

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

JULY 10, 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 RUTENBERG, ESQ.

RUTAN & TUCKER  
BY: IRA G. RIVIN, ESQ.

HEIDI K. STEWART, CSR #6058  
OFFICIAL COURT REPORTER

INDEX

WITNESSES FOR THE PLAINTIFFS:

	DIRECT	CROSS	REDIRECT	RECROSS	VOIR DIRE
--	--------	-------	----------	---------	--------------

RAYMOND NOVELLI  
(CONTINUED)

BY MR. SHERMAN:

5316 (CONTINUED)

I N D E X

EXHIBIT	IN EVIDENCE
EXHIBIT NO. 964, COMPLAINT	5320
EXHIBIT NO. 972, EX PARTE APPLICATION	5322
EXHIBIT NO. 444, LETTER TO MEMBERS, AND LETTER SENT BY MALPASS	5342
EXHIBIT NO. 829, SCHULZ DECLARATION	5359
EXHIBIT NO. 492, ORDER DISMISSING BANKRUPTCY	5369
EXHIBIT NO. 352, BANKRUPTCY PETITION OF THOUSAND ADVENTURES OHIO	5387
EXHIBIT NO. 801, VOLUNTARY PETITION FOR THOUSAND ADVENTURES, DALLAS, TEXAS	5396
EXHIBIT NO. 947, AMENDED COMPLAINT	5397
EXHIBIT NO. 361, MODIFICATION TO DISCLOSURE STATEMENT	5405
EXHIBIT NO. 343, COPY OF COMPLAINT FILED BY ALABAMA ATTORNEY GENERAL	5415
EXHIBIT NO. 925, DISCLOSURE STATEMENT FILED BY THOUSAND ADVENTURES OF ALABAMA	5417
EXHIBIT NO. 123, LEGAL PLEADING	5424
EXHIBIT 66-033, LETTER DATED MARCH 31, 1995, TO WHOM IT MAY CONCERN	5466
EXHIBITS NO. 67-005, 006, TWO HANDWRITTEN LETTERS	5468
EXHIBITS 68-39, 40, 41, 42, 43, 44, 45, 46	5471
EXHIBIT NO. 308, LETTER TO CHARLES DAFF	5474
EXHIBIT NO. 310, LETTER TO CHARLES DAFF	5475
EXHIBIT NO. 64-008, LETTER	5477
EXHIBIT NO. 907-069, REQUEST FOR PRODUCTION	5485

1 WESTMINSTER, CALIFORNIA - MONDAY, JULY 10, 2000

2 MORNING SESSION

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

5 THE COURT: I'M SAD TO REPORT THAT WE HAVE LOST  
6 DANA GUZMAN AS A JUROR. SHE HAD A MISCARRIAGE, AND SHE WAS  
7 IN KAISER HOSPITAL. THE NUMBER IS 279-4000. 519-A IS HER  
8 BED. SHE MAY BE GOING HOME TODAY. BUT, ANYWAY, THAT'S THE  
9 BAD NEWS.

10 MRS. STENNER, YOU HAVE HER HOME NUMBER, DO  
11 YOU?

12 JUROR 9: I DO.

13 THE COURT: MRS. STENNER, IF YOU'D MOVE OVER ONE.  
14 I CAN GET A BETTER LOOK AT YOU NOW AND MAKE SURE YOU DON'T  
15 SLEEP.

16 JUROR 18: I'M SURE THAT WILL MAKE YOUR DAY.

17 THE BAILIFF: I CAN'T SEE HER QUITE AS WELL.

18 THE COURT: WHO SAID CLOTHES DON'T MAKE THE MAN?  
19 WHAT DO YOU THINK?

20 NOW, THE GOOD NEWS. THE JUDICIAL COUNSEL OF  
21 CALIFORNIA HAS ANNOUNCED THAT THE STATE BUDGET APPROVED BY  
22 THE GOVERNOR FOR FISCAL YEAR 2000-2001 PROVIDES FUNDING TO  
23 BOOST JUROR PAY FROM \$5 A DAY TO \$15 A DAY STARTING WITH  
24 THE SECOND DAY OF SERVICE. THE PAY RAISE FOR JURORS IS  
25 EFFECTIVE AS OF JULY 1ST, 2000. SO YOU'RE NOW MAKING \$15 A  
26 DAY.

1 JUROR 18: THIS IS GETTING BETTER ALL THE TIME.

2 THE COURT: LOOK, SO FAR I'VE HAD TO GET TWO  
3 HAIRCUTS DURING THIS TRIAL. I DON'T WANT TWO MORE. LET'S  
4 SEE IF WE CAN'T GET THIS OVER WITH ON ONE MORE HAIRCUT.

5 MR. SHERMAN: YOUR HONOR, THAT'S WHY I GOT MINE CUT  
6 EXTRA SHORT.

7 THE COURT: PROCEED, COUNSEL.

8 RAYMOND NOVELLI,  
9 CALLED AS A WITNESS ON BEHALF OF THE PLAINTIFFS, HAVING  
10 BEEN PREVIOUSLY DULY SWORN, WAS EXAMINED AND TESTIFIED AS  
11 FOLLOWS:

12 CROSS-EXAMINATION (CONTINUED)

13 BY MR. SHERMAN: Q MR. NOVELLI, YOU RECALL YOUR  
14 TESTIMONY -- MR. MOSHENKO WAS ASKING YOU QUESTIONS ABOUT  
15 HOW YOU WERE ONE OF THE FOUNDERS OF THE APOLLO GROUP BACK  
16 IN THE MID-80'S SHORTLY AFTER YOU TOOK CONTROL OF A.S.R.?

17 A YES.

18 Q AND, IN FACT, YOU WERE ONE OF THE FOUNDERS  
19 OF THE APOLLO GROUP; RIGHT?

20 A CORRECT.

21 Q AND YOU'VE BEEN ONE OF THE CONTROLLING  
22 PERSONS OF THAT COMPANY EVER SINCE IT WAS FORMED?

23 A YES.

24 Q AND YOU'RE FAMILIAR WITH ITS BUSINESS  
25 DEALINGS?

26 A YES.

1 Q AND YOU HAVE A FINANCIAL INTEREST IN THE  
2 APOLLO GROUP?

3 A VERY LIMITED.

4 Q AND MR. SCHULZ HAS A FINANCIAL INTEREST IN  
5 THE APOLLO GROUP, TOO?

6 A MR. SCHULZ, YES.

7 Q LET'S FAST-FORWARD NOW FROM THE FORMATION OF  
8 THE APOLLO GROUP IN THE MID-'80'S TO THE 1996 TIME FRAME  
9 WHERE WE'VE ALREADY SPENT SOME TIME. AND THE FOCUS IS ON  
10 THE FINOVA LAWSUIT. THAT WAS A LAWSUIT FILED IN JUNE OF  
11 1996?

12 A I BELIEVE SO.

13 Q AND THEN A WEEK AFTER THE LAWSUIT WAS FILED,  
14 FINOVA SOUGHT THE APPOINTMENT OF A FEDERAL COURT RECEIVER?

15 MR. SHAW: YOUR HONOR, JUST OBJECT. THIS IS  
16 CUMULATIVE NOW.

17 MR. SHERMAN: I'M JUST TRYING TO GET SOME CONTEXT.

18 THE COURT: OVERRULED. PROCEED.

19 THE WITNESS: I BELIEVE SO.

20 BY MR. SHERMAN: Q AND THEN AFTER THE FILING OF A  
21 MOTION TO APPOINT THE RECEIVER ON JUNE 13 OF 1996, MR. KEIM  
22 WAS APPOINTED BY THE FEDERAL COURT ON AUGUST 30, 1996; IS  
23 THAT YOUR RECOLLECTION?

24 A YES.

25 Q OKAY. SO WE'VE GOT ABOUT A 10-WEEK PERIOD  
26 BETWEEN THE TIME THAT FINOVA WENT INTO FEDERAL COURT IN

1 ARIZONA TO SEEK THE APPOINTMENT OF A RECEIVER AND THE  
2 ACTUAL APPOINTMENT. DOES THAT LIBE WITH YOUR RECOLLECTION?

3 A YES.

4 Q AND DURING THAT 10-WEEK TIME PERIOD, YOU  
5 WERE QUITE CONCERNED OVER WHAT MIGHT HAPPEN TO ALL SEASONS;  
6 CORRECT?

7 A CORRECT.

8 Q YOU THOUGHT YOU MIGHT LOSE CONTROL OVER ALL  
9 SEASONS; RIGHT?

10 A YES.

11 Q A RECEIVER WOULD MEAN THAT YOU COULDN'T  
12 CONTROL THE MONEY OF ALL SEASONS; RIGHT?

13 A YES, IT WOULD MEAN THAT.

14 Q BECAUSE ALL THE CHECKS THAT WERE COMING IN,  
15 YOU WOULDN'T BE ABLE TO TAKE POSSESSION OF, IF A RECEIVER  
16 WAS APPOINTED; YOU KNEW THAT?

17 A THAT'S CORRECT.

18 Q A RECEIVER WOULD MEAN THAT YOU WOULDN'T BE  
19 ABLE TO CONTROL THE MONEY?

20 MR. SHAW: YOUR HONOR, I JUST OBJECT. CUMULATIVE  
21 NOW. AND IT'S IRRELEVANT. ALL SEASONS IS NOT A PARTY TO  
22 THIS CASE.

23 THE COURT: SUSTAINED ON THOSE GROUNDS.

24 BY MR. SHERMAN: Q SO WHILE THIS MOTION, THIS  
25 RECEIVERSHIP MOTION, WAS PENDING, YOU CAME UP WITH AN IDEA  
26 TO HAVE ONE OF YOUR COMPANIES SUE ANOTHER OF YOUR

1 COMPANIES; RIGHT?

2 A I DON'T RECALL THAT.

3 Q YOU CAME UP WITH THE SCHEME TO HAVE THE  
4 APOLLO GROUP FILE A LAWSUIT IN FEDERAL COURT HERE IN ORANGE  
5 COUNTY AGAINST ALL SEASONS RESORTS, DIDN'T YOU?

6 A THAT WOULD HAVE BEEN THE ATTORNEYS. I'M NOT  
7 SURE IF I RECALL WHAT THAT WAS.

8 Q THAT WOULD HAVE BEEN THE ATTORNEYS THAT WERE  
9 WORKING FOR YOU; RIGHT?

10 A CORRECT.

11 Q SO BEFORE THE FEDERAL COURT IN ARIZONA ON  
12 AUGUST 30, 1996, APPOINTED A RECEIVER, YOU HAD APOLLO,  
13 THROUGH AN ATTORNEY, FILE A LAWSUIT AGAINST ALL SEASONS SO  
14 THAT YOU COULD HAVE A RECEIVER APPOINTED BY APOLLO; RIGHT?

15 A I BELIEVE SO.

16 Q LET ME SHOW YOU EXHIBIT 964, PLEASE.

17 EXHIBIT 964 IS A COPY OF A COMPLAINT THAT  
18 YOU AUTHORIZED LAWYERS TO FILE AGAINST ALL SEASONS; RIGHT?

19 A CORRECT.

20 Q THIS IS A LAWSUIT THAT YOU AUTHORIZED  
21 LAWYERS TO FILE ON BEHALF OF APOLLO GROUP; RIGHT?

22 A THAT'S CORRECT.

23 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 964 INTO  
24 EVIDENCE.

25 MR. SHAW: YOUR HONOR, THE SAME ISSUE OF  
26 RELEVANCE. ALL SEASONS RESORT IS NOT A PARTY TO THIS

1 ACTION.

2 THE COURT: I'M GOING TO OVERRULE THAT. THAT WILL  
3 BE RECEIVED IN EVIDENCE.

4 (WHEREUPON, EXHIBIT NO. 964, COMPLAINT, WAS  
5 RECEIVED IN EVIDENCE.)

6 BY MR. SHERMAN: Q WE'VE GOT UP ON THE BOARD THE  
7 FRONT PAGE OF THE COMPLAINT.

8 YOU CAN SEE IT WAS FILED ON JULY 25, 1996.  
9 DO YOU SEE THAT IN THE UPPER RIGHT-HAND CORNER?

10 A YES, I DO.

11 Q THAT'S WHILE FINOVA'S MOTION TO HAVE A  
12 RECEIVER APPOINTED WAS STILL PENDING; RIGHT?

13 A THAT'S CORRECT.

14 Q BUT YOU WANTED APOLLO TO GET A RECEIVER  
15 APPOINTED?

16 A WELL, APOLLO WAS DUE OVER \$10 MILLION, AND  
17 FINOVA WAS ABOUT \$2 MILLION; SO I FELT THAT IT WOULD BE  
18 MORE APPROPRIATE.

19 Q YOU WANTED APOLLO TO GET A RECEIVER  
20 APPOINTED?

21 A THAT'S CORRECT.

22 Q YOU WERE HOPING TO GET A FRIEND APPOINTED?

23 A I DON'T KNOW ABOUT A FRIEND.

24 Q A BUDDY?

25 A I DON'T KNOW ABOUT A BUDDY.

26 Q YOU WANTED TO GET SOMEONE WHO WOULD TREAT

1 YOU OKAY; RIGHT?

2 A WE WANTED SOMEBODY TO PROTECT THE \$10  
3 MILLION ASSET OF APOLLO'S. WE DIDN'T WANT OUR ASSETS BEING  
4 CONTROLLED AND APOLLO'S ASSETS BY FINOVA.

5 Q YOU DIDN'T WANT A FEDERAL COURT IN ARIZONA  
6 CONTROLLING YOUR ASSETS?

7 A I WOULD RATHER HAVE A FEDERAL COURT IN THIS  
8 STATE CONTROLLING THE ASSETS.

9 Q LET'S GO TO PAGE 6 OF THIS DOCUMENT IN  
10 WHAT'S KNOWN AS THE PRAYER AT THE END WHERE IT SAYS,  
11 "WHEREFORE APOLLO PRAYS FOR AN ORDER."

12 "WHEREFORE APOLLO PRAYS FOR AN ORDER  
13 APPOINTING A RECEIVER OVER ITS COLLATERAL AND THE  
14 OPERATIONS OF ALL SEASONS."

15 SO THAT'S WHAT YOU WERE ASKING FOR; RIGHT?

16 A YEAH. IT GOES ON.

17 Q NOW, YOU EVEN WENT SO FAR IN THIS CASE THAT  
18 WAS FILED HERE IN CALIFORNIA TO FILE AN EMERGENCY  
19 APPLICATION TO GET THAT LOCAL RECEIVER APPOINTED, DIDN'T  
20 YOU?

21 A I DON'T RECALL.

22 Q LET ME SHOW YOU EXHIBIT 972.

23 EXHIBIT 972 IS WHAT'S KNOWN AS AN EX PARTE  
24 APPLICATION; RIGHT?

25 A YES.

26 Q IT WAS A DOCUMENT THAT YOU AUTHORIZED BE

1 FILED; RIGHT?

2 A I BELIEVE SO.

3 Q AND IT WAS A DOCUMENT SO THAT YOU COULD GET  
4 AN EMERGENCY HEARING TO GET A RECEIVER APPOINTED; RIGHT?

5 A YES.

6 Q AND AN EMERGENCY RECEIVER BY APOLLO; RIGHT?

7 A THAT'S CORRECT.

8 Q AND YOU AUTHORIZED IT?

9 A I BELIEVE SO.

10 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 972 INTO  
11 EVIDENCE.

12 MR. SHAW: YOUR HONOR, THE SAME OBJECTION ON  
13 RELEVANCE, AND FURTHER ON EVIDENCE CODE SECTION 1300. IT  
14 IS HEARSAY.

15 THE COURT: OVERRULED. IT WILL BE RECEIVED.

16 (WHEREUPON, EXHIBIT NO. 972, EX PARTE  
17 APPLICATION, WAS RECEIVED IN EVIDENCE.)

18 BY MR. SHERMAN: Q AND YOU'LL SEE IN THE UPPER  
19 RIGHT-HAND CORNER YOU FILED THAT EMERGENCY APPLICATION ON  
20 JULY 25TH; RIGHT?

21 A YES.

22 Q AND THE TITLE IS "EX PARTE APPLICATION FOR  
23 APPOINTMENT OF A RECEIVER."

24 NOW, IN ADDITION TO YOUR HAVING AUTHORIZED  
25 THE FILING OF THIS APPLICATION, YOU EVEN WENT SO FAR AS TO  
26 FILE A NONOPPOSITION TO THE APPOINTMENT OF THE RECEIVER,

1 DIDN'T YOU?

2 A I BELIEVE SO.

3 Q SO YOU AUTHORIZED THE APPLICATION, AND YOU  
4 SAID TO THE COURT IN THE SAME BREATH, "AND WE DON'T OPPOSE  
5 IT"; RIGHT?

6 A CORRECT.

7 Q LET'S GO TO PAGE NUMBER 12.

8 THIS IS A DECLARATION THAT YOU GAVE THE  
9 COURT IN SUPPORT OF THE APPLICATION FOR THE EMERGENCY  
10 APPOINTMENT OF THE RECEIVER; RIGHT?

11 A IT APPEARS TO BE, YES.

12 Q AND IN IT YOU SAY THAT YOU'RE THE PRESIDENT  
13 AND THE MAJORITY STOCKHOLDER OF ALL SEASONS. AND THAT'S  
14 YOUR SIGNATURE AT THE BOTTOM; RIGHT?

15 A YES.

16 Q AND THEN YOU SAY ON LINES 11 AND 12 THAT ALL  
17 SEASONS DOES NOT OPPOSE THE EX PARTE APPLICATION FOR THE  
18 TEMPORARY APPOINTMENT OF A RECEIVER; RIGHT?

19 A THAT'S RIGHT.

20 Q OKAY. SO, IN EFFECT, YOU'RE SUING YOURSELF?

21 A NO.

22 Q WELL, YOU AUTHORIZED THE FILING, AND YOU  
23 AUTHORIZED THE NOTICE OF NONOPPOSITION TO THE APPOINTMENT,  
24 DIDN'T YOU?

25 A TWO SEPARATE CORPORATIONS. YOU HAVE APOLLO,  
26 WHICH IS A LENDER, AND YOU ALSO HAVE ALL SEASONS RESORTS,

1 WHICH IS A DEBTOR.

2 Q YOU AUTHORIZED THE FILING?

3 A I KNEW ABOUT BOTH OF THEM, AND AUTHORIZED  
4 BOTH OF THEM.

5 Q YOU AUTHORIZED THE FILING?

6 A YES, UH-HUH.

7 Q AND YOU AUTHORIZED THE NOTICE OF  
8 NONOPPOSITION IN THIS DECLARATION?

9 A YES.

10 Q SO YOU'RE ON BOTH SIDES?

11 A I PROTECTED BOTH COMPANIES. I FELT IN THE  
12 BEST INTEREST OF BOTH COMPANIES IT WOULD BE BETTER TO HAVE  
13 APOLLO IN FOR A RECEIVER RATHER THAN FINOVA.

14 Q NOW, LET'S GO BACK A FEW PAGES, PAGE 9.

15 YOU ALSO HAD A BUDDY OF YOURS GIVE A  
16 DECLARATION, PHIL MARTINEZ; CORRECT?

17 A PHIL MARTINEZ IS AN OFFICER.

18 Q WELL, HE WAS ALSO A LONG-TIME FRIEND OF  
19 YOURS?

20 A YES.

21 Q YOU MET HIM IN JAIL?

22 A I MET HIM WHEN HE WAS IN PRISON, YES.

23 Q AND IN THIS DECLARATION HE SAYS THAT HE IS  
24 THE PRESIDENT OF APOLLO?

25 A AT THAT TIME HE WAS, YES.

26 Q BECAUSE YOU HAD APPOINTED HIM THE PRESIDENT?



1 AMERICA TELL YOU THAT THEY DIDN'T WANT TO DO BUSINESS WITH  
2 YOU ANYMORE?

3 "ANSWER: YES, THEY DID. THEY DIDN'T SAY  
4 THEY DIDN'T WANT TO DO BUSINESS. THEY CLOSED THE ACCOUNTS,  
5 OR ASKED US TO MOVE.

6 "QUESTION: IN 1995 AND 1996 DID UNION BANK  
7 TELL YOU THEY DIDN'T WANT TO DO BUSINESS WITH YOU?

8 "ANSWER: ABSOLUTELY NOT."

9 LET'S FOCUS NOW ON THAT TESTIMONY THAT YOU  
10 GAVE ABOUT UNION BANK ABSOLUTELY NOT TELLING YOU THAT THEY  
11 DIDN'T WANT TO DO BUSINESS WITH YOU. AND, MR. NOVELLI, I'D  
12 LIKE TO SHOW YOU EXHIBIT 201.

13 THIS IS A LETTER THAT WAS SENT TO YOU BY  
14 UNION BANK IN MARCH OF 1996; CORRECT?

15 A IT APPEARS TO BE.

16 MR. SHERMAN: I'D LIKE TO MOVE IT INTO EVIDENCE.

17 MR. SHAW: YOUR HONOR, HEARSAY. IT'S AN  
18 OUT-OF-COURT STATEMENT BY SOMEONE BEING ASSERTED FOR THE  
19 TRUTH OF THE MATTER.

20 THE COURT: BRING A COPY TO THE BENCH AND APPROACH,  
21 BOTH OF YOU, PLEASE.

22 (DISCUSSION OFF THE RECORD.)

23 MR. SHAW: MAY I JUST MAKE A COMMENT, YOUR HONOR.

24 THE DOCUMENT IS A RECORD FROM 1996, NOT  
25 RELEVANT, DOESN'T HAVE ANYTHING TO DO WITH THE TRANSFER  
26 LETTERS THAT WERE SENT SEPTEMBER, OCTOBER, NOVEMBER OF

1 1997. SO IT'S IRRELEVANT. IT'S A YEAR AND A HALF EARLIER  
2 THAN ANY TRANSFER LETTERS WERE SENT. SO IT CAN'T POSSIBLY  
3 HAVE ANY RELEVANCE TO THE LAWSUIT IN THIS CASE.

4 SECOND, IT'S HEARSAY BECAUSE IT'S A  
5 STATEMENT FROM UNION BANK BEING OFFERED FOR THE TRUTH OF  
6 THE MATTER ASSERTED BY AN OUT-OF-COURT DECLARANT. AND I  
7 WOULD JUST INVITE AND ASK MR. SHERMAN TO STATE WHAT THE  
8 EXCEPTION TO THE HEARSAY RULE IS.

9 MR. SHERMAN: YOUR HONOR, WE WENT OVER THIS AT THE  
10 SIDEBAR. IT IS DEFINITELY RELEVANT TO THIS WITNESS'S  
11 CREDIBILITY TO TEST THE STATEMENT THAT HE MADE TO THIS JURY  
12 THAT THE ACCOUNTS WERE ABSOLUTELY NOT CLOSED. IT ALSO GOES  
13 TO THE STATE OF MIND.

14 AND FOR THE OTHER REASONS THAT WE STATED AT  
15 THE SIDEBAR, WE WILL PURSUE THIS FURTHER WITH YOUR HONOR.  
16 YOUR HONOR HAD INDICATED IT WAS TAKEN UNDER SUBMISSION.  
17 WE'D LIKE TO PUT IT UP.

18 THE COURT: UNDER SUBMISSION.

19 BY MR. SHERMAN: Q THIS IS A LETTER FROM UNION  
20 BANK TO YOU DATED MARCH 28TH, 1996.

21 "IN REVIEW OF YOUR ACCOUNTS, WE HAVE FOUND  
22 IT NECESSARY TO CLOSE YOUR REFERENCED CHECKING ACCOUNTS.  
23 AFTER APRIL 5, 1996, ALL FUNDS DEPOSITED TO THESE ACCOUNTS  
24 WILL BE RETURNED TO YOU, AND ALL CHECKS DRAWN ON THESE  
25 ACCOUNTS AND PRESENTED TO UNION BANK FOR PAYMENT WILL BE  
26 RETURNED 'ACCOUNTS CLOSED.'"

1                   NOW, MR. NOVELLI, YOU RECEIVED A SIMILAR  
2 NOTIFICATION FROM BANK OF AMERICA THAT THE ACCOUNTS WERE  
3 CLOSED; CORRECT?

4           A           THIS NOTIFICATION IS ON THE AIRLINE. IT HAS  
5 NOTHING TO DO -- IN OTHER WORDS, MY STATEMENT SAYING THAT  
6 THEY DIDN'T CLOSE OUR ACCOUNTS IS TRUE. THIS IS ON AN  
7 AIRLINE THAT CLOSED DOWN, PRESIDENTIAL TOURS.

8           Q           MR. NOVELLI, THE COMPANY WAS -- YOU RECEIVED  
9 A SIMILAR LETTER FROM BANK OF AMERICA; CORRECT?

10          A           I'M NOT SURE.

11          Q           OKAY. LET ME SHOW YOU EXHIBIT 202. THIS IS  
12 A LETTER YOU RECEIVED FROM BANK OF AMERICA IN MAY OF 1995;  
13 CORRECT?

14          A           THAT'S CORRECT.

15          MR. SHERMAN: I'D LIKE TO MOVE IT INTO EVIDENCE AS  
16 EXHIBIT 202.

17          THE COURT: UNDER SUBMISSION, THE SAME REASONS.

18          MR. MOSHENKO: YOUR HONOR --

19          MR. SHERMAN: VERY WELL.

20          BY MR. SHERMAN: Q BEGINS, "DEAR MESSRS. NOVELLI,  
21 SCHULZ AND WALDMAN.

22                   "WE HAVE RECENTLY REVIEWED OUR ACCOUNT  
23 RELATIONSHIPS WITH YOU, AND WE HAVE DECIDED TO CLOSE THE  
24 ACCOUNTS REFERENCED ABOVE AS OF MAY 31, 1995."

25                   AND THEN IT GOES ON THE NEXT PARAGRAPH, "WE  
26 BELIEVE THAT IT IS NO LONGER IN THE BANK'S OR YOUR BEST

1 INTEREST TO CONTINUE OUR RELATIONSHIP AT THIS TIME."

2 MR. MOSHENKO: YOUR HONOR, I'LL JUST OBJECT.

3 THERE'S BEEN NO FOUNDATION LAID WHETHER THIS PARTY -- THERE  
4 WAS AN ATTEMPT TO LAY THE FOUNDATION ON THE PREVIOUS LETTER  
5 ABOUT WHETHER HE RECEIVED IT, BUT THERE'S BEEN NO  
6 FOUNDATION.

7 MR. SHERMAN: HE TESTIFIED HE RECEIVED IT.

8 THE COURT: I THINK HE DID.

9 BY MR. SHERMAN: Q NOW, MR. NOVELLI, IN THE YEAR  
10 PRIOR TO THE JULY '97 ALL SEASONS BANKRUPTCY FILING, ALL  
11 SEASONS WAS FALLING APART, WASN'T IT?

12 A WHAT'S THAT?

13 Q IN THE YEAR PRIOR TO THE JULY 1997  
14 BANKRUPTCY FILING BY ALL SEASONS, IT WAS FALLING APART?

15 A NO, IT WAS NOT.

16 Q AND DURING THE RECEIVERSHIP, MR. KEIM WAS  
17 PAYING THE BILLS AS THEY CAME DUE, DIDN'T HE?

18 A HE PAID FINOVA. HE DIDN'T PAY APOLLO OR  
19 SECURITY CAPITAL. HE ONLY PAID THE PEOPLE THAT APPOINTED  
20 HIM, AND HIMSELF.

21 Q AND PAYING THE BILLS WAS SOMETHING THAT YOU  
22 HADN'T DONE; RIGHT?

23 A I PAID THEM. I WAS PAYING THE TAXES AND THE  
24 PLAN OF REORGANIZATION. I WAS PAYING FINOVA. I WAS  
25 PAYING -- YOU KNOW, PAYING THE BILLS. THE RECEIVER GOT IN  
26 THERE. EVERYTHING STOPPED EXCEPT FOR PAYING FINOVA AND HIS

1 FEES AND THE PAYROLL.

2 Q REAL PROPERTY TAXES HADN'T BEEN PAID BY YOU  
3 FOR YEARS PRIOR TO THE APPOINTMENT OF THE RECEIVER; RIGHT?

4 A DURING THE COURSE OF BANKRUPTCY, MOST OF THE  
5 TIME I WASN'T IN CHARGE OF THE RESORTS. I WAS IN CHARGE --  
6 WITH A RECEIVER. SO, IN OTHER WORDS, I DIDN'T HAVE THE  
7 OPPORTUNITY.

8 MR. SHERMAN: MOVE TO STRIKE.

9 THE COURT: MOTION GRANTED.

10 BY MR. SHERMAN: Q REAL PROPERTY TAXES HADN'T BEEN  
11 PAID BY YOU FOR YEARS PRIOR TO THE APPOINTMENT OF THE  
12 RECEIVER?

13 A I JUST GOT THROUGH TELLING YOU THAT THERE  
14 WAS A TRUSTEE. THERE'S TRUSTEES IN THESE BANKRUPTCY  
15 THINGS. I HAD NO CONTROL OVER IT. AND WHEN THE PLAN OF  
16 REORGANIZATION CAME THROUGH, WE PAID THEM OVER SIX YEARS  
17 ACCORDING TO THE PLAN OF REORGANIZATION. WE HAD SIX YEARS  
18 TO PAY THEM.

19 Q NOR HAD YOU PAID THE PAYROLL WITHHOLDING  
20 TAXES?

21 A THE SAME WAY. WE FILED A PLAN OF  
22 REORGANIZATION. THE PAYROLL TAX, WE PAID OVER A HALF A  
23 MILLION OR A MILLION INTO THE PAYROLL TAX, ACCORDING TO THE  
24 PLAN OF REORGANIZATION. ALL WE COULD DO IS PAY, AND THE  
25 GOVERNMENT AGREED TO IT. NOT AGREED TO IT. THEY ACCEPTED  
26 THAT. AND THEY WERE BEING PAID OUT THROUGH THE PLAN OF

1 REORGANIZATION.

2 Q BUT YOU WANT TO SHIFT THE BLAME AWAY FROM  
3 YOURSELF FOR ALL SEASONS' FAILURE; RIGHT?

4 A I DON'T WANT TO SHIFT THE BLAME. I DIDN'T  
5 SAY THAT.

6 Q YOU POINT THE FINGER AT JEFFREY KEIM; RIGHT?

7 A JEFFREY KEIM I THINK ADDED PROBLEMS TO THE  
8 COMPANY. THE COMPANY WAS DOING -- I FELT IT WAS WORKING  
9 ITS WAY OUT OF THE SITUATION. HE WAS -- IT PAID MILLIONS  
10 OF DOLLARS ON THE PLAN OF REORGANIZATION AS IT AGREED TO  
11 AND THE COMPANY I FELT WAS IN A SOUND POSITION.

12 Q NOW, WHEN MR. KEIM TOOK CHARGE AS RECEIVER,  
13 HE THEN PROCEEDED TO CONTACT EVERY ONE OF ALL SEASONS  
14 MEMBERS; RIGHT?

15 A HE SENT A LETTER TO ALL OF THEM, I BELIEVE.

16 Q IN SEPTEMBER '96?

17 A I BELIEVE SO.

18 Q LET ME SHOW YOU EXHIBIT 162. THIS IS A COPY  
19 OF THE LETTER THAT MR. KEIM SENT TO ALL THE MEMBERS;  
20 RIGHT?

21 A I DON'T KNOW. YOU HANDED IT TO ME, BUT I'M  
22 NOT SURE.

23 MR. SHAW: YOUR HONOR, I JUST OBJECT. THIS LETTER  
24 HAS NO SIGNATURE, AND IT'S UNDATED. NO FOUNDATION.

25 MR. SHERMAN: I WOULD ASK THE COURT TO  
26 CONDITIONALLY ADMIT IT. IT WAS TESTIFIED TO BY THE

1 RECEIVER, MR. KEIM, IN HIS DEPOSITION.

2 MR. SHAW: YOUR HONOR, BUT THAT'S NOT HERE IN  
3 COURT. THERE'S NO SIGNATURE ON THIS DOCUMENT, AND THERE'S  
4 NO DATE ON THE DOCUMENT.

5 THE COURT: I'LL TAKE IT UNDER SUBMISSION. WE'LL  
6 LOOK AT IT.

7 MR. SHERMAN: MAY I PUT IT UP?

8 MR. SHAW: YOUR HONOR, I OBJECT TO IT BEING SHOWN  
9 WITHOUT A SIGNATURE AND WITHOUT A DATE.

10 THE COURT: I'LL OVERRULE YOU ON THAT. WE CAN PUT  
11 IT UP.

12 BY MR. SHERMAN: Q "GREETINGS. THE PURPOSE OF  
13 THIS LETTER IS TO DETAIL CERTAIN EXTRAORDINARY EVENTS  
14 REGARDING ALL SEASONS RESORTS WHICH HAVE RECENTLY OCCURRED.

15 "ON AUGUST 30, 1996, U.S. DISTRICT COURT  
16 APPOINTED ME AS RECEIVER FOR ALL SEASONS RESORTS. THIS  
17 BROAD-BASED ORDER REQUIRED THAT I TAKE IMMEDIATE CONTROL OF  
18 ALL ASSETS OF THE COMPANY, INCLUDING THE RESORTS, THE  
19 EQUIPMENT, ALL KNOWN BANK ACCOUNTS, ET CETERA. ON THE SAME  
20 DAY, I DIRECTED A TEAM OF REPRESENTATIVES TO PRESENT  
21 THEMSELVES AT THE CORPORATE OFFICES TO GAIN CONTROL OVER  
22 THE BOOKS AND RECORDS THAT WE BELIEVED WERE PERTINENT TO  
23 THE DAILY OPERATIONS OF THE COMPANY."

24 AND THEN IT GOES ON A FEW PARAGRAPHS DOWN,  
25 "AS YOU KNOW, A.S.R. HAS BEEN OPERATING UNDER A CONFIRMED  
26 REORGANIZATION PLAN, AND HAS FAILED TO MEET ALL THE

1 OBLIGATIONS THAT WERE REQUIRED BY THE PLAN."

2                   THEN IT GOES ON, NEXT PARAGRAPH DOWN AFTER  
3 THAT, "IT IS CRITICAL THAT YOU CONTINUE TO SEND YOUR DUES,  
4 WHICH ARE THE LIFEblood OF THE COMPANY."

5                   THEN IT TELLS WHERE TO PAY THE DUES. "YOU  
6 MAY PAY AT ANY ALL SEASONS RESORTS, OR MAIL THEM TO A.S.R.,  
7 CLEVELAND AVENUE, FORT MYERS. DO NOT CALL THE OLD A.S.R.  
8 OFFICE IN CALIFORNIA. AND MAKE YOUR PAYMENTS VIA CREDIT  
9 CARD."

10                   "BASED ON INFORMATION RECEIVED FROM OLD  
11 A.S.R. STAFF, WE BELIEVE THAT THERE IS MORE THAN ENOUGH  
12 MEMBERS PAYING DUES FOR THIS SYSTEM TO OPERATE."

13                   THE SECOND TO THE LAST PARAGRAPH: "THERE IS  
14 REASON FOR YOU TO BE OPTIMISTIC. IN REVIEWING SOME  
15 PRELIMINARY UNAUDITED FINANCIAL RECORDS THAT WERE SUPPLIED  
16 BY THE OLD A.S.R. STAFF, I SEE THAT LESS THAN 50 PERCENT OF  
17 ALL THE OVERALL INCOME WENT BACK INTO RESORT OPERATIONS AND  
18 MAINTENANCE. IF THESE RECORDS ARE INDEED ACCURATE -- AND  
19 IT WILL BE SOME TIME BEFORE I KNOW THAT FOR CERTAIN --  
20 THERE SHOULD BE SUFFICIENT INCOME TO COMFORTABLY OPERATE  
21 THE RESORT SYSTEM.

22                   "I WILL BE CONTACTING YOU AGAIN IN THE NEAR  
23 FUTURE WITH FURTHER INFORMATION.

24                   "SINCERELY, JEFFREY KEIM."

25                   MR. KEIM DID TELL YOU THAT IT WAS HIS VIEW  
26 THAT LESS THAN 50 PERCENT OF THE OVERALL INCOME WENT BACK

1 INTO RESORT OPERATIONS AND MAINTENANCE; CORRECT?

2 MR. MOSHENKO: OBJECTION.

3 MR. SHAW: OBJECTION. CALLS FOR HEARSAY.

4 THE COURT: OVERRULED.

5 THE WITNESS: WE WERE PAID.

6 THE COURT: OVERRULED.

7 THE WITNESS: THAT COULD BE A TRUE STATEMENT. WE  
8 HAD TAXES TO PAY. WE HAD A PLAN OF REORGANIZATION. THE  
9 RESORTS AS A RULE WILL TAKE LESS OF THE INCOME THAN, SAY,  
10 50 PERCENT.

11 BUT YOU ALSO HAVE TAXES TO PAY. YOU HAVE  
12 CORPORATE OVERHEAD. YOU HAVE BILLING. THERE'S A LOT OF  
13 EXPENSE THAT DOESN'T GET TO THE RESORT. SO THE RESORT, AS  
14 FAR AS THE RESORT CASH FLOW IS CONCERNED, THAT'S PROBABLY  
15 AN ACCURATE STATEMENT. HOWEVER, HE WASN'T ABLE TO OPERATE  
16 IT UNDER THOSE CIRCUMSTANCES.

17 MR. SHERMAN: MOVE TO STRIKE.

18 MR. SHAW: YOUR HONOR, THE QUESTION WAS WHAT DID  
19 MR. KEIM SAY TO HIM; HE JUST TESTIFIED WHAT WAS DISCUSSED  
20 WITH MR. KEIM OVER MY OBJECTION OF HEARSAY.

21 MR. SHERMAN: THAT COULD BE A TRUE STATEMENT WAS  
22 RESPONSIVE TO THE QUESTION.

23 THE COURT: SUSTAINED. MOTION TO -- GRANTED ON THE  
24 BALANCE.

25 MR. SHERMAN: THE BALANCE. THANK YOU.

26 BY MR. SHERMAN: Q AND YOU WERE AWARE THAT

1 MR. KEIM WAS DIRECTING THAT MEMBER DUES BE SENT TO HIM IN  
2 FORT MYERS, FLORIDA?

3 A WELL, THEY SHOULD HAVE BEEN, YES.

4 Q AND NOT TO YOU; CORRECT?

5 A THAT'S CORRECT. MEMBERS COULD HAVE STILL  
6 CONTINUED PAYING TO THE CORPORATE OFFICE. I DON'T KNOW.

7 Q NOW, THE MEMBERS WERE UNHAPPY ABOUT WHAT WAS  
8 HAPPENING; RIGHT?

9 MR. SHAW: OBJECTION. CALLS FOR SPECULATION.

10 THE WITNESS: THE MEMBERS WANTED TO SEE --

11 THE COURT: OBJECTION IS SUSTAINED.

12 BY MR. SHERMAN: Q DURING THE COURSE OF THE  
13 RECEIVERSHIP, A LOT OF MEMBERS DECIDED TO LEAVE YOUR  
14 ORGANIZATION; CORRECT?

15 MR. SHAW: YOUR HONOR, I'LL OBJECT. THIS QUESTION  
16 ASKS ABOUT LEAVING AN ORGANIZATION THAT'S NOT A PLAINTIFF  
17 IN THIS CASE.

18 THE COURT: SUSTAINED.

19 MR. SHERMAN: YOUR HONOR, SEEKING RECOVERY FOR  
20 18,000 --

21 THE COURT: I'VE RULED, COUNSEL.

22 MR. SHERMAN: YOUR HONOR, WE'RE SEEKING RECOVERY  
23 FOR 35,000 LETTERS THAT WERE SENT OUT.

24 THE COURT: I'VE RULED.

25 BY MR. SHERMAN: Q COAST DIDN'T GO TO COURT TO  
26 GET THE RECEIVER APPOINTED, DID IT?

1 A I DON'T BELIEVE SO.

2 Q COAST DIDN'T PUT ALL SEASONS INTO  
3 RECEIVERSHIP, DID IT?

4 A I DON'T BELIEVE SO.

5 Q COAST DIDN'T SHOW UP AT THE RECEIVERSHIP  
6 HEARINGS, DID IT?

7 A I DON'T BELIEVE SO.

8 Q COAST DIDN'T SHUT DOWN THE RESORTS DURING  
9 THE RECEIVERSHIP, DID IT?

10 A I DON'T KNOW IF THE RECEIVER SHUT THEM  
11 DOWN. I DON'T BELIEVE THEY WERE SHUT DOWN.

12 Q HIDDEN VALLEY WAS SHUT DOWN; RIGHT?

13 A AND WE REOPENED IT WHEN THE RECEIVER LEFT.

14 Q ORLANDO WAS SHUT DOWN; RIGHT?

15 A FOR A COUPLE WEEKS, AND WE ALWAYS HONORED  
16 THE ORLANDO MEMBERS AT OUR OTHER PARK.

17 Q THE CABINS WERE TORN DOWN AT RODGERS LAKE?

18 A THE RECEIVER TORE THE CABINS DOWN. I DON'T  
19 KNOW WHY, BUT HE DID.

20 Q COAST DIDN'T SHUT DOWN WISCONSIN DELLS, DID  
21 IT?

22 A NO, IT DIDN'T.

23 Q COAST DIDN'T CHOP THE TREES DOWN AT THE  
24 HONEYBROOK, DID IT?

25 MR. SHAW: YOUR HONOR, I'LL OBJECT TO THIS LINE OF  
26 QUESTIONING. IT'S NOT IRRELEVANT. THE LETTERS WERE SENT

1 OUT SEPTEMBER OF 1997. NOW WE'RE TALKING ABOUT 1995, '96.

2 THE COURT: SUSTAINED.

3 BY MR. SHERMAN: Q COAST DIDN'T CAUSE THIS MESS AT  
4 ALL SEASONS, DID IT?

5 MR. SHAW: YOUR HONOR, I'LL OBJECT. ALL SEASONS IS  
6 NOT A PARTY TO THIS CASE. IT'S IRRELEVANT.

7 THE COURT: SUSTAINED.

8 BY MR. SHERMAN: Q NOW, BY JULY '97, YOU KNEW THAT  
9 IN ORDER TO START TRAVEL AMERICA'S BUSINESS, YOU NEEDED TO  
10 PUT ALL SEASONS INTO ITS THIRD BANKRUPTCY; RIGHT?

11 A WOULD YOU REPEAT THAT, PLEASE.

12 Q BY JULY '97, YOU KNEW THAT THE -- YOU  
13 WERE -- TO START TRAVEL AMERICA'S BUSINESS, YOU WOULD NEED  
14 TO PUT ALL SEASONS INTO ITS THIRD BANKRUPTCY; RIGHT?

15 A NO. I NEEDED TO GET -- I DIDN'T WANT THE  
16 RECEIVER IN THERE. THE RECEIVER, IN MY OPINION, TEARING  
17 DOWN CABINS AND THINGS LIKE THAT WAS NOT A GOOD THING FOR  
18 ALL SEASONS. I DIDN'T SEE IT AS POSITIVE, AND I DID WHAT I  
19 THOUGHT WAS PRUDENT IN FILING A CHAPTER 11 IN ORDER TO  
20 REMOVE THE RECEIVER, WHICH HAPPENED.

21 Q AND THAT CHAPTER 11 WAS FILED ON JULY 11,  
22 1997; RIGHT?

23 A I BELIEVE SO, EARLY JULY.

24 Q AND THEN JUST A FEW WEEKS LATER, MR. DAFF  
25 WAS APPOINTED AS TRUSTEE; RIGHT?

26 A I BELIEVE IN AUGUST, ABOUT A MONTH LATER,

1 YES.

2 Q BUT BEFORE MR. DAFF WAS APPOINTED TO BE THE  
3 TRUSTEE OVER ALL SEASONS, YOU REACHED OUT TO YOUR FAVORITE  
4 BANKRUPTCY TRUSTEE, JIM JOSEPH; RIGHT?

5 A WHAT DO YOU MEAN?

6 Q WELL, YOU CONTACTED MR. JOSEPH, AND YOU  
7 ASKED MR. JOSEPH IF HE'D AGREE TO SERVE IN SOME OFFICIAL  
8 CAPACITY FOR ALL SEASONS; RIGHT?

9 A I DON'T RECALL. I COULD HAVE, BUT I DON'T  
10 RECALL.

11 Q BECAUSE MR. JOSEPH TREATED YOU RIGHT?

12 A MR. JOSEPH IS A VERY HONORABLE MAN, AND HE  
13 HAD A CONCERN FOR THE MEMBERS AND FOR THE COMPANY TO MAKE  
14 THE THING WORK AND ALSO FOR THE CREDITORS.

15 Q JIM JOSEPH HAS BEEN GOOD TO YOU?

16 MR. SHAW: YOUR HONOR, I'LL JUST OBJECT TO THIS  
17 LINE OF QUESTIONING.

18 THE COURT: SUSTAINED.

19 BY MR. SHERMAN: Q MR. JOSEPH HAS NOT GOTTEN IN  
20 YOUR WAY?

21 MR. SHAW: YOUR HONOR, I'LL OBJECT.

22 THE COURT: SUSTAINED.

23 BY MR. SHERMAN: Q YOU THOUGHT IF YOU COULD GET  
24 JIM JOSEPH INVOLVED IN THE ALL SEASONS BANKRUPTCY, THEN  
25 YOUR PROBLEMS WITH ALL SEASONS WOULD BE SOLVED?

