

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF FLORIDA  
GAINESVILLE DIVISION

THE UNITED STATES OF AMERICA,  
Plaintiff,

Docket No. 94CR1009MMP

Gainesville, Florida  
May 19, 2000  
9:00 a.m.

vs.

JOHN KNOCK and  
ALBERT MADRID,

Defendants.

VOLUME 11

TRANSCRIPT OF TENTH DAY OF JURY TRIAL  
WHEN HEARD BEFORE THE HONORABLE SENIOR UNITED STATES  
DISTRICT COURT JUDGE MAURICE M. PAUL, AND A JURY.

APPEARANCES:

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-AND-

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7/2/00

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THE COURT: Be seated. Mr. Sheppard. There you are.

MR. SHEPPARD: Good morning, Your Honor. How are you this morning?

THE COURT: Do you wish to present any additional argument, Mr. Sheppard?

MR. SHEPPARD: If it please the Court. If I could very briefly.

THE COURT: Surely.

(This portion of the transcript has been previously transcribed and filed.)

\* \* \* \* \*

THE COURT: All right. Jury in, please.

While we're waiting on the jury, Mr. Daar, I have -- I have got the affidavit from the government concerning that matter. We'll take that up at some other time. I forgot about it, or we could have just done it then.

(Jury in.)

THE COURT: I was going to say good morning, but you all probably think it's afternoon.

Welcome back. Please have a seat. I got an inquiry from one of you that has to go to the dentist. We'll be out of here by 12, reconvene at 1:30 so that the dental appointment can be kept.

And we apologize, but we have been working since -- I

1 have been working since 8:30. These people only since about  
2 9:00. So we are ready. Call your witness.

3 MR. DAVIES: Lewis Pritchard.

4 (Witness sworn.)

5 THE CLERK: Please be seated.

6 And, sir, for the record state your full name and  
7 spell your last name.

8 THE WITNESS: Lewis A. Pritchard. P-R-I-T-C-H-A-R-D.

9 DIRECT EXAMINATION

10 BY MR. DAVIES:

11 Q. Thank you. Would you tell the ladies and gentlemen of  
12 the jury where you live, please?

13 A. I live in Hawaii; Honolulu.

14 Q. What do you do for a living?

15 A. I'm a real estate broker.

16 Q. You do own your own real estate company?

17 A. Yes, I do.

18 Q. What is the name of your real estate company?

19 A. International Investors Realty.

20 Q. And does your company, International Investors Realty,  
21 represent both buyers and sellers of real estate?

22 A. Yes.

23 Q. Sometimes represent a person that wants to buy, sometimes  
24 the person that wants to sell?

25 A. Yes. Both ways.

1 Q. Did your company ever represent John Knock and Naomi  
2 Knock as buyers with regard to the purchase of a house at 4442  
3 Kahala Honolulu, Hawaii?

4 A. Yes.

5 MR. DAVIES: May I approach, Your Honor?

6 THE COURT: Uh-huh.

7 Q. Mr. Pritchard, I have put in front of you a set of  
8 documents labeled Government Exhibit 195A through E. Are those  
9 documents that you provided us regarding the purchase of the  
10 house?

11 A. Yes.

12 Q. You can use those to refresh your memory if you need to  
13 as we go along.

14 The address of the house again was -- that John Knock  
15 and Naomi Knock bought -- was 4442 Kahala Avenue, Honolulu?

16 A. Yes.

17 Q. What was the price of that house?

18 A. Two million dollars.

19 Q. And did the deal close? By that I mean, did John Knock  
20 and his wife, Naomi Knock, actually buy the house for 2 million  
21 dollars?

22 A. Yes.

23 Q. And was John and Naomi Knock's purchase of the house  
24 financed?

25 A. No.

1 Q. They paid cash?

2 A. Yes.

3 Q. When was the closing date when the Knocks closed on the  
4 house?

5 A. June 30th.

6 Q. Of what year?

7 A. 1993.

8 Q. And when was it that John and Naomi Knock made their  
9 offer on the house?

10 A. They made the offer verbally on April 21st, and signed  
11 the document on April 22nd.

12 Q. Of 1993?

13 A. Of 1993.

14 Q. Between April 21st 1993, when they made their offer and  
15 June 30th, 1993, when the Knocks closed on the two million  
16 dollar house, did you have contact with your clients, John  
17 Knock and Naomi Knock?

18 A. Yes.

19 Q. About how many times did you speak to John Knock?

20 A. Maybe about six times. Probably on the phone, three or  
21 four meetings.

22 Q. About how many times did you speak to Naomi Knock?

23 A. Not alone. Probably three or four.

24 Q. Did you ever ask John Knock where the money was coming  
25 from to buy the two-million-dollar house?

1 A. Yes.

2 Q. What did he tell you?

3 A. He said it was coming from Hong-Kong.

4 Q. Did he tell you what type of entity in Hong Kong it was  
5 coming from?

6 A. He said he owned a company in Hong-Kong. It was a  
7 Hong-Kong bank.

8 Q. Do you recall the name of the company in Hong-Kong that  
9 he said he owned?

10 A. You will have to forgive me, my pronunciation.  
11 Yip-Cheong Management Company is the name of the firm.

12 Q. And for the record is the spelling of that company that  
13 Mr. Knock said he owned Y-I-P C-H-E-O-N-G?

14 A. Yes.

15 Q. And besides talking about this corporation that Mr. Knock  
16 owned, did you ever ask Mr. Knock what type of business he had  
17 or what he did to make money?

18 A. Yes.

19 Q. What did Mr. Knock tell you?

20 A. He indicated that he owned a company named Dynagrow.

21 Q. Did he tell you what type of company Dynagrow was?

22 A. He said it was a fertilizer company.

23 Q. Did he say any more about what work the fertilizer  
24 company did or who it sold fertilizer to?

25 A. He said the main purpose indicated was used for



1 recreational parks and golf courses.

2 Q. From April of 1993 through June of '93, when you were  
3 John Knock's real estate broker, did John Knock ever leave  
4 Hawaii and go on any trips?

5 A. Approximately two times.

6 Q. Did he ever tell you where he was going?

7 A. One time he indicated he was going to go skiing.

8 Q. Did he say where?

9 A. Offhand it was the -- either Vail or Idaho; one of the  
10 two. I can't recall.

11 Q. Those trips that Mr. Knock went on, did he indicate  
12 whether he was going alone or not?

13 A. He indicated that probably it was alone.

14 MR. DAVIES: May I approach the witness, Your Honor?

15 THE COURT: Yes, sir.

16 Q. Can you go through those documents? They each have  
17 exhibit stickers on them.

18 The first one is Government Exhibit 195A. Is this  
19 the contract?

20 A. That's correct.

21 Q. Is that the contract to buy the house on Kahala Avenue  
22 that John Knock and Naomi Knock entered into?

23 A. Yes.

24 MR. DAVIES: Your Honor, I would offer Government  
25 Exhibit 195A into evidence.

1 THE COURT: Without objection.

2 (Government Exhibit No. 195A admitted.)

3 Q. Does that contract, Mr. Pritchard, reflect the sales  
4 price of the house?

5 A. Yes.

6 Q. And what is the sales price again?

7 A. Two million dollars.

8 Q. Does it reflect the sellers of the house?

9 A. Yes.

10 Q. Who are they?

11 A. John and Jean Brathen.

12 Q. And does it reflect who the buyers of the house are?

13 A. Yes.

14 Q. Are who are the buyers of the house?

15 A. John and Naomi Knock.

16 Q. Does the contract reflect how many bathrooms and bedrooms  
17 the house has?

18 A. Five bedrooms, five bathrooms.

19 Q. Turning you -- for the record, we were looking at page 1  
20 of 195A.

21 Turning to page 2 of 195A. Is that a check that  
22 someone wrote to Title Guarantee Escrow?

23 A. Yes.

24 Q. And what is the purpose of having an escrow service like  
25 Title Guarantee Escrow?

1 A. To initiate the transaction, complete it, and record it  
2 and issue a deed.

3 Q. Okay. Who was it that wrote the check to Title Escrow  
4 Guarantee?

5 A. Naomi Knock.

6 Q. And how much was the check?

7 A. \$40,000.

8 Q. And did you have any understandings with the Knocks as to  
9 whether or not Naomi Knock would be refunded money once the  
10 money came in from the Hong-Kong corporation Mr. Knock owned?

11 A. Yes.

12 Q. What was your understanding?

13 A. Understanding that \$40,000 would be refunded to her after  
14 a hundred thousand earnest money was deposited from a bank in  
15 Hong-Kong, and it's in the escrow instructions there.

16 Q. You were referring -- you were referring to the escrow  
17 instructions. Showing you what has got sticker 195B on it, are  
18 those the escrow instructions?

