

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 19, 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

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1 WESTMINSTER, CALIFORNIA - WEDNESDAY, JULY 19, 2000

2 MORNING SESSION

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

5 THE COURT: PROCEED.

6 MR. SHERMAN: YOUR HONOR, ON THE SUBJECT OF THE  
7 PHOTOGRAPHS YESTERDAY, I BELIEVE WE HAD REACHED STIPULATION  
8 IN CHAMBERS THAT THESE PHOTOGRAPHS WOULD BE WITHDRAWN AND  
9 NOT BE SHOWN TO THE JURY.

10 THE COURT: SO STIPULATED?

11 MR. MOSHENKO: SO STIPULATED.

12 BUT ALSO WE AGREED THAT WE WOULD BE ABLE TO  
13 VIEW THEM, AND I'D JUST LIKE TO GET A XEROX OF THE  
14 PHOTOGRAPHS.

15 MR. SHERMAN: YOU CAN JUST TAKE A LOOK AT THEM  
16 RIGHT NOW.

17 MR. MOSHENKO: I'D LIKE TO ASK IF WE CAN HAVE A  
18 XEROX OF THE TWO, YOUR HONOR, SO WE HAVE AN INTERNAL RECORD  
19 OF WHAT WAS WITHDRAWN AND GIVEN BACK.

20 MR. SHERMAN: NOT A PROBLEM.

21 THE COURT: THANK YOU.

22 MR. SHERMAN: BUT YOU CAN KEEP THEM THIS MORNING.

23 MR. MOSHENKO: THANK YOU. I'LL GET THEM BACK TO  
24 YOU ON THE BREAK.

25 THE COURT: WHAT WERE THE NUMBERS OF THOSE, THE  
26 EXHIBIT NUMBERS?

1 MR. MOSHENKO: 1472 AND 1473.

2 THE COURT: THANK YOU. PROCEED.

3 PATRICIA ANN WALDMAN,

4 CALLED AS A WITNESS ON BEHALF OF THE DEFENDANTS, HAVING  
5 BEEN PREVIOUSLY DULY SWORN, WAS EXAMINED AND TESTIFIED AS  
6 FOLLOWS:

7 DIRECT EXAMINATION (CONTINUED)

8 BY MR. SHERMAN: Q GOOD MORNING, MRS. WALDMAN.

9 A GOOD MORNING.

10 Q WAS YOUR DEPOSITION TAKEN IN THIS CASE?

11 A YES, IT WAS.

12 Q AND DO YOU KNOW APPROXIMATELY WHEN; DO YOU  
13 RECALL APPROXIMATELY WHEN?

14 A I KNOW IT WAS LAST YEAR. I JUST DON'T  
15 REMEMBER -- I DON'T REMEMBER, ACTUALLY.

16 Q WOULD IT REFRESH YOUR RECOLLECTION IF I  
17 SUGGESTED THAT IT WAS IN THE EARLY PART OF THIS YEAR?

18 A YES. I KNOW IT WAS IN THE LAST YEAR. FOR  
19 SOME REASON I CAN'T REMEMBER EXACTLY WHEN.

20 Q OKAY. NOW, AFTER YOUR DEPOSITION WAS TAKEN  
21 IN THIS CASE, DID YOU RECEIVE A TELEPHONE CALL FROM  
22 MR. NOVELLI?

23 A YES.

24 Q OKAY. AND JUST TIME FRAME, WHEN DID YOU  
25 RECEIVE THIS TELEPHONE CALL?

26 A MARCH OF THIS YEAR.

1 Q MARCH OF THIS YEAR?

2 AND WHERE WERE YOU WHEN YOU GOT THIS PHONE  
3 CALL?

4 A IN THE KITCHEN.

5 Q AT HOME?

6 A OH, AT HOME.

7 Q AND I WANT YOU TO TELL THE JURY WHAT  
8 MR. NOVELLI SAID TO YOU AND WHAT YOU SAID TO MR. NOVELLI.

9 MR. MOSHENKO: FOR THE RECORD, YOUR HONOR, OBJECT,  
10 IMPROPER IMPEACHMENT. ABUSE OF AN INCIDENT TO DEAL WITH  
11 CREDIBILITY. WE'VE ARGUED IT.

12 THE WITNESS: WELL, HE SAID, "HELLO. THIS IS RAY."  
13 AND I DIDN'T SAY ANYTHING. I WAS PRETTY SHOCKED HE CALLED  
14 CONSIDERING HE JUST THREATENED TO SUE US. AND HE SAID --

15 MR. MOSHENKO: OBJECTION. MOTION TO STRIKE HER --  
16 "I DIDN'T SAY ANYTHING," AND THEN HER OFFERED COMMENT WAS  
17 NONRESPONSIVE.

18 THE COURT: MOTION TO STRIKE GRANTED.

19 BY MR. SHERMAN: Q MRS. WALDMAN, WHAT DID HE SAY  
20 TO YOU AND WHAT DID YOU SAY TO HIM?

21 A OKAY. HE SAID, "IT PROBABLY SEEMS STRANGE  
22 I'M CALLING YOU."

23 I SAID, "YES."

24 AND HE SAID, "WELL, THE REASON I'M CALLING  
25 IS, YOU'VE HEARD ABOUT THIS CAMP COAST TO COAST LAWSUIT?"

26 AND I SAID, "YES."

1 AND HE SAID, "HAVE YOU BEEN ASKED TO  
2 TESTIFY?"

3 AND I SAID, "NO." AND I SAID, "BUT I'VE  
4 GIVEN MY DEPOSITION."

5 AND HE ASKED ME IF I WAS ASKED ANYTHING TO  
6 DO WITH HIS BACKGROUND OR SOMETHING TO DO WITH SEXUAL, THAT  
7 MICHAEL SHERMAN, THIS SLEEZEBAG, WAS TRYING TO SPREAD  
8 RUMORS ABOUT HIM AND HURT THE CHANCES OF HIM SELLING THE  
9 COMPANY.

10 AND I SAID, "NO, THEY DIDN'T SAY ANYTHING TO  
11 ME ABOUT ANYTHING LIKE THAT." BECAUSE I ALREADY KNEW ABOUT  
12 THE RECORD, I TOLD HIM, ABOUT THE PRISON.

13 AND HE SAID, "WELL, HE IS SPREADING RUMORS.  
14 I DON'T LIKE IT." AND HE SAID, "HE HASN'T SAID ANYTHING TO  
15 YOU AT ALL, ANYTHING LIKE THAT?"

16 AND I SAID, "NO."

17 AND HE SAID, "THAT'S GOOD." AND HE ASKED ME  
18 IF I WAS GOING TO COME BACK TO WORK THERE, WHEN I WAS GOING  
19 TO COME BACK BECAUSE HE HAD OFFERED JOBS BEFORE.

20 AND I SAID, "I DON'T KNOW."

21 I WAS STILL LIKE TRYING TO FIGURE OUT THE  
22 WHOLE PHONE CALL.

23 AND THEN HE SAID, "YOU'RE GETTING YOUR  
24 PAYMENTS, AREN'T YOU? YOU AND STEVE ARE GETTING YOUR  
25 PAYMENTS?" AND HE SAID, "BECAUSE I GOT A NASTY LETTER FROM  
26 YOUR ATTORNEY THAT WE WERE LATE," AND HE WAS LAUGHING LIKE,

1 YOU KNOW, THERE WAS NO NEED FOR THAT.

2 HE SAID, "WE WERE LIKE TWO DAYS LATE, AND WE  
3 GOT THIS LETTER," AND HE SAYS, "BUT YOU'RE GETTING YOUR  
4 PAYMENTS; RIGHT?"

5 AND I SAID, "YES."

6 AND HE SAID, "WHEN WILL YOU BE IN TOWN  
7 NEXT?"

8 I SAID I WAS GOING TO BE THERE NEXT WEEK  
9 BECAUSE OF BUSINESS.

10 AND HE SAID, "WELL, STOP BY AND SEE ME. I  
11 WANT TO TALK TO YOU."

12 I SAID, OKAY, I WOULD.

13 BUT HE ON THE PAYMENT THING -- MY HUSBAND  
14 WAS STANDING THERE, AND I TOLD HIM --

15 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE,  
16 HEARSAY, WHAT SHE TOLD HER HUSBAND.

17 BY MR. SHERMAN: Q LET ME ASK, MRS. WALDMAN, A  
18 DIFFERENT QUESTION.

19 IS THAT EVERYTHING THAT MR. NOVELLI SAID TO  
20 YOU OR THAT YOU SAID TO MR. NOVELLI IN THIS CONVERSATION,  
21 AS BEST AS YOU CAN NOW RECALL?

22 A YES. IT WAS A VERY QUICK CONVERSATION, AND  
23 IT JUST WENT FROM THE SLEEZEBAG THING TO "ARE YOU GETTING  
24 YOUR PAYMENTS?"

25 Q NOW, WAS YOUR HUSBAND NEXT TO YOU?

26 A YES.

1 Q OR IN THE SAME ROOM?

2 A YES, HE WAS.

3 Q AND DID YOU SPEAK WITH YOUR HUSBAND  
4 IMMEDIATELY FOLLOWING THE TELEPHONE CALL ABOUT THE CALL?

5 A YES.

6 Q WHAT DID YOU SAY TO HIM AND WHAT DID HE SAY  
7 TO YOU?

8 MR. MOSHENKO: OBJECTION, YOUR HONOR. IT SEEKS  
9 HEARSAY.

10 THE COURT: SHE CAN TELL WHAT SHE SAID TO HIM.

11 THE WITNESS: I SAID, "WE'RE NOT GOING TO GET OUR  
12 PAYMENTS ANYMORE." I SAID, "IF I TESTIFY IN THIS CASE,  
13 YOU'RE NOT GOING TO GET YOUR PAYMENTS, STEVE."

14 BY MR. SHERMAN: Q NOW, THE ISSUE OF THE LOANS,  
15 INVESTMENTS THAT YOUR HUSBAND MADE, HOW MANY TIMES IN THE  
16 PRIOR EIGHT OR NINE YEARS HAD MR. NOVELLI EVER CONTACTED  
17 EITHER YOU OR YOUR HUSBAND, TO YOUR KNOWLEDGE, TO TELL YOU  
18 OR ASK YOU WHETHER PAYMENTS WERE BEING RECEIVED IN A TIMELY  
19 FASHION?

20 A NEVER.

21 Q MRS. WALDMAN, DO YOU HAVE ANYTHING TO GAIN  
22 IN PROVIDING TESTIMONY THAT'S HARMFUL TO MR. NOVELLI AND  
23 THE PLAINTIFFS?

24 A DO I HAVE ANYTHING TO GAIN?

25 Q YES.

26 A NO.

1 Q DO YOU BELIEVE YOU HAVE ANYTHING TO LOSE?

2 MR. MOSHENKO: OBJECTION. IT'S IRRELEVANT.

3 THE COURT: SUSTAINED.

4 BY MR. SHERMAN: Q WHY ARE YOU TESTIFYING?

5 MR. MOSHENKO: OBJECTION. IT'S IRRELEVANT. SHE  
6 HAS BEEN SUBPOENAED.

7 THE COURT: SUSTAINED.

8 MR. SHERMAN: SHE HAS NOT BEEN SUBPOENAED, YOUR  
9 HONOR.

10 MR. MOSHENKO: THEN OBJECTION. IT'S IRRELEVANT.  
11 SHE IS A VOLUNTEER.

12 THE COURT: SUSTAINED.

13 BY MR. SHERMAN: Q I'D LIKE TO TURN NOW TO THE  
14 ISSUE OF THE SALES OF THE PRESIDENT'S TRAVEL CLUB UPGRADE,  
15 AND JUST AS A REFERENCE POINT, THE TESTIMONY THAT YOU GAVE  
16 YESTERDAY ABOUT SALES HAVING PEAKED, REACHED A HIGH POINT  
17 IN THE '93, EARLY '94 TIME FRAME.

18 DO YOU RECALL THAT TESTIMONY GENERALLY FROM  
19 YESTERDAY?

20 A YES, I DO.

21 Q OKAY. NOW, AFTER THE SALES OF THIS UPGRADE  
22 PRODUCT HAD REACHED THEIR PEAK, TO YOUR KNOWLEDGE WHAT THEN  
23 HAPPENED WITH PRESIDENT'S TRAVEL CLUB SALES?

24 A WELL, IT ALL KIND OF HAPPENED AT ONCE. THEY  
25 TAPERED OFF BECAUSE OF THE FACT THAT WE HAD SATURATED THE  
26 BASE. BUT THEN WITH THE PRESIDENTIAL AIR COMING INTO THE

1 COMPANY AND THE FUNDS THAT WERE PUT INTO THAT, AND JUST  
2 THE -- NO MONEY. ALL OF A SUDDEN THE MONEY DRIED UP.

3 Q WHAT TIME FRAME ARE YOU REFERRING TO NOW?

4 A '95.

5 MR. MOSHENKO: OBJECTION. ASKED AND ANSWERED, YOUR  
6 HONOR.

7 THE COURT: OVERRULED.

8 BY MR. SHERMAN: Q SO BY 1995, MRS. WALDMAN,  
9 FOCUSING NOW ON THE ISSUE OF THE SALES ACTIVITY, THE  
10 PRESIDENT'S TRAVEL CLUB UPGRADE SALES ACTIVITY, WAS THERE  
11 ANY MATERIAL AMOUNT OF SALES OCCURRING, TO YOUR KNOWLEDGE,  
12 AT THAT TIME OF THAT PRODUCT?

13 A NO.

14 Q AND THIS ISSUE OF PRESIDENTIAL AIR, WHAT  
15 WAS -- WAS THERE, IN YOUR MIND, A LINKAGE BETWEEN ONE AND  
16 THE OTHER, THE SALES OF THE UPGRADE PRODUCT AND  
17 PRESIDENTIAL AIR?

18 MR. MOSHENKO: OBJECTION. SEEKS SPECULATION. HER  
19 OPINION ON THIS ISSUE IS IRRELEVANT. LACKS FOUNDATION.

20 MR. SHERMAN: I WANT TO KNOW IF THERE WAS AN  
21 OPINION, THEN.

22 THE COURT: OVERRULED.

23 THE WITNESS: I FELT THAT ALL THE MONEY THAT WAS  
24 GOING INTO PRESIDENTIAL AIR WAS DAMAGING THE COMPANY.

25 BY MR. SHERMAN: Q AND WHY DID YOU THINK THAT?

26 A BECAUSE AS SALES WENT DOWN AND MORE MONEY

1 WENT INTO PRESIDENTIAL AIR, THEN THERE BECAME NO MONEY.  
2 AND IT JUST -- IT WAS PRETTY MUCH THE BEGINNING OF THE END  
3 FOR ME.

4 Q AND WHEN YOU SAY IT WAS PRETTY MUCH THE  
5 BEGINNING OF THE END FOR YOU, DID YOU INTERFACE IN THE 1995  
6 TIME FRAME -- DID YOU SPEAK WITH MR. NOVELLI IN THE 1995  
7 TIME FRAME ABOUT THESE EVENTS THAT YOU'VE JUST BEEN  
8 TESTIFYING TO?

9 A YES.

10 Q AND WHAT DID YOU SAY TO HIM ON THESE  
11 SUBJECTS, AND WHAT DID HE SAY TO YOU?

12 A WELL, I DIDN'T SAY ANYTHING NEGATIVE ABOUT  
13 THE AIRLINE. MAINLY I WOULD TALK ABOUT THE PROBLEMS WE  
14 WERE HAVING WITH THE OTHER COMPANIES, BECAUSE MR. NOVELLI  
15 DOESN'T LIKE TO HEAR NEGATIVITY AT ALL. AND THE AIRLINE  
16 WAS HIS BABY. SO I DIDN'T -- NOBODY WOULD SAY ANYTHING BAD  
17 ABOUT IT. WE JUST ALL TALKED AMONGST OURSELVES ABOUT ALL  
18 THE MONEY THAT WAS GOING INTO IT.

19 Q AND WHEN YOU SPOKE TO MR. NOVELLI ABOUT THE  
20 LACK OF MONEY GOING INTO THE RESORTS, WHAT DID MR. NOVELLI  
21 SAY IN RESPONSE?

22 A I DON'T RECALL, ACTUALLY, THE EXACT WORDS  
23 THAT HE SAID IN RESPONSE, BECAUSE IT WAS JUST A NORMAL  
24 DAY-TO-DAY CONVERSATION WHERE WE NEED MONEY FOR THIS, WE  
25 NEED MONEY FOR THAT. AND --

26 Q DO YOU RECALL HIS GENERAL RESPONSE, IF YOU

1 CAN'T RECALL THE SPECIFIC WORDS?

2 A HE WAS VERY CONSUMED WITH PRESIDENTIAL AIR.  
3 SO THAT TOOK A LOT OF TIME, A LOT OF ENERGY, AND HE WAS  
4 VERY EXCITED ABOUT IT. SO HE DIDN'T REALLY WANT TO HEAR A  
5 LOT ABOUT ANY PROBLEMS WITH THE OTHER COMPANIES.

6 Q NOW, YOU MENTIONED HE WAS VERY EXCITED ABOUT  
7 PRESIDENTIAL AIR.

8 DID THERE COME A POINT IN TIME WHEN IN YOUR  
9 CONVERSATIONS WITH MR. NOVELLI IN THE '95 TIME FRAME THE  
10 IMPRESSION OF EXCITEMENT THAT HE CONVEYED TO YOU WAS  
11 REPLACED BY ANOTHER FEELING?

12 MR. MOSHENKO: OBJECTION. HER IMPRESSIONS AND  
13 FEELINGS ARE IRRELEVANT. LACKS FOUNDATION.

14 THE COURT: REPHRASE, PLEASE.

15 MR. SHERMAN: OKAY.

16 Q IN THE CONVERSATIONS THAT YOU HAD WITH  
17 MR. NOVELLI IN 1995 AND THEN CONTINUING INTO 1996, WAS  
18 MR. NOVELLI ALWAYS EXCITED ABOUT PRESIDENTIAL AIR?

19 MR. MOSHENKO: CALLS FOR SPECULATION.

20 THE COURT: OVERRULED.

21 BY MR. SHERMAN: Q IN CONVERSATIONS.

22 A WHEN PRESIDENTIAL AIR WAS UP AND RUNNING,  
23 YES.

24 Q AND THEN WHAT?

25 A AND THEN PRESIDENTIAL AIR WAS GONE. AND  
26 THAT'S WHAT I REFERRED TO AS THE YEAR FROM HELL.

1 Q WHAT DO YOU MEAN WHEN YOU TALK ABOUT THE  
2 YEAR FROM HELL?

3 A THE YEAR FROM HELL WAS THE YEAR FROM HELL.  
4 IT WAS -- IT WAS A NIGHTMARE. IT'S WHEN EVERYTHING JUST --  
5 EVERYTHING CAME CRASHING DOWN. AND EVERYTHING THAT I FELT  
6 THAT I HAD HELPED BUILD UP WAS JUST FALLING APART.

7 AND MR. NOVELLI, HE BECAME DIFFERENT. HE  
8 WASN'T THE PERSON THAT I KNEW. HE BECAME VERY RECLUSIVE.  
9 HE DIDN'T -- HE GOT -- WELL, I REMEMBER THE THING ABOUT NO  
10 SWEARING. HE GOT VERY UPSET EASILY. IT WAS A LOT OF  
11 TENSION. EVERYBODY WAS, YOU KNOW, CLAWING AT EVERYBODY  
12 ELSE.

13 WITH THE PRESIDENTIAL AIR, THE SALES DRIED  
14 UP, AND ALL THESE CREDITORS. IT WAS CRAZY. I WAS A VERY,  
15 VERY DEVASTATING TIME FOR ME PERSONALLY IN THE COMPANY.

16 Q NOW, THE -- YOU TALKED TO SOME EXTENT ABOUT  
17 SOME CHECKS, PAYROLL CHECKS THAT BOUNCED.

18 A YES.

19 Q AND TO YOUR KNOWLEDGE, WAS THE SUBJECT OF  
20 BOUNCING EMPLOYEE PAYROLL CHECKS COMMUNICATED TO MEMBERS?

21 A OH, YES. THEY KNEW.

22 Q HOW DO YOU KNOW THAT THEY KNEW?

23 A BECAUSE MY SALES FORCE, WHO I SPEAK TO EVERY  
24 DAY, TOLD ME. MEMBER VOLUNTEERS KNEW.

25 MR. MOSHENKO: THIS IS REPEAT OF TESTIMONY FROM  
26 YESTERDAY. ASKED AND ANSWERED.

1 THE COURT: OVERRULED.

2 BY MR. SHERMAN: Q LET'S FOCUS ON MEMBER  
3 VOLUNTEERS, AND THE ISSUE IS MEMBER VOLUNTEERS AND BOUNCING  
4 PAYROLL CHECKS.

5 HOW IS IT THAT MEMBER VOLUNTEERS, TO YOUR  
6 PERSONAL KNOWLEDGE, LEARNED ABOUT BOUNCING PAYROLL CHECKS?

7 A IT WAS ALL OVER THE RESORTS. I MEAN,  
8 MEMBERS LOVED TO TALK FIRST. SITTING AROUND OUT THERE ON  
9 THE RESORT, WHAT ELSE ARE YOU GOING TO DO BUT TALK AND  
10 GOSSIP AND TALK WITH YOUR FRIENDS.

11 BUT RESORT SERVICES AND SALES DEPARTMENT ARE  
12 SITTING RIGHT ON THE RESORT. AND THESE ARE \$6-AN-HOUR  
13 EMPLOYEES, AND THEY'RE UPSET ABOUT THE CHECKS. AND THEY'RE  
14 VERY VOCIFEROUS. AND ALSO THERE WERE TIMES WHEN PEOPLE  
15 WOULD COME ONTO THE RESORT DEMANDING PAYMENT OF BOUNCED  
16 CHECKS. SO NOTHING WAS A SECRET OUT THERE. THAT'S FOR  
17 SURE.

18 Q WHEN YOU SAY PEOPLE WOULD COME ONTO THE  
19 RESORT DEMANDING PAYMENT, TO YOUR KNOWLEDGE, WHAT WAS THAT  
20 WITH REFERENCE TO?

21 A ONE EXAMPLE, I HAD THE SHERIFFS COME OUT AND  
22 HANDCUFF SOME SALESPEOPLE AND TRY TO ARREST THEM BECAUSE  
23 THEY CASHED THEIR CHECKS AT A GROCERY STORE, AND THEN THEY  
24 BOUNCED, AND WE HADN'T REPLACED THEM YET. AND IN THAT  
25 STATE, APPARENTLY, IF YOU BOUNCE YOUR PAYROLL CHECK, YOU'RE  
26 LIABLE. AND THAT -- THAT WAS DEVASTATING TO ME, NOT JUST

1 THEM. BECAUSE THERE WAS NOTHING I COULD DO. I WAS SITTING  
2 UP AT THE CORPORATE OFFICE AND THEY WERE OUT IN -- I THINK  
3 IT WAS MICHIGAN, ACTUALLY, OR FLORIDA. AND THE MEMBERS SAW  
4 THAT. AND THE SALES TEAM -- A LOT OF THE SALES TEAM LEFT  
5 AT THIS PERIOD.

6 Q THIS PERIOD BEING?

7 A THE NIGHTMARE, THE YEAR FROM HELL.

8 Q NOW, ON THE SAME ISSUE OF EMPLOYEE PAYROLL  
9 OR SALARIES, WERE THERE OTHER ISSUES THAT YOU PERSONALLY  
10 BECAME KNOWLEDGEABLE OF, AS FAR AS EMPLOYEE BENEFITS, THAT  
11 WERE CAUSING TENSION OR PROBLEMS?

12 A WELL, EARLIER ON WHERE THE HEALTH INSURANCE  
13 HAD BEEN CANCELLED --

14 Q DID YOU TELL EVERYBODY THAT THE HEALTH  
15 INSURANCE HAD BEEN CANCELLED?

16 A WELL, WE DID A MEMO. WHEN I HEARD ABOUT IT  
17 WE DID A MEMO TO THE EMPLOYEES THAT THERE WASN'T GOING TO  
18 BE ANYMORE HEALTH INSURANCE. AND A LOT OF THEM DIDN'T LIKE  
19 THAT, OF COURSE.

20 BUT THEN I GOT A COMPLAINT FROM ONE OF MY  
21 EMPLOYEES THAT SHE WAS CHARGED FOR HER HOSPITAL VISIT, OR  
22 WHATEVER IT WAS, FROM LIKE FOUR MONTHS AGO. AND THEN I  
23 TALKED TO PAYROLL, AND THEY HADN'T PAID THE HEALTH  
24 INSURANCE PREMIUM IN THE LAST SIX MONTHS. AND SO THE  
25 HEALTH INSURANCE COMPANY WASN'T GOING TO PAY THESE CLAIMS.

26 SO IT BECAME A REALLY BIG ORDEAL IN THE

1 OFFICE, AND SOME OF MY STAFF LEFT WHEN WE DIDN'T HAVE THE  
2 HEALTH INSURANCE ANYMORE.

3 Q SO THIS MEMO THAT WENT OUT ON THE HEALTH  
4 INSURANCE, WAS THAT AT THE SAME TIME THAT IT STOPPED, OR  
5 HAD IT STOPPED TO YOUR KNOWLEDGE PRIOR TO THE TIME THE MEMO  
6 WENT OUT?

7 A HAD THE HEALTH INSURANCE STOPPED?

8 Q YES.

9 A WELL, THAT'S WHEN I WAS INFORMED IT HAD  
10 STOPPED, BUT THEN I FOUND OUT LATER FROM PAYROLL THAT  
11 PERHAPS IT HADN'T OFFICIALLY STOPPED IT.

12 BUT AS FAR AS THE HEALTH INSURANCE COMPANY  
13 WAS CONCERNED, IT WAS STOPPED BECAUSE THEY HADN'T PAID THE  
14 PREMIUM. BUT THE EMPLOYEES DIDN'T KNOW THIS, SO THEY KEPT  
15 GOING TO THE DOCTOR. SO THIS CAUSED A LOT OF ANGER,  
16 DISSENSION, A LOT OF CRYING AND CHAOS.

17 Q I'D LIKE TO MOVE TO SOME THINGS, SOME -- I  
18 CAN'T THINK OF A BETTER WORD -- SAYINGS, IF YOU KNOW OF ANY  
19 SAYINGS, THAT OVER THE YEARS YOU WOULD HEAR FROM  
20 MR. NOVELLI.

21 A OKAY.

22 Q HAVE YOU HEARD OF ANY?

23 A YES, HE HAD A LOT OF FUNNY SAYINGS.

24 Q AND DID HE HAVE ANY SAYINGS WITH RESPECT TO  
25 MEMBERS?

26 A WELL, WE CALLED THEM "MASSES OF ASS."

1 THE COURT: CALLED THEM WHAT?

2 THE WITNESS: MASSES OF ASS.

3 THE COURT: THAT'S WHAT I THOUGHT YOU SAID.

4 THE WITNESS: FOR THE RECORD I DID NOT SWEAR. I  
5 WAS ASKED.

6 BY MR. SHERMAN: Q AND WHAT ABOUT DUES CHECKS,  
7 MEMBERS' DUES CHECKS. WAS THERE A SAYING THAT MR. NOVELLI  
8 USED WITH RESPECT TO MEMBERS' DUES CHECKS?

9 A WELL, WE LIKED DUES CHECKS. I MEAN --

10 Q WAS THERE A SAYING?

11 A WELL, MR. NOVELLI WAS BIG ON -- HE WOULD  
12 RATHER HAVE A BUNCH OF LITTLE ITTY-BITTY CHECKS THAN ONE  
13 BIG CHECK. BUT I DON'T KNOW IF THAT'S A SAYING.

14 Q DID YOU HEAR HIM SAY THAT FROM TIME TO TIME?

15 A ALL THE TIME.

16 Q WHAT ABOUT SAYINGS ABOUT MONEY?

17 A HIS FAVORITE SAYING WAS "IT'S ONLY MONEY;  
18 THERE'S ALWAYS MORE."

19 Q LET'S TALK ABOUT THE ISSUE OF CASH  
20 MANAGEMENT.

21 DID YOU HAVE PERSONAL KNOWLEDGE, WHILE YOU  
22 WERE WITH THE NOVELLI ORGANIZATION, ABOUT HOW THE CASH WAS  
23 MANAGED IN THE OFFICE?

24 A YES.

25 Q AND HOW DID YOU ACQUIRE THAT PERSONAL  
26 KNOWLEDGE?

1           A           WELL, I WORKED WITH THE C.F.O. I WORKED  
2 WITH RAY, AND I WAS A CHECK SIGNER. AND I PRETTY MUCH KNEW  
3 WHAT WAS GOING OUT, WHAT WAS COMING IN. JUST -- NOT  
4 EVERYTHING. BUT WHEN I WOULD TRY TO GET MONEY FOR SALES  
5 AND MARKETING, WE WOULD TALK ABOUT WHAT MONEY WAS  
6 AVAILABLE.

7           Q           DO YOU KNOW WHAT A CASH MANAGEMENT REPORT --  
8 THAT TERM WAS USED WITHIN THE NOVELLI ORGANIZATION -- A  
9 CASH MANAGEMENT REPORT?

10          A           WELL, THERE'S TWO REPORTS. ONE WOULD BE  
11 LIKE OFF THE COMPUTER, AND THEN ONE WOULD BE A DAILY CASH  
12 REPORT.

13          Q           SO AS FAR AS -- LET'S FOCUS ON THE DAILY  
14 CASH REPORT; IS THAT A DOCUMENT THAT YOU'VE SEEN?

15          A           YES.

16          Q           AND WHEN DID YOU SEE IT?

17          A           I SAW IT A LOT. IT CAME TO MR. NOVELLI  
18 EVERY DAY.

19          Q           AND HOW DO YOU KNOW THAT?

20          A           WELL, NORMALLY I WOULD MEET WITH MR. NOVELLI  
21 EARLY IN THE MORNING, AND THAT REPORT WAS TO BE ON HIS DESK  
22 EVERY MORNING SO HE COULD SEE WHAT MONIES WERE AVAILABLE  
23 AND MAKE SOME DECISIONS FOR THE DAY.

24          Q           DID YOU EVER SPEAK WITH MR. NOVELLI ABOUT  
25 THESE DAILY REPORTS?

26          A           I COULD HAVE. I DON'T RECALL -- WE TALKED

1 ABOUT WHAT MONEY WAS AVAILABLE AND -- BUT I DON'T RECALL  
2 SAYING, "I'D LIKE TO SPEAK TO YOU ABOUT THE CASH REPORT."

3 Q OKAY. WELL, LET ME TAKE IT A LITTLE  
4 DIFFERENT, THEN.

5 YOU'RE IN HIS OFFICE EARLY IN THE MORNING  
6 MOST DAYS?

7 A YES.

8 Q AND WHEN YOU'RE THERE, HE IS THERE, AND THE  
9 CASH REPORT IS THERE?

10 A IF IT WASN'T ALREADY THERE, IT WAS BROUGHT  
11 IN. NORMALLY IT WAS BROUGHT IN WHEN I WAS IN THERE.

12 Q AND TO YOUR KNOWLEDGE WHAT COMPANIES WERE ON  
13 THIS CASH MANAGEMENT REPORT?

14 A ALL THE COMPANIES. AT LEAST I THOUGHT IT  
15 LOOKED LIKE ALL OF THEM. I COULDN'T SAY IF ONE WAS MISSING.

16 Q AND DID YOU EVER HEAR MR. NOVELLI, WHILE  
17 YOU'RE SITTING IN HIS OFFICE, GIVE DIRECTION TO ANYONE WITH  
18 RESPECT TO THE CASH MANAGEMENT REPORTS?

19 A YES.

20 Q AND WHAT WAS THE NATURE OF THE DIRECTION  
21 THAT YOU HEARD MR. NOVELLI GIVE?

22 A WELL, EITHER SOMEBODY WOULD BE STANDING  
23 THERE, LIKE THE C.F.O. OR SOMEBODY ELSE WITH CASH  
24 MANAGEMENT ACCOUNTING, OR HE WOULD CALL UP AND SAY, "I WANT  
25 YOU TO DO THIS TODAY. I WANT YOU TO DO THAT. I WANT YOU  
26 TO PAY THIS. I WANT YOU TO MOVE THIS MONEY HERE." SO HE

1 WOULD GIVE DIRECTIONS.

2 Q DID YOU EVER HEAR OF INSTANCES -- WELL,  
3 LET'S BREAK IT UP A LITTLE BIT.

4 YOU'VE GOT -- YOU MENTIONED THAT THERE WERE  
5 A NUMBER OF COMPANIES ON THIS CASH MANAGEMENT REPORT. AND  
6 WITHOUT TURNING THIS INTO A WHOLE MEMORY QUIZ, WHAT  
7 COMPANIES WERE ON THE REPORT?

8 A ALL SEASONS RESORTS, CUTTY'S RESORTS, FIRST  
9 NATIONWIDE, GUARDIAN, BOGUE CHITTO, ORLANDO, FLORIDA.  
10 USUALLY -- PROBABLY ABOUT 20, 25, IF I REMEMBER RIGHT.  
11 THESE WERE THE COMPANIES THAT HAD LIKE ACCOUNTS.

12 Q WAS PRESIDENTIAL AIR ON THAT LIST, TO YOUR  
13 KNOWLEDGE?

14 A I DON'T RECALL.

15 Q DID YOU EVER HEAR OF INSTANCES WHERE  
16 MR. NOVELLI DIRECTED THAT MONEY BE TAKEN OUT OF ONE OF  
17 THOSE RESORT ACCOUNTS TO A PRESIDENTIAL AIR ACCOUNT?

18 A YES.

19 Q WAS THIS AN ISOLATED INSTANCE, OR DID THIS  
20 OCCUR MORE THAN ONCE?

21 A I DON'T BELIEVE IT WAS ISOLATED. IT SEEMED  
22 PRETTY NORMAL.

23 Q AND WHEN YOU SAY IT SEEMED PRETTY NORMAL,  
24 WHAT DO YOU MEAN BY THAT?

25 A I HEARD IT MORE THAN ONCE. I TOOK IT AS  
26 NORMAL CONVERSATION.

1 Q NOW, AS PART OF YOUR DUTIES AT THE COMPANY,  
2 DID YOU ALSO GET REPORTS AND HAVE ACCESS TO DATA AND  
3 INFORMATION?

4 A YES.

5 Q DID YOU HAVE ACCESS TO DATA AND INFORMATION  
6 ABOUT MEMBERS?

7 A YES.

8 Q DID YOU HAVE ACCESS TO DATA AND INFORMATION  
9 ABOUT THE ACCOUNT STATUS OF MEMBERS, WHETHER THEY WERE  
10 PAYING OR NOT?

11 A YES.

12 Q DID YOU HAVE ACCESS AS TO, YOU KNOW, HOW  
13 AGED A MEMBER'S ACCOUNT MIGHT BE?

14 A YES.

15 Q DID YOU HAVE ACCESS TO MEMBERSHIP LOSS?

16 A YES.

17 Q AND WERE THESE THINGS THAT YOU CAME IN  
18 CONTACT WITH AND USED AS PART OF YOUR DUTIES AND  
19 RESPONSIBILITIES?

20 A YES.

21 Q AND WHILE YOU WERE WITH THE COMPANY, DID YOU  
22 EVER -- STRIKE THAT.

23 WAS THAT INFORMATION RELIABLE?

24 MR. MOSHENKO: OBJECTION. CALLS FOR A CONCLUSION.  
25 LACKS FOUNDATION.

26 THE COURT: SUSTAINED.

1 BY MR. SHERMAN: Q DID YOU EVER EXPERIENCE ANY  
2 CHALLENGES IN UTILIZING THESE DIFFERENT REPORTS?

3 A I'M NOT QUITE SURE THE QUESTION. DID I --

4 Q WELL, WAS IT EASY TO USE THE REPORTS? WERE  
5 THEY RELIABLE?

6 A YES.

7 MR. MOSHENKO: OBJECTION. THE PREVIOUS QUESTION  
8 WAS OBJECTED TO. THE COURT SUSTAINED THE OBJECTION. HE IS  
9 RESTATING IT.

10 THE COURT: HE RESTATED IT DIFFERENTLY.  
11 OVERRULED.

12 SHE ANSWERED "YES."

13 BY MR. SHERMAN: Q DID YOU EVER HAVE CONVERSATIONS  
14 WITH ANYONE IN THE OFFICE ABOUT WHETHER THE REPORTS WERE  
15 USEFUL, OR WHETHER THEY PROPERLY STATED INFORMATION, OR  
16 WHETHER THEY IMPROPERLY STATED INFORMATION, OR ANYTHING  
17 ELSE?

18 A WELL, A LOT OF THE REPORTS WERE NOT CORRECT  
19 BECAUSE A LOT OF THE DATA WASN'T INTO THE SYSTEM YET, AND  
20 WE DIDN'T HAVE -- WE HAD I THINK ONE COMPUTER PROGRAMMER.  
21 BUT YOU'RE TALKING ABOUT THE COMPUTER REPORTS OR JUST  
22 REPORTS THAT WE DID?

23 Q I'M TALKING ABOUT THE COMPUTER REPORTS THAT  
24 YOU RECEIVED.

25 DID YOU SPEAK WITH PEOPLE IN THE OFFICE  
26 ABOUT WHETHER YOU COULD TRUST AND RELY ON THAT DATA?

1           A        YES.

2           Q        AND WHAT WAS THE SUBJECT OF THESE  
3 DISCUSSIONS?  WHAT WAS SAID?

4           A        IT DEPENDED WHERE THE REPORT CAME FROM.

5           Q        AND WHAT DO YOU MEAN BY THAT?

6           A        IF WE COULD RELY ON THE DATA.  WELL,  
7 ACCOUNTING WAS A NIGHTMARE, A WRECK.  SO ANY FIGURES FROM  
8 THEM, FORGET IT.

9                    BUT THE COMPUTER DEPARTMENT, ON THE MEMBER  
10 BASE AND THINGS LIKE THAT, WHATEVER THEY PUT IN, THAT'S  
11 WHAT YOU WOULD GET.  SO YOU COULD PRETTY MUCH GET ANYTHING  
12 YOU WANTED OUT OF THERE.

13          Q        WERE -- AS YOU GREW IN YOUR JOB AND MATURED  
14 IN YOUR JOB, DID YOU BELIEVE THAT ADEQUATE RECORDS WERE  
15 BEING KEPT?

16          A        NO.

17          Q        WHY NOT?

18          A        WELL, I DIDN'T KEEP ADEQUATE RECORDS.

19          Q        DID OTHERS TO YOUR KNOWLEDGE?

20          MR. MOSHENKO:  LACKS FOUNDATION.

21          THE WITNESS:  I TRY.

22          THE COURT:  SUSTAINED.

23          BY MR. SHERMAN:  Q  DID YOU DISCUSS WITH OTHERS IN  
24 THE ORGANIZATION WHETHER ADEQUATE RECORDS WERE KEPT?

25          MR. MOSHENKO:  OBJECTION.  CALLS FOR HEARSAY.  
26 IMPROPER FOUNDATION.

1 THE COURT: OVERRULED. SHE CAN ANSWER YES OR NO.

2 THE WITNESS: YES.

3 BY MR. SHERMAN: Q OKAY. AND WITH WHOM DID YOU  
4 DISCUSS THIS SUBJECT?

5 A EVERYBODY. RAY, DARIO MOSCOSO, THE C.F.O.,  
6 THE C.F.O. BEFORE HIM, OTHER MANAGERS, MAINLY.

7 Q AND WHAT WAS SAID BETWEEN YOU AND THESE  
8 PEOPLE ON THAT SUBJECT OF WHETHER YOU COULD RELY ON THAT  
9 INFORMATION?

10 MR. MOSHENKO: OBJECTION. IT'S UNCERTAIN AS TO  
11 TIME --

12 THE COURT: OVERRULED.

13 MR. MOSHENKO: -- PERSON, AND PLACE, AND SUBJECT  
14 MATTER.

15 THE WITNESS: WELL, IT WAS PRETTY MUCH A JOKE OF --  
16 YOU KNOW, THAT THE RECORDS WERE NOT WELL KEPT. BUT THERE  
17 WAS ALWAYS SO MUCH CHAOS. AND ONE COMPANY WAS COMING IN,  
18 AND THERE WAS A BANKRUPTCY -- I MEAN, YOU DID THE BEST YOU  
19 COULD. BUT NO, I DON'T FEEL OUR RECORDS WERE RELIABLE.

20 BY MR. SHERMAN: Q NOW, DURING THE TIME THAT YOU  
21 WERE EMPLOYED BY MR. NOVELLI'S COMPANIES, WERE YOU AWARE OF  
22 THE PHYSICAL CONDITION OF THE RESORTS?

23 A YES, PRETTY MUCH.

24 Q AND HOW DID YOU BECOME AWARE OF THE  
25 CONDITION OF THE RESORTS?

26 A WELL, I WAS MAINLY AWARE OF THE RESORTS THAT

1 I HAD SALES STAFFS ON. BUT ALSO I TOOK A LOT OF MEMBER  
2 CALLS, AND I INTERTWINED A LOT WITH RESORT SERVICES BECAUSE  
3 WE'RE BOTH ON THE SAME PARK. AND SALES AND RESORT SERVICES  
4 WAS NOTORIOUS FOR NOT GETTING ALONG. SO WE ALWAYS TRIED TO  
5 KIND OF COHABITATE ON THE RESORTS TOGETHER.

6 Q DID YOU PERSONALLY VISIT RESORTS?

7 A YES, FROM TIME TO TIME I HAVE.

8 Q AND WAS THIS AN ISOLATED INSTANCE WHERE YOU  
9 DID IT, YOU KNOW, MAYBE ONCE OR TWICE? OR DID YOU DO IT  
10 MORE FREQUENTLY?

11 A NO. I VISIT A LOT OF RESORTS OVER THE  
12 YEARS, FROM THE TIME THAT I STARTED WITH THE COMPANY TILL  
13 BEFORE I LEFT.

14 Q NOW, DID THERE COME A POINT IN TIME WHEN --  
15 AS A RESULT OF THE INFORMATION THAT YOU HAD ACCESS TO, YOUR  
16 OWN VISITS, DISCUSSIONS WITH SALES STAFF, MEMBER CALLS,  
17 DID THERE COME A POINT IN TIME WHEN YOU NOTICED A CHANGE IN  
18 THE CONDITION OF THE RESORTS, BECAME AWARE OF THE CHANGE IN  
19 THE CONDITIONS?

20 A WELL, I -- YES, THERE WAS A TIME.

21 Q AND WHEN DID THAT HAPPEN?

22 A WHEN WE STARTED HAVING THE FINANCIAL  
23 PROBLEMS.

24 Q THIS IS THE '95, '96 TIME FRAME?

25 A YES. EARLY, '95, THROUGHOUT '96.

26 Q AND WHAT DID YOU NOTICE DURING THAT TIME

1 PERIOD?

2 A THERE WAS A LOT OF COMPLAINTS ON THE RESORTS  
3 COMING IN, MAINLY BECAUSE OF LACK OF FUNDS GOING OUT  
4 THERE. SO IT WOULD BE LIKE THEY'RE NOT MOWING THE LAWN  
5 ENOUGH, OR THERE WAS NO SECURITY AT THE GATE.

6 Q NOW, DID YOU BACK IN THE '95, '96 TIME  
7 PERIOD HAVE SOME PERSPECTIVE ON WHAT WAS CAUSING  
8 DETERIORATION IN THE RESORTS?

9 A I KNEW EXACTLY WHAT IT WAS. IT WAS LACK OF  
10 FUNDS GOING OUT TO THE RESORTS. IT WAS THAT -- BACK TO  
11 THAT YEAR FROM HELL.

12 Q DID YOU DISCUSS THAT ISSUE WITH ANYONE IN  
13 THE ORGANIZATION?

14 A YES.

15 Q DID YOU DISCUSS THAT ISSUE WITH MR. NOVELLI?

16 A YES. HE WAS AWARE OF IT.

17 Q AND HOW DO YOU KNOW HE WAS AWARE OF IT?

18 A WELL, I DISCUSSED IT WITH HIM, AND THEN THE  
19 HEAD OF RESORT SERVICES, MARLIES, DISCUSSED IT WITH HIM.  
20 AND SHE WAS TRYING TO GET MONEY FOR THE RESORT. EVERYBODY  
21 WAS, OF COURSE, TRYING TO GET MONEY FOR THEIR AREAS. SO HE  
22 SAID, YOU KNOW, HE WOULD SEND WHAT HE COULD. IT JUST  
23 DEPENDED ON HOW MUCH MONEY WE HAD THAT DAY.

24 Q NOW, IF I WERE TO TELL YOU THAT  
25 MR. RANDOLF TUCKER CAME INTO COURT AND TESTIFIED THAT  
26 RAYMOND NOVELLI PUT SUBSTANTIAL MONEY INTO THE RESORTS,

1 WOULD YOU AGREE OR DISAGREE WITH THAT STATEMENT?

2 A I WOULD DISAGREE.

3 Q WHY WOULD YOU DISAGREE? WHAT'S THE BASIS OF  
4 YOUR DISAGREEMENT?

5 A WELL, "SUBSTANTIAL" TO ME SOUNDS LIKE A  
6 LOT. AND MOST OF THE RESORTS THAT WE TOOK OVER WERE  
7 ALREADY DEVELOPED. SO WE WOULD SEND OUT MONEY TO KEEP THE  
8 RESORTS RUNNING. AND AT TIMES THERE WERE SOME MAJOR  
9 PROJECTS SUCH AS PAVING ROADS OR WHATEVER.

10 BUT I DON'T FEEL WE EVER NEEDED TO PUT  
11 SUBSTANTIAL MONEY IN THERE.

12 Q WHAT ABOUT -- LET'S TAKE SOME RESORTS.  
13 HERMITAGE LANDING, WERE MAJOR IMPROVEMENTS  
14 MADE AT HERMITAGE LANDING?

