

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 18, 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 - TUESDAY, JULY 18, 2000

2 MORNING SESSION

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

5 THE COURT: GOOD MORNING, LADIES AND GENTLEMEN.

6 THE JURY: GOOD MORNING.

7 THE COURT: COUNSEL, YOU MAY PROCEED.

8 MR. MOSHENKO: THANK YOU, YOUR HONOR.

9 WE'D LIKE TO RECALL ROGER RYMAN TO COMPLETE  
10 THE 776 CROSS-EXAMINATION THAT WAS STARTED BUT NOT FINISHED  
11 ON JUNE 1.

12 THE COURT: COME FORWARD, PLEASE, SIR. YOU'RE  
13 STILL UNDER OATH IN THIS MATTER, COLONEL.

14 THE WITNESS: UNDERSTAND.

15 ROGER RYMAN,  
16 CALLED AS A WITNESS ON BEHALF OF THE PLAINTIFFS UNDER  
17 SECTION 776 OF THE EVIDENCE CODE, HAVING BEEN PREVIOUSLY  
18 DULY SWORN, WAS EXAMINED AND TESTIFIED AS FOLLOWS:

19 MR. MOSHENKO: ALL RIGHT. I'M GOING TO ASK  
20 MR. DURAN TO PUT THE TRANSCRIPT TESTIMONY OF MR. RYMAN  
21 STARTING ON PAGE 2418 UP ON THE SCREEN AND THEN ASK A FEW  
22 QUESTIONS ABOUT IT.

23 CROSS-EXAMINATION (CONTINUED)

24 BY MR. MOSHENKO: Q MR. RYMAN, YOU ASKED SOME  
25 QUESTIONS -- WERE ASKED SOME QUESTIONS BY MR. SHERMAN, YOUR  
26 ATTORNEY, BACK ON JUNE 1, AND YOU WERE TALKING ABOUT A

1 DISAFFILIATION THAT WAS MADE BY MR. VOPNFORD AND  
2 MR. NOVELLI. AND YOU SAID THAT THE DISAFFILIATION WAS  
3 STRICTLY UNILATERALLY A DECISION MADE BY NOVELLI AND  
4 VOPNFORD THAT THEY WOULD DISAFFILIATE WITH COAST.

5 AND YOU WERE ASKED:

6 "SO WHAT HAPPENED NEXT?"

7 YOUR TESTIMONY WAS:

8 "WELL, WHAT COAST TO  
9 COAST DOES IS WE ATTEMPT TO MAKE  
10 ARRANGEMENTS TO FACILITATE, TO  
11 ASSIST THESE COAST TO COAST  
12 MEMBERS, AND WE PLACE THEM IN  
13 ANOTHER AFFILIATED COAST RESORT  
14 THAT THEY CAN CONTINUE TO ENJOY  
15 THE BENEFITS; THEY HAVE THE  
16 FLEXIBILITY TO GO AROUND.

17 AND --

18 "I'M GOING TO STOP YOU  
19 RIGHT THERE," MR. SHERMAN SAYS.

20 AND I'M GOING TO STOP RIGHT THERE, TOO. WE  
21 GO BACK DOWN, MR. DURAN.

22 WHAT YOU'RE REALLY TELLING THE JURY HERE IS  
23 WHEN THERE'S A DISAFFILIATION, AT LEAST IN THIS CASE WHEN  
24 THERE WAS A DISAFFILIATION WITH MR. NOVELLI AND VOPNFORD  
25 CHOOSING TO GO TO ANOTHER RECIPROCAL, COAST ASSISTED THE  
26 MEMBERS OF THE PLAINTIFFS' RESORTS WHO WERE COAST MEMBERS

1 BY TRANSFERRING THEM -- THIS PHRASE, "WE PLACED THEM IN  
2 ANOTHER RESORT" MEANS YOU TRANSFERRED THEM TO ANOTHER COAST  
3 TO COAST RESORT; CORRECT?

4 A THAT'S CORRECT. WE TRANSFERRED THE COAST TO  
5 COAST MEMBERSHIPS, YES.

6 Q "WE TRANSFERRED THE MEMBERS" -- "WE ASSISTED  
7 THESE MEMBERS, AND WE PLACED THE MEMBERS IN ANOTHER  
8 RESORT"; DOESN'T IT SAY THAT?

9 A YES, IT SAYS THAT.

10 Q AND YOU DID THAT WITH THE TRANSFER LETTERS  
11 THAT MR. RANDALL AND YOURSELF WROTE; CORRECT?

12 MR. SHERMAN: OBJECTION. VAGUE AND AMBIGUOUS NOW.  
13 MR. RYMAN TESTIFIED WHAT HE INTENDED. MR. MOSHENKO READ  
14 THE BOARD. WHEN HE SAYS "DID THAT," WHAT'S THAT?

15 MR. MOSHENKO: THAT -- THE TRANSFER OF THESE  
16 MEMBERS OBVIOUSLY IS WHAT THAT IS, IS WHAT WE ASKED HIM.

17 Q YOU DID THAT WITH THE TRANSFER LETTERS THAT  
18 YOU AND MR. RANDALL SENT OUT; CORRECT?

19 MR. SHERMAN: OBJECTION. VAGUE AND AMBIGUOUS.

20 THE COURT: OVERRULED.

21 THE WITNESS: THAT'S CORRECT.

22 BY MR. MOSHENKO: Q AND YOU DID THAT KNOWING THAT  
23 THE MEMBERS -- THAT THOSE LETTERS WOULD CAUSE MEMBERS TO BE  
24 CONFUSED AND LIKELY CHANGE RESORTS?

25 A CERTAINLY NOT. WE WEREN'T ATTEMPTING TO  
26 CONFUSE THE MEMBERS. WE WERE VERY CAREFUL IN THE WORDING

1 OF THE LETTER.

2 Q YOU KNEW THAT FROM THE WORDING OF THE LETTER  
3 THOUSANDS OF PEOPLE WOULD LIKELY BE CONFUSED?

4 A I DID NOT KNOW THAT. WE MADE EVERY EFFORT  
5 WE COULD TO MAKE IT AS CLEAR AS POSSIBLE.

6 Q COULD WE GO TO PAGE 2541 OF THE TRANSCRIPT.  
7 WE'LL GO TO THE BOTTOM OF THE PAGE, MR. DURAN.

8 AT THIS PAGE I QUESTIONED YOU ABOUT ONE OF  
9 THE LETTERS THAT WE'VE BEEN REFERRING TO THAT REFERRED TO  
10 THE AMERICAN HOLIDAY, HOLIDAY LAKES. AND I ASKED YOU:

11 SO REALLY WHAT HAPPENS IS YOU HAVE  
12 TRANSFERRED MR. NOVELLI'S MEMBERS FROM THE RESORT ON THE  
13 TOP OF AMERICAN HOLIDAYS TO HOLIDAY LAKES; IS THAT WHAT  
14 HAPPENS? YES.

15 NO, THAT'S NOT WHAT HAPPENED. I'VE SAID IT  
16 NUMEROUS TIMES. WE TRANSFERRED THE MEMBERSHIP.

17 OKAY.

18 "QUESTION: ALL RIGHT. NOW, ONCE THESE  
19 THOUSANDS OF PEOPLE BELIEVE THAT COAST TRANSFERRED THEIR  
20 MEMBERSHIPS FROM AMERICAN" -- "DID YOU CONSIDER" -- YOUR  
21 2541 IS DIFFERENT FROM MINE.

22 MR. DURAN: I THINK YOU WANT TO START AT LINE 20.

23 BY MR. MOSHENKO: Q ALL RIGHT.

24 "YOU THINK THAT ANYBODY

25 READING THIS LETTER MIGHT

26 BELIEVE THAT THEIR MEMBERSHIP IN

1 AMERICAN HOLIDAYS RESORTS HAD  
2 BEEN TRANSFERRED TO HOLIDAY  
3 LAKES?

4 "ANSWER: I KNOW THAT  
5 THOUSANDS -- THOUSANDS BELIEVED  
6 IT, YES."

7 THAT'S MEMBER CONFUSION, ISN'T IT,  
8 MR. RYMAN?

9 MR. SHERMAN: YOUR HONOR, THIS GOES BEYOND THE  
10 SCOPE OF OUR EXAMINATION --

11 MR. MOSHENKO: THIS IS THE EXAMINATION.

12 MR. SHERMAN: -- AS WE DISCUSSED IN CHAMBERS.

13 MR. MOSHENKO: IT'S INCLUDED.

14 THE COURT: I'M GOING TO ALLOW IT.

15 PROCEED.

16 BY MR. MOSHENKO: Q THAT'S CONFUSING; BY THOUSANDS  
17 OF MEMBERS, YOU BELIEVED -- YOU KNEW THAT THOUSANDS  
18 BELIEVED THAT THERE HAD BEEN ACTUAL TRANSFERS, AND YOUR  
19 POSITION IS THAT'S A CONFUSED UNDERSTANDING, ISN'T IT?

20 A I'M NOT QUITE SURE WHAT YOU'RE ASKING. I  
21 DON'T BELIEVE THAT THE LETTER CONFUSED PEOPLE.

22 Q YOU'RE RIGHT. THOUSANDS OF PEOPLE KNEW  
23 WITHOUT BEING CONFUSED THAT YOU WERE TRANSFERRING THEM;  
24 RIGHT?

25 MR. SHERMAN: OBJECTION. CUMULATIVE.

26 THE COURT: SUSTAINED.

1 MR. MOSHENKO: BEG YOUR PARDON?

2 THE COURT: SUSTAINED.

3 MR. MOSHENKO: OKAY. COULD WE GO TO 2424,

4 MR. DURAN.

5 THE WITNESS: IS IT POSSIBLE TO RAISE -- THANK

6 YOU.

7 MR. MOSHENKO: 2424 AT THE BOTTOM, LINE 24,

8 PLEASE.

9 "QUESTION: NOW, DID  
10 COAST MOVE ONE MEMBER OUT OF A  
11 NOVELLI PARK HOME RESORT  
12 MEMBERSHIP?

13 "ANSWER: NO, WE DIDN'T."

14 THE NEXT LINE.

15 "QUESTION: DID COAST  
16 TRANSFER ONE MEMBER OUT OF A  
17 NOVELLI PARK HOME MEMBERSHIP?

18 "ANSWER: NO, WE DIDN'T."

19 Q DO YOU KNOW WHO MARY URIOSTE IS?

20 A YES.

21 Q YOU'RE AWARE SHE WROTE AN INTERNAL MEMO AT  
22 COAST SAYING SHE HAD SPENT MONTHS TRANSFERRING 35,000  
23 MEMBERS FROM ONE RESORT TO ANOTHER?

24 MR. SHERMAN: BEYOND THE SCOPE. OBJECTION.

25 THE WITNESS: I DON'T KNOW.

26 MR. MOSHENKO: IT'S DIRECTLY CONTRADICTORY TO THE

1 TESTIMONY.

2 THE COURT: OVERRULED.

3 THE WITNESS: I DON'T REMEMBER SUCH -- NOTE THAT  
4 SHE TRANSFERRED 35,000 PEOPLE?

5 BY MR. MOSHENKO: Q SHE WROTE IN AN INTERNAL MEMO  
6 THAT SHE TRANSFERRED 35,000 MEMBERS FROM ONE RESORT TO  
7 ANOTHER RESORT; YOU'RE NOT AWARE OF THAT?

8 MR. SHERMAN: OBJECTION. THE DOCUMENT SPEAKS FOR  
9 ITSELF.

10 THE WITNESS: NO, I'M NOT.

11 THE COURT: THE OBJECTION IS SUSTAINED ON THAT  
12 GROUND.

13 THE COURT: MOVE --

14 MR. SHERMAN: MOVE TO STRIKE.

15 THE COURT: MOTION GRANTED.

16 BY MR. MOSHENKO: Q HAVE YOU EVER DISCUSSED WITH  
17 MARY URIOSTE THE FACT THAT SHE WAS TRANSFERRING 35,000  
18 MEMBERS FROM ONE RESORT TO ANOTHER?

19 MR. SHERMAN: OBJECTION. ASSUMES FACTS NOT IN  
20 EVIDENCE.

21 THE COURT: OVERRULED.

22 THE WITNESS: NO, I DON'T.

23 BY MR. MOSHENKO: Q YOU AGREED THAT MARY URIOSTE  
24 DISAGREES WITH YOUR CONCLUSION THAT YOU NEVER TRANSFERRED  
25 MEMBERS FROM ONE RESORT TO ANOTHER?

26 MR. SHERMAN: OBJECTION. ARGUMENTATIVE. HEARSAY.

1 THE COURT: SUSTAINED.

2 MR. MOSHENKO: IF WE CAN GO TO PAGE 2482.

3 Q ALL RIGHT. WE'RE DEALING WITH THE ISSUE OF  
4 MEMBERSHIP PROTECTION HERE AND, I BELIEVE, YOUR 1990 INSIDE  
5 NEWS POLICY STATEMENT THAT YOU PUT IN INSIDE NEWS. YOU  
6 KNOW WHAT I'M REFERRING TO?

7 A YES, I DO.

8 Q LET'S GO TO LINE 15. THIS IS YOUR  
9 TESTIMONY, MR. RYMAN.

10 "QUESTION: AS FAR AS  
11 THE -- THE MEMBERSHIP LIST  
12 PROTECTION IDEA WHERE COAST  
13 COULD NOT LEND, RENT OR SELL OR  
14 SHARE --

15 "ANSWER: THAT'S CORRECT.

16 "QUESTION: -- THAT  
17 APPLIED TO RESORT -- DID THAT  
18 APPLY TO RESORTS THAT WERE  
19 AFFILIATED WITH CAMP COAST TO  
20 COAST?

21 "ANSWER: YES.

22 "QUESTION: DID IT APPLY  
23 IN ANY OTHER CONTEXT OTHER THAN  
24 RESORTS THAT WERE AFFILIATED  
25 WITH CAMP COAST TO COAST?

26 "ANSWER: NO.

1 "QUESTION: DID IT APPLY  
2 TO DISAFFILIATED RESORTS?

3 "ANSWER: NO.  
4 THIS IS YOUR TESTIMONY FROM MR. SHERMAN'S  
5 QUESTIONING.

6 A I UNDERSTAND.

7 Q "DOES THIS POLICY HAVE ANYTHING TO DO WITH  
8 ORPHANS?

9 "ANSWER: NONE  
10 WHATSOEVER.

11 "WHY DO YOU SAY THAT?

12 "JUST DOESN'T RELATE TO  
13 THEM. I MEAN, ORPHANS, AS I  
14 DEFINED IT BEFORE, THEY ARE  
15 COAST TO COAST MEMBERS WHOSE  
16 AFFILIATED COAST TO COAST RESORT  
17 IS NO LONGER AFFILIATED."

18 AND LET'S GO ON A LITTLE BIT MORE.

19 "SO WHEN YOU SAY THEY ARE  
20 NO LONGER AFFILIATED, YOU DON'T  
21 HAVE A CONTRACTUAL ARRANGEMENT  
22 WITH THEM?

23 "ANSWER: THAT'S CORRECT.

24 "QUESTION: AND I'D  
25 LIKE --

26 "MR. SHERMAN: I'D LIKE

1 TO MOVE ON TO" --

2 LET'S STOP RIGHT THERE.

3 "YOU DON'T HAVE A  
4 CONTRACTUAL ARRANGEMENT WITH  
5 THEM?

6 "THAT'S CORRECT."

7 THAT'S THE QUESTION.

8 COULD -- MR. DURAN, COULD YOU FIND EXHIBIT  
9 244.

10 I WANT TO SHOW YOU EXHIBIT 244 --

11 MR. SHERMAN: YOUR HONOR, NO MENTION AT ALL WAS  
12 MADE OF EXHIBIT 244 IN OUR EXAMINATION OF MR. RYMAN. IT  
13 GOES BEYOND THE SCOPE OF OUR EXAMINATION.

14 THE COURT: LET'S SEE 244.

15 MR. MOSHENKO: I DIDN'T HEAR WHAT YOU SAID.

16 THE COURT: I SAID LET ME SEE 244.

17 MR. MOSHENKO, APPROACH.

18 (DISCUSSION OFF THE RECORD.)

19 MR. MOSHENKO: MR. DURAN, CAN WE GO TO EXHIBIT 5.  
20 EXHIBIT 5 IS ALREADY IN EVIDENCE, YOUR HONOR, PAGE 16-C.

21 MR. SHERMAN: YOUR HONOR, FOR THE REASONS STATED  
22 AT THE SIDEBAR, THE REFERENCE TO EXHIBIT 5, PARAGRAPH 16-C,  
23 IS CUMULATIVE. WE OBJECT ON THAT BASIS.

24 THE COURT: IT IS CUMULATIVE, COUNSEL.

25 MR. SHERMAN: AND IT WAS NOT COVERED IN OUR  
26 EXAMINATION OF MR. RYMAN.

1           MR. MOSHENKO:  THERE'S NO WAY THAT THE JURY CAN  
2 CONNECT THIS TO TESTIMONY.

3           MR. SHERMAN:  OBJECTION.  OBJECT TO SPEAKING  
4 OBJECTIONS, YOUR HONOR.

5                           (DISCUSSION OFF THE RECORD.)

6           MR. MOSHENKO:  COULD WE GO TO TRANSCRIPT PAGE  
7 2487, LINE 15.

8           Q           ALL RIGHT.  MR. RYMAN, THIS PORTION IS JUST  
9 TO ORIENT YOU, LINE 15.

10                           "THIS IS A LETTER --  
11                           SO-CALLED LETTER FROM PATRICIA  
12                           KENNEDY TO DENISE TUCCI AT  
13                           COAST.

14                           "SEE THAT?

15                           "YES, I DO.

16                           "IT REFERENCES SHE IS  
17                           ENCLOSING SOME SIGNED COPIES OF  
18                           AN AGREEMENT.

19                           "YES, I DO."

20                           DO YOU REMEMBER THE SUBJECT MATTER OF THE  
21 DENISE TUCCI LETTER -- SORRY -- THE PAT -- THE KENNEDY  
22 LETTER TO DENISE TUCCI?

23           A           FROM THE EARLIER TESTIMONY, YES.

24           Q           YES.  OKAY.  COULD WE GO TO PAGE 2491.

25                           MR. SHERMAN ASKED YOU SOME QUESTIONS ABOUT  
26 WHETHER YOU'VE SEEN THIS DOCUMENT THERE AT THE TOP.

1 "DID YOU SIGN THIS  
2 DOCUMENT?

3 "I TOLD YOU, I DID NOT  
4 SEE IT UNTIL LAST FALL.

5 AND THEN:

6 "TO YOUR KNOWLEDGE DID  
7 ANYONE FROM COAST TO COAST EVER  
8 SIGN THIS DOCUMENT?

9 "TO THE BEST OF MY  
10 KNOWLEDGE, IT NEVER HIT OUR  
11 OFFICE."

12 AND THEN DOWN TO LINE 19, PLEASE.

13 "SO WOULD YOU HAVE SIGNED  
14 THIS DOCUMENT?

15 "ANSWER: NO.

16 "QUESTION: WHY NOT?

17 "ANSWER: BECAUSE IT'S  
18 NOT IN ACCORDANCE WITH OUR  
19 NORMAL CONTRACT. I WOULD HAVE  
20 COMMUNICATED WITH MR. NOVELLI.

21 "QUESTION: YOU DIDN'T  
22 COMMUNICATE WITH MR. NOVELLI  
23 ABOUT THIS DOCUMENT?

24 "ANSWER: NO, I DIDN'T.  
25 DIDN'T SEE THE DOCUMENT. I  
26 MEAN, THAT'S A MAJOR CHANGE."

1 FIRST OF ALL, MR. RYMAN, YOU REALLY DON'T  
2 RECALL WHETHER OR NOT YOU SAW THAT DOCUMENT IN 1990, DO YOU?

3 A THAT'S CORRECT.

4 Q AND YOU REALLY DON'T RECALL WHETHER OR NOT  
5 YOU OR SOMEBODY FROM COAST TO COAST COMMUNICATED WITH  
6 RAYMOND NOVELLI, DO YOU?

7 A NO, I DON'T.

8 Q AND YOU SEEM TO BE SUGGESTING THAT YOU WOULD  
9 NOT CONSIDER SIGNED THE DOCUMENT BECAUSE IT'S -- ITS  
10 CONTENT INCLUDED A MAJOR CHANGE IN WHAT THE CONTRACTS THAT  
11 COAST HAD SAID RELATING TO USE OF MEMBERSHIP LISTS; IS THAT  
12 CORRECT?

13 A THAT'S CORRECT, YES.

14 Q AS A MATTER OF FACT, THOUGH, IN A MATTER OF  
15 JUST A COUPLE OF WEEKS FROM THE DATE OF DENISE -- THE  
16 KENNEDY TO TUCCI LETTER, THERE WAS A MAJOR CHANGE IN THE  
17 COAST TO COAST CONTRACT LANGUAGE, SPECIFICALLY RELATING TO  
18 USE OF MEMBERSHIP LISTS, WASN'T THERE?

19 MR. SHERMAN: OBJECTION. COUNSEL IS ARGUING, YOUR  
20 HONOR. ASSUMES FACTS NOT IN EVIDENCE. THE DOCUMENTS SPEAK  
21 FOR THEMSELVES.

22 MR. MOSHENKO: WELL, I'M GOING TO GET TO THE  
23 DOCUMENTS, BUT I'D LIKE TO HAVE THE WITNESS --

24 MR. SHERMAN: OBJECTION TO SPEAKING OBJECTIONS.

25 THE COURT: THE OBJECTION IS SUSTAINED. LET'S GET  
26 TO THE DOCUMENTS.

1 MR. MOSHENKO: OKAY. COULD WE HAVE EXHIBIT 244 UP,  
2 PLEASE. I'M SORRY, MR. DURAN. HOLD ON.

3 THE COURT: IS THAT THE ONE WE JUST TALKED ABOUT?

4 MR. SHERMAN: THAT'S THE ONE WE JUST TALKED ABOUT,  
5 YOUR HONOR.

6 MR. MOSHENKO: IT'S THE WRONG ONE, YOUR HONOR.

7 THE COURT: I THOUGHT SO. THE CLERK OBJECTED.

8 MR. MOSHENKO: OBJECTION OVERRULED.

9 EXHIBIT 235, YOUR HONOR.

10 Q DO YOU HAVE AN EXHIBIT BOOK UP THERE?

11 A YES, I DO.

12 Q COULD YOU LOOK AT 235. I BELIEVE IT'S IN  
13 THAT BOOK.

14 A YES, IT IS.

15 Q IS EXHIBIT 235 --

16 MR. SHERMAN: THE SAME ISSUE. OBJECTION.

17 MR. MOSHENKO: IT'S A DIFFERENT ISSUE.

18 MR. SHERMAN: IT GOES BEYOND THE SCOPE. I DID NOT  
19 SHOW MR. RYMAN THIS DOCUMENT.

20 MR. MOSHENKO: IT DOESN'T MATTER. MR. RYMAN  
21 TESTIFIED DIRECTLY CONTRARY TO THIS EXHIBIT.

22 MR. SHERMAN: OBJECT TO COUNSEL'S REPEATED SPEAKING  
23 OBJECTIONS.

24 (DISCUSSION OFF THE RECORD.)

25 THE COURT: WE'RE GOING TO BE IN CHAMBERS FOR JUST  
26 A FEW MINUTES.

1 (THE FOLLOWING PROCEEDINGS WERE HELD IN  
2 CHAMBERS:)

3 THE COURT: MR. MOSHENKO?

4 MR. MOSHENKO: ALL RIGHT, YOUR HONOR.

5 I HAVE A WITNESS WHO'S TESTIFIED, AS THE  
6 RECORD REFLECTS ALREADY -- BUT THE IMPORT OF THE TESTIMONY  
7 IS HE IS TESTIFYING -- ACTUALLY HE HAS NOW SAID HE HAS NOT  
8 SAID -- HE IS NOT SURE WHETHER HE EVER RECEIVED THE KENNEDY  
9 LETTER OR WHETHER HE -- IT EVER HIT HIS OFFICE, AS HE  
10 TESTIFIED, OR WHETHER HE COMMUNICATED WITH MR. NOVELLI.  
11 BUT HE DOES BASE HIS TESTIMONY ON THE FACT THAT -- THE  
12 TESTIMONY IN THE TRANSCRIPT -- THAT HE KNOWS HE DIDN'T DEAL  
13 WITH THE DOCUMENT BECAUSE IT WOULD CONSTITUTE A MAJOR  
14 CHANGE. HE KNOWS HE WOULDN'T HAVE SIGNED A DOCUMENT LIKE  
15 THAT BECAUSE IT WAS A MAJOR CHANGE.

16 AND, IN FACT, WITHIN TWO WEEKS AFTER THE  
17 KENNEDY LETTER IS SENT -- BASED ON THE DATE OF EXHIBIT 235,  
18 WITHIN TWO WEEKS AFTER THE DATE OF THE KENNEDY LETTER BEING  
19 SENT -- AND I'M GOING TO SAY BEING RECEIVED BY CAMP COAST  
20 TO COAST, BECAUSE WE HAVE TESTIMONY IT'S BEEN SENT, AND  
21 THERE'S A PRESUMPTION THAT CORRESPONDENCE PUT IN THE MAIL  
22 IS RECEIVED -- THEY MAKE A MAJOR CHANGE IN THEIR CONTRACT.

23 AND THE SIGNIFICANCE OF THIS EVIDENCE, YOUR  
24 HONOR, GOES DIRECTLY TO THE FACT OF WHAT THE COURT SAID TO  
25 US IN CHAMBERS YESTERDAY WHEN YOUR HONOR SAID, WELL, THE  
26 CONTRACT SAYS THEY CAN USE THE LISTS FOR ALL PURPOSES.

1 WELL, YOUR HONOR HAS -- I'M SURE HASN'T READ  
2 THE LANGUAGE IN THE CONTRACT, 235, WHICH IS A COAST TO  
3 COAST CONTRACT WHICH, AS I INDICATED TO YOUR HONOR ON THE  
4 BENCH, HAS A DATE, 2/90, WHICH IS WHERE I GET MY WITHIN TWO  
5 WEEKS AFTER THE TUCCI LETTER REFERENCE.

6 THAT CONTRACT SAYS, WHEN IT COMES TO USE OF  
7 LISTS, IT SAYS -- MAYBE IT'S MORE IMPORTANT WHAT IT DOESN'T  
8 SAY.

9 THE COURT: LET'S SEE WHAT IT SAYS.

10 MR. MOSHENKO: IT SAYS, "LISTS OF MEMBERS OF COAST  
11 COMPILED BY COAST FROM SUCH APPLICATIONS MAY BE USED BY  
12 COAST IN ITS DISCRETION FOR ENHANCEMENT OF THE COAST  
13 MEMBERSHIP."

14 WHAT IT DOESN'T SAY, IT DOESN'T SAY WHAT THE  
15 COURT SUGGESTED YESTERDAY IN CHAMBERS THE CONTRACT SAYS,  
16 WHICH IS LISTS MAY BE USED FOR ANY PURPOSES. IT DOESN'T  
17 SAY WHAT MR. SHERMAN AND MR. RIVIN ARGUED YESTERDAY THAT IT  
18 SAYS WHEN THEY SAID IT SAYS LISTS MAY BE USED FOR ANY  
19 PURPOSES.

20 THE COURT: WELL, THAT WAS ALL SAID IN CHAMBERS.  
21 THAT WASN'T BEFORE THE JURY.

22 MR. MOSHENKO: I UNDERSTAND, YOUR HONOR. BUT THIS  
23 IS ARGUMENT. AND MY POINT IS THAT THE JURY -- YOUR HONOR  
24 HEARD EVERYTHING THE JURY HEARD. YOUR HONOR CAME AWAY  
25 WITH, RESPECTFULLY, A MISUNDERSTANDING OF WHAT THE WORDS  
26 WERE. THE SIGNIFICANCE OF THIS NOT ONLY IS WHAT IT SAYS

1 AND NOT ONLY IS WHAT IT DOESN'T SAY, IT IS WHEN IT OCCURRED  
2 AND WHAT IT WAS CHANGED FROM.

3 THE LANGUAGE THAT YOUR HONOR REFERRED TO  
4 YESTERDAY IN CHAMBERS, THE LISTS MAY BE USED FOR ANY  
5 PURPOSES, PRECEDED THIS CONTRACT IN THE LATE '80'S. IN  
6 1990 KENNEDY SENDS THE LETTER. WITHIN TWO WEEKS COAST  
7 CHANGES THE FORM OF THEIR CONTRACT FROM FEBRUARY OF 1990 ON  
8 FOREVER, UNTIL TODAY. THE AFFILIATION AGREEMENT HAS NEVER  
9 SAID LISTS MAY BE USED FOR ANY PURPOSES. IT HAS ALWAYS  
10 INCLUDED THIS ENHANCEMENT USE REFERENCE, WHICH CAME ABOUT  
11 WITHIN TWO WEEKS OF THE KENNEDY LETTER AND THAT WE CONTEND  
12 IS A LIMITING PHRASE.

13 AND THE CONTEXT OF THE CHANGEOVER PROVES  
14 THAT IT WENT FROM THE BROAD "MAY BE USED FOR ANY PURPOSES"  
15 TO THE LIMITING "MAY BE USED FOR ENHANCEMENT." AND WHETHER  
16 IT'S LIMITING OR NOT LIMITING IS AN ISSUE IN THIS CASE,  
17 YOUR HONOR. THE JURY IS ENTITLED TO HEAR THE CONTEXT OF  
18 THE CHANGES.

19 I MEAN, COUNSEL HAS PUT UP CONTRACTS ALL  
20 OVER THE PLACE AND CREATED -- APPARENTLY CREATED THE  
21 MISUNDERSTANDING THAT THE CONTRACTS SAY, "MAY BE USED FOR  
22 ANY PURPOSES," WHEN THEY DON'T. I HAVE THE RIGHT TO SHOW  
23 THAT THEY DIDN'T SINCE FEBRUARY OF 1990.

24 THE COURT: MR. SHERMAN, RESPONSE?

25 MR. SHERMAN: YOUR HONOR, I'VE GOT A FEW POINTS TO  
26 SAY IN RESPONSE.

1                   AND LET ME DISPENSE WITH THE FIRST ARGUMENT,  
2 WHICH I THINK IS PERHAPS WHERE THE COURT CAN BEGIN AND END  
3 ITS ANALYSIS, IF IT SO CHOOSES.

4                   MR. RYMAN WAS ON THE WITNESS STAND FOR  
5 NEARLY THREE DAYS SUBJECTED TO APPROXIMATELY TWO AND A HALF  
6 DAYS' WORTH OF CROSS-EXAMINATION BY THE PLAINTIFFS. AND  
7 THIS DOES GO BEYOND THE SCOPE OF THE EXAMINATION THAT WE  
8 MADE, THE VERY LIMITED EXAMINATION THAT WE MADE OF  
9 MR. RYMAN. AND SO FOR THAT REASON ALONE.

10                   BUT THERE ARE OTHER, EVEN MORE COMPELLING  
11 REASONS IN THIS INSTANCE WHY YOUR HONOR'S PRELIMINARY --  
12 YOUR HONOR'S RULING WAS THE CORRECT RULING AND WHY YOUR  
13 HONOR SHOULD, TO PARAPHRASE YOUR HONOR'S WORDS, STAND BY  
14 THAT RULING.

15                   PROBABLY THE MOST IMPORTANT ISSUE IS THIS:  
16 MR. MOSHENKO IS NOT EXACTLY BEING STRAIGHT WITH THE COURT  
17 WHEN MR. MOSHENKO SAYS THAT BEGINNING IN JANUARY '90 AND  
18 CONTINUING FROM THEREAFTER THAT'S WHAT THE LANGUAGE SAID.  
19 BECAUSE WHAT MR. MOSHENKO FAILED TO REMIND THE COURT --  
20 BECAUSE I'M SURE YOUR HONOR REMEMBERS IT, IN ANY EVENT.  
21 BUT I AM MAKING A RECORD HERE -- IS EXHIBIT 244, WHICH IS  
22 IN EVIDENCE. IS IN EVIDENCE.

23                   MR. MOSHENKO: 244?

24                   MR. SHERMAN: I MISSPOKE. MY EXHIBITS ARE OUT OF  
25 ORDER HERE. HOLD ON.

26                   MR. MOSHENKO: WHILE HE IS LOOKING, I DIDN'T SAY

1 THAT'S WHAT THE LANGUAGE SAID SINCE THEN.

2 MR. SHERMAN: MR. MOSHENKO, PLEASE.

3 THE COURT: JUST A MINUTE.

4 MR. SHERMAN: THE EXHIBITS THAT ARE IN EVIDENCE --  
5 LET ME PUT IT THAT WAY.

6 THE EXHIBITS THAT ARE IN EVIDENCE AFTER 1990  
7 SAY REPEATEDLY, FOUR CONTRACTS SIGNED, TWO BY MR. NOVELLI,  
8 TWO BY MR. SCHULZ, THOSE CONTRACTS WHICH ARE IN EVIDENCE.

9 I'LL LET IT GO AT THAT FOR NOW. IF THE  
10 COURT WANTS THE EXACT EXHIBIT NUMBER, I'LL PROVIDE IT.  
11 THOSE CONTRACTS SAY, QUOTE, "LISTS OF MEMBERS OF COAST  
12 COMPILED BY COAST FROM SUCH APPLICATIONS ARE THE PROPERTY  
13 OF COAST FOR ALL" -- "ARE THE PROPERTY OF COAST FOR ALL  
14 PURPOSES," AND THEN THERE'S ANOTHER WORD IN THERE, "AND MAY  
15 BE USED BY COAST IN ITS DISCRETION FOR ENHANCEMENT OF THE  
16 COAST MEMBER.

17 SO MR. MOSHENKO, I DON'T KNOW IF HE IS  
18 IGNORING IT INTENTIONALLY OR UNINTENTIONALLY. BUT WE GOT  
19 TO START WITH THE WRITTEN AGREEMENTS SIGNED BY THE PARTIES  
20 OF -- MR. NOVELLI'S AGREEMENTS CONSISTENTLY USE THAT  
21 LANGUAGE FOUR TIMES. AND THE TIME BEFORE THAT, IN 1988, IT  
22 SAID IT COULD BE USED FOR ANY PURPOSE.

23 NOW, I DON'T BELIEVE THAT THERE'S EVER BEEN  
24 ANY DEVELOPMENT OF ANY DISTINCTION BETWEEN "MAY BE USED BY  
25 COAST FOR ALL PURPOSES" OR "MAY BE USED BY COAST FOR ANY  
26 PURPOSES." THE FACT IS THAT THE LANGUAGE THAT MR. MOSHENKO

1 WAS REVIEWING WITH THE COURT IS NOT -- UNDERSCORED,  
2 UNDERLINED -- NOT THE LANGUAGE THAT MR. NOVELLI REPEATEDLY  
3 SIGNED, WHICH LEADS ME TO A COUPLE OF OBSERVATIONS.

4 WE GO BACK TO THE SAME PAROL EVIDENCE  
5 ISSUE. WHY HAVE THEY INTRODUCED THIS IF NOT TO SUGGEST A  
6 DIFFERENT MEANING THAN THE CONTRACTS THAT MR. NOVELLI  
7 SIGNED, REPEATEDLY, AND HIS BROTHER-IN-LAW. ANOTHER ISSUE.

8 THE COURT: ENOUGH. I'M GOING TO STAND BY MY  
9 RULING, MR. MOSHENKO. WE MADE OUR RECORD. LET'S GO BACK  
10 OUT AND GET GOING.

11 MR. SHERMAN: VERY WELL.

12 THE COURT: I WANT TO REMIND ALL COUNSEL THAT WE'LL  
13 HAVE NO MORE SPEAKING OBJECTIONS, AND WE'RE GOING TO TRY TO  
14 LIMIT OUR VISITS TO THE BENCH SO WE CAN MOVE THIS TRIAL  
15 ALONG.

16 MR. MOSHENKO: YOUR HONOR, I'M GOING TO MAKE ONE  
17 COMMENT RELATING TO WHAT ELSE HAPPENED AT THE SIDEBAR, NOT  
18 ON THIS MATTER, BUT BECAUSE I WOULD LIKE TO HAVE A RECORD  
19 OF THE PREVIOUS SIDEBAR.

20 WHEN I OFFERED EXHIBIT 244, I WAS OFFERING  
21 IT TO SHOW THE CONTRADICTION IN THE WITNESS'S TESTIMONY  
22 WHERE THE WITNESS TESTIFIED THAT, IN ESSENCE,  
23 DISAFFILIATION TERMINATES THEIR RIGHTS OF PARTIES. AND  
24 THAT CONTRACT THAT I OFFERED INCLUDED THE LANGUAGE THAT  
25 SAID TERMINATION OF AGREEMENT BY DISAFFILIATION DOES NOT  
26 END THE COVENANTS AND DUTIES.

1           MR. SHERMAN: FOR THE REASONS I MENTIONED AT THE  
2           SIDEBAR, IT'S NOT RELEVANT NOR WERE THE PRIOR ARGUMENTS  
3           RELEVANT. AND I'D LIKE TO PROCEED WITH YOUR HONOR.

4           THE COURT: LET'S GO.

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

7           MR. MOSHENKO: MR. DURAN, COULD WE GO TO PAGE 2430,  
8           LINE 25.

9           Q           ALL RIGHT. TO ORIENT YOU, MR. RYMAN, WE'RE  
10          TALKING ABOUT THE SUBJECT OF ORPHANS AND THE DEFINITION OF  
11          ORPHANS. MR. SHERMAN IS ASKING YOU QUESTIONS.

12                            "I'D LIKE TO MOVE,  
13                            MR. RYMAN, TO THE SUBJECT OF  
14                            ORPHANS.

15                            "YOU'VE HEARD THAT TERM  
16                            BEFORE USED IN THE CONTEXT OF  
17                            THE RECIPROCAL MEMBERSHIP  
18                            BUSINESS?

19                            "ANSWER: I HAVE.

20                            "QUESTION: WHAT IS AN  
21                            ORPHAN?

22                            "ANSWER: AN ORPHAN IS A  
23                            SLANG TERM THAT WAS IN -- A  
24                            SLANG TERM THAT WAS IN THE  
25                            INDUSTRY WHEN I CAME."

26                            NOW, LET'S GET IT -- YOU CAME IN '86; RIGHT?

1 A THAT'S CORRECT.

2 Q "AND IT'S ALWAYS REFERRED TO -- AND WHAT IT  
3 IS IS A -- A COAST TO COAST  
4 MEMBER WHOSE HOME RESORT IS NO  
5 LONGER AFFILIATED WITH COAST TO  
6 COAST FOR ANY REASON.

7 "SO IF A HOME RESORT  
8 CLOSES, BY VIRTUE OF CLOSING, IT  
9 IS NO LONGER AFFILIATED; IS THAT  
10 ANY REASON?

11 "ANSWER: CERTAINLY.

12 "QUESTION: ANY OTHER  
13 CONTEXT OR CIRCUMSTANCE CAN GIVE  
14 RISE TO A DISAFFILIATION FOR ANY  
15 REASON?

16 "ANSWER: RESORT MIGHT BE  
17 SOLD, MIGHT NOT WANT TO BE  
18 AFFILIATED WITH COAST.  
19 CERTAINLY A VOLUNTARY  
20 DISAFFILIATION LIKE MR. NOVELLI  
21 AND MR. VOPNFORD DID. AND THEN  
22 SOMETIMES IN THE BANKRUPTCY  
23 COURT IT OCCURS."

24 GO DOWN, PLEASE, MR. DURAN, AGAIN.

25 SO THIS STATEMENT THAT STARTED OUT --  
26 RIGHT -- 2431 AT THE TOP. ALL RIGHT.

1                   THIS STATEMENT, "AN ORPHAN IS A SLANG TERM  
2 THAT WAS IN THE INDUSTRY WHEN I CAME. AND IT IS ALWAYS  
3 REFERRED TO AS A COAST MEMBER WHOSE HOME RESORT IS NO  
4 LONGER AFFILIATED FOR ANY REASON," THAT WAS A FALSE  
5 STATEMENT, WASN'T IT?

6           A           I DON'T BELIEVE SO.

7           MR. MOSHENKO: YOUR HONOR, THIS IS AN IMPEACHMENT  
8 DOCUMENT. AND I NEED TO IDENTIFY THE NEXT IN ORDER UNUSED  
9 NUMBER, 2200.

10                   (WHEREUPON, EXHIBIT NO. 2200, COAST TO COAST  
11 LICENSE MANUAL, WAS MARKED FOR IDENTIFICATION.)

12           MR. MOSHENKO: HANDING THE WITNESS EXHIBIT 2200.

13           THE COURT: WHAT'S THE DESCRIPTION?

14           MR. MOSHENKO: IDENTIFIED FOR THE RECORD AS A COAST  
15 TO COAST LICENSE MANUAL FOR 1989.

16           MR. SHERMAN: OBJECTION. IT'S NOT IMPEACHMENT.

17           THE COURT: LET ME SEE THE DOCUMENT, SEE IF IT'S  
18 SPECIFICALLY WHAT YOU'RE REFERRING TO.

19                   WHAT SPECIFICALLY ARE YOU REFERRING TO,  
20 MR. MOSHENKO?

21           MR. MOSHENKO: YOUR HONOR, I'M REFERRING TO -- IF  
22 YOU WANT TO READ THE BATES PAGE NUMBERS AT THE BOTTOM, IT'S  
23 NEAR THE END, ABOUT 10 PAGES UP, BATES NUMBER CCC 02852.