19 A. The escrow instructions that were issued by Title  
20 Guarantee which confirms just what I said.

21 MR. DAVIES: I would offer Government Exhibit 195B  
22 into evidence.

23 THE COURT: It will be received.

24 (Government Exhibit No. 195B admitted.)

25 Q. And did those escrow instructions again list that the

1 buyer is John R. and Naomi P. Knock, that the sales price is 2  
2 million dollars?

3 A. Yes.

4 Q. And showing you what is marked as Government Exhibit  
5 195C. Is that the closing statement for the house that John  
6 and Naomi Knock bought at 4442 Kahala Avenue?

7 A. Yes. Closing statement by Title Guarantee.

8 MR. DAVIES: Your Honor, I would offer Government  
9 Exhibit 195C into evidence.

10 (Government Exhibit No. 195C admitted.)

11 Q. On the actual closing statement, who was the buyer of the  
12 property officially?

13 A. It's stated that Yip Cheong Management Limited.

14 Q. And that is the company Mr. Knock told you he owned?

15 A. Yes.

16 Q. And does this also, Government Exhibit 195C, reflect the  
17 address of the property and the price of the property again?

18 A. Yes.

19 Q. And showing you what is marked for identification as  
20 Government Exhibit 195D. Are those a series of letters that  
21 you wrote while acting as John Knock's agent when he was in  
22 process of buying the house on Kahala?

23 A. Yes.

24 MR. DAVIES: Your Honor, I would offer Government  
25 Exhibit 195D into evidence.

1 THE COURT: They will be received.

2 (Government Exhibit No. 195D admitted.)

3 Q. Mr. Pritchard, if you would go through those letters and  
4 just briefly summarize to the jury what is in them; what you're  
5 writing about?

6 A. Well, the first letter, it acknowledges the \$40,000  
7 refund and the method of payment. The second paragraph  
8 indicates that Mr. Knock would like to buy the furniture or  
9 part of the furniture that was owned by the owners.

10 Q. Go on to the next letter.

11 A. Okay. The next one was that we acknowledge acceptance of  
12 the survey report. And we have to have a survey report before  
13 closing so we can complete the escrow.

14 Q. On the second letter, was it John Knock and Naomi Knock  
15 that were acknowledging the survey report?

16 A. Yes. It was John and Naomi Knock. They had to  
17 acknowledge it and sign it.

18 Q. If you would go on to the next letter, please.

19 A. This letter indicates that Mrs. Naomi Knock would like  
20 to purchase the property. And then we had faxed a termite  
21 report over and indicated that there should be some termite  
22 repairs, and that we would do a final walk-through of the  
23 property for approval on 9 a.m., June 10th, 1991.

24 Q. And?

25 A. And the next letter is dated June 22nd. This

1 acknowledges that we did a final appliance check as instructed,  
2 and the escrow, and the buyer's -- seller's broker would send  
3 them a -- she would send a cleaning charge for 4442 Kahala.

4 Q. So the seller's brokers would send you and the Knock's a  
5 cleaning charge?

6 A. Right. This would be made out to Merry Maids Company,  
7 which was the cleaning company.

8 Q. Then the next one is where John Knock will take title at  
9 4442 Kahala as Yip-Cheong Management Company. This was the  
10 letter that I wrote to escrow instructing them that is what I  
11 had been informed by Mr. Knock.

12 A. And the next letter they -- they wanted to go back and to  
13 measure some of the rooms. And we made an appointment for  
14 that, and then to consider the future purchase of part of the  
15 furniture.

16 Q. When you say they wanted to measure the rooms, do you  
17 mean John and Naomi Knock?

18 A. Yes. John and Naomi Knock. Sorry.

19 Q. That is okay. Next letter?

20 A. The next letter just indicates some of the furniture and  
21 items that would be purchased by John and Naomi Knock.

22 Q. And the last letter?

23 A. The last letter indicates that the \$40,000 earnest money  
24 would be refunded by the check that Mrs. Knock had wrote to  
25 escrow, and that the amount of \$100,000 when they received it,

1 please issue a check to Mrs. Knock to reimburse the check for  
2 the deposit money.

3 And down at the bottom is indicated by one of my  
4 agents that she confirmed that this is what was to transpire.  
5 That is it.

6 Q. Finally showing you Government Exhibit 195E. Is that a  
7 termite inspection report regarding the house that John and  
8 Naomi Knock signed?

9 A. Yes. It's a termite report. And this is dated May 27th.

10 MR. DAVIES: Your Honor, I would offer Government  
11 Exhibit 195E into evidence. We did a termite report  
12 incidentally on May 26th.

13 THE COURT: It will be received.

14 (Government Exhibit No. 195E admitted.)

15 MR. DAVIES: I have no further questions.

16 THE COURT: Mr. Kennedy.

17 MR. KENNEDY: Thank you, Your Honor.

18 CROSS-EXAMINATION

19 BY MR. KENNEDY:

20 Q. Good morning, Mr. Pritchard.

21 A. Good morning.

22 Q. The house at Kahala actually had been on the market for  
23 some time before Mr. and Mrs. Knock purchased it; had it not?

24 A. I'm not aware of the length of time, because I was not  
25 the listing broker. I represented the buyer, Mr. and Mrs. John

1 Knock.

2 Q. At some point you did learn, though, that the property  
3 was being listed for three and a half million dollars; did you  
4 not?

5 A. That's correct.

6 Q. So actually the listing price was 3 and a half million,  
7 and the purchase price was two million?

8 A. Yes.

9 Q. That was I assumed as a result of some give and take in  
10 bargaining?

11 A. It went back and forth. A lot of it was verbal. And  
12 also the motivation of Mr. and Mrs. Brathen, because they  
13 realized that they had over-priced the property at that  
14 particular time. And when we presented the offer, then the  
15 negotiations came down. They accepted the offer.

16 Q. The two million dollars?

17 A. Yes.

18 Q. And when you say all cash in terms of that offer, you  
19 mean of course there was no financing, correct?

20 A. That's correct, sir.

21 Q. And the money -- ultimately the two million dollars to  
22 purchase the property ultimately came from this Hong-Kong  
23 corporation; did it not?

24 A. The entire amount came -- except for the \$40,000 put up  
25 for earnest money then was refunded.



1 Q. Thank you. And the \$40,000 earnest money was put up, as  
2 I understand it, was put up as a check from Mrs. Knock's  
3 account?

4 A. That's correct.

5 Q. That was ultimately refunded back to her?

6 A. That's correct.

7 MR. KENNEDY: Thank you, Mr. Pritchard. Nothing  
8 further.

9 MR. DAAR: No questions, Your Honor.

10 THE COURT: Government have any further?

11 MR. DAVIES: Yes, sir.

12 REDIRECT EXAMINATION

13 BY MR. DAVIES:

14 Q. Did John Knock tell you that he owned the Hong Kong  
15 corporation?

16 A. Yes, he did.

17 Q. And when you were dealing with negotiating to buy this  
18 house and ultimately getting the price for two million dollars  
19 for the people that you were representing and dealing with,  
20 John Knock and Naomi Knock?

21 A. Excuse me. Would you repeat that, please?

22 Q. When you were working to get a good deal on this  
23 property, and ultimately got the two millions dollars, were the  
24 people that you were working for, your clients, John Knock and  
25 Naomi Knock?

1 A. Yes.

2 MR. DAVIES: Thank you. No further questions.

3 THE COURT: Thank you, sir. That is all.

4 THE WITNESS: Thank you.

5 Your next witness.

6 MR. DAVIES: John Varel.

7 (Witness sworn.)

8 THE CLERK: Please be seated.

9 And, sir, for the record state your full name and  
10 spell your last name.

11 THE WITNESS: John Varel. V-A-R-E-L.

12 DIRECT EXAMINATION

13 BY MR. DAVIES:

14 Q. Good morning. Would you please tell the ladies and  
15 gentlemen of the jury where you work or how you are employed.

16 A. CEO and owner of Synergistic Computer Solutions.

17 Q. And what does your company do?

18 A. We are a web IT infrastructure company for dot-com  
19 companies, e-commerce companies.

20 Q. Where is your business located?

21 A. Based in San Francisco, Belmont, California.

22 Q. Where do you currently live?

23 A. Maui, Hawaii.

24 Q. Do you know John Knock?

25 A. Yes, I do know John Knock.

1 Q. And how do you know John Knock?

2 A. Met John Knock 20 some years ago via Walt Runcus, who was  
3 a fellow shareholder in a company called Aeon Products, and met  
4 John initially through that company.