15 A NOT TO MY KNOWLEDGE.

16 MR. MOSHENKO: OBJECTION. UNCERTAIN AS TO THE TERM  
17 "MAJOR."

18 MR. SHERMAN: THE SAME WAY THE WITNESS WAS USING "A  
19 LOT."

20 THE COURT: OBJECTION SUSTAINED.

21 MR. MOSHENKO: OBJECTION. THOSE ARE UNCERTAIN TOO.

22 THE COURT: OVERRULED.

23 PROCEED.

24 THE WITNESS: NOT TO MY KNOWLEDGE.

25 BY MR. SHERMAN: Q AND WAS THERE A POOL AT  
26 HERMITAGE LANDING?

1           A           THERE WAS A POOL, BUT IT WAS NEVER OPENED,  
2 TO MY KNOWLEDGE. IT HAD SOME DAMAGE TO IT WHEN WE TOOK IT  
3 OVER.

4           Q           AND YOU HEARD OF THE RIVER RANCH RESORT?

5           A           THE RIVER RANCH RESORT WAS A RESORT WE WERE  
6 GOING TO TAKE OVER, BUT IT DIDN'T WORK OUT. I DON'T KNOW  
7 IF THE COMPANY HAS IT NOW, BUT AT THE TIME IT DIDN'T WORK  
8 OUT. THERE WERE TOO MANY PROBLEMS.

9           Q           SO WHILE YOU WERE WITH THE COMPANY, WAS ANY  
10 MATERIAL AMOUNT OF MONEY PUT INTO THE RIVER RANCH RESORT,  
11 TO YOUR KNOWLEDGE?

12           MR. MOSHENKO: SAME OBJECTION. UNCERTAIN. LACKS  
13 FOUNDATION.

14           THE COURT: OVERRULED.

15           THE WITNESS: I DON'T KNOW ON THAT ONE.

16           BY MR. SHERMAN: Q NOW, ON THE SUBJECT OF WHETHER  
17 MR. NOVELLI MADE MAJOR IMPROVEMENTS TO RESORTS IN THE TIME  
18 FRAME OF THE 1990'S WHILE YOU WERE THERE, TO YOUR KNOWLEDGE  
19 WAS MR. RANDOLF TUCKER IN POSITION WHERE HE WOULD KNOW  
20 THESE FACTS?

21           A           NO.

22           MR. MOSHENKO: OBJECTION. LACKS FOUNDATION.  
23 SPECULATION.

24           BY MR. SHERMAN: Q WHY DO YOU KNOW THAT TO BE THE  
25 CASE?

26           MR. MOSHENKO: WELL, I HAVE AN OBJECTION PENDING,

1 YOUR HONOR.

2 THE COURT: THE OBJECTION IS SUSTAINED.

3 MR. MOSHENKO: STRIKE THE RESPONSE, IF THERE WAS  
4 ONE.

5 THE COURT: THERE WASN'T ANY.

6 MR. SHERMAN: THERE WAS A RESPONSE, YOUR HONOR.

7 THE COURT: WAS THERE?

8 MR. SHERMAN: YES.

9 MR. MOSHENKO: MAY IT BE STRICKEN, YOUR HONOR?

10 BY MR. SHERMAN: Q WHAT WAS MR. TUCKER'S POSITION  
11 WITHIN THE NOVELLI ORGANIZATION TO YOUR PERSONAL KNOWLEDGE?

12 A RANDOLF HAD A RESORT AT ONE TIME WITH THE  
13 COMPANY. AND WHEN MR. NOVELLI TOOK OVER ALL SEASONS, HE  
14 CAME IN. AND HE WAS OWED MONEY, AND HE WANTED TO GET IT.  
15 AND HE LIVED IN FLORIDA. AND TO THE BEST OF MY KNOWLEDGE  
16 HE GAVE LEGAL ADVICE ONCE IN A WHILE. HE WORKED IN OUR  
17 OFFICE FOR MAYBE A YEAR, I BELIEVE, IN CALIFORNIA.

18 BUT HE DIDN'T -- HE DIDN'T STAY. HE WENT  
19 BACK TO FLORIDA. I KNOW HE KEPT IN CONTACT WITH RAY  
20 BECAUSE -- PROBABLY BECAUSE THE MONEY HE WAS OWED.

21 BUT HE NEVER REALLY WORKED WITH THE RESORTS,  
22 THAT I WAS AWARE OF.

23 Q NOW, THE DETERIORATION OF RESORTS THAT YOU  
24 BECAME AWARE OF IN THE '95, '96 TIME FRAME, DID TO YOUR  
25 KNOWLEDGE THAT DETERIORATION OF RESORTS HAVE ANY IMPACT ON  
26 THE MEMBERS?

1           A           YES.  THAT WAS LOT OF THE CALLS AND  
2 COMPLAINTS THAT WERE COMING IN.  AND THEN HEARING ABOUT  
3 PRESIDENTIAL AIR AND, YOU KNOW, THEN THE PROBLEMS WITH  
4 PRESIDENT'S TRAVEL CLUB, AND LOCAL CREDITORS NOT BEING  
5 PAID.  IT WAS ALL JUST KIND OF ONE BIG BALL.

6           Q           I'D LIKE TO NOW TURN, MISS WALDMAN, TO THE  
7 SUBJECT OF ATTORNEY GENERAL COMPLAINTS OR INVESTIGATIONS;  
8 DO YOU UNDERSTAND?  I'M GOING TO MOVE TO THAT SUBJECT;  
9 OKAY?

10          A           OKAY.

11          MR. SHERMAN:  AND LET ME PUT UP ON THE -- I DON'T  
12 KNOW WHETHER THIS HAS BEEN MOVED INTO EVIDENCE OR NOT, YOUR  
13 HONOR.  THERE WAS SOME -- I BELIEVE IT WAS WITH RESPECT TO  
14 MR. NOVELLI, THE INTERROGATORIES AND THE RESPONSES, EXHIBIT  
15 907.  THAT WOULD BE 907-067, IF WE COULD PUT THIS UP ON THE  
16 BOARD.

17          MR. MOSHENKO:  THIS IS A RESPONSE BY WHOM TO WHICH  
18 INTERROGATORY?

19          MR. SHERMAN:  IT'S -- ACTUALLY IT'S THE FIRST  
20 REQUEST FOR PRODUCTION OF DOCUMENTS, ALL DOCUMENTS  
21 REFLECTING GOVERNMENTAL INVESTIGATIONS.  IT WAS PUT UP.

22          MR. RIVIN:  IT'S IN EVIDENCE.

23          MR. SHERMAN:  NO.  IT'S IN EVIDENCE.

24          MR. MOSHENKO:  YOUR HONOR, OBVIOUSLY THIS ISN'T  
25 SOMETHING -- THIS IS SOMETHING PROBABLY TWO YEARS AFTER THE  
26 WITNESS LEFT.

1 THE COURT: THIS IS IN EVIDENCE. LET'S SEE WHAT  
2 HIS QUESTIONS ARE.

3 MR. SHERMAN: WHY DON'T WE TAKE IT ONE STEP AT A  
4 TIME.

5 Q LET'S JUST GO TO A DOCUMENT REQUEST AND,  
6 MISS WALDMAN, JUST SO YOU KNOW, THIS WAS A DOCUMENT REQUEST  
7 THAT WE SENT OUT IN THIS CASE, THE DEFENDANTS SENT TO THE  
8 PLAINTIFFS. AND WE ASKED FOR SOME DOCUMENTS.

9 AND JUST READ TO YOURSELF THIS REQUEST  
10 NUMBER 15, "ALL DOCUMENTS THAT EVIDENCE, REFLECT OR REFER  
11 TO ANY GOVERNMENTAL INVESTIGATION OF ANY OF THE PLAINTIFFS,  
12 INCLUDING BUT NOT LIMITED TO ANY INVESTIGATION BY ANY  
13 STATE, COUNTY OR LOCAL ATTORNEY GENERAL, DEPARTMENT OF  
14 JUSTICE, CITY ATTORNEY OR OTHER LAW ENFORCEMENT AGENCY."

15 AND NOW, MIKE, LET'S GO TO 907-240.

16 THIS WAS A REQUEST THAT THEY PROVIDED  
17 WRITTEN ANSWERS. INTERROGATORY. "DESCRIBE WITH  
18 PARTICULARITY ANY GOVERNMENTAL INVESTIGATION OF ANY OF THE  
19 PLAINTIFFS, INCLUDING BUT NOT LIMITED TO ANY INVESTIGATIONS  
20 BY ANY STATE, COUNTY OR LOCAL ATTORNEY GENERAL, DEPARTMENT  
21 OF JUSTICE, CITY ATTORNEY OR OTHER LAW ENFORCEMENT AGENCY."

22 AND THE RESPONSE TO THAT INTERROGATORY WAS,  
23 "OBJECTION. DUE TO PROPOUNDING PARTIES' IMPROPER USE OF  
24 SUBPARTS, THESE INTERROGATORIES EXCEED THE LIMIT OF 35.  
25 PROPOUNDING PARTIES DID NOT COMPLY WITH THE CCP."

26 AND THEN THE ANSWER IS "NONE KNOWN"; DO YOU

1 SEE THAT, "NONE KNOWN"?

2 A OKAY.

3 MR. MOSHENKO: WOULD YOUR HONOR RULE ON THE  
4 OBJECTIONS BEFORE THE DATA BE PRESENTED?

5 THE COURT: IS THERE AN OBJECTION PENDING?

6 MR. MOSHENKO: THE OBJECTIONS ARE IN THE DOCUMENT,  
7 YOUR HONOR. AND THAT'S WHY THEY'RE TENDERED, TO HAVE THE  
8 COURT RULE ON THEM BEFORE THE DATA MAY BE USED.

9 THE COURT: OVERRULED.

10 BY MR. SHERMAN: Q SO YOU SEE THE ANSWER "NONE  
11 KNOWN"?

12 MR. SHAW: AND -- I'M SORRY. THERE'S ONE OTHER  
13 OBJECTION. AND THAT IS THAT THIS TALKS ABOUT THE  
14 PLAINTIFFS. MISS WALDMAN WORKED FOR ALL SEASONS RESORT WHO  
15 IS NOT A PLAINTIFF IN THIS CASE, NOT A PARTY TO THIS CASE.  
16 SO THE PLAINTIFFS RELATE TO PARTIES THAT HAVE NOTHING TO DO  
17 WITH THIS PARTICULAR WITNESS. SHE WASN'T THERE AND WOULD  
18 HAVE NO KNOWLEDGE ABOUT ANY REQUEST OF THE PLAINTIFFS.

19 THE COURT: THAT'S A NICE SPEAKING OBJECTION.  
20 WHAT'S THE GROUNDS?

21 MR. SHAW: YOUR HONOR, OBJECTION. LACKS  
22 FOUNDATION. I APOLOGIZE TO THE COURT AND TO MR. SHERMAN.

23 THE COURT: THANK YOU.

24 OVERRULED.

25 BY MR. SHERMAN: Q MRS. WALDMAN, LET'S JUST TALK  
26 ABOUT WHAT YOU PERSONALLY KNOW.

1 A OKAY.

2 Q WHAT YOU WERE DOING OVER THE 10-YEAR PERIOD  
3 FROM 1986 TO 1996.

4 A OKAY.

5 Q WERE THERE GOVERNMENTAL INVESTIGATIONS?

6 MR. MOSHENKO: OBJECTION. UNCERTAIN AS TO WHOM HE  
7 IS REFERRING TO. THE QUESTION CALLS REGARDING THE  
8 PLAINTIFFS.

9 THE COURT: OVERRULED.

10 THE WITNESS: YES.

11 BY MR. SHERMAN: Q HOW MANY?

12 A WHAT TIME FRAME?

13 Q '86 TO '96.

14 A OH, ATTORNEY GENERAL, BETTER BUSINESS  
15 BUREAU, THAT TYPE OF THING?

16 Q YES.

17 A I PROBABLY DEALT WITH 200.

18 Q TWO HUNDRED?

19 A I'D SAY 200.

20 Q HOW DO YOU KNOW THAT?

21 A WELL, PART OF MY JOB WHEN ACTUALLY THE  
22 APOLLO GROUP FIRST CAME IN WAS TO ANSWER ATTORNEY GENERAL  
23 COMPLAINTS, IF A MEMBER FILED WITH THE ATTORNEY GENERAL.  
24 AND WE WOULD GET THEM FROM TIME TO TIME. ATTORNEY GENERAL  
25 OR BETTER BUSINESS BUREAU COMPLAINTS.

26 Q AND TO YOUR KNOWLEDGE -- HOW DID THESE

1 COMPLAINTS -- TO YOUR KNOWLEDGE HOW DID THESE COMPLAINTS  
2 COME ABOUT?

3 A WELL, THEY COME IN THE MAIL, USUALLY.

4 Q TO YOUR KNOWLEDGE WHAT PRECIPITATED OR  
5 PROMPTED THEM? THAT'S A FAIR ANSWER.

6 A OH, IT DEPENDED. IT COULD BE THE MEMBER  
7 DIDN'T LIKE THE COLLECTIONS. THE MEMBER WAS TRYING TO  
8 CANCEL AND THEY COULDN'T. THEY FELT THE SALESPERSON HAD  
9 MISREPRESENTED THEM. IT COULD BE ANYTHING LIKE THAT. IT  
10 VARIED.

11 Q DID YOU EVER MEET PERSONALLY WITH ANY STATE  
12 ATTORNEY GENERAL REPRESENTATIVES?

13 A JUST THE ONE IN CALIFORNIA.

14 Q AND WHEN DID YOU MEET WITH THE CALIFORNIA  
15 STATE ATTORNEY GENERAL'S OFFICE, APPROXIMATELY?

16 A IT WAS A COUPLE YEARS BEFORE I LEFT. SO,  
17 YOU KNOW, WHAT IT WAS EXACTLY, ONE WEEK AFTER THE OKLAHOMA  
18 CITY BOMBING. DOES ANYBODY KNOW WHEN THAT WAS?

19 Q APRIL, '95?

20 A I KNOW THAT BECAUSE WE WENT TO THE BUILDING;  
21 WE GO, "GEE, I HOPE THIS IS SAFE." I REMEMBER WE WERE,  
22 "WOW. LET'S GET OUT OF HERE."

23 Q AND WHAT WAS THE TOPIC OF THE MEETING?

24 A THE TOPIC OF THE MEETING WAS THE  
25 CANCELLATION POLICY OF OUR COMPANIES AND THE COLLECTION  
26 PRACTICES.

1 Q WHAT DO YOU MEAN?

2 A THEY DIDN'T WANT US TO BEAT UP PEOPLE  
3 ANYMORE ON THE PHONE. AND IF SOMEBODY WANTED TO CANCEL, WE  
4 WERE SUPPOSED TO LET THEM OUT. THEY WANTED US TO CHANGE  
5 OUR COLLECTION POLICIES.

6 Q WHO ACCOMPANIED YOU TO THE MEETING?

7 A I KNOW DIANE GREGSON, WHO IS HEAD OF  
8 ACCOUNTS RECEIVABLE, WAS THERE. AND I BELIEVE  
9 MARK MOLVAR. AND I THINK BOB THOMPSON -- BOB THOMPSON OR  
10 DARIO WAS THERE.

11 Q DARIO MOSCOSO?

12 A YES. I CAN'T RECALL EXACTLY WHO WAS THERE.  
13 I KNOW I WENT, AND DIANE GREGSON WENT, AND MARK MOLVAR  
14 WENT.

15 Q NOW, TO YOUR KNOWLEDGE, DID THE -- ANY OF  
16 THE COMPANY REPRESENTATIVES AT THIS MEETING WITH THE  
17 CALIFORNIA STATE ATTORNEY GENERAL'S OFFICE MAKE ANY  
18 COMMITMENTS?

19 A ANY COMMITMENTS?

20 Q YEAH. "WE'LL STOP DOING IT," ANYTHING LIKE  
21 THAT?

22 A DID THEY MAKE A COMMITMENT TO US?

23 Q NO. DID YOU MAKE A COMMITMENT TO THEM, THE  
24 STATE OF CALIFORNIA?

25 A OH, OKAY. WELL, THEY TOLD US WHAT THEY  
26 WANTED, AND WE TOOK IT BACK TO THE OFFICE. "THIS IS WHAT

1 THEY'RE TELLING US WE HAVE TO DO." SO WE WOULD TAKE THAT  
2 BACK TO MR. NOVELLI. WE DON'T MAKE COMMITMENTS ON HIS  
3 BEHALF.

4 Q AND TO YOUR KNOWLEDGE WAS MR. NOVELLI ASKED  
5 TO ATTEND THAT MEETING?

6 A I DON'T RECALL IF HE WAS ASKED.

7 Q DID YOU DISCUSS WITH MR. NOVELLI EITHER  
8 BEFORE OR AFTER THE MEETING WHETHER HE OUGHT TO ATTEND?

9 A I DON'T RECALL ANY SUCH CONVERSATION.

10 Q NOW --

11 A I WAS JUST TOLD TO GO.

12 Q NOW, FOLLOWING THIS MEETING, WAS THERE A  
13 DISCUSSION IN THE OFFICE ABOUT WHETHER THESE COLLECTION  
14 PRACTICES, WHICH THE ATTORNEY GENERAL'S OFFICE TOLD YOU WAS  
15 UNFAIR, SHOULD STOP OR NOT?

16 A YES. THEY TOLD US THAT WE HAD TO FOLLOW THE  
17 COLLECTION LAWS PRACTICES. AND THEN THEY TOLD US THAT WE  
18 HAD TO ALLOW PEOPLE TO CANCEL IF THEY WANTED TO. I BELIEVE  
19 IF THEIR CONTRACT WAS PAID, WE COULDN'T FORCE THEM TO STAY  
20 IN ANYMORE BY COLLECTING THE DUES.

21 Q AND TO YOUR KNOWLEDGE DID THE COMPANY  
22 THEREAFTER FOLLOW THAT POLICY?

23 A I'M THINKING OF THE CANCELLATION VERSUS  
24 COLLECTION ON THE DUES.

25 Q RIGHT.

26 A I DON'T RECALL BECAUSE I'M NOT IN

1 COLLECTIONS. SO I WOULD ASSUME THEY WOULD FOLLOW IT, YES.

2 Q DID YOU SPEAK WITH DIANE GREGSON FOLLOWING  
3 THE MEETING?

4 A YES.

5 Q AND DID YOU DISCUSS THE ISSUE OF COLLECTION  
6 WITH MISS GREGSON FOLLOWING THAT MEETING?

7 A YES.

8 Q AND WHAT DID MISS GREGSON SAY?

9 A WELL, SHE WAS -- FELT SHE WAS IN A TOUGH  
10 SPOT BECAUSE RAY WANTED THE MONEY FROM COLLECTIONS. SO --  
11 AND SHE HAD TO GET PEOPLE TO PAY. BUT IT WAS LIKE A FINE  
12 LINE TO WALK, A COLLECTOR, OF NOT BEATING SOMEBODY UP, BUT  
13 TRYING TO GET THEM TO MAKE PAYMENTS.

14 SO SHE FELT SHE WAS STUCK BECAUSE THE  
15 COMPANY EXPECTED CERTAIN NUMBERS FROM HER, BUT THEN THE  
16 A.G. TOLD HER TO CHILL OUT OR COOL DOWN.

17 Q AND WHAT BECAME OF MISS GREGSON?

18 A DIANE WAS -- SHE -- WELL, SHE WAS TERMINATED  
19 IN -- PROBABLY LIKE COUPLE MONTHS AFTER THAT. MAYBE A  
20 MONTH.

21 Q DID YOU LEARN WHY?

22 A YES. MR. NOVELLI CALLED THE MANAGERS IN HIS  
23 OFFICE AND DISCUSSED HER TERMINATION WITH US.

24 Q AND WHAT DID HE SAY?

25 A HE FELT SHE WAS TRYING TO PULL A FAST ONE ON  
26 HIM BECAUSE SHE CANCELLED PEOPLE FROM OTHER STATES. AND HE

1 DOESN'T -- RAY DOESN'T CANCEL PEOPLE. HE DOESN'T LIKE TO  
2 CANCEL PEOPLE IF YOU'RE NOT PAYING. AND THEN YOU WOULD  
3 EITHER STAY IN ACCOUNTS RECEIVABLE OR YOU'RE GOING TO  
4 PROFIT RECOVERY.

5 BUT SHE WAS CANCELLING PEOPLE, AND HE FELT  
6 SHE WAS DOING THAT IN SPITE OF HIM, AND HE DIDN'T LIKE IT.  
7 HE FELT IT WAS A SLAP IN THE FACE THAT SHE WOULD SEND OUT A  
8 LETTER AND CANCELLED A BUNCH OF PEOPLE.

9 Q DID MISS GREGSON EVER TELL YOU WHY SHE DID  
10 THAT?

11 A I DON'T RECALL TALKING TO HER AFTER SHE WAS  
12 TERMINATED.

13 Q I'D LIKE TO MOVE TO THE SUBJECT OF  
14 JIM JOSEPH.

15 IS THAT A NAME YOU'RE FAMILIAR WITH?

16 A YES.

17 Q AND WHAT CONTEXT HAVE YOU HEARD OF  
18 JIM JOSEPH?

19 A HE WAS THE TRUSTEE FOR ALL SEASONS RESORTS  
20 FOR THE BANKRUPTCIES.

21 Q AND DID YOU EVER SPEAK WITH MR. NOVELLI  
22 ABOUT JIM JOSEPH?

23 A YES.

24 Q WHAT WAS SAID BETWEEN YOU AND MR. NOVELLI  
25 ABOUT JIM JOSEPH?

26 A WELL, HE FIRST TOLD ME THAT JIM AND

1 FRED BRINKMAN WERE GOING TO BE COMING INTO THE OFFICE. AND  
2 FRED BRINKMAN WOULD BE WORKING IN THE OFFICE WITH US, BUT  
3 NOT JIM JOSEPH. BUT THAT WAS WHEN THEY FIRST CAME IN.

4 Q AND THIS IS BACK IN THE EARLY '90'S?

5 A YES.

6 Q AND JUST FOR CONTEXT, FRED BRINKMAN --

7 A HE WAS LIKE JIM JOSEPH'S ASSISTANT. I THINK  
8 HE WAS CALLED "THE AGENT TO THE TRUSTEE." WE CALLED HIM  
9 THE HALL MONITOR.

10 Q WHY DID YOU CALL HIM THE HALL MONITOR?

11 A BECAUSE HE WOULD JUST WALK UP AND DOWN THE  
12 HALLS AND BUG YOU, LIKE, "WHAT ARE YOU DOING?" HE WAS A  
13 NICE GUY, BUT HE WAS A HALL MONITOR.

14 Q WAS HE INCLUDED IN THE -- IN THESE  
15 INNER-CIRCLE MEETINGS THAT YOU'VE BEEN TESTIFYING TO?

16 A NO. WE LIKED FRED, BUT IT WAS KIND OF LIKE,  
17 "OH, THERE'S FRED. RUN," YOU KNOW. HE WAS AN OUTSIDER IN  
18 THE INSIDE, TRYING TO -- AND HE WOULD REPORT BACK TO  
19 JIM JOSEPH. SO WE DIDN'T TALK ABOUT A LOT OF THINGS IN  
20 FRONT OF FRED, OBVIOUSLY.

21 Q DID YOU EVER SPEAK WITH MR. NOVELLI ABOUT  
22 KEEPING MR. JOSEPH INFORMED OR NOT INFORMED ABOUT GOINGS ON?

23 A I DON'T RECALL EXACTLY LIKE THAT.  
24 JIM JOSEPH WAS -- HE NEVER REALLY CAME IN THE OFFICE. HE  
25 CAME IN VERY RARE. I ALWAYS KNEW WHEN HE CAME IN BECAUSE  
26 HE SMOKED, AND YOU'RE NOT SUPPOSED TO SMOKE IN IRVINE.

1           Q       WELL, AS FAR AS MR. JOSEPH'S INVOLVEMENT IN  
2 THE OPERATION, MANAGEMENT OF ANY OF THESE BUSINESSES, TO  
3 YOUR KNOWLEDGE WAS HE INVOLVED?

4           A       NOT REALLY. I MEAN, NOT ON A DAY-TO-DAY  
5 BASIS, NO. HE WASN'T AROUND. RAY LIKED THAT, THAT HE  
6 WASN'T AROUND, BECAUSE WE COULD RUN THE COMPANY. WE FELT  
7 VERY LUCKY THAT WE GOT JIM AND FRED. IT WAS KIND OF THE  
8 LUCK OF THE DRAW. AND WHEN HE WAS AROUND, HE DIDN'T SAY  
9 ANYTHING.

10          Q       DID YOU EVER LEARN THAT MR. JOSEPH WAS  
11 LAYING DOWN THE LAW ON A PARTICULAR AREA; "YOU'RE GOING TO  
12 DO THIS OR THAT OR THE OTHER THING"?

13          A       NO.

14          Q       NOW, YESTERDAY YOU MENTIONED THE AMERICAN  
15 ADVENTURE LIST?

16          A       IS THIS WHERE I NEED LEGAL COUNSEL?

17          Q       THAT'S WHEN YOU MENTIONED -- THAT'S IN THE  
18 CONTEXT.

19          A       THIS PART?

20          Q       YES. IS THAT RIGHT?

21                   TO YOUR KNOWLEDGE DID MR. NOVELLI KNOW THAT  
22 YOU HAD PURCHASED THAT LIST?

23          A       YES.

24          Q       AND HOW DID HE KNOW THAT?

25          A       I TOLD HIM.

26          Q       OKAY. LET'S NOW MOVE TO ANOTHER SUBJECT,

1 THE SUBJECT OF REVERSING MEMBERS.

2 YOU KNOW WHAT A REVERSAL IS?

3 A YES.

4 Q AND HAVE YOU EVER HEARD OF A POLICY AT THE  
5 NOVELLI ORGANIZATION THAT IF A MEMBER'S ACCOUNT GOT MORE  
6 THAN SIX MONTHS DELINQUENT OR 180 DAYS DELINQUENT, THAT  
7 THEY'D BE REVERSED; THEY WOULD BE TAKEN OFF THE MEMBERSHIP  
8 ROSTER?

9 A NO.

10 Q WAS THERE A REVERSAL POLICY, AS FAR AS  
11 TIMING, IN THE ORGANIZATION, WHERE IF YOU WERE DELINQUENT  
12 FOR A CERTAIN AMOUNT OF TIME, YOU'D BE TAKEN OFF?

13 A NO, THERE WAS NO POLICY. IF YOU BECAME  
14 WHERE THEY JUST DIDN'T LIKE YOU, THEY KIND OF GAVE UP ON  
15 YOU OR WHATEVER, THEN YOU WENT TO PROFIT RECOVERY.

16 Q SO WAS THERE ANY OTHER POLICY ABOUT  
17 REVERSING MEMBERS, OTHER THAN SEND THEM TO PROFIT RECOVERY?

18 A WELL, IF THEY DIED, WE WOULD REVERSE THEM.  
19 BUT OTHER THAN THAT, NO.

20 Q WELL, SO THIS ISSUE OF IF THEY DIED, THEY'D  
21 BE REVERSED, WAS THAT THE POLICY?

22 A THERE REALLY WASN'T A POLICY.

23 Q SO IF THERE HAD BEEN ANY TESTIMONY BY  
24 MR. NOVELLI ON THE SUBJECT OF THERE BEING A 180-DAY RULE,  
25 WOULD YOU AGREE WITH THAT?

26 MR. MOSHENKO: OBJECTION. IT'S IRRELEVANT, YOUR

1 HONOR.

2 THE COURT: OVERRULED.

3 THE WITNESS: WHEN I LEFT --

4 MR. MOSHENKO: OBJECTION. FURTHER, IT'S UNCERTAIN  
5 BECAUSE SHE DOESN'T KNOW WHAT THE TESTIMONY IS.

6 THE COURT: OVERRULED.

7 THE WITNESS: IF THERE WAS A POLICY OF ANY SORT, I  
8 HADN'T HEARD OF IT. AND WHEN I LEFT, THERE WAS NO POLICY.  
9 WHAT HAPPENED AFTER THAT, I DON'T KNOW.

10 BY MR. SHERMAN: Q LET ME SHOW YOU A CHART OF  
11 REVERSALS.

12 62-044, MIKE.

13 OKAY. NOW, I WILL TELL YOU THAT THIS IS  
14 SOMETHING, MRS. WALDMAN, THAT THE PLAINTIFFS IN THIS CASE  
15 GAVE TO US IN DISCOVERY, A CHART. OKAY.

16 AND YOU SEE THERE'S MEMBERS REVERSED BY  
17 YEAR?

18 A YES.

19 Q IT SHOWS REVERSALS, AND -- I REALIZE THIS IS  
20 AFTER YOU LEFT. SO I'M GOING TO ASK YOU SOME QUESTIONS  
21 ABOUT SOMETHING THAT HAPPENED AFTER YOU LEFT. AND.

22 TO MAKE THIS GO EASIER, I DON'T WANT YOU TO  
23 SAY WHAT YOU DON'T HAVE PERSONAL KNOWLEDGE OF. OKAY,  
24 MRS. WALDMAN?

25 BUT WITH RESPECT TO THE ISSUE OF 17,419  
26 REVERSALS IN 1997, AND 101,239 REVERSALS IN 1988, THESE ARE

1 REVERSALS OF MEMBERS BY THE NOVELLI ORGANIZATION,  
2 MRS. WALDMAN.

3 DID THE NOVELLI ORGANIZATION EVER HAVE THAT  
4 NUMBER OF MEMBERS?

5 A NOT WHEN I WAS THERE.

6 Q OKAY. YOU CAN TAKE THAT DOWN. LET'S GO TO  
7 PONDEROSA.

8 WAS PONDEROSA A PARK IN THE SYSTEM?

9 A PONDEROSA PARK, OHIO, THE MUSIC PARK?

10 Q MUSIC.

11 A YES. YES, IT WAS.

12 Q AND DID YOU HAVE SOME COUNTRY AND WESTERN  
13 MUSIC THERE?

14 A FOR THE FIRST FEW YEARS WE DID, YES.

15 Q WELL, IF I WERE TO SAY TO YOU THAT YOU MIGHT  
16 FIND MR. NOVELLI AT THE PLAINTIFFS' PONDEROSA RESORT WHICH  
17 FEATURES THE SUMMER HOME OF COUNTRY MUSIC FEATURING  
18 GARTH BROOKS, CLINT BLACK, WILLIE NELSON, AND LORETTA LYNN,  
19 WOULD YOU AGREE OR DISAGREE WITH THAT STATEMENT?

20 MR. MOSHENKO: OBJECTION. CALLS FOR SPECULATION.

21 THE COURT: OVERRULED.

22 YOU MAY ANSWER, IF YOU KNOW.

23 THE WITNESS: WOW, NOT NOW. NOT -- I MEAN, MAYBE  
24 THE FIRST YEAR WE TOOK IT OVER. BUT, NO, NOT NOW.

25 BY MR. SHERMAN: Q WHY NOT?

26 A IT DOESN'T EXIST.

1 Q WHAT DO YOU MEAN?

2 A UNLESS THEY BROUGHT IT BACK UP.

3 Q WELL, LET'S FOCUS ABOUT -- LET'S TALK ABOUT  
4 THE TIME PERIOD -- YOU KNOW TOM PAULEY?

5 A YES. HE WAS IN CHARGE OF THE MUSIC.

6 Q HE MADE THE MUSIC RUN?

7 A HE WAS THE MUSIC MAN, YES.

8 Q OKAY. AND DID YOU VISIT WITH MR. NOVELLI  
9 AND MR. PAULEY ON THE SUBJECT OF THE MUSIC AT PONDEROSA  
10 PARK?

11 A WELL, HE WORKED OUT, OF COURSE, IN OHIO.  
12 AND HE HAD BEEN THERE LIKE 40 YEARS. I THINK HIS FATHER  
13 DID THE SAME JOB BEFORE HIM OR SOMETHING LIKE THAT. AND HE  
14 WOULD HANDLE THE MUSIC STADIUM. HE WOULD GO TO NASHVILLE  
15 WITH US AND HELP BOOK THE STARS. BUT THAT ONLY WENT ON FOR  
16 A FEW YEARS. BECAUSE OF LACK OF MONEY, THAT DOESN'T EXIST  
17 ANYMORE. I THINK THE LAST -- I DON'T REMEMBER EXACTLY WHAT  
18 YEAR THE LAST CONCERT WAS; BUT AT LEAST IN THE LAST TWO  
19 YEARS I WAS THERE, I WOULD SAY THERE WAS -- TOM PAULEY WAS  
20 GONE, AND THERE WAS NO MORE MUSIC.

21 THE DAY THE MUSIC DIED. IT'S A SONG. BUT  
22 THAT WAS OVER.

23 Q AND SO WHAT HAPPENED?

24 A IT TOOK ABOUT \$1 MILLION EVERY SUMMER TO  
25 FUND THE MUSIC, THE STARS. AND WE DIDN'T HAVE THAT MONEY  
26 ANYMORE.

1 Q WERE THERE ANY INCIDENTS WITH PAYING FOR  
2 THESE STARS THAT YOU RECALL?

3 A WELL, I GOT CALLS FROM TOM PAULEY THAT --  
4 BECAUSE WHEN THE STARS WOULD GET THERE, YOU HAD TO HAVE THE  
5 MONEY. THEY DON'T -- NO PAY, NO PLAY, AS THEY SAY. AND  
6 THEY DON'T GO ON THE STAGE UNTIL THEY GET PAID FIRST. AND  
7 IT HAS TO BE CASH OR CASHIER'S CHECK, WHATEVER, LIKE THAT.

8 AND A LOT OF TIMES TOM DIDN'T HAVE THE MONEY  
9 BY THE TIME THEY'RE GOING ON. AND HE WAS AN OLDER  
10 GENTLEMAN. HE WOULD GET VERY UPSET. AND HE CALLED ME A  
11 COUPLE OF TIMES, AND HE WAS LIVID. AND HE SAID HE COULDN'T  
12 WORK LIKE THIS. HE COULDN'T DEAL LIKE THIS.

13 Q NOW, LET'S TALK ABOUT PRESIDENTIAL AIR FOR A  
14 LITTLE BIT, AND I'LL ASK YOU SOME QUESTIONS ABOUT  
15 PRESIDENTIAL AIR.

16 HAVE YOU EVER HEARD OF THIS DUTCH INVESTMENT  
17 BANKING FIRM, I.N.G.?

18 A YES.

19 Q TO YOUR KNOWLEDGE DID I.N.G. EITHER LOAN  
20 MONEY OR GIVE MONEY TO START UP -- HELP START UP  
21 PRESIDENTIAL AIR?

22 MR. MOSHENKO: OBJECTION. FOUNDATION, YOUR HONOR.  
23 KNOWLEDGE.

24 THE COURT: OVERRULED.

25 DO YOU HAVE KNOWLEDGE OF THAT?

26 THE WITNESS: THEY PROVIDED THE AIRPLANES.

1 BY MR. SHERMAN: Q AND HOW DO YOU KNOW THAT?

2 A THROUGH RAY, THROUGH THEM. I HAVE SPOKEN  
3 WITH THEM. IT'S PRETTY COMMON KNOWLEDGE. THE AIRBUSES, I  
4 THINK THEY WERE CALLED.

5 Q AND TO YOUR KNOWLEDGE DID THEY GET PAID?

6 A NO, THEY DID NOT.

7 Q AND WHEN THEY DIDN'T GET PAID, WHAT HAPPENED?

8 A THEY SUED AND GOT A JUDGMENT.

9 Q HOW DO YOU KNOW THEY GOT A JUDGMENT?

10 A WELL, I SAW IT BECAUSE THEY TRIED TO DAMN MY  
11 ACCOUNT.

12 Q PERSONALLY?

13 A NO. MY LOCK BOX ACCOUNT THAT WE WERE  
14 SUPPOSED TO BE GETTING PAYMENTS IN MY HUSBAND'S -- SOME OF  
15 THESE PAYMENTS WERE SUPPOSED TO BE GOING IN THERE. AND  
16 THEY -- I GOT A FORM THAT SAID THERE WAS A JUDGMENT FOR  
17 LIKE \$3 MILLION OR SOMETHING, AND I WAS LIKE, "OH, MY GOD."  
18 AND THAT'S -- THAT'S HOW I KNEW. IT'S THROUGH UNION BANK.

19 Q I'M GOING TO PLACE BEFORE YOU A DOCUMENT,  
20 EXHIBIT 960. 960.

21 NOW, YOU'LL SEE IN THE UPPER RIGHT-HAND  
22 CORNER THE DATE IS DECEMBER 20, 1996. IS THAT -- AND I  
23 REALIZE YOU WERE GONE BY THAT TIME, OUT OF THE  
24 ORGANIZATION; IS THAT RIGHT?

25 A YES.

26 Q IS THAT, NONETHELESS, THE JUDGMENT THAT YOU

1 WERE REFERRING TO?

2 A YES. I HAD GOTTEN A COPY OF THIS, ALSO.

3 Q BECAUSE OF THE LOCK BOX ACCOUNT?

4 A I HAD REQUESTED ONE, BECAUSE I DIDN'T KNOW  
5 ANYTHING ABOUT THIS JUDGMENT UNTIL THEY ZAPPED OUR ACCOUNT.

6 MR. SHERMAN: I'D LIKE TO MOVE EXHIBIT 960 INTO  
7 EVIDENCE.

8 MR. MOSHENKO: RELEVANCE, YOUR HONOR. IT'S AGAINST  
9 A NONPARTY -- NO, IT IS AGAINST A PARTY.

10 MR. SHERMAN: IT IS AGAINST FIRST NATIONWIDE.

11 MR. MOSHENKO: FIRST NATIONWIDE. NO OBJECTION.

12 THE COURT: OVERRULED. IT WILL BE RECEIVED IN  
13 EVIDENCE.

14 (WHEREUPON, EXHIBIT NO. 960, JUDGMENT, WAS  
15 RECEIVED IN EVIDENCE.)

16 BY MR. SHERMAN: Q SO THIS IS A DECEMBER 20,  
17 1996, FILED JUDGMENT OF THE SUPERIOR COURT OF THE STATE OF  
18 CALIFORNIA FOR THE COUNTY OF LOS ANGELES.

19 IF WE CAN JUST GO DOWN A LITTLE BIT.

20 IT'S AGAINST PRESIDENTIAL AIR, FIRST  
21 NATIONWIDE, PRESIDENT'S TRAVEL CLUB.

22 AND YOU MENTIONED IT WAS -- I THOUGHT YOU  
23 SAID \$3 MILLION, BUT MAYBE I MISHEARD. "IT IS HEREBY  
24 ORDERED ADJUDGED AND DECREED THE JUDGMENT SHALL BE AND  
25 HEREBY IS ENTERED AGAINST PRESIDENTIAL AND PTC, JOINTLY AND  
26 SEVERALLY, IN THE SUM OF \$2,250,000 PRINCIPAL, PLUS

1 \$232,215.14 INTEREST."

2 LET ME NOW TURN, MRS. WALDMAN, TO THE  
3 SUBJECT OF THE FILING OF BANKRUPTCY PETITIONS BY COMPANIES  
4 IN THE NOVELLI ORGANIZATION.

5 HERE, LET ME TAKE THAT.

6 A THAT'S A BIG BOOK.

7 Q IT'S A BIG BOOK.

8 WHILE YOU WERE WITH THE NOVELLI  
9 ORGANIZATION, TO YOUR KNOWLEDGE, WERE THERE BANKRUPTCY  
10 PETITIONS FILED FROM TIME TO TIME?

11 A YES.

12 Q AND WAS THIS SOMETHING THAT YOU NEEDED TO  
13 BECOME FAMILIAR WITH, AS PART OF YOUR JOB DUTIES AND  
14 RESPONSIBILITIES?

15 A IT'S SOMETHING I BECAME VERY FAMILIAR WITH.  
16 I DON'T KNOW IF I NEEDED TO BE FAMILIAR.

17 Q AND WHY IS THAT?

18 A IT HAPPENED ALL THE TIME.

19 Q AND IF I WERE TO TELL YOU THAT THERE'S BEEN  
20 TESTIMONY TO THE EFFECT THAT MR. NOVELLI HAS BEEN  
21 CHARACTERIZED AS A BANKRUPTCY WORKOUT ARTIST, DO YOU HAVE A  
22 REACTION TO THAT?

23 MR. MOSHENKO: OBJECTION. HER REACTION, PERSONAL  
24 OPINION, IS IRRELEVANT.

25 THE COURT: REPHRASE IT.

26 BY MR. SHERMAN: Q WELL, WHILE YOU WERE WITH THE

1 NOVELLI ORGANIZATION, DID YOU FEEL AS IF MR. NOVELLI  
2 WERE -- WAS A WORKOUT ARTIST?

3 A NO.

4 Q DID YOU EVER RECEIVE COMMUNICATIONS FROM  
5 MEMBERS LAUDING MR. NOVELLI'S ABILITY TO NAVIGATE COMPANIES  
6 OUT OF BANKRUPTCY SUCCESSFULLY?

7 A NO.

8 Q DID YOU RECEIVE COMMUNICATIONS FROM MEMBERS,  
9 THOUGH, ON THE SUBJECT OF BANKRUPTCIES?

10 A WELL, MEMBERS FELT HE ABUSED THAT. IT WAS  
11 SHAMEFUL. AND ALTHOUGH THE FIRST BANKRUPTCY WAS OKAY, YOU  
12 KNOW, AFTER A WHILE IT GOT A LITTLE OLD.

13 Q WHAT DO YOU MEAN BY THAT?

14 A IT WAS PRETTY COMMON KNOWLEDGE THAT HE WOULD  
15 JUST GET A COMPANY AND THEN PUT IT INTO BANKRUPTCY, IF IT  
16 WASN'T ALREADY IN BANKRUPTCY. MEMBERS FELT HE ABUSED THAT.

17 MR. MOSHENKO: OBJECTION. THE WITNESS IS  
18 VOLUNTEERING TESTIMONY.

19 THE COURT: SUSTAINED.

20 BY MR. SHERMAN: Q DID YOU COMMUNICATE WITH  
21 MEMBERS ON THE SUBJECT OF THE IMPACT OF BANKRUPTCIES?

22 A YES, I DID. YES.

23 Q AND WHAT DID MEMBERS SAY TO YOU ON THAT  
24 SUBJECT?

25 MR. MOSHENKO: SEEKS HEARSAY, YOUR HONOR. AND,  
26 YOUR HONOR, UNCERTAIN AS TO TIME.

1 THE COURT: SUSTAINED.

2 MR. SHERMAN: PART OF HER JOB DUTIES.

3 MR. MOSHENKO: SUSTAINED.

4 THE COURT: SUSTAINED.

5 BY MR. SHERMAN: Q DID BANKRUPTCY FILINGS HAVE AN  
6 IMPACT ON THE NOVELLI ORGANIZATIONS'S ABILITY TO CONDUCT  
7 BUSINESS?

8 A I WOULD SAY YES.

9 Q WHY DO YOU SAY YES?

10 A WELL, MAYBE NOT AT FIRST. BUT WHEN IT  
11 BECAME PRETTY KNOWN THAT MR. NOVELLI JUST PUT YOUR COMPANY  
12 IN BANKRUPTCY, THEN THE REPUTATION -- OUR REPUTATION WAS  
13 NOT GOOD. WE WERE SEEN AS JUST A COMPANY THAT JUST TOOK  
14 OVER OTHER COMPANIES AND PUT THEM IN BANKRUPTCY.

15 Q TO YOUR KNOWLEDGE DID THIS PRACTICE THAT  
16 YOU'VE JUST TESTIFIED TO HAVE AN IMPACT ON THE MEMBERSHIP  
17 BASE?

18 A YES.

19 Q IN WHAT WAY?

20 A WELL, LIKE I SAID, THE FIRST BANKRUPTCY WAS  
21 OKAY. MEMBERS, WHEN THEY WERE EXPLAINED WHAT BANKRUPTCY  
22 WAS -- BECAUSE A LOT OF THEM DIDN'T EVEN KNOW WHAT IT  
23 WAS -- THEY WERE OKAY WITH IT.

24 BUT WHEN IT WAS SEEN AS ABUSE AND JUST A  
25 PATTERN, THEY DIDN'T LIKE IT. AND THEY DIDN'T LIKE BEING  
26 ONE OF THE COMPANIES THAT WAS IN BANKRUPTCY.

1 Q NOW, AT SOME POINT, TO YOUR KNOWLEDGE, DID  
2 MR. NOVELLI BEGIN ACQUIRING WITH COMPANY MONIES MAJOR  
3 MATERIAL OBJECTS?

4 A YES. HE ALWAYS HAD TOYS, IF THAT'S WHAT YOU  
5 MEAN.

6 Q AND WHAT DO YOU MEAN BY THAT?

7 MR. MOSHENKO: COULD WE GET A TIME, YOUR HONOR,  
8 ESTABLISHED FOR RELEVANCE?

9 THE WITNESS: ALL THE TIME.

10 THE COURT: THAT'S PRETTY ENCOMPASSING.

11 BY MR. SHERMAN: Q OKAY. SO TO USE YOUR PHRASE,  
12 THEN, WHAT KIND OF TOYS DID YOU BECOME AWARE OF?

13 MR. MOSHENKO: I STILL OBJECT, YOUR HONOR. IT'S  
14 IRRELEVANT, AND IT'S 352.

15 THE COURT: OVERRULED.

16 THE WITNESS: BOATS, PLANES, LAMBORGHINIS, LIMOS,  
17 DIRT BIKES. YOU NAME IT.

18 BY MR. SHERMAN: Q LAMBORGHINI?

19 A WELL, HE HAD A LAMBORGHINI HUMDEE -- OR  
20 WHAT'S THAT THING THAT ARNOLD SCHWARZENEGGER DRIVES? THAT  
21 HUMBUG OR HUMBEE, WHATEVER IT IS. ANYWAY, HE HAD ONE OF  
22 THOSE.

23 Q AND HAVE YOU HEARD ABOUT A HOUSE IN MEXICO?

24 A YES.

25 Q AND TO YOUR KNOWLEDGE WAS COMPANY MONEY USED  
26 TO ACQUIRE THAT HOME?

1 MR. MOSHENKO: LACKS FOUNDATION, YOUR HONOR.  
2 UNCERTAIN AS TO TIME.

3 THE COURT: TO YOUR KNOWLEDGE.

4 BY MR. SHERMAN: Q TO YOUR KNOWLEDGE.

5 A YES, IT WAS.

6 Q AND WHY IS THAT TO YOUR KNOWLEDGE?

7 A I SAW IT. I MEAN, I SAW THE PAPERWORK IN  
8 THE OFFICE. THE C.F.O. TOLD ME. AT TIMES I SAW CHECKS  
9 GOING TO THERE. I SIGNED CHECKS. IT WAS -- EVERYBODY  
10 PRETTY MUCH KNEW THAT.