24           THE COURT: ALL RIGHT. WHAT'S THE SUBJECT MATTER?

25           MR. MOSHENKO: THE SUBJECT MATTER IS THE DEFINITION  
26 OF ORPHANS.

1 THE COURT: MEMBERS OF AN INOPERATIVE RESORT.

2 MR. MOSHENKO: CORRECT. OKAY. THAT'S THE REASON  
3 FOR THIS TESTIMONY.

4 THE COURT: JUST A MINUTE.

5 MR. SHERMAN: YEAH. WE WEREN'T GOING TO BE MAKING  
6 SPEAKING OBJECTIONS.

7 THE COURT: THERE WAS AN OBJECTION MADE ON THE  
8 BASIS THAT IT IS NOT IMPEACHMENT.

9 MR. MOSHENKO: OKAY. WHEN THE WITNESS --

10 MR. SHERMAN: I SUBMIT, YOUR HONOR. NO FURTHER  
11 ARGUMENT.

12 MR. MOSHENKO: MAY WE APPROACH?

13 THE COURT: ALL RIGHT. APPROACH.

14 (DISCUSSION OFF THE RECORD.)

15 THE COURT: FOR THE RECORD THE OBJECTION IS  
16 SUSTAINED.

17 WHAT DID YOU DO TO CONTROL THEM? YOU  
18 WHIPPED THEM INTO SHAPE.

19 MR. MOSHENKO: YOUR HONOR, FOR THE RECORD -- I'D  
20 OFFER EXHIBIT 2020 INTO EVIDENCE, FOR THE RECORD, SO WE CAN  
21 HAVE IT ON THE RECORD IT WAS OFFERED.

22 THE COURT: ALL RIGHT.

23 MR. SHERMAN: OBJECTION. IT'S NOT IMPEACHMENT.

24 MR. MOSHENKO: 2200.

25 MR. SHERMAN: IT OUGHT NOT COME IN.

26 THE COURT: YOUR MOTION TO ADMIT IT IS DENIED.

1 MR. MOSHENKO: THANK YOU.

2 Q MR. RYMAN, DO ALL RESORTS THAT DISAFFILIATE  
3 FROM COAST TO COAST CONSTITUTE INOPERATIVE RESORTS?

4 A I'VE NEVER USED THAT TERMINOLOGY.

5 Q HAS COAST TO COAST ALWAYS CONSIDERED EVERY  
6 DISAFFILIATED RESORT TO BE AN INOPERATIVE RESORT?

7 MR. SHERMAN: OBJECTION. IT LACKS FOUNDATION AS TO  
8 COAST TO COAST. ASKED IF MR. RYMAN.

9 MR. MOSHENKO: WELL, MR. RYMAN IS THE PRESIDENT OF  
10 COAST TO COAST, YOUR HONOR, FOR SIX OR SEVEN YEARS.

11 MR. SHERMAN: YOUR HONOR, I OBJECT TO THIS ENTIRE  
12 LINE OF QUESTIONING FOR THE SAME REASONS THAT WE DISCUSSED  
13 IN CHAMBERS.

14 THE COURT: THE OBJECTION IS SUSTAINED.

15 BY MR. MOSHENKO: Q MR. RYMAN -- LET'S GO TO PAGE  
16 2503 OF THE TRANSCRIPT, MR. DURAN.

17 I'VE MISPLACED MY TRANSCRIPT. DID I LEAVE  
18 IT UP THERE?

19 THE COURT: NO. I'M NOT HIDING IT.

20 MR. MOSHENKO: OH, I'VE GOT IT.

21 Q AT THE BOTTOM, LINE 24, YOU WERE BEING ASKED  
22 SOME QUESTIONS, MR. RYMAN, ABOUT YOUR AWARENESS OF THE ALL  
23 SEASONS RESORTS BANKRUPTCY IN THE FALL OF 1997.

24 DO YOU SEE AT LINE 24 THE QUESTION IS ASKED?

25 A YES, I SEE IT.

26 Q OKAY. AND CONTINUING.

1                   YOU WERE AWARE IN THE FALL OF 1997 THAT ALL  
2 SEASONS RESORTS WAS IN A BANKRUPTCY.

3                   IS THAT CORRECT, MR. RYMAN? THAT'S MY  
4 QUESTION.

5           A           YES, I GUESS SO. I MEAN, I WAS AWARE THAT  
6 THEY WERE SELLING THEIR RESORTS, AND THE MEMBERS' CONTRACTS  
7 HAD BEEN TERMINATED.

8           Q           AND YOU WERE AWARE AS OF NOVEMBER THAT THE  
9 BANKRUPTCY WAS PENDING; RIGHT?

10          A           I'M NOT SURE TIMEWISE. I DON'T KNOW WHETHER  
11 IT WAS A RECEIVER OR A BANKRUPTCY COURT THAT WAS SELLING  
12 THE RESORTS, AND THE MEMBERS HAD BEEN NOTIFIED THAT THEIR  
13 MEMBERSHIPS HAD BEEN TERMINATED. THAT'S ALL I --

14          Q           COULD WE GO TO PAGE 2513.

15                   YOU SENT LETTERS TO ALL SEASONS RESORTS  
16 MEMBERS ON NOVEMBER 5, 1997, TELLING THEM MR. NOVELLI  
17 WITHDREW THEIR RESORT, ALL SEASONS RESORTS, FROM THE COAST  
18 SYSTEM; RIGHT?

19           MR. SHERMAN: OBJECTION. IT MISSTATES THE  
20 EVIDENCE. THE DOCUMENT SPEAKS FOR ITSELF.

21           MR. MOSHENKO: THE DOCUMENT SAYS, AS YOU KNOW,  
22 RAYMOND NOVELLI WITHDREW. IT DOESN'T MISSTATE THE  
23 EVIDENCE.

24           MR. SHERMAN: YOUR HONOR, THE DOCUMENT SPEAKS FOR  
25 ITSELF.

26           THE COURT: PUT THE DOCUMENT UP.

1 MR. MOSHENKO: OKAY. LET'S PUT UP -- IT WILL TAKE  
2 A MINUTE TO LOCATE, YOUR HONOR.

3 THE COURT: IT'S IN EVIDENCE.

4 MR. MOSHENKO: IT'S A PRELIMINARY MATTER, YOUR  
5 HONOR. I DON'T WANT TO TAKE THE TIME.

6 THE COURT: ALL RIGHT.

7 MR. MOSHENKO: OKAY.

8 MR. SHERMAN: THAT'S FINE. BUT THE DOCUMENT SAYS  
9 WHAT IT SAYS.

10 MR. MOSHENKO: LET'S PUT IT UP.

11 OKAY. THIS IS NOT THE DOCUMENT, MR. DURAN.  
12 I'M LOOKING FOR THE NOVEMBER 5 ONE.

13 NOVEMBER 5, 1997. THAT'S NOT THE ONE  
14 EITHER. IT'S LATER THAN NOVEMBER 5.

15 LET'S SKIP TRYING TO FIND THE DOCUMENT.  
16 LET'S GO.

17 Q YOU WERE THE AWARE OF THE EXISTENCE OF THE  
18 BANKRUPTCY AS OF NOVEMBER 5?

19 A YES, I WAS AWARE THERE WAS SOMETHING.

20 Q IN FACT, YOU TESTIFIED THAT YOU WERE AWARE  
21 THAT THERE WERE PROCEEDINGS GOING ON ON OCTOBER 27  
22 INVOLVING THE SALE OF ALL SEASONS RESORTS; CORRECT?

23 A THAT'S CORRECT.

24 MR. SHERMAN: YOUR HONOR, OBJECTION TO THIS  
25 CUMULATIVE LINE OF QUESTIONING.

26 THE COURT: I THINK HE IS LAYING SOME FOUNDATION

1 FOR SOMETHING, BUT LET'S GET TO IT.

2 MR. MOSHENKO: CORRECT.

3 Q AND YOU KNEW THAT ALL SEASONS WAS NOT  
4 DISSOLVED AS OF NOVEMBER 5?

5 A I MEAN -- RESORTS ARE BEING SOLD, AND THE  
6 MEMBERS WERE GETTING LETTERS SAYING THAT THEY WERE -- THEIR  
7 MEMBERSHIPS WERE TERMINATED. SO IT WAS DISSOLUTION AS FAR  
8 AS WE WERE CONCERNED.

9 Q AS A MATTER OF FACT, MR. RYMAN, IT WAS YOUR  
10 OWN STATEMENT OF COAST TO COAST'S POLICY THAT COAST TO  
11 COAST COULD NOT APPROACH MEMBERS FOR THE PURPOSE OF  
12 IDENTIFYING RESORTS AND OTHER RESORTS TO TRANSFER  
13 MEMBERSHIPS UNTIL THE BANKRUPTCY PROCEEDINGS WERE COMPLETED  
14 AS OF THEN; WASN'T THAT YOUR POLICY?

15 A WE WATCHED AND FOUND OUT WHAT WAS GOING ON,  
16 AND EACH CASE WAS DIFFERENT. I MEAN, IT DEPENDED ON WHAT  
17 WAS GOING ON. AS I SAY, IN THIS PARTICULAR CASE --

18 Q WASN'T IT THE POLICY OF ROGER RYMAN AND OF  
19 COAST TO COAST THAT COAST TO COAST MUST AWAIT APPROPRIATE  
20 COURT DECISIONS BEFORE ATTEMPTING TO ASSIST INDIVIDUAL  
21 MEMBERS BY IDENTIFYING LOCAL RESORTS AND POINTS OF CONTACT  
22 THAT ARE WILLING TO PROVIDE AN OPPORTUNITY TO CONTINUE  
23 MEMBERSHIP?

24 MR. SHERMAN: OBJECTION. THIS GOES BEYOND THE  
25 SCOPE OF OUR EXAMINATION --

26 THE COURT: SUSTAINED.

1 MR. SHERMAN: -- OF MR. RYMAN.

2 BY MR. MOSHENKO: Q YOU ACTED IN VIOLATION OF  
3 COAST'S POLICY WHEN YOU WROTE THE NOVEMBER 5 LETTERS,  
4 DIDN'T YOU?

5 MR. SHERMAN: THIS ASSUMES FACTS NOT IN EVIDENCE.  
6 AND IT GOES BEYOND THE SCOPE OF OUR EXAMINATION.

7 THE COURT: THE OBJECTION IS SUSTAINED ON BOTH  
8 GROUNDS.

9 MR. MOSHENKO: YOUR HONOR, I'D LIKE TO MARK EXHIBIT  
10 2201 AS A COPY OF THE COAST TO COAST MAGAZINE.

11 YOUR HONOR, I KNOW WHERE IT'S GOING. SO MAY  
12 I JUST RESERVE THE RIGHT TO MAKE THE RECORD AND MARK -- AND  
13 OFFER THE MAGAZINE?

14 THE COURT: YEAH.

15 MR. MOSHENKO: THANK YOU.

16 THE COURT: WHAT'S THE DATE OF THE MAGAZINE?

17 MR. MOSHENKO: THE DATE IS MAY, JUNE 1988. MANY  
18 COAST MAGAZINES HAVE BEEN ADMITTED. IT MAY EVEN ALREADY BE  
19 ADMITTED, YOUR HONOR. I'M NOT SURE.

20 THE COURT: IS IT IN?

21 THE CLERK: I DON'T KNOW.

22 THE COURT: THE CLERK DOESN'T HAVE A CLUE.

23 MR. MOSHENKO: I HAD ONE MORE SUBJECT MATTER, YOUR  
24 HONOR.

25 MR. SHERMAN: YOUR HONOR, WE MOVED INTO EVIDENCE  
26 THE LAST FIVE YEARS. I DON'T THINK WE DID THE LAST 18, YOU

1 KNOW, 15 OR SO.

2 MR. MOSHENKO: SO IT'S NOT -- SO I RESERVE THE  
3 RIGHT TO OFFER IT, YOUR HONOR, IF I MAY.

4 COULD WE GO TO PAGE 2367, MR. DURAN. 2367  
5 WAS FOUND IN MAY 31.

6 Q ALL RIGHT. MR. RYMAN, YOU'RE BEING ASKED  
7 QUESTIONS ABOUT A DOCUMENT IDENTIFIED AS EXHIBIT 1711. AND  
8 ON LINE 5 --

9 MR. SHERMAN: OBJECTION. THIS IS FROM COUNSEL'S  
10 OWN EXAMINATION. BY DEFINITION IT GOES BEYOND THE SCOPE OF  
11 OUR EXAMINATION.

12 MR. MOSHENKO: YOUR HONOR, THIS IS WHAT WE TALKED  
13 ABOUT IN CHAMBERS WHEN I TOLD YOU MR. SHERMAN INDICATED HE  
14 WOULD NOT OBJECT IT GOES BEYOND THE SCOPE.

15 THE COURT: I'LL ALLOW IT. GET ON WITH IT.

16 MR. MOSHENKO: AND THIS IS PRELIMINARY TO SET IT  
17 UP, YOUR HONOR.

18 Q OKAY. MR. RYMAN, YOU'RE BEING ASKED ABOUT A  
19 DOCUMENT WHICH IS CALLED A SALES AND MARKETING ANALYSIS AND  
20 RECOMMENDATION PREPARED FOR COAST TO COAST DONE IN OCTOBER  
21 OF 1995; DO YOU SEE THAT?

22 A YES, I DO.

23 Q AND, MR. DURAN, DOWN AT THE BOTTOM OF THE  
24 PAGE. AND IT WAS DEEMED ADMITTED.

25 ALL RIGHT. NOW, I WANT TO GO ON. TO JUST  
26 ORIENT YOU, COULD WE GO TO PAGE 2385, LINE 3.

1                   AND MR. SHERMAN ASKED YOU, WERE YOU A PART  
2 OF SENIOR MANAGEMENT AT C TO C, COAST TO COAST, THAT MY  
3 INDEPENDENT REPORT WAS DIRECTED TO? WEREN'T YOU, SIR?

4                   AND YOU SAY THAT WAS, CERTAINLY.

5                   AND THEN HE ASKED IF YOU MADE HANDWRITTEN  
6 NOTES REGARDING SOME EXHIBITS. DO YOU SEE THAT?

7           A        YES.

8           Q        NOW, COULD WE GO TO PAGE 2885, LINE 13. IT  
9 WOULD BE JULY 1, I BELIEVE -- I'M SORRY. LET ME JUST CHECK  
10 THAT.

11                   OKAY. IT HAS GOT TO BE THE WRONG PAGE. IT  
12 WAS 2385. WE'VE ALREADY BEEN THERE, MR. DURAN.

13                   I WAS REFERRING TO THE PART WHERE YOU WERE  
14 ASKED IF YOU MADE NOTES.

15                   ALL RIGHT. NOW, THEN, SIR, YOU WERE ASKED  
16 IF THESE WERE YOUR NOTES. AND I'M GOING -- YOUR HONOR, I  
17 HAVE A DOCUMENT WHICH I'D LIKE TO MARK FOR IDENTIFICATION  
18 AS 2202.

19           THE COURT: DESCRIBE IT, PLEASE, FOR THE CLERK.

20           MR. MOSHENKO: THIS IS MR. RYMAN'S NOTES,  
21 HANDWRITTEN NOTES, RELATING TO THE REPORT AND  
22 RECOMMENDATION, MARKETING ANALYSIS AND RECOMMENDATION.

23           Q        THOSE ARE IN FACT YOUR NOTES, ARE THEY NOT,  
24 MR. RYMAN?

25           A        YES. THAT'S MY HANDWRITING.

26           Q        AND THOSE RELATE TO THE REPORT AND

1 RECOMMENDATION THAT YOU WERE CONSIDERING AT THE TIME YOU  
2 WROTE THEM; CORRECT?

3 A I'M NOT SURE WHICH ONE OF THE REPORTS IT  
4 WAS. THEY WERE PART OF A STRATEGIC PLANNING MEETING, YES.

5 Q OKAY. AND AT THE TIME YOUR STATE OF MIND --  
6 THIS WAS WHILE YOU WERE PRESIDENT; RIGHT?

7 A THAT'S CORRECT.

8 Q AT THE TIME YOUR STATE OF MIND WAS THAT  
9 COAST'S PRIMARY STRATEGY HAD TO BE -- HAD TO BE IT SHOULD  
10 CONTINUE TO GROW, GET MORE MEMBERS AND KEEP THEM; CORRECT?

11 A YES.

12 Q AND AT THE TIME YOUR STATE OF MIND -- AND  
13 SINCE THEN YOUR STATE OF MIND OF STRATEGY HAS BEEN THERE'S  
14 ONLY ONE OTHER GROUND RULE, AND THAT IS "NOTHING IS  
15 SACRED"; IS THAT CORRECT?

16 A NO, THAT'S NOT CORRECT.

17 Q WOULD YOU LOOK AT -- AND I'LL POINT IT OUT  
18 TO HELP YOU FIND --

19 A I SEE IT.

20 Q ALL RIGHT. WELL, YOU WROTE IN YOUR OWN  
21 NOTES IN A STRATEGY SESSION, DID YOU NOT, THE ONLY OTHER  
22 GROUND RULE REGARDING -- IT'S RIGHT BELOW A SENTENCE THAT  
23 SAYS, "MEMBERS, AFFINITY, AND VALUE. GROW. GET MORE AND  
24 KEEP THEM. ONLY OTHER GROUND RULE, NOTHING SACRED."

25 YOU WROTE THAT, DIDN'T YOU?

26 A I DID.

1 MR. MOSHENKO: NOTHING FURTHER, YOUR HONOR.

2 THE COURT: THANK YOU.

3 IT'S TIME TO TAKE THE MORNING BREAK. SEE  
4 YOU IN 20 MINUTES.

5 (RECESS TAKEN.)

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

8 THE COURT: PROCEED, COUNSEL.

9 MR. MOSHENKO: YOUR HONOR, COULD I JUST MAKE A  
10 RECORD OF THE FACT THAT I HANDED EXHIBIT 2201 TO COUNSEL  
11 AND THE CLERK, AND MR. RIVIN HAS AGREED THAT I DON'T HAVE  
12 TO ASK MR. RYMAN THAT THIS IS A COPY OF A COAST TO COAST  
13 MAGAZINE.

14 THE COURT: THANK YOU.

15 FURTHER REDIRECT EXAMINATION

16 BY MR. SHERMAN: Q OKAY. MR. RYMAN, LET'S PICK UP  
17 WHERE MR. MOSHENKO LEFT OFF IN THE EXAMINATION BY ASKING  
18 YOU TO READ FROM SOME HANDWRITTEN NOTES YOU MADE; IS THAT  
19 RIGHT?

20 A CORRECT.

21 Q EXHIBIT 2202; RIGHT? DO YOU HAVE IT IN  
22 FRONT OF YOU?

23 A I HAVE THE HANDWRITTEN NOTES, YES.

24 Q 2202?

25 A THAT NUMBER IS NOT ON IT, THOUGH.

26 Q AND MR. MOSHENKO JUST ASKED YOU TO READ; IS

1 THAT RIGHT?

2 A CORRECT.

3 Q DIDN'T ASK YOU TO EXPLAIN; RIGHT?

4 A HE ASKED ME IF THAT WAS MY OVERRIDING  
5 PHILOSOPHY THEN AND -- OR SOMETHING LIKE THAT.

6 Q BEFORE WE GET TO YOUR OVERRIDING PHILOSOPHY,  
7 I WROTE SOMETHING DOWN ON THE BLACKBOARD HERE. AND I  
8 REALIZE THAT THIS 2202 HAS NOT BEEN IMAGED, SO WE CAN'T PUT  
9 IT UP ON THE SCREEN.

10 BUT FOR THE COURT AND THE JURY, IS WHAT I  
11 WROTE ACCURATE?

12 A YES, IT IS.

13 Q IS THAT WHAT YOU WROTE IN YOUR OWN  
14 HANDWRITING THEN?

15 A YES, I DID.

16 Q THAT THE ONLY OTHER GROUND RULE, NOTHING  
17 SACRED, EXCLAMATION MARK, BREAK DOWN, REBUILD, OKAY. AND  
18 THE WORDS "NOTHING IS SACRED," WERE THOSE WORDS THERE  
19 STANDING ON THEIR OWN, MR. RYMAN?

20 A NO. IT'S THE WAY IT WAS WRITTEN UP THERE.  
21 AND CAN I PUT IT IN CONTEXT?

22 Q PLEASE.

23 A THESE NOTES WERE NOTES THAT I MADE, AND I'D  
24 LIKE TO THINK OF MYSELF AS AN ORGANIZED, HONEST GUY AND  
25 GETTING PREPARED FOR A MEETING. WE HAD A REPORT THAT WAS  
26 DONE BY AN OUTSIDE AGENCY, AND IT CRITICIZED SOME OF THE

1 THINGS THAT THE COMPANY WAS DOING OR THAT WE COULD DO --  
2 POINTING OUT THINGS THAT WE COULD DO BETTER, THAT SORT OF  
3 THING, MUCH OF WHICH HAS COME UP ALREADY IN THIS COURT.

4 AND SO THIS PAGE OF NOTES WAS KIND OF MY  
5 INTRODUCTION TO EVERYBODY THAT WAS PARTICIPATE IN THAT  
6 MEETING. AND IT WAS A STRATEGIC PLANNING MEETING, WHERE IS  
7 COAST TO COAST GOING IN THE NEXT FIVE YEARS, AND HOW ARE WE  
8 GOING TO GET THERE AND THE WAYS -- AND IT WENT ON AND ON.

9 AND THEN --

10 MR. MOSHENKO: OBJECTION, YOUR HONOR. THE WITNESS  
11 IS ENGAGING IN A NARRATIVE.

12 THE COURT: SUSTAINED.

13 BY MR. SHERMAN: Q OKAY. WELL, AS FAR AS YOUR  
14 TAKING OF THESE NOTES, MR. RYMAN, PREPARING THESE NOTES,  
15 WHEN YOU WROTE THE COMPLETE PHRASE "ONLY OTHER GROUND RULE,  
16 NOTHING SACRED, BREAK DOWN, REBUILD, OKAY," WHAT WAS YOUR  
17 PURPOSE IN DOING THAT?

18 A MY PURPOSE WAS SAYING THAT I WAS OPEN TO  
19 CRITICISM. ANYBODY ELSE WAS OPEN TO CRITICISM. NOTHING  
20 SACRED. LET'S BREAK DOWN THE COMPANY, LOOK AT IT, FIND OUT  
21 WHAT OUR PROBLEMS ARE. REBUILD IT. IF IT'S REBUILT THE  
22 SAME WAY, FINE. BUT LET'S FIND OUT WHAT THEY ARE; OKAY?  
23 AND THAT'S IN ESSENCE WHAT I SAID AT THAT TIME.

24 Q I'M GOING TO TAKE YOU TO ANOTHER TOPIC RIGHT  
25 NOW. I WANT TO TAKE YOU TO THE TOPIC OF SOME TESTIMONY  
26 THAT MR. MOSHENKO PUT UP ON THE BOARD, PAGE 2541. IF WE

1 CAN PUT THAT UP, PLEASE.

2 WHY DON'T YOU GO TO THESE -- UP A LITTLE  
3 BIT, MIKE.

4 QUESTION ON LINE 13:

5 "SO WHAT REALLY IS  
6 HAPPENING HERE, MR. RYMAN, ISN'T  
7 IT, THAT YOU HAVE TRANSFERRED  
8 MR. NOVELLI'S MEMBERS FROM THE  
9 RESORT UP ON THE TOP, AMERICAN  
10 HOLIDAYS, TO HOLIDAY LAKES;  
11 ISN'T THAT WHAT HAPPENED?"

12 THE ANSWER WAS:

13 "NO, THAT'S NOT. I'VE  
14 SAID IT NUMEROUS TIMES. WE  
15 TRANSFERRED HIS COAST TO COAST  
16 MEMBERSHIP DESIGNATION AS I  
17 SHOWED THIS MORNING.

18 "QUESTION: YOU THINK  
19 THAT ANYBODY READING THIS LETTER  
20 MIGHT BELIEVE THAT THEIR  
21 MEMBERSHIP IN AMERICAN HOLIDAYS  
22 HAD BEEN TRANSFERRED TO HOLIDAY  
23 LAKES?"

24 "ANSWER: I KNOW THAT  
25 THOUSANDS -- THOUSANDS BELIEVED  
26 IT, YES."

1                   AND COUNSEL SHOWED THIS TO YOU AGAIN THIS  
2 MORNING; DO YOU RECALL?

3           A           YES, I DO.

4           Q           AND IN RESPONSE TO THE QUESTION, "YOU THINK  
5 THAT ANYBODY READING THIS LETTER MIGHT BELIEVE THAT THEIR  
6 MEMBERSHIP IN AMERICAN HOLIDAYS HAD BEEN TRANSFERRED TO  
7 HOLIDAY LAKES?" AND THEN YOU SAID, "I KNOW THAT  
8 THOUSANDS -- THOUSANDS BELIEVED IT, YES," WHAT DID YOU MEAN  
9 BY THAT?

10          A           THOUSANDS BELIEVED AND UNDERSTOOD THE LETTER  
11 THAT WENT TO THEM; THAT TRANSFERRED THEIR COAST TO COAST  
12 MEMBERSHIP TO ANOTHER RESORT.

13          Q           NOW, LET'S TALK ABOUT THE COAST LICENSEE  
14 MANUAL.

15                   YOU'RE AWARE THAT THERE WAS A LICENSEE  
16 MANUAL; RIGHT?

17          A           YES, THAT'S CORRECT.

18          Q           AND OPERATING A RECIPROCAL NETWORK, DID  
19 COAST HAVE VARIOUS WAYS THAT IT WAS GOING TO OPERATE OR  
20 CHOSE TO OPERATE A RECIPROCAL NETWORK?

21           MR. MOSHENKO: OBJECTION. BEYOND THE SCOPE. I  
22 TRIED TO USE THE LICENSEE MANUAL. IT WAS PREVENTED.

23           THE COURT: SUSTAINED.

24           MR. SHERMAN: MAY I APPROACH, YOUR HONOR?

25           THE COURT: LET'S NOT.

26           MR. SHERMAN: OKAY. I WOULD LIKE TO TALK IN MY

1 DIRECT EXAMINATION OF THIS WITNESS ABOUT TOPICS THAT WERE  
2 NOT COVERED DURING THE TIME THAT I HAD MR. RYMAN ON THE  
3 STAND.

4 THE COURT: PER OUR DISCUSSION IN CHAMBERS THIS  
5 MORNING?

6 MR. SHERMAN: YES, YOUR HONOR. THAT'S THE ONLY  
7 PURPOSE.

8 THE COURT: ALL RIGHT.

9 MR. MOSHENKO: I OBJECT. THE RECORD SHOWS THAT HE  
10 COMPLETED HIS EXAMINATION.

11 THE COURT: OVERRULED.

12 YOU MAY ANSWER.

13 BY MR. SHERMAN: Q SO ON THE SUBJECT OF COAST'S  
14 RULES AND REGULATIONS, DO YOU NEED RULES AND REGULATIONS TO  
15 RUN A RECIPROCAL NETWORK SYSTEM?

16 A I CERTAINLY BELIEVE SO, YES.

17 Q AND WHILE YOU WERE THE PRESIDENT OF COAST TO  
18 COAST, DID YOU HAVE RULES AND REGULATIONS?

19 A YES, WE DID.

20 Q AND WHY?

21 A SO THAT -- ANY ORGANIZATION NEEDS TO HAVE  
22 AND UNDERSTAND -- ESPECIALLY WHEN YOU HAVE UP TO 500  
23 RESORTS, OR WHATEVER THERE ARE NOW, 350, 400 RESORTS, THERE  
24 HAS TO BE SOME KIND OF GUIDANCE, SOME PARAMETERS WITHIN  
25 WHICH TO OPERATE SO EVERYBODY IS OPERATING THE SAME WAY.

26 Q AND WHAT I REALLY WANT TO FOCUS ON NOW IS

1 THE ISSUE OF ENFORCEMENT OF RULES AND REGULATIONS.

2 DID COAST HAVE SOME CORE OF EMPLOYEES THAT  
3 WENT OUT TO DETECT IF RULES WERE BEING VIOLATED?

4 A NO, WE DIDN'T HAVE AN ARMY OF PEOPLE GOING  
5 OUT. WHEN WE RECEIVED COMPLAINTS OF SOME KIND, NORMALLY IT  
6 WOULD -- THE REGIONAL DIRECTOR WOULD DEAL WITH THE RESORT  
7 FIRST. AND IF IT PERSISTED, IT MIGHT GET MOVED UP, AND THE  
8 RESORT SERVICES WOULD DEAL WITH IT. BUT WE WOULD DEAL WITH  
9 EACH ONE AS THEY OCCURRED.

10 Q YOU'D DEAL WITH EACH ONE AS THEY OCCURRED;  
11 WHAT DO YOU MEAN BY THAT?

12 A I MEAN, IF WE RECEIVED A COMPLAINT, WE WOULD  
13 FOLLOW UP ON IT. AND WE WOULD RECEIVE LOTS OF COMPLAINTS,  
14 YOU KNOW, SOMETIMES FROM THE MEMBERS THAT WERE HAVING  
15 TROUBLE GETTING INTO A RESORT OR SOMETHING OF THAT NATURE.  
16 AND IF -- WE USED TO HAVE A REPORT THAT LISTED HOW MANY OF  
17 WHAT CATEGORY AND ALL THAT KIND OF THING. BUT THAT GOT  
18 LOST IN THE SYSTEM, APPARENTLY.

19 BUT WE WOULD PURSUE THOSE THROUGH THE  
20 REGIONAL DIRECTORS. WE DIDN'T HAVE, AS I SAY, AN ARMY OF  
21 PEOPLE OUT THERE ENFORCING.

22 Q WHEN YOU SAY YOU WOULD PURSUE THOSE, WAS THE  
23 COMPANY'S PHILOSOPHY WHEN YOU WERE PRESIDENT THAT, BY  
24 GOLLY, IF THERE WAS A RULE THAT WAS VIOLATED, COAST WAS  
25 GOING TO TRACK THAT ONE DOWN AND MAKE SURE THAT EVERYTHING  
26 WAS DONE OR RECTIFIED?

1           A       NO, YOU DON'T DO THAT WITH EVERYTHING,  
2 CERTAINLY NOT. WE USED JUDGMENT.

3           Q       IS THERE SOMETHING WRONG WITH USING JUDGMENT?

4           A       CERTAINLY NOT. THAT'S HOW I RUN EVERYTHING.

5           Q       LET'S TALK ABOUT NATURE'S RESORT, FLORIDA.

6                    IS THAT A RESORT OVER WHICH YOU AT ONE TIME  
7 HAD SOME DEALINGS WITH, SOME FAMILIARITY WITH?

8           A       YES, NATURES RESORT.

9           Q       AND DOES THE NAME RANDOLF TUCKER MEAN  
10 ANYTHING TO YOU?

11          A       YES. I BELIEVE HE IS ONE OF THE PRINCIPALS  
12 IN THAT RESORT.

13          MR. MOSHENKO: OBJECTION. BEYOND THE SCOPE OF EVEN  
14 THE ORIGINAL DIRECT EXAMINATION NOW.

15          THE COURT: SUSTAINED.

16          MR. SHERMAN: I CAN CALL HIM BACK IN MY CASE IN  
17 CHIEF.

18          THE COURT: ALL RIGHT.

19          BY MR. SHERMAN: Q FOCUSING ON THE ORPHAN PROGRAM  
20 AS IT APPLIED TO RESORTS THAT MAY HAVE DISAFFILIATED FROM  
21 COAST, WAS THE ORPHAN PROGRAM APPLIED TO RESORTS THAT  
22 DISAFFILIATED FROM COAST?

23          A       YES.

24          Q       WERE YOU EVER MADE AWARE OF THE COAST ORPHAN  
25 PROGRAM NOT BEING APPLIED IN AN INSTANCE WHERE A RESORT DID  
26 WITHDRAW FROM COAST?

1 I'M NOT ASKING YOU WHETHER IT HYPOTHETICALLY  
2 COULD HAVE OCCURRED. I'M ASKING YOU WHETHER YOU HAVE ANY  
3 RECOLLECTION.

4 A THE ONLY WAY IT WOULD NOT BE APPLIED IS IF  
5 AN INDIVIDUAL OWNED TWO RESORTS AND HE WANTED TO MOVE THE  
6 MEMBERS OVER TO HIS OWN RESORT. OTHER THAN THAT, IT WAS  
7 APPLIED, YES.

8 Q LET'S TALK ABOUT THE ISSUE OF THE COST OF  
9 RESORT MEMBERSHIPS AND, SPECIFICALLY, WHEN YOU WERE  
10 PRESIDENT.

11 WERE YOU AWARE THAT THERE WAS SOME VARIATION  
12 IN THE PRICE THAT WAS CHARGED?

13 A YES, CERTAINLY THERE WAS A GREAT VARIATION.

14 Q AND THERE WAS SOME -- WERE THERE SOME RESORT  
15 DEVELOPERS THAT CHARGED ONLY A FEW HUNDRED DOLLARS?

16 A YES, THAT'S CORRECT.

17 Q AND WERE THERE SOME RESORT DEVELOPERS THAT  
18 CHARGED UPWARDS OF \$8-, \$9-, \$10,000?

19 A YES, THAT'S CORRECT.

20 Q IS THERE ANYTHING WRONG WITH THE RESORT  
21 CAMPGROUND DEVELOPER OFFERING A MEMBERSHIP FOR A FEW  
22 HUNDRED DOLLARS?

23 A OUR ONLY CONCERN IS THAT THEY HAVE A  
24 FACILITY THAT'S A GOOD FACILITY AND THAT THEY TAKE CARE OF  
25 THE TRAVELING MEMBERS. WE CAN'T GET INVOLVED IN PRICING OF  
26 MEMBERSHIPS BECAUSE OF ANTITRUST.

1 Q SO WHEN YOU SAY YOU CAN'T GET INVOLVED IN  
2 PRICING MEMBERSHIPS, THAT'S SOMETHING THAT COAST DIDN'T  
3 INVOLVE ITSELF WITH?

4 A THAT'S CORRECT. OUR CONCERN IS HAVING A  
5 SYSTEM THAT WORKS, MEMBERS ABLE TO USE THE RESORTS.

6 MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER  
7 "THAT'S CORRECT."

8 THE COURT: OVERRULED.

9 BY MR. SHERMAN: Q DID YOU BELIEVE THAT THE  
10 MEMBERSHIP BASE AND PROSPECTIVE MEMBERSHIPS -- PROSPECTIVE  
11 MEMBERS WERE IN ANY WAY BEING HARMED OR MISLED BY  
12 DEVELOPERS SELLING CAMPGROUND RESORT MEMBERSHIPS FOR A FEW  
13 HUNDRED DOLLARS?

14 MR. MOSHENKO: OBJECTION. IT VIOLATES THE PAROL  
15 EVIDENCE RULE, SINCE IT IS CONTRADICTING THE LANGUAGE OF  
16 THE CONTRACT AND THE LICENSE AGREEMENT AND THE INSIDER  
17 NEWS. AND IT'S CUMULATIVE.

18 THE COURT: OVERRULED.

19 BY MR. SHERMAN: Q DO YOU HAVE THE QUESTION IN  
20 MIND?

21 A YES. I'M SORRY.

22 MR. SHERMAN: COULD I ASK THE COURT REPORTER TO  
23 READ IT BACK.

24 THE COURT: READ IT BACK, PLEASE.

25 (THE FOLLOWING TESTIMONY WAS READ BACK:

26 "DID YOU BELIEVE THAT THE MEMBERSHIP BASE AND PROSPECTIVE

1 MEMBERSHIPS -- PROSPECTIVE MEMBERS WERE IN ANY WAY BEING  
2 HARMED OR MISLED BY DEVELOPERS SELLING CAMPGROUND RESORT  
3 MEMBERSHIPS FOR A FEW HUNDRED DOLLARS?"

4 THE WITNESS: NO, I DID NOT.

5 BY MR. SHERMAN: Q WHY NOT?

6 A I MEAN, THERE'S, YOU KNOW, SEVERAL WAYS TO  
7 SKIN A CAT. IT DEPENDS ON THE BUSINESS PLAN, IF THEY CAN  
8 MAKE IT WORK. AND THEIR PHILOSOPHY WAS IN SOME WAYS SELL A  
9 LOT OF MEMBERSHIPS WITHOUT HUGE MARKETING COSTS, FILL THE  
10 RESORT AND GETTING DUES FROM LOTS OF PEOPLE, THAT THEY  
11 COULD MAKE MONEY; AND THEN THEY WOULD REINVEST THE MONEY IN  
12 IT THE OTHER WAY. OTHER PEOPLE WERE SELLING THEM FOR MUCH  
13 MORE AND GETTING INTO VERY HIGH MARKETING COSTS. SOME PUT  
14 THE MONEY BACK INTO IT. SOME DIDN'T. SOME SPENT IT ON  
15 LOTS OF OTHER THINGS.

16 Q AND ON THE SUBJECT OF THE SALES PRICE AT  
17 WHICH DEVELOPERS WOULD SELL THEIR MEMBERSHIPS, WHAT ROLE  
18 DID COMPETITION PLAY IN YOUR MIND ON THIS ISSUE?

19 A LIKE ANY OTHER BUSINESS COMPETITION, DRIVES  
20 THE PRICE DOWN.

21 Q I'D LIKE TO SHOW YOU SOME DOCUMENTS THAT  
22 WERE PREVIOUSLY SHOWN IN THIS CASE, EXHIBITS 1468 AND 1470.

23 WHAT ARE THESE DOCUMENTS?

24 A ONE IS A LETTER FROM BOB ABBEY OF ABBEY'S  
25 JELLYSTONE PARK, WITHDRAWING HIS RESORT FROM THE SYSTEM.  
26 HE HAD A NUMBER OF RESORTS. THIS ONE WASN'T MAKING ENDS

1 MEET. SO HE CHOSE TO WITHDRAW IT.

2 Q THAT'S EXHIBIT 1468?

3 A THAT'S CORRECT.

4 Q AND WHAT'S EXHIBIT 1470?

5 A IT'S AN AFFILIATION AGREEMENT WITH  
6 BOB ABBEY.

7 Q AND WHO SIGNED IT ON BEHALF OF COAST TO  
8 COAST?

9 A ON BEHALF OF COAST TO COAST?

10 Q YES.

11 A GENE EVERETT, VICE PRESIDENT.

12 Q DO YOU RECOGNIZE HIS SIGNATURE?

13 A YES, I DO.

14 MR. SHERMAN: YOUR HONOR, THESE EXHIBITS WERE  
15 OFFERED INTO EVIDENCE DURING MR. NOVELLI'S EXAMINATION.  
16 I'D LIKE TO NOW FORMALLY MOVE THEM INTO EVIDENCE.

17 MR. MOSHENKO: 1470, NO OBJECTION. AS TO 1468,  
18 IT'S HEARSAY. IT'S NOT A MEMBER LETTER. THERE IS NO  
19 EXCEPTION SHOWN TO THE RULE.

20 MR. SHERMAN: IT GOES TO THE INTENT OF  
21 MR. BOB ABBEY ON BEHALF OF ABBEY'S JELLYSTONE TO  
22 DISAFFILIATE.

23 MR. MOSHENKO: IT'S NOT RELEVANT, THEN. AND  
24 MR. ABBEY SHOULD BE CALLED TO TESTIFY. I CAN'T  
25 CROSS-EXAMINE HIM.

26 MR. SHERMAN: IT'S DIRECTLY RELEVANT TO IMPEACH THE

1 CREDIBILITY OF MR. NOVELLI WHO TESTIFIED TO THE CONTRARY.

2 MR. MOSHENKO: IT IS HEARSAY. IT IS UNSIGNED.

3 THE COURT: I DON'T KNOW OF ANY OBJECTION -- ANY  
4 EXCEPTION TO THE HEARSAY RULE ON THIS, MR. SHERMAN.

5 MR. SHERMAN: THE ISSUE, YOUR HONOR, WOULD BE THAT  
6 IT'S NOT BEING OFFERED TO PROVE THE TRUTH. IT'S BEING  
7 OFFERED TO PROVE THAT IT WAS THE INTENTION OF BOB ABBEY TO  
8 REMOVE. AND FOR THAT LIMITED PURPOSE, IT WOULD FALL UNDER  
9 THE EXCEPTION TO THE HEARSAY RULE WHEN OFFERED TO PROVE THE  
10 INTENT OF THE OUT-OF-COURT DECLARANT, YOUR HONOR. THAT'S  
11 THE BASIS OF THE HEARSAY EXCEPTION.

12 MR. MOSHENKO: YOUR HONOR, IT'S UNSIGNED. THEY CAN  
13 CALL THE WITNESS IF THEY NEED IT, AND HE WOULD BE SUBJECT  
14 TO CROSS-EXAMINATION.

15 MR. SHERMAN: THE ISSUE OF UNSIGNED IS AN  
16 AUTHENTICATION ISSUE, NOT A HEARSAY ISSUE, AS MR. MOSHENKO  
17 MUST CONCEDE.

18 MAYBE I CAN JUST ASK MR. RYMAN AT THIS POINT  
19 WHETHER HE RECEIVED THIS, WHICH WOULD OBTIATE THE WHOLE  
20 ISSUE THAT MR. MOSHENKO SAYS --

21 MR. MOSHENKO: I HAVE MORE ISSUES THAN JUST THAT,  
22 YOUR HONOR.

23 MR. SHERMAN: WHAT ARE THEY?

24 MR. MOSHENKO: IT'S THE -- THERE'S NO EXCEPTION. I  
25 CAN'T CROSS-EXAMINE THIS PIECE OF PAPER.

26 MR. SHERMAN: YOU DON'T NEED TO. IT'S JUST AN

1 ISSUE OF INTENT.

2 THE COURT: ASK THE QUESTION.

3 BY MR. SHERMAN: Q HAVE YOU SEEN THIS DOCUMENT  
4 BEFORE, 1468?

5 A YES, I HAVE.

6 Q WHEN DID YOU SEE IT, APPROXIMATELY?

7 A IT WAS FAX'D IN, AND MY NOTES ON THE FRONT  
8 SAY, LET'S TALK AND PLUS A RESPONSE.

9 Q OH, THESE ARE YOUR NOTES?

10 A YES. THE LITTLE SCRIBBLING THERE. I  
11 CIRCLED. IT SAYS, "GAVE TO GENE." I CIRCLED. "LET'S TALK  
12 PLUS RESPONSE."

