12 MR. RANDALL AND NOT HAVE THE COURT SUSTAIN AN OBJECTION  
13 THAT THERE'S NOTHING ON THE RECORD ON THOSE TWO  
14 FOUNDATIONAL SUBJECTS. I SUGGESTED MAYBE 30 MINUTES.

15           I DON'T KNOW WHY MR. SHERMAN WOULD DECIDE --  
16 MAYBE I DO KNOW WHY, BUT HE'S -- WOULD DECIDE THAT I'M  
17 GOING TO GO WITH MR. NOVELLI THROUGHOUT AND DROP EVERYTHING  
18 AND DO NOTHING BUT PREPARE FOR MR. NOVELLI WHEN I  
19 SPECIFICALLY TOLD MR. RIVIN I HAD NO INTENTION OF DOING  
20 THAT AT ALL. AND I ALSO TOLD HIM I DIDN'T KNOW THAT I WAS  
21 GOING TO PUT MR. NOVELLI ON. I WAS GIVING HIM THE BEST  
22 ADVANCE NOTICE OF WHAT POSSIBLY MIGHT HAPPEN. I TOLD HIM  
23 MY WITNESS WAS MR. RANDALL, SUBJECT ONLY TO THE POSSIBILITY  
24 OF A HALF HOUR OF A COUPLE OF FOUNDATIONAL QUESTIONS TO  
25 MR. NOVELLI.

26           NOW, I DON'T CONSIDER THERE TO BE ANYTHING

1 WRONG ABOUT THAT. IN FACT, I THOUGHT I WAS DOING THEM A  
2 FAVOR IN GIVING THEM FRIDAY NOTICE REGARDING A POSSIBLE  
3 HALF HOUR DIVERSION OR SIDE TRIP ON MONDAY MORNING. I --  
4 CERTAINLY, IF I HAD COME IN THIS MORNING AND SAID, YOUR  
5 HONOR, I WANT TO ASK MR. NOVELLI FIVE QUESTIONS, I WOULD  
6 HAVE HEARD, WELL, YOU DIDN'T TELL US THAT.

7           SO WHAT'S THE PROBLEM HERE? I'M GIVING THEM  
8 ALL THE INFORMATION I HAVE.

9       THE COURT: ALL RIGHT. ALL RIGHT.

10       MR. SHERMAN: YOUR HONOR --

11       MR. MOSHENKO: AND TO THE EXTENT -- EXCUSE ME,  
12 MR. SHERMAN.

13           AND TO THE EXTENT THAT WE HAVE HAD TO JOCKEY  
14 WITNESSES AROUND, WE HAVE JOCKEYED THEM TO MEET  
15 MR. SHERMAN'S WITNESSES' PROBLEMS.

16       MR. SHERMAN: CAN --

17       MR. MOSHENKO: I CANCELLED THREE WITNESSES LAST  
18 WEEK, INCLUDING CHRIS DAVIS, BECAUSE I WAS TOLD MR. RYMAN  
19 HAD LIMITED -- HAD SCHEDULING PROBLEMS; OKAY? SO NOW --

20       THE COURT: GENTLEMEN, ALL I CAN SAY IS --

21       MR. MOSHENKO: MR. DAVIS WAS COMING BACK.

22       THE COURT: ALL I CAN SAY IS YOU HAVE TO WORK THIS  
23 OUT.

24       MR. SHERMAN: CAN I ASK THE COURT ONE QUESTION?

25       THE COURT: WHAT'S THAT?

26       MR. SHERMAN: I JUST WANT TO KNOW, IS MR. MALPASS,

1 AS THEY TOLD US, GOING TO BE THE NEXT WITNESS? OR ARE WE  
2 SIMPLY GOING TO BE IN AN ENVIRONMENT OF WHOEVER, YOU KNOW,  
3 SELECT A WITNESS?

4 THE COURT: NEXT WITNESS IS GOING TO BE WHOM?

5 MR. MOSHENKO: MR. MALPASS I AM INFORMED IS  
6 UNAVAILABLE TILL THURSDAY. I HAVE TO JUDGE AND GAUGE HOW  
7 LONG WITNESSES ARE GOING TO TAKE. AND AT THE TIME I  
8 SUGGESTED MR. MALPASS WOULD FOLLOW MR. RANDALL, MY  
9 IMPRESSION WAS THAT MR. RANDALL WAS GOING TO GO INTO  
10 WEDNESDAY.

11 SO ALL I'M DOING IS GIVING THEM WHAT I KNOW  
12 WHEN I KNOW THEM -- KNOW IT AND TRYING TO ADJUST TO THE  
13 CIRCUMSTANCES THAT ARE PRESENTED TO US, WHICH ARE  
14 UNCERTAIN.

15 MR. SHERMAN: YOUR HONOR, WITH A TWO HOUR AND 40  
16 MINUTE EXAMINATION I MADE OF ROGER RYMAN AND WITH THE FACT  
17 THAT IT'S PLAINTIFFS' CASE TO PUT ON NOW, FOR MR. MOSHENKO  
18 TO SAY, "I'LL HAVE ABOUT ANOTHER HOUR OF MR. RANDALL  
19 TOMORROW MORNING," AND THEN WE'VE GOT MYSTERY WITNESS  
20 CHRIS DAVIS, THAT DOESN'T -- THAT DOESN'T JIBE. AND -- AND  
21 I AM ASKING YOUR HONOR IF YOUR HONOR WOULD -- I REALIZE IT  
22 WOULD BE EASY FOR THE COURT TO JUST SORT OF WASH ITS HANDS  
23 OF THE ISSUES AND SAY, "FIGURE OUT YOUR OWN SCHEDULING."  
24 BUT WE ARE NOT THE ONES RIGHT NOW -- WE DEFENDANTS ARE NOT  
25 THE ONES WHO ARE SETTING THIS SCHEDULING. MR. RYMAN WAS ON  
26 THE STAND FOR THREE DAYS.

1 THE COURT: ALL RIGHT. LET'S DO THIS. IF YOU  
2 DON'T HAVE 24 HOURS' NOTICE OF A WITNESS, THAT WITNESS WILL  
3 NOT APPEAR, PERIOD.

4 MR. SHERMAN: THANK YOU, YOUR HONOR.

5 THE COURT: OKAY? GOOD NIGHT, ALL.

6 MR. SHERMAN: GOOD NIGHT, YOUR HONOR.

7 (WHEREUPON THE COURT WAS IN RECESS UNTIL  
8 9:00 A.M., TUESDAY, JUNE 6, 2000.)

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