11 Q AND YOU ACTUALLY VISITED THE HOME?

12 A MY HUSBAND AND I WENT THERE ABOUT FOUR  
13 TIMES, I WOULD SAY.

14 Q DESCRIBE THE HOME.

15 A IT WAS THREE STORIES -- ONE, TWO -- IT WAS A  
16 VERY LARGE HOME, HAD GUEST ROOMS, HAD A BIG POOL, HAD LIKE  
17 A BAR DECK UP ONTO THE LAWN. IT WAS GORGEOUS. IT WAS VERY  
18 NICE. HE PUT A LOT OF WORK INTO IT, ALSO.

19 Q AND THESE TOYS, TO USE YOUR EXPRESSION, DID  
20 THE FACT THAT COMPANY MONIES WERE BEING USED TO PAY FOR  
21 THESE TOYS, TO YOUR KNOWLEDGE, HAVE AN EFFECT ON MORALE?

22 A IT WAS A VERY BIG ISSUE, ESPECIALLY THE LAST  
23 YEAR. PEOPLE WOULD COMPLAIN TO ME, AND THERE WAS A LOT OF  
24 FIGHTING ABOUT IT. AND A LOT OF PEOPLE WERE PISSED AT ME  
25 BECAUSE I WAS SIGNING CHECKS, AND THEY KNEW IT. AND RAY  
26 WOULD GO DOWN TO MEXICO FOR LIKE THE WEEKEND OR WHATEVER.

1 AND AS SOON AS HE WOULD LEAVE, EVERYBODY WOULD JUST BE  
2 LIKE, "I CAN'T BELIEVE THAT. WE'RE NOT GETTING PAID, AND  
3 HE IS GOING TO MEXICO."  
4 SO A LOT OF PEOPLE LEFT AT THAT TIME FRAME.  
5 AND IT WAS A VERY UPSET CROWD.

6 Q I WANT TO MOVE TO ONE OF THE PLAINTIFFS IN  
7 THIS CASE, THE SCHULZ FAMILY TRUST.

8 A OKAY.

9 Q HAVE YOU EVER HEARD OF THAT ENTITY, THE  
10 SCHULZ FAMILY TRUST?

11 A YES, I HAVE.

12 Q AND HAVE YOU EVER DISCUSSED THE SCHULZ  
13 FAMILY TRUST WITH RAYMOND NOVELLI?

14 A YES.

15 Q AND HAVE YOU EVER DISCUSSED THE SCHULZ  
16 FAMILY TRUST WITH THE TRUSTEE, HANS SCHULZ -- STRIKE THAT.

17 DO YOU KNOW IF MR. SCHULZ WAS THE TRUSTEE?

18 A WAS HE THE TRUSTEE OF THE SCHULZ TRUST?

19 Q YES.

20 A YES.

21 Q AND WHAT DID MR. NOVELLI -- EXCUSE ME.

22 WHAT DID MR. SCHULZ SAY TO YOU ABOUT THE  
23 SCHULZ FAMILY TRUST?

24 A IT WASN'T HIS. IT WAS JUST WHERE THEY PUT  
25 MONEY TO.

26 Q WHO IS "THEY"?

1           A           IT WAS RAY'S.   IT WASN'T REALLY HIS.

2           Q           AND DID YOU EVER SPEAK ABOUT THAT SUBJECT IN  
3 THE OFFICE WITH PEOPLE, THE FACT THAT THE SCHULZ FAMILY  
4 TRUST DIDN'T BELONG TO MR. SCHULZ?

5           A           EVERYBODY KNEW. IT WAS COMMON KNOWLEDGE. I  
6 MEAN, ALL OF ACCOUNTING KNEW AND JUST -- THERE WAS NO  
7 SECRETS IN THE OFFICE. BELIEVE ME. I MEAN, IT WAS KIND OF  
8 FUNNY, WE THOUGHT.

9           Q           WELL, DID ANYONE EVER COMMENT TO YOU ABOUT  
10 THE FACT THAT EVEN THOUGH IT WAS CALLED THE SCHULZ FAMILY  
11 TRUST IT WASN'T FUNDED BY HANS SCHULZ?

12           MR. MOSHENKO: OBJECTION. ASSUMES FACTS NOT IN  
13 EVIDENCE.

14           THE COURT: OVERRULED.

15           THE WITNESS: WELL, RAY AND I WERE LAUGHING ONE  
16 TIME BECAUSE A YOUNG LADY THOUGHT THAT IT WAS HANS'S. SO  
17 SHE THOUGHT HE HAD A LOT OF MONEY. AND WE WERE LAUGHING  
18 BECAUSE IT WASN'T HIS. IT WAS FUNNY AT THE TIME. NOT NOW  
19 HERE, BUT IT WAS FUNNY AT THE TIME.

20           BY MR. SHERMAN: Q   NOW, I KNOW THAT YOU'VE GIVEN  
21 SOME TESTIMONY ABOUT PAYCHECKS BOUNCING GENERALLY. I WANT  
22 TO FOCUS JUST ON YOUR PAYCHECKS.

23                       DID YOUR PAYCHECKS EVER BOUNCE?

24           A           YES, THEY BOUNCED.

25           Q           AND ABOUT HOW MANY TIMES?

26           A           THIS WAS ANOTHER LUCK OF THE DRAW. BECAUSE

1 SOMETIMES IT WOULD, SOMETIMES IT WOULDN'T. I'D SAY FIVE.  
2 I USUALLY SLID THROUGH PRETTY GOOD.

3 Q NOW, DURING THIS TIME THAT PAYROLL CHECKS --  
4 BOTH YOURS AND TO YOUR KNOWLEDGE OTHERS -- WERE BOUNCING,  
5 DID YOU EVER LEARN WHETHER PAYROLL WITHHOLDING HAD BECOME  
6 AN ISSUE?

7 A YES.

8 Q AND WHAT DID YOU LEARN?

9 A I LEARNED THAT --

10 MR. MOSHENKO: CALLS FOR HEARSAY. LACKS  
11 FOUNDATION.

12 THE WITNESS: THIS ISN'T HEARSAY.

13 THE COURT: OVERRULED.

14 LET ME BE THE JUDGE.

15 THE WITNESS: NO. BECAUSE I REMEMBER I WAS PRETTY  
16 UPSET BECAUSE I HAD SIGNED CHECKS FOR THE I.R.S. FOR THE  
17 MONEY THAT CAME OUT OF YOUR CHECK. THEN IT WOULD GO TO THE  
18 GOVERNMENT. I WAS SIGNING THOSE CHECKS. SO I THOUGHT THEY  
19 WERE GOING OUT. AND THEN THE HEAD OF PAYROLL, SHE SHOWED  
20 ME THAT -- WHERE THEY ALL WERE, THAT THEY WEREN'T GOING  
21 OUT.

22 BY MR. SHERMAN: Q AND WHO IS THE HEAD OF  
23 PAYROLL; WHO SHOWED YOU THAT?

24 A AT THAT TIME IT WAS A LADY NAMED GRACE. AND  
25 SHE SAID, "I THINK YOU SHOULD KNOW THIS SINCE YOUR NAME IS  
26 ON THESE." AND I DIDN'T LIKE IT. I WAS PISSED.

1 Q DID YOU EVEN KNOW WHAT THIS WAS BEFORE --  
2 EVEN WHAT THIS ISSUE WAS BEFORE GRACE BROUGHT IT TO YOUR  
3 ATTENTION?

4 A THE ISSUE? NO. I DIDN'T KNOW IT WAS AN  
5 ISSUE UNTIL IT WAS AN ISSUE.

6 Q AND DID THE INTERNAL REVENUE SERVICE EVER  
7 ASSERT CLAIMS AGAINST YOU PERSONALLY?

8 A YES. THAT WAS A BAD DAY IN MY LIFE.

9 Q FOR HOW MUCH?

10 A WELL, THERE WAS THREE DIFFERENT ONES, BUT  
11 ONE WAS I THINK \$400,000.

12 Q NOW, I WANT TO MOVE TO THE SUBJECT OF LOCK  
13 BOXES. AND MAYBE TO PUT THIS IN CONTEXT, WE CAN PUT SOME  
14 OF MR. NOVELLI'S TRIAL TESTIMONY UP ON THE BOARD FROM JUNE  
15 26TH, PAGE 4722, LINE 16.

16 "OKAY. NOW, WHERE DID  
17 YOU GET THE MONEY TO INCUR THAT  
18 KIND OF COST?

19 "ANSWER: THIS IS  
20 MONEY -- INVESTOR MONEY. IT  
21 WOULD ALSO INCLUDE THE DOWN  
22 PAYMENTS. THE DOWN PAYMENTS  
23 WOULD RUN AN AVERAGE -- I THINK  
24 IT WAS ALREADY TESTIFIED HERE --  
25 APPROXIMATELY 20 PERCENT. SO IF  
26 WE SOLD SOMETHING FOR \$6,000,

1 WE'D BE ABLE TO GET A DOWN  
2 PAYMENT OF APPROXIMATELY \$1200.  
3 THEN WE WOULD TAKE THE CONTRACTS  
4 AND FINANCE THOSE CONTRACTS FOR  
5 APPROXIMATELY 60 PERCENT. SO IF  
6 I HAD A MEMBER COME IN AND BUY A  
7 CONTRACT FOR \$6,000, I GOT \$1200  
8 DOWN, I'D HAVE A CONTRACT FOR  
9 4800. THEN I COULD BORROW ON  
10 THAT 4800 CONTRACT. THAT'S  
11 WHERE THESE LENDERS CAME FROM.  
12 I COULD BORROW 60 PERCENT OF  
13 THAT, OR ANOTHER \$24, \$2500 AND  
14 THAT WOULD BE -- HOPEFULLY BE  
15 ABLE TO COVER THE COST OF THE  
16 SALE.

17 "QUESTION: I GOT \$1200  
18 PLUS \$2500 IS \$3700. YOU HAVE  
19 ABOUT 4- OR 500 LEFT OVER?

20 "ANSWER: YES.

21 "QUESTION: ALL RIGHT.  
22 AND THEN WHO COLLECTS ON THOSE  
23 CONTRACTS?

24 "ANSWER: THEN WE COLLECT  
25 ON THEM THROUGH OUR COLLECTION  
26 DEPARTMENT.

1 "QUESTION: AND YOU THEN  
2 MAKE PAYMENTS TO LENDERS?

3 "ANSWER: WHAT WE DO IS  
4 WE HAVE -- THE MONEY GOES INTO  
5 WHAT WE CALL LOCK BOXES. AND WE  
6 SET UP ACCOUNTS AT THE BANK.  
7 AND IF WE HAVE A LENDER -- FOR  
8 EXAMPLE, OUR LENDER IS BARCLAY'S  
9 AMERICAN. THEN WE'LL OPEN UP AN  
10 ACCOUNT UNDER ALL SEASONS, AND  
11 THE MONEY THAT COMES IN ON  
12 CONTRACTS ASSIGNED TO A  
13 PARTICULAR LENDER THEN GOES INTO  
14 THAT PARTICULAR ACCOUNT. AND  
15 THEN AT THE END OF THE MONTH  
16 WE'LL -- FROM THAT ACCOUNT,  
17 WE'LL ISSUE CHECKS TO THAT  
18 PARTICULAR LENDER FOR WHATEVER  
19 IS IN THE ACCOUNT."

20 THAT WAS TRIAL TESTIMONY GIVEN BY  
21 MR. NOVELLI IN THIS CASE, MISS WALDMAN. AND I KNOW YOU HAD  
22 TESTIFIED PREVIOUSLY -- I THINK EARLIER THIS MORNING ABOUT  
23 SOME LOCK BOX.

24 DID YOU EVER HAVE A LOCK BOX ACCOUNT?

25 A ONCE I DID, YES -- WELL, MY HUSBAND AND I  
26 DID.

1 Q AND IN WHAT CONTEXT DID THAT OCCUR?

2 A WE WEREN'T GETTING PAYMENTS ON SOME OF THE  
3 INVESTMENT MONEY. AND SO MR. NOVELLI ASSIGNED US SOME  
4 PRESIDENT'S TRAVEL CLUB CONTRACTS, AND WE ESTABLISHED A  
5 LOCK BOX AT ONE OF THE BANKS, THE UNION BANK. AND WHEN THE  
6 MONEY WOULD COME IN, THE PAYMENTS WERE THEN SUPPOSED TO GO  
7 INTO THAT ACCOUNT.

8 Q DIRECTLY INTO THAT ACCOUNT?

9 A YES.

10 Q AND IS THAT TO YOUR KNOWLEDGE WHY IT'S  
11 CALLED A LOCK BOX?

12 A I DON'T KNOW WHY IT'S CALLED A LOCK BOX  
13 BECAUSE THERE'S NO LOCK ON THAT BOX. I MEAN, THAT'S JUST  
14 NOT THE WAY IT WORKS.

15 Q HOW DID IT WORK?

16 A WELL, AGAIN, MR. NOVELLI DECIDED WHAT WENT  
17 IN THERE. BECAUSE I RAN A REPORT AND SAW THAT WE HAD -- MY  
18 HUSBAND AND I, ON OUR ACCOUNT, WE HAD GOTTEN A CERTAIN  
19 AMOUNT OF PAYMENTS.

20 MR. MOSHENKO: OBJECTION. BEST EVIDENCE, YOUR  
21 HONOR. AND HEARSAY. APPARENTLY SHE IS TALKING ABOUT  
22 OUT-OF-COURT DOCUMENTATION.

23 THE COURT: OVERRULED.

24 BY MR. SHERMAN: Q TELL ME WHAT YOU AND  
25 MR. NOVELLI SAID TO ONE ANOTHER ON THIS SUBJECT.

26 A ON LOCK BOXES?

1 Q YES.

2 A I DON'T RECALL EXACT CONVERSATIONS, ANY  
3 SPECIFIC CONVERSATION WITH HIM ON IT.

4 Q OKAY. BUT YOU WERE REFERRING TO A REPORT A  
5 MOMENT AGO.

6 A I RAN A REPORT.

7 Q I SEE. AND WHAT DID YOU LEARN?

8 MR. MOSHENKO: OBJECTION. SECONDARY EVIDENCE RULE.  
9 BEST EVIDENCE, THE REPORT.

10 THE COURT: WHAT DO YOU MEAN WHEN YOU SAY YOU RAN A  
11 REPORT?

12 THE WITNESS: I RAN A COMPUTER REPORT OF MEMBER  
13 PAYMENTS THAT WERE SUPPOSED TO BE IN MY LOCK BOX.

14 THE COURT: OBJECTION IS OVERRULED.

15 BY MR. SHERMAN: Q AND WHAT DID YOU LEARN?

16 A THE PAYMENTS WEREN'T IN MY LOCK BOX.

17 Q NOW, I KNOW YOU MENTIONED THE NAME  
18 DARIO MOSCOSO. WAS HE ONE OF THE CHIEF FINANCIAL OFFICERS  
19 AT SOME POINT IN TIME?

20 A YES, HE WAS -- YES, HE WAS.

21 Q AND I KNOW YOU'VE TESTIFIED ALREADY THAT  
22 YOUR NAME WAS ON SOME OF THE CHECKS, A CHECK SIGNER.

23 WAS YOUR NAME ON SOME OF THE COMPANY BANK  
24 ACCOUNTS?

25 A YES.

26 Q AND DID YOU EVER DISCUSS THAT ISSUE WITH

1 MR. MOSCOSO?

2 A YES.

3 Q WHEN, APPROXIMATELY?

4 A I WOULD SAY 1995.

5 Q WHAT DID YOU SAY TO MR. MOSCOSO AND WHAT DID  
6 HE SAY TO YOU?

7 THE COURT: YOU CAN TELL US ABOUT THAT WHEN YOU  
8 COME BACK. YOU WORKED SO HARD THIS MORNING, I'M GOING TO  
9 GIVE YOU 20 MINUTES OFF.

10 THE WITNESS: COOL. IS IT PAID?

11 (RECESS TAKEN.)

12 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
13 COURT IN THE PRESENCE OF THE JURY:)

14 THE COURT: PROCEED, COUNSEL.

15 BY MR. SHERMAN: Q I BELIEVE THE QUESTION WAS,  
16 WHAT DID DARIO MOSCOSO SAY TO YOU AND WHAT DID YOU SAY TO  
17 DARIO MOSCOSO?

18 A HE CALLED ME INTO HIS OFFICE AND SAID, "I  
19 THINK YOU SHOULD GET YOUR NAME OFF THE BANK ACCOUNTS." AND  
20 DARIO AND I HADN'T ALWAYS GOTTEN ALONG, BUT HE SAID, "I'M  
21 TELLING YOU THIS AS A FRIEND. GET YOUR NAME OFF THOSE  
22 ACCOUNTS."

23 Q DID YOU?

24 A YES.

25 Q NOW, ARE YOU FAMILIAR WITH A MAGAZINE  
26 PUBLICATION CALLED "NEWS AND VIEWS"?

1 A YES.

2 Q AND WHAT WAS NEWS AND VIEWS?

3 A I WAS OUR COMPANY NEWS MAGAZINE THAT WENT  
4 OUT EVERY MONTH TO THE MEMBERS.

5 Q AND DID THERE COME A TIME WHEN NEWS AND  
6 VIEWS STOPPED GOING OUT ON A MONTHLY BASIS?

7 A YES.

8 Q WHEN DID THAT OCCUR?

9 A I DON'T RECALL THE EXACT DATE. THERE WAS --  
10 IT COST A LOT TO PUBLISH IT, AND --

11 MR. MOSHENKO: OBJECTION, NONRESPONSIVE AFTER "I  
12 DON'T RECALL."

13 THE COURT: SUSTAINED.

14 BY MR. SHERMAN: Q THE QUESTION, MRS. WALDMAN,  
15 WAS, WHEN THE MAILING STOPPED BEING A MONTHLY MAILING OF  
16 NEWS AND VIEWS, DO YOU HAVE SOME GENERAL RECALL AS TO WHEN  
17 THAT OCCURRED?

18 MR. MOSHENKO: ASKED AND ANSWERED.

19 THE COURT: OVERRULED.

20 THE WITNESS: I DON'T RECALL THE EXACT DATE, NO.

21 BY MR. SHERMAN: Q DO YOU RECALL THE GENERAL TIME  
22 PERIOD?

23 A I'D SAY LATE '94, '95.

24 Q AND, TO YOUR KNOWLEDGE, WHY DID THE MAILING  
25 OF THIS MAGAZINE MONTHLY STOP?

26 A IT'S TOO EXPENSIVE TO TRY TO PUT OUT EVERY

1 MONTH. AND A COUPLE MONTHS WE WERE LATE, AND MEMBERS WOULD  
2 COMPLAIN. AND WHEN WE WERE LIKE COMPLETELY LATE ONE  
3 MONTH -- I DON'T KNOW -- SOMEBODY CAME UP WITH THE IDEA TO  
4 DO IT QUARTERLY.

5 Q AND WERE THERE, TO YOUR KNOWLEDGE, EDITIONS  
6 OF NEWS AND VIEWS THAT MAY HAVE BEEN PUBLISHED BUT NOT  
7 MAILED?

8 A I DON'T RECALL IF THAT HAPPENED OR NOT. IT  
9 WENT OUT WHEN IT WENT OUT. SOMETIMES IT WENT OUT LATE.  
10 SOMETIMES IT DIDN'T GO OUT AT ALL.

11 Q NOW, IN THOSE INSTANCES WHEN NEWS AND VIEWS  
12 WENT OUT LATE OR NOT AT ALL, TO YOUR KNOWLEDGE, HOW DID  
13 MEMBERS RECEIVE INFORMATION ABOUT THE CAMP RESORT SYSTEMS  
14 THAT THEY HAD PURCHASED MEMBERSHIPS IN?

15 A HOW DID THEY RECEIVE INFORMATION?

16 Q RIGHT.

17 A WELL, THEY WOULD CALL US AND ASK US WHICH  
18 RESORTS ARE IN. WE DIDN'T HAVE LIKE A MEMBER DIRECTORY.  
19 BUT IN THE CONTRACT, IT DID SAY WHAT RESORTS YOU GET WITH  
20 LIKE THE PRESIDENT'S TRAVEL CLUB.

21 Q NOW, BUT AS FAR AS THESE TELEPHONE CALLS  
22 FROM MEMBERS -- AND I KNOW YOU'VE TALKED ABOUT THAT FROM  
23 TIME TO TIME -- DID THE ORGANIZATION MAINTAIN A TOLL-FREE  
24 800 LINE?

25 A FOR A WHILE WE HAD ONE, BUT IT WAS -- WE  
26 CANCELLED. IT WAS TOO EXPENSIVE, AND IT SEEMED LIKE WE

1 FELT MEMBERS CALLED EVEN MORE WHEN YOU HAD AN 800 LINE.

2 Q AND OVER THE YEARS THAT YOU WERE EMPLOYED BY  
3 THE NOVELLI ORGANIZATION, I PRESUME THAT THERE WERE  
4 EMPLOYEES WHO LEFT THE ORGANIZATION FROM TIME TO TIME?

5 A YES.

6 Q AND AS YOU GOT LATER INTO YOUR TIME WITH THE  
7 COMPANY, DID THAT OCCUR MORE FREQUENTLY?

8 A YES. WE HAD A HUGE TURNOVER.

9 Q AND WHEN EMPLOYEES LEFT, DID YOU EVER SPEAK  
10 WITH MR. NOVELLI ABOUT THE REASONS FOR THE EMPLOYEE LEAVING?

11 A IT DEPENDED ON THE EMPLOYEE. THERE'S A HUGE  
12 TURNOVER WITH THE LOWER-LEVEL EMPLOYEES. AND LIKE IF  
13 SOMETHING -- LIKE MANAGER OR SOMETHING LEFT, THEN WE TALKED  
14 ABOUT IT.

15 Q AND WERE THERE -- DO YOU RECALL ANYTHING IN  
16 PARTICULAR THAT MR. NOVELLI SAID TO YOU ON THE SUBJECT NOW  
17 JUST OF -- I'M TALKING ABOUT MANAGERS OR UPPER LEVEL  
18 MANAGERS LEAVING.

19 A WELL, IF SOMEBODY LEFT ON THEIR OWN, A LOT  
20 OF TIMES MR. NOVELLI SAID THEY WERE STEALING.

21 Q HOW MANY TIMES DID HE SAY THAT,  
22 APPROXIMATELY, ABOUT DIFFERENT PEOPLE?

23 A IT WAS JUST KIND OF A COMMON THING WE  
24 LAUGHED ABOUT. I REMEMBER WENDY AND I, WE WOULD LAUGH  
25 LIKE, YOU KNOW, "IF WE LEFT I WONDER WHAT HE WOULD SAY  
26 WE'RE STEALING. BUT I WOULD SAY FOUR THAT I PARTICULARLY

1 REMEMBER." BUT THAT WAS JUST PEOPLE THAT I MIGHT HAVE  
2 SOMETHING TO DO WITH.

3 Q AND WHEN YOU SAY YOU AND WENDY LEFT, THAT'S  
4 WENDY ARCHIBALD?

5 A YES, MY ASSISTANT, WENDY.

6 Q AND ON THE SUBJECT OF YOUR LAUGHING, WAS  
7 THIS SOMETHING YOU LAUGHED ABOUT WITH MR. NOVELLI, TOO,  
8 THE ISSUE OF THE ACCUSATION THAT PEOPLE ARE STEALING?

9 A NO. I DIDN'T LAUGH ABOUT IT WITH HIM,  
10 NO. NO. I JUST SAID, "OH, YEAH."

11 Q BUT ON THE WHOLE SUBJECT OF THIS BEING A  
12 FUNNY ISSUE, WAS THERE ANYTHING FUNNY ABOUT THE WAY  
13 MR. NOVELLI WOULD PRESENT THIS, THAT EMPLOYEE X OR Y OR Z  
14 IS STEALING?

15 MR. MOSHENKO: OBJECTION. ASSUMES FACTS NOT IN  
16 EVIDENCE. MISSTATES THE TESTIMONY.

17 THE COURT: OVERRULED.

18 THE WITNESS: HE DIDN'T LIKE IT IF YOU QUIT. SO HE  
19 WOULD SAY, "WELL, THEY'RE STEALING. SO I'M GLAD THEY'RE  
20 GONE."

21 BY MR. SHERMAN: Q NOW, AS FAR AS THE PEOPLE WHO  
22 YOU HAD PERSONAL KNOWLEDGE OF, I KNOW YOU DIDN'T MENTION  
23 THEM BY NAME, BUT YOU MENTIONED FOUR, ABOUT FOUR PEOPLE  
24 THAT YOU KNEW ABOUT --

25 A YES.

26 Q -- WHERE MR. NOVELLI SAID THAT.

1 DID YOU HAVE ANY KNOWLEDGE AS TO WHETHER  
2 THOSE PEOPLE WERE STEALING?

3 A NO. THERE WAS NO MONEY. I DON'T KNOW WHAT  
4 THEY WERE STEALING.

5 MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER  
6 "NO." THE WITNESS IS VOLUNTEERING TESTIMONY.

7 THE COURT: OVERRULED.

8 BY MR. SHERMAN: Q TO YOUR KNOWLEDGE DID  
9 MR. NOVELLI RECEIVE PAYCHECKS?

10 A IN THE BEGINNING HE DID, BUT NOT -- WITH THE  
11 I.R.S. THING AND THAT, NOT AFTER THAT.

12 Q WHAT DO YOU MEAN BY THAT, WITH THE I.R.S.  
13 THING?

14 A WELL, HE HAD LIENS ON HIM FROM THE I.R.S.,  
15 SO IF HE GOT A PAYCHECK, THEY COULD TAKE IT. SO HE DIDN'T  
16 GET PAYCHECKS LIKE NORMAL PAYCHECKS. EVERY TWO WEEKS, OR  
17 WHATEVER IT WAS, WE WERE PAID.

18 Q I'M GOING TO USE A PHRASE YOU'VE USED  
19 THAT -- "THE YEAR FROM HELL." IS IT FAIR TO SAY THAT THE  
20 OFFICE ENVIRONMENT CHANGED?

21 A DRAMATICALLY, YES.

22 Q AND TIME FRAME?

23 A '95, '96.

24 Q AND, BRIEFLY, CHANGED FROM WHAT TO WHAT?

25 A WELL, A LOT OF PEOPLE HAD LEFT, AND  
26 PAYCHECKS WERE ALWAYS LATE. IT MADE IT ALMOST IMPOSSIBLE

1 TO HIGHER NEW EMPLOYEES. IF YOU DID, YOU HAD TO KIND OF  
2 HIDE THAT FROM THEM. AND THERE WAS NO SALES GOING ON.  
3 MOST OF THE SALES FIELD HAD LEFT. SO THERE WAS BASICALLY  
4 NO SALES DEPARTMENT LEFT AT THAT TIME.

5 THE CREDITORS WERE REALLY MOVING IN. THE  
6 PRESIDENT'S CLUB WAS, IN MY OPINION, RUINED, BECAUSE THE  
7 DEVELOPERS WEREN'T PAID. THE REPUTATION WAS BAD. I KNOW  
8 THE COLLECTIONS WERE HURTING BECAUSE OF EVERYTHING THAT WAS  
9 GOING ON. IT'S JUST EVERYTHING WAS GOING ON AT ONCE.

10 Q AND I THINK IT WAS YESTERDAY YOU TALKED  
11 ABOUT ONE OF YOUR RESPONSIBILITIES BEING TO TAKE CHARGE  
12 OVER THE RECEPTION AREA WHERE PEOPLE WERE GREETED WHEN THEY  
13 CAME TO THE OFFICES?

14 A YES. I HANDLED THE FRONT LOBBY ALSO.

15 Q AND THAT WAS A PLACE WHERE MEMBERS WOULD  
16 SHOW UP FROM TIME TO TIME?

17 A YES. MEMBERS WOULD COME IN IF THEY WERE --  
18 THEIR TRAVELS TOOK THEM INTO CALIFORNIA. OR LOCAL MEMBERS  
19 WOULD COME IN, AND WE WOULD GIVE THEM A TOUR OF THE OFFICE.

20 Q OKAY. AND DID YOU -- AND WHEN YOU HAD THE  
21 TIME, YOU GREETED THOSE PEOPLE?

22 A YES, I WOULD, OR I'D HAVE ONE OF MY STAFF DO  
23 IT.

24 Q WERE THERE OTHER PEOPLE THAT YOU HAD TO  
25 GREET IN THE RECEPTION AREA IN THE '95, '96 TIME FRAME?

26 A WELL, THAT WAS THE BAD YEAR. SO THERE WAS A

1 LOT OF BILL COLLECTORS. THERE WOULD BE PROCESS SERVERS,  
2 SHERIFFS, WHATEVER WAS GOING ON THAT DAY, I.R.S.

3 Q AND WERE YOU THE PERSON THAT DEALT WITH  
4 THOSE PEOPLE WHEN THEY CAME INTO THE LOBBY?

5 A I WAS ONE OF THE PEOPLE. NORMALLY IT WAS  
6 MYSELF OR DARIO.

7 Q DID YOU EVER HAVE FEDERAL AGENTS COME?

8 A FEDERAL AGENTS? WHAT KIND OF FEDERAL AGENTS?

9 Q ANYONE FROM THE FEDERAL GOVERNMENT.

10 A ONE TIME SOME -- I THINK, A.T.F., ONE TIME  
11 THEY CAME TO GET PHILLIP MARTINEZ.

12 Q WHAT DO YOU MEAN?

13 A IF THAT'S WHAT YOU MEAN BY FEDERAL.

14 Q A.T.F. IS ALCOHOL TOBACCO AND FIREARMS?

15 A YES. PHILLIPS MARTINEZ WAS --

16 MR. MOSHENKO: OBJECTION. THE WITNESS IS  
17 VOLUNTEERING TESTIMONY.

18 THE COURT: SUSTAINED.

19 MR. MOSHENKO: AND ALSO MAY WE APPROACH ON THIS,  
20 YOUR HONOR?

21 THE COURT: YOU MAY APPROACH.

22 MR. MOSHENKO: FIRST TIME TODAY.

23 (DISCUSSION OFF THE RECORD.)

24 BY MR. SHERMAN: Q MISS WALDMAN, WHEN THE AGENTS  
25 FROM THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS CAME TO  
26 THE OFFICE FOR MR. MARTINEZ, WHAT DID YOU SEE HAPPEN?

1           A           WELL, THEY CAME IN THROUGH THE TRAVEL AGENCY  
2 DOOR, WHICH IS CONSIDERED SECONDARY, OR BACK DOOR.   AND I  
3 DIDN'T KNOW WHO THEY WERE.   AND PHILLIP MARTINEZ'S OFFICE  
4 WAS NEXT TO RAY'S.   AND THEY JUST CAME STORMING IN.  
5 MR. NOVELLI WASN'T THERE.   THERE WAS REALLY NOBODY THERE  
6 BUT MYSELF AND PHILLIP AND DEBBIE, WHO IS RAY'S ASSISTANT.  
7 AND I HAD BEEN TAUGHT TO HANDLE THESE TYPE OF SITUATIONS.  
8 I THOUGHT I HAD BEEN TAUGHT, ANYWAY.

9                       SO I SAID, "STOP," YOU KNOW, "YOU'RE NOT  
10 COMING IN THIS BUILDING."   THEN HE -- YOU WANT ME TO TELL  
11 YOU WHAT HE SAID?

12           MR. MOSHENKO:   THIS IS HEARSAY, YOUR HONOR.

13           THE COURT:   WHO IS "HE"?

14           THE WITNESS:   THE FEDERAL AGENT.

15           MR. MOSHENKO:   THE QUESTION WAS WHAT WAS OBSERVED.  
16 THIS IS HEARSAY.   I OBJECT.

17           THE WITNESS:   NO.   THIS IS WHAT HE SAID.

18           THE COURT:   OVERRULED.

19           BY MR. SHERMAN:   Q   WHAT DID HE SAY?

20           A           HE SAID, "MOVE YOUR PRETTY LITTLE ASS OR I'M  
21 TAKING YOU WITH ME."

22                       THEN I SAID, "GO AHEAD.   TAKE HIM AWAY."

23                       I MEAN, HE WAS VERY SERIOUS.   IT WAS A VERY  
24 SERIOUS SITUATION.   AND I'LL ALWAYS REMEMBER THAT BECAUSE I  
25 WAS JUST LIKE --

26           MR. MOSHENKO:   OBJECTION.   THE WITNESS IS NOW NOT

1 RESPONSIVE.

2 THE COURT: OVERRULED. IT'S INTERESTING.

3 THE WITNESS: SO I JUST GOT OUT OF THE WAY BECAUSE  
4 THEY HAD FIREARMS AND STUFF. I JUST SAID, YOU KNOW, "TAKE  
5 PHILLIP. HE IS YOURS."

6 BY MR. SHERMAN: Q SO THEY LED HIM AWAY?

7 A THEY HANDCUFFED HIM AND TOOK HIM.

8 Q THE -- THESE INSTANCES OF FEDERAL AGENTS,  
9 PROCESS SERVERS, BILL COLLECTORS COMING THROUGH THE DOORS,  
10 RECEPTION AREAS, WHAT HAVE YOU, DID THIS HAVE ANY IMPACT ON  
11 EMPLOYEE MORALE?

12 MR. MOSHENKO: SPECULATION, YOUR HONOR. LACKS  
13 FOUNDATION.

14 THE COURT: OVERRULED.

15 THE WITNESS: IT HAD A HUGE IMPACT.

16 BY MR. SHERMAN: Q HOW SO?

17 A IT WAS VERY SCARY. IT WAS A VERY -- IT WAS  
18 A VERY DIFFICULT TIME FOR THE EMPLOYEES THAT WERE LEFT.

19 Q NOW, THE PHRASE HAS BEEN USED -- I THINK YOU  
20 MAY HAVE EVEN USED IT YESTERDAY -- "GOOD TIMES RAY"?

21 A YES.

22 Q WHAT HAPPENED TO GOOD TIMES RAY?

23 A WELL, THE GOOD TIMES -- YOU MEAN THE NAME  
24 "GOOD TIMES RAY"?

25 Q YEAH.

26 A WELL, WHEN I LEFT, IT WAS "NO PAY RAY."

1 "GOOD TIMES RAY" TO "NO PAY RAY." SO AS FAR AS I WAS  
2 CONCERNED, THE GOOD TIMES WERE OVER.

3 Q DO YOU KNOW OTHERS WHO KNOW PERSONALLY  
4 MR. NOVELLI AND HIS COMPANIES?

5 A YES.

6 Q HAVE YOU TALKED TO OTHER PEOPLE ABOUT  
7 MR. NOVELLI AND HIS COMPANIES OVER THE YEARS?

8 A YES.

9 Q HAVE YOU TALKED TO PEOPLE ABOUT WHETHER  
10 MR. NOVELLI IS HONEST OR DISHONEST?

11 MR. MOSHENKO: OBJECTION. IT CALLS FOR HEARSAY,  
12 YOUR HONOR.

13 THE COURT: OVERRULED.

14 THE WITNESS: YES, I HAVE.

15 BY MR. SHERMAN: Q DOES MR. NOVELLI HAVE A  
16 REPUTATION IN THE COMMUNITY FOR BEING TRUTHFUL OR  
17 UNTRUTHFUL?

18 A UNTRUTHFUL.

19 Q IF MR. NOVELLI WERE TO COME INTO COURT AND  
20 SWEAR TO TELL THE TRUTH, WOULD YOU BELIEVE HIM?

21 MR. MOSHENKO: THIS IS IMPROPER OPINION TESTIMONY.

22 MR. SHERMAN: IT'S -- EVIDENCE CODE 786 PERMITS IT.

23 THE COURT: SUSTAINED.

24 MR. MOSHENKO: HER PERSONAL BELIEF IS IRRELEVANT.

25 THE COURT: IT'S REPUTATION. OVERRULED.

26 THE WITNESS: NOT A WORD.

1 BY MR. SHERMAN: Q NOW, IN THIS LAST YEAR WITH THE  
2 NOVELLI ORGANIZATION, DID YOUR RELATIONSHIP WITH  
3 MR. NOVELLI CHANGE IN SOME WAY?

4 A THE LAST YEAR I WAS WITH THE COMPANY?

5 Q YES.

6 A I FELT IT HAD, YES.

7 Q IN WHAT WAY?

8 A WELL, HE WASN'T THE SAME PERSON THAT I KNEW  
9 AND THAT I THOUGHT SO MUCH OF.

10 Q HOW DID IT MANIFEST ITSELF? WHAT DID YOU  
11 OBSERVE? WHAT DID YOU THINK AT THE TIME?

12 A JUST THINGS THAT WERE HAPPENING. AND I FELT  
13 LIKE HE DIDN'T CARE ANYMORE; THAT HE WAS JUST -- DID  
14 NOTHING, IN MY OPINION.

15 Q WHAT DO YOU MEAN HE DID NOTHING?

16 A I ALWAYS FELT WE WERE A GROUP, MANAGEMENT  
17 AND RAY. WE WOULD DO ANYTHING FOR RAY AND THE COMPANY.  
18 AND THEN IT JUST TURNED INTO WHERE HE WASN'T AS OBTAINABLE  
19 AS HE WAS BEFORE. AND HE SEEMED VERY WITHDRAWN. LIKE, I  
20 MEAN, IT WAS A DEVASTATING TIME FOR EVERYBODY, SO I COULD  
21 SEE WHY. BUT WE WERE USED TO HIM PULLING US ALL TOGETHER,  
22 AND HE WASN'T LIKE THAT ANYMORE. AND HE BECAME ANGRY A LOT  
23 MORE.

24 Q DID THAT HAVE AN IMPACT ON YOU?

25 A YES.

26 Q IN WHAT WAY?

1           A           WELL, I DIDN'T HAVE MY FRIEND ANYMORE, AND I  
2 REALLY DIDN'T HAVE ANYBODY TO TURN TO ANYMORE. IT'S NOT  
3 LIKE I COULD GO HOME AND TALK TO MY HUSBAND ABOUT IT.

4           Q           WHY NOT?

5           A           BECAUSE HE WAS AN INVESTOR, AND HE WAS OWED  
6 MONEY. AND I WAS TRYING VERY HARD TO KEEP EVERYTHING  
7 TOGETHER. I WAS DEALING WITH A LOT OF STUFF THAT -- THAT I  
8 FOUND OUT LATER WASN'T NORMAL.

9           Q           WHAT DO YOU MEAN BY THAT?

10          A           PROCESS SERVERS, COLLECTIONS, I MEAN,  
11 PAYROLL CHECKS BOUNCING. I MEAN, I WAS ONE OF THOSE PEOPLE  
12 THAT I WOULD -- I WOULD GO TO THE END OF THE EARTH FOR MY  
13 BOSS. I WOULD DO WHATEVER I COULD TO HELP THE COMPANY.  
14 AND I WAS ALWAYS KNOWN AS SOMEBODY WHO -- YOU KNOW, THAT'S  
15 THE PERSON THAT YOU COULD RELY ON. AND I FELT LIKE I HAD  
16 CREATED -- HELP CREATE THIS COMPANY, AND I HAD TO SOMEHOW  
17 SAVE IT.

18          Q           DID YOU TRY TO SAVE IT?

19          A           I TRIED, YES. I FELT I TRIED. AND I FELT I  
20 PAID A VERY HIGH PRICE FOR THAT.

21          Q           IN WHAT RESPECT?

22          A           JUST MAINLY THE HEALTH ISSUES.

23          Q           DID THE HEALTH ISSUES ALL COME AT ONE?

24          A           THEY BUILT UP OVER TIME.

25          Q           DID IT AFFECT THE JOB PERFORMANCE?

26          A           WELL, MY JOB PERFORMANCE HAD CHANGED. NOW I

1 WAS BASICALLY -- YOU KNOW, IT WASN'T THE HEAD OF SALES AND  
2 MARKETING ANYMORE.

3 Q YOU LEFT ON AUGUST 30?

4 A YES.

5 Q WHAT HAPPENED RIGHT BEFORE YOU LEFT?

6 A WELL, MY DOCTORS HAD BEEN TELLING ME FOR A  
7 COUPLE OF MONTHS THAT I NEEDED TO TAKE SOME TIME OFF,  
8 BECAUSE I WASN'T EATING OR SLEEPING. AND IT WAS JUST -- SO  
9 THEY -- AND I HAD DEVELOPED SOME ULCERS, AND I WAS BECOMING  
10 VERY THIN.

11 AND, LIKE I SAID, I WASN'T SLEEPING AT  
12 NIGHT. AND I JUST KEPT THINKING THAT I COULD PULL THIS  
13 THING TOGETHER. AND I REALIZED I WAS -- YOU KNOW, I MEAN,  
14 I WOULD TAKE A TREMENDOUS AMOUNT OF PRESSURE AND STRESS  
15 DURING THE DAY, AND THEN I WOULD GO HOME AND GET IT THERE.  
16 AND I'D ALWAYS BEEN ABLE TO HANDLE ANYTHING, AND IT JUST  
17 ALL BUILT UP AND CAME CRASHING DOWN.

18 AND RAY WASN'T THERE. HE JUST MENTALLY  
19 CHECKED OUT.

20 Q DID YOU COLLAPSE AT THE OFFICE?

21 MR. MOSHENKO: OBJECTION. LEADING AND SUGGESTIVE.

22 THE COURT: SUSTAINED.

23 BY MR. SHERMAN: Q I WANT TO KNOW IF THE HEALTH  
24 ISSUES REACHED A PEAK WHILE YOU WERE AT THE OFFICE.

25 A YES.

26 MR. MOSHENKO: OBJECTION. RELEVANCE. LEADING AND

1 SUGGESTIVE. IRRELEVANT.

2 THE COURT: OVERRULED.

3 THE WITNESS: I DID FAINT ONCE AT WORK, BUT I  
4 STARTED MONTHS BEFORE HAVING SEVERE ANXIETY ATTACKS, WHICH  
5 I'D NEVER HAD BEFORE.

6 AND ONE TIME I THOUGHT I WAS HAVING A HEART  
7 ATTACK, AND WENDY CAME IN. AND I SAID, "I THINK I'M HAVING  
8 A HEART ATTACK." AND THE DOCTOR TOLD ME IT WAS ANXIETY.  
9 YOU GET LIKE A BAG AND BREATHE IN IT, AND THEN HE  
10 PRESCRIBED MEDICATION.

11 BUT ONE TIME AFTER SOME REALLY BAD PHONE  
12 CALLS, I DID FAINT AT WORK -- WELL, I FAINTED AT WORK ABOUT  
13 5:00.

14 Q WHERE WERE YOU?

15 A WELL, I FELT LIKE I WAS GOING TO GET SICK.

16 Q WHERE?

17 A I WENT INTO THE BATHROOM, AND THEN I PASSED  
18 OUT IN THE BATHROOM.

19 MR. MOSHENKO: YOUR HONOR -- WE HAVE A 352  
20 OBJECTION, YOUR HONOR.

21 THE COURT: OVERRULED.

22 BY MR. SHERMAN: Q NOW, AFTER YOU PASSED OUT, WHAT  
23 WAS THE NEXT THING THAT YOU SAW?

24 A SOME GOOD LOOKING FIREMEN.

25 Q SO YOU WERE, WHAT, LYING ON THE FLOOR?

26 A I WAS ON THE COUCH, I THINK.

1 Q AND WAS MR. NOVELLI THERE?

2 A YES, HE WAS -- THERE'S A LOT OF PEOPLE THERE.

3 Q DESCRIBE THE SCENE.

4 A JUST EVERYBODY STANDING AROUND ASKING ME IF  
5 I WAS ALL RIGHT. AND THEY WANTED TO TAKE ME TO THE  
6 HOSPITAL, BUT I DIDN'T WANT TO GO. I WOULDN'T GO. AND  
7 THEN THE FIREMAN WAS TRYING TO LOOK IN MY EYES AND STUFF.  
8 SO I STOOD UP, AND THEN HE ASKED ME IF I HAD BEEN UNDER ANY  
9 STRESS.

10 Q WHAT DID YOU TELL THEM?

11 A WELL, IT WAS JUST SO FUNNY, I MEAN, JUST THE  
12 IRONY OF THE WHOLE THING, THE WHOLE SITUATION. AND I  
13 REMEMBER THE OTHER EMPLOYEES THAT WERE THERE. I MEAN, THEY  
14 WERE LAUGHING. IT WAS LIKE, I MEAN, YOU COULDN'T EVEN  
15 ANSWER A QUESTION LIKE THAT.

16 Q NOW, YOU SAY MR. NOVELLI WAS PRESENT?

17 A MR. NOVELLI WAS THERE, AND HE WAS STANDING  
18 BEHIND THE FIREMEN, AND HE WAS SHAKING HIS HEAD LIKE  
19 JUST -- AND I WAS LOOKING AT HIM, AND I JUST -- I THINK IT  
20 WAS AT THAT TIME I REALIZED THAT --

21 MR. MOSHENKO: OBJECTION. IT'S VOLUNTEERED  
22 TESTIMONY.

23 THE COURT: SUSTAINED.

24 MR. MOSHENKO: AND IT'S IRRELEVANT.

25 BY MR. SHERMAN: Q WHEN THE FIREMEN ASKED YOU IF  
26 YOU WERE UNDER ANY STRESS, DID MR. NOVELLI ATTEMPT TO

1 COMMUNICATE WITH YOU AT THAT TIME?

2 A HE DIDN'T SPEAK TO ME, BUT HE WAS SHAKING  
3 HIS HEAD.

4 Q IN WHAT DIRECTION?

5 A LIKE NOT -- BACK AND FORTH -- LIKE HE  
6 COULDN'T BELIEVE IT, OR LIKE, DON'T SAY ANYTHING. I REALLY  
7 DON'T KNOW WHAT HE WAS COMMUNICATING.