13 Q AND SO, THEREFORE, AS A RESULT OF YOUR  
14 RECEIPT OF THIS COMMUNICATION FROM MR. ABBEY, WHATEVER IT  
15 SAID, DID COAST TO COAST THEN TAKE SOME ACTION?

16 A WELL, YES.

17 THE COURT: I'LL ALLOW IT.

18 MR. MOSHENKO: THE ACTION OR THE ENTIRE DOCUMENT IN  
19 EVIDENCE?

20 THE COURT: I'LL ALLOW THE DOCUMENT INTO EVIDENCE.

21 (WHEREUPON, EXHIBIT NO. 1468, COMMUNICATION  
22 FROM MR. ABBEY, WAS RECEIVED IN EVIDENCE.)

23 BY MR. SHERMAN: Q NOW, LET'S GO TO EXHIBITS 44  
24 AND 72. I THINK WE CAN TAKE THESE TOGETHER. I UNDERSTAND  
25 THAT THEY'RE UNDER SUBMISSION.

26 MR. RYMAN, WHAT ARE THESE DOCUMENTS?

1           A           THEY'RE COAST TO COAST MEMBERSHIP  
2 APPLICATIONS.

3           MR. SHERMAN: I'D LIKE TO MOVE 44 AND 17 INTO  
4 EVIDENCE.

5           MR. MOSHENKO: CUMULATIVE. MEMBERSHIP APPLICATIONS  
6 ARE ALREADY IN EVIDENCE.

7           THE COURT: THEY'RE IN EVIDENCE?

8           MR. SHERMAN: THAT'S THE WHOLE POINT. THAT'S WHY  
9 WE'RE DOING THIS.

10          MR. MOSHENKO: THEY'RE IN EVIDENCE ALREADY.

11          THE COURT: IF THEY'RE NOT, THEY'RE IN NOW.  
12 THEY'RE RECEIVED.

13                       (WHEREUPON, EXHIBITS NO. 44 AND 17,  
14 MEMBERSHIP APPLICATIONS, WERE RECEIVED IN EVIDENCE.)

15          BY MR. SHERMAN: Q NOW, ON SUBJECT OF MEMBERSHIPS,  
16 TO YOUR KNOWLEDGE WERE THERE COAST MEMBERS THAT PURCHASED  
17 MEMBERSHIPS FOR MORE THAN ONE YEAR?

18          A           OH, YES. MULTI --

19          Q           AND HOW OFTEN DID THAT OCCUR?

20          A           EVERY YEAR WHEN WE RUN THE RENEWALS JUST  
21 LIKE -- YOU KNOW, WHAT WE GET FROM OUR ORGANIZATIONS, WE  
22 OFFERED THE OPPORTUNITY OF ONE YEAR, THREE YEARS AND FIVE  
23 YEARS.

24          Q           SO TAKING YOU TO THE FALL OF 1997, ACTUALLY  
25 AUGUST, 1997, WHEN COAST TO COAST RECEIVED DISAFFILIATION  
26 NOTICES FROM MR. NOVELLI'S ORGANIZATION, MR. VOPNFORD'S

1 ORGANIZATION, DID YOU AT THAT TIME HAVE COAST MEMBERS WITH  
2 THREE- AND FIVE-YEAR MEMBERSHIPS?

3 A YES, WE DID. MULTI-YEAR MEMBERS.

4 Q AND SO COAST IN YOUR MIND MADE A COMMITMENT  
5 TO THOSE PEOPLE FOR EXTENDING FOR SEVERAL YEARS?

6 MR. MOSHENKO: OBJECTION. LEADING AND SUGGESTIVE.

7 THE COURT: OVERRULED.

8 THE WITNESS: THAT'S CORRECT.

9 MR. SHERMAN: LET ME MOVE BEYOND THAT TOPIC RIGHT  
10 NOW.

11 I WANT TO ASK YOU SOME QUESTIONS ABOUT COAST  
12 TO COAST'S INTERACTIONS WITH ITS PARENT COMPANY, THE  
13 AFFINITY GROUP, IN THE TIME FRAME OF LATE 1997.

14 FIRST OF ALL, LET ME ASK, DOES THE NAME  
15 "MURRAY COKER" MEAN ANYTHING TO YOU?

16 A YES, IT DOES.

17 Q AND WHO WAS MURRAY COKER IN THAT TIME FRAME?

18 A MURRAY COKER WAS -- I BELIEVE HE WAS A  
19 MARKETING DIRECTOR FOR CAMPING WORLD, A COMPANY THAT THE  
20 AFFINITY GROUP HAD ACQUIRED.

21 Q WAS MURRAY COKER SOMEBODY THAT YOU REPORTED  
22 TO?

23 A NO.

24 Q WAS MURRAY COKER SOMEBODY WHO TO YOUR  
25 KNOWLEDGE HAD ANY INVOLVEMENT IN COAST TO COAST'S OWN  
26 MARKETING EFFORTS?

1           A           NONE WHATSOEVER.

2           Q           AND AS OF THE LATE 1997 TIME PERIOD WHILE  
3 YOU WERE PRESIDENT, DID YOU EVER TAKE ANY DIRECTION OR  
4 INSTRUCTION FROM ANYONE AT AFFINITY WITH RESPECT TO  
5 MARKETING ISSUES?

6           A           NO.

7           Q           WHAT ABOUT ON RENEWAL OF MEMBERSHIP ISSUES?

8           A           I THINK I EXPLAINED THAT BEFORE, AND THAT'S  
9 ONE OF THE THINGS -- I LIKED IT. I RAN THE COMPANY. AND  
10 WE MIGHT HAVE SOMEBODY SIT IN WITH US FROM OUT THERE. BUT  
11 THE DECISIONS WERE MINE, AND I DID IT THE WAY WE THOUGHT WE  
12 SHOULD DO IT.

13          Q           WELL, AND I GUESS THE ONLY OTHER THING I  
14 WANT TO FOCUS ON, MR. RYMAN, IS THIS BUSINESS ABOUT NOTHING  
15 BEING SACRED. IS THAT YOUR PHILOSOPHY?

16          A           NOT MY OVERRIDING PHILOSOPHY ON EVERYTHING I  
17 DO. I MEAN, I USED THOSE WORDS IN THAT CONTEXT WHEN I WAS  
18 HAVING THAT MEETING BECAUSE I WANTED TO BARE OUR SOUL. WE  
19 HAD PROBLEMS. WE KNEW WE HAD PROBLEMS, AND I WAS OUT TO  
20 RESOLVE THEM. AND I DIDN'T CARE IF PEOPLE CALLED ME  
21 SOMETHING OR SAID THAT I WASN'T DOING SOMETHING RIGHT. I  
22 WANTED PEOPLE TO BE JUST PLAIN HONEST.

23           MR. SHERMAN: NO FURTHER QUESTIONS.

24           THE COURT: THANK YOU.

25                        ANYTHING FURTHER, MR. MOSHENKO?

26           MR. MOSHENKO: JUST A COUPLE, YOUR HONOR

1                                   FURTHER RECROSS-EXAMINATION

2                   BY MR. MOSHENKO:  Q  JUST ON THE LAST ISSUE,  
3  MR. RYMAN.

4                                   IN FACT, THE PHRASE "NOTHING SACRED" IS A  
5  REFERENCE TO DEALING WITH COMPETITION, ISN'T IT?

6                   A           IT HAS NOTHING TO DO WITH COMPETITION.

7                   Q           IN FACT, IN YOUR NOTES, THE VERY NEXT LINE  
8  AFTER IT SAYS, "NOTHING SACRED, BREAK DOWN, REBUILD, OKAY,"  
9  IT SAYS, "GROWING COMPETITION, NOT ONLY ONE ON THE BLOCK."  
10  AND THEN YOU MAKE PARTICULAR REFERENCE, AMONG OTHERS, TO  
11  MR. NOVELLI'S PRESIDENT'S TRAVEL CLUB; RIGHT?  DON'T YOU?

12                  A           I MEAN, THERE'S A LOT OF OTHER THINGS SAID  
13  ON THIS PAGE.  AND YES, IT SAYS GROWING COMPETITION, WE'RE  
14  NOT THE ONLY ONE ON THE BLOCK.  THERE'S FOUR ORGANIZATIONS,  
15  R.P.I., T.A.I., A.O.R. AND PRESIDENT'S CLUB.

16                  Q           AND THAT'S MR. NOVELLI'S COMPANY; RIGHT?

17                  A           THE PRESIDENT'S CLUB IS, YES.

18                  Q           AND THE GROWING COMPETITION IS ON THE  
19  VERY -- IT'S THE VERY NEXT THING THAT YOU WROTE BELOW WHERE  
20  YOU WROTE "ONLY OTHER GROUND RULE, NOTHING SACRED"?

21                  A           YES.  BUT IT'S OUT AT THE SAME LEVEL.  IT'S  
22  A COMPLETELY DIFFERENT SUBJECT.  IT'S AT THE SAME LEVEL AS  
23  THAT ONE AND THE ONE ABOVE THAT SAYS FIRST UNCERTAIN  
24  THINGS.  AND THAT'S THE WAY I WRITE MY NOTES.

25                  MR. MOSHENKO:  THAT'S ALL, YOUR HONOR.

26                  THE COURT:  THANK YOU.

1                   MAY THE WITNESS BE EXCUSED?

2                   THE WITNESS:   THANK YOU.

3                   MR. MOSHENKO:   NO, YOUR HONOR -- YES, YOUR HONOR.

4                   I DON'T EXPECT TO RECALL HIM.

5                   THE COURT:   YOU'RE EXCUSED, I GUESS.

6                   LADIES AND GENTLEMEN, WE'RE GOING TO EXCUSE  
7 YOU UNTIL 1:30.  WE HAVE SOME MOTIONS.

8                   (THE FOLLOWING PROCEEDINGS WERE HELD IN  
9 OPEN COURT OUT OF THE PRESENCE OF THE JURY:)

10                  THE COURT:   WHO IS GOING TO HAVE THE MOTION?

11                  MR. RIVIN:   I'M GOING TO TALK, YOUR HONOR.  BUT  
12 BEFORE WE BRING ANY MOTIONS, WE NEED TO FIND OUT IF THE  
13 PLAINTIFFS ARE INDEED RESTING.

14                  MR. MOSHENKO:   I KNEW HE WOULD WANT TO HEAR SOME  
15 WORDS, YOUR HONOR.

16                  YOUR HONOR, FIRST OF ALL, WE INTEND TO REST.  
17 BUT WE CANNOT COMPLETELY DO SO BECAUSE WE HAVEN'T COMPLETED  
18 THE PRESENTATION OF THE ALTER EGO EVIDENCE.  YOUR HONOR  
19 TOOK CERTAIN MATTERS UNDER SUBMISSION, OR SAID YOU WOULD  
20 HEAR ALTER EGO EVIDENCE AT A LATER TIME.

21                  THE COURT:   THE ONLY THING WE'RE DEALING WITH NOW  
22 IS THE ISSUE OF CAUSATION AND LIABILITY.

23                  MR. MOSHENKO:   OF COURSE.

24                  THE COURT:   YOU'RE NOT RESTING AS TO ANYTHING ELSE.

25                  MR. MOSHENKO:   ALL RIGHT.  IN ADDITION, YOUR HONOR,  
26 YOUR HONOR TOOK THE MARK BOGGESS TESTIMONY AND I BELIEVE

1 READ IT, INDICATING YOU WOULD INDICATE TO US WHETHER  
2 MR. BOGGESS'S TESTIMONY COULD BE PRESENTED TO THE JURY  
3 OR -- RELATING TO ACTUAL DIRECT INVOLVEMENT BY AFFINITY IN  
4 THE MANAGEMENT AND OPERATION OF CAMP COAST TO COAST AND,  
5 THEREFORE, INVOLVEMENT IN THE MASS TRANSFER, VERSUS WHETHER  
6 MR. BOGGESS WAS PURELY AND SIMPLY ONLY AN ALTER EGO  
7 WITNESS.

8 SO UNTIL WE GET A RULING ON THAT, WE CAN'T  
9 REST. I'LL TAKE IT ONE AT A TIME.

10 THE COURT: WE'RE NOT DEALING WITH ALTER EGO RIGHT  
11 NOW. THE ONLY THING WE'RE DEALING WITH IS THE ISSUE OF  
12 CAUSATION AND LIABILITY AS TO THAT ISSUE.

13 MR. MOSHENKO: UNDERSTAND, YOUR HONOR.

14 THE COURT: ARE YOU RESTING?

15 MR. MOSHENKO: MY POINT IS, I BELIEVE THAT  
16 MARK BOGGESS'S TESTIMONY RELATES TO LIABILITY OF AFFINITY;  
17 AND, THEREFORE, THERE'S PORTIONS OF THE BOGGESS DEPOSITION  
18 THAT NEED TO BE PRESENTED TO THE JURY.

19 AND SO THAT YOU CAN FULLY UNDERSTAND WHERE  
20 WE'RE GOING, IN ADDITION, YOUR HONOR -- LET'S SEE.  
21 THERE'S THE BOGGESS MATTER. AND THERE'S DOCUMENTS THAT  
22 HAVE -- ARE UNDER SUBMISSION AND NOT ADMITTED INTO  
23 EVIDENCE. WE DON'T WANT TO WAIVE THE RIGHT TO HAVE THEM  
24 ADMITTED BY SAYING THAT WE REST. AND WHEN WE RESOLVE THOSE  
25 THREE MATTERS, OR IF WE HAVE AN UNDERSTANDING AS TO HOW  
26 THEY WOULD BE RESOLVED, THEN WE HAVE A COUPLE MORE COMMENTS

1 RELATING TO AT LEAST ONE CAUSE OF ACTION OR TWO CAUSES OF  
2 ACTION, AND ONE OF THE DEFENDANTS OR TWO OF THE  
3 DEFENDANTS.

4 THE COURT: WHAT YOU'RE TELLING ME IS, IS THAT  
5 YOU'RE NOT REALLY READY TO ENTERTAIN ANY MOTIONS AT THIS  
6 TIME?

7 MR. MOSHENKO: WELL, I JUST THINK WE NEED TO TIE  
8 THE LOOSE STRINGS UP, YOUR HONOR, BEFORE WE MOVE ON. IT'S  
9 THE CART BEFORE THE HORSE ISSUE.

10 THE COURT: OKAY. I'VE REFRESHED MY MEMORY AS TO  
11 THIS.

12 MR. SHERMAN: YOUR HONOR, MAY WE BE HEARD?

13 THE COURT: YOU MAY.

14 MR. SHERMAN: ON THE ISSUE OF MR. BOGGESS'S  
15 TESTIMONY, AS WE'RE ALL NOW QUITE AWARE, LAST WEEK THERE  
16 WAS QUITE A BIT OF DEPOSITION READING CULMINATING IN THE  
17 TESTIMONY OF STEPHEN ADAMS. AND THE COURT WILL RECALL THAT  
18 WHILE WE WERE NOT IN ANY WAY TRYING TO HIDE MR. ADAMS, WE  
19 OPPOSED PLAINTIFFS' EFFORTS TO CALL HIM BECAUSE WE FELT  
20 THAT THERE WOULD BE LITTLE TO NOTHING OF RELEVANT  
21 ADMISSIBLE TESTIMONY ADDUCED. AND OUR OBSERVATION DID  
22 PROVE TO BE CORRECT.

23 WE HAVE GONE THROUGH MR. BOGGESS'S  
24 TESTIMONY, SPECIFICALLY THE DESIGNATIONS, AND THERE'S NO  
25 THEIR THERE -- THEY DON'T -- PLAINTIFFS DID NOT SHOW,  
26 THROUGH MR. BOGGESS'S TESTIMONY, ANYTHING IN THIS CASE THAT

1 IS ADMISSIBLE SAVE POTENTIALLY FOR A FEW SCRAPS HERE OR  
2 THERE ABOUT POSSIBLE ALTER EGO ISSUES.

3 AND SO WE OBJECT, CONTINUE TO OBJECT TO THE  
4 USAGE OF MR. BOGGESS'S TRANSCRIPT OF HIS DEPOSITION  
5 TESTIMONY IN THE MANNER THAT PLAINTIFFS SEEK TO USE IT.

6 THE COURT ASKED A PRETTY DIRECT QUESTION OF  
7 PLAINTIFFS, AND THAT IS, "ARE YOU RESTING?" AND NOW I  
8 HEARD THIS ISSUE ABOUT MR. BOGGESS, AND I HEARD WHAT YOUR  
9 HONOR SAID ABOUT THE ALTER EGO ISSUE AND THE FOCUS ON  
10 CAUSATION AND LIABILITY. BUT I REALLY HAVEN'T HEARD  
11 PLAINTIFFS SAY, "WE'RE PREPARED TO REST" OR "WE'RE  
12 RESTING." AND I THOUGHT THAT YOUR HONOR ASKED THE  
13 QUESTION -- DIRECT QUESTION, AND I THOUGHT IT COULD HAVE  
14 BEEN ANSWERED PRETTY DIRECTLY.

15 AND WHAT I HEARD ALSO WAS "WE'D LIKE TO TIE  
16 UP SOME LOOSE STRINGS." I HEARD ABOUT EXHIBITS. INDEED  
17 THAT'S ONE OF THE ISSUES. THAT'S ONE OF THE REASONS WHY WE  
18 WERE ONLY TOO HAPPY TO HAVE MR. RYMAN OUT OF HERE TO  
19 TESTIFY SO THAT WE COULD TIE UP SOME LOOSE ISSUES.

20 AS FAR AS BRINGING WITNESSES BACK AFTER THE  
21 CASE IN CHIEF IS CLOSED TO AUTHENTICATE DOCUMENTS, I KNOW  
22 OF NO RULE OF LAW THAT PERMITS THAT TO BE DONE. I'M NOT  
23 TALKING NOW ABOUT -- I'M NOT TALKING NOW ABOUT WHAT WE  
24 MIGHT CALL HOUSEKEEPING. I'M TALKING ABOUT WHAT WE MAY  
25 CALL SUBSTANTIVE MATTERS.

26 PLAINTIFFS HAD A CASE. PLAINTIFFS ARE

1 MAKING THEIR CASE. PRESUMABLY PLAINTIFFS HAVE NOW FINISHED  
2 MAKING THEIR CASE. AND THAT'S THEIR CASE. AND SO I AM  
3 DESIROUS OF INQUIRING -- I'D LIKE THE COURT TO INQUIRE OF  
4 MR. MOSHENKO, WHAT ARE THESE LOOSE ENDS?

5 MR. MOSHENKO: YOUR HONOR --

6 THE COURT: I'LL ASK YOU AGAIN --

7 MR. MOSHENKO: I LISTED THEM.

8 THE COURT: LET ME ASK YOU AGAIN.

9 MR. MOSHENKO: SURE.

10 THE COURT: ARE YOU RESTING YOUR CASE AT THIS TIME?

11 MR. MOSHENKO: SUBJECT TO THE LOOSE STRINGS, YOUR  
12 HONOR.

13 THE COURT: WHO IS YOUR NEXT WITNESS?

14 MR. MOSHENKO: WE HAVE NO MORE WITNESSES.

15 THE COURT: THEN YOU'RE RESTING, AREN'T YOU?

16 MR. SHAW: YOUR HONOR, MAY I MAKE A COMMENT?

17 AND THE ANSWER IS YES, WE'RE RESTING.

18 I WOULD ASK THE COURT AGAIN TO -- I KNOW  
19 YESTERDAY WHEN WE MADE OUR MOTION FOR A MISTRIAL I ASKED ON  
20 THE SEVEN BOXES, AND THE COURT RULED THAT IT WOULD NOT  
21 ADMONISH THE JURY. AND I'M SORRY. MAYBE I WASN'T PRECISE  
22 ENOUGH.

23 I DID ALSO ASK THE COURT TO INSTRUCT THE  
24 JURY THAT MR. NOVELLI -- AND I'M READING FROM PAGE 5209 OF  
25 THE TRANSCRIPT -- THAT MR. NOVELLI NEVER ASKED MR. BERAN TO  
26 COME TO COURT TO LIE FOR HIM, AND THAT THERE IS NO EVIDENCE

1 OF THAT. I WOULD RENEW THAT REQUEST OF THE COURT. I THINK  
2 I MADE SOME COMMENT THAT I WOULD PREPARE SOMETHING IN  
3 WRITING. I DIDN'T. BUT I WOULD LIKE TO MAKE THIS ORALLY  
4 AT THIS TIME; THAT THE JURY BE INSTRUCTED THAT THERE IS NO  
5 EVIDENCE THAT MR. NOVELLI ASKED MR. BERAN TO COME TO COURT  
6 AND LIE FOR HIM; AND THAT ANY QUESTIONS BY MR. SHERMAN IN  
7 THAT REGARD ARE NOT EVIDENCE IN THIS CASE.

8                   THAT'S NUMBER -- SO AS TO THAT ONE. THEN WE  
9 ARE PREPARED TO REST. THE PLAINTIFFS ARE PREPARED TO  
10 DISMISS THE SEVENTH CAUSE OF ACTION BEFORE RESTING FOR  
11 DEFAMATION, THE NINTH CAUSE OF ACTION FOR CONSPIRACY.

12                   WE ARE ALSO PREPARED TO VOLUNTARILY DISMISS  
13 UNDER THE CODE THE INDIVIDUALS REMAINING IN THE LAWSUIT,  
14 MR. STEPHEN ADAMS AND MR. PATRICK BUTLER. I BELIEVE THOSE  
15 ARE THE ONLY TWO INDIVIDUALS LEFT; SUCH THAT THE ONLY TWO  
16 DEFENDANTS LEFT IN THE CASE ARE AFFINITY GROUP, INC., AND  
17 CAMP COAST TO COAST, INC.

18                   AND REMAINING CAUSES OF ACTION WILL BE ALL  
19 THE CAUSES OF ACTION EXCEPT THE SEVENTH CAUSE OF ACTION FOR  
20 DEFAMATION, WHICH IS VOLUNTARILY DISMISSED, AND THE NINTH  
21 CAUSE OF ACTION.

22                   THE COURT: SO ALL INDIVIDUALS HAVE BEEN DISMISSED.

23                   MR. SHAW: THAT'S CORRECT. I'M TRYING TO BE  
24 PRECISE BY NAMING THE INDIVIDUALS, BUT THE INTENT IS TO  
25 DISMISS ALL THE INDIVIDUALS. I RECITED MR. ADAMS AND  
26 MR. BUTLER. I THINK THAT'S ALL.

1 THE COURT: HAD YOU PREVIOUSLY DISMISSED

2 MR. RYMAN.

3 MR. MOSHENKO: RANDALL AND RYMAN WERE DISMISSED

4 PREVIOUSLY.

5 MR. SHERMAN: YES.

6 THE COURT: WHO WERE THE OTHER -- THERE WEREN'T ANY

7 OTHER INDIVIDUALS?

8 MR. SHERMAN: THOSE FOUR.

9 MR. SHAW: I THINK THAT'S IT. SO ALL THE

10 INDIVIDUALS ARE DISMISSED.

11 SO WITH THE ALTER EGO ISSUE THAT'S LEFT --

12 I'M SORRY TO DO THIS. SINCE WITH THE ALTER EGO, WITH

13 MR. BOGCESS'S TESTIMONY, WITH WHATEVER DOCUMENTS WE'VE

14 TAKEN UNDER SUBMISSION, WITH MY REQUEST TO HAVE THE JURY

15 INSTRUCTED ABOUT MR. BERAN, AND THOSE VOLUNTARY

16 DISMISSALS -- AND MR. MOSHENKO REMINDS ME THAT YESTERDAY

17 THE COURT INDICATED THAT THEY WOULD -- THAT THE COURT WOULD

18 CONSIDER -- I BELIEVE IT WAS CONSIDER MAKING A STATEMENT AS

19 TO THE SEVEN BOXES, THAT THAT'S NOT EVIDENCE. WITH THOSE

20 ITEMS WE REST.

21 MR. MOSHENKO: MY RECALL OF THE SEVEN BOXES POINT

22 IS YOUR HONOR SAID, "I'M NOT SURE WHAT TO SAY." HE SAID HE

23 WOULD WRITE IT, AND YOU SAID, "I'M NOT TELLING YOU. I'LL

24 SAY WHAT YOU WRITE," BUT THAT YOUR HONOR WAS AFFIRMATIVE IN

25 SAYING THAT YOU WOULD INSTRUCT ON THE SEVEN BOXES.

26 MR. SHERMAN: YOUR HONOR, IF I MAY BRIEFLY

1 RESPOND. AND LET ME START FIRST WITH MR. SHAW'S MOTION FOR  
2 RECONSIDERATION.

3 I DON'T KNOW WHAT ELSE TO CALL IT, HIS  
4 MOTION FOR RECONSIDERATION WITH RESPECT TO THE MISTRIAL  
5 MOTION HE MADE YESTERDAY. WE INTEND TO PLAY THE  
6 VIDEOTAPE -- PORTIONS OF THE VIDEOTAPE DEPOSITION OF  
7 JERRY BERAN IN OUR CASE IN CHIEF. MR. BERAN WILL BE  
8 PROPERLY CALLED AS AN IMPEACHMENT WITNESS OVER IMPEACHABLE  
9 TESTIMONY GIVEN BY MR. NOVELLI WITH RESPECT TO THE CYPRESS  
10 PARK.

11 YOUR HONOR YESTERDAY, IN A WAY THAT I  
12 THOUGHT JUST EXHIBITED A REAL PRACTICAL SENSE OF WHAT'S  
13 GONE ON HERE, ASKED COUNSEL -- SAID, "DO YOU WANT TO PLAY  
14 BERAN'S DEPOSITION?" THE ANSWER IS NO. AND THE WHOLE  
15 ISSUE ABOUT WHAT MR. NOVELLI DID OR DIDN'T DO OR SAID OR  
16 DIDN'T SAY, PLAY BERAN AND LEAVE IT TO THE TRIER OF FACT.  
17 AND APPARENTLY -- EXCUSE ME. I HAVE OTHER THINGS TO SAY,  
18 AS WELL, MR. SHAW, BECAUSE I LISTENED TO EVERYTHING THAT  
19 WAS SAID, AND I DO WISH TO RESPOND.

20 MR. SHAW: MR. BERAN IS NOT ON THE WITNESS LIST.

21 THE COURT: JUST --

22 MR. SHERMAN: BY DEFINITION, SINCE HE IS AN  
23 IMPEACHMENT WITNESS, HE WAS NOT ON THE WITNESS LIST. IN  
24 FACT, JUST LIKE SOME OTHER WITNESSES WHO ARE NOT ON THE  
25 WITNESS LIST WHO ARE GOING TO BE COMING IN AND TESTIFYING  
26 IN THIS CASE, AND EITHER THEY WILL TESTIFY OR THEY WON'T

1 TESTIFY. BUT SO THAT DEALS WITH THE ISSUE OF THE MOTION  
2 FOR RECONSIDERATION THAT MR. SHAW PERSISTS IN MAKING.

3 THE OTHER ISSUES, I STILL DON'T KNOW WHAT  
4 OTHER DOCUMENTS THEY WANT TO SEEK TO MOVE INTO EVIDENCE. I  
5 MEAN, IF THE POINT IS WE'RE JUST GOING TO HAVE FURTHER ORAL  
6 ARGUMENT BEFORE THE COURT WITH RESPECT TO SOME DOCUMENTS  
7 THAT HAVE BEEN TAKEN UNDER SUBMISSION, THAT'S FINE.

8 BUT IF THEY HAVE SOME WITNESSES THEY WANT TO  
9 BRING IN, THINGS LIKE THAT, LET'S HEAR ABOUT IT. AND LET'S  
10 DO IT.

11 MR. MOSHENKO: THERE ARE NO WITNESSES, YOUR HONOR.

12 MR. SHERMAN: OH, OKAY. FINE.

13 THEN, YOU KNOW, THEY'RE JUST SAYING THAT  
14 THERE'S GOING TO BE SOME MORE ARGUMENT BEFORE THE COURT AS  
15 OPPOSED TO SAYING, "WE HAVEN'T RESTED OUR CASE." AND I  
16 THINK THAT -- THAT COVERS IT.

17 THE COURT: LET ME TELL YOU MY POSITION ON THIS  
18 ISSUE OF THE SEVEN BOXES AND THE BERANS.

19 I DON'T THINK THAT IT WOULD BENEFIT ANYBODY  
20 TO BRING THAT UP BEFORE THE JURY AGAIN. I MEAN, I THINK  
21 THAT WHAT WE'D DO WOULD BE TO MAGNIFY SOMETHING THAT  
22 SHOULDN'T BE MAGNIFIED AND WAS OF LITTLE OR NO SIGNIFICANCE  
23 ANYWAY. SO UNLESS YOU CAN COME UP WITH SOME WORDING THAT  
24 EVERYBODY AGREES TO --

25 MR. SHAW: WELL, YOUR HONOR, I LOOKED AT THAT LAST  
26 NIGHT BECAUSE THE COURT DID REQUEST THAT I DO THAT, AND I

1 JUST -- THE ONLY QUESTION THAT I WOULD ASK IS -- THAT BE  
2 MADE TO THE JURY IS ON PAGE 5209 AT LINE 1. THE QUESTION  
3 IS ASKED, "DID YOU ASK THE BERANS TO COME INTO COURT AND  
4 LIE FOR YOU?"

5 WHAT I WOULD ASK THE COURT TO STATE IS THAT  
6 THERE IS NO EVIDENCE THAT MR. NOVELLI EVER ASKED MR. BERAN  
7 TO COME INTO COURT AND LIE FOR HIM. THAT'S WHAT I WOULD  
8 REQUEST. THIS ISSUE OF MR. BERAN NOW HAVING A DEPOSITION  
9 PLAYED, NOT ON THE WITNESS LIST, THIS IS NOT IMPEACHMENT.  
10 AND I'LL ARGUE THAT AT A LATER POINT IN TIME UNDER THE  
11 CODE.

12 THIS IS A CHEAP TRICK TO TRY TO GET  
13 MR. BERAN'S TESTIMONY IN -- AROUND THE COURT'S RULING  
14 REGARDING THE WITNESS LIST. THAT'S ALL THIS IS. THERE'S  
15 NOTHING TO DO TO IMPEACH.

16 THE COURT: YOU KNOW, YOU KEEP USING THE PHRASE  
17 "CHEAP TRICK," AND I THINK THAT'S DEMEANING.

18 MR. SHERMAN: THANK YOU, YOUR HONOR.

19 THE COURT: WE HEAR TALK ABOUT SHYSTER LAWYERS,  
20 AMBULANCE CHASERS, BAD LAWYER JOKES, AND FOR A MEMBER OF  
21 THE PROFESSION TO USE THAT TERMINOLOGY, IT JUST ADDS TO  
22 IT.

23 MR. SHAW: POINT TAKEN.

24 THE COURT: I DON'T ENTERTAIN ANY CHEAP TRICKS IN  
25 MY COURT.

26 MR. SHAW: WELL, YOUR HONOR, WHAT I'VE SEEN IS --

1 AND I APOLOGIZE TO THE COURT AND WOULD JUST REQUEST TO GIVE  
2 ME SOME LICENSE FOR ADVOCACY HERE.

3 THE COURT: OKAY.

4 MR. SHAW: IS THAT I SEE THESE QUESTIONS ASKED OF  
5 MR. NOVELLI, AND NOW HE IS SAYING THAT HE IS GOING TO BRING  
6 IN OTHER WITNESSES THAT AREN'T ON THE WITNESS LIST. WE'VE  
7 HAD NO OPPORTUNITY TO KNOW WHO THOSE WITNESSES ARE. WE'VE  
8 HAD NO OPPORTUNITY TO TAKE ANY DISCOVERY.

9 MR. BERAN, THE ONLY REASON WE TOOK HIS  
10 DEPOSITION WAS TO SHOW THE COURT WHAT WE'VE BEEN ABLE TO  
11 PROVE TO THE COURT, THAT HE WAS NEVER ASKED -- MR. NOVELLI  
12 NEVER ASKED HIM TO COME INTO COURT AND LIE.

13 THE SEVEN BOXES, I APOLOGIZE IF I DESCRIBED  
14 IT AS A CHEAP TRICK. BUT WHEELING SEVEN BOXES IN THAT  
15 AREN'T ON THE EXHIBIT LIST, I MADE MY RECORD YESTERDAY ON  
16 THE MISTRIAL.

17 THE COURT: OFF THE RECORD.

18 (DISCUSSION OFF THE RECORD.)

19 MR. SHAW: BUT MY POINT IS -- MY POINT IS, YOUR  
20 HONOR, THAT WE DO MAKE THAT REQUEST. THE COURT -- THE CASE  
21 LAW REQUIRES THAT I MAKE THE REQUEST UNDER THE MOTION FOR  
22 MISTRIAL. SO I MAKE THE REQUEST.

23 THE COURT: ALL RIGHT.

24 MR. SHAW: WITH THAT, WE ARE READY TO REST.

25 BUT I VEHEMENTLY OBJECT TO ANY OTHER  
26 WITNESSES THAT AREN'T ON THE WITNESS LIST COMING INTO

1 COURT.

2 THE COURT: WELL, OBVIOUSLY YOU KNOW THAT IF THERE  
3 ARE REBUTTAL WITNESSES, THEY CAN BE CALLED, AND THEY NEED  
4 NOT BE ON A WITNESS LIST.

5 MR. MOSHENKO: BUT REBUTTAL IS NOT IMPEACHMENT.

6 THE COURT: I'M SORRY. I MEANT IMPEACHMENT.

7 MR. SHAW: WELL, YOUR HONOR --

8 MR. SHERMAN: YOUR HONOR, CAN WE CROSS THAT BRIDGE  
9 WHEN WE COME TO IT?

10 MR. SHAW: WELL, YOUR HONOR, I DIDN'T BRING IT UP.

11 MR. SHERMAN: I HEARD MR. BERAN MADE MENTION BY  
12 PLAINTIFFS ABOUT 25 TIMES THIS MORNING, AND I DIDN'T BRING  
13 IT UP.

14 THE COURT: OKAY.

15 MR. MOSHENKO: I WANT TO DISAGREE WITH MR. SHAW AND  
16 MENTION ONE THING, AND THAT IS, I ALSO ASKED THE COURT -- I  
17 KNOW THE COURT THINKS IT WAS MUCH ADO WITH NOTHING, BUT  
18 WHEN I GOT IMPLICATED IN THE BERANS ACCUSATION OF A FELONY,  
19 I TOOK IT VERY SERIOUSLY. AND I WANT TO ASK THE COURT TO  
20 ADMONISH THE JURY.

21 IN ADDITION TO THAT, THERE IS NO EVIDENCE  
22 THAT MR. NOVELLI ASKED MR. BERAN TO COME IN COURT -- TO  
23 COME TO COURT AND LIE FOR HIM; THAT THERE IS ALSO NO  
24 EVIDENCE THAT MR. MOSHENKO PLAYED ANY ROLE OR PART IN ANY  
25 MEETING IN WHICH MR. NOVELLI ASKED MR. BERAN THAT.

26 THE COURT: YOU KNOW, IF I TELL THE JURY WHAT YOU

1 JUST ASKED ME TO TELL THEM, AND THEY COME IN WITH  
2 SOMETHING, YOU'RE OPENING ANOTHER DOOR.

3 MR. SHERMAN: YOUR HONOR, ON THAT SUBJECT --

4 MR. MOSHENKO: THE RECORD IS CLEAR. MR. BERAN SAID  
5 I ARRIVED IN A CAR, I PULLED OUT AND LEFT. AND THEN THE  
6 MEETING TOOK PLACE. THE MOST HE CAN SAY AND DOES SAY IS AS  
7 MR. NOVELLI WALKED FROM MY CAR, MR. BERAN SAID HELLO.

8 THE COURT: THAT'S NOT WHAT I WAS REFERRING TO. I  
9 WAS REFERRING TO THE FACT THAT MR. BERAN MAY SAY SOMETHING  
10 THAT IMPLICATES YOUR CLIENT.

11 MR. SHERMAN: MR. MOSHENKO IS NOT ARGUING THAT  
12 POINT.

13 MR. MOSHENKO: MY POINT IS -- HE IS CORRECT. I'M  
14 NOT I'M ARGUING THAT. THE CLAIM THAT I ATTENDED --

15 THE COURT: WELL, YOUR REPUTATION IS -- I THINK  
16 IT'S INTACT HERE. I DON'T THINK WE HAVE TO BRING THAT  
17 BEFORE THE JURY.

18 MR. SHERMAN: YOUR HONOR, WHEN WE HEAR THAT THEY  
19 HAVE RESTED, WE'D LIKE TO MAKE SOME MOTIONS.

20 THE COURT: NO. THEY HAVE RESTED.

21 IS THAT CORRECT, GENTLEMEN?

22 MR. MOSHENKO: THAT'S CORRECT, SUBJECT TO THE --

23 THE COURT: PLAINTIFF RESTS.

24 MR. MOSHENKO: THIS IS NOT A GAME. WE JUST WANT  
25 THE RECORD TO REFLECT THAT IF THE ARGUMENT IS -- WHATEVER  
26 MOTION THEY WANT TO MAKE IS BASED UPON AN EXHIBIT THAT'S

1 UNDER SUBMISSION, WE HAVE THE RIGHT TO DEAL WITH THAT. OF  
2 COURSE WE HAVE THE RIGHT TO REOPEN ANYWAY UNDER THE LAW.

3 THE COURT: PLAINTIFF HAS RESTED.

4 MR. RIVIN: YOUR HONOR, WE DISCUSSED MOTIONS FOR  
5 NONSUIT YESTERDAY, AND WE ADVISED THE COURT THAT WE WERE  
6 GOING TO BE FILING WRITTEN MOTIONS, WHICH THE COURT WOULD  
7 THEN HAVE AN OPPORTUNITY TO REVIEW. WE WOULD SERVE THEM AT  
8 THE SAME TIME, OBVIOUSLY. AND THEN WE WOULD HAVE A HEARING  
9 ON THOSE MOTIONS.

10 WE TALKED ABOUT MOVING FORWARD AND STARTING  
11 THE PRESENTATION OF OUR CASE SO AS NOT TO WASTE -- THE  
12 DEFENDANT'S CASE, SO AS NOT TO WASTE THE JURY'S TIME AND SO  
13 THIS COULD CONTINUE TO MOVE FORWARD. WE WERE ALL IN  
14 AGREEMENT WITH THAT YESTERDAY.

15 WE ARE FINALIZING THE PAPERWORK NOW. WE  
16 WERE HOPING TO HAVE IT DONE TODAY. I DON'T KNOW IF IT WILL  
17 BE DONE TODAY OR NOT. IF NOT TODAY, IT WILL BE DONE FIRST  
18 THING TOMORROW MORNING, AND WE WILL PRESENT THE PAPERS TO  
19 PLAINTIFFS' COUNSEL.

20 THE COURT: AT 8:30 TOMORROW MORNING.

21 MR. RIVIN: 8:30 TOMORROW MORNING.

22 THE COURT: AND YOU'LL BE HERE AT 8:30.

23 MR. MOSHENKO: IF YOUR HONOR ORDERS ME HERE AT  
24 8:30 -- THIS MORNING I DIDN'T HEAR IT. I APOLOGIZE.

25 MR. RIVIN: WELL, WE WILL BE PRESENTING THE PAPERS  
26 TOMORROW MORNING AT 8:30. WE ASKED THE COURT YESTERDAY

1 ABOUT THE POSSIBILITY OF ARGUING ON FRIDAY MORNING. IT  
2 SEEMS TO ME THAT THAT WOULD STILL BE AN APPROPRIATE TIME.  
3 I THINK MR. SHAW OFFERED TO CHANGE HIS CALENDAR AS  
4 NECESSARY SO HE COULD BE HERE FRIDAY MORNING.

5                   IT DOES SEEM TO ME IF WE HAVE THE PAPERS  
6 HERE AT 8:30 TOMORROW MORNING AND SERVE ON THE PLAINTIFFS'  
7 COUNSEL AT THAT TIME, TWO FULL DAYS WOULD BE ENOUGH TIME  
8 FOR THEM TO DIGEST THE PAPERS AND BE READY TO ARGUE THEM ON  
9 FRIDAY MORNING. WE REALLY WOULD LIKE TO HAVE THE ARGUMENT  
10 ON FRIDAY MORNING.

11                  MR. SHERMAN: ONE THING I'D LIKE TO ADD ON THAT  
12 POINT, YOUR HONOR, THE PROSPECT THAT A RULING BY THE COURT  
13 WITH RESPECT TO DEFENDANTS' MOTIONS FOR NONSUIT, DIRECTED  
14 VERDICT, WOULD GO INTO NEXT WEEK RATHER JUST MAGNIFIES THE  
15 PROBLEM FROM OUR PERSPECTIVE, BECAUSE OUR CLIENTS BELIEVE  
16 THAT THEY HAVE BEEN SUED FRIVOLOUSLY; THAT PLAINTIFFS HAVE  
17 NOT MET ANY OF THEIR BURDENS OF PROOF, AND THAT IT'S  
18 APPROPRIATE AT THIS POINT FOR THE COURT TO GRANT OUR  
19 MOTIONS FOR NONSUIT AND DIRECTED VERDICT.