26 MR. SHAW: YOUR HONOR, I'LL JUST OBJECT. WE'VE

1 GONE ON FOR TWO AND A HALF DAYS.

2 THE COURT: SUSTAINED.

3 BY MR. SHERMAN: Q LET ME SHOW YOU EXHIBIT 1903.

4 IS THIS A LETTER THAT YOU SENT TO

5 JAMES JOSEPH?

6 A IT APPEARS TO BE.

7 Q IS THAT YOUR SIGNATURE?

8 A YES.

9 MR. SHERMAN: MOVE EXHIBIT 1903 INTO EVIDENCE.

10 MR. SHAW: YOUR HONOR, IT'S IRRELEVANT. IT'S A  
11 LETTER THAT PREDATES THE 35,000 TRANSFER LETTERS GOING OUT.

12 THE COURT: I'LL TAKE IT UNDER SUBMISSION.

13 YOU MAY SHOW IT.

14 BY MR. SHERMAN: Q NOW, THIS IS A LETTER WRITTEN  
15 ON ALL SEASONS LETTERHEAD TO MR. JOSEPH; RIGHT?

16 A THAT'S CORRECT.

17 Q AND THE REFERENCE ON THIS IS "ALL SEASONS  
18 RESORTS." AND THERE YOU REFERENCE THE BANKRUPTCY FILING  
19 NUMBER; RIGHT?

20 A YES.

21 Q AND YOU'D ACTUALLY FILED THIS CASE; YOU SEE  
22 THE "MG" FOR MR. MITCHELL GOLDBERG?

23 A YES. THAT IS WHERE WE HAD A PENDING CASE IN  
24 FIRST NATIONWIDE.

25 Q RIGHT.

26 IN SAN BERNARDINO?

1           A       RIGHT.

2           Q       BEFORE IT WAS MOVED OVER OVER YOUR OBJECTION  
3 TO JUDGE RYAN?

4           A       IT WAS MOVED HERE.

5           Q       AND YOU WRITE TO MR. JOSEPH, "ALL SEASONS  
6 RESORTS FILED A VOLUNTARY PETITION UNDER CHAPTER 11."

7                   AND THEN A FEW PARAGRAPHS DOWN, FOUR  
8 PARAGRAPHS DOWN, "ALL SEASONS RESORTS PROPOSES TO HAVE  
9 FIRST NATIONWIDE RESORT MANAGEMENT TEAM AND STAFF OVERSEE  
10 ALL OPERATIONS."

11                   THE NEXT PARAGRAPH, "WE WOULD ENVISION YOUR  
12 AGENT, FRED BRINKMAN, OVERSEEING ALL OPERATIONS."

13                   AND THEN YOU TELL -- THE NEXT PARAGRAPH --  
14 HOW MUCH FIRST NATIONWIDE WOULD BE PAID. AND THEN IN THE  
15 PARAGRAPH FOLLOWING THAT YOU TELL MR. JOSEPH HOW MUCH YOU'D  
16 LIKE TO PAY HIM.

17                   AND THEN YOU CLOSE THE LETTER BY SAYING, "IF  
18 THIS PROPOSAL MEETS WITH YOUR APPROVAL, WE WOULD  
19 IMMEDIATELY REQUEST APPROVAL BY THE COURT TO APPROVE THESE  
20 FEES AND ARRANGEMENTS."

21                   BUT THAT PLAN TO GET MR. JOSEPH INVOLVED  
22 DIDN'T WORK OUT, DID IT?

23           A       THERE WAS NOTHING IN HERE TO PAY  
24 MR. JOSEPH. THE ALL SEASONS WOULD PAY FIRST NATIONWIDE.

25           Q       THAT PLAN TO GET MR. JOSEPH INVOLVED DIDN'T  
26 WORK OUT, DID IT?

1           A       NO.

2           Q       NOW, ON THE SAME DAY THAT ALL SEASONS FILED  
3 ITS THIRD AND FINAL BANKRUPTCY, YOU AND MR. MALPASS SENT  
4 OUT SEPARATE LETTERS TO ALL OF ALL SEASONS MEMBERS; RIGHT?

5           A       I BELIEVE WHEN WE FILED BANKRUPTCY, WE'RE  
6 REQUIRED -- NOT REQUIRED, BUT WE DID SEND OUT NOTICES.

7           Q       EXHIBIT 444.

8                   EXHIBIT 444 IS A COPY OF A LETTER THAT YOU  
9 SENT TO MEMBERS ON JULY 11; RIGHT?

10           MR. SHAW: YOUR HONOR, I'LL JUST OBJECT. IT'S  
11 UNSIGNED. I HAVE AN UNSIGNED DOCUMENT. MAYBE MR. SHERMAN  
12 HAS A SIGNED DOCUMENT. THERE'S ALSO AN ATTACHMENT.

13           MR. SHERMAN: MR. MALPASS'S LETTER, WHICH HE  
14 TESTIFIED TO, COUNSEL.

15           MR. SHERMAN: AND THAT'S PART OF EXHIBIT 444. AND  
16 IT'S PREVIOUSLY, I BELIEVE, EVEN BEEN ADMITTED INTO  
17 EVIDENCE.

18           THE COURT: HAS 444 BEEN ADMITTED?

19           THE CLERK: NO.

20           THE COURT: IT HASN'T BEEN ADMITTED.

21           MR. SHERMAN: LET ME TRY IT A LITTLE DIFFERENT, IF  
22 I MAY.

23           Q       YOU DID SEND A LETTER TO ALL THE MEMBERS  
24 WHEN YOU FILED THE LAST BANKRUPTCY?

25           A       I BELIEVE SO.

26           Q       OKAY. AND THIS DOCUMENT, EXHIBIT 444, THE

1 FIRST TWO PAGES, IS A COPY OF ONE OF THE LETTERS THAT YOU  
2 SENT TO THE MEMBERS?

3 A IT COULD BE. YOU KNOW, THE WORDING SEEMS TO  
4 BE WHAT I WOULD SEND.

5 Q OKAY. AND THE LAST PAGE OF EXHIBIT 444 IS A  
6 COPY OF THE LETTER THAT MR. MALPASS SENT; CORRECT?

7 A YES.

8 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 444 INTO  
9 EVIDENCE.

10 THE COURT: IT WILL BE RECEIVED.

11 (WHEREUPON, EXHIBIT NO. 444, LETTER TO  
12 MEMBERS, AND LETTER SENT BY MALPASS, WAS RECEIVED IN  
13 EVIDENCE.)

14 BY MR. SHERMAN: Q NOW, I REALIZE THAT EXHIBIT  
15 444 -- THE FIRST PAGE IS KIND OF HARD TO READ. BUT IT  
16 BEGINS, "AS YOU ARE AWARE" -- AND YOU REFERENCE THE  
17 BACKGROUND WITH THE FINOVA PROCEEDING.

18 THEN ON THE NEXT PAGE -- AND THIS IS VERY  
19 CLEAR TO READ. "DO NOT SEND ANY PAYMENTS TO THE RECEIVER  
20 IN FLORIDA. ALL PAYMENTS MUST BE SENT TO: ALL SEASONS  
21 RESORTS, IN IRVINE, CALIFORNIA."

22 YOU DID CONTACT MEMBERS AT THE SAME TIME AS  
23 THE THIRD BANKRUPTCY WAS FILED TO TELL THEM TO MAKE THE  
24 PAYMENTS TO YOU IN IRVINE; RIGHT?

25 A THAT'S THE PROCEDURE, YES.

26 Q AND YOU HAD MR. MALPASS DO THE SAME THING IN

1 HIS LETTER?

2 A CORRECT.

3 Q AND IN BOTH YOUR LETTER AND MR. MALPASS'S  
4 LETTER, YOU WANTED TO MAKE SURE THAT MEMBERS UNDERSTOOD  
5 THAT YOU WERE BACK IN CHARGE OF ALL SEASONS; RIGHT?

6 A YES, I BELIEVE SO.

7 Q BUT YOUR CONTROL OVER ALL SEASONS LASTED  
8 ABOUT THREE TO FOUR WEEKS?

9 A APPROXIMATELY FOUR WEEKS, YES.

10 Q BECAUSE ON AUGUST 4, 1997, MR. DAFF WAS  
11 APPOINTED THE TRUSTEE; RIGHT?

12 A CORRECT.

13 Q SO NOTWITHSTANDING YOUR TELLING MEMBERS IN  
14 THESE LETTERS THAT YOU WERE GOING TO BE RUNNING ALL  
15 SEASONS, YOU DIDN'T RUN ALL SEASONS, DID YOU?

16 A I DID. I WAS THE DEBTOR IN POSSESSION WHEN  
17 THESE LETTERS WENT OUT.

18 Q FOR THREE WEEKS?

19 A I WAS THE DEBTOR IN POSSESSION.

20 Q FOR THREE WEEKS?

21 A APPROXIMATELY THREE WEEKS, YES. A LITTLE  
22 OVER.

23 Q AND SO THEN AFTER MR. DAFF WAS APPOINTED THE  
24 BANKRUPTCY TRUSTEE, HE FILED SCHEDULES AND STATEMENTS OF  
25 AFFAIRS WITH THE UNITED STATES BANKRUPTCY COURT IN THE ALL  
26 SEASONS BANKRUPTCY; RIGHT?

1           A           I DON'T KNOW. I IMAGINE HE DID.

2           Q           LET ME SHOW YOU EXHIBIT 382.

3                       YOU WERE MADE AWARE IN OCTOBER 1997 THE  
4 BANKRUPTCY TRUSTEE FILED DOCUMENTS WITH THE COURT IN ORDER  
5 TO FILE THE STATEMENTS AND SCHEDULES OF ALL SEASONS;  
6 CORRECT?

7           A           I BELIEVE SO.

8           Q           AND THE STATEMENTS AND SCHEDULES OF AFFAIRS  
9 SHOW THE FINANCIAL CONDITION OF THE DEBTOR; RIGHT?

10          A           I DON'T KNOW.

11          Q           THAT'S WHAT YOU UNDERSTAND STATEMENTS AND  
12 SCHEDULES TO BE GENERALLY; RIGHT?

13          A           YES, THAT'S CORRECT.

14          Q           AND IN THIS CASE, MR. DAFF WAS SHOWING THE  
15 FINANCIAL CONDITION OF ALL SEASONS; RIGHT?

16          A           YES.

17               MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 382 INTO  
18 EVIDENCE.

19               MR. SHAW: YOUR HONOR, OBJECTION. LACKS  
20 FOUNDATION. MR. DAFF'S STATEMENTS, NOT THIS PARTICULAR  
21 WITNESS'S. SO THERE'S BEEN NO FOUNDATION LAID IN THAT  
22 REGARD. IT'S -- ALSO ALL SEASONS IS NOT A PARTY TO THIS  
23 ACTION.

24               THE COURT: I'LL TAKE IT UNDER SUBMISSION.

25                       MR. DAFF IS GOING TO TESTIFY ANYWAY, ISN'T  
26 HE?

1 MR. SHERMAN: WE HAVE CERTIFIED COPIES OF THIS.

2 THE COURT: ALL RIGHT.

3 BY MR. SHERMAN: Q SO THIS IS THE TRUSTEE'S  
4 APPLICATION TO FILE SCHEDULES AND STATEMENT OF AFFAIRS, AS  
5 WELL AS HIS DECLARATION.

6 A CORRECT.

7 Q AND IF WE CAN GO TO PAGE 382-053. THAT'S ON  
8 SANCTION. IT'S ABOUT 53 PAGES IN. IS THAT KIND OF HOW IT  
9 WORKS?

10 MAY I APPROACH?

11 MR. SHAW: IS THERE A PAGE AT THE BOTTOM, COUNSEL?

12 MR. SHERMAN: NO. WE GOT THIS FROM THE COURT, AND  
13 SO THAT'S -- IT WASN'T BATES-STAMPED.

14 LET ME PUT THIS OVER HERE. WE'LL BE GOING  
15 BACK TO THAT.

16 I'VE PLACED BEFORE YOU THE SAME PAGE THAT'S  
17 UP ON THE SCREEN, THE STATEMENT OF FINANCIAL AFFAIRS.

18 MR. SHAW: YOUR HONOR, AGAIN, I'LL JUST OBJECT TO  
19 THIS DOCUMENT. THIS PARTY IS NOT -- THIS ALL SEASONS  
20 RESORT IS NOT A PARTY TO THIS ACTION. HOW THEIR FINANCIAL  
21 SITUATION COULD BE OF ANY RELEVANCE TO 35,000 LETTERS BEING  
22 SENT OUT, IT'S JUST -- IT'S IRRELEVANT.

23 THE COURT: I'LL TAKE IT UNDER SUBMISSION.

24 BY MR. SHERMAN: Q NOW, ON THIS STATEMENT OF  
25 FINANCIAL AFFAIRS, YOU SEE THE REFERENCE TO THE INCOME FROM  
26 AUGUST 26TH, '96, TO JULY 11, '97, OF \$2.6 MILLION. THAT'S

1 THE GROSS AMOUNT OF INCOME THAT MR. DAFF SHOWED FROM ALL  
2 SEASONS OPERATIONS. DO YOU SEE THAT?

3 A THAT'S NOT A CORRECT FIGURE.

4 Q DO YOU SEE THAT?

5 A I SEE THAT.

6 Q NOW, LET'S GO TO THE SCHEDULES. I PUT A  
7 PLACE MARKER IN THERE, MR. NOVELLI, 382-051. TWO PAGES  
8 BEFORE, I BELIEVE.

9 A YES.

10 Q THE FOLLOWING FINANCIAL DATA IS THE LATEST  
11 AVAILABLE INFORMATION AND REFERS TO DEBTOR'S CONDITION ON:  
12 AND IT SHOWS TOTAL ASSETS OF \$6.8 MILLION,  
13 TOTAL LIABILITIES OF \$93.2 MILLION?

14 A WHAT HE DID, HE TOOK THE \$6,000 NUMBER --

15 Q THERE'S NO QUESTION PENDING.

16 MR. NOVELLI, BY MR. DAFF'S CALCULATION, 93  
17 MILLION IN LIABILITIES MINUS 6 MILLION IN ASSETS IS \$87  
18 MILLION IN THE RED; CORRECT?

19 MR. SHAW: YOUR HONOR, I'LL OBJECT. WE DON'T KNOW  
20 WHAT MR. DAFF'S STATEMENT IS. WE'RE LOOKING AT ONE  
21 PARAGRAPH OUT OF -- IT LOOKS TO ME TO BE PROBABLY A  
22 THOUSAND --

23 THE COURT: LET'S JUST SAY BY THESE FIGURES AND GET  
24 ON WITH IT.

25 BY MR. SHERMAN: Q BY THESE FIGURES IT WAS 86  
26 MILLION IN THE RED; ISN'T THAT CORRECT?

1           MR. SHAW: THE SAME OBJECTION. NO POSSIBLE  
2 RELEVANCE TO ALL SEASONS RESORTS. NOT A PARTY TO THIS  
3 ACTION. NO CLAIM BEING MADE ON BEHALF OF ALL SEASONS  
4 RESORTS.

5           TRAVEL AMERICA IS THE PLAINTIFF. THEY  
6 BOUGHT THESE MEMBERS THROUGH BANKRUPTCY. AND THAT'S WHAT  
7 THIS CASE IS ABOUT, NOT ABOUT SOME STATEMENT THAT WAS FILED  
8 BACK IN 1996 OR 1997.

9           MR. SHERMAN: YOUR HONOR, TRAVEL AMERICA HAS  
10 REPEATEDLY HELD ITSELF OUT, AS THIS WITNESS HAS, AS THE  
11 SUCCESSOR TO ALL SEASONS RESORTS. AND IF MR. SHAW WOULD  
12 LIKE TO CONTINUE MAKING SPEAKING OBJECTIONS, I'LL HAVE TO  
13 DO THAT AS WELL.

14          MR. SHAW: THEY BOUGHT THE MEMBERS. YOUR HONOR,  
15 THEY BOUGHT THE MEMBERS.

16          MR. SHERMAN: EXCUSE ME, MR. SHAW. WE'VE COVERED  
17 THIS MATTER EXTENSIVELY IN CHAMBERS.

18          THE COURT: HOLD ON. I'LL ALLOW IT. MOVE ON.

19          BY MR. SHERMAN: Q BY MR. DAFF'S CALCULATIONS,  
20 ALL SEASONS WAS 86 MILLION IN THE RED; CORRECT?

21          A           WHAT HE DID IS HE WROTE OFF 18,000  
22 MEMBERS --

23          Q           CAN YOU ANSWER?

24          A           -- AT 6,000 APIECE. I'M TRYING TO EXPLAIN  
25 IT TO YOU.

26          Q           I'M NOT ASKING YOU TO EXPLAIN IT.

1 BY MR. DAFF'S CALCULATION, ALL SEASONS WAS  
2 86 MILLION IN THE RED; CORRECT?

3 A BY HIS CALCULATIONS, YES.

4 Q 86 MILLION IN THE RED BEFORE COAST SENT ITS  
5 LETTERS; RIGHT?

6 A 86 MILLION IS THE -- WHAT HE PERCEIVED WAS  
7 THE VALUE OF LOSS TO THE MEMBERS, IF HE HAD TO PAY THEM ALL  
8 BACK AS UNSECURED CREDITORS. IF HE HAD TO PAY THE 6,000  
9 BACK TO 18,000 MEMBERS, THAT'S WHAT IT'S ABOUT, YES.  
10 69 MILLION LOSS WOULD OCCUR.

11 Q WITHOUT COAST TO COAST HAVING ANYTHING TO DO  
12 WITH IT; RIGHT?

13 MR. SHAW: YOUR HONOR.

14 THE WITNESS: COAST HAS NOTHING TO DO WITH THAT.

15 MR. SHAW: MR. SHERMAN IS MAKING THE OLD ARGUMENT  
16 FOR THE RELEVANCE. DOES COAST HAVE ANYTHING TO DO WITH  
17 THIS. OF COURSE NOT. IT HAPPENED BEFORE COAST SENT OUT  
18 THE 35,000 LETTERS.

19 THE COURT: PROCEED AND MOVE ON, COUNSEL.

20 BY MR. SHERMAN: Q NOW, I'D LIKE TO MOVE TO THE  
21 SUBJECT OF TOTAL NUMBER OF TIMES THAT YOUR COMPANIES HAD  
22 FILED BANKRUPTCY.

23 DO YOU UNDERSTAND?

24 A OKAY.

25 Q I'M GOING TO WANT TO PLAY VOLUME VI OF THE  
26 DEPOSITION TAKEN ON MARCH 21, 2000, PAGE 13. JUST

1 TRANSCRIPT, PAGE 1336, LINE 5, THROUGH 1337, LINE 6.

2 MR. SHAW: THROUGH WHERE? 1336.

3 MR. SHERMAN: 1336, LINE 5, TO 1337, LINE 6.

4 MR. MOSHENKO: COUNSEL, ARE YOU GOING TO BE READING  
5 IT WITH THE OBJECTIONS?

6 MR. SHERMAN: YES, BECAUSE IT PROVIDES CONTEXT.

7 MR. SHAW: NO OBJECTION. OTHER THAN, AGAIN, THE  
8 RELEVANCE OBJECTION.

9 THE COURT: THANK YOU.

10 PROCEED.

11 BY MR. SHERMAN: "QUESTION: I SEE. HOW MANY TIMES  
12 DID COMPANIES YOU OWN OR OWNED FILE BANKRUPTCY?

13 "ANSWER: I WOULD IMAGINE --.

14 "MR. MOSHENKO: YOU MEAN WHILE HE OWNED  
15 THEM?

16 "MR. RIVIN: YES.

17 "THE WITNESS: WHILE I OWNED THEM?

18 "QUESTION: VOLUNTARY OR INVOLUNTARY?

19 "ANSWER: WHEN I WAS OPERATING THEM?

20 "MR. MOSHENKO: AND WE ARE USING THE WORDS  
21 "HE OWNED" LOOSELY HERE.

22 "THE WITNESS: LOOSELY MEANING THE  
23 PLAINTIFFS, NOT ME.

24 "MR. RIVIN: YES. I'M USING THE TERM  
25 LOOSELY.

26 "THE WITNESS: THE DELTA ISLE, THAT WAS IN

1 BANKRUPTCY.

2 "QUESTION: ACTUALLY, I DON'T NEED YOU TO  
3 NAME EACH ONE. DO YOU KNOW THE NUMBER?

4 "ANSWER: MAYBE 10 OF THEM, EIGHT.

5 "QUESTION: EIGHT TO 10?

6 "ANSWER: EIGHT TO 10. SOMETHING LIKE  
7 THAT.

8 "QUESTION: DID THE BANKRUPTCY FILINGS EVER  
9 HAVE AN EFFECT ON THE OPERATION OF YOUR PARKS?

10 "ANSWER: NO. ACTUALLY, NO."

11 THAT TESTIMONY ABOUT EIGHT TO 10 IS NOT  
12 TRUTHFUL, IS IT?

13 A FOR THE PLAINTIFFS. I THINK YOU ASKED FOR  
14 THE PLAINTIFFS.

15 Q IN FACT, YOUR COMPANIES HAVE FILED  
16 BANKRUPTCY ABOUT 25 TIMES; RIGHT?

17 A YOU ASKED ME ABOUT THE NUMBER OF TIMES THE  
18 PLAINTIFFS FILED BANKRUPTCIES. I BELIEVE THAT'S WHAT IT  
19 STATED.

20 Q WELL, LET'S ACTUALLY JUST GO BACK TO THE  
21 QUESTION SO THAT THERE'S NO CONFUSION IN THIS COURTROOM.

22 HOW MANY TIMES DID COMPANIES YOU OWN OR  
23 OWNED FILE BANKRUPTCY?

24 NOW, LET'S GO --

25 THE WITNESS: I THINK YOU NEED TO CONTINUE ON.

26 MR. SHAW: YOUR HONOR, I THINK WE NEED TO READ

1 THROUGH LINE 18 TO SHOW WHAT THIS WITNESS ANSWERED.

2 THE COURT: ALL RIGHT.

3 MR. SHAW: YOUR HONOR, IT SAYS AT LINE 17,  
4 "LOOSELY MEANING THE PLAINTIFFS, NOT ME.

5 "MR. RIVIN: YES, I'M USING THE TERM  
6 LOOSELY."

7 BY MR. SHERMAN: Q OKAY. LET'S GO TO THE  
8 BANKRUPTCIES THEMSELVES, MR. NOVELLI.

9 THE PONDEROSA HAS BEEN IN BANKRUPTCY ABOUT  
10 THREE TIMES; RIGHT?

11 A THE PONDEROSA HAS BEEN IN BANKRUPTCY TWO  
12 TIMES.

13 Q WELL, YOU TESTIFIED TO THE 1994 BANKRUPTCY;  
14 DO YOU RECALL THAT TESTIMONY?

15 A I WAS ERRORED THERE. IT WAS A '97  
16 BANKRUPTCY. I'M SORRY, BUT THE -- SOMETIMES DATES GET  
17 CONFUSING WHEN THEY HAVE BEEN WAY BACK. IT WAS '97.

18 Q AND THERE WAS ALSO A 1989 BANKRUPTCY?

19 A YOU LED EVERYBODY TO BELIEVE THERE WAS A  
20 '94. THERE WASN'T A '94. IT WAS A '97.

21 Q THERE WAS AN '89?

22 A WE DIDN'T PUT IT IN BANKRUPTCY. THE  
23 RECEIVER ASKED US THAT. THAT WAS IN BANKRUPTCY.

24 Q THAT WAS A 1989 BANKRUPTCY; CORRECT?

25 A THAT BANKRUPTCY WAS PRIOR TO OUR INVOLVEMENT.

26 Q WAS THAT BANKRUPTCY IN 1989, SIR?

1           A           I DON'T RECALL.

2           Q           THERE WAS A BANKRUPTCY WHEN YOU ACQUIRED THE  
3 PROPERTY; CORRECT?

4           A           YES, IT WAS IN BANKRUPTCY.

5           Q           SO THAT'S ONE BANKRUPTCY. THEN YOU GOT THE  
6 '97 BANKRUPTCY. AND THEN WE'VE GOT THE INVOLUNTARY THAT  
7 WAS FILED IN MARCH OF 2000; CORRECT?

8           A           THAT'S JUST ONE PENDING. THAT'S NOT IN  
9 BANKRUPTCY.

10          Q           OKAY. WELL, I COUNT TWO PLUS MAYBE THIS  
11 THIRD ONE.

12          MR. SHAW: YOUR HONOR, THAT MISCHARACTERIZES THE  
13 EVIDENCE.

14                    IN THE DEPOSITION AT PAGE 1336 THE QUESTION  
15 OF MR. SHERMAN ASKED, "HOW MANY TIMES DID COMPANIES YOU OWN  
16 OR OWNED FILED BANKRUPTCY?"

17                    IF IT WAS PURCHASED OUT OF A BANKRUPTCY, HE  
18 DIDN'T FILE A BANKRUPTCY.

19          MR. SHERMAN: YOUR HONOR, WE'RE ON -- EACH QUESTION  
20 IS A STAND-ALONE QUESTION. WE'RE ON TO NEW QUESTIONS.

21          THE COURT: ALL RIGHT. PROCEED.

22          BY MR. SHERMAN: Q OKAY. WE'VE GOT CUTTY'S.  
23 CUTTY'S HAS FILED TWO BANKRUPTCIES; RIGHT?

24          A           YES.

25          Q           WE'VE GOT SUNDANCE MUSIC COMPANY. THEY  
26 FILED A BANKRUPTCY; RIGHT?

1           A           I DON'T BELIEVE THEY'RE A PLAINTIFF, BUT  
2 THEY FILED A BANKRUPTCY.

3           Q           REVCON FILED TWO; RIGHT?

4           A           I BELIEVE ONE.

5           Q           REVCON FILED ONE IN 1989 WITH MR. MOONEY;  
6 RIGHT?

7           A           THAT HAD NOTHING TO DO WITH ME.

8           Q           WELL, AS YOU TOLD THE JURY ON MONDAY, JUNE  
9 26TH, YOU GOT INVOLVED IN REVCON AND APOLLO; AT THE SAME  
10 TIME, YOU GOT INVOLVED IN ALL SEASONS. AND THAT WAS IN  
11 1986; RIGHT?

12          A           I WAS TRYING TO ACQUIRE THEM BACK IN '86.

13          Q           RIGHT.

14                      SO REVCON --

15          A           AND I DID NOT ACQUIRE THEM UNTIL SOMETIME  
16 AFTER THAT.

17          Q           LET'S GO BACK TO REVCON.

18                      REVCON FILED IN '89; CORRECT?

19          A           I DON'T KNOW, SIR. IT HAD NOTHING TO DO  
20 WITH ME IN '89. I DIDN'T OWN REVCON. I WASN'T A MEMBER OF  
21 REVCON.

22          Q           BUT MIKE MOONEY WAS AN INVESTOR OF YOURS AT  
23 APOLLO?

24          A           HE WAS AN INVESTOR, YES.

25          Q           OKAY. SO LET'S JUST HAVE ONE FOR REVCON.

26                      OKAY. WE'VE --

1           MR. MOSHENKO: YOUR HONOR, I'LL JUST OBJECT TO THE  
2 LIST. SUNDANCE MUSIC COMPANY IS NOT A PLAINTIFF IN THIS  
3 CASE. IF MR. O'CONNOR OR MIKE HAS THE OPPORTUNITY TO BE  
4 ABLE TO CHANGE IT, IT'S NOT EVEN A PLAINTIFF IN THIS CASE.  
5 SO THE LIST IS NOT ACCURATE.

6           MR. SHERMAN: YOUR HONOR, THERE'S BEEN TESTIMONY  
7 THAT MONIES WERE MOVED AROUND FROM COMPANY TO COMPANY.  
8 THAT WAS THE FINDING OF THE UNITED STATES DISTRICT COURT IN  
9 THE FINOVA CASE. AND IF COUNSEL WANTS TO DO SOMETHING  
10 DIFFERENT ON REDIRECT, LET HIM.

11          MR. SHAW: YOUR HONOR, THERE'S NOTHING IN ANYTHING  
12 ABOUT SUNDANCE MUSIC COMPANY ANYWHERE, AND IT HAS NOTHING  
13 TO DO WITH 35,000 LETTERS BEING TRANSFERRED. SUNDANCE  
14 MUSIC COMPANY IS NOT A PLAINTIFF IN THIS CASE.

15          MR. SHERMAN: NOR WAS PHILIPPINE FIESTA THAT THE  
16 WITNESS TALKED ABOUT AT LENGTH.

17          MR. SHAW: I DON'T KNOW WHAT THAT HAS TO DO WITH  
18 THIS COMPANY AND THIS LIST.

19          MR. SHERMAN: IT HAS TO DO WITH THIS WITNESS'S  
20 CLAIM THAT HE IS A WORKOUT ARTIST, YOUR HONOR. THAT'S WHAT  
21 IT HAS TO DO WITH. DIRECTLY TO HIS CREDIBILITY.

22          THE COURT: THE OBJECTION IS OVERRULED. I'LL ALLOW  
23 IT.

24          BY MR. SHERMAN: Q DELTA ISLE FILED TWO  
25 BANKRUPTCIES; RIGHT?

26          A           I BELIEVE SO.

1 Q FIRST NATIONWIDE FILED A BANKRUPTCY?

2 A CORRECT.

3 Q NEW TRAILINN FILED A BANKRUPTCY; RIGHT?

4 A YES.

5 Q GUARDIAN CREDIT FILED ONE?

6 A YES.

7 Q GUARDIAN HOME LOAN FILED ONE?

8 A THESE ARE NOT PLAINTIFFS.

9 Q GUARDIAN HOME LOAN FILED ONE?

10 A YES.

11 Q ALL SEASONS FILED THREE?

12 MR. SHAW: YOUR HONOR, I'LL OBJECT. 10, 11, 12,

13 13 ARE NOT PLAINTIFFS IN THIS CASE, IF THIS IS GOING TO BE

14 A LIST REGARDING THIS WITNESS'S TESTIMONY.

15 THE COURT: I'LL ALREADY RULED ON IT, COUNSEL.

16 MR. SHAW: YOUR HONOR, FOR THE RECORD IT'S OBJECTED

17 TO. HE READ FROM A DEPOSITION TRANSCRIPT THAT SAID THE

18 LISTS OF THE PLAINTIFFS WAS 8 TO 10. AND NOW HE IS

19 LISTING -- IT'S NOT RELEVANT --

20 BY MR. SHERMAN: Q ALL SEASONS FILED THREE; RIGHT?

21 A THAT'S CORRECT.

22 Q A.R.A. FILED TWO?

23 A THAT'S CORRECT.

24 Q HERMITAGE LANDING FILED ONE?

25 A THEY DIDN'T FILE IT. THEY HAD A BANKRUPTCY.

26 Q APOLLO FILED ONE?

1 A YES.

2 Q THE RITZ FILED ONE?

3 A YES.

4 Q AND THOUSAND ADVENTURES, INC., ALABAMA FILED  
5 TWO?

6 A I BELIEVE SO, YES.

7 Q AND YOU FILED YOUR OWN BANKRUPTCY?

8 A BACK IN --

9 MR. SHAW: YOUR HONOR, IRRELEVANT. NOT A  
10 PLAINTIFF.

11 THE WITNESS: BACK IN '81 -- YES.

12 THE COURT: SUSTAINED.

13 BY MR. SHERMAN: Q NOW, APOLLO'S BUSINESS  
14 OPERATIONS HAVE ALWAYS BEEN CONDUCTED OUT OF YOUR OFFICES  
15 IN IRVINE; RIGHT?

16 A MOSTLY.

17 Q AND IN OCTOBER OF 1997, APOLLO ACQUIRED A  
18 NUMBER OF PROPERTIES AT THE BANKRUPTCY AUCTION HELD IN THE  
19 ALL SEASONS CASE; RIGHT?

20 A THAT'S CORRECT.

21 Q AND THEN JUST FOUR AND A HALF MONTHS AFTER  
22 THAT, APOLLO FILED ITS OWN BANKRUPTCY; RIGHT?

23 A TO PROTECT ITSELF AGAINST THE PROPERTY TAX,  
24 YES.

25 MR. SHERMAN: MOVE TO STRIKE EVERYTHING BUT "YES."

26 THE COURT: SUSTAINED. MOTION GRANTED.

1 BY MR. SHERMAN: Q APOLLO FILED ITS OWN BANKRUPTCY  
2 IN MICHIGAN FOUR AND A HALF MONTHS LATER; RIGHT?

3 A THAT'S WHERE THE ACTION WAS, YES.

4 Q AND YOU APPOINTED PHIL MARTINEZ TO BE THE  
5 PRESIDENT OF APOLLO AT THAT TIME; RIGHT?

6 A HE WAS ALREADY THE PRESIDENT OF APOLLO.

7 Q AND PHIL MARTINEZ IS NO LONGER WITH APOLLO;  
8 RIGHT?

9 A THAT'S CORRECT.

10 Q BECAUSE HE IS BACK IN PRISON; RIGHT?

11 A NO.

12 Q NOW, AT VARIOUS TIMES YOU'VE BEEN THE  
13 PRESIDENT OF APOLLO, TOO; CORRECT?

14 A CORRECT.

15 Q IN FACT, IN DECEMBER THIS PAST YEAR, YOU  
16 WERE THE PRESIDENT OF APOLLO; RIGHT?

17 A I COULD HAVE BEEN, YES.

18 Q BUT HANS SCHULZ WAS ALSO THE PRESIDENT IN  
19 DECEMBER '99; RIGHT?

20 A JUST ONE OF US COULD HAVE BEEN. SO IT HAD  
21 TO BE HANS SCHULZ.

22 Q WELL, I TEND TO AGREE WITH YOU THAT IT HAD  
23 TO BE ONE OR THE OTHER, BUT LET'S GO TO YOUR DEPOSITION  
24 TESTIMONY ON DECEMBER 15, 1999, VOLUME III, PAGE 626, LINE  
25 24, TO PAGE 627, LINE 4.

26 MR. MOSHENKO: COULD YOU REPEAT THAT.

1           MR. SHERMAN: VOLUME III, DECEMBER 15, 1999, PAGE  
2 626, LINE 24, THROUGH PAGE 627, LINE 4.

3           MR. MOSHENKO: THANK YOU.

4           MR. SHERMAN: THIS WAS THE DEPOSITION TAKEN ON  
5 DECEMBER 15, 1999.

6           MR. SHAW: YOUR HONOR, WE JUST ASK TO GIVE IT  
7 CONTEXT, IT BE READ DOWN THROUGH LINE 9, ON PAGE 627.

8           MR. SHERMAN: THAT'S FINE.

9           THE COURT: GO AHEAD.

10          BY MR. SHERMAN: "QUESTION: OKAY. AND YOU'RE THE  
11 PRESIDENT OF APOLLO; IS THAT RIGHT.

12                   "MR. MOSHENKO: THAT'S HIS TITLE RIGHT NOW?

13                   "MR. SHERMAN: YES.

14                   "THE WITNESS: AT THIS TIME, YES.

15                   "QUESTION: HOW LONG HAVE YOU BEEN THE  
16 PRESIDENT?

17                   "ANSWER: I'M NOT SURE IF I'M THE PRESIDENT  
18 NOW OR MR. SCHULZ IS. I'M NOT SURE."

19                   LET ME SHOW YOU EXHIBIT 829.

20                   DO YOU RECOGNIZE MR. SCHULZ'S SIGNATURE?  
21 DON'T YOU?

22           A        YES, I DO.

23           Q        THAT'S A DECLARATION THAT HE GAVE IN THIS  
24 CASE; RIGHT?

25           A        YES.

26           MR. SHERMAN: I'D LIKE TO MOVE IT INTO EVIDENCE.

1 THE COURT: NO OBJECTION?

2 MR. MOSHENKO: NO OBJECTION.

3 THE COURT: IT WILL BE SO RECEIVED.

4 (WHEREUPON, EXHIBIT NO. 829, SCHULZ  
5 DECLARATION, WAS RECEIVED IN EVIDENCE.)

6 BY MR. SHERMAN: Q LET'S GO TO THE SIGNATURE,  
7 DECEMBER 23, 1999. DECLARED UNDER PENALTY OF PERJURY.

8 HANS SCHULZ. LET'S GO TO THE TOP NOW.

9 "I AM THE PRESIDENT OF APOLLO GROUP,

10 PLAINTIFF IN THIS ACTION."

11 MR. NOVELLI, WHO IS THE PRESIDENT OF APOLLO  
12 TODAY?

13 A I JUST STATED I THINK IN YOUR TESTIMONY YOU  
14 READ -- MY TESTIMONY YOU READ -- I SAID I WASN'T SURE.

15 Q MR. NOVELLI, WHO IS THE PRESIDENT OF APOLLO  
16 TODAY?

17 A MR. SCHULZ.

18 Q YOU'RE SURE OF THAT?

19 A AS FAR AS I KNOW, YES.

20 Q NOW, WHEN APOLLO MADE ITS BANKRUPTCY FILING  
21 IN MICHIGAN IN MARCH 1998, IT FILED VARIOUS PAPERS WITH THE  
22 U.S. BANKRUPTCY COURT; RIGHT?

23 A CORRECT.

24 Q I'D LIKE TO SHOW YOU THOSE PAPERS. IT'S  
25 EXHIBIT 363. THAT'S THE BANKRUPTCY PAPERS THAT APOLLO'S  
26 PRESIDENT PHILLIP MARTINEZ FILED IN MARCH 1998; RIGHT?

1           A           YES.

2           MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 363 INTO  
3 EVIDENCE.

4           MR. SHAW: OBJECTION. HEARSAY, YOUR HONOR.

5           THE COURT: I'LL TAKE IT UNDER SUBMISSION.

6           BY MR. SHERMAN: Q THIS SHOWS VOLUNTARY PETITION  
7 IN EASTERN DISTRICT OF MICHIGAN, APOLLO GROUP. AND IF WE  
8 CAN GO TO THE NEXT PAGE.

9                       NOW, LET'S GO TO A FEW PAGES IN, EXHIBIT A  
10 TO THE VOLUNTARY PETITION, THE SECOND PAGE.

11                      DO YOU SEE THERE WAS A REQUEST FOR COMMENTS  
12 BY APOLLO IN CONNECTION WITH ITS BANKRUPTCY FILING?  
13 CORRECT?

14           A           LET ME GET THE -- YES, I SEE IT. WHAT WAS  
15 YOUR QUESTION?

16           Q           THE COMMENTS SHOW, "FOLLOWING DEBTOR'S  
17 PURCHASE OF THE GRASS LAKE, MICHIGAN AND ORLANDO, FLORIDA  
18 PROPERTIES THROUGH THE U.S. BANKRUPTCY TRUSTEE SALE, DEBTOR  
19 WAS FACED WITH IMMINENT FORECLOSURE BY STATE TAXING  
20 AUTHORITIES DUE TO UNPAID REAL AND PERSONAL PROPERTY TAXES  
21 OF FORMER OWNER."

22           A           THAT'S CORRECT.

23           Q           AND YOU RECALL IN YOUR DEPOSITION TAKEN ON  
24 OCTOBER 4 LAST YEAR I ASKED YOU ABOUT THE CIRCUMSTANCES  
25 THAT GAVE RISE TO THE FILING OF THE BANKRUPTCY PETITION BY  
26 THE APOLLO GROUP?

1           A           I DON'T RECALL, BUT YOU MIGHT HAVE, YES.

2           Q           LET ME SHOW FROM MR. NOVELLI'S DEPOSITION  
3 VOLUME II, PAGE 498, LINE 3, TO 498, LINE 20.

4           MR. MOSHENKO: 498, LINE 3 IS THE MIDDLE OF A  
5 QUESTION.

6           MR. SHAW: MAYBE WE HAVE THE WRONG PAGE.

7           MR. SHERMAN: I'D LIKE TO SHOW MR. NOVELLI'S  
8 TESTIMONY, THEN, FROM VOLUME III, DECEMBER 15, 1999, VOLUME  
9 III, DECEMBER 15, 1999, PAGE 631, LINE 16 THROUGH 633, LINE  
10 10.

11          MR. MOSHENKO: YOU'VE WITHDRAWN THE PREVIOUS ONE?

12          MR. SHERMAN: YES.

13          MR. SHAW: NO OBJECTION, YOUR HONOR.

14          THE COURT: PROCEED.

15          MR. SHERMAN: "QUESTION"-- BY THE WAY, LET ME  
16 REPRESENT TO THE COURT AND THE WITNESS THAT THE EXHIBIT 15  
17 THAT IS REFERENCED HERE IS THE EXACT SAME. THAT WAS  
18 DEPOSITION EXHIBIT 15, TRIAL EXHIBIT 363-005, WHICH WE JUST  
19 HAD UP ON THE BOARD. THE COMMENTS SECTION IS WHAT WAS  
20 BEING INQUIRED OF THE WITNESS THEN. WE'LL SHOW THAT AGAIN  
21 IN A MOMENT.

22                       "QUESTION: NOW, TURN TO THE THIRD AND  
23 FOURTH PAGES OF THIS DOCUMENT, EXHIBIT 15.

24                       "ANSWER: OKAY.

25                       "QUESTION: THAT'S A PART OF THE VOLUNTARY  
26 PETITION THAT YOUR COMPANY FILED; RIGHT?

1 "ANSWER: YES.

2 "QUESTION: AND YOUR COMPANY WAS ASKED TO  
3 PROVIDE WHATEVER COMMENTS IT CHOSE TO PROVIDE ON THE SECOND  
4 PAGE OF THAT VOLUNTARY PETITION, PAGE T.A. 000487?

5 "ANSWER: OKAY. I DON'T HAVE THAT ONE.

6 "QUESTION: SECOND PAGE. JUST TURN THE PAGE.

7 "ANSWER: OKAY.

8 "QUESTION: DO YOU SEE THE SECTION  
9 "COMMENTS, IF ANY"?

10 "ANSWER: LET ME READ THIS, PLEASE.

11 "YES, I SEE THAT.

12 "QUESTION: IS THAT THE REASON WHY APOLLO  
13 GROUP FILED BANKRUPTCY?

14 "ANSWER: THAT'S CORRECT.

15 "QUESTION: IS THAT THE WHOLE REASON?

16 "ANSWER: THAT WAS THE -- HAD TO DO WITH THE  
17 TAXES, THAT THE -- THAT THE TAXES AUTHORITY -- WELL, YES.  
18 IN OTHER WORDS, IT WAS PART OF THE REASON.

19 "MR. SHERMAN: WELL, THAT WASN'T MY  
20 QUESTION.

21 "WOULD THE COURT REPORTER PLEASE READ THE  
22 QUESTION BACK.

23 "QUESTION: IS THAT THE WHOLE REASON?

24 "THE WITNESS: THAT WAS THE MAIN REASON.

25 "QUESTION: WERE THERE OTHER REASONS?

26 "ANSWER: I DON'T RECALL. I DON'T KNOW ALL

1 THE DETAILS, BUT I KNOW THAT WAS THE MAIN REASON.

2 "QUESTION: WERE THERE SUBORDINATE REASONS?

3 "ANSWER: I DON'T KNOW.

4 "QUESTION: YOU DIDN'T KNOW THEN; RIGHT?

5 "ANSWER: NO."

6 LET'S GO BACK TO 363-005.

7 NOW, WHEN THESE REPRESENTATIONS WERE MADE IN  
8 MARCH 1998 -- COULD YOU BLOW UP THE COMMENT SECTION, MIKE,  
9 PLEASE? THANK YOU.

10 WHEN THESE REPRESENTATIONS WERE MADE TO THE  
11 UNITED STATES BANKRUPTCY COURT IN MARCH 1998, YOU KNEW THAT  
12 APOLLO HAD FILED A LAWSUIT AGAINST MY CLIENTS TWO MONTHS  
13 EARLIER; CORRECT?

14 A I BELIEVE SO.

15 Q COAST IS NOWHERE MENTIONED IN THIS COMMENT,  
16 IS IT?

17 A THE REASON FOR FILING THE BANKRUPTCY WAS  
18 BECAUSE OF THE TAXES.

19 Q COAST IS NOWHERE MENTIONED AS A REASON;  
20 CORRECT?

21 A THAT'S CORRECT.

22 Q NOBODY PREVENTED APOLLO FROM LICENSING EVERY  
23 REASON FOR ITS FINANCIAL FAILURE IN THIS COMMENT SECTION;  
24 CORRECT?

25 A WE DIDN'T KNOW AT THAT TIME THE DAMAGE THAT  
26 WAS CAUSED BY YOUR CLIENT WHEN THEY SENT THOSE TRANSFERS

1 OUT.

2 MR. SHERMAN: MOVE TO STRIKE THE ANSWER AS NOT  
3 RESPONSIVE.

4 THE COURT: GRANTED.

5 BY MR. SHERMAN: Q NOBODY PREVENTED APOLLO FROM  
6 LISTING ALL THE REASONS IN THE COMMENTS SECTION FOR ITS  
7 FINANCIAL FAILURE; CORRECT?

8 A THE PROBLEM WE HAD WAS TAXES. WHICH DIDN'T  
9 DEAL WITH COAST TO COAST.

10 Q COAST DIDN'T BID ON THE ALL SEASONS  
11 PROPERTIES IN THE BANKRUPTCY AUCTION, DID IT?

12 A NO, IT DIDN'T.

13 Q COAST DIDN'T TELL ALL SEASONS TO NOT PAY THE  
14 TAXES ON THOSE PROPERTIES, DID IT?

15 A NO, IT DIDN'T.

16 Q COAST DIDN'T TELL APOLLO WHAT TO DO AS FAR  
17 AS APOLLO'S DECISION TO BUY THESE PROPERTIES, DID IT?

18 A NO.

19 Q THE DELINQUENCIES ON PROPERTY TAXES, ON  
20 THESE PROPERTY TAXES THAT APOLLO BOUGHT, HAD BEEN PLACED ON  
21 THE PROPERTIES LONG BEFORE COAST SENT ITS LETTERS IN THE  
22 FALL OF '97; RIGHT?