8 Q NOW, WITH YOUR LEAVING THE COMPANY ON AUGUST  
9 30TH, WHEN DID THIS -- WHEN DID THIS OCCUR?

10 A ON AUGUST 30TH WHEN DID IT OCCUR?

11 Q YOU LEFT THE COMPANY ON AUGUST 30, 1996. SO  
12 WHEN WAS THIS INCIDENT IN RELATION TO YOUR LEAVING?

13 A I THINK IT WAS APPROXIMATELY A MONTH BEFORE,  
14 MAYBE TWO MONTHS.

15 MR. SHERMAN: I HAVE NO FURTHER QUESTIONS.

16 THE COURT: THANK YOU.

17 CROSS-EXAMINATION.

18 MR. MOSHENKO: YES, YOUR HONOR. THANK YOU.

19 CROSS-EXAMINATION

20 BY MR. MOSHENKO: Q AUGUST 30, 1996, WAS YOUR LAST  
21 DAY OF EMPLOYMENT; CORRECT?

22 A YES. I'M PRETTY SURE THAT WAS THE DAY.

23 Q AND WHAT DID YOU DO AFTER THAT?

24 A WE WENT TO HAWAII TO TRY TO SELL OUR HOUSE,  
25 OUR CONDO THERE.

26 Q AND IS IT TRUE THAT AFTER THAT YOU WENT INTO

1 THE -- A PURSE MARKETING BUSINESS?

2 A WELL, MY HUSBAND IS ALREADY IN THAT  
3 BUSINESS.

4 Q YOU PERSONALLY WENT TO WORK MARKETING PURSES  
5 IN A MALL OR SOME SORT OF SITUATION LIKE THAT?

6 A NO.

7 Q WELL, OKAY. WHAT DID --

8 A I SELL HANDBAGS AT THE SWAP MEET.

9 Q ALL RIGHT. WHEN DID YOU DO THAT?

10 A WHEN?

11 Q WHEN?

12 A WHEN, PROBABLY A YEAR AFTER I HAVE LEFT THE  
13 COMPANY BECAUSE WE WERE IN HAWAII TRYING TO SELL THE CONDO  
14 THERE.

15 Q SO YOU WERE GONE TO HAWAII FOR A YEAR?

16 A APPROXIMATELY EIGHT MONTHS.

17 Q AND THEN YOU CAME BACK, AND THAT'S WHEN YOU  
18 STARTED UP YOUR PURSE-SELLING BUSINESS?

19 A NOT RIGHT AWAY.

20 Q HOW LONG AFTER YOU CAME BACK FROM HAWAII?

21 A COUPLE MONTHS, I BELIEVE IT WAS.

22 Q SO THAT WOULD BE ABOUT 10 MONTHS AFTER YOU  
23 LEFT?

24 A TEN MONTHS TO A YEAR.

25 Q AS A MATTER OF FACT, YOU COLLECTED  
26 DISABILITY INCOME FOR AN ENTIRE YEAR AFTER YOU LEFT, DIDN'T

1 YOU?

2 A THE ENTIRE TIME I WAS IN HAWAII I WAS ON  
3 MEDICAL LEAVE.

4 Q AND -- BUT DIDN'T YOU COLLECT DISABILITY FOR  
5 AN ENTIRE YEAR, WHICH WOULD INCLUDE AFTER YOUR RETURN FROM  
6 HAWAII?

7 A WELL, I DIDN'T WORK WHILE I COLLECTED THAT,  
8 IF THAT'S WHAT YOU'RE SAYING.

9 Q DIDN'T YOU COLLECT DISABILITY FOR AN ENTIRE  
10 YEAR --

11 A IS THAT MEDICAL?

12 Q YES, THAT'S MEDICAL DISABILITY.

13 A YES.

14 Q AN ENTIRE YEAR AFTER YOU LEFT?

15 A YES.

16 Q SO YOU WERE WORKING SELLING HANDBAGS AT A  
17 SWAP MEET WHILE YOU WERE COLLECTING DISABILITY; CORRECT?

18 A NO. I TOLD YOU IT WAS APPROXIMATELY A YEAR.

19 Q AND THEN WHILE YOU WERE SELLING HANDBAGS,  
20 HOW LONG DID YOU DO THAT?

21 A SELL HANDBAGS?

22 Q YES.

23 A WELL, I STARTED TO TRY TO SELL THEM IN THE  
24 SWAP MEET, BUT -- I DO THAT NOW ONCE IN A WHILE.

25 Q OKAY. WELL THAT WAS A BUSINESS THAT YOU HAD  
26 SET UP AND WERE RUNNING, A -- KIND OF A SIDE BUSINESS TO

1 YOUR HUSBAND, CONNECTED TO YOUR HUSBAND'S BUSINESS; RIGHT?

2 A I THINK IT'S A SIDE BUSINESS, YES.

3 Q AND WHILE YOU WERE RUNNING THAT SIDE  
4 BUSINESS, YOU WERE COLLECTING UNEMPLOYMENT?

5 A NO.

6 Q DIDN'T YOU COLLECT UNEMPLOYMENT FOR SEVERAL  
7 MONTHS AFTER YOU CAME OFF OF DISABILITY?

8 A YES, I DID COLLECT UNEMPLOYMENT.

9 Q WHEN DID YOU COLLECT UNEMPLOYMENT?

10 A AFTER THE MEDICAL?

11 Q YES.

12 A YES.

13 Q HOW LONG AFTER THE MEDICAL?

14 A I DON'T RECALL HOW LONG.

15 Q WASN'T IT FOR ANOTHER YEAR?

16 A IT COULD HAVE BEEN FOR A YEAR.

17 Q SO YOU'RE NOT SAYING TO THIS JURY THAT YOU  
18 DIDN'T ENGAGE IN ANY BUSINESS ACTIVITIES FOR 24 MONTHS  
19 AFTER YOU LEFT, ARE YOU?

20 A YOU MEAN SELLING HANDBAGS AT SWAP MEETS?

21 Q CORRECT.

22 A NO, I DID SELL SOME HANDBAGS AT THE SWAP  
23 MEET.

24 Q WHILE YOU WERE COLLECTING UNEMPLOYMENT;  
25 RIGHT?

26 A YES.

1 Q AND THAT WAS CHEATING THE STATE OF  
2 CALIFORNIA, WASN'T IT, BECAUSE YOU HAD TO SAY YOU WERE  
3 UNEMPLOYED?

4 A I HAD TO SAY THAT I WAS UNEMPLOYED? I  
5 CONSIDERED MYSELF UNEMPLOYED.

6 Q AND DID YOU GO IN AND SIGN DOCUMENTS  
7 INDICATING THAT YOU WERE UNEMPLOYED, NOT WORKING, UNABLE TO  
8 FIND WORK?

9 A DID I GO IN AND SIGN?

10 Q DOCUMENTS WITH THE STATE OF CALIFORNIA TO  
11 COLLECT UNEMPLOYMENT TELLING THEM THAT YOU WERE NOT WORKING  
12 AND UNABLE TO FIND WORK?

13 A YES.

14 Q AS OF THE END OF THIS MONTH -- END OF NEXT  
15 MONTH, IT WILL BE FOUR YEARS SINCE YOU WERE WITH ANY OF  
16 WHAT WE CALL THE NOVELLI COMPANIES; CORRECT?

17 A YES.

18 Q AND, NEVERTHELESS, MR. NOVELLI HAS ON  
19 OCCASION DURING THOSE FOUR YEARS, IN FACT, MANY TIMES,  
20 SUGGESTED THAT YOU COULD COME BACK AND WORK; CORRECT?

21 A HE HAS OFFERED ME DIFFERENT JOB POTENTIAL,  
22 YES.

23 Q OKAY. AND THIS HAPPENED BEFORE YOU WERE --

24 A HE WOULD ASK ME OFTEN "WHEN ARE YOU COMING  
25 BACK?"

26 Q AND THIS HAPPENED BEFORE YOU WERE ASKED TO

1 COME AND GIVE A DEPOSITION IN THIS CASE; CORRECT?

2 A YES, IT WAS.

3 Q DID IT HAPPEN BEFORE IT WAS KNOWN THAT YOU  
4 MIGHT BE TESTIFYING IN THIS CASE? CORRECT?

5 A YES.

6 Q AND IT HAPPENED AGAIN ON THE TELEPHONE CALL  
7 THAT HE MADE IN MARCH OF 2000?

8 A YES.

9 Q SO IT WAS NOTHING DIFFERENT OR UNUSUAL FROM  
10 THE PAST THAT HE WOULD SAY THAT; RIGHT?

11 A ABOUT THE WORK?

12 Q YES. ABOUT COMING TO WORK.

13 A I DIDN'T SEE IT AS ANYTHING DIFFERENT, NO.

14 Q AND ALSO YOU SAID DURING THAT TELEPHONE  
15 CONVERSATION HE ASKED YOU IF YOU WERE GETTING PAYMENTS; DO  
16 YOU REMEMBER THAT, GETTING PAYMENTS?

17 A IF WE WERE GETTING OUR PAYMENTS?

18 Q YES.

19 A YES.

20 Q LET'S TALK ABOUT THE PAYMENT THING.

21 YOU'VE TESTIFIED THAT YOU INVESTED -- YOUR  
22 HUSBAND INVESTED \$940,000 WITH RAY NOVELLI.

23 A WITH HIS VARIOUS COMPANIES.

24 Q IT WAS NOT WITH RAY NOVELLI; CORRECT?

25 A WELL, RAY IS THE COMPANY.

26 Q OKAY. WELL, IT WAS NOT -- IS RAY A CABO

1 FUEL DOCK IN MEXICO?

2 A IS HE A CABO FUEL DOCK?

3 Q YES.

4 A I DON'T THINK HE IS A CABO FUEL DOCK, NO.

5 Q AND THAT IS ONE OF THE PLACES WHERE YOUR  
6 HUSBAND INVESTED MONEY; CORRECT?

7 A WITH RAY, YES.

8 Q YOU WROTE A CHECK TO RAYMOND NOVELLI FOR A  
9 CABO FUEL DOCK INVESTMENT?

10 MR. SHERMAN: YOUR HONOR, THIS IS NOT RELEVANT FOR  
11 THE REASONS WE'VE DISCUSSED IN CHAMBERS.

12 THE COURT: APPROACH.

13 (DISCUSSION OFF THE RECORD.)

14 BY MR. MOSHENKO: Q IN FACT, YOU DIDN'T INVEST  
15 940,000 AT ALL; THAT'S A FALSE STATEMENT?

16 MR. SHERMAN: OBJECTION, RELEVANCE. ARGUMENTATIVE.

17 THE COURT: OVERRULED.

18 YOU MAY ANSWER THAT.

19 THE WITNESS: YES, WE DID.

20 BY MR. MOSHENKO: Q ONE OF THE SO-CALLED  
21 INVESTMENTS WAS TO ALL SEASONS RESORTS. THAT WAS A  
22 TWO-FOR-ONE INVESTMENT WHERE YOU PUT IN HALF THE AMOUNT OF  
23 MONEY THAT YOU CLAIM IS INCLUDED IN THE \$940,000; ISN'T IT?

24 A NO -- THE ALL SEASONS INVESTMENT?

25 Q YES.

26 A IS THAT THE SECURITY NOTE?

1 Q DO YOU KNOW?

2 A I'M ASKING YOU, IS THAT THE SECURITY? I  
3 DON'T KNOW WHAT YOU MEAN BY "ALL SEASONS."

4 Q I'M SORRY, MISS WALDMAN. I'M ASKING THE  
5 QUESTIONS.

6 THE COURT: WELL, IF YOU DON'T UNDERSTAND THE  
7 QUESTION, THEN ASK ANOTHER ONE.

8 BY MR. MOSHENKO: Q DO YOU KNOW WHICH WAS THE ALL  
9 SEASONS INVESTMENT?

10 A NO, I DON'T KNOW EXACTLY.

11 Q DO YOU KNOW WHICH WAS THE TWO-FOR-ONE  
12 INVESTMENT WHERE YOU PUT IN 50 PERCENT OF THE MONEY AND GOT  
13 A RIGHT TO RECEIVE TWO FOR ONE?

14 A WELL, IF THAT'S THE CASE, THEN WE'RE OWED  
15 MORE THAN \$940,000.

16 Q IF YOU PUT IN HALF THE AMOUNT -- LET ME --  
17 LET ME GO ON BECAUSE I DON'T WANT TO BEAT IT TO DEATH.

18 ABOUT YOUR COMMENT TO YOUR HUSBAND MADE  
19 AFTER THE PHONE CALL WHERE YOU SAID, I THOUGHT -- I THINK,  
20 "WE'RE NOT GOING TO GET PAID" OR WORDS TO THAT EFFECT; DO  
21 YOU REMEMBER THAT? YOU WERE WRONG; DON'T YOU AGREE?

22 A WELL, WE HAVEN'T GOTTEN PAID.

23 Q WELL, IN FACT, DIDN'T YOU GET -- SINCE THEN,  
24 HAVEN'T YOU BEEN PAID \$50,000 IN ONE LUMP SUM?

25 A FOR THE -- WHICH INVESTMENT IS THIS?

26 Q HAVEN'T YOU BEEN PAID \$50,000 IN ONE LUMP

1 SUM?

2 A ON THE SETTLEMENT, YES.

3 Q AND HAVEN'T YOU BEEN PAID \$1100 A MONTH FOR  
4 SEVERAL MONTHS?

5 A YES. WE HAVE BEEN GETTING THOSE PAYMENTS.

6 Q SO YOUR SPECULATION THAT THE PHONE CALL --  
7 IN FACT, MR. NOVELLI NEVER SAID, "YOU AREN'T GOING TO GET  
8 PAID" OR ANYTHING LIKE THAT IN THE PHONE CALL, DID HE?

9 A NO, HE DID NOT.

10 Q NOW, YOU INDICATED A FEW MOMENTS AGO THAT BY  
11 19 -- THAT THERE WAS A YEAR FROM HELL, AND THAT WOULD HAVE  
12 BEEN THE APPROXIMATE LAST YEAR THAT YOU WERE THERE; IS THAT  
13 CORRECT? OR YOU'RE JUST TALKING ABOUT 1996 AS BEING THE  
14 YEAR?

15 A I THINK IT WAS MAINLY THE LAST SIX MONTHS I  
16 WAS THERE.

17 Q OKAY. SO A YEAR WAS AN EXAGGERATION. IT  
18 WAS REALLY SIX MONTHS; RIGHT?

19 A WELL, THAT'S WHEN IT GOT REALLY BAD. IT  
20 STARTED ABOUT A YEAR AGO, THE YEAR BEFORE THAT.

21 Q SO IS IT A YEAR AND A HALF BEFORE THE LAST  
22 SIX MONTHS THAT IT STARTED?

23 A NO.

24 Q OR IS IT A YEAR OR SIX MONTHS?

25 A THE LAST YEAR THAT I WAS THERE.

26 Q NOW, WHAT HAPPENED IN THE LAST YEAR THAT YOU

1 WERE THERE IS THAT YOUR WAGES WERE CUT BY MORE THAN 50  
2 PERCENT; ISN'T THAT TRUE?

3 A NO.

4 Q WELL, YOU WERE ON A SALARY PLUS COMMISSION;  
5 CORRECT?

6 A YES.

7 Q AND THE SALARY WAS \$4,000 A MONTH; CORRECT?

8 A I BELIEVE SO.

9 Q AND THE COMMISSIONS WERE HEAVILY DEPENDENT  
10 UPON SALES OF PRESIDENT'S TRAVEL CLUB MEMBERSHIPS; CORRECT?

11 A YES.

12 Q AND DURING --

13 A ANY SALE.

14 Q AND DURING -- ANY SALE OF MEMBERSHIPS;  
15 CORRECT?

16 A YES.

17 Q AND SO YOU GOT AN OVERRIDE FOR EVERY SALE  
18 THAT OCCURRED, NO MATTER WHO SOLD IT; RIGHT?

19 A I WAS SUPPOSED TO, YES.

20 Q AND YOU TESTIFIED THAT BY 1994 THIS  
21 BASICALLY WAS ALL OVER WHEN IT CAME TO SALES; ISN'T THAT  
22 TRUE?

23 A BY 1994?

24 Q YES.

25 A WELL, WE PEAKED IN '93, '94. SO IT COULD  
26 HAVE BEEN EVEN INTO '95.

1 Q DIDN'T YOU TESTIFY THIS MORNING THAT BY 1994  
2 IT WAS BASICALLY ALL OVER?

3 A YES.

4 Q OKAY. AND SO, AS A MATTER OF FACT, DURING  
5 THOSE -- WHAT I'LL CALL HEAVY YEARS, THE GOOD YEARS WHEN  
6 PRESIDENT'S TRAVEL CLUB SALES WERE GOING STRONG, THERE WERE  
7 YEARS THAT YOU EARNED OVER \$150,000 A YEAR?

8 A MAYBE ONE YEAR.

9 Q OKAY. BUT WHEN IT WAS BASICALLY ALL OVER,  
10 THOSE COMMISSIONS DIDN'T COME TO YOU ANYMORE, DID THEY?  
11 THOSE KIND OF COMMISSIONS THAT WOULD GET YOU OVER \$150,000?

12 A WELL, I WAS OWED A LOT OF COMMISSIONS, AND I  
13 WASN'T PAID THEM. SO I GUESS THEY WEREN'T COMING TO ME.

14 Q CORRECT.

15 AND THEN, IN FACT, YOU WERE TOLD BY 1996  
16 THAT YOUR PAYROLL WOULD BE CUT BECAUSE OF LACK OF FUNDING?

17 A MY PAYROLL? MY PERSONAL PAYROLL?

18 Q YES. YOUR COMPENSATION.

19 A I WAS NEVER TOLD THAT.

20 Q YOUR COMPENSATION DROPPED TO SOMETHING IN  
21 THE RANGE OF \$50,000 A YEAR, DIDN'T IT?

22 A NO. I MEAN, I WAS NEVER TOLD I WAS -- THAT  
23 I WAS GOING TO GET A PAY CUT?

24 Q YES.

25 A NO, NOBODY TOLD ME THAT.

26 Q HOW ABOUT ACTUAL RECEIPTS; DID YOU RECEIVE

1 OVER \$100,000 IN 1996?

2 A I DON'T RECALL. MONEY WAS NEVER MY  
3 MOTIVATOR, SO I DON'T RECALL EXACTLY WHAT I MADE AND DIDN'T  
4 MAKE.

5 Q DID YOU RECEIVE OVER \$100,000 IN 1995?

6 A I COULD HAVE, YES.

7 Q WHEN YOU FIRST STARTED WITH ALL SEASONS  
8 RESORTS IN THE LATE '80'S, SALES WERE PRETTY GOOD OF  
9 REGULAR MEMBERS?

10 MR. SHERMAN: OBJECTION. THAT MISSTATES THE  
11 EVIDENCE.

12 MR. MOSHENKO: IT DOES. RESTATE.

13 Q WHEN YOU FIRST STARTED WITH ALL SEASONS  
14 RESORTS WITH MR. NOVELLI, WHEN MR. NOVELLI WAS THERE IN  
15 AROUND 1986 --

16 A YES.

17 Q OKAY. AND SALES WERE GOOD DURING THE NEXT  
18 FEW YEARS AT ALL SEASONS; RIGHT?

19 A NEW SALES OR --

20 Q NEW MEMBER SALES.

21 A NOT REALLY. THEY WERE OKAY, BUT NOTHING  
22 LIKE THE YEARS BEFORE.

23 Q OKAY. WELL, YOU WERE MADE THE HEAD OF THE  
24 SALES DEPARTMENT?

25 A YES.

26 Q AND SALES, I THINK YOU SAID, AS OF 1989,

1 THEY STOPPED INVESTING SIGNIFICANT AMOUNTS OF MONEY IN  
2 SALES?

3 A THE NEW SALES.

4 Q THE NEW SALES. THAT'S WHAT I'M TALKING  
5 ABOUT.

6 A YES.

7 Q OKAY. BEFORE THAT SALES -- ALL SEASONS  
8 RESORT SALES WERE BEING SUPPORTED, AND THEY WERE WORKING;  
9 CORRECT?

10 A BEFORE WHAT?

11 Q BEFORE 1989.

12 A YES, WE WERE SELLING.

13 Q OKAY. AND THAT WAS ONE OF THE ANSWERS THAT  
14 MR. NOVELLI BROUGHT TO -- I THINK WHAT YOU SAID WAS A BAD  
15 SITUATION WITH ALL SEASONS RESORTS; SELL MEMBERSHIPS AND  
16 BRING IN CASH FLOW?

17 MR. SHERMAN: OBJECTION. THE QUESTION IS VAGUE AND  
18 AMBIGUOUS. AND COMPOUND.

19 THE COURT: SUSTAINED.

20 REPHRASE.

21 BY MR. MOSHENKO: Q YOU TESTIFIED YESTERDAY THAT  
22 WHEN MR. NOVELLI CAME THERE, HE CAME INTO A BAD SITUATION.  
23 WHAT DID YOU MEAN BY THAT?

24 A WELL, HE CAME INTO A COMPANY THAT WAS HAVING  
25 FINANCIAL DIFFICULTIES.

26 Q THERE WERE A LOT OF FINANCIAL DIFFICULTIES

1 KNOWN TO YOU; CORRECT?

2 A NO.

3 Q THERE WAS 100 PEOPLE THAT JUST GOT LAID OFF?

4 A WELL, HE WAS -- I THINK HE WAS IN THE  
5 BUILDING THEN. I MEAN, IT ALL HAPPENED LIKE WITHIN A WEEK.

6 Q CORRECT.

7 AND THERE WERE A LOT OF LAWSUITS; CORRECT?

8 A YES, THERE WAS A LOT OF LAWSUITS.

9 Q AND THERE WERE A LOT OF PROCESS SERVERS AND  
10 SHERIFFS AND PEOPLE COMING AROUND TO SERVE; COMPLAINTS,  
11 RIGHT?

12 A WELL, I WASN'T DEALING WITH THAT AT THAT  
13 TIME. I WAS JUST A CONTRACT PROCESSOR. I WOULDN'T HAVE  
14 HANDLED SOMETHING LIKE THAT. BUT THERE COULD HAVE BEEN,  
15 YES.

16 Q AND SO WHEN YOU TESTIFIED THIS AFTERNOON  
17 THAT 1996 WAS A NEW SITUATION, THAT SITUATION, HAVING  
18 PROCESS SERVERS AND BILL COLLECTORS IN RECEPTION, THAT  
19 WASN'T -- NEW SITUATION WASN'T EXACTLY CORRECT; THAT  
20 SITUATION HAS BEEN AROUND FOR A LONG TIME, HASN'T IT?

21 A NO.

22 Q YOU'RE AWARE THAT ALL SEASONS RESORTS WENT  
23 THROUGH TWO BANKRUPTCIES STARTING THE LATE '80'S INTO  
24 APPROXIMATELY THE MID-'90'S?

25 A YES.

26 Q DURING THOSE PERIODS THERE WEREN'T A LOT OF

1 PROCESS SERVERS AND BILL COLLECTORS COMING AROUND THE  
2 COMPANY?

3 A NOT A LOT. AND WE -- WHEN YOU FILE,  
4 BANKRUPTCY PEOPLE BACK OFF YOU. AND IT BECAME VERY VICIOUS  
5 IN '96. IT WASN'T LIKE THAT BEFORE. BECAUSE I HAD HANDLED  
6 MANY SITUATIONS, AND THIS WAS -- THIS WAS THE WORST IT HAD  
7 EVER BEEN.

8 Q MR. NOVELLI WAS ABLE TO CONTROL THE  
9 SITUATION, AS YOU PERCEIVED IT, IN THE LATE '80'S AND EARLY  
10 '90'S BY WHATEVER TECHNIQUES HE USED TO DEAL WITH  
11 CREDITORS; CORRECT?

12 A THE BANKRUPTCY?

13 Q BY WHATEVER TECHNIQUES HE USED.

14 DO YOU KNOW WHAT TECHNIQUES HE USED TO DEAL  
15 WITH CREDITORS?

16 A TO DEAL WITH CREDITORS?

17 Q YES.

18 A YES.

19 Q OKAY. AND HE WAS ABLE TO CONTROL THEM BY  
20 WHATEVER THOSE TECHNIQUES WERE; RIGHT?

21 A YES.

22 Q AND FOR THAT REASON, ALL SEASONS GREW IN THE  
23 EARLY 1990'S, DIDN'T THEY?

24 A NO.

25 Q DIDN'T YOU SAY IT GAINED SOME MEMBERS AFTER  
26 SALES -- AFTER HE TOOK OVER?

1           A           WELL, WE NEVER STOPPED SELLING. SO, YEAH,  
2 WE DID GET SOME NEW MEMBERS AFTER THAT.

3           Q           AND IT GREW IN RESORTS; YOU DID GET SOME NEW  
4 RESORTS, TOO, DIDN'T YOU?

5           A           ALL SEASONS?

6           Q           YES.

7           A           NO.

8           Q           OKAY. NOW, TO ALSO DEAL WITH THIS BAD  
9 SITUATION, ONE OF THE THINGS MR. NOVELLI DID WAS TO ACQUIRE  
10 OTHER RESORT COMPANIES; CORRECT?

11           MR. SHERMAN: OBJECTION. THIS IS VAGUE AS TO  
12 TIME. WHICH TIME OF THE BAD SITUATION?

13           THE COURT: SUSTAINED.

14           BY MR. MOSHENKO: Q OKAY. WHEN SALES IN THE LATE  
15 '80'S AND EARLY '90'S BECAME MORE DIFFICULT, THE TECHNIQUE  
16 THAT WAS USED TO -- OR AT LEAST MAYBE NOT THE INCOMES.

17                        BUT AT ABOUT THAT TIME ANOTHER TECHNIQUE  
18 MR. NOVELLI USED WAS TO ACQUIRE COMPANIES WITH NEW MEMBERS;  
19 RIGHT?

20           A           I DON'T KNOW WHAT TECHNIQUES HE USED. WE  
21 DID ACQUIRE NEW RESORTS AND NEW COMPANIES. BUT I DON'T  
22 KNOW IF THAT WAS USED FOR THAT.

23           Q           MISS WALDMAN, YOU I THINK LET THIS JURY  
24 UNDERSTAND THAT YOU WERE IN MANAGEMENT AMONGST THE KEY  
25 MANAGERS OF THIS COMPANY. YOU DON'T KNOW WHAT TECHNIQUES  
26 HE USED TO DEAL WITH CREDITORS?

1 A I TOLD YOU. BANKRUPTCY.

2 Q WHAT OTHER TECHNIQUES?

3 A WHAT OTHER TECHNIQUES DID HE USE TO DEAL  
4 WITH CREDITORS?

5 Q YES.

6 A WE WOULD WORK OUT DEALS WITH THEM.

7 Q I'LL COME BACK TO THAT.

8 NOW, WHEN SALES GOT SLOW IN THE LATE 1980'S  
9 AND CASH FLOW DRIED UP, MR. NOVELLI OPTED TO ACQUIRE NEW  
10 ORGANIZATIONS TO ADD TO WHAT WERE REFERRED TO AS "PROFIT  
11 CENTERS"; CORRECT?

12 A THE NEW RESORTS WERE CONSIDERED PROFIT  
13 CENTERS?

14 Q WELL, HAVE YOU EVER HEARD THE TERM "PROFIT  
15 CENTER"?

16 A NO. I'VE HEARD IT, BUT NOT LIKE THAT.

17 Q WELL, THE ACQUISITION OF THE NEW RESORTS  
18 ADDED TO THE MEMBER BASE; CORRECT?

19 A IT GAVE US MORE MEMBERS, YES.

20 Q AND IT ADDED TO -- IT ADDED MORE RESORTS,  
21 WHICH MEANT A BIGGER RESORT SYSTEM IN THE NOVELLI  
22 ORGANIZATION; CORRECT?

23 A NO, BECAUSE YOU HAD TO BUY THE PRESIDENT'S  
24 CLUB TO GET USAGE OF THOSE. WE CROSS-SOLD. LIKE CUTTY'S I  
25 THINK WAS THE FIRST ONE THAT CAME IN.

26 Q WAS IT -- GO AHEAD.

1           A           THEN WE WOULD CROSS-SELL THAT. WE DIDN'T  
2 JUST SAY -- YOU KNOW, WE DIDN'T JUST GIVE IT TO THE  
3 MEMBERS.

4           Q           ALL RIGHT. I DIDN'T THINK I ASKED YOU IF  
5 YOU GAVE IT.

6                        I ASKED YOU IF ADDING NEW RESORTS MADE A  
7 BIGGER SYSTEM, WHICH COULD BE MADE AVAILABLE TO MEMBERS.

8           A           YES.

9           Q           OKAY. AND THAT PROVIDED MORE POTENTIAL  
10 MEMBER APPEAL; CORRECT?

11          A           CAN YOU SAY THAT AGAIN? I'M NOT QUITE SURE  
12 WHAT YOU MEAN.

13          Q           WELL, AS THE HEAD OF SALES AND MARKETING --

14          A           YES.

15          Q           -- CAN YOU TELL US WHETHER A LARGER SYSTEM  
16 OF RESORTS IS EASIER TO MARKET THAN A SINGLE RESORT?

17          A           YES.

18          Q           AND MR. SHERMAN ASKED YOU IF YOU EVER SOLD  
19 SINGLE RESORTS, AND YOU SAID, QUOTE, NOT OFTEN.

20          A           TRUE.

21          Q           THAT'S BECAUSE YOU'VE NEVER BEEN IN AN  
22 ORGANIZATION WHERE THERE WAS A SINGLE RESORT?

23          A           YES, I WAS.

24          Q           WELL, AS FAR AS MR. NOVELLI IS CONCERNED,  
25 YOU'VE NEVER --

26          A           WITH MR. NOVELLI, NO.

1 Q SO ACQUISITIONS ALSO RESULTED IN COST  
2 SAVINGS; RIGHT?

3 A IN COST SALES?

4 Q SAVINGS.

5 A COST SAVINGS?

6 Q SAVINGS, IN OPERATIONS OF RESORTS?

7 A I DON'T UNDERSTAND THE QUESTION.

8 Q YOU DON'T UNDERSTAND THE CONCEPTS THAT  
9 MR. NOVELLI -- THAT DROVE MR. NOVELLI TO WANT TO MAKE  
10 ACQUISITIONS OF MULTIPLE RESORT SYSTEMS AND MERGE THEM  
11 TOGETHER, DO YOU?

12 A I BELIEVE I DO.

13 Q SO, THEN, CAN YOU TELL ME ACQUISITIONS OF  
14 MULTIPLE RESORT SYSTEMS ALSO RESULTED IN COST SAVINGS  
15 BETWEEN THE RESORTS?

16 A COST SAVINGS? I DON'T KNOW.

17 Q MISS WALDMAN, YOU WERE NOT INVOLVED IN  
18 CORPORATE ACQUISITIONS, WERE YOU?

19 A NOT DIRECTLY, NO.

20 Q THAT WAS SOMETHING THAT WAS HANDLED BY  
21 MANAGEMENT; CORRECT?

22 A WHICH MANAGEMENT?

23 Q OKAY. LET'S TALK ABOUT THAT.

24 YOU SEEMED TO INDICATE THAT YOU WERE  
25 INVOLVED IN THE MANAGEMENT OF THE NOVELLI COMPANIES WITH  
26 RESPECT TO ALL DEPARTMENTS; IS THAT TRUE?

1           A           YES, I WAS FAMILIAR WITH ALL OF THEM.  AND I  
2  CORRESPONDED WITH ALL OF THEM.

3           Q           YOU TESTIFIED THAT YOU HAD NO INVOLVEMENT IN  
4  ACCOUNTING?

5           A           WELL, I'VE NEVER WORKED IN ACCOUNTING.  I'VE  
6  WORKED IN ALL THE OTHER DEPARTMENTS.

7           Q           DID YOU WORK IN LEGAL, THE LEGAL DEPARTMENT?

8           A           YES.

9           Q           WHEN?

10          A           BEFORE MR. NOVELLI.  THAT'S WHEN I ANSWERED  
11  THE ATTORNEY GENERAL COMPLAINTS.

12          Q           THE ATTORNEY GENERAL COMPLAINTS WERE BEFORE  
13  MR. NOVELLI?

14          A.          NO, I ANSWERED THEM AFTER MR. NOVELLI TOOK  
15  OVER ALSO.  AND THEN I WORKED WITH HIS LEGAL TEAM A LOT  
16  BECAUSE THEY DIDN'T UNDERSTAND A LOT OF THE BUSINESS.  SO I  
17  WOULD WORK WITH THEM.

18          Q           BUT YOU WERE NOT MANAGEMENT IN THE LEGAL  
19  DEPARTMENT?

20          A           THE MANAGER OF THE LEGAL DEPARTMENT, NO.

21          Q           AND, IN FACT, THERE WAS NO LEGAL DEPARTMENT  
22  UNTIL 1996, WAS THERE?

23          A           WHAT, YOU MEAN LIKE IN-HOUSE ATTORNEYS?

24  YEAH.  NO, THERE WAS NOT UNTIL --

25          Q           AND YOU WERE NOT INVOLVED IN MANAGEMENT OF  
26  ACCOUNTS PAYABLE, WERE YOU?

1 A NO. BUT I WORKED VERY HEAVILY WITH THEM.

2 Q YOU HAD CONTACT WITH THEM; THAT'S WHAT YOU  
3 MEAN; RIGHT?

4 A WELL, I THINK IT WAS MORE THAN CONTACT, BUT  
5 CONTACT.

6 Q MR. NOVELLI MADE THE ACCOUNTS PAYABLE  
7 DECISIONS, DIDN'T HE?

8 A YES, HE DID.

9 Q YOU HAD NO ROLE IN THAT, OTHER THAN PERHAPS  
10 TALKING TO HIM ABOUT YOUR MARKETING AND SALES NEEDS? ROLE  
11 IN THAT MEANS ROLE IN WHAT ACCOUNTS HE DECIDED WOULD BE  
12 PAID OR COULD BE PAID.

13 A YES. CORRECT.

14 Q AND YOU WERE NOT DIRECTLY INVOLVED IN THE  
15 ACCOUNTS RECEIVABLE DEPARTMENT, WERE YOU?

16 A YES, I WAS.

17 Q DID YOU SIT NEXT TO SHARON AINSWORTH AND  
18 WORK ON THE ACCOUNTS RECEIVABLES?

19 A SOMETIMES.

20 Q YOU HAD CONVERSATIONS WITH HER, BUT THAT WAS  
21 SPORADIC?

22 A WELL, WE INTERTWINED A LOT. I DIDN'T  
23 ACTUALLY WORK IN HER DEPARTMENT. WELL, SHE IS ONLY A  
24 DEPARTMENT OF ONE, ANYWAY.

25 Q CORRECT.

26 A SO I DIDN'T ACTUALLY SIT DOWN WITH HER ALL

1 DAY LONG, BUT I WAS WITH HER A LOT.

2 Q AND YOU WERE NOT, OTHER THAN SPORADICALLY  
3 INVOLVED, IN THE PROFIT RECOVERY DEPARTMENT, WERE YOU?

4 A WELL, AGAIN, YOUR DESCRIPTION OF "INVOLVED"  
5 AND MINE DOES NOT SEEM TO MATCH.

6 Q WELL, DID YOU GO DOWN AND MANAGE THE PEOPLE  
7 IN THE PROFIT RECOVERY --

8 A I DIDN'T MANAGE THEM, NO.

9 Q HOW ABOUT RESORT MANAGEMENT, WHO RAN THAT  
10 DEPARTMENT?

11 A RESORT SERVICES?

12 Q RESORT SERVICES, YES.

13 A MARLIES NOVELLI.

14 Q SHE HAS DONE THAT FOR AS LONG AS YOU CAN  
15 REMEMBER THAT NOVELLI WAS THERE; RIGHT?

16 A YES, SHE HAS.

17 Q YOU DIDN'T DIRECT OR MANAGE HER, DID YOU?

18 A NO. NOBODY DIRECTS OR MANAGES MARLIES.

19 Q AND DID YOU EVER NEGOTIATE CORPORATE  
20 FINANCING?

21 A NO, I DID NOT.

22 Q DID YOU EVER NEGOTIATE ACQUISITIONS OF OTHER  
23 COMPANIES AND CORPORATIONS?

24 A NO.

25 Q DID YOU EVER DRAFT DOCUMENTATIONS, CONTRACTS  
26 REGARDING ACQUISITIONS?

1 A NO.

2 Q YOU HAVE NEVER STRUCTURED THE TERMS AND  
3 CONDITIONS OF ACQUISITIONS?

4 A I MIGHT HAVE HAD INPUT, BUT --

5 Q YOU'VE NEVER STRUCTURED THE TERMS AND  
6 CONDITIONS OF CORPORATE FINANCING TECHNIQUES?

7 A NO.

8 Q WHAT'S THE CORPORATE STRUCTURE OF ALL  
9 SEASONS RESORTS?

10 A RAY NOVELLI.

11 Q IS THAT YOUR UNDERSTANDING OF WHAT THE  
12 CORPORATE STRUCTURE OF THE CORPORATION IS?

13 A YES.

14 Q WHAT'S THE CORPORATE STRUCTURE OF FIRST  
15 NATIONWIDE RESORTS MANAGEMENT?

16 A THEY CHANGE IT ALL THE TIME. I MEAN,  
17 THEY'LL HAVE LIKE RAY NOVELLI, THEN BOB THOMPSON,  
18 MARLIES NOVELLI. IT JUST DEPENDS WHICH COMPANY.

19 Q SO AS YOU VIEW IT, THE CORPORATION, ALL  
20 SEASONS RESORTS, EQUALS RAY NOVELLI WITHOUT ANY KNOWLEDGE  
21 OF WHO THE OFFICERS AND DIRECTORS ARE; ISN'T THAT CORRECT?

22 A I HAVE KNOWLEDGE, BUT IT DOESN'T MATTER.  
23 RAY IS THE COMPANY. HE MAKES ALL DECISIONS. HE IS THE  
24 CORPORATE STRUCTURE.

25 Q HAVE YOU EVER READ THE CORPORATE MINUTE BOOK?

26 MR. SHERMAN: OBJECTION. ASSUMES FACTS THAT ARE

1 NOT IN EVIDENCE.

2 THE COURT: SUSTAINED.

3 BY MR. MOSHENKO: Q HAVE YOU EVER READ CORPORATE  
4 RESOLUTIONS?

5 MR. SHERMAN: OBJECTION. ASSUMES FACTS NOT IN  
6 EVIDENCE.

7 MR. MOSHENKO: SHE TESTIFIED ABOUT RESOLUTIONS,  
8 BANK RESOLUTIONS, YOUR HONOR.

9 MR. SHERMAN: OBJECTION TO THE SPEAKING OBJECTION.

10 THE COURT: SUSTAINED.

11 BY MR. MOSHENKO: Q SO WHAT IT COMES DOWN TO IS  
12 YOU HAD SOME INTERCHANGE WITH MOST OF THE OTHER  
13 DEPARTMENTS, THAN SALES AND MARKETING, AND YOU HEAD UP  
14 SALES AND MARKETING AND THE RECEPTION AREA; ISN'T THAT  
15 CORRECT?

16 A WELL, SALES AND MARKETING IS ALSO MEMBERSHIP  
17 SERVICES.

18 Q ISN'T THERE A SEPARATE MEMBERSHIP SERVICES  
19 DEPARTMENT FROM THE SALES AND MARKETING DEPARTMENT?

20 A NO. IT'S ALL TOGETHER.

21 Q ALL RIGHT. IF I GIVE YOU THAT, ASIDE FROM  
22 MEMBERSHIP SALES AND MARKETING, MEMBERSHIP SERVICES AND THE  
23 RECEPTIONIST AREA, YOUR MANAGEMENT INVOLVEMENT STOPS RIGHT  
24 THERE?

25 A NO.

26 Q DID YOU -- YOU DIDN'T MANAGE ACCOUNTING; YOU

1 DIDN'T MANAGE ACCOUNTS PAYABLE, YOU DIDN'T MANAGE ACCOUNTS  
2 RECEIVABLE. WHAT OTHER DEPARTMENTS DID YOU MANAGE?

3 A YOU MEAN ACTUALLY SIT THERE AND MANAGE ALL  
4 DAY?

5 Q THAT WAS MY QUESTION.

6 YOUR MANAGEMENT RESPONSIBILITIES OVER THOSE  
7 OTHER DEPARTMENTS --

8 A YES.

9 Q -- STOPPED?

10 A I DON'T EVEN GET WHAT YOU'RE SAYING.

11 Q NOW, I'LL GO ON.

12 YOU SAID THAT THE MANAGEMENT PERSONNEL  
13 INCLUDED RAY NOVELLI, MARLIES NOVELLI, HANS SCHULZ,  
14 ROBINSON THOMPSON AND YOU.

15 A YES.

16 Q ISN'T IT TRUE THERE WERE OTHER DEPARTMENT  
17 MANAGERS WHILE YOU WERE THERE?

18 A YES.

19 Q OKAY. YOU TESTIFIED YOU SPENT AS MUCH AS  
20 TWO HOURS PER DAY IN AND OUT WITH RAYMOND NOVELLI EVERY DAY?

21 A YES.

22 Q AND YOU TESTIFIED THAT WAS MORE TIME THAN  
23 ANY OTHER MANAGER PERSONNEL?

24 A YES, I WAS IN THERE MORE THAN ANY OTHER  
25 MANAGER.

26 Q YOU SPENT MORE TIME WITH MR. NOVELLI THAN

1 MARLIES NOVELLI?

2 A DURING THE DAY, YES. MARLIES NEVER CAME  
3 AROUND.

4 Q YOU SAID YOUR OFFICE WAS NOT LOCATED CLOSE  
5 TO HIS.

6 A NO, IT WAS NOT.

7 Q HOW DO YOU KNOW WHO AND HOW MUCH TIME OR  
8 WHEN AND HOW MUCH TIME MARLIES OR ROBERT THOMPSON OR  
9 HANS SCHULZ CAME TO MR. NOVELLI, IF YOU WERE NOT CLOSE TO  
10 WHERE HE WAS, AND YOU WERE ONLY AROUND TWO HOURS A DAY?

11 A WELL, I WAS IN AND OUT OF HIS OFFICE ALL THE  
12 TIME, ALL DURING THE DAY. AND HE HAD TOLD ME BEFORE THAT  
13 HE HAD SPENT MORE TIME WITH ME THAN ANYBODY. BUT HE REALLY  
14 LIKED SALES AND MARKETING. SO HE BASICALLY HAD HIS THUMB  
15 ON SALES AND MARKETING ALL THE TIME. THAT WAS WHERE ALL  
16 THE MONEY WAS COMING IN.

17 Q SO HOW DO YOU KNOW HOW MUCH TIME, IF YOU  
18 CAME BY SPORADICALLY THROUGHOUT THE DAY, OTHER MANAGERS  
19 WERE SPENDING IN MR. NOVELLI'S OFFICE WITH HIM?

20 MR. SHERMAN: OBJECTION. MISSTATES THE TESTIMONY.

21 THE COURT: SUSTAINED.

22 BY MR. MOSHENKO: Q TO KNOW THAT YOU SPENT MORE  
23 TIME THAN ANYONE ELSE, YOU'D HAVE TO KNOW HOW MUCH TIME  
24 THESE OTHER PEOPLE SPENT?

25 A YES.

26 Q SO HOW DO YOU KNOW HOW MUCH TIME THESE OTHER

1 PEOPLE SPENT? YOU WERE NOT THERE TO SEE THEM.

2 A I DON'T KNOW HOW MUCH TIME THEY SPENT IN  
3 RAY'S OFFICE? IT WAS COMMON KNOWLEDGE THAT I WAS IN HIS  
4 OFFICE MORE THAN ANYBODY.

5 Q IT WAS YOUR COMMON PERCEPTION, YOUR PERSONAL  
6 PERCEPTION; IS THAT WHAT YOU MEAN?

7 A NO. I WAS TOLD THAT.

8 Q HOW ABOUT JAMES JOSEPH; HOW MUCH TIME DID  
9 YOU SPEND WITH HIM?

10 A HARDLY ANY TIME AT ALL.

11 Q HE WAS, DURING SEVERAL YEARS WHILE YOU WERE  
12 THERE, THE TOP OF THE PYRAMID, WASN'T HE?

13 A WHOSE PYRAMID?

14 Q THE ALL SEASONS RESORTS PYRAMID.

15 A I NEVER SAW HIM ON THE PYRAMID OR WHATEVER  
16 YOU'RE TALKING ABOUT.

17 Q DO YOU KNOW WHAT HIS ROLE AND RESPONSIBILITY  
18 WAS?

19 A HE WAS THE TRUSTEE FOR ALL SEASONS.

20 Q OKAY. WHAT DOES THAT MEAN?

21 A HE WAS IN CHARGE OF THE BANKRUPTCY.

22 Q ANYTHING ELSE?

23 A I DON'T KNOW.

24 Q AS UPPER MANAGER, YOU DON'T KNOW WHETHER HE  
25 HAD MANAGEMENT AND CONTROL RESPONSIBILITY AND POWER OVER  
26 THE COMPANY?

1 MR. SHERMAN: OBJECTION. THAT ASSUMES FACTS THAT  
2 ARE NOT IN EVIDENCE.

3 THE COURT: SUSTAINED.

4 BY MR. MOSHENKO: Q IF I WERE TO TELL YOU  
5 MR. JOSEPH CAME HERE AND TESTIFIED THAT DURING THE ALL  
6 SEASONS RESORTS BANKRUPTCY, WHICH HE WAS THE TRUSTEE, HE  
7 HAD ULTIMATE CONTROL -- MANAGEMENT AND CONTROL OVER THE  
8 COMPANY --

9 A OVER ALL SEASONS.

10 Q YES, OVER ALL SEASONS.

11 A YES.

12 Q AND YET YOU SPENT ALMOST NO TIME DEALING  
13 WITH HIM?

14 A WITH MR. JOSEPH?

15 Q YES.

16 A YES, I DEALT WITH HIM VERY LITTLE.

17 Q AND YOU SPENT ALMOST NO TIME DEALING WITH  
18 FRED BRINKMAN?

19 A I SPENT A LOT OF TIME DEALING WITH  
20 FRED BRINKMAN.

21 Q WHEN HE CAME, YOU WENT THE OTHER WAY?

22 A THAT'S TRUE. IF HE WAS IN THE HALL AND WENT  
23 DOWN -- BECAUSE HE ALWAYS WANTED TO SPEND TIME WITH YOU.  
24 BUT I SPENT MANY HOURS WITH FRED BRINKMAN.