20                   THE PROSPECT OF HEARING THIS NEXT FRIDAY,  
21 PERHAPS, AS I THOUGHT I HAD HEARD YESTERDAY, ON A MUCH MORE  
22 EXTENDED --

23                  THE COURT: THIS COMING FRIDAY WE'RE TALKING ABOUT.

24                  MR. SHERMAN: THE PROSPECT OF HEARING MOTIONS A  
25 WEEK FROM THIS COMING FRIDAY.

26                  THE COURT: NOT A WEEK FROM FRIDAY.

1           MR. SHERMAN: THAT'S JUST A LITTLE TOO RELAXED.  
2 AND THE FACT IS, OUR CLIENTS ARE SPENDING TOO MUCH MONEY TO  
3 FIGHT THESE CHARGES. WE WANT TO PUT AN END TO IT. WE'D  
4 LIKE TO HAVE A HEARING ON FRIDAY. IF WE WIN, WE WIN. IF  
5 WE DON'T WIN, WE DON'T WIN.

6           THE COURT: HOW ABOUT THAT?

7           MR. MOSHENKO: YOUR HONOR, ON THAT POINT, YESTERDAY  
8 WHEN COUNSEL SUGGESTED WE'D DO IT THIS FRIDAY WITH US  
9 GETTING THE PAPERS TODAY, I OBJECTED; THAT I THOUGHT THAT  
10 WE WOULD LIKE TO DO A WRITTEN RESPONSE. AND THAT BETWEEN  
11 TUESDAY AND FRIDAY WAS TOO SHORT. YOUR HONOR INDICATED ON  
12 THE RECORD, I THOUGHT, THAT YOU AGREED. AND YOUR WORDS  
13 WERE "I WILL GIVE YOU MORE TIME."

14                   AND NOW -- WE DON'T HAVE TO GO OVER TO A  
15 WEEK FROM FRIDAY, BUT THERE'S NO REASON WHY WE HAVE TO RUSH  
16 THIS. WE CAN DO IT ON MONDAY, WHICH WOULD GIVE US -- WE'RE  
17 GOING TO BE IN TRIAL WEDNESDAY AND THURSDAY AND NOT -- AND  
18 NOT PREPARING OPPOSITIONS TO MOTIONS FOR NONSUIT, I  
19 SUSPECT.

20                   AND SO IT'S NOT UNREASONABLE TO REQUEST THAT  
21 THE MATTER NOT BE -- IF THEY HAVE -- THEY PROBABLY SPENT  
22 WEEKS PREPARING THESE MOTIONS, I GUESS. WHY SHOULD WE HAVE  
23 LESS THAN 48 HOURS OR LESS THAN 72 HOURS TO DEAL WITH IT?  
24 YOU CAN'T WRITE AN EXTENDED BRIEF ON A COMPLICATED CASE  
25 LIKE THIS IN LESS THAN THREE OR FOUR DAYS.

26           MR. SHAW: ESPECIALLY WHEN BOTH COUNSEL ARE HERE IN

1 THE COURTROOM.

2 THE COURT: LET'S WAIT UNTIL WE SEE WHAT THEY SERVE  
3 TOMORROW.

4 MR. MOSHENKO: THAT'S FINE, YOUR HONOR. THANK YOU.

5 MR. SHAW: THANK YOU.

6 MR. RIVIN: YOUR HONOR, WE WANT TO FORMALLY MAKE  
7 THE MOTION ORALLY.

8 WE ARE MOVING FOR NONSUIT WITH RESPECT TO  
9 ALL OF THE REMAINING PLAINTIFFS' CAUSES OF ACTION. WE ARE  
10 ASKING THE COURT TO RENDER A JUDGMENT IN FAVOR OF THE  
11 REMAINING TWO DEFENDANTS ON THOSE CAUSES OF ACTION WHICH  
12 ARE EQUITABLE IN NATURE. THE COURT HAS THE ABILITY TO MAKE  
13 THAT DETERMINATION AT THIS POINT.

14 THE STANDARD FOR RENDERING A JUDGMENT ON THE  
15 EQUITABLE CAUSES OF ACTION IS NOT THE SAME AS ON A  
16 NONSUIT. THE COURT HAS THE RIGHT TO WEIGH THE EVIDENCE, TO  
17 DETERMINE CREDIBILITY, AND MAKE A DETERMINATION WITH  
18 RESPECT TO THE EQUITABLE CAUSES OF ACTION. AND THE COURT  
19 HAS THE ABILITY, CERTAINLY, TO MAKE THAT DETERMINATION.

20 THE COURT: THERE ARE TWO OF THOSE.

21 MR. RIVIN: THERE ARE -- THERE'S AN UNFAIR  
22 COMPETITION CLAIM. THERE'S AN ACCOUNTING CLAIM, WHICH IS  
23 STILL THERE. I DON'T KNOW THAT THE PLAINTIFFS STILL INTEND  
24 TO PURSUE THAT, BUT MR. SHAW DID NOT INDICATE THERE WAS A  
25 WITHDRAWAL OF THAT CAUSE OF ACTION. THERE'S ALSO AN  
26 INJUNCTION CAUSE OF ACTION. SO THERE APPEAR TO BE THREE

1   EQUITABLE CAUSES OF ACTION.

2                   AND THEN WE ALSO ARE BRINGING IN A MOTION  
3   FOR NONSUIT WITH RESPECT TO THE CAUSES OF ACTION WHICH  
4   WOULD OTHERWISE BE DETERMINED BY THE JURY, THE LEGAL CAUSES  
5   OF ACTION, SPECIFICALLY BREACH OF CONTRACT, BOTH BREACH OF  
6   WRITTEN CONTRACT AND ANY OTHER BREACH OF CONTRACT CLAIM,  
7   INCLUDING BREACH OF IMPLIED CONTRACT, THE INTERFERENCE  
8   CLAIMS THE PLAINTIFFS ARE ASSERTING, THE FRAUD CLAIM, AND  
9   THE MISAPPROPRIATION OF TRADE SECRETS.

10                   WE BELIEVE FOR THE REASONS THAT WILL BE  
11   INDICATED IN OUR PAPERS, THAT THE PLAINTIFFS HAVE NOT MET  
12   THEIR BURDEN WITH RESPECT TO EACH ELEMENT OF THOSE CAUSES  
13   OF ACTION.  THEY MUST ESTABLISH A PRIMA FACIE CASE AS TO  
14   EVERY ELEMENT OF EVERYONE OF THOSE CAUSES OF ACTION.  WE  
15   BELIEVE -- WITH THE EXCEPTION OF DAMAGES, WHICH IS NOT  
16   BEING CONSIDERED AT THIS TIME.

17                   BUT WE BELIEVE WITH RESPECT TO THE ISSUE --  
18   ISSUES OF LIABILITY AND CAUSATION, THAT THE EVIDENCE HAS  
19   SHOWN CLEARLY THAT THE DEFENDANTS ARE ENTITLED TO JUDGMENT  
20   ON EACH OF THESE CAUSES OF ACTION; THAT THE PLAINTIFFS HAVE  
21   FAILED TO MEET THEIR BURDEN ON EACH OF THESE CAUSES OF  
22   ACTION.

23                   WE WILL ALSO BE -- WE ALSO WANT TO MOVE  
24   SEPARATELY FOR JUDGMENT AGAINST PLAINTIFF, TRAVEL AMERICA,  
25   ON SEPARATE GROUNDS WHICH WILL BE EXPLAINED IN OUR WRITTEN  
26   PAPERS.

1 WE WERE PREPARED TO ALSO FILE A MOTION WITH  
2 RESPECT TO THE ALTER EGO CLAIMS BECAUSE WE BELIEVE AT THIS  
3 POINT THE COURT HAS SUFFICIENT EVIDENCE TO MAKE A  
4 DETERMINATION WITH RESPECT TO THE ALTER EGO CLAIMS.

5 YOUR HONOR INDICATED A FEW MOMENTS AGO THAT  
6 YOU'RE NOT INCLINED TO CONSIDER ALTER EGO AT THIS TIME.  
7 AND IF THAT'S STILL THE COURT'S WISHES, WE WILL NOT FILE  
8 THE MOTION WITH RESPECT TO ALTER EGO AT THIS POINT IN  
9 TIME. BUT WE WILL BE PREPARED TO DO SO IF THE COURT IS  
10 PREPARED TO ENTERTAIN.

11 THE COURT: ALL RIGHT. GO AHEAD. PREPARE IT.

12 MR. RIVIN: AND WHAT WE'LL DO, THEN -- YOUR HONOR,  
13 I'VE INDICATED TO THE COURT THE MOTIONS THAT ARE BEING  
14 MADE. THERE MAY BE SOME ADDITIONAL GROUNDS. THE SPECIFIC  
15 GROUNDS WILL BE SET FORTH IN OUR MOVING PAPERS WHICH, AS WE  
16 DISCUSSED, WILL BE SERVED AND FILED NO LATER THAN 8:30  
17 TOMORROW MORNING.

18 AND I RESERVE THE RIGHT -- WE RESERVE THE  
19 RIGHT TO ARGUE THIS EITHER FRIDAY MORNING OR SUCH OTHER  
20 TIME AS THE COURT DETERMINES IS APPROPRIATE.

21 THE COURT: ALL RIGHT.

22 MR. SHERMAN: YOUR HONOR, AT THIS POINT WITHOUT  
23 WAIVING OUR RIGHT TO SEEK THE RELIEF THAT MR. RIVIN  
24 REFERENCED IN THE NONSUIT AND DIRECTED VERDICT MOTIONS, WE  
25 WOULD LIKE TO BEGIN OUR CASE. WE WOULD LIKE TO PRESENT TO  
26 THE COURT ONLY CERTAIN TESTIMONY OF PATRICIA WALDMAN

1 OUTSIDE THE PRESENCE OF THE JURY. WE BELIEVE THAT THIS  
2 TESTIMONY OUGHT TO BE PRESENTED BEFORE THE JURY; BUT AS A  
3 PRELIMINARY DETERMINATION, WE ASK THE COURT TO MAKE THAT.

4 THE COURT: DO WE HAVE TIME TO DO IT NOW?

5 MR. RIVIN: I THINK WE DO.

6 THE COURT: ALL RIGHT. DO YOU WANT TO DO IT IN  
7 CHAMBERS?

8 MR. RIVIN: YES, I'D LIKE TO DO IT IN CHAMBERS.

9 MR. MOSHENKO: WITH THE COURT REPORTER?

10 THE COURT: YES, OF COURSE.

11 (THE FOLLOWING PROCEEDINGS WERE HELD IN  
12 CHAMBERS:)

13 MR. MOSHENKO: YOUR HONOR, DID YOU TELL US TO COME  
14 HERE AT 8:30?

15 THE COURT: IT'S BEEN A STANDING ORDER.

16 MR. MOSHENKO: ALL RIGHT.

17 THE COURT: 8:30 EVERY DAY.

18 MR. MOSHENKO: MY FAULT.

19 THE COURT: PROCEED.

20 FIRST WE HAVE TO SWEAR THE WITNESS.

21 **PATRICIA ANN WALDMAN,**

22 CALLED AS A WITNESS ON BEHALF OF THE DEFENDANTS, HAVING  
23 BEEN FIRST DULY SWORN, WAS EXAMINED AND TESTIFIED AS  
24 FOLLOWS:

25 THE CLERK: STATE YOUR FULL NAME FOR THE RECORD  
26 AND SPELL IT FOR THE REPORTER.

1 THE WITNESS: PATRICIA WALDMAN, W-A-L-D-M-A-N.

2 DIRECT EXAMINATION (402)

3 BY MR. SHERMAN: Q MISS WALDMAN, I'M GOING TO ASK  
4 YOU SOME QUESTIONS.

5 HAVE YOU OVER THE YEARS WORKED FOR  
6 MR. NOVELLI?

7 A YES.

8 Q AND HOW MANY YEARS?

9 A FOR THE COMPANY OR MR. NOVELLI?

10 Q BOTH.

11 A I WORKED FOR THE COMPANY, I BELIEVE, ALMOST  
12 14 YEARS. I WORKED FOR MR. NOVELLI 10 YEARS.

13 Q OKAY. SO JUST FROM A TIME STANDPOINT, YOU  
14 STARTED WITH THE COMPANY, ALL SEASONS?

15 A YES. IT WAS JUST ALL SEASONS.

16 Q AND WHEN WAS THAT?

17 A 1982.

18 Q AND SO YOU SAY FOR MR. NOVELLI 10 YEARS. IS  
19 THAT BECAUSE HE TOOK OVER ALL SEASONS IN 1986?

20 A YES.

21 Q AND WHEN DID YOU LEAVE THE COMPANY?

22 A I LEFT ON AUGUST 30TH, THE LAST DAY OF  
23 AUGUST, 1996.

24 MR. SHERMAN: AND I'M TRUNCATING THIS NOW, YOUR  
25 HONOR, I'M NOT GOING TO GO THROUGH ALL THE FOUNDATIONAL  
26 ISSUES. I THINK YOUR HONOR UNDERSTANDS THAT SHE WAS AN

1 EMPLOYEE, ET CETERA.

2 THE COURT: YES.

3 BY MR. SHERMAN: Q SINCE LEAVING THE COMPANY  
4 AUGUST 30, 1996, HAVE YOU HAD OCCASION FROM TIME TO TIME TO  
5 SPEAK WITH MR. NOVELLI?

6 A YES.

7 Q EITHER IN PERSON OR BY TELEPHONE?

8 A YES.

9 Q AND LET'S JUST GO BACK OVER THE PAST YEAR OR  
10 SO. I'M TALKING NOW ABOUT THE SUMMER OF 1999 TILL, SAY,  
11 MARCH OF 2000. SUMMER OF '99, MARCH OF 2000.

12 A OKAY.

13 Q DID YOU SPEAK WITH MR. NOVELLI DURING THAT  
14 TIME PERIOD?

15 A YES, I DID.

16 Q ON HOW MANY OCCASIONS?

17 A WELL, HE CALLED ME ONCE AT MY HOME.

18 Q WHEN WAS THIS?

19 A THAT WAS IN MARCH, I BELIEVE.

20 Q OF 2000?

21 A OF 2000.

22 Q OKAY.

23 A THAT'S WHEN I TALKED TO HIM. BEFORE THAT,  
24 THE LAST TIME, I DON'T REMEMBER.

25 Q WELL, WHEN YOU SAY YOU DON'T REMEMBER HAVE,  
26 YOU SPOKEN TO MR. NOVELLI IN THE YEAR 2000 PRIOR TO THIS

1 PHONE CALL IN MARCH?

2 A NO.

3 Q AND THAT'S REALLY WHAT I WAS GETTING AT.

4 HAD YOU SPOKEN TO HIM IN LATE '99?

5 A NO.

6 Q SO --

7 A PERHAPS EARLY '99.

8 Q EARLY '99.

9 SO YOUR BEST RECOLLECTION OF WHEN YOU HAD  
10 HEARD FROM MR. NOVELLI LAST OR SPOKEN TO HIM LAST PRIOR TO  
11 THE PHONE CALL IN MARCH WAS IN SOMETIME IN EARLY '99?

12 A YES.

13 Q AND SO THEN IN MARCH 2000 YOU'RE -- AT HOME  
14 YOU GOT A PHONE CALL?

15 A YES.

16 Q AND PICKED UP THE PHONE AND WHAT HAPPENED?

17 A IT WAS MR. NOVELLI. RAY NOVELLI HAD CALLED.

18 AND HE SAID THESE EXACT WORDS: "IT PROBABLY SEEMS REALLY  
19 STRANGE THAT I'M CALLING YOU."

20 AND I WAS A LITTLE BIT SHOCKED BECAUSE OF  
21 EVERYTHING THAT WAS HAPPENING WITH -- THAT WAS GOING ON  
22 WITH MY HUSBAND AND I.

23 AND I SAID, "YES." AND HE WAS ON THE  
24 SPEAKER PHONE.

25 Q HOW DO YOU KNOW THAT?

26 A I COULD HEAR -- WELL, I'VE BEEN ON THE

1 SPEAKER PHONE SO MUCH I KNOW WHAT IT SOUNDS LIKE.

2 AND ALSO I HEARD SOMEBODY TALKING TO HIM.

3 AND HE ASKED ME IF I WAS AWARE OF THE CAMP COAST TO COAST  
4 LAWSUIT. AND I SAID YES, I WAS.

5 AND HE ASKED ME IF I HAD BEEN CONTACTED BY  
6 MICHAEL SHERMAN, YOU. AND I SAID THAT I HAD BEEN  
7 SUBPOENAED FOR A DEPOSITION. AND HE ASKED ME  
8 IF -- WELL, ACTUALLY, HE STATED THAT MR. SHERMAN WAS TRYING  
9 TO GET PEOPLE TO TALK ABOUT STUFF TO DO WITH HIM SEXUALLY  
10 AND -- WITH HIM, HIS PAST CRIMINAL RECORD. FIRST HE SAID  
11 HIS PAST RECORD, AND THEN THE MAN THAT WAS STANDING -- OR  
12 THAT WAS THERE WITH HIM -- I ASSUME I WAS ONE MAN -- SAID  
13 SOMETHING ABOUT CRIMINAL.

14 AND THEN I SAID, "WHAT?"

15 AND HE SAID, "OH, I'M HERE WITH  
16 MR. MOSHENKO. YOU REMEMBER TERRY MOSHENKO."

17 AND THEN I SAID, "YES."

18 AND THEN HE SAID THAT MICHAEL SHERMAN WAS A  
19 REAL SLEEZEBAG, AND THAT YOU WERE SPREADING THINGS OUT  
20 THERE AND THAT YOU WERE TRYING TO HURT HIM, AS FAR AS HIM  
21 SELLING THE COMPANY.

22 AND I SAID, "I DIDN'T KNOW YOU WERE SELLING  
23 THE COMPANY."

24 AND THEN RIGHT AFTER THAT -- OR I SAID, NO.  
25 I SAID, NO, THAT MR. SHERMAN OR ANYBODY TO DO WITH THE CASE  
26 HAD NOT SAID ANYTHING TO ME AT ALL LIKE THAT; THAT

1 EVERYTHING THAT WAS ASKED -- THAT I WAS SUBPOENAED, AND I  
2 GAVE MY DEPOSITION, AND THAT WAS IT. AND I DIDN'T REALLY  
3 EXPECT TO HEAR ANYMORE.

4 AND THEN I WAS GOING YOU ASK HIM ABOUT MY  
5 HUSBAND'S MONEY, BUT THEN HE WENT RIGHT INTO, "WELL, WHEN  
6 ARE YOU GOING TO COME BACK TO WORK HERE?" BECAUSE HE HAD  
7 OFFERED ME JOBS BEFORE OVER THE COURSE OF ME BEING GONE.

8 AND I JUST SAID, "OH, I DON'T KNOW."

9 AND THEN HE SAID, "ARE YOU GETTING YOUR  
10 PAYMENTS?"

11 AND I SAID, "WHAT PAYMENTS?"

12 HE SAID, "YEAH. I GOT A NASTY LETTER FROM  
13 YOUR ATTORNEY IN FLORIDA," AND HE WAS LAUGHING, JOKING  
14 AROUND ABOUT IT.

15 HE SAID, "YEAH. THAT GUY IS A REAL  
16 STICKLER. WE WERE ONLY TWO DAYS LATE, AND HE SENT US OUT A  
17 NASTY LETTER." HE STARTED LAUGHING. HE SAID, "YOU AND  
18 STEVE ARE GETTING YOUR PAYMENTS FROM ME." AND THEN RIGHT  
19 THEN I LOOKED AT MY HUSBAND, AND I WAS LIKE, "OH, MY GOD."  
20 YOU KNOW, I FELT IF I TESTIFIED HE WAS GOING TO STOP MAKING  
21 OUR PAYMENTS.

22 Q BASED UPON WHAT HE SAID?

23 A YEAH, BECAUSE IT WAS LIKE ALL THIS WAS SAID  
24 IN FIVE MINUTES. IT WAS LIKE MICHAEL SHERMAN, AND THEN  
25 RIGHT INTO THE PAYMENTS. SO I SAID YES, WE HAD GOTTEN OUR  
26 PAYMENTS.

1                   AND THEN HE SAID, "WHEN ARE YOU COMING INTO  
2 TOWN?"

3                   I SAID I WAS COMING IN -- ACTUALLY I WAS  
4 GOING IN NEXT WEEK BECAUSE WE WERE SELLING OUR HOME HERE IN  
5 CALIFORNIA.

6                   AND HE SAID, "WELL, COME BY AND SEE ME. I  
7 WANT TO TALK TO YOU."

8                   I SAID, "OKAY. I WILL."

9           Q       NOW, I WANT TO -- AND THAT WAS THE END OF  
10 THE CONVERSATION?

11           A       YES.

12           Q       I WANT TO ASK YOU ON THE SUBJECT OF  
13 MR. NOVELLI VOLUNTARILY BRINGING UP THE SUBJECT OF WHEN AND  
14 HOW MUCH HE WAS GOING TO PAY YOUR HUSBAND. OTHER THAN THIS  
15 PHONE CALL IN MARCH 2000 --

16           A       YES.

17           Q       -- OVER THE PAST 10 YEARS, HAS MR. NOVELLI  
18 EVER BROUGHT UP WITH YOU VOLUNTARILY, UNSOLICITED WHEN AND  
19 HOW MUCH HE WAS GOING TO PAY YOUR HUSBAND?

20           A       VOLUNTARILY? NO.

21           Q       NOW, JUST SO WE HAVE SOME FOUNDATION LAID,  
22 **HOW MUCH IS YOUR HUSBAND OWED BY MR. NOVELLI?**

23           A       **\$960,000.**

24           Q       AND WHEN WERE THESE LOANS OR EXTENSIONS OF  
25 CREDIT MADE BY YOUR HUSBAND TO MR. NOVELLI?

26           A       ALL OF THEM WERE DONE IN 1991 AND '92.

1 Q AND ARE ANY OF THEM -- HAVE ANY OF THESE  
2 LOANS NOT BEEN REPAID WHEN THEY SHOULD HAVE BEEN REPAID?

3 A ALL OF THEM.

4 Q AND SO THEN CIRCLING BACK THEN TO THE ISSUE  
5 THAT WE WERE FOCUSING ON JUST A MOMENT AGO IN MY QUESTIONS,  
6 SINCE 1991 OR 1992, HAVE YOU OR YOUR HUSBAND HAD TO FROM  
7 TIME TO TIME ASK FOR THE MONEY, MAKE A REQUEST FOR THE  
8 MONEY, FILE A LIS PENDENS IN CONNECTION WITH THE MONEY OR  
9 ANYTHING LIKE THAT?

10 A IN 1998, I BELIEVE -- OR 1999 WHEN WE  
11 REALIZED THAT WE WERE JUST BEING LIED TO ONE TIME AFTER  
12 ANOTHER, WE HIRED A LAW FIRM HERE IN NEW- -- WHERE ARE WE  
13 AT?

14 Q WESTMINSTER.

15 A OKAY. SORRY. IN NEWPORT BEACH. WE SPENT  
16 ABOUT \$50,000 ON THEM, AND THEY BASICALLY TOLD US THERE'S  
17 NOT MUCH YOU CAN DO. BUT THEY SUGGESTED THAT WE HIRE AN  
18 ATTORNEY IN FLORIDA, WHICH WE DID. AND HE SUGGESTED THAT  
19 WE FILE A LIS PENDENS.

20 WE DID NOT -- MY HUSBAND AND I DID NOT SEE  
21 THAT AS SUING RAY BECAUSE AT THIS POINT RAY IS OUR FRIEND.  
22 WE DON'T WANT TO SUE ANYBODY. AND HE STILL IS PROMISING US  
23 OUR MONEY.

24 SO THE ATTORNEY ADVISED US TO FILE A LIS  
25 PENDENS WHICH HE TOLD US WOULD BASICALLY SAY, OKAY, RAY, IF  
26 APOLLO DOES GET THIS LOAN, YOU AGREE YOU'RE GOING TO PAY

1 THE WALDMANS. SO WE DIDN'T FEEL THAT RAY WOULD MIND THAT.  
2 BUT WHEN WE FILED THE LIS PENDENS, HE IMMEDIATELY SENT OFF  
3 A NASTY LETTER TO US SAYING THAT HE WOULD SUE US IF WE DID  
4 NOT LIFT THIS LIS PENDENS.

5 Q LET'S BACK UP THEN.

6 OVER THE 10 YEARS -- OVER THE EIGHT YEARS,  
7 EIGHT, NINE YEARS THAT THESE LOANS HAVE BEEN OUTSTANDING  
8 AND PAYMENTS EITHER HAVEN'T BEEN PAID OR BEEN MADE LATE OR  
9 WHATEVER THEY WERE, HAS MR. NOVELLI, WITH THE EXCEPTION OF  
10 THIS ONE TELEPHONE CALL IN MARCH, 2000, EVER CONTACTED YOU  
11 OR YOUR HUSBAND, TO YOUR KNOWLEDGE, TO SAY, "I'D LIKE TO  
12 MAKE PAYMENTS TO YOU" OR WORDS TO THAT EFFECT?

13 A NO.

14 MR. MOSHENKO: OBJECTION. MISSTATES THE  
15 TESTIMONY. HE DIDN'T CALL TO SAY, "I'D LIKE TO MAKE  
16 PAYMENTS TO YOU." HE SAID, "ARE YOU GETTING YOUR PAYMENTS  
17 FROM ME?"

18 BY MR. SHERMAN: Q HAS HE EVER INQUIRED -- HAS HE  
19 EVER INQUIRED, SINCE 1992, WITHOUT YOUR PROMPTING HIM OR  
20 ASKING HIM, TO TELL YOU WHAT THE STATUS OF THE LOAN ACCOUNT  
21 WAS?

22 A NO.

23 MR. SHERMAN: I HAVE NO FURTHER QUESTIONS AT THIS  
24 TIME, YOUR HONOR.

25 I THINK THAT WE'VE LAID THE FOUNDATION TO  
26 SHOW WHY THIS NEEDS TO GO BEFORE THE JURY. IT GOES

1 DIRECTLY TO MR. NOVELLI'S CREDIBILITY. DIRECTLY.

2 THE COURT: WE'LL EXCUSE YOU AT THIS TIME. AND --

3 MR. MOSHENKO: YOUR HONOR, MAY I JUST ASK ONE  
4 QUESTION ON THE WAY OUT THE DOOR?

5 THE COURT: YES.

6 CROSS-EXAMINATION (402)

7 BY MR. MOSHENKO: Q DID YOU AND YOUR HUSBAND  
8 ACTUALLY GIVE OR PAY TO MR. NOVELLI OR HIS COMPANY NINE  
9 HUNDRED -- WHAT DID YOU SAY -- NINETY-SIX THOUSAND, OR IS  
10 THIS KIND OF AN ACCUMULATED SUM BASED ON TIME AND INTEREST  
11 OR ADDITIONS?

12 A NO. BUT I CAN GIVE YOU THOSE FIGURES.

13 Q DID YOU ACTUALLY GIVE 960,000 TO SOMEBODY?

14 A YES. OVER THE YEARS IT WAS A TOTAL OF --  
15 I'M SORRY. \$942,000.

16 Q WHAT DID IT CONSIST OF, IF YOU DON'T MIND  
17 TELLING ME?

18 A NO. \$322,000 WAS FOR A SECURITY NOTE WHICH  
19 WAS BACKED BY FIVE ALL SEASONS RESORTS.

20 \$200,000 FOR THE RITZ.

21 \$270,000 FOR REVCON AND APOLLO MOTORCOACH.

22 \$100,000 FOR PRESIDENTIAL AIR.

23 AND \$50,000 FOR THE COBO FUEL DOCK LOAN.

24 AND WE'VE RECEIVED BACK \$398,000.

25 MR. SHERMAN: I TAKE IT THAT'S JUST

26 PRINCIPAL YOU'RE TALKING ABOUT, NOT INTEREST.

1 THE WITNESS: WE HAVEN'T RECEIVED ANY INTEREST.

2 THE COURT: OKAY. THANK YOU. SEE YOU AFTER LUNCH.

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1 WESTMINSTER, CALIFORNIA - TUESDAY, JULY 18, 2000

2 AFTERNOON SESSION

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

5 THE COURT: GOOD AFTERNOON, LADIES AND GENTLEMEN.

6 THE JURY: GOOD AFTERNOON.

7 THE COURT: WE HAVEN'T TOLD YOU YET.

8 THE PLAINTIFFS REST?

9 MR. SHAW: BASED ON THOSE CONDITIONS THAT WE  
10 DISCUSSED THIS MORNING, YES, YOUR HONOR.

11 THE COURT: THANK YOU. PLAINTIFFS HAVE RESTED  
12 THEIR CASE.

13 REMEMBER, NOW, THE CASE HAS BEEN  
14 BIFURCATED. THAT MEANS -- REMEMBER I TOLD YOU? WE SPLIT  
15 IT UP. YOU'RE ONLY -- WE'VE ONLY HEARD EVIDENCE NOW AS TO  
16 LIABILITY AND CAUSATION AND SO FORTH. HAVEN'T HEARD  
17 ANYTHING ABOUT DAMAGES. SO IF LIABILITY IS FOUND TO EXIST,  
18 THEN WE'LL GO ON TO THE DAMAGES PHASE.

19 SO CALL YOUR FIRST WITNESS.

20 MR. SHERMAN: DEFENDANTS WOULD LIKE TO CALL AS  
21 THEIR FIRST WITNESS PATRICIA WALDMAN.

22 PATRICIA ANN WALDMAN,  
23 CALLED AS A WITNESS ON BEHALF OF THE DEFENDANTS, HAVING  
24 BEEN FIRST DULY SWORN, WAS EXAMINED AND TESTIFIED AS  
25 FOLLOWS:

26 THE CLERK: PLEASE TAKE A SEAT IN THE WITNESS

1 STAND.

2 STATE YOUR FULL NAME FOR THE RECORD AND  
3 SPELL YOUR NAME, YOUR LAST NAME, FOR THE REPORTER, PLEASE.

4 THE WITNESS: PATRICIA ANN WALDMAN, W-A-L-D-M-A-N.

5 DIRECT EXAMINATION

6 BY MR. SHERMAN: Q GOOD AFTERNOON, MRS. WALDMAN.

7 MRS. WALDMAN, WERE YOU EMPLOYED BY

8 MR. NOVELLI'S COMPANIES?

9 A YES.

10 Q AND WHEN I SAY "MR. NOVELLI'S COMPANIES,"  
11 CAN YOU BE A LITTLE MORE SPECIFIC AS TO WHAT COMPANIES YOU  
12 WERE EMPLOYED BY?

13 A WELL, I STARTED WITH ALL SEASONS RESORTS  
14 BEFORE MR. NOVELLI CAME ON BOARD AND TOOK OVER THE  
15 COMPANY. AND THEN LATER ON AS COMPANIES WERE FORMED BY  
16 MR. NOVELLI, I WORKED FOR THEM.

17 Q SO LET'S START THEN WITH ALL SEASONS  
18 RESORTS.

19 WHEN DID YOU BEGIN WITH ALL SEASONS RESORTS?

20 A 1982 PART TIME. AND THEN I WENT FULL TIME.

21 Q AND LET'S FAST-FORWARD NOW. WE'LL COME BACK  
22 AFTER.

23 YOU WORKED WITH ALL SEASONS RESORTS  
24 BEGINNING IN 1982.

25 WHEN WAS YOUR LAST DAY OF EMPLOYMENT WITH  
26 ANY OF THE NOVELLI COMPANIES?

1 A THE LAST DAY OF AUGUST, 1996.

2 Q SO ABOUT 14 YEARS.

3 A YES.

4 Q AND HOW OLD WERE YOU WHEN YOU FIRST STARTED  
5 WITH ALL SEASONS?

6 A SEE IF ANYBODY CAN FIGURE THIS OUT. I THINK  
7 I WAS 22, 23. 22, MAYBE.

8 Q AND, YOU KNOW, AS FAR AS TALKING ABOUT REAL  
9 JOBS, I'M NOT TALKING ABOUT A PART-TIME JOB THAT YOU MAY  
10 HAVE HELD.

11 WAS THIS YOUR FIRST REAL JOB?

12 A YES, IT WAS.

13 Q AND LET'S TALK FOR A MOMENT, MRS. WALDMAN,  
14 ABOUT -- BRIEFLY ABOUT YOUR BACKGROUND BEFORE YOU STARTED  
15 WITH ALL SEASONS.

16 WHAT HAD YOU BEEN DOING?

17 A JUST MODELING. AND I ACTUALLY WENT TO ALL  
18 SEASONS ON A MODELING ASSIGNMENT. THEY WERE GOING TO DO A  
19 CATALOG.

20 Q AND WHERE DID YOU LIVE THEN?

21 A SEATTLE, WASHINGTON.

22 Q IS THAT WHERE YOUR FAMILY WAS AT THE TIME?

23 A YES.

24 Q DO YOU COME FROM A MILITARY FAMILY?

25 A YES. I GREW UP IN THE MILITARY.

26 Q SO YOU TRAVELED AROUND A BIT?

1           A        A LOT.

2           Q        AND WHEN YOU STARTED WITH ALL SEASONS IN  
3 1982, WHERE WERE THEY LOCATED?

4           A        THEY WERE IN ILWACA, WASHINGTON, WHICH IS  
5 QUITE A WAYS AWAY FROM WHERE I WAS AT. I DIDN'T LIVE CLOSE  
6 BY TO THEM. THEY HAD MOVED CLOSER TO ME LATER ON.

7           Q        AND WHEN YOU FIRST STARTED WORKING WITH ALL  
8 SEASONS, WHAT WERE YOU DOING?

9           A        I STARTED IN THE RESERVATION SYSTEM, TAKING  
10 RESERVATIONS FROM MARKETING FOR TOURS.

11          Q        AND HOW LONG DID THAT JOB LAST?

12          A        NOT VERY LONG. COUPLE MONTHS. I JUST DID  
13 IT PART TIME.

14          Q        SO YOU WERE AN HOURLY EMPLOYEE THEN?

15          A        YES, I WAS.

16          Q        AND DID THERE COME A POINT IN TIME WHEN YOU  
17 PROGRESSED FROM BEING AN HOURLY EMPLOYEE TO A FULL-TIME  
18 EMPLOYEE?

19          A        YES.

20          Q        WHEN DID THAT OCCUR?

21          A        I'D SAY WITHIN THE YEAR.

22          Q        AND WHAT ABOUT EDUCATIONAL BACKGROUND, AS OF  
23 THAT POINT IN TIME?

24          A        I DROPPED OUT OF COLLEGE TO MODEL. I GOT A  
25 MODELING CONTRACT, SO I DROPPED OUT OF COLLEGE. FINISHED  
26 HIGH SCHOOL, WENT TO COLLEGE, AND THEN DROPPED OUT.

1 Q SO AFTER YOU WERE WORKING THE RESERVATIONS  
2 DEPARTMENT, WHAT WAS YOUR NEXT JOB WITH ALL SEASONS?

3 A THE RECEPTIONIST. AND THEN I WENT ON TO ALL  
4 THE OTHER DEPARTMENTS EXCEPT ACCOUNTING.

5 Q WE'RE TALKING NOW ABOUT THE FIRST TWO YEARS?

6 A YES. THE FIRST TWO YEARS.

7 Q LET'S ADVANCE THE CLOCK A LITTLE BIT. IT'S  
8 NOW MID-1980'S APPROXIMATELY.

9 A YES.

10 Q 1986. DID YOU -- DID THERE COME A POINT IN  
11 TIME WHEN YOU MET RAYMOND NOVELLI?

12 A YES.

13 Q AND WHAT WERE THE CIRCUMSTANCES SURROUNDING  
14 THAT?

15 A THE PRESIDENT OF ALL SEASONS HAD RESIGNED,  
16 WHICH I HEARD ON THE RADIO ON THE WAY TO WORK. AND THERE  
17 WAS SOME OTHER COMPANIES IN THERE LOOKING AT ALL SEASONS  
18 ABOUT TAKING IT OVER. THERE WAS A GROUP FROM TEXAS, AND  
19 THEN THERE WAS THE APOLLO GROUP, WHICH WAS MR. NOVELLI.

20 Q YOU DIDN'T KNOW THAT AT THE TIME WHEN YOU  
21 HEARD IT ON THE RADIO, OF COURSE.

22 A NO.

23 Q SO WHEN YOU MET MR. NOVELLI -- WHAT WAS  
24 THIS, 1986?

25 A YES. EARLY 1986.

26 Q AND WHAT WAS YOUR JOB AT THAT TIME AT ALL

1 SEASONS?

2 A MAINLY CUSTOMER SERVICE.

3 Q AND WHEN YOU MET MR. NOVELLI, THE COMPANY  
4 WAS IN THE STATE OF WASHINGTON; IS THAT RIGHT?

5 A YES. REDMOND, WASHINGTON.

6 Q AND HOW LONG DID IT STAY IN REDMOND,  
7 WASHINGTON?

8 A UNTIL MR. NOVELLI MOVED THE COMPANY TO  
9 CALIFORNIA IN 19 -- SEPTEMBER OF 1986, I BELIEVE IT WAS.

10 Q SEPTEMBER OF '86?

11 A YES.

12 Q NOW, HOW MANY EMPLOYEES DID ALL SEASONS HAVE  
13 IN 1986 WHEN MR. NOVELLI TOOK OVER, APPROXIMATELY?

14 A WELL, COUPLE WEEKS BEFORE HE CAME IN, THERE  
15 WAS LIKE A MASSIVE LAYOFF. WE DIDN'T EVEN KNOW THERE WAS  
16 ANY PROBLEMS, LIKE I SAID, UNTIL I HEARD IT ON THE RADIO.  
17 THEY HAD MASSIVE LAYOFFS. SO BY THE TIME HE CAME IN, MAYBE  
18 THERE WAS 100. I'M ESTIMATING.

19 Q AND MR. NOVELLI CAME IN AS THE TOP MAN?

20 A WHAT DO YOU MEAN "CAME IN"?

21 Q AS THE PRESIDENT.

22 A YES. WHEN THE DECISION WAS MADE THAT THEY  
23 WOULD TAKE THE COMPANY, YES, HE WAS THE PRESIDENT.

24 Q DID YOU GET TO MEET THE PRESIDENT?

25 A YES.

26 Q AND DID YOU, PRIOR TO THE TIME THAT THE

1 COMPANY WAS MOVED IN SEPTEMBER, 1996, HAVE CONTACT WITH  
2 MR. NOVELLI?

3 A 1986?

4 Q 1986. EXCUSE ME.

5 A PRIOR TO HIM COMING IN?

6 Q NO. PRIOR TO THE MOVE DOWN TO CALIFORNIA IN  
7 SEPTEMBER.

8 A YES, I HAD TALKED WITH HIM BEFORE THAT.

9 Q AND TO YOUR KNOWLEDGE HAD HE OBSERVED YOU,  
10 YOU KNOW, WORKING AND YOUR WORK HABITS AND WORK ETHICS?

11 A YES. I WAS COMING IN ON WEEKENDS AND  
12 WORKING. THERE WAS A LOT OF WORK PILING UP. AND I THINK I  
13 MET HIM ON A SATURDAY, ACTUALLY. AND THEN HE -- HE TOOK  
14 SOME OF THE EMPLOYEES TO CALIFORNIA WITH HIM, AND HE ASKED  
15 ME IF I WANTED TO GO TO CALIFORNIA.

16 Q DID HE EVER SAY TO YOU WHY YOU WERE ONE OF  
17 THE CHOSEN FEW?

18 A HE THOUGHT I WAS A HARD WORKER. HE LIKED  
19 PEOPLE THAT WORKED HARD.

20 Q AND WERE YOU A HARD WORKER?

21 A YES.

22 Q NOW, SO YOU ACCEPTED THE OFFER TO MOVE TO  
23 CALIFORNIA?

24 A SURE.

25 Q IN YOUR ADULT LIFE HAD YOU EVER BEEN TO  
26 CALIFORNIA BEFORE THEN?

1           A           I'D BEEN TO SAN FRANCISCO. BUT I THOUGHT IT  
2           SOUNDED LIKE FUN AT 22. IT SOUNDED LIKE A PARTY.

3           Q           AND DID YOU KNOW WHERE IN CALIFORNIA YOU'D  
4           BE MOVING?

5           A           YES. WE WERE GOING TO MOVE TO SOUTHERN  
6           CALIFORNIA. AND EVERYBODY SAID THAT WAS A REALLY FUN  
7           PLACE. AND MY BEST FRIEND LIVED DOWN HERE, TOO. SO I WAS  
8           GUNG HO.

9           Q           YOUR BAGS WERE BACK?

10          A           MY BAGS WERE PACKED.

11          Q           AND THEN IN THE LATE '86 TIME FRAME, DID YOU  
12          GET ANY PROMOTION OR ADVANCEMENT? DID THAT OCCUR?

13          A           YES. I WAS PROMOTED TO HANDLE THE SALES AND  
14          MARKETING, TO DIRECTOR OF SALES AND MARKETING.

15          Q           DID YOU HAVE A SALES AND MARKETING  
16          BACKGROUND?

17          A           NO.

18          Q           WHAT DID YOU THINK ABOUT THAT?

19          A           WELL, FIRST I ASKED WHAT IT WAS. THEN I  
20          THOUGHT THAT IT WAS GREAT. I TOLD HIM I DIDN'T KNOW  
21          ANYTHING ABOUT IT, BUT I KNEW A LOT ABOUT THE COMPANY, THE  
22          WORKINGS OF THE COMPANY. AND MR. NOVELLI THOUGHT I WOULD  
23          BE REALLY GOOD AT THAT, AND HE WOULD HELP ME.