5 Q. Where was Aeon Products located?

6 A. Ignacio, California.

7 Q. Where is that?

8 A. Northern California, Marin County.

9 Q. Just north of San Francisco?

10 A. Yes, sir.

11 Q. What type of work did Aeon Products -- or what type of  
12 products did they make?

13 A. It was a plant nutrient called Dynagrow. And we were  
14 starting on plaastic vacuum farming.

15 Q. Did you say that you and Walt Runcus were partners with  
16 Aeon?

17 A. Fellow shareholders in that company. Yes.

18 Q. When did you and Mr. Runcus found the company, Aeon  
19 Products?

20 A. Approximately '89, I believe. '79. I'm sorry.

21 Q. '79?

22 A. '79, '80.

23 Q. So after you founded Aeon Products in approximately 1979,  
24 how long were you yourself involved in Aeon Products?

25 A. Maybe six months.

1 Q. Did there come a time that Mr. Runcus bought you out?

2 A. Yes.

3 Q. Was John Knock around at that time when you and  
4 Mr. Runcus were working together on Aeon Products?

5 A. Yes.

6 Q. Did John Knock have any involvement with Aeon Products?

7 A. Other than what he was doing with Walt. They worked on  
8 equipment together in the back room, putting that together. I  
9 was working in sales and marketing, so I really don't know what  
10 John's involvement was.

11 Q. Was John Knock ever a co-owner of Aeon Products?

12 A. Not at the time I was.

13 Q. Do you know a woman named Sonya Vacca?

14 A. Yes.

15 Q. Was she around Aeon Products right after you and Walt  
16 Runcus founded it?

17 A. Yes.

18 Q. What role, if any, did she have with regard to Aeon  
19 Products?

20 A. I believe she was office administration, doing  
21 administrative work for Aeon.

22 Q. About how long after it was that you and Mr. Runcus  
23 founded Aeon Products was it that he bought you out and you  
24 left Aeon Products?

25 A. About six months.

1 Q. After that did there come a time when you moved to  
2 Hawaii?

3 A. Yes.

4 Q. When did you move to Hawaii?

5 A. '86.

6 Q. After a while, after you had been living in Hawaii a  
7 while, did there come a time when John Knock got back in touch  
8 with you?

9 A. Yes.

10 Q. Approximately when was that?

11 A. '89, '90.

12 Q. What were you doing then for a living?

13 A. I just started a company called the Concord Group with  
14 four other partners, based in Boston.

15 Q. What were the circumstances of John Knock getting back in  
16 touch with you in Hawaii?

17 A. Phone call out of the blue. Said, Walt gave me your  
18 number. I have moved to Hawaii. What are you up to?

19 Q. Did you see John Knock in person?

20 A. Yes.

21 Q. Were those social visits?

22 A. Yes. He'd come out to the house. It's the only time I  
23 ever really saw him is when he came out to the house.

24 Q. Once John Knock got back in touch with you there in  
25 Hawaii in '89 or so, and you started Concord Group, what was

1 and sell it to a secondary marketplace, and take the spread of  
2 30 to 40 percent as our gross profit margin.

3 Q. So when the big companies wanted to get new computers,  
4 you would buy their old computers and then you would resell the  
5 old computer to smaler companies and keep the profit?

6 A. Yes, sir.

7 Q. That in a nutshell was your business?

8 A. That was it in a nutshell.

9 Q. Did you ever discuss a business opportunity with -- your  
10 business with John Knock?

11 A. A business opportunity?

12 Q. Or investing in your company, anything like that?

13 A. No.

14 Q. Or giving -- did John Knock say what he was doing at the  
15 time?

16 A. No.

17 Q. Did there ever come a time that John Knock loaned some  
18 money to your company?

19 A. Yes.

20 Q. Tell the jury how that came about.

21 A. Well, John arranged the loan. We were discussing -- what  
22 had happened was that one particular time -- normally what we  
23 did is we sold the gear to a customer. Because there was such  
24 a big source of this gear from the Fortune 1000, we usually  
25 bought after we had sold to a company and locked in a profit

1 margin.

2           On some rare occasions, we would come across very,  
3 very large lots of gear that were such a good deal that one  
4 would try and buy an inventory product, which was a little  
5 dangerous in our business. And unless you could get a really  
6 outlandish opportunity in a good acquisition price, you  
7 normally wouldn't inventory it.

8           One particular incident -- and this is most probably  
9 six months after John and I had met each other again in Hawaii.  
10 I shared with him this opportunity for the company called  
11 CitiCorp, who was in the mortgage business, and made a venture  
12 into the mortgage business. They had decided to get out before  
13 they even built out there entire infrastructure in St. Louis,  
14 Missouri. It was a multi-million dollar original acquisition.

15           And the net of it is that we could buy this two or  
16 three million dollars worth both of relatively new Sun hardware  
17 for -- we thought we could get it for under a million. So I  
18 was out aggressively looking for additional capital to make  
19 that acquisition and secure it, because it was a rather  
20 significant opportunity for us.

21 Q.     By capital you mean you were looking for money?

22 A.     Looking for money. I had -- I had raised most probably a  
23 quarter of a million dollars from my brother; another fellow  
24 computer broker, and I shared with John, you know, how what a  
25 great opportunity this was for us. And what I was doing now is

1 I was taking the money, buying the gear, taking the profit from  
2 that original sale and rolling the original investment and the  
3 profit back in and trying to keep that whole CitiGroup of  
4 equipment tied up.

5 I said, boy, I sure could use a million bucks right  
6 now. I could make a fortune. He said, I can most probably  
7 arrange a loan for you if you want. He said, how much would  
8 you need? And I said, well, a million would be nice.

9 He says, well I don't think I can help with that. He  
10 says, but can I probably arrange a quarter or a half million  
11 dollar loan.

12 And I said, gee, that would be great.

13 And, he says, what kind of interest rates?

14 And I said, well, most probably you know we can  
15 afford something. Because we had -- I had all of my credit  
16 cards, for example, we are now buying credit card interest  
17 rates, because it's nonsecured. We are not interested in  
18 sharing in the equity of he company.

19 And so he said, somewhere north of 20 percent?

20 And I said, Yes, I think we could arrange that.

21 And he says, well, I'm going to Europe for a ski trip  
22 with my family. And he said, I'll see what kind of  
23 arrangements I can make and see if that would be available.

24 And this was some time in the fall of the year, I  
25 don't again remember if it was '89 or '90. I'm thinking that



1 it was '90.

2 And he said, well, it won't happen until over the  
3 Christmas holidays because I can't get there before then, and  
4 come out of Europe.

5 I said, fine. I said, since I'm not going to be here  
6 why don't we make the arrangements with the bank with a  
7 friend's account in San Francisco so I can be able to deal with  
8 the money when it came in. My fellow partners didn't want to  
9 take on additional debt. So that was the beginning of that  
10 arrangement.

11 Q. Okay. Who did you arrange to have the money sent to?

12 A. Silicon Valley Products.

13 Q. Who?

14 A. That was a company owned by a fellow broker friend of  
15 mine by the name of Larry Cruzey, because that was the only  
16 bank account that we had on the east coast. And again we  
17 didn't know if knew we needed it or we were going to send it  
18 right back.

19 Q. After this conversation with John Knock, did you receive  
20 \$250,000 through Larry Crusey's account?

21 A. Yes. This was sometime -- December 28th or something of  
22 whatever year it was, '89 or '90. And I was in the bay area,  
23 and Larry called and said a quarter of a million dollars came  
24 in, do you guys want it?

25 Q. Did -- were there any records of faxes or anything that

1 indicated a name of a company that the money came from?

2 A. No.

3 Q. And this was after your conversation with John Knock and  
4 that was when you received the money?

5 A. Yes.

6 Q. Now, I believe you said this was a loan, John Knock  
7 wasn't investing in your company, he was just loaning your  
8 company money?

9 A. Yes.

10 Q. Did you ever have any discussions with John Knock about  
11 repaying the loan?

12 A. Yes.

13 Q. Would you tell the jury about that?

14 A. In the spring of the following year, when the first round  
15 of the CitiCorp gear was -- was being finalized, it was obvious  
16 now the money had gotten into the company, and we were in --  
17 what had happened is it was originally intended to be just a  
18 lot buy.

19 But the lot buy of CitiCorp spread out to be several  
20 lot buys. And it was -- you know, I said, John I can't get  
21 this back to you at this particular point in time, and he just  
22 simply said, let it -- if you can hold the interest rate, you  
23 can just roll the loan over, keep the interest rate and keep  
24 the loan, and keep buying gear. So what is what we did with  
25 it.

1 Q. Let me back up a little bit. When you were just  
2 discussing the loan with John Knock, he told you that he was  
3 going to arrange for a loan in Europe when he took a trip over  
4 to Switzerland?

5 A. Yes.

6 Q. Did he tell you where specifically he arranged for a  
7 loan?

8 A. No.

9 Q. So you get the money, you use it in your company, John  
10 Knock tells you just to let it roll. A year or so later in  
11 1992 or 3, did Mr. Knock have any more discussions with you  
12 about the loan?