23 A THAT'S CORRECT.

24 Q LET'S GO TO THE FIRST AMENDED DISCLOSURE  
25 STATEMENT APOLLO FILED, EXHIBIT 364.

26 NOW, MR. NOVELLI, SOON AFTER APOLLO FILED

1 ITS MID-MARCH '98 BANKRUPTCY IN MICHIGAN, APOLLO TRIED TO  
2 FILE SOME PAPERS WITH THE BANKRUPTCY COURT THERE TO ATTEMPT  
3 TO REORGANIZE; RIGHT?

4 A I BELIEVE SO.

5 Q AND THIS EXHIBIT 364 CONSTITUTES SOME OF THE  
6 FILINGS THAT APOLLO MADE TO TRY TO REORGANIZE; RIGHT?

7 A IT APPEARS TO, YES.

8 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 364 INTO  
9 EVIDENCE.

10 THE COURT: NO OBJECTION?

11 MR. SHAW: OBJECTION. HEARSAY, YOUR HONOR.

12 THE COURT: UNDER SUBMISSION.

13 BY MR. SHERMAN: Q THESE ARE ADMISSIONS BY THE  
14 PLAINTIFF.

15 IF WE CAN GO TO PAGE 9. IT SAYS HERE --  
16 ACTUALLY LET'S GO BACK TO PAGE 8. PERHAPS THAT MIGHT PUT  
17 IT IN CONTEXT.

18 YOU GAVE A DESCRIPTION OF THE DEBTOR IN THE  
19 FILING TO THE BANKRUPTCY COURT, DIDN'T YOU?

20 A WHAT PAGE IS THAT ON?

21 Q PAGE 8.

22 A YES, UH-HUH.

23 Q AND THEN THE NEXT -- PAGE 9 YOU REPRESENTED  
24 TO THE COURT, THE BOTTOM, THAT DURING THIS 13-YEAR PERIOD  
25 OF TIME -- THAT'S FROM 1986 THROUGH THE PRESENT -- THE  
26 APOLLO GROUP RECEIVED MINIMAL RETURN ON ITS INVESTMENT.

1                   NOW, THE MINIMAL RETURN ON INVESTMENT THAT  
2 APOLLO HAD RECEIVED FOR 13 YEARS WASN'T THE FAULT OF COAST  
3 NOW, WAS IT?

4           A           I DON'T BELIEVE SO.

5           Q           AND LET'S GO TO PAGE 10. YOU'LL SEE THERE  
6 IS A DESCRIPTION OF THE PRINCIPALS OF THE DEBTOR, IF YOU  
7 COULD.

8                   PRINCIPALS OF THE DEBTOR ARE PHIL MARTINEZ,  
9 STEVE ALLEMAN AND NED ZIDEAN.

10                   YOU'RE NOT LISTED, ARE YOU?

11          A           I WASN'T A PRINCIPAL AT THAT TIME.

12          Q           YOU'RE NOT LISTED, ARE YOU?

13          A           NO.

14          Q           MR. SCHULZ WASN'T LISTED?

15          A           HE WASN'T A PRINCIPAL EITHER.

16          Q           AND THEN ON PAGE 11 YOU HAVE A SECTION ON  
17 THE CAUSES FOR THE CHAPTER 11 FILING.

18                   DURING 1998, THE PERSONAL PROPERTY OF GRASS  
19 LAKE WAS RED-TAGGED. THERE IS A PUBLIC AUCTION SCHEDULED  
20 FOR MARCH 16.

21                   APOLLO GROUP DISPUTED THAT TAX  
22 CLAIM, AND YOU HAD A BATTLE WITH THE TAXING AUTHORITIES;  
23 RIGHT?

24          A           WE DISPUTED THE CLAIM.

25          Q           YOU HAD A BATTLE WITH THE TAXING  
26 AUTHORITIES; RIGHT?

1 A CORRECT.

2 Q DURING THE HISTORY OF ALL SEASONS WITH ITS  
3 VARIOUS TRUSTEES AND RECEIVERS, ONLY A NOMINAL AMOUNT OF  
4 PROPERTY TAXES WERE PAID; IS THAT AN ACCURATE STATEMENT?

5 A THAT'S CORRECT.

6 Q NOW, THE BANKRUPTCY COURT WOULD HAVE NONE OF  
7 THIS DISCLOSURE STATEMENT, WOULD THEY?

8 A WHAT WAS THAT?

9 Q THE BANKRUPTCY COURT DIDN'T WANT ANYTHING TO  
10 DO WITH ANY REORGANIZATION OF THE APOLLO GROUP NOW, DID IT?

11 A THEY DISMISSED THE CASE.

12 Q THEY DISMISSED IT AS A BAD FAITH FILING?

13 A BECAUSE IT WAS ONLY ONE CREDITOR, YES.

14 Q THEY DISMISSED IT AS A BAD FAITH FILING;  
15 CORRECT?

16 A I DON'T KNOW BAD FAITH.

17 Q THE BANKRUPTCY COURT JUDGE FOUND THE APOLLO  
18 GROUP HAD FILED THIS CASE IN BAD FAITH, DIDN'T HE?

19 A I'M NOT SURE WHAT HE FOUND.

20 MR. MOSHENKO: OBJECTION. CALLS FOR HEARSAY.

21 THE WITNESS: CASE WAS DISMISSED.

22 MR. SHAW: OBJECTION. CALLS FOR HEARSAY.

23 THE COURT: SUSTAINED.

24 BY MR. SHERMAN: Q LET'S GO TO THE TRANSCRIPT  
25 ITSELF OF THE HEARING THAT WE HAVE, EXHIBIT 491.

26 MR. SHAW: OBJECTION. ANY TRANSCRIPT FROM ANY

1 HEARING IS HEARSAY.

2 THE COURT: YOU KNOW, WE HAVEN'T HAD A BREAK IN  
3 OVER 10 DAYS. LET'S TAKE ONE.

4 (RECESS TAKEN.)

5 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
6 COURT IN THE PRESENCE OF THE JURY:)

7 THE COURT: PROCEED.

8 MR. SHERMAN: YOUR HONOR, I'VE PLACED BEFORE THE  
9 WITNESS EXHIBIT 491 WHICH IS THE COURT TRANSCRIPT OF  
10 HEARINGS IN THE APOLLO GROUP CASE. THIS WAS THE ISSUE THAT  
11 WE HAD DISCUSSED BEFORE WE BROKE. IN FACT, IT IS NOT  
12 HEARSAY BECAUSE OF EVIDENCE CODE SECTION 1280 MAKING PUBLIC  
13 RECORDS AN EXCEPTION TO THE HEARSAY RULE. ALSO, THIS COURT  
14 MAY TAKE JUDICIAL NOTICE OF THE COURT'S RECORDS.

15 MR. SHAW: THAT TRANSCRIPT IS NOT A COURT RECORD.  
16 A RECORD IS A FILING, AND UNDER THAT PARTICULAR EVIDENCE  
17 CODE SECTION, THAT'S WHAT THAT MEANS. A TRANSCRIPT IS  
18 NOTHING MORE THAN WHAT GOES ON IN THE COURTROOM, AND IT'S  
19 HEARSAY. I DON'T HAVE AN OPPORTUNITY TO CROSS-EXAMINE.

20 THE COURT: WELL, HE IS NOT GOING TO INTRODUCE IT.  
21 YOU'RE GOING TO QUESTION HIM ON IT, THE TRANSCRIPT.

22 MR. SHERMAN: I'M GOING TO SHOW HIM PORTIONS OF THE  
23 TRANSCRIPT AND QUESTION HIM ON IT.

24 THE COURT: YES. PROCEED.

25 MR. SHERMAN: YES.

26 Q OKAY. NOW, GOING BACK TO THE APOLLO GROUP

1 BANKRUPTCY, MR. NOVELLI, IT WAS DISMISSED AS A BAD FAITH  
2 FILING; IS THAT CORRECT?

3 A IT WAS DISMISSED.

4 Q AS A BAD FAITH FILING?

5 A I DON'T KNOW. IT WAS DISMISSED. THAT'S ALL  
6 I RECALL.

7 Q YOU KNOW THAT THERE WERE HEARINGS HELD IN  
8 THE CASE; CORRECT?

9 A I BELIEVE SO, YES.

10 Q AND IF YOU COULD TURN ACTUALLY TO EXHIBIT  
11 492.

12 EXHIBIT 492 IS THE ORDER DISMISSING THE  
13 CASE; CORRECT?

14 A YES, IT IS.

15 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 492 INTO  
16 EVIDENCE.

17 THE COURT: IT WILL BE SO RECEIVED.

18 (WHEREUPON, EXHIBIT NO. 492, ORDER  
19 DISMISSING BANKRUPTCY, WAS RECEIVED IN EVIDENCE.)

20 BY MR. SHERMAN: Q IT SAYS HERE IN THE ORDER  
21 DISMISSING THE CASE MADE ON JULY 2, 1998, THAT FOR THE  
22 REASONS INDICATED ON THE RECORD IN OPEN COURT ON JUNE 24  
23 AND 29, 1998, IT IS HEREBY ORDERED THAT THIS BANKRUPTCY  
24 CASE IS DISMISSED.

25 NOW, LET'S GO TO THE RECORD.

26 MR. SHAW: YOUR HONOR, I'LL OBJECT TO THE RECORD

1 WITHOUT FURTHER FOUNDATION AS TO WHETHER OR NOT MR. NOVELLI  
2 WAS EVEN THERE AT THAT TIME. JUST OBJECTION, FOUNDATION.

3 THE COURT: LAY SOME FOUNDATION.

4 BY MR. SHERMAN: Q YOU HAD TRAVEL AMERICA'S LAWYER  
5 THERE; CORRECT?

6 A TRAVEL AMERICA DIDN'T HAVE A LAWYER THERE,  
7 NO.

8 Q WELL, LET ME SHOW YOU THE VERY FIRST PAGE.  
9 MAY I POINT IT OUT TO THE WITNESS -- OF THE TRANSCRIPT OF  
10 THE HEARING, EXHIBIT 491. PLEASE READ OUT WHAT THIS SAYS.

11 A I GUESS THEY WERE REPRESENTED, TRAVEL  
12 AMERICA.

13 Q TRAVEL AMERICA WAS AT THE HEARING; CORRECT?

14 A WELL, THEY HAD SOMEBODY THERE, I GUESS.

15 Q YOUR COMPANY?

16 A THAT'S CORRECT.

17 Q AND THE ORDER WHICH MADE SPECIFIC REFERENCE  
18 TO THESE FINDINGS AS THE REASON FOR THE DISMISSAL -- IF YOU  
19 TURN TO PAGE 6 OF EXHIBIT 491. PAGE 6, LINE 6. ACTUALLY  
20 LINE 10.

21 DID YOU EVER LEARN WHETHER THE COURT IN THE  
22 APOLLO CASE HAD CONCLUDED THAT THE EVIDENCE BEFORE IT DOES  
23 ESTABLISH BAD FAITH ON THE DEBTOR'S PART? DID YOU EVER  
24 LEARN THAT?

25 A NO, I DON'T RECALL THAT.

26 Q DID THE COURT CONCLUDE THAT THE ONLY

1 BUSINESS ACTIVITY OF APOLLO GROUP WAS A PURPORTED LEASE OF  
2 PROPERTIES TO TRAVEL AMERICA?

3 A TRAVEL AMERICA WAS LEASING THE PROPERTY, YES.

4 Q AND APOLLO GROUP HADN'T EVEN COLLECTED ANY  
5 RENT; CORRECT?

6 A I DON'T RECALL IF THEY DID OR NOT.

7 Q APOLLO GROUP HAD NO INCOME; RIGHT?

8 A THEY HAD WHATEVER THE PARKS BROUGHT IN, I  
9 GUESS, FROM TRAVEL AMERICA, WHATEVER THAT DEAL WAS.

10 Q YOU LEARNED THAT THE BANKRUPTCY COURT -- ONE  
11 OF THE REASONS FOR THE BANKRUPTCY COURT ORDER DISMISSING  
12 THE CASE WAS THAT -- ON PAGE 7, MR. NOVELLI, LINES 8, 9, 10  
13 AND 11 -- THAT APOLLO GROUP HAD RELOCATED FROM CALIFORNIA  
14 TO MICHIGAN JUST BEFORE FILING THE BANKRUPTCY PETITION.  
15 YOU HAD BECOME AWARE OF THAT; THAT THAT WAS ONE THE COURT'S  
16 CONCERNS; RIGHT?

17 A YES, I BECAME AWARE OF THAT. WE FILED THERE  
18 BECAUSE THAT'S WHERE THE PROPERTY -- WE HAD THE PROBLEM  
19 WITH THE TAXES ON, IN MICHIGAN.

20 Q AND YOU WERE ALSO AWARE THAT THE COURT HAD  
21 CONCLUDED THAT APOLLO GROUP HAD NO EMPLOYEES ON ITS  
22 PAYROLL, NO BUSINESS PHONE, AND NO OFFICE ACTIVITY AT ITS  
23 NEW LOCATION?

24 A WELL, I DON'T KNOW IF I WAS AWARE OF THAT;  
25 BUT IN THE MEANTIME, THAT WAS THE PROPERTY OWNED BY APOLLO.

26 Q AND MY CLIENT, COAST, HAD NOTHING TO DO WITH

1 THE FACT THAT COURT -- THE BANKRUPTCY COURT IN MICHIGAN  
2 THREW OUT THE APOLLO BANKRUPTCY CASE; CORRECT?

3 A I DON'T BELIEVE SO, NO.

4 Q NOW, I HAD PLACED BEFORE YOU DURING OUR  
5 BREAK -- IF I MAY APPROACH HERE -- AN EXHIBIT, EXHIBIT  
6 408.

7 DO YOU HAVE THAT, COUNSEL?

8 MR. SHAW: YES.

9 BY MR. SHERMAN: Q MR. NOVELLI, YOU'LL RECALL THAT  
10 YOU GAVE SOME TESTIMONY PREVIOUSLY IN THIS CASE ABOUT THE  
11 FACTS AND CIRCUMSTANCES SURROUNDING ALL SEASONS RESORTS'  
12 REORGANIZATION, THE SECOND A.S.R. CASE; CORRECT?

13 A CORRECT.

14 Q AND, IN FACT, THE DISCLOSURE STATEMENT WAS  
15 SUBMITTED TO THE COURT IN CONNECTION WITH THE ALL SEASONS  
16 RESORTS BANKRUPTCY REORGANIZATION, THE SECOND BANKRUPTCY?

17 A YES.

18 Q AND IF YOU WOULD TURN IN EXHIBIT 408 TO --  
19 IT'S ABOUT 71 PAGES IN. IT'S MARKED. EXHIBIT  
20 408, PAGE 71.

21 DO YOU SEE THERE THE SIGNATURE OF THE  
22 BANKRUPTCY TRUSTEE, MR. JOSEPH?

23 A YES.

24 Q AND YOU SEE THE SIGNATURE OF HIS LAWYER,  
25 MR. DIAMOND?

26 A CORRECT.

1 Q AND YOU ASSISTED MR. JOSEPH IN THE  
2 PREPARATION OF THIS DISCLOSURE STATEMENT?

3 A I DON'T KNOW IF I ASSISTED HIM. I WAS AWARE  
4 OF IT.

5 MR. SHERMAN: I'M GOING TO MOVE EXHIBIT 408 INTO  
6 EVIDENCE.

7 MR. SHAW: I DON'T BELIEVE THIS IS THE FINAL  
8 DISCLOSURE STATEMENT.

9 MR. SHERMAN: WHETHER IT'S THE FINAL ONE OR NOT,  
10 IT'S A DISCLOSURE STATEMENT. I'M NOT OFFERING IT FOR THE  
11 PROOF THAT IT WAS THE FINAL ONE. IT IS A DISCLOSURE  
12 STATEMENT SIGNED BY MR. JOSEPH, SIGNED BY MR. DIAMOND,  
13 WHICH MR. NOVELLI HAD AWARENESS OF.

14 MR. SHAW: DATED MARCH 9TH, 1993. IRRELEVANT TO  
15 THE ACTIONS IN THIS CASE IN LATE 1997. OBJECTION,  
16 IRRELEVANT.

17 THE COURT: SUSTAINED.

18 PROCEED, COUNSEL.

19 BY MR. SHERMAN: Q NOW, IN CONNECTION WITH THE  
20 SALE OF THIS UPGRADE PRODUCT, PRESIDENT'S TRAVEL CLUB  
21 PRODUCT, MR. NOVELLI, TALKING ABOUT THE PERIOD OF TIME  
22 PRIOR TO THE BANKRUPTCY FILING IN 1997, JULY, 1997 -- ARE  
23 YOU WITH ME?

24 A I'M NOT -- ARE YOU ASKING A QUESTION?

25 Q YES, SIR.

26 A WHAT'S THE QUESTION?

1 Q I WANT TO ASK YOU SOME QUESTIONS ABOUT THE  
2 SALE OF THE PRESIDENT'S CLUB PRODUCT IN THE TIME PERIOD  
3 PRIOR TO JULY, 1997; DO YOU UNDERSTAND?

4 A YES.

5 Q YOU HAD AT ONE TIME ESTIMATED THAT YOU WOULD  
6 BE ABLE TO SELL TO 65 PERCENT OF YOUR MEMBERSHIP BASE THE  
7 PRESIDENT'S TRAVEL CLUB UPGRADE PRODUCT; CORRECT?

8 A I BELIEVE IT WAS 55 PERCENT, BUT IT COULD  
9 HAVE BEEN 65. BUT I RECALL 55 PERCENT.

10 Q BUT YOU DO RECALL 55 PERCENT?

11 A YES.

12 Q OKAY. AND I WANT TO NOW, THEN, TURN TO YOUR  
13 DEPOSITION TESTIMONY OF VOLUME VI, PAGE 1370, LINE 4, TO  
14 PAGE 1371, LINE 2.

15 ACTUALLY BEFORE WE DO THAT, MR. NOVELLI, YOU  
16 TESTIFIED ABOUT 55 PERCENT. IN FACT, YOU ONLY SOLD TO 30  
17 PERCENT; CORRECT?

18 A FIFTY-FIVE PERCENT.

19 Q YOUR ESTIMATE WAS 55, BUT YOU ONLY SOLD TO  
20 30?

21 A NO. I SOLD TO 42,000 MEMBERS. WE SOLD \$70  
22 MILLION WORTH OF PRODUCT, AND I BELIEVE THAT MY FIGURES ARE  
23 ACCURATE AT 55 PERCENT.

24 Q OKAY. WELL, LET'S SHOW YOUR DEPOSITION  
25 TESTIMONY ON THIS VERY POINT, VOLUME VI, PAGE 1370, LINE 4,  
26 TO PAGE 1371, LINE 2.

1 MR. SHAW: NO OBJECTION.

2 THE COURT: PROCEED.

3 BY MR. SHERMAN: "QUESTION: WHAT WERE THE TOTAL  
4 REVENUES GENERATED FROM PRESIDENT'S CLUB SALES IN 1996?

5 "ANSWER: THERE AGAIN, IT WASN'T VERY HIGH.  
6 MAYBE 4, 5 MILLION.

7 "QUESTION: HOW ABOUT 1995?

8 "ANSWER: '95 WOULD HAVE BEEN IN THE  
9 NEIGHBORHOOD OF 10, 15 MILLION.

10 "QUESTION: WHY THE DROP-OFF BETWEEN 1995  
11 AND 1996?

12 "ANSWER: WELL, WHAT WE DO IS WE DEVELOP A  
13 PRODUCT FOR THE MEMBER. IN OTHER WORDS, WE LOOK AT A  
14 MEMBER AND OUR MARKETING BASE. AND I DEVELOPED A PRODUCT  
15 THAT I CALLED THE PRESIDENT'S CLUB. AND ONCE YOU GO  
16 THROUGH THAT BASE AND YOU SELL THEM THE PRESIDENT'S CLUB,  
17 YOU CAN'T GO BACK THROUGH IT AGAIN. YOU COULD, BUT IT  
18 DOESN'T DO YOU ANY GOOD.

19 "SO I WENT THROUGH THE BASE AND DECIDED THAT  
20 WHAT -- YOU KNOW, HOW MANY WE COULD SELL. AND WE SOLD  
21 PROBABLY \$60 MILLION WORTH, WHICH WAS PROBABLY 30 PERCENT  
22 OF OUR MEMBER BASE UPGRADED.

23 "SO I'M ALWAYS LOOKING FOR A NEW PRODUCT.  
24 SO THIS PRODUCT I HAVE ALREADY USED, THE PRESIDENT'S CLUB.  
25 SO I CAN'T RESELL THAT ONE. BUT I'M LOOKING FOR A NEW  
26 ONE."

1                   AND BECAUSE YOU COULDN'T MEET THAT 55  
2 PERCENT ESTIMATE AND YOU ONLY SOLD TO 30 PERCENT, THAT WAS  
3 YET ONE MORE OF THE REASONS CONTRIBUTING TO THE FAILURE OF  
4 ALL SEASONS RESORTS; CORRECT?

5           A        NO. IF YOU USED THE FIGURE -- IN OTHER  
6 WORDS, THOSE FIGURES THERE, WHEN I REVIEWED IT, WAS \$70  
7 MILLION WORTH. AND WE SOLD 23,000 MEMBERS MEMBERSHIPS IN  
8 THE PRESIDENT'S CLUB. AFTER I REVIEWED THE FIGURES. YOU  
9 ASKED ME OFF THE CUFF WHAT IT WAS -- OR WHOEVER DID DURING  
10 THAT TIME -- AND MY RECOLLECTION WAS \$60 MILLION. AND WHEN  
11 I CHECKED IT OUT, IT WAS \$70 MILLION, AND 23,000 MEMBERS.

12           Q        OKAY. LET ME PLACE BEFORE YOU EXHIBIT 359.  
13 WELL, I'LL GIVE YOU MY COPY.

14                   I'D LIKE TO ASK YOU SOME QUESTIONS,  
15 MR. NOVELLI, ABOUT THOUSAND ADVENTURES, INC.; OKAY?

16           A        OKAY.

17           Q        AND YOU ARE FAMILIAR WITH THAT DOCUMENT THAT  
18 I PLACED BEFORE YOU, A DISCLOSURE STATEMENT IN THE THOUSAND  
19 ADVENTURES, INC., OHIO CASE?

20           A        SOMEWHAT, YES.

21           Q        WELL, YOU HAD FAMILIARITY WITH IT AND KNEW  
22 ABOUT IT AT THE TIME IT WAS FILED; RIGHT?

23           A        THAT'S CORRECT.

24           Q        AND YOUR ATTORNEY, SARA DANEMAN, PREPARED  
25 IT?

26           A        THAT'S CORRECT.

1           MR. SHERMAN: I'M GOING TO MOVE EXHIBIT 359 INTO  
2 EVIDENCE.

3           THE COURT: OBJECTION?

4           MR. SHAW: WE DON'T HAVE A COPY OF IT PRESENTLY.  
5 IF WE CAN JUST TAKE IT UNDER SUBMISSION.

6           THE COURT: UNDER SUBMISSION.

7           MR. SHERMAN: OKAY.

8           Q       NOW, LET'S -- THIS DOCUMENT WAS FILED,  
9 MR. NOVELLI, IN FEBRUARY 1998.

10                   IF YOU CAN GO TO THE LOWER RIGHT-HAND CORNER  
11 THERE, MIKE.

12                   FEBRUARY 17, 1998; RIGHT?

13           A       THAT'S CORRECT.

14           Q       NOW, WHAT I'D LIKE TO DO, MR. NOVELLI, IS  
15 I'D LIKE TO ASK YOU SOME QUESTIONS DRAWN FROM THE DOCUMENTS  
16 AND INFORMATION ABOUT MEMBERS' EXPERIENCES WITH THOUSAND  
17 ADVENTURES, INC.; DO YOU UNDERSTAND?

18           A       YES.

19           Q       AND IF WE GO -- IN THIS DOCUMENT -- I  
20 BELIEVE IT'S PAGE 19 ON SANCTION. WHY DON'T WE TURN TO  
21 THAT LINE.

22                   IS THAT PAGE 15?

23                   OKAY. TURN TO PAGE 15, MR. NOVELLI.

24                   IF YOU CAN HIGHLIGHT THE FIRST PARAGRAPH,  
25 PLEASE.

26                   OKAY. SO AFTER 1995, GENERAL BUSINESS

1 ACTIVITY, INCLUDING THE SALE OF NEW MEMBERSHIPS, DECLINED  
2 SIGNIFICANTLY.

3 DO YOU SEE THAT STATEMENT?

4 A YES, I DO.

5 Q AND THAT WAS WITH REFERENCE TO THOUSAND  
6 ADVENTURES, INC., OF OHIO?

7 A CORRECT.

8 Q AND, IN FACT, THE DUES BASE OF THOUSAND  
9 ADVENTURES, INC., OF OHIO WAS NOT SUFFICIENT TO COVER THE  
10 COSTS OF ITS OPERATIONS; RIGHT?

11 A THAT'S CORRECT.

12 Q OKAY. SO WE'VE GOT 1996 ON. I'M GOING TO  
13 USE AN ELECTRONIC BLACKBOARD HERE, IF I COULD.

14 LET'S GO TO THIS TIME LINE WE'RE GOING TO  
15 TRY TO CREATE WITH YOU, MR. NOVELLI.

16 1996. WE'VE GOT GENERAL BUSINESS ACTIVITY  
17 OF T.A.I., OHIO, INCLUDING SALE OF NEW MEMBERSHIPS,  
18 DECLINED SIGNIFICANTLY.

19 NOW, LET'S GO TO THE MAY '96 THROUGH  
20 FEBRUARY 1997 TIME FRAME. AND DURING THAT TIME FRAME,  
21 MR. NOVELLI, SIX PARKS IN THE THOUSAND ADVENTURES, INC., OF  
22 OHIO SYSTEM WERE LOST TO FORECLOSURE; RIGHT?

23 A THAT'S CORRECT.

24 Q NOW, LET'S --

25 A OR REJECTED. I'M NOT SURE THEY'RE LOST TO  
26 FORECLOSURE. THEY WERE NOT INCLUDED IN THE PLAN.

1 Q WELL, THE FACT IS THAT DURING THAT TIME  
2 PERIOD, BEFORE THE BANKRUPTCY FILING, THE PARKS HAD BEEN  
3 LOST?

4 A I DON'T KNOW.

5 Q LET'S GO TO SANCTION 359-021, TWO PAGES IN,  
6 MR. NOVELLI.

7 A PAGE 17?

8 Q SEE, IT REFERENCES -- PAGE 17 --  
9 FORECLOSURES. PRIOR TO THE FILING, FORECLOSURE ACTIONS  
10 WERE PENDING AGAINST SIX OF THE DEBTOR'S PARKS.  
11 IF YOU CAN GO TO THE NEXT PAGE.  
12 FORECLOSURE ACTION INITIATED MAY 30, '96,  
13 FEBRUARY, '97. NEXT PAGE, SEPTEMBER 4, 1996. NEXT PAGE,  
14 FEBRUARY 4, '97. JULY 10, '96. AND THEN NEXT PAGE -- NO.  
15 STOP RIGHT THERE.

16 SO, GO BACK TO THE TIME LINE, MIKE.  
17 THEY WEREN'T LOST. LET'S JUST SAY SIX PARKS  
18 IN THE SYSTEM HAD FORECLOSURE.

19 CHANGE THAT, MIKE.

20 A YOU MEAN PRIOR TO GOING IN THEY HAD  
21 FORECLOSURE ACTIONS FILED?

22 Q RIGHT. THAT'S RIGHT.

23 A BECAUSE WE CAME OUT WITH MOST OF THOSE  
24 RESORTS IN THE PLAN OF REORGANIZATION.

25 Q WE'LL GET THERE, MR. NOVELLI. WE'LL GET  
26 THERE.

1 A THANK YOU.

2 Q NOW, WE GO TO OCTOBER 4, 1996. OCTOBER 4,  
3 1996, MR. NOVELLI, ALL SALES AND MARKETING ACTIVITIES OF  
4 THOUSAND ADVENTURES, INC., OF OHIO WERE ORDERED STOPPED;  
5 CORRECT?

6 A I DON'T KNOW BY WHO. MAYBE. I DON'T KNOW.

7 Q WELL, LET'S GO TO --

8 A I WASN'T AROUND THEN.

9 Q LET'S GO TO EXHIBIT 116, CRAIG. EXHIBIT  
10 116 -- ACTUALLY I THINK WE CAN DO IT IN THIS DOCUMENT.  
11 GO DOWN, MIKE, TO THE NEXT PAGE, PLEASE.

12 ATTORNEY GENERAL -- RIGHT AT THE BOTTOM, THE ATTORNEY  
13 GENERAL ALSO INITIATED ANOTHER ACTION, MARCH 29, 1996,  
14 PROHIBITING THE DEBTOR FROM OFFERING OR SELLING ANY  
15 INTEREST IN PROPERTIES. PROPERTY KNOWN AS OHIO COUNTRY  
16 MUSIC. AND WHY DON'T WE GO TO EXHIBIT 116.

17 MR. SHAW: YOUR HONOR, I JUST OBJECT TO THIS LINE  
18 OF QUESTIONING. THERE'S BEEN PLENTY OF TESTIMONY THAT THIS  
19 THOUSAND ADVENTURES WAS BEFORE MR. NOVELLI GOT INVOLVED.  
20 SO ANYTHING HAVING TO DO WITH THIS, WHATEVER THESE ACTIONS  
21 ARE, IS IRRELEVANT.

22 MR. SHERMAN: YOUR HONOR, WE'VE BEEN THROUGH THIS  
23 MANY TIMES IN CHAMBERS, AND YOUR HONOR HAS REJECTED THAT  
24 EXACT ARGUMENT.

25 THE COURT: OVERRULED.

26 MR. SHAW: I OBJECT TO THAT STATEMENT ON THE

1 RECORD, YOUR HONOR. THAT'S JUST NOT THE CASE.

2 THE COURT: THE OBJECTION IS OVERRULED.

3 BY MR. SHERMAN: Q NOW, YOU'RE AWARE, MR. NOVELLI,  
4 THAT IN OCTOBER 1996 THERE WAS ASSURANCE OF VOLUNTARY  
5 COMPLIANCE ENTERED INTO BY THOUSAND ADVENTURES, INC., OF  
6 OHIO?

7 MR. SHAW: OBJECTION. LACKS FOUNDATION THAT --  
8 THIS WITNESS KNOWING ANYTHING ABOUT IT.

9 THE WITNESS: I WASN'T AWARE OF IT. WHEN I ENTERED  
10 INTO IT, I WASN'T AWARE OF THEIR PROBLEMS. I KNEW THEY HAD  
11 PROBLEMS, BUT I DIDN'T GO INTO THE DETAILS OF WHAT THEY  
12 HAD.

13 THE COURT: OVERRULED.

14 BY MR. SHERMAN: Q YOU BECAME AWARE?

15 A I BELIEVE AFTER THE FACT, YES, WHEN IT WAS  
16 IN BANKRUPTCY, I MIGHT HAVE BECOME AWARE OF IT.

17 Q RIGHT.

18 YOU BECAME AWARE IN LATE '96 THE ATTORNEY  
19 GENERAL HAD STOPPED THE SALES ACTIVITY?

20 A I BELIEVE SO.

21 Q OKAY. LET'S GO BACK TO THE TIME LINE.

22 NOW, IN NOVEMBER '96 THOUSAND ADVENTURES,  
23 INC., OF FLORIDA FILED BANKRUPTCY; RIGHT?

24 A I DON'T KNOW WHEN THEY FILED THEIR  
25 BANKRUPTCY.

26 Q WELL, I'LL HELP YOU IN FINDING OUT. PAGE 31

1 TO 32 ON SANCTION.

2 AND WE'LL GIVE MR. NOVELLI THE PAGE NUMBER.

3 27, MR. NOVELLI, THE BOTTOM OF PAGE 27.

4 MR. SHAW: YOUR HONOR, THE SAME OBJECTION, AND  
5 ESPECIALLY COUNSEL'S PREFATORY COMMENT THAT HE WILL HELP  
6 MR. NOVELLI FIND OUT. THIS IS BEFORE MR. NOVELLI'S  
7 INVOLVEMENT, AND THE DOCUMENT WE'RE LOOKING AT, MINE HAS --  
8 IS IN DRAFT FORM. THERE IS DELETIONS, ADDITIONS.

9 THE COURT: COUNSEL, YOU'RE GIVING SPEAKING  
10 OBJECTIONS AGAIN.

11 OVERRULED.

12 YOU MAY ANSWER THE QUESTION.

13 BY MR. SHERMAN: Q NOVEMBER 11, '96, THOUSAND

14 ADVENTURES FLORIDA FILED BANKRUPTCY; CORRECT?

15 A THAT'S WHAT IT SAYS.

16 Q AND THEN IT WAS CONVERTED TO A CHAPTER 7 IN  
17 MARCH '97; RIGHT?

18 A I BELIEVE SO. THAT'S WHAT IT SAYS.

19 Q THE PARKS WERE CLOSED; RIGHT?

20 A CORRECT.

21 Q OKAY. LET'S GO BACK TO THE TIME LINE.

22 THEN DECEMBER 13, 1996, THOUSAND ADVENTURES,

23 INC., MARYLAND FILED BANKRUPTCY; RIGHT?

24 A I DON'T KNOW.

25 Q LET'S GO TO THE SAME PAGE WE WERE ON BEFORE.

26 REFRESH YOUR RECOLLECTION.

1           A           I WASN'T THERE. YOU CAN'T REFRESH MY  
2 RECOLLECTION IF I WASN'T THERE.

3           Q           I'M SORRY. IT'S THE NEXT PAGE.  
4                       THIS IS A DOCUMENT THAT YOUR LAWYER  
5 PREPARED; RIGHT?

6           A           MY LAWYER PREPARED IT, RIGHT.

7           Q           OKAY. DECEMBER 13, 1996, THOUSAND  
8 ADVENTURES OF MARYLAND, INC., FILED A CHAPTER 11 PETITION.  
9 THE CASE WAS DISMISSED IN MAY 1997. THAT'S WHAT YOUR  
10 LAWYER SAID?

11          A           THAT'S WHAT SHE SAID.

12          Q           OKAY. LET'S GO BACK TO THE TIME LINE.  
13                       THEN ON JANUARY 3, 1997, THOUSAND

14 ADVENTURES, INC., OF ALABAMA FILED BANKRUPTCY; CORRECT?

15          A           I BELIEVE SO.

16          Q           BUT THAT BANKRUPTCY WAS DISMISSED IN JUNE  
17 1997; RIGHT?

18          A           THAT'S MY BELIEF, YES.

19          Q           I'D LIKE TO PLAY VOLUME I OF MR. NOVELLI'S  
20 DEPOSITION TAKEN ON AUGUST 30, 1999, PAGE 42, LINE 12, TO  
21 PAGE 33, LINE 11. AND I'D LIKE TO ALSO PLAY PAGE 78, LINE  
22 18 THROUGH 24.

23               MR. SHAW: COULD YOU READ THE FIRST ONE AGAIN.

24               MR. SHERMAN: YES. 42, LINE 12, TO 43, LINE 11.  
25 AND 78, LINE 18 THROUGH 24.

26               MR. SHAW: NO OBJECTION AS TO 42 AND 43.

1                   YOUR HONOR, I WOULD JUST ASK IN CONTEXT IF  
2 78 COULD START AT 13 AND END THE 24 RATHER THAN START AT  
3 18.

4                   MR. SHERMAN: I'M SORRY. YOU WANT TO GO FROM WHERE  
5 TO WHERE?

6                   MR. SHAW: 13 THROUGH 24 RATHER THAN 18 THROUGH 24  
7 ON PAGE 78.

8                   MR. SHERMAN: THAT'S FINE.

9                   THIS IS THE DEPOSITION OF MR. NOVELLI TAKEN  
10 ON AUGUST 30, 1999.

11                   (WHEREUPON THE VIDEO DEPOSITION WAS PLAYED  
12 IN OPEN COURT:)

13                   MR. SHERMAN: "NOW, MR. VOPNFORD IS THE OWNER OF  
14 THOUSAND ADVENTURES ALABAMA; IS THAT RIGHT?

15                   "ANSWER: TO MY KNOWLEDGE.

16                   "QUESTION: ARE YOU?

17                   "ANSWER: NO."

18                   LET'S GO TO THE VIDEO.

19                   (WHEREUPON THE VIDEO DEPOSITION WAS PLAYED  
20 IN OPEN COURT:)

21                   BY MR. SHERMAN: Q NOW, LET'S CONTINUE WITH THE  
22 TIME LINE, IF WE CAN.

23                   LET'S GO TO FEBRUARY 20, 1997. AT THAT  
24 POINT NEW YORK STATE HALTED THE SALES ACTIVITIES OF  
25 THOUSAND ADVENTURES, INC., OF NEW YORK; CORRECT?

26                   A I DON'T KNOW.

1 Q LET'S GO TO EXHIBIT 986-003.

2 YOU WERE MADE AWARE OF SOME ENVIRONMENTAL  
3 ISSUE AFFECTING ONE OF THE PARKS IN THE WESTERN PART OF NEW  
4 YORK STATE?

5 A I WASN'T THERE. I DON'T KNOW. I HAVE NO  
6 KNOWLEDGE OF IT.

7 Q YOU WERE MADE AWARE OF IT BY THE LENDERS.  
8 I'M NOT ASKING WHETHER YOU WERE PERSONALLY AWARE OF IT AT  
9 THE TIME.

10 A THE LENDERS DIDN'T GO INTO DETAIL WITH ME.  
11 THEY HAD PROBLEMS, AND I KNEW THEY HAD A LOT OF PROBLEMS.  
12 BUT I NEVER WENT INTO THIS TYPE OF DETAIL, YOU KNOW, OF  
13 WHAT THEY WERE.

14 Q YOU WERE AWARE, THOUGH, THAT THOUSAND  
15 ADVENTURES, INC., NEW YORK HAD BEEN -- THEIR SALES ACTIVITY  
16 HALTED?

17 A NO, I WASN'T AWARE OF.

18 Q LET'S SKIP THAT ONE FOR NOW, THEN.

19 THEN WE GO TO THE SPRING OF 1997. THAT'S  
20 WHEN YOU HAD THE MEETING AT THE RANCH; RIGHT?

21 A YES.

22 Q AND YOU WERE HERE WHEN YOUR EXPERT WITNESS,  
23 BOB MITCHELL, TESTIFIED; RIGHT?

24 A YES.

25 Q AND YOU WERE HERE WHEN MR. MITCHELL SAID  
26 THAT MR. VOPNFORD WAS THREATENED WITH JAIL TIME UNLESS HE

1 COOPERATED.

2 DO YOU RECALL MR. MITCHELL TESTIFYING TO  
3 THAT?

4 A I DON'T RECALL THAT, NO.

5 Q OKAY. LET'S PUT IT UP ON THE BOARD.

6 THAT IS MAY 18, LINE 12, PAGE 1218 LINE 26  
7 TO PAGE 1219, LINE 7.

8 "QUESTION: AND DID IN FACT MR. NOVELLI GET  
9 INVOLVED TO YOUR KNOWLEDGE?

10 "ANSWER: NOT AT THAT POINT IN TIME. BUT HE  
11 DID, I GUESS, SOMETIME SHORTLY THEREAFTER. THERE WAS NO  
12 AGREEMENT AS SUCH TO MY KNOWLEDGE, SAVE THE FACT THAT  
13 MR. VOPNFORD WAS ESSENTIALLY INSTRUCTED BY HIS LENDERS HE  
14 BETTER DO ANYTHING THEY WANT; OTHERWISE, HE MIGHT BE  
15 ENJOYING SOME TIME IN THE JAIL."

16 NOW, DOES THAT REFRESH YOUR RECOLLECTION  
17 THAT THAT'S WHAT YOUR EXPERT WITNESS TESTIFIED TO?

18 A WELL, I DON'T RECALL THAT, BUT I DON'T EVER  
19 RECALL HIM EVER BEING THREATENED EITHER BY THE LENDERS.

20 Q OKAY. LET'S GO TO THOUSAND ADVENTURES,  
21 INC., OF KANSAS.

22 THEY FILED BANKRUPTCY; RIGHT?

23 A I BELIEVE SO, YES.

24 Q IN APRIL '97; IS THAT ABOUT RIGHT?

25 A I DON'T KNOW FOR A FACT THAT THEY FILED. I  
26 BELIEVE THEY FILED.

1 Q NOW, THE THOUSAND ADVENTURES, INC., OF OHIO  
2 CASE WAS FILED ON MAY 13, 1997; IS THAT RIGHT?

3 A I BELIEVE SO.

4 Q LET ME SHOW YOU EXHIBIT 352.

5 EXHIBIT 352 IS THE BANKRUPTCY PETITION OF  
6 THOUSAND ADVENTURES, INC., OF OHIO SHOWING A FILING OF MAY  
7 13, 1997; RIGHT?

8 A YES, IT IS. IT APPEARS TO BE.

9 MR. SHERMAN: AND, IN FACT, I'D LIKE TO MOVE  
10 EXHIBIT 352 INTO EVIDENCE.

11 THE WITNESS: NO. I'M SORRY. MAY 13TH; IS THAT  
12 WHAT YOU SAID? YES.

13 BY MR. SHERMAN: Q YES. THAT'S THE FILING STAMP?

14 A CORRECT.

15 MR. SHERMAN: I'D LIKE TO MOVE THE EXHIBIT IN  
16 EVIDENCE.

17 MR. SHAW: I JUST OBJECT. LACKS FOUNDATION THIS  
18 WITNESS IS -- THOUSAND ADVENTURES OF OHIO WAS BEFORE  
19 MR. NOVELLI GOT INVOLVED. THERE'S BEEN A LOT OF TESTIMONY  
20 ABOUT THE LENDERS ASKING HIM TO GET INVOLVED TO SOLVE THESE  
21 PROBLEMS. SO IT'S IRRELEVANT.

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

23 (WHEREUPON, EXHIBIT NO. 352, BANKRUPTCY  
24 PETITION OF THOUSAND ADVENTURES OHIO, WAS RECEIVED IN  
25 EVIDENCE.)

26 MR. SHERMAN: NOW, IF WE COULD EXPAND THE UPPER

1 LEFT CORNER.

2 Q THIS SHOWS THE STREET ADDRESS OF THE DEBTOR  
3 AS HAVING BEEN TYPED IN, 1347 WASHINGTON STREET IN BLAIR,  
4 NEBRASKA. IN FACT, THAT'S WHERE THOUSAND ADVENTURES, INC.,  
5 HAD THEIR CORPORATE OFFICES FOR YEARS AND YEARS; RIGHT?

6 A THAT'S TRUE.

7 Q BUT THE CERTIFIED COPY IN THE COURT RECORD  
8 SHOWS THAT IT WAS CROSSED OUT. A P.O. BOX IN IRVINE,  
9 CALIFORNIA WAS SUBSTITUTED; DO YOU SEE THAT?

10 A YES.

11 Q DAVE VOPNFORD DIDN'T CONDUCT HIS BUSINESS  
12 OPERATIONS OUT OF A P.O. BOX IN IRVINE, CALIFORNIA, DID HE?

13 A THEY -- THE LENDERS -- AT THAT TIME WE WERE  
14 DEALING WITH THE LENDERS, AND WE WERE ALREADY INVOLVED WITH  
15 THE THOUSAND ADVENTURES THING. THAT WAS OUR BUSINESS.

16 Q YOUR BUSINESS OPERATIONS ARE CONDUCTED OUT  
17 OF IRVINE?

18 A AND MR. VOPNFORD WAS THERE ALSO.

19 Q YOUR BUSINESS OPERATIONS ARE CONDUCTED OUT  
20 OF IRVINE, CALIFORNIA; CORRECT?

21 A THAT'S CORRECT.

22 Q AND SO AS OF MAY 13, 1997, AT LEAST AS FAR  
23 AS THOUSAND ADVENTURES OF OHIO IS CONCERNED, YOU WERE  
24 RUNNING THE SHOW; RIGHT?

25 A I WASN'T RUNNING THE SHOW AT THAT TIME, NO.

26 Q YOU WEREN'T RUNNING THE SHOW, BUT YOUR

1 ADDRESS WAS USED?

2 A YES.

3 Q LET'S GO TO THE NEXT DAY, MAY 14, 1997.

4 THAT'S WHEN YOU HAD AN ORGANIZATIONAL MEETING AT YOUR  
5 OFFICES; RIGHT?

6 A I DON'T REMEMBER THE EXACT DATE.

7 Q WELL --

8 A SOME TIME.

9 Q LET'S GO TO EXHIBIT 2070, WHICH HAS ALREADY  
10 BEEN MOVED INTO EVIDENCE. SANCTION PAGE 16, PLEASE. IF  
11 YOU COULD EXPAND THE UPPER HALF, PLEASE.

12 SEE, THIS SHOWS MINUTES OF THE FIRST MEETING  
13 OF THE BOARD OF DIRECTORS OF TRAVEL AMERICA, INC., CONVENED  
14 ON THE 14TH DAY OF MAY, 1997; DO YOU SEE THAT, MR. NOVELLI?

15 A YES.

16 Q AND LET'S GO ACTUALLY A FEW PAGES IN.

17 THIS WAS THE MEETING THAT I ASKED YOU SOME  
18 QUESTIONS ABOUT THAT WAS ATTENDED BY, AMONG OTHER PEOPLE,  
19 MR. VOPNFORD AND MR. CLOUD; CORRECT?