24          Q           AND SO YOU BECAME THE HEAD OF SALES AND  
25          MARKETING?

26          A           YES.

1 Q AND THAT WAS WHEN?

2 A 1986. THERE HAD BEEN SOMEBODY HIRED FOR THE  
3 POSITION, BUT THEY DIDN'T WORK OUT.

4 Q AND SO YOU STAYED AS THE HEAD OF SALES AND  
5 MARKETING THROUGH WHAT PERIOD OF TIME?

6 A 1996.

7 Q AND DID YOU FUNCTION IN THAT POSITION AS THE  
8 HEAD OF SALES AND MARKETING FOR THAT NEARLY 10-YEAR PERIOD?

9 A YES.

10 Q AND WE'LL GET TO OTHER RESPONSIBILITIES THAT  
11 YOU MAY HAVE HAD WITHIN THE NOVELLI ORGANIZATION LATER,  
12 MISS WALDMAN, BUT LET'S NOW FOCUS JUST BEING THE HEAD OF  
13 SALES AND MARKETING.

14 WHAT DID YOU UNDERSTAND YOUR DUTIES TO BE AS  
15 IT DEVELOPED OVER THE YEAR?

16 A TO SELL MEMBERSHIPS AND MARKET FOR  
17 MEMBERSHIPS, HANDLE THE SALES FORCES, HANDLE NEW  
18 MEMBERSHIPS SALES. SALES AND MARKETING ALSO HAD CUSTOMER  
19 SERVICE. SO IT WAS HEAVILY INTERTWINED TOGETHER. BUT  
20 BASICALLY TO SELL MEMBERSHIPS.

21 Q WELL, WHEN YOU SAY THAT SALES AND MARKETING  
22 ALSO HAD CUSTOMER SERVICE, SO THEY WERE SORT OF INTERTWINED  
23 TOGETHER?

24 A YES.

25 Q WAS CUSTOMER SERVICE THE PART OF THE COMPANY  
26 THAT DEALT WITH EXISTING MEMBERS?

1           A           IT WAS ONE OF THE DEPARTMENTS THAT DID.  AND  
2 WE PROCESSED NEW MEMBERS AND DID THINGS LIKE MEMBERSHIP  
3 CARDS.  SO A LOT OF EXISTING MEMBERS CALLED.  THE COMPANY  
4 WASN'T VERY BIG AT THAT TIME.  SO A LOT OF STUFF JUST KIND  
5 OF GOT LUMPED TOGETHER.

6           Q           WAS PART OF YOUR JOB TO DEAL WITH EXISTING  
7 MEMBERS?

8           A           YES, VERY MUCH.

9           Q           AND DID THAT CONTINUE TO BE YOUR JOB UP  
10 UNTIL THE TIME YOU LEFT?

11          A           YES.

12          Q           AND DID YOU DO THAT?

13          A           YES.

14          Q           NOW, LET'S -- WITHOUT GETTING INTO  
15 SPECIFICS, MRS. WALDMAN, YOU STARTED OUT AS AN HOURLY  
16 EMPLOYEE WITH ALL SEASONS; IS THAT RIGHT?

17          A           WELL, I WAS ORIGINALLY HIRED TO DO THE  
18 CATALOG.  BUT THEN THAT FELL THROUGH.  AND THEN I TALKED TO  
19 BILL PAER ABOUT HOW I WANTED TO WORK IN AN OFFICE.

20          Q           AND WITHOUT GETTING INTO SPECIFIC --

21          A           BUT HOURLY, YES.

22          Q           OKAY.  WITHOUT GETTING INTO SPECIFIC DOLLARS  
23 OR AMOUNTS, AS YOUR RESPONSIBILITIES GREW AND YOUR TITLE,  
24 YOU KNOW, PROGRESSED, DID YOU START EARNING MORE MONEY?

25          A           YES.

26          Q           AND WAS THAT SOMETHING YOU ENJOY?

1           A           ARE YOU SERIOUS?

2           Q           YOU ANSWERED MY QUESTION.

3           A           SURE, YEAH.

4           Q           DID YOU HAVE ANY BACKGROUND, YOUR FAMILY  
5 HAVE A BACKGROUND IN MEMBERSHIP R.V. CAMPING?

6           A           NO.

7           Q           DID YOU KNOW ANYTHING ABOUT IT, YOU KNOW,  
8 WHEN YOU STARTED AT ALL SEASONS?

9           A           NO.

10          Q           AND YOU KNEW THAT YOU WERE DEALING WITH A  
11 LOT OF EMPTY-NESTERS WHO HAD R.V.'S WHO TRAVELED AROUND THE  
12 COUNTRY?

13          A           YES.

14          Q           THAT'S BASICALLY IT IN A NUTSHELL?

15          A           I NEVER SAW IT THAT WAY. BUT I GUESS FROM  
16 THE OUTSIDE LOOKING IN, THAT COULD BE, YES.

17          Q           WELL, THAT'S EXACTLY MY POINT. I MEAN, WHAT  
18 WAS IT ABOUT WORKING FOR A COMPANY, YOU KNOW, IN WASHINGTON  
19 AND THEN MOVING DOWN TO SOUTHERN CALIFORNIA THAT DEALT WITH  
20 A BUNCH OF PEOPLE DRIVING AROUND THE COUNTRY IN AN R.V.  
21 THAT EXCITED YOU?

22          A           IT WAS A WAY OF LIFE FOR THESE PEOPLE, AND  
23 THEY LOVED IT, AND THEY LOVED THE COMPANY. AND I FELT LIKE  
24 I FIT IN. IT WAS -- THEY WERE THE NICEST PEOPLE. THEY'D  
25 GIVE YOU THE SHIRT OFF THEIR BACK.

26          Q           NOW, LET'S MAKE SURE WE'RE CLEAR WHEN WE'RE

1 TALKING ABOUT THE MEMBERS, THE PEOPLE.

2 WHAT TIME FRAME ARE YOU TALKING ABOUT?

3 A THE EARLY YEARS WHEN I FIRST STARTED HAVING  
4 MEMBER CONTACT.

5 Q MID-'80'S?

6 A YES.

7 Q LATE '80'S?

8 A YES.

9 Q AND AT THAT POINT IN TIME ALL SEASONS  
10 RESORTS WAS AN R.V. MEMBERSHIP CAMPGROUND COMPANY; RIGHT?

11 A YES.

12 Q ONE LINE OF BUSINESS?

13 A YES.

14 Q AND ONLY THAT BUSINESS?

15 A JUST THAT BUSINESS.

16 Q AND THERE WERE SOME R.V. PARKS THAT THEY  
17 OWNED AND OPERATED; RIGHT?

18 A YES.

19 Q HOW MANY PARKS?

20 A IT WAS 12. THERE WAS ONE THAT WAS LIKE  
21 COMING IN, GOING OUT. IT WAS NEVER QUITE DEVELOPED. SO A  
22 LOT OF TIMES 13 WAS GIVEN OUT, BUT I MAINLY DEALT WITH 12.

23 Q I'M GOING TO SEE IF BETWEEN THE TWO OF US WE  
24 CAN COME UP WITH SOME OF THE NAMES, AND I DON'T WANT TO  
25 BELABOR IT.

26 LAKE FRANCE?

1           A       LAKE FRANCE, FOX RIVER, HONEYBROOK, GRASS  
2 LAKE. DO YOU WANT ME TO LIST THEM?

3           Q       YES.

4           A       OKAY. LAKE FRANCE, OHIO; FOX RIVER  
5 ILLINOIS; HONEYBROOK, PENNSYLVANIA; LAKE CARLYLE, ILLINOIS;  
6 GRASS LAKE, MICHIGAN; ORLANDO, FLORIDA; HIDDEN VALLEY,  
7 WISCONSIN; EAGLE LAKE, MINNESOTA; SKYVIEW, PENNSYLVANIA;  
8 WISCONSIN DELLS, WISCONSIN; ROGERS LAKE, MICHIGAN, AND THE  
9 OCALA.

10          Q       HOW ABOUT HONEYBROOK?

11          A       I SAID HONEYBROOK.

12          Q       YOU SAID THAT ONE? I'M SORRY. SO MUCH FOR  
13 MY, YOU KNOW -- OKAY.

14                    BUT THOSE WERE THE -- THOSE WERE ALL SEASONS  
15 PARKS?

16          A       YES.

17          Q       AND WHEN YOU TALK ABOUT THE EXCITEMENT IN  
18 THE WORKPLACE AND YOUR LOVE OF THE MEMBERS, WHAT DOES THAT  
19 HAVE TO DO WITH THOSE PARKS THAT YOU JUST TICKED OFF?

20          A       WELL, THOSE WERE HOME PARKS OF THE MEMBERS.  
21 AND A LOT OF MEMBERS THAT I GOT TO KNOW OVER THE YEARS, I  
22 COULD RELATE TO THEM THROUGH THEIR HOME PARK. LIKE A LOT  
23 OF THE MEMBERS THAT LIVED IN HONEYBROOK, I MEAN, THEY WERE  
24 IN THE AMISH COUNTRY. AND SO IT'S JUST KIND OF YOU KNEW  
25 WHO THEY WERE.

26          Q       NOW, WHAT ABOUT YOUR WORKING ON SATURDAYS

1 AND THINGS LIKE THAT? WHAT KIND OF WORK ETHIC DID YOU  
2 BRING TO THIS JOB?

3 A WELL, I LOVED WORKING THERE, AND SO I WANTED  
4 TO BE THERE ALL THE TIME. I LIKED IT. AND MY FAMILY  
5 WASN'T LIVING THERE THEN, AND I -- I WAS REALLY EXCITED  
6 ABOUT BEING IN THIS COMPANY. AND I HAD MOVED UP ALREADY A  
7 LOT JUST FROM BEING THERE FOR A FEW MONTHS.

8 Q AND THE PRODUCT ITSELF -- I MEAN, YOU WERE  
9 TALKING ABOUT THE EXPERIENCES WITH THE FOLKS IN THE AMISH  
10 COUNTRY AS FAR AS THIS PRODUCT. DID YOU BELIEVE IN THE  
11 PRODUCT?

12 A VERY MUCH.

13 Q NOW, ALSO STAYING ON WORK ETHIC ISSUES, OVER  
14 THE 14 YEARS YOU'RE WITH THE COMPANY -- AND WE'LL GET TO  
15 YOUR MARRIAGE. I'M SURE YOU HAD A HONEYMOON AND THINGS  
16 LIKE THAT. WE'LL GET TO THOSE THINGS LATER, WHERE I'M  
17 HOPING YOU WERE OUT OF THE OFFICE --

18 A OKAY.

19 Q -- FOR AT LEAST FOR A FEW DAYS.  
20 WHAT WAS YOUR WORK RECORD LIKE?

21 A I WAS THERE ALL THE TIME. I DIDN'T MISS ANY  
22 DAYS EXCEPT LIKE VACATION. IN THE FIRST YEARS I DIDN'T  
23 EVEN TAKE A VACATION.

24 Q NOW, WHEN MR. NOVELLI AND HIS GROUP ENTERED  
25 THE SCENE IN 1986, DID YOU HEAR THE PHRASE "GOOD TIMES" AS  
26 APPLIED TO MR. NOVELLI?

1 A AFTER HE CAME IN, YES.

2 Q AND WHAT'S THAT ALL ABOUT?

3 A GOOD TIMES RAY. I'M NOT SURE WHERE THAT  
4 CAME FROM, ACTUALLY. BUT THAT WAS KIND OF WHAT MR. NOVELLI  
5 WAS KNOWN AS IN THE NEWS AND VIEWS AND STUFF.

6 Q THE NEWS AND VIEWS BEING THE --

7 A THE MAGAZINE.

8 Q -- THE PUBLICATION?

9 A YES.

10 Q AND AS FAR AS YOU WERE CONCERNED, BACK IN  
11 THE MID TO LATE '80'S, WAS HE GOOD TIMES RAY?

12 A YES.

13 Q AND WHAT DO YOU MEAN BY THAT?

14 A IT WAS GOOD TIMES RAY. HE WAS THE  
15 PRESIDENT, AND HE WAS REALLY FUN TO WORK FOR. JUST, HE  
16 WAS -- HE WAS VERY BUBBLY AND ENTHUSIASTIC ABOUT THE  
17 COMPANY AND WORKED HARD. AND MEMBERS LIKED HIM. THEY SAW  
18 HIM AS SOMEBODY WHO CAME INTO A BAD SITUATION.

19 Q AND WHAT ABOUT SOME ASPECTS OF YOUR OWN  
20 PERSONALITY; DID YOU FEEL AS IF YOUR OWN PERSONALITY  
21 MATCHED MR. NOVELLI'S?

22 A YES. WE BOTH HAD KIND OF THE SAME SENSE OF  
23 HUMOR, AND HE WAS VERY UPBEAT. HE WAS VERY UPBEAT. SO WE  
24 CLICKED RIGHT AWAY.

25 Q NOW, WITH -- AND I TAKE IT YOUR PERFORMANCE  
26 WAS ALSO OF THE SAME CALIBER; DID YOU GET GOOD PERFORMANCE

1 REVIEWS?

2 A WELL, I ONLY EVER GOT ONE.

3 Q AND WHEN WAS THAT?

4 A 1984.

5 Q TWO YEARS BEFORE MR. NOVELLI ARRIVED?

6 A YES.

7 Q WHAT I'M REALLY DRIVING AT IS, AS THE TITLES  
8 INCREASED, AS THE PAY INCREASED, DID YOUR RESPONSIBILITIES  
9 INCREASE?

10 A YES, THEY DID.

11 Q WERE YOU -- HOW DID YOUR RESPONSIBILITIES  
12 INCREASE, THE LATE '80'S, INTO EARLY '90'S?

13 A WELL, ONE IS THE SALES DEPARTMENT GOT  
14 BIGGER. AS WE BEGAN TO REALLY MARKET AND SELL, THE SALES  
15 DEPARTMENT GOT LARGER, OF COURSE. AND AS MEMBERSHIP GOT  
16 LARGER, WE HAD TO HIRE BIGGER CUSTOMS SERVICE STAFF. AND I  
17 WAS IN CHARGE OF THAT. AND THEN I WAS GIVEN THE RECEPTION  
18 AREA TO HANDLE.

19 Q NOW, WHEN YOU SAY YOU WERE GIVEN THE  
20 RECEPTION AREA TO HANDLE, I MEAN, IT JUST SOUNDS LIKE  
21 SOMEBODY PICKING UP A TELEPHONE. IS THERE MORE TO IT THAN  
22 THAT?

23 A YES. THE RECEPTION AREA, THE LOBBY WHERE  
24 PEOPLE COME IN, AND THAT'S THE FIRST IMPRESSION TO THE  
25 MEMBER. AND ALL THE PHONE CALLS TO THE -- ALL THE  
26 COMPANIES WAS FED THROUGH THE RECEPTION AREA.

1 Q DID MEMBERS COME TO VISIT FROM TIME TO TIME?

2 A YES, THEY DID.

3 Q AND SO WERE YOU -- BY BEING IN CHARGE OF THE  
4 RECEPTION AREA, WHAT, YOU BECOME THE OFFICIAL GREETER?

5 A WELL, IF I DIDN'T DO IT, I WOULD ASK  
6 SOMEBODY WHO I THOUGHT WAS REALLY GOOD AT IT TO DO IT, IF I  
7 WAS DOING SOMETHING. BUT WE ALWAYS LIKED IT WHEN THEY  
8 CAME.

9 Q WHAT ABOUT CHECK SIGNING AUTHORITY?

10 A YES. I BECAME A CHECK SIGNER. I THINK THAT  
11 WAS EARLY '90'S.

12 Q AND SO THEN YOU HAD THE AUTHORITY TO MAKE  
13 DISBURSEMENTS, CUT CHECKS?

14 A WELL, NOT WITH JUST MY SIGNATURE. I WAS A  
15 SECOND SIGNATURE NEXT TO RAY. NORMALLY RAY OR MARLIES OR  
16 HANS. I WAS ALWAYS IN THE BUILDING, SO I WAS A GOOD SECOND  
17 SIGNER.

18 Q NOW, AS -- WHAT ABOUT JUST FROM A PERSONAL  
19 STANDPOINT, YOUR FRIENDLINESS OR FRIENDSHIP WITH  
20 MR. NOVELLI; DID YOU DEVELOP A FRIENDSHIP?

21 A YES.

22 Q AND WE CAN GET INTO THIS MORE LATER.

23 BUT HOW DID THAT GO; I MEAN, YOU DIDN'T  
24 BECOME FRIENDS LIKE THAT, DID YOU?

25 A NO. OVER TIME I THINK MR. NOVELLI BEGAN TO  
26 TRUST ME AND -- YOU KNOW, I WORSHIPPED HIM. I THOUGHT HE

1 WAS THE GREATEST MAN I EVER MET, THE SMARTEST, THE  
2 GREATEST, THE FUNNIEST.

3 Q NOW, ALL SEASONS RESORTS GREW IN THE LATE  
4 '80'S; RIGHT? EMPLOYEES, MEMBERS?

5 A WELL, DIFFERENT COMPANIES GREW. ALL SEASONS  
6 RESORTS BY ITSELF MIGHT HAVE GROWN A LITTLE, BUT NOT MUCH.

7 Q WHAT DO YOU MEAN BY THAT?

8 A MR. NOVELLI STARTED OTHER ORGANIZATIONS  
9 WITHIN THE CORPORATE OFFICE THAT WERE SEPARATE FROM ALL  
10 SEASONS. THE SAME KIND OF BUSINESS BUT SEPARATE ENTITIES.

11 Q WHAT'S THE NAMES OF SOME OF THESE BUSINESSES?

12 A FIRST NATIONWIDE RESORTS, GUARDIAN. APOLLO  
13 WAS ALREADY THERE. CUTTY'S RESORTS, A.R.A.

14 Q WHEN YOU SAY HE STARTED THESE BUSINESSES,  
15 CAN YOU BE A LITTLE MORE SPECIFIC?

16 LET'S, FOR EXAMPLE, TALK ABOUT A.R.A. DID  
17 HE START THAT FROM YOUR PERSPECTIVE?

18 A NO. SOME OF THE BUSINESSES HAD COME IN FROM  
19 RESORTS THAT HE TOOK OVER. SO LIKE CUTTY'S WAS A GROUP OF  
20 RESORTS THAT HE TOOK OVER AND BROUGHT IN BECAUSE THE  
21 MANAGEMENT WAS ALREADY SET UP. SO WE JUST PUT IT REALLY  
22 BASICALLY INSIDE THE BUILDING.

23 BUT THEN THERE WAS ORGANIZATIONS THAT WERE  
24 STARTED UP THAT DIDN'T REALLY -- TO MY KNOWLEDGE DIDN'T  
25 HAVE RESORTS. LIKE GUARDIAN PUBLISHING. THAT WAS STARTED  
26 JUST TO PUBLISH THE NEWS AND VIEWS MAGAZINE.

1 Q AND WHAT ABOUT TITLES, AS FAR AS  
2 PATRICIA WALDMAN IS CONCERNED?

3 WE'VE ALREADY HEARD THAT YOU WERE THE HEAD  
4 OF SALES AND MARKETING. DID YOU START TO GET ANY TITLES IN  
5 THESE COMPANIES?

6 A WELL, AS CHECK SIGNER, MY TITLE WOULD VARY  
7 FROM PRESIDENT TO TREASURER.

8 Q WHAT DO YOU MEAN IT WOULD VARY FROM  
9 PRESIDENT TO TREASURER; WAS IT PRESIDENT OR WAS IT  
10 TREASURER?

11 A IT JUST DEPENDED WHAT DAY IT WAS, I GUESS.  
12 I DON'T KNOW WHAT IT DEPENDED ON.

13 Q DID ANYONE EVER COME TO YOU AND SAY, YOU  
14 KNOW, "TRICIA, I'D LIKE YOU TO BECOME PRESIDENT"?

15 A SURE. YES.

16 Q AND --

17 A THAT WAS JUST BASED ON CHECK SIGNING. SO A  
18 LOT OF TIMES I'D GET LIKE 30 DIFFERENT BANK CARDS IN FRONT  
19 OF ME AND SIGN WHATEVER THEY WANTED ME TO BE THAT DAY.  
20 WHATEVER. IF IT SAID PRESIDENT, THEN THEY TOLD ME, SIGN  
21 THAT ONE, I WOULD SIGN THAT ONE.

22 Q WHO IS "THEY"?

23 A NORMALLY THE C.F.O. BROUGHT IT IN.

24 Q LET'S FOCUS ON THE INTERACTIONS THAT YOU  
25 BEGAN TO HAVE WITH OTHER EMPLOYEES IN THE NOVELLI  
26 ORGANIZATION IN THE LATE '80'S --

1 A OKAY.

2 Q -- AND INTO THE EARLY '90'S.

3 DID YOU HAVE SOME POSITION IN THE  
4 ORGANIZATION WHERE YOU INTERACTED WITH OTHER MANAGEMENT  
5 EMPLOYEES?

6 A I INTERACTED WITH EVERYBODY. I DON'T RECALL  
7 A DEPARTMENT THAT I DIDN'T INTERACT WITH. AND I WAS  
8 FRIENDS WITH EVERYBODY. I LIKED EVERYBODY.

9 Q DID PEOPLE COME AND SPEAK WITH YOU?

10 A YES.

11 Q IS THAT PART OF YOUR JOB?

12 A SOMETIMES.

13 Q AND HOW DID IT WORK? I MEAN, FROM AN  
14 ACCESSIBILITY AND APPROACHABILITY STANDPOINT WITH  
15 MR. NOVELLI, DID EVERYONE HAVE, TO YOUR KNOWLEDGE, THE SAME  
16 ACCESS AND APPROACH TO HIM AND WITH HIM AS YOU DID?

17 A NO. HE WAS VERY BUSY. THE MANAGERS WERE  
18 ALLOWED. HE HAD LIKE AN OPEN-DOOR POLICY. BUT HE DIDN'T  
19 JUST -- EMPLOYEES DIDN'T JUST GO IN THERE. YOU HAD TO BE A  
20 MANAGER.

21 BUT I SPENT MORE TIME WITH HIM THAN ANY OF  
22 THE OTHER MANAGERS. AND PEOPLE WOULD COME TO ME. IF THEY  
23 WERE AFRAID TO GO TO RAY, THEY WOULD COME TO ME AND TALK TO  
24 ME ABOUT IT. OR IF THEY WANTED ME TO PUT IN A GOOD WORD  
25 FOR SOMETHING, THEN THEY WOULD -- THEY KNEW THEY COULD COME  
26 TO ME WHERE MAYBE THEY DIDN'T FEEL LIKE THEY WOULD GO TO

1 RAY.

2 Q WHAT WERE YOU, THE TEACHER'S PET?

3 A WELL, I'VE BEEN CALLED THAT, BUT --

4 Q AND SO PEOPLE WOULD COME TO YOU ON OCCASION  
5 IF THEY DIDN'T WANT TO APPROACH MR. NOVELLI?

6 A YES. OR IF THEY FELT LIKE THEY COULDN'T.  
7 OR IF THEY HAD AND DIDN'T MAYBE GET WHERE THEY WANTED TO  
8 GET. THEY WOULD TALK TO ME ABOUT -- THEY SAID, YOU KNOW  
9 RAY BETTER THAN ANYBODY. WHAT DO YOU THINK?

10 SO I WAS BASICALLY A SOUNDING BOARD TO A LOT  
11 OF PEOPLE.

12 Q WAS THERE AN INNER CIRCLE IN THE COMPANY?

13 A WHAT DO YOU MEAN "INNER CIRCLE"?

14 Q WELL, WAS THERE, YOU KNOW, A TOP GROUP OF,  
15 YOU KNOW, A HANDFUL OF PEOPLE THAT, YOU KNOW, WHEN THERE  
16 WAS A BIG DECISION TO BE MADE OR THERE'S A BIG ISSUE, IT  
17 WOULD BE A GROUP OF YOU THAT WOULD HUDDLE?

18 A NO. THERE WAS BASICALLY JUST RAY. USUALLY  
19 IF THERE WAS ANY GROUP, IT WAS LIKE BOB, RAY AND I.

20 Q BOB THOMPSON?

21 A YEAH. I'M SORRY. BOB THOMPSON AND MYSELF  
22 AND RAY. THERE WASN'T ANYBODY ELSE WHO MADE DECISIONS BUT  
23 RAY.

24 Q AND AS FAR AS THE COMMUNICATION PROCESS IN  
25 THE ORGANIZATION -- I'M GOING TO USE A PHRASE. TELL ME IF  
26 YOU'VE HEARD THIS BEFORE. BEER 30.

1           A           YEAH.  YES, I'VE HEARD THAT.

2           Q           WHAT'S BEER 30?

3           A           BEER 30 IS -- WELL, ACTUALLY THAT'S IN A LOT  
4 OF COMPANIES I FOUND OUT LATER ON IN LIFE.  BUT WE WOULD GO  
5 INTO RAY'S OFFICE AFTER HOURS LIKE AT 5:30.  5:30 WAS, I  
6 GUESS, WHAT YOU'RE REFERRING TO AS BEER 30.  GO IN THERE  
7 AND TALK AND JOKE AND KID AROUND AND STUFF.  AND THAT'S  
8 WHEN A LOT OF TIMES PEOPLE THAT NORMALLY WOULDN'T COME INTO  
9 RAY'S OFFICE WOULD COME IN.  IT WAS KIND OF RELIEVE THE  
10 STRESS, YOU KNOW.  GO IN THERE AND B.S. AND LAUGH AND HAVE  
11 FUN.

12          Q           I TAKE IT THAT YOUR OFFICE WAS PROBABLY  
13 PRETTY CLOSE TO HIS?

14          A           NO.  NEVER.

15          Q           SO IN THIS ENVIRONMENT, HOW KNOWLEDGEABLE  
16 DID YOU BECOME WITH RESPECT TO ALL THE VARIOUS BUSINESS  
17 ACTIVITIES?

18          MR. MOSHENKO:  OBJECTION.  UNCERTAIN AS TO  
19 BUSINESS, VARIOUS BUSINESS ACTIVITIES.  LACKS FOUNDATION.

20          THE COURT:  SUSTAINED.

21                      REPHRASE, PLEASE.

22          MR. SHERMAN:  OKAY.

23          Q           ALL SEASONS WAS ENGAGED IN BUSINESS;  
24 CORRECT?

25          A           YES.

26          Q           MR. NOVELLI HAD OTHER BUSINESS OPERATIONS

1 GOING ON AS YOU'VE TESTIFIED TO; RIGHT?

2 A YES.

3 Q VIEWING THOSE AS BUSINESS ACTIVITIES, HOW

4 INVOLVED WERE YOU -- HOW KNOWLEDGEABLE -- EXCUSE ME.

5 HOW KNOWLEDGEABLE WERE YOU OF THESE VARIOUS

6 BUSINESS ACTIVITIES?

7 A I CONSIDER MYSELF VERY KNOWLEDGEABLE.

8 Q WHY?

9 A I TALKED TO HIM EVERY DAY. WE TALKED

10 ABOUT -- I THOUGHT WE TALKED ABOUT JUST ABOUT EVERYTHING.

11 LIKE I SAID, THERE WASN'T A BIG GROUP.

12 Q AND WHEN YOU SAY YOU TALKED TO HIM EVERY

13 DAY, HOW MUCH TIME DID YOU SPEND WITH HIM EVERY DAY?

14 A I'D SAY A MINIMUM OF TWO HOURS, IN AND OUT

15 ALL DAY.

16 Q AND THAT'S IN ADDITION TO BEER 30?

17 A YEAH, THAT'S IN ADDITION TO BEER 30.

18 Q NOW, I KNOW YOU SAID YOU BECAME FRIENDLY

19 WITH MR. NOVELLI, BUT --

20 A YES.

21 Q -- HOW WOULD YOU DESCRIBE THE LEVEL OF YOUR

22 FRIENDSHIP OR THE TYPE OF FRIENDSHIP THAT YOU DEVELOPED

23 WITH MR. NOVELLI?

24 A AS A DEVELOPER -- OR WHAT? SAY THAT LAST

25 PART AGAIN.

26 Q HOW WOULD YOU DESCRIBE THE LEVEL, INTENSITY

1 OF YOUR FRIENDSHIP WITH MR. NOVELLI AS IT DEVELOPED OVER  
2 THE LATE '80'S AND INTO THE EARLY '90'S?

3 A I WOULD HAVE CONSIDERED HIM PROBABLY MY BEST  
4 FRIEND, I GUESS. I GUESS MAYBE MY ONLY FRIEND. BUT HE WAS  
5 MY BEST FRIEND FOR MANY YEARS. HE IS A PERSON THAT I WENT  
6 TO FOR EVERYTHING.

7 Q WHEN YOU SAY HE IS THE PERSON THAT YOU WENT  
8 TO FOR EVERYTHING, WHAT DO YOU MEAN?

9 A WHATEVER HE SAID WAS WHAT -- IF I WANTED  
10 ADVICE OR ANYTHING, I WENT TO HIM. HE TOOK ME UNDER HIS  
11 WING AND HELPED ME WITH A LOT OF THINGS, NOT JUST COMPANY  
12 PROBLEMS AND STUFF. BUT, YOU KNOW, LIKE IF I WANTED TO BUY  
13 A CAR, I WOULD GO TO HIM AND SAY, "WHAT CAR DO YOU THINK I  
14 SHOULD GET?" AND HE WOULD TELL ME.

15 AND, YOU KNOW, IT'S LIKE A FAMILY. I MEAN,  
16 I SPENT A LOT OF SOCIAL TIME WITH HIM AND MARLIES AND OTHER  
17 FAMILY MEMBERS.

18 Q WHEN YOU SAY IT'S LIKE A FAMILY, WHAT WAY  
19 WAS IT LIKE A FAMILY?

20 A THEY WERE MY FAMILY. THEY WERE ALL THAT I  
21 KNEW SINCE 1986.

22 Q SO YOU HAD THIS GIRLFRIEND DOWN IN SOUTHERN  
23 CALIFORNIA WHEN YOU MOVED?

24 A YES.

25 Q I TAKE IT YOUR MOTHER AND FATHER WERE NOT  
26 HERE?

1 A NO. THEY WERE NOT HERE.

2 Q AND SO --

3 A IN CALIFORNIA, NO. IT'S JUST ME.

4 Q DID MR. NOVELLI BECOME LIKE YOUR SECOND

5 FATHER?

6 MR. MOSHENKO: OBJECTION. LEADING AND SUGGESTIVE.

7 THE COURT: SUSTAINED.

8 BY MR. SHERMAN: Q WAS HE A FATHER FIGURE?

9 A YES, HE WAS.

10 Q IN WHAT RESPECT?

11 A HE GUIDED ME. HE HELPED ME. HE PROTECTED

12 ME. HE -- LIKE I SAID, HE WAS WHAT I CONSIDER MY BEST

13 FRIEND AT THAT TIME.

14 Q HE PROTECTED YOU?

15 A YES.

16 Q DID YOU PROTECT HIM?

17 A WHENEVER I COULD. I MEAN, I DON'T KNOW IF

18 IT WOULD BE CONSIDERED PROTECTION, BUT I STOOD UP FOR HIM

19 AND STOOD BY HIM, YES. I WAS VERY DEFENSIVE IF SOMEBODY

20 ATTACKED HIM.

21 Q AND WHEN YOU MOVED DOWN TO SOUTHERN

22 CALIFORNIA, IS IT CORRECT YOU WERE SINGLE?

23 A YES.

24 Q AND HOW LONG DID YOU REMAIN SINGLE?

25 A TILL 1991.

26 Q AND SO ACTUALLY YOU WEREN'T ALWAYS WALDMAN.

1 IT WAS -- YOUR MAIDEN NAME IS WHAT?

2 A BOYLE, B-O-Y-L-E.

3 Q AND SO YOU GOT MARRIED IN 1991?

4 A YES.

5 Q MARRIED HERE IN ORANGE COUNTY?

6 A NO. LONG BEACH, CALIFORNIA.

7 Q AND WAS MR. NOVELLI AT YOUR WEDDING?

8 A YES. HE SPOKE AT MY WEDDING. HE IS THE

9 FIRST PERSON I TOLD WHEN I GOT ENGAGED.

10 Q AND WHAT'S THE NAME OF YOUR HUSBAND?

11 A STEVEN WALDMAN.

12 Q NOW, BEFORE YOU MET STEVEN WALDMAN AND GOT

13 MARRIED -- HERE YOU ARE DOWN IN SOUTHERN CALIFORNIA. WHO

14 DID YOU SPEND YOUR HOLIDAYS WITH?

15 A WELL, A LOT OF TIMES MR. NOVELLI WOULD GO

16 DIRT-BIKING AND STUFF, AND I WOULD GO WITH HIM LIKE ON

17 THANKSGIVING. THEY ALWAYS INCLUDED ME IN EVERYTHING. THAT

18 WAS NICE.

19 Q HOW ABOUT BIRTHDAYS?

20 A YES. THE ONLY BIRTHDAYS I EVER HAD WERE AT

21 THE COMPANY.

22 Q NOW, DID THERE COME A POINT IN TIME WHEN YOU

23 WANTED TO FINISH UP YOUR COLLEGE EDUCATION?

24 A YES.

25 Q DID YOU DISCUSS THAT WITH MR. NOVELLI?

26 A YES, ON AND OFF. I TALKED ABOUT GOING BACK

1 AND GETTING MY DEGREE.

2 Q AND WHAT DID MR. NOVELLI SAY TO YOU?

3 A HE DIDN'T WANT ME TO. HE DIDN'T SEE ANY  
4 NEED FOR IT. HE SAID I COULD BUY ONE OUT OF THE BACK OF A  
5 MAGAZINE.

6 Q DID YOU AT THAT TIME GO BACK AND GET A --  
7 FINISH UP YOUR COLLEGE EDUCATION?

8 A NO. NO. HE TOLD ME THAT IT WAS A WASTE.

9 MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER  
10 "NO." THE WITNESS IS NOW VOLUNTEERING TESTIMONY.

11 THE COURT: SUSTAINED.

12 MR. MOSHENKO: MOTION TO STRIKE THE TESTIMONY, YOUR  
13 HONOR.

14 THE COURT: GRANTED.

15 BY MR. SHERMAN: Q ON THE SUBJECT OF WHAT I'LL  
16 CALL THE ISSUE OF CONTROL --

17 A YES.

18 Q -- WAS THAT AN ASPECT OF THE RELATIONSHIP  
19 THAT YOU HAD WITH MR. NOVELLI?

20 MR. MOSHENKO: OBJECTION. OBJECT. IT'S IRRELEVANT  
21 UNDER 352.

22 THE COURT: SUSTAINED.

23 BY MR. SHERMAN: Q NOW, YOU -- DID YOU BECOME  
24 AWARE OF ANY INVESTMENT OPPORTUNITIES THROUGH WORKING WITH  
25 MR. NOVELLI?

26 A YES.

1 Q AND DID EITHER YOU OR YOUR FIANCE,  
2 MR. WALDMAN, OR YOUR HUSBAND, MR. WALDMAN, MAKE ANY  
3 INVESTMENTS?

4 MR. MOSHENKO: YOUR HONOR, OBJECTION. IT'S  
5 IRRELEVANT. IT'S REMOTE AND IMMATERIAL.

6 THE COURT: SUSTAINED.

7 MR. SHERMAN: YOUR HONOR, MAY WE APPROACH ON THIS?

8 THE COURT: YOU MAY.

9 (DISCUSSION OFF THE RECORD.)

10 BY MR. SHERMAN: Q MISS WALDMAN, ON THE SUBJECT OF  
11 INVESTMENTS --

12 A YES.

13 Q -- DID YOU BRING INVESTMENT OPPORTUNITIES TO  
14 MR. WALDMAN?

15 A YES.

16 Q AND THESE WERE INVESTMENT OPPORTUNITIES THAT  
17 YOU LEARNED ABOUT THROUGH YOUR ASSOCIATION WITH  
18 MR. NOVELLI?

19 A YES.

20 Q AND HOW MUCH MONEY DID MR. WALDMAN INVEST  
21 WITH MR. NOVELLI?

22 A \$942,000.

23 Q WHEN WERE THESE INVESTMENTS MADE?

24 A BETWEEN 1991 AND 1993, I BELIEVE.

25 Q WHY DID YOU BRING THESE OPPORTUNITIES TO  
26 YOUR HUSBAND?

1           A           I THOUGHT THEY WERE GOOD.  THE COMPANY IS  
2 DOING WELL.  I TRUSTED RAY.

3           Q           DID YOU KNOW ANYTHING ABOUT HIS PAST?

4           A           YES.

5           Q           WHAT DID YOU KNOW?

6           A           YOU MEAN HIS -- WELL, I KNEW HE HAD BEEN IN  
7 PRISON, IF THAT'S WHAT YOU MEAN, YES.

8           Q           WHAT HAD MR. NOVELLI TOLD YOU ABOUT HIS  
9 PAST?

10           MR. MOSHENKO:  YOUR HONOR, OBJECTION.  IT'S  
11 IRRELEVANT.  IMMATERIAL.  AND 352.

12           THE COURT:  SUSTAINED.

13           BY MR. SHERMAN:  Q  HAD MR. NOVELLI TOLD YOU OF HIS  
14 THREE FELONY CONVICTIONS?

15           MR. MOSHENKO:  THE SAME OBJECTION.

16           THE COURT:  SUSTAINED.  WE'VE HEARD THAT, COUNSEL.

17           BY MR. SHERMAN:  Q  NOW, IN YOUR COURSE OF DUTIES  
18 WITH THE NOVELLI COMPANIES, DID YOU HAVE OCCASION TO HEAR  
19 ABOUT MY CLIENT, CAMP COAST TO COAST?

20           A           YES.

21           Q           WHEN DID YOU FIRST BECOME FAMILIAR WITH THE  
22 COMPANY, CAMP COAST TO COAST?

23           A           I WOULD SAY THE FIRST WEEK I WORKED AT ALL  
24 SEASONS, 1982.

25           Q           DID YOU KNOW THEN WHAT BUSINESS CAMP COAST  
26 TO COAST WAS IN?

1           A           WE WERE TRAINED ON WHAT THEY WERE AND WHAT  
2 BUSINESS THEY WERE IN, YES.

3           Q           AND OVER THE COURSE OF TIME AND SCOPE OF  
4 YOUR DUTIES AT ALL SEASONS AND THEN IN THE OTHER NOVELLI  
5 ORGANIZATIONS, DID YOU HAVE AN OPPORTUNITY TO COME INTO  
6 CONTACT WITH REPRESENTATIVES OF MY CLIENT?

7           A           OF CAMP COAST TO COAST?

8           Q           YES.

9           A           YES, I DID.

10          Q           AND WAS THAT PART OF YOUR JOB?

11          A           TO COME IN CONTACT WITH THEM?

12          Q           YEAH.

13          A           YES. I MEAN, WHEN THEY WERE -- COME OUT TO  
14 THE OFFICE OR WE'RE OUT IN THE FIELD, YES, I WOULD COME IN  
15 CONTACT WITH THEM.

16          Q           LET ME SHOW YOU A DOCUMENT THAT HAS  
17 PREVIOUSLY BEEN ADMITTED INTO EVIDENCE, EXHIBIT 570.

18                       IF WE CAN PUT THAT UP ON THE BOARD, YOUR  
19 HONOR. THIS IS THE COAST TO COAST LICENSEE MANUAL, 1996.  
20 IN FACT, LET ME SUGGEST THIS.

21                       MISS WALDMAN, I PLACED BEFORE YOU A COPY OF  
22 THE DOCUMENT THAT'S UP ON THE SCREEN RIGHT NOW. IT'S  
23 WHATEVER NUMBER OF PAGES IT IS.

24          A           OKAY.

25          Q           BUT JUST TAKE A MOMENT AND LOOK THROUGH IT  
26 AND TELL ME WHETHER YOU RECALL SEEING THIS IN THE OFFICES,

1 YOU KNOW, AS SOMETHING YOU WOULD USE.

2 A WELL, I'VE NEVER SEEN THE COVER.

3 Q JUST -- IF THIS IS THE KIND OF THING THAT  
4 WILL TAKE MORE TIME FOR YOU TO FLIP THROUGH IT, THEN WE CAN  
5 DISCUSS THAT ISSUE. BUT JUST TAKE A MOMENT AND LOOK  
6 THROUGH THE DOCUMENT AND TELL ME WHETHER YOU CAN SAY, OH,  
7 YEAH, I'VE SEEN THIS BEFORE OR WHETHER, YOU KNOW, I DON'T  
8 RECALL SEEING IT, OR SOME OTHER RESPONSE.

9 A I DON'T REMEMBER EVER SEEING THIS,  
10 ACTUALLY. I'VE SEEN RULES AND REGULATIONS, BUT I DON'T  
11 REMEMBER A LICENSEE -- IS THAT WHAT YOU CALL IT -- MANUAL?

12 Q AND WHEN YOU SAY YOU DON'T RECALL SEEING A  
13 LICENSEE MANUAL, DO YOU RECALL SEEING ANY DOCUMENT FROM  
14 CAMP COAST TO COAST THAT YOU UNDERSTOOD, YOU KNOW, HAD AS A  
15 TITLE OR A PURPOSE, YOU KNOW, LICENSEE MANUAL?

16 A NO, NEVER.

17 Q DID YOU EVER SPEND ANY TIME IN THE OFFICE  
18 SPEAKING WITH MR. NOVELLI ABOUT THE COAST TO COAST LICENSEE  
19 MANUAL?

20 A NO.

21 Q DID YOU EVER IN ANY OF THESE MEETINGS WITH  
22 THIS INNER CIRCLE DISCUSS COAST'S LICENSEE MANUAL?

23 A NO.

24 Q DID YOU EVER DISCUSS IT WITH MR. THOMPSON?

25 A NO.

26 Q NOW, YOU'RE NOT SAYING THAT IT WASN'T IN THE

1 OFFICE; YOU'RE NOT SAYING THAT, ARE YOU?

2 A I'VE NEVER SEEN IT. IF I DID SEE IT, I  
3 PROBABLY WOULDN'T HAVE READ IT BECAUSE IT LOOKS BORING. I  
4 MEAN, IT DOESN'T LOOK LIKE SOMETHING I WOULD READ.