13 A. Yes. At one particular time principal and interest were  
14 coming back, were being paid back out of Concord. And there  
15 was a small amount in the beginning. I forget what it was.  
16 And I and my partners in the Concord Group were investing in a  
17 travel agency, travel network, a franchise. And I shared with  
18 John that we -- we could use the money there if he wanted to  
19 continue investing, using it as an interest loan.

20 He said, sure, as long as we can keep the same  
21 interest rate moving. So we made -- so when principal and  
22 interest got paid on the note, it was put into several  
23 investments. And the very first one I think the only one that  
24 I ever discussed with John is Travel Networks.

25 Subsequent to that, it went into three or four, maybe

1 five investments. Information that I turned over to the DEA  
2 five, six years back, several different companies that it went  
3 into. And all of the money was eventually lost and/or -- well  
4 it was all lost in those five investments.

5 Q. After those investments were made, was there ever a time  
6 when John Knock said he was going away and discussed the loan  
7 with you further?

8 A. It was -- this was after the travel network -- somewhere  
9 in that time frame, I don't even think that John and I ever  
10 spoke about the subsequent four or five companies that the  
11 money was invested in.

12 John said, I'm going to do an extended leave of  
13 business in Europe. Just keep rolling over the investment.  
14 And when I get back we'll settle up.

15 Q. Did John Knock say anything about his wife -- did John  
16 Knock say anything about his wife with relation to the loan?

17 A. If anything ever happens to me, you know, make sure that  
18 she is taken care of. Get the money back to her, something to  
19 that effect. I mean, I'm paraphrasing. I don't know exactly  
20 anymore. Seven years ago, six years ago.

21 MR. DAVIES: Thank you. I have no further questions.

22 THE COURT: Mr. Kennedy.

23 MR. KENNEDY: Thank you, Your Honor.

24 No questions, Your Honor.

25 THE COURT: Mr. Daar.

1 MR. DAAR: No questions, Your Honor.

2 THE COURT: Thank you, sir. That's it.

3 THE WITNESS: Thank you.

4 THE COURT: Your next witness, please.

5 MR. DAVIES: David Neal.

6 (Witness sworn.)

7 THE CLERK: Please be seated.

8 Sir, for the record state your full name and spell  
9 your last name.

10 THE WITNESS: David Earl Neal. N-E-A-L.

11 DIRECT EXAMINATION

12 BY MR. DAVIES:

13 Q. Would you tell the ladies and gentlemen of the jury where  
14 you live, Mr. Neal?

15 A. I live in Mill Valley, California.

16 Q. What do you do for a living?

17 A. I run a company that manufactures a line of liquid plant  
18 food.

19 Q. What is the name of the company?

20 A. The company is Martel, Ltd.

21 Q. Is it doing business as anything?

22 A. Yes. As Dynagrow Nutrition.

23 Q. And what does Martel, Ltd. as Dynagrow do?

24 A. It manufactures liquid plant food.

25 Q. Do you know John Knock?

1 A. I do.

2 Q. When did you meet John Knock?

3 A. I would guess sometime in the early '80s.

4 Q. Do you know how -- do you recall how you met John Knock?

5 A. I think it was through a client of mine, Walter Runcus.

6 Q. And what was your relationship with John Knock?

7 A. He was just an acquaintance of some of my clients.

8 Q. Were there any other friends or acquaintances in the same  
9 circle of acquaintances with John Knock and Walt Runcus and  
10 you?

11 A. Yeah. I think Marshall Rothman was someone I met through  
12 that same circle of people.

13 Q. And you said your company is now Martel, Ltd. d/b/a  
14 Dynagrow?

15 A. Yes.

16 Q. Was there a predecessor company?

17 A. There was.

18 Q. What was its name?

19 A. Dynagrow Corporation.

20 Q. What happened to Dynagrow Corporation?

21 A. Dynagrow Corporation was liquidated and ceased doing  
22 business about four years ago.

23 Q. When was Dynagrow Corporation formed?

24 A. It was incorporated in December of '83, actually  
25 commenced doing business sometime in early '84.

1 Q. Did you form Dynagrow, Inc. alone or with somebody else?

2 A. I formed that corporation with another person, yes.

3 Q. Who was that other person?

4 A. Walter Runcus.

5 Q. Backing up a little bit further. Had Walter Runcus had a  
6 predecessor to Dynagrow, Inc.?

7 A. Well, I'm not sure exactly what his connection with it  
8 was; as a consultant I believe. But there was a company that  
9 was selling a product under the Dynagrow name that Walter had  
10 developed. That company was Aeon Products.

11 Q. Do you know a woman named Sonia Vacca?

12 A. Yes.

13 Q. Do you know if she was involved with Aeon Products?

14 A. I think that she was the President of Aeon Products.

15 Q. Do you know what happened to Aeon Products?

16 A. I think that it filed bankruptcy.

17 Q. So in any event, in late 1983, Dynagrow was incorporated,  
18 correct?

19 A. Correct.

20 Q. Did Dynagrow make money right away?

21 A. No.

22 Q. How long did it take for Dynagrow, Inc. to start making  
23 money?

24 A. Well, I guess that depends on how you define "making  
25 money." We had sales; but profit was about 7 or 8 years into

1 it.

2 Q. About how long was it that you started drawing a salary  
3 from Dynagrow, Inc.?

4 A. It was probably about the 8 or 9th year before I started  
5 actually drawing a salary. It was about the 5th year before I  
6 was even getting reimbursed for out-of-pocket expenses.

7 Q. Did you ever receive any dividends from Dynagrow, Inc.?

8 A. No.

9 Q. So the way you personally made money from working with  
10 Dynagrow, Inc., your company, was to have the corporation,  
11 which is a separate legal entity; pay you, the person, a  
12 salary?

13 A. Correct.

14 Q. In 1987 was Dynagrow, Inc. seeking capital, that is,  
15 seeking money?

16 A. Yes.

17 Q. Did there come a time when Dynagrow, Inc. received a  
18 hundred thousand dollars investment from something called Euro  
19 Venture?

20 A. Well, we received a hundred thousand dollar wire  
21 transfer. And it was an investment that Walt had arranged.  
22 And he advised me that the investor was an entity called Euro  
23 Venture.

24 MR. KENNEDY: Excuse me, Your Honor. I have to move  
25 to strike that as hearsay.



1 THE COURT: Grant.

2 Q. Do you know if -- Dynagrow, Inc. was your company along  
3 with Walter Runcus's, correct?

4 A. Walter and I were the principal shareholders of Dynagrow  
5 Corporation, yes.

6 Q. Was John Knock or Euro Venture ever issued any stock --  
7 any Dynagrow stock?

8 MR. KENNEDY: Objection, form.

9 THE COURT: He can ask.

10 Q. Was John Knock or Euro Venture ever issued any stock in  
11 Dynagrow, Inc.?

12 A. No.

13 Q. Was John Knock ever an officer of Dynagrow, Inc.?

14 A. No.

15 Q. Was John Knock ever an employee of Dynagrow, Inc.?

16 A. No.

17 Q. Did John Knock ever draw a salary from Dynagrow, Inc.?

18 A. No.

19 Q. Did Dynagrow, Inc. ever pay John Knock any dividends?

20 A. No.

21 Q. Did Dynagrow ever pay anybody any dividends?

22 A. No.

23 MR. DAVIES: No further questions.

24 THE COURT: Cross?

25 MR. KENNEDY: No, thank you, Your Honor.

1 MR. DAAR: No questions, Your Honor.

2 THE COURT: Thank you, sir. That is it.

3 THE WITNESS: Thank you.

4 MR. HANKINSON: We could call Deidre Jarrell.

5 (Witness sworn.)

6 THE CLERK: Please be seated.

7 And, ma'am, for the record state your full name and  
8 spell your last name.

9 THE WITNESS: Diedre Jarrell. J-A-R-R-E-L-L.

10 DIRECT EXAMINATION

11 BY MR. HANKINSON:

12 Q. And where do you live, Ms. Jarrell?

13 A. I live in Albuquerque, New Mexico.

14 Q. How long have you been in Albuquerque?

15 A. A little over a year.

16 Q. Did you previously live in the Taos, New Mexico area?

17 A. Yes, sir.

18 Q. Okay. And did you live at an address of 1016 Lot C, El  
19 Prado?

20 A. Yes, sir.

21 Q. Where is El Prado?

22 A. It's north of Taos proper, but they actually run into  
23 each other.

24 Q. And what kind of residence was that?

25 A. It was a duplex.

1 Q. And how long did you live in that duplex?

2 A. About four years.

3 Q. And can you give us an idea of during what time frame you  
4 were living there in that duplex?

5 A. I moved there in '92 and left four years later.

6 Q. Okay. So '92 to '96 roughly?

7 A. Yes, sir.

8 Q. Okay. And you were renting?

9 A. Yes sir.

10 Q. Which part of the duplex were you in?

11 A. I lived in the smaller half.

12 Q. Did you describe that to me as a studio area?

13 A. Yes, sir.

14 Q. And the -- the other part of the duplex was larger?

15 A. Right.

16 Q. And do you recall what your phone number was there at  
17 that duplex?

18 A. I don't.

19 MR. HANKINSON: I'm sorry. We need to find an  
20 exhibit.

21 Q. We'll come back to that.

22 Whose name was that phone originally listed in?

23 A. In my landlord's name, David Fredrick.

24 Q. Later was it changed into your name?

25 A. Yes, sir.

1 Q. Did we look at those records last night and see that in  
2 March of '94 the names changed from David Fredrick's to your  
3 name?