20 A THAT'S CORRECT.

21 Q OKAY. LET'S GO A FEW PAGES IN, 2070-19.

22 AND IT WAS AT THAT TIME -- IF YOU COULD EXPAND THE BOTTOM.  
23 IT WAS AT THAT POINT -- THE FOLLOWING ARE THE ACCOUNT  
24 TITLES.

25 IT WAS AT THAT TIME THAT A DBA ACCOUNT WAS  
26 OPENED UP, A BANK ACCOUNT WAS OPENED UP FOR THOUSAND

1 ADVENTURES; RIGHT?

2 A I BELIEVE SO. ABOUT THAT TIME.

3 Q LET'S GO BACK TO THE TIME LINE, THEN.

4 THEN YOU'LL RECALL THAT I HAD ALREADY ASKED  
5 YOU ABOUT -- YOU ALREADY TESTIFIED TO YOUR KNOWLEDGE OF THE  
6 CLASS-ACTION JUDGMENT IN JULY, '97. I ALREADY ASKED YOU  
7 ABOUT THAT ON THE FIRST DAY OF YOUR TESTIMONY,  
8 CROSS-EXAMINATION?

9 A YOU MEAN JUDGMENT BY DEFAULT THAT WAS FILED?

10 Q YES.

11 A IN OHIO?

12 Q YES.

13 A OR IOWA?

14 Q JULY, '97.

15 A WHAT'S THE QUESTION?

16 Q DO YOU RECALL TONY ROSS'S LAWSUIT?

17 A I'M SORRY?

18 Q THE CLASS-ACTION JUDGMENT BY DEFAULT?

19 A THAT'S CORRECT.

20 Q THEN WE GO TO JULY 20, 1997, THOUSAND  
21 ADVENTURES OF MICHIGAN BANKRUPTCY WAS FILED; DO YOU RECALL  
22 THAT THAT OCCURRED?

23 A YES.

24 Q THEN AUGUST 1, 1997. ON AUGUST 1, 1997,  
25 MR. NOVELLI, WAS THERE A CONSENT JUDGMENT ENTERED INTO BY  
26 THE IOWA STATE COURT WITH THOUSAND ADVENTURES, INC., OF

1 IOWA AND THOUSAND ADVENTURES, INC., PARENT COMPANY?

2 A I DON'T KNOW.

3 Q LET ME SHOW YOU EXHIBIT 122. THIS WAS A

4 CONSENT JUDGMENT THAT SPECIFICALLY REFERENCED TRAVEL

5 AMERICA; IS THAT RIGHT, MR. NOVELLI?

6 A LET ME REVIEW IT, AND I CAN TELL YOU.

7 Q TAKE A LOOK AT PARAGRAPH 24 WHERE IT

8 SPECIFICALLY REFERENCES IT.

9 A OKAY.

10 Q YOU WERE -- AS OF AUGUST 1997, YOU WERE

11 QUITE INVOLVED IN THE PLANS FOR TRAVEL AMERICA; RIGHT?

12 A THAT'S CORRECT.

13 Q AND SO YOU WERE BECOMING MORE AND MORE AWARE

14 OF VARIOUS EVENTS THAT WERE AFFECTING THOUSAND ADVENTURES;

15 INC.?

16 A YES.

17 MR. SHERMAN: MOVE EXHIBIT 122 INTO EVIDENCE.

18 MR. SHAW: OBJECTION, YOUR HONOR. HEARSAY. IT'S A

19 DOCUMENT HAVING TO DO WITH A PARTY THAT'S NOT A PLAINTIFF

20 TO THIS ACTION.

21 THE COURT: I'LL TAKE IT UNDER SUBMISSION.

22 BY MR. SHERMAN: Q NOW, EXHIBIT 122, IF WE CAN GO

23 TO THAT. THIS SAYS -- IT'S A CONSENT JUDGMENT, AND YOU'LL

24 SEE -- IF YOU CAN JUST SCROLL DOWN A LITTLE BIT -- THE

25 COURT IN IOWA, RECOGNIZING THE STATE OF IOWA BY THE

26 ATTORNEY GENERAL, CONSENT TO ENTRY OF A JUDGMENT.

1                   THIS IS A JUDGMENT INVOLVING THOUSAND  
2 ADVENTURES, INC., THOUSAND ADVENTURES OF IOWA; DO YOU SEE  
3 THAT IN THE UPPER -- IN THE CAPTION, MR. NOVELLI?

4           A        YES.

5           Q        AND THEN LET'S GO TO SOME OF THE TERMS OF  
6 THIS CONSENT JUDGMENT. AND LET'S GO SPECIFICALLY TO  
7 PARAGRAPH 11.

8           A        I DON'T HAVE AN 11 HERE.

9           Q        IT MAY NOT HAVE GOTTEN COPIED.

10          MR. SHAW: WE DON'T HAVE PAGE 2.

11          MR. SHERMAN: IT APPEARS THAT IT'S A DOUBLE-BACK  
12 COPY.

13                   I'LL PROVIDE YOU WITH ONE, MR. SHAW.

14                   ON JANUARY 4, 1988, THE ATTORNEY GENERAL  
15 FILED A THREE-COUNT PETITION AGAINST DEFENDANTS THOUSAND  
16 ADVENTURES, INC., AND THOUSAND ADVENTURES OF IOWA. THE  
17 PETITION ALLEGED VIOLATIONS OF THE IOWA CONSUMER FRAUD ACT,  
18 VIOLATIONS OF THE MEMBERSHIP CAMPGROUNDS ACT, VIOLATIONS OF  
19 THE IOWA CONSUMER CREDIT CODE.

20                   THE ATTORNEY GENERAL ALLEGED THAT THOUSAND  
21 ADVENTURES OF IOWA HAD ENGAGED IN BUSINESS PRACTICES WHICH  
22 CONSTITUTED UNFAIR PRACTICES, DECEPTION, FRAUD, FALSE  
23 PRETENSES, FALSE PROMISES, MISREPRESENTATIONS, OR THE  
24 OMISSION OF MATERIAL FACTS.

25                   LET'S GO TO PARAGRAPH 12.

26          MR. SHAW: YOUR HONOR, BEFORE WE LEAVE, IF WE CAN

1 JUST PUT THAT BACK UP FOR A SECOND. WE JUST OBJECT AND  
2 MAKE A MOTION TO STRIKE. JANUARY 4, 1988, IT'S SO DISTANT  
3 IN TIME. WE'RE TALKING ABOUT ACTS IN THE FALL OF 1997.

4 MR. SHERMAN: YOUR HONOR, IT WOULD HAVE BEEN EXCEPT  
5 FOR THE FACT THAT ON AUGUST 1, 1997, THE COURT IN IOWA  
6 REAFFIRMED THIS AND MADE IT SPECIFICALLY APPLICABLE TO  
7 TRAVEL AMERICA. AND THAT'S WHAT THIS DOCUMENT SAYS.

8 MR. SHAW: YOUR HONOR, THE REAFFIRMING ACTS TOOK  
9 PLACE IN 1988 THAT HAD NOTHING TO DO WITH MR. NOVELLI OR  
10 ANY OF HIS ENTITIES. THAT'S WHAT THIS DOCUMENT IS ALL  
11 ABOUT.

12 MR. SHERMAN: I SAID 1997. THE WITNESS  
13 REAFFIRMED. THAT'S WHAT THIS DOCUMENT SHOWS. IF WE CAN GO  
14 BACK TO THE PAGE.

15 MR. SHAW: I'M READING JANUARY 4, 1988.

16 MR. SHERMAN: IT'S REFERENCING THE HISTORY.

17 THE COURT: LET'S SEE THE FIRST PAGE.

18 MR. SHERMAN: YES, THIS IS THE FIRST PAGE, YOUR  
19 HONOR.

20 ACTUALLY, LET ME GO TO THE SIGNATURE PAGE,  
21 MIKE, IF YOU CAN JUST -- YES, RIGHT THERE. THAT'S IT RIGHT  
22 THERE.

23 MR. SHAW: YOUR HONOR, THE POINT ISN'T WHEN.

24 MR. SHERMAN: THE POINT IS AUGUST 1, 1997, THE IOWA  
25 STATE COURT ISSUED THIS ORDER AND MADE IT SPECIFICALLY  
26 APPLICABLE TO PLAINTIFF, IN THIS CASE, TRAVEL AMERICA.

1 THE COURT: I'LL ALLOW IT.

2 MR. SHAW: THEN THE DOCUMENT SPEAKS FOR ITSELF, AND  
3 WE'RE TALKING ABOUT ACTS IN 1988.

4 THE COURT: I'LL ALLOW IT.

5 BY MR. SHERMAN: Q OKAY. IF WE CAN GO TO  
6 PARAGRAPH 12.

7 THE -- ON JUNE 10, 1988, A CONSENT JUDGMENT  
8 WAS ENTERED IN THIS LAWSUIT. CERTAIN FACTS.

9 PARAGRAPH 13, SINCE 1983 THE IOWA ATTORNEY  
10 GENERAL'S OFFICE HAS RECEIVED OVER 300 CONSUMER COMPLAINTS.

11 PARAGRAPH 14, ON MAY 23, 1996, THE STATE  
12 FILED A TWO-COUNT PETITION AGAINST THE DEFENDANTS ALLEGING  
13 VIOLATIONS OF THE CONSUMER FRAUD ACT, THE MEMBERSHIP  
14 CAMPGROUNDS ACT.

15 PARAGRAPH 15, THE SPECIFICS OF THE  
16 VIOLATIONS AND THE CONSUMER FRAUD ACT. DEFENDANTS MADE  
17 MATERIAL MISREPRESENTATIONS, FALSE, DECEPTIVE AND  
18 MISLEADING STATEMENTS AND VARIOUS ACTIONS.

19 KEEP ON GOING DOWN.

20 THEY ALSO VIOLATED THE CONSENT JUDGMENT BY  
21 CONTINUING TO MAKE FALSE AND DECEPTIVE STATEMENTS IN  
22 CONNECTION WITH THE SALE OF MEMBERSHIP CAMPGROUND  
23 CONTRACTS.

24 IF WE CAN GO TO PARAGRAPH 19, PLEASE.

25 IN THIS JUDGMENT THE COURT FOUND THERE'S  
26 SUFFICIENT EVIDENCE TO SUPPORT FINDING THE DEFENDANTS'

1 ACTION VIOLATED THE IOWA MEMBERSHIP CAMPGROUNDS ACT, THE  
2 IOWA CONSUMER FRAUD ACT.

3 IF WE CAN GO TO PARAGRAPH 22.  
4 ALL CONDITIONS, TERMS, REQUIREMENTS AND  
5 PROVISIONS OF THIS CONSENT DECREE SHALL BE AMIABLE TO THE  
6 DEFENDANTS AND THEIR OWNERS, EMPLOYEES, AGENTS,  
7 REPRESENTATIVES, ASSIGNEES AND SUCCESSORS IN INTEREST,  
8 INCLUDING, BUT NOT LIMITED TO, TRAVEL AMERICA, INC.

9 LET'S GO TO PARAGRAPH 24.  
10 THE COURT ORDERED ADJUDGED AND DECREED THAT  
11 DEFENDANTS, THOUSAND ADVENTURES, INC., AND THOUSAND  
12 ADVENTURES OF IOWA, WERE HEREBY PERMANENTLY RESTRAINED AND  
13 ENJOINED FROM CONDUCTING ANY TYPE OF BUSINESS IN THE STATE  
14 OF IOWA.

15 NOW, YOU WERE MADE AWARE AT SOME POINT,  
16 MR. NOVELLI, AFTER YOU TOOK OVER THE MEMBERSHIP BASE, THIS  
17 AUTOMATIC ASSUMPTION, THAT THERE WAS THIS JUDGMENT OUT  
18 THERE; RIGHT?

19 A I MIGHT HAVE BECOME, I DON'T RECALL.

20 Q LET'S CONTINUE WITH THE TIME LINE.

21 THEN ON AUGUST 6TH, 1996, AN INVOLUNTARY  
22 BANKRUPTCY PETITION WAS FILED AGAINST THOUSAND ADVENTURES,  
23 INC.; CORRECT?

24 A CORRECT.

25 Q THEN THAT INVOLUNTARY BANKRUPTCY PETITION  
26 WAS FILED IN THE MIDWEST IN IOWA; RIGHT?

1           A           I BELIEVE SO.

2           Q           BUT YOU SUGGESTED TO MR. CLOUD THAT HE GO  
3 AND FILE A VOLUNTARY PETITION IN DALLAS, TEXAS INSTEAD;  
4 RIGHT?

5           A           NO.

6           Q           AND, IN FACT, MR. CLOUD DID FILE A VOLUNTARY  
7 PETITION FOR THOUSAND ADVENTURES, INC., DALLAS, TEXAS ON  
8 SEPTEMBER 12, 1997?

9           A           HE MIGHT HAVE, BUT HE WASN'T -- IT WASN'T MY  
10 DECISION.

11          Q           A VOLUNTARY PETITION WAS FILED?

12          A           I DON'T KNOW.

13          Q           LET ME SHOW YOU EXHIBIT 801.

14                      THIS WAS THE VOLUNTARY PETITION,  
15 MR. NOVELLI?

16          A           YES.

17          MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 801 INTO  
18 EVIDENCE.

19          MR. SHAW: THE SAME OBJECTION. HEARSAY AND  
20 IRRELEVANT. NOT A PARTY.

21          THE COURT: THE SAME RULING. OVERRULED.

22                      (WHEREUPON, EXHIBIT NO. 801, VOLUNTARY  
23 PETITION FOR THOUSAND ADVENTURES, DALLAS, TEXAS, WAS  
24 RECEIVED IN EVIDENCE.)

25          BY MR. SHERMAN: Q THOUSAND ADVENTURES, INC.,  
26 NEBRASKA CORPORATION, THAT'S IN THE SOUTHERN DISTRICT OF

1 TEXAS, HOUSTON DIVISION -- I MUST HAVE MISSPOKE. THAT WAS  
2 NOT DALLAS.

3 THE NEXT PAGE. AND THAT'S MR. -- ACTUALLY  
4 THAT'S MR. VOPNFORD'S SIGNATURE, SEPTEMBER 12, '97; RIGHT?

5 A IT APPEARS TO BE.

6 Q LET'S GO ON WITH THE TIME LINE.

7 NOW, THERE CAME A POINT IN TIME WHEN TRAVEL  
8 AMERICA WAS NAMED AS A DEFENDANT IN A CLASS-ACTION LAWSUIT  
9 IN SEPTEMBER 1997 IN THE STATE OF ALABAMA; RIGHT?

10 A I BELIEVE THAT THEY WERE ADDED TO THE  
11 COMPLAINT. I'M NOT SURE.

12 Q TO AN ALREADY-EXISTING COMPLAINT?

13 A YES.

14 Q LET ME SHOW YOU EXHIBIT 946 AND 947. THERE  
15 MUST HAVE BEEN SOME MIX UP.

16 LET ME GIVE YOU 947. THIS IS A COPY OF THE  
17 AMENDED COMPLAINT; CORRECT?

18 A YES, IT IS.

19 Q OKAY. AND I'M GOING TO MOVE EXHIBIT 947  
20 INTO EVIDENCE.

21 THE COURT: SO RECEIVED.

22 (WHEREUPON, EXHIBIT NO. 947, AMENDED  
23 COMPLAINT, WAS RECEIVED IN EVIDENCE.)

24 BY MR. SHERMAN: Q ACTUALLY THE DATE -- OH, THAT  
25 DATE IS SEPTEMBER 16, 1997. OKAY. AND SOMEBODY --

26 SO THERE WAS A COMPLAINT THAT HAD BEEN

1 FILED AGAINST THOUSAND ADVENTURES, INC., OF ALABAMA;

2 CORRECT, MR. NOVELLI?

3 A YES.

4 Q A CLASS-ACTION COMPLAINT?

5 A I DON'T KNOW WHAT IT WAS.

6 Q BROUGHT BY MEMBERS?

7 A WHAT'S THAT?

8 Q BROUGHT BY MEMBERS?

9 A I DON'T KNOW. I JUST GOT THROUGH TELLING  
10 YOU, I DON'T KNOW WHAT IT WAS.

11 Q AND THE COMPLAINT WAS AMENDED TO ALLEGE ALL  
12 THE ALLEGATIONS IN THE ORIGINAL COMPLAINT AGAINST ALL  
13 SEASONS, FIRST NATIONWIDE, AND TRAVEL AMERICA; CORRECT?

14 A IT APPEARS TO. THEY CAN ADD, I GUESS,  
15 ANYBODY THEY'D LIKE.

16 I MIGHT ADD THAT ALL SEASONS AND FIRST  
17 NATIONWIDE WERE BOTH AT THAT TIME IN CHAPTER. SO THAT  
18 WOULD HAVE BEEN DISMISSED ANYHOW.

19 MR. SHERMAN: I'M GOING TO MOVE TO STRIKE  
20 EVERYTHING AFTER "IT APPEARS TO."

21 THE COURT: MOTION GRANTED.

22 BY MR. SHERMAN: Q OKAY. LET'S CONTINUE WITH THE  
23 TIME LINE.

24 NOW, THE NEXT EVENT AFTER SEPTEMBER 16 IS  
25 THAT IN THE FALL OF 1997 COAST BEGAN SENDING OUT LETTERS TO  
26 COAST'S MEMBERS; CORRECT?

1           A           SOMETIME IN SEPTEMBER, YES. AND PRIOR TO  
2 THAT FOR THE THOUSAND ADVENTURES MEMBERS.

3           Q           NOW, THEN IN -- AND WE'VE SEEN THIS SO MANY  
4 TIMES. I DON'T WANT TO PUT IT UP AGAIN UNLESS I ABSOLUTELY  
5 HAVE TO, THE PICTURE OF YOU AND MR. VOPNFORD SMILING AND  
6 WORKING TOGETHER THROUGH TRAVEL AMERICA. REMEMBER THAT  
7 ONE?

8           A           YES.

9           Q           DECEMBER '97, JANUARY '98?

10          A           THAT WAS IN THE MAGAZINE THAT WAS PUBLISHED  
11 AT THAT TIME. THAT PICTURE WAS PROBABLY TAKEN IN JULY.

12          Q           OKAY. LET'S PUT IT UP.

13                      ALSO, IN JANUARY 1998, THAT'S WHEN YOUR  
14 COMPANIES SUED MY CLIENTS?

15          A           FOR TRANSFERRING ALL OF OUR MEMBERS OUT OF  
16 OUR COMPANIES.

17          Q           THAT'S WHEN YOUR COMPANIES SUED MY CLIENTS;  
18 CORRECT?

19          A           THAT'S CORRECT.

20          Q           OKAY. NOW, WE GO TO FEBRUARY '98.

21                      EXHIBIT 359, THAT'S THE DISCLOSURE STATEMENT  
22 THAT I SHOWED YOU A LITTLE WHILE AGO, IF YOU WOULD,  
23 IDENTIFIED IN THE THOUSAND ADVENTURES OHIO CASE; RIGHT?

24          A           I TOLD YOU THERE WAS ANOTHER ONE. THIS IS A  
25 PRELIMINARY DISCLOSURE STATEMENT HERE.

26          Q           WELL, WITHOUT REGARD TO WHETHER IT WAS

1 PRELIMINARY, FINAL OR NOT, THAT IS A DISCLOSURE STATEMENT  
2 IN THE THOUSAND ADVENTURES, INC., OHIO CASE; CORRECT?

3 A YES. IT'S A DRAFT OF ONE.

4 Q WHY DON'T WE GO BACK TO THE COMPUTER SCREEN  
5 ON EXHIBIT 359. AND IF WE CAN GO TO THE INDEX, MIKE.

6 EVENTS LEADING TO BANKRUPTCY, PAGE 29.

7 LET'S ALL TURN TO THAT.

8 AND YOU ATTEMPTED TO SET FORTH ALL THE  
9 EVENTS THAT WERE LEADING TO BANKRUPTCY OF THOUSAND  
10 ADVENTURES, INC., OF OHIO; CORRECT?

11 A CORRECT.

12 MR. SHAW: OBJECTION, YOUR HONOR. LACKS  
13 FOUNDATION.

14 THE COURT: OVERRULED.

15 BY MR. SHERMAN: Q IT SAYS HERE UNDER EVENTS  
16 LEADING TO BANKRUPTCY, T.A.I. ATTEMPTED TO REFINANCE THE  
17 RESORTS THROUGH -- REFERENCES A LOAN WITH PRINCETON  
18 CAPITAL -- IN LATE SUMMER, EARLY FALL OF 1996 TO BE USED TO  
19 REFINANCE NINE RESORT PROPERTIES. HOWEVER, ALMOST  
20 IMMEDIATELY T.A.I. LEARNED THAT NO MORE LOANS WOULD BE  
21 FORTHCOMING BECAUSE PRINCETON CAPITAL LOST ITS SOURCE OF  
22 FUNDING, WHICH WAS ABN AMRO BANK.

23 THAT WAS ACTUALLY -- THAT WAS ACTUALLY

24 DISCUSSED AT A MEETING AT THE RANCH; RIGHT?

25 A YES.

26 Q AND THEN IT GOES ON, CONSEQUENTLY T.A.I.

1 COULD NOT ADVANCE FUNDS TO T.A. OF OHIO OR ITS OTHER FORMER  
2 SUBSIDIARIES. THIS, IN TURN, LED TO A SHORTAGE OF  
3 OPERATING CAPITAL AND THE CREATION OF A NEGATIVE DOMINO  
4 EFFECT ON THE PAYMENT OF CREDITORS AND THE SERVICING OF  
5 MEMBERS. FACED WITH IMMINENT UTILITY CUTOFFS, PROPERTY  
6 FORECLOSURES AND THE INABILITY TO COLLECT DUES FROM HOLDERS  
7 OF UNDIVIDED INTERESTS AT OHIO COUNTRY MUSIC PARK BECAUSE  
8 OF AN ATTORNEY GENERAL ORDER, T.A. OF OHIO FILED FOR RELIEF  
9 UNDER THE CODE.

10 AND NOWHERE IN THIS SECTION DOES COAST'S  
11 NAME APPEAR AS A REASON FOR THE CAUSE OF THE BANKRUPTCY?

12 A NO.

13 Q AND, MR. NOVELLI, WHEN YOU ASSISTED -- YOU  
14 ASSISTED YOUR LAWYER, SARA DANEMAN, IN PREPARING THIS  
15 DOCUMENT?

16 A NO. THIS WAS DONE BY MR. ALLEMAN.

17 Q WHO WORKED FOR YOU?

18 A HE WORKED FOR T.E.A. OF OHIO -- T.A.I. OF  
19 OHIO.

20 Q SARA DANEMAN WAS YOUR LAWYER?

21 A SHE WAS THE ATTORNEY FOR T.A.I. OF OHIO.

22 Q SHE REPORTED TO YOU?

23 A SHE REPORTED TO MR. ALLEMAN.

24 Q WHO REPORTED TO YOU?

25 A HE KEPT ME ADVISED, YES.

26 Q YOUR COMPANIES HAD EVERY OPPORTUNITY TO

1 MENTION COAST TO COAST AS ONE OF THE EVENTS LEADING TO THE  
2 BANKRUPTCY, DIDN'T IT?

3 A THIS PLAN WAS FILED.

4 MR. SHAW: I'LL OBJECT. THAT CALLS --

5 THE WITNESS: OBJECT --

6 MR. SHAW: OBJECT -- MR. NOVELLI.

7 THAT CALLS FOR A LEGAL CONCLUSION AND  
8 INVASION OF ATTORNEY-CLIENT PRIVILEGE.

9 MR. SHERMAN: LET ME REPHRASE THE QUESTION.

10 Q MR. NOVELLI, NO ONE PREVENTED YOU FROM  
11 PUTTING INTO THIS DOCUMENT ANYTHING HAVING TO DO WITH CAMP  
12 COAST TO COAST; ISN'T THAT CORRECT?

13 A THAT COMPANY FILED BANKRUPTCY BEFORE COAST  
14 TO COAST SENT THE LETTERS. SO WE COULD HARDLY SAY THAT  
15 COAST TO COAST FORCED THEM INTO BANKRUPTCY BEFORE THE  
16 LETTERS. THE LETTERS WENT OUT IN OCTOBER AND SEPTEMBER.  
17 THIS BANKRUPTCY WAS FILED IN AUGUST.

18 SO WHY WOULD I STATE SOMETHING IN THE PLAN  
19 THAT HAPPENED PRIOR? IN OTHER WORDS, YOU DIDN'T SEND THE  
20 LETTERS OUT UNTIL AFTER. WHEN THE COMPANY WENT INTO  
21 BANKRUPTCY, IT WENT INTO BANKRUPTCY BECAUSE OF THESE  
22 FACTS. IN AUGUST WE DIDN'T KNOW THAT COAST TO COAST WAS  
23 GOING TO TRANSFER ALL THE IOWA MEMBERS TO SOMEBODY ELSE.

24 Q MR. NOVELLI, YOU HAD EVERY OPPORTUNITY TO  
25 MENTION COAST?

26 A I CAN'T MENTION COAST IN SOMETHING THAT WAS

1 PRIOR, YOU KNOW, FILED PRIOR.

2 Q LET'S GO BACK TO THE DATE.

3 A IT ASKS FOR THE REASON FOR FILING THE  
4 BANKRUPTCY.

5 Q LET'S GO TO THE FIRST PAGE. SEE THE FILED  
6 STAMP ON THIS DOCUMENT, MR. NOVELLI, ON THE VERY FIRST  
7 PAGE?

8 A YOU'RE DEALING WITH A BANKRUPTCY FILE IN  
9 AUGUST.

10 Q EXCUSE ME.  
11 DO YOU SEE THE DATE OF THE FILING STAMP,  
12 FEBRUARY 17, 1998?

13 A YES, I SEE THAT.

14 Q ONE MONTH AFTER THE LAWSUIT WAS FILED?

15 A THAT'S FOR THE PLAN ITSELF.

16 Q ONE MONTH AFTER?

17 A FOR THE PLAN.

18 Q ONE MONTH AFTER THE LAWSUIT WAS FILED?

19 A YOU SEEM TO BE MISSING THE POINT. THE FACTS  
20 LEADING TO THE BANKRUPTCY HAPPENED PRIOR TO YOUR CLIENT  
21 TRANSFERRING THOSE MEMBERS.

22 Q MR. NOVELLI.

23 A MAYBE YOU'RE NOT -- MAYBE I'M NOT BEING  
24 CLEAR TO YOU OR YOUR HEAD IS AWFUL THICK.

25 Q THE LAWSUIT WAS FILED IN JANUARY 1998;  
26 CORRECT?



1 STATEMENT; RIGHT?

2 A IT APPEARS TO BE, YES.

3 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 361 INTO  
4 EVIDENCE.

5 MR. SHAW: YOUR HONOR, OBJECTION. THIS DOESN'T  
6 SEEM TO BE A FINAL. THERE'S MORE DELETIONS AND CHANGES.  
7 AND OBJECTION, HEARSAY. LACKS FOUNDATION.

8 MR. SHERMAN: IT'S FILE-STAMPED.

9 THE COURT: OVERRULED. IT WILL BE RECEIVED.

10 (WHEREUPON, EXHIBIT NO. 361, MODIFICATION TO  
11 DISCLOSURE STATEMENT, WAS RECEIVED IN EVIDENCE.)

12 BY MR. SHERMAN: Q THIS SHOWS A FILING,  
13 MR. NOVELLI, WITH THE U.S. BANKRUPTCY COURT, APRIL 6, 1998,  
14 IN THE UPPER LEFT-HAND CORNER ON THE FIRST PAGE; RIGHT?

15 A YES. THIS DISCLOSURE WAS FILED THEN, YES.

16 Q LET'S GO TO THE FOURTH PAGE. I THOUGHT WE  
17 HAD COVERED THIS. I'LL DO THIS QUICKLY, THE NOTICE TO  
18 MEMBERS. IF YOU SHOULD DECIDE THAT YOU NO LONGER WANT TO  
19 MAINTAIN YOUR MEMBERSHIP WITH T.A.I. -- THAT'S THOUSAND  
20 ADVENTURES OF OHIO -- YOU MAY SUBMIT A WRITTEN REQUEST TO  
21 TRAVEL AMERICA AND REQUEST TO BE RELEASED FROM ANY  
22 LIABILITY FOR DUES.

23 SO THAT WAS APRIL, '98; RIGHT?

24 A THAT'S TRUE.

25 Q LET'S GO BACK TO THE TIME LINE.

26 NOW, I WANT TO DIGRESS FOR JUST ONE MOMENT.

1 I WANT TO TALK TO YOU NOW ABOUT LAWSUITS FILED AGAINST YOU  
2 OR YOUR COMPANIES BY STATE ATTORNEY GENERALS. AND IN DOING  
3 THAT, I WANT TO PLAY YOUR DEPOSITION TESTIMONY, VOLUME II,  
4 OCTOBER OF 1999, PAGE 291, LINE 19 THROUGH 24.

5 MR. MOSHENKO: JUST OBJECT TO COUNSEL'S PREFATORY  
6 STATEMENT. IT LACKS FOUNDATION. AND COUNSEL IS NOT UNDER  
7 OATH TO TESTIFY ABOUT LAWSUITS FILED.

8 THE COURT: I DON'T UNDERSTAND THE QUESTION,  
9 COUNSEL.

10 MR. MOSHENKO: I WANT TO TALK TO YOU ABOUT AND THEN  
11 HE STATES SOMETHING. THERE'S NO EVIDENCE OR FOUNDATION  
12 THAT WHAT COUNSEL STATED EXISTS. SO IT'S A PREFATORY  
13 STATEMENT WITHOUT ANY EVIDENCE OR FOUNDATION.

14 THE COURT: OVERRULED.

15 MR. SHAW: WHAT PAGE, MR. SHERMAN?

16 MR. SHERMAN: IT'S PAGE 291, LINE 19 THROUGH 24.

17 MR. MOSHENKO: YOUR HONOR, THERE IS AN OBJECTION IN  
18 THE RECORD THAT THE QUESTION THAT COUNSEL PROPOSES TO READ  
19 IS UNCERTAIN, AMBIGUOUS BECAUSE THE TERMS ARE NOT DEFINED.

20 THE COURT: IT'S IN WHAT RECORD?

21 MR. MOSHENKO: IT'S IN THE RECORD THAT COUNSEL  
22 PROPOSES TO READ. IN OTHER WORDS, THE FORM OF THE QUESTION  
23 WAS OBJECTED TO AT THE TIME OF THE DEPOSITION.

24 THE COURT: PASS IT TO THE BAILIFF, WOULD YOU,  
25 PLEASE. LET ME SEE IT.

26 MR. MOSHENKO: I'LL ASK THE COURT RULE ON THE

1 OBJECTION.

2 THE COURT: THE UNDERLINED PART HERE?

3 MR. SHERMAN: PAGE 291, LINE 19, THROUGH 291, LINE  
4 24.

5 MR. MOSHENKO: IT REFERENCES THE SAME OBJECTION,  
6 YOUR HONOR. AND THE OBJECTION TO WHICH I WAS REFERRING TO  
7 IS UP ON LINE 8-9.

8 MR. SHERMAN: OBVIOUSLY WE BELIEVE THERE'S NOTHING  
9 UNCERTAIN ABOUT THE QUESTION.

10 THE COURT: OBJECTION IS OVERRULED. MR. BAILIFF.

11 BY MR. SHERMAN: "QUESTION: HAVE ANY LAWSUITS, TO  
12 YOUR KNOWLEDGE, EVER BEEN FILED BY ANY STATE ATTORNEYS  
13 GENERAL AGAINST EITHER YOU OR ANY OF THE RESORTS THAT YOU  
14 OPERATE?

15 "MR. MOSHENKO: SAME OBJECTION.

16 "THE WITNESS: NOT TO MY KNOWLEDGE."

17 LET ME SHOW YOU EXHIBIT 343.

18 THE COURT: TELL YOU WHAT. LET'S PICK UP AT THIS  
19 POINT AFTER LUNCH. WE HAVE SOME BUSINESS WITHOUT THE  
20 JURY.

21 SEE YOU ALL AT 1:30.

22 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
23 COURT OUT OF THE PRESENCE OF THE JURY:)

24 MR. SHERMAN: YOUR HONOR, I HAD SUGGESTED DURING  
25 OUR MORNING BREAK THAT I WANTED TO DISCUSS SOME SCHEDULING  
26 ISSUES WITH THE COURT AND ASKED IF WE COULD DO IT AT THE

1 END OF THE DAY. YOUR HONOR SUGGESTED THAT WE DO IT NOW.

2 SO LET ME DISCUSS WHAT I HAD IN MIND.

3 THE TRIAL BEGAN ON MAY 17TH. 50 TRIAL DAYS  
4 WILL TAKE US TO AUGUST 17. THAT WILL LEAVE BARELY ENOUGH  
5 TIME FOR JURY INSTRUCTIONS, CLOSING ARGUMENT AND  
6 DELIBERATION. DEFENDANTS ARE DOING EVERYTHING IN THEIR  
7 POWER TO EXPEDITE THIS CASE AND SPEED THIS CASE UP. AND TO  
8 PUT MY -- PUT OUR PROVERBIAL MONEY WHERE OUR MOUTH IS, WE  
9 HAD TOLD THE COURT AND WE HAD TOLD COUNSEL ON NUMEROUS  
10 OCCASIONS THAT WE NEEDED FOUR DAYS FOR MR. NOVELLI.

11 WE HAVE NOW HAD TWO AND A HALF DAYS OF  
12 MR. NOVELLI'S TESTIMONY. AND WITH EVERYBODY'S COOPERATION,  
13 WE WILL FINISH OUR CROSS-EXAMINATION OF MR. NOVELLI TODAY,  
14 SUBJECT TO ANY RECROSS OF COURSE. BUT, THE POINT IS THIS,  
15 YOUR HONOR --

16 THE COURT: REDIRECT YOU MEAN.

17 MR. SHERMAN: REDIRECT. I'M SORRY.

18 THE POINT IS THIS, YOUR HONOR. 50 TRIAL  
19 DAYS, JUNE 29 -- AS OF JUNE 29, THERE WERE 26 TRIAL DAYS,  
20 PLAINTIFFS' CASE IN CHIEF. WE'VE NOT YET STARTED OUR CASE  
21 IN CHIEF. WE NEED EQUAL TIME FOR OUR CASE IN CHIEF. WE DO  
22 NOT HAVE EQUAL TIME FOR OUR CASE IN CHIEF WITH AN AUGUST 17  
23 ENDING DATE. WE DO NOT WANT A MISTRIAL. WE WANT THIS CASE  
24 TO GO TO THE JURY. WE WANT THIS CASE TO BE DECIDED. WE  
25 WANT EQUAL TIME IN THE PRESENTATION OF DEFENDANTS' CASE.  
26 WE HAVE POINTS WE NEED TO MAKE THAT PLAINTIFFS HAVEN'T

1 BOTHERED TO MAKE, AND WE CAN'T MAKE THE PLAINTIFFS'  
2 WITNESSES -- WE CANNOT CONTINUE WITH PLAINTIFFS' CASE IN  
3 CHIEF BEYOND THIS WEEK, YOUR HONOR.

4 AND AS I SAID, WE ARE PUTTING OUR MONEY  
5 WHERE OUR MOUTH IS. WE'RE FINISHING MR. NOVELLI TODAY.

6 THE COURT: HOW MANY MORE WITNESSES ARE YOU GOING  
7 TO HAVE, MR. MOSHENKO? MR. SHAW?

8 MR. MOSHENKO: WE HAVE, I WOULD SAY, SEVEN OR  
9 EIGHT. WE'VE BEEN UNABLE TO PUT ON ANY OF THE HIGHER-UPS  
10 IN THE AFFINITY GROUP, YOUR HONOR. WE PROPOSE TO HAVE THE  
11 TESTIMONY HANDLED IN AN ABBREVIATED FASHION THROUGH  
12 DEPOSITION READING. YOUR HONOR REQUIRED US TO BRING THE  
13 WITNESSES IN. SO WE HAVE MR. ROBINSON THAT WAY.

14 MR. BLOCK, WE PROPOSED TO READ HIS  
15 DEPOSITION.

16 MR. BOGGESS AND MR. ADAMS, WE WERE PREVENTED  
17 ACCESS.

18 FOR MR. ADAMS, WE WERE TOLD HE WAS NOT  
19 AVAILABLE UNTIL AFTER JULY 10. IT IS NOW JULY 10. WE  
20 WOULD LIKE TO PUT HIM ON.

21 WE HAVE TWO MORE WHAT WE'LL CALL PLAINTIFFS,  
22 PLAINTIFFS KIND OF WITNESSES, AND THEN THE AFFINITY GROUP  
23 WITNESSES.

24 THE COURT: WELL, I SUGGEST YOU COMPLETE YOUR CASE  
25 IN CHIEF. YOU HAVE THREE MORE DAYS THIS WEEK. AND I'LL  
26 GIVE YOU THREE NEXT WEEK. THAT SHOULD DO IT.

1           MR. SHAW: THAT CAN DO IT. THAT WILL TAKE US  
2 THROUGH, YOUR HONOR, JUST BY MY COUNTING --

3           MR. MOSHENKO: I'M ASSUMING WE DON'T PUT ON A  
4 TWO-HOUR WITNESS BY THE PLAINTIFF AND THEN HAVE MR. SHERMAN  
5 SPEND A DAY AND A HALF ON THE SAME WITNESS.

6           MR. SHERMAN: THE ONLY WITNESS THAT HAPPENED WITH  
7 IS MR. NOVELLI OBVIOUSLY.

8           THE COURT: YOU'VE HEARD ME. YOU HAVE THREE DAYS  
9 THIS WEEK AND THREE MORE DAYS NEXT WEEK, AND YOU'RE  
10 FINISHED. AND SO WE GO TO SEPTEMBER -- THE END OF AUGUST.

11          MR. SHERMAN: YOUR HONOR, THAT GIVES THE PLAINTIFFS  
12 UNDER THAT SCENARIO 32 TRIAL DAYS FOR THEIR CASE IN CHIEF  
13 TO --

14          THE COURT: I KNOW -- MAYBE THEY CAN SHORTEN IT UP.

15          MR. SHERMAN: WELL, I MEAN, YOUR HONOR, WE'VE  
16 GOT --

17          THE COURT: I'M GOING TO GIVE YOU ENOUGH TIME. I  
18 WILL GIVE YOU ENOUGH TIME.

19          MR. SHERMAN: I WOULD LIKE TO MAKE THE FOLLOWING  
20 SUGGESTION, YOUR HONOR: THESE SO-CALLED, THE AFFINITY  
21 HIGHER-UPS, THIS IS ALTER EGO, PURE AND SIMPLE. PURE AND  
22 SIMPLE. THE COURT -- I WOULD ASK YOUR HONOR IN AN EFFORT  
23 TO SPEED THIS UP, SO MAYBE WE CAN ALL HAVE A BIT OF A REAL  
24 SUMMER VACATION HERE AND SO THAT WE DON'T WIND UP WITH A  
25 MISTRIAL, THAT PLAINTIFFS PROVIDE A WRITTEN SUMMARY OF THE  
26 DEPOSITION TESTIMONY THEY THINK THESE WITNESSES WILL OFFER,

1 THE AFFINITY WITNESSES. WE'LL REVIEW IT. IF WE AGREE, WE  
2 AGREE. IF NOT, WE'LL PROVIDE SOME COUNTER-DESIGNATIONS.  
3 LET'S JUST GET IT BEFORE THE JURY IN SOME WRITTEN FASHION,  
4 THE SAME WITH MR. ROBINSON.

5 I MEAN, THE PROBLEM IS --

6 THE COURT: TELL YOU WHAT I'M THINKING OF DOING.

7 MR. SHERMAN: -- ALL THESE ESTIMATES --

8 THE COURT: I THINK WE'RE GOING TO BIFURCATE THIS  
9 CASE. I THINK WE'RE GOING TO FIND OUT FIRST IF THERE'S ANY  
10 LIABILITY.

11 MR. SHERMAN: THAT'S FINE.

12 THE COURT: IF THERE'S NO LIABILITY, THAT'S IT.

13 MR. SHERMAN: I WOULD JUST SUGGEST TO YOUR HONOR  
14 THAT'S A FAIR POINT. OBVIOUSLY, A HUGE PART OF OUR  
15 DEFENSE, AS YOUR HONOR HAS HEARD, IS THE FACT THAT THERE'S  
16 A LACK OF CAUSATION. AND I WOULD NOT WANT, UNDER THE  
17 BIFURCATION MANTEL, FOR US TO LOSE THE OPPORTUNITY TO  
18 CONTINUE.

19 WE HAVE LOTS OF FORMER EMPLOYEES WHO WANT TO  
20 COME IN AND TESTIFY AND DEVELOPERS WHO WANT TO COME IN AND  
21 TESTIFY HOW MR. NOVELLI RUINED HIS OWN COMPANIES, AND THAT  
22 OUR CLIENT HAD NOTHING TO DO WITH IT. AND I DON'T WANT  
23 THAT TO BE SWEEPED UNDER THE RUG OF DAMAGES.

24 THE COURT: IT WON'T BE.

25 MR. SHERMAN: AND I'D LIKE TO REQUEST AGAIN THAT  
26 THE COURT CONSIDER MY SUGGESTION WITH RESPECT TO THE USE --

1 THE COURT: I THINK THAT'S A GOOD IDEA, THAT  
2 SUGGESTION.

3 MR. SHERMAN: FOR ALL THE REMAINING AFFINITY AND  
4 COAST WITNESSES, AND WE WILL BRING ROGER RYMAN OUT HERE  
5 LIVE.

6 MR. MOSHENKO: MR. ADAMS COULD BE MADE LIVE SINCE  
7 WE'VE BEEN TOLD OVER AND OVER AGAIN HE WOULD BE AVAILABLE  
8 AFTER THE 10TH.

9 MR. SHERMAN: WE CAN MAKE MR. ADAMS AVAILABLE LIVE.

10 THE COURT: WHEN?

11 MR. SHERMAN: I CAN GET HIM HERE BY THURSDAY.

12 THE COURT: THIS THURSDAY.

13 MR. SHERMAN: HE WILL BE AVAILABLE TO TESTIFY  
14 THURSDAY.

15 THE COURT: ALL RIGHT. GOOD.

16 MR. SHAW: YOUR HONOR.

17 MR. SHERMAN: WITH RESPECT TO MR. ROBINSON, IT'S  
18 GOING TO WIND UP BEING A FULL DAY. OKAY. LET THEM PUT IT  
19 IN VIA DEPOSITION. LET THEM PROVIDE THE SUMMARY. WE'LL  
20 LOOK AT THE SUMMARY. WE CAN ALL GO BACK AND LOOK AT THE  
21 DEPOSITION TRANSCRIPT.

22 MR. MOSHENKO: WE'VE ALREADY PROVIDED THEM WITH THE  
23 LIST OF PROVISIONS THAT WE WANT TO BRING OUT FROM  
24 MR. ROBINSON.

25 MR. SHERMAN: I'M TALKING ABOUT THE DIFFERENCE  
26 BETWEEN A NARRATIVE. I'M TALKING ABOUT SOMETHING -- THE

1 DIFFERENCE BETWEEN MY NAME IS KEN ROBINSON, I AM BLAH, I  
2 DID "X," THIS IS WHAT I HAVE TO SAY. AND IF YOU CAN DO IT  
3 TRUE TO THE FORM OF THE DEPOSITION TRANSCRIPT, WE'RE NOT  
4 GOING TO FIGHT YOU ON IT.

5 MR. SHAW: THERE WERE NO OBJECTIONS -- OTHER THAN I  
6 THINK TWO LINES, EVIDENTIARY OBJECTIONS, BUT OTHER THAN  
7 THAT, IT'S ALL BEEN GIVEN TO THEM. SO WE'RE PREPARED TO DO  
8 THAT.

9 THE COURT: OKAY. LET'S DO IT.

10 MR. MOSHENKO: YOUR HONOR, THE TIME IT WOULD TAKE  
11 TO PREPARE THE SUMMARY, THE DEPOSITION THAT WE WANT,  
12 PROVISIONS WE WANT TO READ WITH SOME OF THESE WITNESSES  
13 WOULD HAVE BEEN READ AND DONE, AND WE'RE JUST ADDING WORK.

14 MR. SHERMAN: HE'D LIKE TO DO THE WORK.

15 THE COURT: I'M GOING TO STICK WITH WHAT I TOLD YOU  
16 BEFORE, AND YOU GOT THE REST OF THIS WEEK. AND YOU'VE GOT  
17 THREE MORE DAYS NEXT WEEK AND YOU'RE FINISHED.