5 THE COURT: ROMANCE NOVEL IT AIN'T, HUH?

6 THE WITNESS: YOU KNOW WHAT I MEAN.

7 BY MR. SHERMAN: Q YOU WON'T SEE IT ON THE NEW  
8 YORK TIMES BEST SELLER LIST.

9 LET ME ASK IT THIS WAY.

10 WAS PART OF YOUR JOB AT THE OFFICE TO KEEP  
11 ABREAST, KEEP IN TOUCH WITH WHAT WAS GOING ON WITH CAMP  
12 COAST TO COAST?

13 A YES.

14 Q WOULD YOU HAVE EXPECTED TO HAVE BEEN  
15 INCLUDED IN SOME DISCUSSION IN THE OFFICE IF PEOPLE ARE  
16 GOING TO SAY, YOU KNOW, WE GOT TO TALK ABOUT THE CAMP COAST  
17 TO COAST LICENSEE MANUAL?

18 MR. MOSHENKO: OBJECTION. IT'S LEADING AND  
19 SUGGESTIVE ALL THE WAY HERE.

20 THE COURT: SUSTAINED.

21 MR. MOSHENKO: AND ALSO IT'S IRRELEVANT.

22 BY MR. SHERMAN: Q LET'S TALK ABOUT SOMETHING  
23 THAT'S IN THIS DOCUMENT. I'M NOT SURE WHAT PAGE IT IS.

24 PRIMARY PRODUCT RULE. HAVE YOU EVER HEARD  
25 OF THAT?

26 A WHAT'S IT CALLED?

1 MR. MOSHENKO: OBJECTION. LACKS FOUNDATION. THE  
2 WITNESS HAS NEVER EVEN SEEN OR READ THE DOCUMENT.

3 THE COURT: WELL, HE IS ASKING ABOUT A SPECIFIC  
4 TERM.

5 MR. SHERMAN: WE CAN TAKE THAT DOWN. LET'S JUST  
6 TAKE IT DOWN. CLOSE THE BOOK. OKAY. NOW WE DON'T HAVE A  
7 FOUNDATION AT ALL.

8 Q HAVE YOU EVER HEARD OF THE PRIMARY PRODUCT  
9 RULE?

10 A I'VE HEARD OF PRIMARY PRODUCT. WHAT DO YOU  
11 MEAN "PRIMARY PRODUCT RULE"?

12 Q YES.

13 A WELL, PRIMARY PRODUCT TO ME IS --

14 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE.

15 MR. SHERMAN: I AGREE.

16 Q HAVE YOU EVER HEARD IN THE NOVELLI  
17 ORGANIZATION ABOUT A SO-CALLED PRIMARY PRODUCT RULE?

18 A YES.

19 Q AND WHAT DID YOU UNDERSTAND IT TO MEAN IN  
20 THE OFFICE?

21 A WELL, PRIMARY PRODUCT MEANS YOUR HOME PARK,  
22 YOUR HOME BASE. YOUR A-NUMBER-1 MEMBERSHIP. EVERYTHING  
23 ELSE THAT COMES ONTO THAT IS SECONDARY.

24 Q DID YOU EVER HEAR THAT DISCUSSED IN THE  
25 CONTEXT OF ANYTHING HAVING TO DO WITH CAMP COAST TO COAST?

26 A YES.

1 Q IN WHAT WAY?

2 A YOU HAD TO HAVE A HOME PARK IN ORDER TO HAVE  
3 CAMP COAST TO COAST. YOU COULDN'T JUST BE A MEMBER OF CAMP  
4 COAST TO COAST. BUT WE NORMALLY REFER TO IT AS YOUR HOME  
5 PARK, NOT PRIMARY PRODUCT.

6 Q LET ME ASK YOU ABOUT SOME OTHER RULES.

7 ANTI-RAIDING RULE. HAVE YOU EVER DISCUSSED  
8 THAT IN THE OFFICES OF THE NOVELLI ORGANIZATION?

9 A ANTI-RATING?

10 Q YES.

11 A WHAT DO YOU MEAN LIKE "RATING"?

12 Q R-A-I-D-I-N-G.

13 A ANTI-RAIDING -- NO, I DON'T KNOW WHAT THAT  
14 MEANS.

15 Q DID YOU DISCUSS AN ANTI-RAIDING RULE WITH  
16 RAYMOND NOVELLI?

17 MR. MOSHENKO: OBJECTION. LACKS FOUNDATION. SHE  
18 DOESN'T KNOW WHAT IT MEANS.

19 THE COURT: SUSTAINED.

20 BY MR. SHERMAN: Q DID YOU DISCUSS THE RULE CALLED  
21 "THE ANTI-RAIDING RULE" WITH RAYMOND NOVELLI?

22 A NO.

23 MR. MOSHENKO: SAME OBJECTION. SHE DOESN'T EVEN  
24 KNOW WHAT IT MEANS.

25 THE COURT: SHE SAID NO.

26 BY MR. SHERMAN: Q LET'S TAKE ABOUT ANOTHER RULE.

1 LET'S TALK ABOUT THE 125-MILE RULE AS IT APPLIED TO CAMP  
2 COAST TO COAST AS DISCUSSED OR NOT DISCUSSED IN THE OFFICES  
3 OF MR. NOVELLI'S ORGANIZATION.

4 IS THAT SOMETHING YOU CAME ACROSS?

5 A YES.

6 Q AND WHAT WAS YOUR UNDERSTANDING OF THE  
7 125-MILE RULE?

8 A CAMP COAST TO COAST'S, THEIR 125-MILE RULE?

9 Q WHATEVER YOU HAD TO WORK UNDER.

10 A WELL, THE 125-MILE RULE APPLIES TO YOUR HOME  
11 PARK. YOU COULDN'T USE IT WITHIN 125 MILES, IF THAT'S WHAT  
12 YOU'RE ASKING.

13 Q HOW COME YOU KNEW ABOUT THE 125-MILE RULE?

14 A WELL, IT WAS ONE OF THE THINGS THAT I  
15 LEARNED OUT OF THE COAST TO COAST DIRECTORY, AND IT WAS  
16 JUST COMMON KNOWLEDGE AND COMMON CONVERSATION WHEN  
17 DISCUSSING WITH MY SALES STAFF OR THE CORPORATE STAFF.

18 Q DID YOUR ORGANIZATION HAVE TO, SO FAR AS YOU  
19 UNDERSTOOD, ABIDE BY THAT RULE?

20 A DID WE HAVE TO?

21 Q THAT WAS MY QUESTION.

22 A WE WERE SUPPOSED TO, YES.

23 Q DID YOU?

24 A YES.

25 Q WERE THERE EXCEPTIONS MADE?

26 A WE WOULD MOVE PEOPLE'S HOME PARKS.

1 Q WHY?

2 A IF IT HELPED MAKE THE SALE.

3 Q DID YOU UNDERSTAND AT THE TIME THAT THAT WAS  
4 IN VIOLATION OF THE 125-MILE RULE?

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

7 THE COURT: SUSTAINED.

8 BY MR. SHERMAN: Q WHY WERE PARKS MOVED?

9 A BECAUSE MEMBERS WANTED A DIFFERENT PARK SO  
10 THAT THEY COULD USE THOSE PARKS AROUND THEIR HOME. SO WE  
11 WOULD JUST SUBMIT A NEW COAST TO COAST APPLICATION.

12 Q NOW, IN A LITTLE WHILE I'M GOING TO ASK SOME  
13 QUESTIONS ABOUT PRESIDENT'S TRAVEL CLUB, BUT I DON'T WANT  
14 TO GET INTO A WHOLE DISCUSSION ABOUT THAT NOW.

15 BUT STAYING ON THIS 125-MILE RULE, DID YOU  
16 EVER HAVE DISCUSSIONS IN THE OFFICE ABOUT THE APPLICABILITY  
17 OF THAT RULE TO SALES OF PRESIDENT'S TRAVEL CLUB?

18 A COULD YOU MAYBE EXPLAIN THAT A LITTLE BIT  
19 BETTER?

20 Q I'LL TRY AGAIN.

21 A IT'S AN AWFULLY BIG WORD YOU'RE USING.

22 Q OKAY. YOU'RE FAMILIAR WITH THE COMPANY OR  
23 THE PRODUCT, PRESIDENT'S TRAVEL CLUB MEMBERSHIP PRODUCT?

24 A YES.

25 Q AND DID YOU UNDERSTAND THAT TO BE SOME SORT  
26 OF AN UPGRADE PRODUCT?

1 A PRESIDENT'S TRAVEL CLUB WAS AN UPGRADE, YES.

2 Q AND DID YOU EVER HAVE DISCUSSIONS IN YOUR  
3 OFFICE ABOUT WHETHER THE 125-MILE RULE HAD, YOU KNOW,  
4 HELPED OR HURT ITS SALES OF THE PRESIDENT'S TRAVEL CLUB?

5 A I WOULD SAY IT HELPED.

6 Q AND IN WHAT WAY?

7 A SOMETIMES WE USE IT AS A SALES TOOL.

8 Q WHAT DO YOU MEAN BY THAT? EXPLAIN.

9 A PUSH THE SALE OVER. LIKE THAT COULD MAKE  
10 THE SALE AT TIMES.

11 Q HOW?

12 A IF WE CHANGED THEIR COAST TO COAST PARK,  
13 THEN THEY COULD GET MORE USAGE.

14 Q OUT OF OTHER PARKS?

15 A YES.

16 Q DID YOU EVER LEARN WHETHER THAT TECHNIQUE  
17 THAT YOU'VE JUST DESCRIBED VIOLATED COAST'S 125-MILE RULE?

18 A I KNEW IT DID.

19 Q TO YOUR KNOWLEDGE DID OTHERS IN THE  
20 ORGANIZATION KNOW THAT?

21 MR. MOSHENKO: CALLS FOR SPECULATION.

22 THE COURT: TO HER KNOWLEDGE.

23 MR. MOSHENKO: AND ASSUMES FACTS NOT IN EVIDENCE  
24 THAT IT IS -- THAT IT DID VIOLATE.

25 THE COURT: I'LL ALLOW IT.

26 BY MR. SHERMAN: Q TO YOUR KNOWLEDGE DID OTHERS IN

1 THE ORGANIZATION KNOW ABOUT THE VIOLATION?

2 MR. MOSHENKO: OBJECTION. ASSUMES A FACT NOT IN  
3 EVIDENCE, THE VIOLATION.

4 THE COURT: OVERRULED.

5 MR. MOSHENKO: ARGUMENTATIVE.

6 THE COURT: OVERRULED.

7 THE WITNESS: WELL, WE DIDN'T REALLY SEE IT AS A  
8 BIG DEAL.

9 BY MR. SHERMAN: Q WELL, WE'LL EITHER TALK LATER  
10 ABOUT WHETHER IT'S A BIG DEAL OR NOT, OR WE WON'T.

11 BUT PUTTING ASIDE THE BIG DEAL ISSUE, TO  
12 YOUR KNOWLEDGE DID OTHERS KNOW ABOUT THE VIOLATION?

13 A YES.

14 Q AND HOW DO YOU KNOW THAT?

15 A BECAUSE I HAD OTHER PEOPLE -- I HAD STAFF  
16 UNDERNEATH ME THAT I TOLD THEM TO TRANSFER THEM.

17 Q WAS THIS SOMETHING YOU KEPT FROM  
18 MR. NOVELLI, THIS ISSUE OF THE VIOLATION OF THE 125-MILE  
19 RULE?

20 A NO.

21 Q TO YOUR KNOWLEDGE WAS HE AWARE OF IT?

22 A NOT TO MY KNOWLEDGE. I DON'T KNOW IF HE WAS  
23 AWARE OF IT. IT WASN'T SOMETHING I REMEMBER DISCUSSING  
24 WITH HIM.

25 Q THE COAST RULES WERE NOT SOMETHING YOU  
26 DISCUSSED WITH HIM?

1           A           NO. HE WAS DEALING WITH BIG STUFF. BUT TO  
2 ME THAT WAS LITTLE STUFF. IT'S NOT SOMETHING I WOULD HAVE  
3 WENT IN AND SAID, "BY THE WAY, I JUST WANTED YOU TO KNOW  
4 WHAT I'M DOING HERE."

5           Q           NOW, I'D LIKE TO ASK YOU SOME QUESTIONS  
6 ABOUT SALES OF NEW MEMBERSHIPS --

7           A           OKAY.

8           Q           -- BY THE NOVELLI ORGANIZATION.

9                       DO YOU UNDERSTAND?

10          A           YES.

11          Q           IN 1986, WHEN MR. NOVELLI TOOK OVER, WAS ALL  
12 SEASONS SELLING NEW MEMBERSHIPS?

13          A           WE HAD STOPPED SELLING DURING THE TRANSITION  
14 OF -- THERE WAS STILL SALES GOING ON, BUT THE MARKETING HAD  
15 COME TO A STOP AT THAT POINT. AND THEN WE STARTED UP AGAIN  
16 AFTER MR. NOVELLI TOOK OVER.

17          Q           AND FOR HOW LONG DID THAT LAST, THE SALE OF  
18 NEW MEMBERSHIPS?

19          A           WE ALWAYS SOLD NEW MEMBERSHIPS UNTIL I  
20 LEFT. I MEAN, WE WERE -- WE TRIED TO SELL NEW MEMBERSHIPS.

21          Q           YOU TRIED TO. AND HOW SUCCESSFUL WERE YOU?

22          A           IT'S VERY DIFFICULT TO SELL A NEW  
23 MEMBERSHIP. THE MARKETING COSTS WERE TOO HIGH.

24          Q           SO DID THERE COME A POINT IN TIME WHEN SALES  
25 OF NEW MEMBERSHIPS CEASED?

26          A           BASICALLY, YES.

1 Q AND WHEN DID THAT OCCUR?

2 A I'D SAY -- WELL, WE STOPPED MARKETING,  
3 SPENDING A LOT OF MONEY ON MARKETING, IN ABOUT '88, '89.  
4 1988, I WOULD SAY.

5 Q AND SO YOU STOPPED THE MARKETING IN '88 OR  
6 '89.

7 AND WHAT HAPPENED TO THE SUCCESS IN TERMS OF  
8 SELLING?

9 MR. MOSHENKO: OBJECTION. MISSTATES THE  
10 TESTIMONY. SHE SAID SHE STOPPED SPENDING A LOT OF MONEY ON  
11 MARKETING. COUNSEL IS ARGUING THEY STOPPED MARKETING.

12 THE COURT: SPEAKING OBJECTION. OVERRULED.

13 MR. MOSHENKO: MISSTATES THE TESTIMONY.

14 BY MR. SHERMAN: Q DO YOU HAVE THE QUESTION IN  
15 MIND?

16 A CAN YOU GIVE IT TO ME AGAIN? I'M SORRY.

17 Q DID YOU STOP SPENDING MONEY ON THE SALE OF  
18 NEW MEMBERSHIPS BY THE LATE '80'S?

19 A YES.

20 Q OKAY. AND BECAUSE YOU STOPPED SPENDING  
21 MONEY ON THE SALE OF NEW MEMBERSHIPS, WHAT HAPPENED TO THE  
22 SALE OF NEW MEMBERSHIPS?

23 A THEY BASICALLY STOPPED. BUT I'M SAYING, IF  
24 A MEMBER BROUGHT THEIR FRIEND IN TO BUY A NEW MEMBERSHIP,  
25 THEN OF COURSE THAT WOULD BE A NEW MEMBERSHIP SALE.

26 Q OKAY. AND WERE YOU INVOLVED IN THE

1 MID-'80'S AND BEFORE THE ACTUAL SALE -- THE NEW MEMBERSHIPS  
2 STOPPED, IN SELLING NEW MEMBERSHIPS?

3 A YES, I WAS.

4 Q AND WHAT WAS THE NATURE OF YOUR INVOLVEMENT?

5 A I'D ALWAYS BEEN INVOLVED IN SALES FROM THE  
6 POINT WHEN I STARTED WORKING THERE. WHEN I BECAME DIRECTOR  
7 OF SALES AND MARKETING. IS THAT WHAT YOU MEAN?

8 Q THAT'S AS GOOD A TIME AS ANY.

9 A WHAT WAS MY INVOLVEMENT?

10 Q SURE.

11 A I WAS IN CHARGE OF THE ENTIRE SALES  
12 DEPARTMENT ACROSS THE NATION AND THE SALES AND SERVICE  
13 BASICALLY IN THE CORPORATE OFFICE. SO ALL THE SALES STAFF  
14 REPORTED DIRECTLY TO ME.

15 Q AND I'M NOT GOING TO PUT IT UP RIGHT NOW,  
16 MRS. WALDMAN, BUT THE JURY HAS ALREADY SEEN A MAP OF THE  
17 UPPER -- ONE OF THESE RAND-MC NALLY MAPS WITH ALL THE  
18 LITTLE GREEN DOTS ON IT?

19 A THE COAST TO COAST MAP.

20 Q THAT'S WHAT I WAS GOING TO ASK YOU.

21 A OH, YES. COAST TO COAST MAP. THE GREEN  
22 DOTS.

23 Q HOW DID YOU BECOME AWARE OF THIS COAST TO  
24 COAST MAP?

25 A WHEN I FIRST STARTED AT ALL SEASONS RESORTS,  
26 THAT WAS PART OF THE TRAINING, WAS THE MAP. BECAUSE WE

1 ONLY HAD ONE RESORT THEN.

2 Q AND SO WHEN YOU SAY THAT WAS PART OF THE  
3 TRAINING, IN WHAT SENSE WAS IT PART OF THE TRAINING?

4 A WE WERE TRAINED ON YOU DON'T JUST GET TO USE  
5 LAKE FRANCE, OHIO, WHICH WAS THE FIRST RESORT. YOU GET ALL  
6 THESE OTHER RESORTS. SO IF PEOPLE WOULD CALL IN, WE WOULD  
7 KNOW WHAT THEY'RE TALKING ABOUT.

8 MR. MOSHENKO: OBJECTION, YOUR HONOR. THIS RELATES  
9 TO BEFORE MR. NOVELLI HAD ALL SEASONS.

10 MR. SHERMAN: IT RELATES TO THAT WHICH THEY ARE  
11 SEEKING DAMAGES.

12 THE COURT: OVERRULED.

13 BY MR. SHERMAN: Q AND SO WAS THIS MAP USED IN  
14 CONNECTION WITH THE SALES PROCESS?

15 MR. MOSHENKO: OBJECTION. UNCERTAIN AS TO TIME.  
16 IRRELEVANT IF IT'S BEFORE RAYMOND NOVELLI.

17 MR. SHERMAN: THAT'S WHEN MEMBERSHIPS WERE BEING  
18 SOLD.

19 THE COURT: THANK YOU. OVERRULED.

20 THE WITNESS: IT'S BEEN USED THE ENTIRE TIME I WAS  
21 WITH THE COMPANY.

22 BY MR. SHERMAN: Q NOW, IN YOUR POSITION AS THE  
23 HEAD OF SALES AND MARKETING, HOW IMPORTANT WAS THAT MAP AND  
24 THAT PART OF THE SALES PRESENTATION TO THE SALE OF NEW  
25 MEMBERSHIPS?

26 A I WOULD SAY IT WAS VERY IMPORTANT.

1 Q WHY?

2 A IT'S A LOT OF DOTS. A LOT OF DOTS IS BETTER  
3 THAN 12 DOTS, IF YOU'RE LOOKING FOR DOTS, SO-TO-SPEAK.

4 Q NOW, AS PART OF YOUR DUTIES -- I KNOW YOU  
5 TESTIFIED EARLIER THAT YOU WOULD SPEAK WITH MEMBERS.

6 WAS THERE ANYBODY IN MANAGEMENT IN THE  
7 NOVELLI ORGANIZATION, IN THE LATE '80'S AND EARLY TO  
8 MID-'90'S, WHO HAD MORE INVOLVEMENT IN COMMUNICATING WITH  
9 MEMBERS FROM YOUR CORPORATE OFFICES THAN YOU?

10 A NO.

11 Q YOU WERE IT?

12 A OVER THE YEARS I'VE PROBABLY DEALT WITH MORE  
13 MEMBERS THAN ANYBODY. AND I WAS PROBABLY MORE KNOWN TO ALL  
14 THE MEMBERS THAN ANYBODY, BESIDES MR. NOVELLI AND  
15 MRS. NOVELLI.

16 Q AND STAYING ON THESE LITTLE GREEN DOTS, I  
17 COULDN'T HELP MYSELF -- WHAT DID YOU HEAR FROM MEMBERS  
18 ABOUT THE IMPORTANCE OF THE LITTLE GREEN DOTS?

19 MR. MOSHENKO: OBJECTION. IT'S HEARSAY.

20 THE COURT: OVERRULED.

21 MR. MOSHENKO: UNCERTAIN AS TO TIME. TRY ONE  
22 MORE.

23 THE COURT: OVERRULED ON ALL GROUNDS.

24 THE WITNESS: WHAT DID I HEAR FROM MEMBERS  
25 ABOUT --

26 BY MR. SHERMAN: Q ABOUT COAST.

1 A COAST TO COAST?

2 Q YES.

3 A WELL, CAMP COAST TO COAST OF COURSE IS MORE  
4 IMPORTANT IN THE SELLING OF NEW MEMBERSHIPS THAN OF ANY  
5 OTHER PRODUCT THAT WE HAD SOLD, BECAUSE THEY HAD A BIG  
6 RECIPROCAL AGREEMENT. AND WHEN I WAS WITH THE COMPANY,  
7 LIKE I SAID, WE STARTED WITH ONE RESORT, MAYBE COUPLE  
8 MONTHS LATER ADDED A SECOND ONE. THE MOST ALL SEASONS EVER  
9 HAD WAS 12 OR POSSIBLY 13.

10 AND SO IF YOU BOUGHT A MEMBERSHIP, TO BE  
11 ABLE TO SHOW MEMBERS, LOOK, YOU ALSO GET ALL THESE OTHER  
12 RESORTS THROUGH A RECIPROCAL AGREEMENT, WAS A BIG SELLING  
13 POINT.

14 MR. MOSHENKO: OBJECTION. WELL, OBJECTION, YOUR  
15 HONOR. THIS IS NONRESPONSIVE -- IT'S NONRESPONSIVE. SHE  
16 IS NOT TALKING ABOUT MEMBERS.

17 THE COURT: OVERRULED.

18 BY MR. SHERMAN: Q NOW, HOW DID THIS IMPORTANCE OF  
19 COAST AFFECT HOW YOU TRAINED SALES STAFF?

20 A WELL, EVERY SALES DEPARTMENT HAD A MAP AT  
21 THE SALES DEPARTMENT. AND HOW IMPORTANT WAS IT IN TRAINING  
22 WITH THE SALES DEPARTMENT ON THAT?

23 Q YEAH, TELLING THEM HOW TO SELL THE PRODUCT.

24 A WELL, COAST TO COAST WAS A BIG ADVANTAGE  
25 BECAUSE THEY HAD A LOT OF RESORTS TO OFFER. AGAIN, IT GOES  
26 BACK TO WE COULD SELL A SINGLE PARK MEMBERSHIP, BUT I WAS

1 ALWAYS BETTER IF CAMP COAST TO COAST WAS WITH THE CONTRACT.

2 Q HOW OFTEN DID YOU SELL SINGLE CAMP  
3 MEMBERSHIPS, SINGLE PARK MEMBERSHIPS?

4 A NOT VERY OFTEN.

5 Q NOW, DID YOU BECOME AWARE THAT THERE WAS AN  
6 INITIAL FEE THAT A MEMBER NEEDED TO PAY IN ORDER TO BECOME  
7 A MEMBER OF COAST?

8 A YES.

9 Q AND DID YOU ALSO LEARN THAT AFTER THAT, IF  
10 THEY WANTED TO STAY A MEMBER, THEY NEEDED TO PAY AN ANNUAL  
11 DUES?

12 A YES.

13 Q AS FAR AS THIS INITIAL FEE, DO YOU KNOW HOW  
14 THAT WAS HANDLED?

15 A YES.

16 Q HOW?

17 A WE PAID FOR THEIR FIRST YEAR.

18 Q NOW, WHY DID YOU DO THAT?

19 A IT WAS A SALES GIMMICK, SALES, YOU KNOW.  
20 LIKE WE WERE GIVING THEM SOMETHING EXTRA. WHEN THE REALITY  
21 IS, YOU KNOW, WE WOULD HAVE GAVE IT TO THEM ANYWAY.

22 Q YOU'VE HEARD OF R.P.I.?

23 A YES.

24 Q R.P.I. IS ALSO A RECIPROCAL NETWORK PROVIDER?

25 A YES, THEY ARE.

26 Q DID YOU EVER DISCUSS R.P.I. WITH MR. NOVELLI?

1 A YES.

2 Q APPROXIMATELY WHEN?

3 A DIFFERENT TIMES OVER THE YEARS. THEY CAME  
4 IN THE OFFICES A COUPLE OF TIMES. MET WITH I THINK  
5 BOB THOMPSON.

6 Q AND WHAT WAS THE SUBJECT OF YOUR DISCUSSIONS  
7 WITH MR. NOVELLI ABOUT R.P.I.?

8 MR. MOSHENKO: YOUR HONOR, OBJECTION. AGAIN, 352.  
9 WE HAD EXPERTS THAT COULDN'T TALK ABOUT R.P.I. THIS  
10 WITNESS LACKS FOUNDATION, ALSO.

11 THE COURT: OVERRULED.

12 BY MR. SHERMAN: Q WHAT DID MR. NOVELLI TELL YOU  
13 ABOUT R.P.I.?

14 A R.P.I., YOU KNOW, THEY WANTED US TO GO WITH  
15 THEM, OF COURSE. SO THEY WOULD SOLICIT FROM TIME TO TIME  
16 TO TRY TO GET MR. NOVELLI'S MEMBERS INTO R.P.I. AND I  
17 THINK A COUPLE OF SALES PROGRAMS WE OFFERED R.P.I. BUT WE  
18 CONSIDERED --

19 MR. MOSHENKO: SHE IS NOT RESPONDING TO THE  
20 QUESTION, TALKING ABOUT SOMETHING ELSE.

21 THE COURT: SUSTAINED. THE NEXT SUBJECT.

22 BY MR. SHERMAN: Q WHAT DID YOU CONSIDER THEN?

23 A SECOND RATE.

24 Q WHY?

25 MR. MOSHENKO: OBJECTION. AGAIN, IRRELEVANT, YOUR  
26 HONOR. AND YOUR HONOR CERTAIN AS TO TIME.

1 THE COURT: OVERRULED

2 BY MR. SHERMAN: Q WHY DID YOU CONSIDER THEM  
3 SECOND RATE?

4 A SECOND RATE TO CAMP COAST TO COAST. CAMP  
5 COAST TO COAST WAS LIKE THE MOTHER DADDY, THE BIG ONE. WHY  
6 WOULD YOU DRIVE A YUGO IF YOU COULD DRIVE A CADILLAC? NO  
7 OFFENSE TO ANYBODY WHO HAS A YUGO, BUT THAT'S HOW WE KIND  
8 OF LOOKED AT IT.

9 MR. SHERMAN: I THINK THE JUDGE MIGHT HAVE --

10 THE COURT: I DON'T HAVE A YUGO.

11 BY MR. SHERMAN: Q NOW, LET'S TALK ABOUT SOME OF  
12 THE OTHER COMPANIES THAT YOU TESTIFIED TO A LITTLE WHILE  
13 AGO.

14 YOU MENTIONED CUTTY'S, A.R.A. WERE THOSE  
15 ACQUISITIONS?

16 A SOME OF THEM WERE.

17 Q WELL, THOSE TWO.

18 A CUTTY'S AND ADVENTURE RESORTS OF AMERICA?

19 Q YES.

20 A YES, THEY WERE. THEY WERE COMPANIES THAT  
21 RAY TOOK OVER.

22 Q AND LET ME MENTION ANOTHER NAME. PONDEROSA  
23 PARK?

24 A WELL, THERE'S TWO PONDEROSA PARKS; WHICH  
25 ONE? OHIO OR CALIFORNIA?

26 Q OHIO.

1           A           OHIO?  YES.  THAT WAS A COMPANY THAT  
2 PONDEROSA PARK -- AND THE LANDING.  I BELIEVE THEY WERE  
3 UNDER ANOTHER COMPANY NAME.  PONDEROSA PARK IS ACTUALLY A  
4 RESORT COUNTRY PARK IN OHIO.

5           Q           AND WHEN THESE ACQUISITIONS WERE MADE, DID  
6 MR. NOVELLI TELL YOU ABOUT WHAT HE WAS DOING?

7           A           YES.  IT WAS A VERY EXCITING THING TO BRING  
8 SOMETHING NEW TO THE COMPANY, AND HE ALWAYS SHARED IT WITH  
9 EVERYBODY.

10          Q           AND DID YOU HAVE SOME MANAGERIAL  
11 INVOLVEMENT, YOU KNOW, GETTING THEM IN AND DOING THE THINGS  
12 THAT NEEDED TO BE DONE, INTERNALLY?

13          A           YES, BECAUSE WHEN HE WOULD TAKE OVER A NEW  
14 COMPANY, HE WOULD BASICALLY DROP IT ON TOP OF THE  
15 MANAGEMENT THAT WAS ALREADY THERE, BECAUSE IT REALLY  
16 WASN'T -- YOU MIGHT HAVE TO HIGHER A FEW MORE DATA ENTRY  
17 PEOPLE OR WHATEVER, BUT BASICALLY IT WAS JUST THE SAME  
18 THING FOR US.

19                       SO LIKE MY JOB, TO SELL AND MARKET THOSE  
20 RESORTS, IT WOULD BE JUST LIKE ADDING ANOTHER ONE INTO WHAT  
21 MY JOB ALREADY WAS.  SO, YES.  THE ANSWER WOULD BE YES.

22          Q           AND LET'S FOCUS ON EXACTLY WHAT YOU  
23 UNDERSTOOD WAS REALLY BEING ACQUIRED WHEN THESE  
24 ACQUISITIONS, CUTTY'S, PONDEROSA, A.R.A. -- I THINK I LEFT  
25 ONE OUT -- WHEN THESE ACQUISITIONS WERE BEING MADE.

26                       WERE THESE MEMBERSHIP CAMPGROUND R.V. PARKS?

1 MR. MOSHENKO: YOUR HONOR, OBJECTION. LACKS  
2 FOUNDATION. AND HER UNDERSTANDING IS IRRELEVANT.

3 THE COURT: OVERRULED.

4 THE WITNESS: YES.

5 BY MR. SHERMAN: Q AND THESE MEMBERSHIP CAMPGROUND  
6 R.V. PARKS THAT MR. NOVELLI WAS ACQUIRING, DID THEY HAVE,  
7 TO YOUR KNOWLEDGE, A MEMBERSHIP BASE ALREADY COMPRISED OF  
8 PEOPLE WHO WERE ALSO MEMBERS OF COAST TO COAST?

9 A THEY HAD MEMBERS. I CAN'T SAY FOR SURE THAT  
10 ALL OF THEM WERE PART OF COAST TO COAST. I BELIEVE THEY  
11 WERE, BUT THERE COULD HAVE BEEN ONE THAT WASN'T IN COAST TO  
12 COAST. BUT THEY ALL HAD MEMBERS, YES.

13 Q SO, BUT ON THE SUBJECT OF THOSE ACQUISITIONS  
14 OF -- LET'S SEE IF WE CAN -- IF I CAN ASK IT A LITTLE  
15 DIFFERENTLY.

16 WHEN AN ACQUISITION LIKE THE PONDEROSA IN  
17 OHIO WAS MADE, THIS WAS AN ACQUISITION OF AN EXISTING  
18 COMPANY; RIGHT?

19 A YES.

20 Q AND IT WAS AN EXISTING COMPANY THAT HAD A  
21 CAMPGROUND SITE?

22 A YES, THEY HAD CAMPGROUND SITES.

23 Q AND MEMBERS?

24 A YES, THEY HAD MEMBERS.

25 Q AND, YOU KNOW, RAKES AND POOL EQUIPMENT AND  
26 ALL SORTS OF OTHER THINGS?

1 A YES.

2 Q THE SAME PRINCIPLE APPLIES WITH SALT SPRINGS  
3 AND A.R.A.?

4 A YES. TO MY KNOWLEDGE, YES.

5 Q OKAY. SO I'M GOING TO USE A TERM, AND  
6 EITHER AGREE OR DISAGREE. HE WAS ACQUIRING A TURN-KEY  
7 OPERATION? IT'S A COMPLETE OPERATION?

8 A YES.

9 Q OKAY. AND THIS COMPLETE OPERATION THAT HE  
10 ACQUIRED, DID YOU LEARN WHETHER SOME OF THOSE EXISTING  
11 MEMBERS WERE ALSO MEMBERS OF CAMP COAST TO COAST?

12 A YES, I DID LEARN THAT.

13 Q NOW, AS FAR AS THESE EXISTING MEMBERSHIP  
14 BASES THAT MR. NOVELLI'S COMPANIES WOULD ACQUIRE, THESE  
15 WERE MEMBERSHIP BASES ALREADY IN PLACE WHEN HE ACQUIRED  
16 THEM; RIGHT?

17 A YES.

18 MR. MOSHENKO: LACKS FOUNDATION.

19 THE COURT: OVERRULED.

20 BY MR. SHERMAN: Q AND SO AS FAR AS WORKING WITH  
21 THIS NEW MEMBERSHIP BASE, DID YOU EVER IN YOUR MIND DRAW A  
22 DISTINCTION, JUST IN EITHER ORGANIZATION, OR HOW YOU FELT  
23 ABOUT IT, BETWEEN THESE NEW ACQUISITIONS AND THE ORIGINAL  
24 12 ALL SEASONS RESORTS?

25 A I DREW A DISTINCTION BETWEEN THEM, YES.

26 Q IN WHAT WAY?

1           A           WELL, ALL SEASONS WAS LIKE PRE-NOVELLI, AND  
2 THE REST WERE POST-NOVELLI.  EVEN THOUGH RAY HAD ALL  
3 SEASONS, I FELT, YOU KNOW, KIND OF A KINSHIP WITH ALL  
4 SEASONS THAT PROBABLY WENT DEEPER THAN WITH THE OTHER  
5 RESORTS.

6           Q           THERE'S BEEN A REFERENCE TO IN 1986 -- 1986  
7 THE NOVELLI ORGANIZATION HAD ABOUT 45,000 MEMBERS.

8                       DO WE HAVE THAT EXHIBIT?  62044.  NO.

9 2002.  2002.  PAGE 2.

10                      WHY DON'T YOU JUST GO -- RIGHT.  RIGHT

11 THERE.  GOOD.

12                      YOU SEE IN 1987, NEW MEMBERS, 43,581; DO YOU

13 SEE THAT?

14           A           IS THAT ALL SEASONS MEMBERS?

15           Q           I'M GOING TO ASK YOU.

16           MR. MOSHENKO:  YOUR HONOR, THE OBJECTION IS THAT

17 THE ENTIRE DOCUMENT NEEDS TO BE SHOWN BECAUSE THE NUMBER

18 THAT'S BEING REFERRED TO HAS A PLUS NEXT TO IT.  AND,

19 THEREFORE, THE WITNESS IS NOT BEING SHOWN --

20           THE COURT:  WE CAN SHOW THE ENTIRE DOCUMENT.

21           BY MR. SHERMAN:  Q FINE.  WE'LL LOOK AT THE ENTIRE

22 DOCUMENT.

23           MR. MOSHENKO:  AND THE NOTE AT THE BOTTOM IS WHAT

24 I'M REFERRING TO, YOUR HONOR.  IT RELATES TO THE PLUS.

25           MR. SHERMAN:  OH, OKAY.

26           Q           LET ME ASK IT A LITTLE DIFFERENTLY.

1                   43,000, 44,000, WHATEVER THE NUMBER IS, DID  
2 ALL SEASONS HAVE 43,000 MEMBERS IN '86, '87?

3           A       NO. ALL SEASONS NEVER HAD 43,000 MEMBERS.

4           Q       DID THE COMPANIES THAT YOU WERE WORKING FOR  
5 IN 1987 HAVE 43,000 MEMBERS?

6           A       NOT TO MY KNOWLEDGE, UNLESS CUTTY'S WAS IN  
7 AT THAT TIME. BUT EVEN WITH CUTTY'S, I DON'T SEE HOW IT  
8 COULD HAVE BEEN 43,000.

9           Q       AND SO AS FAR AS ANY MONEY THAT MAY HAVE  
10 BEEN SPENT, I'M TALKING NOW -- JUST USING SALT SPRINGS AS  
11 AN EXAMPLE, WHEN IT WAS BROUGHT ON BOARD IN THE EARLY  
12 '90'S --

13          A       YES.

14          Q       -- ANY MONEY THAT MAY HAVE BEEN SPENT TO  
15 ACQUIRE THESE MEMBERSHIPS BY SALT SPRINGS, DID YOUR  
16 ORGANIZATION SPEND THAT MONEY?

17          A       WE DIDN'T SPEND ANY MONEY TO ACQUIRE THEM.  
18 DID WE BUY THE MEMBERS?

19          Q       YOU BOUGHT AN EXISTING -- A TURN-KEY  
20 OPERATION; RIGHT?

21          A       WE DIDN'T -- NOT TO MY KNOWLEDGE. WE DIDN'T  
22 PUT ANY MONEY OUT FOR THEM.

23          Q       AND SO FOCUSING ON THESE ACQUISITIONS,  
24 CUTTY'S, PONDEROSA, SALT SPRINGS, WHEN THOSE RESORTS WERE  
25 ACQUIRED, TO YOUR KNOWLEDGE WERE THEY ALREADY  
26 COAST-AFFILIATED RESORTS?

1 MR. MOSHENKO: ASKED AND ANSWERED, YOUR HONOR.

2 THE COURT: YEAH, I THINK IT WAS.

3 MR. SHERMAN: OKAY. LET ME MOVE BACK TO 2002, IF I  
4 MAY.

5 THE COURT: LET'S DO THAT AFTER WE TAKE OUR BREAK.

6 (RECESS TAKEN.)

7 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
8 COURT OUT OF THE PRESENCE OF THE JURY:)

9 THE COURT: WE'VE COME UP WITH A NEW PLAN. WHEN I  
10 SAY "WE," I MEAN THE BOSS HERE.

11 IT'S SUGGESTED THAT WE BRING THE JURY BACK  
12 MONDAY AT 1:30 SO THAT MONDAY MORNING WE CAN ARGUE YOUR --  
13 THAT GIVES YOU TILL MONDAY TO DO THAT.

14 MR. SHERMAN: THAT MAKES A LOT OF SENSE.

15 THE COURT: HOW DOES THAT SOUND?

16 MR. SHAW: SO WE SUBMIT OUR WRITTEN OPPOSITION  
17 ON --

18 MR. MOSHENKO: FRIDAY.

19 THE COURT: FRIDAY.

20 MR. SHAW: WELL, YOU WON'T BE HERE.

21 THE COURT: YOU FAX YOURS TO THE PLAINTIFFS FRIDAY.

22 MR. RIVIN: TO THE DEFENDANTS.

23 THE COURT: TO THE DEFENDANTS, RATHER.

24 MR. RIVIN: CAN WE GET IT BY NOON ON FRIDAY?

25 THE COURT: YES.

26 MR. SHAW: YOUR HONOR, A, WE HAVEN'T SEEN -- WE

1 DON'T KNOW IF WE HAVE TO RESPOND BY MONDAY AFTERNOON -- MY  
2 SUGGESTION IS MONDAY AFTERNOON SO THAT WE WOULD HAVE AN  
3 OPPORTUNITY, THE WEEKEND, TO PREPARE -- I'M ASSUMING  
4 THERE'S GOING TO BE MORE THAN JUST A SHORT, SIMPLE MOTION.  
5 AND YOUR HONOR WOULD HAVE MONDAY MORNING TO REVIEW IT.

6 THE COURT: I'LL HAVE FRIDAY MORNING BECAUSE I'LL  
7 HAVE YOURS THEN, TOO.

8 MR. MOSHENKO: BY FRIDAY MORNING? HOW CAN WE  
9 OPPOSE IT, YOUR HONOR, I SUBMIT, WHEN WE HAVEN'T RECEIVED  
10 IT?

11 THE COURT: YOU'RE GOING TO GET IT TOMORROW,  
12 WEDNESDAY.

13 MR. SHERMAN: 8:30 A.M.

14 THE COURT: WEDNESDAY AND THURSDAY.

15 MR. SHAW: YOUR HONOR, PART OF THE PROBLEM,  
16 MR. MOSHENKO AND I ARE IT, AND MR. DURAN. WE DON'T HAVE  
17 400 LAWYERS BEHIND US. WE WILL BE DOING IT. AND WE WILL  
18 BE HERE. IT'S VERY DIFFICULT FOR US TO BE HERE EVERY DAY.

19 THE COURT: LET'S WAIT UNTIL WE SEE WHAT WE GET  
20 TOMORROW.

21 MR. SHAW: I'D JUST LIKE THE COURT JUST TO CONSIDER  
22 IT. BECAUSE THAT'S WHAT WE'RE DEALING WITH. AND I'M  
23 THINKING BACK NOW TO GOING TO MY DAUGHTER'S SOCCER GAMES  
24 AND THOSE KIND OF THINGS THAT YOUR HONOR ADMONISHED ME  
25 ABOUT EARLIER. SO --

26 MR. SHERMAN: ROGER RYMAN IS HERE. ROGER RYMAN

1 WILL BE LEAVING AT SOME POINT PROBABLY IN THE NOT TOO  
2 DISTANT FUTURE TO CATCH A PLANE. WE DO HAVE TWO EXHIBITS.  
3 THESE -- I GAVE THESE TO MR. MOSHENKO. THEY'RE  
4 NONCONTROVERSIAL.