4 A. Yes, sir.

5 Q. Okay. What went on in March of '94? Why did that change  
6 occur?

7 A. My landlord was in the process of selling the house.

8 Q. And did you become aware in -- in roughly in March of  
9 '94, that someone was coming to stay in the other part of the  
10 duplex?

11 A. Yes, sir.

12 Q. Okay. And prior to that person coming, did you know  
13 anything about who was coming?

14 A. I was told that there was an international businesswoman  
15 who was based in Hong-Kong. And she was going to stay there  
16 for a couple of weeks.

17 Q. And did someone arrive that was staying next door to you?

18 A. Yes.

19 Q. Okay. Did you -- did you come to be aware that her name  
20 was Julie Roberts?

21 A. Yes.

22 Q. Did you have conversations with Ms. Roberts?

23 A. Not very much. I saw her a couple of times while she was  
24 there.

25 Q. Did you have a conversation with her about a phone call

1 that you received on your phone?

2 A. Yes.

3 Q. Tell us about the phone call you received?

4 MR. DAAR: Objection.

5 THE COURT: I'll permit it and then I will see if  
6 it's otherwise relevant.

7 Q. Did you receive a phone call at your residence?

8 A. Yes. The day that she was supposed to arrive she didn't  
9 arrive. And in the middle of the night I was woken up by a  
10 phone call from someone who was calling her who thought the  
11 number that he had was her phone number. And --

12 Q. What time of day or night was this that the call came in

13 A. All I remember was that I was just dead asleep. And I  
14 think it was probably early, early morning, like three or four  
15 in the morning.

16 Q. Three or four o'clock, middle of the night?

17 A. Right. And I was, you know, fuzzy-brained.

18 Q. What did you say to this person?

19 A. I told him that she was staying next door to me, that she  
20 hadn't arrived. And I asked why he was calling at that hour.  
21 And he said that he had figured out the --

22 MR. DAAR: Objection.

23 A. He had figured out the time wrong; the time change.

24 Q. Okay. He was confused on the time?

25 A. Right.

1 Q. Did you pass this information on to Ms. Roberts?

2 A. Yes, I did.

3 Q. Do you remember what you told her?

4 A. Just told her that someone had called for her in the  
5 night. And as I recall, he gave me a first name. And, I just  
6 told her that this person had called her.

7 Q. During the time that Ms. Roberts was there, did you ever  
8 see a gentleman there?

9 A. I -- I believe I saw someone like on the last day that  
10 she was leaving. There was a man in the parking area.

11 MR. HANKINSON: That is all the questions that I  
12 have.

13 THE COURT: Mr. Kennedy.

14 MR. KENNEDY: No.

15 MR. DAAR: No questions, Your Honor.

16 THE COURT: Thank you, ma'am. That is all.

17 THE WITNESS: Thank you.

18 THE COURT: Your next witness, please.

19 MR. HANKINSON: We would call Brad Johnson.

20 (Witness sworn.)

21 THE CLERK: Please be seated.

22 And, sir, for the record state your full name and  
23 spell your last name.

24 THE WITNESS: Brad Allen Johnson. J-O-H-N-S-O-N.

25 DIRECT EXAMINATION

1 BY MR. HANKINSON:

2 Q. Where do you live, Mr. Johnson?

3 A. In Avon, Colorado.

4 Q. And what do you do for a living?

5 A. I teach skiing part time at Vail, Colorado. I work as a  
6 professional photographer, and I have an adventure travel  
7 business where I organize adventure travel trips to various  
8 countries around the world and lead groups there on travel  
9 trips.

10 Q. Okay. Back during the winter of 1983, '84, did you meet  
11 a fellow named Claude Duboc?

12 A. Yes.

13 Q. Where did you meet Mr. Duboc?

14 A. In the Vail, Colorado ski area.

15 Q. And did you come to have a business relationship with  
16 Mr. Duboc?

17 A. I wouldn't call it a business relationship.

18 Q. He hired you to do something?

19 A. He hired me to teach him -- I met him through the ski  
20 school as a private lesson instructor.

21 Q. Okay. And that was your business at the time, was giving  
22 ski instruction, correct?

23 A. Right.

24 Q. And he hired you to give him instructions?

25 A. Right.

1 Q. And did you continue to work with Mr. Duboc as a ski  
2 instructor?

3 A. Yes. Pretty much every year from -- almost every year  
4 from about 19 -- the winter of '83, '84, till the winter of  
5 1994.

6 I taught him how to ski, or I skied with him in Vail  
7 when he'd come out there.

8 Q. And how often would he come to Vail?

9 A. Usually just over the Christmas holiday. But on  
10 occasion, rare occasion maybe for a week period in February,  
11 let's say.

12 Q. Okay. Did you get involved with Mr. Duboc in taking a  
13 helicopter ski trip?

14 A. Yes. In 1988, I believe, he and I went to Canada and  
15 helicopter skied together.

16 Q. Okay. What is helicopter skiing?

17 A. There is a -- helicopter skiing is a way that you're --  
18 you ride helicopters up into the mountains. You are dropped  
19 off in a safe location that you can ski back down to the bottom  
20 of the valley, sometimes on glaciers, sometimes you are skiing  
21 in wide open forests.

22 Q. In 1988 what kind of trip was it that was arranged?

23 A. At that time I had convinced Claude that we should go to  
24 Canada and helicopter ski with a company called Canadian  
25 Mountain Holidays. And Canadian Mountain Holidays is a large



1 corporation that has various lodges throughout the Canadian  
2 Rockies.

3 Each of those lodges they would run helicopter ski  
4 trips out of those lodges. And so we chose to go to the  
5 Gothics Lodge. And we spent a week with 40 some other people  
6 that we didn't know. But there were -- you know each lodge has  
7 a maximum of 44 guests. So we were part of those 44 guests for  
8 a week. And all 44 skiers shared the same helicopter.

9 Q. And in 1988, it was just you and Mr. Duboc that were  
10 traveling together?

11 A. It was myself and another ski instructor from Vail, and  
12 another friend. Claude, maybe two other friends of Claude's  
13 and myself. So I think there were four or five of us.

14 Q. Okay. And what area of Canada is this in?

15 A. British Columbia.

16 Q. All right. Now, was -- did you discuss with Mr. Duboc  
17 doing some further ski trips to Canada?

18 A. After that first trip, actually during that first trip we  
19 learned that Canadian Mountain Holidays the following year was  
20 going to start offering private heli-ski trips out of a  
21 different location.

22 And because it was considered a private trip. What  
23 they were offering was the ability to have the use of a  
24 helicopter for your own group of friends. And so it would be a  
25 maximum of ten people for a week with your own helicopter, and

1 two ski guides. So we chose to pick a week for the next year.  
2 And we went to that area and skied for the week with just  
3 friends of -- a group of friends.

4 Q. Okay. So that first trip would have been in 1989?

5 A. Yes. The first trip was to an area called Vailmont in  
6 1989.

7 Q. Have you gone back and figured out more precisely when  
8 that was?

9 A. The first year?

10 Q. The first trip there. Yes, sir. In 1989?

11 A. March 4th through the 11th.

12 Q. And on this trip, did you meet some other friends and  
13 associates of Mr. Duboc?

14 A. I can't remember exactly how many people were with us on  
15 that first trip. But besides myself and another couple of ski  
16 instructors, there were other friends of Mr. Duboc.

17 Q. What other friends did you meet?

18 A. Don Stangler, Dr. Don Stangler and John Knock. And  
19 another Bradd Johnson who spelled his name B-R-A-D-D.

20 Q. Okay. So Mr. Knock was along on this trip?

21 A. Yes.

22 Q. Was that the first time that you met John Knock?

23 A. Yes.

24 Q. So this would have been March of 1989?

25 A. Yes.

1 Q. Okay. And how many more trips did you make of that sort  
2 to Vailmont?

3 A. I personally was on four more trips to Vailmont.

4 Q. So a total of five trips?

5 A. Correct.

6 Q. That would have been '89 through what year?

7 A. '89, '90, '92, and two times in '93.

8 Q. And on how many of those trips was John Knock along?

9 A. I have to look at some other notes.

10 In '89 and '92, and at least one trip in '93.

11 Q. Do that one more time. I'm sorry. '89?

12 A. '89, and 1992, and in 1993.

13 Q. Now, who was paying -- well, let me ask first. How much  
14 did it cost to take this heli-ski trip to Vailmont? Do you  
15 know what the actual cost was?