18 MR. SHERMAN: THE CASE IS BIFURCATED.

19 THE COURT: THE CASE IS BIFURCATED AS BETWEEN  
20 DAMAGES AND LIABILITY.

21 MR. MOSHENKO: ARE WE HALF A DAY TOMORROW?

22 THE COURT: WE'RE GOING TO WORK UNTIL 1:00.

23 MR. MOSHENKO: I FORGET WHICH JUROR IT WAS THAT HAD  
24 TO BE GONE.

25 THE COURT: THE LADY RIGHT HERE, VERA STENNER.  
26 SHE'S HAD A DOCTOR'S APPOINTMENT FOR SOME TIME.

1           MR. RIVIN: YOUR HONOR, WHEN WE TALK ABOUT  
2 BIFURCATION, WE'RE TALKING ABOUT BIFURCATING DAMAGES ALONE.

3           THE COURT: YES.

4           MR. RIVIN: BUT LIABILITY AND CAUSATION --

5           THE COURT: YES.

6           MR. RIVIN: -- WILL BE ADDRESSED BY THE JURY.

7           THE COURT: YES.

8           MR. SHERMAN: AGREE.

9           THE COURT: THANK YOU. SEE YOU AT 1:30.

10                           (WHEREUPON THE COURT WAS IN RECESS UNTIL  
11 1:30 P.M. OF THE SAME DAY.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

1 WESTMINSTER, CALIFORNIA - MONDAY, JULY 10, 2000

2 AFTERNOON SESSION

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

5 THE COURT: PROCEED, PLEASE.

6 CROSS-EXAMINATION (CONTINUED)

7 BY MR. SHERMAN: Q RIGHT BEFORE OUR LUNCH BREAK I  
8 HAD PLACED BEFORE YOU A COPY OF THE COMPLAINT FILED BY BILL  
9 PRYOR, THE ATTORNEY GENERAL OF THE STATE OF ALABAMA; DO YOU  
10 HAVE THAT IN FRONT OF YOU?

11 A YES, I DO.

12 Q AND THIS IS A COMPLAINT THAT WAS FILED  
13 AGAINST BOTH YOU AND TRAVEL AMERICA, INC.; RIGHT?

14 A YES. THIS IS IN REGARDS TO T.A.I. OF  
15 ALABAMA.

16 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 343 INTO  
17 EVIDENCE.

18 THE COURT: NO OBJECTION?

19 MR. SHAW: SAME OBJECTIONS, YOUR HONOR. HEARSAY  
20 AND RELEVANCE.

21 THE COURT: THE SAME RULING. OVERRULED. IT WILL  
22 BE RECEIVED.

23 (WHEREUPON, EXHIBIT NO. 343, COPY OF  
24 COMPLAINT FILED BY ALABAMA ATTORNEY GENERAL, WAS RECEIVED  
25 IN EVIDENCE.)

26 BY MR. SHERMAN: Q AND IF WE CAN JUST GO TO THE

1 CAPTION, STATE OF ALABAMA, BY THE ATTORNEY GENERAL, AGAINST  
2 TRAVEL AMERICA, THOUSAND ADVENTURES, INC., THOUSAND  
3 ADVENTURES OF ALABAMA, INC., D.B.V., INC., R.V. HOLDING,  
4 INC., RAYMOND NOVELLI, STEVE ALLEMAN, JOHN T. CLOUD AND  
5 VARIOUS FICTITIOUS DEFENDANTS.

6 AND IF WE CAN JUST GO THROUGH THIS, THE  
7 ACTION BROUGHT BY THE STATE THROUGH ITS ATTORNEY GENERAL ON  
8 BEHALF OF THOSE NATURAL PERSONS WHO HAVE PURCHASED  
9 CAMPGROUND MEMBERSHIPS FROM THE DEFENDANTS.

10 WHY DON'T WE GO TO PAGE 11 AND SEE THE  
11 SIGNATURE BY THE ASSISTANT ATTORNEY GENERAL, LA VETTE  
12 LYAS-BROWN, STATE OF ALABAMA, FILED ON APRIL 23, 1998.

13 SO IF WE CAN PUT THAT UP ON THE TIME LINE,  
14 PLEASE, MIKE.

15 NOW, SOON AFTER THAT LAWSUIT WAS FILED,  
16 MR. NOVELLI, YOU HAD THOUSAND ADVENTURES, INC., OF ALABAMA  
17 FILE IN THOUSAND ADVENTURES, INC., BANKRUPTCY A DISCLOSURE  
18 STATEMENT; CORRECT?

19 A I'M NOT SURE. I BELIEVE THERE WAS ONE FILED.

20 Q LET ME SHOW YOU EXHIBIT 925.

21 THIS WAS A COPY OF THE DISCLOSURE STATEMENT  
22 THAT YOU CAUSED THOUSAND ADVENTURES OF ALABAMA TO FILE IN  
23 MAY, '98; RIGHT?

24 A I'M NOT SURE. I BELIEVE IT WAS. IT SAYS  
25 FILED IN MAY, '98.

26 MR. SHERMAN: IT BEARS THE COURT STAMP OF MAY 4,

1 1998.

2 WE'D LIKE TO MOVE IT INTO EVIDENCE.

3 THE COURT: SO RECEIVED.

4 (WHEREUPON, EXHIBIT NO. 925, DISCLOSURE  
5 STATEMENT FILED BY THOUSAND ADVENTURES OF ALABAMA, WAS  
6 RECEIVED IN EVIDENCE.)

7 MR. SHAW: JUST, YOUR HONOR, THE SAME OBJECTION OF  
8 HEARSAY. THANK YOU.

9 BY MR. SHERMAN: Q NOW, LET'S TAKE A LOOK.

10 YOU'LL RECALL I ASKED YOU SOME QUESTIONS A  
11 LITTLE EARLIER ABOUT THE CLASS-ACTION LAWSUIT THAT HAD BEEN  
12 FILED AGAINST THOUSAND ADVENTURES ALABAMA THAT YOUR COMPANY  
13 THEN GOT NAMED IN; DO YOU RECALL THAT BEFORE LUNCH,  
14 MR. NOVELLI?

15 A YEAH, I REMEMBER.

16 MR. MOSHENKO: LACKS FOUNDATION. THERE'S NOTHING  
17 IN THAT DOCUMENT THAT INDICATES A CLASS-ACTION. THERE'S  
18 SIX NAMED PLAINTIFFS AGAINST A NUMBER OF DEFENDANTS.

19 MR. SHERMAN: I THINK EITHER I MISSPOKE OR  
20 MR. MOSHENKO MISHEARD ME.

21 THERE WERE TWO LAWSUITS; ONE FILED BY THE  
22 STATE OF ALABAMA BY THE ATTORNEY GENERAL, AND I THINK THAT  
23 THAT IS THE ONE THAT MR. MOSHENKO WAS JUST REFERRING TO.  
24 AND THEN THERE WAS ANOTHER LAWSUIT, THE CLASS-ACTION, THE  
25 AMENDED PLEADING THAT BROUGHT IN TRAVEL AMERICA, ALI  
26 SEASONS AND FIRST NATIONWIDE WHICH WE'VE ALREADY DISCUSSED.

1           MR. MOSHENKO: THAT'S WHAT I WAS REFERRING TO, YOUR  
2 HONOR, THE SECOND ONE. AND IT DOES NOT INDICATE ANYWHERE  
3 ON IT IT'S A CLASS-ACTION. THERE ARE SIX NAMED PLAINTIFFS,  
4 AND THERE'S NO CERTIFICATION OF A CLASS. IT DOESN'T SAY A  
5 CLASS. DOESN'T SAY REPRESENTING A CLASS. LACKS FOUNDATION  
6 THERE'S A CLASS-ACTION.

7           MR. SHERMAN: IT DOES SAY IT'S A CLASS, BUT LET ME  
8 GET PAST THAT.

9           Q           YOU RECALL THE LAWSUIT THAT I SHOWED YOU  
10 BEFORE LUNCH WHERE TRAVEL AMERICA WAS NAMED AS A DEFENDANT  
11 IN SEPTEMBER OF 1997; DO YOU RECALL THAT?

12          A           I REMEMBER YOU MENTIONING SOMETHING. ARE  
13 YOU TALKING ABOUT THE ONE IN IOWA OR THE ONE --

14          Q           NO. THE ONE IN ALABAMA, SIR.

15          A           OKAY. I DON'T RECALL ANY CLASS-ACTION  
16 LAWSUIT OVER THERE.

17          Q           OKAY. WELL, LET'S GO TO PAGE 7 OF THIS  
18 DOCUMENT, PARAGRAPH 2.13, THIS DISCLOSURE STATEMENT.

19                       THIS IS THE DISCLOSURE STATEMENT FILED BY  
20 THOUSAND ADVENTURES, INC., ALABAMA; RIGHT? RIGHT,  
21 MR. NOVELLI?

22          A           I BELIEVE SO, YES.

23          Q           OKAY. AND IT SAYS HERE, "BY THE TIME TRAVEL  
24 AMERICA, INC., BECAME INVOLVED WITH ITS PROGRAM FOR THE  
25 IMPLEMENTATION OF MEMBER SERVICES, THE MAJOR CAMPING AND  
26 RECREATION SEASON HAD CONCLUDED IN ALABAMA AND POINTS NORTH

1 AND IN THE MIDWEST. SERIOUS QUESTIONS HAD PREVIOUSLY BEEN  
2 RAISED CONCERNING ENVIRONMENTAL PROBLEMS AT THE DEBTOR'S  
3 CAMP RESORT KNOWN AS ALABAMA QUEEN RESORT.

4 "IN ADDITION, MEMBERS FROM PINE COVE SHOALS  
5 HAD FILED A CLASS-ACTION SUIT AGAINST THOUSAND ADVENTURES,  
6 INC., OF ALABAMA. CONSEQUENTLY, THERE WAS A GENERAL LOSS  
7 OF CONFIDENCE BY MEMBERS AND COLLECTION OF FEES DECLINED."

8 AND THEN IT GOES ON IN PARAGRAPH 2.14,  
9 "CONCURRENT WITH THOUSAND ADVENTURES, INC., OF ALABAMA'S  
10 LOCAL PROBLEMS, THOUSAND ADVENTURES, INC., A NEBRASKA  
11 CORPORATION, AND VARIOUS OTHER THOUSAND ADVENTURES, INC.,  
12 CORPORATIONS AND CAMPGROUNDS IN OTHER STATES WERE  
13 EXPERIENCING DIFFICULTIES, ALL OF WHICH WERE WELL KNOWN TO  
14 THOUSAND ADVENTURES, INC., OF ALABAMA'S MEMBERS. MANY  
15 MEMBERS TOOK A WAIT-AND-SEE ATTITUDE, AND REVENUES REQUIRED  
16 TO FUND ENVIRONMENTAL REQUIREMENTS, MORTGAGE PAYMENTS,  
17 CAPITAL IMPROVEMENTS, AND SERVICE MEMBERS WERE INADEQUATE."

18 NOW, THOSE TWO PARAGRAPHS, 2.13 AND 2.14,  
19 THAT I JUST READ TO YOU, MR. NOVELLI, READ OUT LOUD, THOSE  
20 WERE BELIEVED BY YOU TO BE ACCURATE STATEMENTS IN MAY,  
21 1998; CORRECT?

22 A YES.

23 Q AND THEN LET'S GO TO SECTION 7. THAT'S ON  
24 PAGE -- LET'S GO TO PAGE 16. IT'S JUST A LIST OF VARIOUS  
25 PRE-PETITION LAWSUITS. 7.6. DO YOU SEE THAT?

26 A YES.

1 Q IT KEEPS ON GOING ON. IF YOU GO TO THE NEXT  
2 PAGE, AND ON -- IT GOES TO THE NEXT PAGE, 19 -- EXCUSE ME.  
3 PAGE 18, RATHER. RIGHT?

4 A CORRECT.

5 Q AND THEN IN THE SAME SECTION 7 ON PAGE 18,  
6 THERE'S A SECTION, "POST-PETITION LAWSUITS"; MENTIONS THE  
7 ATTORNEY GENERAL ACTION THAT YOU JUST TESTIFIED TO; RIGHT?

8 A RIGHT.

9 Q NOW, LET'S GO TO 7.7. THE DEBTOR, THAT'S  
10 THOUSAND ADVENTURES, INC., OF ALABAMA; RIGHT?

11 A RIGHT.

12 Q THE PLAINTIFF IN THIS CASE; RIGHT?

13 A YES.

14 Q "THE DEBTOR IS NOT AWARE OF ANY CAUSES OF  
15 ACTION THAT THE DEBTOR HAS AGAINST ANY OTHER PARTY FOR ANY  
16 BANKRUPTCY, NON-BANKRUPTCY OR OTHER CONTRACT, TORT OR  
17 STATUTORY CAUSES OF ACTION."

18 LET'S GO BACK, MR. NOVELLI.

19 THIS DOCUMENT -- LET'S GO TO THE FIRST  
20 PAGE.

21 THIS DOCUMENT WAS FILED WITH THE BANKRUPTCY  
22 COURT ON MAY 4, 1998; DO YOU SEE THAT DATE?

23 A YES.

24 Q AS OF MAY 4, 1998, THOUSAND ADVENTURES,  
25 INC., OF ALABAMA HAD FILED THIS LAWSUIT AGAINST MY CLIENTS  
26 IN JANUARY; CORRECT?

1 A CORRECT.

2 Q SO THIS WAS NOT TRUE; RIGHT?

3 A IT'S TRUE ON WHAT THE ACTIONS WERE. IN  
4 OTHER WORDS, THESE ARE THE ACTIONS THAT MR. STEVE ALLEMAN,  
5 WHO WAS RUNNING ALABAMA, PRIOR T.A.I. MAN, THAT THIS IS  
6 WHAT HE FILED, YES.

7 Q MR. NOVELLI, YOU RECALL YOUR DEPOSITION  
8 TESTIMONY WHERE YOU TOLD US THAT YOU'D BEEN THE PRESIDENT  
9 OF THOUSAND ADVENTURES ALABAMA?

10 A I WAS PRESIDENT OF THOUSAND ADVENTURES OF  
11 ALABAMA. BUT MR. ALLEMAN RUNS THE COMPANY.

12 Q YOU DON'T TAKE RESPONSIBILITY, THEN, FOR  
13 MR. ALLEMAN'S STATEMENTS; IS THAT YOUR POSITION?

14 A T.A.I. NEEDED SOMEBODY OF A HEAD BECAUSE  
15 MR. VOPNFORD RESIGNED. AND SO THEY HAD ME BECOME THE  
16 PRESIDENT, WHICH I DID.

17 Q NOW, THERE'S NO -- NO MENTION, AS WE'VE SEEN  
18 IN THE APOLLO DISCLOSURE STATEMENT, TO COAST TO COAST  
19 LETTERS, IN THE T.A.I. OHIO DISCLOSURE STATEMENT TO COAST  
20 TO COAST LETTERS, OR IN THE T.A.I. ALABAMA DISCLOSURE  
21 STATEMENT OF COAST TO COAST LETTERS AS HAVING ANYTHING TO  
22 DO WITH ANY BANKRUPTCIES; CORRECT?

23 A THAT'S CORRECT. AT THE TIME THE  
24 BANKRUPTCIES WERE FILED, COAST TO COAST DIDN'T HAVE ANY  
25 INVOLVEMENT.

26 MR. SHERMAN: MOVE TO STRIKE EVERYTHING AFTER

1 "CORRECT."

2 THE COURT: MOTION GRANTED.

3 BY MR. SHERMAN: Q NOW, THE REASON WHY IT WASN'T  
4 MENTIONED IN ANY OF THOSE DOCUMENTS IS BECAUSE COAST DIDN'T  
5 CAUSE THOSE COMPANIES ANY HARM AT ALL?

6 A NO. THE REASON IT WASN'T MENTIONED IS  
7 BECAUSE THESE ACTIONS WERE FILED PRIOR TO COAST TO COAST  
8 SENDING OUT THE LETTERS OF TRANSFER. SO WHEN IT ASKED FOR  
9 POST-PETITION OR PRE-PETITION REASONING, I CAN ONLY --  
10 STEVE CAN PUT DOWN THAT REASONING. YOU CAN'T GO BACK  
11 THIS -- TO THE FUTURE AND SAY THIS HAPPENED POST-PETITION,  
12 AND WE'LL PUT THAT DOWN AS A CAUSE OF BANKRUPTCY, TOO,  
13 BECAUSE IT'S JUST NOT THE CASE.

14 Q T.A.I. ALABAMA -- EXCUSE ME.

15 T.A.I. OHIO'S BANKRUPTCY WAS FILED MAY 13,  
16 1997; CORRECT?

17 A CORRECT.

18 Q COAST LETTERS WERE SENT OCTOBER, NOVEMBER,  
19 DECEMBER, '97; CORRECT?

20 A CORRECT.

21 Q NOW --

22 A BOTH OF THEM WERE '97.

23 Q I WANT TO MOVE TO THE SUBJECT NOW OF -- I  
24 WANT TO MOVE TO THE SUBJECT OF THE ASSUMPTION OF THESE  
25 T.A.I. MEMBER CONTRACTS.

26 DO YOU RECALL BEFORE WE BROKE ON OUR

1 VACATION I SHOWED YOU THE AUTOMATIC ASSUMPTION LANGUAGE  
2 THAT WAS CONTAINED IN THE VARIOUS NEWSLETTERS? RIGHT?

3 A YES.

4 Q AND IT'S YOUR POSITION THAT YOUR COMPANIES,  
5 PLAINTIFFS IN THIS CASE, ARE SEEKING SOME RECOVERY ON  
6 ACCOUNT OF SOME OF THE T.A.I. MEMBERS THAT YOU  
7 AUTOMATICALLY ASSUMED; CORRECT?

8 A CORRECT.

9 Q BUT, IN FACT, THERE ARE CHALLENGES TO YOUR  
10 CLAIM THAT YOU OWN THOSE MEMBER CONTRACTS; CORRECT?

11 A WELL, I HAVE A COURT ORDER FROM T.A.I. OF  
12 OHIO THAT WE OWN THE MEMBERS. NOT THAT WE OWN THEM; THAT  
13 THE MEMBERS ARE TRANSFERRED OVER TO TRAVEL AMERICA.  
14 THERE'S CHALLENGES ON SOME OF THE ONES IN KANSAS THAT WE'RE  
15 NOT ALLEGING COAST TO COAST TOOK. SO IT DEPENDS.

16 IN OTHER WORDS, THE ONES WE'RE ALLEGING THAT  
17 COAST TOOK AND SENT TRANSFER LETTERS TO ARE IN THESE STATES  
18 THAT WE ACHIEVED THE PLAN OF REORGANIZATION OR SOME OTHER  
19 RULING FROM THE COURT.

20 Q WELL, LET'S TRY IT A LITTLE DIFFERENT. LET  
21 ME SHOW YOU EXHIBIT 123.

22 MR. NOVELLI, YOU'RE FAMILIAR WITH THE  
23 DOCUMENT THAT'S BEEN MARKED AS EXHIBIT 123; CORRECT?

24 A YES.

25 Q EXHIBIT 123 IS IN FACT A LEGAL PLEADING  
26 CHALLENGING YOUR OWNERSHIP OF THE T.A.I. MEMBERS; RIGHT?

1           A           YES, FROM THE -- FROM T.A.I. ON THE  
2           CORPORATE, YES.

3           MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 123 INTO  
4           EVIDENCE.

5           THE COURT: IT WILL BE SO RECEIVED.

6                       (WHEREUPON, EXHIBIT NO. 123, LEGAL PLEADING,  
7           WAS RECEIVED IN EVIDENCE.)

8           BY MR. SHERMAN: Q NOW --

9           MR. SHAW: YOUR HONOR, I'M SORRY. JUST FOR THE  
10          RECORD, SAME OBJECTION. HEARSAY. THANK YOU.

11          THE COURT: THE SAME RULING.

12          BY MR. SHERMAN: Q THIS IS A LAWSUIT FILED AGAINST  
13          YOU PERSONALLY AND TRAVEL AMERICA BY ERIC LAM, THE  
14          BANKRUPTCY TRUSTEE OVER THOUSAND ADVENTURES, INC.; CORRECT?

15          A           CORRECT.

16          Q           THIS LAWSUIT WAS FILED AGAINST YOU  
17          PERSONALLY AND TRAVEL AMERICA, INC., ON SEPTEMBER 10, 1999  
18          IN BANKRUPTCY COURT IN IOWA; CORRECT?

19          A           THAT'S CORRECT.

20          Q           AND IF WE CAN GO TO PAGE 2 -- EXCUSE ME --  
21          PAGE 12. SORRY. THE BANKRUPTCY TRUSTEE, MR. LAM, ALLEGES  
22          IN COUNT 2 THAT TRAVEL AMERICA AND YOU AND OTHERS WERE THE  
23          RECIPIENTS OF WHAT THE BANKRUPTCY TRUSTEE REFERS TO AS  
24          FRAUDULENT TRANSFERS; RIGHT?

25          A           THAT'S CORRECT.

26          Q           AND THEN IN COUNT 3, THE SAME BANKRUPTCY

1 TRUSTEE OVER ALL OF THOUSAND ADVENTURES, INC., ERIC LAM,  
2 ALLEGES A COUNT AGAINST TRAVEL AMERICA FOR CONVERSION;  
3 RIGHT?

4 A THAT'S CORRECT.

5 Q BECAUSE, AS THE BANKRUPTCY TRUSTEE SAYS IN  
6 PARAGRAPH 66, TRAVEL AMERICA HAS WRONGFULLY EXERCISED  
7 DOMINION AND CONTROL OVER THE DEBTOR'S MEMBERSHIP LIST,  
8 MAINTENANCE DUES, TRADE NAME, TRADEMARK, AND THE RESIDUAL  
9 VALUE OF THE RETAIL INSTALLMENTS CONTRACTS --

10 A TWO FEDERAL JUDGES RULED AGAINST --

11 Q EXCUSE ME. LET ME FINISH THE QUESTION.

12 THE COURT: EXCUSE ME.

13 BY MR. SHERMAN: Q THAT IS WHAT THE TRUSTEE

14 ALLEGES?

15 A THAT'S WHAT HE ALLEGED.

16 Q OKAY. SO IF WE CAN GO BACK TO THE TIME  
17 LINE. WE GOT SEPTEMBER -- WE FINISHED 1998. LET'S GO TO  
18 1999. THAT'S THE LAWSUIT.

19 NOW, THERE IS PENDING PRESENTLY,  
20 MR. NOVELLI, ACTIVITY IN THE BANKRUPTCY COURT IN OHIO TO  
21 DISMISS THE THOUSAND ADVENTURES, INC., OF OHIO CASE;  
22 CORRECT?

23 A THAT WAS DENIED. NO, NOTHING PENDING.

24 Q THERE WAS A MOTION THAT WAS BROUGHT?

25 A YOU SAID PENDING. IT'S NOT PENDING. IT WAS

26 DENIED.

1 Q THERE WAS A MOTION THAT WAS BROUGHT TO  
2 DISMISS IT; CORRECT?

3 A THAT'S CORRECT.

4 Q AND THE COURT HAS NOT YET DECIDED THAT?

5 A THE COURT'S ALREADY DENIED IT. THAT'S WHERE  
6 I WAS GONE. THE DAY THAT I WASN'T HERE AT THE TRIAL I WAS  
7 BACK IN OHIO IN THE -- AND THE COURT DISMISSED THAT ACTION.

8 Q ON THAT DAY?

9 A ON THAT DAY.

10 Q SO THEY DISMISSED THE BANKRUPTCY?

11 A NOT THE BANKRUPTCY.

12 Q THE MOTION?

13 A THAT YOU JUST SAID. THAT WAS PENDING. IT  
14 WAS NOT PENDING.

15 Q IF I HAVE IN COURT TRANSCRIPTS, CERTIFIED  
16 TRANSCRIPTS, OF THAT VERY HEARING WHERE THE COURT SAID THAT  
17 IT WAS GOING TO DEFER RULING ON THAT, THOSE TRANSCRIPTS  
18 WOULD BE INCORRECT; RIGHT?

19 A THE COURT -- THERE WAS A MOTION GRANTED BY  
20 THE COURT AND -- DISMISSING THAT. SO I DON'T KNOW WHAT  
21 YOU'RE TALKING ABOUT.

22 IN OTHER WORDS, I WAS THERE. IF YOU BRING  
23 IN SOMETHING DIFFERENT THAN THAT, I SURE MISSED SOMETHING  
24 THERE.

25 Q NOW, BACK IN DISCOVERY IN THIS CASE YOU WERE  
26 ASKED TO PROVIDE INFORMATION ABOUT INVESTIGATIONS BY

1 ATTORNEYS GENERAL OF PLAINTIFFS; IS THAT RIGHT?

2 A I DON'T RECALL.

3 Q LET ME SHOW YOU EXHIBIT 907, REQUEST NUMBER  
4 15, ALSO INTERROGATORIES. I'M GOING TO ASK YOU TO TAKE A  
5 LOOK AT THE THREE TABBED PAGES.

6 A OKAY.

7 Q OKAY. SO BACK DURING DISCOVERY, PRETRIAL  
8 DISCOVERY IN THIS CASE, WE ASKED YOU TO PROVIDE INFORMATION  
9 ABOUT INVESTIGATIONS BY ATTORNEYS GENERAL OF PLAINTIFFS;  
10 RIGHT?

11 A CORRECT.

12 Q AND AS OF MARCH 1ST OF THIS YEAR, YOU  
13 REPLIED THAT NONE WERE KNOWN; RIGHT?

14 A NONE THAT OUR KNOWLEDGE THAT WE HAD COPIES  
15 OF.

16 Q SO AS OF THAT DATE, MARCH 1, YOU WEREN'T  
17 AWARE OF ANY?

18 A I MIGHT HAVE BEEN AWARE. YOU ASKED ME TO  
19 FURNISH THEM. I CAN'T FURNISH YOU WHAT WE COULDN'T FIND,  
20 IF THAT'S WHAT YOU'RE ASKING.

21 Q MR. NOVELLI, WHAT WOULD YOU SAY IF I SHOWED  
22 YOU SEVEN BOXES, SEVEN BOXES OF LETTERS AND COMPLAINTS  
23 WRITTEN TO ATTORNEYS GENERAL IN KANSAS, OHIO AND IOWA WHICH  
24 WE HAVE PULLED OUT OF THE PUBLIC ARCHIVES WRITTEN BY PEOPLE  
25 YOU NOW CALL YOUR MEMBERS?

26 A T.A.I. MEMBERS. I DON'T THINK YOU'LL FIND

1 ANY OF OUR MEMBERS.

2 Q DO YOU HAVE MORE OF THESE FROM OTHER STATES,  
3 MR. NOVELLI?

4 A I JUST TOLD YOU THE QUESTION WAS ASKED OF ME  
5 ABOUT THE MEMBERS OF OUR COMPANIES. I DON'T KNOW ABOUT  
6 T.A.I., IF YOU'VE GOT SOMETHING THERE OF T.A.I. I DON'T  
7 THINK YOU'LL FIND ANYTHING OF OURS IN THERE.

8 Q SO NOW YOU DISOWN ANYTHING HAVING TO DO WITH  
9 T.A.I.?

10 A NO, I DON'T. THERE WAS FILES OF THERE THAT  
11 I'M NOT AWARE OF. YOU ASKED ME TO BRING YOU FILES. I'M  
12 NOT AWARE OF THEM. WAS -- THESE FILES DIDN'T COME FROM OUR  
13 OFFICE THAT YOU HAVE THERE. THEY MUST HAVE COME FROM  
14 SOMEBODY ELSE'S OFFICE.

15 Q CAME OUT OF THE STATE PUBLIC RECORDS OF  
16 THOSE STATES, AND WE INVITE YOU AND YOUR COUNSEL DURING ANY  
17 BREAK TO TAKE A LOOK AT ALL THE COMPLAINTS, THE HUNDREDS OF  
18 COMPLAINTS AND RESPONSES BACK FROM ATTORNEYS GENERAL TO  
19 VERIFY THAT THEY SAY WHAT THEY ARE.

20 MR. SHAW: I OBJECT. ASSUMES FACTS NOT IN  
21 EVIDENCE. MISCHARACTERIZES THE EVIDENCE, ANYTHING THAT HE  
22 HAS GOT THERE, IF HE IS NOT PREPARED TO PUT IT INTO  
23 EVIDENCE --

24 MR. SHERMAN: I'M PREPARED TO PUT IT IN EVIDENCE  
25 RIGHT NOW.

26 MR. SHAW: -- SO IT CAN SEE THE LIGHT OF DAY.

1 THESE ARE ALL -- THE TESTIMONY HAS BEEN THAT MR. NOVELLI  
2 WAS BROUGHT IN TO TOMMY CLOUD'S RANCH TO TAKE OVER A  
3 COMPANY THAT HAD SEVERE PROBLEMS WITH ATTORNEY GENERALS.  
4 THESE ARE ALL THOSE T.A.I. THAT -- IN THE PAST THEY'RE  
5 IRRELEVANT. THEY'RE NOT DEALING WITH ANY OF THE PARTIES IN  
6 THIS PARTICULAR CASE. THESE AREN'T EVEN MARKED ON THE  
7 EXHIBIT LIST. THE COURT'S ALREADY MADE A RULING IF THINGS  
8 AREN'T ON THE EXHIBIT LIST, THEY'RE NOT GOING TO SEE THE  
9 LIGHT OF DAY IN THIS CASE. THIS IS JUST A CHEAP -- YOUR  
10 HONOR, I'D LIKE --

11 MR. SHERMAN: THESE SPEAKING OBJECTIONS HAVE NO  
12 POINT HERE. WE'RE PREPARED TO MOVE THESE INTO EVIDENCE IF  
13 THAT'S WHAT MR. SHAW WANTS, AND WE'VE INDICATED TO THE  
14 WITNESS AND TO COUNSEL THEY'RE FREE TO LOOK AT THEM.

15 MR. SHAW, I WILL TAKE UP YOUR STIPULATION,  
16 IF THAT'S WHAT IT IS. WE'LL MOVE THEM INTO EVIDENCE.  
17 THEY'RE PUBLIC RECORDS. THEY'RE ALL FROM THE ATTORNEYS  
18 GENERAL OF THE STATES THAT THEY BEAR.

19 MR. SHAW: SINCE HE HAS ALREADY VIOLATED --

20 THE COURT: HOLD ON.

21 MR. SHERMAN: WE GOT THEM OUT OF THE PUBLIC RECORDS  
22 OF THOSE STATES, AND WE'LL MOVE THOSE INTO EVIDENCE IF  
23 THAT'S WHAT YOU WISH.

24 MR. SHAW: YOU KNOW, AND MR. SHERMAN --

25 THE COURT: APPROACH THE BENCH, PLEASE.

26 (DISCUSSION OFF THE RECORD.)

1           THE COURT: TAKE 10. WE'RE GOING INTO CHAMBERS  
2 WITH THE REPORTER.

3           TELL YOU WHAT. YOU GUYS GET OUT OF HERE.  
4 WE'LL SEE YOU IN 10 MINUTES. THAT WAY WE WON'T HAVE TO GO  
5 INTO CHAMBERS.

6           (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
7 COURT OUT OF THE PRESENCE OF THE JURY:)

8           MR. SHAW: I WANT TO MAKE MY RECORD, YOUR HONOR.

9           MR. SHERMAN HAS PULLED A STUNT, A STUNT  
10 THAT'S PREJUDICIAL TO THE PLAINTIFFS. HE HAS WHEELED IN  
11 SEVEN BOXES THAT HE KNOWS ARE IN VIOLATION OF YOUR COURT'S  
12 ORDER. YOUR COURT ORDERED THAT NOTHING WOULD COME INTO  
13 EVIDENCE THAT WASN'T ON THE EXHIBIT LIST. WE'VE HAD TO  
14 LIVE AND DIE BY THAT RULING, AND WE'VE DONE THAT, BECAUSE  
15 THAT WAS THE COURT'S ORDER.

16           WHAT MR. SHERMAN HAS DONE THROUGHOUT THIS  
17 TRIAL IS CHIPPED AWAY, CHIPPED AWAY AT EVERY COURT RULING.  
18 THE FELONY WAS A COURT RULING THAT IT WOULDN'T COME INTO  
19 EVIDENCE. IT CAME INTO EVIDENCE. THE FINOVA LAWSUIT WAS A  
20 RULING THAT WASN'T GOING TO COME INTO EVIDENCE. IT CAME  
21 INTO EVIDENCE. HE HAS NOW GOT SEVEN BOXES OF TOTALLY  
22 IRRELEVANT INFORMATION THAT HE KNOWS HE CAN'T GET INTO  
23 EVIDENCE. SO WHAT DOES HE DO? HE WHEELS IT IN. IT'S  
24 TOTALLY IRRELEVANT UNLESS IT COMES INTO EVIDENCE.

25           NOW, HE IS GOING TO TRY -- HE ASKED A  
26 QUESTION. AND LOOK HOW HE CLEVERLY SETS THIS UP, YOUR

1 HONOR. HE SAYS, YOU ANSWERED A QUESTION IN DISCOVERY THAT  
2 SAID YOU HAVEN'T TURNED OVER CERTAIN DOCUMENTS.

3 MR. NOVELLI ANSWERS THAT QUESTION. AND MR. SHERMAN AS AN  
4 OFFICER OF THE COURT VIOLATES HIS ETHICAL DUTY TO THIS  
5 COURT. HE WHEELS IN SEVEN BOXES THAT -- AND WE DON'T EVEN  
6 KNOW WHAT'S IN THESE BOXES. WHEELS IN SEVEN BOXES THAT HE  
7 KNOWS HE CAN'T GET INTO EVIDENCE.

8 AND HE KNOWS HE IS NOT EVEN GOING TO TRY TO  
9 GET IT INTO EVIDENCE, BUT YET HE WHEELS THEM IN SO THAT  
10 WE'RE CAUGHT IN A POSITION WHERE THERE'S NO WAY FOR US TO  
11 DEAL WITH THESE PARTICULAR DOCUMENTS, OTHER THAN SAY WHAT  
12 WE'VE BEEN SAYING FROM THE BEGINNING; THAT THESE ARE T.A.I.  
13 DOCUMENTS THAT CAME IN -- AND LET ME JUST PICK OUT ONE. I  
14 MEAN, I'LL JUST PICK OUT ONE SET OF DOCUMENTS.

15 MR. SHERMAN: THE ONES FROM OHIO TRAVEL AMERICA IS  
16 ALL OVER THOSE.

17 MR. SHAW: ONE SET OF DOCUMENTS. SIGNED BY  
18 MEMBERSHIP CONTRACT, 1992.

19 YOUR HONOR, IF WE GO THROUGH EACH ONE OF  
20 THESE BOXES, WE'RE GOING TO FIND OUT '91, '92, FIVE, SIX  
21 YEARS BEFORE EVER WHAT HAPPENED IN THIS CASE. WE SAW IT ON  
22 THE SCREEN EARLIER THIS MORNING. 1988 IS COMING INTO  
23 EVIDENCE.

24 AND NOW I'VE GOT A SITUATION -- JUST LIKE  
25 JERRY BERAN ON THURSDAY -- AND I NEED TO LINK THIS TOGETHER  
26 FOR THE RECORD. HE STANDS THERE AT THE COUNSEL PODIUM AND

1 POINTS AT SOME MAN SITTING IN THE GALLERY. WE DON'T EVEN  
2 KNOW WHO IT WAS AND SAYS, "IF JERRY BERAN" -- AND HE IS  
3 POINTING AT HIM -- "COMES IN AND SAYS THAT YOU BOUGHT THIS  
4 MAN'S TESTIMONY, WOULD YOU SAY THAT'S NOT TRUE,  
5 MR. NOVELLI?" CHEAP SHOT NOT BASED ON ANY EVIDENCE CODE,  
6 NOT BASED ON ANY -- LAYING ANY FOUNDATION. HE KNOWS HE  
7 CAN'T GET THAT EVIDENCE IN.

8 SO I'M LEFT WITH AN OBJECTION, HEARSAY.  
9 OVERRULED. HE POINTS RIGHT AT JERRY BERAN AGAIN AND SAYS,  
10 "DID YOU COMMIT A FELONY, MR. NOVELLI?" MR. NOVELLI SAYS  
11 NO, BUT GRANDSTANDING WITH THE JURY HE HAS GOT SOMEBODY  
12 SITTING THERE THAT'S NOT EVEN A WITNESS THAT I CAN TAKE ON  
13 TO THE STAND TO CROSS-EXAMINE.

14 THAT'S EXACTLY WHAT'S HAPPENING WITH THESE.  
15 THESE ARE WITNESSES THAT I CAN'T CROSS-EXAMINE. IT'S A  
16 VIOLATION OF THE HEARSAY RULE. THERE'S NO BASIS IN FACT  
17 FOR ANY OF THESE DOCUMENTS, OTHER THAN A GRANDSTANDING SHOW  
18 THAT'S PREJUDICING THIS JURY.

19 AND, YOUR HONOR, I AM GOING TO GO ON THE  
20 RECORD -- AND I'VE GOT TO CONSULT WITH MY CLIENT. BUT IF  
21 THESE KINDS OF THINGS -- NOW I'VE GOT TWO. IN BASEBALL  
22 VERNACULAR, YOU GET THREE STRIKES. NOW I'VE GOT TWO. THIS  
23 IS MISTRIAL MATERIAL. NOW I'VE GOT SEVEN BOXES THAT SAY,  
24 "DOCUMENTS RECEIVED FROM THE ATTORNEY GENERAL OF OHIO."  
25 THERE'S NO EVIDENCE OF THIS OTHER THAN WHAT HE IS PARADING  
26 OUT HERE IN FRONT OF THE JURY AND HE IS ASKING THIS WITNESS

1 ABOUT.

2 THIS ISN'T THE EVIDENCE CODE. THIS ISN'T  
3 ENGLISH JURISPRUDENCE. WHAT THIS IS IS GRANDSTANDING,  
4 VIOLATION OF ETHICS. THAT'S WHAT THIS IS.

5 SO WE GOT JERRY BERAN, WE'VE GOT OHIO,  
6 THINGS THAT HAPPENED YEARS BEFORE WHAT'S HAPPENED IN THIS  
7 CASE. AND I HAVE NO EVIDENTIARY WAY OF DEALING WITH THESE,  
8 NONE WHATSOEVER, EITHER ONE OF THOSE.

9 SO YOU'RE RIGHT, YOUR HONOR. I WANT TO MAKE  
10 A RECORD AND EVERY TIME THIS IS GOING TO HAPPEN BECAUSE IT  
11 LOOKS LIKE IT'S GOING TO CONTINUE TO HAPPEN. I'M GOING TO  
12 MAKE A RECORD. AND I'M GOING TO STAND UP HERE, AND I'M  
13 GOING TO MAKE THE SAME SPEECH. AND I'M GOING TO LINK  
14 TOGETHER JERRY BERAN. I'M GOING TO LINK TOGETHER THIS  
15 CHEAP SHOT THAT JUST TOOK PLACE THAT HAS NOTHING TO DO WITH  
16 THE EVIDENCE CODE.

17 AND, YOUR HONOR, AT SOME POINT AFTER  
18 CONSULTING WITH MY CLIENT I AM GOING TO BE ASKING FOR A  
19 MISTRIAL. I'M GOING TO RECOMMEND TO HIM THAT BASED ON THIS  
20 CHEAP STUNT, THAT WE'RE GOING TO BE ASKING FOR A MISTRIAL.

21 YOUR HONOR, THERE'S NOTHING IN THESE BOXES  
22 THAT ARE GOING TO SEE THE LIGHT OF DAY; YET, HE HAS WHEELED  
23 THIS THING IN KNOWING THAT HE IS FULLY PROTECTED THAT WE  
24 CAN'T GET INTO THESE. THEY'RE NOT ON HIS EXHIBIT LIST. HE  
25 KNOWS HE CAN'T GET THEM IN. HE KNOWS THAT MR. NOVELLI HAS  
26 NO WAY OF OBJECTING TO THAT.

1 THE COURT: MR. SHAW, YOU'RE BEING A LITTLE  
2 REPETITIOUS.

3 MR. SHAW: ONE LAST POINT, AND THEN I'LL STOP.

4 THIS PHIL MARTINEZ, THIS MORNING, YOU MET  
5 HIM IN JAIL, DIDN'T YOU, MR. NOVELLI? VERY CLEAR VIOLATION  
6 OF THE COURT'S ORDER. YOU ALLOWED HIM, YOUR HONOR, TO GET  
7 INTO MR. NOVELLI'S FELONY. HE GOT INTO IT. NOW HE IS  
8 ASKING HIM ABOUT MR. MARTINEZ MEETING HIM IN PRISON. HE  
9 WENT BACK TO PRISON.

10 THE COURT: WELL, IF YOU WILL RECALL THE RECORD  
11 THAT WE MADE IN CHAMBERS, I'M SURE YOU RECALL THE REASONS  
12 WHY I ALLOWED THE EVIDENCE OF THE FELONY CONVICTIONS.

13 MR. SHAW: YES, YOUR HONOR. AND AS I TOLD YOU, I  
14 SWALLOW THE BITTER PILL. I DO. YOUR HONOR KNOWS HOW MUCH  
15 I DISAGREE WITH YOUR HONOR, BUT RESPECTFULLY I FEEL I'M A  
16 PROFESSIONAL, AND I SWALLOWED THE BITTER PILL. BUT THAT  
17 DOESN'T STOP ME FROM DOING MY JOB OF HAVING TO MAKE A  
18 RECORD ON THESE ITEMS.

19 SO PHIL MARTINEZ NOW IS IN THE RECORD AS  
20 BEING PART OF SOMEBODY THAT WAS IN PRISON. HIGHLY  
21 IMPROPER. VIOLATION OF YOUR COURT'S ORDERS.

22 SO, YOUR HONOR, THERE SHOULD BE, I WOULD  
23 REQUEST OF THE COURT, TO BE A STATEMENT BY YOUR HONOR TO  
24 THE JURY THAT THESE DOCUMENTS ARE NOT PART OF THIS CASE.  
25 THEY ARE NOT TO BE CONSIDERED AS PART OF THIS CASE. THEY  
26 ARE NOT EVIDENCE. THERE IS NO EVIDENCE IN THESE CASES.

1 WHEELING IN SEVEN BOXES. HE COULD WHEEL IN SEVEN BOXES OF  
2 COMPLAINTS TO CHRYSLER, AND THAT'S ABOUT AS MUCH RELEVANCE  
3 AS THESE DOCUMENTS HAVE TO MR. NOVELLI. BECAUSE THEY'RE  
4 NOT COMING INTO EVIDENCE. HE KNOWS THEY'RE NOT COMING INTO  
5 EVIDENCE BECAUSE HE DOESN'T HAVE THEM ON THE WITNESS LIST.  
6 THERE'S NO WAY I CAN GET AT THESE TO DEAL WITH THESE, JUST  
7 LIKE I DID WITH MR. BERAN. SO --

8 THE COURT: MR. SHERMAN?

9 MR. SHERMAN: YOUR HONOR, I HAD -- MAY I ASK THE  
10 BAILIFF TO HAND TO THE COURT THE FOLDER THAT MR. SHAW WAS  
11 FLIPPING THROUGH.

12 YOU MAY RECALL, YOUR HONOR, MR. SHAW PICKED  
13 THAT ONE UP. I'M SURE HE PICKED IT UP AT RANDOM. HE  
14 LOOKED AT THE FIRST PAGE, AND THEN HE VERY QUICKLY WENT A  
15 FEW PAGES DOWN. THERE WAS A REASON FOR THAT. AND IF YOUR  
16 HONOR WOULD STAY WITH THE FIRST PAGE, I THINK IT WILL  
17 BECOME CLEAR.

18 THIS IS A COMPLAINT TO THE STATE OF OHIO  
19 ATTORNEY GENERAL'S OFFICE DATED JULY, 1997.

20 THE COURT: JUNE 17TH, 1997.

21 MR. SHERMAN: DIDN'T THE RECEIVE STAMP --

22 THE COURT: IT SAYS TODAY'S DATE, JULY.

23 MR. SHERMAN: OKAY. I'M SORRY. I MISSPOKE. WE'RE  
24 TALKING ABOUT THE SUMMER OF 1997.

25 THE COURT: YES.

26 MR. SHERMAN: AND --

1 THE COURT: IT IS JUNE -- JULY THE 3RD IS THE  
2 COURT'S DATE STAMP APPARENTLY. BUT THE TYPED-IN DATE IS  
3 JUNE 17TH.

4 MR. SHERMAN: YOUR HONOR, WE'VE -- WE HAVE HEARD  
5 PLAINTIFFS TESTIFY REPEATEDLY TO THE EFFECT THAT THEY ARE  
6 SEEKING RECOVERIES AND ARE SEEKING TO HOLD MY CLIENTS  
7 LIABLE FOR SOME UNSPECIFIED NUMBER OF THOUSAND ADVENTURES  
8 MEMBERS WHO THEY AUTOMATICALLY ASSUMED. WE HAVE TEDIOUSLY  
9 FOR MONTHS COMBED THROUGH STATE CONSUMER AFFAIRS  
10 DEPARTMENTS, STATE ATTORNEY GENERALS OFFICES WITH THE  
11 ASSISTANCE OF OUR EXPERT WITNESSES.

12 OUR EXPERT WITNESSES ARE AWARE OF THESE  
13 DOCUMENTS. THEY ARE AWARE THAT THEY SHOW A LACK OF  
14 CAUSATION. BECAUSE, IN FACT, WHAT IS GOING ON -- AND THEY  
15 WERE REFERRING TO -- REFERRED TO IN DEPOSITION. THEY WERE  
16 SPECIFICALLY REFERRED TO IN DEPOSITION.

17 BUT THIS, YOUR HONOR, IS WHY PLAINTIFFS'  
18 MEMBERS STOPPED MAKING PAYMENTS. THEY WERE SICK AND TIRED  
19 AND FED UP OF BEING DECEIVED AND CHEATED.

20 AND YOU KNOW WHAT? PLAINTIFFS' COUNSEL JUST  
21 DOESN'T SEEM TO GET IT. IT DOESN'T MATTER WHETHER THEY  
22 WERE CHEATED BY DAVE VOPNFORD OR CHEATED BY RAY NOVELLI. A  
23 MEMBER ONCE CHEATED DOESN'T PAY. IT'S GOT NOTHING TO DO  
24 WITH WHO CHEATED HIM.