25 Q REGARDING MARKETING AND SALES?

26 A REGARDING EVERYTHING. HE LOVED TO COME IN

1 AND SIT DOWN AND TALK. THAT WAS WHY WE RAN, BECAUSE YOU  
2 COULDN'T GET ANYTHING DONE.

3 Q SO MISS WALDMAN, YOU HAD ACCESS TO  
4 MR. NOVELLI FOR TWO HOURS A DAY IN AND OUT, AND YOU  
5 PARTICIPATED IN A -- WHAT YOU CALLED A TALK, JOKE AND  
6 KIDDING SESSION OVER CANS OF BEER AT 5:30, BEER 30 SESSION,  
7 AND ARE YOU SAYING THAT IS HOW AND WHERE UPPER MANAGEMENT  
8 DEVELOPED AND EXERCISED MANAGERIAL POLICY OVER ALL SEASONS  
9 RESORTS?

10 A DID WE DO POLICY AT BEER 30?

11 Q YES.

12 A IS THAT WHAT YOU'RE ASKING ME?

13 Q YES.

14 A WE TALKED ABOUT EVERYTHING. I COULDN'T  
15 IMAGINE SOMEONE SITTING THERE WRITING A POLICY WHILE WE'RE  
16 DRINKING BEER, BUT IT COULD HAVE HAPPENED.

17 Q SO, NOW, AFTER SALES WENT AWAY IN THE LATE  
18 1980'S AND AFTER ACQUISITIONS TOOK OVER IN THE EARLY AND  
19 MIDDLE '90'S, AS A METHOD OF OBTAINING NEW MEMBERS, WHAT  
20 WAS THE NEXT METHOD OF OBTAINING NEW MEMBERS?

21 MR. SHERMAN: OBJECTION. THAT ASSUMES FACTS NOT IN  
22 EVIDENCE.

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

24 THE WITNESS: SELLING THE PRESIDENT'S CLUB -- WHAT  
25 YEAR ARE YOU ON?

26 BY MR. MOSHENKO: Q SELLING THE PRESIDENT'S CLUB

1 STARTED WHEN?

2 A 1989, 1990. EARLY 1990.

3 Q ALL RIGHT. AND IT REACHED ITS HEYDAY OR  
4 HEIGHT IN '93?

5 A '94.

6 Q I THOUGHT YOU TESTIFIED IT WAS DOWN, GOING  
7 DOWN IN '94?

8 A YES, I FELT I WAS GOING DOWN.

9 Q AND THEN BY 1995 IT WAS ALL BUT GONE. AND  
10 THAT'S WHEN YOU BECAME DISILLUSIONED?

11 A I WASN'T DISILLUSIONED BY THE PRESIDENT'S  
12 CLUB.

13 Q YOU WERE DISILLUSIONED BY THE LACK OF  
14 FUNDING AVAILABLE?

15 A NO. I WAS DISILLUSIONED BY EVERYTHING THAT  
16 WAS HAPPENING.

17 Q DID YOU EVER SIT IN ON A NEGOTIATION SESSION  
18 RELATING TO PRESIDENTIAL AIR?

19 A NEGOTIATING WITH WHO, THE I.N.G.?

20 Q WITH I.N.G.

21 A I'VE SAT IN WITH THEM, BUT I DON'T REMEMBER  
22 NEGOTIATIONS COMING UP.

23 Q DID YOU EVER PARTICIPATE IN THE STRUCTURING  
24 OF THE DEAL FOR -- BETWEEN -- WELL, WITH I.N.G.?

25 A NO.

26 Q WHO OWNED PRESIDENTIAL AIR?

1 A WHO OWNED IT?

2 Q YES.

3 A FIRST NATIONWIDE AND PRESIDENT'S TRAVEL  
4 CLUB, I BELIEVE.

5 Q AND WHAT WAS FIRST NATIONWIDE'S FUNCTION  
6 WHEN IT CAME TO -- WELL, LET ME STRIKE THAT AND START OVER.

7 THE COMPANY NAME WAS CALLED "FIRST  
8 NATIONWIDE RESORTS MANAGEMENT"; DO YOU RECALL THAT?

9 A YES.

10 Q DID IT PROVIDE ANY MANAGEMENT FUNCTIONS TO  
11 ANY COMPANIES?

12 A WELL, IT WAS THE SAME MANAGEMENT AS THE  
13 OTHER COMPANIES, SO --

14 Q IT PROVIDED MANAGEMENT RESOURCES AND  
15 SERVICES ACROSS THE BOARD TO ALL THE COMPANIES, DIDN'T IT?

16 A WELL, WE WERE ALL THE SAME. ALL SEASONS  
17 MANAGEMENT WAS THE SAME AS FIRST NATIONWIDE MANAGEMENT.

18 Q CORRECT.

19 A SO IF WE PROVIDED FOR OURSELVES, I GUESS YOU  
20 COULD SAY THAT, YES.

21 Q AND, IN FACT, FIRST NATIONWIDE WAS ONE OF  
22 THE -- WAS THE PRIMARY LOCATION WHERE ACCOUNTS RECEIVABLES  
23 WERE DEPOSITED, OR DO YOU KNOW?

24 A INTO FIRST NATIONWIDE RESORTS?

25 Q YES.

26 A YES, I BELIEVE THAT HAPPENED.

1 Q OKAY. AND SO YOU HAVE EVIDENCE THAT FIRST  
2 NATIONWIDE WAS AN OWNER OF PRESIDENTIAL AIR; RIGHT?

3 A I BELIEVE IT WAS I SAID.

4 Q YOU DON'T REALLY KNOW, DO YOU?

5 A I WAS TOLD IT WAS FIRST NATIONWIDE AND  
6 PRESIDENT'S TRAVEL CLUB WOULD BE FUNDING IT.

7 Q AND WHEN YOU TESTIFIED THIS MORNING THAT  
8 FUNDS WERE TAKEN -- TO THE EFFECT OF TAKEN FROM THE RESORTS  
9 AND PUT IN THE AIRLINE --

10 A YES.

11 Q -- YOU'RE TALKING ABOUT FIRST NATIONWIDE,  
12 THE OWNER OF THE AIRLINE, USING ITS FUNDS TO PAY FOR ITS  
13 RESPONSIBILITIES IN ITS OWN AIRLINE, AREN'T YOU?

14 A WELL, IT ALL WENT INTO ONE BIG POT, AND THEN  
15 THE MONEY WOULD COME OUT. WHAT I'M SAYING IS, THERE WASN'T  
16 ENOUGH MONEY LEFT IN THE POT FOR THE OTHER THINGS.

17 Q BUT FIRST NATIONWIDE WAS PAYING ITS BILLS  
18 WHEN IT USED MONEY TO SUPPORT THE AIRLINE, WASN'T IT?

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

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

22 IF YOU KNOW.

23 THE WITNESS: FIRST NATIONWIDE, YES, WAS IN CHARGE  
24 OF PAYING THE BILLS FOR PRESIDENTIAL AIR. BUT THEY ALSO  
25 HAD THEIR OWN CHECKS, SO --

26 BY MR. MOSHENKO: Q SO IN WHAT SENSE DOES A

1 COMPANY PAYING ITS OWN BILLS SEEM TO YOU TO BE TAKING MONEY  
2 AWAY FROM THE COMPANY IMPROPERLY, IF THAT'S YOUR BELIEF?

3 A WELL, THEY COULD BE PAYING THEIR OWN BILLS,  
4 BUT WHOSE MONEY IS IT IN THE FIRST PLACE?

5 THE COURT: LET'S TALK ABOUT IT AT 1:30.

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

8 THE COURT: WHAT'S OUR SCHEDULE LOOK LIKE THIS  
9 AFTERNOON?

10 MR. MOSHENKO: I HAVE AT LEAST ANOTHER HOUR. AND  
11 THEN THERE'S -- WE WERE TOLD THERE'S GOING TO BE SOME  
12 DEPOSITION READING, AND I DIDN'T TELL COUNSEL THAT WE WILL  
13 CONSENT TO THE READING OF LIMITED TESTIMONY FROM  
14 BOB THOMPSON'S DEPOSITIONS THAT YOU REFERRED TO YESTERDAY.

15 MR. SHERMAN: WE HAVE TWO WITNESSES AFTER  
16 MRS. WALDMAN THAT WE'D LIKE TO PRESENT TO THE JURY. FIRST,  
17 PROBABLY A MINUTE OR TWO OF THE DEPOSITION READING FROM  
18 MR. THOMPSON'S DEPOSITION, ROBERT THOMPSON'S DEPOSITION;  
19 AND TIME PERMITTING -- HOPEFULLY TIME WILL PERMIT -- WE CAN  
20 BEGIN THE TESTIMONY OF THE RECEIVER OF ALL SEASONS RESORTS,  
21 JEFFREY KEIM, BY VIDEOTAPE.

22 THE COURT: TODAY?

23 MR. SHERMAN: YES, WE'D LIKE TO.

24 MR. MOSHENKO: AND ON THAT KEIM ISSUE, WE'D LIKE AN  
25 OPPORTUNITY TO TALK TO THE COURT ABOUT MR. KEIM'S  
26 DEPOSITION BEFORE IT'S READ.

1           MR. SHERMAN: ON THAT SUBJECT, YOUR HONOR WILL  
2 RECALL INTERMINABLY LONG SESSIONS ABOUT DEPOSITIONS THAT  
3 WE'VE HAD SO FAR IN THIS CASE. AND I CERTAINLY HAVE NO  
4 INTEREST IN STIFLING ANY MEANINGFUL COMMUNICATION ON THE  
5 SUBJECT OF MR. KEIM'S DEPOSITIONS. BUT WE GAVE NOTICE OF  
6 OUR INTENTION TO PLAY SPECIFIC PORTIONS OF JEFFREY KEIM'S  
7 DEPOSITION TO PLAINTIFFS MONTHS -- PLURAL -- MONTHS AGO.  
8 WE HAVE TRUNCATED THAT SOMEWHAT JUST IN THE INTEREST OF  
9 MOVING THINGS ALONG.

10                       BUT WE SENT THEM OUR NOTICE OF INTENTION TO  
11 PLAY VIDEOTAPE DEPOSITION TESTIMONY PROBABLY BACK IN APRIL,  
12 IF I'M NOT MISTAKEN. AND WE'VE NEVER HEARD ONE WORD ON  
13 IT.

14                       AND SO I THINK THAT THE TIME TO TALK ABOUT  
15 KEIM OUGHT TO BE FAIRLY LIMITED. I MEAN, THERE OUGHT TO BE  
16 NO EXIGENCY THAT WE GOT TO TALK ABOUT KEIM.

17           MR. MOSHENKO: WE HAVE TO TALK ABOUT IT BEFORE IT  
18 HAPPENS; OTHERWISE, THERE'S NOTHING TO TALK ABOUT, YOUR  
19 HONOR.

20                       IN A NUTSHELL, WE THINK THAT IT IS ALMOST  
21 ENTIRELY CUMULATIVE, BECAUSE ABOUT 75 PERCENT OF THE DEPO  
22 MERELY FOCUSES ON THE FINOVA JUDGMENT AND TALKS ABOUT WHAT  
23 DOES THIS PROVISION IN THE CONTRACT --

24           THE COURT: THIS IS A VIDEOTAPE.

25           MR. SHERMAN: IT IS VIDEOTAPED. BUT IF I COULD  
26 JUST PUT THAT INTO PERSPECTIVE, BECAUSE FOR PROBABLY THE

1 THIRD TIME I WAS READING IT LAST NIGHT AGAIN.

2 IF THE PLAINTIFFS WANT TO STIPULATE THAT  
3 JUDGE STRAND'S FINDINGS OF FACT IN THE FINOVA ORDER ARE  
4 TRUTHFUL, YOU KNOW, AS OPPOSED TO THE SUGGESTION THAT  
5 MR. NOVELLI MADE THAT THE JUDGE GOT IT WRONG NUMEROUS  
6 TIMES -- BECAUSE MR. KEIM WAS THERE.

7 AND MR. KEIM WAS ASKED IN HIS DEPOSITION,  
8 YOU KNOW, LET'S GO TO THIS PROVISION. DID YOU SEE THIS?  
9 IS THIS SOMETHING YOU HAVE PERSONAL KNOWLEDGE OF? YEAH,  
10 THIS HAPPENED. NOW, IT'S NOT CUMULATIVE IF THE PLAINTIFFS  
11 ARE DENYING THE VERACITY, THE TRUTHFULNESS OF THOSE FACTS.  
12 AND I THINK WE'VE GOT MR. KEIM'S DEPOSITION DOWN TO --  
13 CORRECT ME IF I'M WRONG, MIKE -- ONE HOUR.

14 SO FROM THE STANDPOINT OF ACCUMULATION, WE  
15 COULD HAVE THREE WITNESSES DONE TODAY. THAT'S PRETTY GOOD.

16 THE COURT: OKAY.

17 MR. SHAW: YOUR HONOR, WE DO WANT TO BE HEARD ON  
18 THAT MORE. I'M NOT CONCEDED WHAT HE IS SAYING -- ALL  
19 THEY'RE GOING TO DO IS READ THE FINOVA ORDER AGAIN. THAT'S  
20 ALL THIS IS, IS READING THE ORDER, AND I WANT TO BE HEARD.

21 THE COURT: WHAT IS IT YOU WANT TO STIPULATE TO.

22 MR. SHERMAN: HE IS NOT GOING TO BE READING. WHAT  
23 HAPPENED WAS MR. HEIMBOLD, WHO I INTRODUCED YOUR HONOR TO A  
24 WEEK OR SO AGO -- MR. HEIMBOLD TOOK THE DEPOSITION IN  
25 FLORIDA AND SAID, HERE IS THIS PHOTOGRAPH. DID YOU OBSERVE  
26 THESE FACTS WHILE YOU WERE THERE? DID YOU SEE THIS? DID

1 THIS HAPPEN? YES. YES. YES.

2 THE COURT: HAVE THESE PEOPLE SEEN THE VIDEO?

3 MR. SHERMAN: THEY'VE HAD ACCESS TO THE VIDEO.

4 THEY COULD HAVE ORDERED THE VIDEO. AND, YOU KNOW, AGAIN --

5 THE COURT: DO YOU HAVE A TRANSCRIPT OF IT?

6 MR. SHERMAN: ABSOLUTELY.

7 MR. MOSHENKO: WE DO.

8 MR. RIVIN: THEY MAY HAVE THE VIDEO.

9 MR. SHERMAN: THEY HAD THE OPPORTUNITY TO ORDER IT  
10 AND PAY FOR IT LIKE WE DID.

11 MR. SHAW: AND READING THE FINOVA ORDER, DESPITE  
12 OUR OBJECTIONS ABOUT IT, I THINK IS JUST CUMULATIVE. IT'S  
13 BIASED AND PREJUDICE. THEY'RE JUST GOING TO EXTENUATE IT  
14 AGAIN.

15 MR. SHERMAN: BUT, AGAIN -- AND IF I MAY ASK THE  
16 COURT TO DIRECT THIS QUESTION TO COUNSEL.

17 IF THEY WANT TO STIPULATE THAT THE FINDINGS  
18 ARE CREDIBLE, TRUTHFUL, AND THE LIKE, THEY WANT TO  
19 STIPULATE TO THE VERACITY OF THE FINDINGS, THEN I SUBMIT,  
20 WE CAN PROBABLY CUT OUT A HALF HOUR OF THE ONE HOUR.

21 IF THEY DON'T WANT TO STIPULATE TO IT, THEN  
22 WHAT I'M CONCERNED ABOUT IS HEARING IN CLOSING THAT, WELL,  
23 YOU KNOW, YOU SAW THIS ORDER FROM -- A PIECE OF PAPER FROM  
24 A JUDGE. THE JUDGE DIDN'T COME HERE AND TESTIFY. AND  
25 WE'VE HEARD THESE PARK MANAGERS, YOU KNOW, DENY THIS, AND  
26 MR. NOVELLI OF COURSE DENIED IT. AND WE'RE NOT -- WE DON'T

1 THEN HAVE THE OPPORTUNITY TO SAY, OH, AND BY THE WAY, THIS  
2 WAS NOT SOME ABSTRACT, YOU KNOW, HIGHFALUTIN LEGAL  
3 DISCOURSE.

4                   YOU KNOW, THERE WERE REAL PEOPLE INVOLVED IN  
5 THIS, AND YOU HAD A RECEIVER COME IN, A COURT-APPOINTED  
6 RECEIVER COME IN AND SAY, GUESS WHAT? THIS HAPPENED.

7                   THE COURT: TELL YOU WHAT, GET BACK AT 20 AFTER AND  
8 I'LL TALK TO YOU ABOUT IT.

9                   MR. SHAW: THANK YOU, YOUR HONOR.

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1 WESTMINSTER, CALIFORNIA - WEDNESDAY, JULY 19, 2000

2 AFTERNOON SESSION

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

5 THE COURT: PROCEED, COUNSEL.

6 BY MR. MOSHENKO: Q MISS WALDMAN, WHEN WE STOPPED  
7 THIS MORNING WE WERE JUST GOING ON TO THE SUBJECT OF -- WE  
8 WERE TALKING ABOUT THE SUBJECT OF MONEY THAT FIRST  
9 NATIONWIDE WAS USING TO PAY ITS DEBTS RELATING TO --  
10 RELATING TO PRESIDENTIAL AIR. AND I THINK YOUR COMMENT WAS  
11 SOMETHING REFERRING TO THE SOURCE OF THE MONEY.

12 LET ME ASK YOU THIS QUESTION: HAVE YOU EVER  
13 SAT DOWN AND REVIEWED THE TRANSACTION DOCUMENTS RELATING TO  
14 THE DEAL WITH I.N.G. RELATING TO PRESIDENTIAL AIR?

15 A NO.

16 Q YOU DON'T KNOW WHAT THE TERMS AND CONDITIONS  
17 OF THAT TRANSACTION WERE AT ALL, DO YOU?

18 A NO, I DO NOT.

19 Q YOU ALSO GAVE US SOME TESTIMONY THIS MORNING  
20 RELATING TO A JUDGMENT, AND YOUR TESTIMONY WAS TO THE  
21 EFFECT THAT I.N.G. PROVIDED AIRPLANES; THEY DIDN'T PROVIDE  
22 MONEY; DO YOU REMEMBER THAT?

23 A I DON'T KNOW IF THEY PROVIDED MONEY OR NOT.

24 Q AND THAT'S MY POINT. YOU DON'T KNOW WHETHER  
25 OR NOT THEY PROVIDED MONEY, DO YOU?

26 A WELL, THEY SUED FOR MONEY.

1 Q ALL RIGHT. AND SO WHEN YOU TESTIFIED THAT  
2 THEY DIDN'T PROVIDE MONEY, YOU WERE INCORRECT, OR AT LEAST  
3 YOU DIDN'T HAVE A FACTUAL BASIS FROM WHICH TO TESTIFY THAT  
4 IT WAS TRUTHFUL STATEMENT; CORRECT?

5 A WELL, THEY -- THE ONE MAN, I DON'T REMEMBER  
6 HIS NAME, HE TOLD ME THAT THEY HAD FUNDED PRESIDENTIAL AIR.

7 Q ALL RIGHT. SO WHY DID YOU TESTIFY THAT JUST  
8 A MOMENT AGO YOU DON'T KNOW WHETHER OR NOT THEY PROVIDED  
9 MONEY IF HE TOLD YOU THEY FUNDED PRESIDENTIAL AIR?

10 A WELL, I KNOW THEY PROVIDED THE AIRBUSES, I  
11 BELIEVE.

12 Q AND THEY PROVIDED MONEY; CORRECT?

13 A HE TOLD ME THEY DID, BUT I DON'T KNOW IF  
14 THEY DID OR NOT, NO.

15 Q AND THE REASON FOR THE JUDGMENT WAS BECAUSE  
16 OF A COMPLAINT RELATING TO THE PAYMENT OF THE MONEY, NOT --  
17 THE PAYMENT -- REPAYMENT OF THE MONEY TO I.N.G.; CORRECT?

18 A I DON'T KNOW. I JUST GOT THE JUDGMENT IN MY  
19 ACCOUNT. NOBODY WAS KIND ENOUGH TO TELL ME WHAT IT WAS  
20 ABOUT.

21 Q YES. AND THAT ALSO IS TRUE. YOU DO NOT  
22 KNOW WHY THE JUDGMENT WAS ENTERED, DO YOU?

23 A WHY THE JUDGMENT CAME DOWN?

24 Q CORRECT.

25 A NO, I DO NOT.

26 Q NOW, WHEN -- NEXT QUESTION IS, BECAUSE YOU

1 DON'T KNOW WHETHER OR NOT I.N.G. GAVE MONEY TO FIRST  
2 NATIONWIDE RESORTS, YOU DON'T KNOW WHETHER OR NOT THE MONEY  
3 THAT YOU SAW FIRST NATIONWIDE RESORTS SPEND ON PRESIDENTIAL  
4 AIR CAME FROM I.N.G. OR ANY OTHER SOURCE; ISN'T THAT TRUE?

5 A WELL, I KNOW IT CAME FROM SOME OF THE SALES  
6 MONEY.

7 Q DO YOU HAVE ANY IDEA HOW MUCH MONEY FIRST  
8 NATIONWIDE SPENT ON ITS OBLIGATIONS IN PRESIDENTIAL AIR?

9 A NO, I DON'T KNOW HOW MUCH MONEY EXACTLY.

10 Q OKAY. DO YOU HAVE ANY IDEA HOW MUCH MONEY  
11 WAS LENT TO FIRST NATIONWIDE RESORTS BY I.N.G. RELATING TO  
12 PRESIDENTIAL AIR?

13 MR. SHERMAN: OBJECTION. THAT ASSUMES FACTS NOT IN  
14 EVIDENCE.

15 THE COURT: I'LL SUSTAIN THAT.

16 BY MR. MOSHENKO: Q DO YOU KNOW WHETHER OR NOT  
17 FIRST NATIONWIDE WAS LENT MONEY BY I.N.G. RELATING TO  
18 PRESIDENTIAL AIR?

19 A NO.

20 Q WHEN MONEY CAME TO FIRST NATIONWIDE RESORTS  
21 MANAGEMENT, YOU TESTIFIED THIS MORNING THEY RECEIVED IT,  
22 AND IT WENT INTO AN ACCOUNT FOR ALL OF THE COMPANIES?

23 A LIKE ONE BIG POT, AND THEN RAY WOULD DECIDE  
24 WHERE TO PUT THE MONEY.

25 Q CORRECT.

26 AND THAT POT WOULD HAVE INCLUDED MONEY THAT

1 FIRST NATIONWIDE RECEIVED FROM I.N.G., AS WELL, WOULD IT  
2 NOT?

3 A I NEVER SAW ANY CHECKS FROM I.N.G. I DON'T  
4 KNOW THAT, NO.

5 Q AND YOU DON'T KNOW THAT THERE WERE NO CHECKS  
6 FROM I.N.G. IN THAT POT, DO YOU?

7 A NO.

8 Q AND YOU DON'T KNOW, THEREFORE, WHETHER OR  
9 NOT MONEY THAT WAS SPENT BY FIRST NATIONWIDE ON  
10 PRESIDENTIAL AIR WAS I.N.G. MONEY OR RESORT MONEY OR WHO  
11 KNOWS WHOSE MONEY, DO YOU?

12 A BECAUSE IT WAS ALL IN ONE BIG POT? NO.

13 Q CORRECT.

14 A NO.

15 Q ONCE IT HITS THE POT, THERE'S NO WAY FOR YOU  
16 TO SEGREGATE IT, RIGHT, IN YOUR MIND?

17 A WELL, IT WAS OBVIOUSLY GOING TO PRESIDENTIAL  
18 AIR, YES.

19 Q OKAY. DID YOU DO THE BANKING?

20 A WHICH PART?

21 Q DID YOU DO THE CHECK-WRITING FOR FIRST  
22 NATIONWIDE RESORTS MANAGEMENT?

23 A THE CHECK WRITING? NO.

24 Q DID YOU DO THE DEPOSITS FOR FIRST NATIONWIDE  
25 RESORTS MANAGEMENT?

26 A I MIGHT HAVE DONE A COUPLE. BUT NOT -- IT'S

1 NOT MY JOB, NO.

2 Q SO, MISS WALDMAN, I'M BACK TO, HOW CAN YOU  
3 TELL THIS JURY THAT THE MONEY THAT FIRST NATIONWIDE RESORTS  
4 MANAGEMENT SPENT ON PRESIDENTIAL AIR CAME FROM A RESORT  
5 VERSUS FROM I.N.G. VERSUS FROM WHO KNOWS WHERE?

6 A WELL, I KNOW MY SALES MONEY WAS COMING IN,  
7 AND IT CERTAINLY WASN'T GOING BACK TO THE RESORTS AND OTHER  
8 THINGS. SO I WAS TOLD IT WAS ALL GOING TO PRESIDENTIAL  
9 AIR.

10 Q BY WHOM?

11 A BY DARIO MOSCOSO, BECAUSE I ASKED HIM, WHY  
12 CAN'T I GET FUNDS FOR THIS OR THAT; AND HE WOULD SAY, WELL,  
13 RAY IS SPENDING A LOT ON PRESIDENTIAL AIR RIGHT NOW.

14 Q OKAY. THAT'S ON A PARTICULAR DAY AND A  
15 PARTICULAR CONVERSATION WITH DARIO MOSCOSO; RIGHT?

16 A NO. THAT WAS OUR OVERALL KNOWLEDGE. THAT'S  
17 WHY A LOT OF PEOPLE BECAME BITTER.

18 Q DID DARIO MOSCOSO TELL YOU THAT THE REASON  
19 WHY THERE WAS A LACK OF FUNDS FOR PAYMENT TO THE RESORTS  
20 BECAUSE HE STOLE MORE THAN 100,000 FROM FIRST NATIONWIDE  
21 RESORTS?

22 MR. SHERMAN: OBJECTION. THAT IS --

23 MR. MOSHENKO: YOUR HONOR, THERE'S A FOUNDATION FOR  
24 THIS.

25 MR. SHERMAN: ASSUMES FACTS NOT IN EVIDENCE.

26 THE COURT: THE OBJECTION IS SUSTAINED ON THOSE

1 GROUND.

2 BY MR. MOSHENKO: Q YOU GAVE US SOME TESTIMONY  
3 THIS MORNING ABOUT MR. NOVELLI, INDICATING THAT WHEN SOME  
4 EMPLOYEES LEFT, HE FELT HAD STOLEN MONEY?

5 A YES.

6 Q DARIO MOSCOSO WAS ONE OF THOSE EMPLOYEES  
7 THAT HE TOLD YOU THAT ABOUT; RIGHT?

8 A HE TOLD US DARIO HAD STOLEN MONEY.

9 Q CORRECT.

10 AND DID HE TELL YOU IT WAS MORE THAN  
11 100,000?

12 A YES.

13 Q AND DID HE TELL YOU THAT IT WAS RIGHT THERE  
14 IN THE SPRING AND SUMMER OF 1996 WHEN YOU SAID THINGS  
15 REALLY GOT BAD?

16 A IT WAS DURING THAT TIME FRAME. I DON'T  
17 REMEMBER IF HE TOLD ME. BUT IT WAS WHILE I WAS THERE, THE  
18 LAST YEAR.

19 Q OKAY. AND DARIO MOSCOSO, TO YOUR KNOWLEDGE,  
20 CAME TO WORK ON AUGUST 29, 1996, AND LEFT ON AUGUST 30 IN  
21 THE MORNING OF 1996 WITH HIS PERSONAL BELONGINGS AND NEVER  
22 CAME BACK?

23 MR. SHERMAN: OBJECTION. ASSUMES FACTS NOT IN  
24 EVIDENCE.

25 BY MR. MOSHENKO: Q DO YOU HAVE KNOWLEDGE OF THAT?

26 THE COURT: SUSTAINED.

1 THE WITNESS: THAT HE LEFT ON THAT DATE? I'VE SEEN  
2 HIM AFTER HE LEFT, BUT I DON'T KNOW WHICH DATE HE LEFT.

3 BY MR. MOSHENKO: Q IN FACT, HE LEFT THE SAME  
4 DATE THAT YOU LEFT, AUGUST 30?

5 A I DON'T KNOW WHEN HE LEFT.

6 Q YOU DO KNOW THAT -- WELL, I GUESS YOU  
7 WEREN'T THERE AFTER AUGUST 30TH TO SEE WHETHER HE WAS THERE  
8 OR NOT; IS THAT CORRECT?

9 A NO. I SAW HIM -- NOT THERE, BUT I SAW HIM  
10 OUTSIDE OF THE OFFICE. I RAN INTO HIM.

11 Q DID YOU TALK ABOUT THE ACCUSATIONS OF  
12 STEALING BY DARIO MOSCOSO?

13 A YES.

14 Q AND OF COURSE HE DENIED IT?

15 A WELL, HE WASN'T IN JAIL, SIR.

16 MR. MOSHENKO: OBJECTION. NONRESPONSIVE.

17 THE WITNESS: SO HE SAID NO.

18 THE COURT: SUSTAINED.

19 MR. MOSHENKO: MOTION TO STRIKE.

20 THE COURT: SHE SAID NO -- HE SAID NO.

21 BY MR. MOSHENKO: Q IF I TOLD YOU THAT I.N.G. IN  
22 FACT AGREED TO LEND FIRST NATIONWIDE 2 AND A HALF MILLION  
23 DOLLARS, YOU HAVE NO KNOWLEDGE WITH WHICH TO REFUTE THAT?

24 MR. SHERMAN: OBJECTION. ASSUMES FACTS NOT IN  
25 EVIDENCE.

26 THE COURT: SUSTAINED.

1 BY MR. MOSHENKO: Q DID YOU EVER SEE A PROMISSORY  
2 NOTE SIGNED BY PRESIDENTIAL AIR TO I.N.G. FOR \$2,250,000?

3 A YES.

4 Q RELATING TO THE TRANSACTION?

5 A I'VE SEEN IT AFTER THE FACT.

6 Q OKAY. SO YOU KNOW THAT THERE WAS A  
7 TRANSACTION WHICH REQUIRED PRESIDENTIAL AIR TO AGREE TO PAY  
8 I.N.G. \$2,250,000?

9 A PRESIDENTIAL AIR AGREED TO PAYING, OR I  
10 THINK AGREED TO PAY PRESIDENTIAL AIR.

11 Q PRESIDENTIAL AIR AGREED TO PAY I.N.G.  
12 BECAUSE I.N.G. LENT \$2,250,000 TO PRESIDENTIAL AIR?

13 MR. SHERMAN: OBJECTION. CUMULATIVE. IRRELEVANT.

14 THE COURT: SUSTAINED.

15 BY MR. MOSHENKO: Q WELL, YOU SAY YOU'VE SEEN THE  
16 PROMISSORY NOTE; WHAT DID IT SAY?

17 MR. SHERMAN: THE SAME OBJECTIONS, YOUR HONOR, TO  
18 THIS ENTIRE LINE OF QUESTIONING.

19 THE COURT: SUSTAINED.

20 MR. MOSHENKO: THE CONTENT OF THE NOTE IS NOT IN  
21 THE RECORD, YOUR HONOR.

22 THE COURT: SUSTAINED.

23 BY MR. MOSHENKO: Q I WANT TO MOVE ON TO A  
24 DIFFERENT SUBJECT.

25 YOU TESTIFIED YESTERDAY RELATING TO YOUR  
26 SALES ACTIVITIES AFTER MR. NOVELLI TOOK OVER ALL SEASONS

1 RESORTS AND AFTER MR. NOVELLI ACQUIRED SEVERAL OTHER RESORT  
2 OPERATIONS.

3                   YOU MENTIONED -- I'LL SPECIFY THE RESORTS  
4 YOU MENTIONED. CUTTY'S, A.R.A., PONDEROSA PARK, OHIO, AND  
5 THE LANDING AS THREE OF THE COMPANIES THAT MR. NOVELLI TOOK  
6 OVER.

7                   NOW, MR. SHERMAN ASKED YOU, THOSE RESORTS  
8 ALREADY HAD MEMBERS; CORRECT? DO YOU REMEMBER THAT?

9           A        YES.

10          Q        YOU NEVERTHELESS CONTINUED TO MARKET NEW  
11 MEMBERSHIPS IN THOSE RESORTS; CORRECT?

12          A        NEW MEMBERSHIPS?

13          Q        NEW MEMBERSHIPS.

14                   FROM TIME TO TIME YOU SOLD NEW MEMBERSHIPS  
15 TO THOSE SAME RESORTS THAT ALREADY HAD MEMBERS?

16          A        VERY FEW. BUT, YES.

17          Q        OKAY. AND THAT STATEMENT WAS TRUE BASICALLY  
18 FOR ALL OF THE NOVELLI RESORTS; REGARDLESS OF WHICH YEAR  
19 YOU'RE DEALING WITH, YOU CONTINUED TO TRY TO MARKET NEW  
20 MEMBERSHIPS, TO SOME DEGREE?

21          A        YES.

22          Q        NOW, YOU TESTIFIED THAT COAST TO COAST'S  
23 MEMBERSHIP WAS A GIVEAWAY; DO YOU RECALL THAT?

24          A        A GIVEAWAY?

25          Q        YES. YOU SAID IT WAS INCLUDED -- IT WAS  
26 GOING TO BE INCLUDED ANYWAY, AND IT WAS NOT A BIG PART OF

1 THE SALE, WORDS TO THAT EFFECT?

2 MR. SHERMAN: OBJECTION. MISSTATES THE WITNESS'S  
3 TESTIMONY.

4 THE COURT: SUSTAINED. THE JURY HAS HEARD IT.

5 BY MR. MOSHENKO: Q IN FACT, IN YOUR EXPERIENCE,  
6 COAST TO COAST WAS CONSIDERED A FREEBIE BY YOU AND YOUR  
7 SALESPERSONS?

8 A WE USED THAT AS A SALES GIMMICK. BUT WE  
9 PAID FOR EVERY APPLICATION SO THAT IT WOULDN'T BE FREE.

10 Q IT WAS FREE TO THE MEMBER?

11 A YES, FOR THE FIRST YEAR.

12 Q ALL RIGHT. AND THEN YOU OFFERED SOME  
13 TESTIMONY ABOUT THE IMPORTANCE OF COAST TO COAST TO  
14 MEMBERS.

15 NOW, YOU KNOW THAT NOT ALL MEMBERS OF THE  
16 NOVELLI RESORTS ARE MEMBERS OF COAST TO COAST; ISN'T THAT  
17 TRUE?

18 A THERE'S SOME THAT AREN'T.

19 Q DO YOU HAVE ANY IDEA WHAT PERCENTAGE ARE OR  
20 ARE NOT?

21 MR. SHERMAN: VAGUE AS TO TIME.

22 BY MR. MOSHENKO: Q AT ANY TIME DURING YOUR ROLE  
23 IN SALES AND MARKETING.

24 A WHEN I WAS THE DIRECTOR OF SALES AND  
25 MARKETING, ANY NEW SALES THAT WE MADE, 99 PERCENT OF THE  
26 TIME WE INCLUDED COAST TO COAST.

1 Q UNDERSTOOD.

2 BUT I'M NOT TALKING ABOUT JUST NEW SALES.

3 I'M TALKING ABOUT ALL OF THE MEMBERSHIPS.

4 A THE PRESIDENT'S TRAVEL CLUB?

5 Q NO.

6 ALL OF THE MEMBERS OF THE NOVELLI RESORTS,  
7 WHAT PERCENT OF THOSE MEMBERS MAINTAINED CURRENT CAMP COAST  
8 TO COAST MEMBERSHIPS? DID YOU EVER GET THAT DATA?

9 A NO.

10 Q SO YOU HAVE NO BASIS FOR EVEN SPECULATING AS  
11 TO WHAT PERCENTAGE OF NOVELLI'S MEMBERS CONTINUED TO BE  
12 COAST TO COAST MEMBERS; RIGHT?

13 A MOST OF THE MEMBERS I TALKED TO HAD IT.

14 MR. MOSHENKO: OBJECTION. NONRESPONSIVE.

15 THE COURT: OVERRULED.

16 BY MR. MOSHENKO: Q OKAY. SO I GUESS MAYBE YOUR  
17 ANSWER IS YES, YOU DO HAVE A BASIS FOR SPECULATING?

18 A IS THAT A QUESTION?

19 Q A LARGE PERCENTAGE OF RESORT PARK OWNERS DO  
20 NOT TRAVEL NATIONWIDE; THEY JUST ARE CONTENT TO VISIT THEIR  
21 HOME RESORTS; DO YOU AGREE?

22 A I DON'T KNOW WHAT PERCENTAGE. THERE IS  
23 MEMBERS LIKE THAT, YES, BUT I DON'T KNOW WHAT PERCENTAGE.

24 Q SO ISN'T IT TRUE THAT THE COAST TO COAST  
25 MEMBERSHIP IS IMPORTANT ONLY TO THOSE WHO USE IT  
26 CONSISTENTLY AND NOT IMPORTANT TO MEMBERS WHO DON'T CHOOSE

1 TO BE COAST TO COAST MEMBERS OR MAINTAIN MEMBERSHIP IN  
2 COAST TO COAST?

3 A WHAT I SAID IN MY STATEMENT WAS IT'S  
4 IMPORTANT FOR THE SALES DEPARTMENT TO SELL A NEW MEMBER.  
5 THE IMPORTANCE FIVE YEARS AFTER THEY'RE MEMBERS, I DON'T  
6 KNOW.

7 MR. MOSHENKO: ALL RIGHT. COULD WE HAVE EXHIBIT  
8 2002 PUT UP, MR. DURAN?

9 Q THIS IS AN EXHIBIT MR. SHERMAN SHOWED YOU,  
10 MISS WALDMAN.

11 A WHERE IS IT?

12 Q IT'S GOING TO COME UP ON THE SCREEN. IF YOU  
13 NEED A HARD COPY, LET ME KNOW; OTHERWISE, I'LL TRY TO USE  
14 THE SCREEN COPY.

15 NOW, BLOW THAT UP A LITTLE, IF YOU CAN. I  
16 KNOW YOU CAN'T GET IT MUCH BIGGER.

17 DO YOU HAVE ANY IDEA WHAT THAT DOCUMENT IS,  
18 MRS. WALDMAN?

19 A IT LOOKS LIKE -- I MEAN, IS THERE A NAME FOR  
20 IT? DO I KNOW IF THERE'S A NAME FOR IT?

21 Q SHOW US THE NAME, MR. DURAN.

22 ARE YOU ABLE TO TELL US WHAT THAT DOCUMENT  
23 IS WITHOUT READING THE NAME AT THE TOP?

24 MR. SHERMAN: YOUR HONOR, THIS IS NOT RELEVANT.

25 THE COURT: I'LL ALLOW IT.

26 MR. MOSHENKO: IT WAS RELEVANT WHEN YOU ASKED

1 QUESTIONS ABOUT IT.

2 Q SO YOU ANSWERED QUESTIONS ABOUT THIS  
3 DOCUMENT; DO YOU KNOW WHAT IT IS?

4 A WELL, JUST WHAT THE TITLE SAID IT WAS.

5 Q OKAY. WHAT IS IT, BASED ON YOUR READING OF  
6 THE TITLE?

7 A NEW MEMBERS BY YEAR.

8 Q AND THEN YOU RECALL MR. SHERMAN ASKED YOU  
9 QUESTIONS ABOUT 1987'S 43,581. AND HE ASKED YOU, DID ALL  
10 SEASONS RESORTS HAVE 43,000 NEW MEMBERS IN 1987? AND YOU  
11 GAVE WHATEVER ANSWER THE JURY WILL RECALL.

12 DO YOU RECALL THAT?

13 A YES.

14 Q OKAY. NOW, YOU DIDN'T KNOW WHEN YOU WERE  
15 BEING ASKED THAT QUESTION BY MR. SHERMAN -- COULD YOU BLOW  
16 UP WHAT IT SAYS IN THE BOTTOM -- THAT '87 IS THE BASE YEAR.  
17 BEFORE IT REFLECTS ALL MEMBERS WITH CONTRACT DATES ON OR  
18 BEFORE 1987 IN ORDER TO PROVIDE THE TOTAL BASE NUMBER FOR  
19 ANALYSIS; YOU DIDN'T KNOW THAT WHEN YOU ANSWERED HIS  
20 QUESTION, DID YOU?

21 A WELL, IT SAYS 1987.

22 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE.

23 Q OR DID YOU NOT KNOW WHAT THAT NOTE SAID WHEN  
24 YOU ANSWERED THE QUESTION?

25 MR. SHERMAN: COULD THE COURT RULE ON THE  
26 OBJECTION, PLEASE.

1 THE COURT: I DIDN'T HEAR AN OBJECTION.

2 MR. MOSHENKO: I DIDN'T HEAR ONE, EITHER.

3 MR. SHERMAN: MR. MOSHENKO SAID, "OBJECTION, IT'S  
4 NONRESPONSIVE."

5 THE COURT: IT IS HIS OBJECTION.

6 MR. MOSHENKO: HER ANSWER -- SHE DIDN'T ANSWER MY  
7 QUESTION, YOUR HONOR.

8 THE COURT: WHO IS ON THIRD?

9 MR. MOSHENKO: I'LL ASK THE QUESTION AGAIN, YOUR  
10 HONOR.

11 THE COURT: LET'S GET ON WITH IT.

12 BY MR. MOSHENKO: Q DID YOU KNOW WHAT THAT NOTE  
13 SAID WHEN YOU ASKED MR. SHERMAN'S QUESTIONS ABOUT --  
14 ANSWERED MR. SHERMAN'S QUESTIONS ABOUT 1987?

15 A NO.

16 MR. MOSHENKO: NOW, LET'S GO BACK UP, MR. DURAN.

17 Q AT THE TIME YOU DID TESTIFY THAT -- HE ASKED  
18 YOU SOME QUESTIONS ABOUT THE 164,000, I BELIEVE, FIGURE  
19 DOWN AT THE BOTTOM.

20 CAN YOU BLOW UP THAT?

21 A I DON'T RECALL HIM ASKING ME QUESTIONS ABOUT  
22 THAT.

23 Q WELL, I -- AND YOUR RESPONSE WAS THE MOST  
24 MEMBERS YOU EVER KNEW THAT WERE THERE WAS 100,000 MEMBERS.

25 A AT THE MOST.

26 Q AT THE MOST; RIGHT?

1 A YES.

2 Q NOW, BASED ON WHAT YOU SEE THERE, 1997, '98  
3 AND '99, YOU WERE GONE?

4 A YES, I WAS.

5 Q OKAY. AND YOU HAVE NO IDEA WHAT NUMBER OF  
6 MEMBERS CAME TO THE ORGANIZATION BY VIRTUE OF THOUSAND  
7 ADVENTURES, DO YOU?

8 A THOUSAND ADVENTURES?

9 Q THOUSAND ADVENTURES.

10 A I DON'T KNOW HOW MANY MEMBERS THEY HAVE, NO.

11 Q OKAY. BUT YOU DID KNOW BY REPUTATION  
12 THOUSAND ADVENTURES HAD TENS OF THOUSANDS OF MEMBERS;  
13 RIGHT?

14 A I KNEW THAT?

15 Q YES. DIDN'T YOU?

16 A NO. I DON'T KNOW HOW MANY MEMBERS WE HAD.  
17 I TOLD YOU THAT JUST NOW.

18 Q YOUR ANSWER "AT THE MOST THEY HAD 100,000"  
19 WAS A REFERENCE ONLY TO ALL SEASONS AND THE OTHER NOVELLI  
20 RESORTS AND DID NOT INCLUDE THOUSAND ADVENTURES MEMBERS;  
21 RIGHT?

22 A IT WAS ONLY IN REFERENCE TO THE DATE THAT I  
23 LEFT, WHICH DID NOT INCLUDE THOUSAND ADVENTURES.

24 Q ALL RIGHT. YOU ANSWERED SOME QUESTIONS  
25 ABOUT MR. NOVELLI'S MAKING A COMMENT TO THE EFFECT THAT THE  
26 SIGNATURE THAT HE PLACED ON A DEAL INVOLVING MAGIC

1 MOUNTAIN -- I THINK YOUR WORDS WERE, HE SAID IT DIDN'T MEAN  
2 ANYTHING.

3 DO YOU RECALL THOSE QUESTIONS?

4 A YES.

5 Q HAVE YOU HAD ANY CONTRACT LAW BACKGROUND OR  
6 EXPERIENCE?

7 A NO.

8 Q YOU NEVER STUDIED LAW OR CONTRACTS?

9 A EVER STUDIED LAW OR CONTRACT, NO.

10 Q WHEN YOU SPOKE TO MR. NOVELLI, YOU DID NOT  
11 HAVE THE UNDERSTANDING OF WHAT LEGALITIES OF CONTRACT LAW  
12 HE MIGHT HAVE BEEN REFERRING TO TO JUSTIFY HIS STATEMENT?

13 A WELL, COMMON SENSE TELLS ME A SIGNATURE  
14 MEANS SOMETHING.

15 Q DID YOU HAVE ANY UNDERSTANDING OF WHAT  
16 LEGALITIES MR. NOVELLI WAS TALKING ABOUT WHEN HE MADE THAT  
17 STATEMENT?

18 A COULD YOU REPEAT THAT?

19 Q DID YOU HAVE SOME -- ANY UNDERSTANDING OF  
20 WHAT LEGALITIES OF CONTRACT LAW MR. NOVELLI MIGHT HAVE BEEN  
21 REFERRING TO WHEN HE WAS MAKING THAT STATEMENT?

22 A NO. I DON'T -- I ASSUMED HE WAS REFERRING  
23 TO THE CONTRACT.

24 Q AND YOU SAID THAT THERE WAS A LAWSUIT BY  
25 MAGIC MOUNTAIN. DO YOU KNOW WHAT THE OUTCOME OF THAT  
26 LAWSUIT WAS?

1           A           YES.

2           Q           WHAT WAS THE OUTCOME?

3           A           WE LOST, AND THEY GOT -- I DON'T REMEMBER.  
4 THEY GOT A JUDGMENT. I KNOW WE DIDN'T WIN IS ALL I KNOW.