16 A. We -- I never actually asked Canadian Mountain Holidays  
17 how much it cost. But I have heard through the grapevine that  
18 it was in the neighborhood of 70 or \$80,000 as a package deal.  
19 You could have up to 10 people go for the week.

20 Q. And were you paying your way?

21 A. No, because I had been invited by Mr. Duboc. He paid my  
22 way.

23 Q. As you understand it, who was paying for the trip?

24 A. As I understand, Claude had arranged for the trip. But I  
25 was only aware that myself and the other ski instructors would

1 be invited along; he paid our way.

2 Q. You weren't paying anything?

3 A. No, except for maybe my airfare.

4 Q. Okay. How did you actually get to the location where you  
5 stayed at Vailmont?

6 A. Generally we flew in a twin Otter from Calgary to the  
7 town of Vailmont.

8 Q. What is a twin Otter? What do you mean by that?

9 A. That is an airplane; fixed-wing airplane.

10 Q. Where would you fly that from?

11 A. Out of the airport in Calgary to the little airport in  
12 the town of Vailmont.

13 Q. Would that plane be chartered, or is this a commercial  
14 flight?

15 A. That is a chartered flight.

16 Q. So you would get a charter plane from Calgary and fly to  
17 the Vailmont area; is that correct?

18 A. Yes.

19 Q. Okay. Did you ever have occasion to visit Mr. Duboc in  
20 France?

21 A. One time I went to visit him in south France, in  
22 September of 1993.

23 Q. And did you go to his home in the South of France?

24 A. Yes. I was there for about a week.

25 Q. And did -- can you describe what that house was like?

1 A. It was -- people called it a kind of a villa. It was  
2 very spacious. Mediterranean type villa overlooking the  
3 Mediterranean, since it was right above the town of Cannes.

4 Q. Okay. Did you ever talk to Mr. Knock about what he did  
5 for a living?

6 A. When we were helicopter skiing there were occasions when  
7 he talked about having property in Hawaii that he was trying to  
8 develop into some sort of residential complex or you know it  
9 was raw land, but he was trying to develop it is all I was  
10 aware of.

11 Q. And did he indicate where he lived?

12 A. He may have, but I really can't remember exactly where he  
13 lived. I just knew that it was in Hawaii.

14 Q. Okay. In the state of Hawaii?

15 A. Right.

16 MR. HANKINSON: That is all I have, Your Honor.

17 THE COURT: Cross.

18 MR. KENNEDY: Yes, sir.

19 CROSS-EXAMINATION

20 BY MR. KENNEDY:

21 Q. Good morning, Mr. Johnson.

22 A. Good morning.

23 Q. As far as you know, the only person who paid for those  
24 helicopter ski trips was Mr. Duboc, correct?

25 A. Correct.

1 Q. And Mr. Knock was always using his own name?

2 A. Yes.

3 Q. Now, there came a time when you met an agent named Carl  
4 Lilley; was there not?

5 A. Yes.

6 Q. As a matter of fact, Carl Lilley actually threatened you  
7 with prosecution, didn't he?

8 A. I felt that he did, yes.

9 Q. It turned out that his threats were against the wrong  
10 Bradd Johnson; were they not?

11 A. I certainly hope so.

12 Q. All right.

13 I appreciate your humor. But it was a serious matter  
14 at the time.

15 A. It was. And I was -- the way I had been approached by  
16 Lilley was that I received a phone call by a woman stating that  
17 they were interested in -- she had a group of friends that were  
18 interested in going on one of my adventure travel trips. And  
19 we discussed what they were interested in doing. And I  
20 volunteered to get together with them. And it was chosen that  
21 we'd meet in Denver, which is two hours from where I live.

22 We picked a time and place. And when I showed up  
23 there, I eventually was approached by Mr. Lilley and another  
24 DEA agent. And they said that they were not interested in  
25 actually going on a trip, but they were DEA agents there to

1 present me with a subpoena in the John Knock, Al Madrid case.

2 And then --

3 Q. Is that when they threatened you with prosecution?

4 A. Well, Mr. Lilley asked me if I would go to his office  
5 with him and talk, which I denied. And then he claimed to have  
6 had a file four or five inches thick dating back to 15 years on  
7 me, and said that if I didn't cooperate, I would be in the same  
8 trouble that John Knock was in.

9 And he told me that I needed to tell the whole truth.  
10 If I didn't tell the truth, then I would be in a lot of  
11 trouble. So I felt very intimidated by this.

12 Q. And, in fact, those -- ultimately, Mr. Lilley learned  
13 that he had the wrong Bradd Johnson; did he not?

14 A. Yes.

15 Q. Now, those times that -- the three times that you have  
16 described that Mr. Knock accompanied Mr. Duboc, Mr. Knock was  
17 not the only guest of Mr. Duboc, was he?

18 A. No.

19 Q. As a matter of fact, there were three, four, five, six.  
20 Can you give us some numbers as to how many guests Mr. Duboc  
21 would bring on those trips?

22 A. At times there was Dr. Don Stangler who lived in Paris.  
23 Although he is an American, at the time he lived in Paris. On  
24 a couple of occasions there was another friend of Mr. Duboc's  
25 from Dallas, Texas, Jim Moore, who was a long-time friend.

1 They had actually met as ski bums in Vail years ago.

2           There was massage therapists that was invited on one  
3 trip with her mother. There was always three or four different  
4 ski instructors, usually at least two from Vail and sometimes  
5 one or two from France that came along. And Bradd this other  
6 Bradd Johnson and John Knock. And that is all I can think of  
7 right now.

8 Q.     All guests of Mr. Duboc?

9 A.     There was -- they seemed to -- everybody seemed to know  
10 Mr. Duboc somehow.

11           MR. KENNEDY: Thank you. Nothing further.

12           THE COURT: Mr. Daar.

13           MR. DAAR: No questions.

14           THE COURT: Government?

15                           REDIRECT EXAMINATION

16 BY MR. HANKINSON:

17 Q.     As it turned out, Mr. Johnson, Mr. Lilley was not aware  
18 that there were two Brad Johnsons that went along on those  
19 particular ski trips, correct?

20 A.     Well, I -- I was not aware that he was not aware. And I  
21 actually brought up the other Bradd Johnson's name when I had  
22 this meeting with Mr. Lilley in the parking lot.

23           And later, when Mr. Lilley and I sat down and  
24 actually had a three-and-a-half hour interview with my  
25 attorney, when I presented a photograph of Bradd Johnson, but I



1 didn't say who this -- I didn't say who this person was in this  
2 photograph, Lilley immediately recognized him. So that is  
3 Bradd Johnson.

4 Q. Had you mixed up with this other Bradd Johnson?

5 A. That's possible.

6 Q. Okay. It wasn't your understanding that there was some  
7 confusion about the fact that there were two Bradd Johnsons  
8 involved in those ski trips?

9 A. Was there confusion that there were -- on Lilley's part,  
10 that there were two Brad Johnsons?

11 Q. Right. When you were initially approached?

12 MR. KENNEDY: Objection.

13 THE COURT: Sustained.

14 Q. You felt intimidated. Did anybody ever suggest to you  
15 that you lie?

16 A. That I lie?

17 Q. Right, that you should lie?

18 A. No.

19 Q. Mr. Lilley ask you to lie?

20 A. No.

21 Q. Try to threaten you to make you lie?

22 A. No. But he certainly intimidated me.

23 Q. Okay. And told you to tell the truth?

24 A. Yes.

25 Q. And that it could be a problem if you didn't?

1 A. Correct.

2 Q. Okay. Did you tell the truth?

3 A. Yes.

4 Q. Okay. And what you told the jury here is accurate?

5 A. Yes.

6 MR. HANKINSON: That is all that I have, Your Honor.

7 THE COURT: Thank you, sir. You may step down.

8 We are going to recess until 1:30, so you can go to  
9 the dentist.

10 (Jury out.)

11 THE COURT: Mr. Hankinson, can you tell me where we  
12 are in light of the couple of hours we lost this morning?

13 MR. HANKINSON: Yes, sir. I think we will finish up  
14 except for our summary witness. What I would like to do is  
15 take it until the point where we are going to have Mr. Lee and  
16 Mr. Lilley come back and offer some exhibits, and do some  
17 summaries. And I think we could finish everybody else today.