25 IT'S THE SAME ISSUE WITH JEFFREY KEIM.  
26 JEFFREY KEIM DID THIS OR JEFFREY KEIM DID THAT. WHO

1 CARES? THE RESORTS RAN DOWN. THE PAYMENTS WEREN'T MADE.  
2 THE MEMBERS WERE UNHAPPY.

3 THE COURT HAS CONSISTENTLY PERMITTED, OVER  
4 HEARSAY OBJECTION, MEMBER LETTERS TO COME INTO EVIDENCE ON  
5 THE THEORY THAT IT IS A RELIABLE EXCEPTION TO THE HEARSAY  
6 RULE.

7 BUT LET ME GO ON. MR. SHAW MAKES MUCH ABOUT  
8 THE FACT THAT THESE WERE NOT ON OUR PLAINTIFFS' -- EXCUSE  
9 ME -- DEFENDANTS' EXHIBIT LIST. PLAINTIFFS WERE AWARE THE  
10 EXISTENCE OF THESE BOXES, NUMBER ONE. NUMBER TWO, I DID  
11 NOT SEEK TO MOVE THESE INTO EVIDENCE. WE ARE PREPARED TO  
12 HAVE OUR EXPERT WITNESS, IF NEED BE, TESTIFY TO THE FACT HE  
13 HAS SEEN THESE, HE IS AWARE OF THEM, HE HAS BASED HIS  
14 DECISIONS AND CONCLUSIONS ON THE FACT THAT THESE THINGS  
15 EXIST.

16 THE COURT: THESE WOULD ONLY COME IN DURING THE  
17 DAMAGES PHASE OF THE TRIAL, I PRESUME.

18 MR. SHERMAN: WELL, BUT THEY ALSO GO, AGAIN, YOUR  
19 HONOR, TO THE ISSUE OF CAUSATION.

20 THE COURT: ALL RIGHT.

21 MR. SHERMAN: THEY GO TO THE ISSUE OF CAUSATION  
22 BECAUSE, YOU KNOW, FOR PLAINTIFFS TO COME IN HERE -- AND  
23 I'M GOING TO DO THIS SHORT OF THE RHETORIC.

24 BUT FOR PLAINTIFFS TO COME IN HERE AND ARGUE  
25 THAT COAST CAUSED LOSSES, WELL, PARDON ME; WHAT THE HECK DO  
26 YOU DO WITH THESE SEVEN BOXES? WHAT DO YOU DO WITH THE

1 FACT THAT THOUSAND ADVENTURES WAS THE SCOURGE OF THE RESORT  
2 INDUSTRY? WHAT DO YOU DO WITH THE FACT THAT THEY DIDN'T  
3 HAVE -- THEY HAD A POOR REPUTATION; THAT PEOPLE WERE  
4 RUNNING FROM THEM?

5 I DON'T NEED TO STAND HERE AND BERATE THE  
6 ISSUE, BUT I THINK THAT IT'S PRETTY CLEAR. AND THE FACT  
7 THAT WE COULD GET THESE BEFORE THE JURY PROPERLY, EVERYONE  
8 OF THESE, IF THIS IS WHAT WE WANT TO DO, HAVE ONE OF OUR  
9 EXPERTS TESTIFY TO THIS, BECAUSE THEY'RE AWARE OF IT, WE  
10 COULD DO THAT. THERE'S NOTHING UNDERHANDED ABOUT THAT.  
11 THERE'S NOTHING INDIRECT ABOUT THAT. WE COULD DO THAT.

12 AND WHEN MR. NOVELLI SAYS HE IS NOT AWARE  
13 OF ANY? OH, COME ON. I MEAN, THE FACT IS -- AND I HAVEN'T  
14 GONE THROUGH THIS TO TABULATE IT. AND IF IT BECOMES  
15 NECESSARY -- OR MR. SHAW, TAKE THE BOXES AND TABULATE IT  
16 YOURSELF. TRAVEL AMERICA'S NAME IS SPRINKLED ALL OVER  
17 THESE IN THE '97 AND '98 TIME FRAME. WHY? BECAUSE THE  
18 BILLING ACTIVITY WAS MOVED TO TRAVEL AMERICA. THAT'S WHY.

19 AND SO I -- WHILE I TAKE UMBRAGE AT ALL THE  
20 PERSONAL ATTACKS AND THE UNFOUNDED ACCUSATIONS, I'M NOT  
21 GOING TO GO INTO IT ANY FURTHER BECAUSE I DON'T BELIEVE  
22 THERE'S ANY MERIT TO IT.

23 THE LAST THING, THOUGH, ABOUT MR. MARTINEZ,  
24 THE FACT IS, THAT OVER THE YEARS MR. NOVELLI HAS ASSEMBLED  
25 AN ORGANIZATION, HIS ORGANIZATION, MADE UP OF FELLOW  
26 JAILBIRDS. THAT'S A RELEVANT FACT. SHAKE YOUR HEAD,

1 MR. SHAW. MR. MARTINEZ WAS CONVICTED FOR MURDER AND WAS  
2 OUT ON PAROLE WHEN HE WAS WORKING FOR MR. NOVELLI.

3 AND YES, WE DID HEAR FROM RELIABLE SOURCES  
4 THAT MR. MARTINEZ LEFT BECAUSE HE WENT BACK INTO PRISON.  
5 AND YES, THERE ARE OTHER EMPLOYEES OF THE NOVELLI  
6 ORGANIZATION. I BELIEVE IT'S A RACKETEERING ENTERPRISE  
7 WHO MET MR. NOVELLI WHILE IN PRISON. THOSE ARE RELEVANT  
8 FACTS, YOUR HONOR.

9 AND, YOU KNOW, THE LAST THING. MR. SHAW  
10 BERATED US MONTHS AGO NOW ON RECONSIDERATION ISSUES. WE'RE  
11 NOT RECONSIDERING ANYTHING, YOUR HONOR. THE FACTS HAVE  
12 DEVELOPED AS THE FACTS DEVELOPED. WE DIDN'T ASK  
13 MR. NOVELLI TO GET UP ON THE WITNESS STAND AND TELL HIS  
14 HORATIO ALGER STORY. WE'LL REST.

15 MR. SHAW: JUST A COUPLE OF POINTS, YOUR HONOR.

16 MR. SHERMAN HAS NOT SAID ONE THING ABOUT THE  
17 EVIDENCE CODE. HE LIKES TO MAKE THESE GRANDSTANDING  
18 SPEECHES, BUT HE DOESN'T HAVE THE GUTS TO DEAL WITH WHAT  
19 THE EVIDENCE IS OR LACK THEREOF.

20 FIRST OF ALL, HE IS NOT GOING TO BRING ONE  
21 EXPERT THAT SAYS THEY RELIED ON THIS, BECAUSE THE LAST TIME  
22 I LOOKED AT THE EVIDENCE CODE, UNDER 2034, THE EXPERT HAD  
23 TO TESTIFY ABOUT IT IN THE DEPOSITION. THERE WAS NO  
24 TESTIMONY FROM ANY OF THEIR EXPERTS REGARDING THIS  
25 INFORMATION. AND SO IF THAT COMES IN, THAT'S IN VIOLATION  
26 OF 2034.

1 THE COURT: I'M NOT IN A POSITION TO SAY ANYTHING  
2 ABOUT THAT.

3 MR. SHAW: SO THAT'S THE ONLY REASON HE HAS GOT  
4 THESE. THAT'S THE ONLY REASON HE GOT THESE IS FOR HIS  
5 EXPERTS WHO TESTIFIED THEY DIDN'T EVEN LOOK AT THEM BECAUSE  
6 THERE WAS NOTHING IN THE TESTIMONY ABOUT THAT.

7 BUT LET ME COME BACK TO WHAT IS HAPPENING  
8 NOW, NOT WHAT MR. SHERMAN SAYS IS SOME RACKETEERING OR  
9 SOME -- YOU'VE GOT TO SHOW EVIDENCE. HE HAS SHOWN ALL THIS  
10 STUFF UP ON THE SCREEN FROM COURT DOCUMENTS THAT HAD  
11 NOTHING TO DO WITH THE PLAINTIFFS IN THIS CASE.

12 THE COURT: LET ME ASK A QUESTION, MR. SHAW.

13 ARE YOU PREPARING TO INTRODUCE THESE INTO  
14 EVIDENCE?

15 MR. SHERMAN: I WAS NOT PREPARING AT THIS TIME. IF  
16 MR. SHAW WANTS TO MOVE THEM INTO EVIDENCE, WE'LL MOVE THEM  
17 INTO EVIDENCE. BECAUSE WHAT WE WERE PREPARED TO DO, AS  
18 THEY DID WITH MR. MITCHELL -- AND THEY LECTURED US ON THIS  
19 REPEATEDLY WITH MR. MITCHELL -- AN EXPERT WITNESS CAN RELY  
20 UPON INFORMATION THAT IS NOT IN EVIDENCE SO LONG AS IT IS  
21 SOMETHING THAT THE EXPERT COULD REASONABLY RELY UPON.

22 THERE IS NO ISSUE -- I TOOK THE DEPOSITION  
23 OF THE ATTORNEY GENERAL OF THE STATE OF OHIO, THE ASSISTANT  
24 ATTORNEY GENERAL, ROBERT HART. HE TESTIFIED AT LENGTH  
25 ABOUT THE FACT THAT THERE WERE NUMEROUS COMPLAINTS COMING  
26 IN ABOUT THOUSAND ADVENTURES, INC., OF OHIO.

1                   SO THERE'S A SUFFICIENT BASIS IN THE  
2 EVIDENCE CODE, IN PRACTICE AND COMMON SENSE.

3                   THE COURT: LET'S DO THIS. LET'S DO THIS. LET'S  
4 ROLL THESE SEVEN BOXES BACK WHERE THEY CAME FROM, AND I'LL  
5 SIMPLY ADVISE THE JURY THAT AT THIS POINT IN TIME THEY'RE  
6 NOT IN EVIDENCE.

7                   MR. SHERMAN: THAT'S FINE.

8                   MR. MOSHENKO: YOUR HONOR, COULD I MAKE A RECORD  
9 RELATING TO ONE THING WITH THE BOXES?

10                   THE COURT CAN SEE ON -- WHAT I'M GOING TO  
11 REFER TO AS THE LEFT SIDE THERE ARE SIGNS ON THESE BOXES.  
12 WHEN THESE THINGS WERE WHEELED IN TO WHERE THEY'RE LOCATED,  
13 THE WRITING AND THE LABELS WERE PLACED IN A MANNER THAT  
14 WERE HIDDEN FROM COUNSEL AT THE COUNSEL TABLE; SO THAT  
15 WITHOUT US EVEN REALIZING IT, MR. SHERMAN WAS PARADING  
16 SIGNS OF WHAT ALLEGEDLY IS PUT INSIDE THESE DOCUMENTS, AND  
17 BY INNUENDO -- AND I WOULD THINK THAT'S A CHEAP TRICK, YOUR  
18 HONOR, BECAUSE YOUR HONOR WAS VERY CAREFUL AT THE BEGINNING  
19 OF THIS TRIAL TO MAKE SURE THAT DOCUMENTS THAT WEREN'T  
20 VIEWED BY BOTH SIDES, THAT DIAGRAMS AND THE LIKE WERE NOT  
21 PUT INTO EVIDENCE OR NOT SHOWN TO THE JURY. AND THAT'S --  
22 AND WE'VE BEEN TRYING TO COMPLY WITH YOUR HONOR'S RULING.

23                   A SECRET TRICK, PARADES SEVEN SIGNS IN FRONT  
24 OF THE JURY, AND THE JURY DOESN'T HAVE TO HAVE ANY IDEA  
25 WHAT'S INSIDE. THE SIGNS SAY IT ALL.

26                   MR. SHERMAN: YOUR HONOR, I'LL LOAD THE BOXES INTO

1 MR. MOSHENKO'S CAR TONIGHT IF HE WOULD LIKE. HE CAN GO  
2 THROUGH THEM. THEY ARE WHAT WE SAY THEY ARE.

3 THE COURT: DO YOU WANT THEM IN YOUR CAR,  
4 MR. MOSHENKO?

5 MR. SHERMAN: I DON'T HAVE ROOM IN MY CAR FOR SEVEN  
6 BOXES.

7 THE COURT: I WANTED TO SEE HIM LOAD THEM.

8 MR. SHAW: YOUR HONOR, I WOULD ALSO REQUEST THAT  
9 YOUR HONOR INDICATE TO THE JURY THAT THERE'S NO EVIDENCE  
10 THAT THESE DOCUMENTS HAVE ANYTHING TO DO WITH THE  
11 PLAINTIFFS IN THIS CASE.

12 THE COURT: WELL, AT THIS POINT -- AT THIS STAGE OF  
13 THE PROCEEDINGS YOU'RE RIGHT.

14 MR. SHAW: THEN I WOULD REQUEST THAT.

15 MR. MOSHENKO: WILL YOU TELL THEM PLEASE TO  
16 DISREGARD THE SIGNS THAT MR. SHERMAN HAS PROVIDED?

17 THE COURT: THAT'S CALLING IT TO THEIR ATTENTION.

18 MR. MOSHENKO: SOME OF THEM READ THEM, THEY WERE SO  
19 OBVIOUS.

20 MR. SHERMAN: YOUR HONOR, TO SAY THAT THEY HAVE  
21 NOTHING TO DO WITH THE PLAINTIFFS IN THIS CASE IS NOT AN  
22 ACCURATE STATEMENT, BASED UPON THE FACT THAT I SHOWED YOUR  
23 HONOR --

24 THE COURT: I'M NOT GOING TO SAY THAT.

25 MR. SHERMAN: -- THE FIRST DOCUMENT THAT MR. SHAW  
26 BYPASSED BECAUSE HE DIDN'T LIKE THAT.

1 THE COURT: ALL I'M GOING TO SAY IS THEY'RE NOT IN  
2 EVIDENCE AT THIS TIME. THERE'S NOTHING FOR THEM TO  
3 CONSIDER.

4 MR. SHERMAN: FINE.

5 THE COURT: BRING THEM IN.

6 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
7 COURT IN THE PRESENCE OF THE JURY:)

8 THE COURT: AT THIS POINT IN TIME, LADIES AND  
9 GENTLEMEN, THE SEVEN BOXES THAT HAVE BEEN ALLUDED TO ARE  
10 NOT IN EVIDENCE, AND MAY OR MAY NOT COME INTO EVIDENCE. SO  
11 THERE'S NOTHING TO CONSIDER ABOUT THEM NOW.

12 MR. SHAW: THANK YOU, YOUR HONOR.

13 MR. SHERMAN: THANK YOU, YOUR HONOR.

14 THE COURT: PROCEED.

15 BY MR. SHERMAN: Q MR. NOVELLI, YOU HAVE NEVER  
16 SPOKEN WITH ANY REPRESENTATIVE OF THE AFFINITY GROUP  
17 REGARDING TRAVEL AMERICA; CORRECT?

18 A THAT'S CORRECT.

19 Q YOU HAVE NEVER SPOKEN WITH ANY  
20 REPRESENTATIVE OF THE AFFINITY GROUP REGARDING THOUSAND  
21 ADVENTURES; CORRECT?

22 A THAT'S CORRECT.

23 Q YOU HAVE NEVER ENTERED INTO ANY WRITTEN  
24 CONTRACTS WITH THE COMPANY CALLED "THE AFFINITY GROUP,  
25 INC."; CORRECT?

26 A THAT'S CORRECT.

1 Q NOW, THROUGHOUT YOUR TESTIMONY YOU HAVE  
2 REFERRED TO YOUR INVESTORS -- PUT THAT IN QUOTES -- FROM  
3 TIME TO TIME; DO YOU RECALL THAT?

4 A YES.

5 Q YOU'VE NEVER GIVEN US A NAME OF YOUR  
6 INVESTORS.

7 IS ONE OF THEM MEL TARI?

8 A YES.

9 Q WHERE DID YOU MEET MEL TARI?

10 A I MET MEL TARI --

11 MR. MOSHENKO: RELEVANCE, YOUR HONOR. 352. WE'RE  
12 NOW GOING --

13 THE COURT: APPROACH, PLEASE.

14 MR. MOSHENKO: THANK YOU.

15 (DISCUSSION OFF THE RECORD.)

16 MR. SHERMAN: YOUR HONOR, I'LL WITHDRAW THE  
17 QUESTION AS TO WHERE MR. NOVELLI MET MEL TARI.

18 INSTEAD, YOU KNOW WHO ROD ELLISON IS; RIGHT?

19 A YES.

20 Q ONE OF YOUR SALES MANAGERS; RIGHT?

21 A YES.

22 Q WHERE DID YOU MEET HIM?

23 MR. MOSHENKO: OBJECTION. IT'S IRRELEVANT. 352  
24 AGAIN.

25 THE COURT: I'M GOING TO ALLOW IT.

26 THE WITNESS: I MET HIM IN A PRISON CAMP.

1 BY MR. SHERMAN: Q DAVE HARRIMAN, ANOTHER ONE OF  
2 YOUR SALESPEOPLE?

3 A YES.

4 Q WHERE DID YOU MEET HIM?

5 A THE SAME PLACE.

6 Q PRISON?

7 A YES.

8 Q I'D LIKE TO MOVE TO THE ISSUE NOW OF MEMBER  
9 REVERSALS. OKAY. DO YOU UNDERSTAND?

10 A YES.

11 Q NOW, IT'S YOUR CLAIM, MR. NOVELLI, THAT  
12 BECAUSE OF COAST'S LETTERS BEING SENT IN THE FALL OF 1997,  
13 YOUR MEMBERS STOPPED PAYING YOU, AND YOU THEN HAD TO  
14 REVERSE THEM OUT; RIGHT?

15 A YES.

16 Q AND IT'S YOUR CLAIM THAT BY REVERSING THESE  
17 PEOPLE, THEY WERE SHOWN ON YOUR MEMBERSHIP ROLLS AS NO  
18 LONGER CURRENT MEMBERS; CORRECT?

19 A WHAT TIME FRAME ARE YOU REFERRING TO?

20 Q ANY TIME AFTER YOU REVERSED THEM.

21 A YEAH. IF THEY HAD BEEN REVERSED, WE  
22 COULDN'T SHOW THEM AS CURRENT MEMBERS, NO.

23 Q SO IN YOUR BUSINESS, A MEMBER REVERSAL IS  
24 THE BOOKKEEPING ENTRY TO CANCEL A MEMBER OUT; CORRECT?

25 A THAT'S CORRECT.

26 Q SO A REVERSAL IN YOUR BUSINESS MEANS THAT A

1 MEMBER IS NOT CURRENT ON DUES OR NOT CURRENT ON A CONTRACT;  
2 RIGHT?

3 A THAT'S CORRECT.

4 Q AND WHEN YOU REVERSE THEM, YOU -- THEY CAN'T  
5 COME ONTO YOUR CAMPGROUNDS?

6 A IT DEPENDS. IN OTHER WORDS, SOMETIMES  
7 THEY'RE NOT REVERSED. THEY COULD GO DELINQUENT AND NOT  
8 REVERSED. BUT IF THEY'RE REVERSED, IT'S USUALLY THE CASE.

9 Q SO IF A PERSON JUST STOPPED PAYING AND YOUR  
10 EFFORTS TO COLLECT FOR DUES OR FOR THE CONTRACT WERE  
11 UNSUCCESSFUL, THEN THEY'D BE REVERSED?

12 A NOT NECESSARILY. IN OTHER WORDS, WE HAVE A  
13 LOT OF MEMBERS THAT ARE ACTIVE THAT WE CAN'T GET AHOLD OF  
14 FOR ONE REASON OR ANOTHER. AND WE'LL HOLD THEM IN  
15 SUSPENSION.

16 Q AND THEN ULTIMATELY AFTER SUSPENSION, IF  
17 THEY DON'T PAY, THEY'RE REVERSED?

18 A YES.

19 Q AND SO, FOR EXAMPLE, IF A MEMBER DIED, HE OR  
20 SHE WOULD BE REVERSED?

21 A YES. IF THEY WERE TO PASS AWAY, THEY WOULD  
22 BE REVERSED.

23 Q IF A MEMBER JUST SOLD THEIR R.V. AND DECIDED  
24 TO GIVE UP R.V.'ING AND WROTE AND TOLD YOU THAT, THEY WOULD  
25 BE REVERSED IF THEY STOPPED PAYING; RIGHT?

26 A IF THEY STOPPED PAYING AND THEY GAVE UP

1 THEIR R.V. AND ASKED TO BE REVERSED, THEN WE WOULD REVERSE  
2 THEM. IF THEY ASKED TO CANCEL THEIR MEMBERSHIP, WE WOULD  
3 DO THAT, YES.

4 Q OR IF A COUPLE GOT ON IN YEARS AND THE  
5 HUSBAND GOT CATARACTS AND COULDN'T DRIVE ANY LONGER AND  
6 WROTE AND TOLD YOU, THEN THEY WOULD BE REVERSED; RIGHT?

7 A THAT'S CORRECT.

8 Q SO THERE ARE LITERALLY ZILLIONS OF REASONS  
9 WHY SOMEONE COULD BE REVERSED?

10 A I DON'T KNOW ABOUT ZILLIONS, BUT THERE'S  
11 MANY REASONS.

12 Q BUT THE BOTTOM LINE IS THEY STOPPED PAYING  
13 YOU, AND YOU REVERSED THEM?

14 A OVER A PERIOD OF TIME, YES.

15 Q AND SO REVERSAL IS A WAY YOU TRY TO MEASURE  
16 WHO IS IN AND WHO IS OUT; RIGHT?

17 A RIGHT. YOU TRY TO KEEP WHO IS ACTIVE AND  
18 WHO IS NOT ACTIVE.

19 Q YOUR ACCOUNTS RECEIVABLE DEPARTMENT HAS OVER  
20 THE YEARS DEALT WITH REVERSALS; RIGHT?

21 A YES.

22 Q AND THE HEAD OF YOUR ACCOUNTS RECEIVABLE  
23 DEPARTMENT FOR MANY YEARS WAS **MARK MOLVAR?**

24 A CORRECT.

25 MR. SHERMAN: NOW, I BELIEVE WE MOVED EXHIBIT 62  
26 INTO EVIDENCE IN ITS ENTIRETY.

1 THE COURT: IT'S IN.

2 MR. SHERMAN: OKAY.

3 Q LET ME ACTUALLY JUST PUT UP ON THE SCREEN  
4 THE FIRST PAGE, EXHIBIT 62.

5 THESE WERE THE INTERROGATORY ANSWERS. THESE  
6 WERE THE WRITTEN RESPONSES BY PLAINTIFFS TO OUR WRITTEN  
7 QUESTIONS; RIGHT, MR. NOVELLI?

8 A I BELIEVE SO.

9 Q AND LET'S GO TO TAB 5 TO THAT DOCUMENT,  
10 62-044. THIS IS A CHART OF SOME SORT OF A SUMMARY LISTING  
11 REVERSALS; RIGHT?

12 A I BELIEVE SO.

13 Q HERE. LET ME -- TO MAKE IT A LITTLE EASIER  
14 ON YOU -- CRAIG, IF YOU CAN GIVE ME A COPY OF 62, PLEASE.  
15 I'LL PUT IT BEFORE YOU.

16 NOW, THIS CHART -- MR. NOVELLI, THIS CHART  
17 DOESN'T PRESENT ANY OF THE BACKUP INFORMATION AS TO WHAT  
18 GETS INTO A REVERSAL; RIGHT?

19 A THAT'S CORRECT.

20 Q THIS CHART DOES NOT PRESENT ANY OF THE  
21 BACKUP INFORMATION TO SUPPORT THE CLAIM THAT ANY REVERSAL  
22 IS A LEGITIMATE REVERSAL AS OPPOSED TO SOMETHING THAT'S  
23 JUST BEEN MADE UP; RIGHT?

24 A THESE ARE REVERSALS. IF THEY'RE ON HERE,  
25 THEY'RE LEGITIMATE REVERSALS.

26 Q BUT YOU'D AGREE THERE ARE MANY REASONS FOR

1 REVERSALS; RIGHT?

2 A THAT'S CORRECT.

3 Q AND IN THE CASE OF ANY ONE PARTICULAR  
4 MEMBER -- IF WE CAN GO TO THAT 100,000 NUMBER, 101,000,  
5 SEE, THAT'S FROM 1998, 101,239 REVERSALS; DO YOU SEE THAT?

6 A YES, I DO.

7 Q 1998. DID I SAY '88? OH, MAYBE I NEED A  
8 COPY CLOSER BY.

9 IN THE CASE OF ANY ONE PARTICULAR MEMBER  
10 THAT MAKES UP THOSE 101,000 MEMBER NUMBER, YOU DON'T KNOW  
11 THE SPECIFICS OF THAT PARTICULAR MEMBER; RIGHT?

12 A I KNOW THE SPECIFICS OF A LOT OF THEM. I  
13 CAN'T JUST TAKE OUT A NUMBER 239, IF THAT'S WHAT YOU MEAN.

14 Q YOU NEVER BOTHERED TO FIND OUT THE REASON  
15 FOR THE SPECIFIC REVERSALS; CORRECT?

16 A YES, I DID.

17 Q YOU COULD HAVE CONTACTED PEOPLE WHO STOPPED  
18 PAYING TO FIND OUT THE REASONS WHY THEY STOPPED PAYING;  
19 CORRECT? YOU COULD HAVE DONE THAT?

20 A WE CONTACTED A LOT OF THEM BY THE  
21 TELEPHONE. WE -- WE SEND OUT LETTERS TO THEM ASKING FOR  
22 PAYMENTS. AND WE ALSO HAVE THE MEMBER DEPARTMENT CALL  
23 THESE MEMBERS.

24 Q YOU COULD HAVE COME UP WITH A GRID OR A  
25 CHART SHOWING THE MAJOR REASONS FOR THE REVERSALS THAT MAKE  
26 UP THAT 101,000 NUMBER AND LISTED THOSE PEOPLE; RIGHT?

1 A WE COULD HAVE.

2 Q AND YOU CHOSE NOT TO DO THAT IN THIS CASE;  
3 RIGHT?

4 A THIS IS WHAT YOU ASKED FOR. WE GAVE YOU  
5 WHAT YOU ASKED FOR.

6 Q SO EVEN THOUGH YOUR ACCOUNTS RECEIVABLE  
7 DEPARTMENT HAS NEVER CREATED A GRID OR CHART SHOWING ALL  
8 THE SPECIFIC REASONS OR KEPT RECORDS OF WHY SPECIFIC  
9 MEMBERS QUIT, YOU NONETHELESS BLAME COAST FOR THE  
10 REVERSALS; RIGHT?

11 A WELL, WE DIDN'T BLAME COAST. IF YOU RECALL,  
12 COAST DIDN'T SEND OUT 101,000 LETTERS. WE'RE BLAMING COAST  
13 OF THE 35,000 LETTERS THEY DID SEND OUT THAT -- WE'RE  
14 BLAMING COAST FOR LOSING 65 PERCENT OF THOSE MEMBERS,  
15 WHICH THERE ARE APPROXIMATELY 22,000. THAT MEANS THAT  
16 WE'RE ALLOWING 80,000 MEMBERS OUT OF THE ORGANIZATION FOR  
17 OTHER REASONS. AND 22,000 ARE OUT BECAUSE OF COAST.

18 Q NOW, I WANT TO ASK YOU SOME QUESTIONS,  
19 MR. NOVELLI, ABOUT MEMBERS YOU CLAIM WERE REVERSED BECAUSE  
20 OF WHAT COAST ALLEGEDLY DID.

21 DO YOU UNDERSTAND?

22 A YES.

23 Q LET'S START WITH THE 42,000 NUMBER.

24 42,652 T.A.I. MEMBERS WHO YOU CLAIM YOU  
25 REVERSED IN 1998; DO YOU SEE THAT ENTRY?

26 A YES, I DO.

1 Q LET ME SHOW YOU YOUR DEPOSITION TESTIMONY,  
2 READ YOUR DEPOSITION TESTIMONY, VOLUME III, DECEMBER 15,  
3 1999, PAGE 767 TO 768, LINE 10. 767, LINE 2, TO 768, LINE  
4 10.

5 MR. SHAW: NO OBJECTION, YOUR HONOR.

6 MR. SHERMAN: "QUESTION: AND DO YOU CONTEND THAT  
7 ANY OF THE DEFENDANTS CONTRIBUTED TO THE REVERSAL OF 42,652  
8 MEMBERS FOR THOSE RESORTS?

9 "ANSWER: A PORTION OF THOSE THEY ARE  
10 RESPONSIBLE FOR.

11 "QUESTION: WHAT IS THE PERCENTAGE PORTION?

12 "ANSWER: IT'S SOMEWHERE -- LIKE THE LAST  
13 GROUP, THE T.A.I. PARKS, I BELIEVE THAT IT'S MORE THAN 25  
14 PERCENT.

15 "QUESTION: WELL, I THOUGHT --

16 "ANSWER: IN OTHER WORDS, 10,000.

17 "QUESTION: I THOUGHT YOU SAID T.A.I. COULD  
18 BE AS LITTLE AS 20 PERCENT?

19 "ANSWER: NO. I SAID 25.

20 "QUESTION: WHEN YOU SAY AS LITTLE AS 25,  
21 COULD IT BE 30 PERCENT?

22 "ANSWER: IT COULD BE 30.

23 "QUESTION: IS IT 50 PERCENT?

24 "ANSWER: IT COULD BE 50.

25 "QUESTION: IS IT 80 PERCENT?

26 "ANSWER: IT COULD BE 80.

1 "QUESTION: YOU DON'T KNOW?

2 "ANSWER: BUT I DOUBT IT. THERE WAS OTHER  
3 CIRCUMSTANCES THAT CAUSED A LOT OF THESE REVERSALS ON THE  
4 T.A.I. PARKS BESIDES COAST TO COAST.

5 "QUESTION: WHAT WERE THE CIRCUMSTANCES?

6 "ANSWER: CIRCUMSTANCES WERE TRUSTEES,  
7 BANKRUPTCY, SHUTDOWN OF DIFFERENT RESORTS. THERE WAS A LOT  
8 OF CIRCUMSTANCES IN THE T.A.I. SYSTEM THAT WERE DIFFERENT  
9 THAN THE FIRST NATIONWIDE AND ALL SEASONS SYSTEM.

10 "WE HAD A GOOD HANDLE ON OUR MEMBERS, AND I  
11 DON'T BELIEVE THEY DID, BEING T.A.I."

12 Q NOW, I WANT TO ASK YOU SOME FOLLOW-UP  
13 QUESTIONS ON THE STATEMENTS YOU MADE AT YOUR DEPOSITION  
14 BREAKING IT DOWN BETWEEN THE T.A.I. REVERSALS AND ALL THESE  
15 OTHER REVERSALS; DO YOU UNDERSTAND?

16 A OKAY.

17 Q STARTING WITH T.A.I., THOUGH, MR. NOVELLI,  
18 IT'S YOUR POSITION THAT THE PORTION THAT YOU ATTRIBUTE TO  
19 COAST'S ACTIONS, ACCORDING TO YOU, IT COULD BE 80 PERCENT;  
20 RIGHT? COULD BE 80?

21 A THAT WAS BEFORE I DID MY RESEARCH ON THE  
22 EXACT NUMBER WHERE I DISCOVERED IT WAS A TOTAL OF 23,000  
23 MEMBERS, TOTAL FROM BOTH ORGANIZATIONS. YOU TOOK THIS  
24 DEPOSITION BACK IN 1999, AND AT THAT TIME I WASN'T EXACTLY  
25 SURE. I WAS PRETTY SURE.

26 IF YOU RECALL, I SAID 20 PERCENT. 80

1 PERCENT WAS T.A.I.'S FAULT. 20 PERCENT WAS WHAT I BELIEVED  
2 WAS THE FAULT OF COAST.

3 Q SO IT COULD BE --

4 A NOW, YOU KEPT GOING AND SAYING 30, 40, 80,  
5 AND I SAID, YES, IT COULD HAVE BEEN.

6 Q IT COULD BE 80?

7 A NO. RIGHT NOW IT CAN'T.

8 Q IT COULD BE 50?

9 A AT THAT TIME.

10 Q COULD BE 30?

11 A I THINK I WAS PRETTY CLEAR. I THINK I WAS  
12 PRETTY WELL ON WHEN I SAID 20.

13 Q COULD BE 25, OR ANYTHING IN BETWEEN; RIGHT?

14 A I'VE DISCOVERED WHAT IT WAS.

15 Q OR NONE OF THE ABOVE?

16 A AFTER -- A LOT OF THIS INFORMATION I DIDN'T  
17 HAVE FROM YOUR PEOPLE.

18 Q IS THAT YOUR FINAL ANSWER?

19 MR. MOSHENKO: OBJECTION. COUNSEL IS INTERRUPTING.

20 THE WITNESS: MY FINAL ANSWER IS YOUR PEOPLE -- WE  
21 GAVE THE DEFENDANTS ALL OF OUR INFORMATION. WE ASKED FOR  
22 INFORMATION FROM THE DEFENDANTS. WE WERE VERY LATE IN  
23 GETTING ANY INFORMATION FROM YOU PEOPLE. FROM THOSE  
24 RECORDS WE'RE ABLE TO ESTABLISH WHAT HAPPENED.

25 MY RECOLLECTION AT THE TIME WHEN YOU TOOK  
26 THAT DEPOSITION WAS THAT I BELIEVE THAT SOMEWHERE AROUND 20

1 PERCENT OF THE T.A.I. MEMBERS THAT QUIT, QUIT BECAUSE COAST  
2 TO COAST SENT THAT LETTER.

3 BY MR. SHERMAN: Q NOW, LET'S LOOK AT YOUR  
4 POSITION ON REVERSALS AS THEY PERTAIN TO THE OTHER PARKS  
5 THAT WERE IN YOUR ORGANIZATION, OTHER THAN THE T.A.I.  
6 PARKS. LET'S GO BACK TO THAT TESTIMONY THERE.

7 CIRCUMSTANCES WERE TRUSTEES, BANKRUPTCY,  
8 SHUTDOWN OF DIFFERENT RESORTS, THERE WAS A LOT OF  
9 CIRCUMSTANCES IN THE T.A.I. SYSTEM THAT WERE DIFFERENT THAN  
10 THE FIRST NATIONWIDE AND ALL SEASONS SYSTEM.

11 I WANT TO EXPLORE WITH YOU WHAT YOU BELIEVE  
12 WERE THESE SO-CALLED DIFFERENCES; DO YOU UNDERSTAND?

13 A YES.

14 Q NOW, ON THE SUBJECT OF TRUSTEES, YOU  
15 IDENTIFIED THAT AS A DIFFERENCE BETWEEN YOU AND THOUSAND  
16 ADVENTURES, INC.; RIGHT?

17 A THOUSAND ADVENTURES, INC. --

18 Q YOU IDENTIFIED THAT AS A DIFFERENCE;  
19 CORRECT?

20 A I'M JUST TELLING YOU, YES.

21 Q OKAY. NOW, ALL SEASONS RESORTS HAS HAD  
22 THREE DIFFERENT TRUSTEES OR RECEIVERS; RIGHT?

23 A YES.

24 Q JOSEPH, KEIM AND DAFF?

25 A CORRECT.

26 Q AND STAYING WITH THE SUBJECT OF TRUSTEES,

1 FIRST NATIONWIDE HAS HAD ITS OWN TRUSTEE, JIM JOSEPH;

2 RIGHT?

3 A YES.

4 Q SALT SPRINGS HAD A RECEIVER, GEORGE MC KAY;

5 RIGHT?

6 A FOR A SHORT TIME.

7 Q DELTA ISLE HAD A RECEIVER, GERALD MUTO;

8 RIGHT?

9 A CORRECT.

10 Q HERMITAGE LANDING HAD A TRUSTEE APPOINTED;

11 RIGHT?

12 A THAT'S CORRECT.

13 Q GUARDIAN CREDIT EVEN HAD A TRUSTEE, SANDRA

14 GOAN; RIGHT?

15 A THAT'S CORRECT.

16 Q NOW, THOUSAND ADVENTURES DIDN'T HAVE THAT

17 MANY TRUSTEES, DID THEY?

18 A I WAS REFERRING TO WHAT TRUSTEES DO. THE  
19 TRUSTEES SHUT DOWN ALL THE CAMPGROUNDS AND LOCK THE MEMBERS  
20 OUT. THAT BECOMES A PROBLEM. THAT WAS A TRUSTEE PROBLEM  
21 THEY HAD AT T.A.I. I DON'T BELIEVE THAT HAPPENED IN OUR  
22 CASE AT ALL. IN OTHER WORDS, NONE OF OUR MEMBERS WERE EVER  
23 LOCKED OUT LIKE THAT.

24 MR. SHERMAN: MOVE TO STRIKE.

25 THE COURT: MOTION GRANTED.

26 BY MR. SHERMAN: Q T.A.I. DID NOT HAVE THAT MANY

1 TRUSTEES, DID THEY?

2 A THEY DIDN'T HAVE THAT MANY TRUSTEES, NO.

3 Q LET'S MOVE TO THE SUBJECT OF BANKRUPTCIES.

4 YOU IDENTIFIED THAT AS A DIFFERENCE BETWEEN

5 YOU AND T.A.I.; RIGHT?

6 A YES.

7 Q EARLIER TODAY WE IDENTIFIED OVER 20

8 BANKRUPTCIES; CORRECT?

9 A I DON'T KNOW HOW MANY YOU IDENTIFIED.

10 Q NOW, EVEN MR. VOPNFORD DIDN'T FILE 20

11 BANKRUPTCIES, NOW, DID HE?

12 A NO.

13 Q LET'S MOVE TO THE SUBJECT OF SHUTDOWN OF

14 DIFFERENT RESORTS. AND IF WE CAN GO BACK TO EXHIBIT 62-031

15 FROM THE INTERROGATORY ANSWERS.

16 EVERYONE OF THOSE RESORTS IN PARENTHESES --

17 REMEMBER WE WENT OVER THE LIST OF 73.

18 EVERYONE OF THOSE RESORTS IN PARENTHESES WAS

19 AT ONE POINT OR ANOTHER SHUT DOWN; CORRECT?

20 A I BELIEVE SO.

21 Q YOU SHUT DOWN MORE RESORTS THAN MR. VOPNFORD

22 DID; RIGHT?

23 A I DON'T THINK SO.

24 Q THE CIRCUMSTANCES ARE REALLY THE SAME,

25 AREN'T THEY, MR. NOVELLI?

26 A COMPLETELY DIFFERENT.

1 Q THE CIRCUMSTANCES AREN'T DIFFERENT BETWEEN  
2 YOUR PARKS AND THE T.A.I. PARKS, ARE THEY?

3 A THEY'RE COMPLETELY DIFFERENT.

4 Q IN FACT, AT THE TIME OF THE MERGER, NEITHER  
5 T.A.I. NOR YOUR COMPANIES WERE IN GREAT SHAPE, WERE THEY?

6 A NO. THEY WERE NOT IN GREAT SHAPE.

7 Q NOW, I'D LIKE TO ASK YOU SOME MORE QUESTIONS  
8 ABOUT THIS SO-CALLED REVERSAL POLICY OF YOURS, HOW IT  
9 SUPPOSEDLY WORKED; DO YOU UNDERSTAND?

10 A YES.

11 Q FIRST, YOUR POSITION IS THAT YOUR COMPANIES  
12 HAVE HAD A POLICY FOR REVERSAL OF MEMBERS OVER THE YEARS;  
13 RIGHT? A POLICY?

14 A YES, WE DID.

15 Q AND IF A MEMBER IS 180 DAYS DELINQUENT IN  
16 MAKING PAYMENTS, THEN THIS SUPPOSED POLICY RESULTS IN THE  
17 MEMBER BEING REVERSED; RIGHT?

18 A NOT NECESSARILY.

19 Q YOU HAD A POLICY?

20 A THE LENDERS HAD A POLICY. WHEN WE HAD  
21 LENDERS, THAT WAS THEIR POLICY, 180-DAY POLICY.

22 Q OKAY. IT WAS A 180-DAY POLICY THAT RESULTED  
23 IN MEMBERS WHO WERE DELINQUENT FOR MORE THAN 180 DAYS BEING  
24 GONE; RIGHT?

25 A THAT WAS ON THEIR CONTRACT, YES. THEIR  
26 CONTRACT PAYMENTS -- THE LENDERS CONSIDERED ANYBODY THAT

1 HADN'T PAID IN 180 DAYS TO BE -- TO BRING THEM OFF, AS FAR  
2 AS --

3 Q WITHOUT REGARD TO WHO TOOK CREDIT FOR THE  
4 POLICY, I'M GOING TO ASK THAT WE JUST PUT UP YOUR  
5 DEPOSITION TESTIMONY, VOLUME IV, JANUARY 5, 2000, PAGE 936,  
6 LINE 24, TO PAGE 938, LINE 10.

7 A WHICH VOLUME WAS THAT, PLEASE?

8 Q VOLUME IV, PAGE 936, LINE 24, TO 938, LINE  
9 10.

10 MR. SHAW: NO OBJECTION, YOUR HONOR.

11 THE COURT: PROCEED.

12 MR. SHERMAN: "QUESTION: WHO WAS THE PERSON IN  
13 YOUR ORGANIZATION, MR. NOVELLI, WHO ACTUALLY MADE A  
14 DETERMINATION ON A MEMBER-BY-MEMBER BASIS THAT A REVERSAL  
15 WAS APPROPRIATE?

16 "ANSWER: WE REVERSE AS A MATTER OF POLICY  
17 OVER THE YEARS.

18 "HE IS ASKING FOR A PERSON.

19 "THE WITNESS: OH, A PERSON. WELL, THERE IS  
20 NO PERSON. OKAY. THERE IS NO PERSON.

21 "QUESTION: BUT YOU WERE MENTIONING A  
22 POLICY. WHAT'S THE POLICY?

23 "ANSWER: I BELIEVE -- I'M NOT SURE, BUT I  
24 BELIEVE THE POLICY IS 180 DAYS DELINQUENT.

25 "QUESTION: THEY ARE SUBJECT TO REVERSAL?

26 "ANSWER: THEY ARE SUBJECT TO REVERSAL.

1 "QUESTION: OKAY. SO DOES DELINQUENCY AND  
2 REVERSAL HAVE ANY RELATIONSHIP TO ONE ANOTHER?"

3 I REPHRASE.

4 "QUESTION: YOU MENTIONED 180 DAYS  
5 DELINQUENT IS WHEN THEY ARE SUBJECT TO REVERSAL; CORRECT?"

6 "ANSWER: CORRECT.

7 "QUESTION: HAS IT BEEN YOUR COMPANY'S  
8 POLICY THAT ON DAY 180 OR DAY 181, IF SOMEONE IS  
9 DELINQUENT, THEN AT THAT TIME THEY GET REVERSED  
10 AUTOMATICALLY?"

11 "ANSWER: THAT WAS THE POLICY THAT WAS  
12 ESTABLISHED, YES.

13 "QUESTION: IS THAT THE POLICY THAT WAS  
14 FOLLOWED IN PRACTICE?"

15 "ANSWER: PRIMARILY. THERE'S EXCEPTIONS TO  
16 THAT POLICY, BUT PRIMARILY THAT WAS THE POLICY. SINCE  
17 BEFORE I CAME WITH ALL SEASONS, THAT WAS FOLLOWED."

18 Q AND AT YOUR DEPOSITION, MR. NOVELLI, I  
19 ASKED YOU HOW THIS SO-CALLED POLICY WAS COMMUNICATED IN  
20 YOUR ORGANIZATION; RIGHT?

21 A YES.

22 Q AND IT WAS COMMUNICATED BY THE ACCOUNTING  
23 FIRMS THAT WORKED FOR YOU; RIGHT?

24 A ACTUALLY IT WAS THE LENDERS ARE THE ONES  
25 THAT SET THE POLICY UP, IF I RECALL.

26 Q I'D LIKE TO SHOW YOU VOLUME IV OF YOUR

1 DEPOSITION TAKEN JANUARY 5, 2000, PAGE 992, LINES 1 THROUGH  
2 7.

3 A VOLUME IV?

4 Q VOLUME IV, JANUARY 5, 2000, PAGE 992, LINES  
5 1 THROUGH 7.

6 MR. MOSHENKO: NO OBJECTION.

7 MR. SHERMAN: "QUESTION: AND HOW WAS THIS POLICY  
8 COMMUNICATED?

9 "ANSWER: BY THE ACCOUNTING FIRMS THAT WORK  
10 FOR US.

11 "QUESTION: YOU DIDN'T HAVE AN ACCOUNTING  
12 FIRM FOR TRAVEL AMERICA IN 1997; ISN'T THAT RIGHT?

13 "ANSWER: RIGHT."

14 Q NOW, ALL SEASONS RESORTS DIDN'T HAVE AN  
15 ACCOUNTING FIRM AFTER THE SECOND BANKRUPTCY; RIGHT?

16 A THAT'S CORRECT.

17 Q FIRST NATIONWIDE HAS NEVER HAD AN OUTSIDE  
18 ACCOUNTING FIRM; RIGHT?

19 A THAT'S CORRECT.

20 Q TRAVEL AMERICA HAS NEVER HAD AN OUTSIDE  
21 ACCOUNTING FIRM; RIGHT?

22 A THAT'S CORRECT.

23 Q AND SO DESPITE THE TESTIMONY, THE DEPOSITION  
24 TESTIMONY, THAT THIS POLICY WAS COMMUNICATED BY SOME  
25 SO-CALLED OUTSIDE ACCOUNTING FIRM, YOU'VE HAD NO OUTSIDE  
26 ACCOUNTING FIRM COMMUNICATE THIS SO-CALLED POLICY TO

1 ANYONE; CORRECT?

2 A THAT'S CORRECT.

3 Q AND SO WITHOUT THIS 180-DAY POLICY -- IF WE  
4 CAN GO BACK TO THE REVERSAL BOARD, MIKE, 62-044, I THINK.

5 AND SO WITHOUT THIS 180-DAY POLICY, THE  
6 SO-CALLED REVERSALS WOULD BE A JOKE BECAUSE YOU CAN JUST  
7 KEEP PEOPLE ON YOUR MEMBERSHIP LIST FOREVER WHO HADN'T BEEN  
8 MEMBERS AND MAKING PAYMENTS FOR YEARS; RIGHT?