5           Q           DID YOU PARTICIPATE IN THE LEGAL  
6 PRESENTATION RELATING TO THE EFFECT OF THE SIGNATURE?

7           A           YES.

8           Q           IN WHAT SENSE DID YOU PARTICIPATE IN THE  
9 LEGAL PRESENTATION?

10          A           REGARDING HIS SIGNATURE?

11          Q           YES.

12          A           I DON'T EVEN RECALL. I TESTIFIED.

13          Q           LET'S GO ON.

14                    YOU WERE ASKED SOME QUESTIONS ABOUT ORPHAN  
15 MEMBERS.

16          A           YES.

17          Q           AND YOUR TESTIMONY WAS THAT YOU WERE  
18 FAMILIAR WITH THE TERM, AND THE TERM "ORPHAN MEMBERS"  
19 REFERRED -- APPLIES WHEN MEMBERS HAVE LOST USAGE OF THEIR  
20 HOME PARK; IS THAT A CORRECT STATEMENT?

21          A           YES.

22          Q           OKAY. AND IF A MEMBER PARK CONTINUES TO BE  
23 AVAILABLE FOR USAGE, BY YOUR DEFINITION, MEMBERS HAVE NOT  
24 LOST USAGE OF THEIR HOME PARK; CORRECT?

25          A           IF A MEMBER'S RESORT --

26          Q           CONTINUES TO BE AVAILABLE FOR USAGE, SO THEY

1 CANNOT HAVE LOST USAGE OF THEIR HOME PARK?

2 A CORRECT. IF THEY HAVEN'T LOST THEIR HOME  
3 PARK, THEY COULD STILL USE IT.

4 Q NOW, YOU DEALT WITH COAST FROM TIME TO TIME  
5 OVER THE YEARS?

6 A YES.

7 Q AND YOU INDICATED THAT RECEIVING WHAT YOU  
8 REFERRED TO AS ORPHAN MEMBERS WAS SOMETHING THAT PEOPLE  
9 WANTED TO DO BECAUSE THOSE MEMBERS WERE, YOU SAY, FREEBIES?

10 A YES.

11 Q OKAY. NOW, FROM TIME TO TIME YOU BECAME  
12 AWARE -- IN YOUR ROLE INVOLVING SALES AND MARKETING BECAME  
13 AWARE OF SOME RESORTS THAT WERE SHUTTING DOWN, CLOSING,  
14 GOING OUT OF BUSINESS; RIGHT?

15 A YES.

16 Q AND UNDER THOSE CIRCUMSTANCES, THOSE MEMBERS  
17 COULD BE CONSIDERED MEMBERS WHO HAVE LOST USAGE OF THEIR  
18 HOME PARK; RIGHT?

19 A YES.

20 Q AND THOSE WOULD BE THE POTENTIAL FREEBIES  
21 THAT MIGHT BE --

22 A ORPHAN.

23 Q -- REACHABLE?

24 A ORPHAN FREEBIES, YES.

25 Q NOW, IN YOUR EXPERIENCE, HAVE YOU EVER HAD  
26 AN EXPERIENCE WHERE COAST TO COAST ACTUALLY SENT YOU A

1 DOCUMENT TALKING ABOUT MEMBERS OF A CLOSING OR CLOSED PARK  
2 AND ACTUALLY REFERRED TO THEM AS "ORPHANS"?

3 A I DON'T REMEMBER THE EXACT VERBIAGE.

4 Q HAVE YOU EVER HAD ANY EXPERIENCE -- HAVE YOU  
5 EVER HEARD THAT IT OCCURRED IN YOUR INDUSTRY THAT COAST  
6 DECLARED APPROXIMATELY 34,000 PEOPLE TO BE ORPHANS AND SENT  
7 LETTERS TO RESORT DEVELOPERS -- SORRY -- SENT LETTERS TO  
8 THE MEMBERS TRANSFERRING THEM TO ANOTHER RESORT?

9 A SENT A LETTER DIRECTLY TO THE MEMBER?

10 Q CORRECT.

11 A I KNOW IT'S HAPPENED. I DON'T RECALL IF  
12 I'VE SEEN A LETTER.

13 Q OKAY. WHAT HAPPENED WAS THE 34,000 LETTERS  
14 THAT YOU'RE GENERALLY AWARE OF THAT OCCURRED IN 1997;  
15 CORRECT?

16 A NO.

17 Q WHEN IN THE PAST WERE 34,000 LETTERS SENT BY  
18 COAST TO COAST TO YOUR KNOWLEDGE?

19 A 34,000? I DON'T KNOW HOW MANY THEY HAVE  
20 EVER SENT.

21 Q NOW, YOU ARE AWARE THAT ON OCCASION SOME  
22 LETTERS WERE SENT, AND, IN FACT, A LETTER WAS SENT TO  
23 DEVELOPERS; CORRECT?

24 A FOR WHAT? A LETTER SENT TO DEVELOPERS --

25 Q LET ME BACK UP AND START OVER.

26 YOU WERE SHOWN WHAT I'M GOING TO CALL THE

1 CLERBROOK LETTER. I WON'T PUT IT UP --

2 A YES.

3 Q -- BECAUSE WE'VE SEEN IT SEVERAL TIMES.

4 AND IN THAT LETTER THERE WERE -- IF MY  
5 MEMORY SERVES ME CORRECT -- 14 RESORTS NAMED AS ALTERNATIVE  
6 OPTIONAL RESORTS THAT COULD -- CLERBROOK'S MEMBERS COULD GO  
7 TO; DO YOU REMEMBER THAT?

8 A YES.

9 Q AND THAT LETTER STATED THAT CLERBROOK'S  
10 MEMBERS -- THAT CLERBROOK WANTED ITS MEMBERS TO GO TO  
11 ANOTHER RESORT; DO YOU RECALL THAT?

12 A YES.

13 Q WORDS TO THAT EFFECT.

14 SO THAT IS WHAT YOU'RE REFERRING TO WHEN YOU  
15 SAY IN THE PAST --

16 A NO.

17 Q ALL RIGHT. WELL, IS THAT ONE EXAMPLE OF  
18 WHAT YOU SAY TO WHEN IN THE PAST YOU RECEIVED NOTIFICATION  
19 THAT THERE WAS SOME MEMBERS AVAILABLE --

20 A OKAY.

21 Q -- AS FREEBIES?

22 A WELL, I COULD RECEIVE NOTIFICATION FROM A  
23 LOT OF DIFFERENT WAYS, BUT THAT WAS ONE WAY COAST TO COAST  
24 WOULD INFORM US, YES.

25 Q OKAY. NOW, IT IS TRUE THAT UNDER ANY OF THE  
26 CIRCUMSTANCES WHERE YOU RECEIVED INFORMATION THAT MEMBERS

1 MIGHT BE AVAILABLE BECAUSE THEIR RESORTS WERE CLOSING, THAT  
2 COAST NEVER SENT YOU A LIST OF THE NAMES AND ADDRESSES AND  
3 TELEPHONE NUMBERS OF THOSE MEMBERS?

4 A NO.

5 Q YOU DID ANSWER SOME QUESTIONS ABOUT  
6 MEMBERSHIP LISTS, AND YOU TESTIFIED THAT THEY ARE  
7 CONSIDERED CONFIDENTIAL; IS THAT CORRECT?

8 A YES.

9 Q AND THEN MR. SHERMAN WANTED TO ASK YOU  
10 QUESTIONS ABOUT -- I THINK WHAT HE CALLED -- ABOUT WHAT  
11 THEY WERE SUPPOSED TO BE AND WHAT THEY ACTUALLY WERE, WORDS  
12 TO THAT EFFECT; DO YOU REMEMBER THAT?

13 A YES.

14 Q OKAY. YOU TESTIFIED THEY WERE SUPPOSED TO  
15 BE CONFIDENTIAL BECAUSE THAT, IN FACT, IS WHAT YOU'VE BEEN  
16 TOLD?

17 A THAT WAS THE POLICY, YES.

18 Q THAT WAS THE POLICY.

19 AND, IN FACT, THE COMPANIES THAT YOU HAD  
20 DEALT WITH -- I'M TALKING ABOUT MR. NOVELLI'S COMPANIES --  
21 WENT TO GREAT LENGTHS TO TRY TO MAINTAIN THE  
22 CONFIDENTIALITY THAT YOU'RE AWARE OF?

23 A WHAT -- I DON'T KNOW WHAT "GREAT LENGTHS"  
24 MEANS.

25 Q WELL, THEY HAD EVERY SALESPERSON WHO WAS  
26 GOING TO BE GIVEN POSSESSION OF A -- OR ACCESS TO

1 INFORMATION THAT MIGHT BE FOUND ON A LIST SIGN AN AGREEMENT  
2 THAT THE INFORMATION WAS CONFIDENTIAL?

3 A I CAME UP WITH THAT.

4 Q CORRECT. THANK YOU VERY MUCH.

5 A BUT THAT WAS YEARS LATER. NICE TRY.

6 Q WELL, WHAT'S YEARS LATER, FROM WHEN?

7 A THAT WAS PROBABLY 1994, MAYBE. BECAUSE THE  
8 LISTS WERE MISSING. THAT'S WHY WE CAME UP WITH THAT.

9 Q WELL, LET ME SHOW YOU --

10 A MAYBE '93. I DON'T KNOW THE EXACT YEAR, BUT  
11 I REMEMBER I WAS BIG ON WE SHOULD HAVE EVERYBODY SIGN A  
12 DOCUMENT SAYING YOU DIDN'T -- YOU WON'T TAKE THE LIST.  
13 BECAUSE ALL THE RESALE COMPANIES WERE ATTACKING US SO  
14 VICIOUSLY.

15 Q ALL RIGHT. AND, YES, AS A MATTER OF FACT,  
16 MR. NOVELLI -- AND I'LL ACKNOWLEDGE WITH YOUR SUGGESTION --  
17 ATTEMPTED TO ENFORCE THE POLICY BY REQUIRING EMPLOYEES SIGN  
18 CONFIDENTIALITY AGREEMENTS; RIGHT?

19 A EMPLOYEES OF THE CORPORATE OFFICE?

20 Q THE SALES PERSONNEL. FRANKLY, ANY  
21 EMPLOYEE --

22 A MR. NOVELLI WANTED THAT TO HAPPEN, YES.

23 Q CORRECT.

24 AND ALL YOU DID WHEN YOU CAME UP WITH  
25 THAT -- THANK YOU VERY MUCH -- WAS -- WAS ENFORCE IN  
26 WRITING A PREVIOUSLY KNOWN AND ESTABLISHED POLICY OF THE

1 COMPANY?

2 A WELL, IT WASN'T IN WRITING BEFORE.

3 Q CORRECT.

4 A WE PUT IT IN WRITING, BUT IT DIDN'T DO ANY  
5 GOOD.

6 Q OKAY. IT WAS A PREVIOUSLY ESTABLISHED  
7 POLICY OF THE COMPANY; RIGHT? BEFORE THE WRITING?

8 A IT JUST SEEMED LIKE COMMON KNOWLEDGE. I  
9 DON'T REMEMBER READING "DO NOT DO THIS."

10 Q NOW, YOU SAID YOU'D TRY TO KEEP THE LIST  
11 CONFIDENTIAL; YOU TESTIFIED TO THAT?

12 A YES, WE TRIED.

13 Q OKAY. AND IF THE LIST CONFIDENTIALITY WAS  
14 BROACHED, IT WAS A VIOLATION OF YOUR EMPLOYER'S POLICY;  
15 RIGHT?

16 A MY EMPLOYER?

17 Q MR. NOVELLI.

18 A OH, I'M SORRY. IT WAS IN VIOLATION OF HIS  
19 POLICY?

20 Q IF THE CONFIDENTIALITY WAS IGNORED AND  
21 BREACHED, THAT WAS A VIOLATION OF POLICY?

22 A YES, I GUESS -- YEAH.

23 Q NOW, YOU MENTIONED, HOWEVER, THE ENTIRE  
24 NATION HAD THE LIST. THAT'S A QUOTE.

25 A YES.

26 Q THAT'S AN EXAGGERATION, ISN'T IT? YOU THINK

1 MR. SHERMAN HAD THE LIST?

2 A HE COULD GET IT BY TOMORROW.

3 Q BUT HE DIDN'T HAVE IT BACK WHEN YOU WERE  
4 TALKING ABOUT THAT, DID HE?

5 MR. SHERMAN: OBJECTION. THAT MISSTATES THE  
6 EVIDENCE.

7 BY MR. MOSHENKO: Q BACK IN 1993 MR. SHERMAN DID  
8 NOT HAVE MY CLIENTS' LIST?

9 A YOU HAVE TO ASK MR. SHERMAN.

10 Q OKAY. THE ENTIRE NATION DIDN'T HAVE IT; YOU  
11 EXAGGERATED; RIGHT?

12 A OKAY. I EXAGGERATED ON THAT.

13 Q NOW, YOU DID SAY THAT LISTS WERE GIVEN TO  
14 SALESPEOPLE; RIGHT?

15 A YES.

16 Q HOW GOOD ARE YOU ON COMPUTERS, BY THE WAY?

17 A OKAY. NOT GREAT.

18 Q OKAY. BACK THEN WHEN YOU WERE WORKING FOR  
19 THE COMPANIES, DID YOU GO TO THE COMPUTER AND -- EVER GO TO  
20 THE COMPUTER AND PRINT AN ENTIRE LIST OF ALL THE MEMBERS?

21 A NO. JUST LIKE IF I WANTED TO SEND A LIST OF  
22 FLORIDA, I WOULD PRINT THE FLORIDA MEMBERS AND PHONE  
23 NUMBERS, OR I WOULD ORDER IT. NORMALLY I WOULD ORDER IT  
24 FROM THE COMPUTER DEPARTMENT.

25 Q CORRECT.

26 AND WHAT YOU ORDERED WAS THE LIST OF NAMES

1 AND PHONE NUMBERS?

2 A YES. NO ADDRESSES.

3 Q NO ADDRESSES. THAT WAS A SECURITY DEVICE?

4 A YES. I DIDN'T NEED ADDRESSES.

5 Q AND WHEN SECURITY -- YOU MENTIONED --

6 SPEAKING OF SECURITY, SECURITY GUARDS HAD LISTS; RIGHT?

7 A SECURITY GUARDS AT THE GATES?

8 Q YES.

9 A YES. I DIDN'T SEND THEM A LIST, BUT IT WAS  
10 KNOWLEDGE.

11 Q AND THOSE LISTS HAD NO ADDRESSES OR PHONE  
12 NUMBERS, DID THEY?

13 A I DON'T KNOW WHAT THEY HAD ACTUALLY. I  
14 BELIEVE THEY JUST HAD THE DUES.

15 Q OKAY. SO TO THE EXTENT LISTS WERE MADE  
16 AVAILABLE TO EMPLOYEES, THEY WERE ALWAYS RESTRICTED IN  
17 SCOPE TO ONLY THOSE RESORTS THAT THEY WERE GOING TO DEAL  
18 WITH; CORRECT?

19 A YOU MEAN THE SALESPEOPLE OR WHICHEVER --

20 Q EITHER ONE, THE SALESPEOPLE, PROFIT RECOVERY  
21 PEOPLE, ANY EMPLOYEE THAT WANTED A LIST HAD TO REQUEST IT  
22 AND TELL WHAT THE SCOPE OF THE REQUEST WAS; RIGHT?

23 A YES.

24 Q AND THEY COULDN'T GO DOWN THERE AND JUST  
25 PRINT OUT A LIST OF THE ENTIRE MEMBERSHIP, COULD THEY?

26 A I DON'T KNOW THAT, ACTUALLY.

1 Q ALL RIGHT.

2 A I CAN PRINT PRETTY MUCH ANYTHING.

3 Q YOU DON'T KNOW WHETHER THEY COULD OR  
4 COULDN'T?

5 A WHETHER THEY COULD OR COULDN'T?

6 Q YES.

7 A NO.

8 Q IN FACT, DID MR. NOVELLI HAVE TO APPROVE THE  
9 DISSEMINATION OF LISTS, OTHER THAN THOSE THAT ARE  
10 AUTOMATICALLY USED EVERY MORNING BY THE COLLECTORS, FOR  
11 EXAMPLE, OR BY THE SALESPEOPLE?

12 A WELL, HE DIDN'T APPROVE ALL MY LISTS, BUT HE  
13 APPROVED US TO USE THE LISTS FOR MARKETING.

14 Q ALL RIGHT.

15 A I MEAN, LIKE I SAID, I COULD RUN MY OWN  
16 LIST, AND OTHER PEOPLE COULD, BUT I DON'T BELIEVE YOU COULD  
17 RUN AN ENTIRE MEMBER LIST, NO.

18 Q NOW, YOU TESTIFIED THAT YOU RECEIVED SOME  
19 INFORMATION FROM COAST WHICH INCLUDED -- AND I WON'T PUT IT  
20 UP, BUT IT WAS AN INSIDE NEWS STATEMENT OF POLICY ABOUT  
21 CONFIDENTIALITY OF LISTS AND PROTECTION OF LISTS; DO YOU  
22 REMEMBER WHAT I'M TALKING ABOUT?

23 A YES, I'VE SEEN THAT.

24 Q AND YOU SAID THAT YOU WOULD RECEIVE THAT  
25 CONSISTENTLY EACH TIME YOU RECEIVED A LIST FROM COAST TO  
26 COAST; RIGHT?

1           A           NO.  SOMETIMES IT SAID DIFFERENT THINGS ON  
2 IT.  IT WAS JUST KIND OF LIKE -- IT WAS A ONE-SHEET PAPER.  
3 AND IT WOULD SAY "INSIDE NEWS," AND I REMEMBER A COUPLE  
4 TIMES IT SAID "LISTS."  BUT, AGAIN, THOSE DIDN'T COME OUT  
5 UNTIL THE LISTS STARTED BECOMING A REALLY BIG ISSUE WITH  
6 THE RESALE COMPANIES.

7           Q           WELL, AS A MATTER OF FACT, WASN'T THE  
8 DOCUMENT THAT YOU TESTIFIED TO YESTERDAY THAT YOU SAW AND  
9 THREW AWAY --

10          A           YES.

11          Q           -- REPEATEDLY A 1990 DOCUMENT?

12          A           1990?  OR '96?

13          Q           1990.

14          A           I COULD HAVE THROWN THAT AWAY, YES.

15          Q           NOW, YOU TESTIFIED YOU TOOK YOUR JOB  
16 SERIOUSLY?

17          A           YES.

18          Q           YET WHEN YOU RECEIVED NOTIFICATION OF A  
19 CONFIDENTIALITY PROTECTION WARNING, YOU ROUTINELY THREW IT  
20 IN THE TRASH?

21          A           WELL, I HAD SEEN IT BEFORE.  WHY WOULD I  
22 KEEP READING IT?

23          Q           WHY YOU -- WOULDN'T YOU ENFORCE IT?

24          A           WE DID ENFORCE IT, AS BEST WE COULD.  I  
25 MEAN, THERE'S NOT MUCH ELSE YOU CAN DO.

26          Q           ALL RIGHT.  AND THEN YOU TESTIFIED THAT YOU

1 KNEW OF INSTANCES WHERE EMPLOYEES STOLE LISTS?

2 A YES.

3 Q I'M NOT SURE IF THAT'S STOLED OR STOLE.

4 OKAY. AND, AS A MATTER OF FACT, THAT ONE --  
5 THERE WERE INSTANCES WHERE EMPLOYEES WERE REPORTED TO THE  
6 F.B.I. AND PROSECUTED TO YOUR KNOWLEDGE?

7 A I HEARD OF ONE. I HEARD THERE WAS A COUPLE  
8 PEOPLE THAT DID IT. YOU'RE TALKING ABOUT THE CORPORATE  
9 OFFICE, I TAKE IT.

10 Q YES.

11 A A COUPLE PEOPLE. BUT THEN I HEARD THERE WAS  
12 ONE, AND THAT THE F.B.I. WAS INVOLVED. IT WASN'T IN MY  
13 DEPARTMENT. SO I -- IT WAS IN COLLECTIONS.

14 Q ALL RIGHT. AND SO, AS A MATTER OF FACT,  
15 YOUR EMPLOYERS DID SEEK TO VIGOROUSLY ENFORCE  
16 CONFIDENTIALITY IN YOUR EXPERIENCE?

17 A YES. I THINK WE TRIED TO KEEP IT, YES.

18 Q AND YOU I THINK TESTIFIED THAT YOU LAUGHED  
19 ABOUT IT WITH SOMEBODY ELSE? I CAN'T RECALL WHO.

20 A I LAUGHED ABOUT IT WITH MY STAFF BECAUSE NO  
21 MATTER HOW HARD YOU TRIED, THE MEMBERS WOULD STILL CALL UP  
22 AND GO, HEY, SOMEBODY IS CALLING ME, AND THEY TOLD ME, YOU  
23 KNOW, TO SELL MY MEMBERSHIP OR WHATEVER.

24 SO YOU COULD HAVE KEPT THAT THING IN A  
25 GOLDEN TRUNK, AND IT STILL GOT OUT THERE.

26 Q YOU NEVER LAUGHED IN FRONT OF MR. NOVELLI

1 AND LET HIM KNOW YOUR STATE OF MIND ABOUT IT WAS A LAUGHING  
2 MATTER, DID YOU?

3 A NO.

4 Q NOW, REGARDING THE RESPONSIBILITY FOR  
5 COMMUNICATING WITH MEMBERS, WASN'T THE RESPONSIBILITY FOR  
6 COMMUNICATING WITH MEMBERS REGARDING THEIR ACCOUNTS  
7 SOMETHING OUTSIDE OF YOUR DEPARTMENT?

8 A THE COLLECTION PROCESS?

9 Q I'LL TAKE THAT, YES.

10 A IF A MEMBER CALLED AND THEY HAD A CONCERN  
11 ABOUT A PAYMENT, THEN IT WOULD GO TO ACCOUNTS RECEIVABLE.

12 Q CORRECT.

13 WASN'T THE RESPONSIBILITY FOR DEALING WITH  
14 MEMBERS REGARDING THEIR CONTRACTS OUTSIDE OF YOUR  
15 DEPARTMENT?

16 A THEIR CONTRACT PAYMENTS, YES. BUT NOT THEIR  
17 ACTUAL CONTRACT BECAUSE I WAS ALSO IN NEW MEMBERSHIP  
18 PROCESSING.

19 Q ONCE NEW MEMBERSHIP PROCESSING OCCURRED, IT  
20 WENT ON FROM YOUR DEPARTMENT, MARKETING AND SALES, TO  
21 ANOTHER DEPARTMENT, AS FAR AS MAINTAINING, CONTINUING  
22 COMMUNICATION WITH THAT MEMBER WAS CONCERNED; RIGHT?

23 A IT WAS SUPPOSED TO, BUT IT DIDN'T. WE TOOK  
24 THE MAJORITY OF THE PHONE CALLS ON CUSTOMER SERVICE.

25 Q IN FACT, WEREN'T THERE 26 PEOPLE IN THE  
26 ACCOUNTS RECEIVABLE DEPARTMENT WHO HANDLED, NOT JUST THE

1 MAJORITY, BUT THE GREAT MAJORITY OF THE CALLS FROM MEMBERS  
2 RELATING TO THEIR MEMBERSHIPS?

3 A NO. ACTUALLY THEY HAD TO COLLECT. I MEAN,  
4 THEY HAD TO MEET A CERTAIN QUOTA. SO THEY KEPT GIVING THE  
5 CALLS TO US. THEY DIDN'T HAVE TIME TO DEAL WITH IT.

6 Q HOW MANY WAS "US"?

7 A MY DEPARTMENT, MY SALES AND MARKETING  
8 DEPARTMENT AND STAFF, PROBABLY SIX PEOPLE.

9 Q SO 26 PEOPLE COULDN'T HANDLE IT; THEY HANDED  
10 IT OVER TO SIX?

11 A IF YOUR PAYCHECK DEPENDS ON HOW MUCH MONEY  
12 YOU BRING IN A DAY, YOU'RE NOT GOING TO TALK TO SOMEBODY  
13 ABOUT THE LAWN NOT GETTING MOWED.

14 Q AND THE 26 SPOKE LESS TO MEMBERS THAN THE  
15 SIX?

16 A YES, THEY DID.

17 Q AND THESE 26 WORKED EIGHT HOURS A DAY DOING  
18 NOTHING BUT TALKING TO MEMBERS; RIGHT?

19 A COLLECTING ON MEMBERS.

20 Q AND YOUR SIX HAD OTHER RESPONSIBILITIES THAN  
21 JUST COMMUNICATING WITH MEMBERS; RIGHT?

22 A THE 26 COULD HAVE TALKED TO MEMBERS, BUT  
23 THEY CAN'T SOLVE THEIR PROBLEMS. IT HAS TO COME OVER TO  
24 MEMBERSHIP SERVICES. I'M NOT SAYING THEY DIDN'T TRY OR  
25 THAT THEY WEREN'T HELPFUL.

26 BUT LET'S SAY A MEMBER SAYS, I DIDN'T GET MY

1 CARD. OKAY. SWITCH THE CALLS TO SALES AND MARKETING WHEN  
2 THEY'RE DONE TRYING TO COLLECT THE PAYMENT. I DIDN'T GET  
3 MY COAST TO COAST DIRECTORY. GIVE IT TO MEMBERSHIP  
4 SERVICES. BUT THEIR DEPARTMENT WAS TRYING TO COLLECT  
5 MONEY.

6 Q AND YOU CONCLUDED THAT YOUR SIX HAD MORE  
7 MEMBER CONTACT THAN THE 26?

8 A MORE MEMBER CONTACT?

9 Q MORE COMMUNICATIONS WITH MEMBERS, TALKED TO  
10 MEMBERS MORE THAN THE 26.

11 A I'D SAY IT WAS ABOUT EVEN. WE DID A SURVEY  
12 AT THE RECEPTION AREA ONE TIME AND, YEAH, IT WAS --

13 THE COURT: HOW MUCH LONGER ARE YOU GOING TO BE  
14 WITH THIS WITNESS?

15 MR. MOSHENKO: WELL, YOUR HONOR, I ESTIMATED AN  
16 HOUR. I THINK MAYBE 15, 20 MINUTES MORE.

17 BY MR. MOSHENKO: Q OKAY. YOU OFFERED SOME  
18 TESTIMONY ABOUT MONEY THAT WAS SENT TO MEXICO.

19 A YES.

20 Q WHAT BUSINESS DEALINGS DID FIRST NATIONWIDE  
21 HAVE IN MEXICO?

22 A THERE WAS A COUPLE HOTELS AT ONE TIME WE  
23 WERE THINKING ABOUT PURCHASING.

24 Q SO DID YOU EVER CONSULT WITH MR. NOVELLI  
25 ABOUT WHETHER OR WHEN TO SEND MONEY TO MEXICO RELATING TO  
26 THE GRAND BAJA HOTEL AND THE OTHER HOTEL?

1 A I WASN'T AWARE ANY MONEY WENT INTO THOSE.

2 Q YOU WEREN'T AWARE THE MONEY WENT IN THERE?

3 A WELL, THEY WEREN'T OPEN TO US. I MEAN, THEY  
4 WEREN'T PROJECTS WHEN I WAS THERE.

5 Q WELL, AS A MATTER OF FACT, YOU DIDN'T KNOW  
6 WHAT PROJECTS THE COMPANIES HAD IN MEXICO THAT CAUSED MONEY  
7 TO BE SENT TO MEXICO WHILE YOU WERE WORKING THERE?

8 A THERE WAS NO --

9 MR. SHERMAN: OBJECTION. WELL --

10 BY MR. MOSHENKO: Q ALL RIGHT. WE'LL DEAL WITH  
11 THAT.

12 DID YOU HAVE INFORMATION OTHER THAN WHAT  
13 DARIO MOSCOSO MAY HAVE SAID TO YOU RELATING TO MONEY GOING  
14 TO MEXICO?

15 A I SIGNED CHECKS, AND I OFTEN HEARD RAY SAY,  
16 "CASH THIS CHECK. I NEED TO TAKE SOME MONEY TO MEXICO WHEN  
17 I GO THIS WEEKEND."

18 Q ALL RIGHT. NOW, YOU DIDN'T HAVE A PROBLEM  
19 WITH MR. NOVELLI, THE MAN -- THE CHIEF GENERAL MANAGER, THE  
20 MAN IN CHARGE OF THE COMPANY, RECEIVING MONEY FROM TIME TO  
21 TIME FOR WHAT HE DID, DID YOU?

22 A I DIDN'T, NO, NOT AT ALL. HE WORKED HARD.

23 Q AND IT WASN'T YOUR VIEW THAT IF MR. NOVELLI  
24 WANTED TO TAKE SOME MONEY TO MEXICO FROM TIME TO TIME,  
25 THERE WAS SOMETHING WRONG WITH THAT; RIGHT?

26 A WHEN YOU'RE NOT MEETING YOUR PAYROLL,

1 THERE'S SOMETHING VERY WRONG WITH THAT. IT WAS NEVER AN  
2 ISSUE OF WHAT HE -- NOBODY WAS QUESTIONING WHAT HE DESERVED  
3 OR EARNED OR WHATEVER IT WAS. THERE WERE OTHER OBLIGATIONS  
4 THAT WERE NOT BEING MET, AND THIS CAUSED A LOT OF PRESSURE.

5 Q YOU TESTIFIED ABOUT A CONTACT YOU HAD WITH  
6 MR. NOVELLI -- I GUESS IT WAS IN 1997 -- WHEN YOU SAW  
7 DAVID VOPNFORD THERE.

8 A YES.

9 Q AND I GUESS YOU'VE ALREADY TESTIFIED, YOU  
10 DON'T HAVE ANY UNDERSTANDING OF THE TRANSACTION BETWEEN  
11 FIRST NATIONWIDE, ALL SEASONS RESORTS, AND THOUSAND  
12 ADVENTURES; RIGHT?

13 A NO, I DO NOT.

14 Q SO WHEN MR. NOVELLI TOLD YOU WORDS TO THE  
15 EFFECT THAT THOUSAND ADVENTURES WAS ADDING A LOT OF NEW  
16 MEMBERS TO THE NOVELLI RESORT SYSTEM, YOU HAD NO REASON FOR  
17 DISBELIEVING THAT; RIGHT?

18 A NO.

19 Q AND YOU DON'T KNOW WHAT THE ARRANGEMENT WAS,  
20 IF ANY, BETWEEN HIM AND DAVID VOPNFORD TO FACILITATE THE  
21 CHANGEOVER OF THOSE MEMBERS; RIGHT?

22 A JUST WHAT HE TOLD ME BRIEFLY. BUT, NO.

23 Q OKAY. BUT YOU DID SAY THAT YOU CONSIDERED  
24 MR. VOPNFORD TO BE -- I'M GOING TO SAY -- AN UNDESIRABLE IN  
25 THE INDUSTRY?

26 A YES. EVERYTHING I HAD HEARD UP TO THAT

1 POINT WAS VERY NEGATIVE.

2 Q OKAY. AND YOU KNOW THAT -- OR DO YOU KNOW  
3 THAT CAMP COAST TO COAST SUPPORTED MR. VOPNFORD THROUGHOUT  
4 THE DECADE OF THE '90'S UP UNTIL 1997?

5 MR. SHERMAN: OBJECTION.

6 THE WITNESS: SUPPORTED --

7 MR. SHERMAN: LACKS FOUNDATION.

8 MR. MOSHENKO: THERE'S A PIECE OF CORRESPONDENCE IN  
9 EVIDENCE, YOUR HONOR, THAT COAST TO COAST WROTE DOING  
10 EXACTLY WHAT I SAID.

11 MR. SHERMAN: YOUR HONOR, HAVE MR. MOSHENKO PUT THE  
12 DOCUMENT UP.

13 THE COURT: LET'S SEE IT.

14 MR. MOSHENKO: OKAY.

15 MR. SHAW: 1600, I BELIEVE.

16 MR. MOSHENKO: WHILE HE LOOKS FOR IT, YOUR HONOR,  
17 I'LL COME BACK TO IT IN A MINUTE. MAY I DO THAT?

18 Q CONTINUING ON THE SUBJECT OF THE ARRANGEMENT  
19 WITH THOUSAND ADVENTURES, YOU DID TESTIFY HOW MUCH SUCCESS  
20 YOUR ORGANIZATION HAD IN MARKETING PRESIDENT'S TRAVEL CLUB  
21 MEMBERS TO THE EXISTING MEMBER BASE?

22 A YES.

23 Q IT WAS PROBABLY THE BEST YEARS OF YOUR  
24 CAREER WITH THE COMPANY; RIGHT?

25 A NO. THE BEST FINANCIALLY?

26 Q YES. FINANCIALLY.

1           A           WELL, I DON'T KNOW. I PUT THE MONEY BACK IN  
2 THE COMPANY, LIKE AN IDIOT. BUT MY BEST YEARS WERE  
3 ACTUALLY -- WOULD BE THE FIRST ALL SEASONS BANKRUPTCY, AS  
4 FAR AS IT WAS REALLY A LOT OF FUN.

5           Q           ALL RIGHT. AND WHAT WERE YOU DOING FIRST --  
6 THE FIRST ALL SEASONS BANKRUPTCY; MARKETING AND SALES?

7           A           YES.

8           Q           AND WERE YOU SUCCESSFUL DURING THOSE YEARS  
9 MARKETING AND SELLING?

10          A           NOT REALLY. I MEAN, I THINK -- NO. IT WAS  
11 JUST TOO HIGH A COST OF MARKETING.

12          Q           WHILE YOU WERE DOING THAT MARKETING, DID YOU  
13 INSTRUCT YOUR PERSONNEL TO INFORM THE PUBLIC ABOUT THE  
14 EXISTENCE OF A BANKRUPTCY?

15          A           WELL, WE HAD -- THE SALES DEPARTMENT HAD TO  
16 SHOW A PAGE. WHEN WE FIRST WENT INTO BANKRUPTCY, WE WERE  
17 GIVEN A PAGE TO SHOW.

18          Q           OKAY.

19          A           TO ADD IN.

20          Q           TO SHOW THE POTENTIAL MEMBERS?

21          A           YES.

22          Q           OKAY. AND WHILE MR. DURAN IS STILL LOOKING,  
23 LET ME ASK YOU SOME QUESTIONS ABOUT YOUR TESTIMONY ABOUT  
24 THE EFFECT OF BANKRUPTCIES.

25                       YOU WERE ASKED SOME QUESTIONS ABOUT THE  
26 EFFECT OF BANKRUPTCIES, AND YOU ANSWERED TO THE EFFECT THAT

1 MEMBERS BEGAN TO HEAR THAT BANKRUPTCIES WERE BEING FILED  
2 AND THEN OFFERED SOME PERSONAL OPINIONS; DO YOU RECALL  
3 THAT?

4 A YES.

5 Q WASN'T ONE OF THE EFFECTS OF BANKRUPTCIES TO  
6 BRING TO THE ORGANIZATION A KIND OF REPRIEVE FROM THE  
7 PRESSURES AND DIFFICULTIES THAT CREDITORS WERE USING TO  
8 EXERT AGAINST THE COMPANY?

9 A YES. THAT'S ONE OF THE REASONS.

10 Q WASN'T ONE OF THE EFFECTS TO PREVENT RESORTS  
11 FROM CLOSING DOWN --

12 A YES.

13 Q -- WHILE THE BANKRUPTCY -- BY THE WAY, DO  
14 YOU KNOW THE DIFFERENCE BETWEEN A CHAPTER 11 AND CHAPTER 7?

15 A YES, I DO.

16 Q WASN'T ONE OF THE EFFECTS THAT IT SAVED  
17 MEMBERS' INVESTMENTS IN MEMBERSHIP RESORTS FROM BEING  
18 WASTED OR DESTROYED DUE TO THE LIQUIDATION OF THE RESORTS?

19 A YES.

20 Q SO THE EFFECTS OF BANKRUPTCIES IN YOUR  
21 OPINION ON MEMBERS WOULD BE VERY GOOD?

22 MR. SHERMAN: OBJECTION. THAT IS VAGUE AS TO TIME.

23 THE COURT: SUSTAINED.

24 BY MR. MOSHENKO: Q AT ANY TIME WAS IT YOUR  
25 OPINION THAT THE EFFECTS OF BANKRUPTCIES ON THE INTERESTS  
26 OF MEMBERS WAS VERY GOOD?

1           A           YOU'RE TAKING THAT OUT OF CONTEXT. I'M  
2 SAYING IT'S THE OVERALL PICTURE WHEN A COMPANY FILES  
3 MULTIPLE BANKRUPTCIES, EVERY PROPERTY, EVERY TIME YOU GET A  
4 COMPANY, THAT'S WHEN THE MEMBERS WERE SAYING, "YOU GUYS ARE  
5 SHAMEFUL." AND INDIVIDUAL BANKRUPTCY I THINK IS GOOD, YES.

6           Q           DO YOU KNOW THE DISTINCTION BETWEEN A  
7 VOLUNTARY AND AN INVOLUNTARY BANKRUPTCY?

8           A           YES.

9           Q           AND SO IN GIVING US THAT RESPONSE, ARE YOU  
10 TAKING INTO ACCOUNT THE POSSIBILITY THAT SOME BANKRUPTCIES  
11 ARE IMPOSED INVOLUNTARY?

12          A           YES, I AM.

13          Q           WHICH ONES WERE?

14          A           WHICH WERE INVOLUNTARY?

15          Q           YES.

16          A           ALL SEASONS HAD AN INVOLUNTARY BANKRUPTCY, I  
17 KNOW.

18          Q           SO AT WHAT POINT IN TIME IN YOUR PERSONAL  
19 EXPERIENCE WAS IT THAT THE FILING OF A BANKRUPTCY HARMED  
20 THE MEMBERS' INTERESTS --

21          A           I NEVER SAID THAT. I SAID THE WAY THEY  
22 VIEWED IT IS -- AND PERHAPS, YOU KNOW, ALL THESE THOUSANDS  
23 OF PEOPLE DON'T UNDERSTAND BANKRUPTCY. I DON'T KNOW. BUT  
24 I'M SAYING I WAS THE ONE THAT TOOK THE PHONE CALLS THAT THE  
25 MEMBERS WERE UPSET; THAT THEY FELT THAT WE WERE SHAMEFUL IS  
26 WHAT THEY TOLD ME.

1 Q BUT YOU DISAGREED WITH THAT?

2 A DID I DISAGREE WITH IT?

3 Q YES.

4 A YOU WANT MY PERSONAL OPINION?

5 Q WELL, AT THE TIME WHEN YOU TOOK THOSE CALLS,  
6 YOU DISAGREED WITH THOSE CALLS BECAUSE YOU KNEW THAT YOU  
7 WERE SAVING THE RESORTS FOR THOSE MEMBERS BY THOSE  
8 BANKRUPTCIES?

9 A WELL, IT'S TWO DIFFERENT ISSUES. IT'S WHAT  
10 IS THE BANKRUPTCY FOR, AND WHY DOES MR. NOVELLI PUT  
11 EVERYTHING IN BANKRUPTCY.

12 Q LET'S TAKE THE FIRST ONE.

13 YOU DISAGREED WITH IT, RIGHT, AT THE TIME?

14 A NO. I THINK BANKRUPTCY ON SOME OF THE  
15 COMPANIES, YES, I AGREE WITH THOSE. AND I WOULD EXPLAIN  
16 THAT TO THE MEMBERS THE BEST I COULD.

17 Q ALL RIGHT. EXHIBIT 1900 IS THE EXHIBIT I'VE  
18 BEEN SEARCHING FOR. THIS IS SUBMITTED ON BEHALF OF  
19 THOUSAND ADVENTURES. I RECALL THERE WAS SOME TESTIMONY  
20 ABOUT A DATE IN THE RECORD, YOUR HONOR. I'M NOT GOING TO  
21 DEAL WITH IT.

22 "FOR THE PAST 10 YEARS, T.A.I. HAS HAD ITS  
23 PRIVATE MEMBERSHIP CAMPGROUNDS AFFILIATED IN THE COAST TO  
24 COAST RECIPROCAL USE NETWORK. DURING THIS PERIOD T.A.I.  
25 HAS EXPANDED ITS OWN NETWORK OF CAMPGROUNDS TO 48. IT HAS  
26 BEEN OUR EXPERIENCE THAT MR. VOPNFORD AND T.A.I. ARE

1 GENUINELY INTERESTED AND CONCERNED IN PROVIDING THEIR OWN  
2 MEMBERS AS WELL AS THE VISITING COAST TO COAST MEMBERS WITH  
3 QUALITY FACILITIES FOR THEIR ENJOYMENT."

4 I WON'T READ THE REST.

5 MR. SHERMAN: OBJECTION. CAN WE ESTABLISH A  
6 FOUNDATION THAT THIS WITNESS HAS SEEN THIS DOCUMENT?

7 BY MR. MOSHENKO: Q THE QUESTION IS, WERE YOU  
8 AWARE THAT COAST TO COAST WAS SUPPORTING MR. VOPNFORD  
9 THROUGHOUT THE DECADE OF THE '90'S UP UNTIL ABOUT 1997?

10 MR. SHERMAN: OBJECTION. THAT MISSTATES THE  
11 TESTIMONY.

12 THE COURT: SUSTAINED.

13 BY MR. MOSHENKO: Q WERE YOU AWARE THAT COAST TO  
14 COAST --

15 A I KNEW THAT HE WAS A MEMBER OF CAMP COAST TO  
16 COAST, YES. SUPPORTING, I'M NOT QUITE SURE WHAT YOU MEAN.  
17 YOU THINK THIS IS A SUPPORTIVE LETTER?

18 Q I DO THINK THAT IT IS.

19 A WELL, THAT DOESN'T REFER TO THE SALES  
20 TACTICS IS WHAT THE BUSINESS I'M IN. I'M SAYING IS HIS  
21 REPUTATION IN THE SALES FIELD AND TO ALL OF US WAS NOT  
22 GOOD. HE HAD TERRIBLE SALES TACTICS. NOW, THAT DOESN'T  
23 TALK ABOUT THAT IN THERE.

24 Q NO, IT DOESN'T.

25 SPEAKING OF SALES TACTICS, HAS COAST TO  
26 COAST TO YOUR KNOWLEDGE EVER CRITICIZED MR. NOVELLI'S

1 ORGANIZATIONS' HANDLING OF ITS RESORTS TO YOUR KNOWLEDGE?

2 A CRITICIZED TO ME?

3 Q YES.

4 A NOT THAT I REMEMBER, NO.

5 Q LET'S SEE IF I CAN REFRESH YOUR MEMORY WITH  
6 EXHIBIT 1718. JUST TAKE A LOOK AT IT.

7 YOUR HONOR, EXHIBIT 1718 IS A LETTER DATED  
8 APRIL 28TH, 1994, ON PRESIDENT'S TRAVEL CLUB LETTERHEAD.

9 AND IT HAS ATTACHED TO IT A LETTER FROM CAMP COAST TO  
10 COAST.

11 THE WITNESS: OKAY. REMEMBER THIS LETTER.

12 BY MR. MOSHENKO: Q OKAY. AND DID YOU RECEIVE A  
13 LETTER THAT'S THE THIRD PAGE OF THE DOCUMENT?

14 A THE THIRD PAGE?

15 Q THE BOTTOM ONE.

16 A OKAY.

17 Q YOU RECEIVED THAT?

18 A YES.

19 Q WHAT IS IT?

20 A WELL, THEY CLAIM THAT WE WERE BAD-MOUTHING  
21 THEM.

22 Q "THEY" IS WHOM?

23 A I'M SORRY. CAMP COAST TO COAST SAID WE WERE  
24 BAD-MOUTHING THEM IN OUR SALES PITCH.

25 Q AND DID YOU WRITE THE RESPONSE THAT IS THE  
26 FIRST TWO PAGES?

1 A YES.

2 Q YOUR SIGNATURE IS ON IT?

3 A YES, IT IS.

4 MR. MOSHENKO: I'D MOVE IT INTO EVIDENCE, YOUR  
5 HONOR. BOAT DOCK AMENITIES.

6 MR. SHERMAN: NO OBJECTION.

7 THE COURT: IT WILL BE SO RECEIVED.

8 WHAT WAS THE EXHIBIT NUMBER?

9 MR. MOSHENKO: 1718.

10 (WHEREUPON, EXHIBIT NO. 1718, THREE-PAGE  
11 DOCUMENT CONSISTING OF A LETTER DATED APRIL 28TH, 1994, ON  
12 PRESIDENT'S TRAVEL CLUB LETTERHEAD, LETTER FROM CAMP COAST  
13 TO COAST, WAS RECEIVED IN EVIDENCE.)

14 BY MR. MOSHENKO: Q BY THE WAY, WHAT YOU SAID IN  
15 THIS LETTER WAS TRUE; WHAT YOU WROTE AND SAID IS TRUE?

16 A WELL, I HAVE TO READ IT AGAIN. IT'S BEEN  
17 QUITE A WHILE.

18 YES.

19 Q IT IS TRUE?

20 A I WROTE THIS LETTER, YES.

21 Q AND WHAT YOU SAID WAS TRUE?

22 A WELL, MOST OF IT IS REFERRING TO GOSSIP.

23 Q YOU DIDN'T LIE IN THE LETTER, DID YOU?

24 A I DON'T BELIEVE I DID, NO. IT'S JUST, I'M  
25 REFERRING TO GOSSIP. SO I CAN'T SAY WHAT WAS TRUE.

26 Q MRS. WALDMAN, BACK TO THE QUESTION ABOUT

1 MR. VOPNFORD BRINGING MEMBERS TO MR. NOVELLI'S  
2 ORGANIZATION.

3 HAD THOSE MEMBERS COME IN AND HAD THEY HAD A  
4 PRESIDENT'S TRAVEL CLUB MARKETING PROGRAM LIKE THE ONE THAT  
5 YOU HAD IN THE MID-'90'S, THAT IT WOULD HAVE BEEN OF GREAT  
6 BENEFIT TO THE ORGANIZATION, WOULDN'T IT?

7 MR. SHERMAN: OBJECTION. THAT IS AN IMPERMISSIBLE  
8 HYPOTHETICAL.

9 THE COURT: SUSTAINED.

10 LET ME SEE THAT LETTER.

11 BY MR. MOSHENKO: Q YOU OFFERED SOME TESTIMONY  
12 ABOUT DEVELOPERS WHO SOLD PRESIDENT'S TRAVEL CLUB, MEMBERS  
13 BEING UNHAPPY BECAUSE THEY DIDN'T RECEIVE THEIR SHARE OF  
14 THE PURCHASE PRICE; DO YOU REMEMBER THAT?