18 And I think we can finish it at -- you know, hate to  
19 get everyone's expectations up too much, but I would think  
20 between 3:00 and 4:00 we could be finished with that segment.

21 THE COURT: So what you are suggesting is that we  
22 finish everything except summary witnesses today?

23 MR. HANKINSON: Right.

24 THE COURT: You will be prepared to do that Monday?

25 MR. HANKINSON: Right. We would be all done.

1 THE COURT: And then defense start Monday.

2 MR. KENNEDY: Yes, sir.

3 MR. HANKINSON: I would expect we would be done by at  
4 least lunch time on Monday.

5 THE COURT: I would like to reconvene at 9:30 on  
6 Monday so I can have an extra 30 minutes. See you all at 1:30.

7 MR. KENNEDY: Thank you, Your Honor.

8 (Recess taken.)

9 (Jury in.)

10 THE COURT: Be seated, folks.

11 If the government would call their witness, please.

12 MR. HANKINSON: Yes, sir. First, Your Honor, if I  
13 could offer into evidence, pursuant to stipulation, Government  
14 Exhibit 196, which are some U.S. West telephone records, that  
15 would reflect that in March, 1994, Deidre Jarrell's phone  
16 number was 505-758-7569.

17 That has been marked for identification as Government  
18 Exhibit 196, and I would offer that into evidence at this time,  
19 Your Honor.

20 THE COURT: Per stipulation.

21 (Government Exhibit No. 196 admitted.)

22 MR. HANKINSON: We would call Steve Hill.

23 (Witness sworn.)

24 THE CLERK: Please be seated.

25 And, sir, for the record state your full name and

1 spell your last name.

2 THE WITNESS: Steven Walter Hill. H-I-L-L.

3 DIRECT EXAMINATION

4 BY MR. HANKINSON:

5 Q. Where do you live, Mr. Hill?

6 A. Edwards, Colorado.

7 Q. What do you do for a living, sir?

8 A. I am a real estate broker and part-time ski instructor  
9 for Vail Mountain.

10 Q. And how long have you worked as a ski instructor?

11 A. 15, 16 years in Vail.

12 Q. Back in the late '80s, did you come to know a fellow  
13 named Claude Duboc?

14 A. Yes.

15 Q. And who did you meet him through?

16 A. Brad Johnson who is also Claude's ski instructor. And I  
17 was a fill in one year for Brad when he couldn't make it.

18 Q. Okay. Do you recall roughly when it was that you first  
19 met Mr. Duboc?

20 A. 1989.

21 Q. And that was in Vail, Colorado?

22 A. Correct.

23 Q. Did you have occasion to work with Mr. Duboc after that  
24 as a ski instructor?

25 A. Yes.

1 Q. And when was that?

2 A. I skied with Claude the following years up through about  
3 1993, I think.

4 Q. And when Mr. Duboc was staying there in Vail, do you know  
5 where he generally liked to stay?

6 A. Generally at the Mountain House.

7 Q. Did you get invited to go with Mr. Duboc to do some  
8 helicopter skiing in Canada?

9 A. Yes.

10 Q. And did you do that?

11 A. Yes.

12 Q. And when do you think the first time was that you went  
13 helicopter skiing with Mr. Duboc?

14 A. I think it was February of 1989.

15 Q. And how many times did you go?

16 A. I went four times.

17 Q. And how would you get to where you were skiing?

18 A. We would take a flight from Denver to Calgary, and then  
19 depending on the weather, we would either take a bus or if it  
20 was clear we would fly on a small commuter plane.

21 Q. And where is this Vailmont located?

22 A. It's in British Columbia near the Caribous.

23 Q. And what would happen after you got up there skiing?

24 A. We skied.

25 Q. Yes?

1 A. We would just ski all night and then there would be  
2 dinner at the lodge and just recreation.

3 Q. And did you meet any people on those -- I think you have  
4 said four trips?

5 A. Yes.

6 Q. Did you meet any of Mr. Duboc's associates or other  
7 people working with him?

8 A. Yes. Well, the people we skied with was Bradd Johnson  
9 spelled with two Ds, not the Brad Johnson that was here  
10 earlier, and John Knock, and Don Stangler or Spangler from  
11 France. And a French ski instructor, John Luke Toussant. And  
12 one year there was a massuse there that came along, and her  
13 mother. And I'm missing someone.

14 Q. Do you know a fellow named Jim Moore?

15 A. Of course. Yes, Jim Moore was the other one one year.

16 Q. How many times do you remember Mr. Knock being along?

17 A. I talked with Brad Johnson who was just here earlier. We  
18 came to a conclusion that it was three years.

19 Q. And so you and Brad Johnson were essentially working  
20 together on this?

21 A. Yeah. I wouldn't call it work. We went along as  
22 friends. But we were going to help out with the skiers that  
23 were less experienced in that kind of terrain. So --

24 Q. And based on that, you kind of earned your way?

25 A. Yeah. But we were -- we weren't treated like help. We

1 were treated like friends.

2 Q. Did you pay anything for those trips?

3 A. No.

4 MR. HANKINSON: If I might approach, Your Honor.

5 Q. I show you what has been marked for identification as  
6 Government Exhibit 65. Are those some photographs that were  
7 taken on one of those trips?

8 A. Correct.

9 Q. Okay. And do you recognize those photographs and the  
10 people in them?

11 A. Yes.

12 MR. HANKINSON: I would offer that into evidence  
13 Government Exhibit 65.

14 THE COURT: Without objections

15 MR. KENNEDY: I need to know the date of them, if we  
16 can.

17 (Government Exhibit No. 65 admitted.)

18 Q. As best you recall, when were these photographs taken?

19 A. I'm guessing that these are from different years. But, I  
20 think from '89 roughly. This first one looks like it might be  
21 '91.

22 Q. All right. You can look through the photographs?

23 A. Yes. And, you know, it all kind of blends together from  
24 all of the different trips. But I'm guessing that those are  
25 marked because there are different years. So you want me to go

1 through each one?

2 Q. No. The range of years that you believe are covered by  
3 those photographs.

4 A. I think so.

5 THE COURT: What is the range?

6 THE WITNESS: The range would be -- I would say  
7 between '91 and '93 and possibly '89. I can't tell if those  
8 photos are actually as far as back as '89.

9 Q. Okay.

10 MR. HANKINSON: I would ask for permission to publish  
11 a couple of those photos, Your Honor.

12 THE COURT: You may do so.

13 Q. We are going to pull up on the board one of the  
14 photographs, the front one there. And you may be able to see  
15 it actually better from the book in front of you. Can you --  
16 why don't we do this. If you could identify the people. As  
17 you identify them, if you would just, you know, I don't know,  
18 you probably need to step down here, kind of touch it with the  
19 red dot and tell us who you are talking about there.

20 A. Okay.

21 So the first person is Brad Johnson from Colorado.

22 Q. Now, make sure you speak up.

23 A. Yes.

24 Q. That is Brad Johnson?

25 A. Brad Johnson in Colorado.



1 Q. Okay.

2 A. And Don Stangler -- I'm not sure if I'm saying his name  
3 right -- from France. John Knock. Claude Duboc. Bradd  
4 Johnson, I think from Rhode Island, the other Bradd Johnson.

5 Q. Make sure you keep your voice up.

6 A. Bradd Johnson. B-R-A-D-D.

7 That is the massuse. I don't recall her name. That  
8 is John Luke Toussant. That is myself, and the masseuse's  
9 mother.

10 Q. All right. Thank you. You can have a seat.

11 Go to the next one.

12 I think I have -- and the -- the little red plastic  
13 things I think it's going to be the ones that she pulls up  
14 there.

15 A. Okay.

16 Q. They have to make sure that they are in the same order.

17 And can you see that photograph?

18 A. Yes.

19 Q. All right. Who is there?

20 A. Claude Duboc.

21 Q. And what is he sitting on there?

22 A. Some wine; cases of wine.

23 Q. Beg your pardon?

24 A. Cases of wine.

25 Q. And on those trips would Mr. Duboc bring along cases of

1 wine?

2 A. Correct.

3 Q. Okay. What kind of quality of wine are we talking about?

4 A. Very high quality. I'm not an expert, but I think it was  
5 a Chateau Margueaux or something.

6 Q. You understand it to be expensive wine?

7 A. Correct.

8 Q. Let's look at the next one.

9 And, again, who are the people pictured here? Does  
10 this appear to be the same group? Is there a different group?

11 A. I'm not sure that I have that one marked, Jimmy. There  
12 it is. No. Okay. Here it is.

13 Yes, same. Same group. And I think there is one of  
14 the employees from CMH. That is the only different person that  
15 is there.