5 MR. MOSHENKO: I'LL LOOK AT THEM DURING THE BREAK,  
6 YOUR HONOR.

7 MR. SHERMAN: WHAT I'D LIKE TO DO IS DEAL WITH IT  
8 BEFORE WE'RE READY TO HAVE THE JURY BROUGHT BACK IN.  
9 BECAUSE IF THEY HAVE TO HAVE MR. RYMAN GET UP THERE AND  
10 SAY, "I SIGNED IT," THAT'S ALL WE'RE TALKING ABOUT.

11 THE COURT: OKAY.

12 MR. MOSHENKO: AND THE REASON I ASKED FOR A MINUTE  
13 OF YOUR TIME IS, YOUR HONOR, IT FEELS LIKE THE WITNESS IS  
14 GOING TO GO IN AND START TALKING ABOUT THE TERMS OF THE  
15 ACQUISITIONS, AND THERE'S NO FOUNDATION THAT THE WITNESS  
16 PARTICIPATED IN THE ACQUISITIONS, NEVER SAW OR REMEMBERS  
17 THE CONTRACTS OR KNOWS THE TERMS, KNOWING ANYTHING OTHER  
18 THAN RUMOR, BEER-30 CONVERSATIONS.

19 (RECESS TAKEN.)

20 (THE FOLLOWING PROCEEDINGS WERE HELD IN OPEN  
21 COURT IN THE PRESENCE OF THE JURY:)

22 THE COURT: YOU WANT TO PUT SOMETHING ON THE  
23 RECORD FIRST?

24 MR. SHERMAN: YES. EXCUSE ME, MR. RUTENBERG.  
25 MAYBE YOU COULD REMIND ME OF THE EXHIBITS.

26 THERE WERE TWO EXHIBITS, 1439 AND 1440,

1 WHICH WE HAD PREVIOUSLY SOUGHT TO MOVE INTO EVIDENCE, WHICH  
2 AS I UNDERSTAND IT HAVE BEEN MOVED INTO EVIDENCE NOW.

3 THE COURT: SO RECEIVED.

4 (WHEREUPON, EXHIBITS NO. 1439, 1440, WERE  
5 RECEIVED IN EVIDENCE.)

6 MR. SHERMAN: WE HAD EXHIBIT 2002 UP ON THE BOARD  
7 RIGHT BEFORE WE BROKE. MIKE, IF YOU COULD PUT THAT BACK  
8 UP, PLEASE.

9 Q LET'S JUST GO TO 1996.

10 1996, THERE'S THE NUMBER, 159,705?

11 A ARE YOU TALKING TO ME?

12 Q YES.

13 A OH, I'M SORRY. I DIDN'T KNOW WE STARTED.

14 OKAY.

15 Q OKAY. WE'VE GOT A DOCUMENT THAT PLAINTIFFS  
16 PRODUCED IN THIS CASE, MISS WALDMAN. IT'S UP ON THE  
17 BOARD. IT SHOWS THAT THROUGH 1996 THERE WERE A TOTAL OF  
18 159,705 MEMBERSHIPS SOLD THROUGH THAT POINT IN TIME.  
19 1996.

20 NOW, JUST FOCUSING ON YOUR OWN UNDERSTANDING  
21 AND KNOWLEDGE THAT YOU ACQUIRED OVER THE YEARS, HAD ANY --  
22 HAD ALL THE COMPANIES IN THE NOVELLI ORGANIZATION SOLD THAT  
23 MANY MEMBERSHIPS AS OF THAT POINT IN TIME WHEN YOU LEFT?

24 MR. MOSHENKO: LACKS FOUNDATION. CALLS FOR  
25 SPECULATION. THE WITNESS LEFT AS THE COURT KNOWS --

26 THE COURT: SHE MAY ANSWER, IF SHE KNOWS.

1 THE WITNESS: DOES THIS INCLUDE PRESIDENT'S CLUB  
2 SALES?

3 BY MR. SHERMAN: Q NO. I'M JUST TALKING ABOUT NEW  
4 MEMBERSHIPS.

5 A THE MOST I EVER KNEW ABOUT WAS MAYBE 100,000.

6 Q AND THAT'S WITHOUT ANY -- TAKING ACCOUNT OF  
7 PEOPLE WHO LEFT OR SOMETHING LIKE THAT?

8 A CORRECT.

9 Q OKAY. SO THE TOTAL NUMBER OF SALES UP  
10 THROUGH 1996 WAS ABOUT 100,000?

11 A EVEN IF THAT, YES, WITH ALL THE DIFFERENT  
12 COMPANIES.

13 Q YES.

14 A YES.

15 Q NOW, ON THE SUBJECT OF ACQUIRING RESORTS,  
16 ACQUIRING COMPANIES LIKE PONDEROSA AND CUTTY'S, THE OTHERS,  
17 DID YOU SPEAK WITH MR. NOVELLI ABOUT RESORT ACQUISITIONS?

18 A YES, FROM TIME TO TIME I DID.

19 Q AND WITHOUT GETTING INTO THE DETAILS OF ANY  
20 ONE ACQUISITION, DO YOU KNOW IF THERE WERE PROMISES MADE TO  
21 PAY THE SELLERS OF THOSE RESORTS?

22 A AT TIMES THERE WERE, YES.

23 Q AND DID YOU EVER SPEAK WITH DEVELOPERS ON  
24 THE SUBJECT OF WHETHER PAYMENTS WERE BEING MADE?

25 A DIFFERENT DEVELOPERS, YES.

26 Q WHICH ONES?

1           A           WHICH -- WHICH COMPANIES OR WHICH DEVELOPERS?

2           Q           YES. YES.

3           A           WELL, EXCLUDING, OF COURSE, THE PRESIDENT'S  
4 CLUB DEVELOPERS, I'VE SPOKEN WITH JIM PATTON, I THINK IS  
5 HIS NAME, JIM PATTON OF A.R.A. AND DICK CUTLER OF  
6 CUTTY'S. AND ONE TIME -- WELL, I DIDN'T SPEAK TO THIS GUY.  
7 HE SPOKE TO ME. DAVE LARSEN.

8           Q           AND WAS PART OF YOUR JOB FROM TIME TO TIME  
9 TO SPEAK WITH DEVELOPERS?

10          A           NO.

11          Q           WELL, WHEN YOU SAY YOU SPOKE WITH THEM, IN  
12 WHAT CONTEXT DID YOU SPEAK WITH THEM?

13          A           WELL, IF RAY DIDN'T TALK TO THEM, THEY WOULD  
14 CALL ME. IF THEY COULDN'T GET TO RAY, THEY WOULD CALL ME.

15          Q           OKAY. AND SO -- AND IN THESE CONVERSATIONS  
16 WITH DEVELOPERS, WHAT WERE YOU BEING TOLD?

17          MR. MOSHENKO: OBJECTION, YOUR HONOR. HEARSAY.

18          MR. SHERMAN: IT'S NOT BEING OFFERED --

19          THE COURT: SUSTAINED.

20          BY MR. SHERMAN: Q DID THE NOVELLI ORGANIZATION  
21 PAY DEVELOPERS FOR THE PROPERTIES THAT WERE SOLD?

22          MR. MOSHENKO: OBJECTION. LACKS FOUNDATION.

23          THERE'S NO FOUNDATION -- SHE IS OUT OF COUNTY.

24          THE COURT: OVERRULED. SHE MAY ANSWER THAT IF SHE  
25 KNOWS.

26          THE WITNESS: COULD YOU ASK THE QUESTION AGAIN.

1 BY MR. SHERMAN: Q LET'S TALK ABOUT MR. CUTLER,  
2 MR. PATTON AND MR. LARSEN.

3 A YES.

4 Q DO YOU HAVE KNOWLEDGE AS TO WHETHER THE  
5 NOVELLI ORGANIZATION PAID ON THOSE PROMISES?

6 A I HAVE THE KNOWLEDGE THAT I HAVE. I MEAN --

7 Q WHAT IS THE KNOWLEDGE?

8 A JUST FROM THEM CALLING ME AND TELLING ME  
9 THAT RAY OWED THEM MONEY.

10 MR. MOSHENKO: HEARSAY. OBJECTION.

11 BY MR. SHERMAN: Q DID YOU DISCUSS THAT WITH  
12 MR. NOVELLI?

13 A OH, YES.

14 Q OKAY. SO WHAT WAS DISCUSSED BETWEEN YOU AND  
15 MR. NOVELLI ON THAT SUBJECT?

16 A WELL, NORMALLY I WOULD TELL HIM THAT  
17 SO-AND-SO CALLED, AND THEY'RE UPSET BECAUSE THEY HADN'T  
18 GOTTEN THEIR CHECK YET. I DON'T KNOW THE EXACT DETAILS OF  
19 WHAT THEY WERE OWED ALWAYS. BUT WHEN PAYMENT WAS DUE AND  
20 IF THEY DIDN'T GET IT, THEY WOULD CALL ME. AND THEY GET  
21 PRETTY PSYCHOTIC ABOUT IT.

22 Q WELL, LET'S TALK ABOUT ONE DEVELOPER IN  
23 PARTICULAR.

24 MR. DAVE LARSEN, THAT WAS A DEVELOPER THAT  
25 YOU SPOKE WITH?

26 A OH, YEAH. HE WAS -- HE WAS PSYCHOTIC. I

1 MEAN, HE WAS --

2 Q OKAY. WELL, WHAT DO YOU MEAN BY THAT?

3 A HE JUST -- HE WAS YELLING, SCREAMING,  
4 CALLING NAMES.

5 Q ABOUT WHAT?

6 A HE'D JUST GO INTO THESE TANGENTS ON THE  
7 PHONE THAT RAY OWED HIM MONEY. AND THAT --

8 MR. MOSHENKO: OBJECTION. THAT'S HEARSAY, YOUR  
9 HONOR.

10 THE COURT: OVERRULED.

11 THE WITNESS: THAT RAY OWED HIM MONEY, AND THAT HE  
12 COULDN'T GET THROUGH TO RAY. IT'S USUALLY THE TWO SUBJECTS  
13 THAT I DEALT WITH, THE PAYMENT AND WANTING TO TALK TO RAY.

14 BY MR. SHERMAN: Q SO WHEN YOU SAY PAYMENT AND  
15 WANTING TO TALK TO RAY, YOU'RE TALKING ABOUT KEEPING PEOPLE  
16 FROM HIM?

17 MR. MOSHENKO: OBJECTION. LEADING AND SUGGESTIVE.

18 THE COURT: SUSTAINED.

19 BY MR. SHERMAN: Q WERE YOU KEEPING PEOPLE FROM  
20 HIM?

21 A FROM RAY?

22 Q YEAH.

23 A NO. THEY CALLED ME IF THEY DIDN'T GET  
24 THROUGH TO RAY.

25 Q OKAY. I SEE.

26 DID YOU SPEAK WITH MR. NOVELLI ABOUT

1 DAVE LARSEN?

2 A YES.

3 Q AND WAS THE -- WAS LARSEN A DEVELOPER IN  
4 SOUTHERN CALIFORNIA?

5 A YES, HE WAS.

6 Q DO YOU RECALL WHAT RESORTS HE WAS INVOLVED  
7 IN?

8 A TRAVEL VILLAGE, WHICH IS IN VALENCIA,  
9 CALIFORNIA. AND I BELIEVE INDIO, TWO SPRINGS. AND  
10 CATHEDRAL PALMS.

11 Q AND SO AFTER YOU SPOKE WITH MR. LARSEN AND  
12 HE SAID THINGS IN THE MANNER IN WHICH YOU TESTIFIED TO, YOU  
13 SPOKE WITH MR. NOVELLI?

14 A YES.

15 Q AND WHAT DID YOU SAY TO MR. NOVELLI AND WHAT  
16 DID HE SAY TO YOU ON THE SUBJECT OF MR. LARSEN'S DEMANDS  
17 FOR PAYMENT?

18 A WELL, WE BOTH KNEW THAT HE WAS KIND OF  
19 PSYCHOTIC. WE TALKED ABOUT IT, I MEAN, THE WAY HE ACTED  
20 AND STUFF. SO WE KIND OF LAUGHED ABOUT IT.

21 Q AND --

22 A AND I TOLD HIM THAT HE WAS CALLING FOR HIS  
23 CHECK. AND SOMETIMES HE WOULD SAY, YOU KNOW, GO SEE WHAT  
24 ACCOUNTING IS DOING WITH IT.

25 Q AND DID YOU EVER SPEAK WITH MR. NOVELLI  
26 ABOUT ANY WRITTEN CONTRACTS BETWEEN MR. NOVELLI AND

1 MR. LARSEN?

2 A NO.

3 Q DID YOU EVER DISCUSS WITH MR. NOVELLI  
4 WHETHER HE HAD EVER SIGNED ANY CONTRACTS?

5 A WITH MR. LARSEN?

6 Q WITH MR. LARSEN.

7 A NO. I JUST KNEW THAT WE HAD TAKEN OVER HIS  
8 PARKS.

9 MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER  
10 "NO."

11 BY MR. SHERMAN: Q WHEN YOU SAY YOU KNEW HE HAD  
12 TAKEN OVER HIS PARKS, THAT WAS SOMETHING YOU LEARNED AS  
13 PART OF YOUR JOB?

14 A YES.

15 Q AND DID YOU EVER SPEAK WITH MR. NOVELLI  
16 ABOUT THE MEANING OF HIS SIGNATURE?

17 A YES.

18 Q AND IN WHAT CONTEXT DID THAT ARISE?

19 A WE HAD BEEN SUED BY -- NOT DISNEYLAND.  
20 WHAT'S THAT OTHER ONE? MAGIC MOUNTAIN. WE HAD BEEN SUED  
21 BY MAGIC MOUNTAIN FOR A MARKETING CONTRACT THAT DAVE LARSEN  
22 HAD, AND WE WERE GOING TO TAKE IT OVER. AND IT LOOKED LIKE  
23 A GOOD DEAL AND EVERYTHING. AND RAY SIGNED THE CONTRACT  
24 AND SENT IT BACK.

25 WELL, IN THE MEANTIME, I WENT OUT AND LOOKED  
26 AT IT, AND I DECIDED THAT PROBABLY WASN'T -- IT WASN'T OUR

1 CROWD BECAUSE WE DEALT MAINLY WITH RETIRED PEOPLE, A LOT OF  
2 FAMILIES. AND WHEN I WENT OUT THERE, THERE WAS A LOT OF  
3 YOUNG KIDS AND THINGS LIKE THAT. AND SO WE -- AND IT  
4 WAS -- I BELIEVE IT WAS LIKE \$25,000. SO WE DECIDED NOT TO  
5 DO IT. AND THEN I WAS TOLD THAT RAY HAD SIGNED THE  
6 CONTRACT, WHICH I REMEMBERED. AND I SAID, OH, OKAY.

7 AND THEN JUST FROM MY KNOWLEDGE, IF YOU SIGN  
8 A CONTRACT, THAT IS IT. AND SO I ASKED HIM. AND HE SAID  
9 THAT THAT DIDN'T MEAN ANYTHING. HIS SIGNATURE DIDN'T MEAN  
10 ANYTHING ON THE CONTRACT.

11 Q IS THAT WHAT HE SAID TO YOU?

12 A YES, HE DID.

13 Q NOW, WHEN HE SAID THAT, MY SIGNATURE ON THE  
14 CONTRACT DIDN'T MEAN ANYTHING, DID YOU DISCUSS WITH  
15 MR. NOVELLI WHETHER HE HAD A DEAL ON THIS MAGIC MOUNTAIN  
16 ARRANGEMENT?

17 A WE DISCUSSED THE ENTIRE DEAL BECAUSE IT WAS  
18 A MARKETING DEAL, AND DAVE LARSEN HAD -- WE HAD KIND OF  
19 INHERITED IT FROM HIM. AND WHEN THE RENEWAL TIME CAME, WE  
20 DISCUSSED WHETHER OR NOT WE WERE GOING TO DO IT, AND WE  
21 DECIDED TO DO IT.

22 BUT THEN LATER ON WE DECIDED NOT TO DO IT.  
23 AND I THOUGHT HIS SIGNING THE CONTRACT WAS A PROBLEM. BUT  
24 HE SAID IT WASN'T; THAT IT DIDN'T MEAN ANYTHING BECAUSE WE  
25 WEREN'T GOING TO DO IT.

26 Q NOW, WHEN MR. NOVELLI SAID TO YOU THAT HIS

1 SIGNATURE ON THIS CONTRACT DIDN'T MEAN ANYTHING, DID YOU  
2 EVER HAVE OCCASION TO DISCUSS THAT WITH ANYONE IN THE  
3 COMPANY?

4 A HIS SIGNATURE NOT MEANING ANYTHING?

5 Q YES.

6 A I DON'T RECALL HAVING DISCUSSIONS ABOUT IT,  
7 OTHER THAN WITH HIM OR MAYBE BOB THOMPSON.

8 Q AND WHEN YOU SAY MAYBE WITH BOB THOMPSON,  
9 WHAT WAS DISCUSSED BETWEEN YOU AND MR. THOMPSON PERHAPS?

10 A I TOLD HIM THAT RAY HAD SIGNED THE CONTRACT,  
11 BUT HE DIDN'T WANT TO DO IT.

12 Q DID YOU TELL MR. THOMPSON WHAT MR. NOVELLI  
13 HAD TOLD YOU ABOUT THE SIGNIFICANCE OF HIS SIGNATURE?

14 A YES. THAT WAS THE POINT OF WHY I TALKED TO  
15 BOB ABOUT IT. BECAUSE THIS TIME -- BY THIS TIME MAGIC  
16 MOUNTAIN WAS CALLING ME A LOT AND STUFF SAYING, "WHERE IS  
17 THE MONEY FOR THE DEAL YOU GUYS ARE SUPPOSED TO BE DOING?"  
18 AND I DIDN'T REALLY HAVE MANY FURTHER DISCUSSIONS WITH RAY  
19 ON IT UNTIL THE COURT CAME UP.

20 Q WHEN YOU SAY "THE COURT CAME UP," WHAT ARE  
21 YOU REFERRING TO?

22 A THEY SUED THE COMPANY. THEY SUED US.

23 Q MAGIC MOUNTAIN DID?

24 A MAGIC MOUNTAIN.

25 Q NOW, LET ME MOVE TO THE SUBJECT OF OTHER  
26 CONTRACTS --

1 A OKAY.

2 Q -- THAT MR. NOVELLI SIGNED OVER THE YEARS.

3 DID YOU EVER HAVE ANY SIMILAR CONVERSATIONS  
4 WITH MR. NOVELLI ABOUT THAT SAME SUBJECT, ABOUT HIS  
5 SIGNATURE NOT MEANING ANYTHING, OR WITH OTHER PEOPLE IN THE  
6 ORGANIZATION ON THAT SUBJECT?

7 A I JUST TOOK IT AS A FACT. I DIDN'T  
8 REALLY --

9 MR. MOSHENKO: OBJECTION. NONRESPONSIVE. MOTION  
10 TO STRIKE, YOUR HONOR.

11 THE COURT: SUSTAINED. GRANTED.

12 BY MR. SHERMAN: Q WHEN YOU SAY YOU TOOK IT AS A  
13 FACT, WHAT DO YOU MEAN BY THAT?

14 A COMMON KNOWLEDGE.

15 MR. MOSHENKO: OBJECTION. IT HAS BEEN STRICKEN.

16 THE COURT: REPHRASE.

17 MR. SHERMAN: OKAY.

18 Q TO YOUR KNOWLEDGE, WAS THE STATEMENT THAT  
19 MR. NOVELLI MADE TO YOU, THAT HIS SIGNATURE DIDN'T MEAN  
20 ANYTHING ON A CONTRACT, SOMETHING WHICH TO YOUR KNOWLEDGE  
21 OTHER PEOPLE IN THE COMPANY WERE AWARE OF?

22 MR. MOSHENKO: OBJECTION. CALLS FOR SPECULATION.

23 THE COURT: OVERRULED.

24 MR. MOSHENKO: AND HEARSAY.

25 THE COURT: TO HER KNOWLEDGE.

26 THE WITNESS: YES.

1 BY MR. SHERMAN: Q DESCRIBE WHAT YOU KNOW ON THAT  
2 SUBJECT.

3 MR. MOSHENKO: CALLS FOR HEARSAY, YOUR HONOR.

4 THE COURT: OVERRULED.

5 THE WITNESS: HIS SIGNATURE DIDN'T MEAN ANYTHING.  
6 IT JUST DIDN'T.

7 MR. MOSHENKO: NONRESPONSIVE.

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

9 MR. MOSHENKO: MOTION TO STRIKE.

10 THE COURT: SUSTAINED. GRANTED.

11 THE WITNESS: BECAUSE --

12 THE COURT: THE MOTION WAS GRANTED.

13 THE NEXT QUESTION.

14 BY MR. SHERMAN: Q NOW, LET'S TALK ABOUT ORPHAN  
15 MEMBERS.

16 ARE YOU FAMILIAR WITH THE TERM "ORPHAN" IN  
17 THE RESORT INDUSTRY?

18 A YES.

19 Q AND WHAT DOES IT MEAN?

20 A A MEMBER, THAT'S THEIR HOME PARK THAT --  
21 THEY LOST USAGE TO THEIR HOME PARK, THEIR HOME RESORT.

22 Q ARE YOU FAMILIAR WITH COAST'S ORPHAN PROGRAM?

23 A YES.

24 Q AND HOW DOES IT WORK?

25 A IF THEY GET ORPHANS, THEY NOTIFY DIFFERENT  
26 DEVELOPERS. THEY MIGHT SEND A LETTER SAYING WE HAVE --

1 THIS RESORT HAS BECOME ORPHANED. THE RESORT HAS FALLEN OUT  
2 OF THE SYSTEM. THESE MEMBERS ARE NOW ORPHANED.

3 Q NOW, IF MR. NOVELLI WERE TO HAVE TESTIFIED  
4 IN THIS CASE THAT HE HAD NOT HEARD THE TERM "ORPHAN" PRIOR  
5 TO THIS LITIGATION, WOULD YOU AGREE OR DISAGREE?

6 MR. MOSHENKO: OBJECTION. CALLS FOR SPECULATION.

7 THE COURT: OVERRULED.

8 THE WITNESS: I DISAGREE.

9 BY MR. SHERMAN: Q AND WHY?

10 A "ORPHAN" IS VERY COMMON TERM IN OUR  
11 INDUSTRY.

12 Q DID YOU EVER DISCUSS THE ORPHAN -- THE COAST  
13 ORPHAN PROGRAM WITH MR. NOVELLI?

14 A WELL, I DIDN'T REALLY SEE IT AS A PROGRAM.  
15 I SAW IT MORE AS EVERY MAN FOR HIMSELF KIND OF. I MEAN, IF  
16 THERE WAS AN ORPHAN MEMBER OUT THERE, EVERYBODY WANTED TO  
17 GET IT. SO IF THERE WAS A PROGRAM, I MEAN --

18 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE, YOUR  
19 HONOR.

20 THE COURT: OVERRULED.

21 BY MR. SHERMAN: Q AND DID MR. NOVELLI EVER TELL  
22 YOU WHAT HE THOUGHT OF THE ORPHAN IDEA?

23 A WE LOVE ORPHANS. ORPHANS ARE MONEY.

24 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE  
25 AGAIN.

26 THE COURT: OVERRULED.

1 BY MR. SHERMAN: Q AND WHEN YOU SAY YOU LOVE  
2 ORPHANS, ORPHANS ARE MONEY, DID MR. NOVELLI SAY THAT TO YOU?

3 A WELL, HE WANTED ME TO GET -- NO, I DON'T  
4 RECALL HIS EXACT WORDS. THAT WAS JUST THE WAY I VIEW IT.  
5 BUT HE ALWAYS WANTED US TO GET ORPHAN MEMBERS BECAUSE THEY  
6 WERE FREE MEMBERS, FREE DUES. YOU DIDN'T HAVE TO MARKET  
7 THEM. THEY JUST CAME YOUR WAY, LIKE A FREEBIE.

8 Q AND YOU'RE FAMILIAR WITH A COAST PUBLICATION  
9 CALLED "INSIDE NEWS"; IS THAT RIGHT?

10 A YES.

11 Q DID YOU EVER LOOK AT THE INSIDE NEWS ON THE  
12 SUBJECT OF ORPHANS?

13 A YES, I'VE SEEN IT.

14 Q AND IN WHAT CONTEXT WERE YOU LOOKING AT  
15 INSIDE NEWS AND ORPHANS TOGETHER?

16 A I WAS LOOKING AT RESORTS THAT WOULD HAVE  
17 FALLEN OUT OF THE SYSTEM BECAUSE I WOULD KNOW THOSE MEMBERS  
18 ARE ORPHANS. SO I WOULD NOTIFY THE SALES DEPARTMENT THAT  
19 THESE MEMBERS ARE LOOKING FOR A NEW PARK, AND WE WANT TO  
20 GET THEM SO WE CAN GET THE DUES AND THEN ALSO OFFER THEM  
21 THE PRESIDENT'S CLUB.

22 Q LET ME SHOW YOU A DOCUMENT, EXHIBIT 906.

23 CAN WE PUT IT UP ON THE BOARD?

24 I BELIEVE THIS HAS ALREADY BEEN ADMITTED  
25 INTO EVIDENCE.

26 LET ME JUST GET A COPY FOR THE WITNESS.

1                   NOW, I REALIZE THAT THIS LETTER IS NOT  
2   ADDRESSED TO YOU --

3           A        RIGHT.

4           Q        -- OR TO THE NOVELLI ORGANIZATION.  BUT IS  
5   THIS A LETTER THAT YOU'VE SEEN BEFORE?

6           A        I'VE SEEN THIS LETTER.

7           Q        AND IN WHAT TIME FRAME?

8           A        WELL, IT SAYS '93.  SO I WILL GO IN 1993.  
9   I THOUGHT IT MIGHT HAVE BEEN EARLIER, BUT --

10          Q        AND DID YOU DISCUSS THE POSSIBILITY OF  
11   GETTING CLERBROOK MEMBERS WITH MR. NOVELLI?

12          A        YES.

13          Q        AND DID MR. NOVELLI'S COMPANIES EVER TAKE  
14   ADVANTAGE OF COAST'S OFFERS OF ORPHANS?

15          A        SURE.

16          MR. MOSHENKO:  OBJECTION.  ASSUMES FACTS NOT IN  
17   EVIDENCE THAT COAST MADE A SPECIFIC OFFER OF ORPHANS, USING  
18   THOSE TERMS.

19          THE COURT:  OVERRULED.

20          THE WITNESS:  YES.  THIS PARTICULAR LETTER, I  
21   RECALL CALLING MR. ELLISON.

22          MR. MOSHENKO:  OBJECTION.  THE WITNESS IS  
23   VOLUNTEERING TESTIMONY.

24          THE COURT:  SUSTAINED.

25          BY MR. SHERMAN:  Q  DID YOU FOLLOW UP WITH COAST  
26   AFTER YOUR RECEIPT OF THIS LETTER?

1 A YES, I DID.

2 Q AND HOW DID YOU DO THAT?

3 A I CALLED MR. ELLISON.

4 Q I'M GOING TO MOVE TO ANOTHER SUBJECT NOW,  
5 MISS WALDMAN. I WANT TO MOVE TO THE SUBJECT OF MEMBERSHIP  
6 LISTS.

7 A OKAY.

8 Q YOUR ORGANIZATION HAD MEMBERSHIP LISTS; IS  
9 THAT RIGHT?

10 A YES.

11 Q AND I WANT TO TALK ABOUT TWO ISSUES RIGHT  
12 NOW. I FIRST WANT TO TALK ABOUT WHAT'S SUPPOSED TO HAPPEN,  
13 AND I ALSO WANT TO TALK ABOUT WHAT HAPPENS IN REALITY.

14 FIRST I'M GOING TO TALK ABOUT WHAT'S  
15 SUPPOSED TO HAPPEN.

16 ARE MEMBERSHIP LISTS SUPPOSED TO BE  
17 CONFIDENTIAL?

18 A YES.

19 Q LET'S TALK ABOUT REALITY. ARE THEY?

20 A NO.

21 MR. MOSHENKO: OBJECTION. LACKS FOUNDATION. IN  
22 THIS WITNESS'S OPINION, AS TO WHETHER THEY ARE OR ARE NOT,  
23 IS IMPROPER EXPERT TESTIMONY.

24 THE COURT: OVERRULED.

25 BY MR. SHERMAN: Q DO YOU NEED TO BE AN EXPERT TO  
26 UNDERSTAND THIS SUBJECT, MISS WALDMAN?

1 A I FEEL I AM AN EXPERT ON THIS, ACTUALLY.

2 Q OKAY. WELL, THERE YOU GO.

3 A I MEAN, IF ANYBODY IS AN EXPERT ON IT, I  
4 THINK I AM.

5 Q WHY DO YOU SAY THAT?

6 A BECAUSE I HAD ACCESS AND KNOWLEDGE PROBABLY  
7 MORE THAN ANYBODY IN THE COMPANY, BESIDES MR. NOVELLI.

8 Q WERE THE MEMBERSHIP LISTS KEPT CONFIDENTIAL?

9 A NOT REALLY.

10 Q AND WHY DO YOU SAY THAT?

11 A WELL, THEY WERE SUPPOSED TO BE KEPT  
12 CONFIDENTIAL.

13 Q WE WENT THROUGH THAT.

14 A AND WE TRIED TO KEEP THEM CONFIDENTIAL.

15 Q BUT?

16 A BUT THE FACT IS, IT DOESN'T ALWAYS WORK THAT  
17 WAY.

18 Q WHY DIDN'T IT?

19 A BECAUSE YOU HAVE A SALES FORCE THAT IS NOT  
20 INSIDE THE CORPORATE OFFICE. AND THEY HAVE TO HAVE THE  
21 LIST IN ORDER TO CALL THE MEMBERS TO INVITE THEM OUT TO  
22 HEAR THEIR SALES PITCH, LIKE AN UPGRADE PROGRAM.

23 SO I HAD TO SEND OUT THE LIST TO THE SALES  
24 FORCE BECAUSE WE CERTAINLY DIDN'T HAVE THE STAFF TO DO IT  
25 THERE. AND THEY MAKE THEIR LIVING FROM CALLING THE LIST  
26 AND TALKING TO MEMBERS. THE SECURITY GUARDS AT ALL THE

1 GATES HAVE TO HAVE THE LIST TO SEE WHO HAS PAID THEIR DUES  
2 AND WHO HASN'T SO THEY CAN KNOW WHO SHOULD COME INTO THE  
3 RESORTS.

4 AND THEN ACCOUNTS RECEIVABLE, WHICH COULD BE  
5 ANYWHERE FROM 20 TO 25 REPRESENTATIVES IN THE CORPORATE  
6 OFFICE, HAD TO HAVE THE LIST TO CALL FOR COLLECTIONS.

7 NOW, ALL OF THESE DEPARTMENTS HAVE A HUGE  
8 TURNOVER.

9 Q SO WHEN THEY LEAVE, THEY KEEP THE LIST  
10 THERE; RIGHT?

11 MR. MOSHENKO: OBJECTION. LEADING AND SUGGESTIVE.

12 THE COURT: SUSTAINED.

13 MR. MOSHENKO: LACKS FOUNDATION.

14 BY MR. SHERMAN: Q WHEN PEOPLE LEAVE, DO THEY KEEP  
15 THE LIST, THERE FROM YOUR PERSONAL KNOWLEDGE AS THE PERSON  
16 SECOND FROM MR. NOVELLI, KNOWING ABOUT THE MEMBERSHIP  
17 LISTS?

18 A WELL, WE DIDN'T ALWAYS FOLLOW UP ON THE  
19 LISTS. SO I DON'T KNOW WHAT HAPPENED TO A LOT OF THE  
20 LISTS.

21 Q DID YOU EVER LEARN WHAT HAPPENED TO SOME OF  
22 THE LISTS?

23 A YES.

24 Q WHAT HAPPENED?

25 MR. MOSHENKO: OBJECTION. HEARSAY.

26 THE COURT: OVERRULED.

1 MR. MOSHENKO: LACKS FOUNDATION.

2 THE WITNESS: THEY WENT TO RESALE COMPANIES. THEY  
3 WERE SOLD TO OTHER COMPANIES SO THEY COULD TRY TO GET THEM  
4 TO COME OVER TO THEIR COMPANY.

5 BY MR. SHERMAN: Q NOW, ON THE SUBJECT OF THE  
6 DIFFERENCE BETWEEN WHAT'S SUPPOSED TO HAPPEN WITH THESE  
7 LISTS AND WHAT ACTUALLY DOES HAPPEN, DID YOU EVER DISCUSS  
8 THE DIFFERENCE BETWEEN, YOU KNOW, THEORY AND FACT WITH  
9 ANYONE IN THE NOVELLI ORGANIZATION ON THIS SUBJECT?

10 A YES.

11 Q WITH WHOM?

12 A WELL, RAY WANTED TO MAKE SURE THE LISTS WERE  
13 KEPT CONFIDENTIAL, BUT HE KNEW THAT WE HAD TO -- IN ORDER  
14 TO DO OUR JOBS, THE ENTIRE NATION HAD TO HAVE LISTS,  
15 BECAUSE EVERYBODY WASN'T IN ONE STATE.

16 BUT MY STAFF AND I AND OTHER PEOPLE, WE USED  
17 TO LAUGH ABOUT IT BECAUSE EVERYBODY HAD THE LIST. SO IT'S  
18 LIKE YOU'RE BEATING A DEAD HORSE.

19 Q AND WHEN YOU SAY YOU LAUGHED ABOUT IT, WHO  
20 DID YOU LAUGH ABOUT IT WITH?

21 A WELL, WENDY, MY ASSISTANT AND I, WE USED TO  
22 LAUGH ABOUT IT, BECAUSE WE WERE THE ONES THAT WERE TRYING  
23 TO HANDLE ALL THESE RESALE COMPANIES SWARMING THE MEMBER  
24 BASE AND OTHER SALES COMPANIES TRYING TO STEAL OUR  
25 MEMBERS. AND THEN RAY WOULD SAY, YOU KNOW, THESE LISTS ARE  
26 CONFIDENTIAL. OKAY. RIGHT. AND THEN WE'D JUST BE

1 LAUGHING LIKE, THIS IS CRAZY, BECAUSE EVERYBODY HAS ALREADY  
2 GOT THE LIST.

3 Q DID YOU EVER TELL MR. NOVELLI THAT?

4 A I DON'T RECALL IF I TOLD HIM THAT. THAT'S A  
5 NEGATIVE. AND HE DOESN'T LIKE TO HEAR NEGATIVES. SO I  
6 WOULD SAY I PROBABLY DIDN'T TELL HIM THAT.

7 Q WHAT ABOUT THE NOVELLI ORGANIZATION  
8 OBTAINING LISTS FROM OTHER COMPANIES; DID THAT HAPPEN, TO  
9 YOUR KNOWLEDGE?

10 A WELL, THE SALES DEPARTMENT WOULD TRY TO  
11 OBTAIN LISTS.

12 Q AND HOW DO YOU KNOW THAT?

13 A WELL, I OBTAINED A LIST ONCE. I BOUGHT A  
14 STOLEN LIST -- WELL, I DON'T KNOW IF IT WAS STOLEN,  
15 ACTUALLY. BUT IT COULD HAVE BEEN. WHERE IS MY ATTORNEY?

16 MR. SHAW: YOUR HONOR, I'LL JUST MAKE A MOTION TO  
17 STRIKE.

18 THE WITNESS: IS THERE A FREE ATTORNEY?

19 MR. SHAW: LACKS FOUNDATION. SHE HAS NO KNOWLEDGE.

20 THE COURT: DENIED.

21 MR. MOSHENKO: IT'S AN UNAUTHORIZED ACT.

22 THE COURT: THE MOTION IS DENIED.

23 BY MR. SHERMAN: Q THIS WAS -- WHEN YOU DID THIS,  
24 WAS THIS SOMETHING THAT YOU DID ON YOUR OWN?

25 A WELL, I TOLD MR. NOVELLI THAT I WAS BUYING A  
26 LIST.

1 Q OH, OKAY.

2 A BUT YOU COULD GET A LOT OF LISTS FROM THE  
3 BANKRUPTCY COURTS. SO I WOULD TELL THE SALES PEOPLE, "GET  
4 YOUR BOOTY ON DOWN THERE AND GET THESE LISTS."

5 MR. MOSHENKO: OBJECTION. THE WITNESS IS  
6 VOLUNTEERING TESTIMONY.

7 THE COURT: SUSTAINED.

8 MR. MOSHENKO: MOTION TO STRIKE.

9 THE COURT: MOTION GRANTED.

10 BY MR. SHERMAN: Q LET'S TALK ABOUT BANKRUPTCY  
11 FILINGS.

12 DIFFERENT RESORTS FILED BANKRUPTCIES FROM  
13 TIME TO TIME; IS THAT RIGHT?

14 A YES.

15 Q AND TO YOUR KNOWLEDGE DID MEMBER LISTS  
16 BECOME AVAILABLE IN BANKRUPTCY FILINGS?

17 A I WAS TOLD THAT ALL -- YES. THE BANKRUPTCY  
18 WAS -- IF YOU FILED BANKRUPTCY, YOUR LIST WAS PUBLIC  
19 KNOWLEDGE. YOU COULD GO TO THE COURTHOUSE AND GET IT.

20 Q AND HOW DO YOU KNOW THAT?

21 A BECAUSE I'VE DONE IT.

22 Q AND DID YOU EVER DISCUSS THAT WITH  
23 MR. NOVELLI?

24 A YES. I LET HIM KNOW WHAT WE WERE DOING.

25 Q DID HE SAY, "DON'T DO THAT"?

26 A NO. IT WAS LEGAL.

1 Q AND WHEN YOU SAY SOMETIMES YOU'D GO GET  
2 THESE LISTS, DID YOU EVER ASK PEOPLE TO GO GET THE LISTS,  
3 OTHER SALESPEOPLE?

4 A AT THE BANKRUPTCY COURTS?

5 Q YES.

6 A YES, I DID.

7 Q WHAT ABOUT THE ACTUAL THEFT OF MEMBERSHIP  
8 LISTS FROM THE NOVELLI ORGANIZATION ITSELF; DID YOU EVER  
9 LEARN OF INSTANCES WHERE YOU KNEW OR SUSPECTED THAT  
10 EMPLOYEES THAT LEFT THE ORGANIZATION STOLE MEMBERSHIP  
11 LISTS?

12 A I KNEW OF ONE THAT WAS CAUGHT. I HAD HEARD  
13 RUMOR THERE WERE OTHERS, BUT I KNEW ABOUT THE ONE THAT WAS  
14 CAUGHT. INSIDE THE CORPORATE OFFICE?

15 Q OR IN THE SALES OFFICES, EITHER ONE.

16 A WELL, WHEN YOU GIVE THEM THE LIST, THEY'RE  
17 NOT SUPPOSED TO TAKE IT WITH THEM. BUT SOMETIMES THEY DO.  
18 BUT THEY DON'T ADMIT IT. SO YOU CAN'T SAY, YOU KNOW, HEY,  
19 YOU STOLE IT.

20 BUT I KNOW THERE WAS ONE PERSON AT THE  
21 CORPORATE OFFICE WHO STOLE AND SOLD THE LIST.

22 Q LET ME TURN TO A DOCUMENT THAT WE'VE SEEN  
23 BEFORE IN THIS CASE, THE LAST PAGE OF EXHIBIT 3, PLEASE.

24 IS THIS DOCUMENT A FAMILIAR ONE TO YOU?

25 A YES, I'VE SEEN IT.

26 Q AND IN WHAT CONTEXT DID YOU SEE IT?

1           A           WHEN CAMP COAST TO COAST WOULD SEND OVER  
2 THEIR -- THEY WOULD SEND A LIST OF WHO WAS SUPPOSEDLY OUR  
3 MEMBERS AND ASK US TO MARK ANYBODY OFF THAT WASN'T, WHO  
4 JUST PERHAPS WAS USING THE MEMBERSHIP ILLEGALLY. AND THIS  
5 WOULD COME ON TOP OF THE LIST.

6           Q           AND AS FAR AS YOU KNOW, YOUR RECEIPT OF THIS  
7 DOCUMENT AND THE LIST FROM COAST -- DID THIS RECEIPT OF  
8 THIS DOCUMENT PRODUCE ANY REACTION TO YOU, AS FAR AS WHAT  
9 COAST WAS TELLING YOU OR ASKING YOU?

10          A           NO. I REMEMBER THINKING IT WAS JUST BECAUSE  
11 ALL THE RESALE COMPANIES.

12          MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER  
13 "NO."

14          THE COURT: SUSTAINED.

15          BY MR. SHERMAN: Q WELL, WHEN YOU SAY YOU WERE  
16 THINKING ABOUT RESALE COMPANIES --

17          MR. MOSHENKO: OBJECTION. MOVE TO STRIKE THE  
18 TESTIMONY.

19          THE COURT: MOTION GRANTED.

20                       THE NEXT QUESTION.

21          BY MR. SHERMAN: Q DID YOU EVER DISCUSS THIS  
22 DOCUMENT WITH ANYONE IN THE NOVELLI ORGANIZATION?

23          A           NO.

24          Q           DID YOU EVER DISCUSS THIS DOCUMENT WITH  
25 MR. NOVELLI?

26          MR. MOSHENKO: OBJECTION. ASKED AND ANSWERED.

1 THE COURT: OVERRULED. I'LL ALLOW AN ANSWER.

2 THE WITNESS: NO.

3 BY MR. SHERMAN: Q DID MR. NOVELLI EVER SAY TO YOU  
4 ANY WORDS TO THE EFFECT THAT LED YOU TO BELIEVE THAT  
5 MR. NOVELLI HAD EVER SEEN THIS DOCUMENT?