15 A THE DEVELOPERS, YES.

16 Q OKAY. AND, IN FACT, THE ARRANGEMENT THAT  
17 EXISTED WAS OF THE SALES PRICE, ONE-THIRD OF THE MONEY  
18 WOULD GO TO PAY FOR SALES, COST OF SALES?

19 A YES.

20 Q THAT'S FOR YOU AND YOUR PEOPLE; RIGHT?

21 A MY PEOPLE, YES.

22 Q ONE-THIRD WAS TO GO TO THE DEVELOPERS, AND  
23 ONE-THIRD WOULD GO TO THE COMPANY; RIGHT?

24 A TO PRESIDENT'S TRAVEL CLUB, YES.

25 Q CORRECT.

26 AND MANY PEOPLE WHO BOUGHT P.T.C.

1 MEMBERSHIPS BOUGHT THEM ON A CONTRACT AND PAID SOMETHING  
2 LIKE 20 PERCENT DOWN; RIGHT?

3 A IT WAS A HEAVY CASH-OUT CONTRACT.

4 Q BUT THEY BOUGHT THEM ON CONTRACTS AND DIDN'T  
5 PAY 100 PERCENT OF THE PURCHASE PRICE?

6 A AT THE TIME OF THE PURCHASE? NO.

7 Q AND WHAT KIND OF PERCENTAGE DID THEY PAY,  
8 EVEN THOUGH YOU CALL IT A HEAVY CASH-OUT?

9 A I BELIEVE THE MINIMUM DOWN PAYMENT WAS \$750  
10 OVERALL.

11 Q AND THE PURCHASE PRICE OF THE MEMBERSHIP WAS  
12 AROUND WHAT?

13 A \$2,995.

14 Q OKAY. SO MY MATH, THAT'S 25 PERCENT,  
15 APPROXIMATELY.

16 SO IF THERE WAS MORE THAN THE 750 -- THE  
17 FIRST THING THAT GOT PAID WAS SALES; RIGHT?

18 A YES.

19 Q YOUR DEPARTMENT?

20 A YES.

21 Q OKAY. AND IF MEMBERS FOR SOME REASON WERE  
22 SLOW OR NO PAY ON THE REMAINDER OF THEIR CONTRACTS, THAT  
23 WOULD AFFECT THE ABILITY TO PAY THE DEVELOPER; DO YOU  
24 AGREE?

25 A YES, AND WE WOULD MAKE THEM AWARE OF THAT.

26 Q ALL RIGHT. AND IT WOULD ALSO AFFECT THE

1 ABILITY TO PAY THE COMPANY; RIGHT?

2 A PRESIDENT'S -- WELL, THE PROBLEM WAS THE  
3 MONEY THAT WE WERE GETTING, WE WEREN'T GIVING THEM THEIR  
4 SHARE. IT'S NOT THAT THE MEMBERS WEREN'T PAYING. IT'S  
5 EVEN IF THEY WERE ONLY OWED A DIME, WE DIDN'T GIVE THEM  
6 THEIR DIME.

7 Q DO YOU KNOW WHETHER THERE WAS ENOUGH MONEY  
8 TO PAY ALL OF THE COSTS OF SALES FROM ALL OF THE SALES?

9 A ALL THE COSTS OF SALES?

10 Q THEY WERE PAID FIRST; RIGHT?

11 A SALES AND MARKETING?

12 Q RIGHT.

13 A WE PAID THE COMMISSIONS WITH PAYROLL. SO  
14 THOSE WERE PAID FIRST.

15 Q MR. NOVELLI TRIED TO PAY DEVELOPERS?

16 A YES, HE DID.

17 Q THERE JUST WASN'T ENOUGH MONEY BECAUSE OF  
18 THE FACT THAT COSTS OF YOUR DEPARTMENT GOT PAID FIRST, AND  
19 MEMBERS DIDN'T PAY ON TIME?

20 A NO WAY. THAT HAD NOTHING TO DO WITH IT.  
21 FIRST OF ALL, I DIDN'T GET ALL MY PAY. SO DON'T SAY ME.  
22 SECOND OF ALL, WE'RE TALKING ABOUT THOUSANDS OF DOLLARS  
23 WERE COLLECTED, AND THOSE DEVELOPERS KNEW IT. AND THEY  
24 DIDN'T GET THEIR MONEY. NOW, MONEY THAT WASN'T COLLECTED,  
25 I DON'T KNOW.

26 Q EXACTLY.

1                   YOU DON'T KNOW WHAT PORTION WASN'T COLLECTED  
2 AND, THEREFORE, WAS NOT AVAILABLE TO USE TO PAY DEVELOPERS,  
3 DO YOU?

4           A           I DID WHEN I WAS THERE. I DON'T KNOW TODAY.

5           Q           YOU TESTIFIED THAT THE CONDITION OF THE  
6 RESORTS IN 1994 AND '95 BEGAN TO DETERIORATE; DO YOU RECALL  
7 THAT?

8           A           YES. THAT'S WHAT I WAS TOLD.

9           Q           YOU WERE TOLD IT BY WHOM?

10          A           THE SALESPeOPLE, RESORT SERVICE PEOPLE,  
11 CORPORATE PEOPLE, MEMBERS.

12          Q           SO IT WAS NOT PERSONAL KNOWLEDGE?

13          A           I DID NOT GO UP TO THE RESORTS IN '95. I --  
14 MAYBE NOT EVEN '94.

15          Q           YOU'RE AWARE THAT CAMP COAST TO COAST RATED  
16 RESORTS EVERY YEAR?

17          A           WELL, THAT'S A JOKE, BUT YES.

18          Q           ON A SCALE OF 1 TO 5; IS THAT CORRECT?

19          A           YES.

20          Q           OKAY. AND LET'S TAKE A FEW RESORTS, THE  
21 RESORTS THAT YOU MENTIONED IN YOUR TESTIMONY.

22                   HERMITAGE LANDING WAS ONE OF THEM. IS THAT  
23 IN BAD SHAPE ACCORDING TO AROUND '95, '96?

24          A           IT WAS IN BAD SHAPE, BUT IT WAS IN BAD SHAPE  
25 WHEN WE TOOK IT OVER, TOO.

26          Q           IN FACT, DIDN'T YOU WRITE AN ARTICLE IN

1 1995, NEWS AND VIEWS, SAYING THAT THE HERMITAGE LANDING  
2 RESORT WAS BEAUTIFUL?

3 A IT IS BEAUTIFUL.

4 Q OR WORDS TO THAT EFFECT?

5 A IT'S A GREAT RESORT. BUT --

6 Q AND, IN FACT, WASN'T THE HERMITAGE LANDING  
7 RESORT CONSISTENTLY RANKED OR RATED AS A 4 OR A 5 RESORT BY  
8 COAST TO COAST?

9 A I DON'T KNOW. IT COULD HAVE BEEN. I DIDN'T  
10 REALLY PAY THAT MUCH ATTENTION TO THOSE RATINGS.

11 Q AND, IN FACT --

12 A I JUST GO BY WHAT THE MEMBERS TELL ME.

13 Q HOW ABOUT HIDDEN SPRINGS?

14 A HIDDEN SPRINGS?

15 Q YES. DID THAT DETERIORATE?

16 A I DON'T RECALL HIDDEN SPRINGS, I DON'T  
17 RECALL THAT ONE.

18 Q WELL, AS A MATTER OF FACT, ISN'T IT A FACT  
19 THAT 95 PERCENT OF THE RESORTS THAT YOU SAY WERE  
20 DETERIORATING IN 1995 -- '94, '95 WERE BEING RANKED AS 4'S  
21 OR 5'S BY CAMP COAST TO COAST DURING THOSE YEARS?

22 A I HAVE NO KNOWLEDGE OF THAT. THEY CERTAINLY  
23 WEREN'T BEING RANKED BY THE PHONE CALLS I WAS GETTING.

24 Q BUT YOU WEREN'T GETTING RANKING PHONE CALLS;  
25 YOU WERE GETTING PHONE CALLS FROM SOME MEMBERS COMPLAINING?

26 A I WAS GETTING PHONE CALLS -- AND IT WAS

1 THINGS LIKE THE LAWN BEING MOWED, THE STORE IS NOT  
2 STOCKED. IT'S ALSO AN EVERYDAY INDIVIDUAL THING. IT  
3 WASN'T THE OVERALL RESORT.

4 I MEAN, WE WOULD -- I'D GO TO RESORT  
5 SERVICES AND SAY, "YOU KNOW, I'M GETTING COMPLAINTS THAT  
6 THE LAWN IS NOT MOWED," AND THEY SAID, "WE'RE TRYING TO GET  
7 FUNDS OUT THERE RIGHT NOW."

8 Q ALL RIGHT. AND THAT WASN'T UNUSUAL FOR  
9 THERE TO BE SOME NAYSAYERS WHO COMPLAINED ABOUT SPECIFIC  
10 THINGS AT SPECIFIC TIMES; RIGHT?

11 A OH, NO. WE ALWAYS HAD COMPLAINTS. THAT'S  
12 TRUE.

13 Q AND I THINK YOU'VE TESTIFIED THAT YOU HAD AN  
14 ESTIMATED 200 COMPLAINT LETTERS THAT YOU'VE SEEN?

15 A ATTORNEY GENERAL AND BETTER BUSINESS BUREAU,  
16 OR DID HE SAY LEGAL -- GOVERNMENTS OR SOMETHING.

17 Q CORRECT. YOU REFRESHED MY MEMORY.

18 NOW, OUT OF 100,000 MEMBERS THAT YOU KNOW  
19 OF, YOU THINK 200 COMPLAINT LETTERS TO ATTORNEY GENERALS IS  
20 EXCESSIVE?

21 A ATTORNEY GENERAL LETTERS OR --

22 Q COMPLAINTS TO BETTER BUSINESS.

23 A BECAUSE THAT DOESN'T INCLUDE THE COMPLAINTS  
24 FROM JUST THE MEMBERS TO US. HE ASKED ME ONLY GOVERNMENT  
25 AGENCIES.

26 Q YEAH. HE ASKED YOU ABOUT GOVERNMENT

1 INVESTIGATIONS.

2 A UH-HUH.

3 Q ISN'T IT YOUR EXPERIENCE THAT IF SOMEONE  
4 JUST SENDS A LETTER TO A GOVERNMENT ENTITY LIKE BETTER -- I  
5 DON'T THINK IT'S A GOVERNMENT ENTITY -- LIKE THE ATTORNEY  
6 GENERAL AND SAYS, I'M COMPLAINING ABOUT WHATEVER, THAT  
7 THERE'S AN AUTOMATIC START OF AN INVESTIGATION?

8 A YES.

9 Q AND YOU KNOW OF NO INCIDENTS WHERE THERE WAS  
10 AN ACTUAL LAWSUIT OR ACTION COMMENCED AGAINST MR. NOVELLI  
11 OR HIS RESORTS, DO YOU?

12 A YES, I DO.

13 Q WHEN?

14 A IT WAS IN OHIO.

15 Q THE NAME OF THE RESORT?

16 A LAKE FRANCE.

17 Q WHEN?

18 A I DON'T REMEMBER THE EXACT YEAR. I JUST  
19 KNEW THE A.G. HAD COLLECTED A BUNCH OF COMPLAINTS FROM  
20 MEMBERS AND WAS PURSUING ACTION. I JUST -- I DON'T RECALL  
21 EXACTLY WHAT HAPPENED TO THAT.

22 Q I'M TALKING ABOUT DURING MR. NOVELLI, NOT  
23 BEFORE MR. NOVELLI.

24 DO YOU UNDERSTAND THAT?

25 A I UNDERSTAND THAT.

26 AND THEN THE ONE IN CALIFORNIA, OF COURSE.

1 Q WAS THAT A FORMAL COMPLAINT FILED, OR WAS  
2 THAT JUST AN INVESTIGATION THAT YOU WENT DOWN AND TALKED TO  
3 PEOPLE?

4 A I DON'T KNOW EXACTLY WHAT IT WAS. I WAS  
5 JUST TOLD TO GO DOWN THERE. I REALLY DON'T RECALL. IT  
6 COULD HAVE BEEN AN INVESTIGATION.

7 Q YOU DON'T REALLY KNOW WHAT THE ONE IN OHIO  
8 WAS EITHER, DO YOU?

9 A WHAT IT WAS -- I KNOW WHAT IT WAS ABOUT, BUT  
10 I'D SAY I DON'T KNOW THE EXACT ENDING. BECAUSE, AGAIN,  
11 THAT GOES BACK TO THE LEGAL DEPARTMENT.

12 Q OKAY. SO, NOW, YOU MENTIONED AN EMPLOYEE --  
13 AFTER A VISIT TO THE ATTORNEY GENERAL, YOU AND AN  
14 EMPLOYEE -- ONE OF YOUR EMPLOYEES FELT ON THE SPOT,  
15 SOMETHING LIKE THAT, AND LOST HER JOB?

16 A I DIDN'T FEEL ON THE SPOT.

17 Q ONE OF THE EMPLOYEES FELT LIKE SHE WAS PUT  
18 ON THE SPOT; SHE WAS A WOMAN IN CHARGE IN DEALING WITH  
19 PROFIT RECOVERY?

20 A WELL, WE TALKED AFTER THE MEETING ON THE WAY  
21 HOME, AND SHE SAID, GEE, I FEEL LIKE I'M IN A SPOT, LIKE  
22 BETWEEN A ROCK AND A HARD PLACE, BECAUSE -- I DON'T KNOW.  
23 THIS IS A REALLY FINE LINE TO WALK. YOU GOT TO COLLECT,  
24 BUT THEN YOU DON'T --

25 Q FAIR ENOUGH. I JUST WANT TO ORIENT US ON  
26 THAT INCIDENT.

1                   ISN'T IT TRUE THAT AS A RESULT OF THE TRIP  
2 TO TALK TO THE ATTORNEY GENERAL, AN AGREEMENT WAS SUGGESTED  
3 THAT MR. NOVELLI READILY ACCEPTED?

4           A        YES. HE SAID --

5           Q        ISN'T IT TRUE THAT AGREEMENT PROVIDED THAT --

6           A        WAIT A MINUTE. WHAT -- I DIDN'T SEE AN  
7 AGREEMENT.

8           Q        I DON'T MEAN A WRITTEN DOCUMENT. YOU CAME  
9 BACK AND REPORTED, "THIS IS THE PROPOSAL," AND MR. NOVELLI  
10 READILY SAID, "FINE, WE'LL GO FOR THAT"?

11          A        WE WOULD SEND THEM TO PROFIT RECOVERY. WE  
12 DIDN'T CANCEL THEM.

13          Q        LET'S START WITH THE FIRST STEP.

14                    WAS THERE A PROPOSAL MADE BY THE ATTORNEY  
15 GENERAL AND BY YOU OR YOUR GROUP TO THE ATTORNEY GENERAL?

16          A        IT WASN'T A PROPOSAL. IT WAS A "YOU BETTER  
17 DO THIS."

18          Q        A DIRECTIVE?

19          A        YES.

20          Q        AND DID MR. NOVELLI READILY ACCEPT IT?

21          A        I DON'T REALLY REMEMBER TALKING TO HIM ABOUT  
22 IT.

23          Q        OKAY.

24          A        I THINK HE DID, YES. I'D SAY --

25          Q        AND WASN'T THE PROPOSAL THAT -- ONE LEG OF  
26 THE PROPOSAL THAT IF A MEMBER WAS NOT CURRENT, THAT PROFIT

1 RECOVERY COULD CONTINUE; BUT IF A MEMBER WAS CURRENT, THAT  
2 MEMBER COULD QUIT?

3 MR. SHERMAN: OBJECTION. MISSTATES THE TESTIMONY.  
4 IT WAS NOT A PROPOSAL.

5 MR. MOSHENKO: THE DEAL --

6 MR. SHERMAN: THE WITNESS HAS MADE THAT CLEAR.

7 MR. MOSHENKO: WHATEVER TO WANT TO CALL IT.

8 THE WITNESS: CAN YOU ASK THE QUESTION AGAIN? I'M  
9 SORRY.

10 BY MR. MOSHENKO: Q WASN'T WHAT WAS BEING OFFERED  
11 FOR, AGREED, WHATEVER YOU WANT TO CALL IT, WAS THAT IF A  
12 MEMBER WAS CURRENT, THEN THAT MEMBER COULD CANCEL HIS OR  
13 HER MEMBERSHIP?

14 A I THINK IT WAS, IF YOU'RE PAID IN FULL, THAT  
15 THEY COULDN'T FORCE YOU TO PAY THE DUES ANYMORE.

16 Q CORRECT.

17 AND IF YOU WERE NOT CURRENT OR PAID, THEN  
18 MR. NOVELLI HAD THE RIGHT TO RECOVER?

19 A HE SENT YOU TO THE SLAMMERS, THE HEAVY  
20 COLLECTORS.

21 Q HE COULD RECOVER UNDER THE CONTRACT THAT HE  
22 HAD WITH HIS MEMBER, HE COULD ENFORCE HIS CONTRACT?

23 A WHO -- I'M SORRY. ARE YOU ASKING ME COULD  
24 HE DO THAT?

25 Q ISN'T THAT WHAT THE DEAL WAS?

26 MR. SHERMAN: OBJECTION.

1 THE WITNESS: I DON'T REMEMBER THAT TALKED ABOUT.

2 BY MR. MOSHENKO: Q WELL, AND ISN'T THE REASON  
3 THAT THE EMPLOYEE THAT YOU REFERRED TO THAT HAD A PROBLEM,  
4 HAD A PROBLEM BECAUSE SHE WAS NOT FOLLOWING THE TERMS OF  
5 THE AGREEMENT?

6 A THAT'S NOT WHAT WE WERE TOLD. THAT'S NOT  
7 WHAT MR. NOVELLI -- HE WAS UPSET BECAUSE SHE SENT A LETTER  
8 OUT TO MEMBERS SAYING, "IF YOU WANT TO CANCEL, YOU CAN."

9 Q AND WASN'T THAT IN VIOLATION OF THE TERMS OF  
10 THE AGREEMENT? DO YOU RECALL?

11 A YOU KNOW WHAT? I DON'T RECALL EXACTLY WHAT  
12 THE COLLECTION AGREEMENT WAS. I JUST KNOW MR. NOVELLI  
13 DOESN'T CANCEL PEOPLE UNLESS --

14 THE COURT: I HAVE A QUESTION, COUNSEL.

15 GOING BACK JUST A FEW MINUTES AGO, YOU USED  
16 A TERM; YOU SAID "HEAVY COLLECTORS" OR SOMETHING LIKE  
17 THAT?

18 THE WITNESS: THE SLAMMERS.

19 THE COURT: OH, SLAMMERS. HEAVY COLLECTORS.

20 BY MR. MOSHENKO: Q IS THAT A JARGON FOR BILL  
21 COLLECTORS?

22 A WELL, PROFIT RECOVERY IS THE BEST OF THE  
23 BEST. YOU HAVE TO -- WE HAD LIKE A PARALEGAL IN THERE AT  
24 ONE TIME. I MEAN, IT WAS ONLY LIKE THREE OR FOUR PEOPLE,  
25 AND THEY WOULD JUST COLLECT ON THE STUFF THAT ACCOUNTS  
26 RECEIVABLE COULDN'T GET ANY MORE MONEY OUT OF.

1 Q ALL RIGHT. YOU OFFERED SOME TESTIMONY ABOUT  
2 JIM JOSEPH AND HIS BEING ABSENT.

3 DO YOU KNOW WHETHER OR NOT MR. JOSEPH  
4 PERSONALLY SIGNED MOST OF THE CHECKS THAT WERE USED WHILE  
5 HE WAS A TRUSTEE?

6 A CHECKS FOR ALL SEASONS?

7 Q YES.

8 A I KNOW HE CAME IN ONCE -- I DON'T KNOW IF IT  
9 WAS ONCE A WEEK OR WHAT IT WAS, TO SIGN CHECKS.

10 Q AND WHEN OTHER THAN THAT -- THERE WAS A  
11 C.P.A., AN ACCOUNTANT WHO WAS RESPONSIBLE FOR MONITORING  
12 THE FUNDS AND DISBURSEMENTS?

13 A FRED BRINKMAN?

14 Q OR ALICE, ELISE WARNER?

15 A ELISE, OH, YES. YES.

16 Q SO MANAGEMENT CONTROL OF THE MONEY WAS WITH  
17 MR. JOSEPH?

18 A YES. HIS STAFF WAS THERE.

19 Q AND YOU OFFERED SOME TESTIMONY ABOUT  
20 BOOKKEEPING.

21 ISN'T IT A FACT THAT RECORDS IN THE 1990'S  
22 IN MANY INSTANCES WERE ACTUALLY CERTIFIED AND PRESENTED TO  
23 BANKRUPTCY COURTS?

24 A BY SOME OF THE OUTSIDE ACCOUNTING FIRMS,  
25 YES. WE DID HIGHER PEOPLE AT TIMES TO DO -- IF A  
26 BANKRUPTCY REQUIRED LIKE A FINANCIAL OR SOMETHING LIKE

1 THAT.

2 Q AND YOU REMAINED CRITICAL OF THOSE RECORDS?

3 A OF THOSE RECORDS?

4 Q YES.

5 A I DON'T THINK I READ ALL THOSE RECORDS.

6 Q NOW, YOU TESTIFIED THAT YOU BOUGHT A LIST  
7 THAT YOU THOUGHT WAS STOLEN, AND I WON'T ASK YOU WHETHER IT  
8 WAS STOLEN OR NOT FOR YOUR OWN PROTECTION.

9 BUT YOU BOUGHT A LIST FROM AMERICAN  
10 ADVENTURE?

11 A NO. I BOUGHT IT FROM A SALESPERSON.

12 Q OKAY. AND IT WAS AN AMERICAN ADVENTURE  
13 LIST?

14 A YES, IT WAS. NOT A VERY GOOD ONE, BUT IT  
15 WAS A LIST.

16 Q AND YOU THINK THERE WAS SOMETHING STRANGE,  
17 UNUSUAL, OR WRONG ABOUT THAT?

18 A YES.

19 Q WHAT?

20 A YOU'RE NOT SUPPOSED TO USE OTHER PEOPLE'S  
21 LISTS.

22 Q AS A MATTER OF FACT, ISN'T AMERICAN  
23 ADVENTURE A COMPANY THAT MR. NOVELLI BOUGHT?

24 MR. SHERMAN: OBJECTION. THAT ASSUMES FACTS NOT IN  
25 EVIDENCE.

26 THE COURT: SUSTAINED.

1 BY MR. MOSHENKO: Q WELL, DO YOU KNOW WHETHER OR  
2 NOT IT WAS A COMPANY THAT MR. NOVELLI ACQUIRED?

3 A ARE YOU ASKING ME IF HE DID?

4 Q DO YOU KNOW WHETHER OR NOT IT WAS?

5 A HE GOT SOME STOCK. HE NEVER GOT THE COMPANY.

6 Q WELL, DO YOU KNOW WHETHER PURCHASE OF STOCK  
7 CONSTITUTES PURCHASE OF AN INTEREST IN A COMPANY?

8 A WELL, YOU'RE TALKING ABOUT THE MEMBERS OF  
9 ALL THE RESORTS, THE RAKES, THE LAWNMOWERS.

10 Q YOU DON'T KNOW WHETHER OR NOT THE PURCHASE  
11 OF THAT -- THE ACQUISITION OF THAT MEMBER LIST WAS AN  
12 ACQUISITION OF A LIST IN A COMPANY THAT MR. NOVELLI OWNED  
13 OR HAD AN INTEREST IN, DO YOU?

14 A I KNOW THAT HE DIDN'T OWN THE COMPANY WHEN I  
15 GOT THE LIST. IF HE DID, I WOULD HAVE GOT THE LIST WITHOUT  
16 BUYING IT.

17 Q WHEN DID YOU BUY IT?

18 A THE LIST? I DON'T RECALL THE EXACT DATE.  
19 IT WAS A BAD LIST. I MEAN, WE ENDED UP NOT EVEN USING IT.

20 Q SO YOU DON'T KNOW WHEN YOU BOUGHT IT. OKAY.

21 THE COURT: WHAT DID YOU PAY FOR IT?

22 THE WITNESS: \$200.

23 BY MR. MOSHENKO: Q DID YOU GET CRITICIZED --  
24 NEVER MIND.

25 THE COURT: YOU PAID FOR IT?

26 THE WITNESS: THAT'S RIGHT.

1 BY MR. MOSHENKO: Q THIS ISSUE OF REVERSALS, YOU  
2 TESTIFIED THERE WAS NO POLICY THAT YOU WERE AWARE OF?

3 A IT CHANGED A LOT, BUT WE DIDN'T LIKE TO LET  
4 ANYBODY OUT.

5 Q SO THERE WAS A POLICY, BUT IT CHANGED A LOT?

6 A I'VE NEVER SEEN A POLICY, BUT THAT -- I  
7 WASN'T -- AS YOU TOLD ME ALREADY -- THE MANAGER OF ACCOUNTS  
8 RECEIVABLE. SO I DON'T KNOW THE EXACT -- IF THERE WAS A  
9 POLICY OR NOT.

10 Q ALL RIGHT. AND, AS A MATTER OF FACT, ISN'T  
11 IT TRUE THAT THERE WAS AN AUTOMATIC COMPUTER SUSPENSION OF  
12 EACH MEMBER WHO GOT MORE THAN 90 DAYS BEHIND?

13 A IF THEY GOT 90 DAYS DELINQUENT OR WHATEVER?

14 Q YES.

15 A I THINK AT ONE TIME IF THEY GOT 90 DAYS OR  
16 DELINQUENT, THEN THEY WENT TO PROFIT RECOVERY. BUT THEY  
17 DIDN'T JUST LIKE FALL OFF THE COMPUTER.

18 Q OF COURSE.

19 NOW, YOU WERE ASKED SOME QUESTIONS ABOUT THE  
20 COWBOY STARS AT THE PONDEROSA PARK; DO YOU REMEMBER THAT?

21 A YES.

22 Q IN FACT, DIDN'T YOU GO TO PONDEROSA PARK AND  
23 HAVE YOUR PHOTOGRAPH TAKEN WITH SOME OF THOSE PERSONS --

24 A YES.

25 Q -- THAT YOU WERE ASKED ABOUT?

26 A YES. FOR MANY YEARS AND SUMMERS THERE WAS A

1 PONDEROSA. LIKE I SAY, I DON'T RECALL THE LAST YEAR.

2 Q YOU TESTIFIED THAT ONLY HAPPENED ONE OR TWO  
3 YEARS. IN FACT, DIDN'T IT HAPPEN FOR APPROXIMATELY SEVEN  
4 YEARS UP UNTIL THE MID-'90'S?

5 A WELL, THE MID-'90'S WOULD BE '95 AND '96,  
6 '97.

7 Q '95, '96.

8 A '95, '96? WELL, I KNOW THAT WE DIDN'T START  
9 BOOKING STARS LIKE THE FIRST YEAR WE HAD IT. I DON'T KNOW  
10 IF IT WAS SEVEN YEARS. THAT DOESN'T SEEM RIGHT.

11 BUT I KNOW THERE WAS A LOT OF PROBLEMS  
12 BECAUSE THE STARS WEREN'T GETTING PAID.

13 Q AND THE PROBLEMS WERE IN 1996; RIGHT?

14 A YES. THEY WERE NOT -- THEY MIGHT HAVE BEEN  
15 '95, BUT TOM PAULEY, WHO MANAGED THAT PART OF IT, THAT'S  
16 WHEN I STARTED TALKING TO HIM ABOUT IT, WAS '96.

17 Q NOW, YOU TESTIFIED AS TO SOME INFORMATION  
18 YOU LEARNED FROM SALES STAFF OF PRESIDENT'S TRAVEL -- SALES  
19 STAFF IN THE RESORTS IN '96 YOU SAID CONTRIBUTED TO YOUR  
20 BELIEF THAT '96 WAS A TERRIBLE YEAR; DO YOU KNOW WHAT I'M  
21 TALKING ABOUT?

22 A I KNOW THE TERRIBLE YEAR, BUT --

23 Q DIDN'T YOU TESTIFY THIS MORNING THAT SOME OF  
24 YOUR SALESPEOPLE AT THE RESORTS REPORTED TO YOU THIS, THIS,  
25 THIS AND THIS?

26 A YES, I TALKED TO THEM EVERY DAY.

1 Q RIGHT.

2 ISN'T IT TRUE THAT THERE WERE NO SALES  
3 FORCES ON THE RESORTS; THEY WERE IN HOTELS?

4 A NO. WE HAD SOME ON THE RESORTS.

5 Q HOW MANY DID YOU HAVE ON THE RESORTS? HOW  
6 MANY DO YOU HAVE IN THE HOTELS?

7 A EVEN IF THEY WERE AT THE HOTELS, THEY WOULD  
8 STILL GO TO THE RESORTS.

9 MR. MOSHENKO: OBJECTION. NONRESPONSIVE.

10 Q HOW MANY, WAS THE QUESTION.

11 A HOW MANY SALESPEOPLE DID I HAVE?

12 Q HOW MANY SALES FORCES ON RESORTS?

13 A WHAT TIME PERIOD?

14 Q '95, '96, WHEN YOU SAY --

15 A WELL, THE BEGINNING OR '95 WE HAD A LOT OF  
16 SALESPEOPLE. AND AS THINGS STARTED GOING DOWNHILL, THEY  
17 WENT -- THEY STARTED GOING AWAY.

18 Q I'M NOT TALKING ABOUT THE NUMBER OF PEOPLE,  
19 MISS WALDMAN. I'M TALKING ABOUT HOW MANY --

20 A YOU JUST ASKED ME HOW MANY.

21 Q HOW MANY SALES FORCES.

22 A OH, FORCES --

23 Q YES.

24 A -- DID WE HAVE?

25 Q ON RESORTS. TWO RESORTS HAD SALES FORCES,  
26 FOUR, WHATEVER.

1 A I WOULD SAY AT THAT TIME SIX.

2 Q HOW MANY IN HOTELS?

3 A THEY MIGHT GO MEET MEMBERS AT HOTELS, BUT WE  
4 DIDN'T HAVE A SALES FORCE IN A HOTEL. THEY HAD THEIR OWN  
5 SALES OFFICES AT THE RESORTS.

6 Q ALL RIGHT. I'M GOING TO MOVE ON BECAUSE I  
7 WANT TO KEEP GOING QUICKLY.

8 YOU OFFERED SOME TESTIMONY ABOUT THE  
9 HANS SCHULZ TRUST?

10 A YES.

11 Q HAVE YOU EVER STUDIED TRUSTS?

12 A YES.

13 Q WHERE?

14 A I HAVE A TRUST, TO PROTECT MYSELF FROM THE  
15 I.R.S., ACTUALLY.

16 Q SO, DO YOU KNOW WHAT A -- DO YOU KNOW WHO  
17 THE GRANTOR OF THE HANS SCHULZ TRUST IS?

18 A THE GRANTOR? NO.

19 Q DO YOU KNOW WHO THE GRANTEE IS?

20 A NO. I'VE NEVER SEEN THE PAPERWORK ON IT.

21 Q YET YOU'RE TELLING US THAT THAT TRUST IS NOT  
22 HANS SCHULZ; IT'S RAY NOVELLI'S.

23 IS THAT A RUMOR, ANOTHER RUMOR?

24 A I HEARD THAT FROM HANS, AND I THINK RAY AND  
25 I HAVE TALKED ABOUT IT. IT WAS JUST KIND OF FUNNY. IT  
26 WASN'T --

1 Q WHAT DOES THAT MEAN TO YOU; IT'S NOT HIS?

2 A THAT HIS NAME WAS ON IT, BUT THE FUNDS AND  
3 MONEY IN THERE WERE NOT HIS.

4 Q HAVE YOU EVER SEEN A CHECK GO INTO THE TRUST  
5 FROM ANY SOURCE?

6 A GO INTO THE TRUST?

7 Q YES.

8 A I'VE SEEN CHECKS, BUT I DON'T REMEMBER  
9 WHAT -- LIKE HOW IT GOT INTO THE TRUST.

10 Q YOU HAVE NEVER SEEN A CHECK FROM MR. NOVELLI  
11 OR ANY OF HIS COMPANIES PAID TO THE TRUST, HAVE YOU?

12 A PAID TO THE TRUST?

13 Q RIGHT.

14 A I'VE SEEN CHECKS TO THE TRUST. SO, I MEAN,  
15 I REMEMBER THAT. BUT I DON'T KNOW HOW MANY OR WHAT IT WAS  
16 FOR.

17 Q YOU'VE NEVER SEEN -- WHEN WAS THE TRUST  
18 FORMED?

19 A I DON'T RECALL.

20 Q YOU HAVE NO KNOWLEDGE OF WHAT THE ASSETS  
21 WERE THAT WERE PUT IN THE TRUST WHEN IT WAS FORMED, DO YOU?

22 A WHAT THE ASSETS WERE?

23 Q YES.

24 A NO.

25 Q WHO ARE THE BENEFICIARIES?

26 A OF THE TRUST?

1 Q YES.

2 A I DON'T KNOW. I TOLD YOU, I'VE NEVER SEEN  
3 PAPERWORK ON IT. I'M JUST GOING BY WHAT I WAS TOLD.

4 Q NOW, YOU TESTIFIED YOU HAD SOME BOUNCED  
5 CHECK EXPERIENCES. YOU SAID FIVE TIMES?

6 A I THINK I RECALL FIVE.

7 Q IN 14 YEARS?

8 A IN 14 YEARS? YES.

9 Q INCIDENTALLY, DID YOU DISCUSS THE TRUST,  
10 HANS SCHULZ TRUST, WITH MR. SHERMAN?

11 A WITH MICHAEL SHERMAN, THE ATTORNEY?

12 Q THIS GENTLEMAN HERE.

13 A NO.

14 Q SO I'M KIND OF CURIOUS.

15 A HE ASKED ME IN MY DEPOSITION, I THINK.

16 Q DID YOU TALK TO HIM BEFORE YOUR DEPOSITION?

17 A BEFORE -- WHAT DO YOU MEAN?

18 Q THE DEPOSITION IS ON THIS DAY. BEFORE THAT  
19 DAY, DID YOU TALK TO MICHAEL SHERMAN?

20 A YES, HE CALLED ME AT MY HOUSE.

21 Q AND DID YOU GO OVER YOUR TESTIMONY, AT LEAST  
22 IN PART?

23 A NO.

24 Q DID YOU TALK ABOUT THE QUESTIONS THAT MIGHT  
25 BE ASKED?

26 A OF MY DEPOSITION?

1 Q YES.

2 A I DIDN'T WANT TO DO IT. I TOLD HIM NO WAY.  
3 I DON'T WANT ANY PART OF THIS. THIS IS A NIGHTMARE, AND I  
4 WANT TO FORGET IT EVER HAPPENED IN MY LIFE.

5 MY HUSBAND TOLD HIM, MY WIFE IS NOT  
6 TESTIFYING. I MEAN, GET US AWAY FROM THIS MAN AND THIS  
7 COMPANY.

8 SO I TOLD EVERYBODY, BUT NOBODY WOULD LEAVE  
9 ME ALONE. EVERYBODY HAD TO HEAR WHAT I HAD TO SAY.

10 THE COURT: LET'S TAKE 20.

11 (RECESS TAKEN.)

12 (THE FOLLOWING PROCEEDINGS WERE HELD IN  
13 OPEN COURT IN THE PRESENCE OF THE JURY:)

14 THE COURT: PROCEED, COUNSEL.

15 MR. MOSHENKO: THANK YOU.

16 Q MISS WALDMAN, ON THE ISSUE OF PAYROLL  
17 CHECKS, YOUR FIVE CHECKS WERE COVERED, WERE THEY NOT?

18 A EVENTUALLY. IT TOOK A LONG TIME, BUT, YES.

19 Q AND, AS A MATTER OF FACT, ESSENTIALLY ANY  
20 PAYROLL CHECK THAT BOUNCED WAS COVERED?

21 A YES.

22 Q AND SO TESTIMONY THAT PROBLEMS WITH  
23 PAYCHECKS WAS A -- SORT OF A TIME FACTOR; IF THE FUNDS WERE  
24 NOT THERE, THERE WERE PROBLEMS; AND WHEN THE FUNDS WERE  
25 THERE, THEY WERE COVERED; RIGHT?

26 IT WAS BASED ON AVAILABILITY OF FUNDS AT THE

1 TIME, IF THE SITUATION WAS THERE?

2 A WELL, MY PROBLEM WAS IT'S VERY DIFFICULT TO  
3 TELL EMPLOYEES THAT.

4 MR. MOSHENKO: OBJECTION. NONRESPONSIVE.

5 THE COURT: SUSTAINED.

6 BY MR. MOSHENKO: Q IT WAS BASED ON THE FACT --  
7 BASED ON WHETHER THE FUNDS WERE AVAILABLE OR NOT, WHEN THE  
8 SITUATION WAS THERE; RIGHT?

9 A THE BOUNCED CHECKS WERE BASED ON THAT?

10 Q CORRECT.

11 A YES.

12 Q AND THE COMPANY POLICY WAS TO MAKE SURE THAT  
13 EVERYBODY GOT COVERED AND PAID; RIGHT?

14 A YES. WE ALWAYS -- AS FAR AS I KNOW,  
15 EVERYBODY GOT COVERED.

16 Q NO EMPLOYEE EVER DIDN'T GET PAID BECAUSE  
17 MR. NOVELLI TOOK A TRIP TO MEXICO?

18 A THEY WERE PAID LATE BECAUSE OF IT. WELL, AT  
19 LEAST THAT WAS THEIR VIEW.

20 Q THEIR VIEW. RIGHT.

21 ALL RIGHT. NOW, YOU OFFERED SOME TESTIMONY  
22 ABOUT -- I THINK YOU REFERRED TO IT AS TOYS, ACQUIRING TOYS  
23 ALL THE TIME YOU SAID.

24 THESE ARE WHEN QUESTIONS. WHEN DID  
25 MR. NOVELLI ACQUIRE A BOAT?

26 A WHICH ONE?

1 Q WELL, LET'S START WITH THE FIRST ONE.

2 A THE FIRST BOAT IN HIS WHOLE LIFE?

3 Q WELL, NO. UNDER THE ALL SEASONS TIME PERIOD  
4 THEY WERE TALKING ABOUT, DURING THE TEN YEARS THAT YOU WERE  
5 THERE.

6 A I KNOW HE HAS THREE BOATS, AND --

7 Q EXCUSE ME. THE QUESTION IS, WHEN DID HE  
8 ACQUIRE HIS FIRST BOAT?

9 A THE FIRST BOATS WHEN I KNEW HIM? I DON'T  
10 KNOW WHAT BOATS HE HAD BEFORE OR -- BUT I KNOW HE PURCHASED  
11 BOATS AFTER 1986.

12 Q NOW, YOU SAID HE HAS THREE BOATS RIGHT NOW.  
13 HE HAS THREE BOATS YOU KNOW?

14 A YES.

15 Q YOU HAVE PERSONAL KNOWLEDGE THAT HE RIGHT  
16 NOW OWNS THREE BOATS?

17 A WELL, I DON'T KNOW IF THEY'RE IN HIS NAME.  
18 THAT'S THE DEAL.

19 Q SO YOU HAVE HEARSAY, SPECULATION KNOWLEDGE,  
20 WITHOUT DETAIL; ISN'T THAT THE FACT?

21 A WELL, I KNOW OF TWO THAT HE OWNED WHEN I WAS  
22 THERE.

23 Q THAT OWNED -- DO YOU KNOW IF HE STILL  
24 OWNS --

25 A OR WAS MAKING PAYMENTS ON OR WHATEVER.

26 Q SO WHAT -- ON WHAT DO YOU BASE YOUR

1 CONTENTION THAT HE STILL OWNS THE FIRST BOAT THAT HE HAD  
2 WHEN YOU WERE THERE?

3 A I WAS TOLD HE STILL HAS A BOAT IN  
4 ZIHUATANEJO AND ONE IN IXTAPA.

5 Q ISN'T IT TRUE THAT THE FIRST BOAT CAME WITH  
6 ALL SEASONS RESORTS --

7 A OH, PLEASE.

8 Q -- AS A BOAT THAT WAS OWNED BY ALL SEASONS  
9 RESORTS?

10 A IS THAT THE BEST YOU GOT? NO. THAT BOAT  
11 WAS -- THAT BOAT WAS TAKEN BACK. IT WAS REPOSSESSED.  
12 MR. NOVELLI NEVER HAD THAT BOAT. I WAS ON THAT BOAT, AND  
13 HE DOESN'T HAVE IT.

14 Q WHAT IS THE SOURCE OF YOUR KNOWLEDGE THAT IT  
15 WAS REPOSSESSED?

16 A I WAS THERE WHEN IT WAS REPOSSESSED.

17 Q YOU WERE AT THE DOCK WHEN THEY PICKED IT UP?

18 A NO. THEY CAME IN AND SAID THEY REPOSSESSED  
19 THE BOAT.

20 Q AND DO YOU KNOW THAT -- WHETHER OR NOT  
21 MR. NOVELLI ACQUIRED IT AT THE TIME HE ACQUIRED ALL SEASONS  
22 RESORTS OUT OF THE REPOSSESSION?

23 A WHETHER OR NOT THE BOAT BECAME HIS?

24 Q YES.

25 A I DON'T THINK THE BOAT WAS EVER HIS.

26 Q IT WAS ALL SEASONS RESORTS' BOAT, WASN'T IT?

1           A           I DON'T KNOW WHOSE BOAT IT WAS. IT WAS USED  
2 FOR COMPANY FUNCTIONS, FOR ALL SEASONS, YEARS AGO.

3           Q           AND YOU DON'T KNOW WHETHER OR NOT IT WAS  
4 ACQUIRED AT THE TIME ALL SEASONS WAS ACQUIRED AS A PART OF  
5 ALL SEASONS, DO YOU, REALLY?

6           A           IT WAS REPOSSESSED RIGHT WHEN RAY CAME IN.  
7 SO I DON'T KNOW.

8           Q           NOW, THERE WAS A SUBSEQUENT BOAT THAT YOU'RE  
9 AWARE OF; RIGHT?

10          A           WHAT'S A SUBSEQUENT BOAT?

11          Q           A SECOND THAT YOU'RE AWARE OF?

12          A           YES. HE HAS HAD MANY BOATS OVER THE YEARS.

13          MR. MOSHENKO: YOUR HONOR, I'D ASK THAT THE  
14 WITNESS BE INSTRUCTED TO ANSWER THE QUESTION AND NOT  
15 ELABORATE.

16          Q           NOW, YOU KNOW, CAN YOU DESCRIBE THE  
17 DIFFERENCE BETWEEN THE FIRST TWO?

18          A           THE FIRST TWO BOATS?

19          Q           UH-HUH.

20          A           ONE WAS A FISHING BOAT, AND THE OTHER WAS  
21 MORE OF A LUXURY BOAT.

22          Q           AND DO YOU KNOW WHETHER OR NOT HE GOT THE  
23 SECOND BOAT BY TRADING IN THE FIRST BOAT?

24          A           HE HAS DONE THAT BEFORE WITH BOATS, YES.

25          Q           AND SO NOW THIS IS THE WHEN QUESTION: WHEN  
26 WAS THE SECOND BOAT?

1           A           AGAIN, I DON'T -- HE ALWAYS HAD TWO OR THREE  
2 BOATS. SO AS HE TRADED THEM ON AND OFF, I DON'T KNOW. NOT  
3 TO ELABORATE.

4           Q           SO YOU DON'T KNOW WHEN THE SECOND BOAT --

5           A           NO.

6           Q           AND YOU DON'T KNOW THE TERMS OF THE  
7 TRANSACTION, WHETHER HE ACQUIRED IT BY GETTING RID OF THE  
8 FIRST AND REPLACING IT?

9           A           I KNOW THERE WAS ONE BOAT HE TRADED IN FOR  
10 ANOTHER, YES.

11          Q           YOU DON'T KNOW WHETHER THE SECOND BOAT WAS A  
12 SMALLER BOAT THAN THE FIRST THAT HE GAVE UP TO GET THE  
13 SECOND, DO YOU?

14          A           WHETHER IT WAS SMALLER? I'VE BEEN ON ALL  
15 THE BOATS, AND THERE'S NO SMALL BOAT.

16          Q           "SMALLER" IS A RELATIVE TERM.

17                      ONE IS SMALLER THAN THE OTHER?

18          A           I DON'T KNOW THAT.

19          Q           ONE-HUNDRED-FOOT BOAT IS SMALLER THAN THE  
20 QUEEN MARY.

21          A           OKAY. TRUE.

22          Q           ISN'T IT TRUE THAT THE SECOND BOAT WAS  
23 ACQUIRED IN 1992?

24          A           IT COULD HAVE BEEN.

25          Q           AND ISN'T IT TRUE THAT HE HAS NEVER OWNED  
26 MORE THAN ONE BOAT AT A TIME?

1 A NO.

2 Q NOW, WHAT ABOUT THE MEXICO HOUSE, WHEN DID  
3 HE GET THAT?

4 A THE MEXICO HOUSE CAME ABOUT -- I BELIEVE IT  
5 WAS THE EARLY '90'S, MAYBE.

6 Q ABOUT THE -- HOW ABOUT THE LAMBORGHINI YOU  
7 MENTIONED, WHEN WAS THAT?

8 A I DON'T KNOW IF HE ALWAYS HAD THE  
9 LAMBORGHINI.

10 Q HE MAY HAVE HAD IT BEFORE --

11 A NO. HE HAD IT -- IT AFTER WE CAME DOWN TO  
12 CALIFORNIA, BUT I DON'T KNOW WHAT YEAR HE GOT IT. IT WAS  
13 ALWAYS OUT IN THE GARAGE. SO I HAVE NO IDEA.