9 A COULD.

10 Q YOU COULD KEEP PEOPLE ON WHO QUIT PAYING YOU  
11 YEARS EARLIER; RIGHT?

12 A COULD.

13 Q AND, IN FACT, YOU'VE GOT NO 180-DAY POLICY?

14 A WHAT'S THAT?

15 Q AND, IN FACT, YOU'VE GOT NO 180-DAY POLICY;  
16 CORRECT?

17 A I SAID IN MY DEPOSITION THAT WE HAD A  
18 180-DAY POLICY THAT WAS SET UP WITH THE LENDERS. WHEN WE  
19 DIDN'T HAVE LENDERS ANY LONGER OR THE NEED FOR ACCOUNTANTS,  
20 THEN AT THAT TIME IT WASN'T THE DAY-TO-DAY POLICY, NO.

21 Q THAT-180 DAY POLICY THAT YOU TESTIFIED TO  
22 LATE LAST YEAR AND EARLY THIS YEAR IN DEPOSITION THAT I  
23 JUST SHOWED THE JURY WAS JUST A MADE-FOR-LITIGATION POLICY;  
24 RIGHT?

25 A NO. THAT POLICY HAS BEEN THERE SINCE I CAME  
26 WITH THE COMPANY.

1           Q           IT WAS JUST A MADE-FOR-LITIGATION POLICY TO  
2 SHOW HOW YOU WANTED TO GET PEOPLE TO BELIEVE HOW COAST  
3 CAUSED DAMAGE; RIGHT?

4           A           I THINK I ANSWERED THAT. THAT POLICY CAME  
5 IN EXISTENCE PRIOR TO MY INVOLVEMENT WITH ALL SEASONS OR  
6 ANY OF THESE OTHER CAMPGROUNDS COMPANIES.

7           Q           LET ME SHOW YOU SOME OF YOUR OWN SO-CALLED  
8 REVERSAL RECORDS TO SHOW HOW PEOPLE BEING REVERSED IN  
9 1998 -- IF WE CAN JUST GO TO THAT 101,000 AGAIN -- TO  
10 SHOW HOW PEOPLE BEING REVERSED IN 1998 HAD QUIT YOUR  
11 ORGANIZATION YEARS EARLIER.

12                           DO YOU UNDERSTAND?

13          A           YES.

14          Q           I'M GOING TO ASK MR. HAHN NOW, MIKE HAHN, TO  
15 SHOW SOME OF THE SO-CALLED REVERSAL INFORMATION OFF OF A  
16 COPY OF THE SAME CD, THE SAME COMPACT DISK, WITH THE SAME  
17 EXCEL SPREADSHEET THAT WE WERE PROVIDED IN THIS CASE ON  
18 DECEMBER 15, 1999, WHICH HAS BEEN MARKED AS OUR TRIAL  
19 EXHIBIT 944.

20                           LET'S TAKE A FEW EXAMPLES. LET'S FIRST  
21 START WITH MICHAEL AND DEBORAH AHEE.

22                           AND, CRAIG, YOU'VE GOT EXHIBIT 65?

23                           NOW, IF YOU'D TURN TO THE PAGE THAT SAYS AT  
24 THE BOTTOM, "M.F. 00069." AND I WILL REPRESENT TO YOU,  
25 MR. NOVELLI, AS I REPRESENTED TO YOU, I BELIEVE, AT YOUR  
26 DEPOSITION, WE GOT THESE RECORDS OUT OF YOUR OWN FILES, THE

1 WAREHOUSE IN IRVINE.

2 THIS IS A LETTER SEPTEMBER 18, 1990, FROM A  
3 LAW FIRM ADDRESSED TO DELTA ISLE RESORT; DO YOU SEE THAT?

4 A YES, I DO.

5 Q DATED SEPTEMBER 18, 1990?

6 A CORRECT.

7 Q WHICH WE GOT OUT OF YOUR WAREHOUSE IN IRVINE?

8 A YES.

9 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 65-005 INTO  
10 EVIDENCE.

11 MR. MOSHENKO: YOUR HONOR, COULD WE APPROACH?

12 THE COURT: YOU MAY.

13 (DISCUSSION OFF THE RECORD.)

14 BY MR. SHERMAN: Q SO IN SEPTEMBER, 1990, THE  
15 AHEES' LAWYER WRITES TO DELTA ISLE MAKING DEMAND THAT DELTA  
16 ISLE CEASE HARASSING THE AHEES AND THEY DROP ANY ALLEGED  
17 OBLIGATION THAT YOU BELIEVE THE AHEE'S OWED TO YOU FROM THE  
18 CREDIT FROM THE RECORDS?

19 A I DIDN'T OWN THE RESORT. I'M NOT FAMILIAR  
20 WITH THIS. WE DIDN'T PURCHASE THE RESORT AT THAT TIME. SO  
21 THESE ARE THE FILES YOU GOT THAT WOULD BELONG TO THE FORMER  
22 OWNER. I'M NOT SURE WHAT THEY DID OR DIDN'T DO.

23 Q FORMER OWNER KEPT IN YOUR PREMISES?

24 A WHAT'S THAT?

25 Q KEPT AT YOUR PREMISES?

26 A WHATEVER RECORDS THEY HAD WE ACQUIRED. WHEN

1 WE ACQUIRED DELTA ISLE, WE ACQUIRED THEIR RECORDS, YES.

2 Q OKAY. LET'S TURN TO THE REVERSAL OF THE  
3 AHEES DRAWN OFF OF THE CD WITH THE EXCEL SPREADSHEET.

4 AND FROM YOUR OWN EXCEL SPREADSHEET, WE SEE  
5 THAT YOU DIDN'T REVERSE THEM IN YOUR SO-CALLED REVERSAL  
6 RECORDS UNTIL -- IF YOU COULD LOAD THAT UP, MIKE. YOU  
7 CAN'T BLOW UP AN EXCEL SPREADSHEET.

8 REVERSAL DATE IS NOVEMBER 10, 1998. SO NINE  
9 YEARS -- EXCUSE ME -- EIGHT YEARS AFTER THE AHEES' LAWYER  
10 SENT A LETTER TO SOMEONE AT DELTA ISLE SAYING CEASE  
11 HARASSING MY CLIENT, THEY GOT REVERSED; THAT'S WHAT YOUR  
12 RECORDS SHOW; CORRECT?

13 A THESE WEREN'T MY RECORDS. IN OTHER WORDS,  
14 MY RECORDS -- WE DISCOVERED WHAT THEY ARE. WE CLEANED UP  
15 THE RECORDS AND CANCELLED ANYBODY LIKE THIS. WE TOOK OVER  
16 DELTA ISLE. WE RELIED ON PEOPLE WE PURCHASED THESE  
17 CONTRACTS FROM AND THESE MEMBERSHIPS ON THEIR -- WHAT THEY  
18 HAD IN THEIR COMPUTERS. WE DIDN'T GO TO EACH INDIVIDUAL  
19 FILE TO SEE WHAT WAS IN THAT FILE.

20 Q YOU TOOK OVER DELTA ISLE IN APRIL, 1993; TWO  
21 DAYS LATER PUT IT INTO BANKRUPTCY; CORRECT?

22 A THAT'S CORRECT. I THINK IT WAS THREE DAYS.

23 Q FIVE YEARS LATER YOU DECIDED TO REVERSE THE  
24 AHEES?

25 A DURING THE TIME OF BANKRUPTCY WE'RE NOT ABLE  
26 TO REVERSE PEOPLE. WE JUST CAN'T GO OUT THERE BEING AN

1 ASSET OF THE COURT OR THE ASSET OF THE ESTATE.

2 SO AT THAT TIME, DURING THOSE BANKRUPTCY  
3 TIMES, YOU CAN'T LEGALLY REVERSE ANY OF THESE PEOPLE. THE  
4 COURT HAS TO MAKE THAT DETERMINATION AT THAT TIME OF ANY  
5 REVERSALS, AND WE HAD NO REVERSALS APPROVED BY THE  
6 BANKRUPTCY COURT AND DELTA ISLE.

7 Q SO YOU FIGURED YOU MIGHT AS WELL JUST TAKE A  
8 SHOT AT ATTRIBUTING THE AHEES' DISPLEASURE WITH DELTA ISLE  
9 TO COAST LETTERS; RIGHT?

10 A NO. WE DIDN'T TAKE ALL THE MEMBERS FROM  
11 DELTA ISLE THAT QUIT THEM. IF YOU NOTICE, THERE WAS ONE  
12 HUNDRED SOME THOUSAND MEMBERS THAT QUIT DURING THAT TIME  
13 FRAME. WE'RE ONLY SAYING THAT 23 PERCENT OF THOSE MEMBERS  
14 QUIT BECAUSE OF COAST.

15 Q LET'S GO TO THE LUALLENS, EXHIBIT 66. AND  
16 IF YOU WOULD TURN, PLEASE, TO -- I BELIEVE IT' THE THIRD  
17 PAGE. IT'S A LETTER DATED MARCH 31, '95, ADDRESSED TO  
18 THOUSAND ADVENTURES, INC., FROM A LAW FIRM.

19 DO YOU HAVE THAT?

20 A YES, I DO.

21 Q AND, AGAIN, THIS WAS ONE OF THE LETTERS WE  
22 GOT OUT OF YOUR FILES.

23 I'D LIKE TO MOVE 66-003 INTO EVIDENCE, YOUR  
24 HONOR.

25 THE COURT: IT'S NOT IN EVIDENCE.

26 MR. SHERMAN: I'D LIKE TO MOVE IT INTO EVIDENCE.

1 THE COURT: NO OBJECTION?

2 MR. SHERMAN: IT'S THE SAME ISSUE WE TOOK UP AT THE  
3 SIDEBAR.

4 MR. MOSHENKO: SAME ISSUE AS THE SIDEBAR. SAME  
5 OBJECTION.

6 THE COURT: OVERRULED. IT'S RECEIVED IN EVIDENCE.

7 (WHEREUPON, EXHIBIT 66-033, LETTER DATED  
8 MARCH 31, 1995, TO WHOM IT MAY CONCERN, WAS MARKED FOR  
9 IDENTIFICATION.)

10 BY MR. SHERMAN: Q SO THIS IS A LETTER, MARCH 31,  
11 '95, THOUSAND ADVENTURES, INC., TO WHOM IT MAY CONCERN --  
12 FROM LAWYERS FROM KANSAS, IT APPEARS, TO WHOM IT MAY  
13 CONCERN.

14 "I AM WRITING TO YOU ON BEHALF OF  
15 MR. AND MR. HUBERT AND THELMA LUALLEN. MR. LUALLEN HAS  
16 PURCHASED A MEMBERSHIP IN YOUR ORGANIZATION. AT THE TIME  
17 OF THE PURCHASE, HE WAS TOLD THAT THE COMPANY WOULD BUY IT  
18 BACK FROM HIM, NO QUESTIONS ASKED, AT THE END OF FOUR  
19 YEARS. HE WAS TOLD THIS SPECIFICALLY BY THE PRESIDENT OF  
20 THE ORGANIZATION.

21 "THE FOUR YEARS HAVE NOW PASSED, AND HE HAS  
22 CONTACTED YOUR COMPANY ABOUT REPURCHASING HIS INTEREST;  
23 HOWEVER, THEY STATED TO HIM THAT THEY WILL HELP HIM SELL  
24 IT, BUT THEY WILL NOT REPURCHASE IT. I BELIEVE THAT THIS  
25 IS IN DIRECT CONFLICT WITH WHAT HE WAS ORIGINALLY TOLD BY  
26 YOUR PRESIDENT AT THE TIME OF THE PURCHASE. MR. LUALLEN

1 PROBABLY WOULD NOT HAVE PURCHASED THE PROPERTY IF HE HAD  
2 NOT BEEN GIVEN REASSURANCE BY YOUR PRESIDENT THAT IT WOULD  
3 BE REBOUGHT AT THE END OF THE FOUR YEARS BY YOUR COMPANY."

4 IT GOES ON, CLOSING, "HOPEFULLY WE CAN GET  
5 THIS MATTER TAKEN CARE OF WITHOUT ANY FURTHER ACTION BEING  
6 NECESSARY."

7 SO LET'S GO TO THE REVERSAL FOR THE  
8 LUALLENS.

9 MR. MOSHENKO: EXCUSE ME, YOUR HONOR. IF I  
10 UNDERSTAND THE COURT'S RULING CORRECTLY, THIS IS BEING  
11 OFFERED AS AN EXCEPTION TO THE HEARSAY RULE, OTHER THAN TO  
12 PROVE THE TRUTH OF THE HEARSAY STATEMENTS THAT ARE  
13 INCLUDED, IF I GOT THAT RIGHT ON THE RECORD.

14 MR. SHERMAN: ABSOLUTELY. THESE ARE LETTERS --  
15 EXCUSE ME. THESE ARE LETTERS THAT SHOW DATES OF WRITING.

16 MR. MOSHENKO: RIGHT.

17 MR. SHERMAN: AND THEY ARE CONTRA-POSED TO THE  
18 DATES OF REVERSAL, OFTENTIMES EIGHT, NINE, 10 YEARS LATER.

19 MR. MOSHENKO: SO MY REQUEST IS THAT -- YOUR HONOR,  
20 SINCE IT'S BEING ALLOWED TO BE ADMITTED FOR A LIMITED  
21 PURPOSE -- I KNOW WE HAVE NEVER DONE THIS BEFORE. BUT I  
22 WOULD ASK THE COURT INSTRUCT THE JURY THAT ON OCCASION  
23 DOCUMENTS MAY BE ADMITTED INTO EVIDENCE, AND THE STATEMENTS  
24 THAT ARE STATED AS APPARENT TRUTHS OR STATEMENTS OF FACT  
25 ARE NOT TO BE CONSIDERED THAT WAY.

26 MR. SHERMAN: CAN WE DISCUSS THAT IN CHAMBERS AT

1 SOME POINT?

2 MR. MOSHENKO: IT'S A LIMITING INSTRUCTION WE'RE  
3 REQUESTING.

4 THE COURT: ALL RIGHT.

5 MR. MOSHENKO: WE'LL DISCUSS IT LATER. THANK YOU.

6 BY MR. SHERMAN: Q OKAY. SO THREE YEARS AFTER THE  
7 LAWYERS' LETTER IS SENT ON NOVEMBER 10, 1998, YOUR RECORDS  
8 SHOW THE LUALLENS GET REVERSED ON NOVEMBER 10, 1998; RIGHT?

9 A THAT'S TRUE. THAT'S WHEN WE REVERSED THEM.

10 Q LET'S GO TO ROBERTA CHAPMAN, EXHIBIT 67.

11 AGAIN, THESE ARE RECORDS TAKEN OUT OF YOUR  
12 WAREHOUSE IN IRVINE, MR. NOVELLI; RIGHT?

13 A I DON'T KNOW. I GUESS.

14 MR. SHERMAN: I WILL REPRESENT TO THE WITNESS THAT  
15 THAT'S WHERE WE GOT THESE DOCUMENTS. THAT'S WHY THEY WERE  
16 BATES STAMPED THE WAY THEY WERE BATES STAMPED.

17 AND, YOUR HONOR, I WISH TO MOVE INTO  
18 EVIDENCE AT THIS TIME EXHIBIT 67-005 AND 006, WHICH IS A  
19 HANDWRITTEN -- TWO HANDWRITTEN LETTERS FROM ROBERTA  
20 CHAPMAN.

21 THE COURT: RECEIVED OVER OBJECTION.

22 (WHEREUPON, EXHIBITS NO. 67-005, 006, TWO  
23 HANDWRITTEN LETTERS, WERE RECEIVED IN EVIDENCE.)

24 MR. MOSHENKO: THE SAME REQUEST, THAT THERE BE A  
25 LIMITING INSTRUCTION.

26 BY MR. SHERMAN: Q OKAY. IT'S KIND OF HARD TO

1 READ.

2 "I AM IN A DESPERATE SITUATION. MY HUSBAND  
3 JOHN PASSED AWAY IN NOVEMBER OF '89. I AM WONDERING IF I  
4 COULD POSSIBLY GET OUT OF THE CONTRACT. I JUST CAN'T  
5 AFFORD IT. I HAVE NO MONEY, AND I HAVE A BIG HOSPITAL  
6 BILL. WE HAD INSURANCE, BUT I'M SURE YOU ARE AWARE OF HOW  
7 WELL THEY PAY.

8 "IF THERE'S ANYTHING YOU COULD DO, IT WOULD  
9 BE MUCH APPRECIATED. I DO HAVE A JOB, BUT IT DOESN'T PAY  
10 THAT WELL. AND I WAS TOLD SUNDAY I MAY NOT HAVE IT TOO  
11 LONG. IF YOU NEED MORE INFORMATION, PLEASE CALL ME."

12 AND THEN ON THE NEXT PAGE, SHE CONTINUES ON  
13 TALKING ABOUT HER PLIGHT. AND THEN AT THE BOTTOM YOU'LL  
14 SEE SHE REFERENCES HER DUES. 187.50 TO 4/6/1992. AND  
15 THEN -- SO MISS CHAPMAN WROTE IN THE EARLY '90'S AND TOLD  
16 THE VOPNFORD ORGANIZATION THAT THE HOSPITAL BILLS COULDN'T  
17 BE PAID. AND SO A YEAR AFTER COAST LETTERS WERE SENT IN  
18 NOVEMBER, 1998, YOU DECIDED TO REVERSE HER; RIGHT?

19 A I REVERSED 42,000 T.A.I. MEMBERS.

20 Q REVERSED HER NOVEMBER 10, 1998; RIGHT?

21 A EVIDENTLY, YES.

22 Q ROBERTA CHAPMAN. IT SAYS THERE, NOVEMBER  
23 10, 1998. OKAY. LET'S GO TO KENT AND JULIE SMITH, EXHIBIT  
24 68.

25 AGAIN, I'LL REPRESENT TO YOU, MR. NOVELLI,  
26 WE GOT THESE OUT OF YOUR OWN WAREHOUSE IN IRVINE.

1 THE FIRST PAGE WAS NOT FROM YOUR WAREHOUSE.  
2 THE FIRST PAGE WAS JUST THE REVERSAL DAY. I SHOWED YOU  
3 THIS IN THE DEPOSITION. WE GOT THIS OUT OF YOUR  
4 WAREHOUSE.

5 LET ME DIRECT YOUR ATTENTION IN EXHIBIT 68  
6 TO THE PAGE -- IT'S ACTUALLY A -- BATES STAMPED. IT SAYS  
7 "MF" ON THE SIDE, 10639, AND THEN 40.

8 DO YOU SEE THAT, MR. NOVELLI?

9 A I SEE THE CONSUMER COMPLAINT?

10 Q THAT'S THE CONSUMER COMPLAINT, THE STATE OF  
11 KANSAS CONSUMER COMPLAINT, 39 AND 40 AND 41 AND 42 AND 43,  
12 44, 45, 46. AND 41 THROUGH 46 ARE HANDWRITTEN NOTES;  
13 RIGHT?

14 A YES.

15 MR. SHERMAN: OKAY. I'D LIKE TO AGAIN MOVE THOSE  
16 IN, SAME GROUNDS, SAME SIDEBAR, SAME OBJECTIONS I'M SURE.

17 MR. MOSHENKO: NEW OBJECTIONS, ALTHOUGH, YOUR  
18 HONOR.

19 THESE ARE NOW, AS THE OTHERS WERE, THOUSAND  
20 ADVENTURES RECORDS WHICH DOCUMENT EVENTS, IN THIS CASE SIX  
21 YEARS BEFORE MY CLIENT EVER BECAME INVOLVED WITH THOUSAND  
22 ADVENTURES. IT'S REALLY REMOTE AND, THEREFORE, MISLEADING  
23 AND IRRELEVANT.

24 MR. SHERMAN: IT WOULD BE REMOTE IF THEY HADN'T  
25 REVERSED THEM IN NOVEMBER, 1998, YOUR HONOR.

26 ADDITIONALLY, WE HAVE SHOWN DELTA ISLE

1 RECORDS, AND I HAVE PLENTY MORE WHERE THESE CAME FROM.

2 THE COURT: I'LL ALLOW THEM.

3 (WHEREUPON, EXHIBITS 68-39, 40, 41, 42, 43,  
4 44, 45, 46 WERE RECEIVED IN EVIDENCE.)

5 BY MR. SHERMAN: Q SO THIS LETTER FROM KENT AND  
6 JULIE SMITH -- LET'S GO TO THE ACTUAL HANDWRITTEN LETTER  
7 ITSELF.

8 NEXT ONE, PLEASE.

9 THIS IS DATED JULY 13 TO T.A.I. THOUSAND  
10 ADVENTURES, TO THE ATTORNEY GENERAL'S OFFICE. THAT WOUND  
11 UP IN YOUR WAREHOUSE.

12 "RECEIVED PHONE CALL ASKING US TO TOUR  
13 SYCAMORE SPRINGS IN SAVETHA, KANSAS. SET UP TOUR AND WERE  
14 TOLD WE'D RECEIVE A BBQ GRILL AND 12 RIB EYE STEAKS FOR  
15 ATTENDING 90-MINUTE PRESENTATION SET UP FOR JULY 8, '95, AT  
16 10:00 A.M.

17 "ARRIVED AT CAMPSITE AT 10:02 A.M. ON JULY  
18 8, 1995. BRUCE FISCHER, SERGEANT, GREETED US AND SEATED US  
19 AT TABLE.

20 NEXT, "SERGEANT PROCEEDED TO TELL US STORY  
21 AFTER STORY ABOUT HIMSELF AND HIS BRIDE. HE ALSO TOLD US  
22 TO HAVE AN OPEN MIND. HE TOLD US ABOUT ALL THE AMENITIES  
23 OFFERED AT THE CAMPSITE."

24 AND THEN GOES ON TO SAY THAT "ON THE RIDE  
25 HOME" -- "OUR PRESENTATION AND TOUR LASTED FROM 10:00 A.M.  
26 TO 1:30 P.M. WE WERE SHOWN PLAN AFTER PLAN OF PAYMENT

1 METHODS TO FIT OUR BUDGET. I THINK WE WERE AT THE  
2 DESPERATION POINT OF GETTING IT OVER WITH WHEN WE SIGNED  
3 THE CONTRACTS.

4 "ON THE RIDE HOME IT STARTED DAWNING ON US  
5 THAT WE HAD REALLY BEEN MISLED; THAT ALL THE GLORIOUS  
6 PROMISES WERE JUST THAT -- EMPTY PROMISES."

7 AND THEN LET ME GO A FEW PAGES DOWN.

8 "I FEEL WE WERE PRACTICALLY" -- GO TO THAT.

9 "I FEEL WE WERE PRACTICALLY BRAINWASHED INTO  
10 THIS SCHEME. ALSO WE CALLED BRUCE FISCHER AT 10:30 A.M. ON  
11 MONDAY, JULY 10 BECAUSE HE SAID HE'D BE CALLING US TO  
12 ANSWER QUESTIONS. HE ACTED LIKE HE HARDLY KNEW WHO WE  
13 WERE. TO SEE IF OUR RESERVATION AVAILABILITY WORRIES WERE  
14 TO BE CONFIRMED, I ASKED HIM TO MAKE A RESERVATION AUGUST  
15 2, 3, 4, AND 5 AT SYCAMORE SPRINGS. HE HUM-HAWED AROUND  
16 AND SAID HE WOULD CALL MAIN OFFICE AND MAKE RESERVATION."

17 LET ME GO ON. THE NEXT PAGE.

18 "ONE OTHER POINT I'D LIKE TO MAKE IS THE  
19 PRIZES. WE WERE GIVEN A BOOM BOX INSTEAD OF A GRILL WHICH  
20 WAS OUR CHOICE. IT IS VERY CHEAP. SOME BUTTONS DON'T  
21 WORK. THE STEAKS AND CHICKENS MUST HAVE THAWED AND BEEN  
22 REFROZEN BECAUSE ALL STUCK TOGETHER. WHEN COOKED, THE  
23 CHICKEN WAS GROSS, FUNNY SMELL.

24 "I'M WRITING THIS LETTER IN HOPES OF  
25 PREVENTING THIS EXPERIENCE FROM HAPPENING TO ANYONE ELSE.  
26 IT HAS BEEN A NIGHTMARE. KENT AND JULIE AND SMITH."

1                   NOW, THESE FOLKS WERE REVERSED BY YOUR  
2 ORGANIZATION NOVEMBER 10, 1998, IN THE FACE OF THIS LETTER;  
3 RIGHT?

4           A           THEY WEREN'T -- THEY WERE REVERSED BECAUSE  
5 THEY WERE ON MR. VOPNFORD'S LIST AS MEMBERS, AND THEY  
6 HADN'T PAID. SO WE REVERSED THEM. WE KNEW NOTHING OF  
7 THESE LETTERS.

8           THE COURT: LET'S TAKE OUR BREAK.

9                   (RECESS TAKEN.)

10                   (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
11 COURT IN THE PRESENCE OF THE JURY:)

12           THE COURT: PROCEED.

13           BY MR. SHERMAN: Q MR. NOVELLI, I PLACED BEFORE  
14 YOU A DOCUMENT THAT HAS BEEN MARKED AS EXHIBIT 308.

15                   DO YOU HAVE IT IN FRONT OF YOU? I JUST  
16 PLACED IT RIGHT ON TOP. HERE IS MY COPY, SIR.

17           A           OKAY. I HAVE IT RIGHT HERE.

18           Q           NOW, THIS IS A LETTER TO CHARLES DAFF,  
19 BANKRUPTCY TRUSTEE, IN OCTOBER '97; RIGHT?

20           A           IT APPEARS TO BE, YES.

21           MR. SHERMAN: AND WE'D SEEK TO MOVE THIS INTO  
22 EVIDENCE CONDITIONALLY SUBJECT TO MR. DAFF'S AUTHENTICATION  
23 OF THE DOCUMENT.

24           MR. MOSHENKO: WELL, YOUR HONOR, THIS IS  
25 DIFFERENT -- SIMILAR BUT DIFFERENT FROM THE OTHERS IN THAT  
26 IT HAS THE OLDER LETTER. THEN IT HAS A NEW, DIFFERENT

1 ISSUE. HEARSAY, RESPONSIVE CORRESPONDENCE WHICH ON ITS  
2 FACE --

3 THE COURT: I'M GOING TO ALLOW IT CONDITIONALLY.  
4 DAFF CAN COME IN AND TALK ABOUT IT.

5 MR. MOSHENKO: THAT'S NOT THE POINT. THE POINT IS  
6 THAT THE CONTENT OF IT SHOWS A LACK OF FOUNDATION, HEARSAY  
7 OPINIONS, OR LACK OF OPINIONS. TO MY KNOWLEDGE THIS IS  
8 SO -- AND TO MY KNOWLEDGE THAT'S SO -- WHICH LACKS  
9 FOUNDATION FOR THE SOURCE OF A THIRD-PARTY STATEMENT.

10 MR. SHERMAN: YOUR HONOR, IF WE ESTABLISH THERE ARE  
11 ZILLIONS OF REASONS, AND THIS IS JUST ONE OF THESE ZILLIONS  
12 OF REASONS --

13 MR. MOSHENKO: THIS IS NOT A MEMBER. IT'S AN  
14 ATTORNEY TALKING ABOUT SOMETHING THAT HE HEARD ABOUT  
15 SOMETHING WHO HE HEARD FROM SOMEBODY.

16 THE COURT: IT WILL BE RECEIVED.

17 (WHEREUPON, EXHIBIT NO. 308, LETTER TO  
18 CHARLES DAFF, WAS RECEIVED IN EVIDENCE.)

19 BY MR. SHERMAN: Q 308, LETTER FROM THOMAS DEW IN  
20 ANN ARBOR, MICHIGAN, TO CHARLES DAFF.

21 THIS OFFICE REPRESENTS DEANNA FRANCIS --  
22 LETTER WRITTEN OCTOBER, '97. RECEIVED A LETTER FROM YOU  
23 AND AN INVOICE FOR HER MEMBERSHIP IN ALL SEASONS RESORTS.  
24 IN REPLY TO YOUR LETTER, PLEASE BE ADVISED THAT MS. FRANCIS  
25 TERMINATED HER MEMBERSHIP IN ALL SEASONS RESORTS BY LETTER  
26 DATED MAY 23, 1994. A COPY OF THAT LETTER IS ENCLOSED.

1 WE BELIEVE MRS. FRANCIS ACQUIRED HER ALL  
2 SEASONS RESORT, INC., MEMBERSHIP AS THE SUCCESSOR IN  
3 INTEREST TO HER LATE HUSBAND, JACK FRANCIS, WHO DIED IN  
4 1992.

5 TO OUR KNOWLEDGE MRS. FRANCIS HAS NEVER USED  
6 THE MEMBERSHIP AND FOR HEALTH REASONS COULD NOT POSSIBLY  
7 OBTAIN ANY BENEFITS FROM MEMBERSHIP IN YOUR ORGANIZATION.

8 PLEASE CORRECT THE RECORDS TO INDICATE THAT  
9 THE ABOVE-REFERENCED MEMBERSHIP HAS BEEN CANCELLED.

10 SO THIS WAS AN ALL SEASONS MEMBER, AND YOUR  
11 REVERSAL -- SO-CALLED REVERSAL DATED -- THIS SHOWS THAT  
12 FRANCIS WASN'T REVERSED UNTIL NOVEMBER, 1998; DO YOU SEE  
13 THAT ON THE EXCEL THERE?

14 A YES.

15 Q LET'S MAKE SURE IT'S CLEAR THERE.

16 MEMBER, 1998 -- NOVEMBER 1998. AND THEN  
17 WE'VE GOT OTHER ALL SEASONS MEMBERS WHO WROTE TO MR. DAFF.  
18 WE HAVE EXHIBIT 30 -- LET'S GO TO 310.

19 YOUR HONOR, THIS IS THE SAME CHARLES DAFF  
20 ISSUE. THIS TIME THE NAME IS MISSPELLED. IT'S CHARLES  
21 DUFF, BUT I'M SURE MR. DAFF WILL BE ABLE TO RECTIFY THAT.  
22 I'D LIKE TO MOVE 310 INTO EVIDENCE.

23 MR. MOSHENKO: IT WILL BE THE SAME OBJECTION, YOUR  
24 HONOR.

25 THE COURT: RECEIVED OVER OBJECTION.

26 (WHEREUPON, EXHIBIT NO. 310, LETTER TO

1 CHARLES DUFF, WAS RECEIVED IN EVIDENCE.)

2 BY MR. SHERMAN: Q OKAY. THIS IS A LETTER  
3 NOVEMBER 10, 1997, TRUSTEE, RE: ALL SEASONS, CANCELLATION  
4 OF ACCOUNT.

5 "I CANNOT BELIEVE THAT I RECEIVED A BILL  
6 FROM YOU FOR ALL SEASONS RESORTS MEMBERSHIP DUES IN THE  
7 AMOUNT OF \$639.81. THIS CONTRACT EXPIRED ON OCTOBER 13,  
8 1995, AND WAS REPEATEDLY, AND REPEATEDLY CANCELLED BY ME  
9 BEGINNING ON OCTOBER 15, 1995, AND, I THOUGHT, ENDING ON  
10 MARCH 13, 1997."

11 AND THEN TOWARDS THE BOTTOM, "PLEASE,  
12 PLEASE, PLEASE, SEE THAT MY NAME IS REMOVED FROM EVERY,  
13 EACH, AND ALL ALL SEASONS RESORTS RECORDS; THAT MY ACCOUNT  
14 IS MARKED CANCELLED, PAID IN FULL."

15 AND WE GO TO THE SO-CALLED REVERSAL  
16 INFORMATION. YOU DIDN'T GET AROUND REVERSING KAY HARTLEY  
17 UNTIL NOVEMBER 10, 1998; DO YOU SEE THAT?

18 A YES. A LOT OF THESE MEMBERS WERE SUSPENDED  
19 AND EVIDENTLY BILLED BY -- I NOTICED THESE WERE BILLED BY  
20 MR. DAFF AND ALSO BY THE RECEIVER. THEY WOULDN'T HAVE BEEN  
21 BILLED BY ALL SEASONS, AT LEAST BY OUR ORGANIZATION,  
22 BECAUSE THEY WERE UNDER SUSPENSION.

23 MR. SHERMAN: MOVE TO STRIKE.

24 THE COURT: GRANTED.

25 BY MR. SHERMAN: Q LET'S GO TO EXHIBIT 64.

26 NOW, LET'S TALK ABOUT SOME FOLKS WHO AT ONE

1 POINT HAD BEEN MEMBERS OF CUTTY'S, ONE OF YOUR RESORTS.

2 TAKE A LOOK AT 64-008 -- AGAIN, WE RECEIVED  
3 THESE DOCUMENTS OUT OF THE IRVINE WAREHOUSE OF TRAVEL  
4 AMERICA, YOUR HONOR, AND ON THAT BASIS, REPRESENTATION,  
5 WE'D LIKE TO MOVE THEM INTO EVIDENCE.

6 THE COURT: THEY'LL BE SO RECEIVED OVER OBJECTION.

7 (WHEREUPON, EXHIBIT NO. 64-008, LETTER, WAS  
8 RECEIVED IN EVIDENCE.)

9 BY MR. SHERMAN: Q LET'S GO TO 64-008 ON SANCTION.  
10 THAT WAY WE CAN TELL WHAT IT IS. WHAT'S THE -- MIKE, GO  
11 DOWN A LITTLE BIT SO WE CAN HAVE THE BATES NUMBER THERE.  
12 03494.

13 SO HERE MR. HOLLIFIELD WRITES IN, "WE DID  
14 CONTACT SOMEONE ABOUT OUR FEES, BUT I DON'T RECALL WHO. WE  
15 ARE NO LONGER ABLE TO PAY THE MAINTENANCE FEES ANY LONGER.  
16 WE NO LONGER HAVE BEEN" -- "WE NO LONGER HAVE OUR MOTOR  
17 HOME. THANK YOU, JOHN HOLLIFIELD."

18 THEN GO TO 64-009, LETTER FROM CUTTY'S,  
19 DATED JUNE 17, 1982.

20 JUNE 17, '82. MR. AND MRS.  
21 JOHN D. HOLLIFIELD.

22 "RECENT NOTE INDICATED YOUR LACK OF DESIRE  
23 OR ABILITY TO REMIT THE YEARLY MAINTENANCE DUES REGARDING  
24 YOUR CUTTY'S MEMBERSHIP IN COLORADO.

25 "UNDER THE TERMS OF THE MEMBERSHIP  
26 AGREEMENT, YOUR MEMBERSHIP MAY BE CANCELLED FOR NONPAYMENT

1 OF YEARLY DUES. HOWEVER, IT IS NOT OUR INTENTIONS OR  
2 DESIRE TO DO SO, AND THE PURPOSE OF THIS LETTER IS SIMPLY  
3 TO POINT OUT THAT IF YOU ARE NOT" -- "DO NOT INTEND ON  
4 USING THE MEMBERSHIP IN THE FUTURE, IT IS POSSIBLE FOR YOU  
5 TO SELL YOUR MEMBERSHIP."

6 THAT'S JUNE 17, 1982.

7 AND GO TO 64-003.

8 64-003 IS A LETTER FROM CUTTY'S.

9 AND, MIKE, IF YOU COULD JUST HIGHLIGHT THE  
10 POSTMARK THERE. IT'S KIND OF HARD TO READ THE WHOLE THING,  
11 BUT YOU CAN CLEARLY SEE THE '88 AT THE BOTTOM, THAT  
12 POSTMARK.

13 LET'S GO TO THE ADDRESS. HOLLIFIELD, LAMAR,  
14 COLORADO, RETURN TO SENDER, BOTH DEAD, MARK ON RECORDS.

15 SO JUNE OF '88 THEY'RE DEAD. AND LET'S SHOW  
16 THE REVERSAL OF THE HOLLIFIELDS. ORGANIZATION REVERSED  
17 THEM ON NOVEMBER 10, 1998. 10 YEARS LATER; RIGHT?

18 A THESE WERE MEMBERS THAT WE -- THEY DID THESE  
19 LETTERS BACK WAY BEFORE WE EVER GOT INVOLVED WITH CUTTY'S.  
20 SO WE'RE REALLY NOT KNOWLEDGEABLE. WE DISCOVERED THESE  
21 PEOPLE, AND WE CLEANED UP THE RECORDS. WE REVERSED THEM.

22 Q SO YOU DIDN'T GET CUTTY UNTIL THE 1990'S?

23 A EITHER THE EARLY '90'S OR VERY LATE IN THE  
24 '80'S. SO THESE LETTERS ARE NOT FROM US.

25 Q BUT THE REVERSAL IS YOURS?

26 A I REVERSED IT. WE REVERSED IT IN 1998 OR

1 '97. I BELIEVE IT WAS '97.

2 Q SO IN FACT A MEMBER COULD HAVE BEEN  
3 DELINQUENT -- LET'S GO BACK TO THE 180-DAY RULE.

4 I MEAN, A MEMBER COULD HAVE BEEN DELINQUENT  
5 FOR MUCH MORE THAN 180 DAYS BEFORE BEING REVERSED; ISN'T  
6 THAT RIGHT?

7 A THEY COULD HAVE BEEN UNDER SUSPENSION. A  
8 LOT OF THEM WERE UNDER SUSPENSION.

9 Q TEN YEARS OR MORE?

10 A SOMETIMES IF A LENDER DIDN'T WANT THEIR  
11 CONTRACT CANCELLED, WE'D PUT THEM UNDER SUSPENSION.

12 Q YOU CAN'T TELL FROM YOUR OWN RECORDS?

13 A I'M NOT SURE FROM THESE BECAUSE THESE DATE  
14 WAY BACK, THIS, TO THE EARLY '80'S.

15 Q YOU CAN'T TELL FROM YOUR OWN RECORDS WHO  
16 STOPPED PAYING?

17 A I CAN TELL WHO STOPPED PAYING.

18 Q YOU CAN'T TELL WHEN THEY STOPPED PAYING?

19 A YES, WE CAN.

20 Q AND YOU CAN'T TELL WHY THEY STOPPED PAYING?

21 A AND WE -- NOT ALWAYS WHY THEY STOPPED  
22 PAYMENT, BUT WE CAN CERTAINLY TELL WHEN AND WHERE.

23 Q NOW SO EVEN THOUGH THE -- WE'VE JUST GONE  
24 OVER SOME OF THE REVERSAL RECORDS ON THE ISSUE OF THE WHEN  
25 QUESTION AND THE WHY QUESTION.

26 YOU RECALL TELLING THIS JURY THAT YOU'VE GOT

1 SOME FIGURE OF 22,000 REVERSALS THAT YOU THINK ARE COAST'S  
2 RESPONSIBILITY? DO YOU RECALL THAT TESTIMONY?

3 A YES. I MATCHED 22,000 OF THEM.

4 Q AND 22,000 -- JUST SO HAPPENS, IF YOU DO THE  
5 RATIO, 34-, 35,000 LETTERS, 22,000 THAT YOU'RE CLAIMING,  
6 THAT'S THE 65 PERCENT MORE OR LESS; RIGHT?

7 A THAT'S CORRECT.

8 Q AND THERE'S ANOTHER NUMERICAL COINCIDENCE  
9 HERE. REMEMBER THE TESTIMONY FROM THE COAST  
10 REPRESENTATIVES ABOUT COAST'S LIST OF WHAT PEOPLE COAST  
11 BELIEVED WERE THEIR ACTIVE MEMBERS, THE 22,000; RIGHT?

12 A UH-HUH, THAT'S CORRECT.

13 Q AND THAT'S JUST NOT A COINCIDENCE, IS IT;  
14 THAT'S YOUR NUMBER, 22,000?

15 A WE WERE ABLE WHEN COAST SUPPLIED US WITH THE  
16 LIST --

17 Q IS THAT YOUR NUMBER?

18 A -- TO MATCH THOSE NAMES, YES.

19 Q NOW, I'D LIKE TO GO BACK TO WHAT YOU TOLD  
20 THE JURY ON JUNE 27 IN YOUR TESTIMONY, PAGE 4919, LINES 1  
21 THROUGH 19.

22 "QUESTION: DO YOU HAVE PERSONAL KNOWLEDGE  
23 AS TO WHETHER OR NOT ANY OF THE PLAINTIFFS' MEMBERS STOPPED  
24 PAYING DUES IN 1998?

25 "ANSWER: YES.

26 "QUESTION: IN 1997?

1 "ANSWER: YES.

2 "QUESTION: DO YOU HAVE PERSONAL KNOWLEDGE  
3 AS TO THE APPROXIMATE NUMBER OR PERCENTAGE OF THE COAST TO  
4 COAST MEMBERS, THE 35,000 FIGURE, WERE INCLUDED IN THAT  
5 GROUP THAT STOPPED PAYING DUES?

6 "ANSWER: YES.

7 "QUESTION: WHAT PERCENTAGE?

8 "ANSWER: 65 PERCENT OF THE -- 65 PERCENT OF  
9 THE 34,000 PEOPLE QUIT PAYING DUES. APPROXIMATELY 65  
10 PERCENT.

11 "QUESTION: AS A RESULT OF THE STOPPED  
12 PAYING DUES EVENT, DID THE PLAINTIFFS LOSE INCOME?

13 "ANSWER: YES.

14 "QUESTION: DID THE PLAINTIFFS LOSE RESORTS?

15 "ANSWER: YES, WE DID."

16 LET'S FOCUS ON HOW YOU ARRIVED AT THIS 65  
17 PERCENT NUMBER; OKAY?

18 A ALL RIGHT.

19 Q FROM COAST'S OWN RECORDS, YOU CONCLUDED THAT  
20 ABOUT 34- TO 35,000 LETTERS WERE SENT OUT; CORRECT?

21 A THAT'S WHAT THEY TOLD US. I CONCLUDED THEY  
22 SENT OUT A LOT MORE THAN THAT. THAT'S ONLY THE RECORDS  
23 THAT THEY GAVE US. 35,000 IS WHAT THEY TOLD US THEY DID.  
24 I BELIEVE THAT NUMBER WAS MUCH GREATER THAN THAT.

25 Q AND YOU ALSO DETERMINED FROM COAST'S OWN  
26 RECORDS THAT OF THOSE 34,000 LETTERS THAT WERE SENT TO

1 COAST MEMBERS, 22,000 OF THOSE FOLKS REMAINED AS COAST  
2 MEMBERS A YEAR LATER; RIGHT?

3 A I BELIEVE SOMEWHERE AROUND 20,000, YES.

4 Q AND SO THAT'S THE SAME RATIO, 65 PERCENT  
5 RATIO; RIGHT?

6 A THAT'S CORRECT.

7 Q SO YOU HAVE, IN OTHER WORDS, ASSUMED --  
8 ASSUMED THAT EVERY PERSON SHOWN AS A COAST MEMBER CEASED TO  
9 BE A MEMBER, A DUES-PAYING MEMBER, ON ONE OF PLAINTIFFS'  
10 RESORTS; CORRECT?

11 A I ASSUMED THAT THE 65 PERCENT OF THE PEOPLE  
12 THAT RECEIVED LETTERS FROM COAST DIDN'T PAY US.

13 MR. SHERMAN: MOVE TO STRIKE.

14 THE COURT: GRANTED.

15 MR. MOSHENKO: IT WAS RESPONSIVE. HE ASKED HIM YOU  
16 ASSUMED, AND HE -- SORRY.

17 MR. SHERMAN: I'D LIKE THE QUESTION READ BACK,  
18 PLEASE. I THINK IT CAN BE ANSWERED YES OR NO.

19 (THE FOLLOWING TESTIMONY WAS READ BACK:

20 "SO YOU HAVE, IN OTHER WORDS, ASSUMED -- ASSUMED THAT EVERY  
21 PERSON SHOWN AS A COAST MEMBER CEASED TO BE A MEMBER, A  
22 DUES-PAYING MEMBER, ON ONE OF PLAINTIFFS' RESORTS;  
23 CORRECT?")

24 THE WITNESS: NO.

25 BY MR. SHERMAN: Q YOU HAVE NO DOCUMENTS SHOWING  
26 WHETHER THE 65 PERCENT NUMBER IS LEGITIMATE, DO YOU?

1           A           I HAD SOME. WE TRIED TO PUT THEM FOR YOU,  
2 AND WE WEREN'T ABLE TO GET THEM INTO EVIDENCE.

3           Q           YOU HAVE NO ANALYSIS SHOWING WHETHER THIS IS  
4 TRUE OR NOT?

5           A           YES, I DO.

6           Q           AND JUST BECAUSE SOMEONE REMAINED A MEMBER  
7 OF COAST DOESN'T NECESSARILY MEAN THAT THEY STOPPED PAYING  
8 YOU; ISN'T THAT CORRECT?