16 Q. Put the dot if you would on Mr. Duboc. See where he is  
17 in the photo.

18 A. Right there.

19 Q. Okay. And Mr. Knock?

20 A. Right there.

21 Q. Thank you.

22 Okay. And who is the picture here?

23 A. Bradd Johnson.

24 Q. In the foreground?

25 A. From Rhode Island.

1 Q. No. You can just tell us who they are?

2 A. Okay. John Knock on the left. Then John Stangler. John  
3 Luke Toussant. Claude Duboc and the massuse and the masseuse's  
4 mother.

5 Q. All right. This is a picture of the scenery there?

6 A. Correct.

7 Q. What are we looking at there?

8 A. That would be part of the Canadian Rocky Mountains in the  
9 Caribous.

10 Q. Is that some of the party there starting to ski down the  
11 slope there?

12 A. Yes.

13 Q. All right. Let me go back to the first picture just  
14 briefly.

15 It appears everybody is wearing similar ballcaps of  
16 some sort. But it is a little hard for us to read them. What  
17 did the caps say on them?

18 A. They say Team Duboc. And I remember -- right, Duboc --  
19 something was misspelled. But we -- I think it said Team Duboc  
20 heli-ski. That is what it was. But the people that wrote the  
21 hats wrote heli-sky.

22 Q. So Mr. Duboc provided you all with hats to wear, matching  
23 hats?

24 A. Yes, just for camaraderie.

25 MR. HANKINSON: If I might approach, Your Honor?

1 THE COURT: Uh-huh.

2 Q. Mr. Hill, I have placed before you some records from  
3 Canadian Mountain Holidays which shows the trips there to  
4 Canada by Mr. Knock and Duboc. It appears to be measuring  
5 things in meters. What did that refer to?

6 A. Meters actually skied.

7 Q. And why were they keeping track of that?

8 A. Well, a couple of reasons. The meters -- if you skied a  
9 certain amount, the price of the trip would change.

10 But also it's I guess kind of a status of how many  
11 vertical meters you have skied, in some cases you get a special  
12 suit. It's recognized.

13 Q. Have you earlier had a chance to look over those records  
14 and the years reflected that Mr. Knock and Mr. Duboc were  
15 skiing there?

16 A. Briefly, yes.

17 Q. Okay. And is that basically consistent with your  
18 recollection of the years that were involved in those trips?

19 A. Yes.

20 MR. HANKINSON: I would offer that into evidence  
21 Government Exhibit 233.

22 THE COURT: Without objection.

23 (Government Exhibit No. 233 admitted.)

24 Q. Do you remember a trip to France in the summer of 1989?

25 A. Yes.

1 Q. Okay. And who did you go to France with?

2 A. My ex-wife.

3 Q. Okay. And where did you go in France?

4 A. I went to Paris, traveled around the countryside for a  
5 night or two; visited Claude and Claude's father about an hour  
6 north of Paris.

7 Q. And did you spend some time with Mr. Duboc there in  
8 Paris?

9 A. We probably went out for lunch in Paris and spent some  
10 time at his home a couple of nights.

11 Q. So you spent a couple of nights with him in a home north  
12 of Paris?

13 A. Yes, I think that is what it was.

14 Q. And did you go back and visit Mr. Duboc at a house in  
15 France three or four years later where he was living in a  
16 different location?

17 A. Correct.

18 Q. Where was that location?

19 A. That was the near Cannes in the South of France.

20 Q. That was the house that looked out over the  
21 Mediterranean?

22 A. Right.

23 Q. And can you describe that house for us?

24 A. Very beautiful, elaborate, unique house.

25 Q. Did you go anywhere with Mr. Duboc?

1 A. I took a trip -- we did some boating. But I also took a  
2 trip to Italy to look at the boat that he was having built.

3 Q. What kind of boat was this?

4 A. If I remember correctly, it was called the Mangusta; open  
5 cabin yacht.

6 Q. How big a yacht was this?

7 A. Eighty feet.

8 Q. Did you see any other boats Mr. Duboc had?

9 A. We also were in -- I don't know if you call it a speed  
10 boat, kind of similar to a cigarette boat, but with a little  
11 more seating.

12 Q. Did he have anything in the way of cars that was unusual?

13 A. A couple of nice sports cars. Jaguar comes to mind and  
14 maybe a Porsche.

15 MR. HANKINSON: If I could have one second.

16 That is all I have.

17 THE COURT: Mr. Kennedy.

18 MR. KENNEDY: Thank you, Your Honor. May I approach?

19 THE COURT: Sure.

20 CROSS-EXAMINATION

21 BY MR. KENNEDY:

22 Q. Do you still have Government Exhibit 233 in front of you,  
23 Mr. Hill? Good afternoon.

24 A. Yes, sir?

25 Q. You testified, if I understand you, that this record from

1 Canadian Mountain Holidays actually reflects your recollection  
2 of the trips that Mr. Duboc made; is that correct?

3 A. Yes.

4 Q. And Mr. Duboc actually goes in the years '88, '89, '90,  
5 '91, '92, '93, and two times in '93, am I correct?

6 A. Correct.

7 Q. Thank you. Mr. Knock goes in '91, '92, and then two  
8 times in 93, correct?

9 A. Correct.

10 Q. Thank you.

11 MR. KENNEDY: Nothing further.

12 THE COURT: Mr. Daar.

13 MR. DAAR: No questions, Your Honor.

14 THE COURT: Government.

15 MR. HANKINSON: Nothing further, Your Honor.

16 THE COURT: Thank you, sir. That is all.

17 THE WITNESS: Thank you, Your Honor.

18 THE COURT: Your next witness.

19 MR. HANKINSON: We would call Lizabeth Goodman.

20 (Witness affirmed.)

21 THE CLERK: Please be seated.

22 And, ma'am, for the record state your full name and  
23 spell your last name.

24 THE WITNESS: Lizabeth Goodman. G-O-O-D-M-A-N.

25 DIRECT EXAMINATION

1 BY MR. HANKINSON:

2 Q. Where do you live, Ms. Goodman?

3 A. Los Altos, California.

4 Q. And what do you do for a living?

5 A. I'm an attorney.

6 Q. And back in the mid '80s, did you meet a person named  
7 Naomi Knock?

8 A. Yes.

9 Q. Okay. And through Ms. Knock, did you come to know her  
10 husband, John Knock?

11 A. Yes.

12 Q. And did you manage some properties for the Knocks?

13 A. Yes.

14 Q. How many properties did you manage for the Knocks?

15 A. Two.

16 Q. Okay. And when you are talking about managing property,  
17 what do you mean you were doing?

18 A. Collecting money, paying expenses, making sure that there  
19 was maintenance.

20 Q. Okay. When you collected receipts, where was the money  
21 sent?

22 A. To a segregated bank account.

23 Q. Okay. And was there money accumulated there?

24 A. When the rent was paid.

25 Q. And eventually would that money be sent somewhere else?



1 A. To pay for various maintenance and expenses of the  
2 property and taxes and things like that.

3 Q. Did you account to anyone for the expenses of what money  
4 you were bringing in?

5 A. To Naomi.

6 Q. And when you refer to Naomi, are you talking about Naomi  
7 Knock?

8 A. Mrs. Knock.

9 Q. And in a general sense, where were those two properties  
10 located?

11 A. Sonoma County.

12 Q. Now, was one of those properties located at 6281 Melita  
13 Avenue?

14 A. Yes.

15 Q. And describe that property for us, please, ma'am.

16 A. I would say it was rural, suburban with an elderly farm  
17 house on it, a barn, paddock, fruit trees.

18 Q. Did you know that this property was held in the name of a  
19 foreign corporation called Hawi Haa H-A-W-I, H-A-A, a Swiss  
20 company?

21 A. I don't recall that.

22 MR. HANKINSON: At this time I would like to offer  
23 into evidence Government Exhibit 167, which is a certified copy  
24 of the deed of the property.

25 Might I approach the witness?

1 THE COURT: Uh-huh.

2 Q. And, Ms. Goodman, here is the deed that reflects the  
3 company that I referred to. Hawi Haa. Do you recall having  
4 heard that name before?

5 A. I don't recall that.

6 Q. Whose property was this on Melita Road?

7 A. The grant deed says that it was transferred from a Jessie  
8 Patterson to Hawi Haa, a Swiss corporation.

9 Q. Okay. But, based on your understanding, when you were  
10 managing the properties who actually owned that property?

11 A. I provided the management services for Mr. and  
12 Mrs. Knock.

13 Q. Okay. And based on that, was it your understanding that  
14 they owned the property?

15 A. I don't know.

16 Q. Okay. Well, do you remember testifying under oath  
17 yesterday that in fact this was the Knock's property?

18 A. No, it was never expressed one way or the other. It was  
19 sort of implied.

20 Q. Well, answer my question, first. Do you remember  
21 testifying yesterday under oath?

22 A. Yes, I remember that.

23 Q. That this was, in fact, the Knock property?

24 A. I do remember that. Yes.

25 Q. I beg your pardon?