14 Q WHAT WOULD BE THE '80'S?

15 A NO.

16 Q YOU CAME TO CALIFORNIA IN THE '80'S?

17 A WHEN HE GOT THE LAMBORGHINI?

18 Q YOU CAME DOWN TO CALIFORNIA IN THE '80'S?

19 A OH, YES. WE CAME DOWN IN 1986. AND RIGHT  
20 AFTER THAT --

21 Q AND HE HAD IT WHEN YOU CAME DOWN TO  
22 CALIFORNIA?

23 A NO, IT WASN'T THERE AT FIRST. I DON'T KNOW  
24 WHERE IT CAME FROM.

25 Q HE GOT IT IN THE '80'S, DIDN'T HE?

26 A I TOLD YOU, I DON'T KNOW.

1 Q AND YOU DON'T KNOW -- HOW ABOUT THE ROLLS,  
2 WHEN DID HE GET THAT?

3 A THE WHAT?

4 Q ROLLS.

5 A WHICH ROLLS?

6 Q HE GOT A ROLLS, DIDN'T HE?

7 A I DIDN'T SAY THAT.

8 Q ALL RIGHT. WELL, DO YOU KNOW WHETHER OR NOT  
9 HE DID?

10 A YES.

11 Q AND HE GOT THAT IN THE '80'S, TOO, DIDN'T HE?

12 A HE HAD AN OLD ANTIQUE ROLLS, YES.

13 Q AND THE AIRPLANE, THAT WAS IN THE EARLY  
14 '90'S?

15 A THE FIRST PLANE HE GOT I BELIEVE IS IN THE  
16 EARLY '90'S, YES.

17 Q AND YOU DON'T KNOW ANY OF THE FACTS ABOUT  
18 WHERE THE DOWN PAYMENTS CAME FOR ANY OF THESE ITEMS, DO YOU?

19 A WELL, I SIGNED CHECKS FOR SOME OF THE THESE  
20 THINGS.

21 Q MAYBE A MONTHLY PAYMENT ONCE IN A WHILE YOU  
22 MEAN?

23 A ONCE IN A WHILE? NO.

24 Q OKAY. HOW ABOUT A DOWN PAYMENT; WHAT WAS  
25 THE DOWN PAYMENT ON THE MEXICO HOUSE?

26 A THE DOWN PAYMENT ON THE MEXICO HOUSE?

1 Q YES.

2 A I BELIEVE IT WAS \$40,000.

3 Q AND DID YOU SIGN A CHECK FOR \$40,000?

4 A NO. I HEARD ABOUT THE CHECK FROM DARIO, BUT  
5 I DIDN'T SIGN IT.

6 Q AND, IN FACT, THE BOAT, THE PLANE AND THE  
7 HOME ARE ALL USED FOR BUSINESS FROM TIME TO TIME?

8 A THEY COULD BE, YES.

9 Q YOU'VE SEEN HIM ENTERTAIN CLIENTS ON THE  
10 BOAT?

11 A WHAT DO YOU MEAN "CLIENTS"? BANKERS OR --

12 Q BANKERS, CUSTOMERS, DEVELOPERS, MEMBERS,  
13 BUSINESS ASSOCIATES?

14 A THAT WOULD BE RARE. I'VE BEEN ON THE BOAT  
15 AND OTHER STAFF MEMBERS, BUT --

16 Q AND EMPLOYEES; HE ENTERTAINED EMPLOYEES?

17 A EMPLOYEES, YES.

18 Q ALL RIGHT. I WANT TO TRY TO FINISH UP BY  
19 TALKING AGAIN ABOUT WHAT YOU CALL THE YEAR OF HELL.

20 A YES, FOR ME; IT WAS MY YEAR OF HELL.

21 MR. MOSHENKO: I WANT TO MARK EXHIBIT 2204 AND HAND  
22 COUNSEL A COPY AND GIVE THE WITNESS A COPY.

23 MR. SHERMAN: YOUR HONOR, MAY WE APPROACH?

24 THE COURT: YOU MAY.

25 (DISCUSSION OFF THE RECORD.)

26 BY MR. MOSHENKO: Q MISS WALDMAN, DURING THE YEAR

1 OF HELL, DID YOU -- AS A MATTER OF FACT, IN FEBRUARY OF  
2 1996, DID YOU WRITE AN ARTICLE FOR THE NEWS AND VIEWS  
3 MAGAZINE IN WHICH YOU REVIEWED THE YEAR OF 1995?

4 A WOULD THAT BE THIS ONE HERE?

5 Q YES.

6 A WELL, NORMALLY BOB THOMPSON WROTE THE  
7 ARTICLES.

8 Q THIS IS A YES OR NO.  
9 DID YOU WRITE THIS ARTICLE?

10 A I DON'T REMEMBER IF I WROTE IT. BUT  
11 BOB THOMPSON USUALLY WROTE MINE.

12 Q YOU DON'T RECALL IF YOU WROTE THAT?

13 A I COULD HAVE WROTE IT.

14 Q IT SAYS "BY TRISH WALDMAN, DIRECTOR OF SALES  
15 AND MARKETING."

16 A YES.

17 Q YOU'RE NOT DENYING YOU WROTE IT?

18 A NO. IT SOUNDS LIKE I WROTE IT.

19 Q OKAY. NEXT -- AND YOU TALKED ABOUT MEMBER  
20 UNHAPPINESS.

21 A YES.

22 Q IF YOU WOULD GO TO THE NEXT PAGE WHICH HAS A  
23 PAGE 20 IN THE LOWER LEFT-HAND CORNER.

24 DO THESE ARTICLES AND THESE PAGES APPEAR TO  
25 BE PART OF THE NEWS AND VIEWS FOR FEBRUARY OF 1996 TO YOUR  
26 KNOWLEDGE?

1           A           JUST WHAT YOU'RE TELLING ME, I GUESS THEY  
2 ARE.

3           Q           OKAY.  AND ON THE ISSUE OF "THE DAY THE  
4 MUSIC DIED" --

5           A           YES.

6           Q           -- TO USE YOUR PHRASE, WOULD YOU TAKE A LOOK  
7 AT THE LAST PAGE?

8           A           THE TENTATIVE SCHEDULE.

9           Q           THE TENTATIVE SCHEDULE, WHICH INCLUDED  
10 WILLIE NELSON AND RANDY TRAVIS AND TANYA TUCKER AND  
11 BILLY RAY CURTIS; DO YOU SEE THAT?

12          A           I SEE THIS FLYER, YES.

13          Q           AND YOU WERE TELLING US THAT YOU THOUGHT  
14 THAT THE CONCERTS ENDED IN EARLY 1990'S?

15          A           IN EARLY 1990'S?

16          Q           YEAH.

17          A           YEAH.  I DON'T REMEMBER THE EXACT DATE.

18          Q           DOES THIS REFRESH YOUR MEMORY THAT THE  
19 CONCERTS DIDN'T END IN THE EARLY 1990'S?

20          A           I DON'T RECALL THESE CONCERTS GOING.

21          Q           DOES IT REFRESH YOUR MEMORY THAT THEY DIDN'T  
22 END IN THE EARLY 1990'S?

23          A           I GUESS THEY DIDN'T.  I DON'T KNOW.  LIKE I  
24 SAID, THIS IS TENTATIVE, AND I DON'T RECALL THIS EVER  
25 HAPPENING.  THIS WHOLE THING IS --

26          Q           IN FACT, YOU WERE GONE?

1           A           IT'S REALLY MISLEADING.

2           Q           YOU WERE GONE; YOU DON'T KNOW WHETHER THEY  
3 HAPPENED OR NOT?

4           A           NO. I WAS THERE IN FEBRUARY.

5           Q           YOU WERE GONE IN AUGUST, IN SEPTEMBER OF  
6 1996 WHEN CONCERTS --

7           A           WELL, THEY WEREN'T GOING ON WHEN I WAS  
8 THERE. SO IF THEY WERE GOING ON AFTER I WAS THERE, THEN I  
9 WASN'T THERE, I GUESS. BUT THIS WHOLE THING IS A LIE.

10           MR. MOSHENKO: EXCUSE ME. THE WITNESS IS  
11 VOLUNTEERING TESTIMONY. NOW, I SUGGEST, YOUR HONOR, I HAVE  
12 AN ADEQUATE FOUNDATION, AND WE CAN ARGUE THE ISSUE LATER.

13           THE COURT: THANK YOU.

14           BY MR. MOSHENKO: Q ALL RIGHT. SO NOW,  
15 MISS WALDMAN, LET ME GET THIS STRAIGHT.

16                       YOU STARTED TO WORK FOR ALL SEASONS RESORTS  
17 IN 1982?

18           A           WHAT HAPPENED TO 20 MINUTES?

19           Q           '82? 1982 YOU STARTED IN?

20           A           YES.

21           Q           1986 YOU STARTED WORKING FOR MR. NOVELLI;  
22 CORRECT?

23           A           YES.

24           Q           AND YOU WORKED WITH THEM FOR NINE YEARS, 10  
25 YEARS?

26           A           YES.

1 Q AND DURING NINE OF THOSE YEARS, YOU TRUSTED  
2 HIM, YOU WORSHIPPED HIM, YOU THOUGHT HE WAS THE GREATEST  
3 MAN YOU EVER MET. YOU TESTIFIED TO THAT?

4 A DID I THINK THAT FOR NINE YEARS?

5 Q YES.

6 A WELL, AS YOU GROW OLDER, YOU -- YOUR  
7 ILLUSIONS BECOME A LITTLE BIT MORE REALITY. SO I CAN'T SAY  
8 THAT I THOUGHT THAT FOR THE WHOLE NINE YEARS.

9 Q WELL, YOU SUPPORTED HIM?

10 A VERY MUCH.

11 Q AND YOU WROTE LETTERS SUCH AS THE LETTER  
12 THAT YOU AUTHENTICATED A FEW MOMENTS AGO TO COAST TO COAST  
13 INDICATING THAT ACCUSATIONS AGAINST THE ORGANIZATION WERE  
14 FALSE; IF I HAD A NICKEL FOR EVERY FALSE ACCUSATION, WORDS  
15 TO THAT EFFECT; RIGHT?

16 A YES.

17 Q AND THEN IN THE 10TH YEAR, YOU DECIDED HE  
18 WAS NOT TO BE TRUSTED, NOT TO BE BELIEVED, AND HIS  
19 REPUTATION --

20 A I TOLD YOU IT WASN'T IN THE 10TH YEAR; IT'S  
21 PROBABLY ABOUT A TWO-YEAR PERIOD.

22 Q AND AS OF TODAY --

23 A BUT THAT'S WHEN PEOPLE WERE GETTING PAID.

24 Q RIGHT. EXACTLY.

25 WHEN PEOPLE WERE GETTING PAID, YOU WERE  
26 BEHIND HIM; AND WHEN PEOPLE WERE HAVING TROUBLE GETTING

1 PAID, YOU WERE NOT?

2 A EVEN WHEN PEOPLE WEREN'T GETTING PAID, I WAS  
3 ALWAYS BEHIND RAY.

4 Q UNTIL THE MONEY RAN OUT IN 1996 -- IN 1995?

5 A NO, IT WASN'T AN ISSUE OF THE MONEY. IT WAS  
6 WHAT CHANGED. I MEAN, WE HAVE BEEN WITHOUT MONEY BEFORE.

7 Q IS IT JUST COINCIDENTAL THAT WHEN ALL THE  
8 PROBLEMS THAT YOU'VE DESCRIBED TOOK PLACE IN 1996, THE YEAR  
9 OF HELL, THAT YOU DECIDED THE ORGANIZATION IS NO LONGER FOR  
10 YOU?

11 A ASK THAT AGAIN.

12 Q ISN'T THERE A DIRECT CONNECTION BETWEEN THE  
13 PROBLEMS AND YOUR DECIDING YOU NO LONGER WANTED TO BE A  
14 PART OF THE PROGRAM?

15 A THEY COULDN'T PAY ME. I WASN'T -- HOW COULD  
16 I BE PART OF IT? I DIDN'T WANT TO LEAVE THE COMPANY. IT  
17 WAS THE HARDEST THING I EVER DID.

18 Q AND THEY COULDN'T PAY YOU?

19 A THEY COULDN'T AFFORD MY SALARY ANYMORE,  
20 EVEN. THERE'S NO SALES GOING ON.

21 MR. MOSHENKO: THANK YOU. THAT'S ALL, YOUR HONOR.

22 MR. SHERMAN: I'LL BE RELATIVELY BRIEF, YOUR  
23 HONOR.

24 REDIRECT EXAMINATION

25 BY MR. SHERMAN: Q THIS DOCUMENT THAT YOU'VE GOT  
26 IN FRONT OF YOU THAT YOU SAID IT WAS A LIE, WHAT DO YOU

1 MEAN BY THAT?

2 A WELL, IT LOOKS GOOD AND EVERYTHING, BUT,  
3 FIRST OF ALL, THERE'S NO PICTURES OF OUR RESORTS ON HERE.  
4 OKAY. SO WE DO A LOT OF THINGS FOR PRESENTATION AND  
5 IMAGINATION AND GOOD TIMES AND EVERYTHING ELSE. WE'RE NOT  
6 GOING TO PUT COPIES OF BOUNCED CHECKS ON HERE.

7 SECOND PAGE, THEY'RE NOT GOING TO HAVE ME  
8 PUT IN A SALES MARKETING REVIEW; HEY, I'M HAVING A YEAR  
9 FROM HELL. JUST THOUGHT YOU MIGHT WANT TO KNOW.

10 THIRD PAGE, WHERE IS ALL THE OTHER THOUSANDS  
11 OF LETTERS THAT I PERSONALLY READ? I DON'T SEE THOSE IN  
12 HERE.

13 Q WHEN YOU TALK ABOUT THOUSANDS OF LETTERS,  
14 THAT YOU PERSONALLY READ?

15 A WE DON'T PRINT LETTERS LIKE, HEY, WE THINK  
16 YOU'RE NO PAY RAY, OR YOU GUYS AREN'T PAYING OUR BILLS, OR  
17 THE CHECKS ARE BOUNCING, THIS IS GOING ON. I MEAN, THIS IS  
18 A PROMOTION. THIS IS TO SHOW PEOPLE, HEY, THINGS ARE  
19 OKAY. THIS IS A VERY BIG LINK TO THE MEMBERS.

20 BUT AFTER A WHILE, THE MEMBERS WEREN'T EVEN  
21 BUYING THIS. AND THIS -- I DON'T BELIEVE THIS EVER  
22 HAPPENED. IF IT DID, IT'S NEWS TO ME. BECAUSE TOM PAULEY  
23 WAS GONE, AND RAY OFFERED ME THE JOB TO COME BACK AND GET  
24 THE MUSIC COMPANY GOING AGAIN.

25 Q WHEN DID YOU DO THAT?

26 A SO TO PRESENT THIS LIKE -- AFTER I LEFT THE

1 COMPANY.

2 Q NOW, YOU MENTIONED A TRUST THAT YOU HAVE  
3 NOW.

4 A YES, OUR TRUST.

5 Q IT'S THE STEVEN AND TRISHA WALDMAN TRUST?

6 A WELL, I WAS HOPING NOT TO GIVE THE NAME  
7 OUT. BUT, YES, WE HAVE A WALDMAN TRUST, WHICH WE DEVELOPED  
8 BECAUSE OF THE I.R.S. AND RAY'S THREATS TO SUE US AND  
9 EVERYTHING ELSE. OUR ATTORNEYS TOLD US, "YOU BETTER PUT  
10 ALL YOUR ASSETS INTO A TRUST."

11 Q IS THAT THE REASON WHY THE TRUST WAS  
12 ESTABLISHED?

13 A YES.

14 Q NOW, YOU WERE ASKED SOME QUESTIONS ABOUT A  
15 \$50,000 PAYMENT THAT MR. NOVELLI MADE TO YOU AND YOUR  
16 HUSBAND RECENTLY; DO YOU RECALL THAT QUESTION?

17 A YES.

18 Q AND WHAT WERE THE CIRCUMSTANCES BY WHICH  
19 THAT PAYMENT WAS MADE?

20 A ONE OF THE LOANS MY HUSBAND HAD GIVEN  
21 MR. NOVELLI WAS SECURED BY THE ORLANDO RESORT. AND THEN,  
22 SOMEHOW, THE ORLANDO RESORT GOT FROM GUARDIAN OR ALL  
23 SEASONS AND GUARDIAN TO APOLLO. AND HE SAID HE WOULD PAY  
24 US. HE SAID, "YOUR INVESTMENT IS ROCK-SOLID." HE ALWAYS  
25 TOLD US THAT, AND IT WASN'T. AND WE SPENT A TOTAL OF ABOUT  
26 \$75,000 ON LEGAL FEES TRYING TO AT LEAST GET THIS.

1                   AND AT THIS TIME WE'RE STILL CALLING RAY AND  
2 TRYING TO, YOU KNOW, SAY, "HEY, WHAT'S GOING ON?" AND HE  
3 IS STILL SAYING HE IS GOING TO PAY US. HE SAID HE WAS  
4 GOING TO GET A LOAN TO BUY OUT THE TAXES FOR ORLANDO. AND  
5 SO MY HUSBAND, WHO HAD BEEN LIED TO SO MANY TIMES, HE  
6 DIDN'T BELIEVE HIM. SO HE GOT WHAT WAS REFERRED TO US AS A  
7 LIS PENDENS. AND WE WERE TOLD WE WEREN'T SUING RAY BECAUSE  
8 WE DIDN'T WANT TO SUE RAY. WE BOTH LIKED RAY. WE DIDN'T  
9 WANT TO SUE HIM, AND A LIS PENDENS WOULD PROTECT US. IF A  
10 LOAN DID COME, WE WOULD GET OUR MONEY. THE -- I THINK IT  
11 WAS LIKE FOUR HUNDRED SOME THOUSAND DOLLARS. WE WOULD GET  
12 THE MONEY. BUT WHEN WE PUT THE LIS PENDENS ON, ALL OF A  
13 SUDDEN WE GOT THIS NASTY LETTER FROM ANOTHER LAW FIRM THAT  
14 RAY HAD HIRED SAYING, "YOU BETTER REMOVE THIS OR WE'RE  
15 GOING TO SUE YOU." I'M THINKING, "THIS GUY OWES US MONEY  
16 AND HE IS SUING US. THIS IS CRAZY."

17                   SO, OF COURSE, WE -- THE ATTORNEYS SAID,  
18 "YOU DON'T REALLY HAVE A CHANCE." YOU KNOW, ONCE AGAIN, MY  
19 HUSBAND GOT SCREWED. AND SO WE TOOK IT OFF AND THEN AGREED  
20 IF WE TOOK IT OFF THEY WOULD GIVE US \$150,000, WHICH IS ALL  
21 MY HUSBAND GOT. AND SO THEY HAD -- THE COURT TOLD HIM THEY  
22 HAD TO DO A \$50,000 PAYMENT, AND THEN WE GET \$1100 A MONTH  
23 FOR -- UNTIL THE \$100,000 IS PAID OFF. THAT'S WHAT THE  
24 50,000 PAYMENT IS.

25                   Q           MR. MOSHENKO ASKED YOU SOME QUESTIONS ABOUT  
26 THE ORGANIZATION, THE ORGANIZATION -- YOU DEFEND THE

1 NOVELLI ORGANIZATION AS FAR AS DIFFERENT DEPARTMENTS. AND  
2 HE ASKED YOU ABOUT A LEGAL DEPARTMENT; DO YOU RECALL THAT?

3 A YES. HE ASKED ME A LOT ABOUT THE LEGAL  
4 DEPARTMENTS, I BELIEVE. YES. I RECALL THAT.

5 Q AND WHO -- WERE THERE DIFFERENT HEADS OF THE  
6 LEGAL DEPARTMENT AT DIFFERENT TIMES?

7 A WELL, WHEN HE SAID, "DO YOU HAVE A LEGAL  
8 DEPARTMENT," WE -- WE HAD WHAT WE REFERRED TO AS A LEGAL  
9 DEPARTMENT ALL THE TIME, WHETHER IT BE PHILLIP MARTINEZ  
10 OR -- WHO -- HE WASN'T AN ATTORNEY, BUT HE CLAIMED HE WAS  
11 STUDYING TO BE AN ATTORNEY IN PRISON. SO HE WAS LIKE THE  
12 LEGAL DEPARTMENT.

13 AND THEN WE HAD RANDOLF TUCKER THERE AT  
14 TIMES BEFORE 1996. SO WE DID ALWAYS SEEM TO HAVE A LEGAL  
15 DEPARTMENT. AND THEN WE HAD -- RAY HIRED IN-HOUSE  
16 ATTORNEYS AT TIMES.

17 Q NOW, YOU WERE ASKED SOME QUESTIONS BY  
18 MR. MOSHENKO ON MR. JOSEPH'S ROLE IN SERVING AS A TRUSTEE,  
19 MR. JIM JOSEPH?

20 A YES.

21 Q AND YOU UNDERSTOOD THAT HE WAS THE TRUSTEE  
22 OVER ALL SEASONS RESORTS FOR A TIME?

23 A JUST ALL SEASONS. NOT THE OTHER COMPANIES.  
24 I DON'T KNOW IF I SAID THE OTHER COMPANIES, BUT JUST ALL  
25 SEASONS.

26 Q NOW, LET'S GET A TIME FRAME.

1                   IS THIS IN THE EARLY '90'S, THE SECOND  
2 BANKRUPTCY?

3           A        YES.

4           Q        NOW, WHEN MR. JOSEPH BECAME THE TRUSTEE OVER  
5 ALL SEASONS RESORTS, WAS THERE ANY BUSINESS ACTIVITY THAT  
6 STARTED UP AFTER MR. JOSEPH WAS APPOINTED TRUSTEE OF OTHER  
7 NOVELLI COMPANIES THAT -- COMPANIES THAT HAD BEEN DORMANT  
8 OR NOT BEEN REAL ACTIVE BEFORE?

9           A        WELL, MR. JOSEPH WAS A TRUSTEE FOR ALL  
10 SEASONS. SO OF COURSE THE OTHER COMPANIES -- THERE WAS  
11 MORE GOING ON WITH THEM. THE ACTIVITY BECAME GREATER  
12 BECAUSE HE DIDN'T CONTROL FIRST NATIONWIDE. RAY DID.

13                   SO RAY HAD NO CONTROL OVER ALL SEASONS WHEN  
14 JIM JOSEPH WAS IN THERE OTHER THAN -- I GUESS THEY HAD  
15 MEETINGS OR WHATEVER ON A DAY-TO-DAY BASIS. NO. HIS STAFF  
16 WAS IN THERE. SO HE SPENT MORE TIME ON THE FIRST  
17 NATIONWIDE RESORT COMPANIES UNTIL JIM LEFT.

18           Q        AND DID YOU EVER DISCUSS THIS ISSUE WITH  
19 MR. JOSEPH, THE SUBJECT OF HAVING MORE BUSINESS ACTIVITY  
20 OCCUR IN COMPANIES THAT MR. JOSEPH WAS NOT SUPPOSEDLY IN  
21 CHARGE OF?

22           A        WELL, YES. WE COULDN'T REALLY RUN A LOT OF  
23 THINGS THROUGH ALL SEASONS ANYMORE. WE JUST KIND OF LEFT  
24 THAT ALONE, BECAUSE THERE WAS A TRUSTEE IN THERE. SO WE  
25 HAD NO CONTROL OVER IT. SO RAY -- YOU KNOW, WE'VE OFTEN  
26 TALKED ABOUT IT. HEY, THERE WAS MORE TENSION PUT ON THE

1 OTHER COMPANIES UNTIL, LIKE I SAID, JIM LEFT.

2 Q DID THAT ALSO OCCUR WITH THIS PRESIDENT'S  
3 TRAVEL CLUB, TOO?

4 A YES. RAY CONTROLLED PRESIDENT'S TRAVEL CLUB.

5 Q SO JOSEPH HAS SOME LEGAL CONTROL OVER ALL  
6 SEASONS, AND THAT'S WHEN THESE OTHER COMPANIES START DOING  
7 ALL SORTS OF THINGS?

8 A YEAH. THEY BECAME BIGGER AFTER THAT. LIKE  
9 I SAID, WE COULDN'T REALLY DO MUCH WITH ALL SEASONS WHILE  
10 HE WAS THERE.

11 Q LET ME SHOW YOU A DOCUMENT, EXHIBIT 71.  
12 HAVE YOU SEEN THIS --

13 A JUST THIS PAGE?

14 Q I THINK IT'S A ONE-PAGE DOCUMENT.

15 YES. HAVE YOU SEEN THIS ONE-PAGE DOCUMENT  
16 BEFORE?

17 A I'VE SEEN THINGS LIKE IT. I DON'T KNOW IF I  
18 SEEN THIS EXACT ONE. BUT, YES.

19 Q WHAT DO YOU UNDERSTAND THIS DOCUMENT TO BE?

20 A IT APPEARS TO BE COMPANIES OWNED AND  
21 OPERATED BY MR. NOVELLI.

22 MR. SHERMAN: I'D LIKE TO MOVE IT INTO EVIDENCE AS  
23 EXHIBIT 71.

24 THE WITNESS: COUPLE OF THEM I'M NOT SURE OF.

25 MR. MOSHENKO: NO OBJECTION.

26 THE COURT: THANK YOU. IT'S RECEIVED IN EVIDENCE

1 AS NUMBER 71.

2 (WHEREUPON, EXHIBIT NO. 71, LIST OF  
3 COMPANIES, WAS RECEIVED IN EVIDENCE.)

4 BY MR. SHERMAN: Q AND YOU SEE THIS IS JUST A LIST  
5 OF DIFFERENT COMPANIES; IS THAT RIGHT?

6 A YES.

7 Q AND LET'S JUST -- RIGHT OFF THE BAT, LET'S  
8 REMOVE FROM THE MIX TRAVEL AMERICA, INC.

9 DO YOU SEE THAT ONE, ABOUT SIX ITEMS DOWN OR  
10 SO?

11 A YES.

12 Q ALL THESE OTHER NAMES, WERE THESE NAMES OF  
13 COMPANIES THAT YOU BECAME FAMILIAR WITH WHEN YOU WERE WITH  
14 THE NOVELLI ORGANIZATION?

15 A YES.

16 Q IS THERE ANY RHYME OR REASON AS FAR AS WHERE  
17 ONE COMPANY BEGAN AND THE OTHER ONE ENDED UP?

18 MR. MOSHENKO: OBJECTION. THE QUESTION IS  
19 UNCERTAIN. IT'S UNINTELLIGIBLE.

20 THE COURT: DO YOU UNDERSTAND THE QUESTION?

21 THE WITNESS: NOT REALLY.

22 THE COURT: I DON'T EITHER.

23 MR. SHERMAN: I'LL REPHRASE IT.

24 Q MR. MOSHENKO WAS ASKING YOU A BUNCH OF  
25 QUESTIONS ABOUT DIFFERENT ORGANIZATION STRUCTURES, AND I  
26 BELIEVE THE WORDS YOU USED WERE TO THE EFFECT THAT

1 MR. NOVELLI RAN EVERYTHING.

2 A YES. THESE ARE ALL HIS COMPANIES.

3 Q AND WHEN YOU WERE WITH THE NOVELLI  
4 ORGANIZATION, WERE THERE DISTINCTIONS THAT WERE MADE BY YOU  
5 AND OTHER MANAGERS TO YOUR KNOWLEDGE ABOUT, YOU KNOW, ALL  
6 THESE DIFFERENT COMPANIES DOING THINGS SEPARATELY, OR WAS  
7 IT ALL --

8 A WELL, A LOT OF TIMES THEY'RE REFERRED TO AS  
9 SHELLS, JUST MOVEABLE COMPANIES. MOVE THEM AROUND FOR  
10 WHATEVER YOU NEED THEM FOR. SOME OF THEM DID OWN RESORTS  
11 AND DIFFERENT THINGS.

12 Q YOU SAY THESE WERE REFERRED TO AS "SHELLS"?

13 A WE REFERRED TO THEM AS SHELLS. I DON'T KNOW  
14 IF THAT'S --

15 Q AND WHY DID YOU REFER TO THEM AS SHELLS?

16 A BECAUSE A LOT OF THEM DIDN'T REALLY EXIST.  
17 THEY WERE JUST A NAME ONLY. OR IF, YOU KNOW, WE PUT ONE IN  
18 BANKRUPTCY, THAT COULD GO AWAY. IF ONE OF THESE COMPANIES  
19 BOUGHT SOMETHING, THEN IT HAD NOTHING TO DO WITH ANOTHER  
20 ONE. THEY JUST -- IT JUST SEEMED LIKE A BUNCH OF COCONUT  
21 SHELLS IS WHAT WE REFERRED TO IT AS, MOVING AROUND ALL THE  
22 TIME.

23 MR. SHERMAN: I HAVE NO FURTHER QUESTIONS.

24 THE COURT: ANYTHING FURTHER?

25 MR. MOSHENKO: JUST PROBABLY THREE MINUTES, YOUR  
26 HONOR, HOPEFULLY.

1 THE COURT: I'LL HOLD YOU'LL TO IT.

2 FURTHER CROSS-EXAMINATION

3 BY MR. MOSHENKO: Q IF YOU COULD JUST ASSIST ME BY  
4 KEEPING YOUR ANSWERS SHORT AND DIRECT, I CAN MAKE IT THREE  
5 MINUTES.

6 A OKAY. I'M KEEPING TRACK OF THAT CLOCK ABOVE  
7 YOUR HEAD.

8 Q YOU INVESTED A LOT OF MONEY IN INVESTMENTS,  
9 BUT THEY ARE NOT DIRECTLY MONEY GIVEN TO RAYMOND NOVELLI?

10 A ALL THE MONEY WAS GIVEN TO RAY.

11 Q WAS GIVEN TO COMPANIES THAT YOU CONTEND WERE  
12 ASSOCIATED WITH RAY; RIGHT?

13 A NO. RAY OWNED THEM.

14 Q YOU DIDN'T WRITE A CHECK TO RAY NOVELLI, DID  
15 YOU?

16 A TO HIM PERSONALLY?

17 Q CORRECT.

18 WHEN I SAY "RAY NOVELLI," I MEAN  
19 RAY NOVELLI, NOT A COMPANY.

20 A NO. WE GAVE HIM -- WELL, I WOULD SAY NO.

21 Q OKAY. ONE OF THE BIGGEST INVESTMENTS WAS AN  
22 A.S.R., A COMPANY THAT YOU'VE BEEN WITH LONGER THAN HE WAS  
23 AT THE TIME?

24 A IT WAS BACKED BY A.S.R. IT WAS ACTUALLY  
25 CALLED A SECURITY NOTE TO PURCHASE THE ALL SEASONS -- I'LL  
26 KEEP IT SHORT.

1 Q NOBODY FORCED YOU AND YOUR HUSBAND TO MAKE  
2 THOSE INVESTMENTS?

3 A NOBODY AT ALL.

4 Q SOME THINGS -- THERE WERE SOME PROBLEMS WITH  
5 SOME OF THOSE INVESTMENTS IN THE '90'S?

6 A WELL, THE PROBLEM IS WE WEREN'T GETTING PAID.

7 Q IN THE MID-'90'S THERE WERE PROBLEMS WITH  
8 THOSE INVESTMENTS, TOO?

9 A YES.

10 Q YOU BLAMED RAY; YOU AND YOUR HUSBAND BLAMED  
11 RAY?

12 A NO.

13 Q YOU AND YOUR HUSBAND THREATENED TO SUE RAY?

14 A WHEN WAS THAT?

15 Q YOU AND YOUR HUSBAND SPENT \$75,000 ON  
16 ATTORNEY'S FEES GOING AFTER RAY?

17 A NOT GOING AFTER RAY.

18 Q WELL, YOU JUST SAID YOU SPEND \$75,000 ON  
19 ATTORNEY'S FEES, DIDN'T YOU, A MOMENT AGO?

20 A TRYING TO -- BECAUSE THEY DIDN'T HAVE ANY  
21 PAPERWORK OF WHAT WE ACTUALLY HAD.

22 Q OKAY. WHEN YOU BLAMED MR. NOVELLI, HE  
23 RESISTED, AND THAT MADE YOU UNHAPPY; RIGHT?

24 A WHAT DO YOU MEAN BLAME? UP UNTIL THAT  
25 FLORIDA DEAL, WE WERE TALKING WITH RAY. AND WE HAD EVERY  
26 FAITH THAT HE WAS GOING TO PAY US.

1 Q YOU ARE HOLDING HIM RESPONSIBLE FOR YOUR  
2 INVESTMENTS, AREN'T YOU, TODAY?

3 A I BELIEVE HE IS RESPONSIBLE FOR, YES.

4 Q CORRECT.

5 AND HE DENIES THAT HE IS RESPONSIBLE,  
6 DOESN'T HE?

7 A I'VE NEVER ASKED HIM, ACTUALLY.

8 Q OKAY. AND YOU HIRED AN ATTORNEY WHO  
9 BASICALLY SAID YOU'RE WRONG?

10 A HE DIDN'T SAY WE'RE WRONG. HE SAID THIS MAN  
11 SCREWED YOU.

12 Q HE SAID YOU HAD NO CHANCE?

13 A HE SAID BECAUSE OF THE WAY THE -- RAY WORKED  
14 THE PAPERWORK AND EVERYTHING ELSE, YOU GUYS GOT HAD.  
15 THAT'S ACTUALLY THE EXACT WORDS.

16 Q WASN'T YOUR QUOTE, "YOU HAVE NO CHANCE,"  
17 CLOSE QUOTE?

18 A YES, HE SAID THAT, TOO.

19 Q OKAY. AND THEN YOU VOLUNTEERED TO COME DOWN  
20 HERE AND TESTIFY AGAINST HIM WITHOUT A SUBPOENA?

21 A I'VE SAID I WOULD -- I WAS ASKED TO TESTIFY.  
22 I SAID I WOULD.

23 MR. MOSHENKO: THAT'S ALL.

24 MR. SHERMAN: YOUR HONOR, I GOT ONE QUESTION.

25 THE COURT: ALL RIGHT.

26 FURTHER REDIRECT EXAMINATION

1 BY MR. SHERMAN: Q WHY ARE YOU TESTIFYING?

2 A I CAN ANSWER THAT?

3 THE COURT: SURE.

4 THE WITNESS: WELL, I WASN'T GOING TO TESTIFY FOR A  
5 LONG TIME THERE AS A LOT OF YOU IN HERE KNOW. AND ACTUALLY  
6 I DON'T HATE RAY. I SHOULD, BUT I DON'T. BUT MY HUSBAND  
7 HAS WORKED HARD HIS WHOLE LIFE, AND WHAT HE DID TO HIM AND  
8 OTHER PEOPLE WAS WRONG.

9 MR. MOSHENKO: I HAVE ONE QUESTION.

10 FURTHER RECROSS-EXAMINATION

11 BY MR. MOSHENKO: Q WHAT DOES ALL THIS HAVE TO DO  
12 WITH COAST TO COAST TAKING 34,000 MEMBERS FROM MY CLIENT?

13 A BECAUSE I WAS ASKED TO GIVE MY EXPERIENCE,  
14 NOT COAST TO COAST'S EXPERIENCE, MY EXPERIENCE, WHAT I  
15 LIVED THROUGH, AND HOW I KNOW MR. NOVELLI. I WASN'T ASKED  
16 TO COME IN HERE FOR COAST TO COAST. AND I'M NOT HERE FOR  
17 COAST TO COAST. AND I'M NOT HERE FOR MR. NOVELLI.

18 MR. NOVELLI CONTROLLED MY LIFE FOR MANY  
19 YEARS. I NOW CONTROL MY LIFE. I MAKE THE DECISIONS NOW.

20 MR. MOSHENKO: THAT'S MY ONE, YOUR HONOR.

21 THE COURT: MAY THE WITNESS BE EXCUSED?

22 MR. SHERMAN: YES.

23 MR. MOSHENKO: YES.

24 THE COURT: THANK YOU VERY MUCH.

25 LET ME SEE COUNSEL AT THE BENCH.

26 (DISCUSSION OFF THE RECORD.)

1           MR. SHERMAN: THE DEFENSE CALLS ROBERT THOMPSON  
2 UNDER EVIDENCE CODE 776 AS ITS NEXT WITNESS.

3                   AND PER PRIOR AGREEMENT WITH COUNSEL, WE  
4 WILL BE PROCEEDING WITH A VERY SHORT READING OF A FEW  
5 PASSAGES FROM MR. ROBERT THOMPSON'S DEPOSITION TESTIMONY.

6           THE COURT: ALL RIGHT. PROCEED.

7           MR. MOSHENKO: MAY I LOOK OVER YOUR SHOULDER AND  
8 SEE THE LINE AND PAGE NUMBERS?

9           MR. SHERMAN: SURE.

10                   FROM THE FEBRUARY 25TH DEPOSITION, THE YEAR  
11 2000, OF MR. ROBERT THOMPSON, PAGE 30, LINE 17, TO PAGE 31,  
12 LINE 21, AND PAGE 32, LINE 18, TO PAGE 33, LINE 2.

13                           "QUESTION: AND WHAT WAS  
14 TRISHA WALDMAN'S POSITION WITH  
15 THE NOVELLI ORGANIZATION?

16                           "ANSWER: SHE WAS THE  
17 DIRECTOR OF MARKETING AND SALES.

18                           "QUESTION: DID SHE DO A  
19 GOOD JOB?

20                           THE WITNESS: IN MY  
21 OPINION SHE DID A GOOD JOB.

22                           "QUESTION: WAS SHE  
23 HONEST?

24                           THE WITNESS: WE HAD  
25 DIFFERENCE OF OPINION ON THINGS,  
26 BUT I BELIEVE HER TO BE HONEST.

1 "QUESTION: WELL, YOU CAN  
2 HAVE DIFFERENCES. NOT TO ARGUE  
3 WITH YOU --

4 "ANSWER: NO, I'M NOT  
5 BEING ARGUMENTATIVE.

6 "QUESTION: BUT LET'S  
7 JUST MAKE SURE WE ARE CLEAR ON  
8 THIS.

9 "WOULD YOU AGREE THAT IF  
10 TWO PEOPLE HAVE A DIFFERENCE OF  
11 OPINION, THAT DOESN'T MAKE THEM  
12 DISHONEST AS TO ONE ANOTHER;  
13 RIGHT?

14 "ANSWER: YES,  
15 ABSOLUTELY.

16 "I'M SORRY. I ANSWERED  
17 TOO QUICK.

18 "QUESTION: WAS  
19 TRISH WALDMAN IN YOUR OPINION AN  
20 HONEST PERSON?

21 "ANSWER: YES.

22 THEN LINE 18:

23 "QUESTION: DO YOU  
24 BELIEVE TRISHA WALDMAN TO BE  
25 TRUSTWORTHY?

26 THE WITNESS: I DON'T

1 KNOW WHAT YOU MEAN BY

2 'TRUSTWORTHY.'

3 "QUESTION: THE SAME WAY

4 YOU JUST MEANT IT.

5 "ANSWER: YES."

6 MR. MOSHENKO: OBJECTION, YOUR HONOR. COULD YOUR

7 HONOR RULE IN THE DEPOSITION? THE QUESTION IS UNCERTAIN.

8 THE COURT: OVERRULED.

9 MR. SHERMAN:

10 "ANSWER: YES, I BELIEVE

11 HER TO BE TRUSTWORTHY."

12 AND IF I'M NOT PICKING UP SOMETHING, PLEASE

13 LET ME KNOW.

14 NEXT I'D LIKE TO GO TO MR. THOMPSON'S

15 TESTIMONY ON THAT SAME DAY, PAGE 31, LINE 24, THROUGH PAGE

16 32, LINE 17.

17 MR. MOSHENKO: YOUR HONOR, OBJECT. RELEVANCE.

18 IT'S REGARDING SOMEONE ELSE WHO WE DON'T HAVE HERE.

19 MR. SHERMAN: IT'S REGARDING SOMEONE ELSE WHO WILL

20 BE TESTIFYING BEFORE THIS COURT IN THE VERY NEAR FUTURE.

21 MR. MOSHENKO: IT'S IRRELEVANT AT THIS TIME.

22 THE COURT: LET'S BRING HIM IN THEN. HE IS GOING

23 TO BE TESTIFYING?

24 MR. SHERMAN: WE ARE BRINGING THIS PERSON IN, YOUR

25 HONOR.

26 THE COURT: ALL RIGHT. HE CAN TESTIFY.

1 MR. SHERMAN: NO. MR. THOMPSON IS GIVING  
2 DEPOSITION TESTIMONY ABOUT --

3 THE COURT: I SEE WHAT YOU MEAN.

4 MR. SHERMAN: -- ABOUT THE REPUTATION OR VERACITY  
5 AND CREDIBILITY OF KEN HOEL.

6 THE COURT: GO AHEAD.

7 MR. SHERMAN:

8 "QUESTION: WHAT WAS  
9 KEN HOEL'S POSITION WITH THE  
10 NOVELLI ORGANIZATION?

11 "ANSWER: KEN CONDUCTED  
12 FIELD -- WHAT I CALL FIELD  
13 SALES. WOULD YOU LIKE ME TO  
14 DEFINE 'FIELD SALES?' I MEAN  
15 THAT HE WAS AWAY FROM THE  
16 CORPORATE OFFICE.

17 "QUESTION: HE WAS  
18 SELLING PRESIDENT'S TRAVEL CLUB  
19 IN FLORIDA?

20 "ANSWER: YES.

21 "QUESTION: DID HE DO A  
22 GOOD JOB?

23 "ANSWER: YES.

24 "QUESTION: WAS HE  
25 HONEST?

26 "ANSWER: YES.

1 "QUESTION: TRUSTWORTHY?

2 "ANSWER: YES. I HAVE TO  
3 QUALIFY JUST A LITTLE BIT. HE  
4 IS TRUSTWORTHY, BUT THERE WERE  
5 TIMES WHEN THINGS HAD TO BE  
6 CLARIFIED; BUT THEY WERE VERY  
7 BRIEF, AND, THEREFORE, I BELIEVE  
8 HIM TO BE TRUSTWORTHY.

9 AND NEXT, PAGE 29, LINE 15, THROUGH PAGE  
10 30, LINE 13.

11 "QUESTION: DO YOU KNOW  
12 WHO MARK MOLVAR IS?

13 "ANSWER: YES.

14 "QUESTION: WHAT WAS HIS  
15 POSITION WITH THE NOVELLI  
16 ORGANIZATION?

17 "ANSWER: MARK RAN THE  
18 MEMBER SERVICE/COLLECTION  
19 DEPARTMENT.

20 "QUESTION: WHAT'S A  
21 COLLECTION DEPARTMENT?

22 "ANSWER: THE PAYMENT OF  
23 FEES.

24 "QUESTION: WHEN YOU SAY  
25 'COLLECTION DEPARTMENT, PAYMENT  
26 OF FEES,' ARE YOU TALKING ABOUT

1 ACCOUNTS RECEIVABLE?

2 "ANSWER: YES. SPECIFIC

3 ACCOUNT RECEIVABLES.

4 "QUESTION: MEMBER

5 ACCOUNT RECEIVABLES?

6 "ANSWER: YES.

7 "QUESTION: CORRECT?

8 "ANSWER: UH-HUH.

9 "QUESTION: YES?

10 "ANSWER: YES.

11 "QUESTION: WAS HE A

12 CAPABLE EMPLOYEE?

13 "ANSWER: I THINK HE WAS,

14 YES.

15 "QUESTION: WAS HE

16 HONEST?

17 "ANSWER: I BELIEVE THAT

18 HE WAS, YES.

19 "QUESTION: TRUSTWORTHY?

20 "ANSWER: YES."

21 MR. SHERMAN: WE HAVE NO FURTHER QUESTIONS OF

22 MR. THOMPSON.

23 THE COURT: GOOD.

24 MR. MOSHENKO: I HAVE NO CROSS-EXAMINATION, YOUR

25 HONOR.

26 THE COURT: FINE.

1                   LET ME TELL YOU, I THINK WE'RE WAY AHEAD OF  
2 SCHEDULE. DON'T WORRY ABOUT THINGS. WE'RE GOING TO BREAK  
3 NOW FOR THE DAY. SEE YOU AT 9:00 IN THE MORNING, FOLKS.

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

6                   THE COURT: WELL, GENTLEMEN, TOMORROW'S SCHEDULING?

7                   MR. SHERMAN: TOMORROW WE HAVE A LIVE WITNESS  
8 BEGINNING AT 9:00 A.M., MR. JAMES PATTON, SALT SPRINGS  
9 DEVELOPER, YOUR HONOR WILL RECALL. AND I DON'T ANTICIPATE  
10 THAT THAT WILL TAKE TERRIBLY LONG. I'M SURE -- I'M  
11 CONFIDENT THAT IT COULD BE DONE BY THE LUNCH HOUR OR SOON  
12 THEREAFTER.

13                   AND WE ALSO HAVE DEPOSITION TESTIMONY WE'D  
14 LIKE TO PLAY OF -- VIDEOTAPED DEPOSITION TESTIMONY OF  
15 JEFFREY KEIM. I DO WANT TO INFORM THE COURT THAT BECAUSE  
16 OF THE NATURE OF THE VIDEO DEPOSITION TESTIMONY SOFTWARE  
17 APPLICATION, I THOUGHT THAT IT WAS AN EASY THING TO JUST  
18 SORT OF HIT A BUTTON AND STOP EVERYTHING. THAT CANNOT BE  
19 DONE, SO I'M TOLD. SORT OF. BUT THAT IS WHAT I'M BEING  
20 TOLD, TECHNICALLY.

21                   AND WHAT I WOULD SUGGEST IS THAT WE GO BACK  
22 TO PLAN A. PLAN A IS THEY HAVE HAD OUR NOTICE OF  
23 DESIGNATION FOR MONTHS. WE WANT TO PLAY IT.

24                   THE COURT: LET'S SEE WHAT WE CAN DO AS FAR AS THE  
25 OBJECTIONS ARE CONCERNED. SEE YOU IN THE MORNING, 9:00.

26                   MR. MOSHENKO: YOUR HONOR, I TAKE IT THAT THE FACT

1 THAT JUROR 12 IS STILL WITH US MEANS HER DAUGHTER IS DOING  
2 ALL RIGHT.

3 THE COURT: I DIDN'T INQUIRE TODAY, BUT SHE SAID  
4 THAT AS LONG AS EVERYTHING WAS ALL RIGHT, SHE WOULD BE WITH  
5 US.

6 MR. MOSHENKO: IF IT'S APPROPRIATE, YOUR HONOR,  
7 COULD YOU PASS ON THAT THE ATTORNEYS ARE GLAD THAT HER  
8 DAUGHTER IS DOING WELL.

9 THE COURT: WE ALL ARE. OKAY.

10 (

11 THURSDAY, JULY 19, 2000, 9:00 A.M.)

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