6 A NO. I DON'T BELIEVE HE WOULD HAVE SAW  
7 SOMETHING LIKE THIS.

8 Q WHY DO YOU SAY THAT?

9 A WELL, USUALLY I THREW IT AWAY.

10 MR. MOSHENKO: YOUR HONOR, OBJECTION. SPECULATION.

11 THE COURT: SUSTAINED.

12 MR. MOSHENKO: IT WAS NEVER DISCUSSED. LACKS  
13 FOUNDATION.

14 THE COURT: SUSTAINED.

15 BY MR. SHERMAN: Q WHAT DID YOU DO WITH THIS  
16 DOCUMENT WHEN YOU RECEIVED IT?

17 A THREW IT AWAY.

18 Q OKAY. LET'S SKIP IN TIME.

19 YOU'VE LEFT AUGUST OF '96; RIGHT?

20 A YES.

21 Q OKAY. SO LET'S JUMP TO THE 1997 TIME  
22 FRAME.

23 A OKAY.

24 Q IN 1997 DID YOU EVER VISIT THE OFFICES OF  
25 THE NOVELLI ORGANIZATION?

26 A YES.

1 Q AND WHILE YOU WERE THERE, DID YOU EVER LEARN  
2 WHETHER --

3 MR. MOSHENKO: OBJECTION.

4 BY MR. SHERMAN: Q -- THERE IS A COMPANY BY THE  
5 NAME OF "TRAVEL AMERICA"?

6 A YES.

7 Q AND DID YOU EVER DISCUSS TRAVEL AMERICA WITH  
8 MR. NOVELLI?

9 A YES.

10 Q NOW, THESE TIMES THAT YOU VISITED THE  
11 NOVELLI ORGANIZATION OFFICES IN 1997, DID YOU MEET ANY NEW  
12 FACES?

13 A WELL, EVERYBODY THERE WAS NEW. THERE WAS  
14 LIKE FIVE PEOPLE FROM WHEN I WORKED FOR THE COMPANY. BUT  
15 THE REST OF THEM WERE NEW.

16 Q OKAY. I'M TALKING ABOUT NEW FROM THE TIME  
17 YOU LEFT IN AUGUST OF '96.

18 A THAT'S WHAT I'M TALKING ABOUT.

19 Q OKAY. WELL, WHO DID YOU MEET NEW?

20 MR. MOSHENKO: OBJECTION. RELEVANCE, YOUR HONOR.

21 THE COURT: OVERRULED.

22 THE WITNESS: THE ONLY ONE THAT I REMEMBER MEETING  
23 WAS DAVE VOPNFORD, I THINK IS HIS NAME. VOPNFORD,  
24 SOMETHING LIKE THAT.

25 Q AND WAS HE INTRODUCED TO YOU?

26 A YES, HE WAS.

1 Q BY WHOM?

2 A MR. NOVELLI.

3 Q WHAT DID MR. NOVELLI SAY ABOUT THIS NEW  
4 EMPLOYEE, MR. VOPNFORD?

5 MR. MOSHENKO: OBJECTION. ASSUMES HE WAS AN  
6 EMPLOYEE, YOUR HONOR.

7 THE COURT: REPHRASE.

8 MR. MOSHENKO: LACKS FOUNDATION.

9 BY MR. SHERMAN: Q HOW WAS HE INTRODUCED TO YOU?

10 A ALWAYS THE NEW HEAD OF SALES AND MARKETING.

11 Q OF WHAT COMPANY?

12 A I DON'T RECALL WHAT COMPANY HE SAID.

13 Q AND WHEN YOU SAY HE WAS INTRODUCED TO YOU AS  
14 THE NEW HEAD OF SALES AND MARKETING, WHO MADE THE  
15 INTRODUCTION?

16 A MR. NOVELLI.

17 Q AND WHAT TIME FRAME ARE WE TALKING ABOUT?

18 A WELL, I KNOW IT WAS 1997. AND IT WAS, I  
19 WOULD SAY, ROUGHLY A YEAR AFTER I HAD LEFT, MAYBE EARLIER.

20 Q AND DID YOU SPEAK WITH MR. NOVELLI ABOUT  
21 MR. VOPNFORD AFTER HE TOLD YOU THAT HE HAD BECOME THE HEAD  
22 OF SALES AND MARKETING?

23 A YES, I DID SPEAK WITH HIM.

24 Q AND WHAT DID YOU SAY TO HIM, AND WHAT DID HE  
25 SAY TO YOU?

26 A I SAID I COULDN'T BELIEVE HE HIRED THAT

1 SLEEZEBAG, DAVE VOPNFORD. AND HE SAID, "WELL, HE IS  
2 BRINGING IN A LOT OF MEMBERS. HE IS BRINGING A NEW COMPANY  
3 WITH HIM."

4 BECAUSE DAVE VOPNFORD HAD A REALLY BAD  
5 REPUTATION IN OUR INDUSTRY IN THE SALES DEPARTMENT. THE  
6 SECTION I WAS IN, HE WAS CONSIDERED THE BIGGEST SLEEZE OF  
7 THEM ALL, AND I WAS SURPRISED BECAUSE RAY KNEW THAT. AND I  
8 WAS SURPRISED HE WAS IN THE OFFICE WORKING.

9 Q AND AFTER YOU SAID WHAT YOU SAID TO  
10 MR. NOVELLI, WHAT DID HE SAY BACK?

11 A WELL, HE LAUGHED AND SAID HE KNEW, BUT  
12 DAVE HAD BROUGHT IN A LOT OF MEMBERS AND A NEW COMPANY  
13 CALLED "THOUSAND ADVENTURES."

14 Q NOW, LET'S TALK ABOUT FIRST NATIONWIDE.  
15 IS THAT A COMPANY THAT YOU HAVE SOME  
16 KNOWLEDGE OF, FAMILIARITY OF?

17 A YES.

18 Q AND DID YOU EVER WORK FOR FIRST NATIONWIDE?

19 A I THINK I GOT PAID BY THEM BEFORE. SO, YES.

20 Q WELL, I ASKED ABOUT WORK. YOU TALK ABOUT  
21 PAY.

22 WE'RE -- IS THE ISSUE WHO CUT YOUR PAYCHECK,  
23 OR IS THE ISSUE WHO YOU'RE WORKING FOR IN YOUR MIND?

24 A WELL, I WORKED FOR ALL OF MR. NOVELLI'S  
25 COMPANIES EXCEPT FOR PRESIDENTIAL AIR. SO YES, I WORKED  
26 FOR FIRST NATIONWIDE.

1 Q AND OVER YOUR -- LET'S START FROM 1986  
2 THROUGH 1996 -- THAT 10-YEAR PERIOD, WHAT COMPANIES DID  
3 YOUR PAYCHECK GET WRITTEN ON?

4 A ALL SEASONS RESORTS, FIRST NATIONWIDE  
5 RESORTS, PRESIDENT'S TRAVEL CLUB. I'M TRYING TO REMEMBER  
6 EXACTLY WHICH ONES BECAUSE IT CHANGED A LOT.

7 I DON'T RECALL EXACTLY. I RECALL THOSE  
8 BECAUSE MOSTLY MY PAY WAS OFF ANY OF THOSE COMPANIES.

9 Q WHEN YOU SAY IT CHANGED A LOT, WHAT ARE YOU  
10 REFERRING TO?

11 A WELL, WE CHANGED THE PAYROLL AROUND A LOT.  
12 BECAUSE A LOT OF PEOPLE -- EVERYBODY WHO IS IN THE  
13 CORPORATE OFFICE WORKED FOR EVERYBODY AT THE SAME TIME, BUT  
14 THE PAYROLLS WOULD VARY. YOU COULD GO FROM ONE PAYROLL TO  
15 THE NEXT. IT JUST DEPENDED WHAT RAY DID, WHICH PAYROLL HE  
16 PUT YOU ON.

17 BUT THE PRESIDENT'S TRAVEL CLUB WAS STRICTLY  
18 SALES.

19 Q WELL, BY GETTING A PAYCHECK FROM A DIFFERENT  
20 COMPANY, DID THAT MEAN YOU WERE, YOU KNOW, JUST GIVING YOUR  
21 SERVICES TO THAT ONE SPECIFIC COMPANY FOR THAT PAY PERIOD?

22 A NO. THAT'S JUST WHERE YOU LANDED.

23 Q DID YOU EVER DISCUSS WITH MR. NOVELLI WHY SO  
24 MANY DIFFERENT COMPANIES WERE WRITING YOU CHECKS FOR YOUR  
25 SALARY?

26 A I DON'T REMEMBER DISCUSSING THAT WITH HIM,

1 THE PAYROLL OF THE DIFFERENT COMPANIES.

2 Q DID YOU DISCUSS IT, THOUGH, WITH THE C.F.O.?

3 A I DON'T RECALL THAT.

4 Q WELL, WHAT ABOUT PEOPLE WHO YOU HAD  
5 RESPONSIBILITY OVER; DID THEY EVER ASK YOU WHY SO MANY  
6 DIFFERENT COMPANIES?

7 A WELL, THEY ASKED ME -- LIKE ONE STAFF MEMBER  
8 MIGHT BE GETTING PAID ON ONE COMPANY, AND ANOTHER OF MY  
9 STAFF MIGHT BE GETTING PAID ON ANOTHER. AND IT WAS MY  
10 UNDERSTANDING WE JUST KIND OF SPREAD THE PAYROLLS OUT  
11 BECAUSE ALL THE COMPANIES WERE IN ONE BUILDING.

12 Q NOW, I KNOW I ASKED YOU SOME QUESTIONS  
13 EARLIER ABOUT THE SALES OF NEW MEMBERSHIPS. AND TO JUST  
14 USE THAT TO GO BACK IN CONTEXT FOR A MOMENT, THERE DID COME  
15 A POINT IN TIME WHERE -- OTHER THAN SALES TO FAMILY MEMBERS  
16 OR SOMETHING LIKE THAT, THERE WERE NO MORE NEW MEMBERSHIP  
17 SALES?

18 A CORRECT.

19 Q AND THAT WAS WHEN, LATE '80'S, EARLY '90'S?

20 A THERE WAS NEW MEMBERSHIP SALES, BUT THERE  
21 WAS NO MARKETING OF THEM. AND THERE WAS NO MORE \$6,000  
22 ONES. THERE COULD BE A NEW MEMBERSHIP SALE WAS SOLD WITH  
23 THE PRESIDENT'S TRAVEL CLUB ATTACHED TO IT. OR, YOU KNOW,  
24 A LOT OF LIKE -- I THINK -- I DON'T KNOW IF YOU BROUGHT  
25 THIS UP BEFORE. BUT THERE WAS A LOT OF CHEAPER MEMBERSHIPS  
26 OUT THERE NOW. I'M SAYING SOMEBODY COULD HAVE TAKEN OVER

1 SOMEBODY ELSE'S MEMBERSHIP. THEN THEY WOULD BE CONSIDERED  
2 A NEW MEMBER.

3 Q AND THERE WERE SALES OF MEMBERSHIPS, THOUGH,  
4 IN THE FORM OF THE PRESIDENT'S TRAVEL CLUB UPGRADE; IS THAT  
5 A CORRECT STATEMENT?

6 A YES. WE WERE SELLING THE PRESIDENT'S TRAVEL  
7 CLUB.

8 Q AND THAT'S THAT UPGRADE PRODUCT?

9 A YES.

10 Q WHO WAS THE PERSON, TO YOUR KNOWLEDGE, THAT  
11 CAME UP WITH THE IDEA OF PRESIDENT'S TRAVEL CLUB?

12 A WELL, EVERYBODY TAKES CREDIT FOR IT. SO  
13 IT'S HARD TO KNOW WHO REALLY INVENTED IT.

14 IS THAT WHAT YOU'RE ASKING ME?

15 Q WELL, IF YOU KNOW.

16 A WELL, I DON'T KNOW.

17 Q SUCCESS HAS --

18 A EVERYBODY ADDED THEIR LITTLE PIECE IN  
19 BECAUSE THERE'S LIKE THREE DIFFERENT PEOPLE THAT SAID THEY  
20 INVENTED IT.

21 Q WHO WERE THOSE THREE?

22 A KEN HOEL, BOB THOMPSON AND RAY.

23 THE COURT: WE FORGOT AL GORE.

24 BY MR. SHERMAN: Q NOW, DID YOU EVER LEARN WHETHER  
25 STEVE ADAMS WAS THE HEAD OF THE COMPANY THAT IN TURN OWNED  
26 CAMP COAST TO COAST?

1           A        YES, I DID.

2           Q        AND DID YOU EVER SPEAK WITH MR. NOVELLI  
3 ABOUT MR. ADAMS?

4           A        YES.

5           Q        AND WHAT DID MR. NOVELLI TELL YOU ABOUT  
6 MR. ADAMS?

7           A        HE TOLD ME HE WAS A MULTIMILLIONAIRE AND  
8 THAT HE WAS VERY SUCCESSFUL. AND HE TOLD ME THE DIFFERENT  
9 GROUPS THAT HE HAD OWNED, AND HE ADMIRER HIM.

10          Q        AND HOW DO YOU KNOW THAT?

11          A        JUST THE WAY HE TALKED TO ME ABOUT HIM. HE  
12 LIKED SUCCESSFUL PEOPLE.

13          Q        AND LET ME GO BACK TO THE PRESIDENT'S TRAVEL  
14 CLUB.

15                    EARLIER I WAS ASKING YOU ABOUT THE 125-MILE  
16 RULE; DO YOU RECALL THAT?

17          A        YES.

18          Q        OKAY. WHEN A MEMBER JOINED THE PRESIDENT'S  
19 TRAVEL CLUB, DID THE NOVELLI ORGANIZATION DO ANYTHING TO  
20 THE MEMBER'S COAST HOME RESORT OF RECORD?

21          A        YES, WE DID.

22          Q        AND WHAT HAPPENED?

23          A        WE TRANSFERRED THEIR HOME PARK THROUGH COAST  
24 TO COAST TO ANOTHER PARK SO THAT THEY COULD GET AROUND THE  
25 125-MILE RULE.

26          Q        AND HOW DID THIS AFFECT SALES OF PRESIDENT'S

1 TRAVEL CLUB?

2 A IT HELPED. CAN'T SAY IT HELPED EVERY SALE,  
3 BUT A LOT OF TIMES THAT WAS A BIG FACTOR.

4 Q IN WHAT REGARD?

5 A SOMETIMES MEMBERS WOULD JUST WANT TO USE  
6 CERTAIN PARKS, BUT THEY COULDN'T BECAUSE OF THE 125-MILE  
7 RULE. SO IF THEY BOUGHT THE PRESIDENT'S CLUB, WE WOULD  
8 TRANSFER THEIR COAST TO COAST.

9 Q AND STAYING ON THE SALES OF PRESIDENT'S  
10 TRAVEL CLUB, DID THE SALES OF PRESIDENT'S TRAVEL CLUB PEAK  
11 AT SOME POINT IN TIME?

12 A YES.

13 Q WHEN DID THAT OCCUR?

14 A LATE 1993, '94. EARLY '94.

15 Q AND DID YOU HAVE ANY KNOWLEDGE AT THE TIME  
16 IN LATE '93, '94 AS TO WHAT FACTORS WERE ACCOUNTING FOR THE  
17 PEAKING OF SALES?

18 A THE SATURATION OF THE MEMBER BASE.

19 Q WHAT DO YOU MEAN BY THAT?

20 A WELL, YOU CAN ONLY OFFER IT TO YOUR MEMBER  
21 SO MANY TIMES BEFORE THEY TELL YOU, YOU KNOW, "GET OUT OF  
22 MY FACE. I'VE HAD ENOUGH." THEY DON'T WANT TO BUY IT.

23 SO WE HAD PENETRATED OUR BASE PRETTY  
24 HEAVILY. AND THE RESORTS THAT WE HAD TAKEN OVER, WE HAD  
25 PENETRATED THEIR BASES. AND SO OF COURSE MORE -- THE MORE  
26 MEMBERS WE GOT, RESORTS WE TOOK OVER, WE WOULD HAVE MEMBERS

1 TO SELL THE PRESIDENT'S TRAVEL CLUB TO. BUT AT THAT TIME  
2 WE DIDN'T HAVE ANY NEW STUFF COMING IN.

3 Q THAT TIME BEING LATE '93, EARLY '94?

4 A YES, BECAUSE MOST OF THE SALES CAME FROM OUR  
5 OWN MEMBERS TO START WITH. SO THERE WAS A HUGE SALES  
6 BOOST.

7 Q IN THE EARLY YEARS?

8 A YES. WE MADE A LOT OF SALES.

9 Q AND AS FAR AS PEAKING, LET'S MAKE SURE WE'RE  
10 SPEAKING ON THE SAME WAVELENGTH HERE. BY LATE '93 OR EARLY  
11 '94, WERE ANY SALES OF PRESIDENT'S TRAVEL CLUB BEING MADE  
12 IN ANY MATERIAL AMOUNTS?

13 A YES. IT WAS JUST KIND OF COMING DOWN. WE'D  
14 HIT LIKE AN ALL-TIME HIGH.

15 Q AND, WELL, LET'S FAST-FORWARD NOW TILL THE  
16 SUMMER OF '96.

17 WERE YOU STILL SELLING PRESIDENT'S TRAVEL  
18 CLUB THEN?

19 A SUMMER OF '96?

20 Q YES.

21 A YES. VERY LITTLE. BUT, YES.

22 Q AND IF YOU COMPARED THE SALES IN THE SUMMER  
23 OF '96 TO THE LATE '94, EARLY '94 TIME PERIOD, WHAT'S THE  
24 RELATIONSHIP IN YOUR MIND, AS FAR AS THE AMOUNT?

25 A IT WAS A DRASTIC CHANGE, YES.

26 Q AND IS THIS BECAUSE OF THE SATURATION THAT

1 YOU WERE TALKING ABOUT?

2 A WELL, THAT WAS ONE OF THE FACTORS.

3 Q WHAT WERE THE OTHER FACTORS?

4 A THERE WAS A LOT OF NEGATIVITY GOING ON IN  
5 THE COMPANY AT THAT TIME, A LOT OF PROBLEMS THAT WE WEREN'T  
6 HAVING IN '93, '94, WHICH COMES BACK TO NO MONEY.

7 Q NO MONEY.

8 AND SO YOU'VE GOT SALES DROPPING  
9 DRAMATICALLY FROM LATE '93, EARLY '94, TILL THE TIME YOU  
10 LEFT; RIGHT?

11 A YES.

12 Q AND ALSO DURING THAT TIME PERIOD, WHAT  
13 HAPPENED TO THE MONEY FROM YOUR PERSPECTIVE?

14 A MY PERSPECTIVE?

15 Q YEAH.

16 MR. MOSHENKO: OBJECT, YOUR HONOR. COULD WE  
17 APPROACH ON THIS? LACKS FOUNDATION.

18 THE COURT: WHAT'S THE GROUNDS?

19 MR. MOSHENKO: OBJECTION IS LACKS FOUNDATION.  
20 CALLS FOR SPECULATION.

21 BY MR. SHERMAN: Q DO YOU KNOW WHAT HAPPENED TO  
22 THE MONEY?

23 WHY DON'T WE DO IT --

24 MR. MOSHENKO: WHAT'S THE FOUNDATION? HOW DOES SHE  
25 KNOW WHAT HAPPENED TO THE MONEY?

26 BY MR. SHERMAN: Q HOW DO YOU KNOW WHAT HAPPENED

1 TO THE MONEY?

2 A BECAUSE I WAS THERE.

3 Q OKAY. WHAT HAPPENED TO THE MONEY?

4 THE COURT: OVERRULED.

5 THE WITNESS: AND I WAS AN OFFICER.

6 MR. MOSHENKO: BEING PRESENT DOESN'T MEAN SHE

7 KNOWS. THERE IS NOT A FOUNDATION.

8 MR. SHERMAN: OBJECTION TO THE SPEAKING OBJECTION

9 AT THIS POINT.

10 THE COURT: OBJECTION IS OVERRULED. SHE ALREADY

11 ANSWERED.

12 BY MR. SHERMAN: Q WHAT HAPPENED TO THE MONEY?

13 A WHAT HAPPENED TO THE MONEY?

14 Q YEAH.

15 A A LOT OF IT WENT INTO PRESIDENTIAL AIR, TO

16 START THE AIRLINE.

17 Q WHERE ELSE DID IT GO?

18 A WELL, THAT WAS A BIG CHUNK, TO START A NEW

19 AIRLINE. BUT THE PRESIDENT'S TRAVEL CLUB, THE SALES OF THE

20 PRESIDENT'S TRAVEL CLUB, WAS FUNDING JUST ABOUT EVERYTHING.

21 Q OTHER THAN THE AIRLINE, TO YOUR KNOWLEDGE,

22 WHERE ELSE WAS THE MONEY GOING DURING THIS TIME PERIOD,

23 '94, '95, UP TILL THE TIME YOU LEFT?

24 A WELL, SOME OF IT WAS GOING FOR THE RUNNING

25 OF THE RESORTS. AND SOME OF IT WAS GOING TO MEXICO. SOME

26 OF IT -- BUT MOST OF IT WAS GOING INTO THE AIRLINE, TO GET

1 THIS THING OFF THE GROUND.

2 Q WHEN YOU SAY SOME OF IT WAS GOING INTO  
3 MEXICO, WHAT DO YOU MEAN BY THAT?

4 A THERE WAS MONEY BEING SENT TO MEXICO.

5 Q FOR WHAT PURPOSE?

6 MR. MOSHENKO: OBJECTION. LACKS FOUNDATION. CALLS  
7 FOR SPECULATION.

8 THE COURT: IF SHE KNOWS, SHE MAY ANSWER.

9 THE WITNESS: SOME OF IT WAS GOING IN -- WAS JUST  
10 BEING WIRED TO ACCOUNTS IN MEXICO, OTHERS WERE FOR -- GOING  
11 TO A HOME THAT WAS OWNED IN MEXICO.

12 BY MR. SHERMAN: Q HAVE YOU SEEN PICTURES OF THIS  
13 HOME?

14 A YES. I'VE BEEN THERE.

15 Q WAS IT A MANSION?

16 A I WAS BIG.

17 MR. MOSHENKO: OBJECTION. RELEVANCE, YOUR HONOR.

18 352.

19 MR. SHERMAN: EXCUSE ME.

20 THE COURT: OVERRULED. OVERRULED.

21 BY MR. SHERMAN: Q HAVE YOU SEEN PICTURES OF THE  
22 HOME?

23 A I'VE SEEN PICTURES, AND I'VE BEEN THERE.

24 MR. MOSHENKO: IT FEELS LIKE WE'RE ABOUT TO VIOLATE  
25 THE COURT'S ORDER REGARDING EXHIBITS BEING USED.

26 MR. SHERMAN: I'M JUST GOING TO SHOW HER TWO

1 PICTURES AND ASK HER IF SHE HAS SEEN THE PICTURES, AND WE  
2 CAN TAKE IT ONE STEP AT A TIME.

3 Q HAVE YOU SEEN THESE PICTURES BEFORE?

4 A I'VE SEEN THIS HOUSE BEFORE. I'VE SEEN  
5 THESE PICTURES OF THE HOUSE, YES.

6 Q AND YOU'VE BEEN IN THIS HOUSE?

7 A YES.

8 MR. SHERMAN: I'D LIKE TO MOVE THOSE PICTURES INTO  
9 EVIDENCE, YOUR HONOR.

10 MR. MOSHENKO: LACKS FOUNDATION AND VIOLATES THE  
11 COURT'S RULING REGARDING ADMISSIBILITY OF EXHIBITS THAT ARE  
12 NOT ON THE EXHIBIT LIST.

13 MR. SHERMAN: MR. JOSEPH TESTIFIED IT WAS NOT A  
14 MANSION.

15 MR. MOSHENKO: COULD I SEE THE PICTURES, YOUR  
16 HONOR?

17 THE COURT: SURE.

18 MR. MOSHENKO: AND COULD WE APPROACH AND DISCUSS  
19 THEM?

20 MR. SHERMAN: I SHOWED THEM TO MR. MOSHENKO IN  
21 CHAMBERS.

22 MR. MOSHENKO: I BEG YOUR PARDON. THEY SHOWED THEM  
23 TO YOUR HONOR, AND I DIDN'T SEE THEM.

24 MR. SHERMAN: THAT'S IMPEACHMENT.

25 MR. SHAW: IMPEACHMENT OF WHAT?

26 MR. MOSHENKO: WHAT, IMPEACHING YOU?

1 MR. SHERMAN: NO.

2 MR. MOSHENKO: IMPEACHING HIS HONOR?

3 MR. SHERMAN: NO.

4 MR. MOSHENKO: LACKS FOUNDATION, YOUR HONOR. AND  
5 VIOLATES THE COURT'S RULE REGARDING -- THESE ARE SURPRISE  
6 DOCUMENTS.

7 THE COURT: I'M GOING TO OVERRULE YOUR OBJECTION.  
8 JUST MARK THEM.

9 MR. SHERMAN: CAN I ASSIGN THESE NUMBERS AT THE END  
10 OF TODAY'S PROCEEDINGS?

11 THE COURT: YES.

12 MR. SHERMAN: AND CAN I JUST TAKE A MOMENT? SINCE  
13 WE DIDN'T HAVE THESE IMAGED YET, I'LL HAVE SOME OTHER --  
14 CAN I SHOW THEM TO THE JURY?

15 THE COURT: WHY DON'T WE DO THAT TOMORROW.

16 MR. SHERMAN: VERY GOOD.

17 THE COURT: YOU'RE GOING TO HAVE TO BRING THIS  
18 WITNESS BACK TOMORROW.

19 MR. SHERMAN: YES.

20 THE COURT: BY THAT TIME YOU CAN HAVE THEM MARKED,  
21 AND THEN YOU WILL HAVE YOUR IMAGES.

22 MR. SHERMAN: YES.

23 Q NOW, DURING THIS TIME PERIOD WHEN YOU SAID  
24 THERE WAS NO MONEY --

25 A YES.

26 Q -- DID PART OF YOUR JOB INVOLVE DEALING WITH

1 CREDITORS OF THE NOVELLI ORGANIZATION?

2 A YES.

3 Q AND IN WHAT WAY WERE YOU DEALING WITH  
4 CREDITORS DURING THIS TIME PERIOD?

5 A WELL, I DEALT WITH CREDITORS OF MY OWN  
6 THROUGH LIKE THE SALES DEPARTMENT. AND THEN A LOT OF  
7 CREDITORS WOULD GET OVER ONTO MY PHONE WHEN THEY COULDN'T  
8 GET THROUGH TO RAY OR TO THE C.F.O.

9 Q AND WITHOUT TALKING ABOUT ANY ONE PARTICULAR  
10 CREDITOR, WHAT, WAS THERE SOME THEME THAT WAS REPEATING  
11 ITSELF?

12 MR. MOSHENKO: OBJECTION. CALLING FOR HEARSAY,  
13 YOUR HONOR.

14 MR. SHERMAN: YOUR HONOR --

15 THE COURT: OVERRULED.

16 THE WITNESS: WAS THERE A THEME.

17 BY MR. SHERMAN Q WAS THERE SOMETHING YOU WERE  
18 HEARING TIME AND TIME AGAIN FROM THESE PEOPLE WHEN THEY GOT  
19 TO YOU FINALLY?

20 MR. MOSHENKO: THE SAME OBJECTION.

21 THE COURT: OVERRULED.

22 THE WITNESS: YES. "GIVE ME MY MONEY." AND  
23 THEY'RE VERY UPSET.

24 BY MR. SHERMAN: Q NOW, LET'S TALK ABOUT A CERTAIN  
25 TYPE OF CREDITOR GROUP NOW.

26 I'M TALKING ABOUT DEVELOPERS WHO GOT

1 INTERESTED IN SELLING PRESIDENT'S TRAVEL CLUB.

2 A YES.

3 Q WERE THERE SUCH -- WAS THERE SUCH A CREDITOR  
4 BASE?

5 A YES.

6 Q AND DESCRIBE -- WHAT'S THAT ALL ABOUT?

7 A WHEN WE SOLD THE PRESIDENT'S TRAVEL CLUB,  
8 PART OF THE DEAL WE CAME UP WITH WAS WE WOULD GO OUT AND  
9 SIGN OTHER DEVELOPERS AND RESORTS UP WITH -- WHERE THEY  
10 WOULD ALLOW OUR SALES TEAM TO COME ON THE RESORT OR OTHER  
11 WAYS OF MARKETING. AND WE WOULD SELL THE PRESIDENT'S CLUB  
12 TO THEIR MEMBERS, AND THEY WOULD GET A THIRD OF THE MONEY.  
13 WE WOULD -- PRESIDENT'S TRAVEL CLUB WOULD GET A THIRD, AND  
14 THEN THE SALES DEPARTMENT AND THE MARKETING WOULD GET A  
15 THIRD. AND THEY WEREN'T BEING PAID THEIR THIRD, AND THAT'S  
16 WHERE THE CALLS COME FROM.

17 Q AND SO YOU'D BE ASKED BY DEVELOPERS, IN  
18 EFFECT, "GIVE ME MY MONEY"?

19 A YES.

20 Q AND WERE THERE TIMES THAT YOU DIDN'T HAVE  
21 THE MONEY TO PAY THEM?

22 A THERE WERE TIMES, YES.

23 Q AND WHAT HAPPENED?

24 A WELL, IT WAS KIND OF A RIPPLING EFFECT. YOU  
25 MEAN WHAT HAPPENED ON THE PHONE OR WHAT --

26 Q WELL, LET'S START WITH THE PHONE, AND THEN

1 WE'LL GO TO THE REST OF THE RIPPLES.

2 A WELL, WE WOULD TRY TO CALM THEM DOWN AND  
3 TELL THEM WE WOULD TRY TO PAY THEM NEXT WEEK, AND I WOULD  
4 TALK TO RAY AND TELL HIM, "THESE ARE THE DEVELOPERS THAT  
5 ARE SCREAMING THE MOST." AND I WOULD TRY TO GET THE MONEY  
6 AND TRY TO SOOTHE THEM, YOU KNOW, UNTIL I COULD GET THE  
7 MONEY.

8 AND THEY DIDN'T UNDERSTAND BECAUSE IT WAS  
9 THEIR MEMBER AND, YOU KNOW, THEY SAID, THIS IS THEIR MONEY,  
10 ISN'T IT?

11 SO IT GOT TO THE POINT WHERE THEY STOPPED  
12 HONORING THE PRESIDENT'S CLUB MEMBERS.

13 Q WHEN DID THAT HAPPEN?

14 A LATE '95, '96. EARLY '96. STARTED ABOUT  
15 EIGHT MONTHS BEFORE I LEFT.

16 Q AND WHEN YOU SAY THEY STOPPED HONORING THE  
17 PRESIDENT'S CLUB MEMBERS -- LET ME GO BACK IN TIME.

18 THE FIRST MEMBERSHIP SALES OF THIS UPGRADE  
19 PRODUCT, PRESIDENT'S TRAVEL CLUB, WERE MADE TO YOUR OWN  
20 MEMBER BASE; RIGHT?

21 A YES.

22 Q THE ALL SEASONS AND SOME OF THE OTHER  
23 ACQUISITIONS; RIGHT?

24 A YES.

25 Q AND WHEN YOU SAY THE DEVELOPERS WERE NOT  
26 HONORING THE PRESIDENT'S TRAVEL CLUB, WHAT IMPACT DID THAT

1 HAVE ON THE -- YOU KNOW, THE PEOPLE WHO WERE FIRST IN FROM  
2 YOUR ORGANIZATION THAT BOUGHT THESE UPGRADES?

3 A YES.

4 Q WHAT WOULD HAPPEN?

5 A WELL, IT BECAME LIKE WILDFIRE. EVERYBODY  
6 KNEW THAT WE WEREN'T PAYING THE DEVELOPERS. IT'S LIKE A  
7 BIG SYSTEM OUT THERE. AND SOMETHING HAPPENS, EVERYBODY  
8 KNOWS. IT STARTS PROBABLY IN FLORIDA AND THEN GOES ALL THE  
9 WAY TO CALIFORNIA.

10 AND MEMBERS WOULD GO TO ONE RESORT AND THEY  
11 SAY, "I WAS JUST AT SUCH AND SUCH A RESORT AND I DIDN'T GET  
12 IN BECAUSE P.T.V., PRESIDENT'S TRAVEL CLUB, IS NOT PAYING  
13 THE DEVELOPER."

14 SO -- AND THEN THE EMPLOYEES ALL KNEW. SO  
15 EVERYBODY BASICALLY KNEW, AND IT HURT THE PRESIDENT'S CLUB,  
16 THEIR REPUTATION.

17 Q HOW DID IT DO FOR THE REST OF THE  
18 ORGANIZATION?

19 A WELL, THAT WAS ONE OF THE MANY PROBLEMS AT  
20 THE TIME. BUT IT WAS VERY DIFFICULT BECAUSE WE HAD SOLD A  
21 LOT OF PRESIDENT'S TRAVEL CLUB, AND THEN ALL OF A  
22 SUDDEN --

23 MR. MOSHENKO: OBJECTION. IT'S NONRESPONSIVE.

24 THE COURT: OVERRULED.

25 MR. SHERMAN: IT'S DIRECTLY.

26 Q PLEASE CONTINUE.

1           A           THEN ALL OF A SUDDEN THIS KIND OF GOLDEN  
2 CHILD KIND OF BECAME THIS BLACK SHEEP.

3           Q           NOW, WE WERE TALKING ABOUT A CREDITOR BASE  
4 THAT CONSISTED OF SOME DEVELOPERS WHO WERE -- CALLED --

5           A           YES.

6           Q           -- NOT GETTING PAID.

7                       WHAT ABOUT EMPLOYEES IN YOUR OWN  
8 ORGANIZATION; WERE THEY PART OF THE CREDITOR -- DID THEY  
9 BECOME PART OF THE CREDITOR BASE?

10          A           YES.

11          Q           AND WHAT HAPPENED THERE?

12          A           BECAUSE OF THE SHORTAGE OF FUNDS, THERE WAS  
13 A LOT OF BOUNCED PAYROLL CHECKS. AND THEN WE WOULD REPLACE  
14 THE CHECKS, AND THEN THEY WOULD BOUNCE AGAIN. SO IT'S VERY  
15 CONFUSING. AND SO MY ASSISTANT AND I SPENT MANY DAYS JUST  
16 ALL DAY LONG JUST REPLACING CHECKS LEFT AND RIGHT TO TRY TO  
17 GET EVERYBODY SETTLED DOWN.

18                       BUT THE MEMBER BASE WAS TOLD THAT WE WERE  
19 BOUNCING PAYROLL CHECKS OR THE PAYROLL WOULD GO OUT LATE.

20          Q           HOW DID THE MEMBER BASE HEAR ABOUT THIS, TO  
21 YOUR KNOWLEDGE?

22          A           WELL, THE SALES FORCES AND THE RESORT  
23 SERVICES STAFF ARE RIGHT ON THE RESORTS, AND THE MEMBERS  
24 ARE RIGHT ON THE RESORTS, AND ALSO, TOO, A LOT OF THE  
25 MEMBERS WERE MEMBER VOLUNTEERS.

26          Q           HOW DOES THAT FACTOR INTO -- THE FACT THAT

1 YOU'VE GOT A VOLUNTEER THERE WORKING?

2 MR. MOSHENKO: YOUR HONOR, WE HAVE HEARSAY. LACKS  
3 FOUNDATION, UNLESS SHE WAS PRESENT.

4 MR. SHERMAN: YOUR HONOR, IT WAS HER KNOWLEDGE.

5 MR. MOSHENKO: LACKS FOUNDATION OF HER KNOWLEDGE OF  
6 WHAT PEOPLE WERE SAYING.

7 THE COURT: YOU GAVE ME THE GROUNDS HEARSAY. YOU  
8 DON'T HAVE TO SAY ANYMORE. OVERRULED.

9 BY MR. SHERMAN: Q WHAT WERE YOU DOING -- WHAT  
10 WERE YOU LEARNING WITH RESPECT TO THIS ISSUE THAT YOU'VE  
11 CHARACTERIZED LIKE SPREADING LIKE WILDFIRE WITH THE  
12 MEMBERS?

13 A WELL, I'M GETTING CALLS FROM THE MEMBERS AND  
14 FROM THE SALES FIELD AND ALSO FROM BANKS THAT WERE -- WHERE  
15 THE CHECKS WERE CASHED. SO I'M TAKING ALL THREE CALLS. SO  
16 I DON'T CONSIDER THAT HEARSAY.

17 Q WELL, OKAY. BUT LET'S GET BEYOND THAT.  
18 WHAT WERE YOU BEING TOLD?

19 A I WAS BEING TOLD --

20 MR. MOSHENKO: OBJECTION. HEARSAY. LACKS  
21 FOUNDATION AS TO WHOM SHE IS HEARING FROM.

22 THE COURT: SUSTAINED.

23 BY MR. SHERMAN: Q WELL, WHAT WERE YOU BEING TOLD  
24 THEN BY YOUR SALES STAFF? LET'S LIMIT IT TO SALES STAFF.

25 A WELL, THE SALESPEOPLE, IF THEIR CHECK  
26 BOUNCED, THEY WOULD BE VERY UPSET AND VERY BOISTEROUS ABOUT

1 IT ON THE RESORT. SO THE MEMBERS ALL KNEW WHAT WAS GOING  
2 ON. THERE'S NEVER BEEN ANY SECRETS.

3 MR. MOSHENKO: OBJECTION. NONRESPONSIVE AFTER SHE  
4 ANSWERED.

5 THE COURT: SUSTAINED.

6 MR. MOSHENKO: MOTION TO STRIKE THE LAST PART OF  
7 THE QUESTION.

8 THE COURT: MOTION DENIED.

9 PROCEED.

10 BY MR. SHERMAN: Q HOW DO YOU KNOW THAT THE  
11 MEMBERS KNEW IT WAS GOING ON?

12 A BECAUSE I WAS TAKING THEIR CALLS.

13 Q NOW, DID YOU EVER LEARN FROM YOUR SALES  
14 STAFF ABOUT ANY DIFFICULTIES THAT THIS CHECK-BOUNCING  
15 PRODUCED, AS FAR AS YOUR SALES STAFF EMPLOYEES' ABILITY TO  
16 ACTUALLY GET THEIR PAYROLL CHECKS CASHED AT LOCAL  
17 MERCHANTS? DID THEY EVER TALK TO YOU ABOUT THAT?

18 A WHEN IT BECAME REALLY BAD, THEY COULDN'T GET  
19 THEIR CHECKS CASHED AT BANKS. IN FACT, SOME OF THEM, THE  
20 BANK PUT UP A NOTICE: "IF YOU'RE A PRESIDENT'S TRAVEL CLUB  
21 EMPLOYEE, DON'T COME IN."

22 OR PEOPLE WERE CALLING ME, IF THEY CASH  
23 THEIR CHECKS LIKE AT ONE OF THOSE CHECK-CASHING PLACES,  
24 THEY WERE CALLING ME, AND A LOT OF GROCERY STORES. I DON'T  
25 KNOW WHY, BUT A LOT OF GROCERY STORES CASH CHECKS. THEY  
26 WERE CALLING ME SAYING THIS CHECK BOUNCED. YOU GUYS NEED

1 TO GET THIS HANDLED.

2 THE COURT: LET'S PICK UP TOMORROW MORNING AT  
3 9:30 -- 9:00. I HAVE 9:30 IN MY HEAD HERE.

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

6 MR. SHAW: COULD I MAKE ONE NOTE REGARDING THE  
7 PICTURES IN MEXICO? AND I GUESS THIS FALLS WITHIN THE  
8 LEVEL PLAYING FIELD PART OF MY OBJECTION.

9 WE SAW THE FINOVA ORDER OVER MY OBJECTION,  
10 ONE OF THE BITTER PILLS, AND IT TALKED ABOUT THE SAD STATE  
11 OF THE RESORTS. WE THEN TRIED TO GET IN DEVELOPER PICTURES  
12 OF THE RESORTS AS IMPEACHMENT OF THAT PARTICULAR STATEMENT,  
13 AND WE WERE DENIED THE ABILITY TO PUT IT IN.

14 NOW, AS I UNDERSTAND IT FROM MR. SHERMAN,  
15 WE'VE GOT SOME MANSION ISSUE. I MEAN, THIS ISSUE OF THE  
16 STATUS -- STATE OF THE RESORTS IS KEY TO THIS CASE. NOW WE  
17 HAVE A MANSION ISSUE ABOUT SOMETHING THAT JIM JOSEPH SAID?  
18 I DON'T EVEN KNOW WHAT IT WAS, BUT --

19 THE COURT: WHY DON'T WE DO THIS --

20 MR. SHAW: WELL, YOUR HONOR, MY POINT IS --

21 THE COURT: WE CAN COVER THIS IN THE MORNING BY  
22 GOING OVER THE TRANSCRIPT OF THAT PARTICULAR TESTIMONY.

23 MR. SHAW: WELL, I'D LIKE MR. SHERMAN TO SHOW ME  
24 WHERE THE TRANSCRIPT IS WITH MR. JOSEPH THAT HE IS  
25 IMPEACHING.

26 THE COURT: PERHAPS HE WILL.

1           MR. SHAW: AND THEN MY LAST QUESTION IS, WHEN IS  
2 OUR RESPONSE DUE, YOUR HONOR, TO MR. --

3           MR. MOSHENKO: WE'RE GOING TO WAIT UNTIL WE SEE IT.

4           THE COURT: YES. SEE YOU GUYS IN THE MORNING.

5           MR. SHERMAN: I'M NOT GOING TO BOTHER TO RESPOND  
6 NOW.

7           THE COURT: OKAY.

8           MR. SHERMAN: MAYBE I CAN GO FIRST TOMORROW ON THIS.

9           THE COURT: YES.

10                           (WHEREUPON THE COURT WAS IN RECESS UNTIL  
11 WEDNESDAY, JULY 19, 2000, 9:00 A.M.)

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