9           A           THAT'S CORRECT.

10          Q           BECAUSE SOMEONE COULD HAVE CONTINUED PAYING  
11 COAST AND CONTINUED PAYING YOU; CORRECT?

12          A           THAT'S CORRECT.

13          Q           SO COAST'S RECORDS, THE 22,000, DON'T TELL  
14 US ANYTHING ABOUT WHETHER A PARTICULAR PERSON IS TODAY A  
15 MEMBER OF YOUR ORGANIZATION OR NOT; CORRECT?

16          A           NO.

17          Q           AND YOU RECALL YOUR OWN EXPERT,  
18 MR. MITCHELL, TELLING THE JURY THAT PEOPLE FREQUENTLY  
19 BELONG TO MORE THAN ONE RECIPROCAL NETWORK, AND EVEN  
20 MULTIPLE RESORT MEMBERSHIPS; DO YOU RECALL THAT?

21          A           THAT'S TRUE.

22          Q           I'D LIKE TO NOW DISCUSS THE LETTERS THAT YOU  
23 ALLEGE YOU RECEIVED FROM MEMBERS BEGINNING IN THE FALL OF  
24 1997; DO YOU UNDERSTAND?

25          A           YES.

26          Q           NOW, YOU MIGHT REMEMBER THAT MR. SHAW, WHEN

1 EXAMINING WENDY ARCHIBALD, REFERENCED A LOT OF LETTERS?

2 A I WASN'T HERE. I WAS IN OHIO.

3 Q FAIR ENOUGH.

4 NOW, BACK IN JULY, 1998, WHILE WE WERE IN  
5 DISCOVERY IN THIS CASE BEFORE TRIAL, COAST ASKED YOU TO  
6 PRODUCE EVERY DOCUMENT THAT SHOWED THAT ONE OF YOUR  
7 PURPORTED MEMBERS TERMINATED THEIR RELATIONSHIP WITH YOU;  
8 RIGHT?

9 A I DON'T KNOW. I GUESS THEY DID.

10 Q WELL, LET ME SHOW YOU EXHIBIT 907-069 AND  
11 907-062 TO 72. 907 IS UP THERE? OKAY.

12 AND THAT WAS A REQUEST FOR PRODUCTION OF  
13 DOCUMENTS THAT WAS SERVED ON YOUR COMPANIES; RIGHT?

14 A YES.

15 Q MY CLIENTS ASKED THE PLAINTIFFS TO PRODUCE  
16 ALL THE DOCUMENTS THEY HAD ON VARIOUS TOPICS; RIGHT?

17 A ALL DOCUMENTS, EVIDENCE, REFER TO ANY  
18 TERMINATION OR RELATIONSHIP BETWEEN PLAINTIFFS AND OF THEIR  
19 MEMBERS AS A RESULT OF MISCONDUCT.

20 MR. SHERMAN: I'D LIKE TO MOVE THAT DOCUMENT INTO  
21 EVIDENCE, YOUR HONOR.

22 MR. MOSHENKO: ARE YOU TALKING ABOUT THE WHOLE  
23 DOCUMENT?

24 MR. SHERMAN: TALKING ABOUT THE REQUEST FOR  
25 PRODUCTION ITSELF, 907-069.

26 MR. MOSHENKO: IT MAY GO IN.

1 THE COURT: IT WILL BE RECEIVED.

2 (WHEREUPON, EXHIBIT NO. 907-069, REQUEST FOR  
3 PRODUCTION, WAS RECEIVED IN EVIDENCE.)

4 BY MR. SHERMAN: Q REQUEST NUMBER 25, WE ASKED YOU  
5 TO PRODUCE ALL DOCUMENTS THAT EVIDENCE, REFLECT OR REFER TO  
6 ANY TERMINATION OF A RELATIONSHIP BETWEEN PLAINTIFFS AND  
7 ANY OF THEIR MEMBERS AS A RESULT OF ANY ALLEGED MISCONDUCT  
8 BY THE DEFENDANTS.

9 SO, MR. NOVELLI, YOU UNDERSTOOD WE ASKED YOU  
10 BACK IN DISCOVERY IN THIS CASE TO PRODUCE ALL YOUR LETTERS  
11 FROM MEMBERS; RIGHT?

12 A YES.

13 Q EVERYTHING?

14 A WHAT'S THAT?

15 Q EVERYTHING.

16 A YEAH. WE GAVE YOU A LIST OF ALL THE MEMBERS  
17 THAT QUIT ALSO.

18 Q AND THIS INCLUDES ALL THE LETTERS THAT WERE  
19 SENT BY YOUR PURPORTED MEMBERS THAT SUPPOSEDLY SUPPORT YOUR  
20 CLAIM THAT COAST CAUSED YOU TO LOSE THOUSANDS OF MEMBERS;  
21 RIGHT?

22 MR. MOSHENKO: OBJECTION. THE DOCUMENT SPEAKS FOR  
23 ITSELF.

24 THE COURT: SUSTAINED.

25 BY MR. SHERMAN: Q SO YOU DID IN FACT GATHER ALL  
26 THE LETTERS YOU PROCESSED, AND YOU PRODUCED THEM; RIGHT?

1           A           THE LETTERS WE HAD WE PRODUCED.

2           Q           IN FACT, YOU WERE ORDERED BY THE COURT TO  
3 PRODUCE THEM; RIGHT?

4           A           WE PRODUCED THEM. I DON'T KNOW WE WERE  
5 ORDERED BY THE COURT, BUT WE PRODUCED THEM.

6           Q           AND ALL OF THE LETTERS THAT I COULD LOCATE  
7 AT THE TIME I SHOWED TO YOU IN YOUR DEPOSITION AND WERE  
8 MARKED IN YOUR DEPOSITION IN JANUARY OF 2000 AS DEPOSITION  
9 EXHIBIT 69. I'LL REPRESENT THAT TO YOU.

10                       AND I'LL REPRESENT TO YOU NOW THAT PART OF  
11 DEPOSITION EXHIBIT 69 THAT WAS MARKED IN YOUR DEPOSITION IS  
12 NOW TRIAL EXHIBIT 69. TRIAL EXHIBIT 69.

13                       NOW, I'LL ALSO REPRESENT TO YOU THAT  
14 PLAINTIFFS' TRIAL EXHIBIT 1618 -- 1618 CONTAINS ALMOST ALL  
15 THE LETTERS FROM EXHIBIT 69, AS WELL AS ABOUT FIVE OR SIX  
16 ADDITIONAL LETTERS. SO THEY'RE ABOUT THE SAME.

17                       I REPRESENT THAT TO YOU, MR. NOVELLI. YOU  
18 CAN HAVE YOUR LAWYERS LOOK IT UP. YOU CAN LOOK IT UP.

19                       NOW, HAVE YOU EVER GONE THROUGH ALL THOSE  
20 LETTERS ON YOUR OWN, MR. NOVELLI?

21           A           NO, I HAVEN'T.

22           MR. MOSHENKO: FOR THE RECORD, WE DON'T ACCEPT  
23 COUNSEL'S PROPOSED OFFER OR STIPULATION OR REPRESENTATIONS  
24 AS ADEQUATE FOUNDATION FOR TESTIMONY BASED ON THE  
25 REPRESENTATIONS.

26           BY MR. SHERMAN: Q MR. NOVELLI, WHAT WOULD YOU SAY

1 IN RESPONSE TO THE ASSERTION THAT IN COUNTING UP ALL THOSE  
2 LETTERS AND REMOVING DUPLICATES AS WE DID OVER THE JULY 4TH  
3 HOLIDAY WEEKEND, WE FOUND 115 LETTERS?

4 A I WOULD TELL YOU THAT WE HAVE WELL OVER 500  
5 CALLS A DAY. WE DEAL WITH OUR MEMBERS BY TELEPHONE.

6 Q I'M TALKING ABOUT LETTERS.

7 A LETTERS I'M NOT SURE OF. I DON'T KNOW HOW  
8 MANY WERE THERE.

9 MR. MOSHENKO: OBJECTION. COUNSEL WAS  
10 INTERRUPTING.

11 MR. SHERMAN: HOW MANY WERE THERE --

12 THE WITNESS: I'M NOT SURE --

13 MR. MOSHENKO: WHAT WOULD YOU SAY IF I TOLD YOU  
14 THIS: HIS RESPONSE I WOULD TELL YOU THAT, AND THEN HE  
15 INTERRUPTS HIM. HE SHOULD ALLOW HIM TO RESPOND TO THE  
16 QUESTION.

17 THE COURT: LET HIM FINISH AS LONG AS IT'S  
18 RELEVANT.

19 MR. SHERMAN: AS LONG AS IT'S RESPONSIVE TO MY  
20 QUESTION.

21 MR. MOSHENKO: IT WAS RESPONSIVE. I WOULD SAY  
22 THAT.

23 MR. SHERMAN: FOCUSING ON LETTERS.

24 THE COURT: NOT ALWAYS RESPONSIVE.

25 BY MR. SHERMAN: Q WHAT WOULD YOU SAY IF I TOLD  
26 YOU THAT WE COUNTED THEM ALL UP ONE-BY-ONE, AND WE CAME UP

1 WITH ABOUT 115?

2 A POSSIBLE.

3 Q THERE WEREN'T THOUSANDS OF LETTERS, WERE  
4 THERE?

5 A THOUSANDS OF CALLS.

6 Q THERE WEREN'T EVEN CLOSE TO THOUSANDS OF  
7 LETTERS?

8 A I DON'T KNOW.

9 Q THERE CERTAINLY WEREN'T A LOT OF LETTERS,  
10 WERE THERE?

11 A I DON'T KNOW.

12 Q AND MR. SHAW THEN WENT AND FOUND ALL THE  
13 ONES THAT SEEMED CRITICAL OF COAST, AND THOSE TO  
14 MISS ARCHIBALD; ISN'T THAT WHAT HAPPENED?

15 MR. MOSHENKO: OBJECTION. ASSUMES FACTS NOT IN  
16 EVIDENCE. LACKS FOUNDATION.

17 THE COURT: SUSTAINED.

18 BY MR. SHERMAN: Q WELL, LET'S TALK ABOUT THE SIX  
19 LETTERS THAT WERE SHOWN TO MISS ARCHIBALD.

20 DO YOU KNOW IF THERE WERE ANYMORE THAN SIX?

21 A I DON'T KNOW. I WASN'T HERE.

22 Q AND OF THOSE 115 LETTERS, PLUS OR MINUS,  
23 MR. NOVELLI, ABOUT 75 STATE THAT THE MEMBER WANTS TO QUIT  
24 BECAUSE YOU PULLED OUT OF COAST TO COAST?

25 A BECAUSE COAST ASKED --

26 MR. MOSHENKO: OBJECTION. ARGUMENTATIVE. LACKS

1 FOUNDATION.

2 THE COURT: SUSTAINED.

3 BY MR. SHERMAN: Q DO YOU KNOW WHETHER ABOUT 75 OF  
4 THOSE LETTERS SAY THAT THEY'RE QUITTING BECAUSE YOU PULLED  
5 OUT OF COAST?

6 A 75 PERCENT OF THOSE LETTERS SAY THAT COAST  
7 ASKED THEM TO WRITE THE LETTER TO US.

8 Q WELL, THE JURY WILL HAVE THE OPPORTUNITY TO  
9 REVIEW THE LETTERS, AND I'LL REPRESENT TO YOU THAT NONE OF  
10 THEM SAY THAT.

11 AND ABOUT 30 OF THE LETTERS, MR. NOVELLI,  
12 YOU JUST CAN'T TELL WHETHER THE MEMBER IS QUITTING OR  
13 STAYING OR WHETHER THE --

14 THE COURT: ONE AT A TIME, PLEASE.

15 MR. MOSHENKO: OBJECTION. COUNSEL IS TESTIFYING.

16 THE COURT: WELL, WAIT UNTIL HE FINISHES HIS  
17 QUESTION, AND THEN HE CAN OBJECT AND I'LL RULE.

18 MR. SHERMAN: I'M NOT SURE THAT THE COURT REPORTER  
19 NECESSARILY EVEN GOT IT. CAN I START IT AGAIN, PLEASE?

20 THE COURT: YEAH. MAKE SURE IT'S IN THE FORM OF A  
21 QUESTION.

22 BY MR. SHERMAN: Q AND YOU DON'T KNOW WHETHER --  
23 ONLY ABOUT 30 OF THOSE LETTERS SAY THAT; YOU CAN'T TELL  
24 WHETHER THE MEMBER IS QUITTING OR STAYING OR WHETHER THE  
25 AVAILABILITY OF COAST PLAYED ANY PART IN THAT DECISION;  
26 RIGHT?

1           A           I DON'T KNOW.

2           Q           NOW, YOU RECALL JUST A FEW MOMENTS AGO WE  
3 SPENT SOME TIME ON YOUR SO-CALLED REVERSAL DATE; RIGHT?

4           A           YOU WERE MENTIONING THAT, YES.

5           Q           WE REVIEWED HOW YOU HAD REVERSALS IN 1998,  
6 PEOPLE WHO HAD WRITTEN IN YEARS EARLIER SAYING THEY WANTED  
7 OUT; RIGHT?

8           A           YES.

9           Q           I WANT TO TALK ABOUT THE LACK OF RELIABILITY  
10 OF SOME OF YOUR OTHER RECORDS NOW.

11                       LET'S PUT EXHIBIT 2002 BACK UP ON THE  
12 SCREEN, 2002-002, PLEASE.

13                       YOU'LL RECALL MR. MOSHENKO SHOWING YOU THIS  
14 DOCUMENT AND HIM ASKING YOU QUESTIONS AND YOU'RE TALKING  
15 ABOUT THIS DOCUMENT; RIGHT?

16           A           I CAN'T SEE IT. I'M SORRY. WHAT'S YOUR  
17 QUESTION?

18           Q           YOU'LL RECALL THAT THIS WAS THE DOCUMENT YOU  
19 WERE SHOWN AND YOU TOLD THE JURY ABOUT; RIGHT?

20           A           I BELIEVE SO.

21           Q           LET ME SHOW YOUR TRIAL TESTIMONY FROM JUNE  
22 26TH, PAGE 4715, LINE 9, TO 4716, LINE 11.

23           MR. MOSHENKO:   WHICH VOLUME?

24           MR. SHERMAN:   TRIAL TESTIMONY, JUNE 26TH.

25           THE COURT:   IT'S NOT A DEPO.

26           MR. SHERMAN:   CAN I PROCEED?

1 THE COURT: PROCEED.

2 MR. SHERMAN: "AND THEN IN 1990, 15,000 NEW MEMBERS  
3 WERE SOLD?

4 "ANSWER: CORRECT.

5 "QUESTION: 1991, 16,476?

6 "ANSWER: YES.

7 "QUESTION: 1992 -- THIS IS DURING THE  
8 PENDENCY OF MULTIPLE BANKRUPTCIES -- ANOTHER ALMOST 16,000  
9 NEW MEMBERS --

10 "ANSWER: YES.

11 "QUESTION: -- JOINED YOUR ORGANIZATION?

12 "ANSWER: THAT'S CORRECT.

13 "QUESTION: '93, 16,001 NEW MEMBERS JOINED  
14 YOUR ORGANIZATION?

15 "ANSWER: THAT'S CORRECT.

16 "QUESTION: AND THEN '94, 16,841.

17 "AND WE'VE GOT A RUNNING CUMULATIVE TOTAL ON  
18 THE BOTTOM LINE SO THAT BY 1994 THE TOTAL OF NEW MEMBERSHIP  
19 SALES DURING THE 1, 2, 3, 4, 5, 6, 7, 8 -- AND THEN I'M  
20 GOING TO SUBTRACT 43,000, BECAUSE THIS IS '87 IS REALLY NOT  
21 JUST '87. IT'S '87 BACK; ISN'T IT?

22 "ANSWER: THAT'S CORRECT.

23 "QUESTION: OKAY. SO IF MY MATH IS CORRECT,  
24 I GET 95,000 NEW MEMBERS IN THE SEVEN YEARS THAT YOU RAN  
25 YOUR ORGANIZATION WITH MANY, MANY OF THE COMPANIES IN  
26 BANKRUPTCY?

1                   "ANSWER: ACTUALLY IT'S OVER 100,000. YOU  
2 DEDUCT 42,000 FROM 164. SO, YOU'D END UP WITH OVER A  
3 HUNDRED THOUSAND. ROUGHLY 118,000.

4                   "QUESTION: THAT'S THROUGH 1999?

5                   "ANSWER: RIGHT. THROUGH 1999."

6                   AND SO WHAT YOU TOLD THE JURY IS THAT THIS  
7 CHART -- WE CAN PUT THE CHART BACK UP THERE -- THIS CHART  
8 THAT YOU HAD PUT TOGETHER SHOWED YOUR NEW MEMBER SALES ON A  
9 YEAR-BY-YEAR BASIS; CORRECT?

10                  MR. MOSHENKO: OBJECTION. MISSTATES THE TESTIMONY  
11 BECAUSE I SPECIFICALLY ASKED HIM ABOUT THIS. COUNSEL READ  
12 ONLY HALF THE TESTIMONY.

13                  THE COURT: OVERRULED.

14                  BY MR. SHERMAN: Q THIS SHOWS YOUR NEW MEMBER  
15 SALES?

16                  A           THESE ARE FOR EACH ONE OF THOSE PARTICULAR  
17 COMPANIES, YES.

18                  Q           YEAR BY YEAR?

19                  A           YEAR BY YEAR.

20                  Q           THERE'S SOMETHING VERY INACCURATE ABOUT THIS  
21 EXHIBIT 2002, THOUGH. IS IT?

22                  A           WHAT'S THAT?

23                  Q           EXHIBIT 2002 DOES NOT REPRESENT NEW  
24 MEMBERSHIP SALES AT ALL, DOES IT?

25                  A           YES. WHAT'S IT SUPPOSED TO REPRESENT?

26                  Q           WELL, MR. MOSHENKO REPEATEDLY SAID IN HIS

1 QUESTIONING OF YOU THAT THIS LIST REPRESENTED NEW MEMBER  
2 SALES, DIDN'T HE?

3 A NEW MEMBERS WITH THE DATE ON THEIR CONTRACT  
4 OF '87 OR LATER.

5 Q AND YOU DIDN'T CORRECT HIM, NOT ONCE; RIGHT?

6 A I DIDN'T SEE A REASON.

7 MR. MOSHENKO: OBJECTION. MISSTATES THE TESTIMONY.  
8 PAGE 4717 SPECIFICALLY DEALS WITH THIS ISSUE, YOUR HONOR.

9 THE COURT: PROCEED.

10 BY MR. SHERMAN: Q YOU HAD INSIGNIFICANT NEW  
11 MEMBERSHIP SALES IN '95, '96, AND '97, DIDN'T YOU?

12 A THESE MEMBERSHIP -- OFF THE RECORDS, THESE  
13 ARE THE DATES OF THE MEMBERSHIPS OF THESE MEMBERS FROM '97  
14 ON, AND THESE JUST COME OFF THE RECORDS.

15 Q NOW, TO THE EXTENT THESE NUMBERS MEAN  
16 ANYTHING AT ALL, PERHAPS THEY SHOW MEMBERS YOU ACQUIRED  
17 FROM OTHER CAMPGROUND DEVELOPERS LIKE PATTON OR LARSEN OR  
18 OTHERS; RIGHT?

19 A IT WOULD HAVE BEEN THE DATE OF THEIR  
20 CONTRACT. IN OTHER WORDS, IF WE ACQUIRED A RESORT AND,  
21 LET'S SAY, FROM PATTON, WHATEVER WAS ON THAT CONTRACT,  
22 WHATEVER THE SALES DATE WAS IS WHAT YOU HAVE HERE. SO  
23 THESE ARE MEMBERS THAT BOUGHT DURING THAT YEAR.

24 Q SO YOUR NEW MEMBERSHIP SALES INCLUDE  
25 MEMBERSHIP SALES MADE BY PEOPLE WHO WEREN'T EVEN AFFILIATED  
26 WITH YOU AT THE TIME THEY MADE THE SALES; CORRECT?

1           A           THEY WERE AFFILIATED COMPANIES.

2           Q           LATER; CORRECT?

3           A           LATER, YES.

4           Q           OKAY. SO IF SALT SPRINGS SOLD MEMBERSHIPS  
5 PRIOR TO THE TIME THAT YOU ACQUIRED THEM, YOU'VE COUNTED  
6 FOR THOSE MEMBERS; CORRECT?

7           A           OF COURSE. THAT'S WHEN THEY BECAME A  
8 MEMBER. IT WAS -- BECAME A MEMBER OF A RESORT PRIOR TO US  
9 ACQUIRING THE RESORT DOESN'T MAKE THEM ANY LESS OF A  
10 MEMBER. AND IT DOESN'T MAKE THEM NONEXISTENT. THESE ARE  
11 THE WAYS THAT THE MEMBERS BOUGHT THEIR CONTRACTS AND  
12 MEMBERSHIPS DURING THESE YEARS DURING THAT TIME FRAME.

13          Q           AND THESE NEW MEMBERSHIPS ALSO INCLUDE THE  
14 THOUSAND ADVENTURES, INC., SALES?

15          A           THAT'S CORRECT, TOO.

16          Q           GOING BACK TO THE 1980'S?

17          A           THAT'S RIGHT. AND IT'S A VERY ACCURATE  
18 STATEMENT.

19          Q           YOU HAD NOTHING TO DO WITH THOUSAND  
20 ADVENTURES IN THE YEARS PRIOR TO 1997; RIGHT?

21          A           I DIDN'T HAVE ANYTHING TO DO WITH ALL  
22 SEASONS PRIOR TO 1986, BUT I CLAIM ALL THE MEMBERS.

23           MR. SHERMAN: MOVE TO STRIKE.

24           THE WITNESS: I WOULD SAY THEY'RE STILL MEMBERS.

25           MR. SHERMAN: MOTION TO STRIKE.

26           THE COURT: MOTION GRANTED.

1 BY MR. SHERMAN: Q YOU HAD NOTHING TO DO WITH  
2 THOUSAND ADVENTURES PRIOR TO 1997; CORRECT?

3 A THAT'S CORRECT.

4 Q AND YET YOU'VE TOLD THE JURY YOU HAVE  
5 PERSONAL KNOWLEDGE OVER THE FOUNDATION OVER WHICH THIS  
6 CHART WAS PREPARED?

7 A ABSOLUTELY. THESE ARE ALL MEMBERS THAT  
8 BECAME MEMBERS DURING THIS TIME FRAME FOR THESE INDIVIDUAL  
9 COMPANIES.

10 Q AND OF THESE 164,000 MEMBERS, YOU GOT OVER  
11 100,000 NAMES FROM THOUSAND ADVENTURES?

12 A I DON'T KNOW.

13 Q AND OF THESE 100,000, YOU HAD NO IDEA THESE  
14 PEOPLE -- WHEN THEY BECAME MEMBERS?

15 A WE GOT -- EVERYTHING WE GET OFF THE RECORDS  
16 OF A COMPANY WE DIDN'T OWN AT THE TIME, WE GOT IT OFF OF  
17 THEIR RECORDS. WE ASSUME THEIR RECORDS TO BE CORRECT.

18 Q THE SAME RECORDS THAT YOU TESTIFIED EARLIER  
19 WITH RESPECT TO THE 180-DAY RULE YOU DIDN'T THINK WERE  
20 CORRECT; RIGHT?

21 A NO, I DIDN'T SAY THAT. THERE'S A LOT OF  
22 THINGS THAT HAPPENED DURING THE 180-DAY RULE THAT COULD  
23 CHANGE THINGS. FOR EXAMPLE, IF IT'S IN BANKRUPTCY, WE  
24 CAN'T WRITE OFF CONTRACTS. ANOTHER EXAMPLE IS IF A LENDER  
25 ASKS US NOT TO WRITE OFF HIS CONTRACT, THERE AGAIN, THEY  
26 WON'T BE WRITTEN OFF. SO IT DEPENDS ON THE SITUATION.

1 THE 180-DAY RULE IS ONE THAT WAS SET UP BY  
2 THE LENDERS OF ALL SEASONS BACK WHEN I CAME -- YOU KNOW,  
3 BEFORE I CAME WITH THE COMPANY.

4 Q LET'S FOCUS ON THE 43,000 NUMBER.

5 THE NEW MEMBER -- THE MEMBER BASE AT THE END  
6 OF 1987. HIGHLIGHT THAT.

7 THAT 43,581, THAT'S THE MEMBERSHIP BASE AS  
8 THE END OF 1987; RIGHT?

9 A THAT'S CORRECT.

10 Q NOW, LET'S RETURN TO WHAT YOU SAID IN  
11 RESPONSE TO MR. MOSHENKO'S QUESTIONS TO YOU ABOUT WHAT THAT  
12 SUPPOSED 43,000 MEMBERSHIP BASE WAS MADE UP OF AS OF 1987.  
13 DO YOU UNDERSTAND?

14 A YES. GO AHEAD.

15 Q TALKED ABOUT 13,000 OF THE 43,000 BEING  
16 A.S.R.; RIGHT?

17 A THAT'S CORRECT.

18 Q AND THE BALANCE, ABOUT 30,000, WAS  
19 SUPPOSEDLY CUTTY'S, THE PONDEROSA, AND SO-CALLED DIFFERENT  
20 RESORT SYSTEMS; RIGHT?

21 A YES.

22 Q AND THAT'S WHAT THE BALANCE WAS; CORRECT?

23 A THAT'S WHAT THERE WERE, 43,581.

24 Q SO LET'S DIG A LITTLE DEEPER TO REALLY  
25 UNDERSTAND WHAT THIS 43,000 NUMBER OF SO-CALLED MEMBERS WAS  
26 REALLY MADE UP OF. LET'S TALK FIRST ABOUT PONDEROSA.

1 MR. MOSHENKO: OBJECTION. COUNSEL IS TESTIFYING.

2 THE COURT: OVERRULED.

3 MR. MOSHENKO: IT'S NOT A QUESTION.

4 THE COURT: OVERRULED.

5 PROCEED.

6 BY MR. SHERMAN: Q THE COMPANY FORMED TO ACQUIRE  
7 THE PONDEROSA WAS ORIGINALLY CALLED BUCKEYE RESORTS; RIGHT?

8 A THAT'S CORRECT.

9 Q AND BUCKEYE RESORTS ACQUIRED THE PONDEROSA  
10 AND THE PONDEROSA MEMBERS IN 1991; CORRECT?

11 A THAT'S CORRECT.

12 Q NOT IN 1987; RIGHT?

13 A THAT'S CORRECT.

14 Q AND SO THE MEMBERS THAT YOU ACQUIRED THROUGH  
15 THE PONDEROSA WERE ACQUIRED NOT IN 1987, BUT IN 1991;  
16 RIGHT?

17 A THEY WERE STILL MEMBERS. THEY WERE MEMBERS  
18 OF THE PONDEROSA PRIOR TO '87.

19 Q THEY WERE ACQUIRED BY YOU, SIR, IN 1991;  
20 RIGHT?

21 A THAT'S CORRECT.

22 Q LET'S TALK ABOUT CUTTY'S. THAT'S ANOTHER  
23 PART OF THIS 43,000.

24 A INCIDENTALLY, PONDEROSA IS A CORPORATION  
25 THAT'S EXISTED ALSO OVER THE YEARS, PRIOR TO MY INVOLVEMENT  
26 WITH PONDEROSA.

1 MR. SHERMAN: MOVE TO STRIKE.

2 THE COURT: GRANTED.

3 BY MR. SHERMAN: Q NOW, THE WAY YOU ORIGINALLY  
4 ACQUIRED ANY INTEREST IN THE CUTTY'S PROPERTIES WAS THROUGH  
5 A PURCHASE OF THE PREFERRED STOCK OF CUTTY'S; RIGHT?

6 A THAT'S CORRECT.

7 Q YOUR COMPANY, GUARDIAN CREDIT, ACQUIRED THAT  
8 STOCK IN CUTTY'S; CORRECT?

9 A I BELIEVE SO.

10 Q AND THAT ACQUISITION OCCURRED ON AUGUST 11,  
11 1988?

12 A APPROXIMATELY.

13 Q SO YOU CAME ON THE SCENE WITH CUTTY'S IN  
14 1988?

15 A I BELIEVE SO.

16 Q NOT IN 1987?

17 A NO.

18 Q CORRECT?

19 A CORRECT.

20 Q SO WE NOW KNOW THAT OF THE 30,000 THAT YOU  
21 TOLD THE JURY ABOUT, THAT MADE UP THIS 43,581, THAT 30,000  
22 DIDN'T BELONG TO YOU IN 1987, DID IT?

23 A SIR, THE PONDEROSA -- I'M SORRY -- IS A  
24 PLAINTIFF. CUTTY'S IS A PLAINTIFF THROUGH ITS HOLDERS,  
25 YES. THESE CORPORATIONS WERE UNDER -- YOU KNOW, THEY'RE  
26 SEPARATE CORPORATIONS, SOLD MEMBERSHIPS. AND THESE

1 MEMBERSHIPS WERE SOLD TO THE PONDEROSA OR CUTTY'S. THEY  
2 WERE MEMBERS BACK AT THE DATE THAT IT WAS STATED. WHETHER  
3 I AS AN INDIVIDUAL HAD ANYTHING TO DO WITH THEM AT THAT  
4 TIME IS NOT RELEVANT, IN MY OPINION. I'M NOT SUING YOU.

5 Q WHEN DID CUTTY'S BECOME A PLAINTIFF IN THIS  
6 CASE?

7 A CUTTY'S IS A PLAINTIFF THROUGH THE SCHULZ  
8 FAMILY TRUST. IT'S ONE OF THE RESORTS.

9 Q YOU DIDN'T CONTROL CUTTY'S IN '87?

10 A I DIDN'T CONTROL.

11 Q CORRECT?

12 A THAT'S CORRECT.

13 Q YOU DIDN'T CONTROL PONDEROSA IN '87;

14 CORRECT?

15 A THAT'S CORRECT.

16 Q AND THIS 43,000 NUMBER THERE IS JUST A  
17 MADE-FOR-LITIGATION NUMBER; CORRECT?

18 A IF YOU OWN A BANK, AND THE BANK -- YOU SELL  
19 A BANK TO SOMEBODY, ALL THE CUSTOMERS GO WITH THE BANK. IT  
20 DOESN'T MEAN THERE ARE NO LONGER CUSTOMERS OF BANK OF  
21 AMERICA BECAUSE SOMEBODY ELSE BOUGHT THEM OUT. THEY'RE  
22 STILL CUSTOMERS OF THE COMPANY THAT WAS PURCHASED.

23 MR. SHERMAN: NO FURTHER QUESTIONS.

24 THE COURT: THANK YOU.

25 MR. SHAW: YOUR HONOR, WE'LL BE PREPARED FOR  
26 REDIRECT TOMORROW MORNING.

1 THE COURT: FINE. GOOD.

2 (DISCUSSION OFF THE RECORD.)

3 THE COURT: SEE YOU TOMORROW AT 9:00. BY THE WAY,  
4 ONE ADMONISHMENT NOW. IF IN THE EVENT ANY OF YOU WISH TO  
5 CONTACT MISS GUZMAN, DON'T DISCUSS ANYTHING ABOUT THE TRIAL  
6 WITH HER. YOU KNOW, YOU'RE NOT SUPPOSED TO DISCUSS THIS  
7 CASE AMONG YOURSELVES OR WITH ANYONE ELSE. AND IF SHE  
8 SHOULD SAY SOMETHING LIKE, "WELL, HOW IS IT GOING?" JUST  
9 SAY, "WELL, EVERYTHING IS GOING FINE."

10 JUROR 18: SLOW. CAN WE SAY "SLOW"?

11 THE COURT: AND YOU'RE LEAVING. WE'RE ALL LEAVING  
12 TOMORROW AT 1:00. UNDERSTAND, EVERYBODY? YOU STILL GET  
13 YOUR \$15.

14 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
15 COURT OUT OF THE PRESENCE OF THE JURY:)

16 THE COURT: ALL RIGHT. GENTLEMEN, WE'LL SEE YOU  
17 ALL AT 9:00 IN THE MORNING.

18 MR. MOSHENKO: YOUR HONOR, I WANT TO MAKE SURE I  
19 HAVE AN UNDERSTANDING OF WHAT THE COURT'S EXPECTING.

20 WHEN MR. NOVELLI IS FINISHED, WE WOULD CALL  
21 ANOTHER WITNESS.

22 THE COURT: RIGHT.

23 MR. MOSHENKO: EXCEPT NOW DO I UNDERSTAND I HAVE TO  
24 SUBMIT TO THEM A SUMMARY OF THE PROPOSED TESTIMONY THAT  
25 WITNESS IS GOING TO GIVE US IN ORDER TO CALL THAT WITNESS?

26 MR. SHERMAN: WE -- JUST TALKING ABOUT THE COAST

1 AND AFFINITY WITNESSES, OTHER THAN STEVE ADAMS, WE'LL BE  
2 READY TO RECEIVE THOSE SUMMARIES TONIGHT, AND WE'LL TURN  
3 THEM AROUND IMMEDIATELY.

4 MR. SHAW: YOU ALREADY HAVE MR. ROBINSON. SO  
5 MR. ROBINSON WOULD BE READY RIGHT AWAY.

6 MR. SHERMAN: I SUBMIT THERE'S A DIFFERENCE BETWEEN  
7 AN EXCERPT OF A DEPOSITION AND A SUMMARY. WHAT I SUGGESTED  
8 TO YOUR HONOR -- WHAT I THOUGHT, YOUR HONOR, MADE SENSE WAS  
9 LET'S JUST GET A NARRATIVE. JUST CONDENSE IT. I DON'T  
10 REALLY WANT TO DO THEIR WORK IN TRYING TO FIGURE OUT WHAT  
11 THEY WANT TO PRESENT TO THE JURY IN THE WAY OF A SUMMARY.  
12 I HAVE THEIR DEPOSITION TESTIMONY, BUT LET THEM GIVE US A  
13 PARAGRAPH OR TWO.

14 THE COURT: I DON'T WANT TO INTRUDE UPON THEIR  
15 RIGHT TO TRY THE CASE. AND I DON'T WANT THEM TO HAVE TO DO  
16 ANYMORE WORK THAN THEY HAVE ALREADY DONE.

17 MR. SHERMAN: JUST READ THE DEPOS.

18 THE COURT: JUST READ THE DEPOS.

19 MR. SHERMAN: FINE.

20 MR. SHERMAN: YOUR HONOR, ONE OTHER POINT WITH  
21 RESPECT TO MR. ADAMS.

22 THE COURT: YES.

23 MR. SHERMAN: WE WILL BE FILING TOMORROW MORNING A  
24 MOTION DIRECTED TO MR. ADAMS'S TESTIMONY. THERE ARE TWO  
25 THINGS THAT MR. ADAMS COULD POSSIBLY HAVE ANYTHING TO SAY  
26 ABOUT THIS CASE. ONE OF THEM HAS ALREADY BEEN RULED UPON

1 BY YOUR HONOR AND SUBJECT TO PAROL EVIDENCE RULE, NAMELY,  
2 HE ATTENDED A MEETING IN 1993. MR. NOVELLI HASN'T  
3 TESTIFIED WHAT WAS SAID, AND MR. ADAMS HASN'T TESTIFIED AS  
4 TO WHAT WAS SAID BECAUSE IT'S VIOLATIVE OF THE PAROL  
5 EVIDENCE RULE AS YOUR HONOR HAS ALREADY RULED.

6                   THERE'S ONE OTHER ISSUE THAT MR. ADAMS --  
7 THAT IT COULD CONCEIVABLY BE RELEVANT TO ANY OF THE ISSUES  
8 IN THIS CASE, AND THAT IS THE ALTER EGO ISSUE, YOUR HONOR.  
9 AND --

10                   THE COURT: WE'RE NOT GIVING THAT TO THE JURY.

11                   MR. SHERMAN: THAT DOESN'T GO TO THE JURY. AND SO  
12 YOU WILL HAVE THAT MOTION TOMORROW MORNING. AND THE FACT  
13 IS, MR. ADAMS DIDN'T KNOW ABOUT THE LETTERS BEING SENT,  
14 WASN'T INVOLVED IN THE DECISION-MAKING PROCESS. HE DOESN'T  
15 RUN COAST TO COAST. AND, YOU KNOW, I'LL BE INTERESTED IN  
16 SEEING THE RESPONSE TO THE OPPOSITION.

17                   MR. ADAMS IS PREPARED TO COME HERE. BUT I  
18 THINK IN ALL FAIRNESS WHEN WE ALL REFLECT BACK ON IT,  
19 WANTING SOMEONE TO COME HERE AND HAVING THE JUSTIFIABLE  
20 NEED FOR THE PERSON TO BE HERE ARE TWO DIFFERENT THINGS.

21                   I RESPECT YOUR HONOR'S DECISION NOT TO TELL  
22 ANYONE HOW TO TRY THEIR CASE. I THINK THAT THAT'S JUST  
23 GOOD COMMON SENSE AND FAIR. BUT TO DRAG SOMEONE IN HERE SO  
24 THEY CAN REMAIN MUM ABOUT A MEETING AND THEN TO ASK THEM A  
25 BUNCH OF QUESTIONS THAT THE JURY IS JUST GOING TO BE GOING  
26 CIRCLES AND CIRCLES AROUND, THAT DOESN'T MAKE SENSE.

1           MR. SHAW: WE'RE GOING TO BRING HIM HERE AND ASKING  
2 HIM -- MASS TRANSFER, IT'S ALL OVER THEIR DOCUMENTS,  
3 35,000. ALL HIS EMPLOYEES DID THE WORK. HIS TRACKS ARE  
4 ALL OVER THIS -- AND LET'S LET HIM SAY, LET'S LET HIM TELL  
5 THIS JURY HE DIDN'T KNOW ABOUT THE 35,000 MASS TRANSFER.

6           MR. SHERMAN: I WON'T RAISE MY VOICE LIKE MR. SHAW.  
7 I DON'T KNOW THAT I NEED TO. BUT THIS IS NOTICE NOW TO  
8 MR. SHAW AND MR. MOSHENKO TO PROVIDE US WITH THEIR OFFER OF  
9 PROOF WHICH WE WOULD -- YOU KNOW, THE FACT --

10          THE COURT: WAIT. WAIT. KEEP GOING.

11          MR. SHERMAN: TO ASK FOR THE OFFER OF PROOF TO SHOW  
12 THAT UNDER ANY ATTENUATED, TORTURED OR EVEN TWISTED LOGIC,  
13 QUESTIONS LIKE THAT OUGHT TO EVEN BE PROPERLY POSED TO  
14 MR. ADAMS, WHO IS NOT, WHO IS NOT AN EMPLOYEE OF CAMP COAST  
15 TO COAST, WHO HAS NEVER BEEN AN EMPLOYEE OF CAMP COAST TO  
16 COAST.

17          THE COURT: WHO IS HE EMPLOYED BY?

18          MR. SHERMAN: HE IS EMPLOYED BY AFFINITY GROUP,  
19 INC., OR ONE OF THE OTHER COMPANIES UP THE STREAM. HE HAS  
20 NEVER BEEN EMPLOYED BY CAMP COAST TO COAST.

21          MR. MOSHENKO: HE IS THE DIRECTOR OF COAST TO  
22 COAST, OWNER OF COAST TO COAST, THE CONTROLLER OF COAST TO  
23 COAST.

24          MR. SHERMAN: IF I CAN FINISH.

25                   HE IS THE SOLE DIRECTOR. UNDER DELAWARE  
26 LAW -- THAT'S A DELAWARE CORPORATION -- HE IS ENTITLED TO

1 HAVE ONE DIRECTOR. HE IS THE DIRECTOR. HIS TESTIMONY IS  
2 HE DIDN'T KNOW ABOUT IT.

3 THE COURT: HERE AGAIN, YOU'RE ASKING ME TO  
4 PREJUDGE.

5 MR. SHERMAN: I'M NOT. BUT I'M GOING TO SHOW YOU  
6 THE MOTION TOMORROW.

7 THE COURT: ALL RIGHT.

8 MR. SHERMAN: AND WE ARE GOING TO ASK FOR A RULING  
9 SO THEY CAN SAY ALL THEY WANT ABOUT THE FACT. THE FACT IS,  
10 MR. ADAMS DIDN'T KNOW. WHAT DO YOU DO WITH THAT?

11 THE COURT: HE IS GOING TO BE HERE.

12 MR. SHERMAN: IF YOUR HONOR INSISTS THAT HE WILL BE  
13 HERE, AND HE WILL BE HERE ON THURSDAY.

14 THE COURT: BRING HIM OUT.

15 MR. SHAW: THANK YOU.

16 MR. SHERMAN: OKAY. MAY WE FIND OUT WHO THEIR NEXT  
17 WITNESS IS? IS IT JUST GOING TO BE THE READING OF  
18 DEPOSITIONS? THAT'S WHAT IT SOUNDS LIKE.

19 MR. MOSHENKO: WE HAVE MR. ADAMS, MR. BLOCK,  
20 MR. RYMAN, MR. BOGGESS, AND WE NEED THEM TO TELL US WHEN  
21 THEY'RE GOING TO BE HERE. I TOLD THEM TODAY WHO WE  
22 WANTED --

23 MR. SHERMAN: YOUR HONOR, FOR ABOUT THE TENTH TIME,  
24 I'M GOING TO TELL MR. MOSHENKO IN FRONT OF YOUR HONOR  
25 MR. RYMAN WILL BE HERE IN OUR CASE IN CHIEF. I THINK WE'VE  
26 DISCUSSED THAT PROBABLY 10 TIMES AT THIS POINT.

1 MR. BLOCK IS STILL RECOVERING FROM OPEN  
2 HEART SURGERY AND HAS GOTTEN ACTUALLY VERY SERIOUSLY ILL, I  
3 UNDERSTAND. SO WE'RE GOING TO HAVE TO USE HIS DEPOSITION.

4 WE'RE RUNNING KEN ROBINSON, THOSE  
5 DEPOSITIONS. AND MY QUESTION REALLY IS DIRECTED TO WHEN  
6 ARE WE GOING TO SEE ANOTHER WARM BODY OTHER THAN MR. ADAMS  
7 ON THURSDAY? I ASSUME THAT'S THE COURT RULING. I THINK  
8 IT'S FAIR TO GET SOME CLARIFICATION.

9 MR. MOSHENKO: MR. RYMAN WAS UNAVAILABLE,  
10 UNAVAILABLE, UNAVAILABLE. AND THEN MR. NOVELLI TAKES THE  
11 STAND, AND MR. RYMAN IS SITTING IN THE FRONT ROW. WE CAN'T  
12 HAVE HIM COME IN -- WE WANT TO TAKE HIM AS A WITNESS BEFORE  
13 MR. NOVELLI. WE COULDN'T GET HIM HERE. BUT HE CAN BE HERE  
14 TO WATCH.

15 WE WANT TO EXAMINE MR. RYMAN, YOUR HONOR.  
16 AND YES, WE DID TALK ABOUT THIS IN CHAMBERS. AND WE DID  
17 TALK ABOUT IT IN OPEN COURT. AND I INDICATED TO YOUR HONOR  
18 THAT IF COUNSEL INTENDED TO MAKE MOTIONS AT THE END OF THE  
19 PLAINTIFFS' CASE, THAT WHICH MOTIONS COULD BE AFFECTED BY  
20 MR. RYMAN ALLOWING US TO COMPLETE OUR EXAMINATION OF HIM,  
21 THEN WE WOULD WANT TO DO THAT. MR. --

22 THE COURT: THEY WANT TO USE HIM IN THE CASE IN  
23 CHIEF. BRING HIM OUT.

24 MR. SHERMAN: I DON'T KNOW THAT I CAN GET HIM ON  
25 SHORT NOTICE.

26 MR. MOSHENKO: YOU GOT HIM OUT FOR MR. NOVELLI'S

1 EXAMINATION.

2 MR. SHERMAN: I WILL ADVISE THE COURT TOMORROW IF  
3 WE CAN.

4 THE COURT: OKAY. SEE YOU ALL IN THE MORNING.

5 MR. SHERMAN: YOUR HONOR, WE STILL HAVEN'T GOTTEN A  
6 QUESTION ABOUT WHO THEIR NEXT LIVE WITNESS --

7 THE COURT: IF YOU WON'T HAVE ONE HERE, THAT'S IT.

8 MR. MOSHENKO: BOGGESS.

9 MR. SHERMAN: BOGGESS WILL BE DONE BY DEPOSITION.  
10 I GOT THE DEPOSITION TRANSCRIPT. THIS IS ONLY AN ALTER EGO  
11 ISSUE. THIS IS GETTING TEDIOUS AT THIS POINT.

12 MR. MOSHENKO: MR. BOGGESS IS TESTIFYING AS TO  
13 DIRECT INVOLVEMENT.

14 MR. SHERMAN: FINE. LET THEM READ THE DEPOSITION  
15 TESTIMONY, YOUR HONOR.

16 MR. MOSHENKO: OH, GREAT. FINE. WE CAN GO IN THAT  
17 DIRECTION, YOUR HONOR. I DON'T HAVE A PROBLEM WITH THAT.

18 THE COURT: OKAY.

19 MR. MOSHENKO: I JUST FIND IT STRANGE THAT WHEN WE  
20 WANT TO DO THAT BEFORE, WE WERE ORDERED -- THEY HAD TO  
21 BRING THE WITNESSES. WE COULDN'T -- NOW WE WANT TO GO WITH  
22 THE WITNESSES, WE HAVE TO GO ON THE DEPOSITIONS.

23 MR. SHERMAN: THIS IS BEFORE WE WERE 26 DAYS INTO A  
24 50-DAY TRIAL WITH NO END IN SIGHT.

25 (WHEREUPON THE COURT WAS IN RECESS UNTIL  
26 9:00 A.M., TUESDAY, JULY 11, 2000.)

